



Annual and sustainability report 2019



CONTENTS

3 KEY FIGURES	36 ANNUAL FINANCIAL STATEMENT VEIDEKKE GROUP
4 This is Veidekke	36 Income statement group
6 Business areas	38 Statement of financial position group
12 Letter to shareholders	40 Statement of changes in equity group
14 2019 at a glance	41 Statement of cash flows group
18 The board of directors of Veidekke ASA	43 NOTES VEIDEKKE GROUP
20 The corporate management of Veidekke ASA	123 ANNUAL FINANCIAL STATEMENT VEIDEKKE ASA
22 THE BOARD OF DIRECTORS' REPORT	123 Income statement Veidekke ASA
23 Construction operations	124 Statement of financial position Veidekke ASA
25 Industrial	125 Statement of cash flows Veidekke ASA
25 Property development	126 NOTES VEIDEKKE ASA
27 Other operations	136 CORPORATE GOVERNANCE
25 Strategic objectives	144 AUDITOR'S REPORT
28 Organisation	148 SHAREHOLDER INFORMATION
29 Occupational health and safety	150 SUSTAINABILITY REPORT
30 External environment	152 Sustainability at Veidekke
30 Corporate governance	156 Health and safety
30 Executive remuneration and benefits	160 Expertise
30 Shareholder and stock exchange matters	166 Compliance
31 Financial situation and capital structure	169 Climate impact
31 Risk and uncertainties	176 Productivity
33 The market	178 Satisfied customers
34 Events after the balance sheet date	182 GRI index
34 The parent company Veidekke ASA	188 ARTICLES OF ASSOCIATION VEIDEKKE ASA
	189 VEIDEKKE'S HISTORY

KEY FIGURES¹⁾

Figures in NOK million	2019	2018	2017 ²⁾	2016 ³⁾	2015
Revenue, segment	38 779	35 584	31 438	30 137	24 509
Profit before tax, segment	941	591	1 311	1 460	1 043
Segment Construction	516	219	629	804	644
Segment Property Development	344	388	549	567	306
Segment Industrial	183	40	206	136	190
Segment Other/elimination	-102	-56	-73	-47	-97
Earnings per share, segment (NOK)	5.5	4.0	8.6	9.3	6.5
Dividend per share (NOK)	0	5.0	5.0	4.5	4.0
Profit margin, segment (%)	2.4	1.7	4.2	4.8	4.3
Revenue, IFRS ⁴⁾ , continued operations	36 569	33 974	31 175	28 613	24 225
EBITDA, IFRS, continued operations	1 482	740	1 844	1 520	1 316
EBIT, IFRS, continued operations	595	153	1 320	1 053	944
Profit before tax, IFRS, continued operations	596	195	1 327	1 092	950
Earnings per share, IFRS (NOK) ⁵⁾ , continued operations	3.0	0.9	8.8	6.6	5.7
Earnings per share, IFRS, continued operations and operations held for sale	4.6	4.0			
Net interest-bearing debt	2 653	1 470	764	0	606
Total order backlog	35 515	34 640	32 561	24 404	24 814

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) Pre-tax profit in the segment accounts for 2017 has been restated in accordance with the new revenue recognition standard IFRS 15, effective as of 1 January 2018.

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

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

5) No dilutive effect.

THIS IS VEIDEKKE

Veidekke is one of Scandinavia's largest construction and property development companies, and undertakes all types of building construction and civil engineering contracts, develops residential projects, maintains roads, and produces asphalt and aggregates.

In November 2019, Veidekke's board of directors decided to demerge the group's property development operation. Following the split, Veidekke will be a streamlined construction and industrial operation.

The group's priorities for the period to 2022 are to focus on profitability over growth and to pay attractive dividends to investors. Strategies have been adopted to achieve strong profitability and higher returns.

Veidekke's work methodology centres on involvement and cooperation. Project planning and execution occur in close consultation with customers and suppliers to facilitate

profitability, added customer value and stronger market position.

Veidekke is a knowledge business in a labour-intensive industry. The group's most important assets are its 8,600 staff and their expertise. High priority is therefore given to skills-building and new recruitment.

The group is working to reduce its climate footprint, with the aim of cutting its greenhouse gas emissions by 50% by 2030 and 90% by 2050. Veidekke reduced greenhouse gas emissions from its own operations by 4% from 2018 to 2019.

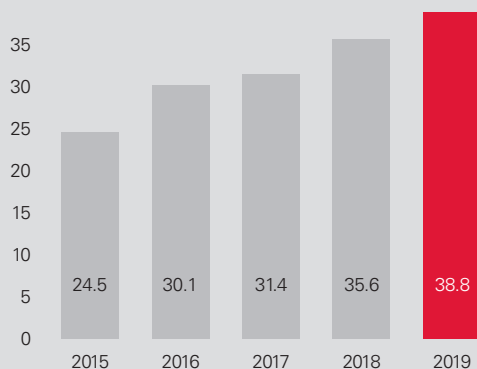
Veidekke ASA is headquartered in Oslo, and has a presence in all major growth regions in Norway, Sweden and Denmark. Veidekke is listed on the Oslo Stock Exchange, and half of its employees own shares in the company.

REVENUE
38.8
NOK BILLION

PRE-TAX PROFIT
0.9
NOK BILLION

ORDER BACKLOG
35.5
NOK BILLION

REVENUE
NOK BILLION



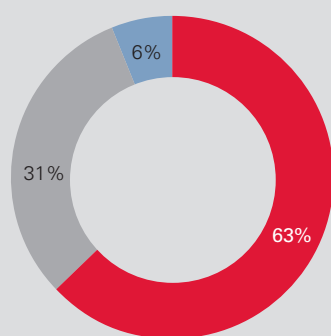
PRE-TAX PROFIT AND PROFIT MARGIN
NOK MILLION AND PER CENT



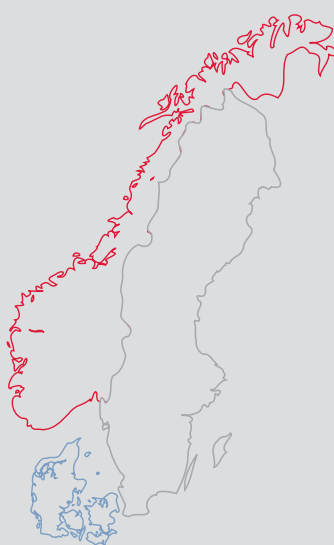
All figures are from the segment accounts.

GEOGRAPHICAL DISTRIBUTION

REVENUE BY COUNTRY



■ Norway ■ Sweden ■ Denmark



NUMBER OF EMPLOYEES

Norway	5 715
Sweden	2 380
Denmark	482
Total	8 577

SHARE OF REVENUE DISTRIBUTED BY BUSINESS AREA

BUILDING
CONSTRUCTION



57%

CIVIL ENGINEERING



22%

PROPERTY
DEVELOPMENT



8%

INDUSTRIAL

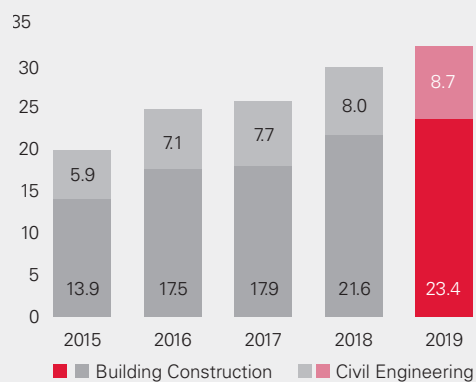


13%

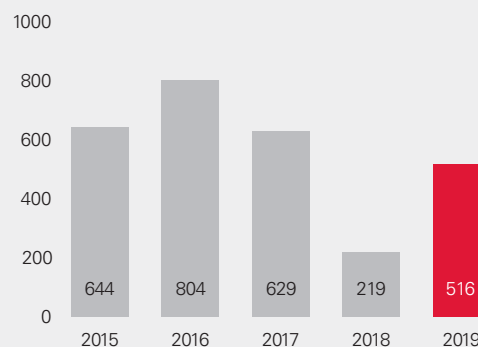
KEY FIGURES CONSTRUCTION OPERATIONS

NOK million	2019	2018	2017 ¹⁾	2016	2015
Revenue	32 158	29 569	25 674	24 629	19 795
Pre-tax profit	516	219	629	804	644
Profit margin	1.6	0.7	2.4	3.3	3.3
Order backlog	34 286	33 708	31 601	23 368	23 686

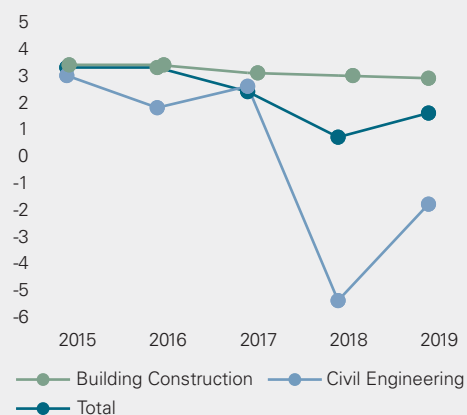
REVENUE¹⁾
NOK BILLION



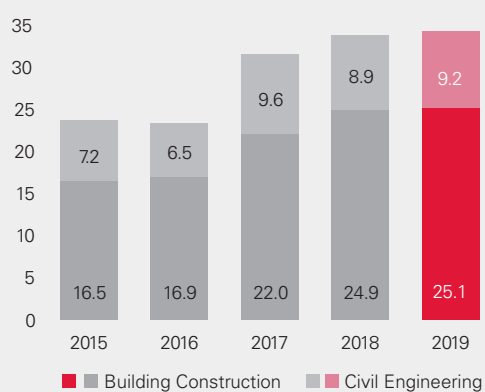
PRE-TAX PROFIT²⁾
NOK MILLION



SHARE OF REVENUE BY SEGMENT
NOK BILLION



ORDER BACKLOG
NOK BILLION



1) Revenue and pre-tax profit in the segment accounts for 2017 have been restated in accordance with the new revenue recognition standard IFRS 15, effective as of 1 January 2018. See note 37.

2) The profit for 2017 includes a non-recurring effect as a result of changes to the disability pension in Norway of a total of NOK 81 million.

CONSTRUCTION OPERATIONS



Veidekke is engaged in construction and civil engineering projects in most major metropolitan regions in Norway, Sweden and Denmark. The construction operation accounted for 80% of Veidekke's revenue in 2019, split between building construction (73%) and civil engineering (27%).

The building construction operation erects residential units, commercial buildings and public buildings. The commercial buildings category primarily encompasses office buildings, shopping centres and hotels, while the public buildings segment primarily focuses on schools, health care buildings and cultural buildings.

The civil engineering operation builds roads, railways, power plants and industrial facilities for the public and private sectors. Roads, railways and other public infrastructure account for most of the operation's revenues.

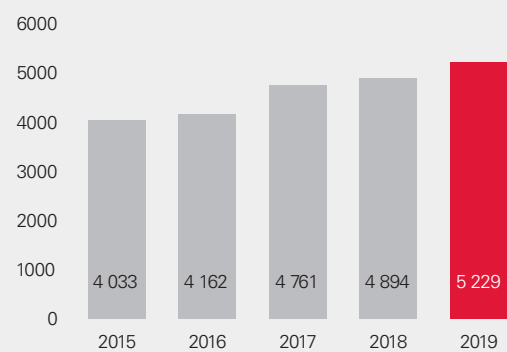
Many of Veidekke's projects are developed in close consultation with customers. This approach helps reveal risks and opportunities and facilitates profitable, stable operation, a better end product and added value for the customer. Negotiated contracts make up a large share of the construction portfolio.

The construction operation is focused on reducing negative climate and environmental impacts. Relevant measures include fossil-free construction and civil engineering sites, electrification of machinery and vehicles, use of materials with a smaller climate footprint – such as solid wood products and low-energy concrete – and reuse of construction materials.

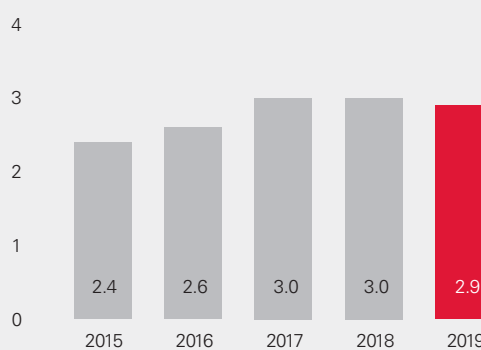
KEY FIGURES INDUSTRIAL

NOK million	2019	2018	2017 ¹⁾	2016 ²⁾	2015
Revenue	5 229	4 894	4 761	4 162	4 033
Pre-tax profit	183	40	206	136	190
Profit margin	3.5	0.8	4.3	3.3	4.7
Order backlog	1 229	933	960	1 035	1 128

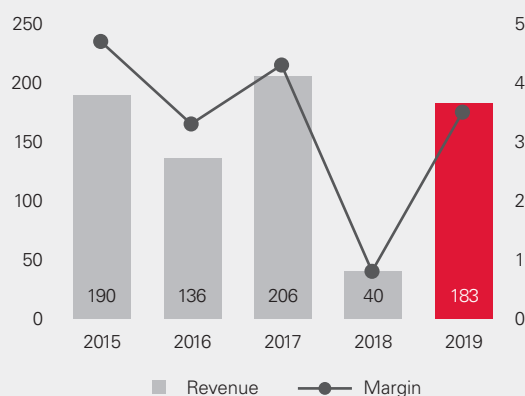
REVENUE
NOK MILLION



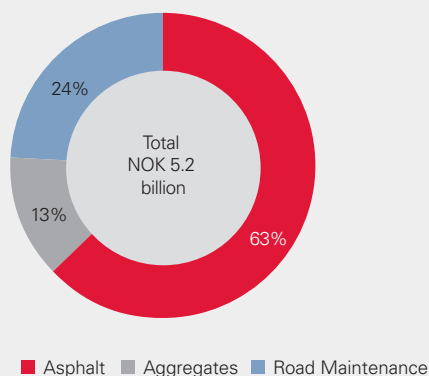
ASPHALT VOLUME
MILLION TONNES



PRE-TAX PROFIT^{1) 2)}
NOK MILLION



REVENUE BY BUSINESS AREA, PAST 12 MONTHS



1) The profit for 2017 included a NOK 70 million property development gain from the sale of land.

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

INDUSTRIAL



Veidekke is the largest asphalt contractor in Norway, and one of the country's largest producers of aggregates. The group is also a significant player in the maintenance of public roads in Norway. The industrial operation generates approximately 12% of the group's revenues, split between asphalt (63%), road maintenance (24%) and aggregates (13%).

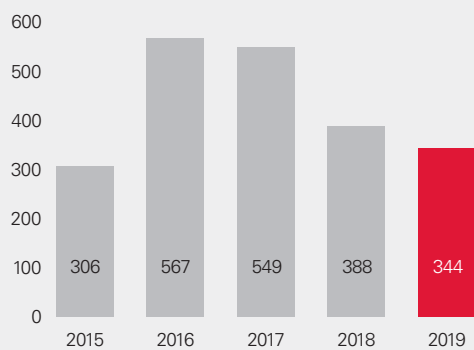
The group operates 30 asphalt factories, 30 quarries and five landfill sites, as well as 23 road maintenance contracts. The industrial operation also runs a knowledge centre in Trondheim. The centre's highly advanced laboratory tests and develops asphalt materials and advises on and assists with transport infrastructure projects.

Veidekke is converting an increasing number of its asphalt factories to CO₂-neutral energy sources, and is the only Norwegian asphalt supplier to achieve the industry target that low-temperature asphalt should comprise 30% of production. The asphalt operation is also concentrating on reuse of asphalt to reduce landfill and the consumption of new materials. In 2019, the industrial operation conducted an extensive survey of climate risk and the consequences of climate change and extreme weather.

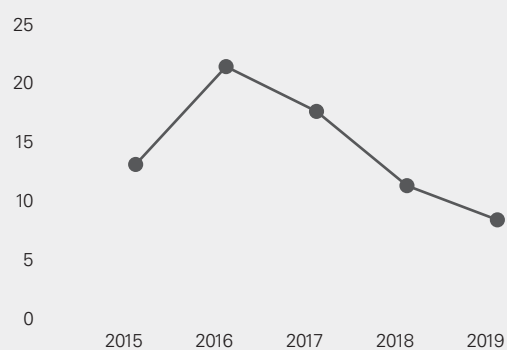
KEY FIGURES PROPERTY DEVELOPMENT

NOK million	2019	2018	2017	2016 ¹⁾	2015
Revenue	3 059	2 899	3 456	3 202	2 126
Pre-tax profit	344	388	549	567	306
Capital invested	6 885	4 760	4 163	3 115	3 004

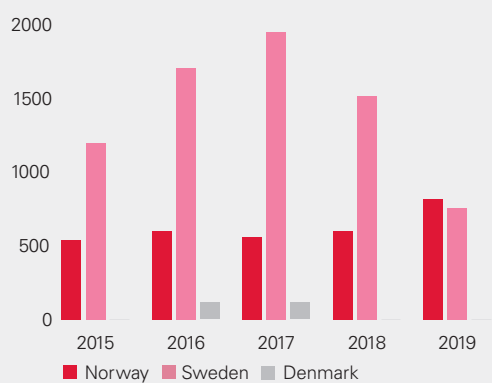
PRE-TAX PROFIT ¹⁾
NOK MILLION



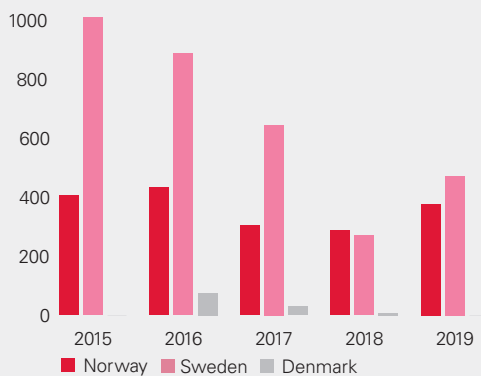
RETURN ON INVESTED CAPITAL
PER CENT



NO. OF UNITS UNDER CONSTRUCTION AT YEAR-END



RESIDENTIAL SALES



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

PROPERTY DEVELOPMENT



Middelthuset, Oslo. Illustration: Oxyvisuals

In November, following a strategic review of the group's composition and an assessment of growth and development opportunities for Veidekke's various operations, the decision was made to demerge the property development operation with a new ownership structure, through either a sale or stock-exchange listing.

The property development operation purchases sites for development into residential units and/or commercial buildings for sale to end customers. The majority of the operation's activity is centred on major cities in Norway and Sweden.

In Sweden, residential projects are primarily executed in-house, while Norwegian projects are more often realised in cooperation with partners. The choice of model is decided individually for each project, taking into account the specific scope, risk profile and financing arrangements.

Several years pass between the purchase of a site and delivery of a completed residential unit to the end customer. This long-term perspective makes the group's land bank an important strategic instrument. By buying and selling sites, Veidekke can optimise its portfolio on an ongoing basis, in accordance with current strategic priorities. At the end of 2019, the property development operation's land bank contained 15,200 potential residential units: 5,000 in Norway and 10,200 in Sweden.

When developing residential and commercial projects, Veidekke focuses on creating attractive, future-proofed neighbourhoods that feature healthy, climate-friendly materials and offer residents a high standard of living and practicality.

LETTER TO SHAREHOLDERS

Veidekke has high ambitions. We aim to meet – or exceed – customer expectations. We seek to provide safe working conditions for anybody engaged in our construction and civil engineering projects. We are focused on ensuring compliance with laws, regulations and official requirements, by our own staff and our sub-contractors. Last, but not least, we want to achieve strong profitability and a competitive return for our shareholders. We have a firm focus on the future, and aim to be a standard-setter in the Scandinavian construction industry.

Effective project management is Veidekke's highest priority. It is through our projects that we deliver on our promise to clients, and through our projects that we generate value and build capacity for future investment. This is why we place such emphasis on the management of business, risk, people and skills, and why we prioritise digitalisation and sustainability as key for future competitiveness.

In November, Veidekke decided to split the group into two by spinning out the property development operation through a sale or stock exchange listing. The objective of the demerger is to create optimal conditions for both the property development operation and the remaining construction, civil engineering and industrial operations for continued profitable growth. Veidekke has reaped the benefits of cooperation and synergies between these businesses for many years. But from this point onwards, we see greater growth potential for the property development operation outside the current group structure. We have concluded that this potential, together with the shareholder value which will be realised through the transaction, far outweighs the synergies and cooperation effects of retaining the present structure. A decision on the ownership structure of the property development operation will be made in the first half of 2020.

We are dissatisfied with the group's profitability in recent years. In 2019, we therefore made extensive adjustments to the construction and industrial operations. We have reduced risk in the project portfolio by adopting a highly selective approach to project tendering, and have also implemented a new and improved risk management process. Several Veidekke operations with profitability challenges are currently being restructured. Our improvement programme, which will continue in full force in 2020, has laid a foundation for future operational robustness. At present, the COVID-19 pandemic and a sharp drop in oil prices are however strongly affecting global markets and risk. While the consequences remain uncertain in scope, it is highly likely that these developments will impact us in the year to come.

Veidekke adopted the UN Sustainable Development Goals in 2015, and has made sustainability a key concern in all its operational activities. Our top priority is to ensure that all staff return home from work safely every day, and we are therefore focusing strongly on our target of zero serious injuries by the end of 2020. We have launched an ambitious programme to improve and standardise the group's most important HSE processes to ensure a strong safety focus in project planning and the safest possible project execution.

Our management of climate risk and our response to the green shift are key responsibilities and important factors in our long-term competitiveness. Veidekke has adopted concrete targets to reduce its climate footprint, and I am pleased that the group's greenhouse gas emissions fell from 2018 to 2019. However, a 4% reduction in absolute emissions is not enough to achieve our long-term goals. In the years ahead, we will therefore significantly intensify our efforts to reduce the climate impact of our production processes and the products we deliver.



Jimmy Bengtsson
Group CEO

Our projects build on the insight and experience we have gathered while building Scandinavia over many decades. Our construction projects must both satisfy current standards and meet future expectations and needs. Our success depends on knowing what the customer wants and needs, and on exploiting the full breadth of our knowledge, expertise and experience to generate sustainable added value and good results. This is the standard we want to set in our industry.

2019 AT A GLANCE

Introduction of the world's first fully-electric excavator, which can save up to 52 tonnes of CO₂ emissions a year.



Contracts to build the new residential and commercial project Mineralvandsfabrikken in Copenhagen and a new police college in Vejle.

JANUARY

Contract to build Lundbyleden, one of the most important roads into Gothenburg.

Hoffmann apprentices Steffen Slott Jørgensen, joiner (photo), and Jonas Thrane Bendt, electrician, became Danish champions of their respective crafts when they won the 2019 DM Skills competition.



Photo: SkillsDenmark

APRIL

Svein Richard Brandtzæg elected as Veidekke's new board chair, succeeding Martin Mæland.

The first pour was made on the ZEB-Flexilab project in Trondheim. The new laboratory building will be used in research, and will itself be the subject of research focusing on the development of climate-friendly and innovative industry standards.

During Veidekke's HSE week, all of the group's construction and civil engineering sites in Scandinavia implemented a coordinated safety stop and ran a practical exercise in the safe execution of work operations.

MAY



Horten Upper Secondary School won the 2019 BREEAM Global Award for the best public construction project. Norway's greenest school has been certified BREEAM-NOR Outstanding, and is an energy-positive building erected on a fossil-free construction site.

FEBRUARY

On International Women's Day on 8 March, the Director General of the Confederation of Norwegian Enterprise (NHO), Ole Erik Almlid, visited the Klypen-Loenga construction project on the Østfold railway line, in which half of the project managers are women.



MARCH

Contract to build Oksenøya Centre in Bærum, comprising a school, day-care facility, sports hall, and residential and rehabilitation centre. This FutureBuilt project will be certified BREEAM-NOR Outstanding.



The entire town of Kiruna in northern Sweden is relocating due to local mining operations, and Veidekke won the contract to move seven of the town's historical wooden buildings three kilometres to the new city centre.

Stockholm Vatten och Avfall chose Veidekke as its civil engineering contractor for tunnelling work forming part of the capital city's future sewer system.

JUNE

2019 AT A GLANCE (CONT.)

Veidekke's building construction operation in Oslo sets requirement of fossil-free construction sites for all new projects. This will reduce greenhouse gas emissions by 74%, and is an important step towards zero-emission sites.

JULY

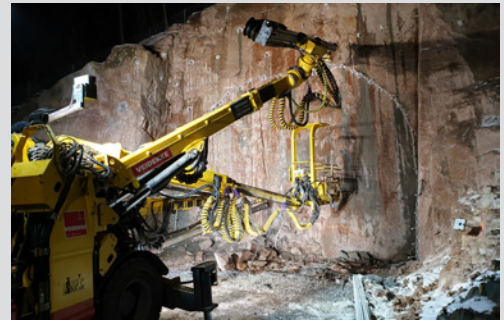
Building start for the Fantoftparken project in Bergen, a BREEAM Excellent building which will also house Veidekke's new regional office in western Norway.



AUGUST

The board decided to split the group into two parts, demerging the property development operation through stock-exchange listing or sale.

Two civil engineering contracts with Bane NOR relating to tunnels close to Drammen, on the Vestfold railway line.



OCTOBER

NOVEMBER

Opening of Finansparken in Stavanger, one of Europe's largest commercial wood buildings and a nominee for both Building of the Year and Wood Building of the Year in 2019.



Awarded a top grade by CDP for greenhouse gas reporting in 2019.

The Swedish mining operation won Veidekke's HSE prize in 2019.



The industrial operation is assessing its climate risk in a pilot project which will be rolled out to all of the group's operations.

Jimmy Bengtsson took over from Arne Giske as Group CEO.

Building start for the Middelthunet residential project in Oslo. This is Veidekke's largest-ever residential project, comprising 329 apartments at the heart of Norway's capital city.

SEPTEMBER

Breakthrough in the world's first fossil-free civil engineering project, the Smestad-Sogn cabling tunnel in Oslo, which Veidekke is building for Statnett.

Contract for alteration works to Himmerfjärdsverket, to provide Stockholm and the surrounding region with sufficient water treatment capacity in line with future environmental requirements.

Sale of the Lysgården building in Trondheim. The office block, which was completed in June, is certified BREEAM Excellent and has been described as one of the world's most modern office buildings.

Veidekke won Statsbygg's "Yellow Helmet" HSE award for its work on expansion of the National Library of Norway's mountain repositories in Mo i Rana.



Photo: Statsbygg

Cooperation contract with Førde Hospital Trust relating to the development of a new hospital building.



DECEMBER

THE BOARD OF DIRECTORS OF VEIDEKKE ASA

Svein Richard Brandtzæg



Gro Bakstad



Hans von Uthmann



Position (elected)	Chair and board member since 2019	Board member since 2010	Board member since 2010
Committees	Remuneration committee (chair), Property committee	Audit committee (chair)	Remuneration committee
Born	1957	1966	1958
Number of shares	1,800	15,500	4,130
Other assignments	- Sibelco - Eramet Norway	DNB ASA	- Netcontrol Oy, chair - FEAB, chair - Eltel AB - Swedish Olympic Committee
Education	- Graduate engineer, NTH - PhD Chemistry, NTH - Business management degree, BI	- Graduate economist, NHH - State authorised public accountant, NHH	Economics and Business Administration, Stockholm School of Economics
Experience	- Former CEO of Norsk Hydro - NTNU, chair (2014–2020)	Executive Vice President, logistics and postal network in Norway, at Norway Post	- Former Deputy CEO at Vattenfall AB and Head Vattenfall Nordics - CEO Duni AB - 15 years with Shell Group (incl. CEO Shell Sweden)

Tone Hegland Bachke



Inge Ramsdal



Arve Fludal



Position (elected)	Board member since 2019	Board member, elected by employees, since 2008	Board member, elected by employees, since 2015
Committees	Audit committee		
Born	1972	1962	1970
Number of shares	Tocaba AS: 3,000	8,295	8,940
Other assignments			
Education	MSC, Economics and Business Administration, NHH	Skilled worker	Builder
Experience	SVP and Head of Group Treasury in Telenor ASA	Employee representative in Veidekke, former crane operator and concrete worker in Veidekke Entreprenør AS	Employee representative in Veidekke, Site manager, Building Construction Norway, head of The Veidekke Employee Share Trust

Ingaliil Berglund



Board member since 2016

Property committee

1964

2,500

- Scandic Hotels Group AB
- Balco Group AB
- Kungsleden AB
- Axfast AB
- Bonnier Fastigheter AB
- Fastighets AB Stenvalvet

Economist/auditor, Frans Schartau
Business Institute

- CEO & Founder of SailAB
- Former CEO of Atrium Ljungberg AB

Ingolv Høyland



Board member since 2017

Property committee (chair)

1951

6,000

- Graduate engineer, NTH
- Graduate economist, NHH

CEO of Reitan Eiendom

Daniel Kjørberg Siraj



Board member since 2018*

Audit committee
Remuneration committee

1975

OBOS BBL: 24,430,440

Candidate of Law, University of Oslo

CEO of OBOS

Odd Andre Olsen



Board member, elected by employees,
since 2011

Audit committee

1961

4,805

Skilled worker

Chief employee representative in
Veidekke, former formwork carpenter
in Veidekke Entreprenør AS

NTH = Norwegian Institute of Technology, currently NTNU = Norwegian University of Science and Technology
NHH = Norwegian School of Economics
BI = BI Norwegian Business School

* Temporarily resigned, see page 135

THE CORPORATE MANAGEMENT OF VEIDEKKE ASA

Jimmy Bengtsson



Hans Olav Sørli



Øivind Larsen



Position (appointed)	Group CEO (2019)	EVP (2018)	EVP (2018)
Areas of responsibility		Building Construction Norway	Civil Engineering Norway
Born	1966	1965	1963
Employed at Veidekke since	2015	2003	1988–2001, 2016
Number of shares	49,240	71,090	8,100
Share options	1,000	1,000	1,000
Education	Graduate engineer, Royal Institute of Technology in Stockholm	Graduate engineer, NTH	Graduate engineer, NTH
Selected experience	<ul style="list-style-type: none"> - EVP, Construction Sweden, corporate procurement, country manager Sweden - CEO, Arcona AB - Various positions with Skanska AB 	<ul style="list-style-type: none"> - Director, Region East, Veidekke Entreprenør AS - District manager Oslo, Veidekke Entreprenør AS - Department manager, District Oslo, Veidekke Entreprenør AS 	<ul style="list-style-type: none"> - Director, Civil engineering, Veidekke Entreprenør AS - Director, Business development Veidekke Entreprenør AS - Bank manager, Hjørtedal og Gransherød Sparebank

Terje Larsen



Lars Erik Lund



Anne Thorbjørnsen



Position (appointed)	EVP (2013)	EVP (2016)	EVP (acting) (2018)
Areas of responsibility	CFO, IT, Strategy and Legal	Communications and public affairs, sustainability	Human relations, occupational safety and health
Born	1961	1969	1969
Employed at Veidekke since	2001	2016	1995
Number of shares	111,475	14,310	29,355
Share options	1,000	1,000	1,000
Education	<ul style="list-style-type: none"> - MBA, University of Wisconsin - Graduate economist, BI 	Graduate economist, NHH	<ul style="list-style-type: none"> - Sociology, Vestfold University College - MBA, BI
Selected experience	<ul style="list-style-type: none"> - Financial director, Veidekke Entreprenør AS - Financial director, ABB Installasjon - CFO, Asea Brown Boveri Inc., Philippines 	<ul style="list-style-type: none"> - Statoil, senior advisor communications - Crux Kommunikasjon, founder and partner - Burson-Marsteller, Director corporate communication 	<ul style="list-style-type: none"> - HR director, Veidekke ASA - HR manager, Veidekke Entreprenør AS - Acting regional director, Veidekke Entreprenør AS, Region South

Mats Nyström



Jørgen Wiese Porsmyr



Catharina Bjerke



EVP (2019)

Veidekke Sweden

1967

2017

20,000

1,000

Graduate engineer, Royal Institute of Technology in Stockholm

- Director, FO Bygg Bostäder, Veidekke Sweden
- EVP, Skanska Sweden AB
- Regional manager, Hus Stockholm Syd/Bostäder, Skanska Sverige AB

EVP (2006)

Project development in Scandinavia, Construction Denmark

1972

1995

109,310

1,000

Graduate economist, NHH

- EVP, CFO, Veidekke ASA
- EVP finance, Veidekke ASA
- SVP controlling and accounting, Veidekke ASA

EVP (2018)

Industrial

1968

2015

7,085

1,000

- Psychology, University of Oslo
 - Graduate economist, Trondheim Business School

- CEO, Veidekke Industri AS
- Director, Road maintenance, Veidekke Industri
- Administration director, Delta

BOARD OF DIRECTORS' REPORT

HIGHLIGHTS – GROUP

In the autumn of 2019, Veidekke's board of directors decided to divide the group into two separate operations by demerging the property development operation with a new ownership structure. Consideration will be given to both stock-exchange listing and the sale of all or part of the property development operation. The board has mandated Veidekke's management to investigate the alternatives in the first half of 2020.

Group revenues grew by 9% in 2019, to NOK 39 billion. The increase is primarily attributable to the construction operations, with revenue increases being achieved in all three countries. The Norwegian and Swedish building construction operations delivered the strongest performances. In Norway, revenues benefited from high activity in Oslo and western Norway, while the operation acquired in Gothenburg in 2018 boosted growth in Sweden. The revenue increase in Denmark is linked to high construction activity in Copenhagen. The industrial and property development operations achieved revenues on a par with 2018.

The pre-tax profit amounted to NOK 941 million, up from NOK 591 million in 2018. The profit improvement is primarily attributable to the construction operation, with stronger profits for Civil Engineering Norway. Increased profitability – primarily in the asphalt operation – contributed to a considerable improvement for the industrial operation from 2018 to 2019, while a low number of building starts and low residential production in Sweden somewhat reduced the profits of the property development operation.

The construction operation achieved a profit of NOK 516 million, compared to NOK 219 million in 2018. The profitability of the construction operations was weakened by allocations in respect of future project losses and restructuring. The Norwegian building construction operation achieved a profit of NOK 387 million, somewhat down on 2018. The Norwegian civil engineering operation continued to feel the effects of the large proportion of projects in the portfolio which are not contributing to profits. The Swedish construction operation expensed allocations of NOK 200 million in respect of future losses on certain civil engineering projects, resulting in a loss

of NOK 25 million in 2019, compared to a profit of NOK 214 million in 2018. The Danish construction operation maintained robust profitability, achieving a profit of NOK 169 million in 2019, up from NOK 146 million in 2018.

The total order intake for the construction operations amounted to NOK 33.1 billion in 2019. The order book stood at NOK 34.3 billion at year-end – up 2% on year-end 2018.

The industrial operation increased its profits to NOK 183 million, up from NOK 40 million in 2018. Profits improved in all business areas, primarily as a result of implemented operational improvements and price adjustments in the asphalt operation.

The property development operation generated a profit of NOK 344 million in 2019, compared to NOK 388 million in 2018. The return on invested capital totalled 8.4%. While the Norwegian operation achieved a profit improvement, the profits of the Swedish operation fell due to materially reduced residential production.

The group's net interest-bearing debt totalled NOK 2.7 billion at the end of 2019, compared to NOK 1.5 billion at the end of the previous year. The increase in 2019 is primarily attributable to payments made under previously concluded land purchase contracts.

The profit per share for the group as a whole is NOK 4.6 (IFRS). In February, the board of directors of Veidekke proposed to pay an ordinary dividend of NOK 5 per share for the financial year 2019. In light of the high uncertainty related to the consequences of the COVID-19 pandemic, the board reassessed the decision about dividend payment and decided that a dividend will not be paid out for the financial year 2019. Veidekke has a solid financial position and considerable unutilised credit.

Unless otherwise specified, figures in the annual report are taken from the segment accounts and relate to the present group structure. The demerger decision has triggered specific requirements as to the presentation of Veidekke's group accounts (IFRS) in the annual report, whereby continued operations must be presented item by item but operations held for sale must be shown on a single line. This is discussed further in note 3 on pages 63–65.

OPERATIONS IN 2019

CONSTRUCTION OPERATIONS

NOK million	2019	2018	2017	2016 ¹⁾	2015
Revenue	32 158	29 569	25 674	24 629	19 795
Pre-tax profit	516	219	629	804	644
Profit margin %	1.6	0.7	2.4	3.3	3.3
Order backlog	34 286	33 780	31 601	23 368	23 686

1) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 81 million.

Veidekke's construction operation improved revenues by 9% from 2018 to 2019. The increase is attributable to the Norwegian and Swedish operations. The annual profit amounted to NOK 516 million. Following a review of the project portfolio in the fourth quarter, a need was identified to reduce risk in Sweden, mainly in the civil engineering operation. In this connection, an allocation of NOK 200 million was made in respect of future losses. An additional allocation of NOK 130 million was made in respect of restructuring costs in Norway and Sweden.

As at year-end, the construction order book stood at NOK 34.3 billion, compared to NOK 33.8 billion at the beginning of the year. Of this total, 49% related to non-residential buildings, 26% to civil engineering and 25% to residential units (compared to 55%, 26% and 19% in 2018). The total order intake in 2019 amounted to NOK 32.9 billion.

Building Construction Norway

NOK million	2019	2018	2017	2016 ¹⁾	2015
Revenue	14 356	13 070	10 309	10 389	8 287
Pre-tax profit	387	443	378	521	369
Profit margin %	2.7	3.4	3.7	5.0	4.5
Order backlog	14 762	14 223	12 833	10 504	9 994

1) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 81 million for the Norwegian construction operations.

The Norwegian building construction operation generated revenues of NOK 14.4 billion in 2019, up from NOK 13.1 billion the previous year. The 10% increase is primarily attributable to the Oslo region and operations in western Norway.

The pre-tax profit totalled NOK 387 million in 2019, compared to NOK 443 million in 2018. While the operation in Oslo achieved robust profitability, the profitability of the other

operations is too variable, and unsatisfactory overall. The building construction operation has therefore decided to make strategic structural adjustments to improve future profitability. This necessitated the expensing of NOK 70 million in one-off costs linked to the discontinuation and sale of operations in northern Norway and reorganisation of the operation in Follo/Østfold.

Adjusted for restructuring costs, the profit amounted to NOK 457 million, on a par with 2018. The profit margin adjusted for restructuring costs was 3.2%, compared to 3.4% the previous year. The margin decline is due to low earnings among entities undergoing restructuring.

At the end of 2019, the construction order book stood at NOK 14.8 billion, up from NOK 14.2 billion as at the previous year-end. Of this total, 40% related to residential units, 30% to commercial buildings and 30% to public service buildings.

Major projects awarded in 2019:

- Oksenøya centre. Primary school, day-care centre, sports facility and residential and treatment centre for Bærum municipality. Contract value NOK 1.1 billion.
- Middelthunet. Apartments in Oslo for M17 Utvikling AS (OBOS and Veidekke Property Development). Contract value NOK 980 million.
- Frysjaiparken tract C. Apartments in Oslo for Stor-Oslo Eiendom AS. Contract value NOK 534 million.
- Skogveien. Student housing for Studentsamskipnaden in Ås. Contract value NOK 497 million.
- Verdal residential and treatment centre for Verdal municipality. Contract value NOK 386 million.
- Miklagard. Conference hotel at Kløfta, for Miklagard Properties AS. Contract value NOK 340 million.
- Brønnøysund Register Centre. Office building in Brønnøysund for Søren Nielsen AS. Contract value NOK 331 million.
- Gartnerkvartalet construction phase 4. Apartments in Oslo for Lørenvangen Utvikling AS. Contract value NOK 290 million.
- Tiedemannsfabrikken tract G, part 1. Apartments in Oslo for Tiedemannsfabrikken AS. Contract value NOK 274 million.

Veidekke sold the subsidiaries Leif Grimsrud AB (Sweden) and Hammerfest Entreprenør AS in 2019. Leif Grimsrud AB achieved revenues of NOK 50 million in 2019, and the transaction was completed in December. Hammerfest Entreprenør AS generated revenue of NOK 45 million in 2019. A share sale agreement was signed in December, and the transaction was completed on 7 January 2020.

Civil Engineering Norway

NOK million	2019	2018	2017	2016 ¹⁾	2015
Revenue	4 641	4 427	4 411	4 707	3 744
Pre-tax profit	-16	-584	-56	76	124
Profit margin %	-0.3	-13.2	-1.3	1.6	3.3
Order backlog	6 036	5 056	6 688	3 904	5 201

1) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 81 million for the Norwegian construction operations.

The Norwegian civil engineering operation generated revenues of NOK 4.6 billion in 2019, compared to NOK 4.4 billion in 2018. It made a pre-tax loss of NOK 16 million, compared to a loss of NOK 584 million the previous year.

The operation's performance reflects the fact that a large share of revenue stems from projects which were written down in 2018 and did not make a profit contribution in 2019.

The civil engineering operation downsized its staff and support functions by approximately 50 full-time equivalents in 2019. Costs totalling NOK 30 million linked to the restructuring of the operation were fully expensed in 2019. The civil engineering operation resolved several major legal disputes during the year. The outcomes of the disputes were in line with previously reported results, and had a positive liquidity effect of just over NOK 300 million. The resolution of legal disputes and machinery sales reduced the operation's capital commitments and improved liquidity in 2019.

The Norwegian civil engineering operation signed two major contracts related to the Vestfold railway line in 2019, valued at NOK 2.0 billion and NOK 1.8 billion, respectively. The contracts are the outcome of an extended tender phase involving Bane NOR, and have a satisfactory risk profile. At year-end, the civil engineering order book stood at NOK 6.0 billion, compared to NOK 5.1 billion at the end of 2018.

Major projects awarded in 2019:

- Vestfold railway line, double-track tunnel and day zone for Bane NOR. Contract value NOK 2.0 billion.
- Vestfold railway line, culvert and uncompacted materials tunnel for Bane NOR. Contract value NOK 1.8 billion.
- Oslo Airport, re-asphalting of runway for Avinor. Contract value NOK 135 million.
- Oslo Airport, anchor points at non-Schengen terminal for Avinor. Contract value NOK 112 million.

Construction Sweden

NOK million	2019	2018	2017	2016	2015
Revenue	10 803	9 855	8 810	7 819	6 156
Pre-tax profit	-25	214	170	102	56
Profit margin %	-0.2	2.2	1.9	1.3	0.9
Order backlog	11 504	11 880	10 705	7 698	7 160

The Swedish construction operation recorded revenues of NOK 10.8 billion in 2019, amounting to an increase of 9% on 2018 in the local currency. Growth was achieved in the civil engineering and non-residential building segments. Civil engineering growth is linked to increased activity in Stockholm, while non-residential buildings growth is attributable to an acquisition in Gothenburg. Lower activity in the Stockholm residential market contributed to a drop in revenues from residential construction.

The 2019 pre-tax loss amounted to NOK 25 million, compared to a profit of NOK 214 million in 2018. The profit margin was -0.2%, down from 2.2% the previous year. The annual profit was reduced by allocations in respect of future losses totalling NOK 200 million, primarily linked to civil engineering projects. In addition, restructuring costs of NOK 30 million relating to the building construction operation were expensed. The performance of the residential construction operation in the Stockholm region is unsatisfactory, with low profitability in parts of the portfolio and reduced activity in 2019. The other operations delivered a satisfactory annual profit and overall profitability.

At year-end, the order book totalled NOK 11.5 billion, on a par with the beginning of the year. The order book was composed of residential units (23%), non-residential buildings (54%) and civil engineering projects (23%). This compares to 18%, 55% and 27%, respectively, in 2018.

Major projects awarded in 2019:

- E1 outlet tunnel Bromma-Söderort, Stockholm. Sub-surface works for Stockholm Vatten och Avfall AB. Contract value NOK 535 million.
- Rosenbad, Stockholm. Rebuild of office premises for Statens fastighetsverk. Contract value NOK 455 million.
- Kv Triton, Malmö. Residential units and residential care units for Lantmännen Fastigheter AB. Contract value NOK 422 million.
- Kv Lysosomen, Stockholm. Residential units for Stockholms Kooperativa Bostadsförening. Contract value NOK 274 million.
- Mandolingatan, Gothenburg. Residential units for Framtiden Byggutveckling AB. Contract value NOK 236 million.

- Brantingskolan, Uppsala. School building for Uppsala Kommun Skolfastigheter AB. Contract value NOK 241 million.
- Green Haus, Helsingborg. Office building for Castellum. Contract value NOK 217 million.

Construction Denmark

NOK million	2019	2018	2017	2016	2015
Revenue	2 358	2 218	2 144	1 713	1 608
Pre-tax profit	169	146	137	105	96
Profit margin %	7.2	6.6	6.4	6.2	6.0
Order backlog	1 983	2 548	1 375	1 262	1 331

Veidekke's Danish construction operation generated revenues of NOK 2.4 billion in 2019, representing a 4% increase on 2018 in the local currency. The increase is attributable to high activity on Zealand and a year-on-year increase in activity on Jutland.

The pre-tax profit amounted to NOK 169 million, up from NOK 146 million in 2018. The profit margin was 7.2%, compared to 6.6% at the end of the preceding year. The profit improvement from 2018 to 2019 is due to robust profitability in the project portfolio and a large profit contribution from projects nearing completion.

At year-end 2019, the order book totalled NOK 2.0 billion, down from NOK 2.5 billion at the beginning of the year. Some 92% of the order book comprised non-residential buildings (90% in 2018).

Major projects awarded in 2019:

- Mineralvandsfabrikken. Commercial premises and residential units in Copenhagen for Carlsberg Byen P/S. Contract value NOK 443 million.
- Police college in Vejle for the Danish Building and Property Agency. Contract value NOK 339 million.

INDUSTRIAL

NOK million	2019	2018	2017 ¹⁾	2016 ²⁾	2015
Revenue	5 229	4 894	4 761	4 162	4 033
Pre-tax profit	183	40	206	136	190
Profit margin	3.5	0.8	4.3	3.3	4.7
Order backlog	1 229	933	960	1 035	1 128

1) The profit for 2017 includes a NOK 70 million property development gain from the sale of land.

2) The profit for 2016 includes a non-recurring effect as a result of changes to the disability pension in Norway of NOK 19 million.

The industrial operation generated revenues of NOK 5.2 billion in 2019, compared to NOK 4.9 billion in 2018. The pre-tax profit of NOK 183 million equates to a profit margin of 3.5%, and represents a considerable improvement on NOK 40 million in 2018. All three business areas improved their performance compared to the preceding year.

The asphalt operation achieved revenues of NOK 3.3 billion in 2019, on a par with 2018. More than 2.9 million tonnes of asphalt were sold and delivered during the year. Lower volumes for the Norwegian Public Roads Administration were compensated for by an increase in volume linked to new road projects. The pre-tax profit was NOK 83 million, compared to NOK 3 million in 2018. In response to its weak 2018 performance, the operation initiated a broad improvement programme. While the implemented measures have had an effect, profitability remains unsatisfactory, and the improvement efforts will therefore continue in 2020.

The road maintenance operation generated revenues of NOK 1.3 billion in 2019, compared to NOK 1.1 billion in 2018. The annual profit totalled NOK 7 million, up from a loss of NOK 35 million in 2018. This profit increase is attributable to operational improvements and contractual adjustments. The project portfolio comprised 23 contracts at year-end.

The aggregates operation achieved revenues of NOK 665 million in 2019, up from NOK 602 million in 2018. The pre-tax profit increased to NOK 93 million, from NOK 73 million in 2018. The profit margin rose to 14.5% in 2019, from 12.5% in 2018. The profit improvement is primarily attributable to the landfill operation.

PROPERTY DEVELOPMENT OPERATIONS

NOK million	2019	2018	2017	2016	2015
Revenue	3 059	2 899	3 456	3 202	2 126
Pre-tax profit	344	388	549	567	306
No. of units under construction ^{1) 2)}	1 575	2 116	2 620	2 422	1 739
No. of units sold ¹⁾	850	567	979	1 397	1 416

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

2) Includes 115 residential units in an own-account project in Denmark in 2016 and 2017. The project is reported in the accounts under Construction Denmark.

