



Annual and sustainability report 2018



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KEY FIGURES¹⁾

Figures in NOK million	2018	2017 ²⁾	2016 ³⁾	2015	2014
Revenue, segment	35 584	31 438	30 137	24 509	23 863
Profit before tax, segment	591	1 311	1 460	1 043	967
Segment Construction	219	629	804	644	549
Segment Property Development	388	549	567	306	280
Segment Industrial	40	206	136	190	210
Segment Other/elimination	-56	-73	-47	-97	-73
Earnings per share, segment (NOK)	4.0	8.6	9.3	6.5	5.8
Dividend per share (NOK)	5.0	5.0	4.5	4.0	3.5
Profit margin, segment (%)	1.7	4.2	4.8	4.3	4.1
Revenue, IFRS ⁴⁾	35 667	31 175	28 613	24 225	24 027
EBITDA, IFRS	1 174	1 844	1 520	1 316	1 383
EBIT, IFRS	580	1 320	1 053	944	1 045
Profit before tax, IFRS	602	1 327	1 092	950	1 055
Earnings per share, IFRS (NOK) ⁵⁾	4.0	8.8	6.6	5.7	6.3
Net interest-bearing debt	1 470	764	0	606	-274
Total order backlog	34 640	32 561	24 404	24 814	16 792

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

2) Pre-tax profit in the segment accounts for 2017 has been restated in accordance with the new revenue recognition standard IFRS 15, effective as of 1 January 2018. See note 37.

3) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of a total of NOK 108 million, with the following distribution: NOK 81 million in Construction Norway, NOK 19 million in Industrial, NOK 4 million in Property Norway and NOK 4 million in Other operations.

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

5) No dilutive effect.

THIS IS VEIDEKKE

Veidekke is one of Scandinavia's largest construction and property development companies. The company undertakes all types of building construction and civil engineering contracts, develops residential projects, maintains roads, and produces asphalt and aggregates. In 2018 Veidekke had revenue of NOK 35.6 billion and 8,568 employees. Veidekke is listed on the Oslo Stock Exchange, and half of the employees are shareholders in the company.

The company is organised into three business areas: Construction, Property Development and Industrial, with strong intra-group synergies. Veidekke is a specialised, competence-based company that carries out projects in collaborative interaction with its customers and suppliers. This participative approach helps ensure good solutions

and results, good, safe operations, and continuous learning and improvement, as well as fostering loyalty and commitment.

Our most valuable resource is our employees and their expertise, and we therefore attach importance to targeted skills development and recruitment of new staff.

Veidekke is present in all the major growth areas in Norway, Sweden and Denmark.

REVENUE

35.6

NOK BILLION

PROFIT BEFORE TAX

0.6

NOK BILLION

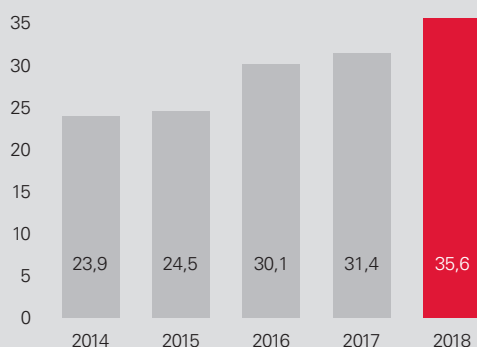
ORDER BACKLOG

34.6

NOK BILLION

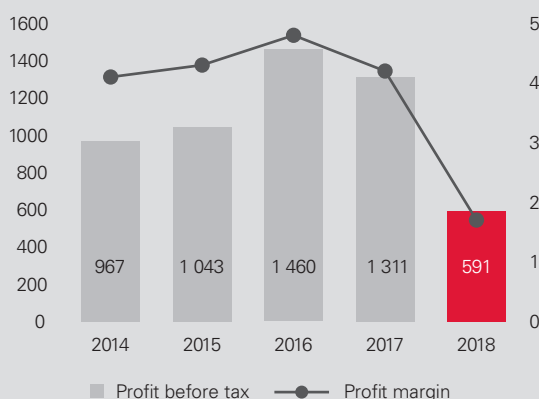
REVENUE

NOK BILLION



PROFIT BEFORE TAX AND PROFIT MARGIN

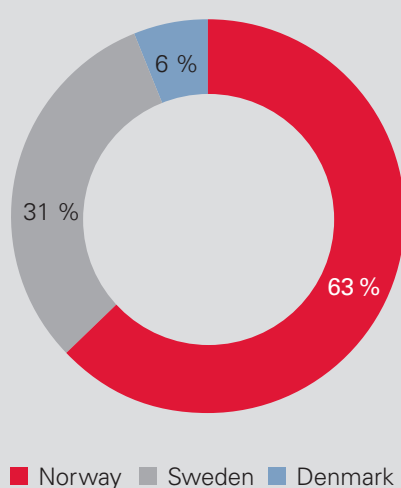
NOK MILLION AND PER CENT



The figures are taken from the segment accounts.

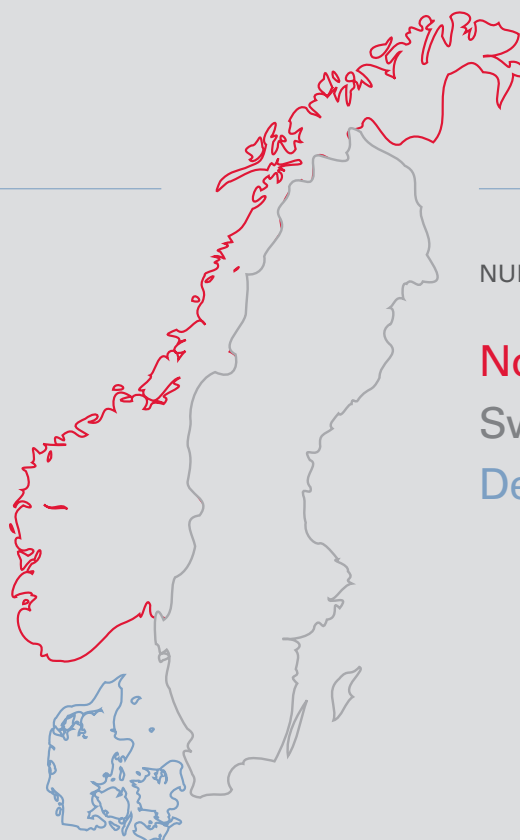
GEOGRAPHICAL DISTRIBUTION

REVENUE BY COUNTRY



NUMBER OF EMPLOYEES

Norway	5 687
Sweden	2 338
Denmark	543



SHARE OF REVENUE DISTRIBUTED BY BUSINESS AREA

BUILDING
CONSTRUCTION



57%

CIVIL ENGINEERING



22%

PROPERTY
DEVELOPMENT



8%

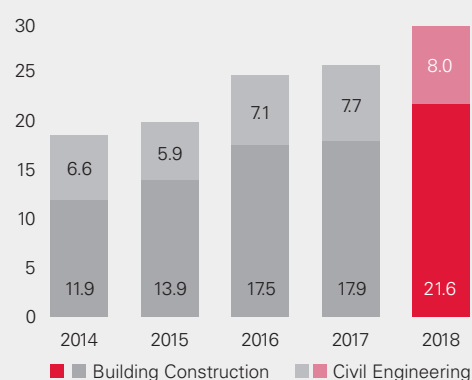
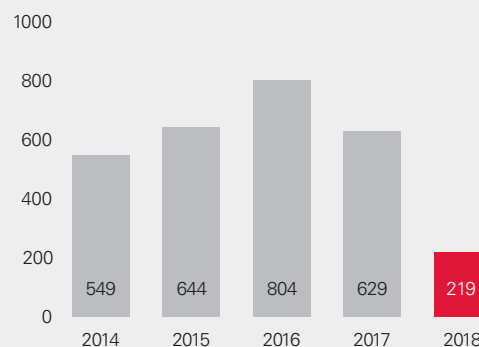
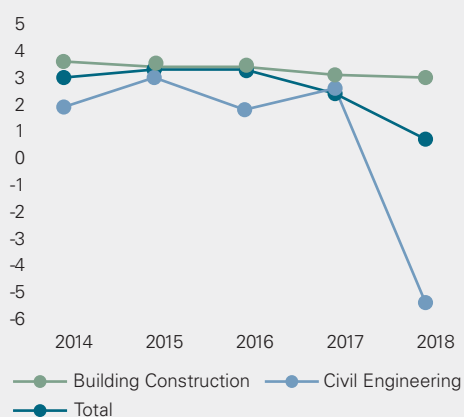
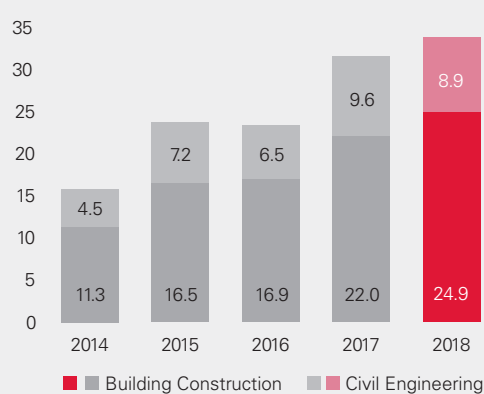
INDUSTRIAL



13%

KEY FIGURES CONSTRUCTION OPERATIONS

NOK million	2018	2017 ¹⁾	2016	2015	2014
Revenue	29 569	25 674	24 629	19 795	18 502
Profit before tax	219	629	804	644	549
Profit margin	0.7	2.4	3.3	3.3	3.0
Order backlog	33 708	31 601	23 368	23 686	15 810

REVENUE¹⁾
NOK BILLIONPROFIT BEFORE TAX²⁾
NOK MILLIONSHARE OF REVENUE BY SEGMENT
NOK BILLIONORDER BACKLOG
NOK BILLION

1) Revenue and profit before tax in the segment accounts for 2017 have been restated in accordance with the new revenue recognition standard IFRS 15, effective as of 1 January 2018. See note 37.

2) The profit for 2017 includes a non-recurring effect as a result of changes to the disability pension in Norway of a total of NOK 81 million.

CONSTRUCTION OPERATIONS



Holtermanns veg, Trondheim

Veidekke is engaged in nationwide building construction and civil engineering activities in Norway and Denmark, while operations in Sweden are concentrated in the largest cities. Construction operations accounted for 79% of Veidekke's revenue in 2018.

Building Construction builds commercial buildings, public buildings and residential buildings. Commercial buildings are mainly office buildings, shopping centres and hotels. Public buildings are primarily schools and health-care buildings.

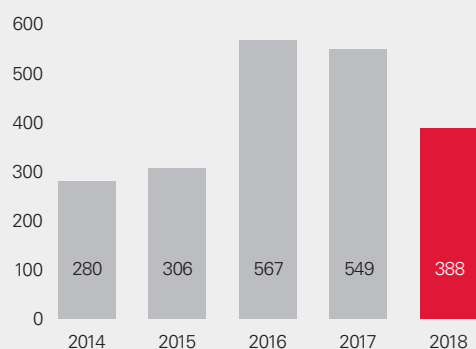
A large proportion of the projects in Building Construction are developed in close collaboration with the customer, ensuring that opportunities and risks are identified at an early stage. This contributes to a better end product and increased added value for the customer and is a success factor for good and profitable operations. A significant portion of Veidekke's building construction contracts are negotiated contracts. Building construction operations accounted for 73% of the business area Construction's total revenue in 2018.

Civil engineering operations accounted for the remaining 27% of the revenue in Veidekke's construction operations in 2018. Transport infrastructure projects (road and rail) and other public infrastructure provide the majority of Civil Engineering's revenue. The portfolio also includes projects in the energy sector and other industrial facilities.

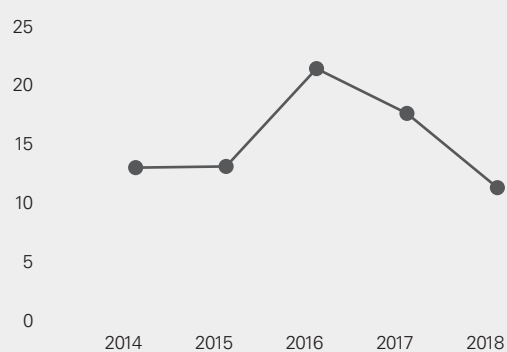
KEY FIGURES PROPERTY DEVELOPMENT

NOK million	2018	2017	2016 ¹⁾	2015	2014
Revenue	2 899	3 456	3 202	2 126	2 276
Profit before tax	388	549	567	306	280
Capital invested	4 760	4 163	3 115	3 004	3 010

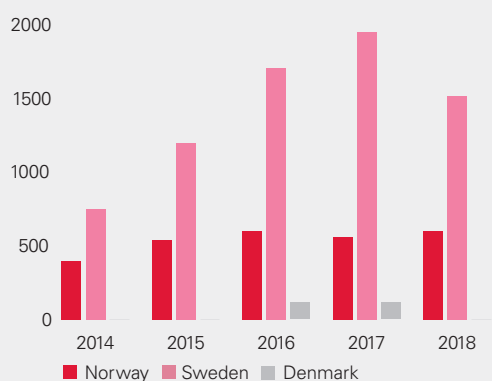
PROFIT BEFORE TAX¹⁾
NOK MILLION



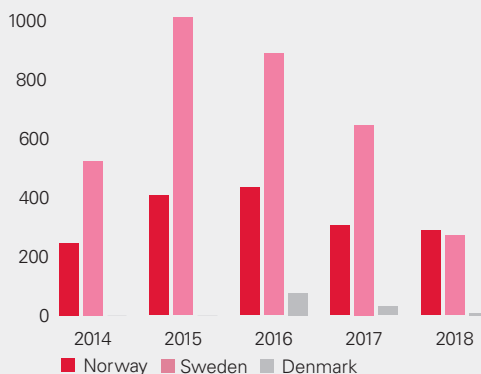
RETURN ON INVESTED CAPITAL
PER CENT



NO. OF UNITS UNDER CONSTRUCTION AT YEAR-END



RESIDENTIAL SALES



1) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of a total of NOK 4 million.

PROPERTY DEVELOPMENT



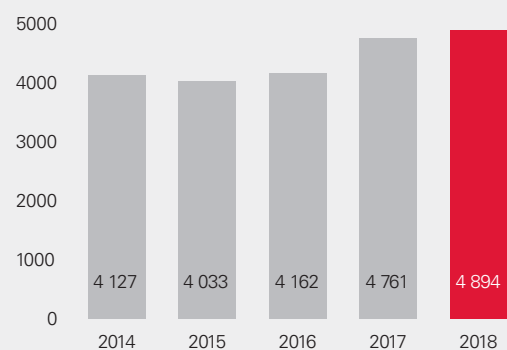
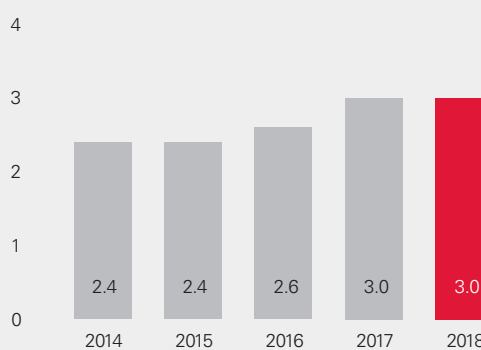
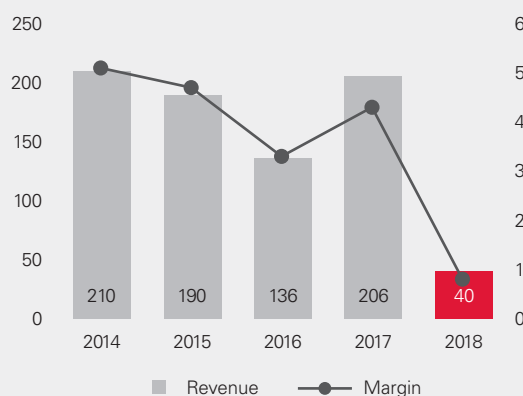
Veidekke's property development operations purchase sites and develop them into residential and non-residential buildings for sale to end customers, primarily in the largest cities in Norway and Sweden. Veidekke's construction operations are responsible for the construction of the residential buildings and are involved from the earliest phase, before the site has even been purchased, to ensure identification of opportunities and risks. The close collaboration between Veidekke's property development and construction operations provides synergies and is central to good profitability in Veidekke's residential segment.

In Sweden Veidekke is generally the sole owner of residential projects, while in Norway most of the projects are done in joint ventures with other partners. The choice of business model is assessed individually for each project, and the project's scope, risk and financing are the decisive factors.

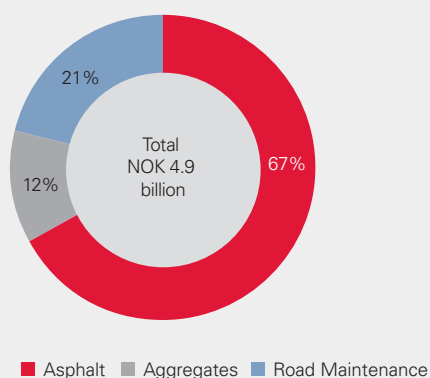
Property development has a long-term perspective. It takes several years from a site being purchased to the home being handed over to the buyer. For this reason, the land bank is strategically important, and the portfolio is optimised through purchases and sales in accordance with the current strategy. At year-end 2018 the group had a land bank that is expected to yield 15,100 residential units: 5,400 in Norway and 9,700 in Sweden.

KEY FIGURES INDUSTRIAL

NOK million	2018	2017 ¹⁾	2016 ²⁾	2015	2014
Revenue	4 894	4 761	4 162	4 033	4 127
Profit before tax	40	206	136	190	210
Profit margin	0.8	4.3	3.3	4.7	5.1
Order backlog	933	960	1 035	1 128	982

REVENUE
NOK MILLIONASPHALT VOLUME
MILLION TONNESPROFIT BEFORE TAX^{1) 2)}
NOK MILLION

REVENUE BY BUSINESS AREA



1) The profit for 2017 included a NOK 70 million property development gain from the sale of land.

2) The profit for 2016 has been adjusted for the non-recurring effect related changes to the disability pensions in Norway of a total of NOK 19 million.

INDUSTRIAL



Hyllestad asphalt plant

Veidekke Industri AS (Industrial) is the largest asphalt contractor in Norway and the second largest producer of aggregates. Industrial is also a major player in the operation and maintenance of public roads in Norway.

The business area Industrial has 30 asphalt plants and 29 quarries. Some of the asphalt plants are mobile, and more and more of the aggregates plants are switching to eco-friendly energy carriers.

In 2018 Industrial accounted for 13% of Veidekke's total revenue.

Industrial's revenue for the 2018 financial year is distributed between the three business units as follows: Asphalt 67%, Road Maintenance 21% and Aggregates 12%.

COLLABORATING TO CREATE CUSTOMER VALUE

The previous year was challenging. On the positive side, Veidekke boosted revenues in 2018, we increased our order backlog and parts of the business delivered good results. However, the annual result was marked by project write-downs in the civil engineering business in Norway. We have taken several steps to make the business more profitable and have implemented measures to improve risk management and tendering processes. Changes were also implemented in the organisation and management. The Norwegian construction business was split into a building construction and a civil engineering business, the industrial operations became a separate business area, and the Scandinavian housing, business and project development activities were organised under one executive vice president. These measures will contribute to improvements in results and profitability over time.

Following several years of decline in work injuries, the numbers increased again in 2018. Sadly, we lost two employees in work accidents towards the end of the year. This development shows that safety at work requires increased attention, and we acknowledge that preventive efforts must be further intensified. Veidekke's very ambitious goals for injury reduction remain firm, as does our vision of zero accidents and incidents.

Veidekke aims to take leadership with regards to sustainability, and we have integrated sustainability into our governance model and strategies. We have committed to complying with international standards, and we are cooperating with industry players, NGOs and the authorities to ensure safe working conditions and fair competition. We have also set ambitious goals to reduce negative impact on climate and the environment.

In collaboration with the customer, we develop solutions that provide added value for the customer and are good for society, while also building knowledge, expertise and capacity that Veidekke can offer future customers. Since the UN's Sustainability Goals were launched in autumn 2015, we have focused on specifically how we can contribute to achieving the goals. Receiving the top score A from the global disclosure system CDP is one confirmation that we are on the right track.

At the outset of 2019, Veidekke first and foremost sees opportunities. We have positive market prospects, a good financial position, many talented employees, and solid faith in the group's future development.




Arne Giske
Group CEO

PROJECTS IN VEIDEKKE

Veidekke is a project organisation, and operations are run through a large number of projects of varying sizes and complexity.

Veidekke's project portfolio at any one time consists of a wide variety of unique projects within Veidekke's product segments, which range from office buildings, health-care buildings, schools and homes to infrastructure such as motorways and railways. Below is a selection of projects:



NYEGAARDSKVARTALET in Oslo for Property Development Norway. Norway's largest BREEAM certified residential project and one of the country's first and largest fossil free construction projects.



UNIVERSITETSGATA 7 in Oslo for Entra. Office building with retail, services and hospitality. To be certified in accordance with the BREEAM-NOR class Excellent standard, energy class A.



SICKLA WASTEWATER TREATMENT PLANT in Stockholm for Stockholm Vatten och Avfall. Reinforcement and renovation of the plant, as part of an extensive modernisation of the Stockholm municipality wastewater plants.



VIA (HOUSE OF OSLO) in Oslo for Storebrand and Aspin Ramm. Office building with retail, services and hospitality. To be certified in accordance with the BREEAM-NOR class Excellent standard.



GEELY INNOVATION CENTRE in Gothenburg for Geely Gothenburg Investment AB. Construction of an innovation centre with offices, a car design center and showroom, and a hotel.



SMESTAD-SOGN CABLE INTERCONNECTORS in Oslo for Statnett. Tunnel, ground and concrete works. The world's first fossil free tunnel project and Norway's first fossil free civil engineering project.



TAPETFABRIKEN hotel in Sickla in Stockholm for Atrium Ljungberg. The hotel constitutes the third phase of Tapetfabriken, a newbuild which also comprises offices and hospitality venues, already built by Arcona.



HAUGESUND HOSPITAL in Haugesund for Helse Fonna Hospital HF. New 18,000 m² hospital building to be built next to the existing hospital in the centre of town.



KAY FISKERS PLADS in Copenhagen for KLP Ejendomme A/S. Construction of office building and parking garage in Ørestad City, where the vision is to set the standard for the office environment of the future for small and medium sized enterprises.



OSLO AIRPORT, NON-SCHENGEN in Akershus for Avinor. Expansion of existing airport terminal building, aircraft apron and related infrastructure.

THE BOARD OF DIRECTORS OF VEIDEKKE ASA

**MARTIN MÆLAND**b. 1949 *Chair*

No. of shares: 42,500

Committees: The Remuneration Committee (Chair)
The Property Committee (Chair)

Mæland has been a member of the Board of Directors since 2002 and its chair since 2009. He was previously CEO of OBOS BBL and currently serves on several boards.

**GRO BAKSTAD**

b. 1966

No. of shares: 15,500

Committees: The Audit Committee (Chair)

Bakstad has been a member of the Board of Directors since 2010. She is Executive Vice President, Division Mail, at Norway Post. She currently serves on several boards.

**HANS VON UTHMANN**

b. 1958

No. of shares: 3,300

Committees: The Audit Committee
The Remuneration Committee

Von Uthmann has been a member of the Board of Directors since 2010. Previous positions include SEVP of Vattenfall Nordic. He currently serves on several boards.

**INGALILL BERGLUND**

b. 1964

No. of shares: 2,500

Committees: The Property Committee

Berglund has been a member of the Board of Directors since 2016. Previous positions include CEO of Atrium Ljungberg AB. She currently serves on several boards.

**INGOLV HØYLAND**

b. 1951

No. of shares: 6,000

Committees: The Property Committee

Høyland has been a member of the Board of Directors since 2017. He is the CEO of Reitan Real Estate. He currently serves on several boards.

**DANIEL KJØRBERG SIRAJ**

b. 1975

No. of shares: OBOS BBL: 24,230,440

Committees: The Audit Committee (from May 2018)

The Remuneration Committee

(from December 2018)

Siraj was elected to the Board of Directors in 2018. He is the CEO of OBOS BBL.

He currently serves on several boards.

**ARVE FLUDAL**b. 1970 *Employee-elected*

No. of shares: 7,840

Fludal has been a member of the Board of Directors since 2015. Fludal heads The Veidekke Employee Share Trust. He is a site manager in Construction Norway.

**INGE RAMSDAL**b. 1962 *Employee-elected*

No. of shares: 7,995

Ramsdal has been a member of the Board of Directors since 2008. He previously worked as a crane operator and concrete worker in Construction Norway.

**ODD ANDRE OLSEN**b. 1961 *Employee-elected*

No. of shares: 4,105

Olsen has been a member of the Board of Directors since 2011. Olsen is the chief employee representative in Veidekke. He previously worked as an iron fixer in Construction Norway.

THE CORPORATE MANAGEMENT OF VEIDEKKE ASA



ARNE GISKE

b. 1957

Group CEO

No. of shares: 153,215

Arne Giske has been Group CEO since 1 July 2013. He joined Veidekke as Executive Vice President in 2001. Giske holds a master's degree in Business and Economics from BI Norwegian Business School and an MBA from the University of Wisconsin.



TERJE LARSEN

b. 1961

*Executive Vice President,
responsible for Accounting & Finance,
IT, Strategy and Legal*

No. of shares: 110,575

Terje Larsen joined Veidekke in 2001 and has served as Executive Vice President since 2013. Larsen holds a master's degree in Business and Economics from BI Norwegian Business School and an MBA from the University of Wisconsin.



LARS ERIK LUND

b. 1969

*Executive Vice President
Communications and Public Affairs*

No. of shares: 14,310

Lars Erik Lund joined Veidekke as Executive Vice President in 2016. Lund holds a master's degree in Business and Economics from the Norwegian School of Economics (NHH).



ANNE THORBJØRNSEN

b. 1969

*Acting Executive Vice President
HR and OHS*

No. of shares: 28,855

Anne Thorbjørnsen joined Veidekke in 2000 and was appointed acting EVP in 2018. Thorbjørnsen holds a master's degree in Business and Economics from BI Norwegian Business School.

**JØRGEN WIESE PORSMYR**

b. 1972

*Executive Vice President,
responsible for project development in
Scandinavia and construction Denmark*

No. of shares: 109,310

Jørgen Wiese Porsmyr joined Veidekke in 1995 and has served as Executive Vice President since 2006. Wiese Porsmyr holds a master's degree in Business and Economics from the Norwegian School of Economics (NHH).

**HANS OLAV SØRLIE**

b. 1965

*Executive Vice President
Building Construction Norway*

No. of shares: 70,090

Hans Olav Sørli joined Veidekke in 2003 and was appointed Executive Vice President in 2018. Sørli is a graduate engineer from the Norwegian University of Science and Technology.

**ØIVIND LARSEN**

b. 1963

*Executive Vice President
Civil Engineering Norway*

No. of shares: 7,100

Øivind Larsen worked at Veidekke from 1988 to 2001 and rejoined the company in 2016. He was appointed Executive Vice President in 2018. Larsen is a graduate engineer from the Norwegian University of Science and Technology.

**CATHARINA BJERKE**

f. 1968

Executive Vice President Industrial

No. of shares: 5,585

Catharina Bjerke joined Veidekke in 2015 and was appointed Executive Vice President in 2018. Bjerke is a graduate economist from Trondheim Business School and studied psychology at the Norwegian University of Science and Technology.

**JIMMY BENGTSSON**

b. 1966

*Executive Vice President, responsible
for construction operations in Sweden
and corporate procurement.
Country Manager Sweden.*

No. of shares: 49,240

Jimmy Bengtsson headed Arcona AB from 2007 to 2015. He was appointed Executive Vice President at Veidekke 1 January 2016. Bengtsson is a graduate engineer from the Royal Institute of Technology in Stockholm.

BOARD OF DIRECTORS' REPORT

HIGHLIGHTS – GROUP

Revenues increased by 13% in 2018 to NOK 35.6¹⁾ billion, from NOK 31.4¹⁾ billion in 2017. Most of the growth was in Construction, with increased revenues in all three countries. In Norway, high activity in eastern Norway and Trøndelag contributed to growth, while acquisitions in Gothenburg contributed to growth in Sweden. In Denmark, increased activity within commercial buildings in Copenhagen contributed to increased revenues in 2018. Property Development's revenues fell in 2018, due to lower residential sales and fewer new housing starts in Sweden, whereas Industrial's revenue was on par with the previous year.

Profit before tax was NOK 591 million, compared with NOK 1,311¹⁾ million in 2017. The result reflects project write-downs amounting to NOK 550 million in the Norwegian civil engineering operations in the second quarter of 2018. Excluding the write-downs, the underlying result for 2018 was a profit of NOK 1,141 million. Lower sales and fewer new housing starts in Sweden contributed to a decline in profit in Property Development, while weaker profitability in Asphalt resulted in a decline in profit in Industrial.

Construction had profit of NOK 219 million, up from NOK 629¹⁾ million in 2017. In the building construction operations in Norway, revenue growth contributed to increased profits, while the result in Civil Engineering Norway reflected the project write-downs in the second quarter. Sweden had significantly improved profits in 2018, primarily as a result of acquisitions, and the operations in Denmark maintained good profitability.

Profit in the property development operations was NOK 388 million, compared with NOK 549 million in 2017. In Sweden, the weak residential market led to lower residential sales, fewer starts and lower contributions from units under construction, while development gains from the sale of commercial sites resulted in profit

growth in Norway. Return on invested capital in property development operations was 11.3%, compared with 17.6% in 2017.

Industrial had a profit of NOK 40 million in 2018, compared with NOK 206 million in 2017. Last year's profit included a net sales gain of NOK 70 million. The decline in profit in 2018 is attributable to Asphalt, where higher commodity costs and low capacity utilisation resulted in a weak profit.

With a view to improving profitability, Veidekke has reorganised the operational units by dividing the Norwegian construction operations into a building construction unit and a civil engineering unit, has organised the group's residential, commercial and project development activities in Scandinavia together under one executive vice president, and has organised Industrial as a separate business area that reports directly to the Group Chief Executive. At the same time, steps have been taken to reduce capital expenditure and improve risk management in the projects.

The total order intake for the group as a whole was NOK 32.7 billion in 2018. The order book at year-end was NOK 34.6 billion, which is an increase of 6% from the beginning of the year.

Net interest-bearing debt amounted to NOK 1,470 million at the end of 2018. By comparison, the group had interest-bearing debt of NOK 764 million at the end of the previous year. The main reasons for the increased debt are weaker profits, investments in machinery and equipment, increased capital tied up in Property Development, and acquisitions.

Earnings per share was NOK 4.0 (IFRS). In light of the group's strong financial position, solid order book and good market prospects, the Board proposes an ordinary dividend of NOK 5.0 per share for the 2018 financial year. This corresponds to a dividend pay-out ratio of 125% (IFRS).

1) Revenue and pre-tax profit in the segment accounts for 2017 have been restated in accordance with the new revenue recognition standard IFRS 15, effective as of 1 January 2018. See note 37.

OPERATIONS IN 2018

CONSTRUCTION OPERATIONS

NOK million	2018	2017	2016 ¹⁾	2015	2014
Revenue	29 569	25 674	24 629	19 795	18 502
Profit before tax	219	629	804	644	549
Profit margin %	0.7	2.4	3.3	3.3	3.0
Order backlog	33 780	31 601	23 368	23 686	15 810

1) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 81 million.

Veidekke's construction operations saw a 15% increase in revenue from 2017. The growth was partly organic, mainly in Norway, and partly due to the acquisition of companies in 2018. While the operations in Sweden and Denmark and the Norwegian building construction operations had improved results, the profit for the year primarily reflects the project write-downs in the civil engineering operations in Norway.

Construction operations had an order book of NOK 33.8 billion at year-end, an increase of 7% from the end of 2017. Of this, non-residential buildings accounted for 55%, civil engineering projects 26% and residential buildings 19%, compared with 40%, 29% and 31% respectively in 2017. Orders in hand show a trend towards a larger proportion of non-residential building projects in 2018, with a corresponding reduction in the proportion of residential projects. Total order intake in 2018 was NOK 32.0 billion.

Building Construction Norway

NOK million	2018	2017	2016 ¹⁾	2015	2014
Revenue	13 070	10 309	10 389	8 287	7 490
Profit before tax	443	378	521	369	322
Profit margin %	3.4	3.7	5.0	4.5	4.3
Order backlog	14 223	12 833	10 504	9 994	7 260

1) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 81 million for the Norwegian construction operations.

Building Construction Norway had revenue of NOK 13.1 billion in 2018, compared with NOK 10.3 billion in 2017. The growth was primarily organic, but acquisitions also contributed to higher revenue in 2018. Most of the growth was in operations in eastern Norway and Trøndelag.

Profit before tax was NOK 443 million in 2018, compared with NOK 378 million the previous year. The higher profit is due to

increased revenues. Profitability in the portfolio fell slightly in 2018, with a profit margin of 3.4%, compared with 3.7% the previous year.

At the end of 2018, Building Construction had an order book of NOK 14.2 billion, compared with NOK 12.8 billion at the beginning of the year. Of this, non-residential buildings accounted for 68%, residential buildings 28% and other 4%, compared with 51%, 39% and 1% respectively in 2017.

Major projects awarded in 2018:

- Ruseløkkveien 26 (VIA) for Storebrand Eiendom AS and Aspelin Ramm Eiendom AS. Demolition of existing buildings and construction of a new commercial building. Contract value: over NOK 1 billion.
- New hospital building in Haugesund for Fonna Hospital Trust. Contract value: NOK 754 million.
- Universitetsgaten 7 in Oslo. Office and commercial buildings for Entra. Contract value: NOK 625 million.
- Nyegaardskvartalet in Oslo. Residential project for Veidekke Eiendom AS. Contract value: NOK 507 million.
- Ulven, phase I. Residential project in Oslo for OBOS. Contract value: NOK 470 million.
- Mesnakvartalet in Lillehammer. Residential project for Smedvig Eiendom AS. Contract value: NOK 387 million.
- Ålesund Bybad. Swimming pool and three residential buildings with a total of 35 apartments for Brødrene Jangaard AS. Contract value: NOK 344 million.

Two acquisitions were made in 2018. In the first quarter, Veidekke Entreprenør bought 80% of the shares in Grande Entreprenør AS. The company has 200 employees and had revenue of NOK 465 million in 2018. In the fourth quarter, Veidekke Entreprenør bought 68% of the shares in Hande AS, a company specialising in redeveloping and fitting out office premises in the Oslo area. Hande AS has 25 employees and had revenue of NOK 160 million in 2018.

Civil Engineering Norway

NOK million	2018	2017	2016 ¹⁾	2015	2014
Revenue	4 427	4 411	4 707	3 744	4 388
Profit before tax	-584	-56	76	124	101
Profit margin %	-13.2	-1.3	1.6	3.3	2.3
Order backlog	5 056	6 688	3 904	5 201	3 177

1) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 81 million for the Norwegian construction operations.

The Norwegian civil engineering operations had revenue of NOK 4.4 billion in 2018, which is at the same level as in 2017.

The result before tax was a loss of NOK -584 million in 2018, compared with NOK -56 million the previous year. The result for 2018 is characterised by project write-downs totalling NOK 550 million in the second quarter, mainly related to transport infrastructure projects with great uncertainty related to the basis for income. Organisational measures and profitability improvement measures have been implemented in this unit, and a thorough assessment is going to be made of the unit's strategy.

At the end of 2018, civil engineering operations had an order book of NOK 5.1 billion, compared with NOK 6.7 billion at the beginning of the year. To ensure profitability in future projects, Civil Engineering is highly selective in prioritising which projects to submit a tender for.

Major projects awarded in 2018:

- Klypen–Loenga for Bane NOR. Concrete work in connection with linking the new Follobanen railway to Oslo Central Station. Contract value: NOK 295 million.
- Sørmarkfjellet wind power plant in Trøndelag for Sarepta Energi AS. Contract value: NOK 261 million.
- Kongsvingerbanen railway for Bane NOR. Contract value: NOK 183 million.
- Leirvika Havn at Hammerfest Havn KF. Groundwork for a new logistics centre at Polarbasen in Rypefjord. Contract value: NOK 130 million

Construction Sweden

NOK million	2018	2017	2016	2015	2014
Revenue	9 855	8 810	7 819	6 156	4 804
Profit before tax	214	170	102	56	19
Profit margin %	2.2	1.9	1.3	0.9	0.4
Order backlog	11 880	10 705	7 698	7 160	4 164

Revenue from Veidekke's Swedish construction operations rose to NOK 9.9 billion in 2018. This is a 16% increase measured in local currency, and is largely linked to the acquisition of Billström Riemer Andersson AB. Most of the growth was in the non-residential segment, while activity within residential building construction fell by 23%.

Profit before tax increased by 26% to NOK 214 million, from NOK 170 million in 2017. The profit margin rose to 2.2%, from 1.9% in 2017. The increase in profit is related both to the acquisition and to strengthened profitability within non-residential building construction and civil engineering, while lower activity and weak profitability in residential construction dragged the result for the year down. The profit margin for the year was 1.1% for building construction operations and 3.9% for civil engineering operations.

The order book increased to NOK 11.9 billion. Measured in local currency, this is a 14% increase. The order book consists of 18% residential projects, 55% non-residential buildings and 27% civil engineering, compared with 39%, 40% and 21% respectively in 2017.

Major projects awarded in 2018:

- Geely Innovation Center phases 1–5, Gothenburg. Multi-functional building with offices, a car design centre and a hotel in Gothenburg for Geely Gothenburg Investment AB. Contract value: NOK 1.2 billion.
- Sickla sewage treatment plant, Stockholm. Tunnel work for Stockholm Vatten och Avfall. Contract value: NOK 545 million.
- Kv Ormen, Gothenburg. Office buildings for Wallenstam. Contract value: NOK 255 million.
- SKF HQ, Gothenburg. Office building for SKF. Contract value: NOK 265 million.
- Sisjödalen care homes in Gothenburg for Dawasta. Contract value: NOK 228 million.
- Kråktorpet wind farm for Eulos Vind AB. Contract value: NOK 214 million

In May Veidekke Entreprenad acquired 90.1% of the shares in Billström Riemer Andersson AB, which primarily builds non-residential buildings in the Gothenburg area. The company has 200 employees and had revenue of NOK 1.3 billion in 2018.

Construction Denmark

NOK million	2018	2017	2016	2015	2014
Revenue	2 218	2 144	1 713	1 608	1 820
Profit before tax	146	137	105	96	108
Profit margin %	6.6	6.4	6.2	6.0	5.9
Order backlog	2 548	1 375	1 262	1 331	1 209

Revenue in Veidekke's Danish construction operations in 2018 remained at the same level as in 2017. There was a high level of activity in Zealand, while operations in Jutland had lower revenues than the previous year. Profit before tax was NOK 146 million, compared with NOK 137 million last year. The profit margin was 6.6% and is due to solid profitability in the project portfolio.

The order book amounted to NOK 2.5 billion at year-end, compared with NOK 1.4 billion at the end of 2017, and was divided between non-residential buildings (90%), residential buildings (4%) and civil engineering projects (6%), compared with 94%, 5% and 1% respectively in 2017.

Major projects awarded in 2018:

- KLP Kay Fisher Plads, Copenhagen. New office building for KLP A/S. Contract value: NOK 1.4 billion.
- Amager Centeret. Shopping Centre for Danske Shopping Centre. Contract value: NOK 512 million.
- DTU Kemi 228 in Lyngby. Non-residential building for DTU. Contract value: NOK 237 million.

PROPERTY DEVELOPMENT OPERATIONS

NOK million	2018	2017	2016	2015	2014
Revenue	2 899	3 456	3 202	2 126	2 276
Profit before tax	388	549	567	306	280
No. of units under construction ^{1) 2)}	2 116	2 620	2 422	1 739	1 149
No. of units sold ¹⁾	567	979	1 397	1 416	770

1) A significant portion of Veidekke's property development operations take place in joint ventures, particularly in the Norwegian operations. The figures in the table illustrate Veidekke's share.

2) Includes 115 residential units in an own-account project in Denmark in 2016 and 2017. The project is reported in the accounts under Construction Denmark.

Property Development had total revenues of NOK 2.9 billion in 2018, compared with NOK 3.5 billion in 2017. Profit before tax was NOK 388 million, compared with NOK 549 million in 2017. The decline was in the Swedish operations as a result of lower residential sales and few new projects started in 2018. Development gains from the sale of projects amounted to a total of NOK 112 million, compared with NOK 44 million in 2017.

A total of 731 units were sold in 2018, with a value of NOK 3.3 billion. Veidekke's share of the sales was 567 units. Activity in the Norwegian residential market was at a normal level, while lower demand contributed to a decline in activity in the Swedish market. There were 2,116 residential units under construction at the close of the year, compared with 2,620 in 2017. The sales ratio in the portfolio was 80%.

