



# Presentation 1<sup>st</sup> quarter 2020

7 May 2020

Group CEO Jimmy Bengtsson, CFO Terje Larsen, and EVP Jørgen Wiese Porsmyr



# Highlights 1st quarter 2020

## Limited impact from COVID-19

- The COVID-19 pandemic had limited impact on production in construction and civil engineering projects and residential sales in the first quarter
- Solid underlying operations and good cash flow in the quarter
- Demerger of the property development operation is progressing according to plan
- Considerable uncertainty with regards to how economic consequences of measures to prevent spread of the coronavirus will impact Veidekke in the future
- The board of directors cancelled proposal for dividend distribution in respect of financial year 2019



Photo: Siri Øverland Eriksen, Aftenposten

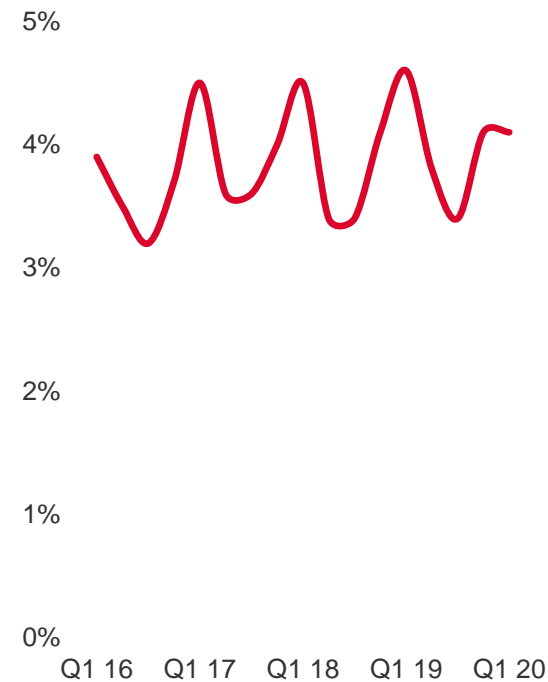
# Employees and organisation

## Safety and health are first priority

- Veidekke has implemented a number of measures to protect employees and those working on Veidekke's projects against spread of the coronavirus
- Minimum distance of two meters on construction sites and restricted number of people permitted in common rooms
- Personal protective equipment to be used when required to avoid virus transmission and potential quarantine
- Quarantine imposed for foreign workers
- Instances of local quarantine regulations posed challenges
- Increased use of home office for administrative staff

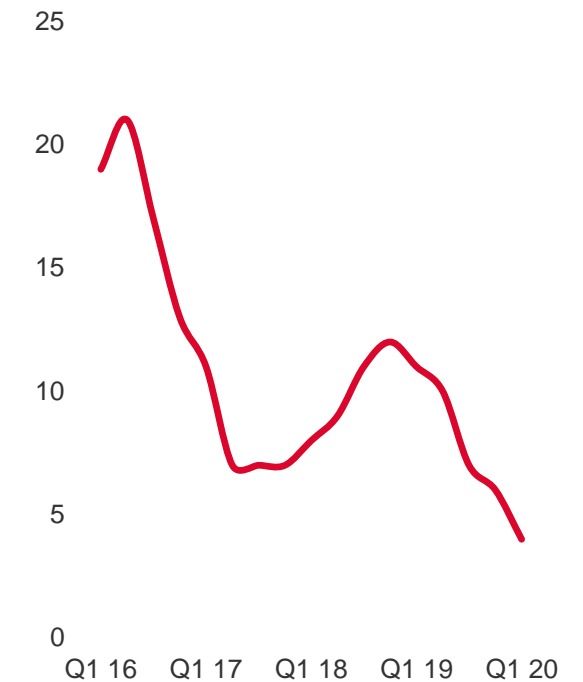
### Sickness absence

Per quarter, Veidekke employees



### Number of serious injuries

12-month rolling\*





# Value and supply chains

## Different challenges on the supply and demand side

### 1 Challenges in ongoing projects (short term)

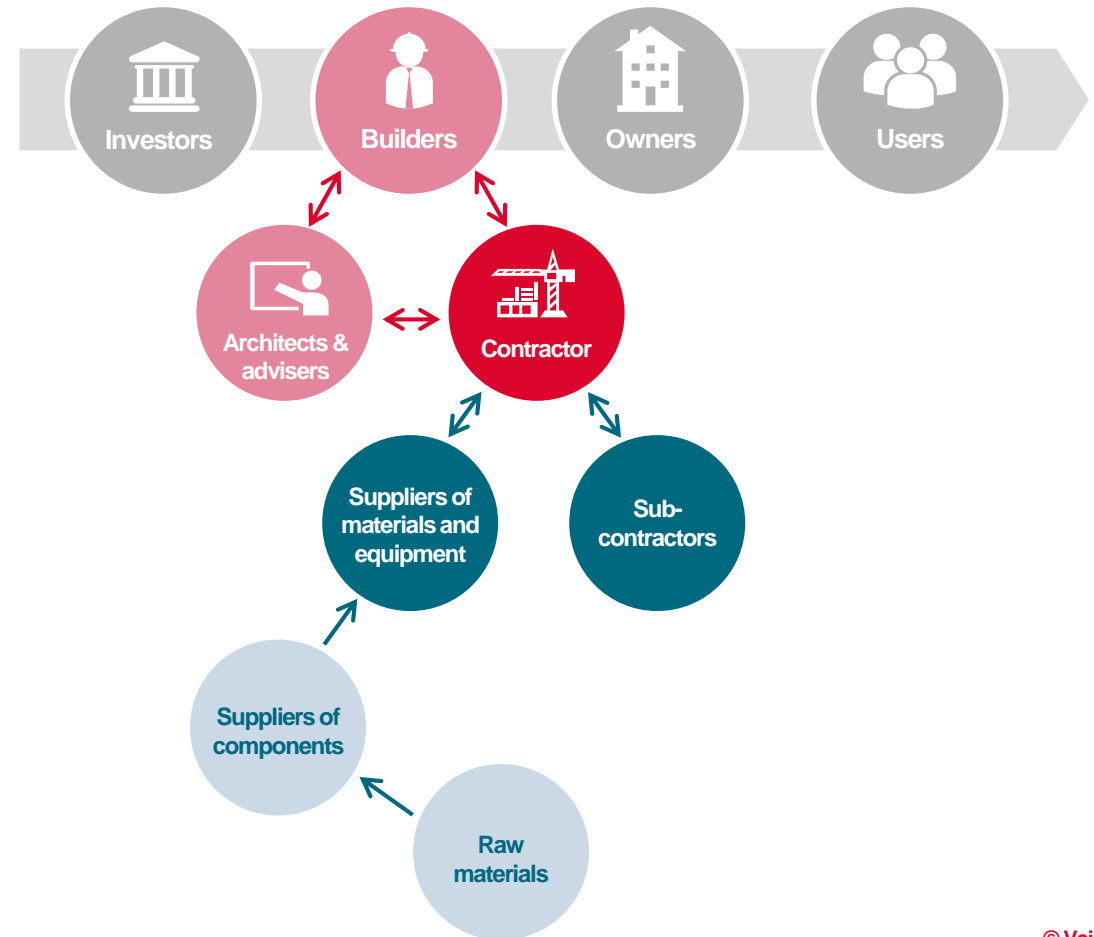
- Strict national infection control measures can cause operational disruptions and increased absence from work