The property development operation achieved revenues of NOK 3.1 billion in 2019, up from NOK 2.9 billion in 2018. The pre-tax profit amounted to NOK 344 million, compared to NOK 388 million the previous year. While the Norwegian operation improved its profits in 2019, a significant drop in residential production in Sweden reduced profits year-on-year. Development gains totalled NOK 110 million, on a par with 2018.

Some 1,155 residential units valued at NOK 6.3 billion were sold in 2019. Veidekke's share of these sales amounted to 850 units – up from 567 units in 2018. Sales increased in both countries. In Norway, the majority of the sales increase is due to a successful sales start to a major residential project in Oslo. There was also strong demand for ongoing projects in both Oslo and Trondheim. In Sweden, residential sales benefited from strong demand for new residential units in Gothenburg and Skåne, as well as increased activity in Stockholm in the second half of the year. At year-end, Veidekke had 1,575 residential units under construction, compared to 2,116 at the beginning of the year. The decline is attributable to Sweden. As in 2018, the sales ratio of the portfolio was 80%.

The majority of the property development operation's residential projects are built by Veidekke's construction operation. In 2019, the flow of new contracts from the property development operation to the construction operation was valued at NOK 2.4 billion, up from NOK 1.0 billion in 2018.

As at year-end, Veidekke's land bank encompassed approximately 18,550 potential residential units, with Veidekke's share amounting to 15,200 units. This compares to 18,600 potential units and a Veidekke share of 15,100 at the end of 2018. Towards the end of 2019, a new valuation was undertaken of the market value of the largest sites in Norway and Sweden. This revealed excess value above book value estimated at NOK 1.5 billion. Of this total, NOK 1.0 billion relates to the Norwegian operation, and NOK 500 million to the Swedish operation.

The capital invested totalled NOK 6.9 billion at year-end 2019. The property development operation's key performance measure is the return on invested capital, which was 8.4% in 2019, compared to 11.3% in 2018.

Property Development Norway

NOK million	2019	2018	2017	2016	2015
Revenue	1 135	735	610	338	413
Profit before tax	226	163	146	149	146
No. of units under construction ¹⁾	818	599	557	600	541
No. of units sold ¹⁾	378	288	304	433	406

1) Veidekke's share.

Revenues totalled NOK 1.1 billion in 2019, up from NOK 735 million the previous year. Approximately half of all residential projects are executed through jointly controlled companies, meaning that the resulting revenues are not included in Veidekke's group accounts. An increase in the number of own-account projects boosted revenues in 2019.

The pre-tax profit for 2019 totalled NOK 226 million, up from NOK 163 million in 2018. The profit increase is attributable, not least, to higher residential production and strong demand in ongoing projects. Development gains accounted for NOK 69 million of the annual profit, compared to NOK 40 million in 2018. Share of net income from joint ventures includes tax. The annual profit adjusted for tax paid by jointly controlled companies was NOK 269 million, up from NOK 198 million the preceding year.

In 2019, Veidekke sold 611 residential units in Norway – including jointly owned projects – compared to 437 in 2018. The increase in sold units is attributable to a strong market in Oslo. Veidekke's share of sales in 2019 was 378 units, up from 288 the previous year. New building starts amounted to 669 residential units in 2019, compared to 502 in 2018.

Veidekke's share of residential production totalled 818 units at the end of 2019, up from 599 units one year previously. The increase is due to the start of the Middelthunet project in Oslo. The project portfolio sales ratio remained stable, at 71%. As at year-end, Veidekke's share of completed but unsold residential units was 14, compared to 30 at the end of 2018.

Veidekke's commercial property portfolio includes development projects focused on office premises and logistics facilities. Lysgården in Trondheim was completed and sold during the year. As regards ongoing projects, Veidekke and its partners are currently executing a 6,500 m² commercial property project in Bergen.

The building is already almost fully rented, and will be ready for occupation by tenants in the first quarter of 2021.

At year-end, the Norwegian property development operation's land bank encompassed 7,200 potential residential units, of which Veidekke's share amounted to 5,000 units spread across 40 projects. Despite the exercise of a land purchase option in Oslo, the land bank was reduced in 2019 due to various building starts.

The invested capital amounted to NOK 4.3 billion at year-end, up from NOK 3.1 billion one year previously. The increase is linked to payment for a site in Oslo and high activity in own-account projects. Adjusted for tax costs arising in associated and jointly controlled companies, the return on invested capital over the preceding 12 months was 9.4%, compared to 8.6% in 2018.

Property Development Sweden

NOK million	2019	2018	2017	2016	2015
Revenue	1 924	2 165	2 845	2 864	1 712
Profit before tax	118	225	404	418	159
No. of units under construction ¹⁾	757	1 517	1 948	1 707	1 198
No. of units sold ¹⁾	472	271	645	889	1 010

1) Veidekke's share.

The Swedish property development operation achieved revenues of NOK 1.9 billion in 2019, compared to NOK 2.2 billion in the same period last year. The pre-tax profit totalled NOK 118 million, compared to NOK 225 million in 2018. Development gains on project sales amounted to NOK 40 million, compared to NOK 60 million the previous year. The decline in revenue and profits is attributable to lower residential production and price adjustments in Stockholm.

Including jointly owned projects, 544 residential units were sold in 2019, up from 286 in 2018. Veidekke's share amounted to 472 units, compared to 271 the previous year. In addition, 242 residential units were sold to investors, compared to 70 in 2018. The residential market in Gothenburg and Skåne is healthy. The Stockholm market has been challenging, but delivered positive market growth and increased sales in the second half of 2019. The Swedish property development operation has very few residential units for sale in Stockholm, and active efforts are being made to bring new projects to market. At the end of 2019, the operation had 30 completed but unsold residential units in its portfolio, compared to two units one year previously.

In Gothenburg and Skåne, production of 253 residential units began in 2019, in addition to 80 residential units in Stockholm. These figures include jointly owned projects. Twelve projects encompassing a total of 1,110 residential units were completed during the year. Veidekke's share of residential production totalled 757 units at year-end, compared to 1,517 units at the beginning of the year. The decline is attributable to a very low number of building starts in Stockholm. The sales ratio for residential units under construction was 89%, up from 84% in 2018. As at year-end, the Swedish property development operation's land bank encompassed 11,350 potential residential units, of which Veidekke's share amounted to 10,200 units.

During the course of the year, the construction operation purchased ten sites and signed municipal construction options encompassing some 1,200 residential units.

The invested capital amounted to NOK 2.6 billion at the end of the year, up from NOK 1.6 billion at the end of 2018. The return on invested capital was 6.5% in 2019, compared to 19.9% in 2018.

OTHER OPERATIONS/OTHER

The category "Other operations/Other" comprises unallocated costs linked to administration of the group, the group's financial management activities, the group's ownership role in public-private partnerships (PPP) and the elimination of intra-group profits. Other operations/Other recorded a loss of NOK 102 million in 2019, compared to a loss of NOK 56 million in 2018.

STRATEGIC OBJECTIVES

Veidekke is a leading Scandinavian construction company and property developer. The group operates in all growth areas in Scandinavia, and aims to be a leader in its local markets in terms of profitability and size. In its capital markets update in May 2019, Veidekke presented the company's strategy and objectives for 2020 and the period to 2022.

Since issuing its capital markets update, Veidekke has decided to demerge the property development operation from the group through a sale of all or parts of the operation or stock-exchange listing. The demerger is intended to improve the foundation for growth and development of the operational entities and optimise shareholder value over time, which in total is considered to exceed current synergies between Veidekke's construction and property development operations. Up until now, the property development operation has targeted a 15% return on invested capital over time.

Veidekke has defined strategic financial objectives for the two remaining operations: construction and industrial.

The objective for the construction operation is to achieve a pre-tax profit margin of 3.5% in 2020 and 4.5% in 2022. The building construction operation will improve profitability through product specialisation to focus expertise and management capacity on a smaller range of products, concentrating on major cities. The civil engineering operation will be more selective when choosing projects, and will seek to achieve a better balance of project types and sizes. The civil engineering operation has also adopted the additional objective of reducing capital commitments through clearer project prioritisation, resolution of legal disputes and the sale of machinery and equipment. Improved risk management by all operations will ensure that projects have a better risk profile and boost the profitability of the project portfolio. In the short term, the construction operation will prioritise profitability over growth. The construction operation achieved a profit margin of 1.6% in 2019.

The industrial operation's primary objective is a pre-tax profit margin of 3.5% in 2020 and over 5.0% in 2022. Measures have been implemented to effectivise production in the asphalt operation, and the calculation and pricing process has been refined. The operation is also reviewing its geographical locations and factory structure. In the road maintenance operation, profitability is being prioritised over growth, and a selective approach is being taken to new contracts. The industrial operation's profit margin was 3.5% in 2019.

Veidekke's dividend policy states that the dividend must total at least 50% of the group's annual profit. In light of the high uncertainty related to the consequences of the COVID-19 pandemic, the board has decided that a dividend will not be paid out for the financial year 2019. Total return to shareholders amounted to 28% in 2019. In contrast, the Oslo Stock Exchange Benchmark Index produced a return of 17%.

Veidekke seeks to provide a safe workplace, and has adopted a target of zero serious occupational injuries by the end of 2020. A further aim is to reduce the total number of injuries by 20% per year.

ORGANISATION

Veidekke has a strong reputation as an employer, and practices an involving form of working which promotes safe operation, continuous learning and improvement, and employee satisfaction and long-term commitment to the company. The main features of the group's recruitment, skills-building, working environment, diversity and management activities are described below.

Further information can be found on pages 160–165 of this report.

At the end of 2019, Veidekke had 8,577 permanent employees, as well as 175 seasonal employees in the Norwegian industrial operation. In total, 1,114 persons were hired in 2019. Turnover (resignations only) amounted to 7.5%, compared to 8.2% in 2018.

Number of employees

	Skilled workers	Administrative staff	Total
Norway	3,310 (3,341)	2,405 (2,346)	5,715 (5,687)
Sweden	928 (950)	1,452 (1,388)	2,380 (2,388)
Denmark	269 (324)	213 (219)	482 (543)
Total	4,507 (4,615)	4,070 (3,953)	8,577 (8,568)

Last year's figures in brackets.

Skills-building and recruitment

Veidekke's projects are complex and demand strong expertise and skills. Employees working on projects are exposed to new tasks and challenges, and can develop their abilities with the strong support of management and more experienced colleagues. Project management teams are composed of individuals with complementary skills, who must work together to secure an optimal project outcome. To ensure high performance, teams must exploit both individual capabilities and collective expertise.

Skills-building is supported by the Veidekke School, which runs courses and offers training in project management, new technologies, finance, contract law, energy and the environment, HSE, regulatory compliance, management training, etc. The group also maintains various specialist networks focused on experience-sharing and knowledge and product development. To keep ahead of technological developments, Veidekke cooperates with leading academics at universities, university colleges and technical colleges.

The group has adopted a long-term strategy of training and employing its own skilled manual workers. In Norway, Veidekke is among the companies which train the most apprentices. At the end of 2019, the group's various operations employed a total of 347 apprentices, on a par with 2018. Once apprentices pass the qualifying examination, they are eligible for permanent employment after their apprenticeship period. In 2019, Veidekke ran a targeted campaign to strengthen recruitment to vocational subjects.

Through its two-year trainee programme, Veidekke recruits recently qualified, primarily technical, personnel to the group. The programme combines practical project work with theoretical training. The trainee programme is a strong recruitment base for future managers, and many of the participants subsequently take up management positions in the Veidekke group. At the end of 2019, the group had a total of 182 trainees, up 20% on 2018.

According to the annual Universum survey, Norwegian engineering students consider Veidekke one of Norway's most attractive employers in the construction industry. In Sweden, Veidekke was ranked fourth in Universum's list of the best employers in 2019.

Working environment and diversity

All Veidekke employees must be met with mutual respect and be provided with the opportunity to use their skills in cooperation with others. The group practices zero tolerance for harassment and conduct which may be perceived as threatening or degrading. The company's ethical guidelines encourage the reporting of actions which may be contrary to laws, regulations and internal routines, and procedures have been developed for the reporting of censurable conditions. Reports may be made internally or externally via an online whistleblowing portal. The 2019 employee survey evidenced strong commitment to the company and a positive working environment, with few censurable conditions.

Veidekke seeks to promote greater workforce diversity, and has adopted clear targets to increase both the proportion of women in the group overall and the number of women in management positions by the end of 2020. The fact that the proportion of women in the construction industry is low is also reflected in Veidekke. At the end of 2019, women accounted for 12% of all Veidekke employees – 23% of administrative staff and 2% of skilled manual workers. The proportion of women trainees dropped slightly in 2019, to 34%. Among apprentices, the number of women increased by one percentage point, to 6%. The group management team includes seven men and two women.

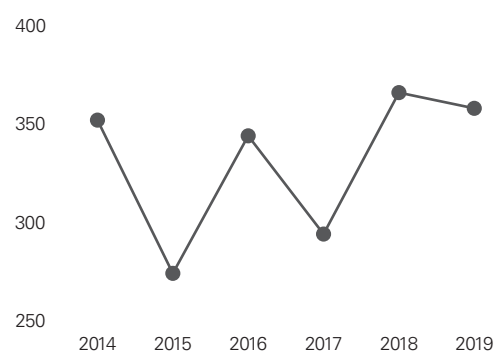
Management

Group management comprises the Group CEO, five group directors for the operational areas and three group directors for the staff functions. Arne Giske stepped down as Group CEO on 1 September 2019, being replaced by Jimmy Bengtsson. Bengtsson previously served as CEO of the Swedish construction operation and country manager of Veidekke's overall operations in Sweden. Mats Nyström joined Veidekke's executive management team as Bengtsson's successor. The group management team is presented on page 20–21.

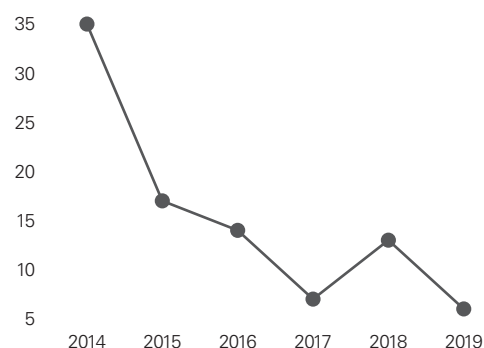
OCCUPATIONAL HEALTH AND SAFETY

Six serious injuries were reported in 2019, the lowest total in the group's history. Veidekke's objective is to reduce the number of serious injuries to zero by the end of 2020. With this in mind, the group launched an ambitious programme to improve and standardise key health and safety processes in 2019, which will be rolled out across the group in 2020.

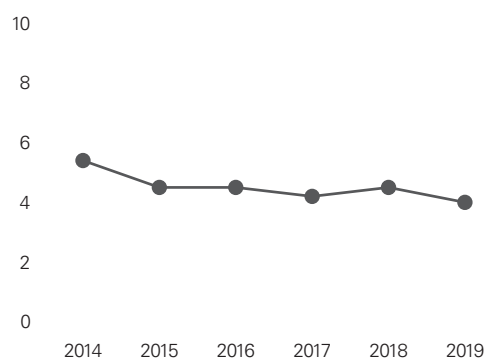
TOTAL NUMBER OF INJURIES



SERIOUS INJURIES



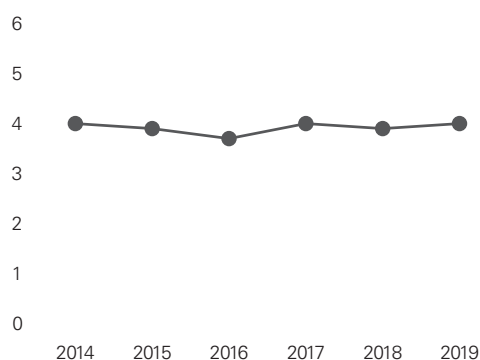
LTI RATE: LOST-TIME INJURIES PER MILLION HOURS WORKED, OWN EMPLOYEES



At the end of 2019, Veidekke's LTI rate was 4.0, compared to 4.5 at the end of 2018.

Workers in the construction and civil engineering industries perform heavy physical work and are therefore vulnerable to musculoskeletal conditions – the primary cause of long-term sick leave in the group. Veidekke is working to prevent sick leave through training, preventive physical exercise and facilitation to enable persons on sick leave to return to work more quickly. Veidekke's sick leave rate is lower than the industry average. The group's annual working environment surveys evidence high employee wellbeing.

SICKNESS ABSENCE, OWN EMPLOYEES, PER CENT



Veidekke's sick leave rate was 4.0% in 2019, on a par with 2018 (3.9%). The country distribution was as follows: Norway 4.4% (2018: 4.1%); Sweden 3.7% (2018: 3.9%); and Denmark 1.9% (2018: 1.9%).

EXTERNAL ENVIRONMENT

Veidekke seeks to limit its impact on the external environment, and is promoting sustainability in the construction and civil engineering industry. Environmental considerations are integrated into all group operations. Relevant measures include fossil-free construction sites, electrification of machinery and vehicles, transitioning to renewable energy sources in asphalt production, increased use of solid wood products, environmental certification of construction and civil engineering projects and various forms of reuse. Partners are subject to environmental requirements. Veidekke's contribution extends beyond its own operations, encompassing activities in trade organisations, educational initiatives, research and development, and cooperation with authorities. Veidekke's work related to the external environment is discussed further on pages 169–175.

Veidekke committed itself to running its business in accordance with the UN's two-degree target in 2015. It has adopted the objective of cutting its own greenhouse gas emissions by 50% by 2030, and by 90% by 2050, compared to the benchmark year 2013. The 2019 CDP Climate Change investor survey again awarded Veidekke the highest A rating. CDP evaluates 8,000 companies all

over the world in terms of their overall understanding, awareness and management of environmental risk, best practice in the area of environmental leadership and reduction of greenhouse gas emissions. The 180 businesses on the A-list include just a handful of Norwegian companies.

Climate change and climate policy will affect both society and the economy going forward, and environmental risk factors may potentially have a severe impact on businesses in the construction and civil engineering industry. Veidekke is taking a systematic approach to climate risk. See further the section on Risk and uncertainties on page 31–32, and page 170–171 of the sustainability report.

CORPORATE GOVERNANCE

Good corporate governance is a board responsibility. Veidekke reports in accordance with the Norwegian Code of Practice for Corporate Governance dated 17 October 2018. A statement on the group's corporate governance work is provided on pages 134–141, and will be considered at the ordinary general meeting on 6 May 2020.

REMUNERATION OF SENIOR EXECUTIVES

Veidekke's board issues a statement on executive remuneration and benefits in accordance with section 6-16a of the Public Limited Liability Companies Act. The statement will be presented to and considered at the ordinary general meeting on 6 May 2020.

The board has appointed a dedicated remuneration committee which prepares matters and proposals concerning all material aspects of the Group CEO's remuneration and benefits. The committee advises the Group CEO on the remuneration and benefit arrangements of other group executives.

Further information on executive remuneration and benefits can be found in note 31.

SHAREHOLDER AND STOCK EXCHANGE MATTERS

In 2019, 31.7 million Veidekke shares were traded on the Oslo Stock Exchange, equating to a turnover rate of 23.7%. Over the course of the year, the share price fluctuated between NOK 79.10 and NOK 121.00. The annual return including dividends was 28%. In contrast, the return achieved by the Oslo Stock Exchange Benchmark Index was 17%. All of Veidekke's shares are freely transferable; see section 5-8a of the Securities Trading Act.

At year-end, Veidekke had 11,173 shareholders, the largest of which were OBOS BBL (18.1%), Folketrygdfondet (10.3%) and IF Skadeförsäkring AB (4.1%). The proportion of foreign shareholders was 27.6%.

Veidekke encourages employees to participate in the group's value creation through share ownership, with the aim of building long-term ties with the company. All employees are therefore given the opportunity to purchase shares at a discount. In addition, a new option programme for key employees was launched in 2019.

Share sales to all employees were completed in the autumn of 2019. Following the sale period, a total of 4,060 employees own some 18.1 million Veidekke shares, meaning that 47.3% of the group's staff own 13.4% of the company. The shares sold in the 2019 allocation round are subject to a two-year lock-in period, and were sold at a 20% discount. The share sale took the form of a private placing, with the board exercising its authorisation to issue 1.25 million shares.

The former executive share programme was replaced by a new option programme in 2019, which allocates shares to key employees equally irrespective of roles and responsibilities. The programme will run for an initial period of three years from 2019 to 2021, with annual option allocations capped at 1% of the number of shares in the company on the grant date. In 2019, the programme participants were offered the opportunity to subscribe for 1,000 options at a purchase price of NOK 1 per option. In total, staff purchased 657,000 options.

In light of the high uncertainty related to the consequences of the COVID-19 pandemic, the board has decided that a dividend will not be paid out for the financial year 2019. Further information on shareholder and stock exchange matters can be found on pages 146–149.

FINANCIAL SITUATION AND CAPITAL STRUCTURE

Veidekke seeks to maintain a strong financial position. This is dependent on stable operations, low financial risk exposure and proper management of financial risk parameters. Financial developments are an important factor in the group's strategy process, and Veidekke issues guidance on financial risk management in its finance policy.

Net interest-bearing debt amounted to NOK 2,652 million at year-end 2019, compared to NOK 1,470 million at the beginning of the year. Cash flow from operational activities totalled NOK 115 million, compared to NOK 1.4 billion in 2018. Cash flow was affected by increased investment in the property development operation, with payments under previously signed land purchase agreements and low residential construction activity in Stockholm contributing to higher capital commitments. Various measures were implemented to reduce capital commitments in 2019, primarily in the form of reorientation towards less capital-intensive projects, the resolution of legal disputes and

reduced investment in and the sale of machinery and equipment. Together with machinery and equipment sales, the settlement of several major legal disputes had a positive liquidity effect of NOK 520 million in 2019. Investments in machinery and equipment totalled NOK 541 million (excluding the effect of IFRS 16), compared to NOK 1,141 million in 2018.

The group's total assets amounted to NOK 21.3 billion at year-end, up from NOK 18.8 billion one year previously. A new accounting standard for lease agreements – IFRS 16 – was implemented as of 1 January 2019 and boosted the balance sheet by NOK 945 million. Total equity stood at NOK 4.0 billion (2018: NOK 4.0 billion) at the end of the year, corresponding to an equity ratio of 18.8% (2018: 21.1%). Capital invested in the property development operation stood at NOK 6.9 billion, compared to NOK 4.8 billion in 2018.

Veidekke has sound financial capacity. In December 2019, the group signed a new two-year, NOK 3.6 billion credit facility agreement with DNB, maturing in 2021. The new loan is in the same amount as under the previous agreement. In addition, Veidekke has a NOK 2.3 billion credit facility with SEB, also maturing in 2021 and featuring a 12-month extension option. As at 31 December 2019, unutilised credit amounted to NOK 4.5 billion.

RISK AND UNCERTAINTIES

Risk management is a key aspect of Veidekke's business, which primarily involves the execution of individual projects. Veidekke seeks to identify risks early on, so that risk-reduction measures can be implemented. Relevant categories include operational risk, market risk, climate risk and financial risk. The group's risk profile is currently strongly influenced by the ongoing COVID-19 pandemic. The virus has spread rapidly since the beginning of the year, and has caused production stoppages all over the world. Disruptions to the delivery of important goods and components may reduce companies' ability to maintain normal operations. Likewise, official measures to limit transmission of the virus may render parts of the workforce inactive. A situation where deliveries are delayed and/or staff are unable to work is likely to impact progress on Veidekke's ongoing projects. The same will apply if key staff fall ill. The scale and duration of the pandemic will affect growth prospects for the year ahead. With unutilised credit in the amount of NOK 4.5 billion at year-end 2019, Veidekke is financially prepared for a challenging market situation.

Operating risk

Veidekke's operations primarily involve the execution of individual projects. The projects vary greatly in terms of complexity, size, duration and risk, and systematic risk management in all parts of the business and during all project phases is therefore of crucial importance. This encompasses matters such as project selection, processes, tender quality, project follow-up and project execution. Having the necessary expertise to ensure optimal assignment execution, and putting together a reliable team, is key when deciding which projects to tender for. At the tender preparation stage, risks are identified and assessed, and plans are made for managing risk during the execution phase. Veidekke's project portfolio is increasing in size and complexity, making risk management a high priority for the group.

Access to the raw material bitumen is critical for the industrial operation's production of asphalt. Veidekke's bitumen supplier, Nynäs, is under financial pressure, and uncertainty has arisen with respect to the company's continued operation. Nynäs operates a depot in Drammen, and is the only supplier of bitumen in eastern Norway. Any bankruptcy on the part of Nynäs would affect the entire asphalt industry in eastern Norway. Veidekke is therefore monitoring Nynäs' situation closely, and has established various alternatives to ensure continued raw material supply if Nynäs becomes unable to deliver.

Certain forms of contract permit differing interpretations of contractual performance, giving room for disagreement between the contractor and client regarding final payment. This applies particularly to transport infrastructure projects, in which the contractual sums are large. Although Veidekke seeks to reach agreement with clients through negotiations, some disputes do end up in the court system. At year-end, Veidekke was involved in two major disputes before the courts. Two larger legal disputes, including one transport infrastructure project, were resolved by settlement in 2019.

Market risk

The residential market is sensitive to economic cycles, and the revenues of the property development operation are closely linked to new projects starts. To reduce the risk of having unsold residential units, Veidekke applies the general rule that new projects are not started until 50% of the units have been sold. Lower residential sales may thus cause the postponement of residential projects. At the end of 2019, the sales ratio for residential units under construction stood at 80%.

Climate risk

The construction and civil engineering industry is particularly vulnerable to climate risk, which has the potential to

influence the group's operational, market and financial risks. Veidekke is exposed to physical climate risk, i.e. damage resulting from phenomena such as storms, drought and flooding, and transitional risk, i.e. societal changes linked to the transition to a low-emission society. Examples of the latter include changes in market conditions, government policy, regulatory frameworks, technology and reputation.

In 2019, Veidekke initiated a systematic review of climate risk. The work started in the industrial operation and will be continued in all operations. Systematic risk assessment may also reveal opportunities to improve Veidekke's competitiveness, for example by offering strong environmental expertise and green products and services. Read more about climate risk on page 170–171.

Financial risk

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

Credit risk

Credit risk is the risk of financial loss because a customer or counterpart under a financial instrument is unable to meet its contractual obligations. The group's credit risk primarily arises with regard to the settlement of outstanding accounts – the principal risk linked to the group's trade debtors. Credit risk related to trade debtors is linked to clients' payment capacity, i.e. not their willingness to pay, which influences project risk. Veidekke's high percentage of public-sector clients helps reduce its credit risk. Further, credit risk is managed through contractual drafting and strong credit management procedures.

Liquidity risk

Liquidity risk is the risk that Veidekke may be unable to meet its payment obligations as they fall due. Strong liquidity is an important prerequisite for the group's profitability, and its ability to invest and take on risk in capital-intensive business areas. Management of liquidity risk is an aspect of the group's financial flexibility objective, and has high priority. The management, measurement and control of liquidity starts at the project level and is extended throughout all levels of the group.

Foreign exchange risk and commodity price risk

Veidekke has some exposure to foreign exchange risk through its purchasing of construction materials and of bitumen for use in asphalt production. The group does not engage in extensive hedging linked to input factors for use in future production, and hedging only occurs after an order has been placed. Hedging contracts are normally entered into in connection with major asphalt delivery agreements with a long time horizon (exceeding one year). Under contracts with the Norwegian Public Roads Administration – the asphalt operation's largest customer – the majority

of bitumen price risk is carried by the Public Roads Administration. When material foreign exchange risk arises, it is hedged through forward contracts and other measures.

Interest rate risk

Veidekke's interest rate risk arises in relation to the group's debt portfolio, and is managed at group level. The different operations are exposed to interest rate risk, and some partly-owned subsidiaries use interest rate derivatives to reduce material long-term interest rate risk. The group has previously made some use of interest rate derivatives to reduce profit fluctuations. Due to interest rate changes, the group has also occasionally used interest rate swaps to secure cash flow. In 2018, the group issued an unsecured fixed-rate bond loan totalling NOK 600 million, which matures in 2025.

Further information on the company's financial risks can be found in note 29.

THE MARKET

Market development in 2019 and outlook for 2020

Norway

Production in the Norwegian construction market was at a high level in 2019, and remained high going into 2020. The residential market showed stable growth in demand and prices, while residential production was higher than expected. The number of new residential building starts rose again following a correction in 2017 and 2018. Production of non-residential buildings was also strong at the beginning of 2020 thanks to growth in the healthcare buildings segment. The civil engineering operation reported stable, high demand, particularly in the transport infrastructure segment. Activity in the civil engineering sector has reached a very high level following a prolonged growth period.

Sweden

There were contrasting developments in the Swedish construction market in 2019. In the Stockholm/Uppsala region, production fell sharply and was approaching a cyclical low point at the beginning of the year. In the commercial buildings segment, there were signs of production growth as the year started, particularly in the Gothenburg region. In the civil engineering market, increased transport infrastructure investment boosted production in 2019. While underlying growth indicators remained positive at the beginning of 2020, growth in the Swedish economy showed signs of slowing in response to weaker international economic performance.

Denmark

Following several years of strong growth driven by high residential activity, production in the Danish construction market was forecast to fall in 2020. The exception was the Copenhagen region, in which activity was considerably higher than elsewhere in Denmark, and which still had prospects of further growth at the beginning of the year. In the non-residential buildings segment, investments in 2019 were on a par with 2018, as a decline in public buildings was balanced out by increased investment in commercial buildings. Following a period of strong growth in the Danish economy, weakening international economic developments reduced growth in 2019.

Outlook for 2020

At the onset of 2020, the outlook for the construction and civil engineering market in Scandinavia was positive. Although growth showed signs of slowing down, production was high in all three countries.

However, the spread of the coronavirus makes the forecast for 2020 highly uncertain. While the situation remains unresolved at present, it is clear that production in the construction and civil engineering markets will be materially affected by both public measures to stop the spread of the virus, higher sick leave among staff, and sub-contractors having difficulties supplying goods and services. There are several scenarios for future developments. A prolonged duration, the escalation of national anti-transmission measures and high volatility in the financial markets are highly likely to reduce production and demand in coming quarters. In a scenario where hindrances linked to anti-transmission measures are of limited duration, current production volumes indicate high activity in all three countries throughout 2020, even if demand for new private-sector projects falls significantly. The public sectors of all three countries are robustly financed, making it likely that demand in this sector will be boosted by monetary and fiscal policy measures. For Veidekke's industrial operation, the consequences of the pandemic come on top of an already challenging market situation. In addition to less funds being allocated for asphaltting in the 2020 National Budget, there is uncertainty pertaining to the consequences of the new regional reform on demand.

EVENTS AFTER THE BALANCE SHEET DATE

The accounts reflect project estimates based on a normal situation of full operation and ordinary project staffing levels. The progress of ongoing projects may be affected by the coronavirus, and the effects of the pandemic will depend on its scope and duration. No other events have occurred after the balance sheet date which have had a material effect on the issued accounts.

THE PARENT COMPANY VEIDEKKE ASA

The primary task of Veidekke ASA is to exercise ownership of the operational entities in the group. The company has 54 (2018: 47) employees, including 28 (2018: 24) women. Veidekke ASA issues its accounts in accordance with the Norwegian Generally Accepted Accounting Principles (NGAAP).

Veidekke ASA performs group functions on behalf of its subsidiaries, in the form of services in areas such as financial management, IT infrastructure, insurance, HR, HSE, communications and information. These services are invoiced to the relevant subsidiaries.

Veidekke ASA generated operating revenues of NOK 114 million (2018: NOK 110 million) in 2019, and made an operating loss of NOK 135 million (2018: loss of NOK 85 million). Dividends and group contributions from subsidiaries amounted to NOK 822 million (2018: NOK 521 million). The board of directors has decided that a dividend will not be paid out for the financial year 2019. The parent company, Veidekke ASA, achieved an annual profit of NOK 646 million (2018: NOK 401 million). At the company's annual general meeting on 6 May 2020, the board will propose the following allocation of the annual profit:


	NOK million
Allocated to dividend	0
Transferred to other equity	646
Profit for the year	646


GOING CONCERN

Pursuant to section 3-3a of the Norwegian Accounting Act, the board confirms that the company is a going concern and that the annual accounts for 2019 have been prepared on this basis. A statement on corporate governance has been prepared in accordance with section 3-3b of the Norwegian Accounting Act and is included in this report. An account of Veidekke's corporate social responsibility work has been prepared in accordance with section 3-3c of the Norwegian Accounting Act, and is also included in this report.

Oslo, 30 March 2020
The board of directors

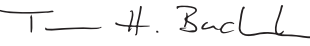

Svein Richard Brandtzæg
Chair


Hans von Uthmann


Gro Bakstad


Ingalill Bergtund


Ingvor Høyland


Tone Hegland Bachke


Inge Ramsdal


Odd Andre Olsen


Arve Fludal


Jimmy Bengtsson
Group CEO

INCOME STATEMENT VEIDEKKE GROUP

Figures in NOK million	Note	2019	2018
Revenue	2, 3, 4, 8, 32, 34	36 569	33 974
Subcontractors		-17 003	-16 671
Cost of materials	38	-6 505	-6 325
Personnel expenses	5, 6, 22, 31	-7 227	-6 794
Other operating expenses		-4 285	-3 483
Depreciation	11, 12, 13	-887	-587
Operating expenses		-35 908	-33 860
Share of net income from joint ventures	15, 34	-67	39
Operating profit		595	153
Financial income	7, 30	56	72
Financial costs	7, 30	-54	-30
Profit before tax		596	195
Income tax expense	23	-145	-42
Profit for the year, continued operations		451	153
Profit for the year, operations held for sale	3	217	421
Profit for the year		667	574
PROFIT FOR THE YEAR (CONTINUED OPERATIONS) ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		403	119
Non-controlling interests		48	34
Total		451	153
Profit per share (NOK) (ordinary/diluted)	9	3,0	0,9
PROFIT FOR THE YEAR (TOTAL OPERATIONS) ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		619	540
Non-controlling interests		48	34
Total		667	574
Profit per share (NOK) (ordinary/diluted)	9	4,6	4,0

STATEMENT OF COMPREHENSIVE INCOME

Figures in NOK million	Note	2019	2018
Profit for the year		667	574
Revaluations of pensions after tax	22, 23	14	-7
Net items that will not be reclassified subsequently to profit or loss		14	-7
Currency translation differences		-53	-48
Fair value adjustment of financial assets after tax	23, 30	11	-1
Net items that will be reclassified subsequently to profit or loss		-42	-49
Total other income and expenses after tax		-28	-56
Comprehensive income		639	518
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		592	484
Non-controlling interests		48	34
Total		639	518

STATEMENT OF FINANCIAL POSITION VEIDEKKE GROUP AT 31 DECEMBER

Figures in NOK million	Note	31.12.2019	01.01.2019 ¹⁾	31.12.2018
ASSETS				
Non-current assets				
Goodwill	10, 14	1 790	1 807	1 807
Other intangible assets	11	94	149	149
Deferred tax assets	23	8	-	-
Land and buildings	12, 13	1 253	1 393	646
Plant and machinery	12, 13	2 644	2 892	2 694
Investments in joint ventures	15	219	1 433	1 433
Financial assets	17	535	508	508
Total non-current assets		6 542	8 183	7 238
Current assets				
Residential projects	3, 34	57	4 309	4 309
Inventories	18	544	564	564
Trade receivables	19, 30	2 410	2 776	2 776
Contract assets	19, 30	3 024	2 908	2 908
Other receivables	30	253	843	843
Cash and cash equivalents	20	241	197	197
Total current assets		6 531	11 597	11 597
Total assets held for sale	3, 34	8 236	-	-
Total assets		21 309	19 780	18 835

1) Implementation of IFRS 16 Leases

STATEMENT OF FINANCIAL POSITION VEIDEKKE GROUP AT 31 DECEMBER

Figures in NOK million	Note	31.12.2019	01.01.2019 ¹⁾	31.12.2018
EQUITY AND LIABILITIES				
Equity				
Share capital	9, 21	67	67	67
Other equity		3 907	3 892	3 892
Non-controlling interests		24	25	25
Total equity		3 998	3 983	3 983
Non-current liabilities				
Pension liabilities	22	454	503	503
Deferred tax liabilities	23	464	343	343
Bonds	24, 30	1 600	1 600	1 600
Debts to credit institutions	24, 30	1 507	248	248
Other non-current liabilities	24, 30	1 161	1 099	414
Total non-current liabilities		5 186	3 793	3 108
Current liabilities				
Debts to credit institutions	24, 30	12	36	36
Trade payables	25, 30	5 978	6 176	6 176
Contract liabilities	26, 30	1 411	1 807	1 807
Public duties		721	805	805
Warranty provisions	26	979	814	814
Taxes payable	23	30	62	62
Other current liabilities	25	1 389	2 306	2 046
Total current liabilities		10 520	12 004	11 744
Total liabilities related to assets held for sale	3, 34	1 605	-	-
Total equity and liabilities		21 309	19 780	18 835

1) Implementation of IFRS 16 Leases

STATEMENT OF CHANGES IN EQUITY VEIDEKKE GROUP

Figures in NOK million	Note	EQUITY HOLDERS OF VEIDEKKE ASA							MINORITY	
		Share capital	Other paid-in capital ¹⁾	Re-evaluation of pensions	Currency translation differences	Other retained earnings	Fair value adjustment ²⁾	Other income and expenses, operations held for sale	Total	Non-controlling interests
Equity at 1 January 2018		67	305	-22	107	3 843	-101		4 199	22
Profit for the year						540			540	34
Other comprehensive income				-7	-48		-1		-56	-
IFRS 2 – share-based transactions employees						-23			-23	
Additions, acquisitions of operations, non-controlling interests										77
Transactions, non-controlling interests						-32			-32	-86
Dividend						-668			-668	-23
Equity at 31 December 2018		67	305	-30	60	3 658	-101		3 959	25
Implementation of IFRS 16 1 January 2019	35					0			0	0
Equity at 1 January 2018		67	305	-30	60	3 658	-101		3 959	25
Separation of operations held for sale				5	-45			40		
Profit for the year						619			619	48
Other comprehensive income				16	-32	3	8	-23	-28	
Increased capital	21	1	114						115	
IFRS 2 – share-based transactions employees	6					10			10	
Transactions, non-controlling interests	14,24					-33			-33	-23
Dividend	21					-669			-669	-25
Equity at 31 December 2018		67	419	-9	-17	3 589	-93	17	3 974	24

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

2) Financial assets and derivatives defined as hedging instruments, which are both measured at fair value in other comprehensive income. See note 30 for details.

STATEMENT OF CASH FLOWS VEIDEKKE GROUP

Figures in NOK million	Note	2019	2018
OPERATING ACTIVITIES			
Profit before tax, continued operations		596	196
Profit before tax, operations held for sale	3	209	406
Net interest items	7	113	55
Tax paid	23	-85	-106
Depreciation, amortisation and impairments	11, 12	893	594
Gains on sale of property, machinery etc.	12	-35	-20
Share-based transactions directly over equity	6, 22	10	-23
Profit and loss items without cash effect		25	-315
Generated from this year's activities		1 727	786
Change in residential projects	35	-1 539	-154
Change in trade receivables	19	-42	-394
Change in other current receivables		44	-8
Change in trade payables etc.	25	50	1 263
Change in other current liabilities	25	-125	-92
Net cash flow from operating activities (A)		115	1 400
INVESTING ACTIVITIES			
Acquisition of tangible, non-current assets	11, 12, 14	-718	-1 141
Disposal of tangible, non-current assets	14	181	203
Acquisition of subsidiaries	14	-12	-259
Interest received	7	17	16
Net cash flow other investments		-58	-39
Net cash flow from investing activities (B)		-590	-1 221
FINANCING ACTIVITIES			
New long-term borrowing	24	1 290	1 648
Repayment of non-current debt	24	-	-527
New short-term borrowing		1 000	26
Repayment of current liabilities		-1 019	-750
Interest paid	7, 13, 34	-130	-71
Dividend paid to non-controlling interests	21	-25	-22
Dividend paid to equity holders of Veidekke ASA	21	-669	-668
Increased capital	21	115	-
Net cash flow from financing activities (C)		563	-365
TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		87	-185
Cash and cash equivalents at 1 January		197	392
Exchange rate adjustments cash and cash equivalents		-2	-10
Cash and cash equivalents at 31 December		283	197
Additional information:			
Long-term borrowing facility		5 900	3 600
Used committed borrowing facilities at 31 December		1 370	126

TABLE OF CONTENTS NOTES VEIDEKKE GROUP

Note 1.	Accounting policies – Veidekke Group
Note 2.	Segment information
Note 3.	Operations held for sale
Note 4.	Revenue
Note 5.	Personnel expenses
Note 6.	Share issues to employees
Note 7.	Financial income and financial costs
Note 8.	Projects in progress
Note 9.	Earnings per share
Note 10.	Goodwill
Note 11.	Other intangible assets
Note 12.	Plant, machinery, land and buildings
Note 13.	IFRS16 Leases
Note 14.	Acquisitions and disposals of businesses
Note 15.	Investments in associates and joint ventures
Note 16.	Public–Private Partnership (PPP) projects
Note 17.	Financial assets
Note 18.	Inventory
Note 19.	Trade receivables and contract balances
Note 20.	Cash and cash equivalents
Note 21.	Number of shares, shareholders etc.
Note 22.	Pensions
Note 23.	Income tax expense and deferred tax
Note 24.	Non-current liabilities
Note 25.	Trade payables and other current liabilities
Note 26.	Warranty provisions etc.
Note 27.	Mortgages, guarantees and joint and several liability
Note 28.	Capital management
Note 29.	Financial risk
Note 30.	Financial instruments
Note 31.	Compensation to senior executives
Note 32.	Disputes and claims related to projects
Note 33.	Related party transactions
Note 34.	Information about assets held for sale
Note 35.	Implementation of new accounting standard, IFRS 16 Leases
Note 36.	Events after the reporting date
Note 37.	Alternative performance indicators
Note 38.	Corporate structure

NOTE 1. ACCOUNTING POLICIES – VEIDEKKE GROUP

General

At a board meeting on 13 November 2019, Veidekke's board of directors decided to split the group into two separate operations, and to amend the ownership structure of the property development operation. This has influenced the presentation of both the income statement and the statement of financial position. Reference is made to the separate discussion under IFRS 5 Non-current assets held for sale and the presentation of the accounting effects in note 3 Operations held for sale.

Corporate information

Veidekke is a Scandinavian construction and property development company headquartered in Oslo. The company operates nationwide in Norway and Denmark and has operations in central regions in Sweden. Veidekke ASA is listed on the Oslo Stock Exchange under the ticker symbol VEI. The company's address is Skabos vei 4, NO-0214 Oslo, Norway. The consolidated accounts were approved by the Board of Directors on 25 March 2020.

Basis for preparation of the accounts

Veidekke's consolidated accounts have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and Interpretations, together with the disclosure requirements stipulated by the Norwegian Accounting Act. Only standards that are effective on 31 December 2019 have been applied.

The consolidated financial accounts are prepared on the basis of historical cost, with the exception of financial assets and derivatives defined as hedging instruments, which are measured at fair value if the transaction has entailed a change in control of the company.

Unless otherwise specified, all the figures in the financial statements and notes are presented in millions of Norwegian kroner.

IFRS 5 Non-current assets held for sale

As a result of the decision to split the group into two separate operations and to amend the ownership structure of the property development operation, the presentation of the accounts and notes has been amended in accordance with the requirements of IFRS 5.

Veidekke presents a disposal group as being held for sale if the balance sheet value will largely be recovered through a sale transaction and such a transaction is highly likely to occur within one year. The disposal group is valued at the lower of carrying value and fair value, less sale costs.

An operation held for sale is an operational unit which has been disposed of or which is classified as held for sale and represents a separate and material operation. The statement of financial position is not restated for earlier periods. The statement of cash-flows is not restated. The post-tax profit/loss of an operation held for sale is presented on a separate line in the income statement, restated for earlier periods. Internal transactions between continued operations and operations held for sale are eliminated on the line in the accounts entitled Profit for the year, operations held for sale. This ensures that continued operations reflect, to the greatest possible degree, the position of this part after completion of the sale.

Assets and related liabilities are presented separately in the statement of financial position for the current period. See note 3 Operations held for sale for further discussion.

Implementation of new accounting policies

IFRS 16 Leases

IFRS 16 Leases took effect on 1 January 2019, replacing IAS 17 Leases. The standard requires the recognition of leases (the right to use an asset) and associated lease obligations in the statement of financial position. The former classification of leases as either operational or financial leases has been eliminated. Veidekke does not include short-term leases (with a duration of less than 12 months) and leases relating to low-value assets, in line with the exemption given in the standard. Recognition of a lease as an asset in the statement of financial position entails recognition of a corresponding debt in respect of future lease obligations. In the income statement, this entails an increase in depreciation and interest expenses and a reduction in other operating expenses, thus improving EBITDA compared to accounts prepared under the old principle.

Veidekke owns few of the commercial buildings from which it operates its business, and the new standard has therefore entailed a substantial increase in assets linked to leases for office premises (Property). Veidekke leases equipment in connection with construction and civil engineering projects. Many of these agreements have a duration of less than 12 months, although leases for e.g. workmen's huts and cranes normally have a longer duration and therefore require recognition of future lease liabilities in the statement of financial position.

Implementation of IFRS 16 has inflated the statement of financial position item Property by NOK 747 million, and Machinery, etc. by NOK 198 million, as at 1 January 2019. A corresponding non current and current debt have been recognised in the statement of financial position, meaning that the net effect on the statement of financial position as at the implementation date is NOK 0. When calculating the present value of lease obligations, an average interest rate of 3.3% has been applied. Depreciation has increased by NOK 265 million annually, and interest expenses by NOK 30 million, with an approximately equivalent reduction in other operating expenses.

Implementation has been effected using the modified retrospective method, meaning that the accounts for earlier years have not been restated.

Reference is made to note 35, which presents the accounting effects of implementing IFRS 16.

Potential future changes to accounting principles for operations held for sale

In 2019, Finansinspektionen (the Swedish financial supervisory authority) investigated a number of listed Swedish property development companies for the purpose of clarifying their accounting treatment of residential developments organised as housing cooperatives. One of the main questions was whether residential developers have accounting control of housing cooperatives. Veidekke's sale and construction of residential units in Sweden is generally organised in the form of housing cooperatives. Once a project has been completed, Veidekke enters into an agreement on further management of the project with a newly established housing cooperative. In the agreement, Veidekke undertakes to complete the residential units for a fixed price and to sell them to end customers on behalf of the housing cooperative. Veidekke also undertakes to purchase residential units which remain unsold six months after completion. Veidekke does not assume any other obligations or issue other guarantees to the housing cooperatives. The boards of the cooperatives are made up of three persons, including two external, independent board members. Veidekke has proceeded on the basis that it does not have control of such housing cooperatives, and that these therefore do not have to be incorporated into the group's accounts.

As far as Veidekke is aware, Finansinspektionen has not yet communicated its conclusions to the listed companies in

question. Veidekke's business model is fairly similar to the one used by these companies, and Finansinspektionen's conclusions may therefore affect Veidekke's future accounting practice. A final assessment will be undertaken once the conclusions have been issued. If such housing cooperatives have to be consolidated, income from residential sales will no longer be recognised as income on an ongoing basis, and will instead be recognised as income at the time of contractual delivery to end customers. This would bring practice in Sweden into line with the sale principles followed in Norway.

For Veidekke, this practice would have meant a positive revenue contribution of NOK 1.3 billion and a positive profit contribution of NOK 283 million to the 2019 income statement in accordance with IFRS, as a substantial number of completed residential units were delivered during the year and residential production declined significantly. The interest-bearing debt at the end of 2019 would have been NOK 675 million higher, the statement of financial position would have been NOK 850 million higher and the group's equity would have been NOK 4 million lower.

Material accounting assessments, estimates and assumptions

Veidekke's operations primarily consist of construction work. For its projects, Veidekke recognises revenue using the percentage of completion method, based on the anticipated final profit (final outcome) and stage of completion. This means that income is recognised as work progresses.

