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# Presentation 2<sup>nd</sup> quarter 2019

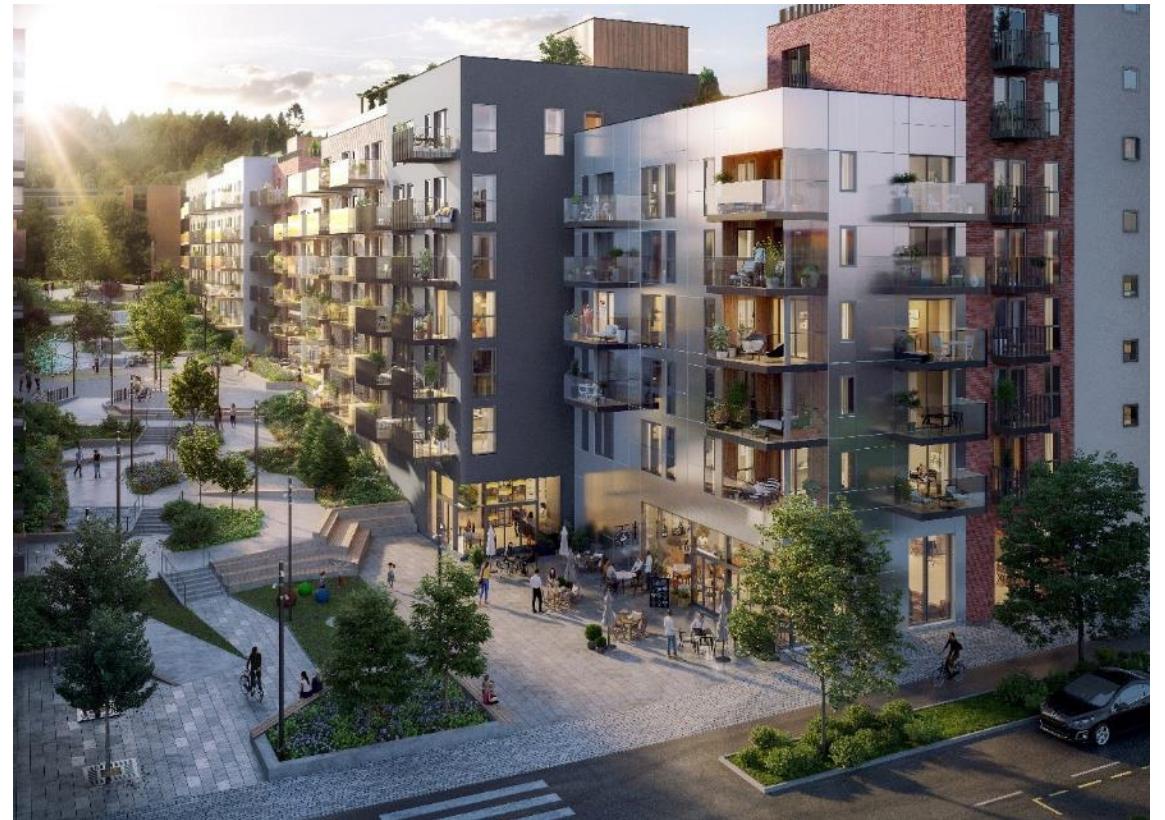
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15 August 2019

Arne Giske, CEO, and Terje Larsen, CFO

# Highlights 2<sup>nd</sup> quarter 2019

- Improvement initiatives continue
- Improved margin and results
- Increased order book
- A stable residential market in Norway and signs of improvements in Sweden

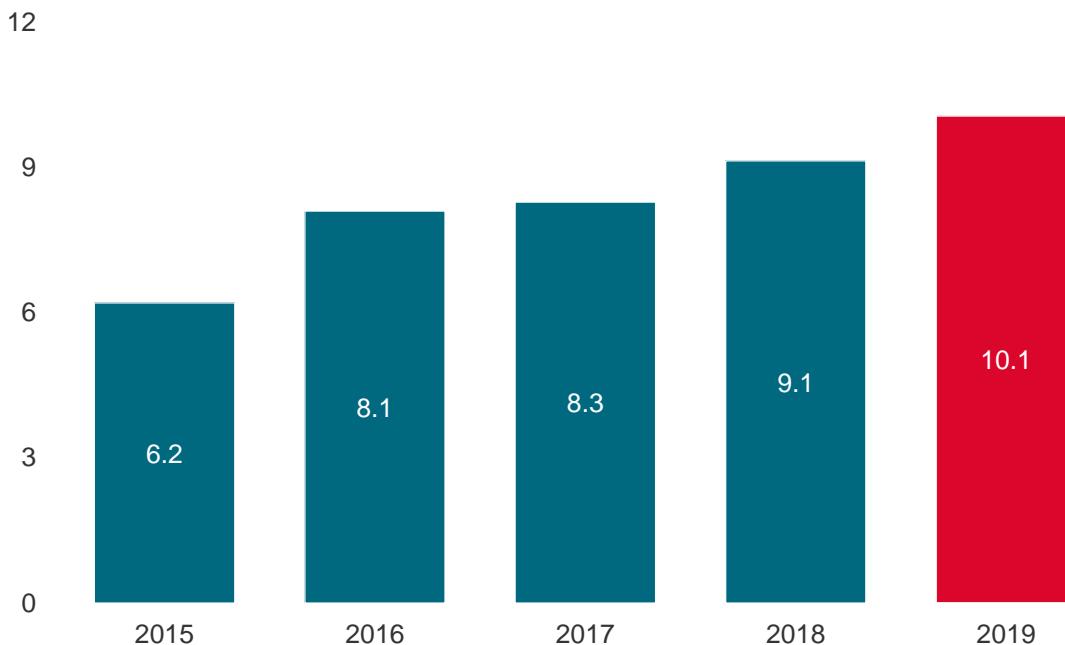


Veidekke is building the second stage of Frysjaparken residential project in Oslo for OBOS Nye Hjem and Stor-Oslo Eiendom