### 2 Supply chain constraints (medium term)

- Global measures to limit infection can reduce or delay supply of components and equipment
- Curtailed transport capacity can cause supply chain disruptions

### 3 Market consequences (private and public)

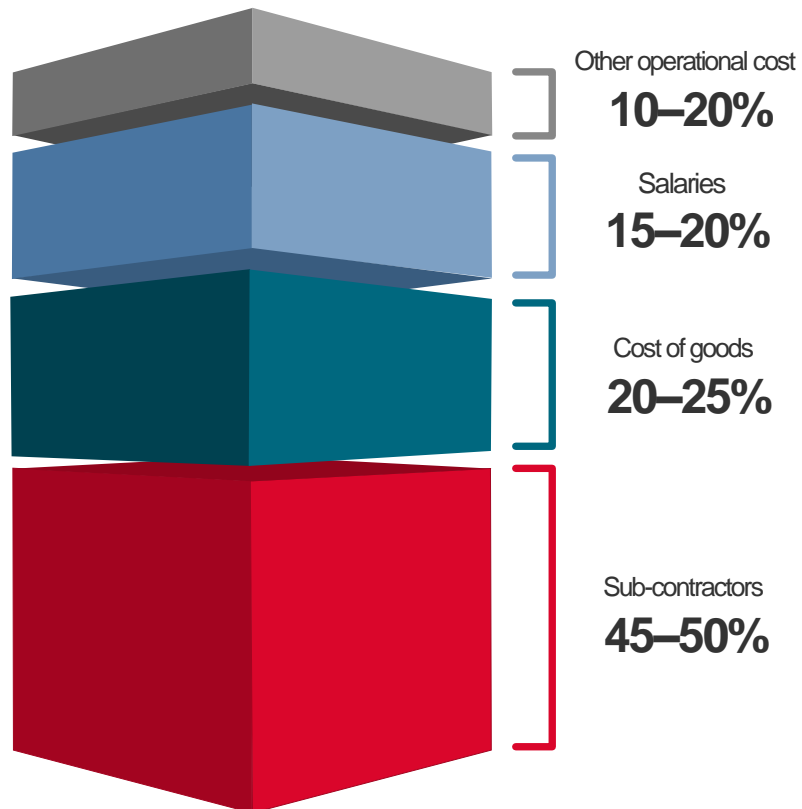
- A weaker economic development may negatively impact demand for Veidekke's services and products
- Amplified by oil price drop and weaker currency
- Measures to stimulate demand may have a positive effect on public builders



# Operational flexibility

## Capacity and cost

Share per cost category (illustration)



### Veidekke has a flexible business model

- Operates between 450 and 600 projects across Scandinavia
- Large proportion of cost base is directly related to project deliveries
- Flexibility to adapt capacity and cost structure to expected demand
- Flexibility to serve different market segments

### Tools related to short-term changes in demand

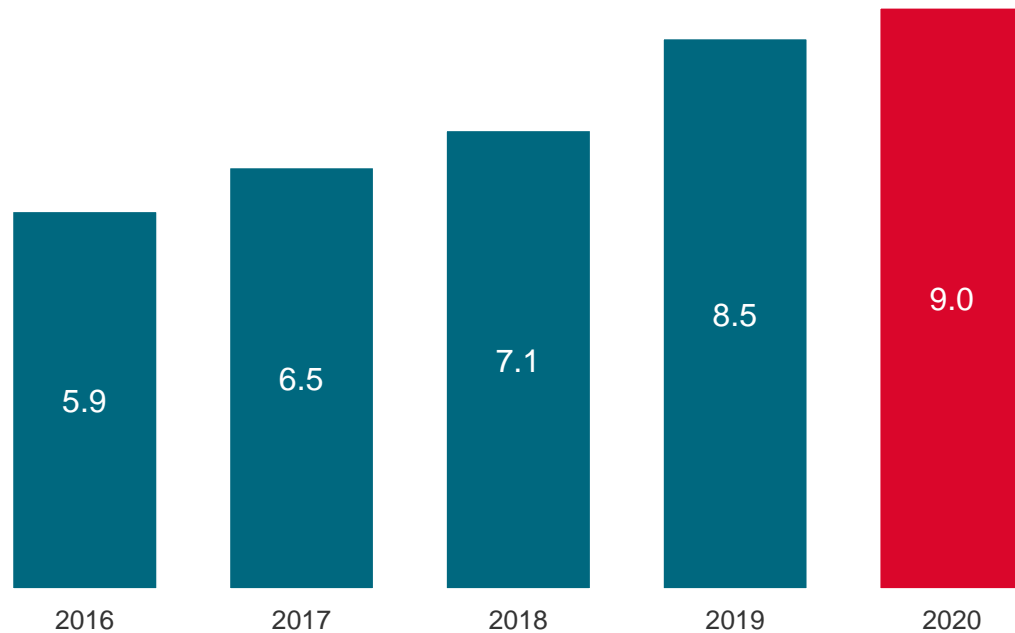
- Temporary layoffs and salary adjustments are applied in connection with short-term fluctuations

