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# Third quarter 2017

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## HIGHLIGHTS THIRD QUARTER 2017

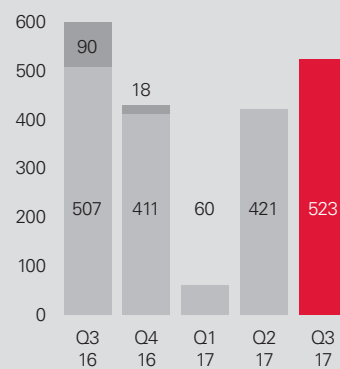
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- Revenue amounted to NOK 7.9 billion, 6% higher than for the corresponding quarter of last year.
- Profit before tax was NOK 523 million, compared with NOK 597 million for the third quarter of 2016<sup>1)</sup>.
- Order intake was NOK 9.0 billion, and the order backlog at the close of the quarter was NOK 31.8 billion, up 9% from the previous quarter and 30% from the beginning of the year.
- A total of 187 residential units were sold, of which Veidekke's share was 147 units. Year-to-date a total of 1,005 units have been sold, of which Veidekke's share is 771.
- There were 3,366 residential units under construction at the close of the quarter, of which Veidekke's share was 2,620.

REVENUE  
NOK BILLION



PROFIT BEFORE TAX <sup>1)</sup>  
NOK MILLION



EARNINGS PER SHARE  
NOK



1) The profit for the third and fourth quarters of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 90 and 18 million respectively, together NOK 108 million.

# KEY FIGURES <sup>1)</sup>

Figures in NOK million	Q3 2017	Q3 2016 <sup>2)</sup>	At 30.9.2017	At 30.9.2016	2016 <sup>3)</sup>
Revenue, segment	7 912	7 447	22 767	21 413	30 137
Profit before tax, segment	523	597	1 004	1 032	1 460
Segment Construction	185	283	504	619	804
Segment Property Development	141	125	435	340	567
Segment Industrial	218	198	119	103	136
Segment Other	-21	-9	-55	-30	-47
Earnings per share, segment	3.4	3.8	6.2	6.2	9.3
Profit margin, segment (%)	6.6	8.0	4.4	4.8	4.8
Revenue, IFRS <sup>4)</sup>	7 461	7 045	21 663	20 489	28 613
EBITDA, IFRS	552	618	1 119	1 109	1 520
Profit before tax, IFRS	414	499	738	801	1 092
Earnings per share, IFRS (NOK)	2.6	3.1	4.5	4.7	6.6
Net interest-bearing debt	1 632	1 183	1 632	1 183	0
Total order backlog	31 792	25 251	31 792	25 251	24 404

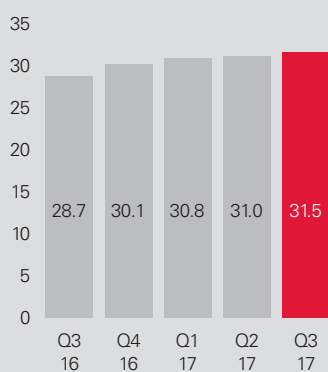
1) The comments in the report relate to figures taken from the segment accounts. Comments to the IFRS accounts are specified in the text.

2) The profit for the third quarter 2016 includes a non-recurring effect as result of changes to the disability pension in Norway of a total of NOK 90 million, with the following distribution: NOK 70 million in Construction Norway, NOK 15 million in Industrial, NOK 2.5 million in Property Norway and NOK 2.5 million in Other operations.

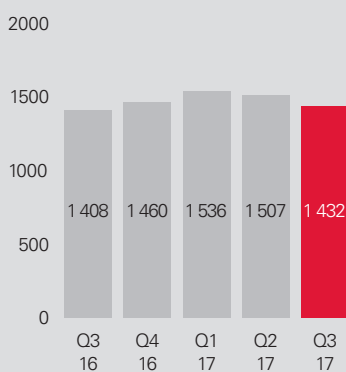
3) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of a total of NOK 108 million, with the following distribution: NOK 81 million in Construction Norway, NOK 19 million in Industrial, NOK 4 million in Property Norway and NOK 4 million in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

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

**REVENUE**  
12-MONTH ROLLING  
NOK BILLION



**PROFIT BEFORE TAX**  
12-MONTH ROLLING <sup>1)</sup>  
NOK MILLION



**EARNINGS PER SHARE**  
12-MONTH ROLLING  
NOK



1) The profit for the third and fourth quarters of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 90 and 18 million respectively, together NOK 108 million.

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## A WORD FROM THE PRESIDENT AND CEO

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Veidekke has continued the positive trend, with growth in both revenue and profit in the third quarter. This quarter has seen strong order intake and high asphalt and residential production.

Construction operations has had revenue growth in Sweden and Denmark, while revenue in Norway has declined. There is a good level of activity in eastern Norway, but Building Construction faces a demanding market situation in southern and western Norway, and this is reflected in the profit for Construction Norway. A number of improvement processes are currently under way to adapt operations and increase profitability.

There is still good interest in our residential projects, even though we sold fewer units this quarter. Times are uncertain in the housing markets, particularly in Oslo and Stockholm, but the projects we have put up for sale in recent months have attracted much attention and have sold well.

Late summer and the third quarter are the high season for asphalt operations. High activity and an impressive 10% increase in tonnage yielded a strong profit from Industrial. The profit also includes some major challenges and losses in a number of road operation and maintenance contracts.

We need to concentrate on winning the right jobs. In the third quarter, we have won several major contracts, and the many new orders have resulted in a further strengthening of the order backlog.

The market is good in most areas and segments, and I have every confidence that we will manage to exploit this to build an even stronger Veidekke.



A handwritten signature in black ink, appearing to read 'Arne Giske'.

Arne Giske, President and CEO

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## VEIDEKKE GROUP

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Veidekke's revenue and profit in the third quarter were higher than in 2016, adjusted for non-recurring effects. Residential production was high, but sales were lower than in the preceding quarters. Good order intake boosted the Group's backlog.



Revenue increased by 6% to NOK 7.9 billion in the third quarter, compared with the corresponding quarter of last year, due to growth in construction operations in Sweden and Denmark and in the Swedish property development operations.

The profit for the third quarter of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 90 million. In this report, all figures are exclusive of this non-recurring effect. The profit for the third quarter of 2017 was NOK 523 million, compared with NOK 507 million in Q3 2016. High sales in asphalt operations contributed to a good result for Industrial. In Property Development, high residential production led to profit growth. Construction operations had higher profits in Sweden, while the profit in Denmark was at the same level as for the third quarter of last year. However, lower profitability in Norway meant the overall profit for construction operations was lower than at the same time last year.

Order intake in the third quarter was NOK 9.0 billion, and the order backlog rose to NOK 31.8 billion.

Cash flow in the third quarter was marked by high investment activity. Net interest-bearing debt at the end of the quarter was NOK 1.6 billion.

Veidekke reports in accordance with IFRS. The construction and sale of residential units are accordingly not recognised as income until the property has been handed over to the buyer. Profit before tax in accordance with IFRS amounted to NOK 414 million in the third quarter. The difference is due to the fact that the value of units under construction is greater than the value of completed, handed over units.

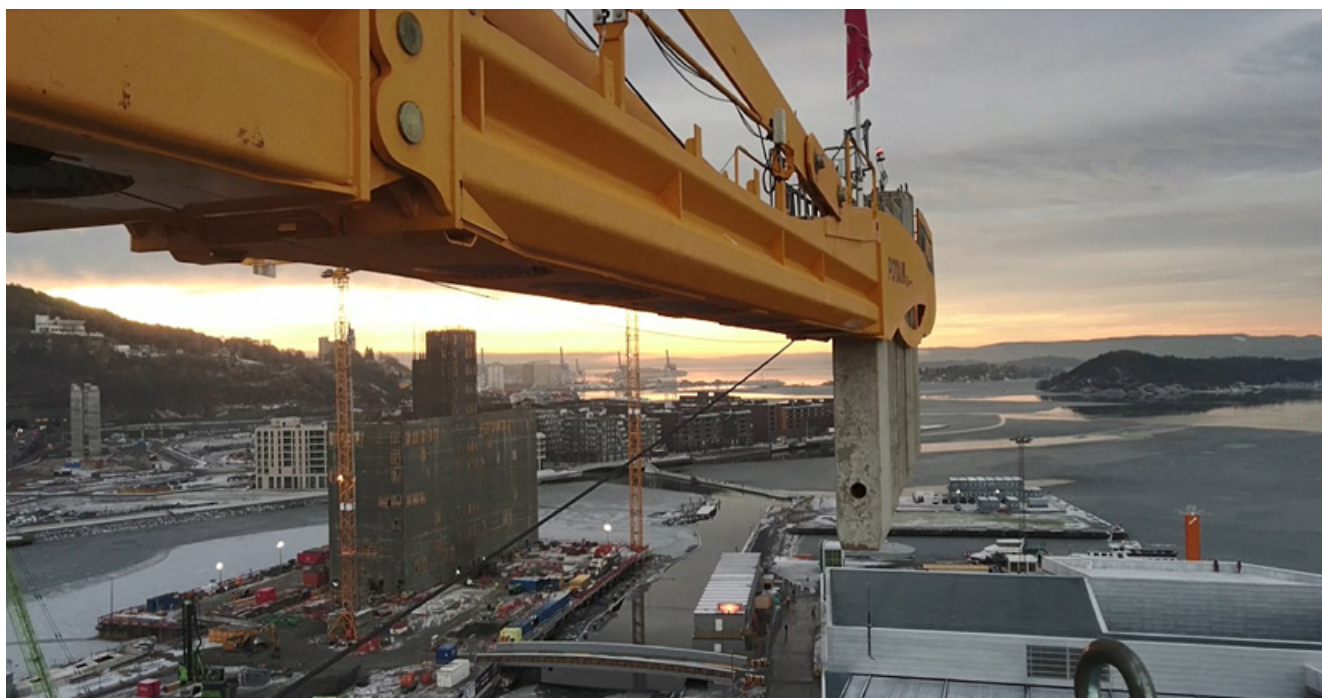


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## CONSTRUCTION OPERATIONS

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Construction operations had increased revenue, driven by growth in Sweden and Denmark. The profit for the quarter was lower than last year, due to weaker profitability in the Norwegian operations. Strong order intake resulted in an increase in the order backlog of 9% in the quarter.



