

Annual Report 2004



Everything we build starts
as a possibility. The rest is
a matter of interaction
and teamwork.



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Veidekke ASA is one of Scandinavia's leading construction and property development companies with 5,500 employees. It is the leading company in its field in Norway and the fourth largest in Denmark, and it has extensive operations in growth regions in Sweden. Veidekke's business concept is to create value by designing, building and managing projects in partnership with customers who inspire growth and development.

2004 was a good year for Veidekke, with a doubling of its profit from 2003. There was a generally high level of activity throughout the Group, and Norwegian operations in particular reported very good results. The Group's orders-on-hand remained high and by the end of the year had attained a volume and quality that gives us reason for optimism in 2005. The results for operations in Sweden and Denmark have still not reached a satisfactory level, but this situation is being turned around.

The Group has a very sound financial standing and the Board of Directors will therefore recommend a dividend of NOK 6 per share.

Highlights in 2004

Construction Norway

- Good progress and increase in profit margin from 3.1 to 4.0 per cent
- Generally good developments in all regions
- High level of activity and good order situation
- Veidekke's first PPP project underway (Public Private Partnership)
- Steep decline in sickness absence and number of injuries

Construction Denmark

- Profit for the year not satisfactory
 - Weak in Jylland
 - Good results in Sjælland
- Positive trend for whole division in second half of year
- Good order situation
- Special focus on increasing project margins

Construction Sweden

- Good results for operations in Gothenburg
- Progress for operations in Skåne with positive results in 4th quarter
- Weak results in Stockholm
 - Write-down of Botnia Line project
 - Costs of reorganising management and workforce
 - Construction split into building and heavy construction, changes in management team

Property

- Record-high house-building in Norway
 - Sjølyststranda in Oslo is the largest project
- Several development projects ready in Sweden, start-up of new projects will increase in 2005
- Building up property operations in Denmark

Industry

- More than 10 per cent increase in asphalt market
- Higher volume compensated for lower prices
- Agreement signed to buy out minority shareholders in Kolo Veidekke
- New contracts for operation and maintenance of national and county roads
- Results for recycling operations still not satisfactory
- Sell-down of shareholding in Ramirent

Main Challenges in 2005

We have started 2005 with a high level of activity. The most important challenges will be to

- Maintain intensity and focus on
 - Project performance
 - Quality
 - Productivity development
- Be selective in choice of projects
- Continue building up a quality organisation in Sweden
- Maintain continuous improvement efforts
- Be prepared for market changes

Our primary objective is to continue developing Veidekke in its role as a leading Scandinavian contractor and property developer. Our financial targets are a return on equity of at least 15 per cent and an equity ratio of 25 per cent. Sickness absence shall be less than 5 per cent and we have long-term objective of an injury-free Veidekke. Veidekke shall be a customer-oriented organisation based on a common corporate culture which is rooted in our basic values.

The company's value creation is based on the almost thousand projects that Veidekke is involved in at any time. These projects have either been developed in partnership with customers or won in tender competitions. They also include Veidekke's numerous property development projects for its own account.

Financial Calendar 2005

Publication dates for interim reports:

1st quarter: 27 April (presentation to follow on 28 April)
 2nd quarter: 15 August
 3rd quarter: 3 November (webcast)

- The Annual General Meeting will be held on 27 April
- The shares will be quoted ex-dividend on 28 April
- Dividends will be distributed to shareholders on 18 May

Investor Relations: telephone **+47 21 05 77 22**

Internet: **www.veidekke.no**

The Annual Report is accessible at:

www.veidekke.no/investorinfo

Financial information about Veidekke may also be obtained at:

www.hugonline.no/VEI

Definitions of Key Figures

1) Net profit for the year:

Profit for the year after minority interests.

2) Operating profit margin:

Operating profit as a percentage of turnover.

3) Gross profit margin:

Profit before taxation as a percentage of turnover.

4) Return on total assets:

Profit before taxation plus net financial expenses as a percentage of average total assets.

5) Return on capital invested:

Operating profit 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 shareholders' equity.

7) Shareholders' 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 non paid-up shares (fully watered down).

Key Figures

	2004	2003	2002	2001	2000
OPERATIONS *					
Turnover	12 934	11 461	11 254	10 562	8 005
Operating profit	323	191	316	243	264
Profit before tax	342	108	220	135	185
Net profit for the year ¹⁾	235	108	124	69	121
Orders-on-hand, construction	9 177	8 120	7 545	7 177	5 833

PROFITABILITY

Operating profit margin (%) ²⁾	2.5	1.7	2.8	2.3	3.3
Gross profit margin (%) ³⁾	2.6	1.5	2.0	1.3	2.3
Return on total assets (%) ⁴⁾	6.2	3.9	5.5	3.8	5.3
Return on capital invested (%) ⁵⁾	14.2	8.2	11.5	7.3	10.2
Return on equity (%) ⁶⁾	17.0	8.4	10.5	6.6	10.8

CAPITAL ADEQUACY *

Total assets	5 784	5 632	5 222	6 307	6 427
Total shareholders' equity ⁷⁾	1 578	1 452	1 355	1 349	1 321
Equity ratio (%) ⁸⁾	27.3	25.9	25.9	21.4	20.5
Net interest-bearing liabilities ⁹⁾	71	238	434	1 347	1 319
Gross investments	264	327	377	451	1 635

LIQUIDITY

Liquidity 31 December *	431	593	448	474	832
Unused borrowing facilities	1 096	959	1 164	875	750
Current ratio ¹⁰⁾	0.99	1.09	1.06	1.18	1.24
Quick ratio ¹¹⁾	0.76	0.79	0.72	0.73	0.87
Cash ratio ¹²⁾	5.14	9.21	8.70	3.10	3.60

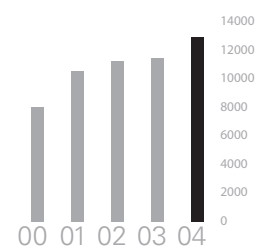
SHARES **

Market price 31 December	101.0	58.5	51.0	51.0	57.0
Earnings per share (NOK) ¹³⁾	8.5	3.8	4.6	2.6	4.8
Earnings per share (fully watered down) (NOK)	8.5	3.8	4.6	2.6	4.8
Earnings plus goodwill per share	10.6	6.8	7.4	5.5	7.5
Dividend per share (NOK)	6.0	3.5	3.5	2.0	2.0
Outstanding shares (average million)	27.7	27.3	27.1	26.9	25.2

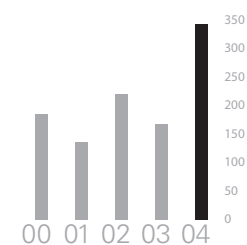
EMPLOYEES

Number of employees in Scandinavia	5 455	5 626	6 449	6 353	5 021
Absence (%) ***	4.9	6.3	6.9	6.4	6.1
Lost-time injuries per million hours worked ***	5.2	6.9	9.0	12.3	11.8
Wages and social benefits *	2 713	2 535	2 537	2 437	1 950

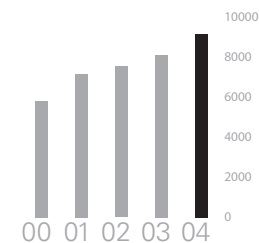
For definitions, see page 4.



TURNOVER
NOK million



PROFIT BEFORE TAX
NOK million

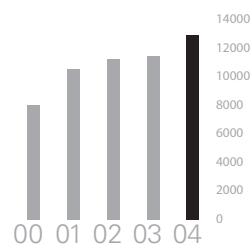


ORDERS-ON-HAND
NOK million

* Figures in NOK million

** The figures have been adjusted for a share split (1:2) in 2000.

*** Norway



TURNOVER NOK MILLION

For the very satisfactory results that Veidekke is presenting for 2004, good market conditions have been an important and necessary starting point.

But to be able to turn opportunities into profits we also need productivity and efficiency in our operations. Some time ago, Veidekke initiated a comprehensive, goal-oriented improvement programme throughout most of the Group. This process focuses on customer orientation, employee involvement, risk management and living up to Veidekke's basic values and management principles. The key factor of success in this process is partnership.

Our profit of NOK 342 million for 2004 is Veidekke's largest ever measured in kroner. We are especially pleased with the strong upswing in most of our Norwegian operations, but there are also many positive developments to report in other parts of our Scandinavian operations. We are still in the process of building up our position as a leading Scandinavian construction company and property developer, and parts of this process are taking longer than many people might have wanted. Detailed information about our different business areas can be found elsewhere in this Annual Report. I would, however, like to mention some important experiences from the period of development we are now in.

Interaction with our customers

In the course of the many years of structural and technical development that are behind us, a relatively large number of professional players has grown up. We have also seen a corresponding increase in professionalism on the customer side and in much of the consultancy community. This means that all parts of the value chain have become stronger and that an increasing number of the people who are involved in developing and building projects possess more knowledge and therefore expect more.

As a major player in the industry, we have to take this into account in the way we work, both in relation to our customers and in relation to our suppliers, subcontractors and consultants. We must always seek the best solutions; we must be more flexible, and we must have the ability to listen to our customers' wishes and requirements. The answer lies in better and better project management and professional leadership and in working closely and openly with our customers. While this is really no more than most people would ask of any professional customer/supplier relationship, it is still a challenge for an organisation that has almost a thousand projects in progress at any time.

Employee involvement

This means that, in a highly decentralised organisation like Veidekke's, we have to develop the ability to cooperate actively with the customer in every corner of our organisation. It is through our many projects that value is created, in most cases based on local knowledge about the customer and the project and about the conditions which necessarily form the framework for the solution. At the same time,

we are a large organisation and as such must be able to offer the individual customer something extra in the way of resources, skills and experience. To achieve this in a widespread organisation, we will have to share our knowledge and experience with each other. We will have to cooperate and interact both vertically and horizontally within our organisation and across national borders.

I am proud to be at the head of an organisation which has gone a long way towards proving that such an approach is possible and where it is generally believed that it will strengthen Veidekke's competitive ability in the future. We want cooperation and interaction, and we will share in order to be better.

Interaction as a tool in risk management

One of the most important parameters in Veidekke's risk management is the use of our knowledge and experience in selecting the projects we are going to work on and for. When evaluating individual projects, we must make sure that we have the right capacity and skills to do the job. We must also be able to staff our projects with the right people and put together the right group of employees for calculation, design, implementation and post-project work. This also means interaction between different parts of the organisation, individuals, managers and the many people outside our organisation who help to ensure progress and execution.

Veidekke's corporate culture






Veidekke's 70th anniversary is approaching and, as we make our preparations, we are also taking time to look back. It is said that, in order to know where you are going, you have to know where you have come from. In times of great change, many people will probably say that it no longer matters where you come from, but for us at Veidekke, it still matters a great deal. Not least because we are a 'people's business', where our corporate culture and basic values play a significant part in the choices we make. And if there is one thing that emerges again and again throughout Veidekke's history, it is our ability to cooperate and interact.

This can also be seen in the strong commitment of the employees on the owner side. Employees at the individual worksites and in all three Scandinavian countries hold shares in the company. Following the offer of shares in November 2004, more than 2,000 employees now hold 15.5 per cent of Veidekke's shares. This includes the 11 per cent held by 400 employees in leading positions.

As the results show, 2004 was an eventful year for Veidekke. Most of it was good, but we still have areas where this is room for improvement. We have started the new year with orders-on-hand which, both in quantity and in quality, give us grounds for optimism.



Terje R. Venold
President and CEO

BUSINESS AREA	DESCRIPTION	KEY FIGURES																				
VEIDEKKE ENTREPRENØR AS Construction Norway  50 %	Building and heavy construction in Norway.	<table><tr><th></th><th>2004</th><th>2003</th><th>2002</th></tr><tr><td>Turnover</td><td>6 624</td><td>5 786</td><td>5 721</td></tr><tr><td>Pre-tax profit/loss</td><td>265.6</td><td>178.5</td><td>122.4</td></tr><tr><td>Capital invested</td><td>587</td><td>396</td><td>–</td></tr><tr><td>Average number of employees</td><td>2 773</td><td>2 833</td><td>2 905</td></tr></table>		2004	2003	2002	Turnover	6 624	5 786	5 721	Pre-tax profit/loss	265.6	178.5	122.4	Capital invested	587	396	–	Average number of employees	2 773	2 833	2 905
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Average number of employees	2 773	2 833	2 905																			
HOFFMANN Construction Denmark  18 %	Building and heavy construction in Denmark.	<table><tr><th></th><th>2004</th><th>2003</th><th>2002</th></tr><tr><td>Turnover</td><td>2 415</td><td>2 346</td><td>1 971</td></tr><tr><td>Pre-tax profit/loss</td><td>-11.3</td><td>19.3</td><td>9.3</td></tr><tr><td>Capital invested</td><td>214</td><td>359</td><td>–</td></tr><tr><td>Average number of employees</td><td>909</td><td>1 386</td><td>1 336</td></tr></table>		2004	2003	2002	Turnover	2 415	2 346	1 971	Pre-tax profit/loss	-11.3	19.3	9.3	Capital invested	214	359	–	Average number of employees	909	1 386	1 336
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Capital invested	214	359	–																			
Average number of employees	909	1 386	1 336																			
VEIDEKKE ENTREPRENERAD Construction Sweden  9 %	Building and heavy construction in Sweden, based in Stockholm, Gothenburg and Skåne.	<table><tr><th></th><th>2004</th><th>2003</th><th>2002</th></tr><tr><td>Turnover</td><td>1 187</td><td>1 114</td><td>768</td></tr><tr><td>Pre-Pre-tax profit/loss</td><td>-33.6</td><td>-54.0</td><td>- 19.2</td></tr><tr><td>Capital invested</td><td>52</td><td>99</td><td>–</td></tr><tr><td>Average number of employees</td><td>541</td><td>630</td><td>555</td></tr></table>		2004	2003	2002	Turnover	1 187	1 114	768	Pre-Pre-tax profit/loss	-33.6	-54.0	- 19.2	Capital invested	52	99	–	Average number of employees	541	630	555
	2004	2003	2002																			
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Capital invested	52	99	–																			
Average number of employees	541	630	555																			
VEIDEKKE EIENDOM Property Development  8 %	Development of dwellings for own account, non-residential buildings and special-purpose buildings for the public sector in Norway, Sweden and Denmark.	<table><tr><th></th><th>2004</th><th>2003</th><th>2002</th></tr><tr><td>Turnover</td><td>1 115</td><td>856</td><td>1 033</td></tr><tr><td>Pre-tax profit/loss</td><td>102.4</td><td>46.1</td><td>75.6</td></tr><tr><td>Capital invested</td><td>1 567</td><td>1 225</td><td>–</td></tr><tr><td>Average number of employees</td><td>65</td><td>56</td><td>66</td></tr></table>		2004	2003	2002	Turnover	1 115	856	1 033	Pre-tax profit/loss	102.4	46.1	75.6	Capital invested	1 567	1 225	–	Average number of employees	65	56	66
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Pre-tax profit/loss	102.4	46.1	75.6																			
Capital invested	1 567	1 225	–																			
Average number of employees	65	56	66																			
VEIDEKKE INDUSTRI Industry Division  15 %	Asphalt, crushed stone and gravel operations; operation and maintenance of public roads, plus demolition and recycling of heavy building waste. The ownership share of 8.05 per cent in plant hire company Ramirent Oyj was sold in 2005.	<table><tr><th></th><th>2004</th><th>2003</th><th>2002</th></tr><tr><td>Turnover</td><td>1 899</td><td>1 594</td><td>2 044</td></tr><tr><td>Pre-tax profit/loss</td><td>61.0</td><td>32.6</td><td>85.0</td></tr><tr><td>Capital invested</td><td>765</td><td>934</td><td>–</td></tr><tr><td>Average number of employees</td><td>1 048</td><td>1 013</td><td>1 487</td></tr></table>		2004	2003	2002	Turnover	1 899	1 594	2 044	Pre-tax profit/loss	61.0	32.6	85.0	Capital invested	765	934	–	Average number of employees	1 048	1 013	1 487
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Average number of employees	1 048	1 013	1 487																			

PRIORITY AREAS IN 2004

ACHIEVED IN 2004

PRIORITY AREAS IN 2005

<ul style="list-style-type: none"> Continue to improve profitability, especially in weakest entities. Adjust and start implementing new system for costing and economic project follow-up. Continue to develop our housing solutions in cooperation with Veidekke Property and with external housing societies and developers. Carry out pilot projects in "We at Veidekke" in all districts/entities throughout the division. 	<ul style="list-style-type: none"> Increased profit margin from 3.1 % in 2003 to 4.0 % in 2004. Improved profit performance in most of the weakest entities. Prepared new tool (VAP) for project costing and financial follow-up for implementation. Introduced our Startbo concept from Trondheim in Oslo, Stavanger and Bergen. Initiated pilot projects as part of "We at Veidekke" process in all entities. 	<ul style="list-style-type: none"> Continue to improve profitability, especially in the weakest entities. Gradually implement VAP (system for costing and project follow-up) and implement training measures. Further develop project development and project design skills. Evaluate and continue "We at Veidekke" process throughout the company.
<ul style="list-style-type: none"> Improve profitability in Region West. Establish Hoffmann as the solution-oriented partner. Organisational development. 	<ul style="list-style-type: none"> Implemented new management. Improved financial follow-up and introduced controller function. Achieved savings through joint purchasing. Further developed Hoffmann's customer policy. Carried out internal attitude-shaping campaign. Established HR function. 	<ul style="list-style-type: none"> Update handbook on project management and control. Implement VAP (system for costing and project follow-up). Continue consolidation of uniform financial follow-up. Arrange for exposure of Veidekke/Hoffmann at partners' premises/sites. Improve HR infrastructure. Establish development plan for district managers. Make more use of partnering model.
<ul style="list-style-type: none"> Further profitable growth and special focus on expansion of building side in Gothenburg. Consolidation of operations in Stockholm after three years of strong growth, through better project management and focus on margins in projects. Cooperation with Veidekke Property. Focus on project margins and controlled expansion of building and construction operations in Skåne. 	<ul style="list-style-type: none"> Maintained profitable development and signed more new contracts for both building and heavy construction. Had poor progress and cost overview due to problems in major construction project. Initiated change in local management and reorganised manpower in Stockholm. Established good working relations with Veidekke Bostad. Achieved successful restructuring of operations in Skåne. 	<ul style="list-style-type: none"> Strengthen profit performance and earnings. Carry out Botnia Line project according to adopted framework. Continue to build up a quality organisation in Stockholm. Further develop the organisation with emphasis on personnel and profitability. Further develop cooperation with property development operations.
<ul style="list-style-type: none"> Develop organisation and employees further. Achieve higher level of activity, but safe and secure performance. Expand operations in Sweden. Acquire good, new development prospects for 2006. 	<ul style="list-style-type: none"> Raised level of activity considerably and maintained a high sales rate. Achieved good, profitable growth in Sweden. Laid foundation for satisfactory profitability in 2005. Consolidated Startbo concept for young house-owners. 	<ul style="list-style-type: none"> Further develop cooperation with construction divisions in order to improve earnings and competitive strength. Build up organisation in Denmark and increase activity. Utilise expertise across Scandinavia.
<ul style="list-style-type: none"> Further growth in road operation and maintenance market. Consolidation and higher profitability in industrial waste operations. 	<ul style="list-style-type: none"> Signed four new contracts. Market share of about 12 %. Increased asphalt volume by about 10 %. Improvements in parts of the industrial waste operations. 	<ul style="list-style-type: none"> Maintain volume and increased profitability in asphalt operations. Continue consolidation and focus on profitability in industrial waste.

Everyone with building plans has an ambition. Perhaps even a dream. People have wishes on many different levels: the structure must fulfil a special function, or it must stand out, or perhaps do the exact opposite – merge quietly into the existing surroundings. All structures have to be built within given limits, whether this applies to money, time or other conditions.

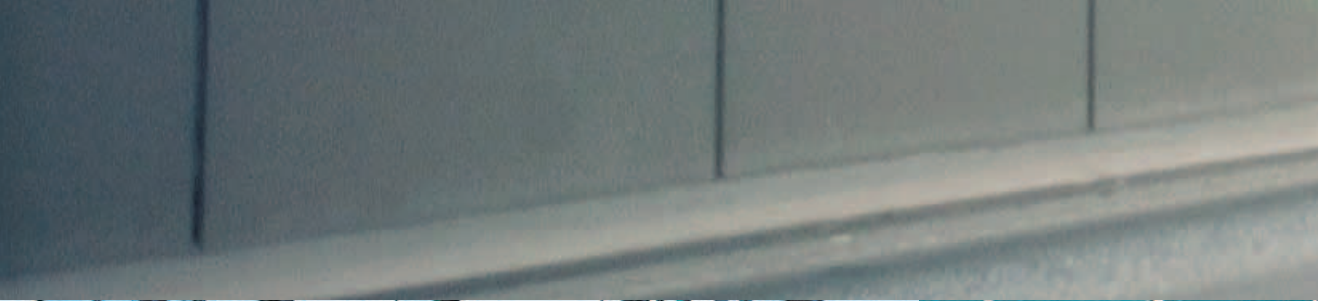
“Tomorrow”

I want a building we can
be proud of in fifty years’
time.

"Today"

We make the customer's ambitions our ambitions and realise them with the least possible risk to both parties.

At Veidekke, we believe that a building is best if it is created in partnership with the customer. We therefore spend a lot of time making ourselves familiar with the customer's wishes and we pave the way for a close dialogue throughout the project. Many of our projects are turnkey contracts, where the responsibility is divided clearly between the contractor and the client. That allows us to concentrate on the most important thing – building at the right price and with the right quality and function.





GROWTH AND RISK

A construction company cannot consider growth without assessing the risks at the same time. Finding an optimum solution to achieve profitable growth and controlled risk is at the top of Veidekke's agenda and is integrated into every decision from Group level to the individual project.

Veidekke's history is a history of controlled and profitable growth. This has been made possible by our strong focus on profitability, solution and customer orientation, employee involvement and culture building. Veidekke is established in all of the Scandinavian growth regions through a strong regional network. At Veidekke we are aware of our history and of our criteria for success. We have drive and initiative but also respect for the challenges ahead, and we believe that this is the best basis on which to realise the potential for further profitable growth that lies in the position that Veidekke has built up.

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Since its start in 1936, Veidekke has undergone continuous expansion and has not once reported a deficit for the year. We have grown from a small niche operation into a major Scandinavian construction company and property developer. This has been possible through four basic elements which have always guided our development: Focus on profitability, solution and customer orientation, employee involvement and culture building.

Focus on profitability

A considerable share of the projects in the construction market are contracted on the basis of price. This means that growth alone is easy to achieve. Profitable growth is more of a challenge. Healthy growth requires balance between volume of work and available resources. Keen competition in the industry has customarily meant that the contractors who are willing to accept the greatest risk get the contract, and this has often resulted in pressure on margins for the contractor and disagreements with the customer on responsibility. Growth in volume of contracts also means upscaling the number of employees and the input factors. Veidekke has made a strategic choice to use mainly its own employees rather than hired labour.

Profitable growth requires a balance between volume of contracts and accessible resources.

Maintaining a balance between assignments and resources requires systematic planning. However, we have built up a position which has made it possible to be more selective and to put profitability before short-term growth. In this way we have achieved profitable growth and in this way we have had a financial and professional foundation that has allowed us to expose ourselves to risk and take larger leaps in a controlled way. Construction operations are necessarily local by nature, because the product or the delivery is unique and not mobile. Veidekke's success depends on employees who make good decisions every day in every project. To ensure profitability, Veidekke has established a common structure and way of working that incorporates economic awareness throughout the organisation.

Solution and customer orientation

Veidekke has a decentralised structure. Many of our customers have local affiliations and we have to cooperate with them and local suppliers. Customer orientation therefore depends on the ability to understand and be part of the local culture.

"Is it possible to avoid the customer and the contractor having different agendas?"

Veidekke makes extensive use of dialogue in order to understand each customer's needs and thus create value through partnership in each project. This also allows us to establish as clearly as possible the distribution of responsibility between the customer and the contractor.

Parts of the industry are conflict-oriented as a result of an often unclear division of risk and liability between the customer and contractor. Veidekke has chosen an alternative strategy. It makes extensive use of dialogue to understand the customers needs and in this way create value through partnership in each project. Over time, this has given us many satisfied customers who have returned to us and a large number of projects that have been developed in partnership with the customers.

Good management of design and planning is essential if we are to design good solutions which are not only production-friendly but which also fulfil the customer's needs and wishes. Project development and design management skills and capacity are therefore a basic requirement in our work with customers. These are special fields which are generally underdeveloped in the market and therefore difficult to build up through recruitment. We are therefore working specifically to develop these capabilities within the Group.

Employee involvement

It is the employees in Veidekke who create the value. It is the company's policy to ensure that the employees are shareholders and as such take part in value creation. 15.5 per cent of the shares in Veidekke are now held by 2,000 employees. This provides a unique basis for involvement and sense of responsibility, which are important in a company with a decentralised organisation and a large degree of independence. We have continuity in management at all levels. Training and skills development have priority and we are a leading training enterprise in our field.

Corporate culture building

Common basic values and a strong corporate culture are vital to Veidekke's success. We have realised that we run a 'people's business' and we have acted accordingly. In expanding and improving our company, we attach importance to implementing our basic values, which are: professional, honest, enthusiastic and ground-breaking. We work to ensure that these values will be characteristic of all Veidekke employees. At the start of a project, the relevant employees and specialist groups take part in the process planning. This creates togetherness and a collective responsibility which is both motivating and sharpening. Veidekke also works actively to develop leadership based on common principles and internal guidelines.

