



Veidekke towards 2022 Capital Markets Update

9 May 2019



Increased profitability and strengthened position

Agenda

09:00	Veidekke towards 2022: Increased profitability and strengthened position	Arne Giske
09:30	Property development: Market driven development from a strong position	Jørgen W. Porsmyr
Break		
10:10	Construction: Increased profitability with lower risk	Arne Giske
	• Building Construction Denmark	Jørgen W. Porsmyr
	• Building Construction Norway	Hans Olav Sørli
	• Building Construction Sweden	Jimmy Bengtsson
	• Civil Engineering Sweden	Jimmy Bengtsson
	• Civil Engineering Norway	Øivind Larsen
Industrial: Recreate strong profitability		
Financial targets and priorities		
11:15	Concluding remarks and Q&A	Terje Larsen
11:45	End	Arne Giske

This is Veidekke

Norway's largest and
Scandinavia's fourth largest
construction and property
development company

Competent employees

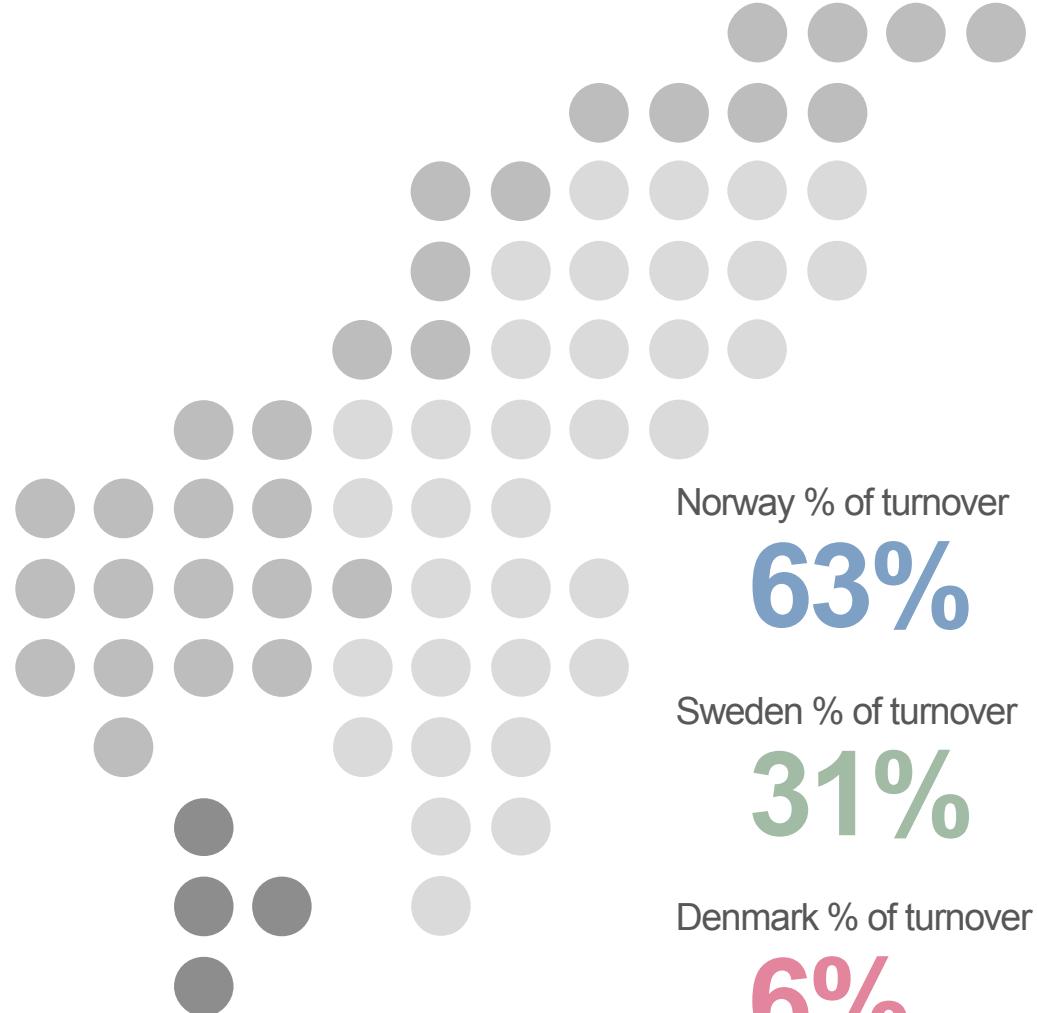
8 500

in three countries

Turnover 2018

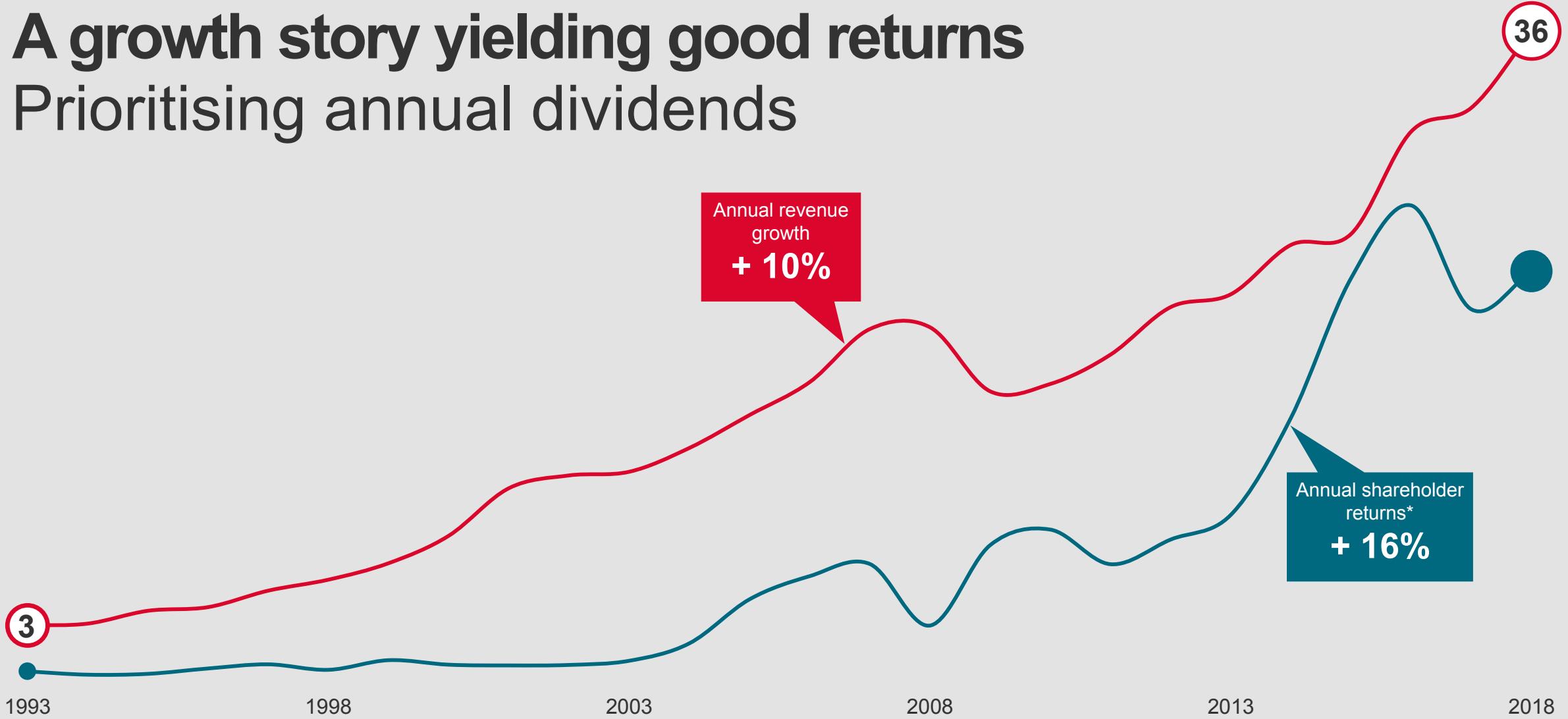
35.6

NOK billion



A growth story yielding good returns

Prioritising annual dividends

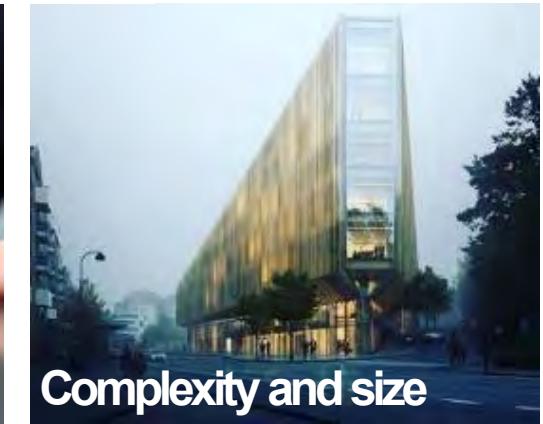


Trends affecting our industries

— Global megatrends —



— Industry development trends —



Sustainability and social responsibility

The core of both strategy and performance

Veidekke's materiality analysis

Six prioritised topics



Veidekke's environmental policy

- Veidekke's ambition is to be a leading industry player with regards to reductions of climate gas emissions and practical safeguarding of the environment

Implementation of the environmental policy means that Veidekke:

- shall run its operation in alignment with the UN's two degree target
- has integrated environmental aspects in all its activities
- offers its customers added value through its environmental competencies
- keeps records of the organisation's environmental impact, in order to reduce it
- Sets environmental and climate requirements for partners
- contributes beyond the company itself; in industry organisations, educational institutions, R&D, and in interaction with authorities and politicians



Our most important resource

Veidekke employs 8 500 people in three countries. More than half of our employees are skilled workers and certified craftsmen in their respective trades

Value based management

Veidekke employees are expected to be professional, honest and enthusiastic, and to have ground-breaking curiosity

Competence and experience

Veidekke employees have on average 4 years of higher education and have worked at Veidekke or in the industry for more than 9 years

Co-ownership

Some 50% of Veidekke's employees own shares in the company. Veidekke's employees own 15 % of Veidekke

Attractive employer

Veidekke is the most attractive employer among contractors for young engineers with 7-8 years' experience, according to Universum Norway 2018

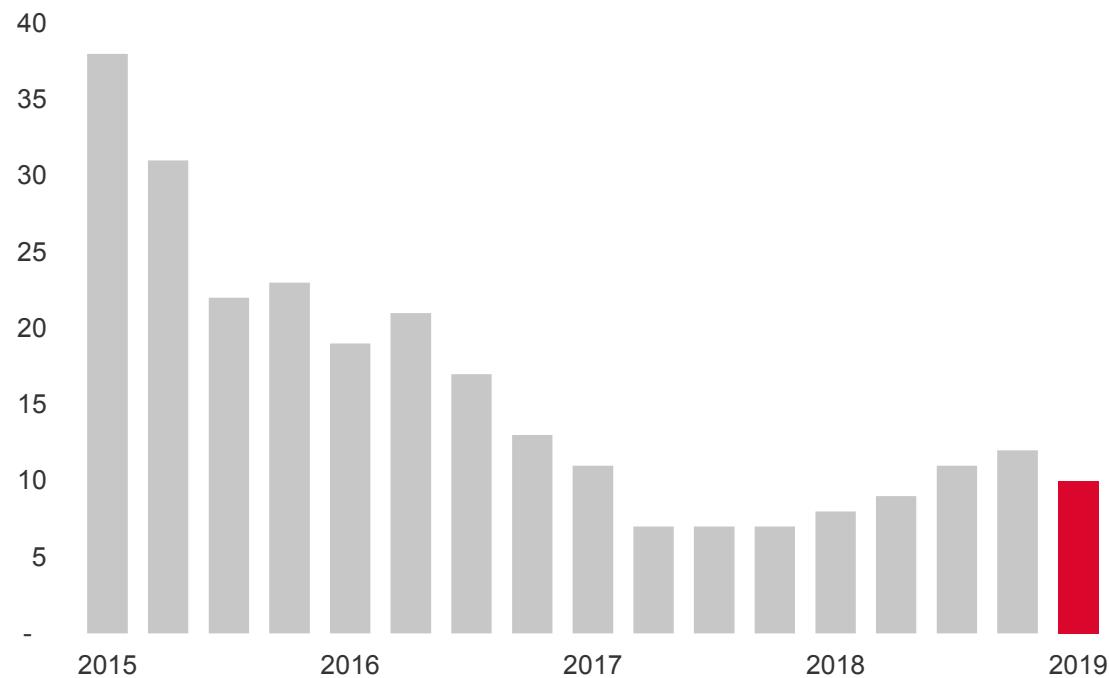


Continuous safety work

Involvement is key

We shall create a safe workplace

Number of serious injuries, 12 months rolling



Noen ekstremt alvorlige hendelser som har skjedd på våre prosjekter:

- 1 August 2017
Monter faller fire meter. Han bruker fallfiksing, men linjen er gått helt ut.
- 2 September 2017
Fall fra stige, ca. fire meter. Hodeskade.
- 3 Juni 2017
En betongkappsegg kastes rundt under bruk, og bladet treffer håndverker i halsregionen.
- 4 Mars 2017
Hjullaster kjører med skuff hevet. Sjåføren ser ikke en bil som kommer imot. Hjullasteren treffer bilen i takhøyde.
- 5 Mars 2017
En tobbe skal heises ned i en sjakt. Tobben åpner seg i 50 meters høyde, 3,6 tonn betong faller ned og er nær ved å treffe et arbeidslag med fem personer.
- 6 Desember 2016
Under heising av 20 pakker isolasjon (storbunt, ca. 230 kg) faller isolasjonen fem etasjer ned og treffer bakkken fem–seks meter unna personer som oppholder seg i området.
- 7 Desember 2014
En håndverker sitter i blindsonen bak en gravemaskin. Gravemaskinen rygger og kjører over foten til håndverkeren.
- 8 Mai 2015
Fjerning av fintstøft på drivtrommel mens transportbånd er i gang. Redskapen som brukes, kommer i klem og dras med transportbåndet. Operatøren blir dratt over rekksverk og faller ca. fire meter.
- 9 Mars 2014
Teglstein faller 18 meter ned fra stillas og lander ca. 30 cm fra to håndverkere.
- 10 November 2014
Taktekker faller over ni meter etter å ha bøyd seg over kanten og mistet balansen.
- 11 Februar 2018
Håndverker kapper av seg tre fingre på en gjerdessag under arbeid med deling av rør.
- 12 April 2018
Kollisjon mellom gravemaskin og tog. Gravemaskinfører klarer å hoppe ut sekunder før toget treffer.
- 13 August 2017
Udetonert sprengstoff lastes opp i et knuseverk. Sprengstoffet eksploderer når det kommer under trykk.
- 14 November 2014
Dødsulykke. Skuff på gravemaskin faller av under en løftoperasjon og treffer en håndverker.
- 15 April 2014
Dødsulykke. Håndverker faller mot rekksverk. Rekksverket svikter, og håndverker faller ti meter.
- 16 Juli 2011
Treplattning i stillas knækker når stillasarbeideren trakker på det. Arbeideren faller fem meter og blir løm fra livet og ned.
- 17 Mai 2013
Dødsulykke. Mann blir rygget over av en lastebil.
- 18 August 2011
Dødsulykke. Strømgjennomgang.

Bry deg – si ifra!

VEIDEKKE



Kay Fiskers Plads

One of the largest building construction projects in Denmark. On behalf of the Norwegian company KLP, Hoffmann has been working one full year without injuries



Commercial

42%



Residential

23%



Civil Engineering

20%



Industrial

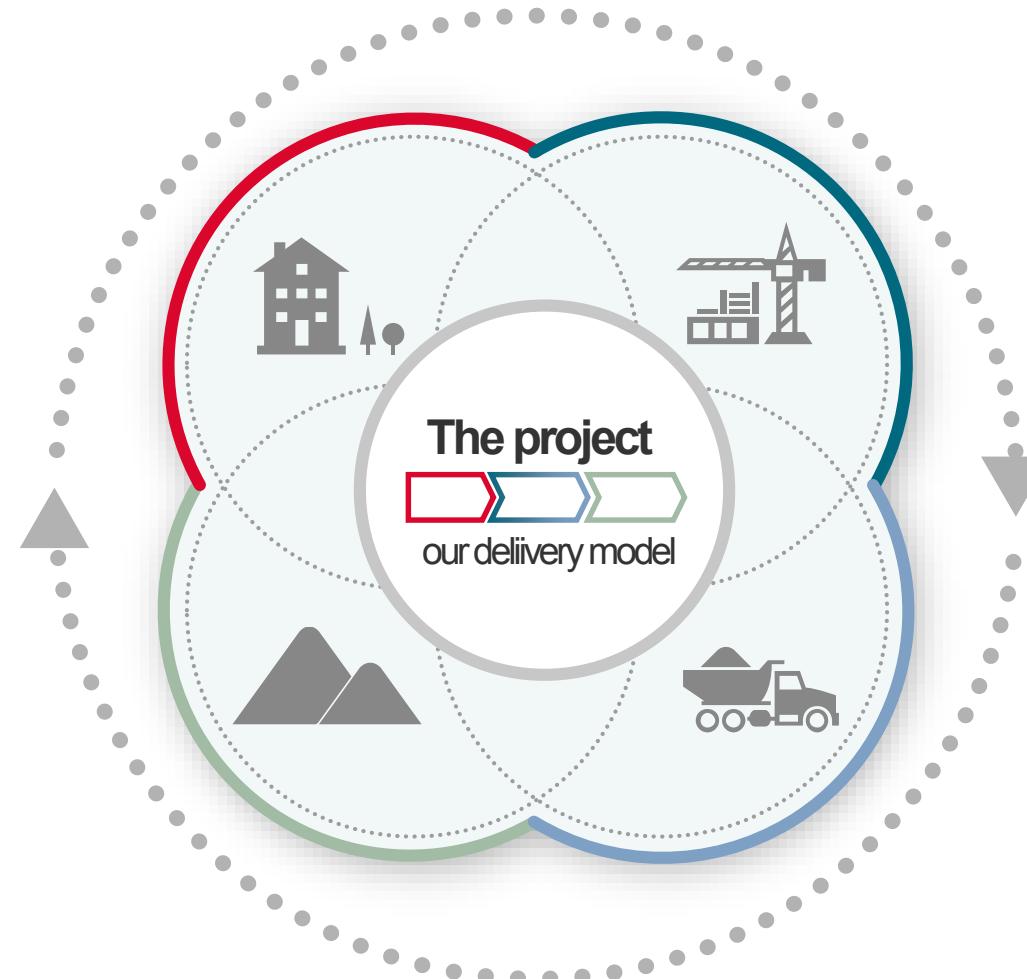
15%

Value added interaction in Veidekke

An integrated value chain creates value for customers

Veidekke utilises the Group's collective competencies to **ensure high operational efficiency**

Veidekke offers an integrated delivery model that secures **better quality and higher customer value**



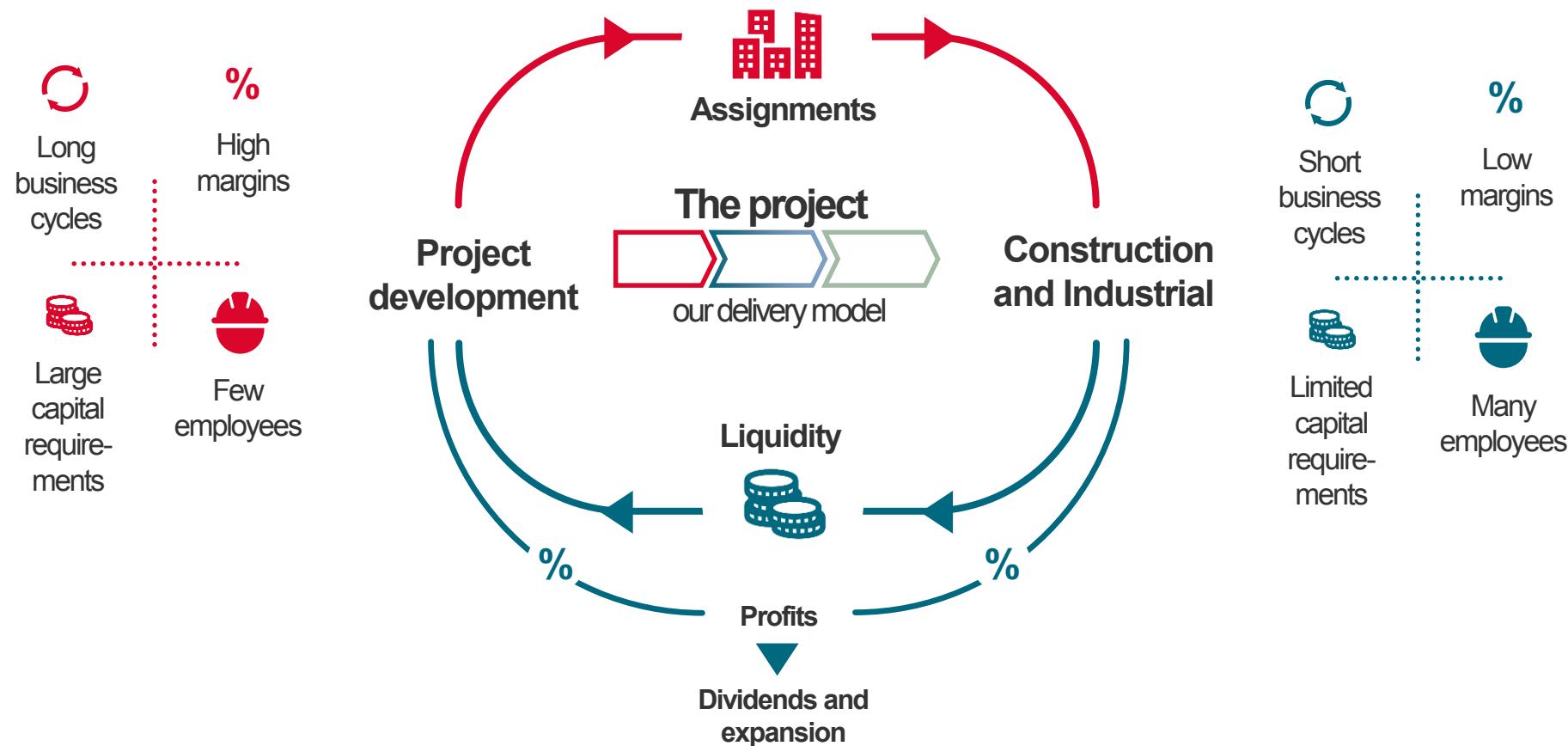
A common delivery model

Utilises Veidekke's competencies and strong positions



Veidekke Group

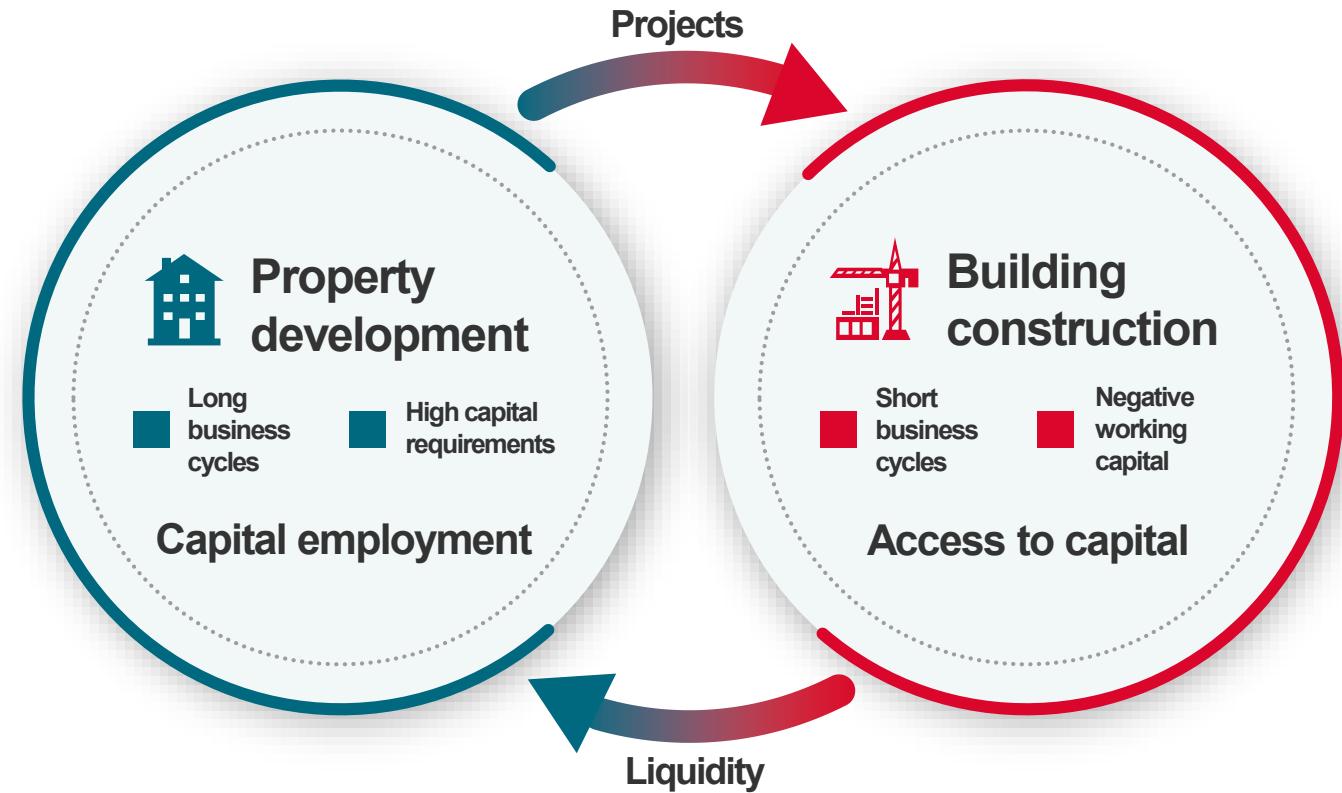
Dual business model – creating value through interaction



Value creating interaction – developer and contractor

An important part of Veidekke's success

- Integrated delivery secures better quality and higher customer value
- Strategic development of competencies and project portfolio
- Manages liquidity from Building Construction in the form of negative working capital
- Creates value added and reduces risk both as a developer and contractor
- In 2016–18, our residential projects had a total revenue of **NOK 18 billion**, with a total profit of more than **NOK 1.7 billion**

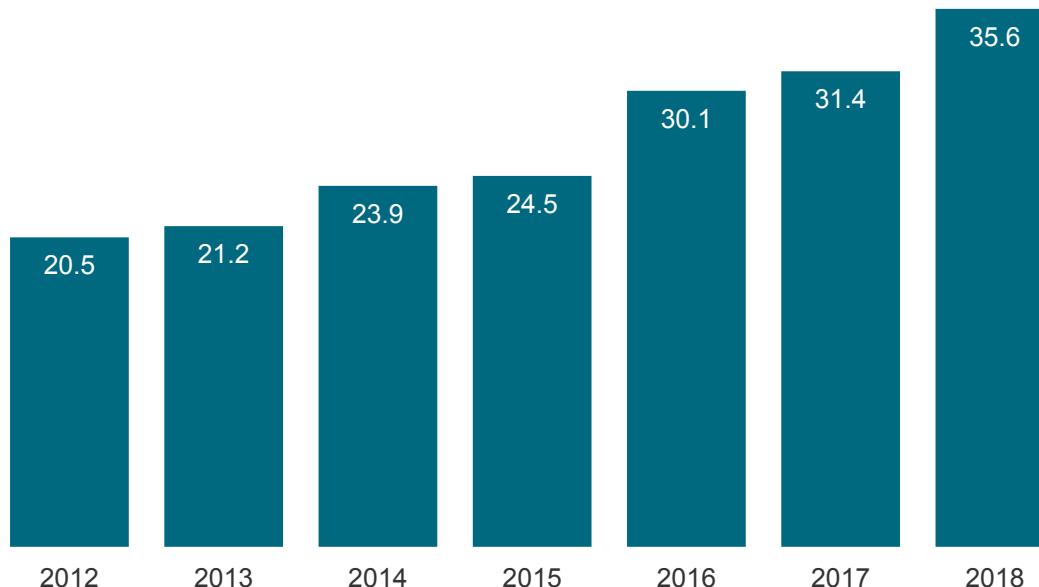


High growth and good margin development

...took an abrupt turn in the past year

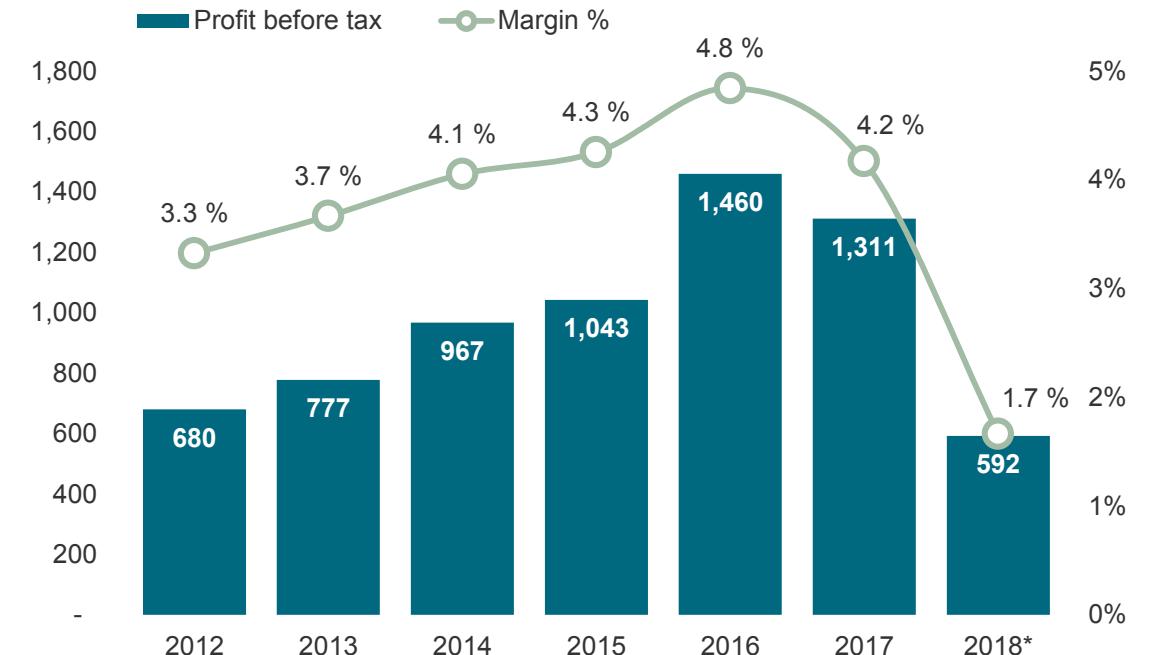
Revenue

NOK billion. Annual growth of ~10% since 2012



Profitability

NOK million



Main reasons behind the weaker results



Project Development

- Market driven decline in results
- Low activity in Sweden, particularly in the Stockholm area



