

annual report 2007



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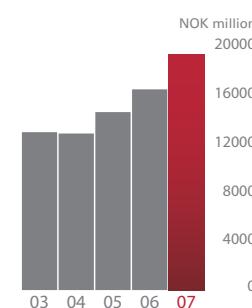
Veidekke is a Scandinavian contractor and property developer with close on 6,500 employees. We are the leading company in our field in Norway and the third largest in Denmark, and we have extensive operations in growth regions in Sweden.

Key Figures

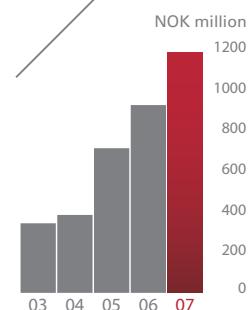
	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 NGAAP
OPERATIONS *					
Operating revenues	19 336	16 442	14 579	12 826	12 934
Operating profit	883	712	592	352	323
Profit before tax	1 181	923	711	383	342
Net profit for the year ¹⁾	990	708	558	263	235
Orders-on-hand, construction	13 263	12 381	10 902	9 177	9 177
PROFITABILITY					
Operating profit margin (%) ²⁾	4.6	4.3	4.1	2.7	2.5
Gross profit margin (%) ³⁾	6.1	5.6	4.9	3.0	2.6
Return on capital invested (%) ⁴⁾	49.3	44.5	36.8	19.1	17.0
CAPITAL ADEQUACY *					
Total assets	8 699	8 311	6 370	5 750	5 784
Total equity ⁵⁾	2 286	1 778	1 470	1 638	1 578
Equity ratio (%) ⁶⁾	26.3	21.4	23.1	28.5	27.3
Net interest-bearing position ⁷⁾	192	-534	-109	-76	-71
LIQUIDITY					
Liquidity at 31 December *	272	331	345	401	431
Unused borrowing facilities	1 681	1 275	1 628	1 096	1 096
Cash ratio ⁸⁾	11.97	4.85	6.28	5.12	5.14
SHARES AND SHAREHOLDERS***					
Share price at 31 December	50.75	47.40	38.50	20.20	20.20
Earnings per share ^{**9)}	7.1	5.0	3.9	1.9	1.7
Dividend per share	4.0	2.6	2.0	3.6 ****	3.6 ****
Outstanding shares (average million)	140.0	142.9	143.0	138.3	138.3
Market price at 31 December***	7 056	6 680	5 507	2 890	2 890
EMPLOYEES					
Number of employees in Scandinavia at 31 December	6 475	6 351	5 598	5 436	5 455
Sickness absence (%), Norway	5.2	4.9	4.6	4.9	4.9
Sickness absence craftsmen (%), Norway	6.4	6.5	6.0	6.4	6.4
Lost-time injuries per million hours worked, Scandinavia	7.0	5.7	9.3	10.8	10.8
Wages and social benefits *	3 831	3 307	2 930	2 701	2 713

* Figures in NOK million / ** No dilution effect / *** Adjusted for share split 1:5 May 2007

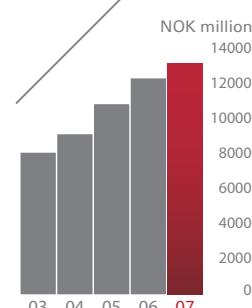
**** Including extraordinary dividends of NOK 2.50



Operating revenues



Profit before tax



Orders-on-hand construction

Highlights in 2007

Definitions of Key Figures

- 1) Net profit for the year:
Profit for the year after minority interests
- 2) Operating profit margin:
Operating profit as a percentage of turnover
- 3) Gross profit margin:
Profit before taxation as a percentage of turnover
- 4) Return on equity:
Profit after taxation as a percentage of average total equity
- 5) Total equity:
Book equity including minority interests
- 6) Equity ratio:
Total equity as a percentage of total assets at 31 December
- 7) Net interest-bearing position:
Liquid assets plus interest-bearing receivables less short-term interest-bearing liabilities less long-term interest-bearing liabilities
- 8) Cash ratio:
Liquid assets plus unused borrowing facilities divided by short-term interest-bearing liabilities
- 9) Earnings per share:
Ordinary profit for the year after minority interests divided by the average number of shares outstanding (fully diluted)

Strong growth in turnover and improvements in margins gave Veidekke a pre-tax profit for 2007 of BNOK 1.2. This was a very strong finish to a good year for the company. The results were particularly good in Norway, where both construction and property operations achieved record-high figures. At the end of the year, the order books for the Group's construction operations showed a total of more than BNOK 13.

Veidekke continued to focus on health, safety and environment (HSE) in 2007, but the injury rate (lost-time injuries per million hours worked) at the end of the year was still higher than at the end of 2006. The injury rate for Veidekke's operations in Scandinavia was 7.0 as against 5.7 at the end of the previous year. Sick absence remained fairly stable.

Norway

The considerable growth in profit in Norway naturally ties in with the generally favourable market conditions but can also, and possibly more importantly, be ascribed to good risk management, very high utilisation of our production resources and to ongoing improvement processes in all divisions. Operations were sound in all our construction entities; the property division achieved a high sales rate, and industry performed well in a growing market.

Denmark

The overall figures for Veidekke's Danish operations, Hoffmann, were weak, reflecting the write-downs of some large problem projects in Zealand. In other regions and business areas, performance was satisfactory and profit margins were good.

Sweden

In Sweden, developments showed a somewhat variable but positive trend. Construction strengthened its market position considerably by, among other things, developing and improving its organisation and focusing on interaction with customers, but margins are still too low. The picture for property development was very satisfactory, with good profits and high sales rates for housing projects.

Challenges in 2008

One of our greatest challenges in the time ahead will be a somewhat more unpredictable housing market. In Norway this is expected to result in a lower sales rate for new dwellings and the start-up of fewer new projects. In Denmark, sales of new dwellings have been very weak for a long time and no immediate improvement is anticipated. The Swedish housing market also reflects more uncertainty, but shows no clear signs of a decline so far. The markets for commercial building and heavy construction will, however, largely compensate for the fall in the housing market. Substantial investments are also being made in upgrading and maintaining public infrastructure and this will provide favourable opportunities for our asphalt and road maintenance entities in the future.

We see the possibility of reducing purchasing costs through new purchasing channels and new forms of cooperation with suppliers, but an even greater potential lies in making more effective use of our own time and in better interaction with our subcontractors. Our improvement processes show that significant productivity gains can be made in a project by involving all our employees and subcontractors.

Every project entails some risk, and we concentrate on selecting projects where we can do what we do best, choosing customers we can interact with and making sure that we have the right skills and resources. Our strong position makes it possible for us to be selective and choose projects where we have competitive advantages.

We work actively to ensure that Veidekke is an attractive workplace for present and future employees. We recruit new employees systematically, through activities targeting schools, colleges and universities. We offer our employees advancement opportunities both in their job situations and through professional and management development programmes. Where possible, we recruit candidates for important managerial and technical positions internally.

We have a motivated and well-equipped organisation, qualified employees and a good order situation. All in all, we believe that the prospects are good for the Veidekke Group in 2008. We will meet the uncertainty that prevails in some parts of the market by keeping our focus on market surveillance, a streamlined organisation and on profitability and cost control.

Financial Calendar 2008

Publication dates for interim reports:

1st quarter: 8 May
2nd quarter: 14 August
3rd quarter: 6 November

The Annual General Meeting will be held on 7 May
The shares will be quoted ex-dividend on 8 May
Dividend will be distributed to shareholders on 20 May



In recent years, Veidekke has been working systematically with improvement processes. We can now see concrete results, for example from our processes to increase the involvement of our employees and subcontractors in our projects. These processes play an important part in achieving the Group's primary objectives, which are to improve the profitability of our projects and to develop our Scandinavian position.

BUSINESS AREAS

BUSINESS AREA	DESCRIPTION	KEY FIGURES IN NOK MILLION			
		2007	2006	2005	
NORWAY					
Construction	Nation-wide building and construction operations.	Operating revenues Pre-tax profit/loss Orders-on-hand Number of employees at 31 Dec.	9 855 643 9 030 3 296	8 120 387 7 580 3 090	7 336 335 6 615 2 959
Property	Development of dwellings for own account, office and commercial buildings, and special-purpose buildings for the public sector. Operations are concentrated around the largest cities.	Operating revenues Pre-tax profit/loss Capital invested Number of employees at 31 Dec.	1 389 431 1 844 53	1 193 312 1 537 47	1 439 236 1 316 52
Industry	Nation-wide asphalt, crushed stone and gravel operations, road maintenance, demolition and plant contracting, and recycling of industrial waste.	Operating revenues Pre-tax profit/loss Capital invested Number of employees at 31 Dec.	2 907 130 1 047 1 212	2 337 113 815 1 085	2 186 120 740 985
DENMARK					
Construction	Nation-wide building and construction operations.	Operating revenues Pre-tax profit/loss Orders-on-hand Number of employees at 31 Dec.	2 780 -88 1 881 703	3 005 51 2 750 938	2 463 23 2 916 926
Property	Development of residential projects for own account. Mainly in Zealand, but also in Central Jutland.	Operating revenues Pre-tax profit/loss Capital invested Number of employees at 31 Dec.	163 -10 243 9	274 11 411 8	93 3 117 3
SWEDEN					
Construction	Building and construction operations in regions around Stockholm and Gothenburg and in Skåne.	Operating revenues Pre-tax profit/loss Orders-on-hand Number of employees at 31 Dec.	2 756 -4 2 222 1 102	1 900 14 1 972 1 080	1 315 12 1 246 632
Property	Development of residential projects for own account in the city regions.	Operating revenues Pre-tax profit/loss Capital invested Number of employees at 31 Dec.	768 113 259 58	730 68 537 59	374 37 326 34

PRIORITY AREAS IN 2007	ACHIEVED IN 2007	PRIORITY AREAS IN 2008
<ul style="list-style-type: none"> Continue to improve profitability. Greater involvement of our subcontractors in HSE measures. Strengthen HSE management. Test and gradually start using improved customer routines. Continue Veidekke process, including testing of new planning methods with emphasis on weekly planning. 	<ul style="list-style-type: none"> Historically high profit margin of 6.5 %. Training in and implementation of new customer routines initiated. “Involvement in planning” tested in pilot projects. 	<ul style="list-style-type: none"> Maintain a high margin. Reduce number of lost-time and other injuries. Implement customer strategy in all 27 districts. “Involvement in planning” – learning projects in all districts.
<ul style="list-style-type: none"> Acquire sites for development in 2009 and onwards. Strengthen competitive ability in close cooperation with construction division. 	<ul style="list-style-type: none"> New profit record. Several well-situated sites purchased for development in 2009, 2010 and onwards. Generation shift on management side. New regional structure established. 	<ul style="list-style-type: none"> Generate profits in a tighter housing market through sales of ongoing and new projects. Meet the challenge of costs by working closely with construction division.
<ul style="list-style-type: none"> Further focus on profitability. Recruit and develop skilled workers and managers. Improve HSE figures by reducing sickness absence and injury rate. Increase profitable volume in industrial waste. 	<ul style="list-style-type: none"> Historically high profit figure. Number of employees increased by 127. Management development programme completed. Strong HSE figures, sickness absence 4.4% and injury rate of 2.4. Further profit growth in industrial waste. 	<ul style="list-style-type: none"> Increase profit margins, while watching growth in costs. Increase productivity by focusing on continued strategy and improvement processes.
<ul style="list-style-type: none"> Market Hoffmann as a different kind of contractor. Focus on earnings rather than volume. Continue organisational development with help of in-house training. Continue to improve HSE measures. Compete on other factors than price by being selective in choice of customers, contracts and type of contract, and better tender processes. Further systematisation of purchasing. Continue Hoffmann's customer strategy. 	<ul style="list-style-type: none"> Hoffmann's position as the solution oriented partner strengthened. Disappointing figures due to substantial write-downs. In-house courses arranged for virtually every employee group. HSE measures continued to have high priority. Injury rate same as 2006. “Best in Class” in Denmark. Over 75% of contracts won on factors other than and more than price. Focus on strategic purchasing agreements. Hoffmann maintained focus on customers, most recently with a mutual evaluation of cooperation in selected projects. 	<ul style="list-style-type: none"> Consolidation by continued focus on earnings rather than volume. Start work on corporate culture, with the focus on shared attitudes and core values. Focus on eliminating risk through better procedures and more focus on tender and follow-up processes. Focus on partnering projects, where we are chosen for reasons other than and in addition to price. Continue implementation of internal improvement processes such as “Here at Hoffmann”.
<ul style="list-style-type: none"> Initiate sales of new projects. Continue to add to development site portfolio. 	<ul style="list-style-type: none"> Very low activity in the market for development and sales of occupier-owned homes. New additions to development site portfolio, taking market developments into consideration. 	<ul style="list-style-type: none"> Postpone start-up of new projects until market improves. Continue work of developing the old vegetable market in Copenhagen with The Carlyle Group.
<ul style="list-style-type: none"> Establish clear goals and target figures. Consolidate operations. Develop corporate culture and employee involvement. Focus on good follow-up and support of new employees. Productivity improvement. Focus on margins in construction operations. Increase share of negotiated contracts. Focus on defect-free projects. Find suitable company for acquisition. 	<ul style="list-style-type: none"> Goals and target figures set for all entities. Same number of employees, but higher turnover. Joint administration systems in place. HR organisation developed. Work on corporate culture and core values forging ahead. Work on employee involvement started and purchasing organisation is in place. Rising margins in most entities. Marked increase in ‘partnering’ contracts. Steep increase in number of flats delivered with no defects. No new acquisitions in 2007. 	<ul style="list-style-type: none"> Continue development of corporate culture. Employee involvement in all projects and in other activities. Further development of management systems. Productivity promotion. Focus on margins in construction operations. Increase share of ‘partnering’ contracts. Focus on defect-free projects. Find suitable companies for takeover.
<ul style="list-style-type: none"> Develop model home concept. Increase customer adaptation of projects. Higher expansion rate in housing development in Skåne and Gothenburg. Interaction with co-investors. 	<ul style="list-style-type: none"> Strong profit performance. Organisations in Skåne and Gothenburg further developed. More sites purchased. A number of model houses started on in 2007. 	<ul style="list-style-type: none"> Higher expansion rate in housing development in Skåne and Gothenburg. Further development of model houses. Expansion in collaboration with financial partners.

TERJE R. VENOLD
PRESIDENT AND CEO

better and better day by day!

That is the title of a well-known Scandinavian music hall song, but it is also a good description of what is perhaps Veidekke's most important goal: to grow better and better day by day.

Most of what we produce is becoming increasingly complicated technically speaking, while our development and construction processes remain relatively stable. These processes have a number of fixed elements and by improving each of the elements we become a better company; our customers are happier, and we improve our earnings. Simple enough, but still a constant challenge.

Veidekke's best year ever

"We've heard that before," many people will say. And they are right, because we are a company that has been achieving good profitability for many years. We know that good profitability is vital to the further expansion of the Group. In the interests of our shareholders, customers, partners and all our employees, we must therefore make sure that

we create profitability every single day and in every single project.

The fact that 2007 was such a good year for us can be explained by the very good markets in all three of our Scandinavian countries and to a generally high level of demand in all sectors. However, our carefully targeted improvement work has had, and will have, great significance for our profitability. This can be seen most clearly in our Norwegian operations, where every business area achieved very strong profits last year. We also saw a very positive development in our Swedish operations, while in Denmark we unfortunately had to make substantial write-downs on some projects in Zealand. Our operations in 2007 are described in more detail elsewhere in this Annual Report.

Focus on profitability and interaction – an important part of our corporate culture

If you look over the fence at a building site, you will see large cranes, different types of machines and a diversity of material and technical equipment. All building sites look like that, whether they belong to Veidekke or to one of our competitors. The technology is the same. What makes us different is our people and the way they use the technology every day to create the buildings. It is their skill, experience and collaborative power that makes customers, partners and subcontractors choose to work with Veidekke. And to make sure they choose us, we have to be the best.



TERJE R. VENOLD
PRESIDENT AND CEO

At Veidekke we have always set clear goals for our company as regards profitability, health, environment and safety, but we have also set qualitative targets for customer satisfaction, attractiveness as an employer and ability to become better and better by creating value through partnership. We have succeeded in integrating these goals as an important part of our corporate culture.

Improvement by involvement

To achieve our many ambitious goals as a company, we need everyone to take an active part in our operations. Everyone has to be involved and feel involved, and here our managers must lead the way. We believe that Veidekke has two major advantages. One is our employees' co-ownership in the company (41 per cent of our employees hold about 16 per cent of Veidekke's shares). Altogether, our employees hold shares worth more than a billion kroner and receive 89 million kroner in dividends. This in itself helps to create understanding and commitment. The fact that so many employees are willing to

invest their savings in Veidekke shows that our objectives are more than just words.

Equally important is Veidekke's policy of decentralised responsibility and authority. Nearly everything we develop and produce is created by our local entities along with local suppliers and subcontractors – in Norway, Sweden and Denmark. You cannot build a tunnel or a large office block centrally and then place it somewhere else. Customers do not contact our head office, but take their enquiries to the nearest local office. Since most of the value creation takes place locally, most of the decisions regarding choice of project, suppliers and partners, or which people to have on the team, also have to be made locally. It is the people on the spot who know the customer, know what conditions affect the market and know who the best partners for the project are. The Group's job is then to enable the individual entities to make the best possible choices and reach the right decisions.

The road ahead

At the time of writing, the national and international financial markets are characterised by uncertainty and this also affects our operations. We see this in a far slower sales rate for our many housing projects, particularly in Denmark and Norway. We can also see it in a somewhat greater uncertainty regarding the investments that many of our customers are about to make on behalf of their companies. The important thing for us to do in this situation is to base our assessments as far as possible on actual figures and not on assumptions.

Nonetheless, it is important to point out that any changes that may take place in the different markets will be from a historically high level of activity. In some sectors the level of activity has been so high that a certain reduction can actually be an advantage. Moreover, there is reason to remember that the basic economic situation in Norway, Sweden and Denmark is good and that contracts are plentiful.

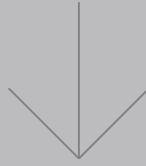
We have a well-developed organisation in all three main markets. We have a workforce of involved, committed and skilled employees. We have very strong customer base, and we have a very sound financial position. That, along with our very strong order backlog at the start of 2008, makes us relatively optimistic about the year that has now begun.



Terje R. Venold

President and CEO

Veidekke's four factors for success



- 1 close interaction with our customers
- 2 employee involvement
- 3 decentralised organisation
- 4 project control



Average profit margin for the past three years – as a percentage.

5.5

Veidekke has a strong focus on improving the profitability of our projects. This is one of the Group's strategic objectives.



Our efforts to improve margins have two main elements. One is the continuous improvement of operational efficiency at individual building sites by increasing the involvement of our employees and the other is good risk management, which enables us to see potential threats before they grow into major business challenges. Our industry is characterised by complex processes with many unknown factors, and this has traditionally led to a great deal of inactivity at the building sites. Employees may have to wait for information, for decisions, or for equipment they need, or for each other. This affects the workflow and thus also a project's margins. In recent years, we have therefore introduced internal improvement processes that aim for greater employee involvement. The key words are better teamwork on the building site – and a better understanding of the fact that a building site presents a number of joint challenges for which everyone is responsible. The results so far have been promising.

Involved employees take more responsibility; they show initiative, and they feel more personally responsible for achieving project goals. This means that profitability improves. Job satisfaction among our employees has also increased. Employees become involved and their views are heard. Instead of just doing their own bit of the construction process, they become involved in the whole project. This creates a feeling of ownership and job satisfaction. Another positive effect of greater involvement is the ability to solve problems independently. Any number of unforeseen factors can crop up during the building process. Greater involvement makes it easier for employees to meet the challenge by finding a good solution, instead of letting the process come to a halt.

Good risk management also plays a part in our profitability. There has been a high level of activity in the construction industry for several years and this boom has contributed greatly to Veidekke's ability to deliver historically high profits. However, it has not always been possible for the construction industry to push high top-line growth through to the bottom line. Many contractors have found it difficult to price their projects correctly, because growth in costs is high during the period when the building is being erected and this gradually eats up the calculated margins. For many contractors this has resulted in poor profitability in spite of the good times. To remove some of this vulnerability to economic cycles, we need good risk management. This has at least three important elements. Firstly, we must give priority to customers with whom we can create value through partnership. We need to be selective about what we get involved in. Secondly, we have to be sure of stable supplies from our subcontractors. For this reason we make good use of long-term contracts with materials suppliers. Thirdly, we need to have good relationships with the best subcontractors in the industry. This increases the quality of the project and reduces the probability of costly mistakes.

Profitability is a high priority for Veidekke and it is one of the Group's two main strategic objectives. By continually improving the efficiency of our operations at the building site and with the help of sound risk management, we aim to increase the margins in our projects – regardless of fluctuations in the economy.



NORWAY

Substantial profit improvement in Norwegian operations

In Norway, Veidekke is engaged in construction, property development and industrial activities.

Veidekke Entreprenør (construction) is the Group's largest division. Two-thirds of its operations are building activities and the remaining third is heavy construction. In 2007 approximately ten per cent of its operations were joint projects with Veidekke Eiendom.

Veidekke Eiendom (property) is one of Norway's leading housing developers. Its projects are developed and carried out in close cooperation with Veidekke Entreprenør.

The operations of Veidekke Industri (industry) cover asphalt, crushed stone and gravel, demolition and plant contracting, road maintenance and recycling of industrial waste.

VEIDEKKE ENTREPRENØR (CONSTRUCTION)

- Growth in turnover continued in 2007
- Historically high profit
- Large percentage of returning customers
- High volume of orders-on-hand, shifting in focus from housing to commercial buildings



1,860 tonnes of reinforcement steel is being used in the construction of a 400-metre long industrial quay at Mongstad.

Financially, 2007 was a very good year for Veidekke Entreprenør. With a total turnover of BNOK 9.9, this division achieved a profit margin of no less than 6.5 per cent. On the building side, we witnessed a steep fall in sales and new house building starts in the course of the year. We were ready for this change and we have turned our focus towards commercial buildings. Heavy construction showed a stable and upward trend.

The division's order books showed a total of BNOK 9 at the end of the year.

Skills and project performance are decisive criteria in the success of construction operations and Veidekke Entreprenør therefore works systematically on recruitment and skills development. At the end of 2007, the division had 3,296 employees, compared with 3,090 a year earlier.

A changing market

Following a period of high building starts, brisk demand for housing and rising prices, the housing market was characterised by greater uncertainty in 2007. House prices fell somewhat during the second half of the year and in January 2008 they were a good 2 per cent lower than in the same period last year. In Norway, construction started on approximately 32,000 dwellings in 2007, as against 33,000 the year before.

Non-residential building activity was high in 2007, in both the private and public sector. The market for conversion and renovation is growing steadily. This is a very mixed market. Projects vary in size from a few thousand to hundreds of millions of kroner; customers include everyone from private individuals to major developers, and competitors

range from small workshops to large contractors. The heavy construction market shows an upward trend. Major public road and railway infrastructure projects constitute a significant part of this market. The road and railway authorities submitted a draft National Transport Plan in January 2008. The proposals in it show a change in focus towards more investment in operation and maintenance at the expense of newbuilding. The actual ranking

of project priorities is done annually over the government budget.

At the beginning of 2008, we saw considerable turbulence in the international financial markets followed by uncertainty as to what effect this could have on the building and construction market in Norway. The risk of sudden fluctuations and trend changes is growing.

Clarion Hotel Bergen Airport, which was handed over in 2007 at the end of a 15-month building period, is shaped like a wing.



NORWAY



More women are applying for engineering courses that are relevant to the building and construction industry.

All in all, the building and construction market is expected to remain good in 2008, with an estimated 1.5 per cent growth. Investment in housing will fall significantly, while the high level of activity in non-residential buildings, heavy construction, repairs and maintenance will continue.

Operations

The activities of this division are managed by one company, Veidekke Entreprenør AS, and its subsidiaries. The division undertakes all types of building and construction work. Building contracts are mainly for housing, commercial buildings, schools and other public buildings, while heavy construction includes roads, bridges, railway construction and industrial projects. Approximately two thirds of the division's operations are building activities and the remainder are heavy construction projects. In 2007, approximately 80 per cent of turnover derived from new building projects, while 20 per cent or so came from work on existing buildings or installations (additions, extensions or conversions).

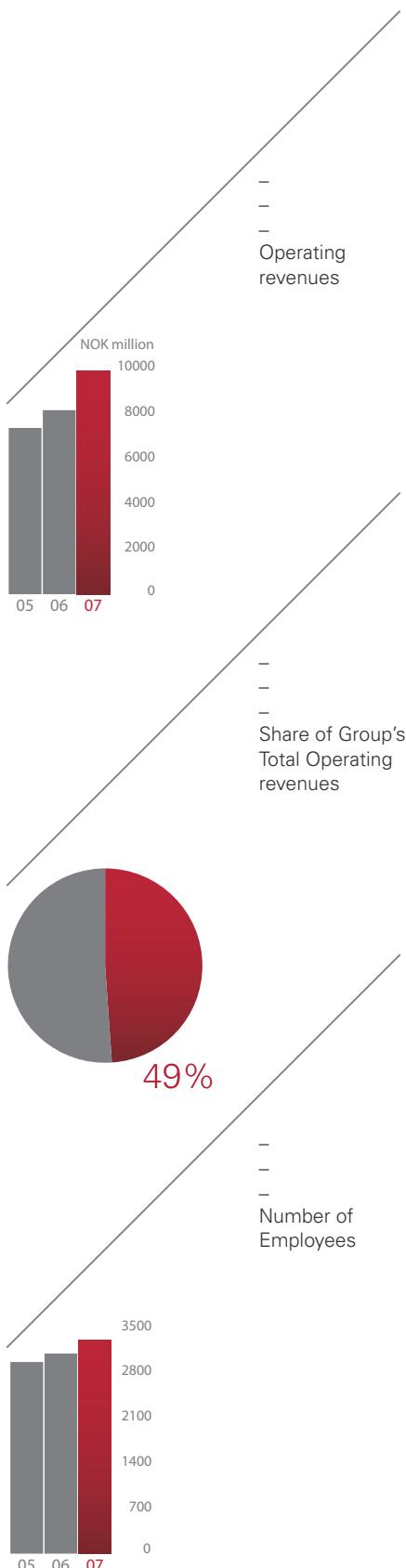
Veidekke Entreprenør is organised in five regional departments: East, South, North/West, Heavy Construction and Special Projects. The first three are engaged mainly in building and the last two in heavy construction. Construction operations are largely local operations and the five regions are therefore divided into 27 districts. These are business entities within the division, with full responsibility for market, customers, projects, resources and financial results.

Veidekke Entreprenør operates mainly in Norway, but also participates in a few projects in Sweden and Denmark in cooperation with Veidekke Sverige and Hoffmann respectively. These are usually heavy construction projects. Housebuilding for Veidekke's own account takes place in close cooperation with Veidekke Eiendom AS. The latter company is responsible for purchasing development sites and for sales of housing, while Veidekke Entreprenør looks after planning and production.

At the end of 2007, Veidekke Entreprenør had 3,300 employees, of whom 1,120 were salaried employees and 2,180 were skilled workers. (At end of 2006, the division had approximately 1,100 salaried employees and 2,000 skilled workers.)

In 2007, Veidekke Entreprenør had 189 apprentices, and 43 newly qualified engineers and chartered engineers joined the company. We focus both on recruiting young people for the engineering and skilled jobs that are important to Veidekke and on making the company attractive to newly qualified persons. We cooperate with a number of universities and colleges.

Increasing the percentage of women employees is a major challenge for the entire building industry. We are therefore pleased to see that more women are now applying for engineering courses that are relevant for the industry. Veidekke Entreprenør works actively to recruit women. As we employ more and more women employees, we also increase the number of potential candidates



for managerial positions. In 2007, about 20 per cent of Veidekke Entreprenør's salaried employees were women. Of a total of 234 women employees, four were skilled workers.

We aim to be Norway's best construction company

Our primary objective is to be Norway's best construction company. This means that we must have:

- The most satisfied customers
- The most capable and motivated employees
- The best profitability

Our strategy is to achieve these goals by:

- Being governed by our common basic values
- Understanding and fulfilling our customers' expectations and needs
- Developing systematically by involving every employee
- Actively develop skills and systems
- Ensuring that concern for safety and the environment pervades everything we do
- Developing alongside selected suppliers
- Putting profitability before volume

Our improvement and development process, "We at Veidekke", is an essential part of our development programme. By involving our employees, we achieve better planning and performance in each project and in this way we improve profitability, ensure high quality products and increase our focus on health, safety and environment (HSE).

Creating value through partnership

The majority of Veidekke Entreprenør's customers are returning customers (about 80 per cent of our turnover in 2007). Most of them are professional, that is to say they are engaged in business them-

NORWAY



This 6 km section from Momarken to Sekkelsten is part of the new E18 motorway through Østfold.

selves or they are responsible for providing public services. Our largest customers are responsible for a significant part of our turnover. 10 per cent of turnover in 2007 derived from housebuilding for Veidekke's property division, Veidekke Eiendom.

Veidekke has a high and growing percentage of turnkey contracts (contracts where we are responsible for design and execution). In 2007, turnkey contracts stood for just under 90 per cent of our building project portfolio, while the corresponding share on the heavy construction side was just over 30 per cent.

For a contractor, deliveries consist both of a process, in same way as for example the service industry, and of an end product, in the same way as any other production industry. The products represent substantial investments for our customers, who are naturally interested in achieving the best possible cost-benefit ratio. Our customers also make a considerable contribution to the building process, for example through knowledge of the end product, the planning process and decisions. Good teamwork with individual customers is therefore absolutely essential if we are to fulfil their expectations regarding process, product and costs. Our high percentage of returning customers shows that competitive prices and good performance in earlier projects for these customers are the two most important criteria for new contracts.

In 2007 we started implementing revised routines in order to increase interaction with the customer in individual projects. These routines describe how we, in partnership with the

customer, are to identify and follow up the most important challenges in each project. They also describe how we are to evaluate the project and reach agreement on how we are going to carry what we have learned forward to the next project.

Veidekke's suppliers (consultants, subcontractors and materials suppliers) are responsible for a considerable part of the product we sell to our customers. In order to be able to offer our customers the best building processes and thus the best and most cost-effective products, we also need to cooperate closely and constructively with capable suppliers.

A year with very good financial results

Veidekke Entreprenør has enjoyed a stable, satisfactory development in recent years and this situation continued in 2007. Pre-tax profit for 2007 was MNOK 643.0 (MNOK 386.6 in 2006). This gave a profit margin of 6.5 per cent (4.8 per cent) of a total turnover of MNOK 9,855 (MNOK 8,120 in 2006). These very satisfactory figures can be attributed to our ability to exploit a favourable market, to continuous improvements in a number of areas throughout the organisation, and to a number of non-recurring matters, such as settlement for disputes, clarification of risk and early delivery bonuses.

Challenges concerning safety

At Veidekke safety is measured as the number of lost-time injuries per million hours worked. Our long-term goal is an injury free workplace. In 2007 Veidekke Entreprenør registered 32 lost-time injuries. This gave an injury rate of 6.0, as against 3.3 in 2006. In addition to injuries among

our own employees, 52 lost-time injuries were registered among our subcontractors' employees. The high level of activity is assumed to be one of the underlying reasons for the higher injury rate. In 2007 we expanded our HSE organisation. Our aim for 2008 is to reverse the negative trend.

Absence represents direct and indirect costs, but it is also an indicator of job satisfaction and commitment in the organisation. It is Veidekke Entreprenør's aim to achieve an overall absence rate for salaried employees and craftsmen of under 4 per cent. In 2007 the company registered an overall figure of 5.6 per cent as against 5.4 the year before. Absence among our craftsmen was 7.3 percent in 2007, compared with 7.4 per cent in 2006. Although we work intensely to reduce

absence on the short and long term, we still tend to follow the general trend in the Norwegian workplace.

Future prospects

At the end of 2007 Veidekke Entreprenør had orders-on-hand totalling MNOK 9,030 as compared with MNOK 7,580 a year earlier. The quality of these orders is regarded as good.

The high level of activity that we have been enjoying for a number of years in commercial building and heavy construction is expected to continue in 2008.

Largest Ongoing Building and Construction Projects

Project	Client	Performing Region	Expected total turnover	Remaining turnover	Completion date	Contract type
			MNOK	MNOK		
Double track, Railway, Lysaker -Sandvika*	The Norwegian National Rail Administration	Special Projects and Heavy Construction	730	615	2011	General contract
Gulskogen Centre, Shopping centre	Gulskogen Senter ANS	South and Heavy Construction	652	384	2010	Turnkey contract
Tjuvholmen, Foundation work and offices, Oslo*	Tjuvholmen Utvikling AS	East, Special Projects and Heavy Construction	590	178	2008	Turnkey contract
E16 Wøyen Bjørgum, Road construction, Bærum	Public Roads Administration	Heavy Construction and Special Projects	573	91	2008	General contract
Kjøsnesfjorden, Hydroelectric Power Plant	Kjøsnesfjorden Kraftverk AS	Special Projects and North/West	530	343	2010	Turnkey contract
Kongsberg Næringseiendom, Office building	Kongsberg Næringseiendom AS	South	475	473	2010	Turnkey contract
Thor Heyerdahl upper secondary school, Larvik	Vestfold County Authority	South	440	370	2009	Partnering contract
Elkem Solar Fluor, Factory buildings, Kristiansand	Elkem Solar AS	Special Projects and South	335	149	2008	Turnkey contract
Hønefoss Senter, Shopping centre	Sektor Eiendomsutvikling AS	South and East	302	104	2008	Turnkey contract
Norway Trade Fairs, Extension of exhibition hall, Lillestrøm	Norway Trade Fairs	East and Heavy Construction	281	216	2009	Turnkey contract

* 2 contracts



Veidekke's property and construction divisions often work together on housing projects.

VEIDEKKE EIENDOM (PROPERTY)

- Achieved a record-high profit of MNOK 431
- Sold development property in Lørenskog at a very good price
- Generation shift with a new managing director and new regional structure
- Stronger portfolio of development sites, good purchases in Oslo, Trondheim and Stavanger
- Lower sales rate towards end of year

Veidekke Eiendom is engaged mainly in the development of residential projects for its own account in Norway and to a certain extent in commercial buildings and special-purpose buildings for the public sector.

The market

Norway has had a very strong housing market for several years. Veidekke Eiendom has therefore concentrated its activities on developing, building and selling blocks of flats, with the addition of some terraced houses. Geographically, its activities are concentrated in and around the big cities. Project development takes place in close cooperation with the Group's construction division. This makes for safe execution and cost-effective building, while allowing the property division to focus on its priority areas, which are to find good project opportunities, obtain the necessary public permits, and to market and sell dwellings.

Operations

2007 was a very good year for Veidekke Eiendom, which achieved its best profit ever. Pre-tax profit was MNOK 431.4, which is an improvement of 38 per cent on the year before. MNOK 228 of this profit derives from the sale of our share of a property project in Lørenskog, while the remainder is mostly profit from development and sales of dwellings. A considerable part of this profit derives from associated companies and joint ventures and booked taxes are therefore very low.

Sales of dwellings were good during the first half of the year, but the sales rate fell noticeably in the third and fourth quarters. As a result fewer new projects were started up and dwellings under construction numbered 699 units at the end of 2007, as against 1,244 at the beginning of the year.

Development potential

An important prerequisite for success is a portfolio of good development sites. We therefore spend considerable resources on acquiring sites. Attractive, well-situated sites are still very much in demand, but after several years of steeply rising land prices, the recent weakening of the housing market and financial market has lessened the competition between property developers for new sites.

At the end of the year our portfolio numbered 3,400 residential units with an average cost of approximately NOK 4,000 per sq.m. GFA. This is considered to be very favourable in view of the situation and quality of the sites. The most expen-

sive site in our portfolio, a centrally situated site in Oslo, is priced at NOK 9,500 per sq.m. Several of the sites we have acquired during the past year provide regular rental income from existing commercial premises and this reduces the risk considerably. Large sites acquired in 2007 include the Landteknikk property at Lade in Trondheim and the ISS properties at Løren in Oslo, which we have purchased in partnership with OBOS.

Most of the sites we purchase have not been approved for development and are often commercial areas that we plan to redevelop for residential purposes. When purchasing sites, we always carry out analyses of what we can expect to be allowed to build. We also analyse target groups, sales prices and building costs. When the site is ours, we draw up a development plan, carry out

impact assessments and apply for approval. It can take from two to three years to receive approval and a minimum of six months before we are given permission to build. During that time, the contractor (Veidekke Entreprenør) makes detailed estimates to ensure that we have costs under control when we get approval and sales can start. Building does not start until at least 50 per cent of the units have been sold. This represents a considerable reduction in income risk.

Property development is a time-consuming process. Three to five years can often pass from the time a purchase decision is made until construction is commenced, and in the meantime a great deal can happen to house prices, building costs and competition. Capital and risk management are therefore an essential part of these

Veidekke is building 104 flats in a completely new residential complex at Alfheim in the centre of Asker, where there is a wide choice of shops and services and a new cultural centre with a modern cinema, library, theatre/concert hall and cosy cafés.





The flats at Sjølyststranda are of a high standard and vary in size from 32 to 217.5 sq.m.

operations and good management systems have been developed to identify differences both within the Veidekke Group and between the Scandinavian countries.

