



**‘Creating value through interaction and satisfactory profits provides a solid platform for further growth’**

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Front cover from left:  
Asle Stormorken and Tore Nilsen

### Publication dates for interim reports:

1st quarter 1998: 28 April  
2nd quarter 1998: 13 August  
3rd quarter 1998: 29 October  
The Annual General Meeting will be held on 28 April 1998

The shares are quoted ex-dividend on 29 April 1998  
The dividend will be paid to shareholders on 20 May 1998

Internet: <http://www.veidekke.no>  
Information about Veidekke is also available at:  
<http://www.huginonline.no/VEI/>  
Investor Relations: tel. +47 66 98 54 40



### VISION

Veidekke intends to be the first choice for customers, suppliers and employees.

### OBJECTIVES

Veidekke aims to be the leading contractor in Norway. The company is committed to a five per cent profit margin, an absence rate of less than five per cent for hourly-paid employees, and an injury rate of less than eight lost-time injuries per million working hours.

### STRATEGY – CREATING VALUE THROUGH INTERACTION

In order to live up to our vision and achieve our objectives, we have chosen four strategic focal areas which relate to our fundamental principles, 'Innovation, Integrity, Loyalty':

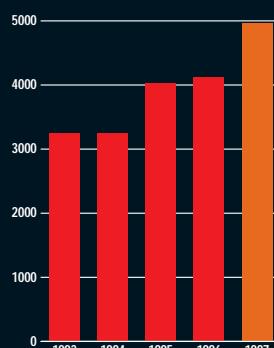
- Customers
- Management
- Technical skills
- Suppliers

'Five in '97 – Veidekke towards the year 2000' was the guiding concept for the first phase of the company's comprehensive restructuring and improvement programme which was started in 1995.

'Creating value through interaction' has been chosen as the guiding concept for the next phase of the programme.

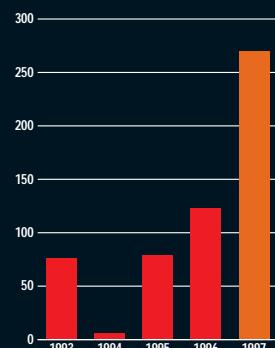
### Turnover

NOK mill.



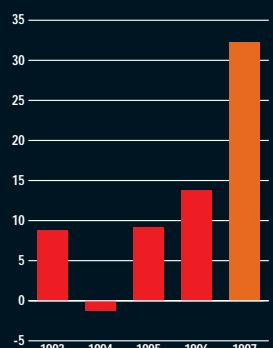
### Profit before taxation

NOK mill.



### Earnings per share

NOK





Creating value through interaction is based on the fundamental principles of Innovation, Integrity and Loyalty.

Left: Kjetil Ekrem

## VEIDEKKE

Veidekke is one of Norway's largest and best-known contractors. The company has a diverse portfolio of operations and enjoys a dominant market position in the building, heavy construction, industrial and property sectors, operating primarily in the Norwegian market.

Veidekke was established in 1936 to manufacture and lay cobble stones – the name in Norwegian means 'road surface'. The company expanded, especially in the 1980s, to provide comprehensive contractor services throughout Norway. Veidekke has been listed on the Oslo Stock Exchange since 1986 and is valued at around NOK 1.5 billion.

There are significant areas of overlap between the company's four divisions, and the company is striving to achieve maximum synergy and interaction within the divisions.

### Building

The Building Division is divided into five regions: Oslo, Eastern Norway (covering Akershus, Østfold, Hedmark and Oppland counties), Southern Norway (Buskerud, Vestfold, Telemark and Agder), Western Norway (Rogaland, Hordaland and Sogn og Fjordane), and Northern Norway (Møre og Romsdal, Trøndelag, Nordland and Troms).

The Building Division constructs new residential and commercial properties and public buildings (e.g. hospitals, schools, churches), as well as undertaking modernisation and renovation contracts.