The percentage of completion method is based on estimates and assessments, entailing a degree of uncertainty in the accounting. For projects under construction, there is uncertainty associated with the progress of ongoing work, disputes, final outcome, etc. The final profit may therefore differ from the anticipated profit. For completed projects, there is uncertainty about hidden deficiencies, including guarantee work, and the outcome of possible disputes with the client.

AREAS WITH SIGNIFICANT ESTIMATION UNCERTAINTY

Accounting items with significant estimation uncertainty	Estimates / assumptions	Discussed in the following notes	Carrying amount
Trade receivables/ Contract assets/ Trade payables (creditors)/ Warranty provisions	At 31 December 2019 project assessments had been carried out for all projects, focusing on the expected earnings of the individual project on completion. The assessment is based on estimates, experience, professional judgement and interpretation of contracts. The revenue recognition method for additional claims against the client and disputed amounts with a high level of uncertainty is based on assessments of the most likely outcome and elements that can be measured reliably. Additional requirements are recognised only once it is considered highly probable that a substantial portion of this income will not be reversed at a later date.	8, 19, 25, 26, 32	Most of the group's current assets and current liabilities are related to projects.
Goodwill	Calculation of the present value of future cash flow. The main assumption in this calculation is expected future earnings.	10	NOK 1 790 million (2018: NOK 1 807 million)
Sites under development	Valuation of the land bank is based on estimates concerning expected degree of utilisation, how long it will take to get planning permission, and thus before construction can start, and expected sales price.	34	NOK 4 876 million (2018: NOK 3 776 million)
Pension liabilities	The group's pension liabilities are calculated by an actuary, based on a number of actuarial assumptions.	22	NOK 454 million (2018: NOK 503 million)

1. CONSOLIDATION

Consolidated accounts

The consolidated accounts include Veidekke ASA (the parent company) and all of its subsidiaries. The consolidated accounts show the group's profit and financial position as if they are one legal entity and are a collective statement of all the companies in the group. The companies' accounts are consolidated line by line. The consolidated accounts are drawn up in accordance with uniform accounting standards.

Subsidiaries are defined as companies in which Veidekke has a controlling interest. Controlling interest is normally achieved, directly or indirectly, when the group owns more than 50% of the shares in the company, or when the group is in a position to exercise actual control over the company. Control of a company can also be achieved through agreements or articles of association. In assessing control, currently exercisable voting rights are taken into account. In terms of accounting, "control" is defined as when one company has influence over another company, is exposed or has rights to variable returns from the company, and has the ability to affect those returns to a significant degree by using its power to control activities in the company. Group formation can be achieved by establishing new companies, by purchasing companies or through mergers. Subsidiaries are consolidated in the accounts

when a controlling interest is achieved and continue to be consolidated until control ceases.

Partly owned subsidiaries are incorporated in the consolidated accounts in their entirety. The non-controlling share of the subsidiary's equity constitutes part of the group's equity. The share of the profit attributable to non-controlling interests is included in the consolidated profit for the year. The non-controlling interests' share of profit and equity are presented as separate items in the accounts. When purchasing a subsidiary with non-controlling interests, 100% of the identifiable assets and liabilities are entered in the consolidated statement of financial position, whereas in terms of goodwill a decision can be made for each individual acquisition as to whether only the parent's (Veidekke's) share of goodwill is entered, or whether the non-controlling party's share of goodwill will also be recognised.

When Veidekke acquires a non-controlling interest in a subsidiary, the purchase price beyond the non-controlling party's share of the book value is recorded as a reduction in the equity of the owners of the parent company. If an option agreement has been entered into with non-controlling interests regarding purchase of the remaining shares, an

equity transaction between the non-controlling interest and Veidekke is recognised at each balance sheet date as if Veidekke had acquired the shares. See also the section on options in non-controlling owner interests on page 41. In connection with the sale of shares in a subsidiary where the controlling interest is retained, this must be accounted for as an equity transaction. Such transactions, therefore, involve no change in goodwill or other assets or liabilities and thus are not recognised in profit and loss.

All intra-group transactions and balances are eliminated, as are intra-group profits and unrealised gains.

Step acquisitions and disposals

In connection with the purchase and sale of companies, it will normally be assessed whether the transaction is an asset transaction or a business transaction. In Veidekke's construction and industrial operations, the purchase and sale of companies will normally be treated as a business transaction. In Veidekke's property development operations, the purchase and sale of companies will normally be treated as an asset transaction. The same also applies to disposal of PPP companies (Public-Private Partnerships).

When a business is acquired in steps such that the status changes from having a non-controlling stake in the company to having a controlling stake (i.e. becoming a subsidiary), the previously held stake is valued at fair value and the gain or loss is recognised in the income statement.

The fair value of the previous non-controlling ownership interest is included in the calculation of goodwill.

When part of a subsidiary is sold such that Veidekke retains more than 50% of the shares, no gain or loss is recognised in the income statement. If the sale results in a loss of control, normally when there is a stake of 50% or lower, the gain or loss is recognised in the income statement as if the entire company had been sold. This means that the remaining ownership interest is accounted for at fair value.

In connection with step acquisitions in a company that is an asset, such that the status changes from having a non-controlling stake in a company to it becoming a subsidiary, the original cost price is allocated to the identifiable assets and liabilities based on their relative fair value on the acquisition date.

When shares in a subsidiary that is an asset are sold and more than 50% of the shares are retained, no gain or loss is recognised in the income statement. If the sale results in loss of control, normally when there is a stake of 50% or lower, a gain or loss is recognised in the income statement corresponding to the realised asset.

Business combinations

Business combinations may be achieved through the acquisition of a company's operations, the acquisition of companies, or mergers. Business combinations are accounted for using the purchase method, where identifiable assets and liabilities are valued and recognised at fair value. Identifiable assets also include intangible assets, such as patents, licences, trademarks, logos, and customer portfolios.

That part of the price that exceeds the fair value of identifiable assets and liabilities constitutes goodwill. Only acquired goodwill is recorded in the income statement, and acquisition costs are expensed. Identifiable excess value in connection with acquisitions is included in the calculation of deferred tax, whereas no provision is made for deferred tax in the case of goodwill. The fair value of tangible assets is depreciated systematically, while goodwill and intangible assets with an undetermined lifespan are tested annually for impairment.

Conditional consideration is recognised in the statement of financial position at fair value on the acquisition date. Any subsequent changes in the conditional consideration are recognised in the income statement.

Excess value and goodwill are determined at the time of group establishment. If there are subsequent changes in ownership, the changes will not affect goodwill or identified excess value, as these are locked from the acquisition date. However, the change in ownership will affect allocations between controlling and non-controlling interests.

Joint ventures

Veidekke is also engaged in operations with other enterprises, called joint ventures. These operations are managed through separate legal entities, which may be limited companies or general partnerships. Joint venture companies are primarily used in property development, but also for investments in PPP (Public-Private Partnership) companies. In joint ventures, joint control is exercised over the company, governed by an agreement. Joint control requires unanimity among the participants on important decisions. Veidekke uses the equity method to account for joint ventures, and the activities are included from the date that joint control of the company commences and until the joint control ceases. The accounts of joint ventures are adapted to IFRS, in keeping with Veidekke's accounting policies, before they are incorporated in Veidekke's consolidated financial statements.

Under the equity method, investments are measured as the share of the equity in the company, and the share of the profit of the associated company is recognised in the income statement. Any share of other income and expenses is included in the financial statements. When a portion of a

company is acquired, the investment is reported at original cost, i.e. the share of the equity measured at fair value on the acquisition date, including goodwill. The share of the profit is recognised on a separate line under operating profit on the income statement. The investment is classified as non-current assets in the statement of financial position. Any subordinated loan is presented as part of the investment. Profit less distributions is added to the investment in the statement of financial position. When calculating the share of the profit, depreciation of the fair value of tangible and intangible assets on the acquisition date and internal gains are taken into account.

Negative equity in the company is recognised when the group is obligated to cover such loss, or when there are agreements making it likely that Veidekke will have to inject new equity into the company.

Joint operations

Veidekke also runs operations along with other enterprises through working partnerships. A working partnership is a collaboration between two or more participants who undertake a construction project together, and where they share the risk in the project (profit and loss) and the participants are jointly responsible for the working partnership's liabilities. Separate accounts are kept for working partnerships. Activities within a working partnership are often organised as a general partnership. A working partnership is a jointly controlled activity, and it is regarded as joint operations. This means that the participants control operations jointly, as laid down in an agreement, and requires unanimity on important decisions.

Veidekke has jointly controlled operating arrangements in its property development operations. This type of arrangement is used in connection with major investments in sites, as the risk is reduced when the site is purchased jointly with partners.

For working partnerships and jointly controlled operating arrangements, Veidekke recognises its share of assets, liabilities and revenues in line with the arrangements specified in the agreement (usually in line with its interest in the project). This means that Veidekke includes its share of the partnership's accounts, and each line in the income statement and statement of financial position is incorporated. Intra-group transactions are eliminated with a proportionate share.

Associates

Veidekke has investments in associates. Associates are companies in which the investing company has significant influence over financial and operating policies, but which are not subsidiaries or joint ventures. Significant influence will normally mean that the investing company holds between 20% and 50% of the shares in the company. Associated companies are accounted for using the equity

method from the date that significant influence commences until the significant influence ceases, and the accounts are adapted to IFRS in keeping with Veidekke's accounting policies, before they are incorporated in Veidekke's consolidated accounts.

Put options non-controlling interests

The present value of the future purchase price related to non-controlling interests' put options is accounted for as liabilities (see note 24). The liabilities are recognised using estimated value, and the estimate may change in future periods since the amounts to be paid relate to future fair value and/or future profits. Any changes in the estimated purchase price of the shares (put option) are recognised as an equity transaction.

At each balance sheet date, a transaction between the non-controlling ownership interest and Veidekke is recognised as if Veidekke had taken over the non-controlling owner's shares at the estimated purchase price.

Translation of foreign operations

The group presents its financial statements in Norwegian kroner, which is the functional currency of the parent company and its Norwegian subsidiaries. The accounts of foreign companies with a different functional currency are converted as follows:

- Assets and liabilities are converted at the exchange rate on the balance sheet date.
- Income statement items are converted at the average exchange rate for the month.
- Currency translation differences are recognised in other income and expenses in total comprehensive income. Translation differences are recorded on an ongoing basis against other income and expenses in total comprehensive income. In the case of disposal of a foreign entity, the accumulated currency translation differences are recognised in the income statement. Sale and liquidation of a company, repayment of capital etc. count as disposal.

Goodwill on the purchase is considered part of the foreign entity and is treated as an item in foreign currency.

2. REVENUE RECOGNITION

Construction projects

Veidekke's operations consist largely of the execution of all kinds of construction and civil engineering projects lasting anything from a few months to three or four years. For reporting of projects Veidekke primarily uses the stage of completion method, based on the estimated final profit. This means that income is reported in line with production, based on degree of completion.

The revenue recognition for additional claims against the client and disputed amounts with a high level of uncertainty is based on assessments of the highly probable outcome of the dispute and elements that can be measured reliably. Additional claims are only recognised once it is considered highly probable that a substantial portion of this income will not be reversed at a later date.

Provision is made for guarantee work based on historical experience and identified risks. The guarantee period is normally from three to five years. For projects that are expected to make a loss, the whole loss is recognised in the income statement as soon as it is identified. Costs related to tenders and other costs related to obtaining projects are recognised as expenses as they are incurred. The stage of completion is determined on the basis of the work completed and is normally calculated as the ratio of accrued expenses to date to estimated total expenses for the project. Accrued expenses to date are equal to book expenses adjusted for time lag in invoicing (Accrued but not recorded). Income to date is equal to total anticipated expenses plus project contributions multiplied by the stage of completion. Accrual accounting is used for both income and expenses.

Non-invoiced earned income is booked as Contract assets (Work done, but not invoiced). Unearned invoiced income (pre-agreed payment plans) is booked under trade receivables (Work invoiced in advance / not recognised). Only one of these items may be applied per project. If the item Work invoiced in advance is a larger negative amount than invoiced trade receivables for the project, the surplus is recorded as advance payment from customers (Contract liabilities). Each project thus shows either a net receivable from the customer or a net debt to the customer. Cost accruals (Accrued, not recorded) are entered under Trade payables, while provisions for guarantee work on completed projects are entered under Warranty provisions etc. Please refer to note 8 Projects in progress, note 19 Trade receivables and contract balances, note 25 Trade payables and other current liabilities, note 26 Warranty provisions etc., and note 32 Disputes and claims related to projects.

These accounting principles also apply largely to projects in Veidekke's asphalt operations.

Residential projects

Residential projects comprise the development and construction of residential buildings for sale for Veidekke's own account. Sites that are acquired with a view to constructing residential buildings for sale are classified as current assets (Residential projects). Sites are capitalised when control over future economic benefits related to them is taken over, which is normally at the time ownership control is transferred.

Projects under development

From the time a right is gained, by either buying a site or entering into an option agreement, costs associated with the development of the site are capitalised. Interest costs are included in the acquisition cost and are capitalised on the property from the time Veidekke takes over control of the property. Interest expenses are capitalised as long as there is development activity on the property. The property is valued at the lower of acquisition cost (including development costs and interest expenses) and fair value. If acquisition cost exceeds fair value, an impairment loss is recorded for the site.

Projects under construction

Revenue from residential projects under construction in Sweden and Denmark are recognised on a percentage of completion basis calculated as the estimated final profit from the project multiplied by the stage of completion and the sales ratio. When calculating the estimated final profit, only directly attributable costs are regarded as project costs, including interest costs. The profit from residential projects in Norway is not recognised in the accounts until the property is complete and has been contractually delivered to the buyer. The different revenue recognition approaches in the different countries are due to variations in national legislation governing residential construction and sales. For the Norwegian residential production operations, this means that all costs except general sales and administration costs are capitalised as part of the acquisition costs as current assets under Residential projects. Any loss-making projects are expensed in the period in which the loss is identified, regardless of country. Veidekke adheres to the principle that the final decision regarding whether to go ahead with a project is not normally made until a minimum sales ratio of 50% (measured in value) has been reached. Starting construction on a project before the minimum sales ratio has been reached usually entails an elevated level of uncertainty linked to the final outcome in terms of profit. Projects are not recognised in the accounts before the sales ratio (measured in value) exceeds 50%.

Unsold units and sites for development

Unsold completed units and sites under development are capitalised under Residential projects. The fair value of sites and unsold units is based on specific individual assessments. If the fair value is considered to be lower than the cost price, the site is written down to fair value.

Housing cooperatives in Sweden

Residential sales and production in Sweden are based on a cooperative model. Once a project has been developed, an agreement is established between a newly formed housing cooperative and Veidekke for construction of the project. In accordance with the agreement, Veidekke sells the apartments to the end customer on behalf of

the cooperative, and Veidekke commits to complete the properties at a fixed price. In addition, Veidekke undertakes to buy units that have not been sold within six months of completion. Veidekke does not have any other obligations or guarantees to the housing cooperative beyond this. The housing cooperative is owned by the members, and during construction it is the board that controls the housing cooperative. The board has three members, two of whom are external independent members and one from Veidekke. It is therefore considered that Veidekke does not have control over the housing cooperative and that it therefore should not be incorporated into Veidekke's accounts. Unsold units under construction are recognised under Residential projects (inventory) until they are sold.

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

Operation and maintenance contracts usually have a term of five years. For road operation and maintenance contracts, revenue is recognised on a percentage of completion basis in line with completed tasks and related costs. For each contract, the project's likely outcome for the entire contract period is evaluated at the close of the period. If a contract is expected to result in a net loss in the remaining contract period, the loss is recognised as soon as it is identified.

PPP projects

Veidekke has ownership shares in companies that have entered into PPP contracts (Public–Private Partnerships) for the construction of roads and schools with a subsequent operation and maintenance period. The PPP contracts are accounted for according to IFRIC 12 Service Concession Arrangements (The Financial Asset Model), as a financial asset at cost amortised over the contract period. This is discussed in more detail in note 16.

Veidekke's owner function in the PPP companies is reported in the business area "Other operations". Profit is recognised in income over the entire lease period in line with the ownership interest. Services in the form of construction or operation are reported under the business areas Construction or Industrial. Construction services are accounted for as an ordinary building construction project. Deliveries related to maintenance are expensed as they are incurred.

Other operations

Income from sales of products (aggregates, asphalt, etc.) is recognised on delivery. For leasing operations the agreed rental fee is recognised on a straight-line basis. This also applies to services rendered, consultancy work, etc. Sales of non-current assets are recognised in the income statement on delivery.

3. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Veidekke recognises financial assets and financial liabilities in the statement of financial position when the enterprise becomes a party to the provisions of the contract. The group classifies financial assets in the following four categories:

1. Financial assets measured at amortised cost

The group measures financial assets at amortised cost if the following two conditions are met:

The financial asset is held in a business model the objective of which is to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

The subsequent measurement of financial assets measured at amortised cost is done using the effective interest rate method adjusted for any provisions for losses. Gains and losses are recognised in profit or loss when the asset is discounted, modified or written down.

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

2. Financial assets measured at fair value with changes in fair value recognised through other comprehensive income

The group measures debt instruments at fair value with value changes recognised through other comprehensive income if two conditions are met: the financial asset is held in a business model whose objective is both to collect contractual cash flows and sales, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

The debt instrument is measured at fair value with value changes through other comprehensive income. In the event of derecognition, the accumulated change in fair value that has been recognised in other comprehensive income is transferred to profit or loss.

Veidekke has invested in a bond fund that is classified in this category. See note 15.

3. Equity instruments measured at fair value with value changes recognised through other comprehensive income

The group may choose to classify at fair value equity instruments with value changes recognised through other comprehensive income as long as they meet the definition of equity in IAS 32 Financial instruments.

Veidekke has no financial assets in this category.

4. Derivatives measured at fair value defined as hedging instruments

Derivatives are recorded in the statement of financial position at fair value, adjusted for net changes in fair value recognised through other comprehensive income. This category contains forward foreign exchange contracts and interest rate swaps.

Financial liabilities

On initial recognition, financial liabilities are classified as loans and liabilities, or derivatives defined as hedging instruments in an effective hedge. Derivatives are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs. Derivatives are financial liabilities when the fair value is negative and are accounted for in a similar way as derivatives that are assets.

Financial liabilities – loans

Loans are reported in the accounts by recognising the amount received less directly related transaction costs. The loan is then measured at amortised cost using the effective rate of interest method. Effective interest rates are presented as financial costs in the income statement.

Impairment of financial assets

If there are indications of impairment relating to loans and receivables that are measured at amortised cost, the need to record an impairment loss shall be considered. The impairment amount is calculated as the difference between the asset's recognised value and the present value of anticipated future cash flows. The impairment amount is charged to income.

Veidekke has two types of financial risks relating to the group's trade receivables: credit risk and project risk. Credit risk relates to the customer's ability to pay. This risk has always been low at Veidekke in part because contracts normally require guarantees related to the underlying contract. Provision for such losses is made using a separate "Provision for bad debts" account. The group applies a simplified method for calculating provisions for bad debts, assessing each provision based on the anticipated credit loss over the reporting period, rather than on a 12-month anticipated loss. The group has developed a provision matrix based on historic credit losses, adjusted for forward-looking factors specific to each customer and the general

economic situation. Project risk relates to a customer's willingness to pay, and is managed as part of the project assessment. In the accounts, any drop in value is presented as a reduction in trade receivables. In the note, such risk is incorporated into the assessment of the item Work invoiced in advance. For details, see notes 19 and 30.

If a financial asset measured at fair value with changes in value recognised through other comprehensive income with reclassification of accumulated gains and losses in profit or loss based on objective criteria has been the object of impairment, the loss is expensed in the income statement as impairment. A reversal of the impairment of equity instruments classified in this category is not recognised in the income statement, but is recognised directly in the group's other comprehensive income.

Derivatives and hedging transactions

On initial recognition, derivatives are recognised at fair value. Thereafter, the item is valued at each balance sheet date. On entering into a derivative agreement, the group defines whether this is a fair value hedge of an accounting item or hedging of an obligation it has entered into (a cash flow hedge). Changes in the fair value of derivatives that are both defined as hedging and satisfy the requirements for hedging are recognised in total comprehensive income. Such items are reversed and recognised as income or expenses during the period the hedged obligation or transaction affects the income statement. Changes in the fair value of derivatives that do not qualify as hedging or where there are inefficiencies in the hedge are recognised as they occur.

Derecognition of financial assets and obligations

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

Financial income and expenses

Financial income includes interest income on financial investments, dividends received and group contributions, currency gains and gains from financial assets.

Financial expenses include interest charges on loans, currency losses, changes in the fair value of financial assets measured at amortised cost, and impairment of financial assets. All loan expenses are recognised using the effective rate of interest method.

Interest costs on residential projects under development are capitalised on an ongoing basis and expensed as an operating expense in line with the revenue recognition.

Interest expenses in connection with loans to senior executives

Veidekke provides loans to employees in connection with

the group's share programme for senior executives. These loans are recognised at amortised cost. Interest expenses are measured using the effective rate of interest method based on estimated market interest rates and are classified as payroll expenses. Interest on these is currently at 0%, and the difference between the nominal value of the loans and their fair value, based on discounting the future cash flow by the estimated market interest rate, represents a prepaid benefit to employees. These prepaid benefits are recognised in the income statement over the period from when a loan is granted until it is paid off.

4. OTHER POLICIES

Classification

Assets and liabilities relating to the supply of goods (projects) are classified as current assets and current liabilities. Veidekke has an agreement with a credit institution in the form of a line of credit that is used to finance both non-current assets (investments) and working capital. The agreed due date is November 2021. If this overdraft facility is used, the loan is classified as a non-current liability.

Other amounts due to credit institutions that are taken up to finance non-current assets (investments) and where there is an unconditional right to defer payment for more than 12 months from the balance sheet date are classified as non-current liabilities. Loans that are taken up to finance working capital (current assets) are classified as current liabilities. Other receivables and amounts due for payment after more than a year are classified as non-current assets and non-current liabilities.

Warranty provisions are closely related to the supply of goods and are therefore classified as current liabilities even if it is likely that large parts of the item will be due for payment after more than 12 months.

Non-current assets held for sale

Veidekke presents an asset or a disposal group as being held for sale if its carrying value will largely be recovered through a sale transaction, rather than through continued use.

An asset or a disposal group classified as held for sale is valued at the lower of carrying value and fair value less sale costs. Sale costs are marginal expenses which relate directly to the disposal of an asset or a disposal group, excluding finance expenses and tax costs.

To qualify for presentation as being held for sale, an asset or disposal group must be available for immediate sale in its present condition, and its sale must be highly likely. Management must have adopted a plan to sell the asset or disposal group, and the sale must be completed within one year of the date on which the asset or disposal group

was classified as being held for sale. Depreciation of assets ceases on the date they are classified as held for sale.

An operation held for sale is an operational unit which has been disposed of or which is classified as being held for sale, and which constitutes a separate and material operation for which a coordinated disposal plan has been adopted.

Pensions

Veidekke has both defined-contribution and defined-benefit plans. In defined-contribution plans the employer makes a contribution to the employee's pension savings. The future pension depends on the size of the contribution and the return on the pension assets. In defined-contribution pensions the cost to the company is equal to the contributions for the year, and the company's only commitment is to make an annual contribution. Thus, no liability is recorded in the statement of financial position. In the case of defined-benefit plans, the company commits itself to providing a pension of a specified size. An actuarial calculation is made each year of the pension costs and pension liabilities. Pension liabilities equal the present value of the accrued pension rights. The employees' pension rights are recognised as costs as they are earned, and provision is made for pension liabilities in the statement of financial position. The pension calculation takes into account estimated wage growth, and pension costs are recognised on a straight-line basis over the employment period. Here, Veidekke bears the risk for the return on the pension assets.

Defined-benefit plans are measured at the present value of the future pension payments that for accounting purposes are regarded as accrued on the balance sheet date. The pension assets are recognised at fair value. The net of pension liabilities and pension assets is recognised as non-current debt or receivables. Pension assets consist of a premium fund and a share of the life assurance company's funds (premium reserves). Pension costs consist of the present value of the year's earning plus interest on the net pension liabilities. This means that the cost is calculated using the same discount rate for pension liabilities as is used to calculate expected return on pension assets. In defined-benefit plans, an annual difference arises between the estimated and actual return on pension assets and between estimated and actual pension liabilities, called actuarial gains and losses. Actuarial gains and losses may arise as a result of discrepancies and changes in the assumptions on which estimates were based; for example the actual return on the pension assets might be different from the estimate. Actuarial gains and losses are recognised in total comprehensive income.

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

administrator is not in a position to procure reliable calculations concerning accrued rights, the accounting for the scheme will be conducted as for a defined-contribution scheme. This is discussed in more detail in note 22.

Tax

Income taxes are tax on the group's profit. Tax is treated as an expense in the accounts. Tax payable and deferred tax relating to items recorded as other income and expenses in total comprehensive income are recognised in total comprehensive income. The income tax expense for the year consists of payable tax, changes in deferred tax and adjustments from previous years. Payable tax is calculated based on the company's taxable profit for the year. Deferred tax is a provision (accrual) for future payable tax.

Deferred tax liabilities/assets are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arise because some items are accrued differently in the financial accounts and the tax accounts. Both tax-increasing and tax-reducing timing differences occur. Deferred tax is calculated on net temporary differences, i.e. by offsetting tax increasing against tax-reducing differences within the same tax jurisdictions. Deferred tax is measured on the basis of the current future tax rate in those companies in the group where temporary differences have arisen. Deferred tax is recognised at the nominal rate and is classified as a non-current asset or non-current liability.

Deferred tax assets relating to loss carry-forwards are recognised in the accounts when it is probable that the company will be able to make use of the advantage. Tax payable and deferred tax are recognised in the income statement, unless the tax is related to a transaction or event that has already been recognised in total comprehensive income or directly in equity, or it is related to a merger.

Goodwill

Goodwill arises when the group acquires a business. Goodwill includes synergies, organisation, know-how, market position, etc. Goodwill is calculated as the fair value of the purchase price at the time of the acquisition less the fair value of the acquired company's identified assets, liabilities and contingent liabilities. If the acquisition does not involve 100% ownership for the parent company, the entire fair value can be used as the basis for determining goodwill. This entails the non-controlling party's share of goodwill being recognised as goodwill as well. The principle used for measurement of non-controlling interests is determined separately for each business combination. Goodwill is not amortised, but is tested for impairment at least annually. See note 10 Goodwill.

Other intangible assets

Intangible assets with a determinable useful life are measured at original purchase price less accumulated amortisation and impairment losses. This applies, among other things, to extraction rights for aggregates, for which amortisation is determined based on actual extractions. Investments in IT systems are capitalised and recorded under Other intangible assets and depreciated over a five year period.

Tangible non-current assets

Tangible non-current assets consist of plants, buildings, machinery and equipment, etc. Veidekke records tangible non-current assets in the statement of financial position using a historical cost model. This means that tangible non-current assets are measured at original cost less accumulated depreciation and impairments. Tangible non-current assets are recognised when it is probable that future economic benefits linked to the asset will accrue to the company and the original cost can be measured reliably. This applies both to first-time purchases of operating equipment and to subsequent changes, conversions, overhauls, etc. Other repairs and maintenance are recognised as expenses as they arise. Tangible non-current assets are depreciated on a straight-line basis over their estimated useful lives.

The estimated expected useful lives for the current period and comparable periods are as follows:

- Vehicles:	5 years
- Machinery etc.:	5–8 years
- Asphalt plants and quarries:	10–15 years
- Buildings:	20–50 years

The depreciation period and residual value are assessed annually. Gains and losses on disposals of non-current assets are recognised in profit and loss and represent the difference between sales price and carrying value. Gains on sales of non-current assets are presented under operating revenues, while losses on sales of assets are presented under other operating expenses.

Impairment of non-current assets

If there is an indication of impairment in value of a tangible, non-current asset, the recoverable amount is calculated. An impairment loss is recognised if the recoverable amount of a non-current asset is less than its carrying amount. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of the future cash flows that the asset is expected to generate. If there is an indication that the asset is impaired in value, the recoverable amount is used and the necessary impairment is recorded.

Intangible non-current assets with an indeterminable life and goodwill are tested for impairment each year, and any impairment is recorded. Impairment testing may also be performed on a quarterly basis if there are indications of impairment. The value in use is calculated for each cash-generating unit (CGU). If a CGU is impaired, goodwill is written down first, and other assets are then written down proportionately. If the value of impaired intangible non-current assets rises again later, the impairment may be reversed; however, impairment of goodwill is not reversed. The calculation of the value in use of a CGU is based on future estimated cash flows for the unit, discounted at a suitable rate in light of the group's required rate of return. The calculation is based on the CGU's budgets and forecasts, including terminal value. Maintenance costs and replacement investments are also taken into account, but not investments for expansion. Finance expenses and tax are not included in the calculation.

A cash-generating unit is determined as the smallest identifiable group of assets that generates incoming cash flows and that in all essence is independent of incoming cash flows from other assets or groups of assets. Units with significant synergies and that perform similar types of activities are considered as one cash-generating unit. Within construction operations a cash-generating unit will normally be on the company level, whereas for industrial operations, they will normally encompass business units, for example Asphalt or Aggregates.

The group as a lessee

When a contract is entered into, consideration is given to whether the contract constitutes or contains a lease agreement. A contract constitutes or contains a lease agreement if it transfers the right to control the use of an identified asset. Lease agreements are recognised in the accounts on the implementation date.

The acquisition cost of the leased asset equals the present value of the lease obligation. The lease obligation is recognised at the present value of the lease payments. The lease payments are discounted using the implied interest rate in the lease agreement.

The leased asset is depreciated in a linear basis over the lease period, while the lease obligation increases as interest is charged and decreases as lease payments are made.

When setting the lease period, periods covered by an extension option are included if it is likely that the option will be exercised.

Veidekke applies the exception from recognition granted in the standard, and therefore does not recognise short-term lease agreements (less than 12 months) or leases related to low-value assets in the statement of financial position.

Lease payments under these kinds of lease agreements are expensed on a linear basis over the lease period.

The group as a lessor

Lease agreements are classified as either operational or financial lease agreements. A lease agreement is classified as an operational lease agreement if it does not transfer all material risks and benefits associated with ownership of the underlying asset. Lease payments under operational lease agreements are recognised as income on a linear basis over the lease period.

Currency transactions

Transactions involving foreign currency are converted at the exchange rate at the time of the transaction. Monetary items in foreign currency are assessed at the exchange rate on the balance sheet date, and related currency gains or losses are recognised in the income statement. Monetary items are items that will be settled at a fixed nominal amount. This applies to liquid assets, receivables, debts, etc. For non-monetary items, the exchange rate at the time of the transaction is taken as the basis for the original cost. This applies to tangible non-current assets, inventory, etc.

Inventories

Inventories consist of the project inventories and the inventory for industrial operations. Project inventories are included in project valuations. The inventory for industrial operations is measured at the lower of total production costs and net sales price.

Warranty provisions etc.

A provision is made in the accounts when the group has an obligation (legal or self-imposed) as a result of a previous event, and it is probable that a financial settlement will take place as a result of that obligation, and the amount can be measured reliably. Provisions are made for confirmed work under guarantee and for probable concealed deficiencies. See note 26.

Cash and cash equivalents

These consist of cash and cash equivalents and bank deposits, including deposits subject to certain conditions, and short-term liquid investments with a maximum term of three months, which can be converted into cash immediately.

Share discounts

Veidekke purchases its own shares and then sells them to the employees at a discount with a lock-in period. These sales of shares are reported in accordance with IFRS 2 on share-based payments. The discount is recognised in the income statement at fair value at the time of issue, taking into account the lock-in period. The discount is calculated according to an option-pricing model. The fair value of the discount is charged to personnel expenses. See note 6.

Proposed dividend

Proposed dividends are not recognised as liabilities in the accounts until they have been approved by the Annual General Meeting.

Disputes and claims related to projects

Veidekke's profits from projects are strongly influenced by estimates, entailing some uncertainty. See the discussion on page 45 under "Estimates". See also note 32 Disputes and claims related to projects.

Borrowing costs

Borrowing costs that are directly attributable to the procurement, manufacturing or production of a qualified asset are recorded as part of the acquisition cost of the asset concerned. For Veidekke, this involves capitalising interest costs in connection with the company's own property development projects. This means that interest rates are classified as cost of materials when they are expensed.

In connection with the purchasing of operating equipment where it takes a long time before the operating equipment can be used for its intended purpose, interest will also be capitalised. This concerns, for example, construction of an asphalt plant. Other borrowing costs will be entered in the income statement as they incur.

Earnings per share

Earnings per share is calculated by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of outstanding shares in the period.

Statement of cash flows

The statement of cash flows is prepared using the indirect method.

In the property development divisions, investments are made continuously in new development projects, including sites. Investments also include acquisitions of companies. Investments in the property development segment are regarded as part of the operating activities and are presented under operating activities in the statement of cash flows. Associates and joint ventures are also used as part of the operating activities for the development of property development projects. Both acquisitions and sales of associates and joint ventures are regarded as operating activities. In the other parts of the group, acquisitions and sales of companies are classified as investment activities.

Segment reporting (note 2)

The group's business segments are presented in accordance with the internal financial reporting that is presented to the group's most senior decision-maker. In essence, internal financial reporting follows current IFRS rules with one exception – accounting for residential projects for own account. For these projects profit is recognised in accordance with the project's estimated final profit, multiplied by the sales ratio, multiplied by the stage of completion. Revenue to date is calculated in the same way. When calculating the estimated final profit, only directly attributable costs are regarded as project costs, including interest costs. No profit is recognised in the accounts before the sales ratio measured in value exceeds 50%. Project losses are expensed as soon as they are identified.

See note 2 on segment reporting for more details. See also the detailed description under income recognition for residential projects.

IFRS STANDARDS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

The International Accounting Standards Board (IASB) has adopted a number of interpretations and changes to existing standards and interpretations which had not yet entered into force at the time the accounts were closed on 31 December 2019. Veidekke has concluded that these interpretations and changes are unlikely to have a material effect on the group's financial position, profit/loss or note information going forward.

NOTE 2. SEGMENT INFORMATION

The segment information is divided into the business areas as they are reported to the corporate management. The business areas are based on the type of delivery and the market being served, and correspond to the information reported to the Group CEO and corporate management.

Veidekke's construction operations are engaged in construction and civil engineering projects in most major metropolitan regions in Norway, Sweden and Denmark. Veidekke's property development operations purchase sites and develop them into residential buildings for sale to the end customer, mainly in the largest cities in Norway and Sweden. This business area is held for sale as at 31 December 2019. The business area Industrial is engaged in the production and laying of asphalt and is a major producer of aggregates. Industrial is also a major player in the operation and maintenance of public roads.

The business area Other operations includes unallocated costs associated with the group's corporate administration and

BUSINESS AREAS

Figures in NOK million	Construction		Industrial	
	2019	2018	2019	2018
INCOME STATEMENT				
Revenue	32 158	29 569	5 229	4 894
Operating expenses	-30 989	-29 057	-4 758	-4 617
Share of net income from joint ventures	-103	8	12	6
Depreciation	-568	-365	-262	-211
Operating profit	498	156	222	72
Financial income	74	95	3	3
Financial costs	-56	-32	-42	-36
Profit before tax	516	219	183	40
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER				
Non-current assets	4 212	3 875	1 671	1 553
Current assets	5 757	5 768	772	908
Cash and cash equivalents	3 895	2 807	9	5
Total assets	13 864	12 450	2 452	2 467
Equity	2 167	2 309	453	473
Non-current liability	1 739	1 170	947	1 023
Current liabilities	9 958	8 972	1 052	971
Total equity and liabilities	13 864	12 450	2 452	2 467
KEY FIGURES				
Operational cash flow	1 316	1 400	446	265
Cash flow from investments	-338	-767	-188	-345
Investments in non-current assets ²⁾	346	688	151	379
Capital invested ³⁾			1 366	1 408
Investments in joint ventures	119	88	48	36
Number of employees	7 151	7 185	1 162	1 139
Order backlog	34 286	33 708	1 229	933
- due for completion within 12 months	21 929	22 562	860	741

1) Project Development is classified as held for sale in the financial accounts.

2) In 2019, lease agreements (IFRS 16) totalling NOK 170 million were entered into which have not been included in the figures. Does not include investments in companies or financial instruments.

3) Capital invested is only listed for the two capital-intensive business areas Property Development and Industrial.

financial management and the group's ownership role in Public-Private Partnerships (PPP). Revenue and internal profit between the segments are eliminated under the item Eliminations.

The group's largest single customer, the Norwegian Public Roads Administration, accounted for 8% of the Group's total revenues in 2019: NOK 2,909 million (NOK 3,152 million). This revenue is presented under the business areas Industrial and Construction Norway. Veidekke does not regard the Norwegian and Swedish governments as enterprise groups.

The figures in the segment accounts include operations held for sale.

Other operations		Property Development ¹⁾		Eliminations		Group	
2019	2018	2019	2018	2019	2018	2019	2018
1	2	3 059	2 899	-1 668	-1 780	38 779	35 584
-92	-88	-2 852	-2 603	1 662	1 779	-37 028	-34 586
24	25	175	126	-	-	108	165
-58	-12	-6	-6	-	-	-893	-594
-124	-73	375	416	-6	-2	965	570
136	83	21	17	-158	-111	77	88
-98	-61	-53	-45	148	107	-101	-66
-86	-51	344	388	-16	-6	941	591
2 516	2 376	1 571	1 505	-1 896	-1 993	8 075	7 316
782	555	7 102	5 352	-1 164	-1 098	13 249	11 485
291	878	31	29	-3 943	-3 522	283	197
3 590	3 809	8 704	6 885	-7 003	-6 613	21 608	18 999
1 563	1 557	1 988	1 720	-1 910	-1 931	4 261	4 128
1 864	1 760	4 923	2 806	-4 210	-3 632	5 264	3 127
163	492	1 792	2 360	-883	-1 050	12 082	11 744
3 590	3 809	8 704	6 885	-7 003	-6 613	21 608	18 999
-123	-102	-1 524	-163	-	-	115	1 400
-27	-70	-37	-39	-	-	-590	-1 221
0	41	44	33	-	-	541	1 141
		6 885	4 760	-	-	7 392	5 972
52	31	1 418	1 356	-	-	1 637	1 511
54	47	190	197	-	-	8 557	8 568
-	-	-	-	-	-	35 515	34 640
-	-	-	-	-	-	22 789	23 303

financial assets.

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

Building Construction constitutes 73% of construction operations and builds commercial and public buildings and residential buildings. Commercial buildings are mostly office buildings, shopping centres and hotels. Public buildings are primarily schools and health-care buildings. Transport projects (road and rail) and other public infrastructure provide the majority of Civil Engineering's revenue. The portfolio also includes projects in the energy sector and other industrial facilities. There is a high focus on margins and liquidity in the follow-up of this business area.

CONSTRUCTION

	Building Construction Norway		Civil Engineering Norway		Total Norway	
Figures in NOK million	2019	2018	2019	2018	2019	2018
INCOME STATEMENT						
Revenue	14 356	13 070	4 641	4 427	18 997	17 497
Operating expenses	-13 866	-12 615	-4 406	-4 798	-18 271	-17 413
Share of net income from joint ventures	-	-	5	3	5	3
Depreciation	-150	-70	-221	-193	-371	-263
Operating profit	341	386	19	-561	360	-175
Net financial items	46	57	-35	-23	11	35
Profit before tax	387	443	-16	-584	371	-141
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER						
Non-current assets	1 345	1 091	1 077	1 176	2 422	2 267
Current assets	2 321	2 097	1 541	1 841	3 861	3 938
Cash and cash equivalents	3 059	3 595	-548	-2 162	2 510	1 432
Total assets	6 725	6 782	2 069	854	8 794	7 637
Equity	1 189	2 103	131	-782	1 320	1 320
Non-current liability	763	560	269	137	1 033	696
Current liabilities	4 772	4 120	1 669	1 500	6 442	5 620
Total equity and liabilities	6 725	6 782	2 069	854	8 794	7 637
KEY FIGURES						
Profit margin	2,7 %	3,4 %	-0,3 %	-13,2 %	2,0 %	-0,8 %
Share of revenue, building construction	14 356	13 070	-	-	14 356	13 070
Share of revenue, civil engineering	-	-	4 641	4 427	4 641	4 427
This year's investments in operating equipment	81	108	140	361	222	469
Investments in joint ventures	-	-	10	9	10	9
Number of employees	3 150	3 070	1 262	1 368	4 412	4 438
Order backlog	14 762	14 223	6 036	5 056	20 798	19 280
- due for completion within 12 months	10 712	9 650	2 655	3 119	13 367	12 769

Sweden		Denmark		Total Construction	
2019	2018	2019	2018	2019	2018
10 803	9 855	2 358	2 218	32 158	29 569
-10 558	-9 566	-2 160	-2 079	-30 989	-29 057
-108	5	-	-	-103	8
-166	-93	-31	-9	-568	-365
-29	201	167	130	498	156
4	13	2	16	18	63
-25	214	169	146	516	219
1 534	1 376	256	232	4 212	3 875
1 752	1 558	144	273	5 757	5 768
394	553	991	822	3 895	2 807
3 679	3 487	1 391	1 326	13 864	12 450
479	603	369	385	2 167	2 309
623	436	84	38	1 739	1 170
2 578	2 449	938	903	9 958	8 972
3 679	3 487	1 391	1 326	13 864	12 450
-0,2 %	2,2 %	7,2 %	6,6 %	1,6 %	0,7 %
6 706	6 326	2 358	2 218	23 420	21 614
4 097	3 528	-	-	8 738	7 955
121	210	2	9	346	688
109	79	-	-	119	88
2 257	2 204	482	543	7 151	7 185
11 504	11 880	1 983	2 548	34 286	33 708
7 108	8 162	1 454	1 631	21 929	22 562

Veidekke's property development operations purchase sites and develop them into residential buildings for sale to the end customer. Veidekke's construction operations are responsible for the construction of the residential buildings and are involved from the earliest phase, before the site has even been purchased, to ensure identification of opportunities and risks. Many of the residential projects are run in partnership with other property developers through joint ventures, especially in Norway, which results in the revenue from property development operations recorded in the accounts being low.

In the segment accounts, property development projects are recognised in the income statements in line with sales and stage of completion. In the financial statements, property development is presented as held for sale and in the Norwegian operation income is not recognised until the property is handed over to the customer. See the more detailed information at the end of this note. Return on invested capital is one of the key performance indicators in the follow-up of property development operations.

PROPERTY DEVELOPMENT¹⁾

Figures in NOK million	Norway		Sweden		Total Property Development	
	2019	2018	2019	2018	2019	2018
INCOME STATEMENT						
Revenue	1 135	735	1 924	2 165	3 059	2 899
Operating expenses	-1 038	-653	-1 813	-1 949	-2 852	-2 603
Share of net income from joint ventures	165	116	9	9	175	126
Depreciation	-4	-4	-3	-3	-6	-6
Operating profit	259	194	117	222	375	416
Net financial items	-33	-31	1	3	-32	-28
Profit before tax	226	163	118	225	344	388
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER						
Non-current assets	1 209	1 233	362	271	1 571	1 505
Current assets	3 592	2 337	3 510	3 015	7 102	5 352
Cash and cash equivalents	31	29	-	-	31	29
Total assets	4 832	3 599	3 872	3 287	8 704	6 885
Equity	1 024	827	964	893	1 988	1 720
Non-current liability	3 329	2 189	1 629	619	4 923	2 806
Current liabilities	479	583	1 280	1 774	1 792	2 360
Total equity and liabilities	4 832	3 599	3 872	3 287	8 704	6 885
KEY FIGURES						
Capital invested	4 305	3 094	2 580	1 666	6 885	4 760
Return on invested capital	9%	9%	6%	18%	8%	11%
Investments in joint ventures	1 156	1 182	262	175	1 418	1 356
Number of employees	67	63	123	134	190	197

1) Project Development is classified as held for sale in the financial accounts. See note 3.

INTRA-GROUP SALES BY SEGMENT

Figures in NOK million	Construction		Property Development		Industrial		Other operations		Eliminations		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External revenue	31 203	28 174	3 059	2 895	4 517	4 538	1	2	-	-24	38 779	35 584
Internal revenue	955	1 396	-	5	712	356	-	-	-1 668	-1 756	-	-
Total revenue	32 158	29 569	3 059	2 899	5 229	4 894	1	2	-1 668	-1 780	38 779	35 584

Most of the intra-group sales are linked to residential production, where Property Development is the contracting client and Construction is the builder. All intra-group sales are eliminated at the group level.

RECONCILIATION BETWEEN SEGMENT ACCOUNTS AND FINANCIAL ACCOUNTS

Residential projects in the property development operation

In the segment accounts, income from the property development operation's residential projects is reported in accordance with the principle of ongoing income recognition, regardless of which country an activity is pursued in. This is considered to provide the best picture of value creation in the residential development segment, and corresponds to Veidekke's internal reports. In the financial accounts, sales of residential projects in Sweden and Denmark are recognised as income on an ongoing basis in line with estimated final profit, stage of completion and sales ratio, while in the case of residential projects in Norway income is recognised at the time of contractual delivery to the purchaser. The different revenue recognition approaches in the different countries are due to variations in national legislation governing residential construction and sales. As at 31 December 2019, the property development operation was classified as being held for sale.

Figures in NOK million	Segment accounts		IFRS 15 adjustments		Separation, operations held for sale		Financial accounts	
	2019	2018	2019	2018	2019	2018	2019	2018
INCOME STATEMENT								
Revenue	38 779	35 584	-558	83	-1 652	-1 694	36 569	33 974
Operating expenses	-37 028	-34 586	456	-71	1 552	1 384	-35 020	-33 273
Share of net income from joint ventures	108	165	-34	-2	-141	-123	-67	39
Depreciation	-893	-594	-	-	6	6	-887	-587
Operating profit	965	570	-135	10	-235	-427	595	153
Net financial items	-24	21	-	-	26	20	2	42
Profit before tax	941	591	-135	10	-209	-406	596	195
Tax expenses	-155	-24	17	-4	-7	-14	-145	-42
Profit after tax, continued operations	786	567	-119	7	-217	-421	451	153
Profit after tax, operations held for sale					217	421	217	421
Profit for the year	786	567	-119	7	0	0	667	574
STATEMENT OF FINANCIAL POSITION								
Non-current assets	8 075	7 316	-112	-78	-1 421	-	6 542	7 238
Current assets	13 249	11 485	-187	-85	-6 773	-	6 290	11 400
Cash and cash equivalents	283	197	-	-	-42	-	241	197
Total assets held for sale	-	-	-	-	8 236	-	8 236	-
Total assets	21 608	18 999	-299	-163	-	-	21 309	18 835
Equity	4 261	4 128	-263	-144	-	-	3 998	3 983
Non-current liability	5 264	3 127	-35	-19	-43	-	5 186	3 108
Current liabilities	12 082	11 744	-	-	-1 563	-	10 520	11 744
Total liabilities, operations held for sale	-	-	-	-	1 605	-	1 605	-
Total equity and liabilities	21 608	18 999	-299	-163	-	-	21 309	18 835

Geographical segments

The geographical distribution of the group's activities corresponds to the geographical location of the resources used for the respective activities. This corresponds in the main to the geographical location of the customers.

The statement has been prepared in accordance with the accounting policies used in the income statement (IFRS).

	Norway		Sweden		Denmark		Shared		Group	
Figures in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
INCOME STATEMENT										
Revenue	23 464	21 958	10 742	9 793	2 363	2 221	1	2	36 569	33 974
Operating profit	589	-98	-35	201	171	125	-130	-75	595	153
Profit before tax	550	-105	-24	216	173	140	-102	-56	596	195
STATEMENT OF FINANCIAL POSITION										
Total non-current assets	4 119	4 975	1 547	1 647	256	232	621	383	6 542	7 238
Number of employees	5 574	5 577	2 257	2 204	482	543	54	47	8 367	8 371
Order backlog	22 027	20 212	11 504	11 880	1 983	2 548	-	-	35 515	34 640
- due for completion within 12 months	14 227	13 510	7 108	8 162	1 454	1 631	-	-	22 789	23 303

NOTE 3. OPERATIONS HELD FOR SALE

At a board meeting on 13 November 2019, Veidekke's board decided to split the group into two separate operations, and to amend the ownership structure of the property development operation. The decision is the result of a strategic review of the group's composition and an assessment of the growth and development opportunities available for Veidekke's various operational areas. Veidekke's board has mandated group management to prepare a plan for the split of Veidekke into two separate operations. The objectives are to secure the best possible foundation for growth and development of the units and to optimise shareholder value over time. In the board's view, Veidekke's current valuation does not fully reflect the value of the current operation, and a split is expected to boost the company's shareholder value.

