



Annual report 2017



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KEY FIGURES ¹⁾

Figures in NOK million	2017	2016 ²⁾	2015	2014	2013
Revenue, segment	31 568	30 137	24 509	23 863	21 191
Profit before tax, segment	1 441	1 460	1 043	967	776
Business area Construction	759	804	644	549	446
Business area Property Development	549	567	306	280	221
Business area Industrial	206	136	190	210	158
Business area Other / elimination	-73	-47	-97	-73	-49
Earnings per share, segment	9.4	9.3	6.5	5.8	4.5
Dividend per share	5.0	4.5	4.0	3.5	3.0
Profit margin, segment (per cent)	4.6	4.8	4.3	4.1	3.7
Revenue, IFRS ³⁾	30 281	28 613	24 225	24 027	21 781
EBITDA, IFRS	1 776	1 520	1 316	1 383	1 002
EBIT, IFRS	1 252	1 053	944	1 045	692
Profit before tax, IFRS	1 259	1 092	950	1 055	718
Earnings per share, IFRS (NOK) ⁴⁾	8.2	6.6	5.7	6.3	4.1
Net interest-bearing debt	764	0	606	-274	396
Total order backlog	32 561	24 404	24 814	16 792	18 273

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 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.

3) 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.

4) 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 2017 Veidekke had revenue of NOK 31.6 billion and 7,700 employees. Veidekke is listed on the Oslo Stock Exchange, and a large proportion 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.

Multi-local strength is generated through our widespread presence in Scandinavia. Veidekke has strong local roots and proximity to customers, at the same time as we have both the size and the expertise to be able to undertake large, complex projects all over Scandinavia.

REVENUE

31.6

NOK BILLION

PROFIT BEFORE TAX

1.4

NOK BILLION

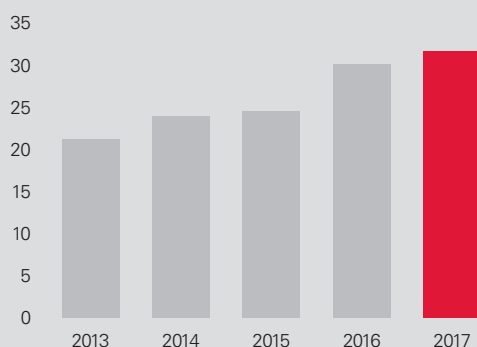
ORDER BACKLOG

32.6

NOK BILLION

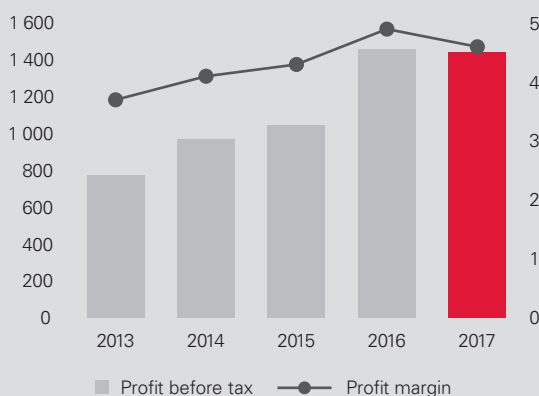
REVENUE

NOK BILLION



PROFIT BEFORE TAX AND PROFIT MARGIN

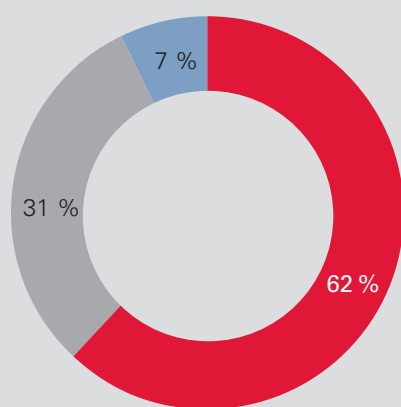
NOK MILLION AND PER CENT



The figures are taken from the segment accounts.

GEOGRAPHICAL DISTRIBUTION

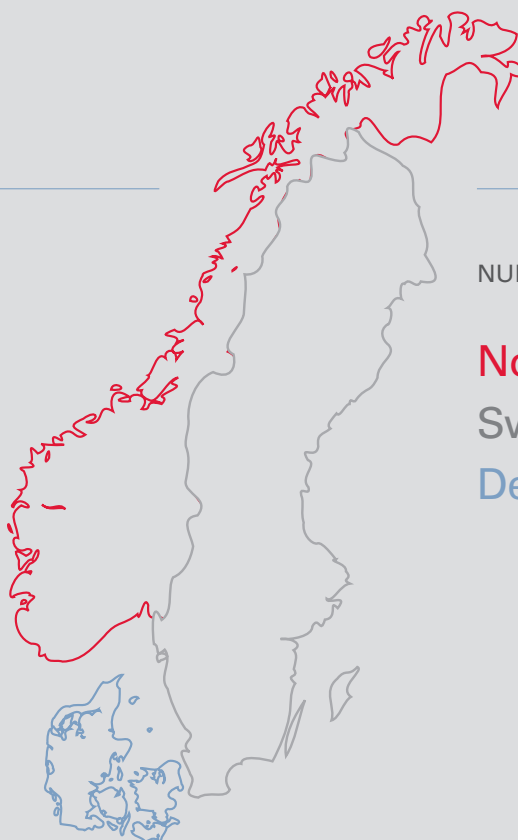
REVENUE BY COUNTRY



■ Norway ■ Sweden ■ Denmark

NUMBER OF EMPLOYEES

Norway	5 331
Sweden	1 863
Denmark	542



SHARE OF REVENUE DISTRIBUTED BY BUSINESS AREA

BUILDING
CONSTRUCTION



51%

CIVIL ENGINEERING



24%

PROPERTY
DEVELOPMENT



10%

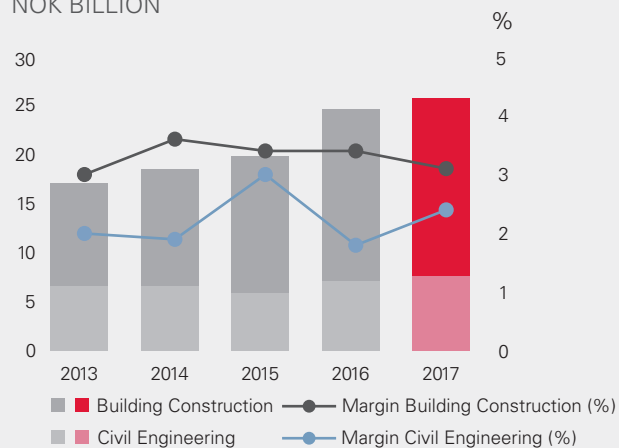
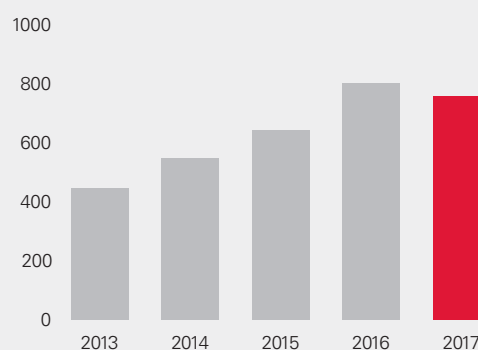
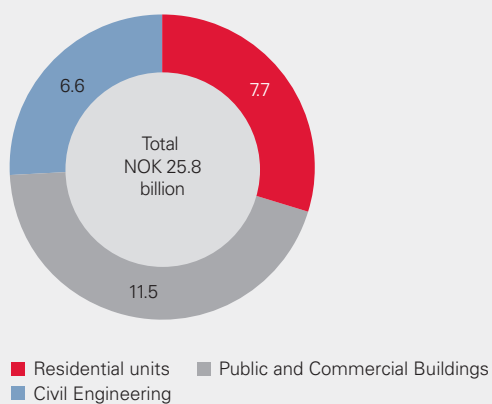
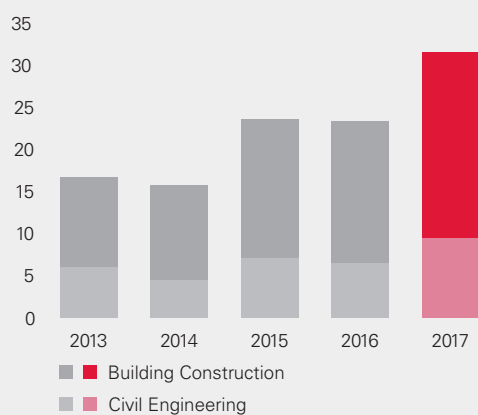
INDUSTRIAL



15%

KEY FIGURES CONSTRUCTION OPERATIONS

NOK million	2017	2016 ¹⁾	2015	2014	2013
Revenue	25 804	24 629	19 795	18 502	16 968
Profit before tax	759	804	644	549	446
Order backlog	31 601	23 368	23 686	15 810	16 728

REVENUE
NOK BILLIONPROFIT BEFORE TAX ¹⁾
NOK MILLIONSHARE OF REVENUE BY SEGMENT
NOK BILLIONORDER BACKLOG
NOK BILLION

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 81 million.

CONSTRUCTION OPERATIONS



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 75% of Veidekke's revenue in 2017.

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 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 70% of the business area Construction's total revenue in 2017.

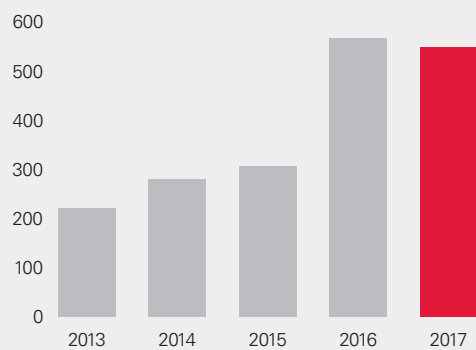
Civil engineering operations accounted for the remaining 30% of the revenue in Veidekke's construction operations in 2017. Transport infrastructure projects (road and rail) and other public infrastructure provide the majority of Civil Engineering's revenue. The portfolio also includes projects in the energy sector and other industrial facilities.

Civil Engineering has seen an increase in both the number of design and build contracts and the size of contracts. This enables Veidekke to make greater use of the combined competencies in the organisation.

KEY FIGURES PROPERTY DEVELOPMENT

NOK million	2017	2016 ¹⁾	2015	2014	2013
Revenue	3 456	3 202	2 126	2 276	1 783
Profit before tax	549	567	306	280	221
Capital invested	4 163	3 115	3 004	3 010	3 224

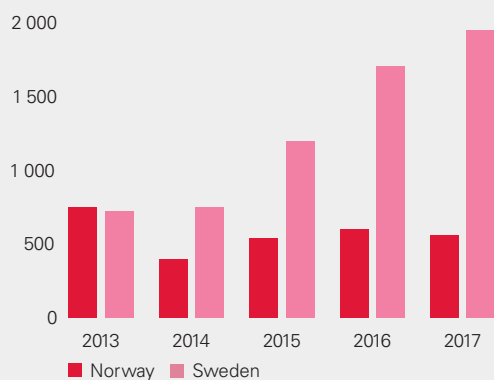
PROFIT BEFORE TAX ¹⁾
NOK MILLION



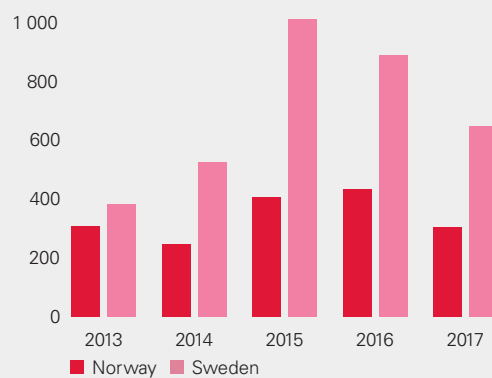
RETURN ON INVESTED CAPITAL, ROLLING
PER CENT



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



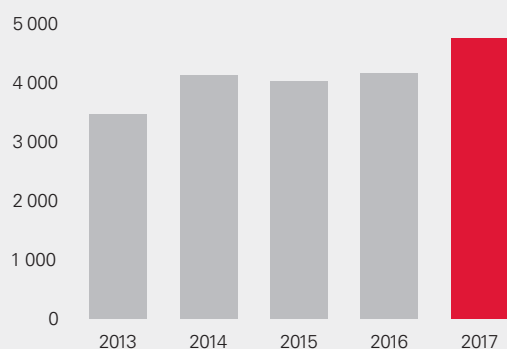
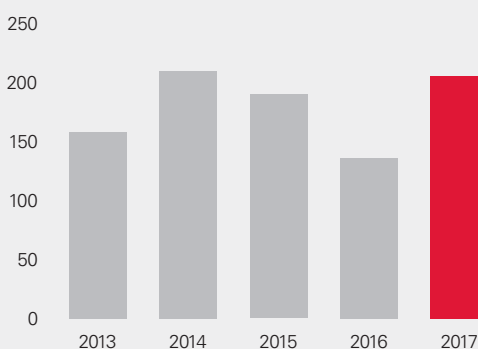
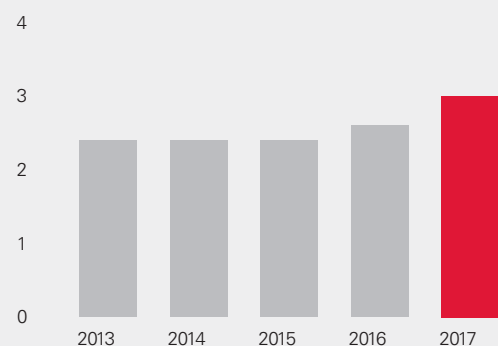
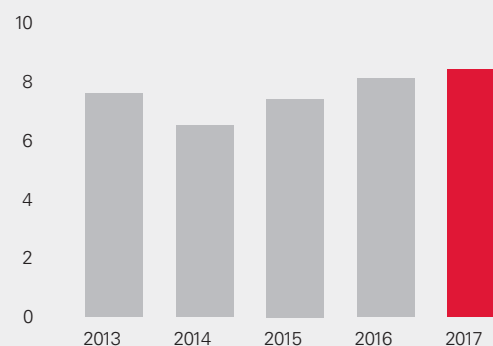
Veidekke's property development operations purchase sites and develop them into residential buildings for sale to end customers, primarily in the largest cities in Norway and Sweden. Veidekke's construction operations are responsible for the construction of the residential buildings and are involved 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 2017 the Group had a land bank that is expected to yield 17,450 residential units: 7,700 in Norway and 9,700 in Sweden.

KEY FIGURES INDUSTRIAL

NOK million	2017 ¹⁾	2016 ²⁾	2015	2014	2013
Revenue	4 761	4 162	4 033	4 127	3 476
Profit before tax	206	136	190	210	158

REVENUE
NOK MILLIONPROFIT BEFORE TAX ^{1) 2)}
NOK MILLIONASPHALT VOLUME
MILLION TONNESAGGREGATES VOLUME
MILLION TONNES

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



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 29 asphalt plants and 28 quarries located across Norway. Some of the asphalt plants are mobile, and more and more of the aggregates plants are switching to eco-friendly energy carriers.

In 2017 Industrial accounted for 15% of Veidekke's total revenue.

Industrial's revenue for the 2017 financial year is distributed between the three business units as follows: Asphalt 64%, Road Maintenance 24% and Aggregates 12%.

OPPORTUNITIES IN A MORE DEMANDING MARKET

Taking stock of 2017, we can once again ascertain that Veidekke is growing and continues to deliver good results, proving that our capacity and expertise mean we are robust in the face of changes in the markets and framework conditions.

There was high activity in the Scandinavian construction and civil engineering market in 2017, and thus also in our operations. As expected, the residential market declined in both Norway and Sweden, after three years of upswing. Residential production is higher than one year ago, and the sales ratio is still high, but we now find ourselves in a more demanding housing market. Although we expect lower sales and fewer project starts going forwards, Veidekke has a good portfolio of projects and sites, providing us with flexibility and affording many opportunities.

At the beginning of 2018, our order backlog was a third higher than one year earlier – and two thirds of this backlog will generate revenue in 2018. The historically high order intake confirms that our customers believe that Veidekke has the expertise, experience and weight required to resolve complex challenges and deliver in accordance with the most stringent specifications.

The market conditions will become more demanding in the future, but we also know that, if we take advantage of our strengths, Veidekke's size and breadth can yield great synergies. In line with the strategy of profitable growth, it will be important to improve profitability in those parts of the business that are not performing according to plan. To achieve this, we will build on our participative approach and exploit our broad competencies and combined capacity even better.

A good example of how Veidekke takes advantage of its positions and breadth of competencies is the project at Hovinmoen near Norway's main international airport Gardermoen. For more than 50 years, we operated aggregate and asphalt activities there. Now the last resources have been extracted, and we have found a new site for this business unit in the area. On the site of the former gravel works, we are now going to develop a business park in collaboration with external players. The transaction made a solid contribution to the 2017 financial statements – and also laid the foundation for additional value creation in the coming years.

Projects within the construction and civil engineering sector are becoming increasingly complex, and both customers and end-users are increasingly attaching importance to sustainability and the environment in products and deliveries. As always, it is our eight thousand employees who are the key to Veidekke's success and good results. Their dedication, expertise and hard work enable Veidekke to create value together with our customers and partners.



The market conditions will become more demanding in the future, but we also know that, if we take advantage of our strengths, Veidekke's size and breadth can yield great synergies.

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

Arne Giske
President and CEO

PROJECTS IN VEIDEKKE

Veidekke is a project organisation, and operations are run through a large number of projects of varying sizes and complexity. The company's primary tasks are therefore obtaining projects and executing them in a safe and secure manner in accordance with the contract and the plan.

Veidekke's project portfolio at any one time consists of a wide variety of unique projects within Veidekke's product segments, which range from homes, schools, cultural buildings and offices to infrastructure such as motorways and railways.

Each project is like a separate "company" and takes an average of 18 months from production start to completion. Although there are similarities between the projects, no two projects are ever identical. For each project, an organisation and production facilities have to be established at the customer's location, and this is the aspect that most clearly distinguishes project activities from industrial production. When a project is handed over to the customer, the production facilities are dismantled, and both the project organisation and the equipment move on to new projects.

Veidekke collaborates closely with customers, architects, consultants, subcontractors and suppliers throughout the project phases. Collaboration creates added value for all the parties, resulting in better solutions, good production flow, and efficient and safe operations.

A variety of different methods and tools are used to ensure optimal project execution. We have developed some of the methods ourselves, and we also collaborate with universities, colleges and technical colleges, at home and abroad, on the development of good concepts and tools. Digitalisation has come a long way in the industry in recent years, and new tools that facilitate the processes are constantly being introduced on Veidekke's construction sites. In addition, for many years Veidekke has attached importance to developing new methods, and not least, has invested heavily in training its own skilled workers:

Participative Planning

Participative Planning is a project progress planning methodology developed by Veidekke on the basis of the Lean Construction principles. Participative Planning means that plans are drawn up jointly by all parties involved. The objective is to minimise delays, avoid adverse events and improve the flow of production.

Participative Planning builds on five main elements:

- Planning is done within both long-term and short-term frameworks.
- Systematic analyses are conducted to identify and avoid any barriers to production.
- Each strategic plan consists of several detailed operational plans.
- Meetings are scheduled to correspond to the project phase.
- There are continuous, systematic risk analyses.

Building Information Modelling (BIM)

Building Information Modelling (BIM) allows projects to be built virtually before they are built in reality. In addition to providing a three-dimensional representation of the building, the models can be further enriched with scheduling time data ("4D" – when the individual parts are to be built), cost data, technical information, maintenance data, etc. Together, this opens up a wealth of possibilities to visualise, communicate and analyse the building through every step of the project from the first preliminary sketches, through design, planning and construction, to management, operation, maintenance and development. Virtual Design and Construction (VDC) is another computer-aided design methodology. At Veidekke, VDC is used in conjunction with Participative Planning and Building Information Modelling (BIM).

Good, safe production

Each project is different, and building sites can be a high-risk workplace. Good, safe production is therefore Veidekke's highest priority. At Veidekke, work on occupational health and safety is thus not a separate process carried out in isolation, but an integral part of our ongoing planning and production.

Commitment to using own employees

Veidekke is a specialised, competence-based company that uses a high proportion of own employees in its production. Our strategy is to train our own skilled workers, and we are a major apprenticeship company with close to 300 apprentices working for us. On completion of their apprenticeship, candidates who pass the trade examination and join the company

as employees are valuable resources for us. A significant portion of the capacity required in Veidekke's core skills is covered by our own permanently employed skilled workers.

Projects in 2017

On the following pages you can read about a selection of Veidekke's projects. These are projects that we have either won in 2017 or that have been in production during the year. The projects have been chosen because of their size, environmental perspective, or unique concepts and solutions.



SELECTED PROJECTS IN 2017



ULVEN, OSLO

The Ulven area, which currently mainly comprises warehouses and industrial sites, is going to be transformed into an attractive urban neighbourhood with 2,300 homes and 200,000 m² of commercial premises. The area will be part of the new Hovinbyen urban development in Oslo. OBOS is behind the Ulven project, and the aim is to build eco-friendly, affordable apartments, close to workplaces and shops, with smart solutions for transport and heating, among other things.

In 2015 OBOS bought a 28 hectare site in Ulven, and the following year an innovation competition was held for part of the residential project. The contracting client had relatively few specifications, as they wanted the tenderers to use their multidisciplinary skills to design a residential concept for an attractive urban community with good living quality, within an overarching target of a reduction in construction costs of up to 20%. There was to be a higher proportion of small apartments than required by the authorities, and the largest apartments were to be designed to enable rooms to be let. Other factors that were to be given priority were common rooms, allotments, possibilities for rooftop kitchen gardens, arrangements for electric cars in the future and bicycle parking. The car parking ratio in the project is planned to be half of the municipality's norm for inner city areas.

Veidekke established Team Veidekke DA to submit a tender for this competition – and won. The team consists of an architect and various consultants and construction companies. Ideas are developed together, and the close collaboration between the construction company, architect, consultative engineers and the HVAC contractor has been decisive for the team's project proposal and has ensured that the building costs can be reduced by 20%.

The team's solution for the first building phase is construction of a U-shaped block with a tower block in the middle. The buildings encircle a park, presented to OBOS as a "secret garden", providing a sheltered recreational area for residents.