# Revenue and earnings 2<sup>nd</sup> quarter

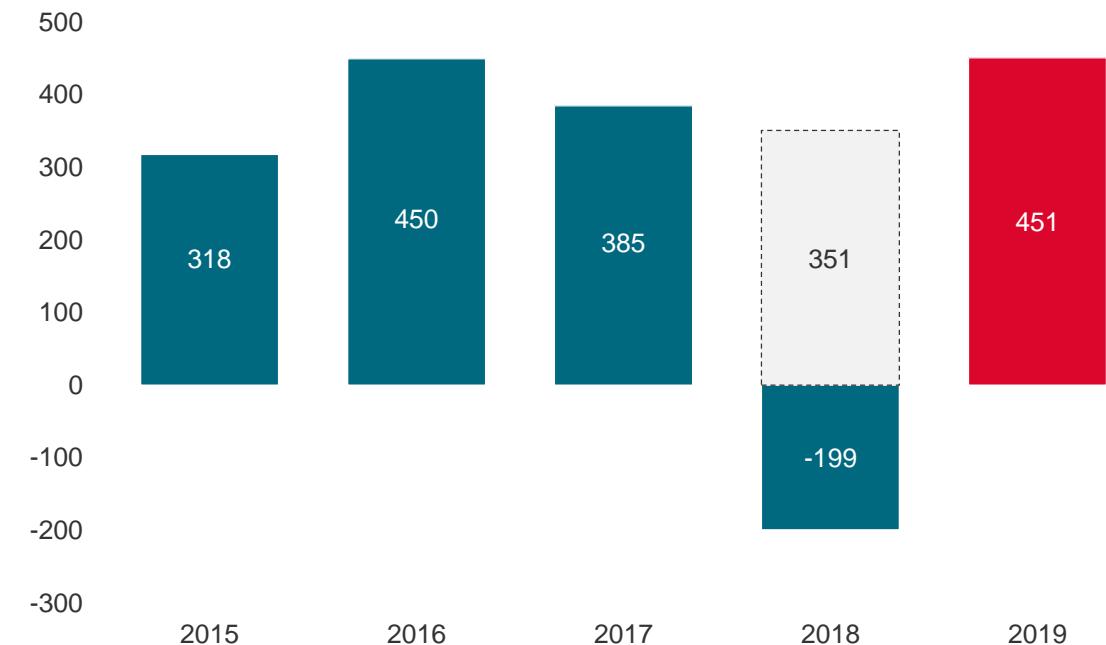
## 2<sup>nd</sup> quarter: Revenue

NOK billion



## 2<sup>nd</sup> quarter: Profit before tax

NOK million

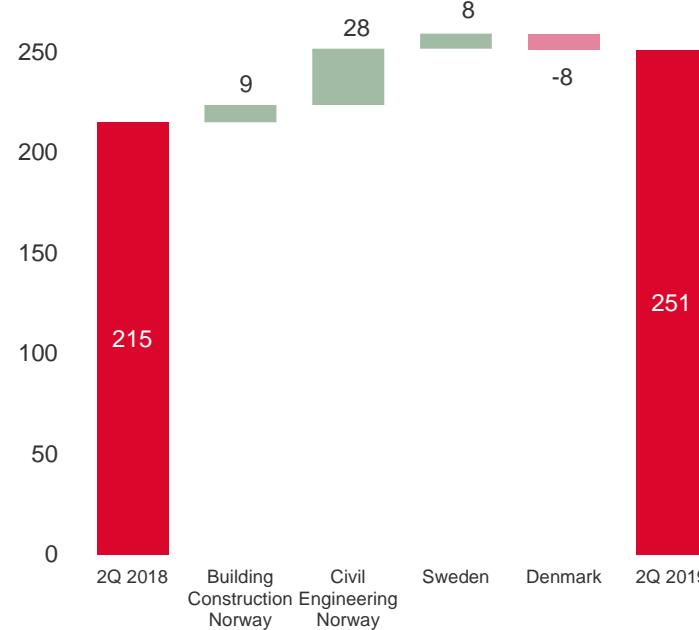


Q2 2018 includes NOK 550 million write-downs in Civil Engineering Norway

# Profit before tax 2<sup>nd</sup> quarter per business area

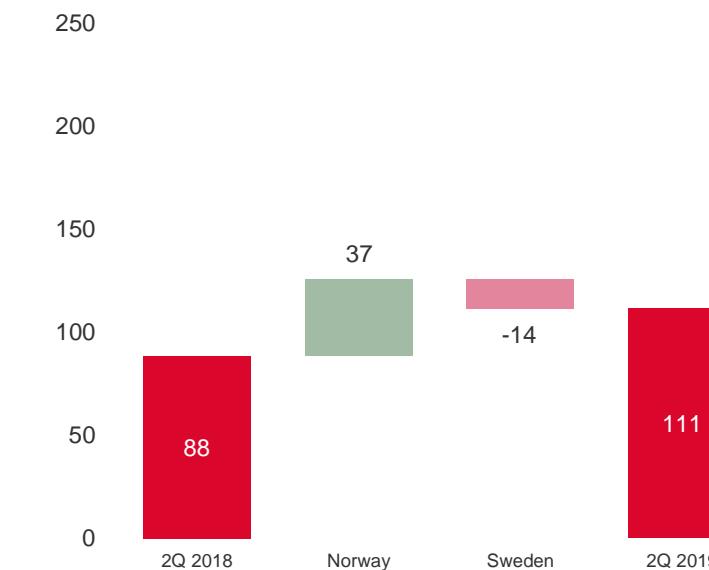
## Construction\*

NOK million



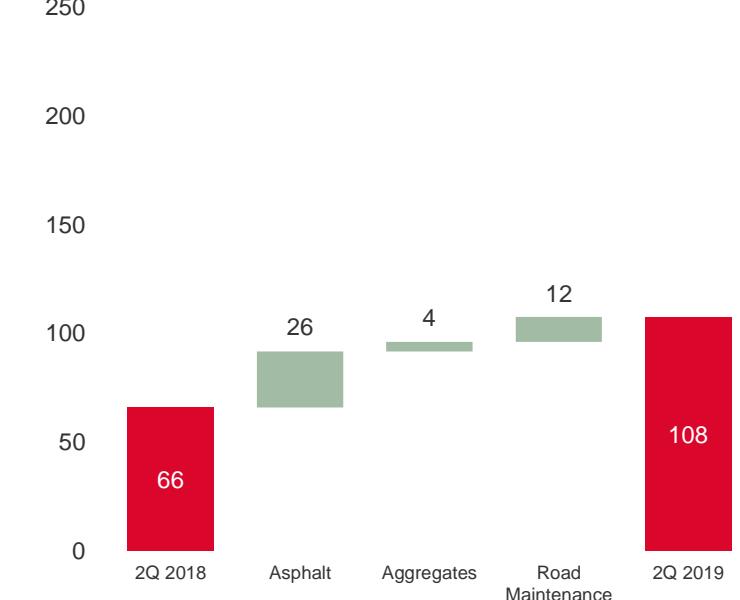
## Property Development

NOK million



## Industrial

NOK million



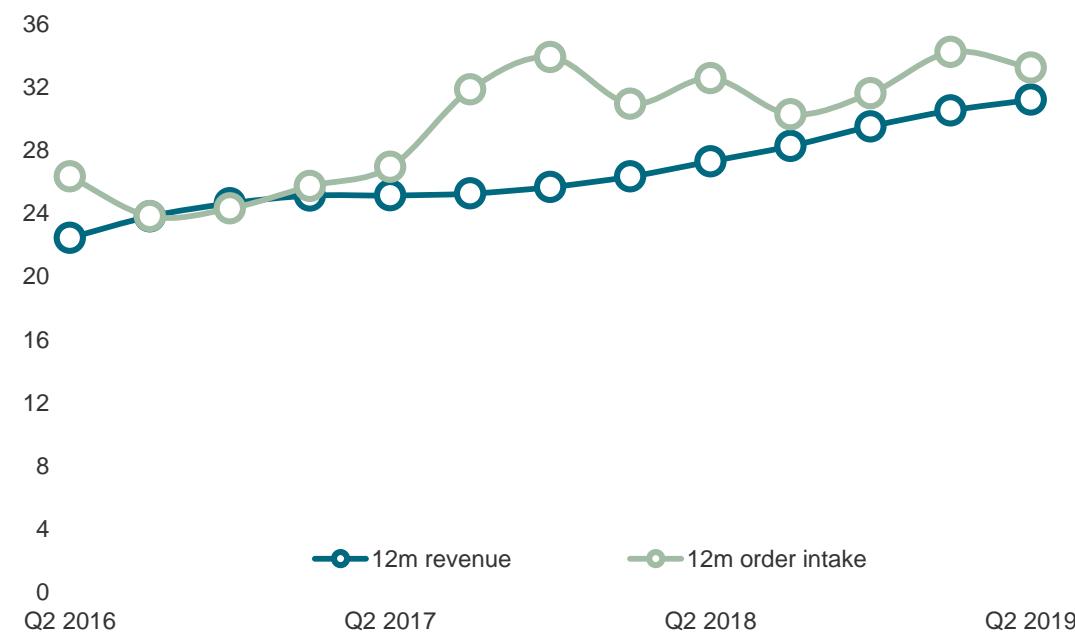
\*Excluding NOK 550 million write-downs in Civil Engineering Norway in Q2 2018