# Main financial figures

## Revenue and earnings 1<sup>st</sup> quarter

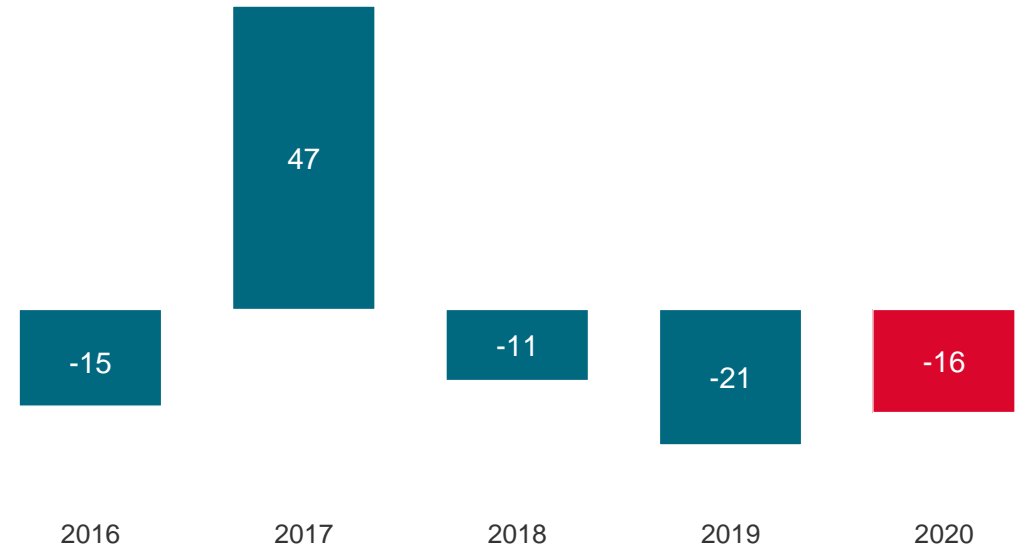
### 1<sup>st</sup> quarter: Revenue

NOK billion



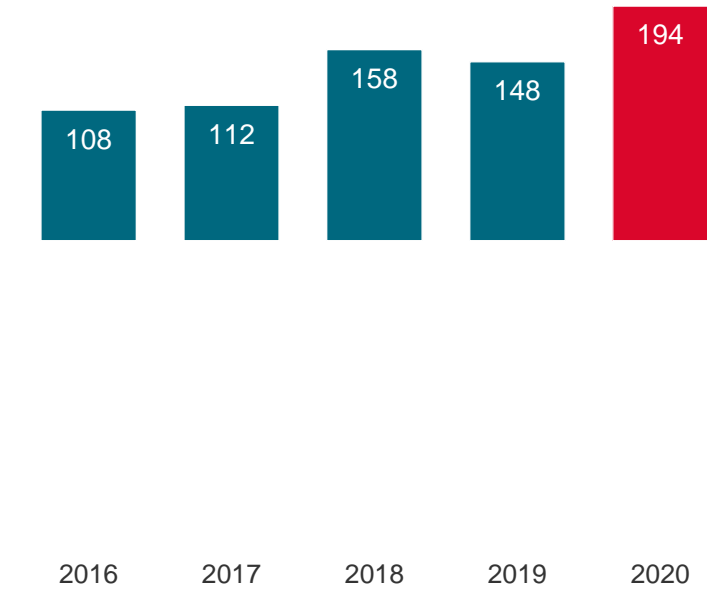
### 1<sup>st</sup> quarter: Pre-tax profit