Most of the residential projects developed by Property Development are built by Veidekke's construction operations. In 2018 Property Development provided Construction with residential projects with a combined contract value of NOK 1.0 billion, compared with NOK 3.6 billion in 2017.

At the end of the year, Veidekke had a total land bank equivalent to 18,600 residential units, of which Veidekke's share is 15,100 units. By comparison, the land bank consisted of 17,450 units in 2017, of which Veidekke's share was 14,050 units. An assessment of the market value of the sites indicates added value in the land bank above the book value of an estimated NOK 1 billion. This added value is mainly related to sites in Norway.

As a complement to the residential operations, Veidekke has built up operations that develop non-residential buildings in recent years. This segment includes offices, commercial premises in residential projects and logistics. A number of important milestones were reached towards the end of the year, through the realisation of projects in Norway and establishment of the company Veidekke Kommersiellt AB in Sweden.

Capital invested amounted to NOK 4.7 billion at the close of 2018. Property Development's profitability is measured by return on invested capital, which was 11.3% for 2018 as a whole, compared with 17.6% the previous year.

Property Development Norway

NOK million	2018	2017	2016	2015	2014
Revenue	735	610	338	413	747
Profit before tax	163	146	149	146	175
No. of units under construction ¹⁾	599	557	600	541	399
No. of units sold ¹⁾	288	304	433	406	246

1) Veidekke's share.

Revenue for 2018 totalled NOK 735 million, compared with NOK 610 million the previous year. Half of the residential projects are carried out in joint ventures and do not generate accounting revenue in Veidekke's consolidated financial statements. The proportion of projects carried out as own-account projects rose in 2018, contributing to revenue growth compared with 2017.

Profit before tax amounted to NOK 163 million in 2018, compared with NOK 146 million in 2017. The contribution from ongoing residential production was on par with the previous year, while development gains from the sale of two non-residential projects, with a combined value of NOK 51 million, contributed to an increased profit in 2018. Profit from joint ventures has already been taxed, and the profit adjusted for tax in joint ventures was NOK 198 million in 2018, compared with NOK 197 million in 2017.

Including joint venture projects, Veidekke sold 437 residential units in Norway in 2018, compared with 493 the previous year. Veidekke's share of the sales in 2018 was 288 units, compared with 304 the previous year. In 2018 construction started on 502 residential units, compared with 320 in 2017.

Veidekke's share of the residential production was 599 units at the end of 2018, compared with 557 units the previous year. The start-up of some major projects contributed to a decline in the sales ratio for units under

construction to 70%, compared with 80% the previous year. At year-end Veidekke's share of unsold, completed units was 30, compared with 19 in 2017.

Veidekke's portfolio of commercial properties contains development projects within both offices and logistics. Veidekke's ongoing projects include a 12,000 square metre commercial project under construction with a partner in Trondheim. The building will be completed in the second quarter of 2019 and is almost fully leased.

At year-end, Property Development Norway had a land bank equivalent to 7,750 residential units, of which Veidekke's share was 5,400 in 42 projects.

The largest land acquisitions in 2018:

- Ladebekken in Trondheim. Own-account project with approx. 58 residential units.
- Haakon VII's gate in Trondheim. Own-account project with approx. 210 residential units.
- Blaklieggen in Trondheim. Own-account project with approx. 220 residential units.

Capital invested amounted to NOK 3.1 billion at 31 December 2018, compared with NOK 3.2 billion one year earlier. The return on invested capital, adjusted for taxes in associates and joint ventures, was 8.6% for the last twelve months.

Property Development Sweden

NOK million	2018	2017	2016	2015	2014
Revenue	2 165	2 845	2 864	1 712	1 529
Profit before tax	225	404	418	159	105
No. of units under construction ¹⁾	1 517	1 948	1 707	1 198	750
No. of units sold ¹⁾	271	645	889	1 010	536

1) Veidekke's share.

Property Development Sweden had revenue of NOK 2.2 billion in 2018, compared with NOK 2.8 billion the previous year. Profit before tax was NOK 225 million, compared with NOK 404 million in 2017. The decrease in revenue and profit is an effect of lower residential sales and few project starts in 2018. Development gains from the sale of projects amounted to NOK 60 million, compared with NOK 6 million in 2017.

A total of 286 residential units were sold during the year, of which Veidekke's share was 271. The decline from 645 units in 2017 is largely related to weak sales in the Stockholm area. Over the year, Veidekke has made market adaptations to increase sales in individual projects, primarily in Stockholm. This has contributed to increased demand in the projects

concerned, and the financial effects of the market adaptations have been taken into account in the profit for 2018. At year-end only two completed units were unsold.

Construction started on five projects with a total of 295 units in 2018, compared with 1,054 units in 2017. Thirteen projects with a total of 726 units were completed in 2018. At year-end Veidekke's share of the residential production was 1,517 units, compared with 1,948 at the end of 2017. The sales ratio for units under construction was 84%, on par with the previous year.

At year-end the Swedish property development operations had a land bank equivalent to approximately 10,800 residential units, of which Veidekke's share was 90% or 9,700 units.

The largest land acquisitions in 2018:

- Södra Hagalund, in Solna, Stockholm. Own-account project with approx. 600 residential units, plus offices and other premises.
- Järla Torg in Nacka, Stockholm. Own-account project with approx. 100 residential units.
- Karlsvik, in Farsta, Stockholm. Own-account project with approx. 100 residential units.

In addition, just over 300 units in several small projects were bought through Veidekke Bostad's new Flex concept, which offers affordable, flexible terraced housing.

In the fourth quarter, Veidekke Bostad and STOS Fastigheter established the company Veidekke Kommersiellt AB. This company will conduct commercial property development in the office and hotel segments in the main metropolitan regions in Sweden.

Capital invested amounted to NOK 1.6 billion at the end of 2018. Return on invested capital dropped to 19.9% in 2018, from 46.9% in 2017.

INDUSTRIAL

NOK million	2018	2017 ¹⁾	2016 ²⁾	2015	2014
Revenue	4 894	4 761	4 162	4 033	4 127
Profit before tax	40	206	136	190	210
Profit margin	0.8	4.3	3.3	4.7	5.1
Ordresreserve	933	960	1 035	1 128	1 274

1) The profit for 2017 includes a NOK 70 million property development gain from the sale of land.

2) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 19 million.

Industrial had revenue of NOK 4.9 billion in 2018, up 3% from the previous year. Profit before tax was NOK 40 million, corresponding to a profit margin of 0.8%. The

decline in profit was in Asphalt. The profit for 2017 of NOK 206 million included a sales gain of NOK 70 million.

Asphalt's revenue increased to NOK 3.4 billion in 2018. This 8% increase is due to higher commodity prices. Profit before tax was NOK 3 million, compared with NOK 133 million in 2017. The decline in profit is due to a substantial increase in commodity prices, as well as lower capacity utilisation than the previous year. Volumes are stable compared with the previous year, but the unit has invested in increased capacity and was expecting higher volumes in 2018. Measures to improve profitability have been implemented aimed at sales, calculations, pricing and planning.

Road Maintenance had revenue of NOK 1.1 billion in 2018, a decrease of 7% from 2017. The result before tax was a loss of NOK -35 million, compared with NOK -66 million in 2017. The 2017 result included provisions for losses in two contracts. Project contributions from older contracts are weak and do not cover the portfolio's fixed costs in 2018. However, the more recent maintenance contracts have good profitability. The project portfolio consisted of 21 contracts at year-end.

Aggregates had revenue of NOK 602 million in 2018, which is on par with the previous year. This unit delivered 9.3 million tonnes of crushed stone materials during the year. The profit increased by 7% from 2017 to NOK 73 million. Aggregates had solid profitability, with a profit margin of 12.5%, compared with 11.9% last year.

OTHER OPERATIONS

Other operations consist of unallocated costs associated with the group's corporate administration and financial management, the group's ownership role in Public-Private Partnerships (PPP), and the elimination of intra-group profits. This unit posted a result of NOK -56 million for 2018, compared with NOK -73 million in 2017.

STRATEGIC GOALS

Veidekke is a leading Scandinavian construction and property development company. This requires the company to have operations in all the growth areas in Scandinavia and be a leader in terms of profitability and size in its local markets. Veidekke's position as a leading Scandinavian player is supported by targeted work to ensure good, safe operations in all the units, development of value-creating partnerships, and individual and collective expertise and skills.

In keeping with the company's growth ambitions, Veidekke has acquired a number of companies in recent years. Veidekke's acquisitions in 2018, included 90.1% of the shares in Billström Riemer Andersson AB (BRA) in Sweden and 80% of the shares in Grande Entreprenør AS in Norway. The acquisition of BRA strengthens Veidekke's position in the non-residential building construction segment in Gothenburg, while the acquisition of Grande Entreprenør enhances Veidekke's position in central Norway.

Strategic financial goals have been defined for Veidekke's three business areas. The business areas Construction and Industrial have set a target of achieving a profit margin before tax of 5% and 6.5% respectively, while Property Development has a target of a 15% return on invested capital. In 2018 Construction achieved a profit margin before tax of 0.7%, while Industrial's profit margin was 0.8%. Property Development achieved a return on invested capital of 11.3% in 2018.

Veidekke aims to provide its shareholders with competitive returns in the form of a combination of dividends and returns on shares. Dividends shall constitute at least 50% of the annual profit. The direct return to the shareholders was 5.2% in 2018, while the total return was 10%. By comparison, the return on the Oslo Stock Exchange was -2%. The Board proposes a dividend for the 2018 financial year of NOK 5.0 per share, which corresponds to a pay-out ratio of 125% (IFRS).

Veidekke shall be a safe workplace and therefore has a long-term goal of zero serious injuries. In addition, the total number of injuries is to be reduced by 20% a year.

ORGANISATION

At the end of 2018, Veidekke had 8,568 permanent employees. A total of 1,822 new employees joined the company in 2018, of whom 24% joined Veidekke as a result of business acquisitions in Norway and Sweden. Employee turnover in the group (only resignations) was 8.2%.

Veidekke has a good reputation as an employer, with a high degree of employee involvement, contributing to safe operations, continuous learning and improvements, and employees who thrive and want to stay in the company. The group's policies regarding recruitment, professional development, working environment, diversity and management are outlined below. For more detailed information, see pages 149–151 of this report.

Number of employees

	Skilled workers	Administrative staff	Total
Norway	3 341 (3 074)	2 346 (2 257)	5 687 (5 331)
Sweden	950 (684)	1 388 (1 179)	2 338 (1 863)
Denmark	324 (315)	219 (227)	543 (542)
Total	4 615 (4 073)	3 953 (3 663)	8 568 (7 736)

Last year's figures in brackets.

Professional development and training

Veidekke builds complex projects, requiring high levels of expertise. In the projects, the employees are exposed to new tasks and challenges and can develop their professional expertise and skills.

Professional development is also supported by the Veidekke School, which offers courses and education in project management, new technology, finance, contract law, energy and the environment, occupational health and safety, compliance, management development, etc. In addition, the group's various internal specialist networks ensure exchange of experience and development in important disciplines and product areas. To keep ahead of the game in terms of developments in technology, Veidekke also collaborates with leading research groups at universities, colleges and technical colleges.

Veidekke has a long-term strategy to train and employ its own skilled workers. Veidekke is one of Norway's largest apprenticeship companies, and last year the proportion of apprentices rose by 20.5%. Apprentices who pass the trade examination qualify for full employment in the company on completion of their apprenticeship. In recent years, fewer young people have chosen a vocational education in schools. This is a challenge for the entire industry, and Veidekke has conducted targeted campaigns to strengthen recruitment to vocational subjects over the past three years.

Veidekke's two-year trainee programme recruits recently qualified engineers, graduate engineers, business administration graduates and other administrative staff into the organisation. The programme combines practical work in the projects with education in theory. The trainee programme is a good recruitment base for executive positions, and many of Veidekke's senior executives joined the company as trainees. At the end of the year, the group had a total of 145 trainees, an increase of 8.2% from 2017.

In 2018 Veidekke was again voted the most attractive employer in the construction industry in Norway in Universum's annual survey.

Working environment and diversity

Veidekke builds on equality, mutual respect and the opportunity to use one's skills and competencies in interaction with others. There is zero tolerance for harassment and behaviour that can be perceived as threatening or demeaning. The company's ethical guidelines encourage employees to report any actions that may be contrary to legislation, rules or internal procedures. Procedures have been developed for reporting irregular activities (whistle-blowing), and these kinds of matters can be reported internally or externally.

Veidekke strives for greater diversity in the workforce. In an industry that generally has a low percentage of women, clear targets have been set to increase the proportion of women in the company in general and get more women in executive positions by 2020. At the end of 2018, 12% of Veidekke's employees were women: 23.3% among the administrative staff and 2% among the skilled workers. In 2018 the proportion of female trainees rose by 5% to 39%, and the proportion of female apprentices rose by 2% to 5%. Two of the nine members of the corporate management team are women.

Management

In connection with the reorganisation of parts of the company in 2018, changes were also made to Veidekke's corporate management, which now comprises the Group Chief Executive, five executive vice presidents for the business areas, and three executive vice presidents for central staff functions. The corporate management is presented on page 18.

OCCUPATIONAL HEALTH AND SAFETY

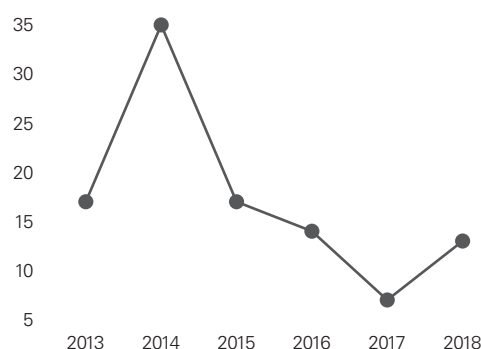
In 2018 two Veidekke employees died in occupational accidents. These fatal accidents and a general increase in the number of injuries in 2018 indicate clearly that safety work requires continuous attention, and that preventive work must be improved. In order to make Veidekke's safety work even clearer and more binding, in 2018 Veidekke established a safety committee under the corporate management to steer Veidekke's safety improvement work. The committee, which is headed by the group's OHS director and includes selected OHS and line managers, will prioritise, initiate, implement and approve improvement projects and initiatives. The establishment of the safety committee is one of the measures Veidekke has initiated in 2018 to achieve its target of a 20% reduction in the number of occupational injuries.

There were six more serious injuries in the group in 2018 than in 2017, which is an 86% increase, while the total number of injuries increased by 72 (24%). This development is discussed in more detail in the chapter on sustainability on pages 145–147.

TOTAL NUMBER OF INJURIES

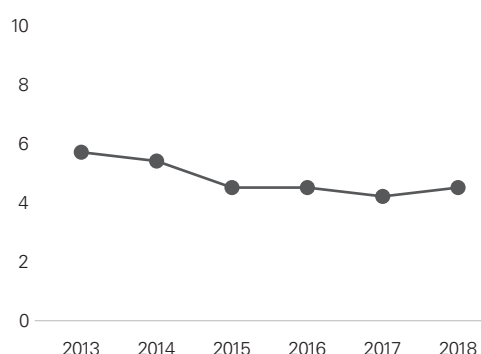


SERIOUS INJURIES



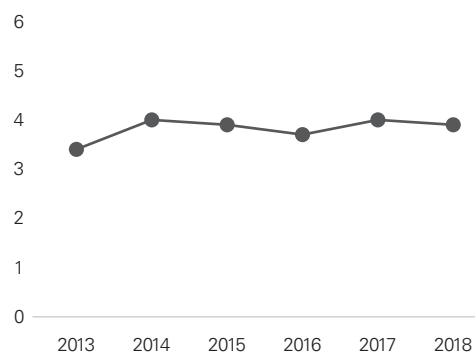
At the end of 2018 Veidekke's lost-time injuries among own employees (the LTI-1 rate) was 4.5, up from 4.4 in 2017.

LTI RATE: LOST-TIME INJURIES PER MILLION HOURS WORKED, OWN EMPLOYEES



Sickness absence in 2018 was 3.9%, down from 4.0% in 2017. The rates for the individual countries were: Norway 4.1% (4.3%), Sweden 3.9% (3.7%) and Denmark 1.9% (1.7%). Veidekke works to reduce sickness absence through training, preventive efforts and adaptation, so that employees on sick leave can return to work faster. Sickness absence at Veidekke is lower than the average rate for the industry. Annual working environment surveys indicate a high level of job satisfaction among the employees.

SICKNESS ABSENCE, OWN EMPLOYEES, PER CENT



THE EXTERNAL ENVIRONMENT

Veidekke seeks to both limit its own impact on the external environment and be a driving force for a sustainable construction and civil engineering industry. Environmental considerations are fully integrated into all of Veidekke's activities. Veidekke places environmental requirements on its partners and contributes beyond its own business, in industry organisations, educational institutions, research and development, and in interaction with the authorities.

In 2015 Veidekke committed to running the business in accordance with the United Nations' two-degree target, and the group aims to reduce its own greenhouse gas emissions by 50% by 2030 and by 90% by 2050. For 2018 Veidekke was given a score A in the international investor survey on climate change, CDP, which rates companies' efforts to reduce greenhouse gas emissions. A more detailed account of activities and results of Veidekke's environmental work can be found on pages 140–144 of this report.

CORPORATE GOVERNANCE

Good corporate governance is the responsibility of the Board of Directors. Veidekke reports in accordance with the most recent version of the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018. Good corporate governance is discussed in more detail in the statement on page 118 of this report. This statement will be considered at the Annual General Meeting on 8 May 2019.

REMUNERATION OF SENIOR EXECUTIVES

The Board has appointed a Remuneration Committee that, within the Board's mandate, prepares matters and proposals for all significant matters relating to the salary and other remuneration of the Group Chief Executive. The Committee also advises the Group Chief Executive on salaries and compensation schemes for the other members of the corporate management.

The Board of Veidekke prepares a declaration on the principles for determining salaries and other remuneration for senior executives in accordance with section 6-16a of the Norwegian Public Limited Companies Act. The declaration will be presented and processed at the Annual General Meeting on 8 May 2019.

For more information on salaries and remuneration of senior executives, see note 30 in this report.

SHAREHOLDERS AND THE STOCK MARKET

A total of 44.8 million Veidekke shares were traded on the Oslo Stock Exchange in 2018, representing a turnover rate of 33.5%. Over the year, the share price ranged between NOK 75.70 and NOK 99.00. The return including dividends for the year was 10%. By comparison, the Oslo Stock Exchange Benchmark Index had a return of -2%. All Veidekke shares are freely transferable, cf. section 5-8a of the Securities Trading Act.

At year-end Veidekke had 11,559 shareholders. The largest shareholders in the company were OBOS BBL (18.1%), Folketrygdfondet (11.2%) and IF Skadeförsäkring AB (5.9%). Foreign ownership was 23.5%.

In line with Veidekke's strategy to foster employee loyalty through co-ownership of the company, discount sales of shares to employees were carried out in spring and autumn 2018. The shares have a lock-in period of two to three years. After this year's sales, 4,034 employees own a combined total of 19.7 million Veidekke shares. This means that together 49.8% of the employees own 14.8% of the company.

The Board proposes a dividend of NOK 5.0 per share for the 2018 financial year. This proposal is in line with Veidekke's dividend policy and the goal of providing the shareholders with a competitive return. There is a more detailed account of shareholder information and the stock market on pages 128–131 of this report.

FINANCIAL SITUATION AND CAPITAL STRUCTURE

Veidekke aims to maintain a strong financial position. This requires good operational management, low financial risk exposure and sound management of parameters that affect the company's financial risk. Financial development is an integral part of the group's strategy process, and the group provides guidelines for the management of financial risk in its financial policy.

Net interest-bearing debt amounted to NOK 1,470 million at the close of 2018. By comparison, the company had net interest-bearing debt of NOK 764 million at the end of 2017. The increase is an effect of weaker results, investments in

machinery and equipment, and increased capital tied up in the Swedish property development operations. In addition, Veidekke acquired businesses for NOK 400 million in 2018. Cash flow from operating activities was NOK 1,400 million for the year, where settlement payments in two major disputes had a positive effect on liquidity of NOK 500 million. By comparison, cash flow from operating activities in 2017 was NOK 702 million.

The group's total assets amounted to NOK 18.8 billion, compared with NOK 17.0 billion the previous year. Total equity was NOK 4.0 billion (NOK 4.2 billion), corresponding to an equity ratio of 21.1% (24.8%). Capital invested in property development operations totalled NOK 4.7 billion, compared with NOK 4.2 billion in 2017.

Total investments in operating equipment amounted to NOK 1,139 million, compared with NOK 769 million in 2017. Non-current assets totalling NOK 203 million were sold.

Veidekke has sound financial capacity. The group has a borrowing facility of NOK 3.6 billion with DNB. At the end of the year, unutilised borrowing capacity amounted to NOK 3.5 billion. Veidekke has two bond loans: one of NOK 600 million, due in March 2025, and one of NOK 1.0 billion, due in May 2023.

RISK AND UNCERTAINTY FACTORS

Managing risk is an integral part of Veidekke's operations, which largely consist of individual projects. Veidekke seeks to identify risk at an early stage in order to be able to take the appropriate steps. Risk may be related to operational activities, market risk and financial risk.

Operating risk

Veidekke's operations are largely based on the execution of individual projects. The projects vary greatly in terms of complexity, size, duration and risk, meaning that systematic risk management in all parts of the business and all phases of the projects is of crucial importance. This includes everything from choice of projects, processes and quality in the work on tenders, to the follow-up and execution of projects. In deciding which projects to bid on, central factors are Veidekke's competence to perform the assignment and the composition of good project teams. Work linked to tendering includes identifying and assessing the risks, and plans are made for how the risks will be dealt with in the execution phase. In recent years, projects have increased in scope and complexity, placing higher demands on risk management. As a result, risk management is given high priority in Veidekke.

Some contracts allow different interpretations of what constitutes proper fulfilment of the contract, which may result in disagreements about the final settlement between the contractor and the client. This is especially true for transport infrastructure projects, where the contracts are very large. Veidekke seeks to reach agreement with clients through negotiations, but some disputes have to be resolved in a court of law. At year-end Veidekke had two major disputes that are being treated in court, with a non-legally-binding ruling in one. Two major disputes, including one transport infrastructure project, were resolved through conciliation in 2018.

Market risk

The residential market is cyclical, and property development earnings are closely related to new project start-ups. To reduce the risk associated with unsold projects, Veidekke will not, as a general principle, initiate new residential projects until 50% of the units have been sold. Consequently, slow residential sales may delay residential projects. The sales ratio for residential units under construction was 80% at the close of 2018.

Financial risk

Veidekke is primarily exposed to financial risks related to trade receivables, liquidity and interest-bearing debt.

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 related to the settlement of receivables, with the largest risk linked to the group's trade receivables. The credit risk from trade receivables is linked to the customer's ability to pay, not the customer's willingness to pay (project risk). A high proportion of public clients helps reduce credit risk. Credit risk is managed through the contracts with the client and good credit follow-up routines.

Liquidity risk

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

Currency risk and commodity price risk

Veidekke is somewhat exposed to currency risk through the procurement of building materials and bitumen for asphalt production. Veidekke has little hedging of input

factors for use in production, and then only after an order has been placed. Hedging contracts are generally entered into for agreements on large deliveries of asphalt with a long horizon (over one year). Contracts with the Norwegian Public Roads Administration, which is Asphalt's largest customer, ensure that the Norwegian Public Roads Administration assumes most of the risk related to bitumen price fluctuations. Any substantial currency risks that arise are hedged through forward exchange contracts or similar arrangements.

Interest rate risk

Veidekke's interest rate risk is linked to the group's portfolio of debt and is managed at 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 2018 the group issued an unsecured, fixed-interest bond loan of NOK 600 million with a maturity of seven years.

For a more detailed presentation of the company's financial risk, see note 29 in this report.

THE MARKET

Market development in 2018 and outlook for 2019

Norway

Production in the Norwegian construction market has levelled off after several years of strong growth. The exception is the civil engineering market, where growth is still high. Demand for new homes stabilised in 2018, after a substantial drop in 2017. Overall, sales of new homes in Norway are now at a normal level, but considerably lower than in the peak year 2016.

For 2019 the economic driving forces remain positive, with healthy economic growth and a good employment market. At the same time, rising interest rates and a slowdown in migration to metropolitan areas are expected to result in lower demand and production going forwards, primarily in residential construction. The growth in the market for non-residential buildings is expected to slow down in the future, with a decrease in the production of commercial buildings, which will largely be counterbalanced by an increase in the construction of public buildings related to health and care services.

Sweden

Lower production is expected in the Swedish construction market in the future. Few new residential projects have been started in 2018, due to both lower demand for new homes and increased construction costs. Sales of new homes stabilised in the second half of 2018, but at a much lower level than in the preceding years.

For 2019 the economic upturn is expected to continue in Sweden, but with lower growth than in recent years. Growth in contracting production is expected to decline in 2019 as a result of the decrease in residential production. However, compared with the level at the end of 2018, both residential sales and the number of new projects started are expected to increase slightly in 2019. Production is expected to remain at the same level as in 2018 in the market for non-residential buildings, while strong growth is expected in the civil engineering market.

Denmark

Production in the Danish construction market has increased considerably in recent years, with the greatest growth in apartments. Non-residential buildings are Veidekke's primary market, and this segment had good growth in 2018. Good growth is also expected in this market next year, while a levelling off or even decline in the demand for homes is expected to result in residential production at roughly the same level as in 2018.

POST BALANCE SHEET EVENTS

No events have occurred after the balance sheet date that have any significant effect on the submitted accounts.

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 47 (43) employees, of whom 24 (20) are women. Veidekke ASA's accounts are prepared in compliance with NGAAP (Norwegian accounting rules).

Veidekke ASA performs a number of group functions for the subsidiaries, including services related to financial management, IT infrastructure, insurance schemes, communication and public relations. Veidekke ASA invoices each of the subsidiaries for these services.

Veidekke ASA had operating revenue of NOK 110 million (NOK 107 million). The company's operating result was a loss of NOK -85 million (NOK -92 million). Dividends and group contributions from subsidiaries totalled NOK 521 million (NOK 778 million). The Board proposes an ordinary dividend of NOK 5.0 per share for the 2018 financial year. This corresponds to a pay-out ratio of 125% (IFRS), which is in line with the dividend policy of a minimum of 50% of earnings per share.

The parent company, Veidekke ASA, reported a profit for the year of NOK 401 million (NOK 815 million). At the Annual General Meeting on 8 May 2019, the Board will propose that the profit be distributed as follows:

	NOK million
Allocated to dividend	669
Transferred to other equity	-267
Profit for the year	401

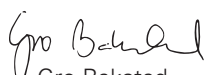
GOING CONCERN

In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the company is a going concern. The financial statements for 2018 have been prepared on the basis of this assumption. A statement on corporate governance has been prepared in accordance with section 3-3b of the Norwegian Accounting Act. This statement is included in this report as a separate document. An account of Veidekke's corporate social responsibility work has been prepared in accordance with section 3-3c of the Norwegian Accounting Act. For more information on this work, see pages 132–153 of this report.

Oslo, 21 March 2019
The Board of Directors


Martin Mæland
Chair


Hans von Uthmann


Gro Bakstad


Ingalill Berglund


Daniel Kjørberg Siraj


Ingolv Høyland


Inge Ramsdal


Odd Andre Olsen


Arve Fludal


Arne Giske
Group CEO

INCOME STATEMENT VEIDEKKE GROUP

Figures in NOK million	Note	2018	2017 restated
Revenue	2, 3, 7, 31, 33, 37	35 667	31 175
Subcontractors		-17 573	-15 009
Cost of materials	37	-6 399	-4 869
Personnel expenses	4, 5, 21, 30	-7 035	-6 319
Other operating expenses		-3 649	-3 503
Depreciation	10, 11	-594	-524
Operating expenses		-35 250	-30 224
Share of net income from joint ventures	13, 33, 37	163	369
Operating profit		580	1 320
Financial income	6, 29	88	67
Financial costs	6, 29	-66	-60
Profit before tax		602	1 327
Income tax expense	22, 37	-28	-122
Profit for the year		574	1 205
PROFIT FOR THE YEAR ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		540	1 178
Non-controlling interests		34	27
Total		574	1 205
Earnings per share (NOK) (ordinary / diluted)	8	4.0	8.8

STATEMENT OF COMPREHENSIVE INCOME

Figures in NOK million	Note	2018	2017 restated
Profit for the year		574	1 205
Revaluations of pensions after tax	21, 22	-7	-72
Net items that will not be reclassified subsequently to profit or loss		-7	-72
Currency translation differences		-48	115
Fair value adjustment of financial assets after tax	22, 29	-1	-15
Net items that will be reclassified subsequently to profit or loss		-48	100
Total other income and expenses after tax		-56	28
Comprehensive income		518	1 233
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		484	1 204
Non-controlling interests		34	29
Total		518	1 233

STATEMENT OF FINANCIAL POSITION VEIDEKKE GROUP AT 31 DECEMBER

Figures in NOK million	Note	2018	2017 restated	01.01.2017 restated
ASSETS				
Non-current assets				
Goodwill	9, 12	1 807	1 401	1 248
Other intangible assets	10	149	129	136
Deferred tax assets	22	-	55	65
Land and buildings	11	646	615	560
Plant and machinery	11	2 109	1 750	1 446
Asphalt plants and quarries	11	585	536	508
Investments in joint ventures	13	1 433	1 489	1 385
Financial assets	15	508	508	649
Total non-current assets		7 238	6 482	5 997
Current assets				
Residential projects	16	4 309	3 941	2 736
Inventories	17	564	518	455
Trade receivables	18	2 776	2 769	2 694
Contract assets	18	2 908	2 264	2 008
Other receivables		843	662	470
Cash and cash equivalents	19	197	392	644
Total current assets		11 597	10 546	9 008
Total assets		18 835	17 028	15 005
EQUITY AND LIABILITIES				
Equity				
Share capital	20	67	67	67
Other equity		3 891	4 131	3 617
Non-controlling interests	12	25	22	35
Total equity		3 983	4 220	3 719
Non-current liabilities				
Pension liabilities	21	503	470	404
Deferred tax liabilities	22	343	430	409
Bonds	23	1 600	-	750
Debts to credit institutions	23	248	613	212
Other non-current liabilities	23	414	173	136
Total non-current liabilities		3 108	1 686	1 911
Current liabilities				
Bond debts and debts to credit institutions		36	760	44
Bonds	24	6 176	4 735	4 182
Trade payables	24	1 807	2 061	1 773
Public duties		805	811	656
Warranty provisions	25	814	975	915
Taxes payable	22	62	75	128
Other current liabilities	24	2 046	1 705	1 676
Total current liabilities		11 744	11 122	9 375
Total equity and liabilities		18 835	17 028	15 005

STATEMENT OF CHANGES IN EQUITY VEIDEKKE GROUP

Figures in NOK million	EQUITY HOLDERS OF VEIDEKKE ASA						MINORITY	
	Share capital	Other paid-in capital ¹⁾	Re-evaluation of pensions	Currency translation differences	Other retained earnings	Fair value adjustment ²⁾	Total	Non-controlling interests
Equity at 31 December 2016	67	305	50	24	2 926	-86	3 286	179
Restatement in accordance with IFRS 15				-30	284		255	
Change in principle for measuring options, non-controlling interests					144		144	-144
Equity at 1 January 2017	67	305	50	-6	3 354	-86	3 684	35
Equity at 1 January 2017	67	305	50	-6	3 354	-86	3 684	35
Profit for the year					1 178		1 178	27
Other comprehensive income			-72	113		-15	26	2
IFRS 2 – share-based transactions employees					-20		-20	
Additions, acquisitions of operations, non-controlling interests								9
Transactions, non-controlling interests					-68		-68	-32
Dividend					-602		-602	-19
Equity at 31 December 2017	67	305	-22	107	3 843	-101	4 199	22
Equity at 1 January 2018	67	305	-22	107	3 843	-101	4 199	22
Profit for the year					540		540	34
Other comprehensive income			-7	-48		-1	-56	
IFRS 2 – share-based transactions employees					-23		-23	
Additions, acquisitions of operations, non-controlling interests								77
Transactions, non-controlling interests					-33		-33	-85
Dividend					-668		-668	-23
Equity at 31 December 2018	67	305	-30	60	3 658	-101	3 959	25

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

2) Financial assets and derivatives defined as hedging instruments that are both measured at fair value in other comprehensive income. See note 29 for more details.

STATEMENT OF CASH FLOWS VEIDEKKE GROUP

Figures in NOK million	Note	2018	2017 restated
OPERATING ACTIVITIES			
Profit before tax		602	1 327
Net interest items	6	55	40
Tax paid	22	-106	-155
Depreciation, amortisation and impairments	10, 11	594	524
Gains on sale of property, machinery etc.	11	-20	-99
Gains on sale of companies	6, 14	-	-7
Gain from termination of pension plan	21	-	-35
Share-based transactions directly over equity	5, 22	-23	-20
Profit and loss items without cash effect		-315	-295
Generated from this year's activities		786	1 281
Change in residential projects	16	-154	-2 086
Change in trade receivables	18	-394	-279
Change in other current receivables		-8	-227
Change in trade payables etc.	24	1 263	531
Change in other current liabilities	24	-92	1 483
Net cash flow from operating activities (A)		1 400	702
INVESTING ACTIVITIES			
Acquisition of tangible, non-current assets	9, 10, 11	-1 141	-769
Disposal of tangible, non-current assets	11	203	154
Acquisition of subsidiaries	12	-259	-257
Disposal of subsidiaries	14	-	15
Interest received	6	16	20
Investments in Public-Private Partnership projects (PPP)	14	-	-48
Net cash flow other investments	15	-39	92
Net cash flow from investing activities (B)		-1 221	-792
FINANCING ACTIVITIES			
New long-term borrowing	23	1 648	542
Repayment of non-current debt	23	-527	-
New short-term borrowing		26	-
Repayment of current liabilities		-750	-41
Interest paid	6	-71	-60
Dividend paid to non-controlling interests	20	-22	-19
Dividend paid to equity holders of Veidekke ASA	20	-668	-602
Net cash flow from financing activities (C)		-365	-179
TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		-185	-269
Cash and cash equivalents at 1 January		392	644
Exchange rate adjustments cash and cash equivalents		-10	17
Cash and cash equivalents at 31 December		197	392
Additional information:			
Long-term borrowing facility		3 600	3 600
Used committed borrowing facilities at 31 December		126	524

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NOTE 1. ACCOUNTING POLICIES – VEIDEKKE GROUP

Corporate information

Veidekke is a Scandinavian construction and property development company headquartered in Oslo. The company operates nationwide in Norway and Denmark and has operations in central regions in Sweden. Veidekke ASA is listed on the Oslo Stock Exchange under the ticker symbol VEI. The company's address is Skabos vei 4, NO-0214 Oslo, Norway. The consolidated accounts were approved by the Board of Directors on 21 March 2019.

Basis for preparation of the accounts

Veidekke's consolidated accounts have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and Interpretations, together with the disclosure requirements stipulated by the Norwegian Accounting Act. Only standards that are effective on 31 December 2018 have been applied.

The consolidated financial accounts are prepared on the basis of historical cost, with the exception of financial assets and derivatives defined as hedging instruments, which are measured at fair value if the transaction has entailed a change in control of the company.

Unless otherwise specified, all the figures in the financial statements and notes are presented in millions of Norwegian kroner.

Implementation of new accounting policies

In 2018 Veidekke has implemented a new standard for revenue recognition – IFRS 15 Revenue from contracts with customers.

The new IFRS 15 standard affects Veidekke's recognition of revenue from own-account residential projects and change orders and supplementary work in construction projects. The new standard does not significantly affect other parts of the business. The group has implemented the new standard retrospectively, and the accounts for 2017 have been restated.

Veidekke has also changed its accounting policy for options related to shares belonging to non-controlling interests (put options). The changed policy entails recognition of an equity transaction on the balance sheet date as if Veidekke had taken over the shares at the estimated purchase price of the shares. The accounts for 2017 have been restated in accordance with the new policy.

IFRS 9 Financial instruments has also been implemented, but this has not had a significant effect on the accounts.

IFRS 15 Revenue from contracts with customers

The new standard replaces all the existing standards and interpretations on revenue recognition. The core principle of IFRS 15 is that revenue is to be recognised so that it depicts the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Residential projects in Property Development

In the financial statements, Veidekke has, in accordance with the previous standard, recognised revenue from residential projects on the date of contractual delivery to the purchaser (IFRIC 15). The new standard entails that residential projects in Sweden and Denmark will be recognised using the percentage of completion method, based on estimated final profit, stage of completion and sales ratio, while the revenue recognition principles applicable to residential projects in Norway remain unchanged. The different revenue recognition approaches in the different countries are due to variations in national legislation governing residential construction and sales.

Restatement of the financial accounts for 2017 for residential projects resulted in an increase of NOK 198 million in the profit before tax compared with the accounts issued in accordance with the previous standard and added NOK 475 million to the group's equity at 1 January 2017.

Change orders and supplementary work in construction operations

Under the previous standard, revenue related to unresolved claims in construction projects was recognised on the basis of the likely outcome of the claim against the customer. The new standard contains more stringent requirements concerning recognition of this kind of revenue, and it may only be recognised once it is deemed highly probable that it will not be reversed later. The new standard primarily affects revenue recognition in projects where the contract form may result in different interpretations of the scope of the contract and calculation of remuneration and applies mainly to projects in the civil engineering segment.

Projects that at the beginning of 2017 had material unresolved claims against the customer have been assessed in accordance with the new standard. Restatement of Construction's financial statements for 2017 resulted in a NOK 130 million reduction in profit before

tax compared with the accounts issued in accordance with the previous standard and reduced the group's equity at 1 January 2017 by NOK 220 million.

See note 37 for more detailed information about the accounting effects of implementation of IFRS 15.

Put options non-controlling interests

In connection with acquisitions, the parties often enter into an option agreement regarding the purchase / sale of the remaining shares. The obligation to purchase these shares is recognised as a liability in Veidekke's statement of financial position, based on the estimated value at the balance sheet date. The accounting policy for this type of options has been changed. The new policy assumes at each balance sheet date that Veidekke has taken over the shares, meaning that that part of the group's equity assigned to the non-controlling interest is reduced compared with the previous principle. In addition, the change in accounting policy means that any changes in the value of the estimated purchase price of the shares will be recognised as an equity transaction, whereas changes in value were previously charged against profit or loss. Under the new policy, the statement of financial position better reflects the Veidekke shareholders' share of the equity in the group. The accounts for 2017 have been restated in accordance with the new policy. The non-controlling owner's share of the group's equity at 1 January 2017 was NOK 35 million, compared with NOK 179 million under the former policy. If the accounts for 2018 had been prepared in accordance with last year's policy, the profit before tax would have been NOK 3 million higher. See page 41 in this note for further comments about the new accounting policy.

IFRS 9 Financial instruments

Implementation of IFRS 9 Financial instruments has little impact on the group, and the new standard's rules on measurement and classification, impairment testing and hedge accounting have not had a significant effect on Veidekke's accounts. The new standard introduces some changes in terminology. See page 43 where the accounting of financial assets and derivatives is discussed.

Material accounting assessments, estimates and assumptions

Veidekke's operations primarily consist of construction work. For its projects, Veidekke recognises revenue using the percentage of completion method, based on the anticipated final profit (final outcome) and stage of completion. This means that income is recognised as work progresses.

The percentage of completion method is based on estimates and assessments, entailing a degree of uncertainty in the accounting. For projects under construction, there is uncertainty associated with the progress of ongoing work, disputes, final outcome, etc. The final profit may therefore differ from the anticipated profit. For completed projects, there is uncertainty about hidden deficiencies, including guarantee work, and the outcome of possible disputes with the client.

AREAS WITH SIGNIFICANT ESTIMATION UNCERTAINTY

Accounting items with significant estimation uncertainty	Estimates / assumptions	Discussed in the following notes	Carrying amount
Trade receivables/ Contract assets/ Trade payables (creditors)/ Warranty provisions	At 31 December 2018 project assessments had been carried out for all projects, focusing on the expected earnings of the individual project on completion. The assessment is based on estimates, experience, professional judgement and interpretation of contracts. The revenue recognition method for additional claims against the client and disputed amounts with a high level of uncertainty is based on assessments of the most likely outcome and elements that can be measured reliably. Additional requirements are recognised only once it is considered highly probable that a substantial portion of this income will not be reversed at a later date.	7, 18, 24, 25, 32	Most of the group's current assets and current liabilities are related to projects.
Goodwill	Calculation of the present value of future cash flow. The main assumption in this calculation is expected future earnings.	9	NOK 1 807 million (2017: NOK 1 401 million)
Sites under development	Valuation of the land bank is based on estimates concerning expected degree of utilisation, how long it will take to get planning permission, and thus before construction can start, and expected sales price.	16	NOK 3 776 million (2017: NOK 3 214 million)
Pension liabilities	The group's pension liabilities are calculated by an actuary, based on a number of actuarial assumptions.	21	NOK 503 million (2017: NOK 470 million)

1. CONSOLIDATION

Consolidated accounts

The consolidated accounts include Veidekke ASA (the parent company) and all of its subsidiaries. The consolidated accounts show the group's profit and financial position as if they are one legal entity and are a collective statement of all the companies in the group. The companies' accounts are consolidated line by line. The consolidated accounts are drawn up in accordance with uniform accounting standards.