The rise in production costs for dwellings is a continuous source of concern for which there is no simple solution. Building costs continue to rise more quickly than the sales prices for housing and this puts pressure on margins for developers. The reasons for this are complex.

High pressure in the building and construction market leads to pressure on costs of nearly all input factors and land prices keep rising. Moreover the authorities are setting new, price-raising standards for design and technical solutions, and the approval processes are taking longer and longer. Although activity in the housing market now seems to be falling off, pressure remains high in commercial buildings. There is nevertheless reason to expect a certain levelling off in cost growth.

In spite of a record-low unemployment rate and high growth in real earnings, the sales rate for new dwellings fell considerably towards the end of 2007. The turbulence in the international economy and financial markets has created uncertainty and made the banks less willing to lend. The continuous rise in housing prices and higher interest rates have also pushed living costs up in recent years. With the rise in interest rates, the demand for small flats has also fallen. This demand has probably been driven to a certain extent by investors and first-time purchasers who

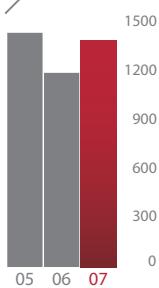
have bought instead of renting. There is therefore reason to expect a reduction in newbuilding in 2008 to about 25,000 units from around 32,000 in 2007. We believe that the markets will develop very differently depending on product, situation and number of competing projects.

Veidekke Eiendom is one of Norway's leading house-builders and will continue to be so in the future. We will achieve this by developing rational housing concepts in partnership with Veidekke Entreprenør, by knowing the needs of the buyers and by providing solutions that meet the physical and financial needs of the different buyer groups. Our strength lies in our decentralised management and proximity to the market and in the considerable expertise we have built up over many years.

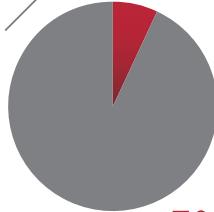
Housing will continue to be our main product. The market for different types of commercial buildings is growing and we are therefore considering certain commercial projects, especially in combination with housing projects. This applies in the first instance to the trading and service sectors. In larger projects, offices and logistics may also be of interest.

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Operating revenues

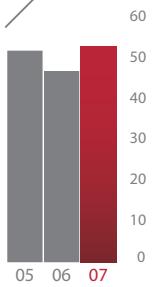
NOK million



—
—
—
Share of
Group's
Total Operating
revenues



—
—
—
Number of
Employees



Veidekke and OBOS are jointly responsible for the Sjølyststranda residential project in Oslo. This project consists of 570 flats, built in several stages. Every flat has its own balcony and most of them have a view of the Oslo fjord.



Activity and utilisation of capacity were high in our asphalt operations in 2007.

VEIDEKKE INDUSTRI (INDUSTRY)

- High level of activity and growth in turnover and profit
- Retained its share of the asphalt market
- Crushed stone and gravel (aggregates) showed further improvement
- Further growth in profit for recycling
- Absence rate 4.4 per cent and injury rate 2.4

The industry division covers the following business areas: asphalt, crushed stone and gravel, operation and maintenance of public roads, plant contracting/demolition and recycling of industrial waste. These operations are managed by Kolo Veidekke a.s and its subsidiaries. With a market share of approximately 32 per cent, Kolo Veidekke is Norway's largest asphalt contractor. It is also the second largest producer of crushed stone and gravel in the country.

2007 was a year of high activity and capacity utilisation, giving the industry division its best profit ever. Total turnover for 2007 was MNOK 2,907 and pre-tax profit was MNOK 130.1. The corresponding figures for 2006 were MNOK 2,337 and MNOK 112.6 respectively. The main reason for the growth in profit was the high level of activity, along with continuous focus on improvements. Improvement processes were implemented in all business segments.

The division intensified its focus on health, safety and environment in 2007 and was able to present very strong figures in this area. Its absence rate was 4.4 per cent compared with 4.6 per cent a year earlier, while its injury rate (number of lost-

time injuries per million hours worked) was 2.4 at the end of the year, as against 1.6 in 2006. Veidekke's long-term targets for the industry division are an absence rate of less than 3 per cent and an injury rate of less than 3.

OPERATIONS

Asphalt

Turnover for asphalt operations was MNOK 1,530, constituting approximately 53 per cent of Kolo Veidekke's total turnover for the year. The company has 28 asphalt plants, located all over Norway.

The production volume in the Norwegian asphalt market was 15 per cent higher in 2007 than in 2006, due to a strong building and construction market and a slightly higher demand from the public sector. Kolo Veidekke and its subsidiaries produced approximately 1.9 million tonnes of asphalt in 2007 and just under 40 per cent of this volume was for the Public Roads Administration.

Operations in 2007 were characterised by a high level of activity and capacity utilisation, but a marked growth in costs for important input factors meant that the profit margin in this segment was on a par with 2006.

In the course of 2007, Veidekke purchased 25 per cent of the shares in two Swedish companies, Sandahls Grus & Asfalt AB and Sydbeläggningar AB. This falls in with the company's strategy to establish asphalt and crushed stone operations in Sweden and will at the same time help to strengthen Veidekke's construction operations in Sweden.

The Norwegian asphalt market is expected to maintain the same level in 2008 as in 2007.

Crushed stone and gravel

In 2007 turnover for aggregates was MNOK 393, which is about 14 per cent of Kolo Veidekke's total turnover.

Kolo Veidekke has 25 crushing plants spread all over Norway. Its total production volume was

approximately 6 million tonnes in 2007. About two thirds of the total volume of aggregates in Norway is produced by the ten largest companies. The remainder is produced by a large number of small companies. Crushed stone and gravel are used mostly in the development of the infrastructure and in general building and construction operations. The largest single consumers are asphalt and concrete producers.

Litra Grus is one of Kolo Veidekke's 25 stone crushing plants.





Veidekke is responsible for the operation and maintenance of approximately 5,700 km of public roads in Norway.

Kolo Veidekke has access to reserves totalling about 160 million tonnes through extraction agreements and ownership. The market for crushed stone and gravel is expected to remain stable in 2008, at the same level as in 2007.

Operation and maintenance of roads

Operation and maintenance of public roads has been a separate business segment for Kolo Veidekke since 2003. This accounted for MNOK 308 or about 11 per cent of the company's total turnover in 2007.

Kolo Veidekke was awarded four new contracts by the Public Roads Administration in 2007. In March 2008, the company was awarded yet another contract in this year's tender round, while five contracts will be completed in 2008. Kolo Veidekke has now a portfolio of 11 contracts and responsibility for about 5,700 km of road.

Kolo Veidekke is responsible for the operation and maintenance of the Lyngdal-Flekkefjord section of E39 as part of a PPP (Public Private Partnership) agreement. This section is 38 km long and the duration of the contract is 25 years. The road was opened in summer 2006.

Building and demolition waste/plant contracting

These operations consist of demolition and plant contracting through Veidekke's subsidiary, Dokken AS, reception and processing of heavy building waste and recycling of concrete through associated company Skåab in Stockholm, and plant contracting in Møre through subsidiary UFO Entreprenør AS. This segment contributed MNOK 297 or approximately 10 per cent of Kolo Veidekke's total turnover in 2007.

In 2007 Veidekke purchased 100 per cent of the shares in Skodje Maskin AS, which will help to reinforce plant contracting in Møre.

Industrial waste

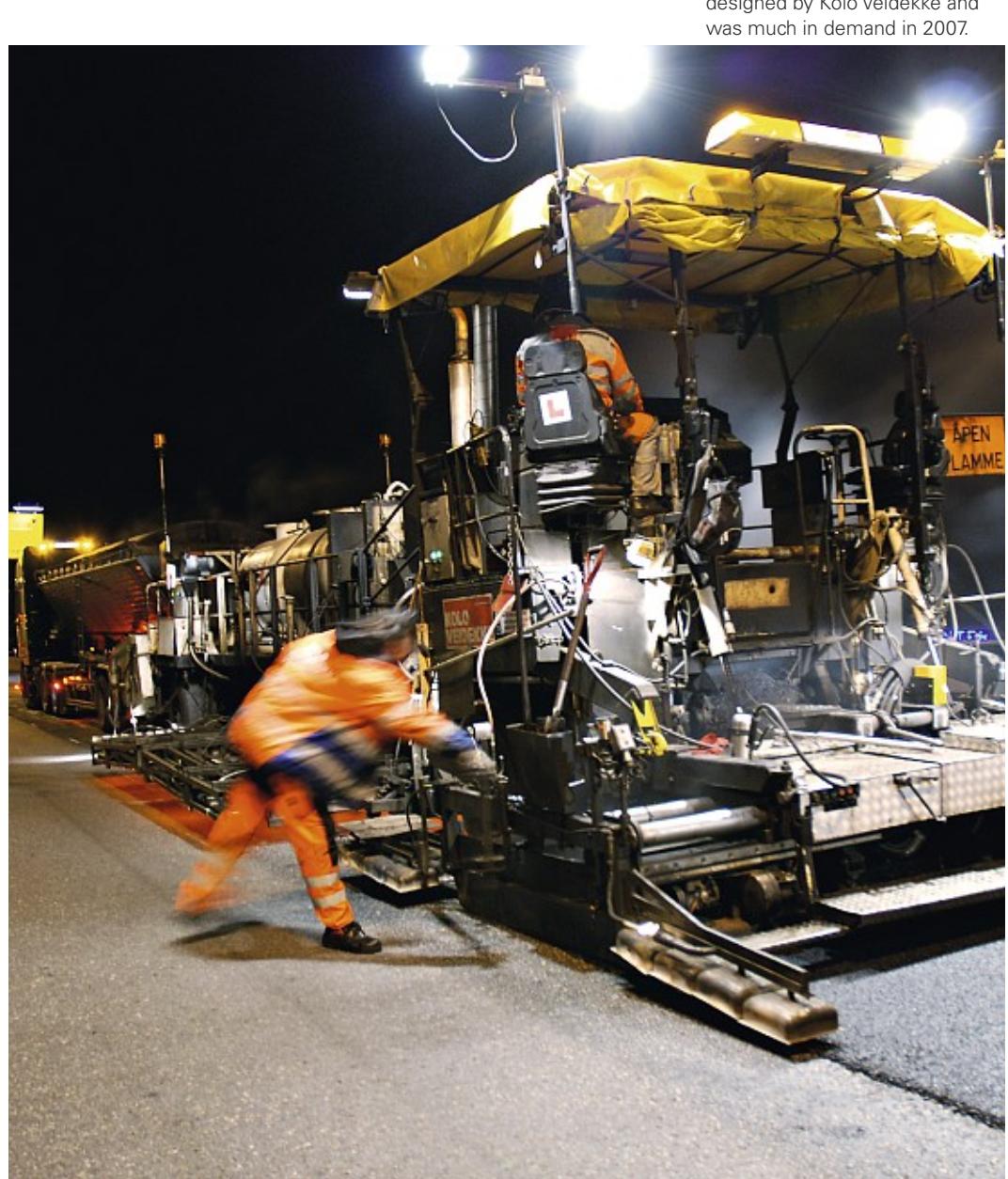
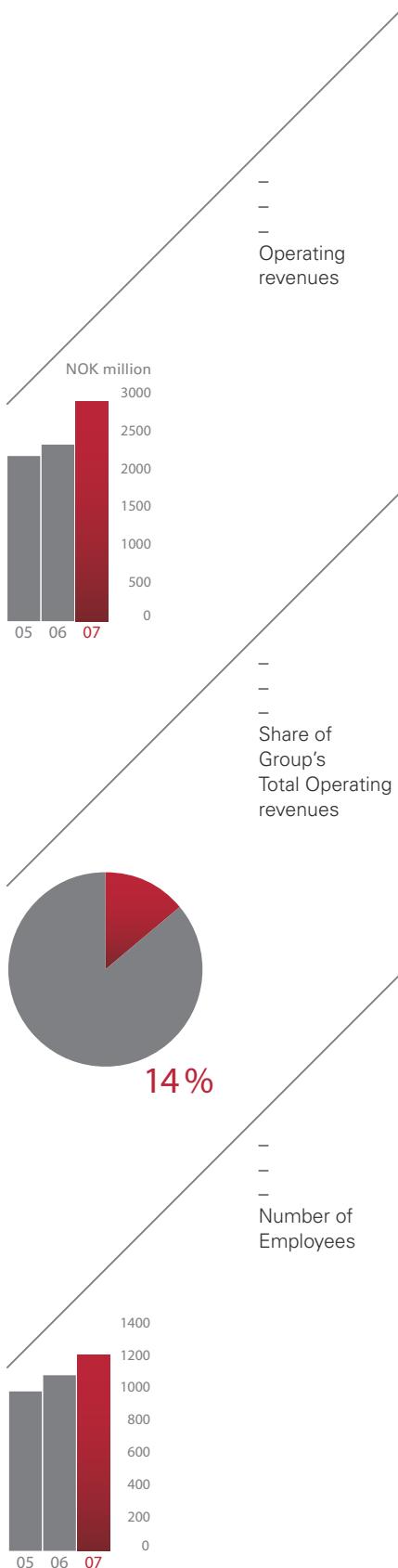
This segment includes customer-adapted collection, transport and segregation of mixed waste and the development and manufacture of end products such as waste and bio-based fuels. This segment provided MNOK 379 or about 13 per cent of Kolo Veidekke's total turnover in 2007.

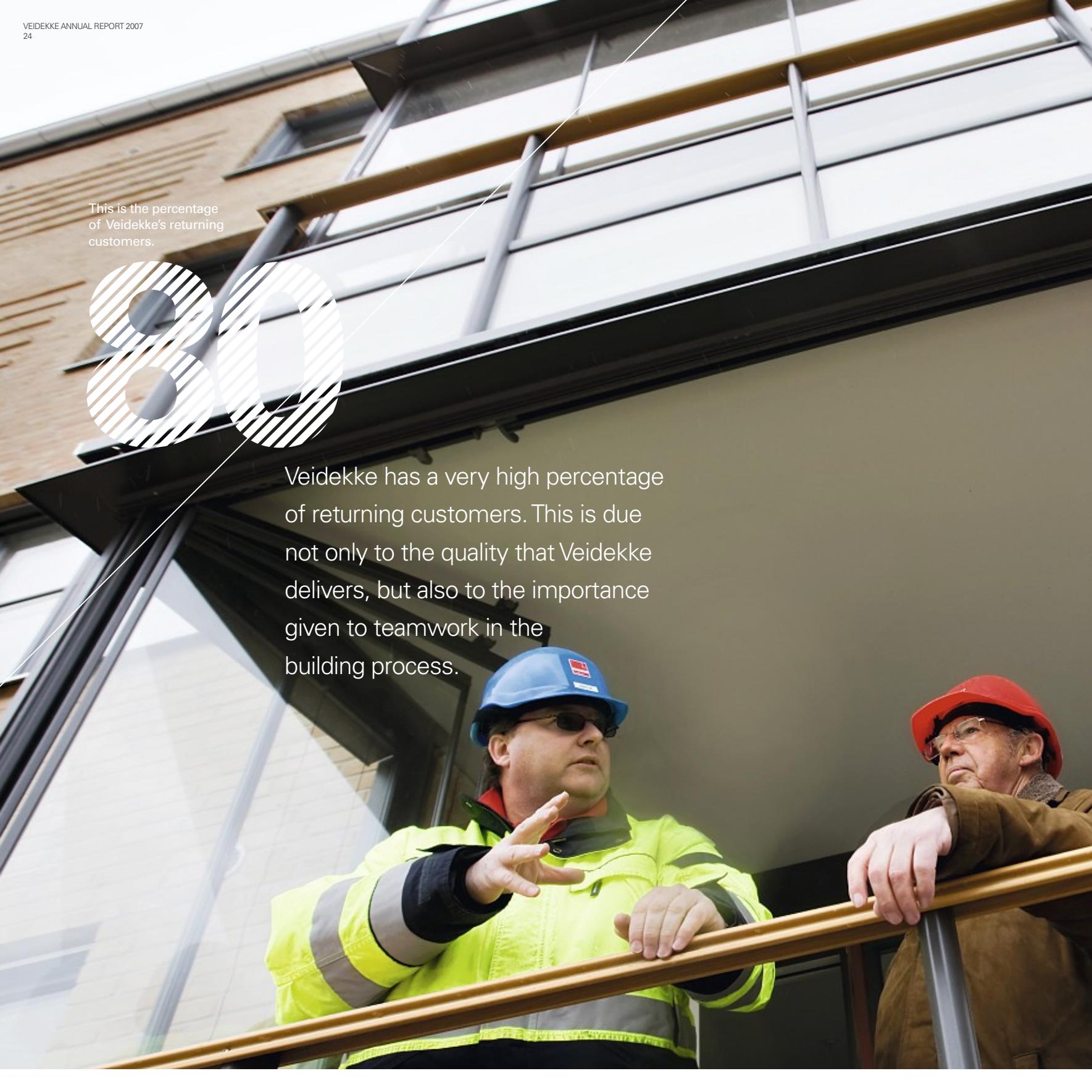
These operations are based mainly in Oslo/Akershus, Østfold, Buskerud/Vestfold, Rogaland and the Mjøsa region. The market is closely linked to activity in the building and construction sector, commerce/property and privatisation of waste management. Veidekke's recycling operations show positive development as a result of internal improvement programmes, organic growth and takeovers.

The favourable trend in the recycling market is expected to continue, but there will also be fierce competition for asphalt volumes. With a view to improving market coverage and expanding its customer base, Veidekke Gjenvinning will intensify its focus on nation-wide customers.

Other investments

Veidekke holds 30 per cent of the shares in NSS Group Oy. This is Scandinavia's largest company in the field of weather protection, i.e. tarpaulin hire and hire and sales of shelters and marquees. NSS Group Oy had a turnover of approximately MNOK 470 in 2007. It achieved better results in 2007 than in 2006 and this favourable trend is expected to continue in 2008.





This is the percentage of Veidekke's returning customers.

80

Veidekke has a very high percentage of returning customers. This is due not only to the quality that Veidekke delivers, but also to the importance given to teamwork in the building process.





We must remember that good performance in our industry is not a one-way process based on the contractor's expertise alone. To deliver quality we need to develop a value-creating partnership with our customers, a close cooperation at all stages of the project where the goal is interaction and mutual trust.

Parts of our industry have traditionally been characterised by conflict. An unclear division of responsibility between client and contractor has provided a basis for disagreement, leading to weak margins, late deliveries and strained relationships. The ability to discuss problems and find solutions together is an important factor of success in the building and construction industry. The ability to build good relationships contributes both to profitability and to customer satisfaction and plays a significant role in bringing customers back again and again. In order to maintain contact with our customer, we have our own model for dialogue and interaction, which we call "the customer wheel." This is an important tool for implementing our philosophy of creating value in partnership with our customer.

We attach importance to professional expertise and good project management in maintaining a constantly high standard of quality. The value of a construction company is determined to a large extent by its employees and their skills, and for this reason we invest substantial resources in skills development throughout Scandinavia. It is essential to keep our employees in all parts of the building process up to date. Last year, for example, approximately 2,000 participants attended in-house courses run by Veidekke in Norway.

A total of 3,373 course days were completed on subjects varying from hot work and concrete structures to financial management and project planning. In addition to good routines for skills development, we need good project management to ensure quality in our deliveries. We need involved project managers, who are present at the building site and who are able to see possibilities rather than limitations. This helps us to monitor time, costs, quality and productivity.

Today, about 80 per cent of our customers are returning customers. The main reason for this high percentage is the combination of high professional skill and cooperation with our customers in the building process and this is therefore an important element of Veidekke's strategy for building a strong position in Scandinavia.



The 'solution-oriented partner'

Veidekke is represented in Denmark through its subsidiary Hoffmann A/S. This company is engaged in building and construction operations all over Denmark and has offices in Glostrup and Næstved in Zealand and in Fredericia and Århus in Jutland. The division has its own property development company, Hoffmann Ejendomme A/S, which purchases sites and develops its own residential projects for sale to private customers.

- A very unsatisfactory year profit-wise
- Stronger market position as the 'solution-oriented partner'
- HSE leader among Danish construction companies
- Consolidation of operations

The activities of Hoffmann and Hoffmann Ejendomme showed disappointing financial figures in 2007 as a result of isolated write-downs and unfavourable developments in the market for owner-occupied flats. 2007 was characterised by varying developments in the market segments in which Hoffmann operates, but Hoffmann has never-



Valby Have, with 267 flats and three shops, was built for Sjælsø Entreprise A/S and handed over towards the end of 2007.

theless strengthened its position as the 'solution-oriented partner'.

As a natural consequence of the major write-downs, Hoffmann focused on risk management in the second half of 2007 by, among other things, improving its tender and follow-up processes.

Hoffmann reduced its order backlog by conscious selection to MNOK 1,881 at the end of the year. More than 75 per cent are projects where Hoffmann was chosen on merits other than price alone.

Another of Hoffmann's focus areas is health, safety and environment (HSE). Here Hoffmann distinguished itself in 2007 by once again being best in class among the major Danish construction companies. Emphasis is also given to internal improvement processes, where involvement of all parties in the projects is a significant value driver in the company's endeavours to achieve an optimal process and good profitability.

In 2007, Hoffmann completed a number of major construction contracts for commercial buildings, renovation, heavy construction and, not least, housebuilding. A number of interesting projects emerged during the year, particularly in Jutland. In spite of variations in market developments, Veidekke's Danish operations expect to deliver a far better profit in 2008. Great importance is attached to consolidation and risk management, and to a long-term development of the division.

The market

In 2005 and 2006, the Danish building and construction industry was largely characterised by a



record-high level of activity, particularly in the housing market, with long delivery times, rising prices for materials and scarcity of resources. In 2007, however, there was considerable variation in the development of the market segments in which Hoffmann operates.

There has been a negative development in the housing market. After some years of high production of owner-occupied flats, practically no new projects are being started up now. The market for social and public housebuilding has also stagnated. This is due mainly to the fact that public grants for this type of housebuilding have not increased in step with price inflation.

However, the renovation market, in which Hoffmann is a major and experienced player, is growing. There is a steadily increasing need for renovation of private and public buildings and

Hoffmann has strengthened its position in this market in spite of sharper competition for medium-sized contracts.

The promised growth in the market for commercial buildings was not as strong as expected. There is a steady stream of new projects on to the market, but the number and frequency of large projects have not quite fulfilled expectations. Hoffmann has a strong position in this market, particularly as a builder of office buildings and shopping centres.

The heavy construction market is relatively stable, but shows variation within the different categories of projects. Seen as a whole the market for excavation and environmental work and infrastructure remains relatively constant, albeit with ever increasing competition.

New head offices for Novo Nordisk's IT division (NNIT). The offices are built round a central atrium, which is open to the roof. Total floor area is 6,000 sq.m.

DENMARK



Nørrebro Sports and Cultural Centre – Copenhagen's new multipurpose centre.

HOFFMANN

Operations in 2007

Hoffmann's performance in 2007 was marred by disappointing financial results. These were primarily attributable to four turnkey projects in the commercial and residential segment in Zealand. Write-downs of these projects totalled more than DKK 160 million. There are many reasons for these large write-downs, but the most important is that fixed prices were quoted on an inadequate basis due to lack of focus and consistency in the tender process.

Operations in Region West and renovation operations in Zealand achieved better results than expected. Heavy construction, where the focus was on consolidation in 2007, fulfilled most of its expectations.

Risk and risk management

In order to avoid similar profit deviations in the future, a strong focus was placed on the division's tender and follow-up processes in the second half of the year. This led to improvements in internal procedures.

Hoffmann will continue to give priority to projects where we can cooperate with our customers and partners on product, process and financial aspects and thus be in a position to be chosen on the basis of our values and expertise and not just price. We wish to become involved in the project as early as possible, so that we can offer our skills with the clear objective of creating as much value as possible for all parties, while minimising the risks that lie inherent in every building project.

The arbitration case that arose after the roof of the Ballerup Super Arena collapsed in 2003 has now been settled. As general contractor, Hoffmann was liable to its client, but the reason and thus the blame was placed unambiguously with Hoffmann's subcontractor. All through the case, Hoffmann has stood by its overall responsibility and has participated constructively and not least financially in the reconstruction of the stadium. Following the court's decision, a compromise was reached by the parties involved, but on the whole the outcome was unsatisfactory for Hoffmann.

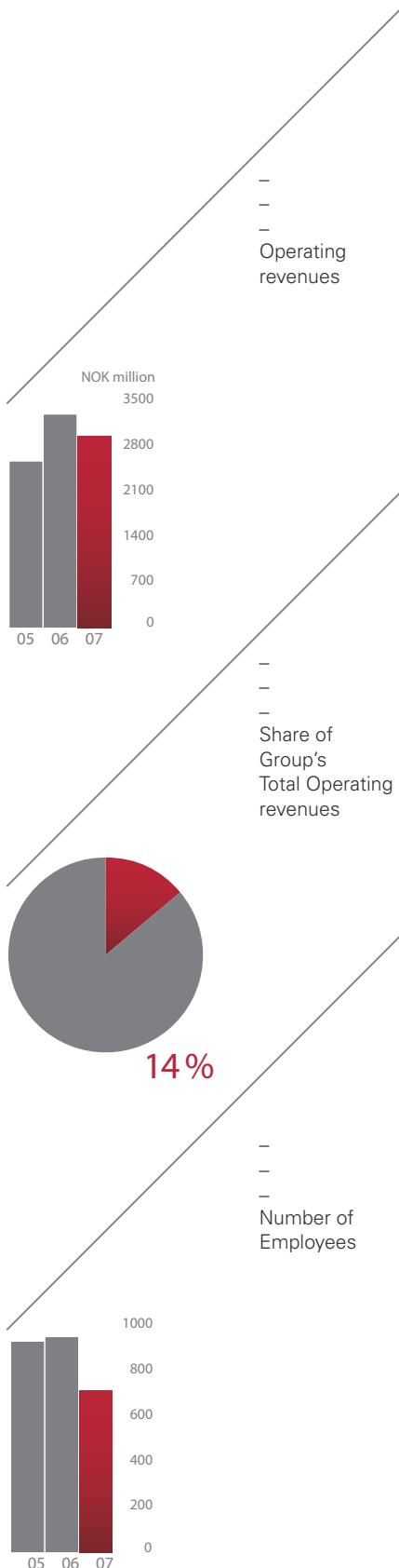
Orders-on-hand

Hoffmann's order backlog has been reduced and stood at MNOK 1,881 at the end of the year, compared with MNOK 2,750 at the same time a year earlier. Approximately MNOK 350 of these orders will be completed in 2009 or later. The reduction in orders-on-hand is due partly to market developments and partly to a strategic decision to consolidate operations.

New contracts signed in 2007 include new basement parking for the Experimentarium Science Centre in Hellerup for Carlsberg Ejendomme, a new technology centre for Vestas in Skejby, 114 leisure homes for Lalandia Billund A/S, and a number of major residential renovation contracts including a major contract AAB/AB Silkeborg.

HSE

Hoffmann continued its strong focus on work environment in 2007 and has retained its position as leading company in the industry. The company registered an injury rate of 15 (number of lost-



time injuries per million hours worked), which is better than the average for the industry in Denmark. The intense focus on HSE continues, with the long-term goal of achieving an injury-free workplace.

Continuous improvement processes

Although the financial result was disappointing in 2007, continuous improvements have been made throughout the division. This included implementation of revised procedures, further training for employees, and further development of customer relations with Hoffmann as the solution-oriented partner.

The synergy benefits of being part of the Veidekke Group include the implementation of the 'Here at Hoffmann' process. This means that at project level every employee (our own and our subcontractor's) is involved in detailed planning and in setting common goals for the specific purpose of achieving the best possible processes on the building site.

Organisation

Over the past few years Hoffmann's organisation has been developed in such a way that the company is now regarded as a modern contractor and property developer which is capable of undertaking all types of building contracts in a mutually trusting relationship with all parties. Hoffmann focuses on being a different kind of partner, a solution-oriented contractor and property developer, with a flat organisation and a close relationship with customers and partners at all levels of the organisation. In 2007 we started a joint evaluation of our building projects. Unlike traditional customer surveys, this is a reciprocal

DENMARK



New headquarters for Energinet.dk in Fredericia. In this 10,500 sq.m. building, the emphasis has been on creating an open, bright and friendly working environment with a good indoor climate.

type of evaluation. Several times during the building process, the parties evaluate each other and how they work together based on joint objectives which aim specifically at optimising the partnership.

HOFFMANN EJENDOMME

Owing to developments in the housing market, Hoffmann Ejendomme's activities did not show satisfactory overall growth in 2007.

During the year, the company built dwellings in Nivå, Farum and Kolding. Two-thirds of the project in Nivå have been handed over and the dwellings in Farum and Kolding were completed in 2007. At the end of the year, Hoffmann Ejendomme had only 20 unsold dwellings, of which three are completed.

The market situation for development and sales of freehold apartments has led Hoffmann Ejendomme to postpone the start of new projects until there is an improvement in the market. The company's portfolio contains attractive sites for residential development worth approximately DKK 170 million.

In 2007 Hoffmann Ejendomme signed a collaborative agreement with The Carlyle Group and together they founded CVM Development ApS. The object of this company is to acquire the site of the old vegetable market in Valby in Copenhagen and develop a new urban area containing housing, shops and offices. The area measures about 20 hectares and when fully developed it will comprise approximately 2,000 dwellings and 1,000 workplaces. Construction work is scheduled to start in 2011-2012.

Results for operations in Denmark

Turnover amounted to MNOK 2,846 in 2007, compared with MNOK 3,113 in 2006. This is a fall of 9 per cent.

Hoffmann reported a loss of MNOK 98.5 for the year, as against a profit of MNOK 62.2. This very disappointing figure is mainly due to substantial write-downs of four major projects, but is also the result of developments in the market for owner-occupied flats where sales have come to a standstill.

Prospects

The changes in the market will lead to more competition as focus shifts from housing to other segments and there is greater willingness to accept risks in order to maintain the same level of activity. On the other hand, the market developments will also create opportunities in the form of, for example, better delivery times, stable price trends and easier access to resources. The proposals to invest billions both in renovation of public buildings and in implementation of a major infrastructure plan will generate growth in the market.

In spite of the market trend with fewer projects and growing competition, it is Hoffmann's ambition to deliver a considerably better financial result in 2008. In 2008 it will therefore devote a great deal of attention to consolidation of operations and to risk management at all stages of the projects.

Ambitions and strategic priorities

We have a clear strategy of concentrating on projects where we tend to be chosen on merits other than price and where we can become invol-

ved in the project from the very start. We have moreover decided to avoid the very large infrastructure projects in future and concentrate instead on small and medium-sized heavy construction contracts.

We will continue to focus on continuous improvements and more efficient procedures and processes and, in 2008, we will initiate a long-term

project to develop our corporate culture with the focus on shared attitudes and values in keeping with the Group's core values. We will also continue to focus on our ability to perform existing and new projects, while intensifying our endeavours to live up to the trust our customers and partners show us as the solution-oriented partner.

Left:
St. Jacobi School in
Varde. Play and learn
area outside the gym
hall.

Right:
Hoffmann continued its
strong focus on work
environment in 2007 and
has retained its position
as leading company in
the industry.

Largest Ongoing Building and Construction Projects

Project	Client	Performing Division	Expected total turnover	Remaining turnover	Completion date	Contract type
			MDKK	MDKK		
New Gentofte Hospital, New hospital wing	The Capital Region of Denmark	East	316	215	2009	Turnkey contract
AAB/AB Silkeborg, Renovation of 760 apartments	AAB/AB	West	296	252	2010	Turnkey contract
Vestas Skejby, Technology Centre	Vestas A/S	West	262	112	2008	Turnkey contract
Åhaven, Apartments, Copenhagen	Sjæløsø Entreprise A/S	East	254	149	2008	Turnkey contract
Østbrogrundens, Apartments and commercial building, Copenhagen	Kw A/S	East	233	28	2008	Turnkey contract
Amerika Plads, Apartments and commercial building, Copenhagen	City Development	East	215	122	2008	Turnkey contract
CVU Øresund, Reconstruction and addition to education centre	CVU Øresund	East, Renovation	191	99	2008	Turnkey contract
Øresundshøj, Apartments, Copenhagen	Hoffmann Ejendomme A/S	East	152	30	2008	Turnkey contract
Fredericia, Care centre	The municipality of Fredericia	West	135	116	2009	Turnkey contract
Lalandia, 114 leisure homes, Billund	Lalandia Billund A/S	West	104	88	2009	Turnkey contract



Number of major materials suppliers that we have been working with for more than five years.

35

In the course of 2007 the Veidekke Group purchased goods and services for a total of BNOK 14.4. Purchases of materials represented 22 per cent of this figure, or BNOK 3.1.





Unlike a number of other companies in our industry, we make it our policy to give preference to long-term agreements with our materials suppliers. We believe that over time this strategy leads to lower costs, greater efficiency and better and better procurement skills.

Long-term agreements give us the opportunity to work more closely with individual suppliers and this means greater stability and predictability than if we were to shop around in the market. During a boom, there is a greater risk than normal of important materials such as reinforcement steel, concrete or insulation becoming difficult to obtain. By choosing long-term agreements, we secure a place for ourselves at the front of the queue in the event of a scarcity of key components – and in recent years we have had no problems in this area. Today, it is the Group's policy to purchase 80 per cent of its requirements from defined main suppliers, while 20 per cent of the procurement is left open for other suppliers. In this way we keep in touch with the market and with movements in prices. Although we have a decentralised organisation with a large degree of local freedom, we can report a very high degree of loyalty to the purchasing agreements we enter into.

Another key element of our strategy of using long-term agreements is the possibility of joint problem solving. Good relationships that are built over time allow us to involve our subcontractors in the Group's improvement work. A mutual exchange of opinions allows each of the parties to use its special expertise to make the other party better – and to keep improving the quality and efficiency of the delivery. Greater efficiency in the procurement function is an important priority area for Veidekke, and we are going to further develop our strategy in this area in the time ahead. Here, we will also look at the possibility of increased standardisation in production for our own account.

By giving preference to long-term agreements with our materials suppliers and involving them in our improvement processes, we will gradually reduce our costs and increase our efficiency and procurement skills. This will then be an essential element of the Group's strategy to achieve better margins and a strong Scandinavian position.



SWEDEN

Stronger position in the Swedish market

Veidekke's activities in Sweden are based in the three growth areas around Stockholm, Gothenburg and Malmö and include construction operations and development and sales of residential buildings.

These activities cover a considerable part of the available market in Sweden and most of the growth areas in the Swedish economy.

- Strong increase in turnover
- Record sales of residential projects
- Stronger position in commercial buildings
- High order backlog

Veidekke achieved growth in the Swedish market in 2007. A 36 per cent increase in turnover to MNOK 3,165, while the number of employees

Veidekke has 1,160 employees in Sweden.



rose by only 2 per cent to 1,160, is a reflection of the company's strategy. The increase in employees will now level off and we will give priority to profitability rather than to turnover. The profit for the year of MNOK 109 is 30 per cent higher than 2006, in spite of two very weak construction projects. At the end of the year, orders-on-hand stood at MNOK 2,222, which is 13 per cent more than the year before.

Housing development set new records in 2007, when approximately 700 residential units were sold and construction started on 562 new units. The figures achieved in this area show that margins also kept pace with the expansive growth. At the end of the year 95 per cent of commenced flats had been sold and the division's portfolio consisted of 3,300 building rights. In the course of the year sites for new dwellings were acquired in Högsbo in Gothenburg, Kalkbrottet in Malmö and in a number of locations in the Stockholm region.

Construction operations in Sweden reported a negative profit for the year, thus concealing the good results achieved in most of the regional entities, and particularly by Veidekke Bygg Stockholm. The overall figure was pulled down by two very weak building projects on the west coast. The losses on these two projects were the result of poor planning, combined with exceptionally bad weather conditions in autumn 2006.

The market

The market for Veidekke's Swedish operations was good in 2007. The uncertainty that was felt at the beginning of the year concerning developments in the housing market proved to be unjus-

This 78 km long section on the E4 motorway has shortened the travelling time between Gävle and Stockholm. The new motorway was opened in October 2007.

tified. The abolition of government support for housebuilding was compensated for by growth-promoting measures in housing and wealth taxation. This resulted in a rise in demand and in house prices. Nevertheless fewer dwellings were built in Sweden in 2007 than in 2006. This is due, among other things, to the very large number of projects that were started up at the end of 2006 in order to avoid less favourable conditions.

In autumn 2007 the market for sales of housing began to fall. Turbulence on the stock exchange, higher interest rates and general uncertainty in the world economy affected the consumers' willingness to invest in new homes. The market still remains good, but the growth rate is lower.

Thanks to the demand for housebuilding capacity and a growing demand for commercial buildings, there was also a good market for building and





Veidekke has built three blocks of flats for Svenska Bostäder in Hammarby Sjöstad in Stockholm.

construction in 2007. Growth in the Swedish economy remained high, with the result that both public authorities and industry have shown a willingness to invest in newbuilding and renovation. During the final months of the year, however, there were signs of a slight decline in small and medium-sized projects, while there was still a plentiful supply of large projects. As the commencement of new housing projects slowed down, competition for other types of housing projects increased somewhat. On the heavy construction side, investments in the major infrastructure projects in Stockholm have begun and money is also being invested in infrastructure improvements in other parts of Sweden. It therefore appears that the heavy construction market will remain good.