# Order intake segment breakdown Construction

## Growing and diversified product portfolio

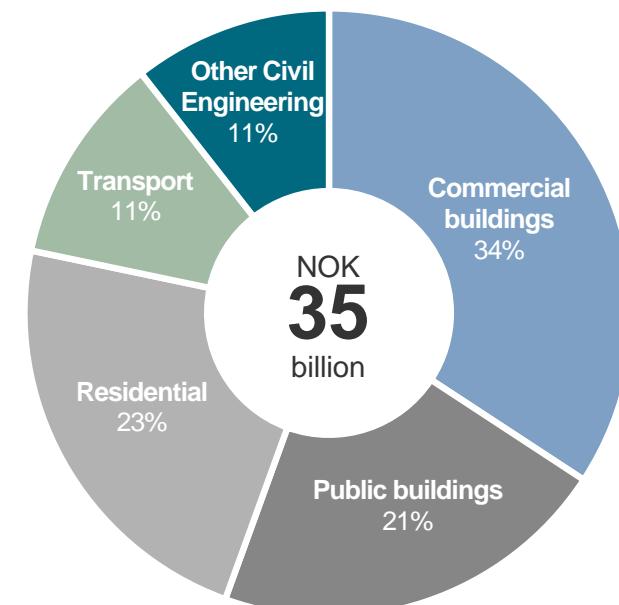
### Revenue and order intake

NOK billion – “Book-to-bill ratio” 1.07



### Order book per product

Strong focus on commercial and public buildings

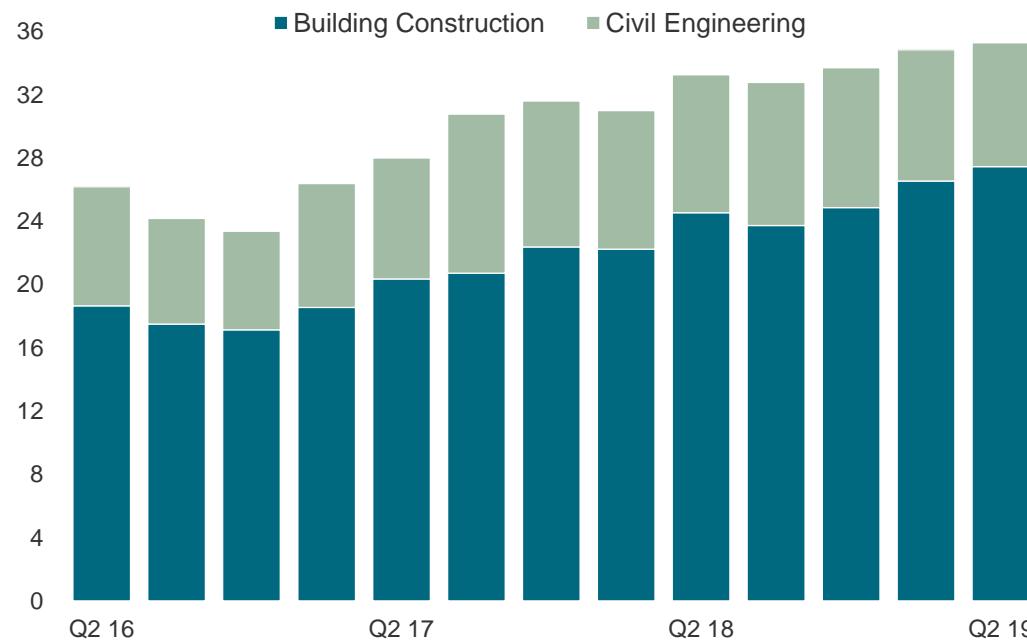


# Order book Construction

## Project portfolio in excess of NOK 35 billion

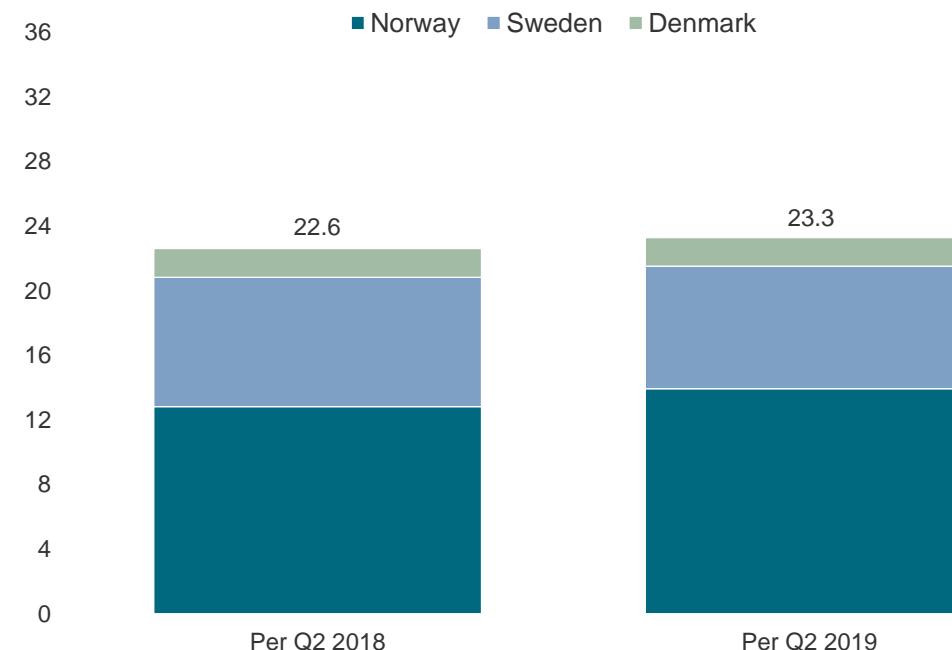
### Order book\*

NOK billion



### Orders in revenue next 12 months

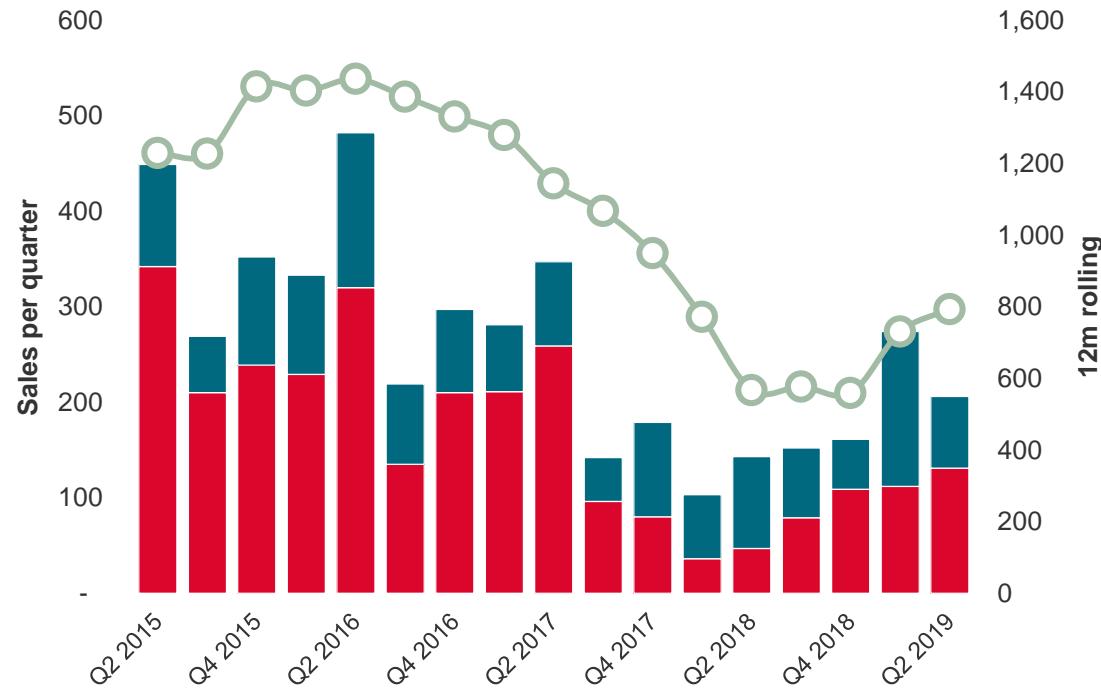
NOK billion



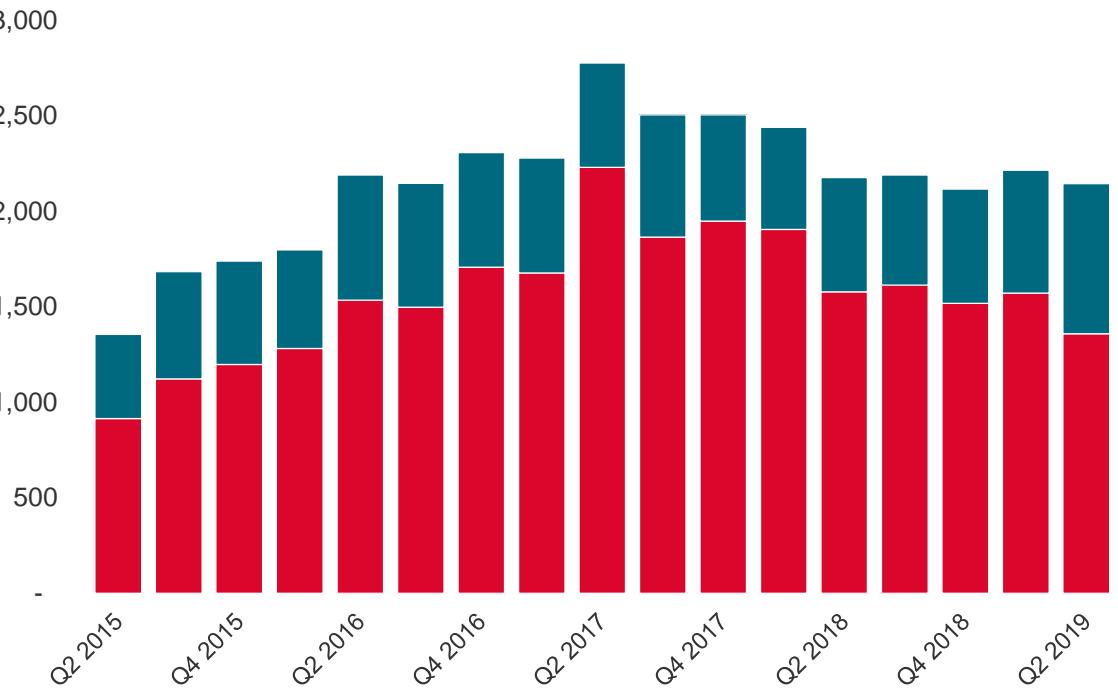
\*Remaining revenue in projects that are not expected to generate profit comprises approx. NOK 3.7 billion of the order book

# Residential sales and construction

No. of units sold\*



Units under construction\*

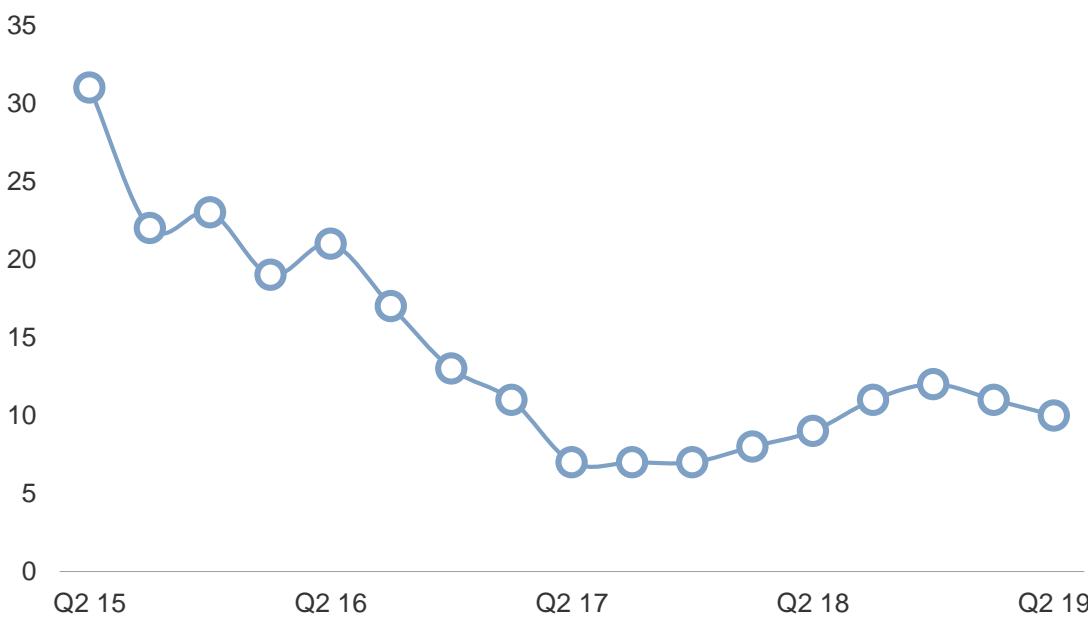


\*Veidekke's share

# Occupational health and safety

## Number of serious injuries

12-month rolling; Veidekke employees, hired staff and sub-contractors



Veidekke markerte 2.000 arbeidsdager uten fraværsskader på Gartnerkvartalet



Facsimile from [www.bygg.no](http://www.bygg.no)



# Results Segments and group

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Terje Larsen, CFO  
2<sup>nd</sup> quarter 2019

# Business areas 2<sup>nd</sup> quarter

Amounts in NOK million	2nd quarter 2019			2nd quarter 2018		