The value creation drivers of the property development operation differ from those of other Veidekke operations. A revised organisational and ownership structure will provide increased operational and financial room for action. The mandate from the board states that consideration must be given to stock-exchange listing, distribution to Veidekke's shareholders and the sale of all or part of the property development operation.

The property development operation is available for sale in its present condition, and management considers it highly likely that a sale or distribution will be completed within one year of the decision to split the group into two separate operations. The property development operation is presented as held for sale in the accounts as at 31 December 2019. The post-tax profit/loss of an operation held for sale is presented on a separate line in the income statement, restated for earlier periods. Assets and related liabilities are presented separately in the statement of financial position for the current period.

Note 2 Segment information provides information on segments subject to a reporting obligation as reviewed by the chief operating decision maker. Classification of the property development operation as an asset held for sale has not altered the information which is reported to and reviewed by the chief operating decision maker. As in earlier years, therefore, the segment information in note 2 includes the property development operation.

See note 34 for more information on assets held for sale.

Profit/loss from operations held for sale in accordance with IFRS¹⁾ is presented below:

Figures in NOK million	Note	2019	2018
Revenue		1 652	1 694
Subcontractors		-1 099	-977
Personnell expenses		-229	-241
Other operating expenses		-224	-166
Depreciation		-6	-6
Operating expenses		-1 558	-1 390
Share of net income from joint ventures	34	141	123
Operating profit		235	427
Financial income	34	21	16
Financial costs	34	-47	-36
Profit before tax		209	406
Tax expenses	34	7	14
Profit for the year, operations held for sale		217	421
Profit per share (NOK), (ordinary/diluted)		1,6	3,1

1) Income from residential sales in Norway is recognised at the time of delivery to the customer.

Veidekke expects the property development operation to continue purchasing services from the construction operation to some degree following a sale or distribution of the property development operation. The intra-group sales between the property development operation and the rest of the Veidekke group has therefore been eliminated directly against operations held for sale.

Assets held for sale and associated liabilities are presented below:

Figures in NOK million	Note	31.12.2019	Comparison 31.12.2018 ¹⁾
ASSETS			
Non-current assets			
Other intangible assets		76	42
Deferred tax assets	34	7	39
Land and buildings, plant and machinery		27	24
Investments in joint ventures	34	1 307	1 278
Financial assets		4	4
Total non-current assets		1 421	1 388
Current assets			
Residential projects	34	5 913	4 180
Trade receivables		148	317
Contract assets		128	54
Other receivables		583	554
Cash and cash equivalents		42	44
Total current assets		6 814	5 149
Total assets held for sale		8 236	6 537
LIABILITIES			
Non-current liabilities			
Pensions and deferred tax liabilities		36	50
Debt to credit institutions		7	6
Sum langsiktig gjeld		43	55
Current liabilities			
Debt to credit institutions		5	29
Trade payables		245	270
Contract liabilities		245	466
Public duties		80	58
Warranty provisions		68	52
Taxes payable		0	0
Other current liabilities	34	919	963
Total current liabilities		1 563	1 839
Total liabilities related to assets held for sale		1 605	1 894

1) The presentation shows the book values, as per the statement of financial position as at 31 December 2018, of assets and liabilities related to assets held for sale as at 31 December 2019. The comparison has been prepared in accordance with the ordinary assessment rules applicable to ongoing operations.

The total liabilities linked to assets held for sale only include external debt. As at 31 December 2019, the property development operations had NOK 4,158 million in debt to group companies which is not apparent from this presentation.

Statement of cash flow from operations held for sale is presented below:

Figures in NOK million	2019	2018
Pre-tax profit	209	406
Tax paid	-7	-3
Depreciation/impairment	6	6
Other operational items	-1 829	-406
Cash flow from operating activities	-1 620	4
Acquisition/disposal of property, plant and equipment	-44	-33
Other investing activities	20	68
Cash flow from investing activities	-24	35
Change other non-current liabilities	1 747	-150
Other financial items	-104	-63
Cash flow from financing activities	1 643	-213
Change in cash and cash equivalents	-1	-174
Cash and cash equivalents, start of period	44	224
Exchange rate adjustment foreign cash balances	-1	-6
Cash and cash equivalents, end of period	42	44

NOTE 4. REVENUE

Regular revenue is solely from contracts with customers. For geographical distribution of revenue, see note 2, segment information.

2019				
Reporting segment, figures in NOK million	Construction	Industrial	Other	TOTAL
Area of service				
Construction, building construction	22 211	-	-	22 211
Construction, civil engineering	8 965	-	-	8 965
Property	40	-	1	41
Asphalt	346	2 697	-	3 043
Road maintenance	65	1 303	-	1 368
Aggregates	339	493	-	832
Operating revenue	31 966	4 493	1	36 460
Other revenue	80	23	6	109
Revenue	32 047	4 516	6	36 569

2018				
Reporting segment, figures in NOK million	Construction	Industrial	Other	TOTAL
Area of service				
Construction, building construction	20 296	-	-	20 296
Construction, civil engineering	8 390	-	-	8 390
Property	26	-	4	31
Asphalt	262	3 010	-	3 272
Road maintenance	64	1 052	-	1 116
Aggregates	195	457	-	652
Operating revenue	29 233	4 519	4	33 756
Other revenue	198	19	-	217
Revenue	28 180	4 538	4	33 974

Specification of other revenue, figures in NOK million	2019	2018.
Gains from sale of operating equipment ¹⁾	68	44
Rental income	17	17
Other revenue	24	156
Other revenue	109	217

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

Timing of revenue recognition, figures in NOK million	2019	2018.
Goods transferred at a point in time ¹⁾	900	697
Goods and services transferred over time	35 669	33 277
Total	36 569	33 974

1) Consists primarily of aggregates related activities.

Remaining performance obligations, figures in NOK million	2019	2018.
Within one year	23 282	23 559
More than 1 year	13 855	12 912
Total	37 137	36 470

NOTE 5. PERSONNEL EXPENSES

Figures in NOK million	2019	2018
Payroll	5 611	5 332
Pension costs ¹⁾	494	484
Employer's National Insurance contributions	901	838
Other payroll costs	221	139
Personnel expenses	7 227	6 794
Number of full time equivalents, continued operations	8 309	8 297
Number of employees at 31 December, continued operations ²⁾	8 387	8 371

1) See note 22.

2) In addition, there are 190 employees in operations held for sale (2018: 197).

NOTE 6. SHARE ISSUES TO EMPLOYEES

Veidekke sells shares to employees at a discount to the current market price every year. In 2019, the company made one share purchase offer to all employees, subject to a two-year lock-in period. The former share purchase programme for key staff, which was subject to a three-year lock-in period, was replaced by an option programme in 2019. The share programmes are recognised in the accounts in accordance with IFRS 2 on share-based payment. The discount expensed in the income statement is calculated as the difference between the market price and the purchase price on the purchase date, reduced by the value of a sale option based on the lock-in period and historical share price fluctuations. The option is calculated using the Black-Scholes model.

Loans to key staff are currently interest-free, and are being repaid at the rate of 5% a year. The loans are terminable after 10 years, and are secured by a charge over the shares. The loans linked to the share purchase scheme for all staff are also interest-free and secured by a charge over the shares. The loan period is one year. The calculated interest cost linked to the long-term interest-free loans is classified as a payroll cost. Reference is made to notes 5 and 31. The information in this note also applies to employees in the part of the operation which is currently being held for sale.

SALES OF SHARES TO EMPLOYEES

Figures in NOK million	2019	2018
Number of shares sold to employees (acquired in the market)	-	1 995 583
Number of shares sold to employees (through share issue)	1 251 325	-
Expensed discount after tax	7	17
Discount entered directly as a reduction in equity related to the Group's share programme	-	23

SHARE LOANS TO EMPLOYEES

Figures in NOK million, except number of executives and employees

	2019	2018
Loans to key staff for purchases of Veidekke shares	120	154
Expensed change in the present value of share loans	5	5
Number of executives with long-term loans	513	596
Share scheme loans for all employees	48	22
Number of employees with short-term loans	1 380	925

EMPLOYEE SHARE OPTIONS

In May 2019, the annual general meeting approved a new three-year option programme for key staff, replacing the former share purchase programme for this group. The number of options which may be allocated through the programme every year is capped at 1% of the number of shares in the company on the grant date. Some 657 key staff took up the offer to purchase 1,000 options at a price of NOK 1.0 per option. The options vest over three years (25% after the first year, 25% after the second year and 50% after the third year), and must be exercised within May 2024. The programme requires participants to be employed by the company during vesting, and to keep the shares for at least one year after exercising the options. As at 31 December 2019, the total number of issued options was 648,000. The option cost recognised in the income statement for 2019 is NOK 2.7 million. Veidekke's share price as at 31 December 2019 was NOK 119.50.

Issued options	Exercise deadline	Exercise price as at 31 December 2019 (NOK per share)	Number of options
Number of options subscribed for in May 2019	May 2024	86,05	657 000
Correction for number of employees departed in 2019			-9 000
Number of issued options as at 31 December 2019			648 000

The Black-Scholes option pricing model is used to value the options. The following assumptions are applied:

Risk-free rate of interest	1.34 %	Expectation option duration (years)	3.25
Historic volatility	24.60 %	Share price at grant date	86,80

NOTE 7. FINANCIAL INCOME AND FINANCIAL COSTS

Figures in NOK million	2019	2018
Interest income	1	2
Other interest income from non-financial institutions	11	40
Foreign currency gains	19	19
Received share dividends	5	5
Gains on sale of shares	-	3
Other financial income	19	2
Financial income	56	72
Interest costs ¹⁾	-2	-10
Interest charges from non-financial institutions	-3	-2
Foreign currency losses	-17	-16
Other financial costs	-3	-2
Financial costs in accordance with IFRS16	-29	-
Financial costs²⁾	-54	-30
Net financial items	2	42

1) Interest income for loans to employees is presented as reduced interest costs. Expensed advances on pay are presented as personnel expenses (see note 17). For 2019 this represents NOK 5 million. The corresponding figure for 2018 was NOK 5 million.

2) The industrial operation has capitalised NOK 3 million in finance expenses incurred during the year in connection with PPE.

NOTE 8. PROJECTS IN PROGRESS

This note relates to construction projects only.

Figures in NOK million	2019	2018
Total income from construction projects	31 176	28 686
DETAILS OF PROJECTS IN PROGRESS AT 31 DECEMBER		
Accumulated income included in the financial statements	42 192	40 215
Accumulated costs included in the financial statements	-39 747	-38 654
Accumulated profit included in the financial statements	2 445	1 561
Loss-making projects in progress - remaining income ¹⁾	1 074	1 726
Trade receivables in construction projects in the statement of financial position	2 155	2 061
Contract assets in construction project in the statement of financial position ²⁾	2 847	2 652
– due from customers ³⁾	1 169	1 071
– earned, not invoiced income	1 678	1 581
Contract liabilities (advance payments from customers) ²⁾	1 411	1 336

1) Anticipated losses on these projects have been charged to income. A loss-making project is defined based on the profit/loss at project level.

2) See note 19 for detailed information on contract assets and contract liabilities.

3) The balance is money retained as security for the contracting client.

ORDER BACKLOG

Figures in NOK million	2019	2018
Construction	34 285	33 708
Road maintenance (due for completion within 18 months)	1 229	933
Total order backlog	35 515	34 641
- of which due to be completed within the next 12 months	22 907	22 872

NOTE 9. EARNINGS PER SHARE

Figures in NOK million	2019	2018
Earnings per share (NOK), continued operations	3,0	0,9
Profit for the year, continued operations	451	153
Equity holders of Veidekke ASA's share of the group's the profit for the year, continued operations	403	118
Profit per share (NOK), continued operations and operations held for sale	4,6	4,0
Profit for the year, continued operations and operations held for sale	667	574
Equity holders of Veidekke ASA's share of the group's the profit for the year, continued operations and operations held for sale	619	540
Average no. of shares (million)	133,7	133,7
No. of shares at 1 January (million)	133,7	133,7
No. of shares at 31 December (million)	135,0	133,7

Veidekke implemented a private placing to employees in connection with the employee share purchase programme in December 2019. This increased the number of issued shares by 1.3 million. In 2019, Veidekke introduced an option programme for key staff. As at 31 December 2019, 0.6 million options had been issued under the programme. The diluted profit per share on continued operations is NOK 3.0. See note 6 for more information on the share and option programmes.

NOTE 10. GOODWILL

Figures in NOK million	2019	2018
Carrying amount at 1 January	1 807	1 401
Original cost at 1 January	1 821	1 415
Additions business acquisitions	3	399
Additions indirect business acquisitions	-	4
Currency translation differences accumulated original cost	-20	4
Original cost at 31 December	1 803	1 821
Accumulated impairment at 1 January	-13	-13
This year's currency translation differences accumulated depreciation and impairment	-	-
Accumulated depreciation and impairment at 31 December	-13	-13
Carrying amount at 31 December	1 790	1 807

The group has recognised goodwill from the acquisition of a total of 59 businesses. Each goodwill item is allocated to a cash-generating unit (CGU). A cash-generating unit is the lowest level at which independent cash flows can be measured. When an acquired business continues to be operated as an independent unit, this business is designated as a cash-generating unit. Units with significant synergy effects and which carry out similar activities, are together considered as a single cash-generating unit. This is

the case when acquired operations are integrated with an existing Veidekke company or when an acquired business is operatively closely linked to an existing Veidekke company. In these cases, the combined business is considered the cash-generating unit for which goodwill is measured and followed-up. The group has recorded 36 cash-generating units associated with capitalised goodwill.

The group's largest goodwill items, plus the goodwill for each business area, are specified in the table:

GOODWILL PER BUSINESS AREA ATTRIBUTED TO THE CASH GENERATING UNITS:

Figures in NOK million	2019	2018
Construction Norway		
Leif Grimsrud AS	177	177
Veidekke Entreprenør AS, Metropolitan Region Stavanger (Agder and Block Berge Bygg)	108	108
Veidekke Entreprenør AS, Building Construction Norge (Reinertsen)	88	88
Grande Entreprenør AS	69	69
Båsum Boring AS	60	60
Other	245	245
Construction Sweden		
Billström Riemer Andersson AB (BRA)	292	300
Arcona AB	94	96
Veidekke Entreprenad AB, Region Väst	86	88
Other	217	219
Construction Denmark		
Hoffmann A/S	139	141
Industrial		
Business unit Asphalt	124	124
Business unit Aggregates	79	79
Property Development Sweden	13	13
Total goodwill	1 790	1 807

Testing goodwill for impairment

Goodwill is not amortised, but is tested for impairment in the fourth quarter each year. In the event of a particular indication of possible impairment, testing is carried out on a quarterly basis. Testing is carried out by comparing the estimated recoverable amount with capital invested for the unit in question. The recoverable amount is calculated on the basis of the unit's expected future discounted cash flows. The cash flows are calculated on the basis of the business unit's expected earnings for the next three years, adjusted for any capital injection needs. Expected cash flow is also calculated for years four and five, based on nominal growth in earnings and the unit's terminal value after five years. The sum total is the unit's recoverable amount.

Capital invested is the unit's total assets less interest-free liabilities. When the recoverable amount exceeds capital invested, the carrying value of the goodwill is upheld. When the recoverable amount is lower than capital invested, the carrying value is impaired to the estimated recoverable amount.

Assumptions used in impairment testing**1. Revenue and profit margin in the next three years**

Impairment tests are based on the management's approved budget and strategy for the next three years,

which in turn are based on current revenue and margins and expected market development.

2. Revenue and profit margin in the subsequent periods

Assumed annual growth used in the cash flows for years four and five is marginally higher than the growth expected in the Scandinavian economy, as growth in the construction and civil engineering market is expected to be higher than GDP growth. The calculations are based on nominal growth of 2.5% per year from year four onwards. This calculation assumes a terminal value after five years based on the Gordon model.

3. Discount rate

The discount rate is based on the weighted average cost of capital (WACC) method. The nominal discount rate before tax is based on the group's estimated cost of capital calculated as a weighted average of the cost for the group's equity and the cost of its debt. The discount rate takes into account the debt interest rate, risk-free rate, debt ratio, risk premium and a liquidity premium. The discount rates applied to cash flow and terminal value are presented in the following table:

	Norway	Sweden	Denmark
Discount rate (WACC) before tax	8.1%	8.6%	7.4%
Before-tax discount rate for calculation of the terminal value	9.5%	10.0%	8.8%

4. Investment needs / reinvestment

The unit's anticipated future investment needs in order to maintain current levels are reflected in the calculations. These are set according to the management's approved budget and strategy for the next three years. For the period beyond the next three years, reinvestment needs are assumed to correspond to expected depreciation. Changes in working capital needs have been assessed and in all essence set at NOK 0. Building construction operations are generally not very capital-intensive, while more capital is required in civil engineering and industrial operations.

Assessment of the assumptions forming the basis for last year's estimates

The assumptions used in the calculations at the end of 2018 were largely achieved.

DETAILS OF GOODWILL ITEMS WITH A CARRYING AMOUNT EXCEEDING NOK 100 MILLION

Figures in NOK million	CGU revenue for 2019 ¹⁾	CGU margin achieved in 2019	Revenue growth after 2020 ²⁾	Impairment indicator: Profit margin over time ³⁾
Construction Norway - Leif Grimsrud AS	996	3.1%	2.5%	2.3%
Construction Norway - Veidekke Entreprenør AS, Metropolitan Region Stavanger	2 113	3.0%	2.5%	0.8%
Construction Sweden – BRA AB	1 863	3.8%	2.5%	2.0%
Construction Denmark – Hoffmann A/S	2 358	7.2%	2.5%	0.8%
Industrial – Asphalt	3 396	2.5%	2.5%	1.6%

1) Revenue in the cash-generating unit (CGU) which the goodwill will be measured against.

2) Expected growth in revenue used in tests at 31 December 2019.

3) "Break-even" level. If the future expected profit margin (over time) is lower than the stated profit margin in the table, this indicates that goodwill impairment is necessary.

Sensitivity analysis for goodwill items with a value of over NOK 50 million

The group has carried out sensitivity analyses to assess the calculated present values for each cash-generating unit with goodwill in excess of NOK 50 million. This indicates the need for impairment for three CGUs in the event of a negative change in the assumptions. The sensitivity analysis is based on the financial assumptions described

above. Calculations are made on the basis that one of the estimated financial assumptions changes and that the remaining assumptions remain the same. The sensitivity calculations are based on a reasonable outcome range. A reduction in revenue of over 20% is considered unlikely. However, if this were to occur, such a reduction could have a significant impact on the units' performance and would most likely result in impairment.

THE FOLLOWING TABLE SHOWS IMPAIRMENT FOR CHANGES IN THE ASSUMPTIONS USED IN THE SENSITIVITY ANALYSIS:

	Discount rate		Revenue ¹⁾		Profit margin	
Change in assumption	+100 bp	+200 bp	-10%	-20%	-20%	-40%
Impairment need (NOK million)	-	-	-	74	-	60

1) Margins maintained.

NOTE 11. OTHER INTANGIBLE ASSETS

Other intangible assets include extraction rights in the business area Aggregates, customer portfolios and investments in IT systems. Depreciation of the right to extract crushed stone and gravel is determined on the basis of extraction of gravel. Customer relations are depreciated on a straight-line basis over four to five years, while IT systems are depreciated on a straight-line basis over five years.

Figures in NOK million	2019	2018
Carrying amount at 1 January	149	129
Original cost at 1 January	255	215
Additions, acquisitions of companies/ongoing operations	2	42
This year's translation differences accumulated original cost	-3	-2
Original cost related to assets held for sale	-47	
Original cost at 31 December	207	255
Accumulated depreciation/impairment at 1 January	-105	-86
This year's impairment	-14	-21
This year's translation differences accumulated depreciation	2	1
Accumulated depreciation related to assets held for sale	4	
Accumulated depreciation and impairment at 31 December	-113	-105
Carrying amount at 31 December	94	149

NOTE 12. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	2019				2018			
	Plant and machinery	Asphalt plants/quarries	Land and buildings	Total	Plant and machinery	Asphalt plants/quarries	Land and buildings	Total
Carrying amount at 1 January	2 109	585	646	3 340	1 750	536	615	2 900
Implementation of IFRS16	198	-	747	945	-	-	-	-
Carrying amount at 1 January, IFRS16 adjusted	2 307	585	1 393	4 285	-	-	-	-
Original cost at 1 January	4 973	1 357	1 655	7 986	4 129	1 266	862	6 258
Additions, running operations	528	51	93	672	906	132	58	1 096
Additions, acquisition of companies	4	-	-	4	17	-	87	103
Disposals original cost	-340	-4	-68	-411	-270	-41	-93	-404
Disposals original cost, disposed companies	-11	-	-1	-12	-	-	-	-
Reclassification/other changes	-54	54	10	10	7	-	-7	-
Translation differences original cost	-21	-1	-7	-29	-12	-	-	-12
Original cost, assets held for sale	-20	-	-15	-35	-	-	-	-
Original cost at 31 december	5 060	1 457	1 666	8 183	4 775	1 357	908	7 041
Accum. depreciation/impairments at 1 January	-2 667	-772	-262	-3 701	-2 379	-730	-248	-3 357
Accum. depreciation, disposed operating equipment	247	4	20	271	172	38	11	221
Accum. depreciation, disposed companies	4	-	-	4	-	-	-	-
Depreciation for the year	-620	-87	-165	-872	-463	-81	-30	-573
Impairment for the year	-1	-	-	-1	-	-	-	-
Reclassifications/other changes	-	-	-10	-10	-5	-	5	-
Translation differences, depreciation	10	-	-	11	9	-	-	9
Accumulated depreciation, assets held for sale	9	-	3	11	-	-	-	-
Accumulated depreciation/impairments at 31 December	-3 017	-856	-414	-4 287	-2 667	-772	-262	-3 701
Carrying amount at 31 December	2 042	602	1 253	3 896	2 109	585	646	3 340
Depreciation method	Straight line	Straight line	Straight line		Straight line	Straight line	Straight line	
Depreciation rate	15–25%	7%	2–5%		15–25%	7%	2–5%	

As at 31 December 2019, the group has entered into contracts worth NOK 124 million on delivery of operating equipment, which are due for delivery in 2020. Lease agreements (IFRS 16) accounted for NOK 833 million of total carrying value as at 31 December 2019.

ADDITIONS AND DISPOSALS (SALES PRICE)

Figures in NOK million	2019		2018	
	Additions	Disposals	Additions	Disposals
Plant and machinery	528	142	906	111
Asphalt plants, quarries	51	1	132	2
Land and buildings	93	51	58	90
Additions and disposals (sales price)	672	193	1 096	203

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

Figures in NOK million	2019	2018
Plant and machinery	37	12
Asphalt plants, quarries	1	-
Land and buildings	3	8
Total net gain on sales	40	20

1) Gains on sale of operating equipment are included in revenues. Losses on sale of operating equipment are included in operating expenses.

NOTE 13. LEASES (IFRS 16)

THE GROUP AS A LESSEE FOR VEIDEKKE

Leased assets

The group's leased assets include office premises and other land and buildings, machinery, equipment and vehicles. The group's leased assets are categorised and presented in the table below. The lease agreements are included in the carrying amounts specified in note 12.

VEIDEKKE'S LEASE OBLIGATIONS

Figures in NOK million	Machinery etc.	Properties	Total
LEASED ASSETS			
Acquisition cost 1 January 2019	198	747	945
Addition of leased assets	116	54	170
Termination of leases	-11	-14	-24
Translation differences	1	2	3
Acquisition cost 31 December 2019	304	790	1 094
Accumulated depreciation and impairments, 1 January 2019	0	0	0
Depreciation	122	143	265
Impairments during the period	-	-	-
Termination of leases	-4	-2	-6
Translation differences	1	-	1
Accumulated depreciation and impairments, 31 December 2019	119	142	261
Carrying value of leased assets, 31 December 2019	185	648	833
Lower of remaining lease period and economic life	1–5 years	1–10 years	
Depreciation method	Linear	Linear	
LEASE OBLIGATIONS			
UNDISCOUNTED LEASE OBLIGATIONS AND PAYMENT DATES			Total
Less than 1 year			265
1–2 years			188
2–3 years			149
More than 3 years			350
Total undiscounted lease obligations, 31 December 2019			953
Changes in lease obligations			
At time of initial application, 1 January 2019			945
New/amended lease obligations recognised during the period			140
Payment of principal			-239
Payment of interest			-33
Interest cost linked to lease obligations			29
Translation differences			2
Total lease obligations, 31 December 2019			845
Long-term lease obligations (note 24)			580
Short-term lease obligations (note 25)			265
Net cash flow from lease obligations			-272
Average discount rate			3.3%

The lease agreements do not contain restrictions on the group's dividend policy or financing options. The group has no material residual-value guarantee liability linked to its lease agreements.

OTHER LEASE COSTS RECOGNISED IN THE INCOME STATEMENT

Figures in NOK million	2019
Variable lease payments expensed during the period	23
Operating expenses during the period linked to short-term lease agreements (including short-term lease agreements of low value)	680
Operating expenses during the period linked to low-value assets (excluding short-term lease agreements above)	117
Total lease costs included in other operating expenses	820

Applied practical solutions

Veidekke leases significant volumes of machinery and equipment in connection with construction and civil engineering projects. A large proportion of this equipment has a lease period of less than 12 months. The group has decided not to recognise lease agreements for a period of less than one year. The lease payments under these agreements are expensed as they arise. The group does not recognise lease obligations and leased assets when the underlying asset is of low value – see the overview in the table above.

Options to extend lease agreements

The group's rental agreements related to buildings have durations of between one and 10 years. Several agreements contain an extension option. When entering into a lease agreement, the group assesses whether it is reasonably certain that the extension option will be exercised.

Purchase options

The group leases machinery, equipment and vehicles for lease periods of between three and five years. Some of these lease agreements include an option to purchase the assets after the end of the lease period. When entering into such agreements, the group assesses whether it is reasonably certain that the purchase option will be exercised.

THE GROUP AS A LESSOR

Veidekke has entered into lease agreements related to the leasing out of land and buildings, current assets, etc. Income received under these agreements is shown in the table below:

VEIDEKKE'S INCOME FROM LEASE OF PROPERTY

Figures in NOK million	2019	2018
Rental income this year	51	53
Rental income next year	21	29
Total rental income next 2–5 years	24	34
Total rental income after 5 years	8	2

The group has classified all of these lease agreements as operational, since the risks and benefits associated with owning land, buildings and machinery are generally not transferred to the lessee.

NOTE 14. ACQUISITIONS AND DISPOSALS OF BUSINESSES

Acquisitions

Veidekke's acquisitions of businesses in 2019 and 2018 are summarised in the table below:

Year of purchase	2019	2018			
Company	Total	BRA AB ¹⁾	Grande Entreprenør AS	Hande AS	Total
Figures in NOK million					
Acquisition cost		375	96	62	533
Ownership share (%)		90.1 %	80%	68%	
CARRYING AMOUNTS ON THE ACQUISITION DATE:					
Plant and machinery, land and buildings		110	3	1	114
Trade and other receivables		325	136	23	484
Cash received		105	13	32	150
Pension and deferred tax liabilities		-39	-6	-	-44
Long-term debt		-2	-	-	-2
Interest-bearing debt		-132	-7	-	-139
Trade payables and other current liabilities		-215	-106	-32	-352
Net identified assets and liabilities, 100 %		153	33	24	211
Value 100% of shares		437	120	91	648
Excess value		284	87	66	437
Goodwill allocated		284	69	45	399
Non-controlling interests' share of identified values		-62	-7	-8	-77
Revenue after takeover ³⁾		978	456	19	1 453
Profit before tax after takeover		66	-7	5	64
Revenue before takeover		388	58	141	587
Profit before tax before takeover		23	0	11	34

1) In connection with the acquisition of BRA (90.1%), the non-controlling party's share of goodwill has not been incorporated in the accounts. BRA is a holding company with a number of operative subsidiaries. Veidekke owns 85% of the equity of the BRA group.

2) Brinkab Förvaltning AB (100%) , Kardanaxeln Snäkarad AB (100%)

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

2019

There were no material purchases or sales of operations in 2019.

2018

Billström Riemer Andersson AB (BRA)

Veidekke Entreprenad AB purchased 90.1% of the shares in Billström Riemer Andersson AB (BRA) on 2 May 2018. The company is primarily engaged in building construction operations in the Gothenburg region, but also has expertise in the civil engineering and property development sectors. The company has 200 employees. The estimated purchase price of the shares as at the acquisition date was NOK 375 million, of which NOK 285 million was paid on the takeover date. An updated assessment of the purchase price has been incorporated into the accounts as at year-end 2019, whereby the anticipated additional purchase price has increased by NOK 88 million. This sum has been expensed

in 2019. The allocated additional purchase price is NOK 203 million. The purchase agreement contains a clause providing that profits above a certain level are to be shared between Veidekke and the seller, and BRA achieved very strong profits in 2019. NOK 284 million has been allocated to goodwill connected to the organisation. The minority's share of goodwill has been incorporated. A purchase option attaches to the minority's shares (15%) in the BRA group. The price under the purchase option will be set based on future earnings, which are expected to amount to NOK 122 million. This sum has been incorporated into the accounts as a liability. The company was consolidated in the accounts as of 2 May 2018.

Grande Entreprenør AS

On 16 February 2018 Veidekke Entreprenør AS bought 80% of the shares in Grande Entreprenør. The company undertakes all types of building construction projects in Nord-Trøndelag and has 200 employees. The estimated purchase price for the shares at the time of acquisition was NOK 96 million, NOK 80 million of which was paid on the takeover date. Due to weak results in 2018, a previously incorporated additional purchase sum of NOK 16 million has been reversed and recognised as revenue in the accounts. NOK 69 million has been allocated to goodwill, and relates to the organisation. Only the majority stake has been incorporated.

There is a purchase option on the remaining 20% of the shares, where the price will be determined on the basis of future earnings. The price of this option is expected to be NOK 18 million and has been included as a liability in the financial statements. The company was consolidated in the accounts from 16 February 2018.

Hande AS

On 22 November 2018 Veidekke Entreprenør AS bought 68% of the shares in Hande AS. Hande AS is a design and build contractor specialising in office refurbishment and decoration in the Oslo region and has 25 employees. The estimated purchase price for the shares is NOK 62 million, NOK 44 million of which was paid on the takeover date. NOK 45 million has been allocated to goodwill, and only the majority stake has been incorporated. The purchase price allocation is preliminary.

There is a purchase option for the remaining minority stake (32%) of the company. The option price will be determined on the basis of expected future earnings and is expected to amount to NOK 34 million. This sum has been recorded in the accounts as a liability. The company was consolidated in the accounts from 22 May 2018.

ACCOUNTING EFFECTS OF THIS YEAR'S ACQUISITIONS:

Figures in NOK million	2019	2018
Machinery, buildings etc.		114
Trade and other receivables		484
Cash and bank deposits		150
Pension and deferred tax liabilities		-44
Debt to credit institutions		-139
Trade payables and other current liabilities		-354
Net identified assets and liabilities	0	211
Goodwill acquisitions		399
Non-controlling interests		-77
Purchase price	0	532
Agreed purchase price		532
Deferred payment		-123
Deferred payment from previous acquisitions, paid	-12	-
Cash received		-150
Net cash outflow, business combinations	-12	259

NOTE 15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The movements for the year for investments in associates and joint ventures are presented in the table below:

Figures in NOK million	Joint ventures		Associates		Total	
	2019	2018	2019	2018	2019	2018
Carrying value of investment on 1 Jan.	1 292	1 360	141	128	1 433	1 489
Reclassification of assets held for sale	-1 214	-	-64	-	-1 278	-
Share of the profit for the year	-74	35	7	5	-67	39
Profit from operations held for sale	-	128	-	-4	-	123
Reclassification to current liabilities ¹⁾	112	-	-	-	112	-
Dividends received	-17	-205	-4	-14	-21	-218
Capital increases	65	26	2	39	67	65
Disposal of companies	-	-78	-32	-9	-32	-87
Change in subordinated loans	-	34	-	-3	-	31
Change in value recognised in total comprehensive income	8	-1	-	-	8	-1
Currency translation differences	-1	-7	-2	-1	-3	-8
Carrying value of investment on 31 Dec.	172	1 292	47	141	219	1 433

1) The investment in one jointly controlled company is negative, and has therefore been reported as a current liability in the statement of financial position.

The group's total share of assets, liabilities, revenue and expenses related to investments in associates and joint ventures is presented in the table below.

Figures in NOK million	2019			
	Construction	Industrial	PPP projects	Total
INCOME STATEMENT				
Revenue	364	150	88	601
Expenses	-465	-135	-57	-657
Profit before tax	-101	15	31	-55
STATEMENT OF FINANCIAL POSITION				
Non-current assets	122	51	1 167	1 341
Current assets	255	40	123	418
Total assets	377	91	1 291	1 759
Non-current liabilities	90	18	1 208	1 316
Current liabilities	168	26	31	224
Total liabilities	258	44	1 238	1 540
Net assets	119	48	52	219
Subordinated loans	-	-	-	-
IFRS 15 adjustments	-	-	-	-
Investments in associates and joint ventures	119	48	52	219

Figures in NOK million	2018				
	Construction	Industrial	Property ¹⁾	PPP projects	Total
INCOME STATEMENT					
Revenue	240	97	-	13	350
Expenses	-228	-90	-	17	-301
Profit before tax	12	7	-	30	49
STATEMENT OF FINANCIAL POSITION					
Non-current assets	72	39	252	1 186	1 550
Current assets	94	42	3 510	123	3 769
Total assets	166	81	3 762	1 309	5 318
Non-current liabilities	21	14	1 758	1 246	3 039
Current liabilities	57	30	1 029	33	1 150
Total liabilities	78	45	2 788	1 278	4 189
Net assets	88	36	974	31	1 129
Subordinated loans	-	-	382	-	382
IFRS 15 adjustments	-	-	-78	-	-78
Investments in associates and joint ventures	88	36	1 278	31	1 433

1) The profit figure has not been included under Property Development, as the operation is currently being held for sale.

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

Figures in NOK million	Profit	
	2019	2018
Profit before tax in associates and joint ventures (taken from the respective companies' accounts)	-55	49
Tax on profit for the year	-11	-10
Profit after tax in associates and joint ventures	-67	39
Sale of shares and value adjustments	-	-
Profit after tax associates and joint ventures (segment reporting, note 2)	-67	39
Adjustment of profit in accordance with IFRIC 15	-	-
Share of net income from associates and joint ventures (financial accounts)	-67	39
Profit for the year adjusted to market value		
Profit from investments in associates and joint ventures (financial accounts)	-67	39
Other revenue and expenses	9	8
Total comprehensive income from associates and joint ventures	-58	47

NOTE 16. PUBLIC-PRIVATE PARTNERSHIP (PPP) PROJECTS

Veidekke has interests in five PPP projects: four school projects and one road project.

PPP (Public-Private Partnership) projects are a collaboration between a public and a private operator on a building construction project, where a municipality or government agency orders a service, which in Veidekke's case relates to the lease of a road or school for an agreed lease period. Veidekke establishes a limited liability ("AS") company, which then acts as contracting client, performs the project planning and design, and is responsible for the construction, financing, operation and maintenance during a given lease period. In connection with the school projects, Veidekke Entreprenør AS (Construction Norway) is responsible for both the construction and the operation and maintenance of the buildings during the lease period, while

for the road project, the construction work is carried out by Veidekke Entreprenør AS (Construction Norway), while Veidekke Industri AS (Industrial) undertakes the operation and maintenance work.

The actual construction and operation are accounted for in the same way as for ordinary projects and are included in the respective business area's income statement. Figures for the performance of the owner role for the five projects are reported under the segment Other operations. The PPP contracts are accounted for as financial assets according to IFRIC 12 Service Concession Arrangements (The Financial Asset Model), based on amortised cost. Income from the operation and maintenance contract is recognised over the operation period, as the work is done.

Overview of PPP contracts	Lease period	Construction contract	Ownership share	Legal owner
Rykkinn School	2016–2041	0.2 bn.	50%	Skuleveg AS
Jessheim College	2017–2042	0.8 bn.	50%	Skulebygg AS
Gystadmarka School	2018–2043	0.2 bn.	50%	Skuleplass AS
Justvik School	2018–2043	0.1 bn.	50%	Skulegard AS
E39 Lyngdal-Flekkefjord	2006–2031	1.2 bn.	50% ¹⁾	Allfarveg AS

1) Veidekke's share of profit is 66%.

In the financial statements, the PPP companies are entered on the following lines:

Figures in NOK million	2019	2018
INCOME STATEMENT		
Share of net income from joint ventures	24	25
Profit before tax	24	25
STATEMENT OF FINANCIAL POSITION		
Investments in joint ventures	89	60
Non-current assets	89	60
Current assets	-	-
Total assets	89	60
Equity	89	60
Non-current liabilities	-	-
Current liabilities	-	-
Total equity and liabilities	89	60

Financial Instruments – financing of PPP projects

Dedicated funding has been obtained for all the projects in the construction and lease period. To ensure predictability in the lease period, interest rate agreements have been entered into. These agreements run over the lifetime of the projects. The rental income from the state or municipality is largely determined at the signing of the contract, making

it expedient to hedge the project's interest expense over the same period in order to reduce the overall financial risk. Hedging ensures that any subsequent changes in interest rates will not have a significant impact on the profitability of the projects. The interest hedges are designed to satisfy the requirements for hedge accounting. Key figures for loans and interest rate swaps are shown in the tables below:

PPP SCHOOL PROJECTS

Veidekke's share of interest rate derivatives entered into to cover obligations related to the construction and leasing of schools.

Figures in NOK million	Nominal value	Due date	Fair value ¹⁾
Financing – fixed rate loans	86	July 2041	-9
Financing – fixed rate loans	355	August 2042	-33
Financing – fixed rate loans	106	December 2042	-3
Financing – fixed rate loans	46	December 2042	-1

1) Fair value is the market value of the financial instrument on 31 December 2019. A negative figure means that the applicable interest rate is lower than it was at the time the contract was signed and indicates, theoretically, what must be paid to the counterpart beyond the principal amount in the event of termination of contract. The loans are recognised at fair value in the statement of financial position.

PPP PROJECT NATIONAL HIGHWAY E39 LYNGBAL–FLEKKEFJORD

The ownership role in the PPP project E39 is exercised through Veidekke's 50% stake in the company Allfarveg AS. The table below shows Veidekke's share of the interest rate derivative.

Figures in NOK million	Nominal value	Due date	Fair value
Hedging – interest rate swaps	502	August 2030	-98

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

Figures in NOK million	2019	2018
Carrying value at 1 January	0	0
Recognised profit	15	15
Dividends	-6	-10
Adjustments for fair value of long-term interest rate swaps	15	18
Adjustment for negative equity not recognised from joint ventures	-	-23
Carrying value at 31 December	23	0

Total hedge reserve on the PPP projects:

Figures in NOK million	2019	2018
Hedge reserve at 1 January	-120	-149
This year's changes in the hedge reserve	8	29
Hedge reserve at 31 December	-113	-120
Adjustment of hedge reserve by not including negative equity	-	3
Hedge reserve at 31 December included in the financial statements	-113	-118

The table shows Veidekke's share of interest rate derivatives related to PPP projects. The fair value of all the interest rate derivatives has been reduced by NOK 113 million after tax, and this amount has been included in the financial statements at 31 December 2019.

A sensitivity analysis has been conducted of the effect of a possible change in interest rates by 100 basis points up or down. A change of this magnitude would have an effect on equity in the order of +/- NOK 75 million.

NOTE 17. FINANCIAL ASSETS

Figures in NOK million	2019	2018
Share loans to employees	120	154
Financial investments	262	214
Other non-current receivables	109	98
Other shares	45	42
Financial assets	535	508

1) See note 14.

The item Financial investments includes NOK 262 million in a bond fund. The funds are to cover pension liabilities and have been pledged. The investment is classified as financial assets measured at fair value with value changes recognised through other comprehensive income.

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

Figures in NOK million	2019	2018
Loans to employees at fair value	101	133
Long-term advance to employees	19	21
Carrying value of share loans to employees	120	154

Loans to employees are recognised at fair value in accordance with the principles of IAS 39. The loans are currently interest-free. Carrying value is estimated by discounting the expected future repayments by an estimated market interest rate. The estimations are based on an assumed market interest rate of 3.5% (3.0%) after tax and an assumed average remaining term of five years.

The difference between the carrying value and the nominal value of the loans is treated as advance payments to employees. In the statement of financial position the advance payment is presented together with an estimated carrying value of the loans. Satisfactory security has been furnished for the loans. See note 7.

NOTE 18. INVENTORY

Inventory includes project inventories in Construction and the inventory for industrial operations. Project inventories in Construction consist of materials, spare parts, small equipment, etc., while the inventory for industrial operations consists of raw materials (crushed stone, gravel and bitumen).

Figures in NOK million	2019	2018
Inventory in industrial operations	217	207
Inventory in construction operations	288	343
Inventory in other parts of the operations	39	14
Total inventory	544	564

NOTE 19. TRADE RECEIVABLES AND CONTRACT BALANCES

Trade receivable are invoiced receivables, whereas contract assets represent a conditional right to receive payment. Contract assets are reclassified as trade receivable when Veidekke has the right to invoice based on work done. These terms are explained in more detail in the section on contract balances.

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

Figures in NOK million	2019	2018
Invoiced trade receivables	5 329	6 192
Provisions for bad debts	-22	-19
Work invoiced in advance (i.e. not charged to income)	-2 897	-3 397
Trade receivables	2 410	2 776
Work done, but not invoiced	1 856	1 837
Due from customers	1 169	1 071
Contract assets	3 024	2 908
Trade receivables and contract assets	5 435	5 684

Maturity structure of invoiced trade receivables at 31 December:

Figures in NOK million	2019	2018
Receivables not due for payment	3 716	3 991
Less than 30 days since due date	606	847
30–60 days since due date	165	86
60–90 days since due date	30	136
90–180 days since due date	79	110
More than 180 days since due date ¹⁾	732	1 023
Invoiced trade receivables	5 329	6 192

1) Receivables that are overdue by more than 180 days comprise significant sums. These are generally related to disputes, which take time to resolve and which, in some cases, have to be resolved in a court of law. Any impairment of a receivable is based on project risk and is included in the evaluation of the project's likely outcome (estimated final result). See note 32 Disputes and claims related to projects.

Changes in the provision for impairment related to credit risk from trade receivables:

Figures in NOK million	2019	2018
Provisions at 1 January	19	16
Separation Property Development	-1	-
Provisions made during the year	18	16
Provisions used during the year	-3	-5
Provisions reversed during the year	-12	-8
Currency translation differences	-	-
Provisions at 31 December	22	19

Provisions are mainly made on a group basis.

Credit risk exposure

Credit risk is the risk that Veidekke will incur a loss as a result of a customer's inability to fulfil their obligations (bankruptcy risk).

Unhedged credit risk for trade receivables and contract assets are shown in the following table:

Figures in NOK million	2019	2018
Trade receivables and contract assets	5 435	5 684
Of which:		
Received bank guarantees to trade receivables and contract assets	464	377
Other guarantees	19	304
Receivables from public authorities (state and municipal level) ¹⁾	2 202	2 063
Total secured trade receivables and contract assets with minimal risk	2 685	2 744
Maximum unhedged credit risk in the trade receivables and contract assets	2 750	2 940

1) It has been assumed that the credit risk linked to receivables from public authorities (state and municipal level) in Scandinavia is minimal.

Contract balances

Revenue recognition, invoicing and payments from customers are generally done at different times, resulting in trade receivables, uninvoiced receivables (contract assets) and prepayments from customers (contract liabilities) in Veidekke's statement of financial position.

In the civil engineering and industrial operations and in some parts of the building construction operations, invoicing normally occurs after the work has been done, either at fixed intervals or as milestones are reached. This entails a time lag in invoicing for work that has been done, which in turn results in recognition of a contract asset.

The construction operations generally use fixed payment plans, and if the payment exceeds the work that has been done, the difference is classified as a contract liability in the statement of financial position. In the property development operations, advance payments are received that are classified as contract liabilities.

On the balance sheet day, all projects are reviewed, and for each project either a net asset or a net liability to the customer is entered. The table below provides information on receivables, contract assets and contract liabilities from contracts with customers at year-end.

Figures in NOK million	2019	2018
Trade receivables	2 410	2 776
Contract assets	3 024	2 908
Contract liabilities	-1 411	-1 807

Contract assets consist of fulfilment of performance obligations, mainly from construction projects and other projects in which progress is measured over time. Contract assets are reclassified as trade receivables when the right to receive payment becomes unconditional. This normally occurs when an invoice is issued. Due from customers also constitute contract assets. This is money that is withheld as security for the client and that is settled when the project is finished.

Figures in NOK million	2019	2018
Contract assets as of 1.1.	2 908	2 264
Reklassifisering eiendeler holdt for salg	-54	-
Fakturert kunder gjennom året	-2 756	-1 882
Tilført fra virksomhetssammenslutninger	-	90
Utført arbeid i år som faktureres senere	2 927	2 436
Contract assets as of 31.12.	3 024	2 908

Contract liabilities primarily consist of prepayments from construction contract customers, where income is earned over time, and prepayments from housing cooperatives in the property development business in Sweden (2018). These contract liabilities as at 31 December 2018 have largely been recognised as income in 2019.

Figures in NOK million	2019	2018
Contract liabilities as 1 January	-1 807	-2 061
Reclassification liabilities linked to assets held for sale	466	-
Recognised as income during the year	1 341	2 061
Generated by operational mergers	-	-98
Advances received in 2019	-1 411	-1 709
Contract liabilities as at 31 December	-1 411	-1 807

NOTE 20. CASH AND CASH EQUIVALENTS

The group's cash and cash equivalents consist of bank deposits. At 31 December 2019 the group has NOK 23 (49) million in restricted cash.

NOTE 21. NUMBER OF SHARES, SHAREHOLDERS ETC.

Veidekke ASA's largest shareholders at 31 December 2019 are presented in the following table:

	No. of shares	Ownership share
OBOS BBL	24 430 440	18.1%
Folketrygdfondet	13 861 248	10.3%
If Skadeforsäkring AB	5 541 200	4.1%
Landsforsäkringar Fastighetsfond	4 339 567	3.2%
Handelsbanken Asset Management	3 960 000	2.9%
Fond forvaltet av DNB Asset Management	3 253 055	2.4%
Danske Invest Norge	3 096 181	2.3%
Must Invest AS	3 000 000	2.2%
MP Pensjon	2 748 284	2.0%
Odin Norge	2 582 169	1.9%
State Street Bank and Trust Comp	2 394 251	1.8%
Pareto Aksje Norge Verdipapirfond	1 714 820	1.3%
JP Morgan Chase Bank, N.A., London	1 710 782	1.3%
Arctic Funds PLC	1 434 942	1.1%
Danske Invest Norske aksjer	1 282 954	1.0%
Sum 15 largest shareholders	75 349 893	55.8%
Employees (4 060 individuals)	18 123 395	13.4%
Others	41 482 979	30.8%
Total	134 956 267	100%

CHANGE IN NUMBER OF SHARES

No. of shares 1 January 2019	133 704 942
No. of shares 31 December 2019	134 956 267

Each share has a nominal value of 0.50.

