



# the value of dedicated employees

Better margins. Fewer injuries.

**Greater job satisfaction.** At Veidekke we recognise the value of involving our employees. We are therefore working to increase co-ownership in the company, as well as employee involvement through continuous improvement processes. Together they contribute to growth and profitability for the company.

Veidekke is a Scandinavian contractor and property developer with about 6,400 employees.

We are the leading company in our field in Norway and the fourth largest in Denmark, and we have extensive operations in growth regions in Sweden.

Our primary strategy has two main elements: to develop our Scandinavian position and to further improve the profitability of our projects.

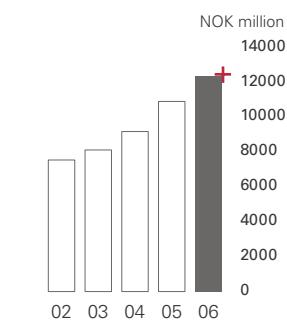
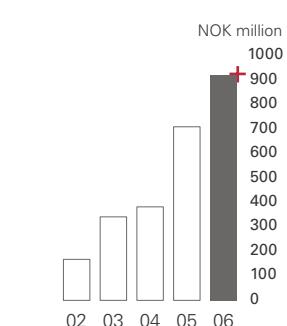
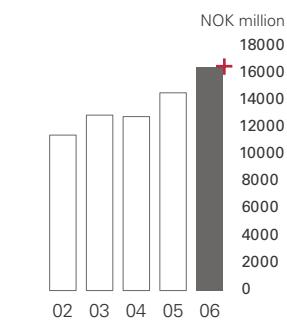
Veidekke  
annual report  
2006

contents

- 2 key figures**
- 3 highlights**
- 4 business areas**
- 6 from the CEO**
- 10 value drivers**
- 12 operations in Norway**
- 28 operations in Denmark**
- 36 operations in Sweden**
- 46 corporate management team**
- 48 articles of association**
- 49 organisation chart**
- 50 corporate governance**
- 54 shareholder information**
- 58 CSR**
- 62 board of directors**
- 64 board of directors' report**
- 74 annual accounts for the group**
- 108 annual accounts for Veidekke ASA**
- 114 auditors' report**
- 115 addresses**

## Key figures

	2006 IFRS	2005 IFRS	2004 IFRS	2004 NGAAP	2003 NGAAP	
<b>OPERATIONS *</b>						
Turnover	16 442	14 579	12 826	12 934	11 461	
Operating profit	712	592	352	323	191	
Profit before tax	923	711	383	342	168	
Net profit for the year <sup>1)</sup>	708	558	263	235	102	
Orders-on-hand, construction	12 381	10 902	9 177	9 177	8 120	
<b>PROFITABILITY</b>						
Operating profit margin (%) <sup>2)</sup>	4.3	4.1	2.7	2.5	1.7	
Gross profit margin (%) <sup>3)</sup>	5.6	4.9	3.0	2.6	1.5	
Return on total assets (%) <sup>4)</sup>	12.5	10.8	6.9	6.2	3.9	
Return on capital invested (%) <sup>5)</sup>	28.9	273	15.7	14.2	8.2	
Return on equity (%) <sup>6)</sup>	44.5	36.8	19.1	17.0	8.4	
<b>CAPITAL ADEQUACY *</b>						
Total assets	8 311	6 370	5 750	5 784	5 632	
Total equity <sup>7)</sup>	1 778	1 470	1 638	1 578	1 459	
Equity ratio (%) <sup>8)</sup>	21.4	23.1	28.5	27.3	25.9	
Net interest-bearing liabilities <sup>9)</sup>	534	109	76	71	238	
Investments	395	323	258	264	327	
<b>LIQUIDITY</b>						
Liquidity at 31 December *	331	345	401	431	593	
Unused borrowing facilities	1 319	1 628	1 096	1 096	959	
Current ratio <sup>10)</sup>	1.14	1.04	1.03	0.99	1.09	
Quick ratio <sup>11)</sup>	0.90	0.84	0.79	0.76	0.78	
Cash ratio <sup>12)</sup>	4.98	6.28	5.12	5.14	9.21	
<b>SHARES</b>						
Market price at 31 December	237.0	192.5	101.0	101.0	58.5	
Earnings per share <sup>13)</sup>	24.8	19.5	9.5	8.5	3.8	
Earnings per share (fully diluted)	24.8	19.5	9.5	8.5	3.8	
Earnings plus goodwill per share	24.8	19.5	10.0	10.6	6.8	
Dividend per share	13.0	10.0	18.0 <sup>**</sup>	6.0	3.5	
Outstanding shares (average million)	28.6	28.6	27.7	27.7	27.3	
<b>EMPLOYEES</b>						
Number of employees in Scandinavia at 31 December	6 351	5 598	5 436	5 455	5 309	
Number of employees in Scandinavia, average	6 227	5 584	5 075	5 096	5 623	
Absence (%) <sup>***</sup>	4.9	4.6	4.9	4.9	6.3	
Absence craftsmen (%)	6.5	6.0	6.4	6.4	8.4	
Lost-time injuries per million hours worked <sup>***</sup>	2.8	5.7	5.2	5.2	6.9	
Wages and social benefits *	3 307	2 930	2 701	2 713	2 535	



\* Figures in NOK million  
\*\* Including an extraordinary dividend of NOK 12 per share  
\*\*\* Norway

## Highlights in 2006

## Challenges 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 tax as a percentage of turnover.
- 4) Return on total assets:  
Profit before taxation plus net financial expenses as a percentage of average total assets.
- 5) Return on capital invested:  
Profit before taxation plus financial expenses as a percentage of average total assets less interest-free short-term liabilities and interest-free long-term liabilities.
- 6) Return on equity:  
Profit after taxation as a percentage of average total equity.
- 7) Total equity:  
Book equity including minority interests.
- 8) Equity ratio:  
Total equity as a percentage of total assets at 31 December.
- 9) Net interest-bearing liabilities:  
Liquid assets plus interest-bearing receivables less short-term interest-bearing liabilities less long-term interest-bearing liabilities.
- 10) Current ratio:  
Current assets divided by short-term liabilities.
- 11) Quick ratio:  
Most liquid current assets divided by short-term liabilities.
- 12) Cash ratio:  
Liquid assets plus unused borrowing facilities divided by short-term interest-bearing liabilities.
- 13) Earnings per share:  
Ordinary profit for the year after minority interests divided by the average number of shares outstanding (fully diluted).

**2006 was a very good year for Veidekke. With a turnover of NOK 16.4 billion and pre-tax profits of NOK 922.8 million, Veidekke has consolidated its position as Norway's leading contractor and property developer. Growth is evident in all parts of the Group's operations.**

**Substantial improvements were also registered in health, safety and environment (HSE) in 2006. Veidekke's operations in Norway achieved an injury rate (number of lost-time injuries per million hours worked) of 2.8, while the injury rate for the Group as a whole was 5.7. The corresponding figures for 2005 were 5.7 and 9.3.**

### Norway

- Considerable growth and a high level of activity in construction operations
- Very strong order situation for construction operations
- Attractive property projects and good sales of dwellings
- Growth in volumes and margins for aggregates and recycling, better margins for asphalt operations and a positive trend for road maintenance
- Processes for continuous improvement implemented throughout the organisation

### Denmark

- Profits doubled
- Clear improvement in construction operations
- Building entities show good growth, somewhat weaker in heavy construction
- Property operations developing according to plan

### Sweden

- Doubling of profits
- Favourable development in all regions
- SBS Entreprenad AB in Gothenburg taken over on 1 September
- Very good sales of dwellings

We are facing challenges such as uncertainty regarding developments in the housing market, the general rise in costs, risk management and sharper competition from foreign construction companies. Yet another challenge lies in recruitment of new employees and continuing to be an attractive workplace.

The level of the housing market is generally high, but there are some local variations. Even if the market levels off, there will still be a demand for good projects.

We see the possibility of reducing purchasing costs through new purchasing channels and forms of cooperation, but the greatest potential for improved productivity lies in making more effective use of our time and in better interaction with subcontractors. Our improvement processes show that great productivity gains are to be found when we involve our employees and subcontractors in our projects.

Every project entails some risk, and we concentrate on selecting projects where we can do what we do best, giving priority to customers we are able to interact with and making sure that we have the right skills and resources.

We will meet new foreign players, particularly in the heavy construction market, but our strong position makes it possible for us to be selective and to choose projects where we have the competitive edge.

We work actively to ensure that Veidekke is an attractive workplace for present and future employees. We recruit new employees systematically, preferably internally for key management and technical positions. Our recruitment efforts directed at schools, colleges and universities have been stepped up considerably in recent times. We offer our employees advancement opportunities both in their job situations and through professional and management development programmes.

We have a motivated, sound organisation, qualified employees and a generally strong order situation. These, combined with the good market prospects, give us a good basis for further growth in both volume and profitability.

## Financial Calendar 2007

### Publication dates for interim reports:

1st quarter: 9 May  
2nd quarter: 15 August  
3rd quarter: 1 November

The Annual General Meeting will be held on 8 May. The shares will be quoted ex-dividend on 9 May. Dividend will be distributed to shareholders on 21 May.

BUSINESS AREA	DESCRIPTION	KEY FIGURES (NOK MILLION)		
		2006	2005	2004
<b>NORWAY</b>				
<b>Construction</b>	<b>Nation-wide building and construction operations.</b>	Turnover	8 120	7 336
		Pre-tax profit/loss	387	335
		Capital invested	727	503
		Number of employees at 31 December	3 090	2 959
<b>Property</b>	<b>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.</b>	Turnover	1 193	1 439
		Pre-tax profit/loss	312	236
		Capital invested	1 537	1 316
		Number of employees at 31 December	47	52
<b>Industry</b>	<b>Nation-wide asphalt, crushed stone and gravel operations, road maintenance, demolition and plant contracting, and recycling of industrial waste.</b>	Turnover	2 337	2 186
		Pre-tax profit/loss	113	120
		Capital invested	113	120
		Number of employees at 31 December	1 085	985
<b>DENMARK</b>				
<b>Construction</b>	<b>Nation-wide building and construction operations.</b>	Turnover	3 005	2 462
		Pre-tax profit/loss	51	23
		Capital invested	-98	283
		Number of employees at 31 December	938	926
<b>Property</b>	<b>Development of housing projects for own account. Mainly in Sjælland, but also in Central Jylland.</b>	Turnover	274	93
		Pre-tax profit/loss	11	3
		Capital invested	411	117
		Number of employees at 31 December	8	3
<b>SWEDEN</b>				
<b>Construction</b>	<b>Building and construction operations in regions around Stockholm and Gothenburg and in Skåne.</b>	Turnover	1 900	1 315
		Pre-tax profit/loss	14	12
		Capital invested	-117	79
		Number of employees at 31 December	1 080	632
<b>Property</b>	<b>Development of housing projects for own account. Operations are concentrated around the largest cities.</b>	Turnover	730	374
		Pre-tax profit/loss	68	37
		Capital invested	525	326
		Number of employees at 31 December	59	34

PRIORITY AREAS IN 2006	ACHIEVED IN 2006	PRIORITY AREAS IN 2007
<ul style="list-style-type: none"> <li>Further improve profitability, particularly in the weakest entities.</li> <li>Evaluate our HSE programme with view to further improvement.</li> <li>Further develop our customer strategy.</li> <li>Implement We at Veidekke measures in all new projects. Try out new planning methods with our subcontractors in selected projects.</li> </ul> <p>Maximum focus on marketing and sales in Norway. Close follow up of risk and capital utilisation.</p>	<ul style="list-style-type: none"> <li>Profit margin increased from 4.6 % in 2005 to 4.8 % in 2006.</li> <li>Historically low injury rate (3.3 lost-time injuries per million hours worked).</li> <li>Routines developed for better customer dialogue and customer satisfaction.</li> <li>We at Veidekke measures incorporated in all new projects. Testing of new planning methods initiated.</li> </ul> <p>Maintained high sales volume and good earnings. Base established in Stavanger. Risk and capital management system implemented.</p>	<ul style="list-style-type: none"> <li>Continue to improve profitability.</li> <li>Greater involvement of our subcontractors in HSE measures. Strengthen HSE management.</li> <li>Test and gradually start using improved customer routines.</li> <li>Continue the We at Veidekke process, including testing of new planning methods with emphasis on weekly planning.</li> </ul> <p>Acquire sites for development in 2009 and onwards. Strengthen competitive ability in close cooperation with Construction.</p>
<ul style="list-style-type: none"> <li>Continue to develop asphalt operations.</li> <li>Establish a market share of about 20 % in road maintenance when all work is contracted out.</li> <li>Further improvement of industrial waste operations.</li> </ul> <p>Focus on earnings rather than volume. Continue implementation of VAP (system for calculation and financial project management).</p>	<ul style="list-style-type: none"> <li>Retained market share in growing asphalt market. Further improvement in profitability.</li> <li>Four new road operation and maintenance contracts. 19 % market share.</li> <li>Further improvement in profit for industrial waste.</li> </ul> <p>Profit doubled from DKK 26 to 62 million. Choice of calculation and project management system not yet finalised.</p>	<ul style="list-style-type: none"> <li>Further focus on profitability.</li> <li>Recruit and develop skilled workers and managers.</li> <li>Improve HSE figures by reducing sickness absence and injury rate.</li> <li>Increase profitable volume in industrial waste.</li> </ul> <p>Market Hoffmann as a different kind of contractor. Continue to focus on earnings rather than volume. Continue organisational development with help of in-house training.</p>
<ul style="list-style-type: none"> <li>Continue improvement in HSE.</li> <li>Compete on other factors than price by being selective in choice of customers, contracts and type of contract, and better tender processes.</li> <li>Further systemisation of purchasing.</li> <li>Continue Hoffmann's customer strategy.</li> </ul> <p>Continue to develop operations in Denmark.</p>	<ul style="list-style-type: none"> <li>Better HSE results. Injury rate down from 19 to 14 injuries per million hours worked.</li> <li>63 % of record-high orders totalling approx. DKK 2.8 million won on factors other than price.</li> <li>Procurement function strengthened. New purchasing manager appointed.</li> <li>Hoffmann strengthened its image as the solution-oriented partner.</li> </ul> <p>Turnover more than doubled. Started building up development site portfolio.</p>	<ul style="list-style-type: none"> <li>Continue to improve HSE measures.</li> <li>Compete on other factors than price by being selective in choice of customers, contracts and type of contract, and better tender processes.</li> <li>Further systemisation of purchasing.</li> <li>Continue Hoffmann's customer strategy.</li> </ul> <p>Initiate sales of new projects. Continue to add to development site portfolio.</p>
<ul style="list-style-type: none"> <li>Continue efforts to establish a structured method of working in all companies.</li> <li>Continue recruitment of qualified employees.</li> <li>Establish an HR programme which presents us as different from our competitors.</li> </ul> <p>Give priority to development work with emphasis on efficiency and productivity. Find suitable company for take-over.</p>	<ul style="list-style-type: none"> <li>Management system in place in all entities.</li> <li>Brisk recruitment continues. Approx. 400 new employees hired.</li> <li>HR organisation now in place. Image-building work under way.</li> </ul> <p>Good performance in all entities. Benchmarking between the entities.</p>	<ul style="list-style-type: none"> <li>Establish clear goals and target figures.</li> <li>Consolidate operations.</li> <li>Develop corporate culture and employee involvement.</li> <li>Focus on good follow-up and support of new employees.</li> </ul> <p>Productivity improvement.</p>
<ul style="list-style-type: none"> <li>Establish housing development in Gothenburg and further develop operations in Skåne.</li> <li>Capitalise on the good market for housing development.</li> </ul>	<ul style="list-style-type: none"> <li>Established operations in Gothenburg. First site purchase agreed. Operations in Skåne reinforced through recruitment of new employees.</li> <li>Veidekke Bostad shows strong profit performance in spite of slow municipal planning processes.</li> </ul>	<ul style="list-style-type: none"> <li>Develop model home concept.</li> <li>Increase customer adaptation of projects.</li> <li>Higher expansion rate in housing development in Skåne and Gothenburg.</li> <li>Interaction with co-investors.</li> </ul>



Terje R. Venold  
President and CEO

"In a company like Veidekke, it is the people who make the difference."



# involvement brings results.

We know at Veidekke that greater participation by the individual employee on the building site has positive spin-off effects.

In last year's Annual Report I started my message with the heading "Good results are a great motivator", and the results in this Report have the ingredients for a real energy kick. 2006 was a historically good year for Veidekke. We are, however, not planning to rest on our laurels. We will continue our targeted improvement processes in the Group, which are one of the main reasons why Veidekke once again emerges as one of the most profitable construction and property development companies in Scandinavia.

Let me hasten to add that these good results make us humble. The favourable market has of course contributed largely to the figures for 2006, but good interaction with our many customers, suppliers and partners has been just as important. Experience has shown that it is often easy to choose the inexpensive, but not necessarily the most cost-effective, solutions in a building process.

It is often tempting to go for short-term gains, settle for second best, or not take time to find the best process. Professionality and targeted work throughout the organisation are what it takes to be best, and they are most easily achieved by working with the best.

### **Veidekke's best year**

2006 was Veidekke's best year ever. We registered growth in all three countries and in every entity, both professionally and financially. Operations in Norway are still in the lead, but both Denmark and Sweden achieved a doubling of profits compared with the year before. Total growth for the Group was 13 per cent and the consolidated profit rose by 30 per cent.

2006 was also a good year in the field of health, safety and environment. Here we achieved our best results so far. Our overall injury rate (number of lost-time injuries per million hours worked) fell to 5.7 from 9.3 the year before, while the injury rate for Norwegian operations ended up at 2.8, compared with 5.7 in 2005.

### **Sharing knowledge and experience**

In a company like Veidekke, it is the people who make the difference. It is their knowledge, motivation and ability to work together that creates value, and in recognising that fact we have developed and are developing Veidekke. By decentralising our organisation and involving every employee, we are becoming more and more efficient. Our employees, now numbering almost 6,400,

possess a wealth of knowledge and experience. The challenge lies in organising them and their expertise in the best processes. We also face challenges in recruiting skilled employees. We have set ourselves an ambitious goal. We have said that by 2010 Veidekke will be the most attractive workplace in the industry. We will manage that by, among other things, strengthening Veidekke's corporate culture, which focuses on people, involves every employee and provides opportunities for those who are willing to take them and where freedom with responsibility is the prevailing principle. And we will continue to combine size with decentralised strength.

### **Improvement programmes**

To enhance Veidekke's further development, we are implementing systematic improvements throughout the Group. In Norway, "We at Veidekke" and Kolo Veidekke's "On our Way" are the improvement processes that have given the best results. The main point of these processes is to include all employees in the planning, control and progress of the projects. We gather them together at the start of the project. They all help to define the most important challenges and the best solutions and, through continuous communication and reporting, the progress of the project becomes a joint responsibility. These projects usually show better results for most parameters: less absence, greater job satisfaction, better profitability, good HSE results, better quality, better processes and more satisfied customers.

## Throughout Scandinavia

Parallel improvement processes have been introduced in Denmark and Sweden. In Denmark, they started with a long-term focus on customer orientation called "the solution-oriented partner". In the course of the past three years, they have modernised the organisation, turned the spotlight on the customers and their needs, and worked more specifically with partnering as a model for their cooperation with customers and suppliers. The result of these efforts is a more mature organisation, greater profitability and a stronger order situation. The next step will be to improve the profitability of individual projects and the "We at Veidekke" process is therefore being adapted for use in the Danish market.

In Sweden, priority has been given to putting in place a coherent organisation, the right management and project tools, and good work processes – both in individual projects and in the interaction between construction and property development operations. Capacity and skills have been boosted with the purchase of regional operations such as SBS Entreprenad AB in west Sweden. The Swedish organisation as a whole is now well positioned for further development, and improvement processes modelled on "We at Veidekke" have been initiated in selected pilot projects.

## The road ahead

In our presentation of the financial results for 2006, we emphasised our potential for further growth and higher profit margins. This optimism is based on expectations of a continuing good market throughout Scandinavia and – possibly just as importantly – on the even better organisation that Veidekke has today. Profit margins for a third of our operations are still too low, but our many improvement initiatives are now beginning to produce results.

I would also like to mention Veidekke's annual sales of shares to employees at a discount price. The employees' considerable co-ownership in the company gives them commitment and motivation, ties them more closely to the company and increases their understanding of what it takes to create profitability. Co-ownership makes us a different kind of company. We believe that it increases our competitive strength, through greater understanding and more dedicated and enthusiastic employees. We will therefore continue to promote co-ownership through our share programme for all employees. Our ambition is to substantially raise the number of employees who purchase shares in the company in the years to come. In this way, share purchases by our employees will be a key factor in our broad improvement programme, and thus an important step towards our primary objective of better margins and a stronger Scandinavian position.



Terje R. Venold  
President and CEO

+ In order to realise the full potential of our Scandinavian position, we will need to increase the profitability of our projects. At Veidekke we have identified four critical factors for success.

1.

close interaction  
with our customers.

We believe that we can increase the overall quality of a project by cooperating closely with our customers. Conflict is not unusual in parts of the construction industry, and the division of responsibility between the client and contractor is often not clear. Interaction with our customers makes it easier to resolve conflicts in a positive way. It gives us a better basis on which to assess risks, and it puts us in a better position to deliver a product that measures up to our customer's expectations.

2.

employee  
involvement.

The value of a construction company is largely dependent on its employees – on their skills, motivation and ability to interact. A building site is a complex arena with many unknown factors and surveys show that a considerable amount of the employees' time can be wasted due to waiting, errors in production, searching for information, etc. Dedicated employees who take responsibility and show initiative are crucial to good planning and efficient operations. We encourage this by involving them in our improvement processes, and by inviting them to become co-owners of the company.

3.

## decentralised organisation.

Experience has shown us that up to 75 per cent of value creation in a building project is local. A tunnel or a bridge or an office building is not something that can be manufactured centrally and transported to the place of use. It must be built by an organisation that is established on the site. Local market knowledge and the ability to build good relationships are therefore essential to the profitability of these projects. We encourage this through our decentralised organisational structure, which gives local managers a large measure of independent responsibility.

4.

## project control.

Carrying out a project is a complex process involving a large number of players, and control at all stages requires good leadership on the building site. Management development is therefore a priority at Veidekke, and we are a leading training company in our field today. We also need good project control tools and good planning routines to ensure that we always have some extra capacity in hand. In this way, we can reduce the risk, improve margins and increase the degree of repeat business from our customers.

## + better teamwork means better profitability

One of Veidekke's primary objectives is to improve the profitability of its projects. An important part of this improvement effort is creating more optimal processes through employee involvement. One of the challenges facing the industry is unproductive time. A building site is a complex arena with many unknown factors and it is sometimes difficult to achieve efficient workflow between the different operations. Surveys show that a considerable amount of the employees' time can be wasted due to waiting, errors in production, searching for information, etc. We aim to reduce this waiting time by improving teamwork and cooperation in solving joint problems, so that each employee feels involved and has a stake in the improvements in the building processes.

In this way we keep things moving on the site. We also make sure that the employees are satisfied and are encouraged to take independent initiative and responsibility.

Rolf Sigmund Vøien works as an asphalt supervisor for Kolo Veidekke. He has first-hand experience of the company's involvement project - most recently during the asphalting of the new garage area for the project Jessheim Hageby. At the beginning of each project, a meeting is held to discuss the work and inform and motivate the members of the work team. This meeting produces two concrete results. The first is a group agreement. The whole group discusses and arrives at a few general objectives and ground rules for the building site. These are signed by everyone and hung up in a prominent place. The work team also sets targets for productivity, quality and HSE. In this way, each employee has a larger stake in the whole work process and for the work standards that are required at Veidekke.

The resulting improvements are considerable and measurable. The efficiency and profitability of the projects is improved because there is less waiting on the job. This also helps the work team to tackle the unforeseen factors that always crop up on a building site. We have registered fewer injuries and ten times as many near-accidents have been reported. We also see how the involvement processes enhance the feeling of belonging to Veidekke. Competition for manpower is keen in our industry. Involvement is motivating – and this makes it easier for us to keep good workers. That is why Veidekke is implementing its improvement processes in all new projects in Norway. We believe that this makes Veidekke 'different' from other construction companies and we believe that employee involvement is a key factor in pursuing the Group's primary strategy, which is to improve profitability and strengthen our Scandinavian position.



NORWAY

Rolf Sigmund Vøien

NAME

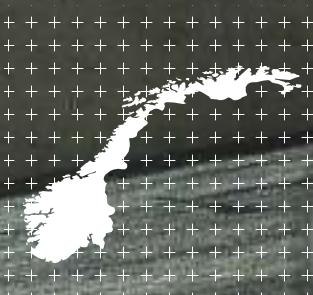
Supervisor, Asphalt

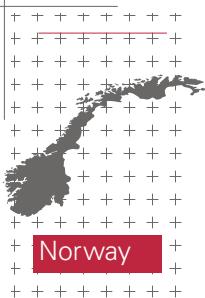
PROFESSION

Operations

PROJECT

Jessheim Hageby





## a different kind of player in the norwegian market.

+

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

Veidekke Entreprenør AS (construction) is the Group's largest business entity in Norway. Two-thirds of its operations are building activities and the remaining third is heavy construction.

+

Veidekke Eiendom AS (property), which is one of Norway's leading housing developers, works closely with the construction division



Veidekke completed its work on the construction of the New Opera House in Oslo in 2006. This work included foundation and concrete work, framework structure, insulation and external façade work.

on project development. This makes for safe execution and cost-effective building.

The operations of Veidekke Industri (industry) cover asphalt, crushed stone and gravel, demolition and plant contracting, road maintenance and recycling of industrial waste. To a large extent these operations mirror the level of activity in the building and construction market, but are less vulnerable to fluctuations in the economy.

### The market

The high level of activity we have had for several years in all segments of the building and construction market is expected to continue in 2007.

The housing market was good throughout 2006, as regards both price trends and building of new dwellings. In the course of the year prices rose by as much as 22 per cent in Oslo and 19 per cent in the country as a whole. Construction started on well over 30,000 dwellings.



The viewing platform at Stegastein, 640 metres above the Aurlandsfjord, is part of the Public Roads Administration's tourist road project. The platform is supported by two 13-metre high diagonal legs resting on foundations anchored in the rock face with rock bolts. The weight of the steel structure is 43 tonnes. The project was voted Construction of the Year 2006 by the building industry's trade journal, *Byggeindustrien*.

In 2006 we also saw clear signs of a rise in the demand for office buildings. This was a result of growth in employment combined with several years with low building activity and a wish for better premises. The question is how strong this growth will be and how long it will last. A growing political willingness to invest in better roads and railways has led to some growth in infrastructure projects. At the same time, we see that activity in land-based oil and gas installations is declining. Growth is expected to continue in our markets in the time ahead, but probably not at the same rate as we have been experiencing. Shortage of capacity and a rising interest rate will help to moderate growth.

## CONSTRUCTION

- Growth in turnover and profits
- Large percentage of returning customers
- High volume of orders-on-hand

Veidekke's construction operations in Norway employ 3,090 persons and showed a turnover of NOK 8,120 million in 2006. With a profit margin of 4.8 per cent, this is one of the most profitable companies in the market. An important element of these operations is our close interaction with customers, suppliers and other parties involved in the building processes. This makes it possible for us to reduce the risk in the project and deliver a product that matches the customer's expectations regarding both time and quality.



These operations are looked after by Veidekke Entreprenør AS and its subsidiaries. The company undertakes all types of building and construction work. On the building side, contracts are mainly for dwellings, non-residential buildings, schools and other public buildings. On the heavy construction side, operations include roads, bridges, railway construction and industrial projects. Approximately two thirds of the company's total operations are building contracts and one third is heavy construction contracts. In 2006, approximately 80 per cent of turnover derived from new building projects, while the remaining 20 per cent came from work on existing buildings or installations (additions, extensions or conversions).

Veidekke Entreprenør AS is organised in five regional departments: East, South, North/West, Heavy Construction and Special Projects. The first three are engaged mainly in



The E39 Lyngdal – Flekkefjord PPP project was handed over in summer 2006.

building and the latter two in heavy construction. Construction operations are generally local operations and the five regions are therefore divided into 27 districts/subsidiaries. These are business entities with full responsibility for the market, customers, projects, resources and financial results.

On the building side, Veidekke Entreprenør operates essentially in Norway, while heavy construction projects also include selected projects in Sweden and Denmark in cooperation with Veidekke Sverige and Hoffmann A/S respectively.

Residential building projects for Veidekke's own account are carried out in close collaboration with Veidekke Eiendom. This company undertakes, among other things, land purchases and sales of dwellings, while Veidekke Entreprenør is responsible for design and production of the dwellings. A number of housing projects are also carried out in the same way for other property developers.

At the end of 2006, Veidekke Entreprenør had 3,090 employees, of whom 1,110 were salaried employees and 1,980 were craftsmen.

