

Veidekke ASA

Annual and sustainability
report 2020



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TARGETS

	TARGET 2022	STATUS 2020
PROFIT MARGIN	>4.0 %	3.0 %
DIVIDEND POLICY	>50 %	100 %
SERIOUS INJURIES	0	3

SUSTAINABILITY



Veidekke is focused on eliminating serious injuries, and gives OHS targets equal status to financial targets (see page 151).



Veidekke is working to reduce the climate footprint of its own operations and the industry as a whole (see page 156).



Veidekke is promoting greater diversity and equal opportunities in a traditionally male-dominated industry (see page 166).



Veidekke complies with applicable standards in the context of employment and generally, and promotes compliance in the construction and civil engineering industry (see page 174).

KEY FIGURES¹⁾

Figures in NOK million	2020	2019	2018
Continued operations			
Revenue	38 140	36 569	32 525
Pre-tax profit	1 134	596	203
Veidekke Construction in Norway	532	387	443
Veidekke Infrastructure in Norway	244	168	-543
Veidekke in Sweden	303	-25	214
Veidekke in Denmark/Hoffmann	200	169	146
Other	-145	-104	-57
Profit margin	3.0 %	1.6 %	0.6 %
Profit per share (NOK)	5.8	3.0	4.0
Revenue, IFRS	38 140	36 569	33 974
EBITDA, IFRS	2 122	1 468	740
Pre-tax profit, IFRS	1 202	582	195
Total order book	37 460	36 704	34 640
LTI rate	4.4	4.5	4.5
Sickness absence	5.1 %	3.7 %	3.9 %
Group overall²⁾			
Pre-tax profit	2 043	941	591
Profit per share IFRS (NOK)	15.6	6.8	4.0
Net interest bearing position	3 078	-2 653	1 470
Cash-flow from operations	2 350	1 503	1 400
Return on equity over past 12 months	40 %	20 %	31 %

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

2) Group overall comprises continued operations and discontinued operations.

THIS IS VEIDEKKE

Veidekke is one of Scandinavia's largest construction companies, with 8,100 employees and operations in all major growth regions in Norway, Sweden and Denmark. The group is headquartered in Oslo. The Veidekke share is listed on the Oslo Stock Exchange.

Following the sale of its property development operation in 2020, Veidekke is now a streamlined construction company with strong positions in the Scandinavian markets and a robust financial position. The group delivers on its promises to clients through major construction and infrastructure projects around Scandinavia. The company assists customers with the development, construction and maintenance of various types of buildings and infrastructure, as well as the production of asphalt and aggregates. In respect of shareholders, Veidekke emphasizes paying an attractive dividend.

Veidekke's business philosophy and work methodology centre on value-generating cooperation with clients, suppliers and employees. No two construction and civil engineering projects are alike, and every project involves extensive individual adjustment. Veidekke gives priority to making optimal use of available project resources to ensure efficient project execution, high productivity and strong client satisfaction.

Engaging with clients at an early stage of project development allows Veidekke to help find the solutions which best match the client's requirements and expectations. Ongoing consultation throughout the execution phase helps identify specific needs and allows necessary adjustments to be made without causing delays. Veidekke wants the projects it develops and executes to be useful and beneficial to all users, and seeks to integrate societal and environmental considerations into its work.

Since its formation in 1936, Veidekke has put people at the heart of its activities. All the group's operations emphasise participatory, trust-based cooperation, with Veidekke seeking to make maximal use of the knowledge and insights of all involved parties. Project planning and execution occur in close consultation with employees, clients and suppliers to facilitate added client value, stronger market position and profitability. Veidekke believes that its employees should also benefit from the group's value creation through share ownership. Half of all Veidekke staff own shares in the company.

Veidekke has adopted ambitious climate goals and is supporting the green shift to a climate-neutral society. The construction and civil engineering industry accounts for a large proportion of global energy consumption and related greenhouse gas emissions. In its capacity as a major industry stakeholder, Veidekke is working to reduce the climate footprint of both its own operations and the industry as a whole. The group aims to reduce its greenhouse gas emissions by 50% by 2030 and 90% by 2050.

Veidekke aims to be the most attractive employer in the Scandinavian construction and civil engineering industry. The industry is labour-intensive, and expertise is the key driver of value-creation and differentiation. Veidekke is a knowledge enterprise with construction and civil engineering expertise, and its primary resources are its employees and their knowledge. Veidekke recruits both recent graduates and experienced staff, trains its own skilled manual workers and gives high priority to providing staff with ongoing skills-development opportunities.

REVENUE ¹⁾

38.1

NOK BILLION

PRE-TAX PROFIT ¹⁾

1.1

NOK BILLION

ORDER BACKLOG

37.5

NOK BILLION

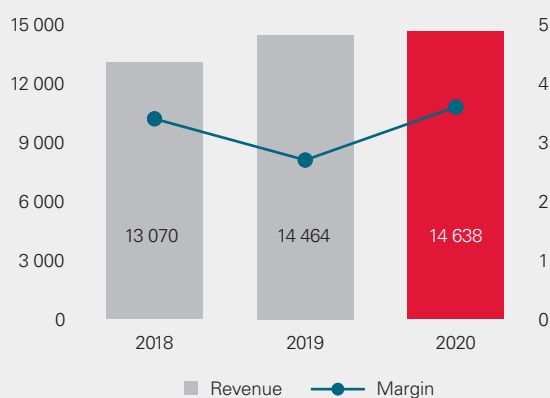
1) Segment accounts continued operations.

KEY FIGURES CONSTRUCTION NORWAY

NOK million	2020	2019	2018
Revenue	14 638	14 464	13 070
Pre-tax profit	532	387	443
Profit margin	3.6%	2.7%	3.4%
Order book	13 358	14 762	14 223

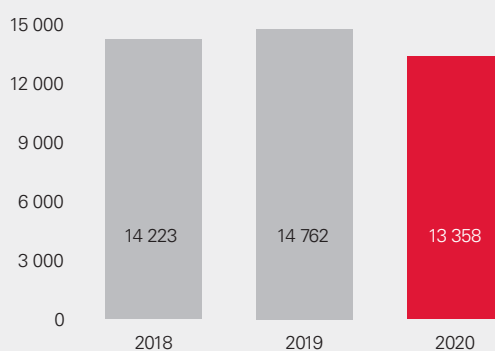
REVENUE AND PROFIT MARGIN

NOK MILLION AND PER CENT



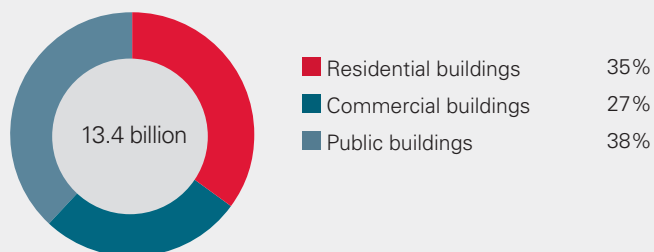
CONTRACTS

NOK MILLION



ORDER BOOK BY MARKET SEGMENT

PER CENT



Veidekke total: 8 100

CONSTRUCTION NORWAY



Veidekke's Norwegian construction operation is the country's largest, with a total market share of 10%, and aims to be clients' first choice in the categories apartment buildings, office buildings, schools and health facilities. Many of Veidekke's clients are repeat customers.

To meet the expectations of clients, authorities, employees and investors, the construction operation has decided to specialise in particular product categories and to concentrate its activities in and around Norway's major cities. This has the added benefit of reducing project risk and boosting profitability.

By linking its standardised processes with the specialist expertise required for each building type, the construction operation ensures efficient execution and secures savings that add value for clients. During project execution, Veidekke conducts regular client surveys to check cooperation status and allow strategy and targets to be adjusted as necessary.

All of Veidekke's construction projects must be based on sustainable production throughout all project phases,

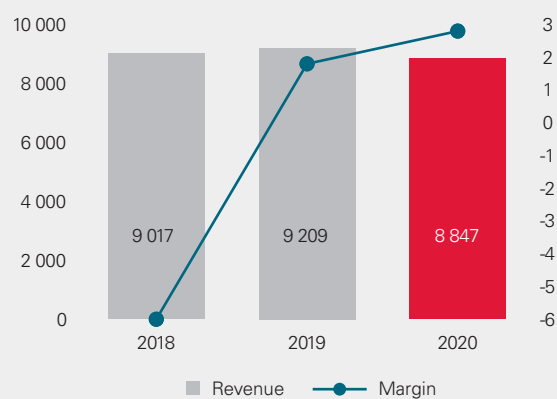
from sketches to the completed product. This is the reason for the decision made by Veidekke's construction operation in Oslo in the summer of 2019 to introduce fossil-free construction sites – a major step towards more sustainable construction activity. Other measures the company is adopting to reduce its climate footprint include increased use of wood and low-carbon cement, as well as refurbishment and reuse. The company is delivering buildings in accordance with certification schemes like BREEAM and the Nordic Swan Ecolabel. Read more on pages 159-161.

Veidekke's construction operation trains its own skilled manual workers in key areas, and provides apprenticeships at many of its sites around Norway. The Norwegian construction and infrastructure businesses operate a joint induction programme for new staff and joint systems for role-based training, including individually tailored development programmes for different project roles. The aim is to ensure that Veidekke has Norway's best project managers and project teams, and that individual employees are provided with relevant professional development and career opportunities.

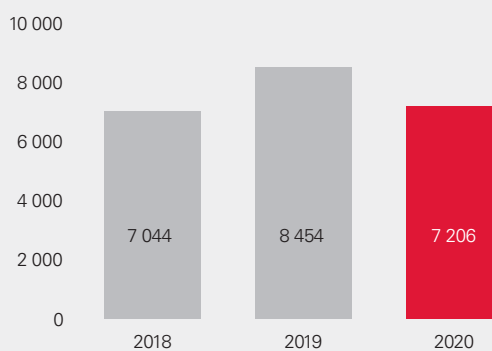
KEY FIGURES INFRASTRUCTURE NORWAY

NOK million	2020	2019	2018
Revenue	8 847	9 209	9 017
Civil engineering	5 933	5 530	5 300
Asphalt, Aggregates	2 914	3 679	3 717
Pre-tax profit	244	168	-543
Civil engineering	161	-5	-619
Asphalt, Aggregates	83	173	75
Profit margin	2.8%	1.8%	-6.0%
Civil engineering	2.7%	-0.1%	-11.7%
Asphalt, Aggregates	2.8%	4.7%	2.0%
Order book	7 206	8 454	7 044

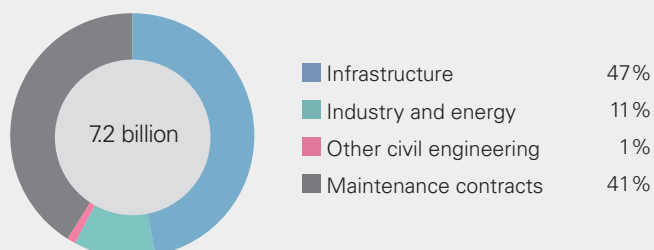
REVENUE AND PROFIT MARGIN
NOK MILLION AND PER CENT



CONTRACTS
NOK MILLION



ORDER BOOK BY MARKET SEGMENT
PER CENT



Veidekke total: 8 100

INFRASTRUCTURE NORWAY



Veidekke Infrastructure is a national Norwegian contractor with specialist expertise in the construction of roads, railways, power plants, industrial facilities and airports. The operation is also Norway's largest asphalt producer and contractor, the country's second-largest aggregates producer and an important player in the operation and maintenance of the Norwegian public roads network.

Veidekke Infrastructure was established in the spring of 2020 through a merger of the Norwegian civil engineering and industrial operations. Veidekke took the step of gathering technical expertise relevant to clients in one entity in order to approach the Norwegian civil engineering market in a more efficient and coordinated manner.

In recent years, parts of the civil engineering market have shown a trend towards large, highly complex projects with correspondingly high risk levels. Veidekke Infrastructure has sought to reduce the risk level of its project portfolio by targeting a better balance of project sizes and types.

The civil engineering and asphalt business produces substantial greenhouse gas emissions, and presents dust and noise challenges. Veidekke has been working to reduce the negative impact of its operations on its surroundings for several decades, through dialogue with affected parties and the development of new products and working methods. The company invites clients to collaborate to identify the most sustainable solutions. Read more about some of these on pages 159-161.

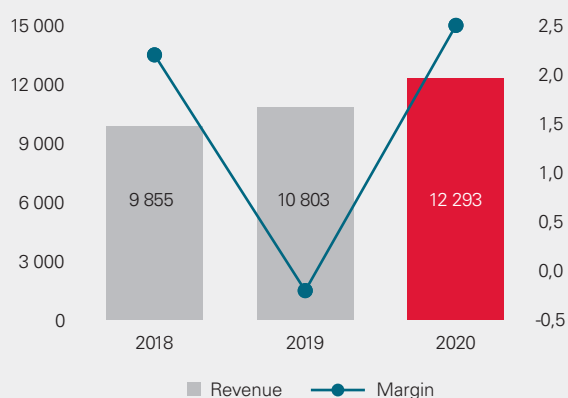
Veidekke Infrastructure trains its own skilled manual workers and recruits recent graduates and experienced engineers, as well as other relevant specialists. The Norwegian construction and infrastructure businesses operate a joint induction programme for new staff and joint systems for role-based training, including individually tailored development programmes for different project roles. The aim is to ensure that Veidekke has Norway's best project managers and project teams, and that individual employees are provided with relevant professional development and career opportunities.

KEY FIGURES VEIDEKKE SWEDEN

NOK million	2020	2019	2018
Revenue	12 293	10 803	9 855
Pre-tax profit	303	-25	214
Profit margin	2.5%	-0.2%	2.2%
Order book	14 380	11 504	11 880

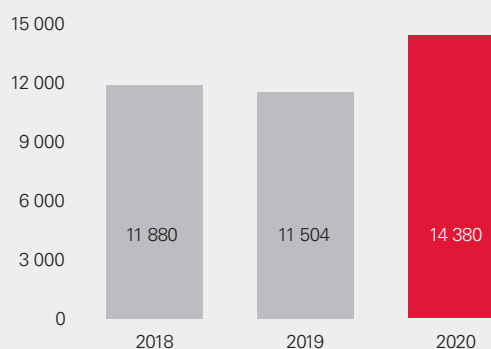
REVENUE AND PROFIT MARGIN

NOK MILLION AND PER CENT



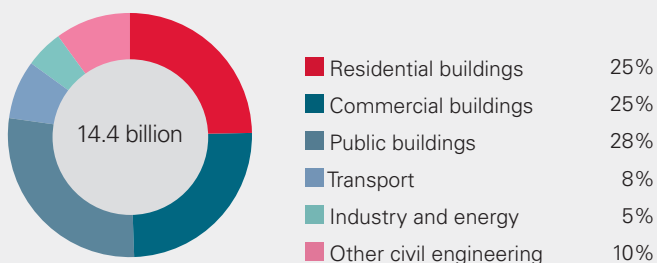
CONTRACTS

NOK MILLION

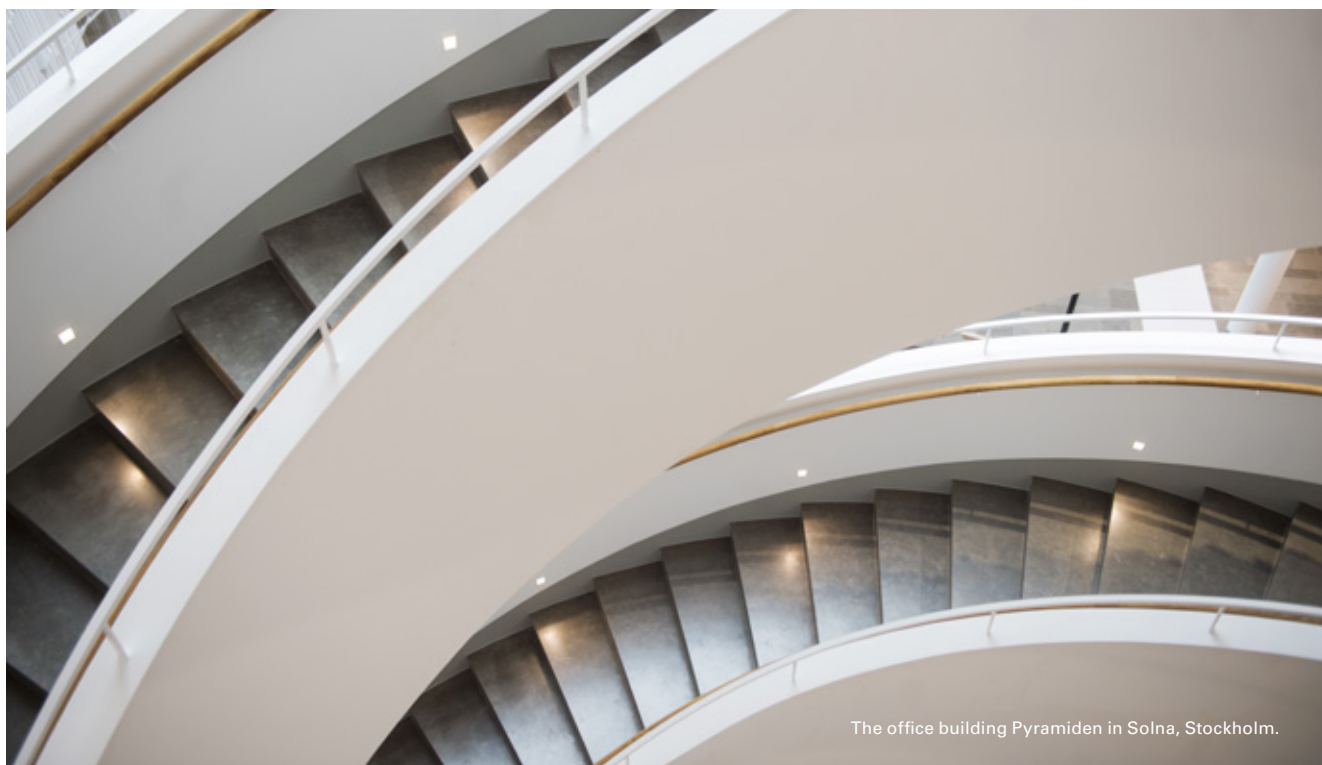


ORDER BOOK BY MARKET SEGMENT

PER CENT



VEIDEKKE SWEDEN



The office building Pyramiden in Solna, Stockholm.

Veidekke is Sweden's fifth-largest construction and civil engineering company.

The construction operation has a 4% share of the overall Swedish construction market. The operation has a broad portfolio of projects, with a particular emphasis on residential buildings, offices, hotels, care facilities and schools. The operation is concentrated in growth regions around Stockholm, Gothenburg and Malmö.

The civil engineering operation has strong market positions in segments such as infrastructure, extraction, heavy industry, energy and recycling facilities/landfill. The operation is concentrated in the regions around Stockholm, Gothenburg and Malmö, and is also a well-established operator in the mining segment in northern Sweden. The industrial operation in Sweden, which includes asphalt production and laying and landfill operations, is part of the civil engineering business.

Veidekke Sweden has adopted ambitious sustainability targets. The company seeks to achieve environmental improvements in all its projects, and sees scope for making production more sustainable through early project involvement.

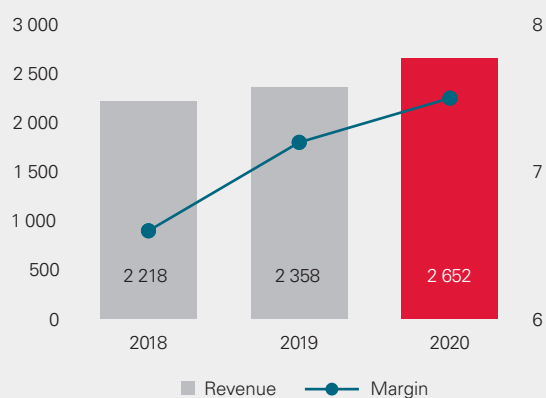
Veidekke Sweden is a teaching enterprise, training skilled manual workers in key trades. The company also runs a trainee programme for recent graduates with relevant university and university college qualifications, primarily in engineering subjects. Based on employee feedback, Veidekke was ranked as Sweden's fourth-best employer in 2019.

KEY FIGURES VEIDEKKE DENMARK/HOFFMANN

NOK million	2020	2019	2018
Revenue	2 652	2 358	2 218
Pre-tax profit	200	169	146
Profit margin	7.5%	7.2%	6.6%
Order backlog	2 516	1 983	2 548

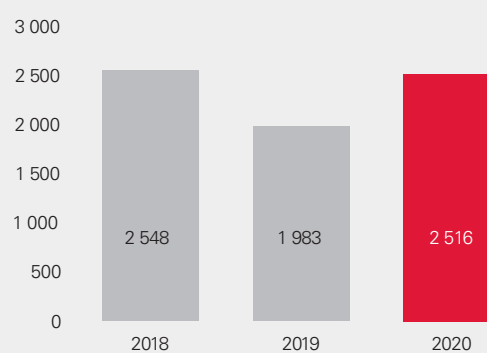
REVENUE AND PROFIT MARGIN

NOK MILLION AND PER CENT



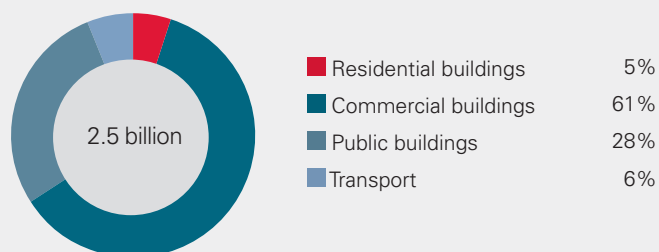
CONTRACTS

NOK MILLION



ORDER BOOK BY MARKET SEGMENT

PER CENT



Veidekke total: 8 100

VEIDEKKE DENMARK/HOFFMANN



At Kay Fiskers Plads in Ørestad near Copenhagen, Hoffmann is constructing an office building for KLP Ejendomme.

Hoffmann is a construction company with a long history in the Danish market, where it represents Veidekke.

The company has a longstanding focus on developing and constructing commercial buildings. More recently, Hoffmann has also expanded its portfolio of projects for public-sector clients, and recently signed a four-year strategic framework agreement with the Danish Building and Property Agency. Hoffmann has separate divisions concentrating on technical installations and the refurbishment of both residential and non-residential buildings.

Hoffmann aims to be a solution-focused partner, and cooperates with both clients and advisers on improvements to make projects more profitable for clients. The company gives particular emphasis to client consultation from an early stage of each project and throughout the planning, design and execution phases. Such projects account for 80% of the operation's revenues.

Hoffmann's culture is based on the belief that collaboration fosters success, and the company's vision is to build a better future where people can thrive and enjoy life, and to support a sustainable societal development. At Ørestad in Copenhagen, Hoffmann is currently building the largest Danish office building ever certified under the DGNB Gold standard.

Hoffmann is a teaching enterprise, training skilled manual workers in key trades. The company also provides systematic training for project managers recruited as recent graduates.

LETTER TO SHAREHOLDERS

In an extraordinary year for everyone, Veidekke has also undergone major changes: we sold the property development business in September, releasing significant value for shareholders, we took steps to streamline our operation and we initiated improvement processes that will continue going forward. In addition, all parts of the group have successfully dealt with the consequences of the ongoing Covid-19 pandemic.

The fact that we have managed to maintain planned progress and even increased our activity levels and profitability is testament to my Veidekke colleagues' dedication, professionalism and commitment to clients and the group. Veidekke has started 2021 as a streamlined construction company with a robust financial position and strong market shares in a Scandinavian region that is transitioning into a low-emissions society.

After announcing the sale of the property development operation in June, we presented three priorities for the new, streamlined Veidekke in the years ahead: to take further steps to improve profitability, to grow selectively and reinforce our position in key markets, and to prioritise capital discipline and generate a high, attractive dividend for shareholders. These priorities are in line with the objectives presented at our capital markets day in 2019, and I am pleased to see that we are delivering on our promises:

All of our operational areas delivered increased profits in 2020, and the group's total profits almost doubled compared to 2019. The progress made in 2020 clearly illustrates that we are one step closer to the objective we communicated almost two years ago.

We are concentrating our regional operations around Scandinavia's major cities, and are focusing on project categories in which our specialist expertise allows us to execute projects efficiently and to a high standard.

Veidekke distributed an extraordinary dividend of NOK 22.50 per share in 2020, comprising NOK 20 per share stemming from the sale of the property development operation and 50% of the originally proposed dividend for 2019, which was cancelled at the start of the pandemic in March. The board of directors is proposing a dividend of NOK 5.75 per share in respect of the 2020 financial year.

Nothing is more important to Veidekke than ensuring that all employees arrive home safely from work every day. The construction and civil engineering industry has a higher-than-average injury rate, and six years ago Veidekke adopted the target of zero serious injuries to increase safety awareness and reduce injury numbers. The safety measures and information campaigns implemented since then have helped reduce the number of serious injuries by over 90%. However, the three serious injuries registered in 2020 are three too many, and the operations will therefore continue their injury-reduction efforts.

In just under 10 years, we will reach 2030 – the year by which the UN Sustainable Development Goals are to be achieved. Veidekke takes its sustainable development responsibility seriously, and supports the UN goals. We also believe that sustainable operations and sustainable solutions are necessary prerequisites for the company's success in the transition to a low-emissions society.

The world around us is transforming rapidly. Fundamental market and competition conditions are changing, and the transition to a low-emissions society is presenting challenges. At Veidekke, we have noted an increasing green trend among capital investors, with growing demand for investments that make society more sustainable. Being a promoter of a more sustainable construction industry is no longer a vision, but a commercial imperative – companies that want to be profitable and successful in tomorrow's markets have to be leaders in the green shift.

At Veidekke, we see these changes as opportunities. We intend to play an active role and to take the lead in industry development, overcoming key challenges and building a better future project by project. Going forward, Veidekke will give priority to projects in which it can use its expertise to reduce its climate footprint. We will actively promote adaptation to a low-emissions society among our clients, suppliers and partners. We will also make selective investments to support innovation and the green shift.

Our industry has a considerable job to do, as construction and civil engineering activity accounts for a large share of global greenhouse gas emissions. This makes us a significant part of the problem, but also a key component of the solution. Veidekke will play an active role in the transition to



Jimmy Bengtsson
Group CEO

climate neutrality by driving and supporting the green shift. We will show industry leadership by reducing our own production emissions and selecting, developing and executing projects both to generate financial value for clients, employees and shareholders and to make a positive climate and environmental contribution.

The organisational changes implemented by the group in 2020 have had one purpose: to enable Veidekke to meet client expectations and needs. As a contractor focused on tomorrow's market, we cannot simply react to client wishes. Instead, we have to anticipate market opportunities and risks and show clients the opportunities these changes offer them. This requires close consultation with clients, in-depth knowledge of ongoing societal changes and industry framework conditions, and skilled staff who are committed to responding proactively to change.

Satisfied clients are the key to Veidekke's success. Client satisfaction is not just essential for the group's profitability, it is also a key priority in its own right. Our business is about delivering projects on time, with the agreed quality, on budget and in a manner that ensures our own profitability. This is easy to explain but hard to achieve, and very difficult to deliver consistently.

However, delivering on these objectives is not enough: clients today also expect us to help them increase project value, for example by making projects greener, easier to manage and more attractive to their own customers. Clients expect us to have the knowledge, expertise and vision to deliver better solutions than they have designed themselves, and to be passionate about challenging them to build better, more profitably and more sustainably. Delivering this added value allows us to move up the supply chain and become clients' first choice.

This requires staff with the right expertise, attitudes and values. Veidekke's fundamental values – to be professional, honest, enthusiastic and ground-breaking – illustrate both our expectations of staff and how we seek to approach dialogues with clients, suppliers and other stakeholders. As a contractor in the Scandinavian construction and civil engineering market, Veidekke is a knowledge and production enterprise in a labour-intensive industry. My colleagues are experts in the execution of projects which are never identical and always complex. This makes them Veidekke's most important resource. Their knowledge, dedication and ability to interact with clients, suppliers and other involved parties is crucial for project success.

At Veidekke, we want to provide good opportunities for professional and personal development for all employees. Trust and engagement are hallmarks of our work, both in-house and externally. We want our staff to both be committed to and to participate in the group's value creation. This is why we invite our employees to purchase shares in the company every year. The strong interest in this year's share programme shows that Veidekke's staff have confidence in the company and the future.

As I write this, we have reached the end of a year unlike any other I have experienced. The Covid-19 pandemic has shown us that even though we cannot always control our circumstances, we can decide how to respond to them. Time and again, our organisation across Scandinavia has demonstrated its ability to adapt to changing circumstances and find good solutions that allow us to keep our promises to clients and shareholders. These are sure signs of competence, a professional and flexible work approach, and a strong sense of loyalty to the group. And that makes me very proud of our people, and also very optimistic about Veidekke's future.

CLIMATE RISK – TCFD

Climate change entails strategic risk for Veidekke, and is therefore incorporated into the group's strategy development and risk management. Veidekke supports the Task Force on Climate-Related Financial Disclosures (TCFD) initiative, and seeks to address climate risk in accordance with TCFD recommendations.

References	
Governance <p>The board of directors and group management implement Veidekke's governance structure and policies, and decide the company's risk-assumption framework. The group's strategy is based on analyses of trends, materiality and climate risk.</p>	p. 22–25, 30, 126–130, 145–146, 178
Strategy <p>The construction and civil engineering industry consumes energy and natural resources and produces substantial greenhouse gas emissions. This entails risks, responsibilities and opportunities for large construction companies like Veidekke. The group's strategy takes climate risk and materiality analysis into account.</p>	p. 5, 14–15, 25, 126, 144–145
Risk management <p>Climate risk is part of Veidekke's risk management. The group has prepared a climate risk analysis, examined social criteria and started screening activities in accordance with the EU taxonomy. Work on expanded climate risk analyses will continue in 2021.</p>	p. 28–30, 130, 146, 157
Targets and indicators <p>Veidekke has adopted the target of reducing its CO₂ emissions by 50% by 2030 and 90% by 2050, and has undertaken to adopt climate targets verified under the Science Based Target initiative (SBTi). Veidekke's climate targets are based on the RCP 2.6, IPCC AR 5, scenario, which limits the global temperature increase to far below 2°C. Veidekke plans to decide a target date for achieving climate neutrality in the course of 2021.</p> <p>Veidekke reports to the CDP annually, and has maintained a top 'A' grade for the past three years.</p>	p. 5, 27, 159–162





Clearing snow in Trollstigen on county road 63 in Romsdal for the summer season 2020.

THE BOARD OF DIRECTORS OF VEIDEKKE ASA

Svein Richard Brandtzæg



Gro Bakstad



Ingalill Berglund



Position (elected)	Chair and board member since 2019	Board member since 2010	Board member since 2016
Committees	Remuneration committee (chair)	Audit committee (chair)	Remuneration committee
Born	1957	1966	1964
Number of shares	2,300	15,500	2,500
Other assignments	<ul style="list-style-type: none"> - Sibelco (BE) - Swiss Steel Group (CHF) - Eramet Norway - DNB ASA 	DNB ASA	<ul style="list-style-type: none"> - Scandic Hotels Group AB - Balco Group AB - Kungsleden AB - Axfast AB - Bonnier Fastigheter AB - Fastighets AB Stenvalvet
Education	<ul style="list-style-type: none"> - Graduate engineer, NTH - PhD Chemistry, NTH - Business management degree, BI 	<ul style="list-style-type: none"> - Graduate economist, NHH - State authorised public accountant, NHH 	Economist/auditor, Frans Schartau Business Institute
Experience	<ul style="list-style-type: none"> - CEO of Norsk Hydro (2009–2019) - NTNU, chair (2014–2020) 	CEO of Vy (2020–)	<ul style="list-style-type: none"> - CEO & Founder of SailAB - Former CEO of Atrium Ljungberg AB

Per-Ingemar Persson



Inge Ramsdal



Odd Andre Olsen



Position (elected)	Board member since 2020	Board member, elected by employees, since 2008	Board member, elected by employees, since 2011
Committees	Remuneration committee		Audit committee
Born	1956	1962	1961
Number of shares	55,740	8,295	4,805
Other assignments	<ul style="list-style-type: none"> - ELU Konsult AB (chair) - NEWS AB (chair) - Faberge AB - Wihlborgs Fastighets AB 		
Education	Graduate engineer, Lund University	Skilled worker	Skilled worker
Experience	<ul style="list-style-type: none"> - Self-employed - EVP Veidekke/CEO Veidekke Sweden AB - CEO Skanska Sweden AB - CEO NVS Installation AB 	Employee representative in Veidekke, former crane operator and concrete worker in Veidekke Entreprenør AS	Chief employee representative in Veidekke, former formwork carpenter in Veidekke Entreprenør AS

Ingolv Høyland



Board member since 2017

Audit committee

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: 25,148,220

Member of nomination committee JM AB

Candidate of Law, University of Oslo

CEO of OBOS (2015–)

Hanne Rønneberg



Board member since 2020

Audit committee

1959

700

- Multiconsult ASA
- Undervisningsbygg Oslo KF
- CICERO Center for International Climate Research

Graduate engineer, NTH

- Specialist consultant in SINTEF and a board member
- Extensive management experience from construction, contracting and research

Arve Fludal



Board member, elected by employees, since 2015

1970

8,200

Builder

Employee representative in Veidekke, Site manager, Building Construction Norway, head of The Veidekke Employee Share Trust

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

THE CORPORATE MANAGEMENT OF VEIDEKKE ASA

Jimmy Bengtsson



Hans Olav Sørli



Øivind Larsen

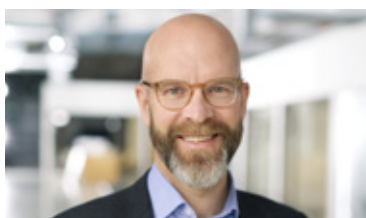


Position (appointed)	Group CEO (2019)	EVP (2018)	EVP (2018)
Areas of responsibility		Construction Norway	Infrastructure Norway
Born	1966	1965	1963
Employed at Veidekke since	2015	2003	1988–2001, 2016
Number of shares	49,240	71,090	8,100
Share options	1,000	3,000	1,000
Education	Graduate engineer, Royal 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 Gransherad Sparebank

Terje Larsen



Lars Erik Lund



Anne Thorbjørnsen



Position (appointed)	EVP (2013)	EVP (2016)	EVP (2018)
Areas of responsibility	Risk management and IT	Strategy and sustainability	Human relations, occupational health and safety
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	3,000
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"> - CFO, Veidekke ASA - 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



Kristina Andreasson



EVP (2019)	EVP (2006)	EVP (2020)
Veidekke Sweden	CFO	Communications and branding
1967	1972	1978
2017	1995	2013
20,000	109,310	1,600
1,000	1,000	1,000
Graduate engineer, Royal Institute of Technology in Stockholm	Graduate economist, NHH	Bachelor of Honours, Marketing & Advertising, University of the Arts, London
<ul style="list-style-type: none"> - Director, FO Bygg Bostäder, Veidekke Sweden - EVP, Skanska Sweden AB - Regional manager, Hus Stockholm Syd/Bostäder, Skanska Sverige AB 	<ul style="list-style-type: none"> - EVP project development Scandinavia, Veidekke ASA (2013–2020) - EVP, Industry and Denmark/Hoffmann, Veidekke ASA (2013–2020) - EVP/CFO, Veidekke ASA (2006–2013) 	<ul style="list-style-type: none"> - Head of communication and marketing, Veidekke Sweden - Head of communication, Veidekke Property Development Sweden - Head of Management & Strategy, Kaplan RM, part of Accenture Interactive

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

BOARD OF DIRECTORS' REPORT¹⁾

HIGHLIGHTS GROUP

In a year marked by the Covid-19 pandemic and major organisational changes, Veidekke delivered an annual profit in accordance with the plan communicated at the 2019 capital markets day. While the pandemic and strict infection control measures impacted project execution throughout 2020, Veidekke has thus far remained relatively unaffected by negative consequences of the ongoing serious global situation. The organisation has managed to adapt to the new daily reality, and as at year-end the situation had not affected progress to any notable degree.