### Heavy Construction

The Heavy Construction Division carries out contracts all over Norway. These include infrastructure projects such as roads, bridges and railways, major excavation works, power plants and industrial facilities. The division also operates internationally.

### Industry

The Industry Division is responsible for the nationwide production and laying of asphalt, crushed stone and gravel operations, and ready-mix concrete production. From 1998, Environmental and Recycling Business will also form a separate business sector in the division.

### Property

The Property Division purchases sites and develops properties for commercial and residential purposes. Management, operation and maintenance also form a major part of the company's property development activities.

# Financial highlights 1997

## 20% INCREASE IN TURNOVER

### GREATLY IMPROVED PERFORMANCE

- Profit margins increased from 3.0% to 5.5%
- Earnings per share up from NOK 13.83 to NOK 32.26
- Return on equity up from 13.7% to 26.5%

### EXPANDING ORDER BOOKS

- Order book for the Building and Heavy Construction Divisions expanded by 20% over the year to NOK 2,710 million
- Significantly expanded property development portfolio in the residential and commercial sectors
- Healthy order book

### SOUND FINANCIAL POSITION

- Equity ratio remains stable at 31.9% (30.9% in 1996)
- Net interest-bearing assets of NOK 232 million
- Cash flow from operations of NOK 271 million

## STRATEGIC DEVELOPMENTS

- Increased involvement in residential and commercial property development projects by the company on its own account
- Formation of Bautas plant-hire subsidiary
- Entering the ready mix concrete market
- Environmental and Recycling projects

## MILESTONES

- 1997 targets successfully met under Veidekke's strategy for the year 2000
- 'Creating value through interaction', the next stage of Veidekke's year 2000 strategy, envisages further profitable expansion and synergy between divisions



The development of the former NEBB site at Skøyen is Veidekke's largest building project. The total contract price for the five non-residential buildings is approximately NOK 560 million. The total gross floor area is around 76,000 square metres. The project has been developed by Veidekke in collaboration with OTAS, and has been sold to the insurance company Samvirke forsikring. Veidekke is continuing with the development for the new owner. In the lower right-hand corner of the picture, construction work nears completion for Veidekke's new headquarters, which will include the offices of the Policy Management System (Northern Sector). Behind this, Veidekke is building the Oslo offices for the accountancy firm Deloitte & Touche. Huset Sjølyst can be seen on the left, providing offices for Levi Strauss Norway A.S, Burson Marsteller A.S. and other firms. The Scandic Sjølyst Hotel, which can be seen behind Huset Sjølyst, is now fully operational. The Norwegian Fashion Centre is on the far left.

## FIVE-YEAR REVIEW

	1997	1996	1995	1994	1993
<b>Result</b>					
Turnover*	4,961	4,129	4,029	3,255	3,250
Operating profit*	248.6	113.6	77.5	6.0	71.7
Profit before taxation*	270.4	123.0	79.5	6.2	76.0
Gross profit margin (%)	5.5	3.0	2.0	0.2	2.3
Orders-on-hand Building and Heavy Construction*	2,710	2,261	1,944	1,731	1,358
<b>Financial key figures</b>					
Cash flow from operating activities*	271.1	107.5	309.1	35.7	81.5
Investments*	475	368	235	182	131
Equity ratio (%)	31.9	30.9	28.5	27.5	30.2
<b>Profitability</b>					
Return on working capital(%)	28.9	15.7	12.6	5.1	12.0
Return on equity (%)	26.5	13.7	10.0	-0.1	9.3
<b>Shares and shareholders</b>					
Earnings per share (NOK)	32.26	13.83	9.13	-1.25	8.84
Dividend per share (NOK)	9.50	5.50	3.00	2.00	2.75
Market price 31 December (NOK)	258.00	201.00	126.25	116.50	170.00
Market value at 31 December*	1,470	1,145	719	655	956
<b>Employees</b>					
Number of employees at 31 December	3,176	3,111	2,888	2,785	2,694
Absence rate (%)	4.6	4.3	4.3	3.6	4.0
Absence hourly-paid employees (%)	6.0	5.4	5.4	4.6	5.2
Lost-time injuries per million working hours	12.5	16.3	19.9	18.7	16.1

\* NOK million

Key figures and definitions, see page 41.