Shares owned by board members and members of the corporate management on 31 December 2019:

	No. of shares
THE BOARD OF DIRECTORS	
Svein Richard Brandtzæg, chair	1 800
Gro Bakstad	15 500
Hans von Uthmann	4 130
Ingalill Marie Berglund	2 500
Ingolv Høyland	6 000
Daniel Kjørberg Siraj ¹⁾²⁾	0
Tone Hegland Bachke	3 000
Inge Ramsdal	8 295
Odd Andre Olsen	4 805
Arve Fludal	8 940
Shares owned by board members	54 970
MEMBERS OF THE CORPORATE MANAGEMENT	
Jimmy Bengtsson	49 240
Hans Olav Sørli	71 090
Øivind Larsen	8 100
Mats Nyström	20 000
Jørgen Wiese Porsmyr	109 310
Catharina Bjerke	7 085
Terje Larsen	111 475
Lars Erik Lund	14 310
Anne Thorbjørnsen	29 355
Total shares owned by corporate management	419 965
Total	474 935

1) Daniel Kjørberg Siraj has no private shareholding, but represents the shareholding of OBOS BBL: 24 430 440 shares.

2) Daniel Kjørberg Siraj is on temporary leave from the board as at 31.12.2019

Own shares

Veidekke does not own any of its own shares.

Dividend

The dividend for financial year 2018, which was paid out in 2019, amounted to NOK 669 million (NOK 5 per share).

The board has decided that a dividend will not be paid out for the financial year 2019.

Payment of dividends to Veidekke ASA's shareholders does not affect the company's tax payable or deferred tax.

NOTE 22. PENSIONS

Veidekke now mostly has defined-contribution pension schemes. However, defined-benefit pension plans still exist for some employees. For the defined-contribution plans, the cost is equal to the contribution in the period for employees plus taxes. Here, each individual's future pension depends on the annual contribution and the return on the pension savings. In the remaining defined-benefit plans, Veidekke is responsible for paying an agreed pension to an

employee on the basis of expected final salary. The cost in the period under this scheme shows the employees' pension earnings in the financial year plus taxes.

Norway

In Norway, Veidekke has the following pension schemes:

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

General pension schemes

Veidekke has a defined-contribution scheme, whereby Veidekke pays a fixed monthly contribution into the individual employee's pension account. The size of the contribution depends on the employee's salary. In 2019 the contribution was 5.5% of the pay for salaries between 1G and 7.1G and 11% for salaries between 7.1G and 12G. The employees can choose the risk profile for the management of their pension funds. In the event of death, the pension account accrues to the employee's survivors.

There is a defined-benefit pension scheme for employees older than 63 years who worked in Veidekke on 31 December 2012. Veidekke's pension plan is a supplemental pension which, together with the National Insurance pension, provides a retirement pension of roughly 60% of the employee's salary on retirement, assuming a full service period. The pension is financed by funds accumulated in a life insurance company. The part relating to the pension scheme for salaries exceeding 12G is financed through operations. Veidekke has investments in mortgaged bond and equity funds related to this scheme. See notes 17 and 27.

Prior to 1 January 2013 Veidekke had a defined-benefit pension scheme for all its employees. In connection with the transition to a defined-contribution pension, a compensation scheme was introduced for employees who would lose out as a result of the switch to the new pension plan. Provisions are made for this.

Contractual early retirement scheme (AFP)

The private-sector AFP early retirement scheme is a life-long supplement to the public retirement pension scheme and is paid no earlier than age 62. The Norwegian group companies have AFP early retirement pensions for their employees. Employees must satisfy a number of conditions to be eligible for early retirement under the AFP scheme.

The AFP scheme is a defined-benefit, multi-employer pension plan and is financed through premiums, which are determined as a percentage of the salary. There is currently no reliable measurement and allocation of liabilities and assets in the scheme. For accounting purposes, the scheme is treated as a defined-contribution plan for which premium payments are expensed as incurred, and no provisions are made in the accounts. If the scheme had been capitalised, its implementation would have had

significant impact on the accounts. The premium for 2019 was 2.5% of salaries between 1G and 7.1G.

Early retirement scheme for executives

Veidekke has an early retirement scheme for some of its senior executives in Norway covering retirement between the ages of 64 and 67. It is a defined-benefit plan and has ten members. These individuals have the right to retire at the age of 64, with an early retirement pension that is 60% of their final salary (including national insurance benefits and contractual early retirement pension payments), financed through operations. The scheme is closed. Veidekke's Group CEO has a separate agreement. For further details, see note 31.

Pensions on salaries over 12G

Veidekke has a pension savings scheme for employees in Norway with salaries exceeding 12G where 20% of the salary above 12G is saved. The pension is paid from 62 years at the earliest and for a maximum of fifteen years from when it is first drawn.

Denmark and Sweden

Veidekke has defined-contribution pension schemes for its employees in Denmark and Sweden whereby the company makes a monthly contribution to the scheme, while the employees bear the risk for the return on the pension funds. The pension funds are placed in life insurance companies, which manage the funds and administer the schemes. The pension schemes cover retirement and disability pension.

In Denmark Veidekke pays two-thirds of the contributions, while the employee pays the remaining third. The employer's contribution constitutes between 8% and 10% of the salary. The retirement age in Denmark is between 65 and 69 years, depending on year of birth. Going forward, the retirement age will be adjusted based on the average life expectancy of the population. The payment of the retirement pension is very flexible, and, in the event of death before retirement, the pension is payable to surviving dependants. There is a corresponding defined-contribution scheme for the management of the Danish company, but in this scheme the employer's contribution is 10% of the salary.

In Sweden, Veidekke has a collective pension scheme, where the majority of employees have a defined-contribution pension plan. The pension plan comprises retirement pension, sickness pension, family pension and debt insurance. The administrative staff have two different schemes: ITP1 for people born after 1979 and ITP2 for people born before 1979. The skilled workers have a SAF-LO scheme. All the pension schemes are premiums-based, with savings varying between the schemes.

On average Veidekke pays 15% of the salary towards pensions. The employees do not pay into the schemes. The schemes are recognised in the accounts as defined-contribution schemes. The employees have great flexibility in their pension and can choose where the pension funds are invested and with which insurance company. Retirement age is 65 years with the opportunity to work until the age of 67.

Figures in NOK million	2019	2018
PENSION COSTS		
Current service cost	20	23
Interest cost on net pension liabilities	9	8
Total costs (defined-benefit schemes)	29	31
Cost of defined-contribution plan	465	452
Pension costs	494	484
COMPOSITION OF NET PENSION LIABILITIES		
Pension liability - defined-benefit schemes	-1 171	-1 215
Pension assets	846	849
Net pension liability defined-benefit schemes	-324	-365
Pension liability - other schemes	-129	-137
Pension liability at 31 December	-454	-503
CHANGE IN GROSS PENSION LIABILITY DURING THE YEAR		
Gross pension liability at 1 January	-1 215	-1 201
Additions from acquisitions of new companies	-	-20
Accruals during the year (present value)	-19	-22
Interest cost	-31	-28
Actuarial gains and losses recognised in comprehensive income	8	6
Payroll tax of employer's contribution	4	4
Benefits paid during the year	48	46
Pension liability related to assets held for sale	34	-
Gross pension liability at 31 December	-1 171	-1 215
CHANGE IN PENSION ASSETS DURING THE YEAR		
Pension assets at 1 January	849	830
Additions from acquisitions of new companies		22
Expected return	21	19
Grants	31	36
Year's actuarial gains and losses recognised in total comprehensive income	9	-15
Payroll tax of employer's contribution	-4	-4
Benefits paid during the year	-46	-38
Pension liability related to assets held for sale	-14	-
Premium assets as of 31 December	846	849

OVERVIEW OF NET PENSION LIABILITIES AND ACTUARIAL GAINS AND LOSSES

Figures in NOK million	2019	2018
Gross pension liabilities	-1 171	-1 215
Pension assets	846	849
Net pension liability defined-benefit schemes	-324	-365
OVERVIEW OF ACTUARIAL GAINS AND LOSSES - DEFINED-BENEFIT SCHEMES		
Liabilities:		
Changes in economic assumptions	-9	-4
Changes in population and demographic assumptions	13	4
Pension assets:		
Actual return v. actuarial assumption	13	-9
Year's actuarial gains and losses recognised in total comprehensive income before tax	17	-9
Year's actuarial gains and losses recognised in total comprehensive income after tax	14	-7

Figures in NOK million	2019	2018
FINANCIAL ASSUMPTIONS		
Discount rate/return on pension investments	2.3%	2.6%
Annual wage growth	2.3%	2.8%
Annual adjustment of G (National Insurance Scheme basic amount)	2.0%	2.5%
Annual adjustment of pensions under payment	0.5%	0.8%
Mortality table	K2013	K2013
PENSION ASSETS		
Investment		
Property	13%	14%
Bonds	48%	45%
Short-term investments	24%	26%
Shares	15%	15%
Total investments	100%	100%
Return		
Book return	3.6%	2.7%
Adjusted return	6.1%	0.9%

Pensions 2020

The estimated premium for defined-benefit plans for 2020 is NOK 34 million, whereas the cost is expected to be NOK 29 million.

Sensitivity analysis

Veidekke's defined-benefit pension schemes are mostly arranged as asset-based pension schemes managed by life insurance companies. This means that the life insurance company at all times has premiums in line with the accrued pension rights. Approximately half of the recognised pension liabilities and assets are related to asset-based schemes for former employees who are now retired.

Any changes made in the economic assumptions that are categorised as probable will not have a significant impact on the ordinary income statement. The effect on the statement of financial position may be larger, as pension liabilities are recognised at fair value. Changes in actuarial assumptions may entail differences in the group's equity of up to NOK 100 million.

NOTE 23. INCOME TAX EXPENSE AND DEFERRED TAX

Figures in NOK million	2019	2018
INCOME TAX EXPENSE		
Tax payable	53	117
Change in deferred tax	90	-78
Adjustments previous years	2	3
Total	145	42
RECONCILIATION OF THE GROUP'S TAX RATE		
Calculated income tax based on Norway's current tax rate (22% in 2019, 23% in 2018)	131	45
Actual income tax expense	145	42
Difference	-14	3
EXPLANATION DIFFERENCE INCOME TAX EXPENSE		
Tax from activity in joint ventures ¹⁾	10	8
Tax-exempted sales of companies	6	4
Other permanent differences:		
Non-deductible expenses	-17	-13
Effect of changes in the tax rate	-1	14
Deferred tax asset, not previously recognised	1	-18
Lower tax rate in Sweden and Denmark than in Norway	-	4
Other items	-12	5
Total	-14	3
Group tax rate	24%	22%

1) Profit from associates and joint ventures are recognised in the income statement after tax and therefore do not affect the group's recognised tax expense.

DEFERRED TAX LIABILITIES

Figures in NOK million	2019	2018
DEFERRED TAX		
Current items ¹⁾	777	649
Total current items	777	649
Operating equipment - additional depreciation	165	174
Other non-current items	65	67
Provisions for liabilities	-232	-195
Pension liabilities	-93	-104
Total non-current items	-94	-58
Losses carried forward	-226	-249
Net deferred tax liabilities	456	343

1) In Norway and Denmark construction projects in progress are not taxed until completion and handover. Given stable orders, this will provide a permanent tax credit of approx. NOK 700 million.

PRESENTATION OF DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION

Figures in NOK million	2019	2018
Deferred tax assets ¹⁾	-8	-
Deferred tax liabilities	464	343
Net deferred tax liabilities	456	343

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

CHANGE IN DEFERRED TAX

Figures in NOK million	2019	2018
Current items	152	62
Non-current items - accelerated depreciation	-11	14
Other non-current items	4	-2
Provisions for liabilities	-50	36
Pension liabilities	3	-9
Losses carried forward	-13	-130
Change in deferred tax	86	-29
Currency translation differences	-1	-
Deferred tax in connection with acquisition/sale of companies	-	-47
Change in deferred tax recognised in total comprehensive income	5	-2
Change in deferred tax in the income statement	90	-78

TAX INCORPORATED INTO TOTAL COMPREHENSIVE INCOME

Figures in NOK million	2019			2018		
	Profit before tax	Income tax expense	Comprehensive income	Profit before tax	Income tax expense	Comprehensive income
STATEMENT OF COMPREHENSIVE INCOME						
From the income statement, continued operations	596	145	451	195	42	153
From the income statement, operations held for sale	209	-7	217	406	-14	421
From Other comprehensive income:						
Revaluation of pensions	18	4	14	-9	-2	-7
Currency translation differences	-53		-53	-48		-48
Fair value adjustments of financial assets	12	1	11	-1	-0	-1
Total comprehensive income	782	143	639	544	26	518

NOTE 24. NON-CURRENT LIABILITIES

NON-CURRENT LIABILITIES TO BONDHOLDERS AND CREDIT INSTITUTIONS, ETC.

Figures in NOK million	2019	2018
Bonds ¹⁾	1 600	1600
Non-current loans from credit institutions ²⁾	1 507	248
Non-current interest bearing liabilities	3 107	1 848

1) At 31 December 2019 Veidekke has two bond loans: a seven-year loan of NOK 600 million and a five-year loan of NOK 1,000 million. Both were issued in 2018.

2) Long-term credit facility which matures in November 2021.

OTHER NON-CURRENT LIABILITIES

Figures in NOK million	2019	2018
Option agreements Norway ¹⁾	114	113
Option agreements Sweden ¹⁾	164	133
Deferred payment business acquisitions	220	152
Non-current liabilities, leases IFRS16	580	-
Other non-current liabilities	82	16
Other non-current liabilities	1 161	414

1) For certain partly owned subsidiaries, there are option agreements with the non-controlling interests whereby Veidekke has a right to buy remaining shares and the non-controlling interests have a right to sell the same shares. The subsidiaries in Norway to which this applies are Båsum Boring AS (70%), Seby AS (70%), Tore Løkke AS (85%), Grande Entreprenør AS (80%) and Hande AS (68 %). The subsidiaries in Sweden to which this applies are BRA AB (90%), Veitech AB (90%) and Recess AB (70 %). Veidekke's ownership share in brackets.

2) See note 14 Acquisitions and disposals of businesses.

Instalment profile details can be found in note 30.

NOTE 25. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Figures in NOK million	2019	2018
TRADE PAYABLES		
Trade payables	2 962	3 409
Provision for accrued costs	3 016	2 767
Total trade payables	5 978	6 176
CONTRACT LIABILITIES (SEE NOTE 19)		
Contract liabilities, property development operations	-	471
Contract liabilities, construction operations	1 411	1 336
Total contract liabilities	1 411	1 807
OTHER CURRENT LIABILITIES		
Other current liabilities	1 389	2 046
Total current liabilities	1 389	2 046

Contract liabilities are advance payments from customers in construction projects (forward payment plans) and advance payments in connection with residential sales. The large drop in contract liabilities in the property development operation is attributable to the deduction of operations held for sale, see note 3 and note 34.

The drop in other current liabilities is linked to deferred payment for sites, also attributable to the deduction of the property development operation.

NOTE 26. WARRANTY PROVISIONS ETC.

Provision is made for guarantee work under the item Warranty provisions etc., for example to remedy any defects or omissions on completed projects. Warranty provisions etc. also covers other liabilities, such as claims from subcontractors, claims from third parties, etc. Provisions are made to cover both accrued warranty

liabilities and contingent liabilities, etc. Among other things the provisions must cover future expenses for the remedy of hidden defects, i.e. defects and omissions that have not been detected. In addition, they must also cover issues that are detected, but where there is uncertainty regarding the scope, responsibility, costs, etc. (disputes).

Figures in NOK million	2019	2018
Warranty provisions etc. at 1 January	814	975
Currency translation differences	-6	-5
+ new warranty provisions (additions)	624	387
- reversed warranty provisions (disposals)	-136	-266
- actual claims expenses (consumption)	-266	-278
Warranty provisions related to assets held for sale	-51	
Warranty provisions etc. at 31 December	979	814

Liability for material defects

All projects shall be handed over to the customer in accordance with the contract. If defects or omissions are detected in projects that have been handed over, the contractor may be liable to remedy them at no extra charge. The projects have different warranty periods, but the norm is three to five years.

NOTE 27. MORTGAGES, GUARANTEES AND JOINT AND SEVERAL LIABILITY

Figures in NOK million	2019	2018
MORTGAGES		
Recorded liabilities secured by mortgages etc.	27	6
Book value of mortgaged assets	41	26
GUARANTEES		
Guarantees to joint ventures and associates ¹⁾	2	44
Guarantees to other companies	28	35

1) Veidekke is only liable when the company in question is unable to meet its obligations.

The group has given a negative pledge for loans and guarantees.

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

Veidekke has pledged financial assets with a carrying amount of NOK 262 million at 31 December 2019 to cover pension liabilities incurred. See note 17 Financial assets.

NOTE 28. CAPITAL MANAGEMENT

The aim of the group's capital management is to ensure sufficient financial flexibility for the group to be able to undertake operational and strategic actions in the short and long term. Veidekke shall have a strong financial position that promotes profitability and value creation throughout the entire group and thus provides the shareholders with a return. Key parameters in the efforts to ensure a solid capital structure are the group's equity, its level of and developments in net interest-bearing debt, ongoing cash flow and financial constraints. The group's liquidity is marked by seasonal variations with the largest debt burden around the half-year mark as a result of the low season and high costs in parts of the group during the winter months, combined with preparations for the season start in spring. The group's capital management is adapted to take these variations into account.

Veidekke's operations are financed at group level. The group's loan portfolio is differentiated with respect to both the sources of financing and maturity dates. The group uses the banking, bond and certificate markets as sources of financing. In December 2019, Veidekke entered into refinancing agreements related to bank loans. The new agreements include a multi-currency overdraft facility with DNB totalling NOK 3.6 billion, maturing in November 2021, and a NOK 2.3 billion, 18-month credit facility with SEB which includes a 12-month extension option. As at year-end 2019, unutilised credit amounted to NOK 4.5 billion. Veidekke also has two senior unsecured bond loans totalling NOK 1.0 billion and NOK 600 million, which mature in 2023 and 2025, respectively. The group had no outstanding certificate loans as at 31 December 2019. Veidekke has no official credit rating, but actively monitors quantitative and qualitative factors affecting the group's creditworthiness. The group's objective is to keep net interest-bearing debt below 2.5 x EBITDA over time.

On 13 November 2019, Veidekke's board of directors decided to split the group into two separate operations, and to amend the ownership structure of the property development operation. Once the transaction has been implemented, Veidekke will require a different capital structure adapted to less capital-intensive operations. The property development operation has considerable

capital commitments in the form of sites in Norway and Sweden and residential units under construction in Norway. As at year-end, the capital invested in the group's property development operation totalled NOK 6.9 billion (2018: NOK 4.7 billion), split between the Norwegian (NOK 4.3 billion) and Swedish (NOK 2.6 billion) operations. Capital management is based on risk exposure in the various sub-markets, taking into account geographical and product variations (residential unit type, sales ratio, land bank, etc.), as well as on different forms of cooperation with external parties, including jointly controlled companies. In Sweden, independent housing cooperatives are established which purchase a site from Veidekke prior to building start, and which pay for residential units under construction in accordance with the completion ratio. As a result of this model, the capital commitment of the Swedish property development operation is lower than that of the Norwegian operation. Overall, the net interest-bearing debts of the housing cooperatives amounted to approximately NOK 480 million as at 31 December 2019. This figure is not recognised in Veidekke's statement of financial position.

Veidekke may use share repurchasing as an instrument for optimising its capital structure during periods when it is in a strong financial position. Repurchases are therefore a supplement to dividend policy. The general meeting has authorised the board to repurchase up to 10% of the share capital. Share repurchasing is only relevant when the share price is deemed to lie below the real market value. In recent years, Veidekke has prioritised dividends and operation investments over repurchasing.

Veidekke's dividend policy provides that the dividend must total at least 50% of the post-tax profit. Shareholders must receive an ongoing return which correlates with profits. The average dividend rate over the past 10 years is 70%.

NOTE 29. FINANCIAL RISK

Veidekke aims to maintain a strong financial position. This can best be achieved through good operational management, low risk exposure and sound management of the parameters that exert an influence on the company's financial risk. Financial management and control are an integral part of the group's strategy process, and the group's financial policy sets the guidelines for the handling of financial risk management.

Veidekke has a central finance department that shall ensure the group financial flexibility in the short and long term and monitor and manage financial risk in collaboration with the individual companies. The finance unit is responsible for tasks relating to financing and management of interest-rate and currency risk, while the business areas manage the risks relating to ongoing operations, including credit risk and payment conditions.

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

(1) Credit risk

Credit risk is the risk of financial losses due to the inability of a customer or the counterparty of a financial asset to fulfil their contractual obligations. The group's credit risk is mainly related to the settlement of receivables, the largest risk of which is inherent in the group's trade receivables. The credit risk attached to trade receivables is related to the customer's ability to pay, not the customer's willingness to pay (project risk). The group has a substantial share of public-sector customers (approx. 30%), for whom the credit risk is considered very low. For private customers (approx. 70%), the credit risk is handled through the contracts with the clients and good credit follow-up routines in the business areas. The group's largest single customer, measured by revenue, is the Norwegian Public Roads Administration.

Upon contract signing, the credit risk depends on the specific design of agreements with the client. As a part of Veidekke's risk management, the management systems contain procedures for the drafting of contracts, including specifications stating that agreed payment plans shall be closely linked to planned progress. In addition, turnkey contracts are, to a large extent, based on national standards (e.g. Standards Norway), which contain requirements regarding the client's provision of security for the contract price (Standards Norway requires up to 17.5% of the contract price during the building period). Together, these two measures mean that exposure to credit risk within ordinary construction projects is regarded as low. In Sweden, there is no national standard provision for bank guarantees, making the risk somewhat higher in this market. In the business area Industrial, which has a considerably larger

number of customers, importance is placed on procedures for credit rating, timely invoicing, guarantees and active follow-up of outstanding claims. Property Development seeks to minimise risk through advance payments, and by ensuring that handover does not take place until full payment has been received.

The group has no significant credit risk relating to any one party. The group has not acted as guarantor for any third party's debts with the exception of the matters discussed in note 27.

There is always a risk that a customer may not be willing to settle its debts. This is regarded as an operating risk and not a financial risk, and is handled as part of the ordinary project valuation. For further details, see note 19 Trade receivables and contract balances and note 32 Disputes and claims related to the projects.

(2) Liquidity risk

Liquidity risk is the risk that Veidekke will not be able to fulfil its payment obligations when they fall due. Good liquidity is an important prerequisite to profitability in Veidekke and the company's ability to invest and take risks in capital-intensive activities. Liquidity risk management has high priority as an element in the objective of financial flexibility. Management, measurement and control of liquidity are carried out from the project level and on through all the levels of the organisation. In Property Development liquidity risk in projects for own account is limited by the fact that, as a main rule, residential projects shall not be started until the sales rate exceeds 50%. For Construction operations the group also has other substantial borrowing facilities available to it to meet its current performance guarantees for construction projects.

In December 2019, Veidekke entered into refinancing agreements related to bank loans. The new agreements include a multi-currency overdraft facility with DNB totalling NOK 3.6 billion, maturing in November 2021, and a NOK 2.3 billion, 18-month credit facility with SEB which includes a 12-month extension option. Both agreements, which are based on negative pledges, contain conditions regarding Veidekke's key financial figures (covenants). Veidekke is in compliance with the covenants stipulated in the loan agreements:

Key financial figure for the loan agreement (covenants):

- (i) Net interest-bearing liabilities divided by EBITDA for the previous four quarters shall not exceed 3.5. At 31 December 2019, the ratio was 1.5. Net interest-bearing liabilities is defined as the group's current

and non-current interest-bearing liabilities minus the group's cash and cash equivalents and interest-bearing receivables. EBITDA is defined as the group's operating profit plus depreciation, amortisation and impairment. When calculating EBTDA, all operations are taken into account, including operations held for sale.

If Veidekke approaches the threshold values for the covenants, net interest-bearing debt will be reduced through the sale of assets in the capital-intensive industrial, civil engineering and property development operations.

See note 20 for information on cash and cash equivalents, note 24 for information on non-current interest-bearing liabilities, note 27 for information on mortgages and guarantees, and note 30 for information on sensitivity analysis and maturity structure.

(3) Market price risk

Shares and bonds

The group is exposed to price risk related to investments in equity instruments. This type of investment is normally not a part of the group's investment strategy and consists of shares and bonds. Veidekke prioritises investments in companies and projects that allow the group considerable influence on future operations and development.

At 31 December 2019 the category "financial assets measured at fair value through other comprehensive income" includes a bond fund of NOK 262 million. This investment is related to funds to cover pension liabilities.

Hedging of raw material costs

Veidekke has little hedging of input factors for use in production, and then only after an order has been placed.

The petroleum product bitumen is an important input factor for the asphalt operations in the business area Industrial. The price of this product is closely linked with developments in oil prices. Bitumen costs are rarely hedged. The Norwegian Public Roads Administration, which is Veidekke's largest customer, contractually bears most of the risk related to changes in the price of bitumen. As regards deliveries to other customers, the time between order placement and execution is usually short, thus reducing the risk of price changes. Veidekke may nevertheless be exposed to risk in the event of large changes in price in a short period of time. At 31 December 2019 a total of 6 hedge contracts had been entered into, linked to major asphalt contracts with delivery in 2020 to 2022.

(4) Interest rate and currency risk

Veidekke's interest rate risk is linked to the group's portfolio of debt. This risk is managed on the group level. The various business areas are exposed to interest rate risk, and in some partly owned companies, interest derivatives are used to reduce considerable long-term interest risk.

Veidekke has a fixed-rate bond loan totalling NOK 600 million which matures in 2025 and bears a fixed coupon rate of 3.20%. The group also has a NOK 1.0 billion bond loan which matures in 2023 and bears a variable coupon rate of three-month NIBOR + 0.88% per year.

The value of the group's interest rate swaps is estimated using the forward rate on the balance sheet date and is confirmed by the financial institution with which the agreement is signed.

Veidekke has ownership interests in five PPP companies: the school projects Skuleveg AS (50%), Skulebygg AS (50%), Skulegard AS (50%), Skuleplass AS (50%) and the road project Allfarveg AS (50%). Long-term fixed-rate financing agreements have been signed for all the projects. Interest rate risk is eliminated by linking the agreed financing to signed lease contracts. There is a more detailed presentation of the PPP projects in note 16.

The current interest rate level is expected to have a significant effect on the demand for the group's products, particularly among private customers. Therefore, an indirect interest rate risk is inherent in the general market risk. Rising interest rates normally result in lower activity for the group's building and construction operations and also reduce sales of homes for Property Development.

Fluctuations in currency rates have little direct influence on Veidekke, as its operations are largely national in character and the project cash flows are normally in the same currency. Any substantial currency risks that arise are hedged through forward exchange contracts or similar arrangements. Equity in foreign subsidiaries is not hedged, and any changes will affect the group's total comprehensive income. Net currency gains in 2019 amounted to NOK 2 million (NOK 3 million).

NOTE 30. FINANCIAL INSTRUMENTS

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

Figures in NOK million	Statement of financial position as of 31.12.2019	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value through OCI	Other financial liabilities
Non-current financial assets	535	307	228	-	-
Trade receivables and contract assets	5 435	-	5 435	-	-
Other receivables	253	-	253	-	-
Cash and cash equivalents	241	-	241	-	-
Total financial assets	6 465	307	6 158	-	-
Bond debts and debt to credit institutions	3 107	-	3 107	-	-
Other non-current liabilities	1 161	-	-	-	1 161
Debt to credit institutions (current)	12	-	12	-	-
Tax payable	30	-	-	-	30
Other financial current liabilities ¹⁾	9 498	-	-	-	9 498
Total financial liabilities	13 810	-	3 120	-	10 690

1) Includes Trade payables, Contract liabilities, Public duties and Other current liabilities.

Figures in NOK million	Statement of financial position as of 31.12.2018	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value through OCI	Other financial liabilities
Non-current financial assets	508	256	252	-	-
Trade receivables and contract assets	5 684	-	5 684	-	-
Other receivables	843	-	843	-	-
Cash and cash equivalents	197	-	197	-	-
Total financial assets	7 232	256	6 977	-	-
Bond debts and debt to credit institutions	1 848	-	1 848	-	-
Other non-current liabilities	414	-	-	-	414
Debt to credit institutions (current)	36	-	36	-	-
Tax payable	62	-	-	-	62
Other financial current liabilities ¹⁾	10 833	-	-	-	10 833
Total financial liabilities	13 192	-	1 884	-	11 309

Financial instruments at fair value¹⁾

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

Figures in NOK million	Financial assets and liabilities at fair value through OCI	Financial assets and liabilities at fair value through profit and loss	Total
Financial instruments at 1 January 2019	-	256	256
Additions	-	41	41
Sales/disposal	-	-8	-8
Pre-tax gains (losses) recognised in other comprehensive income	-	-	-
Pre-tax gains (losses) recognised in the income statement	-	18	18
Financial instruments at 31 December 2019	-	307	307

1) Veidekke's share of financial instruments in joint ventures is not included.

The table below analyses financial instruments recorded at fair value according to valuation method. The different levels are defined as follows:

Level 1: Fair value is measured using quoted prices from active markets for identical financial instruments. No adjustment is made for these prices.

Level 2: Fair value is measured using other observable input than that used in level 1, either directly (prices) or indirectly (derived from the prices).

Level 3: Fair value is measured using input that is not based on observable market data.

Figures in NOK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	214	42	256
Derivatives defines as hedging instruments	-	-	-	-
Total at 31 December 2018	-	214	42	256
Financial assets at fair value through profit and loss	-	262	45	307
Derivatives defines as hedging instruments	-	-	-	-
Total at 31 December 2019	-	262	45	307

The carrying value of cash and cash equivalents and liabilities to credit institutions is virtually the same as their fair value, since these instruments have a short maturity term. Correspondingly, the carrying value of trade receivables, contract assets, contract liabilities and trade payables are virtually the same as the fair value, as they are agreed upon under market terms. This also applies to unpaid government charges, tax payable and current liabilities. A large proportion of non-current liabilities have variable interest rates and continuous interest rate adjustment and therefore the carrying value is substantially the same as the fair value. The fair value of the group's interest rate hedging is estimated using the forward rate on the balance sheet date and is confirmed by the financial institution with which the agreement is signed.

For details concerning maturity structure and credit risk for trade receivables, see note 19 Trade receivables and contract balances.

The group's long-term financing

Maturity structure and contractual cash flows for the group's non-current liabilities are presented in the following table:

Figures in NOK million	Carrying value	Maturity structure					Total contractual cash flows
		2020	2021	2022	2023	After 2023	
Bond loans ¹⁾	1 600	47	47	47	1 033	624	1 796
Debt to credit institutions ²⁾	1 507	66	1 490	45	16	5	1 623
Other non-current liabilities ³⁾	1 161	70	218	156	719	106	1 269
Total	4 269	183	1 755	248	1 768	735	4 688

1) The group has two bond loans of NOK 1,000 and NOK 600 million which mature in June 2023 and March 2025 respectively.

2) The group has a long-term credit facility with DNB with a credit limit of NOK 3.6 billion, of which NOK 1.4 million had been utilised on 31 December 2019.

3) Includes non-current liabilities related to IFRS16, ref. note 13.

Effective interest rates for selected financial instruments:

Figures in NOK million	31.12.2019 ¹⁾	2019 ²⁾	2018 ²⁾
Liquidity	0.8%	0.8%	0.6%
Current interest-bearing liabilities	2.8%	2.7%	2.4%
Non-current interest-bearing liabilities	2.8%	2.7%	2.4%

1) Actual interest rates at 31 December 2019. The stated interest rates are exclusive of interest rate swaps.

2) Average effective interest rate is calculated as the average of the rates applicable through the year.

At 31 December the group had undrawn committed borrowing facilities of NOK 4,530 million (NOK 3,474 million at 31 December 2018). At 31 December 2019 withdrawals from the group account were classified as non-current liabilities, as the credit facility runs until 2021.

Interest rate derivatives

To some extent, the group uses interest rate derivatives to hedge against fluctuations in profit as a result of changes in interest rates, i.e. interest rate swaps as cash flow hedging of loans. At 31 December 2019 the group had no such interest rate derivatives that are consolidated in the financial statements.

The group's net interest-bearing debt¹⁾

Figures in NOK million	2019	2018
Bonds, non-current	1 600	1 600
Debt to credit institutions, non-current	1 514	248
Bonds and debt to credit institutions, current	17	36
Total interest-bearing debt	3 131	1 884
Cash and cash equivalents	283	197
Interest-bearing financial assets	158	196
Interest-bearing other receivables	38	20
Total interest-bearing assets	478	414
Net interest bearing debt	2 653	1 470

1) The table includes figures for both continued operations and operations held for sale.

The group's short-term financing

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

		Maturity structure				
2019		Payable on demand/ due date not set	0–3 months	3–12 months	Over 12 months	Anticipated cash flow
Figures in NOK million		Carrying value				
Current liabilities to credit institutions	12	-	6	6	-	12
Trade payables ¹⁾	5 978	3 121	2 667	122	68	5 978
Unpaid government charges	721	18	619	84	-	721
Tax payable	30	-	26	4	-	30
Contract liabilities and other current liabilities ²⁾	2 800	863	1 159	791	-	2 813
Total current financial liabilities	9 541	4 001	4 477	1 007	68	9 554

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

2) Includes current liabilities related to IFRS16, ref. note 13.

		Maturity structure				
2018		Payable on demand/ due date not set	0–3 months	3–12 months	Over 12 months	Anticipated cash flow
Figures in NOK million		Carrying value				
Current liabilities to credit institutions	36	29	2	4	1	36
Trade payables ¹⁾	6 176	2 759	3 241	147	29	6 176
Unpaid government charges	805	30	702	69	4	805
Tax payable	62	-	39	23	-	62
Contract liabilities and other current liabilities	3 852	656	1 267	1 163	766	3 852
Total current financial liabilities	10 931	3 474	5 250	1 407	800	10 931

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

SPECIFICATION OF «FAIR VALUE ADJUSTMENT» IN THE STATEMENTS OF CHANGES IN EQUITY

Figures in NOK million	2019	2018
Hedge reserves, joint ventures ¹⁾	-113	-118
Fixed rates loans, wholly-owned companies	5	1
Fair value adjustments of financial assets through other comprehensive income	15	15
Total	-93	-101

1) NOK -76 (-88) million is related to PPP E39 Lyngdal Flekkefjord. See note 16.

SPECIFICATION OF THE ACCOUNTING ITEM IN OTHER COMPREHENSIVE INCOME

Revaluation of financial assets at fair value

Figures in NOK million	2019	2018
Fair value adjustments hedge reserves, joint ventures	8	-1
Interest rate swap agreements, wholly-owned companies	4	3
Fair value adjustments of financial assets through other comprehensive income	-	-3
Total	11	-1

NOTE 31. COMPENSATION TO SENIOR EXECUTIVES

Declaration to the annual general meeting on the principles for determining management salaries

The board of directors must report to the annual general meeting on how salaries and other compensation to senior executives are determined, as laid down in section 6-16a of the Public Limited Companies Act. The declaration for 2020 will be enclosed with the notice of the annual general meeting and shall be processed in accordance with section 5-6, third paragraph of the Public Limited Liability Companies Act.

Implemented management compensation policy for 2019 and effects for the group and the shareholders of agreements both entered into and revised

The salary adjustments in 2019 have been made in accordance with the declaration that was submitted to the annual general meeting on 8 May 2019. The company strives to offer salaries that are competitive, but not above those of other similar companies. The bonus scheme for corporate management makes a maximum payout of 30% of annual salary. The bonus is divided into two parts, with the maximum bonus in respect of achieved financial targets amounting to 20% of salary and 10% relating to the operational target net interest-bearing debt. The bonus for achieving financial targets is based on adopted margin targets, such that the bonus paid to operational executives is based on the group profit (50%) and the profit achieved by their operation (50%). The financial targets bonus paid to administrative managers is based on the group profit. Corporate management participates in Veidekke's general share purchase programme, and are also included in the option programme for key staff. See note 6 for further details.

Current Group CEO

There is a 12 month mutual period of notice for the Group Chief Executive. On termination of employment the Group Chief Executive is guaranteed a further 12 months' salary. The Group CEO has the right to retire from the age of 64. The annual provision in respect of the Group CEO's retirement pension totals 35% of pensionable income, less contributions paid by Veidekke into Veidekke's occupational pension scheme in Norway on behalf of the Group CEO. The accumulated provision is adjusted in accordance with the value development of a diverse portfolio used for Veidekke's pension scheme for employees with salaries exceeding 12G. The pension balance is adjusted for this value development by reference to the selected benchmark index, up to and after the start date for pension payments. The annual retirement pension is set on the basis of the pension balance at the time of retirement, spread over five years. In the event of disability, the Group CEO is entitled to a disability pension totalling 60% of salary until the age of 64.

The Group CEO participates in Veidekke's employee share purchase programme, but due to his potential possession of inside information concerning the demerger of the property development operation, the Group CEO did not purchase any shares through the programme in 2019. As at 31 December 2019, Veidekke had loaned the Group CEO NOK 0.3 million to finance purchases of Veidekke shares. The loan is currently interest-free, is being repaid on an ongoing basis and has been secured by means of a charge over the shares. The interest benefit has been reported. The Group CEO participates in Veidekke's option programme for key staff, and purchased 1,000 options in 2019.

Former Group CEO

Arne Giske resigned as Group CEO on 1 September 2019, taking up a position as adviser to Veidekke as of the same date. Giske has retained his pay and additional remuneration conditions until the age of 64. Giske will resign from his position with an agreed early retirement pension on reaching the age of 64, i.e. in 2021. From the retirement date and until the age of 67, the annual early retirement pension will amount to 60% of salary as at the retirement date. Any payments received from the national insurance scheme, the contractual early retirement scheme, collective pension policies and earlier paid-up policies will be deducted from the pension guarantee. The lifelong retirement pension will be paid from the age of 67. This amounts to 60% of salary exceeding 12G. As regards salary up to 12G, pension rights accrue on the same basis as under the company's ordinary pension scheme for Norwegian employees. The annual early retirement pension and the retirement pension in respect of salary exceeding 12G are adjusted annually in accordance with the annual increase in the consumer price index as of the retirement date. If Veidekke's annual pay settlement is lower than the annual increase in the consumer price index, this can be used as the basis for adjustment.

Corporate management

Members of the corporate management have employment contracts stipulating a mutual notice period of six months. Upon termination, they are guaranteed salary for a further 12 months.

Terje Larsen and Jørgen Wiese Porsmyr are entitled to take early retirement from the age of 64. During the period from resignation to the age of 67, an annual pension will be paid equivalent to 60% of the pensionable salary on retirement from the position of executive vice president. A retirement pension will be paid for life from the age of 67 and will be the equivalent of 60% of the pensionable salary on retirement. The annual early retirement and retirement pension

are adjusted each year according to the annual increase in the consumer price index from the date of retirement. If Veidekke's annual pay settlement is lower than the annual increase in the consumer price index, this rate can be used as the basis for adjustment instead. Any payments from the National Insurance, the early retirement scheme (AFP), collective insurance schemes and paid-up policies will be deducted from the guaranteed pension.

Lars Erik Lund, Hans Olav Sorlie, Øivind Larsen, Catharina Bjerke and Anne Thorbjørnsen (acting) will receive a pension and are entitled to retire at the age defined in the ordinary pension scheme for employees in Norway. See note 22 for more information about Veidekke's pension arrangements. Mats Nyström's ordinary retirement age is 65 years. He

has a defined-contribution pension scheme under which Veidekke pays an annual premium of 35% of salary.

The corporate management participates in Veidekke's employee share programme and purchased a total of 8,000 shares through the programme in 2019. This share programme is discussed in more detail in note 6.

Veidekke has granted loans to members of the corporate management for the purchase of Veidekke shares amounting to NOK 3.8 million at 31 December 2019. The loans are currently interest-free and are secured by collateral in the shares. The interest benefit has been reported as income.

COMPENSATION TO THE GROUP CHIEF EXECUTIVE AND CORPORATE MANAGEMENT

		2019		2018
Figures in NOK thousand	Salary	Paid bonus	Car, phone, interest rate advantage etc.	Total compensation
GROUP CHIEF EXECUTIVE				
Jimmy Bengtsson ¹⁾	1 400	-	47	1 447
Arne Giske ²⁾	2 643	-	181	2 824
CORPORATE MANAGEMENT				
Jørgen Wiese Porsmyr	3 038	147	230	3 416
Terje Larsen	2 725	-	192	2 917
Hans Olav Sørlie ³⁾	2 862	51	198	3 111
Øivind Larsen ³⁾	2 386	-	182	2 567
Catharina Bjerke ⁴⁾	2 349	-	202	2 551
Jimmy Bengtsson ¹⁾	2 189	-	97	2 286
Mats Nyström ⁵⁾	1 018	-	38	1 056
Lars Erik Lund	2 431	-	203	2 635
Anne Thorbjørnsen ⁶⁾	2 149	-	185	2 334
Dag Andresen ⁷⁾	-	-	-	-
Hege Schøyen Dillner ⁸⁾	-	-	-	-
Total Group Chief Executive/ corporate management	25 192	198	1 755	27 144

1) Group CEO as of 1 September 2019.

2) Group CEO until 31 August 2019.

3) Member of corporate management as of 1 July 2018.

4) Member of corporate management as of 1 September 2018.

5) Member of corporate management as of 1 September 2019.

6) Acting member of corporate management as of 1 September 2018.

7) Member of corporate management until 30 June 2018.

8) Member of corporate management until 30 August 2018.

			2019			
Figures in NOK thousand	Year's change in pension rights	Present value of pension liabilities	Premium pension plan	Pension balance ⁴⁾	Loan for share purchases	Earned bonus
GROUP CHIEF EXECUTIVE						
Jimmy Bengtsson ¹⁾			1 385	490	283	-
Arne Giske ²⁾	1 986					
CORPORATE MANAGEMENT						

Jørgen Wiese Porsmyr	893	18 089			392	122
Terje Larsen	518	17 136			503	-
Hans Olav Sørlie			566	2 655	573	23
Øivind Larsen			374	696	60	-
Catharina Bjerke			374	700	-	97
Mats Nyström ³⁾			353		1 023	-
Lars Erik Lund			384	815	1 001	-
Anne Thorbjørnsen			284	994	510	-
Total Group CEO and corporate management	3 397	35 225	3 721	6 351	4 345	242

Salary and compensation only for time served in corporate management.

1) Group CEO as of 1 September 2019.

2) Group CEO until 31 August 2019.

3) Member of corporate management as of 1 September 2019.

4) Relates to provision arrangements for salary exceeding 12G.

			2018			
Figures in NOK thousand	Year's change in pension rights	Present value of pension liabilities	Premium pension plan	Pension- balance	Loan for share purchases	Earned bonus
GROUP CHIEF EXECUTIVE						
Arne Giske	2 081	31 132			943	-
CORPORATE MANAGEMENT						
Jørgen Wiese Porsmyr	277	17 196			455	147
Terje Larsen	669	16 619			574	-
Jimmy Bengtsson			1 111		1 477	102
Hans Olav Sørlie ¹⁾			302	2 089	592	-
Øivind Larsen ¹⁾			79	322	-	-
Catharina Bjerke ²⁾			105	325	-	-
Lars Erik Lund			365	431	1 115	-
Anne Thorbjørnsen ³⁾			92	710	552	-
Total Group CEO and corporate management	3 028	64 946	2 054	3 878	5 708	249

Salary and compensation only for time served in corporate management.

1) Member of corporate management as of 1 July 2018.

2) Member of corporate management as of 1 September 2018.

3) Member of corporate management (acting) as of 1 September 2018.

COMPENSATION TO THE BOARD OF DIRECTORS:

Figures in NOK thousand	2019				2018	
	Fees	Salary ¹⁾	Total compensation	Loan for share purchases	Total compensation	Loan for share purchases
Svein Richard Brandtzæg ²⁾	-	-	-	-	-	-
Martin Mæland ³⁾	704	-	704	-	686	-
Gro Bakstad	380	-	380	-	370	-
Hans von Uthmann	403	-	403	-	392	-
Ingalill Marie Berglund	350	-	350	-	341	-
Ingolv Høyland	350	-	350	-	341	-
Daniel Kjørberg Siraj ⁴⁾	331	-	331	-	-	-
Tone Hegland Bachke ⁵⁾	-	-	-	-	-	-
Per Otto Dyb ⁶⁾	-	-	-	-	356	-
Ann-Christin Andersen ⁷⁾	-	-	-	-	341	-
Inge Ramsdal (elected by employees)	259	755	1 014	28	1 097	23
Odd Andre Olsen (elected by employees)	259	883	1 142	60	1 109	-
Arve Fludal (elected by employees)	259	841	1 100	481	1 263	483
Total board of directors	3 293	2 479	5 772	568	6 294	506

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

2) Board chair as of 7 May 2019.

3) Board chair until 7 May 2019.

4) Temporarily resigned from the Board of Directors.

5) Board member as of 7 May 2019.

6) Board member until 2 May 2018.

7) Board member until 17 November 2018.

Veidekke has established audit, compensation and property committees. Compensation for participation in these committees is included in the board members' fees. For an overview of corporate management and board shareholdings, see note 21.

REMUNERATION TO AUDITORS:

Figures in NOK thousand	2019	2018
Statutory audit	17 917	15 896
Tax-related assistance	662	1 691
Other services in addition to auditing	1 652	828
Total remuneration to auditors	20 232	18 415

Remuneration excludes VAT.

NOTE 32. DISPUTES AND CLAIMS RELATED TO PROJECTS

Through its ongoing operations, Veidekke is involved in disputes with clients regarding the interpretation and understanding of signed contracts. This applies particularly to complex projects where the contract terms are demanding and large sums of money are involved. Veidekke strives to resolve these kinds of disputes outside the courts whenever possible, but some cases must nevertheless be decided by arbitration or in court. Disputes may be Veidekke's claims on customers (additional claims) and customers' claims on Veidekke (remedy of defects, compensation, etc.). Thorough assessments are conducted in connection with disputed claims to ensure the most correct reporting in the accounts. Reference is made to the Group's accounting policies:

"The revenue recognition for additional claims against the client and disputed amounts with a high level of uncertainty is based on assessments of the likely outcome of the dispute. The degree of uncertainty in the estimates will

affect the proportion of the claim that is recognised in the income statement."

As at year-end, Veidekke was involved in nine legal disputes valued at more than NOK 25 million. These are currently ongoing before the courts. In comparison, the group was involved in 11 legal disputes at beginning of 2019. The two largest ongoing legal disputes relate to transport infrastructure projects. Five legal disputes, including two major ones, were resolved during the year through either legal rulings or negotiations with the client. After year-end 2019, one legal dispute has received a ruling, where Veidekke's principle claim concerning extended construction time was rejected. The legal ruling will have no effect on Veidekke's accounts for 2019. The ruling will be appealed.

NOTE 33. RELATED PARTY TRANSACTIONS

Veidekke's related parties include associates and joint ventures (see note 15), Veidekke's shareholders, members of the board and senior executives in Veidekke (see note 31). Veidekke has stakes in associates and joint ventures, and these are reported in Veidekke's accounts using the equity method.

TRANSACTIONS WITH ASSOCIATES (ASS.) AND JOINT VENTURES (JV):

Figures in NOK million	2019		2018	
	Associates	Joint Venture	Associates	Joint Venture
REVENUE				
Construction operations	1	1 509	28	1 626
Industrial operations	-	-	-	-
Property development operations	3	51	2	31
Total revenue from associates and JV	4	1 560	30	1 658
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER				
Receivables	25	274	-	200
Liabilities	19	11	11	13

OBOS BBL has a 18.1% stake in Veidekke and is also a major business partner. The collaboration with OBOS consists in the joint development of residential projects and in deliveries by Veidekke to companies within the OBOS group. The residential projects developed in partnership with OBOS are undertaken through the establishment of joint ventures. There are currently eight companies that are jointly controlled by OBOS and Veidekke with ongoing projects.

TRANSACTIONS WITH OBOS

Figures in NOK million	Revenue 2019	Receivables 31.12 2019
OBOS	1 039	124
Joint ventures ¹⁾	310	17

1) Companies that are jointly owned by Veidekke and OBOS.

NOTE 34. INFORMATION ABOUT ASSETS HELD FOR SALE

Veidekke has decided to spin out the property development operation with an amended ownership structure. Consideration will be given to both stock-exchange listing and the sale of all or part of the property development operation. Veidekke has engaged ABG Sundal Collier to advise on the process. This note contains information on the accounts and statement of financial position for operations held for sale, see further note 3. Items in the statement of financial position as at year-end 2018 have not been restated in accordance with IFRS 5, and have been prepared in accordance with the ordinary assessment rules applicable to going concerns.