Veidekke's operations and organisation underwent significant changes in 2020. In April, the Norwegian civil engineering and industrial operations were merged to form a new business area: Veidekke Infrastructure Norway. The integration process continued throughout most of the year. In June, a sale agreement was signed for the property development operation, which was transferred to a new owner on 1 September. The decision to sell the property development operation was strategic, and founded on the desire to facilitate further growth, development and value creation. The property development operation had different growth drivers to the rest of Veidekke's portfolio, and streamlining the construction business has expanded the group's operational and financial capacity. The sale generated a post-tax gain of NOK 1,023 million (IFRS) for Veidekke. The company received a payment of NOK 7.1 billion on a debt-free basis. See note 4 for further information.

At year-end, Veidekke is a streamlined construction company with strong market positions, robust financial capacity and a strong foundation for maintaining a high activity level going forward.

Unless otherwise stated, the rest of this report relates to continued operations. Veidekke's segment reporting was amended as of Q3 2020.

Revenue for 2020 as a whole totalled NOK 38.1 billion, up 4% on 2019. Measured in local currency, revenues were on a par with 2019. The Swedish and Danish operations both achieved growth. The revenues of the Norwegian construction operation were on the same level as last year, while the Norwegian infrastructure operation experienced a 4% revenue drop due to lower activity in the asphalt and aggregates segments.

The pre-tax profit amounted to NOK 1,134 million, compared to NOK 596 million in 2019. All of the business areas improved their profitability from 2019 to 2020. The greatest profit improvement occurred in Sweden, where substantial losses and restructuring costs were incurred in 2019. The Norwegian construction operation achieved a year-on-year profit improvement thanks to strong progress by several previously underperforming entities. The new operation Infrastructure Norway also made good advances from 2019 to 2020 due to an improvement in civil engineering profits. The asphalt and aggregates operations, however, experienced a weak year, with a 25% drop in asphalt tonnages contributing to falling profits in this part of the infrastructure operation. Profits also improved in Denmark, primarily due to increased revenues. Overall, Veidekke's profit margin improved to 3.0%, from 1.6% in 2019.

According to the 2020 segment accounts, the total revenues of continued operations and discontinued operations amounted to NOK 39.3 billion. The pre-tax profit was NOK 2,043 million. The ordinary pre-tax profit of the property development operation was NOK 318 million in 2020, while the gain on the sale was NOK 591 million.

The group's net interest-bearing assets totalled NOK 3.1 billion at the end of 2020, compared to NOK -2.7 billion at the end of the previous year. The net interest-bearing assets increased by NOK 5.7 billion in 2020, primarily due to the sale of the property development operation. Dividends totalling approximately NOK 3.0 billion were

1) Unless otherwise specified, figures in the annual report are taken from the segment accounts and relate to the present group structure. The demerger decision 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 discontinued operations sale must be shown on a single line. This is discussed further in note 4 and note 15.

distributed in 2020, with the majority of this sum comprising an extraordinary dividend stemming from the property transaction. Cash flow from operational activities amounted to NOK 2.4 billion for the year.

The profit per share linked to continued operations is NOK 5.8 for 2020. Based on the group's strong financial position and robust order book, the board of directors is proposing to pay an ordinary dividend of NOK 5.75 per share for the financial year 2020. This corresponds to a distribution ratio of 100%.

OPERATIONS IN 2020

CONSTRUCTION NORWAY

NOK million	2020	2019	2018
Revenue	14 638	14 464	13 070
Pre-tax profit	532	387	443
Profit margin %	3.6%	2.7%	3.4%
Order book	13 358	14 762	14 223

The Norwegian construction operation generated revenues of NOK 14.6 billion in 2020, up 1% from NOK 14.5 billion the previous year. While revenues increased in the Oslo region, a slight decrease was recorded for the rest of the country.

The pre-tax profit totalled NOK 532 million, compared to NOK 387 million in 2019. The 2019 profit included NOK 70 million in one-off costs linked to the reorganisation, discontinuation and sale of operations. Adjusted for these restructuring costs, the 2019 profit was NOK 457 million. The 2020 profit margin was 3.6%, up from 3.2% in 2019 (adjusted for the restructuring costs incurred in 2019).

The profit improvement from 2019 to 2020 is primarily attributable to improvements in the profitability of operations in southern and western Norway, as well as the positive effect of restructuring measures implemented during the year.

At year-end 2020, the construction order book stood at NOK 13.4 billion, 10% lower than at the beginning of the year. The decline is linked to a reduced order intake in the commercial buildings and residential segments, although demand for public buildings increased. At year-end, the order book composition was 38% public buildings, 35% residential units and 27% commercial buildings.

Major contracts signed in 2020:

- Voldsløkka School. Lower secondary school for Undervisningsbygg Oslo KF. Contract value NOK 478 million.
- Kvarteret district 1 in Lillestrøm. Residential project for Obos. Contract value NOK 425 million.
- Sandefjord Upper Secondary School for Vestfold and Telemark County Authority. Contract value NOK 422 million.
- Nygård Nursing Home for Sandefjord municipality. Contract value NOK 386 million.
- Fifth construction stage (apartments and parking facilities) at Vollebakk in Bjerke district, Oslo for OBOS Nye Hjem AS. Contract value NOK 372 million.
- Velodrome and non-residential building in Asker for Norges Cykleforbunds Kompetansesenter AS and Nordr Eiendom. Contract value NOK 347 million.

INFRASTRUCTURE NORWAY

NOK million	2020	2019	2018
Total revenue	8 847	9 209	9 017
Civil engineering	5 933	5 530	5 300
Asphalt, aggregates	2 914	3 679	3 717
Total pre-tax profit	244	168	-543
Civil engineering	161	-5	-619
Asphalt, aggregates	83	173	75
Total profit margin	2.8%	1.8%	-6.0%
Civil engineering	2.7%	-0.1%	-11.7%
Asphalt, aggregates	2.8%	4.7%	2.0%
Order book	7 206	8 454	7 044

In April 2020, Veidekke's industrial and civil engineering operations in Norway were merged to form the new business area Veidekke Infrastructure.

The annual revenue generated by the amalgamated operation was NOK 8.8 billion, down 4% on 2019. While the civil engineering operation achieved positive growth, a 25% decline in asphalt volumes reduced the revenues of the asphalt and aggregates operation. The pre-tax profit was NOK 244 million, up from NOK 168 million in 2019. The profit improvement is attributable to the improved profitability of the civil engineering operation. The profit margin for the year was 2.8%, up from 1.8% the previous year.

The civil engineering operation achieved revenues of NOK 5.9 billion, up 7% on 2019, and a pre-tax profit of NOK 161 million, compared to NOK -5 million last year. Although the civil engineering portfolio still includes a number of loss-making projects, final payments for several projects and positive outcomes in various disputes contributed to the positive result. Ongoing road maintenance contracts also made a substantial contribution.

The annual profit margin was 2.7%, compared to -0.1% in 2019. At year-end, the operation was involved in one major ongoing dispute with potentially large financial consequences.

The asphalt and aggregates operations achieved combined revenues of NOK 2.9 billion in 2020, down 21% on last year. The pre-tax profit was NOK 83 million, compared to NOK 173 million in 2019. The decline in profits is attributable to significantly lower asphalt tonnages, which impacted the profits of both operations negatively. The profit margin for the year was 2.8%, down from 4.7% in 2019.

At year-end, the infrastructure order book totalled NOK 7.2 billion, down 15% since the beginning of the year. The order book was composed of transport infrastructure contracts (47%), maintenance contracts (41%), industrial and energy contracts (11%) and other civil engineering projects (1%).

Major contracts signed in 2020:

- Maintenance contract in Trondheim for the Norwegian Public Roads Administration. Contract period 2020–2025. Contract value NOK 500 million.
- Maintenance contract in Indre Sunnmøre for Møre og Romsdal County Authority. Contract period 2020–2025. Contract value NOK 430 million.
- Maintenance contract in Sør-Salten for Nordland County Authority. Contract period 2020–2025. Contract value NOK 430 million.
- Nye Langøyene project – securing of former landfill site on the Langøyene islands in Oslo Fjord, for the City of Oslo. Contract value NOK 258 million.
- Maintenance contract in Drammen for the Norwegian Public Roads Administration. Contract period 2020–2022. Contract value NOK 250 million.
- Renewal of runway and access taxiway at Ørlandet air base for the Norwegian Defence Estates Agency. Contract value NOK 148 million.

VEIDEKKE SWEDEN

NOK million	2020	2019	2018
Revenue	12 293	10 803	9 855
Pre-tax profit	303	-25	214
Profit margin %	2.5%	-0.2%	2.2%
Order book	14 380	11 504	11 880

Veidekke Sweden recorded revenues of NOK 12.3 billion in 2020, amounting to an increase of 5% on 2019 in the local currency. Revenue growth was achieved in the construction segment. The pre-tax profit was NOK 303 million, up from NOK 230 million in 2019 (adjusted for losses and restructuring costs). The increase is linked to improved profitability of the infrastructure operation and the construction operation in Stockholm.

The Swedish construction operation generated NOK 7.9 billion in revenue in 2020, with a profit margin of 2.2%. The infrastructure operation's revenues totalled NOK 4.4 billion

with a profit margin of 3.0%. Both operations improved their profitability year-on-year.

At year-end 2020, Veidekke Sweden's order book totalled NOK 14.4 billion, compared to NOK 11.5 billion at the beginning of the year. Measured in the local currency, this equates to a 12% increase. The order book comprised public buildings (28%), commercial buildings (25%), residential units (25%), other civil engineering projects (10%), transport infrastructure (8%) and industrial and energy (4%).

Major contracts signed in 2020:

- Himmerfjärdsverket phase 2. Refurbishment and addition to the Himmerfjärdsverket treatment plant in Grödinge, for Syvab. Contract value approximately NOK 1.3 billion.
- Skålen phase 3 in Stockholm. Refurbishment office premises for Scius Partners. Contract value NOK 406 million.
- E20 Vårgårda–Ribbingsberg. Refurbishment of a stretch of road for the Swedish Transport Administration. Contract value NOK 389 million.
- Tvinnessheda wind farm for Stena Renewable. Contract value NOK 276 million.
- Vanntårnet Våga. Collaborative project encompassing planning, design and construction of a new water tower for Varberg municipality. Contract value NOK 260 million.
- Proteinet Venue. Residential project for Nordr. Contract value NOK 226 million.

VEIDEKKE DENMARK/HOFFMANN

NOK million	2020	2019	2018
Revenue	2 652	2 358	2 218
Pre-tax profit	200	169	146
Profit margin %	7.5%	7.2%	6.6%
Order book	2 516	1 983	2 548

Veidekke's Danish operation generated revenues of NOK 2.7 billion in 2020, compared to NOK 2.4 billion in 2019. Measured in the local currency, revenues increased by 3%. The increase is attributable to high activity in large commercial projects on Zealand. Activity on Jutland, however, declined somewhat year-on-year.

The pre-tax profit amounted to NOK 200 million, up from NOK 169 million in 2019. The profit improvement from 2019 to 2020 is due to a revenue increase combined with robust profitability in the project portfolio and a large profit contribution from projects nearing completion.

At year-end 2020, the order book totalled NOK 2.5 billion, up 19% from the beginning of the year measured in the local currency. The order book comprised commercial buildings (61%), public buildings (28%), transport infrastructure projects (6%) and residential units (5%).

Major contracts signed in 2020:

- Hospital pharmacy and laundry facility at Aarhus University Hospital for Region Midtjylland. Contract value NOK 313 million.
- Gaulumparken. Family residential units for Bolig Næstved. Contract value NOK 171 million.
- Strandgade. Refurbishment into office premises for the Danish Building and Property Agency in Copenhagen. Contract value NOK 168 million.

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 145 million in 2020, compared to a loss of NOK 104 million in 2019.

STRATEGIC OBJECTIVES

Following the demerger of the property development operation in 2020, Veidekke is a streamlined, leading Scandinavian construction company. 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 the period to 2022:

Annual revenue growth shall be in the range 3%–5%. In the period to 2022, increased profitability will have higher priority than revenue growth. In 2020, the revenues of continued operations increased by 1%, adjusted for foreign exchange effects. The group's overall profit margin shall be above 4% in 2022, with an interim target of >3% for 2020. The operational areas were also given individual profit margin targets to be achieved by year-end 2020: 3% for the construction operation and 3.5% for the industrial operation. At the end of 2020, the construction operation's profit margin was 3.2%, while the industrial operation achieved a margin of 3.8%. The cumulative rate for the continued operations as a whole was 3.0%.

Veidekke aims to pay its shareholders a high and attractive dividend. The group's dividend policy states that, over time, the dividend paid out must total more than 50% of the group's annual profit. Over the past five years, the dividend ratio has been between 50% and 80%. The board of directors is proposing a dividend of NOK 5.75 per share for the financial year 2020, corresponding to a distribution ratio of 100%.

Veidekke seeks to provide a safe workplace, and has adopted a target of zero serious occupational injuries. A further aim is to reduce the total number of injuries by 20% per year. Three serious injuries were reported in 2020, and there were 315 injuries in total. This represents a reduction of 10% compared to 2019.

When presenting the Q1 2021 results, Veidekke will also provide a capital markets update setting out updated strategic objectives for the new organisational structure resulting from the establishment of Veidekke Infrastructure in Norway and the sale of the property development operation.

ORGANISATION

At the end of 2020, Veidekke had 8,082 permanent employees, as well as 175 seasonal employees in the Norwegian asphalt operation. In total, 718 persons were hired in 2020. Turnover (resignations only) amounted to 7.1%, compared to 7.5% in 2019.

Number of employees

	Skilled workers	Administrative staff	Total
Norway	3 156 (3 310)	2 262 (2 405)	5 418 (5 715)
Sweden	862 (928)	1 366 (1 452)	2 228 (2 380)
Denmark	244 (269)	192 (213)	436 (482)
Total	4 262 (4 507)	3 820 (4 070)	8 082 (8 577)

Last year's figures in brackets. Veidekke sold its property development operation, which had 200 employees, in September 2020.

A significant share of the group's value creation takes place through subcontractors with other expertise than Veidekke's own. In addition to the group's own employees, an estimated 12,000 people work for Veidekke at any given time. In 2020, Veidekke had 103 seasonal employees during the asphalt production and laying high season.

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, and work well together.

Veidekke arranges role-specific training and networking groups to supplement the knowledge acquired through project involvement and new responsibilities. HR competence centres in Norway and Sweden organise and facilitate learning and development adapted to the individual's role and responsibilities. This covers the company's core subjects, project management, processes, systems and leadership development. The networking groups engage in more specialised skills development in key areas, such as calculation, residential construction and engineering. To keep up with innovation and technology development, Veidekke also collaborates with leading

academic groups at universities, university colleges and technical colleges.

The group has a long-term strategy of educating and hiring its own skilled workers. In Norway, Veidekke is one of the companies that train the highest number of apprentices, with 297 apprentices at the end of 2020. A passing trade test qualifies for a permanent position after completion of the apprenticeship. In 2020, the group continued its campaign of targeted measures to strengthen recruitment to the vocational subjects, including, among other things, cinema advertising, radio spots, editorial coverage and social media.

Through its programme for recent graduates, Veidekke recruits primarily technical personnel to the group. The programme combines practical project work with theoretical training. The 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 2020, the group had a total of 165 trainees.

According to the annual Universum survey, Norwegian engineering students regard Veidekke as Norway's third most attractive construction-industry employer. In addition, Veidekke won a gold Magnet Award (Norwegian employer branding competition) for its student recruitment campaign. Young engineers with construction and civil engineering industry experience awarded Veidekke a top ranking in the Young Professional Attraction Index (YPAI), and the group ranked second in Universum's survey (up from fifth place in 2019). In Sweden, Veidekke's "Putting your heart into construction" website was crowned website of the year by Karriärföretagen (Career Companies).

Working environment and diversity

All Veidekke employees must be met with 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 staff to report 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.

In 2020, the ordinary employee survey was replaced by a survey concentrating on information-provision, infection control and staff follow-up during the Covid-19 pandemic. Veidekke's employees reported receiving helpful and accessible information on infection control measures, and that infection control had been handled well both at project level and in office spaces. The organisation was highly confident that management was taking the pandemic seriously, and

staff felt that they had good access to their line managers. There were no geographical, age or gender-based differences in the reported findings.

The fact that the proportion of women in the construction industry is generally low is also reflected in Veidekke. The group is working to increase the diversity of its workforce, and had adopted clear targets for increasing both the proportion of women in the group as a whole and the number of women in executive positions by the end of 2020. At year-end 2020, women still only accounted for 12% of all Veidekke employees – 23% of administrative staff and 2% of skilled manual workers. The proportion of women trainees was 31%. Among apprentices, the proportion of women increased to almost 8%, from 6% in 2019. The group management team includes seven men and two women.

Veidekke recognises that the targets related to increasing the proportion of women were not achieved in 2020. The company has adopted new targets for the period to 2025, and has implemented new measures to ensure their achievement. The new targets include doubling the proportion of women operational managers to over 20% and having at least one woman on all management groups above project level. The group is also retaining the targets that women should account for 40% of new hires and 50% of students working summer jobs.

See pages 168 and 171 of the sustainability report for further information about the company's gender equality and anti-discrimination work.

Management

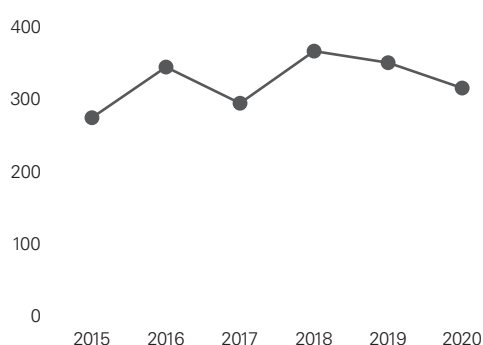
The group management team comprises the Group CEO, three EVPs for the operational areas and five EVPs for the staff functions. The following changes occurred in the team in 2020: Øivind Larsen took over as EVP/head of the new operational area Veidekke Infrastructure (Norway) in May, while Catharina Bjerke left the management team. In mid-August, Jørgen Wiese Porsmyr was appointed CFO, succeeding Terje Larsen, who became EVP of risk management and IT. In mid-September, Lars Erik Lund was appointed EVP of strategy and sustainability, while Kristina Andreasson joined the team as EVP of communications and branding. At the same time, Anne Thorbjørnsen was confirmed as EVP of HR and OHS on a permanent basis. The group management team is presented on pages 20–21.

OCCUPATIONAL HEALTH AND SAFETY

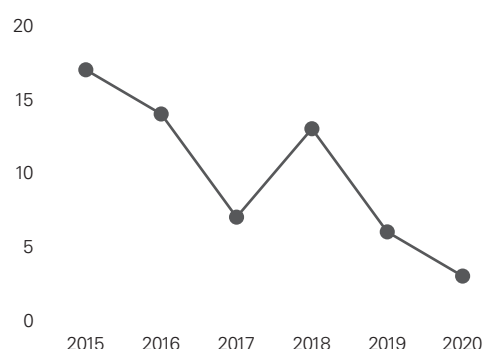
In 2014, Veidekke adopted the target of eliminating serious occupational injuries by the end of 2020, and the number of serious injuries has been reduced by more than 90% since then. The number of fatal accidents has also been substantially reduced. Veidekke registered three serious injuries in 2020, representing a 50% improvement on 2019.

To intensify its injury-prevention efforts, the group launched an ambitious programme in 2019 to improve and standardise key health and safety processes within the group. The aim is to complete implementation of all programme measures by the end of 2021. For details of the programme, see page 153.

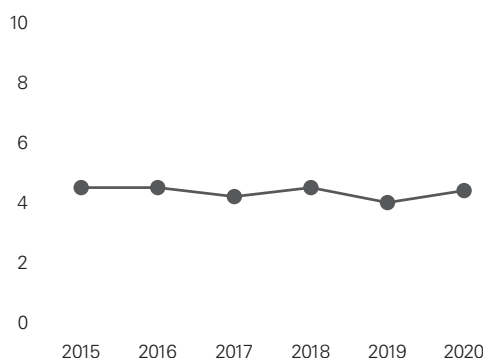
TOTAL NUMBER OF INJURIES



SERIOUS INJURIES



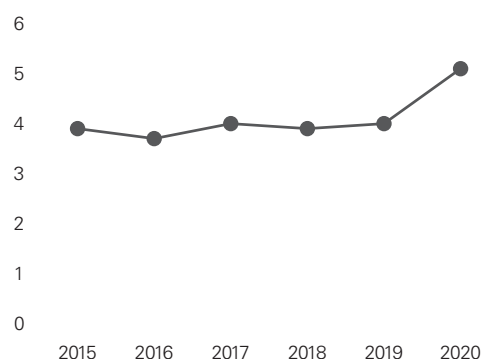
LTI RATE: LOST-TIME INJURIES PER MILLION HOURS WORKED, OWN EMPLOYEES



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. The group's annual working environment surveys evidence high employee wellbeing.

SICKNESS ABSENCE, OWN EMPLOYEES, PER CENT



Veidekke's sick leave rate increased sharply – to 5.1% in 2020, up from 4.0% in 2019. In Denmark and Sweden, short-term absence among skilled manual workers increased, while in Norway both short and longer term absence increased for this group of employees. The country distribution was as follows: Norway 5.7% (2019: 4.7%); Sweden 4.2% (2019: 3.7%); and Denmark 2.5% (2019: 1.9%). The increase in short-term sick leave is directly linked to the Covid-19 pandemic and developments in the infection situation in each of the three countries.

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 and zero-emissions construction sites, electrification of machinery and vehicles, transitioning to renewable energy carriers in asphalt production, increased use of massive wood products, environmental certification of construction and civil engineering projects and various forms of reuse. Veidekke is also investing in innovation to develop new products that produce fewer greenhouse gas emissions.

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. Such cooperation facilitates mutual learning and quicker development, and has positive effects with potential far beyond Veidekke's own operations and industry. Veidekke's work related to the external environment is discussed further on pages 156–165 of this report.

Veidekke committed itself to running its business in accordance with the Paris Agreement in 2015, and has adopted the objective of cutting its own greenhouse gas emissions by 50% by 2030 and 90% by 2050, compared to the benchmark year 2018. As of 2021, this commitment is further confirmed by the adoption of a carbon budget to be implemented on the same basis as financial and health and safety targets. Both loans incorporating sustainability conditions and financial incentives for executives are linked to the carbon budget.

The 2020 CDP Climate Change investor survey awarded Veidekke the highest 'A' rating for the third year in a row. CDP evaluated 9,600 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 criteria for the top 'A' rating are constantly becoming stricter. The 273 businesses on the A-list include just nine Norwegian companies.

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 126–132 of this report, and will be considered at the ordinary general meeting on 5 May 2021.

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 5 May 2021.

The board has appointed a dedicated remuneration committee which prepares matters and proposals on 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 32 to the annual accounts.

SHAREHOLDER AND STOCK EXCHANGE MATTERS

In 2020, 38.7 million Veidekke shares were traded on the Oslo Stock Exchange, equating to a turnover rate of 28.7%. Over the course of the year, the share price fluctuated between NOK 73.30 and NOK 133.60. The annual return including dividends was 11.6%. In contrast, the return achieved by the Oslo Stock Exchange Benchmark Index was 4.6%. All of Veidekke's shares are freely transferable; see section 5-8a of the Securities Trading Act.

At year-end, Veidekke had 12,140 shareholders, the largest of which were OBOS BBL (18.6%), Folketrygdfondet (11.6%) and IF Skadeforsikring AB (3.7%). The proportion of foreign shareholders was 26.3%.

Veidekke encourages employees to participate in the group's value creation through share ownership. The employee share programme gives all employees an annual opportunity to purchase Veidekke shares at a discount. In view of the distribution of an extraordinary dividend stemming from the sale of the property development operation, the 2020 share purchase opportunity was postponed until after 12 February 2021, the publication date of the Q4 2020 results. At year-end 2020, 3,838 Veidekke employees owned a total of 11.1% of the company.

A three-year option programme for key staff was established in 2019. In 2020, 1,030 programme participants were offered the opportunity to subscribe for 2,000 options at a purchase price of NOK 1 per option, and 494 staff members purchased a total of 887,000 options.

The board of directors is proposing a dividend of NOK 5.75 per share in respect of the financial year 2020. The proposal is in line with Veidekke's dividend policy and the objective of giving shareholders a competitive return on their investment.

Further information on the programmes, share price developments and other matters relating to the Veidekke share can be found on pages 138–141 of this report.

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.

The group's net interest-bearing assets totalled NOK 3,078 million at the end of 2020, compared to NOK -2,653 million at the beginning of the year. The NOK 5.7 billion improvement is primarily due to the sale of the property development operation. Cash flow from operational activities amounted to NOK 2.4 billion for the year, compared to NOK 1.5 billion in 2019. Investments in operating assets less lease agreements pursuant to IFRS 16 amounted to NOK 595 million in 2020.

The group's total assets amounted to NOK 17.5 billion at year-end, compared to NOK 22.0 billion one year previously. Total equity stood at NOK 2.9 billion (2019: NOK 4.0 billion), corresponding to an equity ratio of 16.4% (2019: 18.0%).

As part of adjusting the group's capital structure and financing arrangements following the sale of the property development operation in the autumn, Veidekke refinanced its existing borrowing facilities with DNB and SEB in December 2020. The previous overdraft facility with Veidekke's main bank, DNB, was restructured into a rolling NOK 1,750 million, 364-day facility. Veidekke also renegotiated its NOK 750 million credit facility with SEB, which now features a three-year maturity and two one-year extension options. The credit facility includes sustainability targets. As at 31 December 2020, Veidekke had not drawn on any of its available credit totalling NOK 2.5 billion.

RISKS 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 Covid-19 pandemic dominated the group's risk profile throughout 2020, and project execution was impacted by infection control measures. Thus far, however, Veidekke has remained relatively unaffected by negative consequences of the pandemic. Elsewhere in the world, the pandemic has caused production stoppages and made it impossible to deliver important goods and components, thus potentially reducing the ability of companies to maintain normal operations. Likewise, official infection control measures 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 may thus affect growth prospects for the year ahead.

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. In 2020, Veidekke established a new group management position with responsibility for group-wide risk management.

Certain forms of contract permit differing interpretations of contractual performance, giving room for disagreement between the contractor and client regarding final payment. 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. After the balance sheet date, a main hearing has been held in one case. The subsequent judgment was fully in Veidekke's favor. At the time of writing, the judgment is not final.

Climate risk

Climate change and climate policy are changing society and the economy in ways which may have a significant impact on the construction and civil engineering industry. Phenomena such as extreme weather, flooding, and drought can cause physical damage to nature, infrastructure and buildings, and steps taken by society to counter climate change may affect market conditions, government policy, regulatory frameworks, technology and reputation.

Such changes in physical and societal framework conditions increase Veidekke's financial risk. Going forward, the EU's classification system for sustainable economic activity – also referred to as the EU taxonomy – will play a major defining role in terms of what activities qualify as sustainable, what projects can secure financing and financing cost.

In 2020, Veidekke's former industrial operation (now part of Veidekke Infrastructure) completed an assessment of climate risk in accordance with principles formulated by the Task Force on Climate-related Financial Disclosures (TCFD), and is continuing to implement renewable energy carriers at its asphalt factories. At group level, a materiality analysis has been supplemented with a client survey examining how much emphasis clients will give to sustainability in future. In addition, a third-party assessment of how Veidekke should respond to the new EU taxonomy was completed. Also in 2020, Veidekke clarified that the company is compliant with the taxonomy's societal criteria, and began piloting project screening in accordance with the taxonomy.

Systematic risk assessment may reveal new business opportunities and scope for improving Veidekke's competitiveness, for example by offering strong environmental expertise and green products and services. Read more about Veidekke's work in this area on pages 156–165.

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 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. In 2018, the group issued an unsecured fixed-rate bond loan totalling NOK 600 million, with maturity of seven years.

For further information on the company's financial risks, see note 30.

THE MARKET

The construction and civil engineering market came through 2020 in far better shape than feared when the Covid-19 pandemic initially hit Scandinavia in March. Production in ongoing projects was maintained, and implemented infection control measures have not had a notable negative effect on total production volume. Although demand and the number of new project starts dropped

somewhat in the first half of the year, activity levels recovered in the autumn. At the end of 2020, therefore, there were good prospects of continuing high activity.

Economic activity in Scandinavia is expected to grow strongly in 2021 as a result of mass vaccination programmes, lower infection rates and normalisation of economic framework conditions. Aggressive fiscal policy on the part of governments, particularly in relation to credit supply, will stimulate continued high investment by households and businesses.

Construction and civil engineering production is forecast to fall by 1% in 2021, but will remain at a high level in historical terms. Both registered new building starts and order intakes reported by major construction companies indicate stable levels of construction activity for the foreseeable future. Veidekke anticipates moderate production growth in 2022 – estimated at 2% and evenly distributed between the three countries.

Sales of new residential units have been strong in recent quarters, and this market appears to have bottomed out in several major metropolitan areas. Moderate growth is expected in the number of new building starts in 2021, with a consequential increase in residential production in 2022.

The number of new commercial building starts fell considerably in 2020, as expected during a period of great economic uncertainty and rising unemployment. Nevertheless, the drop in demand was smaller than feared, and the number of new project starts remained generally stable throughout the autumn. Demand for public buildings is forecast to be high in 2021 and 2022, particularly in Norway and Sweden. National budgets for 2021 suggest that the civil engineering market will remain robust in 2021 and 2022, with particularly strong growth in the Norwegian and Swedish railway construction sectors. In the industrial segment, the market is expected to strengthen significantly in 2021, compared to 2020.

EVENTS AFTER THE BALANCE SHEET DATE

No events with a material effect on the issued accounts have occurred after the balance sheet date. However, it should be noted that the accounts reflect project estimates based on a normal situation of full operation and ordinary project staffing levels. The progress of current projects may be affected by the ongoing pandemic, and the effects of the pandemic will depend on its scope and duration. There have been no further developments related to the pandemic which have materially affected the year-end assessments.

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 53 (2019: 47) employees, including 24 (2019: 28) 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, OHS, communications and information. These services are invoiced to the relevant subsidiaries.

Veidekke ASA generated operating revenues of NOK 102 million (2019: NOK 114 million) in 2020, and made an operating loss of NOK 120 million (2019: loss of NOK 135 million). The sale of the Norwegian property development operation resulted in a gain of NOK 1,408 million. Dividends and group contributions from subsidiaries amounted to NOK 1,676 million (2019: NOK 812 million). The company accounts show a pre-tax profit of NOK 2,933 million (2019: NOK 675 million).

The board of directors is proposing an ordinary dividend of NOK 5.75 per share in respect of the 2020 financial year. This equates to a distribution ratio of 100% of the profit per share (IFRS) from continued operations, in line with the minimum

distribution target of 50% under the dividend policy. The parent company, Veidekke ASA, achieved an annual profit of NOK 2,921 million (2019: NOK 646 million). At the company's annual general meeting on 5 May 2021, the board will propose the following allocation of the annual profit:

	NOK million
Paid dividend	3 037
Allocated to dividend	776
Transferred from other equity	-892
Profit for the year	2 921

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 social responsibility work has been prepared in accordance with section 3-3c of the Norwegian Accounting Act, and is also included in this report.


Going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, the board of directors confirms that the company is a going concern and that the annual accounts for 2020 have been prepared on this basis.

Oslo, 24 March 2021

The board of directors of Veidekke ASA


Svein Richard Brandtzæg
Chair


Gro Bakstad


Ingalill Berglund


Ingolv Høyland


Daniel Kjørberg Siraj


Hanne Rønneberg


Per-Ingemar Persson


Inge Ramsdal


Odd Andre Olsen


Arve Fludal


Jimmy Bengtsson
Group CEO

INCOME STATEMENT VEIDEKKE GROUP

Figures in NOK million	Note	2020	2019 restated
Revenue	3, 4, 5, 9, 33	38 140	36 569
Subcontractors		-19 170	-16 997
Cost of materials		-5 505	-6 525
Personnel expenses	6, 7, 23, 32	-7 403	-7 227
Other operating expenses		-3 945	-4 285
Depreciation	12, 13, 14	-910	-887
Operating expenses		-36 932	-35 922
Share of net income from joint ventures	16	4	-67
Operating profit		1 213	581
Financial income	8, 31	80	56
Financial costs	8, 31	-91	-54
Profit before tax		1 202	582
Income tax expense	24	-279	-142
Profit for the year, continued operations		922	440
Profit for the year, discontinued operations	4, 15	1 266	522
Profit for the year, total operations		2 189	962
PROFIT FOR THE YEAR (CONTINUED OPERATIONS) ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		842	392
Non-controlling interests		81	48
Total		922	440
Profit per share (NOK) (ordinary/diluted)	10	6,2	2,9
PROFIT FOR THE YEAR (TOTAL OPERATIONS) ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		2 108	914
Non-controlling interests		81	48
Total		2 189	962
Profit per share (NOK) (ordinary/diluted)	10	15,6	6,8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in NOK million	Note	2020	2019 restated
Profit for the year		2 189	962
Actuarial gains and losses after tax	23, 24	-37	14
Net items that will not be reclassified subsequently to profit or loss		-37	14
Currency translation differences		40	-36
Fair value adjustment of financial assets after tax	24, 31	-47	11
Net items that will be reclassified subsequently to profit or loss		-7	-25
Total other income and expenses after tax		-45	-11
Comprehensive income		2 144	951
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of Veidekke ASA		2 060	904
Non-controlling interests		84	48
Total		2 144	951

STATEMENT OF FINANCIAL POSITION VEIDEKKE GROUP AT 31 DECEMBER

Figures in NOK million	Note	31.12.2020	31.12.2019	01.01.2019 restated ¹⁾	01.01.2019 ²⁾
ASSETS					
Non-current assets					
Goodwill	11, 15	1 824	1 790	1 807	1 807
Other intangible assets	12	130	94	149	149
Land and buildings	13, 14	1 318	1 253	1 393	1 393
Plant and machinery	13, 14	2 411	2 644	2 892	2 892
Investments in joint ventures	16	197	219	1 286	1 433
Financial assets	18, 31	571	535	508	508
Total non-current assets		6 452	6 535	8 036	8 183
Current assets					
Residential projects	4	32	53	7 430	4 309
Inventories	19	580	544	564	564
Trade receivables	20, 31	3 471	2 410	2 776	2 776
Contract assets	20, 31	2 961	3 020	2 587	2 908
Other receivables	31	286	253	981	843
Financial investments	21, 31	540	-	-	-
Cash and cash equivalents	21	3 219	241	341	197
Total current assets		11 089	6 522	14 678	11 597
Total assets discontinued operations		-	8 920	-	-
Total assets		17 541	21 977	22 714	19 780

1) New principles for consolidation of housing cooperatives in Sweden were implemented from 2020. Figures have been restated from 1 January 2019. Please refer to note 35 for further information.

2) IFRS 16 Leases took effect on 1 January 2019 and was implemented in the annual accounts. Figures have been restated from 1 January 2019.

Figures in NOK million	Note	31.12.2020	31.12.2019 ¹⁾	01.01.2019 restated ¹⁾	01.01.2019 ²⁾
EQUITY AND LIABILITIES					
Equity					
Share capital	10, 22	67	67	67	67
Other equity		2 785	3 740	3 411	3 892
Non-controlling interests	4	25	142	779	25
Total equity		2 877	3 949	4 257	3 983
Non-current liabilities					
Pension liabilities	23	535	454	503	503
Deferred tax liabilities	24	601	454	346	343
Bonds	25, 31	600	1 600	1 600	1 600
Debts to credit institutions	25, 31	198	1 507	248	248
Other non-current liabilities	25, 31	1 097	1 161	1 099	1 099
Total non-current liabilities		3 031	5 177	3 795	3 793
Current liabilities					
Debts to credit institutions	31	29	12	2 505	36
Trade payables	26, 31	6 077	5 978	6 176	6 176
Contract liabilities	20, 26, 31	1 912	1 411	1 919	1 807
Public duties		1 038	721	805	805
Warranty provisions	27	1 037	979	814	814
Taxes payable	24	64	30	62	62
Other current liabilities	26	1 477	1 389	2 382	2 306
Total current liabilities		11 633	10 520	14 662	12 004
Total liabilities related to assets discontinued operations		-	2 331	-	-
Total equity and liabilities		17 541	21 977	22 714	19 780

1) New principles for consolidation of housing cooperatives in Sweden were implemented from 2020. Figures have been restated from 1 January 2019. Please refer to note 35 for further information.