Building Construction

- Residential construction Stockholm generates negative results due to losses in certain projects
- Profitability challenges in South and West Norway, and weak earnings in certain large projects



Civil Engineering

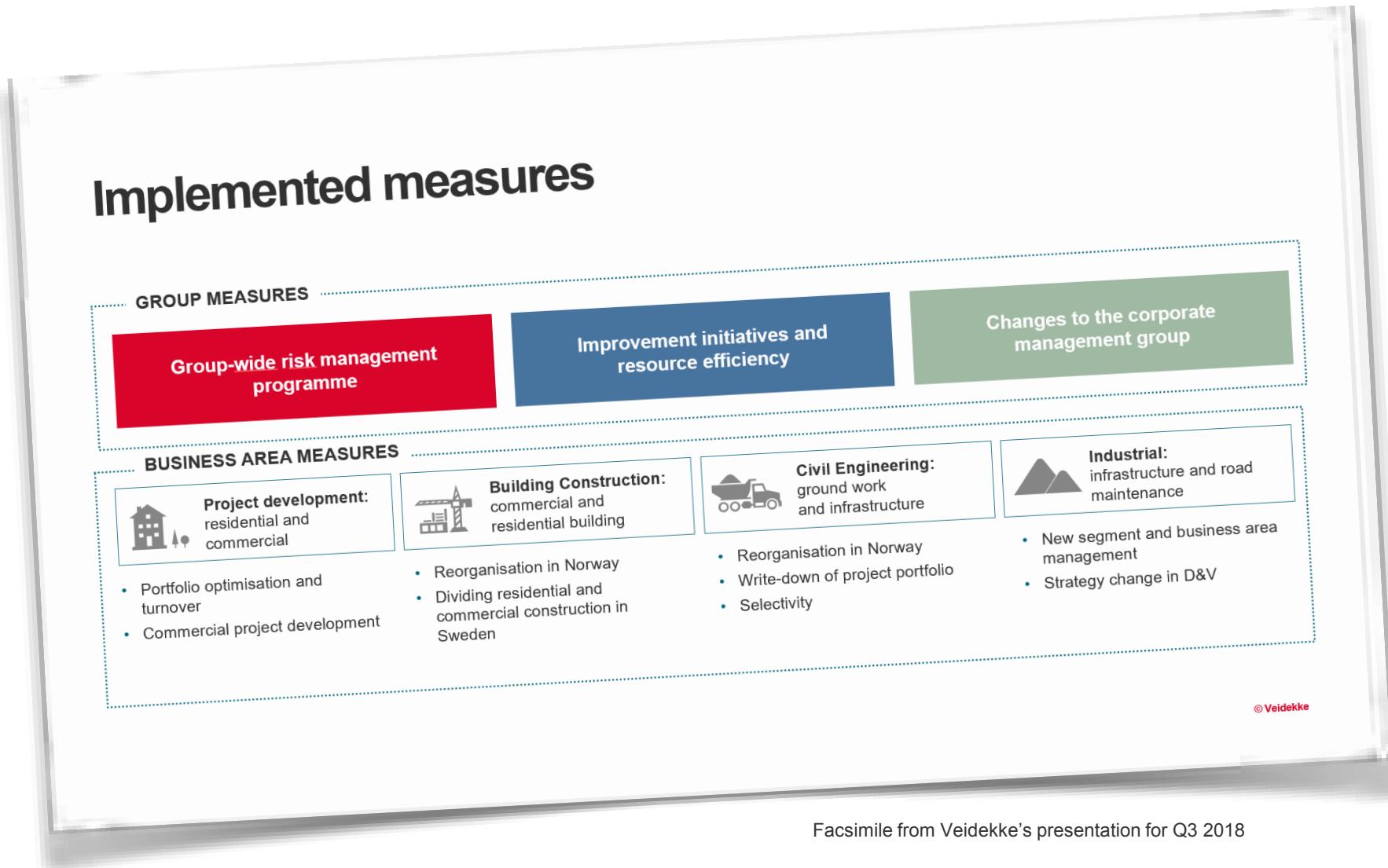
- Losses in major civil engineering projects, mainly due to uncertainty related to compensation for scope changes and additional work



Industrial

- Increased input costs and lower capacity utilisation in asphalt

Measures to improve profitability already implemented



Safeguarding results to increase margins in 2020

Necessary and vigorous adaptation to a changing market

Group margin before tax

Percentage

5%

4%

3%

2%

1%

0%



2017

2018

Target 2020



Civil Engineering Norway: Write-downs 2018



Civil Engineering Norway: Portfolio changes and cost adjustments



Building Construction Norway: From generalist to product specialist



Building Construction Stockholm: Improved residential construction and portfolio adjustments



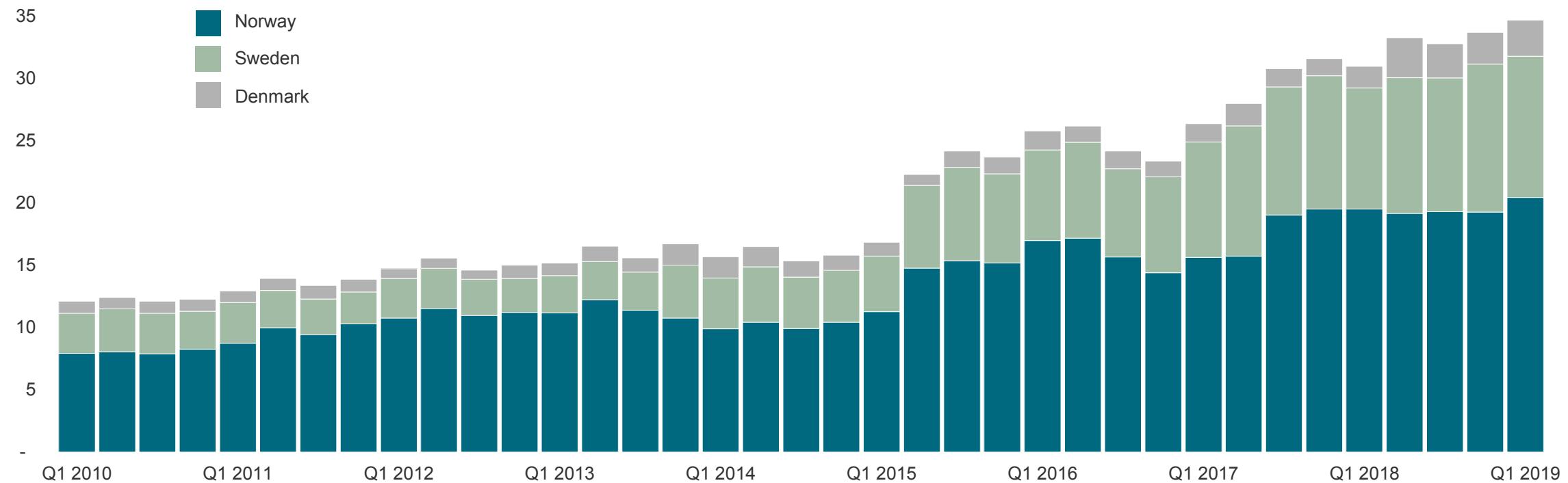
Industrial: Asphalt tender calculations, improved planning and increased road maintenance results

The project portfolio has grown substantially

Strong growth over past four years

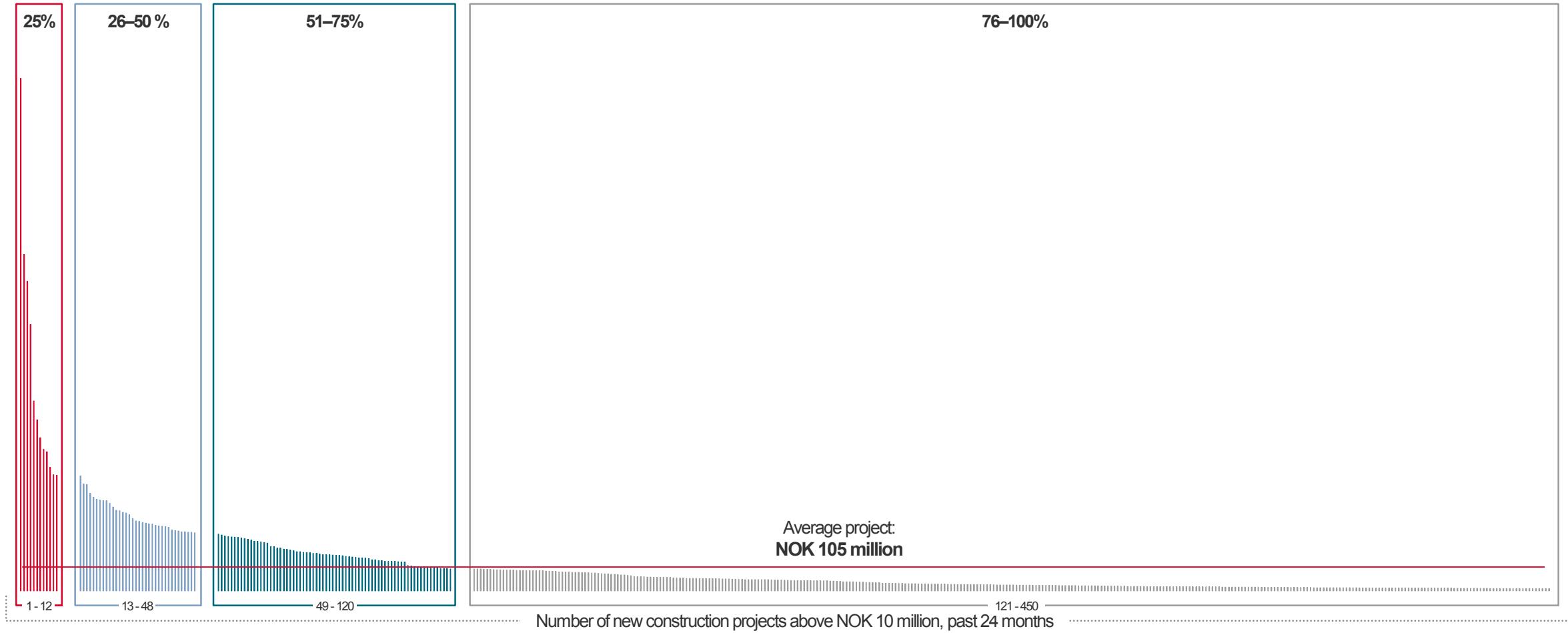
Order book, Construction

NOK billion



Portfolio risk profile affected by large projects

10% of the projects account for 50% of revenue

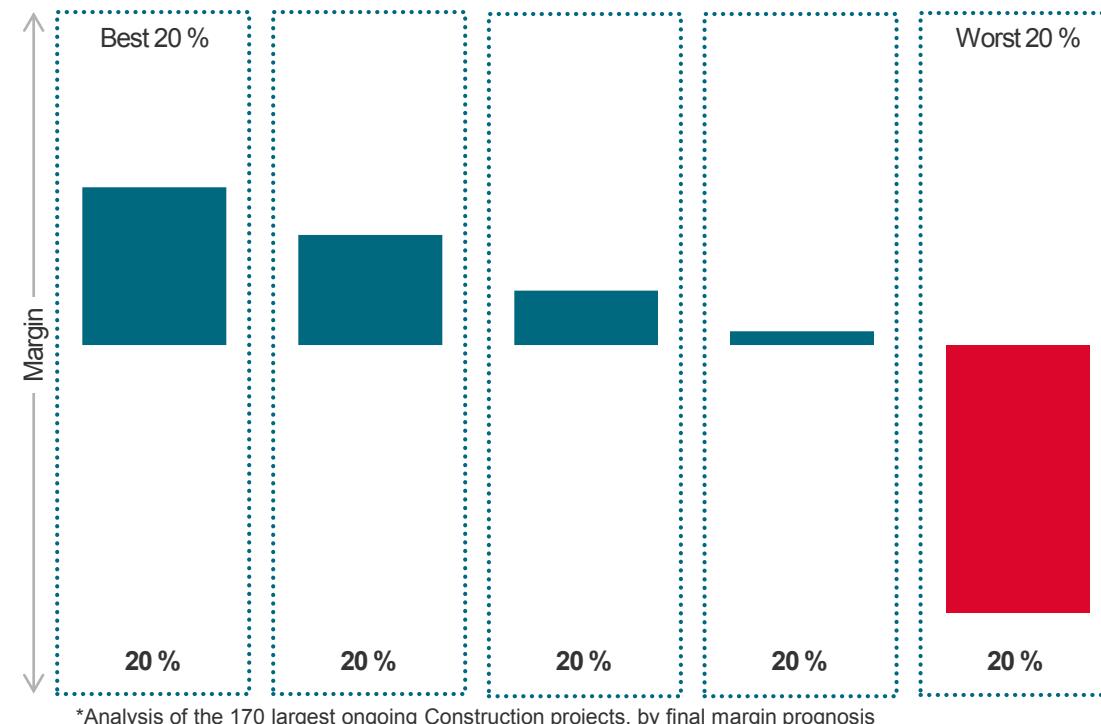


Improve risk management: Reducing risk of big losses

Satisfactory results in large parts of the portfolio

Loss projects considerably weaken portfolio margin

Project revenue in ongoing projects ranked by profitability, quintiles



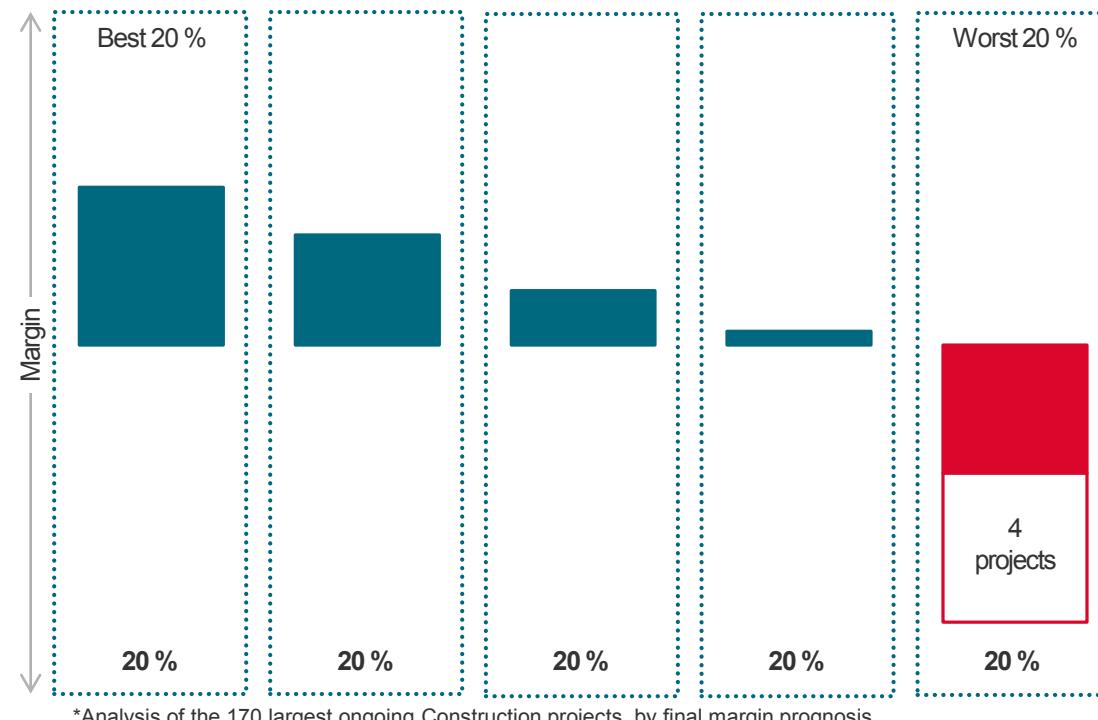
- Veidekke completes many successful and profitable projects every year
- We perform better in certain segments and geographies and will prioritise these to safeguard results
- Our focus:
 - Strengthened risk management
 - Improved calculation
 - The right project management for the right projects

Improve risk management: Reducing risk of big losses

Exclusion of four projects increase margins by <2%-p

Loss projects considerably weaken portfolio margin

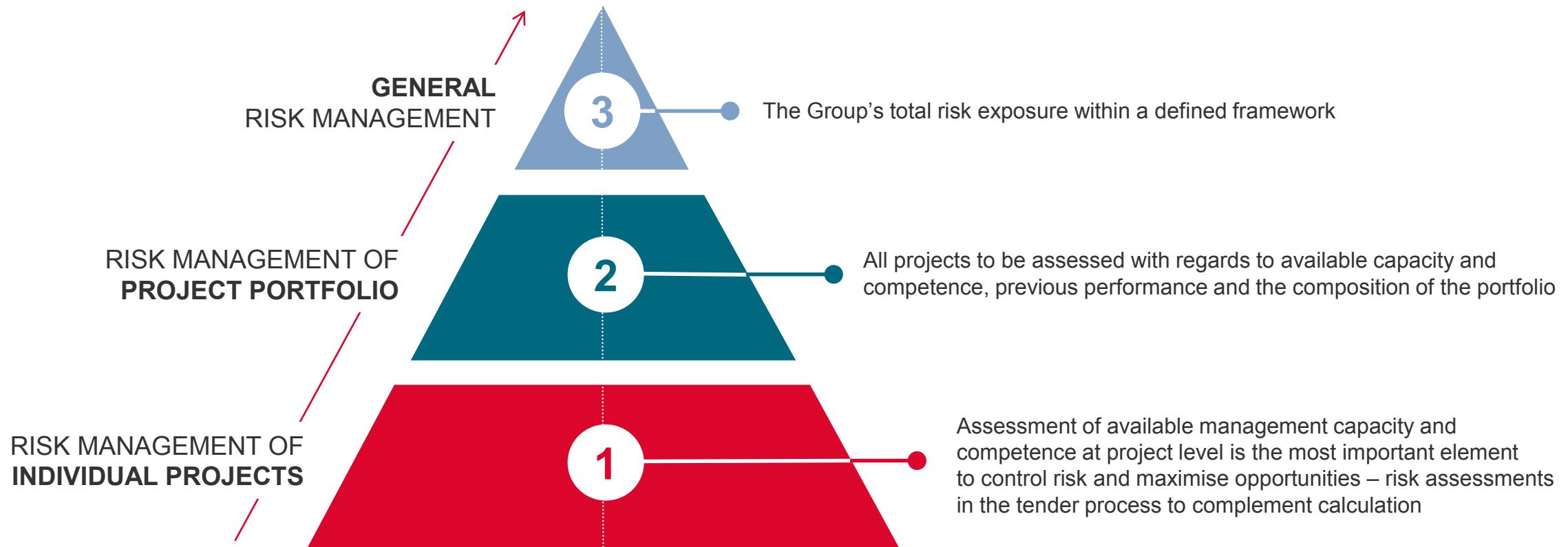
Project revenue in ongoing projects ranked by profitability, quintiles



- Veidekke completes many successful and profitable projects every year
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 - Strengthened risk management
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 - The right project management for the right projects

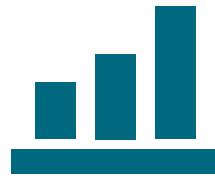
Firmer risk handling

Improved risk management at all levels in Veidekke



Veidekke's ambitions towards 2022

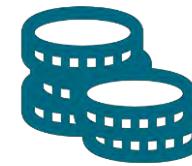
Profitability before growth – maintain attractive dividend



Revenue growth

3-5%

p.a.



Margin 2022

>4.5%

before tax



Dividends

>50%

of net results



Serious injuries

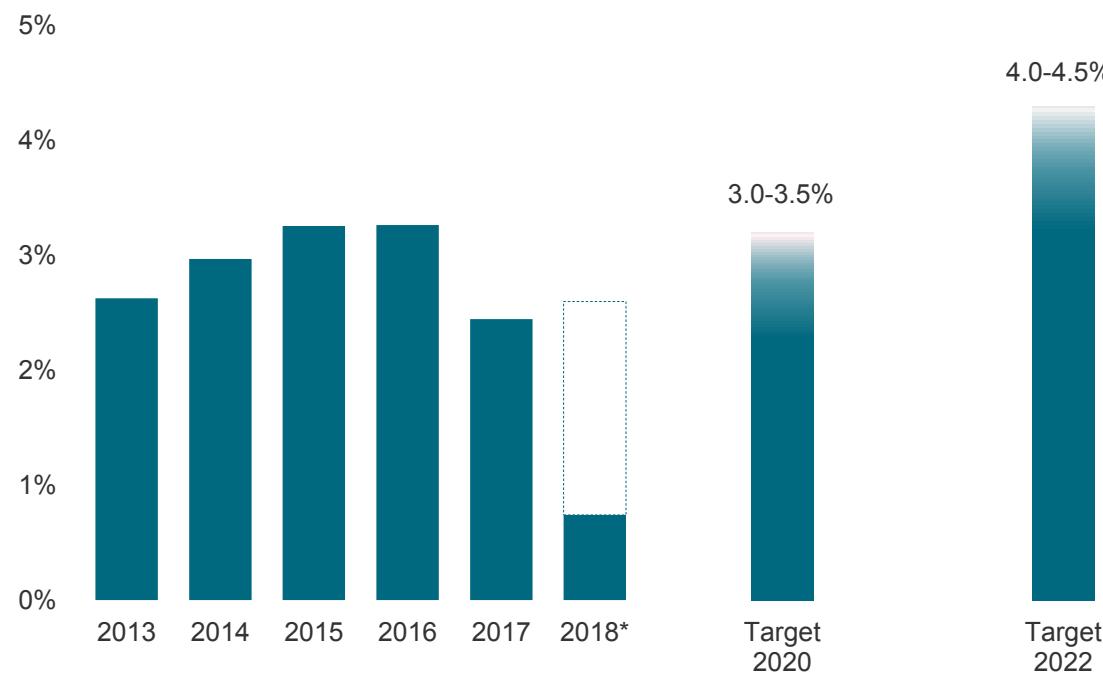
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Construction: Increased profitability with lower risk

Prioritising projects and management capacity

Construction segment towards 4.5% in 2022

Margin before tax



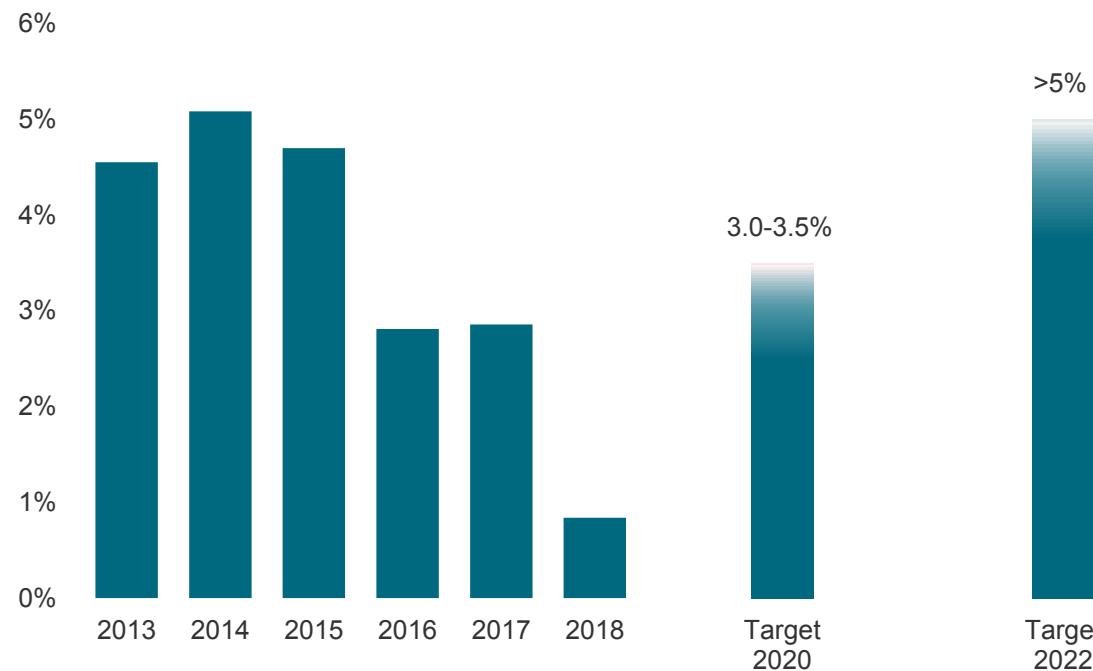
- 1 **Safeguarding results until 2020**
- 2 **Adjust strategy to achieve lasting increase in profitability**

Industrial: Regenerate good profitability

Focus on Asphalt and Road Maintenance

Profitability to return to historical level

Margin before tax



1

Safeguarding results until 2020

2

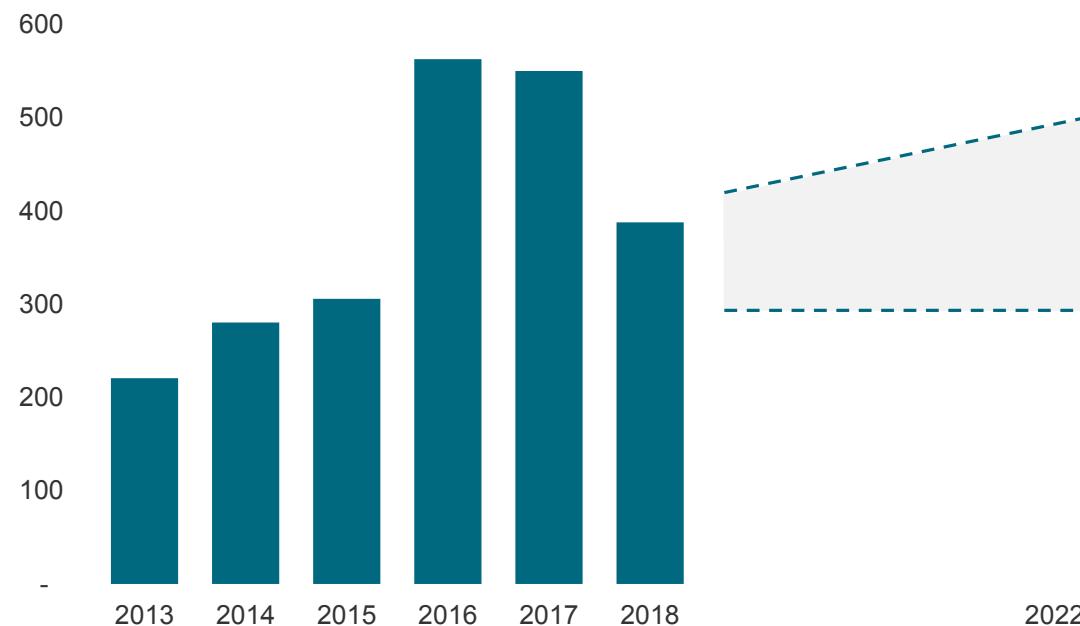
Position and capacity towards 2022

Property Dev.: Market driven growth from solid portfolio

Develop attractive projects from the land bank

Property Development in Sweden and Norway

Profit before tax, NOK million



- 1 Norway: Take advantage of a good market
- 2 Sweden: Manage a challenging market
- 3 Capital: Increased capital efficiency



Property Development Market driven development from a strong position

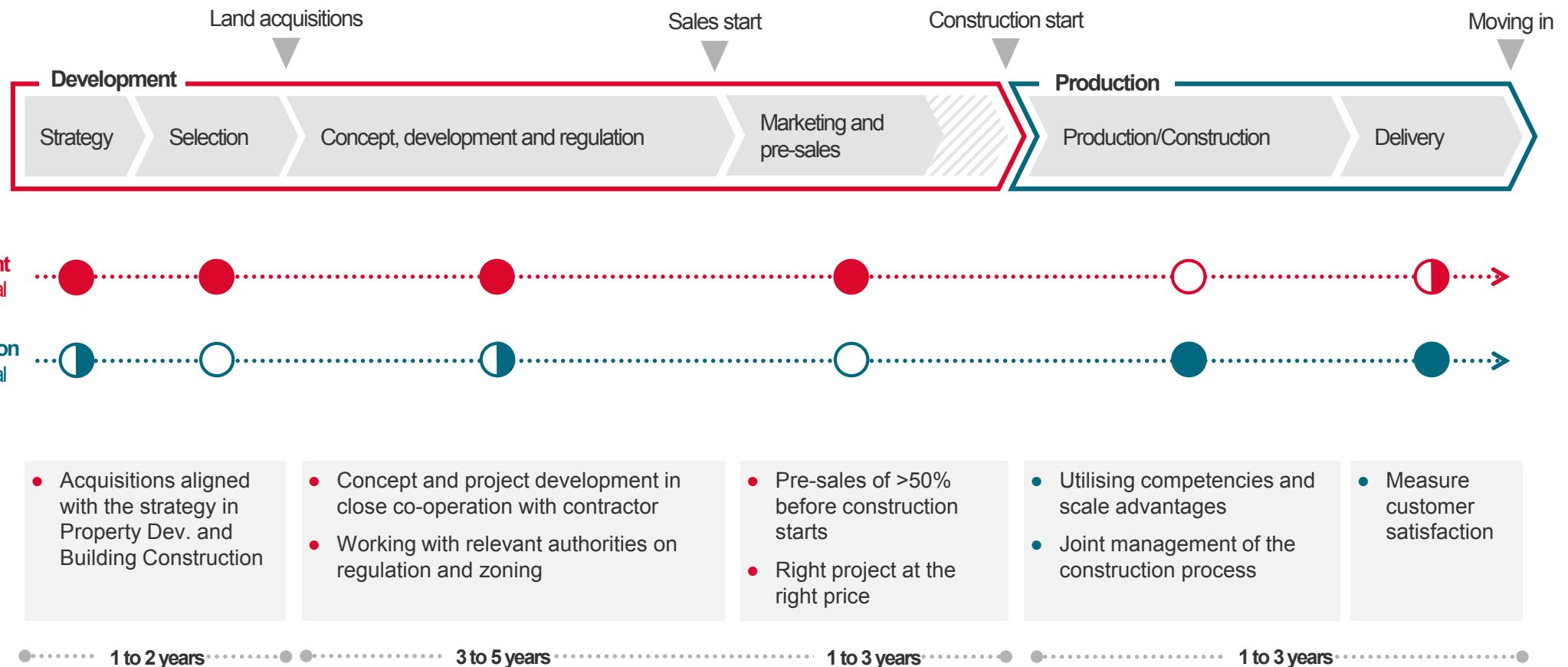
Jørgen Wiese Porsmyr, EVP
Capital Markets Update 2019

Middelthunet

Nordea's old headquarters in Oslo are transformed into an attractive residential area located in close proximity to Frognerparken. The apartments are optimised for smart house technology