Subsidiaries are defined as companies in which Veidekke has a controlling interest. Controlling interest is normally achieved, directly or indirectly, when the group owns more than 50% of the shares 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. In assessing control, currently exercisable voting rights are taken into account. In terms of accounting, "control" is defined as when one company has influence over another company, is exposed or has rights to variable returns from the company, and has the ability to affect those returns to a significant degree by using its power to control activities in the company. Group formation can be achieved by establishing new companies, by purchasing companies or through mergers. Subsidiaries are consolidated in the accounts

when a controlling interest is achieved and continue to be consolidated until control ceases.

Partly owned subsidiaries are incorporated in the consolidated accounts in their entirety. The non-controlling share of the subsidiary's equity constitutes part of the group's equity. The share of the profit attributable to non-controlling interests is included in the consolidated profit for the year. The non-controlling interests' share of profit and equity are presented as separate items in the accounts. When purchasing a subsidiary with non-controlling interests, 100% of the identifiable assets and liabilities are entered in the consolidated statement of financial position, whereas in terms of goodwill a decision can be made for each individual acquisition as to whether only the parent's (Veidekke's) share of goodwill is entered, or whether the non-controlling party's share of goodwill will also be recognised.

When Veidekke acquires a non-controlling interest in a subsidiary, the purchase price beyond the non-controlling party's share of the book value is recorded as a reduction in the equity of the owners of the parent company. If an option agreement has been entered into with non-controlling interests regarding purchase of the remaining shares, an

equity transaction between the non-controlling interest and Veidekke is recognised at each balance sheet date as if Veidekke had acquired the shares. See also the section on options in non-controlling owner interests on page 41. In connection with the sale of shares in a subsidiary where the controlling interest is retained, this must be accounted for as an equity transaction. Such transactions, therefore, involve no change in goodwill or other assets or liabilities and thus are not recognised in profit and loss.

All intra-group transactions and balances are eliminated, as are intra-group profits and unrealised gains.

Step acquisitions and disposals

In connection with the purchase and sale of companies, it will normally be assessed whether the transaction is an asset transaction or a business transaction. In Veidekke's construction and industrial operations, the purchase and sale of companies will normally be treated as a business transaction. In Veidekke's property development operations, the purchase and sale of companies will normally be treated as an asset transaction. The same also applies to disposal of PPP companies (Public-Private Partnerships).

When a business is acquired in steps such that the status changes from having a non-controlling stake in the company to having a controlling stake (i.e. becoming a subsidiary), the previously held stake is valued 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.

When part of a subsidiary is sold such that Veidekke retains more than 50% of the shares, no gain or loss is recognised in the income statement. If the sale results in a loss of control, normally when there is a stake of 50% or lower, the gain or loss is recognised in the income statement as if the entire company had been sold. This means that the remaining ownership interest is accounted for at fair value.

In connection with step acquisitions in a company that is an asset, such that the status changes from having a non-controlling stake in a company to it becoming a subsidiary, the original cost price is allocated to the identifiable assets and liabilities based on their relative fair value on the acquisition date.

When shares in a subsidiary that is an asset are sold and more than 50% of the shares are retained, no gain or loss is recognised in the income statement. If the sale results in loss of control, normally when there is a stake of 50% or lower, a gain or loss is recognised in the income statement corresponding to the realised asset.

Business combinations

Business combinations may be achieved through the acquisition of a company's operations, the acquisition of companies, or mergers. Business combinations are accounted for using the purchase method, where identifiable assets and liabilities are valued and recognised at fair value. Identifiable assets also include intangible assets, such as patents, licences, trademarks, logos, and customer portfolios.

That part of the price that exceeds the fair value of identifiable assets and liabilities constitutes goodwill. Only acquired goodwill is recorded in the income statement, and acquisition costs are expensed. Identifiable excess value in connection with acquisitions 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 undetermined lifespan are tested annually for impairment.

Conditional consideration is recognised in the statement of financial position at fair value on the acquisition date. Any subsequent changes in the conditional consideration are recognised in the income statement.

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

Joint ventures

Veidekke is also engaged in operations with other enterprises, called joint ventures. 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 (Public-Private Partnership) companies. In joint ventures, joint control is exercised over the company, governed by an agreement. Joint control requires unanimity among the participants on important decisions. Veidekke uses the equity method to account for joint ventures, and the activities are included from the date that joint control of the company commences and until the joint control ceases. The accounts of joint ventures are adapted to IFRS, in keeping with Veidekke's accounting policies, before they are incorporated in Veidekke's consolidated financial statements.

Under the equity method, investments are measured as the share of the equity in the company, and the share of the profit of the associated company is recognised in the income statement. Any share of other income and expenses is included in the financial statements. When a portion of a

company is acquired, the investment is reported at original cost, i.e. the share of the equity measured at fair value on the acquisition date, including goodwill. The share of the profit is recognised on a separate line under operating profit on the income statement. The investment is classified as non-current assets in the statement of financial position. Any subordinated loan is presented as part of the investment. Profit less distributions is added to the investment in the statement of financial position. When calculating the share of the profit, depreciation of the fair value of tangible and intangible assets on the acquisition date and internal gains are taken into account.

Negative equity in the company is recognised when the group is obligated to cover such loss, or when there are agreements making it likely that Veidekke will have to inject new equity into the company.

Joint operations

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 they share the risk in the project (profit and loss) and the participants are jointly responsible for the working partnership's liabilities. Separate accounts are kept for working partnerships. Activities within a working partnership are often organised as a general partnership. A working partnership is a jointly controlled activity, and it is regarded as joint operations. This means that the participants control operations jointly, as laid down in an agreement, and requires unanimity on important decisions.

Veidekke has jointly controlled operating arrangements in its property development operations. This type of arrangement is used in connection with major investments in sites, as the risk is reduced when the site is purchased jointly with partners.

For working partnerships and jointly controlled operating arrangements, Veidekke recognises its share of assets, liabilities and revenues in line with the arrangements specified in the agreement (usually in line with its interest in the project). This means that Veidekke includes its share of the partnership's accounts, and each line in the income statement and statement of financial position is incorporated. Intra-group transactions are eliminated with a proportionate share.

Associates

Veidekke has investments in associates. Associates are companies in which the investing company has significant influence over financial and operating policies, but which are not subsidiaries or joint ventures. Significant influence will normally mean that the investing company holds between 20% and 50% of the shares in the company. Associated companies are accounted for using the equity

method from the date that significant influence commences until the significant influence ceases, and the accounts are adapted to IFRS in keeping with Veidekke's accounting policies, before they are incorporated in Veidekke's consolidated accounts.

Put options non-controlling interests

The present value of the future purchase price related to non-controlling interests' put options is accounted for as liabilities (see note 23). The liabilities are recognised using estimated value, and the estimate may change in future periods since the amounts to be paid relate to future fair value and/or future profits. Any changes in the estimated purchase price of the shares (put option) are recognised as an equity transaction.

At each balance sheet date, a transaction between the non-controlling ownership interest and Veidekke is recognised as if Veidekke had taken over the non-controlling owner's shares at the estimated purchase price.

Translation of foreign operations

The group presents its financial statements in Norwegian kroner, which is the functional currency of the parent company and its Norwegian subsidiaries. The accounts of foreign companies with a different functional currency are converted as follows:

- Assets and liabilities are converted at the exchange rate on the balance sheet date.
- Income statement items are converted at the average exchange rate for the month.
- Currency translation differences are recognised in other income and expenses in total comprehensive income. Translation differences are recorded on an ongoing basis against other income and expenses in total comprehensive income. In the case of disposal of a foreign entity, the accumulated currency translation differences are recognised in the income statement. Sale and liquidation of a company, repayment of capital etc. count as disposal.

Goodwill on the purchase is considered part of the foreign entity and is treated as an item in foreign currency.

2. REVENUE RECOGNITION

Construction projects

Veidekke's operations consist largely of the execution of all kinds of construction and civil engineering projects lasting anything from a few months to three or four years. For reporting of projects Veidekke primarily uses the stage of completion method, based on the estimated final profit. This means that income is reported in line with production, based on degree of completion.

The revenue recognition for additional claims against the client and disputed amounts with a high level of uncertainty is based on assessments of the highly probable outcome of the dispute and elements that can be measured reliably. Additional claims are only recognised once it is considered highly probable that a substantial portion of this income will not be reversed at a later date.

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 as soon as it is identified. Costs related to tenders and other costs related to obtaining projects are recognised as expenses as they are incurred. The stage of completion is determined on the basis of the work completed 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 book expenses adjusted for time lag in invoicing (Accrued but not recorded). Income to date is equal to total anticipated expenses plus project contributions multiplied by the stage of completion. Accrual accounting is used for both income and expenses.

Non-invoiced earned income is booked as Contract assets (Work done, but not invoiced). Unearned invoiced income (pre-agreed payment plans) is booked under trade receivables (Work invoiced in advance / not recognised). Only one of these items may be applied per project. If the item Work invoiced in advance is a larger negative amount than invoiced trade receivables for the project, the surplus is recorded as advance payment from customers (Contract 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, while provisions for guarantee work on completed projects are entered under Warranty provisions etc. Please refer to note 7 Projects in progress, note 18 Trade receivables and contract balances, note 24 Trade payables and other current liabilities, note 25 Warranty provisions etc., and note 32 Disputes and claims related to projects.

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

Residential projects

Residential projects comprise the development and construction of residential buildings for sale for Veidekke's own account. Sites that are acquired with a view to constructing residential buildings for sale are classified as current assets (Residential projects). Sites are capitalised when control over future economic benefits related to them is taken over, which is normally at the time ownership control is transferred.

Projects under development

From the time a 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 costs are included in the acquisition cost and are capitalised on the property from the time Veidekke takes over control of the property. Interest expenses are capitalised as long as there is development activity on the property. The property is valued at the lower of acquisition cost (including development costs and interest expenses) and fair value. If acquisition cost exceeds fair value, an impairment loss is recorded for the site.

Projects under construction

Revenue from residential projects under construction in Sweden and Denmark are recognised on a percentage of completion basis calculated as the estimated final profit from the project multiplied by the stage of completion and the sales ratio. When calculating the estimated final profit, only directly attributable costs are regarded as project costs, including interest costs. The profit from residential projects in Norway is not recognised in the accounts until the property is complete and has been contractually delivered to the buyer. The different revenue recognition approaches in the different countries are due to variations in national legislation governing residential construction and sales. For the Norwegian residential production operations, this means that all costs except general sales and administration costs are capitalised as part of the acquisition costs as current assets under Residential projects. Any loss-making projects are expensed in the period in which the loss is identified, regardless of country. Veidekke adheres to the principle that the final decision regarding whether to go ahead with a project is not normally made until a minimum sales ratio of 50% (measured in value) has been reached. Starting construction on a project before the minimum sales ratio has been reached usually entails an elevated level of uncertainty linked to the final outcome in terms of profit. Projects are not recognised in the accounts before the sales ratio (measured in value) exceeds 50%.

Unsold units and sites for development

Unsold completed units and sites under development are capitalised under Residential projects. The fair value of sites and unsold units is based on specific individual assessments. If the fair value is considered to be lower than the cost price, the site is written down to fair value.

Housing cooperatives in Sweden

Residential sales and production in Sweden are based on a cooperative model. Once a project has been developed, an agreement is established between a newly formed housing cooperative and Veidekke for construction of the project. In accordance with the agreement, Veidekke sells the apartments to the end customer on behalf of

the cooperative, and Veidekke commits to complete the properties at a fixed price. In addition, Veidekke undertakes to buy units that have not been sold within six months of completion. Veidekke does not have any other obligations or guarantees to the housing cooperative beyond this. The housing cooperative is owned by the members, and during construction it is the board that controls the housing cooperative. The board has three members, two of whom are external independent members and one from Veidekke. It is therefore considered that Veidekke does not have control over the housing cooperative and that it therefore should not be incorporated into Veidekke's accounts. Unsold units under construction are recognised under Residential projects (inventory) until they are sold.

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

Operation and maintenance contracts usually have a term of five years. For road operation and maintenance contracts, revenue is recognised on a percentage of completion basis in line with completed tasks and related costs. For each contract, the project's likely outcome for the entire contract period is evaluated at the close of the period. If a contract is expected to result in a net loss in the remaining contract period, the loss is recognised as soon as it is identified.

PPP projects

Veidekke has ownership shares in companies that have entered into PPP contracts (Public–Private Partnerships) for the construction of roads and schools with a subsequent operation and maintenance period. The PPP contracts are accounted for according to IFRIC 12 Service Concession Arrangements (The Financial Asset Model), as a financial asset at cost amortised over the contract period. This is discussed in more detail in note 14.

Veidekke's owner function in the PPP companies is reported in the business area "Other operations". Profit is recognised in income over the entire lease period in line with the ownership interest. Services in the form of construction or operation are reported under the business areas Construction or Industrial. Construction services are accounted for as an ordinary building construction project. Deliveries related to maintenance are expensed as they are incurred.

Other operations

Income from sales of products (aggregates, asphalt, etc.) is recognised on delivery. For leasing operations the agreed rental fee is recognised on a straight-line basis. This also applies to services rendered, consultancy work, etc. Sales of non-current assets are recognised in the income statement on delivery.

3. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Veidekke recognises financial assets and financial liabilities in the statement of financial position when the enterprise becomes a party to the provisions of the contract. The group classifies financial assets in the following four categories:

1. Financial assets measured at amortised cost

The group measures financial assets at amortised cost if the following two conditions are met:

The financial asset is held in a business model the objective of which is to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

The subsequent measurement of financial assets measured at amortised cost is done using the effective interest rate method adjusted for any provisions for losses. Gains and losses are recognised in profit or loss when the asset is discounted, modified or written down.

On initial recognition of a financial asset measured at amortised cost, Veidekke measures it at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

2. Financial assets measured at fair value with changes in fair value recognised through other comprehensive income

The group measures debt instruments at fair value with value changes recognised through other comprehensive income if two conditions are met: the financial asset is held in a business model whose objective is both to collect contractual cash flows and sales, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

The debt instrument is measured at fair value with value changes through other comprehensive income. In the event of derecognition, the accumulated change in fair value that has been recognised in other comprehensive income is transferred to profit or loss.

Veidekke has invested in a bond fund that is classified in this category. See note 15.

3. Equity instruments measured at fair value with value changes recognised through other comprehensive income

The group may choose to classify at fair value equity instruments with value changes recognised through other comprehensive income as long as they meet the definition of equity in IAS 32 Financial instruments.

Veidekke has no financial assets in this category.

4. Derivatives measured at fair value defined as hedging instruments

Derivatives are recorded in the statement of financial position at fair value, adjusted for net changes in fair value recognised through other comprehensive income.

This category contains forward foreign exchange contracts and interest rate swaps.

Financial liabilities

On initial recognition, financial liabilities are classified as loans and liabilities, or derivatives defined as hedging instruments in an effective hedge. Derivatives are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs. Derivatives are financial liabilities when the fair value is negative and are accounted for in a similar way as derivatives that are assets.

Financial liabilities – loans

Loans are reported in the accounts by recognising the amount received less directly related transaction costs. The loan is then measured at amortised cost using the effective rate of interest method. Effective interest rates are presented as financial costs in the income statement.

Veidekke has two types of financial risks relating to the group's trade receivables: credit risk and project risk. Credit risk relates to the customer's ability to pay. This risk has always been low at Veidekke in part because contracts normally require guarantees related to the underlying contract. 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 debts are impaired when the company regards them as non-recoverable, based on a specific assessment. Project risk relates to the customer's willingness to pay, and this risk is treated as part of the project valuation. In the accounts, any such impairment will be presented as a reduction of the trade receivables. In the note, this risk will be presented as part of the item Work invoiced in advance. See notes 18 and 29 for more details.

Impairment of financial assets

If there are indications of impairment relating to loans and receivables that are measured at amortised cost, the need to record an impairment loss shall be considered. The impairment amount is calculated as the difference

between the asset's recognised value and the present value of anticipated future cash flows. The impairment amount is charged to income.

If a financial asset measured at fair value with changes in value recognised through other comprehensive income with reclassification of accumulated gains and losses in profit or loss based on objective criteria has been the object of impairment, the loss is expensed in the income statement as impairment. A reversal of the impairment of equity instruments classified in this category is not recognised in the income statement, but is recognised directly in the group's other comprehensive income.

Derivatives and hedging transactions

On initial recognition, derivatives are recognised at fair value. Thereafter, the item is valued at each balance sheet date. On entering into a derivative agreement, the group defines whether this is a fair value hedge of an accounting item or hedging of an obligation it has entered into (a cash flow hedge). Changes in the fair value of derivatives that are both defined as hedging and satisfy the requirements for hedging are recognised in total comprehensive income. Such items are reversed and recognised as income or expenses during the period the hedged obligation or transaction affects the income statement. Changes in the fair value of derivatives that do not qualify as hedging or where there are inefficiencies in the hedge are recognised as they occur.

Derecognition 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 liability is derecognised if the liability has been fulfilled, cancelled or has expired as agreed.

Financial income and expenses

Financial income includes interest income on financial investments, dividends received and group contributions, currency gains and gains from financial assets.

Financial expenses include interest charges on loans, currency losses, changes in the fair value of financial assets measured at amortised cost, and impairment of financial assets. All loan expenses are recognised using the effective rate of interest method.

Interest costs on residential projects under development are capitalised on an ongoing basis and expensed as an operating expense in line with the revenue recognition.

Interest expenses in connection with loans to senior executives

Veidekke provides loans to employees in connection with the group's share programme for senior executives. These loans are recognised at amortised cost. Interest expenses are measured using the effective rate of interest method

based on estimated market interest rates and are classified as payroll expenses. Interest on these is currently at 0%, 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 a prepaid benefit to employees. These prepaid benefits are recognised in the income statement over the period from when a loan is granted until it is paid off.

4. OTHER POLICIES

Classification

Assets and liabilities relating to the supply of goods (projects) are classified as current assets and current liabilities. Veidekke has an agreement with a credit institution in the form of a line of credit that is used to finance both non-current assets (investments) and working capital. The agreed due date is 2 November 2020. If this overdraft facility is used, the loan is classified as a non-current liability.

Other amounts due to credit institutions that are taken up to finance non-current assets (investments) and where there is an unconditional right to defer payment for more than 12 months from the balance sheet date are classified as non-current liabilities. Loans that are taken up to finance working capital (current assets) are classified as current liabilities. Other receivables and amounts due for payment after more than a year are classified as non-current assets and non-current liabilities.

Warranty provisions are closely related to the supply of goods and are therefore classified as current liabilities even if it is likely that large parts of the item will be due for payment after more than 12 months.

Pensions

Veidekke has both defined-contribution and defined-benefit plans. In defined-contribution plans the employer makes a contribution to the employee's pension savings. The future pension depends on the size of the contribution and the return on the pension assets. In defined-contribution pensions the cost to the company is equal to the contributions for the year, and the company's only commitment is to make an annual contribution. Thus, no liability is recorded in the statement of financial position. In the case of defined-benefit plans, the company commits itself to providing a pension of a specified size. 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. The employees' pension rights are recognised as costs as they are earned, and provision is made for pension liabilities in the statement of financial position. The pension calculation takes into account estimated wage growth, and pension costs are recognised on a straight-line basis over the employment period. Here, Veidekke bears the risk for the return on the pension assets.

Defined-benefit plans are measured at the present value of the future pension payments that for accounting purposes are regarded as accrued on the balance sheet date. The pension assets are recognised at fair value. The net of pension liabilities and pension assets is recognised as non-current debt or receivables. Pension assets consist of a premium fund and a share of the life assurance company's funds (premium reserves). Pension costs consist of the present value of the year's earning plus interest on the net pension liabilities. This means that the cost is calculated using the same discount rate for pension liabilities as is used to calculate expected return on pension assets. In defined-benefit plans, an annual difference arises between the estimated and actual return on pension assets and between estimated and actual pension liabilities, called actuarial gains and losses. Actuarial gains and losses may arise as a result of discrepancies and changes in the assumptions on which estimates were based; for example the actual return on the pension assets might be different from the estimate. Actuarial gains and losses are recognised in total comprehensive income.

Most companies in Norway have contractual early retirement schemes (AFP) for their employees. The AFP pension scheme is a defined-benefit multi-company scheme, and because the administrator is not in a position to procure reliable calculations concerning accrued rights, the accounting for the scheme will be conducted as for a defined-contribution scheme. This is discussed in more detail in note 21.

Tax

Income taxes are tax on the group's profit. Tax is treated as an expense in the accounts. Tax payable and deferred tax relating to items recorded as other income and expenses in total comprehensive income are recognised in total comprehensive income. The income tax expense for the year consists of payable tax, changes in deferred tax and adjustments from previous years. Payable tax is calculated based on the company's taxable profit for the year. Deferred tax is a provision (accrual) for future payable tax.

Deferred tax liabilities/assets are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arise because some items are accrued differently in the financial accounts and the 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 within the same tax jurisdictions. Deferred tax is measured on the basis of the current future tax rate in those companies in the group where temporary differences have arisen. Deferred tax is recognised at the nominal rate and is classified as a non-current asset or non-current liability.

Deferred tax assets relating to loss carry-forwards are recognised in the accounts when it is probable that the company will be able to make use of the advantage.

Tax payable and deferred tax are recognised in the income statement, unless the tax is related to a transaction or event that has already been recognised in total comprehensive income or directly in equity, or it is related to a merger.

Goodwill

Goodwill arises when the group acquires a business. Goodwill includes synergies, organisation, know-how, market position, etc. Goodwill is calculated as the fair value of the purchase price at the time of the acquisition less the fair value of the acquired company's identified assets, liabilities and contingent liabilities. If the acquisition does not involve 100% ownership for the parent company, the entire fair value can be used as the basis for determining goodwill. This entails the non-controlling party's share of goodwill being recognised as goodwill as well. The principle used for measurement of non-controlling interests is determined separately for each business combination. Goodwill is not amortised, but is tested for impairment at least annually. See note 9 Goodwill.

Other intangible assets

Intangible assets with a determinable useful life are measured at original purchase price less accumulated amortisation and impairment losses. This applies, among other things, to extraction rights for aggregates, for which amortisation is determined based on actual extractions. Investments in IT systems are capitalised and recorded under Other intangible assets and depreciated over a five year period.

Tangible non-current assets

Tangible non-current assets consist of plants, buildings, machinery and equipment, etc. Veidekke records tangible non-current assets in the statement of financial position using a historical cost model. This means that tangible non-current assets are measured at original cost less accumulated depreciation and impairments. Tangible non-current assets are recognised when it is probable that future economic benefits linked to the asset will accrue to the company and the original cost can be measured reliably. This applies both to first-time purchases 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 on a straight-line basis 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.:	5–8 years
- Asphalt plants and quarries:	10–15 years
- Buildings:	20–50 years

The depreciation period and residual value are assessed annually. Gains and losses on disposals of non-current assets are recognised in profit and loss and represent the difference between sales price and carrying value. Gains on sales of non-current assets are presented under operating revenues, while losses on sales of assets are presented under other operating expenses.

Impairment of non-current assets

If there is an indication of impairment in value of a tangible, non-current asset, the recoverable amount is calculated. An impairment loss is recognised if the recoverable amount of a non-current asset is less than its carrying amount. The recoverable amount is the higher of net sales value and value in use. 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 in value, the recoverable amount is used and the necessary impairment is recorded.

Intangible non-current assets with an indeterminable life and goodwill are tested for impairment each year, and any impairment is recorded. Impairment testing may also be performed on a quarterly basis if there are indications of impairment. The value in use is calculated for each cash-generating unit (CGU). If a CGU is impaired, goodwill is written down first, and other assets are then written down proportionately. If the value of impaired intangible non-current assets rises again later, the impairment may be reversed; however, impairment of goodwill is not reversed. The calculation of the value in use of a CGU is based on future estimated cash flows for the unit, discounted at a suitable rate in light of the group's required rate of return. The calculation is based on the CGU's budgets and forecasts, including terminal value. Maintenance costs and replacement investments are also taken into account, but not investments for expansion. Finance expenses and tax are not included in the calculation.

A cash-generating unit is determined as the smallest identifiable group of assets that generates incoming cash flows and that in all essence is independent of incoming cash flows from other assets or groups of assets. Units with significant synergies and that perform similar types of activities are considered as one cash-generating unit. Within construction operations a cash-generating unit will normally be on the company level, whereas for industrial operations, they will normally encompass business units, for example Asphalt or 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 and depreciated in the normal way, but not over a longer period of time than the underlying lease, while the leasing commitments are presented as amounts due to credit institutions. The lease commitment is recognised 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 expenses, 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 expensed on a straight-line basis over the lease period and the liabilities are not recognised.

Currency transactions

Transactions involving foreign currency are converted 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 or losses are recognised in the income statement. Monetary items are items that will be settled at a fixed nominal amount. This applies to liquid assets, receivables, debts, etc. For non-monetary items, the exchange rate at the time of the transaction is taken as the basis for the original cost. This applies to tangible non-current assets, inventory, etc.

Inventories

Inventories consist of the project inventories and the inventory for industrial operations. Project inventories are included in project valuations. The inventory for industrial operations is measured at the lower of total production costs and net sales price.

Warranty provisions etc.

A provision is made in the accounts 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. Provisions are made for confirmed work under guarantee and for probable concealed deficiencies. See note 25.

Cash and cash equivalents

These consist of cash and cash equivalents and bank deposits, including deposits subject to certain conditions, and short-term liquid investments with a maximum term of three months, which can be converted into cash immediately.

Share discounts

Veidekke purchases its own shares and then sells them to the employees at a discount with a lock-in period. These sales of shares are reported in accordance with IFRS 2 on share-based payments. The discount is recognised in 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 to personnel expenses. See note 5.

Proposed dividend

Proposed dividends are not recognised as liabilities in the accounts until they have been approved by the Annual General Meeting.

Disputes and claims related to projects

Veidekke's profits from projects are strongly influenced by estimates, entailing some uncertainty. See the discussion on page 39 under "Estimates." See also note 32 Disputes and claims related to projects.

Borrowing costs

Borrowing costs that are directly attributable to the procurement, manufacturing or production of a qualified asset are recorded as part of the acquisition cost of the asset concerned. For Veidekke, this involves capitalising interest costs in connection with the company's own property development projects. This means that interest rates are classified as cost of materials when they are expensed.

In connection with the purchasing of operating equipment where it takes a long time before the operating equipment can be used for its intended purpose, interest will also be capitalised. This concerns, for example, construction of an asphalt plant. Other borrowing costs will be entered in the income statement as they incur.

Earnings per share

Earnings per share is 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.

Statement of cash flows

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

In the property development divisions, investments are made continuously in new development projects, including sites. Investments also include acquisitions of companies. Investments in the property development segment are regarded as part of the operating activities and are presented under operating activities in the statement of cash flows. Associates and joint ventures are also used as part of the operating activities for the development of property development projects. Both acquisitions and sales

of associates and joint ventures are regarded as operating activities. In the other parts of the group, acquisitions and sales of companies are classified as investment activities.

Segment reporting (note 2)

The group's business segments are presented in accordance with the internal financial reporting that is presented to the group's most senior decision-maker. In essence, internal financial reporting follows current IFRS rules with one exception – accounting for residential projects for own account. For these projects profit is recognised in accordance with the project's estimated final profit, multiplied by the sales ratio, multiplied by the stage of completion. Revenue to date is calculated in the same way. When calculating the estimated final profit, only directly attributable costs are regarded as project costs, including interest costs. No profit is recognised in the accounts before the sales ratio measured in value exceeds 50%. Project losses are expensed as soon as they are identified.

See note 2 on segment reporting for more details. See also the detailed description under income recognition for residential projects.

IFRS STANDARDS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

IFRS 16 Leases

New IFRS 16 Leases came into effect on 1 January 2019. This standard requires recognition of right-to-use leases and their associated lease commitments as an asset. The previous distinction between operating leases and finance leases is removed. Short-term leases (with a lease term of less than 12 months) and leases of low-value assets are exempt from the requirements. Capitalisation of leases as an asset entails increased depreciation and interest costs and a reduction in other operating costs.

Veidekke leases equipment in connection with the construction of buildings and civil engineering projects, usually with a lease term of less than 12 months. However, the lease of construction site barracks, cranes and business premises will require recognition of future lease commitments. The standard is expected to have an effect on Veidekke's accounts in the form of an increase in capitalised assets and liabilities of an estimated NOK 0.9 billion. Write-downs are expected to increase by approximately NOK 275 million per year, and interest expenses will increase by approximately NOK 25 million per year, with a similar reduction in other operating expenses. Implementation will be undertaken using a modified retroactive method, whereby previous years' financial statements will not be restated.

NOTE 2. SEGMENT INFORMATION

The segment information is divided up into the business areas as they are reported to the corporate management. The business areas are based on the type of delivery and the market being served.

Veidekke is engaged in nationwide building construction and civil engineering activities in Norway and Denmark, while operations in Sweden are mainly in the largest cities. Veidekke's property development operations purchase sites

and develop them into residential buildings for sale to the end customer, mainly in the largest cities in Norway and Sweden.

The business area Industrial is engaged in the production and laying of asphalt and is a major producer of aggregates. Industrial is also a major player in the operation and maintenance of public roads.

BUSINESS AREAS

	Construction		Property Development	
	2018	2017 restated	2018	2017
Figures in NOK million				
INCOME STATEMENT				
Revenue	29 569	25 674	2 899	3 456
Operating expenses	-29 057	-24 774	-2 603	-3 117
Share of net income from joint ventures	8	8	126	239
Depreciation	-365	-316	-6	-4
Operating profit	156	592	416	574
Financial income	95	62	17	26
Financial costs	-32	-26	-45	-50
Profit before tax	219	629	388	549
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER				
Non-current assets	3 875	3 148	1 505	1 585
Current assets	5 768	5 399	5 352	4 561
Cash and cash equivalents	2 807	2 630	29	33
Total assets	12 450	11 176	6 885	6 179
Equity	2 309	2 005	1 720	1 588
Non-current liability	1 170	898	2 806	2 308
Current liabilities	8 972	8 273	2 360	2 284
Total equity and liabilities	12 450	11 176	6 885	6 179
KEY FIGURES				
Operational cash flow	1 400	976	-163	-436
Cash flow from investments	-767	-582	-39	-27
Investments in non-current assets ¹⁾	688	477	33	9
Capital invested ²⁾	-	-	4 760	4 163
Investments in joint ventures	88	75	1 356	1 444
Number of employees	7 185	6 391	197	187
Order backlog	33 708	31 601	-	-
- due for completion within 12 months	22 196	19 552	-	-

1) Does not include investments in companies or financial assets.

2) Capital invested is only listed for the two capital-intensive business areas Property Development and Industrial.

The business area Other operations includes unallocated costs associated with the group's corporate administration and financial management and the group's ownership role in Public-Private Partnerships (PPP). Revenue and internal profit between the segments are eliminated under the item Eliminations.

The group's largest single customer, the Norwegian Public Roads Administration, accounted for 9% of the Group's total revenues in 2018: NOK 3,152 million (NOK 3,778 million). This revenue is presented under the business areas Industrial and Construction Norway. Veidekke does not regard the Norwegian and Swedish governments as enterprise groups.

Industrial		Other operations		Eliminations		Group	
2018	2017	2018	2017	2018	2017	2018	2017 restated
4 894	4 761	2	1	-1 780	-2 453	35 584	31 438
-4 617	-4 372	-88	-102	1 779	2 450	-34 586	-29 915
6	36	25	22	-	-	165	305
-211	-192	-12	-12	-	-	-594	-524
72	232	-73	-92	-2	-3	570	1 304
3	4	83	72	-111	-97	88	67
-36	-30	-61	-52	107	98	-66	-60
40	206	-51	-71	-6	-2	591	1 311
1 553	1 409	2 376	1 915	-1 993	-1 499	7 316	6 557
908	850	555	812	-1 098	-1 373	11 485	10 249
5	21	878	86	-3 522	-2 379	197	392
2 467	2 280	3 809	2 813	-6 613	-5 251	18 999	17 198
473	464	1 557	1 835	-1 931	-1 521	4 128	4 370
1 023	803	1 760	115	-3 632	-2 415	3 127	1 708
971	1 014	492	864	-1 150	-1 315	11 744	11 120
2 467	2 280	3 809	2 813	-6 613	-5 251	18 999	17 198
265	290	-102	-128	-	-	1 400	702
-345	-218	-70	-111	-	-	-1 221	-938
379	251	41	32	-	-	1 141	769
1 408	1 281	-	-	-	-	5 972	6 462
36	31	31	13	-	-	1 511	1 564
1 139	1 115	47	43	-	-	8 568	7 736
933	960	-	-	-	-	34 640	32 561
675	659	-	-	-	-	22 872	20 211

Construction operations consist of two main segments; Building Construction and Civil Engineering.

Building Construction constitutes 73% of construction operations and builds commercial and public buildings and residential buildings. Commercial buildings are mostly office buildings, shopping centres and hotels. Public buildings are primarily schools and health-care buildings. Transport projects (road and rail) and other public

infrastructure provide the majority of Civil Engineering's revenue. The portfolio also includes projects in the energy sector and other industrial facilities. There is a high focus on margins and liquidity in the follow-up of this business area.

CONSTRUCTION

	Building Construction Norway		Civil Engineering Norway		Total Norway	
Figures in NOK million	2018	2017	2018	2017 restated	2018	2017 restated
INCOME STATEMENT						
Revenue	13 070	10 309	4 427	4 411	17 497	14 720
Operating expenses	-12 615	-9 910	-4 798	-4 290	-17 413	-14 199
Share of net income from joint ventures	-	-	3	4	3	4
Depreciation	-70	-66	-193	-166	-263	-233
Operating profit	386	333	-561	-41	-175	291
Net financial items	57	45	-23	-15	35	31
Profit before tax	443	378	-584	-56	-141	322
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER						
Non-current assets	1 091	929	1 176	1 090	2 267	2 019
Current assets	2 097	1 539	1 841	1 810	3 938	3 349
Cash and cash equivalents	3 595	3 242	-2 162	-1 559	1 432	1 682
Total assets	6 782	5 710	854	1 341	7 637	7 051
Equity	2 103	1 313	-782	-277	1 320	1 036
Non-current liability	560	666	137	29	696	696
Current liabilities	4 120	3 731	1 500	1 588	5 620	5 319
Total equity and liabilities	6 782	5 710	854	1 341	7 637	7 051
KEY FIGURES						
Profit margin	3.4%	3.7%	-13.2%	-1.3%	-0.8%	2.2%
Share of revenue, building construction	13 070	10 309	-	-	13 070	10 309
Share of revenue, civil engineering	-	-	4 427	4 411	4 427	4 411
This year's investments in operating equipment	108	87	361	304	469	391
Investments in joint ventures	-	-	9	30	9	30
Number of employees	3 070	2 681	1 368	1 433	4 438	4 114
Order backlog	14 223	12 833	5 056	6 688	19 280	19 521
- due for completion within 12 months	9 592	9 240	2 928	2 866	12 520	12 106

Sweden		Denmark		Total Construction	
2018	2017	2018	2017	2018	2017 restated
9 855	8 810	2 218	2 144	29 569	25 674
-9 566	-8 571	-2 079	-2 003	-29 057	-24 774
5	4	-	-	8	8
-93	-75	-9	-8	-365	-316
201	169	130	132	156	592
13	1	16	5	63	36
214	170	146	137	219	629
1 376	879	232	250	3 875	3 148
1 558	1 413	273	637	5 768	5 399
553	580	822	367	2 807	2 630
3 487	2 872	1 326	1 254	12 450	11 176
603	582	385	387	2 309	2 005
436	164	38	38	1 170	898
2 449	2 125	903	829	8 972	8 273
3 487	2 872	1 326	1 254	12 450	11 176
2.2%	1.9%	6,6%	6.4%	0.7%	2.4%
6 263	6 324	2 218	1 697	21 551	18 330
3 592	2 486	-	447	8 019	7 344
210	71	9	15	688	477
79	45	-	-	88	75
2 204	1 735	543	542	7 185	6 391
11 880	10 705	2 548	1 375	33 708	31 601
8 028	6 142	1 649	1 304	22 196	19 552

Veidekke's property development operations purchase sites and develop them into residential buildings for sale to the end customer. Veidekke's construction operations are responsible for the construction of the residential buildings and are involved from the earliest phase, before the site has even been purchased, to ensure identification of opportunities and risks. Many of the residential projects are run in partnership with other property developers through joint ventures, especially in Norway, which results in the revenue from property development operations recorded in the accounts being low.

In the segment accounts, property development projects are recognised in the income statements in line with sales and stage of completion, while in the financial statements, income is not recognised until the property is handed over to the customer. See the more detailed information at the end of this note. Return on invested capital is one of the key performance indicators in the follow-up of property development operations.

PROPERTY DEVELOPMENT

	Norway		Sweden		Total Property Development	
Figures in NOK million	2018	2017	2018	2017	2018	2017
INCOME STATEMENT						
Revenue	735	610	2 165	2 845	2 899	3 456
Operating expenses	-653	-590	-1 949	-2 526	-2 603	-3 117
Share of net income from joint ventures	116	157	9	82	126	239
Depreciation	-4	-1	-3	-2	-6	-4
Operating profit	194	175	222	398	416	574
Net financial items	-31	-30	3	5	-28	-25
Profit before tax	163	146	225	404	388	549
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER						
Non-current assets	1 233	1 298	271	287	1 505	1 585
Current assets	2 337	2 220	3 015	2 341	5 352	4 561
Cash and cash equivalents	29	33	-	-	29	33
Total assets	3 599	3 551	3 287	2 628	6 885	6 179
Equity	827	755	893	833	1 720	1 588
Non-current liability	2 189	2 472	619	6	2 806	2 308
Current liabilities	583	324	1 774	1 789	2 360	2 284
Total equity and liabilities	3 599	3 551	3 287	2 628	6 885	6 179
KEY FIGURES						
Capital invested	3 094	3 167	1 666	995	4 760	4 163
Return on invested capital	9%	9%	18%	40%	11%	18%
Investments in joint ventures	1 182	1 217	175	227	1 356	1 444
Number of employees	63	59	134	128	197	187

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		Denmark		Shared		Group	
Figures in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
INCOME STATEMENT										
Revenue	22 577	19 215	10 868	9 790	2 221	2 169	2	1	35 667	31 175
Operating profit	102	722	417	548	125	127	-63	-76	580	1 320
Profit before tax	73	697	433	555	140	131	-45	-55	602	1 327
STATEMENT OF FINANCIAL POSITION										
Total non-current assets	4 975	4 651	1 647	1 106	232	250	383	416	7 238	6 482
Capital invested	4 234	5 495	1 879	337	-286	107			5 828	6 311
Number of employees	5 640	5 288	2 338	1 863	543	542	47	43	8 568	7 736
Order backlog	20 212	20 481	11 880	10 705	2 548	1 375	-	-	34 640	32 561
- due for completion within 12 months	13 195	12 765	8 028	6 142	1 649	1 304	-	-	22 871	20 211

INTRA-GROUP SALES BY SEGMENT

	Construction		Property Development		Industrial		Other operations		Eliminations		Group	
Figures in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenue	28 174	23 500	2 895	3 443	4 538	4 474	2	1	-24	20	35 584	31 438
Internal revenue	1 396	2 174	5	12	356	286	-	-	-1 756	-2 473	-	-
Total revenue	29 569	25 674	2 899	3 456	4 894	4 761	2	1	-1 780	-2 453	35 584	31 438

Most of the intra-group sales are linked to residential production, where Property Development is the contracting client and Construction is the builder. All intra-group sales are eliminated at the group level.

RECONCILIATION BETWEEN SEGMENT ACCOUNTS AND FINANCIAL ACCOUNTS

Sale of completed residential units

From 1 January 2018 a new revenue recognition standard, IFRS 15, was introduced. The new standard requires that residential projects in Sweden and Denmark are recognised in the financial statements using the percentage of completion method, based on the estimated final profit, stage of completion and sales ratio. For Norwegian residential projects, the revenue recognition remains unchanged as a result of the legislation for the construction of new

dwellings (the Housing Construction Act), entailing that revenue is not recognised in the financial statements until handover to the buyer. In its internal monitoring, Veidekke recognises revenue for residential projects on a percentage of completion basis. This means that revenue and profit are recognised in line with the estimated final profit for the project, stage of completion and sales ratio. This principle is used in the segment reporting.