Veidekke's construction operations had revenue of NOK 6.1 billion in the third quarter, an increase of 3% from the corresponding quarter of 2016. There was significant growth in Sweden and Denmark, but revenue was lower in Norway.

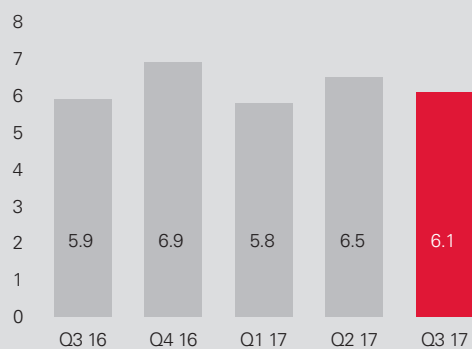
Profit before tax was NOK 185 million in Q3 2017, compared with NOK 213 million for the same quarter last year. The profit in the Swedish operations increased, while the profit in the Norwegian operations was lower than in the corresponding quarter of last year. The profit in the Danish operations was on par with the previous year. The profit margin for the quarter was 3.1%, compared with 3.6% for the third quarter of 2016.

The order intake for the quarter was NOK 8.8 billion. The order backlog has increased by 32% from the beginning of the year to NOK 30.8 billion, with significant increases in all three countries.

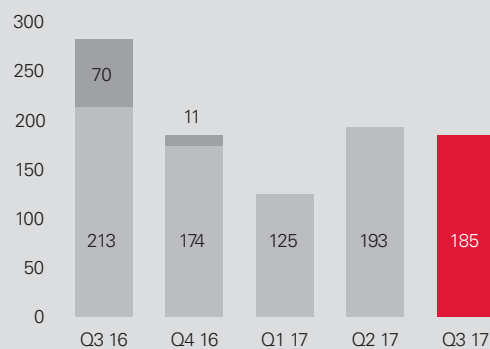
## CONSTRUCTION OPERATIONS

NOK million	Q3 2017	Q3 2016 <sup>1)</sup>	At 30.9 2017	At 30.9 2016	2016 <sup>1)</sup>
Revenue	6 052	5 858	18 385	17 680	24 629
Profit before tax	185	283	504	619	804
Profit margin (%)	3.1	4.8	2.7	3.5	3.3
Order backlog	30 781	24 184	30 781	24 184	23 368

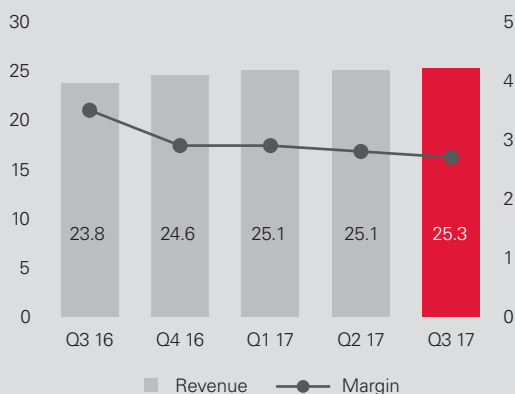
REVENUE  
NOK BILLION



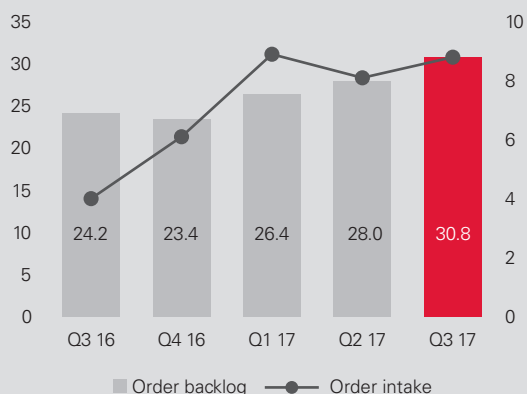
PROFIT BEFORE TAX <sup>1)</sup>  
NOK MILLION



REVENUE AND MARGIN, 12-MONTH ROLLING  
NOK BILLION



ORDER BACKLOG AND ORDER INTAKE  
NOK BILLION



1) The profit for the third and fourth quarters of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 70 and 11 million respectively, together NOK 81 million.

## Construction Norway

NOK million	Q3 2017	Q3 2016 <sup>1)</sup>	At 30.9 2017	At 30.9 2016	2016 <sup>1)</sup>
Revenue	3 475	3 685	10 727	10 903	15 096
Profit before tax	109	216	309	479	596
Profit margin %	3.1	5.9	2.9	4.4	4.0
Order backlog	19 038	15 675	19 038	15 675	14 408

1) The profit for the third and fourth quarters of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 70 and 11 million respectively, together NOK 81 million.

Construction Norway had revenue of NOK 3.5 billion in the third quarter, a decline of 6% from NOK 3.7 billion in the same quarter of last year. The decline in revenue is attributed to a lower level of activity in the building construction operations in southern and western Norway and in Civil Engineering.

Profit before tax was NOK 109 million in the third quarter, down from NOK 146 million for the corresponding period last year. The profit margin for the quarter was 3.1%, compared with 4.0% for Q3 of 2016. The profit margin for the last 12 months was 2.9%. Profitability within Building Construction was dragged down by lower profits in the operations in southern and western Norway as a result of the economic downturn there. Civil Engineering's profit was at the same level as last year. The results are characterised by low profitability in parts of the project portfolio, low capacity utilisation and a high degree of tendering activity.

Order intake in the third quarter was NOK 6.9 billion, compared with NOK 2.3 billion in Q3 2016, and consisted mainly of commercial buildings and civil engineering projects. Veidekke has been awarded a contract with the public road construction company Nye Veier for construction of the national highway E6 between Arnkvern and Moelv. This three-year project is a design and build contract with a contract value of NOK 2.3 billion.

Major projects awarded in the third quarter:

- E6 Arnkvern–Moelv. 24 km of four-lane motorway in Hedmark for Nye Veier AS. The project will be carried out by Veidekke Entreprenør and Veidekke Industri and has a combined contract value of NOK 2.3 billion.
- Harbitz Torg in Skøyen, Oslo. Office building for Møller Eiendom. Contract value NOK 676 million.
- Oset Rentvannsbasseng for the City of Oslo. Expansion of the water treatment plant in Maridalen in Oslo. Contract value NOK 614 million.
- Karl Johansgt. 14. Remodelling of office building in Oslo for Ava Eiendomspartner AS. Contract value NOK 300 million.

- SMS 5. Preparatory works for the railway project Sandbukta–Moss–Såstad in Østfold for Bane Nor. Contract value NOK 266 million.
- Lysgården in Trondheim. Office building for R. Kjeldsberg and Veidekke Eiendom. Contract value NOK 256 million.

At the close of the third quarter, the order backlog for Construction totalled NOK 19.0 billion, compared with NOK 14.4 billion at the beginning of the year and NOK 15.7 billion for the corresponding quarter of 2016. The overall level of orders is good, but there are significant regional variations.

In the third quarter Veidekke signed a letter of intent for the acquisition of 80% of the shares in Grande Entreprenør AS, which is a leading building construction company in Nord-Trøndelag. The company has annual revenue of approximately NOK 500 million and 200 employees. The final acquisition agreement is expected to be signed in January 2018.

## Construction Sweden

NOK million	Q3 2017	Q3 2016	At 30.9 2017	At 30.9 2016	2016
Revenue	2 024	1 714	6 118	5 577	7 819
Profit before tax	46	35	109	70	102
Profit margin %	2.3	2.0	1.8	1.3	1.3
Order backlog	10 286	7 080	10 286	7 080	7 698

The Swedish construction operations reported revenues of NOK 2.0 billion for the third quarter. Measured in local currency, this is an 18% increase, compared with Q3 2016. The growth was in Civil Engineering, while Building Construction's revenue was on the same level as last year.

Profit before tax increased to NOK 46 million, from NOK 35 million in the third quarter of 2016. The profit margin was 2.3%, compared with 2.0% last year. The improvement is largely due to an increase in activity and improved profitability in the civil engineering operations. The order intake for the quarter was NOK 1.7 billion, compared with NOK 1.1 billion in the third quarter of last year.



Major projects awarded in the second quarter:

- Kapellgården in Uppsala. Construction of apartments, a nursing home and a preschool for Fastighetsförädlarna AB. Contract value NOK 595 million.
- Barkarby in Stockholm. Residential project for Veidekke Bostad AB. Contract value NOK 169 million.
- Stage 3 of Branddörren in Stockholm. Residential project for Veidekke Bostad AB. Contract value NOK 163 million.
- Hills Villastad in Gothenburg. Residential project for Veidekke Bostad AB. Contract value NOK 145 million.

At the close of the third quarter, the order backlog totalled NOK 10.3 billion, compared with NOK 7.7 billion at the beginning of the year and NOK 7.1 billion at the end of Q3 2016.

