



Capital Markets Update Veidekke towards 2025



6 May 2021

Streamlined construction business with ambitions

A

Streamlined and focused construction business



B

Profitability improvement through clear measures



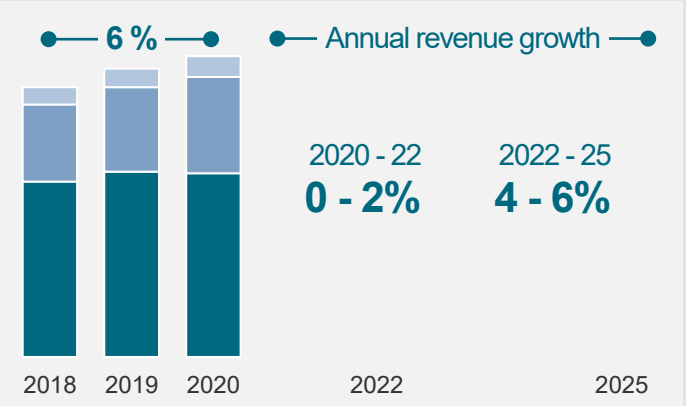
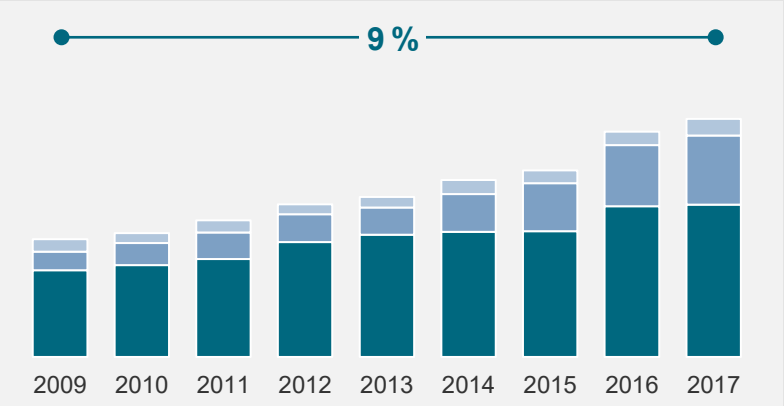
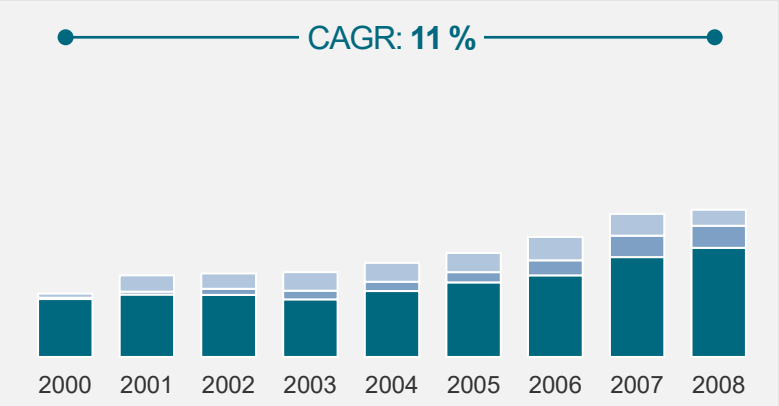
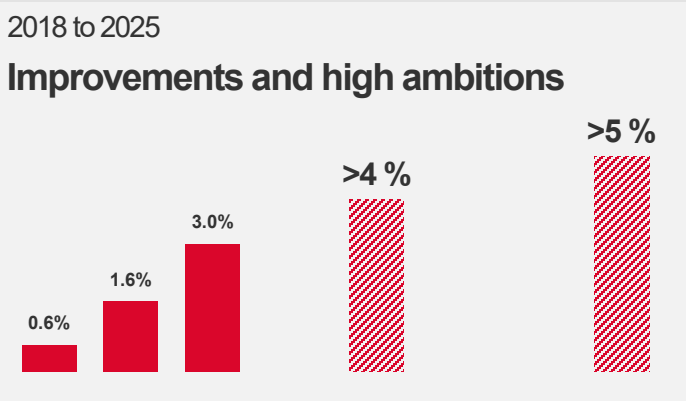
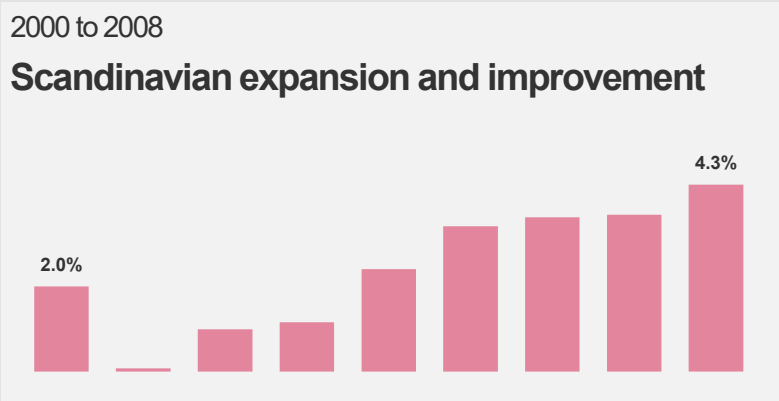
C