Figures in NOK million	Segment accounts		IFRIC 15 adjustments		Financial accounts	
	2018	2017 restated	2018	2017 restated	2018	2017 restated
INCOME STATEMENT						
Revenue	35 584	31 438	83	-263	35 667	31 175
Operating expenses	-34 586	-29 915	-71	215	-34 656	-29 700
Share of net income from joint ventures	165	305	-2	64	163	369
Depreciation	-594	-524	-	-	-594	-524
Operating profit	570	1 304	10	16	580	1 320
Net financial items	21	7	-	-	21	7
Profit before tax	591	1 311	10	16	602	1 327
STATEMENT OF FINANCIAL POSITION						
Non-current assets	7 316	6 557	-78	-76	7 238	6 482
Current assets	11 485	10 249	-85	-95	11 400	10 154
Cash and cash equivalents	197	392	-	-	197	392
Total assets	18 999	17 198	-163	-170	18 835	17 028
Equity	4 128	4 370	-144	-150	3 983	4 220
Non-current liability	3 127	1 708	-19	-22	3 108	1 686
Current liabilities	11 744	11 120	-	2	11 744	11 122
Total equity and liabilities	18 999	17 198	-163	-170	18 835	17 028

EARNED INCOME AND PROFIT FROM RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Figures in NOK million	2018	2017 restated
REVENUE		
Accumulated revenue from non-delivered projects at the start of the year	365	105
+ Revenue from non-delivered projects during the year	497	366
- Revenue from delivered projects during the year	-580	-105
Net IFRIC 15 adjustments to revenues during the year	-83	260
Accumulated revenue from non-delivered projects at end of the year	282	365
PROFIT BEFORE TAX		
Accumulated profit before tax from non-delivered projects at the start of the year	174	189
+ Profit before tax from non-delivered projects during the year	296	249
- Profit before tax from delivered projects during the year	-306	-264
Net IFRIC 15 adjustments to profit before tax during the year	-10	-16
Accumulated profit before tax from non-delivered projects at the end of the year	163	174

At 31 December 2018, revenue of NOK 282 million and profit before tax of NOK 163 million had accrued on sales of units under construction in the Norwegian property development operations. These results cannot be recognised in accordance with IFRS, and will be recognised in the financial statements when the individual units are handed over to the buyer.

Uncertainty related to the final results is low because only sold units are included in the statement above and the sales price is fixed. It normally takes about 18 months from production start until a residential building is handed over.

NOTE 3. REVENUE

Regular revenue is solely from contracts with customers. For geographical distribution of revenue, see note 2, segment information.

2018 Reporting segment, figures in NOK million	Construction	Property	Industrial	TOTAL
Area of service				
Construction, building construction	19 044	-	-	19 044
Construction, civil engineering	8 390	-	-	8 390
Property	26	2 875	-	2 902
Asphalt	262	-	3 010	3 272
Road maintenance	64	-	1 052	1 116
Aggregates	195	-	457	652
Ordinary revenue	27 982	2 875	4 519	35 376
Other revenue	198	74	19	292
Revenue	28 180	2 949	4 538	35 667

2017 - restated Reporting segment, figures in NOK million	Construction	Property	Industrial	TOTAL
Area of service				
Construction, building construction	15 313	-	-	15 313
Construction, civil engineering	7 595	-	-	7 595
Property	36	3 101	-	3 136
Asphalt	214	-	2 840	3 054
Road maintenance	76	-	1 079	1 154
Aggregates	254	-	460	714
Ordinary revenue	23 488	3 101	4 379	30 967
Other revenue	53	60	95	208
Revenue	23 541	3 161	4 474	31 175

Specification of other revenue, figures in NOK million	2018	2017
Gains from sale of operating equipment ¹⁾	44	104
Rental income	83	45
Other revenue	164	59
Other revenue	292	208

1) Only gains are presented under other revenue. Any losses are presented under other operating expenses.

Moment of revenue recognition, figures in NOK million	2018	2017
Goods delivered at a specific time	1 375	1 388
Goods and services delivered over time	34 292	29 787
Total	35 667	31 175

Remaining contractual deliveries due, figures in NOK million	2018	2017
Less than 1 year	24 680	22 716
More than 1 year	13 743	14 118
Total	38 423	36 834

NOTE 4. PERSONNEL EXPENSES

Figures in NOK million	2018	2017
Payroll	5 494	5 015
Pension costs ¹⁾	519	425
Employer's National Insurance contributions	876	745
Other payroll costs (social benefits etc)	146	134
Personnel expenses	7 035	6 319
Number of full time equivalents	8 494	7 666
Number of employees at 31 December	8 568	7 736

1) See note 21.

NOTE 5. SHARE ISSUES TO EMPLOYEES

Twice a year Veidekke sells shares to its employees at a discount to the current market price. In the spring, senior executives are given the opportunity to buy shares with a three year lock-in period, and in the autumn, all employees can buy shares with a two-year lock-in period. These sales of shares are reported in accordance with IFRS 2 on share-based payments. The recognised discount in the income statement 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 and historical fluctuations in the share price. The value of the option is calculated using the Black-Scholes model. The

portion of the discount that is not expensed in the income statement is recognised directly in equity in accordance with IFRS 2.

Loans to senior executives are currently interest-free and repaid at 5% a year. The loans are revocable after ten 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. Calculated interest expenses related to the long-term interest-free loans are classified as payroll expenses. See notes 6 and 30.

SALES OF SHARES TO EMPLOYEES

Figures in NOK million	2018	2017
Sales of shares to employees (number of shares)	1 995 583	1 938 824
Expensed discount after tax	17	21
Discount entered directly as a reduction in equity related to the Group's share programme	23	20

SHARE LOANS TO EMPLOYEES

Figures in NOK million, except number of executives and employees	2018	2017
Loans to senior executives for purchases of Veidekke shares	154	159
Expensed change in the present value of share loans	5	5
Number of executives with long-term loans	596	585
Share scheme loans for all employees	22	21
Number of employees with short-term loans	925	866

NOTE 6. FINANCIAL INCOME AND FINANCIAL COSTS

Figures in NOK million	2018	2017
Interest income	2	1
Interest income from joint ventures	10	15
Other interest income from non-financial institutions	42	15
Foreign currency gains	19	16
Dividends received	5	3
Financial income from long-term PPP projects' receivables	0	2
Gains on sale of shares	3	7
Other financial income	6	8
Financial income	88	67
Interest costs ¹⁾	-47	-35
Interest charges from non-financial institutions	-2	-4
Foreign currency losses	-16	-19
Impairment of financial instruments	-	-
Other financial costs	-2	-2
Financial costs	-66	-60
Net financial items	21	7

1) Interest income for loans to employees is presented as reduced interest costs. Expensed advances on pay are presented as personnel expenses (see note 15). For 2018 this represents NOK 5 million. The corresponding figure for 2017 was NOK 5 million.

SPECIFICATION OF CAPITALISED INTEREST

Veidekke's property development operations capitalise interest, both on sites under development and on property development projects under construction. These interest costs are expensed as operating expenses when the projects are handed over to the customer.

Figures in NOK million	2018	2017
Capitalised interest at 1 January	67	44
Capitalised interest charges for the year	36	33
Expensed interest classified as operating expenses	-28	-9
Currency translation differences	1	-
Capitalised interest at 31 December	75	67
The capitalised interest charges relate to the following assets:		
Sites under development and property projects under construction	67	61
Operating equipment	8	6
Capitalised interest at 31 December	75	67
Interest capitalisation rate	2.4%	2.4%

NOTE 7. PROJECTS IN PROGRESS

Figures in NOK million	2018	2017 restated
Total income from construction projects	28 829	25 171
DETAILS OF PROJECTS IN PROGRESS AT 31 DECEMBER		
Accumulated income included in the financial statements	40 215	27 447
Accumulated costs included in the financial statements	-38 654	-26 166
Accumulated profit included in the financial statements	1 561	1 281
Loss-making projects in progress - remaining income ¹⁾	1 726	918
Trade receivables in construction projects in the statement of financial position	2 061	2 813
Contract assets in construction project in the statement of financial position ²⁾	2 652	1 554
– due from customers ³⁾	1 071	688
– earned, not invoiced income	1 581	866
Advance payments from customers ²⁾	1 336	1 404

1) Anticipated losses on these projects have been charged to income.

2) See note 18 for detailed information on contract assets and contract liabilities.

3) The balance is money retained as security for the contracting client. Included in the statement of financial position under Trade receivables (see note 18).

ORDER BACKLOG

Figures in NOK million	2018	2017
Construction	33 708	31 601
Road maintenance (due for completion within 18 months)	933	960
Total order backlog	34 641	32 561
- of which due to be completed within the next 12 months	22 872	20 211

NOTE 8. EARNINGS PER SHARE

Figures in NOK million	2018	2017 restated
Earnings per share (NOK)	4.0	8.8
Profit for the year	574	1 205
Equity holders of Veidekke ASA's share of the group's the profit for the year	540	1 178
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

Figures in NOK million

	2018	2017
Carrying amount at 1 January	1 401	1 248
Original cost at 1 January	1 415	1 262
Additions business acquisitions	399	122
Additions indirect business acquisitions	4	-
Currency translation differences accumulated original cost	4	31
Original cost at 31 December	1 821	1 415
Accumulated impairment at 1 January	-13	-13
This year's impairment	-	-
Accumulated depreciation and impairment at 31 December	-13	-13
Carrying amount at 31 December	1 807	1 401

The group has recognised goodwill from the acquisition of a total of 55 businesses. Each goodwill item is allocated to a cash-generating unit (CGU). A cash-generating unit is the lowest level at which independent cash flows can be measured. When an acquired business continues to be operated as an independent unit, this business is designated as a cash-generating unit. Units with significant synergy effects and which carry out similar activities, are together considered as a single cash-generating unit. This is the case when acquired operations are integrated with an

existing Veidekke company or when an acquired business is operatively 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 35 cash-generating units associated with capitalised goodwill.

The group's largest goodwill items, plus the goodwill for each business area, are specified in the table:

GOODWILL PER BUSINESS AREA ATTRIBUTED TO THE CASH GENERATING UNITS:

Figures in NOK million	2018	2017
Construction Norway		
Leif Grimsrud AS	177	177
Veidekke Entreprenør AS, Storbyregion Stavanger (Agder og Block Berge Bygg)	108	108
Veidekke Entreprenør AS, Bygg Norge (Reinertsen)	88	88
Grande Entreprenør AS	69	-
Båsum Boring AS	60	60
Other	245	200
Construction Sweden		
Billström Riemer Andersson AB (BRA)	300	-
Arcona AB	96	99
Veidekke Entreprenad AB, Region Väst	88	91
Other	219	225
Construction Denmark		
Hoffmann A/S	141	139
Industrial		
Business unit Aggregates	124	124
Business unit Asphalt	79	79
Property Development Sweden	13	14
Total goodwill	1 807	1 401

Testing goodwill for impairment

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, testing is carried out on a quarterly basis. Testing is carried out by comparing the estimated recoverable amount with capital invested for the unit in question. The recoverable amount is calculated on the basis of the unit's expected future discounted cash flows. The cash flows are calculated on the basis of the business unit's expected earnings for the next three years, adjusted for any capital injection needs. Expected cash flow is also calculated for years four and five, based on nominal growth in earnings and the unit's terminal value after five years. The sum total is the unit's recoverable amount. Capital invested is the unit's total assets less interest-free liabilities. When the recoverable amount exceeds capital invested, the carrying value of the goodwill is upheld. When the recoverable amount is lower than capital invested, the carrying value is impaired to the estimated recoverable amount.

Assumptions used in impairment testing*1. Revenue and profit margin in the next three years*

Impairment tests are based on the management's approved budget and strategy for the next three years,

which in turn are based on current revenue and margins and expected market development.

2. Revenue and profit margin in the subsequent periods

Assumed annual growth used in the cash flows for years four and five is marginally higher than the growth expected in the Scandinavian economy, as growth in the construction and civil engineering market is expected to be higher than GDP growth. The calculations are based on nominal growth of 2.5% per year from year four onwards. This calculation assumes a terminal value after five years based on the Gordon model.

3. 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 cost of capital 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 rate, debt ratio, risk premium and a liquidity premium. The discount rates applied to cash flow and terminal value are presented in the following table:

	Norway	Sweden	Denmark
Discount rate (WACC) before tax	8.3%	8.6%	7.0%
Before-tax discount rate for calculation of the terminal value	9.6%	9.9%	8.3%

4. Investment needs / reinvestment

The unit's anticipated future investment needs in order to maintain current levels 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 needs are assumed to correspond to expected depreciation. Changes in working capital needs have been assessed and in all essence set at NOK 0. Building construction operations are generally not very capital-intensive, while more capital is required in civil engineering and industrial operations.

Assessment of the assumptions forming the basis for last year's estimates

The assumptions used in the calculations at the end of 2017 were largely achieved, with the exception of weak results from parts of the Norwegian building construction operations and the Norwegian asphalt operations. Substantially better results are expected from these units in 2019. See the more detailed presentation in the Board of Directors' Report on pages 21 and 24.

DETAILS OF GOODWILL ITEMS WITH A CARRYING AMOUNT EXCEEDING NOK 100 MILLION

Figures in NOK million	CGU revenue for 2018 ¹⁾	CGU margin achieved in 2018	Revenue growth after 2019 ²⁾	Impairment indicator: Profit margin over time ³⁾
Construction Norway - Leif Grimsrud AS	975	1.5%	2.5%	3.0%
Construction Norway - Veidekke Entreprenør AS, Storbysregion Stavanger	1 651	-1.6%	2.5%	0.5%
Industrial - Asphalt	3 357	0.4%	2.5%	2.0%
Construction Denmark - Hoffmann A/S	2 218	6.6%	2.5%	0.5%
Construction Sweden - BRA AB	1 323	11.0%	2.5%	1.5%

1) Revenue in the cash-generating unit (CGU) which the goodwill will be measured against.

2) Expected growth in revenue used in tests at 31 December 2018.

3) "Break-even" level. If the future expected profit margin (over time) is lower than the stated profit margin in the table, this indicates that goodwill impairment is necessary.

Sensitivity analysis for goodwill items with a value of over NOK 50 million

The group has carried out sensitivity analyses to assess the calculated present values for each cash-generating unit with goodwill in excess of NOK 50 million. This indicates the need for impairment for a single CGU in the event of a negative change in the assumptions. The sensitivity analysis is based on the financial 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 sensitivity calculations are based on a reasonable outcome range. A reduction in revenue of over 20% is considered unlikely. However, if this were to occur, such a reduction could have a significant impact on the units' performance and would most likely result in impairment.

THE FOLLOWING TABLE SHOWS IMPAIRMENT FOR CHANGES IN THE ASSUMPTIONS USED IN THE SENSITIVITY ANALYSIS:

	Discount rate		Revenue ¹⁾		Profit margin	
Change in assumption	+100 bp	+200 bp	-10%	-20%	-20%	-40%
Impairment need	-	-	-	160	-	109

1) Margins maintained.

NOTE 10. OTHER INTANGIBLE ASSETS

Other intangible assets include extraction rights in the business area Aggregates, customer portfolios and investments in IT systems. 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, while IT systems are depreciated on a straight-line basis over five years.

Figures in NOK million	2018			2017		
	Extraction rights and customer portfolios	IT systems ¹	TOTAL	Extraction rights and customer portfolios	IT systems	TOTAL
Carrying amount at 1 January	129	-	129	136	-	136
			-			-
Original cost at 1 January	215	-	215	201	-	201
Investments in conn. with purchase of companies/operations	5	37	42	8	-	8
Reclassification/other changes	-16	16	-	-	-	-
Translation differences for year accumulated original cost	-3	1	-2	6	-	6
Original cost at 31 December	200	54	255	215	-	215
Accumulated depreciation and impairments at 1 January	-86	-	-86	-64	-	-64
Depreciation	-17	-3	-21	-19	-	-19
Reclassification/other changes	1	-1	-	-	-	-
Translation differences for year accumulated original cost	1	-	1	-3	-	-3
Accumulated depreciation and impairments at 31 December	-101	- 4	-105	-86	-	-86
Book value at 31 December	99	50	149	129	-	129

NOTE 11. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	2018				2017			
	Plant and machinery	Asphalt plants/quarries	Land and buildings	Total	Plant and machinery	Asphalt plants/quarries	Land and buildings	Total
Carrying amount at 1 January	1 750	536	615	2 900	1 446	508	560	2 514
Original cost at 1 January	4 129	1 266	862	6 258	3 577	1 200	779	5 556
Additions	906	132	58	1 096	647	92	23	761
Additions from acquisition of operations	17	-	87	103	93	21	49	162
Disposals original cost	-270	-41	-93	-404	-231	-48	-9	-288
Reclassification/other changes	7	-	-7	-	9	-	7	16
Translation differences original cost	-12	-	-	-12	35	2	14	50
Original cost at 31 december	4 775	1 357	908	7 041	4 129	1 266	862	6 258
Accum. depreciation/impairments at 1 January	-2 379	-730	-248	-3 357	-2 131	-692	-219	-3 042
Accum. depreciation, disposal of operating equipment	172	38	11	221	187	46	0	232
Depreciation for the year	-463	-81	-30	-573	-402	-80	-17	-499
Impairment for the year	-	-	-	-	-3	-4	-	-6
Reclassifications/other changes	-5	-	5	-	-9	-	-7	-16
Translation differences, depreciation	9	-	-	9	-21	-1	-5	-27
Accumulated depreciation/impairments at 31 December	-2 667	-772	-262	-3 701	-2 379	-730	-248	-3 357
Carrying amount at 31 December	2 109	585	646	3 340	1 750	536	615	2 900
Depreciation method	Straight line	Straight line	Straight line		Straight line	Straight line	Straight line	
Depreciation rate	15–25%	7 %	2–5%		15–25%	7%	2–5%	

Under Plant and machinery NOK 177 million has been capitalised related to financial leasing. As at 31 December 2018, the group has entered into contracts worth NOK 105 million on delivery of operating equipment, which are due for delivery in 2019.

ADDITIONS AND DISPOSALS (SALES PRICE)

Figures in NOK million	2018		2017	
	Additions	Disposals	Additions	Disposals
Plant and machinery	906	111	647	72
Asphalt plants, quarries	132	2	92	1
Land and buildings	58	90	23	81
Additions and disposals (sales price)	1 096	203	761	154

NET GAIN (LOSS) ON SALE OF OPERATING EQUIPMENT ¹⁾

Figures in NOK million	2018	2017
Plant and machinery	12	28
Asphalt plants, quarries	-	-1
Land and buildings	8	72
Total net gain on sales	20	99

1) Gains on sale of operating equipment are included in revenues, see note 3. Losses on sale of operating equipment are included in operating expenses.

NOTE 12. ACQUISITIONS AND DISPOSALS OF BUSINESSES

Acquisitions

Veidekke's acquisitions of businesses in 2018 and 2017 are summarised in the table below:

Year of purchase	2018				2017			
Company	BRA AB ¹⁾	Grande Entreprenør AS	Hande AS	Total	Båsum Boring AS	Asfalt-verket Mo AS	Other acquisitions ²⁾	Total
Figures in NOK million								
Acquisition cost	375	96	62	533	81	60	62	203
Ownership share (%)	90.1 %	80 %	68 %		70 %	50 %		
CARRYING AMOUNTS ON THE ACQUISITION DATE:								
Plant and machinery, land and buildings	110	3	1	114	31	66	65	162
Trade and other receivables	325	136	23	484	43	44	1	88
Cash received	105	13	32	150	9	-	1	9
Pension and deferred tax liabilities	-39	-6	-	-44	-4	-4	-14	-23
Long-term debt	-2	-	-	-2	-5	-6	-	-11
Interest-bearing debt	-132	-7	-	-139	-	-	-	-
Trade payables and other current liabilities	-215	-106	-32	-352	-45	-31	-1	-77
Net identified assets and liabilities, 100 %	153	33	24	211	29	69	52	150
Value 100 % of shares	437	120	91	648	115	121	61	297
Excess value	284	87	66	437	86	51	10	146
Goodwill allocated	284	69	45	399	60	51	10	122
Non-controlling interests' share of identified values	-62	-7	-8	-77	-9	-	-	-9
Revenue after takeover ³⁾	978	456	19	1 453	16	61	1	78
Profit before tax after takeover	66	-7	5	64	-	6	1	7
Revenue before takeover	388	58	141	587	126	75	5	206
Profit before tax before takeover	23	0	11	34	3	9	3	14

1) In connection with the acquisition of BRA (90.1%), the non-controlling party's share of goodwill has not been incorporated in the accounts. Incorporated at exchange rate on the acquisition date

2) Brinkab Förvaltning AB (100%) , Kardanaxeln Snäkarad AB (100%)

3) Included as revenue and profit in the consolidated financial statements

2018

Billström Riemer Andersson AB (BRA)

On 2 May 2018 Veidekke Entreprenad AB acquired 90.1 % of the shares in Billström Riemer Andersson AB (BRA). BRA is a holding company with a number of operative subsidiaries. The purchase represents 85% of the equity in the BRA Group. The company focuses primarily on the building construction market around Gothenburg, but also has civil engineering and property development expertise and has 200 employees. The estimated purchase price for the shares at the time of acquisition was NOK 375 million, NOK 285 million of which was paid on the takeover date. The year-end accounts include an updated calculation of the purchase price, according to which the additional purchase sum has

increased by NOK 34 million, and a corresponding sum has been recognised as an expense. The purchase agreement contains a clause stating that profits above a certain level must be shared between Veidekke and the seller, and BRA achieved excellent results in 2018. NOK 284 million has been allocated to goodwill, and relates to the organisation. The minority's share of goodwill has been incorporated. There is a purchase option for the remaining minority stake (15%) in the BRA group. The option price will be determined on the basis of expected future earnings and is expected to amount to NOK 82 million. This sum has been recorded in the accounts as a liability. The company was consolidated in the accounts from 2 May 2018.

Grande Entreprenør AS

On 16 February 2018 Veidekke Entreprenør AS bought 80% of the shares in Grande Entreprenør. The company undertakes all types of building construction projects in Nord-Trøndelag and has 200 employees. The estimated purchase price for the shares at the time of acquisition was NOK 96 million, NOK 80 million of which was paid on the takeover date. Due to weak results in 2018, a previously incorporated additional purchase sum of NOK 16 million has been reversed and recognised as revenue in the accounts. NOK 69 million has been allocated to goodwill, and relates to the organisation. Only the majority stake has been incorporated.

There is a purchase option on the remaining 20% of the shares, where the price will be determined on the basis of future earnings. The price of this option is expected to be NOK 18 million and has been included as a liability in the financial statements. The company was consolidated in the accounts from 16 February 2018.

Hande AS

On 22 November 2018 Veidekke Entreprenør AS bought 68% of the shares in Hande AS. Hande AS is a design and build contractor specialising in office refurbishment and decoration in the Oslo region and has 25 employees. The estimated purchase price for the shares is NOK 62 million, NOK 44 million of which was paid on the takeover date. NOK 45 million has been allocated to goodwill, and only the majority stake has been incorporated. The purchase price allocation is preliminary.

There is a purchase option for the remaining minority stake (32%) of the company. The option price will be determined on the basis of expected future earnings and is expected to amount to NOK 34 million. This sum has been recorded in the accounts as a liability. The company was consolidated in the accounts from 22 May 2018.

There was also one smaller acquisition in 2018.

2017

Båsum Boring

Kynningsrud Fundamentering AS, which is a subsidiary of Veidekke Entreprenør AS, acquired 70% of Båsum Boring AS and Båsum Boring Trøndelag AS on 15 November 2017. These companies are engaged in water well and geothermal drilling and are based in Buskerud and Trøndelag. The original estimated purchase price for the shares was NOK 81 million, NOK 74 million of which was paid on takeover. The accounts for 2018 include a reversal of NOK 7 million, as it is no longer likely that an additional purchase sum will be paid. NOK 60 million has been allocated to goodwill, and only the majority stake has been incorporated. This acquisition will strengthen the Norwegian civil engineering unit's capacity. There is a sale and purchase option on the remaining 30% of the shares, where the price will be determined on the basis of expected future earnings and is expected to be NOK 12 million, which has been recognised as a liability in the financial statements. See note 23 for more information about this option.

Asfaltverket Mo

In the third quarter of 2017, Veidekke Industri AS purchased the remaining 50% of the shares in Asfaltverket Mo AS. Asfaltverket Mo AS is engaged in the production and laying of asphalt in Nordland county in northern Norway. The purchase price for the shares was NOK 60 million. NOK 51 million has been allocated to goodwill in connection with this business combination. As a result of this transaction, the original ownership share was recognised at fair value, generating a gain in the financial statements of NOK 29 million.

ACCOUNTING EFFECTS OF THIS YEAR'S ACQUISITIONS:

Figures in NOK million	2018	2017
Machinery, buildings etc.	114	162
Trade and other receivables	484	88
Cash and bank deposits	150	9
Pension and deferred tax liabilities	-44	-23
Debt to credit institutions	-139	-11
Trade payables and other current liabilities	-354	-77
Net identified assets and liabilities	211	150
Goodwill acquisitions	399	122
Non-controlling interests	-77	-9
Joint venture realisation, step acquisition	-	-60
Purchase price	532	203
Agreed purchase price	532	203
Deferred payment	-123	-7
Deferred payment from previous acquisitions, paid	-	7
Cash received	-150	-9
Net cash outflow, business combinations	259	194
Purchase price, companies where Veidekke was the majority owner	-	63
Net cash outflow, acquisition of subsidiaries	259	257

NOTE 13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The movements for the year for investments in associates and joint ventures are presented in the table below:

Figures in NOK million	Joint ventures		Associates		Total	
	2018	2017 restated	2018	2017 restated	2018	2017 restated
Carrying value of investment on 1 Jan.	1 360	1 298	128	86	1 489	1 385
Share of the profit for the year	162	363	-	5	163	369
Dividends received	-205	-380	-14	51	-218	-329
Capital increases	26	135	39	49	65	184
Disposal of companies	-78	-94	-9	-58	-87	-151
Change in subordinated loans	34	60	-3	-6	31	54
Change in value recognised in total comprehensive income	-1	-41	-	-	-1	-41
Currency translation differences	-7	18	-1	1	-8	19
Carrying value of investment on 31 Dec.	1 292	1 360	141	128	1 433	1 489

The group's total share of assets, liabilities, revenue and expenses related to investments in associates and joint ventures is presented in the table below. The statement has been prepared in accordance with the group's accounting policies for segment reporting.

Figures in NOK million	2018				
	Construction	Property	Industrial	PPP projects	Total
INCOME STATEMENT					
Revenue	240	1 011	97	13	1 360
Expenses	-228	-850	-90	17	-1 151
Profit before tax	12	161	7	30	210
STATEMENT OF FINANCIAL POSITION					
Non-current assets	72	252	39	1 186	1 550
Current assets	94	3 510	42	123	3 769
Total assets	166	3 762	81	1 309	5 318
Non-current liabilities	21	1 758	14	1 246	3 039
Current liabilities	57	1 029	30	33	1 150
Total liabilities	78	2 788	45	1 278	4 189
Net assets	88	974	36	31	1 129
Subordinated loans	-	382	-	-	382
IFRS 15 adjustments	-	-78	-	-	-78
Investments in associates and joint ventures	88	1 278	36	31	1 433

	2017 – restated				
Figures in NOK million	Construction	Property	Industrial	PPP projects	Total
INCOME STATEMENT					
Revenue	119	1 659	76	27	1 882
Expenses	-107	-1 368	-71	-	-1 546
Profit before tax	12	291	5	27	335
STATEMENT OF FINANCIAL POSITION					
Non-current assets	58	228	34	1 189	1 509
Current assets	108	3 845	38	121	4 112
Total assets	166	4 073	71	1 310	5 621
Non-current liabilities	39	1 742	14	1 240	3 034
Current liabilities	53	1 239	26	55	1 373
Total liabilities	92	2 980	40	1 295	4 407
Net assets	74	1 093	31	15	1 213
Subordinated loans	-	351	-	-	351
IFRS 15 adjustments	-	-76	-	-	-76
Investments in associates and joint ventures	74	1 368	31	15	1 489

Reconciliation between profit in the companies' accounts and accounting in Veidekke's consolidated financial statements:

Figures in NOK million	Profit	
	2018	2017 restated
Profit before tax in associates and joint ventures (taken from the respective companies' accounts)	210	335
Tax on profit for the year	-44	-60
Profit after tax in associates and joint ventures	165	275
Sale of shares and value adjustments	-	29
Profit after tax associates and joint ventures (segment reporting, note 2)	165	305
Adjustment of profit in accordance with IFRIC 15	-2	64
Share of net income from associates and joint ventures (financial accounts)	163	369
Profit for the year adjusted to market value		
Profit from investments in associates and joint ventures (financial accounts)	163	369
Fair value adjustment of financial assets	8	-29
Total comprehensive income from associates and joint ventures	171	340

Details of significant investments in associates and joint ventures

The figures in the table are from the companies' IFRS accounts and are presented 100%.

All investments are consolidated using the equity method.

Company	Lilleby Eiendom AS	Lørenvangen Utvikling AS ¹⁾	M17 Utvikling AS ¹⁾	Allfarveg AS ²⁾
Figures in NOK million				
Business area	Property Norway	Property Norway	Property Norway	Other
Type of company	JV	JV	JV	JV
Business office	Trondheim	Oslo	Oslo	Oslo
Dividend paid to the shareholders (100%)	-	-	-	10
Revenue	424	625	-	20
Depreciation	-	-	-	-
Other costs	-348	-418	-2	-20
Operating profit	75	207	-2	-
Interest income	-	-	-	1
Interest costs	-18	-19	-6	-
Other net financial items	-	-	-	25
Profit before tax	58	188	-8	26
Income tax expense	-13	-44	2	-3
Profit after tax	45	144	-6	23
Other comprehensive income	-	-	-	27
Total comprehensive income	45	144	-6	50
Non-current assets	-	-	5	973
Cash and cash equivalents	18	196	3	91
Property projects/other current assets	1 089	637	926	13
Current assets	1 108	832	930	105
Non-current financial liabilities	243	150	674	1 014
Other non-current liabilities	34	4	-	29
Non-current liabilities	277	154	674	1 043
Current financial liabilities	-	-	-	-
Other current liabilities	451	298	23	35
Current liabilities	451	298	23	35
Total equity	379	381	238	-
The group's ownership share (%)	50%	50%	50%	50%
The group's share of equity	190	190	119	-
IFRS 15 adjustment	-	-	10	-
Carrying value at 31 Dec. 2018	190	190	129	-

1) Lørenvangen Utvikling and M17 Utvikling are owned 50% by OBOS. See note 33.

2) See note 14 for more details on the accounting of Allfarveg AS.

NOTE 14. PUBLIC-PRIVATE PARTNERSHIP (PPP) PROJECTS

Veidekke has interests in five PPP projects: four school projects and one road project.

PPP (Public-Private Partnership) projects are a collaboration between a public and a private operator on a building construction project, where a municipality or government agency orders a service, which in Veidekke's case relates to the lease of a road or school for an agreed lease period. Veidekke establishes a limited liability ("AS") company, which then acts as contracting client, performs the project planning and design, and is responsible for the construction, financing, operation and maintenance during a given lease period. In connection with the school projects, Veidekke Entreprenør AS (Construction Norway) is responsible for both the construction and the operation and maintenance of the buildings during the lease period, while

for the road project, the construction work is carried out by Veidekke Entreprenør AS (Construction Norway), while Veidekke Industri AS (Industrial) undertakes the operation and maintenance work.

The actual construction and operation are accounted for in the same way as for ordinary projects and are included in the respective business area's income statement. Figures for the performance of the owner role for the five projects are reported under the segment Other operations. The PPP contracts are accounted for as financial assets according to IFRIC 12 Service Concession Arrangements (The Financial Asset Model), based on amortised cost. Income from the operation and maintenance contract is recognised over the operation period, as the work is done.

Overview of PPP contracts	Lease period	Construction contract	Ownership share	Legal owner
Rykkinn School	2016–2041	0.2 bn.	50%	Skuleveg AS
Jessheim College	2017–2042	0.8 bn.	50%	Skulebygg AS
Gystadmarka School	2018–2043	0.2 bn.	50%	Skuleplass AS
Justvik School	2018–2043	0.1 bn.	50%	Skulegaard AS
E39 Lyngdal-Flekkefjord	2006–2031	1.2 bn.	50% ¹⁾	Allfarveg AS

1) Veidekke's share of profit is 65%.

In the financial statements, the PPP companies are entered on the following lines:

Figures in NOK million	2018	2017
INCOME STATEMENT		
Share of net income from joint ventures	25	22
Other financial income	-	8
Other interest costs	-	-1
Profit before tax	25	29
STATEMENT OF FINANCIAL POSITION		
Investments in joint ventures ¹⁾	60	52
Non-current assets	60	52
Current assets	-	-
Total assets	60	52
Equity	60	52
Non-current liabilities	-	-
Current liabilities	-	-
Total equity and liabilities	60	52

1) At 31 December 2018 Veidekke's ownership interest in the joint venture Allfarveg AS has been recorded as NOK 0. This is because the associated interest rate swap contracts must be recognised in the accounts at fair value and there has been a large reduction in the long-term interest rates since the contract was signed. This is discussed in more detail below.

Financial Instruments – financing of PPP projects

Dedicated funding has been obtained for all the projects in the construction and lease period. To ensure predictability in the lease period, interest rate agreements have been entered into. These agreements run over the lifetime of the projects. The rental income from the state or municipality is largely determined at the signing of the contract, making

it expedient to hedge the project's interest expense over the same period in order to reduce the overall financial risk. Hedging ensures that any subsequent changes in interest rates will not have a significant impact on the profitability of the projects. The interest hedges are designed to satisfy the requirements for hedge accounting. Key figures for loans and interest rate swaps are shown in the tables below:

PPP SCHOOL PROJECTS

Veidekke's share of interest rate derivatives entered into to cover obligations related to the construction and leasing of schools.

Figures in NOK million	Nominal value	Due date	Fair value ¹⁾
Financing – fixed rate loans	89	July 2041	-8
Financing – fixed rate loans	367	August 2042	-29
Financing – fixed rate loans	109	December 2042	-
Financing – fixed rate loans	47	December 2042	-

1) Fair value is the market value of the financial instrument on 31 December 2018. A negative figure means that the applicable interest rate is lower than it was at the time the contract was signed and indicates, theoretically, what must be paid to the counterpart beyond the principal amount in the event of termination of contract.

PPP PROJECT NATIONAL HIGHWAY E39 LYNGBAL–FLEKKEFJORD

The ownership role in the PPP project E39 is exercised through Veidekke's 50% stake in the company Allfarveg AS. The table below shows Veidekke's share of the interest rate derivative.

Figures in NOK million	Nominal value	Due date	Fair value
Hedging – interest rate swaps	538	August 2030	-117

Specification of the item in the statement of financial position Investment in the joint venture Allfarveg AS:

Figures in NOK million	2018	2017
Carrying value at 1 January	-	-
Recognised profit	15	14
Dividends	-10	-12
Adjustments for fair value of long-term interest rate swaps	18	11
Adjustment for negative equity not recognised from joint ventures	-23	-13
Carrying value at 31 December	-	-

Total hedge reserve on the PPP projects:

Figures in NOK million	2018	2017
Hedge reserve at 1 January	-149	-132
This year's changes in the hedge reserve	29	-17
Hedge reserve at 31 December	-120	-149
Adjustment of hedge reserve by not including negative equity	2	33
Hedge reserve at 31 December included in the financial statements	-118	-116

The table shows Veidekke's share of interest rate derivatives related to PPP projects. The fair value of all the interest rate derivatives has been reduced by NOK 120 million after tax, of which NOK 118 million has been included in the financial statements at 31 December 2018.

A sensitivity analysis has been conducted of the effect of a possible change in interest rates by 100 basis points up or down. A change of this magnitude would have an effect on equity in the order of NOK 54 million and NOK -35 million, respectively.

NOTE 15. FINANCIAL ASSETS

Figures in NOK million	2018	2017
Share loans to employees	154	159
Financial investments	214	187
Other non-current receivables	98	143
Other shares	42	19
Financial assets	508	508

1) See note 14.

The item Financial investments includes NOK 214 million in a bond fund. The funds are to cover pension liabilities and have been pledged.

The investment is classified as financial assets measured at fair value with value changes recognised through other comprehensive income.

Share loans to employees can be subdivided into the following categories:

Figures in NOK million	2018	2017
Loans to employees at fair value	133	137
Long-term advance to employees	21	22
Carrying value of share loans to employees	154	159

Loans to employees are recognised at fair value in accordance with the principles of IAS 39. The loans are currently interest-free. Carrying 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 3.0% (3.0%) after tax and an assumed average remaining term of five years.

The difference between the carrying value and the nominal value of the loans is treated as advance payments to employees. In the statement of financial position the advance payment is presented together with an estimated carrying value of the loans. Satisfactory security has been furnished for the loans. See note 5.

NOTE 16. RESIDENTIAL PROJECTS

Residential projects involve the construction of residential buildings for sale for Veidekke's own account. Costs incurred in respect of sites for development and units under construction are recognised under this item. Most 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. In terms of accounting, sites and projects are presented as inventory.

Residential projects are developed both as own projects (wholly owned) and in collaboration with others. When projects are undertaken with others, a company is generally established in which Veidekke has a 50% holding. Many projects are undertaken in joint ventures because this ensures risk sharing and better utilisation of the investment limit. Residential projects in joint ventures and associates are outside of the group's statement of financial position.

Figures in NOK million	2018	2017 restated
Sites under development	3 776	3 214
Projects under construction	459	661
Unsold completed residential units	67	44
Total residential projects	4 302	3 920
Non-residential projects	7	22
Total carrying amount residential projects (wholly owned)	4 309	3 941
Residential projects in joint ventures	1 065	1 260
Residential projects in associates	118	71
Carrying value residential projects in Associates and Joint Ventures (partly owned)	1 182	1 331

GEOGRAPHICAL CATEGORY

2018					Carrying value Associates and JV's
Residential projects at 31 December Figures in NOK million	Sites under development	Under construction	Unsold completed	Total wholly owned projects	
Norway	1 662	430	26	2 119	1 104
Denmark	42	-	-	42	-
Sweden	2 072	29	41	2 142	79
Total carrying value	3 776	459	67	4 302	1 182

2017					Carrying value Associates and JV's
Residential projects at 31 December Figures in NOK million	Sites under development	Under construction	Unsold completed	Total wholly owned projects	
Norway	1 649	392	20	2 061	1 163
Denmark	93	266	-	359	-
Sweden	1 473	4 ¹⁾	24	1 501	168
Total carrying value	3 214	662	44	3 920	1 331

1) Restated figure.

Valuation of sites for development

All the sites in the portfolio are valued each year. The carrying amount includes the purchase price of the site, development costs incurred, capitalised interest charges and any deferred payments in connection with the purchase of the site. If a site has a purchase option, the purchase price of the site is not capitalised until the option is exercised.

Veidekke performs an internal valuation of all its properties. Sites for development are valued using a model that calculates the present value of the sites on the basis of a number of assumptions, such as expected utilisation of the site measured as gross floor area for sale (GFAS), expected construction costs, expected construction start date and length of the construction period. All the cash flows in

the model are discounted by the group's required rate of return for property investment, which is 15%. Sites under development represent substantial added value, the bulk of which relates to the Norwegian operations.

The site portfolio

At the end of 2018 Veidekke had a portfolio of sites in Scandinavia that is expected to yield around 18,000 residential units, of which Veidekke's share is 15,000. A substantial share of the portfolio consists of purchase options, primarily linked to the Swedish property development operations. The portfolio of sites comprises only sites under development. The sites are distributed as shown in the following table:

Residential units	Owned by Veidekke ¹⁾	Call options	Total	No. of projects
Norway	4 716	645	5 361	42
Sweden	3 944	5 762	9 706	109
Total	8 660	6 407	15 067	151

1) Veidekke's share of wholly and partly owned projects.

OVERVIEW OF SITES WITH A PURCHASE PRICE EXCEEDING NOK 100 MILLION

Project	Ownership share	Purchase price NOK mill. ¹⁾	Rental income 2017 NOK mill.	Year of purchase	No. of units
Veddesta, Stockholm	100%	383	-	2018	1 200
Hagastaden kv 6, Stockholm	100%	339	-	2018	241
Lövholmen 13, Stockholm	100%	177	-	2007	115
Grensesvingen 9, Oslo	100%	335	12	2017	192
Grenseveien 97, Oslo	100 %	175	10	2017	194
Middelthunsgate 17, Oslo	50%	401	-	2012	166
Peter Møllers vei 8–14, Oslo	50%	152	6	2015	204
Sinsenveien 45–49, Oslo	50%	193	13	2014	191
Projects Norway (purchase price < NOK 100 mill.) – wholly owned		967			2 055
Projects Norway – joint ventures					
Veidekke's share		597			1 714
Projects Sweden (purchase price < NOK 100 mill.) – wholly owned		737			3 644
Projects Sweden – joint ventures					
Veidekke's share		191			573
Projects Denmark (purchase price < NOK 100 mill.) ²⁾		63			

1) Veidekke's share may be adjusted based on the final permits.

