



SEB Enskilda Nordic Seminar 2010  
Thursday, 7 January 2010

Long Term Performer – High Performance Potential

Veidekke  
- A Scandinavian Contractor and Property Developer



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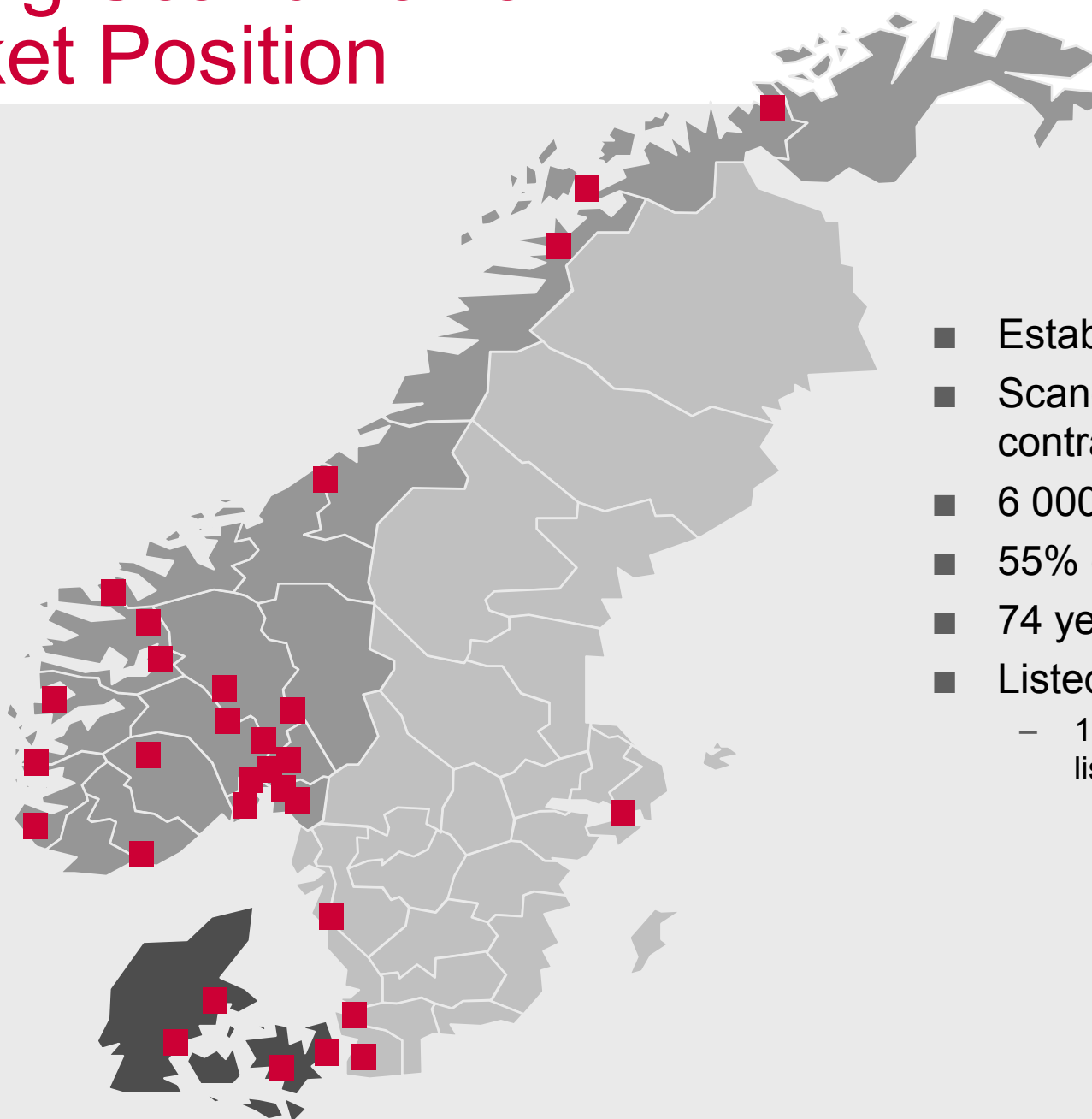


- About Veidekke
- Our Performance
- Our Performance Outlook
- Our Long Term Goals
- Summary



Oslo Opera House

# Strong Scandinavian Market Position



- Established in 1936
- Scandinavia's fourth largest contractor and property developer
- 6 000 employees
- 55% of employees own 19%
- 74 years without a loss
- Listed on OSE since 1986
  - 17,5% average annual return since listing

# Veidekke Group



## VEIDEKKE ASA

- Turnover estimate 2009: NOK 16 billion
- Market cap NOK 6,7 billion as of 31. December 2009
- Largest owners:
  - OBOS 28.0%
  - 3 300 employees 19.3%
  - If Skadeförsäkring 8.7%
  - Folketrygdfondet 7.3%

### Construction 1.1 - 30.9.2009

Turnover NOK 8.9 billion  
Pre-tax profit NOK 382 million  
Capital invested NOK -634 million

### Property development 1.1-30.9.2009

Turnover NOK 485 million  
Pre-tax profit NOK - 48 million  
Capital invested NOK 2 272 million

### Industrial operations 1.1-30.9.2009

Turnover NOK 2.2 billion  
Pre-tax profit NOK - 2 million  
Capital invested NOK 1 359 million

## Geographic Areas

Norway: 73%

Sweden: 16%

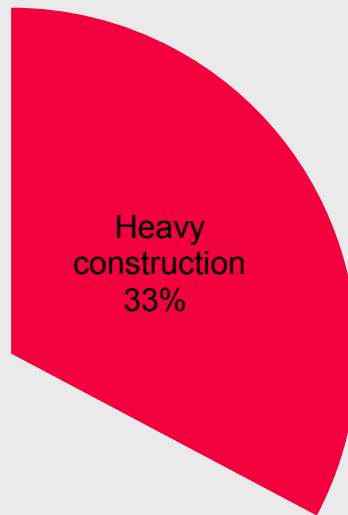
Denmark: 11%

# Our Operations

## *Turnover in 2009*



### Product segments

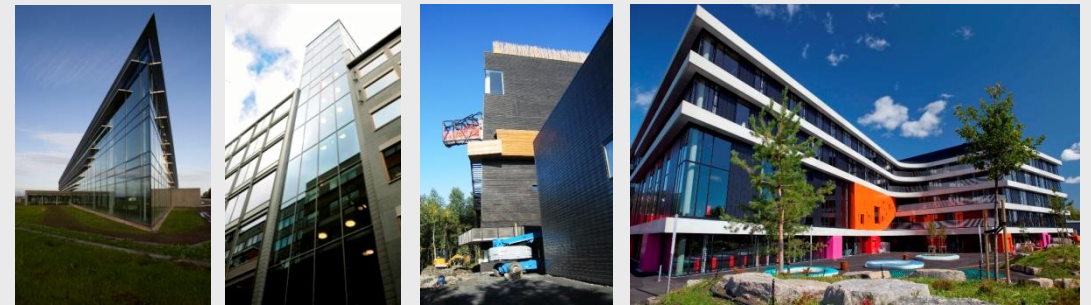
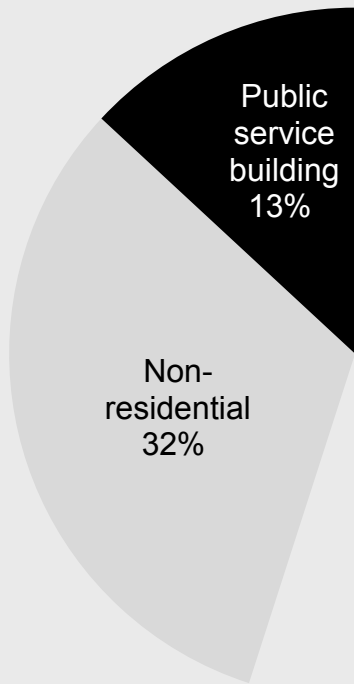