NOK million

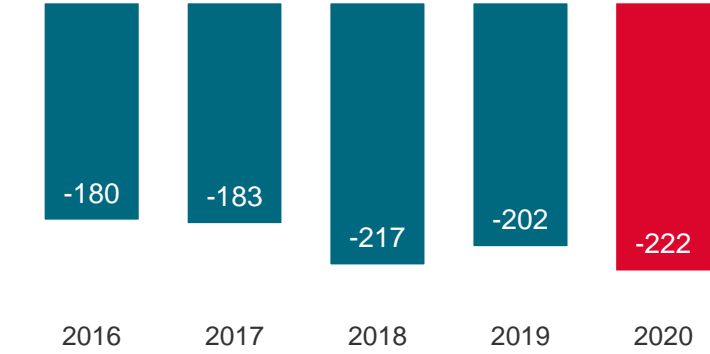


# Pre-tax profit 1<sup>st</sup> quarter, per business area

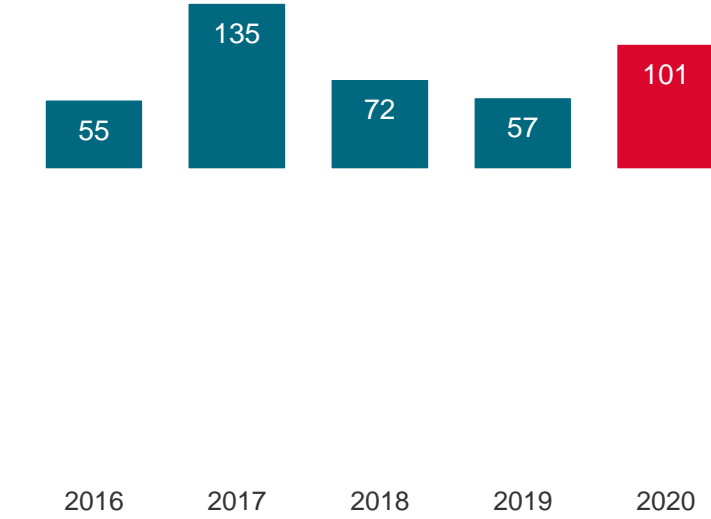
**Construction**  
NOK million



**Industrial**  
NOK million



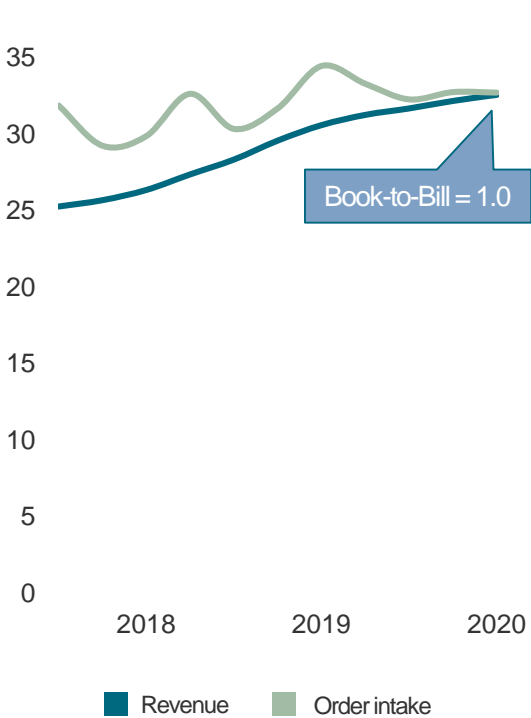
**Property Development**  
NOK million



# Order book Construction

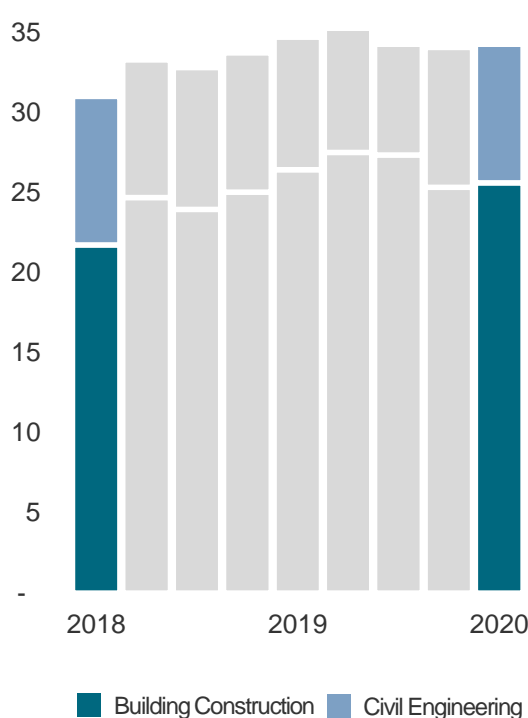
## Revenue and order intake

12-month rolling, NOK billion



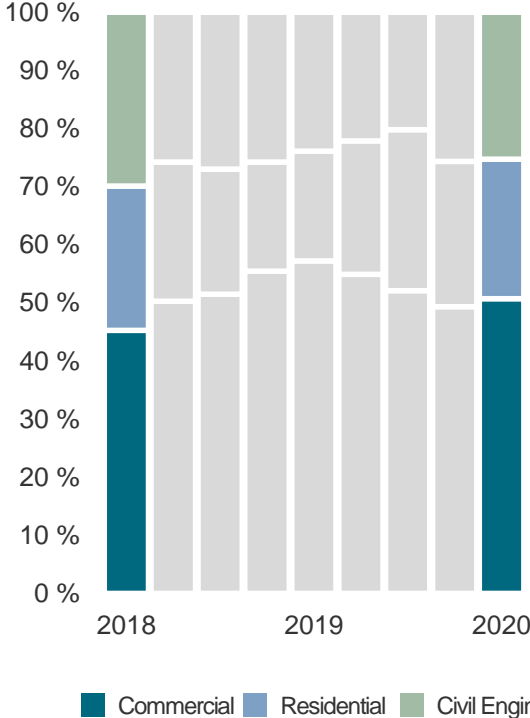
## Order book

NOK billion



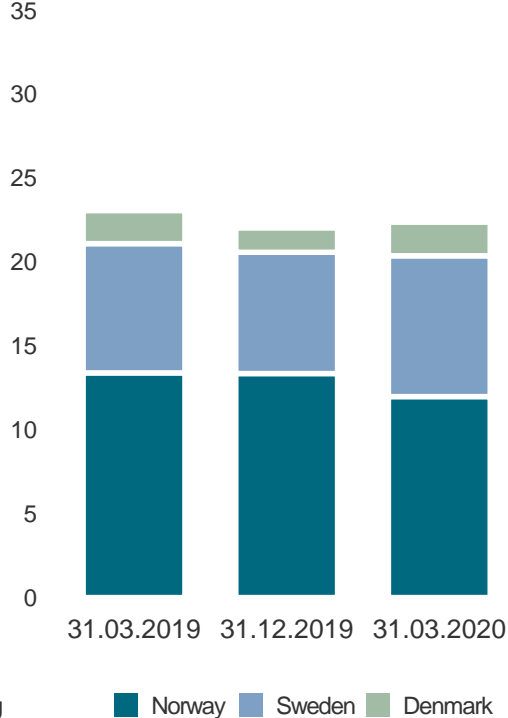
## Order book per segment

Percent



## Orders in revenue next 12 mos.

NOK billion





# Robust financial position provides satisfactory financial capacity

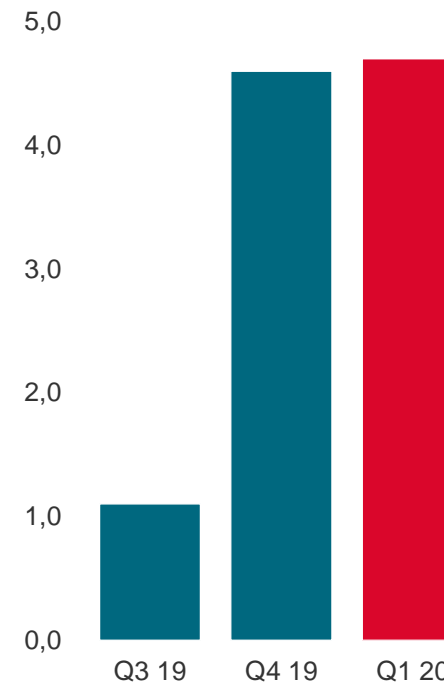
- Increased free cashflow
  - Improved operations and lower investments
- Also, dividend for 2019 postponed
- December 2019 refinancing provided satisfactory financial capacity

**Free cashflow**  
12-month rolling, NOK billion

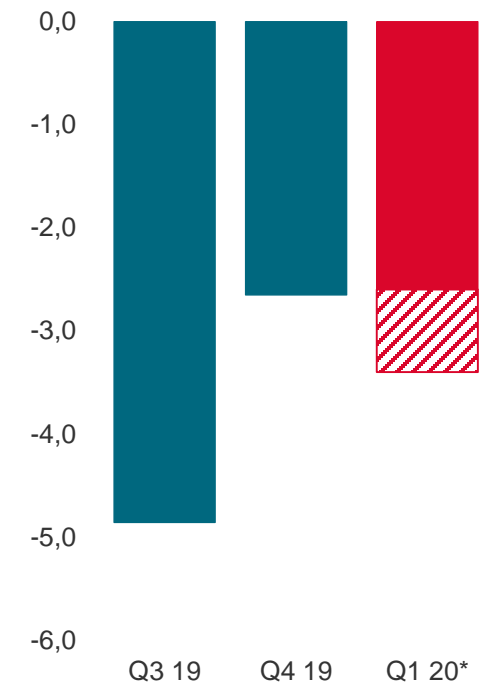


\*\*Cashflow from housing cooperatives is included from Q1 2020 and amounts to approx. NOK -200 million

**Unutilised credit facility and unrestricted cash**  
NOK billion, quarter-end



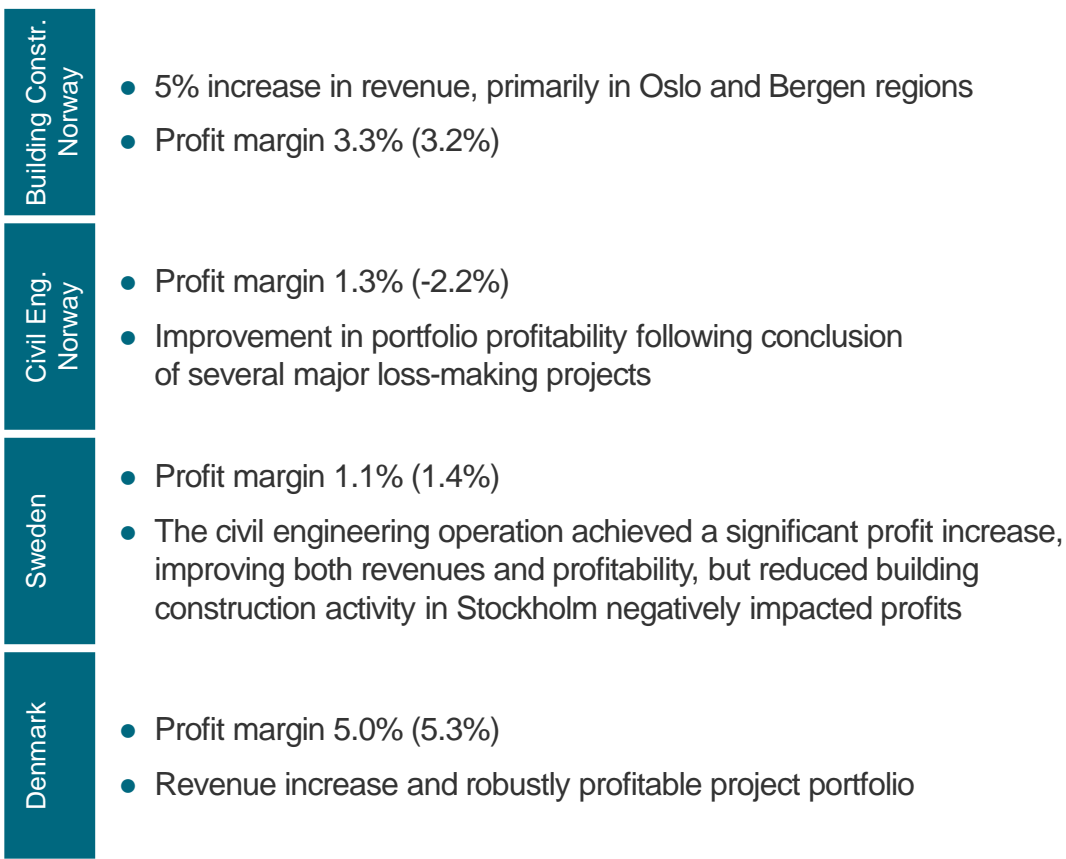
**Net interest-bearing debt**  
NOK billion, quarter-end