	Revenue	Profit	Margin	Revenue	Profit	Margin
Building Construction Norway	3 518	131	3.7%	3 449	122	3.5%
Civil Engineering Norway	1 258	16	1.2%	928	-562	-60.5%
Construction Sweden	2 762	72	2.6%	2 511	64	2.5%
Construction Denmark	600	33	5.4%	581	41	7.0%
<b>Total Construction</b>	<b>8 139</b>	<b>251</b>	<b>3.1%</b>	<b>7 469</b>	<b>-335</b>	<b>-4.5%</b>
Property Development Norway	316	73		157	35	-
Property Development Sweden	435	39		625	53	-
<b>Total Property Development</b>	<b>750</b>	<b>111</b>		<b>782</b>	<b>88</b>	-
<b>Industrial</b>	<b>1 499</b>	<b>108</b>	<b>7.2%</b>	<b>1 339</b>	<b>66</b>	<b>4.9%</b>
Other	-324	-18		-441	-18	-
<b>Total Group</b>	<b>10 064</b>	<b>451</b>	<b>4.5%</b>	<b>9 148</b>	<b>-199</b>	<b>-2.2%</b>

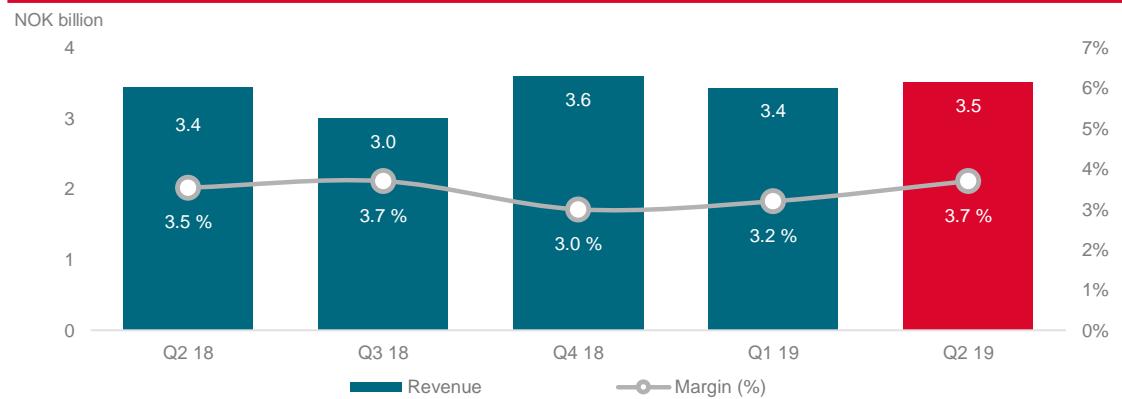
# Building Construction Norway

## 2ND QUARTER 2019

- Revenue on a par with last quarter and 2nd quarter 2018
- Increased result and margin
  - The majority of profits generated by operations in central east Norway
  - Performance improvement from a year ago is primarily attributable to increased profitability of operations in southwest Norway
- Improvement work and restructuring
  - Closing business in Bodø
- Strong order book
  - New contracts in the main segments, especially in residential

NOK million	2 <sup>nd</sup> quarter		YTD	
	2019	2018	2019	2018
Revenue	3 518	3 449	6 908	6 467
Profit before tax	131	122	241	224
Profit margin	3.7%	3.5%	3.5%	3.5%