2) NOK 21 million has already been written down on projects in Denmark. The carrying amount at 31 December 2018 is NOK 42 million. The sites have been put up for sale.

Sensitivity analysis of site value

In connection with the value assessment, the following parameters were considered: construction start date, sales price and construction 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%)

There is a correlation between variations in sales prices and construction costs, but it is not parallel. If the sales prices go down, construction costs will gradually fall in line with the declining number of residential projects. This means that it is possible to keep profit margins in residential projects relatively stable even if sales prices fall. The impact on the project profit margin is smaller if the cost of the site is a relatively small part of the project costs. This means that the book value of the sites generally remains intact.

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

Although there is a correlation between sales prices and construction costs, there is a limit to how far construction 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 projects not yet initiated will fall. Write-downs will most likely be under NOK 400 million.

3. Delays in the start-up of construction projects

With a required rate of return of 15%, the value of a site will be affected by changes in the construction start date. 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 construction start. All else being equal, a one-year delay in the construction start date will reduce the value of the portfolio by 15%. Therefore, only delays of two to three years will have a significant impact on the valuation.

WRITE-DOWNS MADE IN THE CAPITALISED PORTFOLIO OF SITES

Figures in NOK million	2018	2017
Write-downs in the portfolio at the beginning of the period	56	92
Write-downs in the course of the year	13	5
Disposals	-36	-41
Write-downs in the portfolio at the end of the period	33	56

Deferred payment in connection with the purchase of sites

Normally some time passes between a site being purchased and takeover of the site. During this period, a binding purchase agreement has been signed, but since Veidekke has not taken over control of the site, the site is not capitalised in Veidekke's financial statements.

In connection with the purchase of some sites, the parties agree to postpone payment of part of the purchase price until the official land-use regulation of the site has been finalised.

Wholly owned projects (NOK million)	2019	2020	2021	2022	Later
Deferred payment for site purchases ¹⁾	818	392	994	564	182

1) Includes only site obligations Veidekke is obligated to fulfil.

Veidekke has signed an agreement for the purchase of Nedre Skøyenvei 24–26 in Oslo with handover in March 2019. The site will be used for public and commercial buildings and development of around 400 residential units. The agreed purchase price is NOK 799 million. An advance

payment of NOK 50 million has been paid, which has been recognised under Other current receivables in the statement of financial position. The outstanding sum was paid in March 2019.

UNITS UNDER CONSTRUCTION AND UNSOLD COMPLETED UNITS

In terms of accounting, sold units under construction are part of Veidekke's inventory. This means that no revenue or profit is recognised in the income statement until the property is handed over to the buyer. By the time a residential project is initiated, there is normally only limited uncertainty regarding the financial outcome of the project. At this point the main risk is generally related to whether the remaining units under construction will be sold. There is limited risk regarding the construction costs, as most

of the main purchases have already been agreed upon at an early stage in the construction phase. To ensure good corporate governance Veidekke's property development units report on project contributions on an ongoing basis in the segment reporting. In the segment accounts (note 2) the projects report progress using the following principle: estimated final profit of the project x sales ratio x stage of completion.

Carrying amount wholly owned projects (NOK million)	2018	2017
Units under construction	459	661
Unsold completed units	67	44
Total	526	705

NUMBER OF UNITS UNDER CONSTRUCTION AND UNSOLD COMPLETED UNITS AT 31 DECEMBER 2018

	Residential units under construction	Unsold residential units under construction	Unsold completed residential units	Average sales ratio ¹⁾	Average stage of completion ²⁾
Projects in Norway – wholly owned	260	69	11	73%	30%
Projects in Norway – JV (Veidekke's share) ²⁾	339	109	15	68%	42%
Projects Sweden – wholly owned	1 333	192	2	86%	68%
Projects in Sweden – JV (Veidekke's share) ²⁾	184	49	-	73%	81%
Projects in Denmark – wholly owned	-	-	2		
Total number/total sales ratio	2 116	419	30	80%	

1) For units under construction.

2) Shares in joint ventures are reported in the statement of financial position under Investments in joint ventures. See note 13.

NUMBER OF UNITS UNDER CONSTRUCTION AND UNSOLD COMPLETED UNITS AT 31 DECEMBER 2017

	Residential units under construction	Unsold residential units under construction	Unsold completed residential units	Average sales ratio ¹⁾	Average stage of completion ²⁾
Projects in Norway - wholly owned	152	24	5	84%	54%
Projects in Norway - JV (Veidekke's share) ²⁾	405	87	14	79%	42%
Projects Sweden - wholly owned	1 689	254	1	85%	71%
Projects in Sweden - JV (Veidekke's share) ²⁾	259	63	-	76%	64%
Projects in Denmark - wholly owned	115	10	-	91%	
Total number/total sales ratio	2 620	438	20	83%	

1) For units under construction.

2) Shares in joint ventures are reported in the statement of financial position under Investments in joint ventures. See note 13.

EARNINGS FROM SOLD UNITS UNDER CONSTRUCTION¹⁾

Business area	No. of units under construction sold on 31 Dec.		Accumulated, recognised in the segment accounts before tax (note 2) ¹⁾		Accumulated, recognised in the financial statements		Difference financial statements and segment accounts	
	2018	2017	2018	2017	2018	2017 restated	2018	2017 restated
Property Norway	421	446	133	133	-6	-17	138	150
Construction Norway	-	-	25	24	-	-	25	24
Property Sweden	1 276	1 632	706	621	706	621	-	-
Construction Sweden	-	-	44	34	44	34	-	-
Construction Denmark	-	104	-	32	-	32	-	-
Total	1 697	2 182	907	843	744	670	163	174

1) In the segment accounts, profit from the construction and sale of completed residential projects is taken to income in line with the estimated final profit, sales ratio and stage of completion. The segment accounts are considered to provide the most accurate picture of the ongoing value creation.

The Norwegian property development operations had 1 697 sold units under construction at 31 December 2018. In the segment accounts Veidekke recognises revenue on a percentage of completion basis and recorded NOK 907 million for these units, while the financial statements show a profit of NOK 744 million. The difference of NOK 163 million is related to the Norwegian property development operations and will be recognised in the financial statements when the units are handed over to the buyer.

Development gains

Veidekke optimises the portfolio of sites on an ongoing basis. This means that assessments relating to sales or partial sales of projects are part of the operating activities. Development gains amounted to NOK 112 (44) million in 2018, of which NOK 51 (38) million in Norway and NOK 61 (6) million in Sweden.

NOTE 17. INVENTORY

Inventory includes project inventories in Construction and the inventory for industrial operations. Project inventories in Construction consist of materials, spare parts, small equipment, etc., while the inventory for industrial

operations consists of raw materials (crushed stone, gravel and bitumen).

Figures in NOK million	2018	2017
Inventory in industrial operations	207	178
Inventory in construction operations	343	311
Inventory in other parts of the operations	14	28
Total inventory	564	518

NOTE 18. TRADE RECEIVABLES OG CONTRACT BALANCES

Trade receivable are invoiced receivables in which Veidekke has an unconditional right to receive payment, whereas contract assets represent a conditional right to receive

payment. These terms are explained in more detail in the section on contract balances.

Trade receivables and contract assets in the statement of financial position at 31 December consist of the following elements:

Figures in NOK million	2018	2017 restated
Invoiced trade receivables	6 192	5 678
Provisions for bad debts	-19	-16
Work invoiced in advance (i.e. not charged to income)	-3 397	-2 893
Trade receivables	2 776	2 769
Work done, but not invoiced	1 837	1 576
Due from customers	1 071	688
Contract assets	2 908	2 264
Trade receivables and contract assets	5 684	5 033

Maturity structure of invoiced trade receivables at 31 December:

Figures in NOK million	2018	2017
Receivables not due for payment	3 991	3 267
Less than 30 days since due date	847	855
30–60 days since due date	87	103
60–90 days since due date	136	57
90–180 days since due date	110	26
More than 180 days since due date ¹⁾	1 023	1 371
Invoiced trade receivables	6 192	5 678

1) Receivables that are overdue by more than 180 days comprise significant sums. 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 evaluation of the project's likely outcome (estimated final result). See note 32 Disputes and claims related to projects.

Changes in the provision for impairment related to credit risk from trade receivables:

Figures in NOK million	2018	2017
Provisions at 1 January	16	33
Currency translation differences	-	1
Provisions made during the year	-16	9
Provisions used during the year	-5	1
Provisions reversed during the year	-8	-29
Provisions at 31 December	19	16

Provisions are mainly made on a group basis.

Credit risk exposure

Credit risk is the risk that Veidekke will incur a loss as a result of a customer's inability to fulfil their obligations (bankruptcy risk).

Unhedged credit risk for trade receivables and contract assets are shown in the following table:

Figures in NOK million	2018	2017 restated
Trade receivables and contract assets	5 684	5 033
Of which:		
Received bank guarantees to trade receivables and contract assets	377	406
Other guarantees	304	605
Receivables from public authorities (state and municipal level) ¹⁾	2 063	2 096
Total secured trade receivables and contract assets	2 744	3 108
Maximum unhedged credit risk in the trade receivables and contract assets	2 940	1 925

Contract balances

Revenue recognition, invoicing and payments from customers are generally done at different times, resulting in trade receivables, un invoiced receivables (contract assets) and prepayments from customers (contract liabilities) in Veidekke's statement of financial position.

In the civil engineering and industrial operations and in some parts of the building construction operations, invoicing normally occurs after the work has been done, either at fixed intervals or as milestones are reached. This entails a time lag in invoicing for work that has been done, which in turn results in recognition of a contract asset.

The construction operations generally use fixed payment plans, and if the payment exceeds the work that has been done, the difference is classified as a contract liability in the statement of financial position. In the property development operations, advance payments are received that are classified as contract liabilities.

On the balance sheet day, all projects are reviewed, and for each project either a net asset or a net liability to the customer is entered. The table below provides information on receivables, contract assets and contract liabilities from contracts with customers at year-end.

Figures in NOK million	2018	2017 restated
Trade receivables	2 776	2 769
Contract assets	2 908	2 264
Contract liabilities	-1 807	-2 061

Contract assets consist of fulfilment of performance obligations, mainly from construction projects and other projects in which progress is measured over time. Contract assets are reclassified as trade receivables when the right to receive payment becomes unconditional. This normally occurs when an invoice is issued. Due from customers also constitute contract assets. This is money that is withheld as security for the client and that is settled when the project is finished.

Contract liabilities primarily consist of prepayments from construction contract customers, where income is earned over time, and prepayments from housing cooperatives in the property development business in Sweden. Virtually all the contract liabilities at 31 December 2017 were recognised as income in 2018.

NOTE 19. CASH AND CASH EQUIVALENTS

The group's cash and cash equivalents consist of bank deposits. At 31 December 2018 the group has NOK 49 (40) million in restricted cash.

NOTE 20. NUMBER OF SHARES, SHAREHOLDERS ETC.

Veidekke ASA's largest shareholders at 31 December 2018 are presented in the following table:

	No. of shares	Ownership share
OBOS BBL	24 230 440	18.1%
Folketrygdfondet	14 929 795	11.2%
If Skadeförsäkring AB	7 863 254	5.9%
Danske Invest Norge	5 432 908	4.1%
Handelsbanken Asset Management	5 221 340	3.9%
Fund managed by DNB Asset Management	4 418 334	3.3%
Must Invest AS	3 000 000	2.2%
MP Pensjon	2 748 284	2.1%
Odin Norge	2 582 169	1.9%
Vanguard Group	2 178 865	1.6%
Storebrand Asset Management	1 760 742	1.3%
Pareto Aksje Norge Verdipapirfond	1 253 981	0.9%
Arctic Asset Management	1 046 907	0.8%
KLP	1 041 117	0.8%
Alfred Berg	864 336	0.6%
Sum 15 largest shareholders	78 572 472	58.8%
Employees (4 034 individuals)	19 811 254	14.8%
Others	35 321 216	26.4%
Total	133 704 942	100%

CHANGE IN NUMBER OF SHARES

No. of shares 1 January 2018	133 704 942
No. of shares 31 December 2018	133 704 942

Each share has a nominal value of 0.50.

Shares owned by board members and members of the corporate management on 31 December 2018:

	No. of shares
THE BOARD OF DIRECTORS	
Martin Mæland, chair	42 500
Daniel Kjørberg Siraj	-
Gro Bakstad	15 500
Hans von Uthmann	3 300
Ingalill Marie Berglund	2 500
Ingolv Høyland	6 000
Inge Ramsdal	7 995
Odd Andre Olsen	4 105
Arve Fludal	7 840
Shares owned by board members	89 740
MEMBERS OF THE CORPORATE MANAGEMENT	
Arne Giske	153 215
Jimmy Bengtsson	49 240
Jørgen Wiese Porsmyr	109 310
Hans Olav Sørli	70 090
Lars Erik Lund	14 310
Terje Larsen	110 575
Øivind Larsen	7 100
Catharina Bjerke	5 585
Anne Thorbjørnsen	28 855
Total shares owned by corporate management	548 280
Total	638 020

Own shares

Veidekke does not own any of its own shares.

Dividend

The dividend for financial year 2017, which was paid out in 2018, amounted to NOK 669 million (NOK 5.0 per share).

The proposed dividend for the 2018 financial year is NOK 669 million (NOK 5.0 per share).

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

NOTE 21. PENSIONS

Veidekke now mostly has defined-contribution pension schemes. However, defined-benefit pension plans still exist for some employees. For the defined-contribution plans, the cost is equal to the contribution in the period for employees plus taxes. Here, each individual's future pension depends on the annual contribution and the return on the pension savings. In the remaining defined-benefit plans, Veidekke is responsible for paying an agreed pension to an employee on the basis of expected final salary. The cost in the period under this scheme shows the employees' pension earnings in the financial year plus taxes.

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 schemes

Veidekke has a defined-contribution scheme, whereby Veidekke pays a fixed monthly contribution into the individual employee's pension account. The size of the contribution depends on the employee's salary. In 2018 the contribution was 5.5% of the pay for salaries between 1G and 7.1G and 11% for salaries between 7.1G and 12G. The employees can choose the risk profile for the management of their pension funds. In the event of death, the pension account accrues to the employee's survivors.

There is a defined-benefit pension scheme for employees older than 63 years who worked in Veidekke on 31 December 2012. Veidekke's pension plan is a supplemental pension which, together with the National Insurance pension, provides a retirement pension of roughly 60% of the employee's salary on retirement, assuming a full service period. The pension is financed by funds accumulated in a life insurance company. The part relating to the pension scheme for salaries exceeding 12G is financed through operations. Veidekke has investments in mortgaged bond and equity funds related to this scheme. See notes 15 and 26.

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

Contractual early retirement scheme (AFP)

The private-sector AFP early retirement scheme is a life-long supplement to the public retirement pension scheme and is paid no earlier than age 62. The Norwegian group companies 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 AFP scheme is a defined-benefit, multi-employer pension plan and is financed through premiums, which are determined as a percentage of the salary. There is currently 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 capitalised, its implementation would have had significant impact on the accounts. The premium for 2018 was 2.5% of salaries between 1G and 7.1G.

Early retirement scheme for executives

Veidekke has an early retirement scheme for some of its senior executives in Norway covering retirement between the ages of 64 and 67. It is a defined-benefit plan and has ten members. These individuals have the right to retire at the age of 64, with an early retirement pension that is 60%

of their final salary, financed through operations. The scheme is closed. For further details, see note 30.

Pensions on salaries over 12G

Veidekke has a pension savings scheme for employees in Norway with salaries exceeding 12G where 20% of the salary above 12G is saved. The pension is paid from 67 years at the earliest and for ten years from when it is first drawn.

Denmark and Sweden

Veidekke ASA has defined-contribution pension schemes for its employees in Denmark and Sweden 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 funds are placed in life insurance companies, which manage the funds and administer the schemes. The pension schemes cover retirement and disability pension.

In Denmark Veidekke pays two-thirds of the contributions, while the employee pays the remaining third. The employer's contribution constitutes between 8% and 10% of the salary. The retirement age in Denmark is between 65 and 69 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% of the salary.

In Sweden, Veidekke has a collective pension scheme, where the majority of employees have a defined-contribution pension plan. The pension plan comprises retirement pension, sickness pension, family pension and debt insurance. The administrative staff have two different schemes: ITP1 for people born after 1979 and ITP2 for people born before 1979. The skilled workers have a SAF-LO scheme. All the pension schemes are premiums-based, with savings varying between the schemes. On average Veidekke pays 15% of the salary towards pensions. The employees do not pay into the schemes. The schemes are recognised in the accounts as defined-contribution schemes. The employees have great flexibility in their pension and can choose where the pension funds are invested and with which insurance company. Retirement age is 65 years with the opportunity to work until the age of 67.

Figures in NOK million	2018	2017
PENSION COSTS		
Current service cost	23	24
Interest cost on net pension liabilities	8	9
Discontinuation of disability scheme ¹⁾	-	-35
Total costs (defined-benefit schemes)	31	-2
Cost of defined-contribution plan	488	427
Pension costs	519	425
1) For 2017 the figure is discontinuation of the disability pension scheme with accumulation of paid-up value.		
COMPOSITION OF NET PENSION LIABILITIES		
Pension liability - defined-benefit schemes	-1 215	-1 201
Pension assets	849	830
Net pension liability defined-benefit schemes	-365	-371
Pension liability - other schemes	-137	-99
Pension liability at 31 December	-503	-470
CHANGE IN GROSS PENSION LIABILITY DURING THE YEAR		
Gross pension liability at 1 January	-1 201	-1 201
Additions from acquisitions of new companies	-20	-
Current service cost	-22	-23
Interest cost	-28	-30
Termination of defined-benefit schemes	-	35
Issue of paid-up policies on termination of pension plan	-	63
Actuarial gains and losses recognised in comprehensive income	6	-104
Payroll tax of employer's contribution	4	5
Benefits paid during the year	46	55
Gross pension liability at 31 December	-1 215	-1 201
CHANGE IN PENSION ASSETS DURING THE YEAR		
Pension assets at 1 January	830	874
Additions from acquisitions of new companies	22	-
Expected return	19	21
Transfer of pension assets to defined-contribution fund	-	-63
Employer's contributions	36	40
Transfer of pension assets to defined-contribution premium fund	-	-5
Year's actuarial gains and losses recognised in total comprehensive income	-15	12
Payroll tax of employer's contribution	-4	-5
Benefits paid during the year	-38	-44
Premium assets as of 31 December	849	830

OVERVIEW OF NET PENSION LIABILITIES AND ACTUARIAL GAINS AND LOSSES

Figures in NOK million	2018	2017
Gross pension liabilities	-1 215	-1 201
Pension assets	849	830
Net pension liability defined-benefit schemes	-365	-371
OVERVIEW OF ACTUARIAL GAINS AND LOSSES - DEFINED-BENEFIT SCHEMES		
Liabilities:		
Changes in economic assumptions	-4	-85
Changes in population and demographic assumptions	4	-25
Pension assets:		
Actual return v. actuarial assumption	-9	17
Year's actuarial gains and losses recognised in total comprehensive income before tax	-9	-93
Year's actuarial gains and losses recognised in total comprehensive income after tax	-7	-72

Figures in NOK million	2018	2017
FINANCIAL ASSUMPTIONS		
Discount rate/return on pension investments	2.6%	2.3%
Annual wage growth	2.8%	2.5%
Annual adjustment of G (National Insurance Scheme basic amount)	2.5%	2.3%
Annual adjustment of pensions under payment	0.8%	0.4%
Mortality table	K2013	K2013
PENSION ASSETS		
Investment		
Property	14%	12%
Bonds	45%	52%
Short-term investments	26%	21%
Shares	15%	15%
Total investments	100%	100%
Return		
Book return	2.7%	5.1%
Adjusted return	0.9%	5.7%

Pensions 2019

The estimated premium for defined-benefit plans for 2019 is NOK 34 million, whereas the cost is expected to be NOK 29 million.

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 pension rights. Approximately half of the recognised pension liabilities and assets are related to asset-based schemes for former employees who are now retired.

Any changes made in the economic assumptions that are categorised as probable will not have a significant impact on the ordinary income statement. The effect on the statement of financial position may be larger, as pension liabilities are recognised at fair value. Changes in actuarial assumptions may entail differences in the group's equity of up to NOK 100 million.

NOTE 22. INCOME TAX EXPENSE AND DEFERRED TAX

Figures in NOK million	2018	2017
INCOME TAX EXPENSE		
Tax payable	105	93
Change in deferred tax	-81	28
Adjustments previous years	3	1
Total	28	122
RECONCILIATION OF THE GROUP'S TAX RATE		
Calculated income tax based on Norway's current tax rate (23% in 2018, 24% in 2017)	138	319
Actual income tax expense	28	122
Difference	111	196
EXPLANATION DIFFERENCE INCOME TAX EXPENSE		
Tax from activity in joint ventures ¹⁾	37	87
Tax-exempted sales of companies ²⁾	91	95
Other permanent differences:		
Non-deductible expenses	-39	-26
Effect of changes in the tax rate ³⁾	14	18
Deferred tax asset, not previously recognised	1	20
Lower tax rate in Sweden and Denmark than in Norway	6	11
Other items	2	-9
Total	111	196
Group tax rate	5%	9%

1) Profit from associates and joint ventures are recognised in the income statement after tax and therefore do not affect the group's recognised tax expense.

2) Relates primarily to sales of companies in the group's property development operations

3) For 2018, the effect is related to the lowering of the tax rate in Norway from 23% to 22%. In 2017 there was a corresponding effect related to a reduction in the tax rate from 24% to 23%.

DEFERRED TAX LIABILITIES

Figures in NOK million	2018	2017
DEFERRED TAX		
Current items ¹⁾	649	566
Total current items	649	566
Operating equipment - additional depreciation	174	161
Other non-current items	67	79
Provisions for liabilities	-195	-232
Pension liabilities	-104	-95
Total non-current items	-58	-87
Losses carried forward	-249	-104
Net deferred tax liabilities	343	375

1) In Norway and Denmark construction projects in progress are not taxed until completion and handover. Given stable orders, this will provide a permanent tax credit of approx. NOK 600 million.

PRESENTATION OF DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION

Figures in NOK million	2018	2017
Deferred tax assets ¹⁾	-	-55
Deferred tax liabilities	343	430
Net deferred tax liabilities	343	375

1) Tax assets that cannot be offset against deferred tax.

CHANGE IN DEFERRED TAX

Figures in NOK million	2018	2017
Current items	83	50
Non-current items - accelerated depreciation	14	33
Other non-current items	-12	-14
Provisions for liabilities	37	-16
Pension liabilities	-10	-2
Losses carried forward	-145	-21
Change in deferred tax	-32	30
Currency translation differences	-	-2
Deferred tax in connection with acquisition/sale of companies	-47	-22
Change in deferred tax recognised in total comprehensive income	-2	22
Change in deferred tax in the income statement	-81	28

TAX INCORPORATED INTO TOTAL COMPREHENSIVE INCOME

Figures in NOK million	2018			2017 – restated		
	Profit before tax	Income tax expense	Comprehensive income	Profit before tax	Income tax expense	Comprehensive income
STATEMENT OF COMPREHENSIVE INCOME						
From the income statement	601	28	573	1 327	122	1 205
From Other comprehensive income:						
Revaluation of pensions	-9	-2	-7	-94	-22	-72
Currency translation differences	-48	-	-48	115	-	115
Fair value adjustments of financial assets	-1	-	-1	-16	-1	-15
Total comprehensive income	544	26	518	1 332	118	1 233

Tax recognised directly in equity

In 2018 NOK 7 million (NOK 6 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 5.

NOTE 23. NON-CURRENT LIABILITIES

NON-CURRENT LIABILITIES TO BONDHOLDERS AND CREDIT INSTITUTIONS, ETC.

Figures in NOK million	2018	2017
Bonds ¹⁾	1 600	-
Non-current loans from credit institutions	226	611
Non-current loans from others	22	1
Non-current interest bearing liabilities	1 848	613

1) At 31 December 2018 Veidekke has two bond loans: a seven-year loan of NOK 600 million and a five-year loan of NOK 1,000 million. Both were issued in 2018. Another bond loan of NOK 750 million that was recorded under Current liabilities at 31 December 2017 was repaid on maturity in June 2018.

OTHER NON-CURRENT LIABILITIES

Figures in NOK million	2018	2017
Option agreements Norway ¹⁾	113	69
Option agreements Sweden ¹⁾	133	58
Deferred payment business acquisitions	152	7
Other non-current liabilities	16	39
Other non-current liabilities	414	173

1) For certain partly owned subsidiaries, there are option agreements with the non-controlling interests whereby Veidekke has a right to buy remaining shares and the non-controlling interests have a right to sell the same shares. The subsidiaries in Norway to which this applies are Båsum Boring AS (70%), Seby AS (70%), Hammerfest Entreprenør AS (83%), Tore Løkke AS (80%), Grande Entreprenør AS (80%) and Hande AS (68 %). The subsidiaries in Sweden to which this applies are BRA AB (90%), Veitech AB (90%) and Recess AB (70 %). Veidekke's ownership share in brackets.

2) See note 12 Acquisitions and disposals of businesses.

Instalment profile details can be found in note 29.

NOTE 24. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Figures in NOK million	2018	2017 restated
TRADE PAYABLES		
Trade payables	3 409	2 515
Provision for accrued costs	2 767	2 220
Total trade payables	6 176	4 735
OTHER CURRENT LIABILITIES		
Contract liabilities, property development operations	471	658
Contract liabilities, construction operations	1 336	1 404
Other liabilities	2 046	1 705
Other current liabilities	3 852	3 766

Contract liabilities are advance payments from customers in construction projects (forward payment plans) and advance payments in connection with residential sales.

NOTE 25. WARRANTY PROVISIONS ETC.

Provision is made for guarantee work under the item Warranty provisions etc., for example to remedy any defects or omissions on completed projects. Warranty provisions etc. also covers other liabilities, such as claims from subcontractors, claims from third parties, etc. Provisions are made to cover both accrued warranty

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 issues that are detected, but where there is uncertainty regarding the scope, responsibility, costs, etc. (disputes).

Figures in NOK million	2018	2017
Warranty provisions etc. at 1 January	975	915
Currency translation differences	-5	23
+ new warranty provisions (additions)	387	504
- reversed warranty provisions (disposals)	-266	-212
- actual claims expenses (consumption)	-278	-256
Warranty provisions etc. at 31 December	814	975

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 projects have different warranty periods, but the norm is three to five years.

NOTE 26. MORTGAGES, GUARANTEES AND JOINT AND SEVERAL LIABILITY

Figures in NOK million	2018	2017
MORTGAGES		
Recorded liabilities secured by mortgages etc.	6	26
Book value of mortgaged assets	26	29
GUARANTEES		
Guarantees to joint ventures and associates ¹⁾	44	51
Guarantees to other companies	35	1

1) Veidekke is only liable when the company in question 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 214 million at 31 December 2018 to cover pension liabilities incurred. See note 15 Financial assets.

NOTE 27. 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 and long term. Veidekke shall have a strong financial position that promotes profitability and value creation throughout the entire group and thus provides the shareholders with a return. 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 marked by seasonal variations with the largest debt burden around the half-year mark as a result of the low season and high costs in parts of the group during the winter months, combined with preparations for the season start in spring. The group's capital management is adapted to take these variations into account.

Veidekke's dividend policy calls for a pay-out ratio of at least 50% of the profit after tax. Shareholders shall receive continuous returns that are directly correlated with results. The average pay-out ratio for the last ten years is 70%.

Veidekke can use repurchase of own shares as an instrument to optimise the capital structure of the company during periods in which the group has a strong financial position. Repurchase of own shares is thus a supplement to the current dividend policy. The Board is authorised to repurchase up to 10% of the company's share capital. Repurchase of own shares is only applicable if the share price is considered to be below actual market value. In recent years Veidekke has prioritised dividend pay-outs and operational investments rather than repurchase of own shares.

Operations are financed at the group level. Veidekke has a differentiated portfolio of loans with respect to both sources of loans and maturity structure. The group uses the bank, bond and commercial paper markets as sources of financing. Veidekke has a loan agreement with DNB with a credit limit of NOK 3.6 billion, which matures in 2020. At the end of 2018, NOK 0.1 (0.5) billion of the credit facility had been drawn. In 2018 Veidekke had a bond loan of NOK 750 million, which matured in June 2018. In addition, two new senior unsecured bond loans of NOK 1,000 million and NOK 600 million were issued. The group had no outstanding commercial papers at 31 December 2017. Veidekke has no official credit rating.

The group has capital tied up in its property development operations in the form of sites in Norway and Sweden and residential units under construction in Norway. In Sweden, independent housing cooperatives are established that purchase the site from Veidekke before the start of construction and pay for sold residential units under construction in accordance with the degree of completion. This model entails a low degree of capital tied up in the Swedish property development operations. The combined net interest-bearing liabilities in the housing cooperatives amount to approximately NOK 4 billion at 31 December 2018. This is not included in Veidekke's statement of financial position. At year-end capital invested in the group's property development operations was NOK 4.7 billion (NOK 4.2 billion). Capital management is based on the risk exposure in both the various different market segments according to geography, product (type of housing, sales ratio, land bank, etc.) and through the various forms of collaboration with external partners, including joint ventures.

NOTE 28. FINANCIAL RISK

Veidekke aims to maintain 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 are 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 department that shall ensure the group financial flexibility in the short and long term and monitor and manage financial risk in collaboration with the individual companies. 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 risks related to trade receivables, liquidity and interest-bearing debt.

(1) Credit risk

Credit risk is the risk of financial losses due to the inability of a customer or the counterparty of a financial asset to fulfil their contractual obligations. The group's credit risk is

mainly related to the settlement of receivables, the largest risk of which is inherent in the group's trade receivables. The credit risk attached to trade receivables is related to the customer's ability to pay, not the customer's willingness to pay (project risk). The group has a substantial share of public-sector customers (approx. 30%), for whom the credit risk is considered very low. For private customers (approx. 70%), the credit risk is handled through the contracts with the clients and good credit follow-up routines in the business areas. The group's largest single customer, measured by revenue, is the Norwegian Public Roads Administration.

Upon contract signing, 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 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 requirements regarding the client's provision of security for the contract price (Standards Norway requires up to 17.5% 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 business area Industrial, 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. Property Development seeks to minimise risk through advance payments, and by ensuring that handover does not take place until full payment 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 26.

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, see note 18 Trade receivables and contract balances and note 32 Disputes and claims related to the projects.

(2) Liquidity risk

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

through all the levels of the organisation. In Property Development liquidity risk in projects for own account is limited by the fact that, as a main rule, residential projects shall not be started until the sales rate exceeds 50%. For Construction operations the group also has other substantial borrowing facilities available to it to meet its current performance guarantees for construction projects.

Veidekke has a credit facility of NOK 3.6 billion, which matures in 2020. 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 requirements laid down in the loan agreement with a clear margin and has good financial flexibility.

Key financial figures for the loan agreement (covenants):

- (i) Net interest-bearing liabilities divided by EBITDA for the previous four quarters shall not exceed 3.5. At 31 December 2018, the ratio was 1.3. Net interest-bearing liabilities is defined as the group's current and non-current interest-bearing liabilities minus the group's cash and cash equivalents and interest-bearing receivables. EBITDA is defined as the group's operating profit plus depreciation, amortisation and impairment.
- (ii) The group's share of own projects shall not exceed 75% of the group's book equity. Share of own projects is defined as the value of started, unsold residential and non-residential buildings in projects implemented under the control of the borrower or another group company, calculated on the basis of the expected sales price. At 31 December 2018, share of own projects was 33% of book equity.

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: Industrial and Property Development.
- Share of own projects will be reduced by stopping or delaying the start-up of new residential projects that have not achieved 100% sales.

See note 19 for information on cash and cash equivalents, note 23 for information on non-current interest-bearing liabilities, note 26 for information on mortgages and guarantees, and note 29 for information on sensitivity analysis and maturity structure.

(3) Market price risk

Shares and bonds

The group is exposed to price risk related to investments in equity instruments. This type of investment is normally

not a part of the group's investment strategy and consist of shares and bonds. Veidekke prioritises investments in companies and projects that allow the group considerable influence on future operations and development.

At 31 December 2018 the category "financial assets measured at fair value through other comprehensive income" includes a bond fund of NOK 214 million. This investment is related to funds to cover pension liabilities.

Hedging of raw material costs

Veidekke has little hedging of input factors for use in production, and then only after an order has been placed.

The petroleum product bitumen is an important input factor for the asphalt operations in the business area Industrial. The price of this product is closely linked with developments in oil prices. Bitumen costs are rarely hedged. The Norwegian Public Roads Administration, which is Veidekke's largest customer, contractually bears most of the risk related to changes in the price of bitumen. As regards deliveries to other customers, the time between order placement and execution is usually short, thus reducing the risk of price changes. Veidekke may nevertheless be exposed to risk in the event of large changes in price in a short period of time. At 31 December 2018 a total of 27 hedge contracts had been entered into, linked to major asphalt contracts with delivery in 2019 to 2022.

(4) Interest rate and currency 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 June 2018, Veidekke ASA completed a bond loan amounting to NOK 750 million. During the course of 2018, Veidekke ASA took out two new bond loans. On 1 March 2018, Veidekke signed a senior unsecured fixed-rate agreement for NOK 600 million that has a maturity of seven years and carries a fixed coupon rate of 3.20%. In addition, a new fixed-rate agreement was signed on 4 June 2018 for NOK 1,000 million, with a maturity of five years and a variable coupon rate of three month NIBOR + 0.88% per annum.

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.

Veidekke has ownership interests in five PPP companies: the school projects Skuleveg AS (50%), Skulebygg AS (50%), Skulegard AS (50%), Skuleplass AS (50%) and the road project Allfarveg AS (50%). Long-term fixed-rate financing agreements have been signed for all the projects. Interest rate risk is eliminated by linking the agreed financing to signed lease contracts. There is a more detailed presentation of the PPP projects in note 14.

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 Property Development.

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 any changes will affect the group's total comprehensive income. Net currency gains in 2018 amounted to NOK 3 million (NOK -3 million).

NOTE 29. FINANCIAL INSTRUMENTS

The carrying value of assets and liabilities can be broken down into the following categories:

Figures in NOK million	Statement of financial position as of 31.12.2018	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value through OCI	Other financial liabilities
Non-current financial assets	508	256	252	-	-
Trade receivables and contract assets	5 684	-	5 684	-	-
Other receivables	843	-	843	-	-
Cash and cash equivalents	197	-	197	-	-
Total financial assets	7 232	256	6 977	-	-
Bond debts and debt to credit institutions	1 848	-	1 848	-	-
Other non-current liabilities	414	-	-	-	414
Debt to credit institutions (current)	36	-	36	-	-
Tax payable	62	-	-	-	62
Other financial current liabilities ¹⁾	10 833	-	-	-	10 833
Total financial liabilities	13 192	-	1 884	-	11 309

1) Includes Trade payables, Contract liabilities, Public duties and Other current liabilities.

Financial instruments at fair value¹⁾

Veidekke's financial instruments recorded at fair value are reconciled in the following table:

Figures in NOK million	Financial assets and liabilities at fair value through OCI	Financial assets and liabilities at fair value through profit and loss	Total
Financial instruments at 1 January 2018	-503	205	-298
Additions	-	51	51
Sales/disposal	500	-	500
Pre-tax gains (losses) recognised in other comprehensive income	3	-	3
Pre-tax gains (losses) recognised in the income statement	-	-	-
Financial instruments at 31 December 2018	-	256	256

1) Veidekke's share of financial instruments in joint ventures is not included.

The table below analyses financial instruments recorded 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.

Figures in NOK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	187	19	205
Derivatives defines as hedging instruments	-	-503	-	-503
Total at 31 December 2017	-	-316	19	-298
Financial assets at fair value through profit and loss	-	214	42	256
Derivatives defines as hedging instruments	-	-	-	-
Total at 31 December 2018	-	214	42	256

The carrying value of cash and cash equivalents and liabilities to credit institutions is virtually the same as their fair value, since these instruments have a short maturity term. Correspondingly, the carrying value of trade receivables, contract assets, contract liabilities and trade payables are virtually 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. A large proportion of non-current liabilities have variable interest rates and continuous interest rate

adjustment and therefore the carrying value is substantially the same as the fair value. The fair value of the group's interest rate hedging is estimated using the forward rate on the balance sheet date and is confirmed by the financial institution with which the agreement is signed.

For details concerning maturity structure and credit risk for trade receivables, see note 18 Trade receivables and contract balances.

The group's long-term financing

Maturity structure and contractual cash flows for the group's non-current liabilities are presented in the following table:

Figures in NOK million	Carrying value	Maturity structure					Total contractual cash flows
		2019	2020	2021	2022	After 2022	
Bond loans ¹⁾	1 600	41	41	41	41	1 635	1 798
Debt to credit institutions ²⁾	248	25	180	28	16	11	260
Other non-current liabilities	414	4	3	-	79	328	414
Deferred payment for sites ³⁾	-	1 023	493	960	315	525	3 317
Total	2 262	1 093	717	1 028	451	2 498	5 788

1) The group has two bond loans of NOK 1,000 and NOK 600 million which mature in June 2023 and March 2025 respectively.

2) The group has a long-term credit facility with DNB with a credit limit of NOK 3.6 billion, of which NOK 0.1 million had been utilised on 31 December 2018.

3) Includes only site obligations where Veidekke has not taken over control of the site and where the site has not been capitalised in the financial statements. See note 16.

Effective interest rates for selected financial instruments:

Figures in NOK million	31.12.2018 ¹⁾	2018 ²⁾	2017 ²⁾
Liquidity	0.6%	0.6%	0.5%
Current interest-bearing liabilities	2.5%	2.4%	2.2%
Non-current interest-bearing liabilities	2.5%	2.4%	2.2%

1) Actual interest rates at 31 December 2018. The stated interest rates are exclusive of interest rate swaps.

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

At 31 December the group had undrawn committed borrowing facilities of NOK 3,474 million (NOK 3,076 million at 31 December 2017). At 31 December 2018 withdrawals from the group account were classified as non-current liabilities, as the credit facility runs until 2020.

Interest rate derivatives

To some extent, the group uses interest rate derivatives to hedge against fluctuations in profit as a result of changes in interest rates, i.e. interest rate swaps as cash flow hedging of loans. At 31 December 2018 the group had one such interest rate derivatives that are consolidated in the financial statements.

The group's net interest-bearing debt

Figures in NOK million	2018	2017
Bonds, non-current	1 600	-
Debt to credit institutions, non-current	248	613
Bonds and debt to credit institutions, current	36	760
Total interest-bearing debt	1 884	1 373
Cash and cash equivalents	197	392
Interest-bearing financial assets	196	188
Interest-bearing other receivables	20	28
Total interest-bearing assets	414	609
Net interest bearing debt	1 470	764

The group's short-term financing

Maturity structure and expected cash flow for the group's current liabilities are presented in the following table:

2018	Carrying value	Maturity structure				Anticipated cash flow
		Payable on demand/ due date not set	0-3 months	3-12 months	Over 12 months	
Figures in NOK million						
Current liabilities to credit institutions	36	29	2	4	1	36
Trade payables ¹⁾	6 176	2 759	3 241	147	29	6 176
Unpaid government charges	805	30	702	69	4	805
Tax payable	62	-	39	23	-	62
Contract liabilities and other current liabilities	3 852	656	1 267	1 163	766	3 852
Total current financial liabilities	10 931	3 474	5 250	1 407	800	10 931

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

2017 – restated	Carrying value	Maturity structure				Anticipated cash flow
		Payable on demand/ due date not set	0-3 months	3-12 months	Over 12 months	
Figures in NOK million						
Bond loans	750	-	7	757	-	763
Current liabilities to credit institutions	10	-	6	1	2	10
Trade payables ¹⁾	4 735	2 015	2 706	12	1	4 735
Unpaid government charges	811	-	736	63	13	811
Tax payable	75	-	24	52	-	75
Contract liabilities and other current liabilities	3 766	724	1 413	1 417	213	3 766
Total current financial liabilities	10 147	2 739	4 892	2 302	229	10 161

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

SPECIFICATION OF «FAIR VALUE ADJUSTMENT» IN THE STATEMENTS OF CHANGES IN EQUITY

Figures in NOK million	2018	2017
Hedge reserves, joint ventures ¹⁾	-118	-116
Interest rate derivatives, wholly-owned companies	1	-2
Fair value adjustments of financial assets through other comprehensive income	15	18
Total	-101	-101

1) NOK -88 (-76) millions is related to PPP E39 Lyngdal Flekkefjord. See note 14.