High ambitions and large potential



Growth, improvement and high ambitions

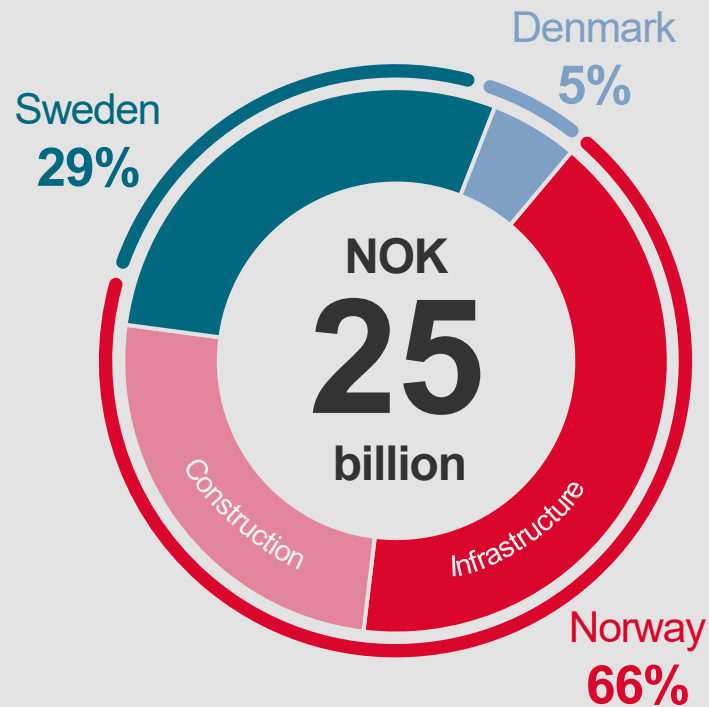
Historical development and future targets



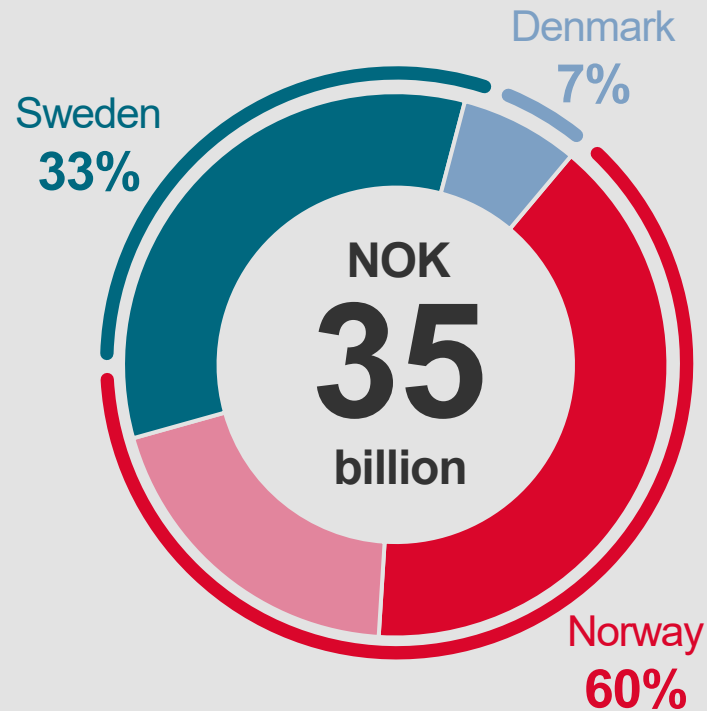
Clear order book development over past five years