## REVENUE AND MARGIN



## ORDER BOOK AND ORDER INTAKE



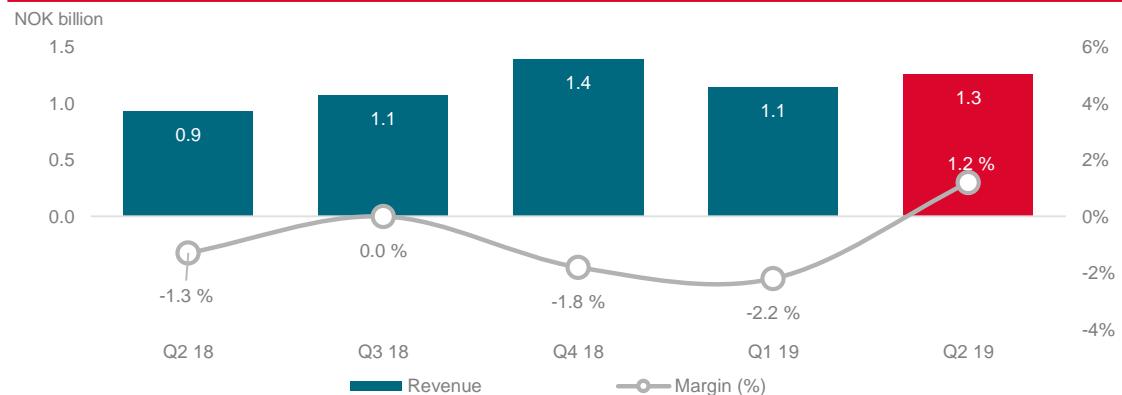
# Civil Engineering Norway

## 2ND QUARTER 2019

- High level of activity in ongoing transport projects
- The profitability of the project portfolio is weak
  - Several ongoing large-scale projects were written down in 2018 and do not generate positive results
  - Execution of the large projects according to plan
  - Comprehensive measures have been implemented
- Selective bidding resulted in low order intake in the quarter
  - Good market conditions and several contracts to be clarified

NOK million	2 <sup>nd</sup> quarter		YTD	
	2019	2018	2019	2018
Revenue	1 258	928	2 401	1 937
Profit before tax	16	-562	-10	-559
Profit margin	1.2%	-60.5%	-0.4%	-28.9%

## REVENUE AND MARGIN\*



## ORDER BOOK AND ORDER INTAKE



\*Margin in the chart is exclusive of NOK 550 million write-down in Q2 2018

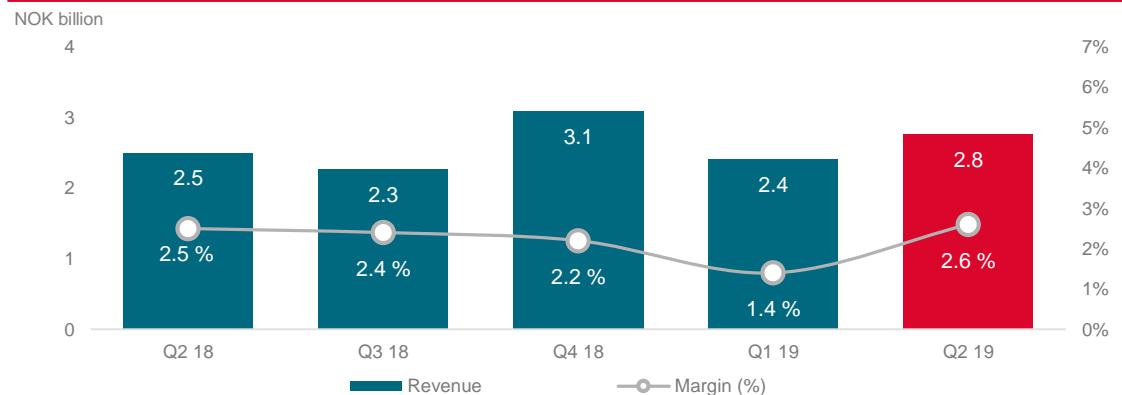
# Construction Sweden

## 2ND QUARTER 2019

- Revenue growth
  - Growth in both building construction and civil engineering
  - Lower activity level in residential
- Higher result and margin
  - High level of activity and improved profitability for non-residential buildings in both Stockholm and Gothenburg
- Stable order book
  - Non-residential buildings and civil engineering have good order intake

NOK million	2 <sup>nd</sup> quarter		YTD	
	2019	2018	2019	2018
Revenue	2 762	2 511	5 171	4 479
Profit before tax	72	64	105	92
Profit margin	2.6%	2.5%	2.0%	2.1%

## REVENUE AND MARGIN



## ORDER BOOK AND ORDER INTAKE



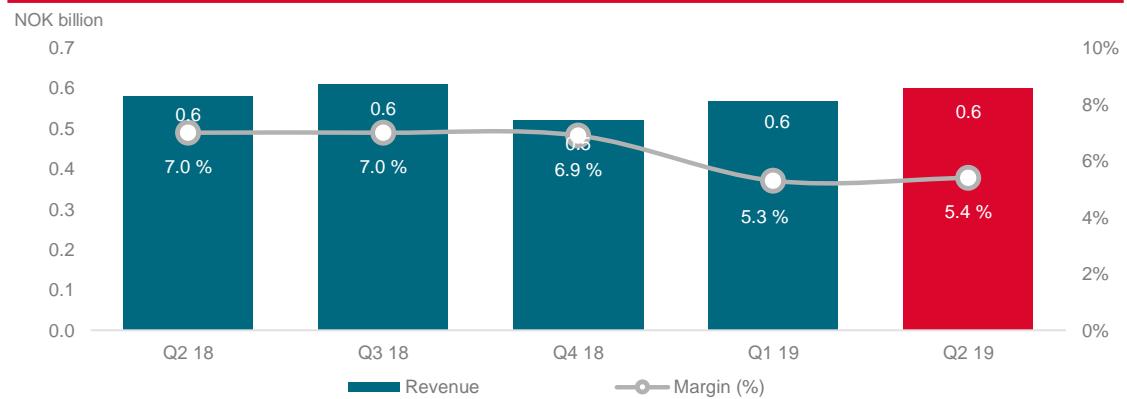
# Construction Denmark

## 2<sup>ND</sup> QUARTER 2019

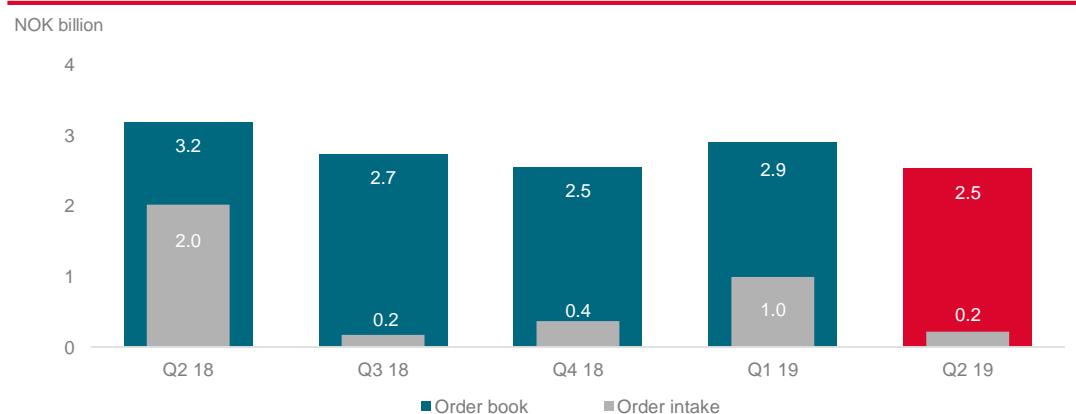
- Stable revenue
  - Still high level of activity in the Copenhagen area
- Solid overall project profitability in the portfolio
- Strong order book
  - No new large contracts in 2<sup>nd</sup> quarter

NOK million	2 <sup>ND</sup> quarter		YTD	
	2019	2018	2019	2018
Revenue	600	581	1 169	1 086
Profit before tax	33	41	63	67
Profit margin	5.4%	7.0%	5.4%	6.2%