# Operations

## Operations

### Description of operations

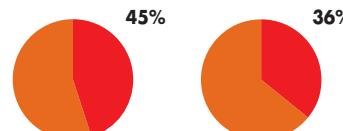
### Key figures

### Priority areas in 1997

### Achieved in 1997

### Priority areas in 1998

## Building



Turnover  
Profit  
See also page 42-45

In 1997, as in previous years, Veidekke's Building Division focused on customer satisfaction and profitability. Our staff have worked hard to develop our products in line with customer requirements for functionality, quality, delivery time and price. The division's turnover increased significantly, and profit margins rose from 2.9% to 4.4%. The order book at year-end was NOK 1,203 million, compared with NOK 1,125 million in 1996.

	1997	1996	1995
Turnover*	2,230	1,823	1,952
Operating profit*	74.7	28.3	10.9
Profit before tax*	98.3	53.6	34.5
Number of employees	1,530	1,467	1,408

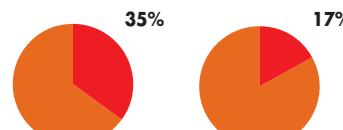
\* NOK million

- Build up specialised skills in selected market sectors to increase market advantages

- Contracts for new shopping centres
- Residential sites purchased for own developments
- Focus on the market for special-needs housing
- Expand cooperation with strategic suppliers
- Increase capacity in Eastern Norway region
- 28% growth in Oslo market

- Strategic recruitment
- Develop specialised technical expertise
- Strengthen our market-driven corporate culture

## Heavy Construction



Turnover  
Profit  
See also page 46-49

In 1997, the Heavy Construction Division maintained its strategy of selectivity in its choice of projects, and continued its restructuring and productivity drive. Profit margins increased from 2.0% in 1996 to 2.7%. Taking account of the large order book at the beginning of the year, turnover increased by 24%. The order book remained very healthy at year-end: NOK 1,507 million, compared with NOK 1,136 million in 1996.

	1997	1996	1995
Turnover*	1,717	1,389	1,172
Operating profit*	34.1	21.4	2.4
Profit before tax*	46.3	28.3	3.4
Number of employees	962	931	810

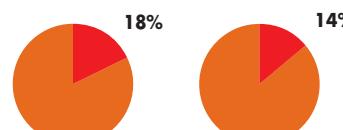
\* NOK million

- Market selectivity and focus on strategic projects
- Emphasis on the Division's competitive advantages
- Continued improvement process with emphasis on interdivisional utilisation of the Division's collective resources

- More, higher-quality orders-on-hand
- Increased portfolio of composite contracts and industrial projects
- Improved operating margins for domestic operations. Improved working environment and reduction in absenteeism caused by injuries

- Continued market selectivity and choice of projects on the basis of profitability, capacity and available skills
- Focus on ability to deliver
- Skills development and recruitment to reinforce the most crucial aspects of the Division's value creation

## Industry



Turnover  
Profit  
See also page 50-53

The asphalt market was under pressure in 1997, partly because the Norwegian Public Roads Administration awarded fewer contracts to private contractors. In spite of this, the asphalt business maintained its volume of work and profit margins, with the asphalt paving contract for Oslo Gardermoen airport largely offsetting the decline in the market. The crushed stone and gravel business performed satisfactorily, and three new quarries were acquired. Veidekke also became involved in ready-mix concrete production, having purchased shares in HF-Gruppen, a major player in this market.