From Norwegian to Scandinavian contractor

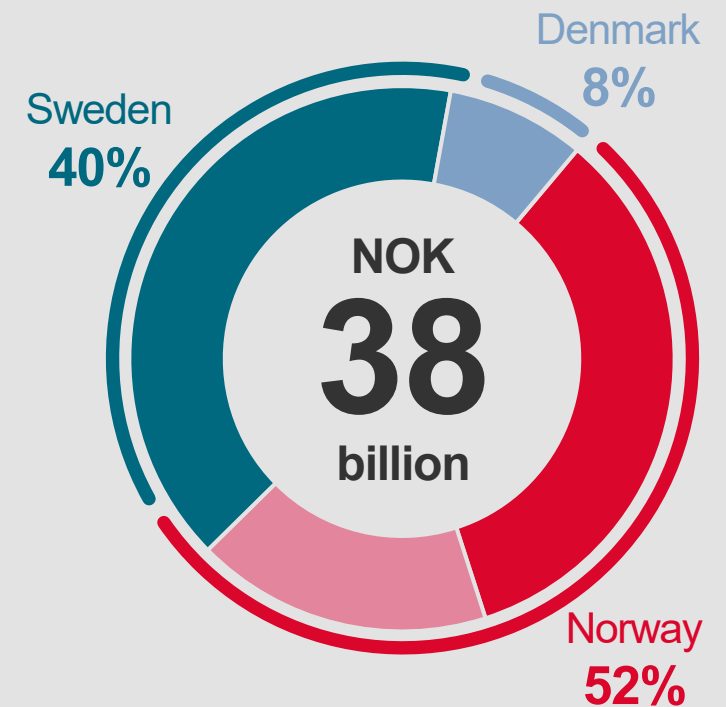
2015



2018



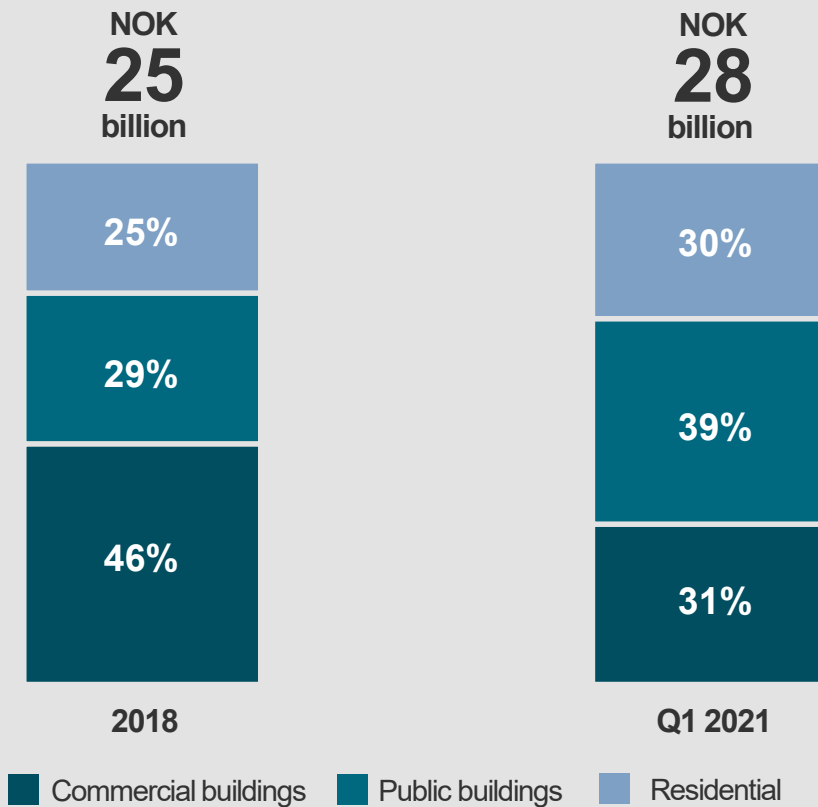
2021



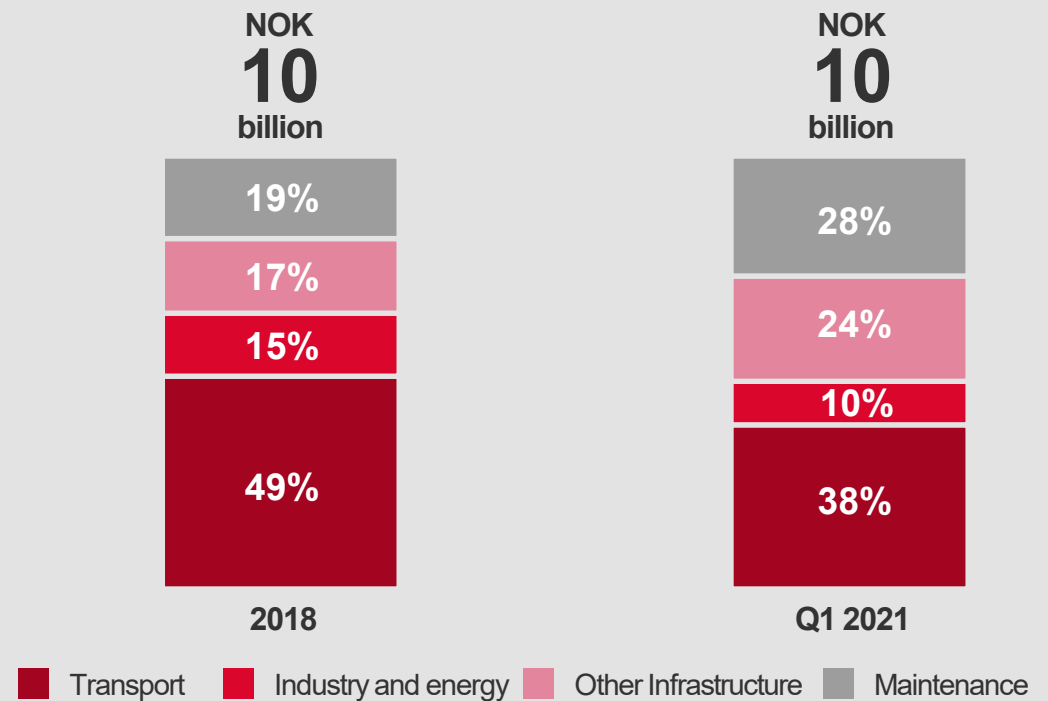
A more balanced project portfolio

Shift towards public sector customers

Construction business



Infrastructure business





Annual revenue growth 2022–2025

4-6%



Margin before tax in 2025

>5%



Dividend ratio

>70%

Veidekke towards 2025

A streamlined contractor – with a clear focus

Project and customer



- A passionate relationship with the customer and their project
- Long-term customer relationships, early involvement and value-creating interaction

The green shift



- Play an active role in the transition to a low-emission society
- Contribute cutting-edge expertise and practical solutions