## REVENUE AND MARGIN



## ORDER BOOK AND ORDER INTAKE



# Property Development Norway

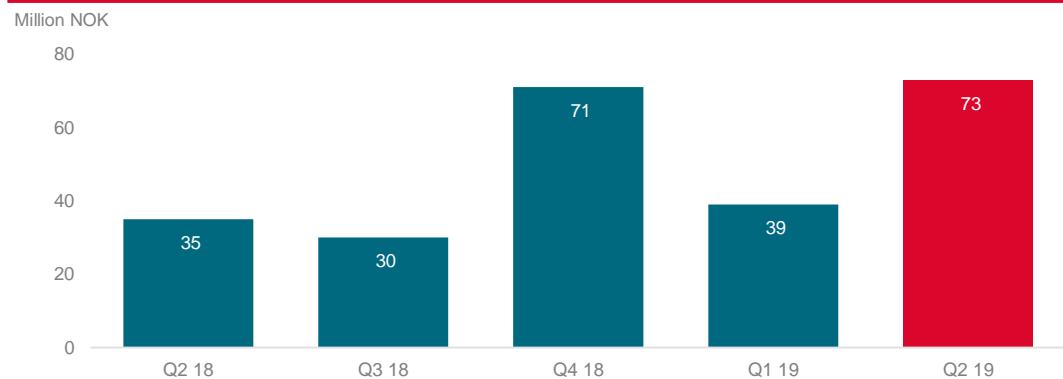
## 2<sup>ND</sup> QUARTER 2019

- A good result
  - Good sales in ongoing projects, especially in Oslo
  - Development gain of NOK 43 million from sale of a residential project
- Increase in residential production
  - Construction started on five projects with 190 residential units
- 119 units in three projects were released for sale in the quarter
- Return on invested capital\* 9.4%

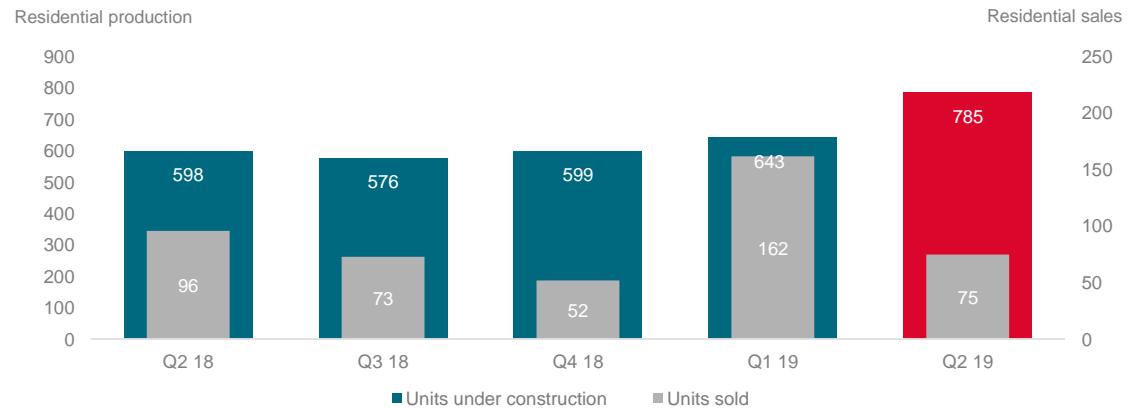
	2 <sup>ND</sup> quarter		YTD	
	2019	2018	2019	2018
Profit before tax (NOK million)	73	35	111	62
Number of units sold	75	96	237	163
Numbers of units started	190	217	234	226
Units under construction	785	598	785	598
Sales ratio (units under construction)	71%	75%	71%	75%

Figures in table denote Veidekke's share \*Return past 12 months

## PROFIT BEFORE TAX



## RESIDENTIAL SALES & PRODUCTION, VEIDEKKE'S SHARE (NO. OF UNITS)



# Property Development Sweden

## 2ND QUARTER 2019

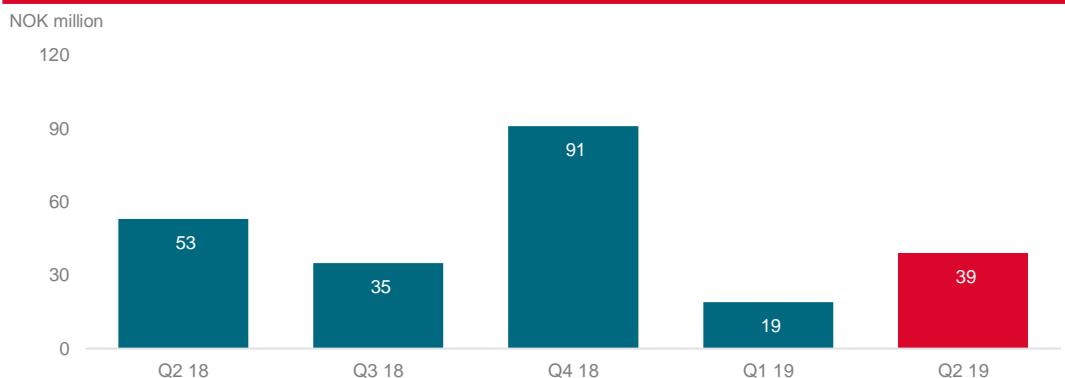
- Increased residential sales
  - Small houses are selling very well, and demand for new residential units is strong in both Gothenburg and Malmö
  - Stockholm market remains cautious, but signs of improvement are emerging
- Result at a moderate level; production decreasing
- 198 units in five projects were released for sale in the quarter
  - Three in the Malmö region, one in Uppsala and one in Gothenburg
- Return on invested capital\* 12.5%

	2 <sup>nd</sup> quarter		YTD	
	2019	2018	2019	2018
Profit before tax (NOK million)	39	53	57	98
Number of units sold	131	47	243	83
Numbers of units started	-	147	91	147
Units under construction	1 359	1 578	1 359	1 578
Sales ratio (units under construction)	91%	81%	91%	81%

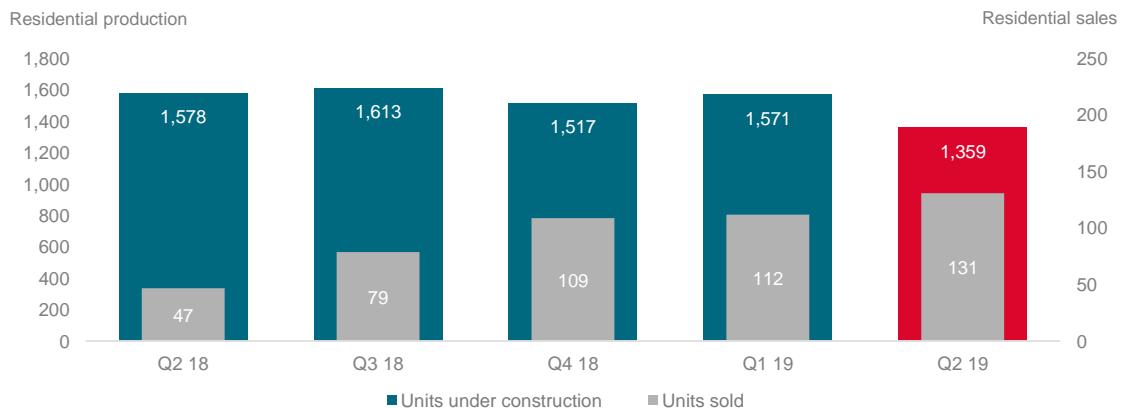
Figures in table denote Veidekke's share