### Construction Denmark

NOK million	Q3 2017	Q3 2016	At 30.9 2017	At 30.9 2016	2016
Revenue	552	459	1 539	1 199	1 713
Profit before tax	31	32	87	69	105
Profit margin %	5.6	7.0	5.6	5.8	6.2
Order backlog	1 457	1 429	1 457	1 429	1 262

Veidekke's Danish construction operations, Hoffmann A/S, had revenue of NOK 552 million in the third quarter of 2017. This is an increase of 20% in local currency compared with the corresponding quarter of last year and is attributed to the higher activity in the building construction operations on Sjælland and technical installations.

Profit before tax was NOK 31 million, compared with NOK 32 million for the same quarter last year. The profit margin was 5.6%, compared with 7.0% for Q3 2016.

The order intake for the quarter was NOK 209 million. By comparison, the order intake was NOK 590 million in the third quarter of last year. At the close of the quarter, the order backlog totalled NOK 1.5 billion, compared with NOK 1.3 billion at the beginning of the year and NOK 1.4 billion at the end of Q3 2016.

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## PROPERTY DEVELOPMENT OPERATIONS

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Residential production was high in the quarter, and the business unit returned a higher profit than last year. Residential sales were lower than in the preceding quarters, both because there were fewer units for sale and as a result of the decline in the housing markets in Oslo and Stockholm.



Veidekke sold a total of 187 residential units in the third quarter. The company's share of the sales was 147 units, which is a decrease from 355 in the previous quarter and 286 in the third quarter last year. The decrease reflects the lower supply of homes due to the high sales ratio in projects under construction and few new projects in the market. In addition, the residential markets in Oslo and Stockholm have slowed down.

Profit before tax was NOK 141 million in the third quarter, compared with NOK 123 million for the corresponding quarter of 2016. The increase is due to higher residential production.

The number of residential units under construction declined somewhat from the previous quarter, but was 22 % higher than on the same date the previous year. At the close of the quarter, there were 3,366 residential units under construction, of which

Veidekke's share was 2,620. The sales ratio for residential units under construction was high at 86%. At the end of the quarter, Veidekke had a total land bank that is expected to yield 17,500 residential units, of which the company's share was 14,150. Capital invested in property development operations at 30 September totalled NOK 4.2 billion. Return on invested capital over the last 12 months was 21.4%.

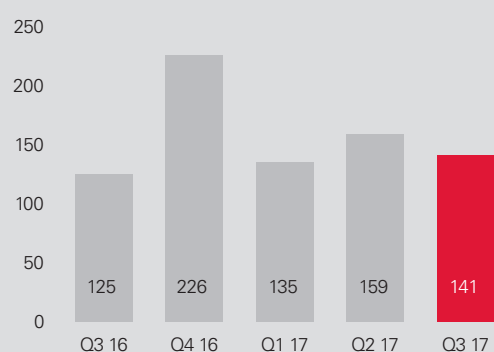
Veidekke Eiendom and R. Kjeldsberg AS have jointly (50/50) developed the Lysgården project – a new, high-tech, environmentally certified office building in Trondheim. The building will also include Veidekke's regional offices. Veidekke Entreprenør will be responsible for construction.

## PROPERTY DEVELOPMENT OPERATIONS

NOK million	Q3 2017	Q3 2016 <sup>1)</sup>	At 30.9 2017	At 30.9 2016	2016 <sup>1)</sup>
Revenue	684	454	2 593	1 868	3 202
Profit before tax	141	125	435	340	567
Capital invested	4 231	3 272	4 231	3 272	3 115

### PROFIT BEFORE TAX <sup>1)</sup>

NOK MILLION



### RETURN ON INVESTED CAPITAL, 12-MONTH ROLLING<sup>2)</sup>

PER CENT



## KEY FIGURES RESIDENTIAL UNITS, VEIDEKKE'S SHARE

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	2016	Last 12M
Number of units sold	147	355	295	297	286	1 397	1 094
Norway	46	88	70	83	84	433	287
Sweden	96	259	211	206	135	889	772
Denmark <sup>3)</sup>	5	8	14	8	67	75	35
Construction starts	127	656	228	407	115	1 405	1 418
Norway	108	9	58	30	40	342	205
Sweden	19	647	170	262	75	948	1 098
Denmark <sup>3)</sup>	0	0	0	115	0	115	115
Number of units under construction	2 620	2 890	2 393	2 422	2 146	2 422	
Norway	640	546	601	600	649	600	
Sweden	1 865	2 229	1 677	1 707	1 497	1 707	
Denmark <sup>3)</sup>	115	115	115	115	0	115	
Sales ratio, units under construction (%)	86	86	91	91	93	91	
Norway	90	89	89	86	86	86	
Sweden	85	85	91	94	96	94	
Denmark	89	84	74	65			
Land bank	14 150	13 700	13 650	13 550	13 250	13 550	
Norway	5 550	5 400	5 500	5 250	4 900	5 250	
Sweden	8 600	8 300	8 150	8 300	8 350	8 300	

1) The profit for the third and fourth quarters of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 2.5 and 1.5 million respectively, together NOK 4 million.

2) The return on invested capital is adjusted for taxes in joint ventures and associates.

3) One own-account project in Copenhagen with 115 units. The project is reported in the accounts under Construction Denmark.

## Property Development Norway

NOK million	Q3 2017	Q3 2016	At 30.9 2017	At 30.9 2016	2016
Revenue	112	54	471	190	338
Profit before tax	36	32	120	106	149
No. of units under construction <sup>1)</sup>	640	649	640	649	600
No. of units sold <sup>1)</sup>	46	84	204	350	433

1) Veidekke's Norwegian property development operations primarily take place in joint ventures. The figures in the table illustrate Veidekke's share.

The Norwegian property development operations sold 72 units in the third quarter, of which Veidekke's share was 46. Sales were lower than in the previous quarter and the third quarter of 2016. Sales were affected by a high sales ratio in projects under construction, only one new project coming on to the market, and a downturn in the residential market in Oslo.

Revenue totalled NOK 112 million, compared with NOK 54 million for the same quarter last year. The revenue growth is due to a higher share of wholly-owned projects under construction. However, most of the projects are carried out in partnerships, which do not generate accounting revenue in Veidekke's consolidated financial statements. Profit before tax was NOK 36 million, compared with NOK 30 million for the third quarter of 2016.

At the close of the quarter, the operations in Norway had 640 residential units under construction, up from 546 units in the previous quarter and on par with production at the end of Q3 2016. The sales ratio for projects under construction was 90%. Production started on two projects with a total of 108 units (Veidekke's share) this quarter. The projects are in Sandnes, Oslo and Ski.

The land bank in Norway represents 7,850 residential units, of which Veidekke's share is 70%, distributed among some 40 projects.

Invested capital amounted to NOK 3.0 billion at 30 September 2017. Return on invested capital over the last 12 months was 10.3%.

## Property Development Sweden

NOK million	Q3 2017	Q3 2016	At 30.9 2017	At 30.9 2016	2016
Revenue	572	400	2 121	1 678	2 864
Profit before tax	105	93	316	234	418
No. of units under construction <sup>1)</sup>	1 865	1 497	1 865	1 497	1 707
No. of units sold <sup>1)</sup>	96	135	566	684	889

1) Veidekke's share.

The Swedish property development operations sold 115 units in the third quarter, of which Veidekke's share was 96. Sales were lower than in the previous quarter and the corresponding period last year. The sales ratio in projects under construction is high, and few new homes have been released for sale. In addition, house buyers in Stockholm are more hesitant than previously. One project in Stockholm with 90 units was listed for sale in the quarter.

Revenue in the third quarter totalled NOK 572 million, compared with NOK 400 million in the third quarter of last year. Profit before tax increased to NOK 105 million, from NOK 93 million in the third quarter of 2016. The increase in both profit and revenue compared with last year is attributable to higher residential production.

At the end of the quarter, the Swedish operations had 1,865 units under construction, which is 16% lower than in the previous quarter, but 25% higher than in the third quarter of 2016. Construction started on one project in Gothenburg with 19 units. The sales ratio for residential units under construction was 85%.

Property Development Sweden had a total land bank that is expected to yield 9,650 units, of which Veidekke's share was 90%, distributed among 100 projects. One site was purchased in Sundbyberg in Stockholm that is expected to yield around 100 residential units.

Invested capital amounted to NOK 1.1 billion at the end of the third quarter, and return on invested capital on a 12-month basis was 54.9%.



LYSGÅRDEN, OFFICE BUILDING IN TRONDHEIM



BARKARBY, STOCKHOLM



KAPELLGÅRDET, UPPSALA



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## INDUSTRIAL

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All three business areas had a high level of activity in the third quarter. The growth in both revenue and profit is due to the high activity levels and good profitability in asphalt operations.



Revenue in the third quarter was NOK 1.7 billion, up from NOK 1.4 billion for the corresponding quarter last year. The growth compared with last year was in asphalt operations and reflects an increase in the amount of work for the Norwegian Public Roads Administration and a good civil engineering market.

Profit before tax was NOK 218 million, compared with NOK 183 million for the third quarter of 2016. The profit margin for the quarter was 12.8%, which is at the same level as last year.

The profit growth in the quarter is attributable to increased revenue in Asphalt. The profit also includes non-recurring effects from the acquisition of businesses and costs related to the closing down of an asphalt factory. This had a positive net effect on Industrial's profit of NOK 10 million.