	1997	1996	1995
Turnover*	911	869	812
Operating profit*	45.1	47.6	47.0
Profit before tax*	37.0	36.1	42.9
Number of employees	620	645	514

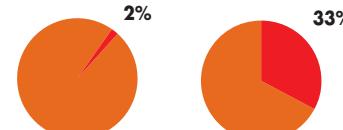
\* NOK million

- Focus on factor inputs
- Asphalt paving contract at Oslo Gardermoen airport
- Improved capacity utilisation during winter months
- Completion of asphaltic core contracts awarded in 1996

- Three crushed stone and gravel works acquired
- Shares purchased in HF-Gruppen, a ready-mix concrete manufacturer
- Projects completed in accordance with quality targets and budgets
- Three-year contract with Oslo Municipality for road maintenance and snow clearing
- Dam Urar and Dam Svartisen satisfactorily completed

- Environmental and Recycling as new business sector
- Continue rationalisation and efficiency savings
- Service contracts to improve resource utilisation outside normal asphalt-laying season.
- HF-Gruppen to expand its ready-mix concrete manufacturing operations

## Property



Turnover  
Profit  
See also page 54-57

In 1997, the Property Division reinforced its position as a reliable manager and developer of residential and commercial property. Eight properties were sold during the year, generating a profit of NOK 86 million. The division's properties in both the residential and commercial markets have significant development potential. There was also increasing demand during the year for management, operation and maintenance services.

	1997	1996	1995
Turnover*	126	63	64
Operating profit*	96.1	20.4	22.8
Profit before tax*	90.5	6.3	0.9

\* NOK million

- Find new development areas
- Develop products and expertise aimed at new markets
- Incorporate experience from management, operation and maintenance in new projects
- Continue to sell property in order to release capital and expertise

- Involved in property developments with potential floor space of 80,000 m<sup>2</sup>
- Developed project expertise in the health and community care sectors
- Produced manuals and procedures for management, operation and maintenance
- Skøyen development and seven other properties sold

- Make the company a more attractive partner in the property development sector
- Increased focus on the residential market
- Improved climate for skills development and exchange of expertise
- Involvement in major projects such as Fornebu



# Further growth and value creation towards the year 2000



**'Our aim has been to make further improvements to Veidekke as an attractive workplace for our employees and an attractive partner for our customers and suppliers.'**

## AMBITIOUS OBJECTIVES

When, in autumn 1995, Veidekke launched its restructuring and improvement programme 'Five in '97 – Veidekke towards the year 2000', this was based on an analysis of the demands and the potential that we envisaged in construction markets of the future. We set ourselves an ambitious target: a 5% profit margin after and including 1997, an injury rate of less than 12 lost-time injuries per million working hours, and an absence rate of under 5%.

Some people considered these objectives to be unrealistic. It was maintained, for example, that future profit margins in the construction industry were unlikely to exceed 2 per cent. Evidence from other countries was used to support this view. We were able to dispute this, even then, by referring to our own development. Veidekke showed an average profit margin of 4.5% during the 1980s. It did indeed drop to 2% in the first half of the 90s, but this was in the context of very special market conditions, with a 24% decline in building and construction investments between 1988 and 1993 and the demands of integrating with Aker Entreprenør.

We were convinced that it would be possible once again to achieve a 5% profit margin, but this would require us to do things differently. Traditional methods of running a construction company would have no chance of survival as we approached the year 2000. The demands of employees, customers and suppliers were starting to change quite radically, while at the same time, competition from abroad was growing stronger.

We wanted to develop Veidekke as an attractive workplace for our employees, and as an attractive partner for customers and suppliers, where traditional and often aggressive tendering would be replaced by collaboration to solve problems. It was on this basis that we identified Management, Customer Relations, Technical Skills and Supply Management as our four strategic focal areas. This strategy has been incorporated in our action plans and budgets, and we have given priority to its systematic implementation. 'Five in '97 – Veidekke towards the year 2000' has been a comprehensive programme, based on cooperation and support, which has involved the entire organisation.