### We aim to be Norway's best construction company

Veidekke Entreprenør's 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



+

When Hisøy School in Arendal was converted, the children were included in the process. Here are Markus Emil and Ingvild on a weekly inspection. Br. Reme AS was responsible for the conversion of the school, which was in full use during the demolition and construction work.

- 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

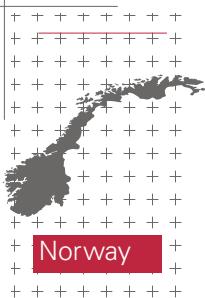
Our improvement and development process, "We at Veidekke," is an essential part of our development programme. By involving our employees, we improve planning and performance in each project. This will help us to improve profitability, ensure high quality products and increase our focus on health, safety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

These improvement measures aim at involving all the employees:

- At the start of the project, in establishing common goals in which everyone has a say
- In follow-up discussions on possible on-going improvements depending on how the project is progressing
- In the final evaluation of what we have done and transfer of experience to future projects

After the initial development and evaluation phase, the "We at Veidekke" process entered a new phase in 2006. From January 2006 onwards, the process was implemented at the start of every new project.

Training is an important part of "We at Veidekke" process. At the end of the year, almost 850 employees had completed a 3-day basic course in improvement management. At the end of 2006, a survey among some of Veidekke Entreprenør's 3,000 employees showed that the majority responded positively to the "We at Veidekke" process and regarded it as important to the further development of the company.



In 2006, Veidekke Entreprenør had 168 apprentices, and about 32 newly qualified engineers and chartered engineers joined the company. In the years ahead, recruitment will be a major challenge. We focus on recruiting young people for the engineering and skilled jobs that are important to Veidekke and on making the company attractive for newly qualified persons. We cooperate with a number of universities and colleges.

Increasing the percentage of women employees is a challenge for the 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 2006, 210 of the company's 1,110 salaried employees were women. Only four skilled workers were women.

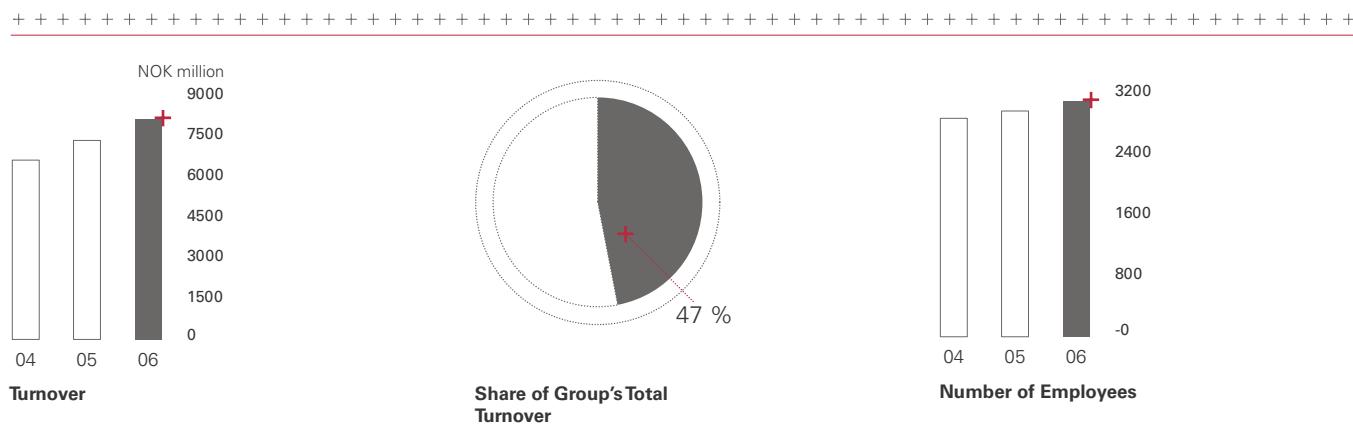
Veidekke Entreprenør has always given high priority to safety in the workplace. To achieve our vision of an injury-free workplace we need to learn, through the "We at Veidekke" process, to follow good routines and create a safety culture that reaches into every corner

of our operations. The good HSE figures in 2006 do not mean that we will give less attention to safety measures. On the contrary, we will intensify our HSE efforts in 2007.

Veidekke's suppliers (consultants, subcontractors and material 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 need a close and constructive co-operation with the best suppliers. We hope to strengthen this cooperation by extending our "We at Veidekke" process to include our suppliers.

### Creating value through partnership

The majority of Veidekke Entreprenør's customers are returning customers (about 80 per cent of our turnover in 2006). Most of them are professional, that is to say they are engaged in business themselves or they are responsible for public service tasks. Our largest customers are responsible for a significant part of our turnover. 12 per cent of turnover in 2006 derived from construction for Veidekke's property division.



Our products represent substantial investments for our customers. Good interaction with our customers is essential if we are to live up to their expectations of us. We attach importance to continuous improvement in this area too and in 2006 we developed systems enabling us, along with the customer, to:

- Identify and follow up the most important challenges in each project
- Evaluate each project and decide upon how to transfer what we have learned to the next project

This systematic approach will be tested in 2007 and gradually implemented throughout Veidekke Entreprenør AS. Our goal, through these simple but vital measures, is to be able to offer a better process to our customer and in turn an even better and more cost-effective product.

Veidekke has a high and growing percentage of turnkey contracts (contracts where we are responsible for design and execution). In 2006, turnkey contracts stood for more than 80 per cent of our building project portfolio, while the corresponding share of heavy construction contracts was almost 40 per cent. We expect to uphold our high share of turnkey contracts on the building side in the time ahead, while our share on the heavy construction side will continue to grow.

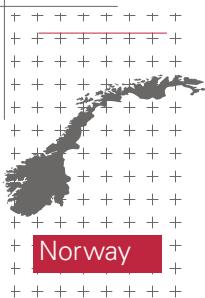
## Good financial results

In recent years, including 2006, Veidekke Entreprenør has enjoyed a stable, satisfactory development. Pre-tax profit for 2006 was NOK 386.6 million (NOK 334.8 million in 2005). This gives a profit margin of 4.8 per cent (4.6 per cent) of a total turnover of NOK 8,120 million (NOK 7,336 million).

Veidekke's safety results are measured as the number of lost-time injuries per million hours worked. Our goal is an injury free workplace, with an intermediate target for its own employees of five in 2006. Veidekke Entreprenør achieved the best safety figure ever registered in 2006 with 3.3 compared with 5.4 in 2005.



Veidekke is helping to build a permanent road connection with one of Norway's most scenic areas. Veidekke's part of the Lofast project includes about 5 km of road and 1.2 km of tunnel on the section west of Øksfjorden.



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 2006 the company registered an overall figure of 5.4 per cent as against 5.0 the year before. Absence among our craftsmen was 7.4 percent in 2006, compared with 6.9 per cent in 2005. The slight increase is in line with the rest of the Norwegian workplace. However, we have seen a levelling off and a slight improvement in sickness absence in the past two quarters.

Veidekke Entreprenør is working on the development of joint systems for measuring product quality and customer satisfaction. This is a considerable challenge in an industry where products are project-based and unique and where the customer also makes important contributions to the project process. The first test of the measurement system is planned to take place in 2007.

At the end of 2006 Veidekke Entreprenør had orders-on-hand totalling NOK 7,580 million, as against NOK 6,615 million a year earlier. The quality of these orders is regarded as good.

## Largest Ongoing Building and Construction Projects

Project	Client	Performing Division	Expected	Remaining	Completion	Contract type
			total turnover			
			NOK Million	NOK Million		
Sjølyststranda, Dwellings, Oslo	Sjølyststranda Eiendom AS	Region East and Heavy Constr.	924	185	2008	Turnkey contract
Tjuvholmen, Foundation work and offices, Oslo	Tjuvholmen Utvikling AS	Heavy Constr., Region East and Special projects	540	305	2008	Turnkey contract
Kjøsnesfjorden Kraftverk, Hydro Electric Power Plant, Kjøsnesfjorden	Kjøsnesfjorden Kraftverk AS	Special Projects and Region North/West	525	471	2010	Turnkey contract
E 16 Wøyen Bjørgum, Road construction, Bærum	Public Roads Administration	Heavy Constr. and Special Projects	505	272	2007	General contract
E4 Uppsala - Läby (25 %), Highway, Sweden	Swedish Road Administration	Special Projects	380	24	2007	General contract
Lille Bislett, Dwellings, Oslo	Olav Thon Eiendomsselskap AS	Region East and Heavy Constr.	272	150	2008	Turnkey contract
Hønefoss Senter, Shopping centre, Hønefoss	Sektor Eiendomsutvikling AS	Regions South and East	264	241	2008	Turnkey contract
The Halsnøy connection, Road construction, Kvinnherad	Public Roads Administration	Special Projects	250	55	2008	General contract
Victoriagården, Dwellings, Bærum	Veidekke Eiendom AS	Region East and Heavy Constr.	246	232	2008	Turnkey contract
Tangen, Dwellings, Kristiansand	Tangen AS	Region South	235	196	2008	Turnkey contract

## PROPERTY

**Veidekke Eiendom is engaged in the development of housing for its own account, office buildings and commercial buildings, and special-purpose buildings for the public sector in Norway.**

The Norwegian housing market has been very strong in recent years. Veidekke Eiendom has therefore concentrated its activities on developing, building and selling terraced houses and blocks of flats. Geographically, its activities are concentrated in and around the big cities. Project development takes place in close co-operation with the Group's construction divisions. This makes for safe execution and cost-effective building while allowing the company to concentrate on its focus areas, which are to secure good project opportunities, obtain the necessary public permits, and to market and sell dwellings.

2006 was a very good year, showing the highest profit ever for Veidekke Eiendom. Pre-tax profit was NOK 311.5 million, which is an increase of 32 per cent compared with the year before (NOK 236.4 million). NOK 98.5 million is attributable to sales of non-residential property, while the remainder represents gains from housing development. A considerable part of the profit derives from associated companies and joint ventures and taxation is therefore very low.

An important prerequisite for good results is having attractive, well-situated sites for the target groups we wish to sell to. We therefore spend a great of time and attention on acquiring good sites. As a result of the good housing market, an increasing number of players have identified housing development as an interesting business area and this has led to steeply rising prices. For the past year it has been difficult to get hold of sites at prices



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Universal design has been incorporated in the Guristuveien residential project at Bøler in Oslo, making it easier for elderly and disabled people to use the houses. Here there is no need for expensive adaptations – the same design is used for everyone.

we regard as acceptable. The good housing market has also put site owners in a strong negotiating position and it is therefore difficult to obtain options or to postpone payment. The amount of capital we have tied up in land is therefore rising.

Most of the sites we purchase have not been approved for development. 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 and impact assessments and apply for approval. It can take from two to three years to have the plans approved and a minimum of six months before we receive permission to build. During that period, we and the contractor make detailed estimates to ensure that we have control of costs when



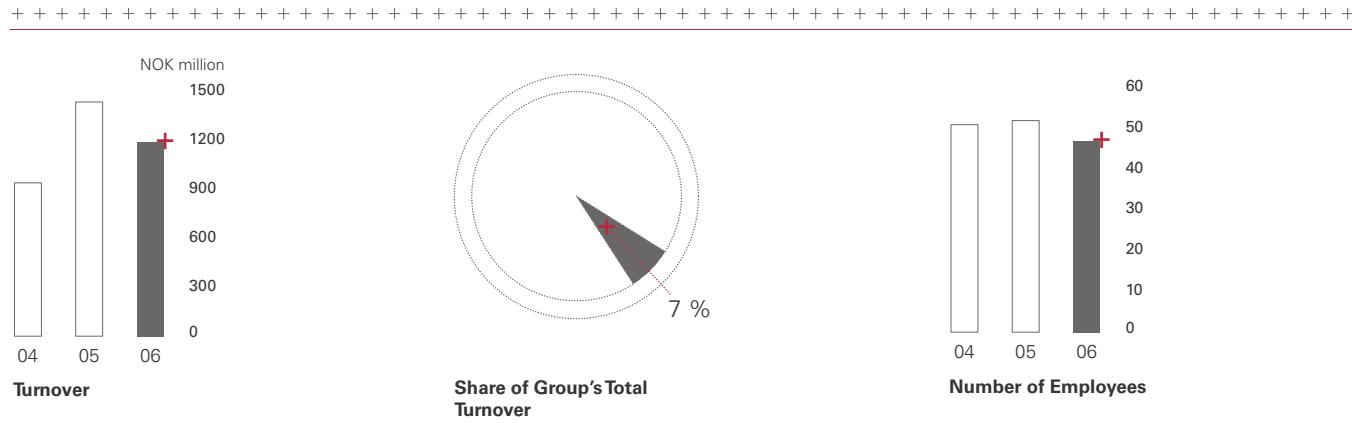
approval is received and sales start. Building does not normally start until at least 50 per cent of the units have been sold. This means a considerable reduction in income risk.

Property development is a time-consuming process. Three to five years can pass from the time a purchase decision is made until construction is commenced. A great deal can happen to house prices, building costs and competition during that time. Capital and risk management are therefore an essential part of our operations. Systems have therefore been developed which provide good management data for the individual countries and for the Veidekke Group as a whole.

The rise in production costs for dwellings is a continuous source of concern which neither the authorities, the industry nor Veidekke appear to be able to remedy. Costs continue to rise far more quickly than the general rate of inflation and the price of flats has now reached a level large groups of people are unable to afford. There are several reasons for this, but the factors all seem to point in the wrong direction. Land prices are rising; material costs are rising; productivity growth in the industry is low, and the authorities are setting new, price-raising standards for design and technical solutions.

Moreover, the approval processes are taking longer and longer. If the Bank of Norway's interest rate path is also correct, many Norwegians will see a considerable increase in their living costs.

A record-low unemployment rate and a record-high growth in real earnings are reflected in willingness to pay in the housing market. Growth in prices was therefore considerably higher in 2006 than anticipated in our prognoses. The growth in real earnings will remain high and we therefore believe that prices will continue to rise. We predict about 10 per cent growth in 2007 and a weak growth in 2008. The growth in prices will not be even. We believe that the markets will develop differently depending on the product, situation and the number of competing projects. We also believe that the total newbuilding market reached a peak in 2006 at just over 33,000 units and will therefore fall below the 30,000 mark in 2007. Compared with the last ten years, this is still a high level of activity.



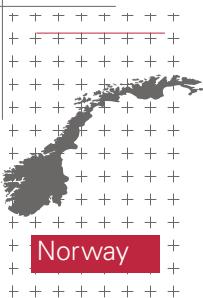


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Veidekke and OBOS are building approximately 570 flats at Sjølyststranda in Oslo.

Veidekke Eiendom AS is one of the leading house-builders in Norway, and will continue to be so in the future. We will ensure this by developing rational housing concepts in partnership with Veidekke's construction entities, by knowing the needs of the buyers and by providing solutions which meet the physical and financial needs of different buyer groups. Our strength lies in our decentralised management and close vicinity 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 non-residential buildings is growing and we are therefore considering certain non-residential projects, especially in combination with housing projects and in the first instance for the business and service sectors. In larger projects, offices and logistics may also be of interest.



## INDUSTRY

This division covers the following business areas: asphalt, crushed stone and gravel, operation and maintenance of public roads, demolition/plant contracting and recycling of industrial waste.

High activity in the building and construction market resulted in a good demand for our products. In combination with our internal improvement processes, this led to a further improvement in profits.

- The asphalt market was stable in 2006 and Kolo Veidekke retained its market share.
- The market for crushed stone and gravel showed a further improvement.
- Kolo Veidekke was awarded four new contracts for operation and maintenance of the public road network and at the end of the year had operational responsibility for about 19 per cent of trunk and country roads.
- Recycling showed further improvement in profit.
- The Industry Division achieved very strong HSE results, with sickness absence at 4.6 per cent and an injury rate of 1.6.

### Asphalt

Asphalt operations constituted approximately 55 per cent of Kolo Veidekke's total turnover (NOK 1,300 million). The company has 30 asphalt plants, located all over Norway. The volume in the Norwegian asphalt market in 2006 remained unchanged from 2005. Deliveries to public sector customers fell somewhat, while a rise was registered in a strong building and construction market. Kolo Veidekke retained its share of the market at about 30 per cent. The company had a production of around 1.7 million tonnes of asphalt and about 30 per cent of this volume went to the Public Roads Administration.

The demand for asphalt from the Public Roads Administration is expected to rise in 2007, while demand from other customer groups will probably remain stable.

In 2006, Kolo Veidekke sold its patent rights to the WAM process (low temperature production of asphalt), with the exception of its rights in the USA. It also retains its rights to its own production in Scandinavia.

The positive effects of Kolo Veidekke's improvement process continued in 2006. Adjustments will be made in the process in 2007, based on further employee involvement and management-employee cooperation. The main focus will continue to be on improving productivity.

### Crushed stone and gravel

Aggregates stood for about 15 per cent of Kolo Veidekke's total turnover (NOK 367 million). Kolo Veidekke has 25 wholly or partly owned crushing plants spread all over Norway. Its total production volume was approximately 5.7 million tonnes in 2006.

About 85 per cent of Kolo Veidekke's turnover for aggregates derives from domestic sales of crushed stone, while 15 per cent represents export of stone materials to Europe. Deliveries to own operations amounted to about 10 per cent of the total volume.

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. Aggregates are used mainly in the development of the infrastructure and in general building and construction operations. The largest single consumers are asphalt and concrete manufacturers.





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Kolo Veidekke a.s has been awarded a number of contracts for the operation and maintenance of public roads in Norway. Here they are setting out plough markers along the side of the road in preparation for winter.

Kolo Veidekke has access to reserves totalling about 140 million tonnes through extraction agreements and ownership.

### **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 about 11 per cent of its total turnover in 2006 (NOK 251 million).

As a result of changes in the organisation of the Public Roads Administration, all operation and maintenance of trunk and county roads were contracted out from 2003 to 2006. Each contract has a duration of four to seven years. Veidekke has set a target of a 20 per cent share of this market.

Veidekke was awarded four new contracts by the Public Roads Administration in 2006. As of February 2007 Veidekke's overall chances of securing a further four contracts in this year's tender round are good. This will give Veidekke a total portfolio of 18 contracts, representing about 10,000 km of road with an annual production value of about NOK 260 million, and a market share of 18 per cent.

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

### **Demolition/plant contracting**

These operations consist of demolition and plant contracting through Veidekke's subsidiary, Dokken AS, reception and processing of heavy building waste, recycling of concrete through associated companies in Oslo and Stockholm, and plant contracting in Møre through subsidiary UFO Entreprenør AS.

In 2006 turnover for this segment amounted to NOK 279 million. Veidekke has demolition projects all over Norway, but the bulk of this activity is in the central regions of East Norway.

### **Industrial waste**

This segment includes customer-adapted collection, transport and segregation of mixed waste and the development and manufacture of end products such as biofuels.

Industrial waste achieved a turnover of NOK 285 million in 2006 (NOK 257 million in 2005). Operations are based mainly in Oslo/Akershus, Fredrikstad, Vestfold/Buskerud, the Mjøsa region and Rogaland.



The market is closely linked with activity in the building and construction sector, commerce/property and privatisation of waste management. Veidekke's recycling operations have been characterised by consolidation and organisational development and the positive situation is expected to continue in 2007.

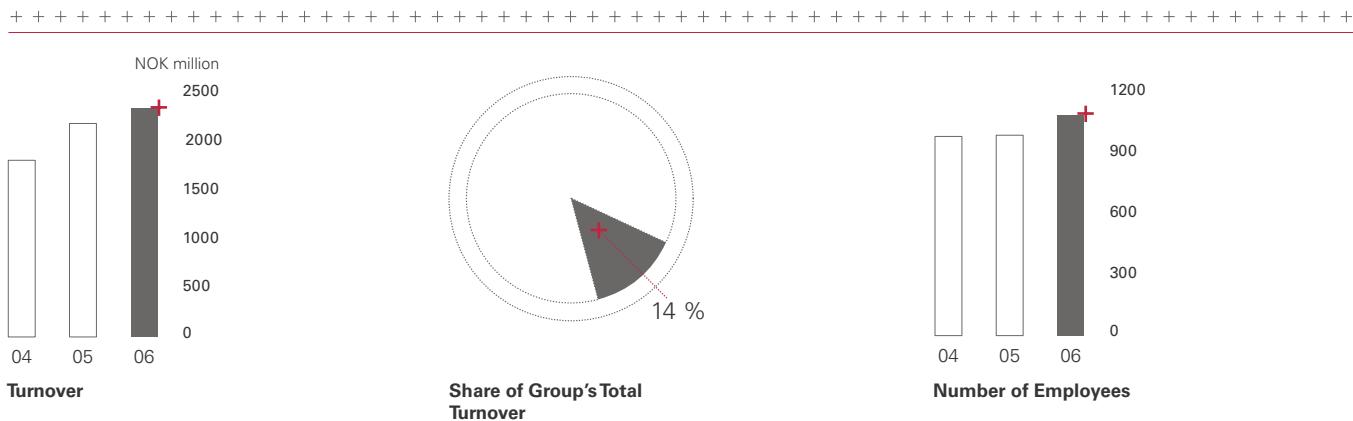
A favourable trend is expected in the building and construction market in 2007, but there will also be sharp competition for asphalt volumes. With a view to expanding its customer base and market coverage, Veidekke Gjenvinning will give more priority to obtaining waste from the commercial sector.

### 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. This company had a turnover of about NOK 390 million in 2006. It achieved better results in 2006 than in 2005 and further improvement is expected in 2007.

### Financial results

Veidekke Industry had a total turnover for 2006 of NOK 2,337 million (NOK 2,186 in 2005) and pre-tax profit of NOK 112.6 million (NOK 120.4 million in 2005). The division also achieved good results in the health, safety and environment area. The injury rate (number of lost-time injuries per million hours worked) was 1.6 in 2006, and the absence rate was 4.6 per cent at the end of the year.





Håkon Skjevik  
Machine supervisor  
District Trøndelag

Asphalt operations constitute approximately 55 per cent of Kolo Veidekke a.s' turnover. The company has 30 asphalt plants located all over Norway. Machine supervisor Håkon Skjevik is checking the emergency button to make sure it is working properly.

## + creating a culture for interaction

**Hoffmann, the Danish member of the Veidekke Group, worked hard last year to improve its profitability.** Parts of the construction industry, and particularly in Denmark, have traditionally been characterised by conflict. The reason is often a diffuse division of responsibility between various participants in the process – such as the clients, contractors, architects and consultant engineers. In such a situation, it is essential to be able to build good relationships and be able to find solutions in partnership. This reduces the risk in the project and makes it easier for us to resolve problems on the customer's terms.

This philosophy of close dialogue and mutual trust is central to the way Hoffmann works in the Danish market. In implementing the Group's involvement processes, many of the same principles have been turned around and are now also used internally within the organisation.

The involvement process has been a success so far and it has played a major part in making Hoffmann one of the most profitable construction and property development companies in Denmark today. This is also clear from the enthusiasm shown by carpenter Michael Pedersen and his fellow workers at the building site in Roskilde, half an hour's drive out of Copenhagen, where about 130 craftsmen are renovating a large office building.

Owing to its shape, the former grain silo presents a special challenge – and the project is not made any easier by a very tight schedule. Involvement has played a key role in improving efficiency in this project. Unproductive time on the site is reduced because the workforce knows that there is room for independent problem solving. They know where the limit goes for creative solutions and when a problem has to be taken to a superior. The craftsmen are included in all the technical discussions, for example on the choice of material, thus giving them a bigger stake in the building process.

Moreover, the site managers are particular about communicating the status of the different processes and interim targets. In this way, everyone can share in all the minor and major victories in the course of the building process. "We at Hoffmann" is a process which gives room for initiative – from above and from below in the organisation. This is a working method which clearly distinguishes Hoffmann from other Danish construction companies and it will be a key factor in its work to uphold its position as one of Denmark's most profitable construction companies in the years ahead.



**DENMARK**

NAME

Michael Pedersen

PROFESSION

Carpenter

PROJECT

Office building  
in Roskilde





## a different kind of player in the danish market.

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Veidekke's activities in Denmark are looked after by Hoffmann A/S. This company is engaged in building and construction operations all over Denmark and it has offices in Glostrup and Næstved in Sjælland and in Fredericia and Braband in Jylland. The company has its own property development company, Hoffmann Ejendomme AS, which purchases sites and develops its own housing projects for sale to private customers.

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Hoffmann has laid out a 3,200 sq.m. wooden promenade outside the new Alsion concert and congress hall in Sønderborg.

### Market prospects

Strong growth in the Danish economy in 2006 led to a higher level of activity than expected in the building and construction market, and particularly in the housing market. Sales prices for dwellings rose steeply in the first half of the year, but fell back in the course of the autumn. The fall in prices probably contributed to a lower number of commenced housing projects in the second half of the year than anticipated. On an annual basis, we estimate that construction was commenced on approximately 25,000 dwellings. We have also seen some growth in the market for non-residential buildings, and in particular for office buildings, in Denmark. There was a slight up-swing in heavy construction activity. The prospects of growth are still good in building and construction in Denmark, but growth is restricted somewhat by a shortage of resources.



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Hoffmann was awarded the contract for the rehabilitation of the Bispehaven residential area in Århus. More than 2,500 people live in the 23 blocks of flats. 75,000 m<sup>2</sup> of facades were renovated; the windows were replaced, and the balconies were enclosed.

## HOFFMANN A/S

- Doubling of profits
- Retained record-high volume of orders
- Strengthened its position as the solution-oriented partner

In 2006 Hoffmann began to harvest the fruits of the modernisation process that was initiated in 2004. Hoffmann is regarded today as a modern construction and property development company, which is capable of undertaking all kinds of building operations in a trusting relationship with its partners. It has won 63 per cent of its turnover on the basis of non-price parameters, which confirms that

Hoffmann is seen as "the solution-oriented partner".

In 2006 Hoffmann focused on project performance in a market lacking in resources and supplies. By choosing the right projects and securing deliveries, Hoffmann was able to report a satisfactory profit.

## The market in Denmark

Activity was high in the Danish market in 2006, and the large number of dwellings under construction led to long delivery times and rising prices. This applied in particular to concrete elements, but other supplies were also affected. After the summer holidays,



sales of expensive owner-occupied flats in Copenhagen came to a sudden halt and this resulted in a fall in the total number of dwellings under construction. Outside the capital, sales of dwellings continue, though at a lower level.

After several years of stagnation, the market for commercial buildings is looking brighter. There is a growing demand for new head offices. The renovation market is still good, while the heavy construction market is affected by the inability of the county and municipal authorities to reach decisions. The main reason for this is the structural reform in Denmark and the merging of municipalities and counties.

## Operations

The favourable market in 2006 made it possible and necessary to be selective in the face of a large choice of projects. Resources and project performance were important factors in this context. Projects were chosen on the basis of a combination of customers and partners and, not least, of the possibility of competing on factors other than price. The suppliers' and subcontractors' delivery and resource problems were also important factors.

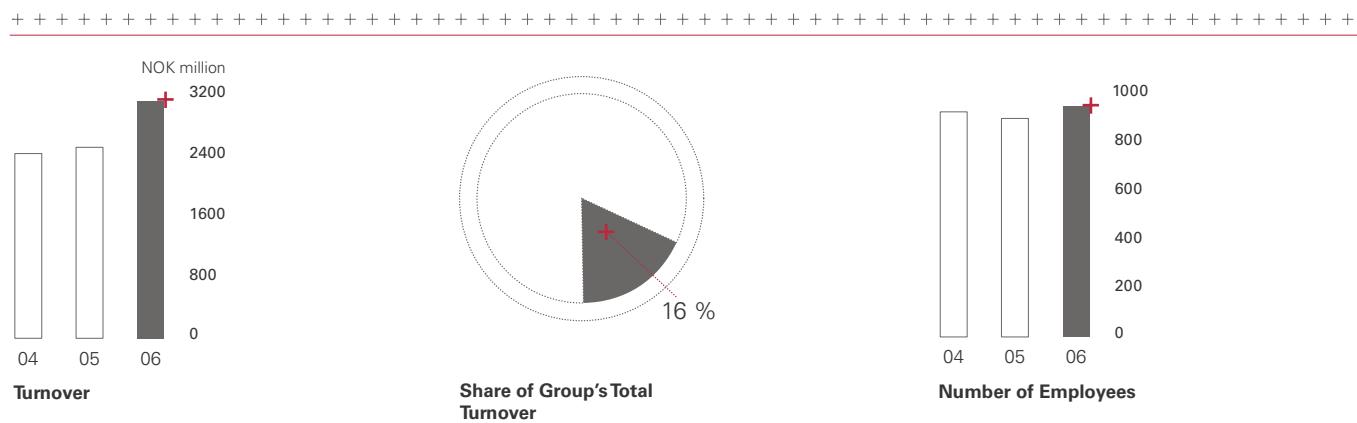
Open cooperation on product, process and financial aspects helped to identify risks in the individual projects. A growing non-residential building market led to the commencement of many major projects, such as:

- a 14,000 sq.m. centre for higher education (CVU) at Nørrebro
- a 10,500 sq.m. head office for Energinet in Fredericia
- a 11,000 sq.m. shopping centre in Glostrup
- a new school for Varde municipal authorities, 7,500 sq.m.
- a 6,000 sq.m. head office for Camillo Eitzen at Amerika Plads in Copenhagen

Hoffmann has also become a prominent player in the housing market, and in the course of three years has tripled its turnover to approx. NOK 750 million. A number of the housing projects that were initiated in 2005 will be handed over in 2007 (approx. 1,000 units).