Road Maintenance is currently being restructured and reported weak results for the quarter. Project write-downs

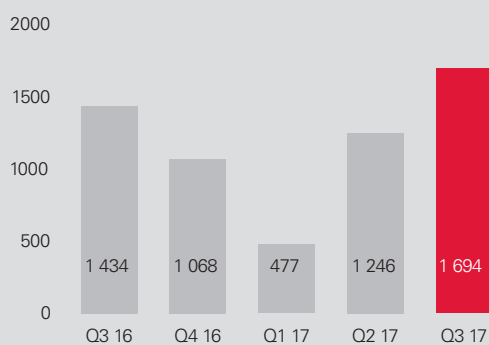
and costs linked to winding up operations had a negative effect on the profit of NOK 39 million. However, the new maintenance contracts have good profitability. At the end of the quarter, the project portfolio comprised 21 maintenance contracts. Two new contracts, both renewals of existing contracts, came into effect, and five contracts expired this quarter. Road Maintenance had an order backlog of NOK 1.0 billion for the next 18 months, compared with NOK 1.1 billion at the same time last year.

Aggregates had revenue on par with the third quarter of last year, but had higher profit and margin, compared with the corresponding period last year.

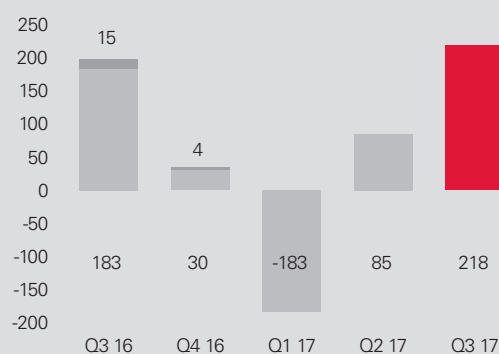
## INDUSTRIAL

NOK million	Q3 2017	Q3 2016 <sup>1)</sup>	At 30.9 2017	At 30.9 2016	2016 <sup>1)</sup>
Revenue	1 694	1 434	3 417	3 095	4 162
Profit before tax	218	198	119	103	136
Profit margin (%)	12.8	13.8	3.5	3.3	3.3
Order backlog	1 011	1 066	1 011	1 066	1 035

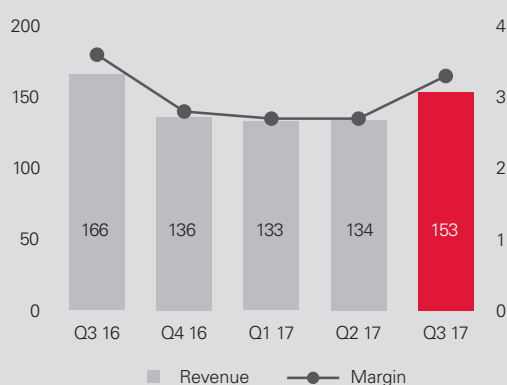
### REVENUE NOK MILLION



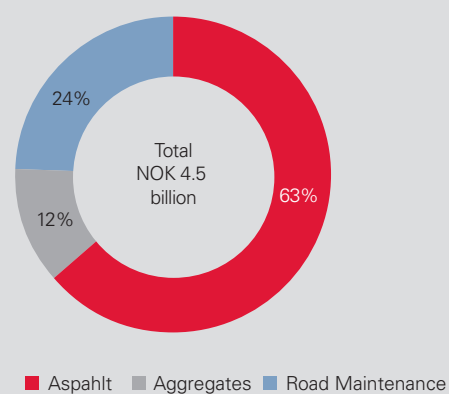
### PROFIT BEFORE TAX <sup>1)</sup> NOK MILLION



### REVENUE AND MARGIN, 12-MONTH ROLLING <sup>2)</sup> NOK BILLION



### REVENUE BY BUSINESS AREA, LAST 12 MONTHS



1) The profit for the third and fourth quarters of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 15 and 4 million respectively, together NOK 19 million.

# OCCUPATIONAL HEALTH AND SAFETY

Veidekke's targeted work on awareness-raising and prevention to avoid injuries has yielded results. The number of serious injuries in the past 12 months has been reduced by 65%.

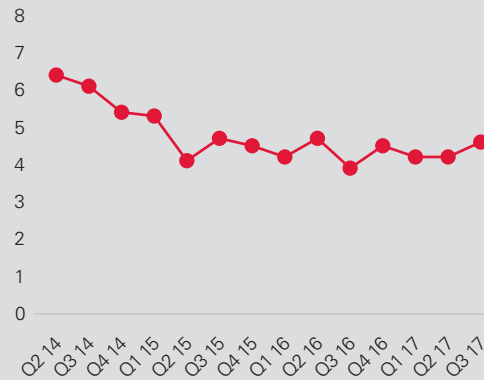
There were 69 injuries in the third quarter, of which two were serious. This is up from 58 in the previous quarter, but down from 88 injuries in the corresponding quarter of 2016. Figures for the last 12 months show a 65% decrease in the number of serious injuries and a 16% decrease in the total number of injuries, compared with the previous 12-month period.

The lost-time injury rate (number of injuries with absence per million hours worked) for the third quarter was 4.6, up from 4.2 in the previous quarter and from 3.9 in Q3 2016.

Sickness absence was 3.6%, which is at the same level as in the previous quarter, but up slightly from the corresponding quarter of 2016, when it was 3.2%.

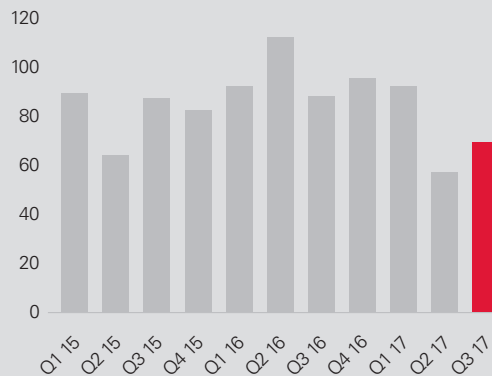
Awareness campaigns and preventive work are important tools to achieve the goal of zero serious injuries and an annual reduction in the total number of injuries of 20%. To this end, Veidekke pools experiences and learning. An experience-sharing project has been initiated to promote transfer of lessons learned and to streamline the process in these areas, and will be an important tool in the work to attain the goals.

LTI RATE



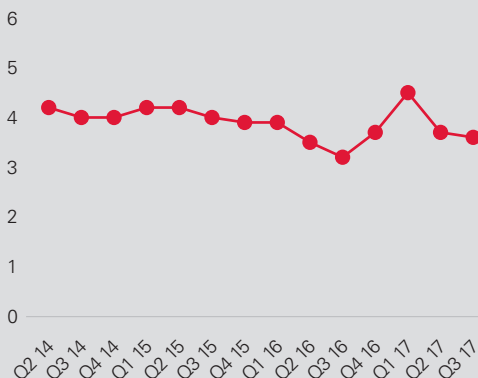
LTI rate: Lost-time injuries per million hours worked, own employees.

TOTAL NUMBER OF INJURIES



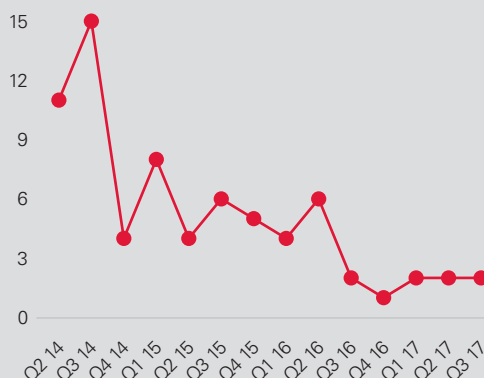
Number of injuries, own employees and subcontractors.

SICKNESS ABSENCE



Sickness absence, own employees.

SERIOUS INJURIES



Number of injuries, own employees and subcontractors.

## 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.

The result for the second quarter was a loss of NOK 21 million, compared with a loss of NOK 9 million for the third quarter of 2016. The change from last year is due to higher intercompany profit eliminations.

## FINANCIAL SITUATION

Net interest-bearing debt was NOK 1.6 billion at the close of the quarter, compared with NOK 0 billion at the beginning of the year and NOK 1.2 billion in the third quarter of 2016.

Cash flow from operating activities was NOK -420 million at the end of September, compared with NOK 558 million for the same period last year. Cash flow year-to-date has been characterised by increased capital tied up in property development operations as a result of increased payments for purchase of sites, combined with the fact that few residential projects have been completed and handed over, and increased trade receivables in civil engineering operations in Norway and Industrial.

Veidekke's financial position is regarded as good, and the Group has considerable financial capacity. The Group has a borrowing facility of NOK 3.6 billion with DNB. At the close of the quarter, unused borrowing facilities amounted to NOK 2.8 billion. In addition to the borrowing facilities, Veidekke has a bond loan of NOK 750 million that matures in June 2018 and two commercial paper loans totalling NOK 500 million, which mature in December 2017.

## SHAREHOLDER INFORMATION

Largest shareholders at 30 September 2017	Ownership share in %
OBOS BBL	17.8
FOLKETRYGDFONDET	11.6
IF SKADEFORSÄKRING AB	6.9
HANDELSBANKEN NORDEN SELEKTIV	2.7
VERDIPAPIRFONDET DNB NORGE (IV)	2.6
MUST INVEST AS	2.1
DANSKE INVEST NORSKE INSTIT. II.	2.1
MP PENSJON PK	2.0
MORGAN STANLEY & CO. INT. PLC. (NOM)	1.4
ODIN NORGE	1.3
Foreign shareholders	23.8
Employees, total ownership	15.2

A total of 6.4 million Veidekke shares were traded in the third quarter 2017. The share price ranged from NOK 94.00 to NOK 109.00, and was NOK 99.75 at 30 September 2017.