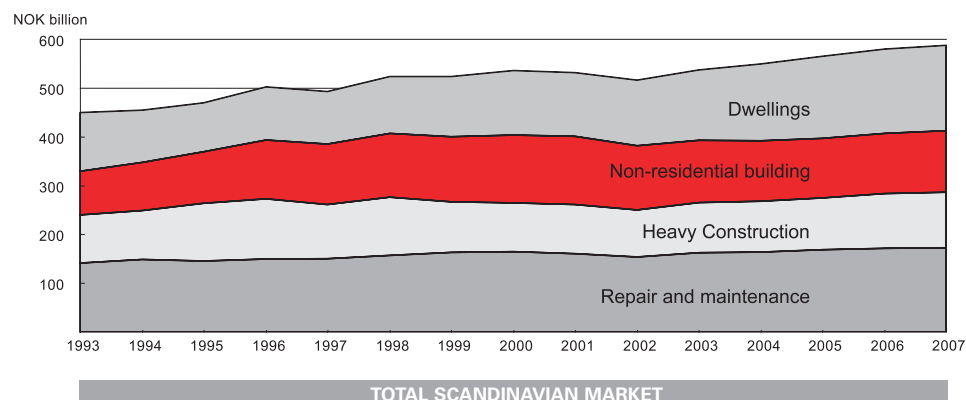
From Norwegian to Scandinavian

In the course of the past five years, Veidekke has made the transition from a Norwegian to a Scandinavian company. This has been done through a combination of acquisitions and new ventures. On the construction and property development side, we have a firm footing in all of the most important geographical markets in Scandinavia. On the asphalt and recycling side, we work only in Norway. Veidekke's aim for

the next few years is to exploit the financial potential in the position we have established. Our development has been characterised by continuity, quality and customer orientation. These will continue to be characteristic of our further expansion and typical features throughout Veidekke. There are many similarities in the Scandinavian markets, but there are also significant differences. Our position and strengths are different in the different countries. We want our development in new areas to be based on the same basic values and qualities, but we also want to be Norwegian in Norway, Swedish in Sweden and Danish in Denmark.

Norway

Veidekke is Norway's largest contractor. In Norway, the four major contractors hold about 35 per cent of the construction market. Most of them appear to have an acceptable level of profitability. Veidekke's profitability in Norway has shown a very favourable trend. The challenge in the future will therefore be to maintain our strong market position and a rising profit trend. Customer orientation will be improved through systematic, long-term cooperation with our returning customers. Internal improvements in quality and pro





Norway Trade Fairs' exhibition hall in Lillestrøm is an example of Veidekke's concreting skills

ductivity are achieved through a decentralised structure with the district offices as operational business entities.

Sweden

The Swedish market is the largest and most concentrated market in Scandinavia, with a small number of large operators. The four largest companies represent about 45 per cent of the construction market. Veidekke's strategy is to be a different kind of contractor, characterised by customer orientation, good and profitable operation, and respect for the contracts we undertake. The Swedish market represents our largest growth potential and our greatest challenge.

We have chosen to establish bases in the three growth areas: Stockholm, Gothenburg and Malmö. With the exception of operations in Gothenburg, our Swedish organisation is still young and under estab-

lishment. The most important elements in our strategy to realise our potential in Sweden are:

- Ensure a balance between growth and our own skills and capabilities
- Focus on property development in partnership with Property and Construction in Norway
- Draw on Norwegian skills and capabilities, particularly in heavy construction
- Develop the organisation with the emphasis on strong local foothold

Denmark

The Danish market has been undergoing considerable restructuring. The market is fragmented, with a large number of small contractors, most of which have low or variable earnings. Veidekke is represented in Denmark through Hoffmann A/S, which was established as early as 1863. Hoffmann is an institution in

the Danish construction industry and it operates all over the country. The company has undergone a generational change and the organisation is characterised by a combination of continuity and innovation. Earnings have not been satisfactory and our main task now will be to increase them. This will be done by focusing on the following priorities:

- More customer orientation through partnering with priority customers
- Higher share of projects for own account, particularly on the housing side
- More involvement in heavy construction, partly in partnership with Construction Norway



Risk is the other side of growth. Risk control is a core concept in project management at Veidekke. Even risk outside our operations is continuously evaluated and included in decisions made by Veidekke.

Risk in our projects

The risks in our ongoing projects can mainly be split into customer-related risks, supplier-related risks and risks linked with internal processes. The risk of non-payment is often regarded as the greatest customer risk. However, in the contracting industry the customer often makes important contributions to our internal production processes. The customer normally owns the building site, often supplies a large or small part of the design material and has to make decisions along the way. In some projects, the customer also employs side-contractors which work on the building site alongside us. The process-related risk will therefore usually far exceed the non-payment risk.

**The ability to control risks in
our industry gives a contractor considerable
competitive edge.**

Having the 'right' customers and knowing what they stand for is an important prerequisite of risk management at Veidekke. Interaction with customers is therefore important – with a view not only to the customer's willingness to pay and give us new contracts, but also to our ability to steer and optimise our internal production processes. In 2004, 80 per cent of our construction customers in Norway were customers we had done business with before. The correlation between good relationships and reduced risk also applies in our contact with suppliers, whether they are consultants, subcontractors, materials suppliers or equipment hire companies. In most projects, other production under the direction of a large number of subcontractors takes place alongside our own production. Failure to perform by one of the subcontractors can have major consequences. The number of turnkey contracts is growing and now constitutes about 65 per cent of all our contracts. The pressure of competition is considerable in the construction industry and average margins are modest. When evaluating suppliers, customers have been in the habit of focusing primarily on price. A healthy balance between competitive strength, quality and risk management therefore depends on our knowledge of the markets we do business in, on our purchasing skills and on our ability to resist the temptation to choose price over quality. If we want to be the best, we also have to deal with the best.

The third type of risk lies in our ability to supervise and control our own production

"Can the customer per se be a factor of uncertainty?"

When we know the customer, we can also reduce the risk in our internal production process. In 2004, 80 per cent of Veidekke's construction customers in Norway were customers we had done business with before.

Selection Process

Selecting a customer

- Customer's financial situation and business philosophy
- Attitude and conduct of the individual person

Selecting a project

- Project risk
- Own performance ability

Tender Process

Right tender team

- Site manager heads team
- People who know the particular type of project

Tender preparation

- Control of key figures
- Realistic assessment of construction period
- Margin requirements based on corporate goals
- Risk calculated as cost

Tender evaluation

Production Process

Start-up phase

- Ensure good team spirit
- Right person in right place

Production/operation phase

- Secure income
- Cost control
- Productivity follow-up
- Comply with quality plans

Completion phase

- Keep the crew
- Timely address of conflicts

process. The production process in the building and construction industry is complex and the workforce changes from project to project. We therefore need good control systems and highly qualified employees. To ensure that we have control of our production process and of the quality of the product, we need adequate capacity and expertise in our core areas. The construction business has traditionally been characterised by hierarchical organisations where the status gap is wide and where some people decide what is to be done and others do what they are told. At Veidekke, we believe that this tradition has prevented and is preventing the development of the industry as regards quality, productivity and risk control. We have therefore initiated a development process in our Norwegian operations, which we call "We at Veidekke". We are developing new ways of working in a systematically increasing number of pilot projects, which are all genuine building projects. In these pilot projects, all of our employees are involved in the establishment of common goals for the project, in production planning, in follow-up and in project appraisal.

Risk in property development

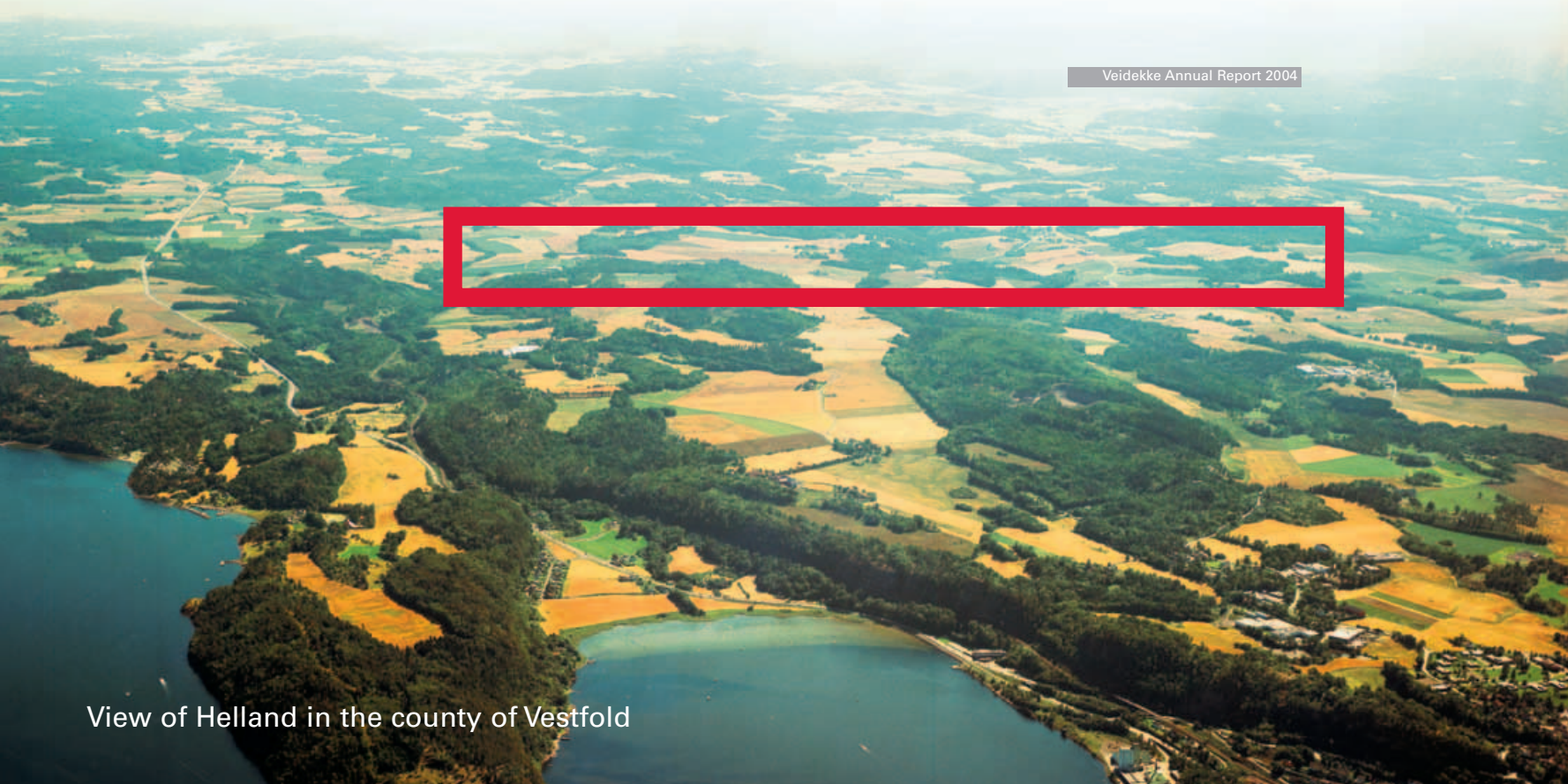
Building for clients consists to a large degree of selling process-oriented products to professional purchasers. Building for our own account is geared to private customers. Although the building processes have important similarities from Veidekke's point of view, projects for our own account involve different risks and market challenges. Here the risks are shared between two areas: risks linked with the sites we purchase and develop and risks linked with unsold dwellings. The danger of not being able to sell dwellings is limited through advance sales and a contractual ceiling on the total number of unsold dwellings. Important elements in the reduction of risk at the development stage are: a thorough evaluation prior to purchasing sites, cooperation with good architects, early involvement of estate agents and our internal sales people, and close interaction between our property and construction divisions to ensure cost-optimal solutions.

Risk in industry projects

Asphalt production takes place partly at fixed plants and partly at mobile plants. The contracts are less complex than construction contracts and they are associated with little risk. Stone constitutes about 15 per cent of the input factors and a supply of stone of the right quality is of the utmost importance. Asphalt is a "fresh" product and the transport costs for asphalt laying are high. Competitive ability therefore depends on the contractor's proximity to the customer. The critical factors for profitability in this market are a good knowledge of the market, high capacity utilisation to offset relatively heavy investment in machinery and equipment, and efficient operations.

External risks

Most of our external risks are linked with the market situation and the relative cost level. The expansion of the EU in May 2004 has created a potential supply of cheaper labour. Prior to the expansion, we carried out comprehensive analyses of the various scenarios affecting Veidekke. Our conclusion was that Veidekke would actively investigate new possibilities, but that the EU enlargement would not have any consequences that would make us give up our decision to rely on our own employees in production. In our view, continuity, expertise and local knowledge are becoming increasingly important and everyone who is qualified is welcome at Veidekke. Our prognoses indicate market growth in all three Scandinavian countries. The level of activity is particularly high in Norway. The underlying demographic and economic situation indicates a stable development, but the question still remains of when we can expect a trend shift, especially in housing.



View of Helland in the county of Vestfold

For Veidekke, the risk linked with a possible fall in the market in Norway is lower than our high market share would indicate. This is partly because we have a strong organisation with all the prerequisites to meet the challenges at least as well as our competitors and partly because we must also expect any fall in the market to reduce our purchase costs and increase the potential in our high volume of orders. In addition to this, more than half of our income from construction operations comes from public sector building, which makes us less vulnerable to economic cycles.

Financial risk

Veidekke's financial position is strong. Our equity ratio is good and at the end of the year the company was almost debt-free. Our financial risk is small and is characterised by strong cash flows, relatively low interest rate exposure, low sensitivity to currency changes and insignificant bad debts.

The Group has set a target of 25 per cent for its equity ratio. This was 27.3 per cent at the end of 2004. The company has little capital tied up in fixed assets (35 per cent), while receivables from customers amount to about 41 per cent of total assets. Losses on customer receivables have been relatively low in recent years (NOK 20 million in 2004). The Group's net interest-bearing debt was reduced by NOK 167 million in spite of distributed dividends of NOK 97 million and increased capital tied up in property development by NOK 342 million.

The Group's financing is based on bank financing combined with project financing. This type of financing takes into account the Group's marked variations in liquidity throughout the year.

The Group's net interest-bearing liabilities were NOK 71 million at 31 December 2004.

Since income and costs are normally in the same currency, the Group's currency risk is low. Cash flow in foreign currency is hedged. Equity capital in foreign subsidiaries is not hedged and changes in exchange rates will thus affect the Group's equity.

Construction Operations

Veidekke has construction operations in all three Scandinavian countries, Norway, Denmark and Sweden.

Operations in Norway

- Improved its pre-tax profit from NOK 178.5 million in 2003 to NOK 265.6 million in 2004
- Held its position as a leading contractor, with substantial contracts for commercial and non-residential building and infrastructure and industrial projects
- More activity in the housing sector, particularly blocks of flats and large residential complexes. Veidekke now ranks as one of the leading house-builders in Norway

Veidekke Entreprenør AS is responsible for Veidekke's construction operations in Norway. The company carries out all kinds of building and heavy construction work. Contracts include new residential and non-resi-

dential buildings, schools and other public buildings, rehabilitation, heavy construction, including road and railway projects, and industrial projects. The division consists of the East, South and North/West regions, Heavy Construction and Special Projects.

Veidekke Entreprenør has reported steady progress in recent years, and 2004 is the third year in succession where the division has shown a substantial improvement in profit. Its progress can be seen in most parts of its operations, both in financial results and in health, safety and environment.

Activities have developed as anticipated, with particularly encouraging results in house building and a stable level of activity in public sector projects. Heavy construction activity remained relatively low.

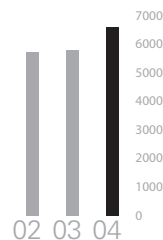
The division's internal improvement process, "We at Veidekke", was expanded further in 2004. This

process, along with its strategy of own production and focus on the customer, has proved effective. This can be seen in a positive profit trend, falling numbers of accidents and a decreasing absence rate.

THE MARKET

The building and construction market in Norway showed an upswing in 2004, in step with development in the Norwegian economy. This was in keeping with the market prognoses and the company's expectations.

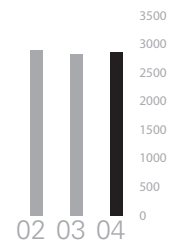
The housing market perked up particularly well. The low interest rate and the improvement in the Norwegian economy were the main reasons for this. The heavy construction sector also developed well in 2004. The growth was the result of, among other things, several major projects in the transport and communications sector.



TURNOVER NOK MILLION
(Norway)



% SHARE OF GROUP'S
TOTAL TURNOVER (Norway)

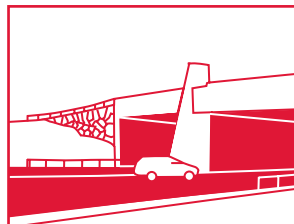


NUMBER OF EMPLOYEES
(Norway)

The Sjöstad Chapel,
Hammarby Sjöstad in Stockholm



The Oddernes tunnel
1,050 m long soft-ground tunnel
on the E18 through Kristiansand



The Lyngby Shopping Centre in
Copenhagen



With its high volume of orders-on-hand and the state of the Norwegian economy in the time ahead, the division can expect a stable development in 2005.

OPERATIONS IN 2004

Veidekke Entreprenør was awarded a number of house-building contracts in 2004 and reinforced its position as one of Norway's decidedly largest house-builders and the largest as regards building of blocks of flats. In this context, housing projects also include combined residential and commercial buildings.

In addition to the contracts in the housing sector, the division also signed substantial contracts in its other areas of activity.

Examples of housing projects

Startbo/Veidekke Property started building two new Startbo projects (for first-time homeowners) in Oslo and Bergen in the early summer and in August, the work started on a third project in Stavanger. The total contract price for this work is about NOK 430 million. These projects are all turnkey projects and will be completed in the course of the first quarter 2006.

Union Eiendomsutvikling AS gave Veidekke the contract for the building of Union Brygge in Drammen.

The work comprises the building of 150 dwellings and non-residential areas and an underground car park, totalling about 20,000 sq.m. The contract price is NOK 200 million and the work is due for completion in June 2006.

The development of Sjølyststranda in Oslo continued in 2004, and a contract was signed with Sjølyststranda Eiendom AS for to more blocks of flats. These are contracts at a total value of about NOK 250 million. The completion date is end 2005 and February 2006 respectively.

In December, a contract was signed with Lillestrøm Byutvikling for the building of the Byhaven residential complex in Lillestrøm. This complex comprises 109 flats, approximately 2,000 sq.m. of business premises and 130 public parking spaces, making a total of 15,000 sq.m. This contract has a value of NOK 147 million and the work will be completed by August 2006.

Examples of commercial and office buildings

In June, Veidekke was commissioned to recreate the 'old' Steen & Strøm department store in Oslo for SK Steen & Strøm AS. The contract price is NOK 80 million. The work is scheduled for completion by Christmas 2006.

Veidekke Entreprenør signed a contract last year with the Norwegian Defence Estates Agency for a new administration building in Oslo. The contract includes the erection of a new office building with a floor area of 9,600 sq.m. and the rehabilitation of three existing buildings which are to be connected to the new building. This gives a total of 18,500 sq.m. The contract price is NOK 265 million, and the work is to be completed in the course of June 2006.

In November, a contract was signed with CC Mart'n Eiendom Gjøvik AS for the extension and conversion of the CC Mart'n shopping centre in Gjøvik. The work includes a 5,000 sq.m. extension and the conversion of 13,000 sq.m. in the existing shopping centre. This contract is worth NOK 90 million and the completion date is spring 2006.

In December, Veidekke Entreprenør in collaboration with Math. Lande Eiendom and Trygve Seglem Invest won the competition for a new office building for the Norwegian Maritime Directorate in Haugesund. The building including basement parking totals about 9,000 sq.m. The contract price is around NOK 110 million and the work is to be finished in September 2006.

Examples of public buildings

In June, Veidekke signed a contract with the Directorate of Public Construction and Property for construction of the substructures for the new Opera House in Oslo following contract negotiations under the extension of the open tender competition. The contract sum was NOK 199 million. In December the company signed a contract for building work on the Opera House. This contract was also signed following contract negotiations under the extension of the open tender competition. The contract price was NOK 152 million. This means that Veidekke has been awarded the three large contracts so far in the project and can truly call itself Norway's opera house constructor.



In March, a contract was signed with Asker local authorities for the building of a new swimming and bathing facility at Risenga. The work involves demolition of the existing sports hall and the erection of the new facility totalling 7,000 sq.m. Completion is scheduled for June 2006.

Examples of schools and educational buildings

In May, Veidekke reached an agreement with Undervisningsbygg Oslo KF to build and let a new 2-

parallel school at Røa in Oslo. The school will be owned by Veidekke and Veidekke will be responsible for the upkeep of the building. The lease will run for twenty-five years with an initial rent of NOK 12 million. On the expiry of the lease, the building and land will be handed over free of charge to Undervisningsbygg. The total floor area is 4,500 sq.m. and the school will be finished in June 2005.

In November, a contract was signed with SIL-Tribuna AS for the construction of Fosshaugane Campus, which is a combined school and office building with its own multi-storey parking place. The total area of the project is 14,000 sq.m. It is located beside Fosshaugane Stadium and it also includes a grandstand. The contract price is NOK 153.5 million and the work is due to be completed in autumn 2006.

Examples of heavy construction projects

In connection with the development of the E39 highway between Lyngdal and Flekkefjord, the Directorate of Public Roads and Allfarveg AS entered into a PPP (Public Private Partnership) contract on the construction, operation and maintenance of the new stretch of road. Veidekke Entreprenør is in charge of the joint venture which is building the road and it has a 70 per cent share of the contract. Worth NOK 1.2 billion, the development contract is for the construction of 18 kilometres of new road. The work started in May and will be completed by 1 September 2006.

In July, the company signed a contract with Trondheim Energiverk Fjernvarme AS for the building of a new waste incineration plant in Trondheim. This is a turnkey

contract worth NOK 137 million. The plant will be completed by September 2006.

PRIORITY DEVELOPMENT MEASURES

The company's internal improvement and development process, "We at Veidekke", was extended in 2004 to include all entities and districts in the company. So far, the improvement process has been effective and it will be continued in its present form until an evaluation is made in the second half of 2005. "We at Veidekke" focuses on involvement and internal teamwork between management and employees, customer orientation and productivity development. These are important elements of the development work, in addition to continued focus on health, safety and environment (HSE) and external environment.

A separate strategy has been evolved for production by the company's own employees in the core trades carpentry, concrete, masonry and road. The aim of this strategy is to ensure quality in the work in the projects, while also ensuring long-term skills development and recruitment.

Veidekke's share of turnkey contracts and negotiated contracts is large. Special attention will therefore be paid to skills development in the field of project and design development and management and to continuing the work on network groups that have been established within these disciplines.

FINANCIAL RESULTS

Veidekke Entreprenør had a good year in 2004, with improved profits and an increase in turnover compared with 2003. In 2004, the company's turnover was NOK 6,624 million as against NOK 5,786 million in 2003. Pre-tax profit was NOK 265.6 million compared with NOK 178.5 million in 2003, which give a profit margin of 4.0 per cent (3.1 per cent).

The company's long-term-goal in health, safety and environment is an injury-free Veidekke and a sickness absence rate that is lower than 5. Veidekke Entreprenør achieved yet another year with a fall in the number of lost-time injuries and the injury rate, i.e. number of injuries per million hours worked, fell from 9.0 in 2003 to 6.3 in 2004. The sickness absence rate was also encouraging, falling from 9.5 per cent in 2003 to 7.4 per cent in 2004.

MARKET OUTLOOK

At the end of the year, orders-on-hand totalled NOK 5,843 million compared with NOK 5,384 million a year earlier, which is an increase of nine per cent.

There is growth in the Norwegian economy and the prospects in the building and construction market are good. A continuing low interest rate and higher take-home pay are helping to keep up the level of building activity. Somewhat stronger municipal finances will probably also help to boost building activity. Public projects, for example in the health and social affairs sector and in sport and leisure, will also push the level of activity up slightly.

The commencement of dwellings is high. About 30,000 dwellings were started on in 2004. However, the number of dwellings commenced on is expected to fall somewhat in 2005. The commercial and non-residential market is expected to increase a bit compared with 2004.

Activity in the heavy construction sector is expected to grow somewhat in 2005. Certain major infrastructure projects, both road and railway, and more activity



in hydropower development and industrial projects, are some of the most important reasons for the anticipated improvement in the market.

Operations in Denmark

- New management group in place.
- Reorganisation and strengthening of operations in Jylland
- Focus on organisational development, based on the employees' expertise and skills
- Consolidated its position as the "solution-oriented" partner

The Veidekke Group's construction operations in Denmark are looked after by Hoffmann A/S. This company had many contracts in non-residential building, residential building and heavy construction, and operation and maintenance in 2004.

In 2004, Hoffmann's activities in Sjælland developed as anticipated, while its results for Jylland/Fyn did not fulfil expectations. This was due to a steep fall in turnover because the decline in the market and two loss-giving projects. However, the company showed considerable progress in the second half of the year following extensive improvements and organisational adjustments.

The management's goal for the future is to make Hoffmann into a more profitable contracting company. The focus is on earnings rather than volume, implementation of control systems and risk management.

THE MARKET

The downward trend in the Danish building and construction market these past two years was reversed in the course of 2004. More house-building, especially in Greater Copenhagen, and a somewhat stronger heavy construction market helped to bring this about. The market for non-residential building remained weak throughout 2004. The turnaround in the Danish building and construction market is expected to contribute to growth in total building and construction investment in 2005.



OPERATIONS IN 2004

Hoffmann's activities in 2004 were characterised by many significant contracts for commercial buildings and housing. The company also had several major construction contracts.

Hoffmann's largest non-residential contract is the extension of Rødovre Centrum shopping centre, where the contract price is about NOK 500 million. This is being carried out as a partnering agreement to the benefit of all parties. Another major contract is the extension of A.P. Møller's head office by 30,000 sq.m.

Other partnering contracts include the building of a new sports and culture centre at Nørrebro, a factory which will supply the Royal Theatre with scenery and costumes and, not least, a very exciting extension of Ordrup School where the users will be allowed to influence the design.

On the housing market, Hoffmann has developed a large residential area, Ny Tøjhus, in Copenhagen. Here, the company is building 300 dwellings. In Jylland, it has two new contracts for the rehabilitation of altogether 1,200 dwellings in Branand and Kolding. The island of Amager is undergoing tremendous development. Within a limited area, Hoffmann has several building contracts. It is in the process of developing an extension of the Metro to the airport, building 120 condominiums and owner-tenant dwellings and constructing Amager Strandpark, which is a 34-hectare island with 4.8 kilometres of beaches. Other large construction projects include the extension of a highway, Motorring 3. This project is being carried out as a joint venture with E. Pihl & Sønn. Several of the company's large construction contracts are being carried out in partnership with Veidekke Entreprenør in

Norway, thus achieving positive synergies and working relationships across the Group.