Team Veidekke's proposal met the requirements for cost savings without compromising on quality. Good planning has led to a reduction in work hours in the planning phase, and will also do so in the execution phase, as a result of a high degree of repetition, inspired by classic factory serial production. Identical layout on all the floors and straight dividing walls will simplify construction, while the use of narrow, prefabricated exterior balcony elements will be easy to build and will also serve as scaffolding during construction. Veidekke will use its own skilled workers in the main disciplines of concrete work, masonry and timber work, and production will be adapted to the company's production chain and will thus be greatly rationalised. Ulven will be built in stages, so that new phases are not exposed to building noise. The first commercial building is already in use, and OBOS will start selling apartments in the first half of 2018.

Ulven will be one of OBOS's all-time largest development projects. Veidekke's participative approach has contributed to good, cost-effective solutions that meet the customer's wishes and requirements.

Fakta

- Customer: OBOS/Ulven AS
- Construction contractor: Team Veidekke DA: Owned by Veidekke Entreprenør, Oras, LPO Arkitekter, Stema, Erichsen & Horgen, Dr. techn. Olav Olsen and Landskaperiet
- Comprises: 347 apartments in field B2; option on fields B4, B1, D1 and D2



LYSGÅRDEN, TRONDHEIM

The high-tech solutions in the new office building that is under construction at Sluppen in Trondheim have been developed in a close collaboration between Veidekke, the architect, the contracting client and Siemens. The result is an innovative interaction between people, technology and the building. The building monitors and interprets the use of all the areas via the users' smartphones, making it possible to plan and control energy use for lighting and heating and services such as cleaning and canteen operation. This will yield large cost savings for the tenants in terms of both floor space and operation, and will enable the landlord to tailor offers and services to a much greater degree than in other office buildings.

The building will be certified in accordance with the BREEAM Excellent environmental standard. Solar panels will generate eco-friendly energy, and users will have plenty of good, natural daylight thanks to the large glass facades. The extensive use of light in and around the building will make it an eye catcher in its surroundings.

Lysgården will be the head office for most of Veidekke's operations in Trøndelag when the building is completed in June 2019.

Facts

- Customer: Sluppenveien 19 AS (owned 50/50 by R. Kjeldsberg AS and Veidekke Eiendom)
- Architect: HUS Arkitekter
- Tenants: Veidekke, Sweco and others
- Construction contractor: Veidekke Entreprenør
- Construction period: 2017–2019
- Comprises: Office premises, infrastructure and car parking with a total area of 12,000 m²
- Contract value: NOK 255 million (excl. VAT)



HOTEL OTILIA, COPENHAGEN

In the Carlsberg City district of Copenhagen, Veidekke's Danish construction operations are going to convert a listed brewery into a hotel. The customer's order included clear instructions that the history of the buildings was to be preserved, at the same time as strict requirements regarding functionality and sustainable solutions had to be met in what is to be a very modern hotel. Hoffmann first entered into a collaboration agreement with the contracting client, architects and engineers for the development of the project, and once the project had been approved by the authorities, a design and build contract was signed.

In the Carlsberg City project, the parties have put in a great deal of work together to find solutions and interior designs that will preserve much of the original structure, while enabling efficient hotel operation. Two standard rooms were built at an early stage to allow testing of different interior design solutions so that room functionality could be optimised. The close interaction between Hoffmann and the contracting client throughout the entire planning and construction process ensures good solutions, high quality, lower risk and good cost control.

Facts

- Customer: Carlsberg Byen P/S
- Tenant: Brøcher Hotels
- Architect: Arkitema Architects / Engineer: Wissenberg A/S
- Design and build contractor: Hoffmann A/S
- Comprises: 14,500 m², 155 hotel rooms, conference centre, restaurant and spa
- Construction period: 2017–2018
- Contract value: NOK 283 million (excl. VAT)



NYEGAARDKVARTALET, OSLO

Veidekke's new residential project in Storo in Oslo will take the green shift in the construction industry to the next level.

Veidekke has committed to operate in accordance with the UN's two-degree target and is now environmentally certifying its own-account residential projects to ensure reduced greenhouse gas emissions from completed buildings. Nyegaardskvartalet will be Norway's largest residential project certified in accordance with the BREEAM-NOR environmental standard. In addition, the building process is being carried out without the use of fossil fuels at the construction site. The project comprises new homes built using eco-friendly, Swan-labelled materials and energy-efficient equipment. This will result in a better indoor climate and lower energy needs. The homes are being sold with preselected energy-efficient appliances.

The outdoor areas have been planned in collaboration with a landscape architect and ecologist to ensure biodiversity is protected. The location close to public transport hubs ensures easy access to the city centre and the surrounding countryside, and the development includes indoor bicycle parking and charging facilities for electric cars and bicycles.

The in-house collaboration between the property developer and construction company yields good synergy effects. The business areas Construction and Property Development are collaborating on the project at every step, from the purchase of sites through to construction, with clearly defined division of responsibilities after the

land acquisition: Property Development handles the regulatory aspects and residential customers, while Construction is in charge of the detailed planning, engineering and construction.

Facts

Customer: Veidekke Eiendom

Architect: Spor Arkitekter

Construction contractor: Veidekke Entreprenør

Comprises: 250 apartments ranging from 36 m² to 156 m² with shared gardens and underground parking



BERGMOEN / HOVINMOEN

Veidekke has run aggregates operations at Hovinmoen in Akershus for more than 50 years. The gravel resources have now been extracted, and in 2017 Veidekke's industrial operations moved to a modern new facility at Bergmoen. The new facility has been planned and designed for efficient, eco-friendly and safe operations. Large storage capacity for masses close to the extraction sites reduces the need for internal transport, and safety is further enhanced by separate zones for heavy traffic and private traffic.

Veidekke's land in Hovinmoen has been combined with the adjacent plot, which is owned by Ferd Eiendom, and Veidekke's property development operations have entered into a partnership with Ferd and Fabritius. Through a newly formed company, the three companies will together develop this 36 hectare site for non-residential purposes.

The plans include the establishment of a business park and logistics centre. Veidekke's property development operations will develop logistics properties and is now pooling its expertise with two solid companies with broad experience and similar specialist competencies within the non-residential segment. The business park will be located close to Norway's main airport, a priority area for industrial and logistics activity in eastern Norway.

Facts

- New business park at Gardermoen Airport
- Veidekke Eiendom, Ferd Eiendom and Fabritius Gruppen in an equal partnership
- The joining of two sites with a combined area of 36 hectares and development of a logistics centre with a total of 110,000 m² of new buildings



KAPPELLGÄRDET, UPPSALA

In Uppsala in the east of Sweden, Veidekke has entered into a design and build contract with the property developer Fastighetsförädlarna AB (FFAB) for the development of the Kappellgårdet neighbourhood north of Uppsala city centre. The project includes the construction of 158 apartments, a preschool with two departments and what will be the largest nursing and care home in the Nordic region with 200 places.

Veidekke and FFAB initially entered a collaboration contract, under which the project was developed. The parties have worked closely together throughout the entire planning phase, and this has contributed to sustainable and cost-saving solutions in the project.

The project will be built in phases. The apartments will be completed first, followed by the nursing home, which will be built in two phases, with the preschool as part of phase II of the nursing home. Veidekke has positioned itself as a strong player within both the residential and the commercial building segments, and the contracting client FFAB has highlighted this and the company's collaborative approach as key factors for a well-functioning partnership.

Facts

- Customer: Fastighetsförädlarna AB
- Architect: AML Arkitekter
- Design and build contractor: Veidekke Entreprenad
- Comprises: 158 apartments, two nursing homes with 200 places, and a preschool with four departments
- Construction period: 2017–2020
- Contract value: NOK 595 million (excl. VAT)



KV. PATIENTEN, STOCKHOLM

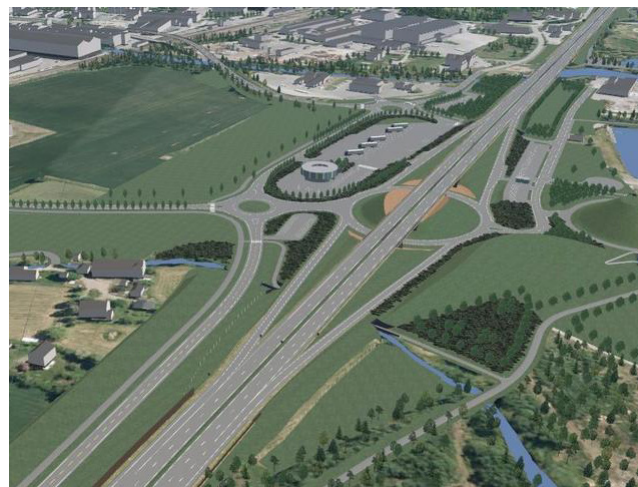
In summer 2016 Veidekke entered an agreement with the project development company Vitartes on the construction of the St. Erik eye clinic at the Karolinska hospital in Stockholm. In autumn 2017 the agreement was extended to apply to Vitartes' other developments in the Patienten and Princeton neighbourhoods near the hospital. This extensive project involves a total of 42,000 m² of buildings for care services, research and education in Vitartes' Life Sciences development project.

The contract is a collaborative design and build contract. Veidekke's previous experience with collaborative contracts, the solutions proposed in the specification phase, risk management and the company's overall competence were the decisive factors in the contract award.

The project is scheduled to be completed in 2020.

Facts

- Customer: Vitartes
- Architect: White Arkitekter
- Construction contractor: Veidekke Entreprenad
- Comprises: A total of 42,000 m² of buildings for health services, research and education in Hagastaden in Stockholm.
- Construction period: 2016–2020
- Contract value: NOK 1,160 million (excl. VAT)



E6 ARNKVERN – MOELV

In autumn 2017, Veidekke entered into its first contract with the state-owned road company Nye Veier. The contract is the largest road-building contract Veidekke has ever undertaken. The contract is a design and build contract, and among the factors that were decisive for the award were Veidekke's previous road-building experience and good concrete solutions to meet the goals for the project.

The good, close collaboration between the construction company, consultants and contracting client is based on openness, transparency and competence sharing. The project will be certified according to the civil engineering sustainability standard CEEQUAL, which means quality assurance and evidence-based attainment of all the contracting client's environmental targets. Greenhouse gas emissions have been significantly reduced in this project. Among other things, Veidekke's asphalt factory in Stange uses pulverised wood pellets as heating fuel in asphalt production, and Veidekke has also developed asphalt that is more durable and has a longer lifespan than other asphalt. These measures and other solutions contribute to a total reduction in CO₂ emissions of 41% in the construction phase and 75% during the maintenance period.

The nature and size of the project make it a unique arena for learning and skills development, which will in turn benefit future projects.

Facts

- Customer: Nye Veier
- Construction contractor: Veidekke Entreprenør
- Consultant: Sweco
- Building period: 2017–2020
- Comprises: 24 km of four-lane highway between Arnkvern and Moelv in Hedmark
- Contract value: NOK 2.3 billion (excl. VAT)

THE BOARD OF DIRECTORS OF VEIDEKKE ASA

**MARTIN MÆLAND**b. 1949 *Chair*

No. of shares: 30 000

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 President and CEO of OBOS and currently sits on a number of boards.

**GRO BAKSTAD**

b. 1966

No. of shares: 13 000

Committees: The Property Committee
(until May 2017)
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.

**HANS VON UTHMANN**

b. 1958

No. of shares: –

Committees: The Audit Committee
The Remuneration Committee

Von Uthmann has been a member of the Board of Directors since 2010. Previous positions include SEVP and Head of Vattenfall Nordic and he currently sits on a number of 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 sits on a number of boards.

**INGOLV HØYLAND**

b. 1951

No. of shares: 5 000

Committees: The Property Committee
(from May 2017)

Høyland has been a member of the Board of Directors since 2017. He is the CEO of Reitan Real Estate.


PER OTTO DYB

 b. 1955 *Deputy Chair*

No. of shares: 4 000

 Committees: The Audit Committee
(from May 2017)

Dyb has been a member of the Board of Directors since 2012. Previous positions include President and CEO of Siemens Norway and he currently sits on a number of boards.


ANN-CHRISTIN ANDERSEN

b. 1966

No. of shares: 3 300

 Committees: The Remuneration Committee
The Audit Committee
(until May 2017)

Andersen has been a member of the Board of Directors since 2012. She is Chief Digital Officer TechnipFMC (Corporate).


INGE RAMSDAL

 b. 1962 *Employee representative*

No. of shares: 7 695

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 representative*

No. of shares: 3 855

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.


ARVE FLUDAL

 b. 1970 *Employee representative*

No. of shares: 8 115

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

THE CORPORATE MANAGEMENT OF VEIDEKKE ASA



ARNE GISKE

b. 1957

President and CEO

No. of shares: 149 645

Arne Giske has been President and 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.



DAG ANDRESEN

b. 1962

*Executive Vice President
Construction Norway*

No. of shares: 178 850

Dag Andresen has been employed at Veidekke since 1986 and has been Executive Vice President since 1994. Andresen holds a master's degree in Business and Economics from BI Norwegian Business School.



JØRGEN WIESE PORSMYR

b. 1972

*Executive Vice President Industrial,
Property Development & Denmark*

No. of shares: 106 660

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



JIMMY BENGTSSON

b. 1966

Executive Vice President Sweden

No. of shares: 46 140

Jimmy Bengtsson headed Arcona AB from 2007 to 2015. He took over as Executive Vice President on 1 January 2016. Bengtsson is a graduate engineer from the Royal Institute of Technology in Stockholm.


HEGE SCHØYEN DILLNER

b. 1967

Executive Vice President, responsible for HR, Health, Safety, Environment and Legal

No. of shares: 11 445

Hege Schøyen Dillner has been Executive Vice President since 2013. She holds a master's degree in education from the University of Oslo.


TERJE LARSEN

b. 1961

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

No. of shares: 108 795

Terje Larsen has been employed at Veidekke since 2001 and has been 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, responsible for Communications and Public Affairs

No. of shares: 13 340

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

BOARD OF DIRECTORS' REPORT

Veidekke increased its revenue and profits in 2017 and ended the year with a historically high order backlog. The company's targeted occupational health and safety work has yielded results, with a decline in injury rates.

HIGHLIGHTS – GROUP

In 2017 revenue increased to NOK 31.6 billion (segment accounts¹) from NOK 30.1 billion in 2016, and there was growth in all Veidekke's business areas. Construction operations had revenue growth of 5% in 2017, primarily in Sweden and Denmark. Property Development's revenue growth was in Norway, as a result of more own-account projects. In industrial operations, high activity in Asphalt contributed to revenue growth of 14% in 2017.

Profit before tax amounted to NOK 1,441 million in 2017, compared with NOK 1,460 million in 2016. The profit for 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 108 million. Adjusted for this, the Group's profit increased by 7% in 2017. In this report, all the comparison figures for 2016 are exclusive of this non-recurring effect.

Construction had profit of NOK 759 million, up from NOK 723 million in 2016. Increased activity and improved profitability contributed to profit growth in the Swedish and Danish operations. In Norway the profit was affected by the economic downturn in southern and western Norway, and Veidekke's operations in this region had lower revenue and weak profitability.

Profit in the property development operations was NOK 549 million, compared with NOK 567 million in 2016. Residential production increased by 8% in 2017 as a result of high sales the previous year. Increased residential production throughout the year resulted in higher contributions from ongoing production, while development gains were lower than the previous year. The decline in the residential

market in the second half of 2017, combined with the fact that fewer units were available for sale, resulted in lower property residential sales compared with 2016. Return on invested capital in Property Development was 17.6%, compared with 21.4% in 2016.

Industrial's profit increased to NOK 206 million in 2017, from NOK 117 million the previous year. The profit from asphalt operations was slightly lower than for the previous year, while Aggregates achieved a higher profit. Road Maintenance had weak profitability, and this business unit is under restructuring. The development gain associated with the sale of a commercial site made a positive contribution to the profit of NOK 70 million.

The total order intake for the Group as a whole was NOK 34.9 billion in 2017. The year-end order backlog was NOK 32.6 billion, an increase of 33% from the beginning of the year.

Net interest-bearing debt amounted to NOK 764 million at the end of 2017. By comparison, the Group did not have any interest-bearing debt at the end of the previous year. This increase is attributed to settlements for the acquisition of development sites, a higher level of activity for own-account residential projects in Norway, higher trade receivables in construction operations and the acquisition of businesses.

In line with Veidekke's dividend policy and as a result of its strong financial position, the Board proposes an ordinary dividend of NOK 5.0 per share for the 2017 financial year. This corresponds to a dividend pay-out ratio of 61% (IFRS).

¹) Veidekke's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), meaning residential projects are not recognised until they are handed over to the customer. In the segment accounts, projects under construction are accounted for using the stage of completion method, which is regarded as providing a more accurate picture of the company's earnings. Unless otherwise stated, all figures in the annual report are from the segment accounts.

Veidekke's 2017 profit before tax in accordance with IFRS was NOK 1,259 million. The difference in relation to the segment accounts is an effect of the fact that the increase in residential production is greater than the value of the residential units that have been completed and handed over (see note 2).

OPERATIONS IN 2017

CONSTRUCTION OPERATIONS

NOK million	2017	2016 ¹⁾	2015	2014	2013
Revenue	25 804	24 629	19 795	18 502	16 968
Profit before tax	759	804	644	549	446
Profit margin %	2.9	3.3	3.3	3.0	2.6
Order backlog	31 601	23 368	23 686	15 810	16 728

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.

Revenue from Veidekke's construction operations amounted to NOK 25.8 billion, a 5% increase from 2016. Profit before tax increased to NOK 759 million from NOK 723 million in 2016. The revenue growth and profit improvement are attributable to the operations in Sweden and Denmark, primarily as a result of increased volumes in the Swedish civil engineering operations and the Danish building construction operations. Construction operations in Norway achieved a lower profit than last year, primarily as a result of the weak market in southern and western Norway. The profit margin before tax was 2.9% in 2017, compared with 3.3% in 2016. Construction operations had an order backlog of NOK 31.6 billion at year-end, which is an increase of 35% from the end of 2016. Total order intake in 2017 was NOK 34.3 billion.

Construction Norway

NOK million	2017	2016 ¹⁾	2015	2014	2013
Revenue	14 850	15 096	12 031	11 878	12 132
Profit before tax	452	596	493	423	360
Profit margin %	3.0	4.0	4.1	3.6	3.0
Order backlog	19 521	14 408	15 195	10 437	10 768

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.

The activity level in the construction and civil engineering market remained high in Norway in 2017, with estimated growth of 7% from the previous year. Residential production has been high throughout 2017, despite a slowdown in the housing market in the second half of the year. There has been good growth in the market for commercial buildings.

However, there are major regional variations in the building construction market, with significantly lower activity in southern and western Norway than in other parts of the country. There is a high level of activity in the civil engineering market as a result of high investments in infrastructure.

Revenue for the full year 2017 amounted to NOK 14.8 billion, compared with NOK 15.1 billion in 2016. The total revenue in building construction operations was somewhat lower than last year. There are clear regional variations in activity levels, with growth in eastern Norway and a decline in southern and western Norway. Revenue in the nationwide civil engineering operations was slightly lower than in 2016.

Profit before tax was NOK 452 million in 2017, compared with NOK 515 million the previous year. The profit margin was 3.0%, compared with 3.4% in 2016. Building Construction had good profitability in the operations in eastern Norway and central Norway, but the combined profit was dragged down by the operations in southern and western Norway. Profitability in the civil engineering operations rose in 2016, but the profit is still marked by high capacity and supply costs and weak profitability in parts of the project portfolio. In 2017 several measures were implemented to improve profitability in Civil Engineering and in the building construction operations in southern and western Norway.

At the end of 2017 this business area had an order backlog of NOK 19.5 billion, compared with NOK 14.4 billion at the beginning of the year. The overall level of orders was strengthened significantly in all parts of the business area in 2017. At the close of 2017 the order backlog consisted of roughly 70% building construction projects and 30% civil engineering projects.

Major projects awarded in 2017:

- E6 Arnkvern–Moelv. 24 km of four-lane motorway in Hedmark for Nye Veier AS. Contract value NOK 2.3 billion.
- Harbitz Torg in Oslo. Office building for Møller Eiendom. Contract value NOK 676 million.
- Oset Rentvannsbasseng. Expansion of the water treatment plant for the City of Oslo. Contract value NOK 614 million.
- Tvedestrand Upper Secondary School for the Aust-Agder County Authority. Contract value NOK 510 million.
- Tiedemannsfabrikken, section E. Apartments in Oslo for Tiedemannsfabrikken AS (Selvaag and Ferd). Contract value NOK 430 million.
- Frysjaiparken phase I. Apartments for Stor-Oslo Eiendom and OBOS Nye Hjem. Contract value NOK 413 million.
- Expansion of the National Library in Mo i Rana for Statsbygg. Contract value NOK 400 million.

Construction Norway completed one acquisition in 2017: in the fourth quarter, Veidekke Entreprenør purchased 70% of the shares in Båsum Boring AS. This acquisition will strengthen Veidekke's capacity within foundation work. Båsum Boring has 70 employees and an annual revenue of approximately NOK 140 million.

In February 2018, Veidekke Entreprenør concluded the agreement to acquire 80% of the shares in Grande Entreprenør AS, which is the leading building construction company in Nord-Trøndelag. The company has annual revenue of NOK 550 million and 200 employees.

Construction Sweden

NOK million	2017	2016	2015	2014	2013
Revenue	8 810	7 819	6 156	4 804	3 499
Profit before tax	170	102	56	19	11
Profit margin %	1.9	1.3	0.9	0.4	0.3
Order backlog	10 705	7 698	7 160	4 164	4 250

There was strong growth in the Swedish construction and civil engineering market in 2017, largely driven by high demand for new homes. After a weakening in the residential market in the second half of the year, growth in this segment is starting to slow down. There was high activity within both commercial and public buildings and in the civil engineering market throughout the year, contributing to a positive development in the combined construction and civil engineering market in 2017.

Revenue for the full year 2017 amounted to NOK 8.8 billion, compared with NOK 7.8 billion in 2016. The increase was in civil engineering operations, while revenue from building construction operations was on par with the previous year.