# Our Operations

## *Turnover in 2009*



### Product segments



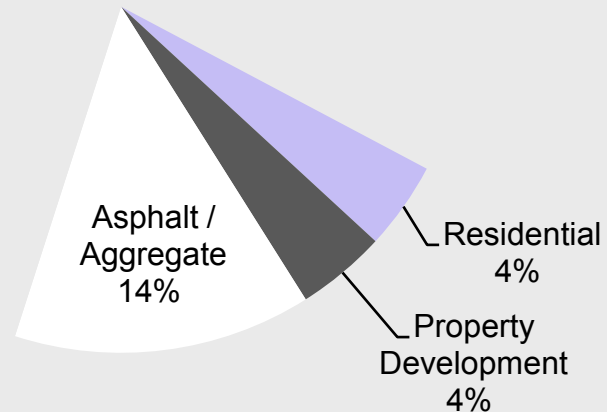


# Our Operations

## *Turnover in 2009*



## Product segments

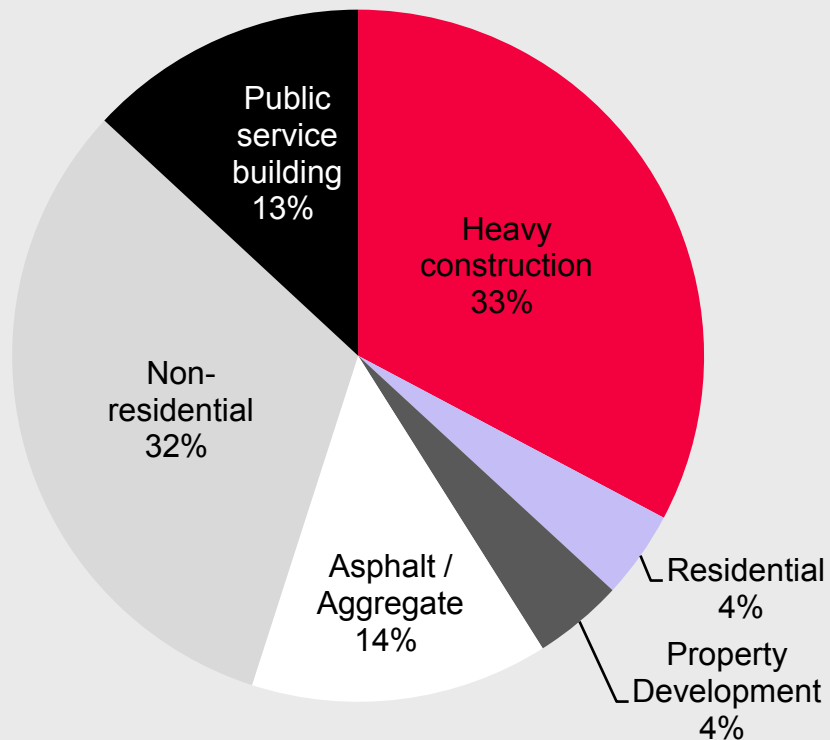


# Our Operations

## Turnover in 2009



### Product segments



■ Public contracts account for approximately 40% of turnover

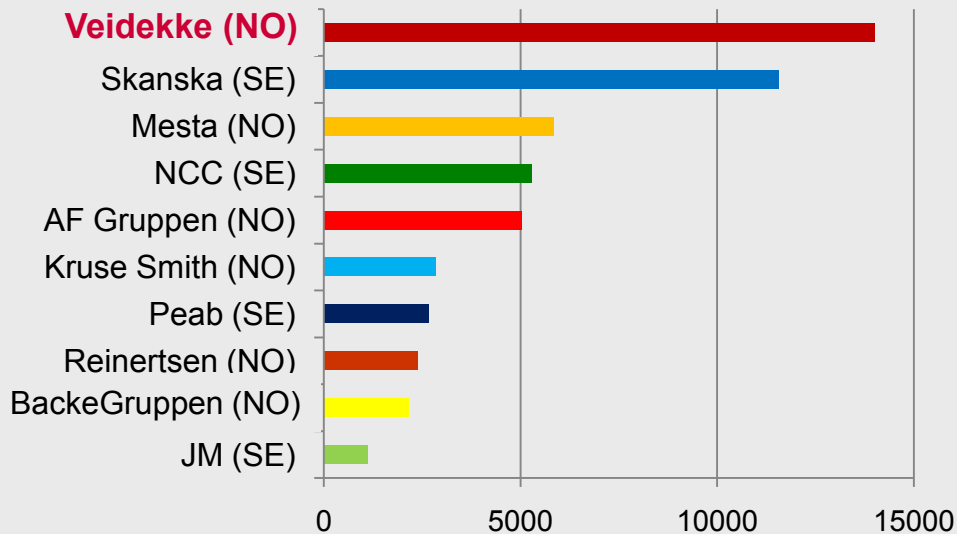


# Market Position

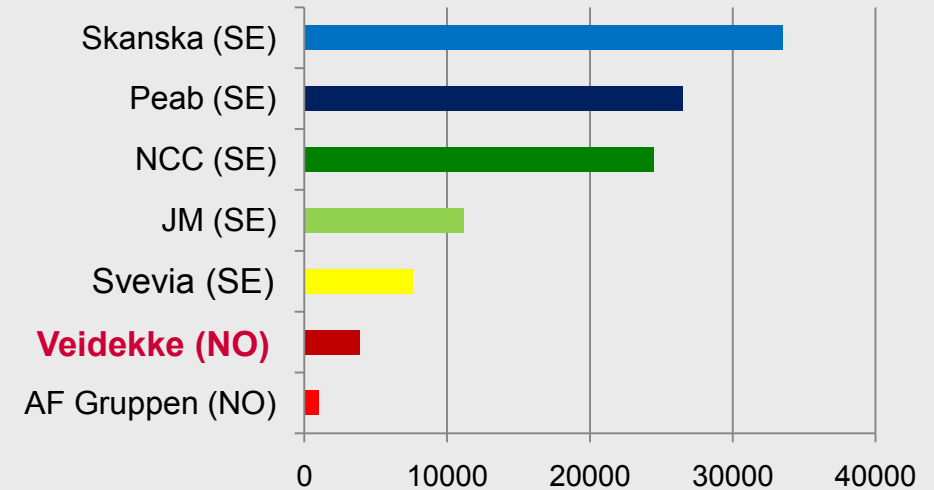
## *Strong position in local markets*



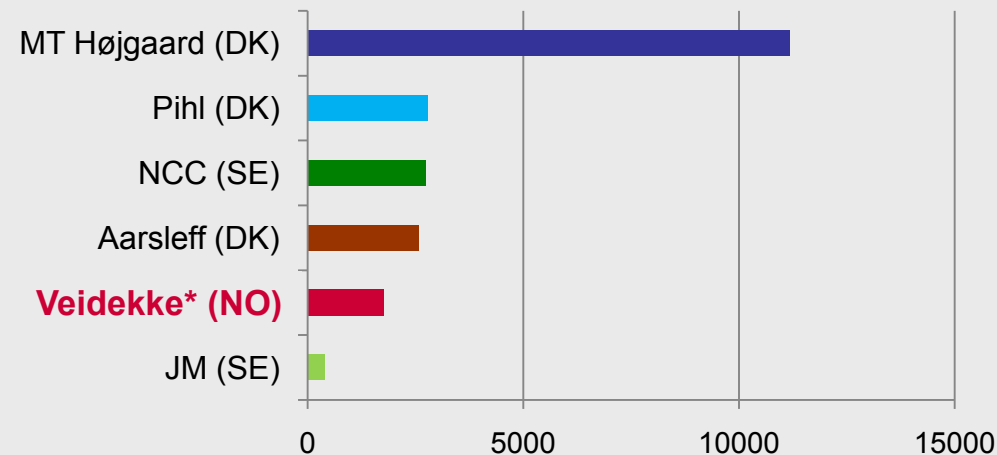
### Norway (NOK)