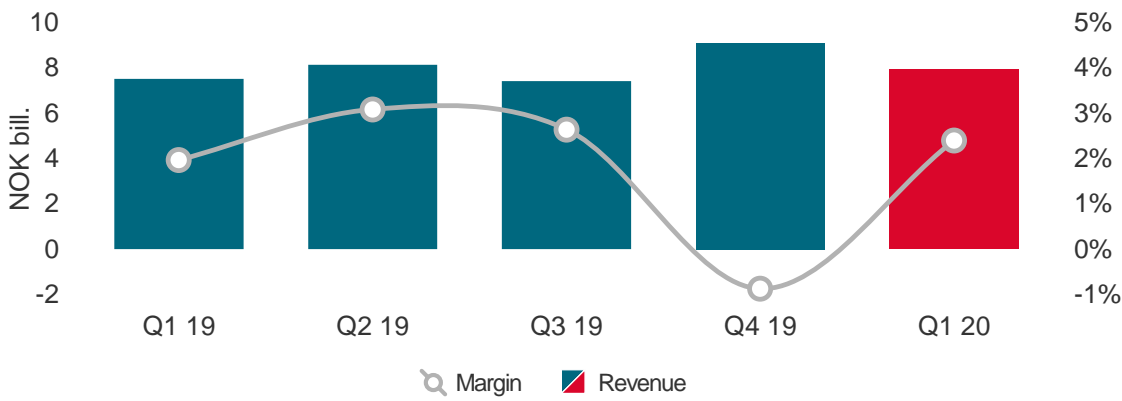
\*NIBD was NOK 2.6 bill. at quarter-end, or NOK 3.4 bill. including housing cooperative debt

# Construction

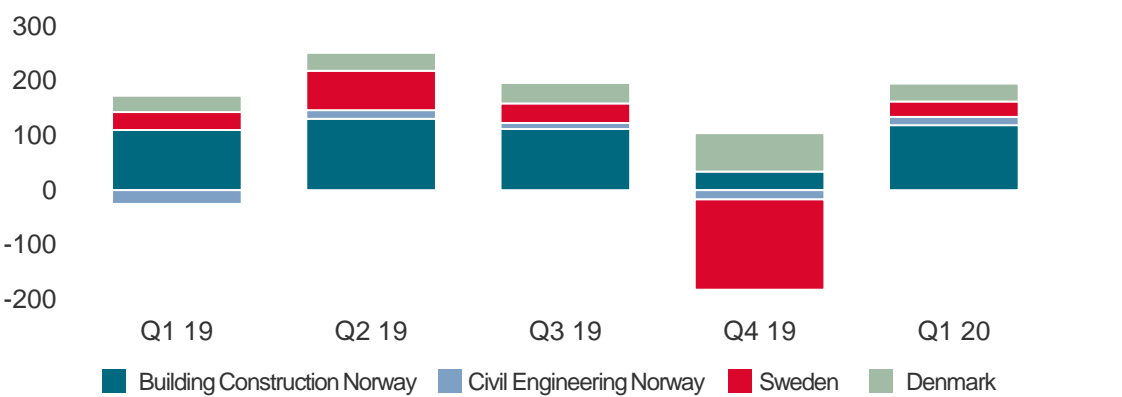
1<sup>st</sup> quarter 2020



Revenue and margin



Pre-tax profit (NOK million)

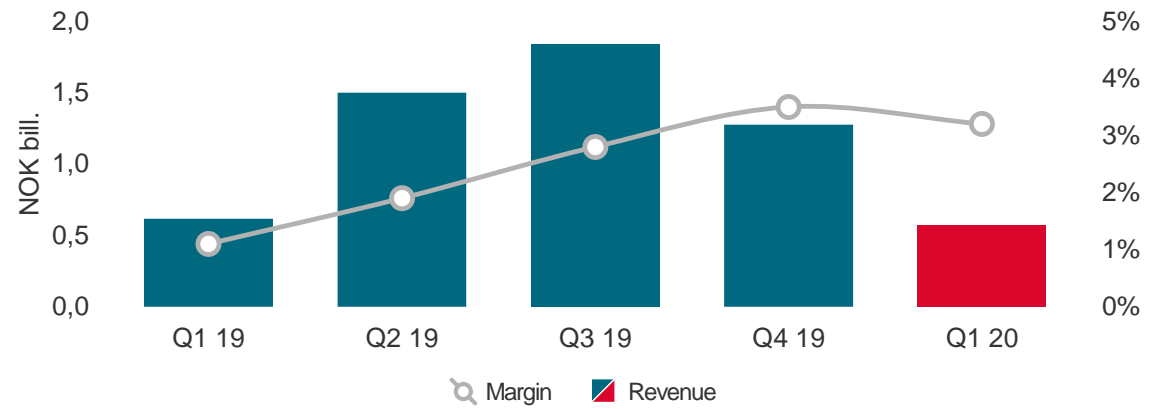


# Industrial

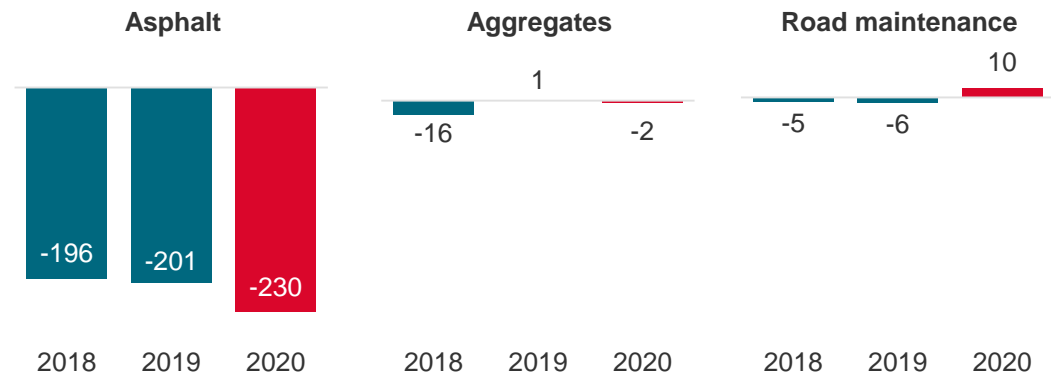
## 1<sup>st</sup> quarter 2020

Asphalt	<ul style="list-style-type: none"> <li>Seasonal downturn in Q1 and unrealised foreign exchange loss</li> <li>Approx. 30% lower demand from Norwegian Public Roads Administration and counties, in addition to lower road construction activity</li> <li>Bitumen sourcing situation in Eastern Norway is more resolved</li> </ul>
Aggregates	<ul style="list-style-type: none"> <li>Seasonal downturn</li> <li>Profit for the quarter on a par with the preceding year</li> </ul>
Road maintenance	<ul style="list-style-type: none"> <li>Good profit of NOK 10 mill., compared to NOK (6) mill. in Q1 2019</li> <li>Profit increase attributed to improved profitability in new contracts</li> <li>Six maintenance contracts to conclude in 2020; four new contracts won, including three extensions</li> </ul>