Risk management

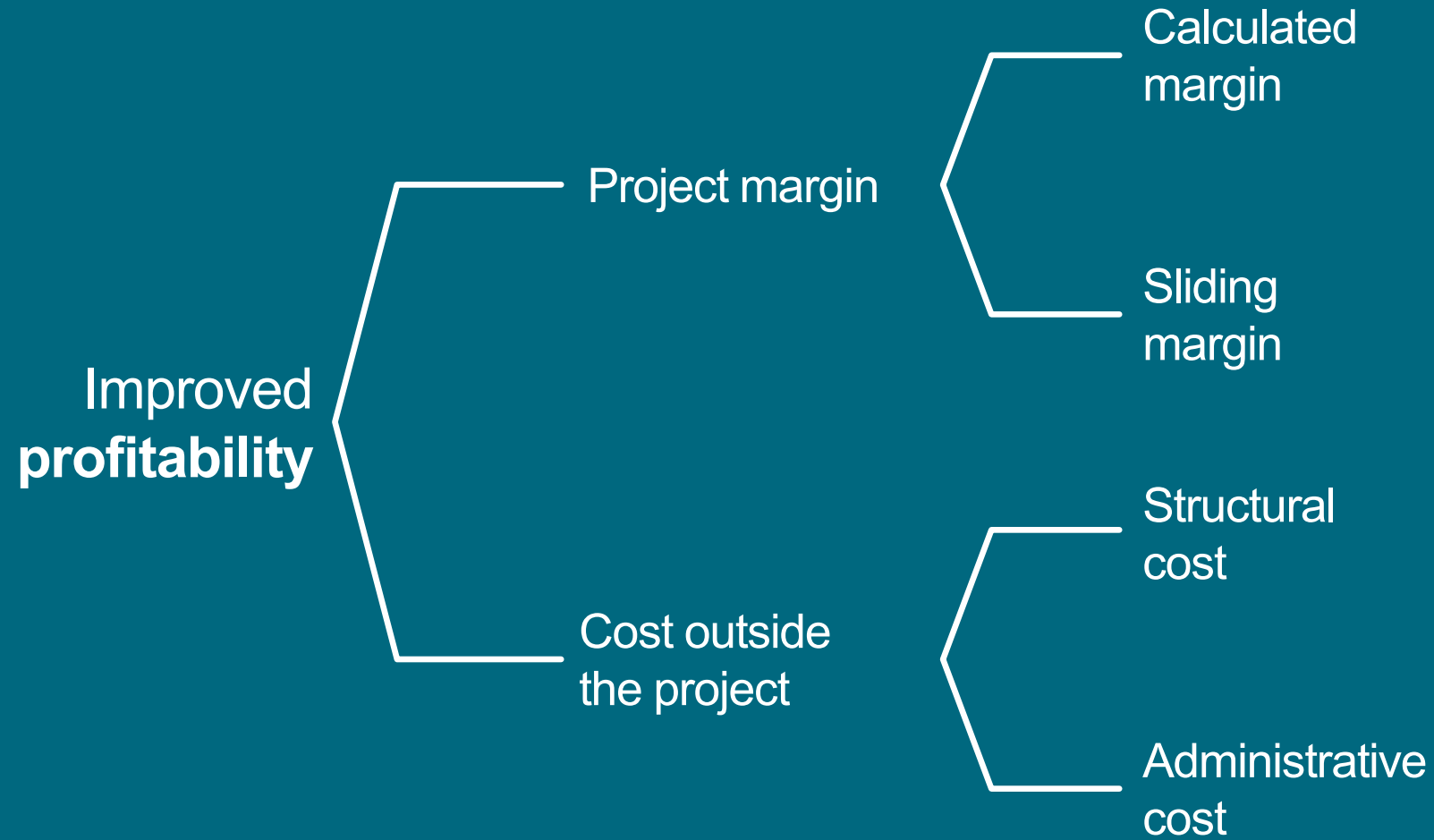


- Focus on taking, controlling and managing risk at all levels of the organisation
- Systematic risk management before and during project execution

Collaborative culture



- Involve customers, suppliers and employees in value-creating interaction
- Consistent efforts to develop work methods and competence to ensure safe and efficient execution



Project profitability

+ Calculated project margin



Value-creating interaction: Focus on delivering customer value – in collaboration with the customer



Skills: Understanding and competence to solve the customer's most important challenges



Climate challenges are among the most demanding issues for the industry – also for customers

+/- Sliding margin



Selectivity: Selection of project and customer – early involvement and long-term customer relationships



Risk: Take, manage and handle risk at all levels of the organisation



Competence: Commercial understanding of risk management during implementation

Organisation

- Structural and overhead cost



Structure: Organisational structure that ensures proximity to customers in relevant markets



Competence: Manage and leverage expertise across the organisation

= Veidekke's profitability

Measures and improvements 2018 to 2020

Many units on the right track – but with large potential

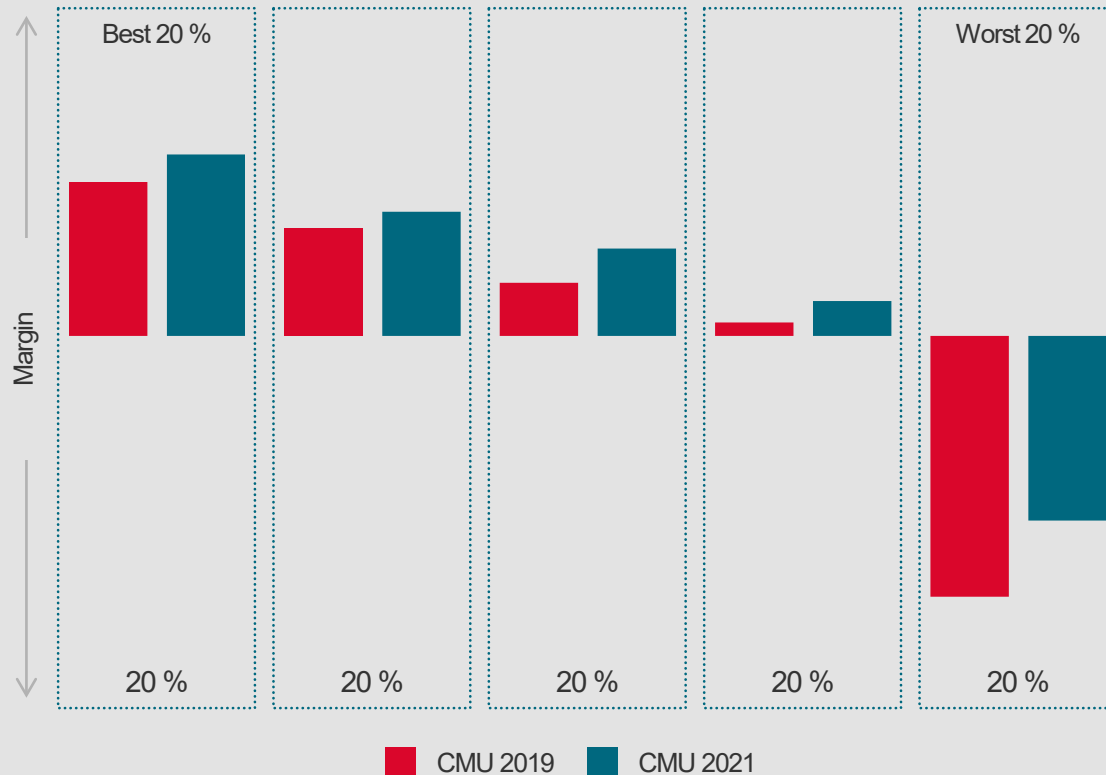
		Veidekke Construction	Veidekke Infrastructure		Veidekke Sweden		Hoffmann
			Civ. Engineering	Industrial	Construction	Civ. Engineering	
2018		3.4%	-13.2%	0.8%	1.0%	4.0%	6.6%
2020	CMU	4.0%	1.5%	3.5%	2.0%	4.0%	>5%
2020	Actual	<div><div></div></div> 3.6%	<div><div></div></div> 1.6%	<div><div></div></div> 3.6%	<div><div></div></div> 2.2%	<div><div></div></div> 3.0%	<div><div></div></div> 7.5%
		<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>		<div><div></div><div></div><div></div><div></div></div>		<div><div></div><div></div><div></div><div></div></div>

Clearly better portfolio composition than in 2019

About 2 percentage points higher portfolio margin

Fewer loss-making projects and improved margin

Project revenue in ongoing projects ranked by profitability, quintiles



- Extensive improvement in portfolio composition over the past two years
- The improvement is expected to have a further effect on earnings in 2021 and 2022
- Large potential by further reducing the number of projects with low and negative margins
- Focus on core activities;
 - Selecting the right project
 - Understanding and managing risk
 - Effective execution