SPECIFICATION OF THE ACCOUNTING ITEM IN OTHER COMPREHENSIVE INCOME

Revaluation of financial assets at fair value

Figures in NOK million	2018	2017
Fair value adjustments hedge reserves, joint ventures	-1	-30
Interest rate swap agreements, wholly-owned companies	3	4
Fair value adjustments of financial assets through other comprehensive income	-3	11
Total	-1	-15

Sensitivity analysis of cash flow for financial instruments

Veidekke generally 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 2018, our estimate is that a general increase in interest rates of 1 percentage point would lead to a NOK 25 million decrease in profit before tax for the year. A one percentage point decrease in interest rates would cause a corresponding improvement in profit before tax. The assessment does not include the investments in joint ventures.

NOTE 30. 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 2018 will be enclosed with the Notice of the Annual General Meeting.

Implemented management compensation policy for 2018 and effects for the group and the shareholders of agreements both entered into and revised

The salary adjustments in 2018 have been made in accordance with the declaration that was submitted to the Annual General Meeting on 2 May 2018. The company strives to offer salaries that are competitive, but not above those of other similar companies. A bonus programme has been established for the senior executives under which the maximum payment is set at 30% of the annual salary. The bonus consists of two parts: the maximum bonus for achievement of financial results comprises 20% of the annual salary, while the maximum bonus linked to fulfilment of individual targets is 10%. The bonus for achievement of financial results is based on defined margin targets,

with half of the business leaders' bonus linked to the consolidated profit and the other half linked to the business unit's profit. The bonus for the heads of staff related to financial performance is based on the consolidated results. The corporate management team also participate in the company's general programme of offering shares to senior executives at discount prices. Veidekke has no share option schemes.

Group Chief Executive

There is a 12 month mutual period of notice for the Group Chief Executive. On termination of employment the Group Chief Executive is guaranteed a further 12 months' salary. A deduction will be made from this guaranteed salary for any salary or other remuneration he may receive from any new employers. The Group Chief Executive is entitled 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% of the salary on retirement from the position of Group Chief Executive. 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% 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 the 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 Group Chief Executive participates in Veidekke's employee share programme and purchased a total of 3,570 shares through the programme in 2018. This share programme is discussed in more detail in note 5. Veidekke has granted a loan to the Group Chief Executive for the purchase of Veidekke shares amounting to NOK 0.9 million at 31 December 2018. 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.

Corporate management

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.

Terje Larsen and Jørgen Wiese Porsmyr are entitled 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% 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% 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.

Lars Erik Lund, Hans Olav Sørli, Øivind Larsen, Catharina Bjerke and Anne Thorbjørnsen (acting) will receive a pension and are entitled to retire at the age defined in the ordinary pension scheme for employees in Norway. See note 21 for more information about Veidekke's pension arrangements. For Jimmy Bengtsson, the ordinary retirement age is 65. He has a defined-contribution plan, where Veidekke pays 35% of his salary in annual premiums. The corporate management participates in Veidekke's employee share programme and purchased a total of 18,490 shares through the programme in 2018. This share programme is discussed in more detail in note 5.

Veidekke has granted loans to members of the corporate management for the purchase of Veidekke shares amounting to NOK 5.7 million at 31 December 2018. A list of loans to members of the corporate management team is shown in the table below. The loans are interest-free and are secured by collateral in the shares.

COMPENSATION TO THE GROUP CHIEF EXECUTIVE AND THE CORPORATE MANAGEMENT TEAM

	2018				2017
Figures in NOK thousand	Salary	Paid bonus	Car, phone, interest rate advantage etc.	Total compensation	Total compensation
GROUP CHIEF EXECUTIVE					
Arne Giske	3 938	900	319	5 157	4 965
CORPORATE MANAGEMENT					
Jørgen Wiese Porsmyr	2 972	650	284	3 907	3 694
Terje Larsen	2 671	590	205	3 466	3 264
Jimmy Bengtsson	2 949	608	45	3 602	3 622
Hans Olav Sørlie ¹⁾	1 361	-	103	1 464	-
Øivind Larsen ¹⁾	1 152	-	257	1 409	-
Catharina Bjerke ²⁾	821	-	70	891	-
Lars Erik Lund	2 327	550	202	3 079	2 398
Anne Thorbjørnsen ³⁾	717	-	61	778	-
Dag Andresen ⁴⁾	1 627	600	162	2 388	4 080
Hege Schøyen Dillner ⁵⁾	1 509	480	119	2 107	2 793
Total CEO and corporate management	22 044	4 378	1 826	28 248	24 816

Figures in NOK thousand	2018				
	Year's change in pension rights ¹	Present value of pension liabilities	Premium pension plan	Loan for share purchases	Earned bonus
GROUP CHIEF EXECUTIVE					
Arne Giske	2 081	31 132		943	-
CORPORATE MANAGEMENT					
Jørgen Wiese Porsmyr	277	17 196		455	147
Terje Larsen	669	16 619		574	-
Jimmy Bengtsson ⁶⁾			1 111	1 477	102
Hans Olav Sørli ¹⁾			302	592	-
Øivind Larsen ¹⁾			79	-	-
Catharina Bjerke ²⁾			105	-	-
Lars Erik Lund			365	1 115	-
Anne Thorbjørnsen ³⁾			92	552	-
Total Group CEO and corporate management	3 028	64 946	2 054	5 708	249

Salary and compensation only for time served in corporate management.

1) Member of corporate management as of 1 July 2018.

2) Member of corporate management as of 1 September 2018.

3) Member of corporate management (acting) as of 1 September 2018.

4) Member of corporate management until 30 June 2018.

5) Member of corporate management until 31 August 2018.

6) Stated figure is paid premium.

Figures in NOK thousand	2017				
	Year's change in pension rights ¹⁾	Present value of pension liabilities	Premium pension plan	Loan for share purchases	Earned bonus
GROUP CHIEF EXECUTIVE					
Arne Giske	4 437	29 050	-	1 052	900
CORPORATE MANAGEMENT					
Dag Andresen	2 964	23 497	-	564	600
Hege Schøyen Dillner	-	-	284	58	480
Jørgen Wiese Porsmyr	2 553	16 819	-	517	650
Terje Larsen	2 326	15 949	-	638	590
Jimmy Bengtsson	-	-	1 175	1 323	650
Lars Erik Lund	-	-	251	1 163	550
Total Group CEO and corporate management	12 280	85 315	1 711	5 315	4 420

1) This year's change in pension rights is high as a result of a change in the discount rate. See note 21.

COMPENSATION TO THE BOARD OF DIRECTORS:

Figures in NOK thousand	2018				2017	
	Fees	Salary ¹⁾	Total compensation	Loan for share purchases	Total compensation	Loan for share purchases
Martin Mæland (chair)	686	-	686	-	598	-
Gro Bakstad	370	-	370	-	375	-
Per Otto Dyb ²⁾	356	-	356	-	346	-
Hans von Uthmann	392	-	392	-	346	-
Ann-Christin Andersen ³⁾	341	-	341	-	296	-
Ingalill Marie Berglund	341	-	341	-	296	-
Ingolv Høyland	341	-	341	-	-	-
Daniel Kjørberg Siraj ⁴⁾	-	-	-	-	-	-
Inge Ramsdal (employee-elected)	253	844	1 097	23	931	28
Odd Andre Olsen (employee-elected)	253	856	1 109	-	1 067	-
Arve Fludal (employee-elected)	253	1 011	1 263	483	1 121	489
Total Board of Directors	3 583	2 711	6 294	506	5 376	517

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

2) Board member until 2 May 2018.

3) Board member until 17 November 2018.

4) Board member as of 2 May 2018.

Veidekke has established audit, 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 20.

REMUNERATION TO AUDITORS:

Figures in NOK thousand	2018	2017
Statutory audit	15 896	14 206
Tax-related assistance	1 691	1 481
Other services in addition to auditing	828	1 010
Total remuneration to auditors	18 415	16 697

Remuneration excludes VAT.

NOTE 31. LEASE COMMITMENTS AND RENTAL INCOME

Leasing commitments

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:

LEASING COMMITMENTS FOR VEIDEKKE

Figures in NOK million	Rent		Operating equipment ¹⁾		Other commitments	
	2018	2017	2018	2017	2018	2017
Expenses this year	184	181	609	456	9	1
Expenses next year	138	125	191	42	12	-
Total expenses next 2–5 years	370	281	63	75	29	-
Total expenses after 5 years	59	69	-	1	32	-

1) Figures for 2017 are not directly comparable with 2018 in the sense that operating equipment that was leased for building construction projects in 2017, and where the lease expired during the construction period, were not included.

Rental income

Veidekke has various lease agreements linked to properties, sites, operating equipment, etc. Income from these kinds of leases is presented in the table below:

VEIDEKKE'S INCOME FROM LEASE OF PROPERTIES

Figures in NOK million	2018	2017
Rental income this year	53	44
Rental income next year	29	42
Total rental income next 2–5 years	34	70
Total rental income after 5 years	2	-

NOTE 32. DISPUTES AND CLAIMS RELATED TO PROJECTS

Through its ongoing operations, Veidekke is involved in disputes with clients regarding the interpretation and understanding of signed contracts. This applies particularly to complex projects where the contract terms are demanding and large sums of money are involved. 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:

"The revenue recognition for additional claims against the client and disputed amounts with a high level of uncertainty is based on assessments of the likely outcome of the dispute. The degree of uncertainty in the estimates will affect the proportion of the claim that is recognised in the income statement."

At year-end Veidekke was involved in eleven disputes for claims over NOK 25 million, which are being processed by the judicial system, compared with eight at the beginning of 2018. A total of three disputes concerning claims over NOK 25 million were resolved during the year, through either a court ruling or negotiations with the contracting client.

At the close of 2018 Veidekke had several unresolved final settlements related to transport infrastructure projects. Outstanding claims after deductions for recognised provisions and assessment of uncertain income in these projects were in the order of NOK 500 million (excl. VAT) at 31 December 2018.

At year-end Veidekke was involved in two major disputes before the courts, of which a non-binding judgement has been pronounced in one. Two major disputes, including one transport infrastructure project, were resolved by settlement in 2018.

NOTE 33. RELATED PARTY TRANSACTIONS

Veidekke's related parties include associates and joint ventures (see note 13), Veidekke's shareholders, members of the Board and senior executives in Veidekke (see note 30).

Veidekke has stakes in associates and joint ventures, and these are reported in Veidekke's accounts using the equity method.

TRANSACTIONS WITH ASSOCIATES (ASS.) AND JOINT VENTURES (JV):

Figures in NOK million	2018		2017	
	Associates	Joint Venture	Associates	Joint Venture
REVENUE				
Construction operations	28	1 626	136	1 724
Industrial operations	-	-	-	-
Property development operations	2	31	8	152
Total revenue from associates and JV	30	1 658	144	1 877
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER				
Receivables	-	200	4	346
Liabilities	11	13	-	10

OBOS BBL has a 18.1 % 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 developed in partnership with OBOS are undertaken through the establishment of joint ventures. There are currently eight companies that are jointly controlled by OBOS and Veidekke with ongoing projects.

TRANSACTIONS WITH OBOS

Figures in NOK thousand	Revenue 2018	Receivables 31.12 2018
OBOS	604	23
Joint ventures ¹⁾	527	6

1) Companies that are jointly owned by Veidekke and OBOS.

NOTE 34. EVENTS AFTER THE REPORTING DATE

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

NOTE 35. ALTERNATIVE PERFORMANCE MEASURES

Veidekke generally reports its financial results in line with International Financial Reporting Standards (IFRS). In addition, the following alternative performance measures are also reported:

Net interest-bearing debt

This key figure expresses the Group's financial position and is determined on the basis of the Group's capitalised interest-bearing debt on the date of calculation, less bank deposits and interest-bearing receivables, both current and non-current. This key figure is also included in the calculation of covenants in the loan agreement. This performance indicator is presented in the Board of Directors' Report.

Order backlog

The order backlog provides an indication of future activity in the Group's construction operations. The order backlog is defined as contracted and signed contracts on the measurement date. This key figure also includes road maintenance contracts in Industrial's Road Maintenance unit, but only those parts of the contracts that will be executed during the next 18 months. This performance indicator is presented in notes 2 and 7.

Capital invested in property development operations

Capital invested is defined as the sum of book equity and net interest-bearing debt and is an expression of the capital tied up in property development operations.

Return on invested capital in Property Development

Property Development's performance is measured by return on invested capital, calculated using the following formula:

$$\frac{\text{Profit before tax + interest expenses} + \text{tax in joint ventures}}{(\text{Opening balance invested capital} + \text{Closing balance invested capital}) / 2}$$

The figures used in the formula are taken from the segment reporting. Interest expenses include all expensed interest expenses, both those classified as interest expenses and those classified as cost of materials (operating expenses) in the accounts.

The calculation is adjusted to take account of the fact that the profit reported by joint ventures has already been taxed. This performance indicator is presented in the Board of Directors' Report under the discussion of Property Development and also under strategic objectives.

Sales ratio in Property Development

Sales rate indicates the risk that units under construction will not be sold and is calculated using the following formula:

$$\frac{\text{Sales value of signed contracts for sold residential units}}{\text{Total sales value of all projects under construction}}$$

For projects carried out in associates or joint ventures, only Veidekke's share of the project is included. See note 16.

Number of unsold units under construction

This figure is the number of units under construction that have not been sold on the reporting date. See note 16.

Site portfolio

The site portfolio provides an expression of possible future activity in the various markets in Property Development. The site portfolio consists of sites owned by Veidekke on the measurement date, sites for which there is a binding contract for transfer in the future, and signed options where it is expected that Veidekke will exercise the option. The number of units the sites can be converted into is calculated as a best estimate.

NOTE 36. CORPORATE STRUCTURE

OVERVIEW OF THE MAIN SUBSIDIARIES IN THE GROUP:

Figures in NOK million	Business area	Head office	Ownership share	
			2018	2017
Veidekke Entreprenør AS	Construction	Oslo, Norway	100%	100%
- Block Berge Bygg AS	Construction	Klepp, Norway	100%	100%
- Kynningsrud Fundamentering AS	Construction	Fredrikstad, Norway	100%	100%
- Leif Grimsrud AS	Construction	Halden, Norway	80%	80%
- Seby AS	Construction	Skedsmokorset, Norway	70%	70%
Hoffmann A/S	Construction	Glostrup, Denmark	100%	100%
Veidekke Sverige AB	Construction	Stockholm, Sweden	100%	100%
- Veidekke Entreprenad AB	Construction	Stockholm, Sweden	100%	100%
- Arcona AB	Construction	Stockholm, Sweden	100%	100%
- Billström Riemer Andersson AB	Construction	Mölnå, Sweden	90%	0%
- Veidekke Bostad AB	Property development	Stockholm, Sweden	100%	100%
- VeiBo Group AB	Property development	Stockholm, Sweden	100%	100%
Veidekke Eiendom AS	Property development	Oslo, Norway	100%	100%
- Veidekke Bolig AS	Property development	Oslo, Norway	100%	100%
Veidekke Industri AS	Industrial	Oslo, Norway	100%	100%

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

NOTE 37. RESTATED ACCOUNTS FOR 2017 – IMPLEMENTATION OF NEW REVENUE RECOGNITION STANDARD IFRS 15

IFRS 15 Revenue from contracts with customers

With effect from 1 January 2018 Veidekke implemented a new revenue recognition standard, IFRS 15. As a result of implementation of the new standard, the income statement for 2017 and the statement of financial position at 1 January 2017 have been restated in accordance with the new standard.

The new standard affects Veidekke's recognition of revenue from own-account residential projects, change orders and supplementary work in construction projects. The new standard will not entail changes for other revenue.

Residential projects in Property Development

In the financial statements, Veidekke has, in accordance with the previous standard (IAS11), recognised revenue from residential projects in the property development operations on the date of contractual handover to the buyer (IFRIC 15). The new standard entails that residential projects in Sweden and Denmark will be recognised using the percentage of completion method, based on estimated final profit, stage of completion and sales ratio, while the revenue recognition principles applicable to residential projects in Norway remain unchanged.

The different revenue recognition approaches in the different countries are due to variations in national legislation governing residential construction and sales.

Change orders and supplementary work in construction operations

Under the previous standard, revenue related to unresolved claims in construction projects was recognised on the basis of the likely outcome of the claim against the customer. The new standard contains more stringent requirements concerning recognition of this kind of revenue, and it may only be recognised once it is deemed highly probable that it will not be reversed later. The new standard will primarily affect revenue recognition in projects where the contract form may result in different interpretations of the scope of the contract and calculation of remuneration and applies mainly to projects in the civil engineering segment.

Overview of restated accounting figures:

INCOME STATEMENT – VEIDEKKE GROUP

Figures in NOK million	ADJUSTMENT IFRS 15				2017 restated
	2017	Property	Construction	Total	
Revenue	30 281	1 024	-130	894	31 175
Operating expenses	-28 839	-861		-861	-29 700
Share of net income from joint ventures	334	35		35	369
Depreciation/impairment	-524				-524
Operating profit (EBIT)	1 252	198	-130	68	1 320
Net financial items	7				7
Pre-tax profit	1 259	198	-130	68	1 327
Income tax expense	-140	-9	27	18	-122
Post-tax profit	1 119	189	-103	86	1 205

FINANCIAL ACCOUNTS – STATEMENT OF FINANCIAL POSITION VEIDEKKE GROUP

Figures in NOK million	At 31 December 2016	Adjustment IFRS 15	At 1 January 2017 restated
Other non-current assets	4 612	-	4 612
Investments in joint ventures	1 363	22	1 385
Total non-current assets	5 975	22	5 997
Residential projects	4 877	-2 141	2 736
Trade receivables	2 984	-290	2 694
Contract assets	2 040	-32	2 008
Other current assets	1 569	-	1 569
Total current assets	11 470	-2 462	9 008
Total assets	17 445	-2 440	15 005
Equity	3 465	255	3 719
Other non-current liabilities	1 501	-	1 501
Deferred tax liabilities	474	-64	410
Total non-current liabilities	1 975	-64	1 911
Trade payables and other payables	5 925	-	5 925
Contract liabilities	4 404	-2 631	1 773
Other current liabilities	1 676	-	1 676
Total current liabilities	12 005	-2 631	9 375
Total equity and liabilities	17 445	-2 440	15 005
Equity ratio	19.9%		24.8%

Contract assets and Contract liabilities are new concepts introduced in IFRS 15, and the amounts quoted on these lines were previously entered under Trade receivables and Other current liabilities respectively. For more information, see notes 18 and 24.

Segment reporting

In the segment accounts, Veidekke will continue to report revenue from residential projects in the property development operations on a percentage of completion basis. This is considered to provide the best expression of value creation within residential development and corresponds to Veidekke's internal reporting. Thus, the new standard for revenue recognition of residential projects will not affect Veidekke's segment accounting, and the difference between the financial and segment accounts

will hereinafter be related to the group's residential activity in Norway.

The accounting treatment of changes and additional work in construction projects is the same in the segment and financial accounts, and the segment reporting has been restated.

Overview of restated segment reporting (note 2):

SEGMENT ACCOUNTS – PRE-TAX PROFIT 2017

Figures in NOK million	CONSTRUCTION NORWAY			VEIDEKKE GROUP		
	2017	Adjustment IFRS 15	2017 restated	2017	Justering IFRS 15	2017 restated
Revenue	14 850	-130	14 720	31 568	-130	31 438
Operating expenses	-14 199		-14 199	-29 915		-29 915
Share of net income from joint ventures	4		4	305		305
Depreciation/impairment	-233		-233	-524		-524
Operating profit (EBIT)	421	-130	291	1 434	-130	1 304
Net financial items	31		31	7		7
Pre-tax profit (EBT)	452	-130	322	1 441	-130	1 311

INCOME STATEMENT VEIDEKKE ASA

Figures in NOK million	Note	2018	2017
Revenue		110	107
Personnel expenses	1, 10	-95	-91
Other operating expenses	3	-88	-96
Depreciation	4	-12	-12
Total operating expenses		-195	-199
Operation profit		-85	-92
Dividends and group contributions from subsidiaries	2	521	778
Other financial income	2	67	189
Financial costs	2	-87	-45
Profit before tax		417	831
Income tax expense	9	-15	-15
Profit for the year		401	815
Allocation of profit			
Dividend		669	669
Other equity		-267	147
Total		401	815

STATEMENT OF FINANCIAL POSITION VEIDEKKE ASA AT 31 DECEMBER

Figures in NOK million	Note	2018	2017
ASSETS			
Non-current assets			
Deferred tax assets	9	39	27
Property and machinery	4	52	55
Investments in subsidiaries	5	2 868	2 468
Investments in associates and joint ventures	6	105	105
Financial investments	7	270	236
Other non-current receivables	7	154	159
Total non-current assets		3 487	3 050
Current assets			
Receivables from group companies	13	966	848
Other receivables		15	9
Cash and cash equivalents		3	4
Total current assets		983	861
Total assets		4 471	3 910
EQUITY AND LIABILITIES			
Equity			
Share capital		67	67
Other equity		1 319	1 621
Total equity	8	1 386	1 688
Non-current liabilities			
Pension liabilities	10	199	142
Bonds	11	1 600	-
Debts to credit institutions	11	126	524
Total non-current liabilities		1 925	665
Current liabilities			
Bonds	11	-	750
Trade payables		60	43
Dividends payable	8	669	669
Current liabilities to group companies	13	417	86
Other current liabilities		14	10
Total current liabilities		1 160	1 557
Total equity and liabilities		4 471	3 910

STATEMENT OF CASH FLOWS VEIDEKKE ASA

Figures in NOK million	Note	2018	2017
OPERATING ACTIVITIES			
Profit before tax		417	831
Recognised dividends and group contributions, not yet paid		-521	-763
Received dividends and group contributions from subsidiaries		778	839
Group contributions to subsidiaries, paid		-85	-268
Tax paid	9	-	-23
Depreciation		12	12
Gains/losses on sale of shares	2	-	123
Pensions, difference expensed/paid		11	21
Generated from this year's activities		611	772
Change in other current assets		17	-12
Change in other items		-464	-305
Net cash flow from operating activities (A)		164	455
INVESTING ACTIVITIES			
Acquisition of tangible non-current assets	4	-9	-37
Proceeds from sale of shares		-	81
Received dividends from joint ventures		8	13
Equity contributions in subsidiaries		-	-7
Net cash flow from investing activities (B)		-1	51
FINANCING ACTIVITIES			
New non-current bond loan		1 600	-
New non-current debt		-	97
Repayment of non-current debt		-345	-
Repayment of bond debt		-750	-
Dividends paid		-669	-602
Net cash flow from financing activities (C)		-164	-505
Total net change in cash and cash equivalents (A+B+C)		-2	1
Cash and cash equivalents at 1 January		4	3
Cash and cash equivalents at 31 December		3	4
Supplementary information			
Borrowing facility DNB		3 600	3 600
Used committed borrowing facilities at 31 December		126	524

ACCOUNTING POLICIES

The parent company Veidekke ASA is a holding company with no operations. Its activities consist of investments in subsidiaries and joint ventures, and its income consists of dividends and group contributions from these companies. In addition, Veidekke ASA invoices its subsidiaries for their share of costs related to administration of the group. Veidekke ASA prepares its financial statements in accordance with Norwegian accounting standards.

Investments in subsidiaries and joint ventures are accounted for using the cost method. This means that investments are booked at cost price, and only distributions from the companies are recognised in income. Investments are written down if the carrying value exceeds fair value.

The parent company applies the same accounting policies as the group, except for the point in time when dividends and group contributions and financial instruments (interest swaps) are recognised in the accounts.

Group contributions are recognised in the income statement in the same year as they are accrued by the subsidiary. Dividends from subsidiaries are recognised in the income statement in the same year as they are allocated in the subsidiary (the year before distribution). The dividend proposed in Veidekke ASA was recognised as a liability on 31 December 2018.

Unless otherwise specified, all amounts are in NOK million.

NOTE 1. PERSONNEL EXPENSES

Figures in NOK million	2018	2017
Payroll	69	65
Pension costs	11	11
National Insurance contributions	8	8
Other payroll costs (social benefits etc.)	6	6
Total	95	91
Number of fulltime equivalents	45	41
Number of employees at 31 December	47	43

NOTE 2. FINANCIAL INCOME AND FINANCIAL EXPENSES

Figures in NOK million	2018	2017
Dividend and group contributions from subsidiaries	521	778
Interest income	57	40
Dividends from joint ventures	8	13
Foreign currency gains	-	9
Proceeds from sale of shares	-	124
Other financial income	2	3
Total other financial income	67	189
Interest costs	-57	-44
Foreign currency losses	-28	-
Other financial costs	-1	-1
Total financial costs	-87	-45
Net financial items	502	922

NOTE 3. REMUNERATION TO AUDITORS

In 2018 remuneration to the auditors was NOK 1.0 million for auditing and NOK 0.1 million for other assistance. The corresponding figures for 2017 were NOK 1.0 million and NOK 0.1 million. All amounts are stated excluding VAT.

NOTE 4. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	Properties	Machinery/ IT systems	IT systems under development	Total 2018	Total 2017
Carrying value at 1 January	8	33	15	55	31
Original cost at 1 January	11	60	15	86	49
Additions	-	-	9	9	37
Transferred from IT-systems under development	-	24	-24	-	-
Disposals original cost	-	-1	-	-1	-
Original cost at 31 December	11	83	-	94	86
Accumulated depreciations at 1 January	-3	-28	-	-31	-18
This year's depreciations	-	-12	-	-12	-12
Accumulated depreciations, disposals	-	-	-	-	-
Accumulated depreciation at 31 December	-3	-40	-	-43	-31
Carrying value at 31 December	8	44	-	52	55
Depreciation method	No depreciation	Straight line	No depreciation		
Depreciation rate		20–25%			

NOTE 5. SHARES IN SUBSIDIARIES

Company	Location	Ownership share (%)	Value in the state- ment of financial position ¹⁾
Veidekke Entreprenør AS	Oslo	100	1 190
Veidekke Eiendom AS	Oslo	100	671
Hoffmann A/S	København	100	366
Veidekke Industri AS	Oslo	100	322
Veidekke Sverige AB	Lund	100	296
Veidekke Danmark AS	København	100	22
Total			2 868

1) Carrying value in Veidekke ASA's accounts at 31 December 2018 (cost method).

NOTE 6. SHARES IN ASSOCIATES AND JOINT VENTURES

Company	Location	Ownership share (%)	Carrying amount in NOK million ¹⁾
Allfarveg AS	Oslo	50	66
Skulebygg AS	Oslo	50	20
Skuleplass AS	Oslo	50	11
Other companies	Oslo	50	7
Total			105

1) Carrying amount in Veidekke ASA's accounts at 31 December 2017 (cost method).

NOTE 7. FINANCIAL INVESTMENTS AND OTHER NON-CURRENT RECEIVABLES

Figures in NOK million	2018	2017
Share loans to employees	154	159
Financial assets	270	236
Total	424	395

See note 15 to the group statements for further information on share loans to group employees. The company has invested NOK 199 million in a combination fund consisting of both bonds and shares. Fair value of the investment is NOK 214 millions. The investment is intended to cover incurred pension liabilities and has been pledged.

NOTE 8. RECONCILIATION OF EQUITY

Figures in NOK million	2018	2017
Equity at 1 January	1 688	1 557
Profit for the year	401	815
Dividends payable	-669	-669
Change in value of net pension assets	-36	-16
Equity at 31 December	1 386	1 688

Figures in NOK million	Share capital	Share premium	Other equity	Total equity
Equity at 1 January	67	304	1 317	1 688
Profit for the year	-	-	401	401
Dividends payable	-	-	-669	-669
Change in value of net pension assets	-	-	-36	-36
Equity at 31 December 2018	67	304	1 015	1 386

NOTE 9. INCOME TAX EXPENSE AND DEFERRED TAX

Figures in NOK million	2018	2017
INCOME TAX EXPENSE		
Tax payable in the statement of financial position	-	-
Tax payable on group contributions	17	15
Change in deferred tax	-1	-
Adjustment previous year	-	-
Total income tax expense	15	15
RECONCILIATION OF THE GROUP'S TAX RATE		
23% of profit before tax (2017: 24%)	96	199
Actual income tax expense	15	15
Difference	81	184
DIFFERENCE IN INCOME TAX EXPENSE		
Tax-exempted dividends from subsidiaries	82	151
Tax-exempted gains from sale of shares	-	30
Other permanent differences	-	4
Effect of change in tax rate	-1	-1
Total	81	184
DEFERRED TAX		
Temporary differences		
Current items	5	-1
Gains and loss account	22	27
Operating equipment	-4	-2
Pensions	-199	-142
Basis for deferred tax	-176	-118
Deferred tax assets 22% (2017: 23%)	39	27
Recognised deferred tax assets	39	27

NOTE 10. PENSIONS

Figures in NOK million	2018	2017
PENSION COSTS		
Current service cost	3	3
Interest cost on net pension liabilities	3	3
Cost of defined-benefit plan	6	6
Cost of defined-contribution plans	7	5
Pension costs	13	11
Pension liabilities	270	219
Pension assets	-71	-77
Net pension liability	199	142
Change in value (actuarial gains and losses)	-46	-21
Change in value after tax recognised directly in equity	-36	-16

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. See the accounting policies and the presentation of the schemes in note 21 to the consolidated accounts.

NOTE 11. NON-CURRENT LIABILITIES

At 31 December 2018 the recorded non-current liability consists of bond debt and drawings on the group's account. Veidekke has a borrowing facility with DNB of NOK 3,600 million that expires on 2 November 2020. Veidekke ASA is responsible for the group's total withdrawals from the group account, which at 31 December 2018 totalled NOK 126 million. For further details see notes 28 and 29 to the consolidated accounts.

In addition, Veidekke has two bond loans: a NOK 600 million loan maturing in March 2025 and a NOK 1.0 billion loan maturing in May 2023.

NOTE 12. GUARANTEES

At 31 December 2018 Veidekke ASA has provided guarantees for its subsidiaries totalling approx. NOK 4,300 million in connection with specific construction projects for group companies. The company has a current bank guarantee to cover payroll tax obligations.

NOTE 13. RECEIVABLES AND LIABILITIES WITH GROUP COMPANIES

Figures in NOK million	2018	2017
Trade receivables from group companies	19	5
Outstanding dividends and group contributions	521	778
Other short-term receivables from group companies	426	66
Total receivables from group companies	966	848
Trade payables to group companies	1	1
Outstanding group contributions	417	85
Total liabilities to group companies	417	86

NOTE 14. OTHER NOTES

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

- Note 20: Number of shares, shareholders etc.
- Note 28: Financial risk
- Note 29: Financial instruments
- Note 30: Compensation to senior executives
- Note 34: Events after the reporting date

DECLARATION IN ACCORDANCE WITH ARTICLE 5-5 OF THE SECURITIES TRADING ACT


We hereby confirm that, to the best of our knowledge and belief, the group and company financial statements for 2018 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 Director's 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, 21 March 2019
The Board of Directors


Martin Mæland
Chair


Hans von Uthmann


Gro Bakstad


Ingalill Berglund


Daniel Kjørberg Siraj


Ingolv Høyland


Inge Ramsdal


Odd Andre Olsen


Arve Fludal


Arne Giske
Group CEO

CORPORATE GOVERNANCE

Veidekke's principles of good corporate governance shall lay the foundation for the greatest possible value creation over time, to the benefit of the shareholders, the employees and society at large.

1. Statement on corporate governance

Good corporate governance is the responsibility of the Board of Directors. Veidekke reports in accordance with the most recent version of the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018. The Code of Practice covers 15 main topics, all of which are described in this chapter. Any deviation from the recommendations in the Code of Practice is explained. The statement on corporate governance will be considered at the Annual General Meeting on 8 May 2019. The company's auditor has checked that the information in this statement pursuant to section 3-3b of the Norwegian Accounting Act is in line with the information provided in the financial statements.

For the group to achieve its objectives over time, a number of important parameters must be in place: Profitable operations and good risk management are key factors, as is Veidekke's corporate culture. The company's core values – professional, honest, enthusiastic and ground-breaking – shall guide the employees' behaviour in all their dealings. All Veidekke's employees shall abide by the company's ethical guidelines and guidelines for compliance with Competition Act, which are available on veidekke.com/en/corporate-governance/.

Veidekke's work on corporate social responsibility and sustainability is integrated into the company's management model. Veidekke reports in accordance with the Global Reporting Initiative (GRI). As of 2018 Veidekke's sustainability reporting is included in the annual report, and the company's impact on the environment and society and the results achieved are presented on page 132–153.

Deviation from the Code of Practice: None

2. Operations

Veidekke's purpose, as defined in the Articles of Association, is: "The company's purpose is construction and property development activities, and other economic activities related with the aforementioned. Activities may

be conducted by the company itself, by subsidiaries at home and abroad, or through participation in other companies or in cooperation with others."

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 the companies Veidekke Entreprenør (Construction), Veidekke Eiendom (Property Development) and Veidekke Industri (Industrial), all in Norway, and Veidekke Sverige in Sweden and Hoffmann in Denmark. Veidekke's operations in Norway and Sweden include building construction and civil engineering projects, renovation and specialised civil engineering contracts, as well as development of sites and construction of residential and non-residential buildings. In Norway, Veidekke is also engaged in asphalt operations, production of aggregates, and road maintenance. In Denmark, operations mainly comprise building construction and renovation projects.

Veidekke is one of Scandinavia's leading construction and property development companies. In order to further strengthen its position and earnings, the company has set clear ambitions for growth, and strategic financial goals have been defined to ensure good value creation in all parts of the business.

The group has a decentralised business model in terms of distribution of responsibilities and authority, entailing a high degree of responsibility and authority in the various units. This ensures closer proximity to our customers and suppliers, which has proven to be an advantage in the competition for contracts and provides Veidekke with more business opportunities.

The corporate management team consists of the Group CEO, the heads of the business areas, and the heads of the central staff functions.

Deviation from the Code of Practice: None

3. Equity and dividends

At 31 December 2018, Veidekke had an equity ratio of 21%, which is within the defined target with regard to capital strength, optimised risk-adjusted yield and future investment requirements.

The group's growth is expected to be primarily organic, but Veidekke also considers acquisition opportunities in the group's business areas in Scandinavia. At 31 December 2018, Veidekke had undrawn credit amounting to NOK 3.5 billion, and the group thus has significant financial resources to carry out such acquisitions.

Veidekke aims to provide the shareholders with competitive returns on their investment through a combination of dividends and share price appreciation. To achieve this, strategic targets have been set at the unit level. The group must have a strong financial position, and with its current balance sheet structure, a gearing ratio of 40–60% of book equity at year-end will fulfil these minimum requirements. Veidekke is working on a number of measures to improve its competitiveness and ensure profitability, including 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% of the group's profit for the year to the shareholders. A dividend of NOK 5.0 per share is proposed for the 2018 financial year. This corresponds to a dividend pay-out ratio of 125% (IFRS). The Board justifies this proposal on the basis of the company's dividend target and the company's strong financial position. The dividend must be approved by the Annual General Meeting.

Board authorisation – capital expansion

The Board of Directors was authorised by the 2018 Annual General Meeting to increase the share capital by up to NOK 6.5 million, divided into 13 million new shares, each with a nominal value of NOK 0.50. This authorisation may be used when deemed necessary, for example in connection with corporate takeovers, the company's schemes whereby employees can buy shares in the company, and for investment in real property. The authorisation helps ensure that the Board can undertake necessary transactions quickly and efficiently, as needs dictate. Use of this authorisation will entail waiver of the shareholders' pre-emptive rights, which must be justified by the Board.

Board authorisation – buyback of own shares

The Board of Directors was authorised by the 2018 Annual General Meeting to buy back Veidekke shares at a total nominal value of up to NOK 6.5 million, which is equivalent to just under 10% of Veidekke's share capital. 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 supplement 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.

Deviation from the Code of Practice: None

4. Equal treatment of shareholders and transactions with related parties

Veidekke treats all shareholders equally as a matter of principle. Each share carries one vote at the Annual General Meeting. Whenever possible, existing shareholders have pre-emptive rights in the event of capital increases.

Veidekke's main shareholder is OBOS, which has an ownership share of 18.1%. Rules regarding impartiality 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%. The jointly-owned company develops and sells projects. This 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 correct valuation.

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

Veidekke works continuously to maintain the employees' ownership share and strives each year to give the employees the opportunity to buy shares at a discount. 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 the employees to hold shares in the company, totalling at least 15% of the shares. Veidekke offers financial assistance for share purchases, with a lock-in period of two to three years. At the end of 2018, 4,034 employees held a combined 14.8% stake in the company. Senior executives are also encouraged to hold a significant number of shares in the company. Among this group, 956 individuals had a combined stake of 9.8%.

The group abides by the Oslo Stock Exchange's insider trading rules and trade restrictions. See "Shareholder information" for more details about the insider trading rules for employees.

Deviation from the Code of Practice: None

5. Freely negotiable shares

Veidekke's Articles of Association do not contain any restrictions on trading, and the shares are freely transferable.

Deviation from the Code of Practice: None

6. Annual General Meeting

Veidekke ensures that shareholders can exercise their rights by participating in the Annual General Meeting and that it is an effective meeting place for shareholders and the Board. In 2019 the Annual General Meeting will be held in Oslo on 8 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. Pursuant to section 5–11 of the Norwegian Public Limited Liability Companies Act, shareholders have the right to have matters dealt with by the Annual General Meeting. The matter must be reported to the Board of Directors at the latest seven days before the deadline for the notice of the Annual General Meeting, together with a proposed decision or justification for the inclusion of the matter on the agenda. Shareholders can participate in the Annual General Meeting either by attending in person or by sending a representative (proxy). Proxy forms are distributed with the notice of the meeting. Shareholders who cannot attend the Annual General Meeting in person or by proxy can choose to vote in advance on each individual item of business.

The Board of Directors, the Nomination Committee and the auditor attend the Annual General Meeting, in addition to the company's management. The minutes of the Annual General Meeting are published the first working day after the meeting.

Deviation from the Code of Practice: None

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, and proposes board fees. Candidates who are nominated for the Nomination Committee should be shareholders or representatives of shareholders. The Nomination Committee consults general managers, board members and relevant shareholders in connection with preparing recommendations.

According to the Articles of Association, 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, and determines the remuneration of the committee members. The Nomination Committee is responsible for proposing candidates for the Board of Directors, and 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 2018 the Nomination Committee consisted of Harald Norvik (chair), Anne Elisabeth Thurmann-Nielsen, Erik Must and Joakim Gjersøe.

Deviation from the Code of Practice: None

8. Corporate assembly, Board of Directors, composition and independence

The Board of Directors is Veidekke's highest administrative body and is directly accountable to the Annual General Meeting. The Board consists of nine members, of whom six are elected by the shareholders and three are elected by and among the employees. In the course of the year, Ann-Christin Andersen chose to withdraw from the Board. In accordance with the Norwegian Public Limited Liability Companies Act, a new female board member will be elected at the Annual General Meeting on 8 May 2019. 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 Norwegian Public Limited Liability Companies Act.

The Board's independence is also ensured through the use of a Nomination Committee, which is stipulated in the Articles of Association.

In determining the composition of the Board, importance is attached to safeguarding the shareholders' interests, ensuring breadth in competencies, and diversity. Effort is made to have board members from all three Scandinavian countries. The composition of the Board of Directors of Veidekke ASA complies with the provisions of the Norwegian Public Limited Liability Companies Act regarding gender balance on boards of listed companies.

In keeping with the Code of Practice, board members are encouraged to own shares in Veidekke.

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 majority of the shareholder-elected board members are independent of the company's senior executives and its significant business associates. The Chair of the Board was the Group CEO of OBOS, Veidekke's main shareholder and an important business partner, from 1983 to 2016. The current Group CEO of OBOS, Daniel Kjørberg Siraj is a board member.

Deviation from the Code of Practice: None

9. The work of the Board Of Directors

The Board's main task is to ensure value creation. The Board of Directors is also responsible for the overarching management of the company, including appointment of the Group CEO, and shall ensure the good, appropriate organisation of the company. The Board has an independent role and shall ensure that all shareholders receive equal and proper treatment.

The Board of Directors defines targets, lays down strategies and budgets, and actively contributes expertise and experience. All matters of an unusual nature or of great significance to the group shall be presented to the Board. There is an annual plan specifying which matters are to be discussed at which board meetings, and the Board reviews all the business areas annually. The Board held nine ordinary board meetings in 2018. The Board's work is based on the rules of procedure for the Board, which describe the Board's responsibilities, and each year it evaluates its own work and competence.

Veidekke's Board has three subcommittees: the Audit Committee, the Remuneration Committee and the Property Committee. The members of these committees have been

chosen from among the board members. Minutes from the meetings of the committees are sent to the Board, and the committee chairs inform the Board about the committee's work on a regular basis.