Profit before tax increased to NOK 170 million from NOK 102 million in 2016. The profit margin was 1.9%, compared with 1.3% in 2016. The profit growth is attributable to Civil Engineering and was driven by increased activity and improved margins. Building Construction's profit was weak and was marked by low profitability in residential production. Organisational measures have been implemented in Building Construction to improve profitability.

The order backlog increased by 32% measured in local currency and was NOK 10.7 billion at year-end, compared with NOK 7.7 billion at the end of 2016. The order backlog consisted of 80% building construction projects and 20% civil engineering projects.

Major projects awarded in 2017:

- Patienten part 2. New eye clinic in Stockholm for Vitartes. Contract value NOK 838 million.
- Kapellgärdet. Apartments, a nursing home and a preschool for Fastighetsförädlarna. Contract value NOK 595 million.
- Sergelhuset. Remodelling of office premises in Stockholm for Vasakronan. Contract value NOK 472 million.
- Svea Serenad. Residential units in Stockholm for Veidekke Bostad. Contract value NOK 405 million.
- Riddaren-kvartalet. Commercial and residential project in Stockholm for Humlegården Fastigheter AB. Contract value NOK 399 million.
- Antikvarien and Arkeologen. Residential projects in Helsingborg for Magnolia. Contract value NOK 268 million.

Construction Denmark

NOK million	2017	2016	2015	2014	2013
Revenue	2 144	1 713	1 608	1 820	1 336
Profit before tax	137	105	96	108	74
Profit margin %	6.4	6.2	6.0	5.9	5.6
Order backlog	1 375	1 262	1 331	1 209	1 709

The building construction market in Denmark grew in 2017. There was growth in demand for new homes and public and commercial buildings, and public investment is at a relatively high level.

Veidekke's Danish construction company, Hoffmann A/S, had revenue of NOK 2.1 billion in 2017, a 25% increase from 2016 measured in local currency. The increase is attributed to higher activity in building construction operations in Copenhagen and within technical installations.

Profit before tax amounted to NOK 137 million, up from NOK 105 million in 2016. The profit margin before tax rose to 6.4% from 6.2% in 2016. The residential project Central House in Copenhagen and good profitability in the project portfolio contributed to a strong performance and high profitability.

At year-end Hoffmann had an order backlog of NOK 1.4 billion, compared with NOK 1.3 billion at the end of 2016.

Major projects awarded in 2017:

- Carlsberg Lagerkælder. Remodelling of a hotel and restaurant in Copenhagen for Carlsberg Byen. Contract value NOK 283 million.
- Tivoli Hjørnet. A hotel, restaurants and commercial premises in Copenhagen for Tivoli A/S. Contract value NOK 259 million.
- Dagmarhus. Extension and remodelling of existing office premises in Copenhagen for Katarina A/S. Contract value NOK 218 million.

PROPERTY DEVELOPMENT OPERATIONS

NOK million	2017	2016	2015	2014	2013
Revenue	3 456	3 202	2 126	2 276	1 783
Profit before tax	549	567	306	280	221
No. of units under construction ^{1) 2)}	2 620	2 422	1 739	1 149	1 417
No. of units sold ¹⁾	979	1 397	1 416	770	689

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.

The property development market slowed down significantly in the second half of 2017. There was a decline in residential sales in both Norway and Sweden, most markedly in Oslo and Stockholm. Veidekke sold fewer homes in 2017 than the previous year, as a result of both the weakened market and the fact that there were fewer units available for sale. A lower sales rate means it takes longer from a project being released for sale until the start of construction than it did a year ago. Residential production remained high throughout the year.

The close collaboration between Veidekke's property development and construction operations is key to good project execution. Involving the contractor from the earliest stages, such as acquisition of sites and concept design, allows early identification of risk factors and possibilities. Veidekke's construction operations build most of the residential projects developed by Property Development. In 2017 Property Development provided Construction with residential projects with a combined contract value of NOK 3.6 billion, on par with in 2016.

Revenue from property development operations rose to NOK 3.5 billion in 2017, from NOK 3.2 billion in 2016. Profit before tax was NOK 549 million, compared with NOK 567 million in 2016. The contribution from residential production increased, while development gains amounted to NOK 44 million, compared with NOK 114 million in 2016.

Veidekke strengthened its land bank during the year with the purchase of several sites in the main growth areas. At year-end Veidekke had a total land bank that is expected to yield 17,450 residential units, of which Veidekke's share is 14,050. By comparison, in 2016 the land bank consisted of 16,750 units, of which Veidekke's share was 13,550.

Invested capital was NOK 4.2 billion at the end of 2017. Property Development's profitability is measured by return on invested capital, which was 17.6% for 2017, compared with 21.4% the previous year.

Property Development Norway

NOK million	2017	2016	2015	2014	2013
Revenue	610	338	413	747	1 070
Profit before tax	146	149	146	175	170
No. of units under construction ¹⁾	557	600	541	399	749
No. of units sold ¹⁾	304	433	406	246	307

1) Veidekke's share.

Veidekke sold fewer residential units in Norway in 2017 than in the previous year. A total of 493 units were sold, including jointly-owned projects, compared with 806 units in the previous year. Veidekke's share of the sales in 2017 was 304 units. The decline in residential sales is due to both lower demand in the second half of the year, especially in Oslo, and the fact that there were few units available for sale. In 2017 construction started on 320 residential units, compared with 342 in 2016.

Revenue for 2017 totalled NOK 610 million, compared with NOK 338 million the previous year. Most of the residential projects are carried out in joint ventures, meaning they do not generate accounting revenue in Veidekke's consolidated financial statements. The proportion of projects carried out as own-account projects increased in 2017, contributing to the revenue growth compared with 2016.

Profit before tax amounted to NOK 146 million in 2017, compared with NOK 149 million in 2016. The contribution from projects under construction increased in 2017, while property development gains from the sale of sites and shares in residential projects amounted to NOK 38 million, compared with NOK 49 million in 2016. Profit from joint ventures has already been taxed, and the profit adjusted for tax in joint ventures was NOK 197 million in 2017, compared with NOK 209 million in 2016.

Veidekke's share of the residential production was 557 units at the end of 2017, compared with 600 units the previous year. The sales ratio for residential units under construction was 80%, compared with 86% the previous year.

At year-end Veidekke's share of unsold, completed units was 19, compared with 16 in 2016. At the close of 2017, Property Development Norway had a land bank equivalent to approximately 7,700 residential units, of which Veidekke's share was 5,300 in 40 projects.

The largest acquisitions in 2017:

- Strandveien in Trondheim. Own-account project with approx. 215 residential units.
- Grensesvingen in Oslo. Own-account project with approx. 190 residential units.
- Mølleneset in Bergen. Own-account project with approx. 60 residential units.

Invested capital amounted to NOK 3.2 billion at the end of 2017. Return on invested capital for the year was 9.2%, compared with 12.1% in 2016. The return has been adjusted for taxes in joint ventures.

Property Development Sweden

NOK million	2017	2016	2015	2014	2013
Revenue	2 845	2 864	1 712	1 529	713
Profit before tax	404	418	159	105	50
No. of units under construction ¹⁾	1 948	1 707	1 198	750	720
No. of units sold ¹⁾	645	889	1 010	536	382

1) Veidekke's share.

Property Development Sweden sold 722 units in 2017, including joint venture projects, compared with 989 units in 2016. Veidekke's share of the residential sales in 2017 was 645 units. The decline is due to the slowdown in the residential market, especially in Stockholm, in the second half of 2017, and the fact that fewer units were available for sale. High residential sales in 2016 and the start of 2017 resulted in the start-up of construction on 1,054 residential units, compared with 948 in 2016.

Revenue was NOK 2.8 billion in 2017, on par with the previous year. Most of the projects are carried out as own-account projects.

Profit before tax was NOK 404 million, compared with NOK 418 million in 2016. The contribution from residential production increased in 2017, while development gains amounted to NOK 6 million, compared with NOK 65 million in 2016.

At year-end Veidekke's share of the residential production was 1,948 units, up from 1,707 at the end of 2016. The sales ratio for residential units under construction was 84%, compared with 94% in 2016. One completed residential unit was unsold at the end of the year, against four the previous year.

At year-end the Swedish property development operations had a land bank equivalent to approximately 9,700 residential units, of which Veidekke's share was 8,750 units.

The largest acquisitions in 2017:

- Skeppsbron in Gothenburg. Own-account project with approx. 149 residential units.
- Kviberg in Gothenburg. Own-account project with approx. 106 residential units.
- Opaltorget in Gothenburg. Own-account project with approx. 75 residential units.

Veidekke acquired 50% of the shares in the company Folkhem Trä AB in the second quarter of 2017. This company has a portfolio of sites of approximately 1,000 residential units in Stockholm.

Capital invested amounted to NOK 0.9 billion at the end of 2017. Return on invested capital rose to 46.9% in 2017, from 45.1% in 2016.

INDUSTRIAL

NOK million	2017 ¹⁾	2016 ²⁾	2015	2014	2013
Revenue	4 761	4 162	4 033	4 127	3 476
Profit before tax	206	136	190	210	158
Orderreserve	960	1 035	1 128	1 274	1 217

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.

Veidekke's industrial operations had good market conditions in 2017 as a result of high public funding for the maintenance of the road network and high demand in the private market. Revenue increased by 14% to NOK 4.8 billion from NOK 4.2 billion in 2016, with most of this increase attributable to Asphalt.

Profit before tax amounted to NOK 206 million, up from NOK 117 million the previous year. The profit margin was 4.3%, compared with 2.8% the previous year. The profit included a development gain of NOK 70 million from the sale of land at Gardermoen, where Veidekke previously had aggregate operations. Together with partners, Veidekke's property development business area will develop a total area of 40 hectares for commercial use.

Asphalt had revenue of NOK 3,040 million in 2017, a 25% increase compared with 2016. Veidekke produced a total of 2.9 million tonnes of asphalt in 2017. Profit before tax was NOK 133 million, compared with NOK 156 million in 2016. The decrease is primarily related to lower prices in parts of the market, higher

raw material costs and increased capacity costs. Asphalt's profit margin was 4.4%, compared with 6.0% for 2016.

Road Maintenance had revenue of NOK 1,160 million in 2017, compared with NOK 1,138 million in 2016. The result for the year before tax was a loss of NOK -66 million, compared with NOK -76 million in 2016. The negative result is due to two major project write-downs, low profitability in parts of the project portfolio, and costs associated with restructuring of the business area. The restructuring process is proceeding as planned. The project portfolio consisted of 21 contracts at year-end.

Aggregates had a turnover of NOK 582 million in 2017, an increase of 6% from 2016. This business unit is the market leader in Norway and delivered 8.4 million tonnes of crushed stone materials during the year. Profitability in this business unit is good. Profit before tax was NOK 69 million, compared with NOK 56 million in 2016. The profit margin was 11.9%, compared with 9.7% in 2016.

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 -73 million for 2017, compared with NOK -47 million in 2016. The result for 2016 included a major gain from the sale of shares in two PPP projects.

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 the businesses' targeted work to ensure good, safe operations, development of value-creating partnerships, and individual and collective expertise and skills.

In keeping with the company's growth ambitions, Veidekke has acquired companies and invested in sites for development in recent years. In 2017 Veidekke acquired 70% of the shares in Båsum Boring AS in Norway and the remaining shares in the two subsidiaries Asfaltverket i Mo and Kynningsrud Fundamentering.

Strategic financial goals have been defined for Veidekke's three business areas. The goals for the business areas Construction and Industrial are a profit margin before tax of 5% and 6.5% respectively, and the goal for Property Development is a 15% return on invested capital. In 2017

Construction had a profit margin before tax of 2.9%, while Industrial's profit margin was 4.3%. Property Development achieved a return on invested capital of 17.6% in 2017.

Veidekke aims to provide its shareholders with competitive returns on their investment through a combination of dividends and returns on the share. Dividends shall constitute at least 50% of the annual profit. The direct return to the shareholders was 5.0% in 2017, while the total return was -21.3%. By comparison, the return on the Oslo Stock Exchange was 19.1%. The Board proposes a dividend for the 2017 financial year of NOK 5.0 per share, which corresponds to a pay-out ratio of 61% (IFRS). This is NOK 0.5 per share higher than the dividend for the previous year.

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. The number of serious injuries in the Group was reduced by 46% in 2017, while the total number of injuries was reduced by 23%.

ORGANISATION

Veidekke creates good solutions and results by actively involving its customers and suppliers. This approach promotes good, safe operations, continuous learning and improvements. The participative approach also helps foster loyalty and commitment, as well as contributing to job satisfaction among the employees and a stable workforce for the company. A key element of Veidekke's corporate philosophy to ensure competitiveness and further growth is value-creating partnerships with customers and suppliers.

As a competence-based company, Veidekke's employees are its most valuable resource. The projects that are to be built are complex, and a critical success factor is the composition of teams that make optimum use of their collective skills and identify the best solutions for the customer.

Veidekke has a good corporate reputation. In Universum's annual survey in Norway for 2017, Veidekke was once again voted the industry's most attractive employer among young engineers. In the corresponding survey in Sweden, Veidekke was voted climber of the year among engineering students.

At the end of 2017, the Group had 7,736 permanent employees and a net increase of almost 4.5% during the year. 1,191 new employees joined Veidekke in 2017. Most were recruited, but roughly 5% joined the Group as a result of acquisitions in Norway. Employee turnover in the Group was 10.8%.

Number of employees

	Skilled workers	Administrative staff	Total
Norge	3 074 (2 977)	2 257 (2 195)	5 331 (5 172)
Sverige	684 (663)	1 179 (1 051)	1 863 (1 714)
Danmark	315 (295)	227 (218)	542 (513)
Sum	4 073 (3 935)	3 663 (3 464)	7 736 (7 399)

Last year's figures in brackets.

Professional development and training

Developing and refining management capacity and specialist expertise are high-priority tasks at Veidekke. The building and civil engineering projects are the company's main arena for professional development, and through exposure to new tasks and challenges, the employees gain increased competencies and new skills.

Professional development is also supported by Veidekke's in-house training and seminars run by the Veidekke School, which offers a variety of courses in areas such as: project management, new technology, finance, contract law, energy and the environment, occupational health and safety, regulatory compliance, and management development. In addition, Veidekke has various internal specialist networks to ensure the exchange of experience and development in important disciplines and product areas.

Veidekke aims to be ahead of the game in terms of solutions and technology and has collaborated with leading research groups at universities, technical colleges and colleges for several years. These collaboration projects focus on areas such as professional development and training in the use of digital tools, such as building information modelling (BIM) and Virtual Design and Construction (VDC), project steering methods and project management. Collaboration provides valuable knowledge and expertise, which are important to develop good products, ensure good, efficient project execution, retain and attract qualified employees, and be among the leading players in priority fields.

Veidekke pursues a strategy of educating a substantial share of its skilled workers itself and has a fixed base of trained employees with competencies in a wide range of disciplines. The company also offers apprenticeships in these disciplines. Veidekke has a long and proud tradition as an apprenticeship company. Apprentices who pass the trade examination qualify for full employment in the company on completion of their apprenticeship. In 2017 Veidekke had 292 apprentices, representing a total increase of nearly 26%. In recent years, fewer young people have chosen a vocational education. This

is a challenge for the entire industry, and Veidekke therefore supports industry initiatives to increase recruitment. In the last few years campaigns have been carried out on social media to attract young people to the building and construction trade and training as a skilled worker. Veidekke uses social media actively, both for recruitment purposes and as a channel for promoting the industry.

Veidekke's two-year trainee programme is an important tool to recruit recently qualified engineers, graduate engineers, business administration graduates and other administrative staff into the organisation. In order to provide candidates with a solid experience platform, practical work in the projects is combined with theoretical training. The trainee programme is a good recruitment base for executive positions. Many of Veidekke's senior executives joined the company as trainees. At the end of the year, the Group had a total of 134 trainees, an increase of almost 13% from 2016.

Working environment and diversity

Veidekke aims to be a workplace where everyone feels respected and where each individual's competencies are used in interaction with others. The company is working to create an inclusive, inspiring working environment, characterised by mutual respect and equality. There is zero tolerance for harassment and behaviour that can be perceived as threatening or demeaning. Veidekke'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 such matters can be reported internally or externally.

Increasing diversity in the workforce is a priority focus area. Performing demanding tasks using a wide spectrum of competencies and approaches by colleagues with different backgrounds and perspectives will foster innovation and ensure better solutions for customers. The proportion of women in the construction and civil engineering industry is low. In Veidekke 12% of the employees are women, broken down into 23% among the administrative staff and 2% among the skilled workers. In 2017 the company adopted a diversity policy to help improve the gender balance in the workforce, and Veidekke has set clear goals for increasing the proportion of women in the company and the number of women in executive positions by 2020.

Management

There were no changes in Veidekke's corporate management in 2017, which comprises the President and CEO, three executive vice presidents for the business areas and three executive vice presidents for central staff functions. Veidekke's corporate management is presented on pages 24–25.

OCCUPATIONAL HEALTH AND SAFETY

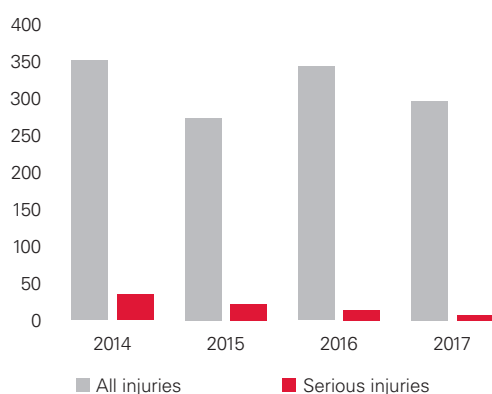
The construction and civil engineering industry is associated with considerable risk, and as a major player in the industry, Veidekke wants to champion good occupational health and safety work. Everyone's health and safety are to be safeguarded at all Veidekke's workplaces. The Group's goal is zero serious injuries and an annual reduction in the total number of injuries of 20%.

Occupational health and safety work is an integral part of the daily operations, and the company has worked systematically over time to ensure constant improvements, with a particular focus on good planning, safe production, use of the right equipment, competent management and a good safety culture in general. The project "Everyone's Experience, Shared Learning" was an important part of our safety work in 2017. The aim of this project is to establish systems and processes for the exchange of experience within the organisation.

In April 2017 an employee of one of our subcontractors died while working on one of Veidekke's projects in Norway. After the accident Veidekke initiated a comprehensive internal survey in collaboration with the customer and subcontractors on the project, and six concrete measures were implemented. With a view to enabling contracting clients and other players in the industry to also learn from this accident, the results of the survey were presented at a conference in January 2018.

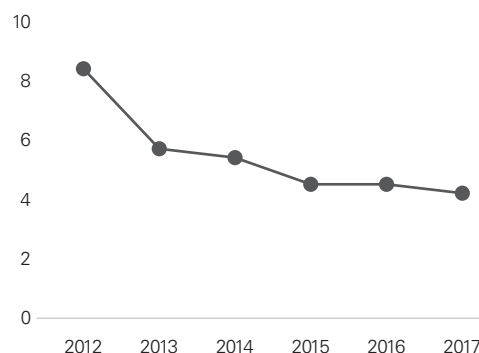
In 2017 Veidekke registered a 46% decrease in the number of serious injuries and a 23% decrease in the total number of injuries. Decreases were registered for own employees, contract workers and subcontractors, compared with 2016.

NO. OF INJURIES, OWN EMPLOYEES AND SUBCONTRACTORS



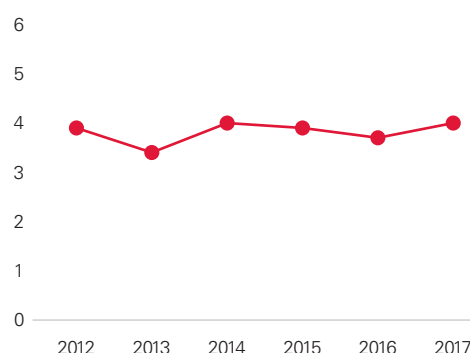
At the end of 2017, Veidekke's lost-time injury (LTI) rate (number of injuries with absence per million hours worked) was 4.2, down from 4.5 for 2016.

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



Veidekke attaches great importance to preventing sickness absence. Construction workers are prone to strains through heavy physical labour. Musculoskeletal disorders are the main cause of long-term sickness absence in Veidekke. The company attaches importance to prevention of sickness absence and has implemented a variety of measures. For example, the company's apprentices are followed up through a special collaboration with the elite sports training organisation Olympiatoppen that includes seminars on a range of different topics and lending of equipment for preventative training. Veidekke has good sick leave routines with close follow-up of employees on sick leave, and special arrangements are made to enable employees on sick leave to return to work promptly. Sickness absence in 2017 was 4.0%, up from 3.7% in 2016. The rates for the individual countries were: Norway 4.3% (3.9%), Sweden 3.7% (3.9%) and Denmark 1.7% (1.6 %). Sickness absence is low and below the industry average. Annual working environment surveys indicate a high level of job satisfaction among the employees.

SICKNESS ABSENCE, OWN EMPLOYEES, PER CENT



Each year Veidekke arranges a Safety Week to highlight the work on safety. The topic of this year's Safety Week was a continuation of last year's topic "Get involved – report," with

the aim of nurturing a culture where the employees look out for each other and assume responsibility for their own safety and that of their colleagues. All Veidekke's projects focused on this topic through a wide range of activities throughout the week. Each year Veidekke awards a special Health and Safety Award to a project or initiative that has excelled in the area of safety. The 2017 award went to the civil engineering project that is building the national highway E134 Damåsen–Tislegård at Kongsberg. Thorough risk analyses, extra safety measures and campaigns to raise awareness and promote responsibility have resulted in an excellent safety record, as confirmed by 30 consecutive production months without any lost-time injuries.

THE EXTERNAL ENVIRONMENT

Veidekke wants to be an advocate for sustainability in the industry, in interaction with our customers, suppliers and the authorities. The construction and civil engineering industry has significant impacts on the climate and the natural environment, and all players have a responsibility to minimise their consumption of energy and natural resources and reduce their greenhouse gas emissions and waste volumes. Targeted work with this challenge has yielded results and also helps strengthen Veidekke's competitiveness.