FINANCIAL INCOME AND FINANCIAL COSTS

Figures in NOK million	2019	2018
Interes income from non-financial institutions	15	13
Other financial income	6	3
Financial income	21	16
Interes costs	-47	-36
Interes costs from non-financial institutions	-	-
Financial costs	-47	-36
Net financial items	-26	-20

SPECIFICATION OF CAPITALISED INTEREST

Veidekke's property development operation capitalises interest linked to the value of sites under development and property development projects under construction. Such interest is expensed as an operating expense as each residential unit is delivered to the end customer.

Figures in NOK million	2019	2018
Capitalised interest as at 1 January	73	63
This year's capitalised interest costs	64	39
Expensed interest classified as operating expenses	-27	-28
Translation differences	-	1
Capitalised interest as at 31 December	110	73
Interest rate on this year's capitalisation of interest	2.8%	2.4%

TAX EXPENSES

Figures in NOK million	2019	2018
Tax expenses	-7	-14

Operations held for sale carry a very low tax cost. This is because most of the profits of the Norwegian property development operation are generated by jointly controlled and associated companies whose profits are recognised net of tax. Accordingly, such tax has no effect on the operation's recognised tax cost. In the case of the Swedish operation, the tax rate is also low because the development sites are owned by companies which are in a position to implement a subsequent sale free of tax. The Swedish property development operation has loss carry-forwards with a nominal value of NOK 27 million which have not been recognised in the statement of financial position as at 31 December 2019.

OTHER INTANGIBLE ASSETS

Other intangible assets include IT systems, and are depreciated on a linear basis over five years. Development of the Swedish property development operation's "ID" IT system is due to be completed in 2020, and will be depreciated from 2021.

Figures in NOK million	IT systems	
	2019	2018
Carrying amount as at 1 January	42	16
Investments in ongoing operations	37	30
This year's depreciation	-3	-3
This year's currency translation difference	-	-
Carrying value as at 31 December	76	42

INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

This year's changes in investments in associated and jointly controlled companies are shown in the following table:

Figures in NOK million	2019	2018
Carrying value of investments as at 1 January	1 278	1 368
Share of annual profit	141	123
Received dividends	-205	-198
Capital increases	198	26
Sales/liquidation of companies	-60	-66
Change in subordinated loans	-41	31
Value changes recorded as other comprehensive income	-	-
Currency translation differences	-5	-6
Carrying value of investments as at 31 December	1 307	1 278

Veidekke's share of net interest-bearing debt in associated and jointly controlled companies amounted to NOK 1.7 billion at 31 December 2019.

DETAILS OF SIGNIFICANT¹⁾ INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The figures in the table are from the companies' IFRS accounts and are presented 100%.
All investments are consolidated using the equity method.

Company	Lilleby Eiendom AS	Lørenvangen Utvikling AS ²⁾
Figures in NOK million		
Business area	Property	Property
Type of company	JV	JV
Business office	Trondheim	Oslo
Dividend paid to the shareholders (100%)	38	50
Revenue	407	777
Depreciation	-3	-
Other costs	-331	-493
Operating profit	73	284
Interest income	-	3
Interest costs	-24	-17
Other net financial items	-	-
Profit before tax	49	270
Income tax expense	-9	-61
Profit after tax	39	209
Other comprehensive income	-	-
Total comprehensive income	39	209
Non-current assets	0	- 0
Cash and cash equivalents	104	170
Property projects/other current assets	1 131	956
Current assets	1 235	1 126
Other non-current liabilities	46	85
Non-current liabilities	46	85
Other current liabilities	862	519
Current liabilities	862	519
Total equity	327	522
The group's ownership share (%)	50%	50%
The group's share of equity	164	261
Subordinated loans	-	-
Carrying value at 31 December 2019	164	261

1) Investments with book value exceeding NOK 100 million.

2) Lørenvangen Utvikling AS is owned 50% by OBOS. See note 33.

RESIDENTIAL PROJECTS

Residential projects involve the construction of residential buildings for sale for Veidekke's own account. Costs incurred in respect of sites for development and units under construction are recognised under this item. Most of the projects run for longer than 12 months, and assets may therefore not be realised and settled until after more than 12 months have passed. In terms of accounting, sites and projects are presented as inventory.

Residential projects are developed both as own projects (wholly owned) and in collaboration with others. When projects are undertaken with others, a company is generally established in which Veidekke has a 50% holding. Many projects are undertaken in joint ventures because this ensures risk sharing and better utilisation of the investment limit. Residential projects in joint ventures and associates are outside of the group's statement of financial position.

Figures in NOK million	2019	2018
Sites under development	4 864	3 721
Projects under construction	945	388
Unsold completed residential units	104	67
Total residential projects	5 913	4 176
Non-residential projects	1	4
Total carrying amount residential projects (wholly owned)	5 913	4 180
Residential projects in joint ventures	1 220	1 214
Residential projects in associates	87	64
Carrying value residential projects in Associates and Joint Ventures (partly owned)	1 307	1 278

GEOGRAPHICAL CATEGORY

2019					Carrying value Associates and JV's
Residential projects at 31 December Figures in NOK million	Sites under development	Under construction	Unsold completed	Total wholly owned projects	
Norway	2 230	945	8	3 183	1 045
Sweden	2 634		95	2 729	262
Total carrying value	4 864	945	104	5 913	1 307

2018 ¹⁾					Carrying value Associates and JV's
Residential projects at 31 December Figures in NOK million	Sites under development	Under construction	Unsold completed	Total wholly owned projects	
Norway	1 649	388	26	2 063	1 104
Sweden	2 072		41	2 113	175
Total carrying value	3 721	388	67	4 176	1 278

1) The figures for 2018 have been restated for comparison purposes.

Valuation of sites for development

Carrying value includes the purchase price of the site, incurred development costs, capitalised interest and any deferred payments for the site. If the site is subject to a purchase option, the purchase price is only capitalised on the date the option is exercised.

Veidekke prepares an annual internal valuation of all land and buildings. When valuing development sites, a present value model is used which incorporates a number of assumptions, including as to expected area usage (BRAS), construction cost, construction start and construction period. All cash flows in the model are discounted according to the group's required rate of return on property investments, i.e. 15%. Development sites represent material excess value over and

above carrying value – approximately NOK 1 billion in the Norwegian land bank and approximately NOK 500 million in the Swedish land bank.

The site portfolio

At the end of 2019 Veidekke had a portfolio of sites in Scandinavia that is expected to yield around 18,500 residential units, of which Veidekke's share is 15,000. A substantial share of the portfolio consists of purchase options, primarily linked to the Swedish property development operations. The portfolio of sites comprises only sites under development. The sites are distributed as shown in the following table:

Residential units	Owned by Veidekke ¹⁾	Call options	Total	No. of projects
Norway	4 200	800	5 000	36
Sweden	4 500	5 700	10 200	115
Total	8 700	6 500	15 200	151

1) Veidekke's share of wholly and partly owned projects.

WRITE-DOWNS MADE IN THE CAPITALISED PORTFOLIO OF SITES

Figures in NOK million	2019	2018
Write-downs in the portfolio at the beginning of the period	13	-
Write-downs in the course of the year	-	13
Disposals	-	-
Write-downs in the portfolio at the end of the period	13	13

UNITS UNDER CONSTRUCTION AND UNSOLD COMPLETED UNITS

In the accounts, sold residential units under construction are presented as part of assets held for sale. Income and profits/losses are only recognised as income once residential units have been delivered to purchasers. By the time a residential project is initiated, there is normally only limited uncertainty regarding the financial outcome of the project. At this point the main risk is generally related to whether the remaining units under construction will be sold. There is limited risk regarding the construction

costs, as most of the main purchases have already been agreed upon at an early stage in the construction phase. To ensure good corporate governance Veidekke's property development units report on project contributions on an ongoing basis in the segment reporting. In the segment accounts (note 2) the projects report progress using the following principle: estimated final profit of the project x sales ratio x stage of completion.

Carrying amount wholly owned projects (NOK million)	2019	2018
Units under construction	945	459
Unsold completed units	104	67
Total	1 048	526

At 31 December 2019, revenues of NOK 840 million and pre-tax profit of NOK 299 million had accrued on sold residential units under construction in Norway. These amounts are recognised as revenue in the segment reporting, but are not recognised under IFRS until the homes are handed over. A significant portion of Veidekke's Norwegian property development operations take place in joint ventures and thus does not generate revenue in the company's consolidated accounts. The profit from joint ventures is recognised on a post-tax basis in the income statement.

NUMBER OF UNITS UNDER CONSTRUCTION AND UNSOLD COMPLETED UNITS AT 31 DECEMBER 2019

	Residential units under construction	Unsold residen- tial units under construction	Unsold completed residential units	Average sales ratio ¹⁾	Average stage of completion ²⁾
Projects in Norway – wholly owned	363	104	2	71%	66%
Projects in Norway – JV (Veidekke's share)	455	130	12	71%	63%
Projects Sweden – wholly owned	572	50	26	91%	67%
Projects in Sweden – JV (Veidekke's share)	185	35	5	81%	93%
Total number/total sales ratio	1 575	319	45	80%	

1) For units under construction.

NUMBER OF UNITS UNDER CONSTRUCTION AND UNSOLD COMPLETED UNITS AT 31 DECEMBER 2018

	Residential units under construction	Unsold residen- tial units under construction	Unsold completed residential units	Average sales ratio ¹⁾	Average stage of completion ²⁾
Projects in Norway – wholly owned	260	69	11	73%	30%
Projects in Norway – JV (Veidekke's share) ²⁾	339	109	15	68%	42%
Projects Sweden – wholly owned	1 333	192	2	86%	68%
Projects in Sweden – JV (Veidekke's share) ²⁾	184	49	-	73%	81%
Total number/total sales ratio	2 116	419	30	80%	

1) For units under construction.

2) Shares in joint ventures are reported in the statement of financial position under Investments in joint ventures. See note 15.

Development gains

Veidekke optimises the portfolio of sites on an ongoing basis. This means that assessments relating to sales or partial sales of projects are part of the operating activities. Development gains amounted to NOK 110 (112) million in 2019, of which NOK 61 (51) million in Norway and NOK 49 (61) million in Sweden.

OTHER CURRENT LIABILITIES

Figures in NOK millions	2019	2018
Contract liabilities	245	466
Other liabilities	919	963
Other current liabilities	1 164	1 429

Deferred payment in connection with the purchase of sites

Normally some time passes between a site being purchased and takeover of the site. During this period, a binding purchase agreement has been signed, but since Veidekke has not taken over control of the site, the site is not capitalised in Veidekke's financial statements.

Wholly owned projects (NOK million)	2020	2021	2022	2023	Later
Deferred payment for site purchases ¹⁾	142	210	253	98	182

1) Includes only site obligations Veidekke is obligated to fulfil.

NOTE 35. IMPLEMENTATION OF NEW ACCOUNTING STANDARD, IFRS 16 LEASES

EFFECTS ON THE STATEMENT OF FINANCIAL POSITION 01.01.2019

Figures in NOK million	31.12.2018	Implementation of IFRS 16	01.01.2019
ASSETS			
Land and buildings	646	747	1 393
Plant and machinery	2 694	198	2 892
Other assets	3 898	-	3 898
Total non-current assets	7 238	945	8 183
Current assets	11 597	-	11 597
Total current assets	11 597	-	11 597
Total assets	18 835	945	19 780

EQUITY AND LIABILITY

EQUITY	3 983	-	3 983
Pensions and deferred tax liabilities	846	-	846
Bond debts and debt to credit institutions	1 848	-	1 848
Other non-current liabilities	414	685	1 099
Total non-current liabilities	3 108	685	3 793
Bond debts and debt to credit institutions	36	-	36
Trade payables and warranty provisions	6 877	-	6 877
Public duties and taxes payable	867	-	867
Other current liabilities and contract liabilities	3 965	260	4 225
Total current liabilities	11 744	260	12 004
Total equity and liabilities	18 835	945	19 780

FINANCIAL ACCOUNTS

Figures in NOK million	Previous standard (IAS17)	New standard (IFRS16)	
	2019	Implementation of IFRS 16	2019
GROUP			
Revenue	36 569	-	36 569
Operating expenses	-35 302	282	-35 020
Share of net income from associates and joint ventures	-67	-	-67
Operating profit before depreciation (EBITDA)	1 200	280	1 482
Depreciation	-622	-265	-887
Operating profit (EBIT)	578	17	595
Financial income	57	-	56
Financial costs	-25	-29	-54
Pre-tax profit	608	-12	596

SEGMENT ACCOUNTS

	Previous standard (IAS17)		New standard (IFRS16)
Figures in NOK million	2019	Implementation of IFRS 16	2019
GROUP			
Revenue	38 779	-	38 779
Operating expenses	-37 310	282	-37 028
Share of net income from associates and joint ventures	108	-	108
Depreciation and amortisations	-628	-265	-893
Operating profit (EBIT)	948	17	965
Net financial items	5	-29	-24
Pre-tax profit (EBT)	953	-12	941

	Previous standard (IAS17)		New standard (IFRS16)
Figures in NOK million	2019	Implementation of IFRS 16	2019
CONSTRUCTION NORWAY			
Revenue	18 997	-	18 997
Operating expenses	-18 379	107	-18 271
Share of net income from associates and joint ventures	5	-	5
Depreciation and amortisations	-271	-100	-371
Operating profit (EBIT)	352	8	360
Net financial items	24	-13	11
Pre-tax profit (EBT)	377	-5	371

	Previous standard (IAS17)		New standard (IFRS16)
Figures in NOK million	2019	Implementation of IFRS 16	2019
CONSTRUCTION SWEDEN			
Revenue	10 803	-	10 803
Operating expenses	-10 626	68	-10 558
Share of net income from associates and joint ventures	-108	-	-108
Depreciation and amortisations	-100	-66	-166
Operating profit (EBIT)	-31	2	-29
Net financial items	7	-3	4
Pre-tax profit (EBT)	-24	-1	-25

	Previous standard (IAS17)		New standard (IFRS16)
Figures in NOK million	2019	Implementation of IFRS 16	2019
CONSTRUCTION DENMARK			
Revenue	2 358	-	2 358
Operating expenses	-2 182	22	-2 160
Share of net income from associates and joint ventures	0	-	0
Depreciation and amortisations	-9	-22	-31
Operating profit (EBIT)	166	1	167
Net financial items	3	-1	2
Pre-tax profit (EBT)	170	0	169

	Previous standard (IAS17)	Implementation of IFRS 16	New standard (IFRS16)
Figures in NOK million	2019		2019
INDUSTRIAL			
Revenue	5 229	-	5 229
Operating expenses	-4 802	45	-4 758
Share of net income from associates and joint ventures	12	-	12
Depreciation and amortisations	-222	-40	-262
Operating profit (EBIT)	218	4	222
Net financial items	-31	-7	-38
Pre-tax profit (EBT)	186	-3	183

	Previous standard (IAS17)	Implementation of IFRS 16	New standard (IFRS16)
Figures in NOK million	2019		2019
OTHER OPERATIONS			
Revenue	1	-	1
Operating expenses	-109	41	-69
Share of net income from associates and joint ventures	17	-	17
Depreciation and amortisations	-5	-38	-43
Operating profit (EBIT)	-97	3	-94
Net financial items	37	-5	31
Pre-tax profit (EBT)	-60	-2	-63

STATEMENT OF CASH FLOWS

Figures in NOK million	Previous standard (IAS17)	New standard (IFRS16)	
	2019	Implementation of IFRS 16	2019
Pre-tax profit, continued operations	608	-12	596
Pre-tax profit, operations held for sale	221		209
Tax paid	-85		-85
Depreciation/impairment	628	265	893
Other operational items	-1 533	34	-1 499
Cash flow from operating activities	-173	288	115
Acquisition/disposal of property, plant and equipment	-386	-151	-537
Other investing activities	-74		-74
Change in interest-bearing receivables	21		21
Cash flow from investing activities	-439	-151	-590
Change in interest-bearing liabilities	1 263		1 263
Dividend paid	-669		-669
Change other non-current liabilities	115	-108	8
Other financial items	-126	-29	-155
Cash flow from financing activities	699	-137	563
Change in cash and cash equivalents	-12	0	87
Cash and cash equivalents, start of period	197		197
Exchange rate adjustment foreign cash balances	-2		-2
Cash and cash equivalents, end of period	283		283

TRANSITION FROM OPERATIONAL AND FINANCIAL ASSETS PURSUANT TO IAS 17 TO INCORPORATION OF LEASE AGREEMENTS PURSUANT TO IFRS 16

Figures in NOK million	2019
Operational lease agreements pursuant to note 31 in the annual accounts 2018	894
Discounting effect	-76
Discounted value of operational lease agreements	818
Lease agreements not classified as operational	202
Short-term lease agreements and low-value lease agreements	-134
Lease agreements previously classified as financial lease agreements	58
Total lease obligations, 1 January 2019	945

NOTE 36. EVENTS AFTER THE REPORTING DATE

Reference is made to the mention of the coronavirus in the board's of director's report. The accounts reflect project estimates based on a normal situation of full operation and ordinary project staffing levels. The progress of ongoing projects may be affected, and the effects of the pandemic will depend on its scope and duration. No other events have occurred after the balance sheet date which have had a material effect on the issued accounts.

NOTE 37. ALTERNATIVE PERFORMANCE MEASURES

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

Net interest-bearing debt

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

Order backlog

The order backlog provides an indication of future activity in the group's construction operations. The order backlog is defined as contracted and signed contracts on the measurement date. This key figure also includes road maintenance contracts in Industrial's Road Maintenance unit, but only those parts of the contracts that will be executed during the next 18 months. This performance indicator is presented in notes 2 and 8.

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:

$$\frac{\text{Profit before tax} + \text{interest expenses} + \text{tax in joint ventures}}{(\text{Opening balance invested capital} + \text{Closing balance invested capital}) / 2}$$

The figures used in the formula are taken from the segment reporting. Interest expenses include all expensed interest expenses, both those classified as interest expenses and those classified as cost of materials (operating expenses) in the accounts.

The calculation is adjusted to take account of the fact that the profit reported by joint ventures has already been taxed. This performance indicator is presented in the board of directors' report under the discussion of Property Development and also under strategic objectives.

Sales ratio in Property Development

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

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

For projects carried out in associates or joint ventures, only Veidekke's share of the project is included. See note 34.

Number of unsold units under construction

This figure is the number of units under construction that have not been sold on the reporting date. See note 34.

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. The number of units the sites can be converted into is calculated as a best estimate.

NOTE 38. CORPORATE STRUCTURE

OVERVIEW OF THE MAIN SUBSIDIARIES IN THE GROUP:

Figures in NOK million	Business area	Head office	Ownership share	
			2019	2018
Veidekke Entreprenør AS	Construction	Oslo, Norway	100%	100%
- Block Berge Bygg AS	Construction	Klepp, Norway	100%	100%
- Kynningsrud Fundamentering AS	Construction	Fredrikstad, Norway	100%	100%
- Leif Grimsrud AS	Construction	Halden, Norway	80%	80%
- Seby AS	Construction	Skedsmokorset, Norway	70%	70%
Hoffmann A/S	Construction	Glostrup, Denmark	100%	100%
Veidekke Sverige AB	Construction	Stockholm, Sweden	100%	100%
- Veidekke Entreprenad AB	Construction	Stockholm, Sweden	100%	100%
- Arcona AB	Construction	Stockholm, Sweden	100%	100%
- Billström Riemer Andersson AB	Construction	Mölnå, Sweden	90%	90%
- Veidekke Bostad AB	Property development	Stockholm, Sweden	100%	100%
Veidekke Eiendom AS	Property development	Oslo, Norway	100%	100%
- Veidekke Bolig AS	Property development	Oslo, Norway	100%	100%
Veidekke Industri AS	Industrial	Oslo, Norway	100%	100%

Altogether the group consists of approx. 50 operative subsidiaries owned directly or indirectly by Veidekke ASA.

INCOME STATEMENT VEIDEKKE ASA

Figures in NOK million	Note	2019	2018
Revenue		114	110
Personnel expenses	1, 10	-102	-95
Other operating expenses	3	-127	-88
Depreciation	4	-20	-12
Total operating expenses		-249	-195
Operating profit		-135	-85
Dividends and group contributions from subsidiaries	2	812	521
Other financial income	2	100	67
Financial costs	2	-102	-87
Profit before tax		675	417
Income tax expense	9	-29	-15
Profit for the year		646	401
Allocation of profit			
Dividend		-	669
Other equity		646	-267
Total		646	401

STATEMENT OF FINANCIAL POSITION VEIDEKKE ASA AT 31 DECEMBER

Figures in NOK million	Note	2019	2018
ASSETS			
Non-current assets			
Deferred tax assets	9	43	39
Property and machinery	4	49	52
Investments in subsidiaries	5	3 007	2 868
Investments in associates and joint ventures	6	105	105
Financial investments	7	229	270
Other non-current receivables	7	120	154
Total non-current assets		3 554	3 487
Current assets			
Receivables from group companies	13	1 672	966
Other receivables		121	15
Cash and cash equivalents		67	3
Total current assets		1 861	983
Total assets		5 414	4 471
EQUITY AND LIABILITIES			
Equity			
Share capital		67	67
Other equity		2 075	1 319
Total equity	8	2 142	1 386
Non-current liabilities			
Pension liabilities	10	210	199
Bonds	11	1 600	1 600
Debts to credit institutions	11	1 370	126
Total non-current liabilities		3 180	1 925
Current liabilities			
Bonds	11	40	60
Trade payables	9	-	-
Dividends payable	8	-	669
Current liabilities to group companies	13	20	417
Other current liabilities		32	14
Total current liabilities		92	1 160
Total equity and liabilities		5 414	4 471

STATEMENT OF CASH FLOWS VEIDEKKE ASA

Figures in NOK million	Note	2019	2018
OPERATING ACTIVITIES			
Profit before tax		675	417
Recognised dividends and group contributions, not yet paid		-679	-521
Received dividends and group contributions from subsidiaries		521	778
Group contributions to subsidiaries, paid		-417	-85
Tax paid	9	-	-
Depreciation	4	20	12
Gains/losses on sale of shares		-	-
Pensions, difference expensed/paid	10	5	11
Generated from this year's activities		126	611
Change in other current assets		-20	17
Change in other items		-735	-464
Net cash flow from operating activities (A)		-629	164
INVESTING ACTIVITIES			
Acquisition of tangible non-current assets	4	-	-9
Equity contributions in subsidiaries		-7	-
Received dividends from joint ventures		10	8
Net cash flow from investing activities (B)		3	-1
FINANCING ACTIVITIES			
New non-current bond loan		-	1 600
New non-current debt		1 244	-
Repayment of non-current debt		-	-345
Repayment of bond debt		-	-750
Equity contribution		115	-
Dividends paid		-669	-669
Net cash flow from financing activities (C)		691	-164
Total net change in cash and cash equivalents (A+B+C)		65	-2
Cash and cash equivalents at 1 January		3	4
Cash and cash equivalents at 31 December		67	3
Supplementary information			
Borrowing facility		5 900	3 600
Used committed borrowing facilities at 31 December		1 370	126

ACCOUNTING POLICIES

The parent company Veidekke ASA is a holding company with no operations. Its activities consist of investments in subsidiaries and joint ventures, and its income consists of dividends and group contributions from these companies. In addition, Veidekke ASA invoices its subsidiaries for their share of costs related to administration of the group. Veidekke ASA prepares its financial statements in accordance with Norwegian accounting standards.

Investments in subsidiaries and joint ventures are accounted for using the cost method. This means that investments are booked at cost price, and only distributions from the companies are recognised in income. Investments are written down if the carrying value exceeds fair value.

The parent company applies the same accounting policies as the group, except for the point in time when dividends and group contributions and financial instruments (interest swaps) are recognised in the accounts.

Group contributions are recognised in the income statement in the same year as they are accrued by the subsidiary. Dividends from subsidiaries are recognised in the income statement in the same year as they are allocated in the subsidiary (the year before distribution). The dividend proposed in Veidekke ASA was recognised as a liability on 31 December 2019.

Unless otherwise specified, all amounts are in NOK million.

NOTE 1. PERSONNEL EXPENSES

Figures in NOK million	2019	2018
Payroll	72	69
Pension costs	16	11
National Insurance contributions	10	8
Other payroll costs (social benefits etc.)	4	6
Total	102	95
Number of fulltime equivalents	45	45
Number of employees at 31 December	47	47

NOTE 2. FINANCIAL INCOME AND FINANCIAL EXPENSES

Figures in NOK million	2019	2018
Dividend and group contributions from subsidiaries	812	521
Interest income	89	57
Dividends from joint ventures	10	8
Other financial income	1	2
Total other financial income	100	67
Interest costs	-88	-57
Foreign currency losses	-13	-28
Other financial costs	-	-1
Total financial costs	-102	-87
Net financial items	810	502

NOTE 3. REMUNERATION TO AUDITORS

In 2019 remuneration to the auditors was NOK 1.0 million for auditing and NOK 0.4 million for other assistance. The corresponding figures for 2018 were NOK 1.0 million and NOK 0.1 million. All amounts are stated excluding VAT.

NOTE 4. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	Properties	Machinery/ IT systems	Total 2019	Total 2018
Carrying value at 1 January	8	44	52	55
Original cost at 1 January	11	83	94	86
Additions	-	17	17	9
Disposals, original cost, sold current assets	-	-	-	-
Original cost at 31 December	11	101	112	94
Accumulated depreciations at 1 January	-3	-40	-43	-31
This year's depreciations	-	-20	-20	-12
Accumulated depreciations, disposals	-	-	-	-
Accumulated depreciation, sold current assets	-	-	-	-
Accumulated depreciation at 31 December	-3	-59	-62	-43
Carrying value at 31 December	8	41	49	52
Depreciation method	Straight line	Straight line		
Depreciation rate	2–5%	20–25%		

NOTE 5. SHARES IN SUBSIDIARIES

Company	Location	Ownership share (%)	Value in the state- ment of financial position ¹⁾
Veidekke Entreprenør AS	Oslo	100	1 304
Veidekke Eiendom AS	Oslo	100	671
Hoffmann A/S	København	100	366
Veidekke Industri AS	Oslo	100	352
Veidekke Sverige AB	Lund	100	296
Veidekke Fellestjenester AS	Oslo	100	7
Veidekke Danmark AS	København	100	11
Total			3 007

1) Carrying value in Veidekke ASA's accounts at 31 December 2019 (cost method).

NOTE 6. SHARES IN ASSOCIATES AND JOINT VENTURES

Company	Location	Ownership share (%)	Carrying amount in NOK million ¹⁾
Allfarveg AS	Oslo	50	66
Skulebygg AS	Oslo	50	21
Skuleplass AS	Oslo	50	11
Other companies	Oslo	50	8
Total			105

1) Carrying amount in Veidekke ASA's accounts at 31 December 2018 (cost method).

NOTE 7. FINANCIAL INVESTMENTS AND OTHER NON-CURRENT RECEIVABLES

Figures in NOK million	2019	2018
Share loans to employees	120	154
Financial assets	229	270
Total	349	424

See note 17 to the group statements for further information on share loans to group employees. The company has invested NOK 199 million in a combination fund consisting of both bonds and shares. Fair value of the investment is NOK 214 million. The investment is intended to cover incurred pension liabilities and has been pledged.

NOTE 8. RECONCILIATION OF EQUITY

Figures in NOK million	2019	2018
Equity at 1 January	1 386	1 688
Profit for the year	646	401
Capital increase	115	-
Dividends payable	-	-669
Change in value of net pension assets	-5	-36
Equity at 31 December	2 142	1 386

Figures in NOK million	Share capital	Share premium	Other equity	Total equity
Equity at 1 January	67	304	1 015	1 386
Profit for the year			646	646
Capital increase	1	114		115
Change in value of net pension assets			-5	-5
Equity at 31 December 2019	67	419	1 656	2 142

NOTE 9. INCOME TAX EXPENSE AND DEFERRED TAX

Figures in NOK million

	2019	2018
INCOME TAX EXPENSE		
Tax payable in the statement of financial position	-	-
Tax payable on group contributions	32	17
Change in deferred tax	-3	-1
Adjustment previous year	-	-
Total income tax expense	29	15
RECONCILIATION OF THE GROUP'S TAX RATE		
22% of profit before tax (2018: 23%)	149	96
Actual income tax expense	29	15
Difference	119	81
DIFFERENCE IN INCOME TAX EXPENSE		
Tax-exempted dividends from subsidiaries	120	82
Other permanent differences	-	-
Effect of change in tax rate	-	-1
Correction previous year	-	-
Total	119	81
DEFERRED TAX		
Temporary differences		
Current items	2	5
Gains and loss account	17	22
Operating equipment	-4	-4
Pensions	-210	-199
Basis for deferred tax	-194	-176
Deferred tax assets 22% (2018: 22%)	-43	-39
Recognised deferred tax assets	-43	-39

NOTE 10. PENSIONS

Figures in NOK million

	2019	2018
PENSION COSTS		
Current service cost	4	3
Interest cost on net pension liabilities	5	3
Cost of defined-benefit plan	9	6
Cost of defined-contribution plans	7	7
Pension costs	16	13
Pension liabilities	280	270
Pension assets	-71	-71
Net pension liability	210	199
Change in value (actuarial gains and losses)	-6	-46
Change in value after tax recognised directly in equity	-5	-36

The company is required by law to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The company's pension plans comply with the statutory requirements laid down in this Act. See the accounting policies and the presentation of the schemes in note 22 to the consolidated accounts.

NOTE 11. NON-CURRENT LIABILITIES

At 31 December 2019 the recorded non-current liability consists of bond debt and drawings on the group's account. Veidekke has a borrowing facility with DNB of NOK 3,600 million that expires in November 2021. In addition, Veidekke has a borrowing facility of NOK 2,300 million with SEB that expires in June 2021. Veidekke ASA is responsible for the group's total withdrawals from the group account, which at 31 December 2019 totalled NOK 1,370 million. For further details see notes 29 and 30 to the consolidated accounts.

In addition, Veidekke has two bond loans: a NOK 600 million loan maturing in March 2025 and a NOK 1.0 billion loan maturing in June 2023.

NOTE 12. GUARANTEES

At 31 December 2019 Veidekke ASA has provided guarantees for its subsidiaries totalling approx. NOK 4,300 million in connection with specific construction projects for group companies. The company has a current bank guarantee to cover payroll tax obligations.

NOTE 13. RECEIVABLES AND LIABILITIES WITH GROUP COMPANIES

Figures in NOK million

	2019	2018
Trade receivables from group companies	45	19
Outstanding dividends and group contributions	647	521

Other short-term receivables from group companies	980	426
Total receivables from group companies	1 672	966
Trade payables to group companies	-	1
Outstanding group contributions	-	417
Other liabilities to group companies	20	-
Total liabilities to group companies	20	417

NOTE 14. OTHER NOTES

The following requirements are covered in notes to the consolidated accounts:


- Note 21: Number of shares, shareholders etc.
- Note 29: Financial risk
- Note 30: Financial instruments
- Note 31: Compensation to senior executives
- Note 36: Events after the reporting date

DECLARATION IN ACCORDANCE WITH ARTICLE 5-5 OF THE SECURITIES TRADING ACT


We hereby confirm that, to the best of our knowledge and belief, the group and company financial statements for 2019 have been prepared in compliance with current accounting standards, and that the information in the accounts gives a true and fair view of the group and company assets, liabilities and financial position, as well as the results of their operations in their entirety.

The board of director's annual report gives a true and fair view of the group and company development, result and position, as well as of the main risk and uncertainty factors the group is faced with.

Oslo, 30 March 2020
The board of directors

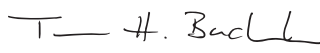

Svein Richard Brandtzæg
Chair


Hans von Uthmann


Gro Bakstad


Ingalill Berglund


Ingolv Høyland


Tone Hegland Bachke


Inge Ramsdal


Odd Andre Olsen


Arve Fludal


Jimmy Bengtsson
Group CEO

CORPORATE GOVERNANCE

The corporate governance and management principles specify how Veidekke must be led, organised and administered to facilitate the greatest possible value creation over time, for the benefit of shareholders, employees and society at large. These principles constitute Veidekke's highest management level.

1. Statement on corporate governance

Together with Veidekke's risk management principles, core values and ethical guidelines, the corporate governance principles are the group's most important management parameters. The board of directors is responsible for Veidekke's corporate governance and management, and conducts an annual evaluation of principles and practice in this area.

Veidekke is subject to the governance requirements in section 3-3b of the Accounting Act. The company is also subject to Oslo Stock Exchange's corporate governance requirements, and therefore reports in accordance with the current version of the Norwegian Code of Practice for Corporate Governance. This chapter covers the 15 main topics in the Code of Practice, and explains any deviations. The company's auditor has reviewed the information in the statement issued pursuant to section 3-3b of the Accounting Act, and has concluded that it is consistent with the information provided in the annual accounts.

The corporate governance statement will be considered at the annual general meeting on 6 May 2020.

Deviation from the Code of Practice: None

2. Operations

Veidekke's purpose is defined in its articles of association: "The company's purpose is construction and property development activities, and other economic activities related thereto. Activities may be engaged in by the company itself, by subsidiaries in Norway or abroad, through participation in other companies or in cooperation with others." In November, the board of directors decided to demerge the group into two separate entities, gathering the Norwegian and Swedish property development operations under a joint ownership structure. The

demerger is expected to be completed in the first half of 2020. Following the split, Veidekke will be a streamlined construction and industrial operation.

Veidekke ASA is a public limited liability company headquartered in Oslo and with operations in Norway, Sweden and Denmark. Veidekke's operations are managed by the companies Veidekke Entreprenør (Construction), Veidekke Industri (Industrial) and Veidekke Eiendom (Property Development) – all in Norway – Veidekke Sverige (Sweden) and Hoffmann (Denmark). Veidekke's operations in Norway and Sweden include building construction and civil engineering projects, refurbishment and specialised civil engineering contracts, site developments and construction of residential and non-residential buildings. In Norway, Veidekke is also engaged in asphalt operations, production of aggregates and road maintenance. The Danish operations mainly comprise building construction and refurbishment projects.

Veidekke is one of Scandinavia's leading construction and property development companies. The group has adopted concrete ambitions and targets for the period to 2022, prioritising profitability over growth and attractive dividends. In addition, related strategic goals have been defined for the various operations to ensure strong profitability and value creation in all parts of the business.

Veidekke wishes to promote sustainable social development through responsible business conduct and systematic improvements related to, for example, greenhouse gas emissions, resource consumption, protection of the external environment and occupational health and safety. The group's efforts in these areas are detailed in its sustainability report, which can be found on page 150–187 of the annual report.

Veidekke's sustainability report complies with the international Global Reporting Initiative (GRI) standard.

Deviation from the Code of Practice: None

3. Equity and dividends

Veidekke aims to provide its shareholders with a competitive return on their investment through a combination of dividends and share price appreciation. To achieve this, strategic targets have been set at unit level. The group must have a strong financial position, and with its current balance sheet structure, a gearing ratio of 40–60% of book equity at year-end fulfils the minimum requirements. Veidekke's measures to strengthen competitiveness and ensure profitability include monitoring of risk exposure and capital efficiency, participative planning processes and other effectiveness initiatives.

As at 31 December 2019, Veidekke's equity ratio was 18.8%, and its gearing ratio 66%.

Veidekke aims to distribute at least 50% of the group's annual profit to shareholders. In light of the high uncertainty related to the consequences of the COVID-19 pandemic, the board has decided that a dividend will not be paid out for the financial year 2019.

At the annual general meeting in May 2019, the board was authorised to:

- Increase the company's share capital in connection with business acquisitions and investments in real estate. The share capital may be increased by up to NOK 6.5 million, i.e. approximately 10% of the company's share capital, divided into 13 million new shares with a nominal value of NOK 0.50 each.
- Increase the company's share capital in connection with share and option programmes for employees. The share capital may be increased by up to NOK 1,137,000, i.e. approximately 2% of the company's share capital, divided into 2,274,000 new shares with a nominal value of NOK 0.50 each. In November 2019, Veidekke completed a share issue to employees through which 1,251,325 new shares were issued.
- Purchase the company's own shares to optimise the group's capital structure, and as a means of payment in connection with the acquisition of other undertakings. This authorisation is capped at NOK 6.5 million, i.e. approximately 10% of the company's share capital, divided into 13 million new shares with a nominal value of NOK 0.50 each.
- Purchase the company's own shares in connection with share and option programmes for employees. This authorisation is capped at a nominal value of NOK 1,137,000, i.e. approximately 2% of the company's share capital, and the payment per share with a nominal value of NOK 0.50 may not be lower than NOK 10 or higher than NOK 300.

Deviation from the Code of Practice: None

4. Equal treatment of shareholders and transactions with related parties

Veidekke treats all shareholders equally as a matter of principle. Each share carries one vote at the annual general meeting. Whenever possible, existing shareholders are granted pre-emptive rights in connection with capital increases.

Veidekke's largest shareholder is OBOS, which has an ownership share of 18.1%. Impartiality rules ensure that resolutions do not favour the main shareholder. OBOS is a major property developer, and OBOS and Veidekke have collaborated on a range of property projects in recent years. To ensure that all terms, conditions and agreements are fully commercial in nature and that OBOS does not receive benefits not available to other shareholders, Veidekke and OBOS use joint venture companies for such projects. The jointly-owned company, in which each partner owns 50%, then develops and sells the project. Where significant transactions other than ordinary commercial contracts are entered into with major shareholders, Veidekke engages independent consultants to ensure that all valuations are correct.

Board members have a duty to inform the board of potential conflicts of interest. Guidance on this topic is also included in the board's rules of procedure.

Following Veidekke's announcement in November that the group is to be demerged into two separate entities, board member Daniel Kjørberg Siraj, who is also Group CEO of OBOS, gave notice that he would not be participating in the board's work for the duration of the process related to Veidekke Eiendom. This is because OBOS wishes to be free to evaluate its own strategic interests in this context.

Veidekke considers the involvement of its employees as shareholders an important element in the development of the company, and gives priority to maintaining the employees' stake in the company. Accordingly, the company seeks to give all employees an annual opportunity

to purchase discounted shares. The aim is for at least half of all employees to hold shares in the company, and for the employees' stake to amount to at least 15% of all issued shares. At the end of 2019, 4,060 employees held a combined total of 13.4% of the company. Key staff are also encouraged to hold a significant number of Veidekke shares. In this group, 591 individuals held a combined stake of 6.0% at year-end. Shares purchased at a discount and using Veidekke's financial assistance programme are subject to a lock-in period of two years.

An option programme for key staff was established in 2019. The options accrue annually, with full accrual being achieved after three years. In 2019, 657,000 options priced at NOK 1 per option were allocated.

The group complies with Oslo Stock Exchange's insider trading rules and trading restrictions. See Shareholder information for further details of the insider trading rules applicable to employees.

Deviation from the Code of Practice: None

5. Freely negotiable shares

Veidekke's shares are listed on Oslo Stock Exchange and are freely transferable. The company's articles of association do not contain any trading restrictions.

Deviation from the Code of Practice: None

6. Annual general meeting

Veidekke facilitates shareholder participation in the annual general meeting, and gives priority to ensuring that the meeting is an effective meeting place for shareholders and the board. In 2020, the annual general meeting will be held in Oslo on 6 May.

Notice of the meeting and supporting documents are published on Veidekke's and the Oslo Stock Exchange's websites no later than three weeks before the annual general meeting. Pursuant to section 5–11 of the Public Limited Liability Companies Act, shareholders have the right to submit matters for consideration by the annual general meeting. Such matters must be notified to the board of directors in writing no later than seven days before the deadline for giving notice of the annual general meeting, together with a proposed decision or statement of reasons for the inclusion of the matter on the agenda. Shareholders can participate in the annual general meeting either in person or through an authorised representative (proxy). Proxy forms are distributed with the notice of meeting. Shareholders unable to attend the annual general meeting in person or by proxy may vote in advance on the individual agenda items.

The board of directors, the chair of the Nomination

Committee and the company's auditor attend the Annual General Meeting, in addition to company management. The minutes of the annual general meeting are published the first working day after the meeting.

Deviation from the Code of Practice: None

7. Nomination Committee

Use of a nomination committee is stipulated in the company's articles of association. The nomination committee submits recommendations to the annual general meeting on the election of members to the board of directors and the nomination committee, and proposes board fees. The nomination committee consults the CEO, board members and relevant shareholders in connection with preparing recommendations. Shareholders may propose board candidates for the nomination committee at any time, including via the Veidekke website.

The annual general meeting elects the nomination committee's chair and other members, and sets the remuneration of the committee members. Under the articles of association, the nomination committee must have at least three members, who should be shareholders or representatives of shareholders. The majority of the members must be independent of the board of directors and company management, and the CEO and other senior executives are barred from membership.

In 2019, the nomination committee comprised Harald Norvik (chair), Erik Must, Anne Elisabet Thurmann-Nielsen and Tine Fossland. The committee held five meetings, including one telephone meeting.

Deviation from the Code of Practice: None

8. Board of directors, composition and independence

The board of directors is Veidekke's highest administrative body, and is directly accountable to the annual general meeting. The board consists of 10 members, seven of whom are elected by the shareholders and three of whom are elected by and from among the employees. In 2003, Veidekke entered into an agreement with its employees that it would not have a corporate assembly. In return, employees were granted increased representation on the board of directors. The shareholder-elected board members are elected for one year at a time, at each year's annual general meeting. Since the group does not have a corporate assembly, the board elects its own chair in accordance with the provisions of the Public Limited Liability Companies Act.

In deciding the composition of the board, emphasis is given to safeguarding shareholder interests and ensuring breadth of expertise and diversity. Efforts are made to have board members from all three Scandinavian countries. The

board's composition ensures that it can act independently of shareholders' special interests. Moreover, the board's rules of procedure include impartiality rules dealing with situations where a board member has a vested interest. The majority of the shareholder-elected board members are independent of the company's senior executives and significant business associates. Board member Daniel Kjørberg Siraj (temporarily retired, see table below) is the current Group CEO of OBOS, Veidekke's largest shareholder and an important business partner. Board independence is also ensured through the use of the nomination committee as stipulated in the Articles of Association.

The composition of the board of directors complies with the provisions of the Public Limited Liability Companies Act on gender balance on the boards of listed companies.

In keeping with the Code of Practice, board members are encouraged to own shares in Veidekke. See the overview in note 21.

Deviation from the Code of Practice: None

9. The work of the board of directors

The board's main task is to ensure value creation. The board of directors is also responsible for the overall management

of the company, including the appointment of the Group CEO, and is tasked with ensuring productive, appropriate organisation of the company's business. The board plays an independent role, and is mandated to ensure equal and proper treatment of all shareholders.

The board of directors adopts targets, draws up strategies and budgets, and actively contributes expertise and experience. All matters of an unusual nature or of great significance to the group must be presented to the board. An annual plan specifies the topics to be discussed at different board meetings, and the board reviews all business areas annually. The board's work is based on its responsibilities as defined in its rules of procedure. The board evaluates its own work and expertise annually. The board held nine board meetings in 2019 – all ordinary meetings.

Veidekke's board has three sub-committees: the audit committee, the remuneration committee and the property committee. Committee members are selected from among the board members. Minutes of sub-committee meetings are sent to the board, and the committee chairs regularly brief the board on the work of their committees.

The board of Veidekke ASA has given the property committee a special mandate to monitor and advise on the process of demerging the property development operation.

The board of directors – roles and participation in board and committee meetings in 2019:

Name	Role	Board member since	Board meetings	Committee meetings
Svein Richard Brandtzæg ¹⁾	Chair (from 8 May 2019)	2019	4 of 5	Remuneration (chair from 8 May 2019): 3 of 5 Property: 1 of 1
Gro Bakstad	Board member	2010	7 of 9	Audit (chair): 6 of 6
Hans von Uthmann	Board member	2010	9 of 9	Audit (until 8 May): 2 of 5 Remuneration: 5 of 5
Ingalill Berglund	Board member	2016	9 of 9	Property: 1 of 1
Ingolv Høyland	Board member	2017	9 of 9	Property: 1 of 1
Daniel Kjørberg Siraj ²⁾	Board member	2018	8 of 9	Audit: 5 of 6 Remuneration: 4 of 5
Tone Hegland Bachke	Board member (from 8 May 2019)	2019	5 of 5	Audit (from 8 May 2019): 4 of 6
Inge Ramsdal ³⁾	Board member	2008	8 of 9	
Odd Andre Olsen ³⁾	Board member	2011	9 of 9	
Arve Fludal ³⁾	Board member	2015	9 of 9	
Martin Mæland ¹⁾	Chair (until 8 May 2019)	2002	4 of 4	Remuneration (chair until 8 May 2019): 2 of 5

1) Board chair Martin Mæland resigned from Veidekke's board of directors as of the annual general meeting on 8 May 2019. Svein Richard Brandtzæg was elected to the board as of the same date.

2) As of 21 November 2019, Daniel Kjørberg Siraj has temporarily withdrawn from involvement in the work of the board, until the process of establishing a new ownership structure for the property development operation has concluded.

3) Employee-elected.

The audit committee

The task of the audit committee is to facilitate productive collaboration between the board of directors and management, and between the board and its external auditors regarding accounting and financial matters, supervision and risk management. The audit committee reports to the board, and its work is governed by board-issued mandates and instructions. The committee holds five ordinary meetings a year.

The audit committee is composed of three shareholder-elected board members. In 2019, it comprised Gro Bakstad (chair), Daniel Kjørberg Siraj and Hans von Uthmann (until May 2019)/Tone Hegland Bachke (as of May 2019).

The remuneration committee

The remuneration committee submits proposals to the board on the salary and other compensation of the Group CEO, and advises the Group CEO on salary and compensation arrangements for the group management. The committee reports to the board, and its work is governed by board-issued mandates and instructions. The committee holds three ordinary meetings a year.

The remuneration committee is composed of three shareholder-elected board members. In 2019, the remuneration committee consisted of Martin Mæland (chair until May 2019)/Svein Richard Brandtzæg (chair as of May 2019), Hans von Uthmann and Daniel Kjørberg Siraj.

The property committee

The property committee reviews all major investment decisions to ensure good internal control and adequate checks in connection with major purchases of land for development. The committee reports to the board, and its work is governed by board-issued mandates and instructions. It meets as necessary, and at least twice a year.

The property committee is composed of three shareholder-elected board members. In 2019, the property committee consisted of Martin Mæland (chair until May 2019)/Ingolv Høyland (chair as of May 2019), Ingalill Berglund and Svein Richard Brandtzæg.

Deviation from the Code of Practice: None

10. Risk management and internal control

The ability to plan, execute and evaluate building projects lies at the heart of Veidekke's business. Effective structuring and management are critical success factors for the group. The large number of ongoing projects at any given time necessitates systematic reporting by each project to each business area, and then on to management and the board. Reports are submitted ten times a year, and cover matters such as profitability, liquidity, risk, injuries, employee absence and environmental impact, as well as other financial and non-financial parameters.

Management continuously monitors the project portfolio to ensure an acceptable level of risk exposure and a sound basis for profitability. The management systems used by the different operations provide clear guidelines on risk management at the tendering phase, as well as on how projects must be executed with regard to quality, progress, cost-effectiveness, health, safety and the environment. These systems and procedures help ensure the quality of the order book and a consistent high standard of project execution. The development and profitability of the order book is a fixed agenda item for the management teams of the individual companies, group management and the board of directors.

Risk exposure in the property development operation – in the form of sites, completed but unsold residential units and unsold units under construction – is measured continuously. New property development projects are postponed if Veidekke's own-account exposure is deemed to be too high. The requirement for property committee approval helps ensure good internal control with regard to the start-up of new own-account projects and site acquisitions.

Veidekke's financial policy provides guidelines for the different entities' financial management and activities. The objective is to avoid, limit, control and measure financial risk, promote capital rationalisation and optimise the group's financial resources.

Veidekke's overall risk profile also includes climate risk, which may impact the group's operational, financial and market risks. Climate change may cause severe damage to nature and infrastructure such as buildings and roads. In addition, stricter climate standards and new technologies may bring about major changes in demand for various products and services during the transition to a low carbon society. In 2019, Veidekke ran a pilot project to survey climate risk in the industrial operation. The project will continue, with climate risk being surveyed and analysed in all of the group's operations.