2) IFRS 16 Leases took effect on 1 January 2019 and was implemented in the annual accounts. Figures have been restated from 1 January 2019.

STATEMENT OF CHANGES IN EQUITY VEIDEKKE GROUP

		EQUITY HOLDERS OF VEIDEKKE ASA							MINORITY		
Figures in NOK million	Note	Share capital	Other paid-in capital ¹⁾	Re-evaluation of pensions	Currency translation differences	Other retained earnings	Fair value adjustments ²⁾	Other comprehensive income, discount. operations	Total	Non-controlling interests	Total
Equity at 01.01.2019		67	305	-30	60	3 658	-101	-	3 959	25	3 983
Restatement, consolidation of housing cooperatives in Sweden	35					-481			-481	755	274
Equity at 01.01.2019		67	305	-30	60	3 177	-101	-	3 478	779	4 257
Equity at 01.01.2019		67	305	-30	60	3 177	-101	-	3 478	779	4 257
Discontinued operations				5	-45			40			-
Profit for the year						915			915	48	962
Other comprehensive income				16	-32	3	8	-6	-10		-11
Capital increase		1	114						115		115
IFRS 2 – share-based transactions employees						10			10		10
Transactions, non-controlling interests						-33			-33	-23	-56
Change, non-controlling interests, housing cooperatives in Sweden										-636	-636
Dividend						-669			-669	-25	-694
Equity at 31.12.2019		67	419	-9	-17	3 405	-93	34	3 807	142	3 949
Equity at 01.01.2020		67	419	-9	-17	3 405	-93	34	3 807	142	3 949
Profit for the year						2 108			2 108	81	2 189
Other comprehensive income				-37	71	15	-63	-34	-48	3	-45
IFRS 2 – share-based transactions employees	7					4			4		4
Transactions, non-controlling interests	15, 25					18			18	-48	-30
Change, non-controlling interests, housing cooperatives in Sweden										-119	-119
Dividend	22					-3 037			-3 037	-35	-3 071
Equity at 31.12.2020		67	419	-46	54	2 514	-156	-	2 853	25	2 877

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 31 for details.

STATEMENT OF CASH FLOWS VEIDEKKE GROUP

		2020			2019		
Figures in NOK million	Note	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
OPERATING ACTIVITIES							
Pre-tax profit		1 202	-	1 202	582	-	582
Pre-tax profit, discontinued operations	4	-	1 250	1 250	-	513	513
Net interest items	8	43	58	101	-3	84	82
Tax paid	24	-81	-	-81	-79	-	-79
Depreciation, amortisation and impairments	12, 13	608	5	613	622	6	628
Depreciation, lease agreements IFRS 16	14	301	-	301	265	-	265
Net gains from sale of property, machinery etc.	13	-34	-	-34	-40	-	-40
Gains from sale of operations	8, 15	-119	-1 034	-1 153	5	-	5
Profit and loss items without cash effect		99	8	107	173	-186	-13
Generated from this year's activities		2 019	286	2 305	1 525	418	1 943
Change in trade receivables	20	-369	-104	-473	-137	-144	-281
Change in other current receivables		-87	-328	-415	153	154	307
Change in trade payables etc.	26	-41	369	328	-143	203	61
Change in other current liabilities	26	827	-303	524	104	-344	-239
Net cash flow from operating activities (A)		2 350	-80	2 270	1 503	289	1 791
INVESTING ACTIVITIES							
Acquisition of tangible, non-current assets	2,13	-819	-	-819	-687	-44	-730
Lease agreements, IFRS 16	13	138	-1	136	193	-	193
Disposal of tangible, non-current assets	15	-89	-	-89	-12	-	-12
Acquisition of subsidiaries	15	18	6 950	6 968	-	-	-
Sale of subsidiaries	8	5	10	15	35	20	55
Interest received	18	-540	-	-540	-	-	-
Acquisition of short-term investment in bond funds		-5	-3	-7	-97	-	-97
Net cash flow from investing activities (B)		-1 291	6 955	5 664	-567	-24	-590

		2020			2019		
Figures in NOK million	Note	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
FINANCING ACTIVITIES							
New long-term borrowing	25	71	-7	64	1 716	-172	1 544
Change debt discontinued operations		4 158	-4 158	-	-1 718	1 718	-
Repayment of non-current debt	25	-2 103	478	-1 625		-	
New short-term borrowing		28	-17	11	5	-5	
Repayment of current liabilities		-	-	-	-	-1 810	-1 810
Payment of principal IFRS16 leases		-302	-	-302	-239	-	-239
Payment of interest IFRS16 leases		-30	-	-30	-33	-	-33
Interest paid	8,14	-17	-68	-85	-	-104	-104
Dividend paid to non-controlling interests	22	-35	-	-35	-25	-	-25
Dividend paid	22	-3 037	-	-3 037	-669	-	-669
Increased capital	22	-	-	-	115	-	115
Net cash flow from financing activities (C)		-1 266	-3 773	-5 039	-848	-373	-1 221
TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		-208	3 103	2 895	88	-108	-20
TOTAL CASH FLOW, DISCONTINUED OPERATIONS		3 103	-3 103	-	-108	108	-
TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS		2 895	-	2 895	-20	-	-20
Cash and cash equivalents at 1 Jan. cont'd operations		241	-	241	154	-	154
Cash and cash equivalents at 1 Jan. discont'd operations		76		76	187	-	187
Exchange rate adjustments cash and cash equivalents		7	-	7	-4	-	-4
Cash and cash equivalents at 31 December		3 219	-	3 219	318	-	318
Cash and cash equivalents, continued operations		3 219	-	3 219	241	-	241
Cash and cash equivalents, discontinued operations		-	-	-	76	-	76
Total cash and cash equivalents		3 219	-	3 219	318	-	318
Additional information:							
Long-term borrowing facility		2 500	-	2 500	5 900	-	5 900
Used committed borrowing facilities at 31 December		-	-	-	1 370	-	1 370

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NOTE 1. GENERAL INFORMATION

Veidekke ASA is one of Scandinavia's largest construction companies, headquartered in Oslo and listed on the Oslo Stock Exchange. The consolidated accounts include Veidekke ASA and its subsidiaries and the group's investments in associates and joint ventures.

In November 2019, Veidekke's board of directors decided to split the group through divestment or listing of the property development operation. The property development operation was sold in June 2020 and transferred to new owners on 1 September 2020. The decision to sell the property development operation has influenced the presentation of both the profit and loss account and the balance sheet. Reference is made to note 2 Accounting policies and the presentation of the effects in note 4 Discontinued operations and note 15 Acquisitions and divestments.

Through the sale of the property development operation, Veidekke has become a streamlined construction business. The group's segment structure has been amended

accordingly, and the new segments are as follows: Veidekke Construction in Norway, Veidekke Infrastructure in Norway, Veidekke in Sweden and Veidekke in Denmark/Hoffmann. These structural changes have been implemented as of 2020, and segment reports for earlier periods have been recalculated accordingly. Reference is made to the stock-exchange notice dated 22 October 2020.

The Covid-19 pandemic and strict infection control measures affected project execution throughout the year, but the negative consequences of the serious global situation have not had a major impact on the financial statements thus far. The financial statements make extensive use of estimates and assessments which may be affected by the further development of the Covid-19 pandemic, including stricter infection control measures. Assessments have generally been prepared based on the current situation, not a scenario in which the situation worsens. If the pandemic is prolonged, macro-developments may have an effect on the financial statements.

NOTE 2. ACCOUNTING POLICIES – VEIDEKKE GROUP

General

The most important accounting principles used in the preparation of the consolidated accounts are described below. These principles have been applied identically in all presented periods. The consolidated accounts are prepared on the basis of historical cost, with the exception of certain financial instruments and derivatives measured at fair value on the balance-sheet date. Transactions involving gradual acquisition are measured at fair value on the transaction date, provided that the transaction results in a change of control of the undertaking. Unless otherwise specified, all financial information in financial statements and notes is presented in millions of Norwegian kroner. All sums specified in notes are rounded to the nearest NOK 1 million.

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 2020 have been applied.

In November 2019, Veidekke's board of directors decided to split the group through divestment or listing of the property development operation. The operation was sold in June 2020 and transferred to new owners on 1 September 2020. The divestment has had a substantial effect on the presentation of Veidekke's financial statements. The decision necessitated implementation of the accounting standard "IFRS 5 Non-current assets held for sale", and the property development operation was demerged in the financial statements. The purpose of the accounting standard is to be able to present accounting figures for the continued operations separately from operations sold or offered for sale. As at the end of 2020, the property development operation had been sold, but this did not affect application of the principle.

IFRS 5 Non-current assets held for sale

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, discontinued operations. 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 4 Discontinued operations for further discussion.

Implementation of new accounting principle for housing cooperatives in Sweden

The accounting principle became applicable on 1 January 2020 and provided the basis for Veidekke's revenue recognition prior to transfer of the property development operation to its new owners on 1 September 2020.

Historically, Veidekke's production and sale of residential units in Sweden was generally organised in the form of housing cooperatives. Veidekke proceeded on the basis that the housing cooperatives were independent entities over which Veidekke had no control. For this reason, the housing cooperatives were not consolidated in Veidekke's accounts, up to and including 2019. When several major Swedish residential developers amended their accounting practice in 2020 in response to regulatory requirements, Veidekke also revised its accounting principle with effect from 1 January 2020. As of this date, the debts of Swedish housing cooperatives were consolidated in Veidekke's financial statements. Under the revised principle, revenue recognition occurred on the date of contractual delivery of residential units to purchasers, in line with the principles applied to residential sales in Norway. The accounts were strongly affected by the inclusion of interest-bearing housing cooperative debt and non-controlling ownership interests. However, this had no effect on the statement of financial position as at 31 December 2020 because the property development operation had been sold by this date. Amendment of the principle has required corresponding restatement of comparative figures for 2019.

The consequence of this change for Veidekke is a NOK 185 million increase in the post-tax profit pursuant to IFRS in 2020, compared to the position under the old principle. The profit of the continued operations was NOK 12 million higher. As at 1 January 2019, the group's interest-bearing debt increased by NOK 2,469 million, the statement of financial position increased by NOK 2,934 million and the group's equity increased by NOK 274 million, including an increase of NOK 755 million in non-controlling ownership interests.

The restated annual profit for 2019 was NOK 295 million higher under the new principle, and the restated annual profit for continued operations was NOK 12 million higher. See note 35 Implementation of new accounting standard for housing cooperatives in Sweden for further details.

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 use of reasonable estimates and discretionary assessments is a key element in the preparation of the consolidated accounts. 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.

Thus far, the Covid-19 pandemic has not had a major impact on the accounts, but project estimates are based on a normal situation of full operation and project staffing levels. Progress on current projects may be affected by the pandemic, and the consequences will depend on the pandemic's scope and duration.

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	<p>At 31 December 2020 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.</p> <p>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.</p>	9, 20, 26, 27, 33	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.	11	NOK 1 824 million (2019: NOK 1 790 million)
Pension liabilities	The group's pension liabilities are calculated by an actuary, based on a number of actuarial assumptions.	23	NOK 535 million (2019: NOK 454million)

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. Veidekke currently controls more than 50% of the voting rights in all subsidiaries. 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 46. 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. The accounts of the subsidiaries have been restated to ensure consistency with the group's accounting principles.

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 were normally treated as an asset transaction.

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 regarded as 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 regarded 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 have primarily been used in property development, but also for investments in PPP (Public–Private Partnership) companies and to some extent in construction operations. 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.

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,

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 25). 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. While the right to issue an invoice normally arises once work has been completed, contracts often specify an invoicing schedule. 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 9 Projects in progress, note 20 Trade receivables and contract balances, note 26 Trade creditors and other current liabilities, note 27 Warranty allocations etc., and note 33 Project-related disputes and claims.

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

Residential projects

The property development operation was handed over to the new owners on 1 September 2020. Until then, residential projects comprised the development and construction of residential buildings for sale for Veidekke's own account. In Veidekke's consolidated accounts, the property development operation is classified as discontinued/sold operations, while in note 4 residential projects shown in the statement of financial position are classified as current assets. Sites have been capitalised when control over future economic benefits related to them has been taken over, which is normally at the time ownership control has been transferred.

Projects under development

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

Projects under construction

Revenue from residential projects under construction in Sweden and Denmark was recognised on an ongoing basis on the date an apartment was completed and delivered to the purchaser pursuant to contract. Accordingly, all costs – excluding general sale and administrative costs – were capitalised as part of the acquisition cost. Any loss-making projects were expensed in the period in which the loss was identified. Due to estimate uncertainty, no gains were recognised on residential sales until a project's sales ratio exceeded 50%.

Unsold units and sites for development

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

Housing cooperatives in Sweden

Residential sales and production in Sweden were based on a cooperative model. Once a project has been developed, an agreement was established between a newly formed housing cooperative and Veidekke for construction of the project. In accordance with the agreement, Veidekke was to sell the apartments to the end customer on behalf of the cooperative, and Veidekke committed to completing the properties at a fixed price. During the construction period and until more than 50% of the apartments had been delivered to their purchasers, the accounts of housing cooperatives were consolidated in Veidekke's group accounts. The interest-bearing debt of the housing cooperatives was therefore included in the group's interest-bearing debt.

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 17.

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.

Financial assets

The group classifies financial assets in the following five 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 no financial assets in this category.

3. Financial assets measured at fair value with value changes recognised through income

Financial assets which are not equity instruments are measured at fair value with value changes through income.

4. Equity instruments measured at fair value with value changes through comprehensive income

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

Veidekke has no financial assets in this category.

5. 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 only applies to derivatives whose hedging is documented and effective. 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 20 and 31.

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 key staff

Veidekke has provided loans to key staff in connection with the group's former share programme. 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.

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 allocations 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.

IFRS 5 Non-current assets held for sale

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.

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. In most of the Norwegian companies, there are 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 23.

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 11 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 leased assets equals the present value of the lease obligation. The lease obligation is included in the present value of the lease payments. The lease payments are discounted using the implied interest rate under the lease agreement. This means that when a lease agreement is recognised as an asset in the statement of financial position, a corresponding debt is recognised in respect of future lease obligations.

Leased assets are depreciated on a linear basis over the lease period, while the lease obligation increases in accordance with the interest rate and is reduced by completed lease payments. Depreciation of leased assets and interest costs on lease obligations is incorporated into the income statement.

Lease periods include an extension option if it is reasonably certain that the option will be exercised and there are financial incentives for extending the lease agreement. The exercise of options is associated with estimation uncertainty and discretionary assessment.

Veidekke has utilised an exception permitted by the standard and does not recognise short-term leases (less than 12 months' duration) or leases of low-value assets in the statement of financial position. Lease payments under lease agreements of this kind are expensed on a linear basis over the lease period. Leased assets and lease obligations are not shown on separate lines in the statement of financial position, but are specified in a separate note. Lease obligations are not treated as interest-bearing debts. In notes and the cash flow statement, agreements of this type are referred to as IFRS 16 Lease agreements.

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 project inventories in addition to raw materials/ inventory for the infrastructure operation. Project inventories are included in project valuations. The inventory for infrastructure operations is measured at the lower of total production costs and net sales price.

Warranty allocations etc.

An allocation 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. Allocations are made for confirmed work under guarantee and for probable concealed deficiencies. See note 27.

Cash and cash equivalents

These consist of cash and bank deposits, including deposits subject to special conditions, and short-term liquid investments which can be converted into cash immediately. Investments in short-term money market funds are classified as cash and cash equivalents if the intention of the investment is to ensure liquidity for the payment of current liabilities. Only money market funds with very high security are classified as cash and cash equivalents. See note 21.

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 7.

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 33 Project-related disputes and claims.

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.

Acquisitions and sales of companies are treated as investment activities. Acquired/sold companies' holdings of cash and cash equivalents are included/deducted. This effect is therefore shown net, together with the cash payment made in the transaction. Lease agreements pursuant to IFRS 16 are classified as follows: depreciation is included in operational cash flow, and cash payments related to lease payments are divided into repayment of debt and paid interest and are treated as financing activity.

Segment reporting (note 3)

The group's business segments are presented in accordance with the internal financial reporting that is presented to the group's chief operating decision-maker. In essence, internal financial reporting follows current IFRS rules, with one exception: the accounting treatment of residential projects for own account. Prior to completion of the sale of the property development operation on 1 September 2020, revenue from residential projects was recognised as income on an ongoing basis in accordance with the project's estimated final profit, multiplied by the sales ratio, multiplied by the stage of completion. When calculating the estimated final profit, only directly attributable costs were treated as project costs, including interest costs. No profit was recognised in the accounts before the sales ratio measured in value exceeded 50%. Project losses were expensed as soon as they were identified. See note 3 Segment information for further details.

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 2020. 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 3. SEGMENT INFORMATION

The segment structure mirrors the group's operational structure, which consists of four operational areas. This division reflects the type of delivery made and the market being served, and as reported to the Group CEO and corporate management accordingly.

Veidekke's Norwegian construction operation is among the country's largest construction contractors. Its project portfolio includes apartment complexes and non-residential buildings such as schools, healthcare facilities, cultural buildings, office buildings, hotels and shopping centres. The operation is concentrated around Norway's major population centres.

Veidekke Infrastructure Norway is a national civil engineering operation with projects in the road maintenance, railways, power production and airport segments. The operation is Norway's largest asphalt producer and contractor, the country's second-largest producer of aggregates and an important player in the operation and maintenance of the Norwegian public roads network.

Veidekke Sweden has both construction and civil engineering operations. The construction operation manages a broad portfolio of construction projects, including residential units, offices, schools and cultural buildings. The civil engineering portfolio includes public transport projects, other infrastructure projects and energy-related projects such as wind farms. Veidekke Sweden is also engaged in the production of asphalt and aggregates as part of the civil engineering operation.

BUSINESS AREAS

Figures in NOK million	Construction in Norway		Infrastructure in Norway		Sweden	
	At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19
INCOME STATEMENT						
Revenue	14 638	14 464	8 847	9 209	12 293	10 803
Operating expenses	-13 976	-13 973	-8 103	-8 502	-11 779	-10 558
Share of net income from joint ventures	-	-	5	17	-24	-108
Depreciation	-168	-150	-457	-483	-198	-166
Operating profit	494	341	292	241	292	-29
Net financial items	38	46	-48	-73	12	4
Profit before tax	532	387	244	168	303	-25
STATEMENT OF FINANCIAL POSITION						
Non-current assets	1 295	1 345	2 569	2 748	1 730	1 534
Current assets	2 174	1 968	2 471	2 390	1 893	1 752
Cash and cash equivalents	-	-	-	-	-	-
Receivables, sold operations	3 455	3 286	26	39	900	394
Total assets	6 924	6 600	5 066	5 177	4 523	3 679
Equity	1 164	1 189	939	584	-302	479
Non-current liability	869	772	1 425	1 795	712	623
Current liabilities	4 892	4 639	2 702	2 799	4 113	2 578
Total equity and liabilities	6 924	6 600	5 066	5 177	4 523	3 679
KEY FIGURES						
Operational cash flow	655	1 002	704	533	750	2
Cash flow from investments	-83	-68	-231	-191	-358	-229
Number of employees	2 931	3 150	2 363	2 424	2 228	2 257
Order book	13 358	14 762	7 206	8 454	14 380	11 504
- due for completion within 12 months	9 602	10 712	3 601	3 515	8 511	7 108

The group's segment structure was amended following the sale of the property development operation. The changes to the structure were incorporated as of 2020, and the segment reports for earlier periods have been restated accordingly. See note 1 for further discussion.

Veidekke Denmark consists of the wholly-owned subsidiary Hoffmann AS. The majority of Hoffman's projects involve commercial buildings. Hoffmann gives particular priority to close consultation with clients from an early stage, throughout the planning, design and execution phases.

The business area "Other" comprises undistributed costs linked to administration and financial management of the group, the group's ownership role in public-private partnership (PPP) projects and shared services in Norway in the areas of HR, accounts and payroll. Revenue and internal profits between the segments are eliminated under "Elimination".

Denmark		Other operations		Eliminations		Group, continued operations	
At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19
2 652	2 358	49	7	-339	-271	38 140	36 569
-2 429	-2 160	-142	-94	339	266	-36 090	-35 021
-	-	23	24	-	-	4	-67
-29	-31	-56	-57	-	-	-910	-887
194	167	-127	-120	1	-5	1 145	594
6	2	-19	22	-	-	-11	2
200	169	-146	-98	1	-5	1 134	596
244	256	2 805	3 201	-2 191	-2 542	6 452	6 542
273	144	6 293	849	-5 233	-343	7 870	6 759
-	-	-	-	-	5 073	-	5 073
1 311	991	743	325	-3 216	-4 794	3 219	241
1 828	1 391	9 841	4 375	-10 641	-2 607	17 541	18 616
418	369	2 829	1 829	-2 171	-1 667	2 877	2 782
114	84	3 146	2 360	-3 234	-445	3 031	5 189
1 296	938	3 867	186	-5 235	-496	11 633	10 644
1 828	1 391	9 841	4 375	-10 641	-2 607	17 541	18 616
469	308	-229	-342	-	-	2 350	1 503
-11	-20	-609	-58	-	-	-1 291	-567
436	482	124	74	-	-	8 082	8 387
2 516	1 983	-	-	-	-	37 460	36 704
2 145	1 454	-	-	-	-	23 858	22 789

BUSINESS AREAS

Figures in NOK million	Group, continued operations		Property development (dis- continued operations)		Eliminations between continued operations and Property development, gains from sale		Group	
	At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19	At 31.12.20	At 31.12.19
INCOME STATEMENT								
Revenue	38 140	36 569	1 893	3 053	-721	-844	39 313	38 779
Operating expenses	-36 090	-35 021	-1 748	-2 850	721	843	-37 117	-37 028
Share of net income from joint ventures	4	-67	179	175	-	-	183	108
Depreciation	-910	-887	-4	-6	-	-	-914	-893
Gain from sale of property development operations					591		591	
Operating profit	1 145	594	320	372	591	-1	2 056	965
Net financial items	-11	2	-2	-16	-	-10	-13	-24
Profit before tax	1 134	596	318	356	591	-11	2 043	941
STATEMENT OF FINANCIAL POSITION								
Non-current assets	6 452	6 542	-	1 533	-	-	6 452	8 075
Current assets	7 870	6 759	-	7 091	-	-601	7 870	13 249
Receivables, discontinued operations	-	5 073	-	-	-	-5 073	-	-
Cash and cash equivalents	3 219	241	-	42	-	-	3 219	283
Total assets	17 541	18 616	-	8 666	-	-5 674	17 541	21 608
Equity	2 877	2 782	-	2 435	-	-956	2 877	4 261
Non-current liability	3 031	5 189	-	4 233	-	-4 158	3 031	5 264
Current liabilities	11 633	10 644	-	1 997	-	-559	11 633	12 082
Total equity and liabilities	17 541	18 616	-	8 666	-	-5 674	17 541	21 608
KEY FIGURES								
Number of employees	8 082	8 367	-	190	-	-	8 082	8 557
Order book	37 460	36 704	-	-	-	-	37 460	36 704
- due for completion within 12 months	23 858	22 789	-	-	-	-	23 858	22 789

INTRA-GROUP SALES BY SEGMENT

Figures in NOK million	Construction in Norway		Infrastructure in Norway		Sweden		Denmark		Other		Eliminations		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External revenue	14 434	14 374	8 801	9 090	12 209	10 740	2 652	2 359	3	7	42	-	38 140	36 569
Internal revenue	204	90	46	119	84	62	-	-1	46	-	-339	-271	-	-
Total revenue	14 638	14 464	8 847	9 209	12 293	10 803	2 652	2 358	49	7	-339	-271	38 140	36 569

All intra-group sales in continued operations are eliminated at the group level. Revenues against discontinued operations are reported as external revenues for continued operations.

RECONCILIATION BETWEEN SEGMENT ACCOUNTS AND FINANCIAL ACCOUNTS

Veidekke sold its property development operations with effect as of 1 September 2020. Prior to this date, revenue from residential projects for own account was reported in the segment accounts in accordance with the principle of ongoing revenue recognition. This was considered to provide the best picture of value creation in the residential development segment, and is consistent with Veidekke's internal reports. In the financial statements, sales of residential projects for own account were recognised as revenue on the date of contractual delivery to the purchaser. The property development operation is classified as discontinued operations in the financial statements.

Figures in NOK million	Segment accounts		IFRS 15 adjustments		Separation, discontinued operations		Financial accounts	
	2020	2019	2020	2019	2020	2019	2020	2019
INCOME STATEMENT								
Revenue	39 313	38 779	-408	653	-765	-2 862	38 140	36 569
Operating expenses	-37 117	-37 028	362	-524	733	2 518	-36 022	-35 034
Share of net income from joint ventures	183	108	21	26	-200	-201	4	-67
Depreciation	-914	-893	-	-	4	6	-910	-887
Gains from sale of Property Development	591	-	433	-	-1 024	-	0	-
Operating profit	2 056	965	408	155	-1 252	-539	1 213	581
Net financial items	-13	-24	-	-	2	26	-11	2
Profit before tax	2 043	941	408	155	-1 250	-513	1 202	582
Tax expenses	-290	-155	28	21	-17	-9	-279	-142
Profit after tax, continued operations	1 753	786	436	176	-1 266	-522	922	440
Profit after tax, discontinued operations	-	-	-	-	1 266	522	1 266	522
Profit for the year	1 753	786	436	176	-	-	2 189	962
STATEMENT OF FINANCIAL POSITION								
Non-current assets	6 452	8 075	-	-112	-	-1 429	6 452	6 535
Current assets	7 870	13 249	-	-187	-	-6 782	7 870	6 281
Cash and cash equivalents	3 219	283	-	-	-	-42	3 219	241
Total assets discontinued operations	-	-	-	-	-	8 920	-	8 920
Total assets	17 541	21 608	-	-299	-	668	17 541	21 977
Equity	2 877	4 261	-	-263	-	-48	2 877	3 949
Non-current liability	3 031	5 264	-	-35	-	-52	3 031	5 177
Current liabilities	11 633	12 082	-	-	-	-1 563	11 633	10 520
Total liabilities, discontinued operations	-	-	-	-	-	2 331	-	2 331
Total equity and liabilities	17 541	21 608	-	-299	-	668	17 541	21 977

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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
INCOME STATEMENT										
Revenue	23 319	23 487	12 191	10 717	2 652	2 358	-22	7	38 140	36 569
Operating profit	811	582	306	-42	194	167	-98	-127	1 213	581
Profit before tax	801	555	318	-38	200	169	-118	-105	1 202	582
STATEMENT OF FINANCIAL POSITION										
Total non-current assets	3 864	4 094	1 730	1 534	244	256	628	659	6 466	6 542
Number of employees	5 294	5 574	2 228	2 257	436	482	124	54	8 082	8 367
Order book	20 564	23 216	14 380	11 504	2 516	1 983	-	-	37 460	36 704
- due for completion within 12 months	13 203	14 227	8 511	7 108	2 145	1 454	-	-	23 858	22 789

NOTE 4. DISCONTINUED OPERATIONS

In November 2019, Veidekke's board decided to split the group into two separate operations, through a sale or listing. The decision was 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.

On 16 June 2020, Veidekke signed an agreement for the sale of the Swedish and Norwegian property development operations to a consortium comprising Fredensborg AS, Fredensborg Bolig AS, Norwegian Property ASA and Union Real Estate Fund. The transaction was completed on 1 September 2020. The sold operation has been renamed Nordr Eiendom. For further information about the transaction, see note 15.

The property development operation is presented as discontinued operations in the accounts.

The post-tax profit/loss of discontinued operations 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 as at 31.12.2019. The implementation of the new accounting standard for housing cooperatives in Sweden has been taken into account.

Profit/loss from discontinued operations in accordance with IFRS¹⁾ is presented below:

Figures in NOK million	31.12.2020					31.12.2019 restated			
	Property, segment accounts	IFRS adjust-ment ¹⁾	Adjustments, discontinued operations	Gain from sale of property development operations	Total discontinued operations	Property, segment accounts	IFRS adjust-ment ¹⁾	Adjustments discontinued operations	Total discontinued operations
Ordinary operating revenue	1 893	-366	-762	-	765	3 053	653	-844	2 862
Gain from sale of property development operations	-	-	-	1 024	1 024	-	-	-	-
Operating revenue	1 893	-366	-762	1 024	1 789	3 053	653	-844	2 862
Sub-contractors and material costs	-1 464	253	762	-	-450	-2 397	-510	843	-2 065
Payroll costs	-167	-	-	-	-167	-229	-	-	-229
Other operating costs	-116	-	-	-	-116	-224	-	-	-224
Depreciation/impairment	-4	-	-	-	-4	-6	-	-	-6
Operating expenses	-1 752	253	762	-	-738	-2 856	-510	843	-2 524
Share of net income from joint ventures	179	21	-	-	200	175	26	-	201
Operating profit (EBIT)	320	-92	-	1 024	1 252	372	169	-1	539
Financial income	19	-	-	-	19	21	-	-	21
Financial costs	-21	-	-	-	-21	-37	-	-10	-47
Pre-tax profit	318	-92	-	1 024	1 250	356	169	-11	513
Tax expenses	-22	33	-	5	17	-12	18	2	9
Post-tax profit	296	-59	-	1 030	1 266	344	187	-9	522
Profit per share (NOK) (ordinary/diluted)					9.4				3.9

1) Under IFRS, income and earnings from completed residential units in Norway are not recognised until the date on which a unit is delivered to the buyer.

Veidekke expects the sold property development operation to continue purchasing some construction services from the construction operation going forward. Internal revenues between the property development operation and the rest of the Veidekke group are eliminated directly against discontinued operations.

Assets discontinued operations and associated liabilities are presented below:

Figures in NOK million	Note	31.12.2020	31.12.2019 restated
ASSETS			
Other intangible assets		-	76
Deferred tax assets		-	7
Land and buildings, plant and machinery		-	27
Investments in joint ventures		-	1 225
Financial assets		-	4
Total non-current assets		-	1 339
Residential projects		-	6 703
Trade receivables		-	70
Contract assets		-	149
Other receivables		-	583
Cash and cash equivalents		-	76
Total current assets		-	7 581
Total assets discontinued operations		-	8 920
LIABILITIES			
Pensions and deferred tax liabilities		-	36
Debt to credit institutions		-	7
Total non-current liabilities		-	43
Debt to credit institutions		-	683
Trade payables		-	245
Contract liabilities		-	269
Public duties		-	80
Warranty provisions		-	68
Taxes payable		-	0
Other current liabilities		-	943
Total current liabilities		-	2 288
Total liabilities related to assets discontinued operations		-	2 331

Statement of cash flow from discontinued operations is presented below:

Figures in NOK million	2020	2019
Pre-tax profit	1 250	513
Tax paid	-	-
Depreciation/impairment	5	6
Gain from sale of property development operation	-1 034	-
Other operational items	-300	-231
Cash flow from operating activities	-80	289
Acquisition/disposal of property, plant and equipment	-1	-44
Sale of subsidiaries	6 950	-
Other investing activities	7	20
Cash flow from investing activities	6 955	-24
Change other non-current liabilities	-3 687	1 546
Other financial items	-86	-1 919
Cash flow from financing activities	-3 773	-373
Change in cash and cash equivalents	3 103	-108
Net cash and cash equivalents transferred to continued operations	-3 103	-
Cash and cash equivalents, start of period	76	187
Exchange rate adjustment foreign cash balances	3	-3
Cash and cash equivalents, end of period	-	76

NOTE 5. REVENUE

Regular revenue is solely from contracts with customers. For geographical distribution of revenue, see note 3 Segment information.

2020, figures in NOK million	Construction in Norway	Infrastructure in Norway	Sweden	Denmark	Other/ Eliminations	TOTAL	Order book
Market segment							
Apartments and small houses	5 819	-	2 583	58	41	8 501	8 393
Commercial buildings	3 608	-	3 868	2 060	-	9 536	8 664
Public buildings	3 598	-	1 976	291	3	5 868	9 739
Transport	53	3 074	1 473	243		4 843	4 643
Industry and energy	36	4 169	1 238	-	-	5 443	1 3923
Other civil engineering	1 278	243	1 051	-	-	2 572	1 520
Maintenance contracts	-	1 275	-	-	-	1 275	3 109
Total ordinary revenue	14 392	8 761	12 190	2 652	44	38 038	
Other revenue	42	40	19	-	1	102	
Total revenue	14 434	8 801	12 209	-	45	38 140	
Total order book¹⁾	13 358	7 206	14 380	2 516	-		37 460

2019, figures in NOK million	Construction in Norway	Infrastructure in Norway	Sweden	Denmark	Other/ Eliminations	TOTAL	Order book
Market segment							
Apartments and small houses	4 879	-	2 547	85	6	7 516	8 504
Commercial buildings	5 166	-	3 229	1 818	1	10 214	10 533
Public buildings	3 933	-	1 778	236	-	5 946	6 276
Transport	-	3 548	1 463	220	-	5 230	6 691
Industry and energy	-	3 745	1 066	-	-	4 811	537
Other civil engineering	350	456	635	-	-	1 441	1 744
Maintenance contracts	-	1 303	-	-	-	1 303	2 552
Total ordinary revenue, continued operations	14 327	9 051	10 717	2 358	6	36 460	
Other revenue, continued operations	46	39	23	-	-	109	
Total revenue, continued operations	14 374	9 090	10 740	2 359	7	36 569	
Total order book¹⁾	14 762	8 454	11 504	1 983	-		36 704

1) The group's order book excludes asphalt operations.

Specification of other revenue, figures in NOK million	2020	2019
Gains from sale of operating equipment ¹⁾	47	68
Rental income	23	17
Other revenue	78	24
Other revenue	149	109

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

Timing of revenue recognition, figures in NOK million	2020	2019
Goods transferred at a point in time ¹⁾	975	900
Goods and services transferred over time	37 165	35 669
Total	38 140	36 569

1) Consists primarily of aggregates related activities.

Remaining performance obligations, figures in NOK million	2020	2019
Within one year	23 282	23 282
More than 1 year	14 426	13 855
Total¹⁾	37 708	37 137

1) The difference compared to the "total order book" is due to the exclusion of asphalt orders from the group's official order book.

NOTE 6. PAYROLL COSTS

Figures in NOK million	2020	2019
Payroll	5 646	5 611
Pension costs ¹⁾	536	494
Employer's National Insurance contributions	926	901
Other payroll costs	295	221
Personnel expenses	7 403	7 227
Number of full time equivalents	8 013	8 309
Number of employees at 31 December ²⁾	8 082	8 387

1) See note 23.

2) In addition, there were 190 employees in property development operations (sold) as of 31 December 2019.

NOTE 7. SHARE ISSUES TO EMPLOYEES

Veidekke sells shares to employees at a discount to the current market price every year. The shares are subject to a two-year lock-in period. Due to payment of an extraordinary dividend in December 2020, the share issue to employees has been postponed to 2021. In 2019, the former share purchase programme for key staff, which was subject to a three-year lock-in period, was replaced by an option programme. 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 6 and 32.