OPERATIONS IN 2007

2007 was an eventful year for Veidekke's Swedish operations. Improvement processes were implemented in all entities and the organisation is significantly stronger than it was only a year ago. The order volume is larger, stronger and better.

Construction

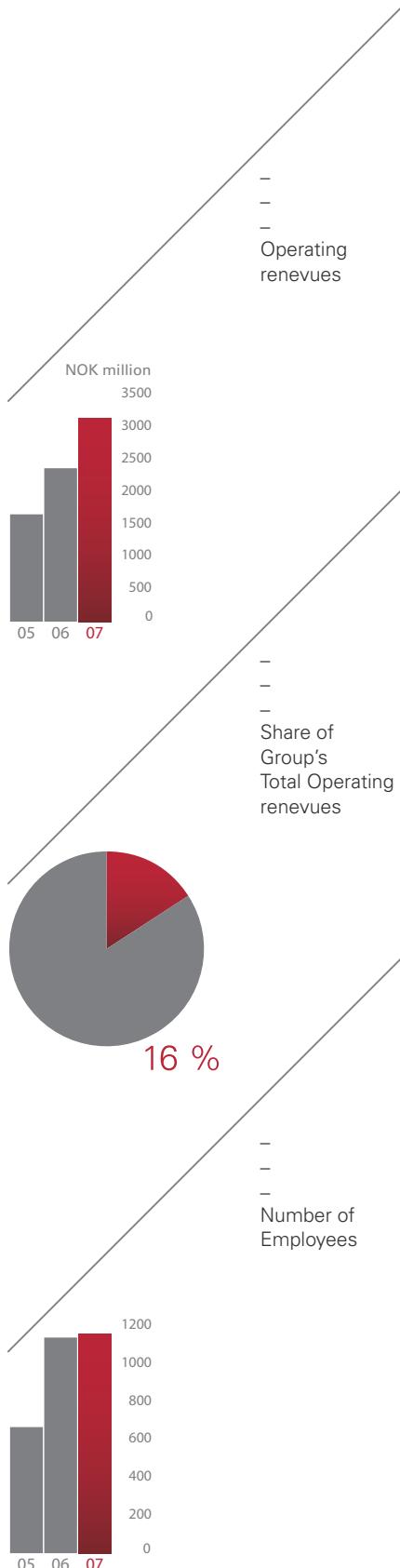
For Veidekke Skåne, the market was good in 2007. The organisation continued to expand and turnover increased by 33 per cent. Profit improved considerably and the company's market position is stronger. Order books were healthy at the end of the year. The market still appears to be good, although the uncertainty in the housing market will lead to more competition for other projects. Veidekke Skåne's strong focus on improvement through employee involvement has given it a competitive edge, not only as regards effi-

ency and productivity, but also in the search for well-qualified employees.

In Gothenburg, the situation was influenced by the merger of SBS Entreprenad AB and Veidekke Construction, which went very well. Interaction and integration were the key concepts in this successful process, along with the fact that the employees could see the potential that lies in greater strength and breadth in operations. However, it was also necessary to give a great deal of attention to the two weak building projects in this region. Unfortunately, the reasons for the weak results from these projects are to be found in lack of control routines, and experience from these projects will be important in our choice of new projects to become involved in.

At the end of the year, our order backlog was strong, particularly on the building side. More contracts are needed to utilise our heavy construction and excavation capacity, but all in all Region West held a strong market position at the start of the new year. At the end of 2007, a contract was signed for the Riskulla thermal energy plant for Mölndals Energi, which suited the entity well. Other major contracts include construction of housing at Eriksbergsterrassen for Riksbyggen (cooperative housing association) and the conversion of the police headquarters in Gothenburg.

Building operations in Stockholm had a very good year in 2007, which can clearly been seen in a profit margin of approximately 5 per cent and a 77 per cent growth in volume. A good market, combined with a stronger organisation and a good development of operations, is reflected in the results.



The growth in house-building continued in 2007 and the entity's focus on commercial buildings also proved to be worthwhile. In the course of the year, several contracts in the range of MSEK 300 were signed as 'partnering agreements', i.e. contracts which, roughly speaking, are performed for ongoing expenses plus a mark up. Examples of these are the Bocken housing project and a shopping centre in Liljeholm. The order situation at the end of the year was very strong.

The organisation is now in place for heavy construction in Stockholm. Managers and specialist resources have been recruited for production and staff functions, and the entity is well equipped to exploit the very good market conditions that now prevail in the region. Heavy construction gave a negative profit in 2007, but order books are very strong. Determination to build up the organisation is now producing results. In 2007, contracts were signed for motorway construction outside Nynäshamn, bridges in Uppsala and tunnel and road construction in Kista. In January 2008, the entity was awarded two major tunnel contracts for the Northern Link development in Stockholm with a total contract price of more than SEK 1 billion.

Housing development

Veidekke Bostad is a major player in the Swedish market with approximately 1,000 dwellings under construction. About 95 per cent of these have been sold. The entity's development site portfolio now numbers about 3,300 building rights and provides a good foundation for the coming years. The profit for 2007, which was 75 per cent higher than the year before, demonstrates the strength of the entity.



Several hundred spectators were present at the opening of the new cultural centre in Partille to the north-east of Gothenburg.

In the course of 2007, operations in Stockholm were strengthened through cooperation with Bouwfond Property Development. Their jointly owned company, Bouwfond Veidekke AB, has acquired several sites for housing development. Construction has already started on the first joint project and the company is in the process of purchasing further sites.

Veidekke's own residential development operations in Stockholm have been expanded. In the course of the year, building started on a number of new projects with generally high sales rates. In Skåne, the organisation is still being built up and this is reflected in operations, but several interesting sites have been purchased. In Gothenburg, the establishment of a separate housing development entity is in full swing and the first three employees have been appointed. Two interesting sites have been purchased and sales of the first housing project are expected to start in 2009.

The development programme aiming to offer the customers better and more favourably priced projects continued in 2007. The results will be implemented in new projects and further work will be done on product development and sales directed at different target groups. A project has been initiated, patterned on a European model, in which the purchasers take responsibility for the final work on for example walls and furnishing. This has met with a great deal of success.

Veidekke Bostad was the first developer in Sweden to present 'Tellhus', a modern, climate-smart concept which reduces CO₂ emissions by over 50 per cent. There is tremendous interest in TellHus

among local authorities and in the building industry. The first of these projects goes on sale in spring 2008.

Development sites for more than 1,500 residential units were purchased in 2007. These include 140 building rights at Kalkbrottet in Limhamn, Malmö, 130 building rights at Flatåsparken in Högsbo, 300 units by the attractive Väsjön Lake in Sollentuna and 90 units in the Lövholmen block/quarter in the centre of Stockholm.

Financial results

Veidekke's operations in Sweden achieved a turnover of MNOK 3,165 in 2007. Pre-tax profit was MNOK 108.7, which is 30 per cent higher than the figure for 2006, MNOK 82.1. The negative profit for construction operations was a disappointment, but if we disregard two lossmaking projects in Gothenburg, construction operations also present good results. Orders-on-hand increased from MNOK 1,972 to MNOK 2,222 in the course of the year and this upward trend has continued in 2008.

As of 2008 there will be two separate legal entities for construction and housing development, Veidekke Entreprenad AB and Veidekke Bostad AB.

Prospects

The outlook for 2008 is generally bright, but the market will probably become weaker. Veidekke's market position is considerably stronger than it was a year ago.

One of the features of the Beach Promenade – Helsingborg's prestige project – is a 240-metre long wooden deck covering an area of 1,800 sq.m. Exciting details include 16 permanently fixed sunbeds and several spiral-shaped changing huts.





Veidekke covers a considerable part of the available market in Sweden and most of the growth areas in the country.

Construction operations

Healthy order books are an asset at the start of 2008 and, while market conditions are still fairly good, a decline in the market is expected and competition will become sharper. Veidekke's relatively new organisation will be tested and, as a newcomer to the market, the company will meet tougher challenges than many of its competitors. On the other hand, the enthusiasm and commitment that characterise the organisation are in themselves a competitive strength. The customers' desire to see more major players in the market will also be an advantage for Veidekke in Sweden.

Housing development

The market for residential development will also become tighter. Veidekke Bostad has a high level of production and a high sales rate. Its performance in 2008 should therefore be good, provided nothing very dramatic happens in the market. However, it will be necessary to start up new projects as 2009 approaches and more flats will thus have to be sold in 2008. High land prices mean that municipal allocations will be preferable to pure tendering for sites. Land prices are however expected to fall again and lead to new business opportunities in the future.

All in all, 2008 is expected to be another favourable year for Veidekke in Sweden, with continued growth in housing development and construction operations.

Largest Ongoing Building and Construction Projects

Project	Client	Performing Division	Expected total turnover	Remaining turnover	Completion date	Contract type
			MSEK	MSEK		
Jericho, Office building, Stockholm	Diligentia AB	Construction Stockholm	400	142	2008	Turnkey contract
V73 Nynäsväg, Road construction	Swedish Road Administration	Heavy construction, East	307	297	2009	General contract
Bocken, Office building, Stockholm	Fabege AB	Construction Stockholm	294	294	2009	Turnkey contract
Svea Torn Artilleri, Apartment building, Stockholm	Veidekke Bostad AB	Construction Stockholm	181	13	2008	Turnkey contract
Ugglan, Apartment building, Stockholm	Veidekke Bostad AB	Construction Stockholm	171	129	2009	Turnkey contract
Kista Gård, Road construction	City of Stockholm	Heavy construction, East	168	101	2009	General contract
E6 Värmlandsbro, Highway bridge, Hogdal	Swedish Road Administration	West	142	24	2008	General contract
Strandbogatan, Railway station, Uppsala	Swedish Rail Administration	Heavy construction, East	141	124	2010	General contract
Solenga, Apartment building, Stockholm	Veidekke Bostad AB	Construction Stockholm	138	129	2009	Turnkey contract
Norra Länken, Road tunnel, Stockholm	Swedish Road Administration	Heavy construction, East	124	42	2008	General contract

The 17-storey Svea Torn is Stockholm's new landmark. Designed by ÅWL Arkitekter, the building is 55 metres high and contains 70 flats. It is built of concrete and Chinese granite, with balconies in a zigzag pattern. The view of central Stockholm is spectacular.





THE CORPORATE MANAGEMENT TEAM

DAG ANDRESEN (born in 1962)
Executive Vice President and Managing Director of Veidekke Entreprenør AS
 MSc in Management, BI Norwegian School of Management
 Employed by Veidekke since 1986
 Number of shares in Veidekke: 195,525

TORBEN BJØRK NIELSEN (born in 1960)
Executive Vice President and Managing Director of Hoffmann A/S
 Constructional engineer, Engineering College of Copenhagen
 Employed by Hoffmann since 2002
 Number of shares in Veidekke: 80,550

VIDAR AARVOLD (born in 1952)
Executive Vice President, Managing Director of Kolo Veidekke AS
 BSc (Eng.) University of Sunderland
 Employed by Veidekke since 1995
 Number of shares in Veidekke: 126,730

TERJE R. VENOLD (born in 1950)
President and CEO
 MSc in Management, BI Norwegian School of Management
 Employed by Veidekke since 1981, President and CEO since 1989
 Number of shares in Veidekke: 330,415
 (incl. shares held by closely related persons and companies)



KAI KRÜGER HENRIKSEN (born in 1951)
Executive Vice President, Communication
Master of Business and Marketing
Employed by Veidekke since 1998
Number of shares in Veidekke: 141,360

PER-INGEMAR PERSSON (born in 1956)
Executive Vice President and Managing Director
of Veidekke Sverige AB
MSc (Eng.), Lund University (LTH), Sweden
Employed by Veidekke since 2005
Number of shares in Veidekke: 105,300

ARNE GISKE (born in 1957)
Executive Vice President, CFO, and Managing
Director of Veidekke Eiendom AS
MSc in Management, BI Norwegian School of
Management MBA, University of Wisconsin
Employed by Veidekke since 2001
Number of shares in Veidekke: 157,500

JØRGEN WIESE PORSMYR (born in 1972)
Executive Vice President, Corporate Accounts,
Purchasing, Strategy and IT
MSc (Econ. & Business Admin.) Norwegian
School of Economics and Business Adminis-
tration. Employed by Veidekke since 1995
Number of shares in Veidekke: 59,945

Articles of Association for Veidekke ASA

Effective from 20 August 2007

Article 1 The name of the Company is Veidekke ASA. The Company is a public limited company.

The Company's object is to engage in contracting activities, and other financial activities, including participation in other companies by investing in shares or in other manner.

Article 2 The Company's registered office is in Oslo.

Article 3 The Company's share capital is NOK 70,082,135 divided into 140,164,270 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 Any transfer of shares shall be approved by the Board of Directors.

Article 5 Each share carries one vote at the general meeting of the Company.

Article 6 The Company's Board of Directors shall have from seven to nine members. A maximum of six members and any 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 two years.

The Board of Directors elects its chairperson.

The age limit for Board members is set at seventy. Any Board member attaining the age of seventy shall remain in office until the next Annual General Meeting.

Article 7 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 8 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.

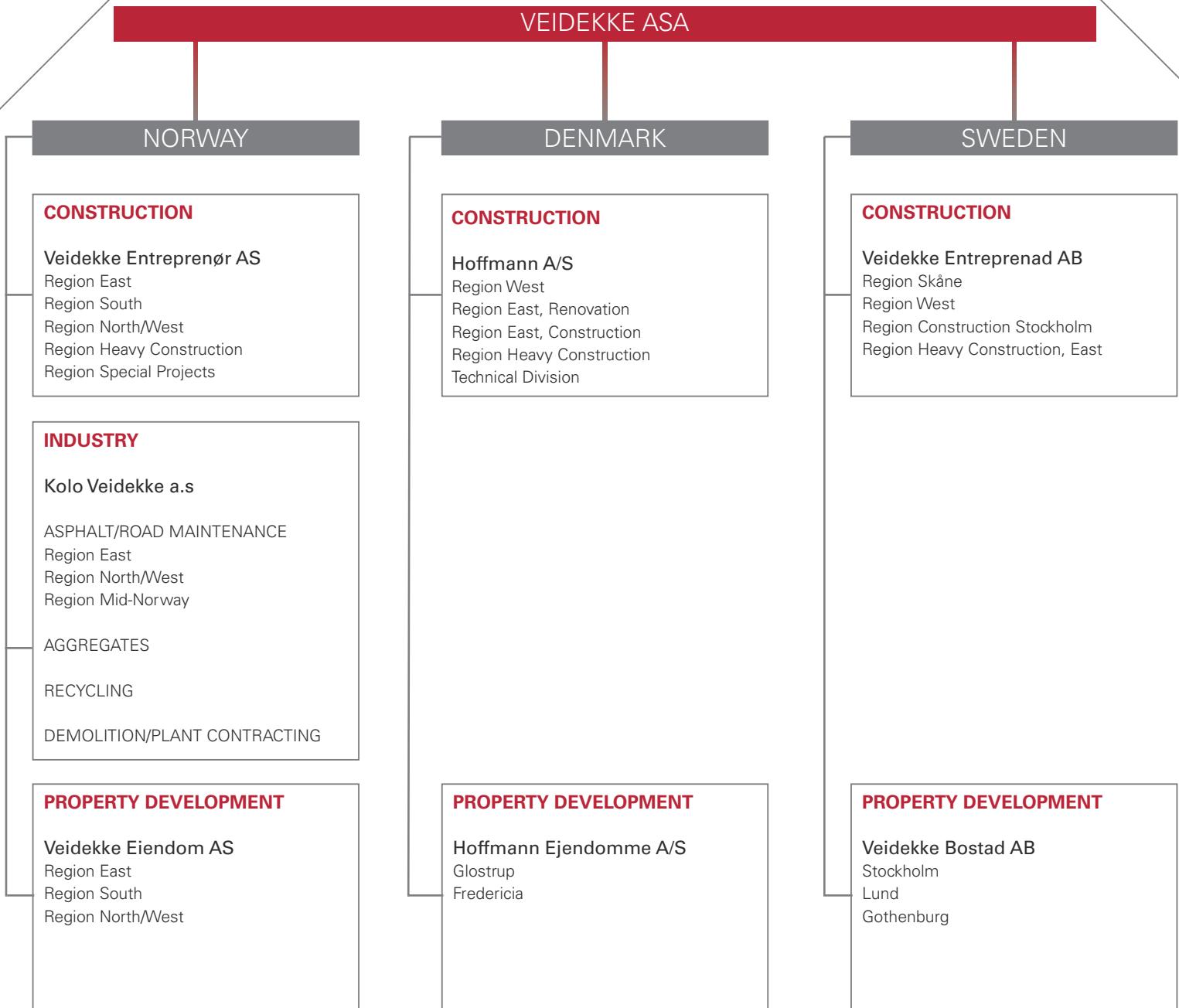
Article 9 The Annual General Meeting is held each year no later than the end of May at a time and place determined by the Board of Directors. Notice shall be sent in writing at least two weeks in advance. The notice shall be accompanied by the agenda.

Shareholders or proxies for those shareholders who wish to attend and vote at the Annual General Meeting must give notification to this effect to the Company before the deadline stated in the notice. The deadline must not expire more than five days prior to 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 10 Unless otherwise provided for in these Articles of Association, the provisions in the Public Limited Companies Act [Norway] shall apply.



corporate governance

Veidekke bases its reporting on the Norwegian Standard for Corporate Governance dated 4 December 2007.

Veidekke ASA is a public limited company. Its registered office is in Oslo and the Group has operations in Norway, Denmark and Sweden.

Veidekke's operations are managed by Veidekke Entreprenør (construction), Veidekke Eiendom (property) and Veidekke Industri (industry), all in Norway, and Veidekke Sverige in Sweden and Hoffman in Denmark. Each division consists of regions, districts and departments.

Veidekke's operations in Norway, Denmark and Sweden include building and construction projects, rehabilitation, specialised heavy construction contracts and development of residential and non-residential property for private and public customers. In Norway, Veidekke is also engaged in asphalt operations, production of aggregates, road maintenance, demolition/plant hire and recycling of industrial waste.

Veidekke aims to be professional, honest, enthusiastic and ground-breaking. These are the company's core values and they will be characteristic of all employees at Veidekke and be reflected in behaviour in all relationships.

The Group has a decentralised responsibility and authority structure, which implies a high degree of responsibility and authority for individual heads of entities. This ensures closer proximity to customers and suppliers, and this has proved to be an advantage for Veidekke.

Veidekke's Articles of Association can be found on page 44.

Corporate management

The corporate management team consists of the President and CEO, the heads of the five divisions and the heads of the central staff functions (finance/legal, corporate accounts/strategy/IT, HR/HSE and communication).

Capital, yield and dividend

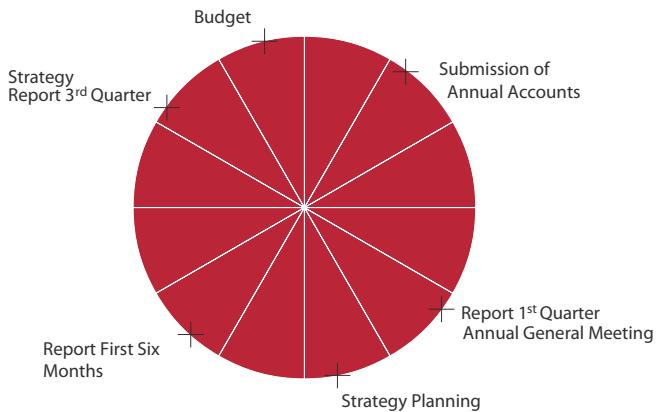
At 31 December 2007, Veidekke had an equity ratio of 26.3 per cent. This is well within an acceptable range with regard to capital strength, optimised risk-adjusted yield and future investment requirements. In the event of any capital increases, plans for the employment of the capital are put before the company's Annual General Meeting.

The company's growth will primarily be based on organic growth, but the company is well positioned financially if it sees good acquisition opportunities.

It is Veidekke's aim to give its shareholders a high and stable return through high profitability throughout the Group. Veidekke is working on a number of measures to ensure profitability through greater competitive strength. These include risk control and capital rationalisation.

Veidekke's target is to distribute at least 50 per cent of the profit for the year to the shareholders in the form of dividends. The company seeks to attach importance to predictability in determining the dividend for the year. A dividend of NOK 4 per share (56 per cent pay-out ratio) is proposed for the financial year 2007.

The Board of Directors has been authorised by the Annual General Meeting to buy back Veidekke shares. The reason for this authorisation is to ensure the highest possible return for shareholders over time and, if the share price appears favourable, purchases of own shares will be a good supplement to dividends. Share buy back may also be



relevant if the equity and liquidity situation is good and other attractive investment opportunities are limited at that time. The company's intention is to delete these shares at the next annual meeting.

Authorisation to repurchase Veidekke shares was approved by the Annual General Meeting and is valid until 30 June 2008.

Employee owners

Veidekke differs from other listed companies in its high number of employee owners. Veidekke regards the involvement of its employees as shareholders as an important and positive element in the development of the company. The company's aim is for at least half of its employees to hold shares in the company totalling close on 15 per cent of the shares. It wishes each of its senior executives (about 500 persons) to hold a significant number of shares in the company.

Veidekke works continuously to maintain the level of employee ownership and it endeavours each year to give all employees the opportunity to purchase shares in the company at a discount on the market price. Veidekke offers finan-

cial assistance to purchase shares in the company. A lock-in period of two to three years normally applies to these share purchases. A total of 2,670 employees held 15.9 per cent of the shares in the company at the end of 2007.

Equal treatment of shareholders

It is the company's policy to treat all shareholders alike. Veidekke's main shareholder is OBOS Forretningsbygg A/S. There are rules regarding competence which ensure that resolutions do not favour the main shareholder in certain contexts. OBOS is a major property developer and in recent years Veidekke and OBOS have worked together on the development of a number of property projects. In order to ensure that all conditions and agreements are handled on commercial terms, it has been the practice of the two parties, Veidekke and OBOS, to set up a company of which they own 50 per cent each. Development and sales are carried out by this company. This also helps to ensure that the main shareholder does not gain an unfair advantage at the expense of other shareholders.

If significant transactions are carried out with major shareholders over and

above ordinary commercial contracts, independent consultants are engaged to ensure a correct valuation.

A large number of employees hold shares in the company. The company has strict insider rules and trading restrictions. For further information about insider rules for employees, see "Shareholder Information", page 54. Existing shareholders have pre-emptive rights in the event of capital increases.

Share negotiability and liquidity

Veidekke has one class of shares and there are no marketing restrictions for trading except for article 4 in the articles of association regarding approval by the company's board of directors. It will be proposed to the Annual General Meeting in May 2008 that this article be cancelled.

In 2007, 61.1 million Veidekke shares were traded on the Oslo stock exchange and the turnover ratio was 43.4 per cent. The company works continuously to maintain satisfactory liquidity in Veidekke shares. This is done primarily through ongoing, satisfactory communication with investors and the market. For further information, see "Shareholder Information", page 55.

Annual General Meeting

The Annual General Meeting is held in April/May. Notice and documents are sent out no later than two weeks in advance and are published on the company's web site not later than three weeks before the Annual General Meeting is held. The Board of Directors, management and auditors attend the meeting.

Shareholders who are not able to attend in person may vote by proxy. Proxy forms are distributed with the notice of the meeting.

It is usually the chairman of the board who opens the Annual General Meeting and asks the meeting to propose someone to chair the meeting. If no proposals are made, it is normal practice for the chairman of the board to propose that he himself chairs the meeting.

Nomination committee

The nomination committee submits recommendations to the Annual General Meeting on the election of members of the Board of Directors and members of the nomination committee.

The nomination committee shall have at least three members. Nominated candidates should be shareholders or representatives of shareholders. The majority of the new nomination committee must be independent of the Board of Directors and the company's management. The Company's chief executive officer or other senior executives may not be members of the nomination committee.

The Annual General Meeting elects the nomination committee's leader and other members. Since it is the responsibility of the nomination committee to propose candidates for the Board of Directors, there is no deadline for the submission of such proposals to the nomination committee.

In 2007, the members of the nomination committee were Helge B. Andresen (leader), Jan Tore Berg-Knutsen, Erik Must and Olaug Svarva.

Board of Directors

The Board of Directors is Veidekke's highest administrative body and is directly responsible to the Annual General Meeting. Six members are elected by the shareholders and three are elected by and from among the employees. Board members are elected for two years at a time.

In 2003, Veidekke reached an agreement with its employees that the company would not have a corporate assembly and in return the employees' representation on the Board of Directors was increased. Since the Group does not have a corporate assembly, the Board elects its own chairman as laid down in the Public Companies Act. The most senior member elected by the shareholders acts as vice-chairman and chairs the meeting in the absence of the chairman.

In determining the composition of the Board, importance is attached to safeguarding the joint interests of the shareholders and the skills, capacity and diversity of the company. Veidekke seeks to have at least one Norwegian, one Danish and one Swedish Board member. The composition of the Board of Directors of Veidekke ASA complies with provisions in the Public Companies Act regarding the percentage of women in listed companies.

The composition of the Board of Directors ensures that it is able to act independently of the shareholders' interests. The Board's rules of procedure also contain instructions for dealing with issues in which a Board member has a personal interest. The rules in the Articles of Association governing the election of the nomination committee help to ensure the Board of Directors' independence. All Board members who are elected by the shareholders are independent of the company's management.

For further information about existing authorisations, see "Shareholder Information", page 54.

The work of the Board of Directors

The Board of Directors sets objectives, lays down strategy and budgets and makes an active contribution in the form of expertise and experience. In accordance with adopted plans, the Board carries out an annual review of the company's business areas, and follows a systematic year plan for matters to be discussed at Board meetings.

Nine Board meetings are held each year. One of the meetings is held in either Sweden or Denmark and two meetings are combined with a visit to a district or branch office and one of its projects in Scandinavia.

The work of the Board is laid down in its rules of procedure. It carries out annual evaluations of its own work and competence. Turn to page 60 for further information about the Board members.

Board of Directors' Audit Committee

The task of the Audit Committee is to develop cooperation between the Board and the management and between the Board and the external auditors. It is composed of three Board members elected by the shareholders and its work is governed by terms of reference and instructions approved by the Board. The Committee shall, on behalf of the Board, make itself familiar with and build up insight into and knowledge of accounting and financial matters as well as supervision and risk management. The Committee reports to the Board of Directors.

In 2007, the members of the Audit Committee were Martin Mæland (leader), Kari Gjesteby and Peder Chr. Løvenskiold.

Board of Directors' Compensation Committee

The Compensation Committee is composed of three Board members elected by the shareholders and its work is governed by terms of reference and instructions approved by the Board. The Committee submits proposals to the Board on salary and compensation schemes for the President and CEO. The Committee also gives advice to the President and CEO on salary and compensation schemes for the management. The Committee reports to the Board of Directors.

In 2007, the members of the Compensation Committee were Göte Dahlin (leader), Hilde Merete Aasheim and Jette Wigand Knudsen

Board of Directors' Property Committee

The Property Committee was established in 2007. It is the task of the Committee to review all investment decisions above a certain level in order to ensure good internal control as regards the start up of any new projects for Veidekke's own account.

The members of the Property Committee were Peder Chr. Løvenskiold (leader), Göte Dahlin and Martin Mæland.

Risk management

The ability to plan, structure, implement and evaluate construction processes is one of Veidekke's core competencies. Efficient governance is a primary critical factor of success for the company and an integrated part of its business management. The company has at all times a large number of ongoing projects in its three business areas (construction, property and industry) and therefore requires systematic reporting from each project to each division and from there to the corporate management and board of directors. Reports are submitted ten times a year and cover both financial and non-financial parameters. For every project, the focus is on profitability, risk, injuries, absence and environment.

Internal control

Veidekke's management monitors the overall portfolio of projects to ensure an acceptable level of risk exposure and a sound basis for profitability. The management systems for the different entities provide clear guidelines for how projects are to be carried out with reference to quality, progress, cost-effectiveness, health, safety and environment. This tool plays an important part in ensuring quality in orders-on-hand and a uniformly high standard in the execution of projects. Status and profitability of orders-on-hand is a fixed item on the agenda for the divisional managements, corporate management and the Board of Directors.

Risk exposure in the Property Division, through unsold units under production and any completed units, is measured continuously. The start-up of new property development projects will be postponed if the risk for Veidekke's own account is deemed to be too high. With a view to ensuring good internal control the Board of Directors established a Property Committee in 2007.

Veidekke's financial policy provides guidelines for the different entities' financial management and activities. The object of the guidelines is to avoid, limit, control and measure financial risk, promote capital rationalisation and optimise the Group's financial resources.

Planning

Veidekke's planning wheel forms the core of the company's economic, financial and strategic planning. It defines a fixed agenda throughout the year for the preparation of framework documents, strategic plans, budgets and ongoing supervision of the divisions.

Financial management and control

The Group is governed by clear financial objectives, linked with operating margins, capital yield and capital structure. These objectives are broken down and operationalised to the different companies, divisions and projects. The projects have clear requirements regarding profitability and cash flow. In construction operations, requirements are set for the projects' operating margins, including financial items. Property and Industry are capital-intensive areas, and these projects are also measured by return on invested capital.

Ethical guidelines

With reference to the company's core values – professional, honest, enthusiastic and ground-breaking, Veidekke – in collaboration with the Confederation of Norwegian Business and Industry – has drawn up ethical guidelines in which the basic principle is employee freedom with responsibility. The implementation of these guidelines relies to a great extent on the active participation of the employee in

the process, the discussions and involvement around the ethical issues that the company's activities raise. The company's ethical guidelines are accessible on Veidekke's Intranet and web site.

Reporting irregular activities

In-house rules have been drawn up for reporting irregular activities in the company and an external ombudsman has been appointed. These guidelines are accessible on Veidekke's intranet.

Compliance

Veidekke has a comprehensive compliance programme which gives relevant employees an insight into the basic rules of competition law that apply to Veidekke's activities. The purpose of the programme is to increase understanding of and ensure compliance with relevant laws and regulations. This compliance programme is accessible on Veidekke's Intranet and web site.

Remuneration to Board members

Remuneration to Board members is determined by the Annual General Meeting based on the recommendations of the nomination committee. Remuneration reflects the Board's responsibility, expertise and time consumption and is independent of the company's financial results.

None of the Board members elected by the shareholders has special responsibilities over and above what follows from their office. Reference is made to Note 30.

Several of the Board members hold shares in Veidekke. A list of these members is given in Note 20.

Remuneration to senior executives

An account is given to the Annual General Meeting each year of the company's guidelines for remuneration to senior executives.

Salaries for the company's executives are based on information obtained from comparative statistics showing pay

levels for other enterprises in the industry and other relevant enterprises. The company's strategy is to offer competitive salaries; it does not wish to be a wage leader. A bonus scheme has been established in which the maximum payment to each individual is set at 30 per cent of annual salary, based on budgets and target achievement in a pre-determined action plan.

Managers also participate in Veidekke's general share programme under which employees are invited each year to purchase Veidekke shares at a discount price and with financial assistance. See "Shareholder Information", page 52.

Veidekke has no share option schemes. Reference is also made to Notes 4 and 30.

Communication with the finance market

Investor relations have a central place in Veidekke. The company emphasises the importance of information based on quality, openness and punctuality, thus ensuring that the share price reflects the assets in the company.

The management meets investors and the market both in Norway and abroad several times a year and makes active use of the feedback from these meetings.

See "Shareholder Information", page 52.

Corporate takeover

If an offer is received to take over the company's shares, the company's Board of Directors should not utilise authorisations or pass other resolutions that render the offer difficult unless this has been approved by the Annual General Meeting after the offer is known.

Work of the auditors

The external auditor attends at least two annual Board meetings, for example meetings dealing with the annual accounts and audit summary. The Board of Directors must be given an opportunity to ask the auditor questions without the management being present.

The auditor attends all the meetings of the Audit Committee. A plan for carrying out the audit is presented to the Audit Committee. At these meetings, the auditor also presents a report from the interim audit and a report for the annual accounts in which the auditor gives his opinion on the quality of internal control in all parts of the Group and discusses any accounting problems revealed by the audit.

Veidekke has guidelines for the scope and type of additional services provided by the auditors. The auditor give the Board of Directors a written confirmation each year that he/she meets the stipulated requirements regarding independence.

In 2006, Veidekke invited tenders for the provision of auditing services. The conclusion was that Ernst & Young were reengaged.

For details of the scope of services provided, reference is made to Note 30.

shareholder information

- + We will create value for shareholders through good profitability in all parts of the Group.
- + Our dividends will be equal to at least 50 per cent of the profit for the year.
- + Veidekke is and will continue to be a financially sound company.



Jørgen G. Michelet

Financial Director and
Head of Investor Relations
jorgen.michelet@veidekke.no
Tel.: +47 21 05 77 22

Shareholder values

There is a long-term correlation between return on shares (measured in rising share prices and dividends) and the company's value creation. Value creation can first and foremost be seen in the company's current financial results. Historically speaking, Veidekke has doubled its turnover every fifth or sixth year and anticipates an annual growth in the range of 10 per cent over time in the future.

The company's profit margin has shown a continuously positive trend in recent years and it was 6.1 per cent in 2007. The company believes that it has a margin potential of up to 7 per cent which can be achieved by setting ambitious goals and implementing a variety of measures in the areas of efficiency improvement, risk management and cost control etc.

Share distribution at 31 December 2007

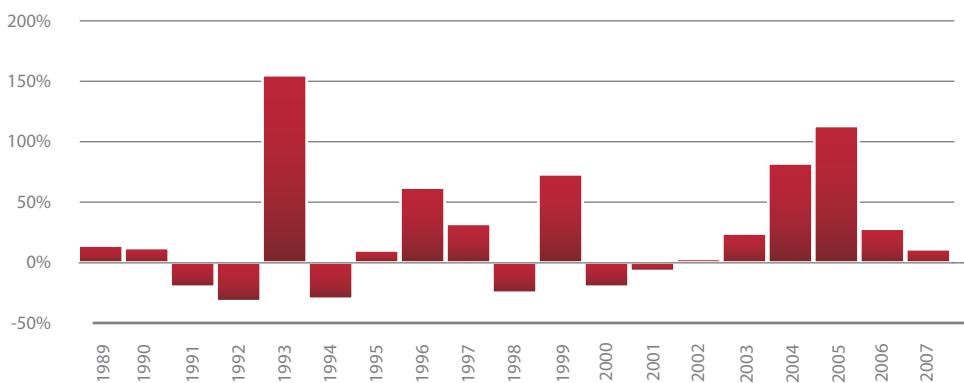
Shareholding	Number of shareholders	Number of shares	%
From	To		
1 ->	100	722	30 524
101 ->	1 000	2 271	1 219 804
1 001 ->	10 000	1 873	6 787 786
10 001 ->	100 000	621	18 161 137
100 001 ->		105	113 965 019
Total		5 592	140 164 270
			100.00

Return on investment

It is Veidekke's aim to give its shareholders a high and stable return on their investment in the company. Since Veidekke was first listed on the stock exchange in 1986, its shareholders have had an average annual return of 18.9 per cent. Prices on the Oslo Stock Exchange rose by an average of 10.8 per cent per year during the same period. The return in 2007 was 11.4 per cent, while the Oslo Stock Exchange rose by 11.5 per cent in the same period.

In 2007, 61.6 million Veidekke shares were traded on the Oslo Stock Exchange, with a turnover rate of 43.4 per cent and a total of 38,937 trades in the course of the year.

Price of Veidekke shares including dividends



Dividends

Veidekke's dividend policy stipulates a dividend amounting to at least 50 per cent of the profit for the year (pay-out ratio).

The Board of Directors proposes distributing a dividend of NOK 4 per share for the financial year 2007. This indicates a pay-out ratio of 56 per cent, thereby giving the shareholders a direct return of 7.9 per cent based on the share price at the end of the year. The dividend will be

paid on 20 May 2008 to all shareholders who are registered as owners on the date of the Annual General Meeting, 7 May 2008.

Ownership structure

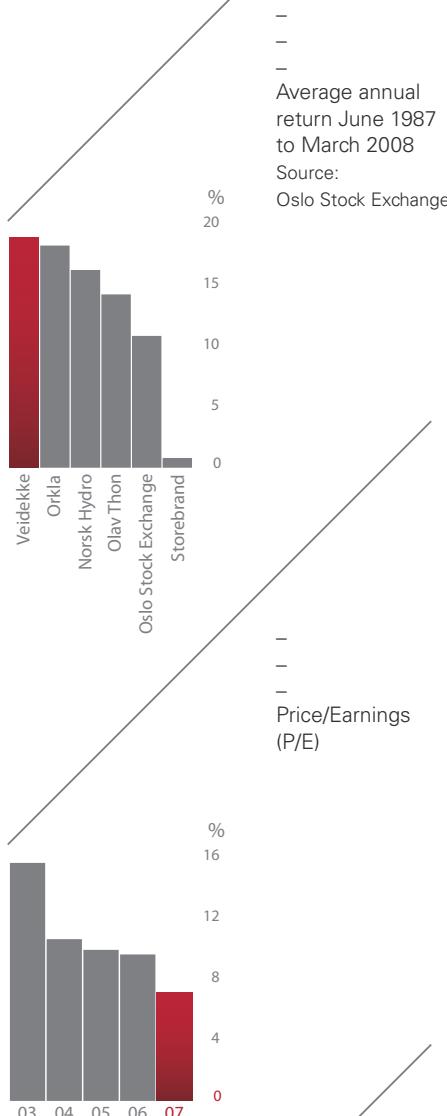
At 31 December 2007, Veidekke had 5,592 shareholders. The company's largest shareholders are OBOS Forretningsbygg (26.0%), Folketrygfonden (8.6%) and IF Skadeförsäkring AB (8.3%). A total of 2,670 employees hold 15.9 per cent of the shares in the company. The percentage of foreign investors remained relatively stable throughout 2007, and stood at 32.3 per cent at the end of the year (35.0 per cent).