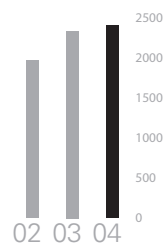
At the end of the year, Hoffmann's orders-on-hand stood at NOK 2 107 million, compared with NOK 1,832 million a year earlier.

FINANCIAL RESULTS

Turnover for 2004 was NOK 2,415 million compared with NOK 2,346 million in 2003. The financial result for Hoffmann's Danish operations was NOK 6,7 million before deductions for owner expenses of NOK 18,0 million. This gives a pre-tax loss of NOK 11.3 million. In 2003, the company achieved a profit before tax of NOK 19.3 million.

MARKET OUTLOOK

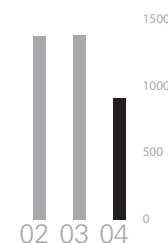
The outlook for the building and construction market in Denmark is good for 2005. The housing market is expected to continue to boost activity and a number of major heavy construction projects should provide a basis for a better market. The prospects for non-residential building are uncertain, but the commencement of more buildings for cultural purposes, institutional



TURNOVER NOK MILLION
(Denmark)



% SHARE OF GROUP'S
TOTAL TURNOVER (Denmark)



NUMBER OF EMPLOYEES
(Denmark)

buildings and recreational buildings should help to increase activity in 2005.

About 40 per cent of Hoffmann's operations are carried out as partnering contracts. Hoffmann has focused on building up expertise in this area and will extend its partnering training to include external participants in 2005.

Hoffmann has developed a clear, flat form of organisation to suit its decentralised structure and this has been well received both by employees and by cus-



tomers and partners. It attaches importance to retaining this form of organisation, which distinguishes it from many other Danish contractors.

Hoffmann is regarded today as the solution-oriented partner with substantial expertise. Its position in the Danish building market will become even more visible as a result of its many prominent ongoing building contracts. It will therefore continue to strive to be the contracting company which puts the focus on the customer and what the customer needs.

Operations in Sweden

- Vecon in Gothenburg posted good profits
- Positive development in Skåne after restructuring
- Weak result in Stockholm after write-down of major project
- Restructuring of organisation initiated in Stockholm

Veidekke Entreprenad consists of Veidekke Construction AB (Vecon) in Gothenburg, Veidekke Skåne AB and Veidekke Stockholm AB. These companies are run as independent local companies in their respective market areas, with some coordination in certain fields. Steps have been taken to increase this coordination and make more use of synergies between the companies.

For several years Veidekke has been building up considerable activity in the largest growth regions in the Swedish building and construction market and has a turnover of about NOK 1.2 bn for these operations. This investment has required substantial resources, possibly more than anticipated. We believe that we now have a firm footing in Sweden and the investment is moderate seen in relation to the market potential and development possibilities. In the years to come, we will focus on building up a quality organisation to the benefit of our customers.

THE MARKET

In 2004 the market in Sweden was characterised by a steep rise in housing investment, which increased by as much as 30 per cent. Non-residential building and heavy construction, on the other hand, showed a slight downward trend. A total of 27,000 dwellings

were started. The growth in house-building was seen in the growth regions of Stockholm, Skåne and western Sweden (Gothenburg). The greatest increase was in the building of blocks of flats in housing cooperatives.

The market for private non-residential building remains weak in Sweden. On an average, the number of unoccupied premises in the three growth regions rose from 6 per cent in 2001 to 17 per cent in 2004. There was also a 5 per cent fall in investment in heavy construction in the course of the first three quarters in 2004, while the fourth quarter showed a tendency towards improvement in activity, which is expected to continue into 2005.

OPERATIONS IN 2004

Vecon

Veidekke Construction AB (Vecon) is owned jointly by Veidekke (68 per cent) and the employees (32 per cent). Based in Gothenburg, this company operates throughout the west of Sweden where it is involved in building and heavy construction.

Vecon continued to deliver good profits in 2004. Investment in building and construction has remained virtually unchanged in recent years and a number of infrastructure projects have been postponed. Nonetheless, Vecon was able to maintain its level of activity. Turnover amounted to NOK 276 million, as against NOK 271 million in 2003. As a result of the market situation, competition has become even keener, particularly in building, and the pre-tax profit for the

company was NOK 11.1 million. In addition to this, Veidekke's construction division in Norway had a turnover of about NOK 21 million from joint ventures with Vecon.



Several major building and construction projects were completed in 2004, including a media centre for Astra Zenica, a business park in Mölnlycke and a quay in the port of Varberg.

Vecon was awarded a number of new projects in 2004 and at the end of the year its order books showed a total of NOK 169 million. No particular growth is expected in the market in West Sweden in 2005, but the company is expected to keep up its good earnings in 2005.

Veidekke Stockholm

Veidekke Stockholm operates in the Stockholm area and in Mälardalen. The company will be split into two entities in 2005 and heavy construction and building operations will be managed separately in their own

companies. The central and northern regions will also be market areas for major heavy construction projects.

Veidekke Stockholm increased its turnover to NOK 649 million in 2004 from NOK 610 million in 2003. The company showed a stable profit trend for the first three quarters, but at the end of the fourth quarter it became clear that it had not had satisfactory control of the Botnia Line railway project. After a thorough review, the anticipated profit for the project was written down by NOK 28 million. There are several contributing factors here, including incorrect costing and a subcontractor's withdrawal from the project without notice, which delayed progress and affected cost control. The workforce has also been reorganised and changes have been made in the company management. An allocation of NOK 5 million has been set aside for these changes. Before taxation, this gave a loss for 2004 of NOK 34.5 million as against a loss of NOK 6.0 million in 2003.

The major construction projects in Uppsala, the new E4 highway which is being built in cooperation with the Swedish Road Administration and the waste incin-

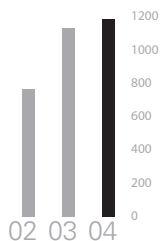
eration plant for Vattenfall, are progressing as planned. The waste incineration plant is due for completion in the second quarter of 2005.

Veidekke Stockholm had orders-on-hand totalling NOK 653 million at the end of the year, compared with NOK 600 million in 2003. In addition to the Botnia Line, major orders in 2004 include housing projects such as the Gångeren quarter for Riksbyggen and the Snickeriet Quarter. The company also received many small and medium-sized orders. In Stockholm, top priority will be given in 2005 to implementing the structural changes and building up a quality organisation as well as completing the Botnia Line project within the adopted framework.

Veidekke Skåne

Veidekke Skåne's market territory is the Skåne region and it operates in the building and construction market and in project development.

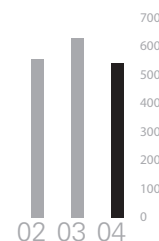
The restructuring measures that were announced in 2003 have been carried out and the company in Skåne is now only active within Veidekke's core business area. In addition to the structural changes, emphasis



TURNOVER NOK MILLION
(Sweden)



% SHARE OF GROUP'S
TOTAL TURNOVER (Sweden)



NUMBER OF EMPLOYEES
(Sweden)

was given in 2004 to organisational development, to the establishment of systems and routines and to the recruitment of skilled personnel.

The total turnover for 2004 was NOK 256 million, while the corresponding figure for core business areas in 2003 was NOK 136 million. One of Veidekke's competitors went into liquidation in 2003 and Veidekke took over a number of key employees and contracts from this company. This has also contributed to the substantial growth in turnover. Furthermore, project development, in close cooperation with Veidekke Bostad AB, also made a positive contribution.



Orders-on-hand stood at NOK 222 million, as against NOK 35 million in 2003. Major contracts signed in 2004 include a bus station in Helsingborg for Skånevärden, several contracts for Hyreshem in Malmö and the Strandängen residential quarter.

This healthy order situation provides a good basis for 2005. Focus will be on further development of the organisation, development of personnel and profitability in the projects.

FINANCIAL RESULTS

Total turnover for Veidekke Entreprenad in 2004 was NOK 1,187 million, compared with NOK 1,114 million in 2003. The result before tax was weakened by write-downs relating to the Botnia Line project and allocations for organisational changes in Veidekke Stockholm AB and ended up with a loss of NOK 33.6 million, as against a loss of NOK 54.0 million in 2003.

MARKET OUTLOOK

After several years of stable activity, an improvement is expected in the economic situation, which will also help to boost the building and construction market. The greatest increase will probably be seen in house-building in the growth regions in Sweden. Here, Veidekke Entreprenad is well positioned with several projects in 2005 in partnership with Veidekke Bostad. Moreover, the heavy construction market shows signs of increasing activity thanks to a number of major infrastructure projects which are scheduled to start in 2005. The level of non-residential building is expected to remain low.

Lyxviken, Stockholm
48 apartments
Sweden

Property Development

Veidekke's property development division is present in all three Scandinavian countries.

- Record-high number of dwellings under construction
- Good sales throughout the year
- Success with Startbo flats for young homeowners
- Sjølyst project in Oslo taking form at record speed
- Hoffmann Ejendomme in Denmark started first project
- Veidekke Bostad in Sweden developing as planned

The property division's activities include housing development for Veidekke's own account in Norway, Sweden and Denmark and non-residential building and special-purpose building for public enterprises.

The Division delivered good results in 2004. Since the summer of 2003, sales of dwellings have developed well, which gave a high level of activity throughout the year. Profit was therefore more than doubled compared with 2003 and ended up at NOK 102.4 million (NOK 46.1 million).

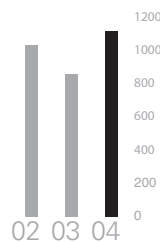
In Norway in particular, there has been a considerable increase in the number of dwellings under construction. At the end of the year, Veidekke was involved in 21 projects totalling about 1,900 dwellings. This is a record for the company. In 2003, we had 628 dwellings under construction. The sales rate is also very high and only 250 dwellings have not been sold.

Operations in Sweden progressed as anticipated, thus increasing their contribution to earnings. At the end of the year, 194 dwellings were under construction. Of these, 157 are in Stockholm and 37 are in Skåne. The

organisation in Sweden is now being systematically built up in order to handle a substantially larger volume. Veidekke Bostad is currently processing than 2,000 dwellings and we expect a noticeable rise in the number under construction from the end of 2005.

In Denmark, we started our first project of 21 dwellings. We are in the process of building up property activities in Denmark and the focus is therefore on recruitment of capable personnel and purchase of suitable development sites.

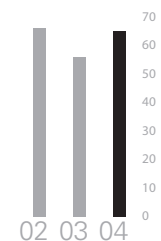
Future prospects are mixed. In Norway, we must expect a reaction to the record-high house-building in 2004. Supply will probably have to be adjusted downward to suit demand. This will put pressure on prices. In Sweden prices are expected to remain stable, while in Denmark we still believe prices will increase.



TURNOVER NOK MILLION



% SHARE OF GROUP'S
TOTAL TURNOVER



NUMBER OF EMPLOYEES

Bakkeveien, Oslo
33 apartments
Norway



Sneppevej, Næstved
48 dwellings for the elderly
Denmark



Startbo, Trondheim
Dwellings designed for
younger people
Norway



THE MARKET

Norway

The housing market in Norway remained good throughout 2004. Interest in small flats was particularly keen. Since the interest rate is low, the cost of owning will generally be lower than renting. This has led many first-time owners to purchases rather than rent, and demand for small, centrally located flat has been high. The demand for larger, slightly more expensive flats has been fairly normal.

As a result of the good market, a record-high number of projects have been put on the market. In Norway, the total of new dwellings in 2004 was approximately 30,000 whereas it was 23,000 in 2003. In Oslo in particular, the number of new projects soared to about 6,000 in 2004 compared with about 2,200 in 2003.

This boom in house-building along with the rising level of other building activity has pushed production costs up. We believe this will continue. Our only answer to this challenge will be to intensify our focus on productivity and rational solutions in cooperation with Veidekke Entreprenør.

The number of new projects that are ready for commencement in 2005 and 2006 is large. It will therefore be possible to start building far more dwellings that there is a demand for. We believe that this will lead to a cooling down of the market towards the end of the year or next year and that prices will level off. Prognoses indicate that the interest rate will begin to rise at the same time. This will not be favourable, but we do not think that a moderate rise in the interest rate will have a significant effect the demand for housing.

Sweden

The housing market in Sweden was also good in 2004. Prices in Stockholm remained relatively stable, while there was a steady uptrend in Malmö. We believe that the market in the regions where we operate will remain stable and positive. Here, too, the supply side is the greatest element of uncertainty. Most operators now seem to have a number of projects ready for sale and commencement. This may put pressure on prices and increase competition.

Denmark

In Denmark, house prices rose throughout 2004 and we are anticipating moderate growth. We are still in the initial phases and our main focus is on acquiring

good sites for development and building up our organisation. Hoffmann Ejendomme is concentrating on smaller projects in the areas where a stable demand for owner-occupied flats is expected.

OPERATIONS IN 2004

Operations in Norway

House-building has now reached record heights. At the end of the year, Veidekke had 1,900 (628) dwellings under construction in projects we own either wholly or partially. Of these, 1,660 were commenced in 2004. The sales rate is good. Of the dwellings under construction, only 250 have not been sold. Exposure to risk is therefore low.

At the beginning of 2005, we had 21 ongoing projects. Many of these were relatively large. The new projects that are due to go into production in 2005 will on the whole be smaller, so that even with a larger number of projects, the level of activity will not rise.

In the course of the year we have started up three Startbo projects: one in Oslo, one in Bergen and one in Stavanger. These flats are intended especially for younger people. One of the conditions of purchase is an upper age limit of 35. Most of the flats have a

separate unit that can be rented out. The purchasers have the option of using 60 square metres themselves and renting out 20, or using all 80 square metres themselves. Startbo now has a total of 448 flats under construction.

Our largest project is Sjølyststranda at Skøyen in Oslo, which we are carrying out in partnership with OBOS. Four building phases totalling 358 flats are underway. Of these, 316 have been sold. We have a further two building phases left, with about 170 flats. The next building phase will be offered for sale in the second quarter 2005. The first two building phases will then be ready for occupation.



The market for offices and warehouses is still weak and we do not anticipate any improvement on the short term. We therefore have few projects in this segment. The only project we have under construction that is not residential is Røa School in Oslo. This is a primary school which is on lease to the City of Oslo for 25 years and which will then be handed over free of charge to the lessees.

Veidekke Bostad AB

Operations in Sweden are being built up. Most of them are concentrated in the Stockholm region, but the first projects in Skåne are also underway. At the same time, work is being done systematically and actively to acquire sufficient development sites to allow us to reach a development rate of 500 to 700 dwellings per year.

The anticipated rise in the level of activity requires an expansion of our organisation as regards both expertise and number of employees. In the course of the year, efforts were therefore made to recruit a number of new employees, while strengthening the organisation by means of in-house development programmes. This work will continue in 2005.

Veidekke Bostad had 194 dwellings under construction at the end of the year. Of these 50 were unsold and the sales rate is therefore good. The company now has a number of projects which will be ready for marketing and sale in the second and third quarters 2005. We therefore expect to have a considerable increase in the number of dwellings under construction towards the end of the year.

Veidekke Bostad continued in 2004 to follow the strategy laid down when the company was purchased. Through systematic efforts and good, capable leadership, we have improved our profits from year to year and we see now that the company will reach a volume and level of earnings that will make it one of the largest property developers on the Swedish market.

Hoffmann Ejendomme A/S

This company had its first year in operation in 2004. As yet, the staff consists of only three people who are involved in property development. The company shares offices with Hoffmann's contracting company, which also provides staff and support functions.

The company's first housing project, 21 dwellings at Ny Tøjhus in Copenhagen, was commenced in September. In December, advance sales were started for another project totalling 45 dwellings in Kolding, where building is scheduled to commence in the first half of 2005.

Work is also being done on a number of projects in Copenhagen and in other cities where Hoffmann is active. We need approval of local plans before we can start building, but expect to be able to put several projects on the market in the course of 2005.

In the course of 2004, an office property, Verksmestergården, in Århus was sold to ATP Ejendomme. This sale gave a modest gain, but sufficient to cover operating expenses for the activity in 2004. The sale released about NOK 80 million in liquid assets.

FINANCIAL RESULTS

Veidekke's property development operations had a total turnover for 2004 of NOK 1,115 million (NOK 856 million). The level of activity was higher than indicated by the increase in turnover, because much of the increase was in the activities of associated companies. Pre-tax profit was NOK 102.4 million (NOK 46.1 million). The company's financial result includes a profit of NOK 34.1 million from associated companies. This figure is after tax.

These results far exceed the expectations we had at the beginning of the year and can be ascribed to a very good housing market and thus a level of activity that was higher than anticipated. The figures for Sweden also show a continuing upward trend.

MARKET OUTLOOK

The prospects for 2005 are bright. We have a high sales rate in ongoing projects and we have a number of projects that ready for sale. The market has held up well until now and in general we expect this to last for a while. We anticipate that the sales rate for smaller dwellings will return to normal in the course of the next few months.

In the longer term, we expect a far tougher market in Norway. We will see a reaction because supply will be greater than demand for a while.

Few projects are started without substantial advance sales. For this reason, we do not on the whole have disquietingly many unsold dwellings under construction. We therefore believe that the challenge one year from now will be to sell enough dwellings to be able to start the projects.

Expenses have risen more than prices these past years and margins are under pressure. We do not think that the prices of new dwellings will fall significantly on the long term. Adjustments will be made in the market on the supply side and not through significantly lower prices. There is no room for the latter.

We believe that the market in Sweden will become more stable, with the same or slightly rising prices. Growth in our activities will therefore in the first instance be seen here.



In Denmark, we think the prices will continue to rise more quickly than the inflation rate. We therefore wish to utilise this period of a good, stable market by building up a company which will be able in the course of a few years to make a larger and larger contribution to our earnings.

PROJECTS UNDER CONSTRUCTION

NORWAY

Sjølyststranda, Oslo
ca. 580 dwellings, ownership share 50%, partner OBOS

Rosenborg area, Trondheim
ca. 400 dwellings, ownership share 35%, partner Heimdalgruppen

Baglerbyen, Oslo
ca. 280 dwellings, ownership share 100%

Startbo, Carl Berner, Oslo
237 dwellings, ownership share 100%

Åstad, Asker
ca. 170 dwellings, ownership share 100%

Lade Entre, Trondheim
126 dwellings, ownership share 50%, partner Roger Eide

SWEDEN

Flanören, Stockholm.
106 flats

Furulund, Kävlinge.
76 flats/small detached houses

Lustigknopp, Salem
42 small detached houses

Saltsjöbaden, Stockholm
9 flats

DENMARK

Ny Tøjhus, Copenhagen
21 dwellings

Industry Division

Operation and maintenance of public roads is a new important business segment.

- The asphalt market showed a marked improvement and Kolo Veidekke retained its market share
- Kolo Veidekke was awarded four new contracts for operation and maintenance of the public road network and now has twelve contracts giving it the operating responsibility for about 12 per cent of Norway's national and county roads
- Recycling operations are characterised by continued consolidation and development of the organisation
- Veidekke's investment in Ramirent was halved in December 2004 and the remaining shares were sold in January 2005

This division covers two business areas: Asphalt/aggregates (Kolo Veidekke a.s) and Recycling (Veidekke Gjenvinning). Veidekke's investments in Ramirent Oyj (plant hire) and NSS Group Oy (weather protection) also fell under this division in 2004.

Industry achieved a total turnover for 2004 of NOK 1,899 million and a pre-tax profit of NOK 61 million.

OPERATIONS IN 2004

Kolo Veidekke

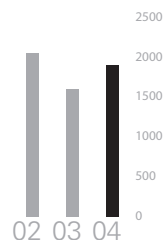
Asphalt/aggregate operations are managed by Kolo Veidekke a.s. At 31 December 2004, Veidekke owned 80 per cent of this company and the remaining 20 per cent were owned by the Lorck family. Veidekke has reached an agreement with the Lorck family to pur-

chase their shares with accounting effect from 1 January 2005. Kolo Veidekke will then become a wholly-owned Veidekke company.

Kolo Veidekke has three business areas: asphalt, crushed stone and gravel, and the operation and maintenance of public roads.

Asphalt

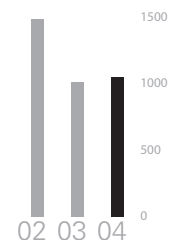
Asphalt operations stood for about 75 per cent of Kolo Veidekke's total turnover. These operations consist of 30 asphalt plants in different parts of Norway. In 2004, the asphalt market showed a continued rise in total production volume. This was due first and foremost to an increase in demand from the public sector. Kolo Veidekke retained its market share of approximately 30 per cent.



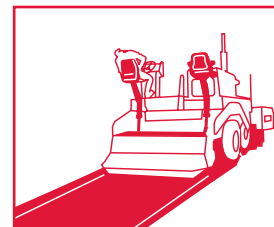
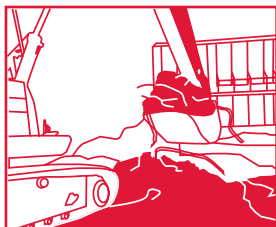
TURNOVER NOK MILLION



% SHARE OF GROUP'S
TOTAL TURNOVER



NUMBER OF EMPLOYEES



Aggregates

The aggregates produced by Kolo Veidekke are crushed stone and gravel, which represented about 15 per cent of Kolo Veidekke's total turnover in 2004. Kolo Veidekke has 25 crushed stone plants, which are spread all over the country.

Total turnover in this segment derives from domestic sales of crushed stone (80 per cent) and export sales of stone materials to Europe (20 per cent). Total production volume was approximately 4.2 million tonnes in 2004, which is on a par with 2003. About two thirds of the total crushed stone and gravel produced in Norway is produced by the ten largest companies, while the remainder is produced by a large number of smaller companies. Crushed stone and gravel are mainly used for the development of the infrastructure and for general building and construction operations. The largest single users are asphalt and concrete producers.

Extraction agreements and ownership give Kolo Veidekke access to total reserves of about 130 million tonnes of gravel and crushed stone.

Operation and maintenance

Operation and maintenance of public roads has been a separate business segment for Kolo Veidekke since 2003. This segment brought in about 10 per cent of Kolo Veidekke's total turnover in 2004.



As a result of the changes in the organisation of the Public Roads Administration, all operation and maintenance of national and county roads will be contracted out over a four-year period from 2003 to 2006. This has become a new market segment for the private contractors and further growth is expected in the years ahead through the fixed programme of tender invitations for the different stretches of road.

In 2004, Kolo Veidekke was awarded a further four contracts for four years by the Public Roads Administration, bringing the total up to twelve contracts with an annual production value of around NOK 160 million.

Veidekke Gjenvinning

Recycling is the responsibility of Veidekke Gjenvinning as and its subsidiaries. Recycling covers two business segments: industrial waste and building and demolition waste.

Industrial waste

This segment includes the collection, transport and segregation of mixed waste and the development and manufacture of end products such as biofuels, recycled concrete, textile waste, etc.

Industrial waste showed a turnover for 2004 of about NOK 231 million (NOK 218 million), corresponding to 61 per cent of total turnover for Veidekke Gjenvinning. Operations are based mainly in Oslo, Fredrikstad, Vestfold/Buskerud and Rogaland. The market is closely linked with developments in the building and construction sector. Veidekke Gjenvinning's activities have

been characterised by continued consolidation and development of the organisation.

A favourable trend is expected in the building and construction market in 2005, but competition for waste volumes is also expected to be keen. In order to expand its customer base and market coverage, Veidekke Gjenvinning will concentrate more on obtaining waste from the commercial sector.

Building and demolition waste

These operations involve demolition and plant contracting through Veidekke's subsidiary, Dokken as, and the reception and processing of heavy building waste and recycling of concrete through associated operations in Oslo and Stockholm.

Turnover for building waste and demolition amounted to NOK 149 million (NOK 127 million), which corresponds to 39 per cent of Veidekke Gjenvinning's total turnover. Veidekke Gjenvinning has demolition projects all over Norway, but the bulk of its activity is in the central regions of Eastern Norway. The demolition crew were, for example, involved in Veidekke's project at Sjølyststranda and the new opera house in Oslo. Competition is expected to remain keen in these markets.

Investments

Veidekke's investments in the two Finnish companies, Ramirent Oyj and NSS Oy, fall under the Industry Division. About half the shares in Ramirent were sold

in November 2004 and the remainder were sold in January 2005. Veidekke has therefore terminated its involvement in plant hire, which was established in 1997 through its ownership of Bautas.



Veidekke holds around 30 per cent of the shares in NSS Group Oy, which is the largest company in Scandinavia in the field of tarpaulin hire and hire and sales of shelters and marquees. This company had a turnover for 2004 of about EUR 47 million, but reported unsatisfactory earnings as a result of a weak market and organisational problems.

FINANCIAL RESULTS

The Industry Division showed a total turnover for 2004 of NOK 1,899 million and a pre-tax profit of NOK 61 million. The corresponding figures for 2003 were NOK 1,594 million and NOK 32.6 million respectively.

Kolo Veidekke achieved a total turnover for 2004 of NOK 1,519 million (NOK 1,263 million), while Veidekke Gjenvinning had turnover of NOK 380 million (NOK 330 million).