SALES OF SHARES TO EMPLOYEES

Figures in NOK million	2020	2019
Number of shares sold to employees (acquired in the market)	-	-
Number of shares sold to employees (through share issue)	-	1 251 325
Expensed discount after tax	-	7
Discount entered directly as a reduction in equity related to the Group's share programme	-	-

SHARE LOANS TO EMPLOYEES

Figures in NOK million, except number of executives and employees	2020	2019
Loans to key staff for purchases of Veidekke shares	88	120
Expensed change in the present value of share loans	3	5
Number of executives with long-term loans	385	513
Share scheme loans for all employees	-	48
Number of employees with short-term loans	-	1 380

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. The share issue price equals the market price at the time of allocation.

The options vest over 1–3 years (25% after the first year, 25% after the second year and 50% after the third year), and must be exercised within five years. 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. Options totalling NOK 1.4 million remained unexercised as at 31 December 2020, adjusted for exercised options and employees who have left the group. The expensed option cost for 2020 is NOK 5.2 million.

Issued options	Exercise deadline	Exercise price as at 31 December 2020 (NOK per share)	Number of options
Number of options subscribed for in May 2019	May 2024	63.55	657 000
Correction for number of employees departed in 2019			-9 000
Number of issued options as at 31 December 2019			648 000
Number of options subscribed for in May 2020	May 2025	67.86	887 000
Correction for number of employees departed in 2020 ¹⁾			-81 750
Number of options exercised in 2020			-62 740
Number of issued options at 31 December 2020			1 390 510

1) The high number is due to the divestment of the property development operations.

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

	2020 programme	2019 programme
Risk-free interest rate	-0.02%	1.34%
Historic volatility	28.03%	24.60%
Expected option duration (years)	3.23	3.25
Share price	88.70	86.80
Expected dividend yield	0%	0%

NOTE 8. FINANCIAL INCOME AND FINANCIAL COSTS

Figures in NOK million	2020	2019
Interest income	5	1
Other interest income from non-financial institutions	17	11
Foreign currency gains	33	19
Received share dividends	3	5
Other financial income	23	19
Financial income	80	56
Interest costs ¹⁾	-15	-2
Interest charges from non-financial institutions	-5	-3
Foreign currency losses	-40	-17
Impairment / losses on financial instruments	-3	0
Other financial costs	-1	-3
Interest costs leases - IFRS16 ²⁾	-27	-29
Financial costs	-91	-54
Net financial items	-11	2

1) Interest income for loans to employees is presented as reduced interest costs. Expensed advances on pay are presented as personnel expenses (see note 18). For 2020 this represents NOK 3 million. The corresponding figure for 2019 was NOK 5 million.

2) See note 14 IFRS 16 Leases.

NOTE 9. PROJECTS IN PROGRESS

This note relates to construction projects only, and includes the activities from Construction in Norway, Sweden, Denmark and civil engineering operations in Infrastructure in Norway.

Figures in NOK million	2020	2019
Total income from construction projects	33 312	31 176
DETAILS OF PROJECTS IN PROGRESS AT 31 DECEMBER		
Accumulated income included in the financial statements	48 731	42 192
Accumulated costs included in the financial statements	-45 375	-39 747
Accumulated profit included in the financial statements	3 356	2 445
Loss-making projects in progress - remaining income ¹⁾	1 022	1 074
Trade receivables in construction projects in the statement of financial position	3 099	2 155
Contract assets in construction project in the statement of financial position ²⁾	2 388	2 847
– due from customers ³⁾	1 256	1 169
– earned, not invoiced income	1 132	1 678
Contract liabilities (advance payments from customers) ²⁾	1 903	1 411

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 20 for detailed information on contract assets and contract liabilities.

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

ORDER BOOK IN CONSTRUCTION PROJECTS

Figures in NOK million	2020	2019
Total order book	34 351	34 285
- of which due to be completed within the next 12 months	22 429	22 047

See note 5 for more details on the Group's total order book.

NOTE 10. EARNINGS PER SHARE

Figures in NOK million	2020	2019 restated
Earnings per share (NOK), continued operations	6.2	2.9
Profit for the year, continued operations	922	440
Equity holders of Veidekke ASA's share of the group's the profit for the year, continued operations	842	392
Profit per share (NOK), total operations	15.6	6.8
Profit for the year, total operations	2 189	962
Equity holders of Veidekke ASA's share of the group's the profit for the year, total operations	2 108	914
Average no. of shares (million)	135.0	133.7
No. of shares at 1 January (million)	135.0	133.7
No. of shares at 31 December (million)	135.0	135.0

In 2019, Veidekke introduced an option programme for key staff. As at 31 December 2020, 1.4 million options had been issued under the programme. The diluted profit per share on continued operations is NOK 6.2. See note 7 for more information on the share and option programmes.

The segment accounts show a profit per share on continued operations of NOK 5.8. This result per share provides a more accurate picture of the underlying earnings performance. The difference of NOK 0.4 in the profit per share is attributable to the recognition of previously retained profits on residential projects under construction, which were reversed when the property development operation was transferred to its new owners.

NOTE 11. GOODWILL

Figures in NOK million

	2020	2019
Carrying amount at 1 January	1 790	1 807
Original cost at 1 January	1 803	1 821
Additions, business acquisitions	-	3
Disposals, business divestments	-49	-
Currency translation differences accumulated original cost	83	-20
Original cost at 31 December	1 838	1 803
Accumulated impairment at 1 January	-13	-13
This year's impairment	-	-
Accumulated depreciation and impairment at 31 December	-13	-13
Carrying amount at 31 December	1 824	1 790

The group has recognised goodwill from the acquisition of a total of 58 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 35 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	2020	2019
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 Norway (Reinertsen)	88	88
Grande Entreprenør AS	69	69
Other	145	165
Infrastructure Norway		
Asphalt	124	124
Aggregates	79	79
Båsum Boring AS	60	60
Other	79	79
Sweden		
Billström Riemer Andersson AB (BRA)	322	292
Arcona AB	103	94
Veidekke Entreprenad AB, Region West	89	86
Øvrige	245	217
Denmark		
Hoffmann A/S	134	139
Property Development Sweden	-	13
Total goodwill	1 824	1 790

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 2.0% 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%	9.4%	7.2%
Before-tax discount rate for calculation of the terminal value	9.6%	10.9%	8.7%

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 2019 were largely achieved.

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

Figures in NOK million	CGU revenue for 2020 ¹⁾	CGU margin achieved in 2020	Revenue growth after 2021 ²⁾	Impairment indicator: Profit margin over time ³⁾
Construction Norway - Leif Grimsrud AS	976	5.6%	2.0%	2.2%
Construction Norway - Veidekke Entreprenør AS, Metropolitan Region Stavanger	2 185	3.3%	2.0%	0.6%
Infrastructure - Asphalt	2 547	0.9%	2.0%	2.1%
Denmark - Hoffmann A/S	2 652	7.5%	2.0%	0.8%
Sweden - BRA AB	2 511	5.7%	2.0%	1.7%
Sweden - Arcona AB	1 833	0.5%	2.0%	1.1%

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 2020.

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 one CGU in the event of a negative change in the assumptions. The sensitivity analysis is based on the financial assumptions described

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

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

	Discount rate		Revenue ¹⁾		Profit margin	
Change in assumption	+100 bp	+200 bp	-10%	-20%	-20%	-40%
Impairment need (NOK million)	-	4	-	31	17	41

1) Margins maintained.

NOTE 12. 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	2020	2019
Carrying amount at 1 January	94	149
Original cost at 1 January	207	255
Additions, acquisitions of companies/ongoing operations	49	2
Reclassification/other changes	-2	-
This year's translation differences accumulated original cost	13	-3
Original cost related to assets, sold operations	-	-47
Original cost at 31 December	267	207
Accumulated depreciation/impairment at 1 January	-113	-105
This year's depreciation	-15	-14
Reclassification/other changes	-	-
This year's translation differences accumulated depreciation	-9	2
Accumulated depreciation related to assets, sold operations	-	4
Accumulated depreciation and impairment at 31 December	-137	-113
Carrying amount at 31 December	130	94

NOTE 13. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	2020				2019			
	Plant and machinery			Total	Plant and machinery			Total
	Plant and machinery	Asphalt plants/quarries	Land and buildings		Plant and machinery	Asphalt plants/quarries	Land and buildings	
Carrying amount at 1 January	2 042	602	1 253	3 896	2 109	585	646	3 340
Implementation of IFRS16	-	-	-	-	198	-	747	945
Carrying amount at 1 January, IFRS16 adjusted	2 042	602	1 253	3 896	2 307	585	1 393	4 285
Original cost at 1 January	5 060	1 457	1 666	8 183	4 973	1 357	1 655	7 986
Additions, running operations	378	61	107	546	412	51	38	502
Lease agreements IFRS 16	149	-	75	224	116	-	54	170
Additions, acquisition of companies	-	-	-	-	4	-	-	4
Disposals original cost	-507	-28	-18	-554	-340	-4	-68	-411
Disposals original cost, disposed companies	-9	-	-55	-65	-11	-	-1	-12
Reclassification/other changes	-70	1	83	15	-54	54	10	10
Translation differences original cost	103	7	35	145	-21	-1	-7	-29
Original cost, assets discontinued operations/sold	-	-	-	-	-20	-	-15	-35
Original cost at 31 december	5 104	1 499	1 892	8 495	5 060	1 457	1 666	8 183
Accum. depreciation/impairments at 1 January	-3 018	-856	-414	-4 287	-2 667	-772	-262	-3 701
Accum. depreciation, disposed operating equipment	407	28	15	450	247	4	20	271
Accum. depreciation, disposed companies	9	-	43	52	4	-	-	4
Depreciation for the year	-474	-86	-34	-593	-498	-87	-21	-607
Depreciation, lease agreements IFRS 16	-148	-	-153	-301	-122	-	-143	-265
Impairment for the year	-	-	-	-	-1	-	-	-1
Reclassifications/other changes	8	-1	-23	-16	-	-	-10	-10
Translation differences, depreciation	-58	-2	-10	-70	10	-	-	11
Accumulated depreciation, assets discontinued operations/sold	-	-	-	-	9	-	3	11
Accumulated depreciation/impairments at 31 December	-3 275	-917	-574	-4 766	-3 017	-856	-414	-4 287
Carrying amount at 31 December	1 829	582	1 318	3 729	2 042	602	1 253	3 896
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 2020, the group has entered into contracts worth NOK 174 million on delivery of operating equipment, which are due for delivery in 2021. Lease agreements (IFRS 16) accounted for NOK 768 million of total carrying value as at 31 December 2020. See note 14.

ADDITIONS AND DISPOSALS (SALES PRICE)

Figures in NOK million	2020		2019	
	Additions	Disposals	Additions	Disposals
Plant and machinery	527	123	528	142
Asphalt plants, quarries	61	3	51	1
Land and buildings	182	12	93	51
Additions and disposals (sales price)	770	138	672	193

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

Figures in NOK million	2020	2019
Plant and machinery	22	37
Asphalt plants, quarries	2	1
Land and buildings	10	3
Total net gain on sales	34	40

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

NOTE 14. IFRS 16 LEASES

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 13.

VEIDEKKE'S LEASE OBLIGATIONS

Figures in NOK million	2020			2019		
	Machinery etc.	Properties	Total	Machinery etc.	Properties	Total
LEASED ASSETS						
Acquisition cost 1 January	304	790	1 094	198	747	945
Addition of leased assets	149	75	224	116	54	170
Termination of leases	-109	-12	-121	-11	-14	-24
Translation differences	13	14	26	1	2	3
Acquisition cost 31 December	357	866	1 224	304	790	1 094
Accumulated depreciation and impairments, 1 January	-119	-142	-261	-	-	-
Depreciation	-148	-153	-301	-122	-143	-265
Termination of leases	104	12	116	4	2	6
Translation differences	-5	-4	-9	-1	-	-1
Accumulated depreciation and impairments, 31 December	-169	-287	-456	-119	-142	-261
Carrying value of leased assets, 31 December	189	579	768	185	648	833
Lower of remaining lease period and economic life	1–5 years	1–10 years		1–5 years	1–10 years	
Depreciation method	Linear	Linear		Linear	Linear	

Figures in NOK million	2020	2019
LEASE OBLIGATIONS		
UNDISCOUNTED LEASE OBLIGATIONS AND PAYMENT DATES		
Less than 1 year	265	265
1–2 years	182	188
2–3 years	117	149
More than 3 years	287	350
Total undiscounted lease obligations, 31 December	851	953
Changes in lease obligations		
Total lease obligations, 1 January	845	945
New/amended lease obligations recognised during the period	219	140
Payment of principal	-302	-239
Payment of interest	-30	-33
Interest cost linked to lease obligations	27	29
Translation differences	17	2
Total lease obligations, 31 December	776	845
Long-term lease obligations (note 25 Non-current liabilities)	506	580
Short-term lease obligations (note 26 Trade creditors and other current liabilities)	270	265
Total lease obligations, 31 December	776	845
Net cash flow from lease obligations	-333	-272
Average discount rate	3.2%	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	2020	2019
Operating expenses during the period linked to short-term lease agreements (including short-term lease agreements of low value)	743	680
Operating expenses during the period linked to low-value assets (excluding short-term lease agreements above)	128	117
Variable lease payments expensed during the period	19	23
Total lease costs included in other operating expenses	891	820

Applied practical solutions

Veidekke leases 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 does not 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. This means that the scope of recognised lease obligations is much lower than if all lease agreements were incorporated.

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. The group makes ongoing assessments as to whether it is reasonably certain that the extension option will be exercised. If there are also financial incentives to extend the lease, the option is incorporated.

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. The group makes ongoing assessments as to whether it is reasonably certain that the purchase option will be exercised.

THE GROUP AS A LESSOR

Veidekke has a very limited number of lease agreements related to the the leasing out of properties, current assets, etc.

NOTE 15. ACQUISITIONS AND DIVESTMENTS

Sale of the property development operation in 2020

On 1 September 2020, Veidekke sold its property development operation in Norway and Sweden to a consortium consisting of Fredensborg AS, Fredensborg Bolig AS, Norwegian Property ASA and Union Real Estate Fund III Holding AS. Following the transfer, the property development operation was renamed Nordr Eiendom.

The consideration received for the operation was NOK 3.2 billion. On the transfer date, Veidekke Eiendom's debt totalling NOK 3.9 billion was repaid to Veidekke ASA. In addition, there was deferred project revenue of NOK 0.4 billion as at the transfer date, which will be paid as the project is completed in 2021.

The transaction generated an accounting gain of NOK 1,123 million after tax (IFRS). This is reflected on the following lines of the income statement: the post-tax profit on discontinued operations increased by NOK 1,030 million, the operating profit of continued operations increased by NOK 119 million and the tax cost of continued operations increased by NOK 25 million. In addition, during Veidekke's period of ownership to August 2020, the property development operation generated profits of NOK 237 million after tax.

The segment reports (note 3) show a recognised post-tax gain of NOK 586 million on the sale the property development operation (NOK 591 million pre-tax). In addition, an ordinary pre-tax profit of NOK 318 million and a post-tax profit of NOK 296 million have been recognised for the period up to and including August 2020.

EFFECT ON CASH FLOW FROM THE SALE OF THE PROPERTY DEVELOPMENT OPERATION IN 2020

Figures NOK million	2020
Sale price of shares	3 240
Interest-bearing debt of the property development operation on the sale date, repaid to Veidekke	3 863
Bank deposits of the property development operation on the sale date	-40
Sale costs paid on the sale date	-113
Net positive cash flow from sale of property development operation	6 950

Other divestments in 2020

Veidekke sold its shares in Hammerfest Entreprenør AS. Net cash flow less cash and cash equivalents held by the company on the transfer date amounted to NOK 18 million.

Acquisitions in 2020

In 2020, Veidekke acquired the remaining shares in Veidekke Prefab AB. The transaction involved 30% of the shares in the company, and the purchase price was NOK 38 million.

2019

There were no material acquisitions or divestments in 2019.

EFFECT OF ACQUISITIONS AND DIVESTMENTS ON CASH FLOW (CONTINUED OPERATIONS ONLY)

Figures in NOK million	2020	2019
Acquisitions	-38	-
Deferred payment for previous acquisitions, paid	-51	-12
Divestments	18	-
Net negative cash flow, acquisitions and divestments	-70	-12

NOTE 16. 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	
	2020	2019	2020	2019	2020	2019
Carrying value of investment on 1 Jan.	172	1 292	47	141	219	1 433
Reclassification of assets discontinued operations	-	-1 214	-	-64	-	-1 278
Share of the profit for the year	2	-74	2	7	4	-67
Reclassification to current liabilities	25	112	-	-	25	112
Dividends received	-22	-17	-5	-4	-28	-21
Capital increases	17	65	4	2	20	67
Disposal of companies	-	-	-26	-32	-26	-32
Change in value recognised in total comprehensive income	-29	8	-	-	-29	8
Currency translation differences	9	-1	2	-2	11	-3
Carrying value of investment on 31 Dec.	172	172	24	47	197	219

NOTE 17. 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 (Infrastructure) undertakes the operation and maintenance work.

The actual construction and operation are accounted for in the same way as for ordinary construction 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 67%.

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

Figures in NOK million	2020	2019
INCOME STATEMENT		
Share of net income from joint ventures	23	24
Profit before tax	23	24
STATEMENT OF FINANCIAL POSITION		
Investments in joint ventures	32	52
Non-current assets	32	52
Current assets	-	-
Total assets	32	52
Equity	32	52
Non-current liabilities	-	-
Current liabilities	-	-
Total equity and liabilities	32	52

The value of investments in the statement of financial position includes the negative value of hedging reserves.

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	82	July 2041	-15
Financing – fixed rate loans	342	August 2042	-59
Financing – fixed rate loans	103	December 2042	-11
Financing – fixed rate loans	44	December 2042	-5

1) Fair value is the market value of the financial instrument on 31 December 2020. 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 LYNGDAL–FLEKKEFJORD

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

Figures in NOK million	Nominal value	Due date	Fair value
Hedging – interest rate swaps	472	August 2030	-108

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

Figures in NOK million	2020	2019
Carrying value at 1 January	23	-
Recognised profit	13	15
Dividends	-7	-6
Adjustments for fair value of long-term interest rate swaps	-8	15
Carrying value at 31 December	21	23

Total hedge reserve on the PPP projects:

Figures in NOK million	2020	2019
Hedge reserve at 1 January	-113	-120
This year's changes in the hedge reserve	-42	8
Hedge reserve at 31 December	-155	-113
Adjustment of hedge reserve by not including negative equity	13	0
Hedge reserve at 31 December included in the financial statements	-142	-113

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 155 million after tax, of which NOK 142 million has been included in the financial statements at 31 December 2020.

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 63 million/- NOK 30 million.

NOTE 18. FINANCIAL ASSETS

Figures in NOK million	2020	2019
Financial investments	283	262
Other non-current receivables	163	109
Loans to employees linked to purchase of Veidekke shares	88	120
Other shares	37	45
Financial assets	571	535

Financial investments totalling NOK 283 million relate to the coverage of pension liabilities, and are subject to security pledge. Three-quarters of the portfolio is invested in a high-yield bond fund, while the rest is invested in a stock mutual fund. These investments are classified as financial assets measured at fair value with value changes recognised through net profit and loss. These securities suffered a

considerable drop in value during the market turbulence experienced in March 2020, in line with general market developments. The drop in value was reversed by the end of the year. One-third of the portfolio enjoys some protection because a change in the value of the investment is compensated for by a corresponding change in the pension liabilities.

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

Figures in NOK million	2020	2019
Loans to employees at fair value	80	101
Long-term advance to employees	8	19
Carrying value of share loans to employees	88	120

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 difference between the carrying value and the nominal value of the loans is treated as advance payments to employees. Satisfactory security has been furnished for the loans. See note 7.

NOTE 19. INVENTORY

Inventory includes project inventories in construction and infrastructure projects, such as materials, raw materials (crushed stone, gravel and bitumen), spare parts and small equipment.

Figures in NOK million	2020	2019
Infrastructure in Norway, Civil engineering	207	217
Infrastructure in Norway, Asphalt and Aggregates	185	149
Construction Norway	90	77
Sweden	69	55
Other parts of the operations	29	46
Total inventory	580	544

NOTE 20. TRADE RECEIVABLES AND CONTRACT BALANCES

Trade receivables are invoiced receivables in which Veidekke has an unconditional right to payment, while contract assets represent a conditional right to payment. 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	2020	2019
Invoiced trade receivables	6 944	5 329
Provisions for bad debts	-36	-22
Work invoiced in advance (i.e. not charged to income)	-3 438	-2 897
Trade receivables	3 471	2 410
Work done, but not invoiced	1 705	1 856
Due from customers	1 256	1 169
Contract assets	2 961	3 024
Trade receivables and contract assets	6 432	5 435

Maturity structure of invoiced trade receivables at 31 December:

Figures in NOK million	2020	2019
Receivables not due for payment	5 249	3 716
Less than 30 days since due date	685	606
30–60 days since due date	163	165
60–90 days since due date	139	30
90–180 days since due date	95	79
More than 180 days since due date ¹⁾	613	732
Invoiced trade receivables	6 944	5 329

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 33 Disputes and claims related to projects.

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

Figures in NOK million	2020	2019
Provisions at 1 January	22	19
Separation assets discontinued operations	-	-1
Currency translation differences	1	-
Provisions made during the year	26	18
Provisions used during the year	-	-3
Provisions reversed during the year	-13	-12
Provisions at 31 December	36	22

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	2020	2019
Trade receivables and contract assets	6 432	5 435
Of which:		
Received bank guarantees to trade receivables and contract assets	534	464
Other guarantees	12	19
Receivables from public authorities (state and municipal level) ¹⁾	2 294	2 202
Total secured trade receivables and contract assets with minimal risk	2 840	2 685
Maximum unhedged credit risk in the trade receivables and contract assets	3 592	2 750

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 infrastructure 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.

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	2020	2019
Trade receivables	3 471	2 410
Contract assets	2 961	3 024
Contract liabilities	-1 912	-1 411

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 Veidekke has the right to invoice based on work done.

Due from customers is also classified as 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	2020	2019
Contract assets as of 1 January	3 024	2 908
Reclassification of assets held for sale	-	-54
Invoiced receivables throughout the year	-2 937	-2 756
Work done this year, not invoiced	2 874	2 927
Contract assets as of 31 December	2 961	3 024

Contract liabilities primarily consist of prepayments from construction contract customers, where income is earned over time. These contract liabilities as at 31 December 2019 have largely been recognised as income in 2020.

Figures in NOK million	2020	2019
Contract liabilities as 1 January	-1 411	-1 807
Reclassification liabilities linked to assets from discontinued operations	-	466
Recognised as income during the year	1 411	1 341
Advances received	-1 912	-1 411
Contract liabilities as at 31 December	-1 912	-1 411

NOTE 21. CASH AND CASH EQUIVALENTS

The group's cash and cash equivalents comprise bank deposits and money market funds.

Figures in NOK million	2020	2019
Investments in money market funds	1 262	-
Bank deposits ¹⁾	1 957	241
Total cash and cash equivalents	3 219	241

1) Of which NOK 29 (23) million in restricted cash.

Veidekke has developed a strategy and a plan for managing and investing its excess liquidity to secure a higher return for the company than could currently be achieved on bank deposits, taking into account the need for necessary liquidity/ accessibility and low risk. The investments in various money market funds are highly secure and can be liquidated on short notice. The funds are therefore classified as cash equivalents.

In addition to a NOK 1,262 million investment in money market funds, Veidekke has invested NOK 540 million in bond funds, classified as short-term financial investments in the statement of financial position. The bond funds are invested in a diversified portfolio, and are considered to have high liquidity, but to be less accessible than money market funds and bank deposits.

NOTE 22. NUMBER OF SHARES, SHAREHOLDERS ETC.

Veidekke ASA's largest shareholders at 31 December 2020 are presented in the following table:

	No. of shares	Ownership share
OBOS BBL	25 148 220	18.6%
Folketrygdfondet	15 663 013	11.6%
If Skadeforsikring AB	5 041 200	3.7%
Skandinaviska Enskilda Banken AB	4 211 875	3.1%
Must Invest AS	3 000 000	2.2%
MP Pensjon	2 748 284	2.0%
Odin Norge	2 682 169	2.0%
Danske Invest	2 538 982	1.9%
State Street Bank and Trust Comp 1	2 094 855	1.6%
State Street Bank and Trust Comp 2	1 848 622	1.4%
JPMorgan Chase Bank, N.A., London	1 779 537	1.3%
Pareto Aksje Norge Verdipapirfond	1 774 370	1.3%
Skandinaviska Enskilda Banken AB	1 625 493	1.2%
The Bank of New York Mellon SA/NV	1 305 544	1.0%
RBC Investor Services	1 235 289	0.9%
Sum 15 largest shareholders	72 697 453	53.9%
Employees (3 838 individuals)	14 913 920	11.1%
Others	47 344 894	35.1%
Total	134 956 267	100.0%

CHANGE IN NUMBER OF SHARES

No. of shares 1 January 2020	134 956 267
No. of shares 31 December 2020	134 956 267

Each share has a nominal value of NOK 0.50.

Shares owned by board members and members of the corporate management on 31 December 2020:

	No. of shares
THE BOARD OF DIRECTORS	
Svein Richard Brandtzæg, chair	2 300
Gro Bakstad	15 500
Ingalill Marie Berglund	2 500
Ingolv Høyland	6 000
Daniel Kjørberg Siraj ¹⁾	-
Hanne Rønneberg	700
Per-Ingemar Persson	55 740
Inge Ramsdal	8 295
Odd Andre Olsen	4 805
Arve Fludal	8 200
Shares owned by board members	104 040
MEMBERS OF THE CORPORATE MANAGEMENT	
Jimmy Bengtsson	49 240
Jørgen Wiese Porsmyr	109 310
Hans Olav Sørli	71 090
Øivind Larsen	8 100
Mats Nyström	20 000
Terje Larsen	111 475
Lars Erik Lund	14 310
Anne Thorbjørnsen	29 355
Kristina Andreasson	1 600
Total shares owned by corporate management	414 480
Total	518 520

1) Daniel Kjørberg Siraj has no private shareholding, but represents the shareholding of OBOS BBL: 25 148 220 shares.

Own shares

Veidekke does not own any of its own shares.

Dividend

Paid dividend in 2020 amounted to NOK 3,037 million (NOK 22.50 per share). Proposed dividend for the financial year 2020 is NOK 776 million (NOK 5,75 per share).

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

NOTE 23. 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 2020 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 18 and 28.

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 2020 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 32.

Pensions on salaries above 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 15 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	2020	2019
PENSION COSTS		
Current service cost	19	20
Interest cost on net pension liabilities	7	9
Total costs (defined-benefit schemes)	26	29
Cost of defined-contribution plan	511	465
Pension costs	536	494
 COMPOSITION OF NET PENSION LIABILITIES		
Pension liability - defined-benefit schemes	-1 210	-1 177
Pension assets	839	846
Net pension liability defined-benefit schemes	-370	-330
Pension liability - other schemes	-165	-124
Pension liability at 31 December	-535	-454
 DETAILS LIABILITIES DEFINED-BENEFIT SCHEMES:		
 CHANGE IN GROSS PENSION LIABILITY DURING THE YEAR		
Gross pension liability at 1 January	-1 177	-1 221
Accruals during the year (present value)	-18	-19
Interest cost	-26	-31
Actuarial gains and losses recognised in comprehensive income	-49	8
Payroll tax of employer's contribution	3	4
Benefits paid during the year	57	49
Pension liability related to assets held for sale	-	34
Gross pension liability at 31 December	-1 210	-1 177
 CHANGE IN PENSION ASSETS DURING THE YEAR		
Pension assets at 1 January	846	849
Expected return	18	21
Grants	20	31
Year's actuarial gains and losses recognised in total comprehensive income	2	9
Payroll tax of employer's contribution	-3	-4
Benefits paid during the year	-45	-46
Pension liability related to assets discontinued operations	-	-14
Premium assets as of 31 December	839	846

OVERVIEW OF NET PENSION LIABILITIES AND ACTUARIAL GAINS AND LOSSES

Figures in NOK million	2020	2019
Gross pension liabilities	-1 210	-1 177
Pension assets	839	846
Net pension liability defined-benefit schemes	-370	-330
OVERVIEW OF ACTUARIAL GAINS AND LOSSES - DEFINED-BENEFIT SCHEMES		
Liabilities:		
Changes in economic assumptions	-49	-9
Changes in population and demographic assumptions	4	13
Pension assets:		
Actual return v. actuarial assumption	-2	13
Year's actuarial gains and losses recognised in total comprehensive income before tax	-48	17
Year's actuarial gains and losses recognised in total comprehensive income after tax	-37	13

	2020	2019
FINANCIAL ASSUMPTIONS		
Discount rate/return on pension investments	1.5%	2.3%
Annual wage growth	2.0%	2.3%
Annual adjustment of G (National Insurance Scheme basic amount)	1.8%	2.0%
Annual adjustment of pensions under payment	0.0%	0.5%
Mortality table	K2013	K2013
PENSION ASSETS		
Investment		
Property	15%	13%
Bonds	45%	48%
Short-term investments	32%	24%
Shares	9%	15%
Total investments	100%	100%
Return		
Book return	4.4%	3.6%
Adjusted return	5.6%	6.1%

Pensions 2021

The estimated premium for defined-benefit plans for 2021 is NOK 21 million, whereas the cost is expected to be NOK 24 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 24. TAX COSTS AND DEFERRED TAX

Figures in NOK million	2020	2019
INCOME TAX EXPENSE		
Tax payable	122	53
Change in deferred tax	153	87
Adjustments previous years	4	2
Total	279	142
RECONCILIATION OF THE GROUP'S TAX RATE		
Calculated income tax based on Norway's current tax rate (22%)	264	128
Actual income tax expense	279	142
Difference	-15	-14
EXPLANATION DIFFERENCE INCOME TAX EXPENSE		
Tax from activity in joint ventures ¹⁾	6	10
Tax-exempted sales of companies	7	6
Other permanent differences:		
Non-deductible expenses	-12	-12
Effect of changes in the tax rate	2	-1
Deferred tax asset, not previously recognised	-	1
Addition to the purchase price for business acquisitions, non-deductible cost	-17	-19
Other items	-1	2
Total	-15	-14
Group tax rate	23 %	24 %

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	2020	2019
DEFERRED TAX		
Current items ¹⁾	890	775
Total current items	890	775
Operating equipment - additional depreciation	175	165
Other non-current items	59	65
Provisions for liabilities	-293	-232
Pension liabilities	-110	-94
Total non-current items	-169	-94
Losses carried forward	-120	-226
Net deferred tax liabilities	601	454

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 800 million.

PRESENTATION OF DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION

Figures in NOK million	2020	2019
Deferred tax assets ¹⁾	-14	-8
Deferred tax liabilities	615	462
Net deferred tax liabilities	601	454

1) Deferred tax assets are offset against deferred tax in the statement of financial position.

CHANGE IN DEFERRED TAX

Figures in NOK million	2020	2019
Current items	113	149
Non-current items - accelerated depreciation	10	-11
Other non-current items	-6	4
Provisions for liabilities	-62	-50
Pension liabilities	-17	3
Losses carried forward	106	-13
Change in deferred tax	145	83
Currency translation differences	-7	-1
Deferred tax in connection with acquisition/sale of companies	0	0
Change in deferred tax recognised in total comprehensive income	15	5
Change in deferred tax in the income statement	153	87

TAX INCORPORATED INTO TOTAL COMPREHENSIVE INCOME

Figures in NOK million	2020			2019		
	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	1 202	279	922	582	142	440
From the income statement, discontinued operations	1 315	49	1 266	513	-9	522
Other income and expenses recognised in comprehensive income:						
Revaluation of pensions	-47	-10	-37	18	4	14
Currency translation differences	40	-	40	-36	-	-36
Fair value adjustments of financial assets	-53	-6	-47	12	1	11
Total comprehensive income	2 458	313	2 144	1 089	138	951

NOTE 25. NON-CURRENT LIABILITIES

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

Figures in NOK million	2020	2019
Bonds ¹⁾	600	1 600
Non-current loans from credit institutions	198	1 507
Non-current interest bearing liabilities	798	3 107

1) At 31 December 2020 Veidekke had one bond loan: a seven-year loan of NOK 600 million, issued in 2018. The loan is listed on the Oslo Stoch Exchange under the ticker VEI10.

OTHER NON-CURRENT LIABILITIES

Figures in NOK million	2020	2019
Non-current liabilities, leases IFRS16 ¹⁾	506	580
Deferred payment business acquisitions ²⁾	271	220
Option agreements ³⁾	289	278
Other non-current liabilities	30	82
Other non-current liabilities	1 097	1 161

1) See note 14 Leases (IFRS16).

2) 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 Sweden to which this applies are BRA AB (90%) and Veitech AB (90%). 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 %). Veidekke's ownership share in brackets.

Instalment profile details can be found in note 31.

NOTE 26. TRADE CREDITORS AND OTHER CURRENT LIABILITIES

Figures in NOK million	2020	2019
TRADE PAYABLES		
Trade payables	2 951	2 962
Provision for accrued costs	3 126	3 016
Total trade payables	6 077	5 978
CONTRACT LIABILITIES (SEE NOTE 20)		
Total contract liabilities	1 912	1 411
OTHER CURRENT LIABILITIES		
Total current liabilities	1 477	1 389

Contract liabilities include both forward payment plans in construction projects and advance payments from customers.

NOTE 27. WARRANTY ALLOCATIONS 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	2020	2019
Warranty provisions etc. at 1 January	979	814
Currency translation differences	32	-6
+ new warranty provisions (additions)	487	624
- reversed warranty provisions (disposals)	-209	-136
- actual claims expenses (consumption)	-252	-266
Warranty provisions related to discontinued operations	0	-51
Warranty provisions etc. at 31 December	1 037	979

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 28. SECURITY, GUARANTEE LIABILITIES AND JOINT AND SEVERAL LIABILITY

Figures in NOK million	2020	2019
MORTGAGES		
Recorded liabilities secured by mortgages etc.	33	27
Book value of mortgaged assets	346	303
GUARANTEES		
Guarantees to joint ventures and associates ¹⁾	-	2
Guarantees to other companies	-	28

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 283 million at 31 December 2020 to cover pension liabilities incurred. See note 18 Financial assets.

NOTE 29. CAPITAL MANAGEMENT

The purpose of effective capital management is to secure financial leeway to implement measures in support of Veidekke's operations and strategy. Veidekke seeks to maintain a robust financial position that supports profitability and value creation throughout the group and thus generates a return for shareholders. Important elements in a robust capital structure include equity, the level and development of net interest-bearing assets, ongoing cash flow and financial limits. The liquidity of the Veidekke group is characterised by seasonally weak cash flow in the first half of the year, as some parts of the group experience a seasonal downturn and incur costs during the winter months, and prepare for the start of the season in the spring. Capital management is designed with these fluctuations in mind.

The group has significant excess liquidity following receipt of the proceeds of the sale of the property development operation. At year-end, cash and cash equivalents and financial investments amounted to NOK 3.8 billion, including NOK 1.8 billion in short-term investments in bond and money market funds. These funds are expected to generate a somewhat better return than bank deposits with very low anticipated risk and high liquidity.

The group's central finance function is responsible for arranging the group's financing, using the banking, bond and certificate markets as sources. Veidekke's loan portfolio is differentiated in terms of both lenders and maturity structures. Veidekke is now a streamlined construction operation, reducing the group's capital requirements compared to before the sale of the property development operation.

Veidekke refinanced its bank loans in December 2020. The new agreements provide for a borrowing facility with DNB totalling NOK 1.75 billion (with a rolling 364-day maturity) and a credit facility from SEB totalling NOK 0.75 billion with a three-year maturity and two subsequent one-year extension options. These facilities remained unutilised as at the end of 2020. Veidekke also has a NOK 600 million fixed-rate senior unsecured bond loan which matures in 2025. The group had no outstanding certificate loans as at 31 December 2020. Veidekke has no official credit rating but monitors quantitative and qualitative factors with an effect on its creditworthiness.