### Sweden (SEK)



### Denmark (DKK)



\*) Hoffmann in Denmark

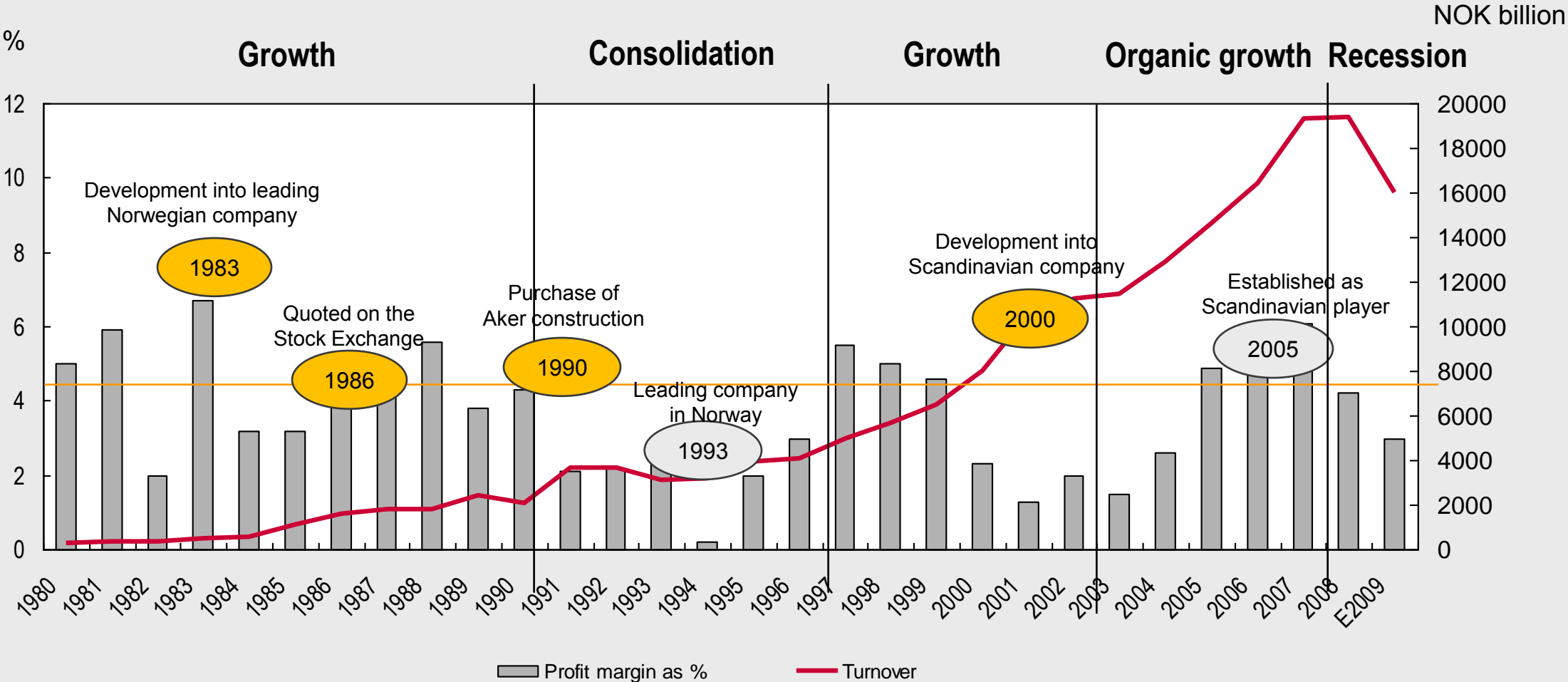
Based on 2008 turnover

# Our Performance



# History of Proactive Reinvention

## 74 years without a loss



■ More than 70 companies merged into Veidekke since 1982

# Financial Performance 2009

## 1 January – 30 September



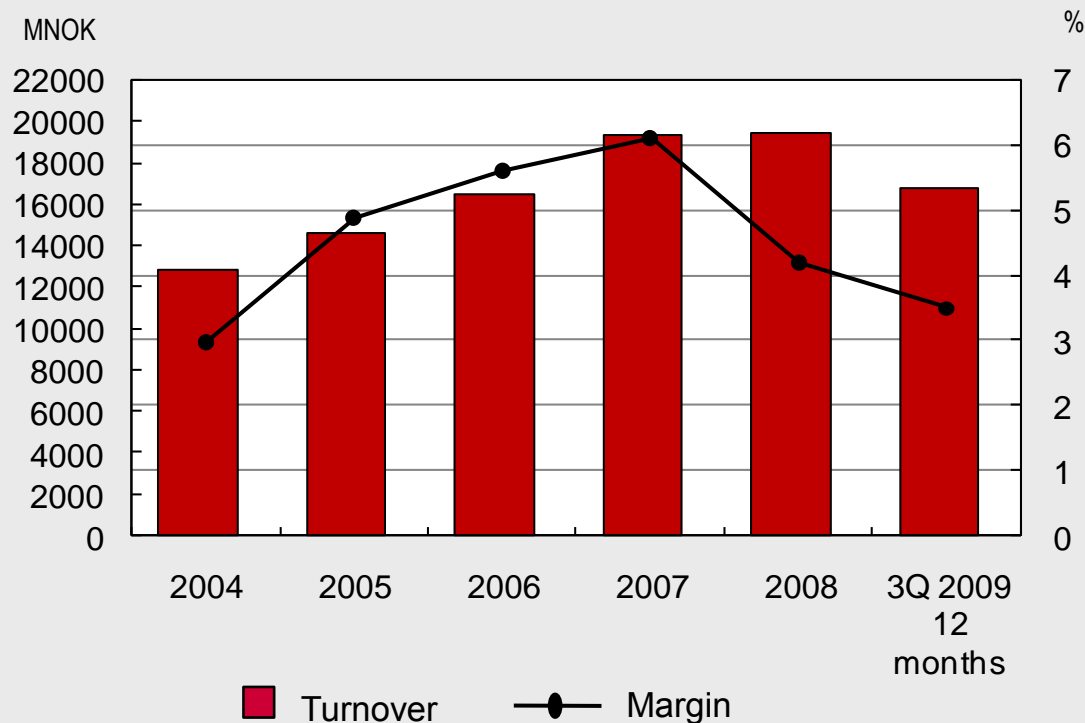
<i>Figures in MNOK</i>	1.1 – 30.9. 2009			1.1 – 30.9. 2008		
	Turnover	EBT	Margin	Turnover	EBT	Margin
Construction Norway	5 922.3	332.0	5.6%	8 144.9	484.8	6.0%
Construction Sweden	1 713.4	24.4	1.4%	1 965.7	35.1	1.8%
Construction Denmark	1 234.2	26.4	2.1%	1 590.4	-12.1	-0.8%
<b>Total construction</b>	<b>8 869.9</b>	<b>382.8</b>	<b>4.3%</b>	<b>11 701.0</b>	<b>507.8</b>	<b>4.3%</b>
Property development Norway	254.0	-47.9	-18.9%	560.2	-57.6	-10.3%
Property development Sweden	228.0	21.7	9,5%	571.2	75.0	13.1%
Property development Denmark	2.7	-21.7	-	50.8	-15.0	-
<b>Total property development</b>	<b>484.7</b>	<b>-47.9</b>	<b>-9.9%</b>	<b>1 182.2</b>	<b>2.4</b>	<b>0.2%</b>
<b>Veidekke Industry</b>	<b>2 213.5</b>	<b>-1.5</b>	<b>-0.1%</b>	<b>2 573.5</b>	<b>96.6</b>	<b>3.8%</b>
Other operations	-76.5	-21.9	-	-509.7	-43.2	
<b>Total</b>	<b>11 491.6</b>	<b>311.5</b>	<b>2.7%</b>	<b>14 947.0</b>	<b>563.6</b>	<b>3.8%</b>