Veidekke towards 2025

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Passionate relationship with customer and project

Create mutual success by value-creating interaction

Selectivity – which customers should we work for

- Long-lasting customer relationships based on mutual trust
- Opportunity for early involvement
- Customer relationships based on Veidekke's strengths

Commerciality in value-creating interaction

- Contribute to optimal solutions which in turn ensure added value for the customer
- Veidekke's expertise and competence benefit the customer

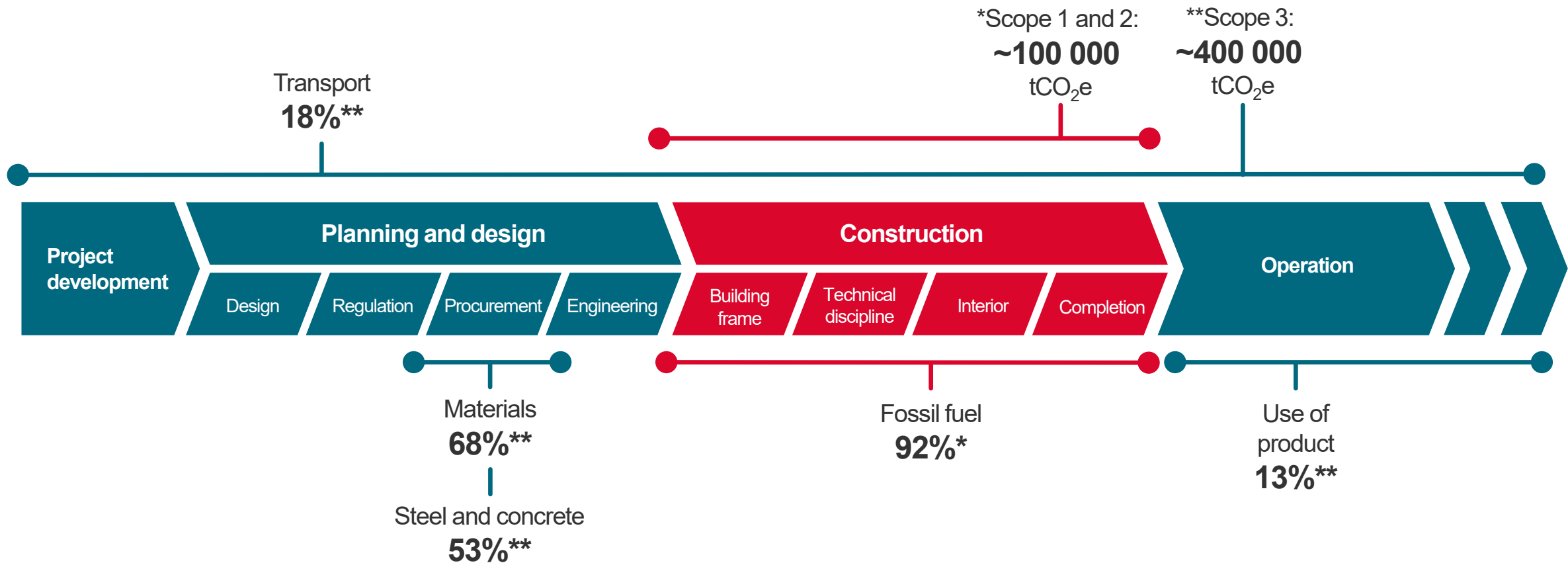


Photo: Københavns Udvikling og Nybyggerier



Climate challenges are more than responsibility

An opportunity in several parts of the value chain





An active role in the green shift

A clear commercial and responsible position

Prioritisation of projects

- Prioritise customers and projects where we can utilise our expertise to reduce the environmental footprint throughout the value chain
- Climate issues require early involvement and cooperation with the client and consultants

Opportunities in the green shift

- Climate issues are more than a social responsibility – they are an opportunity
- Innovation, collaboration and selective investments that support climate-friendly solutions





Focus on taking control and managing risk

A commercial benefit for Veidekke and customers

Project selectivity

- Through consistent risk management, Veidekke can identify potential deviations
- Makes it possible to identify projects that suit Veidekke's expertise and resources

Experts in dealing with risk

- Risk is not exclusively a contractor challenge
- Involvement of customer and consultants helps discover risks for all parties





The most important factor for Veidekke's success

Competent and committed employees

Involved, committed and enthusiastic

- People are the most important driver for value creation in construction
- In Veidekke, we build agile teams; efficient teams that build schools, bridges and operate tunnels
- Involvement is a key to creating ownership of direction and ambitions

Commercial understanding across the board

- Commercial competence and insight are key to remaining relevant
- Co-ownership creates commercial insight