## RELATED PARTY TRANSACTIONS

Veidekke has ongoing transactions with related parties during the course of its ordinary operations, including contracts for the development of specific projects. There were no significant related party transactions in the third quarter of 2017 beyond this.

## RISKS

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 is of crucial importance. Veidekke analyses and assesses risk at the tendering stage, and risk is followed up closely throughout the execution phase.

Correct expertise is an important success factor for good operational efficiency and project execution. To ensure that the Group has sound and updated knowledge, Veidekke invests significant resources in skills development for employees through its internal courses and training programmes and continuously works on recruitment throughout the Group.

Transport infrastructure projects are challenging and allow different interpretations of what constitutes proper fulfilment of the contract. As a result, disagreement may arise about the final settlement between the contractor and the contracting client. At the end of the quarter, Veidekke had several unresolved final settlements related to transport infrastructure projects. Outstanding claims after deductions for recognised provisions and uncertain project revenues were in the range of NOK 400 million as at 30 September 2017. The outcome of the individual disputes, positive or negative, may have an effect on the profit.

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 a sales ratio of 50% has been achieved. Consequently, slow residential sales may delay residential projects. The sales ratio for residential units under construction was 86% as at 30 September 2017.

Veidekke is primarily exposed to financial risks related to trade receivables and interest-bearing liabilities. These risks are classified as credit, market and liquidity risks. For a more detailed description of the company's financial risk, see note 28 in Veidekke's 2016 Annual Report.

## MARKET OUTLOOK

	NORWAY			SWEDEN			DENMARK		
	2016 <sup>1)</sup> NOK bn	2017 <sup>2)</sup> Growth	2018 <sup>2)</sup> Growth	2016 <sup>1)</sup> NOK bn	2017 <sup>2)</sup> Growth	2018 <sup>2)</sup> Growth	2016 <sup>1)</sup> NOK bn	2017 <sup>2)</sup> Growth	2018 <sup>2)</sup> Growth
Homes	139	9%	3%	166	18%	5 %	82	17 %	13 %
Commercial buildings	59	3%	5%	84	7%	9 %	27	8 %	10 %
Public buildings	36	-1%	0%	44	7%	9 %	28	-1 %	-1 %
Civil engineering	78	7%	7%	81	10%	5 %	51	-5 %	3 %
Total construction and civil engineering	312	7%	4%	375	13%	6 %	188	7 %	8 %

1) Source: Statistics Norway

2) Veidekke's prognosis

### NORWAY

The outlook for the construction and civil engineering market is good, but there are still significant regional differences with a lower level of activity in southern and western Norway. Investments in the construction and civil engineering market are expected to remain at a high level next year too, but growth will slow down. Forecasts indicate strong growth in residential investments this year, but falling house prices and the decline in sales of new homes will lead to decreasing growth in 2018. The growth in investments in commercial buildings has been higher than expected in 2017, resulting in upward adjustment of the growth forecasts for next year. By contrast, investments in public buildings have decreased, and lower investments are expected both this year and next year. The high level of activity in the civil engineering market will continue, driven by major road projects and investments in water and sewage plants.

### SWEDEN

The forecasts for the Swedish construction and civil engineering market have been adjusted upwards for the current year, as has expected growth in residential investments. However, sales of new homes are slower than in the record year 2016, meaning fewer new housing starts and slower growth in residential investments in 2018. The non-residential market is expected to remain stable with a good rate of growth, especially in commercial buildings. The growth forecasts for the civil engineering market has been adjusted upwards by 10% in 2017, primarily driven by major road projects. Growth is expected to continue in 2018, but mainly as a result of increased investments in segments such as energy, water and sewage, and industrial facilities.

### DENMARK

The Danish economy is on the mend. High growth is expected in the construction and civil engineering market going forwards, primarily driven by strong growth in residential investments. Substantial growth is also expected in commercial buildings, which is Veidekke's main market in Denmark, especially from 2018. The vacancy rate for offices and wholesale and retail trade is falling and has reached the lowest level since before the financial crisis. The growth projections for public buildings and the civil engineering sector show a weak development this year, but from 2018 investments are expected to increase in these segments too.



Oslo, 8 November 2017  
The Board of Directors of Veidekke ASA

Martin Mæland  
*Chair*

Per Otto Dyb  
Deputy chair

Gro Bakstad

Ingalill Berglund

Ann-Christin Andersen

Hans von Uthmann

Ingolv Høyland

Inge Ramsdal

Odd Andre Olsen

Arve Fludal

Arne Giske  
*President and CEO*

## INCOME STATEMENT

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
Revenue	7 461	7 045	21 663	20 489	28 613
Operating expenses	-6 980	-6 467	-20 706	-19 515	-27 284
Share of net income from joint ventures	71	39	162	135	190
<b>Operating profit before depreciation (EBITDA)</b>	<b>552</b>	<b>618</b>	<b>1 119</b>	<b>1 109</b>	<b>1 520</b>
Impairment of non-current assets	-	-	-	-	-
Depreciation	-131	-119	-380	-337	-466
<b>Operating profit (EBIT)</b>	<b>421</b>	<b>500</b>	<b>739</b>	<b>771</b>	<b>1 053</b>
Financial income	8	16	43	73	98
Financial costs	-15	-17	-45	-43	-60
<b>Profit before tax</b>	<b>414</b>	<b>499</b>	<b>738</b>	<b>801</b>	<b>1 092</b>
Income tax expense	-54	-80	-111	-140	-170
<b>Profit after tax</b>	<b>360</b>	<b>419</b>	<b>627</b>	<b>661</b>	<b>922</b>
Of which non-controlling interests	8	2	22	26	35
Earnings per share (NOK) <sup>1)</sup>	2.6	3.1	4.5	4.7	6.6

1) No dilutive effect.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>Profit after tax</b>	<b>360</b>	<b>419</b>	<b>627</b>	<b>661</b>	<b>922</b>
Revaluation of pensions	-	-	-	-	4
Net items that will not be reclassified subsequently to profit or loss	-	-	-	-	4
Currency translation differences	-22	-65	45	-134	-102
Fair value adjustment of financial assets	-26	-	-23	-2	8
Net items that may be reclassified subsequently to profit or loss	-49	-65	22	-136	-93
<b>Total comprehensive income</b>	<b>311</b>	<b>354</b>	<b>649</b>	<b>525</b>	<b>832</b>
of which non-controlling interests	7	-	23	23	31

## STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER

Figures in NOK million	30.09.2017	30.09.2016	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	1 314	1 244	1 248
Other intangible assets	146	128	136
Deferred tax assets	65	65	65
Land and buildings	591	550	560
Plant and machinery	2 159	1 903	1 954
Investments in joint ventures	1 278	1 260	1 363
Financial assets	436	547	649
<b>Total non-current assets</b>	<b>5 990</b>	<b>5 697</b>	<b>5 975</b>
<b>Current assets</b>			
Residential projects	6 399	4 165	4 877
Inventories	538	369	455
Trade and other receivables	6 926	6 523	5 494
Cash and cash equivalents	317	337	644
<b>Total current assets</b>	<b>14 181</b>	<b>11 394</b>	<b>11 470</b>
<b>Total assets</b>	<b>20 171</b>	<b>17 091</b>	<b>17 445</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	67	67	67
Other equity	3 185	2 942	3 219
Non-controlling interests	167	171	179
<b>Total equity</b>	<b>3 419</b>	<b>3 180</b>	<b>3 465</b>
<b>Non-current liabilities</b>			
Pensions and deferred tax liabilities	861	825	877
Bonds	-	750	750
Amounts due to credit institutions	870	994	212
Other non-current liabilities	152	138	136
<b>Total non-current liabilities</b>	<b>1 883</b>	<b>2 708</b>	<b>1 975</b>
<b>Current liabilities</b>			
Certificate debt and debt to credit institutions	538	67	44
Bonds	750	-	-
Trade payables and warranty provisions	5 745	5 173	5 097
Public duties and taxes payable	1 253	1 168	784
Other current liabilities	6 584	4 794	6 080
<b>Total current liabilities</b>	<b>14 869</b>	<b>11 203</b>	<b>12 005</b>
<b>Total equity and liabilities</b>	<b>20 171</b>	<b>17 091</b>	<b>17 445</b>

## STATEMENT OF CASH FLOWS

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
Profit before tax	414	499	738	801	1 092
Tax paid	-1	-11	-30	-42	-79
Depreciation/impairment	131	119	380	337	466
Other operational items	-852	-68	-1 508	-538	402
<b>Cash flow from operating activities</b>	<b>-307</b>	<b>538</b>	<b>-420</b>	<b>558</b>	<b>1 880</b>
Acquisition/disposal of property, plant and equipment	-211	-136	-518	-494	-659
Other investing activities	-114	-79	-202	-320	-341
Change in interest-bearing receivables	168	17	154	10	-
<b>Cash flow from investing activities</b>	<b>-157</b>	<b>-198</b>	<b>-565</b>	<b>-804</b>	<b>-1 000</b>
Change in interest-bearing liabilities	390	-423	1 296	787	-20
Dividend paid	-	-	-602	-535	-535
Change other non-current liabilities	6	-	18	-	3
Other financial items	-21	11	-63	-58	-74
<b>Cash flow from financing activities</b>	<b>376</b>	<b>-412</b>	<b>650</b>	<b>194</b>	<b>-627</b>
<b>Change in cash and cash equivalents</b>	<b>-89</b>	<b>-72</b>	<b>-336</b>	<b>-52</b>	<b>253</b>
Cash and cash equivalents, start of period	412	415	644	402	402
Exchange rate adjustment foreign cash balances	-6	-6	9	-14	-12
Cash and cash equivalents, end of period	317	337	317	337	644

