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# Fourth quarter 2017

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# HIGHLIGHTS OF THE FOURTH QUARTER AND FULL YEAR 2017

- Revenue in the fourth quarter amounted to NOK 8.8 billion, which is on par with the fourth quarter of 2016. Revenue for the full year 2017 amounted to NOK 31.6 billion, compared with NOK 30.1 billion in 2016.
- Profit before tax was NOK 437 million, compared with NOK 429 million for the corresponding quarter last year. The profit for the year was NOK 1,441 million, compared with NOK 1,460 million in 2016<sup>1)</sup>.
- Order intake for the quarter amounted to NOK 8.5 billion. This gave an order backlog of NOK 32.6 billion at the end of the year.
- A total of 213 residential units were sold in the fourth quarter. Veidekke's share amounted to 182 units. A total of 1,245 residential units were sold in 2017, of which Veidekke's share was 979. There were 3,288 residential units under construction at the end of the year, and Veidekke's share was 2,620.
- Earnings per share amounted to NOK 3.6 in the fourth quarter and NOK 8.2 for 2017 (IFRS), and the Board proposes an ordinary dividend per share of NOK 5.0 for the 2017 financial year.



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

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

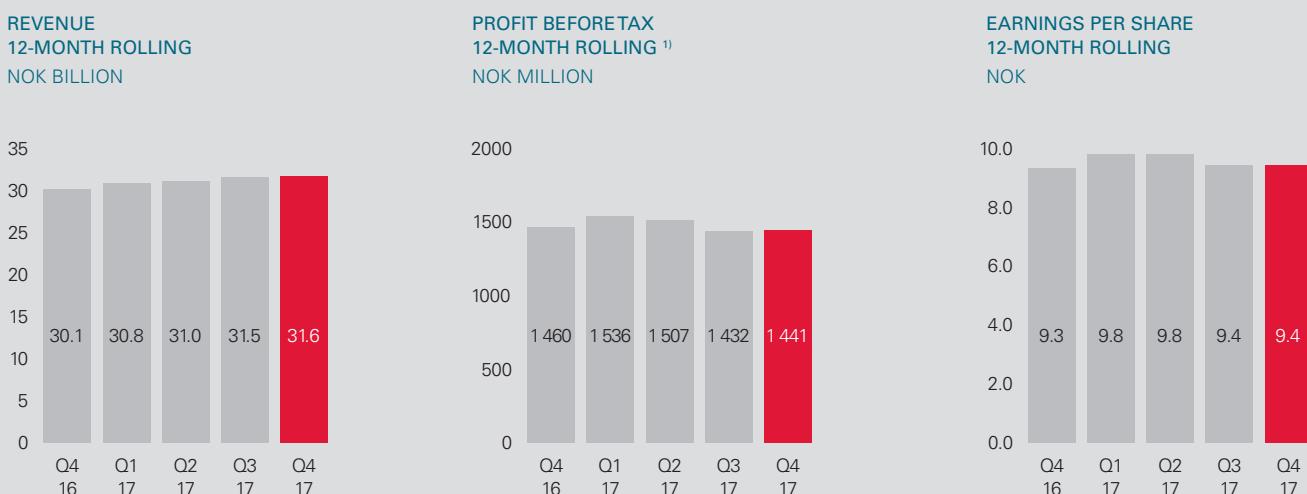
Figures in NOK million	Q4 2017	Q4 2016	2017	2016 <sup>2)</sup>
Revenue, segment	8 801	8 723	31 568	30 137
Profit before tax, segment	437	429	1 441	1 460
Segment Construction	254	185	759	804
Segment Property Development	114	226	549	567
Segment Industrial	87	34	206	136
Segment Other	-18	-17	-73	-47
Earnings per share, segment	3.2	3.1	9.4	9.3
Profit margin, segment (%)	5.0	4.9	4.6	4.8
Revenue, IFRS <sup>3)</sup>	8 618	8 125	30 281	28 613
EBITDA, IFRS	657	411	1 776	1 520
Profit before tax, IFRS	521	291	1 259	1 092
Earnings per share, IFRS (NOK) <sup>4)</sup>	3.6	1.9	8.2	6.6
Net interest-bearing debt	764	0	764	0
Total order backlog	32 561	24 404	32 561	24 404

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

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

4) No dilutive effect.



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

## A WORD FROM THE PRESIDENT AND CEO

Veidekke delivered both growth and good results in 2017 and is starting the new year with a record-high order backlog. This growth is in spite of more varying market conditions, proving that Veidekke's size, geographical spread and professional breadth ensure we are robust when faced with in the markets and parameters.

As expected, the residential market declined in both Norway and Sweden last year, after three years of upswing culminating in the record year 2016. The number of residential units under construction is still higher than one year ago, and the sales ratio remains high. The market is currently more demanding, and consequently we expect lower sales and fewer new project starts in the future. However, our good portfolio of projects and sites allows us to be flexible and affords many opportunities going forwards.

For more than 50 years, we have operated aggregate and asphalt activities at Hovinmoen – close to Norway's main international airport Gardermoen. We have now found a new site with local aggregate opportunities, and together with Ferd og Fabritius we are now going to develop a business park at the site in Hovinmoen. This transaction resulted in an accounting gain of NOK 70 million – and has laid the foundation for further value creation in the coming years. This is a prime example of how Veidekke creates added value and capitalises throughout the entire value chain, from project development to construction and industrial activities.

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. Veidekke has the expertise, experience and capacity to resolve complex challenges and deliver to the strictest specifications. Our customers also share this view: After a very strong order intake throughout the whole of 2017, we also entered into many new major contracts in the fourth quarter.

At the beginning of 2018, Veidekke has a historically high order backlog – one third higher than the level one year earlier. Two thirds of this backlog will generate revenue in 2018. Combined with our generally strong financial position, this has resulted in the Board proposing a dividend of NOK 5 per Veidekke share for the 2017 financial year.



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

Arne Giske, President and CEO

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# VEIDEKKE GROUP

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Revenue in the fourth quarter amounted to NOK 8.8 billion, compared with NOK 8.7 billion for the same quarter last year. There was significant growth in construction operations, and the operations in Sweden accounted for the greatest share of the revenue growth, while revenue in property development operations was lower than in the corresponding quarter in 2016. A high level of activity in asphalt operations contributed to higher revenue for Veidekke Industri (Industrial).

Profit in the fourth quarter of 2017 amounted to NOK 437 million, compared with NOK 429 million for the same quarter in 2016. All three countries showed progress with respect to construction operations, particularly the Norwegian and Swedish civil engineering operations. Profit from property development operations was good, but significantly lower than in the fourth quarter of 2016, which included, among other things, a large property development gain. A development gain in connection with the sale of commercial land contributed to a good profit for industrial operations. The Group's profit before tax in accordance with IFRS amounted to NOK 521 million.

Order intake in the fourth quarter amounted to NOK 8.5 billion. The order backlog increased 33% to NOK 32.6 billion, compared with NOK 24.4 billion at the end of 2016. Approximately NOK 20 billion of the order backlog will generate revenue in 2018.

Revenue for the year increased 5% to NOK 31.6 billion from NOK 30.1 billion in 2016, and there was growth in all the business areas. Revenue from construction operations increased 5%, and the greatest growth was in Sweden. In property development operations, the increase in Norway was attributed to more own-account projects. In industrial operations, a higher delivery volume in Asphalt contributed to revenue growth of 14%.

Profit before tax amounted to NOK 1,441 million in 2017, compared with NOK 1,460 million in 2016. The profit for 2016 included a non-recurring effect of the change in the disability pension scheme in Norway by a total of NOK 108 million. Adjusted for this, the Group's profit increased 6% in 2017. The higher profit was in the Construction and Industrial business areas. In Construction, a higher level of activity and improved profitability contributed to profit growth in both Sweden and Denmark, while the profit in Norway was marked by a weak market in southern and western Norway. In Industrial, the development gain mentioned earlier contributed to a higher profit in 2017.

Veidekke reports in accordance with IFRS. The construction and sale of residential units are accordingly not recognised as income until the property has been handed over to the buyer. The profit before tax in accordance with IFRS amounted to NOK 1,259 million in 2017. The difference in relation to the segment accounts is an effect of the value of residential units under construction being higher than the value of the residential units that have been completed and handed over.

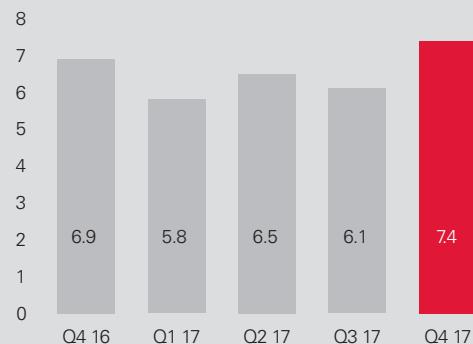
Net interest-bearing debt amounted to NOK 764 million at the end of the 2017. In comparison, the Group did not have any interest-bearing debt at the end of the previous year. The increase is attributable to settlement in connection with the acquisition of development sites and a higher level of activity in own-account residential projects, higher trade receivables in construction operations and the acquisition of businesses.