New projects include:

- 96 flats and 70 terraced houses in Åhaven (with the option on altogether 146 terraced houses)
- 163 dwellings in Ørestaden
- 56 dwellings in Gyngemosen



Hoffmann has converted a former grain store into a modern office building in Ny Østergade i Roskilde for the Ministry of the Environment.





The above projects are all negotiated contracts where the customer has chosen Hoffmann on the basis of many factors other than price. The company is concentrating its strength on delivering good products, with the focus on good quality and quick repair of any defects. As part of these improvement measures, we are now initiating an involvement process called "We at Hoffmann" and based on the Norwegian model.

In the field of heavy construction, 2006 was largely taken up with work on the extension of the Metro to Kastrup Airport (joint venture between Pihl, Noveifa and Veidekke), on the Public Road Administration's expansion of Motorring 3 (joint venture with Pihl & Søn) and on the many resources required by these contracts. We also completed a large number of contracts for excavation/foundation work, structural and municipal engineering. The number of renovation projects is rising and the major contracts that we have completed include:

- a 22,000 sq.m. conversion for the Ministries of Economic Affairs, Justice and the Interior
- a 8,000 sq.m. conversion for the Environment and Tax Departments in Roskilde
- Conversion of the Ballerup Centre

### HOFFMANN EJENDOMME

Hoffmann Ejendomme has made a good start as a newly established business entity. Its housing projects Øresundshøj in Nivå (124 dwellings), Duemosepark in Farum (52 dwellings) and Mosterihaven in Kolding (45 dwellings) are now well underway. The sales ratio is high for all three projects. The company has also purchased well-situated sites in Jylland.

Hoffmann Ejendomme is now an accepted player in the property market in Denmark. It has received offers to purchase and develop residential and non-residential projects. In 2007, development plans will be approved for several of its projects in Jylland and they will be offered for sale.

### Largest Ongoing Building and Construction Projects

Project	Client	Performing Division	Expected	Remaining	Completion	Contract type
			total turnover			
			DKK Million	DKK Million		
Motorring III stage 32 + 34, Extension and highway, Copenhagen (50 %)	Public Roads Administration	Heavy Construction	368	189	2008	General contract
Valby Have, Dwellings, Copenhagen,	Sjælsø Entreprise A/S	Housing	266	112	2007	Turnkey contract
Det Ny Gentofte Hospital, Extension of hospital building, Copenhagen	City of Copenhagen	Building East	265	245	2009	Turnkey contract
Energinet, New head quarters, Jylland	Energinet.dk	West	232	182	2007	Turnkey contract
Østbrogrunden, Dwellings and offices, Copenhagen	KW A/S	Building East	204	130	2008	Turnkey contract
CVU Øresund, Conversion and extension of education Centre, Copenhagen	CVU Øresund	Building East	195	182	2008	Turnkey contract
Amerikaplads, Dwellings and offices, Copenhagen	City Development	Building East	183	161	2008	Turnkey contract
Porthuset, Ørestaden, Dwellings, Copenhagen	Walls A/S	Housing	172	78	2007	Turnkey contract
Åhave, Dwellings, Copenhagen	Sjælsø Gruppen A/S	Housing	170	158	2008	Turnkey contract
Metro, Stage 3, Subway system, Copenhagen (26.5 %)	Ørestadsselskabet	Heavy Construction	166	15	2007	Turnkey contract

## Financial results

Turnover rose by 24 per cent to NOK 3,113 million in 2006, compared with NOK 2,503 million in 2005. Profit was more than doubled to NOK 62.2 million from NOK 26.2 million in 2005. Orders-on-hand stood at NOK 2,750 million.

## Health, safety and environment

Inspired by Veidekke, our parent company, Hoffmann has invested heavily in reducing its accident statistics. A stronger focus on management and courses and on safety attitude training for all our employees has helped to reduce the injury rate (number of lost-time injuries per million hours worked) from 19 to 14. We are working to reduce this figure even further and have set a target of 5 for 2010. The average injury rate for the industry in Denmark is 30.

## Prospects

Over the last few years Hoffmann has consolidated its position as one of the major Danish contractors and property developers. It focuses on good processes to the benefit of all the partners, commitment and closeness to customers, and competence-raising measures. As a result Hoffmann is more often chosen on the basis of criteria other than price. These may be knowledge, ideas, technical expertise and, of course, good processes.

These parameters – along with a flat organisation, simple decision-making channels with the focus on freedom with responsibility and small, efficient staff units – are the reason why Hoffmann is regarded as slightly different from other contractor and property developers. Resources, expertise and the ability to cooperate will be key areas for a further development of the company.

We believe that greater productivity comes from good processes that involve the employees. We also believe that involvement leads to dedication and commitment.

In 2007, Hoffmann will continue to pursue recent years' strategy in three main areas:

- The solution-oriented partner
- Greater productivity
- Further development of the organisation



Hoffmann is converting B&W's old welding shop at Refsehaleøen in Copenhagen into a scenery factory for the Royal Theatre. The old hall is 300 m long and about the size of ten house plots, so everything is being done on a grand scale.

## + strength in thinking locally

Veidekke's Swedish organisation aims to incorporate the "We at Veidekke" involvement process in all its projects from 2008 onwards. However, our success will depend, however, on making room for adjustments to the individual markets. Working methods and work culture vary in the Scandinavian countries and, if implementation is to be effective, national and local differences must be taken into account. Decentralisation – with a high degree of local freedom – is an important part of Veidekke's business philosophy and a major factor of success in strengthening our position in the Swedish market.

Anna Lindholm is site manager for the Vällingby bridge project near the centre of Stockholm. She participated in some of the first involvement processes that were implemented in Sweden. One of



these was in Vällingby where she is in charge of about twenty skilled workers. The process was based on the Norwegian "We at Veidekke" model and adjusted to suit working methods in Sweden. The results from the initial projects were very good. The projects run more smoothly. The employees are happier, more interested in the process, and quicker to show constructive initiative vis-à-vis their superiors. It has also become easier for the organisation to recruit new employees. This is important, because the name Veidekke is not as well known in Sweden as it is in Norway and competition for manpower is just as tough. It is therefore a great advantage if potential employees in Sweden have a positive attitude towards our 'involving' work culture.

Veidekke's operations in Sweden are still under establishment, both as an organisation and as a player in the construction market. Employee involvement and a decentralised organisation will be important elements of the position we are going to build. Together they will identify us as a different kind of player in the Swedish market and give us momentum as we work towards the Group's primary objective of better margins and a stronger Scandinavian position.





**SWEDEN**

NAME  
Anna Lindholm

PROFESSION  
Site Manager

PROJECT  
Vällingby Bridge





## a different kind of player in the swedish market.

+

Veidekke's activities in Sweden are mainly concentrated to the regions around Stockholm and Gothenburg and in Skåne.

Housing and non-residential buildings represent the greater part of Veidekke's construction operations in Sweden, but activity on the heavy construction market is growing.

+

A central role is also played by Veidekke Bostad AB, which purchases sites and develops housing projects in close cooperation with the construction entities.



Veidekke Construction AB, Vecon, has built a 90 metre road bridge over one of Sweden's busiest railway lines and a 23.5 metre tunnel under it for pedestrians and cyclists. The client was the Alingsås Council.

### Market prospects in Sweden

In 2006 the Swedish building and construction market showed a growth of eight per cent, evenly distributed over all segments. There was a steep increase in house-building to more than 35,000 commenced units, compared with just over 30,000 the year before. House prices in Stockholm rose by 14 per cent. The upward trend in the non-residential building market, which started in 2005, continued last year and gave a growth of about 10 per cent. The level of heavy construction activity was high in 2006, but postponements of some major infrastructure projects resulted in a slightly lower growth than we had anticipated.

We expect growth in building and construction to continue in the time ahead. A further upswing is anticipated in the Swedish economy. This will be reflected both in the industry and in domestic demand and it will provide positive impulses for building and construction.



+

A stretch of the E4 motorway outside Uppsala, which is being constructed by Veidekke in partnership with the Swedish Public Roads Administration, was opened on 21 December – 10 months earlier than planned.

## VEIDEKKE SVERIGE

- Improvement in profitability
- Operations now organised in one company
- Strong order situation
- Good market prospects

The figures for 2006 speak for themselves. Veidekke Sverige achieved a turnover of NOK 2,363 million (NOK 1,653 million) and a pre-tax profit of NOK 82.1 million (NOK 48.7 million). With the exception of Anläggning Øst, the company's subsidiaries all reported a positive profit performance, and the order situation is healthy in all the entities. The company had 1,139 employees as at 31 December 2006 (623 in 2005), of whom 422 were salaried employees and 717 were skilled workers.

The organisation of operations in one company – within the framework of our policy of decentralised responsibility – has contributed to these favourable developments. In the course of the year Veidekke Bostad became a part of the total Swedish organisation and an agreement was reached to take over the employees' minority interests in Veidekke Construction AB (Vecon) in Gothenborg. Gradually, we will also see the synergy effects of the finance and pay system that will be used for all operations.

In 2006 operations in West Sweden were reinforced through the purchase of construction company SBS Entreprenad AB. This company's main focus is on housebuilding and excavation work, thus complementing our earlier activities in the region under Veidekke Construction AB (Vecon), which is mainly engaged in heavy construction.



In the course of spring 2007, the two companies will be relocated in the same offices.

Our strategy of growth built on profitability remains firm. The company's strong expansion in 2006 will gradually be reduced in 2007 to make room for a more intensive focus on profitability.

A stronger, more efficient cooperation between construction and property development was achieved and this has resulted in joint efforts to reduce production costs and improve our prices to customers in the housing market.

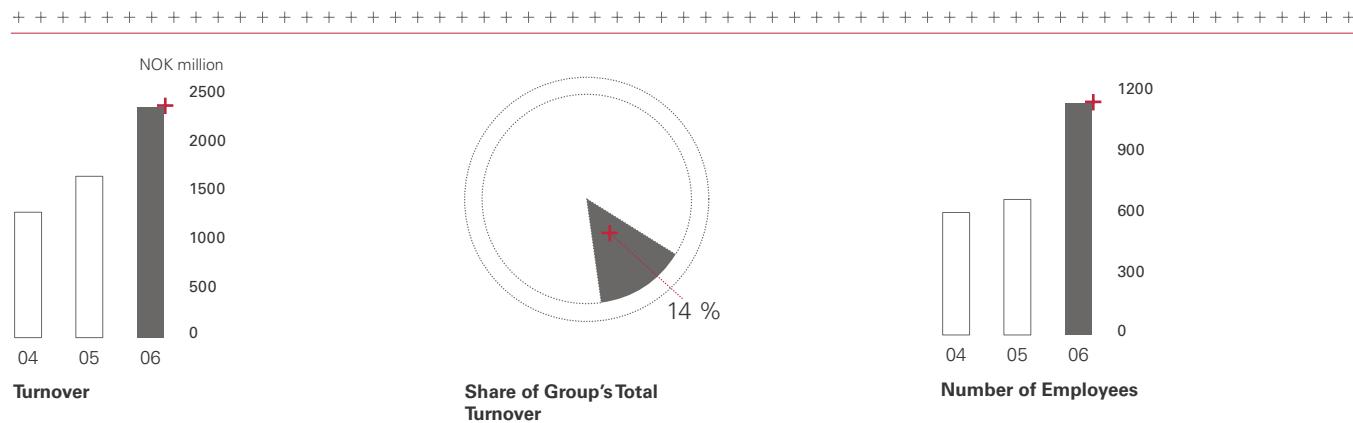
Management systems were further developed in every entity with a view to improving profitability and limit risk.

In 2006, Veidekke Sverige initiated a number of pilot projects focusing on employee involvement. The results produced so far are positive, with increased commitment among our skilled workers. The company aims to continue these projects in 2007, and in 2008 this work model will be integrated in all the construction entities.

Sickness absence in Swedish operations is still low at 5.1 per cent (3.9 per cent). The injury rate (number of lost-time injuries per million hours worked) was 18.3 in 2005, but is now 11.0. This is the result of intensive emphasis on HSE (health, safety and environment) and to more focus on safety and reporting of near accidents.

### The market

2006 was a year in which Veidekke really made a name for itself in Sweden. We are now an established player in the growth areas in the Swedish market, and with a stronger organisation we are well positioned to meet the anticipated upswing in the market in 2007. We expect a considerable upswing particularly in the infrastructure market in the city regions. The new government, which took over last autumn, has for example expressed a positive attitude to alternative financing solutions for infrastructure projects such as PPP (Public Private Partnerships). We therefore hope that many projects will be pushed forward.





Veidekke Anläggning Öst is responsible for this fantastic water display outside the main entrance to Stockholm International Fairs. Different types of stone in different colours and patterns have been used in the area, which was completed in summer 2006.

The change of government also led to a number of changes in the regulatory framework for the housing market, such as:

- Abolition of interest relief. For projects that were initiated in 2006 and earlier, interest relief will be phased out gradually and abolished completely in 2012. For projects commenced on or after 1 January 2007, interest relief has been abolished completely.
- Amendments in the tax system.
- Freezing of assessed value 2006-2008.
- Housing tax will eventually be abolished.

The market has not, however, reacted as expected and the demand for new dwellings is still high. The prospects for the housing market for 2007 are therefore still bright.

In 2006 a number of development projects were carried out jointly by the property and construction entities. A product concept for different types of 'model home' and a standard house-building programme were developed.

The market for non-residential building began to rally in the course of the year. This applied in particular in the Stockholm region and in the course of the autumn we made some organisational changes to enable us to meet the growing demand.

Veidekke Sverige AB continued to build up its organisation in 2006. There is a serious shortage of skilled workers in Sweden and recruitment will be one of our greatest challenges in the time ahead. One of the company's strategic goals for 2007 is therefore to enlist new, dedicated and skilled employees.



## Operations

### SBS ENTREPRENAD AB

With twentyfive years in the industry, this company is one of the leading players in the Gothenburg region. SBS Entreprenad undertakes all kinds of building and construction contracts and its customers are mainly industry, property owners and central and municipal authorities.

SBS had many interesting projects in 2006, including the conversion and extension of Sociala Huset, which is part of the new teacher training college in Gothenburg. This project has received a great deal of attention in the media.

SBS Entreprenad AB, which has a turnover of NOK 484 million, was incorporated in Veidekke Sverige AB's accounts with effect from 1 September 2006. It has 150 employees (85 skilled workers and 65 salaried employees).

### VECON

Our company in West Sweden, Veidekke Construction AB (Vecon), maintained its stable position as regards both profitability and market in 2006, with a turnover of NOK 361 million (NOK 286 million).

Purchased last year, SBS Entreprenad AB complements Vecon's operations and strengthens operations on the building side. As a result, Vecon now has a total turnover of almost SEK 1 bn and an equal share of building and heavy construction resources.

In 2006, Veidekke agreed to take over the employees' shares (32 per cent) in Vecon. SBS Entreprenad and Vecon will be amalgamated into Veidekke Region West.

Region West will have 368 employees (248 craftsmen and 120 salaried employees). We expect growth both in turnover and profits in 2007.

### VEIDEKKE SKANE

In 2006, Veidekke Skåne established itself as an important player in the market in Skåne. Our services are much in demand. Many customers demonstrate their confidence in us in the form of new orders.

Growth in the Öresund region will most probably continue for another few years. The demand for dwellings is still brisk and net migration to the region is high. The commercial and public sector markets are also very strong and there are a large number of interesting projects in the office and public buildings segment.

Veidekke Skåne made very good progress in 2006. We have established ourselves in Helsingborg and gained a firm footing in the market there. Turnover increased to NOK 524 million from NOK 368 million in 2005.

The number of employees rose from 246 to 368 and we are continuing to focus on competence training through employee involvement and management development. In this way we will be better equipped to increase our share of the market in the future. We believe that, by improving production efficiency and routines, customer relations, purchasing and job satisfaction, we will be able to achieve even better results in 2007.





New building for the Faculty of Education in Gothenburg  
In September 2006 SBS Entreprenad AB concluded an exciting project combining new and old building technology. The construction of the new Faculty of Education was spread over three main contracts, where SBS Entreprenad was the main contractor for the conversion and extension of the old building.

## ANLAGGNING ÖST

The work of building up a strong organisation continued in 2006. Our employees increased in number from 130 to 216 in the course of the year and we have achieved a satisfactory organisational structure. A great deal of work was put into improving and renewing management systems and routines, as necessitated by the large number of new employees.

In 2006, turnover was NOK 371 million (NOK 386 million). The financial situation presented a challenge in 2006. Building up the organisation has entailed substantial expenditure and the high costs of work under guarantee, on a project that was completed in 2005 also had a negative effect on profits.

The Botnia Line project was completed in 2006. On the new E4 motorway outside Uppsala, which was our largest project last year, a part of the road has already been opened for traffic.

The heavy construction market in Stockholm is good and the trend is still very favourable. Since both management and production resources and organisational and management systems have been considerably strengthened and developed, we expect to see growth in both turnover and profitability in 2007.

## BYGG STOCKHOLM

In the course of the year, this company consolidated its position as a medium-sized player in the housing and commercial building market in the Stockholm region (currently in fifth place) with a turnover of NOK 398 million (NOK 385 million).

Its organisation was further strengthened with a combination of experienced and newly qualified engineers. Today, the company has 125 employees. A great deal of importance has been attached to creating a professional organisation to take responsibility for the early stages of the projects. Today, 90 per cent of construction is carried out as some form of joint venture. Bygg Stockholm has a sound volume of new orders. In 2007 it will give priority to developing its personnel and organisational culture and improving profits.

Projects in 2006 include 200 flats in Snickeriet in Hammarby Sjöstad. 99 per cent of the flats were declared defect-free on delivery.



## VEIDEKKE BOSTAD AB

The brisk demand for new dwellings continued in 2006. At the end of the year we had 667 dwellings under construction. 87 of these remained unsold. Our project portfolio totalled 2,750 units. Both turnover and profit were stronger in 2006, at NOK 730 million (NOK 374 million) and NOK 67.8 million (NOK 36.5 million) respectively. Twenty-two new employees were recruited during the year, thus pushing the number of employees up from 32 to 54.

Veidekke Bostad has a working model which ensures the quality of its housing projects as laid down in the Planning and Building Act, and was certified as a "Qualified Building Owner" in December 2006. This also makes it easier for the company to deal with local planning boards across the country.

Intensive efforts were made in 2006 to improve efficiency and adapt our housing projects to the needs of our customers. A number of development projects were carried out in partnership with the construction entities, including the development of product concepts for different types of 'model home' and a standard programme for house-building.

In 2007, we will conclude a project aiming to develop new, attractive products adapted to the target groups in the Swedish market. We will continue to focus on quality assurance and on delivering a defect-free product to customers.

The market prospects for 2007 look brighter than predicted in autumn 2006. The demand for new dwellings remains high and shows no sign of levelling off. We therefore expect the good market to continue in 2007.

## Largest Ongoing Building and Construction Projects

Project	Client	Performing Division	Expected total turnover	Remaining turnover	Completion date	Contract type
			SEK Million	SEK Million		
E4 Uppsala - Läby, Highway	Public Roads Administration	Anläggning Öst AB	457	79	2007	General contract
Jerico, Offices, Stockholm	Diligentia	Bygg Stockholm AB	351	336	2008	Turnkey contract
Snickeriet, Dwellings, Stockholm	Svenska Bostäder	Bygg Stockholm AB	232	42	2007	General contract
Kryssningen, Dwellings, Stockholm	StockholmsHem	Bygg Stockholm AB	227	74	2007	General contract
Nötholmen, Hotel, Strömstad	Nötholmen Resort	VECON	220	50	2007	Turnkey contract
Svea Torn Artilleri, Dwellings, Stockholm	Veidekke Bostad	Bygg Stockholm AB	175	97	2007	Turnkey contract
E6 Värmlandsbro, Bridges, Hogdal	Public Roads Administration	VECON	139	108	2008	General contract
Bostäder, Dwellings, Kungälv	Riksbyggen	VECON	112	72	2007	General contract
Kista Gård, Road and foundation work, Stockholm	Stockholm city	Anläggning Öst AB	94	93	2008	General contract
Astra Tech, Building for pharmaceutical industry, Mölndal	Astra Tech	SBS Entreprenad AB	90	26	2008	General contract



Bällstavik housing cooperative.  
Situated by the river, with their own jetty and moorings for boats, Veidekke Bostad has built three blocks containing 69 flats at Bromma/Mariehäll in Stockholm. Each flat has a balcony or terrace looking out over the river where it runs out into Bällstaviken. Ready for occupation in December 2006.

## + the corporate management team.

**Vidar Aarvold (born in 1952)**  
Executive Vice President,  
Managing Director of Kolo  
Veidekke a.s (previously Division  
Industry) (from 1 January 2007)  
BSc (Eng.) University of Sunderland  
Employed by Veidekke since 1995  
Number of shares in Veidekke:  
23,986

**Bente Lillestøl (born in 1969)**  
Executive Vice President, HR  
and HSE (from 1 July 2007)  
MSc (Eng.), Norwegian Institute  
of Technology, Trondheim.  
Concrete structures  
Employed by Veidekke since 1998  
Number of shares in Veidekke:  
3,252

**Jørgen Wiese Porsmyr (born in 1972)**  
Executive Vice President, Corporate  
Accounts, Purchasing, Strategy and  
IT (from 1 April 2007)  
MSc (Econ. & Business Admin.)  
Norwegian School of Economics and  
Business Administration  
Employed by Veidekke since 1995  
Number of shares in Veidekke: 11,289

**Ame Giske (born in 1957)**  
Executive Vice President, CFO  
(from 1 July 2007 Executive  
Vice President, Corporate  
Finance, 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:  
30,400

**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 19,600

**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:  
64,623 (incl. shares held by  
closely related persons and  
companies)



**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:  
53,805

**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: 23,112

**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: 14,650

**Leif E. Johansen (born in 1944)**  
Executive Vice President and  
Managing Director of Veidekke  
Eiendom AS (until July 2007)  
MSc (Eng), Norwegian Institute of  
Technology, Trondheim  
Employed by Veidekke since 1995  
Number of shares in Veidekke:  
29,925

**Torkel Backelin (born in 1943)**  
Executive Vice President,  
Human Resources/Strategy  
(until July 2007)  
MSc (Econ.) Stockholm School of  
Economics  
Employed by Veidekke since 1989  
Number of shares in Veidekke:  
48,729

**Egil Flaathen (born in 1945)**  
Executive Vice President,  
Industry Division (until 31  
December 2006)  
Executive Vice President, Industry  
Division (until 31 December 2006)  
BSc Civ. Eng., University of  
Washington, USA  
Employed by Veidekke since 1977  
Number of shares in Veidekke:  
41,270



# ARTICLES OF ASSOCIATION for Veidekke ASA

(effective from 27 April 2005)

**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 71,522,385 divided into 28,608,954 shares each with a nominal value of NOK 2.50, 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 ten members elected by the shareholders and the employees for a period of 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 nomination committee shall propose candidates for the Board of Directors and fees for the Board members. The nomination committee shall have at least three members. The Company's General Meeting shall elect the members of the nomination committee. The period of office shall be one year.

**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. The Annual General Meeting shall deal with:

- Adoption of the annual accounts and annual report, including employment of profit or covering of loss, and distribution of dividend
- Election of the board of directors
- Determine the number of board members, elect the board members who by law shall not be elected by the employees and two deputy members of the board of directors.
- 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.

## VEIDEKKE ASA

## NORWAY

## DENMARK

## SWEDEN

**CONSTRUCTION**

**Veidekke Entreprenør AS**  
Region Øst  
Region Syd  
Region Nord-Vest  
Region Anlegg  
Special projects

**CONSTRUCTION**

**Hoffmann A/S**  
Region Vest  
Region Øst Erhverv  
Region Øst Renovering  
Region Anlæg  
Region Bolig Øst

**CONSTRUCTION**

**Veidekke Skåne AB**  
**Veidekke Construction AB, Vecon**  
**SBS Entreprenad AB**  
**Veidekke Bygg Stockholm AB**  
**Veidekke Anläggning Öst AB**

**INDUSTRY**

**Kolo Veidekke a.s**

ASPHALT/ROAD MAINTENANCE  
Region Østland  
Region Nord-Vest  
Region Midt

AGGREGATES  
Østland Syd  
Østland Nord  
Nord  
Litra Grus AS  
Other

RECYCLING

DEMOLITION/PLANT CONTRACTING

**PROPERTY**

**Hoffmann Ejendomme A/S**  
Glostrup  
Fredericia

**PROPERTY**

**Veidekke Bostad AB**  
Stockholm  
Lund  
Gothenburg

**PROPERTY**

**Veidekke Eiendom AS**  
Oslo  
Bergen  
Trondheim  
Stavanger  
Tønsberg  
Ås

# corporate governance.

In a public company like Veidekke, good corporate governance plays a key role in creating shareholders value, building investor confidence and ensuring an optimal cost of capital.

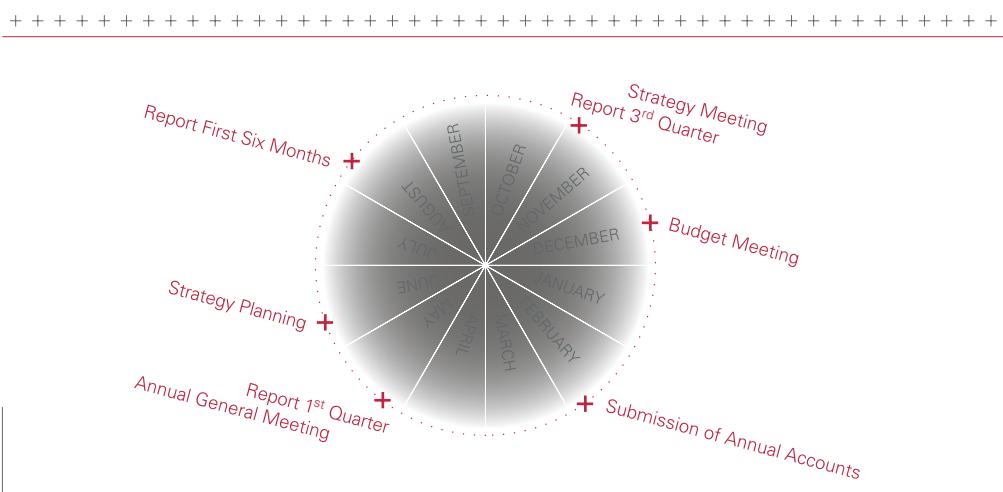
## Risk management

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. With almost a thousand projects ongoing at any one time, the company requires systematic follow-up and control, and 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. The focus of these reports is on profitability and risks associated with each project and on follow-up of injuries and absence.

## Internal control

Veidekke's management systems for the different entities provide clear guidelines for how projects are to be carried out with reference to quality, progress, cost control/management, health, safety and environment. This tool plays an important part in ensuring a uniformly high standard in the execution of projects.



## **Financial management and control**

The Group is governed by clear financial objectives, which include a return on equity of approximately 20 per cent. 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' profit margins, including financial items. Property and Industry are capital-intensive areas, and the projects are measured by return on employed capital and/or equity.

## **The management**

The management monitors the overall portfolio of projects at all times to ensure an acceptable level of risk exposure and a sound basis for profitability. 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. Orders-on-hand are a

regular item on the agenda at meetings of the divisional management, corporate management and board of directors. Veidekke's financial policy provides guidelines for the entities' financial activities. Its purpose is to avoid, limit, control and measure financial risk, promote capital rationalisation and optimise the Group's financial resources.

## **Planning**

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

## 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. The Board of Directors, management and auditors attend the meeting. In the event of any capital increases, plans for the employment of the capital are put before the AGM.

## Board of Directors

The Board of Directors is Veidekke's highest administrative body and is directly responsible to the AGM. Six members are elected by the shareholders and three by the employees, for two years at a time. In accordance with the Companies Act, the Board elects its own chairman. The most senior member elected by the shareholders acts as vice-chairman and chairs the meeting in the absence of the chairman.

In the composition of the Board importance is attached to safeguarding the joint interests of the shareholders and the company's skills, capacity and diversity. Veidekke seeks to have at least one Norwegian, one Danish and one Swedish Board member.

See "Shareholder Information" for existing authorisations.

## 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.

Nine Board meetings are held each year. Two of the meetings are held in Sweden and two in Denmark and two of the meetings are combined with an inspection of a regional or branch office and a visit to a local project.

The work of the Board is laid down in special instructions. It carries out annual evaluations of its own work and competence.