The Audit Committee

The Audit Committee is composed of three board members elected by the shareholders, its work is governed by mandates and instructions that have been approved by the Board, and it reports to 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 in the group. The Committee has four ordinary meetings a year.

In 2018 the Audit Committee consisted of Gro Bakstad (chair), Hans von Uthmann and Per Otto Dyb (until May 2018)/Daniel Kjørberg Siraj (from May 2018).

The Remuneration Committee

The Remuneration Committee is composed of three board members elected by the shareholders, its work is governed by mandates and instructions that have been approved by the Board, and it reports to the Board. The Committee submits proposals to the Board on salaries and compensation schemes for the Group CEO. The Committee also advises the Group CEO on salaries and compensation schemes for the management. The Committee has three ordinary meetings a year.

In 2018 the Remuneration Committee consisted of Martin Mæland (chair), Hans von Uthmann and Ann-Christin Andersen (until November 2018)/Daniel Kjørberg Siraj (from December 2018).

The Property Committee

The Property Committee is composed of three board members elected by the shareholders, its work is governed by mandates and instructions that have been approved by the Board, and it reports to the Board. The Property Committee reviews all major investment decisions to ensure good internal control and sufficient checks in connection with major purchases of land for development. The committee meets as necessary and at least twice a year.

In 2018 the Property Committee consisted of Martin Mæland (chair), Ingalill Berglund and Ingolv Høyland.

Deviation from the Code of Practice: None

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. The large number of projects in progress at any time necessitates systematic reporting from each project to each division, from where it can be passed on to the corporate management and Board. Reporting is performed ten times per year and covers financial and non-financial parameters. Each project must focus on profitability, liquidity, risk, injuries, absence and the environment.

The management 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 businesses provide clear guidelines for risk management in the tendering phase and 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 a fixed item on the agenda for the management of the individual companies, the corporate management and the Board of Directors. Risk exposure in the Property Development division, through unsold completed units and unsold units under construction, 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 Property Committee helps 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 follows a fixed annual schedule, with deadlines for the production of framework documents, strategy plans, budgets and monitoring of the businesses.

Financial management

The group is governed by clear financial objectives for profit margins, capital yield and capital structure. These objectives are then broken down and translated into achievable targets in the businesses, which have clear requirements regarding profitability and cash flow. In Construction and Industrial, requirements are set for the projects' profit margins, including financial items. Property Development is capital-intensive, and performance here is measured by return on invested capital.

Financial reporting

Veidekke's group accounts are prepared in accordance

with the applicable IFRS regulations. The group adopts accounting policies in line with the regulations, which are communicated to the businesses with particular emphasis on changes in new and significant standards. Accounting information is reported through the group's common reporting system. All companies report information from their own systems to the group administration ten times a year. The reporting system has an overall chart of accounts and built-in control systems to ensure consistency of information. Reporting is expanded for quarterly and year-end financial reporting to meet the disclosure requirements.

Consolidation and control of accounting information takes place at several levels of the organisation, in accordance with Veidekke's business model. Each unit is responsible for compliance with the applicable laws and regulations for financial reporting, and for seeking assistance from the central staff functions 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. Veidekke has an external auditor that performs extensive checks at the project level. 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 in the group.

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 it has the necessary project reporting expertise. For example, courses are held in relevant financial and management systems.

Ethical guidelines

Anyone who works for or represents the company, individually or collectively, has a duty to act in an ethically correct manner and in line with Veidekke's core values: professional, honest, enthusiastic and ground-breaking. The company's ethical guidelines provide a framework to help everyone make wise choices. Wise choices require good understanding and knowledge of laws and regulations. The individual's adherence to Veidekke's core values helps ensure that ethical problems and dilemmas are handled appropriately. The ethical guidelines describe Veidekke's requirements regarding practice in the areas of anti-corruption, occupational health and safety, working environment, the external environment, social dumping and correct market conduct. The company's ethical guidelines have been published 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.

Compliance with competition law

The group has a comprehensive compliance programme that gives the employees insight into the basic rules of competition law that apply to Veidekke's activities. The aim is to help employees understand and comply with the current competition legislation. This compliance programme is accessible on Veidekke's intranet and website.

Deviation from the Code of Practice: None

11. Remuneration of board members

Remuneration of 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 consumption, and is independent of the company's financial results.

None of the shareholder-elected board members have special tasks for Veidekke beyond those entailed by board membership and work in board committees. See also note 30.

Several of the board members hold shares in Veidekke. These members are listed in note 20. None of the board members have share option agreements.

Deviation from the Code of Practice: None

12. Remuneration of senior executives

A statement is given to the Annual General Meeting each year regarding the guidelines for remuneration of senior executives. Salaries for the company's senior executives are determined on the basis of wage statistics comparing the pay level in Veidekke with that in other enterprises within the industry and other relevant businesses. The aim is to offer salaries that are competitive, but not above those of other similar companies. A bonus scheme has also been established where the maximum payment to each individual is set at 30% of their annual salary and linked to target achievement in a pre-determined action plan. Managers also participate in the group'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 the section "Shareholder information".

Veidekke has no share option schemes. See also notes 5 and 30.

Deviation from the Code of Practice: None

13. Information and communication

All shareholders and other players in the financial market are treated equally in terms of access to financial information. The company attaches great importance to ensuring that all the financial information provided is correct, clear and relevant, such that the share price reflects the value of the company.

Veidekke has gathered all relevant shareholder information about the group at www.veidekke.com. This is the main channel to provide identical, relevant information to all stakeholders at the same time, including the financial calendar with dates for the publication of financial information and information about the company's Annual General Meeting. The group's Investor Relations team (IR) maintains regular contact with the company's shareholders, potential investors, analysts and the financial market in general in the periods between publication of the quarterly results. Extra caution is shown in the periods immediately prior to disclosure of the quarterly figures. The Board is informed about the IR work on an ongoing basis. See also the section "Shareholder information".

Deviation from the Code of Practice: None

14. Corporate takeover

If an offer is received to take over the company's shares, the company's Board of Directors will 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.

Deviation from the Code of Practice: The Board of Directors does not have specific guidelines for conduct in connection with corporate takeover offers. The Board has not found it necessary to establish such guidelines, but will abide by the principles set forth in the Code of Practice.

15. Auditor

Veidekke's external auditor is elected by the Annual General Meeting, which also approves the audit fee each year. 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 30 for more detailed information about the amount of services provided.

Deviation from the Code of Practice: None



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Veidekke ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Veidekke ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2018, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



Accounting of projects in construction operations

Revenues and costs from projects in the construction operations are recognised over time in accordance with the progress of the projects. Estimates for the projects' total costs, the outcome of disputes and any other contractual obligations are applied for revenues recognised over time. Progress is estimated on the basis of accrued costs compared with estimated total costs in the project. Project revenue comprises the agreed compensation and variable compensation from additional and change orders. Variable revenue is fully or partly recognised if it is considered to be highly unlikely that any significant reversal of revenue will be made in subsequent periods. The projects can be complex and continue for several years. In 2018, the Company also implemented the new standard on revenue recognition, IFRS 15, with full retrospective effect. The accounting for projects has been a key audit matter due to the estimation uncertainty, the projects' complexity and the significance of the amounts involved.

We assessed the application of the accounting principles for revenue recognition over time in addition to completeness and accuracy of the disclosures concerning revenues and the implementation effects of IFRS 15. We have also considered routines for project monitoring and tested controls related to project evaluations and accounting. We discussed the status on selected projects with project management and the Company's management by region and business unit. We also visited selected projects.

For selected contracts, we tested

- project revenue against agreements and assessed the treatment of variable revenue from additional and change orders in addition to disputes and claims.
- estimated variable compensation against the Company's documentation and management's assessment of the probability that no significant reversals will take place when the uncertainty related to the variable compensation ceases.

We also controlled costs charged to the projects against invoices and timesheets, assessed the determination of estimated total project costs, the estimated final profit against comparable projects and analysed the development in profitability for selected projects and for the total project portfolio. In addition, we have performed analyses of actual revenues and costs on selected finalised projects against project prognoses in order to evaluate management's historical accuracy.

We refer to note 7 on construction projects in progress, note 32 on information regarding disputes and claims related to projects and note 24 on trade payables and other current liabilities.

Disputes and claims in large infrastructure projects

The Group is through its ongoing business at any time involved in disputes with clients regarding the interpretation and understanding of contracts. This particularly applies to infrastructure projects where the contractual amounts are significant, and the projects and contracts are complex. The disputes and claims concern both claims from Veidekke against the customers (due to variable volumes and the settlement of volumes, etc.) as well as claims from customers against Veidekke (remedy of defects, compensations etc.). Management uses a significant degree of judgment in the consideration of such dispute issues, and disputed amounts are only recognized if it is considered to be highly probable that no significant reversals will take place in subsequent periods.

Disputes and claims have been a key audit matter due to estimation uncertainty, the disputes' complexity and the significance of the amounts.

We assessed the Company's controls and routines related to the identification, evaluation and follow-up of disputes. We evaluated the Company's assessment of estimates and discussed ongoing disputes with management on various levels in the Group. We reviewed relevant internal and external correspondence, had meetings with the in-house legal department and obtained statements from external and internal lawyers. We assessed management's accuracy in historical disputes against the outcome of these disputes as part of our control of management's judgment in ongoing disputes.



We refer to note 1 for information on areas involving significant estimation uncertainty and note 32 for information regarding disputes and claims related to projects.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit 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 Company's internal control
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 21 March 2019
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)
(This translation from Norwegian has been made for information purposes only.)

Independent auditor's report - Veidekke ASA

SHAREHOLDER INFORMATION

Veidekke is and shall be a financially robust company, where good profitability and operations create value for our shareholders in the form of a high and stable return. The Veidekke share yielded a total return of 10% in 2018. A dividend per share of NOK 5.0 was paid in 2018.

There is a clear correlation between return on shares (measured by rising share prices and dividends) and the company's value creation over time. Value creation is primarily reflected in the company's current financial results. Veidekke is listed on the Oslo Stock Exchange (Oslo Børs), and shares are traded on the main index under the ticker symbol VEI. All shares have equal rights and are freely transferable.

Turnover and returns

2018 saw a total of 44.8 million Veidekke shares traded on the Oslo Stock Exchange, yielding a turnover rate of 33.5%. By comparison, 31.2 million shares were traded in 2017, yielding a turnover rate of 23.3%. There were 156,006 trades of Veidekke shares during the year, compared with 70,431 the previous year. At the close of 2018 the share price was NOK 96.90, which corresponds to a market value of NOK 12.96 billion. The return for shareholders including dividends in 2018 was 10%. By comparison, the return on the Oslo Stock Exchange was -2%.

Dividend

Veidekke's dividend policy calls for a pay-out ratio of at least 50% of the profit for the year.

The Board proposes a dividend of NOK 5.0 per share for the 2018 financial year, corresponding to a pay-out ratio of 125%. The dividend for the 2017 financial year was NOK 5.0. Shareholders will thus receive a direct return of 5.2%, based on the share price at the end of the year, which was NOK 96.90.

The dividend will be paid on 21 May 2019 to all shareholders who are registered as owners on the date of the Annual General Meeting, which has been set for 8 May 2019.

Ownership structure

At the close of the year Veidekke had 11,559 shareholders, compared with 11,007 at the beginning of the year. The largest shareholders in the company are OBOS (18.1%), Folketrygdfondet (11.2%) and IF Skadeforsikring AB (5.9%). A total of 4,034 employees own shares in the company, with a combined stake of 14.8%, compared with 15.1% in 2017. During the year foreign ownership increased to 23.5% from 22.4%.

Veidekke's share capital at 31 December 2018 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 at the Annual General Meeting.

Employee co-ownership

Employee ownership has always been a priority in Veidekke, ever since its initial public offering in 1986. The management firmly believes that employee co-ownership promotes increased loyalty and commitment, motivation, and understanding of the business. The employees benefit from the company's value creation and gain a long-term perspective on the company's development. The co-ownership scheme is important to attract and retain employees.

All trainees who join Veidekke are given shares worth NOK 10,000. Apprentices who stay on in Veidekke after passing their trade examination are given shares worth NOK 1,000.

Each spring and autumn Veidekke gives the employees the opportunity to buy Veidekke shares at a discount. The discount for share purchases without financial assistance is 30% of the market price of the shares; the discount with financial assistance is 20%. The shares have a lock-in period of three and two years respectively. There is great

interest in buying shares through these schemes: In 2018 a total of 2,548 employees bought shares under the scheme, and 2.0 million shares worth NOK 136.6 million were awarded.

Authorisation to issue shares and purchase own shares

The Annual General Meeting has authorised the Board of Directors to issue and buy back shares. The Board of Directors is authorised to issue up to 13 million shares. Since 1986 this authorisation has been successively renewed. The authorisation has not been used since 2004. The Board of Directors is also authorised to purchase the company's own shares for a total nominal value of up to NOK 6.5 million, equivalent to just under 10% of the share capital. This authorisation has not been used since 2009. See also the section on corporate governance for more information on the Board's authorisations.

Inside information

The company's internal insider trading rules are stricter than is required by the Norwegian 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

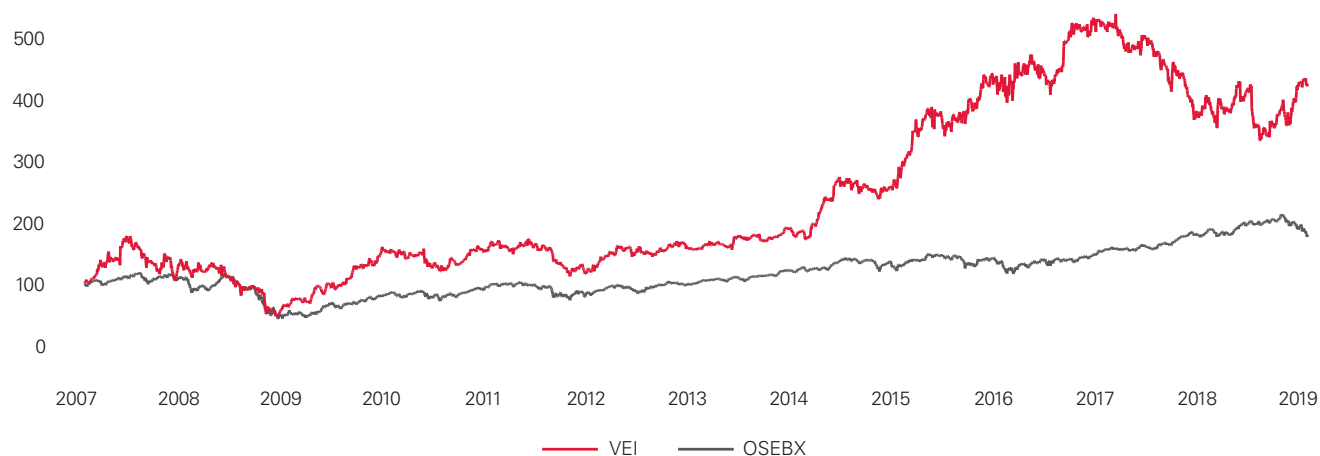
recommendations of the Oslo Stock Exchange. Veidekke has also drawn up internal rules, which have been made known to all employees in key positions and to senior union representatives. These rules entail, among other things, that trading in Veidekke shares is prohibited during the four weeks prior to the publication of the interim results and that employees must exercise great caution at all times when buying and selling Veidekke shares.

The investor market

Veidekke's main aim for its investor market work is to build trust by ensuring that all parties are treated equally in terms of equal access to identical financial information. Open dialogue with investors, analysts and other stakeholders in the financial markets helps ensure that the Group's values are reflected in the pricing of the Veidekke share.

Interim results are reported in accordance with the financial calendar. Veidekke holds presentations for shareholders, investors, brokers, analysts, the press and employees in connection with the disclosure of the annual and interim results. These presentations can be followed via webcast. The company publishes information in Norwegian and English. Veidekke's financial calendar, quarterly reports, analyst presentations, economic activity reports, and other

SHARE PRICE DEVELOPMENT, INDEXED¹⁾



1) The share prices in this graph have been adjusted for dividends. The scale is logarithmic.

Source: Oslo Stock Exchange and Veidekke

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 are available on our website at: <http://veidekke.com/en/>.

LARGEST SHAREHOLDERS AT 31 DECEMBER 2018

	Ownership share in %
OBOS BBL	18.1
Folketrygdfondet	11.2
IF Skadeforsäkring AB	5.9
Danske Invest Norge	4.1
Handelsbanken Asset Management	3.9
Fund managed by DNB Asset Management	3.3
Must Invest AS	2.2
MP Pensjon	2.1
Odin Norge	1.9
Vanguard Group	1.6
Total ten largest shareholders	54.3
Employees (4,034 shareholders)	14.8
Others	30.9
Total	100.0

A list of the 20 largest shareholders is published on Veidekke's website and updated weekly. The company's share registrar is Nordea.

SHARE DISTRIBUTION AT 31 DECEMBER 2018

Shareholding	From	To	No. of shareholders	No. of shares	%
	1	100	2 764	124 271	0.1
	101	1 000	4 430	2 119 272	1.6
	1 001	10 000	3 388	11 774 639	8.8
	10 001	100 000	862	22 163 878	16.6
	100 001		115	97 522 882	72.9
Total			11 559	133 704 942	100.00

	Form of issue	Amount paid in (NOK millioner)	No. of shares after increase (1,000)	Share capital after increase	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

	2018	2017	2016	2015	2014
Market price at 31 December	96.90	92.75	123.50	108.50	73.75
- high	99.00	128.00	126.50	109.00	74.25
- low	75.80	83.50	96.75	69.50	46.0
Earnings per share ¹⁾	4.0	8.2	6.6	5.7	6.3
Market price/earnings (P/E)	24.2	11.3	18.7	19.0	11.7
Market price/book value per share (P/B)	3.1	3.2	4.8	4.5	3.6
Dividend per share	5	5	4.50	4.0	3.5
Pay-out ratio (%)	125	61	68	70	55.5
Turnover rate (%)	33.5	23.3	18.7	27.9	23.9
Earnings yield (%)	5.2	5.4	3.6	3.7	4.7
Outstanding shares (average million)	133.7	133.7	133.7	133.7	133.7
Market price at 31 December (NOK million)	12 956	12 401	16 512	14 507	9 861
No. of shareholders at 31 December	11 559	11 007	9 029	8 704	7 328

1) No dilutive effect.

SUSTAINABILITY AT VEIDEKKE

ABOUT THIS REPORTING

The sustainability reporting shows how Veidekke's activities affect the environment, climate and society, and what the group is doing to minimise the negative impact of its operations. Veidekke's sustainability reporting is done in accordance with the principles developed by the Global Reporting Initiative (GRI). The company finds that the information provided in this report, combined with the GRI index, is in accordance with the GRI Standards: Core option. The GRI index, which has been published on the company's website, should be regarded as part of this report. The index provides links to information on the GRI reporting principles and performance indicators.

Unless otherwise stated, the sustainability report applies to the entire group. It encompasses all the Scandinavian business areas, subsidiaries and joint ventures. In connection with acquisitions, the parties agree whether the acquired business will be included in Veidekke's reporting for the year.

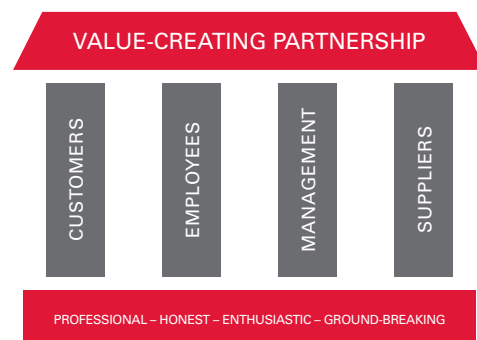
Values and framework for sustainability at Veidekke

There is ever growing demand for sustainable solutions. Veidekke aims to be the industry leader in sustainability and has systematically incorporated sustainability throughout the Group's entire value chain. This work is an integral part of Veidekke's management model and business strategy for the period up to 2020.

The goal of being a leader in sustainability is rooted in Veidekke's four core values: professional, honest, enthusiastic and ground-breaking. These values form the basis for all operations and developments in the group. Building on these values, Veidekke's subsidiaries prepare strategies describing goals for the strategy period and policies defining principles for the work in the various disciplines and business areas. The values also shape routines for how tasks are performed.

The Veidekke House (see the figure below) builds on the four core values. The Veidekke House guides all the work in the entire group and ensures that compliance with rules and guidelines is always on the agenda.

THE VEIDEKKE HOUSE IS BOTH A SYMBOL OF
AND A GUIDELINE FOR OUR WORK



The ultimate responsibility for sustainability in Veidekke lies with the board of directors and the corporate management, and the group has appointed a dedicated sustainability director. Sustainability is integrated into all parts of Veidekke's management systems. When determining the direction for the group, the corporate management works with relevant experts in areas such as legal, compliance, procurements, OHS, HR, the environment and communication. The corporate management and the experts also identify needs, coordinate work and follow up initiatives. In addition to the group-wide activities, each business area sets its own targets and initiatives with a view to helping the group attain its overarching goals. Common goals and activities for the group as a whole are described in more detail in the sections on the various areas below.

The group's organisational model provides a high degree of autonomy at the local level, within the bounds of Veidekke's

values and frameworks. A compliance group has been established to ensure uniform compliance with the group's values, frameworks and rules across all parts of the organisation. This group consists of representatives from all the business areas and is led by the compliance director.

Key topics in Veidekke's sustainability work

Veidekke conducted a comprehensive materiality assessment in 2015 to determine which aspects of sustainability were most relevant to the group. The process involved internal and external stakeholders ranking 30 different topics related to the environment, society and ethics. The management and relevant experts then assessed which topics ought to be given priority in order for Veidekke to reach its strategic goals. The analysis identified nine topics, which have been grouped into the categories Environment, People and Society in the figure below.

VEIDEKKE'S PRIORITY TOPICS WITHIN CORPORATE SOCIAL RESPONSIBILITY



In 2017 the corporate management decided to continue these nine topics and also add diversity and equality, and it is these topics the 2018 report builds on.

A new, comprehensive materiality assessment was carried out in autumn 2018, which will form the framework for Veidekke's sustainability work from 2019 on.

NEW FOCUS FOR THE SUSTAINABILITY WORK IN THE FUTURE

In autumn 2018 Veidekke revised its sustainability focus through a new materiality assessment. This time, 50 topics relating to economic growth, the environment, climate change, society and ethics were ranked by internal and external stakeholders. The assessment identified six key topics, which are described in this model. In November 2018 the corporate management decided that the group's reporting from 2019 would focus on these six topics.

As a major procurer of goods and services, Veidekke has an indirect impact on the economy, environment, climate and society through its suppliers. The suppliers are key to Veidekke's ability to achieve its goal of having a positive impact in the priority areas, and the six topics thus apply to both own operations and collaboration with suppliers.



Stakeholder engagement

Veidekke's work builds on a philosophy of involvement, both among co-workers and in interaction with customers and suppliers. This participative approach contributes to good, safe operations and continuous learning and improvement. When the customer and all the involved groups and employees actively contribute their expertise to a project, their commitment and dedication to the project are strengthened.

Involvement also helps increase employees' job satisfaction and ensure they do their part towards realising Veidekke's ambitions and goals. The fact that many employees also own shares in Veidekke further strengthens their sense of belonging and dedication.

Veidekke's ambition is to be the industry leader in value-creating partnerships. The group's products and services shall meet or exceed the customer's expectations, in addition to utilising and further developing employees' and suppliers' expertise.

As employer, supplier, customer, or through work in local communities where Veidekke has projects, the company affects the everyday lives of many people. Veidekke therefore seeks dialogue with the parties that in one way or another are affected by the company's operations. The group collaborates with industrial associations, trade unions and special interest organisations. In addition, customers and local communities are involved through dialogue meetings, project websites and social media. This interaction with stakeholders enables Veidekke to identify challenges at an early stage and find the most sustainable solutions.

The table below sums up the main stakeholders, which issues they are concerned about, what kind of dialogue Veidekke has with the stakeholders, and how Veidekke has followed up.

Stakeholders	Issues	Type of dialogue	Regular	Annual	As needed	Veidekke's follow-up
Owners	Corporate governance Veidekke's targets and guidelines	Quarterly presentations	✓			Information about and reporting on sustainability work
		Meetings with investors and analysts	✓			The Sustainability Report
		General Meeting		✓		Online news items
Employees	Challenges and opportunities in the collaboration with Veidekke	Daily dialogue with managers	✓			Involving employees through the line management
		Annual performance appraisals		✓		Involving employees through internal communication channels
		General meetings	✓			Introduction programme for new employees
		Involving employee representatives through the Board and various forums	✓		✓	
Customers	Challenges and opportunities in the collaboration with Veidekke	Customer meetings, seminars and events			✓	Customer satisfaction surveys Customer interviews
		Online channels for dialogue with residential customers			✓	Participation in dialogue with customers in projects and focus groups Participation in professional and industry forums
Suppliers	Collaboration on occupational health and safety and professionalism	Dialogue meetings	✓		✓	Involving suppliers from an early stage with a focus on collaboration and safety
	Ensure good, professional suppliers	Industry forums	✓		✓	Pre-qualification of suppliers Auditing and monitoring of suppliers
Local and central authorities	Professionalism	Industry forums	✓			Putting important issues on the agenda Participation in public debates on increased residential construction Participation in public debates on professionalism in the industry Participation in public debates on permanent employment
	Good working conditions	Political events	✓			
	Efficient building and regulatory processes	Contact with politicians and authorities through industry organisations			✓	
	Framework conditions and financing for increased residential construction	Dialogue meetings in local and regional forums			✓	
		Local and regional forums for urban development			✓	
		Communication with local authorities on individual projects			✓	
The construction industry	Cooperation within the industry to improve safety, professionalism and the environment	Dialogue meetings	✓			Working to reinforce cooperation in the industry to reach the vision of zero injuries
		Participation in industry forums	✓			Providing expertise in the development of various tools related to sustainable operations
		Participation in industry committees	✓			
Society	The impact of Veidekke's operations, such as work sites, noise or environmental impacts	Membership organisations	✓			Commitment to the United Nations' two-degree target
		Participation in industry forums	✓			Participation in the public debate and discussions with politicians
	Correspondence between Veidekke's strategy and the authorities' goals	Open meetings			✓	Collaboration with the environmental organisation ZERO on fossil-free building sites
		Public meetings			✓	
		Public consultations			✓	

UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

The United Nations' 17 sustainable development goals are a blueprint to eradicate poverty, combat inequality and stop climate change by 2030, and the contribution of the business community is critical in order to achieve these goals. Based on the materiality assessment conducted in 2015, we have identified sustainable development goals 5, 8, 9, 11, 12, 13, 16 and 17 as particularly relevant to Veidekke's operations.



In a male-dominated industry, Veidekke works systematically to increase the proportion of women in the group. Veidekke contributes to:

- Ending all forms of discrimination of girls and women
- Ensuring women full participation and equal opportunities for promotions to executive positions at all levels in decision-making processes in politics, the economy and public life
- Using adapted technology, primarily information and communication technology, to strengthen the position of women



Veidekke is a major employer with over 8,000 employees. The subcontractors Veidekke works with employ even more people. Veidekke's approach to "decent work" will therefore affect many workers. Veidekke contributes by:

- Stimulating the creation of many small and medium-sized enterprises
- Facilitating full, productive employment and decent work for all women and men, including young people and people with disabilities, and paying equal pay for equal work
- Reducing the number of young people who are not employed or in education/training
- Protecting workers' rights and promoting a safe, secure working environment for all employees



Building infrastructure is a significant part of Veidekke's business, and innovation is essential to be able to deliver future-proof solutions. Veidekke contributes by:

- Developing reliable, sustainable, resilient infrastructure of high quality
- Promoting inclusive, sustainable industrialisation
- Upgrading infrastructure and contributing to a more sustainable industry that makes better use of resources and uses clean, environmentally friendly technologies and industrial processes



Building and connecting cities and communities in a sustainable, safe way is Veidekke's core business. Veidekke contributes by:

- Providing access to safe, accessible, sustainable transport systems at an affordable price and improving road safety
- Building good, safe homes that most people can afford to live in
- Reducing negative consequences for the environment of cities, measured per capita



Veidekke affects consumption and production patterns throughout its entire value chain. The useful economic life of buildings and products affects society's consumption, and Veidekke can set requirements to suppliers on how products are manufactured and the environmental and social impact of production. Veidekke can make a positive impact by:

- Achieving sustainable management and more efficient use of natural resources
- Reducing waste generation through prevention, reduction, recycling and reuse
- Encouraging companies to adopt sustainable practices and integrate sustainability information into their reporting



Veidekke's activities affect the climate, directly through projects and activities and throughout the entire value chain, from the manufacture of products by suppliers until the product has reached the end of its useful life and is recycled.

Veidekke contributes by:

- Strengthening the resilience and adaptive capacity to climate-related hazards and natural disasters
- Strengthening the ability of individuals and institutions to counteract, adapt and mitigate the impacts of climate change



Corruption is an obstacle to economic growth and well-functioning markets. Anti-corruption is part of Veidekke's ethical guidelines, and the group focuses on preventing corruption throughout the entire value chain. Veidekke contributes by:

- Having zero tolerance for all forms of corruption and bribery



Veidekke collaborates with a number of parties to realise the UN sustainable development goals, both within and outside its own value chain. Veidekke contributes by:

- Collaborating with suppliers, customers and other stakeholders to increase awareness about the UN sustainable development goals
- Communicating clearly that the group supports the UN sustainable development goals and encouraging others to do the same
- Working systematically to help ensure that the sustainable development goals are met

ETHICS AND COMPLIANCE

All enterprises have a duty to practise good governance and monitor compliance with laws and regulations. As one of Scandinavia's largest construction and property development companies, Veidekke also has a duty beyond responsibility for its own operations and reputation to help the industry operate in compliance with the law and social norms. In an industry with many challenges, Veidekke wants to act responsibly and be recognised as a serious, professional player.

Ethics and compliance affect every aspect of Veidekke's operations and must therefore be integrated into all the company's processes and assessments. Veidekke's compliance with legislation, rules and internal values depends on the choices each individual employee makes every day, and it is the group's objective that these choices should always be lawful and ethically sound.

In 2018 the group's board of directors adopted a compliance policy describing the main principles for how Veidekke ensures compliance with laws and regulations. From 2018 this function has been further strengthened with the appointment of a compliance director, who is supported by designated employees in the business areas. The compliance team assists the organisation in the preparation and implementation of effective governance and control systems that minimise the risk of contravention of laws and regulations. This gives the management and the board increased assurance that the group and all its subsidiaries are operating in accordance with the legislation and regulations and Veidekke's internal regulations.

Everyone who works for or represents Veidekke has a duty to act in an ethically correct manner and in line with the group's core values: professional, honest, enthusiastic and ground-breaking. The foundation of the work on ethics is Veidekke's ethical guidelines, which describe the company's requirements regarding practice in the areas of anti-corruption, occupational health and safety, working environment, pollution, social dumping and correct market conduct. The guidelines are a framework to help the employees make wise choices. Wise choices require good understanding and knowledge of the relevant laws and regulations, and the guidelines are therefore included in the basic training for all employees. The ethical guidelines have been published on Veidekke's intranet and website.

In 2018 Veidekke's compliance work has focused on finding areas for improvement, such as ways to strengthen the focus on risk in governing documents, and how the companies can apply the compliance framework more

uniformly. There is also continuous work to improve the governing documents for the various areas under the compliance function.

The group also worked on improving collaboration with other areas, such as procurement, legal and HR in 2018. The challenges related to compliance in the construction and civil engineering industry are complex, and cooperation between the different professional groups is needed in order to achieve desired outcomes and give the management and board better control.

Other initiatives in 2018 included the reestablishment of a compliance group, with representatives from various parts of the group, an ethics committee at the group level with representatives from operations, employee representatives and various corporate functions, and the implementation of tools to identify and manage compliance risk.

The focus going forwards will be on further coordination of the group's compliance work, ensuring an appropriate number and level of governing documents, and providing the management and board with good and relevant governance information.

Whistle-blowing

Veidekke wants a culture characterised by transparency and security, where everyone can report any unacceptable matter and be met with respect. It is a priority for the group that Veidekke is a diverse, safe, good workplace with zero tolerance for any form of harassment or offensive behaviour.

In 2018 the group strengthened its whistle-blowing system by updating routines and entering into an agreement with a third party to receive, manage and document reported matters. The goal is that this system will handle all reported matters, regardless of whether they are reported via the line management or anonymously. The whistle-blowing system is available through the ethics and compliance page on the intranet.

Eight cases were processed in 2018.

Training

The choices and assessments that the employees' make every single day determine whether Veidekke acts ethically and in compliance with the legislation and guidelines. It is therefore essential that everyone understands, identifies with and abides by the company's values and rules, and participation in development and training programmes

related to ethics and compliance is compulsory. These programmes are adapted to the different companies' needs in order to reflect the employees' everyday work situation. In the future, the training will be even more tailored to better reflect the individual position's risk of breach of internal and external requirements and guidelines.

Everyone at Veidekke must complete the e-learning course "Wise choices", which includes topics related to anti-corruption, markets and competition, OHS, climate and the environment, and suppliers and professionalism. The course contains advice and exercises on how ethical issues and dilemmas should be handled.

In 2018, 780 employees completed this e-learning programme. A total of 5,099 Veidekke employees have completed the course since start-up. In 2019 the course is going to be revised and relaunched, with the ambition that 80% of all employees will have completed the revised course by 2020. In 2018 Veidekke also conducted ethics and dilemma training as part of the introductory course for all new employees at the head office. A total of 289 new employees have participated in the introductory course.

Ethics and compliance					
Main goal: Everyone who works for or represents the company acts in an ethically correct manner					
Performance indicator	Interim goal 2018	Interim goal 2019	Result		
			2018	2017	2016
Number of employees who have completed the e-learning programme	Increase	Revised course	780	1,281	3,603
Number of dilemma training participants	All participants at the introductory course	All participants at the introductory course	289	-	-
Initiatives 2018			Initiatives 2019		
Online whistle-blowing channel		✓			
Update the company's whistle-blowing routines		✓			
Increase the number of employees who have completed the e-learning programme		✓	Revise e-learning programme "Wise choices"		
Adopt common compliance model for the group		✓			
Consider the establishment of an internal audit function		→	A pre-project has been carried out to provide a basis for further work. This initiative is being continued in 2019		
Introduce dilemma training as part of Veidekke's introductory course for new employees		→	The initiative from 2018 is being continued in 2019		
			Prepare an anti-corruption policy		
			Work more efficiently with group-wide compliance and define common focus areas		
			Identify which routines should be group-wide		
			Increase the reporting from the businesses and act on the results of the reporting		
			Ensure greater adaptation of training for different categories of positions within the group, with a more risk-based approach		

SUPPLIERS AND PROCUREMENTS

Veidekke's goal is to have leading procurement expertise in 2022 and be the suppliers' first choice. This will help Veidekke attain its financial, environmental and social goals. In this context, "suppliers" refers to both suppliers of goods and subcontractors.

The procurement of goods and services accounts for almost 70% of the production costs in Veidekke's projects and amounts to approximately NOK 25 billion a year,

meaning Veidekke has a substantial economic impact on society. However, this also entails that a significant part of the group's environmental and social impact takes place through its suppliers, meaning it is essential that Veidekke ensures a high degree of professionalism and predictability in all its dealings with suppliers.

Veidekke sets high requirements to its suppliers, which in turn affect the suppliers' focus on sustainability.

Veidekke is a large company with ambitious goals, and the requirements it sets affect the rest of the market. The group uses its position as a major purchaser of goods and services to improve the industry's work on sustainability and stimulate innovative new solutions. This in turn contributes to future-oriented, sustainable cities, construction sites, buildings and homes.

Veidekke operates in an industry with complex risks. Parts of the industry are plagued by rogue operators, social dumping and poor occupational health and safety standards. Veidekke works continuously to maintain and reinforce a culture in which the company's own employees, its suppliers and others performing work on Veidekke's projects all act in accordance with the prevailing laws, regulations and internal guidelines. The group contributes to raising standards in the construction and civil engineering industry in general, for example by actively participating in various professionalism forums such as the Norwegian Contractors Association (EBA) and the Federation of Norwegian Construction Industries (BNL) in Norway and through cooperation with the tax authorities in Norway and Sweden.

Veidekke's requirements to suppliers pertain to important areas such as occupational health and safety, quality, the environment and climate change, pay and working conditions. To ensure better control of the value chain, Veidekke requires that suppliers to the projects agree to only one level of subcontracting. Veidekke's activities in Norway use a common pre-qualification system. In Sweden, all suppliers are monitored in a common system at the enterprise level. These systems grant the entire organisation access to the same information about all suppliers.

In addition to setting concrete requirements ahead of procurements, suppliers are also monitored through supervisory checks of their pay and working conditions (Regulations on the obligation to provide information, the obligation to ensure compliance, and the right of inspection). The goal is to carry out supervisory compliance checks on 10% of all contracts with subcontractors. This will strengthen awareness of compliance and help develop strategic partnerships with the best suppliers, as well as capturing knowledge about good ideas, solutions and best practices.

To strengthen the work on responsible supplier management, Veidekke is adopting a new procurements system. The system will be rolled out in the organisation in stages, starting with the Swedish operations, where implementation is scheduled to be completed in 2019. The system comprises different modules for important parts of the procurement process – from request, via contract, to monitoring suppliers.

For example, in 2018 Veidekke has:

- Appointed a new procurements director, who started in September 2018
- Carried out a project to determine the need for and acquisition of a new procurement system
- Strengthened awareness about coordination and common learning
- Conducted audits and follow-up of 3% of the suppliers
- Participated in a project with the tax authorities in Norway and Sweden, with the aim of identifying rogue operators at an early stage in the procurement process
- Implemented real-time analysis with approximately 50 employees at different levels, with the goal of ensuring the required staffing from contractors and correct competencies on the projects

Suppliers and procurements

Main goal: High environmental standards and proper working conditions in Veidekke's value chain
Strengthen strategic cooperation with the group's suppliers and subcontractors

Performance indicator	Interim goal 2018	Interim goal 2019	Result		
			2018	2017	2016
Number of supervisory checks completed (%)	10% of the contracts	10% of the contracts	3%	-	-
Initiatives 2018			Initiatives 2019		
Enter into a contract with a supplier of Scandinavian procurement system and start a pilot		✓			
Greater emphasis on ensuring that second-level suppliers also meet Veidekke's prequalification requirements		→		Initiatives for 2018 are being continued in 2019	
Ensure stronger supervision of suppliers to the projects through the agreement with the tax administration		→		Initiatives for 2018 are being continued in 2019	
				Implementation of a new procurement system in Sweden and Norway	

THE ENVIRONMENT AND CLIMATE CHANGE

Veidekke wants to be a driving force for sustainability in the construction and civil engineering industry and in urban and social development. The company has set the goal of reducing its own emissions by 50% by 2030 and by 90% by 2050¹⁾. These objectives build on a longer-term ambition to completely phase out the use of fossil fuels. In recent years, Veidekke has built up a substantial green portfolio, with both environmental classification of buildings and civil engineering projects and renewable energy projects.

Climate risk

Climate change and climate policy will necessitate changes in both society and the economy. Environmental risk factors, such as climate change, extreme weather events and natural disasters, are more obvious than before and can do great damage to nature and infrastructure, such as buildings and roads. At the same time, stricter regulatory requirements and new technology can fundamentally change the demand for many products and services.

Climate change thus entails a financial risk for companies, Veidekke included. This risk may be related to the costs associated with physical damage resulting from more extreme weather events, changes due to the transition to a low-emissions society, and compensation claims.

However, climate risk also has upsides for Veidekke. The risk of physical damage can provide business opportunities in the form of construction and upgrading of infrastructure, and the company's climate and environmental competencies can be employed to develop new solutions adapted to a low-emissions society. High environmental expertise will also help ensure the group stays ahead of the regulations and can attract customer groups with a strong focus on climate change and the environment.

Veidekke's climate and environmental work

The construction and civil engineering industry is associated with a substantial impact on climate and the environment. The industry has a large ecological footprint due to its high consumption of energy and natural resources, significant greenhouse gas emissions, large volumes of waste, and impact on biodiversity. In addition, it generates large greenhouse gas emissions related to both the supply chains and the use of products.

Veidekke's environmental policy defines an ambition to be a leading player in the industry with regard to reducing greenhouse gas emissions and protecting the environment in practice. The business units implement

the environmental policy through analyses and action plans involving the units' managers. The business areas integrate environmental and climate aspects into their management systems. Veidekke's Norwegian construction, civil engineering and industrial enterprises, as well as parts of the Swedish business, are ISO 14001 certified, meaning the company works to continuously improve in the environmental area.