In line with Veidekke's dividend policy and as a result of its good order situation and 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).

## KEY FIGURES CONSTRUCTION OPERATIONS

NOK million	Q4 2017	Q4 2016	2017	2016
Revenue	7 419	6 949	25 804	24 629
Profit before tax	254	185	759	804
Profit margin (%)	3.4	2.7	2.9	3.3
Order backlog	31 601	23 368	31 601	23 368

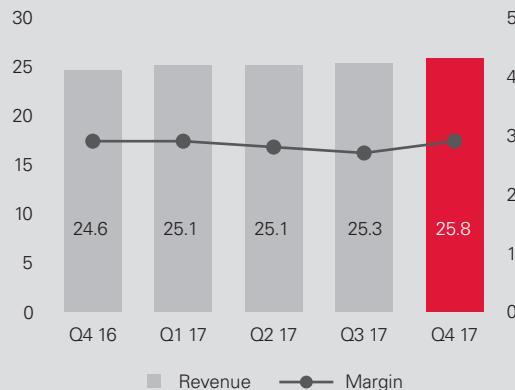
REVENUE  
NOK BILLION



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



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



ORDER BACKLOG AND ORDER INTAKE  
NOK BILLION



1) The profit for the fourth quarter of 2016 includes a non-recurring effect of NOK 11 million related to changes to the disability pension in Norway.

2) The profit margin has been adjusted for the non-recurring effect related to changes to the disability pension in Norway in 2016 by a total of NOK 81 million.

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## CONSTRUCTION OPERATIONS

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Veidekke's construction operations reported revenue of NOK 7.4 billion for the fourth quarter of 2017, an increase of 7% from the fourth quarter of 2016. Revenue grew in Sweden and Denmark.

The profit before tax was NOK 254 million, compared with NOK 185 million for the fourth quarter of 2016. All three countries showed improvement, with the main increase in the civil engineering operations in Sweden. The profit margin for the quarter rose to 3.4% from 2.7% one year ago. The order intake was NOK 8.5 billion, which gave an order backlog at the end of the year of NOK 31.6 billion. This corresponds to an increase of 35% over 2016.

## Construction Norway

NOK million	Q4 2017	Q4 2016 <sup>1)</sup>	2017	2016 <sup>1)</sup>
Revenue	4 122	4 193	14 850	15 096
Profit before tax	143	118	452	596
Profit margin %	3.5	2.8	3.0	4.0
Order backlog	19 521	14 408	19 521	14 408

1) The profit for the fourth quarter of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of NOK 11 million. The non-recurring effect amounted to NOK 81 million for the year 2016.

Revenue in the Norwegian construction operations amounted to NOK 4.1 billion for the quarter, which was on par with the fourth quarter of 2016. Revenue increased in building construction operations due to a higher level of activity in eastern Norway, while revenue in civil engineering operations was lower than in the same quarter last year.

Profit before tax was NOK 143 million in the fourth quarter, an improvement from NOK 118 million for the corresponding quarter in 2016. The profit margin increased to 3.5% from 2.8% for the previous year. Civil engineering operations showed an improvement over the same quarter last year, but the profitability is still weak. There was good profitability in the building construction operations in eastern Norway and central Norway, but the profit was marked by a low level of activity and poor profitability for the operations in southern and western Norway. Restructuring costs of NOK 20 million related to the operations in Stavanger were incurred during the quarter. A number of measures and organisational changes were implemented throughout 2017, and they are expected to improve the profitability of both the civil engineering operations and building construction operations from 2018.

The order intake for the quarter was NOK 4.8 billion, up from NOK 3.0 billion in the fourth quarter of 2016, and the orders were primarily for commercial and public buildings and a number of residential projects.

Major projects awarded in the fourth quarter:

- Tvedstrand Upper Secondary School for the Aust-Agder County Authority. Contract value NOK 510 million.
- Expansion of the National Library in Mo i Rana for Statsbygg. Contract value NOK 400 million.
- Sølvparken, Kongsberg. Residential units and commercial space for Sølvknuten AS through Stor-Oslo Eiendom AS. Contract value NOK 347 million.
- Nærbyen in Trondheim. Residential units for Sorgenfri Utbygging AS. Contract value NOK 309 million.

- Nordre Ål School for the Municipality of Lillehammer. Contract value NOK 261 million.
- Skaun Lower Secondary School for the Municipality of Skaun in Sør-Trøndelag. Contract value NOK 233 million.

At the end of the fourth quarter, the business area had an order backlog of NOK 19.5 billion, compared with NOK 14.4 billion at the end of the previous year. Order coverage strengthened significantly in 2017 in all sectors of the business area.

Veidekke acquired 70% of the shares in Båsum Boring in the fourth quarter. The acquisition will strengthen the capacity of the civil engineering operations in the area of foundation work. The business has annual revenue of approximately NOK 150 million.

## Construction Sweden

NOK million	Q4 2017	Q4 2016	2017	2016
Revenue	2 692	2 242	8 810	7 819
Profit before tax	61	32	170	102
Profit margin %	2.3	1.4	1.9	1.3
Order backlog	10 705	7 698	10 705	7 698

Revenue in the Swedish construction operations amounted to NOK 2.7 billion in the fourth quarter, compared with NOK 2.2 billion for the same quarter last year. Measured in local currency, this corresponds to growth of 15%. The revenue growth was attributed to the civil engineering operations.

Profit before tax increased to NOK 61 million, from NOK 32 million for the corresponding period last year. The profit margin was 2.3%, compared with 1.4% for the previous year. The increase in profit was from the civil engineering operations and was attributed to a higher level of activity and improved profitability, as well as a positive outcome in a dispute. Building construction operations showed continued poor profitability, and organisational measures were carried out in 2017 to improve the profitability of residential production.

The order intake for the quarter amounted to NOK 3.1 billion, compared with NOK 2.7 billion for the corresponding quarter last year.

Major projects awarded in the fourth quarter:

- Patienten Part 2 in Stockholm. Eye clinic for Vitartes. Contract value NOK 838 million.
- Trikåfabriken in Stockholm. Rebuilding and new construction of commercial space for Fabege. Contract value NOK 300 million.
- Malmö Living 3 in Malmö. Residential units for Veidekke Bostad AB. Contract value NOK 173 million.
- Drift mining in Vitåfors. Excavation of mining tunnels in Gällivare for LKAB. Contract value NOK 130 million.
- KV Krediten in Stockholm. Student housing for Robutz Fastigheter AB. Contract value NOK 127 million.
- Brf Idrottsplatsen in Höganäs. Residential units for the Cooperative Housing Organisation of the Swedish Trade Unions (Riksbyggen). Contract value NOK 102 million.

At the end of the fourth quarter, the order backlog was NOK 10.7 billion, compared with NOK 7.7 billion one year earlier.

### Construction Denmark

NOK million	Q4 2017	Q4 2016	2017	2016
Revenue	604	514	2 144	1 713
Profit before tax	50	36	137	105
Profit margin %	8.3	7.0	6.4	6.2
Order backlog	1 375	1 262	1 375	1 262

The Danish construction operations, Hoffmann A/S, reported revenue of NOK 604 million in the fourth quarter of 2017. This corresponds to an increase of 8% in local currency compared with the fourth quarter of 2016. There was growth in building construction operations in Zealand and technical installations.

Profit before tax was NOK 50 million in the fourth quarter of 2017, compared with NOK 36 million for the same quarter in 2016, which gave a profit margin of 8.3%, compared with 7.0% one year ago. The higher profit is attributed to higher revenue. The profit margin for the full year was 6.4%, compared with 6.2% for 2016.

The order intake for the quarter amounted to NOK 608 million, compared with NOK 374 million for the fourth quarter of 2016. The order intake consisted of small and medium-sized projects. At the end of the year, the order backlog for the operations totalled NOK 1.4 billion, compared with NOK 1.3 billion at the end of 2016.