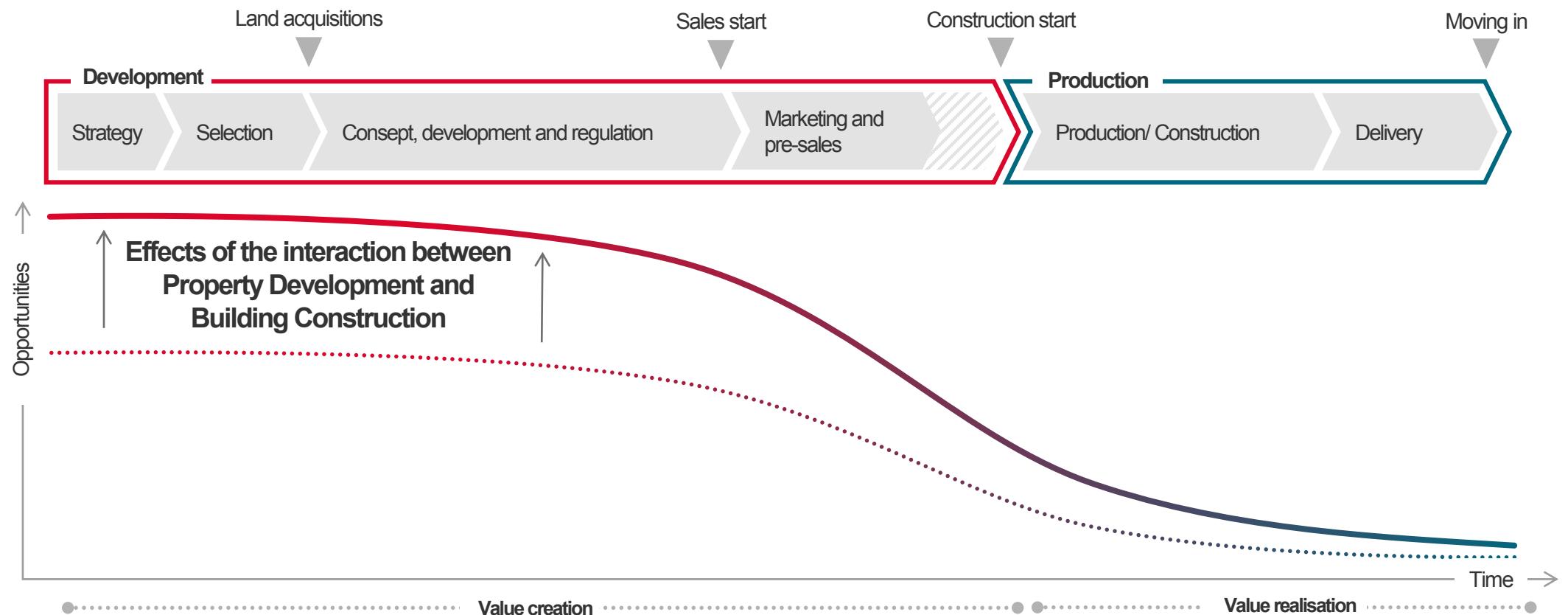
The core of our model

Interaction creates profitability and customer value



The core of our model

Interaction strengthens our position



Good land positions in the metropolitan areas

REGION	LAND BANK*	UNITS IN PRODUCTION*
 MÄLARDALEN	 7 800	Stockholm Uppsala 1 003
 EASTERN NORWAY	 3 700	Oslo-area 665
 SOUTH AND WEST	 3 000	Gothenburg Skåne 792
 MID-NORWAY	 2 300	Trondheim 312
 SOUTH AND WEST	 2 500	Bergen Stavanger 18
	19 300	2 799

- Solid foundation for activity over the coming years
- Limited need for immediate increase
- Sized and positioned for a better market in several regions
- Flexible execution model; we will make good choices with regards to form and timing of project realisation

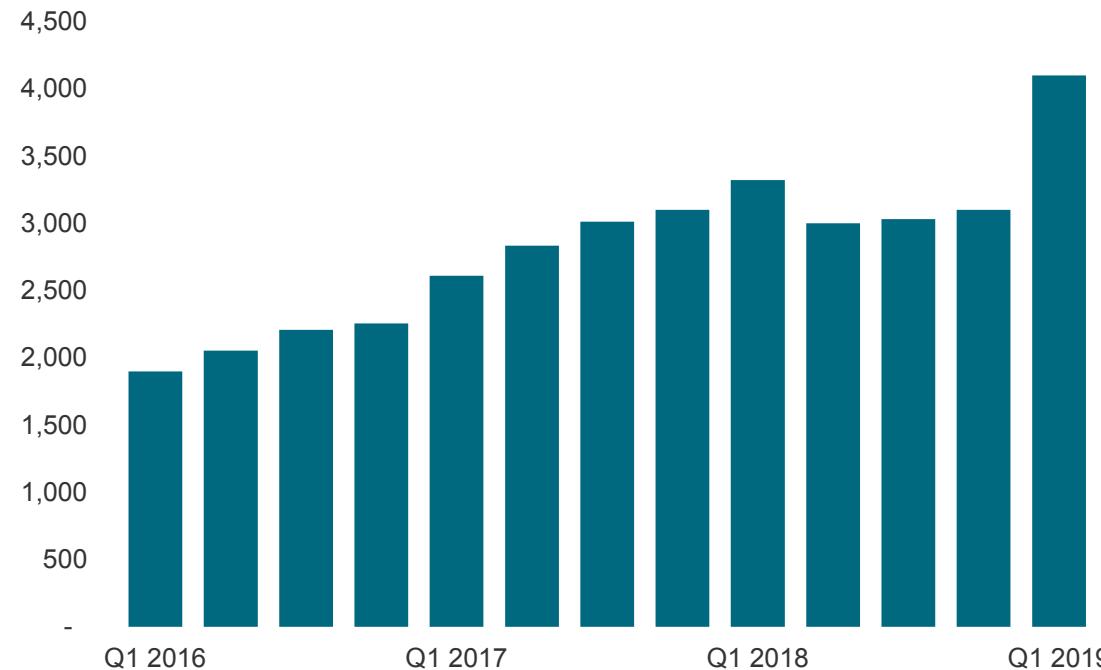
Norway – business model and financials

Capital intensive development phase

Capital invested

Land values, development costs, investments in JVs and construction costs

NOK million



Capital, liquidity and financing

- Capital intensive development phase
 - Land payments normally due upon signing of agreement before start of project development
 - Payment from customer due upon delivery of completed apartment/house
- Large share of portfolio in partnerships (55%) to reduce capital requirements
- Financial approach increasingly important to ensure land bank efficiency
- Estimated surplus values of NOK 1 billion in the land portfolio

Sweden – business model and financials

Options and limited working capital

Capital invested

Paid land and land with delayed payment agreements, plus development costs

NOK million

4 500

4 000

3 500

3 000

2 500

2 000

1 500

1 000

500

Q1 2016

Q1 2017

Q1 2018

Q1 2019

Capital, liquidity and financing

- Land payments often due at zoning (long after initial option/purchase agreement)
- Housing cooperative model in Sweden: Payment for sold apartments at start of construction. Construction financed by the cooperative
- Veidekke guarantees completion and repurchase of any unsold apartments/houses
- Partnering only to a limited degree

Development of commercial property projects

Sharp and capital-efficient initiatives

Offices



Commercial as part of residential



Logistics properties



- Main product
- Office properties – often for own use
- Continuity – secure projects, always in cooperation with others

- Competence development
- Enhances value of residential projects
- Strengthens position in acquisition market

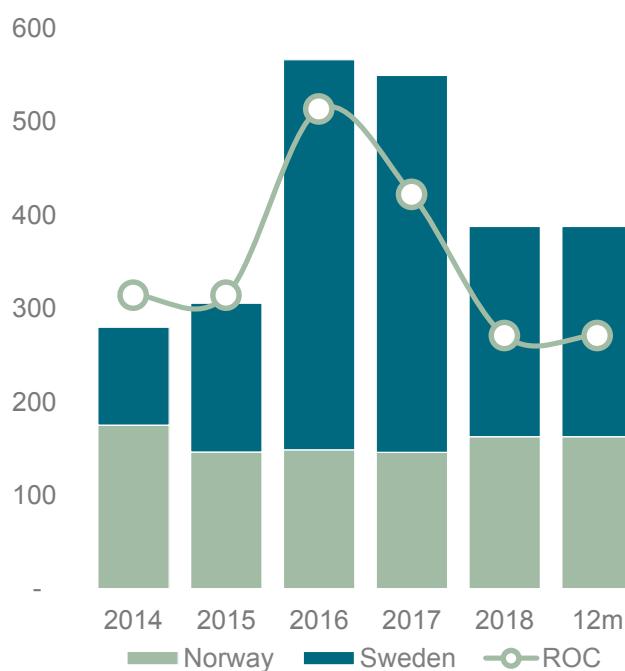
- Develop existing land bank
- Cooperate with our own contractor and complementary partner

Results and activity

Good value creation over time

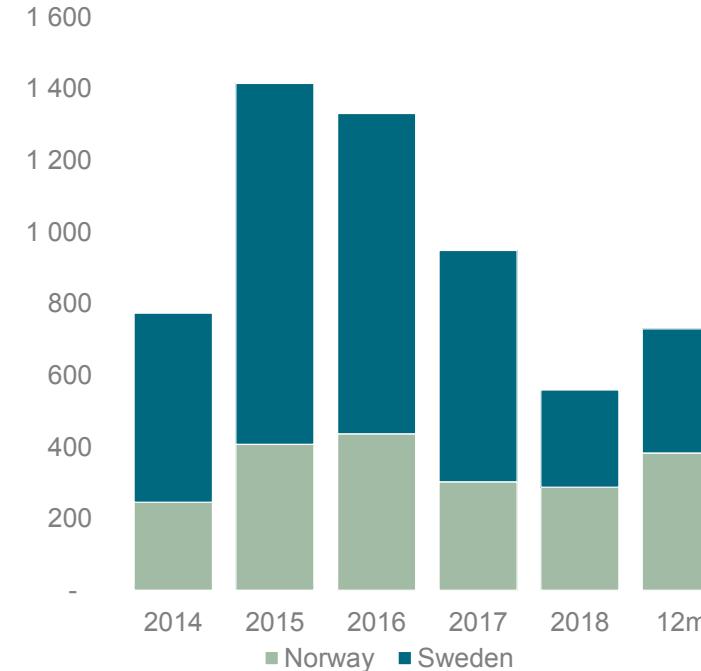
Profits and return on capital

NOK million



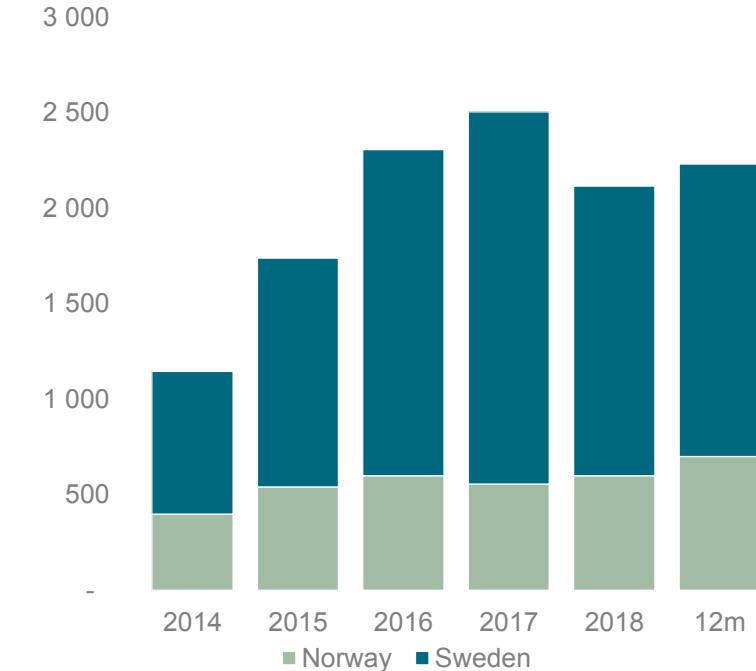
Units sold

Veidekke's share



Units under construction

Veidekke's share

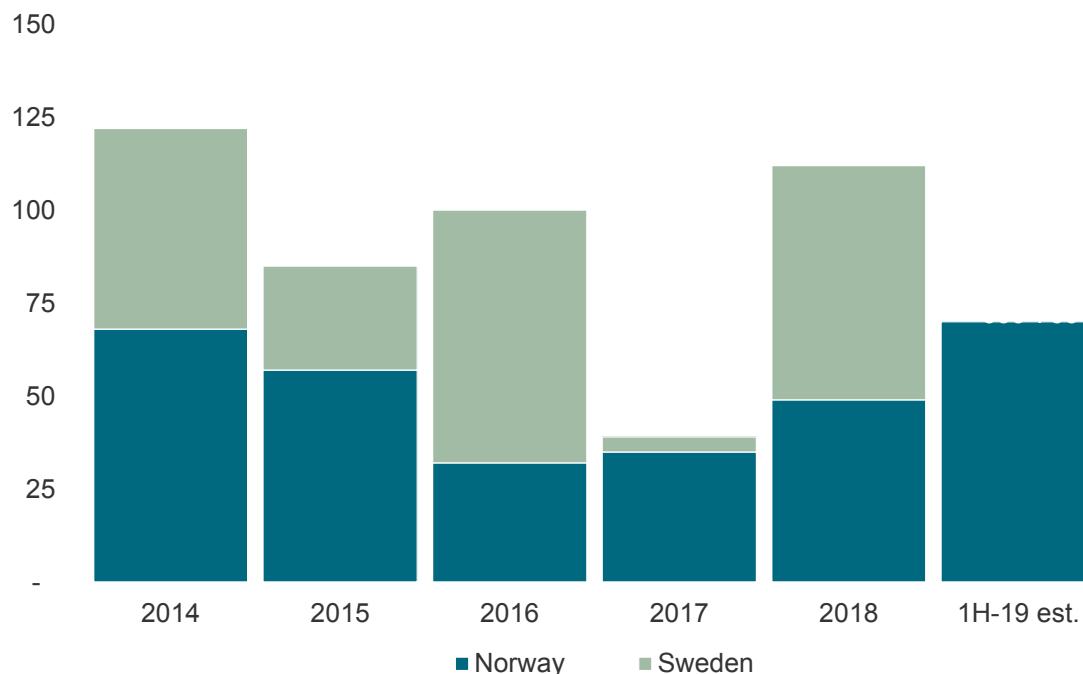


Residential and commercial project sales

Realised gains of more than NOK 500 mill. since 2014

Effect on Profit before tax

NOK million



- Project transactions to realise value created in the development phase is an important part of our strategy
 - Conscious choices on a project basis
 - Criteria; opportunities in the market and operational and financial optimisation of own portfolio
- High transaction activity in 2019
 - Developed plot in Bærum sold with NOK 40 mill. gain
 - Several ongoing projects for possible conclusion from Q2 2019 onwards

Property development Sweden

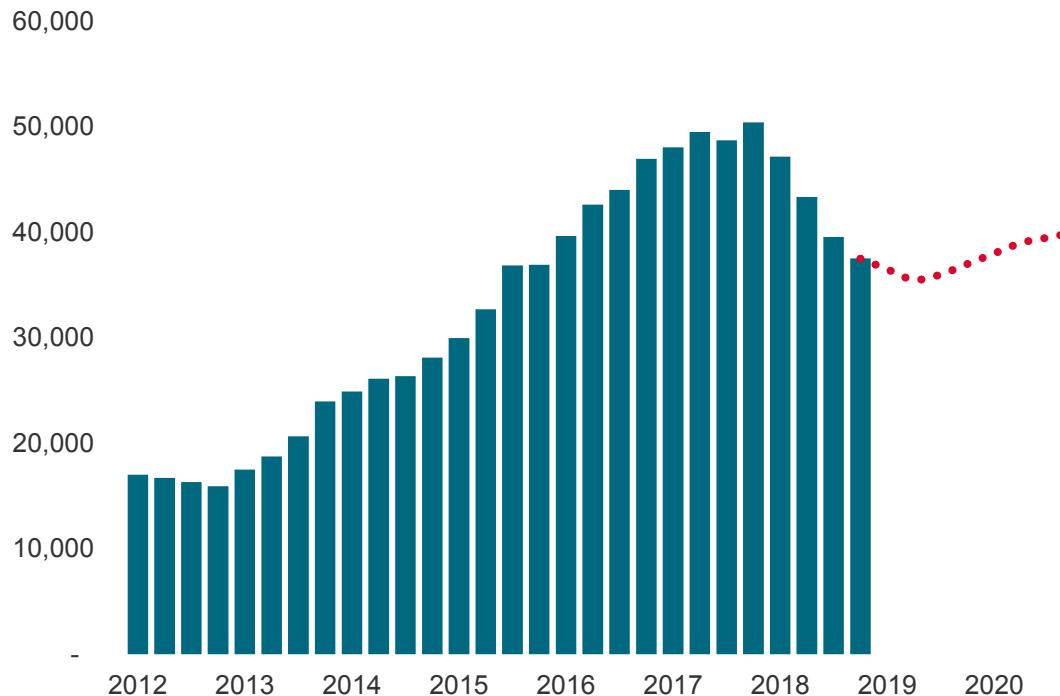


The housing market in Sweden

Sales decline reflected in building starts

Building starts, apartments and small houses

12 month rolling per quarter, number of units



Source: SCB and Veidekke

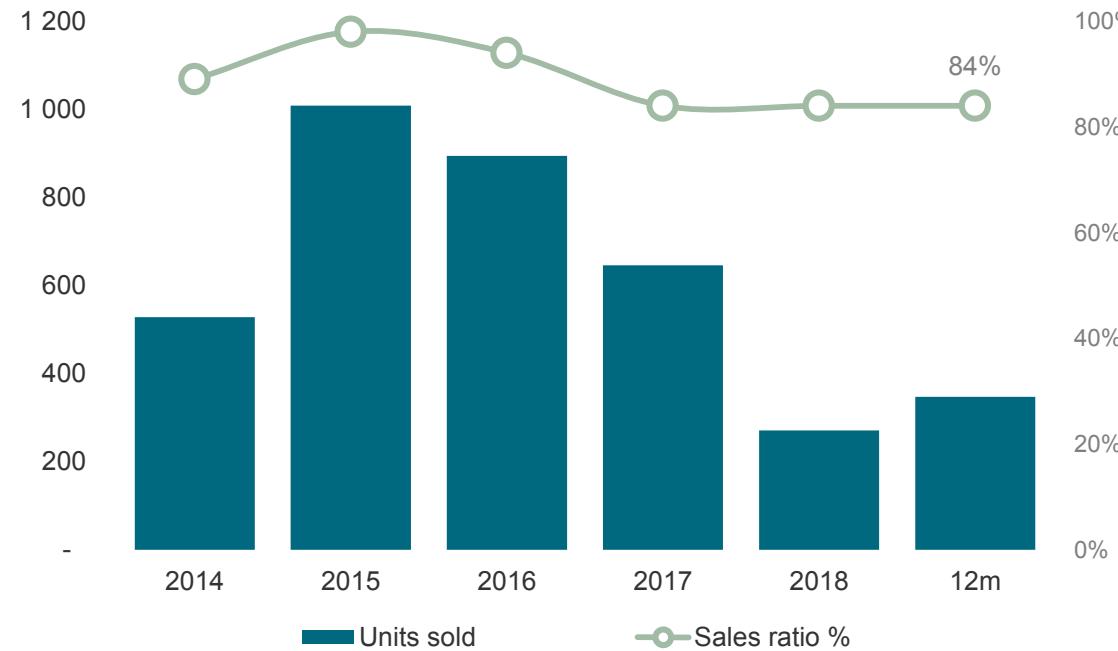
- **Building starts stabilising at a lower level**
 - Sales of new units still far below peak levels
- **Short term: buyers market in 2019**
 - Relatively large supply of newly developed homes
 - Limited financing options for buyers
- **Long term: Supportive fundamental conditions**
 - Positive macro prospects
 - Increased demand expected
 - Good prospects for developers with long-term industrial positions and solid financial position

Activity in Sweden

Strong decline in unit sales, high sales ratio

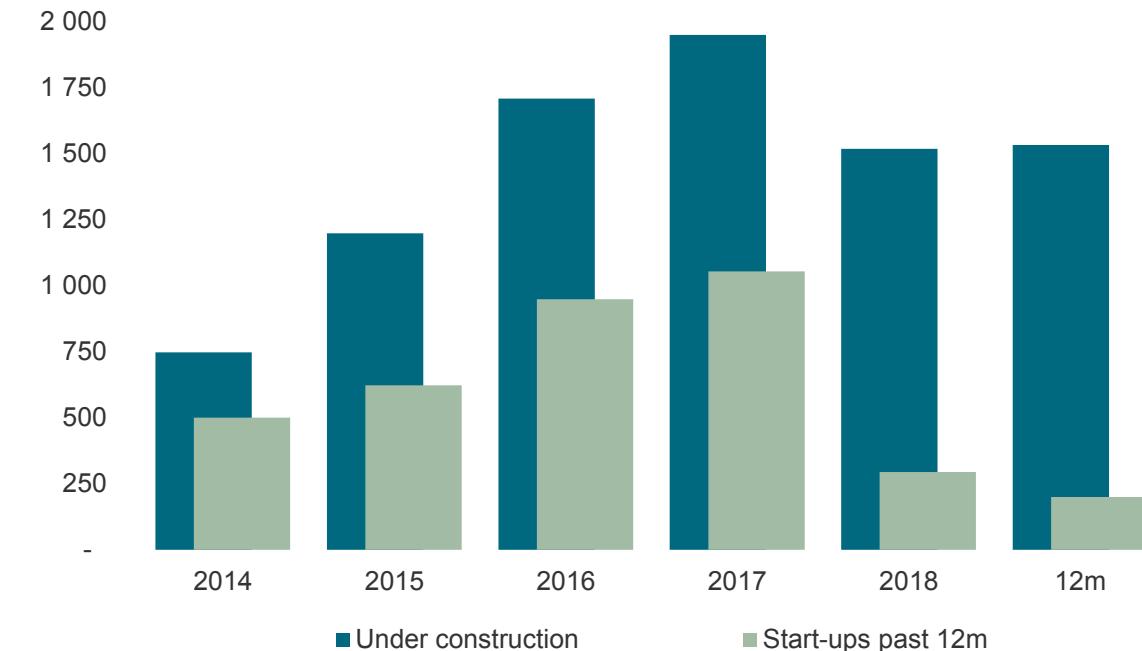
Units sold

Veidekke's share



Units in production and building starts

Veidekke's share

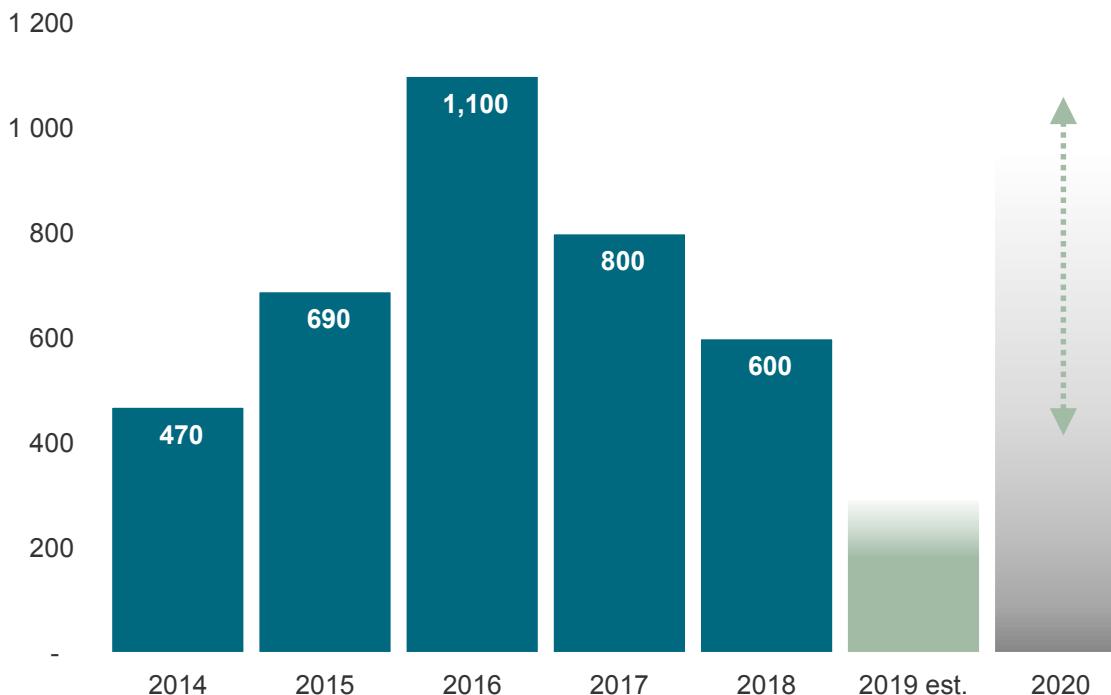


Market driven activity for sales starts

Probably few starts in 2019, increase expected in 2020/21

Sales starts residential units, Sweden

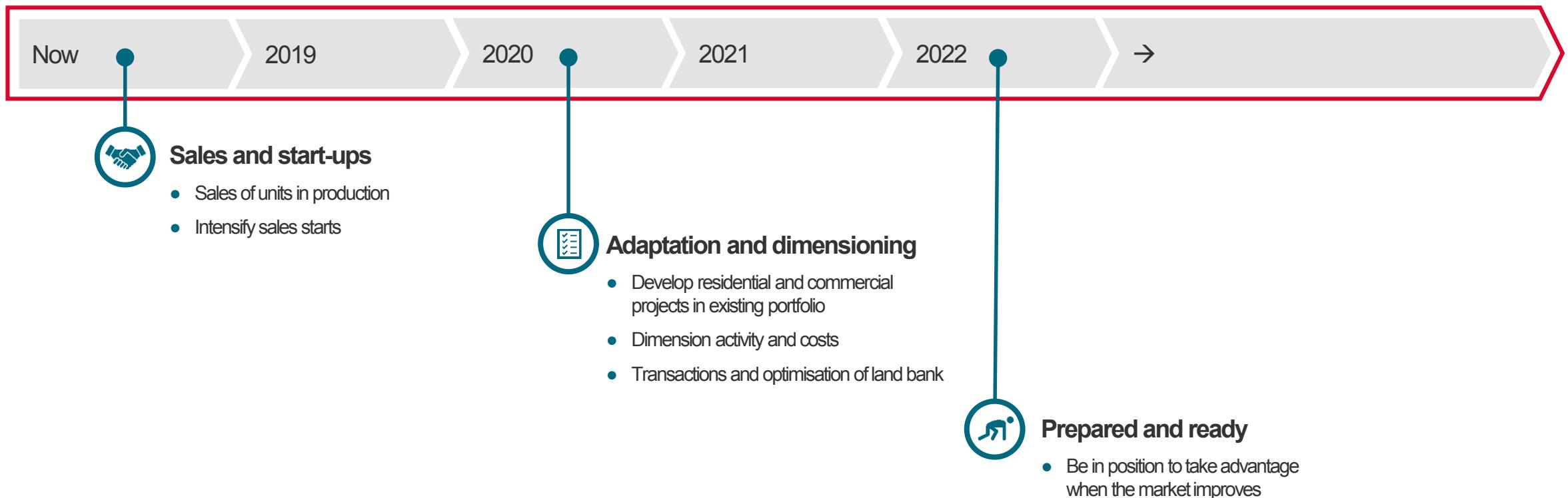
Number of residential units, Veidekke's share



- Sales starts highly dependent on developments in the Stockholm area housing market
- Two or three new projects under consideration for sales start in the Stockholm area in 2019
- Veidekke has many projects available for sales start in all regions at the end of 2019
- Which projects, and scope and time will depend on market

Action plan Sweden

Prioritising sales and the current situation





Sølyst, Stavanger



Nyegaardskvartalet, Oslo

Housing market in Norway

«Back to normal»

Start-ups apartments and small houses

12 months rolling per quarter, number of units



Source: SSB and Veidekke

- **«Back to normal»**
 - Extraordinary sales levels in 2016/2017
- **Short term: Healthy market, increased competition**
 - Demand for housing is solid, but properties have become less attractive as investment objects
- **Long term: Relatively stable development expected**
 - Solid fundamental market conditions

Activity in Norway

Increasing sales and high production

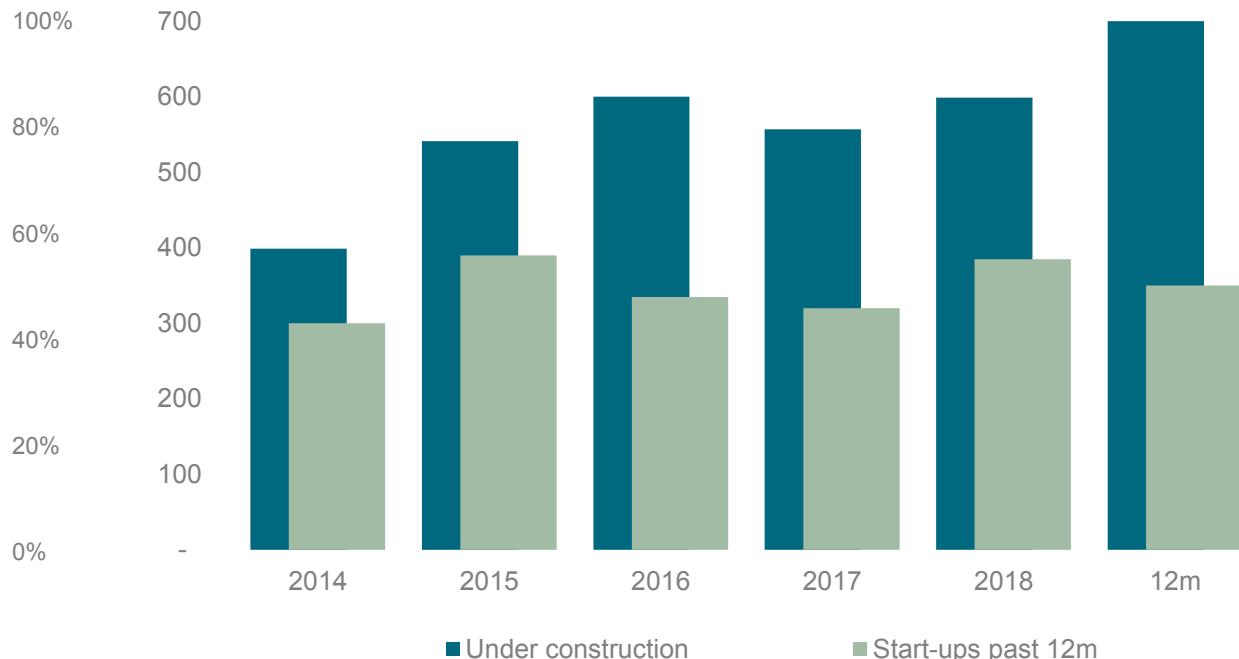
Units sold

Veidekke's share



Units in production and building starts

Veidekke's share

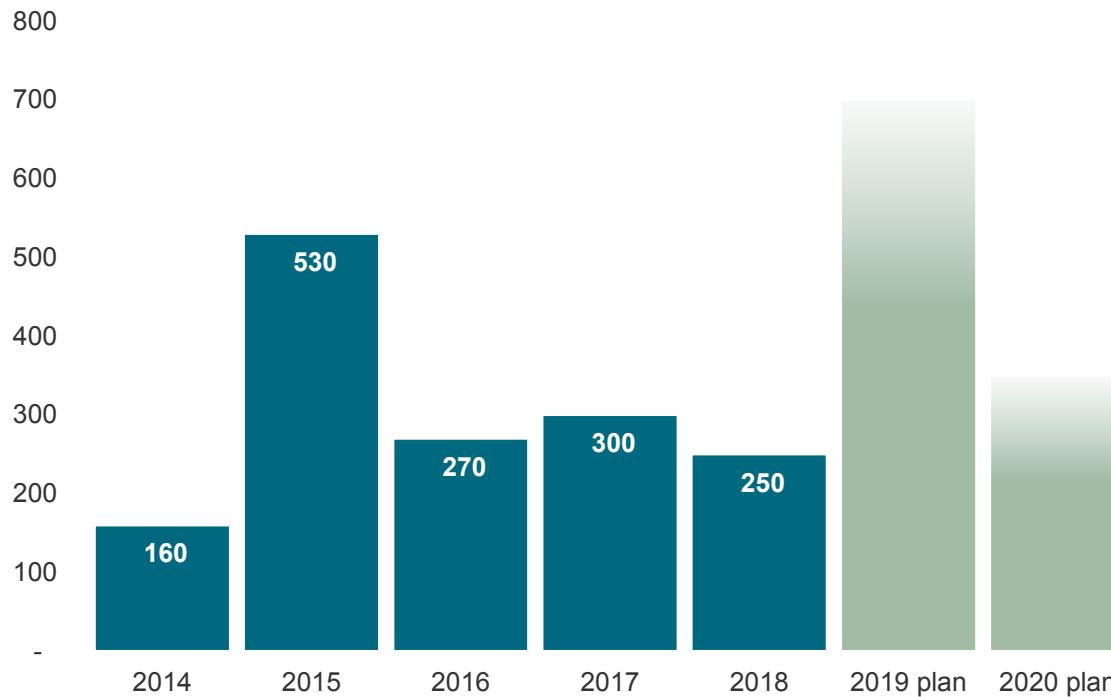


Increased sales starts in a healthy market

Middelthunet and Nye Lilleby important in 2019

Sales starts residential units, Norway

Number of residential units, Veidekke's share



- Large number of sales starts expected in 2019
 - Middelthunet, Oslo, with 165 units
 - Nye Lilleby (B4/B5), Trondheim, with 370 units in total
 - Other potential projects
- Launch of several projects expected in and around Oslo in 2020, although fewer than in 2019