Society expects companies to implement targeted environmental measures. Governments are tightening the requirements regarding energy consumption in buildings. Veidekke's customers are becoming increasingly environmentally aware and are requesting energy and environmental classification of buildings. Investors are also setting requirements regarding environmental measures, including through the annual Carbon Disclosure Project (CDP) survey, which monitors large companies' greenhouse gas emissions and their strategies to reduce them. Veidekke's score in 2017 was A-, which is the best in the industry in the Nordic countries.

Veidekke has committed to running the business in accordance with the United Nations' two-degree target and is aiming to reduce its own greenhouse gas emissions by 50% by 2030 and 90% by 2050. Reductions will be achieved by switching energy carriers, improving efficiency, innovation and technological developments. In keeping with the Group's environmental ambitions, Veidekke's business areas all contribute to reducing the company's environmental impact in varying ways. As a result of the increase in activity levels in Veidekke's industrial and civil engineering operations, the overall carbon emissions from own operations increased in 2017. Veidekke's work related to the external environment is discussed in more detail in the company's Sustainability Report.

Each year Veidekke's Scandinavian Environmental Award is awarded to a unit, group or project that demonstrates a special commitment to the environment. The Award for 2017 went to Horten Upper Secondary School, which is being built in accordance with BREEAM-NOR Outstanding, will be an energy-positive building, and with a 40% reduction in greenhouse gases compared with reference buildings. The project is being carried out as a fossil-free construction site.

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 30 October 2014. Good corporate governance is discussed in more detail in the statement on page 118 in this report. This statement will be considered at the Annual General Meeting on 2 May 2018.

SALARIES AND 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 President and CEO. The Committee also advises the President and CEO 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 2 May 2018.

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

SHAREHOLDERS AND THE STOCK MARKET

A total of 31.2 million Veidekke shares were traded on the Oslo Stock Exchange in 2017, representing a turnover rate of 23.3%. During the year, the share price ranged between NOK 83.50 and NOK 128.00. The return for the year including dividends was -21.3%. By comparison, the Oslo Stock Exchange Benchmark Index had a return of 19.1%. All Veidekke shares are freely transferable, cf. section 5-8a of the Securities Trading Act.

At year-end Veidekke had 11,007 shareholders. The largest shareholders in the company were OBOS BBL (17.8%), Folketrygdfondet (11.5%) and IF Skadeforsikring AB (6.9%). Foreign ownership was 22.4% (26.7%).

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 2017. The shares have a lock-in period of two to three years. After this year's sales, 3,892 employees own a combined total of 20.2 million Veidekke shares. This means that together 50.3% of the employees own 15.1% of the company.

The Board proposes a dividend of NOK 5.0 per share for the 2017 financial year. This proposal is in line with Veidekke's dividend policy and the goal of providing the shareholders with a competitive return on their investment.

There is a more detailed account of shareholder information and the stock market on page 128 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 the parameters that influence 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.

The Group has a solid financial position. Net interest-bearing liabilities amounted to NOK 764 million at the close of 2017. By comparison, the company had no net interest-bearing debt at year-end 2016. The increase is primarily attributable to increased investments in property development operations. Cash flow from operating activities amounted to NOK 702 million in 2017, compared with NOK 1.9 billion in 2016.

The Group's total assets increased to NOK 20.4 billion, from NOK 17.4 billion the previous year, and most of the increase is related to property development operations. Total equity was NOK 3.8 billion (NOK 3.5 billion), corresponding to an equity ratio of 18.8% (19.9%). Capital invested in property development operations amounted to NOK 4.2 billion, up from NOK 3.1 billion in 2016.

Total investments in operating equipment amounted to NOK 769 million, compared with NOK 718 million in 2016. The increase in investments is a consequence of higher activity in the Group. Non-current assets totalling NOK 154 million were sold. Acquisition investments amounted to approximately NOK 257 million net in 2017 linked to the purchase of shares in Båsum Boring AS in Norway and Brinkab Förvaltning AB in Sweden, and the purchase of the remaining shares in the subsidiaries Asfaltverket i Mo and Kynningsrud Fundamentering.

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

The projects vary greatly in terms of complexity, size, duration and risk, making it crucial that all parts of the organisation manage risk systematically. In the projects, risk is analysed and assessed at the tendering stage and monitored closely throughout the execution phase.

Some contracts have very complex terms, allowing room for 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. This applies to infrastructure projects in particular. At year-end Veidekke had several unresolved final settlements related to infrastructure projects, where outstanding claims after deductions for recognised provisions and uncertain project revenues were in the range of NOK 400 million as at December 2017. The outcome of these kinds of disputes, positive or negative, may have an impact on the profit.

Correct expertise is a critical success factor to obtain new, profitable projects and to ensure good project execution. Access to qualified employees is essential for the company's ability to achieve its business objectives, and to ensure that the Group has good and up-to-date expertise, Veidekke invests significant resources in professional development for employees, through both practice and internal courses and training programmes.

Market risk

Veidekke's earnings are sensitive to fluctuations in macro-economic factors that affect demand from the private market. The residential market is particularly sensitive to cyclical fluctuations, and earnings in Property Development 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. At 31 December 2017 the sales ratio for residential units under construction was 83%.

Financial risk

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

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 customers helps reduce credit risk. Credit risk is managed through the contracts with the contracting 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. 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.

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

THE MARKET**Market development in 2017 and outlook for 2018****Norway**

Growth in the Norwegian economy was 1.9% in 2017,

compared with 1% growth the previous year. Although the Norwegian economy in general is improving, the outlook for the Norwegian construction and civil engineering market is a downturn in 2018 after several years of growth. Production in the construction and civil engineering market increased by 9% in 2017, with the bulk of the growth in residential production and civil engineering. However, the residential market slowed down in 2017, following strong growth in 2016. Falling resale housing prices combined with a decline in sales of new homes will lead to fewer housing starts and subsequently lower production in 2018–2019. However, the turnover in the resale market has remained high in 2017, testifying to a well-functioning market. In the non-residential market, the outlook is a positive development in commercial buildings and a decline in public buildings in 2018, and the inverse in 2019. Continued high growth is expected in the civil engineering market in both 2018 and 2019.

Sweden

The Swedish economy is continuing to develop strongly, but GDP growth decreased to 2.5% in 2017 from 3.2% the previous year. The Swedish construction and civil engineering market grew by 12% in 2017, mainly driven by new residential production, but all segments contributed with strong growth. A much more moderate growth rate of 5% is expected for 2018. As is the case in Norway, resale housing prices in Sweden started falling in the autumn, after a long period of growth. In addition, it was decided that mortgage requirements would be further tightened, creating increased uncertainty about residential demand in 2018. However, turnover remains high in the resale market, which is positive. The demand for public and commercial buildings and civil engineering projects looks strong for both 2018 and 2019, driven by a high and increasing level of investment, especially in the public sector.

Denmark

In Denmark GDP growth is expected to end at approximately 2.0% for 2017, the same as in the previous year. Growth in the construction and civil engineering market was 7% in 2017, mainly driven by a very good residential market and increased investments in the commercial and public building segments. For the civil engineering market, 2017 was a turning point, with a strong negative development, partly driven by significant overcapacity. Increased investments are expected in the construction and civil engineering market for 2018, and the Copenhagen region and Århus will continue to develop more strongly than other parts of the country.

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 43 (45) employees, of whom 20 (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 107 million (NOK 108 million). The company's operating result was a loss of NOK -92 million (NOK -90 million). Dividends and group contributions from subsidiaries totalled NOK 778 million (NOK 835 million).

The Board proposes an ordinary dividend of NOK 5.0 per share for the 2017 financial year. This corresponds to a payout ratio of 61 % (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 815 million (NOK 684 million). At the Annual General Meeting on 2 May 2018, the Board will propose that the profit be distributed as follows:

	NOK million
Allocated to dividend	669
transferred to other equity	147
Profit for the year	815

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 2017 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. Reference is made to Veidekke's Sustainability Report for 2017.

Oslo, 22 March 2018
The Board of Directors


Martin Mæland
Chair


Per Otto Dyb
Deputy chair


Gro Bakstad


Ingalill Berglund

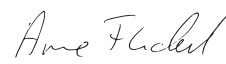

Ann-Christin Andersen


Hans von Uthmann


Ingolv Høyland


Inge Ramsdal


Odd Andre Olsen


Arve Fludal


Arne Giske
President and CEO

INCOME STATEMENT VEIDEKKE GROUP

Figures in NOK million	Note	2017	2016
Revenue	2, 3, 7, 31, 33	30 281	28 613
Subcontractors		-15 009	-14 430
Cost of materials		-4 008	-3 939
Personnel expenses	4, 5, 21, 30	-6 319	-5 838
Other operating expenses		-3 503	-3 077
Depreciation	10, 11	-524	-466
Operating expenses		-29 363	-27 750
Share of net income from joint ventures	13, 33	334	190
Operating profit		1 252	1 053
Financial income	6, 29	67	98
Financial costs	6, 29	-60	-60
Profit before tax		1 259	1 092
Income tax expense	22	-140	-170
Profit for the year		1 119	922
PROFIT FOR THE YEAR ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		1 092	887
Non-controlling interests		27	35
Total		1 119	922
Earnings per share (NOK) (ordinary / diluted)	8	8.2	6.6

STATEMENT OF COMPREHENSIVE INCOME

Figures in NOK million	Note	2017	2016
Profit for the year		1 119	922
Revaluations of pensions after tax	21, 22	-72	4
Net items that will not be reclassified subsequently to profit or loss		-72	4
Currency translation differences		84	-102
Fair value adjustment of financial assets after tax	22, 29	-15	8
Net items that will be reclassified subsequently to profit or loss		69	-93
Total other income and expenses after tax		-4	-90
Comprehensive income		1 116	832
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		1 086	801
Non-controlling interests		29	31
Total		1 116	832

STATEMENT OF FINANCIAL POSITION VEIDEKKE GROUP AT 31 DECEMBER

Figures in NOK million	Note	2017	2016
ASSETS			
Non-current assets			
Goodwill	9, 12	1 401	1 248
Other intangible assets	10	129	136
Deferred tax assets	22	55	65
Land and buildings	11	615	560
Plant and machinery	11	1 750	1 446
Asphalt plants and quarries	11	536	508
Investments in joint ventures	13	1 430	1 363
Financial assets	15	508	649
Total non-current assets		6 423	5 975
Current assets			
Residential projects	16	7 076	4 877
Inventories	17	518	455
Trade receivables	18	5 372	5 025
Other receivables		662	470
Cash and cash equivalents	19	392	644
Total current assets		14 020	11 470
Total assets		20 443	17 445
EQUITY AND LIABILITIES			
Equity			
Share capital	20	67	67
Other equity		3 600	3 219
Non-controlling interests	12	181	179
Total equity		3 848	3 465
Non-current liabilities			
Pension liabilities	21	470	404
Deferred tax liabilities	22	512	474
Bonds	23	-	750
Debts to credit institutions	23	613	212
Other non-current liabilities	23	173	136
Total non-current liabilities		1 768	1 975
Current liabilities			
Debts to credit institutions		10	44
Bonds	23	750	-
Trade payables	24	4 735	4 182
Public duties		811	656
Warranty provisions	25	975	915
Taxes payable	22	75	128
Other current liabilities	24	7 471	6 080
Total current liabilities		14 827	12 005
Total equity and liabilities		20 443	17 445

STATEMENT OF CHANGES IN EQUITY VEIDEKKE GROUP

Figures in NOK million	Note	EQUITY HOLDERS OF VEIDEKKE ASA						MINORITY	
		Share capital	Other paid-in capital ¹⁾	Reevaluation of pensions	Currency translation differences	Other retained earnings	Fair value adjustment ²⁾	Total	Non-controlling interests
Equity at 01 January 2016		67	305	46	122	2 628	-94	3 073	145
Profit for the year						887		887	35
Other comprehensive income				4	-98		8	-86	-4
IFRS 2 - share-based transactions (employees)	5					-20		-20	
Options - non-controlling interests	23					-33		-33	
Additions from business acquisition - non-controlling interests	12								20
Changes in non-controlling interests									-1
Dividend	20					-535		-535	-16
Equity at 31 December 2016		67	305	50	24	2 926	-86	3 286	179
Equity at 01 January 2017		67	305	50	24	2 926	-86	3 286	179
Profit for the year						1 092		1 092	27
Other comprehensive income				-72	82		-15	-6	2
IFRS 2 - share-based transactions employees	5					-20		-20	
Transactions, non-controlling interests	23					-48		-48	-17
Options, non-controlling interests	12					-35		-35	
Additions, acquisitions of operations, non-controlling interests									9
Dividend	20					-602		-602	-19
Equity at 31 December 2017		67	305	-22	105	3 313	-101	3 667	181

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. See note 29 for details.

STATEMENT OF CASH FLOWS VEIDEKKE GROUP

Figures in NOK million	Note	2017	2016
OPERATING ACTIVITIES			
Profit before tax		1 259	1 092
Net interest items	6	40	40
Tax paid	22	-155	-79
Depreciation, amortisation and impairments	10, 11	524	466
Gains on sale of property, machinery etc.	11	-99	-29
Gains on sale of companies	6, 14	-7	-23
Gain from termination of pension plan	21	-35	-108
Share-based transactions directly over equity	5, 22	-20	-20
Profit and loss items without cash effect		-295	-127
Generated from this year's activities		1 213	1 212
Change in residential projects	16	-2 018	-1 627
Change in trade receivables	18	-279	-198
Change in other current receivables		-227	7
Change in trade payables etc.	24	531	364
Change in other current liabilities	24	1 483	2 122
Net cash flow from operating activities (A)		702	1 880
INVESTING ACTIVITIES			
Acquisition of tangible, non-current assets	9, 10, 11	-769	-718
Disposal of tangible, non-current assets	11	154	59
Acquisition of subsidiaries	12	-257	-159
Disposal of subsidiaries	14	15	47
Interest received	6	20	18
Investments in Public-Private Partnership projects (PPP)	14	-48	-247
Net cash flow other investments	15	92	-1
Net cash flow from investing activities (B)		-792	-1 000
FINANCING ACTIVITIES			
New long-term borrowing	23	542	3
Repayment of non-current debt	23	-	-21
New short-term borrowing		-	1
Repayment of current liabilities		-41	-
Interest paid	6	-60	-58
Dividend paid to non-controlling interests	20	-19	-16
Dividend paid to equity holders of Veidekke ASA	20	-602	-535
Net cash flow from financing activities (C)		-179	-627
TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		-269	253
Cash and cash equivalents at 1 January		644	402
Exchange rate adjustments cash and cash equivalents		17	-12
Cash and cash equivalents at 31 December		392	644
Additional information:			
Long-term borrowing facility		3 600	3 600
Used committed borrowing facilities at 31 December		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 22 March 2018.

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 2017 have been applied.

The consolidated accounts have been prepared on a historical cost basis, with the exception of certain financial instruments that are measured at fair value. Transactions related to step acquisitions are measured at fair value on the transaction date 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. In the notes all amounts have been rounded off to the nearest million. No new accounting principles have been implemented in the presentation of the financial statements for 2017 and the accounting principles applied are therefore consistent with those applied in the previous financial year.

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 entails some uncertainty, since it is based on estimates and assessments. 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 CHARACTERISED BY SIGNIFICANT ESTIMATION UNCERTAINTY

Accounting items with significant estimation uncertainty

	Estimates / assumptions	Discussed in the following notes	Carrying amount
Trade receivables / Trade payables (creditors) / Warranty provisions	At 31 December 2017 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 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.	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 1 401 million (2016: NOK 1 248 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 3 214 million (2016: NOK 2 410 million)
Pension liabilities	The Group's pension liabilities are calculated by an actuary, based on a number of actuarial assumptions.	21	NOK 470 million (2016: NOK 404 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 share of the 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. 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.

In connection with sale of shares in a subsidiary where 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 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 in 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 estimate in future periods are recognised in the income statement.

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 likely outcome of the dispute and elements that can be measured reliably. The degree of uncertainty in the estimates will affect the proportion of the claim that is recognised in the income statement.

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 negative trade receivables (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 (Other current liabilities). Each project thus shows either a net receivable from the customer or a net debt to the customer. Cost accruals (Accrued, not recorded) are entered under Trade payables, 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, 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. A residential project consists of many units and, normally, a minimum sales ratio of 50% measured in value must be achieved before the project begins.

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 and gains from sales of fully developed residential buildings for Veidekke's own account are not recognised in the accounts until an apartment is complete and is contractually handed over to the buyer. This means that all costs except general sales and administration costs are capitalised as part of the acquisition costs as current assets under the item Residential projects. This principle follows from interpretation IFRIC 15 and results in deferred revenue recognition compared with the percentage of completion

method. Prepayments from customers are recorded as current liabilities. Interest costs related to residential projects under construction are capitalised on an ongoing basis and are included in the project's initial cost. This means that at the time of handover, interest is expensed as a part of the project costs and is classified as operating expenses.

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.

Accounting policies for property development projects in the segment accounts (note 2)

In the segment accounts, projects under construction are accounted for using the stage of completion method. Profit is accrued 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. Loss-making projects are charged to income in the period they are identified. 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%.

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

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

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

The Group classifies financial investments in the following categories:

A. Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired primarily with the intention of selling it in the short term. Gains and losses on investments held for sale are recognised as they occur.

B. Held-to-maturity investments

Veidekke does not undertake these kinds of investments. This category is therefore not described in any further detail.

C. Loans and receivables

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

D. Financial assets available for sale

Available-for-sale financial assets are financial investments that are either designated in this category or cannot be

classified in the other categories. Assets that are available for sale are measured at fair value. Any changes in value are recognised in total comprehensive income as a separate component, until the investment is sold or it is determined that an impairment loss must be recognised for the investment. At this point, the accumulated values that were previously recognised in total comprehensive income are transferred to the income statement. When an investment is derecognised, the accumulated gain or loss is transferred to income under financial items. Dividends and interest income on investments in financial instruments are recognised as financial income when the Group's right to the dividends or interest income is determined.

E. Other financial liabilities

Financial liabilities not included in the above categories are classified as other financial liabilities. The category "Other liabilities" is included in the following items in the statement of financial position: Non-current interest-bearing liabilities, Other non-current liabilities, Current interest-bearing liabilities and Other current liabilities. On initial recognition other financial liabilities are measured at fair value. After initial recognition, other financial liabilities are measured at amortised cost using the effective rate of interest method. Effective interest is recognised as financial costs. For practical reasons, effective interest is not calculated for financial liabilities that are short-term by nature.

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.

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.

If a financial asset classified as available for sale based on objective criteria has been the object of significant or

prolonged impairment, the loss is expensed in the income statement as impairment. A reversal of the impairment of available-for-sale equity instruments is not recognised in the income statement, but is recognised directly in the Group's total comprehensive income. A reversal of the impairment of available-for-sale debt instruments is recognised in the income statement.

Derivatives and hedging transactions

On initial recognition, derivatives are recognised at fair value. Thereafter, the item is valued 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. IAS 39 defines special rules with respect to fair value accounting for financial derivatives where an agreement has been concluded but no withdrawals have been made. This type of financial instrument should only be recognised at fair value once withdrawals are made. For Veidekke this means that fixed rate loans that have been granted, but where no withdrawals have been made against the facility, are recorded at NOK 0. See the more detailed discussion in note 14.

Financial obligations – loans

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

Deduction of financial assets and obligations

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

Financial income and expenses

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

Financial costs include interest charges on loans, currency losses, changes in the fair value of financial assets at fair value through profit and loss, impairment of financial assets and recognised losses on hedging instruments. All loan

expenses are recognised using the effective rate of interest method.

Financial expenses on residential projects are capitalised at handover and expensed as an operating expense.

Interest expenses in connection with loans to senior executives

In connection with the Group's share programme for senior executives, Veidekke provides loans to the employees. Accounting of these loans is performed in accordance with IAS 39 at amortised cost. Interest costs 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 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 the prepaid benefit to employees. The 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 that have a maturity of more than 12 months 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-benefit plans 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. Any changes in plans are recognised in profit and loss when they are adopted, unless the change depends on the employees remaining in the Group, in which case the change is amortised over the remaining service period.

Most companies in Norway have contractual early retirement schemes (AFP) for their employees. Although the AFP pension scheme is a defined-benefit multi-company scheme, 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.

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.:	5–7 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. Financing 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

IASB has adopted a number of new standards, interpretations and amendments to existing standards and interpretations that were not effective for the financial year ending 31 December 2017. Standards and interpretations that are expected to have an impact on the Group's financial position, profit or disclosures are discussed below:

IFRS 15 Revenue from Contracts with Customers

A new revenue recognition standard (IFRS 15) is being introduced with effect from 2018. This standard replaces all the existing standards and interpretations on revenue recognition. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or 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.

The new standard will affect revenue recognition in the Group's own-account residential projects as well as revenue recognition in connection with modifications and additional orders in construction operations. Implementation of the new standards will be in accordance with the retrospective method whereby the financial statements for 2017 are restated in accordance with the new principles.

Residential projects

According to the current standard, sales of completed residential units are not recognised in the accounts until they are contractually handed over to the buyer. The new standard entails that sales of residential units in Sweden and Denmark will be recognised on a percentage of completion basis, with reference to the sales ratio and stage of completion. However, the Norway operations will continue with the current practice of not recognising revenue from residential units until contractual handover to the buyer, due to Norwegian law. In the segment accounts, all residential production will continue to be accounted for using the percentage of completion method.

Modifications and additional orders in construction operations

In general, the new standard will not change the principles for revenue recognition in construction contracts. The exception is projects where there is uncertainty about the final payment. Pursuant to the current standard, revenue from construction projects is recognised on the basis of expected final settlement, whereas the new standard has more stringent requirements concerning the probability of variable consideration. The new standard will primarily affect the recognition of revenue from civil engineering projects, where complex contracts may result in different interpretations of what constitutes proper fulfilment of the contract and where it may take a long time to clarify the final settlement.

Effect on the accounts of implementation of IFRS 15

It is expected that the Group's equity will increase by NOK 255 million as per 1 January 2017, as a result of improved equity for residential projects in the order of NOK 475 million and a reduction in equity of NOK 220 million attributable to change orders in construction operations. The restated accounts for 2017 will show a profit before tax of NOK 1,327 million. By comparison, profit before tax pursuant to the current principle was NOK 1,259 million.