## Revenue and 12m margin



## Pre-tax profit 1<sup>st</sup> quarter (NOK mill.)



# A leading residential development company

A strong position in Norway and Sweden



- Solid platform for growth
- Large and attractive pipeline of land for future residential development
- Well positioned in the seven largest cities in Norway and Sweden



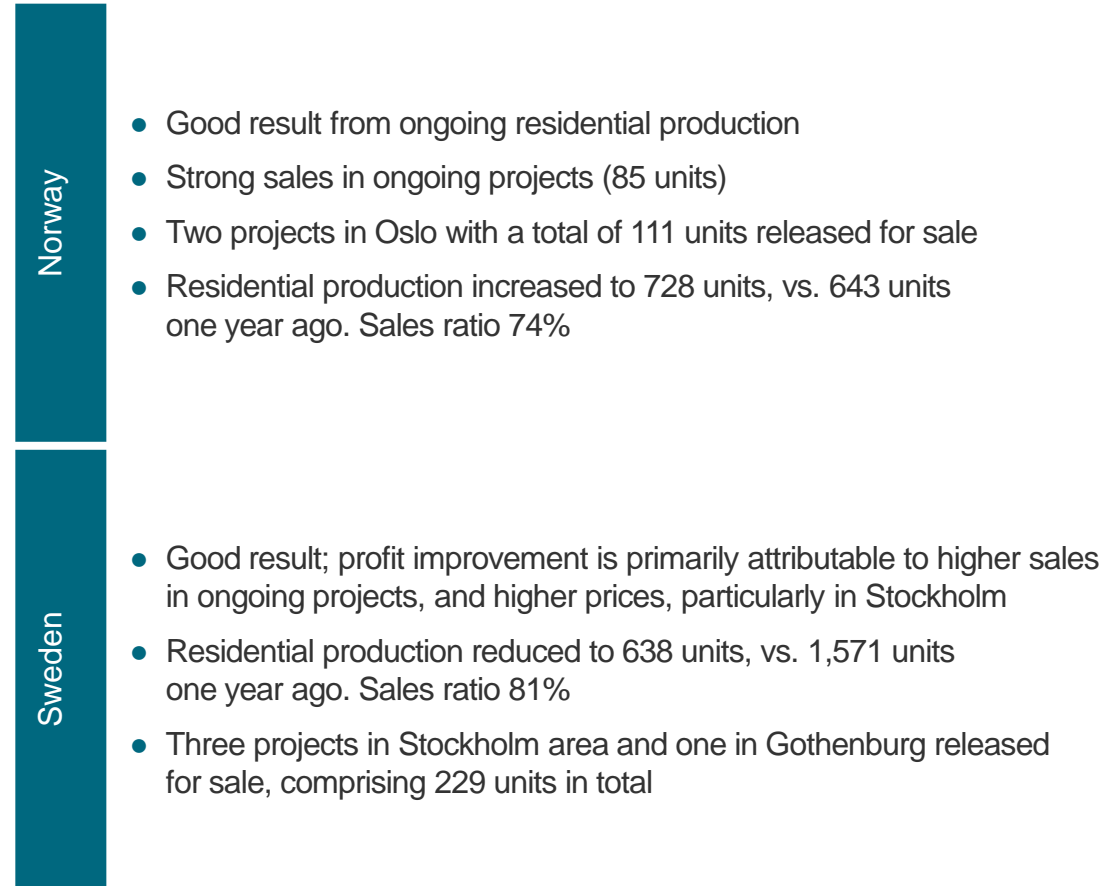
- Established organisation and experienced management team
- Strong project development and implementation expertise
- Documented results