Largest Ongoing Construction Projects

Project	Customer	Type of contract	Expected turnover NOK million	Remaining turnover NOK million	Completion date
NORWAY					
PPP Project E39 Lyngdal – Flekkefjord, 70 %, Road construction	Allfarveg AS	Turnkey contract	827	592	September 2006
Opera, K212+K213+K221, Oslo	Norwegian Directorate of Public Construction and Property	Main contract	563	295	December 2006
New opera house					
Øvre Otta	Opplandskraft	Main contract	379	42	September 2006
Power plant	DA/Tafjord Kraftproduksjon AS				
Norwegian Defence administration building	Norwegian Defence Estates Agency	Turnkey contract	266	260	June 2006
Office building	City of Oslo,				
T-Baneringen B5	Road and Transport Authority	Main contract	257	35	March 2005
Metro extension					
Startbo Carl Berner, Oslo	Startbo AS	Turnkey contract	212	117	March 2006
Housing					
Union – Pollenkvartalet, Drammen	Union Eiendomsutvikling AS	Turnkey contract	200	133	June 2006
Housing and non-residential premises					
DENMARK			DKK million	DKK million	
A.P. Møller – Mærsk	AP Møller-Mærsk A/S	Main contract	482	83	April 2005
Extension head office					
Rødovre Centrum	Rødovre Centrum A/S	Partnering	456	149	February 2006
Conversion and extension of shopping centre					
Motoringvej III (50 % share)	Public Roads Administration, Denmark	Main contract	217	217	December 2008
Motor Way					
Bispehaven, Brabrand	Boligselskapet Præstehaven	Main contract	183	182	October 2006
Housing - renovation					
Østamagerbanen 50 % share*	Ørestadsselskabet I/S	Turnkey contract	139	80	July 2007
Metro 3rd stage					
Amager Strandpark/Boskalis	Amager Strandpark I/S	Main contract	117	83	July 2005
Park and bathing facility					
SWEDEN			SEK million	SEK million	
E4 Uppsala-Läby – 50 % share *	Swedish Public Roads Administration	Main contract	375	183	November 2007
Motorway					
Brännugnen, Uppsala	Von Roll (Vattenfall)	Part contract	236	15	April 2005
Waste incineration plant					
Kvarteret Snickeriet 1, Stockholm	Svenska Bostäder	Main contract	225	216	December 2006
Housing					
Botniabanan E441,	Botniabanan AB	Main contract	195	137	November 2005
Railway development					
BUP, Stockholm	Locum Fastigheter	Main contract	108	17	April 2005
Housing					
Tappströmsskolan, Stockholm	Tomteberga Huse Fastigheter	Main contract	92	15	April 2005
School					

* Carried out in joint venture with the Norwegian construction operations

The Corporate Management Team

Terje R. Venold (54)

President and CEO
MBA, BI Norwegian School of Management
Employed by Veidekke since 1981,
President and CEO since 1989
Number of shares in Veidekke: 79,373
(incl. shares held by closely related persons and companies)



Dag Andresen (43)

Senior Vice President and Managing Director of Veidekke Entreprenør AS
MBA, BI Norwegian School of Management
Employed by Veidekke since 1986
Number of shares in Veidekke: 48,005



Torben Bjørk Nielsen (45)

Senior 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: 7,250

Leif Johansen (60)

Senior Vice President and Managing Director of Veidekke Eiendom AS
Chartered engineer, Norwegian Institute of Technology, Trondheim
Employed by Veidekke since 1995
Number of shares in Veidekke: 50,825



Eigil Flaathen (60)

Senior Vice President, Industry Division
BSc Civ.Eng., University of Washington, USA
Employed by Veidekke since 1977
Number of shares in Veidekke: 59,170

Arne Giske (48)

Senior Vice President, CFO
MBA, BI Norwegian School of Management MBA, University of Wisconsin
Employed by Veidekke since 2001
Number of shares in Veidekke: 23,600

Mads Mared (60)

Board chairman of Veidekke Entreprenør AS
Chartered engineer, Royal Institute of Technology (KTH), Stockholm
Employed by Veidekke since 2004
Number of shares in Veidekke: 7,250



Kai Krüger Henriksen (53)

Senior Vice President, Communication
Master of Business and Marketing
Employed by Veidekke since 1988
Number of shares in Veidekke: 20,812

Torkel Backelin (61)

Senior Vice President, Human Resources/Strategy
MBA, Stockholm School of Economics
Employed by Veidekke since 1989
Number of shares in Veidekke: 80,979

Corporate Governance

Part of Veidekke's core competence is the ability to plan, structure, implement and evaluate construction processes. Efficient governance is one of the company's primary critical factors of success and an integrated part of business management. With almost a thousand ongoing projects at any time, the company requires systematic reporting from each project to each division and from there to the corporate management and board of directors. Reports are submitted ten times a year and cover both financial and non-financial parameters, in which the focus is on profitability and risk associated with each project and follow-up of injuries and absence.

The Group is governed by clear financial objectives, which include a return on equity of approximately 15 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 monitors the overall portfolio of projects to ensure an acceptable level of risk exposure and a sound basis for profitability. Orders-on-hand are a regular item on the agenda at meetings of the divisional management, group 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.

The planning wheel forms the core of Veidekke'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.

Veidekke has a management system for site managers, which provides clear guidelines for how projects are to be carried out with reference to quality, progress, cost-effectiveness, health, safety and environment. This tool plays an important part in ensuring a uniformly high standard in the execution of projects.

Annual General Meeting	The Annual General Meeting is held in April/May. Notice and documents are sent out no later 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 Meeting.
Board of Directors	<p>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.</p> <p>See "Shareholder Information" for existing authorisations.</p>

Work of the Board of Directors	<p>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 operations.</p> <p>Nine ordinary Board meetings are held each year. Two of the meetings are held in Sweden or Denmark and two of the meetings are combined with an inspection of a regional or branch office and a visit to a project.</p> <p>The work of the Board is laid down in special instructions. It carries out annual evaluations of its own work and competence. The result is submitted to the company's electoral committee.</p>
Electoral committee	<p>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. In view of Veidekke's considerable activity in Scandinavia, it is essential that all three countries are represented in the management and governing bodies. The electoral committee will be included in the articles of association by resolution of the AGM in 2005.</p>
Board of Directors' Compensation Committee	<p>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.</p>
Board of Directors' Audit Committee	<p>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.</p>
Remuneration to Board members	<p>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. Several of the Board members hold shares in Veidekke. Readers are referred to Note 19 to the Accounts.</p>
Remuneration to senior employees	<p>Remuneration to senior employees is dealt with in Note 29 to the Accounts.</p>
Equal treatment of shareholders	<p>It is the company's policy to treat all shareholders alike. OBOS 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.</p> <p>A large number of the employees hold shares in the company. The company has strict insider rules and trading restrictions. See "Shareholder Information".</p> <p>Existing shareholders have in principle pre-emptive rights in the event of capital increases.</p>

Employee owners	<p>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 to hold a significant number of shares each in the company.</p> <p>Veidekke works continuously to facilitate greater employee participation. 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 offers.</p>
Capital, yield and dividend	<p>At 31 December 2004, Veidekke had an equity ratio of 27.3 %. This is within the range that is desirable with regard to capital strength, optimum 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 will be tied up in that.</p> <p>It is Veidekke's aim to achieve a return on equity capital of more than 15 % over an economic cycle, but it has been under this target in recent years. In 2004, the return on equity was 17.0 %. Veidekke has implemented a number of measures to strengthen the company's profit margin. These include risk control and capital rationalisation.</p> <p>Veidekke's target is to distribute at least 50 % of the profit for the year to the shareholders in the form of dividends. The company seeks to distribute a stable dividend in NOK over time, subject to a sound financial position and cash flow. A dividend of NOK 6.00 per share is proposed for the accounting year 2004.</p>
Free negotiability and liquidity	<p>Veidekke has one class of shares and there are no marketing restrictions for trading. In 2004, 7.5 million Veidekke shares were traded on the stock exchange and the turnover ratio was 27 %. The company works continuously to maintain satisfactory liquidity in Veidekke shares. This is done primarily through ongoing communication with investors and market.</p>
Communication with the finance market	<p>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".</p>
Work of the auditor	<p>The external auditor attends Board meetings, which deal with the annual accounts. The auditor also regularly attends meetings of the Audit Committee, which review interim audits and the annual audit. Veidekke has guidelines for the scope of additional services provided by the auditors.</p>
Compliance	<p>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.</p>

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

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 17.8 per cent in the form of a higher share price and dividend. Prices on the Oslo Stock Exchange have risen by 9.2 per cent during the same period. The return in 2004 was 80.8 per cent, while the Oslo Stock Exchange rose by 38.4 per cent.

The Board of Directors proposes distributing a dividend of NOK 6.00 per share for 2004. This indicates a pay-out ratio of 70.6 per cent, thereby giving the shareholders a direct return of 5.9 per cent based on the share price at the end of the year. The dividend will be paid on 18 May 2005 to all shareholders who are registered as owners on the date of the Annual General Meeting, 27 April 2005.

Ownership structure

At 31 December 2004, Veidekke had 4,677 shareholders. The company's largest shareholders are OBOS Forretningsbygg (30.4 per cent), Folketrygdfondet (13.5 per cent) and Storebrand Livsforsikring AS (6.8 per cent). All in all, 2,047 employees hold shares in the company and their total ownership share is 15.5 per cent including shares owned by the foundation "Share purchases to Veidekke Employees". The percentage of foreign investors rose in 2004 from 1.6 per cent to 5.9 per cent.

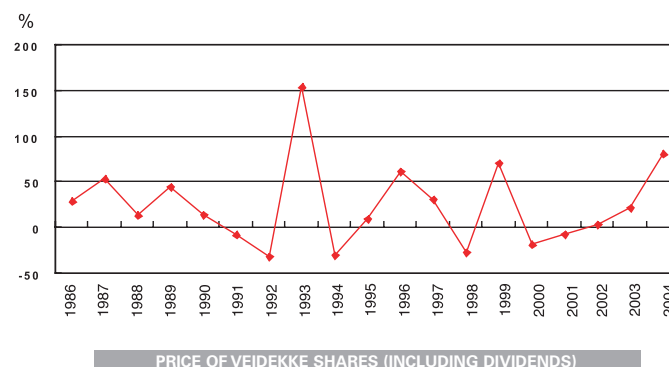
Veidekke's share capital at 31 December was NOK 71,522,385 million, divided into 28,608,954 shares of NOK 2.50 each. The increase in the share capital since the company was listed on the stock exchange is shown in the table on page 46. In November 2004, the company effected issues directed at all employees and at key personnel. About 1,200 employees subscribed for 1,000,000 shares at a price of NOK 66.00.

Largest shareholders at 31 December 2004

Name	Ownership share %
OBOS Forretningsbygg	30.4
Folketrygdfondet	13.5
Storebrand Livsforsikring	6.8
Oslo Pensjonsforsikring	4.6
Odin Norge	3.5
JPMorgan Chase Bank	2.3
MP Pensjon	2.1
Erik Must A/S	1.8
Foundation "Share purchases to Veidekke Employees"	1.2
Space AS	0.9
Firstnordic Fondene	0.8
Vital Forsikring	0.5
UBS AG	0.5
Mellon Bank AS	0.4

Share distribution at 31 Desember 2004

Shareholding	Number of	Number of	
From	To	shareholders	shares
1 -	100	1 180	52 237
101 -	1 000	2 298	922 616
1 001 -	10 000	1 015	3 023 001
10 001 -	100 000	164	4 393 212
100 001 -		20	20 217 888
Total		4 677	28 608 954



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. To date, the Board of Directors has not made use of the authorisation to repurchase shares in the company. The Board of Directors' policy has been to distribute a high dividend to the shareholders. The Board of Directors will ask the Annual General Meeting on 27 April 2005 to renew both authorisations until 31 August 2006.

Inside information

Veidekke has incorporated both current legislation regarding the handling of confidential information and the rules for reporting share transactions in its routines. 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 their 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 normally holds presentations for shareholders, brokers, analysts and the press. The company also maintains regular contact with investors and analysts. Most 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 home page.

The company publishes information in Norwegian and English, and qualifies for the Oslo Stock Exchange's Information Symbol and English Symbol for its high standard of financial information in these languages.



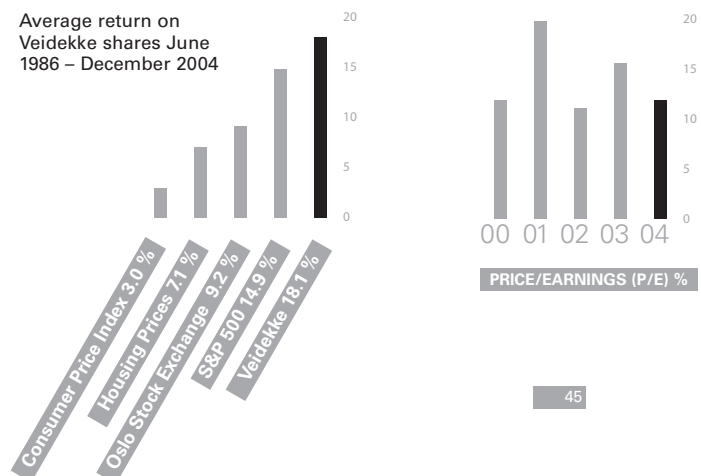
Jørgen G. Michelet
Financial Director and Head of Investor Relations

Up-to-date information about the company can be found on Veidekke's home page. Veidekke endeavours to comply with the requirements set by the Oslo Stock Exchange for this type of information. Quarterly reports, analysts' reports and other important press releases and presentations are made accessible on Veidekke's home page and also published through traditional channels. Two of the quarterly presentations are available via Webcast
Go to: www.veidekke.no

Adjustment of the opening value of shares

Each year an adjustment is made in the opening value of the shares based on the change in Veidekke's retained taxed capital divided by the number of outstanding Veidekke shares. Only Norwegian shareholders have to adjust their cost price by this amount. The adjustment amounts for the last six years are shown in the table overleaf. The amount passes to Norwegian shareholders on 1 January of the following year.

Average return on
Veidekke shares June
1986 – December 2004



Form of issue		Amount paid NOK million	No. of shares after increase (1,000)	Share capital after increase NOK million	Adjustment factor
1986	Dispersion issue, price NOK 11.71	25.3	3 053	30.5	
1986	Issue employees, price NOK 10.54	3.1	3 113	31.1	
1988	Bonus issue 5:1		3 736	37.4	0.833
1989	Merger Hesselberg Vei		4 693	46.9	
1989	Dividend shares	0.5	4 746	47.5	0.998
1990	Merger Folke A. Axelson A/S		4 802	48.0	
1990	Dividend shares	0.6	4 861	48.6	0.999
1991	Merger Stoltz Røthing Haugesund A/S		4 912	49.1	
1991	Merger Aker Entreprenør A/S		5 623	56.2	
1995	Issue employees, price NOK 26.24	8.0	5 698	57.0	
1998	Share split 1:2		11 396	57.0	
2000	Share split 1:2		22 791	57.0	
2000	Rights issue 6:1	191.2	26 590	66.5	0.981
2001	Issue employees, price NOK 42.00	19.0	27 039	67.6	
2002	Issue employees, price NOK 43.00	11.6	27 309	68.3	
2003	Issue employees, price NOK 44.00	13.2	27 609	69.0	
2004	Issue employees, price NOK 66.00	66.0	28 609	71.5	

VEIDEKKE SHARES	2004	2003	2002	2001	2000	1999
Market price 31 December	101.00	58.50	51.00	51.00	57.00	74.50
- high	101.00	58.50	68.50	60.00	74.00	77.50
- low	58.00	40.00	43.00	38.00	53.00	49.50
Earnings per share	8.5	3.75	4.58	2.58	4.79	8.41
Earnings per share (fully watered down)	8.5	3.75	4.58	2.58	4.79	8.41
Market price/earnings (P/E)	11.9	15.6	11.1	19.8	11.9	8.7
Earnings incl. goodwill amortisation per share 1)	10.6	6.8	7.4	5.5	7.5	9.8
Market price/book value per share (P/B)	2.02	1.21	1.12	1.11	1.23	1.74
Dividend per share	6.00	3.50	3.50	2.00	2.00	2.75
Payout ratio (%)	70.6	93.3	76.5	77.5	41.8	32.1
Earnings yield (%)	5.9	6.0	6.9	3.9	3.5	3.7
Outstanding shares (average '000)	27 658	27 321	27 055	26 870	25 199	22 792
Market value at 31 December (NOKm)	2 890	1 615	1 393	1 379	1 516	1 698
No. of shareholders at 31 December	4 677	3 751	3 651	3 737	3 452	3 353
RISK amount (for adjustment of opening value of shares)	1)	-1.42	1.12	0.61	0.40	8.04

1) The RISK amount is determined by the tax authorities. Norwegian shareholders are notified by the Norwegian Central Securities Depository.

ARTICLES OF ASSOCIATION FOR VEIDEKKE ASA

(Effective from 8 December 2004)

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

Two members of the Board jointly or one member of the Board and the President and CEO jointly shall have the right to sign on behalf of the Company.

Article 8

The Annual General Meeting is held 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 9

Unless otherwise provided for in these Articles of Association, the provisions in the Public Limited Companies Act [Norway] shall apply.



HSE and External Environment

Veidekke has chosen to distinguish between the concepts of "HSE" (health, safety and environment) and "external environment" because this gives the company a better focus and because the two concepts refer to different subjects.

HEALTH AND WORKING ENVIRONMENT

It is Veidekke's aim to ensure that employees are not injured at work and that they stay physically and mentally healthy. Job enjoyment should be high and working for Veidekke should be attractive for all occupational groups. Sickness absence among its craftsmen should be under five per cent.

The focus on sickness absence in Veidekke was greater than ever before in 2004. In Norway, managers and employee representatives were given systematic training by Veidekke's occupational health service on:

- Handbook on absence follow-up
- Inclusive workplaces
- Difficult interviews

In 2004, managers were far more insistent about following up employees' sick leave from day one. A good dialogue with a sick employee helps to hasten his or her return to work-related activity with workplace adjustments where necessary. In many cases, employee representatives and safety delegates were also involved in following up sickness absence. Constructive cooperation with the national insurance service's advisors often brought sick employee back to

work with the help of NIS grants for workplace adjustment and support for assistive aids, courses and training.

Employees on long-term sick leave were followed up closely and actively by the occupational health service, which also made extensive use of the right to choose another hospital in order to avoid unnecessary waiting in the health service. This brought employees back to work more quickly and helped to bring about a welcome and noticeable decline in both short-term and long-term sickness absence. The sickness absence rate for Veidekke's employees in Norway was 4.9 per cent in 2004 as against 6.3 per cent in 2003. Musculo-skeletal problems were the reason for half of the sickness absence.

Sickness absence craftsmen	2004	2003
Norway	6.4 %	8.4 %
Denmark	3.8 %	4.4 %
Sweden	4.4 %	5.1 %

Job enjoyment and a well-organised work environment are highly appreciated at Veidekke. In an occupational health survey in Norway in 2004, the employees gave an average of 5.4 on a scale of 0 (low job satisfaction) to 7 (high job satisfaction). The three main reasons for why they enjoyed their jobs were:

- Capable and pleasant colleagues
- Exciting and varied job content
- Good, safe working environment

Suggestions for improvements are mainly directed at better planning and facilitation of work and better manager focus and follow-up of the work. It also follows from the survey that we have fewer smokers

among employees now. 35 per cent replied that they smoke daily, compared with 43 per cent only two years ago. This should contribute to less sickness absence in the future, since tobacco-related disease will be reduced.

BETTER SAFETY AT WORK

The number of injuries suffered by employees in Veidekke's divisions fell again in 2004. This applies to minor injuries, which only require simple medical treatment or consultation, and more serious injuries, which require sick leave. The injury rate (number of lost-time injuries per million hours worked) was 5.2 in Norway in 2004, as against 6.9 in 2003. The secondary injury rate, which also includes injuries at work, which do not result in absence, was 14.1 in 2004 compared with 16.1 in 2003.

With an injury rate of about 5, Veidekke has achieved an important short-term goal in its HSE programme. When the vision of an injury-free Veidekke was launched in 1999, Veidekke had an injury rate of 12. Our target of 5 was regarded as very ambitious goal in our industry. In 2004, we achieved it after several years of continuous effort.

The injury frequency is higher in Sweden and Denmark. This is probably largely due to the fact that the clients in those countries have less stringent standards for the contracting companies' injury rates than what have gradually become normal in Norway. The injury rate in our Scandinavian operations as a whole was 10.8 in 2004 as against 12.1 in 2003.

Management principles

If we are to achieve our objective of an injury-free Veidekke, a deep and sincere commitment on the part of our managers is essential. In Veidekke, HSE is therefore clearly a line management responsibility. To underline the importance of this, Veidekke introduced in 2004 five management principles for HSE, which all managers in the Group are obliged to follow:

1. HSE is the responsibility of the line management and cannot be bought off
2. All managers must be loyal in word and deed to the Group's HSE goals
3. All managers must be loyal to applicable HSE routines
4. All managers must react when they discover violations of the safety regulations
5. Differences in absence and injury rates are differences in management quality.

Reporting undesirable incidents

We also attach great importance to the reporting of undesirable incidents. These reports play an important part in uncovering circumstances, which can become dangerous for our employees. There is a correlation between the increase in reports of undesirable incidents and the reduction in the number of lost-time injuries.

It is important to be able to reduce risk at the planning stage. Our customers are becoming better and better at drawing up HSE plans. This is a necessary tool to discover the risks involved in the projects. We make a point of carrying out our own risk analyses for projects and operations. Safe job analyses are required for critical work operations.

Improvement processes

We have a good basis for our efforts to reduce absence and the number of injuries in our two ongoing improvement processes, "We at Veidekke" and "On the Road," in Veidekke Entreprenør and Kolo Veidekke respectively. A significant element of these processes is the participation of all the employees. The involvement of managers and employees is vital to the success of our HSE efforts. HSE is always on the agenda in meetings following the improvement processes.

All safety personnel are required by law to attend 40-hour HSE courses. Veidekke has instructors who are approved for such courses and Veidekke holds a number of its own courses every year. These courses are also compulsory for all managers at Veidekke.

Veidekke's HSE prize

The HSE prize was introduced in 1997 as recognition of employees whose systematic, well-planned efforts help to promote a good work environment and reduce injuries and absence. The HSE prize for 2004, which is a statuette made by sculptor Kirsten Kokkin, was awarded to a development and construction project in Denmark, the Ordrup School in Gentofte.

EXTERNAL ENVIRONMENT

Environmental vision

- Veidekke will contribute to sustainable development
- Environmental protection will be integrated into all phases of Veidekke's day-to-day operations.
- Veidekke's active, long-term efforts will turn the company's focus on the environment into a competitive advantage.

Main guidelines

- Veidekke will be responsible and show due care in environmental issues.
- Veidekke will focus on the external environment and the environment for the end user by setting environmental goals and achieving them.
- Veidekke will not only meet the authorities' environmental requirements but will also be at the leading edge in certain selected areas.
- Veidekke will increase its knowledge of the environmental impact of its products and activities.

Challenges

Veidekke belongs to an industry, which generates 40% of all the waste that goes to special landfills and which is responsible for 40% of all energy consumption and 40% of all material consumption. We regard this as a major challenge and wish to be a pioneer in protection of the outdoor environment in this industry.

Veidekke believes that environmental considerations represent a challenge throughout the life of a product. This means minimising emissions to soil, air and water, using environmentally friendly materials, products and processes in production, keeping energy consumption low as well as reducing waste volumes and separating at source in order to ensure that a minimum of waste goes to landfills.

We will protect the environment by increasing our expertise, interaction with the authorities, customers and suppliers and with the help of our environmental management system. The environment is part of our business operations through Veidekke Gjenvinning AS (see page 37).

Energy

Veidekke had an energy consumption in Norway of 250 GWh in 2004. The breakdown into energy sources was 16 per cent gas, 63 per cent oil and 21 per cent electricity.

In Norway, Veidekke has started collecting empirical figures for energy consumption in the building process in Norway. Electricity is the most common source of energy for heating and drying. There are great variations in electricity consumption per square metre of production. In some projects the client covers the cost of electricity.

Energy consumption in Norwegian operations

	2004	2003	2002	2001
Total consumption	250 GWh	218 GWh	203 GWh	236 GWh
- Gas	16 %	10 %	21 %	23 %
- Oil	63 %	65 %	57 %	56 %
- Electricity	21 %	25 %	22 %	21 %

Veidekke is taking part in a project, which focuses on energy consumption during the building phase (OPTI-VATØR – optimum heating and drying in buildings). This is a three-year project under the direction of the Norwegian University of Science and Technology.

Veidekke Property, which manages offices and business properties, is participating in Enova's energy management project for owners of large buildings. The aim is to reduce energy consumption in seven buildings by 15 per cent in the course of two years. Measurements are taken continuously. The project will be concluded in 2006.

Veidekke was a member of the reference group, "Energy Labelling of Houses", commissioned by Enova and the Norwegian State Housing Bank. The work was led by SINTEF. The main project report was available in the middle of November 2004.

Waste

Veidekke's construction operations in Norway make use of waste management plans and final accounting at all large sites. Empirical data for 2004 has been collected from 44 completed projects. Waste accounts list the generated volume of waste, degree of source separation and costs of waste management. In 2004 the waste volume from new buildings was 28 kg per sq.m. Separation at source is increasing from year to year and in 2004 the average rate of source separation for all our projects was 40 per cent. Waste is now being separated at source in all districts. Work is being done to reduce waste volumes and increase the degree of source separation on the building sites.

Generated waste in Norwegian operations

	2004	2003	2002	2001
Generated waste volume	28 kg/m	233 kg/m	225 kg/m ²	27 kg/m ²
Separation at source ratex	40 %	30%	28 %	24 %

Insulation and plastic are two fractions, which weigh very little compared with, say, plasterboard and wood. It is therefore important to have simple, cost-effective routines for the source separation and return of these fractions. In the east of Norway, Veidekke cooperates with manufacturers and waste carriers to bring about a more profitable and efficient return system for mineral wool, which is currently more expensive to segregate than to deliver as mixed waste.

Veidekke has carried out a survey of light sources containing PCBs in the properties it manages. A plan has been drawn up to replace the light sources in question in the course of a three-year period, depending on future plans for the buildings.

Lifestyle costs

Lifecycle costs refer to the total costs throughout the life of the purchase. Costs relating to building, maintenance, operation and demolition are typical elements of an evaluation of lifecycle costs.

"Lifecycle Costs (LCC) for Buildings" is a Nordic project, where the objective is a joint Nordic model and cost specification for LCC and environment. Veidekke was a member of the working group for "Costing Level related to Purpose". This project was initiated by the Directorate of Public Construction and Property, is now completed and a final report has been drawn up.

Veidekke is also a member of a reference group for the design of a Nordic LCC model for houses. This was commissioned by the State Housing Bank and the work is under the leadership of the Institute for Building Research.

Corporate Social Responsibility

As a large company, Veidekke has a duty to show responsibility, consideration and professionalism in every part of its operations, both internally and towards its surroundings.