Action plan Norway

Projects ready for market



Property Development Outlook

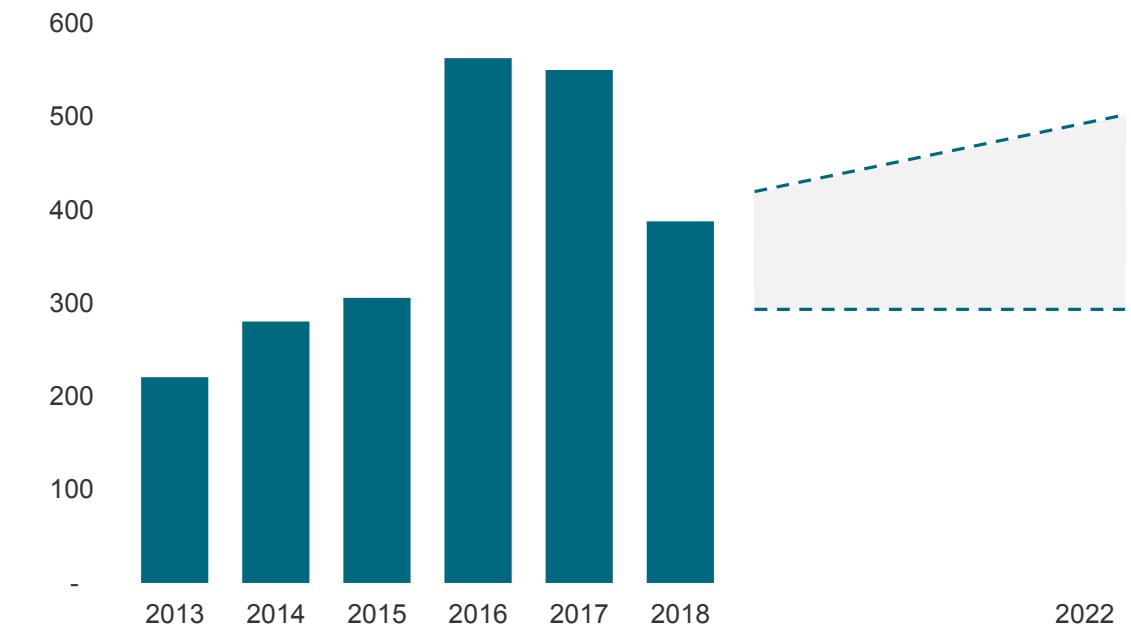
Market driven development from strong position

1 We have strong, long-term positions

2 We will develop profitable projects with high returns on capital

3 Profits will vary with market activity, units in production, and transactions

Property development, Sweden and Norway
Profit before tax, NOK million





Construction Profitability and risk

Arne Giske, CEO
Capital Markets Update 2019

**Nyegaards-
kvartalet**

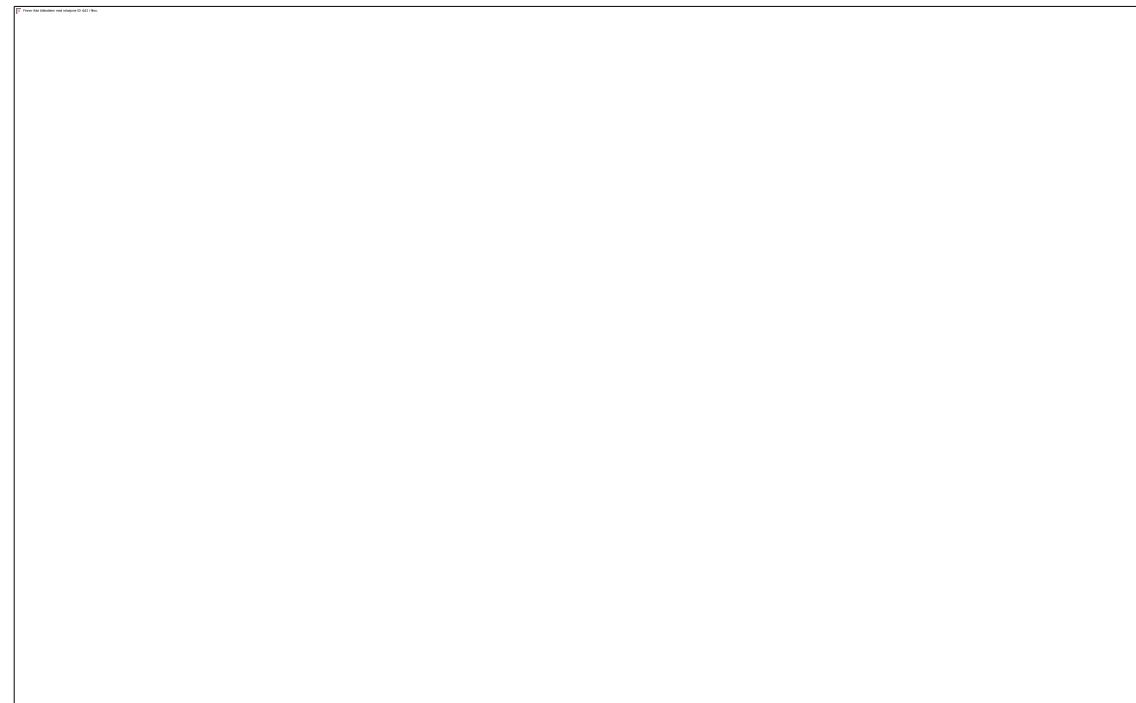
Veidekke's largest
wholly-owned residential
project will be BREEAM-
certified and built on a
fossile-free construction
site.

An attractive construction market in Scandinavia

Large addressable market

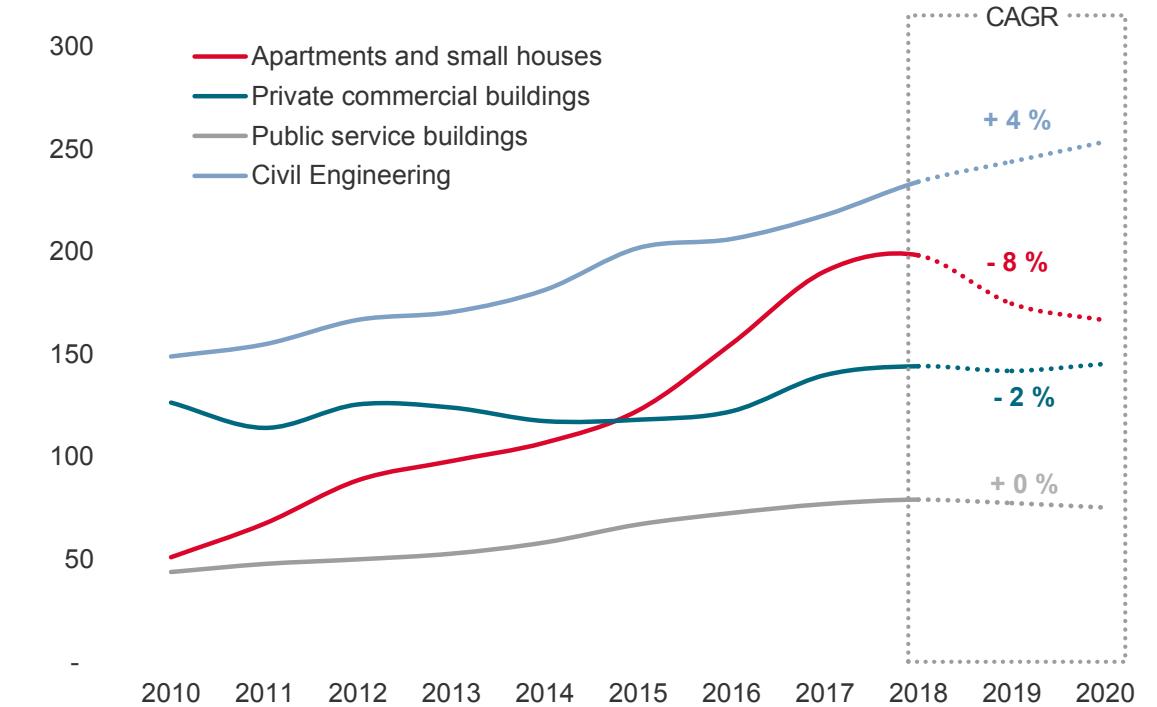
Construction market 2018

Building construction and infrastructure



Construction market

Production per year, NOK billion

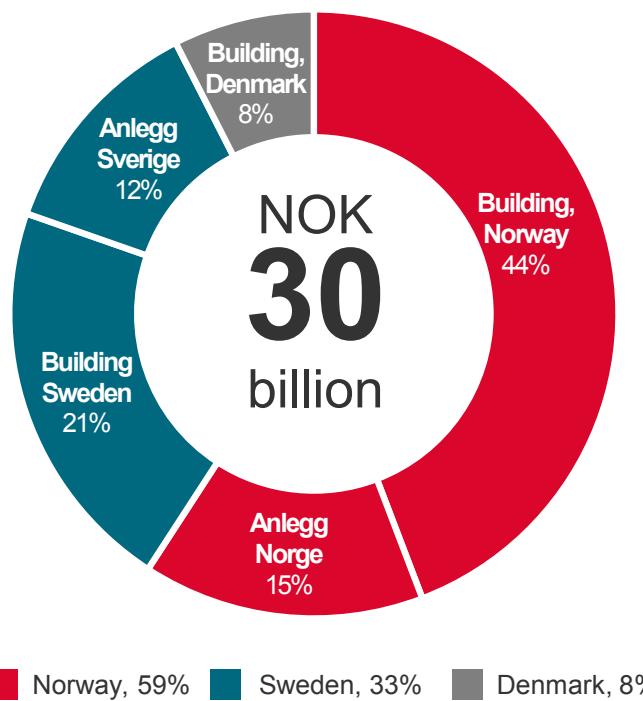


Construction in Veidekke

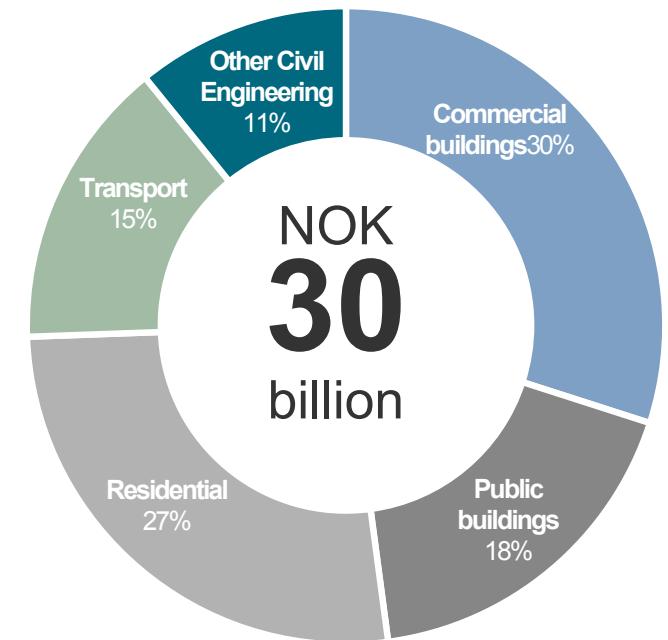
Solid position in a large market

- Veidekke is Norway's largest construction company
- Solid Scandinavian footprint
- Differentiated by product, sector and geography
- Strong growth over the past five years
- Improving profitability from today's position is top priority

Geografical distribution
Revenue per segment and geography



Diversified product portfolio
Revenue per product

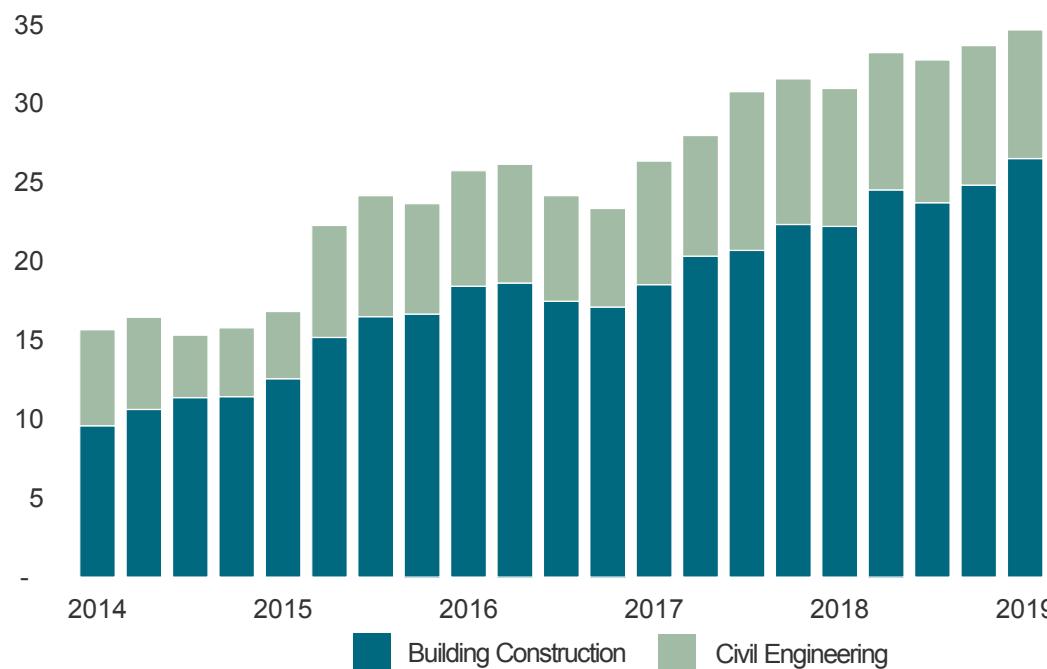


Increased order book

Shift towards commercial buildings

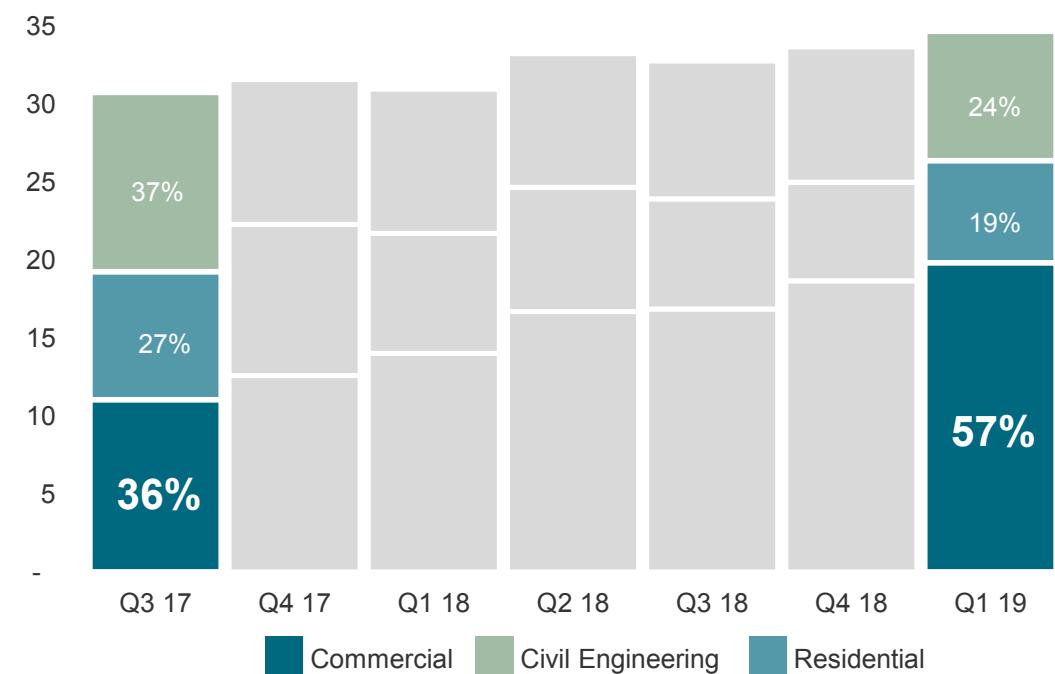
Growing order book

Order book by business units, NOK billion



BRA acquisition in 2018 strengthened Commercial

Order book by segment, NOK billion

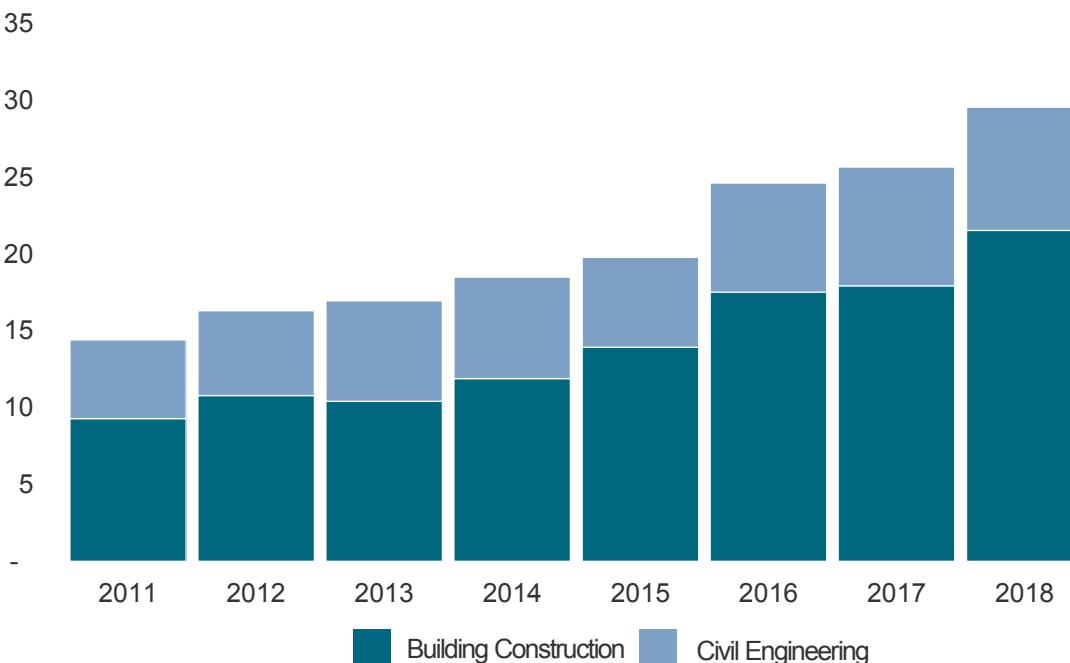


Increased revenue but lagging profitability

Decline in Civil Engineering profitability

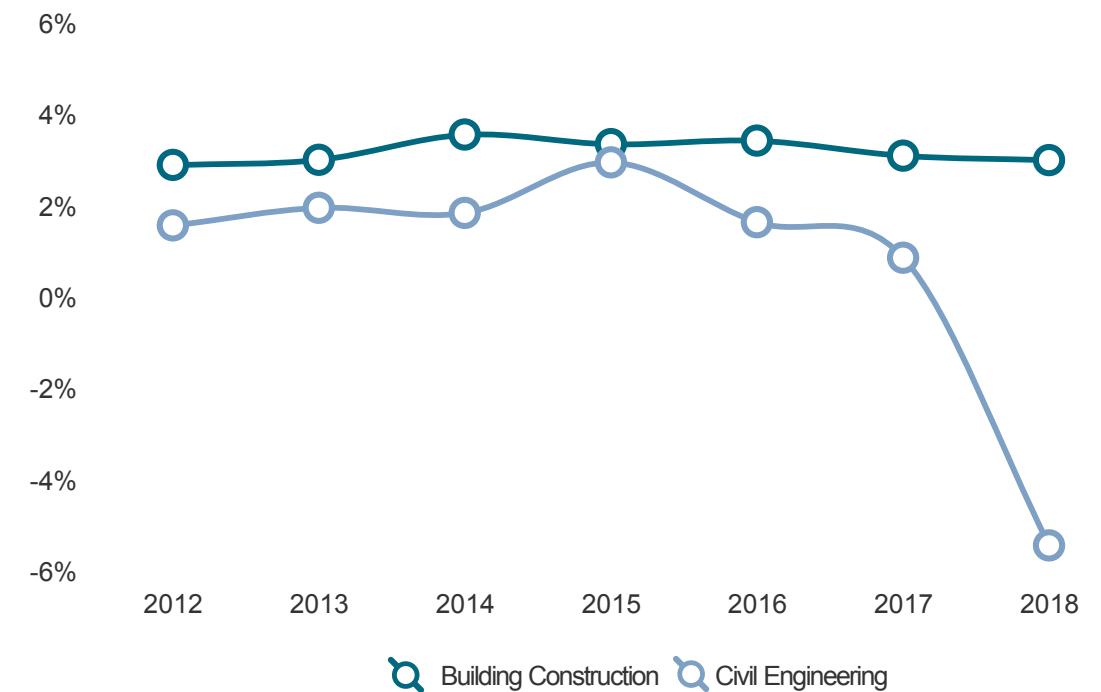
Growth in both Building Constr. and Civil Engineering

Revenue, NOK billion



Development: Building Constr. flat, Civil Engineering weak

Profit margin before tax*



*Including write-downs of the Civil Engineering portfolio in Norway of NOK 550 million in 2018

© Veidekke

Major new building construction projects

Shift towards more commercial buildings

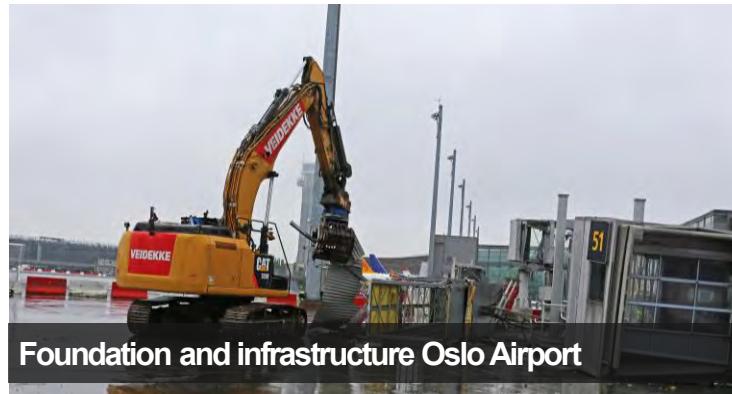


Major new Civil Engineering projects

Towards a more balanced portfolio



Highway E6 Arnkvern-Moelv



Foundation and infrastructure Oslo Airport



Foundation wind power station



Lundbyleden, Gothenburg



Underground construction in Sickla, Stockholm



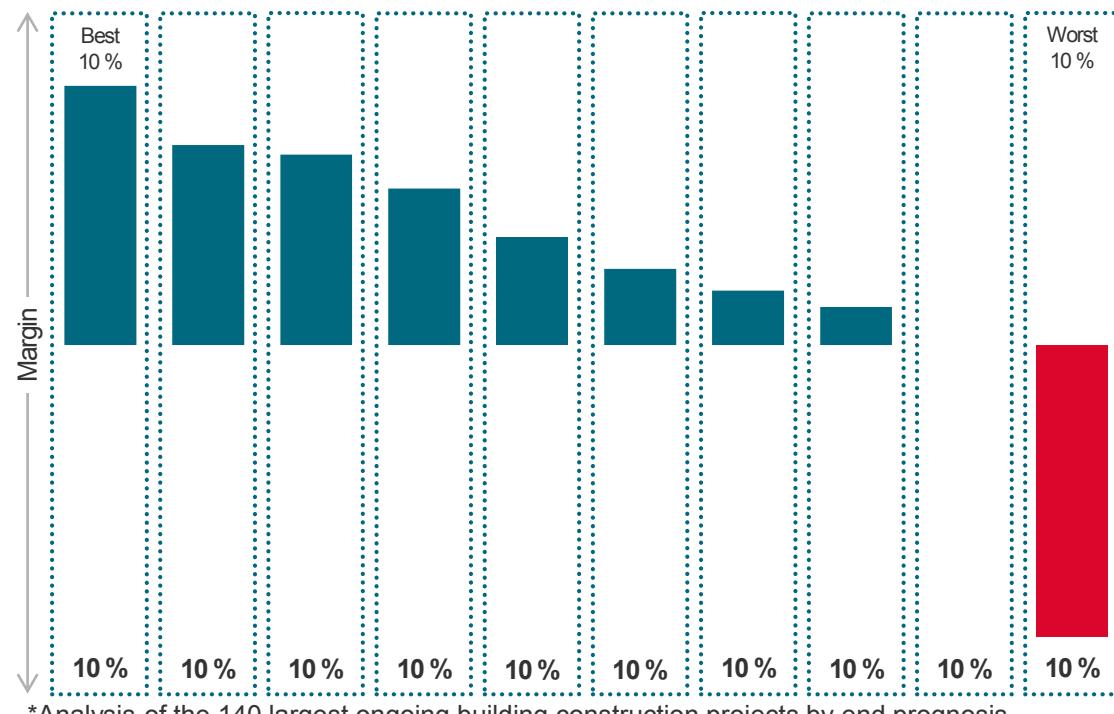
Crossroads Hjulsta Södra, Stockholm

Increase profitability and avoid losses

Satisfactory in large parts of building construction

Loss projects weaken portfolio margins

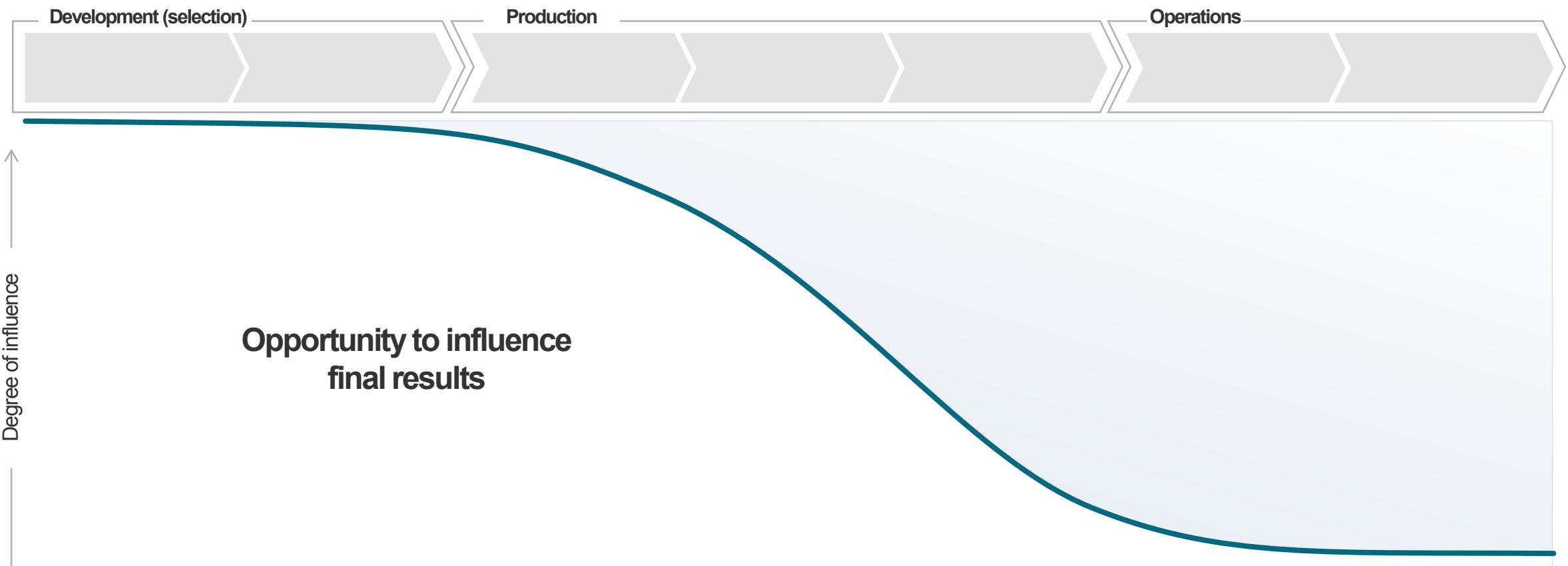
Project revenue in ongoing projects ranked by profitability, deciles



- Accumulated revenue for the 90% best building construction projects has a profit margin of ~4%
- Loss projects have a major effect on overall profitability
- Risk management, project selection and proper project management are key

Strengthened risk management in early phases

Key areas: Project selection, calculations and project design





Hoffmann Early involvement

Jørgen Wiese Porsmyr, EVP
Capital Markets Update 2019

Hotel Ottilia

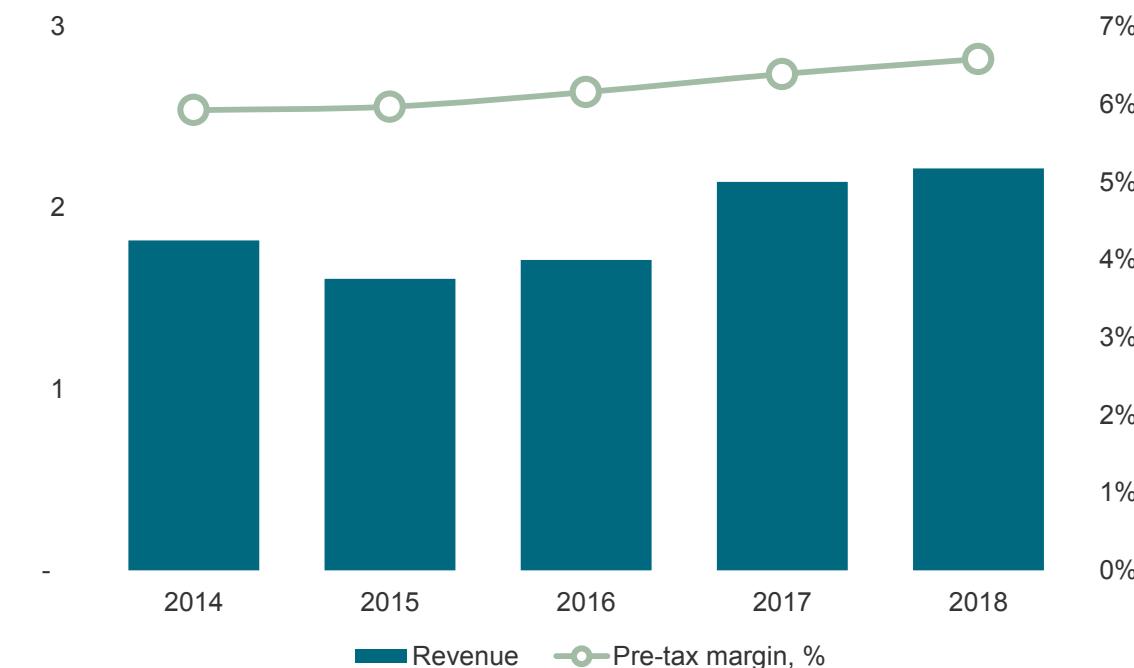
Hoffmann has been given the task of transforming Carlsberg's historic warehouse buildings into a modern and well functioning hotel.