# Veidekke Group

## *Strong performance*



### Turnover and EBT margin



- 10% average annual growth since listing on OSE in 1986
- Strong organic growth in Norway and Sweden during past five years
- 20% turnover reduction in 2009
- Historically better margin than Scandinavian peer group
  - EBT margin on 5% level
- 2009: Good performance in challenging market

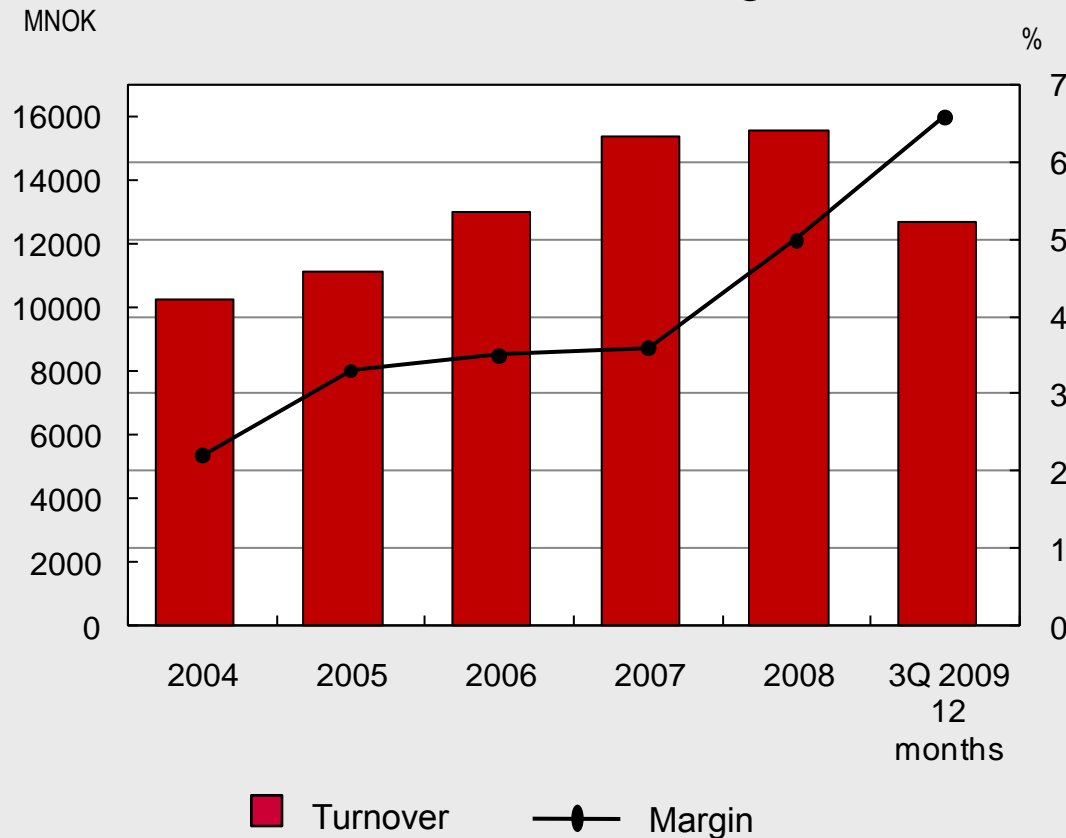


# Construction

## *Well-run operation with good margins*



### Turnover and EBT margin



#### ■ Turnover distribution 2009

- Norway 67%
- Sweden 19%
- Denmark 14%

#### ■ Strong decentralised organisation with 35 local operations

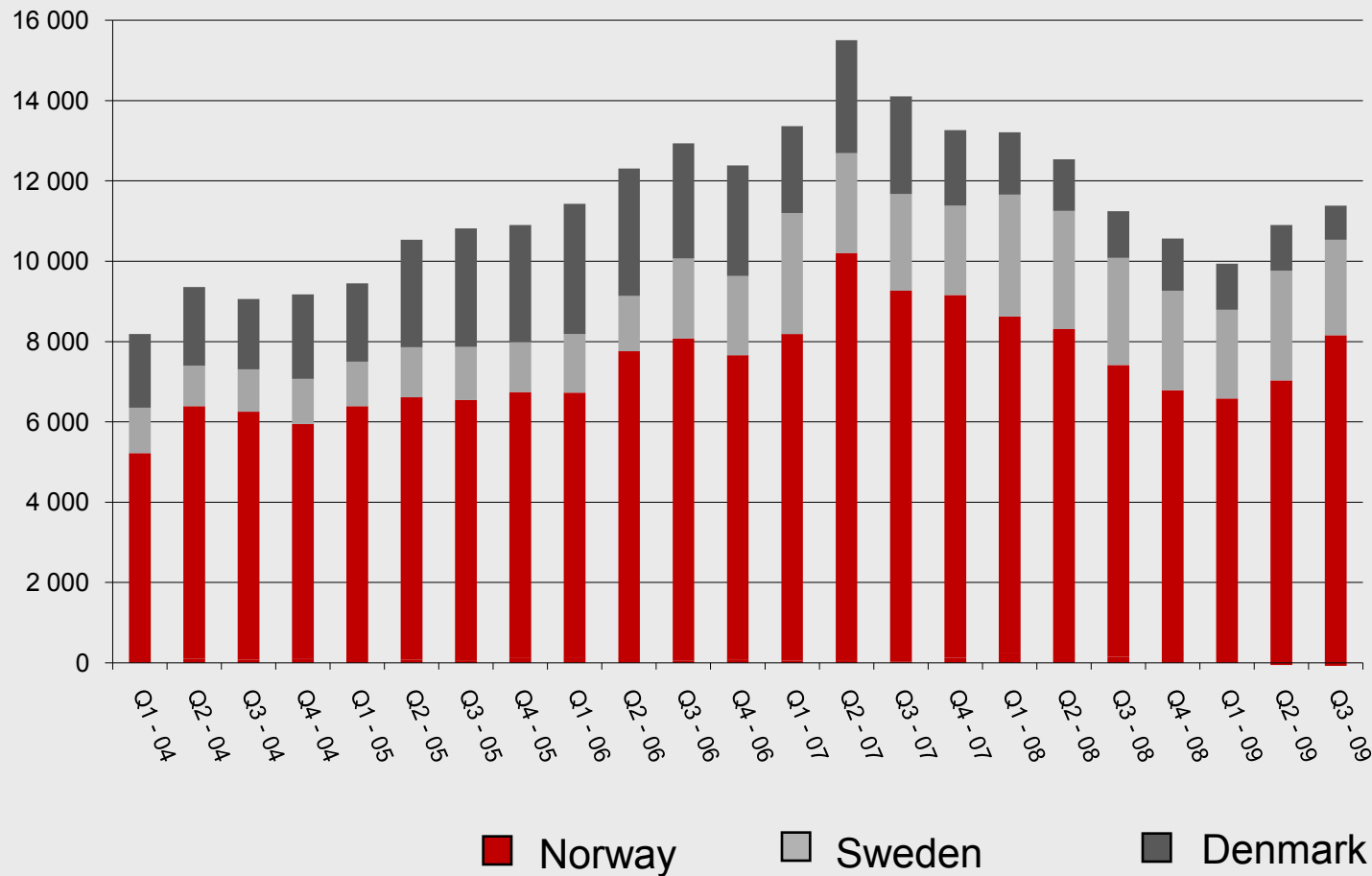
- Focus on each project in all project stages from selection of customer through project hand-over
- Fully responsible for
  - results, cash flow and risk
  - product and customer
  - continuous improvement of the organisation