## KEY FIGURES PROPERTY DEVELOPMENT OPERATIONS

NOK million	Q4 2017	Q4 2016 <sup>1)</sup>	2017	2016 <sup>1)</sup>
Revenue	863	1 333	3 456	3 202
Profit before tax	114	226	549	567
Capital invested	4 163	3 115	4 163	3 115

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



RETURN ON INVESTED CAPITAL, 12-MONTH ROLLING  
PER CENT



KEY FIGURES RESIDENTIAL UNITS, VEIDEKKE'S SHARE

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	2016	Last 12M
Number of units sold	182	147	355	295	297	1 397	979
Norway	99	46	88	70	83	433	304
Sweden	80	96	259	211	206	889	645
Denmark <sup>2)</sup>	3	5	8	14	8	75	30
Construction starts	363	127	656	228	407	1 405	1 374
Norway	145	108	9	58	30	342	320
Sweden	218	19	647	170	262	948	1 054
Denmark <sup>2)</sup>	0	0	0	0	115	115	0
Number of units under construction	2 620	2 620	2 890	2 393	2 422	2 422	2 620
Norway	557	640	546	601	600	600	557
Sweden	1 948	1 865	2 229	1 677	1 707	1 707	1 948
Denmark <sup>2)</sup>	115	115	115	115	115	115	115
Sales ratio, units under construction (%)	83	86	86	91	91	91	83
Norway	80	90	89	89	86	86	80
Sweden	84	85	85	91	94	94	84
Denmark	91	89	84	74	65	0	91
Land bank	14 050	14 150	13 700	13 650	13 550	13 550	14 050
Norway	5 300	5 550	5 400	5 500	5 250	5 250	5 300
Sweden	8 750	8 600	8 300	8 150	8 300	8 300	8 750

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

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

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

## PROPERTY DEVELOPMENT OPERATIONS



The property market has been clearly weaker during the last half of the year, and residential sales have declined in both Norway and Sweden. The greatest impact of this was seen in Oslo and Stockholm, where the demand for residential units fell significantly. Veidekke sold fewer residential units than one year ago due to the weaker market. A lower sales rate means that the time it takes from when a project is released for sale until the start of construction is longer now than before. Residential production has, however, remained high throughout the year.

Veidekke sold 213 residential units in the fourth quarter, of which Veidekke's share was 182. This was an increase from 192 residential units sold in the third quarter, but a clear decline from 417 residential units in the fourth quarter of last year. In total for the year, 1,245 residential units were sold at a value of NOK 5.7 billion, of which Veidekke's share was 979. Four new projects with a total of 458 residential units were released for sale. Two of the projects are in Norway and two are in Sweden.

Revenue from property development operations was NOK 863 million for the quarter, compared with NOK 1.3 billion for the fourth quarter of 2016.

Profit before tax was NOK 114 million, compared with NOK 226 million for the same quarter last year. The profit for the quarter consisted of contributions from projects under construction, while the profit for the fourth quarter of 2016 included property development gains of NOK 40 million.

Residential production was high, with a total of 2,620 residential units at the end of the quarter, up from 2,422 residential units in the fourth quarter of 2016. The sales ratio for the portfolio is still high at 83%, compared with 91% last year. The fourth quarter saw the start of construction for five residential projects in Norge and four in Sweden.

At the end of the quarter, the Group had a total land bank that is expected to yield 17,450 residential units, of which Veidekke's share is 14,050 units.

Capital invested in property development operations totalled NOK 4.2 billion as at 31 December 2017. The return on invested capital was 17.6%, compared with 21.4% at the end of the fourth quarter of 2016. The return has been adjusted for taxes in associates and joint ventures.

## Property Development Norway

NOK million	Q4 2017	Q4 2016	2017	2016
Revenue	139	148	610	338
Profit before tax	26	43	146	149
No. of units under construction <sup>1)</sup>	557	600	557	600
No. of units sold <sup>1)</sup>	99	83	304	433

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

The Norwegian property development operations sold a total of 124 residential units during the quarter, of which Veidekke's share was 99. This was an increase from 72 residential units sold in the previous quarter, but a decline from 169 residential units sold in the same quarter of 2016. A total of 493 residential units were sold during the year, of which Veidekke's share was 304. After a period of strong growth in the residential market in 2015 and 2016, the demand for residential units is clearly lower now, especially in the Oslo area. Two new projects with a total of 188 units were released for sale during the quarter. The projects are located in Oslo and Trondheim.

Revenue in the Norwegian property development operations amounted to NOK 139 million, compared with NOK 148 million for the same quarter last year. Most of the residential projects are carried out in joint ventures which do not generate accounting revenue in Veidekke's consolidated financial statements. Profit before tax was NOK 26 million, compared with NOK 43 million in the fourth quarter of 2016 when high profits were generated by several projects in the final phase. Profit from joint ventures has already been taxed, and the profit before tax in joint ventures was NOK 33 million in the fourth quarter, compared with NOK 57 million in the fourth quarter of the previous year.

A total of 557 residential units were under construction at the end of the quarter, compared with 600 residential units for the fourth quarter of 2016. The sales ratio for residential units under construction was 80%, compared with 86% for the previous year. Construction started in five projects with a total of 145 units this quarter. Three of the projects are located in Trondheim, and two are in the Oslo area.

At the end of the quarter, the Norwegian operations had a total land bank that can yield approximately 7,700 residential units, of which Veidekke's share was 5,300 units. Veidekke acquired land with a central location in Bergen that can yield approximately 70 residential units.

Invested capital amounted to NOK 3.2 billion at the end of the quarter, compared with NOK 2.3 billion at the end of the fourth quarter of 2016. The return on invested capital was 9.2% in 2017, compared with 12.1% at the end of the fourth quarter of 2016.

## Property Development Sweden

NOK million	Q4 2017	Q4 2016	2017	2016
Revenue	724	1 185	2 845	2 864
Profit before tax	88	184	404	418
No. of units under construction <sup>1)</sup>	1 948	1 707	1 948	1 707
No. of units sold <sup>1)</sup>	80	206	645	889

1) Veidekke's share.

The Swedish property development operations sold 86 residential units in the fourth quarter, of which Veidekke's share was 80. This was a decline from 115 residential units sold in the previous quarter and 206 residential units in the corresponding quarter last year. For the full year, Veidekke sold 722 residential units in Sweden, and Veidekke's share was 645 residential units. This is a decline from 989 residential units in 2016. The buyers of residential units are more hesitant than before, particularly in the Stockholm area. Two new projects in Gothenburg with a total of 212 residential units were released for sale in the fourth quarter.

Revenue in the fourth quarter amounted to NOK 724 million, compared with NOK 1,185 million for the fourth quarter last year. The profit before tax was NOK 88 million, compared with NOK 184 million for the previous year. The profit for the fourth quarter of 2016 included property development gains of NOK 40 million and a project contribution from the start-up of a large project in Stockholm.

Residential production is still high, and at the end of the year the Swedish operations had 1,948 residential units under construction, compared with 1,707 units at the end of 2016. Four projects with a total of 218 units started construction in the fourth quarter: two in Stockholm, one in Gothenburg and one in Malmö. The sales ratio for residential units under construction was 84%, compared with 94% one year ago.

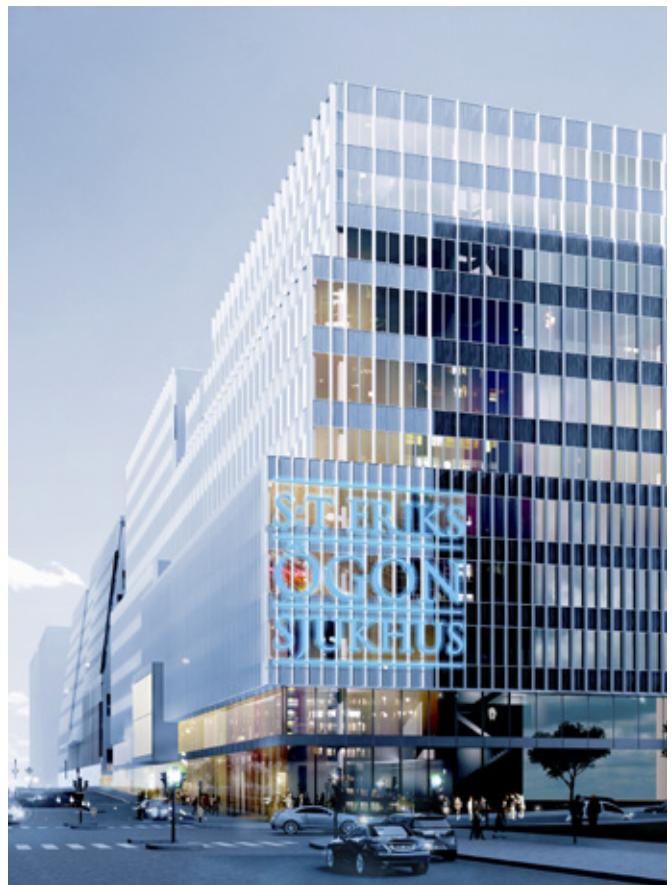
The Swedish property development operations have a land bank that can yield 9,750 residential units, and Veidekke's share is 89%, divided between approximately 100 projects. Four land acquisitions, which can yield approximately 200 residential units, were made during the quarter. Two of the sites are located in Stockholm, one in Gothenburg and one in Helsingborg.