Veidekke can optimise its capital structure by paying dividends to shareholders and repurchasing shares. Veidekke's dividend policy is to provide shareholders with a regular return proportionate to the group's financial performance, and for paid dividends to total at least 50% of post-tax profits. The average dividend ratio over the past 10 years is 70%.

In periods when the group's financial position is strong, Veidekke may supplement its dividend policy with share repurchasing. The general meeting has authorised the board of directors to repurchase up to 10% of the company's share capital, although share repurchases are only considered when the share price is deemed to be below actual fundamental value. In recent years, Veidekke has prioritised dividends and operational investments over share repurchases.

NOTE 30. FINANCIAL RISK

Veidekke seeks to maintain a robust financial position, necessitating effective operation, low financial risk exposure and appropriate management of parameters with an impact on financial risk. The group's financial policy includes guidelines on financial risk management.

Veidekke has a centralised finance function mandated to ensure short- and long-term financial capacity and to manage financial risk in cooperation with the group's individual operations. The finance function is responsible for making financing arrangements and managing interest rate risk and foreign exchange risk, while the operations undertake ongoing risk management, including management of credit risk and trade debtors.

Veidekke's primary categories of financial risk are trade debtors, liquidity and interest-bearing debt.

(1) Credit risk

Credit risk is the risk of financial losses due to non-performance of contractual obligations by a customer or financial asset counterparty. The group's credit risk relates primarily to the payment of receivables, with trade debtors presenting the greatest risk. Credit risk linked to trade debtors concerns the payment capacity of customers, rather than their willingness to pay (project risk). The group has a significant proportion of public-sector clients (approximately 30%), who are deemed to present very low credit risk. Veidekke seeks to manage credit risk linked to private-sector clients (approximately 70%) through proactive drafting of client contracts and by ensuring that the operations apply robust credit monitoring procedures. Credit risk has increased somewhat as a result of the Covid-19 pandemic.

Veidekke's management systems include contract drafting procedures which also function as risk management measures and require agreed payment schedules to match planned progress. In addition, works contracts are largely based on national standards, such as Norwegian Standards, which include provisions requiring the client to provide security for the contract sum. (Norwegian Standards require the provision of security for up to 17.5% of the contract sum during the construction period.) Together, these two measures help reduce credit risk in ordinary construction projects. Sweden does not have a national standard provision on bank guarantees, and risk is therefore somewhat higher there. The asphalt and aggregates operations, which serve substantially larger numbers of customers, prioritise credit assessment procedures, timely invoicing, guarantee provision and active follow-up of unpaid receivables.

The group has no material credit risk linked to any individual counterparty. The group has issued few guarantees relating to third-party debt, except as discussed in note 28 Provision of security.

There will always be a risk that a customer may be unwilling to pay owed sums, but this is regarded as an operational risk and is managed in the context of ordinary project assessment. For further information, see note 20 Trade debtors and note 33 Project-related disputes and claims.

(2) Liquidity risk

Liquidity risk is the risk that Veidekke may be unable to meet its payment obligations as they fall due. Robust liquidity is a key prerequisite for Veidekke's profitability and ability to invest and take on risk in capital-intensive business areas. Managing liquidity risk serves the objective of financial flexibility, and has high priority. Liquidity is managed, measured and controlled at project level and throughout the organisation. The group has significant excess liquidity following receipt of the proceeds of the sale of the property development operation. At year-end, cash and cash equivalents and financial investments amounted to NOK 3.8 billion, including NOK 1.8 billion in short-term investments in bond and money market funds. These funds are expected to generate a somewhat better return than bank deposits with very low anticipated risk and high liquidity. The group also has substantial capacity to fulfil ongoing performance guarantees issued in connection with construction projects.

Veidekke's substantial available liquidity and borrowing capacity mean that the group is well-equipped to handle financial uncertainty resulting from the Covid-19 pandemic.

Veidekke refinanced its bank loans in December 2020. The new agreements provide for a borrowing facility with DNB totalling NOK 1.75 billion (with a rolling 364-day maturity) and a credit facility from SEB totalling NOK 0.75 billion with a three-year maturity and two subsequent one-year extension options. Both agreements are based on a negative pledge and require Veidekke's key financial figures (covenants) to fulfil the following condition:

- (i) Net interest-bearing debt divided by EBITDA over the preceding four quarters shall not exceed 3.0. As at 31 December 2020, this ratio totalled 0. Net interest-bearing debt is defined as the group's short-term and long-term interest-bearing debt minus liquid assets and interest-bearing receivables, while EBITDA is defined as the group's operating profit/loss plus depreciation and amortisation.

See note 21 for information on liquid assets, note 25 on long-term interest-bearing debt, note 28 on provision of security and guarantee liability and note 31 on sensitivity analysis and maturity structure.

(3) Market price risk

Shares and bonds

The group is exposed to price risk on investments in equity instruments. This investment category, which includes shares and bonds, is not normally part of the group's investment strategy. Instead, Veidekke gives priority to investments in companies and projects where the group can exert significant influence on future operations and developments.

The carrying value of financial assets at fair value was NOK 571 million as at 31 December 2020. This item primarily comprises a bond fund investment made to cover pension liabilities. Financial investments totalling NOK 283 million relate to the coverage of pension liabilities, and are subject to security interests. Three-quarters of the portfolio is invested in a high-yield bond fund, while the rest is invested in a stock mutual fund. These investments are classified as financial assets measured at fair value with value changes recognised through other comprehensive income. These securities suffered a considerable drop in value during the market turbulence experienced in March 2020, in line with general market developments. The drop in value was reversed by the end of the year. One-third of the portfolio enjoys some protection because a change in the value of the investment is compensated for by a corresponding change in the pension liabilities. The value of the financial investments may also be affected by financial turbulence linked to the Covid-19 pandemic and fluctuating oil prices in future.

The carrying value of financial investments at fair value was NOK 540 million as at 31 December 2020, comprising a short-term investment in a bond fund of excess liquidity stemming from the sale of the property development operation. The risk level of this highly liquid investment is deemed to be very low.

Hedging of raw material costs

Veidekke undertakes little hedging of input factors used in production, and any hedging is only done once an order has been received.

The petroleum product bitumen is a key input factor for the asphalt operation (part of Infrastructure Norway), and the price of bitumen is closely linked with oil prices. Bitumen costs are rarely hedged, and only in the case of orders with

long delivery deadlines. Contracts with the group's largest customer, the Norwegian Public Roads Administration, assign most of the risk associated with changes in the price of bitumen to the customer. As regards deliveries to other customers, the period of time between receipt of an order and delivery is normally short, thus reducing the risk of price changes. Nevertheless, Veidekke may have some exposure in the event of rapid, substantial price changes. As at 31 December 2020, the group had entered into a total of two hedging contracts, all related to major asphalt contracts scheduled for delivery in the period 2021 and 2022.

(4) Interest rate and currency risk

Veidekke's interest rate risk relates 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 companies use interest-rate swaps to reduce material long-term interest rate risk. Veidekke has a NOK 600 million fixed-rate bond loan which matures in 2025 and carries a fixed coupon rate of 3.20%.

The value of the group's interest-rate swaps is determined using the forward rate on the balance-sheet date, and is confirmed by the financial institution acting as the counterparty.

Veidekke has ownership interests in five PPP companies: the school projects Skuleveg AS (50%), Skulebygg AS (50%), Skulegard AS (50%) and Skuleplass AS (50%) and the road project Allfarveg AS (50%). For all these projects, agreements have been signed which secure long-term financing at a fixed rate of interest. Interest rate risk has been eliminated by ensuring that agreed financing is in accordance with signed leases. Reference is made to separate discussion of the PPP projects in note 17.

Interest rate levels generally have a material impact on demand for Veidekke's products, and on private-sector demand in particular. General market risk therefore includes indirect interest rate risk. Higher interest rates will normally mean reduced activity in the group's construction operations.

Veidekke's operations are largely national, and project cash flow is usually denominated in the national currency. Foreign exchange risk arises in connection with purchases of input factors denominated in foreign currencies. When material foreign exchange risk arises, it is hedged through forward contracts or similar instruments. Equity in foreign subsidiaries is not hedged, and any exchange rate fluctuations therefore affect the group's overall profit/loss. Total net agio recognised in the income statement for 2020 was NOK -8 million (NOK 2 million).

NOTE 31. 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 31.12.2020	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	571	320	251	-	-
Trade receivables and contract assets	6 432	-	6 432	-	-
Financial investment, bond fund	540	540	-	-	-
Other receivables	286	-	286	-	-
Cash and cash equivalents	3 219	-	3 219	-	-
Total financial assets	11 049	860	10 188	-	-
Bond debts and debt to credit institutions	798	-	798	-	-
Other non-current liabilities	1 097	-	-	-	1 097
Debt to credit institutions (current)	29	-	29	-	-
Tax payable	64	-	-	-	64
Other financial current liabilities ¹⁾	10 503	-	-	-	10 503
Total financial liabilities	12 491	-	827	-	11 664

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

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

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 2020	-	307	307
Additions	-	17	17
Sales/disposal	-	-10	-10
Pre-tax gains (losses) recognised in other comprehensive income	-	-	-
Pre-tax gains (losses) recognised in the income statement	-	6	6
Financial instruments at 31 December 2020	-	320	320

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	-	262	45	307
Derivatives defined as hedging instruments	-	-	-	-
Total at 31 December 2019	-	262	45	307
Financial assets at fair value through profit and loss	-	283	37	320
Derivatives defined as hedging instruments	-	-	-	-
Total at 31 December 2020	-	283	37	320

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. Unpaid government charges, tax payable and current liabilities have a short maturity, and capitalised liabilities are virtually 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 20 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
		2021	2022	2023	2024	After 2024	
Bond loans ¹⁾	600	19	19	19	19	619	696
Debt to credit institutions ²⁾	198	31	115	43	12	6	206
Other non-current liabilities ³⁾	1 097	8	204	124	628	418	1 382
Total	1 894	58	338	186	659	1 043	2 284

1) The group has one bond loan of NOK 600 million which matures in March 2025.

2) The group has a long-term credit facility with DNB with a credit limit of NOK 1.75 billion and one with SEB of NOK 0.75 million, none of which had been utilised on 31 December 2020.

3) Includes non-current liabilities related to leases in accordance with IFRS16, ref. note 14. Lease liabilities are not considered interest-bearing debt.

Effective interest rates for selected financial instruments:

Figures in NOK million	31.12.2020 ¹⁾	2020 ²⁾	2019 ²⁾
Liquidity	0.2%	0.2%	0.9%
Current interest-bearing liabilities	2.2%	2.2%	2.7%
Non-current interest-bearing liabilities	2.9%	2.7%	2.7%

1) Actual interest rates at 31 December 2020. 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 2,500 million (NOK 4,530 million at 31 December 2019). The available facilities remained unutilised as at 31 December 2020. The borrowing facilities comprise two components with different maturities. The larger part, totalling NOK 1,750 million, has a one-year term, while the remainder (totalling NOK 750 million) matures in December 2023.

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 2020 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	2020	2019
Bonds, non-current	600	1 600
Debt to credit institutions, non-current	198	1 514
Debt to credit institutions, current	29	17
Total interest-bearing debt	827	3 131
Cash and cash equivalents	3 219	283
Interest-bearing financial assets	144	158
Interest-bearing bonds	541	-
Interest-bearing other receivables	1	38
Total interest-bearing assets	3 905	478
Net interest bearing debt	3 078	-2 653

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

The group's short-term financing

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

2020	Carrying value	Maturity structure				Anticipated cash flow
		Payable on demand/ due date not set	0-3 months	3-12 months	Over 12 months	
Figures in NOK million						
Current liabilities to credit institutions	29	-	9	20	-	29
Trade payables ¹⁾	6 077	3 386	2 522	168	1	6 077
Unpaid government charges	1 038	23	931	84	1	1 038
Tax payable	64	-	8	55	-	63
Contract liabilities and other current liabilities ²⁾	3 389	1 366	1 124	892	68	3 451
Total current financial liabilities	10 597	4 775	4 594	1 220	70	10 659

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 14.

2019	Carrying value	Maturity structure				Anticipated cash flow
		Payable on demand/ due date not set	0-3 months	3-12 months	Over 12 months	
Figures in NOK million						
Current liabilities to credit institutions	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	2 800	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.

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

Figures in NOK million	2020	2019
Hedge reserves, joint ventures ¹⁾	-142	-113
Interest rate swap agreements, wholly-owned companies	-15	5
Fair value adjustments of financial assets available for sale	-	15
Foreign exchange forward contracts	1	-
Total	-156	-93

1) NOK -84 (-76) million is related to PPP E39 Lyngdal Flekkefjord. See note 17.

SPECIFICATION OF THE ACCOUNTING ITEM IN OTHER COMPREHENSIVE INCOME

Revaluation of financial assets at fair value

Figures in NOK million	2020	2019
Fair value adjustments hedge reserves, joint ventures	-30	8
Interest rate swap agreements, wholly-owned companies	-19	4
Fair value adjustments of financial assets through other comprehensive income	-15	-
Currency swap agreements	1	-
Sub total	-63	11
Fair value adjustment to shares available for sale, recorded directly against other equity	15	-
Total	-47	11

Sensitivity analysis of cash flow, financial instruments

Veidekke's financial position is generally strongest at year-end. Some parts of the business experience seasonal fluctuations which also affect the group's financial instruments. The group's contract types and payment terms may vary considerably. Overall, this means that the calculation of sensitivity to interest-rate changes is associated with a number of risk factors. Following the sale of the property development operation, the group's interest-bearing debt has been reduced to an outstanding

fixed-rate bond loan and some smaller local borrowings. The group is expected to have substantial excess liquidity going forward. Minor changes in interest-rate levels – whether positive or negative – are not expected to have a material impact on profits, and therefore no detailed calculations have been prepared. Veidekke also has investments in joint ventures which have entered into fixed-rate agreements. See note 17 for a sensitivity analysis focused on altered interest rate.

NOTE 32. EXECUTIVE REMUNERATION

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 2021 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 2020 and effects for the group and the shareholders of agreements both entered into and revised

The salary adjustments in 2020 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 programme for senior executives provides a maximum payout of 50% of annual salary. The bonus is split into two parts, with the maximum bonus for achieving financial targets equalling two-thirds of annual salary and one-third being linked to operational targets. The bonus for achieving financial targets is linked to defined margin targets. Half of the potential bonus for heads of operation is linked to the group's performance, and the other half to the performance of the operation. Operational targets are linked to cash flow from operations and injury reduction. The potential bonus for staff managers is based on an average figure for the different operations. In special cases, the Group CEO may – in consultation with the remuneration committee and on an individual basis – consider awarding a discretionary bonus, also capped at 50% of annual salary.

Group executives participate in Veidekke's general share purchase programme and the option programme for key staff. In view of the distribution of an extraordinary dividend stemming from the sale of the property development operation, the planned 2020 share purchase opportunity was postponed until after publication of the Q4 2020 results

in February 2021. Individuals who worked on the sale of the property development operation were not permitted to participate in the 2020 option programme. The share and option programmes are discussed further in note 7.

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 any 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.

As at 31 December 2020, Veidekke had NOK 0.3 million in outstanding loans to the Group CEO linked to the purchase of Veidekke shares through the share programme. The loan is currently interest-free, is being repaid on an ongoing basis and is secured by means of a charge over the shares. The interest benefit has been reported. In addition to the employee share programme, the Group CEO also participates in the option programme for key staff. In 2020, the Group CEO was not permitted to receive or exercise options due to his ongoing work on the sale of the property development operation.

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 Sørli, Øivind Larsen and Anne Thorbjørnsen will receive a pension and are entitled to retire at the age defined in the ordinary pension scheme for employees in Norway. See note 23 for more information about Veidekke's pension arrangements. For Mats Nyström and Kristina Andreasson, the ordinary retirement age is 65 years. They have defined-contribution pension schemes under which Veidekke pays an annual premium of 35% and 25% of salary respectively.

As at 31 December 2020, Veidekke had NOK 2.6 million in outstanding loans to group executives linked to the purchase of Veidekke shares through the share programme. The loans are currently interest-free and secured by means of a charge over the shares. The interest benefit has been reported.

Group executives also participate in Veidekke's option programme for key staff, and subscribed for 6,000 options in 2020. Only individuals who did not work on the sale of the property development operation were permitted to participate in the programme in 2020.

COMPENSATION TO THE GROUP CHIEF EXECUTIVE AND CORPORATE MANAGEMENT

Figures in NOK thousand	2020				2019
	Salary	Paid bonus	Car, phone, interest rate advantage etc.	Total compensation	Total compensation
GROUP CEO					
Jimmy Bengtsson ¹⁾	4 184	-	141	4 325	1 447
Arne Giske ²⁾	-	-	-	-	2 824
CORPORATE MANAGEMENT					
Jørgen Wiese Porsmyr	3 092	1 652	219	4 963	3 416
Hans Olav Sørli	2 932	23	190	3 145	3 111
Øivind Larsen	2 722	-	181	2 903	2 567
Mats Nyström ³⁾	3 351	205	559	4 115	1 056
Terje Larsen	2 782	-	204	2 986	2 917
Lars Erik Lund	2 456	606	174	3 236	2 635
Anne Thorbjørnsen ⁴⁾	2 212	-	188	2 400	2 334
Kristina Andreasson ⁵⁾	609	-	30	639	-
Catharina Bjerke ⁶⁾	808	97	84	989	2 551
Jimmy Bengtsson ¹⁾	-	-	-	-	2 286
Total Group CEO/ corporate management	25 149	2 583	1 968	29 701	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 September 2019

4) Permanent member of corporate management as of 15 September 2020

5) Member of corporate management as of 15 September 2020

6) Member of corporate management until 30 June 2020

			2020			
Figures in NOK thousand	Defined benefit scheme - year's cost	Present value of pension liabilities	Premium pension plan ¹⁾	Pension balance ²⁾	Loan for share purchases	Earned bonus
GROUP CHIEF EXECUTIVE						
Jimmy Bengtsson	432	430	1 642	2 132	271	1 300
CORPORATE MANAGEMENT						
Jørgen Wiese Porsmyr	1 183	22 756				664
Hans Olav Sørli			435	2 368	474	615
Øivind Larsen			334	1 030		623
Mats Nyström			1 158		511	693
Terje Larsen	1 337	20 942			407	529
Lars Erik Lund			296	1 111	949	470
Anne Thorbjørnsen ³⁾			204	659	282	408
Kristina Andreasson ⁴⁾			147			135
Total Group CEO and corporate management	2 952	44 128	4 214	7 300	2 894	5 436

Salary and compensation only for time served in corporate management.

1) This year's cost for pension arrangements

2) Relates to provision arrangements for salary exceeding 12G

3) Permanent member of corporate management as of 15 September 2020

4) Member of corporate management as of 15 September 2020.

Figures in NOK thousand	Defined benefit scheme - year's cost	Present value of pension liabilities	2019	Pension- balance ²⁾	Loan for share purchases	Earned bonus
			Premium pension plan ¹⁾			
GROUP CHIEF EXECUTIVE						
Jimmy Bengtsson ³⁾			1 385	490	283	
Arne Giske ⁴⁾	1 752					
CORPORATE MANAGEMENT						
Jørgen Wiese Porsmyr	1 203	18 089			392	122
Hans Olav Sørli			566	2 655	573	23
Øivind Larsen			374	696	60	
Mats Nyström ⁵⁾			353		1 023	
Terje Larsen	1 421	17 136			503	
Lars Erik Lund			384	815	1 001	
Anne Thorbjørnsen ⁶⁾			284	994	510	
Catharina Bjerke			374	700		97
Total Group CEO and corporate management	4 377	35 225	3 721	6 351	4 345	243

Salary and compensation only for time served in corporate management.

1) This year's cost for pension arrangements

2) Relates to provision arrangements for salary exceeding 12G

3) Group CEO as of 1 September 2019

4) Group CEO until 31 August 2019

5) Member of corporate management as of 1 September 2019

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

COMPENSATION TO THE BOARD OF DIRECTORS:

Figures in NOK thousand	Fees	Salary ¹⁾	2020	Loan for share purchases	2019	Loan for share purchases
			Total compensation		Total compensation	
Svein Richard Brandtzæg ²⁾	704	-	704	-	-	-
Gro Bakstad	380	-	380	-	380	-
Ingalill Marie Berglund	350	-	350	-	350	-
Ingolv Høyland	350	-	350	-	350	-
Daniel Kjørberg Siraj ³⁾	211	-	211	-	331	-
Hanne Rønneberg ⁴⁾	-	-	-	-	-	-
Per-Ingemar Persson ⁴⁾	-	947	947	-	-	-
Inge Ramsdal (elected by employees)	259	757	1 016	-	1 014	28
Odd Andre Olsen (elected by employees)	277	924	1 200	-	1 142	60
Arve Fludal (elected by employees)	259	970	1 229	405	1 100	481
Martin Mæland ⁵⁾	-	-	-	-	704	-
Hans von Uthmann ⁶⁾	350	-	350	-	403	-
Tone Hegland Bachke ⁷⁾	350	-	350	-	-	-
Total board of directors	3 487	3 597	7 085	405	5 772	568

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

2) Board chair from 8 May 2019

3) Temporarily resigned 21 November 2019–16 June 2020 .

4) Board members as of 6 May 2020. Remuneration for Persson includes settlement for termination of consultancy agreement following nomination to Veidekke's board of directors.

5) Board chair until 8 May 2019

6) Board member until 6 May 2020.

7) Board member from 8 May 2019 until 6 May 2020

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 22.

REMUNERATION TO AUDITORS:

Figures in NOK thousand	2020	2019
Statutory audit	15 490	17 917
Tax-related assistance	972	662
Other services in addition to auditing	658	1 652
Total remuneration to auditors	17 120	20 232

Remuneration excludes VAT.

NOTE 33. PROJECT-RELATED DISPUTES AND CLAIMS

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

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

At year-end, Veidekke was involved in ten (nine) legal disputes valued at more than NOK 25 million and currently ongoing before the courts, of which two are categorised as major disputes. After the balance sheet date, a main hearing has been held in one case. The subsequent judgment was fully in Veidekke's favor. At the time of writing, the judgment is not final. Four legal disputes valued at more than NOK 25 million were resolved during the year through either legal rulings or negotiations with the client.

NOTE 34. RELATED-PARTY TRANSACTIONS

Veidekke's related parties include associates and joint ventures (see note 16), Veidekke's shareholders, members of the board and key staff in Veidekke (see note 32). 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	2020		2019	
	Associates	Joint ventures	Associates	Joint ventures
REVENUE				
Revenue from associates and joint ventures	8	878	4	1 560
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER				
Receivables	-	62	25	274
Liabilities	3	13	19	11

OBOS BBL has a 18.6% stake in Veidekke and is also a major business partner. Before the property development operation was sold, the collaboration with OBOS consisted of the joint development of residential projects. Veidekke's construction operation is a substantial contractor to companies within the OBOS group.

TRANSACTIONS WITH OBOS

Figures in NOK million	Revenue 2020	Receivables 31.12 2020
OBOS	1 975	325

NOTE 35. IMPLEMENTATION OF NEW ACCOUNTING STANDARD, HOUSING COOPERATIVES IN SWEDEN

Veidekke adopted a new accounting principle for housing cooperatives in Sweden as of 1 January 2020. Historically, Veidekke's production and sale of residential units in Sweden was generally organised in the form of housing cooperatives. Veidekke proceeded on the basis that the housing cooperatives were independent entities over which Veidekke had no control. For this reason, the housing cooperatives were not consolidated in Veidekke's accounts, up to and including 2019. When several major Swedish residential developers amended their accounting practice in 2020 in response to regulatory requirements, Veidekke also revised its accounting principle with effect from 1 January 2020. As of this date, the housing cooperatives were consolidated in Veidekke's financial statements, meaning that revenue from residential sales in Sweden was recognised on the date of delivery to purchasers. Previously, revenue was recognised on an ongoing basis in accordance with the project's estimated final profit, sales ratio and stage of completion. The amended principle standardised the recognition of revenue from residential sales in Norway and Sweden. It also entailed an increase in the statement of financial position through the incorporation of interest-bearing debt and non-controlling ownership interests linked to housing cooperatives.

Veidekke sold the property development operation with effect as of 1 September 2020, meaning that the statement of financial position as at 31 December 2020 is not affected by the change of principle.

The change has necessitated corresponding restatement of comparative figures for 2019. Reference is also made to the discussion in note 2 Accounting policies.

INCOME STATEMENT

	31.12.2020		
	Previous standard	Consolidation of housing cooperatives	New standard
Figures in NOK million			
Revenue	38 140	-	38 140
Operating expenses	-36 037	15	-36 022
Share of net income from associates and joint ventures	4	-	4
Operating profit before depreciation (EBITDA)	2 108	15	2 122
Depreciation	-910	-	-910
Operating profit (EBIT)	1 198	15	1 213
Financial income	80	-	80
Financial costs	-91	-	-91
Pre-tax profit, continued operations	1 187	15	1 202
Tax expenses	-276	-3	-279
Post-tax profit, continued operations	911	12	922
of which non-controlling interests	81	-	81
Post-tax profit, discontinued operations	1 093	173	1 266
of which non-controlling interests	-	-	-
Post-tax profit for the period	2 004	185	2 189

	31.12.2019		
	Previous standard		New standard
		Consolidation of housing cooperatives	
Figures in NOK million			
Revenue	36 569	-	36 569
Operating expenses	-35 020	-14	-35 034
Share of net income from associates and joint ventures	-67	-	-67
Operating profit before depreciation (EBITDA)	1 482	-14	1 468
Depreciation	-887	-	-887
Operating profit (EBIT)	595	-14	581
Financial income	56	-	56
Financial costs	-54	-	-54
Pre-tax profit, continued operations	596	-14	582
Tax expenses	-145	3	-142
Post-tax profit, continued operations	451	-11	440
of which non-controlling interests	48	-	48
Post-tax profit, discontinued operations	217	306	522
of which non-controlling interests	-	-	-
Post-tax profit for the period	667	295	962

POST-TAX PROFIT, DISCONTINUED OPERATIONS

Figures in NOK million	2020		
	Previous standard		New standard
	Total discontinued operations	Consolidation of housing cooperatives	Total discontinued operations
Ordinary revenue	765	-	765
Gain from sale of property development operation	1 024	-	1 024
Operating revenue	1 789	-	1 789
Subcontractors and material costs	-534	85	-450
Payroll costs	-167	-	-167
Other operation expenses	-116	-	-116
Depreciation/impairment	-4	-	-4
Total operating expenses	-822	85	-738
Share of net income from joint ventures	112	89	200
Operating profit	1 078	173	1 252
Financial income	19	172	19
Financial costs	-21	-	-21
Pre-tax profit	1 076	172	1 250
Tax expenses	17	-	17
Post-tax profit discontinued operations	1 093	172	1 266

Figures in NOK million	2019		
	Previous standard		New standard
	Total discontinued operations	Consolidation of housing cooperatives	Total discontinued operations
Operating revenue	1 652	1 211	2 862
Subcontractors and material costs	-1 099	-966	-2 065
Payroll costs	-229	-	229
Other operation expenses	-224	-	224
Depreciation/impairment	-6	-	-6
Total operating expenses	-1 558	-966	-2 524
Share of net income from joint ventures	141	60	201
Operating profit	235	304	539
Financial income	21	-	21
Financial costs	-47	-	-47
Pre-tax profit	209	304	513
Tax expenses	7	1	9
Post-tax profit discontinued operations	217	306	522

BALANCE SHEET

	01.01.2019 Previous standard	01.01.2019 restated- New standard	
		Consolidation of housing cooperatives	
Figures in NOK million			
ASSETS			
Non-current assets			
Goodwill	1 807		1 807
Other intangible assets	149		149
Land and buildings	1 393		1 393
Plant and machinery	2 892		2 892
Investments in joint ventures	1 433	-147	1 286
Financial assets	508		508
Total non-current assets	8 183	-147	8 036
Current assets			
Residential projects	4 309	3 121	7 430
Inventories	564		564
Trade receivables	2 776		2 776
Contract assets	2 908	-321	2 587
Other receivables	843	138	981
Cash and cash equivalents	197	143	341
Total current assets	11 597	3 081	14 678
Total assets	19 780	2 934	22 714
EQUITY AND LIABILITIES			
Equity			
Share capital	67		67
Other equity	3 892	-481	3 411
Non-controlling interests	25	755	779
Total equity	3 983	274	4 257
Non-current liabilities			
Pension liabilities	503		503
Deferred tax	343	2	346
Bond debt	1 600		1 600
Debt to credit institutions	248	-	248
Other non-current liabilities	1 099		1 099
Total non-current liabilities	3 793	2	3 795
Current liabilities			
Debt to credit institutions	36	2 469	2 505
Trade payables	6 176		6 176
Contract liabilities	1 807	112	1 919
Public duties	805	-	805
Warranty allocations	814		814
Taxes payable	62		62
Other current liabilities	2 306	76	2 382
Total current liabilities	12 004	2 657	14 662
Total equity and liabilities	19 780	2 934	22 714

NOTE 36. EVENTS AFTER THE REPORTING DATE

No events have occurred after the balance sheet date which have had a material effect on the issued accounts. However, it should be noted that the accounts are based on project estimates which reflect a normal situation of full operation and project staffing levels. Progress on current projects may be affected by the pandemic, and the consequences will depend on the scope and duration of the pandemic. There have been no new developments in the pandemic with a material effect on the year-end assessments.

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 position

The key figure expresses the group's financial position and has been prepared based on the total liquid assets and interest-bearing receivables at the time of assessment, less interest-bearing debt (both current and non-current). The key figure is included in the covenants calculation in the loan agreement.

Order book

The order book provides an indication of future activity in the group's construction operations. The order book is defined as contracted and signed contracts on the measurement date. This key figure also includes road maintenance contracts in Infrastructure in Norway's Road Maintenance unit.

Invested capital

The return on invested capital is calculated by dividing the pre-tax profit/loss plus interest costs over the previous 12 months by the average invested capital over the same period.

The average invested capital is calculated by averaging invested capital over the four preceding quarters.

Invested capital comprises equity and interest-bearing debt. Interest-bearing receivables and cash are excluded from the definition of interest-bearing debt.

Return on equity

This key figure indicates the return on equity during the period. It is calculated by dividing the post-tax profit by average equity.

Post-tax profit last 12 months

Average equity last 12 months

Average equity over the last 12 months is calculated by averaging equity over the preceding four quarters.

NOTE 38. CORPORATE STRUCTURE

This is an alphabetical overview of all subsidiaries in the Veidekke group, excluding pure holding companies and inactive companies. Subsidiaries of the divested property development operation have been omitted. These companies were classified as “held for sale” at year-end 2019. Specified ownership shares represent the proportion owned by Veidekke ASA or an indirectly owned subsidiary.

Company name	Business area	Head office	Country	Ownership share	
				2020	2019
AB Berggren & Bergman	Sweden	Umeå	Sweden	100%	100%
Amrock AS	Infrastructure in Norway	Oslo	Norway	100%	100%
Arcona AB	Sweden	Stockholm	Sweden	100%	100%
Arcona X AB	Sweden	Stockholm	Sweden	100%	100%
BBB Tomt AS	Construction in Norway	Klepp Stasjon	Norway	100%	100%
Billström Riemer Andersson AB	Sweden	Mölnadal	Sweden	90%	90%
Block Berge Bygg AS	Construction in Norway	Klepp Stasjon	Norway	100%	100%
BRA Bygg AB	Sweden	Mölnadal	Sweden	95%	95%
BRA Förvaltning AB	Sweden	Mölnadal	Sweden	100%	100%
BRA Knarrholmen Drift AB	Sweden	Mölnadal	Sweden	100%	100%
BRA Laholm	Sweden	Mölnadal	Sweden	100%	100%
BRA Mark AB	Sweden	Mölnadal	Sweden	90%	90%
BRA Stallbacke	Sweden	Mölnadal	Sweden	100%	100%
BRA Teknik AB	Sweden	Mölnadal	Sweden	58%	58%
Brinkab AB	Sweden	Sundbyberg	Sweden	100%	100%
Brinkab Förvaltning AB	Sweden	Sundbyberg	Sweden	100%	100%
BSK Arkitekter AB	Sweden	Stockholm	Sweden	100%	100%
Båsum Boring AS	Construction in Norway	Krøderen	Norway	70%	70%
Båsum Boring Trøndelag AS	Construction in Norway	Børsa	Norway	70%	70%
Container og Massegjenvinning AS	Construction in Norway	Åmot	Norway	55%	55%
CSL Construction Supply Logistics AB	Sweden	Solna	Sweden	100%	100%
Exengo Installationskonsult AB	Sweden	Stockholm	Sweden	51%	51%
Fastighets AB GTR	Sweden	Stockholm	Sweden	100%	100%
Grande Entreprenør AS	Construction in Norway	Verdal	Norway	80%	80%
Hande AS	Construction in Norway	Oslo	Norway	68%	68%
Hoffmann AS	Denmark	Glostrup	Denmark	100%	100%
Hoffmann Ejendomme AS	Other operations	Glostrup	Denmark	100%	100%

Company name	Business area	Head office	Country	Ownership share	
				2020	2019
Härryda fastighets AB	Sweden	Mölndal	Sweden	100%	100%
Härryda Projektutv AB	Sweden	Mölndal	Sweden	100%	100%
Knarrholmen Utveckling AB	Sweden	Mölndal	Sweden	100%	100%
Kongsberg Pukkverk AS	Infrastructure in Norway	Kongsberg	Norway	67%	67%
Kynningsrud Fundamentering AS	Construction in Norway	Rolvøy	Norway	100%	100%
Kynningsrud Grundläggning AB	Construction in Norway	Uddevalle	Sweden	100%	100%
Kystmiljø AS	Construction in Norway	Vesterøy	Norway	100%	100%
Leif Grimsrud AS	Construction in Norway	Halden	Norway	80%	80%
Lillhagen Byggnads AB	Sweden	Göteborg	Sweden	90%	90%
Mölnlycke Logistipark AB	Sweden	Mölndal	Sweden	100%	100%
Nordre Fokserød Utvikling AS	Infrastructure in Norway	Oslo	Norway	100%	100%
Rauma Bygg AS	Construction in Norway	Åndalsnes	Norway	100%	100%
Rudsflata 11 AS	Construction in Norway	Grålum	Norway	100%	100%
Seby AS	Construction in Norway	Skedsmokorset	Norway	70%	70%
Skuledrift AS	Construction in Norway	Oslo	Norway	100%	100%
Sydbeläggnings AB	Sweden	Helsingborg	Sweden	75%	75%
Tautech AB	Sweden	Göteborg	Sweden	100%	100%
Team Veidekke DA	Construction in Norway	Oslo	Norway	80%	80%
Tore Løkke AS	Construction in Norway	Revsnes	Norway	85%	85%
Valdresbygg AS	Construction in Norway	Fagernes	Norway	100%	100%
Veidekke Danmark AS	Annet	Glostrup	Danmark	100%	100%
Veidekke Entreprenad AB	Sweden	Solna	Sweden	100%	100%
Veidekke Entreprenør AS	Construction in Norway/ Infrastructure in Norway	Oslo	Norway	100%	100%
Veidekke Fellestjenester AS	Annet	Oslo	Norway	100%	100%
Veidekke Industri AB	Sweden	Vallentuna	Sweden	100%	100%
Veidekke Industri AS	Infrastructure in Norway	Oslo	Norway	100%	100%
Veidekke Logistikkbygg AS	Construction in Norway	Larvik	Norway	100%	100%
Veidekke Nära AB	Sweden	Solna	Sweden	100%	100%
Veidekke Prefab AB	Sweden	Sala	Sweden	100%	70%
Veidekke Sverige AB	Sweden	Lund	Sweden	100%	100%
Veitech AB	Sweden	Sundbyberg	Sweden	90%	90%
Vestgårdveien 17 AS	Construction in Norway	Halden	Norway	100%	100%
Wendelstrand Fastighets AB	Sweden	Mölndal	Sweden	100%	100%
Øst AS	Construction in Norway	Halden	Norway	100%	100%
Øst Boligprosjekt AS	Construction in Norway	Halden	Norway	100%	100%

INCOME STATEMENT VEIDEKKE ASA

Figures in NOK million	Note	2020	2019
Revenue		102	114
Personnel expenses	1, 11	-119	-102
Other operating expenses	3	-86	-127
Depreciation	4	-17	-20
Total operating expenses		-222	-249
Operating profit		-120	-135
Dividends and group contributions from subsidiaries	2	1 676	812
Other financial income	2	1 465	100
Financial costs	2	-88	-102
Profit before tax		2 933	675
Income tax expense	10	-12	-29
Profit for the year		2 921	646
Allocation of profit			
Dividends payable		776	-
Paid dividends		3 037	-
Other equity		-892	646
Total		2 921	646

STATEMENT OF FINANCIAL POSITION VEIDEKKE ASA AT 31 DECEMBER

Figures in NOK million	Note	2020	2019
ASSETS			
Non-current assets			
Deferred tax assets	10	66	43
Property and machinery	4	80	49
Investments in subsidiaries	5	2 503	3 007
Investments in associates and joint ventures	6	105	105
Financial investments	7	310	229
Other non-current receivables	7	89	120
Total non-current assets		3 153	3 554
Current assets			
Receivables from group companies	14	418	1 672
Financial investments	8	540	-
Other receivables		25	121
Cash and cash equivalents	8	1 846	67
Total current assets		2 829	1 861
Total assets		5 982	5 414
EQUITY AND LIABILITIES			
Equity			
Share capital		67	67
Other equity		1 167	2 075
Total equity	9	1 234	2 142
Non-current liabilities			
Pension liabilities	11	254	210
Bonds	12	600	1 600
Debts to credit institutions	12	-	1 370
Total non-current liabilities		854	3 180
Current liabilities			
Trade payables		68	40
Tax payables	10	-	-
Dividends payable	9	776	-
Current liabilities to group companies	14	3 019	20
Other current liabilities		32	32
Total current liabilities		3 894	92
Total equity and liabilities		5 982	5 414

STATEMENT OF CASH FLOWS VEIDEKKE ASA

Figures in NOK million	Note	2020	2019
OPERATING ACTIVITIES			
Pre-tax profit		2 933	675
Recognised dividends and group contributions from subsidiaries, not yet paid		-1 506	-679
Received dividends and group contributions from subsidiaries		823	521
Group contributions to subsidiaries, paid		-176	-417
Tax paid	10	-	-
Depreciation		17	20
Gains on sale of shares		-1 408	-
Pensions, difference expensed/paid		23	5
Generated from this year's activities		707	126
Change in other current assets		27	-20
Change in other items	14	-80	113
Net cash flow from operating activities (A)		654	219
INVESTING ACTIVITIES			
Acquisition of tangible non-current assets	4	-51	-
Paid-in after divestment of property development operations		6 990	-
Payment, other investments		-540	-
Equity contributions in subsidiaries		-1	-7
Received dividends from joint ventures		14	10
Net cash flow from investing activities (B)		6 412	3
FINANCING ACTIVITIES			
Downpayment of non-current bond loan		-1 000	-
New non-current debt		-	1 244
Repayment of non-current debt		-1 370	-
Change in intra-group balances group cash account		119	-848
Equity contribution		-	115
Dividends paid		-3 037	-669
Net cash flow from financing activities (C)		-5 288	691
Total net change in cash and cash equivalents (A+B+C)		1 779	65
Cash and cash equivalents at 1 January		67	3
Cash and cash equivalents at 31 December		1 846	67
Supplementary information			
Borrowing facility		2 500	5 900
Used committed borrowing facilities at 31 December		-	1 370

ACCOUNTING POLICIES

Veidekke ASA prepares its financial statements in accordance with Norwegian accounting standards.