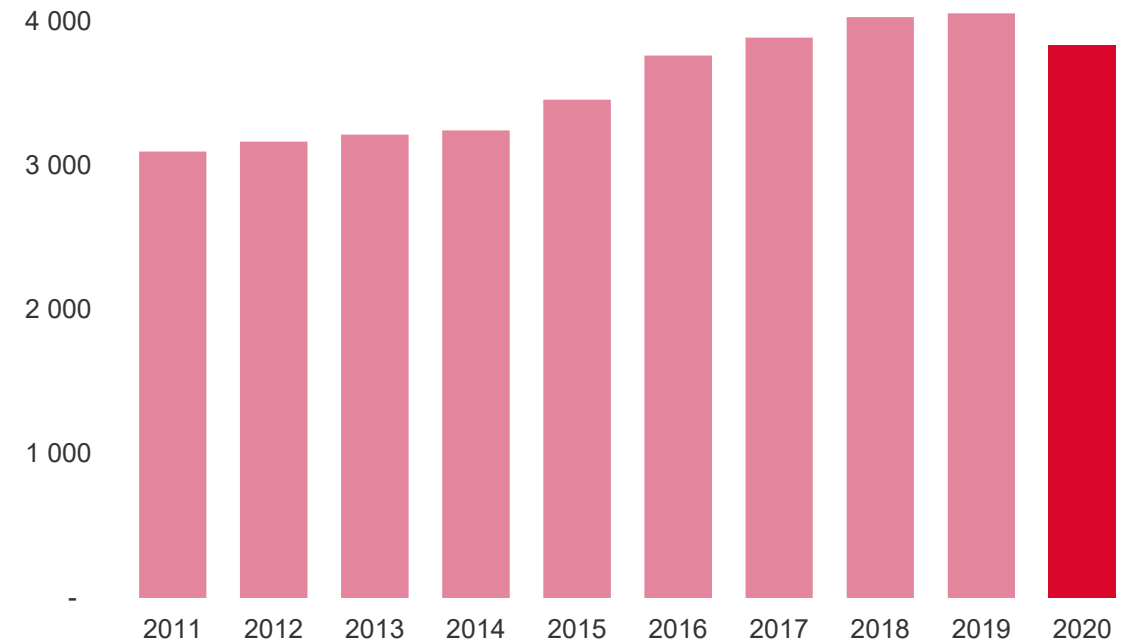
Co-worker and co-owner

Veidekke employees are also owners

- The employees have broadly participated in Veidekke's high value creation since the introduction of the share program for employees in 1986
- Veidekke prioritises co-ownership for employees, and the company wants as many as possible to have the opportunity to own shares
- Annually, all employees in Veidekke receive an offer to buy shares in the company with a 20% discount – and with a two-year commitment period
- Almost half of all employees currently own shares, and they represent 11% of the company's owners

Number of employees with shares in Veidekke

About 47% of employees own shares



Expansion in the coming years

Selective growth in our main markets

Mainly organically driven growth

- Further develop existing customer positions
- Strengthening project owner management and leadership
- Development of Veidekke's structural capital

Targeted expansion investments

- Project investments and structural transactions
- Strengthening positions within relevant geographic markets and product segments
- Expand Veidekke's position in the value chain
- Business which contributes to the green shift

SEBY

ARCONA

 **HANDE AS**

B | R | A
BILLSTRÖM RIEMER ANDERSSON

GRANDE
Entreprenør

 **Block
Berge**
VI TAR ANSVAR


kynningsrud
FUNDAMENTERING


SYDBELÄGGNINGAR AB



Financial strategy

Jørgen Wiese Porsmyr, CFO
Capital Markets Update, 6 May 2021

Improve result margin and grow profitably

Higher ambitions towards 2025

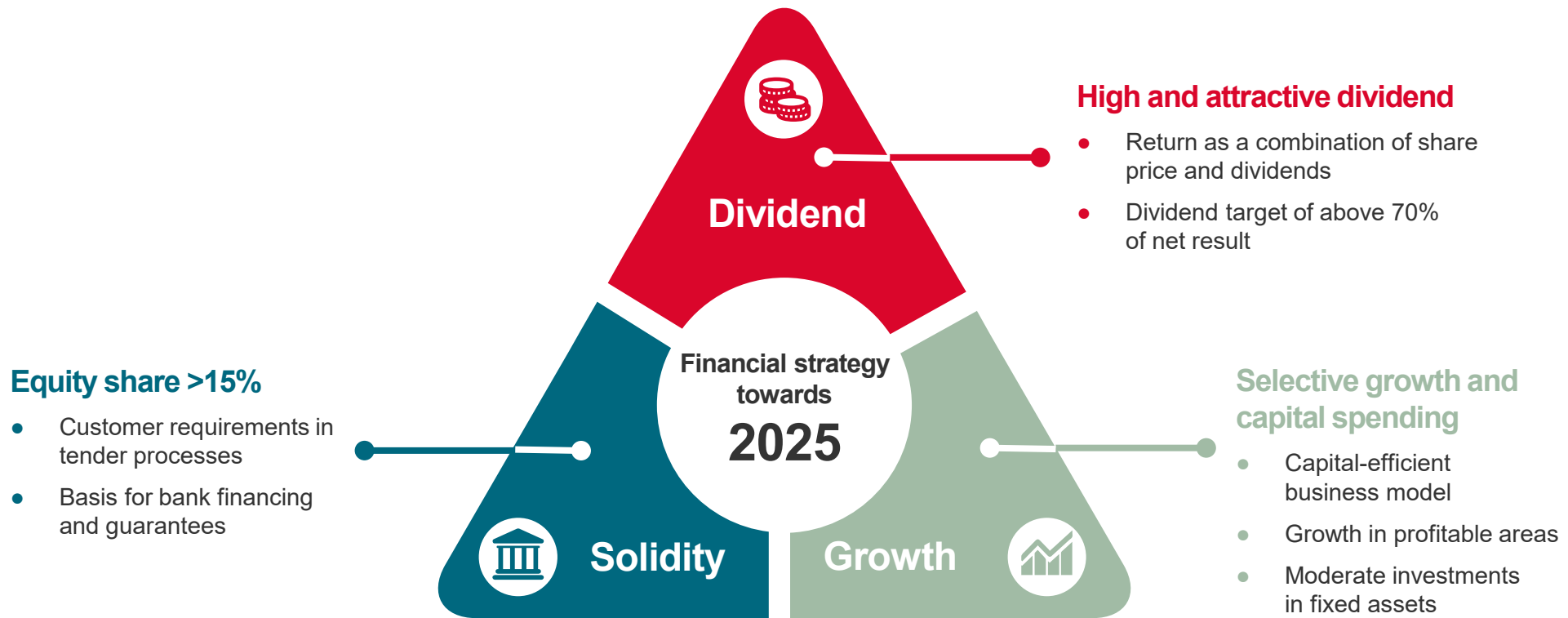
-  Profitability targets for 2022 remains, with raised ambitions towards 2025
-  Capital efficiency with return on invested capital above 15%
-  Selective growth in all three countries

2016-2020*	2020	2022	2025
Revenue growth p.a. 6%	Revenue growth p.a. 4%	Revenue growth p.a. 2021 - 2022 0% - 2%	Revenue growth p.a. 2023 - 2025 4% - 6%
Average margin 2.1%	Margin 2020 3.0%	Margin target 2022 >4%	Margin target 2025 >5%

* Historical pro forma figures, adjusted for the sale of Veidekke's Property Development business in 2020

Veidekke's financial strategy

Balance investments, dividend and solidity



Strong financial position and capital-light business

New capital structure after the sale of Property Dev.