Strong profitability

Clear strategy and solid project execution

Stable, strong results

Revenue and margin development, NOK billion and %



Selective customer strategy

- Prioritising customers where we can get involved early; phase 1 of project development
- Cooperation model which includes both client and advisers, and secures project improvements and optimisation of the customer's business case
- This accounts for almost 80% of revenue

Emphasis on technology and services closely related to the large commercial projects

- Hoffmann's service unit increases gradually
- These services accounted for almost 15% of revenue in 2018

Major new projects in Denmark

Large projects in early phase



Still high ambitions for Denmark

Staying true to our business model

- Hoffmann will be a selective construction company, which mainly develops and builds private commercial buildings
- Long-term customer relationships with key commercial property developers in the Copenhagen area
- True to strategy – focus on risk management

2014-2018	2018	2019-2020	2021-2022
Revenue growth p.a. +11%	Revenue growth +3%	Revenue growth p.a. +0-5%	Revenue growth p.a. +0-5%
Average margin 6.2%	Margin 2018 6.6%	Margin target 2020 >5%	Margin target 2022 >5%



Building Construction Norway Product specialisation

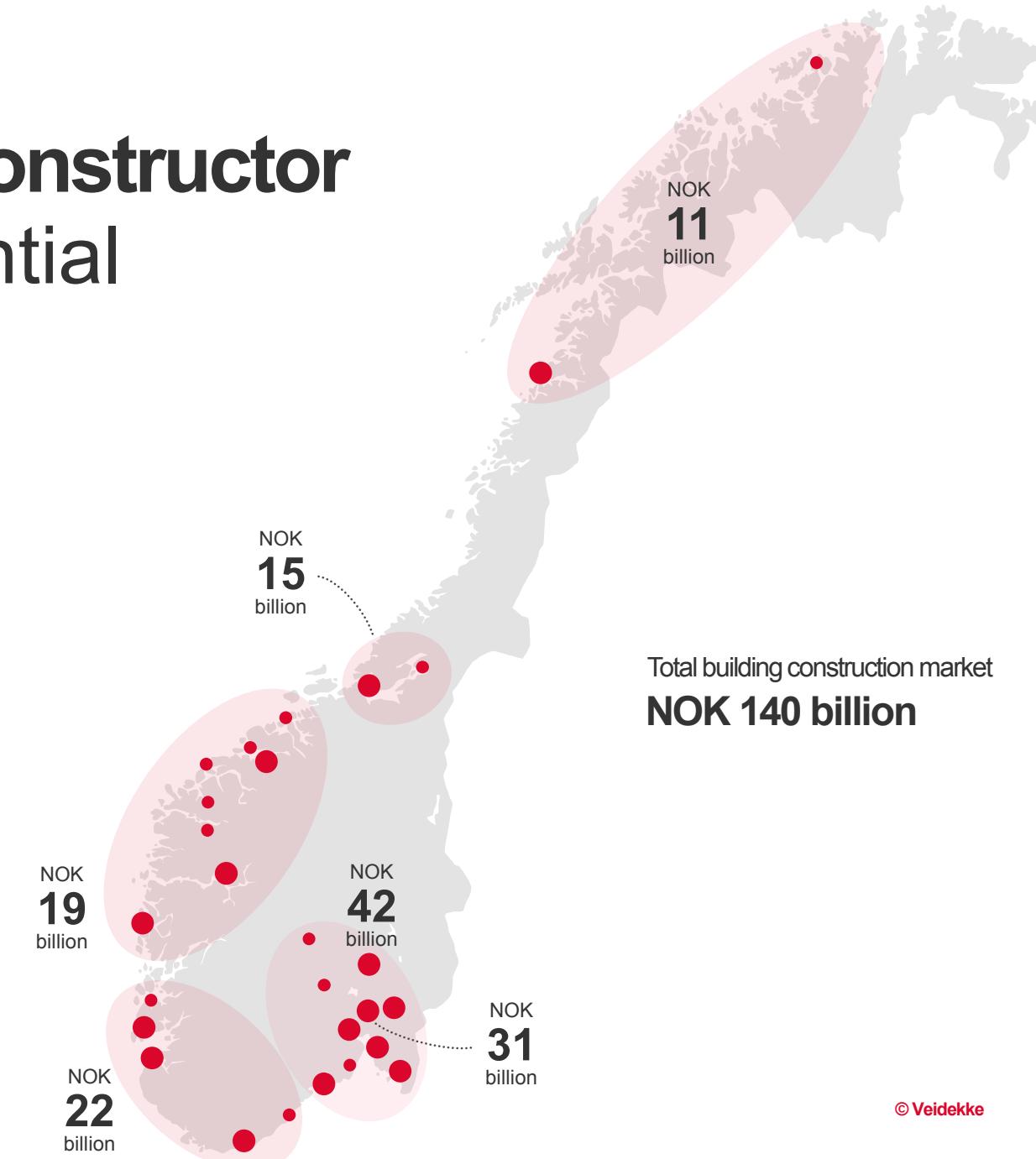
Hans Olav Sørlie, EVP
Capital Markets Update 2019

Lysgården

Lysgården is an environmentally certified and groundbreaking office building. The building will be certified in accordance with the BREEAM Excellent environmental standard.

Norway's largest building constructor in a market with great potential

- Veidekke has a market share of around 10% of the total building construction market in Norway
- Presence in all market regions, with a particularly strong position in the Oslo area
- Local presence along the entire coast from south to north
- Broad project portfolio in residential buildings and in private and public commercial buildings

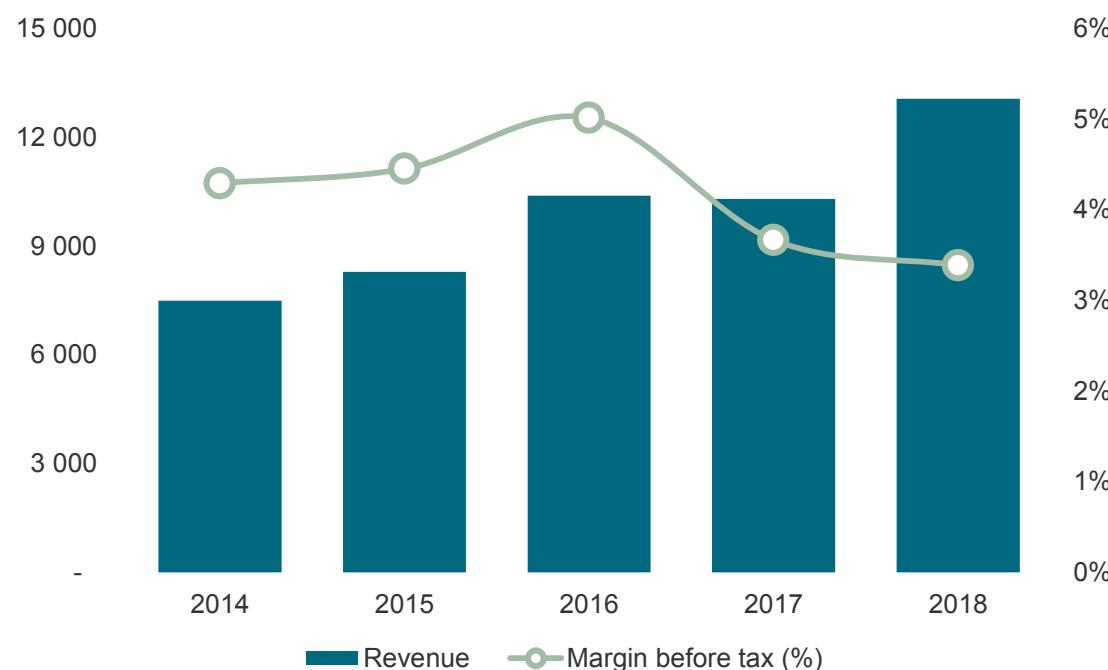


High growth for several years

Profitability put under pressure

Building Construction Norway, revenue and margins

NOK million, %



Challenges

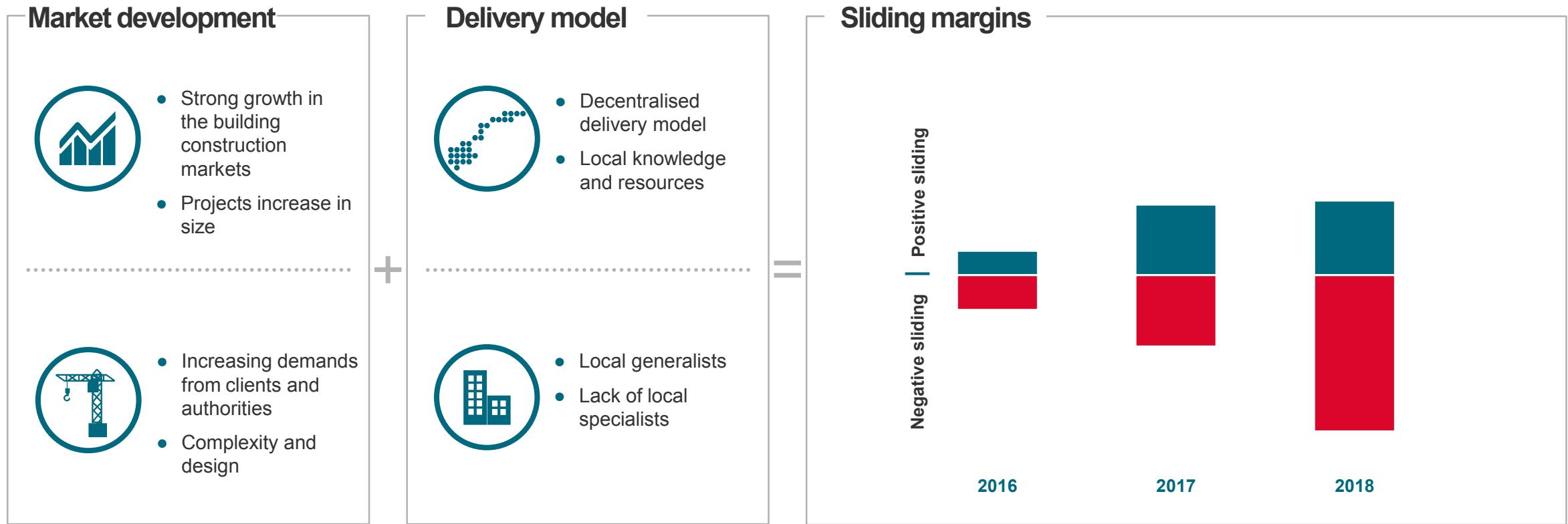
- Wide spreads in performance and profitability between the different entities
- Complex projects have been handled by small and local entities with limited resources
- Inadequate risk management and increasingly sliding margins

Possibilities

- Market with large potential
- Stable organisation with solid competencies and vast experience

Declining profitability

Delivery model to be adapted to market developments

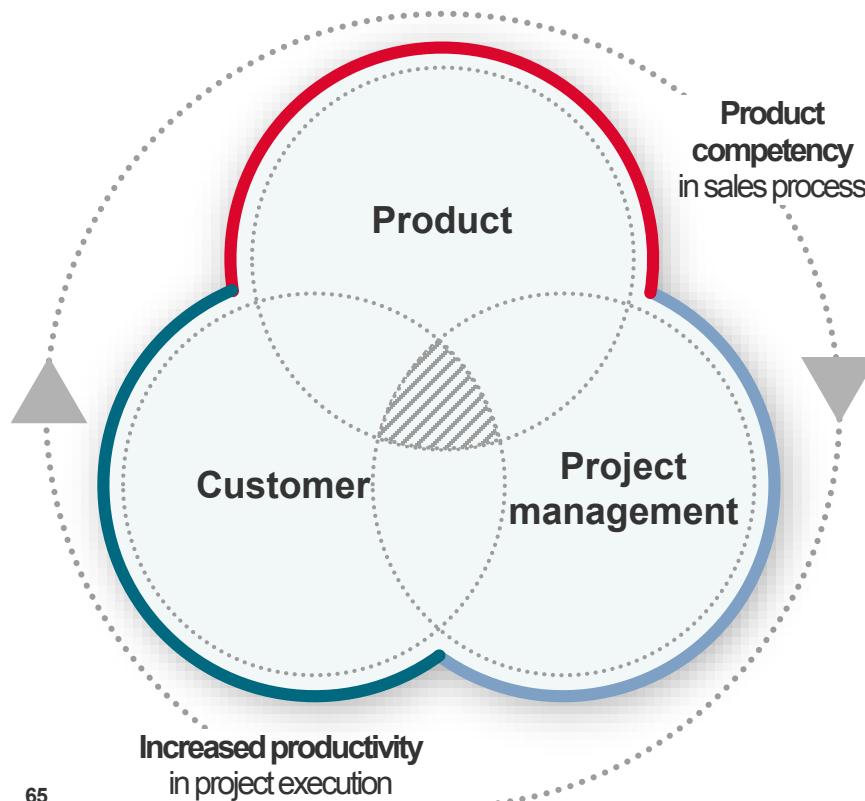


Strategic turnaround – from generalist to specialist

We aim for increased profitability with lower risk

Complete and uniform delivery model

project development – projecting – purchasing – construction



1

Enhanced focus on three product areas

- Apartment buildings
- Office buildings
- Schools

2

Prioritising customers who...

- ...specialise in their type of buildings
- ...are professional and repeat customers
- ...encourage early involvement

3

Going for project types where we have...

- ...competent and experienced project management
- ...risk understanding and experienced-based calculation
- ...standardised processes

We will do more of what we do best



Apartment buildings



Office buildings



Schools

- A few nationwide and many mid-sized local customers
- Homogeneous product
- Industrialised product and process
- High degree of repetition

- Professional and long-term repeat customers
- High architectural requirements
- Commercial, dynamic and user-driven processes

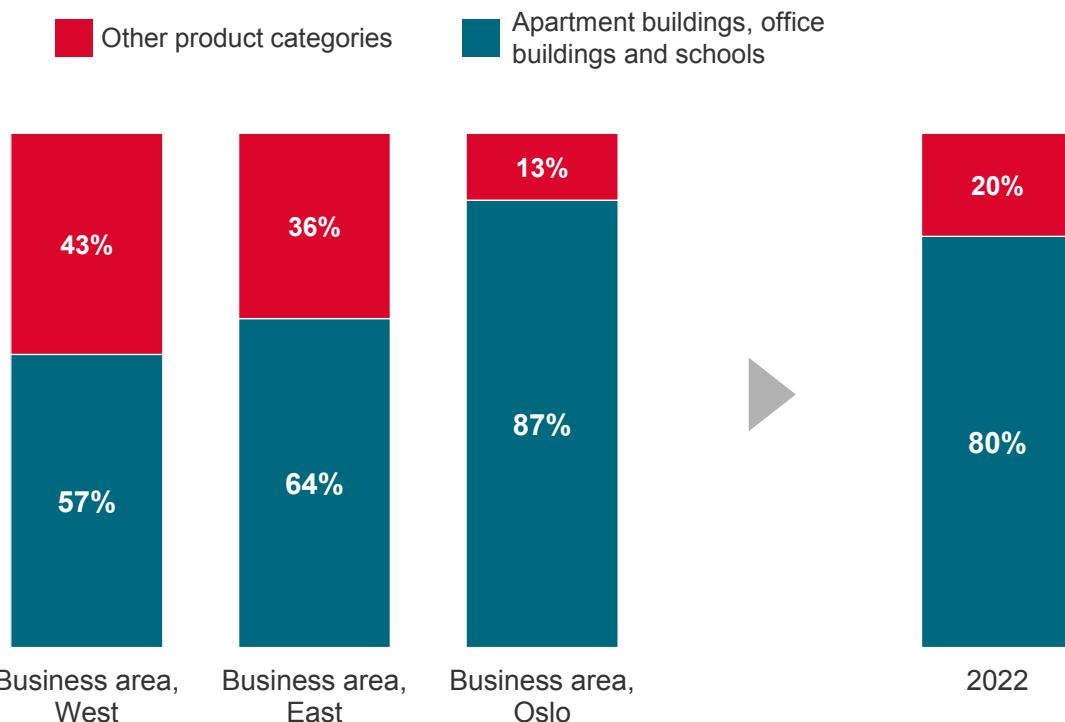
- Professional public purchasers
- High design and environmental requirements
- Industrialised process
- Significant share of «price & design»

Specialisation around three product categories

Apartment buildings, office buildings and schools

Specialising in desired product categories

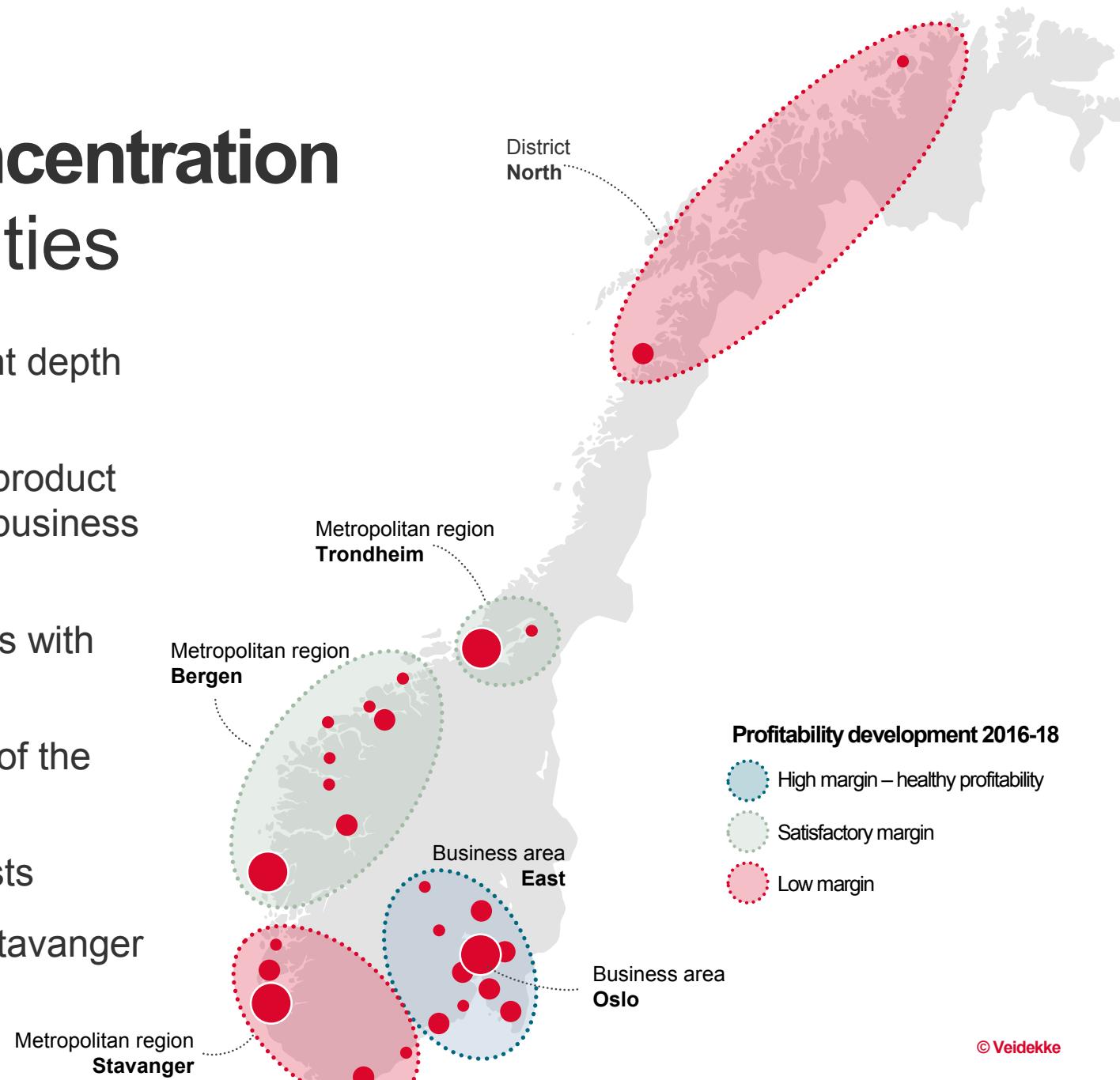
Product mix, share of revenue 2017-2018



- Apartment building, office buildings and schools account for ~60% of the total market or about NOK 80 billion per year
- Veidekke aims for a portfolio with >80% of revenue in these categories, across regions
- We deploy competencies and management capacity to a narrower product range

Strategy will lead to concentration in and around the big cities

- Specialisation requires markets with sufficient depth and width
- From local competitive power to nationwide product specialisation - product organisation across business areas
- Big cities to support districts and departments with business critical competencies
- Big city focus in alignment with the priorities of the Property Development division
- New organisation to give lower structural costs
- Strengthening our positions in Bergen and Stavanger



Ambitious goals

Be the most profitable building constructor in Norway

- Increased degree of product specialisation
 - 80% of revenue in 2022 to be generated from three product categories: apartment buildings, office buildings and schools
- Profitability before growth
 - Selection, correct calculation, and risk management
- Effective and operational organisations – concentrated in the big cities

2014-2018	2018	2019-2020	2021-2022
Revenue growth, p.a. +12%	Revenue growth +27%	Revenue growth p.a. +0-5%	Revenue growth p.a. +0-5%
Average margin 4.1%	Margin 2018 3.4%	Margin target 2020 4%	Margin target 2022 >5%



Construction Sweden Clear priorities

Jimmy Bengtsson, EVP
Capital Markets Update 2019

'Sund branch'

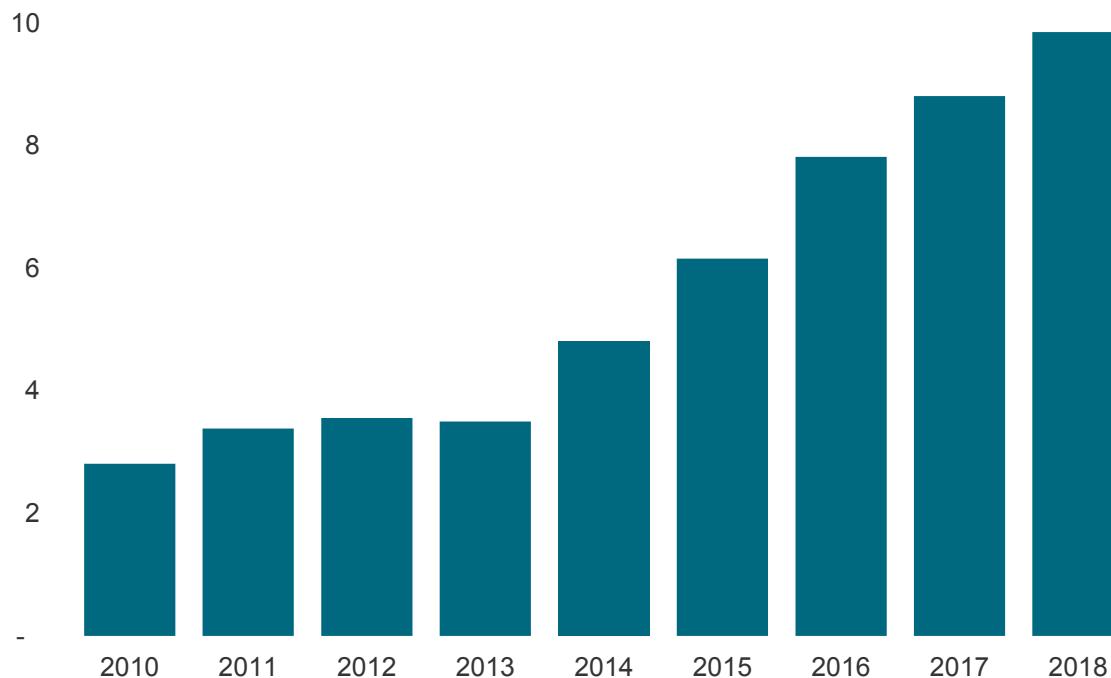
Veidekke has taken a leading role in the work to establish a healthy building and construction industry in Sweden, and was the first contractor to sign agreement on ID06.

Veidekke established as a major player in Sweden

$\frac{2}{3}$ in Building Construction, the rest in Civil Engineering

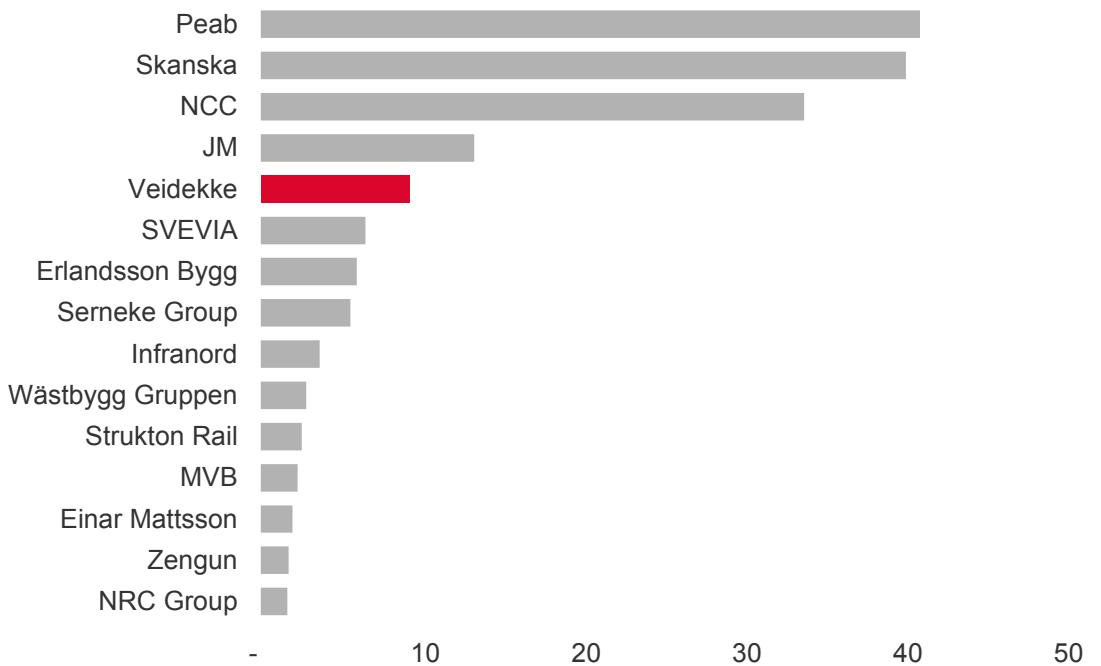
Strong revenue growth the past few years

NOK billion



Veidekke is the 5th largest contractor in Sweden

Annual revenue, SEK billion

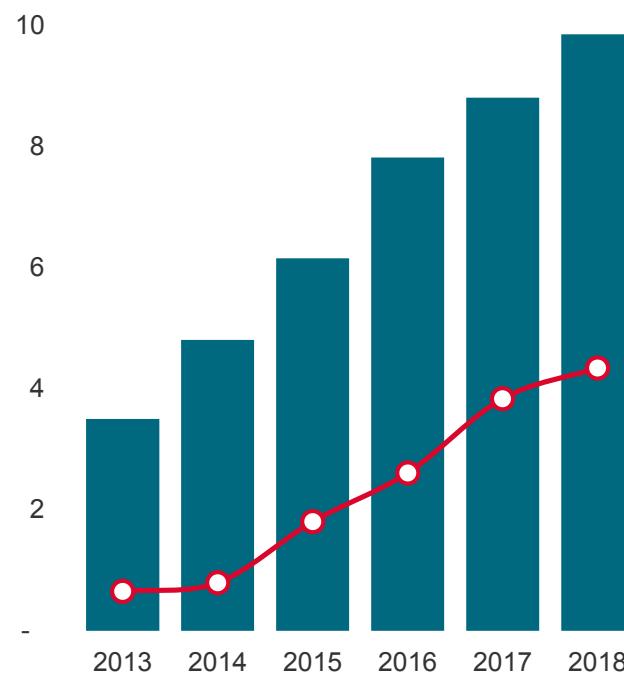


Growth in Sweden mainly in Building Construction

Increasing profitability but some units are laggards

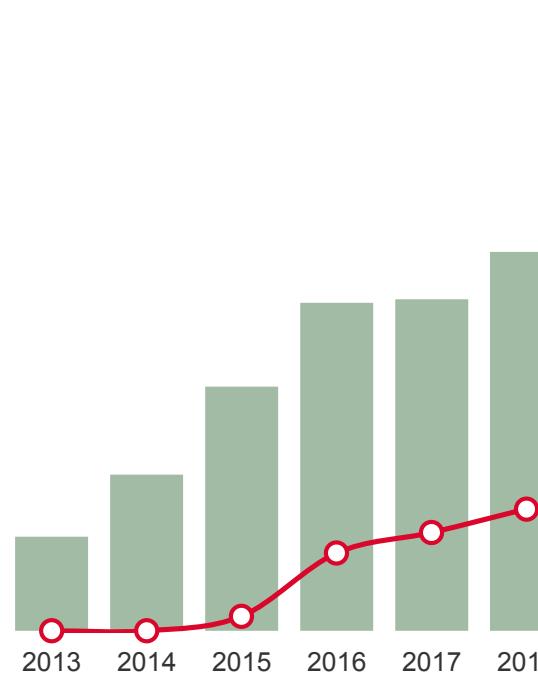
Construction Sweden

Revenue (NOK billion) and margin (%)