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## NET INTEREST-BEARING POSITION

Figures in NOK million	30.09.2017	30.09.2016	31.12.2016
Cash and cash equivalents	317	337	644
Interest-bearing assets (long-term)	208	292	363
Interest-bearing liabilities	-2 158	-1 812	-1 007
Net interest-bearing position	-1 632	-1 183	0
Change in net interest-bearing position (from 1 Jan)	-1 633	-578	606

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## OTHER KEY FIGURES

	30.09.2017	30.09.2016	31.12.2016
Order backlog (NOK million)	31 792	25 251	24 404
Equity ratio (%)	17	19	20
Number of employees	7 681	7 393	7 399



## BUSINESS SEGMENTS

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>CONSTRUCTION (specification page 27)</b>					
Revenue	6 052	5 858	18 385	17 680	24 629
Operating expenses	-5 796	-5 501	-17 680	-16 873	-23 587
Share of net income from joint ventures	-1	-3	3	4	16
Depreciation/impairment	-79	-74	-233	-212	-295
<b>Operating profit (EBIT)</b>	<b>176</b>	<b>281</b>	<b>475</b>	<b>599</b>	<b>763</b>
Net financial items	9	2	29	19	41
<b>Profit before tax (EBT)</b>	<b>185</b>	<b>283</b>	<b>504</b>	<b>619</b>	<b>804</b>
<b>Total assets, segment</b>	<b>11 216</b>	<b>10 393</b>	<b>11 216</b>	<b>10 393</b>	<b>10 682</b>
<b>PROPERTY (specification page 15)</b>					
Revenue	684	454	2 593	1 868	3 202
Operating expenses	-578	-395	-2 314	-1 678	-2 827
Share of net income from joint ventures	45	69	178	157	216
Depreciation/impairment	-	-	-1	-1	-1
<b>Operating profit (EBIT)</b>	<b>151</b>	<b>127</b>	<b>456</b>	<b>347</b>	<b>589</b>
Net financial items	-10	-2	-21	-7	-23
<b>Profit before tax (EBT)</b>	<b>141</b>	<b>125</b>	<b>435</b>	<b>340</b>	<b>567</b>
<b>Total assets, segment</b>	<b>5 989</b>	<b>4 725</b>	<b>5 989</b>	<b>4 725</b>	<b>4 987</b>
<b>INDUSTRIAL</b>					
Revenue	1 694	1 434	3 417	3 095	4 162
Operating expenses	-1 457	-1 199	-3 177	-2 869	-3 860
Share of net income from joint ventures	37	6	35	10	15
Depreciation/impairment	-49	-43	-137	-123	-167
<b>Operating profit (EBIT)</b>	<b>225</b>	<b>198</b>	<b>138</b>	<b>113</b>	<b>151</b>
Net financial items	-7	-	-19	-10	-14
<b>Profit before tax (EBT)</b>	<b>218</b>	<b>198</b>	<b>119</b>	<b>103</b>	<b>136</b>
<b>Total assets, segment</b>	<b>2 993</b>	<b>2 496</b>	<b>2 993</b>	<b>2 496</b>	<b>1 969</b>
<b>OTHER OPERATIONS <sup>1)</sup></b>					
Revenue	-	-	-	-	1
Operating expenses	-24	-14	-73	-83	-108
Share of net income from joint ventures	5	3	15	10	17
Depreciation/impairment	-3	-1	-9	-2	-3
<b>Operating profit (EBIT)</b>	<b>-22</b>	<b>-12</b>	<b>-67</b>	<b>-74</b>	<b>-94</b>
Net financial items	1	-	9	26	33
<b>Profit before tax (EBT)</b>	<b>-21</b>	<b>-12</b>	<b>-58</b>	<b>-49</b>	<b>-61</b>

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>GROUP ELIMINATIONS</b>					
Revenue	-518	-299	-1 628	-1 229	-1 856
Operating expenses	517	302	1 630	1 247	1 870
Share of net income from joint ventures	-	-	-	-	-
Depreciation/impairment	-	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>-1</b>	<b>3</b>	<b>2</b>	<b>18</b>	<b>13</b>
Net financial items	1	-	1	1	1
<b>Profit before tax (EBT)</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>19</b>	<b>14</b>
<b>TOTAL VEIDEKKE GROUP</b>					
<b>SEGMENT ACCOUNTS</b>					
Revenue	7 912	7 447	22 767	21 413	30 137
Operating expenses	-7 337	-6 806	-21 613	-20 255	-28 512
Share of net income from joint ventures	85	75	231	181	263
Depreciation/impairment	-131	-119	-380	-337	-466
<b>Operating profit (EBIT)</b>	<b>529</b>	<b>598</b>	<b>1 005</b>	<b>1 002</b>	<b>1 422</b>
Net financial items	-7	-1	-1	30	38
<b>Profit before tax (EBT)</b>	<b>523</b>	<b>597</b>	<b>1 004</b>	<b>1 032</b>	<b>1 460</b>
<b>Total assets, segment</b>	<b>17 961</b>	<b>15 505</b>	<b>17 961</b>	<b>15 505</b>	<b>15 484</b>

1) Other operations include the Group's central unassigned costs and net financial items, plus Veidekke's PPP role (Public-Private Partnership).

## RECONCILIATION OF SEGMENT ACCOUNTS AND FINANCIAL ACCOUNTS

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>TOTAL VEIDEKKE GROUP SEGMENT ACCOUNTS</b>					
Revenue	7 912	7 447	22 767	21 413	30 137
Operating expenses	-7 337	-6 806	-21 613	-20 255	-28 512
Share of net income from joint ventures	85	75	231	181	263
Depreciation/impairment	-131	-119	-380	-337	-466
<b>Operating profit (EBIT)</b>	<b>529</b>	<b>598</b>	<b>1 005</b>	<b>1 002</b>	<b>1 422</b>
Net financial items	-7	-1	-1	30	38
<b>Profit before tax (EBT)</b>	<b>523</b>	<b>597</b>	<b>1 004</b>	<b>1 032</b>	<b>1 460</b>
<b>Total assets, segment</b>	<b>17 961</b>	<b>15 505</b>	<b>17 961</b>	<b>15 505</b>	<b>15 484</b>
<b>IFRIC 15 ADJUSTMENTS <sup>1) 2)</sup></b>					
Revenue	-451	-402	-1 103	-925	-1 523
Operating expenses	357	340	907	740	1 228
Share of net income from joint ventures	-15	-36	-70	-46	-73
Depreciation/impairment	-	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>-109</b>	<b>-98</b>	<b>-266</b>	<b>-231</b>	<b>-369</b>
Net financial items	-	-	-	-	-
<b>Profit before tax (EBT)</b>	<b>-109</b>	<b>-98</b>	<b>-266</b>	<b>-231</b>	<b>-369</b>
<b>Total assets</b>	<b>2 210</b>	<b>1 586</b>	<b>2 210</b>	<b>1 586</b>	<b>1 961</b>

1) Under IFRS, income and earnings from completed residential units are not recognised until the date on which the apartment is delivered to the buyer. In the internal monitoring of residential projects, the reporting is on a percentage of completion basis, which means that revenue and expenses are recognised by reference to the project's estimated final outcome x stage of completion x sales ratio.

2) See also the accompanying notes, item 2 Accounting policies.

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>TOTAL VEIDEKKE GROUP</b>					
Revenue	7 461	7 045	21 663	20 489	28 613
Operating expenses	-6 980	-6 467	-20 706	-19 515	-27 284
Share of net income from joint ventures	71	39	162	135	190
Depreciation/impairment	-131	-119	-380	-337	-466
<b>Operating profit (EBIT)</b>	<b>421</b>	<b>500</b>	<b>739</b>	<b>771</b>	<b>1053</b>
Net financial items	-7	-1	-1	30	38
<b>Profit before tax (EBT)</b>	<b>414</b>	<b>499</b>	<b>738</b>	<b>801</b>	<b>1 092</b>
<b>Total assets, Group</b>	<b>20 171</b>	<b>17 091</b>	<b>20 171</b>	<b>17 091</b>	<b>17 445</b>