## Remuneration to Board members

Remuneration to Board members is determined by AGM based on the recommendations of the Electoral Committee. Remuneration reflects the Board's responsibility, expertise and time consumption and is independent of the company's financial results. 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.

## Electoral committee

The electoral committee consists of representatives of different shareholders or shareholder groups and is elected by the AGM. The committee submits proposals to the AGM. The electoral committee was laid down in the articles of association by resolution of the AGM in 2005.

## 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 based on 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.

## Board of Directors' Compensation Committee

The Compensation Committee is composed of three Board members elected by the shareholders and its work is based on 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.

## Remuneration to senior executives

To further assure the quality of its work in determining compensation for the management, the Compensation Committee obtains statistical data showing the level of compensation in enterprises with which it is natural to compare Veidekke. With this as background, Veidekke does not wish to be a wage leader but offers competitive salaries.

The compensation scheme includes salary, use of a company car or car allowance, newspaper, telephone and mobile telephone. A bonus programme has also been established in which the maximum payment to each individual is set at 30 per cent of annual salary, based on clearly defined profit requirements and as laid down in Group budgets.

Veidekke has no share option schemes, but managers participate in Veidekke's general programme whereby employees are invited each year to purchase Veidekke shares at a discount price and with financial assistance. See also Shareholder Information on page 54.

Reference is also made to Note 30 in this Report on payments to senior executives.

### **Equal treatment of shareholders**

It is the company's policy to treat all shareholders alike. OBOS Forretningsbygg A/S is Veidekke's main shareholder. There are rules regarding competence which ensure that resolutions do not favour the main shareholder in any contexts. The main shareholder has no commercial advantages in the company other than a general return on shares.

A large number of employees hold shares in the company. The company has strict insider rules and trading restrictions. See "Shareholder Information".

Existing shareholders have in principle pre-emptive rights in the event of capital increases

### **Employee owners**

Veidekke regards the involvement of its employees as shareholders as an important and positive element in the development of the company. It is Veidekke's aim that at least half of its employees hold shares in the company with a total ownership share of close on 15 %. It wishes employees in senior management positions (about 400 persons) to hold a significant number of shares each in the company.

Veidekke works continuously to maintain the level of employee ownership. It endeavours each year to give all employees the opportunity to purchase shares in the company at a discount on the market price. About 400 key employees are offered financial assistance by the company to purchase Veidekke shares. There is a lock-in period for these share purchases of one to three years depending on the different issues.

At end 2006, 2,296 employees held 14.8 % of the shares in the company.

### **Capital, yield and dividend**

At 31 December 2006, Veidekke had an equity ratio of 21.3 %. This is within the range that is desirable with regard to capital strength, optimised risk-adjusted yield and future investment requirements. The company's strategy for the next few years is based on increased profitability, and the company's growth will primarily be based on organic growth and limited capital tied up in that.

It is Veidekke's aim to achieve a return on equity capital of more than 20 % over an economic cycle. In 2006, return on equity was 44.5 %. 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 % of the profit for the year to the shareholders in the form of dividends. A dividend of NOK 13 per share is proposed for the accounting year 2006.

### **Free negotiability and liquidity**

Veidekke has one class of shares and there are no marketing restrictions for trading. In 2006, 14.1 million Veidekke shares were traded on the stock exchange and the turnover ratio was 49.4 %. The company works continuously to maintain satisfactory liquidity in Veidekke shares. This is done primarily through ongoing, satisfactory communication with investors and the market.

### **Communication with the finance market**

Investor relations have a central place in Veidekke. The company emphasises the importance of information based on openness and punctuality, so 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 works actively with the feedback from these meetings.

See "Shareholder Information".

### **Work of the auditor**

The external auditor attends Board meetings which deal with the annual accounts. The auditor also regularly attends meetings of the Audit Committee, when interim audits and the annual audit are under review. Veidekke has guidelines for the scope of additional services provided by the auditors.

### **Ethical guidelines, reporting improper activities**

In collaboration with NHO - Confederation of Norwegian Enterprise, Veidekke has drawn up ethical guidelines for its operations. These are implemented, for example through role-playing in which the employees take an active part.

Veidekke has appointed a work group to draw up internal rules for reporting of improper activities.

### **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 applicable laws and regulations.

# 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  
Tel. 21 05 77 22  
jorgen.michelet@veidekke.no

## 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 have risen by 12 per cent during the same period. The return in 2006 was 28 per cent, while the Oslo Stock Exchange rose by 32 per cent.

In 2006, 14.1 million Veidekke shares were traded on the Oslo Stock Exchange, with a turnover rate of 49.4 and a total of 12,794 trades in the course of the year.

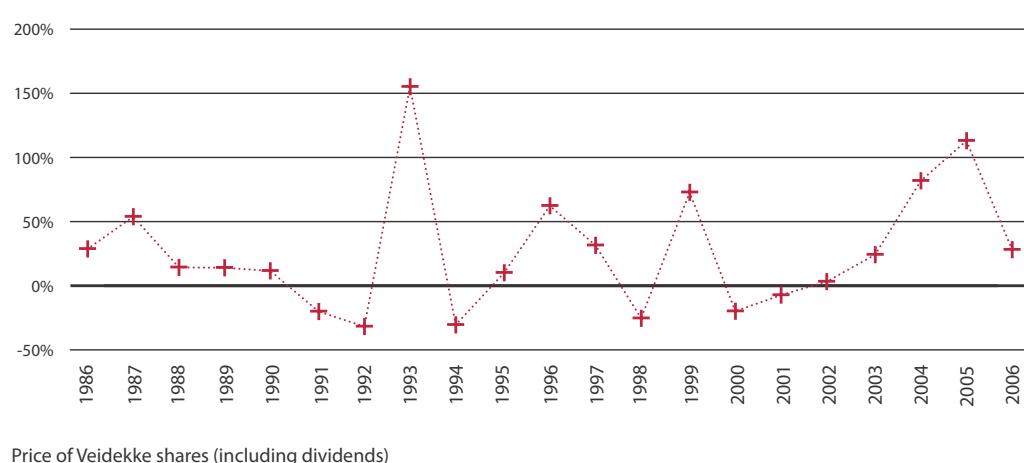
The Board of Directors proposes distributing a dividend of NOK 13 per share for the accounting year 2006. This indicates a pay-out ratio of 52 per cent, thereby giving the shareholders a direct return of 5.5 per cent based on the share price at the end of the year. The dividend will be paid on 21 May 2007 to all shareholders who are registered as owners on the date of the Annual General Meeting, 8 May 2007.

## Ownership structure

At 31 December 2006, Veidekke had 4,369 shareholders. The company's largest shareholders are OBOS Forretningsbygg (25.5 per cent), Folketrygfondet (9.1 per cent) and IF Skadeförsäkring AB (8.6 per cent). A total of 2,296 employees hold 14.8 per cent of the shares in the company. The percentage of foreign investors rose in 2006 from 28.7 to 35.0 per cent.

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

Veidekke's share capital at 31 December was NOK 71,522,385 million, divided into 28,608,954 shares of NOK 2.50 each. Veidekke has always had one share class and each share carries one vote.



Price of Veidekke shares (including dividends)

#### Share distribution at 31 December 2006

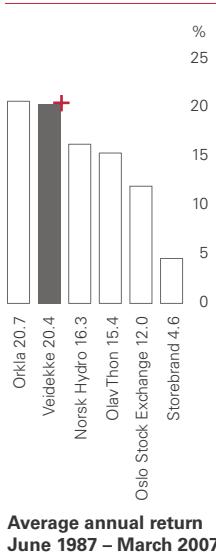
Shareholding From	Shareholding To	Number of shareholders	Number of shares	%
1 ->	100	1 432	67 127	0.23
101 ->	1 000	1 898	736 761	2.58
1 001 ->	10 000	848	2 771 216	9.69
10 001 ->	100 000	166	4 565 264	15.96
100 001 ->		25	20 468 586	71.55
<b>Total</b>		<b>4 369</b>	<b>28 608 954</b>	<b>100.00</b>

The increase in the share capital since the company was listed on the stock exchange is shown in the table on page 57.

In May 2006, the company offered shares at a discount to key personnel, of whom 282 subscribed for 250,000 shares at a price of NOK 185 each. In November 2006, the company offered shares at a discount to all employees and 986 employees subscribed for 357,795 shares at a price of NOK 177.50 each. There is a 2 or 3-year lock-in period for sales of shares to employees.

#### Largest shareholders at 31 December 2006

Name	Ownership share %
OBOS Forretningsbygg	25.5
Folketrygdfondet	9.1
IF Skadeförsäkring AB	8.6
State Street Bank and Trust Co.	5.9
JPMorgan Chase Bank	2.4
Storebrand Livsforsikring AS	2.2
MP Pensjon	2.1
Vital Forsikring	2.0
Fondsavane AS	1.8
Fortis Bank Luxenborg	1.7



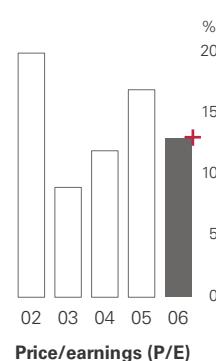
### Authorisation to issue shares and purchase own shares

The Annual General Meeting has authorised the Board of Directors to issue up to 2.7 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 a NOK 6.5 million 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 three per cent of Veidekke's own shares (858,268 shares). In the course of 2006, a total of 422,200 shares equalling 1.5 per cent of the shares were repurchased. The buybacks have continued in 2007 and as of 1 March the company holds 576,100 shares (2.0 per cent). The share buyback programme is expected to have a positive effect on the company's earnings per share and on the return on equity. The Board of Directors intends 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 and the press.

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.

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.

A table showing RISK values for sellers of shares purchased in or before 2005 is also accessible on Veidekke's web site.

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

For information about Veidekke shares, go to:  
[www.veidekke.no/investorinfo](http://www.veidekke.no/investorinfo)

<b>Form of issue</b>	<b>Amount paid NOK million</b>	<b>No. of shares after increase (1,000)</b>	<b>Share capital after increase NOK million</b>	<b>Adjustment factor</b>
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	

<b>Veidekke shares</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Market price 31 December	237.00	192.50	101.00	58.50	51.00	51.00
- high	279.00	192.50	101.00	58.50	68.50	60.00
- low	187.00	99.25	58.00	40.00	43.00	38.00
Earnings per share <sup>1</sup>	24.8	19.5	9.5	3.75	4.58	2.58
Market price/earnings (P/E)	9.6	9.9	11.9	15.6	11.1	19.8
Market price/book value per share (P/B)	3.81	3.74	2.02	1.21	1.12	1.11
Dividend per share	13.00	10.00	6.00	3.50	3.50	2.00
			12.00 <sup>2</sup>			
Payout ratio (%)	52.4	51.3	70.6 <sup>3</sup>	93.3	76.5	77.5
Earnings yield (%)	5.5	5.2	5.9	6.0	6.9	3.9
Outstanding shares (average '000)	28 582	28 609	27 658	27 321	27 055	26 870
Market value at 31 December (NOKm)	6 780	5 507	2 890	1 615	1 393	1 379
No. of shareholders at 31 December	4 369	4 037	4 677	3 751	3 651	3 737

1) No watering down effect.

2) Extraordinary dividend.

3) Based on ordinary dividend.

# 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 today. This year, for the first time, we are publishing a separate report on CSR. Our report is inspired by the internationally recognised Global Reporting Initiative (GRI) and it focuses on three main areas: social, environmental and economic performance. The following is an abbreviated version of our CSR report. The complete report is 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 five for the whole Group, including subcontractors, and to reduce sickness absence for Veidekke's employees to under three per cent by 2010.

### Follow-up of sickness absence

Veidekke has good routines for following up sickness absence among our employees. Many of our managers with personnel responsibility have taken a five-hour course in absence follow-up arranged by Veidekke's occupational health service. The aim is to have a close and constructive dialogue with sick employees in order to be able to assess the possibility of work-related activities. The use of partial sick leave and active sick leave is increasing and there is more interest in and possibility of internal redeployment for employees who are not able to return to their existing job.

### Smoking and stop smoking support

33 per cent of Veidekke's employees in Norway say that they smoke every day. In the adult Norwegian population only 24 per cent are daily smokers. Surveys carried out by the National Health Screening Service have previously shown that heavy smokers (more than 20 cigarettes a day) have twice as much absence as non-smokers. Now that Veidekke has set very ambitious targets for sickness absence, it is important that we help our employees to stop smoking and reduce the absence figures in that way.

Our first Stop Smoking course with 13 participants started in Oslo in November 2006 in collaboration with the Dr. Kimo Klinikken. The course lasts for six months and all 13 participants have managed to stop smoking so far. In the course of 2007-2009, we hope to offer courses like this to all 1300 employees in Norway who smoke. Initially, the participants pay half of the course fee. Then, if they manage to stop smoking Veidekke pays the whole fee. Employees who stop smoking can look forward to better health, less absence from work and better private economy.

### Job satisfaction

Job satisfaction and a good working environment are high on the agenda at Veidekke. In 2006, 1,012 employees in

Norway took part in an occupational health survey. They gave an average of 5.4 points for job satisfaction on a scale of 0 (low) to 7 (high). Since 2001 the year's average has varied between 5.4 and 5.6. Job satisfaction maintains a stable, high level and helps to promote Veidekke's good image as an inclusive workplace.

#### A safer workplace

In spite of the higher level of activity throughout the Group, the number of injuries fell considerably in 2006. This gave an injury rate, i.e. number of lost-time injuries per million hours worked, of 5.7 in 2006 as against 9.3 in 2005. The improvement is noticeable in all three countries, but the injury rate of 2.8 for Veidekke's Norwegian operations is particularly good. Health, safety and working environment play a considerable role in the improvement processes that are underway in much of the Group. A system for the reporting of undesirable incidents has been introduced and in 2006 about 4,500 incidents were reported. We see a clear connection between the number of reports and the number of injuries. The higher the number of reports of undesirable incidents, the fewer the number of lost-time injuries.

#### Ethical guidelines

In recent years the Group's ethical guidelines have been revised and adjusted and they have been implemented with the help of our leaflet, "Ethical Rules in Veidekke." 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 this way, we will 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 conveyed regularly in personnel and management development forums, in introduction programmes for new employees, and in internal and external communication.

#### 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. Veidekke also arranges a wide range of in-house courses. These courses aim to develop independent, mature employees who contribute to a good dialogue and to skills sharing on the

building site. In addition to this, we will create good processes which foster a cooperative climate, a high degree of involvement of individual employees and greater efficiency. Veidekke's in-house training programme is becoming increasingly popular and totalled 3,590 course days in 2006. Total attendance for the year was 1,837.

#### ENVIRONMENTAL PERFORMANCE

Veidekke belongs to an industry which generates 40 per cent of all the waste that goes to special landfills. It is responsible for 40 per cent of all energy consumption and 40 per cent of all materials consumption. The building industry is responsible for 13-14 per cent of Norway's total CO<sub>2</sub> 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 of the external environment.

#### Energy

Veidekke had an energy consumption in Norway of 304 GWh in 2005. The breakdown into energy sources was 19 per cent gas, 60 per cent oil and 21 per cent electricity.

	2006	2005	2004	2003	2002
Total consumption	304 GWh	287 GWh	250 GWh	218 GWh	203 GWh
- Gas	19 %	15 %	16 %	10 %	21 %
- Oil	60 %	69 %	63 %	65 %	57 %
- Electricity	21 %	16 %	21 %	25 %	22 %

More stringent energy standards have been introduced under the Planning and Building Act from 2007 onwards. Veidekke Construction works actively to reduce its energy consumption and to contribute to energy-efficient products. In Trondheim, Veidekke Property has initiated a project consisting of five terraced houses and 50 flats where the aim is to meet the Passive House standard. Veidekke is cooperating with the Norwegian Building Research Institute on the development of this project.

#### Waste

Veidekke's construction operations in Norway make use of waste management plans and final accounting at all large sites. Empirical data for 2006 has been collected from 51 completed projects. Waste accounts list the generated volume of waste, degree of source

separation and costs of waste management. In 2006 the waste volume from new buildings was 28 kg per sq.m. Separation at source continues to increase from year to year and in 2006 the average rate of source separation for all our projects was 45 per cent. An increasing volume of waste is being recycled. Continuous efforts are being made to reduce waste volumes and increase the degree of source separation at the building sites.

#### Waste generated in Norwegian operations

	2006	2005	2004	2003	2002
Waste volume	28 kg/m <sup>2</sup>	24 kg/m <sup>2</sup>	28 kg/m <sup>2</sup>	33 kg/m <sup>2</sup>	25 kg/m <sup>2</sup>
Separation at source rate	45 %	37 %	40 %	30 %	28 %



Veidekke has participated actively in the preparation of a new national action plan for building and construction waste for the period 2007-2012. Veidekke also has a business interest through Veidekke Gjenvinning AS.



#### Indoor climate

Veidekke carries out dust measurements in selected projects to clarify the extent of dust cover resulting from ordinary building. We also register which dust control measures are the most efficient. We have monitored dust levels in four projects so far, both during the building process and after the building has been taken over. It is usually schools, health and commercial buildings that are subject to requirements regarding dust levels – also known as “clean buildings”. In cooperation with the National Institute of Technology, Veidekke has compiled a folder giving tips on how to control dust during the building process.

#### Hazardous substances

The 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. Veidekke is cooperating with its supplier of electronic substance indexes on the establishment of a system that will make substitution evaluation

possible. This will enable us to avoid as far as possible substances that are hazardous to health and the environment. The system went into operation in January 2007.

#### Lifecycle costs

Lifecycle costs is an economic concept which refers to the total costs throughout the life-span of a building. Costs relating to building, maintenance, operation and demolition are typical elements of an evaluation of lifecycle costs. Veidekke has been a member of a reference group for the design of a simplified Norwegian LCC model for houses. This was commissioned by the State Housing Bank. The conclusion of the final report by the Institute for Building Research and Multiconsult and of two interim reports is that a tool for calculating LCC costs should be based on the existing lifecycle calculator that is accessible at [www.byggutengrenser.no](http://www.byggutengrenser.no), along with the revised lifespan and maintenance estimates in the report.

#### Universal design

Veidekke Eiendom AS has been working with the State Housing Bank on a residential project in Guristuveien at Bøler in Oslo. The goal has been to achieve good accessibility for everyone, both outside and inside the flats. Neither the outdoor areas nor the flats have steps. They are suitable for wheelchair users, and allergy-friendly plants have been planted outside. Emphasis has been given to integrating good accessibility into an aesthetically acceptable whole and thus avoiding special solutions for a few individuals.

The idea behind accessibility for everyone, or universal design, is that designs which include disabled people are good designs for everyone because they are functional, user-friendly and free of hindrances. Universal design is good social economy, because it embraces the entire lifecycle and no cost-raising additional solutions are needed.

## ECONOMIC PERFORMANCE

Through the activities of our different entities we create value not only for our shareholders but also for the communities where our operations take place.

The building and construction industry is local in character. A tunnel or office building cannot be manufactured centrally and then transported to the place of use. It has to be constructed by a company based temporarily on the site. A decentralised organisation is therefore one of Veidekke's key value drivers. By spreading our organisation in this way, we contribute to considerable local value creation.

The local connection is also reflected in our contact with subcontractors. The organisation of the Group means that each region or district has a large degree of freedom to choose its own partners. This includes everything from the purchase of construction materials to subcontracts for transport, electrical work and heating, ventilation and sanitary engineering. As a result, substantial funds are spread within the districts and help to secure the local suppliers' economic basis. Construction operations can thus be regarded as a provincial industry that contributes to activity and economic development far away from the central areas.

Strong local ties also have an upside for Veidekke. Since our district offices know the local suppliers well, there is less risk of poorly executed work and time-consuming conflicts which push margins down. All in all we spent NOK 12.2 billion on purchases of goods and services in the different local communities in 2006. This breaks down into NOK 7.9 billion in Norway, NOK 1.8 billion in Sweden and NOK 2.5 billion in Denmark.

### Payments to the State

As one of Scandinavia's largest construction companies, Veidekke naturally makes a substantial contribution to government tax revenues. In Norway, we paid NOK 133.3 million in taxes in 2006. In Sweden and Denmark the payments were NOK 3.8 million and 17.1 million respectively. In the past year Veidekke also paid fines of NOK 3.5 and 4 million imposed by the Public Prosecutor in connection with claims of illegal market sharing and price collusion in the asphalt

industry and illegal price collusion in the building industry. Veidekke's decision to pay the fines was based on a wish to avoid many years of legal tug-of-war due to the complexity of the case and does not imply any acceptance of the factual or legal content of the case.

### Salaries and pensions

Veidekke is a large employer with a total of approximately 6,400 employees in Scandinavia. We disburse NOK 2.4 billion in salaries each year. This breaks down into NOK 1.7 billion in Norway, NOK 300 million in Sweden and NOK 400 million in Denmark. The great majority of Veidekke's companies have pension schemes for their employees, in addition to statutory schemes. Most of these schemes are financed by funds accumulated in life insurance companies; others are paid from operations. In 2006, the Group spent altogether approximately NOK 200 million on pension schemes.

### Local sponsoring

One of Veidekke's key value drivers is interaction with customers. We know from experience that the overall quality of a project is improved by good cooperation, and value creation through partnership is a central element of Veidekke's business philosophy. This means that we seek to create win-win situations at all stages of a building project through dialogue, interaction and mutual trust – and here good relationships are the key. 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. Veidekke sponsors many different activities. A few of these are: the Veidekke Games 2007 in Lillehammer, Sandefjord football club, the Barratt Due Institute of Music in Oslo, the Lysgårdsbakken ski jump and the Ibsen Museum. In Sweden we are involved in Marabou Park, Sundbyberg sports club and the School Children's Traffic Calendar.

# + the board of directors.

+ from left:

**Hilde Merete Aasheim (born in 1958)**

Board member since 1999.  
Executive Vice President in Hydro since 2005, member of corporate management team. Currently released from these duties to head the planning of the integration of Hydro's oil and energy operations and Statoil. Employed with Elkem ASA from 1986 to 2005. President and head of Elkem's silicon metal and ferrosilicon operations in Norway and Iceland from 2002 and member of the corporate management team. She held various positions at Elkem in the field of finance, human resources and health, safety and environment. She has also worked for Arthur Andersen & Co. She holds a master's degree in economics and is also a chartered accountant.

**Nils Jarle Solevåg (born in 1957)**

Employee representative on the Board since 2003.  
Deputy Board member in 2002.  
Asphalter. Employed by Veidekke since 1978. Senior shop steward for Industry Division. Honorary positions in trade union movement.  
Number of shares in Veidekke: 700

**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 Statskonsult A/S and 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.  
Number of shares in Veidekke: 1,500

**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 Fabege AB and Svensk Inredning Viking AB in Sweden and of ZAO Pervomayskaya Zarya in St. Petersburg, Russia.  
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: 10,000



**Peder Chr. Lovenskiold (born in 1960)**

Board member since 1996.  
Managing Director of Anton B. Nilsen AS since 2000. Previously employment: ILAS AS as managing director 1996-2000, Norske Skog as Board Secretary 1991-1996 and then Executive Vice President (CEO), member of Norske Skog's corporate management, Kreditkassen's securities and shipping departments 1986-1991, Morgen Stanley New York as pulp and paper analyst 1985-1986. Previously Board Chairman of Moelven Industrier ASA and a number of other companies.  
Number of shares in Veidekke: 54,400 (incl. shares held by closely related persons and companies).

**Jette Wigand Knudsen (born in 1951)**

Board member since 2006.  
Chairman of the Board of Dencon Foods A/S, Wagnersen Interactive A/S and Indslev Bryggeri A/S. Board member of Banedanmark 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 Tuborg Fredericia Bryggeri 1991-1998 and member of the management of Carlsberg Danmark A/S 2000-2002. Former president of ForbrugerForum under the Ministry of Consumer and Family Affairs and Board member of Københavns Lufthavne A/S.  
Number of shares in Veidekke: 1,000

**Birte Almeland (born in 1968)**

Member of the Board since 2006, employee representative for the salaried staff.  
Employed by Veidekke since 1994. Degree in civil engineering from the Norwegian University of Science and Technology. Project manager responsible for residential and non-residential projects. Has worked as project/site manager on several large construction projects, such as the Mo Centre in Nittedal, Skogmo School in Ullensaker, Bogstad School in Oslo and the extension of the Hønefoss Centre.  
Previously employed by Holte Prosjektrådgivning AS.  
Number of shares in Veidekke: 932

**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: 2,493

**Martin Mæland (born in 1949)**

Board member since 2002.  
President and CEO of OBOS since 1983.  
Worked for OBOS since 1980.  
Previously municipal counsellor with the City of Oslo and planner/researcher in Oslo Lysverker.  
Vice-chairman of NBL (Norwegian Federation of Cooperative Housing Associations).  
Several internal Board appointments in the OBOS Group.  
Previously Board member/Vice Chairman of Kreditkassen, VEAS (Westfjorden Avløpsselskap), AF Group, FONUS, Oslo Byhall, Oslo Byfornyelse, INBY, Dagsavisen, and others.



# the board of directors' report.

The Veidekke Group has reported very good results for 2006, with profit growth in all three Scandinavian countries. Progress was achieved in all business areas in a good market. Our many ongoing improvement processes are gaining more and more ground throughout the organisation.



## GROUP DEVELOPMENTS

Total turnover for the Group amounted to NOK 16,442 million in 2006, compared with NOK 14,579 million in 2005. Pre-tax profit was NOK 922.9 million (NOK 711.1 million). Profit after tax and minority interests was NOK 708.3 million (NOK 557.8 million). Earnings per share were NOK 24.8 (NOK 19.5). Cash flow per share was NOK 32.6 (NOK 27.0), and return on equity was 44.5 % (36.8 %).

The value of orders-on-hand for construction operations is high, showing an increase from NOK 10.9 billion at the beginning of the year to NOK 12.4 billion at 31 December 2006.

Operations in Norway are still leading the field in profit performance, but our operations in Denmark and Sweden also showed a solid growth in both turnover and profits throughout 2006. The potential in these two countries is important for the Group's further growth and development. This is particularly true of our operations in Sweden, as this is by far the largest market in Scandinavia.

The market for our business areas in Norway was very good. The rise in housing prices was stronger than anticipated, but with more geographic variation than before. In some parts of the country, sales were considerably slower at some times of the year. The growth in prices was also steeper than expected, but an increase in site and building costs has kept margins on the same level as in previous years. Towards the end of the year, Veidekke Property reported good sales in a number of ongoing projects and these contributed to very strong results for the fourth quarter.



The good sales from housing projects have been one of the driving forces in the continuing good performance for Veidekke's construction operations in Norway, and the prospects for housing construction are also positive for 2007. We are pleased to note that the market for private non-residential building is making a good recovery. This has given us a number of major contracts for returning customers in the commercial and office building markets.

An improvement is expected in the heavy construction market, especially in Norway and Sweden. There is still available capacity in the market and competition on prices is keen.

Veidekke's industrial operations developed well in 2006, with growth in all business areas. After a correction for a gain of NOK 40 million from the sale of shares in Ramirent Oyj in 2005, the financial results for our industrial activities as a whole show a considerable improvement on the year before.

In asphalt operations, the production volume was on a par with 2005, but margins were somewhat better. Crushed stone and gravel, road maintenance, demolition and recycling operations reported an increase in volumes and a general improvement in margins.

Veidekke achieved very good results in the health, safety and environment area. There were fewer injuries in Veidekke's operations in all three Scandinavian countries. Sickness absence, which previously showed an upward trend in Norway, is now falling. The Board of Directors would like to mention in particular that the injury rate for Norwegian operations has now fallen to 2.8. This brings us several steps closer to our vision of an injury-free Veidekke. These are examples to be followed by all the operations in the Group.

For Hoffmann A/S, Veidekke's operations in Denmark, 2006 was a year of growth in several areas, and particularly in building operations. A doubling of the financial results for 2005, a continuing sound improvement in the health, safety and environment area, a strong increase in the percentage of directly negotiated contracts and a cautious start to property development operations are some of the key elements of the company's growth in Denmark. This took place in a fast-growing market and with generally low margins.

On the whole, 2006 was also a good year in Sweden, with an upward trend in total turnover and profits. Most profit growth was reported in property development operations. Bases have now been established in all three priority regions, with activities in and around Stockholm setting the pace.

House-building is still the most important area of activity for our Swedish construction operations, but we have also seen an upswing in the market for non-residential building. The construction entities in the Stockholm area are in the process of building up capacity to meet the growing market and this is still reflected in their results.

Veidekke Sverige has strengthened its capacity and competence in west Sweden with the acquisition of SBS Entreprenad AB in Gothenburg and, along with Vecon, this will be one of the key players in the building and construction market in the Gothenburg region.

#### **The competition case**

At the end of June 2006, Veidekke received notices of fines from the Public Prosecutor for contravention of provisions in the Competition Act regarding cooperation with other contracting companies, and various rules relating to accounting methods and VAT related to this. In June and August 2001, the Norwegian Competition confiscated material from a number of major construction companies on the suspicion of contravention of the Competition Act in the areas of heavy construction and asphalt operations. The fines imposed on Veidekke amounted to NOK 3.5 million for heavy construction operations and NOK 4 million for asphalt operations.