The parent company Veidekke ASA is a holding company with no operational activity. 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.

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.

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 2020.

With the exception of the date of accounting recognition of dividends and group contributions and the accounting treatment of financial instruments such as share investments, the parent company applies the same accounting principles as the group.

Unless otherwise specified, all amounts are in NOK million.

NOTE 1. PAYROLL COSTS

Figures in NOK million

	2020	2019
Payroll	84	72
Pension costs	21	16
National Insurance contributions	13	10
Other payroll costs (social benefits etc.)	2	4
Total	119	102
Number of fulltime equivalents	53	45
Number of employees at 31 December	53	47

NOTE 2. FINANCIAL INCOME AND FINANCIAL EXPENSES

Figures in NOK million	2020	2019
Dividend and group contributions from subsidiaries	1 676	812
Interest income	43	89
Dividends from joint ventures	14	10
Gains from sale of shares	1 408	-
Other financial income	-	1
Total other financial income	1 465	100
Interest costs	-71	-88
Foreign currency costs	-17	-13
Total financial costs	-88	-102
Net financial items	3 052	810

Gains from sale of shares of NOK 1 408 million stems from the sale of the subsidiary Veidekke Eiendom AS. For further information, see note 15 in the group accounts.

NOTE 3. REMUNERATION TO AUDITORS

Remuneration to the auditors in 2020 amounted to NOK 1.2 (NOK 1.0) million for auditing, and NOK 0.2 (NOK 0.4) million for auditing-related services. In addition, the auditor provided services in connection with the sale of the property development operation, the remuneration for which amounts to NOK 1.1 million, where NOK 0.4 million concerns tax-related services. All amounts are stated excluding VAT.

NOTE 4. PLANT, MACHINERY, LAND AND BUILDINGS

Figures in NOK million	Properties	Machinery/ IT systems	IT systems under development	Total 2020	Total 2019
Carrying value at 1 January	8	41	-	49	52
Original cost at 1 January	11	101	-	112	94
Additions	-	5	46	51	17
Disposals, original cost, sold current assets	-	-	-	-	-
Disposals, original cost, sold current assets	-	-3	-	-3	-
Original cost at 31 December	11	103	46	159	112
Accumulated depreciations at 1 January	-3	-59	-	-62	-43
This year's depreciations	-	-17	-	-17	-20
Accumulated depreciations, disposals	-	-	-	-	-
Accumulated amortisations, sold current assets	-	-	-	-	-
Accumulated depreciation at 31 December	-3	-76	-	-79	-62
Carrying value at 31 December	8	26	46	80	49
Depreciation method	Straight line	Straight line	-		
Depreciation rate	2–5%	10–25%	0%		

NOTE 5. SHARES IN SUBSIDIARIES

Company	Location	Ownership share (%)	Value in the state- ment of financial position ¹⁾
Veidekke Entreprenør AS	Oslo	100	1 413
Hoffmann A/S	Copenhagen	100	366
Veidekke Industri AS	Oslo	100	402
Veidekke Sverige AB	Lund	100	296
Veidekke Fellestjenester AS	Oslo	100	14
Veidekke Eiendom ASA	Oslo	100	1
Veidekke Danmark AS	Copenhagen	100	11
Total			2 503

1) Carrying value in Veidekke ASA's accounts at 31 December 2020 (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 2020 (cost method).

NOTE 7. FINANCIAL INVESTMENTS AND OTHER NON-CURRENT RECEIVABLES

Figures in NOK million	2020	2019
Share loans to employees	89	120
Financial assets	310	229
Total	399	349

See note 18 to the group statements for further information on share loans to group employees. The company has invested NOK 243 million in a combination fund consisting of both bonds and shares. The investment is intended to cover incurred pension liabilities and has been pledged. Unrealised gain per 31 December 2020 is NOK 40 million.

NOTE 8. BANK DEPOSITS AND SHORT-TERM FINANCIAL INVESTMENTS

Figures in NOK million	2020	2019
Short-term investment in bond fund	540	-
Short-term financial investments	540	-
Short-term money market investments	1 262	-
Bank deposits and cash equivalents	584	67
Total bank deposits and cash equivalents	1 846	67

Veidekke has made a short-term investment of NOK 1.8 billion in a fixed-income fund and a money market fund. In the statement of financial position, the money market fund is classified as a cash equivalent, while the fixed-income fund is treated as a short-term interest-bearing receivable. For further information on this investment, see notes 29 and 31 to the group accounts.

NOTE 9. RECONCILIATION OF EQUITY

Figures in NOK million	2020	2019
Equity at 1 January	2 142	1 386
Profit for the year	2 921	646
Capital increase	-	115
Paid dividends	-3 037	-
Dividends payable	-776	-
Change in value of net pension assets	-16	-5
Equity at 31 December	1 234	2 142

Figures in NOK million	Share capital	Share premium	Other equity	Total equity
Equity at 1 January	67	419	1 656	2 142
Profit for the year			2 921	2 921
Paid dividends			-3 037	-3 037
Dividends payable			-776	-776
Change in value of net pension assets			-16	-16
Equity at 31 December	67	419	742	1 234

NOTE 10. TAX COSTS AND DEFERRED TAX

Figures in NOK million	2020	2019
INCOME TAX EXPENSE		
Tax payable in the statement of financial position	-	-
Tax payable on group contributions	31	32
Change in deferred tax	-19	-3
Total income tax expense	12	29
RECONCILIATION OF THE GROUP'S TAX RATE		
22% of profit before tax	645	149
Actual income tax expense	12	29
Difference	633	119
DIFFERENCE IN INCOME TAX EXPENSE		
Tax-exempted dividends from subsidiaries	315	120
Tax-exempted capital gain on share sale	319	-
Other permanent differences	-	-
Total	633	119
DEFERRED TAX		
Temporary differences		
Current items	-57	2
Gains and loss account	14	17
Operating equipment	-4	-4
Pensions	-254	-210
Basis for deferred tax (- deferred tax asset)	-302	-194
Deferred tax assets 22%	-66	-43
Recognised deferred tax assets	-66	-43

NOTE 11. PENSIONS

Figures in NOK million	2020	2019
PENSION COSTS		
Current service cost	7	4
Interest cost on net pension liabilities	4	5
Cost of defined-benefit plan	11	9
Cost of defined-contribution plans	9	7
Pension costs	21	16
Pension liabilities	320	280
Pension assets	-66	-71
Net pension liability	254	210
Change in value (actuarial gains and losses)	-21	-6
Change in value after tax recognised directly in equity	-16	-5

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 23 to the consolidated accounts.

NOTE 12. NON-CURRENT LIABILITIES

Veidekke has an overdraft facility with DNB of NOK 1,750 million (rolling 364-day maturity) and a NOK 0.75 billion credit facility with SEB (three-year maturity and two one-year extension options). These facilities remained unused at year-end 2020. Veidekke ASA is responsible for the group's total withdrawals from the group account. For further details, see notes 29 and 30 to the consolidated accounts. At 31 December 2020 the recorded non-current liability consists of bond loan of NOK 600 million maturing in March 2025. In the course of the year, Veidekke closed a bond loan of NOK 1,000 million with maturity in June 2023.

NOTE 13. GUARANTEES

At 31 December 2020 Veidekke ASA has provided guarantees for its subsidiaries totalling approx. NOK 4,200 million in connection with specific construction projects for group companies. The company has a current bank guarantee to cover payroll tax obligations.

NOTE 14. RECEIVABLES AND LIABILITIES WITH GROUP COMPANIES

Figures in NOK million	2020	2019
Trade receivables from group companies	20	45
Outstanding dividends and group contributions	398	647
Current receivables from group companies related to the group account	-	975
Other short-term receivables from group companies	-	6
Total receivables from group companies	418	1 672
Current liabilities to group companies related to the group account	3 018	-
Other liabilities to group companies	-	20
Total liabilities to group companies	3 019	20

NOTE 15. OTHER NOTES

The following requirements are covered in notes to the consolidated accounts:

- Note 22: Number of shares, shareholders etc.
- Note 30: Financial risk
- Note 31: Financial instruments
- Note 32: Executive remuneration
- Note 37: 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, 24 March 2021

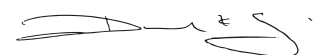
The board of directors of Veidekke ASA


Svein Richard Brandtzæg
Chair


Gro Bakstad


Ingalill Berglund


Ingolv Høyland


Daniel Kjørberg Siraj


Hanne Rønneberg


Per-Ingemar Persson


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 5 May 2021.

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."

Veidekke ASA is a public limited liability company headquartered in Oslo and with operations in Norway, Sweden

and Denmark. The operations are managed by the companies Veidekke Entreprenør AS, Veidekke Industri AS, Veidekke Sverige AB and Hoffmann A/S, but financial figures are reported in accordance with the following segment structure:

- Veidekke Construction in Norway is one of Norway's largest construction contractors, with operations focused around major population centres.
- Veidekke Infrastructure in Norway executes civil engineering projects all over the country and is a substantial producer of asphalt and aggregates, as well as an important operator in the Norwegian public roads maintenance market.
- Veidekke Sweden has a large portfolio of construction and civil engineering projects, in addition to some asphalt and aggregates production.
- Hoffmann A/S in Denmark primarily constructs commercial buildings.

The segment structure was adopted in the third quarter of 2020, following the sale of Veidekke's property development operation. Veidekke is now a streamlined construction company. 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 on pages 143–185 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. 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 2020, the group's equity ratio was 17% and its net interest-bearing assets totalled NOK 3.1 billion.

Veidekke aims to distribute at least 50% of the group's annual profit to shareholders. In response to strong uncertainty about the impact of the Covid-19 pandemic, the board's originally proposed NOK 5 dividend for the financial year 2019 was cancelled prior to the ordinary general meeting in May. Following re-assessment based on the company's strong financial position and robust order intake throughout the year, the board proposed distribution of 50% of the original dividend at the extraordinary general meeting held on 3 December. The total distributed dividend, including the dividend stemming from the sale of the property development operation, was NOK 22.50. A dividend of NOK 5.75 per share is proposed for the 2020 financial year. This corresponds to a dividend pay-out ratio of 100% (IFRS, continued operations). The Board justifies this proposal on the basis of the company's dividend target and the company's strong financial position. The dividend must be approved by the Annual General Meeting.

At the annual general meeting in May 2020, the board was authorised to:

- Increase the company's share capital in connection with business acquisitions and property investments. 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.

- 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 18.6%. Impartiality rules ensure that resolutions do not favour the main shareholder. OBOS is a major property developer and was an important partner for Veidekke in the development of numerous property projects before the property development operation was sold. OBOS and Veidekke used jointly held (50/50) companies as a vehicle for developing and selling these projects. This ensured that terms and agreements were negotiated on commercial terms and that Veidekke's largest shareholder did not receive preferential treatment. Following the sale of the property development operation, Veidekke remains involved in many OBOS projects as a contractor, and will continue to compete for construction assignments for OBOS in future. Where Veidekke has engaged in material transactions with major shareholders other than ordinary commercial agreements, external advisers have been engaged to ensure correct valuation.

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 2019 that the group was to be demerged into two separate operations, 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, as OBOS wished

to be free to evaluate its own strategic interests in the process. Daniel Kjørberg Siraj re-joined the board in June 2020, after the sale decision had been made.

Veidekke's management gives high priority to employee co-ownership, and seeks to enable as many staff as possible to buy shares in the company. The employee share purchase programme gives staff an annual opportunity to buy discounted Veidekke shares. Due to the distribution of the extraordinary dividend stemming from the sale of the property development operation, the decision was made to postpone the 2020 share purchase invitation until after publication of the Q4 2020 results on 12 February 2021. At the end of 2020, 3,838 employees owned a total of 11% of the company.

Veidekke's option programme for key staff was also implemented in 2020. The options accrue annually, with full accrual being achieved after three years. In 2020, 887,000 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. Due to the Covid-19 pandemic, both the ordinary general meeting and the extraordinary general meeting held in 2020 took the form of a webcast, in line with the strict official infection control measures applicable in Norway.

The company's next ordinary general meeting will be held on 5 May 2021. 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.

Veidekke follows the health authorities' infection control advice and will arrange a webcast if required in view of the infection situation.

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. No deadline has been set for submitting such proposals.

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 2020, the nomination committee comprised Harald Norvik (chair), Erik Must, Anne Elisabet Thurmann-Nielsen and Tine Fosslund. The committee held six meetings.

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 the 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 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. Among board members elected by shareholders, three are women and four men. Veidekke thus 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 22.

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 13 board meetings in 2020 – eight ordinary and five extraordinary meetings.

Veidekke's board had two sub-committees at the end of 2020: the audit committee and the remuneration committee. The property committee was dissolved following completion of the sale of the property development operation on 1 September 2020. 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 directors – roles and participation in board and committee meetings in 2020:

Name	Role	Board member since	Board meetings	Committee meetings
Svein Richard Brandtzæg	Chair	2019	13 of 13	Remuneration (chair): 5 of 5 Property (until June): 1 of 1
Gro Bakstad	Board member	2010	13 of 13	Audit (chair): 9 of 9
Ingalill Berglund	Board member	2016	12 of 13	Remuneration (from June): 1 of 5 Property (until June): 1 of 1
Ingolv Høyland	Board member	2017	12 of 13	Audit (from September): 3 of 3 Property (until June): 1 of 1
Daniel Kjørberg Siraj ¹⁾	Board member	2018	4 of 5	Audit: 4 of 4 Remuneration: 1 of 1
Hanne Rønneberg ²⁾	Board member	2020	7 of 7	Audit (from May): 5 of 5
Per-Ingemar Persson ²⁾	Board member	2020	7 of 7	Remuneration (from May): 2 of 2
Inge Ramsdal ³⁾	Board member	2008	13 of 13	
Odd Andre Olsen ³⁾	Board member	2011	13 of 13	Audit (from January): 9 of 9
Arve Fludal ³⁾	Board member	2015	13 of 13	
Hans von Uthmann ⁴⁾	Board member	2010	5 of 6	Remuneration (until May): 3 of 3
Tone Hegland Bachke ⁴⁾	Board member	2019	6 of 6	Audit (until May): 4 of 4

1) Daniel Kjørberg Siraj temporarily withdrew from involvement in the work of the board on 21 November 2019 due to the process of establishing a new ownership structure for the property development operation. He re-joined when the decision to sell the operation was announced on 16 June 2020.

2) Elected at the annual general meeting on 6 May 2020.

3) Employee-elected.

4) Resigned from the board of directors at the annual general meeting on 6 May 2020.

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 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. As of 2020, the committee holds nine ordinary meetings per year, including four to consider the quarterly results.

The audit committee is composed of four shareholder-elected board members and one board member elected by employees. In 2020, it comprised Gro Bakstad (chair), Daniel Kjørberg Siraj (temporarily resigned until 16 June), Tone Hegland Bachke (until May 2020)/Hanne Rønneberg (from June 2020), Ingolv Høyland (from September 2020) and Odd Andre Olsen (from January 2020)

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 held five ordinary meetings in 2020.

The remuneration committee is composed of four shareholder-elected board members. In 2020, the remuneration committee consisted of Svein Richard Brandtzæg (chair), Hans von Uthmann (until May 2020)/Ingalill Berglund (from May 2020), Daniel Kjørberg Siraj (temporarily resigned until 16 June) and Per-Ingemar Persson (from May 2020).

The property committee

The property committee was dissolved following announcement of the sale of Veidekke's property development operation on 16 June 2020. In addition to its ordinary mandate to monitor site purchases and property transactions, the committee had a special mandate in 2020 to monitor and advise on the demerger of the property development operation. Until the sale, the property committee comprised Ingolv Høyland (chair), Ingalill Berglund and Svein Richard Brandtzæg. The committee held one ordinary meeting in 2020.

Deviation from the Code of Practice: None

10. Risk management and internal control

The ability to plan, execute and evaluate construction 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.

Over the past couple of years, Veidekke has implemented a new framework for the management and monitoring of project uncertainties. The framework covers the tender and execution phases and concentrates on uncertainty analysis and management. Uncertainty management is included in financial reports for individual projects, and also incorporates a quarterly review by management of the project portfolio's development and the individual projects presenting the greatest uncertainties in each operational area.

Management continuously monitors the project portfolio to ensure an acceptable level of risk exposure and a sound basis for profitability. The principles underpinning the uncertainty management framework are reflected in the management systems used by the different operations, in the form of clear guidelines on and procedures for risk management at the tendering phase as well as project execution 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.

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, as well as in applicable framework conditions for production. Climate risk is included in the company's risk management activities.

In future, Veidekke's reporting will reflect the EU's new classification system for sustainable economic activity – also referred to as the taxonomy – which defines green activities. Veidekke piloted screening of projects by reference to the taxonomy in 2020.

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. Projects are subject to profit margin targets, including financial items.

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 censurable conduct

Veidekke has rules in place for the reporting of censurable conduct within the company (whistleblowing) and on the handling of such reports. A whistleblowing channel has been established through which reports can be submitted anonymously. The channel has been made accessible on Veidekke's website so that external parties can also submit reports.

Compliance risk

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 32.

All of the board members hold shares in Veidekke or represent shareholders in Veidekke. See the overview in note 22. 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 programme has been established in addition to ordinary salary, under which the maximum individual payout is 50% of annual salary. The bonus is linked to target achievement in accordance with pre-defined criteria. Veidekke's managers also participate in the group's general employee share purchase programme – under which employees receive an annual invitation to buy Veidekke shares at a discount and with financial assistance – and the option programme for key staff. Due to the distribution of the extraordinary dividend stemming from the sale of the property development operation, the 2020 share purchase invitation was postponed until after publication of the Q4 2020 results on 12 February 2021.

See also Shareholder information and notes 7 and 32.

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 32.

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



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 of the financial position as at 31 December 2020, 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 of the financial position as at 31 December 2020, 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 2020, 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 2020 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 2020. 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 9 on construction projects in progress, note 33 on information regarding disputes and claims related to projects and note 26 on trade payables and other current liabilities.

Disputes and claims in large infrastructure projects

The Group is through its ongoing business 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 33 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;

- ▶ 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, 24 March 2021
ERNST & YOUNG AS

Andres Gøbel
State Authorised Public Accountant (Norway)

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

Independent auditor's report - Veidekke ASA

A member firm of Ernst & Young Global Limited

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 11.6% in 2020.

History

Veidekke was founded in 1936, and has been listed on the Oslo Stock Exchange since 23 June 1986. The Veidekke share is traded on the main exchange under the ticker symbol VEI. All Veidekke shares carry equal rights and are freely transferable. Veidekke has always had a single share class, with one share carrying one vote.

There is a long-term link between value creation by the company and the return on the share as measured by share price growth and dividends. The Veidekke share is among the top 20 contributors to value creation on the Oslo Stock Exchange over the past 30 years.

Turnover and returns

2020 saw a total of 38.7 million Veidekke shares traded on the Oslo Stock Exchange, yielding a turnover rate of 28.7%. By comparison, 31.7 million shares were traded in 2019, equating to a turnover rate of 23.7%. There were 124,551 trades involving Veidekke shares during the year, compared to 110,969 the previous year. At the close of 2020, the share price was NOK 110.80, corresponding to a market value of NOK 14.95 billion. The return for shareholders in 2020 was 11.6%, including dividends paid for the financial year 2019. In contrast, the return on the Oslo Stock Exchange was 4.6%.

Dividends

Veidekke's dividend policy calls for a pay-out ratio of at least 50% of the profit for the year. Over the past five years, the company has delivered an average pay-out ratio of 76% (excluding the extraordinary dividend paid in connection with the sale of Veidekke's property development operation).

In light of high uncertainty about the consequences of the Covid-19 pandemic, the board withdrew its original proposal for a NOK 5 dividend for the financial year 2019. However, Veidekke's robust financial position and strong order intake throughout 2020 subsequently allowed the board to propose the distribution of 50% of the original dividend. This proposal was approved at an extraordinary general meeting on 3 December 2020. A dividend of NOK 20 stemming from the sale of the property development operation was also

approved the same general meeting. The total distribution made in 2020 is therefore NOK 22.50.

The board is proposing a dividend of NOK 5.75 per share in respect of the financial year 2020, corresponding to a pay-out ratio of 100% (IFRS, continued operations).

Ownership structure

At the close of the year Veidekke had 12,140 shareholders, compared to 11,173 at the beginning of the year. The largest shareholders in the company were OBOS BBL (18.6%), Folketrygdforbundet (11.6%) and IF Skadeforsikring AB (3.7%). A total of 3,838 employees owned a combined stake of 11.1% in the company, compared to 13.4% in 2019. During the year, foreign ownership decreased from 27.4% to 26.3%.

Veidekke's share capital as at 31 December 2020 totalled NOK 67,478,133.50, divided into 134,956,267 shares with a nominal value of NOK 0.50 each.

Employee co-ownership

Employee ownership has been a priority for Veidekke since its initial public offering in 1986. The company's management encourages broad employee co-ownership through its employee share programme, which gives all employees an annual opportunity to purchase Veidekke shares at a discount. Management firmly believes that employee co-ownership promotes increased commitment, motivation and understanding of the business, and that actively benefiting from the company's value creation gives employees a long-term perspective on the company's development. The share programme is open to all employees. Co-ownership is also considered an important recruitment tool and an incentive which supports retention of skilled workers. Veidekke's trainees receive NOK 10,000 in shares when they join the company, as do apprentices who stay with Veidekke after achieving trade certification.

Share programme (established in 1986)

- Originally a programme for senior executives only, but expanded to all employees in 1990.

- Annual opportunity to purchase Veidekke shares at a 20% discount.
- Share purchases can be financed in two ways: payment in cash or through an interest-free loan from Veidekke which is repaid through salary deductions over a 12-month period.
- Shares purchased through the programme are subject to a two-year lock-in period.

Due to the distribution of an extraordinary dividend following the sale of the property development operation, no share sale to employees took place in 2020. Instead, the sale was implemented after publication of the Q4 2020 results on 12 February 2021.

Option programme (launched for a three-year period in 2019)

- Programme for key staff¹⁾. All employees in this group received equal allocations regardless of their responsibilities and role. At launch in 2019, the intention was to implement a three-year programme, with annual allocations of options in the period 2019–2021 totalling no more than 1% of the number of shares in the company as at the allocation date. The purchase price of an option at the time of allocation is NOK 1.
- Options accrue over a period of three years from the allocation date: 25% at the end of the first year, 25% at the end of the second year and 50% at the end of the third year. Options expire if they are not exercised within five years of the allocation date.
- Options are not tradeable, and participants must be employed by the company throughout the accrual period.
- Shares which are purchased through the option programme may not be sold within the first year after exercise of the option.
- In 2020, 254 persons exercised 62,740 options allocated in 2019.
- The option programme will run for three years (allocations in 2019, 2020 and 2021). An assessments will then be carried out as to whether the programme should continue.

In 2020, 1,030 key staff were each offered to subscribe for 2,000 options, and 494 staff exercised a total of 887,000 options. The purchase price per option at the time of allocation was NOK 1, and the exercise price was NOK 90.36.

Authorisation to issue shares and purchase own shares

At the annual general meeting in May 2020, 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.

- 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.

None of the authorisations were used in 2020.

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.

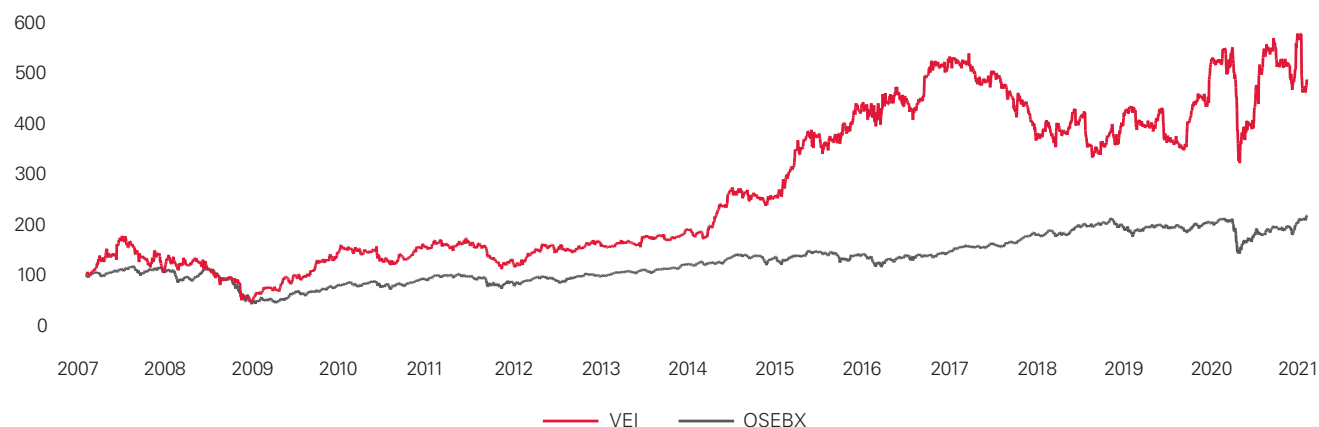
The investor market

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 at: veidekke.com/en/.

1) Line managers from site manager level and up, as well as senior staff managers

SHARE PRICE DEVELOPMENT, INDEXED¹⁾



LARGEST SHAREHOLDERS AT 31 DECEMBER 2020

	Ownership share in %
OBOS BBL	18.6
Folketrygdfondet	11.6
If Skadeforsäkring AB	3.7
Landsforsäkringar Fastighetsfond	3.1
Must Invest AS	2.2
MP Pensjon	2.0
Odin Norge	2.0
Danske Invest	1.9
State Street Bank and Trust Comp 1	1.6
State Street Bank and Trust Comp 2	1.4
Total ten largest shareholders	48.1
Employees (3,838 shareholders)	11.1
Others	40.9
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 2020

Shareholding	From	To	No. of shareholders	No. of shares	%
	1	100	3 306	143 229	0.1
	101	1 000	4 495	2 141 573	1.6
	1 001	10 000	3 398	11 520 980	8.5
	10 001	100 000	830	20 922 513	15.5
	100 001		111	100 227 972	74.3
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

	2020	2019 restated	2018	2017	2016
Market price at 31 December	110.80	119.50	96.90	92.75	123.50
- high	133.60	121.00	99.00	128.00	126.50
- low	72.95	79.10	75.80	83.50	96.75
Earnings per share	15.60	6.80	4	8,2	6,6
Market price/earnings (P/E)	7.10	17.60	24.2	11.30	18.70
Market price/book value per share (P/B)	5.20	4.00	3.10	3.20	4.80
Dividend per share	28.25	0	5	5	4.50
Pay-out ratio (%)	181%	0%	125%	61%	68%
Turnover rate (%)	28.7%	23.7%	33.5%	23.3%	18.7%
Earnings yield (%)	11.6%	4.2%	5.2%	5.4%	3.6%
Outstanding shares (average million)	134.90	133.7	133.7	133.7	133.7
Market price at 31 December (NOK million)	14 953	16 127	12 956	12 401	16 512
No. of shareholders at 31 December	12 140	11 173	11 559	11 007	9 029



Langøyene, a summer paradise for Oslo residents, served as the Norwegian capital's landfill for 40 years from 1908. Now Veidekke is helping ensure that polluted masses are prevented from permeating the land surface, and that environmental toxins do not seep into the fjord. Concurrently, piers and beach and service facilities are being upgraded.

Sustainability Report 2020

The sustainability report describes the impact of Veidekke's operations on the environment, climate and society, the effect of climate change and the transition to a low-emissions society on Veidekke's operations, and the group's response to resulting financial risks and business opportunities. Veidekke reports in accordance with the principles developed by the Global Reporting Initiative (GRI).

SUSTAINABILITY AT VEIDEKKE

The basis of sustainability

Sustainable development is about taking responsibility for ensuring that future generations have the same opportunities as we do today. This responsibility is shared by society as a whole. Companies who want to succeed in the transition to a low-emissions society have to operate sustainably and must provide sustainable solutions. This is where the interests of Veidekke and its customers overlap. By systematically integrating sustainability into our operations, our projects and our supply chains, we help our customers to achieve their sustainability objectives.

Veidekke's sustainable development responsibility extends to all aspects of ESG:

- Environment: greenhouse gas emissions, climate risk and other environmental factors.
- Society: human rights, skills-development, sick leave, injuries and gender equality.
- Governance: materiality analysis, reporting standards, supplier monitoring, whistleblowing, corruption risk, the board's role in ESG monitoring, strategic ESG opportunities.

By the end of 2020, Veidekke had adopted quantitative targets for several areas, with a particular focus on:

- reducing greenhouse gas emissions in accordance with the Paris Agreement;
- avoiding serious injuries and reducing the number of injuries by 20% per year;
- promoting diversity within Veidekke.

Veidekke is increasingly incorporating sustainability considerations into its strategies and processes. In 2020, the group included sustainability targets in its loan agreement with SEB.

Priority topics

Veidekke's sustainability work is based on a materiality analysis conducted in accordance with the GRI. The analysis describes opportunities and risks facing the company, as well as Veidekke's most important stakeholders and their key concerns. The latest analysis, which was conducted in the autumn of 2018, asked internal and external stakeholders to rank 50 topics in the areas of finance, environment, climate, society and ethics. Based on the stakeholders' responses, Veidekke identified six material topics: health and safety, productivity, compliance, expertise, climate impact and customer satisfaction.



Organisation of sustainability efforts

Governance and responsibility

Sustainability is integrated into group strategies and all components of Veidekke's management systems. Ultimate responsibility rests with the group's board of directors, while day-to-day sustainability work is undertaken by the group management team.

In accordance with the group ESG policy, Veidekke established an inter-disciplinary sustainability council in 2020 to work on sustainability and social responsibility initiatives on behalf of group management.

The sustainability council is mandated to ensure that Veidekke handles sustainability issues and its social responsibility in an integrated and uniform manner, by:

- recommending focus areas and targets for topics identified as important by the group, monitoring work being done and making status reports to group management;
- ensuring that the group has a shared understanding of sustainability-related terminology;

- monitoring developments and guidelines on ESG reporting and developing principles for Veidekke's own reporting;
- developing standards and templates for sustainability and ESG.

The operations are responsible for implementing and monitoring measures to ensure that the group's sustainability and ESG targets are met. The business areas develop their own key performance indicators (KPIs), and actions plans to achieve these. It has been decided that sustainability and innovation should be included in the decision-making basis for the assessment of major projects. The group's policies, requirements and values – to be professional, honest, enthusiastic and ground-breaking – provide considerable scope for local flexibility.

Group management decided that these six topics should be given equal importance, and should be the focus of the group's sustainability efforts as of 2019. Veidekke is a major purchaser of goods and services which themselves have financial, environmental, climate and societal impacts. The six material topics are therefore relevant in both Veidekke's own operations and cooperation with suppliers.

The material topics also constitute the basis for the group's sustainability reporting. The thematic chapters in this report describe group-wide objectives and activities in four prioritised areas. The other two topics – productivity and customer satisfaction – are covered in the annual report.

In 2020, Veidekke followed up on the materiality analysis by initiating dialogue with a broad selection of key customers to survey their views on sustainability and what these views imply for Veidekke. The customer feedback was reviewed by the management teams of the operational areas and made further available through dedicated tools for use in management teams.

Climate risk

In early 2020, Veidekke's former industrial operation completed an assessment of climate risk in accordance with principles formulated by the Task Force on Climate-related Financial Disclosures (TCFD). This work is now continuing at group level in the form of the customer dialogue mentioned on the previous page. Also in 2020, a third-party assessment of how Veidekke should respond

to the EU's new classification system for sustainable economic activity was completed. This taxonomy is regarded as a material factor with respect to the company's climate risk. Collectively, these measures have given group management and the board of directors important governance tools, including for strategy development.

The EU taxonomy for sustainable activities

The EU is currently implementing a classification system – also referred to as a taxonomy – which sets out criteria for determining whether an activity qualifies as sustainable. The system will become effective on 1 January 2022, and includes reporting as of 2021.

In 2020, Veidekke worked on identifying the future impact of the EU taxonomy on the group. Together with the Skift Business Climate Leaders organisation, the company co-hosted a hub on the topic at the ZERO conference in November, and also contributed to the NHO "Climate problem solvers" conference, where the taxonomy was a key topic. Towards the end of 2020, Veidekke piloted project screening based on the taxonomy in preparation for full reporting as of 2021. It has also been confirmed that Veidekke is compliant with the taxonomy's social criteria.