Invested capital amounted to NOK 0.9 billion at the end of the fourth quarter, while the return on invested capital on a 12-month basis was 46.9%, compared with 45.1% one year ago.

SØLVPARKEN, KONGSBERG



MALMÖ LIVING, MALMÖ

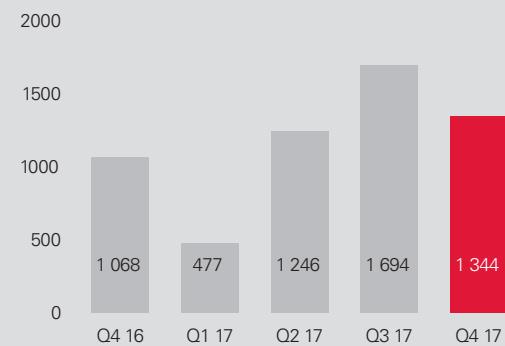


PATIENTEN, STOCKHOLM

## KEY FIGURES INDUSTRIAL

NOK million	Q4 2017	Q4 2016 <sup>1)</sup>	2017	2016 <sup>1)</sup>
Revenue	1 344	1 068	4 761	4 162
Profit before tax	87	34	206	136
Profit margin (%)	6.5	3.2	4.3	3.3
Order backlog	960	1 035	960	1 035

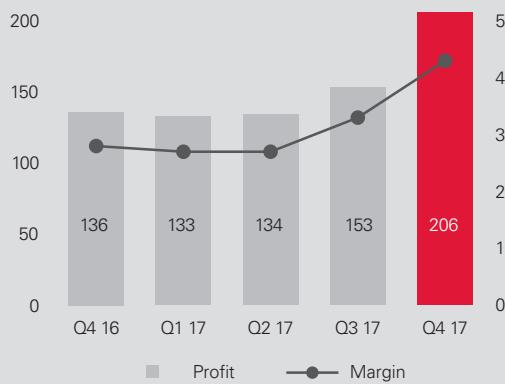
REVENUE  
NOK MILLION



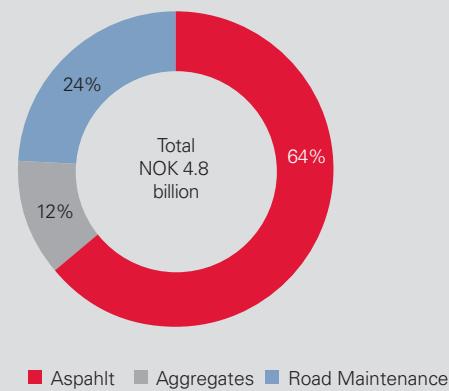
PROFIT BEFORE TAX<sup>1)</sup>  
NOK MILLION



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



REVENUE BY BUSINESS AREA, LAST 12 MONTHS



1) The profit for the fourth quarter of 2016 included a NOK 70 million property development gain from the sale of land.

2) The profit for the fourth quarter of 2016 includes a non-recurring effect related to changes to the disability pension in Norway of a total of NOK 4 million.

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

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## INDUSTRIAL

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Revenue in the fourth quarter amounted to NOK 1.3 billion, up from NOK 1.1 billion for the same period last year. The growth was primarily attributed to asphalt operations.

The profit before tax was NOK 87 million, compared with NOK 34 million for the fourth quarter of 2016. The profit included a development gain of NOK 70 million from the sale of land at Gardermoen, where Veidekke had aggregate operations earlier. Veidekke's property development business area, together with its partners, will develop an area of 40 hectares for commercial use. The profit from ordinary operations was lower than in the same period last year. The profit margin for the quarter was 6.5%, compared with 3.1% for 2016. The profit margin for the full year was 4.3%, compared with 3.3% for 2016.

The profit from asphalt operations was NOK 6 million, compared with NOK 32 million for the fourth quarter of 2016. The decline can be attributed to costs as a result of the early close of the production season and slightly higher raw material prices. The profit margin was 0.8%, compared with 5.4% for the same quarter last year. The profit margin for the full year was 4.4%, compared with 6.0% for 2016.

The result for Road Maintenance was a loss of NOK 4 million, compared with a loss of NOK 16 million for the fourth quarter last year. The restructuring of the operations is proceeding as planned. The project portfolio consisted of 21 contracts at the end of the quarter.

The profit for Aggregates was NOK 17 million, which is on par with the fourth quarter of 2016. The profit margin for the full year was 12.3%, compared with 9.7% for 2016.

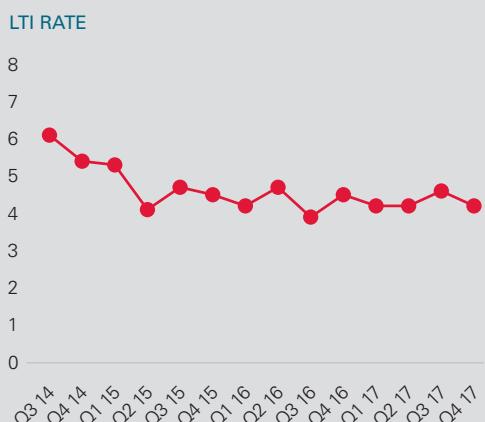
# OCCUPATIONAL HEALTH AND SAFETY

Veidekke's principal OHS goal is zero serious injuries and an annual reduction in the number of injuries of 20%. Awareness campaigns and preventive work, including sharing lessons learned from incidents, are crucial to achieve the goals.

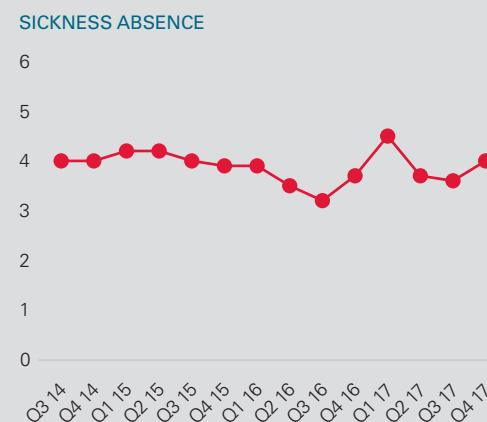
A total of 79 injuries were reported in the fourth quarter. This is up from 69 injuries during the previous quarter, but a marked reduction from 96 in the fourth quarter of 2016. One serious injury was reported in the quarter. In 2017, the number of serious injuries was reduced by 46%, whereas the total number of injuries was reduced by 23%.

The LTI rate for the fourth quarter was 4.2, down from 4.6 in the previous quarter and from 4.5 in the fourth quarter of 2016.

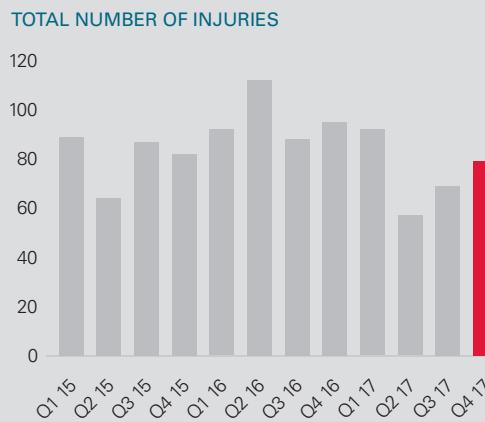
Sickness absence was 4.0%, which is an increase from 3.6% in the previous quarter and from 3.7% in the corresponding quarter of 2016. Construction workers are prone to strains that can lead to musculoskeletal disorders. Veidekke attaches importance to training, measures and follow-up to prevent strain injuries, and sickness absence in Veidekke is below the average for the industry.



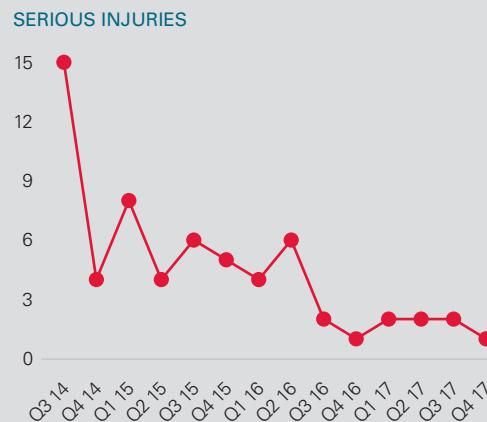
LTI rate: Lost-time injuries per million hours worked, own employees.



Sickness absence, own employees.



Number of injuries, own employees and subcontractors.



Number of injuries, own employees and subcontractors.

## OTHER OPERATIONS

Other operations consist of unallocated costs associated with the Group's corporate administration and financial management, the Group's ownership role in Public–Private Partnerships (PPP) and the elimination of intra-group profits.

The result for the fourth quarter was a loss of NOK 18 million, compared with a loss of NOK 17 million for the fourth quarter of 2016.