Veidekke's commitment to social responsibility is rooted in its basic values: professional, honest, enthusiastic and ground-breaking. Social responsibility at Veidekke starts with a conscious relationship with each of our most important target groups: our customers/suppliers, shareholders, employees, the industry and the community. Throughout our operations, we focus on people as the users of our buildings and structures. This is reflected in our vision: "We will build a better future for people in all aspects of life." The Veidekke House (Fig. 1) illustrates how these values are linked up to Veidekke's vision through its strategic activities and relationships. Veidekke has also defined some objectives, concretising what social responsibility entails for the company:

- To run a healthy and profitable business
- To live up to society's and Veidekke's own ethical standards
- To have an open dialogue and maintain good relations with the world outside the company
- To be open and proactive with regard to problems and incidents

These objectives must be complied with regardless of where we carry out our work. Local conditions must also be respected. Veidekke's management will focus on social responsibility as an important area for the

company in the future and contribute actively to intensifying this work. Particular attention will be given to improving measurability and follow-up. Some important activities and systems, which play a part in fulfilling our social obligations are described in the following:

HSE and external environment

Veidekke has chosen to distinguish between the concepts of "HSE" (health, safety and environment) and "external environment" because this gives the company a better focus and because the two concepts refer to different subjects. The E in HSE stands for working environment. However, external environment and HSE overlap in certain areas, such as noise, chemicals and waste management. Veidekke's work on health, safety and environment is described on pages 49 and 50 of this Report and external environment is dealt with on pages 50 and 51.

Basic values and ethics

Veidekke works systematically to ensure that its basic values are adopted by the whole organisation. Veidekke's Value Circle (Fig. 2) describes the close connection between values, attitudes and behaviour. Our basic values are at the centre of the circle and must be reflected in our attitudes and conduct in all relationships. These values are incorporated in all the activities through which we convey our corporate culture and our attitudes, for example in personnel and management development, in our introduction programmes for new employees and in internal and external communication. In this way, we can work consciously to ensure that values and ethics are integrated organically in Veidekke's vision, objectives and

business strategy. We also have a compliance programme, which gives our employees an introduction to the rules of competition law that apply to Veidekke.

Creating value through partnership

It is Veidekke's ambition to improve cooperation both inside and outside the company under the motto "Creating value through partnership". At in-house level, this means that we must improve our ability to learn from each other, listen to each other and develop the human resources in our organisation. This work is reflected in the organisational development processes that have been initiated in the different parts of the company and it is closely linked with the strategic process and Veidekke's primary targets:

- A return on equity capital of more than 15 %
- An equity ratio of 25 %
- A sickness absence rate of less than 5 %
- A long-term objective of an injury-free workplace
- A Veidekke which contributes in deed to sustainable development

"Creating value through partnership" is the basis of our relationships with customers, suppliers and other partners.

Skills development and vocational training

Veidekke uses its own craftsmen in production. It has one of Norway's largest apprenticeship programmes and it also arranges a wide range of in-house courses, which are geared to the company's needs as they emerge from its strategy, action plans and commercial goals.

The enlargement of the EU in May 2004 offered the supply of cheaper labour. Prior to the enlargement, a comprehensive analysis was made of various possible scenarios for Veidekke. The conclusion was that Veidekke will actively examine new possibilities, but that the EU enlargement will not affect its decision to use its own employees in production.

An on-site learning project has been developed by Veidekke and is run in cooperation with the Labour Market Administration and the school authorities. This project plays an important part in recruiting apprentices to the building and construction industry and therefore makes a significant contribution to vocational training in the industry. Veidekke is an active supporter of Young Enterprise Norway, which is a joint project between schools and the business sector. Young Enterprise encourages pupils who have the desire and the ability to start their own business by offering a variety of projects targeting primary and secondary schools and university colleges. More work will be done to promote closer and more constructive contact between educational institutions and the busi-

ness sector. Veidekke is a member of the executive committee of the Oslo branch of Young Enterprise Norway.

Campaign to stop clandestine employment

Illegal employment at Norwegian building sites is a serious problem which destroys confidence in individual companies and in the industry as a whole. Veidekke has established routines and rules to prevent the use of illegal labour at its own building sites, which can be found in a brochure entitled: "Working black – there are no grey zones." Through the Federation of Norwegian Construction Industries, Veidekke is involved in a project entitled "Veracity in the Building Sector" and is working closely with the authorities to initiate effective measures to combat illegitimate practices.

Emergency preparedness

Veidekke has drawn up plans to handle unforeseen incidents both at project level and at higher levels. These plans describe precautions and reactions in an emergency, i.e. serious accidents or incidents, or

other situations where various groups in the community will have high expectations of the way Veidekke handles the situation.

Industrial relations

Veidekke helps to safeguard the interests of its employees by maintaining good relations with their representatives. Monthly meetings are held with employee representatives at district level, while an annual two-day conference is held for senior union representatives. A European works council (EWC) has been set up in line with EU regulations, consisting of representatives for the elected representatives in the countries in which Veidekke has operations.

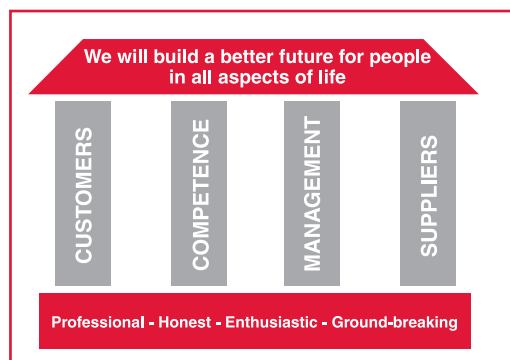


Fig. 1

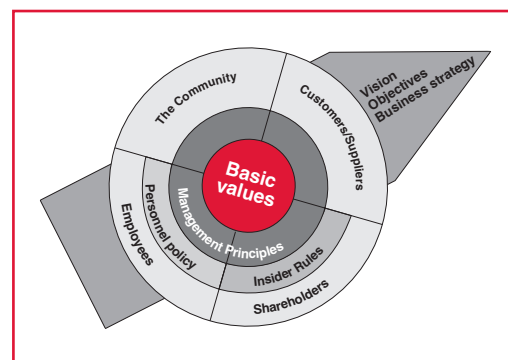


Fig. 2



Behind from left: Ole Tolstrup Krogsgaard, Hilde Merete Aasheim, Martin Mæland, Peder Chr. Løvenskiold, Nils Jarle Solevåg, Ove Ågedal and Kari Gjestebý. In front: Steinar Krogstad and Göte Dahlin, Chairman of the Board.

The Board of Directors

- **Göte Dahlin (63)**

Chairman of the Board since 2004, on the Board since 2003 (deputy member in 2002).
Chairman of the Board of Oslo Areal ASA since 2004 and vice-chairman of Nordisk Renting AB since 2002. On the Board of Wihlborgs Fastigheter AB since 2001 and of Svensk Inredning AB since 2004. Consultant and advisor to Newsec AB and NIAM funds since 2002. Managing director Nordisk Renting AB 1986-2001. Regional manager Pkfinans AB (now Nordea) 1984-1986. Sales manager and deputy Managing Director of Skidsta Hus AB 1967-1984.
Number of shares in Veidekke: 10,000

- **Kari Gjestebø (57)**

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, State Secretary Ministry of Foreign Affairs, Minister of Trade and Shipping and State Secretary in Ministry of Finance. She is a Board member of the Norwegian Library for the Blind and Dyslexic, deputy Board member Nordic Investment Bank, Helsinki, chairman of the Board Statskonsult A/S, Board member Hav Eiendom A/S, Board member Thongården boligsameie since 2002 and Board chairman of Asplan Viak
Number of shares in Veidekke: 1,500

- **Ole Tolstrup Krogsgaard (68)**

Board member since 2001.
Director OTK Holding A/S. Board chairman Skandinavisk Group A/S, F Group A/S, H. Reimar Nielsen Holding A/S, Friheden Invest A/S, Johannes Fog A/S, A/S Stelton, Beck & Jørgensen A/S, Norma og Frode S. Jacobsens Fond, SISO A/S, Nigadan A/S, Nellemann Holding A/S, OTK Holding A/S, Fire Eater A/S, Privathospitalet Hamlet af 1994 A/S and D-Scan International, England. Vice-chairman FR Invest A/S and H. Reimar Nielsen Gruppen's companies. Board member Codan A/S, Codan Forsikring A/S, Aktieselskabet Th. Wessel & Vett and Magasin du Nord.

- **Steinar Krogstad (44)**

Employees' representative on the Board since 1992. Carpenter. Employed by Veidekke since 1979. Group representative since 2003.
Number of shares in Veidekke: 2,493

- **Martin Møland (55)**

Board member since 2002.
President and CEO of OBOS since 1983. Worked for OBOS since 1980. Previously municipal counsellor in City of Oslo and planner in Oslo Energi. Vice-chairman NBBL (Norwegian Federation of Cooperative Housing Associations), Board member Oslo Byhall AS. Internal board appointments the OBOS Group.

- **Peder Chr. Løvenskiold (44)**

Board member since 1996.
Managing Director of Anthon B Nilsen AS since 2000. Previously employed by Morgan Stanley, Kreditkassen (now Nordea) and Norske Skog.
Board chairman in Anthon B Nilsen Utdanning AS and ABN Eiendom AS. Number of shares in Veidekke: 54,400 (incl. shares held by closely related persons and companies).

- **Nils Jarle Solevåg (47)**

Employees' 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: 624

- **Ove Ågedal (48)**

Employees' representative on the Board since 2000. Represents salaried staff. Project developer. Employed by Veidekke since 1996. Previously worked for Steni Norden AS, Teknisk Isolering A/S and Block Watne A/S, among others.
Number of shares in Veidekke: 4,725

- **Hilde Merete Aasheim (47)**

Board member since 1999.
Senior Vice President in Elkem ASA, responsible for Elkem's silicon metal and ferrosilicon operations in Norway and Iceland since 2002. Employed by Elkem since 1986 as asst. head of Silicon Division, vice-president responsible for personnel and organisational development, and finance director for ferrosilicon in Norway and globally.

The Board of Directors' Report

2004 was a good year for Veidekke, with a doubling of its profit for 2003. There was a generally high level of activity throughout the Group and Norwegian operations in particular reported very good results. The Group's order situation is also positive.

Orders-on-hand remained high throughout the year and attained a volume and quality at the end of the year which give reason for optimism in 2005. The results achieved by Veidekke's operations in Sweden and Denmark are, however, still not satisfactory.

GROUP DEVELOPMENTS

The Group's aggregate pre-tax profit for 2004 was NOK 342.0 million, as against NOK 168.1 million for 2003. Total turnover for 2004 was NOK 12,934 million, compared with NOK 11,461 million the year before. The value of orders-on-hand remains high, increasing from NOK 8.1 bn at the beginning of 2004 to NOK 9.2 bn at 31 December 2004.

The good results for the Group reflect the favourable market conditions, but they also show that Veidekke's strategic choices and its many improvement projects have been effective. At the end of 2004, the Group's financial status was stronger than ever. In the fourth quarter, capital was released by selling some of Veidekke's shares in Ramirent. The remaining shares were sold in January 2005. An agreement was reached in the fourth quarter to buy out the minority shareholders in the Kolo Veidekke asphalt and aggregates company.

The best results for 2004 were achieved by Veidekke's Norwegian operations. Veidekke Entreprenør continued its improvement process focusing on customer orientation, employee participation and better profit margins. In the course of 2004,

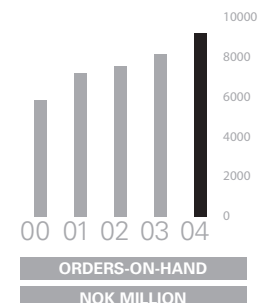
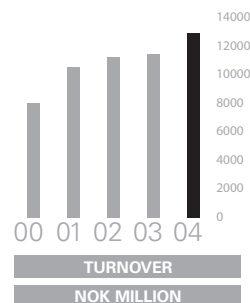
Veidekke Entreprenør also reported substantial improvements in health, environment and safety, and the year as a whole showed a welcome decline in the sickness absence and injury rates.

Highly satisfactory results were also achieved in property development, most noticeably in Norway, but considerable progress was also registered in Sweden. The low rate of interest naturally gave a significant boost to growth. However, customer-adapted products and correct location were also important success factors in both Norway and Sweden. The first housing projects for Veidekke's own account were launched in Denmark in 2004 and there is promise of several new housing projects through Hoffmann Property in the time ahead.

In the Industry Division, the most positive developments were seen in asphalt and aggregates and in operation and maintenance of national and county roads. Here, the year as a whole showed an increase in volumes, but continued pressure on prices prevented us from gaining the desired financial outcome. Following the agreement to buy out the minority shareholders in Kolo Veidekke, the company is now a wholly-owned Veidekke company. Veidekke Gjenvinning (recycling) achieved a slight growth in volume in 2004, but here, too, prices were under heavy pressure. This company will continue to work to improve profit performance for its overall operations.

For the Danish construction operations, Hoffmann, the profit for the first two quarters of 2004 was far weaker than anticipated. However, after extensive organisational changes and improvements, the company was able to report significantly better figures for the second half of the year. The problems were mainly caused by a delay in adjusting capacity to a serious decline in the market in Jylland and by the downward adjustment of anticipated profits from two major projects.

The overall result for operations in Sweden is still weak, but somewhat better than in 2003. However, there are noticeable regional variations. The total figure for construction operations in Sweden was much weaker than expected. In the fourth quarter, it was necessary to make a considerable reduction in the anticipated profit for a major construction project. To strengthen the company in Stockholm, which is the largest single market in Scandinavia, it was therefore decided from the turn of the year to reorganise operations in two entities, one for building and one for heavy construction. In that connection some changes were made in management and staffing. Provision has been made for these changes.



Operations in the Gothenburg region managed to deliver satisfactory results again, in spite of a temporary decline in the market. The main focus in the Skåne region in 2004 was on getting a stronger organisation in place and concentrating more on core operations. Volume and profits showed an upswing and the order books are healthier.

Veidekke's main objective in 2004 was to continue the work of improving profitability in the Group, with the main emphasis on the weakest entities from 2003. This work has been extremely successful in Norway, but work remains to be done improving the weaker entities. This applies in particular to construction operations in Stockholm and activities in Jylland in Denmark.

In line with Veidekke's strategy, importance was also attached to further development of housing projects with internal and external partners and to starting up projects in new areas in Sweden and Denmark.

Market and competitive situation

2004 saw an upswing in the economy in all three Scandinavian countries, but no corresponding growth in building and construction. Low interest rates and prospects of less unemployment helped to boost sales of new dwellings throughout 2004. In Norway, house prices rose by between 10 and 12 per cent compared with the year before and the commencement of new dwellings increased by 35 per cent. There was also a considerable rise in house prices in Denmark in 2004, of about 10 per cent for the country as a whole and about 15 per cent in the Copenhagen area. House-building also increased in Denmark. In Sweden house prices rose at the beginning of the year, but levelled off somewhat in the autumn.

There was very little change in the competitive situation in 2004. Competition is still keen and pressure on price is heavy for all projects.

As regards the investigations of the largest contractors by the Competition Authority and Økokrim (Norway's white-collar crime unit), no decisions have yet been reached. In 2001, the Competition Authority confiscated files from the largest contractors on suspicion of price collusion and market splitting in the construction and asphalt industry. The Competition Authority later reported the matter to Økokrim, where it is still under investigation.

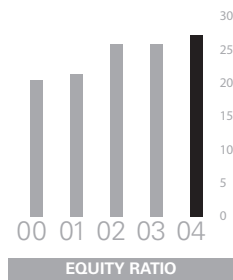
FINANCIAL SITUATION

In 2004, Veidekke achieved a total turnover of NOK 12,934 million (NOK 11,461 million). The Group's operating profit after depreciation and amortisation (EBIT) was NOK 322.8 million (NOK 190.5 million). Total depreciation and amortisation was NOK 244.5 million (NOK 284.8 million), of which NOK 186.7 million (NOK 201.7 million) was ordinary depreciation and NOK 57.8 million (NOK 83.1 million) was goodwill amortisation.

The Group's pre-tax profit was NOK 342.0 million (NOK 168.2 million), while profit after tax and minority shares was NOK 253.3 million (NOK 102.4 million). Earnings per share were NOK 8.5 (NOK 3.51). Cash flow per share was NOK 17.3 (NOK 14.2) and return on equity ratio was 17.0 per cent (8.4 per cent).

CAPITAL SITUATION

Investments in 2004 totalled NOK 264 million (NOK 327 million). These were primarily investments in maintenance of machines and equipment. Tied-up capital in property operations was NOK 1,567 million (NOK 1,225 million), of which NOK 68 million represents investment in Veidekke's 50 per cent share of the Sjølyststranda project. The increase in tied-up capital in property operations is linked with the increase in activity in this area. Veidekke's risk exposure in the company's property development projects is deemed to be limited, as the company requires satisfactory advance sales before initiating housing projects.



Sales of fixed assets amounted to NOK 42 million (NOK 106 million). Net cash flow from operations was NOK 222 million (NOK 474 million).

Net interest-bearing liabilities stood at NOK 71 million (NOK 238 million). The Group's total assets are NOK 5,784 million (NOK 5,632 million). Total equity capital was NOK 1,576 million (NOK 1,459 million), which gives an equity ratio of 27.3 per cent.

At the end of the year, Veidekke had committed, unused credit facilities of NOK 1,096 million (NOK 959 million). The company's borrowing facilities are regarded as satisfactory.

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 2003.

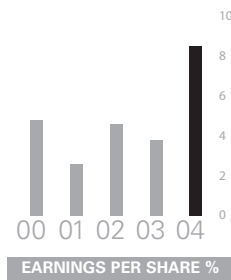
BUSINESS AREAS

Veidekke Entreprenør AS

For Veidekke's construction operations in Norway, 2004 was another year of considerable improvement in virtually all areas. This applies both to financial results and in health, safety and environment.

The division's turnover for 2004 was NOK 6,624 million (NOK 5,786 million). Pre-tax profit was NOK 265.6 million (NOK 178.5 million), giving a profit margin of 4.0% (3.1%).

The market conditions were generally good throughout 2004. However, the upswing in profits can also be ascribed to the extensive, continuous improvements that have been made through the division's "We at Veidekke" project. The most



important aim of these efforts is to increase employee involvement, job satisfaction, customer orientation and profitability.

Veidekke Entreprenør signed a number of major building and heavy construction contracts with the public and private sector in 2004. The largest of these is the PPP contract for the E39 highway from Lyngdal to Flekkefjord, while the most visible is the building of Norway's new Opera House in Oslo. The high level of activity in the housing sector also provided Veidekke Entreprenør with a number of good opportunities in a market where there was relatively little private non-residential building activity.

At the end of the year, orders-on-hand stood at NOK 5,843 million, as against NOK 5,384 million a year earlier. NOK 220 million of this total derives from orders in Sweden and Denmark.

Hoffmann A/S

For Veidekke's construction operations in Denmark through Hoffmann A/S, the year began with weak results, but profit performance in the second half of the year was far more encouraging.

Hoffmann showed a turnover for 2004 of NOK 2,415 million (NOK 2,346 million) and a loss before tax of NOK 11.3 million (a profit of NOK 19.3 million). The figure for the first half of the year was NOK -18.9 million and for the second half NOK 7.6 million.

The main reason for the weak start to the year was a substantial decline in the market in Jylland and the necessary write-down of the profits for two major projects. Immediate steps were taken in Jylland to adapt the organisation by gathering operations under one region and by reducing the workforce. It was also necessary to substitute a relatively weak order volume with new contracts with a better profit potential.

The work of securing good-quality orders produced results. The new contracts cover many of Hoffmann's special areas. The largest of these include rehabilitation of two large housing projects in Kolding and Århus, motorway repairs in Copenhagen and the building of Amager Strandpark, a recreation and development area in the outskirts of Copenhagen, and the further development of Rødovre Centrum.

At the end of 2004, orders-on-hand totalled NOK 2,107 million (NOK 1,832 million). In addition to this the Norwegian construction operations have orders-on-hand amounting to about NOK 80 million in Denmark.

Veidekke Entreprenad AB

This division consists of Veidekke's construction operations in Stockholm, Gothenburg and Skåne through Veidekke Stockholm AB, Veidekke Construction AB (Vecon) and Veidekke Skåne AB respectively. The overall results for these companies were weaker than expected in 2004, but there were large regional variations.

Veidekke's Swedish companies achieved a total turnover of NOK 1,187 million (NOK 1,114 million, giving a pre-tax loss of NOK 33.6 million (NOK -54.0 million).

Once again, Vecon in Gothenburg reported somewhat better results than anticipated. This company is no longer just a heavy construction company, but has undertaken an increasing number of building-related projects over the past few years. This gives a number of interesting possibilities in the time ahead.

After a difficult year in 2003, the company in Skåne had a far better year in 2004. This was achieved through greater focus on core operations (building and heavy construction) and on internal improvement processes. The order situation improved in the course of 2004 and prospects are far brighter.

Veidekke Stockholm suffered delays with the heavy construction work on the Botnia Line, which necessitated a write-down of the anticipated profit. A number of steps have been taken to improve progress in the project. These include supplementing the skilled workforce on the project and improving follow-up of subcontractors. The company's other major construction projects: the new stretch of the E4 near Uppsala and the waste incineration facility in the same area, are progressing according to plan.

The cost of the necessary organisational adjustments and changes in the management has also been charged against the company's profit.

All in all, the orders-on-hand for the Swedish operations are satisfactory, standing at the end of the year at NOK 1,125 million (NOK 810 million). This does not include orders for NOK 140 million (NOK 250 million) which the Norwegian construction division has in Sweden.

Veidekke Eiendom AS

The Property Division's operations include housing development for Veidekke's own account in Norway, Sweden and Denmark and non-residential and special purpose buildings for the public sector.

Turnover for 2004 was NOK 1,115 (NOK 856 million). The level of activity was higher than in 2003. Profit before tax amounted to NOK 102.4 million (NOK 46.1 million), which includes NOK 34.1 million in profit after tax from associated companies. The marked improvement in profit is the result of a good housing market and a consequent increase in volume.

Activity was high throughout the year for the Property Division. The low interest rate has brought optimism and hope to the market, particularly in Norway. The low level of interest also makes for lower living costs, thus encouraging young home-seekers to buy instead of rent housing. This in turn has resulted in a very high turnover rate for small flats. There was also a good market for more expensive flats, but the selling rate was more normal.

House-building is now record high. At the end of the year, a total of 2,120 dwellings were under construction in the projects Veidekke is involved in. Of these, 1,660 were started in 2004. The sales rate is good and only 250 of the dwellings under construction remain unsold.

The favourable market has continued into 2005. We are not expecting any growth in activity in Norway, but in Sweden we expect to start up a number of development projects in the second half of 2005. In Denmark, we are in the process of building up property operations and it will therefore take some time before we achieve our long-term goals.

Industry Division

This division covers the following business areas: Asphalt/aggregates (Kolo Veidekke a.s) and Recycling (Veidekke Gjenvinning a.s). Investments in Ramirent Oyj (plant hire) and NSS Group Oy (weather protection) also fall under this division.

Industry had a turnover for 2004 of NOK 1,899 million (NOK 1,594 million), giving a pre-tax profit of NOK 61.0 million (NOK 32.6 million). The profit figure includes a gain of NOK 35 million from the sale of 8.5 per cent of Veidekke's shares in Ramirent Oyj. In 2003, this ownership share of Ramirent Oyj was entered in the accounts as a jointly controlled company and a share of the profit amounting to about NOK 15 million was entered as income according to the equity method of accounting. Following the merger of Ramirent Oyj and Altima AB in January 2004, Veidekke's interest in the company was reduced to approximately 16.5 per cent and this has been entered in the accounts by the cost method.

Turnover for Kolo Veidekke a.s, which is engaged in the production of asphalt, crushed stone and gravel and in road maintenance, amounted to NOK 1,519 million in 2004 (NOK 1,209 million). The market for asphalt picked up in 2004 and this led to higher volumes for Kolo Veidekke, but heavier pressure on prices kept profit on the same level as in 2003.

The company's share of the market for operation and maintenance of national and county roads is growing in line with expectations in this area.

Veidekke Gjenvinning (recycling) had a turnover of NOK 380 million (NOK 330 million). While this company did not achieve the anticipated profits in 2004 either, parts of its activities showed improvement and this gives hope of better results for 2005.

Veidekke's share in Ramirent was reduced from about 16.5 to about 8.5 per cent in the fourth quarter, which gave a gain of NOK 35 million. In January 2005 Veidekke sold its remaining shares in the Finnish company, thereby ending its involvement in plant hire. NSS Group, in which Veidekke now has a 30 per cent share, delivered weak results again in 2004.

Other operations

Veidekke's subsidiary, Noremco, had a turnover for 2004 of NOK 138 million (NOK 100 million) in East Africa. The company's order portfolio consists mainly of medium-sized projects and its operations show a satisfactory profit.

Veidekke's international operations are presented under "Other activities/ Elimination".

ORGANISATIONAL AND SKILLS DEVELOPMENT

At the end of December 2004, Veidekke had 5,455 employees in Scandinavia. Of these, 3,592 were craftsmen and production workers and 1,863 were administrative and technical personnel.

In 2004, Veidekke had 182 persons on apprenticeship contracts in its building, construction and asphalt operations. Veidekke gives high priority to its apprenticeship scheme, and the work of maintaining a high number of apprentices continued in 2004. This is the most important channel for the recruitment of skilled workers to our production sites. Reference is also made to page 61, where Veidekke's contribution to recruitment to the contracting industry is described in more detail.

About nine per cent of Veidekke's employees are women. Most of the women in managerial positions are at the middle manager level. We have, for example, many women working as project managers and site managers and as staff function leaders. Increasing the percentage of women in the different fields is a major challenge, not only for Veidekke but also throughout the building and construction industry, which has always been a predominantly male industry. The Board of Directors attaches importance to the active efforts at Veidekke to increase the recruitment of women to the company. This is done by taking active contact with senior secondary schools and colleges in all three Scandinavian countries. As the number of women in different parts of the Group increases, we hope it will also be possible to find qualified candidates for executive positions among them.

HEALTH, SAFETY AND ENVIRONMENT

The injury rate (lost-time injuries per million hours worked) in Veidekke's Norwegian operations was 5.2 in 2004 as against 6.9 in 2003. Over the past three years, the injury rate for Veidekke in Norway has been reduced by more than 50 per cent. This means that the probability of being injured at work for Veidekke has been more than halved. The Board of Directors finds this very satisfactory. This is borne out by a

reduction in the secondary injury rate (number of injuries per million hours worked that require medical treatment or consultation) from 24.1 to 14.1 over the past three years. With an injury rate of about 5, we have passed an important milestone on our way towards an injury-free Veidekke. The injury rate for our Scandinavian operations was 10.8 in 2004, compared with 12.1 in 2003.