Membership of and support for sustainability initiatives

Veidekke is involved in industry and environmental organisations and other initiatives which promote sustainability objectives. These include:

- Skift Business Climate Leaders – Veidekke is a member of the organisation and a signatory of the Guide against greenwashing, and is participating in other initiatives that promote sustainability targets.
- Zero Emission Resource Organisation – Veidekke is a strategic partner.
- UN Global Compact – Veidekke became a member in 2020, and will implement the UN Global Compact's 10 principles for responsible business conduct.
- Färdplan 2045 in Sweden – Veidekke has adopted and is committed to implementing the action plan.

Reporting

The purpose of Veidekke's sustainability reports is to demonstrate how the group's operations affect the environment, climate and society, the effect of climate change and the transition to a low-emissions society on Veidekke's operations, and the group's response to resulting financial risks and business opportunities. Veidekke reports in accordance with the principles developed by the Global Reporting Initiative (GRI).

A GRI index can be found on pages 179–185 of this report. The index is also published on veidekke.com, along with 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. When a new business is acquired, it is included in Veidekke's reporting from the time of acquisition.



Torvbråten school in Asker municipality, a Nordic Swan Ecolabel building.
Image: Hundven-Clements Photography.

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 material topics for Veidekke's sustainability work, the following SDGs have been identified as particularly relevant:



Goal 4: Quality education

Through the Expertise material topic, Veidekke contributes 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. Veidekke is a training organisation for skilled manual workers and engineers. The group has adopted the target that apprentices should make up 10% of its manual workforce, and provides summer jobs and development programmes for students and recently graduated engineers.

Goal 5: Gender equality

Through the Expertise material topic, Veidekke contributes 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. Veidekke is working actively to increase the proportion of women in the company and has adopted various targets in this regard, for example to increase the proportion of women in operative management roles to 20% by 2025.

Goal 8: Decent work and economic growth

Through the Health and safety and Compliance material topics, Veidekke contributes 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. Veidekke's target is zero serious injuries and an annual reduction of 20% in the total number of injuries.

Through the Productivity material topic, Veidekke contributes 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 material topic, Veidekke contributes to the achievement of goal 13: Take urgent action to combat climate change and its impacts. Veidekke is targeting a 50% reduction in the group's greenhouse gas emissions by 2030, and a 90% reduction by 2050.

Goal 16: Peace and justice

Through the Compliance material topic, Veidekke contributes to the achievement of target 16.5: Substantially reduce corruption and bribery in all their forms. Veidekke is concentrating particularly on measures to combat corruption and ensure compliance with laws and regulations throughout the construction and civil engineering supply chains.

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	Annual	As required	Veidekke's implementation
Shareholders	Corporate governance	Quarterly presentations	✓			Reporting on sustainability work Sustainability report News updates published online
	Veidekke's goals and guidelines	Meetings with investors and analysts	✓			
		General meeting		✓		
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	✓		✓	Developing management tools to build sustainability knowledge and facilitate action
Customers	Challenges and opportunities in interactions with Veidekke	Customer meetings, seminars and events			✓	Customer satisfaction surveys Customer dialogues/interviews with key customers regarding sustainability, the environment and climate
		Online channels for dialogue with residential customers ¹⁾			✓	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, safety and the environment Pre-qualification of suppliers
	Securing reliable suppliers with a compliance focus	Industry forums	✓		✓	Supplier audits and follow-up through site visits and direct dialogue Cooperation with suppliers and other stakeholders to facilitate more environmentally-friendly maritime transport, e.g. infrastructure for hydrogen-based operation.
Local and central authorities	Compliance	Industry forums	✓			Placing important issues on the agenda Initiating dialogue and participating in public debates on topics relevant to environmental and climate goals, compliance, permanent employment and increased residential construction ¹⁾
	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 ¹⁾	Dialogue meetings in municipal and regional forums			✓	
		Municipal and regional urban development forums			✓	
		Communication with local authorities re individual projects			✓	
Industry	Industry cooperation to improve safety, compliance and environmental performance	Dialogue meetings	✓			Actively working to strengthen industry cooperation on topics such as achieving the goal of zero injuries, measures to achieve environmental/climate goals and increased diversity
		Participation in industry forums	✓			
		Participation in industry committees	✓			
Society	Impact of Veidekke's activities in the form of job creation, noise and environmental consequences	Member organisations	✓			Cooperating with business and industry and authorities on initiatives such as Skift Business Climate Leaders, the roadmap for the Swedish construction and civil engineering sector, the Norwegian Green Building Council, the Sweden Green Building Council, etc.
		Participation in industry forums	✓			
		Open meetings			✓	
		Public meetings			✓	
	Consistency between Veidekke's strategy and official objectives	Hearings			✓	Formalised cooperation with the environmental organisation ZERO about i.a. fossil-free construction sites, renewable materials and hydrogen as an energy carrier Actively participating in and contributing to Skift Business Climate Leaders and signed up to the Guide against greenwashing Signed up to the UN Global Compact as of 2020, and will implement the Compact's 10 principles for responsible business conduct

1) Applies primarily to Veidekke's property development operation in Norway and Sweden. This operation was sold on 1 September 2021.



HEALTH AND SAFETY

Veidekke's occupational health and safety (OHS) work is primarily guided by the objective that working for Veidekke should be safe, and that everyone should arrive home safely from work every day. In addition, safe work is a prerequisite for winning contracts and delivering projects on time.

Veidekke gives equal emphasis to OHS targets and financial targets. OHS performance is reported to group management monthly, and quarterly to the board of directors, based on rolling project reports.

The group's OHS work incorporates the principles defined in Veidekke's OHS policy and safety plans derived from the OHS strategy. All operations have OHS responsibility for their own organisations, while the group OHS function assists with the implementation of requirements and initiatives and monitors target achievement.

Veidekke established a safety council in 2018 to strengthen its safety efforts. The council, which comprises the group OHS director and selected OHS managers from the individual operations, heads up Veidekke's safety improvement drive on behalf of group management, proposing improvement projects and measures to group management for possible implementation. In 2020, the safety council worked on the "0 in 700" improvement project, which is focusing on standardising key safety processes in the group.

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 OHS 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 set the agenda for the group's annual OHS week.

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.

Safeguarding production through clear management and planning

Halfway through the construction of a new four-lane stretch of the E6 motorway between Arnkvern and Moelv in Innlandet County, Veidekke was ahead of schedule but the client, Nye Veier, was dissatisfied with the number of minor personal injuries and potentially serious incidents. Something had to be done.



Safety talk before work at E6.

Veidekke knew that injuries and incidents are normally due to poor planning and poor choices, and that behaviour-focused measures were needed. However, the best approach was unclear.

It is known that evaluating planning processes and conduct can help prevent serious incidents. The E6 project therefore added proactive measurement parameters – in the form of visible and clear management actions – to the reactive indicators it was already evaluating on a weekly basis through the registration of injuries and incidents. In addition, new OHS action plans were prepared, including for visible management presence on site. Managers were assessed on their dialogue with manual production staff using the “Samtale om sikkerhet” (Safety talks) tool. A further assessment point was whether meetings were held in accordance with lean construction principles.

In practice, the changes involved moving morning meetings into production spaces and holding smaller meetings at which individual foremen reviewed the day’s tasks, required safety

equipment, etc. Smaller groups and closer proximity to daily tasks made it easier for staff to ask questions and discuss specific challenges, increasing the meetings’ relevance for everyone involved.

All line managers participated in implementation of the new approach, and site and project managers reserved a weekly slot for OHS work. Results were presented and followed up on using digital tools that gave management ongoing feedback on performance relative to adopted plans.

These changes resulted in a significant reduction in the number of work-related personal injuries and serious incidents. The pace of reporting increased, and the project logged more than 1,000 safety talks in 2020. In addition, 52 information sheets were produced which are benefiting both Veidekke and the industry as a whole, and the road builders gained valuable experience which they will utilise in future projects. The Arnkvern–Moelv stretch of the E6 was delivered to Nye Veier in October 2020, several months ahead of schedule.

Targets, activities and results in 2020

In 2014, group management decided that Veidekke's OHS work should focus on the target of zero serious injuries by the end of 2020. The number of serious injuries has been reduced by more than 90% since 2014, and is now very close to target. Three fatal accidents occurred during this six-year period, far fewer than the 11 fatal accidents recorded in the preceding six years.

Also in 2014, the group adopted the target of reducing the total number of injuries by 20% a year. Since then, the total number of injuries has been reduced by 14%, meaning that the target was not achieved in any subsequent year. In 2021, Veidekke will evaluate the preceding strategy period and adopt a new strategy for the period to 2025.

The "0 in 700" improvement project

In February 2019, Veidekke launched a two-year improvement project designed to ensure permanent achievement of the zero serious injuries target by the end of 2020, i.e. zero serious injuries in 700 days. The "0 in 700" project consists of three improvement programmes and 11 sub-projects. The aim is to operationalise all sub-projects fully in the course of 2021 – i.e. to complete both group-level development work and implementation at operational level – and to provide all necessary training. The three improvement programmes are:

1. Prevent the recurrence of injuries and undesirable incidents

This programme area includes process improvements and refinement of tools for ensuring learning throughout the organisation in response to undesirable incidents. The following measures had been implemented by the end of 2020:

- shared digital tool for effective experience-sharing
- shared standard for accident investigations
- shared integrated learning process
- responsibility matrix for management follow-up and clear decision-making structure for following up on OHS non-conformances.

2. Eliminate risk before work starts

The objective of this programme area is to ensure that all activity plans target the lowest possible risk level through improved processes, new tools and clearer requirements:

- Requirements related to six types of technical equipment were implemented by the end of 2020.
- Shared methodology and digital tools for risk management. A final decision will be made in Q1 2021, with potential implementation starting in Q2 2021.
- Shared requirements and digital tools for safe lifting operations. A final decision will be made in Q1 2021, with implementation to be completed by the end of 2021.

3. Collective safe behaviour

Human error creates dangerous situations and is an important contributory cause of very many accidents. Veidekke's aim for this programme area is to develop a safety culture in which everyone takes responsibility for everyone else and all staff are committed to the safety of others and to helping each other to make good decisions.

- The Safety talks initiative will be fully implemented in the course of 2021.
- Veidekke's OHS agreement, which is signed by all employees and suppliers, contains a binding commitment to observe Veidekke's requirements and expectations related to safe work. Implementation was completed in 2020.

Due to the Covid-19 pandemic, Veidekke's annual OHS week (normally held in week 22), was replaced by OHS days on 3 and 4 November. As in 2019, the topic was "Safety talks", and the objective was to provide training on holding safety talks. A film and a digital activation game were developed. The game allowed staff to compete at being the best at giving safety talks. While the OHS days could take place as planned in Norway and Denmark, the pandemic unfortunately made it impossible to hold the event in Sweden.

Injuries

Three serious injuries were registered in 2020, compared to six in 2019. The total number of injuries was 315, compared to 350 in 2019. Of the total number of injuries, 42% involved Veidekke employees, 51% involved sub-contractors and the remainder involved hired personnel. The group's LTI rate (the number of absences due to injury

per million hours worked by own staff) was 4.4 in 2020, compared to 4.0 in 2019.

The national LTI rates for Veidekke's operations were 2.6 (Norway), 8.5 (Sweden) and 6.7 (Denmark).

Sick leave

The group's sick leave rate increased to 5.2% in 2020, from 4.0% in 2019. The increase is linked to higher short-term sick leave among Danish and Swedish skilled manual workers, as well as increased short- and longer-term absence among manual staff in Norway. The increase in short-term leave is attributable to the Covid-19 pandemic, and has generally mirrored the infection situation in the three countries. The increase in long-term absence among manual workers in Norway may be due to changed hospital priorities following the outbreak of the pandemic, which

have entailed the downgrading of all non-critical health care and thus the deferment of many planned surgeries. As a result, staff have remained on sick leave for longer than they would have under normal circumstances.

The group's injury-reduction, lost-time injury (LTI) and sick leave trends are also discussed in the board's annual report; see pages 26–27.

Objectives, results and measures

HEALTH AND SAFETY					
Main objective: Zero serious injuries and 20% annual reduction in the total number of injuries					
Description of key metrics	Sub-goal 2021	Sub-goal 2020	Results		
			2020	2019	2018
Number of serious injuries	0	0	3	6	13
Number of injuries	Minimum 20% reduction	Minimum 20% reduction	315	350	366
Measures 2020			Measures 2021		
Implement a process for learning from OHS non-conformances	OK				
Implement a procedure for safe lifting operations	To be completed in 2021				
Continue implementation of the Safety talks initiative	OK				
			Complete the "0 in 700" improvement project and implement group-wide.		

Since 2014, the number of injuries recorded by Veidekke has developed as planned. The number of serious injuries has been reduced substantially, and is now at a very low level.

Improving injury statistics through safety cooperation

When Veidekke bought Trøndelag-based Grande Entreprenør in 2018, both parties agreed that the new subsidiary's injury rates were too high. Veidekke and Grande therefore launched a successful turnaround project involving integration of Veidekke OHS systems into Grande's company culture.

Grande had a strong position and culture at the local level, but lacked systems, in-house processes, management resources and a safety culture in line with Veidekke's requirements.

Grande quickly decided to adopt Veidekke's safety culture and systems while retaining the values and measures underpinning its local reputation.

Grande started by phasing in Veidekke's OHS systems, methods and processes in new projects. Veidekke's OHS standards for construction work were adopted, with an emphasis on involvement, training and facilitation to ensure that projects fulfil applicable standards. Preparations were also made for relevant ISO certifications, which are now in place.

It was decided that all Grande employees should complete Veidekke's 40-hour OHS course, and more than 50% of staff had done so by the end of 2020. Staff secondments to other Veidekke operations in the region have also facilitated learning

and skills-building. Where personal injuries do occur, systems are now in place for arranging alternative work.

In addition, activities and initiatives which play an important part in Grande's local role have been maintained. These include long-term recruitment initiatives spanning from daycare centres to upper secondary schools, an apprenticeship scheme, work placement cooperation with the Norwegian Labour and Welfare Administration (NAV) and industry-specific language courses for staff with a non-Scandinavian first language. These measures serve two primary purposes: improved safety at work and staff retention.

Since becoming part of Veidekke, Grande has improved its LTI (lost time injury) rate by 100%, while the number of personal injuries has fallen by 69%. This turnaround was rewarded with Veidekke's OHS award for 2020.

CLIMATE IMPACT

People's way of life is having a negative impact on natural diversity and making the climate less predictable and more dangerous. The construction and civil engineering industry accounts for 40% of global greenhouse gas emissions, is a major consumer of energy and natural resources, produces large waste volumes and impacts biodiversity through its activities. The industry therefore has a great responsibility – and corresponding opportunities – to support a more sustainable development path.

Veidekke wants to be part of the solution by promoting 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 is 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 the area of environmental management best practice is set out in Veidekke's environmental policy, and expresses Veidekke's intention to lead industry efforts to reduce emissions and safeguard the environment. The policy and related targets are operationalised through the business areas' analysis of their activities, identification of key performance indicators (KPIs) and implementation of concrete action plans to reduce emissions and other negative climate impacts. Veidekke strives for continuous environmental improvements, and the different business areas have integrated environmental and climate considerations into their management systems. The majority of Veidekke's operations are ISO 14001 certified.

For the third year in a row, CDP Climate Change awarded Veidekke a top 'A' grade for its annual report on its work on climate risk and greenhouse gas reductions. To achieve a top grade, companies must meet increasingly stringent requirements in areas such as thoroughness of reporting, climate risk management and implementation of environmental management best practice. The number of Norwegian companies among the 270 A-grade entities on the CDP list increased to nine in 2020.

Implementation of the environmental policy within Veidekke entails:

- operating in accordance with the Paris Agreement
- 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 industry organisations, educational institutions, R&D, authorities and politicians

In 2020, 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 climate and the environment.
3. Responsible use of materials and environmentally-friendly products.

Changes in the climate's impact on Veidekke (climate risk)

Climate change and climate policy are changing society and the economy in various ways, and can entail financial risk. However, these changes also present opportunities.

Increasingly frequent extreme weather, flooding and droughts can cause extensive damage to nature and infrastructure such as buildings and roads, and may thus impact Veidekke's operational landscape. 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 physical risk factors, i.e. the impact of a rougher, wetter and warmer climate on products, market positions and processes; potential effects on liability risk; and financial risk linked to the transition to a low-emissions society.

In 2020, Veidekke completed a pilot project surveying climate risk in the group's industrial operation. The analysis based on the pilot project covers acute and chronic climate risk in the form of more frequent and more severe landslides, storm surges, storms and precipitation, as well as transition risk, i.e. changes in markets, policy and regulations, technology and reputation as a result of the transition towards a low-emissions society. The pilot project analysed consequences for Veidekke's industrial operation based on two scenarios: one featuring a temperature increase of 2°C in line with the Paris Agreement and one featuring an increase of 4°C (i.e. if the world continues on its present path and fails to take limiting steps). The analysis relies on quantitative and qualitative data from a variety of sources. The climate prognoses in the two scenarios are based on the Norwegian Environment Agency's "Climate in Norway 2100" report and the EURO-COREX model. Transition risk has been calculated through qualitative analysis of document data and dialogue. Both

scenarios entail considerable climate risk for the industrial operation in the short term. Physical climate risk increases with a warmer scenario and over the longer term. The most important physical climate risks are landslides, storm surges and storms. In relative terms, transition risk presents the greater risk in the short term. The most significant transition risks are increased CO₂ emissions prices, quicker political changes and new, more stringent environmental and climate requirements.

In the autumn of 2020, Veidekke extended its climate risk survey through several measures: a qualitative customer survey, an assessment of the company's liability risk and a third-party assessment of how the company should respond to the EU taxonomy. Cumulatively, these measures have provided management support for the group's strategy work. See pages 29 and 146.

Climate change also presents new business opportunities. Veidekke intends to help overcome climate-related challenges while simultaneously fulfilling the expectations of customers, society and the group itself. This objective will shape Veidekke's future strategy. The group's strong environmental expertise and broad portfolio of green products and services will enable it to pre-empt statutory changes, proactively adapt the business and utilise its insight to develop solutions which are beneficial to the environment and attractive to customers.

Going forward, identification of risks and opportunities resulting from climate change will be an important aspect of the group's ongoing 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.

Read more about our TCFD-related work on climate risk on page 16.

Sergelhuset wins LEED Building of the Year 2020 thanks to reuse and creative solutions

Strong environmental certification was a prerequisite when Veidekke contracted to refurbish parts of the Sergelhuset building in the middle of Stockholm for Vasakronan. The completed project achieved LEED's highest certification level – Platinum – and won LEED Building of the Year at the Sweden Green Building Awards 2020.



The property development company Vasakronan is aiming for climate neutrality throughout its supply chain in order to qualify for full green financing. All buildings in its portfolio therefore have to be environmentally certified. Vasakronan uses the LEED standard because it is suitable for both old and new buildings.

Rather than demolishing and rebuilding, Vasakronan wanted to create something new from the original bank building, which had stood in Sergel's Square since the 1960s. Veidekke was engaged to convert the building facing the square into a modern, high-spec, nine-storey office building of excellent environmental quality.

The project features numerous groundbreaking sustainability solutions. The concrete core of the original building has

been preserved to prevent greenhouse emissions and protect the surrounding neighbourhood against dust, noise and construction traffic. The original granite façade was dismantled, cleaned and reinstalled. Energy for heating and cooling systems comes from the groundwater below the building. Rooftop gardens feature plants which flower from spring to late autumn to provide food for pollinating insects and relaxation spaces for visitors. In addition, more than 40 tonnes of materials were recycled for use in other projects.

The Sergelhuset project, which was executed collaboratively by Vasakronan and Veidekke, has helped to develop LEED Platinum expertise and facilitated adaptation of the standard to Swedish construction practices.

Veidekke's climate impact

Veidekke is focusing 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.

Reduction of greenhouse gas emissions

Veidekke follows the Paris Agreement, and has adopted the targets of reducing its own greenhouse gas emissions by 50% by 2030 and 90% by 2050, using 2018 as a baseline. The targets are relative to the change in value creation. In 2020, the company launched a greenhouse gas budget broken down by operation, and will begin quarterly reporting and annual follow-up on the budget in 2021. Delivering on the climate budget has been linked with personal incentives in the bonus model for senior executives. The group has developed a general measure-analysis tool to identify how the 2030 target can be achieved, and is now working on defining indicators and developing strategies.

Like many other international companies, Veidekke has undertaken to adopt science-based climate targets that will show how much and how quickly the group has to reduce its greenhouse gas emissions to avert the worst effects of climate change. Veidekke will investigate the scope for setting climate neutrality targets for all its supply chains, i.e. scopes 1, 2 and 3, and has undertaken to verify its targets through the Science Based Target initiative (SBTi) before the end of November 2022.

In 2020, Veidekke's emissions from own operations amounted to 97,367 tonnes of CO₂, including 94,034 tonnes of scope 1 emissions and 3,333 tonnes of scope 2 emissions. This represents a reduction of approximately 11% in absolute emissions compared to 2019. The reduction is primarily attributable to reduced production volumes in the Norwegian asphalt operation. Emissions per NOK 1,000 in revenue totalled 2.48 kg of CO₂, down 14% from 2.82 kg of CO₂ in 2019. The Norwegian asphalt operation accounts for 38% of Veidekke's total greenhouse gas emissions. The 2020 emissions of the asphalt operation have been calculated at 16.77 kg of CO₂ per tonne of produced asphalt, compared to 16.07 kg in 2019. The reason for the increase is that reduced total production has entailed smaller production runs and the fact that each start-up requires extra energy.

Veidekke can achieve the greatest reduction in operational CO₂ emissions by effectivising, adopting new technology and replacing energy carriers. Specific examples of highly

effective measures include replacement of energy carriers at asphalt factories and fossil-free and zero-emissions construction sites. In 2020, Veidekke implemented a number of measures to reduce energy consumption and greenhouse gas emissions, including the following:

Renewable energy carriers in asphalt and aggregates production

Asphalt production is an energy-intensive activity and, to reduce its greenhouse gas emissions, Veidekke constantly evaluates which fossil-free energy carriers available on production sites are most effective. To date, two of the company's 30 asphalt factories have transitioned from gas to CO₂-neutral wood pellets. In 2020, it was decided that two further factories are to adopt renewable energy sources, and several factories are currently being evaluated to facilitate a decision in 2021. Veidekke is targeting an accelerated transition, but will evaluate future operational locations and the pace of technological developments before making investments.

Large volumes of asphalt and aggregates are transported to production sites using older, environmentally inefficient ships. Veidekke has therefore signed an agreement with the Green Shipping Programme to develop contracts with a shipping company interested in building and operating two self-loading, hydrogen-powered bulk carriers. The ships will provide a competitive maritime transport option that will increase the likelihood of winning competitive tenders, and will also reduce CO₂ emissions related to Veidekke's transport by 5,000 tonnes a year.

Low-temperature asphalt

Compared to traditional asphalt, low-temperature asphalt (LTA) offers both lower CO₂ emissions and a better working environment for asphalt layers. Veidekke is maintaining its target that low-temperature asphalt should make up 40% of all asphalt production in 2021, and 100% by 2050. In 2020, LTA accounted for 33% of Veidekke's asphalt production, the same proportion as in 2019.

New asphalt incorporating a plant-based binding agent

Veidekke's researchers have developed a more environmentally friendly asphalt that reduces greenhouse gas emissions by up to 80% through the replacement of a fossil crude oil ingredient in the binding agent with a plant-based oil. The first kilometre of the new asphalt was laid in Trøndelag in October 2020.

1) The base year has been changed to 2018 as a result of improved data collection processes. This step incorporates changes in activity levels resulting from the sale of the property development operation and acquisitions since 2013 – the previous reference year.

2) Including scopes 1 and 2.

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. However, market access to reusable asphalt is limited. In 2020, 5.7% of newly laid asphalt came from reuse, compared to 5.3% in 2019. In August 2020, Veidekke initiated a meeting with a group of parliamentarians to discuss topics including provisions in the EU Waste Framework Directive that prevent reuse of spoil and thus increase landfill volumes.

Fossil-free construction sites

The number of fossil-free construction sites in Norway increased to 30 in 2020, from 20 in 2019. Before the Construction Oslo operation and the subsidiary Seby introduced fossil-free sites for all projects from July 2019 and 2018, respectively, it was estimated that this measure would reduce the construction operation's greenhouse gas emissions by three-quarters. Fossil-free construction sites entail a transition from fossil to renewable energy carriers such as electricity, district heating and/or sustainable, palm oil-free biofuels. The construction operation in Oslo aims to achieve zero-emissions status by the end of 2023.

In 2020, Veidekke completed the world's first tunnelling project featuring a fossil-free construction site: a cabling tunnel from Smestad to Sogn in Oslo for Statnett.

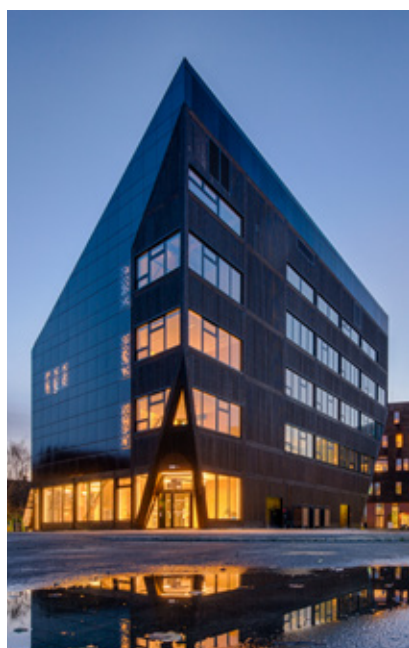
Electrification of machinery and vehicles

Veidekke is monitoring developments in the field of machinery and vehicle electrification closely, and is investing in the purchase or leasing of electrical machinery where appropriate. Current technology allows most heavy construction machinery to be powered by electrical cable, although diesel is used during repositioning. For example, most of Veidekke's tunnelling machines primarily use electricity during tunnelling operations but switch to diesel when moving elsewhere. However, all of Veidekke's machines are biodiesel compatible. A pilot project testing fully electric smaller excavators and service machinery is ongoing. At present, approximately one-third of Veidekke's motor vehicles are electric. The reason why this proportion is not higher is the current lack of good electrical models in the pick-up segment, which is extensively used within Veidekke.

Emissions in other parts of the supply chain

In recent years, Veidekke has surveyed material categories

A living laboratory for future building solutions



ZEB Flexible Lab in Trondheim is a teaching centre and research laboratory for new zero-emissions technologies. In addition, the building itself will be the subject of research into optimal energy and environmental solutions for future office buildings.

Veidekke's clients in this collaborative project, NTNU and Sintef, specified a zero-emissions building according to the ZEB-COM standard, meaning that the building's own energy production must compensate for the CO₂ emissions from production, transportation, the building site and construction activities plus 60 years' operation. The ZEB Flexible Lab will generate energy from solar panels integrated into wall and roof cladding.

The building will facilitate research into different ventilation, heating and energy supply systems. Among other things, a heat pump capable of utilising different sources of heat has been installed. Materials and designs have been selected with the zero-emissions requirement in mind, giving the building its distinctive appearance.

However, it is not the energy solutions alone which make the ZEB Flexible Lab a living laboratory. For example, the building will help to identify technical and architectural solutions that optimise the work and teaching environment, as well as how users adapt to the building and its technologies.

NTNU and Sintef took delivery of ZEB Flexible Lab in October 2020.

and emissions in scope 3, i.e. emissions from sources in the supply chain which are not owned or controlled by Veidekke. Emissions have been estimated for 2018 and 2019, and a survey has been initiated in respect of 2020. Although the estimates remain highly uncertain, the survey has provided important insight into which links in the supply chain account for large emissions. The highest

emissions arise in connection with the purchase of goods and services, and Veidekke is initiating dialogue with suppliers and partners to facilitate joint identification of more sustainable solutions that reduce emissions. Going forward, scope 3 emissions will be estimated annually and will be partly included in Veidekke's CDP Climate Change reports.

Responsible use of materials and environmentally-friendly products

Veidekke seeks to use renewable and sustainable materials, energy, water, areas and other resources, and to limit or eliminate emissions, pollution and waste. In 2020, Veidekke implemented the following measures, among others:

Environmental certification

Environmentally certified construction and civil engineering projects and renewable energy projects accounted for around 29% of the group's revenues in 2020, compared to 13% in 2019. Environmental certifications are issued by third parties in accordance with standards such as BREEAM, LEED, DGNB, Nordic Swan Ecolabel, Miljöbyggnad (Sweden Green Building Council) and CEEQUAL. The proportion of environmentally certified buildings and civil engineering projects is growing. In Ørestad near Copenhagen, Veidekke's Danish subsidiary Hoffmann is building Denmark's largest-ever office building certified to DGNB Gold standard. The client is KLP Ejendomme, and the building is due to be completed in 2021. In Stockholm, the refurbishment of the Sergelhuset building facing Sergel's Square was completed in 2020. The project, which Veidekke executed on behalf of Vasakronan, won LEED Building of the Year at the Sweden Green Building Awards, Sweden's most prestigious award for building sustainable communities. In Norway, Veidekke completed a number of projects including the MAX building refurbishment project for KLP in Trondheim (Breeam Outstanding certification) and Torvbråten School in Asker (Nordic Swan Ecolabel).

Many Veidekke employees are certified under relevant climate and environmental standards. For example, 48 staff in Norway are BREEAM Accredited Professionals (AP). The group is investing in the development of additional in-house expertise on environmental standards.

Wood as a construction material

Wood products can be reused or recycled, and are increasingly produced locally. Massive wood products bind carbon, consume few fossil fuels during production and can largely be manufactured using climate-neutral bio-energy. Several large wooden buildings were completed in 2020,

including Nordre Ål School, Torvbråten School, and the Climate House at the Natural History Museum in Oslo (FutureBuilt showcase project). A number of additional wooden buildings are currently under construction, including a student housing project in Ås, the Fantoftparken office building in Bergen and Voldsløkka School in Oslo. In 2020, Veidekke started construction of the Cederhusen district in Hagastaden, Stockholm. The construction client is Folkhem, and the project will be Stockholm's first massive wood project featuring high-rise buildings of up to 13 storeys containing 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

Veidekke is testing a new type of concrete with a very small climate footprint in several projects including Oksenøya Centre, Bærum municipality's first step towards a zero-emissions society at Fornebu. The project is innovative, energy-efficient, environmentally up-to-date and climate-friendly, and satisfies all the requirements of a FutureBuilt pilot project. All poured concrete – approximately 6,800 m³ – is of type CEMIII/B, which produces far lower CO₂ emissions than ordinary environmental cements and easily qualifies for the strictest concrete designation of "low-carbon extreme".

New cooperation on circular solutions

Veidekke sees opportunities to reuse crushed clean concrete, and has launched a long-term innovation collaboration with Norsk Gjenvinning focused on achieving 100% reuse of unpolluted heavy spoil.

Fine for excavating at protected archaeological sites

In 2020, Veidekke's construction operation was fined NOK 700,000 for breaching the Norwegian Cultural Heritage Act after one of the company's projects excavated protected archaeological sites in the centre of Trondheim in February 2020.

Objectives, results and measures

CLIMATE IMPACT					
Main objective: Reduce own greenhouse gas emissions by 50% by 2030 and 90% by 2050 ¹⁾²⁾					
Description of key metrics	Sub-goal 2021	Sub-goal 2020	Results		
			2020	2019	2018
Absolute greenhouse gas emissions (scope 1 and 2) in tonnes of CO ₂ e ¹⁾²⁾	Reduction, see main objective	Reduction, see main objective	97,367	109,548	113,359
CO ₂ e emissions in kg per NOK 1,000 in revenue ³⁾	Reduction	Reduction	2.48	2.83	3.20
CO ₂ e emissions relative to value creation to be reduced by 5% annually ⁴⁾	Positive development relative to long-term goal	Positive development relative to long-term goal	Positive	Negative	Negative
Proportion of renewable energy ⁵⁾	Increased proportion	Increased proportion	31%	25%	24%
Proportion of low-temperature asphalt (LTA)	40% by 2021	40% by 2021	33%	33%	26%
Reuse percentage in asphalt production	10% by 2021	10% by 2021	5.7%	5.3%	4.7%
Number of asphalt factories running on renewable energy	Six factories by 2021	Six factories by 2021	2	2	2
Number of fossil-free/zero-emissions construction and civil engineering sites ⁶⁾	Increased number	Increased number	30	20	11
Proportion of certified and renewable projects as a percentage of group revenues ^{7) 8)}	-	-	approx. 29%	approx. 13%	approx. 14%
CDP Climate Change – score ⁹⁾	Maintain top score	Maintain top score	A	A	A

1) The climate accounts are prepared in accordance with the GHG Protocol, with emissions split into three categories; direct emissions (scope 1), indirect emissions from energy supply (scope 2) and other indirect emissions from sources not controlled by the company (scope 3) – for example related to the purchase of other goods and services, waste, transport, business travel

2) Including emissions of subsidiaries of which Veidekke owns >50%. The emissions factor for electricity has been amended (also historically) – the reference for the location-based method is the IEA (the average of the three preceding years, at country level). Scope 3 is included in Veidekke's CDP Climate Change reports. For the 2018, 2019 and 2020 results, the sale of the real estate business is taken into account

3) For the 2018, 2019 and 2020 results, the divestment of the property development operation has been taken into account

4) The base year is 2018. Ref. GEVA/Randers 2012.

5) Scope 1 og 2, location-based method.

6) The company has several hundred construction and civil engineering sites active at any given time.

7) Buildings and facilities which qualify for environmental certification, as well as engineering services and projects involving renewable energy such as wind power and hydropower.

8) The change from 2019 to 2020 is due to an increasing number of environmental certification schemes related specifically to buildings, and the inclusion of two major subsidiaries in Sweden (Arcona and BRA).

9) The 2020 CDP Climate Change score relates to the year 2019, which was reported to CDP in the summer of 2020.

Measures 2020		Measures 2021
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 evaluated
Identification of material scope 3 emissions	→	Measure to be continued. Major emissions to be estimated annually going forward
Climate-risk related work to be continued	→	Measure to be continued with the aim of becoming a regular annual process pursuant to TCFD
		Evaluate the objective of climate-neutral operation. The company's climate targets shall include scopes 1, 2 and 3 in line with the Science Based Target initiative (SBTi)
		Implementation of a climate budget



More environmentally-friendly production and transport of asphalt and aggregates

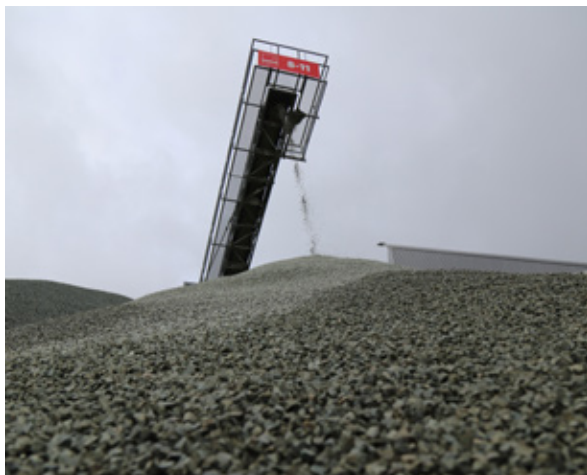
In Norway alone, annual asphalt production totals around 7.5 million tonnes, with Veidekke being responsible for almost 40% of this total. Norwegian asphalt production and laying account for approximately 460,000 tonnes of total greenhouse gas emissions per year. Veidekke is developing innovative new production methods and products which are better for the environment and working conditions.