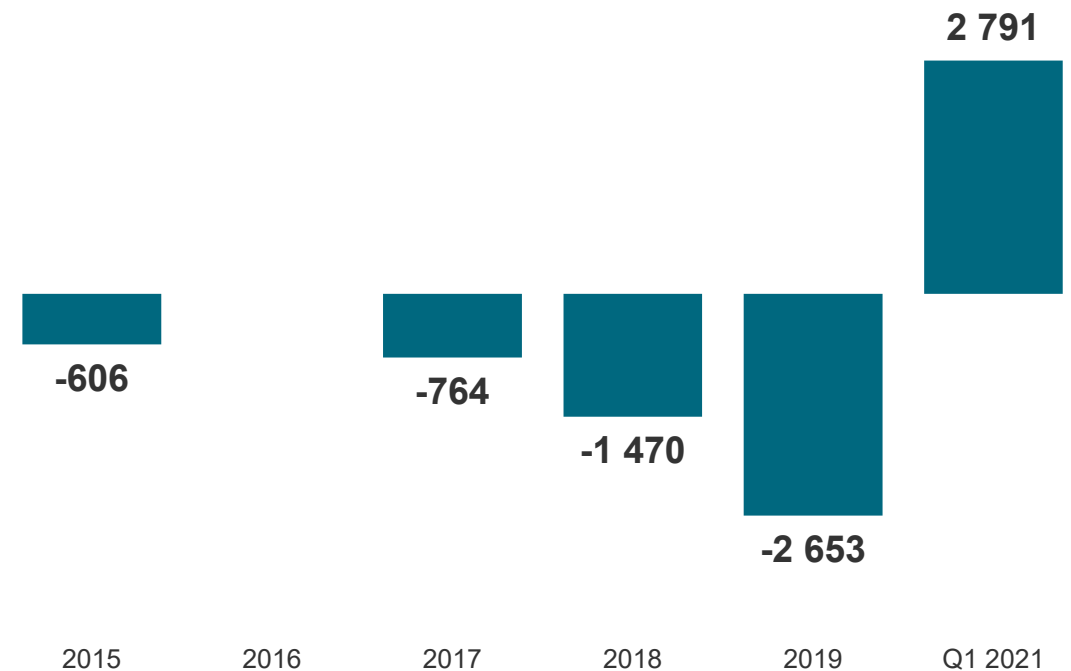
Construction – a capital-light business: two-thirds of Veidekke's turnover

- Limited fixed assets
- Negative working capital as a result of good project liquidity

Infrastructure – a more capital-intensive business: one-third of Veidekke's turnover

- Asphalt and aggregates with long-term positions and machinery
- Special machines for larger projects, as well as local machine contractors
- Capital-light projects

Development in net interest-bearing position
NOK million



Priorities ahead

Capital discipline and selective investments

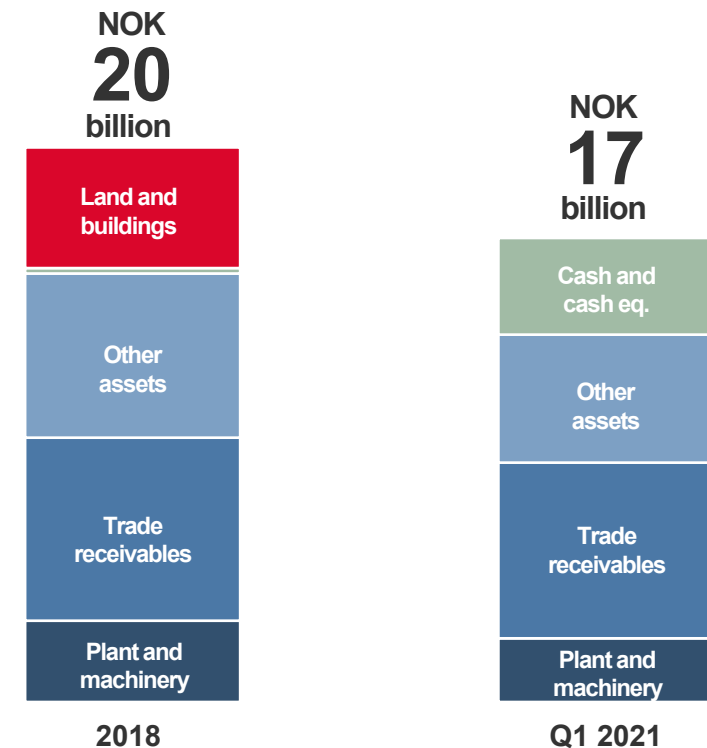
Priorities

- Continue the work from previous years
- Limited investments in fixed assets
- Prioritisation of contracts without major own investments
- Disputes / accounts receivable, operating properties and unprofitable business

Criteria for new investments and acquisitions

- Strengthens positions and existing business
- Accretive profitability
- Quickly achieve good profitability
- Return on invested capital >15%
- Moderate integration risk and possibilities for synergies

Development of assets in the balance sheet



Debt structure and financing

Robust position and financial capacity for growth

Debt and debt facilities

- Refinancing in fourth quarter 2020 after sale of Property Development
 - New bank financing with DNB and SEB
 - Bond loan of NOK 1 000 million redeemed
- Veidekke has a large financing capacity

Bond loan (VEI10)

NOK 0.6 bill.

Maturity: 2025

Covenant: NIBD / EBITDA < 3.0 over time

Overdraft facility in DNB

NOK 1.75 bill.

Maturity: rolling 364-day facility

Covenant: NIBD / EBITDA < 3.0 over time

Credit facility in SEB

NOK 0.75 bill.