# Construction

## *Order backlog increasing*



MNOK



### Changes in 2009:

- Decrease in non-residential turnover
- Very low activity in residential
- Private sector still weak
- Strong increase in infrastructure projects

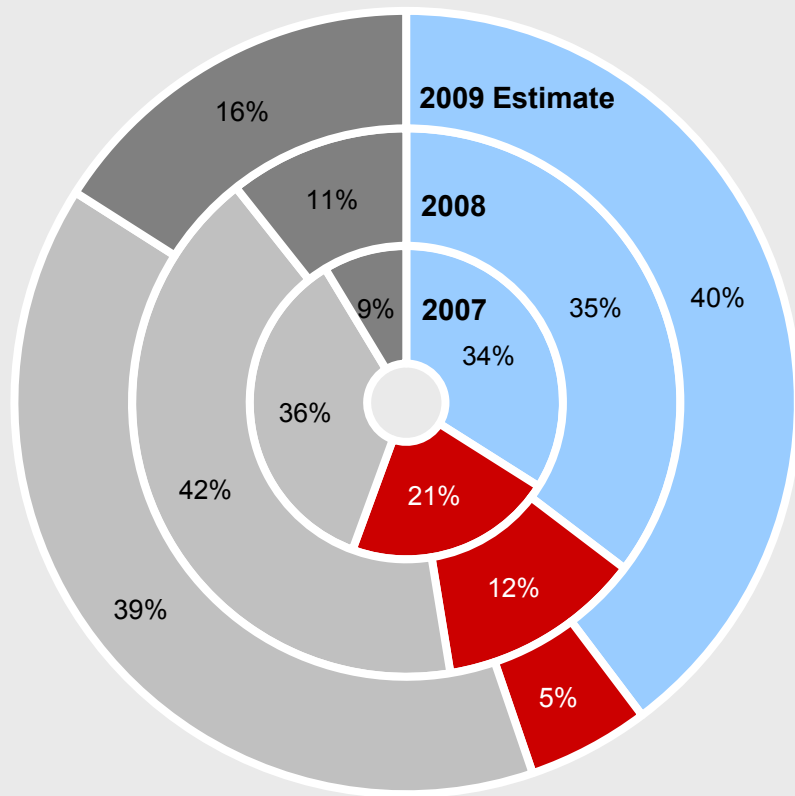
# Construction

## *Change in segment focus - Norway*



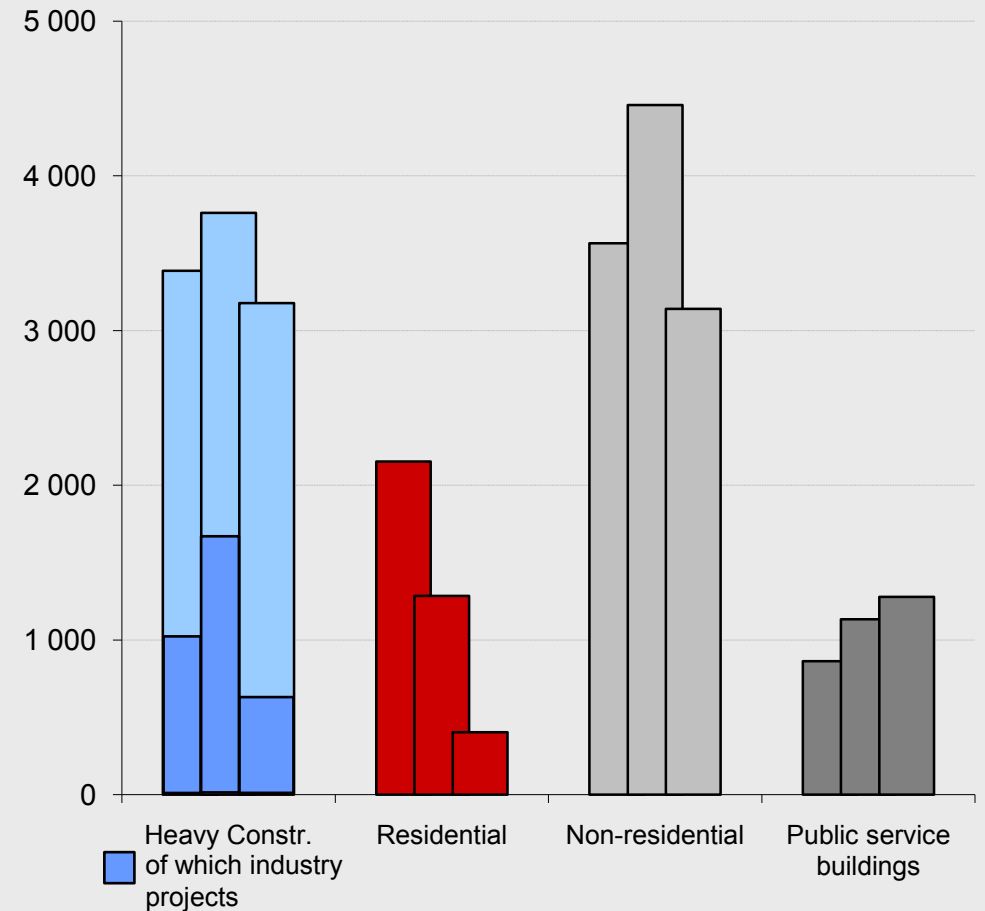
### Share of turnover per year

Past three years - 2007 - 2008 - 2009 Estimate



### Turnover

Past three years - 2007 - 2008 - 2009 Estimate



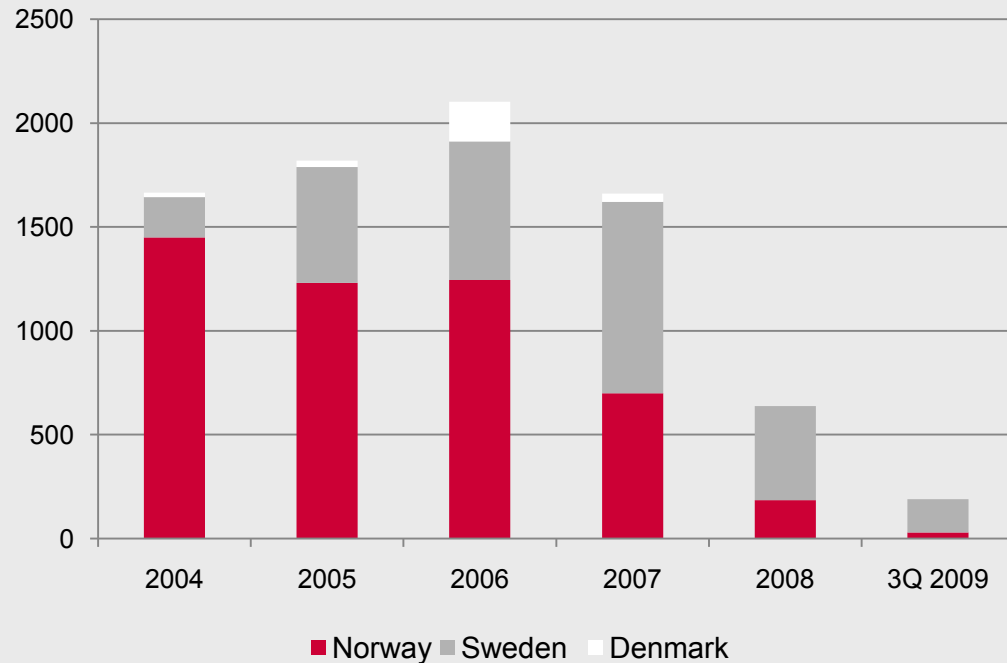
# Property Development (I)