Sustainable coastal transportation of asphalt and aggregates

At present, large volumes of asphalt and aggregates are transported along the Norwegian coast in small, older, inefficient ships. Veidekke plans to cut its annual CO₂ emissions by 5,000 tonnes by transitioning to hydrogen-powered cargo ships. Towards the end of 2020, Veidekke signed an agreement with the Green Shipping Programme to develop contracts

with a shipping company for the construction and operation of two self-loading hydrogen-powered bulk carriers. The ships will be designed specifically for the transportation of asphalt and aggregates, and will also be able to accept third-party assignments. The aim is to sign an agreement with a shipping company in the autumn of 2021.



Electrification and more efficient production processes in the aggregates segment

The Ottersbo aggregates production facility at the mouth of the Trondheim Fjord is among Veidekke's largest, and now also one of the group's cleanest following a well-planned refurbishment project. Both employees and neighbours appreciate the improvements which have been made. Reorganising the facility and replacing diesel-powered wheeled machinery with electric conveyor belts has reduced CO₂ emissions by 1,500 tonnes per year and production-related dust and noise by 90%. The facility has been digitised and can be operated from a mobile telephone or tablet. In 2020, the Ottersbo facility won Veidekke's Scandinavian environment award for the project.



Low-temperature asphalt

Low-temperature asphalt (LTA) was developed by Veidekke in cooperation with Shell in the late 1990s, and now makes up around one-third of all asphalt produced by Veidekke. LTA has the same high quality and operating life as traditional asphalt, but is manufactured at a lower temperature and thus requires less energy and produces lower CO₂ emissions. In addition, LTA produces less dust and asphalt fumes and thereby improves the working environment of those who manufacture and lay it.



New asphalt product

In October 2020, Veidekke laid the first kilometre of its proprietary new asphalt on a stretch of road between Meldal and Berkåk in Trøndelag County. Veidekke believes that the new product will facilitate emissions cuts of up to 80% in the production and laying of asphalt within the next five years, provided that sufficient biomaterial is available. Veidekke's new asphalt uses a binding agent based on vegetable oil rather than fossil crude oil. Experiences thus far indicate that the new asphalt is more durable than traditional asphalt, produces an equally smooth finish and smells like a natural product.

EXPERTISE

Veidekke is a skills business in a human resource-intensive industry in which no two projects are alike. Having the right level of expertise available 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. The most in-demand areas of expertise are project management and various trade skills, as well as specialist knowledge for use in support functions.

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 capabilities 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. In 2020, the regular employee survey was replaced by a survey concentrating on information-provision, infection control and staff follow-up during the Covid-19 pandemic. Veidekke's employees reported receiving helpful and accessible information on infection control measures, and that infection control had been handled well both at project level and in office spaces. The greatest challenge was reported to be finding alternative transport to work. The organisation was highly confident that management was taking the pandemic seriously, and staff felt that they had good access to their line managers. There were no geographical, age or gender-based differences in the reported findings. The feedback indicates that Veidekke's handling of the pandemic thus far has been satisfactory, and that the same guiding principles can be followed going forward.

Believing that ownership fosters commitment and performance, Veidekke enables employees to buy shares in the company at a discount. Some 47.5% of the group's employees own shares in Veidekke.

New group-wide HR system

People are Veidekke's most important resource, and recruiting, developing and retaining staff is therefore a top management priority for the group.

The construction and civil engineering industry is human resource-intensive and demand for skilled workers is high. Veidekke therefore has to offer potential staff interesting tasks, competitive terms and a working environment that is inviting, engaging and that presents development opportunities.

Strong growth over a relatively short period of time left Veidekke with numerous different systems and approaches in different parts of the group. To address this issue, Veidekke is standardising its people processes to enable all operations to adopt best practice and become more efficient and professional. All relevant processes are being centralised in "Medarbeiderportalen", a digital platform for HR administration from recruitment until a staff member leaves – normally many years later.

The most important objective in developing the new digital platform has been to provide management with reliable streamlined processes for supporting staff development at all stages and in all parts of the working relationship, from recruitment, appointment and onboarding to ongoing learning and development, staffing plans and succession planning. Automating previously manual operations allows managers to work more systematically and efficiently. Registering data centrally and uniformly gives Veidekke a broader information basis for fact-based strategic decision-making.

Development work on the new HR system started in the autumn of 2019, and the new solution is due to be rolled out in 2021.

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 523 engineers and specialists in 2020.

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 top-three construction-industry employers. In addition, Veidekke won a gold Magnet Award (Norwegian employer

branding competition) for its student recruitment campaign. Young engineers with construction and civil engineering industry experience awarded Veidekke a top ranking in the Young Professional Attraction Index (YPAI), and the group ranked second in Universum's survey (up from fifth place in 2019). In Sweden, Veidekke's "Putting your heart into construction" website was crowned website of the year by Karriärföretagen (Career Companies).

Skilled manual workers are primarily recruited through the group's apprenticeship schemes. At the end of 2020, Veidekke had 297 apprentices. Of these, 218 were located in Norway, 40 in Sweden and 39 in Denmark. Many young people become aware of Veidekke through school visits or a work placement in one of the group's projects.

Diversity and gender equality

The construction and civil engineering industry is highly male-dominated. Veidekke is working to increase diversity in the industry and in its operations, with a particular focus on increasing the proportion of women.

For Veidekke, gender equality and diversity are about fairness, equal status and healthy values. The group is working to build a gender-equal and inclusive culture in which different people have the same opportunities and in which all staff feel safe, are evaluated based on their expertise, have the same rights and are met with the same expectations as others.

In Veidekke's view, having staff with a variety of skills and characteristics is beneficial for growth, development and value creation. Recruiting persons with different perspectives allows established mindsets to be challenged, potentially leading to improved decision-making and better solutions for the company, the industry, customers and society.

Qualifying more women for the group's top management levels is an important means of improving diversity within Veidekke. For the period to 2025, the group has adopted the overarching target of doubling the number of women in operational management positions, to more than 20%. With this target in mind, the proportion of women among newly recruited recent graduates will be closely monitored. A further target is that all Veidekke management groups above project level must include at least one woman member. In addition, the operations will adopt concrete targets and measures appropriate to their specific situation. Increasing the proportion of women operational managers has been included as a bonus criterion for senior executives, and operational managers are evaluated on the results achieved in their individual areas. Staff managers are assessed on the average figure for Veidekke's total operations.

A recurring characteristic of diversity and gender equality challenges is a lack of recognition that a problem exists, which in turn results in unconscious bias and discrimination. Surveys examining the risk of discrimination and other barriers to gender equality have revealed that the risk of unconscious discrimination is linked to the culture and to recruitment, development and remuneration processes. Further identified risks relate to language, job titles and the physical working environment.

Veidekke is focused on raising awareness of unconscious discrimination at all management levels. In Sweden, Veidekke has had diversity and gender equality on the agenda for several years, and the group will now draw on the experiences gained there to reinforce efforts in Norway and Denmark. Measures to strengthen diversity within the group have high

priority on the agenda of Veidekke's board of directors, and the board welcomes the measures and initiatives discussed above. In 2020, particular attention was given to ensuring that recruitment and staff development processes are skills-based and intentional, and to the choice of wording and images in advertisements and marketing materials. To reduce the likelihood of unconscious discrimination, emphasis was given to using objective selection methods at an early stage of recruitment, and to the application of intentional and objective criteria for manager evaluation and manager selection. Employees who take parental leave must attend a review meeting before and after their period of leave. All of Veidekke's project sites must have separate changing facilities for both genders. While this is already the case on major project sites, some work remains to be done in smaller projects. In 2020, a survey was undertaken of the pay conditions of administrative staff in Norway and Sweden. This did not reveal major differences between men and women. Additional benefits like pensions, bonuses and other remuneration are linked to an individual's role and position, and no differences were found between men and women. In 2021, Veidekke will take a closer look at pay and additional benefits to investigate whether there are differences attributable to gender. The conditions of skilled manual workers are based on collective agreements, and there are therefore no gender differences with respect to pay and additional benefits in this group.

Veidekke has a low proportion of part-time employees, but there are gender differences. In 2021, steps will be taken to investigate the degree to which part-time employment is involuntary. Veidekke will evaluate the results and implement any necessary measures. A risk assessment examining other grounds of discrimination – such as religion, age, disability and ethnicity – will also be conducted.

No cases involving discrimination were reported in 2020.

As at 31 December, women accounted for 12% of Veidekke employees, at the same level as in 2019. The proportion of women has been stable since 2019, with a rate of 23% among administrative staff and almost 2% among skilled manual workers. Among the group's apprentices, the proportion of women increased to almost 8%, from 6% in 2019. The group had adopted the target that women should make up half of students working summer jobs and 40% of recently graduated trainees by the end of 2020. These targets will be retained for the period to 2025 following a weak downward trend in the last couple of years. In 2020, women accounted for 38% of employees in summer jobs and 31% of recently graduated trainees.

Temporary employees Percentage of all employees: 5.3%		Parental leave Average number of weeks		Part-time employees Percentage of all employees: 2.1%	
Women	Men	Women	Men	Women	Men
8.8%	4.8%	18	12	7.4%	1.3%

Building communication from the heart with Swedish students

We commit fully to everything we do. This was Veidekke's message to Swedish students at career days in 2020. The campaign was received positively and has produced positive internal and external results.



The objectives of the "Putting your heart into construction" campaign are to stand out, to raise Veidekke's profile and to become more known and attractive to students and job seekers as a value-driven, healthy company. The core campaign messages reflect Veidekke's values and ethics, the healthy state of the construction industry, diversity, OHS, involvement, co-ownership, as well as the fact that – based on employee feedback – Veidekke was ranked Sweden's fourth-best employer in 2019.

The campaign covered many topics which Veidekke considers important and which students prioritise when choosing a future employer, including that the company has objectives and values which employees can identify with and which extend beyond the company itself.

The student recruitment concept has clear visual links with Veidekke's profile. In addition, the choice of red and pink colours gave the campaign a fresh and different look and helped it stand out in an industry which is still largely male-dominated.



Veidekke offers a two-year programme for recent graduates.

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.

Thus far during the Covid-19 pandemic, Veidekke's projects have generally proceeded as planned, and individual skills development has thus not been impacted too strongly. A large proportion of the skills development which previously took the form of classroom teaching has been transferred to digital platforms in recent years, giving staff throughout the group easier and improved access to skills-building courses.

Veidekke arranges role-specific training and networking groups to supplement the knowledge acquired through projects and new responsibilities. The Veidekke School in Norway and Sweden is the main arena for individualised training on central topics such as project management, processes, systems and leadership development. The networking groups engage in more specialised skills development in key areas, including calculations, residential construction and design.

In 2020, work started on further adaptation of the role-based expertise model, which defines a development pathway based on the responsibilities and tasks associated with different roles in Veidekke's project-based construction business. To date, little centralised guidance has been given on what skills-building measures staff should complete in the performance of their role. The establishment of a joint project and governance model for the Norwegian operations made it clear that the current training and development pathway had to be improved to meet the group's expertise requirements. The reinforced role-based expertise model will strengthen overall project execution, and development work will continue in 2021.

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.

Activities in 2020

Veidekke's activities included the following in 2020:

Summer jobs and student dissertations

Veidekke takes a long-term approach to recruitment, developing relationships with students from early on in their studies. The group runs various activities for students and recent graduates, including summer jobs for second- to fourth-year students. These placements give both Veidekke and the participating students an opportunity to evaluate expertise and personality with potential future employment in mind. In 2020, 105 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, career days and webinars

The Veidekke Day 2020 was arranged online, and was open to students at all Norwegian universities and university colleges. 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 170 students participated in the Veidekke Day 2020, which once again focused on sustainability and innovation.

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 15 Scandinavian institutions in 2020. At the start of the year, this took the form of physical events, but from March onwards career days were held digitally. Veidekke also arranged online meetings and conversations with students from different universities and university colleges.

In September, Veidekke arranged the industry network Diversitas's first webinar on diversity, hosting 170 attendees from across the industry. Veidekke co-founded Diversitas – an industry initiative working to improve diversity and the gender balance in the construction and civil engineering industry – in 2019. Veidekke's Group CEO Jimmy Bengtsson is a member of the Diversitas Advisory Board.

Trainee programme

Veidekke's trainee programme gives young graduates 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. In 2020, Veidekke recruited 165 recent graduates, down almost 10 % on 2019.

Project management training

In Denmark, eight project managers participated in digital project manager training with a focus on project planning, finance and quality in 2020, while 105 site managers, project managers and design managers in Sweden and Norway completed leadership training. Some 38% of the attendees were women, while 62% were men. All of the programmes include several gatherings and emphasise professional and personal development. In Norway, work on further professionalisation of project execution started in 2020, while related role-based expertise development will start in 2021.

Senior executives programme

In 2020, Veidekke developed a senior executives programme for its top management levels which is due to launch in 2021. The programme is designed to help build a robust organisation which achieves industry-leading profitability with high execution capacity and competitive strategies while maintaining a high level of safety. The objective is to develop a strong shared understanding of strategy and desired conduct and culture within the streamlined construction company Veidekke.

Risk management expertise

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 appropriate measures are implemented and that consideration is given to the overall group and project risk profiles.

Raising 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 measures targeting this group in 2020 included cinema advertising, radio ads, editorial coverage and an opinion piece on the inclusion of more practical subjects in school.

Joint processes and systems for recruitment and employee development

Continuous learning and development are dependent on continuity and a systematic approach, and Veidekke has therefore sought to harmonise and professionalise its recruitment and employee development processes in recent

years. To reduce the amount of manual work involved, create better management tools and ensure that management information is accessible, a shared digital system was established for these processes in 2020. Implementation of the new system started at the end of 2020 and will continue in 2021. See page 167.

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 2021	Sub-goal 2020	Results		
			2020	2019	2018
New administrative staff, total number and gender distribution	Not quantified	Not quantified	523 33% W 67% M	504 28%W 72%M	571 32%W 68%M
New skilled manual workers, total number and gender distribution	Not quantified	Not quantified	560 2% W 98% M	610 4%W 96%M	813 4%K 96%M
Percentage of apprentices in the workforce	8%	9%	7.7%	7.7%	8.9%
Diversity					
Students in summer jobs, percentage of women	50%	50%	38%	39%	28%
Trainees/recent graduates, percentage of women	40%	40%	31%	34%	39%
Operative managers, percentage of women	13%	Increase	10.9%	10.6% ¹⁾	9.7% ¹⁾
Employee share ownership percentage	Minimum 50%	Minimum 50%	47.5%	47.3%	49.1%
Employee survey results compared to industry benchmark (in brackets). Conducted for the first time in 2019; not conducted in 2020.					
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)	-

1) The figures have been corrected for the demerger of the property development operation.

Measures 2020		Measures 2021
Plan to ensure management capacity	→	Complete the process and initiate implementation
Define targets for diversity efforts in the period to 2025	✓	
Build knowledge and raise awareness of diversity within the organisation	→	To be continued
Define processes for employee development in a shared digital solution	✓	Define processes for employee development in a shared digital solution
		Joint employee promise to reinforce Veidekke's attractiveness efforts



Erecting snow barriers at Geitfjellet wind farm in Trøndelag.

COMPLIANCE

Compliance refers to factors which could affect Veidekke's credibility, such as compliance with legislation, societal standards, industry standards and customer expectations. As a leading Scandinavian construction company, Veidekke also has a responsibility to help the construction and civil engineering industry as a whole to operate in compliance with applicable legislation and standards.

Veidekke's ethical guidelines provide the framework for employees' involvement in ensuring that the group operates in an ethical, sustainable and socially responsible manner.

All Veidekke staff have a responsibility to act in an ethically appropriate manner. The ethical guidelines contain principles and rules designed to help all Veidekke employees and contractors to conduct robust assessments and make ethically correct choices in their daily work.

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 compliance with applicable laws and regulations, as well as the group's own values and ethical guidelines, 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.

Compliance at Veidekke

Ensuring that Veidekke complies with internal and external compliance requirements is a management responsibility. Veidekke's compliance function monitors compliance risk and plays both an advisory and a supervisory role. The function reports to the Group CEO, the audit committee and the board of directors. 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.

To ensure group-wide compliance, a separate compliance group has been established, consisting of representatives from each operational area. The group is chaired by the compliance director.

Areas presenting special compliance risk

Respect for human rights based on the UN Guiding Principles on Business and Human Rights lies at the heart of Veidekke's activities. Work-related crime includes the exploitation of workers and breach of laws regulating pay and working conditions, as well as tax legislation. Veidekke complies with applicable laws and regulations and has zero tolerance for work-related crime. The group helps to combat criminal conduct through collaboration with trade unions. All Veidekke employees enjoy rights, pay and conditions in line with statutory requirements, and the group works to eliminate work-related crime – such as unregistered work, child labour, forced labour and social dumping – from its supply chains.

Compliance with competition rules benefits Veidekke, customers and partners, as well as society at large. Professionalism and integrity – two of Veidekke's core values – require the group to act in accordance with competition rules at all times, in the interests of both customers and Veidekke itself. Veidekke has implemented a comprehensive internal control system to ensure compliance with competition rules and to handle any non-conformances. The system includes a board-approved policy, group requirements and continuous training.

Veidekke rejects and has zero tolerance for corruption and trading in influence in whatever form. The company complies with all applicable laws and regulations and acts professionally, with integrity and transparently in accordance with its core values. Veidekke has also implemented various measures in this area to reduce the risk of breaches of anti-corruption provisions in the Norwegian Penal Code.

Group management systems

The compliance function is responsible for the group's management systems, which are designed to ensure that

New central service to strengthen compliance

Veidekke seeks to ensure that all its staff and sub-contractors have pay and working conditions in accordance with Norwegian law, and conducts checks to ensure that sub-contractors respect relevant industry standards. These checks are also an important tool for ensuring compliance with employment laws and regulations.

To reinforce its efforts in this area, Veidekke has gathered its compliance experts to form a joint support service for the group's operational areas. The service will work pro-actively to eliminate social dumping, exclude non-compliant contractors from Veidekke projects and help the group make good sub-contractor and staffing choices.

The joint support service will ensure a uniform approach to and emphasis on compliance in all of Veidekke's operational areas. The service will develop best practice and standardised processes, and introduce time-saving

technology to enable optimal use of available resources. The overarching aim is to ensure that sub-contractors are pre-qualified and thus fulfil general industry standards.

Veidekke gives high priority to compliance. The in-house efforts incorporate personnel from legal, HR, HSE, quality, finance and purchasing, while external work is being done in close consultation with relevant authorities and trade associations.

group-level decisions and requirements are implemented in the management systems of subsidiaries. These 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.

The internal audit function

Veidekke performs various ISO audits and compliance checks, 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.

Veidekke has established an internal audit function at group level which is mandated to summarise and aggregate audit activities within the group and conduct its own audits in areas entailing particular risk for the group as a whole.

A risk-based annual plan provides the foundation for the function's own internal audits.

Whistleblowing at Veidekke

The compliance function is responsible for establishing and operating a whistleblowing mechanism which appropriately monitors and follows up on non-compliance 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.

Supplier monitoring

Suppliers have an obligation to ensure that all suppliers in the supply chain fulfil all requirements imposed by Veidekke. The group incorporates its requirements into supplier agreements and pre-qualification processes. Suppliers must be able to document their compliance on request, and Veidekke also conducts compliance audits.

Activities in 2020

In 2020, the compliance function updated Veidekke's ethical guidelines and developed a new set of ethical guidelines for suppliers. The guidelines are due to be approved by the board of directors in Q1 2021. In addition, a project has been launched to develop a new management system for the group which will ensure both that group requirements are highlighted in the systems of subsidiaries and that all subsidiaries implement and follow up on group requirements effectively.

As discussed above, the group has established an internal audit function. Its work is at an early stage, and in the coming year Veidekke will consider how any findings should be reported and published.

Also in 2020, a joint support service for the group's Norwegian operations was established. This measure ensures more efficient use of resources, for example through the establishment of a separate department in charge of compliance checks (see page 175) and concentrating particularly on employment-related crime.

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 2021	Sub-goal 2020	Results		
			2020	2019	2018
Number of employees who have completed the Wise Choices e-learning programme	Revised course	Revised course	258	318	780
Number of participants in dilemma training	All participants in the introduction course	All participants in the introduction course	199	219	289

Measures 2020 ¹⁾		Measures 2021
Revise the e-learning programme Wise Choices	→	Revised as part of communication of new ethical guidelines
Consider establishing an internal audit function	✓	The function was established in 2020 and will implement first internal audit projects in 2021
Introduce dilemma training as part of Veidekke's introduction course for new employees	→	To be continued
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	→	Continued as part of communication of new ethical guidelines
Develop an ethics training course for managers to use in training their staff	→	Cancelled in 2020; to be carried out in 2021
Revise Veidekke's ethical guidelines	✓	Revised guidelines to be submitted to the board of directors for decision in March
Use risk management tools to assess and document compliance risk and compliance non-conformances		Implementation postponed to 2021
Provide training on compliance-related topics	→	
Help the operational units implement digital tools for ensuring compliance and ongoing monitoring	→	Responsibility has been transferred to recently established compliance office

1) Due to the covid-19 pandemic, several measures planned for 2020, such as ethics training, which is conducted person-to-person, could not be carried out during large parts of the year.



The Smestad-Sogn cable tunnel in Oslo, built by Veidekke for Statnett, is the world's first fossil-free construction site tunnel project.

Key metrics – sustainability

Material areas	Governing documents	Description of key metrics	Goal for 2020	2020	Results 2019	2018
Health and safety	Strategic safety plan OHS policy	Number of serious injuries	0	3	6	13
	Procedure for joint safety measures Procedure for fatal work accidents Group contingency plans	Number of injuries	Minimum 20% reduction	315	350	366
Climate impact	Strategic environmental plan Environmental policy	Absolute greenhouse gas emissions (scope 1 and 2) in tonnes of CO ₂ e ¹⁾	Reduction	97 367	109 548	113 359
		CO ₂ emissions in kg per NOK 1,000 in revenue ¹⁾	Reduction	2.48	2.83	3.2
		CO ₂ emissions relative to value creation to be reduced by 5% annually	Positive development relative to long-term goal	Positive	Negative	Negative
		Share of renewable energy	Increased share	31 %	25 %	24 %
		Proportion of low-temperature asphalt (LTA)	40% by 2021	33 %	33 %	26 %
		Reuse percentage in asphalt production	10% by 2021	5.7 %	5.3 %	4.7 %
		Number of asphalt factories running on renewable energy	Six factories by 2021	2	2	2
		Number of fossil-free construction and civil engineering sites	Increased number	30	20	11
		Proportion of certified and renewable projects as a percentage of group revenues		approx. 29 %	approx. 13 %	approx. 14 %
		CDP Climate Change score	Maintain top score	A	A	A
Expertise	Strategic HR plan Policy for management conduct Diversity policy Policy on pensions and insurance Recruitment policy	Share of apprentices in the workforce	9%	7.7%	7.7%	8.9%
		Women students in summer jobs	50%	38%	39%	28%
		Women trainees/recent graduates	40%	31 %	34 %	39 %
		Women operative managers ¹⁾	Increase	10.9%	10.6%	9,7%
		Employee share ownership, percentage	Minimum 50%	47.5%	47.3%	49.1%
Compliance	Policy for compliance Procedure for non-conformance – privacy Procedure for handling concerns about ethics Procedure for whistleblowing Procedure for DPIA (Norway, Sweden and Denmark) Procedure for inside information Ethical guidelines Compliance with competition rules Procedure for the use of IT equipment and systems	Number of new employees who have completed the Wise Choices e-learning programme	Revised course	258	318	780
		Number of participants in dilemma training	All participants in the introduction course	199	219	289

1) The divestment of the property development operation has been taken into account in the results for 2018, 2019 and 2020.

GRI INDEX FOR VEIDEKKE'S ANNUAL AND SUSTAINABILITY REPORT 2020


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. 5–13, 186
102-3	Location of the organisation's head office	Veidekke ASA is headquartered in Oslo
102-4	Number of countries in which the organisation operate	Norway, Sweden and Denmark (3 countries)
102-5	Ownership and legal form of business organisation	p. 186
102-6	Description of the markets served by the organisation	p. 5–13, 23–25
102-7	Size and scope of the organisation	p. 5–13, 23–25
102-8	Total number of employees by type of employment, employment contract and region, broken down by gender	<p>Of the 8 082 permanent employees, 964 are women and 7 118 men. Of temporary employees, 93 are women and 356 are men. Of the permanently employed women, 78 are part-time employees and 886 are full-time employees. Of the permanently employed men, 100 are part-time employees and 7 018 are full-time employees.</p> <p>Find more data on diversity, types of employment etc. in the sustainability section at veidekke.com.</p> <p>See also p. 6, 8, 10, 12, 25, 128–129, 166–172.</p>
102-9	Description of the company's supply chain	p. 5, 14–15, 149, 151, 153, 161, 174–176
102-10	Significant changes during the reporting period regarding the size, structure or ownership	Veidekke sold the property development operation in Norway and Sweden. The Norwegian civil engineering and industrial operations were merged to form Infrastructure in Norway.
102-11	Description of whether and how the precautionary principle is used within the organisation	<p>Veidekke is a member of the UN Global Compact, and the Global Compact's ten principles are addressed in Veidekke's ethical guidelines.</p> <p>See also p. 146.</p>
102-12	External initiatives, charters or principles in the financial, environmental or social area that the organisation subscribes to or endorses	<p>Paris Agreement (COP 21) and UN's SDGs</p> <p>ILO declaration on Fundamental Principles and Rights at Work</p> <p>OECD Guidelines for Multinational Enterprises</p> <p>United Nations: Human Rights Convention</p> <p>UN Global Compact</p> <p>Cooperation with tax authorities in Norway and Sweden to filter unserious actors in the early procurement phase</p> <p>See p. 27, 45, 79, 146, 148, 149, 168, 174</p>
102-13	Membership in industry organisations or other associations, and national/international advocacy organisations	p. 146, 149, 171
Strategy and analysis		
102-14	Statement from the Group CEO	p. 14–15
102-15	Key risks, opportunities and impacts on the economy, society and environment	p. 28–30, 130, 157



GRI indicator	Description	Veidekke's reporting
Ethics and integrity		
102-16	The organisation's values, principles, standards and norms of behaviour	p. 5, 25–26, 126–132, 174–176
102-17	Mechanisms for advice and concerns about ethics	p. 26, 131, 175, 178
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, 126–132
102-20	Executive-level responsibility for economic, environmental, and social topics	p. 20–21, 126–132, 144–145
102-21	Consulting stakeholders on economic, environmental, and social topics	p. 149
102-22	Composition of the highest governance body and its committees	p. 18–19, 128–130
102-23	Chair of the highest governance body and its committees	p. 18, 129
Stakeholder engagement		
102-40	Stakeholder groups that the organisation is in dialogue with	p. 149
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. 144–145, 149
102-43	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	p. 149
102-44	Important topics and questions raised through stakeholder dialogue and the company's response	p. 144–145, 149
Reporting practices		
102-45	Overview of all the units that are encompassed by the organisation's annual financial statements or similar documents	p. 112–113, 146
102-46	Description of the process for defining the report's content and limitations, as well as the implementation of the reporting principles	p. 144–149
102-47	List of all the topics that have been identified as material	p. 144–145
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	The base year for climate accounting has been changed to 2018. See p. 159 og 162
102-50	Reporting period	1 January 2020–31 December 2020
102-51	Date of publication for the previous report	30 March 2020
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. See p. 146
102-55	GRI index	p. 179–185
102-56	Current practices for external verification of the reporting	The GRI report is not externally verified. The GHG accounts have been third-party verified.



SPECIFIC INFORMATION

GRI indicator	Description	Veidekke's reporting	Cross reference to the UN's SDGs
Health and safety			
103-1	Description and limitation of material topic(s)	p. 151	
103-2	Description of the management system that covers material topic(s)	p. 151	
103-3	Evaluation of the management system	p. 151	
403-1	Occupational health and safety management system	p. 151	
403-2	Hazard identification, risk assessment, and incident investigation	p. 152–153	
403-3	Occupational health services	p. 26–27, 151–155	
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 151–155	
403-5	Worker training on occupational health and safety, generic and related to specific hazards	p. 26–27, 151–155	
403-6	Promotion of worker health	p. 26–27, 151–155	
403-7	Worker training on occupational health and safety, generic and related to specific hazards	p. 151	
403-8	Workers covered by an occupational health and safety management system	The group's OHS requirements apply to everyone working in or for Veidekke	
403-9	Work-related injuries	p. 26–27, 153–154	

GRI indicator	Description	Veidekke's reporting	Cross reference to the UN's SDGs
Climate impact			
103-1	Description and limitation of material topic(s)	p. 156	
103-2	Description of the management system that covers material topic(s)	p. 156	
103-3	Evaluation of the management system	p. 156	
301-2	Recycled input materials used	p. 158, 159, 161, 162	
302-1	Energy consumption within the organisation by source and type/sale	<p>Fossil fuels: 363 691 MWh</p> <p>Renewable fuels: 54 817 MWh</p> <p>Electricity: 123 932 MWh, of which 113 767 MWh from renewable energy sources.</p> <p>District heating: 10 763 MWh, of which 4 230 MWh from renewable energy sources.</p> <p>District cooling: 100 MWh, of which 100 MWh from renewable energy sources.</p> <p>The renewable share of electricity, district heating and district cooling is according to a location-based method.</p> <p>See also p. 156–165</p>	
305-1	Direct (scope 1) GHG emissions	<p>Scope 1: 94 034 tCO₂e</p> <p>Veidekke complies with the GHG Protocol Corporate Standard (March 2004). Climate reporting is based on a control approach, including operational control.</p> <p>Climate reporting covers all operations including subsidiaries and joint ventures with > 50% ownership. Period 1 Dec. 2019–30 Nov. 2020 (12 months). Source of emission factors is Defra and includes CO₂, CH₄, N₂O. GWP: IPCC Fourth Assessment Report (100 year GWPs)</p> <p>Biogenic emissions: 14 071 tCO₂</p> <p>See also p. 159, 162</p>	
305-2	Energy indirect (scope 2) GHG emissions	<p>Scope 2 location-based method: 3 333 tCO₂e</p> <p>Scope 2 market-based method: 52 119 tCO₂e</p> <p>Veidekke complies with the GHG Protocol Corporate Standard (March 2004). Climate reporting is based on a control approach, including operational control.</p> <p>Climate reporting covers all operations including subsidiaries and joint ventures with > 50% ownership. Period 1 Dec. 2019–30 Nov. 2020 (12 months). Sources of emission factors are the IEA (location-based) country-specific average over the past three years and the Association of Issuing Bodies, AIB (market-based without guarantee of origin). Emission factors include CO₂, CH₄, N₂O. GWP: IPCC Fourth Assessment Report (100 year GWPs).</p> <p>See also p. 159–162</p>	
305-3	Other indirect (scope 3) GHG emissions	<p>Veidekke undertook a mapping of scope 3 emissions in 2020.</p> <p>See CDP reporting: cdp.net</p> <p>See also p. 156, 159, 161</p>	
305-4	GHG emissions intensity	<p>Scopes 1 and 2 aggregated for Veidekke, including CO₂, CH₄, N₂O.</p> <p>See also p. 162</p>	
305-5	Reduction of GHG emissions	<p>Scope 1: 6,634 tCO₂e reduction in 2020, compared with 2019, due to increased share of biodiesel. The calculation includes CO₂, CH₄, N₂O.</p> <p>See CDP Report 2020: cdp.net. See also page 162 of this report.</p>	

GRI indicator	Description	Veidekke's reporting	Cross reference to the UN's SDGs
Expertise			
103-1	Description and limitation of material topic(s)	p. 25–26, 166–172	4 GOD UTDANNING 
103-2	Description of the management system that covers material topic(s)	p. 25, 166–167	
103-3	Evaluation of the management system	p. 166	
401-1	New employee hires and employee turnover	p. 167, 172	5 LIKESTILLING MELLOM KJØNNENE 
404-1	Average hours of training per year per employee by gender and employee category	Data for the group are currently not available. New HR system to be rolled out in 2021. See p. 167	
404-2	Programmes for upgrading employee skills	p. 25, 170, 171	
404-3	Percentage of employees receiving regular performance and career development reviews	Development review to be conducted annually with all employees.	
405-1	Diversity: Percentage of women and men (employee category/age)	p. 26, 168, 171, 172	
405-2	Ratio of basic salary and remuneration of women to men	Reviewed every two years. Next review in 2021. See p. 168	
406-1	Diversity: Incidents of discrimination and consequence/follow-up	No reported incidents	
VD	Satisfied employees	p. 26, 166	
VD	Human resource development	p. 170–171	
VD	Percentage of apprentices in the workforce	p. 167, 172	

GRI indicator	Description	Veidekke's reporting	Cross reference to the UN's SDGs
Compliance			
103-1	Description and limitation of material topic(s)	p. 174–176	
103-2	Description of the management system that covers material topic(s)	p. 174–176	
103-3	Evaluation of the management system	p. 174–176	
102-16	The organisation's values, principles, standards and norms of behaviour	p. 26, 131, 174–176	
102-17	Mechanisms for advice and concerns about ethics	p. 26, 131, 175, 178	
102-33	Communicating critical concerns	p. 26, 131, 175, 178	
102-41	Percentage of employees covered by collective bargaining agreements	Approx. 95%	
205-1	Number and percentage of operations assessed for risks related to corruption	The entire group is assessed with regard to risk of corruption. Tender processes (active corruption) and contracting of subcontractors (passive corruption) are considered to pose the greatest risk. See also p. 174–176	
205-2	Communication and training about anti-corruption policies and procedures	p. 174–176	
205-3	Confirmed incidents of corruption and actions taken	None	
307-1	Non-compliance with environmental laws and regulations	p. 161	
308-1	New suppliers that were screened using environmental criteria	Norway: 88% of subcontractors, representing 96% of the group's turnover, are registered in StartBank, which involves assessment with regard to environmental requirements. See also p. 156, 159–161, 174–176	
402-1	Minimum notice periods regarding operational changes and whether this is specified in the collective agreement	Denmark: The Employers' and Salaried Employees' Act applies to lay-offs. Minimum 1 month's notice for dismissals. 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 Sweden: Lay-offs are regulated by collective agreements. Statutory period of notice for dismissals. Collectively agreed deviations may occur.	
412-2	Employee training on human rights policies or procedures	p. 176	
414-1	New suppliers that were screened using social criteria	Norway: 88% of subcontractors, representing 96% of the group's turnover, are registered in StartBank, which involves assessment with regard to social criteria. See also p. 149, 174–176	
419-1	Sanctions resulting from non-compliance with laws and regulations in the social and economic area	p. 174–176	
VD	Control, compliance regulations	p. 174–176	

GRI indicator	Description	Veidekke's reporting	Cross reference to the UN's SDGs
Productivity			
103-1	Description and limitation of material topic(s)	p. 144–145	
103-2	Description of the management system that covers material topic(s)	p. 5, 22–25, 126	
103-3	Evaluation of the management system	p. 22–25	
102-15	Risk management	p. 16, 28–30, 130–131, 157	
201-1	Direct economic value generated and distributed	p. 4, 14–15, 22–25	
Satisfied customers			
103-1	Description and limitation of material topic(s)	p. 144–145	
103-2	Description of the management system that covers material topic(s)	p. 5–15	
103-3	Evaluation of the management system	p. 22–25	
VD	Collaboration and customer focus	p. 5–15, 29, 157	

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.

The company was also looking to expand into Sweden and Denmark. In 2000, Veidekke acquired Hoffmann A/S, Denmark's oldest and fourth largest contractor, and at about the same time, the group started operations in Gothenburg, Stockholm and Scania.

In 2020, Veidekke divested the property development operation, and the company is currently a streamlined contractor. The group's ambitions to 2022 are profitability over growth, providing shareholders an attractive dividend, and zero serious injuries. 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 contractors. In addition to undertaking all types of building and civil engineering assignments, the group also maintains roads and produces asphalt and aggregates. Veidekke emphasises stakeholder involvement and local experience. The annual turnover is NOK 38 billion, and half of its 8,100 employees own shares in the company. Veidekke is listed on the Oslo Stock Exchange and has posted a profit every year since its inception in 1936.



veidekke.com