Implementation of the environmental policy means that Veidekke will:

- operate in line with the UN's two-degree target
- integrate environmental considerations into all its activities
- provide customers with added value through the company's environmental expertise
- monitor the company's environmental impact, with a view to reducing it
- set environmental and climate requirements for its partners
- contribute beyond its own business: in industry organisations, educational institutions, research and development, and in interaction with the authorities and policymakers

Environmental and climate change expertise is an important advantage for Veidekke. The group develops its competencies in the projects it carries out and through internal and external courses, and has employees who are certified in accordance with various relevant environmental and climate standards, such as BREEAM, CEEQUAL and the Nordic Ecolabel ("Svanen").

To raise awareness about climate change and environmental issues within the Group, each year Veidekke organises a Scandinavian Environment day and awards an environmental prize to a unit, team or project that has demonstrated outstanding environmental practice. The winner of the 2018 Environmental Award was TGB Smestad-Sogn, the world's first fossil-free tunnel project (see p. 141). The Environment Day and the Environmental Award underline how strategically important the environment and climate issues are for the company.

In 2018 Veidekke focused on three areas in particular:

1. Energy consumption and greenhouse gas emissions
2. Substances, materials and products that are hazardous to health and/or the environment
3. Contaminated land

1) 2013 is used as a reference year for achievement of goals.

Energy consumption and greenhouse gas emissions

In 2018 Veidekke emitted 117,589 tonnes of CO₂ from its own operations. Compared with 2017, this is an increase of 10%. Relative to revenue, Veidekke emitted 3.3 kg of CO₂ per NOK 1,000 of revenue, compared with 3.2 kg of CO₂ in 2017. The increase is due in part to increased activity levels and weather conditions with large amounts of precipitation, as well as the incorporation of subsidiaries and knowledge about more fuel sources. Of Veidekke's business areas, Industrial has the largest greenhouse gas emissions (57%), while Property Development has the smallest (<1%). In addition to emissions generated internally, there are also large emissions generated elsewhere in the value chain, for example in connection with the production of materials like concrete and steel and related to subcontractors and use of products.

Each year Veidekke completes the international CDP Climate Change questionnaire, which charts companies' greenhouse gas emissions, climate targets and strategies for reducing emissions as well as their assessment of climate risk and opportunities. In 2018 Veidekke got a top score of A, indicating that the company's climate management is among the best 1.8% of the 7,000 companies around the world that reported to CDP.

Veidekke has the highest CDP score among Scandinavian construction companies. Veidekke's greenhouse gas accounts are verified each year by a third party.

The list below shows the main activities Veidekke conducted last year to reduce the Group's energy consumption and greenhouse gas emissions:

- Veidekke had the world's largest electric excavator built, which will be used in projects in 2019.
- Veidekke is working to make a larger proportion of its construction sites fossil-free, and in Norway the number of fossil-free construction sites increased to 11 in 2018, from five in 2017. Where emission-free solutions are not available, sustainable biofuels without palm oil are used.
- Through the GreenFleet initiative, under the auspices of Norway 203040, Veidekke has committed to requesting emission-free passenger cars when buying new cars or entering into new leasing agreements.
- Two asphalt factories run on energy from climate-friendly bioenergy in the form of pulverised wood pellets. In 2018 a plan was made for further testing of alternative energy sources, and it is a goal to have tested renewable energy carriers in a total of six factories by 2021.

TGB SMESTAD-SOGN: THE 2018 VEIDEKKE ENVIRONMENTAL AWARD WENT TO THE WORLD'S FIRST FOSSIL-FREE TUNNEL PROJECT



A truly ground-breaking tunnel to link the transformer stations in Smestad and Sogn is being drilled through the bedrock in Oslo. Veidekke is building a new cable tunnel for Statnett, with such low greenhouse gas emissions that the project won the Veidekke Scandinavian Environmental Award for 2018.

The civil engineering sector is traditionally a major source of greenhouse gas emissions. The tunnel project TGB Smestad-Sogn has taken the initiative to try to find more sustainable solutions. The project has generated 90% less CO₂ than conventional operations. Veidekke and Statnett achieved this through good cooperation on goals and execution.

Several of the machines used in the tunnel work in TGB Smestad-Sogn are electric. Most passenger vehicles used by the project are electric, while trucks and other machinery run on palm-oil-free renewable diesel. Together, this has resulted in a 2,500 tonne reduction in CO₂ emissions from the project.

"This project provides significant contributions to society. Usually, frameworks and requirements are stipulated by policy makers and customers, but this proposal came from us. Thus we have been able to help the customer reduce their climate footprint, while building knowledge and experience that we can offer to future customers. Such interaction creates added value for both the customer, society and Veidekke," said Veidekke's Group Chief Executive Arne Giske.

The cable tunnel between Sogn and Smestad is scheduled to be completed in autumn 2019.

- Property Development Norway has set a goal of reducing greenhouse gas emissions through the building construction projects' lifecycle by 40% by 2025, compared with an average building from 2010. Emissions are to be reduced through better choice of materials, lower energy consumption in the buildings, and locations near public transport hubs, providing better transport solutions. 188 BREEAM apartments were under construction in 2018.
- Industrial has a goal of reducing its own climate impact by 5% per year towards 2021. The company is introducing energy management with support from ENOVA.
- In 2018 Veidekke undertook its first CEEQUAL-certified project, NS29, which achieved the highest grade in the independent assessment.
- The project JV Hjulsta, which is part of the Stockholm bypass "Förbifart Stockholm", prepared greenhouse gas accounts and an accompanying action plan. This is a large, complex infrastructure project, with potential to reduce the environmental impact and develop standards for future civil engineering work.
- Veidekke's Swedish operations signed the industry's roadmap for a climate-neutral and competitive construction and civil engineering sector. This roadmap, which the industry has prepared through the Swedish Government's "Fossil-free Sweden" initiative, has more ambitious climate targets than Veidekke has set for itself
- Hoffmann entered into a partnership with KLP Ejendomme to build the largest office building in Denmark, certified according to the DGNB Gold standard. The building is scheduled to be completed in 2021 with a high degree of environmental, technical, economic and social sustainability.

Materials, products and waste

Sustainability and eco-friendly solutions are one of Veidekke's competitive advantages. There is growing demand for projects with environmental qualities, and the company won several important contracts with a high environmental profile in 2018. Because the construction and civil engineering industry consumes large quantities of materials, reduced material wastage will help reduce the industry's environmental impact and production costs. Waste management and reuse are subject to constant attention. The group attaches great importance to quality and useful economic life, setting a precedent that can help influence the entire construction industry to become more sustainable. For example, Construction Norway has set a target of at least 70% source separation in its projects and less than 25 kg of waste per square metre of new buildings after demolition.

In 2018 Veidekke carried out several projects and initiatives to reduce material consumption and improve the environmental footprint of its products:

- In 2018 low temperature asphalt (LTA) accounted for 26% of the asphalt production. Industrial is thus well on its way to achieving the goal that by 2021 40% of all asphalt production will be low-temperature asphalt.
- In 2018 Property Development Sweden completed 660 Nordic Ecolabel apartments. Nordic Ecolabel apartments have lower emissions than is currently required by the legislation.
- Veidekke is one of Norway's most experienced companies in building in solid wood, which is a carbon-neutral material that binds carbon, requires little fossil energy in the manufacturing process and is largely produced using climate neutral bioenergy. Wood products are increasingly locally sourced and can also be reused or recycled.
- Re-use of asphalt was at 5%. Re-use of waste asphalt saves resources by reducing the need for various stone materials and bitumen.
- Veidekke Industrial's competence centre participated in the Norwegian Public Roads Administration's Winter Maintenance Research Programme (EVI), which through practice and field experiments has made it possible to reduce the CO₂ load by 35% and salt consumption by 40%. In addition, knowledge from field experiments using different types and combinations of gritting sand has led to a 25–30% reduction in consumption. Over time, these results will reduce pollution, consumption and costs.

Contaminated land and hazardous materials

Contaminated land is a major environmental issue for all Veidekke's business areas. In Industrial, this is especially relevant in connection with sites where there have been operations for several decades, because the regulations and practices for the treatment of hazardous waste have become more stringent over time. For the property development operations, contaminated land is one of the most important factors to clarify when acquiring sites for residential development. The construction operations have the remediation of contaminated land as one of its business areas, and in these projects it is extremely important to handle the materials correctly to prevent new contamination. Therefore, Veidekke requires that suppliers provide information about any known contamination when entering into new leases or purchase agreements.

Soil surveys are conducted if there is suspicion of contamination, or at the request of the buyer or owner of the site. Two new environmental surveys were conducted in 2018, in Mo i Rana and Steinkjer, for which the reports are pending. At the end of 2018, Industrial Norway had 61.7 hectares of land with the status "potentially contaminated." Of this, 13.7 hectares (22%) is from own operations. Moreover, the industrial operations in Norway have identified 30.7 hectares of owned land that is to be remediated in the future.

MASKINPARKEN TRE: REFERENCE BUILDING FOR THE FUTURE



Maskinparken TRE in Lilleby, Trondheim, is the first solid wood apartment block in Norway to be built on commercial terms. In addition, the eight-storey residential block, which Veidekke completed in December 2018, has been built to meet the passive house standards. This was decided quite late in the project development phase, when it was realised that the additional cost was relatively small.

In order to measure cost differences and map the environmental impact, Veidekke decided to build one of two sister blocks in Lilleby out of timber and the other using traditional concrete and steel construction. The aim of the wooden building was to:

- Find out if it is possible to meet the customer's demands and the regulatory requirements for high-rise residential buildings using solid wood construction
- Learn about the environmental impact of building apartment blocks in solid wood
- Achieve the same living standard using solid wood as is provided by conventional concrete construction
- Achieve the greatest possible environmental dividend

- Make Veidekke a leader in environmentally friendly and innovative residential construction
- Encourage greater use of solid wood as a building material

The Maskinparken TRE project reduced the carbon footprint from materials by 39% and from energy use by 17%, compared with a reference building built using traditional construction techniques. (The comparison with the sister building Maskinparken 2 has not yet been finalised).

As the first solid wood apartment block built using Norwegian construction techniques and in accordance with Norwegian regulations, Maskinparken TRE represents a great deal of innovation, and the project has generated new knowledge about the use of solid wood in residential buildings both within and outside Veidekke. More than 250 researchers, politicians, government officials and representatives of the industry have visited the building, and the project has been featured regularly in the media and trade journals. In addition, several master's theses have been written on the building, one of which even won a prize for the best master's project in the field.

The environment and climate change

Main goal: Reduce own greenhouse gas emissions by 50% by 2030 and by 90% by 2050¹⁾.

Performance indicator	Interim goal 2018	Interim goal 2019	Result		
			2018	2017	2016
Absolute greenhouse gas emissions (scope 1 and 2) in tonnes of CO ₂ e ²⁾	Reduction (see main goal)	Reduction (see main goal)	117,589	106,867	99,771
CO ₂ emissions per kg per NOK 1000 of revenue	Reduction	Reduction	3.3	3.2	3.0
CO ₂ emissions reduced by 5% per year relative to activity level (base year = 2013) ¹⁾	Positive development relative to long-term goal	Positive development relative to long-term goal	Negative	Positive	Positive
Proportion of low-temperature asphalt (LTA)	40% in 2021	40% in 2021	26%	12%	10%
Re-use in asphalt production (%)	10% in 2021	10% in 2021	4.7%	4.9%	3.1%
Number of asphalt factories running on renewable energy	6 in 2021	6 in 2021	2	2	0
Number of fossil-free construction and civil engineering sites	-	-	11	5	1
Volume of sustainable biofuels without palm oil	-	-	3.8%	1.6%	0%
Proportion of green projects ³⁾ as % of the company's revenue	-	-	approx. 14%	approx. 17%	approx. 19%
CDP Climate Change questionnaire score	Continuous improvement	Continuous improvement	A	A-	A-
Initiatives 2018			Initiatives 2019		
Electrification of vehicles and machinery in the machinery department		→	The initiative from 2018 is being continued in 2019		
Increase use of sustainable biofuels without palm oil where emission-free solutions are not available		→	The initiative from 2018 is being continued in 2019		
Industrial's energy consumption to be reduced by 2% per year		→	The initiative from 2018 is being continued in 2019		
Strengthen knowledge about greenhouse gas calculations in the civil engineering operations by establishing calculations including an action plan for one project		✓	Carry out five projects with greenhouse gas calculations in the civil engineering operations, with an accompanying action plan to reduce the climate impact		
One CEEQUAL-certified civil engineering project		✓	Increase the number of projects with CEEQUAL certification, with a target of four projects		
Conduct a comparison of Veidekke's solid wood apartment block project "Maskinparken TRE", with the neighbouring block built using traditional steel and concrete, in respect of costs, greenhouse gas emissions, working environment, progress, etc.		→	The initiative from 2018 is being continued in 2019		
			The Swedish operations will start mapping all its scope 3 greenhouse gas emissions, while the Norwegian operations will map its main scope 3 emissions		
			Minimum 20% reduction in CO ₂ emissions on all Veidekke's own-account projects in Norway with construction start in 2019, relative to the reference buildings from 2010		
			Start-up of ISO 14001 certification of the Norwegian property development business		

1) Emissions must be seen relative to activity level; base year = 2013

2) Including emissions from subsidiaries where Veidekke has an ownership share of >50%. Figures for 2017 have been adjusted

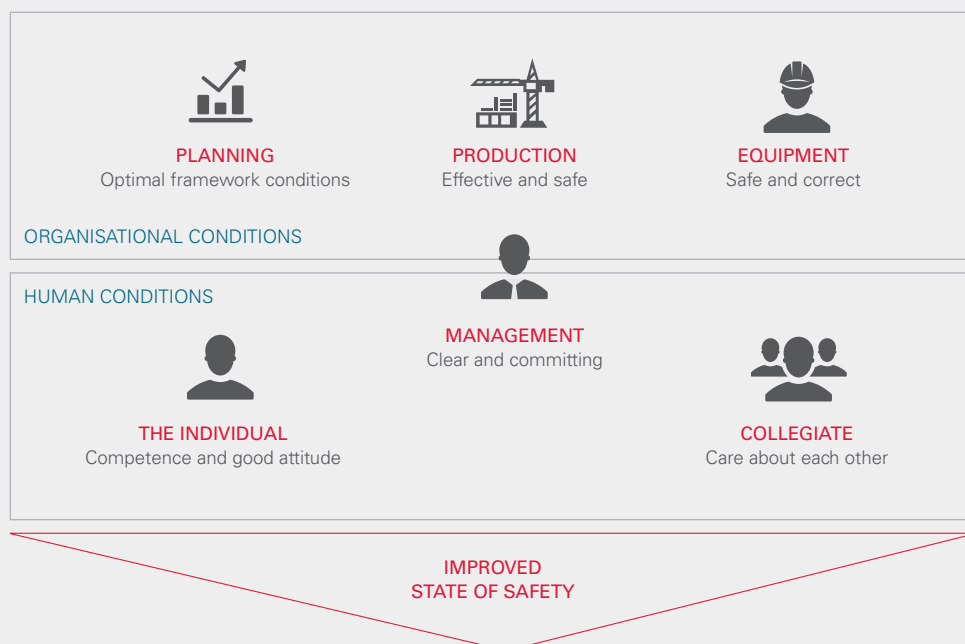
3) Green projects are construction and civil engineering projects that meet different environmental certification standards, as well as engineering services or projects related to renewable energy such as wind and hydroelectric power

OCCUPATIONAL HEALTH AND SAFETY

The main priority in Veidekke's safety work is the goal of zero serious injuries. This goal is to be reached in 2020. In 2018 two Veidekke employees died in occupational accidents. Veidekke is conducting internal investigations of the accidents, and the final reports are due at the close of the first quarter of 2019. The accidents are a stark reminder that the group's safety work requires continuous attention and renewed effort, to make it even clearer and more binding.

Veidekke's work on occupational health and safety and the working environment rests on an independent moral foundation. The company's goals for occupational health and safety have the same priority as the financial goals and are reported monthly to the corporate management. This work is governed by principles that are defined in Veidekke's OHS policy and by safety plans derived from the OHS strategy.

VEIDEKKE'S STRATEGY TO ACHIEVE THE GOAL OF ZERO SERIOUS INJURIES



Veidekke's safety work builds on the organisation and people, both of which play a decisive role in the group's ability to attain its goals.

As shown in the figure above, the organisational approach encompasses project planning, in order to provide optimum framework conditions for safe work, efficient and safe production strategies, and safe use of the right equipment at the right time.

The human approach concerns attitudes, competencies and culture. Veidekke's employees shall have the right competencies and a good attitude and shall care about each other, such that safety is created in the workplace each and every

day. There has been a focus on awareness-raising work in the past three years during the annual Safety Week and through the "Show that you care – speak up!" campaign. This campaign is intended to help prevent accidents, by employees getting involved when they notice situations that could lead to injury.

In order to make Veidekke's safety work even clearer and more binding, in 2018 Veidekke established a safety committee under the corporate management to steer Veidekke's safety improvement work. The committee, which is headed by the group's OHS director and includes selected OHS and line managers, will prioritise, initiate, implement and approve improvement projects and initiatives (see p. 150).

THE SAFETY COMMITTEE

The project “Everyone’s experience, shared learning” has shown that Veidekke could do better when it comes to transferring learning from safety-related incidents into new projects. Mistakes can thus be repeated, with potentially serious consequences. When the Safety Committee was established in spring 2018 with key people from all the business areas, the goal was to strengthen Veidekke’s safety work and ensure that experience is used proactively.

The Safety Committee heads Veidekke’s safety improvement work throughout the entire group and initiates projects that ensure that experience from different parts of the organisation benefit the whole group. This will help Veidekke realise its goal of zero serious injuries and a 20% reduction in the total number of injuries per year.

Of three areas that received particular attention from the Safety Committee in 2018, two are directly related to very serious incidents in Veidekke and the industry in general:

1. Safe quick coupling on excavators: A common cause of accidents in the construction and civil engineering industry is falling heavy equipment attachments, and this has been

the cause of several fatal accidents and extremely serious incidents at Veidekke.

2. Safe handheld concrete cutting saws: Between 2011 and 2015, 246 lost-time injuries caused by handheld concrete saws were reported to the Swedish Work Environment Authority. 100 of these occurred in the construction and civil engineering industry, and Veidekke has also experienced several very serious incidents involving handheld concrete cutting saws.

The third focus area has been internal investigations of both actual and potential incidents. The ambition is to establish robust processes across the entire group that ensure uniform investigation of incidents and identification of remedies, so that Veidekke learns from incidents and can prevent them from being repeated.

All three projects have been fully or partially completed, and the recommendations will be implemented on an ongoing basis at the start of 2019. New projects have been defined for 2019 that will contribute substantially to a future without serious injuries.

VALLØ ENVIRONMENTAL CLEAN-UP PROJECT WON THE VEIDEKKE OHS AWARD FOR 2018



In the photo: Project director Lars S. Skaare, Group Chief Executive Arne Giske and QOHS Manager Andrés Fernández Salazar.

The Scandinavian OHS Award for 2018 went to Vallø Environmental Clean-up Project. This is a joint venture between Veidekke’s construction operations and the Belgian company Deme Environmental Contractors, involving environmental clean-up in an industrial zone in Tønsberg, in accordance with an action plan prepared by Esso Norge AS and determined by the Norwegian Environment Agency.

“Vallø Environmental Clean-up Project has maintained a clear focus on OHS and innovation. The project has adopted new tools and knowledge through interdisciplinary collaboration and has been good at involving the customer, the employees and the local community. We are therefore very pleased that this project won the 2018 Veidekke Scandinavian OHS Award,” said Group Chief Executive of Veidekke Arne Giske.

Injuries

In 2018 two employees in two of Veidekke's subsidiaries died in separate incidents on 20 November and 13 December.

The number of serious injuries rose from 7 in 2017 to 13 in 2018, while the total number of injuries rose by 24%, to 366 in 2018. 52% of the total number of injuries involved Veidekke's own employees, while 39% involved subcontractors and 9% involved hired personnel. The increase in the number of injuries can in part be attributed to Veidekke's higher production in 2018. In 2018 the Group's LTI-1 rate (lost-time injuries per million hours worked, own employees) was 4.5, up from 4.4 in 2017. Broken down by country, Norway had an LTI-1 rate of 3.3, Sweden had an LTI-1 rate of 10.4, and Denmark reduced its LTI-1 rate from 5.2 in 2017 to 2.9 in 2018. The Swedish operations, which has a substantially higher LTI-1 rate than the other countries, implemented a new system for reporting non-conformities in 2018 to facilitate health and safety reporting in the construction operations in Sweden. A new routine called "Stop and think", describing how to ensure post-event transfer of experience in the line management, has also been developed.

The goal of reducing the number of serious injuries to zero in 2020 is the cornerstone of Veidekke's safety work. In 2018 the group failed to reach the goal of reducing the number of serious injuries and the goal of reducing the total number of injuries by 20%. Going forwards, Veidekke's safety work will be made even clearer and more binding, and reducing the number of injuries will be a priority area in 2019.

Sickness absence

Veidekke has low sickness absence compared with the labour market in general and the construction and civil engineering industry in particular, and one of the main reasons for this is high employee satisfaction.

When asked "Are you happy at work?", the average score was 82% among employees in Norway in 2018. The respondents attribute the high level of satisfaction to good colleagues, a good working environment and interesting tasks. Because the Swedish companies used different suppliers to conduct the employee satisfaction survey in 2018, there is no aggregate result for Sweden, but in previous years the result has been at a similar level to Norway. No employee satisfaction survey was carried out in Denmark.

Prevention of sickness absence is a high priority, and good routines have been established for the close follow-up of employees on sick leave in order to facilitate their prompt return to work. Sickness absence was 3.9% in 2018, down from 4% at the close of the previous year. Broken down by country, sickness absence was 4.1% in Norway, 3.9% in Sweden and 1.9% in Denmark. Different regulations with different definitions make it difficult to compare sickness absence figures between the countries.

With a view to preventing stress and fostering a positive, supportive working environment, the occupational health service in Norway has developed a course called "From stress to mastery and job satisfaction." The course explains how the body reacts to stress and is intended to make managers better able to reduce perceived stress at work for both themselves and their employees.

Workers on construction sites are exposed to health risks caused by heavy physical labour and repetitive movements, as well as noise and dust. This is why Veidekke collaborates with the health department at the Olympiatoppen elite training centre to teach apprentices in the group about ergonomics, equipment and tools, nutrition, sleep and attitude towards alcohol and drugs.

Occupational health and safety					
Main goal: Zero serious injuries in 2020 and reduce the total number of injuries by 20% per year					
Performance indicator	Interim goal 2018	Interim goal 2019	Result		
			2018	2017	2016
Number of serious injuries	0	0	13	7	14
Number of injuries	>235	>293	366	294	344
Tiltak 2018			Tiltak 2019		
Further reduction to achieve the goal of zero serious injuries by 2020		✗			
Reduce the total number of injuries by 20% per year		✗			
Establish a safety committee		✓			
			Implementation of the project "Safe quick attachment coupling and tilt rotator"		
			Implementation of the procedure for investigations		
			Piloting and, as necessary, implementation of the concrete cutting saw Stihl TS440 Quick-Stop		

This year's "Show that you care – speak up!" campaign featured a poster picturing a number of potentially dangerous situations, which employees were encouraged to find and mark. The goal was to promote discussion about when to alert others of potential dangers.



Show that you care – speak up!

How many potentially dangerous situations can you find?
If you perceive or sense a danger, speak up!



EXPERTISE AND COMPETENCIES

The total number of employees at Veidekke rose by 10.8% during the year to 8,568 employees at the end of 2018. In addition, the industrial operations in Norway had 199 seasonal workers during the course of the year. Turnover as a result of resignation amounted to 8.2%, while 1,384 new employees joined Veidekke in 2018. In addition, 438 new employees joined the company as a result of acquisitions in Sweden and Norway.

Recruitment

Veidekke has a good corporate reputation, and in Universum's annual survey in Norway, Veidekke was voted the most attractive employer in the construction industry among young engineers for the second consecutive year. In the same survey, Veidekke also retained a strong 14th place in the ranking of all companies by engineering students. Veidekke was voted newcomer of the year in Universum's student survey in Sweden. In Denmark, Hoffmann has chosen to direct its efforts towards a few, selected colleges and universities. School and university visits are an important tool to convey knowledge about what opportunities a career in Veidekke can offer. During the visits, Veidekke presents its work in fields such as technology, innovation, sustainability and project management. Among other things, students have the opportunity to take part in games using technology such as mixed reality, BIM and proprietary concepts.

Veidekke has a long tradition of recruiting apprentices and is one of Norway's largest apprenticeship companies. The number of apprentices increased from 292 at the beginning of 2018 to 352 at the end of the year. For several years Veidekke has prioritised using its own skilled workers, and today skilled workers account for 55% of the company's employees. The focus on training skilled workers in-house and raising awareness about vocational subjects are both expressions of the group's long-term strategy, and for

the third year running Veidekke has promoted vocational subjects through targeted campaigns aimed at parents, young people, industry and politicians.

Veidekke's trainee scheme is primarily aimed at recently graduated engineers in Norway and Sweden. At the close of 2018, Veidekke had 145 trainees, an increase of 8.2% from 2017. Hoffmann does not have a trainee scheme, but the "Next Generation" unit helps the company's young employees plan their career path. Veidekke finds that these schemes are important to attract and develop young employees.

Professional development

As the projects Veidekke undertakes become ever larger and more complex, it becomes even more important to retain experience and expertise. Employees with good local knowledge who can complement resources and expertise elsewhere in the group enable Veidekke to find good solutions for the group and its customers.

The projects are the main arena for development. Here, employees develop their individual skills through new challenges and tasks. Veidekke also arranges courses and training for employees, often through the Veidekke School in Norway and Sweden. The courses cover topics in the fields of project management, new technology, finance, contract law, energy and the environment, OHS, compliance and management development.

Each year all employees should have an annual performance appraisal with their manager, where goals are set for the employee's development with plans on how to fulfil them. The completion rate for appraisals is still too low, and the group is therefore developing a digital solution to follow up the employee development at Veidekke.

SCHOOL AT THE CONSTRUCTION SITE

Veidekke started the "School at the construction site" project in 1997 – at the time on commission from Aetat (now Norwegian Labour and Welfare Administration). This collaborative project has been associated with Akershus county administration since 2012 and Hedmark county administration since 2018. Since it started, the project has organised 30 school

classes and given 350 students who for various reasons have not completed upper secondary education the opportunity to get full vocational training. Of the students who have participated, 200 have gone on to become an apprentice in one of the major construction subjects at Veidekke or another construction company.

BASECAMP 2018



Each year, Veidekke arranges “Base camp for young managers,” where young managers from all over Scandinavia meet to work on strategic issues and provide input to the management. The goal is to build networks between young, talented managers. In 2018 a new “Reverse mentoring”

scheme was also initiated, in which young managers challenge experienced managers on specific issues and challenges that arise at work over a six-month period. Young managers also meet for two gatherings to work on issues submitted from different parts of the organisation.

Diversity

Veidekke operates in a male-dominated industry, and this is reflected in the company's workforce. Only 12% of the employees are women. Concrete targets have been set to ensure better gender balance among administrative staff of 50% female students in summer jobs, 40% female trainees and an increase in the proportion of women in operational management roles by 2020. In connection with recruitment to managerial positions, increased focus on ensuring greater diversity has yielded positive results in the employment process.

At the end of 2018, the proportion of women among trainees had increased to 39%, while 10.2% of managers in operational positions and 28% of students in summer jobs were women. The proportion of women is particularly low among skilled workers, at only 2% (5% among apprentices) while 23.3% of the administrative staff are women.

The group's corporate management team consists of seven men and two women, of whom one is in an operational position. In 2018 Construction Norway got its first female district manager.

In Sweden, Veidekke has established a network for female skilled workers.

PROMOTE DIVERSITY AND INCLUSION

Veidekke has zero tolerance for discrimination and differential treatment. Veidekke's managers participated in the public debate in Sweden when #metoo exploded in the media in 2017. The company is now following up by challenging the macho culture. The goal is for Veidekke to become the most inclusive company in the construction and civil engineering industry.

This initiative builds on the belief that a diverse, inclusive organisation is more productive and a more attractive place to work. Organisations that value different backgrounds, competencies and experience are more creative, work more efficiently, and deliver higher quality work. However, to reach this goal, each individual employee must also do their part

to contribute to greater diversity, equality and a climate of openness in the workplace.

Changing attitudes requires knowledge, and the project team leading this work at Veidekke started with a refresher course for the management teams in the business areas in the spring and in the regions in the autumn of 2018. A status update in respect of diversity was prepared at year-end 2018 based on statistics, the employee satisfaction surveys and focus groups. In this way, the project team aims to ensure a higher degree of involvement in the way the project is carried out, the results, and the actions that are subsequently decided.

Employee co-ownership

Veidekke wants its employees to own shares in the company. The company has a long tradition of co-ownership and each year offers the employees the opportunity to buy shares in the company at a discount. By allowing everyone to benefit from the value Veidekke creates, the

company aims to strengthen the sense of community and commitment to the workplace. Veidekke would like all its employees to choose to own shares in Veidekke, and the company has a goal that half of the employees are co-owners. At the end of 2018, 49.1% of the employees held a combined 14.8% stake in the company.

Training and expertise

Main goal: To retain and recruit employees with good, future-oriented skills and ensure compliance with the group's values

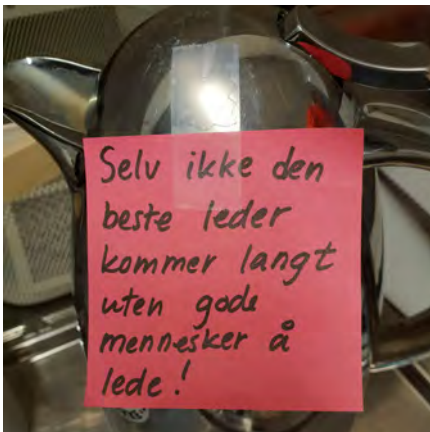
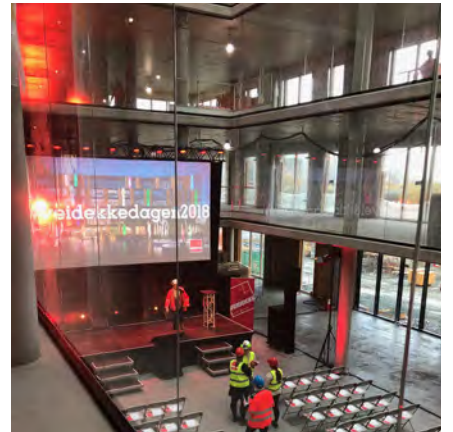
Performance indicator	Interim goal 2018	Interim goal 2019	Result		
			2018	2017	2016
Female trainees	40% (2020)	40% (2020)	39%	34%	30%
Female students in summer jobs	50% (2020)	50% (2020)	28%	-	-
Female operational managers	Increase	Increase	10.2%	9.6%	8.7%
Employee co-ownership (%)	At least 50%	At least 50%	49.1%	50.3%	50.5%
Initiatives 2018		Initiatives 2019			
Create a plan for further work to ensure sufficient management capacity in the company		✓	The initiative from 2018 is being continued		
Nominate female candidates for all managerial positions and increase the proportion of women in all internal management programmes		✓	The initiative from 2018 is being continued		
Implement measures to raise the level of knowledge and awareness of diversity in the organisation		→	The initiative from 2018 is being continued		
Conduct a thorough analysis of the current situation in terms of the execution rate for annual performance appraisals before new targets and initiatives are implemented		✓	Define the principles for employee development in 2019. To be implemented in 2019/2020		

SUMMARY – NON-FINANCIAL STATEMENTS

Key areas	Governing documents	Performance indicator	Goals for 2018	2018	Result 2017	2016
Ethics and compliance	Policy for compliance Procedure for non-conformity management – data protection Procedure for handling reported irregularities Whistle-blowing procedure Procedure for DPIA (Norway, Sweden and Denmark) Procedure regarding inside information Ethical guidelines Compliance with competition rules Procedure for use of IT equipment and systems	Number of new employees who have completed the e-learning programme	Increase	780	1,281	3,603
		Number of dilemma training participants	All introductory course participants	289	-	-
Suppliers and procurements	Strategic plan for procurements	Number of supervisory checks completed (%)	10% of contracts	3%	-	-
The environment and climate change	Strategic plan for the environment Environmental policy	Absolute greenhouse gas emissions (scope 1 and 2) in tonnes of CO ₂	Reduction	117,589	106,867	99,771
		CO ₂ emissions per kg per NOK 1000 of revenue	Reduction	3.3	3.2	3.0
		CO ₂ emissions reduced by 5% per year relative to activity level (base year = 2013)	Positive development relative to long-term goal	Negative	Positive	Positive
		Proportion of low-temperature asphalt (LTA)	40% in 2021	26%	12%	10%
		Re-use in asphalt production (%)	10% in 2021	4.7%	4.9%	3.1%
		Number of asphalt factories running on renewable energy	6 in 2021	2	2	0
		Number of fossil-free construction and civil engineering sites	-	11	5	0
		Volume of sustainable biofuels without palm oil	-	3.8%	1.6%	0%
		Proportion of green projects as % of the company's revenue	-	approx. 14%	approx. 17%	approx. 19%
		CDP Climate Change questionnaire score	Continuous improvement	A	A-	A-
Occupational health and safety	Strategic plan for safety OHS policy Procedure – joint initiatives for safety Procedure in connection with fatal occupational injury Group's crisis preparedness	Number of serious injuries	0	13	7	14
		Number of injuries	>235	366	294	344
Training and expertise	Strategic plan for HR	Female trainees	40% (2020)	39%	34%	30%
	Policy for manager conduct	Female students in summer jobs	50% (2020)	28%	-	-
	Diversity policy	Female operational managers	Increase	10.6%	9.6%	8.7%
	Pension and insurance policy Recruitment policy	Employee co-ownership (%)	At least 50%	49.1%	50.3%	50.5%

GRI INDEX

The GRI index for Veidekke's sustainability work in 2018 is published online at www.veidekke.com/en/corporate-governance/ under 'Sustainability'.



Veidekke's instagram account occasionally reposts photos from employees' personal accounts. From top left: @thisisgoingon, @asfaltpaavei, @vedlijehold_traineehverdagen, @thisisgoingon, @veidekke, Anette Nihlen Moritz, Camilla Nørholm Harsjøen, @veidekke, @veivokteren.

ARTICLES OF ASSOCIATION FOR VEIDEKKE ASA

(Effective from 10 May 2017)

Article 1 The name of the Company is Veidekke ASA. The Company is a public limited company.

The Company's purpose is construction and property development activities, and other economic activities related with the aforementioned. Activities may be conducted by the Company itself, by subsidiaries at home and abroad, or through participation in other companies or in cooperation with others.

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 Annual General Meeting of the Company.

Article 5 The Company's Board of Directors shall have from eight to ten members. A maximum of seven members and 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.

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.

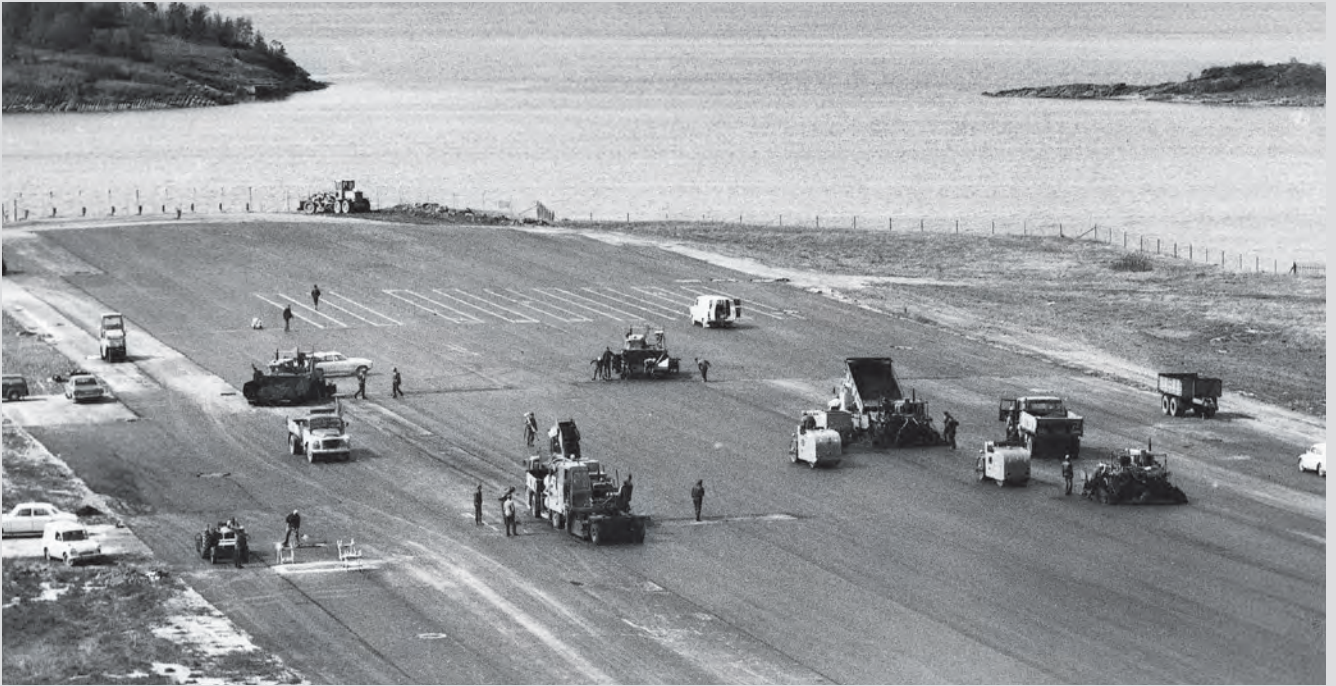
Article 8 The Annual General Meeting is held every year before the end of May, at the time and place determined by the Board of Directors. The meeting is convened with at least 21 days' written notice. The agenda for the meeting shall be sent out with the notice of the meeting. The Board of Directors may decide that documents pertaining to matters to be dealt with at the Annual General Meeting that have been made available to the shareholders on the company's website will not be sent to shareholders. This also applies to documents that by law must be included in or attached to the notice of the Annual General Meeting. Shareholders may nevertheless request to be sent documents pertaining to matters to be dealt with at the Annual General Meeting. Shareholders or their authorised representatives who wish to attend and vote at the Annual General Meeting must notify the company of this within the deadline specified in the notice of the meeting. This deadline must not expire earlier than five days before 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.

VEIDEKKE'S HISTORY



Veidekke was founded in 1936 as a cobblestone cutting and laying company in Østfold county. The business gradually expanded and took on road improvement projects in several municipalities and counties in eastern Norway. The real breakthrough came in 1948, when the small company was awarded the major civil engineering contract for the construction of Sola Airport in Stavanger. With time Veidekke became a central player in airport construction in Norway, and in the late 1950s it undertook its first overseas assignment: construction of an airport in Ethiopia.

Large civil engineering projects accounted for the bulk of the business in the '60s and '70s, and in the following decades the company became a sizeable road builder. Other major civil engineering projects, such as construction of power stations and large industrial facilities for the oil sector, were added as new market areas.

The 1980s were marked by structural changes in the construction industry, and several of the larger construction companies merged. Veidekke's strategy was to continue to develop as an independent company, marking the beginning of an era of acquisitions. A total of ten companies were merged into the group during this decade. Since then, over 70 other companies have joined the

group. In the 1980s Veidekke expanded into a new market: residential and non-residential building construction. Another milestone was the listing on the Oslo Stock Exchange in 1986.

The acquisition of Aker Entreprenør in 1991 resulted in a doubling of the company's revenue, marking the advent of a decade of strong growth. In addition Veidekke decided to focus on the residential segment with property development as a new business area, while also looking to expand into neighbouring countries. The company established civil engineering operations in Gothenburg in 1998 in partnership with local players, marking the beginning of Veidekke's development as a Scandinavian construction company. In 2000 Veidekke acquired Denmark's oldest and fourth largest construction company, Hoffmann A/S, and in the same year the company also established construction and property development operations in Sweden.

The company continues to adhere to the strategy of profitable growth, and through value-adding interaction with customers and partners, Veidekke will continue to build tomorrow's Scandinavia.

TOGETHER, WE ARE BUILDING THE FUTURE

Veidekke is one of Scandinavia's largest construction and property development companies. The company undertakes all types of building construction and civil engineering contracts, develops residential projects, maintains roads, and produces asphalt and aggregates. The company is known for its involvement and local knowledge. Its annual turnover is NOK 36 billion, and half of its 8,600 employees own shares in the company. Veidekke is listed on the Oslo Stock Exchange and has always posted a profit since it was founded in 1936.

Veidekke – local presence,
Scandinavian strength.

veidekke.com/en