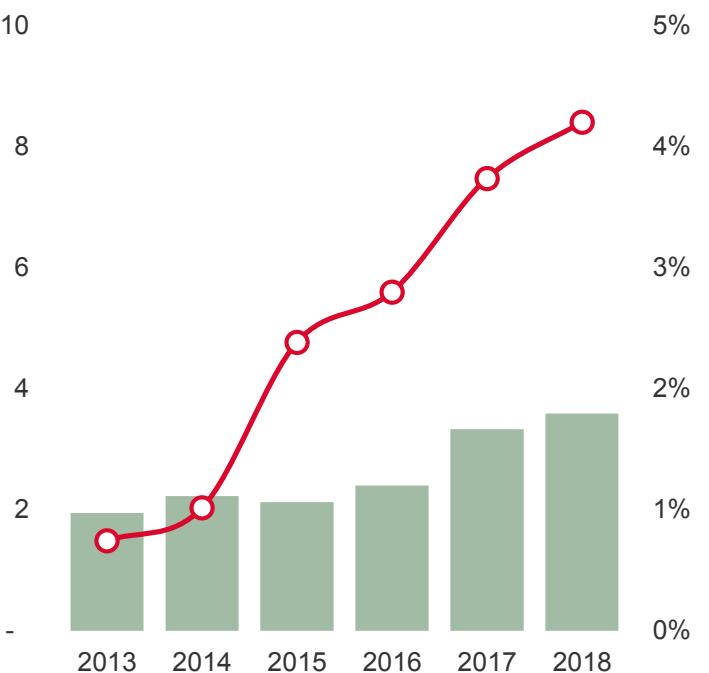
Building Construction

Revenue (NOK billion) and margin (%)



Civil Engineering

Revenue (NOK billion) and margin (%)





Building Construction Sweden

Safeguarding results and strengthening the position

Jimmy Bengtsson, EVP
Capital Markets Update 2019

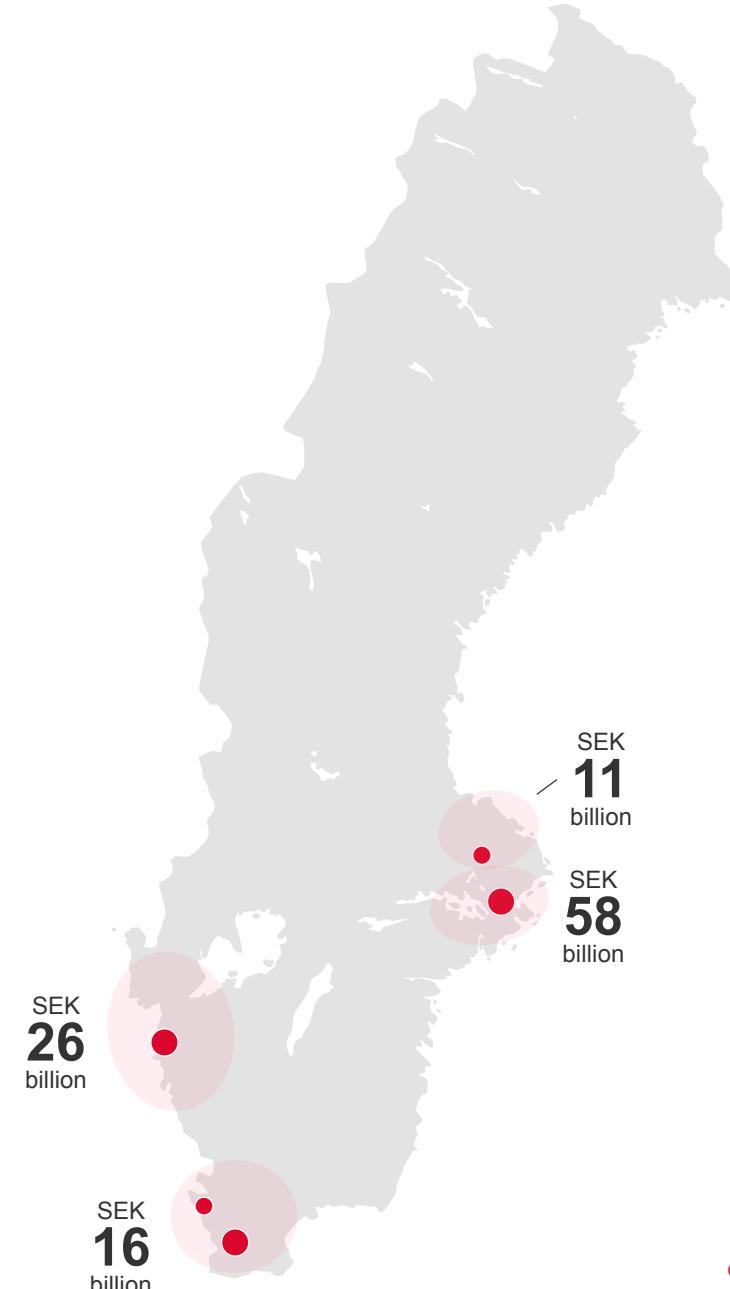
Swan mark

As part of the overreaching environmental focus in Veidekke, we have decided that all apartment buildings built on own account shall be certified with the Swan mark eco label

Building Construction in Sweden

A challenger in a large market

- Veidekke is a challenger in the Swedish Building Construction market
- Veidekke has a market share of around 4% of the total Swedish building construction market
- Focus on the growth regions around Stockholm, Gothenburg and Malmö
- Specialised in two business areas: Residential and Commercial
- Broad project portfolio within homes and offices, hotels, public services buildings and schools

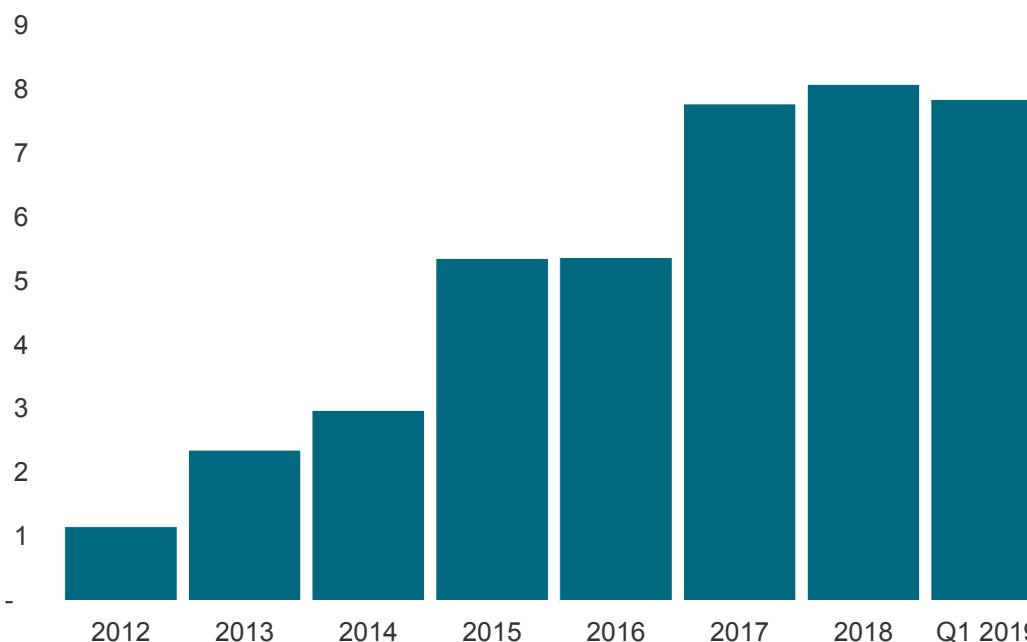


Building Construction ordrer book x7 in 6 years

Change towards commercial buildings

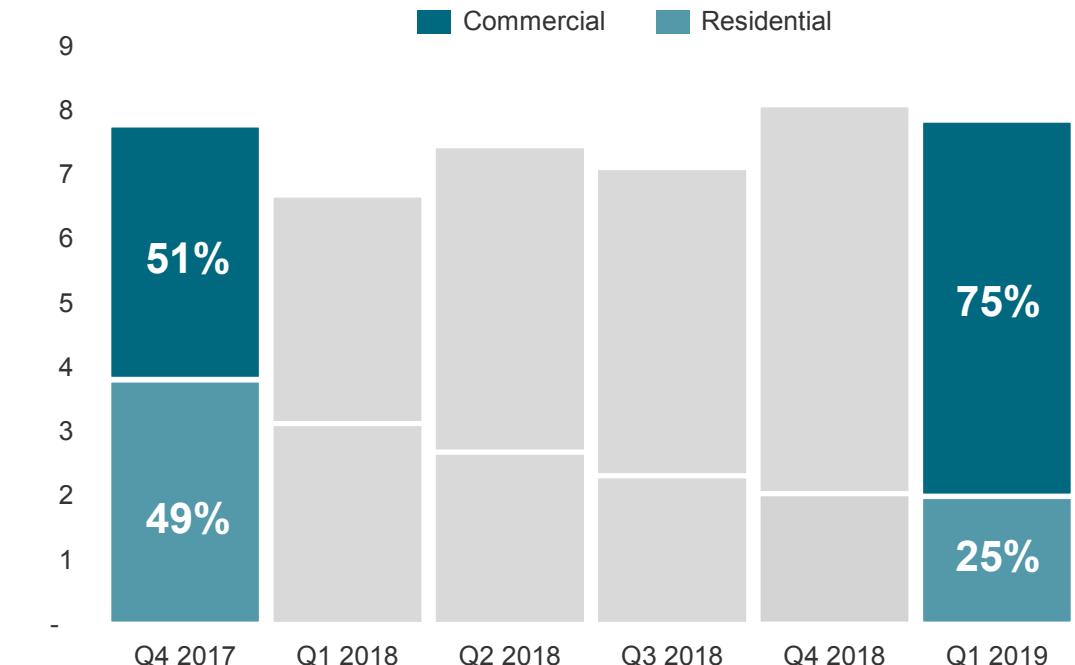
Ordre book Building Construction Sweden

NOK billion



Ordrer book by segment

NOK billion

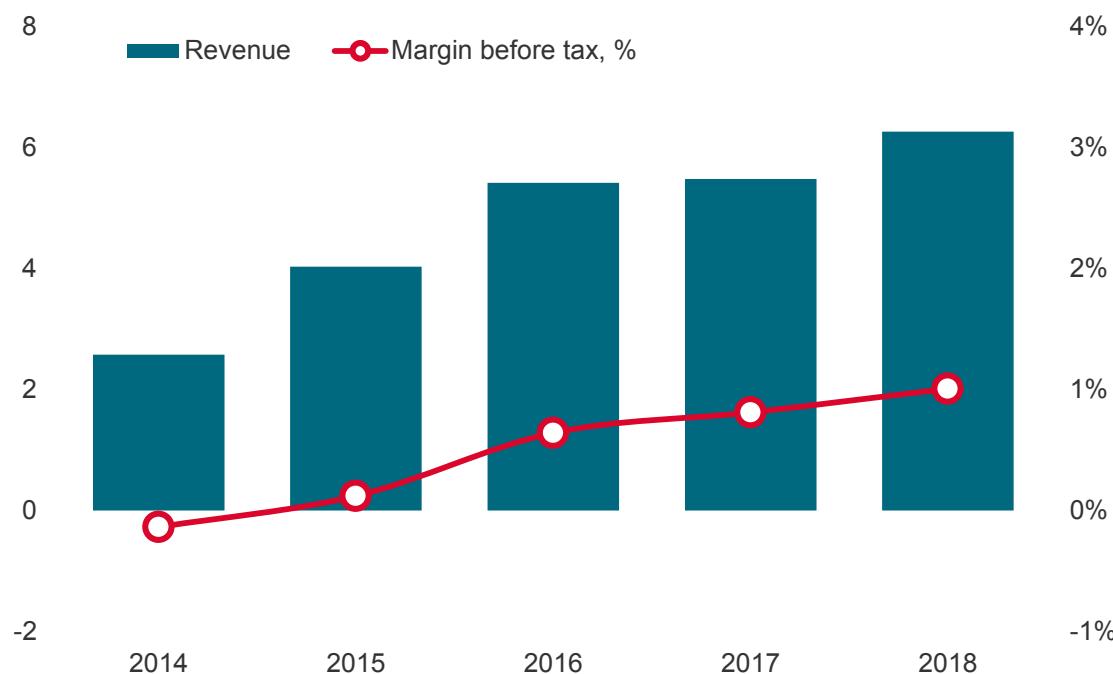


Strong growth— margin increase from low level

Weak profitability in residential in the Stockholm area

Building Construction Sweden, revenue and margins

NOK billion, %



Building Construction, Commercial

- Strong development and position
- Solid order book
- Profitability on par with Building Construction Norway

Building Construction, Residential

- Very weak results on projects in the Stockholm area
- Challenges in ongoing projects due to a too high level of start-ups in a booming market without sufficient organisational capacity
- Measures implemented in Q3 2017 still ongoing

Increase profitability in Residential

Prioritising sharp improvement in the Stockholm area

Improved profitability towards 2020

- Safeguarding results – risk management
- Competencies and management capacity
- Intensifying customer work and marketing
- Organisational adaptations to a lower activity level

Strengthened positions towards 2022

- Strengthening the relation to prioritised customers seeking early involvement and positive interaction
- Further developing technical platform and products for increased competitiveness
- Increase efficiency and standardise processes and production



Turning the first shovel at HSB og Veidekkes fifth project in Malmö

Competitive positions in important growth regions

Focus on population centers and large cities



- Acquired 90.1 % of BRA in 2018
- Main focus on commercial buildings in a fast-growing region
- NOK 1.3 billion in revenue last 12 months

- Long experience and competency within hotels, public service buildings, schools, retail and offices
- Value adding architect- installation competency through BSK Arkitekter and Exengo

- Long experience in joint contracts and early involvement
- Leading deployment of VDC and digital tools
- Installation and technics through the subsidiary Veitech

Strengthening the positions in Commercial Complex projects in cooperation with the client

Safeguarding results towards 2020

- Develop and strengthen the position of Bygg Kommersielt in Stockholm and Uppsala, and further strengthen the development of BRA in Gothenburg
- Get in position to take a larger share of joint contracts and early phase projects
- Develop activities within technical installations

Increase profitability towards 2022

- Choose the right project given risks and potential rewards
- Strict project- and risk management
- Build project leader teams with the right and critical competencies



BRA Bygg AB builds Geely Innovation Centre in Gothenburg

Improvement goals in Building Construction in Sweden

- Focus on safeguarding results in 2019 and 2020
 - Phasing-out loss projects in Stockholm
 - Increasing competencies, risk management and calculation
- Further develop competitive position in Gothenburg and Stockholm
- Prioritise collaborative construction projects and early-phase projects

2014-2018	2018	2019-2020	2021-2022
Revenue growth p.a. +32%	Revenue growth +14%	Revenue growth p.a. +5-10%	Revenue growth p.a. + 5-10%
Average margin 0,6%	Margin 2018 1%	Margin target 2020 2%	Margin target 2022 3.5%



Civil Engineering Sweden

Profitability before growth

Jimmy Bengtsson, EVP
Capital Markets Update 2019

Wind farm

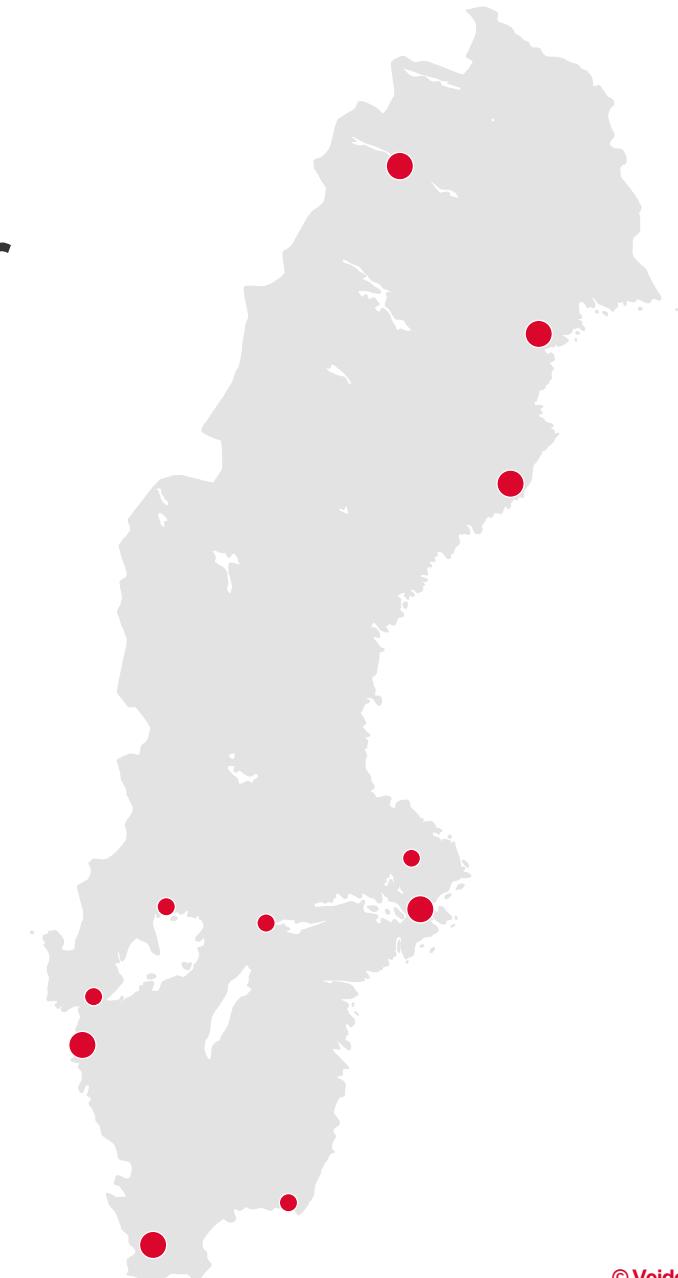
Veidekke built roads, crane sites, internal power grids, fiber networks and 23 concrete foundations in connection with the establishment of the Jenåsen Wind Farm in Sundsvall for Eolus Vind.



Civil Engineering Sweden

A selective civil engineering contractor

- Solid position in selective market segments
- Prioritising projects within infrastructure, extraction, heavy industry, the energy sector, and recycling facilities / landfills
- Focus on the major regions around Stockholm, Gothenburg and southwest Sweden
- Established player in the mining segment in northern Sweden
- Good profitability from increased activity

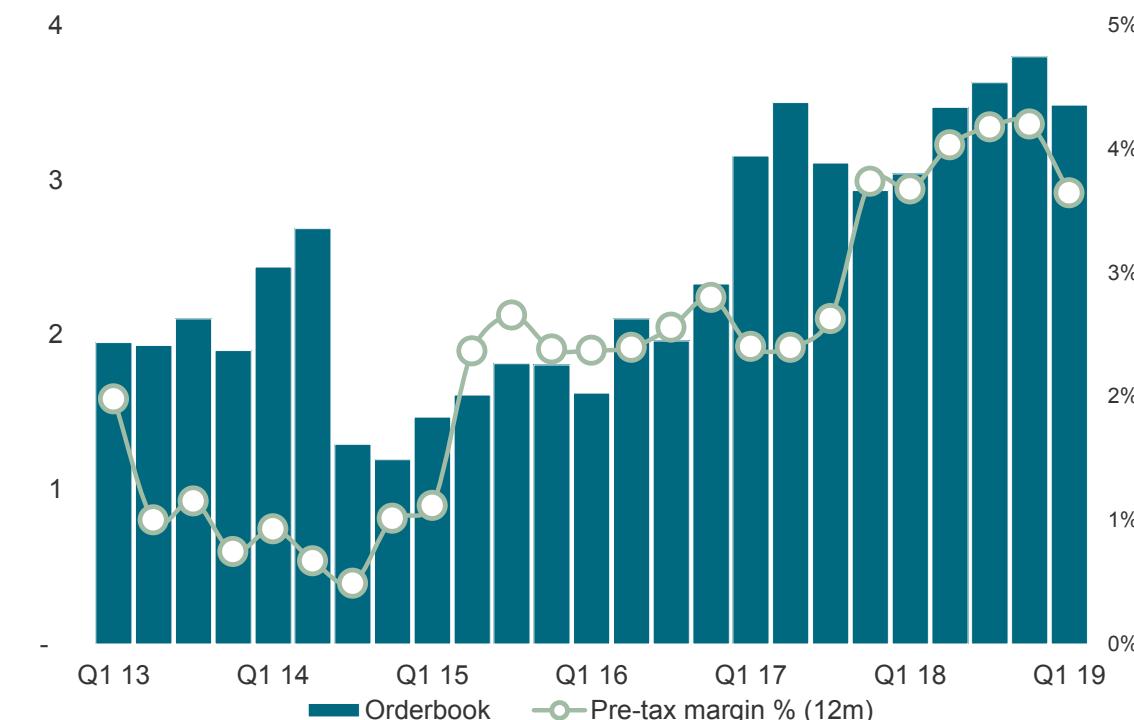


Positive development

Solid portfolio, increased activity level and margins

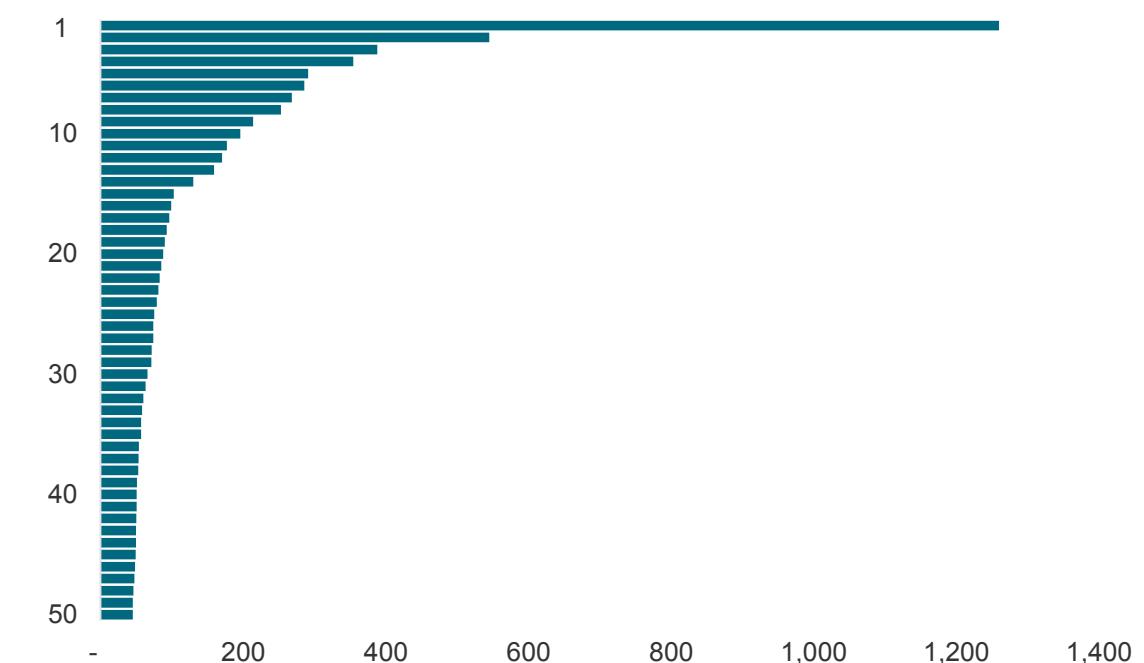
Margin and order book Civil Engineering Sweden

NOK billion and %



A balanced project portfolio

The 50 largest project wins last 4 years for Civil Engineering Sweden, NOK mill.



Includes contract entered into in Q2 19 with the Swedish Transport Administration to rebuild Lundbyleden in Gothenburg for around NOK 1.25 billion, whereof NOK 100 million to be entered into the order book in Q2 2019 for the first project phase

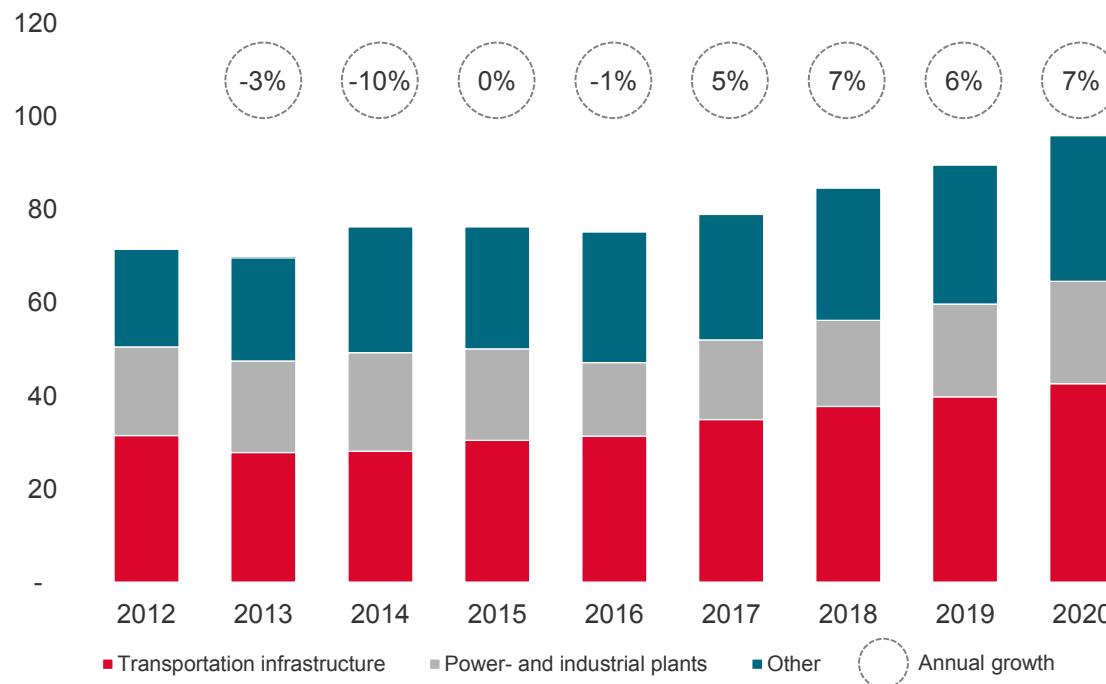
© Veidekke

Civil Engineering Sweden

Continued good prospects

Production in various construction segments

SEK billion, nominal



- Increased production in 2018
- Increasing activity in the transportation infrastructure segment
- Energy sector turning clearly positive
- Growing market for municipal engineering projects

Source: SCB and Veidekke

Strategy and goals for Civil Engineering Sweden

- Profitability before growth
- Selectivity in the bidding and selection process
- Prioritise projects where we have particular strengths and expertise
- Continuously develop project management skills
- Effective operations throughout the value chain
- Collaborate with competitive partners

2014-2018	2018	2019-2020	2021-2022
Revenue growth p.a. +13%	Revenue growth +7%	Revenue growth p.a. +0-5%	Revenue growth p.a. +0-5%
Average margin 3%	Margin 2018* 4%	Margin target 2020 4%	Margin target 2022 4.5%

Great potential in the Swedish civil engineering market

Attractive position for improved profitability

1 Profitability before growth

- Eliminate loss projects through project- and risk management
- Selectivity based on risk and expected profitability

2 Build expertise and leadership capacity

- Strengthening competence and leadership capacity
- Clear management focus on results and customer satisfaction
- Further develop the brand to retain and attract the right employees and customers

3 Strengthen competitiveness

- Increased competitiveness through productivity initiatives
- Market leader for a serious building construction industry with competition on equal terms
- Follow the building construction sector's roadmap towards a fossile-free Sweden in 2045



Sund byggbransch i fokus på Veidekke



Idag är Veidekke, som hör till byggbranschen, på plats för nya 1000 jobb på olika sätt. Veidekke har nu rönt och har en stor tillväxt i byggbranschen. Veidekke har nu rönt och har en stor tillväxt i byggbranschen. Veidekke har nu rönt och har en stor tillväxt i byggbranschen. Veidekke har nu rönt och har en stor tillväxt i byggbranschen.





Civil Engineering Norway Turnaround - new strategy

Øivind Larsen, EVP
Capital Markets Update 2019

Sogn-Smestad

Statnett and Veidekke are now executing the first fossile-free tunnel/ civil engineering project in Norway. All machinery, trucks and vehicles are running on electricity or renewable diesel.