A list of Veidekke's 20 largest shareholders is published on Veidekke's web site and is updated once a week. Nordea is the company's account operator.

Largest shareholders at 31 December 2007

Name	Ownership share %	Name	Ownership share %
OBOS Forretningsbygg AS	26.0	MP Pensjon	2.1
Folketrygfonden	8.6	Storebrand Livsforsikring AS	2.0
IF Skadeförsäkring AB	8.3	Must Invest AS	1.8
State Street Bank and Trust Co.	4.9	JPMorgan Chase Bank	1.8
Fortis Global Custody	3.6	Vital Forsikring ASA	1.7

SHAREHOLDER INFORMATION



Veidekke's share capital at 31 December 2007 was MNOK 70,082,135, divided into 140,164,270 shares of NOK 0.50 each. Veidekke has always had one share class and each share carries one vote.

The increase in the share capital since the company was first listed on the stock exchange is shown in the table on page 55. In May 2007, the company offered shares at a 20 per cent discount to key personnel, of whom 428 subscribed for 1,815,300 shares at a price of NOK 49.75 each. In November 2007, the company offered shares at a 20 per cent discount to all employees and 1,806 employees subscribed for 1,404,057 shares at a price of NOK 36.25 each. Sales of shares to employees are subject to a 2 or 3-year lock-in period.

Purchase of own shares

The Annual General Meeting has authorised the Board of Directors to issue up to 14 million shares. Since 1986, authorisation has been granted for successive renewal. This authorisation has primarily been used in connection with issues of shares to employees and in connection with minor mergers. The Board of Directors is also authorised to repurchase the company's own shares for a total nominal value of up to MNOK 6.5 or just under 10 per cent of the share capital.

In accordance with the above authorisation, the Board of Directors has resolved to buy back up to 3 per cent of Veidekke's own shares (4,204,928 shares). In the course of 2007, a total of 1,905,015 shares equalling 1.31 per cent of the shares were repurchased. Of these, 769,500 shares have been deleted according to a decision made by the Annual General Meeting in May 2007. The buybacks have continued in 2008 and as of 31 March the company holds 3,914,181 shares, or 2.8 per cent of total shares. The share buyback programme is expected to have a positive effect on the company's earnings per share and on the return on equity. It is the intention of the Board of Directors to propose to the Annual General Meeting that the share capital be reduced by cancelling the repurchased shares.

Inside information

The company's internal insider trading rules follow a stricter practice than is required by law. In addition to the wider statutory duty to investigate, the company observes the duty to clear 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 mean, among other things,

that employees must exercise great care at all times when buying and selling shares.

Investor relations

Quarterly reports will be issued this year on the dates given at the beginning of this Report. When annual and interim reports are published, Veidekke holds presentations for shareholders, brokers, analysts, the press and employees. The company also maintains regular contact with investors and analysts.

The largest stockbroking houses at the Oslo Stock Exchange carry out analyses of Veidekke shares. A list of the analysts who follow Veidekke shares can be found on Veidekke's web site.

The company publishes information in Norwegian and English and qualifies for the Oslo Stock Exchange's information symbol and English symbol.

Up-to-date information about the company can be found on Veidekke's web site. Quarterly reports, analysts' reports and other important press releases and presentations are accessible on Veidekke's web site and are also published through traditional channels. The quarterly presentations are available via Webcast in Norwegian and English.

For information about Veidekke shares, go to: www veidekke no/investorinfo

Form of issue	Amount paid MNOK	No. of shares after increase (1,000)	Share capital after increase MNOK	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 own shares		140 164	70.1			
Veidekke share	2007	2006	2005	2004	2003	2002
Market price 31 December	50.75	47.40	38.50	20.20	11.70	10.20
- high	74.40	55.80	38.50	20.20	11.70	13.70
- low	41.50	37.40	19.85	11.60	8.00	8.60
Earnings per share ¹⁾	7.1	5.0	3.9	1.9	0.8	0.9
Market price/earnings (P/E)	7.1	9.6	9.9	10.6	15.6	11.1
Market price/book value per share (P/B)	3.1	3.8	3.7	2.0	1.2	1.1
Dividend per share	4.0	2.6	2.0	1.2	0.7	0.7
Extraordinary dividend				2.4		
Payout ratio (%) ²⁾	56.3	52.4	51.3	63.2	93.3	76.5
Turnover rate (%)	43.4	49.4	47.0	27.0	22.1	42.8
Earnings yield (%)	7.9	5.5	5.2	5.9	6.0	6.9
Outstanding shares (average '000)	140.0	143.0	143.0	138.3	136.6	135.3
Market value at 31 December (MNOK)	7 113	6 780	5 507	2 890	1 615	1 393
No. of shareholders at 31 December	5 592	4 369	4 037	4 677	3 751	3 651
RISK Amount for adjustment of opening value of shares	-	-4.40	-1.20	0.78	0.22	0.12

1) No watering down effect.

2) Based on ordinary dividend.

A 1:5 share split was authorised by the Annual General Meeting in May 2007. The table above has been corrected for the share split.

corporate social responsibility

Corporate social responsibility is about long-term value creation. By running our operations responsibly, professionally and with consideration, we can create greater value – both for Veidekke and for our stakeholders.

Veidekke has long traditions of social responsibility. This is part of our corporate culture, and it is part of what has made Veidekke one of Scandinavia's leading contractors and property developers. We publish a separate CSR report, which is inspired by the internationally recognised Global Reporting Initiative (GRI). It focuses on three main areas: social, environmental and economic performance. The following is an abbreviated version. The complete report is also accessible at [www.veidekke.no](http://www veidekke no)

Social performance

At Veidekke we want our employees to avoid being injured at work and to stay physically and mentally healthy. We want Veidekke to be an attractive workplace for all occupational groups and we want job satisfaction to be high. Our aim is to achieve an injury rate (number of lost-time injuries per million hours worked) of less than 5 for the whole Group, including subcontractors, and to reduce sickness absence for Veidekke's employees to 3 per cent by 2010.

Follow-up of sickness absence

In 2007 sickness absence for all employees was 5.2 per cent in Norway,

while it was 3.3 per cent in both Sweden and Denmark. We have good routines at Veidekke for following up sickness absence among our employees and many of our managers with personnel responsibility have taken a five-hour course on absence follow-up arranged by Veidekke's occupational health service. The aim is to achieve a close and constructive dialogue with sick employees and, where possible, arrange work-related activities for them. We make good use of partial and active sick leave and more employees are being given adapted work tasks for varying lengths of time in order to avoid passive sick leave.

Smoking and help to stop smoking

30 per cent of our employees in Norway who took part in the occupational health survey in 2007 said that they smoke every day. By comparison, only 24 per cent of the adult Norwegian population are daily smokers. Surveys carried out by the National Health Screening Service have previously shown that heavy smokers are off work twice as much as non-smokers. Veidekke is offering courses to help employees to stop smoking. This will also help to reduce the absence figures in the company.

In 2007 six Stop Smoking courses were held in Norway in collaboration with the Dr. Kimo Clinic. The participants pay half of the course fee, but have the amount refunded if they are smoke-free after a year. Forty of sixty participants are still smoke-free after being monitored for more than a year. Twelve new courses are planned in 2008, giving about 130 smokers the chance to achieve better health, less absence from work and a better private economy.

Safety at work

In 2007, 76 lost-time injuries were registered in Veidekke's Scandinavian operations. This gave an injury rate of 7.0, which is higher than in 2006 (5.7). A great deal of attention is paid to health, safety and environment. HSE is incorporated in all ongoing improvement processes throughout the Group.

Job satisfaction

Job satisfaction and a good working environment are high on the agenda at Veidekke. In 2007, 1,020 employees in Norway took part in an occupational health survey. They gave an average of 5.6 points for job satisfaction on a scale of 0 (low) to 7 (high). Since these annual surveys started in 2001, the

average response has varied between 5.4 and 5.6. A stable, high level of job satisfaction enhances Veidekke's reputation as a good workplace.

Senior employees

In Norway, Veidekke offers all craftsmen and salaried employees over the age of 62 in full-time posts up to six weeks' leave with pay. The intention is that six weeks' leave in addition to six weeks' holiday will help to keep skills and resources within the company as long as possible, reduce sickness absence among senior employees and, not least, increase recruitment of experienced craftsmen and salaried staff.

Ethical guidelines

A high ethical standard is essential if Veidekke is to succeed as a company. We therefore work actively to challenge and discuss ethical dilemmas in our day-to-day work. In recent years the Group's ethical guidelines have been revised and implemented with the help of our leaflet, "Ethical Rules in Veidekke". In this way, we increase awareness of the issues and encourage openness, dialogue and discussion on what is right and wrong. Our basic values are a key element of our corporate culture and they are presented regularly in personnel and management development forums, in introduction programmes for new employees, and in internal and external communication. In 2008, we are introducing a web-based training programme for our employees, where we will raise and discuss a variety of ethical issues.

Skills development

The value of a construction company is decided to a large extent by the people who work in it. Veidekke therefore invests substantial resources in skills development and has today one of Norway's largest apprenticeship programmes and a total of 307 apprentices. Veidekke has a wide range of in-house training opportunities for all entities, though first and foremost in Norway. In 2007 approximately 2,000 employees attended development courses, varying from short technical courses to development programmes lasting more than a year. More than 3,300 days were spent on in-house courses and development activities in Norway. The greatest increase in participation was seen in the industry division, as a result of new government requirements and developments in certain new business areas in the division.

Courses and development programmes are a basic part of our entities' business and development strategies and they are closely linked with the wide-ranging changes and improvements that are being made in our production processes.

Environmental performance

Veidekke belongs to an industry which is responsible for 40 per cent of all energy consumption and 40 per cent of

all materials consumption. The building industry is behind 14 per cent of all generated waste, and is responsible for 13-14 per cent of Norway's total CO₂ emissions, and that is a substantial share.

We regard this as a major challenge and we wish to be one of the pioneers in our industry in protecting the external environment. A group was set up in autumn 2007 to take a closer look at Veidekke's environmental strategy. The group will submit proposals in spring 2008.

Veidekke has joined 12 other leading Norwegian companies in the climate battle. This partnership, KlimaGevinst 2020, will work to enable the Norwegian business sector to play a larger role in national and international efforts to create a low-emission society.

Through the Danish Construction Association, Veidekke's Danish company, Hoffmann is a member of a national climate consortium under the Ministry of Economic and Business Affairs, which will set the spotlight on Danish climate expertise in the run-up to the climate summit in 2009.

	2007	2006	2005	2004	2003
Total consumption	290 GWh	304 GWh	287 GWh	250 GWh	218 GWh
- Gas	18%	19%	15%	16%	10%
- Oil	64%	60%	69%	63%	65%
- Electricity	18%	21%	16%	21%	25%

Energy

Veidekke had an energy consumption in Norway of 290 GWh in 2007. The breakdown into energy sources was 18 per cent gas, 64 per cent oil and 18 per cent electricity. These figures are based on figures from the suppliers we have Group contracts with.

The stricter energy standards under the 2007 Planning and Building Act will be introduced gradually up until 1 August 2009. We are now constructing two large commercial buildings in Trondheim and Kongsberg in accordance with the new regulations.

Veidekke Entreprenør is participating in a research project with the Norwegian Building Research Institute. The purpose of the project is to identify the need for ways to reduce the number of thermal bridges in buildings. Veidekke is also taking part in a research project on simplified systems for waterborne heat.

Energy-efficient buildings

Veidekke Sweden has developed a new concept for energy-efficient buildings called TellHus. Here the focus is on efficiency measures which make it easy for the residents to be "climate smart". The flats are delivered with environment-friendly district heating, extra insulation, superinsulating glass and low-energy light bulbs. Each flat has a display showing electricity and water consumption (in SEK and kWh) and the standard indoor temperature is set at 20°C. Construction of a TellHus project in Västertorp in Sweden starts in autumn 2008.

Indoor climate

Veidekke has taken part in a project called "OPTIVATOR" on optimal heating and drying in buildings, which focused on damp and energy consumption during the building phase. This three-year project under the direction of the Norwegian University of Science and Technology ended in autumn 2007 with a damp buildings seminar, for which Veidekke provided a speaker and participants.

Health and environmentally hazardous substances

Norway's Product Control Act imposes a duty on enterprises like Veidekke to take more responsibility for the prevention of adverse effects from products containing health and environmentally hazardous chemicals. This means replacing them with other products. In collaboration with its supplier of electronic substance indexes, Veidekke has established a system for implementation and documentation and has an ongoing dialogue with selected suppliers on substitution.

Waste management

Veidekke Gjenvinning (recycling) is actively engaged in the management of waste, EE waste and dangerous waste through its wholly and partially owned subsidiaries. These companies assist the business sector in Norway with

Waste generated in Norwegian operations for projects completed in the given year

	2007	2006	2005	2004	2003
Waste volume	25 kg/m ²	28 kg/m ²	24 kg/m ²	28 kg/m ²	33 kg/m ²
Separation at source rate	44%	45%	37%	40%	30%

systems for segregation at source and safe waste management. In 2007 the wholly-owned companies handled 70,000 tonnes of wood, 30,000 tonnes of paper/cardboard, 22,000 tonnes of wet organic waste, 40,000 tonnes of other waste for recycling, 25,000 tonnes of waste for energy recovery and 110,000 tonnes of residual waste. The overall positive climate effect of the segregated waste is 200,000 tonnes CO₂.

The Veidekke Group has strict standards for waste segregation at source. More and more waste is being recycled and a continuous effort is made to reduce waste volumes and increase the degree of segregation at source in Veidekke's projects. Veidekke's construction operations in Norway have waste management plans and issue final reports at all large sites. Empirical data for 2007 has been collected from 76 completed projects. Waste accounts list the generated volume of waste, degree of source separation and costs of waste management.

Operation of stone-crushing plants and asphalt plants

The operation of these plants is demanding, as regards both neighbours and nature lovers. We therefore take responsibility for the environment in the vicinity of our operations and for the environmental impact of our

products. In this, Kolo Veidekke works closely with neighbours and local authorities.

The EU/EEA's Construction Products Directive also applies to the production of aggregates for asphalt and concrete and to the product asphalt. These products must be certified by a third party's technical inspection body, which issues certificates and supervises maintenance of the scheme. In the course of this spring, Kolo Veidekke will be issued with certificates confirming that we fulfil all the requirements in the standards that enter into force on 1 March 2008.

Economic performance

Veidekke creates value not only for our shareholders but also for the local communities where our operations take place.

The building and construction industry is local in character and a decentralised organisation is therefore one of Veidekke's key value drivers. By spreading our organisation, we contribute to considerable local value creation. The local connection is also reflected in our contact with subcontractors, whereby substantial funds are spread within the districts and help to secure the local suppliers' economic basis. In this way, Veidekke helps to generate activity and economic development far away from the central areas.

Strong local ties also have a positive effect for Veidekke. Since our district offices know the local suppliers well, there is less risk of poorly executed work and

time-consuming conflicts which in turn affect margins. All in all we spent BNOK 14.4 on purchases of goods and services in the different local communities in 2007. This breaks down into BNOK 9.4 in Norway, BNOK 2.5 in Sweden and BNOK 2.5 in Denmark

Tax

Veidekke is one of the largest construction companies in Scandinavia and naturally makes a substantial contribution to government tax revenues. In Norway, we paid MNOK 78 in tax in 2007. In Sweden, the figure was MNOK 2 and in Denmark MNOK 20

Pay and pensions

Veidekke is a large employer with a total of approximately 6,500 employees in Scandinavia. We disburse BNOK 3 in wages and salaries each year. This breaks down into BNOK 2.2 in Norway, BNOK 0.4 in Sweden and BNOK 0.4 in Denmark.

The bulk of Veidekke's companies have pension schemes for their employees, in addition to the statutory schemes. Most of these schemes are financed by funds accumulated in life insurance companies, but some are also paid from operations. In all, the Group spent approximately MNOK 189 on pension schemes in 2007.

Local sponsoring

One of Veidekke's key value drivers is interaction with customers. The overall quality of a project is improved by good cooperation, and value creation through partnership is therefore a central element of Veidekke's business philo-

sophy. Through dialogue, interaction and mutual trust we seek to create situations to the benefit of all parties at all stages of the building project. Good relationships are therefore a key concept. By sponsoring culture and sport, Veidekke makes a valuable contribution to local community leisure activities, and at the same time creates common arenas for relationship building with existing and potential customers.

We also find that good relationships make it easier for us to lend a hand by providing building and construction expertise. Last year, for example, we carried out the foundation work for a mountain cabin project for young cancer patients and their families.

Veidekke sponsors many different activities all over Norway. A few of these are: the Veidekke Games 2007 in Lillehammer (athletics), the Lysgårdsbakken ski jump, Norges Fleridrettsforbund (multisport organisation), Norwegian People's Aid and the Barratt Due Institute of Music in Oslo.

In Sweden we are involved in the Marabou Park in Sundby, RNS (The association for a drugfree Society), the Children's Traffic Calendar, and a number of local sports clubs.

Instead of Christmas presents to business relations and employees, Veidekke donated a major amount to the Norwegian Trekking Association cabin "Snøheim" in the Dovrefjell – Sunndalsfjella National Park.

THE BOARD OF DIRECTORS

HILDE MERETE AASHEIM

(born in 1958)
Board member since 1999.
Executive Vice President of Staffs and Corporate Services in StatoilHydro since October 2007. Previously Executive Vice President and member of corporate management team in Hydro, where she started working in 2005 and was responsible for human resources, HSE, ethics and CSR.
Employed with Elkem ASA from 1986 to 2005, during which time she held senior management positions, and from 2002 was head of Elkem's silicon metal and ferrosilicon operations in Norway and Iceland and a member of the corporate management team. She worked for Arthur Andersen & Co. from 1982 until 1986.
She holds a master's degree in economics and is also a chartered accountant.

MARTIN MÆLAND

(born in 1949)
Board member since 2002.
President and CEO of OBOS since 1983. Worked for OBOS since 1980. Previously council member and municipal counselor with the City of Oslo and planner/researcher in Oslo Lysverker. Presently Vice-Chairman of NBBL (Norwegian Federation of Cooperative Housing Associations) and government property company ENTRA AS. He also holds several internal Board appointments in the OBOS Group. Previously Board member/Vice Chairman of Kreditkassen, VEAS (Vestfjorden Avløpsselskap) AS, FONUS, Oslo Byhall, Oslo Byfornyelse, INBY, Arbeiderbladet, and others. Holds a master's degree in economics (cand. oecon.) from the University of Oslo.

JETTE WIGAND KNUDSEN

(born in 1951)
Board member since 2006.
Chairman of the Board of Dencon Foods A/S and Wagnersen Interactive A/S. Board member of Rail Net Denmark under the Ministry of Energy and Traffic and of Københavns Energi A/S. Member of the Board of Directors of the National Bank of Denmark. 25 years of experience with the Carlsberg Group, where she held a number of managerial positions, such as Managing Director of the Tuborg Fredericia Brewery 1991-1998 and member of the management of Carlsberg Denmark A/S 2000-2002. Former president of ForbrugerForum (consumer forum) under the Ministry of Economic and Business Affairs and Board member of Københavns Lufthavne A/S.
Number of shares in Veidekke: 5,000

BIRTE ALMELAND

(born in 1968)
Member of the Board since 2006, employee representative for the salaried staff. Employed by Veidekke since 1994. Project manager responsible for residential and non-residential projects. Degree in civil engineering from the Norwegian University of Science and Technology. Has worked as project/site manager on several large construction projects, such as the Mo Centre in Nittdal, Skogmo School in Ulensaker, Bogstad School in Oslo and the extension of the Hønefoss Centre. Previously employed by Holte Prosjektrådgivning AS.
Number of shares in Veidekke: 8,160

PEDER CHR. LØVENSKIOLD

(born in 1960)
Board member since 1996. Managing Director of Anton B. Nilsen AS since 2000. Previous employment: ILAS AS as managing director 1996-2000; Norske Skog as Board Secretary 1991-1996 and then as Executive Vice President (CFO) and member of Norske Skog's corporate management; Kreditkassen's securities and shipping departments 1986-1991, and Morgan Stanley New York as pulp and paper analyst 1985-1986. Has previously served as Board Chairman of Moelven Industrier ASA and of a number of other companies.
Number of shares in Veidekke: 272,000 (incl. shares held by closely related persons and companies).

NILS JARLE SOLEVÅG

(born in 1957)
Employee representative on the Board since 2003. Deputy Board member in 2002. Asphaltør. Employed by Veidekke since 1978. Senior shop steward for Industry Division. Honorary positions in trade union movement. Number of shares in Veidekke: 3,570

STEINAR KROGSTAD

(born in 1960)
Employee representative on the Board since 1992. Carpenter. Employed by Veidekke since 1979. Group representative since 2003.
Number of shares in Veidekke: 12,715

KARI GJESTEBY

(born in 1947)
Board member since 2004.
Executive Director, Norges Bank, since 1990 except for two years as Acting National Librarian, Norway's National Library. Previous appointments include: Minister of Justice and the Police and Minister of Trade and Shipping, State Secretary in Ministries of Finance, Foreign Affairs, and Education and Church Affairs.
She is chairman of the Board of the National Institute for Consumer Research, member of the Board of Hav Eiendom A/S, Bjørnika Utvikling A/S and the Norwegian State Academy of Music, and Vice President of the White Buses to Auschwitz Foundation.
Number of shares in Veidekke: 7,500

GÖTE DAHLIN

(born in 1941)
Chairman of the Board since 2004, on the Board since 2002.
Vice-chairman Nordisk Renting AB (a subsidiary of the Royal Bank of Scotland since 2003). Board member of Fäbäge AB, Rezidor Hotel Group AB and Svensk Inredning Viking AB in Sweden. Managing director Nordisk Renting AB 1986-2001. Regional manager Nordea Finance AB 1984-1986. Sales manager and deputy managing director of Skidsta Hus AB 1967-1984. Degree in natural science, mathematics and physics.
Number of shares in Veidekke: 50,000



the board of directors' report

Veidekke reported a profit of MNOK 1,181 for 2007. This is the best figure in the history of the company. Our consolidated profit margin was 6.1 per cent, as against 5.6 per cent for 2006.

Total turnover for the Group was MNOK 19,336 in 2007, compared with MNOK 16,442 in 2006. This gave a pre-tax profit of MNOK 1,181 as against MNOK 922.9 in 2006. Profit after tax and minority interests amounted to MNOK 989.7 (MNOK 708.3 in 2006). Earnings per share were NOK 7.1 (NOK 5.0) and return on equity was 49.3 per cent (44.5 per cent). Orders-on-hand for construction operations remained high, showing an increase from BNOK 12.4 at the start of the year to BNOK 13.3 at 31 December 2007.

GROUP DEVELOPMENTS

Operations in 2007 were characterised by a good market and a generally high level of activity in all business areas. The order situation for the Group was strong at the end of the year and present conditions indicate that the high level of activity will continue in 2008.

All three divisions in Norway achieved good profits in 2007. This applies in particular to the construction division, which reported growth in virtually all entities. The favourable market was an

important factor in this growth. Another important contribution was made by the ongoing improvements that have been achieved in interaction between highly motivated employees, customers, suppliers and partners. Being a preferred partner means not only that Veidekke is able to choose the projects it is best qualified for, but it also gives us access to the best suppliers and subcontractors. About 80 per cent of our Norwegian construction division's customers are returning customers and a similar degree of loyalty is found in our relationship with suppliers and partners.

During autumn 2007, adjustments were made in the composition of our orders-on-hand to meet the changes in the market. This involved a shift of focus from residential projects to private and public non-residential building projects, more heavy construction projects and repair and maintenance contracts.

2007 was also a very good year for our property division. The sales rate for new dwellings fell during the autumn and, as a result, fewer new projects

were started up. However, sales of commercial projects and some development projects contributed to a good overall result. To compensate for the downturn in the traditional residential market, the property division is focusing on development opportunities in attractive niche markets. These may be projects in the segment for terraced houses and simpler detached houses.

Changing market conditions also create new opportunities. A weaker residential market affects land prices. Veidekke's portfolio of development sites holds promise of profitable projects in the future.

Veidekke's industry division showed growth in profit in 2007 and this can be ascribed both to internal improvement processes and to a favourable market. The need for road maintenance has grown as the increasing volume of traffic causes more wear and tear on the whole road network. As a result, asphalt operations have achieved greater volumes of work. Profit margins have, however, not increased in step with turnover. This is due primarily

to a substantial rise in the prices for subcontractors, transport and raw materials. The other business areas in the industry division also enjoyed a high level of activity and growth in profit.

Veidekke's operations in Denmark, Hoffmann AS, returned disappointing figures for 2007. Substantial write-downs on certain projects are the main reason for the poor results. This division has grown too quickly in recent years and this has led to lack of capacity and consequently to weak results. For this reason, a consolidation of operations has been initiated with the help of organisational measures and a downscaling of the order backlog.

In Sweden, most growth was seen in Veidekke's housing activities and building operations in the Stockholm region. In the case of heavy operations, 2007 was used to build up the organisation in preparation for an anticipated increase in the market for the road and railway projects. This strategy was proved to be correct when the company was awarded two major contracts in January 2008 for road construction in the Stockholm region.

Profit performance in Gothenburg was affected by two project write-downs in 2007. The merger between Veidekke Construction (Vecon) and SBS Entreprenad (acquired in 2006) is now complete and the new organisation is well equipped to meet an increase in activity and growth in volume.

Activity was high and profit figures were good for Veidekke Bostad in 2007, and the level of activity will remain high in 2008. To complement present operations and in preparation for a weaker housing market in the future, a separate entity for non-residential property development is now under establishment.

MARKET AND COMPETITIVE SITUATION

Growth in the international economy remained unchanged in 2007 in relation to the year before. The turbulence in the international financial markets in the autumn led to growing uncertainty which in turn contributed to a deterioration of the housing markets in several countries.

The building and construction market in Scandinavia developed as anticipated in 2007. With the exception of Denmark, where the housing market declined even further in 2007, developments were positive and in keeping with expectations. The steep increase in housing prices that we have seen in Scandinavia in recent years levelled off in 2007. After further growth in 2007, the market for non-residential building has now reached a very high level, as a result of greater demand for commercial buildings and buildings for public administration and services. Heavy construction activities continue to show steady growth in Norway and Sweden.

Competition for contracts is still sharp. We are still facing competition from foreign players for major building and

construction projects, but this competition has not increased in 2007.

CAPITAL SITUATION

Investments in 2007 totalled MNOK 543 (MNOK 372). Tied-up capital in property operations amounted to MNOK 2,346 (MNOK 2,484).

Sales of fixed assets amounted to MNOK 73 (NOK 154 million). Net cash flow from operations was MNOK 1,569 (MNOK 321). Net interest-bearing position stood at MNOK 192 (MNOK -534). The Group's total assets were MNOK 8,699 (MNOK 8,311). Total shareholders' equity was MNOK 2,286 (MNOK 1,778), giving an equity ratio of 26.3 per cent (21.4 per cent).

Veidekke's financial policy contains clear guidelines for its corporate financial strategy. Based on this strategy, the corporate finance department is responsible for monitoring the Group's total interest rate, currency and liquidity risks and reports regularly to the Board of Directors on financial status and risk. It is Veidekke's strategy to maintain a low financial risk. If significant risks arise, these are reduced by means of financial instruments.

Fluctuations in currency rates have little direct influence on the company, because its operations are largely national in character and income and expenses in the projects are normally in the same currency. Any material currency risks that arise are hedged. Veidekke's equity investments in foreign subsidiaries are, however, not hedged.

THE BOARD OF DIRECTORS' REPORT

The Group faces low interest rate risks as a result of the company's low net interest-bearing position seen over the whole year. However, the individual divisions are vulnerable to interest rate changes.

Veidekke is heavily engaged in development of residential projects. The demand for dwellings is affected by many different factors and one of these is the interest rate on housing loans. The potential risk in this segment is covered by requiring at least 50 per cent binding sales prior to project start-up and by monitoring the risk in unsold residential units.

The Group has reduced its liquidity risk by means of long-term loan agreements and it has substantial borrowing facilities available to meet its current performance guarantees.

At the end of the year Veidekke had MNOK 1,681 (MNOK 1,275) in committed, unused credit facilities. The cost of having unused credit facilities is regarded as very favourable and the level is well adjusted to the Group's planned operations and strategy for the years ahead.

With reference to Section 3-3 in the Accounting Act, the Board of Directors confirms that the company has a basis for continued operations. The going concern assumption has therefore been applied in preparing the financial statements for 2007.

BUSINESS AREAS

Norway

Operations in Norway are looked after by Veidekke Entreprenør (construction), Veidekke Eiendom (property) and Veidekke Industri (industry).

2007 was a very good year for Veidekke's Norwegian operations. Turnover totalled MNOK 13,369 (MNOK 10,887), giving a pre-tax profit of MNOK 1,204.5 (MNOK 810.7).

Construction

2007 was yet another year of considerable financial growth in practically every facet of Veidekke's construction operations in Norway. In health, safety and environment (HSE), however, there was a negative trend, with an increase in injuries and a higher absence rate.

In 2007, the division achieved a turnover of MNOK 9,855 (MNOK 8,120) and a pre-tax profit of MNOK 643.0 (MNOK 386.6), which gave a profit margin of 6.5 per cent (4.8 per cent).

The growth in profits can be ascribed to good market conditions, a high level of activity, continuous improvement processes in all entities, and to a number of non-recurring matters, such as settlement for disputes, clarification of risk and early delivery bonuses. The focus of the division's improvement processes is still on interaction with customers, greater employee involvement and job satisfaction, HSE and better project margins. A major role is played in this context by the "We at Veidekke"

process. Employee involvement helps the division to achieve better project planning and implementation.

The markets for private commercial buildings and public and private heavy construction projects showed an upswing in 2007, while activity in the housing sector dropped. Major contracts signed in 2007 include upgrading of the Gulskogen Centre in Drammen for Steen og Strøm ASA with a price tag of MNOK 652 and the extension of Thor Heyerdahl upper secondary school in Larvik for Vestfold regional authorities where Veidekke's share of the total contract amounts to approximately MNOK 440. The division was also awarded contracts amounting to MNOK 475 for a new office building for FMC Technologies in Kongsberg, new factory buildings in Kristiansand for Elkem Solar's silicon products for the solar cell panel industry priced at MNOK 335, and two contracts for the National Rail Administration for the new double track section between Lysaker and Asker totalling MNOK 730.

At the end of the year, orders-on-hand totalled MNOK 9,030, which is 19 per cent higher than the previous year's figure of MNOK 7,580.

Property development

The property division is engaged mainly in the development of residential projects for Veidekke's own account and to some extent in commercial buildings and special-purpose buildings for the public sector.

Turnover for 2007 amounted to MNOK 1,389 (MNOK 1,193). Pre-tax profit was MNOK 431.4 (MNOK 311.5). The profit for 2007 includes MNOK 298.5 from associated companies and MNOK 228 of that figure derives from the sale of Veidekke's share in a development project in Lørenskog to Hansa Property Group ASA. Following this transaction, which was effected in the fourth quarter 2007, Veidekke's ownership share of the company is about 8 per cent.

After rising steeply for several years, growth in the residential building market slowed in 2007. Towards the end of the year, the sales rate had fallen considerably and, as expected, the level of activity was lower than in the two previous years. In 2007, 819 dwellings were completed and handed over and 11 projects with a total of 273 dwellings were initiated.

The property division had 15 (31) projects and a total of 699 (1,244) dwellings under construction in Norway at the end of the year. Of the dwellings under construction, 168 dwellings were unsold. 37 completed dwellings also remained unsold at the end of the year (7 in 2006).

At the end of 2007, MNOK 1,844 was tied up in property development. The property division has a portfolio of 3,400 housing units. For the majority of these units, start-up is planned for 2009 and 2010. Veidekke will continue to require at least 50 per cent advance sales before new projects are initiated.

Industry

Veidekke's industry division covers the following business areas: asphalt, aggregates, road maintenance, demolition/plant contracting and recycling of industrial waste.

Turnover for 2007 amounted to MNOK 2,907 (MNOK 2,337). Pre-tax profit was MNOK 130.1 (MNOK 112.6). The growth in profit derives mainly from asphalt and aggregates and is largely due to the division's ongoing improvement process. Work on health, safety and environment was intensified in 2007 and the division was able to report very strong figures in this area.

Operations in 2007 were characterised by high activity and utilisation of capacity. The production volume in the Norwegian asphalt market was 15 per cent higher than in 2006 and Kolo Veidekke's share of this market was on a par with 2006, at approximately 32 per cent. The increase in volume is the main reason for the profit growth. However, a noticeable increase in costs relating to important input factors kept the profit margin at the 2006 level.

The industry division also looks after aggregates operations, which showed growth in both volume and profitability. This was due not least to the growth in asphalt volumes and the high level of activity in the building and construction market in general. This business area was expanded in 2007, with the result that Veidekke is now Norway's second largest supplier of these aggregates.

Given the many tasks facing the community in the road and railway sectors, the prospects for crushed stone and gravel operations are good.

Several of the contracts for operation and maintenance of national and county roads that were put out for tender in 2003 have now been completed. Time has shown that it was difficult to achieve satisfactory profitability for some of the initial contracts because, among other things, it was a completely new technical and contractual area with little concrete experience to build on. Veidekke has a far better basis for estimating costs for the contracts that are now under tender and this will be reflected in better profitability. The tender opening at the beginning of 2008 revealed an increase in prices from all tenderers.

Another business area covered by the industry division is recycling (Veidekke Gjenvinning) and this also shows satisfactory growth in profit. Growth in volumes, productivity improvements and greater focus on customers are the main reasons for this.

THE BOARD OF DIRECTORS' REPORT

Denmark

Operations in Denmark are looked after by Hoffmann AS and Hoffmann Ejendomme AS. After several years of growth in earnings for Veidekke's activities in Denmark, overall results for 2007 were disappointing. Owing to a few, but substantial, write-downs of major projects and a stagnating residential market, operations in Denmark were not able to fulfil expectations in 2007.

Total turnover for 2007 was MNOK 2,846 (MNOK 3,113), giving a loss of MNOK 98.5 (MNOK +62.2).

Construction

As a result of the substantial write-downs of four projects, construction operations in Denmark showed a negative trend in 2007 which led to weak results. Turnover was MNOK 2,780 (MNOK 3,005), giving a pre-tax loss of MNOK 88.1 compared with a profit of MNOK 51.3 in 2006.

Earnings from building activities in Denmark varied in 2007. Operations in Jutland and renovation in Zealand achieved satisfactory profits on a line with entities in Norway. Earnings from residential and non-residential building in Zealand were disappointing on the whole, and the financial result was pulled down by write-downs of four projects totalling approximately DKK 160 million.

Heavy construction, which concentrated on consolidating operations in 2007, fulfilled its expectations on the whole.

At the end of the year, order books showed a total of MNOK 1,881 as against MNOK 2,750 at the end of 2006. The reduction of orders-on-hand is in line with the necessary consolidation of the Danish construction operations in 2008.

Better results will also be achieved in this division by implementing goal-oriented improvement processes similar to the processes that have proved successful in other parts of the Group. The company will continue to give high priority to further development of customer relationships, with Hoffmann as the solution-oriented partner, and employee development through the "We at Hoffmann" improvement process.

Major new projects include a new technology centre for Vestas in Århus with a contract price of MDKK 262, housing renovation for AAB/AB in Silkeborg priced at MDKK 296, 114 leisure homes for Lalandia Billund totalling MDKK 104, development of Næstved city hall with a contract price of MDKK 78, parking facilities for Carlsberg amounting to MDKK 35, several nursing homes, in Fredericia among others, and a number of heavy construction and renovation contracts.

Property development

Significant changes in market conditions prevented property development in Denmark from fulfilling expectations. In 2007 Hoffmann Ejendomme A/S had a turnover of MNOK 163 (MNOK 274) and a pre-tax loss of MNOK 10.4 (MNOK +10.9).

At 31 December MNOK 243 was tied up in property operations. Hoffmann Ejendomme A/S' development portfolio consisted of 600 residential units at the end of the year.

In 2007, Hoffmann Ejendomme and The Carlyle Group established CVM Development with an 20/80% ownership and purchased the site of the old vegetable market in Copenhagen. Here a new urban area will be developed with more than 2,000 dwellings and related commercial activities, institutions etc. Takeover of the site is planned for 2010-2011 and the first dwellings are expected to be ready for occupation in 2012.

The market for residential development in Denmark has changed considerably after sales of freehold apartments came to a standstill. Hoffmann Ejendomme has therefore postponed the start-up of several projects and will let its development sites remain undeveloped until the market picks up again.

Hoffmann Ejendomme has now only one residential project under development. This will be completed during the first six months of 2008 after the remaining 39 dwellings have been handed over. Twenty dwellings in this project and in a completed project had not been sold at the end of the year. The company expects to sell these in the course of 2008 in spite of the change in the market.

Sweden

Veidekke's operations in Sweden are based in Stockholm, Gothenburg and Skåne.