*Weak residential market impacts production and result*

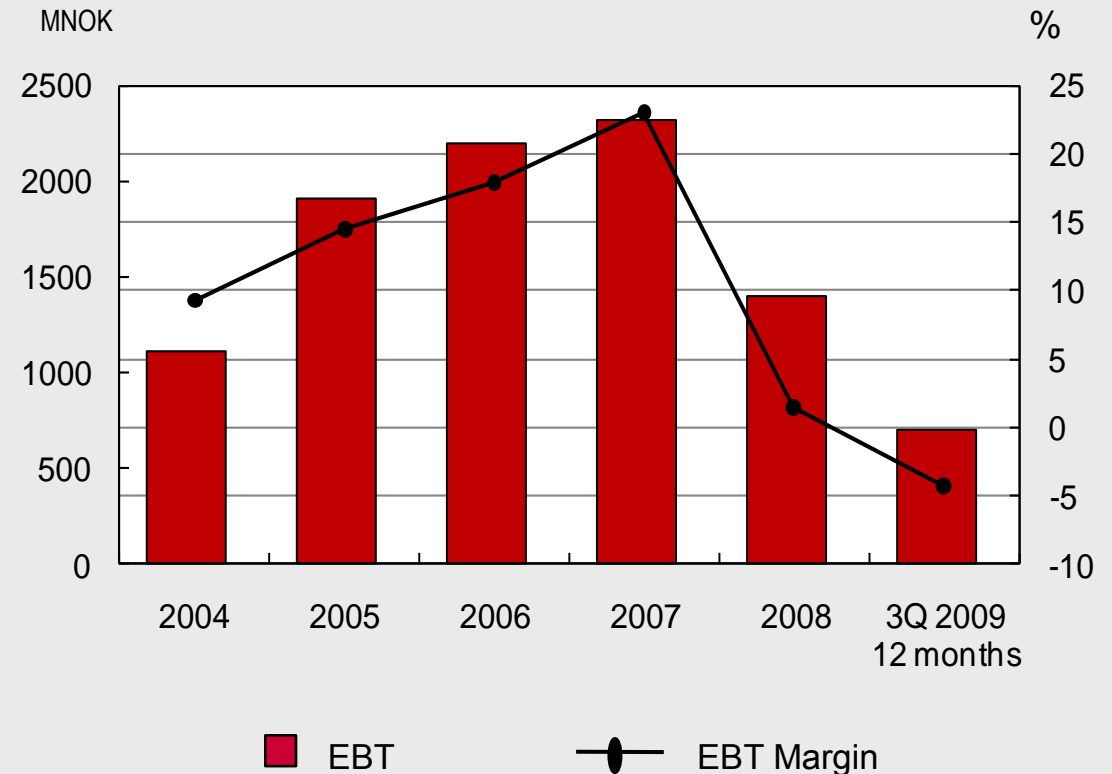


## Production for own account

Number of residential units



## Turnover and EBT margin



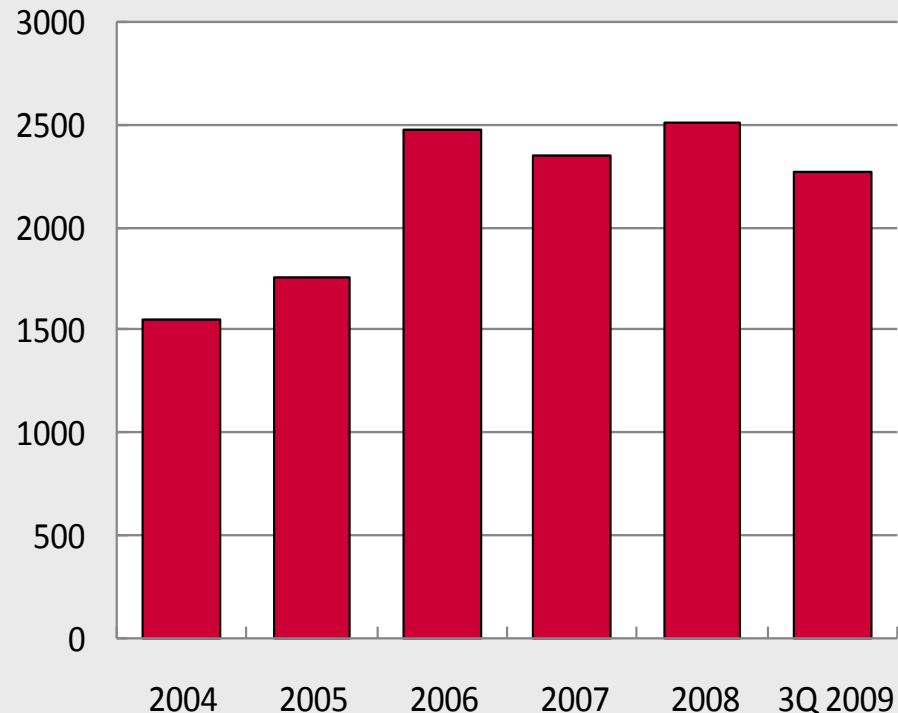
# Property Development (II)

## *Well positioned for market recovery*



### Capital invested – property development

Mill. NOK



- Strong focus during recession on developing land bank
- Good land bank ensures futures earnings
  - 7 500 residential units in Norway and Sweden
  - Situated in densely populated areas
- Invested capital: level of 2.5 billion
  - Land bank (partly on own balance sheet, partly on options)
  - Units under production
- Long term production target: level 1,500 units/year
  - 50% presale requirement
  - Limited exposure on commercial projects