## CONSTRUCTION OPERATIONS BY COUNTRY

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>CONSTRUCTION NORWAY</b>					
Revenue	3 475	3 685	10 727	10 903	15 096
Operating expenses	-3 314	-3 418	-10 273	-10 293	-14 322
Share of net income from joint ventures	-	-	-	-	8
Depreciation/impairment	-58	-53	-171	-151	-212
<b>Operating profit (EBIT)</b>	<b>103</b>	<b>214</b>	<b>284</b>	<b>460</b>	<b>570</b>
Net financial items	6	2	25	19	26
<b>Profit before tax (EBT)</b>	<b>109</b>	<b>216</b>	<b>309</b>	<b>479</b>	<b>596</b>
<b>Total assets, segment</b>	<b>7 232</b>	<b>7 184</b>	<b>7 232</b>	<b>7 184</b>	<b>7 195</b>
<b>CONSTRUCTION SWEDEN</b>					
Revenue	2 024	1 714	6 118	5 577	7 819
Operating expenses	-1 961	-1 658	-5 957	-5 455	-7 664
Share of net income from joint ventures	-1	-3	3	4	8
Depreciation/impairment	-19	-18	-56	-54	-72
<b>Operating profit (EBIT)</b>	<b>44</b>	<b>35</b>	<b>109</b>	<b>73</b>	<b>91</b>
Net financial items	2	-1		-3	11
<b>Profit before tax (EBT)</b>	<b>46</b>	<b>35</b>	<b>109</b>	<b>70</b>	<b>102</b>
<b>Total assets, segment</b>	<b>2 790</b>	<b>2 258</b>	<b>2 790</b>	<b>2 258</b>	<b>2 312</b>
<b>CONSTRUCTION DENMARK</b>					
Revenue	552	459	1 539	1 199	1 713
Operating expenses	-520	-425	-1 450	-1 125	-1 601
Share of net income from joint ventures	-	-	-	-	-
Depreciation/impairment	-2	-3	-6	-7	-10
<b>Operating profit (EBIT)</b>	<b>30</b>	<b>31</b>	<b>83</b>	<b>66</b>	<b>102</b>
Net financial items	1	1	3	3	4
<b>Profit before tax (EBT)</b>	<b>31</b>	<b>32</b>	<b>87</b>	<b>69</b>	<b>105</b>
<b>Total assets, segment</b>	<b>1 194</b>	<b>952</b>	<b>1 194</b>	<b>952</b>	<b>1 175</b>
<b>TOTAL CONSTRUCTION</b>					
Revenue	6 052	5 858	18 385	17 680	24 629
Operating expenses	-5 796	-5 501	-17 680	-16 873	-23 587
Share of net income from joint ventures	-1	-3	3	4	16
Depreciation/impairment	-79	-74	-233	-212	-295
<b>Operating profit (EBIT)</b>	<b>176</b>	<b>281</b>	<b>475</b>	<b>599</b>	<b>763</b>
Net financial items	9	2	29	19	41
<b>Profit before tax (EBT)</b>	<b>185</b>	<b>283</b>	<b>504</b>	<b>619</b>	<b>804</b>
<b>Total assets, segment</b>	<b>11 216</b>	<b>10 393</b>	<b>11 216</b>	<b>10 393</b>	<b>10 682</b>

## PROPERTY DEVELOPMENT BY COUNTRY

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>PROPERTY DEVELOPMENT NORWAY</b>					
Revenue	112	54	471	190	338
Operating expenses	-101	-70	-453	-215	-349
Share of net income from joint ventures	36	51	126	139	185
Depreciation/impairment	-	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>47</b>	<b>35</b>	<b>144</b>	<b>114</b>	<b>174</b>
Net financial items	-11	-3	-24	-8	-25
<b>Profit before tax (EBT)</b>	<b>36</b>	<b>32</b>	<b>120</b>	<b>106</b>	<b>149</b>
<b>Total assets, segment</b>	<b>3 423</b>	<b>2 446</b>	<b>3 423</b>	<b>2 446</b>	<b>2 639</b>
<b>PROPERTY DEVELOPMENT SWEDEN</b>					
Revenue	572	400	2 121	1 678	2 864
Operating expenses	-477	-325	-1 861	-1 463	-2 478
Share of net income from joint ventures	9	17	52	17	30
Depreciation/impairment	-	-	-1	-	-1
<b>Operating profit (EBIT)</b>	<b>104</b>	<b>92</b>	<b>312</b>	<b>233</b>	<b>416</b>
Net financial items	1	1	3	2	3
<b>Profit before tax (EBT)</b>	<b>105</b>	<b>93</b>	<b>316</b>	<b>234</b>	<b>418</b>
<b>Total assets, segment</b>	<b>2 566</b>	<b>2 279</b>	<b>2 566</b>	<b>2 279</b>	<b>2 348</b>
<b>TOTAL PROPERTY DEVELOPMENT</b>					
Revenue	684	454	2 593	1 868	3 202
Operating expenses	-578	-395	-2 314	-1 678	-2 827
Share of net income from joint ventures	45	69	178	157	216
Depreciation/impairment	-	-	-1	-1	-1
<b>Operating profit (EBIT)</b>	<b>151</b>	<b>127</b>	<b>456</b>	<b>347</b>	<b>589</b>
Net financial items	-10	-2	-21	-7	-23
<b>Profit before tax (EBT)</b>	<b>141</b>	<b>125</b>	<b>435</b>	<b>340</b>	<b>567</b>
<b>Total assets, segment</b>	<b>5 989</b>	<b>4 725</b>	<b>5 989</b>	<b>4 725</b>	<b>4 987</b>

## STATEMENT OF CHANGES IN EQUITY

Figures in NOK million	EQUITY HOLDERS OF VEIDEKKE ASA					MINORITY		
	Share capital	Other paid-in capital <sup>1)</sup>	Currency translation differences	Other retained earnings	Fair value adjust-ment <sup>2)</sup>	Total	Non-controlling interests	Total
<b>Equity at 1 January 2016</b>	<b>67</b>	<b>305</b>	<b>122</b>	<b>2 674</b>	<b>-94</b>	<b>3 073</b>	<b>145</b>	<b>3 218</b>
Profit for the period	-	-	-	635	-	635	26	661
Other comprehensive income	-	-	-130	-	-2	-133	-3	-136
IFRS 2 - share-based transactions employees	-	-	-	-11	-	-11	-	-11
Options, non-controlling interests	-	-	-	-20	-	-20	-	-20
Additions, aquisition of operations, non-controlling interests	-	-	-	-	-	-	20	20
Changes in non-controlling interests	-	-	-	-	-	-	-1	-1
Dividend	-	-	-	-535	-	-535	-16	-551
<b>Equity at 30 September 2016</b>	<b>67</b>	<b>305</b>	<b>-9</b>	<b>2 742</b>	<b>-96</b>	<b>3 009</b>	<b>171</b>	<b>3 180</b>
<b>Equity at 1 January 2017</b>	<b>67</b>	<b>305</b>	<b>24</b>	<b>2 976</b>	<b>-86</b>	<b>3 286</b>	<b>179</b>	<b>3 465</b>
Profit for the period	-	-	-	605	-	605	22	627
Other comprehensive income	-	-	43	-	-23	21	1	22
IFRS 2 - share-based transactions employees	-	-	-	-10	-	-10	-	-10
Transactions, non-controlling interests	-	-	-	-48	-	-48	-16	-64
Dividend	-	-	-	-602	-	-602	-19	-621
<b>Equity at 30 September 2017</b>	<b>67</b>	<b>305</b>	<b>67</b>	<b>2 921</b>	<b>-108</b>	<b>3 252</b>	<b>167</b>	<b>3 419</b>

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

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

There have been no purchases of own shares in 2017.



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## NOTE 1. GENERAL INFORMATION

Veidekke is a Scandinavian construction and property development company headquartered in Oslo. The consolidated accounts for Q3 2017 include Veidekke ASA and its subsidiaries and the Group's investments in associates and joint ventures. At the

end of Q3 2017, the Group comprised essentially the same entities as described in the 2016 annual report. The interim financial statements are unaudited.

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## NOTE 2. ACCOUNTING POLICIES

The Group presents its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The quarterly accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and are in line with the Stock Exchange Rules.

The quarterly accounts have been prepared using the same accounting policies as in the annual accounts for 2016.

The interpretation IFRIC 15 deals with the sale of completed residential units and plays a significant role in clarifying the Group's accounting. There are no changes in the accounting treatment of this area compared with previous years. The interpretation clarifies whether an arrangement comes under the scope of construction contracts (IAS 11) or sale of goods (IAS 18). The interpretation also clarifies when revenue and profit from property development projects are recognised in

the accounts. This means that revenue and profit from the sale of completed residential units are recognised when a unit is contractually delivered to the buyer.

In its segment reporting, Veidekke recognises revenue on a percentage of completion basis, by reference to the project's estimated final outcome, stage of completion and sales rate. This is done to provide as correct a picture as possible of current value creation in the area of residential development and to ensure conformity with the Group's internal management reporting.

The interim financial statements do not include all the disclosures required in a full annual report and should therefore be read in connection with the Group's 2016 annual report, which is available online at [veidekke.com/en](http://veidekke.com/en).

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## NOTE 3. SEGMENT REPORTING

The Group consists of three segments: Construction, Property Development and Industrial. The segment results for Q3 2017 are presented in the table on page 24.

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## NOTE 4. ESTIMATES

Construction and property development projects represent a large part of Veidekke's operations. Accounting for project activities is largely based on estimates. Significant judgements

used in applying the Group's accounting policies and the main sources of estimate uncertainty at the end of Q3 2017 are unchanged from those in the 2016 annual report.

## NOTE 5. OPERATIONS WITH SIGNIFICANT SEASONAL FLUCTUATIONS

The Group's asphalt and aggregates operations, which are reported under the Industrial business area, are subject to seasonal fluctuations as a result of climatic conditions. Most production takes place between May and October, and the majority of the revenues from operations accrue during these months. However, expenses related to administrative staff,

maintenance of production equipment and depreciation are spread over the full year. This means that there will normally be significant fluctuations in the quarterly accounts for Veidekke's industrial operations.

Figures in NOK million	12-month rolling at 30.09.2017	12-month rolling at 30.09.2016	2016
<b>INDUSTRIAL <sup>1)</sup></b>			
Revenue	4 485	4 204	4 162
Profit before tax	153	167	136
<b>GROUP <sup>1)</sup></b>			
Revenue	31 490	28 745	30 137
Profit before tax	1 432	1 408	1 460

1) The figures are taken from the segment accounts.