Civil Engineering in a transition phase

Reducing risk – increasing profitability

- More selective choice of projects
- Strengthening management capacity and competencies
- Reducing costs and increasing capital efficiency
- Aiming for significantly increased profitability with lower risk



Civil Engineering Norway

A leading Norwegian constructor



Groundwork – Foundations - Fixation



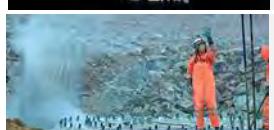
Underground parking facilities



Road construction



Tunnels

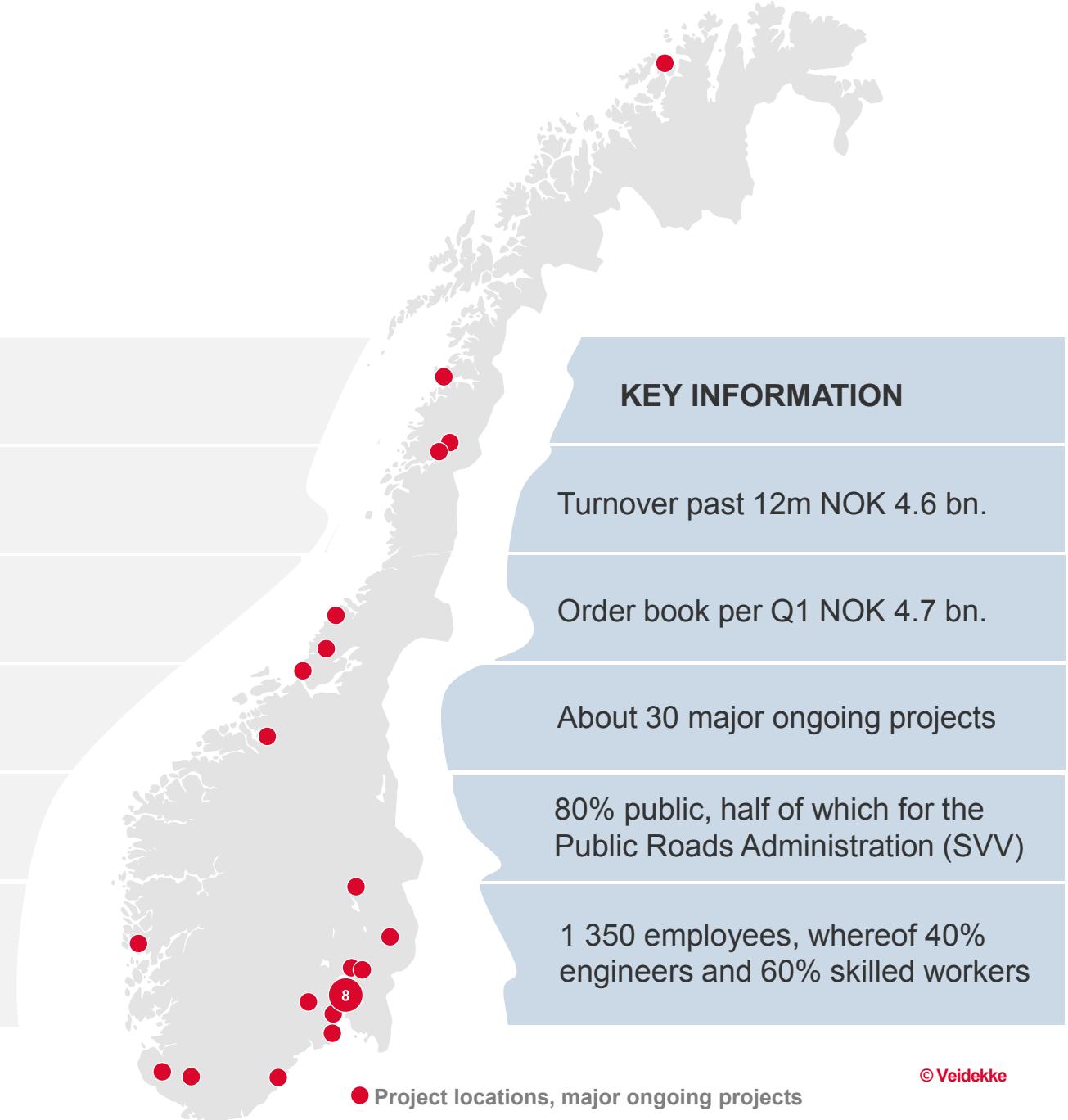


Power- and industrial facilities



Special units

Kynningsrud Fundamentering AS
Tore Løkke AS
Veidekke Bane

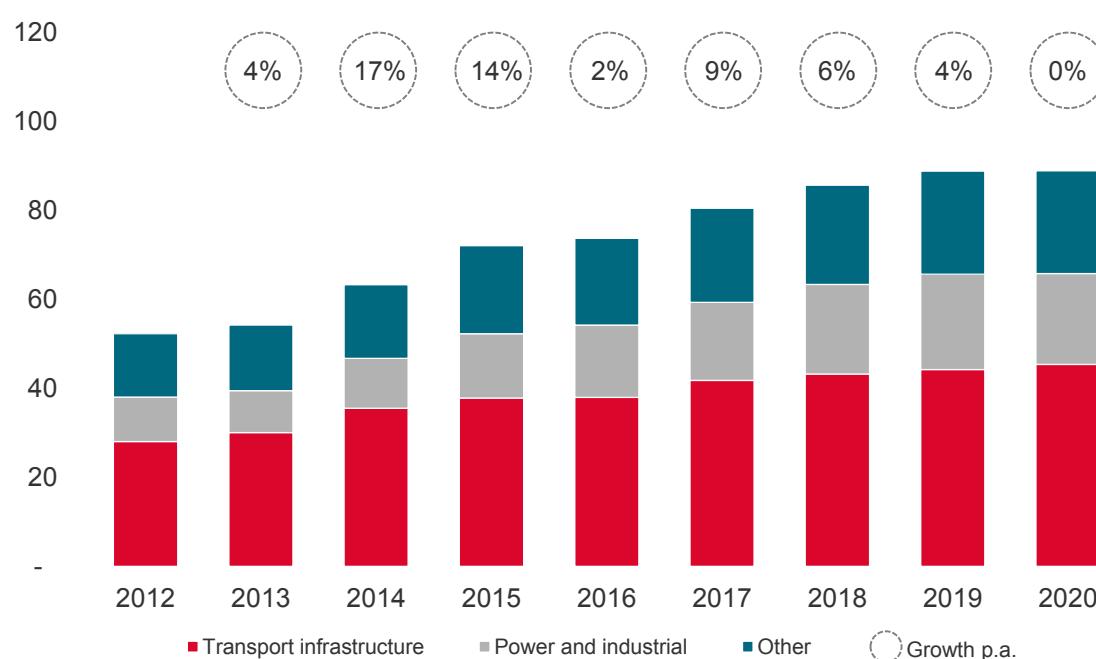


Civil Engineering Norway

High activity level and a changing market

Production in different construction segments

NOK billion, nominal



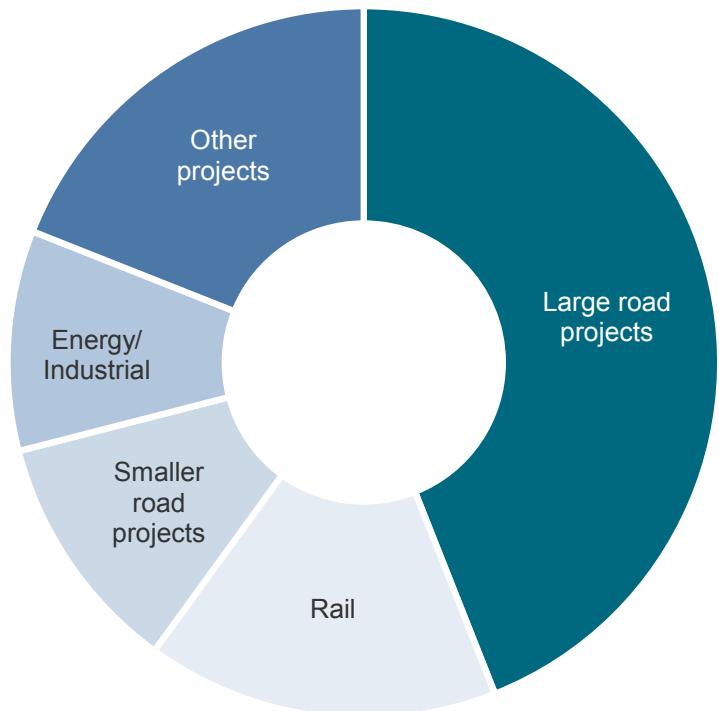
- High level of activity in all the main segments
- High growth and increasingly large transport infrastructure projects – especially in road construction

Source: SSB and Veidekke

Large share of large road projects in the portfolio

Seeking better balance in terms of project type and size

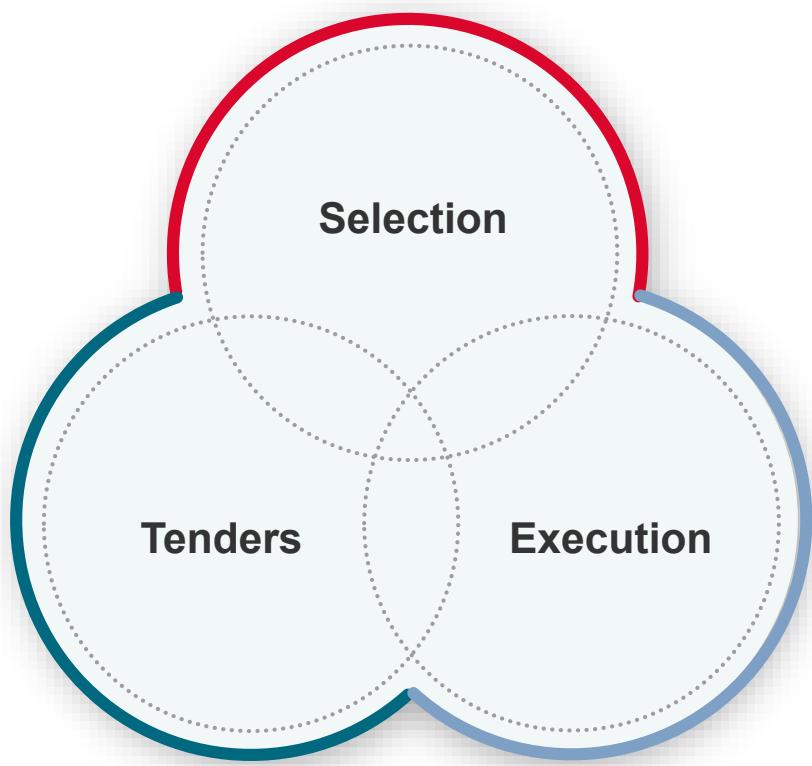
Civil Engineering Norway: Project mix



- Some road projects have been too large and risky both for our company and other contractors
 - Too dominant part of activity and revenues
 - Occupying management competence which could have been better utilised
 - Unclear responsibilities and risks related to major changes and change orders
- Signs of change – increased willingness from major client like the Public Roads Administration and Bane NOR to split projects
 - New contract forms entering the market

Strategic change

Project selection, bids and execution



- 1 Selection**
 - Seek project types we have succeeded with before
 - Choose by competence – not capacity or employment
- 2 Tenders**
 - Increase management ownership to the bids
 - Common tender unit – high quality tender processes
 - Correct calculation – right pricing
- 3 Execution**
 - Strengthening project management capacity
 - Strengthening projecting function
 - Enhance customer knowledge and understanding
 - Increase technical expertise in core functions

Project selection criteria

1	Management and competency
2	Portfolio
3	Size
4	Contract form
5	Cash flow and investments

Management capacity to execute and to safeguard continuity and management team development

Provide a balanced portfolio with regard to type of project, size and customer

Contract size <50% of annual revenue, and annual contract revenue <20% of annual revenue

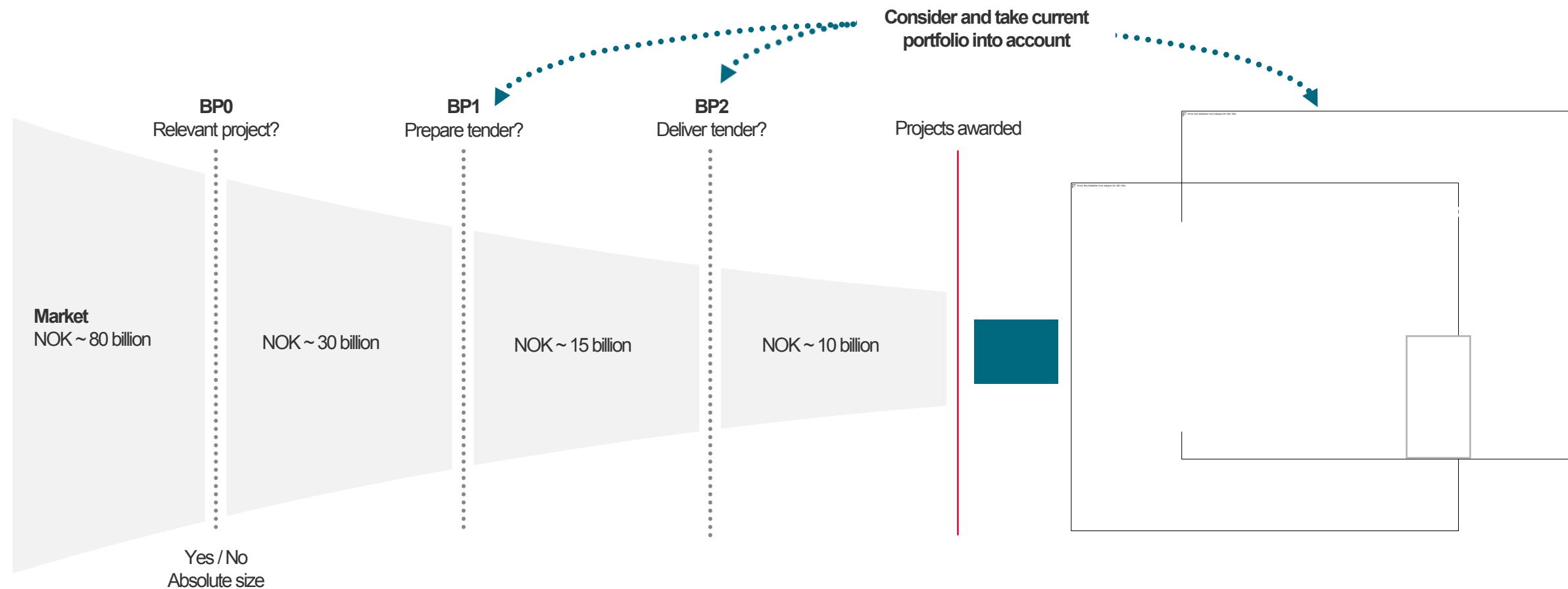
Negotiated contracts - or contracts where Veidekke is involved in early phase

Provides positive cash flow and does not require large machine investments



Selection strategy for project choices

Reduce risk - increase profitability

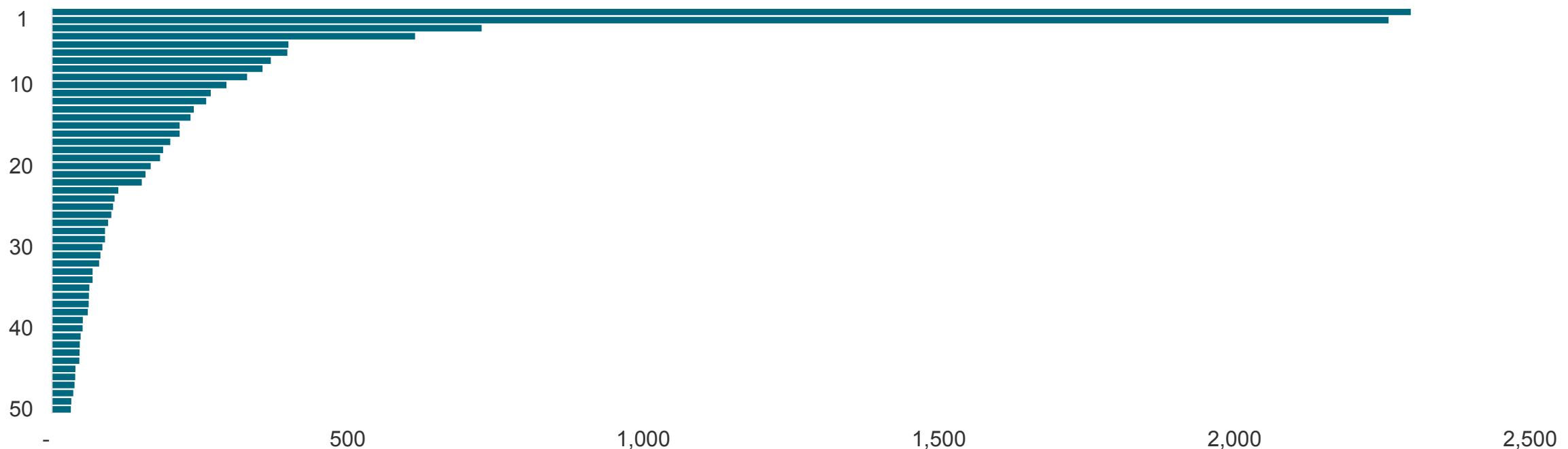


Aiming for improved portfolio composition

Increased profitability with lower risk

Improved selection strategy to yield better composition and profitability

50 largest project wins past four years in Civil Engineering Norway, NOK million

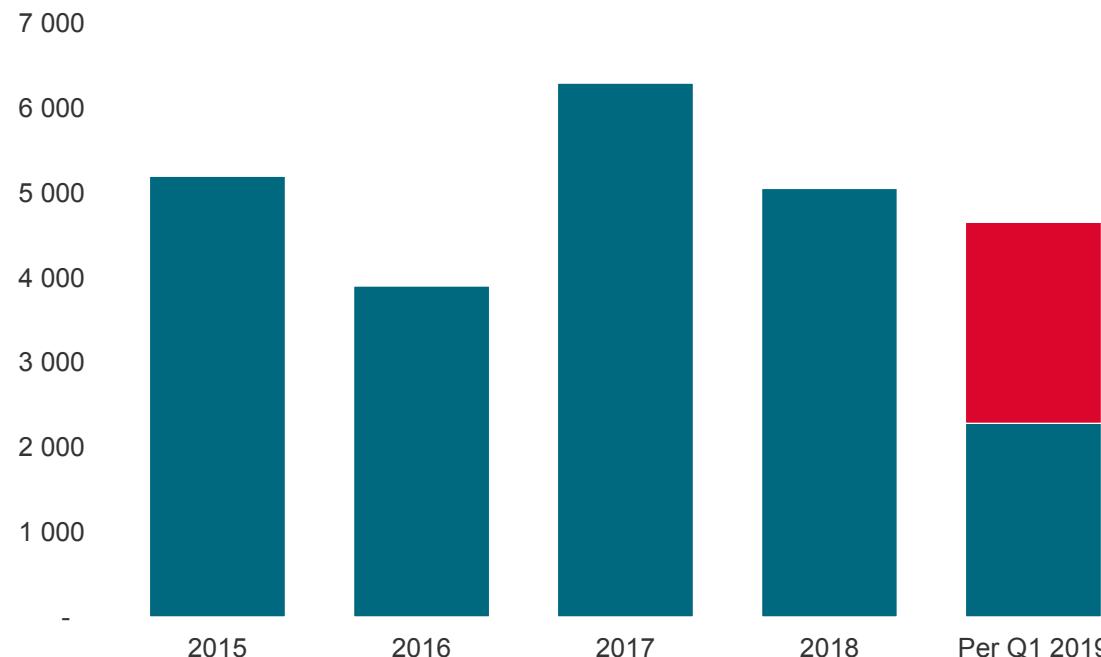


Order book of uneven quality

Significant effect of projects that do not generate results*

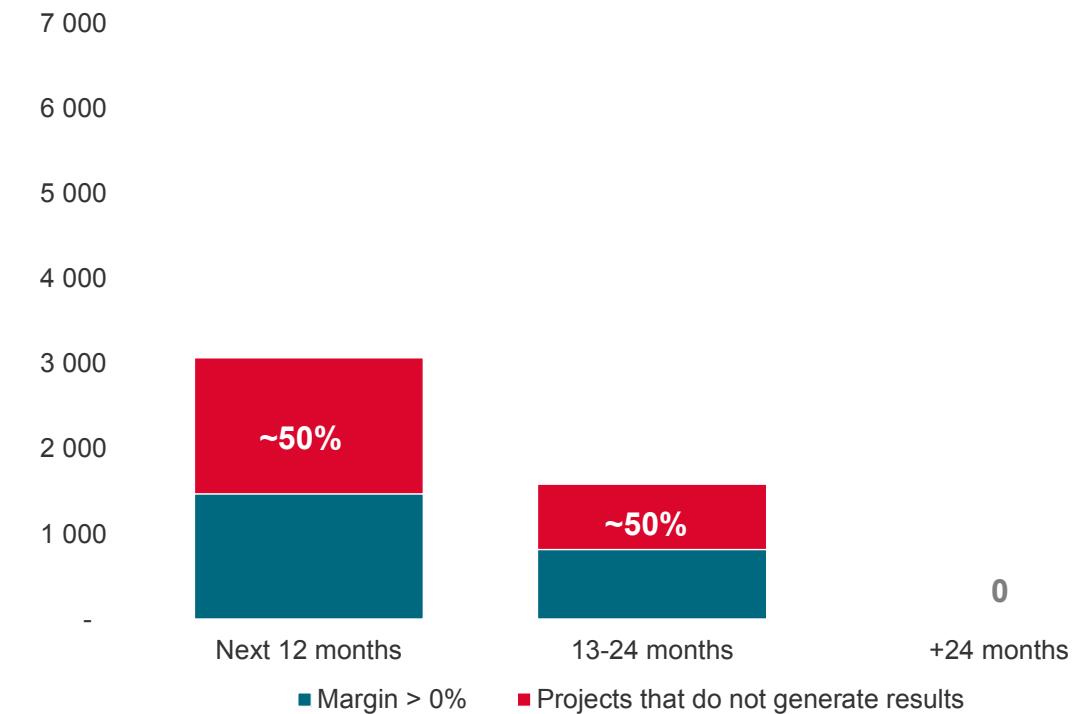
Ordrebok Civil Engineering Norway

NOK million



Order book by delivery date

NOK million



Adjusting the cost level

- and improving capital efficiency

Reducing costs

Reducing machinery fleet

Reducing receivables – and reducing risk

Reduction

NOK 100 mill.

Reduction

~50%

Reduction

>50%

- Mainly overhead and administration costs
- Impact on results expected from 2020

- Book value of machinery fleet in Civil Engineering Norway is ~NOK 950 million
- Better capacity utilisation and changes to the project portfolio will reduce requirements
- Considerations:
 - How to cover machinery demand
 - Possible third-party partnerships for machinery

- Veidekke has overdue accounts receivables of ~NOK 1.5 billion in Civil Engineering Norway
- Changes to the portfolio will contribute to reducing the level of accounts receivables and scope of disputes
- Veidekke has some major unresolved final settlements related to transport infrastructure projects and work is in progress to resolve current disputes

We will restore profitability in Civil Engineering Norway

- Profitability before growth
 - Changes the portfolio mix
 - Cost reductions
- Reducing risk
 - Risk management
 - Selectivity
- Increasing capital efficiency
 - Reducing the machinery fleet – lower demand
 - Reducing number and scope of disputes

2014-2018	2018	2019-2020	2021-2022
Revenue growth p.a. -1%	Revenue growth +0%	Revenue growth p.a. -10% - 0%	Revenue growth p.a. -10% - +10%
Average margin* -1.6%	Margin 2018* -13.2%	Margin target 2020 1.5%	Margin target 2022 4%

* Including write-downs of NOK 550 millions in 2018. Adjusted margin of -0.8% in 2018 and average +0.7% for 2014-18



Industrial Recreating profitability

Catharina Bjerke, EVP
Capital Markets Update 2019

Low temperature Asphalt

Producing asphalt is a heat- and energyintensive process. By transitioning to low-temperature asphalt, Veidekke target a reduction in energy usage and thereby the CO2-emissions from the production process by 30 to 40 %.



Aggregates

Market share >10 %

Revenue 2018:
NOK 0.6 billion



Asphalt

Market share >35 %

Revenue 2018:
NOK 3.3 billion



Road Maintenance

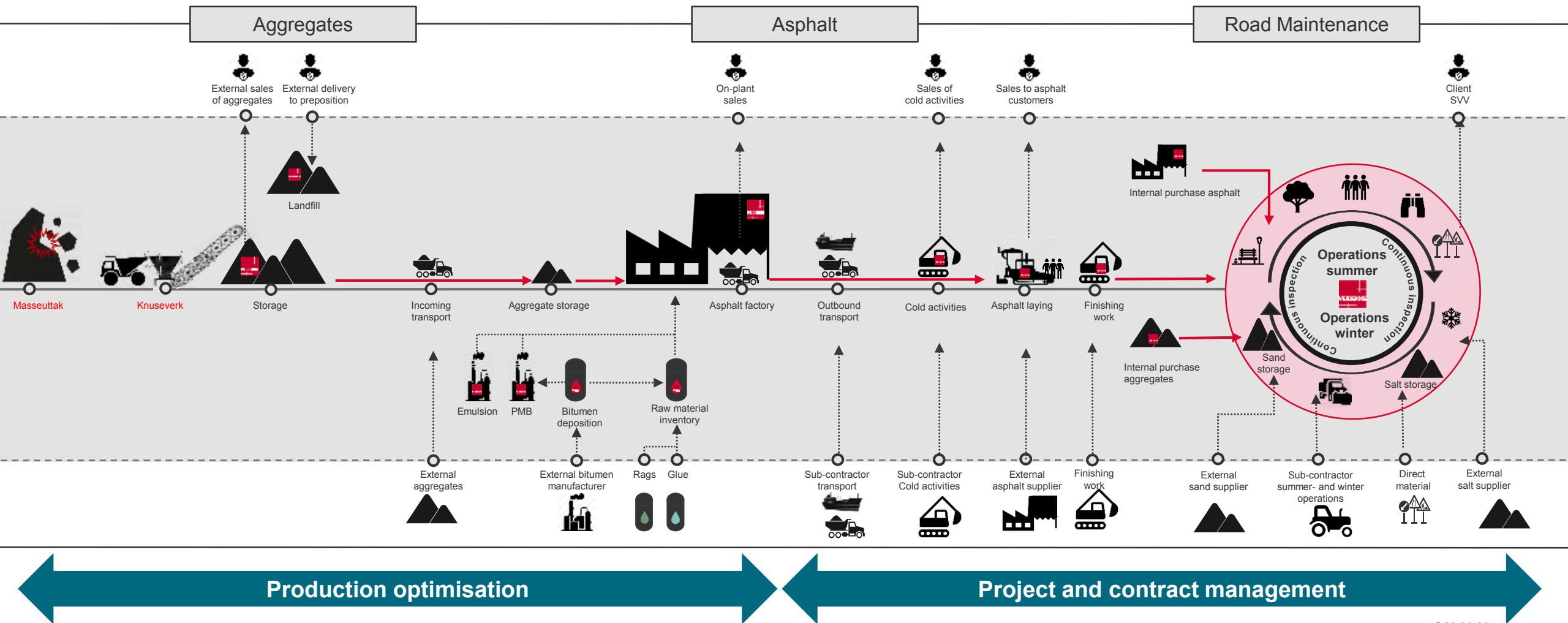
Market share >15 %

Revenue 2018:
NOK 1.0 billion

Veidekke Industrial

A strong
position in
the
Norwegian
market

Operational synergies throughout the value chain



Solid geographical footprint

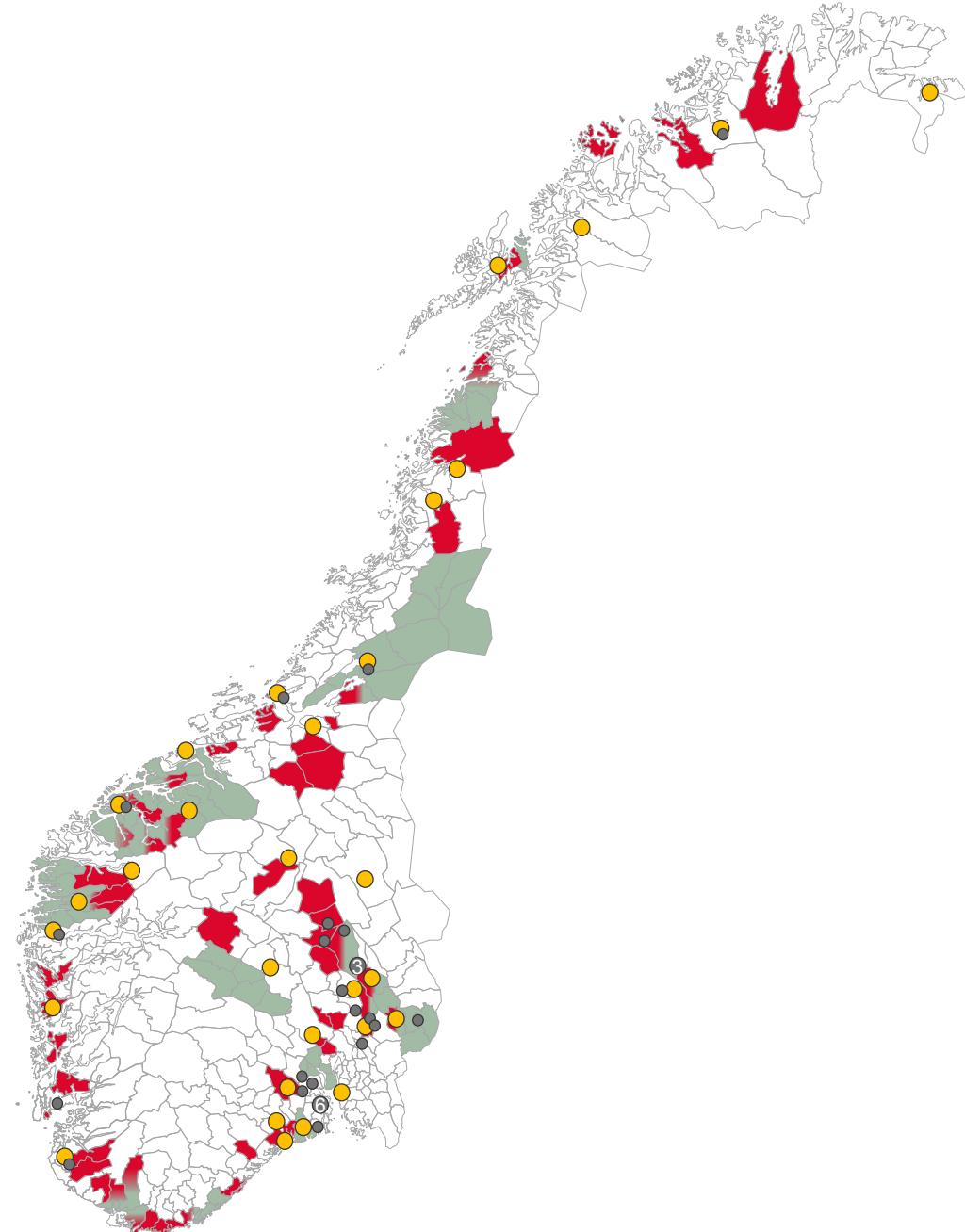
30
asphalt plants

90
asphalt crews

29
aggregate plants

20
operating contracts

- Aggregates plants
- Asphalt plants
- Operating contracts with The Norwegian Public Roads Administration
- Planned projects NPRA and "Nye Veier" towards 2025
- Planned project NPRA/NV and operating contract