Maturity: 3 +1 +1 years

Covenant: NIBD / EBITDA < 3.0 over time

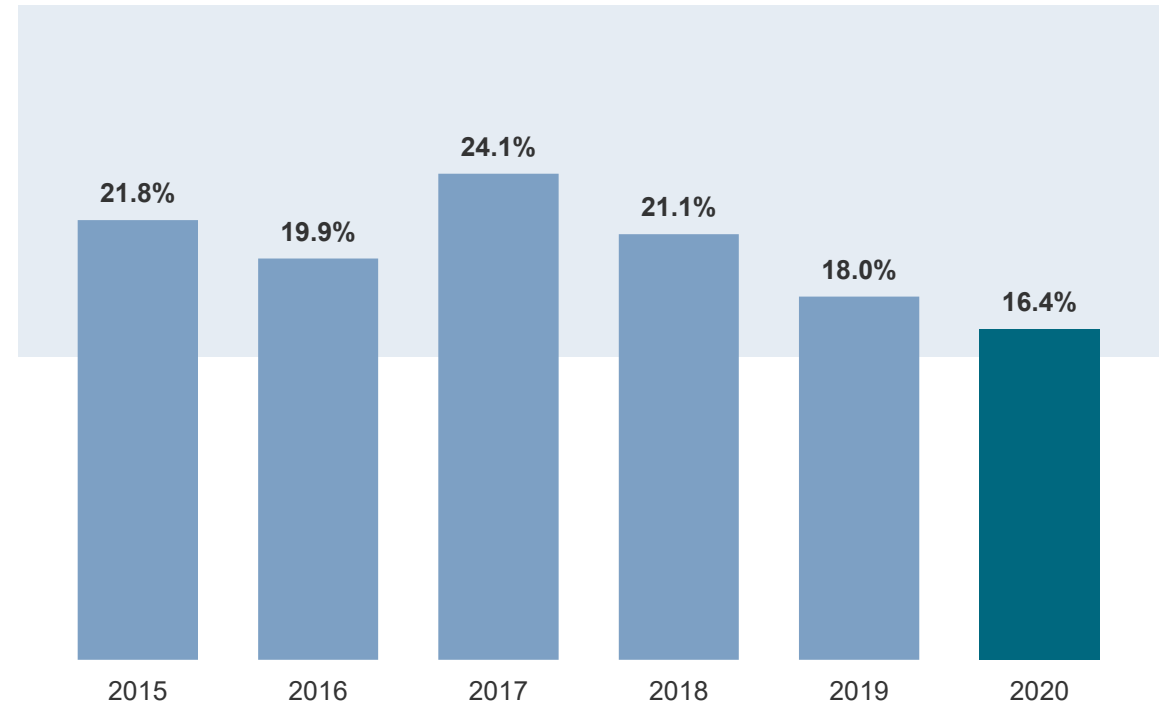
Includes sustainability targets:
50 % reductions of CO₂ emissions by 2030
Zero serious injuries

Veidekke shall be financially solid

- Targeted equity ratio > 15%
- Solidity target decided by :
 - Capital-efficient business models
 - Requirements from customers for project tenders
 - Basis for bank financing and guarantees
- Solidity target impacts dividend payment ability

Development in equity ratio

Percent

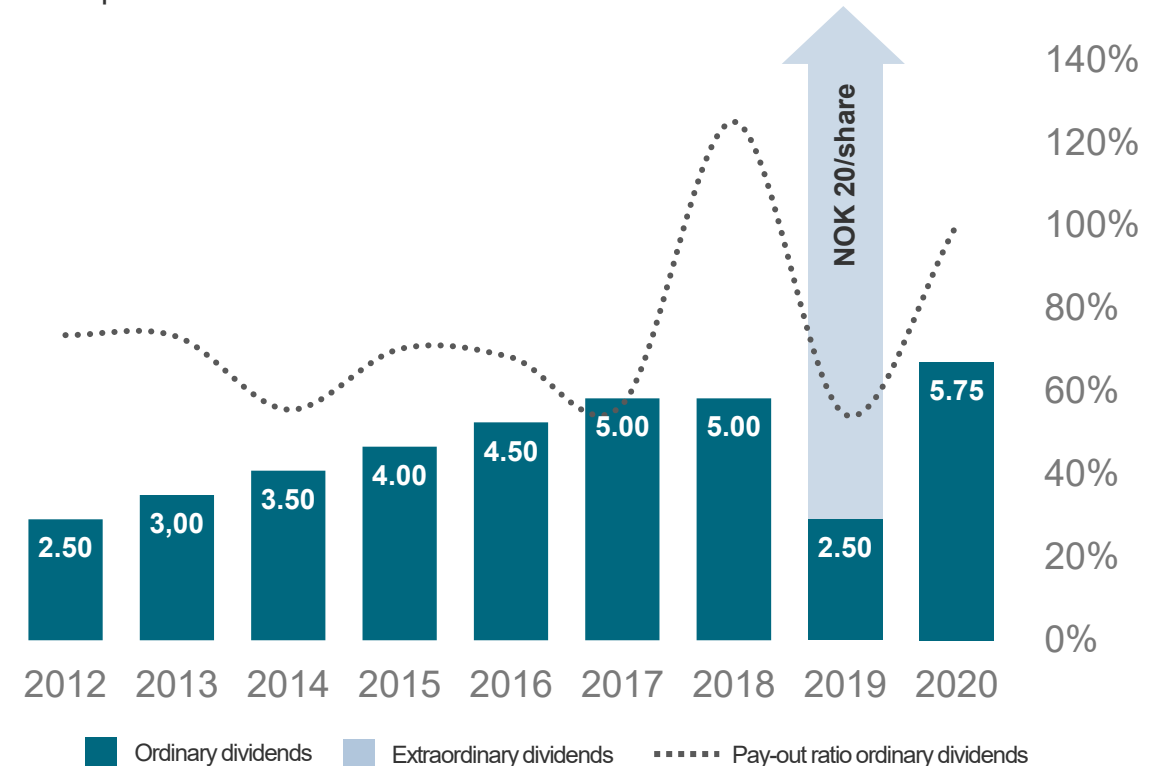


High and attractive dividends

- Veidekke's ambition is to provide shareholders with a competitive return, in the form of a combination of dividend and share price development
- Dividend target of above 70% of net result
- In the short term, the financial position indicates that Veidekke plans to pay out a higher than 70% share

Dividends

NOK per share





Annual revenue growth 2022–2025

4-6%



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