IFRS 16 Leases

IASB has published a new leases standard requiring recognition in the balance sheet of the present value of all leases with a duration of more than one year, with the exception of leases where the underlying asset has a low value. In the income statement, lease payments are broken down into two cost components: depreciation and interest costs.

Veidekke leases equipment in connection with the

construction of buildings and civil engineering projects, and a large portion of these agreements have a term of more than 12 months. This primarily applies to certain types of basic equipment; Veidekke owns most of its heavy machinery. Veidekke owns relatively few of the buildings it operates its business from, and the new standard will have an impact on the accounting related to the leases of premises. The accounting effects have not yet been calculated in detail. Veidekke will implement the new IFRS 16 from 1 January 2019.

IFRS 9 – Financial Instruments

IFRS 9 entails changes related to classification and measurement, hedge accounting and impairment. IFRS 9 will replace IAS 39 Recognition and Measurement of Financial Instruments. Important changes from IAS 39 are that provisions for losses shall be based on anticipated losses, without there having to be any objective evidence that a loss event has occurred, and in terms of hedge accounting, certain requirements relating to hedging efficiency have been removed. The new standard is not expected to have a significant effect on Veidekke's accounts. The standard will be implemented retrospectively, with accounting effect from 1 January 2018.

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

Figures in NOK million	Construction		Property Development	
	2017	2016	2017	2016
INCOME STATEMENT				
Revenue	25 804	24 629	3 456	3 202
Operating expenses	-24 774	-23 587	-3 117	-2 827
Share of net income from joint ventures	8	16	239	216
Depreciation	-316	-295	-4	-1
Operating profit	722	763	574	589
Financial income	62	68	26	20
Financial costs	-26	-27	-50	-42
Profit before tax	759	804	549	567
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER				
Non-current assets	3 148	2 792	1 585	1 587
Current assets	5 819	5 183	4 531	3 334
Cash and cash equivalents	2 630	2 707	63	66
Total assets	11 596	10 682	6 179	4 987
Equity	2 328	2 114	1 588	1 264
Non-current liability	995	932	2 308	1 493
Current liabilities	8 273	7 637	2 284	2 230
Total equity and liabilities	11 596	10 682	6 179	4 987
KEY FIGURES				
Operational cash flow	976	1 252	-436	295
Cash flow from investments	-582	-479	-27	-16
Investments in non-current assets ¹⁾	477	430	9	12
Capital invested ²⁾	-	-	4 163	3 115
Investments in joint ventures	75	83	1 444	1 348
Number of employees	6 391	6 090	187	158
Order backlog	31 601	23 368	-	-
- due for completion within 12 months	19 552	16 087	-	-

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.

Construction and property development operations are described on the next pages.

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 12% of the Group's total revenues in 2017: NOK 3,778 million (NOK 3,736 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	
2017	2016	2017	2016	2017	2016	2017	2016
4 761	4 162	1	1	-2 453	-1 856	31 568	30 137
-4 372	-3 860	-102	-108	2 450	1 870	-29 915	-28 512
36	15	22	17	-	-	305	263
-192	-167	-12	-3	-	-	-524	-466
232	151	-92	-94	-3	13	1 434	1 422
4	10	72	79	-97	-79	67	98
-30	-24	-52	-46	98	80	-60	-60
206	136	-71	-61	-2	14	1 441	1 460
1 409	1 252	1 915	2 090	-1 499	-1 583	6 557	6 137
850	711	812	1 214	-1 343	-1 740	10 669	8 703
21	6	86	23	-2 409	-2 158	392	644
2 280	1 969	2 813	3 327	-5 251	-5 481	17 618	15 484
464	401	1 835	1 891	-1 521	-1 552	4 694	4 117
803	725	115	1 069	-2 415	-2 227	1 805	1 992
1 014	843	864	367	-1 315	-1 702	11 120	9 375
2 280	1 969	2 813	3 327	-5 251	-5 481	17 618	15 484
290	365	-128	-32	-	-	702	1 880
-218	-244	-111	-261	-	-	-938	-1 000
251	261	32	15	-	-	769	718
1 281	1 133	-	-	-	-	6 785	4 979
31	62	13	31	-	-	1 564	1 524
1 115	1 106	43	45	-	-	7 736	7 399
960	1 035	-	-	-	-	32 561	24 404
659	716	-	-	-	-	20 211	16 802

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

Building Construction constitutes 70 % 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.

Veidekke's property development operations purchase sites and develop them into residential buildings for sale to the end customer.

CONSTRUCTION

	Norway		Sweden		Denmark		Total Construction	
Figures in NOK million	2017	2016	2017	2016	2017	2016	2017	2016
INCOME STATEMENT								
Revenue	14 850	15 096	8 810	7 819	2 144	1 713	25 804	24 629
Operating expenses	-14 199	-14 322	-8 571	-7 664	-2 003	-1 601	-24 774	-23 587
Share of net income from joint ventures	4	8	4	8	-	-	8	16
Depreciation	-233	-212	-75	-72	-8	-10	-316	-295
Operating profit	421	570	169	91	132	102	722	763
Net financial items	31	26	1	11	5	4	36	41
Profit before tax	452	596	170	102	137	105	759	804
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER								
Non-current assets	2 019	1 786	879	781	250	225	3 148	2 792
Current assets	3 769	3 315	1 413	1 421	637	447	5 819	5 183
Cash and cash equivalents	1 682	2 094	580	110	367	503	2 630	2 707
Total assets	7 471	7 195	2 872	2 312	1 254	1 175	11 596	10 682
Equity	1 359	1 343	582	442	387	329	2 328	2 114
Non-current liability	792	739	164	161	38	32	995	932
Current liabilities	5 319	5 114	2 125	1 709	829	814	8 273	7 637
Total equity and liabilities	7 471	7 195	2 872	2 312	1 254	1 175	11 596	10 682
KEY FIGURES								
Profit margin	3.0%	4.0%	1.9%	1.3%	6.4%	6.2%	2.9%	3.3%
Share of turnover from construction	10 058	9 460	6 324	6 270	1 697	1 322	18 079	17 052
Share of turnover from civil engineering	4 792	5 636	2 486	1 549	447	391	7 725	7 577
This year's investments in operating equipment	391	372	71	52	15	6	477	430
Investments in joint ventures	30	29	45	54	-	-	75	83
Number of employees	4 114	3 962	1 735	1 615	542	513	6 391	6 090
Order backlog	19 521	14 408	10 705	7 698	1 375	1 262	31 601	23 368
- due for completion within 12 months	12 106	9 605	6 142	5 435	1 304	1 046	19 552	16 087

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

Figures in NOK million	Norway		Sweden ¹⁾		Total Property Development	
	2017	2016	2017	2016	2017	2016
INCOME STATEMENT						
Revenue	610	338	2 845	2 864	3 456	3 202
Operating expenses	-590	-349	-2 526	-2 478	-3 117	-2 827
Share of net income from joint ventures	157	185	82	30	239	216
Depreciation	-1	-	-2	-1	-4	-1
Operating profit	175	174	398	416	574	589
Net financial items	-30	-25	5	3	-25	-23
Profit before tax	146	149	404	418	549	567
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER						
Non-current assets	1 298	1 130	287	456	1 585	1 587
Current assets	2 220	1 479	2 341	1 856	4 561	3 334
Cash and cash equivalents	33	30	0	36	33	66
Total assets	3 551	2 639	2 628	2 348	6 179	4 987
Equity	755	622	833	641	1 588	1 264
Non-current liability	2 472	1 621	6	5	2 308	1 493
Current liabilities	324	396	1 789	1 701	2 284	2 230
Total equity and liabilities	3 551	2 639	2 628	2 348	6 179	4 987
KEY FIGURES						
Capital invested	3 167	2 257	995	858	4 163	3 115
Return on invested capital	9%	12%	40%	40%	18%	21%
Investments in joint ventures	1 217	1 086	227	262	1 444	1 348
Number of employees	59	59	128	99	187	158

1) Property Development Sweden also includes some remaining activity in Denmark, with sites recognised at NOK 93 million.

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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
INCOME STATEMENT										
Revenue	19 345	19 040	8 959	7 866	1 976	1 706	1	1	30 281	28 613
Operating profit	852	821	382	198	95	101	-76	-66	1 252	1 053
Profit before tax	827	808	389	213	99	103	-55	-32	1 259	1 092
STATEMENT OF FINANCIAL POSITION										
Total non-current assets	4 651	4 028	1 106	1 215	250	225	416	507	6 423	5 975
Capital invested	5 495	3 407	337	962	107	-43	-	-	5 939	4 326
Number of employees	5 288	5 127	1 863	1 714	542	513	43	45	7 736	7 399
Order backlog	20 481	15 444	10 705	7 698	1 375	1 262	-	-	32 561	24 404
- due for completion within 12 months	12 765	10 321	6 142	5 435	1 304	1 046	-	-	20 211	16 802

INTRA-GROUP SALES BY SEGMENT

	Construction		Property Development		Industrial		Other operations		Eliminations		Group	
Figures in NOK million	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenue	23 630	23 053	3 443	3 198	4 474	3 949	1	1	20	-64	31 568	30 137
Internal revenue	2 174	1 575	12	3	286	214	-	-	-2 473	-1 792	-	-
Total revenue	25 804	24 629	3 456	3 202	4 761	4 162	1	1	-2 453	-1 856	31 568	30 137

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

Deferred income reporting on residential projects

Under IFRS, interpretation IFRIC 15, income and earnings from the construction and sale of residential buildings shall not be recognised in the accounts until the property is handed over to the buyer. Interpretation IFRIC 15 governs the accounting of contracts for completed residential units. According to this interpretation, revenue and profit from the sale of completed residential units shall not be recognised in the accounts until the property has been contractually

handed over to the buyer. In Veidekke's internal follow-up of residential projects, measurements are conducted using percentage of completion reporting, whereby revenue and profit are recognised in line with the estimated final outcome of the project, stage of completion and sales ratio. Veidekke's segment reporting follows these principles. IFRIC 15 adjustments apply to the business areas Property Development and Construction.

Figures in NOK million	Segment accounts		IFRIC 15 adjustments		Financial accounts	
	2017	2016	2017	2016	2017	2016
INCOME STATEMENT						
Revenue	31 568	30 137	-1 287	-1 523	30 281	28 613
Operating expenses	-29 915	-28 512	1 076	1 228	-28 839	-27 284
Share of net income from joint ventures	305	263	30	-73	334	190
Depreciation	-524	-466	-	-	-524	-466
Operating profit	1 434	1 422	-182	-369	1 252	1 053
Net financial items	7	38	-	-	7	38
Profit before tax	1 441	1 460	-182	-369	1 259	1 092
STATEMENT OF FINANCIAL POSITION						
Non-current assets	6 557	6 137	-134	-162	6 423	5 975
Current assets	10 669	8 703	2 959	2 123	13 628	10 826
Cash and cash equivalents	392	644	-	-	392	644
Total assets	17 618	15 484	2 825	1 961	20 443	17 445
Equity	4 694	4 117	-846	-652	3 848	3 465
Non-current liability	1 805	1 992	-37	-17	1 768	1 975
Current liabilities	11 120	9 375	3 708	2 631	14 827	12 005
Total equity and liabilities	17 618	15 484	2 825	1 961	20 443	17 445

EARNED INCOME AND PROFIT FROM RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Figures in NOK million	2017	2016
REVENUE		
Accumulated revenue from non-delivered projects at the start of the year	2 710	1 352
+ Revenue from non-delivered projects during the year	3 331	2 826
- Revenue from delivered projects during the year	-2 044	-1 302
Net IFRIC 15 adjustments to revenues during the year	1 287	1 523
+/- Currency translation differences	169	-166
Accumulated revenue from non-delivered projects at end of the year	4 166	2 710
PROFIT BEFORE TAX		
Accumulated profit before tax from non-delivered projects at the start of the year	669	330
+ Profit before tax from non-delivered projects during the year	819	796
- Profit before tax from delivered projects during the year	-636	-428
Net IFRIC 15 adjustments to profit before tax during the year	182	369
+/- Currency translation differences	32	-29
Accumulated profit before tax from non-delivered projects at the end of the year	884	669

At 31 December 2017, revenue of NOK 4,166 million and profit before tax of NOK 884 million had accrued on sales of units under construction. 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

Figures in NOK million	2017	2016
Construction, building construction	14 922	15 183
Construction, civil engineering	7 725	7 417
Property	2 504	1 633
Asphalt	3 054	2 586
Road Maintenance	1 154	1 091
Aggregates	714	570
Ordinary revenue	30 073	28 480
Other revenue	208	134
Revenue	30 281	28 613

SPECIFICATION OF OTHER REVENUE

Figures in NOK million	2017	2016
Gains from sale of operating equipment ¹⁾	104	35
Rental income	45	19
Other revenue	59	80
Other revenue	208	134

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

NOTE 4. PERSONNEL EXPENSES

Figures in NOK million	2017	2016
Payroll	5 015	4 694
Pension costs ¹⁾	425	301
Employer's National Insurance contributions	745	737
Other payroll costs (social benefits etc)	134	105
Personnel expenses	6 319	5 838
Number of full time equivalents	7 666	7 164
Number of employees at 31 December	7 736	7 399

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 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 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	2017	2016
Sales of shares to employees (number of shares)	1 938 824	1 665 074
Expensed discount after tax	21	20
Discount entered directly as a reduction in equity related to the Group's share programme	20	20

SHARE LOANS TO EMPLOYEES

Figures in NOK million, except number of executives and employees	2017	2016
Loans to senior executives for purchases of Veidekke shares	159	161
Expensed change in the present value of the share loan	5	5
Number of executives with long-term loans	585	597
Share scheme loans for all employees	21	23
Number of employees with short-term loans	866	897

NOTE 6. FINANCIAL INCOME AND FINANCIAL COSTS

Figures in NOK million	2017	2016
Interest income	1	3
Interest income from joint ventures	15	13
Other interest income from non-financial institutions	15	13
Foreign currency gains	16	27
Dividends received	3	3
Financial income from long-term PPP projects' receivables	2	8
Gains on sale of shares	7	23
Other financial income	8	9
Financial income	67	98
Interest costs ¹⁾	-35	-37
Interest charges from non-financial institutions	-4	-7
Foreign currency losses	-19	-12
Impairment of financial instruments	-	-2
Other financial costs	-2	-1
Financial costs	-60	-60
Net financial items	7	38

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 2017 this represents NOK 5 million. The corresponding figure for 2016 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	2017	2016
Capitalised interest at 1 January	44	46
Capitalised interest charges for the year	33	31
Expensed interest classified as operating expenses	-9	-32
Disposals on sales of companies	-	-2
Currency translation differences	-	1
Capitalised interest at 31 December	67	44
The capitalised interest charges relate to the following assets:		
Sites under development and property projects under construction	61	38
Operating equipment	6	6
Capitalised interest at 31 December	67	44
Interest capitalisation rate	2.4%	2.2%

NOTE 7. PROJECTS IN PROGRESS

Figures in NOK million	2017	2016
Total income from construction projects	25 301	24 405
DETAILS OF PROJECTS IN PROGRESS AT 31 DECEMBER		
Accumulated income included in the financial statements	27 867	26 267
Accumulated profit included in the financial statements	1 701	1 744
Loss-making projects in progress - remaining income ¹⁾	918	1 019
Trade receivables in construction projects in the statement of financial position	4 787	4 317
Individual items included in trade receivables in the statement of financial position:		
Due from customers ²⁾	688	747
Earned, not invoiced income	1 286	983
Advance payments from customers ³⁾	1 404	1 152

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

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

3) Included in the statement of financial position under Other current liabilities (see note 24).

ORDER BACKLOG

Figures in NOK million	2017	2016
Construction	31 601	23 368
Road maintenance (due for completion within 18 months)	960	1 035
Total order backlog	32 561	24 404
- of which due to be completed within the next 12 months	20 211	16 802

NOTE 8. EARNINGS PER SHARE

Figures in NOK million	2017	2016
Earnings per share (NOK)	8.2	6.6
Profit for the year	1 119	922
Equity holders of Veidekke ASA's share of the Group's the profit for the year	1 092	887
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	2017	2016
Carrying amount at 1 January	1 248	1 151
Original cost at 1 January	1 513	1 420
Additions	122	140
Currency translation differences accumulated original cost	31	-47
Original cost at 31 December	1 666	1 513
Accumulated depreciation at 1 January	-251	-251
Accumulated impairment at 1 January	-13	-18
This year's impairment	-	-
This year's currency translations differences accumulated depreciation and impairment	-	5
Accumulated depreciation and impairment at 31 December	-265	-264
Carrying amount at 31 December	1 401	1 248

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 the 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 34 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	31.12.17	31.12.16
Construction Norway		
Leif Grimsrud AS	177	177
Veidekke Entreprenør AS (Reinertsen)	88	88
Veidekke Entreprenør AS, Region Syd (Agder)	71	71
Båsum Boring AS	60	-
Other	234	237
Construction Sweden		
Arcona AB	99	94
Veidekke Entreprenad AB, Region Väst	91	86
Other	225	201
Construction Denmark		
Hoffmann A/S	100	92
Other	40	37
Industrial		
Business unit Aggregates	79	79
Business unit Asphalt	124	73
Property Development Sweden	14	13
Total goodwill	1 401	1 248

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 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 based on a nominal figure of 2.5% growth per year. This 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. 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	7.9	8.5%	6.6%
Before-tax discount rate for calculation of the terminal value	9.3%	9.9%	8.0%

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 Leif Grimsrud AS, which delivered zero profit for 2017. The measures implemented in 2017 have been effective, the order situation at 31 December 2017 is satisfactory, and improved profitability is expected from 2018.

DETAILS OF GOODWILL ITEMS WITH A CARRYING AMOUNT EXCEEDING NOK 50 MILLION

Figures in NOK million	CGU revenue for 2017 ¹⁾	CGU margin achieved in 2017	Revenue growth after 2018 ²⁾	Impairment indicator: Profit margin over time ³⁾
Construction Norway - Leif Grimsrud AS	645	-0.3%	2.5%	2.5%
Construction Norway - Veidekke Entreprenør AS (Reinertsen)	14 850	3.0%	2.5%	4)
Construction Norway - Veidekke Entreprenør AS, Region Syd (Agder)	2 805	-1.8%	2.5%	0.5%
Construction Norway - Båsum Boring AS	142	1.9%	2.5%	3.2%
Industrial - Asphalt	3 098	4.4%	2.5%	3.3%
Industrial - Aggregates	594	11.9%	2.5%	6.5%
Construction Denmark - Hoffmann A/S	2 144	6.4%	2.5%	0.5%
Construction Sweden - Arcona AB	1 800	2.6%	2.5%	1.0%
Construction Sweden - Veidekke Entreprenad, Region Väst	1 859	2.8%	2.5%	0.5%

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 2017.

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.

4) For the Reinertsen acquisition, other indicators will determine whether 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	-	45	-	127	-	83

1) Margins maintained.

NOTE 10. OTHER INTANGIBLE ASSETS

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

Figures in NOK million	2017	2016
Carrying amount at 1 January	136	104
Original cost at 1 January	201	154
Additions in purchase of companies	8	56
Translation differences original cost	6	-10
Original cost at 31 December	215	201
Accumulated depreciation and impairments 1 January	-64	-50
Depreciation	-19	-18
Translation differences depreciation	-3	4
Accumulated depreciation and impairments at 31 December	-86	-64
Carrying amount at 31 December	129	136

NOTE 11. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	2017				2016			
	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	1 446	508	560	2 514	1 301	388	556	2 245
Original cost at 1 January	3 577	1 200	779	5 556	3 270	999	835	5 105
Additions	647	92	23	761	475	211	23	709
Additions from acquisition of operations	93	21	49	162	63	-	7	70
Disposals original cost	-231	-48	-9	-288	-179	-9	-72	-260
Reclassification/other changes	9	-	7	16	2	-	-3	-1
Translation differences original cost	35	2	14	50	-55	-1	-11	-67
Original cost at 31 december	4 129	1 266	862	6 258	3 577	1 200	779	5 556
Accum. depreciation/impairments at 1 January	-2 131	-692	-219	-3 042	-1 970	-611	-279	-2 859
Accum. depreciation, disposal of operating equipment	187	46	0	232	149	8	72	230
Depreciation for the year	-402	-80	-17	-499	-343	-90	-15	-448
Impairment for the year	-3	-4	-	-6	-	-	-	-
Reclassifications/other changes	-9	-	-7	-16	-	-	-	-
Translation differences, depreciation	-21	-1	-5	-27	33	-	3	36
Accumulated depreciation/impairments at 31 December	-2 379	-730	-248	-3 357	-2 131	-692	-219	-3 042
Carrying amount at 31 December	1 750	536	615	2 900	1 446	508	560	2 514
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 91 million has been capitalised related to financial leasing. As at 31 December 2017, the Group has entered into contracts worth NOK 240 million on delivery of operating equipment, which are due for delivery in 2018.