\*Return past 12 months

## PROFIT BEFORE TAX



## RESIDENTIAL SALES & PRODUCTION, VEIDEKKE'S SHARE (NO. OF UNITS)



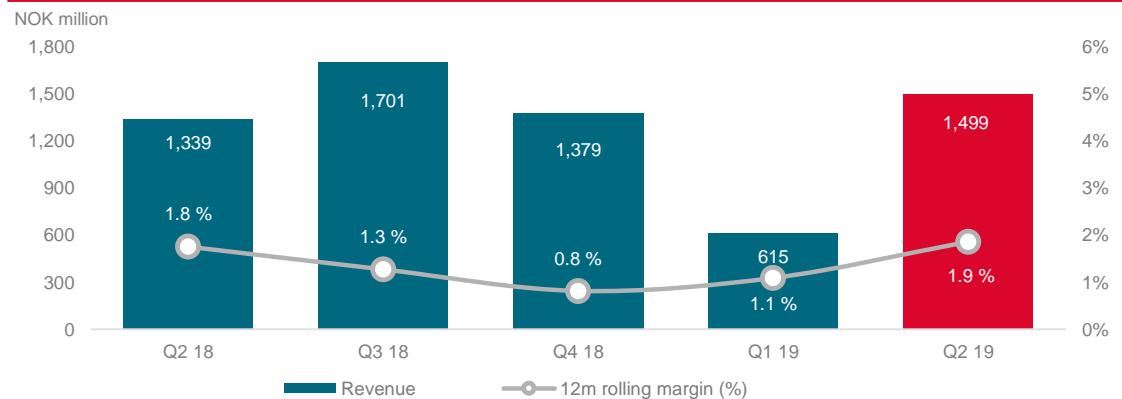
# Industrial

## 2<sup>ND</sup> QUARTER 2019

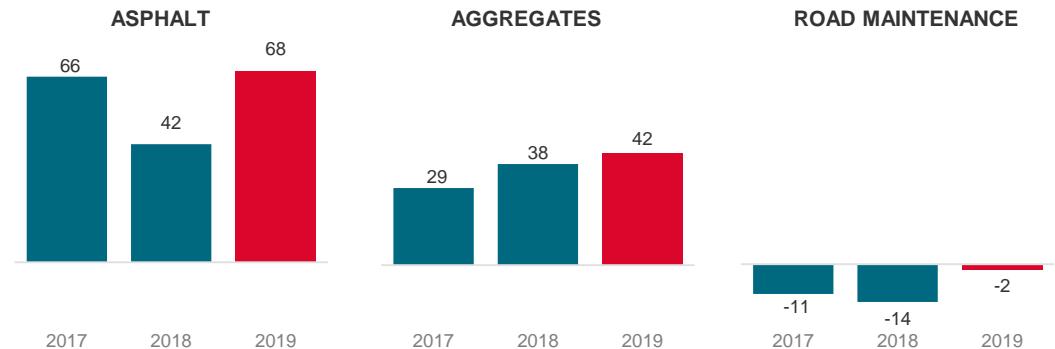
- Asphalt: Result improvement
  - Changed pricing strategy and cost control
- Aggregates: A good result
  - Increased level of activity and good product mix
- Road Maintenance: Result improvement
  - Good profitability in more recent contracts

NOK million	2 <sup>nd</sup> quarter		YTD	
	2019	2018	2019	2018
Revenue	1 499	1 339	2 113	1 814
Profit before tax	108	66	-95	-151
Profit margin	7.2%	4.9%	-4.5%	-8.3%

## REVENUE AND 12M MARGIN\*



## PROFIT BEFORE TAX 2<sup>ND</sup> QUARTER



\*Margin shown in the graph is exclusive of a development gain of NOK 70 million in Q4 2017

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# Financial Statements

## IFRS

# Income statement (IFRS)

Amounts in NOK million	2nd quarter		Full year
	2019	2018	2018
<b>Revenue</b>	<b>10 031</b>	<b>9 465</b>	<b>35 667</b>
Operating expenses	-9 405	-9 531	-34 656
Share of net income from associates and JVs	56	55	163
Depreciation/impairment	-214	-143	-594
<b>Operating profit</b>	<b>469</b>	<b>-154</b>	<b>580</b>
Net financial income	1	7	21
<b>Profit before tax</b>	<b>470</b>	<b>-146</b>	<b>602</b>
Income tax expense	-70	11	-28
<b>Profit after tax</b>	<b>399</b>	<b>-135</b>	<b>574</b>
Of which non-controlling interests	16	9	34
<b>Profit after tax (net)</b>	<b>384</b>	<b>-144</b>	<b>540</b>
<b>Earnings per share (NOK)</b>	<b>2.9</b>	<b>-1.1</b>	<b>4.0</b>
<b>Profit before tax, segment</b>	<b>451</b>	<b>-199</b>	<b>591</b>

IFRS 16 implemented as of 1 January 2019 and historical figures have not been adjusted. See note 18 in Veidekke's quarterly report for further details.

# Balance sheet – Assets

Amounts in NOK million	30.06.2019	30.06.2018	31.12.2018
Goodwill and other intangible assets	1 926	1 834	1 957
Deferred tax assets	-	19	-
Land and buildings	1 312	703	646
Plant and machinery	2 765	2 480	2 694
Investments in associates and joint ventures	1 403	1 452	1 433
Financial assets	527	572	508
<b>Total non-current assets</b>	<b>7 933</b>	<b>7 060</b>	<b>7 238</b>
Non-residential and residential projects	5 588	3 738	4 309
Inventories	637	641	564
Trade and other receivables	7 870	7 213	6 527
Cash and cash equivalents	181	583	197
<b>Total current assets</b>	<b>14 275</b>	<b>12 174</b>	<b>11 597</b>
<b>Total assets</b>	<b>22 208</b>	<b>19 234</b>	<b>18 835</b>

IFRS 16 implemented as of 1 January 2019 and historical figures have not been adjusted. See note 18 in Veidekke's quarterly report for further details.

# Balance sheet – Equity and liabilities

Amounts in NOK million

	30.06.2019	30.06.2018	31.12.2018
<b>Equity</b>	<b>3 453</b>	<b>3 133</b>	<b>3 983</b>
Pensions and deferred tax liabilities	837	920	846
Bonds	1 600	1 600	1 600
Amounts due to credit institutions	2 001	1 643	248
Other non-current liabilities	1 026	365	414
<b>Total non-current liabilities</b>	<b>5 464</b>	<b>4 527</b>	<b>3 108</b>
Bond debt and debt to credit institutions	1 036	25	36
Trade payables and warranty provisions	7 195	6 853	6 989
Public duties and taxes payable	1 098	1 019	867
Other current liabilities	3 962	3 677	3 852
<b>Total current liabilities</b>	<b>13 291</b>	<b>11 574</b>	<b>11 744</b>
<b>Total equity and liabilities</b>	<b>22 208</b>	<b>19 234</b>	<b>18 835</b>
<b>Net interest-bearing debt</b>	<b>-4 268</b>	<b>-2 458</b>	<b>-1 470</b>

IFRS 16 implemented as of 1 January 2019 and historical figures have not been adjusted. See note 18 in Veidekke's quarterly report for further details.

# Cash flow statement

Amounts in NOK million	Per 2Q 2019				Per 2Q 2018	
	Construction	Property Development	Industrial	Other <sup>1)</sup>	Group	Group
<b>Profit before tax</b>	<b>399</b>	<b>169</b>	<b>-95</b>	<b>-117</b>	<b>356</b>	<b>-213</b>
Depreciation/impairment	269	1	129	28	428	281
Other working capital	-689	-1 422	-348	3	-2 455	-142
<b>Cash flow from operating activities</b>	<b>-20</b>	<b>-1 253</b>	<b>-313</b>	<b>-85</b>	<b>-1 671</b>	<b>-73</b>
Acquisition/disposal of PP&E	-138	-21	-95	-	-253	-478
Other investing activities	15	12	-1	-50	-25	-258
<b>Cash flow from investing activities</b>	<b>-123</b>	<b>-9</b>	<b>-96</b>	<b>-50</b>	<b>-278</b>	<b>-736</b>
Dividend paid	-	-	-	-669	-669	-668
Other financial items	-109	-52	-34	15	-180	-217
<b>Cash flow from financing activities</b>	<b>-109</b>	<b>-52</b>	<b>-34</b>	<b>-653</b>	<b>-849</b>	<b>-885</b>
<b>Change in net interest-bearing position</b>	<b>-253</b>	<b>-1 314</b>	<b>-443</b>	<b>-788</b>	<b>-2 798</b>	<b>-1 694</b>
<b>Invested capital at 30 June<sup>2)</sup></b>		<b>6 110</b>	<b>1 759</b>		<b>8 053</b>	<b>6 373</b>

<sup>1</sup>Includes IFRS adjustment and group eliminations

<sup>2</sup>Invested capital only calculated for the capital-intensive business areas Property Development and Industrial