## FINANCIAL SITUATION

Net interest-bearing debt was NOK 764 million at the end of the quarter, compared with NOK 0 million at the end of the previous year.

The cash flow from operating activities was NOK 702 million at the end of December, compared with NOK 1,880 million for the same period last year. Cash flow for 2017 was marked by more capital being tied up in the Norwegian property development operations as a result of payments for the acquisition of land and a higher level of activity for own-account residential projects. In construction operations, trade receivables related to civil engineering operations in Norway increased and some businesses were acquired.

Veidekke's financial position is regarded as good, and the Group has considerable financial capacity. The Group has a long-term borrowing facility of NOK 3.6 billion with DNB. At the end of 2017, unused borrowing facilities amounted to NOK 3.1 billion. Veidekke has issued a bond loan of NOK 750 million that matures in June 2018.

## SHAREHOLDER INFORMATION

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
FOND FORVALTET AV DNB ASSET MANAGEMENT		3.6
MUST INVEST AS		2.2
MP PENSJON		2.0
VANGUARD GROUP		1.9
STOREBRAND ASSET MANAGEMENT		1.6
Foreign shareholders		22.4
Employees, total ownership		15.1

A total of 9.2 million Veidekke shares were traded in the fourth quarter 2017. The share price ranged from NOK 83.50 to NOK 101.00, and was NOK 92.75 at 31 December 2017.

## RELATED PARTY TRANSACTIONS

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

## RISKS

Veidekke's operations are largely based on the execution of individual projects. The projects vary greatly in terms of complexity, size, duration and risk, meaning that systematic risk management in all parts of the business is of crucial importance. Veidekke analyses and assesses risk at the tendering stage, and risk is followed up closely throughout the execution phase.

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

Transport infrastructure projects are challenging and allow different interpretations of what constitutes proper fulfilment of the contract. As a result, disagreement may arise about the final settlement between the contractor and the contracting client. At the end of the quarter, Veidekke had several unresolved final settlements related to transport infrastructure projects. Outstanding claims after deductions for recognised provisions and uncertain project revenues were in the range of NOK 400 million as at 31 December 2017. The outcome of the individual disputes, positive or negative, may have an effect on the profit.

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

# MARKET OUTLOOK

## PRODUCTION IN CONSTRUCTION AND CIVIL ENGINEERING (current prices):

	NORWAY				SWEDEN				DENMARK			
	2016 <sup>1)</sup> NOK bn	2017 <sup>2)</sup> Growth	2018 <sup>2)</sup> Growth	2019 <sup>2)</sup> Growth	2016 <sup>1)</sup> NOK bn	2017 <sup>2)</sup> Growth	2018 <sup>2)</sup> Growth	2019 <sup>2)</sup> Growth	2016 <sup>1)</sup> NOK bn	2017 <sup>2)</sup> Growth	2018 <sup>2)</sup> Growth	2019 <sup>2)</sup> Growth
Homes	140	11%	1%	-7%	166	18%	3%	-7%	82	17%	13%	8%
Commercial buildings	60	3%	5%	-1%	84	7%	9%	3%	27	8%	10%	10%
Public buildings	36	-1%	0%	9%	44	7%	9%	5%	28	-1%	-1%	7%
Civil engineering	75	7%	7%	6%	81	10%	5%	9%	51	-5%	3%	5%
Total construction and civil engineering	312	8%	3%	-1%	375	13%	5%	0%	188	7%	8%	7%

1) Source: Statistics Norway

2) Veidekke's prognosis

## NORWAY

After several years of strong growth in the Norwegian construction and civil engineering market, lower investments are expected in 2018. The decline will primarily be attributed to the residential segment. After strong growth in the residential market in 2016, the demand was lower in the second half of 2017 due to a tightening of the mortgage regulations, a change in the price expectations and a larger supply. Even though residential production is expected to decline in the second half of 2018 and in 2019, it looks like the fall in prices will slow down. A positive development is expected for investments in commercial buildings, but zero growth is expected for public buildings in 2018. Growth in the civil engineering market is expected to be high in both 2018 and 2019.

## SWEDEN

Growth in the Swedish construction and civil engineering market was very strong in 2017. The growth was primarily driven by a strong residential segment, in addition to a high production volume in civil engineering. Residential prices in Sweden fell throughout the autumn, and the decision to tighten mortgage requirements further increases the uncertainty of the developments in 2018. As a result of the decline in the sale of new residential units in 2017, a lower number of starts is expected, and residential production is expected to decline in 2018 and 2019. It is assumed that the demand for both commercial and public buildings will also be high in 2018 and 2019. The same applies to the civil engineering market, where investments in public infrastructure are also expected to be high in the years to come.

## DENMARK

In Denmark, production increased in the construction and civil engineering market in 2017, primarily driven by a good residential market and growth in commercial and public buildings. The forecast for 2018 is still positive, and it is expected that production will increase further, driven by increased demand for new residential units and commercial buildings. The Copenhagen region and certain large cities such as Aarhus are still performing stronger than other parts of the country.

Oslo, 7 February 2018  
The Board of Directors of Veidekke ASA

Martin Mæland  
*Chair*

Per Otto Dyb  
Deputy chair

Gro Bakstad

Ingallill Berglund

Ann-Christin Andersen

Hans von Uthmann

Ingolv Høyland

Inge Ramsdal

Odd Andre Olsen

Arve Fludal

Arne Giske  
*President and CEO*

## INCOME STATEMENT

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
Revenue	8 618	8 125	30 281	28 613
Operating expenses	-8 133	-7 769	-28 839	-27 284
Share of net income from joint ventures	173	56	334	190
<b>Operating profit before depreciation (EBITDA)</b>	<b>657</b>	<b>411</b>	<b>1 776</b>	<b>1 520</b>
Impairment of non-current assets	-6	-	-6	-
Depreciation	-137	-129	-517	-466
<b>Operating profit (EBIT)</b>	<b>513</b>	<b>282</b>	<b>1 252</b>	<b>1 053</b>
Financial income	23	26	67	98
Financial costs	-15	-17	-60	-60
<b>Profit before tax</b>	<b>521</b>	<b>291</b>	<b>1 259</b>	<b>1 092</b>
Income tax expense	-30	-30	-140	-170
<b>Profit after tax</b>	<b>492</b>	<b>261</b>	<b>1 119</b>	<b>922</b>
Of which non-controlling interests	5	9	27	35
Earnings per share (NOK) <sup>1)</sup>	3.6	1.9	8.2	6.6

1) No dilutive effect.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>Profit after tax</b>	<b>492</b>	<b>261</b>	<b>1 119</b>	<b>922</b>
Revaluation of pensions	-72	4	-72	4
Net items that will not be reclassified subsequently to profit or loss	-72	4	-72	4
Currency translation differences	39	32	84	-102
Fair value adjustment of financial assets	8	11	-15	8
Net items that may be reclassified subsequently to profit or loss	47	43	69	-93
<b>Total comprehensive income</b>	<b>467</b>	<b>307</b>	<b>1 116</b>	<b>832</b>
of which non-controlling interests	6	9	29	31

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## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

Figures in NOK million	31.12.2017	31.12.2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	1 401	1 248
Other intangible assets	129	136
Deferred tax assets	55	65
Land and buildings	615	560
Plant and machinery	2 286	1 954
Investments in joint ventures	1 430	1 363
Financial assets	508	649
<b>Total non-current assets</b>	<b>6 423</b>	<b>5 975</b>
<b>Current assets</b>		
Residential projects	7 076	4 877
Inventories	518	455
Trade and other receivables	6 034	5 494
Cash and cash equivalents	392	644
<b>Total current assets</b>	<b>14 020</b>	<b>11 470</b>
<b>Total assets</b>	<b>20 443</b>	<b>17 445</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	67	67
Other equity	3 600	3 219
Non-controlling interests	181	179
<b>Total equity</b>	<b>3 848</b>	<b>3 465</b>
<b>Non-current liabilities</b>		
Pensions and deferred tax liabilities	981	877
Bonds	-	750
Amounts due to credit institutions	613	212
Other non-current liabilities	173	136
<b>Total non-current liabilities</b>	<b>1 768</b>	<b>1 975</b>
<b>Current liabilities</b>		
Certificate debt and debt to credit institutions	10	44
Bonds	750	-
Trade payables and warranty provisions	5 710	5 097
Public duties and taxes payable	887	784
Other current liabilities	7 471	6 080
<b>Total current liabilities</b>	<b>14 827</b>	<b>12 005</b>
<b>Total equity and liabilities</b>	<b>20 443</b>	<b>17 445</b>