ADDITIONS AND DISPOSALS (SALES PRICE)

Figures in NOK million	2017		2016	
	Additions	Disposals	Additions	Disposals
Plant and machinery	647	72	552	57
Asphalt plants, quarries	92	1	134	1
Land and buildings	23	81	23	1
Additions and disposals (sales price)	761	154	709	59

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

Figures in NOK million	2017	2016
Plant and machinery	28	29
Asphalt plants, quarries	-1	-1
Land and buildings	72	-
Total net gain on sales	99	29

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 2017 and 2016 are summarised in the table below:

Year of purchase	2017				2016			
Company	Båsum Boring AS ¹⁾	Asfaltverket Mo AS	Other acquisitions ²⁾	Total	Norway ³⁾	Sweden ⁴⁾	Danmark ⁴⁵⁾	Total
Figures in NOK million								
Acquisition cost	81	60	62	203	80	116	59	254
CARRYING AMOUNTS ON THE ACQUISITION DATE:								
Intangible assets	-	-	-	-	-	35	-	35
Plant and machinery, land and buildings	31	66	65	162	62	11	8	81
Trade and other receivables	43	44	1	88	33	61	21	116
Cash received	9	-	1	9	12	33	16	61
Pension and deferred tax liabilities	-4	-4	-14	-23	-8	-9	-4	-20
Long-term debt	-5	-6	-	-11	-18	-29	-	-48
Trade payables and other current liabilities	-45	-31	-1	-77	-25	-44	-20	-89
Net identified assets and liabilities, 100%	29	69	52	150	56	58	21	135
Value 100% of shares	115	121	61	297	100	116	59	274
Excess value	86	51	10	146	44	58	38	139
Goodwill allocated	60	51	10	122	44	58	38	139
Non-controlling interests' share of identified values	-9	-	-	-9	-20	-	-	-20
Revenue after takeover ⁶⁾	16	61	1	78	269	213	67	549
Profit before tax after takeover ⁶⁾	-0	6	1	7	16	22	5	42
Revenue before takeover	126	75	5	206	-	102	57	160
Profit before tax before takeover	3	9	3	14	-	1	5	7

1) Only the majority interest's share of goodwill has been recognised in connection with the acquisition of Båsum Boring AS (70%)

2) Brinkab Forvaltning AB (100%), Kardanaxeln Snåkarad AB (100%)

3) Tore Løkke AS (80%)

4) AB Berggren & Bergmann (100%), Åkersberga Lastbilcentral AB (100%) and Tautech AB (100%)

5) Alpedalens VVS AS (100%), Installationsgruppen AS (100%) and Techniq Installation AS (100%)

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

2017

Båsum Boring

On 15 November 2017 Kynningsrud Fundamentering AS, which is a subsidiary of Veidekke Entreprenør AS, acquired 70% of the shares in Båsum Boring AS and Båsum Boring Trøndelag AS. These companies are engaged in water well and geothermal drilling and are based in Buskerud and Trøndelag. The companies had revenue of NOK 142 million and profit before tax of NOK 3 million in 2017. The expected purchase price for the shares is NOK 81 million, of which NOK 74 million was paid on takeover. NOK 60 million has been allocated to goodwill, and only the majority interest's share has been included. The purchase price allocation is preliminary. 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 35 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 company had revenues of NOK 90 million in 2017 and profit before tax of NOK 14 million. 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 will be recognised at fair value, generating a gain in the financial statements of NOK 29 million.

Other acquisitions

One smaller acquisition was also made in 2017.

2016

Tore Løkke AS

On 11 January 2016 Veidekke Entreprenør AS acquired 80% of the shares in the engineering contractor Tore Løkke AS. The company has offices in Sør-Trøndelag and carries out contracts all over Norway. The company has 78 employees. According to the financial statements for 2017, the company had revenue of NOK 454 million and profit before tax of NOK 43 million. The expected purchase price for 80% of the shares was NOK 80 million, of which NOK 68 million was paid on takeover. NOK 44 million was allocated to goodwill, including the non-controlling party's share.

Åkersberga Lastbilcentral AB

On 1 April 2016 Veidekke Entreprenad AB acquired 100% of the shares in the company Åkersberga Lastbilcentral AB. The company owns gravel and dumping rights in the central Stockholm area and provides earthwork services. The company reported revenues of NOK 170 million for 2017 and profit before tax of NOK 22 million. The purchase price for the company was NOK 50 million, of which NOK 7 million was

paid in 2017. The company had NOK 28 million in cash on the acquisition date. NOK 7 million has been allocated to goodwill.

AB Berggren & Bergmann

On 4 July 2016 Veidekke Entreprenad AB acquired 100% of the shares in the company AB Berggren & Bergmann, which is engaged in civil engineering operations in northern Sweden. This acquisition complements Veidekke's existing civil engineering operations in the area. The company has 45 employees and reported revenue of NOK 167 million for 2017 and a loss of NOK 1 million. The purchase price for the company was NOK 59 million. NOK 45 million has been allocated to goodwill.

Alpedalen VVS AS and others

Hoffmann AS acquired 100% of the shares in the companies Alpedalens VVS AS, Installationsgruppen AS and Techniq Installation AS on 23 June 2016. The companies reported combined revenues of NOK 124 million for 2016 and profit before tax of NOK 10 million. The companies have 60 employees in total. Revenue and profit for 2017 have not been published, as the companies were merged into Hoffmann A/S from 1 January 2017. NOK 38 million has been allocated to goodwill.

ACCOUNTING EFFECTS OF THIS YEAR'S ACQUISITIONS:

Figures in NOK million	2017	2016
Other intangible assets	-	35
Machinery, buildings etc.	162	81
Trade and other receivables	88	116
Cash and bank deposits	9	61
Pension and deferred tax liabilities	-23	-20
Non-current liabilities	-11	-48
Trade payables and other current liabilities	-77	-89
Net identified assets and liabilities	150	135
Goodwill acquisitions	122	139
Non-controlling interests	-9	-20
Joint venture realisation, step acquisition	-60	-
Purchase price	203	254
Agreed purchase price	203	254
Deferred payment	-7	-35
Deferred payment from previous acquisitions, paid	7	-
Cash received	-9	-61
Net cash outflow, business combinations	193	159
Purchase price, companies where Veidekke was the majority owner	63	-
Net cash outflow, acquisition of subsidiaries	257	159

Step acquisitions in companies in which Veidekke had a majority holding before acquisition

On 1 September 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 reported revenues of NOK 439 million for 2017 and profit before tax of NOK 46 million. The purchase price for the shares was NOK 59 million. The acquisition did not have any impact on the recognised goodwill. In addition, one small step acquisition has been made, where Veidekke has taken over the remaining 5% of the shares.

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	
	2017	2016	2017	2016	2017	2016
Carrying value of investment on 1 Jan.	1 276	1 046	86	87	1 363	1 134
Share of the profit for the year	329	178	5	12	334	190
Dividends received	-380	-61	51	-13	-329	-75
Capital increases	135	49	49	3	184	52
Disposal of companies	-94	-71	-58	-4	-151	-75
Change in subordinated loans	60	163	-6	3	54	166
Change in value recognised in total comprehensive income	-41	-18	-	-	-41	-18
Currency translation differences	16	-9	1	-2	17	-12
Carrying value of investment on 31 Dec.	1 301	1 276	128	86	1 430	1 363

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	2017				
	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	1 734	14	1 240	3 026
Current liabilities	53	1 239	26	55	1 373
Total liabilities	92	2 973	40	1 295	4 400
Net assets	74	1 101	31	15	1 221
Subordinated loans	-	344	-	-	344
IFRIC 15 adjustments	-	-134	-	-	-134
Investments in associates and joint ventures	74	1 310	31	15	1 430

	2016				
Figures in NOK million	Construction	Property	Industrial	PPP projects	Total
INCOME STATEMENT					
Revenue	376	1 810	124	16	2 325
Expenses	-356	-1 534	-105	5	-1 989
Profit before tax	20	276	19	22	336
STATEMENT OF FINANCIAL POSITION					
Non-current assets	58	579	58	1 125	1 820
Current assets	116	3 290	51	73	3 529
Total assets	174	3 868	109	1 198	5 350
Non-current liabilities	37	1 660	17	1 047	2 761
Current liabilities	54	1 148	31	130	1 362
Total liabilities	91	2 808	47	1 176	4 123
Net assets	83	1 061	62	22	1 227
Subordinated loans	-	297	-	-	297
IFRIC 15 adjustments	-	-162	-	-	-162
Investments in associates and joint ventures	83	1 196	62	22	1 363

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

Figures in NOK million	Profit	
	2017	2016
Profit before tax in associates and joint ventures (taken from the respective companies' accounts)	335	336
Tax on profit for the year	-60	-73
Profit after tax in associates and joint ventures	275	263
Sale of shares and value adjustments	29	-
Profit after tax associates and joint ventures (segment reporting, note 2)	304	263
Adjustment of profit in accordance with IFRIC 15	30	-73
Share of net income from associates and joint ventures (financial accounts)	334	190
Profit for the year adjusted to market value		
Profit from investments in associates and joint ventures (financial accounts)	334	190
Fair value adjustment of financial assets	-29	-4
Total comprehensive income from associates and joint ventures	305	187

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	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	-	-	-	20
Revenue	378	475	1	-
Depreciation	-	-	-	-
Other costs	-315	-332	-8	-
Operating profit	63	143	-7	-
Interest income	-	1	-	-
Interest costs	-19	-10	-	-
Other net financial items	-	-	-	25
Profit before tax	44	134	-7	25
Income tax expense	-9	-31	2	-4
Profit after tax	34	104	-5	22
Other comprehensive income	-	-	1	17
Total comprehensive income	34	104	-4	39
Non-current assets	-	-	3	1 026
Cash and cash equivalents	54	134	18	64
Other current assets / property projects	948	909	892	16
Current assets	1 001	1 043	909	80
Non-current financial liabilities	280	461	648	1 044
Other non-current liabilities	32	34	20	28
Non-current liabilities	311	495	668	1 072
Current financial liabilities	297	273	-	-
Other current liabilities	20	5	-	34
Current liabilities	317	277	-	34
Total equity	373	271	244	-
The Group's ownership share (%)	50%	50%	50%	50%
The Group's share of equity	187	135	122	-
Carrying value at 31 Dec. 2017	187	135	122	-

1) Lørenvangen Utvikling is 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	Status	Legal owner
Rykkinn School	2016–2041	0.2 bn.	50%	Lease period	Skuleveg AS
Jessheim College	2017–2042	0.8 bn.	50%	Lease period	Skulebygg AS
Gystadmarka School	2018–2043	0.2 bn.	50%	Under construction	Skuleplass AS
Justvik School	2018–2043	0.1 bn.	50%	Under construction	Skulegaard AS
E39 Lyngdal-Flekkefjord	2006–2031	1.2 bn.	50% ¹⁾	Lease period	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	2017	2016
INCOME STATEMENT		
Share of net income from joint ventures	22	17
Other financial income	8	31
Other interest costs	-1	-5
Profit before tax	29	44
STATEMENT OF FINANCIAL POSITION		
Investments in joint ventures ¹⁾	52	22
Non-current financial assets	0	126
Total non-current assets	52	148
Current assets	-	24
Total assets	52	172
Equity	52	36
Non-current liabilities	-	123
Current liabilities	-	13
Total equity and liabilities	52	172

1) At 31 December 2017 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.

Sales of PPP projects

In 2017 Veidekke has reduced its holding in the two companies that are the contract partners for the PPP projects Gystadmarka School and Justvik School from 100% to 50%. The sale generated an overall gain in the financial statements of NOK 7 million and has been included in the income statement under Other financial income. For 2016 reduced holdings generated an overall gain in the financial statements of NOK 23 million.

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	93	July 2041	-11
Hedging - interest rate swaps	114	February 2018	0
Financing - fixed rate loans	371	August 2042	-38
Financing - fixed rate loans ²⁾	110	December 2042	-2
Financing - fixed rate loans ²⁾	49	December 2042	-1

1) Fair value is the market value of the financial instrument on 31 December 2017. 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.

2) No withdrawals have been made on the loans, and it therefore follows from IAS 39 that in terms of accounting the loans shall not be recognised at fair value until a withdrawal is made.

PPP PROJECT NATIONAL HIGHWAY E39 LYNGDAL–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	571	August 2030	-141

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

Figures in NOK million	2017	2016
Carrying value at 1 January	-	-
Recognised profit	14	14
Dividends	-12	-12
Adjustments for fair value of long-term interest rate swaps	11	17
Adjustment for negative equity not recognised from joint ventures	-13	-20
Carrying value at 31 December	-	-

Total hedge reserve on the PPP projects:

Figures in NOK million	2017	2016
Hedge reserve at 1 January	-132	-146
This year's changes in the hedge reserve	-17	17
Hedge reserve at 31 December	-149	-129
Adjustment of hedge reserve by not including negative equity	33	43
Hedge reserve at 31 December included in the financial statements	-116	-86

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 149 million after tax, of which NOK 116 million has been included in the financial statements at 31 December 2017.

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 40 million.

NOTE 15. FINANCIAL ASSETS

Figures in NOK million	2017	2016
Share loans to employees	159	161
Financial investments	187	146
Financial assets PPP projects ¹⁾	-	126
Other non-current receivables	143	202
Other shares	19	13
Financial assets	508	649

1) See note 14.

The item Financial investments includes NOK 187 million in a bond fund. The funds are to cover pension liabilities and have been pledged. The investment is regarded as available for sale and has been recognised in the accounts at fair value.

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

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

Figures in NOK million	2017	2016
Loans to employees at fair value	137	139
Long-term advance to employees	22	22
Carrying value of share loans to employees	159	161

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 fair 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	2017	2016
Sites under development	3 214	2 410
Projects under construction	3 796	2 423
Unsold completed residential units	44	32
Total residential projects	7 055	4 865
Non-residential projects	22	12
Total carrying amount residential projects (wholly owned)	7 076	4 877
Residential projects in joint ventures	1 201	1 155
Residential projects in associates	71	32
Carrying value residential projects in Associates and Joint Ventures (partly owned)	1 272	1 187

GEOGRAPHICAL CATEGORY

2017

Residential projects at 31 December Figures in NOK million	Sites under development	Under construction	Unsold completed	Total wholly owned projects	Carrying value Associates and JV's
Norway	1 649	392	20	2 061	1 142
Denmark	93	465	-	558	-
Sweden	1 473	2 939	24	4 436	212
Total carrying value	3 214	3 796	44	7 055	1 353

2016

Residential projects at 31 December Figures in NOK million	Sites under development	Under construction	Unsold completed	Total wholly owned projects	Carrying value Associates and JV's
Norway	1 136	214	25	1 375	956
Denmark	111	96	-	207	-
Sweden	1 163	2 113	7	3 283	294
Total carrying value	2 410	2 423	32	4 865	1 251

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%.

The site portfolio

At the end of 2017 Veidekke had a portfolio of sites in Scandinavia that is expected to yield around 14,000 residential units. 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	4 550	750	5 300	47
Sweden	3 900	4 850	8 750	109
Total	8 450	5 600	14 050	156

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 2016 NOK mill.	Year of purchase	No. of units
Nycoveien 2, Oslo	100%	215	-	2014	262
Skogsnarveien, Ski	100%	107	-	2015	65
Grenseveien 97, Oslo	100%	175	4	2017	177
Grensesvingen 9, Oslo	100%	335	11	2017	192
Strandveitsikten, Trondheim	100%	130	-	2017	215
Lövholmen 13, Stockholm	67%	176	-	2007	58
Projects Norway (purchase price < NOK 100 mill.) – wholly owned		489			1 439
Projects Sweden (purchase price < NOK 100 mill.) – wholly owned		931			4 962
Projects Denmark (purchase price < NOK 100 mill.) ³⁾		149			
Total		2 708			7 370

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

2) NOK 56 million has already been written down on projects in Denmark. The carrying amount at 31 December 2017 is NOK 93 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 250 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	2017	2016
Write-downs in the portfolio at the beginning of the period	92	65
Write-downs in the course of the year	5	39
Disposals	-41	-12
Write-downs in the portfolio at the end of the period	56	92

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)	2018	2019	2020	2021	Later
Deferred payment for site purchases ¹⁾	239	915	931	251	91

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 will be 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. This helps ensure that the management at all times has a good overview of activities.

Carrying amount wholly owned projects (NOK million)	2017	2016
Units under construction	3 796	2 423
Unsold completed units	44	32
Total	3 840	2 455

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 %	56 %
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.

NUMBER OF UNITS UNDER CONSTRUCTION AND UNSOLD COMPLETED UNITS AT 31. DESEMBER 2016

	Residential units under construction	Unsold residen- tial units under construction	Unsold completed residential units	Average sales ratio ¹⁾	Average stage of completion ²⁾
Projects in Norway - wholly owned	107	28	6	74 %	23 %
Projects in Norway - JV (Veidekke's share) ²⁾	493	55	10	89 %	53 %
Projects Sweden - wholly owned	1 612	95	4	94 %	71 %
Projects in Sweden - JV (Veidekke's share) ²⁾	95	8	-	92 %	35 %
Projects in Denmark - wholly owned	115	40		65 %	
Total number/total sales ratio	2 422	226	20	91 %	

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 CONSTRUCTION ¹⁾

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Property Norway	446	517	133	136	-17	-14	150	150
Construction Norway	-	-	24	33	-	-	24	33
Property Sweden	1 632	1 604	621	440	-21	-17	643	457
Construction Sweden	-	-	34	29	-	-	34	29
Construction Denmark	104	-	32	-	-2	-	34	-
Total	2 182	2 121	843	638	-41	-31	884	669

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.

Veidekke had 2,182 sold units under construction at 31 December 2017. In the segment accounts Veidekke has recorded a profit of NOK 843 million for these projects, while the financial statements show a loss of NOK 41 million. The difference of NOK 884 million will be recognised in the financial statements when the units are handed over to the buyer.

The financial statements show a loss because the administrative costs and costs of sales are expensed as they are incurred in the financial statements, while income is not recognised until the unit is 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 44 (114) million in 2017, of which NOK 38 (49) million in Norway and NOK 6 (65) 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	2017	2016
Inventory in industrial operations	178	174
Inventory in construction operations	311	241
Inventory in other parts of the operations	28	40
Total inventory	518	455

NOTE 18. TRADE RECEIVABLES

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

Figures in NOK million	2017	2016
Invoiced trade receivables	5 678	5 141
Provisions for bad debts	-16	-33
Due from customers	688	747
Accrued revenue	1 495	1 293
Work invoiced in advance (not recognised income)	-2 473	-2 124
Trade receivables	5 372	5 025

See the section on revenue recognition in the presentation of the Accounting Policies for more detailed information on invoicing and accrual of projects.

Maturity structure of invoiced trade receivables at 31 December:

Figures in NOK million	2017	2016
Receivables not due for payment	3 267	2 741
Less than 30 days since due date	855	637
30–60 days since due date	103	219
60–90 days since due date	57	45
90–180 days since due date	26	49
More than 180 days since due date ¹⁾	1 371	1 450
Invoiced trade receivables	5 678	5 141

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	2017	2016
Provisions at 1 January	33	28
Currency translation differences	1	-1
Provisions made during the year	9	29
Provisions used during the year	1	-
Provisions reversed during the year	-29	-23
Provisions at 31 December	16	33

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 is calculated using the following table:

Figures in NOK million	2017	2016
Trade receivables	5 372	5 025
Of which:		
Received bank guarantees to trade receivables	406	382
Other guarantees	605	224
Receivables from public authorities (state and municipal level) ¹⁾	2 096	2 250
Total secure receivables	3 108	2 857
Maximum unhedged credit risk in the trade receivables	2 264	2 168

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

NOTE 19. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consist of bank deposits. At 31 December 2017 the Group has NOK 40 (39) million in restricted cash.

NOTE 20. NUMBER OF SHARES, SHAREHOLDERS ETC.

Veidekke ASA's largest shareholders at 31 December 2017 are presented in the following table:

	No. of shares	Ownership share
OBOS BBL	23 769 440	17.8%
Folketrygdfondet	15 404 795	11.5%
If Skadeförsäkring AB	9 196 059	6.9%
Handelsbanken Asset Management	5 650 219	4.2%
Danske Invest Norge	5 253 230	3.9%
Fund managed by DNB Asset Management	4 808 548	3.6%
Must Invest AS	3 000 000	2.2%
MP Pensjon	2 708 284	2.0%
Vanguard Group	2 503 808	1.9%
Storebrand Asset Management	2 135 186	1.6%
Odin Fund Management	1 813 836	1.4%
Alfred Berg	1 767 982	1.3%
Nordea Asset Management	1 240 318	0.9%
KLP	1 110 216	0.8%
Arctic Asset Management	853 214	0.6%
Sum 15 largest shareholders	81 215 135	60.7%
Employees (3 892 individuals)	20 181 673	15.1%
Others	32 308 134	24.2%
Total	133 704 942	100%

CHANGE IN NUMBER OF SHARES

No. of shares 1 January 2017	133 704 942
No. of shares 31 December 2017	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 2017:

	No. of shares
THE BOARD OF DIRECTORS	
Martin Mæland, chair	30 000
Per-Otto Dyb, deputy chair	4 000
Gro Bakstad	13 000
Hans von Uthmann	-
Ingalill Marie Berglund	2 500
Ingolv Høyland	3 300
Ann-Christin Andersen	5 000
Inge Ramsdal	7 695
Odd Andre Olsen	3 855
Arve Fludal	8 115
Shares owned by board members	77 465
MEMBERS OF THE CORPORATE MANAGEMENT	
Arne Giske	149 645
Dag Andresen	178 850
Jimmy Bengtsson	46 140
Jørgen Wiese Porsmyr	106 660
Lars Erik Lund	13 340
Terje Larsen	108 795
Hege Schøyen Dillner	11 445
Total shares owned by corporate management	614 875
Total	692 340

Own shares

Veidekke does not own any of its own shares.

Dividend

The dividend for financial year 2016, which was paid out in 2017, amounted to NOK 602 million (NOK 4.5 per share).

The proposed dividend for the 2017 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 has both defined-contribution and defined-benefit pension plans. In the defined-contribution plans, the cost is equal to the contributions towards the employees' pension savings made during the period. The future pension depends on the size of the contribution and the return on the pension savings. In defined-benefit plans, Veidekke is responsible for paying an agreed pension to an employee on the basis of expected final salary. The cost for the period shows the employees' pension accrual in the financial year. Most of Veidekke's pension plans are defined-contribution schemes, but there are defined-benefit plans for employees over the age of 62 years in Norway and for some Norwegian managers.

Norway

In Norway, Veidekke has the following pension schemes:

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

General pension scheme

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 2017 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. In the defined-benefit plan Veidekke has committed to paying a life-long pension of a specified amount, and the company bears the risk for the return on the pension funds. The service period for a full retirement pension under this pension scheme is a minimum of 30 years. Veidekke's pension plan is a supplemental pension which, together with the National Insurance pension, provides a retirement pension of roughly 60% of the employee's salary on retirement, assuming a full service period. The ordinary pension scheme is financed by funds accumulated in a life insurance company, which manages the funds and administers the scheme. This pension scheme for salaries exceeding 12G is financed through operations.

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. Provisions have been made in the accounts for this scheme.

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 2017 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 12 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

Employees in Norway with salaries exceeding 12G are given pension credit for salary above 12G. The scheme covers retirement pension, disability pension and children's pension. There is an allocation scheme where 20% of salary over 12G is set aside. The allocated amount is adjusted each year in line with defined indices. The pension is paid from 67 years at the earliest and for ten years from when it is first drawn.