## NOTE 6. NON-CURRENTS ASSETS

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS</b>					
Carrying amount at start of period	2 752	2 577	2 651	2 349	2 349
Additions	234	145	565	526	718
Additions from acquisitions of operations	66	3	82	101	118
Depreciation and amortisation	-131	-119	-380	-337	-466
Currency translation differences etc.	-8	-21	12	-43	-36
Disposals of non-current assets	-17	-5	-35	-14	-32
Carrying amount at end of period	2 895	2 580	2 895	2 580	2 651
Other intangible assets	146	128	146	128	136
Land and buildings	591	550	591	550	560
Plant and machinery	2 159	1 903	2 159	1 903	1 954
Carrying amount at end of period	2 895	2 580	2 895	2 580	2 651

Figures in NOK million	Q3 2017	Q3 2016	At 30.9.2017	At 30.9.2016	2016
<b>GOODWILL</b>					
Carrying amount at start of period	1 272	1 216	1 248	1 151	1 151
Additions	51	56	51	146	140
Impairment	-	-	-	-	-
Currency translation differences	-10	-27	15	-53	-42
Disposals	-	-	-	-	-
Carrying amount at end of period	1 314	1 244	1 314	1 244	1 248

## NOTE 7. RESIDENTIAL PROJECTS

Figures in NOK million	Q3 2017	Q3 2016	2016
Units under construction	3 534	1 853	2 423
Completed units for sale	30	53	32
Residential sites for development	2 822	2 250	2 410
Non-residential projects	13	9	12
<b>Total residential projects</b>	<b>6 399</b>	<b>4 165</b>	<b>4 877</b>
<b>Residential projects in joint ventures</b>	<b>1 070</b>	<b>1 061</b>	<b>1 155</b>
Units under construction <sup>1)</sup>	2 620	2 146	2 422
Sale rate, units under construction <sup>1)</sup>	86%	93%	91%
Unsold, completed units <sup>1)</sup>	13	24	20

1) Including Veidekke's share in joint ventures.

## NOTE 8. ACQUISITIONS, SALES OF OPERATIONS

In the third quarter of 2017, Entreprenør Norge AS purchased the remaining 20% of the shares in Kynningsrud Fundamentering AS, a nationwide supplier of piling and sheet piling works. The company had revenues of NOK 529 million and profit before tax of NOK 47 million in 2016. The purchase price for the shares was NOK 59 million.

In the third quarter 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 the county of Nordland in northern Norway. The company had revenues of NOK 90 million and profit before tax of NOK 18 million in 2016. The purchase price for the shares was NOK 60 million. NOK 51 million has been allocated to goodwill in connection with this business combination. The purchase price allocation is preliminary. As a result of this transaction, the original ownership share will be recognised at fair value, generating a gain in the financial statements of NOK 20 million.

## NOTE 9. SPECIAL ITEMS

Property Development Norway sold several minor development projects in Q2 2017, which together generated a gain in the financial statements of NOK 27 million.

## NOTE 10. FINANCIAL INSTRUMENTS

There were no significant changes relating to financial risk or the Group's use of financial instruments during the period. Further details can be found in the 2016 Annual Report.

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## NOTE 11. BOND DEBT

Veidekke has a five-year bond loan of NOK 750 million, which matures in June 2018. Since it is less than one year until maturity, the bond loan was reclassified from a long-term to a current liability on the balance sheet in the second quarter of 2017.

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## NOTE 12. DIVIDEND

A dividend of NOK 4.5 per share, totalling NOK 602 million, was paid for the 2016 financial year. The dividend was adopted by the Annual General Meeting on 10 May 2017 and was recognised in Q2 2017.

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## NOTE 13. COVENANTS ASSOCIATED WITH LOAN AGREEMENTS

On 28 October 2015 Veidekke signed a new five-year loan agreement with DNB ASA, with a credit limit of NOK 3.6 billion. This loan matures on 2 November 2020. At 30 September 2017, unutilised borrowing facilities amounted to NOK 2.8 billion.

The following covenants are associated with the loan agreement with DNB Bank ASA:

1. Net interest-bearing debt divided by EBITDA for the previous four quarters shall not exceed 3.5. At 30 September 2017, the ratio was 1.1.
2. The Group's own projects shall not exceed 75% of the Group's book equity. At 30 September 2017, the share of the Group's own projects was 30%.

### Definitions:

Net interest-bearing debt is the Group's current and non-current interest-bearing liabilities minus the Group's cash and cash equivalents and interest-bearing receivables.

EBITDA is the Group's operating profit plus depreciation and impairment.

Share of own projects is the value of started, unsold homes and commercial buildings in projects implemented under the control of the borrower or another Group company, and is calculated based on the expected sales price, albeit no less than cost price.

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## NOTE 14. EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date that would have any significant effect on the submitted accounts.

## NOTE 15. DEFERRED REVENUE RECOGNITION IN ACCOUNTING FOR SALES OF COMPLETED HOMES UNDER IFRIC 15

The interpretation IFRIC 15, Agreements for the Construction of Real Estate, does not allow entities to recognise revenues and profit from the sale of completed homes until the property has been contractually delivered to the buyer. In its internal

monitoring, Veidekke recognises revenue for these projects on a percentage of completion basis by reference to the project's estimated final outcome, stage of completion and sales ratio. Segment reporting follows these principles.

### EARNED INCOME AND PROFIT FROM RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Figures in NOK million	Q3 2017	Q3 2016	At 30.9 2017	At 30.9 2016
<b>REVENUE</b>				
Accumulated revenue from non-delivered projects at start of period	3 496	1 786	2 710	1 352
+ Revenue from non-delivered projects during the period	620	518	2 429	1 563
- Revenue from delivered projects during the period	-170	-116	-1 326	-639
<b>Net IFRIC 15 adjustments to revenues during the period</b>	<b>451</b>	<b>402</b>	<b>1 103</b>	<b>925</b>
+/- Currency translation differences	-55	-116	78	-205
<b>Accumulated revenue from non-delivered projects at end of period</b>	<b>3 891</b>	<b>2 072</b>	<b>3 891</b>	<b>2 072</b>

Figures in NOK million	Q3 2017	Q3 2016	At 30.9 2017	At 30.9 2016
<b>PROFIT BEFORE TAX</b>				
Accumulated profit before tax from non-delivered projects at start of period	852	447	669	330
+ Profit before tax from non-delivered projects during the period	174	165	629	509
- Profit before tax from delivered projects during the period	-65	-66	-363	-278
<b>Net IFRIC 15 adjustments to profit before tax during the period</b>	<b>109</b>	<b>98</b>	<b>266</b>	<b>231</b>
+/- Currency translation differences	-11	-20	15	-36
<b>Accumulated profit before tax from non-delivered projects at end of period</b>	<b>950</b>	<b>525</b>	<b>950</b>	<b>525</b>

At 30 September 2017, revenues of NOK 3 891 million and profit before tax of NOK 950 million had accrued on sold units under construction. These amounts are recognised as revenue in the segment reporting, but under IFRS are not recognised until the homes are handed over.

## NOTE 16. CALCULATION OF RETURN ON CAPITAL INVESTED IN PROPERTY DEVELOPMENT LAST 12 MONTHS

Figures in NOK million	At 30.09.2017					At 30.09.2016
	Average invested capital	Profit before tax	Financial costs <sup>1)</sup>	Taxes in joint ventures	Return	Return
Norway (NOK)	2 584	162	51	52	10.3%	13.5%
Sweden (SEK)	954	520	4	-	54.9%	30.7%
Denmark (DKK)	103	-	1	-	1.1%	1.0%
Currency translation differences	-36	-20	-	-	-	-
<b>Total (NOK)</b>	<b>3 606</b>	<b>662</b>	<b>56</b>	<b>52</b>	<b>21.4%</b>	<b>18.3%</b>

The statement has been prepared on the basis of segment reporting.

1) The item "financial costs" is the year's accrued interest expenses. Interest expenses are classified in the comprehensive income statement under both financial costs and cost of materials (operating expenses).



## NOTE 17. 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.

### 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.

### 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.

### 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.

### Number of unsold units under construction

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

### 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. How many units the sites can be converted into is calculated as a best estimate.

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## INFORMATION ABOUT THE COMPANY

**Veidekke ASA**

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Business registration number: 917103801  
Founded: 1936  
Head office: Skabos vei 4, Skøyen, 0278 Oslo

The Company's articles of association and corporate governance policy are available at:  
<http://veidekke.com/en/corporate-governance/>

**The Board of Directors consists of:**

Martin Mæland (Chair)  
Per Otto Dyb (Deputy chair)  
Gro Bakstad  
Ingalill Berglund  
Ann-Christin Andersen  
Hans von Uthmann  
Ingolv Høyland  
Odd Andre Olsen, employee representative  
Inge Ramsdal, employee representative  
Arve Fludal, employee representative

**Executive Management consists of:**

Arne Giske	President and CEO
Dag Andresen	Executive Vice President, responsible for construction operations in Norway
Jimmy Bengtsson	Executive Vice President, responsible for the Group's operations in Sweden
Jørgen Wiese Porsmyr	Executive Vice President, responsible for Industrial, Property Development Norway and for construction operations in Denmark
Terje Larsen	CFO and Executive Vice President, responsible for Accounting & Finance, IT, Procurement and Strategy
Hege Schøyen Dillner	Executive Vice President, responsible for HR, HSE, Environment and Legal
Lars Erik Lund	Executive Vice President, responsible for Communications and Public Affairs

**Investor Relations:**

Financial Director Jørgen G. Michelet  
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**Financial calendar:**

Fourth quarter: 8 February 2018





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# TOGETHER, WE BUILD 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, maintains public roads and produces asphalt and aggregates. The company is characterised by involvement and local knowledge. Turnover is NOK 30 billion, and half of the 7,400 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](http://veidekke.com/en)

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