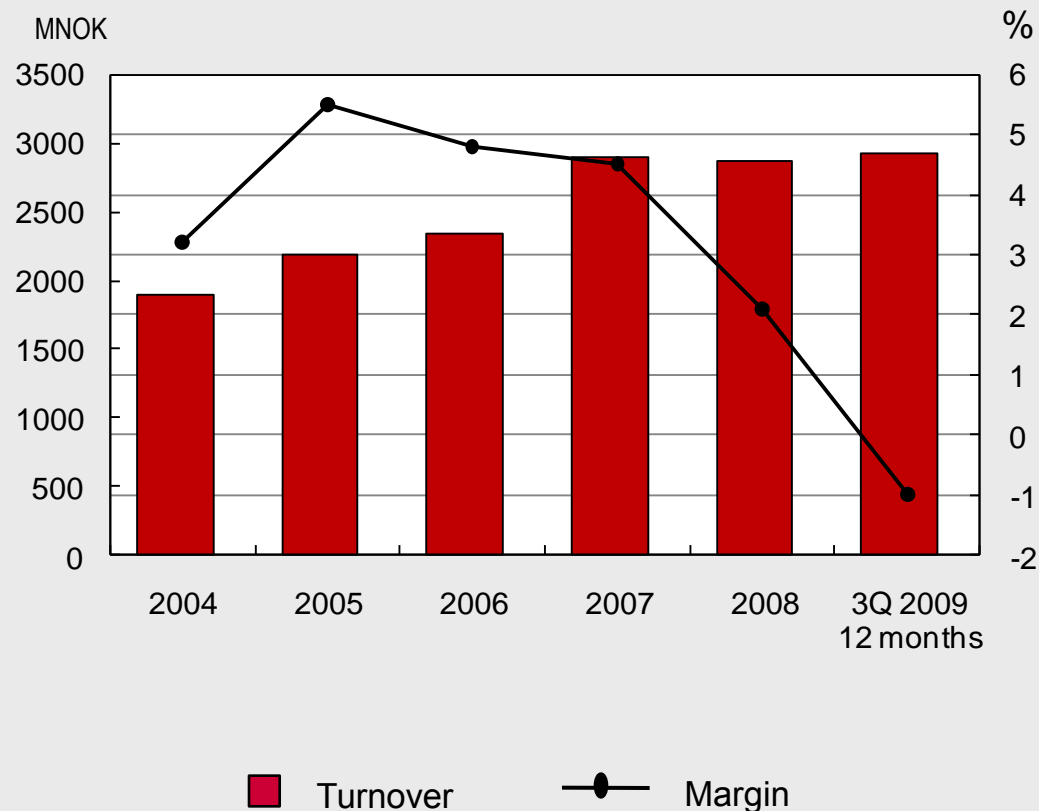


# Industrial Operations

*Strong market position in Norway – weak results in 2009*



Turnover and EBT margin



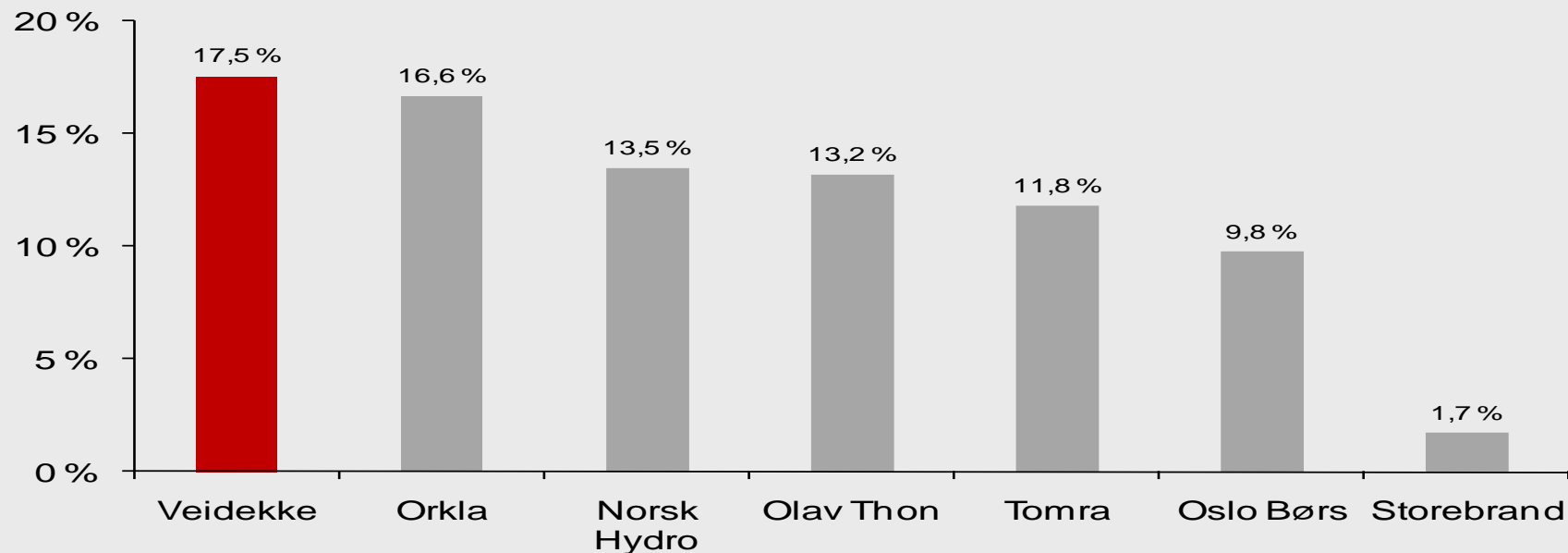
- Industrial operations – business areas
  - Asphalt: 30% market share
  - Aggregates: 15% market share
  - Road maintenance: 15% market share
  - Recycling: 10% market share
- 2008 and 2009 influenced by write-offs
  - Primarily in road maintenance
- Strategically positioned to capitalise on increased governmental spending
  - 50% public clients
- Small establishment in Sweden
  - Foothold for growth

# Veidekke Share

## *A good investment since listing*



- Average return on investment since 1986, when listed on OEX\*



- Dividend policy
  - > 50% of EPS
  - Dividend for 2008: 2.5 NOK/share (56% pay-out ratio)

\* Calculation as of 31. December 2009

# Our Performance Outlook

*The road ahead*





# Our Performance Outlook

## *The road ahead*



### ■ Short Term

- Good financial performance
- Strong financial position

### ■ Long term

- High performance potential



# Short Term – Good performance

## Market Challenges Are Dealt With



- We have been loyal to our *profitability before growth* requirement
  - 20% reduction in volume this year; still good margins
- The reduction in turnover has been handled with focus on the quality of our organisation and retaining capacity and competence
  - Norway:
    - Reduction in subcontractors
    - Active use of lay-off regulations and substantial reduction in use of hired-in labour
    - Exploitation of geographical differences
  - Reduction in workforce in Denmark and Sweden
- We have maintained momentum in the property development segment



# *Short Term – Good performance*

## Possibilities To Improve Bottom-line



- Close interaction with customers and subcontractor
- Ensure results on existing projects
  - Better productivity through employee involvement in planning
  - Continue ongoing improvement processes
- Strong focus on project risk management
  - Selective of new projects
  - Avoid loss-making projects
  - Handle increased risk in the sub-contracting market
- Cost control on projects and overhead

# *Short Term – Good performance*

## Strong Financial Position

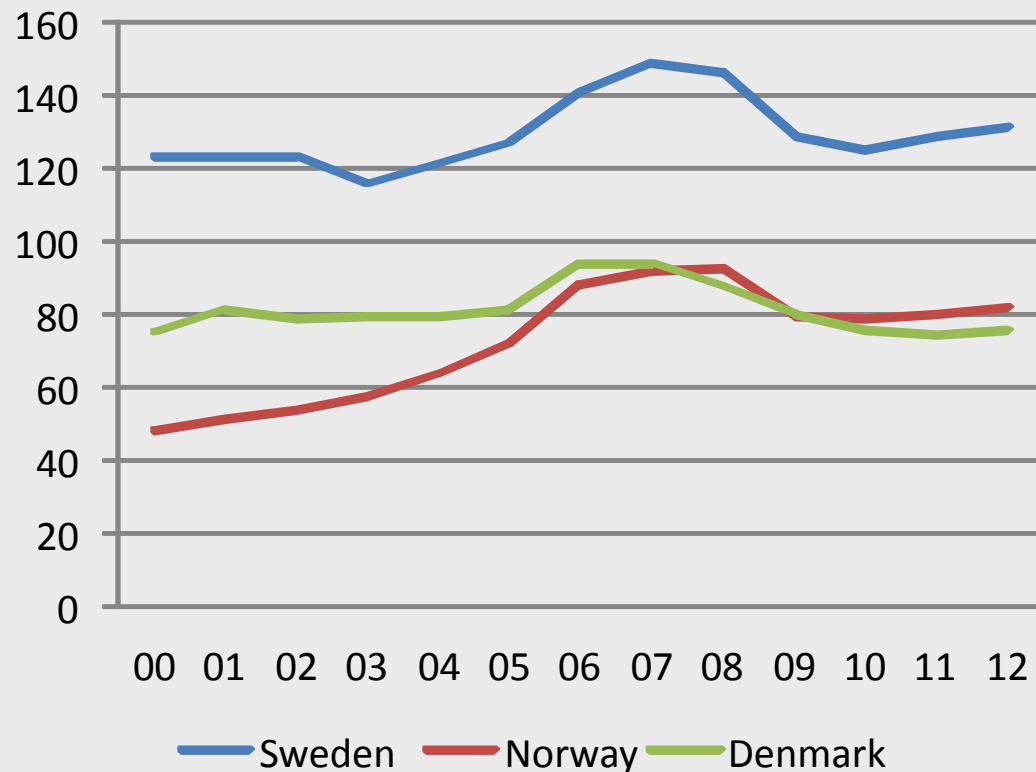


- Strong cash flow:
  - Cap ex level of 350 MNOK (depreciation 300 MNOK)
  - Property development may require more capital due to higher activity
  