An organisation that develops, implements and renews its positions

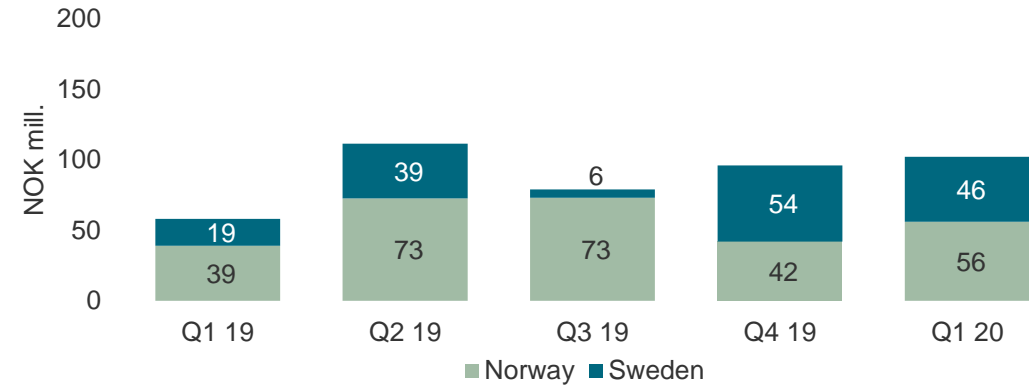


# Property Development

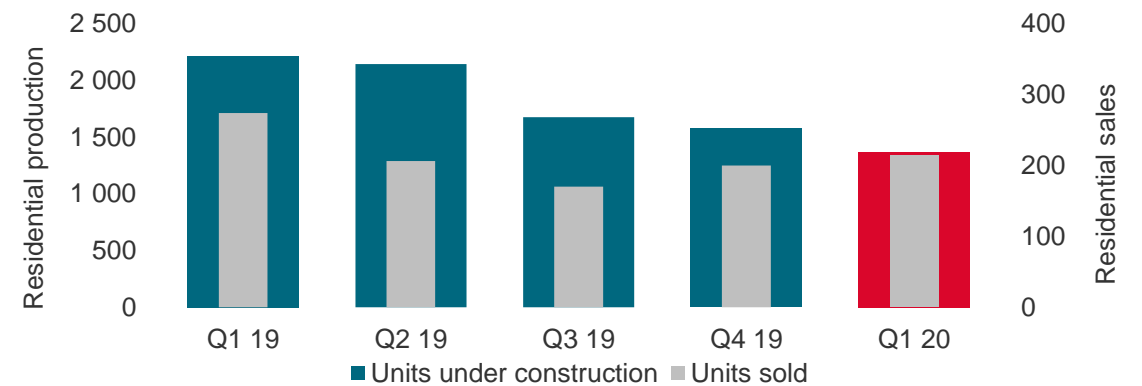
1<sup>st</sup> quarter 2020



## Pre-tax profit



## Residential production and sales, Veidekke's share (no. of units)



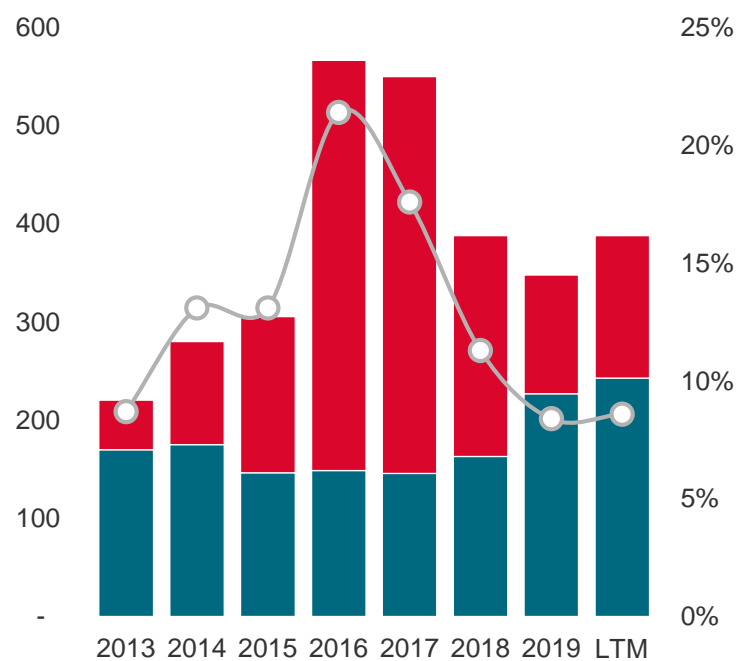
Residential sales and production figures denote Veidekke's share

# Results and activity in Property Development

## Good value creation over time

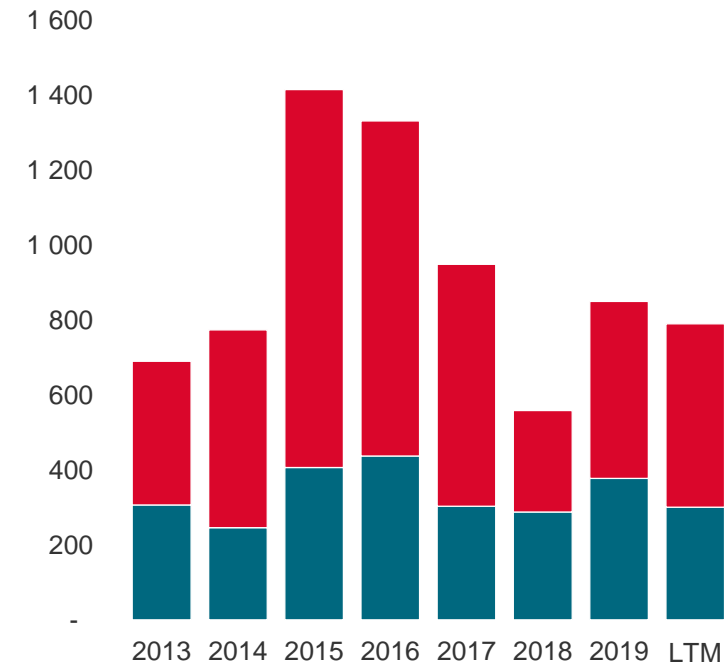
### Profits and return on capital

NOK million



### Units sold

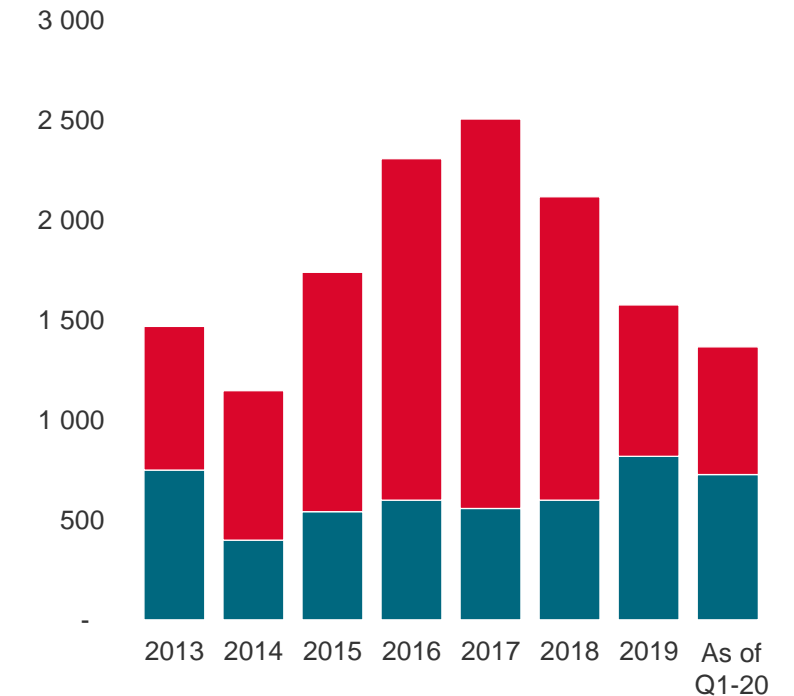
Veidekke's share



Return on capital Norway Sweden

### Units under construction

Veidekke's share





# An important strategic change

## Progressing according to plan

### Veidekke's composition

#### Strategic review of the company

- Veidekke has undertaken a strategic review of the group's composition and an assessment of the business areas' growth and development opportunities
- A decision has been made to split the group into two separate entities and establish the property development operation under a new ownership structure
- The group management will prepare a plan for how a split can be carried out in order to optimise shareholder value over time
- Under consideration are a stock exchange listing, and hence distribution of the shares to Veidekke's shareholders, and divestment of all or part of the property development operation
- The board expects a final decision on the transaction model and execution to be made in the first half of 2020



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- Work to split the group and establish the property development operation under a new ownership structure is progressing according to plan
- We are actively pursuing both tracks – a stock exchange listing or an industrial sale
- The solution selected will create value for Veidekke's shareholders and contribute to growth for both Property Development and Veidekke
- A final decision about the transaction model and execution will be made within the first half of 2020

Facsimile from Veidekke's third quarter 2019 presentation



# Summary and concluding remarks

7 May 2020

Jimmy Bengtsson, group CEO



# 1<sup>st</sup> quarter summary

- The COVID-19 pandemic had limited impact on 1<sup>st</sup> quarter results
- The demerger of the property development operation is progressing according to plan
- Solid underlying operations and good cash flow in 1<sup>st</sup> quarter
- The proposed distribution of dividend for 2019 was suspended, and investment levels for 2020 have been reduced
- Veidekke has high operational flexibility and a good financial position



Veidekke has signed a contract with Vestfold and Telemark county municipality in Norway to build and refurbish Sandefjord Upper Secondary School

# Outlook for 2020

## Summing up

- The work to split the group into two separate entities progress according to plan
- Improvement measures and restructuring
- The target of a pre-tax profit margin of 3.0–3.5 % in 2020 for the Construction and Industrial operations
- Refinancing ensures a solid financial platform with substantial liquidity reserves
- Dividend proposal for 2019 of NOK 5.0 per share



Veidekke is building the project GreenHaus, an office building in Oceanhamnen in Helsingborg, Sweden