Turnover for 2007 was MNOK 3,165 as against MNOK 2,363 in 2006. Pre-tax profit rose from MNOK 82.1 in 2006 to MNOK 108.7 in 2007.

The positive trend in Veidekke's Swedish operations continued in 2007, with growth in both turnover and earnings. As a result of ongoing development work in all business areas and a very favourable market, this division is now far more competitive and has established a stronger position in the market than previously. Property development showed very good results, while two isolated loss-making projects have reduced what would otherwise have been a very satisfactory result for construction operations.

Construction operations

Construction operations in Sweden reported a turnover for 2007 of MNOK 2,756 (MNOK 1,900) and a loss of MNOK 4.3 (MNOK +14.3). This negative result is the consequence of two loss-making projects in West Sweden.

There was a very good market for both residential and non-residential building in Sweden in 2007. Heavy construction also rallied in the course of the year, particularly in the Stockholm area. The division's focus on establishing a strong position in commercial buildings produ-

ced results and Veidekke's building activities in Stockholm enjoyed a good year in 2007. Here we saw an increase in both turnover and margins, and healthy order books at the end of the year.

Heavy construction operations in Stockholm reported a loss. Focus has been on building up an entity to meet the major investments in infrastructure that have been announced in the Stockholm area. The organisation is now in place and orders-on-hand are good. In January 2008, new contracts were signed totalling approximately SEK 1 bn for two tunnel projects in the Northern Link development in Stockholm.

Construction operations in the Gothenburg region were affected by two loss-making projects in 2007. Other projects are progressing well and the company is operating in a good market. SBS Entreprenad, which was incorporated into Veidekke in 2006, is making good headway and showed a profit in 2007. In the course of the year, Veidekke's two entities in Gothenberg, Veidekke Construction (Vecon) and SBS Entreprenad were merged and are now well positioned for the coming year.

2007 was a good year for both heavy construction and building in Skåne. Strong growth in contracts and higher margins contributed to a record-high profit for this entity, and the organisation developed well throughout the year.

At the end of the year, total orders-on-hand for Swedish construction operation amounted to MNOK 2,222 (MNOK 1,972).

Property development

Property development, Veidekke Bostad, achieved a turnover for 2007 of MNOK 768 (MNOK 730) and a profit of MNOK 113.0 (MNOK 67.8).

There was a very strong market for development of residential projects throughout 2007. The changes in government support schemes and tax regulations did not have the negative effect on the market that was feared. A strong economy combined with relatively low interest rates and less unemployment has strengthened the consumers' interest in investing in new homes. The strong urbanisation trend has also had a very positive effect on the markets in which Veidekke operates. In the course of the autumn, some signs could be seen of a weaker market and a fall in house prices. Veidekke Bostad has registered some of the same tendencies, but has so far not been affected by them.

Veidekke Bostad's partnership with Bouwfond Properties has developed well and building has started on the first project. Veidekke also acquired its first building rights in Gothenberg in 2007. This means that the company has established housing development operations in all of three of Sweden's largest growth areas.

THE BOARD OF DIRECTORS' REPORT

In 2007, 699 flats were sold and 562 new housing units are now under construction. Building rights were acquired for 1,500 dwellings. A large number of these are option-based, which reduces the need for capital during the development period. At the end of the year Veidekke Bostad had 924 housing units under construction, compared with 667 at the same time in 2006.

At the end of the year, MNOK 259 was tied up in property operations. Veidekke Bostad's portfolio contained a total of 3,300 residential units.

Other activities

Veidekke's owner role in PPP infrastructure projects (Public Private Partnerships) is entered in the accounts under 'Other activities'. Veidekke owns 50 per cent of Allfarveg AS, the company which was in charge of the E39 Lyngdal-Flekkefjord road project and now has operational responsibility for the road for 25 years, i.e. until 2031. Allfarveg AS was refinanced in 2007 and the company has obtained better conditions for its loans.

Other activities also include our remaining operations outside Scandinavia, in the first instance our long-established involvement in Tanzania through Noremco. Market-wise, 2007 was a weak year for Noremco, but the order situation improved at the end of the year.

ORGANISATION

As of 31 December 2007, the Veidekke Group had 6,475 employees (6,351) in Scandinavia. Of these, 4,073 (4,126) were craftsmen and production workers and 2,402 (2,225) were administrative and technical personnel.

Corporate management team

In the course of 2007, the corporate management team underwent a generation shift with the retirement of three of its members. The new executive vice presidents are Bente Lillestøl (39), member of the corporate staff responsible for human resources and health, safety and environment, Jørgen Wiese Porsmyr (36) responsible for corporate accounts, purchasing, strategy and IT, and Vidar Aarvold (56) who has taken over responsibility for the industry division. The other members of the corporate management team are: president and CEO Terje R. Venold (57) and executive vice presidents Dag Andresen (46) – Veidekke Entreprenør AS, Torben Bjørk Nielsen (49) – Hoffmann A/S, Per-Ingemar Persson (52) – Veidekke Sverige AB, Arne Giske (51) – Veidekke Eiendom AS and legal affairs and corporate finance/IR, and Kai Krüger Henriksen (57) – communication.

Labour market and attractiveness

There was sharp competition for manpower in the labour market in 2007. Veidekke has proved to have a good reputation in the labour market and is regarded as an attractive employer. A total of 1,063 new employees were

hired during the year: 513 in Norway, 355 in Sweden and 195 in Denmark.

Manpower from the new EU countries in Eastern Europe is an important contribution to the labour markets in all three Scandinavian countries and has made it possible to maintain the high level of activity. Veidekke has signed employment contracts with some skilled workers, but has mainly made use of this manpower through subcontractors and hire of manpower from specially selected firms. We continue to set stringent standards for our partners as regards skills, quality and compliance with our HSE objectives.

Around 10 per cent of the company's employees are women. Most of the women in managerial positions work at middle manager level, but some women also hold positions in divisional top management and corporate staff management. Several work as project managers, site managers or staff managers. The Board of Directors emphasises the active efforts that are being made at Veidekke to increase recruitment of women into the company. This is done, for example, by taking active contact with upper secondary schools and colleges in all three Scandinavian countries. In Norway, all qualified women applicants for positions at Veidekke are called in for an interview. After several years of successful recruitment of newly qualified personnel, we now have a better basis for internal recruitment of women to managerial positions.

RECRUITMENT

Trainee scheme

For many years Veidekke has had its own trainee scheme for technical personnel and future managers. All newly qualified chartered engineers, engineers and economists in Veidekke in Norway participate in this scheme, which had almost 80 participants in 2007. Our plan is to increase this figure to approximately 90.

Apprenticeship scheme

It is Veidekke's policy to use its own craftsmen on its production sites. We are a leading training company and we give high priority to our apprenticeship scheme. The work of maintaining a high number of apprentices continued in 2007. At the end of the year, Veidekke had 195 apprentices under contract in Norway in building, heavy construction and asphalt. In Denmark we had 30 apprentices and in Sweden 82.

On-site learning

Veidekke's on-site learning project helps to recruit skilled workers both to Veidekke and to the industry in general in Norway. Through this project, Veidekke works hand in hand with the building industry, labour market authorities and schools to provide vocational education in close combination with practical training on the building site.

Skills and management

development

More and more resources are being used at Veidekke to provide good development programmes for different

groups of employees. A number of our skilled workers have bettered their qualifications with additional craft certificates. There is also considerable further development of all employees throughout the Group and, in spite of the very high level of activity in the industry, 2007 set a record in course and development activity. Veidekke offers a broad range of in-house courses in skills and management development. These courses are closely linked with the company's business and improvement strategy. In 2007 Veidekke Entreprenør drew up a new management development programme for its top managers.

In Denmark and Sweden, Veidekke is arranging, among other things, a strategic skills development programme for department managers and a development programme targeting site and project managers.

At corporate level, the most important programme is Veidekke's Scandinavian management development programme. A total of 134 of the company's top management have so far taken part in this programme, which focuses on professional development in addition to culture and network building. Part of this programme involves carrying out project tasks that are directly linked with the company's strategy.

Veidekke does not carry out much research, but invests heavily in systematic improvement processes and development of operating methods.

Partnership agreements

Through the Confederation of Norwegian Enterprise (NHO), Veidekke is an active supporter of Young Enterprise Norway. This project is directed at schools and aims to stimulate an interest in innovation and in science subjects, and thus in Veidekke's subject areas. Closely connected with this is Veidekke's involvement in education through partnership agreements with primary and secondary schools, which help to increase knowledge of the construction industry.

Interaction with elected representatives

Veidekke ensures employee participation by maintaining good relations with elected representatives. In Norway representatives for craftsmen are elected in each district and for each project. A conference is held each year for senior union representatives in Norway.

The Group's EWC (European Works Council), set up in line with EU regulations, is a central liaison body between the management and employee representatives at corporate level. In addition to exchanging information, the EWC discusses issues of strategic significance for the company. The main theme for the meeting in 2007 was improvement processes. The situation for the building and construction industry in Sweden was also on the agenda. Another important task for the EWC is to promote transfer of experience.

THE BOARD OF DIRECTORS' REPORT

MANAGEMENT SYSTEMS

In order to be able to look after its customers' needs and ensure project performance and value creation in the different projects, Veidekke has a highly decentralised organisation with a large degree of local responsibility and authority. Veidekke's activities consist of more than 1,000 ongoing projects, normally of three to fifteen months' duration. One of the main aims of the Group's management systems is to ensure control and oversight of these projects. This is achieved by systematic reporting from the projects. Reports are submitted ten times a year and deal with both financial and non-financial matters. The profitability and risk associated with each individual project are central financial parameters.

Veidekke is owned mainly by financial investors and independence from shareholders is therefore not a significant problem. One exception is OBOS, which holds 26 per cent of the company's shares. To ensure independence in relation to OBOS, owner representation and project cooperation are never handled by the same persons. Employees as a group hold 15.9 per cent of the shares. However, since no individual employee holds more than 0.3 per cent of the shares, there is no independence problem.

See also pages 46 – 51 in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

Veidekke's commitment to social responsibility is rooted in its basic values of being professional, honest, enthusiastic and ground-breaking. Veidekke focuses on people as users of its buildings and structures and its goal and driving force in every process is the creation of value through partnership.

To render visible its corporate social responsibility a company must be able to create profitability and, as a minimum, comply with laws and regulations. The company must also have the best possible relationship with its employees and managers, have basic values which it lives up to and which mean something to its employees, and be on the best of terms with its customers, suppliers and partners.

Corporate social responsibility also means that Veidekke must be aware of its duty towards its stakeholders and make sure that its actions contribute towards socially responsible business operations. One of the Group's qualitative main objectives is: "A Veidekke which by its actions contributes to sustainable development." Under its motto: "Creating value through partnership", Veidekke will work continuously to achieve its ambition of improving cooperation both internally and externally.

Consideration for social responsibility is incorporated in general guidelines and in the entities' management systems under specific headings such as ethics,

stopping clandestine employment, HSE and the external environment.

Ethical and social matters

Successful business operations require Veidekke to maintain a high ethical standard. Guidelines have been drawn up and are implemented throughout the organisation with the help of discussions and dilemma training in the company's different fora. This is done to ensure awareness of and compliance with the established norms. The company works specifically to ensure that values and ethics are integrated with the company's vision, objectives and business strategy. Veidekke also has an introductory programme for employees to the provisions in competitive law that apply to the Group.

An important part of the company's ethical foundation is to ensure the best possible working conditions throughout the organisation. Veidekke has developed rules and measures to prevent the use of illegal labour in its own workplaces. To this end, registration is carried out at project level and in 2008 identity cards will be required for access to the projects.

Veidekke has committed itself to safeguarding its employees' professional and social rights wherever it has operations. The international framework agreement between the Norwegian United Federation of Trade Unions, the Norwegian Union of General Workers and the International Federation of Building and Wood Workers is based on the rights laid down in the UN

Declaration on Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

HEALTH, SAFETY AND ENVIRONMENT

Injuries

In 2007, 76 lost-time injuries were registered in Veidekke's Scandinavian operations. This gave an injury rate of 7.0 as against 5.7 in 2006. Although the injury rate, i.e. number of lost-time injuries per million hours worked, has risen somewhat in Norway, it is still low. The injury rate in Denmark has also shown a slight increase, while in Sweden it continues to fall.

Work is being done continuously to register all near-accidents and undesirable incidents with a view to stopping them before they constitute a serious risk. In 2007 more than 9,000 such incidents were registered in Norway alone. Intense focus on reporting and handling of undesirable incidents will help to increase safety in the workplace.

Absence

Sickness absence in our Scandinavian operations remained fairly stable from 2006 to 2007 and for our craftsmen now stands at 6.4 per cent in Norway, 4.5 per cent in Sweden and 5.1 per cent in Denmark. The figure for all employees in Norway is 5.2 per cent, while it is 3.3 per cent in Sweden and Denmark. Prevention of sickness absence has high priority throughout the Group.

External environment

At Veidekke consideration for the environment is shown at all stages of the project – from planning, designing and production through management, operation and maintenance to demolition, segregation and recycling. Our aim is to register and control potential environmental risks related to our operations. Concern for the external environment is incorporated in the entities' management systems. Most of the impact on the external environment is related to energy use, waste, materials and the use of natural resources and to biological diversity. Veidekke works continuously to minimise the impact on the external environment. This is done through teamwork and transfer of experience within the Group and through interaction with external players.

One example is the TellHus concept adopted by our Swedish operations. In this concept CO₂ emissions in residential buildings are considerably reduced by using environment-friendly district heating, extra insulation, super-insulating glass and a number of other measures. The focus is on efficiency measures in the building or flat itself and on making it easy for the resident to be "climate smart." District heating can also be used during the building process to heat both portacabins and buildings. CO₂ emissions are reduced by 1.5 tonnes per flat per year. This is the amount a medium-sized petrol-driven vehicle emits per 10,000 km. Construction of TellHus flats in Västerås in Sweden will start this autumn.

Veidekke has joined 12 other leading Norwegian companies in the climate battle. This partnership, "KlimaGevinst 2020", will work to enable the Norwegian business sector to play a more significant role in national and international efforts to create a low-emission society. Veidekke has also become involved in "Klimaveien". This is a joint campaign for organisations associated with road transport and environmental efforts in Norway who wish, in collaboration with the Norwegian authorities, to mobilise a community effort to reduce CO₂ emissions from road traffic by 1 million tonnes or 10 per cent by the end of 2009.

Readers are referred to a more detailed presentation on pages 56 and 59 and to our separate CSR report.

SHAREHOLDERS AND STOCK MARKET

Veidekke's shareholders numbered 5,592 at the end of 2007 (4,406). The company's largest shareholders are OBOS Forretningsbygg A/S (26%), Folketrygdfondet (8.6%) and IF Skadeförsäkring AB (8.3%). The percentage of foreign investors was 32.3.

Trading of Veidekke shares on the Oslo Stock Exchange was good in 2007, with 61.6 million shares traded (43.4% turnover rate) and 38,937 trades of shares in the course of the year. The share price varied between NOK 41.50 at the lowest and NOK 74.40 at the highest. Return including dividend was 11.4 per cent.

THE BOARD OF DIRECTORS' REPORT

Veidekke qualifies for the Oslo Stock Exchange's information symbol and English symbol.

Sale of shares to employees

Another sale of shares to employees was effected in 2007, in line with Veidekke's strategy to strengthen ties with its employees through shares in the company. In May, 428 key personnel purchased shares at NOK 49.75 per share, which corresponded to a discount of 20 per cent on the market price during the subscription period. In November, all employees were invited to purchase between 50 and 2000 shares at a price of NOK 36.25 per share. This was a 20 per cent discount on the market price during the subscription period. The share issue was very popular and a total of 1,806 employees subscribed for shares.

At the end of the year, a total of 2,670 employees held 15.9 per cent of the shares in the company. This shows that our employees believe in the future development of the company and in Veidekke shares. It is also a pleasure to register a growing interest in shares among our employees in Denmark and Sweden.

Share buyback

The Board of Directors was authorised by the company's Annual General Meeting on 8 May 2007 to repurchase just under 10 per cent of Veidekke's own shares. This share buyback programme expires on 7 May 2008.

In the course of 2007, the company made periodic purchases of shares and by the end of the year 1.1 million shares, or 0.8 per cent of outstanding shares, had been repurchased. Buybacks have continued in 2008 and at 31 March 2008 the company held 3.9 million of its own shares, or 2.8 per cent of outstanding shares.

The Group's strong financial position and good future cash flows permit both investment and repurchase of shares. Veidekke's share buyback programme helps to ensure an optimum capital structure for the Group. The intention is to delete the repurchased shares. Veidekke's dividend policy will not be affected by the buyback programme and dividends will continue to constitute at least 50 per cent of earnings per share.

Dividend

The Board of Directors proposes a dividend of NOK 4 per share, or a total of MNOK 556.1, for the financial year 2007.

DISTRIBUTION OF PROFIT FOR THE YEAR

The financial statements for the parent company, Veidekke ASA, show a profit of MNOK 719.5 (MNOK 719.5). The Board of Directors will propose to the Annual General Meeting on 7 May 2008 that the profit be distributed as follows:

	MNOK
Allocated to dividend	556.1
Transferred to other equity	163.4
Profit for the year	719.5

The parent company's distributable reserves amount to MNOK 438 million (MNOK 337).

The Board of Directors also refers to the company's dividend policy, which is described under Shareholder Information.

MARKET OUTLOOK

The market outlook in Norway is still good and the level of activity is expected to remain high in 2008. A good market for non-residential building and heavy construction will help to compensate for a weaker housing market. Investment in upgrading and maintenance of public infrastructure will also provide good opportunities for our asphalt and road maintenance operations.

The Danish building and construction market is expected to show a downward trend in 2008, but from a high level. The lower level of housebuilding activity is due first and foremost to problems in the housing market. Growth is anticipated in the non-residential market in 2008, as a result of a greater demand for private and public administration buildings. A slight growth is also expected in heavy construction in the years to come.

Developments in the Swedish economy will depend on how the uncertainty in the financial markets affects the international economy in the time ahead. According to available consen-

sus estimates, 2.5 per cent growth in GNP is expected in Sweden in 2008.

A continuing good level of investment, satisfactory growth in income and a high employment rate will contribute to a favourable building and construction market in 2008.

The decline in the residential market at the end of 2007 is expected to continue in the first half of 2008, but there are indications of new growth in the second half of the year.

The general outlook for 2008 is good for the Veidekke Group. We will meet the uncertainty that prevails in different parts of our markets with continuous market surveillance, a streamlined organisation and focus on profitability and cost control.

Oslo, 31 March 2008
VEIDEKKE ASA
Board of Directors



Birte Almeland

Peder Chr. Løvenskiold



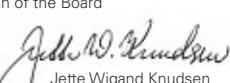
Kari Gjesteby

Martin Mæland



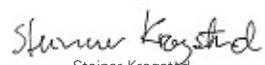
Göte Dahl

Göte Dahl
Chairman of the Board



Jette Wigand Knudsen

Nils Jarle Solevåg
Nils Jarle Solevåg



Steinar Krogstad

Hilde M. Aasheim
Hilde Merete Aasheim



Terje R. Venold

President and CEO

Profit and Loss Account Veidekke Group

(Figures in MNOK)	Note	2007	2006	2005
Operating revenues	1, 2, 6, 32	19 335.9	16 442.3	14 579.2
Subcontractors		-8 350.2	-7 286.4	-6 453.2
Cost of materials		-4 971.3	-3 915.6	-3 473.7
Wages	3, 4, 22, 30	-3 830.6	-3 306.5	-2 929.9
Other operating expenses		-1 067.7	-1 000.2	-916.7
Depreciation	11	-233.6	-221.4	-213.5
Total operating expenses		-18 453.4	-15 730.1	-13 987.0
Operating profit		882.5	712.2	592.2
Result from investment in associated companies and joint ventures	13, 33	325.8	206.9	63.5
Financial income	5, 8	80.4	74.9	116.3
Financial expenses	5, 8	-107.7	-71.1	-60.9
Profit before tax		1 181.0	922.9	711.1
Income tax expense	21	-179.9	-200.1	-139.7
Profit for the year		1 001.1	722.8	571.4
Profit for the year attributable to				
Majority interests' share		989.7	708.3	557.8
Minority interests' share		11.4	14.5	13.6
Total		1 001.1	722.8	571.4
Earnings per share (NOK) (ordinary/diluted)	7	7.1	5.0	3.9

Balance Sheet Veidekke Group
at 31 December

(Figures in MNOK)	Note	2007	2006	2005
ASSETS				
Non-current assets				
Goodwill	10	504.2	510.4	380.6
Buildings, land	11	495.2	423.4	498.8
Machinery etc.	11	927.3	740.6	636.7
Investments in associated companies and joint ventures	13	427.7	344.0	279.6
Deferred tax assets	21	45.6	21.1	28.4
Financial assets	14	405.4	240.7	184.8
Total non-current assets		2 805.4	2 280.2	2 008.9
Current assets				
Non-residential projects	15	73.6	78.0	26.3
Residential projects	16	1 297.0	912.8	620.1
Stocks	17	273.1	272.0	203.4
Debtors	19	3 743.1	4 244.5	3 027.3
Other receivables		234.7	193.2	138.9
Liquid assets	18	272.4	330.6	344.8
Total current assets		5 893.9	6 031.1	4 360.8
Total assets		8 699.3	8 311.3	6 369.7
EQUITY AND LIABILITIES				
Equity				
Share capital	20	70.1	71.5	71.5
Other equity		2 182.3	1 676.4	1 345.5
Minority interests		33.5	29.8	53.4
Total equity		2 285.9	1 777.7	1 470.4
Long-term liabilities				
Pension liability	22	259.8	256.7	257.6
Deferred tax	21	214.9	128.3	56.3
Debts to credit institutions	23	457.9	716.9	326.6
Other long-term liabilities	23	110.8	138.7	73.4
Total long-term liabilities		1 043.4	1 240.6	713.9
Short-term liabilities				
Debts to credit institutions	24	163.2	331.2	313.9
Creditors	25	3 030.6	2 866.7	2 163.2
Provisions etc.	26	620.8	563.4	574.7
Unpaid government charges	27	422.7	335.4	274.6
Payable tax	21	152.5	134.9	70.8
Other short-term liabilities	28	980.2	1 061.4	788.2
Total short-term liabilities		5 370.0	5 293.0	4 185.4
Total equity and liabilities		8 699.3	8 311.3	6 369.7

Statement of Changes in Equity Veidekke Group

(Figures in MNOK)	Note	MAJORITY INTERESTS						Minority interests	Total
		Share capital	Nom. value own share	Other called up and fully paid share capital*	Currency conversion differences	Other revenue reserves	Fair value adjustments**		
Equity at 1 January 2005	71.5			304.8	-8.0	1 127.7		1 496.0	141.8 1 637.8
Effect of implementation of IFRS 39							-76.8	-76.8	-76.8
IFRS 39 – change in hedging taken to profit/loss					-9.2	9.2	-	-	-
Conversion difference					-30.7		-30.7	-0.3	-31.0
IFRS 2 – share-based transactions employees	4					5.7	5.7		5.7
Redemption minority interests						-20.0	-20.0	-86.6	-106.6
Dividend						-515.0	-515.0	-15.1	-530.1
Profit for the year						557.8	557.8	13.6	571.4
Equity at 31 December 2005	71.5			304.8	-38.7	1 147.0	-67.6	1 417.0	53.4 1 470.4
Equity at 1 January 2006	71.5			304.8	-38.7	1 147.0	-67.6	1 417.0	53.4 1 470.4
Currency conversion differences					16.2			16.2	16.2
IFRS 39 – hedging PPP project	8					14.8	14.8		14.8
IFRS 39 – change in hedging taken to profit/loss					-9.4	9.4	-	-	-
IFRS 2 – share-based transactions employees	4					-26.0	-26.0		-26.0
Addition minority interests							-	0.8	0.8
Redemption minority interests	11						-	-35.5	-35.5
Purchases own shares				-1.1		-95.2	-96.3		-96.3
Dividend	20					-286.1	-286.1	-3.4	-289.5
Profit for the year						708.3	708.3	14.5	722.8
Equity at 31 December 2006	71.5	-1.1		304.8	-22.5	1 438.6	-43.4	1 747.9	29.8 1 777.7
Equity at 1 January 2007	71.5	-1.1		304.8	-22.5	1 438.6	-43.4	1 747.9	29.8 1 777.7
Cancellation of own shares	20	-1.4	1.4				-	-	-
Currency conversion differences					-31.1			-31.1	-31.1
IFRS 39 – hedging PPP	8					29.2	29.2		29.2
IFRS 39 – change in hedging over profit					-4.0	4.0	-	-	-
IFRS 2 – share-based transactions employees	4					-27.6	-27.6		-27.6
Addition minority interests							-	1.6	1.6
Purchases own shares	20			-1.4		-89.9	-91.3		-91.3
Dividend	20					-364.4	-364.4	-9.3	-373.7
Profit for the year						989.7	989.7	11.4	1 001.1
Equity at 31 December 2007	70.1	-1.1		304.8	-53.6	1 942.4	-10.2	2 252.4	33.5 2 285.9

* Fully paid capital over and above nominal value of shares.

** Adjustment in value of shares available for sale and hedging instruments that are reported as hedging.

(Figures in MNOK)	Note	2007	2006	2005
OPERATING ACTIVITIES				
Profit before taxation		1 181.0	922.9	711.1
Tax paid	21	-100.2	-77.0	-55.2
Depreciation	11	233.6	221.4	213.5
Gains on sales of property, machinery, etc.	2	-25.1	-21.0	-82.0
Share-based transactions entered against equity	4	-43.9	-26.0	5.7
Profit and loss items without cash flow effect	1	55.1	-99.5	-30.2
Generated from this year's activities		1 300.5	920.8	762.9
Change in non-residential and residential projects		-376.4	296.6	80.3
Change in debtors		508.7	-1 122.9	-751.1
Change in other current assets		-39.2	-115.4	-11.2
Change in creditors etc.		156.1	627.6	259.1
Change in other operating debts		19.1	307.5	315.3
Net cash flow from operating activities (A)		1 568.8	321.0	655.3
INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	11	-542.7	-394.5	-322.9
Sales of property, plant and equipment	11	72.5	152.1	64.3
Purchases of subsidiaries	12	-13.8	-42.3	-7.4
Purchases of other companies	12, 14	-149.5	-	-
Sales of shares classified as available-for-sale		-	-	174.0
Change in other investments	14	-64.3	-61.5	-1.3
Net cash flow from investment activities (B)		-697.8	-346.2	-93.3
FINANCING ACTIVITIES				
New long-term borrowing	23	49.9	397.9	16.6
Repayment long-term debts	23	-336.8	-12.4	-13.9
New short-term borrowing		-	169.4	289.3
Repayment short-term debts	28	-168.0	-152.1	-268.9
Payment to minority interests		-7.8	-15.8	-106.5
Dividend paid	20	-364.4	-286.1	-530.1
Buy-back own shares	20	-91.2	-96.8	-
Net cash flow from financing activities (C)		-918.3	4.1	-613.5
TOTAL NET CHANGE IN LIQUID ASSETS (A+B+C)		-47.3	-21.1	-51.5
Liquid assets at 1 January		330.6	344.8	400.5
Exchange rate adjustment foreign liquid reserves		-10.9	6.9	-4.2
Liquid assets at 31 December		272.4	330.6	344.8
Supplementary information				
Long-term borrowing facilities DNB NOR	8	2 100.0	2 100.0	2 100.0
Used committed borrowing facilities at 31 December		418.7	824.7	472.0

The Veidekke Group is engaged in construction and property development in Scandinavia. Its corporate headquarters are in Oslo. Veidekke is listed on the Oslo Stock Exchange. Further information about Veidekke's operations can be found on pages 8 to 41. The consolidated accounts were adopted by the Board of Directors on 31 March 2008.

International accounting standards

The consolidated accounts have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and Interpretations. Only standards that entered into force before 31 December 2007 have been applied.

Historical costs

With the exception of certain financial instruments which are entered at fair value, the consolidated accounts have been prepared on a historical cost basis.

Implementation of new financial reporting standards and interpretations

The applied standards are consistent with the standards that have been used in previous years.

The Group has applied the following amended IFRS/IFRIC interpretations throughout the year. The application of the revised standards had had no effect on the consolidated profit and loss account, but has led to an increase in information in the Notes.

IAS 1 (Amendment) – Presentation of Financial Statements – Management of capital. This amendment introduces new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

IFRS 7 – Financial Instruments: Disclosures. This standard requires disclosures to enable users of the annual financial statements to evaluate the Group's use of financial instruments and their significance for the enterprise's financial standing and earnings.

IFRIC 8 – Scope of IFRS 2 – This interpretation has not led to any changes in the Group's handling of share-based payment pursuant to IFRS 2.

IFRIC 9 – Reassessment of Embedded Derivatives – This interpretation has had no effect on the presentation of the consolidated accounts and notes.

IFRIC 10 – Interim Financial Reporting and Impairment. The Group has had no impairment losses which have previously been reversed. This interpretation has therefore no effect on the Group.

Estimates

Veidekke's operations consist mainly of construction work for the client's account and building of flats for sale for its own account, i.e. execution of projects. For its projects, Veidekke applies continuous income reporting (percentage of completion method) based on the anticipated final profit (final prognosis) and degree of completion. This means that income is entered in accordance with the execution of the work.

Continuous income reporting entails some uncertainty, since it is based on estimates and assessments. For projects under construction, uncertainty refers to progress of ongoing work, disputes, work under guarantee, final prognosis, etc. The final profit may therefore differ from the anticipated profit. For completed projects, uncertainty refers to hidden deficiencies and possible disputes with the client.

Other items that are affected by estimates are the useful life of operating equipment, goodwill, pensions and use of deferred tax assets.

CONSOLIDATION

Consolidated accounts

The consolidated accounts include Veidekke ASA (parent company) and all of its subsidiaries. Subsidiaries are defined as companies in which the Group has a controlling interest. A controlling interest is normally achieved when the Group owns more than 50 per cent of the shares in the company and is also in a position to exercise control over the company. Groups can be formed by establishing new companies, by purchasing companies or through mergers. Subsidiaries are consolidated in the accounts when a controlling interest is achieved and until it ceases. This also applies to joint ventures and associated companies.

The consolidated accounts show the Group's profit and financial position as one legal entity and they 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. Associated companies and joint ventures are also incorporated in the consolidated accounts using the equity method of accounting. Participation in working partnerships is entered in the accounts according to the gross method, i.e. proportional consolidation.

Partly-owned subsidiaries are incorporated in the consolidated accounts in their entirety. The minority share of the subsidiary's equity constitutes part of the Group equity. The minority share of the profit is included in the consolidated profit for the year. The minority share of the profit and equity are specified as separate items in the accounts. When purchasing a subsidiary with minority interests, 100 per cent of identifiable assets and liabilities are entered in the consolidated balance sheet, but only the majority share of goodwill is entered. When part of a subsidiary is sold and more than 50 per cent of the shares are retained, no gain is entered in the profit and loss account.

When Veidekke buys out the minority interests in a subsidiary, goodwill relating to the transaction is identified and entered in the balance sheet. An amount corresponding to book minority interests is entered against this item, while the excess value of identifiable assets is entered against the majority's equity.

When Veidekke has a firm agreement entailing a right and obligation to purchase the remaining shares from a subsidiary, this subsidiary is recognised in the accounts as a wholly-owned subsidiary. The estimated purchase price is then entered under long-term liabilities, while 100 per cent of goodwill on purchase is entered as an asset. No minority interest is recognised for these companies.

All intra-Group transactions and balances are eliminated in the consolidated accounts. This applies in the first place to shares in subsidiaries, which are eliminated against equity and assets (excess values at time of purchase). It also applies to intra-Group trading, interest, dividends as well as receivables and liabilities. Intra-Group profit and unrealised gains and losses are eliminated. Intra-Group transactions

are also eliminated when using the gross method of accounting. A proportionate share is then eliminated.

Business combinations

Business combinations are purchases of operations, purchases of companies and mergers. They are entered in the accounts according to the purchase method. Under this method of accounting, original cost is assigned to identifiable assets and liabilities and entered in the consolidated balance sheet at fair value. The excess value at time of purchase is assigned to the items to which the excess value relates. The excess value is equal to the original cost less the equity in the company. Identifiable assets also include intangible assets, such as patents, licences, trademarks, logos, customer portfolios, order backlog, etc.

Excess values over and above identifiable assets and liabilities constitute goodwill. Goodwill includes synergies, organisation, know-how, market, etc. Only purchased goodwill is entered in the balance sheet. Negative goodwill at time of purchase is entered in the profit and loss account immediately. For identifiable excess values, provision is made for deferred tax, while no provision is made for deferred tax in the case of goodwill. Tangible excess values are depreciated in the ordinary way, while goodwill and intangible assets with an indeterminable lifespan are tested annually for impairment.

When companies are purchased for property operations, an evaluation is made to determine whether this is in reality the purchase of operations or of an asset (land). The difference for accounting purposes is that no goodwill is identified in the case of an asset purchase, and this is not regarded as investment activity.

Associated companies

Veidekke has some investments in associated companies. Associated companies are companies in which the investing company can exercise significant influence over financial and operating policies, but which are not subsidiaries or joint ventures. Considerable influence will normally mean that the investing company holds more than 20 per cent of the shares in the company. Veidekke uses the equity method of accounting for associated companies. The accounts of associated companies are converted to IFRS prior to incorporation in Veidekke's consolidated accounts.

Joint ventures

Veidekke is also engaged in operations with other enterprises, so-called joint ventures. Some of these operations are managed through separate legal entities, which may be limited companies or general partnerships. These are regarded as joint venture entities. Joint venture companies are mostly used in property development, and also for investment in PPP companies and construction operations. In joint venture companies, joint control of the company is governed by an agreement. Joint control means unanimity among the participants on important decisions. Veidekke uses the equity method of accounting for joint venture companies.

The equity method of accounting

Under the equity method, investments are valued as the share of equity in the enterprise and the share of the profit is entered as income (profit after taxation). When part of a company is purchased, the investment is reported at original cost, i.e. the share of the equity plus excess value at the time of the purchase, including goodwill. The share of the profit and investment are specified in the profit and loss account and balance sheet. Profit less distributions is added to the investment in the balance sheet. When calculating the share of the profit, depreciation of tangible excess values at time of purchase and internal gains are taken into account. Negative equity in the company is entered in the balance sheet only when there is liability to cover the loss.

Construction Consortiums

Veidekke also runs operations along with other enterprises through working partnerships. A working partnership exists when two or more participants undertake a construction project together and when they share the risk in the project (profit and loss). Separate accounts are kept for working partnerships. Working partnerships constitute part of Veidekke's ordinary activities and the company takes an active part in the management of these entities. A working partnership is a joint venture, and its activities are regarded as joint venture operations. This means that operations are controlled jointly by the participants, as laid down by agreement. This requires unanimity on important decisions.

Veidekke uses the gross method of accounting (proportional consolidation) for working partnerships, since a

working partnership is not a separate legal entity. With the gross method, each participant includes its share of the partnership's accounts and each line in the profit and loss account and balance sheet is incorporated.

Other investments

Other investments (shares) are entered in the accounts in accordance with IAS 39.

Conversion of foreign companies

The Group presents its financial statements in Norwegian kroner. This is also 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
- profit and loss account items are converted at the transaction rate (average rates)
- conversion differences are entered against equity until disposal of the foreign entity.

Profit and loss accounts are converted at the average rate of exchange for a period, normally a month. Excess value at time of purchase is regarded as part of the foreign entity and is treated as an item in foreign currency. Conversion differences are entered against equity as they arise. In the case of whole or partial disposal of a foreign entity, the accumulated conversion differences are entered in the profit and loss account. Sale and liquidation of a company, repayment of capital, etc. count as disposal. At the time of transition to IFRS on 1 January 2004, all conversion differences were set at zero.

INCOME REPORTING

Projects

Veidekke operates mainly as contractors on projects lasting from a few months to three or four years. This applies to all types of building, heavy construction and asphalt work, including long-term contracts for the operation and maintenance of public roads. Veidekke uses continuous income reporting for projects, based on the estimated final profit. This means that income is reported in line with the execution of the work, based on the percentage of completion. Follow-up of the projects focuses on the estimated final

profit (final prognosis) and profit to date is equal to estimated final profit multiplied by the percentage of completion.

Additional claims and disputed amounts are normally not taken to income until agreement has been reached or a legally binding court ruling has been given. In the case of relatively certain claims, an estimated part of the claim is taken to income. Provision is made for guarantee work based on historic experience and identified risks. The guarantee period is normally from three to five years.

For projects that are expected to show a loss, the whole loss is entered in the profit and loss account as soon as it has been identified. Costs relating to tenders and other preparations are expensed as they are incurred. The percentage of completion is determined on the basis of the work executed 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 plus accruals for time lag in invoicing (Accrued but not recorded). Income to date is equal to total anticipated expenses plus project contributions multiplied by the percentage of completion.

Projects are normally invoiced monthly with 30 days' credit. The projects have different payment plans. Invoicing is done either in step with the execution of the work or in accordance with pre-agreed payment plans.