Veidekke chose to pay these fines. This choice was based on a wish to avoid many years of legal tug-of-war due to the complexity of the case and does not imply any acceptance of the factual or legal content of the case.

#### **MARKET AND COMPETITIVE SITUATION**

Growth in the international economy remained strong in 2006, although we saw indications in the course of the autumn of a lower growth rate in USA and Asia. This was mainly due to reduced growth in the housing market in USA and a slightly lower consumption growth in Asia.

Developments in the building and construction market in Scandinavia in 2006 were somewhat better than expected in 2006. The housing market was generally good, but in the autumn we saw signs of reversal in house prices in Denmark after several years of steep growth. The strong growth in employment in Scandinavia is now reflected in a higher demand for office buildings. We see an increase in heavy construction activity in Norway and Sweden, particularly in major infrastructure projects.

#### **CAPITAL SITUATION**

Investments amounted to NOK 395 million (NOK 323 million) in 2006. Tied-up capital in property operations amounted to NOK 2,484 million (NOK 1,760 million).

Sales of non-current assets amounted to NOK 152 million (NOK 64 million). Net cash flow from operations was NOK 309 million (NOK 589 million). Net interest-bearing liabilities stood at NOK 534 million (NOK 109 million). The Group's total assets were NOK 8,311 million (NOK 6,370 million). Total shareholders' equity was NOK 1,778 million (NOK 1,470 million), giving an equity ratio of 21.4 per cent (23.1 per cent).

At the end of the year Veidekke had NOK 1,319 million in committed, unused credit facilities (NOK 1,628 million). 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 2006.

## BUSINESS AREAS

### Norway

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

2006 was a very good year for Veidekke's Norwegian operations. Turnover totalled NOK 10,887 million (NOK 10,285 million), giving a profit of NOK 810.7 million (NOK 691.6 million).

### Construction

Veidekke Entreprenør showed considerable progress in most of its operations in 2006. This applies both to financial results and to health, safety and environment-related issues (HSE).

In 2006, construction operations showed a turnover of NOK 8,120 million (NOK 7,336 million) and a pre-tax profit of NOK 386.6 million (NOK 334.8 million), which gave a profit margin of 4.8 per cent (4.6 per cent).

The growth in profits can be ascribed both to good market conditions in 2006 and to continuous improvement processes in all entities. The improvement processes focus on interaction with customers, greater employee involvement and job satisfaction, HSE and improved project margins. A major role is played in this context by the "We at Veidekke" process which aims to improve the way projects are planned and carried out by involving the employees. A number of pilot projects completed in 2004 and 2005 show that "We at Veidekke" helps to reduce absence and injuries and improve profitability, and the process is now being implemented in all new projects.

Veidekke Entreprenør signed a number of major building and heavy construction contracts with public and private

sector customers in 2006. These include the extension of the Kilden shopping centre in Stavanger (NOK 103 million), development of the Kjøsnesfjorden power plant (NOK 500 million), a new motorway in Østfold (NOK 106 million) and the extension of the Hønefoss Centre (NOK 263 million).

The level of activity in the housing sector remained high throughout the year. At the same time, an upturn was registered in the market for private non-residential building.

At the end of the year, orders-on-hand had risen to NOK 7,580 million, which is 15 per cent higher than the figure of NOK 6,615 million a year earlier.

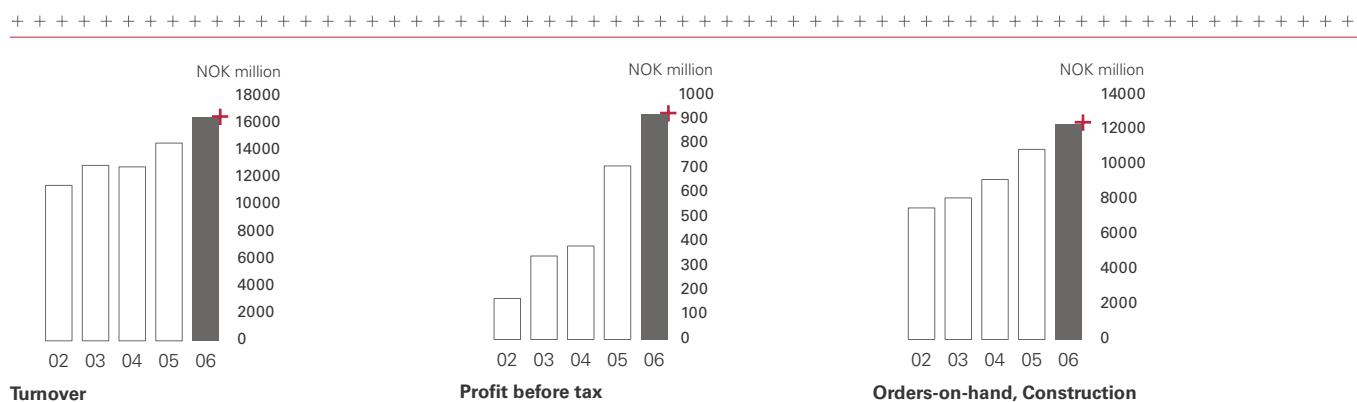
### Property development

The property division's operations include development of housing for Veidekke's own account, non-residential building and special-purpose buildings for the public sector.

Turnover for 2006 amounted to NOK 1,193 million (NOK 1,439 million). Pre-tax profit was NOK 311.5 million (NOK 236.4 million). The profit for 2006 includes NOK 183.2 million from associated companies relating to sales of Veidekke's shares in Økern Park AS (50 per cent) and Skårsletsletta 55 AS (40 per cent), among others.

At the end of the year NOK 1,537 million was tied up in property development. Of this, net working capital (debtors etc.) amounted to NOK 1,312 million.

The housing market was generally better than expected at the beginning of the year. Sales were good, albeit with some geographic variations. There was a substantial rise in prices, but rising costs kept margins relatively stable.



A number of projects initiated in the third and fourth quarter 2006 ensured a high level of activity that continued into 2007. We are, however, expecting a decline in the total number of dwellings under construction towards the end of 2007. In the long term, we will also have to increase our portfolio of development sites, but this will not be easy with today's high land prices.

The number of dwellings under construction remained high throughout the year. At the end of the year we had a total of 1,244 dwellings under construction in Norway. The sales rate is good. Only 241 of the dwellings under construction have not been sold. These have an estimated sales value of NOK 592 million. At 31 December 2006, only three completed dwellings remained unsold.

### Industry

Veidekke Industri covers the following business areas: asphalt, crushed stone and gravel, road maintenance, demolition/plant contracting and recycling of industrial waste.

Turnover for 2006 amounted to NOK 2,337 million (NOK 2,186 million). Pre-tax profit was NOK 112.6 million (NOK 120.4 million). Taking into account a gain of NOK 40 million on the sale of shares in Ramirent Oyj in 2005, these operations showed a clear growth in profit in 2006. This is mainly due to higher earnings in asphalt operations and demolition/plant contracting.

Kolo Veidekke had a turnover of NOK 2,052 million in 2006 (NOK 1,928 million).

The volume in the Norwegian asphalt market in 2006 was on a par with 2005. Asphalt deliveries to public customers fell somewhat, but we saw an increase in deliveries to a strong building and construction market. The increase in Kolo Veidekke's turnover derives from its other business areas: crushed stone and gravel, road maintenance and demolition/plant contracting.

Kolo Veidekke's continuous focus on improvement processes and employee involvement, and on a more efficient production organisation, has brought about a further growth in profits. The company gives high priority to work in the field of health, safety and environment, and developments in that area are very encouraging.

Veidekke Gjenvinning (recycling) reported a turnover for 2006 of NOK 285 million (NOK 257 million). The company showed a further increase in profit and has consolidated its position in east Norway and Rogaland. There is potential for further growth, for example through Veidekke Gjenvinning's 30 per cent share of Retura Norge AS.

### Denmark

Operations in Denmark are looked after by Hoffmann AS and Hoffmann Ejendomme AS.

Hoffmann can now harvest the fruits of strategic improvement measures and a good selection of projects in a market characterised by high activity. Total turnover for 2006 was NOK 3,113 million (NOK 2,503 million) and its profit was NOK 62.2 million (NOK 26.2 million).

### Construction

Hoffmann's construction operations developed well in 2006 and showed a doubling of profits compared with the year before. Turnover was NOK 3,005 million (NOK 2,462 million), while pre-tax profit was NOK 51.3 million (NOK 23.4 million). This pushed the profit margin up from 1.0 to 1.8 per cent.

Building operations in Denmark are making very satisfactory headway and profitability is now approaching the level of corresponding entities in Norway. Performance was, however, weak in some of its major heavy construction projects. The Danish operations still show an improvement in margins and Hoffmann now counts as one of the most profitable, major construction companies in Denmark.

In 2006, turnover rose by 15 per cent and the volume of orders-on-hand remained high. At the end of the year, orders-on-hand totalled NOK 2,750 million (NOK 2,916 million).

Hoffmann has consolidated its position as a construction company and property developer. This is mainly a result of its focus on quality, time and HSE. Hoffmann is a leading company, particularly on the HSE front. The company has the lowest accident rate of all the major players in the Danish market. New, major projects include head offices for Energinet in Fredericia (DKK 232 million) and for City Development on Amerika Plads (DKK 183 million) and a number of housing projects, including Åhaven in Vallensbæk with 96 owner-occupied flats and 146 terraced houses.

### Property development

In 2006 Hoffmann Ejendomme A/S had a turnover of NOK 274 million (NOK 93 million) and a pre-tax profit of NOK 10.9 million (NOK 2.8 million). At the end of the year NOK 411 million was tied up in property operations. Net working capital (debtors etc.) constituted NOK 420 million of this amount.

One of Hoffmann Ejendomme's own projects is Duemosepark in Farum, where 52 owner-occupied dwellings are under construction.

### **Sweden**

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

2006 was yet another year of growth for the Swedish operations seen as a whole. A strong market and positive developments for the regional companies contributed to an improvement in profitability in nearly all the entities. We are also pleased to register the positive results of the focus on health, safety and environment and the marked decline in the injury statistics.

Turnover for the year was NOK 2,363 million as against NOK 1,653 million the year before. Pre-tax profit rose from NOK 48.7 million in 2005 to NOK 82.1 million in 2006.

### **Construction operations**

Operations in west Sweden were strengthened in 2006 by the takeover of construction company SBS Entreprenad AB in Gothenburg. Incorporated in the Group on 1 September 2006, this company has an annual turnover of more than NOK 500 million and a firm position in the market. The company's main activities are house-building and excavation and thus supplement our existing operations in the region through Vecon, which operates mainly in the heavy construction market.

Our operations in Gothenburg showed a stable trend in profitability in 2006 and orders-on-hand increased substantially. Major projects, which include a large hotel project in Strömstad and a number of heavy construction contracts, are progressing well. The work of merging Vecon and SBS Entreprenad AB is well underway and the two companies will be located in the same building from March 2007 onwards.

Construction operations in Skåne were also strengthened during the year. Profitability and orders-on-hand have increased. The company has shown solid organic growth and is well positioned both in the housing market and in the excavation market.

Heavy construction operations in the Stockholm area and east Sweden are affected by the cost of building up capacity. In 2006, the largest projects, the Botnia Line and the E4 motorway outside Uppsala, developed according to plan. It is well worth noting that the new section of the E4 past Uppsala was handed over nine months ahead of schedule. This project was carried out in partnership with Vägverket Produktion AB.

The profit figure for heavy construction is somewhat lower than our long-term earnings requirement, but the overall picture for these operations is positive. With a strong organisation and a strong market, future prospects look bright.

House-building operations in Stockholm developed well throughout the year and showed an increase in turnover and orders-on-hand, and an improvement in profit.

In the course of the year, a company was set up to undertake non-residential building contracts. In addition to a couple of small commercial projects, this company has been awarded the contract for a large office project, worth approximately SEK 300 million, in the centre of Stockholm. These contracts were all negotiated directly with the customers.

Total orders-on-hand were also increased in the course of 2006 and Veidekke's Swedish operations can look forward with optimism to 2007. At the end of 2006, orders-on-hand stood at NOK 1,972 million (NOK 1,246 million).

### **Property development**

Property development achieved a turnover of NOK 730 million in 2006 (NOK 374 million). Housing development is making strong headway. We currently have 667 flats under construction compared with about 300 in 2005. Our portfolio has swelled to around 2,750 housing units (approx. 2,300 in 2005).

At the end of the year, NOK 537 million was tied up in property operations. Net working capital (debtors etc.) constituted NOK 466 million of this figure.

Emphasis is now being given to developing more efficient, customer-adapted housing projects. In the course of the year, a number of development projects were completed in partnership with the construction companies. Examples include the development of a product concept for different types of 'model home' and a standard programme for house-building. Projects have also been initiated which aim to increase the attractiveness of the projects through better understanding and satisfaction of the customers' different wishes. We are also beginning to see the results of our focus on delivering a defect-free product to our customers.

### 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 the next 25 years. The road was opened on 30 August.

Other activities include our remaining operations outside Scandinavia, in the first instance our long-established involvement in Tanzania through Noremco which continues to perform well.

### ORGANISATION

As of 31 December 2005, the Group had 6,351 employees (5,598) in Scandinavia. Of these, 4,126 (3,522) were craftsmen and production workers and 2,225 (2,076) were administrative and technical personnel.

### Corporate management team

In the course of the first half of 2007, a natural generation shift will take place when three members of the corporate management team retire. Egil Flaathen who was responsible for Veidekke Industry has been replaced by Vidar Aarvold (54), former head of asphalt operations. Leif Johansen, currently head of Veidekke Eiendom AS, will be replaced by Arne Giske (50). Arne Giske is already a member of the team and he will retain his responsibility for legal affairs and corporate finance/IR. Torkel Backelin, responsible for HR and strategy, will leave the team and Bente Lillestøl, previously site manager for our largest construction project, Oslo's new Opera House, will take over responsibility for HR and HSE. Jørgen Porsmyr (35) will complete the team, with responsibility for corporate accounts, purchasing, strategy and IT.

### Labour market, recruitment and attractiveness

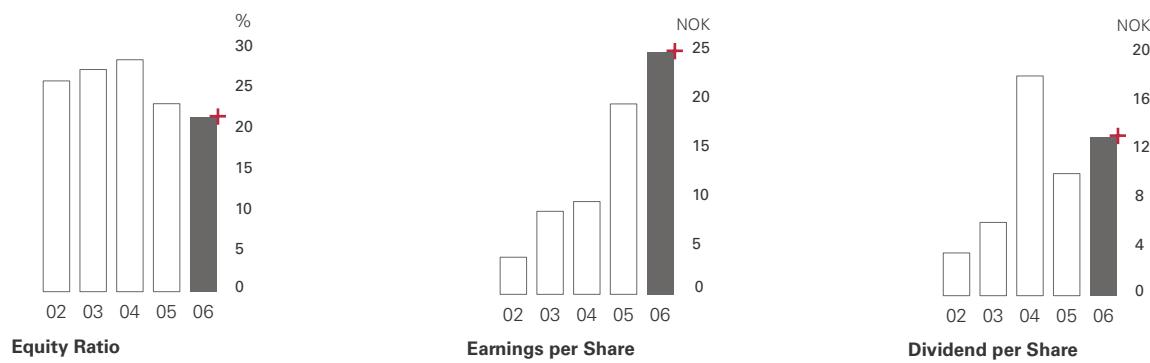
Competition for manpower was keen in all three countries in 2006. Partly to compensate for natural wastage but more importantly to meet the need for growth, Veidekke recruited more than 600 new employees during the year. Veidekke enjoys a strong position in the labour market, but we must work continuously to increase our attractiveness.

Surveys have been carried out among apprentices and new office staff to find how they rate Veidekke's attractiveness, what expectations they have of the company and what they believe to be most important to enhance Veidekke's image in the labour market. The results of these and other surveys will provide an important basis for future improvement programmes and they will help us to communicate the company's values, attitudes and opportunities for growth.

The availability of manpower from the new EU countries in Eastern Europe has made a substantial contribution to the labour market in all three Scandinavian countries and helped to generate the high level of activity. Veidekke has mainly made use of this manpower through subcontractors and hire from carefully selected firms. We set stringent standards for our partners as regards skills, quality and HSE awareness.

### Skills and management development

More and more resources are being used at Veidekke to provide good development programmes for different groups of employees. Veidekke offers a broad range of in-house courses in the field of skills and management development. These courses are closely linked with the company's business and improvement strategy.



Hoffmann invested heavily in 2006 on developing programmes for managers in the company. These include a strategic skills development programme for department managers and a development program targeting site and project managers.

At corporate level, the most important programme is Veidekke's Scandinavian management development programme. A total of 120 of the company's most senior managers have so far taken part in this programme, which focuses on professional development and culture and network building. Part of this programme involves carrying out project tasks that are directly linked with the company's strategy.

#### **Apprenticeship scheme**

It is Veidekke's policy to use its own craftsmen on its production sites and we are a leading training company. We give high priority our apprenticeship scheme and the work of maintaining a high number of apprentices continued in 2006. As of 31 December 2006, Veidekke had 157 apprentices under contract in Norway in building, heavy construction and asphalt. In Denmark we had 39 apprentices and in Sweden 66. This is the same number of apprentices as the year before, but steps have now been taken to include more crafts and trades in our apprenticeship scheme.

#### **Recruitment**

Veidekke's on-site learning project helps to recruit skilled workers both to Veidekke and to the industry in general. 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 on-the-site training.

A number of our skilled workers have bettered their qualifications with additional craft certificates. There is also a considerable further education of all employees throughout the Group through in-house courses. The scope of these courses was widened in 2006.

Approximately nine per cent of the company's employees are women. Most of the women in managerial positions work at middle manager level, but there are also some in divisional top management. Some work as project managers, site managers or staff function leaders. Increasing the percentage of women in a predominantly male industry like the building and construction industry is a major challenge. The Board of Directors attaches importance to 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. Moreover, 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.

For many years Veidekke has had its own trainee scheme for newly qualified chartered engineers, engineers and economists. In 2006, our trainee scheme had just over 60 participants and our plan is to increase the number of participants in the years ahead.

#### **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 stimulate an interest in our subject areas, in innovation and in science subjects. Closely connected with this is Veidekke's involvement in education through partnership agreements which help to increase the pupils' knowledge of the construction industry at an early age. A new partnership agreement has been signed, and yet another is under negotiation.

#### **Interaction with elected representatives**

Veidekke ensures employee participation by maintaining good relations with elected representatives. Representatives 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 themes at the two meetings that were held in 2006 were our ambitious HSE targets and the most important ways of achieving them and what Veidekke can do to further enhance its attractiveness. Another important task for the EWC is to follow up the ongoing improvement processes in the divisions and promote transfer of experience.

#### **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. At any one time, 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 detailed, systematic

reporting from each project through the line management to the corporate management and the Board of Directors. 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 Forretningsbygg, which holds 25.5 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 14 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 50 - 53 in this Annual Report.

### **CORPORATE SOCIAL RESPONSIBILITY**

Veidekke's commitment to social responsibility is rooted in its basic values: professional, honest, enthusiastic and ground-breaking. Veidekke focuses on people as users of its buildings and structures. This is reflected in our vision: "We will build a better future for people in all aspects of life."

Corporate social responsibility implies that an enterprise must as a minimum comply with laws and regulations. Veidekke will also contribute to a greater effort for sustainable development. One of the Group's qualitative main objectives is: "A Veidekke which by its actions contributes to sustainable development".

Social responsibility also means that Veidekke must be aware of its duty towards its stakeholders and how its actions contribute towards socially responsible business operations. Under its motto: "Creating value through partnership", Veidekke's ambition will at all times be to improve 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 in order to ensure awareness of and compliance with the

established norms. The company works specifically to ensure that values and ethics are integrated organically with the company's vision, objectives and business strategy.

Veidekke has a separate programme for ethical guidelines and rules in the company. Among other things, Veidekke has introduced rules and measures to prevent the use of illegal labour in its own workplaces. This is done by putting measures and programmes on the agenda both internally and in cooperation with stakeholders. Veidekke also has a programme which gives employees an introduction to the provisions in competitive law which apply to the Group.

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**

At Veidekke, we have a vision of an injury free workplace, i.e. that no-one will be injured on our building and construction sites. We realise that we have some way to go before we reach this goal, but we are glad to see a continuous improvement in our injury statistics. In 2005 we registered a total of 91 lost-time injuries in the three Scandinavian countries. In 2006 this figure had fallen to 57. This brought the injury rate (number of lost-time injuries per million hours worked) down to 5.7 at the end of the year, as against 9.3 the year before. In Norway the injury rate dropped to 2.8 last year, but there were also substantial improvements in Denmark and Sweden. Hoffmann's injury rate fell from 18.6 in 2005 to 13.5 in 2006 and in Sweden, there was a reduction from 18.3 to 11.0 last year.

These figures apply to our own employees. Our ambition is to include injuries to subcontractors' employees and we are aiming for an injury rate for our Scandinavian operations, including subcontractors, of less than five in 2010. The work of registering the number of injuries and hours worked for our subcontractors was started last year and will gradually be stepped up.

### Absence

We have set a similar target for sickness absence of under three per cent in 2010 for all our employees. As the situation stands today, we should have every possibility of attaining this target in Denmark and Sweden. Denmark had a sickness absence rate for craftsmen of 4.1 per cent in 2006, while the corresponding figure in Sweden was 5.1 per cent. Although differences in regulations prevent a direct comparison of absence figures in all three countries, it is clear that sickness absence for craftsmen is higher in Norway and until recently showed an upward trend. This trend has now been reversed and the absence rate fell towards the end of 2006. For the year as a whole, however, the absence rate was somewhat higher than the year before, 6.5 as against 6.0 per cent. With the apparent reversal in the absence rate in Norway, we feel justified in hoping that it will also be possible to achieve our long-term objective in Norway. Sickness absence for all employees in Norway was 4.9 per cent last year.

### External environment

Veidekke maintains a constant focus on environmental protection throughout the life of the project – from planning, designing and production through management, operation and maintenance to demolition, segregation and recycling. Our aim is to know about 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.

Veidekke's property division has, for example, participated in Enova's energy management project for owners of large buildings. Enova is a public enterprise owned by the Ministry of Petroleum and Energy. It was established to promote an environmentally sound reorganisation of energy use and energy generation. The aim of the project was to reduce energy consumption in five buildings by 15 per cent in the course of two years. The most effective measures were better utilisation of the technical devices in ventilation and cooling systems, and implementation of these measures has started.

Veidekke's energy consumption in Norway in 2006 was 304 GWh, with a breakdown into energy sources of 19 per cent gas, 60 per cent oil and 21 per cent electricity.

Kolo Veidekke is the most energy-intensive company in the Group.

Readers are referred to a more detailed presentation on pages 58 - 61 and to a separate CSR report.

### SHAREHOLDERS AND STOCK MARKET

Veidekke's shareholders numbered 4,369 at the end of 2006 (4,037). The largest shareholders were OBOS Forretningsbygg A/S (25.5 %), Folketrygdfondet (9.1%) and IF Skadeförsäkring AB (8.6 %). The percentage of foreign investors was 35.

Trading of Veidekke shares on the Oslo Stock Exchange was good, with 14.1 million shares traded (49.4 % turnover rate) and 12,794 trades of shares in the course of the year. The share price varied between NOK 187 at the lowest and NOK 279 at the highest. Return including dividend was 28.1 per cent.

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

### Share issues to employees

Another issue of shares to employees was effected in 2006, in line with Veidekke's strategy to strengthen ties with its employees through shares in the company.

In May, key personnel were invited to purchase shares at NOK 185, which corresponded to a discount of 20 per cent on the market price during the subscription period. In November, two issues of shares to employees were effected. Employees were invited to purchase between 50 and 500 shares at a price of NOK 177.50, corresponding to a 20 per cent discount on the market price during the subscription period. At the same time key personnel were given the opportunity to purchase up to 4,000 shares at the same price.

At the end of the year, a total of 2,296 employees held 14.8 per cent of the shares in the company, thus demonstrating their confidence in Veidekke shares. It is also a pleasure to register an increase in share ownership among our employees in Denmark and Sweden.

### Share buyback

The Board of Directors has resolved to repurchase up to 3 per cent of Veidekke's own shares. This is in line with the authorisation granted by the company's annual general meeting in May 2006. The share buyback programme was activated in the fourth quarter and by the end of the quarter 422,200 shares, or 1.5 per cent of the company's shares, had been repurchased.

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 cancel 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.

#### DISTRIBUTION OF PROFIT FOR THE YEAR

The financial statements for the parent company, Veidekke ASA, show a profit of NOK 719.5 million (NOK 179.0 million). The Board of Directors will propose to the Annual General Meeting that the profit be distributed as follows:

	NOK million
Allocated to dividend	366.4
Transferred to other equity	353.1
Profit for the year	719.5

The parent company's distributable reserves amount to NOK 590 million (NOK 337 million). The Board of Directors also refers to the company's dividend policy which is described in Shareholder Information, pages 52 - 55.

#### MARKET SITUATION AND COMPETITION

For Norway, the prospects for 2007 remain good, but lack of capacity will nudge up prices and costs in the building market. House prices will continue to rise. Prospects are still good in heavy construction and non-residential building.

In Denmark, capacity problems appear to be more serious than in the other Scandinavian countries and any growth in the economy (GNP) will mainly have to be the result of improvements in productivity.

Although growth in the housing market declined in autumn 2006, we still expect a brisk demand and growth in prices in the attractive parts of the housing market. The market for non-residential building will also be good in Denmark.

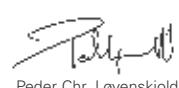
The Swedish economy soared during the first three quarters of 2006 and the annual growth rate will be in the region of 4.5 per cent. There has been a considerable fall in unemployment. This positive trend is expected to continue in 2007. Optimism is high in households and businesses, and this will increase the demand for labour and reduce unemployment. It will also help to maintain growth in the residential and non-residential building markets in 2007. Prices for housing in growth areas are expected to rise by about 10 per cent in 2007.

In the heavy construction sector, there is still keen competition for the contracts that are put out for tender. The number of foreign operators in the market is growing. We anticipate that this trend will continue in 2007.

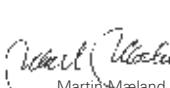
All in all, prospects are still very favourable for the Veidekke Group in 2007. The Group's order situation is extremely healthy. Its financial standing is sound, and the organisation is well equipped for further growth and development.