## STATEMENT OF CASH FLOWS

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
Profit before tax	521	291	1 259	1 092
Tax paid	-124	-38	-155	-79
Depreciation/impairment	144	129	524	466
Other operational items	582	940	-926	402
<b>Cash flow from operating activities</b>	<b>1 123</b>	<b>1 322</b>	<b>702</b>	<b>1 880</b>
Acquisition/disposal of property, plant and equipment	-97	-165	-615	-659
Other investing activities	-122	-21	-324	-341
Change in interest-bearing receivables	-8	-10	146	-
<b>Cash flow from investing activities</b>	<b>-227</b>	<b>-196</b>	<b>-792</b>	<b>-1 000</b>
Change in interest-bearing liabilities	-41	-808	1 255	-20
Dividend paid	-	-	-602	-535
Change other non-current liabilities	-15	3	3	3
Other financial items	-773	-16	-836	-74
<b>Cash flow from financing activities</b>	<b>-829</b>	<b>-821</b>	<b>-179</b>	<b>-627</b>
<b>Change in cash and cash equivalents</b>	<b>66</b>	<b>306</b>	<b>-269</b>	<b>253</b>
Cash and cash equivalents, start of period	317	337	644	402
Exchange rate adjustment foreign cash balances	9	2	17	-12
Cash and cash equivalents, end of period	392	644	392	644

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## NET INTEREST-BEARING POSITION

Figures in NOK million	31.12.2017	31.12.2016
Cash and cash equivalents	392	644
Interest-bearing assets (long-term)	217	363
Interest-bearing liabilities	-1 373	-1 007
Net interest-bearing position	-764	0
Change in net interest-bearing position (from 1 Jan)	-764	606

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## OTHER KEY FIGURES

Figures in NOK million	31.12.2017	31.12.2016
Order backlog (NOK million)	32 561	24 404
Equity ratio (%)	19	20
Number of employees	7 736	7 399

## BUSINESS SEGMENTS

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>CONSTRUCTION (specification page 27)</b>				
Revenue	7 419	6 949	25 804	24 629
Operating expenses	-7 094	-6 715	-24 774	-23 587
Share of net income from joint ventures	5	12	8	16
Depreciation/impairment	-83	-83	-316	-295
<b>Operating profit (EBIT)</b>	<b>247</b>	<b>163</b>	<b>722</b>	<b>763</b>
Net financial items	8	22	36	41
<b>Profit before tax (EBT)</b>	<b>254</b>	<b>185</b>	<b>759</b>	<b>804</b>
<b>Total assets, segment</b>	<b>11 596</b>	<b>10 682</b>	<b>11 596</b>	<b>10 682</b>
<b>PROPERTY (specification page 15)</b>				
Revenue	863	1 333	3 456	3 202
Operating expenses	-803	-1 149	-3 117	-2 827
Share of net income from joint ventures	61	59	239	216
Depreciation/impairment	-3	-	-4	-1
<b>Operating profit (EBIT)</b>	<b>118</b>	<b>242</b>	<b>574</b>	<b>589</b>
Net financial items	-4	-16	-25	-23
<b>Profit before tax (EBT)</b>	<b>114</b>	<b>226</b>	<b>549</b>	<b>567</b>
<b>Total assets, segment</b>	<b>6 179</b>	<b>4 987</b>	<b>6 179</b>	<b>4 987</b>
<b>INDUSTRIAL</b>				
Revenue	1 344	1 068	4 761	4 162
Operating expenses	-1 196	-990	-4 372	-3 860
Share of net income from joint ventures	1	5	36	15
Depreciation/impairment	-55	-44	-192	-167
<b>Operating profit (EBIT)</b>	<b>94</b>	<b>38</b>	<b>232</b>	<b>151</b>
Net financial items	-7	-4	-26	-14
<b>Profit before tax (EBT)</b>	<b>87</b>	<b>34</b>	<b>206</b>	<b>136</b>
<b>Total assets, segment</b>	<b>2 280</b>	<b>1 969</b>	<b>2 280</b>	<b>1 969</b>
<b>OTHER OPERATIONS <sup>1)</sup></b>				
Revenue	1	-	1	1
Operating expenses	-29	-25	-102	-108
Share of net income from joint ventures	7	6	22	17
Depreciation/impairment	-3	-1	-12	-3
<b>Operating profit (EBIT)</b>	<b>-24</b>	<b>-19</b>	<b>-92</b>	<b>-94</b>
Net financial items	12	7	21	33
<b>Profit before tax (EBT)</b>	<b>-12</b>	<b>-12</b>	<b>-71</b>	<b>-61</b>

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>GROUP ELIMINATIONS</b>				
Revenue	-825	-627	-2 453	-1 856
Operating expenses	820	622	2 450	1 870
Share of net income from joint ventures	-	-	-	-
Depreciation/impairment	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>-5</b>	<b>-5</b>	<b>-3</b>	<b>13</b>
Net financial items	-	-	1	1
<b>Profit before tax (EBT)</b>	<b>-5</b>	<b>-5</b>	<b>-2</b>	<b>14</b>
<b>TOTAL VEIDEKKE GROUP</b>				
<b>SEGMENT ACCOUNTS</b>				
Revenue	8 801	8 723	31 568	30 137
Operating expenses	-8 302	-8 257	-29 915	-28 512
Share of net income from joint ventures	73	82	305	263
Depreciation/impairment	-144	-129	-524	-466
<b>Operating profit (EBIT)</b>	<b>429</b>	<b>420</b>	<b>1 434</b>	<b>1 422</b>
Net financial items	8	9	7	38
<b>Profit before tax (EBT)</b>	<b>437</b>	<b>429</b>	<b>1 441</b>	<b>1 460</b>
<b>Total assets, segment</b>	<b>17 618</b>	<b>15 484</b>	<b>17 618</b>	<b>15 484</b>

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

## RECONCILIATION OF SEGMENT ACCOUNTS AND FINANCIAL ACCOUNTS

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>TOTAL VEIDEKKE GROUP SEGMENT ACCOUNTS</b>				
Revenue	8 801	8 723	31 568	30 137
Operating expenses	-8 302	-8 257	-29 915	-28 512
Share of net income from joint ventures	73	82	305	263
Depreciation/impairment	-144	-129	-524	-466
<b>Operating profit (EBIT)</b>	<b>429</b>	<b>420</b>	<b>1 434</b>	<b>1 422</b>
Net financial items	8	9	7	38
<b>Profit before tax (EBT)</b>	<b>437</b>	<b>429</b>	<b>1 441</b>	<b>1 460</b>
<b>Total assets, segment</b>	<b>17 618</b>	<b>15 484</b>	<b>17 618</b>	<b>15 484</b>
<b>IFRIC 15 ADJUSTMENTS <sup>1)2)</sup></b>				
Revenue	-184	-599	-1 287	-1 523
Operating expenses	169	487	1 076	1 228
Share of net income from joint ventures	99	-26	30	-73
Depreciation/impairment	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>84</b>	<b>-138</b>	<b>-182</b>	<b>-369</b>
Net financial items	-	-	-	-
<b>Profit before tax (EBT)</b>	<b>84</b>	<b>-138</b>	<b>-182</b>	<b>-369</b>
<b>Total assets, segment</b>	<b>2 825</b>	<b>1 961</b>	<b>2 825</b>	<b>1 961</b>

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

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

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>TOTAL VEIDEKKE GROUP</b>				
Revenue	8 618	8 125	30 281	28 613
Operating expenses	-8 133	-7 769	-28 839	-27 284
Share of net income from joint ventures	173	56	334	190
Depreciation/impairment	-144	-129	-524	-466
<b>Operating profit (EBIT)</b>	<b>513</b>	<b>282</b>	<b>1 252</b>	<b>1 053</b>
Net financial items	8	9	7	38
<b>Profit before tax (EBT)</b>	<b>521</b>	<b>291</b>	<b>1 259</b>	<b>1 092</b>
<b>Total assets, segment</b>	<b>20 443</b>	<b>17 445</b>	<b>20 443</b>	<b>17 445</b>