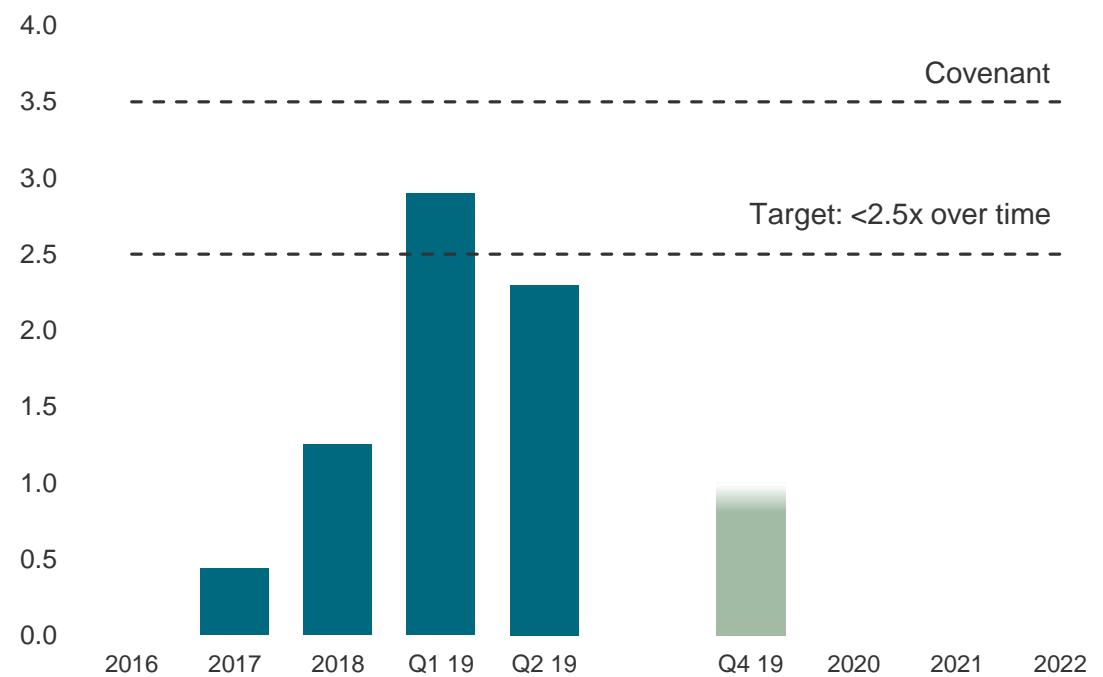
# Veidekke shall be a solid company

## Significant ratio improvement expected

- Significant improvement expected in second half of 2019
  - Large land investments and low season in first half of 2019
  - Increased cash flow expected in second half of 2019
- Veidekke has solid long-term financing
  - At the end of the quarter, undrawn bank facilities amounted to NOK 1.7 billion

### Net interest bearing debt/EBITDA (12m)

Expect to satisfy requirements with solid margin



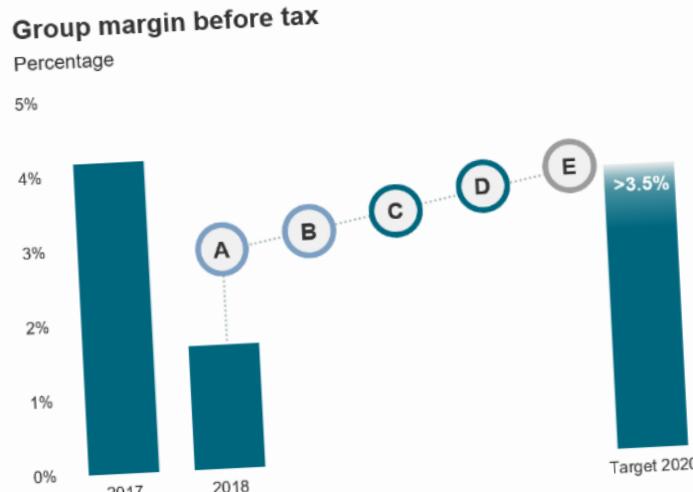


# Concluding remarks

Arne Giske, CEO  
2<sup>nd</sup> quarter 2019

# Efforts to improve profitability continue

**Safeguarding results to increase margins in 2020**  
Necessary and vigorous adaptation to a changing market



- (A) Civil Engineering Norway: Write-downs 2018
- (B) Civil Engineering Norway: Portfolio changes and cost adjustments
- (C) Building Construction Norway: From generalist to product specialist
- (D) Building Construction Stockholm: Improved residential construction and portfolio adjustments
- (E) Industrial: Asphalt tender calculations, improved planning and increased road maintenance results

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# Positive outlook in our main markets



## CONSTRUCTION MARKET



- High growth in public buildings markets
- Stable civil engineering market
- Expected total growth 0-2% p.a.



- High growth in public and commercial buildings markets
- Growing civil engineering market
- Expected total growth 4-5% p.a.



- Moderate growth in commercial buildings market
- Expected total growth 2-4% p.a.



## RESIDENTIAL MARKET

- Good sales of new residential units in urban areas so far this year, especially in Oslo
- Expect good demand to continue

- The market is on the mend and has clearly passed the low point
- Stockholm market is showing signs of improvement

# Veidekke's ambitions towards 2022

## Increased profitability and attractive dividend



Revenue growth

**3–5%**

p.a.



Margin 2022

**>4.5%**

before tax



Dividends

**>50%**

of net results



Serious injuries

**0**

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# Appendix

# Business areas first six months

Amounts in NOK million	First six months 2019			First six months 2018		
	Revenue	Profit	Margin	Revenue	Profit	Margin
Building Construction Norway	6 908	241	3.5%	6 467	224	3.5%
Civil Engineering Norway	2 401	-10	-0.4%	1 937	-559	-28.9%
Construction Sweden	5 171	105	2.0%	4 479	92	2.1%
Construction Denmark	1 169	63	5.4%	1 086	67	6.2%
<b>Total Construction</b>	<b>15 649</b>	<b>399</b>	<b>2.5%</b>	<b>13 969</b>	<b>-176</b>	<b>-1.3%</b>
Property Development Norway	558	111		310	62	
Property Development Sweden	910	57		1 105	98	
<b>Total Property Development</b>	<b>1 468</b>	<b>169</b>		<b>1 415</b>	<b>160</b>	
<b>Industrial</b>	<b>2 113</b>	<b>-95</b>	<b>-4.5%</b>	<b>1 814</b>	<b>-151</b>	<b>-8.3%</b>
Other	-636	-42		-943	-44	
<b>Total Group</b>	<b>18 595</b>	<b>431</b>	<b>2.3%</b>	<b>16 255</b>	<b>-210</b>	<b>-1.3%</b>

# Residential portfolio

Property Development Residential portfolio - Veidekke's share	Under construction 31.12.2017	Completed 2018	Building starts 2018	Under construction 31.12.2018	Completed 2019	Building starts 2019	Under construction 30.06.2019
<b>Construction - number of units</b>							
Norway	557	-343	385	599	-49	235	785
Sweden	1 948	-726	295	1 517	-249	91	1 359
<b>Total under construction</b>	<b>2 505</b>	<b>-1 069</b>	<b>680</b>	<b>2 116</b>	<b>-298</b>	<b>326</b>	<b>2 144</b>
<b>Of which sold</b>							
Norway	445			421			555
Sweden	1 631			1 276			1 239
<b>Total sold under construction</b>	<b>2 076</b>			<b>1 697</b>			<b>1 794</b>
Sales rate %	83 %			80 %			84 %
<b>Completed unsold units</b>							
Norway	19			20			17
Sweden	1			2			4
<b>Total completed unsold units</b>	<b>20</b>			<b>22</b>			<b>21</b>
<b>Number of projects under construction</b>							
Norway	18	-11	9	16	-6	8	18
Sweden	27	-10	2	19	-5	3	17
<b>Total projects under construction</b>	<b>45</b>	<b>-21</b>	<b>11</b>	<b>35</b>	<b>-11</b>	<b>11</b>	<b>35</b>