Oslo, 29 March 2007  
Board of Directors for Veidekke ASA

  
Birte Almeland

  
Peder Chr. Lovenskiold

  
Kari Gjesteby

  
Martin Almeland

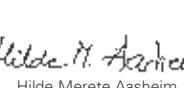
  
Göte Dahl

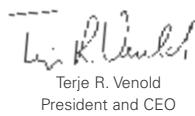
Göte Dahl  
Chairman of the Board

  
Jette Wigand Knudsen

  
Nils Jarle Solevåg

  
Steinar Krogstad

  
Hilde Merete Aasheim

  
Terje R. Venold  
President and CEO

# Profit and Loss Account Veidekke Group

(Figures in NOK million)	Note	2006	2005	2004
<b>Turnover</b>	1, 2, 31, 33	<b>16 442.3</b>	14 579.2	12 826.2
Subcontractors		-7 286.4	-6 453.2	-5 679.7
Cost of materials		-3 915.6	-3 473.7	-3 172.5
Wages	3, 4, 22, 30	-3 306.5	-2 929.9	-2 700.5
Other operating expenses		-1 000.2	-916.7	-727.9
Write-down goodwill	8, 10	-	-	-13.4
Depreciation	9	-221.4	-213.5	-179.9
<b>Total operating expenses</b>	26, 32	<b>-15 730.1</b>	-13 987.0	-12 473.9
<b>Operating profit</b>		<b>712.2</b>	592.2	352.3
Result from investment in associated companies and joint ventures	13, 15	206.9	63.5	37.5
Financial income	5, 7	<b>74.9</b>	116.3	127.4
Financial expenses	5, 7	<b>-71.1</b>	-60.9	-134.5
<b>Profit before tax</b>	21	<b>922.9</b>	711.1	382.7
Income tax expense		<b>-200.1</b>	-139.7	-92.3
<b>Profit for the year</b>		<b>722.8</b>	571.4	290.4
<b>Distribution of the profit for the year</b>				
Majority interests' share		<b>708.3</b>	557.8	263.4
Minority interests' share		<b>14.5</b>	13.6	27.0
<b>Total</b>		<b>722.8</b>	571.4	2904
<b>Earnings per share (NOK) (ordinary/diluted)</b>	6	<b>24.8</b>	19.5	9.5

# Balance Sheet Veidekke Group at 31 December

(Figures in NOK million)

	Note	2006	2005	2004
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	8, 10, 11, 12	510.4	380.6	344.3
Buildings, land	9	423.4	498.8	508.5
Machinery etc.	9	740.6	636.7	597.3
Investments in associated companies and joint ventures	13	344.0	279.6	298.2
Deferred tax assets	21	21.1	28.4	25.1
Financial assets	14	240.7	184.8	308.1
<b>Total non-current assets</b>		<b>2 280.2</b>	<b>2 008.9</b>	<b>2 081.5</b>
<b>Current assets</b>				
Non-residential projects	15	78.0	26.3	99.1
Residential projects	16	912.8	620.1	565.3
Stocks	17	272.0	203.4	211.6
Debtors	18	4 244.5	3 027.3	2 275.0
Other receivables		193.2	138.9	117.1
Cash and cash equivalents	19	330.6	344.8	400.5
<b>Total current assets</b>		<b>6 031.1</b>	<b>4 360.8</b>	<b>3 668.6</b>
<b>Total assets</b>		<b>8 311.3</b>	<b>6 369.7</b>	<b>5 750.1</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	20	71.5	71.5	71.5
Other equity		1 676.4	1 345.5	1 424.5
Minority interests	11, 12	29.8	53.4	141.8
<b>Total equity</b>		<b>1 777.7</b>	<b>1 470.4</b>	<b>1 637.8</b>
<b>Long-term liabilities</b>				
Pension liability	22	256.7	257.6	252.2
Deferred tax	21	128.3	56.3	-
Debts to credit institutions	23	716.9	326.6	304.6
Other long-term liabilities	12	138.7	73.4	5.6
<b>Total long-term liabilities</b>		<b>1 240.6</b>	<b>713.9</b>	<b>562.4</b>
<b>Short-term liabilities</b>				
Debts to credit institutions	24	331.2	313.9	292.6
Creditors	25	2 866.7	2 163.2	1 987.0
Provisions etc.	26	563.4	574.7	490.9
Unpaid government charges	27	493.7	422.0	378.0
Payable tax	21	134.9	70.8	52.3
Other short-term liabilities	28	903.1	640.8	349.1
<b>Total short-term liabilities</b>		<b>5 293.0</b>	<b>4 185.4</b>	<b>3 549.9</b>
<b>Total equity and liabilities</b>		<b>8 311.3</b>	<b>6 369.7</b>	<b>5 750.1</b>

## Statement of Changes in Equity Veidekke Group

(Figures in NOK million)	Note	Share capital	Nominal value own shares	MAJORITY INTERESTS			Minority interests	Total
				Share premium reserve *	Currency conversion differences	Other equity		
Equity at 1 January 2004		69.0		304.8		884.8	1 258.6	140.1 1 398.7
Profit for the year						263.4	263.4	27.0 290.4
Share issue		2.5				63.5	66.0	- - 66.0
Currency conversion differences					-8.0	-	-8.0	-0.4 - 8.4
Share discount, employees						12.6	12.6	- - 12.6
Redemption minority interests						-	-	-9.5 - 9.5
Dividends						-96.6	-96.6	-15.4 -112.0
<b>Equity at 31 December 2004</b>	<b>71.5</b>		<b>304.8</b>	<b>- 8.0</b>	<b>1 127.7</b>	<b>1 496.0</b>	<b>141.8</b>	<b>1 637.8</b>
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 – interest-rate swaps						-20.5	-20.5	- - 20.5
Effect of implementation of IFRS 39 – PPP project						-56.3	-56.3	- - 56.3
<b>Corrected equity at 1 January 2005</b>	<b>71.5</b>		<b>304.8</b>	<b>- 8.0</b>	<b>1 050.9</b>	<b>1 419.2</b>	<b>141.8</b>	<b>1 561.0</b>
Profit for the year						557.8	557.8	13.6 571.4
Currency conversion differences					-30.7	-30.7	-0.3	-31.0
Share discount, employees						5.7	5.7	5.7
Redemption minority interests						-20.0	-20.0	-86.6 -106.6
<b>Equity at 31 December 2005</b>	<b>71.5</b>		<b>304.8</b>	<b>- 8.0</b>	<b>1 127.7</b>	<b>1 496.0</b>	<b>141.8</b>	<b>1 637.8</b>
Equity at 1 January 2006	71.5		304.8	-38.7	1 079.4	1 417.0	53.4	1 470.4
Profit for the year					708.3	708.3	14.5	722.8
Currency conversion differences					16.2	16.2		16.2
IFRS 39 – hedging PPP project	7					14.8	14.8	14.8
Share discount, employees	4					0.5	0.5	0.5
Addition minority interest						-	0.8	0.8
Redemption minority interests	11, 12					-	-35.5	-35.5
Purchases/sales own shares	20		1.1			-123.9	-122.8	-122.8
Dividends	20					-286.1	-286.1	-3.4 -289.5
<b>Equity at 31 December 2006</b>	<b>71.5</b>		<b>1.1</b>	<b>304.8</b>	<b>-22.5</b>	<b>1 393.0</b>	<b>1 747.9</b>	<b>29.8 1 777.7</b>

\* Paid up capital exceeding the nominal value of the shares.

# Consolidated Cash Flow Statement

## Veidekke Group

(Figures in NOK million)

	Note	2006	2005	2004
<b>OPERATING ACTIVITIES</b>				
Profit before taxation		922.9	711.1	382.7
Tax paid	21	-77.0	-55.2	-86.8
Depreciation and write-downs	8, 9	221.4	213.5	193.3
Gains on sales of tangible non-current assets and shares	2, 9	-21.0	-82.0	-57.6
Profit and loss items without cash flow effect	1	-99.5	-30.2	-24.5
<b>Generated from this year's activities</b>		<b>946.8</b>	<b>757.2</b>	<b>407.1</b>
Change in non-residential and residential projects		-344.4	18.0	-55.3
Change in debtors		-1 122.9	-751.1	-404.3
Change in other current assets		-115.4	-11.2	-52.1
Change in creditors etc.		627.6	259.1	426.0
Change in other operating debts		317.0	316.8	-129.1
<b>Net cash flow from operating activities (A)</b>		<b>308.7</b>	<b>588.8</b>	<b>192.3</b>
<b>INVESTMENT ACTIVITIES</b>				
Purchase of property, plant and equipment	9	-394.5	-322.9	-257.6
Sales of property, plant and equipment	9	152.1	64.3	43.2
Purchases of companies	10	-42.3	-7.4	-
Sales of shares		-	174.0	171.2
Other investment		-13.7	61.0	16.6
<b>Net cash flow from investment activities (B)</b>		<b>-298.4</b>	<b>-31.0</b>	<b>-26.6</b>
<b>FINANCING ACTIVITIES</b>				
New long-term borrowing	23	397.1	16.6	11.0
Repayment long-term debts	23	-12.4	-13.9	-425.4
New short-term borrowing	24	169.4	289.3	150.2
Repayment short-term debts	24	-152.1	-268.9	-5.5
Share issue		-	-	66.0
Redemption minority interests	11	-15.7	-106.5	-9.5
Dividend paid	20	-289.6	-530.1	-112.0
Buy-back own shares	20	-122.8	-	-
<b>Net cash flow from financing activities (C)</b>		<b>-24.5</b>	<b>-613.5</b>	<b>-325.2</b>
<b>TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>-14.2</b>	<b>-55.7</b>	<b>-159.5</b>
Cash and cash equivalents at 1 January		344.8	400.5	560.0
Cash and cash equivalents at 31 December		330.6	344.8	400.5

# Accounting Policies Veidekke Group

The Veidekke Group is engaged in construction and property development in Scandinavia. Its head office is at Skabos vei 4, 0278 Oslo. Veidekke is listed on the Oslo Stock Exchange. Further information about Veidekke's operations can be found in pages 12 - 46. The consolidated accounts were adopted by the Board of Directors on 29 March 2007.

## International accounting standards

The consolidated accounts have been prepared in accordance with IFRS (International Financial Reporting Standards). Only standards that entered into force before 31 December 2006 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. This means that assets are valued at original cost less accumulated depreciation and write-downs.

## Estimates

Veidekke's operations consist mainly of construction work for the client's account and building of houses for sale for its own account, i.e. the 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 recognised in line with the execution of the work. Continuous income reporting entails some uncertainty, since it is based on estimates and assessments. For ongoing projects, uncertainty refers to progress of the remaining work, disputes, work under guarantee, final prognosis, etc. The final profit may therefore differ from the anticipated result. For completed projects, uncertainty refers to hidden deficiencies and possible disputes with the client. The management is of the opinion that adequate provision has been made for guarantee work etc.

## CONSOLIDATION

### Consolidated accounts

The consolidated accounts include Veidekke ASA (parent company) and all of its subsidiaries. Subsidiaries are 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 and by mergers. Subsidiaries are consolidated in the accounts when a controlling interest is achieved and until it no longer applies. 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 or an 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.

## 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, etc.

Excess values over and above identifiable assets and liabilities constitute goodwill. Goodwill also includes synergies, organisation, know-how, market, etc. Only purchased goodwill is entered in the balance sheet, while the company's own goodwill is charged to expenses as it is developed. 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 unlimited lifespan are not amortised but tested annually for impairment.

### 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.

### 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 used a great deal 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. Associated company accounts are converted to IFRS prior to incorporation in Veidekke's consolidated accounts.

### The equity method of accounting

Under the equity method, investments are valued as the share of equity capital 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. Goodwill is tested each year for impairment. Negative equity in the company is entered in the profit and loss account only when there is liability to cover the loss.

### Working partnerships

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). The participants in a working partnership are jointly and severally liable. 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 prevailing at 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 handled as an item in foreign currency. Conversion differences are entered against equity capital as they arise. When a foreign entity is sold, the accumulated conversion differences are entered in the profit and loss account. The same applies if a company goes into liquidation, for repayment of capital, etc. 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 x 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. But when a claim will in all probability be paid, a prudent part of the claim is taken to income. Provision has been made for guarantee work etc. For projects that are expected to show a loss, the estimated loss is entered in its entirety in the profit and loss account. Expenses relating to tenders and other preparations are entered as expenses as they are incurred. The guarantee period is normally from three to five years. The percentage of completion is determined on the basis of the work executed and is normally calculated as the ratio of accrued costs to date to estimated total costs for the project. Accrued costs to date are equal to book costs plus accruals for time lag in invoicing etc. (accrued but not recorded). Income to date is equal to accrued costs plus project contributions.

Projects are invoiced monthly with 30 days' credit. Invoicing is normally done in step with the execution of the work, but advance payment plans are also used. 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 customer (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 18 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. It also 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 entered in the profit and loss account on handover.

#### **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. For these projects, Veidekke applies the percentage of completion method and reports income in step with the building and sale of the units, based on the estimated final profit. Project follow-up focuses on the estimated final profit (final prognosis), and profit to date is equal to

$$\text{Estimated final profit} \times \text{percentage of completion} \times \text{sales rate.}$$

Income to date is also calculated in this way. No income is reported until a substantial part of the project has been sold. Provision is made for guarantee work etc. Where projects are expected to show a loss, the whole loss is entered in the profit and loss account. 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 that part of the project are entered in the balance sheet under Residential projects.

#### **PPP project**

Veidekke participates in a large PPP project (public private partnership) involving the construction of a road between Lyngdal and Flekkefjord followed by a 25-year operation and maintenance period. The construction work was completed in 2006. A PPP project consists of a number of elements: the PPP contract, the construction contract and the operation and maintenance contract.

The PPP contract has been entered in the accounts in accordance with IFRIC D 12 (The Financial Asset Model) as a financial asset at cost amortised over the contract period. The construction contract has been entered

in the accounts as an ordinary construction project and operation and maintenance of the road will be entered in the profit and loss account as the work is executed.

The PPP contract was awarded to associated company Alifarveg as, for which Veidekke applies the equity method of accounting. The construction work was carried out by a working partnership (Veidekke's share 70 per cent), while operation and maintenance will be the responsibility of Veidekke's wholly-owned subsidiary, Kolo Veidekke a.s. Reference is made to Note 35.

#### **Other operations**

Income from sales of products (crushed stone, asphalt etc.) is recognised on delivery. Income from hire operations is reported continuously in accordance with the agreed rental fee per day/month. Income from services rendered, consultancy assignments etc. is also reported continuously. Sales of non-current assets are recognised in the profit and loss account on delivery. Gains on sales of non-current assets are entered net under Turnover.

#### **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 the 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**

##### **Pensions**

Most of the Veidekke companies have pension schemes for their employees, both defined-contribution and defined-benefit plans. Most of these pension schemes are funds-based.

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.

In the case of defined-benefit plans, the enterprise commits itself to providing a pension of a specified size. Most of Veidekke's schemes provide 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. The 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 pensions 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. Furthermore, differences between estimate and actual pension costs are recognised in the profit and loss account.

In defined-benefit plans, an annual difference arises between the estimated and actual return on pension 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 (charged or credited to 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.

#### **Income taxes**

Income taxes are tax on the company's profit. Tax is treated in the accounts as a cost 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 the timing differences between accounts and tax, with the exception of timing differences relating to goodwill which are 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. Tax loss carried forward is an example of a tax-reducing difference.

Deferred tax is calculated on net timing differences, i.e. by offsetting tax-increasing against tax-reducing timing differences. When calculating deferred tax, a nominal tax rate is used (no discounting). Deferred tax assets are entered in the accounts when it is probable that the company will have an adequate profit in the next few 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 systematically over their useful life and straight-line depreciation is applied at the following rates:

Buildings 2-5 %  
Machinery etc. 10-25 %

The depreciation period and residual value are assessed annually. Gains and losses on disposals of operating equipment are charged or credited to the profit and loss account and constitute the difference between the sales price and book value. When there are indications of a fall in value, tangible non-current assets are written down to a recoverable amount if the fair value 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 Repayment of debts. In financial lease agreements most of the financial risk and control of the leasing object has passed to the lessee.

#### **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 costs 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 their book value is higher than the recoverable amount. 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 which 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 unlimited lifespan 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, write-down of 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, shares, etc.

## Classification

Non-current assets are assets intended for lasting possession or use, while other assets are current assets. Assets and liabilities related to the circulation of goods (projects) are classified as current assets and current liabilities. Debts to credit institutions which are taken up to finance non-current assets (investments) are classified as long-term liabilities, while loans 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 original cost and net sales price.

## Receivables

Receivables are valued at original cost less bad debts. Bad debts are entered as expenses when ascertained and probable.

## Financial instruments

Financial derivatives (interest-rate swaps) which satisfy the requirements for hedge accounting are recognised in the accounts at fair value and changes in value are booked directly to equity. Financial derivatives (interest-rate swaps) which do not satisfy the requirements for hedge accounting are recognised at fair value and changes in value are charged/credited to the profit and loss account. Receivables (shares etc.) which are not listed in an active market are booked at fair value and changes in value are charged/credited to the profit and loss account. Loans and receivables are entered at amortised cost. Changes in the fair value of financial instruments that are credited/charged to profit are classified as financial income or expenses.

## Share discounts

Veidekke buys back its own shares and resells them to its employees at a discount. It also effects regular issues of shares to its employees at discount prices. The discount is entered as an expense at fair value at the time of allocation, taking the lock-in period into account. The value of the discount is calculated according to an option pricing model. The discount is charged to wages and salaries and credited to equity.

## Development costs

Veidekke carries out very little 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 AGM and it is therefore part of equity at 31 December.

## Uncertainties

Continent assets and liabilities are not entered in the accounts. Veidekke's projects are to a great extent affected by estimates, see page 78. Information about significant uncertainties is provided in Note 33.

## 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.

## 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 change 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.

## CHANGES IN 2006

### Minorities

Subsidiaries Seby AS and Br. Reme AS were previously recognised in the accounts as partly owned subsidiaries with minority interests. Veidekke has a right and an obligation to purchase the remaining shares from these companies. Effective from 1 January 2006, Veidekke has amended this method of accounting. The companies are now treated as wholly-owned subsidiaries. The estimated residual purchase sum has been entered under Long-term liabilities, while 100 per cent of goodwill relating to the purchase is entered under Assets. No minority interests are recognised for these companies. Information about the effect of this change can be found in Note 12.

### IFRS and IFRIC standards which have not been applied:

IAS 1 (amendment):

Presentation of Financial Statements – Capital Disclosures

IFRS 7: Financial Instruments: Disclosures

IFRS 8: Operating Segments

IFRIC 7: Applying the Restatement Approach under IAS 29

Financial Reporting in Hyperinflationary Economies

IFRIC 8: Scope of IFRS 2

IFRIC 9: Reassessment of Embedded Derivatives

IFRIC 10: Interim Financial Reporting and Impairment

IFRIC 11: Group and Treasury Share Transactions

IFRIC 12: Service Concession Arrangements

These standards will be implemented when it becomes compulsory to do so. Their implementation is not expected to have any significant effect on Veidekke's financial statements.

# Notes to Accounts Group – Contents

## Note

1. Business segments
2. Gains on sales of non-current assets
3. Wage costs
4. Shares to employees
5. Financial income and expenses
6. Earnings per share
7. Financial risk and financial instruments
8. Goodwill
9. Machinery and property
10. Purchases of operations
11. Redemption of minority interests
12. Change in minority interests
13. Investments in associated companies and joint ventures
14. Financial assets
15. Non-residential projects
16. Residential projects
17. Stocks
18. Debtors
19. Cash and cash equivalents
20. Number of shares, shareholders etc.
21. Income tax expense and deferred tax
22. Pensions
23. Long-term debts to credit institutions etc.
24. Short-term debts to credit institutions etc.
25. Creditors
26. Guarantee funds etc.
27. Unpaid government charges
28. Other short-term liabilities
29. Mortgages, guarantees and joint and several liability
30. Compensation to company officers
31. Projects in progress
32. Lease commitments
33. Uncertainties
34. Transactions with closely related parties
35. PPP project Allfarveg
36. Group structure

# Notes to Accounts Veidekke Group

(Figures in the tables in NOK million)

## 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 12–45.

### A. AREAS OF ACTIVITY

PROFIT AND LOSS ACCOUNT	Construction			Property			Industry		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Turnover	13 024.4	11 113.8	10 212.0	2 196.7	1 905.4	1 110.8	2 337.1	2 185.6	1 809.0
Operating expenses	-12 549.9	-10 707.0	-9 916.2	-1 933.1	-1 643.2	-999.6	-2 118.1	-1 994.2	-1 640.3
Write-down goodwill	-	-	-9.4	-	-	-	-	-	-4.0
Depreciation	-82.8	-72.6	-65.7	-24.8	-25.7	-4.5	-106.1	-105.3	-96.1
<b>Operating profit</b>	<b>391.7</b>	<b>334.2</b>	<b>220.7</b>	<b>238.8</b>	<b>236.5</b>	<b>106.7</b>	<b>112.9</b>	<b>86.1</b>	<b>68.6</b>
Share of profit, associated companies	3.6	2.2	2.9	182.1	53.4	34.9	19.0	5.1	-0.3
Net financial items	56.9	34.0	27.0	-30.7	-14.2	-37.3	-19.3	29.2	14.3
<b>Profit before taxation</b>	<b>452.2</b>	<b>370.4</b>	<b>250.6</b>	<b>390.2</b>	<b>275.7</b>	<b>104.3</b>	<b>112.6</b>	<b>120.4</b>	<b>82.6</b>

PROFIT AND LOSS ACCOUNT	Other			Group		
	2006	2005	2004	2006	2005	2004
Turnover	-1 115.9	-625.6	-305.6	16 442.3	14 579.2	12 826.2
Operating expenses	1 092.4	570.9	275.5	-15 508.7	-13 773.5	-12 280.6
Write-down goodwill	-	-	-	-	-	-13.4
Depreciation	-7.7	-9.9	-13.6	-221.4	-213.5	-179.9
<b>Operating profit</b>	<b>-31.2</b>	<b>-64.6</b>	<b>-43.7</b>	<b>712.2</b>	<b>592.2</b>	<b>352.3</b>
Share of profit, associated companies	2.2	2.8	-	206.9	63.5	37.5
Net financial items	-3.1	6.4	-11.1	3.8	55.4	-7.1
<b>Profit before taxation</b>	<b>-32.1</b>	<b>-55.4</b>	<b>-54.8</b>	<b>922.9</b>	<b>711.1</b>	<b>382.7</b>

BALANCE SHEET AT 31 DECEMBER	Construction			Property			Industry		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Non-current assets	890.4	704.7	680.7	347.1	424.4	441.1	815.3	735.8	797.7
Current assets	2 492.2	1 899.1	1 673.1	2 744.6	1 827.6	1 331.8	499.0	408.6	294.5
Cash and cash equivalents	1 546.7	1 948.6	1 396.6	-	-	1.7	-	-	-
<b>Total assets</b>	<b>4 929.3</b>	<b>4 552.4</b>	<b>3 750.4</b>	<b>3 091.7</b>	<b>2 252.0</b>	<b>1 774.6</b>	<b>1 314.3</b>	<b>1 144.4</b>	<b>1 092.2</b>
Equity	618.4	757.5	335.7	639.7	525.0	542.0	130.0	252.8	185.4
Long-term liabilities	620.5	285.2	355.8	888.9	1 184.9	716.4	643.6	545.1	625.2
Short-term liabilities	3 690.4	3 509.7	3 058.9	1 563.1	542.1	516.2	540.7	346.5	281.6
<b>Total equity and liabilities</b>	<b>4 929.3</b>	<b>4 552.4</b>	<b>3 750.4</b>	<b>3 091.7</b>	<b>2 252.0</b>	<b>1 774.6</b>	<b>1 314.3</b>	<b>1 144.4</b>	<b>1 092.2</b>
Gross investment	274.3	115.1	113.9	33.9	44.2	11.2	194.0	163.0	134.3
Invested capital	499.7	865.3	731.4	2 483.9	1 759.7	1 551.3	815.4	739.6	761.7
Investment in associated companies and joint ventures	17.4	14.5	13.7	239.5	213.1	233.2	69.9	52.0	51.0

BALANCE SHEET AT 31 DECEMBER	Other			Group		
	2006	2005	2004	2006	2005	2004
Non-current assets	227.4	144.0	162.0	2 280.2	2 008.9	2 081.5
Current assets	-35.3	-119.3	-31.3	5 700.5	4 016.0	3 268.1
Cash and cash equivalents	-1 216.1	-1 603.8	-996.1	330.6	344.8	402.2
<b>Total assets</b>	<b>-1 024.0</b>	<b>-1 579.1</b>	<b>-865.4</b>	<b>8 311.3</b>	<b>6 369.7</b>	<b>5 751.8</b>
Equity	389.6	-64.9	574.7	1 777.7	1 470.4	1 637.8
Long-term liabilities	-912.4	-1 301.3	-1 133.3	1 240.6	713.9	564.1
Short-term liabilities	-501.2	-212.9	-306.8	5 293.0	4 185.4	3 549.9
<b>Total equity and liabilities</b>	<b>-1 024.0</b>	<b>-1 579.1</b>	<b>-865.4</b>	<b>8 311.3</b>	<b>6 369.7</b>	<b>5 751.8</b>
Gross investment	7.7	9.3	4.2	509.9	331.6	263.6
Invested capital	-973.2	-1 253.7	-810.3	2 825.8	2 110.9	2 234.1
Investment in associated companies and joint ventures	17.2	-	0.3	344.0	279.6	298.2

OTHER INFORMATION AT 31 DECEMBER	Construction			Property			Industry		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
No. of employees	5 108	4 517	4 595	114	89	73	1 085	985	979
Profit and loss items with no effect on cash flow (over and above write-downs and depreciation)	27.1	1.3	-	-75.4	-37.8	-30.6	-35.6	1.8	-
Orders-on-hand	12 302	10 777	9 075	-	-	-	-	-	-
- due for completion within 12 months	9 564	8 537	7 452	-	-	-	-	-	-

OTHER INFORMATION AT 31 DECEMBER	Other			Group		
	2006	2005	2004	2006	2005	2004
No. of employees	748	589	715	7 055	6 180	6 362
Profit and loss items with no effect on cash flow (over and above write-downs and depreciation)	-15.6	4.5	6.1	-99.5	-30.2	-24.5
Orders-on-hand	79	125	102	12 381	10 902	9 177
- due for completion within 12 months	70	110	102	9 634	8 647	7 554

**CONSTRUCTION OPERATIONS**

	Construction Norway			Construction Denmark			Construction Sweden			Total Construction		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
<b>Profit and Loss Account</b>												
Turnover	8 120.0	7 336.3	6 610.0	3 004.7	2 462.2	2 414.9	1 899.7	1 315.3	1 187.1	13 024.4	11 113.8	10 212.0
Operating expenses	-7 709.3	-6 975.5	-6 291.7	-2 954.3	-2 432.6	-2 407.1	-1 886.3	-1 298.9	-1 217.4	-12 549.9	-10 707.0	-9 916.2
Write-down goodwill	-	-	-8.9	-	-	-	-	-	-0.5	-	-	-9.4
Depreciation	-69.8	-60.1	-52.0	-8.8	-8.5	-10.1	-4.2	-4.0	-3.6	-82.8	-72.6	-65.7
Operating profit	340.9	300.7	257.4	41.6	21.1	-2.3	9.2	12.4	-34.4	391.7	334.2	220.7
Share of profit, associated companies	3.2	1.6	2.3	0.4	0.6	0.6	-	-	-	3.6	2.2	2.9
Net financial items	42.5	32.5	27.1	9.3	1.7	-0.9	5.1	-0.2	0.8	56.9	34.0	27.0
<b>Profit before taxation</b>	<b>386.6</b>	<b>334.8</b>	<b>286.8</b>	<b>51.3</b>	<b>23.4</b>	<b>-2.6</b>	<b>14.3</b>	<b>12.2</b>	<b>-33.6</b>	<b>452.2</b>	<b>370.4</b>	<b>250.6</b>
<b>Balance Sheet at 31 December</b>												
Non-current assets	564.5	471.3	453.4	190.3	188.1	197.5	135.6	45.3	29.8	890.4	704.7	680.7
Current assets	1 673.4	1 166.5	1 024.8	488.7	563.0	502.0	330.1	169.6	146.3	2 492.2	1 899.1	1 673.1
Cash and cash equivalents	1 506.2	1 506.4	1 228.4	40.5	328.3	97.9	-	113.9	70.3	1 546.7	1 948.6	1 396.6
<b>Total assets</b>	<b>3 744.1</b>	<b>3 144.2</b>	<b>2 706.6</b>	<b>719.5</b>	<b>1 079.4</b>	<b>797.4</b>	<b>465.7</b>	<b>328.8</b>	<b>246.4</b>	<b>4 929.3</b>	<b>4 552.4</b>	<b>3 750.4</b>
Equity	522.9	480.8	192.1	216.6	200.1	151.1	-121.1	76.6	-7.5	618.4	757.5	335.7
Long-term liabilities	316.9	251.1	240.9	19.3	26.8	104.6	284.3	7.3	10.3	620.5	285.2	355.8
Short-term liabilities	2 904.3	2 412.3	2 273.6	483.6	852.5	541.7	302.5	244.9	243.6	3 690.4	3 509.7	3 058.9
<b>Total equity and liabilities</b>	<b>3 744.1</b>	<b>3 144.2</b>	<b>2 706.6</b>	<b>719.5</b>	<b>1 079.4</b>	<b>797.4</b>	<b>465.7</b>	<b>328.8</b>	<b>246.4</b>	<b>4 929.3</b>	<b>4 552.4</b>	<b>3 750.4</b>
Gross investment	183.4	85.2	97.5	6.8	8.8	10.5	84.1	21.1	5.9	274.3	115.1	113.9
Invested capital	726.7	503.3	465.8	-97.9	283.3	214.0	-129.1	78.7	51.6	499.7	865.3	731.4
Investment in associated companies joint ventures	14.9	11.9	11.1	2.5	2.6	2.6	-	-	-	17.4	14.5	13.7
<b>Other information at 31 December</b>												
No. of employees	3 090	2 959	2 863	938	926	1 152	1 080	632	580	5 108	4 517	4 595
Orders-on-hand	7 580	6 615	5 843	2 750	2 916	2 107	1 972	1 246	1 125	12 302	10 777	9 075
- due for completion within 12 months	5 701	5 471	4 955	2 174	2 097	1 655	1 689	969	842	9 564	8 537	7 452