In 2004, the sickness absence rate for our craftsmen in Norway was 6.4 per cent, compared with 8.4 per cent the year before. Sickness absence shows a clear downward trend. This applies to both short-term and long-term absence. For all employees in Norway, the sickness absence rate was 4.9 percent compared with 6.3 per cent in 2003. Veidekke works specifically to prevent musculo-skeletal injuries and to help employees on long-term sick leave to return to work. In our other Scandinavian operations sickness absence among our craftsmen is also falling. In 2004 sickness absence for our craftsmen was 3.8 per cent in Denmark and 4.4 per cent in Sweden.

EXTERNAL ENVIRONMENT

Veidekke views environmental protection as a challenge 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 have knowledge of and control over potential environmental risks related to our operations. Concern for the external environment is incorporated in the divisions' control systems. Most of the impact on the external environment is related to energy use, waste, materials and the use of natural resources.

Veidekke works to minimise waste to landfills through waste minimisation and separation at source. This is done through internal teamwork and transfer of experience within the Group and through interaction with suppliers, subcontractors, authorities and other players in the industry.

In 2003, Veidekke's energy consumption in Norway was 250 GWh, distributed between gas (16 per cent), oil (63 per cent) and electricity (21 per cent). Kolo Veidekke is the most energy-intensive company in the Group.

Readers are referred to a more detailed description on pages 50 and 51 in this Annual Report.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

Veidekke is a highly decentralised organisation with a large degree of local presence, which allows it to look after customers' needs and to ensure capability and creation of value in the different projects. At any time, Veidekke is involved in close to one thousand ongoing projects, which normally last from three to fifteen months. One of the main objectives 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 Board of Directors. Reports are submitted ten times a year and deal with financial and non-financial matters. The profitability and risk involved in each project are central financial parameters.

Veidekke is mainly owned by financial investors and independence from shareholders is therefore not a problem. OBOS Forretningsbygg, which holds 30.4 per cent of Veidekke's shares, is an exception. Here, independence is assured through the fact that shareholder representation and project cooperation are never handled by the same persons. The employees as a group have a shareholding of 15.5 per cent. However, no single employee holds more than 0.3 per cent of the shares and independence thus presents no problem.

Social responsibility is embedded in Veidekke's core values: professional, honest, enthusiastic and ground-breaking. Veidekke sets the focus on human beings, as the users of its buildings. This is reflected in Veidekke's vision: "We will build a better future for people in all stages of life". As a construction company, Veidekke will always give environmental considerations a central place in the work of the company. This applies to HSE, waste management and other environmental impact. Environmental protection is dealt with in more detail in a separate paragraph in this report and on pages 50 and 51.

Social responsibility also implies that Veidekke shall have a high ethical standard. Guidelines have been drawn up to raise awareness and ensure compliance of the adopted norms. These guidelines have been implemented throughout the organisation.

Veidekke ensures employee participation by working closely with employee representatives. Representatives are chosen in each district and for each project. In Norway, senior representatives meet each year at a special conference.

A European liaison committee has been set up, in the form of an advisory forum made up of representatives of the management and elected representatives in the countries in which Veidekke operates. This committee meets twice a year.

Through NHO (Confederation of Norwegian Business and Industry), Veidekke is involved in the Young Enterprise Norway scheme, which is directed at schools and aims to stimulate interest in innovation and science subjects. This is closely related to Veidekke’s involvement in education through partnership agreements which help to increase the pupils’ knowledge of the business sector and in particular the construction industry at an early age.

Veidekke also contributes to vocational training and recruitment to the industry by being one of the companies in Norway that offers most training opportunities for apprentices. As regards recruitment to Veidekke and to the industry in general, Veidekke’s on-site learning project is an important contributor. Through this project, Veidekke cooperates with the building industry, the Labour Market Administration and the schools in providing an alternative form of vocational training closely linked with practical on-site training. Veidekke also offers extensive professional development for employees throughout the Group.

SHAREHOLDERS AND STOCK MARKET

Veidekke’s shareholders numbered 4,677 (3,751) at the end of the year. Its largest shareholders were OBOS Forretningsbygg (30.4%), Folketrygdfondet (13.5%) and Storebrand Livsforsikring (6.8%).

Veidekke effected two private issues in November 2004, one directed at all of its employees and one directed at key personnel in the company. A total of 1,000,000 shares were set aside for this purpose. More than 1,200 employees responded to these offers, which were oversubscribed by 40 per cent. Veidekke gained 350 new shareholders among its employees. A total of 2,047 employees now hold 15.5 per cent of the shares including shares own by the Foundation “Share purchases to Veidekke Employees”.

In 2004, the price of a Veidekke share varied between NOK 58.00 and 101.00.

DISTRIBUTION OF THE PROFIT FOR THE YEAR

The accounts for the parent company, Veidekke ASA, show a profit of NOK 272.2 million (NOK –12.6 million). The Board of Directors will propose to the Annual General Meeting that the profit be distributed as follows:

	NOK million
Allocated to dividend	171.7
Transferred to other equity	100.5
Profit for the year	272.2

The parent company’s distributable reserves amount to NOK 755.0 million.

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

NEW ACCOUNTING PRINCIPLES IN ACCORDANCE WITH IFRS

Starting in the first quarter 2005, Veidekke will prepare and present financial statements in accordance with the International Financial Reporting Standards (IFRS). Under the new rules, an opening balance for the accounts will be drawn up as at 1 January 2004.

As far as Veidekke is concerned, the most important effects of the new accounting rules will probably be linked with the accounting of goodwill, pension commitments and accrual accounting of maintenance costs in asphalt operations throughout the year.

Under the new rules, goodwill will no longer be amortised, but the need for amortisation will be tested at least once a year. Goodwill amortisation amounted to NOK 58 million in 2004.

The change in the accounting method for pension commitments will reduce the company’s equity capital at 1 January 2004 by NOK 160 million.

Up till now, repair and maintenance of machinery and depreciation in the Asphalt Division have been entered as costs over the operating period May to October. From 2005 onwards, these costs will be accrued linearly over the year’s twelve months. This will mean larger fluctuations in profits throughout the year.

The opening balance sheet in accordance with IFRS will be published with the accounts for the first quarter 2005.

MARKET OUTLOOK

The building and construction market in Scandinavia is characterised by optimism. The possibility of a continuing low interest rate and somewhat brighter prospects for the labour markets, combined with the growth in take-home pay, are pushing up the demand for housing. Companies are tending to step up their investments again.

In Norway, activity is picking up in all market segments. The level of house building is high and an estimated 28,000 dwellings will be commenced this year. Less growth is anticipated in house prices. We can also see an increase in non-residential building, partic-

ularly in the private sector, while the level of public building remains high and constant. The level of activity in heavy construction is rising.

In Denmark, the economic upswing has started, driven by increasing exports and greater domestic demand. Building and heavy construction are expected to increase in 2005. House building is growing and it is mostly private owner-occupied houses that are contributing to growth. Non-residential building is still lagging behind. Investment in heavy construction is expected to remain stable next year. Investment in road construction will increase, while investment in energy installations will fall back.

Growth continues in Sweden, as a result of considerable increases in exports. Here too, house building is an important contributor to growth, while investment

in new non-residential buildings is low. Heavy construction is characterised by a number of major projects that are expected to be realised in the coming years. Growth is greatest in Stockholm and Skåne, while activity is somewhat slacker in western Sweden.

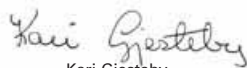
PROSPECTS FOR VEIDEKKE

The prospects of a growing building and construction market in Scandinavia are good. The interest rate is expected to remain low. Better economic conditions often lead to higher costs, and this is a matter for special attention throughout the Group. Veidekke has a good order situation in all parts of its operations, and in the time ahead we will be selective in our choice of projects and we will continue to focus on costs.

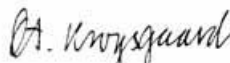
Oslo, 17 February 2005
VEIDEKKE ASA
Board of Directors



Göte Dahlin
Chairman of the Board



Kari Gjestebø



Ole T. Krogsgaard



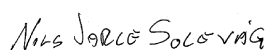
Steinar Krogstad



Peder Chr. Løvenskiold



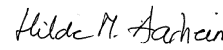
Martin Møeland



Nils Jarle Solevåg



Ove Ågedal



Hilde Merete Aasheim



Terje R. Venold
President and CEO

Profit and Loss Account

(Figures in NOK million)	Note	VEIDEKKE GROUP		
		2004	2003	2002
Turnover	1, 2, 30, 31	12 933.8	11 460.7	11 254.1
Subcontractors		-5 698.8	-5 026.9	-4 415.7
Cost of materials		-3 194.2	-2 755.1	-2 778.3
Wages	3, 4, 21, 29	-2 713.4	-2 535.0	-2 537.4
Other operating expenses		-760.1	-668.4	-845.7
Depreciation goodwill	7, 8, 9	-57.8	-83.1	-75.7
Other depreciation	9	-186.7	-201.7	-285.5
Total operating costs		-12 611.0	-11 270.2	-10 938.3
Operating Profit		322.8	190.5	315.8
Profit associated companies	11	28.4	23.3	3.0
Financial income/expenses	5	-9.2	-45.7	-98.6
Profit before taxation		342.0	168.1	220.2
Taxation	20	-83.6	-50.5	-78.1
Profit for the year		258.4	117.6	142.
Of which minority interests' shares		23.1	15.2	18.2
Earnings per share (NOK)*	6	8.51	3.75	4.58

* No dilution effect

Balance Sheet

at 31 December

		VEIDEKKE GROUP		
(Figures in NOK million)	Note	2004	2003	2002
ASSETS				
Fixed assets				
Goodwill	7, 8, 9	305.1	424.5	448.2
Buildings/land	9	541.0	355.6	336.9
Machinery, etc.	9	615.6	579.0	588.9
Shares in associated companies	11	237.4	491.9	549.6
Receivables, etc.	12, 21	357.5	201.2	203.0
Total fixed assets		2 056.6	2 052.2	2 126.6
Current assets				
Non-residential projects	13	107.2	259.5	246.8
Residential projects	14	565.3	552.0	577.3
Stocks	15	219.5	187.3	170.5
Debtors	16	2 285.3	1 884.2	1 547.9
Other receivables		118.7	104.2	104.7
Liquid assets	17	430.9	593.0	448.2
Total current assets		3 726.9	3 580.2	3 095.4
Total asset		5 783.5	5 632.4	5 222.0
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	19	71.5	69.0	68.3
Other shareholders' equity		1 362.2	1 266.9	1 170.9
Minority interests		144.3	122.7	115.7
Total shareholders' equity	18	1 578.0	1 458.6	1 354.9
Long-term liabilities				
Pension obligations	21	88.3	77.8	54.7
Deferred taxes	20	26.7	11.1	54.2
Debts to credit-issuing institutions, etc.	22	326.0	714.7	755.3
Other long-term liabilities		11.5	79.2	77.7
Total long-term liabilities		452.5	882.8	941.9
Current liabilities				
Debts to credit-issuing institutions, etc.	23	297.0	168.6	185.2
Creditors	24	2 496.9	2 069.9	1 690.5
Unpaid government charges	25	378.8	417.0	422.7
Payable taxes and dividends	26	226.7	174.2	186.1
Other short-term debts	27	353.6	461.3	440.7
Total current liabilities		3 753.0	3 291.0	2 925.2
Total shareholders' equity and liabilities	28, 31	5 783.5	5 632.4	5 222.0

Cash Flow Statement

VEIDEKKE GROUP

(Figures in NOK million)

	Note 32	2004	2003	2002
OPERATING ACTIVITIES				
Profit before taxation		342.0	168.1	220.2
Tax paid		-90.6	-95.0	-104.7
Depreciation		244.5	284.8	361.2
Gains on sale of fixed assets and shares		-79.9	-16.8	-67.9
Pensions, difference cost/paid		6.8	16.4	-18.2
Generated from operating activities		422.8	357.5	390.6
Change in non-residential and residential projects		-32.5	12.6	205.6
Change in debtors		-401.1	-333.5	339.6
Change in other current assets		-46.7	-10.7	71.0
Change in creditors		427.0	436.2	-189.2
Change in other operating debts		-147.6	11.8	-33.8
Net cash flow from operating activities (A)		221.9	473.9	783.8
INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment		-263.6	-266.3	-310.8
Proceeds from sale of property, plant and equipment		43.2	89.6	933.0
Purchase of companies		-	-49.5	-43.3
Sale of shares		171.2	-	-
Other investments		-11.7	51.4	-555.9
Net cash flow from investment activities (B)		-60.9	-174.8	23.0
FINANCING ACTIVITIES				
New long-term borrowing		7.9	24.4	2.6
Repayments long-term debts		-403.9	-66.6	-690.0
New short-term borrowing		129.5	2.4	186.3
Repayment short-term debts		-1.1	-21.5	-284.9
Share issue		66.0	13.2	11.5
Addition/disposal minority interests		-9.5	0.2	-
Dividend paid		-112.0	-106.4	-58.5
Net cash flow from financing activities (C)		-323.1	-154.3	-833.0
NET CHANGE IN LIQUID ASSETS (A+B+C)		-162.1	144.8	-26.2
Liquid assets at 1 January		593.0	448.2	474.4
Liquid assets at 31 December		430.9	593.0	448.2

Accounting Policies

CONSOLIDATION

Consolidated accounts

The Consolidated Accounts include the parent company, subsidiaries and joint venture operations and give the Group's profit/loss and financial position as collective statements.

Subsidiaries

Subsidiaries are companies in which Veidekke has a controlling interest. The subsidiaries' Profit and Loss Accounts and Balance Sheets are included in their entirety in the Consolidated Accounts. The minority interests' share of the profit or loss for the year and of shareholders' equity are shown as separate items in the accounts.

Shares purchased in subsidiaries are dealt with according to the purchase value method of accounting, by which the cost price of the shares is set off against the book value of the shareholders' equity in the subsidiary at the time of purchase. Added or reduced values resulting from the purchase are assigned to identifiable assets or liabilities. Added value that cannot be assigned to identifiable assets and liabilities is entered in the Balance Sheet as goodwill. Depreciation of added value and goodwill is entered in the Profit and Loss Account.

Joint ventures

Some of Veidekke's operations are run as joint ventures with other companies. This applies to building and construction, asphalt operations and property operations. Veidekke uses the gross method of accounting (proportional consolidation) for joint venture operations, with the exception of financial investments in property operations where it uses the equity method. When using the gross method, the relevant proportion of the joint venture account is included and each item in the Profit and Loss Account and Balance Sheet is incorporated. The purchase method of accounting is used for purchases of joint venture operations. All internal transactions between the joint venture and other Veidekke entities are eliminated.

A joint venture operation is one in which two or more parties manage the operation together and

- the operation is within the normal operating areas of the partner
- the operation is jointly managed by the partners.

Joint venture operations account for part of Veidekke's overall activities, and Veidekke participates actively in the running of these ventures. Joint control means that no single partner has a controlling interest and that important decisions are made together. Joint ventures are run as working partnerships, general partnerships and limited companies. Working partnerships and general partnerships are included in the parent company's accounts, while limited companies are consolidated in the Group accounts.

Associated companies

Associated companies are enterprises in which Veidekke has a substantial interest (normally more than 20 % per cent of the shares), but which are not subsidiaries or joint ventures. For associated companies and financial investments in property joint ventures, Veidekke uses the equity method in the Consolidated Accounts. According to 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). The share of the profit and the investment are entered as separate items in the Profit and Loss Account and Balance Sheet. At the time of purchase, the investment is valued at full cost, i.e. including the added or reduced value resulting from the purchase. The share of the prof-

it less distributions is added to the investment in the Balance Sheet. When calculating the share of the profit, depreciation of added value resulting from the purchase and internal gains are taken into account.

Conversion of foreign companies

Balance sheet items relating to foreign companies are converted at the exchange rate applying on the date of the Balance Sheet, while Profit and Loss Account items are converted at average exchange rates for the year. Added value from acquisitions is converted at the historical rate of exchange. Conversion differences for foreign subsidiaries are entered against the Group's shareholders' equity, while conversion differences for foreign joint ventures, etc. are entered in the Profit and Loss Account.

Internal transactions

All internal transactions between consolidated units have been eliminated. This applies to internal trading, interest, dividends and internal gains. It also applies to internal receivables and liabilities, in addition to share and capital investment.

RECORDING INCOME

Projects

Veidekke operates mainly as contractors on projects lasting from a few months to three or four years. Invoicing is done monthly (payment net 30 days) and usually as the contract activity progresses. However, other payment plans are sometimes used.

Income from projects is entered in step with the completion of the work, based on the estimated final profit for the project. This means that the accumulated share of the estimated final profit is charged to income based on the percentage of completion. The percentage of completion is equal to accrued costs as a percentage of total estimated costs. In the case of projects that are expected to show a loss, the estimated loss is entered in its entirety as a cost. Provision has been made for guarantee work and other uncertainties. The guarantee period is normally three to five years. Additional claims are entered as income once the outcome is certain.

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 acquires long-term tenants. The completed buildings are sold when an acceptable price can be obtained. This may mean that Veidekke keeps the buildings for a while, leasing them temporarily until they are sold. Costs incurred on land, buildings under construction and completed buildings are entered in the Balance Sheet under "Non-residential projects". Non-residential buildings for Veidekke's own account are entered as income when they are sold, i.e. when the building is handed over.

Residential projects

Residential projects involve the building of houses for sale for Veidekke's own account. A housing project consists of many units and sales take place before, during and after construction of the houses. These projects are entered as income in step with sales and the construction of the houses, based on the estimated final profit for the project. No income is entered until a substantial number of the houses in the project has been sold. Provision is made for uncertainty, work under guarantee, etc. In the case of projects that are expected to show a loss, the whole loss is charged to profit. Costs incurred on units not entered as income and on land for development are entered in the Balance Sheet under "Residential projects".

Sales of fixed assets

Gains on sales of machinery, buildings and other fixed assets are entered as turnover.

OTHER ACCOUNTING POLICIES

Pensions

Veidekke has both defined-benefit pension schemes and defined-contribution pension schemes for its employees. Employees' pension rights under the defined-benefit pension schemes are charged to expenses as they are earned and net pension commitments/pension funds are entered in the Balance Sheet. An actuarial calculation is made annually of pension expenses and pension commitments, taking into account anticipated wage growth based on linear accumulation. "Pension funds" includes premium funds and Veidekke's share of the insurance company's funds (premium reserves). "Pension expenses" includes the present value of the year's pension earnings, plus interest on commitments, less return on pension funds.

Annual variances occur between estimated and actual return on pension funds and between estimated and actual pension commitments. This is due to variances and changes in the financial assumptions. Estimate variances are entered in the Balance Sheet until 10 per cent of pension funds or pension commitments, whichever is larger, is reached. When the accumulated variances exceed this limit, the excess is entered in the Profit and Loss Account over the remaining earning period.

For the defined-contribution pension schemes the contributions are charged to expenses as they are paid. No commitments are entered in the Balance Sheet for these schemes.

Taxes

This year's tax expenses consist of payable tax and change in deferred tax. Payable tax is fixed on the basis of the year's taxable profit. Deferred tax is a provision for future payable tax, calculated on timing differences between accounts and tax. The reason why timing differences arise is that some of the items in the Profit and Loss Account are treated differently for accounting purposes and for tax purposes. Deferred tax is calculated in nominal amounts.

Depreciation

Depreciation is based on the economic life of the fixed assets.

Development costs

Costs relating to research and development of technology are charged to expenses.

Receivables and debts

Receivables and debts that relate to production are classified as current assets and short-term liabilities. Debts to credit-issuing institutions etc. which are taken up to finance fixed 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 which are not due for more than a year, are classified as fixed assets and long-term liabilities. Receivables are entered in the Balance Sheet at their nominal value less provision for bad debts. Receivables and debts in foreign currency are converted at the exchange rate on the date of the Balance Sheet.

Stocks

Stocks are assessed at full cost price or net realisable value, whichever is lower.

INTRODUCTION OF IFRS

Veidekke will report its financial statements in accordance with the International Financial Reporting Standards (IFRS) from 1st quarter 2005. The final opening balance will be presented along with the accounts for 1st quarter 2005. A description of the most important consequences is given below.

Amortisation of goodwill

In accordance with IFRS, goodwill will be no longer be amortised but valued and tested for amortisation at least once a year. Amortisation of goodwill amounted to NOK 58 million in 2004.

Pensions

In the transition to the IFRS opening balance, accumulated estimate variances that have not been entered in the Profit and Loss Account may be entered directly against shareholders' equity. Annual pension costs will be lower, in that it is no longer necessary to amortise estimate variances, which have been entered against shareholders' equity.

At 1 January 2004, estimate variances were approximately NOK 225 million. With the transition to IFRS, pension commitments will be increased by this amount, while shareholders' equity will be reduced by about NOK 160 million, taking into account deferred tax of NOK 75 million. Annual pension costs will be reduced by about NOK 12 million.

Joint ventures

Under the Norwegian accounting standards, joint ventures in construction and industrial projects were included in the consolidated accounts by the gross method of accounting with the exception, however, of financial investments in property where the equity method was used.

Under IFRS, joint ventures will be included in the consolidated accounts according to the equity method. Working partnerships are excluded from this rule (see below). The change will lead to a few adjustments in the Group's key figures. In 2004, the operations, which will undergo a change in form of consolidation, had a turnover of about NOK 100 million, a balance of about NOK 100 million and net interest-bearing liabilities of about NOK 10 million. The Group's shareholders' equity and profit/loss for the year are not affected by this change.

Working partnerships

Working partnerships with other construction companies will be entered in the accounts according to the gross method, as they are not legal entities. This is the same practice as under Norwegian accounting standards.

Dividends

In accordance with IFRS, dividends will not be entered in the accounts until after they have been approved by the Annual General Meeting. For Veidekke this means postponing the accounting from the turn of the year until the 2nd quarter. Allocated dividends amounted to about NOK 96 million at 31 December 2003 and to about NOK 171 million at 31 December 2004.

Issue

Veidekke has effected share offers directed at its employees in the past three years. Under IFRS, the discount on such issues will be charged to the Profit and Loss Account. The estimated discount in 2004 was about NOK 13 million.

Seasonal fluctuations Asphalt

In asphalt operations, repair and maintenance of machinery and depreciation have up until now been entered as costs over the operating period from May to October. Under IFRS, these costs will be accrued over the whole year.

Notes to the Accounts

(Figures in tables in NOK million)

Note 1 SEGMENT ANALYSIS

	Construction Norway			Construction Denmark			Construction Sweden		
Profit and Loss Account	2004	2003	2002	2004	2003	2002	2004	2003	2002
Turnover	6 623.9	5 786.2	5 721.1	2 414.9	2 346.0	1 970.8	1 187.1	1 113.6	768.2
Operating costs	-6 313.1	-5 559.2	-5 538.0	-2 407.1	-2 304.9	-1 934.9	-1 217.4	-1 148.5	-780.6
Amortisation goodwill	-20.3	-40.9	-31.3	-8.7	-8.7	-8.7	-0.5	-4.6	-1.2
Other depreciation	-52.2	-47.4	-58.0	-10.1	-16.8	-17.1	-3.6	-11.7	-4.1
Operating profit	238.3	138.7	93.8	-11.0	15.6	10.1	-34.4	-51.2	-17.7
Share of profit associated companies	-	-	0.2	0.6	1.3	0.8	-	-	-
Net financial items	27.3	39.8	28.4	-0.9	2.4	-1.6	0.8	-2.8	-1.5
Profit before taxation	265.6	178.5	122.4	-11.3	19.3	9.3	-33.6	-54.0	-19.2

Balance Sheet at 31 December

Fixed assets	471.6	505.4	491.9	188.8	199.6	205.0	29.8	28.1	37.7
Current assets	1 032.8	1 033.3	930.8	502.0	603.1	580.4	146.3	153.6	113.5
Liquid assets	1 244.1	806.1	747.8	97.9	147.4	76.1	70.3	0.9	39.1
Total assets	2 748.5	2 344.8	2 170.5	788.7	950.1	861.5	246.4	182.6	190.3
Shareholders' equity	312.7	374.6	310.6	142.4	148.9	108.9	-7.5	-50.4	-28.8
Long-term liabilities	152.1	219.0	316.9	104.6	230.2	284.3	10.3	9.0	17.3
Short-term liabilities	2 283.7	1 751.2	1 543.0	541.7	571.0	468.3	243.6	224.0	201.8
Total shareholders' equity and liabilities	2 748.5	2 344.8	2 170.5	788.7	950.1	861.5	246.4	182.6	190.3
Gross investments	97.5	115.3	69.6	10.5	15.5	17.7	5.9	2.9	40.4

	Property			Industry			Other Activities/Elimination		
Profit and Loss Account	2004	2003	2002	2004	2003	2002	2004	2003	2002
Turnover	1 115.0	856.4	1 033.4	1 898.5	1 593.7	2 043.7	-305.6	-235.2	-283.1
Operating costs	-1 001.6	-757.3	-900.2	-1 715.6	-1 407.2	-1 673.7	288.3	191.7	250.3
Amortisation goodwill	-1.8	-1.9	-1.9	-26.5	-27.0	-32.6	-	-	-
Other depreciation	-5.2	-5.3	-6.1	-102.0	-97.6	-177.8	-13.6	-22.9	-22.4
Operating profit	106.4	91.9	125.2	54.4	61.9	159.6	-30.9	-66.4	-55.2
Share of profit associated companies	35.2	4.6	-2.6	-7.3	17.4	4.6	-0.1	-	-
Net financial items	-39.2	-50.4	-47.0	13.9	-46.7	-79.2	-11.1	12.0	2.3
Profit before taxation	102.4	46.1	75.6	61.0	32.6	85.0	-42.1	-54.4	-52.9

Balance Sheet at 31 December

Fixed assets	454.7	322.9	394.5	774.8	894.8	831.1	136.9	101.4	166.4
Current assets	1 334.4	1 142.4	1 038.6	311.7	328.3	242.8	-31.2	-273.5	-258.9
Liquid assets	-	-	-	-	-	-	-981.4	-361.4	-414.8
Total assets	1 789.1	1 465.3	1 433.1	1 086.5	1 223.1	1 073.9	-875.7	-533.5	-507.3
Shareholders' equity	540.2	479.8	446.4	195.7	163.5	373.8	394.5	342.2	144.0
Long-term liabilities	732.2	508.5	517.9	588.4	783.9	418.0	-1 135.1	-861.5	-612.5
Short-term liabilities	516.7	477.0	468.8	302.4	275.7	282.1	-135.1	-14.2	-38.8
Total shareholders' equity and liabilities	1 789.1	1 465.3	1 433.1	1 086.5	1 223.1	1 073.9	-875.7	-533.5	-507.3
Gross investments	11.2	4.3	1.2	134.3	181.8	243.8	4.2	6.8	4.0

Profit and Loss Account	Group		
	2004	2003	2002
Turnover	12 933.8	11 460.7	11 254.1
Operating costs	-12 366.5	-10 985.4	-10 577.1
Amortisation goodwill	-57.8	-83.1	-75.7
Other depreciation	-186.7	-201.7	-285.5
Operating profit	322.8	190.5	315.8
Share of profit associated companies	28.4	23.3	3.0
Net financial items	-9.2	-45.7	-98.6
Profit before taxation	342.0	168.1	220.2
Balance Sheet at 31 December			
Fixed assets	2 056.6	2 052.2	2 126.6
Current assets	3 296.0	2 987.2	2 647.2
Liquid assets	430.9	593.0	448.2
Total assets	5 783.5	5 632.4	5 222.0
Shareholders' equity	1 578.0	1 458.6	1 354.9
Long-term liabilities	452.5	889.1	941.9
Short-term liabilities	3 753.0	3 284.7	2 925.2
Total shareholders' equity and liabilities	5 783.5	5 632.4	5 222.0
Gross investments	263.6	326.6	376.7

Criteria for division of areas of activity

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

Presentation of areas of activity

The effect on profit of cash flow from the 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. 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 given for each area of activity.