## CONSTRUCTION OPERATIONS BY COUNTRY

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>CONSTRUCTION NORWAY</b>				
Revenue	4 122	4 193	14 850	15 096
Operating expenses	-3 927	-4 029	-14 199	-14 322
Share of net income from joint ventures	4	8	4	8
Depreciation/impairment	-62	-62	-233	-212
<b>Operating profit (EBIT)</b>	<b>138</b>	<b>110</b>	<b>421</b>	<b>570</b>
Net financial items	6	7	31	26
<b>Profit before tax (EBT)</b>	<b>143</b>	<b>118</b>	<b>452</b>	<b>596</b>
<b>Total assets, segment</b>	<b>7 471</b>	<b>7 195</b>	<b>7 471</b>	<b>7 195</b>
<b>CONSTRUCTION SWEDEN</b>				
Revenue	2 692	2 242	8 810	7 819
Operating expenses	-2 614	-2 209	-8 571	-7 664
Share of net income from joint ventures	1	4	4	8
Depreciation/impairment	-19	-18	-75	-72
<b>Operating profit (EBIT)</b>	<b>60</b>	<b>18</b>	<b>169</b>	<b>91</b>
Net financial items	1	14	1	11
<b>Profit before tax (EBT)</b>	<b>61</b>	<b>32</b>	<b>170</b>	<b>102</b>
<b>Total assets, segment</b>	<b>2 872</b>	<b>2 312</b>	<b>2 872</b>	<b>2 312</b>
<b>CONSTRUCTION DENMARK</b>				
Revenue	604	514	2 144	1 713
Operating expenses	-553	-476	-2 003	-1 601
Share of net income from joint ventures	-	-	-	-
Depreciation/impairment	-2	-3	-8	-10
<b>Operating profit (EBIT)</b>	<b>49</b>	<b>35</b>	<b>132</b>	<b>102</b>
Net financial items	1	1	5	4
<b>Profit before tax (EBT)</b>	<b>50</b>	<b>36</b>	<b>137</b>	<b>105</b>
<b>Total assets, segment</b>	<b>1 254</b>	<b>1 175</b>	<b>1 254</b>	<b>1 175</b>
<b>TOTAL CONSTRUCTION</b>				
Revenue	7 419	6 949	25 804	24 629
Operating expenses	-7 094	-6 715	-24 774	-23 587
Share of net income from joint ventures	5	12	8	16
Depreciation/impairment	-83	-83	-316	-295
<b>Operating profit (EBIT)</b>	<b>247</b>	<b>163</b>	<b>722</b>	<b>763</b>
Net financial items	8	22	36	41
<b>Profit before tax (EBT)</b>	<b>254</b>	<b>185</b>	<b>759</b>	<b>804</b>
<b>Total assets, segment</b>	<b>11 596</b>	<b>10 682</b>	<b>11 596</b>	<b>10 682</b>

## PROPERTY DEVELOPMENT BY COUNTRY

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>PROPERTY DEVELOPMENT NORWAY</b>				
Revenue	139	148	610	338
Operating expenses	-137	-134	-590	-349
Share of net income from joint ventures	31	46	157	185
Depreciation/impairment	-1	-	-1	-
<b>Operating profit (EBIT)</b>	<b>32</b>	<b>60</b>	<b>175</b>	<b>174</b>
Net financial items	-6	-17	-30	-25
<b>Profit before tax (EBT)</b>	<b>26</b>	<b>43</b>	<b>146</b>	<b>149</b>
<b>Total assets, segment</b>	<b>3 551</b>	<b>2 639</b>	<b>3 551</b>	<b>2 639</b>
<b>PROPERTY DEVELOPMENT SWEDEN</b>				
Revenue	724	1 185	2 845	2 864
Operating expenses	-666	-1 015	-2 526	-2 478
Share of net income from joint ventures	30	13	82	30
Depreciation/impairment	-2	-	-2	-1
<b>Operating profit (EBIT)</b>	<b>86</b>	<b>183</b>	<b>398</b>	<b>416</b>
Net financial items	2	1	5	3
<b>Profit before tax (EBT)</b>	<b>88</b>	<b>184</b>	<b>404</b>	<b>418</b>
<b>Total assets, segment</b>	<b>2 628</b>	<b>2 348</b>	<b>2 628</b>	<b>2 348</b>
<b>TOTAL PROPERTY DEVELOPMENT</b>				
Revenue	863	1 333	3 456	3 202
Operating expenses	-803	-1 149	-3 117	-2 827
Share of net income from joint ventures	61	59	239	216
Depreciation/impairment	-3	-	-4	-1
<b>Operating profit (EBIT)</b>	<b>118</b>	<b>242</b>	<b>574</b>	<b>589</b>
Net financial items	-4	-16	-25	-23
<b>Profit before tax (EBT)</b>	<b>114</b>	<b>226</b>	<b>549</b>	<b>567</b>
<b>Total assets, segment</b>	<b>6 179</b>	<b>4 987</b>	<b>6 179</b>	<b>4 987</b>

## STATEMENT OF CHANGES IN EQUITY

Figures in NOK million	EQUITY HOLDERS OF VEIDEKKE ASA					MINORITY		
	Share capital	Other paid-in capital <sup>1)</sup>	Currency translation differences	Other retained earnings	Fair value adjustment <sup>2)</sup>	Total	Non-controlling interests	Total
<b>Equity at 1 January 2016</b>	<b>67</b>	<b>305</b>	<b>122</b>	<b>2 674</b>	<b>-94</b>	<b>3 073</b>	<b>145</b>	<b>3 218</b>
Profit for the year	-	-	-	887	-	887	35	922
Other comprehensive income	-	-	-98	4	8	-86	-4	-90
IFRS 2 - share-based transactions employees	-	-	-	-20	-	-20	-	-20
Options, non-controlling interests	-	-	-	-33	-	-33	-	-33
Additions, aquisition of operations, non-controlling interests	-	-	-	-	-	-	20	20
Changes in non-controlling interests	-	-	-	-	-	-	-1	-1
Dividend	-	-	-	-535	-	-535	-16	-551
<b>Equity at 31 December 2016</b>	<b>67</b>	<b>305</b>	<b>-24</b>	<b>2 976</b>	<b>-86</b>	<b>3 286</b>	<b>179</b>	<b>3 465</b>
<b>Equity at 1 January 2017</b>	<b>67</b>	<b>305</b>	<b>24</b>	<b>2 976</b>	<b>-86</b>	<b>3 286</b>	<b>179</b>	<b>3 465</b>
Profit for the year	-	-	-	1 092	-	1 092	27	1 119
Other comprehensive income	-	-	82	-72	-15	-6	2	-4
IFRS 2 - share-based transactions employees	-	-	-	-20	-	-20	-	-20
Transactions, non-controlling interests	-	-	-	-48	-	-48	-17	-65
Options, non-controlling interests	-	-	-	-35	-	-35	-	-35
Additions, aquisitions of operations, non-controlling interests	-	-	-	-	-	-	9	9
Changes, non-controlling interests	-	-	-	-	-	-	-	-
Dividend	-	-	-	-602	-	-602	-19	-621
<b>Equity at 31 December 2017</b>	<b>67</b>	<b>305</b>	<b>105</b>	<b>3 291</b>	<b>-101</b>	<b>3 667</b>	<b>181</b>	<b>3 848</b>

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

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

There have been no purchases of own shares in 2017.

## NOTE 1. GENERAL INFORMATION

Veidekke is a Scandinavian construction and property development company headquartered in Oslo. The consolidated accounts for Q4 2017 include Veidekke ASA and its subsidiaries and the Group's investments in associates and joint ventures.

At the end of Q4 2017, the Group comprised essentially the same entities as described in the 2016 annual report. Details of business combinations in 2017 can be found in note 8. The interim financial statements are unaudited.

## NOTE 2. ACCOUNTING POLICIES

The Group presents its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The quarterly accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and are in line with the Stock Exchange Rules. The quarterly accounts have been prepared using the same accounting policies as in the annual accounts for 2016.

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

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

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

### IFRS 15 Revenue from contracts with customers

A new revenue recognition standard (IFRS 15) is being introduced with effect from 2018. The new standard will affect revenue recognition in the Group's residential projects as well as revenue recognition in connection with modifications and additional orders in construction operations.

### Residential projects

Pursuant to the current standard, revenue and profit from residential units under construction are not recognised until the unit is handed over to the buyer. Under the new standard, however, residential production in Sweden and Denmark will be recognised on a percentage of completion basis, measured with reference to the sales ratio and stage of completion. Operations in Norway will continue to be recognised according to current practice, due to Norwegian law. In the segment accounts, residential production will continue to be accounted for using the percentage of completion method. Transition to the new standard will have a positive effect on equity at 1 January 2018.

### Modifications and additional orders in construction operations

In general, the new standard will not change revenue recognition in construction contracts. The exception is projects where there is uncertainty related to payment from the customer due to unspecified requirements. According to the current standard, this type of income is recognised on the basis of expected value, whereas the new standard has more stringent requirements concerning the probability of variable consideration. The effect of the new standard will be recorded as a reduction in equity at 1 January 2018.

The financial statements for 2017 will be restated and communicated before publication of the figures for the first quarter of 2018.

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### NOTE 3. SEGMENT REPORTING

The Group consists of three segments: Construction, Property Development and Industrial. The segment results for Q4 2017 are presented in the table on page 24.

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### NOTE 4. ESTIMATES

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

used in applying the Group's accounting policies and the main sources of estimate uncertainty at the end of Q4 2017 are unchanged from those in the 2016 annual report.