- High uncertainty related to the consequences of COVID-19 measures and the financial impacts from the pandemic
- Activities and cost base to be adapted to market developments and order intake
- Veidekke's long-term objectives are maintained, but the previously communicated profit forecast for 2020 has been withdrawn

Facsimile from Veidekke's forth quarter 2019 presentation





# Appendix

# Business areas 1<sup>st</sup> quarter

Amounts in NOK million	1st quarter 2020			1st quarter 2019		
	Revenue	Profit	Margin	Revenue	Profit	Margin
Building Construction Norway	3 563	119	3.3 %	3 390	110	3.2 %
Civil Engineering Norway	1 119	15	1.3 %	1 143	-25	-2.2 %
Construction Sweden	2 596	28	1.1 %	2 409	33	1.4 %
Construction Denmark	653	33	5.0 %	569	30	5.3 %
<b>Total Construction</b>	<b>7 930</b>	<b>194</b>	<b>2.4 %</b>	<b>7 510</b>	<b>148</b>	<b>2.0 %</b>
Property Development Norway	252	56		242	39	
Property Development Sweden	509	46		476	19	
<b>Total Property Development</b>	<b>761</b>	<b>101</b>		<b>718</b>	<b>57</b>	
<b>Industrial</b>	<b>568</b>	<b>-222</b>	<b>-39 %</b>	<b>615</b>	<b>-202</b>	<b>-33 %</b>
Other	-231	-90		-312	-24	
<b>Total Group</b>	<b>9 029</b>	<b>-16</b>	<b>-0.2 %</b>	<b>8 531</b>	<b>-21</b>	<b>-0.2 %</b>



# Income statement (IFRS)

	1 <sup>st</sup> quarter		Full year
Amounts in NOK million	2020	2019	2019
<b>Revenue</b>	<b>8 443</b>	<b>8 076</b>	<b>36 569</b>
Operating expenses	-8 331	-7 990	-35 034
Share of net income from associates and JVs	5	8	-67
Depreciation/impairment	-226	-214	-887
<b>Operating profit</b>	<b>-109</b>	<b>-120</b>	<b>581</b>
Net financial income	-56	5	2
<b>Pre-tax profit</b>	<b>-165</b>	<b>-115</b>	<b>582</b>
Income tax expense	37	15	-142
<b>Post-tax profit</b>	<b>-128</b>	<b>-99</b>	<b>440</b>
Of which non-controlling interests	<b>48</b>	<b>134</b>	<b>522</b>
<b>Post-tax profit (net)</b>	<b>-79</b>	<b>35</b>	<b>962</b>
<b>Earnings per share (NOK)</b>	<b>14</b>	<b>2</b>	<b>48</b>
<b>Pre-tax profit, segment</b>	<b>-94</b>	<b>33</b>	<b>914</b>
Amounts in NOK million	<b>-0.7</b>	<b>0.2</b>	<b>6.8</b>
<b>Revenue</b>	<b>-16</b>	<b>-21</b>	<b>786</b>

# Balance sheet: Assets

Amounts in NOK million	31.03.2020	31.03.2019	31.12.2019
Goodwill and other intangible assets	1 939	1 924	1 884
Deferred tax assets	7	-	8
Land and buildings	1 321	1 346	1 253
Plant and machinery	2 575	2 815	2 644
Investments in associates and joint ventures	196	1 355	219
Financial assets	468	503	535
<b>Total non-current assets</b>	<b>6 506</b>	<b>7 943</b>	<b>6 542</b>
Non-residential and residential projects	62	6 331	53
Inventories	630	593	544
Trade and other receivables	5 769	6 377	5 683
Cash and cash equivalents	725	194	241
<b>Total current assets</b>	<b>7 186</b>	<b>13 494</b>	<b>6 522</b>
<b>Total assets</b>	<b>9 147</b>	<b>-</b>	<b>8 920</b>
Amounts in NOK million	<b>22 839</b>	<b>21 438</b>	<b>21 985</b>

# Balance sheet: Equity and liabilities

Amounts in NOK million	31.03.2020	31.03.2019	31.12.2019
<b>Equity</b>	<b>3 935</b>	<b>3 462</b>	<b>3 949</b>
Pensions and deferred tax liabilities	862	846	915
Bonds	1 600	1 600	1 600
Amounts due to credit institutions	1 944	2 190	1 507
Other non-current liabilities	1 154	1 046	1 161
<b>Total non-current liabilities</b>	<b>5 560</b>	<b>5 682</b>	<b>5 184</b>
Debt to credit institutions	11	890	12
Trade payables and warranty provisions	6 260	6 114	6 957
Public duties and taxes payable	1 084	1 068	751
Other current liabilities	3 494	4 222	2 800
<b>Total current liabilities</b>	<b>10 848</b>	<b>12 293</b>	<b>10 520</b>
Total liabilities operations held for sale	2 496	-	2 331
<b>Total equity and liabilities</b>	<b>22 839</b>	<b>21 438</b>	<b>21 985</b>
<b>Net interest-bearing debt</b>	<b>-2 605</b>	<b>-3 440</b>	<b>-2 653</b>
Cash and interest-bearing debt housing cooperatives in Sweden <sup>1)</sup>	-796	-842	-643
<b>Net interest-bearing debt incl. housing cooperatives in Sweden<sup>1)</sup></b>	<b>-3 401</b>	<b>-4 283</b>	<b>-3 296</b>

1) Amended the accounting treatment of housing cooperatives in Sweden

# Cash flow statement

Amounts in NOK million	Q1 2020						Q1 2019
	Construction	Industrial	Other <sup>1)</sup>	Continued business	Held for sale	Group	Group
<b>Pre-tax profit</b>	194	-222	-136	<b>-165</b>	51	<b>-114</b>	<b>-115</b>
Depreciation/impairment	147	64	15	<b>226</b>	2	<b>228</b>	214
Other working capital	171	-37	35	<b>168</b>	-151	<b>17</b>	-484
<b>Cash flow from operating activities</b>	<b>512</b>	<b>-194</b>	<b>-87</b>	<b>230</b>	<b>-98</b>	<b>132</b>	<b>-385</b>
Acquisition/disposal of PP&E	-62	-59	-2	<b>-123</b>	-1	<b>-124</b>	-113
Other investing activities	24	5	4	<b>33</b>	4	<b>37</b>	-34
<b>Cash flow from investing activities</b>	<b>-38</b>	<b>54</b>	<b>2</b>	<b>-90</b>	<b>3</b>	<b>-87</b>	<b>-147</b>
Dividend paid	-	-	-	-	-	-	-
Disposal equity housing cooperatives in Sweden	-	-	-	-	-85	<b>-85</b>	-
Other financial items	-18	-3	-8	<b>-29</b>	-36	<b>-64</b>	-18
<b>Cash flow from financing activities</b>	<b>-18</b>	<b>-3</b>	<b>-8</b>	<b>-29</b>	<b>-120</b>	<b>-149</b>	<b>-18</b>
<b>Change in net interest-bearing position</b>	<b>455</b>	<b>-251</b>	<b>-93</b>	<b>111</b>	<b>-216</b>	<b>-104</b>	<b>-550</b>

1) IFRS adjustment and group eliminations included