Sharing of items that are not directly assignable

Costs that are not directly assignable are shared in proportion to turnover. Shareholders' equity, liquid assets and interest-bearing liabilities are shared in proportion to total assets.

Non-distributed items

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

Inter-divisional transactions

There are relatively few sales between the divisions, but some contracts are carried out jointly by different entities. Sales between the construction divisions and Property amount to NOK 230.1 million (NOK 113.6 million) in Norway and NOK 65.3 million (NOK 62.7 million) in Sweden, while sales between Industry and Construction Norway amounts to NOK 76.2 million (NOK 50.2 million). Internal sales and collaboration take place on commercial terms.

Distribution of turnover by geographical market

NOK 4,177 million (NOK 3,981 million in 2003 and NOK 3,458 million in 2002) of the Group's total turnover derives from operations outside Norway. International operations thus represent 32 % (35 % in 2003 and 31 % in 2002) of the Group's total turnover.

	Construction Norway			Construction Denmark			Construction Sweden		
Turnover	2004	2003	2002	2004	2003	2002	2004	2003	2002
Norway	6 415.0	5 655.5	5 525.1	-	-	-	19.6	12.8	-
Rest of Scandinavia	201.1	123.6	190.5	2 414.9	2 346.0	1 970.8	1 167.5	1 100.8	768.2
Africa	-	-	-	-	-	-	-	-	-
Other countries	7.8	7.1	5.5	-	-	-	-	-	-
Total	6 623.9	5 786.2	5 721.1	2 414.9	2 346.0	1 970.8	1 187.1	1 113.6	768.2

	Property			Industry			Other Activities/Elimination		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Norway	946.5	632.3	926.0	1 877.7	1 571.8	1 884.0	-502.1	-393.0	-538.9
Rest of Scandinavia	1168.5	224.1	107.4	20.8	21.9	154.9	-	-	-
Africa	-	-	-	-	-	-	196.5	157.8	255.8
Other countries	-	-	-	-	-	4.8	-	-	-
Total	1 115.0	856.4	1 033.4	1 898.5	1 593.7	2 043.7	-305.6	-235.2	-283.1

	Group		
	2004	2003	2002
Norway	8 756.7	7 479.4	7 796.2
Rest of Scandinavia	3 972.8	3 816.4	3 191.8
Africa	196.5	157.8	255.8
Other countries	7.8	7.1	10.3
Total	12 933.8	11 460.7	11 254.1

	Construction Norway			Construction Denmark			Construction Sweden		
Orders-on-hand	2004	2003	2002	2004	2003	2002	2004	2003	2002
Total	5 843	5 384	4 515	2 107	1 832	1 865	1 125	810	1 076
Of which due for completion within 12 months	4 955	4 405	3 717	1 655	1 549	1 608	842	683	748

	International			Group		
Orders-on-hand	2004	2003	2002	2004	2003	2002
Total	102	94	89	9 177	8 120	7 545
Of which due for completion within 12 months	102	88	43	7 554	6 725	6 116

Employed capital

Employed capital at 31 December 2004 is defined as total capital less interest-free short-term liabilities and interest-free long-term liabilities.

	31 December 2004	31 December 2003
Norway	587	396
Denmark	214	359
Sweden	52	99
Property	1 567	1 225
Industry	765	934
Other activities	-984	-669
Group	2 201	2 344

Note 2 GAINS ON SALES OF FIXED ASSETS

	2004	2003	2002
Buildings, land	76	-0.5	1.3
Machinery, etc.	12.8	29.2	31.4
Operations	-1.9	-11.9	35.2
Total gains on sales	22.3	16.8	67.9

Gains on sales of fixed assets, etc. are included in turnover.

Sales of operations in 2003 refer to Byggsmederna AB in Skåne. Sales of operations in 2002 refer to Bautas and Weather Protection.

Note 3 NUMBER OF EMPLOYEES

Average number of employees	2004	2003	2002
Scandinavia	5 096	5 623	6 449
Africa	885	761	578
Total	5 981	6 387	7 027

Employees at 31 December	2004	2003	2002
Scandinavia	5 455	5 309	5 909
Africa	907	821	518
Total	6 362	6 130	6 427

Note 4 SHARES TO EMPLOYEES

	2004	2003	2002
Shares sold to employees (number of shares)	-	-	249 000
Share issue, employees(number of shares)	1 000 000	300 000	270 000
Discount to employees on issue	12.6	2.4	1.1
Contribution to foundation	-	-	0.2

Over the past few years, Veidekke has effected annual share issues directed at its employees. The discount given on these issues has not been charged to the Profit and Loss Account. Veidekke has a foundation which purchases Veidekke shares in the market and resells them to the employees at a discount. Veidekke pays a contribution to the foundation and this is charged to the Profit and Loss Account.

As of 2004, Veidekke has granted loans amounting to NOK 102.9 million to members of the corporate management and key personnel for the purchase of Veidekke shares (about 300 persons). These loans are at present interest-free and the loan period is from three to ten years.

Note 5 FINANCIAL INCOME AND FINANCIAL EXPENSES

	2004	2003	2002
Interest received	43.9	192.9	161.3
Other financial income	84.2	51.2	46.3
Financial income	128.1	244.1	207.7
Interest charges	-97.0	-236.6	-271.6
Other financial expenses	-40.3	-53.2	-34.7
Financial expenses	-137.3	-289.8	-306.2
Financial income/financial expenses	-9.2	-45.7	-98.6

The gain on the sale of Veidekke's shares in Ramirent Oyj is included in financial items in the amount of NOK 43.6 million.

Note 6 EARNINGS PER SHARE

Earnings per share	2004	2003	2002
Earnings per share	8.51	3.75	4.58
Profit for the year	258.4	117.6	142.1
Minority interests' share	23.1	15.2	18.2
Profit after minority interests' share	235.3	102.4	123.9
Average number of shares (million)	27.7	27.3	27.1
Number of shares at 31 December (million)	28.6	27.6	27.3

Note 7 CHANGE IN ACCOUNTING OF SUBSIDIARIES

In 2004 (from 1 January), Veidekke changed its accounting of minority interests in subsidiaries Br. Reme as (15 %) and Seby as (30 %). When it purchased these shares, Veidekke planned to purchase the remaining shares in the course of three years. The companies have therefore been treated as wholly owned subsidiaries in the accounts, i.e. as purchase on credit. This means that 100 % of the goodwill has been entered in the consolidated balance sheet, while the outstanding purchase sum has been entered under liabilities. No minority interest in these companies has been entered in the accounts.

The assumptions on which the purchase of the companies was based have now changed, as Veidekke has no plans at present of buying out the minority. Veidekke is therefore now entering the minority interest in the companies in the accounts. The change has been treated as an estimate change.

	Reme	Seby	Total
Goodwill at 31.12.03	79.2	15.1	94.3
Long-term liabilities at 31.12.03	-40.3	-20.1	-60.4
Entered in P & L Account 2004	-	5.0	5.0
Goodwill at 01.01.04	38.9	-	38.9
Reclassification of equity capital	14.2	9.5	23.7
Reduced depreciation in 2004	4.9	12.5	17.4
Minority's share of profit/loss in 2004	4.3	4.3	8.6

The change in the accounting has had the following consequences:

- Outstanding purchase sum (long-term liabilities) of NOK 60.4 million entered against goodwill.
- Excess depreciation on goodwill in Seby of NOK 5.0 million entered in the Profit & Loss Account in 2004 (reversed).
- Reclassification of equity capital between majority and minority of NOK 23.7 million.
- Amortisation of goodwill reduced by NOK 17.4 million in 2004 compared with 2003.
- Minorities' share of the profit for the year increased by NOK 8.6 million in 2004 compared with 2003.

Note 9 GOODWILL, PROPERTY AND MACHINERY, ETC.

	Cost 1 January	Additions	Disposals	Disposals Accum.	Book value 31 Dec.	Deprec. for the year	Depreciation %
Goodwill *	725.8	-	65.5	355.2	305.1	57.8	8-20 %
Property **	450.1	212.0	11.5	109.6	541.0	15.4	2-5 %
Machinery etc.	1 655.1	223.1	51.2	1 211.3	615.6	171.3	10-25 %
Sum	2 831.0	435.1	128.3	1 676.1	1 461.7	244.5	

* Goodwill disposals are linked with the change in the accounting of ownership shares in Seby as and Br. Reme as. See Note 7.

** In 2004, non-residential properties worth approximately NOK 171 million were reclassified from current assets. Of that amount, about NOK 115 million relates to the Marabou Sundbyberg property in Stockholm.

Note 8 GOODWILL 2004

Purchase of operations	Depreciation/written down for the year	Book value at 31 December
Hoffmann	8.7	67.6
Litra Grus	5.4	40.6
Br. Reme	4.6	34.3
Block Berge Bygg	5.0	31.9
Kynningsrud Fundamentering	3.6	20.1
Wilhelmsen & Sønner	4.0	16.2
UFO Stadt	1.9	13.6
HG Asfalt	3.2	11.3
Selmer Bostäder	1.8	10.8
Dokken	2.5	10.0
Burud Pukk & Grus	1.1	7.5
Gjenvinning Rogaland	0.8	5.3
Nedrebø Maskin	0.9	4.9
Kongsvinger Asfalt	1.2	4.2
Veidekke Skåne	0.5	2.0
Other operations	12.6	24.8
Total	57.8	305.1

Goodwill relating to investment in Trafikk & Anlegg as and Unibygg as has been written down by NOK 8.9 million in 2004.

Investments and sales (sales price)

	2004		2003		2002		2001	
	Inv.	Sales	Inv.	Sales	Inv.	Sales	Inv.	Sales
Goodwill	-	-	85.2	25.3	56.2	116.4	54.0	-
Property	212.0	14.7	29.7	15.4	36.8	23.6	14.9	72.9
Machinery etc.	223.1	27.4	211.7	65.5	283.7	785.0	382.1	135.3
Sum	435.1	42.0	326.6	106.2	376.7	925.0	451.0	208.2

Note 10 PURCHASES OF OPERATIONS

Veidekke did not purchase any companies or operations in 2004.

Note 11 INVESTMENTS IN ASSOCIATED COMPANIES

Company	Location	Ownership share	Profit/loss	Share of equity capital	Value added	Value in Balance Sheet at 31 December 2004
Sjølyststranda	Oslo	50 %	19.8	67.9		67.9
Other projects in Norway			17.5	88.2		88.2
Other projects in Sweden			-2.0	66.0		24.7
Total property development			35.3	222.1	0.0	222.1
NSS Group Oy	Helsinki	30 %	-7.3	12.4	0.0	12.4
Total industrial operations			-7.3	12.4	0.0	12.4
Projects Denmark			0.4	2.6		2.6
PPP project (Public Private Partnership)		50 %	-	0.3		0.3
Total			28.4	237.4	0.0	237.4

Note 12 LONG-TERM RECEIVABLES, ETC.

	2004	2003	2002
Shares Ramirent Oyj	122.9	-	-
Loans to employees	118.5	84.3	89.7
Net pension funds	48.7	46.8	42.4
Loans to customers	14.9	36.2	25.1
Other shares	21.3	20.9	18.6
Deferred tax assets	-	-	12.5
Other receivables	31.2	13.0	14.7
Long-term receivables, etc.	357.5	201.2	203

The shareholding in Ramirent is included in the balance sheet item according to the cost method of accounting and was sold in January 2005.

Note 13 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 for sale are entered under this item in the Balance Sheet.

Non-residential projects at 31 December 2004	Location	Land for development	Under development	Completed buildings	Total
Røa School	Oslo	20.0	47.0		67.0
Other projects Norway	Norway	18.7	4.4	1.3	24.4
Other projects Denmark	Denmark	15.8			15.8
Entered in Balance Sheet, total		54.5	51.4	1.3	107.2
			2004	2003	2002
Gain on sales of non-residential projects			2.4	-	27.7

Note 14 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.

Residential projects	2004	2003	2002
Land for development	367.2	219.8	206.4
Projects under development	198.1	332.2	370.9
Entered in Balance Sheet, total	565.3	552.0	577.3

Residential projects at 31 December 2004	Location	Land for development	Under development	Total
Konowsgt. / Baglerbyen	Oslo	38.0	9.8	47.9
Startbo Carl Berner	Oslo	-	44.7	44.7
Persaunet	Trondheim	39.0	-	39.0
Sentralbadet	Trondheim	30.0	8.6	38.6
Fønix Damsgaard	Bergen	14.1	11.5	25.7
Rådhushaven	Drammen	16.2	5.0	21.1
Skjoldnes	Bergen	16.8	3.5	20.3
Other projects Norway	Norway	134.4	67.0	201.4
Total projects Norway		288.6	150.0	438.6
Täby Kyrkby	Stockholm	23.2	1.4	24.6
Other projects Sweden	Sweden	-	46.7	46.7
Total projects Sweden		23.2	48.1	71.3
Total projects Denmark	Denmark	55.4	-	55.4
Entered in Balance Sheet, total		367.2	221.3	565.3

Note 15 STOCKS

Stocks comprise stocks in the projects and in asphalt operations. The first consist of materials, spare parts, tools, etc., and the second of crushed stone and aggregates for asphalt, etc.

Note 16 DEBTORS

For Veidekke's projects (building contracts), invoices are normally issued monthly for payment within 30 days. Invoicing normally takes place in step with the progress of the projects, but there are also deviating payment plans. At the end of the period, both income and costs are accrued for each project. Accrued income is entered under debtors and as advanced payments from customers (liability), while accrued costs are entered under creditors.

Earned, not invoiced income is entered under "Completed, not invoiced". This also includes earned, not invoiced income from housing projects for Veidekke's own account. Invoiced income that has not been earned is entered under "Invoiced, not completed". If this amount is larger than book debtors for the project, the surplus is entered as advance payments from customers (liability). This method shows a net amount per project either as a receivable from the customer or a debt to the customer.

	2004	2003	2002
Book debtors	1 829.9	1 826.9	1 646.2
Provision for bad debts	-41.4	-34.5	-38.0
Due from customers	136.2	151.4	149.9
Completed, not invoiced	922.7	507.7	363.3
Invoiced, not completed	-562.1	-567.3	-573.5
Debtors	2 285.3	1 884.2	1 547.9

Note 17 LIQUID ASSETS

The Group's liquid assets consist of bank deposits. The Group has no short-term investments.

Note 18 RECONCILIATION OF SHAREHOLDERS' EQUITY

	2004		2003	2002
	Majority	Minority	Total	Total
Shareholders' equity at				
1 January	1 335.9	122.7	1 458.6	1 354.9
Share issue	66.0	-	66.0	13.2
Profit for the year	235.3	23.1	258.4	117.6
Dividends	171.7	-15.4	-187.1	-107.2
Change in minority interests	-	9.5	-9.5	0.2
Currency adjustment	8.1	-0.3	-8.4	79.9
Reclassification	23.7	23.7	-	-
Shareholders' equity at 31 December	1 433.7	144.3	1 578.0	1 458.6

The reclassification applies to the change in accounting of minority interests in subsidiaries Br. Reme as and Seby as (see Note 7). As of 31 December 2004, the minority interests refer mainly to subsidiaries Kolo Veidekke as, Br. Reme as and Seby as.

Note 19

NUMBER OF SHARES, SHAREHOLDERS, ETC.

Largest shareholders in Veidekke ASA

at 31 December 2004	Number of shares	Ownership share %
OBOS Forretningsbygg	8 687 288	30.4
Folketrygdfondet	3 859 800	13.5
Storebrand Livsforsikring	1 950 821	6.8
Oslo Pensjonsforsikring	1 320 000	4.6
Odin Norge	1 005 700	3.5
JPMorgan Chase Bank	656 546	2.3
MP Pensjon	600 800	2.1
Erik Must A/S	508 300	1.8
Firstnordic Fondene	293 750	1.0
Space AS	249 800	0.9
Avanse Fondsforvaltning	164 267	0.6
Vital Forsikring	151 612	0.5
UBS AG	131 100	0.5
Mellon Bank AS	117 951	0.4
Total	19 697 735	69.9
Employees incl. foundation		
“Share purchases to Veidekke Employees”	4 442 409	15.5
Others	4 468 810	15.6
Total	28 608 954	100

Total number of shareholders is 4,677. The shares have a nominal value of NOK 2.50.
The average number of outstanding shares is 27,658,134.

Shares owned by key personnel at 31 December 2004

Board of Directors	Number of shares
Göte Dahlin ¹⁾	10 000
Kari Gjestebø	1 500
Steinar Krogstad	2 493
Peder Chr. Løvenskiold ²⁾	54 400
Nils Solevåg	624
Ove Ågedal	4725
Shares owned by the Board of Directors	73 742
President and CEO	
Terje R. Venold ²⁾	79 373
Members of the Corporate Management	
Dag Andresen	48 005
Torkel Backelin	80 979
Eigil Flaathen	59 170
Arne Giske	23 600
Kai Krüger Henriksen	20 812
Leif E. Johansen	50 825
Mats Mared	7 250
Torben Bjørk Nielsen	7 250
Shares owned by the Corporate Management	297 891
Total	451 006

1) Chairman of the Board

2) Including shares owned by closely associated parties and companies

Note 20 TAXATION AND DEFERRED TAX

Taxation	2004	2003	2002
Tax payable	67.7	86.8	101.5
Change in deferred tax	15.9	-36.3	-23.4
Total	83.6	50.5	78.1

Deviation in taxation		2004	2003		2002	
28 % of profit before taxation	95.8	28.0 %	47.1	28.0 %	61.7	28.0 %
Actual taxation	83.6	24.4 %	50.5	30.0 %	78.1	35.5 %
Deviation	12.2	3.6 %	-3.4	2.0 %	-16.4	-7.5 %

Deviation in taxation is due to

Non-deductible costs	-4.0		-2.6		-2.7	
Amortisation of Group goodwill	-7.5		-10.4		-11.3	
Profit/loss associated companies	8.0		6.5		0.8	
Tax-free gains on shares	14.0					
Other items	1.7		3.1		3.2	
Total	12.2		-3.4		-16.4	

Deferred tax	2004	2003	2002
Short-term items	458.0	375.5	127.7
Accelerated depreciation	8.5	10.2	65.4
Gain and loss account	23.8	25.1	45.9
Other long-term items	-394.8	-371.1	-45.3
Basis deferred tax (timing differences)	95.5	39.7	193.7
Deferred tax (28 %)	26.7	11.1	54.2

Note 21 **PENSIONS**

Veidekke ASA and some of its subsidiaries have defined-benefit pension schemes for their employees, which are covered in a life assurance company. Most of Veidekke's companies in Norway are also bound by agreed early retirement schemes. Subsidiary Hoffmann A/S in Denmark has defined-contribution pension schemes for their employees. 2,660 current employees and 730 pensioners are covered by defined-benefit pension schemes.

	2004					2003	2002
	Veidekke ASA	Veidekke Entreprenør AS	Kolo Veidekke as	Other companies	Group Total	Group Total	Group Total
Pension expenses							
Earned during year (present value)	-7.3	-36.2	-8.7	-38.9	-91.1	-81.5	-65.2
Interest on commitments	-6.8	-18.8	-6.7	-4.1	-36.4	-33.6	-33.4
Return on funds	7.2	14.1	5.3	3.0	29.6	25.7	-30.9
Estimate variances entered in Profit and Loss Account	0.2	-9.7	-2.1	-1.0	-12.6	-14.5	-3.2
Pension expenses	-6.7	-50.6	-12.2	-41.0	-110.5	-103.9	-70.9
Entered in Balance Sheet							
Pension funds	114.3	243.4	89.5	51.7	498.9	432.4	402.0
Pension commitments (present value)	-131.2	-384.9	-132.3	-84.6	-733.0	-689.2	-488.8
Net funds/commitments	- 16.9	-141.5	-42.8	-32.9	-234.1	-256.8	-86.8
Estimate variances not entered in Profit and Loss Account	-11.3	158.6	36.7	10.5	194.5	225.8	74.5
Net funds/commitments entered in Balance Sheet	-28.2	17.1	-6.1	-22.4	-39.6	-31.0	-12.3

At end 2004, net pension funds/commitments amounted to NOK -39.6 million of which NOK 48.7 million has been entered under long-term receivables, while NOK 88.3 million has been entered under long-term liabilities. Pension commitments and earnings for the year include employer's contributions.

Financial assumptions	2004	2003	2002
Return on pension funds	6.5	6.5	8.0
Discount rate	5.5	5.5	7.0
Annual wage growth	3.0	3.0	3.3
Annual basic pension rate adjustment	3.0	3.0	3.3
Annual adjustment of pensions being paid	2.5	2.5	2.5

Note 22 LONG-TERM DEBTS TO CREDIT-ISSUING INSTITUTIONS, ETC.

Long-term debts	2004	2003	2002
Long-term drawings on committed borrowing facilities	253.8	350.8	325
Other loans	72.2	363.9	430.3
Debts to credit-issuing institutions	326.0	714.7	755.3

Veidekke has committed borrowing facilities totalling NOK 1,350 million in Nordea. Veidekke's credit facilities in Nordea expire on 2 April 2006. These facilities, which are based on a negative mortgage declaration, are conditional on Veidekke's financial key figures (covenants) and on limitations on guarantees and security, sale of significant assets without consent and own account risks in residential and non-residential projects. Veidekke meets all of the conditions set out in the loan agreement and has satisfactory freedom of action.

At the end of 2004, Veidekke had long-term fixed interest-rate agreements amounting to NOK 400 million. This is 50 % of Veidekke's net interest-bearing liabilities in 2004. Average interest rate for these commitments is 5.75 % (including margin). Remaining maturity term is 3.5 years.

Maturity/repayment structure	2005	2006	2007	2008	After 2008
Reduction of NOK 1,350 million committed borrowing facilities		1 350.0			
Other loans	10.9	9.8	8.6	8.1	34.7
Total	10.9	1 359.8	8.6	8.1	34.7

Key figures	2004	2003	2002
Unused committed borrowing facilities	1 096.2	959.2	1 163.8
Weighted fixed interest rate at 31 December	5.1 %	6.0 %	6.9 %

Note 23 SHORT-TERM DEBTS TO CREDIT-ISSUING INSTITUTIONS, ETC.

Short-term debts	2004	2003	2002
Bank overdraft	4.3	5.4	24.5
Debt instruments and building loans linked with property development	280.6	161.3	160.4
Other loans	12.0	1.9	0.3
Debts to credit-issuing institutions	296.9	168.6	185.2

Maturity/repayment structure	2005	2006	2007	2008	After 2008
Bank overdraft	0.8	0.6	0.6	0.8	1.5
Debt instruments and building loans linked with property development	189.8	89.5	1.3		
Other loans	12.0				
Total	202.6	90.1	1.9	0.8	1.5

Note 24 CREDITORS

Included under 'Creditors' are accrued costs and provision for work under guarantee, etc.

Note 25 UNPAID GOVERNMENT CHARGES

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

Note 26 TAX PAYABLE AND DIVIDENDS

	2004	2003	2002
Tax payable	55.1	77.6	90.5
Allocated to dividends	171.7	96.6	95.6
Tax payable and dividends	226.8	174.2	186.1

Note 27 OTHER SHORT-TERM LIABILITIES

	2004	2003	2002
Advance payment from customers	231.7	361.4	319.6
Other liabilities	121.8	99.9	121.1
Other short-term liabilities	353.5	461.3	440.7

Note 28**MORTGAGES, GUARANTEES AND JOINT AND SEVERAL LIABILITY**

Mortgages	2004	2003	2002
Book liabilities secured by mortgages, etc.	280.6	185.8	169.9
Book value of mortgaged buildings/land	307.1	200.5	215.6
Guarantees	2004	2003	2002
Guarantees to associated companies	58.3	20.0	1.7

The Group has issued negative mortgage declarations for loans and guarantees. As a result of its participation in partnerships and joint ventures, Veidekke could become liable for other participants' inability to fulfil their obligations. Veidekke cannot, however, be called to account until the company in question actually fails to fulfil its obligations.

Note 29**PAYMENTS TO KEY PERSONNEL**

In 2004, the Group's auditors received NOK 6.4 million for auditing, NOK 2.1 million for audit-related assistance, NOK 0.7 million for tax-related assistance and NOK 0.4 million for other assistance.

Payments to members of the Board of Directors totalled NOK 1.15 million.

Payments to the President and CEO	2004	2003
Salary	2.2	2.0
Bonus	0	0.1
Car/interest benefit/telephone	0.3	0.3
Total reported	2.5	2.4
Pension premium	1.5	0.6

With its basis in the budget, a bonus scheme has been established for the corporate management giving a maximum payment of 25 and 20 per cent for vice-presidents of operations/corporate staff respectively. There are no share option schemes.