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### NOTE 5. OPERATIONS WITH SIGNIFICANT SEASONAL FLUCTUATIONS

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

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

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## NOTE 6. NON-CURRENT ASSETS

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS</b>				
Carrying amount at start of period	2 895	2 580	2 651	2 349
Additions	203	192	769	718
Additions from acquisitions of operations	80	17	162	118
Depreciation and amortisation	-144	-129	-524	-466
Currency translation differences etc.	15	7	26	-36
Disposals of non-current assets	-21	-17	-55	-32
<b>Carrying amount at end of period</b>	<b>3 029</b>	<b>2 651</b>	<b>3 029</b>	<b>2 651</b>
Other intangible assets	129	136	129	136
Land and buildings	615	560	615	560
Plant and machinery	2 286	1 954	2 286	1 954
<b>Carrying amount at end of period</b>	<b>3 029</b>	<b>2 651</b>	<b>3 029</b>	<b>2 651</b>

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
<b>GOODWILL</b>				
Carrying amount at start of period	1 314	1 244	1 248	1 151
Additions	71	-6	122	140
Impairment	-	-	-	-
Currency translation differences	16	11	31	-42
Disposals	-	-	-	-
<b>Carrying amount at end of period</b>	<b>1 401</b>	<b>1 248</b>	<b>1 401</b>	<b>1 248</b>

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## NOTE 7. RESIDENTIAL PROJECTS

Figures in NOK million	Q4 2017	2016
Units under construction	3 796	2 423
Completed units for sale	44	32
Residential sites for development	3 214	2 410
Non-residential projects	22	12
<b>Total residential projects</b>	<b>7 076</b>	<b>4 877</b>
 Residential projects in joint ventures	 1 201	 1 155
Units under construction <sup>1)</sup>	2 620	2 422
Sale rate, units under construction <sup>1)</sup>	83%	91%
Unsold, completed units <sup>1)</sup>	20	20

1) Including Veidekke's share in joint ventures.

## NOTE 8. ACQUISITIONS, SALES OF OPERATIONS

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 the county of Nordland in northern Norway. The company reported revenue of NOK 136 million for 2017 and profit before tax of NOK 15 million. The purchase price for the shares was NOK 60 million. In connection with the business transfer, NOK 51 million has been allocated to goodwill. The purchase price allocation is preliminary. The transaction entails that the original ownership interest is to be recognised at fair value, resulting in an accounting gain of NOK 20 million.

Kynningsrud Fundamentering AS, a subsidiary of Veidekke Entreprenør AS, acquired 70% of Båsum Boring AS and Båsum Boring Trøndelag AS in the fourth quarter of 2017. The companies are engaged in water well and geothermal drilling and are based in Buskerud and Trøndelag. The companies reported revenue of NOK 142 million for 2017 and profit before tax of NOK 3 million. The estimated purchase price for the shares is NOK 80.5 million, of which NOK 73.5 million was paid in connection with the transfer. NOK 60 million has been allocated to goodwill. The purchase price allocation is preliminary.

In addition to the business acquisitions mentioned above, two smaller acquisitions were made in 2017.

### EFFECT OF BUSINESS TRANSFERS ON THE ACCOUNTS IN 2017:

Figures in NOK million	2017
Non-current assets	162
Current assets	88
Non-current liabilities	-33
Current liabilities	-77
Total identifiable assets and liabilities	141
Goodwill at time of acquisition	122
Agreed purchase price	203
Of which deferred payment of the purchase price	7
Cash taken over from acquired companies	9

### OTHER STEP ACQUISITIONS NOT INCLUDED IN THE LIST ABOVE:

In the third quarter of 2017 Veidekke Entreprenør AS acquired the remaining 20% of the shares in Kynningsrud Fundamentering AS, a nationwide full-range supplier of piling and sheet piling work. The company reported revenue 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.

## NOTE 9. SPECIAL ITEMS

Veidekke Eiendom (Property Development) realised several small development projects in the second quarter of 2017, which resulted in an overall accounting gain of NOK 27 million.

In the fourth quarter of 2017 Veidekke Industri (Industrial) sold a commercial development site, which has been used for asphalt production and aggregate operations. The transaction resulted

in an accounting gain of NOK 70, which was recognised in the accounts in the fourth quarter.

Veidekke Entreprenør (Construction) recognised an accounting gain of NOK 28 million related to the termination of a pension scheme in the fourth quarter of 2017.

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## NOTE 10. FINANCIAL INSTRUMENTS

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

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## NOTE 11. BOND DEBT

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

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## NOTE 12. DIVIDEND

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

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## NOTE 13. COVENANTS ASSOCIATED WITH LOAN AGREEMENTS

On 28 October 2015 Veidekke signed a new five-year loan agreement with DNB ASA, with a credit limit of NOK 3.6 billion. This loan matures on 2 November 2020. At 31 December 2017, unutilised borrowing facilities amounted to NOK 3.1 billion.

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

1. Net interest-bearing debt divided by EBITDA for the previous four quarters shall not exceed 3.5. At 31 December 2017, the ratio was 0.4.
2. The Group's own projects shall not exceed 75% of the Group's book equity. At 31 December 2017, the share of the Group's own projects was 32%.

### Definitions:

Net interest-bearing debt 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 the Group's operating profit plus depreciation and impairment.

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

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## NOTE 14. EVENTS AFTER THE REPORTING DATE

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

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

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

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

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

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
REVENUE				
Accumulated revenue from non-delivered projects at start of period	3 891	2 072	2 710	1 352
+ Revenue from non-delivered projects during the period	902	1 263	3 331	2 826
- Revenue from delivered projects during the period	-721	-664	-2 044	-1 302
<b>Net IFRIC 15 adjustments to revenues during the period</b>	<b>181</b>	<b>599</b>	<b>1 287</b>	<b>1 523</b>
+/- Currency translation differences	94	39	169	-166
<b>Accumulated revenue from non-delivered projects at end of period</b>	<b>4 166</b>	<b>2 710</b>	<b>4 166</b>	<b>2 710</b>

Figures in NOK million	Q4 2017	Q4 2016	2017	2016
PROFIT BEFORE TAX				
Accumulated profit before tax from non-delivered projects at start of period	950	526	669	330
+ Profit before tax from non-delivered projects during the period	190	288	819	796
- Profit before tax from delivered projects during the period	-274	-150	-636	-428
<b>Net IFRIC 15 adjustments to profit before tax during the period</b>	<b>-84</b>	<b>138</b>	<b>182</b>	<b>369</b>
+/- Currency translation differences	18	6	32	-29
<b>Accumulated profit before tax from non-delivered projects at end of period</b>	<b>884</b>	<b>669</b>	<b>884</b>	<b>669</b>

At 31 December 2017, revenues of NOK 4 166 million and profit before tax of NOK 884 million had accrued on sold units under construction. These amounts are recognised as revenue in the segment reporting, but are not recognised under IFRS until the homes are handed over.

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

Figures in NOK million	Average invested capital	Profit before tax	Financial costs <sup>1)</sup>	Taxes in joint ventures	At 31.12.2017		At 31.12.2016
					Return	Return	Return
Norway (NOK)	2 776	146	61	50	9.2%	12.1%	
Sweden (SEK)	911	423	5	-	46.9%	45.1%	
Denmark (DKK)	94	-5	1	-	-4.4%	0.0%	
Currency translation differences	2	-15	-	-	-	-	
<b>Total (NOK)</b>	<b>3 784</b>	<b>549</b>	<b>66</b>	<b>50</b>	<b>17.6%</b>	<b>21.4%</b>	

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

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

## NOTE 17. ALTERNATIVE PERFORMANCE MEASURES

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

### Net interest-bearing debt

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

### Order backlog

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

### Capital invested in property development operations

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

### Return on invested capital in Property Development

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

$$\frac{\text{Profit before tax} + \text{interest expenses}}{\text{Opening balance invested capital} + \text{Closing balance invested capital}} \times 2$$

The figures used in the formula are taken from the segment reporting. Interest expenses include all expensed interest expenses, both those classified as interest expenses and those classified as cost of materials (operating expenses) in the accounts. The calculation is adjusted to take account of the fact that the profit reported by joint ventures has already been taxed.

### Sales ratio in Property Development

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

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

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

### Number of unsold units under construction

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

### Site portfolio

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

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## INFORMATION ABOUT THE COMPANY

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

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

**The Board of Directors consists of:**

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

**Executive Management consists of:**

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

**Investor Relations:**

Financial Director Jørgen G. Michelet  
 Telephone: +47 21 05 77 22  
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**Financial calendar:**

First quarter: 3 May  
 Second quarter: 16 August  
 Third quarter: 15 November





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# TOGETHER, WE BUILD THE FUTURE

Veidekke is one of Scandinavia's largest construction and property development companies. The company undertakes all types of building construction and civil engineering contracts, maintains public roads and produces asphalt and aggregates. The company is characterised by involvement and local knowledge. Turnover is NOK 32 billion, and half of the 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](http://veidekke.com/en)