## PROPERTY DEVELOPMENT

	Property Norway			Property Denmark			Property Sweden			Total Property		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
<b>Profit and Loss Account</b>												
Turnover	1 193.1	1 438.8	942.3	273.5	93.1	6.5	730.1	373.5	162.0	2 196.7	1 905.4	1 110.8
Operating expenses	-1 040.9	-1 222.3	-860.7	-257.7	-89.7	-4.5	-634.5	-331.2	-134.4	-1 933.1	-1 643.2	-999.6
Write-down goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-3.9	-16.0	-2.8	-	-	-	-20.9	-9.7	-1.7	-24.8	-25.7	-4.5
Operating profit	148.3	200.5	78.8	15.8	3.4	2.0	74.7	32.6	25.9	238.8	236.5	106.7
Share of profit, associated companies	183.2	53.6	36.9	-	-	-	-1.1	-0.2	-2.0	182.1	53.4	34.9
Net financial items	-20.0	-17.7	-31.2	-4.9	-0.6	-1.9	-5.8	4.1	-4.2	-30.7	-14.2	-37.3
<b>Profit before taxation</b>	<b>311.5</b>	<b>236.4</b>	<b>84.5</b>	<b>10.9</b>	<b>2.8</b>	<b>0.1</b>	<b>67.8</b>	<b>36.5</b>	<b>19.7</b>	<b>390.2</b>	<b>275.7</b>	<b>104.3</b>
<b>Balance Sheet at 31 December</b>												
Non-current assets	265.5	283.4	258.8	-	-	-	81.6	141.0	182.3	347.1	424.4	441.1
Current assets	1 682.3	1 372.6	1 153.3	464.6	149.2	46.5	597.7	305.8	132.0	2 744.6	1 827.6	1 331.8
Cash and cash equivalents	-	-	-	-	-	1.7	-	-	-	-	-	1.7
<b>Total assets</b>	<b>1 947.8</b>	<b>1 656.0</b>	<b>1 412.1</b>	<b>464.6</b>	<b>149.2</b>	<b>48.2</b>	<b>679.3</b>	<b>446.8</b>	<b>314.3</b>	<b>3 091.7</b>	<b>2 252.0</b>	<b>1 774.6</b>
Equity	266.9	259.0	311.6	66.2	58.6	14.2	306.6	207.4	216.2	639.7	525.0	542.0
Long-term liabilities	879.3	1 183.9	700.0	9.6	0.6	-	-	0.4	16.4	888.9	1 184.9	716.4
Short-term liabilities	801.6	213.1	400.5	388.8	90.0	34.0	372.7	239.0	81.7	1 563.1	542.1	516.2
<b>Total equity and liabilities</b>	<b>1 947.8</b>	<b>1 656.0</b>	<b>1 412.1</b>	<b>464.6</b>	<b>149.2</b>	<b>48.2</b>	<b>679.3</b>	<b>446.8</b>	<b>314.3</b>	<b>3 091.7</b>	<b>2 252.0</b>	<b>1 774.6</b>
Gross investment	0.8	29.0	6.9	-	-	-	33.1	15.2	4.3	33.9	44.2	11.2
Invested capital	1 536.5	1 316.2	1 270.5	410.5	117.2	14.2	536.9	326.3	266.6	2 483.9	1 759.7	1 551.3
Investment in associated companies and joint ventures	197.0	190.1	167.2	-	-	-	42.5	23.0	66.0	239.5	213.1	233.2
<b>Other information at 31 December</b>												
No. of employees	47	52	51	8	3	-	59	34	22	114	89	73

**B. GEOGRAPHICAL SEGMENTS**

	Norway			Denmark			Sweden		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
<b>Profit and Loss Account</b>									
Turnover	10 887.2	10 284.8	8 924.7	3 112.6	2 503.1	2 421.4	2 363.1	1 652.8	1 283.8
Operating profit	602.1	587.3	404.8	57.4	24.5	-0.3	83.9	45.0	-8.5
Profit before taxation	810.7	691.6	453.9	62.2	26.2	-2.5	82.1	48.7	-13.9
<b>Balance Sheet at 31 December</b>									
Total assets	7 006.2	5 944.6	5 210.9	1 184.1	1 228.6	845.6	1 145.0	775.6	560.7
Invested capital	3 078.6	2 559.1	2 498.0	312.6	400.5	228.2	407.8	405.0	318.2
<b>Other information</b>									
No. of employees	4 268	4 037	3 932	944	895	922	1 139	666	602
Orders-on-hand	7 580	6 615	5 843	2 750	2 916	2 107	1 972	1 246	1 125
- due for completion within 12 months	5 701	5 471	4 955	2 174	2 097	1 655	1 689	969	842

	Other			Group		
	2006	2005	2004	2006	2005	2004
<b>Profit and Loss Account</b>						
Turnover	79.4	138.5	196.3	16 442.3	14 579.2	12 826.2
Operating profit	-31.2	-64.6	-43.7	712.2	592.2	352.3
Profit before taxation	-32.1	-55.4	-54.8	922.9	711.1	382.7
<b>Balance Sheet at 31 December</b>						
Total assets	-1 024.0	-1 579.1	-865.4	8 311.3	6 369.7	5 751.8
Invested capital	-973.2	-1 253.7	-810.3	2 825.8	2 110.9	2 234.1
<b>Other information</b>						
No. of employees	704	582	906	7 055	6 180	6 362
Orders-on-hand	79	125	102	12 381	10 902	9 177
- due for completion within 12 months	70	110	102	9 634	8 647	7 554

## 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 a substantial part of net financial items. 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/other 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		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Construction Norway/Property Norway	-623.9	-675.9	-436.6	-	-	-	-	-	-
Industry/Construction Norway	-139.1	-	-	-	-	-	-	-	-
Hoffmann/Hoffmann Property	-	-	-	-165.6	-52.2	-	-	-	-
Construction Sweden/ Veidekke Property	-	-	-	-	-	-	-266.7	-36.0	-65.3
<b>Total</b>	<b>-763.0</b>	<b>-675.9</b>	<b>-436.6</b>	<b>-165.6</b>	<b>-52.2</b>	<b>-</b>	<b>-266.7</b>	<b>-36.0</b>	<b>-65.3</b>

### 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.

**2. GAINS ON SALES OF NON-CURRENT ASSETS**

	2006	2005	2004
Buildings, land	7.2	15.1	7.6
Machinery etc.	12.1	15.8	12.8
Operations	-	-	1.9
<b>Total gains on sales</b>	<b>19.3</b>	<b>30.9</b>	<b>22.3</b>

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

**3. WAGE COSTS**

	2006	2005	2004
Wages	2 410.0	2 183.5	2 033.3
Pensions	181.5	149.9	104.2
Other wage costs (social security charges etc.)	715.0	596.5	563.0
<b>Total</b>	<b>3 306.5</b>	<b>2 929.9</b>	<b>2 700.5</b>

**Average number of employees**

Scandinavia	6 227	5 584	5 075
Africa	782	737	885
<b>Total</b>	<b>7 009</b>	<b>6 321</b>	<b>5 960</b>

**Employees at 31 December**

Scandinavia	6 351	5 598	5 436
Africa	704	582	907
<b>Total</b>	<b>7 055</b>	<b>6 180</b>	<b>6 342</b>

**4. SHARES TO EMPLOYEES**

	2006	2005	2004
Shares sold to employees (number of shares)	626 895	630 233	-
Shares issued to employees (number of shares)	-	-	1 000 000
Discount to employees, charged to profits	0.5	5.7	12.6

Each year Veidekke sells shares to its employees at a discount on the current market price. The shares are subject to two and three-year lock-in periods. Sale 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.

As of 2006, Veidekke has granted loans to senior executives totalling NOK 220.9 million (NOK 129.4 million) for the purchase of Veidekke shares (415 persons). The loans are currently interest-free and the loan periods vary from three to five years. The loans are secured by mortgages in the shares.

**5. FINANCIAL INCOME AND EXPENSES**

	2006	2005	2004
Interest received	15.4	50.3	43.2
Currency gains	9.4	6.6	4.9
Other financial income	50.0	59.5	79.3
Financial income	74.9	116.4	127.4
Interest charges	-40.2	-46.1	-94.2
Currency losses	-5.2	-12.6	-13.2
Other financial expenses	-25.6	-2.2	-27.1
Financial expenses	-71.1	-60.9	-134.5
<b>Financial income/financial expenses</b>	<b>3.8</b>	<b>55.5</b>	<b>-7.1</b>

The accounting of interest-rate swaps that do not satisfy the requirements in IAS 39 regarding hedging give a positive financial income of NOK 13.1 million (NOK 12.7 million).

**6. EARNINGS PER SHARE**

	2006	2005	2004
Earnings per share (NOK)	24.8	19.5	9.5
Profit for the year	722.8	571.4	290.4
Majority interests' share of profit for the year	708.3	557.8	263.4
Average number of shares (million)	28.6	28.6	27.7
Number of shares at 1 January (million)	28.6	28.6	27.6
Number of shares at 31 December (million)	28.2	28.6	28.6

Veidekke has no financial instruments that have a dilution effect.

## NOTE 7 FINANCIAL RISK AND FINANCIAL INSTRUMENTS

### 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 NOK 4,244.5 million. Bad debts totalled NOK 2.0 million in 2006 (NOK 19.8 million). 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 stood guarantor 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) 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)	Real value	Change in value 2006
5-year swap	100.0	Feb. 08	5.62 %	-1.2	3.2
5-year swap	100.0	Feb. 08	5.41 %	-0.8	3.2
5-year swap	100.0	Jan. 09	5.22 %	-0.9	3.0
5-year swap	100.0	Jan. 09	5.03 %	-0.4	3.7
<b>Total</b>	<b>400.0</b>		<b>5.32 %</b>	<b>-3.4</b>	<b>13.1</b>

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 charged/credited to the Profit and Loss Account. NOK 13.1 million (NOK 12.7 million) relating to these agreements was taken to income in 2006.

Average effective interest rate for financial instruments in 2006:

	2006*
Liquidity	2.9 %
Short-term interest-bearing liabilities	4.3 %
Long-term interest-bearing liabilities	4.3 %

\* 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 2006, a general change in the interest rate of 1% will affect pre-tax profit by approximately NOK 5.4 million.

For more information, see Note 19 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.

**(3) 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 consists of 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 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	2007	2008	2009	2010	After 2010
Maturity borrowing facilities DnB NOR	-	-	-	2 100.0	-
Committed facilities	-	-	-	-	-
Other loans	16.5	8.2	6.3	4.4	6.8
<b>Total</b>	<b>16.5</b>	<b>8.2</b>	<b>6.3</b>	<b>2 104.4</b>	<b>6.8</b>

Key figures	2006	2005	2004
Unused committed borrowing facilities	1 275.3	1 628.0	1 096.2
Weighted effective interest rate	4.3 %	4.5 %	5.1 %

**(4) 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 were entered at NOK 4.3 million (NOK -10.1 million) in 2006. The Group had no financial derivatives for currency hedging at 31 December 2006.

**(5) Derivatives and hedging – Allfarveg PPP project**

Changes in the equity hedge fund:

Hedge fund at 1 January 2005	-56.3
Change 2005	-
Hedge fund at 31 December 2005	-56.3
Change 2006	14.8
<b>Hedge fund at 31 December 2006</b>	<b>-41.5</b>

As 50 % owner of Allfarveg AS, Veidekke participates in the E39 Lyngdal-Flekkefjord PPP project (PPP = public private partnership). Allfarveg 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 (for Veidekke's 50 % share).

Reference is made to Note 35 for information on Allfarveg AS.

	Nominal value	Due date	Real value
<b>Financing</b>			
Loan	643.9	February 2030	643.9
<b>Hedging</b>			
Interest-rate swaps	643.0	February 2030	700.6

**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 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 and creditors are virtually the same as the fair value, as they are agreed upon under 'normal' terms.

Long-term liabilities carry floating interest rates with continuous interest-rate adjustment, and the book value is therefore virtually the same as the fair value.

**8. GOODWILL**

	2006	2005	2004
<b>At 1 January</b>			
Cost	746.0	709.7	710.8
Accumulated amortisation	-365.4	-365.4	-351.9
<b>Book value at 1 January</b>	<b>380.6</b>	<b>344.3</b>	<b>358.9</b>
<b>Accounting year</b>			
Book value at 1 January	380.6	344.3	358.9
Conversion differences	6.0	-5.4	-
Additions	123.8	41.7	-
Disposals	-	-	-1.2
Amortisation for the year	-	-	-13.4
<b>Book value at 31 December</b>	<b>510.4</b>	<b>380.6</b>	<b>344.3</b>
<b>At 31 December</b>			
Cost	875.8	746.0	709.7
Accumulated amortisation	-365.4	-365.4	-365.4
<b>Book value at 31 December</b>	<b>510.4</b>	<b>380.6</b>	<b>344.3</b>

Additions in 2006 consist of the purchase of SBS Entreprenad AB at NOK 59.2 million (Note 10), purchase of minority shares in Veidekke Construction AB at NOK 20.0 million (Note 11) and change in accounting method for subsidiaries Seby AS with NOK 12.0 million and Br. Reme AS with NOK 29.3 million (Note 12).

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

<b>Book value at 31 December 2006</b>	
<b>Purchases in order of size</b>	
Hoffmann	74.6
Br. Reme	68.2
SBS Entreprenad	59.2
Litra Grus	45.1
Block Berge Bygg	36.9
<b>Total goodwill items &gt; 25 million</b>	<b>284.0</b>
Goodwill items < 25 million (32 enterprises)	226.5
<b>Total goodwill</b>	<b>510.4</b>
<b>Total for each area of activity</b>	
Construction Norway	152.4
Construction Denmark	74.6
Construction Sweden	99.1
Property Sweden	12.4
Industry	171.9
<b>Total goodwill</b>	<b>510.4</b>

The Group has recognised goodwill arising from the acquisition of 37 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 written-down, 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

In accordance with 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. The assumptions on which the year's value tests are based are essentially a carry-forward of figures achieved in 2006.

#### 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

In accordance with 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 10 % - 12 % were used for the value tests in 2006.

There were no goodwill write-downs in 2006. 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.

**9. MACHINERY AND PROPERTY**

	Machinery etc.	2006 Property	Total	2005 Total	2004 Total
<b>At 1 January</b>					
Cost	1 896.2	673.3	2 569.5	2 388.1	2 049.5
Accumulated depreciation	-1 259.5	-174.5	-1 434.0	-1 282.3	-1 138.8
<b>Book value at 1 January</b>	<b>636.7</b>	<b>498.8</b>	<b>1 135.5</b>	<b>1 105.8</b>	<b>910.7</b>
<b>Accounting year</b>					
Book value 1 January	636.7	498.8	1 135.5	1 105.8	910.7
Conversion differences	1.6	6.1	7.7	-13.4	-4.7
Additions	297.4	74.4	371.8	289.9	401.3
Additions by acquisition	1.6	-	1.6	-	-
Disposals	-13.4	-117.8	-131.2	-33.3	-21.6
Depreciation for the year	-183.3	-38.1	-221.4	-213.5	-179.9
<b>Book value 31 December</b>	<b>740.6</b>	<b>423.4</b>	<b>1 164.0</b>	<b>1 135.5</b>	<b>1 105.8</b>
<b>At 31 December</b>					
Cost	2 080.8	611.3	2 692.1	2 569.5	2 388.1
Accumulated depreciation	-1 340.2	-187.9	-1 528.1	-1 434.0	-1 282.3
<b>Book value 31 December</b>	<b>740.6</b>	<b>423.4</b>	<b>1 164.0</b>	<b>1 135.5</b>	<b>1 105.8</b>
Depreciation method	Straight-line	Straight-line			
Depreciation rate	10-25 %	2-5 %			
<b>Investments and sales (sales price)</b>					
	2006		2005		2004
	Inv.	Sale	Inv.	Sale	Inv.
Machinery etc.	299.0	25.3	226.8	25.8	181.9
Property	74.4	128.7	63.1	15.8	219.4
<b>Total</b>	<b>373.4</b>	<b>154.0</b>	<b>289.9</b>	<b>41.6</b>	<b>401.3</b>
					<b>42.1</b>

The Group has contractual obligations relating to purchases of tangible non-current assets for delivery in 2007 amounting to NOK 54.8 million (NOK 37.4 million).

## 10. PURCHASES OF OPERATIONS 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. From now on SBS Entreprenad will constitute Region West in Veidekke Sweden along with Veidekke Construction AB (Vecon). Vecon focuses mainly on the heavy construction market.

Settlement for the takeover was made partly in cash and partly by additional payments in 2007 and 2008 which depend on the profit before tax achieved by the company for the accounting years 2006 and 2007. The additional payments calculated on the basis of the anticipated profit level for the company and transaction costs are included in the cost price of the company.

The purchase entailed goodwill amounting to NOK 59.2 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	-112.8	-	-112.8
<b>Net identifiable assets and liabilities</b>	<b>33.4</b>	<b>-</b>	<b>33.4</b>
Goodwill at time of acquisition		59.2	59.2
<b>Purchase price</b>	<b>33.4</b>	<b>59.2</b>	<b>92.6</b>
 Cash (incl. additional payments)			82.0
Estimated additional payments 2007 and 2008			9.8
Direct expenses			0.8
<b>Purchase price</b>			<b>92.6</b>
 Paid in cash			82.0
Cash received			-38.8
<b>Net cash out</b>			<b>43.2</b>

SBS Entreprenad AB is included in the consolidated accounts for the period 1 September - 31 December 2006 with a turnover of NOK 232.3 million and a pre-tax profit of NOK 2.7 million. If the company had been included in the consolidated accounts for the whole of 2006, the consolidated turnover would have been NOK 483.5 million and the pre-tax profit would have been NOK 5.5 million.

### Purchases in 2007

In February 2007, Veidekke signed an agreement to purchase 25 % of the shares in Sandahls Grus & Asfalt AB at NOK 20.3 million. A final analysis of excess value has not been made when these financial statements were presented.

## 11. REDEMPTION OF MINORITY INTERESTS

	2006			2005
	Vecon	Others	Total	Total
Purchase price	34.0	1.1	35.1	130.8
<b>Entered in the accounts</b>				
Equity minority interests	14.0	1.8	15.8	86.6
Equity majority interests	-	-	-	20.0
Goodwill	20.0	0.2	20.2	24.2
Result	-	-0.9	-0.9	-
<b>Total</b>	<b>34.0</b>	<b>1.1</b>	<b>35.1</b>	<b>130.8</b>

In 2006 Veidekke purchased the minority interests (32 %) in its subsidiary Veidekke Construction AB (Vecon), Gothenburg. Veidekke also purchased the minority interests in two smaller subsidiaries in the Industry Division. These minorities had a book value of NOK 15.8 million, and NOK 15.8 million has been charged to this item. The excess values have been entered as goodwill at NOK 20.2 million. The shortfall in market value in one of the purchases in the Industry Division has been charged to profit at NOK 0.9 million.

## 12. CHANGE IN MINORITY INTERESTS

Veidekke's subsidiaries Seby AS and Br. Reme AS (Construction Norway) were previously recognised as partly owned subsidiaries with minority interests. Veidekke has a right and an obligation to purchase the remaining shares.

Effective from 1 January 2006, Veidekke changed the method of accounting for these companies. The companies are now treated as wholly-owned subsidiaries. This means that the estimated residual purchase price resulting from the fact that the minority interests have a put option has been booked as a long-term liability, while 100 % of goodwill at time of purchase has been recognised as an asset. No minority interests are recognised for these companies. The effect of the change is shown in the table below:

	Seby	Reme	Total
Residual purchase price			
Other long-term liabilities	18.0	43.1	61.1
<b>Contra entries</b>			
Goodwill	12.0	29.3	41.3
Equity minority interests	6.0	13.8	19.8
<b>Total</b>	<b>18.0</b>	<b>43.1</b>	<b>61.1</b>

The effect of the change is that Other long-term debts and goodwill have risen by NOK 61.1 million and NOK 41.3 million respectively while equity (minority interests) has been reduced by NOK 19.8 million.

### 13. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

#### 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:

Company	Location	Profit/loss		Book value**	
		2006	2005	2006	2005
Property projects in Norway *	Norway	183.2	53.6	197.0	190.1
Property projects in Sweden	Sweden	-1.1	-0.2	42.5	23.0
<b>Total property development</b>		<b>182.1</b>	<b>53.4</b>	<b>239.5</b>	<b>213.1</b>
Industry	Norway/Sweden	19.0	5.1	69.9	52.0
Construction Norway	Norway	3.2	1.6	14.9	11.9
Construction Denmark	Denmark	0.4	0.6	2.3	2.6
PPP Allfarveg	Norway	2.2	2.8	17.4	-
<b>Total**</b>		<b>206.9</b>	<b>63.5</b>	<b>344.0</b>	<b>279.6</b>

\* Gains on sales of assets in property projects in Norway amounting to NOK 98.5 million are 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 Group's total share of assets, liabilities, income and expenses relating to investment in associated companies and joint ventures incurred along with the other participants is as follows:

	Construction	Property	Industry	PPP	Total	2005 Total
<b>Profit and Loss Account:</b>						
Income	36.3	659.9	254.1	46.0	996.3	754.8
Expenses	-31.1	-549.8	-231.1	-43.0	-855.0	-668.8
<b>Profit before tax</b>	<b>5.2</b>	<b>110.1</b>	<b>23.0</b>	<b>3.0</b>	<b>141.3</b>	<b>86.0</b>
<b>Balance sheet:</b>						
<b>Assets</b>						
Current assets	26.7	1 122.9	82.9	-	1 232.5	1 115.7
Non-current assets	1.6	79.4	87.7	680.1	848.8	859.9
<b>Liabilities</b>						
Short-term liabilities	2.9	728.6	65.0	25.7	822.2	1 083.8
Long-term liabilities	8.1	249.5	46.1	637.1	940.8	668.2
<b>Net assets</b>	<b>17.3</b>	<b>224.2</b>	<b>59.5</b>	<b>17.3</b>	<b>318.3</b>	<b>223.6</b>

Consolidation method

Equity method

#### 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):

	Working partnerships	
	2006	2005
<b>Profit and Loss Account:</b>		
Income	539.0	294.7
Expenses	-631.4	-332.1
<b>Profit before tax</b>	<b>-92.4</b>	<b>-37.4</b>
<b>Balance sheet:</b>		
<b>Assets</b>		
Current assets	148.5	184.8
Non-current assets	1.1	3.1
<b>Liabilities</b>		
Short-term liabilities	162.1	136.3
Long-term liabilities	19.6	-
<b>Net assets</b>	<b>-32.1</b>	<b>51.6</b>

Consolidation method

Proportional consolidation

#### 14. FINANCIAL ASSETS

	2006	2005	2004
Shares Ramirent Oyj	-	-	122.9
Loans to employees	200.7	145.2	118.5
Loans to customers	0.2	6.8	14.9
Other shares*	13.9	19.5	21.3
Other receivables	25.9	13.3	30.6
<b>Financial assets</b>	<b>240.7</b>	<b>184.8</b>	<b>308.1</b>

\* 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.

#### 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.

Non-residential projects at 31 December	2006			2005 Total	2004 Total
	Land for development	Under development	Completed buildings		
Projects Norway	8.7	55.3	-	64.0	11.1
Projects Denmark	14.0	-	-	14.0	15.2
<b>Balance Sheet total</b>	<b>22.7</b>	<b>55.3</b>	<b>-</b>	<b>78.0</b>	<b>26.3</b>
					<b>99.1</b>

#### 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.

Residential projects	2006	2005	2004
Land for development	417.8	386.3	367.2
Projects in progress	495.0	233.8	198.1
<b>Balance Sheet total</b>	<b>912.8</b>	<b>620.1</b>	<b>565.3</b>

Residential projects at 31 December	2006			2005 Total	2004 Total
	Land for development	Under development	Total		
Projects Norway	142.7	403.5	546.2	423.7	438.6
Projects Sweden	135.8	58.1	193.9	65.8	71.3
Projects Denmark	139.3	33.4	172.7	130.6	55.4
<b>Balance Sheet total</b>	<b>417.8</b>	<b>495.0</b>	<b>912.8</b>	<b>620.1</b>	<b>565.3</b>

#### 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.

## 18. DEBTORS

	2006	2005	2004
Book debtors	3 345.7	2 122.1	1 819.6
Provision for bad debts	-53.2	-36.4	-40.9
Due from customers	223.6	167.9	136.2
Executed, not invoiced – own account Property	1 479.0	1 066.2	620.6
Executed, not invoiced – – other operations	122.2	435.8	301.4
Invoiced, not executed	-872.8	-728.3	-562.0
<b>Debtors</b>	<b>4 244.5</b>	<b>3 027.3</b>	<b>2 275.0</b>

For projects for the customer's account, invoicing is done monthly with 30 days' credit. Invoicing normally takes place in step with the execution of the work, but advance payment plans are also used. For housing 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), thus showing the net for each project 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.

## 19. CASH AND CASH EQUIVALENTS

The Group's liquid assets consist of bank deposits. NOK 24.6 million of the liquidity at 31 December 2006 is undistributable funds. The Group has no short-term investments.

## 20. NUMBER OF SHARES, SHAREHOLDERS ETC.

Veidekke ASA's largest shareholders at 31 December 2006	Number of shares	Ownership share %
OBOS	7 287 288	25.5
Folketrygfonden	2 600 850	9.1
If Skadeförsäkring	2 467 200	8.6
State Street Bank	1 694 658	5.9
JPMorgan Chase Bank (GBR)	684 706	2.4
Storebrand Livsforsikring	625 512	2.2
MP Pensjon	600 800	2.1
Vital Forsikring	578 435	2.0
Fondsavansse AS	512 050	1.8
Fortis Bank Luxemborg	475 662	1.7
Veidekke ASA (own shares)	422 200	1.5
Skandinaviska Enskilda Banken	306 355	1.1
DNB NOR Norge	298 302	1.0
Mellon Bank AS	261 643	0.9
LBPB Nominees Limited	248 326	0.9
<b>Total (15 largest)</b>	<b>19 063 987</b>	<b>66.6</b>
Employees	4 231 475	14.8
Others	5 313 492	18.6
<b>Total</b>	<b>28 608 954</b>	<b>100.0</b>

The total number of shareholders is 4,369. The nominal value of a Veidekke share is NOK 2.50. The total number of issued shares was 28,608,954 throughout the accounting year. The average number of outstanding shares was 28,582,520, after a reduction for holdings of own shares.

Board of Directors	No. of shares
Göte Dahlin <sup>1)</sup>	10 000
Birte Almeland	932
Kari Gjesteby	1 500
Jette Wigand Knudsen	1 000
Steinar Krogstad	2 493
Peder Chr. Løvenskiold <sup>2)</sup>	54 400
Martin Mæland	-
Nils Solevåg	684
Hilde Aasheim	-
<b>Shares held by Board members</b>	<b>70 077</b>
<b>President and CEO Terje R. Venold <sup>2)</sup></b>	<b>64 623</b>
<b>Corporate management team</b>	
Dag Andresen	53 805
Torkel Bækkelin	48 729
Egil Flæthen	41 270
Arne Giske	30 400
Kai Krüger Henriksen	27 012
Leif E. Johansen	29 925
Torben Bjørk Nielsen	14 650
Per-Ingemar Persson	19 600
<b>Shares held by members of the corporate management team</b>	<b>265 391</b>
<b>Total</b>	<b>400 091</b>

1) Chairman of the Board.

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

Own shares (Veidekke ASA)

	Total nom. value	Number of shares	Fair value
Shares held by Veidekke ASA	1.1	422 200	100.1

Own shares have been deducted from consolidated equity at their cost price of NOK 96.3 million.

Veidekke initiated a share buy-back programme in 2006. Changes in holdings of own shares are as follows:

Holding at 1 January 2006	-
Purchases	1 049 095
Share programme employees	-626 895
Holding at 31 December 2006	422 200

**21. INCOME TAX EXPENSE AND DEFERRED TAX**

Income tax expense	2006	2005	2004
Tax payable	154.2	73.6	64.8
Change in deferred tax	45.9	66.1	27.5
<b>Total</b>	<b>200.1</b>	<b>139.7</b>	<b>92.3</b>

Deviation in taxation	2006	2005	2004
28 % of profit before tax	258.4	28.0 %	10.2
Actual taxation	200.1	21.7 %	92.3
<b>Deviation</b>	<b>58.3</b>	<b>6.3 %</b>	<b>14.9</b>

Deviation in taxation			
Non-deductible expenses	-12.5	-8.3	-4.0
Write-downs Group goodwill	-	-	-1.4
Profit associated companies/jointventures (equity method) <sup>1)</sup>	29.2	16.8	9.8
Tax-related write-down	11.4	-	-
Tax-free gains on shares <sup>2)</sup>	62.3	20.4	14.0
Employment of deferred tax asset <sup>3)</sup>	-	29.0	-
Reduction of deferred tax asset <sup>3)</sup>	-18.7	-	-
Other items	-13.4	1.5	-3.5
<b>Total</b>	<b>58.3</b>	<b>59.4</b>	<b>14.9</b>

- 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 taxation.
- 2) NOK 276 million (basis NOK 98.5 million) of tax-free gains on shares in 2006 has been recognised in the accounts as profit from associated companies and joint ventures.
- 3) This refers to a deferred tax asset in Sweden, i.e. loss carry-forward. Booked deferred tax asset in 2006 has been reduced by NOK 18.7 million, because it is uncertain whether the tax asset can be employed in the course of the next three years. At the end of 2006, Veidekke had deferred tax assets amounting to NOK 18.7 million that are not recognised in the accounts.