The President and CEO has a period of 12 months' notice. On termination of employment he is also guaranteed a salary for a further 12 months. Any salary or other remunerations the President and CEO may receive from a new employer will be deducted from the guaranteed salary. In 2004, the President and CEO was given the option of early retirement from the age of 60. The costs of entering into this agreement were charged to the accounts for 2004 in the amount of NOK 4.6 million. Anticipated annual costs for the agreement are approximately NOK 0.5 million.

The other members of the corporate management have 6 months' notice. On termination of employment they are guaranteed a further 12 months' salary. Any salary or other remunerations they may receive from a new employer will be deducted from the guaranteed salary.

Veidekke has granted loans for the purchase of Veidekke shares to the President and CEO and members of the corporate management totalling NOK 10.0 million at 31 December 2004. This amount is shared between President and CEO Terje R. Venold (NOK 2.8 million) and the following members of the corporate management: Dag Andresen (NOK 1.0 million), Torkel Backelin (NOK 2.1 million), Eigil Flaathen (NOK 1.0 million), Arne Giske (NOK 1.1 million), Kai Krüger Henriksen (NOK 0.8 million), Leif E. Johansen (NOK 0.8 million) and Torben Bjørk Nielsen (NOK 0.4 million). The loans are partly interest free and secured by mortgage on the shares. The interest benefit has been reported.

In addition to the above, the President and CEO has an ordinary loan of NOK 2.0 million for which the interest rate is equal to the normal rate in force at any time. Satisfactory security has been furnished for the loan.

Note 30**PROJECTS IN PROGRESS**

Taken to income on projects in progress	2004	2003	2002
Accumulated income	8 668	7 129	5 505
Accumulated contributions	549	520	413
Loss-bringing projects in progress *	2004	2003	2002
Remaining turnover	196	52	22

* The estimated loss on these projects has been entered in the Profit and Loss Account.

Note 31**UNCERTAINTY AND CONDITIONAL OUTCOME**

Crediting projects to the accounts as they proceed entails some uncertainty, since the figures are based on estimates and evaluations. For ongoing projects, uncertainty is linked with progress, disputes, work under guarantee, final prognoses, etc.

The final profit or loss on a project may therefore differ from the anticipated outcome. There is also the possibility of disputes arising that have to be settled by arbitration or in a court of law. As of 2004, Veidekke was not involved in any major disputes or other uncertainties that will significantly affect future results.

Note 32 CASH FLOW STATEMENT**Purchase of Companies**

Veidekke purchased no companies in 2004.

	2004	2003	2002
Liquid assets		3.2	21.2
Other current assets		8.4	78.0
Fixed assets		60.3	65.9
Debts to credit-issuing institutions		-5.1	-15.8
Operating debts		-5.4	-79.8
Payable/deferred tax		-5.9	12.4
Long-term liabilities		-2.8	-23.6
Cost price for purchases		52.7	58.3
Credit for purchases		0	0
Liquid assets taken over		-3.2	-21.2
Net cash outlay	0	49.5	37.1

Goodwill, property and machinery, etc.

Investments	2004	2003	2002
Entered in accounts *		326.6	376.7
Purchase of subsidiaries		-60.3	-65.9
Cash outlay	0	266.3	310.8

* See Note 9 – Goodwill, property and machinery, etc.

Note 33 TRANSACTIONS WITH CLOSELY ASSOCIATED PARTIES

OBOS 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 Fair in 2002, construction work on the property started in 2003. A total of about 580 dwellings will be built for sale for the owners' own account.

In 2004, Veidekke Skåne AB performed building contracts worth approximately NOK 25.2 million for a Swedish subsidiary of OBOS. The contract was entered into on competitive terms.

Through its subsidiary Br. Reme as, Veidekke completed building contracts in 2004 for a total of NOK 20.1 million for companies owned by the Br. Reme as' minority shareholders. The contracts were entered into on competitive terms.

Veidekke has signed a contract with SIL -Tribuna as worth about NOK 153.2 million for the development of Fosshaugane Stadium in Sogndal. This is a turnkey contract that was entered into on competitive terms. Two of Veidekke's local employees held office in the Sogndal Football Club both when the contract was signed in autumn 2004 and when the accounts were presented.

Veidekke ASA and the Lorck family have signed an agreement by which Veidekke will purchase their 20 per cent shareholding in Kolo Veidekke as. This purchase will take effect in the accounts from 1 January 2005. Veidekke will pay NOK 120 million for the shareholding.

Profit and Loss Account

		VEIDEKKE ASA	
(Figures in NOK million)	Note	2004	2003
Turnover		20.5	19.4
Subcontractors		-17.5	-23.7
Cost of materials		-5.9	-24.7
Wages	21, A	-40.8	-36.5
Other operating expenses	B	14.6	11.1
Other depreciation	D	-7.4	-16.6
Total operating costs		-57.0	-90.4
Operating Profit		-36.5	-71.0
Financial income/expenses	C	313.6	-1.5
Profit before taxation		277.1	-72.5
Taxation	H	-4.9	59.9
Profit for the year		272.2	-12.6
Transfers			
Dividends		171.7	96.6
Other shareholders' equity		100.5	-109.2
Total		272.2	-12.6

Balance Sheet

at 31 December

		VEIDEKKE ASA	
(Figures in NOK million)	Note	2004	2003
ASSETS			
Fixed assets			
Deferred tax	H	40.6	45.8
Buildings/land	D	32.3	29.1
Machinery, etc.	D	5.2	9.6
Shares in subsidiaries	E	859.8	875.8
Shares in associated companies	F	130.5	244.0
Long-term receivables, group companies		237.4	236.9
Receivables, etc.		219.9	100.8
Total fixed assets		1 525.7	1 542.0
Current assets			
Non-residential projects		2.2	8.3
Residential projects		-	2.2
Debtors		0,7	5.0
Short-term receivables, group companies		322.9	121.5
Other receivables		22.8	17.1
Total current assets		348.6	154.1
Total assets		1 874.3	1 696.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		71.5	69.0
Share premium reserve		304.8	241.3
Reserve for valuation differences		4.3	4.3
Other shareholders' equity		795.7	695.1
Total shareholders' equity	G	1 176.3	1 009.7
Long-term liabilities			
Pension obligations	21	28.2	27.5
Debts to credit-issuing institutions, etc.		4.4	-
Total long-term liabilities		32.6	27.5
Current liabilities			
Debts to credit-issuing institutions, etc.		446.9	355.5
Creditors	24	34.8	21.8
Short-term debt, group companies		3.7	180.8
Unpaid government charges	25	4.3	4.2
Payable taxes and dividends		171.7	96.6
Other short-term debts		4.0	-
Total current liabilities		665.4	658.9
Total shareholders' equity and liabilities		1 874.3	1 696.1

Cash Flow Statement

		VEIDEKKE ASA	
(Figures in NOK million)	Note 32	2004	2003
OPERATING ACTIVITIES			
Profit before taxation		277.1	-72.5
Depreciation		7.9	16.6
Pensions, difference cost/paid		0.7	36.0
Generated from operating activities		285.7	-19.9
Change in non-residential and residential projects		8.3	1.1
Change in debtors		4.3	-39.4
Change in other current assets		-207.1	114.6
Change in creditors		13.0	11.0
Change in other operating debts		-172.1	149.3
Net cash flow from operating activities (A)		-67.9	216.7
INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		-10.8	-2.8
Proceeds from sale of property, plant and equipment		3.6	-
Proceeds from sale of operations		-	-215.9
Other investments		9.9	-140.9
Net cash flow from investment activities (B)		2.7	-359.6
FINANCING ACTIVITIES			
New long-term borrowing		4.4	-
Repayments long-term debts		-	-335.0
New short-term borrowing		91.4	350.8
Share issue		66.0	13.2
Dividend paid		-96.6	-95.6
Net cash flow from financing activities (C)		65.2	-66.6
NET CHANGE IN LIQUID ASSETS (A+B+C)		-	-209.5
Liquid assets at 1 January		-	209.9
Liquid assets at 31 December		-	

Notes to the Account

VEIDEKKE ASA

The accounting policies on page 67 and 68 and part of the notes for the Group also apply to the parent company.

Note A NUMBER OF EMPLOYEES

	2004	2003
Average number of employees	39	33
Number of employees at 31 December	39	33

Note B REMUNERATION TO THE AUDITORS

In 2004, remuneration to the company's auditors amounted to NOK 0.7 million for auditing and NOK 0.6 million for audit-related assistance.

Note C FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income includes dividends and contribution paid from subsidiaries to the parent company amounting to NOK 312.3 million (NOK 69.2 million).

Note D GOODWILL, PROPERTY AND MACHINERY, ETC.

	Cost 1 January	Additions	Disposals	Accum. depreciation	Book value 31 Dec.	Depreciation for year	Depreciation in %
Property	46.4	9.2	4.1	19.2	32.3	1.9	2-5
Machinery, etc.	78.5	1.6	0.1	74.8	5.2	6.0	10-25
Total	124.9	10.8	4.2	94.0	37.5	7.9	

Note E SHARES IN SUBSIDIARIES

Company	Location	Ownership share %	Book value*
Veidekke Entreprenør AS	Oslo	100	260.5
Hoffmann A/S	Copenhagen	100	241.4
Kolo Veidekke as	Oslo	80	190.1
Veidekke Entreprenad AB	Lund	100	82.3
Veidekke Eiendom AS	Oslo	100	21.9
Veidekke Gjenvinning AS	Oslo	100	17.0
Vecon AB	Gothenburg	68	13.3
Noremco AS	Oslo	100	12.6
Bergheim Terrasser AS	Trondheim	100	9.7
Veidekke Skui AS	Bærum	100	5.0
Other companies			6.0
Total			859.8

* Book value in the company's accounts at 31 December 2004 (cost method).

Note F SHARES IN ASSOCIATED COMPANIES

Company	Location	Ownership share %	Book value*
Ramirent Oyj	Helsinki	8.5	107.7
NSS Group Oy	Helsinki	30	22.1
Alfarveg as	Oslo	50	0.3
Other companies			0.4
Total			130.5

* Book value in the company's accounts at 31 December 2004 (cost method).

Note G RECONCILIATION OF SHAREHOLDER'S EQUITY

	2004	2003
Shareholders' equity at 1 January	1 009.7	1 010.6
Continuity difference*		95.1
Share issue	66.0	13.2
Profit for the year	272.2	-12.6
Dividends	-171.6	-96.6
Shareholders' equity at 31 December	1 176.3	1 009.7

* The continuity difference refers to the transfer of Veidekke's construction operations in Norway to Veidekke Entreprenør as in 2003.

Note H TAXATION AND DEFERRED TAX

Taxation	2004	2003
Payable tax	-0.3	-3.6
Change in deferred tax	5.1	-56.3
Total	4.8	-59.9

Taxation	2004	2003
28 % of profit before taxation	77.6	-20.3
Actual taxation	4.8	-59.9
Deviation	72.8	39.6

Deviation in taxation		
Tax-free dividend	17.0	26.5
Tax-free gains on shares	11.3	8.3
Other items *	44.5	4.8
Total	72.8	39.6

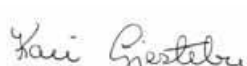
Deferred tax	2004	2003
Timing differences		
Short-term items	-187.4	-229.6
Gain and loss account	73.6	99.2
Other long-term items	-31.2	-33.2
Basis deferred tax	-145.0	-163.6

Deferred tax assets (28%)	40.6	45.8
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* "Other items" in 2004 refers to the transfer of Veidekke's construction operations in Norway to Veidekke Entreprenør as in 2003.


Oslo, 17 February 2005
VEIDEKKE ASA
Board of Directors


Göte Dahlin
Chairman of the Board

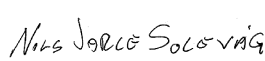

Kari Gjestebø


Ole T. Krogsgaard


Steinar Krogstad



Peder Chr. Løvenskiold


Martin Mæland


Nils Jarle Solevåg


Ove Ågedal


Hilde Merete Aasheim


Terje R. Venold
President and CEO



To the Annual Shareholders' Meeting of
Veidekke ASA

■ Statsautoriserte revisorer

Ernst & Young AS
Oslo Atrium
Postboks 20
N-0051 Oslo

Medlemmer av Den norske Revisorförening

■ Foretaksregisteret:

NO 976 389 387 MVA

Tel. +47 24 00 24 00
Fax +47 24 00 24 01
www.ey.no

Auditor's report for 2004

We have audited the annual financial statements of Veidekke ASA as of 31 December 2004, showing a profit of NOK 272,2 million for the parent company and a profit of NOK 258,4 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 balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2004, and the results of the operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices 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, February 17, 2005
ERNST & YOUNG AS

Torstein Hokholt (sign.)
State Authorised Public Accountant (Norway)

Eirik Larsson (sign.)
State Authorised Public Accountant (Norway)

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

■ Besøksadresse:
Oslo Atrium
Christian Frederiks plass 6
0154 Oslo

■ Arendal, Bergen, Bæ, Drammen, Fosnavåg, Fredrikstad, Holmestrand,
Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger,
Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien,
Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg,
Vikersund, Ålesund

Addresses

VEIDEKKE GROUP

P.O. Box 505 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 01

VEIDEKKE ENTREPRENØR AS

P.O. Box 506 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 41

Region East

District Oslo
P.O. Box 506 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 41

District Fallo/Indre Østfold

P.O. Box 55, N-1431 Ås
Langbakken 16
Telephone: +47 64 97 47 00
Fax: +47 64 97 47 01

District Østfold

P.O. Box 103, N-1713 Grålum
Tuneveien 87
Telephone: +47 69 97 27 00
Fax: +47 69 97 27 01

District Indre Østland

P.O. Box 203, N-2391 Moelv
Marisagveien 8
Telephone: +47 62 33 17 00
Fax: +47 62 36 90 30

Seby AS

Vestvollveien 6,
N-2019 Skedsmokorset
Telephone: +47 64 83 87 00
Fax: +47 64 83 87 01

Murus AS

P.O. Box 4683 Nydalen, N-0401 Oslo
Sandakerveien 110
Telephone: +47 23 05 90 80
Fax: +47 23 05 90 81

Byggformyelse

P.O. Box 4203 Nydalen, N-0401 Oslo
Fernanda Nissensgate 3
Telephone: +47 23 05 90 00
Fax: +47 23 05 90 50

Region South

District Buskerud
Gråterudveien 45, N-3036 Drammen
Telephone: +47 32 26 00 00
Fax: +47 32 26 00 30

Department Ringerike

Nedre Kilemoen, N-3516 Henefoss
Telephone: +47 32 17 90 30
Fax: +47 32 17 90 31

Department Hallingdal

P.O. Box 143, N-3551 Gol
Telephone: +47 32 07 49 44
Fax: +47 32 07 56 15

A/S Valdresbygg

Bygdinvegen 152, N-2900 Fagernes
Telephone: +47 61 36 22 90
Fax: +47 61 36 25 99

District Vestfold

P.O. Box 300, N-3101 Tønsberg
St. Olavs gate 1
Telephone: +47 33 30 79 79
Fax: +47 33 30 79 78

District Telemark

P.O. Box 166, N-3901 Porsgrunn
Dokkveien 10
Telephone: +47 35 93 11 11
Fax: +47 35 93 11 12

Norske Stålbygg AS

P.O. Box 1083, N-3204 Sandefjord
Gneisveien 8
Telephone: +47 33 29 19 00
Fax: +47 33 29 19 01

Br. Remé A/S

Serviceboks 423,
N-4604 Kristiansand
Gravane 20
Telephone: +47 38 12 58 00
Fax: +47 38 12 58 01

Block Berge Bygg A/S

Bedriftsveien 6,
N-4353 Klepp Stasjon
Telephone: +47 51 78 99 00
Fax: +47 51 78 99 01

Region North-West

District Bergen
P.O. Box 6005 Postterminalen,
N-5892 Bergen
Møllendalsbakken 9
Telephone: +47 55 38 70 00
Fax: +47 55 38 70 01

District Sogn og Fjordane

P.O. Box 63, N-6851 Sogndal
Kaupanger Industriområde
Telephone: +47 57 67 90 10
Fax: +47 57 67 90 11

Department Sandane

P.O. Box 185, N-6821 Sandane
Telephone: +47 57 86 62 55
Fax: +47 57 86 59 80

District Haugesund

P.O. Box 2073, N-5504 Haugesund
Karmsundgaten 51
Telephone: +47 52 80 60 00
Fax: +47 52 80 60 01

District Trondheim

P.O. Box 6100 Sluppen,
N-7435 Trondheim
Vegamot 8
Telephone: +47 73 82 35 00
Fax: +47 73 82 35 90

Region Heavy Construction

District Oslo 1
P.O. Box 504 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 28

District Oslo 2

P.O. Box 504 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 28

District Østfold/Dykkerteknikk

P.O. Box 68, N-1720 Greåker
Greåkerveien 27
Telephone: +47 69 10 27 00
Fax: +47 69 10 27 01

District North

Department Fauske
P.O. Box 14, N-8201 Fauske
Sjøgata 56
Telephone: +47 75 64 10 50
Fax: +47 75 64 10 51

District Harstad

P.O. Box 513, N-9485 Harstad
Klubbholmen 11
Telephone: +47 77 00 23 00
Fax: +47 77 00 23 01

Department Tromsø

P.O. Box 2502, N-9266 Tromsø
Søren Zakariassensgt. 14
Telephone: +47 77 69 80 50
Fax: +47 77 69 80 51

Trafikk & Anlegg AS

Røraskogen 16, N-3739 Skien
Telephone: +47 35 91 59 20
Fax: +47 35 91 59 30

Special Projects

P.O. Box 504 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 26

Machinery Department Skui

P.O. Box 380, N-1301 Sandvika
Ringeriksveien 201 C
Telephone: +47 21 05 50 00
Fax: +47 21 05 69 88

V-Teknikk

P.O. Box 504 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 32

Kynningsrud Fundamentering AS

P.O. Box 13, N-1662 Rolvsøy
Vallehellene 3
Telephone: +47 69 30 97 00
Fax: +47 69 30 97 01

HOFFMANN A/S

Fabriksparken 66, DK-2600 Glostrup
Telephone: +45 43 29 90 00
Fax: +45 43 43 34 22

Region West, Brabrand

Edwin Rahrs Vej 88,
DK-8220 Brabrand
Telephone: +45 87 47 47 47
Fax: +45 87 47 47 87

Region West, Fredericia

Nørre Allé 13, DK-7000 Fredericia
Telephone: +45 76 20 37 77
Fax: +45 76 20 37 76

Region Construction East

Fabriksparken 66, DK-2600 Glostrup
Telephone: +45 43 29 90 00
Fax: +45 43 43 34 48

Region Construction East, Næstved

Fiskerhusvej 38, DK-4700 Næstved
Telephone: +45 55 75 75 75
Telefax: +45 55 75 75 55

Region Heavy Construction

Fabriksparken 66, DK-2600 Glostrup
Telephone: +45 43 29 90 00
Fax: +45 43 43 34 22

Region Residential Projects

Fabriksparken 66, DK-2600 Glostrup
Telephone: +45 43 29 90 00
Fax: +45 43 29 93 03

VEIDEKKE ENTREPRENAD AB

Veidekke Bygg Stockholm AB
Box 1503, S-172 29 Sundbyberg
Allén 7
Telephone: +46 8 635 6100
Fax: +46 8 635 6198

Veidekke Anläggning Öst AB

Box 1503, S 172 29 Sundbyberg
Allén 7
Telefon: +46 8 635 6100
Fax: +46 8 635 6198

Veidekke Construction AB (VECON)

Box 6273, S-400 60 Göteborg
Norra Gubbbergatan 32
Telephone: +46 31 707 1950
Fax: +46 31 846 861

Veidekke Skåne AB

Råbyvägen 1, S-224 57 Lund
Telephone: +46 46 199 400
Fax: +46 46 145 381

VEIDEKKE EIENDOM AS

P.O. Box 507 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 11

Veidekke Eiendom AS

P.O. Box 300, N-3101 Tønsberg
St. Olavsg. 1
Telephone: +47 33 30 79 79
Fax: +47 33 30 79 77

Veidekke Eiendom AS

P.O. Box 6005 Postterminalen,
N-5892 Bergen
Møllendalsbakken 9
Telephone: +47 55 38 70 00
Fax: +47 55 38 70 01

Veidekke Eiendom AS

P.O. Box 6100 Sluppen,
N-7435 Trondheim
Vegamot 8
Telephone: +47 73 82 35 00
Fax: +47 73 82 35 90

Veidekke Eiendom AS

P.O. Box 2502, N-9266 Tromsø
Søren Zakariassensgt. 14
Telephone: +47 77 69 80 50
Fax: +47 77 69 80 51

Veidekke Eiendom AS

P.O. Box 55, N-1431 Ås
Langbakken 16
Telephone: +47 64 97 47 00
Fax: +47 64 97 47 01

Veidekke Bostad AB

Box 1503, S-172 29 Sundbyberg
Allén 7
Telephone: +46 8 635 6100
Fax: +46 8 635 6199

Dansk Ejendommeelskab A/S

Nørre Allé 13, DK-7000 Fredericia
Telephone: +45 76 20 37 77
Fax: +45 76 20 37 76

Hoffmann Ejendomme A/S

Fabriksparken 66, DK-2600 Glostrup
Telephone: +45 43 29 90 00
Fax: +45 43 43 34 22

VEIDEKKE INDUSTRY

P.O. Box 508 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 51

Kolo Veidekke a.s

P.O. Box 508 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 50
Fax: +47 21 05 50 51

Region North-West

P.O. Box 8042 Spjelkavik,
N-6022 Ålesund
Bingsa Industriområde
Telephone: +47 70 17 54 00
Fax: +47 70 17 54 10

District Finnmark

Raipasveien, N-9517 Alta
Telephone: +47 78 44 97 00
Fax: +47 78 44 97 01

District Nordland/Troms

Sigerfjord, N-8400 Sortland
Telephone: +47 76 11 16 80
Fax: +47 76 11 16 90

District Møre

P.O. Box 8042 Spjelkavik,
N-6022 Ålesund
Bingsa Industriområde
Telephone: +47 70 17 54 00
Fax: +47 70 17 54 10

District Rogaland/Sogn og

Fjordane
P.O. Box 8042 Spjelkavik,
N-6022 Ålesund
Bingsa Industriområde
Telephone: +47 70 17 54 00
Fax: +47 70 17 54 10

Asfaltverket Mo AS

P.O. Box 345, N-8601 Mo i Rana
Telephone: +47 75 12 76 70
Fax: +47 7512 76 80

Region Midt

P.O. Box 508 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 50
Fax: +47 21 05 50 51

District Trøndelag

P.O. Box 6100 Sluppen,
N-7435 Trondheim
Vegamot 8
Telephone: +47 73 82 35 00
Fax: +47 73 82 35 95

Region Østland

P.O. Box 124, N-2051 Jessheim
Industriveien 14
Telephone: +47 63 94 78 50
Fax: +47 63 94 78 51

District Østland South

P.O. Box 65, N-1431 Ås
Langbakken 16
Telephone: +47 64 97 47 30
Fax: +47 64 97 47 01

District Oslo-Akershus-Buskerud

Hvamsvingen 20, N-2013 Skjetten
Telephone: +47 64 83 19 00
Fax: +47 64 83 19 01

District Indre Østland

Sveumsvegen 29,
N-2834 Hurdal
Telephone: +47 61 10 80 40
Fax: +47 61 10 80 41

District Glåmdalen - Østerdalen

P.O. Box 1234, N-2201 Kongsvinger
Mårveien 14
Telephone: +47 62 82 88 50
Fax: +47 62 82 88 60

Cold Activities

Arnkvernvegen 271, N-2320 Furnes
Telephone: +47 62 51 92 15
Fax: +47 62 53 45 65

Region Aggregates

P.O. Box 2054 Stubberød,
N-3255 Larvik
Telephone: +47 33 13 58 58
Fax: +47 33 13 58 59

VEIDEKKE GJENVINNING AS

P.O. Box 508 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 21

BA Gjenvinning AS

P.O. Box 55 Mortensrud,
N-1215 Oslo
Telephone: +47 23 19 16 90
Fax: +47 23 19 16 98

Carl C. Fon Container AS

Østereyveien 31, N-3236 Sandefjord
Telephone: +47 33 48 74 50
Fax: +47 33 48 74 60

Dokken AS

P.O. Box 237, N-3470 Slemmestad
Almdalsveien 6
Telephone: +47 66 79 45 00
Fax: +47 66 79 50 26

FF-Resi AS

Småhaugv. 80, N-4362 Vigrestad
Telephone: +47 51 79 11 90
Fax: +47 51 79 11 99

Kay Arne Humlekjær AS

Dr. Nilsens v. 7, N-1653 Sellebakk
Telephone: +47 69 34 51 79
Fax: +47 69 34 45 91

Svensk Kross & Återvinning i

Uppland AB
Nyålsdalsvägen 6, S-192 77 Sollentuna
Telephone: +46 8 626 9030
Fax: +46 8 626 9035

Trondheim Biobrensel AS

Bjørkmyr, N-7036 Trondheim
Telephone: +47 73 57 15 42
Fax: +47 73 57 15 43

Veidekke Bioenergi AS

P.O. Box 273 Økern, N-0511 Oslo
Haraldrudveien 20
Telephone: +47 23 26 78 50
Fax: +47 22 63 08 69

Veidekke Gjenvinning

Rogaland A/S
Bøveien 6, N-4365 Nærbø
Telephone: +47 51 43 53 98
Fax: +47 51 43 58 02

Veidekke Gjenvinning Vestfold A/S

Hvittingfossveien 182,
N-3080 Holmestrand
Telephone: +47 33 06 60 60
Fax: +47 33 06 60 70

Wilhelmsen & Sønner A/S

P.O. Box 273 Økern, N-0511 Oslo
Haraldrudveien 20
Telephone: +47 23 26 78 50
Fax: +47 22 63 08 69

Ultimat AS

P.O. Box 508 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 00
Fax: +47 21 05 50 21

Østlandet Gjenvinning AS

Vangsveien 143, N-2317 Hamar
Telephone: +47 62 55 33 55
Fax: +47 62 55 33 56

NOREMCO CONSTRUCTION AS

P.O. Box 519 Skøyen, N-0214 Oslo
Skabos vei 4
Telephone: +47 21 05 50 60
Fax: +47 21 05 50 61

Tanzania

P.O. Box 23287, Oyster Bay
Dar es Salaam, Tanzania
Telephone: +255 22 260 0540
Fax: +255 22 260 2813



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