Termination of the disability pension plan 2016

In Norway, a new Act on disability pensions came into force on 1 January 2016, and Veidekke implemented the necessary changes on 1 October 2016. The Act is intended to ensure that private disability pension schemes are adapted to the Norwegian National Insurance Scheme's rules on disability benefit. As a result of the changes in the rules, Veidekke has terminated the company's disability pension scheme for employees in Norway and from the same date established a new scheme with corresponding coverage, but without the accumulation of paid-up value. Discontinuation of the old scheme has had a positive effect on the 2016 accounts of NOK 108 million. The gain from discontinuation of the old disability pension system was calculated by an actuary. The Financial Supervisory Authority of Norway defines how these calculations are to be performed. In 2017 the Financial Supervisory Authority of Norway published new guidelines, necessitating recalculation of the gain on discontinuation of the disability pension scheme, which resulted in an increase of NOK 35 million. The increased gain has been recognised in the 2017 financial statements.

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 8% 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 pays a contribution of 10% of the salary. Pensionable age in Sweden is 65, with the right to work until the age of 67. The payment of the retirement pension is very flexible, and, in the event of death, the pension is payable to surviving dependants.

Figures in NOK million	2017	2016
PENSION COSTS		
Current service cost	24	46
Interest cost on net pension liabilities	9	12
Termination of defined-benefit scheme in Norway ¹⁾	-35	-108
Total costs (defined-benefit schemes)	-2	-51
Cost of defined-contribution plan	427	352
Pension costs	425	301
1) For 2016 and 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	-1 201	-1 201
Pension assets	830	874
Net pension liability defined-benefit schemes	-371	-327
Pension liability - other schemes	-99	-76
Pension liability at 31 December	-470	-404
CHANGE IN GROSS PENSION LIABILITY DURING THE YEAR		
Gross pension liability at 1 January	-1 201	-1 350
Current service cost	-23	-44
Interest cost	-30	-33
Termination of defined-benefit schemes	35	108
Issue of paid-up policies on termination of pension plan	63	58
Actuarial gains and losses recognised in comprehensive income	-104	-5
Payroll tax of employer's contribution	5	8
Benefits paid during the year	55	58
Gross pension liability at 31 December	-1 201	-1 201
CHANGE IN PENSION ASSETS DURING THE YEAR		
Pension assets at 1 January	874	885
Expected return	21	20
Transfer of pension assets to defined-contribution fund	-63	-58
Employer's contributions	40	64
Transfer of pension assets to defined-contribution premium fund	-5	-
Year's actuarial gains and losses recognised in total comprehensive income	12	11
Payroll tax of employer's contribution	-5	-8
Benefits paid during the year	-44	-39
Premium assets as of 31 December	830	874

OVERVIEW OF NET PENSION LIABILITIES AND ACTUARIAL GAINS AND LOSSES

Figures in NOK million	2017	2016
Gross pension liabilities	-1 201	-1 201
Pension assets	830	874
Net pension liability defined-benefit schemes	-371	-327
OVERVIEW OF ACTUARIAL GAINS AND LOSSES - DEFINED-BENEFIT SCHEMES		
Liabilities:		
Changes in economic assumptions	-85	4
Changes in population and demographic assumptions	-25	-15
Pension assets:		
Actual return v. actuarial assumption	17	17
Year's actuarial gains and losses recognised in total comprehensive income before tax	-93	6
Year's actuarial gains and losses recognised in total comprehensive income after tax	-72	4

Figures in NOK million	2017	2016
FINANCIAL ASSUMPTIONS		
Discount rate/return on pension investments	2.3%	2.6%
Annual wage growth	2.5%	2.5%
Annual adjustment of G (National Insurance Scheme basic amount)	2.3%	2.3%
Annual adjustment of pensions under payment	0.4%	0.0%
Mortality table	K2013	K2013
PENSION ASSETS		
Investment		
Property	12%	14%
Bonds	52%	61%
Short-term investments	21%	14%
Shares	15%	10%
Total investments	100%	100%
Return		
Book return	5.1%	6.4%
Adjusted return	5.7%	5.0%

Pensions 2017

The estimated premium for defined-benefit plans for 2018 is NOK 30 million.

The cost of defined-benefit pension plans for 2018 is also expected to be NOK 30 million. The future annual cost of the defined-benefit schemes depends on a number of factors beyond actual wage growth. Annual service cost is calculated using actuarial assumptions, which have a major impact on the cost. This includes expectations concerning future wage growth, future adjustments of the National Insurance scheme basic amount ("G"), future pension adjustments, the discount rate and mortality tables.

Sensitivity analysis

Veidekke's defined-benefit pension schemes are mostly arranged

as asset-based pension schemes managed by life insurance companies. This means that the life insurance company at all times has premiums in line with the accrued pension rights. Approximately half of the recognised pension liabilities and assets are related to asset-based schemes for former employees who are now retired. For this group, it is expected that the life insurance company will not require additional premium payments in the event of changes in the underlying economic and demographic assumptions. 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	2017	2016
INCOME TAX EXPENSE		
Tax payable	95	145
Change in deferred tax	44	26
Adjustments previous years	1	-2
Total	140	170
RECONCILIATION OF THE GROUP'S TAX RATE		
Calculated income tax based on Norway's current tax rate (24% in 2017, 25% in 2016)	302	273
Actual income tax expense	140	170
Difference	162	103
EXPLANATION DIFFERENCE INCOME TAX EXPENSE		
Tax from activity in joint ventures ¹⁾	79	47
Tax-exempted sales of companies ²⁾	70	22
Other permanent differences:		
Non-deductible expenses	-26	-15
Effect of changes in the tax rate ³⁾	18	19
Deferred tax asset, not previously recognised	20	23
Lower tax rate in Sweden and Denmark than in Norway	11	10
Other items	-9	-2
Total	162	103
Group tax rate	11%	16%

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 2017, the effect is related to the lowering of the tax rate in Norway from 24% to 23%. In 2016 there was a corresponding effect related to a reduction in the tax rate from 25% to 24%.

DEFERRED TAX LIABILITIES

Figures in NOK million	2017	2016
DEFERRED TAX		
Current items ¹⁾	647	579
Total current items	647	579
Operating equipment - additional depreciation	161	128
Other non-current items	79	93
Provisions for liabilities	-232	-216
Pension liabilities	-95	-92
Total non-current items	-87	-88
Losses carried forward	-104	-83
Net deferred tax liabilities	456	408

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	2017	2016
Deferred tax assets ^{1) 2)}	-55	-65
Deferred tax liabilities	512	474
Net deferred tax liabilities	456	408

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

2) At 31 December 2017 Veidekke had NOK 46 million (NOK 65 million) in deferred tax assets in Sweden. The amount is net after calculation of tax liabilities. The loss carry-forwards in Sweden have no time limit.

CHANGE IN DEFERRED TAX

Figures in NOK million	2017	2016
Current items	68	-30
Non-current items - accelerated depreciation	33	9
Other non-current items	-14	36
Provisions for liabilities	-16	-10
Pension liabilities	-2	29
Losses carried forward	-21	13
Change in deferred tax	47	46
Currency translation differences	-4	1
Deferred tax in connection with acquisition/sale of companies	-22	-17
Change in deferred tax recognised in total comprehensive income	-22	-3
Change in deferred tax in the income statement	44	26

TAX INCORPORATED INTO TOTAL COMPREHENSIVE INCOME

Figures in NOK million	2017			2016		
	Profit before tax	Income tax expense	Comprehensive income	Profit before tax	Income tax expense	Comprehensive income
STATEMENT OF COMPREHENSIVE INCOME						
From the income statement	1 259	140	1 119	1 092	170	922
Other income recognised in comprehensive income:						
Revaluation of pensions	-94	-22	-72	5	1	4
Currency translation differences	84	-	84	-102	-	-102
Fair value adjustments of financial assets	-16	-1	-15	10	2	8
Total comprehensive income	1 234	118	1 116	1 005	173	832

Tax recognised directly in equity

In 2017 NOK 6 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	2017	2016
Bonds ¹⁾	-	750
Non-current loans from credit institutions	611	194
Non-current loans from others	1	19
Non-current interest bearing liabilities	613	962

1) Veidekke had NOK 750 million in bond debts at 31 December 2017. As it matures in June 2018, it has been classified as current liabilities.

OTHER NON-CURRENT LIABILITIES, NON-INTEREST BEARING

Figures in NOK million	2017	2016
Option agreements Norway ¹⁾	69	34
Option agreements Sweden ¹⁾	58	55
Other non-current liabilities	46	46
Other non-current liabilities	173	136

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%) and Tore Løkke AS (80%). The subsidiaries in Sweden to which this applies are Veitech AB (90%) and Recess AB (70%). Veidekke's ownership share in brackets.

Instalment profile details can be found in note 29.

NOTE 24. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Figures in NOK million	2017	2016
TRADE PAYABLES		
Trade payables	2 515	2 146
Provision for accrued costs	2 220	2 036
Total trade payables	4 735	4 182
OTHER CURRENT LIABILITIES		
Advance payments from customers, property development operations	4 363	3 252
Advance payments from customers, construction operations	1 404	1 152
Other liabilities	1 705	1 676
Other current liabilities	7 471	6 080

Advance payments from customers include both unearned invoiced income on projects (work invoiced in advance) and advance payments from customers 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	2017	2016
Warranty provisions etc. at 1 January	915	848
Currency translation differences	23	-21
+ new warranty provisions (additions)	504	412
- reversed warranty provisions (disposals)	-212	-170
- actual claims expenses (consumption)	-256	-153
Warranty provisions etc. at 31 December	975	915

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	2017	2016
MORTGAGES		
Recorded liabilities secured by mortgages etc.	26	178
Book value of mortgaged assets ¹⁾	29	363
GUARANTEES		
Guarantees to joint ventures and associates	51	11
Guarantees to other companies	1	128

1) Reduction in mortgages is due to sale of shares in PPP companies. See note 14.

Guarantees can only be enforced if the joint venture or associated company is unable to meet its obligations. The Group has given a negative pledge for loans and guarantees.

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

Veidekke has pledged financial assets with a carrying amount of NOK 187 million at 31 December 2017 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 strongly affected by seasonal variations with the highest debt burden through the summer half of the year due to high activity levels. The Group's capital management is adapted to take these variations into account.

Veidekke's dividend policy calls for a pay-out ratio of 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 2017, NOK 0.5 (0) billion of the credit limit was utilised. In addition Veidekke has a bond loan of NOK 750 million, which matures in June 2018. The Group had no outstanding commercial papers at 31 December 2017. Veidekke has no official credit rating, but has "investment grade" shadow ratings of BBB from SEB.

The Group has substantial amounts of capital tied up in its property development operations in the form of sites and residential units under construction in Norway and Sweden. Property Development has a limit for capital invested of NOK 4.5 billion. At year-end capital invested was NOK 4.2 billion (NOK 3.1 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 instrument 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 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 2017, the ratio was 0.4. 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 2017, share of own projects was 32% 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 equity instruments through investments classified as available for sale. This type of investment is normally not a part of the Group's investment strategy. Veidekke prioritises investments in companies and projects that allow the Group considerable influence on future operations and development.

The Group has financial investments classified as available for sale of NOK 206 million at 31 December 2017, of which NOK 187 million has been invested in a bond fund. The 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. However, bitumen costs are rarely hedged. The reason for this is that our largest customer, the Norwegian Public Roads Administration, contractually bears most of the risk related to changes in the price of bitumen. As for deliveries to other customers, the time between order placement and execution is usually short, thus reducing the risk of price changes. At 31 December 2017 Veidekke had entered into six hedging contracts.

(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 2013 Veidekke ASA signed a five-year, fixed-rate agreement for NOK 500 million. Under this agreement, Veidekke pays a fixed interest rate of 2.22% plus a loan margin until June 2018. This agreement is accounted for as hedging.

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 2017 amounted to NOK -3 million (NOK 15 million).

NOTE 29. FINANCIAL INSTRUMENTS

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

Figures in NOK million	Balance sheet as of 31.12.2017	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Other financial liabilities
Non-current financial assets	508	-	303	205	-
Trade and other receivables	6 034	-	6 034	-	-
Cash and cash equivalents	392	-	392	-	-
Total financial assets	6 933	-	6 728	205	-
Non-current interest-bearing liabilities	613	-	-	-	613
Other non-current liabilities	173	-	-	-	173
Current interest-bearing liabilities	760	-	-	-	760
Tax payable	75	-	-	-	75
Other current liabilities	13 018	-	-	-	13 018
Total financial liabilities	14 639	-	-	-	14 639

Financial instruments at fair value ¹⁾

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

Figures in NOK million	Financial assets available for sale	Financial assets at fair value through profit and loss	Interest rate derivatives	Total
Financial instruments at 1 January 2017	159	-	-616	-457
Additions	35	-	-	35
Sales / disposal	-	-	108	108
Gains (losses) recognised in other comprehensive income	11	-	6	16
Gains (losses) recognised in the income statement	-	-	-	-
Financial instruments at 31 December 2017	205	-	-503	-298

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 available for sale	-	146	13	159
Interest rate derivatives	-	-616	-	-616
Total at 31 December 2016	-	-470	13	-457
Financial assets available for sale	-	187	19	205
Interest rate derivatives	-	-503	-	-503
Total at 31 December 2017	-	-316	19	-298

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 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. 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.

Financial instruments not recognised at fair value

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

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

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
		2018	2019	2020	2021	After 2021	
Non-current bank loans ¹⁾	524	-	-	551	-	-	551
Other loans, credit institutions	88	27	22	28	9	12	97
Non-current interest-bearing loans to others	1	-	1	-	-	-	1
Other non-current liabilities	173	21	7	0	42	103	173
Deferred payment for sites ²⁾	-	239	915	931	251	91	2 427
Total	786	287	945	1 510	302	206	3 250

1) The Group has a long-term credit facility with DNB with a credit limit of NOK 3.6 billion, of which NOK 0.5 million had been utilised on 31 December 2017.

2) 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	31.12.2017 ¹⁾	2017 ²⁾	2016 ²⁾
Liquidity	0.5%	0.5%	0.3%
Current interest-bearing liabilities	2.5%	2.2%	1.9%
Non-current interest-bearing liabilities	1.9%	2.2%	1.9%

1) Actual interest rates at 31 December 2017. 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 2017 the Group had undrawn committed borrowing facilities of NOK 3,079 million (NOK 3,600 million at 31 December 2016). At 31 December 2017 withdrawals from the group account were classified as non-current liabilities, as the credit facility runs until 2020.

Interest rate derivatives

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 2017 the Group had one such interest rate derivative that is consolidated in the financial statements.

Figures in NOK million	Nominal value	Due date	Swap interest rate	Change in value 2017
Veidekke ASA - 5-year hedge	500	June 2018	-2	4

The Group uses hedge accounting for the interest rate agreement with a nominal value of NOK 500 million, and it is recorded in the statement of financial position at fair value with revaluation over Other comprehensive income.

The Group's short-term financing

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

2017	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						
Bonds ¹⁾	750	-	7	757	-	763
Current liabilities to credit institutions	2	-	2	1	-	2
Other current interest-bearing liabilities	7	-	5	1	2	7
Trade payables ²⁾	4 735	2 015	2 706	12	1	4 735
Unpaid government charges	811	-	736	63	13	811
Tax payable	75	-	24	52	-1	75
Current liabilities	7 471	724	1 413	5 122	213	7 471
Total current financial liabilities	13 853	2 739	4 892	6 007	228	13 866

1) The five-year bond loan expires in mid-2018 and has therefore been classified as current. Total contractual cash flows include accumulated interest paid up until the loan expires on 4 June 2018.

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

2016	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	4	-	3	1	-	4
Other current interest-bearing liabilities	41	-	1	38	1	41
Trade payables ²⁾	4 182	1 842	2 291	35	14	4 182
Unpaid government charges	656	-	595	58	3	656
Tax payable	128	-	1	128	-1	128
Current liabilities	6 080	781	902	4 174	223	6 080
Total current financial liabilities	11 090	2 623	3 792	4 434	241	11 090

2) 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	2017	2016
Hedge reserves, joint ventures ¹⁾	-116	-87
Interest rate derivatives, wholly-owned companies	-2	-6
Financial assets available for sale, fair value adjustments	18	7
Total	-101	-86

1) NOK -76 (-77) 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	2017	2016
Hedge reserves, joint ventures	-30	-3
Interest swap agreements, wholly-owned companies	4	7
Financial assets available for sale, fair value adjustments	11	7
Foreign exchange contracts	-	-2
Total	-15	8

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 2017, our estimate is that a general increase in interest rates of 1 percentage point would lead to a NOK 15 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 2017 and effects for the Group and the shareholders of agreements both entered into and revised

The salary adjustments in 2017 have been made in accordance with the declaration that was submitted to the Annual General Meeting on 10 May 2017. 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.

President and CEO

There is a 12 month mutual period of notice for the President and CEO. On termination of employment the President and CEO 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 President and CEO 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 President and CEO. Any payments from the National Insurance, the early retirement scheme (AFP), collective insurance schemes and paid-up policies will be deducted from the guaranteed pension. A retirement pension will be paid for life from the age of 67. This life-long pension constitutes 60% 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 President and CEO participates in Veidekke's employee share programme and purchased a total of 2,740 shares through the programme in 2017. This share programme is discussed in more detail in note 5. Veidekke has granted a loan to the President and CEO for the purchase of Veidekke shares amounting to NOK 1.1 million at 31 December 2017. 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. Salaries and other remuneration received from potential new employers will be deducted from the guaranteed salary.

Dag Andresen, 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.

Hege Schøyen Dillner and Lars Erik Lund 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. If his contract is terminated by Veidekke, he will receive resignation compensation equal to 12 months' salary in addition to salary during the six-month notice period.

The corporate management participates in Veidekke's employee share programme and purchased a total of 18,180 shares through the programme in 2017. 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 5.3 million at 31 December 2017. A list of loans to members of the corporate management team is shown in the table below. The loans are currently interest-free and are secured by collateral in the shares.

COMPENSATION TO THE PRESIDENT AND CEO AND THE CORPORATE MANAGEMENT TEAM

	2017				2016
Figures in NOK thousand	Salary	Paid bonus	Car, phone, interest rate advantage etc.	Total compensation	Total compensation
PRESIDENT AND CEO					
Arne Giske	3 868	850	247	4 965	4 623
CORPORATE MANAGEMENT					
Dag Andresen	3 217	650	213	4 080	3 912
Hege Schøyen Dillner	2 202	450	141	2 793	2 508
Jørgen Wiese Porsmyr	2 872	650	172	3 694	3 438
Terje Larsen	2 563	550	151	3 264	2 952
Jimmy Bengtsson	2 853	631	138	3 622	2 995
Lars Erik Lund	2 039	200	159	2 398	538
Total CEO and corporate management	19 616	3 981	1 220	24 816	20 966

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
PRESIDENT AND CEO					
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 CEO and corporate management	12 280	85 315	1 711	5 315	

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	Fees	Salary ¹⁾	Total compensation	Loan for share purchases
Martin Mæland (chair)	598	-	598	-
Per Otto Dyb (deputy chair)	346	-	346	-
Hans von Uthmann	346	-	346	-
Gro Bakstad	375	-	375	-
Ann-Christin Andersen	296	-	296	-
Ingalill Marie Berglund	296	-	296	-
Ingolv Høyland ²⁾	-	-	-	-
Inge Ramsdal (employee representative)	246	685	931	28
Odd Andre Olsen (employee representative)	246	821	1 067	-
Arve Fludal (employee representative)	246	875	1 121	489
Total Board of Directors	2 995	2 381	5 376	517

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

2) Board member from 10 May 2017.

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	2017	2016
Statutory audit	14 191	14 262
Tax-related assistance	1 481	836
Other services in addition to auditing	1 701	710
Total remuneration to auditors	17 373	15 808

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	
	2017	2016	2017	2016	2017	2016
Expenses this year	181	160	456	71	1	2
Expenses next year	125	113	42	31	-	-
Total expenses next 2–5 years	281	284	75	48	-	-
Total expenses after 5 years	69	71	1	-	-	-

1) Figures for 2016 are not directly comparable with 2017 in the sense that operating equipment that was leased for building construction projects in 2016, 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	2017	2016
Rental income this year	44	44
Rental income next year	42	22
Total rental income next 2–5 years	70	21
Total rental income after 5 years	-	-

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 nine disputes for claims over NOK 10 million, which are being processed by the judicial system, compared with 15 at the beginning of 2017. A total of nine disputes concerning claims over NOK 10 million were resolved during the year, through either a court ruling or negotiations with the contracting client.

At year-end 2017 Veidekke had unresolved final settlements related to some infrastructure projects. Outstanding claims after deductions for recognised provisions and assessment of uncertain income in these projects were in the range of NOK 400 million (excl. VAT) at 31 December 2017. In one of the cases, legal proceedings took place in autumn 2017. No ruling had been reached in this case on publication of the financial statements.

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.

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	2017		2016	
	Ass.	JV	Ass.	JV
REVENUE				
Construction operations	136	1 724	215	1 745
Industrial operations	-	-	-	26
Property development operations	8	152	-	87
Total revenue	144	1 877	215	1 858
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER				
Receivables	4	346	23	213
Liabilities	-	10	-	3

OBOS BBL has a 17.8% 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 2017	Receivables 31.12 2017
OBOS	751	58
Joint ventures ¹⁾	298	28

1) 50% owned by OBOS and 50% by Veidekke Eiendom (Property Development Norway).

Other than this, Veidekke does not have any agreements or transactions that have any significant effect on the submitted accounts.

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. The Group has a maximum investment limit of NOK 4.5 billion for investments 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. See note 16.

NOTE 36. CORPORATE STRUCTURE

OVERVIEW OF THE MAIN SUBSIDIARIES IN THE GROUP:

Figures in NOK million	Business area	Head office	Ownership share	
			2017	2016
Veidekke Entreprenør AS	Construction	Oslo, Norway	100%	100%
- Block Berge Bygg AS	Construction	Klepp, Norway	100%	100%
- Kynningsrud Fundamentering AS	Construction	Fredrikstad, Norway	100%	80%
- 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%
- 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.