Accrual accounting is used for both income and expenses. Non-invoiced earned income is booked under debtors (Executed, not invoiced). Unearned invoiced income (advance payment plans) is also booked under debtors (Invoiced, not executed). Only one of these may be applied per project. If the item "Invoiced, not executed" is larger than book debtors for the project, the surplus is entered as advance payment from customers (Other short-term liabilities). Each project thus shows either a net receivable from the customer or a net debt to the customer. Cost accruals (Accrued, not recorded) are entered under creditors, while provision for guarantee work on completed projects is entered under guarantee provisions etc.

Reference is made to Note 6 Projects in progress, Note 19 Debtors, Note 25 Creditors and Note 26 Guarantee funds etc.

Non-residential projects

Non-residential projects involve the development and construction of non-residential buildings for sale for Veidekke's own account. Veidekke acquires land and properties for the development and erection of non-residential buildings, finds long-term tenants. The acquired land and outlays on non-residential projects are entered in the balance sheet under Non-residential projects. Non-residential buildings for Veidekke's own account are not entered in the profit and loss account until the project is completed and the building is fully let or sold. When it is likely that a non-residential project will be initiated, all project-related costs including interest are capitalised. Loss-making projects are charged to income immediately.

Residential projects

Residential projects involve the building of houses for sale for Veidekke's own account. A housing project consists of many units and most of the sales take place before project start-up.

Projects under development or advance sales:

Development expenses are charged to income until it is considered highly likely that the project will be initiated. Financial expenses are charged to income as they occur. Land is capitalised.

Projects under construction:

No income is reported until the sales rate in value exceeds 60%. The profit is accrued in accordance with the projects estimated final profit multiplied by the sales rate multiplied by the percentage of completion.

Income to date is also calculated in this way. When calculating the anticipated profit, only directly attributable expenses are regarded as project expenses. Financial expenses are charged to income as they occur. Loss-making projects are charged to income immediately. Payment is made for residential projects for own account when the project is taken over. Earned, not invoiced income is entered under Debtors (Executed, not invoiced). Land for development and outlays on the part of the project that has not been taken to income are entered in the balance sheet under Residential projects.

PPP project

Veidekke participates in a major PPP project (public private partnership) involving the construction of a road between Lyngdal and Flekkefjord and a subsequent 25-year operation and maintenance period. The construction work was completed in 2006.

A PPP project consists of several elements: the PPP contract, the construction contract and the operation and maintenance contract.

The PPP contract is reported in accordance with IFRIC 12 (Financial Asset Model) as a financial asset at cost amortised over the contract period. At the time of submission, the EU had not approved IFRIC 12 for use in the EU. According to EFRAG (European Financial Reporting Advisory Group), the EU can be expected to approve the use of this standard in the course of 2008. It is our opinion that IFRIC 12 gives the most correct expression of earnings from the contract and alternative accounting policies will not give a correct view of the activity. The construction contract is reported as an ordinary construction project and operation and maintenance of the road are entered in the profit and loss account as the work is executed.

The PPP contract was awarded to associated company Allfarveg AS, for which Veidekke applies the equity method of accounting.

Other operations

Income from sales of products (aggregates, asphalt etc.) is entered on delivery. Income from hire operations is reported as the agreed rental fee per day/month is received. Income from services rendered, consultancy assignments etc. is also reported continuously. Sales of non-current assets are recognised in the profit and loss account when they are handed over. Gains on sales of non-current assets are entered net under Operating revenues.

Guarantee funds etc.

Provision is made in the accounts when the Group has an obligation (legal or self-imposed) as a result of a previous incident and it is probable that a financial settlement will take place as a result of that obligation and the size of the amount can be measured reliably. Provision is made for

confirmed work under guarantee and for probable concealed non-conformities. Reference is made to Note 26.

OTHER POLICIES

Financial instruments

The Group classifies investments in the following categories:

1. *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if it is acquired primarily with the intention of selling it in the course of a short time. Gains and losses on investments held for sale are recognised in the accounts as they occur. Veidekke has currently no such financial assets.

2. *Held-to-maturity investments*

Veidekke does not undertake such investments and this category is therefore not described in detail.

3. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised in the balance sheet at amortised cost using the effective rate of interest method, with a deduction for any write-downs. Loans and receivables are included under Debtors and other receivables in the balance sheet. Gains and losses are taken/charged to income when loans or receivables are deducted or devalued.

4. *Available-for-sale financial assets*

Available-for-sale financial assets are financial investments which are either designated in this category or cannot be classified in the other categories. After first-time inclusion, investments available for sale are measured at market value where increases in value are entered directly against equity as a separate component, until the investment is sold or it is determined that the investment shall be written down. The accumulated values, which were previously recognised in equity, are then transferred to the profit and loss account. The market value of investments that are not part of an active market are valued at market price by applying generally accepted valuation techniques. In the absence of an active market with clear indications of market price, the original cost will normally be used.

Writing down financial assets

If there are indications of impairment relating to loans and receivables that are valued at amortised cost, the write-down amount is calculated as the difference between the asset's balance sheet value and present value of anticipated future cash flows. The write-down amount is charged to income.

Veidekke has two types of financial risks relating to the Group's debtors: credit risk and project risk. Credit risk relates to the customer's ability to pay. This risk has always been low at Veidekke because contracts normally require bank guarantees, among other things. Provision for such losses is made using a separate "Provision for bad debts" account. The other risk, project risk, relates to the customer's willingness to pay its debts. This risk is considerable and it is treated as part of the individual project's valuation. In the accounts, such impairment will be presented as a direct reduction of customer receivables. In the Notes, it will be presented as part of the item "Invoiced, not executed." See Note 19.

If a financial asset that is classified as available for sale based on objective criteria has been the object of impairment, the loss will be entered in the profit and loss account as a write-down. A reversal of the impairment of available-for-sale financial instruments is not entered in the profit and loss account, but entered directly against consolidated equity.

Derivatives and hedging transactions

Derivatives are initially entered in the accounts at fair value and subsequently re-evaluated with each submission of accounts. On entering into a derivative agreement, the Group defines whether this is fair value hedging of an accounting item or hedging of an obligation it has entered into (hedging of cash flows).

Changes in the fair value of derivatives that are both defined as hedging and satisfy the requirements for hedging of cash flows are entered under equity. Equity items are reversed and entered as income or expenses during the period the hedged obligation or transaction affects the profit and loss account.

Changes in the fair value of derivatives that do not qualify as hedging are entered in the profit and loss account as they occur.

Financial obligations – Loans

Loans are reported in the accounts as the amount that is received less directly related transaction costs. The loan is thereafter entered at amortised cost by using the effective rate of interest method.

Deduction of financial assets and obligations

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

Pensions

Most of the Veidekke companies have pension schemes for their employees. These include both defined-contribution and defined-benefit plans.

In the case of defined-contribution plans, the enterprise makes a contribution to the employee's pension savings. Here, the future pension depends on the size of the contribution and return on the pension funds. The cost to the enterprise is equal to the contributions for the year. The enterprise's only commitment is to make an annual contribution, and no commitment is entered in the balance sheet. Veidekke's subsidiaries in Denmark and Sweden have defined-contribution plans.

In the case of defined-benefit plans, the enterprise commits itself to providing a pension of a specified size. Veidekke's pension schemes are financed either by funds or by operations. The pension scheme for employees in Norway normally provides a pension amounting to 60 per cent of salary on retirement, including public pension benefits. Here, the enterprise bears the risk for the return on pension funds. An actuarial calculation is made each year of pension costs and pension commitments. Pension commitments equal the present value of earned pension rights. Employees' pension rights are entered as costs as they are earned, and provision is made for pension commitments in the balance sheet. The pension calculation takes into account estimated wage growth and pension costs are distributed linearly over the employment period.

Contractual early retirement pension rights are distributed in the same way.

For defined-benefit plans, the net value of pension commitments and pension funds is entered in the balance sheet under Long-term liabilities or Receivables. Pension funds consist of a premium fund and a share of the life assurance company's funds (mathematical reserve). Pension costs consist of the present value of the year's earning plus interest on the commitments less return on the pension funds. Estimate variances are recognised in the profit and loss account.

In defined-benefit plans, an annual difference arises between the estimated and actual return on pensions funds and between estimated and actual pension commitments, so-called estimate variances. This is due to differences and changes in the assumptions. Veidekke has adopted the "corridor" approach to estimate variances and they are thus entered in the balance sheet. The corridor is defined as the greater of 10 per cent of pension funds or of pension commitments. Estimate variances which exceed the corridor are amortised (reported in the profit and loss account) over the average remaining earning period. Changes in plans are entered in the profit and loss account immediately, unless the change depends on the employees' remaining in the enterprise, in which case the change is amortised over the remaining earning period.

Tax

Income taxes are tax on the company's profit. Tax is treated in the accounts as an expense and is accrued in the normal way. Tax for the year consists of payable tax and change in deferred tax. Payable tax is fixed on the basis of the company's taxable profit for the year. Deferred tax is a provision (accrual) for future payable tax.

Deferred tax/tax assets are calculated on all timing differences between accounts and tax, with the exception of timing differences relating to goodwill which is not tax deductible. Timing differences arise because some items are treated in different ways in financial accounts and tax accounts. Both tax-increasing and tax-reducing timing differences occur. Deferred tax is calculated on net timing differences, i.e. by offsetting tax-increasing against tax-reducing timing differences. A nominal tax rate is used to calculate

deferred tax. Deferred tax assets relating to loss carry-forward are entered in the accounts when it is probable that the company will have an adequate profit in the next three years to make use of the assets.

Payable tax and deferred tax relating to equity transactions are charged directly to equity. Tax items relating to unrealised intra-Group gains are eliminated along with these.

Tangible non-current assets

Tangible non-current assets consist of plant, buildings, machinery, equipment, etc. Veidekke books tangible non-current assets at historic cost. Tangible non-current assets are valued at original cost less accumulated depreciation and write-downs. Tangible non-current assets are entered in the balance sheet when it is probable that future financial advantages linked with the asset will accrue to the enterprise and the original cost can be measured in a reliable way. This applies both on first-time purchase of operating equipment and on later changes, conversions, overhauls, etc. Other repairs and maintenance are entered as expenses as they arise. Tangible non-current assets are depreciated linearly over their estimated useful life.

The estimated useful life for the present period and comparable periods is as follows:

- Vehicles: 4-5 years
- Machinery etc.: 5-7 years
- Asphalt plants: 10 years
- Bitumen tanks: 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 reported in the profit and loss account and constitute the difference between sales price and book value. When there are indications of impairment, non-current assets are written down to a recoverable amount if this is lower than the book value.

Financial lease agreements

Financial lease agreements (leasing) are agreements where most of the financial risk and control relating to the object has been transferred to the lessee. Financial lease agreements for operating equipment are entered in the balance sheet and depreciated in the normal way, while leasing

commitments are entered as debts to credit institutions. The lease agreement is entered in the balance sheet at the lower of the present value of the leasing payments and the fair value. The year's leasing payment consists of interest, which is entered under Interest charges, and an instalment part, which is entered under Repayment of debts.

Operating lease agreements

Lease agreements where most of the financial risk and control has not passed to the lessee are classified as operating lease agreements. For operating lease agreements, leasing payments are entered as expenses linearly over the leasing period and commitments are not entered in the balance sheet.

Write-down of non-current assets

Non-current assets are written down to a recoverable amount if this is lower than the book value. The recoverable amount is the higher of net sales value and utility value. The utility value is the present value of the future cash flows that the asset is expected to generate. If there is an indication that the asset will fall in value, the recoverable amount is used and the asset is written down as required.

Intangible non-current assets with an indeterminable life and goodwill are tested for impairment in the fourth quarter each year and are written down as required. The utility value is calculated per cash generating unit (CGU). If a CGU has to be written down, goodwill is written down first. Other assets are then written down proportionately. If the value of written-down intangible non-current assets rises again later, the write-down is reversed. However, the write-down of the goodwill is not reversed.

The calculation of a CGU is based on future estimated cash flows for the unit, discounted at a suitable rate (risk-free rate plus risk). The calculation is based on the CGU's budgets and prognoses, including scrap value. Maintenance costs and replacement investment are also taken into account, but not expansion investment. Financing expenses and tax are not included in the calculation.

Foreign currency

Monetary items in foreign currency are assessed at the exchange rate on the balance sheet date and related currency gains/losses are entered in the profit and loss

account. 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 transaction is taken as the basis for original cost, i.e. is not converted later. This applies to tangible non-current assets, products, etc.

Classification

Assets and liabilities relating to normal operating cycles (projects) are classified as current assets and current liabilities. Veidekke has debts to credit institutions in the form of withdrawal rights which are used to finance both noncurrent assets (investments) and working capital. The agreed due date is 2010. This is classified as a long-term loan. Other debts to credit institutions which are taken up to finance non-current assets (investments) are classified as long-term liabilities, while other loans that are taken up to finance working capital (current assets) are classified as short-term liabilities. Other receivables and debts due for payment more than a year hence are classified as non-current assets and long-term liabilities. The first year's instalments on long-term liabilities are classified as short-term liabilities.

Stocks

Stocks consist of project stocks and stocks for crushed stone and asphalt operations. Project stocks are included in project valuations. Stocks for crushed stone and asphalt operations are entered in the accounts at the lower of total production costs and net sales price.

Share discounts

Veidekke buys back its own shares and resells them to its employees at a discount. These sales of shares are reported in accordance with IFRS 2 on share-based payment. The discount is expensed at fair value at the time of allocation, taking the lock-in period into account. This means that the discount is calculated using an option pricing model. The fair value of the discount is charged to Wages. Reference is made to Note 4.

Development costs

Veidekke does not carry out much research and development of products etc., but it is engaged to some extent in development of operating methods etc. This is charged as an expense as it arises.

Proposed dividend

The proposed dividend is not entered as a liability until it has been approved by the Annual General Meeting and it is therefore part of equity at 31 December.

Uncertainties

Veidekke's projects are affected to a great extent by estimates which entail some uncertainty (see page 78 under Estimates). Information about uncertainties is provided in Note 32.

Loan expenses

Loan expenses are charged to the profit and loss account as they are paid.

Own shares

Repurchased shares are booked at cost price including directly attributable costs such as changes in equity. The company's own shares are presented as a reduction in equity. Losses or gains on transactions with own shares are not recognised in the profit and loss account.

Liquid assets

Liquid assets consist of cash and bank deposits and short-term liquid investments with a maximum term of three months, which can be converted into cash immediately.

Cash flow statement

The cash flow statement is drawn using the indirect method.

In the property divisions, investments are made continuously in new development projects, including land. These are regarded as part of operating activities and are presented under operating activities in the cash flow statement. Associated companies and joint ventures are also used as part of operating activities for the development of property projects. These are regarded as operational activities. This includes both purchases and sales of associated companies and joint ventures. In the other divisions in the Group, purchases and sales of companies are classified as investment activities.

IFRS and IFRIC standards which have not been applied:

- IAS 1 (Amendment) – Presentation of Financial Statements – revised presentation
- IAS 23 (Amendment) – Borrowing costs
- IFRS 3 (Amendment) – Business combinations
- IFRS 8 – Operating Segments
- IFRIC 11 – IFRS 2 Share-based payment – transactions with own shares
- IFRIC 13 – Customer loyalty programmes
- IFRIC 14 – IAS 19 Guidance on entering pension commitments as an asset

These standards will be implemented from the date on which the EU requires them to be followed.

Only the amendments in IAS 23 can be expected to have any significant effect on the profit and loss account and balance sheet. This standard requires capitalisation of interest charges relating to projects. Up until now, interest charges have been entered as expenses as they are incurred except for interest on non-residential projects. According to preliminary estimates the implementation of this standard will increase the consolidated equity by approximately MNOK 41. The new IAS 23 has not yet been approved for use in the EU. Other implementations are not expected to have any significant effect on Veidekke's consolidated accounts.

IFRIC D21 -

Possible new accounting policies in the future

The International Accounting Standards Board (IASB) is discussing changes in the accounting standards for sales of flats for a company's own account. It is discussing at what point in time revenue can be recognised in the profit and loss account. The practice in Veidekke and in great parts of Europe is to recognise revenue as it earned in line with the sales rate and percentage of completion (ref. IAS 11). The new draft rules issued in IFRIC D21 propose that revenue should not be taken to income until the flat has been handed over to the owner and that the sale of a flat must be treated in the accounts in the same way as the sale of a product (IAS 18).

The European Financial Reporting Advisory Group (EFRAG) and other central consultative bodies are very critical to the proposed changes in the rules. In our view, it is therefore not clear whether new rules will in fact be introduced and, if they are, when they will enter into force.

Note

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- 3 Wage costs
- 4 Shares to employees
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- 6 Projects in progress
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- 9 PPP Project Allfarveg
- 10 Goodwill
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- 13 Investments in associated companies and joint ventures
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Note

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- 27 Unpaid government charges
- 28 Other short-term liabilities
- 29 Mortgages, guaranteees and joint and several liability
- 30 Compensation to company officers
- 31 Lease commitments
- 32 Uncertainties
- 33 Transactions with closely related parties
- 34 Group structure

Notes to Accounts Veidekke Group

Figures in the tables in MNOK

Note 1 BUSINESS SEGMENTS

Disclosure for business segments is made for each area of activity and geographical segment. Areas of activity are the Group's primary reporting format and geographical segments are its secondary reporting format. Information about the areas of activity can be found on pages 8-41.

A Areas of Activity

Profit and Loss Account	Construction			Property			Industry		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Operating revenues	15 390.5	13 024.4	11 113.8	2 319.7	2 196.7	1 905.4	2 906.9	2 337.1	2 185.6
Operating expenses	-14 835.5	-12 549.9	-10 707.0	-2 002.4	-1 933.1	-1 643.2	-2 637.6	-2 118.1	-1 994.2
Depreciation	-98.4	-82.8	-72.6	-8.2	-24.8	-25.7	-118.7	-106.1	-105.3
Operating profit	456.6	391.7	334.2	309.1	238.8	236.5	150.6	112.9	86.1
Share of profit, associated companies and joint ventures	-2.9	3.6	2.2	303.9	182.1	53.4	19.8	19.0	5.1
Net financial items	96.9	56.9	34.0	-79.0	-30.7	-14.2	-40.3	-19.3	29.2
Profit before taxation	550.6	452.2	370.4	534.0	390.2	275.7	130.1	112.6	120.4

Profit and Loss Account	Other operations/items			Group		
	2007	2006	2005	2007	2006	2005
Operating revenues	-1 281.2	-1 115.9	-625.6	19 335.9	16 442.3	14 579.2
Operating expenses	1 255.7	1 092.4	570.9	-18 219.8	-15 508.7	-13 773.5
Depreciation	-8.3	-7.7	-9.9	-233.6	-221.4	-213.5
Operating profit	-33.8	-31.2	-64.6	882.5	712.2	592.2
Share of profit, associated companies and joint ventures	5.0	2.2	2.8	325.8	206.9	63.5
Net financial items	-4.9	-3.1	6.4	-27.3	3.8	55.4
Profit before taxation	-33.7	-32.1	-55.4	1 181.0	922.9	711.1

Balance Sheet at 31 December	Construction			Property			Industry		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Non-current assets	959.9	890.4	704.7	539.4	347.1	424.4	957.0	815.3	735.8
Current assets	2 534.0	2 492.2	1 899.1	2 524.0	2 744.6	1 827.6	612.1	499.0	408.6
Cash and cash equivalents	2 130.2	1 546.7	1 948.6	173.3	-	-	-	-	-
Total assets	5 624.1	4 929.3	4 552.4	3 236.7	3 091.7	2 252.0	1 569.1	1 314.3	1 144.4
Equity	997.4	810.2	757.5	1 301.0	889.7	525.0	221.9	255.0	252.8
Long-term liabilities	435.2	620.5	285.2	954.3	888.9	1 184.9	901.8	643.6	545.1
Short-term liabilities	4 191.5	3 498.6	3 509.7	981.4	1 313.1	542.1	445.4	415.7	346.5
Total equity and liabilities	5 624.1	4 929.3	4 552.4	3 236.7	3 091.7	2 252.0	1 569.1	1 314.3	1 144.4
Gross investment	225.5	274.3	115.1	81.7	33.9	44.2	245.1	194.0	163.0
Invested capital	-	-	-	2 346.1	2 483.9	1 759.7	1 047.2	815.4	739.6
Investment in associated companies and joint ventures	11.7	17.4	14.5	244.4	239.5	213.1	120.2	69.9	52.0

Balance Sheet at 31 December	Other operations/items			Group		
	2007	2006	2005	2007	2006	2005
Non-current assets	349.1	227.4	144.0	2 805.4	2 280.2	2 008.9
Current assets	-48.6	-35.3	-119.3	5 621.5	5 700.5	4 016.0
Cash and cash equivalents	-2 031.1	-1 216.1	-1 603.8	272.4	330.6	344.8
Total assets	-1 730.6	-1 024.0	-1 579.1	8 699.3	8 311.3	6 369.7
Equity	-234.4	-177.2	-64.9	2 285.9	1 777.7	1 470.4
Long-term liabilities	-1 247.9	-912.4	-1 301.3	1 043.4	1 240.6	713.9
Short-term liabilities	-248.3	65.6	-212.9	5 370.0	5 293.0	4 185.4
Total equity and liabilities	-1 730.6	-1 024.0	-1 579.1	8 699.3	8 311.3	6 369.7
Gross investment	13.5	7.7	9.3	565.8	509.9	331.6
Invested capital				2 907.0	2 843.8	2 110.9
Investment in associated companies and joint ventures	51.4	17.2	-	427.7	344.0	279.6

Other information at 31 December

	Construction			Property			Industry		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
No. of employees	5 101	5 108	4 517	120	114	89	1 212	1 085	985
Profit and loss items with no effect on cash flow (except for write-downs and depreciation)*	68.3	26.6	1.3	13.6	-71.5	-37.8	-10.8	-39.2	1.8
Orders-on-hand	13 133	12 302	10 777	-	-	-	-	-	-
- due for completion within 12 months	10 380	9 564	8 537	-	-	-	-	-	-

	Other operations/items			Group		
	2007	2006	2005	2007	2006	2005
No. of employees	880	748	589	7 313	7 055	6 180
Profit and loss items with no effect on cash flow (except for write-downs and depreciation)*	-16.0	-15.4	4.5	55.1	-99.5	-30.2
Orders-on-hand	130	79	125	13 263	12 381	10 902
- due for completion within 12 months	130	70	110	10 510	9 634	8 647

* Profit and loss items with no effect on cash flow relating to guarantee provisions, pension commitments and investments in associated companies and joint ventures. Positive figures equal positive cash flow.

Construction Operations

	Norway			Denmark			Sweden			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Profit and Loss Account												
Operating revenues	9 854.7	8 120.0	7 336.3	2 779.6	3 004.7	2 462.2	2 756.2	1 899.7	1 315.3	15 390.5	13 024.4	11 113.8
Operating expenses	-9 201.0	-7 709.3	-6 975.5	-2 879.9	-2 954.3	-2 432.6	-2 754.6	-1 886.3	-1 298.9	-14 835.5	-12 549.9	-10 707.0
Depreciation	-79.4	-69.8	-60.1	-9.3	-8.8	-8.5	-9.7	-4.2	-4.0	-98.4	-82.8	-72.6
Operating profit	574.3	340.9	300.7	-109.6	41.6	21.1	-8.1	9.2	12.4	456.6	391.7	334.2
Share of profit, associated companies and joint ventures	-3.5	3.2	1.6	0.6	0.4	0.6	-	-	-	-2.9	3.6	2.2
Net financial items	72.2	42.5	32.5	20.9	9.3	1.7	3.8	5.1	-0.2	96.9	56.9	34.0
Profit before taxation	643.0	386.6	334.8	-88.1	51.3	23.4	-4.3	14.3	12.2	550.6	452.2	370.4
Balance Sheet at 31 December												
Non-current assets	625.4	564.5	471.3	184.1	190.3	188.1	150.4	135.6	45.3	959.9	890.4	704.7
Current assets	1 866.4	1 673.4	1 166.5	369.5	488.7	563.0	298.1	330.1	169.6	2 534.0	2 492.2	1 899.1
Cash and cash equivalents	2 123.9	1 506.2	1 506.4	91.2	40.5	328.3	-84.9	-	113.9	2 130.2	1 546.7	1 948.6
Total assets	4 615.7	3 744.1	3 144.2	644.8	719.5	1 079.4	363.6	465.7	328.8	5 624.1	4 929.3	4 552.4
Equity	949.2	684.9	480.8	142.7	246.4	200.1	-94.5	-121.1	76.6	997.4	810.2	757.5
Long-term liabilities	427.9	316.9	251.1	-	19.3	26.8	7.3	284.3	7.3	435.2	620.5	285.2
Short-term liabilities	3 238.6	2 742.3	2 412.3	502.1	453.8	852.5	450.8	302.5	244.9	4 191.5	3 498.6	3 509.7
Total equity and liabilities	4 615.7	3 744.1	3 144.2	644.8	719.5	1 079.4	363.6	465.7	328.8	5 624.1	4 929.3	4 552.4
Gross investment	155.2	183.4	85.2	11.8	6.8	8.8	58.5	84.1	21.1	225.5	274.3	115.1
Investment in associated companies and joint ventures	8.9	14.9	11.9	2.8	2.5	2.6	-	-	-	11.7	17.4	14.5
Other information at 31 December												
No. of employees	3 296	3 090	2 959	703	938	926	1 102	1 080	632	5 101	5 108	4 517
Orders-on-hand	9 030	7 580	6 615	1 881	2 750	2 916	2 222	1 972	1 246	13 133	12 302	10 777
- due for completion within 12 months	7 047	5 701	5 471	1 509	2 174	2 097	1 824	1 689	969	10 380	9 564	8 537

Property Development

	Norway			Denmark			Sweden			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Profit and Loss Account												
Operating revenues	1 389.1	1 193.1	1 438.8	162.8	273.5	93.1	767.8	730.1	373.5	2 319.7	2 196.7	1 905.4
Operating expenses	-1 202.5	-1 040.9	-1 222.3	-161.4	-257.7	-89.7	-638.5	-634.5	-331.2	-2 002.4	-1 933.1	-1 643.2
Depreciation	-4.4	-3.9	-16.0	-	-	-	-3.8	-20.9	-9.7	-8.2	-24.8	-25.7
Operating profit	182.2	148.3	200.5	1.4	15.8	3.4	125.5	74.7	32.6	309.1	238.8	236.5
Share of profit, associated companies and joint ventures	298.5	183.2	53.6	-0.1	-	-	5.5	-1.1	-0.2	303.9	182.1	53.4
Net financial items	-49.3	-20.0	-17.7	-11.7	-4.9	-0.6	-18.0	-5.8	4.1	-79.0	-30.7	-14.2
Profit before taxation	431.4	311.5	236.4	-10.4	10.9	2.8	113.0	67.8	36.5	534.0	390.2	275.7
Balance Sheet at 31 December												
Non-current assets	417.8	265.5	283.4	2.0	-	-	119.6	81.6	141.0	539.4	347.1	424.4
Current assets	1 713.9	1 682.3	1 372.6	277.6	464.6	149.2	532.5	597.7	305.8	2 524.0	2 744.6	1 827.6
Cash and cash equivalents	-	-	-	-	-	-	173.3	-	-	173.3	-	-
Total assets	2 131.7	1 947.8	1 656.0	279.6	464.6	149.2	825.4	679.3	446.8	3 236.7	3 091.7	2 252.0
Equity	822.3	516.9	259.0	56.5	66.2	58.6	422.2	306.6	207.4	1 301.0	889.7	525.0
Long-term liabilities	887.0	879.3	1 183.9	0.9	9.6	0.6	66.4	-	0.4	954.3	888.9	1 184.9
Short-term liabilities	422.4	551.6	213.1	222.2	388.8	90.0	336.8	372.7	239.0	981.4	1 313.1	542.1
Total equity and liabilities	2 131.7	1 947.8	1 656.0	279.6	464.6	149.2	825.4	679.3	446.8	3 236.7	3 091.7	2 252.0
Gross investment	54.9	0.8	29.0	-	-	-	26.8	33.1	15.2	81.7	33.9	44.2
Invested capital	1 843.9	1 536.5	1 316.2	243.2	410.5	117.2	259.0	536.9	326.3	2 346.1	2 483.9	1 759.7
Investment in associated companies and joint ventures	195.5	197.0	190.1	2.0	-	-	46.9	42.5	23.0	244.4	239.5	213.1
Other information at 31 December												
No. of employees	53	47	52	9	8	3	58	59	34	120	114	89

B Geographical Segments

	Norway			Denmark			Sweden		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Profit and Loss Account									
Operating revenues	13 368.9	10 887.2	10 284.8	2 845.8	3 112.6	2 503.1	3 165.2	2 363.1	1 652.8
Operating profit	907.1	602.1	587.3	-108.2	57.4	24.5	117.4	83.9	45.0
Profit before taxation	1 204.5	810.7	691.6	-98.5	62.2	26.2	108.7	82.1	48.7
Balance Sheet									
Total assets	8 316.5	7 006.2	5 944.6	924.4	1 184.1	1 228.6	1 189.0	1 145.0	775.6
No. of employees	4 607	4 263	4 035	710	912	699	1 160	1 139	666
Orders-on-hand	9 030	7 580	6 615	1 881	2 750	2 916	2 222	1 972	1 246
- due for completion within 12 months	7 047	5 701	5 471	1 509	2 174	2 097	1 824	1 689	969

Profit and Loss Account	Other operations/items			Group		
	2007	2006	2005	2007	2006	2005
Profit and Loss Account						
Operating revenues	-44.0	79.4	138.5	19 335.9	16 442.3	14 579.2
Operating profit	-33.8	-31.2	-64.6	882.5	712.2	592.2
Profit before taxation	-33.7	-32.1	-55.4	1 181.0	922.9	711.1
Balance Sheet						
Total assets	-1 730.6	-1 024.0	-1 579.1	8 699.3	8 311.3	6 369.7
No. of employees	836	741	780	7 313	7 055	6 180
Orders-on-hand	130	79	125	13 263	12 381	10 902
- due for completion within 12 months	130	70	110	10 510	9 634	8 647

Areas of Activity

Criteria for division of areas of activity

The areas of activity are divided into business areas, each of which has individual risks and earnings. This conforms to the grouping Veidekke uses for internal control and reporting purposes.

Presentation of areas of activity

The effect on profit or cash flow from projects constitutes for Veidekke a substantial part of net financial items. In addition, profits from associated companies and joint ventures constitute a substantial part of the areas of activity. For that reason, the pre-tax profit or loss gives a more correct picture for the earnings of the areas of activity than the operating profit or loss does. The segment profit/loss for Construction, Property and Industry is equal to the Operating Profit/loss in Table A. Financial items and the pre-tax profit or loss are therefore shown in addition to the operating profit or loss, and complete Balance Sheets are also presented for each area of activity.

Non-distributed items

Some Group costs are not allocated to the areas of activity. The same applies to a number of financial items. Non-distributed items are shown under "Other operations/items".

Inter-divisional transactions

There are relatively few sales between the divisions, but some contracts are carried out jointly by different entities. Intra-Group sales and collaboration take place on commercial terms. Intra-Group sales between the different areas of activity is shown in the table below:

	Norway			Denmark			Sweden			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Construction Norway/												
Property Norway	-640.3	-623.9	-675.9							640.3	623.9	675.9
Industry/												
Construction Norway	-141.5	-139.1								141.5	139.1	-
Hoffmann/												
Denmark Property				-96.6	-165.6	-52.2				96.6	165.6	52.2
Construction Sweden/												
Sweden Property							-358.8	-266.7	-36.0	358.8	266.7	36.0
Total	-781.8	-763.0	-675.9	-96.6	-165.6	-52.2	-358.8	-266.7	-36.0	1 237.2	1 195.3	764.1

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.

Turnover where the geographical location of the resources differs from the geographical location of the customer constitutes 0.6 per cent of the Group's total turnover.

Note 2 GAINS ON SALES OF NON-CURRENT ASSETS

	2007	2006	2005
Buildings, land	12.0	7.2	15.1
Machinery etc.	13.1	12.1	15.8
Total gains on sales	25.1	19.3	30.9

Gains on sales of non-current assets etc. are included in Operating revenues.

Note 3 WAGE COSTS

	2007	2006	2005
Wages	3 012.1	2 520.1	2 272.2
Pensions	188.8	181.5	149.9
Social security	427.6	357.9	322.7
Other wage costs	202.1	247.0	185.1
Total	3 830.6	3 306.5	2 929.9

Average number of employees	2007	2006	2005
Scandinavia	6 451	6 227	5 584
Africa	608	782	737
Total	7 059	7 009	6 321

Employees at 31 December	2007	2006	2005
Scandinavia	6 475	6 351	5 598
Africa	838	704	582
Total	7 313	7 055	6 180

Note 4 SHARES TO EMPLOYEES

Each year Veidekke sells shares to its employees at a discount on the current market price. The shares are subject to 2 and 3-year lock-in periods. Sales of shares are recognised in the accounts in accordance with IFRS 2 on share-based payments. The debited discount is calculated as the difference between market price and purchase price at the time of purchase taking into account the agreed lock-in period for the shares. The effect of the agreed lock-in period is calculated as the value of a put option during the lock-in period where the sales price equals the purchase price of the share calculated according to the Black-Scholes model. The assumptions relating to volatility are based on the actual fluctuations in the price of Veidekke share in 2007.

	2007	2006	2005
Sales of shares to employees (no. of shares)*	3 219 357	3 134 475	3 151 165
Expensed discount	-	0.5	5.7
Realisation own shares entered as reduction in equity	27.6	26.0	-

* No. of shares for 2005 and 2006 adjusted after split that was adopted by the Annual General Meeting on 8 May 2007.

Loans to senior executives re purchases of Veidekke shares (MNOK)	255.4	186.6
No. of senior executives	502	415
Loans in connection with share scheme for all employees (MNOK)	48.0	34.2
No. of employees	1 806	986

Loans to senior executives are currently interest-free and the term of the loans is up to ten years and the loans are secured by mortgage in the shares. The loans to employees in connection with the share scheme for all employees are also interest-free and secured by mortgages in the shares. The loan term is up to one year.

Note 5 FINANCIAL INCOME AND EXPENSES

	2007	2006	2005
Interest received	37.4	15.4	50.3
Currency gains	6.5	9.4	6.6
Financial instruments that do not meet the requirements for hedging	5.5	13.1	12.7
Sales of shares/share dividend –			
Shares available for sale	1.4	7.6	43.6
Other financial income	29.6	29.4	3.2
Financial income	80.4	74.9	116.4
Interest charges	-87.4	-40.2	-46.1
Currency losses	-9.6	-5.2	-12.6
Other financial expenses	-10.7	-25.6	-2.2
Financial expenses	-107.7	-71.0	-60.9
Financial income/financial expenses	-27.3	3.9	55.5

Note 6 PROJECTS IN PROGRESS

	2007	2006	2005
Distribution of turnover			
Project turnover	18 594	15 790	14 049
Sales of goods/services (aggregates/recycling)	742	652	530
Total turnover	19 336	16 442	14 579
<i>Income recognised from projects in progress*</i>			
Accumulated income	15 774	11 905	9 975
Accumulated contributions	1 661	1 127	928
Loss-bringing projects under construction – remaining turnover **	541.0	498.0	217.6
Owing by customers	234.8	223.6	167.9
Earned not invoiced income	1 470.3	1 601.2	1 502.1
Advance payments from customers	-428.5	-685.9	-481.9

* Projects in progress, not handed over to the customer.

** Estimated losses on these projects have been charged to income.

Note 7 EARNINGS PER SHARE

	2007	2006	2005
Earnings per share (NOK) ¹⁾	7.1	5.0	3.9
Profit for the year	1 001.1	722.8	571.4
Majority interests' share of profit for the year	989.7	708.3	557.8
Average number of shares (million) ^{1) 2)}	140.0	142.9	142.9
Number of shares at 1 January (million) ^{1) 2)}	140.9	143.0	143.0
Number of shares at 31 December (million) ^{1) 2)}	139.0	140.9	143.0

1) The 1:5 share split has been taken into account for number of shares and earnings per share for 2005 and 2006.

2) Own shares have been deducted in the table.

Veidekke has no financial instruments that have a dilution effect.

Note 8 CAPITAL MANAGEMENT, FINANCIAL RISK AND FINANCIAL INSTRUMENTS

Capital management

It is Veidekke's aim to give its shareholders a high and stable return on their investment in the company. This will be achieved through good profitability throughout the Group. The Group entities are managed in accordance with several financial and non-financial parameters, adapted to the different business areas according their individual character.

For construction entities, specific targets for project and profit margins have been set up. The Group's long-term target for construction operations is a profit margin of 5.0 per cent. In 2007, the profit margin for total construction operations was 3.6 per cent.

For property development operations, tied up capital in the form of invested capital an important target figure. By invested capital we mean book equity and net interest-bearing liabilities. The Group's long-term target is a return on invested capital of at least 15 per cent over an economic cycle. In 2007, return on invested capital for total operations was 25.2 per cent. In addition to this current risk exposure measured in unsold dwellings and the size of the Group's land bank is important indication of operations.

The Group's long-term target for the industry division is a profit margin of 6.5 per cent. The target for return on invested capital is minimum 15 per cent. In 2007, the profit margin for the industry division was 4.6 per cent.

In the case of non-financial parameters, Veidekke attaches importance to systematic measurement and follow-up adapted to the individual character of the different business areas. Central areas that are followed up are injuries, absence, improvement processes with employee involvement and customer orientation.