Planning

Veidekke's financial and strategic planning follows a fixed annual schedule which sets out deadlines for the preparation of framework documents, strategy plans and budgets. The schedule also prescribes ongoing monitoring of the group's operations.

Financial management

The group is managed in accordance with clear financial targets related to profit margin, capital yield and capital structure. These targets are broken down and translated into sub-targets for the individual operations, in the form of clear profitability and cash flow requirements. In Construction and Industrial, targets concentrate on project profit margins, including financial items. Property Development is capital-intensive, and performance is therefore measured by the return on invested capital.

Financial reporting

Veidekke's group accounts are prepared in accordance with the applicable IFRS regulations. The group adopts accounting policies in line with the regulations, which are communicated to the operations together with other applicable rules, with particular emphasis on changes in new and significant standards. Accounting information is reported through the group's joint reporting system. All companies report information from their own systems to the group administration ten times a year. The reporting system features an overarching chart of accounts and integrated control systems, both intended to promote information consistency. Quarterly and year-end financial reports are expanded to provide mandatory additional information.

In accordance with Veidekke's governance model, accounting information is consolidated and controlled at several levels within the organisation. Each entity has a responsibility to comply with applicable laws and regulations on financial reporting, and to seek assistance from central staff functions when significant assessments or transactions going beyond the ordinary course of business are required. The group has adopted a special procedure which must be followed in connection with the purchase and sale of businesses. Veidekke's external auditor performs expanded checks at project level. Moreover, the audit committee is mandated to engage in-depth with accounting and financial matters, control measures and risk management on behalf of the board.

Assessment of project status and risk constitutes the greatest financial-reporting risk for project-based organisations. Veidekke therefore arranges courses on relevant financial and management systems to ensure that it has the necessary project-reporting expertise.

Ethical guidelines

Veidekke's ethical guidelines draw up a framework for proper conduct, and set out practical requirements in the areas of anti-corruption, occupational health and safety, working environment, external environment, social dumping and correct market conduct.

All persons who work for or represent Veidekke have a duty to comply with the framework and act in line with the group's core values: professional, honest, enthusiastic and ground-breaking. To help employees to handle ethical dilemmas constructively, personal values and the group's core values have to be aligned. Making wise choices also requires familiarity with laws and regulations and a good understanding of what these entail.

Reporting of potential irregularities

Veidekke has rules in place for the reporting of irregularities in the group (whistleblowing), and an external whistleblowing ombudsman has been appointed.

Compliance with competition law

Veidekke has adopted measures to help employees address complex issues raised by competition legislation. The measures include introductions to and training in the basic rules of competition law that apply to Veidekke's operations.

Deviation from the Code of Practice: None

11. Remuneration of board members

Board remuneration is set by the annual general meeting based on recommendations received from the nomination committee. The remuneration reflects the board's responsibility, expertise and time spent, and is independent of the company's financial results.

None of the shareholder-elected board members perform special tasks for Veidekke beyond those inherent in their membership of the board and any board committees. See also note 31.

All of the board members hold shares in Veidekke or represent shareholders in Veidekke. See the overview in note 21. None of the board members have share option agreements.

Deviation from the Code of Practice: None

12. Remuneration of corporate management

The board of directors is tasked with setting the salary and other compensation of the Group CEO, while the remuneration of group management is determined by the Group CEO in consultation with the board chair.

A statement on the guidelines governing the remuneration of senior executives is given to the annual general meeting each year. Veidekke seeks to offer competitive pay conditions but does not wish to be a wage-driver, and the salaries of senior executives are therefore set based on a comparison with industry statistics and other relevant businesses.

A bonus scheme has been established in addition to ordinary salary, under which the maximum individual payout is 30% of annual salary. The bonus is linked to target achievement in accordance with a pre-defined action plan. Veidekke's managers also participate in the group's general employee share purchase programme, under which employees receive an annual invitation to purchase Veidekke shares at a discount and with financial assistance. In 2019, a share option programme was launched for key departmental and project staff. The programme has a long-term perspective, and makes annual allocations to persons with particularly weighty responsibilities and a track record of delivering good results. The aim is to promote loyalty, commitment and personal ownership of Veidekke's financial performance and development. See also Shareholder information and notes 6 and 31.

Deviation from the Code of Practice: None

13. Information and communication

All shareholders and other stakeholders in the financial markets are treated equally in terms of access to financial information from Veidekke. Strong emphasis is given to ensuring that all provided financial information is correct, clear and relevant, so that the share price reflects the value of the company.

The website www.veidekke.com provides all interested parties with equal and simultaneous access to relevant shareholder information, in Norwegian and English. Access is also provided to the group's financial calendar, which contains dates for the publication of financial information and information about the company's annual general meeting.

Veidekke publishes quarterly reports containing additional financial information on veidekke.com and the Oslo Stock Exchange website. The presentation of the quarterly results is open to the public, and can also be viewed via webcast. The group's Investor Relations team (IR) maintains regular contact with shareholders, potential investors, analysts and the financial markets in general in the periods between quarterly reports. Extra caution is shown in the periods immediately prior to the publication of quarterly figures. The board is updated on IR work on an ongoing basis. See also Shareholder information.

Deviation from the Code of Practice: None

14. Corporate takeover

Any offer to take over the company will be handled in accordance with the principle of equal treatment of shareholders. The board of directors recognises its responsibility to provide shareholders with sufficient information and time to form an opinion on any bid for the company. If a bid for a large, controlling shareholding is received, the board will evaluate the bid and make a recommendation to shareholders to accept or reject it. Once any bid becomes public, the board will not use authorisations or pass other resolutions that obstruct the bid unless this has been approved by the annual general meeting.

Deviation from the Code of Practice: The board of directors does not have specific guidelines on its conduct in connection with a bid for the company. The board has not found it necessary to adopt such guidelines, but will abide by the principles set out in the Code of Practice.

15. Auditor

Veidekke's external auditor is EY. The external auditor is elected by the annual general meeting, which also approves the audit fee each year. The external auditor is independent of Veidekke ASA, and issues an annual written confirmation to the board of directors that stipulated independence requirements are met. Veidekke has guidelines in place on the scope and types of additional services provided by the auditor. The external auditor's remuneration is specified in Note 31.

The external auditor normally attends at least two board meetings a year, including the meeting at which the board considers the annual accounts and audit summary. Arrangements are made to ensure that the board has an opportunity to ask the auditor questions without management being present.

The external auditor also attends all meetings of the audit committee, to which the auditor presents the audit plan, interim audit report and report on the annual report and accounts. In these reports, the auditor issues an opinion on the quality of internal controls throughout the group and discusses any accounting problems revealed by the audit.

Deviation from the Code of Practice: None



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Veidekke ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Veidekke ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the financial position as at 31 December 2019, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the financial position as at 31 December 2019, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Accounting of projects in construction operations

Revenues and costs from projects in the construction operations are recognised over time in accordance with the progress of the projects. Estimates for the projects' total costs, the outcome of disputes and any other contractual obligations are applied for revenues recognised over time. Progress is estimated on the basis of accrued costs compared with estimated total costs in the project. Project revenue comprises the agreed compensation and variable compensation from additional and change orders. Variable revenue is fully or partly recognised if it is considered to be highly unlikely that any significant reversal of revenue will be made in subsequent periods. The projects can be complex and continue for several years. The accounting for projects has been a key audit matter due to the estimation uncertainty, the projects' complexity and the significance of the amounts involved.

We assessed the application of the accounting principles for revenue recognition over time in addition to completeness and accuracy of the disclosures concerning revenues. We have also considered routines for project monitoring and tested controls related to project evaluations and accounting. We discussed the status on selected projects with project management and the Company's management by region and business unit. We also visited selected projects.

For selected contracts, we tested

- project revenue against agreements and assessed the treatment of variable revenue from additional and change orders in addition to disputes and claims.
- estimated variable compensation against the Company's documentation and management's assessment of the probability that no significant reversals will take place when the uncertainty related to the variable compensation ceases.

We also controlled costs charged to the projects against invoices and timesheets, assessed the determination of estimated total project costs, the estimated final profit against comparable projects and analysed the development in profitability for selected projects and for the total project portfolio. In addition, we have performed analyses of actual revenues and costs on selected finalised projects against project prognoses in order to evaluate management's historical accuracy.

We refer to note 8 on construction projects in progress, note 32 on information regarding disputes and claims related to projects and note 25 on trade payables and other current liabilities.

Disputes and claims in large infrastructure projects

The Group is through its ongoing business at any time involved in disputes with clients regarding the interpretation and understanding of contracts. This particularly applies to infrastructure projects where the contractual amounts are significant, and the projects and contracts are complex. The disputes and claims concern both claims from Veidekke against the customers (due to variable volumes and the settlement of volumes, etc.) as well as claims from customers against Veidekke (remedy of defects, compensations etc.). Management uses a significant degree of judgment in the consideration of such dispute issues, and disputed amounts are only recognized if it is considered to be highly probable that no significant reversals will take place in subsequent periods. Disputes and claims have been a key audit matter due to estimation uncertainty, the disputes' complexity and the significance of the amounts.

We assessed the Company's controls and routines related to the identification, evaluation and follow-up of disputes. We evaluated the Company's assessment of estimates and discussed ongoing disputes with management on various levels in the Group. We reviewed relevant internal and external correspondence, had meetings with the in-house legal department and obtained statements from external and internal lawyers. We assessed management's accuracy in historical disputes against the outcome of these disputes as part of our control of management's judgment in ongoing disputes.

We refer to note 1 for information on areas involving significant estimation uncertainty and note 32 for information regarding disputes and claims related to projects.



Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;



4

- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 March 2020
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)

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

SHAREHOLDER INFORMATION

Veidekke shall remain a financially robust company, where good profitability and operations create value for our shareholders in the form of a high and stable return. The Veidekke share yielded a total return of 28% in 2019.

There is a clear correlation between return on shares (measured by rising share prices and dividends) and the company's value creation over time. Value creation is primarily reflected in the company's current financial results. Veidekke is listed on the Oslo Stock Exchange (Oslo Børs), and shares are traded on the main list under the ticker symbol VEI. All shares have equal rights and are freely transferable.

Turnover and returns

2019 saw a total of 31.7 million Veidekke shares traded on the Oslo Stock Exchange, yielding a turnover rate of 23.7%. By comparison, 44.8 million shares were traded in 2018, yielding a turnover rate of 33.5%. There were 110,969 trades of Veidekke shares during the year, compared with 156,006 the previous year. At the close of 2019 the share price was NOK 119.50, which corresponds to a market value of NOK 16.1 billion. The return for shareholders in 2019 was 28%, including dividends paid for the financial year 2018. By comparison, the return on the Oslo Stock Exchange was 17%.

Dividend

Veidekke's dividend policy calls for a pay-out ratio of at least 50% of the profit for the year.

In light of high uncertainty related to the consequences of the COVID-19 pandemic, the board has decided that a dividend will not be paid out for the financial year 2019. The dividend paid for the financial year 2018 was NOK 5 per share.

Ownership structure

At the close of the year Veidekke had 11,173 shareholders, compared with 11,559 at the beginning of the year. The largest shareholders in the company are OBOS BBL (18.1%), Folketrygdfondet (10.3%) and IF Skadeforsikring AB (4.1%). A total of 4,060 employees own shares in the company, with a combined stake of 13.4%, compared with 14.8% in 2018. During the year foreign ownership increased to 27.4% from 23.5%.

Veidekke's share capital at 31 December 2019 was NOK 67,478,133.50, divided into 134,956,267 shares of NOK 0.50 each. Veidekke has always had one share class, and each share carries one vote at the annual general meeting.

Employee co-ownership

Employee ownership has always been a priority in Veidekke, ever since its initial public offering in 1986. The management firmly believes that employee co-ownership promotes increased commitment, motivation, and understanding of the business. The employees benefit from the company's value creation and gain a long-term perspective on the company's development. The co-ownership scheme is important to attract and retain employees.

In Norway, trainees who join Veidekke and apprentices who stay on in Veidekke after passing their trade examination are given shares worth NOK 10,000.

Veidekke has operated an employee share programme since 1986 which gives all employees the opportunity to purchase discounted shares once a year. Key staff were previously able to purchase discounted shares twice a year. In 2019, the programme was restructured such that all employees can now purchase discounted shares once

a year, while key staff can additionally participate in a share option programme.

The share sale in November 2019 was implemented as a private placing, with 1.25 million new shares being issued. In total, 2,165 employees subscribed for the 1.25 million shares, which had a total value of NOK 115.1 million. The shares are subject to a two-year lock-in period.

Under the new option programme, 1,125 key staff were offered a total of 1,125,000 new options in May 2019. Some 657,000 options priced at NOK 1 per option were allocated. The exercise price is NOK 86.05. The options vest over a period of three years from allocation (25% after the first year, 25% after the second year and 50% after the third year). Options which are not exercised by May 2024 will expire. The options are not tradeable, and participants must be employed by the company throughout the accrual period. Shares purchased through the option programme are subject to a one-year lock-in period after exercise of the option.

Authorisation to issue shares and purchase own shares

At the annual general meeting in May 2019, the board was authorised to:

- Increase the company's share capital in connection with business acquisitions and investments in real estate. The share capital may be increased by up to NOK 6.5 million, i.e. approximately 10% of the company's share capital, divided into 13 million new shares with a nominal value of NOK 0.50 each.
- Increase the company's share capital in connection with share and option programmes for employees. The share capital may be increased by up to NOK 1,137,000, i.e. approximately 2% of the company's share capital, divided into 2,274,000 new shares with a nominal value of NOK 0.50 each. In November 2019, Veidekke completed a share issue to employees through which 1,251,325 new shares were issued.
- Purchase the company's own shares to optimise the group's capital structure, and as a means of payment in connection with the acquisition of other undertakings. This authorisation is capped at NOK 6.5 million, i.e. approximately 10% of the company's share capital, divided into 13 million new shares with a nominal value of NOK 0.50 each.
- Purchase the company's own shares in connection with share and option programmes for employees.

This authorisation is capped at a nominal value of NOK 1,137,000, i.e. approximately 2% of the company's share capital, and the payment per share with a nominal value of NOK 0.50 may not be lower than NOK 10 or higher than NOK 300.

The authorisation to issue new shares was used to complete a private placing to employees in the autumn of 2019. 1,251,325 new shares were issued, with the capital increase being registered in December 2019.

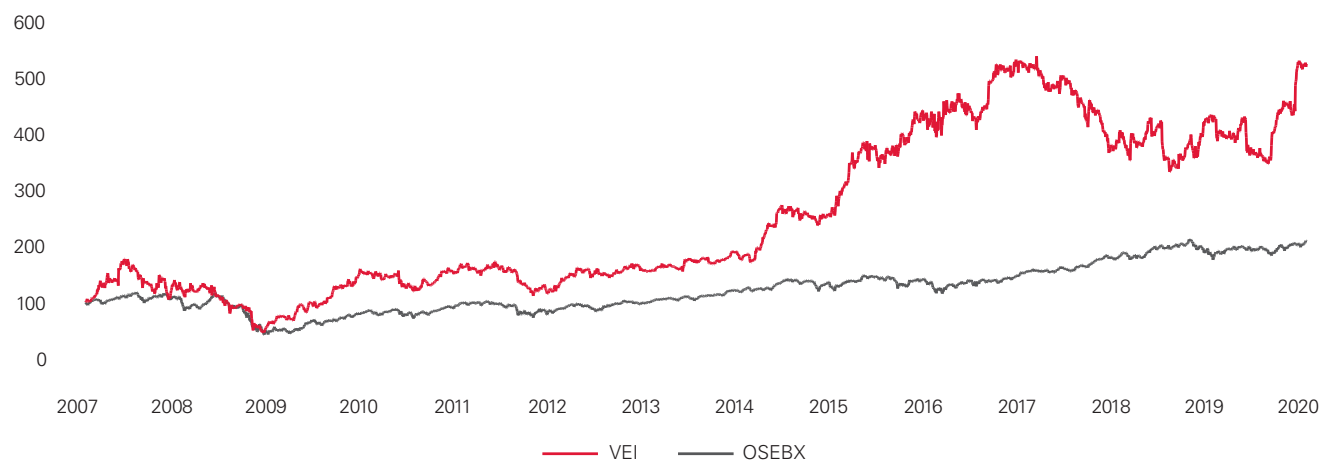
Inside information

The company's internal insider trading rules are stricter than is required by the Norwegian Securities Trading Act. In addition to the extended statutory duty to investigate, the company observes the duty to obtain clearance for primary insiders, in order to ensure more thorough compliance with the duty to investigate. This is in keeping with the recommendations of the Oslo Stock Exchange. Veidekke has also drawn up internal rules, which have been made known to all employees in key positions and to senior union representatives. These rules entail, among other things, that trading in Veidekke shares is prohibited during the four weeks prior to the publication of the interim results and that employees must exercise great caution at all times when buying and selling Veidekke shares.

The investor market

Veidekke's main aim for its investor market work is to build trust by ensuring that all parties are treated equally in terms of equal access to identical financial information. Open dialogue with investors, analysts and other stakeholders in the financial markets helps ensure that the group's values are reflected in the pricing of the Veidekke share.

Interim results are reported in accordance with the financial calendar. Veidekke holds presentations for shareholders, investors, brokers, analysts, the press and employees in connection with the disclosure of the annual and interim results. These presentations can be followed via webcast. The company publishes information in Norwegian and English. Veidekke's financial calendar, quarterly reports, analyst presentations, economic activity reports, and other important press releases and presentations, as well as information about the Veidekke share, share price, shareholder information, up-to-date lists of shareholders and analysts who follow the Veidekke share are available on our website at: veidekke.com/en/.

SHARE PRICE DEVELOPMENT, INDEXED¹⁾

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

Source: Oslo Stock Exchange and Veidekke

LARGEST SHAREHOLDERS AT 31 DECEMBER 2019

	Ownership share in %
OBOS BBL	18.1
Folketrygdfondet	10.3
IF Skadefors�kring AB	4.1
Landsfors�kringar Fastighetsfond	3.2
Handelsbanken Asset Management	2.9
Fund managed by DNB Asset Management	2.4
Danske Invest Norge	2.3
Must Invest AS	2.2
MP Pensjon	2.0
Odin Norge	1.9
Total ten largest shareholders	49.5
Employees (4,060 shareholders)	13.4
Others	37.1
Total	100.0

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

SHARE DISTRIBUTION AT 31 DECEMBER 2019

Shareholding	From	To	No. of shareholders	No. of shares	%
	1	100	2 678	118 056	0.1
	101	1 000	4 204	1 994 318	1.5
	1 001	10 000	3 340	11 518 114	8.5
	10 001	100 000	845	21 688 179	16.1
	100 001		106	99 637 600	73.8
Total			11 173	134 956 267	100.00

	Form of issue	Amount paid in (NOK millioner)	No. of shares after increase (1,000)	Share capital after increase	Adjustment factor
1986	Dispersion issue, price NOK 11.71	25.3	3 053	30.5	
1986	Issue employees, price NOK 10.54	3.1	3 113	31.1	
1988	Bonus issue 5:1		3 736	37.4	0.833
1989	Merger Hesselberg Vei		4 693	46.9	
1989	Dividend shares	0.5	4 746	47.5	0.998
1990	Merger Folke A. Axelson A/S		4 802	48.0	
1990	Dividend shares	0.6	4 861	48.6	0.999
1991	Merger Stoltz Røthing Haugesund A/S		4 912	49.1	
1991	Merger Aker Entreprenør A/S		5 623	56.2	
1995	Issue employees, price NOK 26.24	8.0	5 698	57.0	
1998	Share split 1:2		11 396	57.0	
2000	Share split 1:2		22 791	57.0	
2000	Rights issue 6:1	191.2	26 590	66.5	0.981
2001	Issue employees, price NOK 42.00	19.0	27 039	67.6	
2002	Issue employees, price NOK 43.00	11.6	27 309	68.3	
2003	Issue employees, price NOK 44.00	13.2	27 609	69.0	
2004	Issue employees, price NOK 66.00	66.0	28 609	71.5	
2007	Share split 1:5		143 045	71.5	
2007	Cancellation of shares		140 164	70.1	
2008	Cancellation of shares		135 959	68.0	
2009	Cancellation of shares		133 705	66.9	
2019	Issue employees, price NOK 91.96	115	134 956	67.5	

KEY FIGURES FOR THE VEIDEKKE SHARE

	2019	2018	2017	2016	2015
Market price at 31 December	119.50	96.90	92.75	123.50	108.50
- high	121.00	99.00	128.00	126.50	109.00
- low	79.10	75.80	83.50	96.75	69.50
Earnings per share ¹⁾	4,6	4.0	8.2	6.6	5.7
Market price/earnings (P/E)	26,6	24.2	11.3	18.7	19.0
Market price/book value per share (P/B)	4,0	3.1	3.2	4.8	4.5
Dividend per share	0	5	5	4.50	4.0
Pay-out ratio (%)	109	125	61	68	70
Turnover rate (%)	23.7	33.5	23.3	18.7	27.9
Earnings yield (%)	4.2	5.2	5.4	3.6	3.7
Outstanding shares (average million)	133.7	133.7	133.7	133.7	133.7
Market price at 31 December (NOK million)	16 127	12 956	12 401	16 512	14 507
No. of shareholders at 31 December	11 173	11 559	11 007	9 029	8 704

1) No dilutive effect.



It is 06:30 a.m. at the residential project Svea in Östermalm district, Stockholm, and the workday starts with 10 minutes of bending and stretching to loosen stiff joints and prevent injuries. Photo: Jack Mikrut, from the book *Nordic Life*, a photo project sponsored by Veidekke, among others.

Sustainability report 2019

The sustainability report describes the impact of Veidekke's operations on the environment, climate and society, and how the group is working to limit negative consequences of its activities. Veidekke reports in accordance with the principles developed by the Global Reporting Initiative (GRI).

CDP Score

A

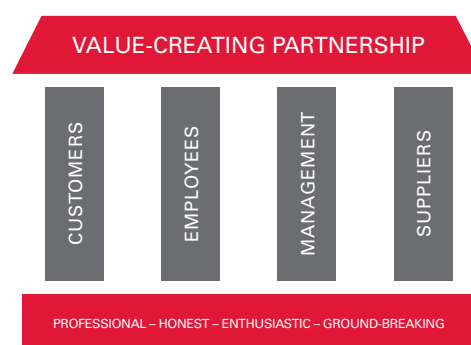
2019

SUSTAINABILITY AT VEIDEKKE

The basis of sustainability

Demand for sustainable solutions is growing. Veidekke is systematically promoting sustainability throughout its supply chains, with the aim of becoming an industry leader in the implementation of practical environmental measures. These efforts reflect the group's values: professional, honest, enthusiastic and ground-breaking.

The Veidekke House forms the foundation for all work done by the group. Designed to ensure compliance with rules and guidelines in all operational areas, this model provides the starting point for strategies describing operational targets during each strategy period, policies setting out principles for the activities of technical and business operations and procedures for task performance.



Sustainability is integrated into all components of Veidekke's management systems, with ultimate responsibility resting with the group's board of directors. Day-to-day sustainability work is undertaken by the group management team, which collaborates with technical staff in areas such as legal, compliance, purchasing, HSE, HR, environment and communications to plot the group's course, identify needs, coordinate efforts and implement measures.

The thematic chapters of this report describe the group's shared goals and activities in areas of material importance to Veidekke's operations. The business areas adopt their own targets and action plans based on the group's overarching objectives. Individual operations have extensive freedom within the framework of the group's values, expectations and rules. A dedicated compliance group has been established, composed of representatives from each business area, and chaired by the compliance director.

Veidekke's value chain:



Veidekke's main sustainability topics

In the autumn of 2018, Veidekke carried out a new materiality analysis in which internal and external stakeholders were asked to rank 50 topics in the areas of finance, environment, climate, society and ethics. The extensive analysis identified six priority topics: health and safety, productivity, compliance, expertise, climate impact and customer satisfaction. Group management decided that these six topics should be given equal importance, and should be the focus of the group's sustainability reporting as of 2019.

Veidekke is a major purchaser of goods and services which themselves have financial, environmental, climate and societal impacts. The six priority topics are therefore relevant in both Veidekke's own operations and cooperation with suppliers.



Reporting

The purpose of Veidekke's sustainability reports is to demonstrate how the group's operations affect the environment, climate and society, and to present the group's efforts to limit negative consequences of its activities. Veidekke reports in accordance with the principles developed by the Global Reporting Initiative (GRI). A GRI index is published on veidekke.com, and forms part of this report. The index contains links to information on the reporting principles and indicators defined in the GRI Standards. In Veidekke's view, the content of this report and the GRI index collectively achieve the "Core" level specified in the GRI Standards.

Unless otherwise stated, the sustainability report relates to the group as a whole, including all the Scandinavian operations, subsidiaries and jointly controlled companies. When a new business is acquired, the parties to the transaction agree whether to include it in Veidekke's report for that year.

UN Sustainable Development Goals

The UN's 17 Sustainable Development Goals (SDGs) constitute an action plan for eradicating poverty, combating inequality and stopping climate change by 2030. Veidekke supports the SDGs and is cooperating with a range of stakeholders to achieve the goals within and outside its own supply chains. Based on the six priority areas for Veidekke's sustainability work, the following SDGs have been identified as particularly relevant:



Goal 4: Quality education

Through the Expertise priority topic, contribute to the achievement of target 4.4:

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Goal 5: Gender equality

Through the Expertise priority topic, contribute to the achievement of target 5.5:

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

Goal 8: Decent work and economic growth

Through the Health and safety and Compliance priority topics, contribute to the achievement of target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Through the Productivity priority topic, contribute to the achievement of target 8.2:

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

Goal 13: Climate action

Through the Climate impact priority topic, contribute to the achievement of goal 13:

Take urgent action to combat climate change and its impacts.

Goal 16: Peace and justice

Through the Compliance priority topic, contribute to the achievement of target 16.5:

Substantially reduce corruption and bribery in all their forms.

Stakeholder dialogue

The table below summarises the most important stakeholders, the topics important to them, the types of dialogue Veidekke is conducting with stakeholders and how Veidekke is following up on these dialogues.

Stakeholders	Topics important to stakeholders	Arena for dialogue	Regularly	Annually	As required	Veidekke's implementation
Shareholders	Corporate governance	Quarterly presentations	✓			Reporting on sustainability work
	Veidekke's goals and guidelines	Meetings with investors and analysts	✓			Sustainability report
		General meeting		✓		News updates published online
Staff	Involvement and dialogue	Day-to-day dialogue with managers	✓			Involving staff through line management
		Employee reviews		✓		Involving staff through internal communication channels
		General staff meetings	✓			Running a general introduction programme for new staff
		Involvement of employee representatives in the board of directors and different forums	✓		✓	
Customers	Challenges and opportunities in interactions with Veidekke	Customer meetings, seminars and events			✓	Customer satisfaction surveys Customer interviews
		Online channels for dialogue with residential customers			✓	Customer dialogue in projects and focus groups
					✓	Participation in specialist and industry forums
Suppliers	Cooperation concerning HSE and compliance	Dialogue meetings	✓		✓	Involving suppliers at an early stage, with a focus on cooperation and safety
	Securing reliable suppliers with a compliance focus	Industry forums	✓		✓	Pre-qualification of suppliers Supplier audits and follow-up
Local and central authorities	Compliance	Industry forums	✓			Placing important issues on the agenda
	Good working conditions	Political events	✓			
	Efficient construction and regulatory processes	Contact with politicians and authorities through trade organisations			✓	
	Framework conditions and financing for increased residential construction	Dialogue meetings in municipal and regional forums			✓	Participating in public debates on compliance
		Municipal and regional urban development forums			✓	Participating in public debates on permanent employment
		Communication with local authorities re individual projects			✓	
Industry	Industry cooperation to improve safety, compliance and environmental performance	Dialogue meetings	✓			Working to strengthen industry cooperation to achieve the goal of zero injuries
		Participation in industry forums	✓			
		Participation in industry committees	✓			Contributing expertise to the development of different tools for operational sustainability
Society	Impact of Veidekke's activities in the form of job creation, noise and environmental consequences	Member organisations	✓			Commitment to the UN's 2°C target
		Participation in industry forums	✓			Initiatives organised by business & industry and authorities, such as SKIFT, Business for Climate Network and Norwegian Green Building Council in Norway; Sweden Green Building Council and Roadmaps for fossil free competitiveness in Sweden
		Open meetings			✓	
	Consistency between Veidekke's strategy and official objectives	Public meetings			✓	Cooperating with the environmental organisation ZERO on fossil-free construction sites and renewable materials
		Hearings			✓	

HEALTH AND SAFETY

Veidekke's health, safety and environment (HSE) work is guided by a moral imperative: that working for Veidekke should be safe, and that everyone should arrive home safely from work every day.

Veidekke gives equal emphasis to HSE targets and financial targets. HSE performance is reported to group management monthly, and quarterly to the board of directors based on rolling project reports.

The group's HSE work incorporates the principles defined in Veidekke's HSE policy and safety plans derived from the HSE strategy. Veidekke's safety work reflects its organisational structure and workforce.

The organisational approach to safety involves ensuring that project plans facilitate the safe and efficient performance of work, using the right equipment and on time. All projects have an assigned HSE manager whose task it is to ensure that these framework conditions are in place.

The workforce approach to safety focuses on attitudes, expertise and culture. Veidekke equips its employees to work safely every day, in the form of requisite knowledge, positive attitudes and care for one another. For the past

four years, these efforts have formed the agenda of the annual HSE week, which in 2019 focused on safe behaviour (see page 157).

Sub-contractors undertake to act in accordance with the principles, plans and requirements applicable to Veidekke's own employees. These requirements are incorporated into Veidekke's contracts with suppliers, and all persons working on the group's projects are provided with information and training on Veidekke's requirements and expectations before they start work.

In its proactive work to promote good health, Veidekke gives particular emphasis to the prevention of muscular and wear-and-tear injuries, to which workers in the construction and civil engineering sector are particularly prone. Veidekke's sick leave rate is below the average for the workforce as a whole, and the industry average in particular.



HSE award

Veidekke's HSE award for 2019 was awarded to the company's Swedish mining operation, which is engaged in round-the-clock rock bolting and tunnelling work at two mines in Gällivare and Zinkgruvan. Long distances and underground work make effective communication difficult. To improve safety, the mining team has developed a combination of lean construction methods, digital solutions and wireless and telephone communications. "The measures have improved production quality, operational efficiency and profitability," says Filip Wulkan from AC Gruva, Region Anläggning Nord.

HSE week: The life-saving safety talk

The safety talk can be held at any time, with anyone, and incorporates the following five questions:

1. What task are you going to perform?
2. How are you planning to do the work?
3. What risks are involved in the task?
4. What if something unexpected happens?
5. How can you make your work, and that of your colleagues, safer?



The safety talk was a focus topic during this year's HSE week. The talk's purpose is raise awareness of safety in specific work situations. A special comic book illustrating why and how the safety talk should take place was created especially for the HSE week.

Targets, activities and results in 2019

Veidekke's most important health and safety target is zero serious injuries by the end of 2020. As part of its ongoing efforts to achieve this target, Veidekke implemented the following three improvement projects in 2019:

1. Prevent the recurrence of undesirable incidents

The Learning from HSE non-conformances project was approved by group management in October, and is focused on the improvement of processes and tools for following up and learning from HSE non-conformances. Using new digital tools which facilitate experience-sharing, Veidekke has developed a group-wide uniform learning process. A responsibility matrix has been prepared for management follow-up, and a clear decision-making structure has been adopted for responding to HSE non-conformances. To prevent the recurrence of accidents, work has also started on a common standard for accident investigations.

2. Collective safe behaviour

According to the Norwegian Labour Inspection Authority, nine out of ten work accidents are caused by human factors. The aims of the Collective safe behaviour project are to establish a common approach to safe behaviour across the group and to develop a culture which enables individuals to make safe decisions.

3. Eliminate risk before work starts

Inadequate risk management is behind half of all work accidents in the construction and civil engineering sector, according to the Norwegian Labour Inspection Authority. Improved processes, new tools and clearer requirements will ensure that all activities are planned to minimise work-related risk. A new digital tool is under development and will be launched in June 2021 (see page 159).

Injuries

Six serious injuries were registered in 2019, compared to 13 in 2018. The total number of injuries was 358, down 12% from 407 in 2018. Of the total number of injuries, 47% involved Veidekke employees, while 46% involved sub-contractors and 7% hired personnel. The group's LTI rate (the number of absences due to injury per million hours worked by own staff) was reduced to 4.0 in 2019,

from 4.5 in 2018. The national LTI rates were 1.6 (Norway), 11.2 (Sweden) and 3.2 (Denmark).

Zero serious injuries in 2020 is the key objective of Veidekke's safety work, and will remain the group's top safety priority throughout the year.

Sick leave

Veidekke's sick leave rate is low compared to the workforce in general and the construction and civil engineering industry specifically. In 2019, the group's rate of sick leave was 4.0%, on a par with 2018.

HEALTH AND SAFETY					
Main objective: Zero serious injuries in 2020, and a 20% annual reduction in the total number of injuries					
Description of key metrics	Sub-goal 2020	Sub-goal 2019	Results		
			2019	2018	2017
Number of serious injuries	0	0	6	13	7
Number of injuries	Minimum 20% reduction	>293	358	366	294
Measures 2019			Measures 2020		
Implement the Secure quick couplers and tiltrotators project		✓			
Implement investigation procedure		→	Implement process to learn from HSE non-conformances		
Pilot test and, if relevant, adopt Stihl TS440 QuickStop concrete cross-cut saws		✓			
			Implement procedure for safe lifting operations		
			Continue implementation of the Safety conversation project		

Using big data to prevent workplace injuries

Through the improvement project “Individual experiences – mutual learning,” Veidekke is seeking to make future work safer, by integrating experience from previous projects into work operations. Big data and automated data collection, analysis and presentation tools are key.

Any injury is one too many. In 2014, Veidekke set itself the goal of eliminating serious injuries by the end of 2020. In 2019, efforts were stepped up through three improvement projects focused on planning to minimise risk, helping employees avoid creating dangerous situations, and preventing repeat injuries and incidents.

“Individual experiences – mutual learning is about preventing the recurrence of similar injuries. We have extensive knowledge of how injuries arise, and the probability of an injury we have never seen before is low. The challenge is translating our

knowledge from previous incidents into increased workplace safety,” says HSE Director Lars Erik Bartnes.

“This is why we are using new technologies to transfer experience to the workplace. Tools which automatically gather data from injury reports in our experience database and compare them with planned work processes help us to predict risk in connection with specific work operations, and to plan the safe execution of each individual work task,” says Bartnes.



The crew on the E6 Arnkvern–Moelv civil engineering project conduct a safety talk (see page 157) before starting work. In 2020, job safety will be further improved by a new software tool based on lessons learned from previous accidents and injuries.

EXPERTISE

Veidekke is a skills business in a human resource-intensive industry, in which no two projects are alike. Having the right expertise available at the right level at the right time is crucial for delivering high quality, maintaining positive customer relations and achieving strong profitability.

To address the challenges of each individual project optimally, Veidekke's teams must utilise both individual skills and collective expertise. Project managers, site managers, contract managers and design managers have complementary skills and knowledge which must be exploited collaboratively for the benefit of the project.

Corporate culture is a shared foundation for the group, and is reinforced through group structures, processes and procedures. Veidekke's culture is characterised by a positive perspective on human resources, and strong confidence and belief that staff welcome responsibility and are driven by a desire to perform and deliver. Shared values, quality expectations and standards promote predictability, which can in turn can strengthen delivery quality. Maintaining and refining the corporate culture is vital and requires continuous effort. Veidekke conducts annual employee

surveys to identify key working environment factors. These surveys show that staff are highly committed. Employees also report high satisfaction with their direct managers, but room for improvement regarding communication of targets, expectations and feedback. This year's survey covered 3,800 staff in the Norwegian and Swedish operations. Veidekke plans to include all group employees in the survey as of 2020.

Believing that ownership fosters commitment and performance, Veidekke enables employees to buy shares in the company at a discount. Some 47.3% of the group's employees own shares in Veidekke.

Recruitment

Veidekke recruits students and recent graduates, as well as younger and more experienced specialists in a broad range of engineering and technical fields. In total, the group recruited 406 engineers and specialists in 2019.

To ensure continued management recruitment and development, Veidekke runs a trainee scheme in Norway and Sweden as well as dedicated management training gatherings for young managers from across Scandinavia. The group also invests extensively in career days at key educational institutions in the Scandinavian countries. According to the annual Universum survey, Norwegian

engineering students regard Veidekke as one of Norway's most attractive construction-industry employers. In Sweden, Veidekke took fourth place in Universum's 2019 ranking of the best employers.

Skilled manual workers are primarily recruited through the group's apprenticeship schemes. At the end of 2019, Veidekke had 347 apprentices, on a par with 2018. Of these, 256 were located in Norway, 46 in Sweden and 45 in Denmark. Many young people become aware of Veidekke through school visits or a work placement in one of the group's projects.



Skills development

Veidekke's collective expertise is under continuous development. Employees join Veidekke with a set of individual skills which they then build on by solving problems and executing projects in a team context. Skills development primarily occurs on the job, through daily responsibilities and tasks. Performing new, challenging tasks with the support of managers and experienced colleagues is important for individual development. Responsibility for having necessary expertise available and putting together effective teams lies with the individual operations, which is why Veidekke operates a decentralised structure based on strong confidence in the operational entities. The most important areas of expertise for the group are project management, different skilled manual trades and specialised support functions.

Veidekke arranges courses and networking groups to supplement the knowledge acquired through projects and new responsibilities. The Veidekke School in Norway and Sweden is the main training arena for topics such as project management, new technology, finance, contract law, energy and the environment, HSE, compliance and leadership development. The networking groups engage in more specialised skills development in key areas, including calculations, residential construction and design.

Veidekke's strategy is to staff key specialisms with permanently employed skilled manual workers. An important reason to maintain a high degree of in-house production is knowledge and experience transfer between the development and execution functions. Skilled manual workers make up more than half of the group's employees, and Veidekke invests in the training and recruitment of skilled workers through its numerous apprenticeships.

A diverse workforce capable of utilising individual insights, experience and expertise is better placed to develop good solutions. Veidekke wants to reap the benefits of greater diversity in an industry which has traditionally been male-dominated, and has launched several initiatives with this in mind. See separate article on page 165.

As at 31 December, women made up 12% of Veidekke's workforce. Some 23% of administrative staff were women, and 2% of skilled manual workers. Of the group's apprentices, 6% were women, compared to 5% in 2018. Veidekke has adopted the target that women should comprise half of students in summer jobs and 40% of trainees by the end of 2020. In 2019, 39% of summer employees and 34% of trainees were women.

Activities in 2019

Summer jobs and student dissertations

Veidekke's recruitment starts by developing relationships with students from early on in their studies, through various activities for students and recent graduates, including summer jobs for second- to fourth-year students. These placements give Veidekke an opportunity to evaluate students' expertise and personalities with potential future employment in mind. In 2019, 44 students secured a summer job with one of the group's Scandinavian operations, and many of these individuals were subsequently considered for Veidekke's trainee programme. Veidekke also supports bachelor's and master's students who wish to write dissertations on operationally relevant topics.

Events and career days

The Veidekke Day at the Norwegian University of Science and Technology (NTNU) was organised for the second time in the autumn of 2019. The purpose of the event was two-fold: to demonstrate the interesting and attractive jobs on offer at Veidekke and to support the recruitment of top candidates to the group. Around 200 students attended the Veidekke Day 2019, which focused on sustainability. See also page 163.

Career days at major universities and university colleges give Veidekke the opportunity to talk to students about opportunities within the group. In addition to arranging its own events, Veidekke attended career days at 20 institutions in 2019.

Trainee programme

Veidekke's trainee programme gives young staff systematic development opportunities over a two-year period. The programme is an important tool for attracting newly qualified engineers and civil engineers in Norway and Sweden. In Denmark, the subsidiary Hoffmann runs the "Next Generation" scheme, which helps younger employees to plan their careers and gives them growth opportunities in the form of new tasks and responsibilities. At the end of 2019, Veidekke had 182 trainees, up 20% on 2018.

BaseCamp

The BaseCamp programme supports leadership development and knowledge-sharing across geographical regions,

business areas and national borders. Young managers have an opportunity to build lasting networks within the group through gatherings and workshops at which they develop feedback to management on relevant challenges. BaseCamp was held for the fourth time in 2019, with 29 participants. The theme was diversity and leadership.

Reverse mentoring

Through the reverse mentoring initiative, participants in the BaseCamp programme become mentors for experienced Veidekke managers. Together, they form a mentor team which meets several times over a six-month period to discuss issues arising in the experienced manager's work.

Project management training

In Denmark, 40 project managers completed project manager training with a focus on project planning, finance and quality in 2019, while 136 site managers, project managers and design managers in Sweden and Norway completed leadership training. All of the programmes include several gatherings and emphasise professional and personal development.

Risk management

One of Veidekke's priorities is to strengthen its risk management expertise, i.e. the identification, analysis and monitoring of risk in all project phases. Skills-building occurs primarily at the project level, with individuals with risk management expertise lending support in all phases up to completion to ensure that the appropriate measures are implemented and that consideration is given to the group's overall risk profile.

Campaign to raise the status of vocational trades

Since 2016, Veidekke has run information campaigns in Norway to raise the status of vocational trades and recruit apprentices. The keywords of the campaign are professional pride and the importance of vocational trades to society. The "Doubters" campaign from 2019 comprises a series of YouTube films on opportunities in the construction and civil engineering industry, and is designed to help young people reflect on their educational future.



VEIDEKKE DAY 2019: In September, Veidekke gathered around 200 engineering students at the Norwegian University of Science and Technology (NTNU) in Trondheim for a day of knowledge-building, inspiration and competitions focused on sustainability and innovation. Veidekke's aim for the event is to build relationships with students interested in pursuing professionally stimulating challenges through a career at Veidekke.

Objectives, results and measures

Expertise					
Main objective: Retain and recruit staff with useful,forward-looking expertise and promote compliance with the group’s values					
Description of key metrics	Sub-goal 2020	Sub-goal 2019	Results		
			2019	2018	2017
New hires and apprentices					
New administrative staff, total number and gender distribution	Not quantified	Not quantified	504 28% W 72% M	571 32% W 68% M	524 30% W 70% M
New skilled manual workers, total number and gender distribution	Not quantified	Not quantified	610 4% W 96% M	813 4% W 96% M	672 3% W 97% M
Percentage of apprentices in the workforce	8%	9%	7.7%	8.9%	7.2%
Diversity					
Students in summer jobs, percentage of women	50%	50%	39%	28%	-
Trainees, percentage of women	40%	40%	34%	39%	34%
Operative managers, percentage of women	Increase	Increase	11.2%	10.2%	9.6%
Employee share ownership percentage	Minimum 50%	Minimum 50%	47.3%	49.1%	50.3%
Employee survey results compared to industry benchmark (in brackets). Conducted for the first time in 2019.					
Commitment	Above industry benchmark	Above industry benchmark	81 (77)	-	-
Team effectiveness	Above industry benchmark	Above industry benchmark	74 (73)	-	-
Management	Above industry benchmark	Above industry benchmark	75 (74)	-	-
Psychosocial working environment	Above industry benchmark	Above industry benchmark	75 (71)	-	-
Recommendation to others (net promoter score)	Above industry benchmark	Above industry benchmark	28 (11)	-	-
Measures 2019			Measures 2020		
Plan to ensure management capacity	→		To be continued		
Increase the proportion of women in line with adopted goals	Partial		Define goal for 2025		
Build knowledge and raise awareness of diversity within the organisation	Partial		To be continued		
Define common principles for employee development	✓		Define processes for employee development through a shared digital solution		

Diversity initiatives



Stephanie Olsson was among the initiators of the Swedish network for women skilled manual workers at Veidekke. In October, she was presented with the Isabelle Stipend for 2019. The jury said that she “is fighting for her fellow women and paving the way for the next generation of construction workers.”

Veidekke aims to be an attractive workplace for skilled individuals from a range of different backgrounds. The construction and civil engineering industry has traditionally employed far more men than women, particularly in the skilled manual workforce, and Veidekke is no exception. To improve the gender balance within the group, Veidekke has adopted concrete targets for the period to 2020 (see page 164), and has implemented various measures to raise awareness of the need for an improved gender balance and increased diversity.

The Swedish operation has conducted in-depth interviews and a broad survey to map gender and diversity views, with the results subsequently being compared to quantitative data. The survey demonstrated generally high staff wellbeing, but also revealed differences in how women and men experience situations, communications and career opportunities within Veidekke. In response to the survey, an action plan has been drawn up to help build a positive, inclusive culture which will in turn promote productivity and make working for Veidekke attractive. Workshops for managers were held in the autumn of 2019, and will be rolled out to Veidekke’s projects starting in the spring of 2020.

The proportion of women is particularly low in the skilled manual workforce. In Sweden, Veidekke has launched a network which

works to attract and retain more skilled women workers in the group. The network meets for two whole-day events a year.

A new industry network designed to promote diversity and gender balance was launched in Norway in 2019. Veidekke is among the founders of the Diversitas network, which is mandated to increase the proportion of women in the construction and civil engineering industry, build competence in the area of diversity management and develop measures to make the industry more attractive and safeguard future recruitment. The Diversitas meeting in October was attended by senior executives from 20 companies in the construction and civil engineering industry, including Veidekke group CEO Jimmy Bengtsson. All the represented companies undertook to promote diversity and an improved gender balance. Veidekke will host the first industry-wide network meeting.

Veidekke monitors and reports on its gender balance through the She Index, and seeks to ensure that recruitment, management and staff development processes are designed to safeguard equal treatment.

COMPLIANCE

Compliance refers to factors which could affect stakeholders' trust in Veidekke, and includes observance of standards, rules, ethical guidelines, anti-corruption laws and industry standards, as well as customer expectations. As a leading Scandinavian construction company, Veidekke also takes on a role in helping the construction and civil engineering industry as a whole to operate in compliance with applicable legislation and standards.

Breaching compliance standards and rules could have severe consequences for the group's finances and reputation. To minimise the risk of compliance breaches, it is vital that observance of applicable laws and regulations, as well as the group's own values, procedures and policies, is integrated into all assessments and procedures used by Veidekke. The measures used to guide this work and prevent breaches include the group's compliance function, pre-qualification of suppliers, agreements with external parties and staff training.

The group's operational systems reflect Veidekke's culture and values, and are designed to ensure robust processes and goal achievement. Veidekke's culture emphasises involvement and a human focus. The group has adopted lean construction as its work methodology, and its values – to be professional, honest, enthusiastic and ground-breaking – must be evident in its work.

Compliance at Veidekke

The compliance function assists the group as a whole with introducing systems and activities that reduce the risk of non-compliance with laws and regulations. The function, which is headed by the compliance director, performs an advisory and controlling role within the group.

Among its priority activities are the preparation of risk-based annual compliance plans, annual assessments of the company's compliance risk and ongoing monitoring, identification and internal communication of statutory and regulatory changes relevant to Veidekke.

The compliance function is responsible for establishing and operating a whistleblowing mechanism which appropriately monitors and follows up on non-conformances linked to regulations and other rules. Veidekke's whistleblowing mechanism complies with the requirements of the Working Environment Act, and procedures have been introduced for the submissions of reports and how these are processed by recipients. The whistleblowing mechanism may be used by Veidekke staff, employees of sub-contractors and members of the public.

Veidekke performs ISO audits, including internal audits, compliance checks and tests, etc., and also operates a comprehensive non-conformance response system. Together, these measures provide a basis for evaluating the effectiveness of the group's internal control systems and continuously improving them. The evaluation results are reported to various levels within the group.

Activities in 2019

In 2019, two policies were developed which together fulfil the compliance requirement. The policies – on social responsibility and anti-corruption – have been approved by group management and apply to all Veidekke staff. Group anti-corruption procedures have also been prepared.

The social responsibility policy sets out basic principles, roles and responsibilities for Veidekke's social responsibility work. The aim is to facilitate a high degree of responsibility and sustainability in projects in which the group is involved, and to help ensure that Veidekke operates in a socially and environmentally responsible manner.