- Close to debt-free
  - Net interest bearing debt as of 31 December 2008: 260 MNOK
  - As of 30 September 2009: 700 MNOK (seasonal variation)
  
- Committed borrowing facility of 2.1 billion NOK until November 2012

# Market Outlook Scandinavia

## ■ New growth in building and construction from end of 2010

Accessible market: Total market in NOK billion less public work for own account executed by smaller companies



Norway:

### ■ Almost flat market in 2010

- Improved housing market in 2010
- Continued decline in private non-residential market
- Increase in market for public infrastructure projects

Sweden:

### ■ Slight decrease in 2010

- Dwellings and private non-residential market slow
- Heavy construction market on high level, low growth
- Public building market will increase by 5% - 10%

Denmark:

### ■ Recession diminishing

- Housing market still weak in future
- Heavy construction market on same level
- Public buildings market also weak in future

# *Long Term – High potential* Positioned for Growth



- Organic growth within construction and industry
  - Strategically and strongly positioned with high competence in all growth areas
    - Market share is only 6% in Scandinavia
    - Continue growth focus on existing markets and products
  - Long term growth in the construction market
- Acquisition potential
  - Financial strength enables us to capitalise on opportunities
  - Still small in Sweden and in some areas/segments in Norway
- High quality land bank and strong competence within property development

# *Long Term – High potential* Positioned for Profitable Growth



- Better margins than peer group
  - Never had a loss in company's 74 years history
- Strong organisation and experienced management
  - Terje Venold CEO since 1989
  - Low employee turnover
    - Average employment period among Norwegian salaried employees is > 20 years
  - High understanding of focus on margins and risk throughout whole organisation
  - Continued focus on productivity programmes also during down cycle
- Further development of company through our proven value drivers
  - Profitability focus and risk management
  - Close customer interaction
  - Employee involvement
  - Employees as shareholders

# Value drivers

## Profitability Focus and Risk Management



3-phase risk model: simple, comprehensive and comprehensible

### Selection Process

- Right customer
- Right project
- Our competence and resources

### Tender Process

- Right tender team
- Good tender processes
- Right price

### Production Process

- Right team
- Overview, management, control
- Good completion processes



# Value drivers

## Close Customer Interaction



### Building and construction business

- Close client involvement and joint problem solving are critical and decisive success factors in all contracts

### Veidekke

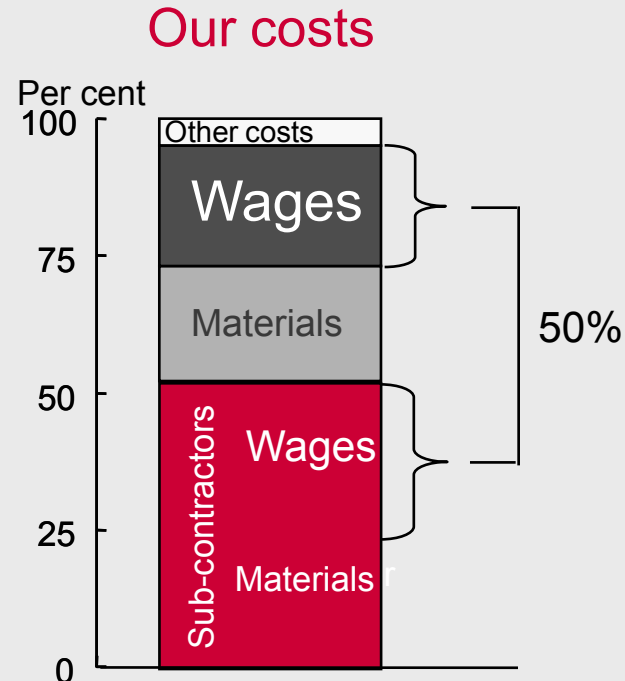
- Safeguards stable and good margins
- Repeat customers accounted for 80% of 2008 turnover
- Private sector: 75% negotiated contracts

# Value drivers

## Employee Involvement

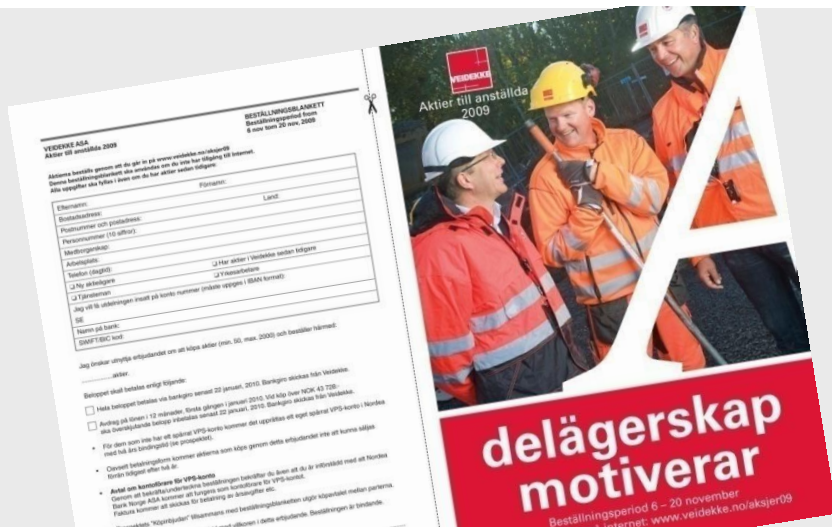


Industry studies:  
Time spent on building sites



- Potential is great
  - Wages constitute 50% of total costs
  - Industry studies show that 1/3 of time is unproductive
- Employee involvement
  - Improvement processes ongoing in since 2003
  - Priority given also in a difficult 2009
- Involvement and better planning creates
  - Higher motivation
  - Higher productivity
  - Better margins

# Value drivers Employee Ownership



- Long and significant employee ownership is one of Veidekke's most important success factors for 40 years
- 55% of all employees are co-owners
  - Share of ownership is 19.3%
- Key leaders' participation is crucial
  - 550 leaders own 13.5%
- Shares purchased on OSX, no options



Makes our employees risk and margin oriented

# Our Long-term Goals



	<b>3 Q 2009</b>	<b><i>Past 5 years 2005 - 2009</i></b>	<b><i>Long-term goal</i></b>
Construction operations	4.3%	3.9%	5.0%
Property development*)	0.2%	13.9%	15.0%
Industrial operations	Neg.	3.3%	6.5%
Group - Profit margin	2.7%	4.7%	towards 7.0%

\*) Return on capital invested

# Summary

- History of good performance and a historically good investment
- **In short term:** Challenging times ahead but we think we have reached the bottom in building and construction
  - Group turnover will flatten out or increase slightly



Focus on good financial performance and maintain our strong financial position

- **In long term:** Good market and internal opportunities
  - Effective and proven value drivers
  - Good financial position
  - Experienced and local management with significant employee ownership



High performance potential



# Appendix





# Veidekke Share



## Largest owners at 31 December 2009

1. OBOS Forretningsbygg	28.0%
2. IF Skadeforsäkring	8.7%
3. Folketrygdfondet	7.3%
4. First Securities	4.9%
5. JPMorgan Chase (Nom)	2.3%
6. MP Pensjon	2.3%
7. Must Invest AS	1.9%
8. Awilco Invest AS	1.8%
9. Rasmussengruppen AS	1.3%
10. Handelsbanken (Nom)	0.8%
■ Foreign shareholders	23.2%
■ 3,300 employees	19.3%