Veidekke intends to have a strong financial position. Net interest-bearing liabilities as a percentage of consolidated equity (gearing) is a key target figure in following up capital structure. Important instruments in steering capital structure are the Group's dividend policy, share buy-back and net investment level. The consolidated equity ratio is another key target figure. The target here is a year-end equity ratio of 25 per cent. At 31 December 2007, this figure was 26.2 per cent.

Financial risk

Guidelines for financial risk management are laid down in the Group's financial policy. This has been approved by the Board of Directors and is looked after by the corporate finance department in cooperation with the individual business areas. The corporate finance department is responsible for tasks relating to financing and management of interest-rate and currency risk, while the business areas manage the risks relating to ongoing operations, for example credit risk.

Veidekke makes use of financial instruments such as bank and money market loans. The purpose of these financial instruments is to procure capital for investment in the Group's activities. The company also has financial instruments such as debtors, creditors etc. which are linked directly with day-to-day operations. Derivatives are used to some extent to hedge against interest-rate risk. The Group does not use financial instruments for the purpose of speculation.

(1) Credit risk

Credit risk is the risk that customers will not be able to meet their payment obligations.

The Group's main source of credit risk is debtors, which amount to MNOK 3,743.1. Bad debts totalled MNOK 1.6 in 2007 (MNOK 2.0). The Group has no significant credit risk relating to any one party or to any parties that can be regarded as a group due to similarities in credit risk.

The Group has guidelines for credit risk minimisation for construction contracts. These include risk and credit rating at the tender stage and issue of guarantees and other forms of contract regulation at the construction stage. Other operations in property development and industry have guidelines for credit rating and guarantee issues.

The Group has not guaranteed for any third party's debts except in the case of joint ventures. The Group's share of contingent liabilities that have arisen along with other participants in joint ventures is disclosed in Note 29.

(2) Project risk

There is a risk that the customer will not be willing to settle its debts. This is regarded as an operating risk and not a financial risk. Further details regarding accounting can be found in Note 19 Debtors.

(3) Interest rate risk

Veidekke has liquid assets, short-term and long-term interest-bearing liabilities. The interest rates applying to these items are mostly floating rates subject to daily interest rate adjustments.

The Group uses interest-rate derivatives as protection against fluctuations in profit figures arising from changes in interest rate levels, i.e. interest rate swaps as cash flow hedges of loans. A list of current agreements is given in the table below:

Interest rate agreements	Nominal value	Maturity	Interest rate (incl. margin)	Fair value	Change in value	2007
5-year swap	100.0	Feb.08	5.62 %	0.1		1.3
5-year swap	100.0	Feb.08	5.41 %	0.2		1.0
5-year swap	100.0	Jan.09	5.22 %	1.1		2.0
5-year swap	100.0	Jan.09	5.03 %	0.9		1.2
Total	400.0		5.32 %	2.3		5.5

The Group does not use hedge accounting in accordance with IAS 39 for these agreements. They are entered at fair value, and change in value is therefore charged/credited to the Profit and Loss Account. MNOK 5.5 (MNOK 13.1) relating to these agreements was taken to income in 2007.

Average effective interest rate for financial instruments in 2007:

	2007*
Liquidity	4.6 %
Short-term interest-bearing liabilities	5.0 %
Long-term interest-bearing liabilities	5.0 %

* The average effective interest rate is calculated as the average of the rates applying to the respective holdings through the year.

Taking into account the financial instruments, assets and interest rate swap agreements existing at 31 December 2007, a general rise in the interest rate of 1% will reduce pre-tax profit by approximately MNOK 6.5. A corresponding fall in the interest rate level will give the same improvement in pre-tax profit. See separate presentation of the Allfarveg PPP project.

(4) Liquidity risk

One of the major objectives of the Group's financial policy is to ensure financial freedom of action in the short and long term.

The Group's financing is based on bank financing combined with project financing, which recognises the Group's strong fluctuations in liquidity throughout the year.

Veidekke has committed borrowing facilities totalling NOK 2,100 million in DnB NOR. These facilities expire on 2 November 2010 and Veidekke has the right to extend them until 2 November 2012. They are based on a negative mortgage declaration and are conditional on Veidekke's financial key figures (covenants) and sales of significant assets without consent and own account risk in residential and non-residential projects. Veidekke meets all the conditions laid down in the loan agreement and has satisfactory freedom of action.

The table below shows the maturity structure for Veidekke's long-term liabilities, unused borrowing facilities and average interest rate.

Maturity/repayment structure	2008	2009	2010	2011	After 2011
Used committed borrowing facilities DnB NOR			418.7		
Other loans, credit institutions	8.6	8.3	6.4	5.3	10.3
Other long-term liabilities		4.8		63.0	43.0
Total	8.6	13.1	425.1	68.3	53.3
Key figures		2007		2006	2005
Unused committed borrowing facilities		1 681.3		1 275.3	1 628.0
Weighted effective interest rate		5.0 %		4.3 %	4.5 %

For more information, see Note 18 on cash and cash equivalents, Note 23 on long-term interest-bearing liabilities, Note 24 on short-term interest-bearing liabilities and Note 29 on mortgages and guarantees.

(5) Currency risk

The Group's income and expenses are normally in the same currency and the currency risk is therefore regarded as low. Significant confirmed future cash flows in foreign currency will be protected by forward exchange contracts or similar. Equity in foreign subsidiaries is not hedged and changes will affect consolidated equity.

Net foreign exchange items in 2007 were entered at MNOK -3.1 (MNOK 4.2). The Group had no financial derivatives for currency hedging at 31 December 2007.

(6) Derivatives and hedging – Allfarveg PPP project

As 50% owner of Allfarveg AS, Veidekke participates in the E39 Lyngdal-Flekkefjord PPP project (PPP = public private partnership). Allfarveg AS has built and will operate this road for the Public Roads Administration. The project was completed in summer 2006 at the end of a 3-year construction period. The operation period is 25 years.

Allfarveg AS is financed by a long-term loan repayable over the life of the project. Future payments on this loan are hedged with an interest-rate swap. The interest rate swap satisfies the requirements for hedge accounting. The key figures for the loan and the swap are given in the table below (for Veidekke's 50% share):

	Nominal value	Due date	Fair value
Financing			
Loan	633.0	February 2030	633.0
Hedging			
Interest rate swaps	633.5	February 2030	649.5

Changes in the equity hedge fund:

	MNOK
Hedge fund at 1 January 2006	-56.3
Change 2006	+14.8
Hedge fund at 31 December 2006	-41.5
Change 2007	+29.3
Hedge fund at 31 December 2007	-12.2

Sensitivity analysis for interest rate swaps

If future long-term interest rate rises by 1 per cent on the current anticipated interest rate level, the effect of the change will be an increase in consolidated equity of MNOK 38. If the future interest rate is 1 per cent lower, the consolidated equity will be reduced by MNOK 43.

Fair value

The fair value of the Group's interest-rate swaps was set by using the forward rate on the balance sheet date and was confirmed by the financial institution with which the agreement was signed.

The following of the company's financial instruments are not valued at fair value: Cash and cash equivalents, debtors, other short-term receivables, overdraft facilities and long-term liabilities.

The balance sheet values for cash and cash equivalents and overdraft facilities are virtually the same as the fair value since these instruments have a short maturity term. Similarly, the balance sheet values for debtors, creditors and long-term liabilities are virtually the same as the fair value as they are agreed upon under 'normal' terms.

Note 9 PPP PROJECT ALLFARVEG

Through its 50% share of Allfarveg AS, Veidekke participates in the E39 Lyngdal-Flekkefjord PPP project (PPP = public private partnership). Allfarveg AS has built and will operate this road for the Public Roads Administration. The operation period is 25 years.

Allfarveg AS contracted out the construction to a working partnership, in which Veidekke has a 70% share. The operation and maintenance contract has been awarded to Veidekke through Kolo Veidekke as. The cost of constructing the road was approx. NOK 1.2 bn. To this must be added operation, maintenance and financing. Settlement by the Public Roads Administration takes place quarterly in equal nominal instalments over the 25-year operation period.

Allfarveg AS treats the PPP contract as a financial asset, which is entered in the accounts in accordance with IFRIC 12 (Financial Asset Model). Accounting in accordance with IFRIC 12 is regarded as the most correct treatment. The EU has not approved IFRIC 12, but in our opinion use of an alternative standard would not give a correct view of the activities.

The financial asset is reported on the basis of amortised cost. The working partnership applies the proportional accounting method (continuous income reporting) for the construction of the road (treating it like a project). The project has been handed over and the profit from the construction of the road has therefore been taken to income in the accounts. The operation and maintenance contract is taken to income continuously over the operation period, in accordance with the execution of the work.

Allfarveg AS is a joint venture and Veidekke uses the equity method of accounting for this investment. In 2007 its ownership share in Allfarveg AS (50%) contributed a profit of MNOK 4.9 (MNOK 2.2). Allfarveg AS is financed by long-term loans, which are being repaid over the operation period. The interest rate terms have been hedged with interest rate swaps. As a result of hedge accounting of the interest rate swaps, MNOK 29.2 (MNOK 14.8) was booked as an increase in consolidated equity. For more information on interest rate swaps, see Note 8.

Note 10 GOODWILL

	2007	2006	2005
At 1 January			
Cost	875.8	746.0	709.7
Accumulated amortisation	-365.4	-365.4	-365.4
Book value at 1 January	510.4	380.6	344.3

Accounting year

Book value at 1 January	510.4	380.6	344.3
Conversion differences	-10.5	6.0	-5.4
Additions	7.7	123.8	41.7
Other changes ¹⁾	-3.4	-	-
Amortisation for the year	-	-	-
Book value at 31 December	504.2	510.4	380.6

At 31 December

Cost	868.6	875.8	746.0
Accumulated amortisation	-364.4	-365.4	-365.4
Book value at 31 December	504.2	510.4	380.6

¹⁾ Other changes are due to change in additional compensation in connection with acquisition of company.

Additions this year refer to acquisition of Skodje Maskin for a price of MNOK 7.7 (Note 12).

The table below shows the Group's largest goodwill items, plus the goodwill for each area of activity.

	Book value at 31 December 2007
Purchases in order of size	
Hoffmann	72.0
Br. Reme	70.7
SBS Entreprenad	55.0
Litra Grus	45.1
Block Berge Bygg	36.9
Total goodwill items > MNOK 25	279.7
Goodwill items < MNOK 25 (33 enterprises)	224.5
Total goodwill	504.2
Total for each area of activity	
Construction Norway	152.4
Construction Denmark	72.0
Construction Sweden	88.6
Property Sweden	11.5
Industry	179.7
Total goodwill	504.2

The Group has recognised goodwill arising from the acquisition of 38 enterprises. Each goodwill item is linked to a cash-generating unit. When a purchased operation is upheld as an independent unit, this unit is the cash-generating unit. When a purchased enterprise is integrated with an existing Veidekke unit, the amalgamated unit is the cash-generating unit.

Goodwill is not depreciated, but is tested for impairment in the fourth quarter each year. In the event of a particular indication of possible impairment, the test is carried out on a quarterly basis. The test is carried out by comparing the estimated recoverable amount with invested capital for the unit in question. When the recoverable amount exceeds invested capital, the book value of the goodwill is upheld. When the recoverable amount is lower than invested capital, the book value is written down to the estimated recoverable amount. Invested capital is the unit's total capital less interest-free short-term liabilities and interest-free long-term liabilities.

The recoverable amount is the estimated present value of future cash flows for the unit in question and is based the corporate management's approved budget and strategy figures for coming three years. The amount is also based on the following assumptions:

Turnover level and profit margin next three years

According to the management's approved budget and strategy for the next three years. Based on actual figures and the changes that are expected at the time for the value test. It was primarily Hoffmann which did not meet the expectations on which estimates were based at the end of 2006. Measures have been implemented at Hoffmann.

Turnover level and profit margin in the subsequent period

Annual growth as anticipated general growth in the economy (nominal 2.5% p.a.).

Investment requirements/reinvestment

According to the management's approved budget and strategy for the coming three years. Reinvestments normally correspond to anticipated depreciation on the units' non-current assets.

Discount rate

Nominal discount rate before tax based on the Group's estimated capital cost calculated as a weighted average of cost for the Group's equity and liabilities. Discount rates in the range of 11% - 13% were used for the value tests in 2007.

There were no goodwill write-downs in 2007. A normal adjustment of the criteria for the value tests gives no basis for write-downs. An adjustment of cash flows or discount rates of 20% would not necessitate write-downs for the five largest goodwill items.

Note 11 MACHINERY AND PROPERTY

	2007			2006	2005
	Machinery etc.	Property	Total		
Opening Balance	740.6	423.4	1 164.0	1 135.5	1 105.8
Opening Balance	2 080.8	611.3	2 692.1	2 569.5	2 388.1
Investments in current operations	433.2	109.5	542.7	371.8	289.9
Investments in purchases of company operations	3.2	-	3.2	1.6	
Disposals cost	-148.7	-15.7	-164.4	-266.5	-89.1
Conversions difference cost	-4.4	-7.0	-11.4	15.7	-19.4
Cost Closing Balance	2 364.1	698.1	3 062.2	2 692.1	2 569.5
Accumulated depreciation/write-downs OB	-1 340.2	-187.9	-1 528.1	-1 434.0	-1 282.3
Accumulated depreciation sold business assets	113.4	3.6	117.0	135.3	55.8
Depreciation for the year	-212.8	-16.4	-229.2	-221.4	-213.5
Write-downs for the year	-	-4.4	-4.4		
Conversions difference depreciation	2.8	2.2	5.0	-8.0	6.0
Accumulated depreciation/writedowns CB	-1 436.8	-202.9	-1 639.7	-1 528.1	-1 434.0
Book value Closing Balance	927.3	495.2	1 422.5	1 164.0	1 135.5
Depreciation method	Straight-line	Straight-line			
Depreciation rate	10-25 %	2-5 %			

Investments and sales (sales price)

	2007		2006		2005	
	Investment	Sale	Investment	Sale	Investment	Sale
Machinery etc.*	433.2	48.4	297.4	25.3	226.8	25.8
Property	109.5	24.1	74.4	128.7	63.1	15.8
Total	542.7	72.5	371.8	154.0	289.9	41.6

*The Group has contractual obligations relating to purchases of tangible non-current assets for delivery in 2008 amounting to MNOK 68.0 (MNOK 54.8).

Note 12 PURCHASES AND SALES OF OPERATIONS

Skodje Maskin AS in Ålesund

Veidekke took over all the shares in Skodje Maskin AS with effect in the accounts from 1 August 2007. This company operates as a plant contractor in the Ålesund region and has approximately 30 employees.

The purchase entailed goodwill amounting to MNOK 7.7 which will be subject to ordinary annual write-down tests in the years ahead. The value of the goodwill includes customer relations, employees with special expertise and anticipated synergies with Veidekke's existing operations. The agreed price has been paid in cash. This acquisition has entailed only small external expenses.

Skodje Maskin AS showed an operating income of MNOK 25.3 and a pre-tax profit of MNOK 5.1 for the period from 1 January 2007 until the acquisition date, 1 August 2007.

The purchase of Skodje Maskin AS had the following effect on Veidekke ASA's consolidated accounts:

	Book value	Excess value*	Purchase
Cash and cash equivalents	1.2	-	1.2
Debtors	7.3	-	7.3
Non-current assets	2.6	0.6	3.2
Other assets	1.6	1.8	3.4
Creditors and other interest-free liabilities	-7.1	-0.7	-7.8
Net identifiable assets and liabilities	5.6	1.7	7.3
Goodwill at time of acquisition	-	7.7	7.7
Purchase price	5.6	9.4	15.0
Paid in cash		15.0	
Cash received		-1.2	
Net cash out		13.8	

* Deferred tax amounting to MNOK 0.7 has been taken into account in calculation of excess value.

Skodje Maskin AS was merged with Veidekke's wholly-owned company UFO Entreprenør AS as of 1 September 2007.

No subsidiaries were sold in 2007.

Investments in associated companies in 2007

Sandahls Grus & Asfalt AB

On 2 March 2007, Veidekke purchased 25 per cent of the shares in Sandahls Grus & Asfalt AB for MNOK 19.8. This company is an asphalt contractor in West Sweden. The excess value analysis identified net excess value in non-current assets amounting to MNOK 4.4 and goodwill amounting to MNOK 4.5. The investment will be reported using the equity method and will be presented as investment in associated companies.

Sydbeläggningar AB

On 1 October 2007, Veidekke purchased 25 per cent of the shares in Sydbeläggningar AB for MNOK 9.5. The company is an asphalt contractor in West Sweden. No non-current assets were identified in the excess value analysis. The excess value is classified as goodwill amounting to MNOK 8.4. The investment will be reported using the equity method and will be presented as investment in associated companies.

Acquisitions in 2008

Veidekke has reached an agreement to purchase 100 per cent of the shares in Litra Containerservice AS for MNOK 25, with takeover in May 2008. The company is engaged in skip hire in the Lillehammer region. The agreed compensa-

tion will be paid in cash. The anticipated book equity in the company is MNOK 9. Excess value refers to intangible assets, including goodwill. This includes for example customer relations and synergies. A final analysis of excess value had not been made when these financial statements were presented.

Sales of associated companies

Veidekke's Property Divisjon in Norway has sold its 40 per cent share in Skårersletta 45 AS, Lørenskog Sentrum Vest AS and Vestparken AS.

This gave an accounting gain of MNOK 2278, which is presented under profit from associated companies. In connection with the sales of these ownership shares, shares were purchased in Hansa Property Group ASA. Further details regarding the reporting of this investment can be found in Note 14.

Purchases of operations in 2006

SBS Entreprenad AB (Gothenburg)

Veidekke took over all the shares in SBS Entreprenad AB in Gothenburg with effect in the accounts from 1 September 2006. This company operates in the building market in the Gothenburg region. Along with Veidekke Construction AB (Vecon), which focuses mainly on the heavy construction market, SBS Entreprenad will from now on constitute Region West in Veidekke Sweden.

The purchase entailed goodwill amounting to NOK 59.8 million which will be subject to ordinary annual write-down tests in the years ahead. The value of the goodwill includes customer relations, employees with special expertise and anticipated synergies with Veidekke's existing operations. These immaterial values do not meet the capitalisation requirements in IAS 38 and have therefore not been recognised separately in the balance sheet.

The purchase of SBS Entreprenad AB had the following effect on the consolidated accounts:

	Book value	Excess value	Purchase
Cash and cash equivalents	38.8	-	38.8
Debtors	94.3	-	94.3
Non-current assets	1.6	-	1.6
Other assets	11.5	-	11.5
Creditors and other interest-free liabilities	-113.4	-	-113.4
Net identifiable assets and liabilities	32.8	-	32.8
Goodwill at time of acquisition		59.8	59.8
Purchase price	32.8	59.8	92.6
Paid in cash			82.0
Estimated additional payments 2007 and 2008			9.8
Direct expenses			0.8
Purchase price			92.6
Paid in cash			82.0
Cash received			-38.8
Net cash out			43.2

SBS Entreprenad AB is included in the consolidated accounts for the period 1 September 2006 – 31 December 2006 with a turnover of MNOK 232.3 and a pre-tax profit of MNOK 2.7. If the company had been included in the consolidated accounts for the whole of 2006, the consolidated turnover would have been MNOK 483.5 and the pre-tax profit would have been MNOK 5.5. SSB Entreprenad AB and Veidekke Construction were merged with effect from 31 December 2007.

Note 13 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Veidekke has investments in associated companies and joint ventures in all areas of activity. Profit/loss and balance sheet values are specified in the table below:

	Location	Profit/loss			Book value**		
		2007	2006	2005	2007	2006	2005
Property projects in Norway *	Norway	298.5	183.2	53.6	195.5	197.0	190.1
Property projects in Sweden	Sweden	5.5	-1.1	-0.2	46.9	42.5	23.0
Total property development		304.0	182.1	53.4	242.4	239.5	213.1
Industry	Norway/Sweden	19.8	19.0	5.1	120.2	69.9	52.0
Construction Norway	Norway	-3.4	3.2	1.6	8.9	14.9	11.9
Construction Denmark	Denmark	0.5	0.4	0.6	4.8	2.3	2.6
PPP Allfarveg	Norway	4.9	2.2	2.8	51.4	17.4	-
Total**		325.8	206.9	63.5	427.7	344.0	279.6

* Gains on sales of assets in property projects in Norway amounting to MNOK 258.1 (MNOK 98.5) are also included as profits from joint ventures.

** There are no published share quotations (market prices) for any of Veidekke's joint ventures or associated companies.

The four largest investments in associated companies and joint ventures in order of book values at 31 December 2007:

Company	Division	Ownership share	Type of company	Book value
Sjølyststranda Eiendom AS	Property Norway	50 %	Joint venture	59.1
Allfarveg AS (PPP) ¹⁾	Other	50 %	Joint venture	51.4
Sandahls Grus & Asfalt AB	Industry	25 %	Associated	19.8
Nordic Shelter Solutions OY	Industry	30 %	Associated	24.1

¹⁾ Book values include subordinated loan to Allfarveg AS.

The Group's total share of assets, liabilities, income and expenses relating to investment in associated companies and joint ventures is shown in the table below. The information has been taken from the respective accounts.

	Construction	Property	Industry	2007		2006 Total	2005 Total
				PPP	Total		
Profit and Loss Account:							
Income	44.5	335.2	371.7	-	751.4	996.3	754.8
Expenses	-47.1	-273.5	-346.7	6.8	-660.5	-855.0	-668.8
Profit before tax	-2.6	61.6	25.0	6.8	90.9	141.3	86.0
Balance sheet							
<i>Assets</i>							
Current assets	30.4	874.7	129.2	42.4	1 076.7	1 232.5	1 115.7
Non-current assets	1.2	63.6	86.3	672.9	824.0	848.8	859.9
<i>Liabilities</i>							
Short-term liabilities	17.9	619.1	105.1	14.9	757.0	822.2	1 083.8
Long-term liabilities	-	138.0	35.8	690.3	864.1	940.8	668.2
Net assets	13.7	181.2	74.6	10.1	279.6	318.3	223.6

Consolidation method: Equity method.

Reconciliation between profit in company accounts and reporting of profit in Veidekke's consolidated accounts:

	Profit		
	2007	2006	2005
Pre-tax profit associated companies	90.9	141.3	86.0
Estimated tax on profit for the year	-25.4	-39.6	-24.1
Profit after tax associated companies	65.5	101.7	61.9
Sales of shares in property projects	258.1	98.5	-
Other items	2.2	6.5	1.6
In Veidekke's consolidated accounts	325.8	206.9	63.5

Working partnerships

In some cases Veidekke enters into working partnerships with other construction companies (joint ventures) in order to carry out major construction contracts. The following table shows the values in the consolidated accounts from working partnerships (proportional consolidation):

	Construction Consortiums		
	2007	2006	2005
Profit and Loss Account			
Income	294.1	539.0	294.7
Expenses	-295.1	-631.4	-332.1
Profit before tax	-1.0	-92.4	-37.4
Balance sheet			
<i>Assets</i>			
Current assets	124.5	148.5	184.8
Non-current assets	0.1	1.1	3.1
<i>Liabilities</i>			
Short-term liabilities	94.4	162.1	136.3
Long-term liabilities	-	19.6	-
Net assets	30.2	-32.1	51.6

Consolidation method: Proportional consolidation.

Note 14 FINANCIAL ASSETS

	2007	2006	2005
Shares Hansa Property Group ASA ¹⁾	96.8	-	-
Loans to employees	271.1	200.7	145.2
Loans to customers	-	0.2	6.8
Other shares *	17.9	13.9	19.5
Other receivables	19.6	25.8	13.3
Financial assets	405.4	240.6	184.8

* Other shares are financial instruments available for sale and recognised in the accounts at fair value. The original cost price is used as an estimate of fair value. Satisfactory security has been furnished for loans to employees. See Note 4.

¹⁾ Shares in Hansa Property Group ASA

Cost	96.8
Change in value entered directly against equity	-
Book value	96.8

As of 31 December 2007, Veidekke ASA holds 2,323,528 shares with a nominal value of NOK 10 each in Hansa Property Group ASA. This corresponds to an ownership share of approx. 8 per cent. The cost figure reflects the fact that Veidekke may not sell the shares before 1 April 2008 as well as the subscription price in connection with the public increase in capital in November 2007. For accounting purposes, the shares in Hansa Property ASA are regarded as available for sale. Increases in value are entered directly against equity until the asset is sold. If there are objective indications that the value of the shareholding is lower than the book value, the loss will be incorporated in the profit.

Note 15 NON-RESIDENTIAL PROJECTS

Non-residential projects involve the development and construction of non-residential buildings for sale for Veidekke's own account. Costs incurred in respect of land, buildings under construction and completed non-residential buildings are entered under this item in the Balance Sheet. Many of the projects have a duration of more than 12 months and assets will therefore not be realised and settled until after 12 months have passed.

	2007			2006 Total	2005 Total
	Land for development	Under development	Completed buildings		
Projects Norway	3.1	53.4	3.5	60.0	64.0
Projects Denmark	13.5	-	-	13.5	14.0
Balance Sheet total	16.6	53.4	3.5	73.5	26.3
	2007	2006	2005		
Gain on sales of non-residential projects	4.3	-	35.7		

Note 16 RESIDENTIAL PROJECTS

Residential projects involve housing erected for sale for Veidekke's own account. Costs incurred in respect of land for development and housing under construction are entered under this item in the Balance Sheet. Many of the projects have a duration of more than 12 months and assets will therefore not be realised and settled until after 12 months have passed. Land for development will normally be realised after 12 months.

Residential projects	2007	2006	2005
Land for development	845.4	417.8	386.3
Projects in progress / unsold completed	451.6	495.0	233.8
Balance sheet total	1 297.0	912.8	620.1

Residential projects at 31 December	2007			2006	2005
	Land for development	Under development	Unsold completed	Total	Total
Projects Norway	441.3	270.1	76.0	787.4	546.2
Projects Sweden	225.1	54.7	-	279.7	193.9
Projects Denmark	179.1	44.7	6.1	229.9	172.7
Balance Sheet total	845.4	369.5	82.2	1 297.0	912.8
					620.1

Specification of residential projects under construction at 31 December 2007

	No. of dwellings under construction	No. of dwellings not sold under construction	No. of dwellings not sold completed	Average sales rate *	Average production rate*
Projects Norway - subsidiaries	591	147	37	75.1 %	60.7 %
Projects Norway assoc. companies (Veidekke's share)**	108	21	-	80.6 %	
Projects Sweden - subsidiaries	782	33	-	95.8 %	60.5 %
Projects Sweden assoc. companies (Veidekke's share)**	142	13	-	90.9 %	
Projects Denmark - subsidiaries	39	17	3	56.4 %	80.1 %
Total number / total sales rate	1 662	231	40	86.1 %	

* For units under construction.

** Shares in associated companies are reported in the Balance Sheet under Investment in associated companies.

See Note 13.

Sensitivity analysis for projects in subsidiaries:

Anticipated production expenses including land for residential projects under construction, but not sold:

	Total anticipated production expenses
Projects Norway	336
Projects Sweden	23
Projects Denmark	44
Total	403

Sensitivity analysis of anticipated future earnings on dwellings under construction, not sold:

Average profit margin of 10%	40
Average profit margin of 15%	60
Average profit margin of 20%	81

Veidekke aims to achieve a return on invested capital of over 15%.

Option agreements

Veidekke has entered into a number of option agreements concerning future purchases of land. In most cases Veidekke will contribute actively from the time the option agreement is signed to the planning of land for development. Option premiums are capitalised. Sites are capitalised in the balance sheet from the time Veidekke takes over control of the site.

Anticipated purchase price ¹⁾

	2007	2006	2005
Option agreements Norway	235		
Option agreements Sweden ²⁾	704		
Option agreements Denmark	247		
Total	1 186		

¹⁾ In some cases, the anticipated purchase price will be difficult to estimate. In many cases it will for example depend on municipal planning where the purchase price will depend on square metres of residential area approved for development. The anticipated purchase price often consists of a fixed part and a variable part. The variable part is based on Veidekke's expectation of planning permission.

²⁾ For Sweden, MNOK 655 of the option agreements refer to agreements to purchase land at an agreed price where the other party is a local authority. In these cases no option premiums are paid and the price for the land does not fall due until planning permission has been given. These agreements allow Veidekke to withdraw unilaterally from the agreement at no cost.

Note 17 STOCKS

Stocks include project stocks and stocks for asphalt operations. Project stocks consist of materials, spare parts, tools, etc., while stocks for asphalt operations consist of crushed stone, aggregates, etc.

	2007	2006	2005
Stocks for asphalt operations, industry	105.2	69.8	51.3
Other stocks	167.9	202.9	152.1
Total stocks	273.1	272.7	203.4

Note 18 CASH AND CASH EQUIVALENTS

The Group's liquid assets consist of bank deposits. MNOK 24.6 of book liquidity at 31 December 2007 is restricted. The Group has no short-term investments.

Note 19 DEBTORS

	2007	2006	2005
Book debtors	3 400.8	3 345.7	2 122.1
Provision for bad debts	-41.1	-53.2	-36.4
Due from customers	234.8	223.6	167.9
Executed, not invoiced – own account Property	898.1	1 479.0	1 066.2
Executed, not invoiced – other operations	572.2	122.2	435.8
Invoiced, not executed	-1 321.8	-872.8	-728.3
Debtors	3 743.1	4 244.5	3 027.3

For residential projects for Veidekke's own account, payment takes place on handover, and earned but not invoiced income is entered under Debtors (Executed, not invoiced).

Both income and costs are accrued for projects. Earned income which has not been invoiced is entered under "Executed, not invoiced". Invoiced income which has not been earned (advance payment plans) is entered under "Invoiced, not executed". Only one of these items is used for each project. If the item "Invoiced, not executed" is larger than book debtors for the projects, the excess is entered under advance payments from customers (Other short-term liabilities). Net per project is thus shown either as a receivable from the customer or a debt to the customer. Cost accruals (Accrued, not booked) are entered under Creditors, while provisions for guarantee work on completed projects are entered under Guarantee funds etc.

	2007	2006
Receivables not due for payment	2 020.5	1 803.2
Less than 30 days since due date	602.5	757.3
30-60 days since due date	111.3	324.0
60-90 days since due date	204.2	136.3
90-180 days since due date	67.1	49.0
More than 180 days since due date	395.2	275.8
Book debtors	3 400.8	3 345.7

	2007
Provision at 1 January	53.2
New provision made during the year	34.0
Provision used during the year	-1.6
Provision reversed during the year	-44.5
Provision at 31 December	41.1

Provision for bad debts covers only provision for credit risks connected with insolvent customers. Other risks relating to debtors are covered under project assessments.

Note 20 NUMBER OF SHARES, SHAREHOLDERS, ETC.

Veidekke ASA's largest shareholders at 31 December 2007	Number of shares	Ownership share %
OBOS	36 436 440	26.0
Folketrygdfondet	12 094 250	8.6
If Skadeförsäkring	11 649 680	8.3
State Street Bank (USA)	6 895 537	4.9
Fortis Bank Luxembourg	5 032 052	3.6
MP Pensjon	3 004 000	2.1
Storebrand Livsforsikring	2 807 910	2.0
Must Invest AS	2 560 250	1.8
JP Morgan Chase Bank (GBR)	2 560 250	1.8
Vital Forsikring	2 401 011	1.7
First Securities ASA (own-account trading a/c)	2 133 286	1.5
Mellon Bank AS (USA)	1 418 677	1.0
DnB NOR NORGE (IV) VPF	1 406 786	1.0
DnB NOR Bank ASA (own-account trading a/c)	1 162 824	0.8
Svenska Handelsbanken (SWE)	1 151 760	0.8
Total (15 largest)	92 714 713	66.1
Employees	22 286 119	15.9
Others	25 163 438	18.0
Total	140 164 270	100.0

Changes in number of shares

Issued shares at 1 January 2007	28 608 954
Cancellation of shares at Annual General Meeting May 2007	-576 100
Number of shares prior to split	28 032 854
1:5 split adopted by AGM – increase in number of shares	112 131 416
Issued shares at 31 December 2007	140 164 270

The total number of shareholders at 31 December is 5,592.

Nominal value of a Veidekke share is NOK 0.50.

Shares held by officers of the company at 31 December 2007

Board of Directors	No. of shares
Göte Dahlin ¹⁾	50 000
Peder Chr. Løvenskiold ²⁾	272 000
Kari Gjesteby	7 500
Jette Wigand Knudsen	5 000
Hilde Merete Aasheim	-
Martin Mæland ³⁾	-
Nils Solevåg	3 570
Steinar Krogstad	12 715
Birte Almeland	8 160
Shares held by Board members	358 945
President and CEO Terje R. Venold ²⁾	330 415
Members of the corporate management team	
Dag Andresen	195 525
Arne Giske	157 500
Kai Krüger Henriksen	141 360
Bente Lillestøl	33 560
Torben Bjork-Nielsen	80 550
Per-Ingemar Persson	105 300
Jørgen Wiese Porsmyr	59 945
Vidar Aarvold	126 730
Shares held by members of the corporate management team	
	1 230 885
Total	1 920 245

¹⁾ Chairman of the Board.

²⁾ Including shares held by closely related persons and companies.

³⁾ President and CEO of OBOS.

Own shares	Total nominal value
Shares held by Veidekke ASA	0.6

Own shares have been deducted from consolidated equity at their cost price of MNOK 52.6.

Veidekke initiated a share buy-back programme in 2006. This programme was extended by the Annual General Meeting on 8 May 2007 and now runs until 30 June 2008. It allows repurchases of up 3 per cent of total shares in Veidekke ASA (4,204,928 shares).

Changes in holding of own shares are as follows:

No. of shares held at 1 January 2007 (nom. value NOK 2.50 each)	422 200
Purchases prior to AGM 8 May 2007	153 900
Cancelled by the AGM 8 May 2007	-576 100
Purchases after AGM (nom. value NOK 0.50 each)	1 135 515
Holding (no. of shares) at 31 December 2007	1 135 515

Dividend

The dividend proposed for 2006 and distributed in 2007 amounted to MNOK 364.4 (NOK 2.60 per share). The proposed dividend for 2007 amounts to MNOK 556.1 (NOK 4.00 per share). The distribution of a dividend to the parent company's shareholders affects neither the company's payable tax or its deferred tax.

Note 21 INCOME TAX EXPENSE AND DEFERRED TAX

Income tax expense	2007	2006	2005
Tax payable	117.8	154.2	73.6
Change in deferred tax	62.1	45.9	66.1
Total	179.9	200.1	139.7
 Deviation in taxation	 2007	 2006	 2005
28% of profit before tax	330.7	28.0 %	258.4
Actual taxation	179.9	15.2 %	200.1
Deviation	150.8	12.8 %	58.3
 Deviation in taxation	 Non-deductible expenses	 -8.7	 -12.5
	Lower tax rate in Denmark (25%)	-3.0	-8.3
	Profit associated companies/joint ventures (equity method) ¹⁾	17.1	29.2
	Tax-related write-down	24.1	11.4
	Tax-free gains on shares	120.7	62.3
	Use of deferred tax assets ²⁾	-15.7	-18.7
	Change in tax rate in Denmark from 28 to 25 %	3.1	29.0
	Corrections previous years	9.2	
	Other items	4.0	1.5
Total	150.8	58.3	59.4

¹⁾ Profit from associated companies and joint ventures. For these companies the equity method of accounting is used, incorporating the profit after tax and this gives a positive deviation in income tax expense.

²⁾ This refers to reporting (use) of deferred tax assets in Sweden, i.e. loss carry-forward. Book tax assets were reduced in 2007 by MNOK 15.7 because it was uncertain how much of the tax that asset could be employed in the course of the next three years.

Veidekke has reported deferred tax assets in Sweden amounting to MNOK 35.6 in the balance sheet. Anticipated results in Sweden indicate that the book deferred tax assets can be used in the course of three years. There is no time limit for loss carry-forward in Sweden. In addition, Veidekke had deferred tax assets amounting to MNOK 32.6 relating to Sweden that are not reported in the balance sheet.

	Basis for deferred tax			Balance sheet value deferred tax		
	2007	2006	2005	2007	2006	2005
Projects in progress etc. (short-term items)	1 339.8	917.8	897.8	372.9	257.0	251.3
Loss carry-forward	-257.4	-103.3	-202.2	-69.0	-28.9	-56.6
Non-current assets - additional depreciation	36.5	9.2	-32.8	9.7	2.6	-9.2
Gain and loss account	53.7	65.1	71.4	15.0	18.2	20.0
Guarantee funds etc.	-425.5	-388.2	-415.9	-119.0	-108.7	-116.5
Pension commitments	-229.8	-232.5	-240.8	-64.3	-65.1	-67.4
Other long-term items	85.5	114.6	22.4	23.9	32.1	6.3
Deferred tax (timing differences)	602.8	382.7	99.8	169.3	107.2	27.9
Balance sheet value deferred tax – tax assets that cannot be offset against deferred tax				-45.6	-21.1	-28.4
Balance value deferred tax				214.9	128.3	56.3
Net balance value deferred tax				169.3	107.2	27.9

Change in deferred tax on profit	2007	2006	2005
Projects in progress etc. (short-term items)	116.0	5.7	46.9
Loss carry-forward	-40.1	-	32.8
Additional depreciation	7.1	11.8	-11.6
Gain and loss account	-3.2	-1.8	13.3
Guarantee funds etc.	-10.3	7.8	-23.5
Pension commitments	0.8	2.3	-1.5
Other long-term items	-8.1	20.1	9.7
Deferred tax recognised in profit and loss account	62.1	45.9	66.1

Tax reported directly to equity

In 2007, MNOK 16.7 was entered as a reduction in payable tax and increase in equity relating to sales of own shares at a discount to employees of the Group. Reference is made to Note 4.