The policy and the group procedure related to anti-corruption are designed to prevent corruption by giving

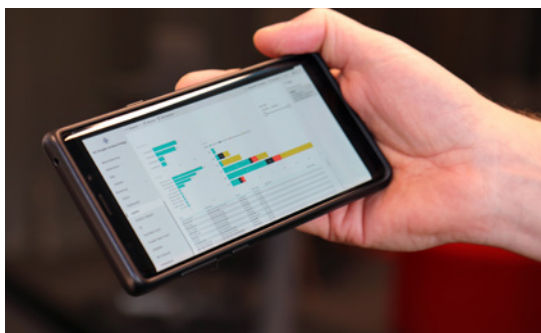
all managers and employees at all levels a general understanding of Veidekke's position on corruption, what this entails for the commercial operations and what is required of each individual employee. The group procedures also emphasise the fundamental principles governing Veidekke's anti-corruption work.

In 2019, new pages on ethics and regulatory compliance were added to the group's intranet.

In addition, the compliance function worked on ethical guidelines specifically for suppliers, which will supplement Veidekke's general ethical guidelines.

A new digital tool to provide more efficient compliance monitoring

Veidekke is developing a new digital tool which will make it easier to ensure compliance with applicable frameworks. The new tool gathers data from currently used systems to provide a real-time overview of compliance with rules and procedures on individual construction sites.



The new tool retrieves data from StartBANK and HMSREG and presents them using the Power BI analysis tool. StartBANK is a register of suppliers pre-qualified to compete on equal terms. The register is used by purchasers from e.g. the Norwegian construction and civil engineering industry. HMSREG monitors all contractors and sub-contractors involved in deliveries, registering all

persons present on the group's construction sites at any given time.

"Veidekke's procedures state that all sub-contractors must be pre-qualified. Comparing data from HMSREG and StartBANK allows us to check compliance with this requirement," says compliance director Izabella Salicath, who expects the new tool to make compliance supervision far more efficient.

"The switch from manual checks to digital monitoring will improve both monitoring quality and monitoring capacity significantly. This will allow us to concentrate on providing project managers with reliable, useful information through simple visual presentations of relevant key data. For example, we can monitor the proportion of pre-qualified sub-contractors, analyse trends and use the tool for reporting," says Salicath.

The new monitoring tool is due to be rolled out in 2020.

Objectives, results and measures

COMPLIANCE					
Main objective: All persons working for or representing Veidekke must act in an ethically correct manner					
Description of key metrics	Sub-goal 2019	Sub-goal 2020	Results		
			2019	2018	2017
Number of employees who have completed the Wise choices e-learning programme	Revised course		318	780	1281
Number of participants in dilemma training	All participants in the introduction course		219	289	-
Measures 2019			Measures 2020		
Revise the e-learning programme Wise choices		→			
Consider establishing an internal audit function		→			
Introduce dilemma training as part of Veidekke's introduction course for new employees		✓	To be continued		
Develop an anti-corruption policy		✓			
Develop a social responsibility policy		✓			
Effectivise compliance work across the group and define common priority areas		✓	To be continued		
Identify procedures which should be applied group-wide		✓	To be continued		
Increase reporting by the business units and act on reported results		✓	To be continued		
Further adapt training to the needs of different staff categories, adopting a stronger risk focus		→			
			Develop an ethics training course for managers to use in training their staff		
			Revise Veidekke's ethical guidelines		
			Use risk management tools to assess and document compliance risk and compliance non-conformances		
			Provide training on compliance-related topics		
			Help the business areas to implement digital tools for ensuring compliance and ongoing monitoring		

CLIMATE IMPACT

The construction and civil engineering industry has a large ecological footprint due to its high consumption of energy and natural resources, substantial greenhouse gas emissions, large waste volumes and impact on biodiversity. Overall, the industry is estimated to account for 40% of global greenhouse gas emissions.

Veidekke aims to be an industry leader in the adoption of environmental management best practice, and seeks to promote sustainability both in its industry and in the context of urban and social development. The group has adopted specific targets to achieve substantial reductions in its own greenhouse gas emissions, and aims to phase out fossil fuels entirely in the longer term. Veidekke is also working on reducing climate impacts throughout the construction and civil engineering supply chain (scope 3), which are responsible for major emissions in connection with the production and transportation of materials such as concrete and steel, the operations of sub-contractors and further use of products following delivery to customers.

The ambition of being an industry leader in terms of climate responsibility and environmental management best practice is set out in Veidekke's environmental policy. This policy is operationalised through the business areas' analysis of their activities and implementation of concrete action plans to reduce negative climate impacts. Veidekke strives for continuous environmental improvements, and the different business areas have integrated environmental and climate

considerations into their management systems. Several Veidekke operations are ISO 14001 certified.

Implementation of the environmental policy within Veidekke entails:

- operating in accordance with the UN's two-degree target
- integrating an environmental perspective into all activities
- providing environmental expertise which adds value for customers
- monitoring the business's environmental impact in order to reduce it
- imposing environmental and climate requirements on partners
- contributing beyond the group's own operations, through cooperation with trade organisations, educational institutions, R&D, authorities and politicians

In 2019, Veidekke focused on:

1. Identifying the climate's impact on Veidekke, in order to manage climate risk.
2. Reducing the negative impact of Veidekke's activities on the climate.

Changes in the climate's impact on Veidekke (climate risk)

Climate change and climate policy are changing society and the economy. Increasingly frequent extreme weather, flooding and droughts can cause extensive damage to nature and infrastructure such as buildings and roads. At the same time, demand for green products and services is growing strongly as a result of stricter government requirements and the introduction of technology offering new opportunities to reduce greenhouse gas emissions.

For Veidekke, climate change entails an increase in financial risk, as extreme weather may cause physical damage to Veidekke's assets. Moreover, governmental regulations to cut emissions may mean changes in the group's operating conditions. However, since Veidekke's business is to construct robust buildings and robust infrastructure, the green shift also presents business opportunities. Its strong

environmental expertise and broad portfolio of green products and services will enable the group to pre-empt statutory changes, proactively adapt the business and utilise its insight to attract customers with a particular focus on climate and the environment.

Going forward, identification of risks and opportunities resulting from climate change will be an important aspect of the group's risk assessments and strategic planning. Veidekke has noted a strong focus on climate risk among investors and other stakeholders, and has conducted dialogues with key investors on the topic.

In 2019, Veidekke collaborated with PwC and Footprint on a pilot project to survey climate risk in its industrial operation. Read more about the project on page 171.

Robust solutions for rougher weather



There is increasing demand for measures to avert damage caused by extreme weather and a less stable climate. Projects like the one being executed by Veidekke subsidiary Hoffmann in Enghave Park in Copenhagen are building the group's expertise in this area. The listed park is included in Copenhagen's cloudburst plan, which aims to protect the city centre against damage due to heavy rain. Following completion of the renovation project, Enghave Park will be able to collect up to 26,000 m³ of rainwater – corresponding to 50 25-metre swimming pools – through a system of dikes, sluices and hollows in the park for drainage into Copenhagen's harbour basin.



Surveying climate risk in a pioneering project

In 2019, Veidekke ran a pilot project to survey climate risk in the group's industrial operation. The project is the first of its kind, and is expected to provide a template for similar analyses of other parts of the Veidekke group, and for other companies.



Climate risk relates to the impact of climate change on the group. The analysis of the industrial operation concentrated on acute, chronic climate risk in the form of more frequent and more powerful landslides, flooding, storms and precipitation, as well as transitional risk in the form of changes in market conditions, policy and regulations, technology and reputation resulting from the transition to a low carbon society. Demand for reliable climate risk analyses is increasing, particularly among long-term investors who wish to evaluate the future security of their investments.

The project analysed the consequences for Veidekke's industrial operation of scenarios featuring a temperature increase of 2°C in line with the Paris Agreement and 4°C if the

world continues as at present, without restrictive measures. The analysis incorporates quantitative and qualitative data from a range of sources. Climate projections for the two scenarios are based on the Norwegian Environment Agency's report "Climate in Norway 2100" and the EURO-COREX model. Transitional risk was calculated using qualitative analysis of document data and dialogue.

"Climate risk analysis gives us very useful insights into the challenges we can expect to encounter in the years ahead, how we have to prepare the group for these changes and what room for manoeuvre we will have," says Catharina Bjerke, Executive Vice President, Veidekke Industrial.

Veidekke's climate impact

In 2019, Veidekke focused particular attention on two aspects of its own climate impact, namely the reduction of greenhouse gas emissions linked to energy consumption and responsible use of materials and environmentally-friendly products.

1. Reduction of greenhouse gas emissions linked to energy consumption

Veidekke supports the UN's two-degree target, and has adopted the objective of reducing its own greenhouse gas emissions per unit of value added by 50% by 2030 and 90% by 2050, using 2013 as a baseline¹⁾. The group is currently developing a measure-analysis tool to identify how the 2030 target can be achieved.

In 2019, Veidekke's emissions from own operations amounted to 113,283 tonnes of CO₂, including 107,498 tonnes of scope 1 emissions and 5,785 tonnes of scope 2 emissions. This represents a 4% reduction in absolute emissions compared to 2018. Emissions per NOK 1,000 in revenue totalled 2.9 kg of CO₂, down 12% from 3.3 kg of CO₂ in 2018. The majority of Veidekke's total greenhouse gas emissions is attributable to the industrial operation – and primarily asphalt production – which accounts for 53% of the total. The property development operation accounts for the smallest proportion, at <1%.

In 2019, Veidekke implemented a number of measures to reduce energy consumption and greenhouse gas emissions:

Fossil-free construction sites

The number of fossil-free construction sites in Norway increased from 11 in 2018 to 20 in 2019. In July, Veidekke's construction operations in Oslo and Romerike decided that all new projects must include fossil-free construction sites. In Oslo, this measure will cut the construction operation's

greenhouse gas emissions by 74% compared to 2018. The change entails a transition from fossil fuels to renewable energy sources such as electricity, district heating and sustainable palm oil-free biofuels. Veidekke is also running a pilot project at Ruseløkka school in Oslo with the aim of developing a zero-emissions construction site (see page 175).

Veidekke is executing the world's first tunnelling project featuring a fossil-free building site: a cabling tunnel from Smestad to Sogn in Oslo. Veidekke's part of the project will be completed in 2020.

Electrification of machinery and vehicles

Veidekke has approximately 100 electrical vehicles deployed on different projects, and the proportion of electrically-powered machines in operation is growing steadily. In January 2019, Veidekke took delivery of the world's first full-scale (26 tonne), rechargeable, electrically powered excavator, developed by Pon Equipment and Caterpillar. Replacing a diesel-powered excavator of this size with an electrically powered machine reduces CO₂ emissions by 52 tonnes a year.

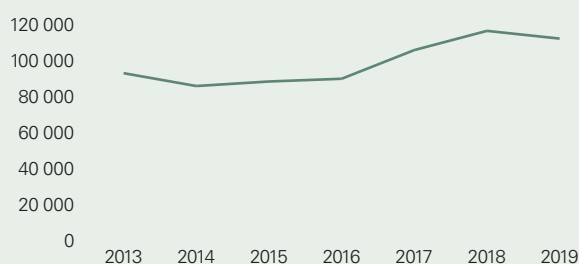
Renewable energy carriers in asphalt production

Of all the possibilities for reducing greenhouse gas emissions from asphalt production, the use of biomass as an energy carrier has the greatest impact. Veidekke has adopted the target that six of its asphalt factories must be using renewable energy carriers by 2021. Thus far, two of Veidekke's 30 asphalt factories have switched from gas to CO₂-neutral wood pellets.

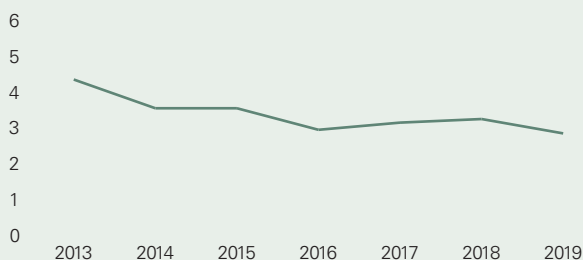
Higher proportion of low-temperature asphalt

Low-temperature asphalt (LTA) is a more environmentally friendly asphalt which generates smaller CO₂ emissions and improves the working conditions of the workers who lay the

TOTAL EMISSIONS (SCOPE 1 AND 2)
TONNES OF CO₂



EMISSIONS IN RELATION TO REVENUE
KG OF CO₂ PER NOK 1 000



¹⁾ Veidekke Sweden supports the goals set out in "Roadmaps for fossil free competitiveness", which assumes net zero emissions of greenhouse gases from the Swedish construction and civil engineering industry in 2045.

asphalt. Veidekke is the only Norwegian asphalt supplier to have achieved the industry association EBA's target of 30% LTA in asphalt production. In 2019, LTA made up 33% of Veidekke's asphalt production, compared to 26% in 2018. This upward trend indicates that the group is on the way to achieving its target that 40% of all produced asphalt should be LTA by 2021.

Asphalt reuse

Reusing old asphalt in the production of new asphalt reduces the consumption of new stone and bitumen. The volume going to landfill is also reduced correspondingly. Market access to asphalt for reuse is limited. In 2019, 5.3% of newly laid asphalt came from reuse.

Emissions in other parts of the supply chain

In 2019, Veidekke surveyed material categories and emissions in scope 3, i.e. emissions from sources in the supply chain which are not owned or controlled by Veidekke. The survey provided important insight into which links in the supply chain account for large emissions. Veidekke will conduct a dialogue with suppliers and partners to facilitate joint identification of more sustainable solutions that reduce emissions.

Mobility solutions

In the spring of 2019, Veidekke launched a mobility solution incorporating electrical cars, bicycles and scooters which employees at the Oslo, Bergen and Trondheim offices can book for use in travel to meetings and appointments. The scheme has proven successful and popular, and roll-out to additional offices is being considered.

2. Responsible use of materials and environmentally-friendly products

Measures to ensure responsible use of materials and more environmentally-friendly products include:

Environmental certification

Environmentally certified construction and civil engineering projects and renewable energy projects accounted for around 13% of the group's revenues in 2019. Environmental certifications are issued by third parties in accordance with standards such as BREEAM, LEED, DGNB, Nordic Swan Ecolabel, FutureBuilt, Miljöbyggnad (Sweden Green Building Council) and CEEQUAL.

During the year, Property Development Sweden completed 817 residential units bearing the Nordic Swan Ecolabel. To qualify, buildings must feature low energy consumption and environmentally certified materials, and be built in accordance with strict requirements regarding the sorting of waste at source and recycling of construction waste. On assignment for KLP Ejendomme, Veidekke's subsidiary Hoffmann is building Denmark's largest ever office building

to be awarded the DGNB Gold standard. The building is scheduled for completion in 2021, and will meet high sustainability standards, including in relation to environmental, technical, financial and social factors.

Many Veidekke employees are certified under relevant climate and environmental standards such as BREEAM, CEEQUAL and Nordic Swan Ecolabel. The group is investing in the development of additional in-house expertise on environmental standards. At the end of 2019, 48 Norwegian Veidekke staff were BREEAM Accredited Professionals (AP), and approximately 70 persons completed the BREEAM introductory course organised by the Norwegian Green Building Council during the year.

Wood as a construction material

Wood products can be reused or recycled, and are increasingly produced locally. Solid wood products bind carbon, consume few fossil fuels during production and can largely be manufactured using climate-neutral bio-energy. Veidekke has broad experience of constructing both residential units and non-residential buildings of wood. Several large wooden buildings were completed in 2019, including Horten Upper Secondary School, Lysgård in Trondheim and Finansparken in Stavanger. Veidekke has now started work on the first major solid wood project in Stockholm – Cederhusen in Hagastaden. The construction client is Folkhem, and the project encompasses high-rise buildings of up to 13 storeys which will contain commercial premises and apartments.

Veidekke does not permit the use of tropical woods in its own projects, and also advises customers against using them. The group requires all of its timber and wood products to be FSC- or PEFC-certified.

New type of low-carbon concrete

In 2019, Veidekke tested a new type of concrete with a very small climate footprint in two projects in Oslo: Ruseløkka school and the Climate House at the Natural History Museum in Tøyen. Both projects are FutureBuilt pilot projects. This status is conditional on reduced greenhouse gas emissions throughout the entire building's life, during both construction and operation.

New cooperation on circular solutions

When older buildings are demolished, Veidekke identifies opportunities for reuse in order to reduce materials consumption and the volume of landfill. In connection with demolition work in the government district in Oslo, Veidekke completed two projects in 2019 focused on reuse of floor slabs (see page 175).

Veidekke did not receive significant fines or other non-financial sanctions related to environmental concerns during 2019.

Objectives, results and measures

CLIMATE IMPACT					
Main objective: Reduce own greenhouse gas emissions by 50% by 2030 and 90% by 2050 ¹⁾					
Description of key metrics	Sub-goal 2019	Sub-goal 2020	Results		
			2019	2018	2017
Absolute greenhouse gas emissions (scope 1 and 2) in tonnes of CO ₂ e ¹⁾	Reduction, see main objective	Reduction, see main objective	113,283	117,589	106,867
CO ₂ e emissions in kg per NOK 1,000 in revenue	Reduction	Reduction	2.9	3.3	3.2
CO ₂ e emissions relative to value creation to be reduced by 5% annually ²⁾	Positive development relative to long-term goal	Positive development relative to long-term goal	Negative	Negative	Positive
Proportion of low-temperature asphalt (LTA)	40% by 2021	40% by 2021	33%	26%	12%
Reuse percentage in asphalt production	10% by 2021	10% by 2021	5.3%	4.7%	4.9%
Number of asphalt factories running on renewable energy	Six factories by 2021	Six factories by 2021	2	2	2
Number of fossil-free construction and civil engineering sites	-	Increased proportion	20	11	5
Proportion of palm oil-free sustainable biofuels ³⁾	-	Increased proportion	7.2%	4.1%	1.6%
Proportion of green projects as a percentage of group revenues ⁴⁾	-	-	approx. 13%	approx. 14%	approx. 17%
CDP Climate Change – score in investor survey	Maintain top score	Maintain top score	A	A	A-

1) Including emissions of subsidiaries of which Veidekke owns >50%.

2) The base year is 2013. Ref. GEVA/Randers 2012.

3) Based on the number of litres of fuel. The calculation method was adjusted after 2018, and figures for preceding years have been adjusted accordingly.

4) Veidekke uses a conservative estimate: green projects are buildings and facilities which qualify for environmental certification, as well as engineering services and projects involving renewable energy such as wind power and hydropower.

Measures 2019		Measures 2020
Electrification of cars and machines in the Machinery department	→	Measure to be continued
Increased use of palm oil-free sustainable biofuels where no zero-emission alternatives are available	→	Measure to be continued
Reduce the electricity consumption of the industrial operation by 2% annually	→	Measure to be continued
Initiate ISO 14001 certification of the Norwegian property development operation	✓	
Increase the number of projects with CEEQUAL certification, with a target of four projects	→	Measure to be continued
Identification of material scope 3 emissions	✓	
		Survey climate risk in all operations

More rapid sustainability adaptation through dialogue and cooperation

The site office at Ruseløkka school in Oslo was packed to capacity when Veidekke arranged a breakfast seminar on zero-emission construction at the end of November.



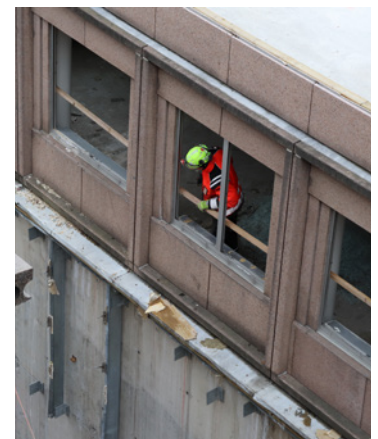
Veidekke is working with clients, industry stakeholders, suppliers, interest groups and the authorities to find more sustainable solutions and support knowledge development and improvements. The attendees at the breakfast seminar at Ruseløkka school represented the entire supply chain, from clients to contractors and suppliers, as well as interest groups,

the media and the authorities. At the seminar, Minister of Climate and Environment Ola Elvestuen stated that the construction industry must scale up recycling and reuse, and must assume a central role in reducing greenhouse gas emissions from construction and civil engineering projects.

The minister also stated that public-sector clients are taking the lead in imposing requirements on contractors. For example, Undervisningsbygg Oslo KF, the client in connection with the construction of Ruseløkka school, has adopted ambitious environmental targets. The new school – which Veidekke is building – is a FutureBuilt model project, entailing a zero-emission construction site and a zero energy building. Hans Olav Sørli, Executive Vice President at Veidekke, confirmed that both clients and investors are currently expressing high expectations as to the environmental quality of new buildings and engineering projects. Rapid change is dependent on cooperation throughout the supply chain, he said.

Circular economy

When Veidekke demolishes the R4 building in Oslo's government district on behalf of the Norwegian Directorate of Public Construction and Property (Statsbygg), old concrete hollow core floor slabs will be repurposed a few blocks away. Concrete slabs often account for a large percentage of greenhouse gas emissions linked to new buildings, and reusing concrete elements from demolished buildings is therefore a good climate measure. "Veidekke has adopted ambitious climate targets, and we have observed that our clients are increasingly focused on reuse as a means to reduce both material costs and the amount of waste going to landfill," says Tollef Eliassen, Sustainability Manager at Veidekke. The government district project has also presented challenges, however. For example, construction standards have been amended since the construction of R4, necessitating legal clarification of whether the concrete slabs could be approved for reuse. Now that approval has been obtained, however, they will be repurposed as floor slabs in a building at Tullinløkka, a few blocks away.



PRODUCTIVITY

The construction and civil engineering industry supply chain is diverse and encompasses a broad range of input factors with an impact on resource and cost efficiency, risk management, profitability and customer value. Veidekke's primary differentiating input factors are the group's employees and their knowledge, abilities and skills. As a project execution organisation, Veidekke achieves increased productivity through process effectivisation rather than economies of scale.

Veidekke's productivity improvement efforts

Planning, risk management and customer dialogue are absolutely crucial factors in achieving profitable operations and satisfactory execution of construction projects.

Planning

At the company level, planning is about optimal management of the projects in the group's portfolio at all times, having the right expertise to manage portfolio projects and ensuring that expertise is developed and retained within the group. Veidekke considers it important to have its own staff involved in projects at different levels and in different functions. As well as giving customers confidence and predictability, this ensures that knowledge is transferred to and refined in new projects.

At the project-level, planning is about ensuring that all activities can be executed without hindrance, in the right order and on time.

High productivity is dependent on expertise in core processes and a strong emphasis on planning and project management as the foundation for satisfactory operation.

To reduce lost time and promote production flow, Veidekke uses lean construction – a methodology for planning project-based production. The key elements of the approach include systematic planning using different time horizons according to the role played in the project. The lower the organisational level, the shorter the planning horizon, thus utilising the organisation's expertise by involving project participants at all levels in the planning of their own work tasks.

Risk management

The group has adopted a common approach designed to ensure risk management on various levels. Risk

management focuses on identifying and addressing all projects-related opportunities and risks by reducing risk (downside) and realising opportunities (upside).

Veidekke organises its risk management on three levels:

- At the overarching level, risk management must ensure that the group's overall risk exposure is in line with adopted limits.
- At the portfolio level, all projects must be assessed by reference to available capacity and expertise, previous performance and portfolio composition.
- At the individual project level, management capacity and expertise are the most important factors for controlling risk and maximising opportunities. Project risk assessments are intended to round out calculations and improve project execution.

The ability to identify opportunities and risks and take appropriate management steps is a prerequisite for high productivity and profitability over time. Veidekke will intensify its risk management-related efforts in 2020. A dedicated director of risk management has been appointed to lead this work.

Customer dialogue

Veidekke's customer value is built through value-generating cooperation between customers, suppliers and Veidekke's staff. Such cooperation can only create value if the focus is on the right projects and the right customers. A project is right when Veidekke has the expertise – at the right level – to execute the task and the contract is balanced. Right customers are ones which have necessary knowledge, initiate dialogue with the contractor early on and facilitate productive dialogue based on mutual trust.

Cooperative processes foster resource and cost efficiency, profitability, product success and a positive customer experience. The construction industry as a whole is increasingly adopting cooperative models featuring early involvement and an emphasis on task understanding.

For Veidekke, this means reducing its participation in competitive tenders where price is the only decision criterion.

Veidekke has been emphasising a cooperative focus for many years, and has made it a key aspect of the group's corporate culture. There is still considerable room for improvement, however, and the group will therefore continue to emphasise relational expertise in its recruitment activities and staff development programmes.

Knowledge base for productivity at Veidekke

While it is difficult to formulate an overall target for productivity growth in a diverse group like Veidekke, there is some product and process homogeneity among the different operations. Key figures can therefore be monitored and used to generate supporting data for further productivity improvements. The group emphasises knowledge development as a basis for continuous improvement and productivity increases linked to relatively homogenous products and processes.

The industrial operation – asphalt and aggregates

Veidekke uses key figures like daily uptime, production in tonnes per hour and revenue per produced tonne to optimise the operation and compare the individual performances of its 30 asphalt factories and 30 quarries.

The building construction operation – construction of apartments

When the same team builds the same product multiple times, this has a very substantial impact on resource use, and thus profits. In major residential projects encompassing multiple construction stages, such improvements can total as much as 50% from the first to the last stage. This makes apartment construction the most relevant area for productivity measurement in the construction operation. An important prerequisite for profitable apartment construction is that projects are

designed to be as easy to construct as possible. Key concepts are continuity and standardisation. Examples of non-monetary key figures include the number of hours worked per cubic metre of concrete, the number of hours of wood-related work per apartment, the number of hours per interior wall, etc. The data relating to each key figure is registered digitally and made available for further use.

The civil engineering operation – tunnelling

Tunnels may appear to be a homogenous product, but variations in rock properties and safety requirements make it impossible to create an unambiguous productivity development profile. Nevertheless, Veidekke does use some key figures – primarily capacity per time unit and per metre – as a basis for evaluating parameters such as the number of metres of progress per week and the number of cubic metres per blast.

SATISFIED CUSTOMERS

Customer satisfaction is a prerequisite for profitability, growth and development. Key drivers include cooperation, customer surveys and a customer focus in project execution.

Why is customer satisfaction important?

Satisfied customers often return with new projects. In addition, they help build Veidekke's reputation, and thus its market position.

A review of Veidekke's customer base shows that two-thirds of the group's customers represent the private sector, while the other third comprises public-sector undertakings. Moreover, almost 90% of customers use Veidekke more than once. In the private sector, many customers make repeat purchases. In the public sector – i.e. central government, counties and municipalities – the scope for repeat purchases is restricted by procurement rules, but

a strong reputation will nevertheless indirectly bolster a company's market position.

When customers are satisfied, project cooperation usually becomes both smoother and more efficient. Positive relations provide a basis for customer involvement – a prerequisite for productive cooperation and production flow. Fulfilling expectations and quality standards quickly and reliably also makes it easier to keep project costs on budget. The likelihood of timely customer payment increases, boosting financial sustainability throughout Veidekke's supply chain.

How does Veidekke ensure customer satisfaction?

All of Veidekke's customer relations work is based on the group's fundamental values – professional, honest, enthusiastic and ground-breaking – as illustrated by the Veidekke House model (see page 152).

A fundamental prerequisite for customer satisfaction is delivering the agreed quality. In order to deliver at the level of quality customers expect, Veidekke seeks to initiate a customer dialogue early on. Involving those executing a project in its planning is a clear trend in the construction and civil engineering sector. The purposes of early involvement include ensuring that customers and contractors agree on the interpretation of the project and that the order defines the expected quality of the end product.

Customers increasingly expect follow-up and service throughout the project execution process. Veidekke does not just sell customers a home, a building or a road. It sells

a combination of product and execution, where quality refers not only to the physical product, but also to the process, dialogue and delivery at the agreed time.

To make sure that its service and products meet customer expectations, Veidekke has developed customer satisfaction surveys and tools for improving and monitoring customer dialogues. The aim is to gather feedback and documentation for future discussions with customers.

How customers experience cooperation and service level during a project is a key element of the overall delivery. Customers who are dissatisfied with the process are unlikely to place further orders. Ensuring that customer needs are understood and facilitating productive ongoing communication are therefore crucial aspects of project execution.



Photo: Sindre Ellingsen

Activities in 2019

Customer follow-up and customer satisfaction were a priority for Veidekke in 2019. Customer satisfaction was the main topic at a working meeting for the group's 100 most senior executives. The meeting focused on measures to become the first choice for customers, and how Veidekke can deliver better products and services. During the year, Veidekke also worked on establishing "The customer's first choice" as an internal group value.

The group has developed a common methodology for customer feedback. In connection with residential sales to private individuals, Veidekke uses the same standardised customer satisfaction metrics in Sweden and Norway.

In the case of commercial customers, the focus is more on customer dialogue during project execution. To support the customer dialogue, Veidekke has developed a system in which customer dialogue is underpinned by a survey which also facilitates quantitative assessment of customer satisfaction. This system is currently being implemented.

A cooperative focus has been an important aspect of Veidekke's corporate culture over many years. There is, however, considerable room for improvement, and the group will continue to emphasise relational expertise in the context of recruitment and staff development programmes.

Summary – non-financial accounts

Material areas	Governing documents	Description of key metrics	Goal for 2019	2019	Results 2018	2017
vu	Strategic safety plan	Number of serious injuries	0	6	13	7
	HSE policy					
	Procedure for joint safety measures	Number of injuries	>293	>293	366	294
	Procedure for fatal work accidents					
	Group contingency plans					
Expertise	Strategic HR plan	Women trainees	40%	34%	39%	34%
	Policy for management conduct	Women students in summer jobs	50%	39%	28%	-
	Diversity policy	Women operative managers	Increase	11.2%	10.6%	9.6%
	Policy on pensions and insurance					
	Recruitment policy	Employee share ownership percentage	Minimum 50%	47.3%	49.1%	50.3%
Compliance	Policy for compliance	Number of new employees who have completed the Wise choices e-learning programme	Revised course	318	780	1,281
	Procedure for non-conformance – privacy					
	Procedure for handling concerns about ethics					
	Procedure for whistleblowing					
	Procedure for DPIA (Norway, Sweden and Denmark)	Number of participants in dilemma training	All participants in the introduction course	219	289	-
Climate impact	Procedure for inside information					
	Ethical guidelines					
	Compliance with competition rules					
	Procedure for the use of IT equipment and systems					
Climate impact	Strategic environmental plan	Absolute greenhouse gas emissions (scope 1 and 2) in tonnes of CO ₂ e	Reduction	113,283	117,589	106,867
	Environmental policy					
		CO ₂ emissions in kg per NOK 1,000 in revenue	Reduction	2.9	3.3	3.2
		CO ₂ emissions relative to value creation to be reduced by 5% annually	Positive development relative to long-term goal	Negative	Negative	Positive
		Proportion of low-temperature asphalt (LTA)	40% by 2021	33%	26%	12%
		Reuse percentage in asphalt production	10% by 2021	5.3%	4.7%	4.9%
		Number of asphalt factories running on renewable energy	Six factories by 2021	2	2	2
		Number of fossil-free construction and civil engineering sites		20	11	5
		Proportion of palm oil-free sustainable biofuels		7.2%	4.1%	1.6%
		Proportion of green projects as a percentage of group revenues		approx. 13%	approx. 14%	approx. 17%
		CDP Climate Change score	Maintain top score	A	A	A-
	Productivity	Not quantified				
	Satisfied customers	Not quantified				






GRI INDEX FOR VEIDEKKE'S ANNUAL AND SUSTAINABILITY REPORT 2019



GENERAL INFORMATION

GRI indicator	Description	Veidekke's reporting
Organisational profile		
102-1	Name of the organisation	Veidekke ASA
102-2	Most important brands, products and/or services	p. 4–11, 188
102-3	Location of the organisation's head office	Veidekke ASA has head office in Oslo
102-4	Number of countries in which the organisation operate	p. 4–11, 23–27, 134
102-5	Ownership and legal form of business organisation	p. 188
102-6	Description of the markets served by the organisation	p. 4–11, 23–27
102-7	Size and scope of the organisation	p. 4–11, 23–27
102-8	Total number of employees by type of employment, employment contract and region, broken down by gender	s. 28, 164 Of the 8577 permanent employees, 1040 are women and 7537 are men. Of the part-time employees, 96 are women and 400 are men. Of the permanently employed women, 148 are part-time employees and 892 are full-time employees. Of the permanently employed men, 232 are part-time employees and 7305 are full-time employees. Not reported: 102-8d og f.
102-9	Description of the company's supply chain	p. 153–154, 155, 156, 166, 173, 175
102-10	Significant changes during the reporting period regarding the size, structure or ownership	No significant changes
102-11	Description of whether and how the precautionary principle is used within the organisation	p. 169
102-12	External initiatives, charters or principles in the financial, environmental or social area that the organisation subscribes to or endorses	p. 30, 49, 83, 154–155, 165, 175 Paris agreement (COP 21) and UN's SDGs ILO declaration on Fundamental Principles and Rights at Work OECD Guidelines for Multinational Enterprises United Nations: Human Rights Convention Cooperation with tax authorities in Norway and Sweden to filter unserious actors in the early procurement phase
102-13	Membership in industry organisations or other associations, and national/international advocacy organisations	p. 155, 165, 169, 175
Strategy and analysis		
102-14	Statement from the Group CEO	p. 12–13
102-15	Key risks, opportunities and impacts on the economy, society and environment	p. 27, 31–33

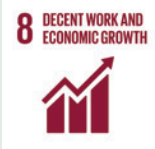
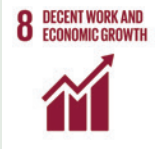
GRI indicator	Description	Veidekke's reporting
Ethics and integrity		
102-16	The organisation's values, principles, standards and norms of behaviour	p. 28, 134–141, 152, 154 166–167
102-17	Mechanisms for advice and concerns about ethics	p. 29, 139, 166, 180
Governance		
102-18	The organisation's management structure, including the highest authority and committees who are responsible for decision-making on financial, environmental and social topics	p. 18–21, 134–141
102-20	Executive-level responsibility for economic, environmental, and social topics	p. 20–21, 134–141, 152–153
102-21	Consulting stakeholders on economic, environmental, and social topics	p. 155
102-22	Composition of the highest governance body and its committees	p. 18–19, 136–138
102-23	Chair of the highest governance body and its committees	p. 18, 137
Stakeholder engagement		
102-40	Stakeholder groups that the organisation is in dialogue with	p. 155
102-41	Percentage of employees who are covered by collective bargaining agreements	Approx. 95%
102-42	Description of how the organisation chooses relevant stakeholders	p. 153, 155
102-43	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	p. 155
102-44	Important topics and questions raised through stakeholder dialogue and the company's response	p. 153, 155
Practices for reporting		
102-45	Overview of all the units that are encompassed by the organisation's annual financial statements or similar documents	p. 122, 153
102-46	Description of the process for defining the report's content and limitations, as well as the implementation of the reporting principles	p. 152–154
102-47	List of all the topics that have been identified as material	p. 153
102-48	Change of historical data from earlier reports	No changes of historical data
102-49	Significant changes from the previous report with regard to the scope of the content, limitation of the report or the measurement methods	No material changes from the last report
102-50	Reporting period	1 Jan 2019–31 Dec 2019
102-51	Date of publication for the previous report	21 Mar 2019
102-52	Reporting frequency	Annual
102-53	Contact person for questions about the report or its content	firmapost@veidekke.no or lars.lund@veidekke.no
102-54	Reporting level	GRI Standards: Core p. 153
102-55	GRI index	p. 182–187
102-56	Current practices for external verification of the reporting	The GRI report is not externally verified. The GHG accounts are verified by third party.

SPECIFIC INFORMATION

GRI indicator	Description	Veidekke's reporting	Partial reporting	Cross reference to the UN's SDGs
Occupational health and safety				
103-1	Description and limitation of material topic(s)	p. 153, 156–159		
103-2	Description of the management system that covers material topic(s)	p. 152–154		
103-3	Evaluation of the management system	p. 152–154		
403-1	Occupational health and safety management system	p. 29–30, 156–159		
403-2	Hazard identification, risk assessment, and incident investigation	p. 29–30, 156–159		
403-3	Occupational health services	p. 29–30, 156–159		
403-8	Workers covered by an occupational health and safety management system	p. 29–30, 156–159		
403-9	Work-related injuries: number and rate of fatalities, high-consequence injuries, other injuries (H1, H2,+) The number of hours worked	p. 29–30, 156–159		
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 156–159		
403-5	Worker training on occupational health and safety, generic and related to specific hazards	p. 28–30, 156–159		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 156–159		
Expertise				 
103-1	Description and limitation of material topic(s)	p. 153, 160–165		
103-2	Description of the management system that covers material topic(s)	p. 152–154		
103-3	Evaluation of the management system	p. 152–154		
VD	Satisfied employees	p. 29, 164		
405-1	Diversity: Percentage of women and men (employee category/age)	p. 29, 160–165		
406-1	Diversity: Incidents of discrimination and consequence/follow-up	No reported incidents		
401-1	New employee hires and employee turnover	p. 28, 160–165		
VD	Talent	p. 28, 160–165		
VD	Percentage of apprentices in the workforce	p. 28, 160–165		
404-1	Average hours of training per year per employee by gender and employee category	p. 28, 160–165		
404-2	Programmes for upgrading employee skills	p. 28, 160–165		
404-3	Percentage of employees receiving regular performance and career development reviews	Performance review to be held annually with all employees		

GRI indicator	Description	Veidekke's reporting	Partial reporting	Cross reference to the UN's SDGs
Compliance				 
103-1	Description and limitation of material topic(s)	p. 153, 166–168		
103-2	Description of the management system that covers material topic(s)	p. 152–154		
103-3	Evaluation of the management system	p. 152–154		
102-16	The organisation's values, principles, standards and norms of behaviour	p. 166–168		
102-17	Mechanisms for advice and concerns about ethics	p. 29, 139, 166		
412-2	Employee training on human rights policies or procedures	p. 180		
205-1	Number and percentage of operations assessed for risks related to corruption	p. 137, 166–168		
205-2	Communication and training about anti-corruption policies and procedures	p. 166–168		
205-3	Confirmed incidents of corruption and actions taken	None		
102-41	Percentage of employees covered by collective bargaining agreements	Approx. 95%		
402-1	Minimum notice periods regarding operational changes and whether this is specified in the collective agreement	<p>Sweden: Lay-offs are regulated by collective agreements. Statutory period of notice for dismissals. Collectively agreed deviations may occur</p> <p>Denmark: The Employers' and Salaried Employees' Act applies to lay-offs. Minimum 1 month's notice for dismissals</p> <p>Norway: Statutory period of notice for lay-offs is 14 days. Statutory period of notice for dismissals is 14 days during the probationary period and 1–6 months after the probationary period, depending on the age and length of service</p>		
308-1	New suppliers that were screened using environmental criteria	p. 166–168, 169–175		
414-1	New suppliers that were screened using social criteria	p. 156, 166–168		
VD	Control, compliance regulations	p. 152, 166–168		
307-1	Non-compliance with environmental laws and regulations	p. 166–168, 173		
419-1	Sanctions resulting from non-compliance with laws and regulations in the social and economic area	p. 166–168		
102-33	Communicating critical concerns	p. 29, 139, 166		

GRI indicator	Description	Veidekke's reporting	Partial reporting	Cross reference to the UN's SDGs
Climate impact				
103-1	Description and limitation of material topic(s)	p. 153, 169–175		
103-2	Description of the management system that covers material topic(s)	p. 152–154		
103-3	Evaluation of the management system	p. 152–154		
305-1	Direct (scope 1) GHG emissions	p. 169–175, 180	<p>Scope 1 and 2 reported together and separately. Not reported: 305-1b, c, d</p> <p>Veidekke follows the GHG Protocol Corporate Standard (March 2004). Climate reporting is based on a control approach, including operational control. The climate reporting encompasses all business areas, as well as subsidiaries and joint ventures with an ownership interest of >50%. Factors from Defra. GWP: IPCC Fourth Assessment Report (100 year GWPs). Period: 1Dec2018-31Nov2019 (12 mos)</p>	
305-2	Energy indirect (scope 2) GHG emissions	p. 169–175, 180	<p>Scope 1 and 2 reported together and separately. Not reported: 305-2b, c, d</p> <p>Veidekke follows the GHG Protocol Corporate Standard (March 2004). Climate reporting is based on a control approach, including operational control, and encompasses all business areas, as well as subsidiaries and joint ventures with an ownership interest of > 50%. Source: IEA annual statistics on CO2 emissions and electricity generation (Nordic mix). Period: 1Dec2018-31Nov2019 (12 mos)</p>	
305-3	Other indirect (scope 3) GHG emissions	p. 173	Veidekke undertook a mapping of material categories and emissions in scope 3 in 2019	
CRE3	GHG intensity in buildings (CO2e/m2)	p. 169–175, 180		
305-4	GHG emissions intensity	p. 174, 180	Comprises scope 1 and 2 emissions. Not reported: 305-4d	
305-5	Reduction of GHG emissions	p. 174, 180	Not reported: 305-5b, c	
302-1	Energy consumption within the organisation by source and type/sale	p. 169–175, 180	Scope 1 and scope 2 are reported together. Not reported: 305-1b, c, d	
302-2	Energy consumption outside of the organisation (scope 3)	p. 173	Veidekke undertook a mapping of material categories and emissions in scope 3 in 2019	

GRI indicator	Description	Veidekke's reporting	Partial reporting	Cross reference to the UN's SDGs
302-3	Energy intensity (e.g. total/NOK revenue)	p. 169–175, 180		
CRE1	Energy intensity in buildings (energy consumption per year/m2)	p. 169–175, 180	See CDP report at cdp.net	
302-4	Reduction of energy consumption	p. 169–175, 180	See CDP report at cdp.net	
302-5	Reductions in energy requirements of products and services	p. 169–175, 180	See CDP report at cdp.net	
301-2	Recycled input materials used	p. 169–175, 180		
301-3	Reclaimed products and their packaging materials	p. 169–175, 180		
306-2	Waste by type and disposal method	p. 169–175, 180		
Productivity				
103-1	Description and limitation of material topic(s)	p. 174–175		
103-2	Description of the management system that covers material topic(s)	p. 152–154		
103-3	Evaluation of the management system	p. 152–154		
VD	Efficiency	p. 23–27		
201-1	Direct economic value generated and distributed	p. 23–27		
102-15	Risk management	p. 31–32		
Satisfied customers				
103-1	Description and limitation of material topic(s)	p. 178–179		
103-2	Description of the management system that covers material topic(s)	p. 152–154		
103-3	Evaluation of the management system	p. 152–154		
VD	Cooperation	p. 178–179		
VD	Client surveys	p. 178–179		
VD	Client focus in operations	p. 178–179		

ARTICLES OF ASSOCIATION FOR VEIDEKKE ASA

(Effective from 16 December 2019)

Article 1 The name of the Company is Veidekke ASA. The Company is a public limited company.

The Company's purpose is construction and property development activities, and other economic activities related with the aforementioned. Activities may be conducted by the Company itself, by subsidiaries at home and abroad, or through participation in other companies or in cooperation with others.

Article 2 The Company's registered office is in Oslo.

Article 3 The Company's share capital is NOK 67,478,133.50 divided into 134,956,267 shares, each with a nominal value of NOK 0.50 fully paid and registered by name. The Company's shares shall be registered in the Norwegian Central Securities Depository.

Article 4 Each share carries one vote at the Annual General Meeting of the Company.

Article 5 The Company's Board of Directors shall have from eight to ten members. A maximum of seven members and alternates shall be elected by the Annual General Meeting. A maximum of three members and alternates for those members shall be elected by and from among the Company's employees in accordance with regulations issued in pursuance of provisions in the Public Limited Companies Act (Norway) relating to employee representation on the board of directors of public limited companies. The period of office is one year. The Board of Directors elects its chairperson.

Article 6 The Company shall have a nomination committee. The committee shall have at least three members. The Annual General Meeting shall elect the nomination committee's chairperson and other members and determine the remuneration of the committee's members. The term of office is one year. The nomination committee shall submit a recommendation to the Annual General Meeting on the election of members to the nomination committee. Nominated candidates should be shareholders or representatives of shareholders. The proposal for a new nomination committee shall be such that the majority of the new nomination committee is independent of the Board of Directors and senior executives of the Company. The nomination committee may not propose the Company's chief executive officer or other senior executives as members of the nomination committee. The Board of Directors shall submit a recommendation to the Annual General Meeting on the remuneration of the nomination committee's members. The nomination committee shall submit a recommendation to the Annual General Meeting on the election of and fees to be paid to members of the Board of Directors. The nomination committee shall justify its recommendations.

Article 7 Two members of the Board jointly or one member of the Board and the President and CEO jointly shall have the right to sign on behalf of the Company.

Article 8 The Annual General Meeting is held every year before the end of May, at the time and place determined by the Board of Directors. The meeting is convened with at least 21 days' written notice. The agenda for the meeting shall be sent out with the notice of the meeting. The Board of Directors may decide that documents pertaining to matters to be dealt with at the Annual General Meeting that have been made available to the shareholders on the company's website will not be sent to shareholders. This also applies to documents that by law must be included in or attached to the notice of the Annual General Meeting. Shareholders may nevertheless request to be sent documents pertaining to matters to be dealt with at the Annual General Meeting. Shareholders or their authorised representatives who wish to attend and vote at the Annual General Meeting must notify the company of this within the deadline specified in the notice of the meeting. This deadline must not expire earlier than five days before the Annual General Meeting.

The Annual General Meeting shall:

- Adopt the annual accounts and annual report, including employment of profit or covering of loss, and approve the distribution of a dividend.
- Elect members of the nomination committee.
- Determine the number of Board members, elect the Board members who by law shall not be elected by the employees and any alternates for the Board members elected by the shareholders.
- Consider the Board of Directors' statement on remuneration to senior executives.
- Deal with other business that is by law to be addressed by the General Meeting.

Article 9 Unless otherwise provided for in these Articles of Association, the provisions in the Public Limited Companies Act (Norway) shall apply.

VEIDEKKE'S HISTORY



Veidekke was founded in 1936 as a cobblestone cutting and laying company in Østfold county. The business gradually expanded and took on road improvement projects in several municipalities and counties in eastern Norway. The real breakthrough came in 1948, when the small company was awarded the major civil engineering contract for the construction of Sola Airport in Stavanger. With time Veidekke became a central player in airport construction in Norway, and in the late 1950s it undertook its first overseas assignment: construction of an airport in Ethiopia.

Large civil engineering projects accounted for the bulk of the business in the '60s and '70s, and in the following decades the company became a sizeable road builder. Other major civil engineering projects, such as construction of power stations and large industrial facilities for the oil sector, were added as new market areas.

The 1980s were marked by structural changes in the construction industry, and several of the larger construction companies merged. Veidekke's strategy was to continue to develop as an independent company, marking the beginning of an era of acquisitions. A total of ten companies were merged into the group during this decade. Since then, over 70 other companies have joined the

group. In the 1980s Veidekke expanded into a new market: residential and non-residential building construction. Another milestone was the listing on the Oslo Stock Exchange in 1986.

The acquisition of Aker Entreprenør in 1991 resulted in a doubling of the company's revenue, marking the advent of a decade of strong growth. In addition Veidekke decided to focus on the residential segment with property development as a new business area, while also looking to expand into neighbouring countries. The company established civil engineering operations in Gothenburg in 1998 in partnership with local players, marking the beginning of Veidekke's development as a Scandinavian construction company. In 2000 Veidekke acquired Denmark's oldest and fourth largest construction company, Hoffmann A/S, and in the same year the company also established construction and property development operations in Sweden.

The company continues to adhere to the strategy of profitable growth, and through value-adding interaction with customers and partners, Veidekke will continue to build tomorrow's Scandinavia.

TOGETHER, WE ARE BUILDING THE FUTURE

Veidekke is one of Scandinavia's largest construction and property development companies. The company undertakes all types of building construction and civil engineering contracts, develops residential projects, maintains roads, and produces asphalt and aggregates. The company is known for its involvement and local knowledge. Its annual turnover is NOK 39 billion, and half of its 8,600 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