INCOME STATEMENT VEIDEKKE ASA

Figures in NOK million	Note	2017	2016
Revenue		107	108
Personell expenses	1, 10	-91	-83
Other operating expenses	3	-96	-112
Depreciation	4	-12	-4
Total operating expenses		-199	-198
Operation profit		-92	-90
Dividends and group contributions from subsidiaries	2	778	835
Other financial income	2	189	74
Financial costs	2	-45	-49
Profit before tax		831	769
Income tax expense	9	-15	-85
Profit for the year		815	684
Allocation of profit			
Dividend		669	602
Other equity		147	82
Total		815	684

STATEMENT OF FINANCIAL POSITION VEIDEKKE ASA AT 31 DECEMBER

Figures in NOK million	Note	2017	2016
ASSETS			
Non-current assets			
Deferred tax assets	9	27	22
Property and machinery	4	55	31
Investments in subsidiaries	5	2 468	2 429
Investments in associates and joint ventures	6	105	92
Financial investments	7	236	147
Other non-current receivables	7	159	161
Total non-current assets		3 050	2 882
Current assets			
Receivables from group companies	13	848	869
Other receivables		9	5
Cash and cash equivalents		4	3
Total current assets		861	877
Total assets		3 910	3 759
EQUITY AND LIABILITIES			
Equity			
Share capital		67	67
Other equity		1 621	1 491
Total equity	8	1 688	1 557
Non-current liabilities			
Pension liabilities	10	142	121
Bonds	11	-	750
Debts to credit institutions	11	524	374
Total non-current liabilities		665	1 245
Current liabilities			
Bonds	11	750	-
Trade payables		43	55
Taxes payable	9	-	23
Dividends payable	8	669	602
Current liabilities to group companies	13	86	269
Other current liabilities		10	8
Total current liabilities		1 557	956
Total equity and liabilities		3 910	3 759

STATEMENT OF CASH FLOWS VEIDEKKE ASA

Figures in NOK million	Note	2017	2016
OPERATING ACTIVITIES			
Profit before tax		831	769
Recognised dividends and group contributions, not yet paid		-763	-841
Received dividends and group contributions from subsidiaries		839	845
Group contributions to subsidiaries, paid		-268	-278
Tax paid	9	-23	-
Depreciation		12	4
Effects of items directly over equity		-21	-7
Gains / losses on sale of shares	2	123	-26
Pensions, difference expensed/paid		21	5
Generated from this year's activities		751	471
Change in other current assets		-12	12
Change in other items		-284	-30
Net cash flow from operating activities (A)		455	453
INVESTING ACTIVITIES			
Acquisition of tangible non-current assets	4	-37	-25
Proceeds from sale of shares		81	47
Equity contributions in subsidiaries		-7	-18
Net cash flow from investing activities (B)		37	4
FINANCING ACTIVITIES			
New long-term loans		97	68
Dividends received from joint ventures		13	12
Dividends paid		-602	-535
Net cash flow from financing activities (C)		-491	-455
Total net change in cash and cash equivalents (A+B+C)		1	3
Cash and cash equivalents at 1 January		3	0
Cash and cash equivalents at 31 December		4	3
Supplementary information			
Borrowing facility DNB		3 600	3 600
Used committed borrowing facilities at 31 December		524	-

ACCOUNTING POLICIES

The parent company Veidekke ASA is a holding company with no operations. Its activities consist of investments in subsidiaries and associated companies, and its income consists of dividends and group contributions from these companies. In addition, Veidekke ASA invoices its subsidiaries for 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 2017.

Unless otherwise specified, all amounts are in NOK million.

NOTE 1. PERSONNEL EXPENSES

Figures in NOK million	2017	2016
Payroll	65	63
Pension costs	11	9
National Insurance contributions	8	7
Other payroll costs (social benefits etc.)	6	4
Total	91	83
Number of fulltime equivalents	41	47
Number of employees at 31 December	43	45

NOTE 2. FINANCIAL INCOME AND FINANCIAL EXPENSES

Figures in NOK million	2017	2016
Dividend and group contributions from subsidiaries	778	835
Interest income	40	34
Dividends from joint ventures	13	12
Foreign currency gains	9	-
Proceeds from sale of shares	124	26
Other financial income	3	2
Total other financial income	189	74
Interest costs	-44	-39
Foreign currency losses	-	-8
Other financial costs	-1	-2
Total financial costs	-45	-49
Net financial items	922	859

NOTE 3. REMUNERATION TO AUDITORS

In 2017 remuneration to the auditors was NOK 1.0 million for auditing and NOK 0.1 million for other assistance. The corresponding figures for 2016 were NOK 1.1 million and NOK 0.2 million. All amounts are stated excluding VAT.

NOTE 4. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	Properties	Machinery	Plants under development	Total 2017	Total 2016
Carrying value at 1 January	8	13	10	31	9
Original cost at 1 January	11	29	10	49	24
Acquisitions	-	32	5	37	25
Original cost at 31 December	11	60	15	86	49
Accumulated depreciations at 1 January	-3	-16	-	-18	-15
Impairment	-	-12	-	-12	-4
Accumulated depreciation at 31 December	-3	-28	-	-31	-18
Carrying value at 31 December	8	33	15	55	31
Depreciation method	No depreciation	Straight line	No depreciation		
Depreciation rate		10–25%			

NOTE 5. SHARES IN SUBSIDIARIES

Company	Location	Ownership share (%)	Value in the statement of financial position ¹⁾
Veidekke Entreprenør AS	Oslo	100	790
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			2 468

1) Carrying value in Veidekke ASA's accounts at 31 December 2017 (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	21
Skuleplass AS	Oslo	50	11
Skuleveg AS	Oslo	50	5
Skulegard AS	Oslo	50	3
Stamveg AS	Oslo	50	-
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	2017	2016
Share loans to employees	159	161
Financial assets	236	147
Total	395	308

See note 15 to the group statements for further information on share loans to group employees.
The company has invested NOK 187 million in a combination fund consisting of both bonds and shares.
The investment is intended to cover incurred pension liabilities and has been pledged.

NOTE 8. RECONCILIATION OF EQUITY

Figures in NOK million	2017	2016
Equity at 1 January	1 557	1 472
Profit for the year	815	684
Dividends payable	-669	-602
Change in value of net pension assets	-16	4
Equity at 31 December	1 688	1 557

Figures in NOK million	Share capital	Share premium	Other equity	Total equity
Equity at 1 January	67	304	1 186	1 557
Profit for the year	-	-	815	815
Dividends payable	-	-	-669	-669
Change in value of net pension assets	-	-	-16	-16
Equity at 31 December	67	304	1 317	1 688

NOTE 9. INCOME TAX EXPENSE AND DEFERRED TAX

Figures in NOK million	2017	2016
INCOME TAX EXPENSE		
Tax payable in the statement of financial position	-	23
Tax payable on group contributions	15	67
Change in deferred tax	0	-1
Adjustment previous year	-	-4
Total income tax expense	15	85
RECONCILIATION OF THE GROUP'S TAX RATE		
24% of profit before tax (2016: 25%)	199	192
Actual income tax expense	15	85
Difference	184	107
DIFFERENCE IN INCOME TAX EXPENSE		
Tax-exempted dividends from subsidiaries	151	94
Tax-exempted gains from sale of shares	30	6
Other permanent differences	4	4
Effect of change in tax rate	-1	-1
Adjustments previous year	-	4
Total	184	107
DEFERRED TAX		
Temporary differences		
Current items	-1	-5
Gains and loss account	27	34
Operating equipment	-2	-2
Pensions	-142	-121
Basis for deferred tax	-118	-94
Deferred tax (- deferred tax asset) 24% (2015: 25%)	-27	-22
Recognised deferred tax (- deferred tax asset)	-27	-22

NOTE 10. PENSIONS

Figures in NOK million	2017	2016
PENSION COSTS		
Current service cost	3	6
Interest cost on net pension liabilities	3	3
Gain from termination of disability pension plan	0	-3
Cost of defined-benefit plan	6	5
Cost of defined-contribution plans	5	4
Pension costs	11	9
Pension liabilities	219	200
Pension assets	-77	-79
Net pension liability	142	121
Change in value (actuarial gains and losses)	-21	-5
Change in value after tax recognised directly in equity	-16	-4

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 2017 the recorded non-current liability consists of drawings on the Group's account. Veidekke has borrowing facilities in DNB of NOK 3,600 million, which run until 2 November 2020. Veidekke ASA is responsible for the Group's total withdrawals from the group account, which at 31 December 2017 totalled NOK 524 million. For further details see notes 28 and 29 to the consolidated accounts.

In addition, Veidekke has a bond loan of NOK 750 million. The loan matures in June 2018 and was thus classified as current liability as at 31 December 2017.

NOTE 12. GUARANTEES

At 31 December 2017 Veidekke ASA has provided guarantees for its subsidiaries totalling approx. NOK 3,900 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	2017	2016
Trade receivables from group companies	5	1
Outstanding dividends and group contributions	778	839
Other short-term receivables from group companies	66	30
Total receivables from group companies	848	869
Trade payables to group companies	1	1
Outstanding group contributions	85	268
Total liabilities to group companies	86	269

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

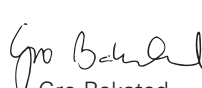
We hereby confirm that, to the best of our knowledge and belief, the Group and company financial statements for 2017 have been prepared in compliance with current accounting standards, and that the information in the accounts gives a true and fair view of the Group and company assets, liabilities and 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, 22 March 2018
The Board of Directors


Martin Mæland
Chair


Per Otto Dyb
Deputy chair


Gro Bakstad


Ingalill Berglund

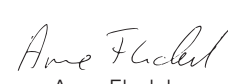

Ann-Christin Andersen


Hans von Uthmann


Ingolv Høyland


Inge Ramsdal


Odd Andre Olsen


Arve Fludal


Arne Giske
President and CEO

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 30 October 2014. 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 2 May 2018. 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) and publishes a separate sustainability report, which provides an account of the company's impact on the environment and society and the results achieved.

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 President and 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 2017, Veidekke had an equity ratio of 18.9%, 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 2017, Veidekke had undrawn credit amounting to NOK 3.1 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 2017 financial year. This corresponds to a dividend pay-out ratio of 61% (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 2017 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 2017 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 17.8%. 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%. These companies develop and sell 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 President and 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 2017, 3,892 employees held a combined 15.1% stake in the company. It also wants each of its senior executives to hold a significant number of shares in the company. Among this group, 932 individuals had a combined stake of 10.4%.

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 2018 the Annual General Meeting will be held in Oslo on 2 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 2017 the Nomination Committee consisted of Harald Norvik (chair), Erik Must, Olaug Svarva and Arne Baumann.

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 ten members, of whom seven are elected by the shareholders and three are elected by the employees. The shareholder-elected board members are elected for one year at a time. In 2003 Veidekke entered into an agreement with its employees that the company would not have a corporate assembly. In return, the employees' representation on the Board of Directors was increased. Since the Group does not have a corporate assembly, the Board elects its own chair as laid down in the Norwegian Public Limited Liability Companies Act. The Board also elects its own deputy chair.

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.

All 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 President and CEO of OBOS, Veidekke's main shareholder, from 1983 to 2015.

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 President and 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 eight ordinary board meetings in 2017. 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 2017 the Audit Committee consisted of Gro Bakstad (chair), Hans von Uthmann and Ann-Christin Andersen (until May 2017) / Per Otto Dyb (from May 2017).

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 President and CEO. The Committee also advises the President and CEO on salaries and compensation schemes for the management. The Committee has three ordinary meetings a year.

In 2017 the Remuneration Committee consisted of Martin Mæland (chair), Ann-Christin Andersen and Hans von Uthmann.

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 2017 the Property Committee consisted of Martin Mæland (chair), Ingvald Berglund and Gro Bakstad (until May) / Ingolv Høyland (from May).

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, pollution, 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

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



Statsautoriserte revisorer
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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 statement of financial position as at 31 December 2017, the income statement, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2017, the income statement, statement of comprehensive income, statement of cash flows and statement of 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 2017, 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 2017 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 2017. 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 in accordance with the percentage of completion method, determining the project's total revenues, costs, the outcome of disputes, any other commitments and progress on the basis of estimates. The projects can be complex and continue for several years. The accounting of 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, routines for monitoring projects and tested controls related to project evaluations and the accounting. We discussed the status on selected projects with project management and the Company's management by region and unit. We also visited selected projects. For selected contracts, we tested project revenue against agreements, assessed the treatment of additional and change orders in addition to disputes and claims. We also controlled costs charged to the projects against invoices and timesheets, assessed the estimated total project costs and 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 projects against estimated final profit throughout the project period in order to evaluate management's historical accuracy.

We refer to note 7 and 32 on construction projects in progress 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 disputes.

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 the President and CEO (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

Independent auditor's report - Veidekke ASA

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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, 22 March 2018
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

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

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. A dividend per share of NOK 4.50 was paid in 2017.

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

2017 saw a total of 31.2 million Veidekke shares traded on the Oslo Stock Exchange, yielding a turnover rate of 23.3%. By comparison, 25.0 million shares were traded in 2016, yielding a turnover rate of 18.1%. There were 70,431 trades of Veidekke shares during the year, compared with 65,629 the previous year. At the close of 2017 the share price was NOK 92.75, which corresponds to a market value of NOK 12.4 billion. The return for shareholders including dividends in 2017 was -21.3%. By comparison, the return on the Oslo Stock Exchange was 19.1%.

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 2017 financial year, corresponding to a pay-out ratio of 61%. By contrast, the dividend for the 2016 financial year was NOK 4.50. Shareholders will thus receive a direct return of 5%, based on the share price at the end of the year.

The dividend will be paid on 16 May 2018 to all the shareholders who are registered as owners on the date of the Annual General Meeting, which has been set for 2 May 2018.

Ownership structure

At the close of the year Veidekke had 11,007 shareholders, compared with 9,029 at the beginning of the year. The

largest shareholders in the company are OBOS (17.8%), Folketrygdfondet (11.5%) and IF Skadeforsikring AB (6.9%). A total of 3,892 employees own shares in the company, with a combined stake of 15.1%, compared with 14.9% in 2016. During the year foreign ownership decreased to 26.7% from 22.4%.

Veidekke's share capital at 31 December 2017 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 two to three years. There is great interest in buying shares through these schemes: In 2017 a total of 2,624 employees bought shares under the scheme, and 1.94 million shares worth NOK 137.3 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

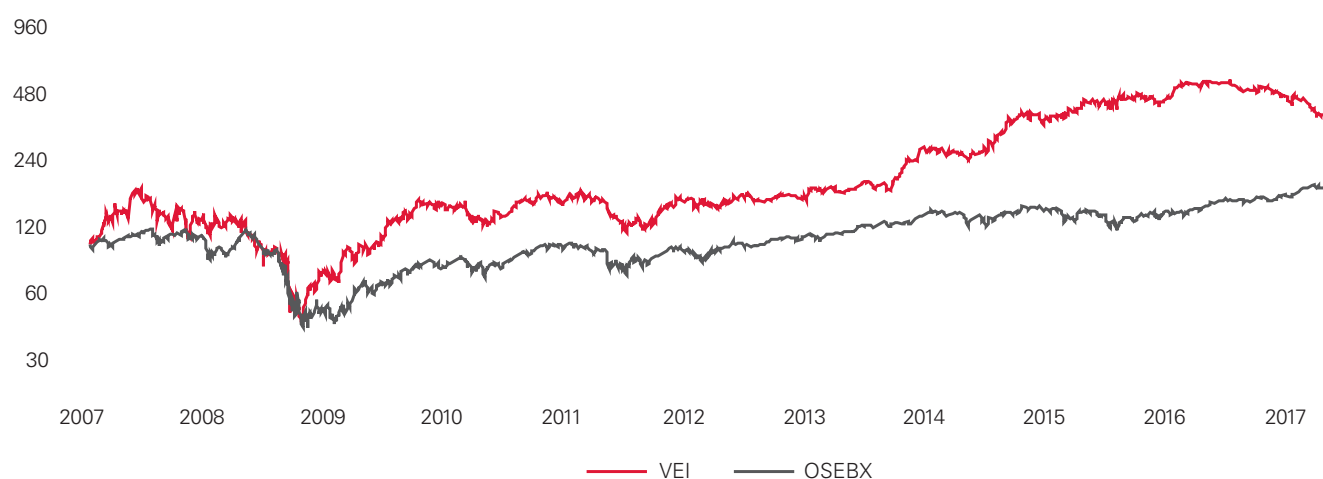
must exercise great caution at all times when buying and selling Veidekke shares.

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 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/>.

SHARE PRICE DEVELOPMENT, INDEXED ¹⁾



1) The share prices in this graph have been adjusted for dividends. The scale is logarithmic.

Source: Oslo Stock Exchange and Veidekke

LARGEST SHAREHOLDERS AT 31 DECEMBER 2017

	Ownership share in %
OBOS BBL	17.8
Folketrygdfondet	11.5
IF Skadeforsäkring AB	6.9
Handelsbanken Asset Management	4.2
Danske Invest Norge	3.9
Fund managed by DNB Asset Management	3.6
Must Invest AS	2.2
MP Pensjon	2.0
Vanguard Group	1.9
Storebrand Asset Management	1.6
Total ten largest shareholders	55.7
Employees (3 892 shareholders)	15.1
Others	29.2
Total	100.0

A list of the 20 largest shareholders on Veidekke's website is updated weekly.
The company's share registrar is Nordea.

SHARE DISTRIBUTION AT 31 DECEMBER 2017

Shareholding	From	To	No. of shareholders	No. of shares	%
	1	100	2 302	109 404	0.1
	101	1 000	4 418	2 177 633	1.6
	1 001	10 000	3 350	11 519 632	8.6
	10 001	100 000	822	20 875 744	15.6
	100 001		115	99 022 529	74.1
Total			11 007	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

	2017	2016	2015	2014	2013
Market price at 31 December	92.75	123.50	108.50	73.75	48.8
- high	128.00	126.50	109.00	74.25	51.25
- low	83.50	96.75	69.50	46.0	43.5
Earnings per share ¹⁾	8.2	6.6	5.7	6.3	4.1
Market price/earnings (P/E)	11.3	18.7	19.0	11.7	11.9
Market price/book value per share (P/B)	3.2	4.8	4.5	3.6	2.7
Dividend per share	5	4.50	4.0	3.5	3.0
Pay-out ratio (%)	61	68	70	55.5	73.2
Turnover rate (%)	23.3	18.7	27.9	23.9	20.1
Earnings yield (%)	5.4	3.6	3.7	4.7	6.1
Outstanding shares (average million)	133.7	133.7	133.7	133.7	133.7
Market price at 31 December (NOK million)	12,401	16,512	14,507	9,861	6,525
No. of shareholders at 31 December	11,007	9,029	8,704	7,328	7,356

1) No dilutive effect.

ARTICLES OF ASSOCIATION FOR VEIDEKKE ASA

(Gjeldende fra 7. mai 2014)

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 seven to nine members. A maximum of six 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.

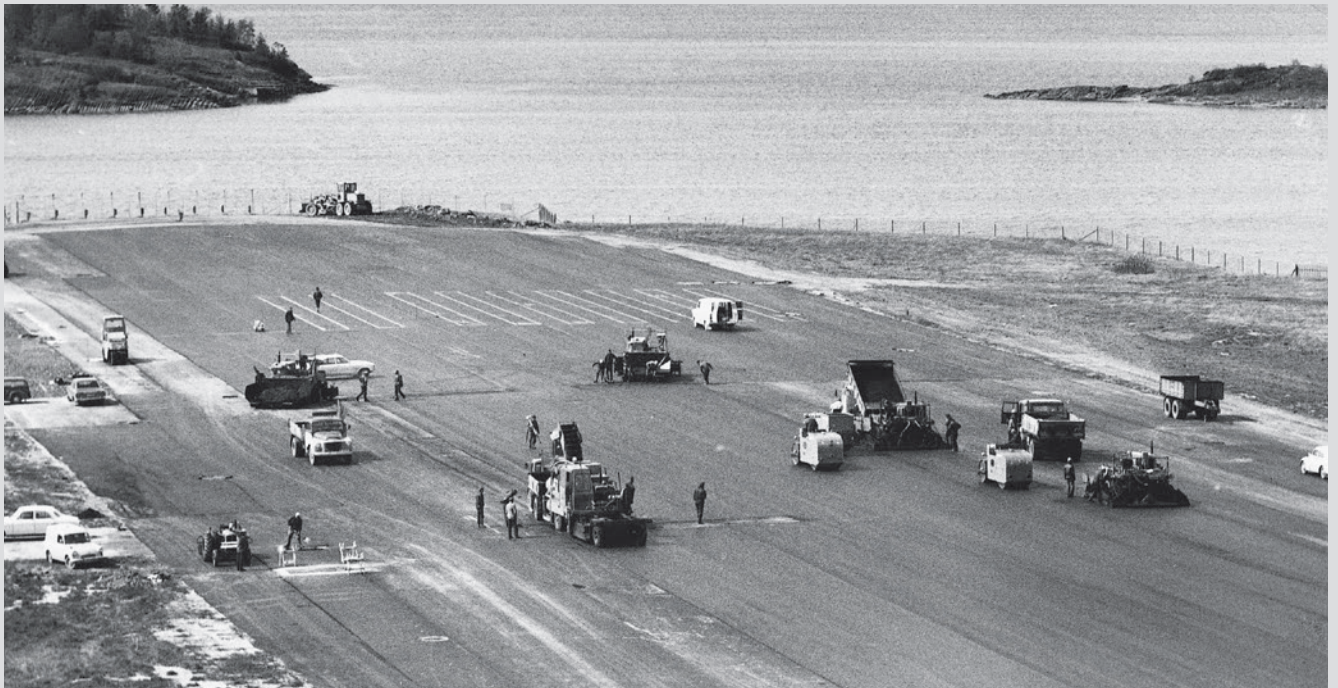
Article 8 The Annual General Meeting is held every year before the end of May, at the time and place determined by the Board of Directors. The meeting is convened with at least 21 days' written notice. The agenda for the meeting shall be sent out with the notice of the meeting. The Board of Directors 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 1960s 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 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, 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 32 billion, and half of its 7,700 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