Note 22 PENSIONS

Most of Veidekke's companies have a pension scheme for their employees in addition to public pension benefits. In Norway, most companies also have a contractual early retirement scheme. There are also additional schemes for management: an early retirement scheme and an additional scheme for employees with salaries exceeding 12G. Most of the pension schemes in Norway are defined-benefit schemes. In Denmark and Sweden, Veidekke has defined-contribution schemes.

Most pension schemes are financed by funds built up in life assurance companies, but some pensions are also paid from operations.

	Veidekke Entreprenør AS	Veidekke ASA	Kolo Veidekke as	Other companies	Group Total	2006 Group Total	2005 Group Total	2004 Group Total
Pension costs								
Earned during the year (present value)	47.6	5.1	9.3	17.4	79.4	77.2	88.3	57.7
Interest on commitments	29.3	7.0	8.4	6.3	51.0	45.5	41.9	36.4
Return on funds	-19.4	-5.2	-6.1	-3.9	-34.6	-33.0	-34.9	-29.6
Estimate variances entered in Profit and Loss Account	8.5	1.7	1.1	1.1	12.4	8.1	0.4	-
Costs defined-benefit schemes	66.0	8.6	12.7	20.9	108.2	97.8	95.7	64.5
Costs defined-contribution schemes	9.3	0.8	3.0	67.5	80.6	83.7	54.2	39.7
Pension costs	75.3	9.4	15.7	88.4	188.8	181.5	149.9	104.2
 Entered in Balance Sheet at 31 December								
Pension commitments	-801.2	-148.3	-230.3	-183.7	-1 363.5	-1 169.0	-1 016.2	-754.0
Pension funds	390.0	97.5	128.8	91.4	707.7	646.1	563.7	498.9
Net pension commitments	-411.2	-50.8	-101.5	-92.3	-655.8	-522.9	-452.5	-255.1
Estimate variances not entered in Profit and Loss Account	259.7	29.2	57.0	50.1	396.0	266.2	194.9	2.9
Pension commitments entered in Balance Sheet	-151.5	-21.6	-44.5	-42.2	-259.8	-256.7	-257.6	-252.2
 Pension commitments								
Commitments at 1 January	-669.9	-164.6	-192.8	-141.7	-1 169.0	-1 016.2	-754.0	
Earnings during the year (present value)	-47.6	-5.1	-9.3	-17.4	-79.4	-77.2	-88.3	
Interest on commitments	-29.3	-7.0	-8.4	-6.3	-51.0	-45.5	-41.9	
Estimate variances for the year	-69.6	17.4	-26.8	-21.0	-100.0	-65.2	-166.3	
Social security contributions paid	8.1	0.3	1.8	1.3	11.5	11.3	10.4	
Pensions paid	7.1	10.7	5.2	1.4	24.4	23.8	23.9	
Commitments at 31 December	-801.2	-148.3	-230.3	-183.7	-1 363.5	-1 169.0	-1 016.2	-754.0
 Pension commitments at 31 December								
Fund-based schemes	-692.4	-100.7	-191.0	-141.9	-1 126.0	-984.8	-856.2	
Non fund-based schemes	-108.8	-47.6	-39.3	-41.8	-237.5	-184.2	-160.0	
Commitments at 31 December	-801.2	-148.3	-230.3	-183.7	-1 363.5	-1 169.0	-1 016.2	-754.0
 Pension funds								
Funds at 1 January	340.7	115.0	113.1	77.3	646.1	563.7	498.9	
Estimated return	19.4	5.2	6.1	3.9	34.6	33.0	34.9	
Additions	59.7	3.6	15.0	15.3	93.6	87.4	79.9	
Estimate variances for the year	-22.7	-15.6	-0.2	-3.7	-42.2	-14.2	-26.1	
Pensions paid	-7.1	-10.7	-5.2	-1.4	-24.4	-23.8	-23.9	
Funds at 31 December	390.0	97.5	128.8	91.4	707.7	646.1	563.7	498.9

Financial assumptions

	2007	2006	2005	2004
Return on pension funds	5.8 %	5.5 %	5.5 %	6.5 %
Discount rate	4.8 %	4.5 %	4.5 %	5.5 %
Annual wage growth	4.5 %	4.2 %	3.0 %	3.0 %
Annual basic pension rate adjustment	4.2 %	4.2 %	3.0 %	3.0 %
Annual adjustment of pensions under payment	2.0 %	2.0 %	2.5 %	2.5 %

Input from the Norwegian Accounting Standards' guidelines regarding actuarial assumptions and the 10-year rate with an adjustment for a mark-up of the 30-year rate is used as the discount rate.

For contractual early retirement pensions ("AFP"), a 40% withdrawal rate is used from the age of 62. The anticipated premium for defined contribution schemes for 2008 is approximately MNOK 105. Estimated mortality is based on the relevant mortality table for Norway (K2005). Assumptions regarding disability are based on the relevant disability table used by Storebrand.

Sensitivity analysis pension commitments and pension expenses

	Change pension commitments	Change pension expenses
Discount rate		
4.30 %	11.5 %	13.8 %
4.80 %	0 %	0 %
5.30 %	-10.0 %	-11.8 %
Future wage growth		
4.00 %	-10.8 %	-14.4 %
4.50 %	0 %	0 %
5.00 %	12.2 %	16.7 %
Future pension adjustment		
1.50 %	-5.7 %	-6.1 %
2.00 %	0 %	0 %
2.50 %	6.2 %	6.7 %

Pension funds	2007	2006	2005	2004
Investment				
Property	15 %	10 %	9 %	10 %
Long-term bonds	29 %	28 %	29 %	30 %
Short-term bonds	26 %	35 %	38 %	38 %
Shares	30 %	27 %	24 %	22 %
Total	100 %	100 %	100 %	100 %
Return				
Book value	8.9 %	7.1 %	6.9 %	6.4 %
Value adjustment	7.3 %	8.3 %	6.9 %	7.0 %

Note 23 LONG-TERM LIABILITIES

Long-term debts to credit institutions

Long-term debts	2007	2006	2005
Long-term drawings on committed borrowing facilities, DnB NOR	419.0	674.7	285.4
Other loans, credit institutions	38.9	42.2	41.2
Debts to credit institutions	457.9	716.9	326.6
Other long-term debts, not interest-bearing			
Long-term debts			
Deferred payment in connection with purchases of development sites	66.4		
Anticipated purchase sum shares Seby AS and Br. Reme AS*	43.0	44.0	
Intra-Group gain relating to sale of associated company		71.6	
Long-term commitments – financial instruments		3.4	69.0
Other long-term debts	1.4	19.7	4.4
Total other long-term debts	110.8	138.7	73.4

Instalment profile details can be found in Note 8.

* Veidekke has ownership shares in subsidiaries Seby and Br. Reme of 70 and 91% respectively. Veidekke has a right and obligation to purchase the remaining shares in these companies and for this reason these companies are regarded as wholly-owned subsidiaries. This means that the estimated remaining purchase sum following from the minority interests has a sales option, which is entered under long-term debts, while 100% of goodwill at time of purchase is entered as an asset. The estimated remaining purchase sum is updated each year.

Note 24 SHORT-TERM DEBTS TO CREDIT INSTITUTIONS ETC.

Short-term debts	2007	2006	2005
Bank overdraft	-	-	1.1
Debt instruments and building loans linked with property development	163.2	331.2	312.8
Debts to credit institutions	163.2	331.2	313.9

Certain short-term loans relating to property development are secured by mortgages in the respective projects (see Note 29).

Maturity structure	2007
Payable on demand, due date not clarified	153.3
Due in 0-3 months	-
Due in 3-12 months	9.9
Debts to credit institutions	163.2

Note 25 CREDITORS

Creditors	2007	2006	2005
Book creditors	1 955.1	1 799.5	1 338.1
Expenses accrued, not booked	1 075.4	1 067.2	825.1
Total creditors	3 030.5	2 866.7	2 163.2

Maturity structure	2007
Due date not set	755.8
Due in 0-3 months	2 218.6
Due in 3-12 months	47.1
Due after 12 months	9.0
Creditors	3 030.5

Note 26 GUARANTEE FUNDS ETC.

	2007	2006	2005
Accrued guarantee commitments etc.	30.9	45.7	55.0
Uncertain guarantee commitments	532.5	529.0	435.9
Total guarantee funds at 1 January 2007	563.4	574.7	490.9
+ new provisions for guarantees (additions)	340.6	273.8	155.8
- reversed provisions for guarantees (disposals)	-132.2	-123.7	-
- accrued guarantee expenses (consumptions)	-151.0	-161.4	-72.0
Accrued guarantee commitments etc.	45.4	30.9	45.7
Uncertain guarantee commitments	575.4	532.5	529.0
Total guarantee funds at 31 December 2007	620.8	563.4	574.7

Liability for non-conformity

A project must be handed over to the customer as specified in the contract. If projects do not conform with the contract when handed over, it is the responsibility of the construction company to correct this non-conformity at no extra cost to the customer. The time limit for complaints is normally three to five years. Complaints for any visible non-conformities must be submitted by the customer on takeover. During the complaint period, the construction company is responsible for concealed non-conformities. After the expiry of the complaint period, the construction company is only responsible for concealed non-conformities that are due to gross or wilful negligence. The final limitation period is 13 years.

There are two types of contracts in the construction industry: execution contracts and turnkey contracts. In execution contracts, the construction company is responsible for non-conformities relating to the execution of the work, while the customer is responsible for non-conformities arising from the design. In turnkey contracts, the construction company also takes responsibility for the design.

Guarantee funds etc.

Provision is made under "Guarantee funds etc." for work under guarantee, i.e. for correction of non-conformities in completed projects. Guarantee funds etc. also cover other obligations, such as claims from subcontractors, claims from third parties, etc. A distinction is made between provision for:

- Accrued guarantee commitments etc.: Provision for actual incurred and relatively certain obligations, i.e. known repair work to be carried out within a short time and where the costs can be estimated with great certainty
- Uncertain guarantee commitments etc.: Provision for concealed non-conformities, i.e. defects that are not known. This also applies to known non-conformities where uncertainty is linked with scope, liability, costs, etc. (e.g. disputes).

Expected time of payment for guarantee funds

In many cases it is difficult to estimate the time at which guarantee funds will be paid out, because project guarantee funds cover the whole complaint period. We have therefore not set up a profile for when payment can be expected to take place.

Note 27 UNPAID GOVERNMENT CHARGES

	2007	2006	2005
Unpaid government charges	422.7	335.4	274.6
Maturity structure			
Due in 0-3 months	415.4		
Due in 3-12 months	4.4		
Due after 12 months	2.9		
Total unpaid government charges	422.7		

Unpaid government charges consist of unpaid VAT, withheld tax, social security contributions, etc.

Note 28 OTHER SHORT-TERM LIABILITIES

Other short-term liabilities	2007	2006	2005
Advance payments from customers	428.5	685.9	481.9
Other liabilities	551.7	375.5	306.3
Total other short-term liabilities	980.2	1 061.4	788.2

Advance payments from customers refer to invoiced income from projects that has not been earned (Invoiced, not executed). Unpaid holiday pay is included in Other liabilities. Reference is also made to Note 19 Debtors.

Maturity structure	2007
Payable on demand, due date not set	314.8
Due in 0-3 months	298.2
Due in 3-12 months	367.2
Other short-term liabilities	980.2

Note 29 MORTGAGES, GUARANTEES AND JOINT AND SEVERAL LIABILITY

Mortgages	2007	2006	2005
Book liabilities secured by mortgages etc.	197.1	209.7	26.9
Book value of mortgaged buildings, land	328.5	261.4	49.5

Guarantees	2007	2006	2005
Guarantees to associated companies	-	26.5	55.7

The Group has issued negative mortgage declarations 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 cannot be called to account until the company in question is unable to meet its obligations.

Note 30 COMPENSATION TO COMPANY OFFICERS

Declaration to the Annual General Meeting on principles for determining management salaries

The Board of Directors must give a report to the Annual General Meeting on the determination of salaries and other compensation to company officers, as laid down in Section 6-16a of the Public Limited Companies Act.

Compensation for company offices is determined on the basis of information found in wage statistics and compared with other companies in the industry and other relevant companies. The company's strategy is to offer competitive salaries, but it does not wish to be a wage leader.

A bonus programme has been established under which the maximum payment is set at 30 per cent of annual salary. This is based on budgets and target achievement in relation to agreed action plans. Veidekke's managers also participate in the company's general programme for shares to senior executives at discount prices and with financial assistance. Veidekke has no share option schemes.

Implemented management compensation policy for 2007 and effects for the company and shareholders of agreements entered into and changed

The salary adjustments that were made in 2007, and the bonus that was paid in 2007 based on the financial results in 2006 complied with the declaration given to the Annual General Meeting on 8 May 2007. No significant changes have been made in the salaries for the corporate management team. Some minor adjustments have been made in conditions in line with the new tax rules for pensions exceeding 12G (G = basic rate in the national insurance scheme). These changes may affect the company's future pension expenses to a small degree.

Compensation to the President and CEO and the corporate management team:

	2007			2006	2007				
	Salary	Bonus	Other compensation		Total compensation	Total compensation	Change in pension rights this year	Loan for share purchases	Other loans
President and CEO									
Terje R. Venold	2.8	0.8	0.3	3.9	3.6		1.8	2.8	
Corporate management									
Dag Andresen	2.0	0.5	0.2	2.7	2.5		0.6	1.7	
Arne Giske	1.5	0.5	0.2	2.2	2.1		0.6	2.1	
Kai Krüger Henriksen	1.4	0.4	0.2	2.0	1.9		0.6	1.7	
Jørgen Wiese Porsmyr ¹⁾	0.9		0.2	1.1			0.9	1.1	
Bente Lillestøl ²⁾	0.4		0.1	0.5			1.5	0.8	
Vidar Aarvold ³⁾	1.2		0.2	1.4			0.6	1.7	
Torben Bjørk-Nielsen	2.6	0.7	0.2	3.5	3.4		0.5*	1.6	
Per-Ingemar Persson	2.0	0.4	0.1	2.5	2.6		1.3*	0.6	
Total CEO and corporate management	14.8	3.3	1.7	19.8	16.1		8.4	14.1	0.2

* Premium for defined-benefit pension scheme.

Compensation to persons who left the corporate management team in 2007

	2007			2006
	Salary	Bonus	Other compensation	
Torkel Backelin ²⁾	0.7	0.4	0.1	1.3
Eigil Flaathen ³⁾		0.4		0.4
Leif E. Johansen ⁴⁾	0.8	0.4	0.1	1.3
Total	1.5	1.2	0.2	3.0
Total compensation for entire corporate management team				6.3
				22.4

Compensation only applies to the period when the employee was a member of the corporate management team.

¹⁾ Jørgen Wiese Porsmyr joined the team on 1 April 2007.

²⁾ Bente Lillestøl joined the team on 1 July 2007, replacing Torkel Backelin.

³⁾ Vidar Aarvold joined the team on 1 January 2007, replacing Eigil Flaathen.

⁴⁾ Leif Johansen's responsibilities were taken over by Arne Giske on 1 July 2007. Arne Giske was already a member of the team.

President and CEO

In 2007, the President and CEO received a bonus in accordance with an established bonus programme, which implies a bonus payment of up to 30 per cent of annual salary in any one year. The bonus is calculated on the basis of the company's profits measured against budget and goal achievement in relation to a personal action plan set up in consultation with the Compensation Committee and Board of Directors.

The President and CEO has a 12-month notice period. On termination of employment he is guaranteed a further 12 months' salary. A deduction will be made from this guaranteed salary for any salary or other remuneration the President and CEO may receive from a new employer. The President and CEO has a right and an obligation to resign from his position on reaching the age of 60, unless agreement is reached on a different resignation date. His annual early retirement pension from age 60 to 67 will be the equivalent of 60 per cent of his pension basis and will be adjusted in accordance with the consumer price index. A retirement pension will be paid for life from the age of 67 and will be the equivalent of 60 per cent of the pension basis on retirement. The pension basis will not be adjusted during the period from retirement to 67 years of age. Any national insurance payments and collective insurances will be deducted from the guaranteed pension.

The President and CEO takes part in Veidekke's share programme for employees and purchased a total of 7,300 shares through the programme in 2007. The share programme is described in more detail in Note 4. There are no share option schemes.

Veidekke has granted a loan to the President and CEO for the purchase of Veidekke shares amounting to MNOK 2.8 at 31 December 2007. The loan is partly interest free and is secured by a mortgage in the shares.

The corporate management team

In 2007 members of the corporate management team received bonuses in accordance with an established bonus programme, which implies a bonus payment of up to 30 per cent of annual salary in any one year. The bonuses are calculated on the basis of the company's profits measured against budget and goal achievement in relation to a personal action plan set up in consultation with the President and CEO.

Members of the corporate management team have employment contracts stipulating a 6-month notice period. On termination of employment they are guaranteed a further 12 months' salary. A deduction will be made from this guaranteed salary for any salary or other remuneration received from a new employer. The retirement age for members of the corporate management team is 64. During the period from resignation to the age of 67 a pension will be paid equivalent to 60 per cent of salary on retirement from the position of executive vice president. Any payments such as contractual early retirement pension, severance pay and collective insurance will be deducted from the guaranteed salary.

The corporate management team participates in Veidekke's share programme for employees and purchased a total of 55,500 shares through the programme in 2007. The share programme is described in more detail in Note 4. There are no share option schemes. Veidekke has granted loans to members of the corporate management team to purchase Veidekke shares for a total of MNOK 14.1 as at 31 December 2007. A list of loans to members of the corporate management team is shown in the table above. The loans are partly interest free and they are secured by mortgages in the shares.

Compensation to the Board of Directors:

	Director's fee	Total compensation
Göte Dahlin (chairman)	0.33	0.33
Kari Gjestebý	0.18	0.18
Jette Knudsen	0.18	0.18
Peder Chr. Løvenskiold	0.18	0.18
Martin Mæland	0.18	0.18
Hilde Merete Aasheim	0.18	0.18
Birte Almeland (elected by the employees)	0.15	0.15
Nils Solevåg (elected by the employees)	0.15	0.15
Steinar Krogstad (elected by the employees)	0.15	0.15
Total compensation to the Board of Directors	1.7	1.7

Veidekke has established auditing, compensation and property committees. Compensation for participation in the committees is included in the Board members' fees.

Remuneration to the auditors:

	2007	2006
Statutory audit including audit-related assistance	10.0	9.7
Tax-related assistance	1.2	1.7
Other services in addition to auditing	1.8	0.4
Total remuneration to the auditors	13.0	11.8

Note 31 LEASE COMMITMENTS

Agreements where Veidekke is the lessee

Veidekke has interminable leases for the renting/hiring of property, land, operating equipment, etc. Costs fall due on these leases as set out in the table below:

	Rent		Non-current assets		Other commitments	
	2007	2006	2007	2006	2007	2006
Costs this year (2007)	56.9	55.6	20.8	19.3	10.1	10.4
Costs next year (2008)	46.4	37.2	20.3	19.4	10.1	10.7
Total costs next 2-5 years (2009-2012)	126.9	114.7	45.7	25.7	32.2	33.6
Total costs after 5 years (2013-)	43.2	56.7	0.5	0.4	23.8	28.9

Agreements where Veidekke is the lessor

Veidekke has leases for the letting/hiring out of property, land, operating equipment, etc. Income is due from these leases as set out in the table below:

	Rent	
	2007	2006
Income this year (2007)	16.0	9.5
Income next year (2008)	19.8	8.8
Total income next 2-5 years (2009-2012)	63.2	29.5
Total income after 5 years (2013-)	29.4	1.2

Note 32 UNCERTAINTIES

Veidekke is currently involved in disputes regarding projects, and a number of cases are settled by arbitration or in court. This applies both to Veidekke's claims on customers (additional claims) and to claims on Veidekke (repair of defects, compensation, etc.). Thorough assessments have been made to ensure that reporting in the accounts is as correct as possible. Reference is made to the Group's accounting policies:

"Additional claims and disputed amounts are normally not taken to income until agreement has been reached or a legally binding court ruling has been given. In the case of relatively certain claims, an estimated part of the claim is taken to income.

In the case of guarantee work, provision is made for confirmed and probable non-conformity. The anticipated final profit from the projects is updated continuously.

At the end of 2007 Veidekke was not involved in any major disputes that can have a significant effect on future profits. There have been no events of significance for the Group's financial situation since the balance sheet date."

Note 33 TRANSACTIONS WITH RELATED PARTIES

OBOS (26% share of Veidekke) and Veidekke are joint owners of a property development project at Skøyen in Oslo. This is managed through Sjølyststranda Eiendom AS which is owned on a 50-50 basis by the participants. Sjølyststranda Eiendom AS purchased the property from Norway Trade Fairs in 2002 and development started in 2003. A total of about 570 dwellings will be built for sale for the owners' own account. The project will be completed in the course of 2008. Sjølyststranda's total turnover for 2007 was MNOK 113.7 (MNOK 182.7). At 31 December 2007 receivables from the company's customers amounted to MNOK 14.1 (MNOK 13.5).

In 2007 Veidekke Skåne AB carried out a building contract for Open House Production AB, a subsidiary of OBOS. The contract was entered into on competitive terms. Total turnover in 2007 was MNOK 59.5 (MNOK 97.7). As of December 2007 receivables from customers amounted to MNOK 12.9 (MNOK 34.0).

Veidekke Bostad AB and Patentbygg Sverige AB (a company in the OBOS Group) have established BoVidSundet AB. Each of the parties holds 50 per cent of the shares in this company, which is engaged in property development in southern Sweden. As of December 2007, BoVidSundet had a project consisting of 54 flats under production and three projects with a total of 77 flats under planning for sale and start-up in the course of 2008. Total invoicing in 2007 was MNOK 16.3, and as of December receivable from customers amounted to MNOK 39.4.

In 2007 Veidekke Entreprenør AS carried out building work for StatoilHydro ASA, formerly Statoil ASA, where Veidekke's Board member Hilde Merete Aasheim is a member of the corporate management team. The contracts were entered into on competitive terms. Total turnover in 2007 was MNOK 222.7. At 31 December 2007 receivables from customers amounted to MNOK 31.

Through its subsidiary Br. Reme AS, Veidekke carried out building work in 2007 for companies owned by Br. Reme AS's minority shareholders. The contracts were entered into on competitive terms. Total turnover for 2007 was MNOK 230.5 (MNOK 168.0). As of 31 December 2007 receivables from these companies amounted to MNOK 45.0 (MNOK 35.5).

Transactions with associated companies and joint ventures

Veidekke has a number of associated companies and joint ventures (see Note 13). Transactions in 2007 and outstanding accounts at 31 December 2007 can be seen in the following table.

	2007
Operating revenues	
Construction operations	253.9
Industry	88.0
Other operations	4.6
Total	346.5
Balance Sheet as at 31 December 2007	
Debtors	179.6
Liabilities	47.1

Information regarding compensation to the company's Board of Directors and corporate management team can be found in Note 30.

Note 34 GROUP STRUCTURE

Veidekke ASA has the following significant subsidiaries:

Company	Location	Ownership share
Veidekke Entreprenør AS	Oslo	100 %
Hoffmann A/S	Copenhagen	100 %
Kolo Veidekke a.s	Oslo	100 %
Veidekke Sverige AB	Lund	100 %
Veidekke Eiendom AS	Oslo	100 %
Veidekke Gjenvinning AS	Oslo	100 %

The above table shows only the subsidiaries that are directly owned by Veidekke ASA. The Group consists of approx. 70 operational subsidiaries owned directly and indirectly by Veidekke ASA.

Profit and Loss Account Veidekke ASA

(Figures in MNOK)	Note	2007	2006	2005
Operating revenues		81.6	76.7	71.7
Wages	1	-56.8	-56.2	-63.3
Other operating expenses	3	-59.9	-63.5	-58.8
Depreciation	4	-1.8	-2.1	-5.4
Total operating expenses		-118.5	-121.8	-127.5
Operating profit/loss		-36.9	-45.1	-55.8
Dividends and Group contributions from subsidiaries	2	776.9	739.0	247.2
Other financial income	2	22.0	81.6	105.8
Financial expenses	2	-43.3	-59.0	-69.9
Profit before taxation		718.7	716.5	227.3
Taxation	10	0.8	3.0	-48.3
Profit for the year		719.5	719.5	179.0
Application of profit				
Dividends	9	556.1	366.4	286.1
Revaluation reserve				-4.3
Other equity	9	163.4	353.1	-102.8
Total		719.5	719.5	179.0

Balance Sheet Veidekke ASA
at 31 December

(Figures in MNOK)	Note	2007	2006	2005
ASSETS				
Non-current assets				
Properties	4	24.0	19.7	20.1
Machinery etc.	4	0.2	0.9	1.9
Shares in subsidiaries	5	1 282.0	1 189.4	1 138.0
Shares in associated companies and joint venture companies	6	13.4	13.4	11.4
Long-term receivables, Group companies etc	7	136.4	183.9	127.9
Other long-term receivables	8	270.8	202.5	148.9
Total non-current assets		1 726.8	1 609.8	1 448.2
Current assets				
Debtors		1.2	2.5	0.7
Short-term receivables, Group companies		884.4	633.5	278.9
Other receivables		63.3	52.1	31.3
Liquid assets		-	-	-
Total current assets		948.9	688.1	310.9
Total assets		2 675.7	2 297.9	1 759.1
EQUITY AND LIABILITIES				
Equity				
Share capital		70.1	71.5	71.5
Own shares		-1.1	-1.1	-
Share premium reserve		-	304.8	304.8
Other equity		992.0	591.4	359.8
Total equity	9	1 061.0	966.6	736.1
Long-term liabilities				
Pension commitments	11	21.6	16.9	16.8
Deferred tax liability	10	3.7	7.7	9.5
Debts to credit institutions etc.	12	939.4	824.3	625.9
Total long-term liabilities		964.7	848.9	652.2
Short-term liabilities				
Creditors		32.2	33.4	33.5
Unpaid government charges		5.7	6.9	8.2
Tax payable		3.5	-	4.5
Provision for dividends	9	556.1	366.4	286.1
Short-term liabilities, Group companies		50.6	49.8	37.9
Other short-term liabilities		1.9	25.9	0.6
Total short-term liabilities		650.0	482.4	370.8
Total equity and liabilities		2 675.7	2 297.9	1 759.1

Cash Flow Statement Veidekke ASA

(Figures in MNOK)	NOTE	2007	2006	2005
Operating activities				
Profit before tax less dividends and Group contributions		-58.2	-22.5	-19.9
Dividends and Group contributions from subsidiaries		738.6	247.2	312.3
Paid tax	4	0.3	-3.3	-
Depreciation		1.8	2.1	5.4
Gains on sales of non-current assets		-	-	-4.3
Pensions, difference cost/paid		4.7	0.1	0.5
Generated from this year's activities		687.2	223.6	294.0
Change in other current assets		-261.5	-375.4	35.5
Change in other accrued accounting items		11.4	525.8	-26.5
Net cash flow from operating activities (A)		437.1	374.0	303.0
INVESTMENT ACTIVITIES				
Purchases of tangible non-current assets	4	-5.4	-0.7	-2.3
Sales of tangible non-current assets		-	-	16.7
Fully paid equity in subsidiaries		-92.6	-64.6	-39.0
Change in other investments		-20.9	-98.4	60.4
Net cash flow from investment activities (B)		-118.9	-163.7	35.8
FINANCING ACTIVITIES				
Payment short-term debts		-	-	-4.4
New long-term borrowing		115.1	198.4	179.0
Share issue		-	0.2	1.6
Dividend paid	9	-364.3	-286.1	-515.0
Share-based transactions entered against equity	9	22.2	-26.5	-
Share buy-back	9	-91.2	-96.3	-
Net cash flow from financing activities (C)		-318.2	-210.3	-338.8
TOTAL NET CHANGE IN LIQUID ASSETS (A+B+C)		-	-	-
Liquid assets at 1 January		-	-	-
Liquid assets at 31 December		-	-	-
Supplementary information:				
Long-term borrowing facilities with DnB NOR	12	2 100.0	2 100.0	2 100.0
Used committed borrowing facilities at 31 December		939.4	824.3	625.9

ACCOUNTING POLICIES

The parent company, Veidekke ASA, is a holding company with no operations of its own. Its activities consist of investments in subsidiaries and associated companies, and income consists of dividends and Group contributions from these companies. In addition, Veidekke ASA invoices its subsidiaries for services rendered. Veidekke ASA prepares its financial statements in accordance with Norwegian accounting standards.

Investments in subsidiaries are reported using the cost method of accounting. This means that investments are assessed at cost price, while only distributions from the companies are recognised in the profit and loss account. In the event of a decrease in value, the necessary write-downs of investments are effected. The parent company applies the same accounting policies as the Group, except for the point in time when dividends and Group contributions, and financial instruments (interest swaps) are recognised in the accounts. Group contributions are taken to income in the same year as they are paid by the subsidiary. Dividends from subsidiaries are taken to income in the same year as they are set aside by the subsidiary (the year before distribution). The dividend proposed by Veidekke ASA was entered in the accounts as a liability at 31 December 2007.

Interest swaps are not reported by Veidekke ASA at fair value as they are in the consolidated accounts. Reference is made to Note 8 to the consolidated accounts under Interest rate risk.

Note 1 WAGES

	2007	2006	2005
Wages	40.6	35.5	35.4
Pension expenses	6.8	8.6	10.2
Social security	6.6	6.0	6.1
Other wage expenses (social benefits etc.)	2.8	6.1	11.6
Total	56.8	56.2	63.3
Average number of employees	44	45	43
Number of employees at 31 December	42	47	43

Note 2 FINANCIAL INCOME/FINANCIAL EXPENSES

	2007	2006	2005
Interest gains	15.8	33.3	16.7
Currency gains	6.2	6.0	5.5
Dividends and group contributions from subsidiaries	776.9	739.0	247.2
Gain on sales of shares*	-	42.3	83.6
Financial income	798.9	820.6	353.0
Interest charges	-39.5	-55.2	-39.8
Currency charges	-3.6	-2.7	-14.9
Other financial expenses	-0.2	-1.1	-15.2
Financial expenses	-43.3	-59.0	-69.9
Financial income/expenses	755.6	761.6	283.1

* Gains on sales of shares in 2006 refer to sales of shares in Veidekke Construction AB (Vecon) to Veidekke Sverige AB.

Note 3 REMUNERATION TO THE AUDITORS

In 2007, remuneration to the auditors was MNOK 0.8 for auditing, MNOK 0.2 for audit-related assistance and MNOK 0.2 for tax-related assistance.

Note 4 PROPERTY, MACHINERY ETC.

	Property	Machinery	Total
At 1 January			
Cost price	58.3	28.9	87.2
Accumulated depreciation	-38.6	-28.0	-66.6
Book value at 1 January	19.7	0.9	20.6
Accounting year			
Book value at 1 January	19.7	0.9	20.6
Additions	5.4	-	5.4
Disposals	-	-	-
Depreciation for the year	-1.1	-0.7	-1.8
Book value at 31 December	24.0	0.2	24.2
At 31 December			
Cost price	63.7	28.9	92.6
Accumulated depreciation	-39.7	-28.7	-68.4
Book value at 31 December	24.0	0.2	24.2
Depreciation method	Straight-line	Straight-line	
Depreciation rate	2-5 %	10-25 %	

Note 5 SHARES IN SUBSIDIARIES

Company	Location	Ownership share %	Book value*
Veidekke Entreprenør AS	Oslo	100	549.8
Hoffmann A/S	Copenhagen	100	280.1
Kolo Veidekke a.s	Oslo	100	190.1
Veidekke Sverige AB	Lund	100	194.5
Veidekke Eiendom AS	Oslo	100	21.9
Veidekke Gjenvinning AS	Oslo	100	17.0
Noremco AS	Oslo	100	13.3
Bergheim Terrasser AS	Trondheim	100	9.7
Veidekke Skui AS	Bærum	100	5.0
Other companies			0.6
Total			1 282.0

* Book value in Veidekke ASA's accounts at 31 December 2007 (cost method).

Note 6 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Company	Location	Ownership share %	Book value*
NSS Group Oy	Helsinki	30	13.1
Allfarveg AS	Oslo	50	0.3
Total			13.4

* Book value in Veidekke ASA's accounts at 31 December 2007 (cost method).

Note 7 LONG-TERM RECEIVABLES, GROUP AND JOINT VENTURES

Veidekke ASA has given Allfarveg AS, of which it owns 50%, a subordinated loan of MNOK 53.4. Interest is payable on the loan. Reference is made to Note 9 in the Notes to the consolidated accounts for further information about the activity and the company.

Note 8 LONG-TERM RECEIVABLES

	2007	2006	2005
Loans to employees	267.5	198.6	142.9
Other receivables	3.3	3.9	6.0
Total	270.8	202.5	148.9

Further details are given in Note 4 to the consolidated accounts.

Note 9 RECONCILIATION OF EQUITY

	2007	2006	2005
Equity at 1 January	966.6	736.1	1 176.3
Share issue		0.2	1.6
Dividend own shares	2.0		
Share buy-back	-91.2	-96.3	
Share-based payment - IFRS 2	20.2	-26.5	
Change in pensions		8.6	
Profit for the year	719.5	719.5	179.0
Dividend	-556.1	-366.4	-629.4
Equity at 31 December	1 061.0	966.6	736.1

	Share capital	Nom. value own shares	Share premium reserve	Other fully paid shares	Other equity	Total equity
Equity at 31 December 2006	71.5	-1.1	304.8	-	591.4	966.6
Equity at 1 January 2007	71.5	-1.1	304.8	-	591.4	966.6
Share buy-backs before 8 May 2007		-0.3			-38.3	-38.6
Dividends on own shares purchased 1 January- 8 May 2007					2.0	2.0
Cancelled shares 8 May 2007	-1.4	1.4				-
Transfer from share premium reserve to other equity			-304.8	304.8		-
Share buy-backs after 8 May 2007		-1.1			-51.5	-52.6
IFRS 2 – Share-based transactions employees					20.2	20.2
Profit for the year					719.5	719.5
Dividends					-556.1	-556.1
Equity at 31 December 2007	70.1	-1.1	0	304.8	687.2	1 061.0

Own shares (Veidekke ASA)

Veidekke had a share buy-back programme in 2007. Reference is made to Note 20 to the consolidated accounts.

Note 10 INCOME TAX EXPENSE AND DEFERRED TAX

Income tax expense	2007	2006	2005
Payable tax	4.8	-1.2	1.5
Change in deferred tax	-4.0	-1.8	46.8
Total income tax expense	0.8	-3.0	48.3
 Deviation in income tax expense			
28% of profit before tax	201.2	200.6	63.6
Actual income tax expense	-0.8	3.0	-48.3
Deviation	200.4	203.6	15.3
 Deviation in income tax expense			
Tax-free dividends	200.7	193.2	-
Tax-free gains on shares	-	11.8	18.3
Correction previous years	-1.1	-	-
Other items	0.8	-1.4	-3.0
Total	200.4	203.6	15.3
 Deferred tax			
Timing differences			
Short-term items	-3.0	-4.7	-13.0
Gain and loss account	45.5	56.8	68.7
Other long-term items	-29.1	-24.6	-21.8
Basis for deferred tax	13.4	27.5	33.9
 Deferred tax (28%)	 3.7	 7.7	 9.5

Note 11 PENSIONS

The company is bound by provisions in the Act relating to Compulsory Occupational Pensions to have a company pension scheme. The company's pension schemes comply with the statutory requirements. Reference is made to Note 22 to the consolidated accounts.

Note 12 LONG-TERM LIABILITIES

The Group has long-term committed borrowing facilities with DnB NOR for NOK 2,100 million. These expire in November 2010, but may be extended until 2012. Book long-term liabilities consist only of withdrawals from the Group account. Further details are given in Note 8 to the consolidated accounts.

Note 13 OTHER NOTES

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

- Note 8: Financial instruments.
- Note 20: Number of shares, shareholders, etc.
- Note 30: Compensation to company officers.

Oslo, 31 March 2008

VEIDEKKE ASA

Board of Directors

Göte Dahl
Chairman of the Board

Børte Almeland

Kari Gjesteby

Jette Wigand Knudsen

Steinar Krogstad

Peder Chr. Løvenskiold

Martin Mæland

Nils Jarle Solevåg

Hilde Merete Aasheim

Terje R. Venold
President and CEO

**ERNST & YOUNG**

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To the Annual Shareholders' Meeting of
Veidekke ASA

Medlemmer av Den norske Revisorforening

Auditor's report for 2007

We have audited the annual financial statements of Veidekke ASA as of 31 December 2007, showing a profit of NOK 719,5 million for the Parent Company and a profit of NOK 1 001,1 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 31 March 2008
ERNST & Young AS

Terstein Hokholt
State Authorised Public Accountant (Norway)
(sign)

Note: The translation to English has been prepared for information purposes only.

A member firm of Ernst & Young Global Limited

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The Annual Report can be found at
[www.veidekke.no/english/ir](http://www veidekke no/english/ir)

Financial information about
Veidekke can also be found at
[www.huginonline.no/VEI](http://www huginonline no/VEI)