	Basis for deferred tax			Effect of deferred tax (28 %) in balance sheet			Effect of deferred tax on profit		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Projects in progress etc.	917.8	897.8	730.6	257.0	251.3	204.4	5.7	46.9	76.2
Loss carry-forward	-103.3	-202.2	-272.6	-28.9	-56.6	-76.3	-	32.8	-
Additional depreciation	9.2	-32.8	8.5	2.6	-9.2	2.4	11.8	-11.6	-
Gain and loss account	65.1	71.4	23.8	18.2	20.0	6.7	-1.8	13.3	-
Other long-term items	-506.1	-634.3	-579.8	-141.7	-177.6	-162.3	30.2	-15.3	-48.7
<b>Total</b>	<b>382.7</b>	<b>99.8</b>	<b>-89.5</b>	<b>107.2</b>	<b>27.9</b>	<b>-25.1</b>	<b>45.9</b>	<b>66.1</b>	<b>-27.5</b>

## 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 a.s.	Other companies	Group Total	2005 Group Total	2004 Group Total
<b>Pension costs</b>							
Earned during the year (present value)	46.4	5.6	10.0	15.2	77.2	88.3	57.7
Interest on commitments	24.8	7.1	7.8	5.8	45.5	41.9	36.4
Return on funds	-16.8	-6.2	-5.8	-4.2	-33.0	-34.9	-29.6
Estimate variances entered in Profit and Loss Account	5.1	1.3	0.7	1.0	8.1	0.4	-
Costs defined-benefit schemes	59.5	7.8	12.7	17.8	97.8	95.7	64.5
Costs defined-contribution schemes	8.6	0.8	2.7	71.6	83.7	54.2	39.7
<b>Pension costs</b>	<b>68.1</b>	<b>8.6</b>	<b>15.4</b>	<b>89.4</b>	<b>181.5</b>	<b>149.9</b>	<b>104.2</b>
<b>Entered in Balance Sheet at 31 December</b>							
Pension commitments	-669.9	-164.6	-192.8	-141.7	-1 169.0	-1 016.2	-7540
Pension funds	340.7	115.0	113.1	77.3	646.1	563.7	498.9
Net pension commitments	-329.2	-49.6	-79.7	-64.4	-522.9	-452.5	-255.1
Estimate variances not entered in Profit and Loss Account	175.9	32.7	31.1	26.5	266.2	194.9	2.9
<b>Pension commitments entered in Balance Sheet</b>	<b>-153.3</b>	<b>-16.9</b>	<b>-48.6</b>	<b>-37.9</b>	<b>-256.7</b>	<b>-257.6</b>	<b>-252.2</b>
<b>Pension commitments</b>							
Commitments at 1 January	-556.8	-162.5	-175.2	-121.7	-1 016.2	-754.0	-
Earnings during the year (present value)	-46.4	-5.6	-10.0	-15.2	-77.2	-88.3	-
Interest on commitments	-24.8	-7.1	-7.8	-5.8	-45.5	-41.9	-
Estimate variance for the year	-56.5	-1.1	-6.3	-1.3	-65.2	-166.3	-
Social security contributions paid	7.9	0.9	1.5	1.0	11.3	10.4	-
Pensions paid	6.7	10.8	5.0	1.3	23.8	23.9	-
<b>Commitments at 31 December</b>	<b>-669.9</b>	<b>-164.6</b>	<b>-192.8</b>	<b>-141.7</b>	<b>-1 169.0</b>	<b>-1 016.2</b>	<b>-754.0</b>
<b>Pension funds</b>							
Funds at 1 January	281.3	115.6	102.6	64.2	563.7	498.9	-
Estimated return	16.8	6.2	5.8	4.2	33.0	34.9	-
Additions	56.1	6.8	10.5	140	87.4	79.9	-
Estimate variances for the year	-6.8	-2.8	-0.8	-3.8	-14.2	-26.1	-
Pensions paid	-6.7	-10.8	-5.0	-1.3	-23.8	-23.9	-
<b>Funds at 31 December</b>	<b>340.7</b>	<b>115.0</b>	<b>113.1</b>	<b>77.3</b>	<b>646.1</b>	<b>563.7</b>	<b>498.9</b>
<b>Financial assumptions</b>							
	<b>2006</b>	<b>2005</b>	<b>2004</b>				
Return on pension funds	5.5 %	5.5 %	6.5 %				
Discount rate	4.5 %	4.5 %	5.5 %				
Annual wage growth	4.2 %	3.0 %	3.0 %				
Annual basic pension rate adjustment	4.2 %	3.0 %	3.0 %				
Annual adjustment of pensions	2.0 %	2.5 %	2.5 %				
<b>Pension funds</b>							
<b>Investment</b>							
Property				10 %	9 %	10 %	
Long-term bonds				28 %	29 %	30 %	
Short-term bonds				35 %	38 %	38 %	
Shares				27 %	24 %	22 %	
<b>Total</b>				<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	
<b>Return</b>							
Book				7.1 %	6.9 %	6.4 %	
Value-adjustment				8.3 %	6.9 %	7.0 %	

The discount rate applied is the 10-year rate for government bonds with an adjustment for a mark-up of the 30-year rate. A 50 % withdrawal rate is used from the age of 62 for contractual early retirement pensions.

Expected mortality is based on the mortality table for Norway (K63).

Assumptions regarding disability are based on the relevant disability table used by Storebrand.

Contributions to the defined-contribution schemes in 2007 are estimated at approximately NOK 90.0 million.

**23. LONG-TERM DEBTS TO CREDIT INSTITUTIONS ETC.**

Long-term debts	2006	2005	2004
Long-term drawings on committed borrowing facilities	674.6	285.4	253.8
Other loans	42.3	41.2	50.8
<b>Debts to credit institutions</b>	<b>716.9</b>	<b>326.6</b>	<b>304.6</b>

**24. SHORT-TERM DEBTS TO CREDIT INSTITUTIONS ETC.**

Short-term debts	2006	2005	2004
Bank overdraft	-	1.1	-
Debt instruments and building loans linked with property development	331.2	312.8	280.6
Other loans	-	-	12.0
<b>Debts to credit institutions</b>	<b>331.2</b>	<b>313.9</b>	<b>292.6</b>

Certain short-term loans relating to property development operations are secured by mortgages in the respective projects (see Note 29).

**25. CREDITORS**

	2006	2005	2004
Book creditors	2 106.2	1 505.3	1 382.4
Expenses accrued, not booked	760.5	657.9	604.6
<b>Creditors</b>	<b>2 866.7</b>	<b>2 163.2</b>	<b>1 987.0</b>

**26. GUARANTEE FUNDS ETC.**

	2006	2005
Accrued guarantee commitments etc.	45.7	55.0
Uncertain guarantee commitments	529.0	435.9
<b>Total guarantee funds etc. at 1 January</b>	<b>574.7</b>	<b>490.9</b>
+ new provisions for guarantees (additions)	273.8	155.8
- reversed provisions for guarantees (disposals)	-123.7	-
- accrued guarantee expenses (consumptions)	-161.4	-72.0
Accrued guarantee commitments etc.	30.9	45.7
Uncertain guarantee commitments	532.5	529.0
<b>Total guarantee funds at 31 December</b>	<b>563.4</b>	<b>574.7</b>

**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 in the project 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 which 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. 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 (disputes etc.).

**27. UNPAID GOVERNMENT CHARGES**

Unpaid government charges consist of unpaid VAT, withheld tax, social security contributions, holiday pay, etc.

**28. OTHER SHORT-TERM LIABILITIES**

	2006	2005	2004
Advance payments from customers	685.9	481.9	231.7
Other liabilities	2172	158.9	117.4
<b>Other short-term liabilities</b>	<b>903.1</b>	<b>640.8</b>	<b>349.1</b>

Advance payments from customers refer to invoiced income from projects that has not been earned (Invoiced, not executed). Reference is also made to Note 18 Debtors.

## 29. MORTGAGES, GUARANTEES AND JOINT AND SEVERAL LIABILITY

Mortgages	2006	2005	2004
Book liabilities secured by mortgages etc.	209.7	26.9	280.6
Book value of mortgaged buildings, land	261.4	49.5	307.1
Guarantees	2006	2005	2004
Guarantees to associated companies	26.5	55.7	58.3

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.

## 30. COMPENSATION TO COMPANY OFFICERS

To further assure the quality of its work in determining compensation for the management, the Compensation Committee obtains statistical data showing the level of compensation in enterprises with which it is natural to compare Veidekke. With this as background, Veidekke does not wish to be a wage leader but offers competitive salaries.

The compensation scheme includes salary, use of a company car or car allowance, newspaper, telephone and mobile telephone. A bonus programme has also been established in which the maximum payment to each individual is set at 30 per cent of annual salary, based on clearly defined profit requirements and as laid down in Group budgets. Veidekke has no share option schemes, but managers participate in Veidekke's general programme whereby employees are invited each year to purchase Veidekke shares at a discount price and with financial assistance. See also Shareholder Information on pages 54 - 57.

	2006				2005 Total compensation	Change in pension commitment this year	Loan for share purchases	Other loans
	Salary	Bonus	Car, telephone interest rate, advantage	Total compensation				
<b>President and CEO</b>								
Terje R. Venold	2.7	0.7	0.2	3.6	3.3	1.2	2.6	-
<b>Corporate management</b>								
Dag Andresen	1.8	0.5	0.2	2.5	2.3	0.4	1.6	-
Torkel Backelin	1.4	0.4	0.2	2.0	1.8	0.5	1.7	-
Egil Flaathen	1.5	0.4	0.1	2.0	1.9	0.5	1.4	-
Arne Giske	1.5	0.4	0.2	2.1	2.0	0.5	2.0	-
Kai Krüger Henriksen	1.3	0.4	0.2	1.9	1.8	0.5	1.6	0.2
Leif E. Johansen	1.5	0.6	0.2	2.3	2.1	0.7	1.5	-
Torben Bjørk-Nielsen	2.5	0.7	0.2	3.4	2.8	0.4 *	1.4	-
Per-Ingemar Persson	2.0	0.5	0.1	2.6	2.3	1.5 *	0.5	-
<b>Total CEO and Corporate management</b>	<b>16.2</b>	<b>4.6</b>	<b>1.6</b>	<b>22.4</b>	<b>20.3</b>	<b>6.2</b>	<b>14.3</b>	<b>0.2</b>

\* Cost defined-contribution schemes

### President and CEO

In 2006, 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 established 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 the 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 5,400 shares through the programme in 2006. The accounting costs for this is NOK 0.1 million. 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 NOK 2.6 million at 31 December 2006. The loan is partly interest free and is secured by a mortgage in the shares. The interest-rate advantage has been reported to the tax authorities.

#### **The corporate management**

In 2006 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 established in consultation with the President and CEO.

Members of the corporate management team have employment contracts stipulating a six-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 the Norwegian 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 retiring age for the head of Veidekke's Danish operations is the normal retiring age in Denmark which is 65. The pension payable at that time, or on earlier retirement, is calculated on the basis of annual pension contributions, which amount to 18 % during the employment period. The retiring age for the head of Veidekke's Swedish operations is 60 and pension between 60 and 65 years of age constitutes 70 % of salary on retirement. This pension is coordinated with pension contributions from earlier employers. From the age of 65, pension is calculated on the basis of total annual pension contributions during the employment period, which correspond to 35 % of salary.

The corporate management team participates in Veidekke's share programme for employees and purchased a total of 30,500 shares through the programme in 2006. The accounting costs for this is NOK 0.1 million. 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 NOK 11.7 million as at 31 December 2006. A list of loans to members of the corporate management team is shown above. The loans are partly interest free and they are secured by mortgages in the shares. The interest-rate advantage has been reported to the tax authorities.

#### **Compensation to the Board of Directors:**

	Director's fee	Total compensation
Göte Dahlin (Chairman of the Board)	0.3	0.3
Kari Gjesteby	0.2	0.2
Ole Krogsgaard <sup>1)</sup>	0.2	0.2
Jette Knudsen <sup>2)</sup>	-	-
Peder Løvenskiold	0.2	0.2
Martin Mæland	0.2	0.2
Hilde Aasheim	0.2	0.2
Birte Almeland (elected by the employees) <sup>2)</sup>	-	-
Ove Ågedal (elected by the employees) <sup>1)</sup>	0.1	0.1
Nils Solevåg (elected by the employees)	0.1	0.1
Steinar Krogstad (elected by the employees)	0.1	0.1
<b>Total</b>	<b>1.6</b>	<b>1.6</b>

1) Member of the Board from 1 January to 8 May 2006 (AGM).

2) Member of the Board from 8 May 2006 (AGM).

#### **Compensation to the auditors:**

Compensation to the Group's auditors in 2006 amounted to NOK 8.4 million for auditing, NOK 1.3 million for audit-related assistance, NOK 1.7 million for tax-related assistance and NOK 0.4 million for other assistance.

### 31. PROJECTS IN PROGRESS

	2006	2005	2004
Distribution of turnover			
Project turnover	15 790	14 049	12 371
Sales of goods/services aggregates/recycling)	652	530	455
<b>Total</b>	<b>16 442</b>	<b>14 579</b>	<b>12 826</b>

#### Income recognised from projects in progress

Accumulated income	11 905	9 975	8 668
Accumulated contributions	807	637	549
Loss-bringing projects in progress – remaining turnover *	498	218	196

\* The estimated loss on these projects has been charged to profit.

See also Notes 1, 17 and 28.

### 32. 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	
	2006	2005	2006	2005	2006	2005
Costs this year (2006)	55.6	-	19.3	-	10.4	-
Costs next year (2007)	37.2	33.7	19.4	21.1	10.7	20.9
Total costs next 2-5 years (2008-2011)	114.7	67.3	25.7	31.5	33.6	36.8
Total costs after 5 years (2012-)	56.7	28.5	0.4	-	28.9	36.1

#### 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	
	2006	2005
Income this year (2006)	9.5	-
Income next year (2007)	1.6	4.1
Total income next 2-5 years (2008-2011)	38.2	5.1
Total income after 5 years (2012-)	1.2	5.9

### 33. 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.). Additional claims are not taken to income until they are probable. In the case of guarantee work, provision has been made for known and probable non-conformity. At the end of 2006 Veidekke was not involved in any major disputes that will affect future profits to any significant extent. There have been no events of significance for the Group's financial situation since the balance sheet date.

#### 34. TRANSACTIONS WITH CLOSELY RELATED PARTIES

OBOS (25.5 % ownership share in Veidekke) and Veidekke are joint owners of a property development project at Skøyen in Oslo. This is managed through Sjølyststranda AS which is owned on a 50-50 basis by the participants. Sjølyststranda 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. Sjølyststranda's total turnover for 2006 was NOK 182.7 million (NOK 376.1 million). At 31 December 2006 receivables from the company's customers amounted to NOK13.5 million (NOK 36.5 million).

Veidekke Bostad AB and OBOS have founded a new company, Sydhem AB. Each of the participants holds 50% of the shares in the company, which will engage in property development in the Skåne region. The company had no operations of its own at 31 December 2006. In 2006 Veidekke Skåne AB carried out building work for a Swedish subsidiary of OBOS. The contract was entered into on competitive terms. Total turnover for 2006 was NOK 97.7 million (NOK 80.4 million). At 31 December 2006 receivables from the company's customers amount to NOK 30.9 million (NOK 8.8 million).

Through its subsidiary Br. Reme AS, Veidekke carried out building work in 2006 for companies owned by Br. Reme's minority shareholders. The contracts were entered into on competitive terms. Total turnover for 2006 was NOK 168.0 million (NOK 109.0 million).

At 31 December 2006, receivables from the company's customers amounted to NOK 35.5 million (NOK 17.8 million).

Veidekke Entreprenør AS has signed a contract with SII-Tribuna AS for approx. NOK 172.5 million for the development of Fosshaugane Stadium in Sogndal. This is a negotiated turnkey contract entered into on competitive terms. When the contract was signed in 2004 and when the accounts were closed, two of Veidekke Entreprenør's local employees held office in the Sogndal Fotball Club. Total turnover for 2006 was NOK 90.3 million (NOK 82.2 million). At 31 December 2006, receivables from the company's customers amounted to NOK 0.6 million (NOK 22.9 million).

##### Transactions with associated companies and joint ventures

Veidekke has a number of associated companies and joint ventures (see Note 13). Transactions in 2006 and outstanding accounts at 31 December 2006 can be seen in the following table.

	2006
<b>Turnover</b>	
Construction operations	672.9
Other operations	3.2
<b>Total</b>	<b>676.1</b>
Balance Sheet at 31 December 2006	
Debtors	108.9
Liabilities	1.5

### 35. PPP PROJECT ALLFARVEG

Through its 50 % share of Allfarveg AS, Veidekke participates in the E39 Lyngdal-Flekkefjord PPP project (PPP = public private partnership). Allfarveg has built and will operate this road for the Public Roads Administration. The project was completed in summer 2006 after a construction period of three years. 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 a.s. 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 instalments over the 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 D 12 (financial assets model), and recognises the financial asset at amortised cost.

The working partnership applies the proportional accounting method (continuous income reporting) for the construction of the road (treating it like a project). Veidekke applies proportional accounting (gross method) for working partnership. The operation and maintenance contract will be taken to income continuously over the operation period, in step with the execution of the work.

Allfarveg is a joint venture and Veidekke uses the equity method of accounting for this investment. In 2006 its ownership share in Allfarveg AS (50 %) contributed a profit of NOK 2.2 million (NOK 2.8 million). Allfarveg is financed by long-term loans which will be 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, NOK 14.8 million was booked as an increase in consolidated equity. This figure corresponds to Veidekke's share of the change in the fair value of the interest-rate swaps.

### 36. GROUP STRUCTURE

Significant subsidiaries of Veidekke ASA:

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 %
Noremco AS	Oslo	100 %

The preceding table lists only the subsidiaries that are owned directly by Veidekke ASA. The Group consists of altogether 70 companies owned directly or indirectly by Veidekke ASA.

# Profit and Loss Account Veidekke ASA

(Figures in NOK million)

	Note	2006	2005
<b>Turnover</b>		<b>76.7</b>	71.7
Rent, etc.		-16.2	-20.3
Cost of materials		-4.5	1.5
Wages	1, 9	-56.2	-63.3
Other operating expenses	3	-42.8	-40.0
Depreciation	4	-2.1	-5.4
<b>Total operating expenses</b>		<b>-121.8</b>	-127.5
<b>Operating profit/loss</b>		<b>-45.1</b>	-55.8
Dividends and Group contributions from subsidiaries	2	739.0	247.2
Other financial income	2	81.6	105.8
Financial expenses	2	-59.0	-69.9
<b>Profit before taxation</b>		<b>716.5</b>	227.3
Taxation	8	3.0	-48.3
<b>Profit for the year</b>		<b>719.5</b>	179.0
<b>Application of profit</b>			
Dividends		366.4	286.1
Revaluation reserve		-	-4.3
Other equity		353.1	-102.8
<b>Total</b>		<b>719.5</b>	179.0

# Balance Sheet Veidekke ASA at 31 December

(Figures in NOK million)

	Note	2006	2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties	4	19.7	20.1
Machinery etc.	4	0.9	1.9
Shares in subsidiaries	5	1 189.4	1 138.0
Shares in associated companies and joint venture companies	6	13.4	11.4
Long-term receivables, Group companies		183.9	127.9
Receivables etc.		202.5	148.9
<b>Total non-current assets</b>		<b>1 609.8</b>	<b>1 448.2</b>
<b>Current assets</b>			
Debtors		2.5	0.7
Short-term receivables, Group companies		633.5	278.9
Other receivables		52.1	31.3
Cash and cash equivalents		-	-
<b>Total current assets</b>		<b>688.1</b>	<b>310.9</b>
<b>Total assets</b>		<b>2 297.9</b>	<b>1 759.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		71.5	71.5
Share premium reserve		304.8	304.8
Other equity		590.3	359.8
<b>Total equity</b>	7	<b>966.6</b>	<b>736.1</b>
<b>Long-term liabilities</b>			
Pension commitments	9	16.9	16.8
Deferred tax liability	8	7.7	9.5
<b>Total long-term liabilities</b>		<b>24.6</b>	<b>26.3</b>
<b>Short-term liabilities</b>			
Debts to credit institutions etc.		824.3	625.9
Creditors		33.4	33.5
Unpaid government charges		6.9	8.2
Tax payable		-	4.5
Allocated to dividend		366.4	286.1
Short-term liabilities, Group companies		49.8	37.9
Other short-term liabilities		25.9	0.6
<b>Total short-term liabilities</b>		<b>1 306.7</b>	<b>996.7</b>
<b>Total equity and liabilities</b>		<b>2 297.9</b>	<b>1 759.1</b>

# Cash Flow Statement | Veidekke ASA

(Figures in NOK million)

	Note	2006	2005
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		716.5	227.3
Tax paid	8	-3.3	-
Depreciation	4	2.1	5.4
Gains on sales of tangible non-current assets		-	-4.3
Pensions, difference cost/paid	9	0.1	0.5
<b>Generated from this year's activities</b>		<b>715.4</b>	<b>228.9</b>
Change in non-residential and residential projects		-	2.2
Change in debtors		-1.8	-
Change in other current assets		-375.4	35.5
Change in creditors		-0.1	-1.3
Change in other operating debts		35.9	37.7
<b>Net cash flow from operating activities (A)</b>		<b>374.0</b>	<b>303.0</b>
<b>INVESTMENT ACTIVITIES</b>			
Purchase of property, plant and equipment	4	-0.7	-2.3
Sales of property, plant and equipment	4	-	16.7
Other investment		-163.0	21.4
<b>Net cash flow from investment activities (B)</b>		<b>-163.7</b>	<b>35.8</b>
<b>FINANCING ACTIVITIES</b>			
New long-term borrowing		-	-4.4
New short-term borrowing		198.4	179.0
Share issue		0.2	1.6
Dividend paid	7	-286.1	-515.0
Buy-back own shares	7	-122.8	-
<b>Net cash flow from financing activities (C)</b>		<b>-210.3</b>	<b>-338.8</b>
<b>TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>			
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

# Notes to Accounts Veidekke ASA

(Figures in the tables in NOK million)

## ACCOUNTING POLICIES

The parent company Veidekke ASA is a holding company with no operations of its own. Its activities consist of investment in subsidiaries and associated companies, and income consists of dividends and Group contributions from these companies. In addition, Veidekke ASA invoices the subsidiaries for services rendered. Veidekke ASA prepares its financial statements in accordance with Norwegian reporting standards (NGAAP).

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 are effected. The parent company applies the same accounting policies as the Group, except for the point in time when dividends and Group contributions 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 2006.

Interest-rate swaps are not entered in the accounts at fair value, as in the consolidated accounts. Reference is made to Note 7 to the consolidated accounts.

### 1. NUMBER OF EMPLOYEES

	2006	2005
Wages	35.5	35.4
Pensions	8.6	10.2
Other wage costs (social security charges etc.)	12.1	17.6
<b>Total</b>	<b>56.2</b>	<b>63.2</b>
Average number of employees	45	43
Number of employees at 31 December	47	43

### 2. FINANCIAL INCOME/FINANCIAL EXPENSES

	2006	2005
Interest gains	33.3	16.7
Currency gains	6.0	5.5
Dividends and group contributions from subsidiaries	739.0	247.2
Gain on sales of shares*	42.3	83.6
Financial income	820.6	353.0
Interest charges	-55.2	-39.8
Currency charges	-2.7	-14.9
Other financial expenses	-1.1	-15.2
Financial expenses	-59.0	-69.9
<b>Financial income/Financial expenses</b>	<b>761.6</b>	<b>283.1</b>

\* Gain on sale of shares in 2006 refers to sale of shares in Veidekke Construction AB (Vecon) to Veidekke Sverige AB.

### 3. REMUNERATION TO THE AUDITORS

In 2006, remuneration to the company's auditors amounted to NOK 0.7 million for auditing, NOK 0.8 million for audit-related assistance and NOK 0.5 million for tax-related assistance.

### 4. PROPERTY AND MACHINERY ETC.

	Property	Machinery etc.	Total
<b>At 1 January</b>			
Cost price	37.8	81.0	118.8
Accumulated depreciation	-17.7	-79.1	-96.8
<b>Book value 1 January</b>	<b>20.1</b>	<b>1.9</b>	<b>22.0</b>
<b>Accounting year</b>			
Book value at 1 January	20.1	1.9	22.0
Additions	0.7	-	0.7
Disposals	-	-	-
Depreciation for the year	-1.1	-1.0	-2.1
<b>Balance sheet value at 31 December</b>	<b>19.7</b>	<b>0.9</b>	<b>20.6</b>
<b>At 31 December</b>			
Cost price	38.5	28.9	67.4
Accumulated depreciation	-18.8	-28.0	-46.8
<b>Balance sheet value at 31 December</b>	<b>19.7</b>	<b>0.9</b>	<b>20.6</b>
Depreciation method	Straight-line		Straight-line
Depreciation rate	2-5 %		10-25 %

## 5. SHARES IN SUBSIDIARIES

Company	Location	Ownership share %	Balance sheet value*
Veidekke Entreprenør AS	Oslo	100	504.8
Hoffmann A/S	Copenhagen	100	280.1
Kolo Veidekke a.s	Oslo	100	190.1
Veidekke Sverige AB	Lund	100	146.9
Veidekke Eiendom AS	Oslo	100	21.9
Veidekke Gjenvinning AS	Oslo	100	170
Noremco AS	Oslo	100	13.3
Bergheim Terrasser AS	Trondheim	100	9.7
Veidekke Skui AS	Bærum	100	5.0
Other companies			0.6
<b>Total</b>			<b>1 189.4</b>

\* Book value in Veidekke ASA's accounts at 31 December 2006 (cost method).

## 6. SHARES IN ASSOCIATED COMPANIES

Company	Location	Ownership share %	Balance sheet value*
NSS Group Oy	Helsinki	30	13.1
Allfarveg AS	Oslo	50	0.3
<b>Total</b>			<b>13.4</b>

\* Book value in Veidekke ASA's accounts at 31 December 2006 (cost method).

## 7. RECONCILIATION OF EQUITY

	2006	2005
Equity at 1 January	736.1	1 176.3
Share issue	0.2	1.6
Profit for the year	719.5	179.0
Dividend	-366.4	-629.4
Purchase of own shares	-96.3	-
Purchase/sales own shares*	-26.5	-
Change in pensions	-	8.6
<b>Equity at 31 December</b>	<b>966.6</b>	<b>736.1</b>

\* Purchase of own shares that have been resold to employees.

### Own shares (Veidekke ASA)

In 2006, Veidekke initiated a share buy-back programme. Reference is made to Note 20 to the consolidated accounts.

**8. INCOME TAX EXPENSE AND DEFERRED TAX**

Income tax expense	2006	2005
Tax payable	-1.2	1.5
Change in deferred tax	-1.8	46.8
<b>Total income tax expense</b>	<b>-3.0</b>	<b>48.3</b>
Deviation in income tax expense		
28 % of profit before tax	200.6	63.6
Actual income tax expense	3.0	-48.3
<b>Deviation</b>	<b>203.6</b>	<b>15.3</b>
Deviation in income tax expense		
Tax-free dividend	193.2	-
Tax-free gains on shares	11.8	18.3
Other items	-1.4	-3.0
<b>Total</b>	<b>203.6</b>	<b>15.3</b>
Deferred tax		
Timing differences		
Short-term items	-4.7	-13.0
Gain and loss account	56.8	68.7
Other long-term items	-24.6	-21.8
<b>Basis deferred tax</b>	<b>27.5</b>	<b>33.9</b>
<b>Deferred tax</b>	<b>7.7</b>	<b>9.5</b>

**9. PENSIONS**

The company is bound by law (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.

**10. OTHER NOTES**

The following requirements are covered in the consolidated accounts:

Note 7: Financial instruments.

Note 20: Number of shares, shareholders etc.

Note 30: Compensation to company officers.

Oslo, 29 March 2007  
Board of Directors for Veidekke ASA

Göte Dahl

Chairman of the Board

Birte Almeland

Kari Gjestebø

Jette Wigand Knudsen

Steinar Krogstad

Peder Chr. Løvenskiold

Martin Mæland

Nils Jarle Solevåg

Hilde Merete Aasheim

Terje R. Venold  
President and CEO

## Auditors' Report



To the General Meeting of  
Veddelkic A.S.A.

Scanned with CamScanner

#### ■ *Streuselkuchen mit Apfelmus*

Event & Young AS  
Child Action  
Protocol 20  
10/09/2012

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Identificou-se que as flores produzidas por este organismo

### **Auditor's report for 2006**

We have audited the annual financial statements of Yellokk ASA as of 31 December 2006, showing a profit of NOK 719.6 million for the Parent Company and a profit of NOK 722.8 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 Audit 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 misstatements. 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 system. We believe that our audit provides a reasonable basis for our opinion.

the next question.

- 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 2006, 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 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRS as adopted by the EEU
- 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, March 29, 2007  
Frost & Nielsen AS

Terstein Holdnætt  
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

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Christian Freudenberger  
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## FRONT PAGE

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**Staff Advisor**

**Construction Operations**

Employee co-ownership is an important element in Veidekke's involvement processes. Today, 2,296 employees own 14.8 per cent of the company.