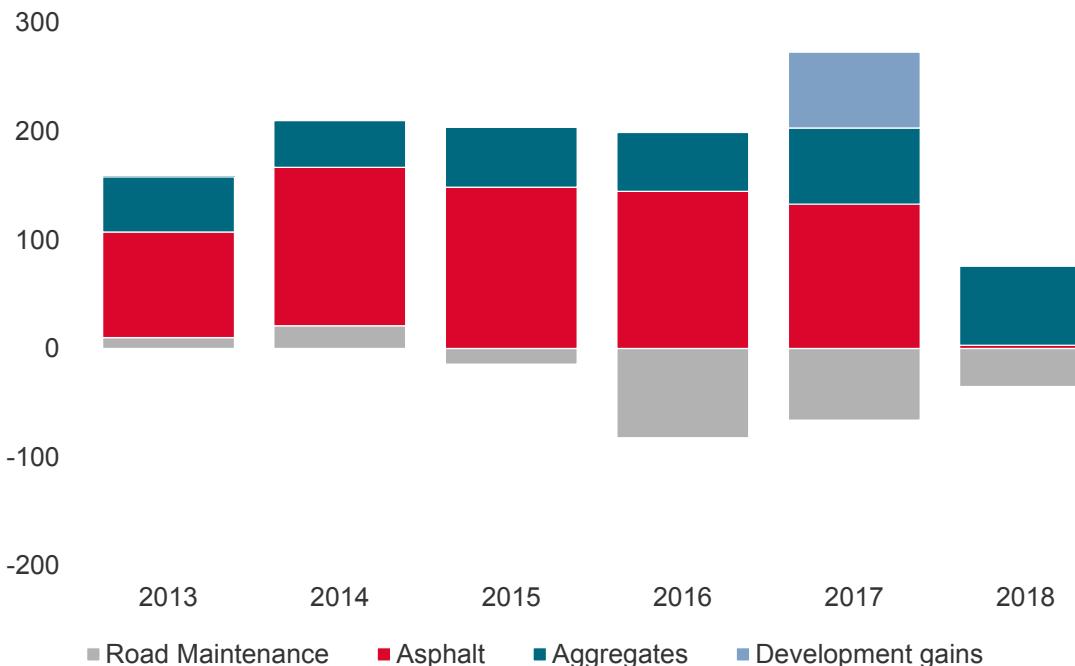


Profits and margins

Disappointing profitability in Asphalt in 2018

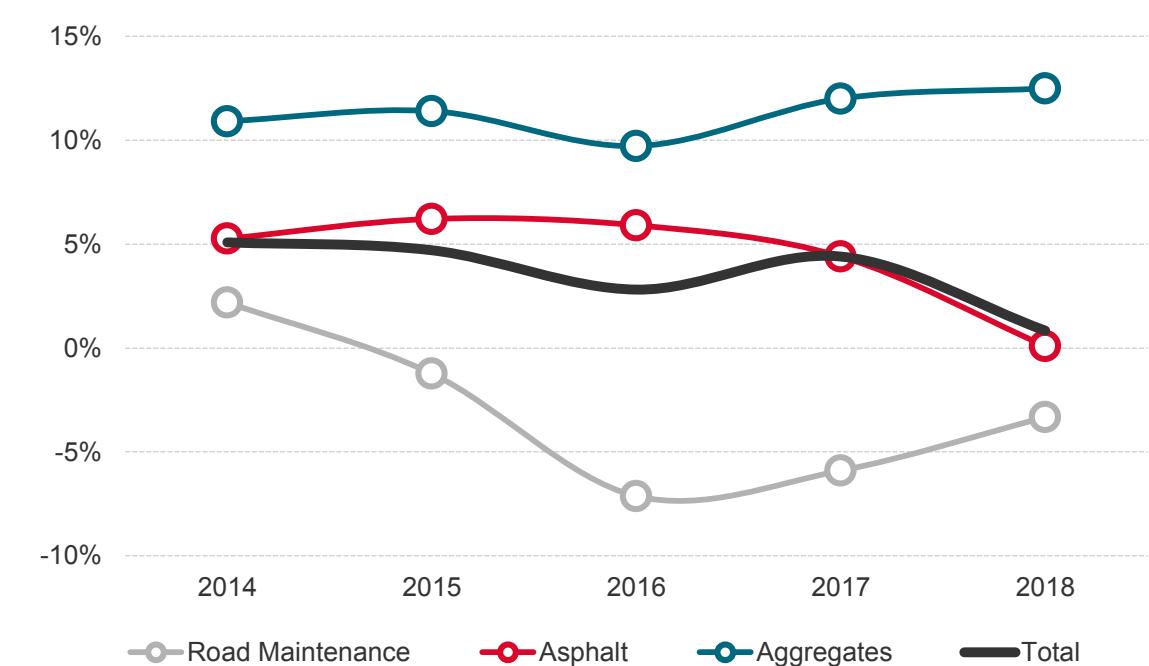
Profit before tax

NOK million



Profit margin

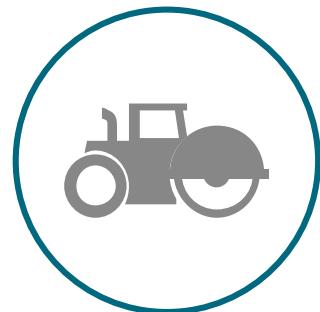
%



Profitability in a safe and sustainable manner



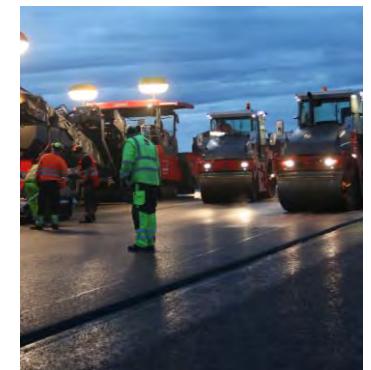
Further profitable growth in Aggregates



Optimal process and right capacity in Asphalt

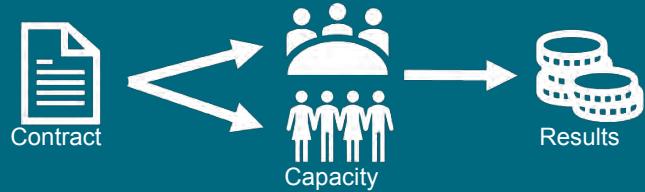


Right entry to priority maintenance contracts



CREATE FLOW THROUGH CONTINUOUS IMPROVEMENTS

CONTRACT UNDERSTANDING AS A CORE COMPETENCE



Aggregates

Good profitability - landfills as a new focus area



- Solid business model with high profitability
- Efficient operations - high operational uptime
- A strategic and long-term resource
- Landfills as a new area - see great opportunities in having both outbound and inbound flows of masses
- Growth strategy

Asphalt - measures implemented to safeguard results

Stabilising measures 2019-2020



- Sales, calculation and pricing
- Planning
 - Improved flow in the value chain
 - Higher capacity utilisation of factories and machinery
- Safeguarding revenue
 - Focus on contract management
 - Forecasts and purchases
 - Reduced vulnerability to commodity price fluctuations

Asphalt - developing position for sustained profitability

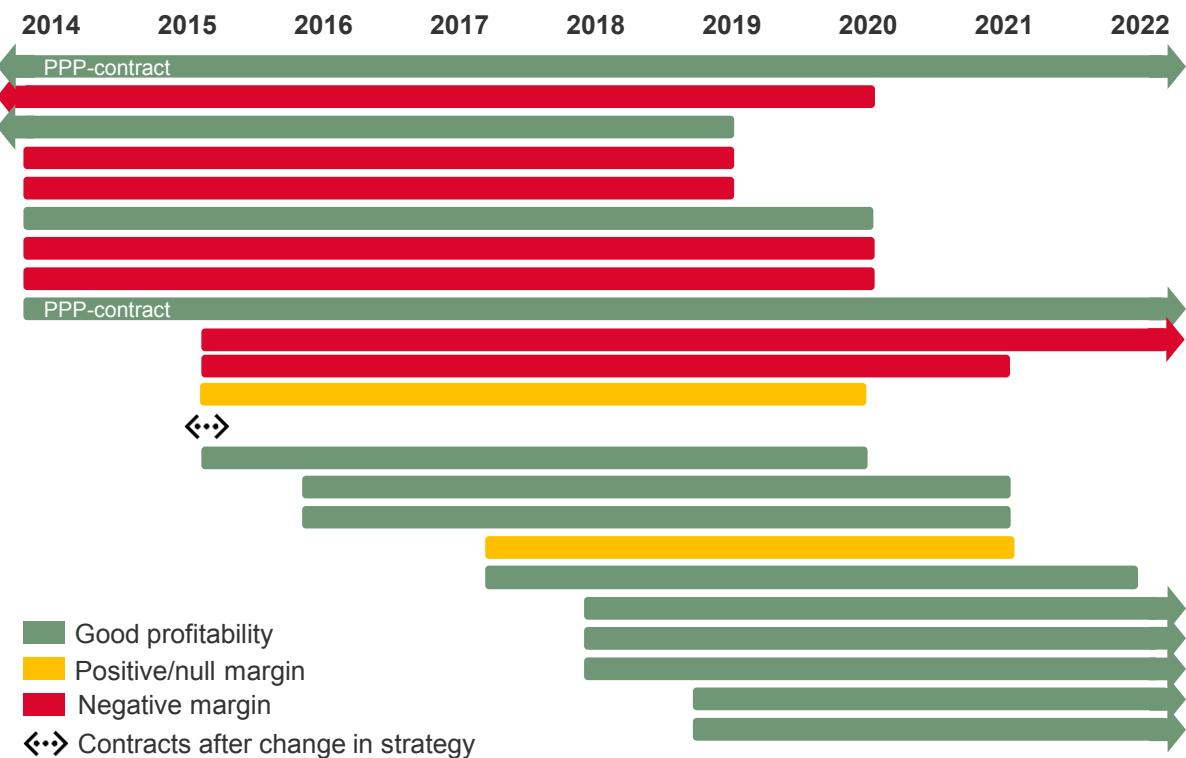
Optimisation towards 2022



- Further industrialisation
 - Use of new technology
- Ensure correct geographical position and factory structure
- Focus on customers, environmental issues and quality to protect our market position

Road Maintenance - the turnaround works out

The new contracts have good profitability



- Selective new contracts - profitability over growth
 - Positive development on contracts started in 2016-2017
 - Three profitable contracts started up in the autumn of 2018
 - Two contracts won in 2019, both showing good prospects
- Targeted work on calculation and project management to ensure profitability in new contracts

PPP - public-private partnership

Industrial will recreate good profitability

Securing results in Asphalt and Road Maintenance, growth in Aggregates

- Asphalt: Increase profitability through higher capacity utilisation, contract management, and better calculation and pricing
- Road maintenance: The turnaround works
- Aggregates: Profitable growth opportunities

2014-2018	2018	2019-2020	2021-2022
Revenue p.a. +7%	Revenue +3%	Revenue p.a. -5%-0%	Revenue p.a. 0%-5%
Average margin 3.6%	Margin 2018 0.8%	Margin target 2020 3.5%	Margin target 2022 5%



Financial targets and priorities

Terje Larsen, CFO
Capital Markets Update 2019

Maskinparken TRE

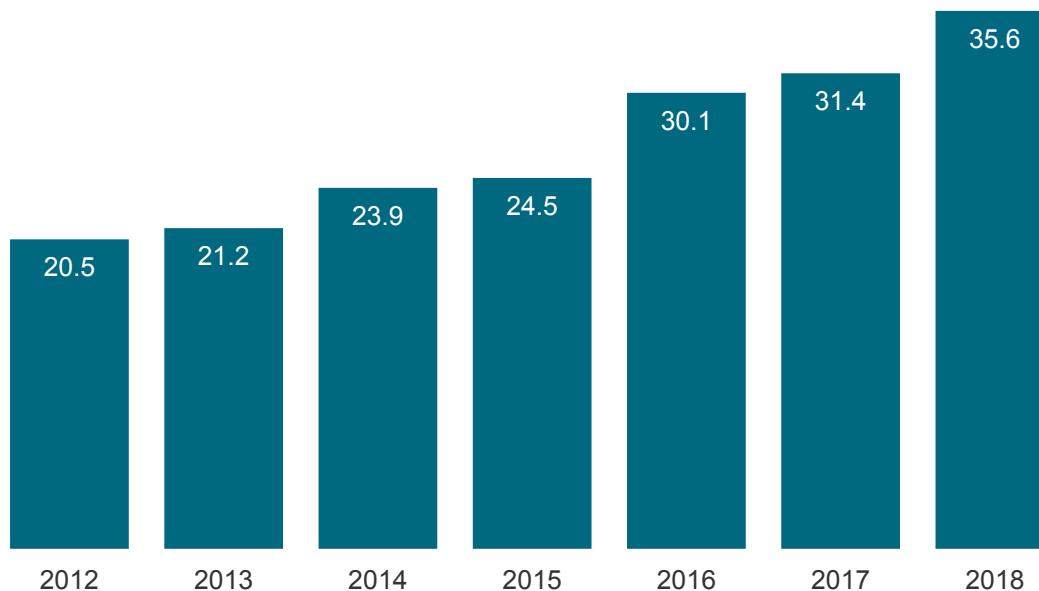
Maskinparken TRE at Lilleby in Trondheim is the first apartment building in massive wood in Norway built on commercial terms. The building reduced the carbon footprint from materials by 39 % and by 17% from use of energy

High growth and good margin development

... but abruptly changing trend the last year

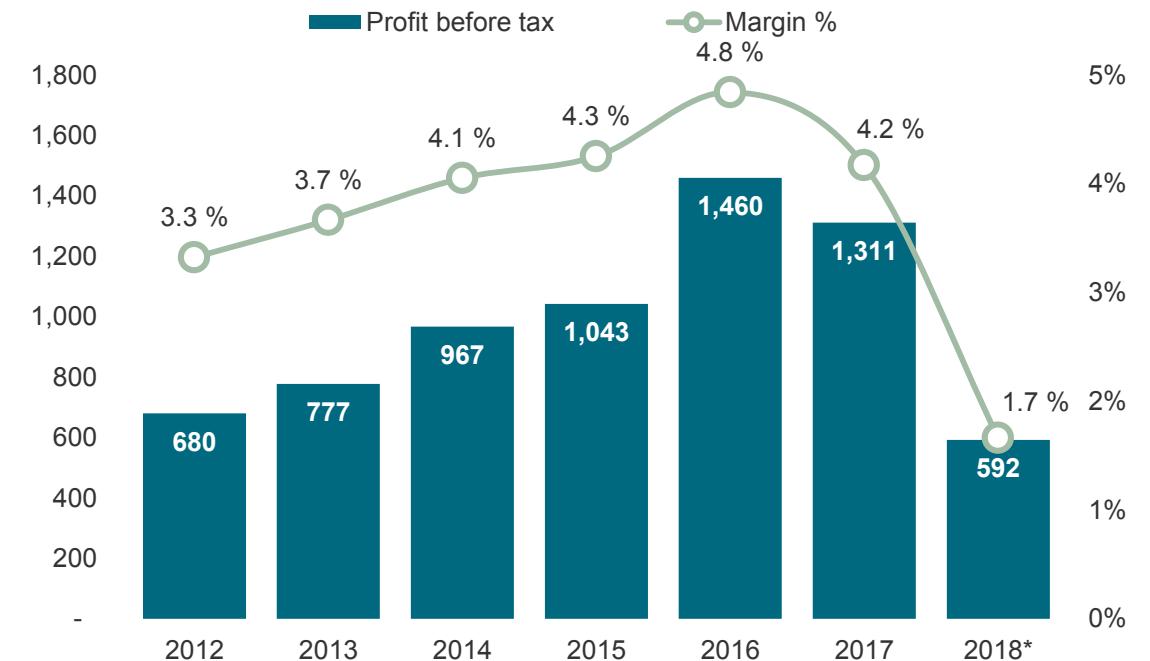
Revenue

NOK billion. Annual growth of ~10% since 2012



Profitability

NOK million

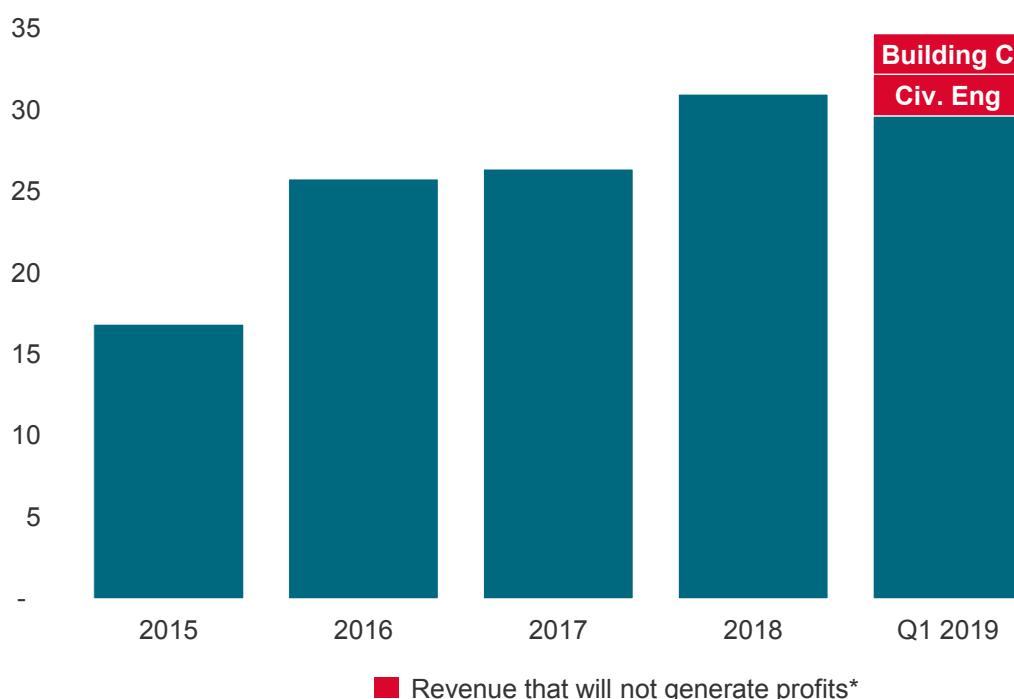


Order book affects short-term earnings

~NOK 5bn remaining revenue that will not generate profits

Order book, Construction

NOK billion



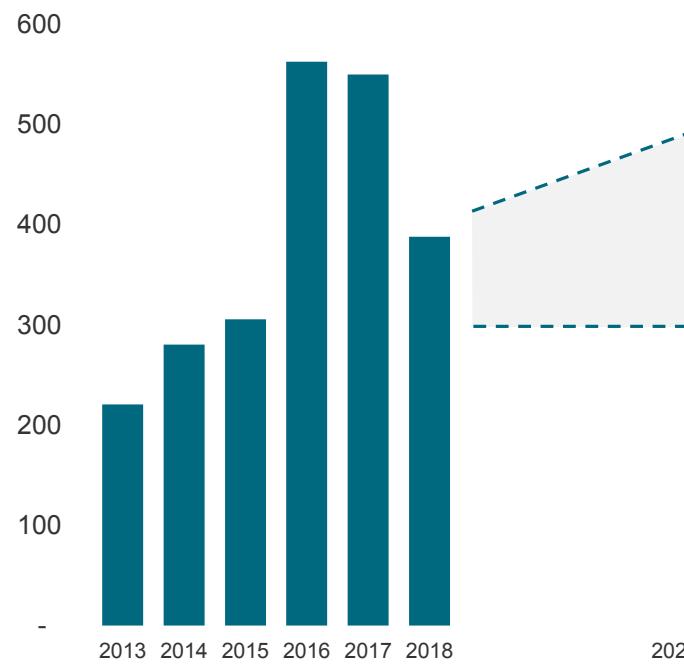
- ~NOK 5 billion of the order book is remaining revenue in projects that are not expected to generate profits
 - 50/50-split Building Construction and Civil Engineering
 - ~10% of total orders in Building Construction and ~30% of total orders in Civil Engineering
- Approx. NOK 23 billion of the order book is scheduled for delivery over the next 12 months
 - ~NOK 4 billion from projects that will not deliver profits

We aim for significantly improved results

Safeguard results to 2020 – higher ambitions for 2022

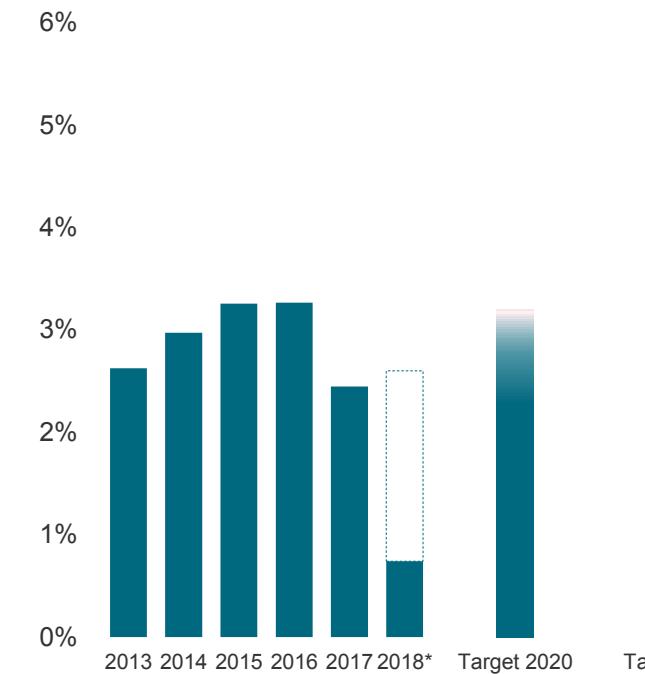
Property development

Profit before tax, NOK million



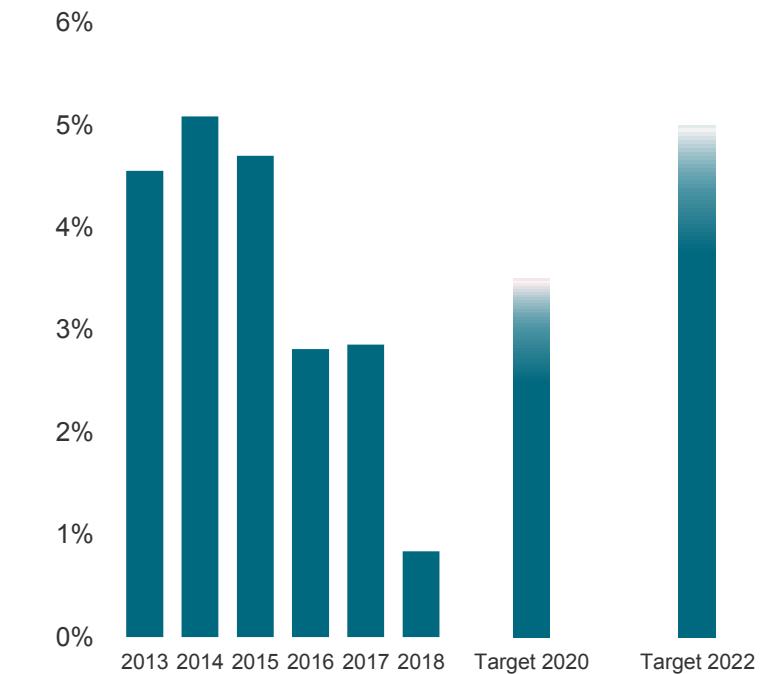
Construction

Profit before tax, %



Industrial

Profit before tax, %



Financial capacity and flexibility

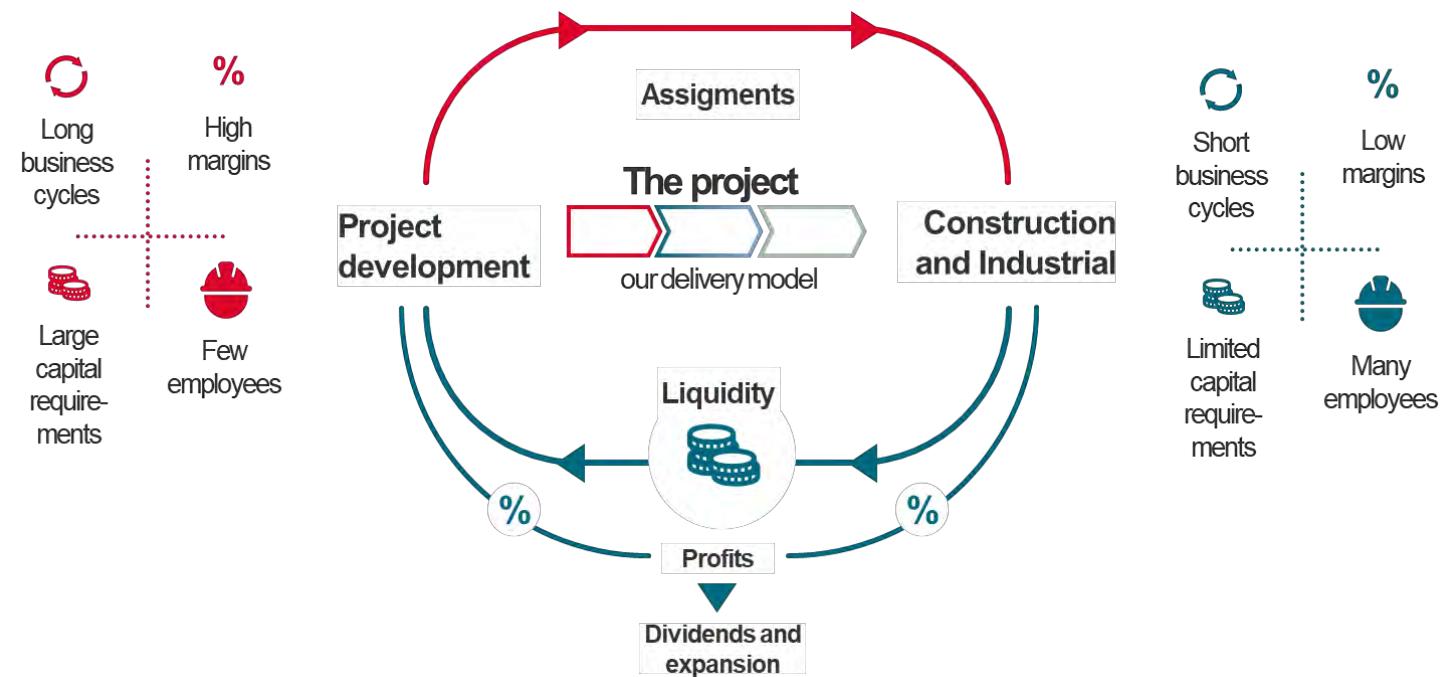
Reaching targets with healthy balance sheet and attractive dividends



The financing model

Challenged by capital requirements and low profits

- The cash flows from building construction projects create a significant liquidity position we can manage through good project development
- This financing model has been challenged by increased capital in Civil Engineering and Industrial and the size and scope of capital requirements in project development



Increased capital efficiency

Reduced capital requirements unties liquidity

- Room for significant reduction of both fixed and current assets
 - Reducing receivables in Civil Engineering Norway
 - Reducing machinery fleet in Civil Engineering and Industrial
 - Lower net capital expenditure – from NOK 1.2 bn in 2018 to NOK 500-600 million in 2019
- Higher turnover in the property portfolio
 - Reduce capital requirements through transactions and more partnerships
- Targeting total reduction of capital requirements of NOK 2-3 billion from the current level

Target: Slimmer balance sheet – higher capital efficiency

NOK billion

20

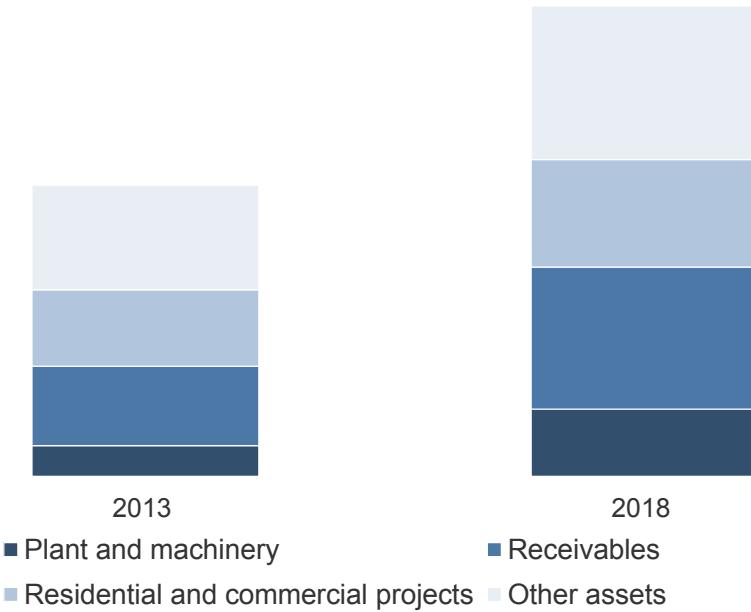
15

10

5

2013

2018



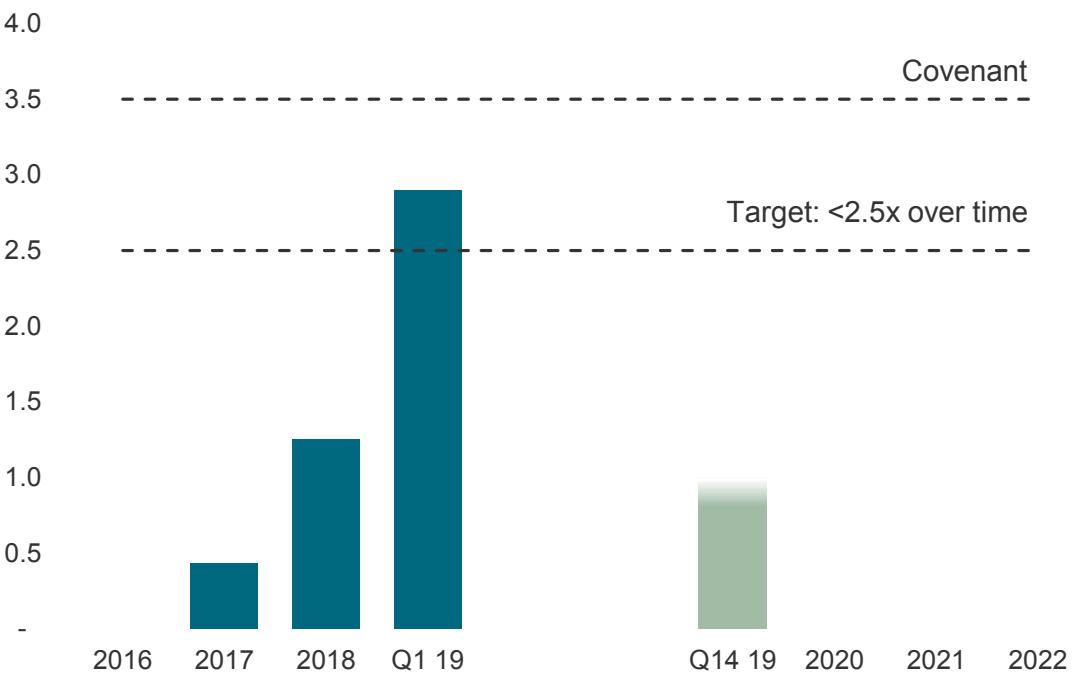
Aims to retain “*Investment grade*”

Veidekke shall be a solid company

- Net interest bearing debt to EBITDA should be below 2.5x over time
- Expecting significant improvement from high level in Q1 2019
 - Large land investments and low season in Q1
 - EBITDA last 12 months includes major write-downs in Q2 2018
 - Positive cash flow expected in the second half of 2019

Net interest bearing debt / EBITDA (12 m)

Expects to satisfy requirements with solid margin



Veidekke aims to offer attractive dividends over time

70% pay-out ratio past five years

Our dividend policy stands firm

- Veidekke will provide shareholders competitive returns as a combination of dividends and return of shares
- Dividends shall represent at least 50% of the company's net result for the year
- Nominal dividend to increase with increasing profits

Dividend and pay-out ratio





Carbon Disclosure Project

The international non-profit organisation CDP has given Veidekke «A»-rating for the company's work on climate reporting. Veidekke is the only Norwegian construction company on the organisation's A-list



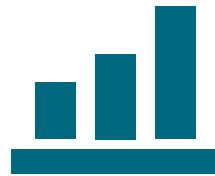
Arne Giske, CEO
Capital Markets Update 2019



Photo: Mdh arkitekter sa

Veidekke's ambitions towards 2022

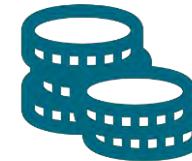
Profitability before growth - maintain attractive dividend



Revenue growth

3-5%

p.a.



Margin 2022

>4.5%

before tax



Dividends

>50%

of net results



Serious injuries

0