## ACHIEVING 1995 OBJECTIVES

The work has been demanding, but it has paid off. We have combined growth with increased earnings. During the period 1994–1997, Veidekke showed an increase in turnover of 50%, and profit margins increased from almost zero in 1994 to 5.5% in 1997. The equity ratio improved and is now 31.9%, compared with 27.5% in 1994. Order books increased by nearly 60%, and at the start of 1998 were worth NOK 2,710 million. In addition we have acquired strategically located properties with development potential for around 80,000 square metres of commercial premises and more than 1,200 houses and apartments. There has also been progress in the Health, Safety and Environment area, with a reduction in the lost-time injury rate, which fell from approximately 19 injuries per million working hours in 1994 to 12.5 last year. Absence from work was somewhat higher than expected, and this reflects a trend throughout the industry.

The organisation has developed in some significant areas. We have implemented an active recruiting policy in order to ensure that we obtain the best employees, whether they are skilled workers, engineers and civil engineers, or commercial personnel. More priority has been given to skills development, and the increased range and quality of the training offered by Veidekke itself has played an important part in this.

Quality in the field of management development has also been improved, with presentations by leading experts from the company or outside aimed specifically at various levels of management. We have expanded both technical skills and capacity with regard to business development, and now have several new areas under development which will soon start to make a significant contribution in addition to our present core activities. We have further expanded our skills-developing network by means of research projects and agreements on cooperation with the Norwegian University of Science and Technology.

**CREATING VALUE THROUGH INTERACTION**  
The sure foundation on which to base our further development is the strong position we have at present in respect of finance, organisation and skills, together with the relations we have established with our major business partners. Considered in this light, the first phase of 'Five in '97 – Veidekke towards the year 2000' has not only allowed us to achieve the desired results for 1997, but has also provided a platform for further growth and value creation.

Veidekke's declared vision is to be the first choice for customers, suppliers and employees. This commits Veidekke to targeted programmes in a number of areas. In keeping with the vision, we have chosen 'Creating value through interaction' as the guiding concept for the next phase in 'Veidekke towards the year 2000'.

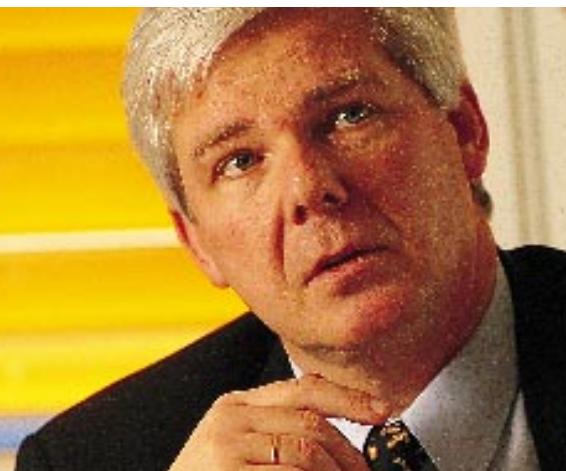
If we do not work as a team with major business partners, we will be in no position to create the assets we aim for, and that we know are expected of us by others. Our aim to have a 5% profit margin remains, and within the HSE area we now aim to reduce the injury rate even further, down to 8, while recording an absence rate for hourly-paid employees of less than 5%.

#### GROWTH THROUGH PROFITABILITY

Veidekke will utilise its strength to achieve further growth. Even though there is some degree of uncertainty with regard to costs, market prospects for the next three to four years are favourable. The Norwegian economy is strong, and a high level of investment in building and construction is expected. Veidekke has a well-developed network of businesses and contacts in all sectors of the market and is well positioned to increase its market share.

International operations did not show satisfactory profits for last year, and a number of measures have now been implemented to stop this trend. The partnership with Selmer on Nocon will be phased out in its present form. Our company in East Africa, Noremco, now has a much stronger management structure, and prospects for profitability are encouraging. We already have experience of working in Sweden, from collaboration on projects with a Swedish partner. We have assessed market potential over a long period, and have now established a new company in Sweden, which will initially work on heavy construction projects in western Sweden.

Without question, however, expansion will centre on Norway, combining growth in both our present core activities and new business areas. We will utilise our strong position and the excellent market potential in Norway to achieve further growth, but we will continue to focus on risk and profitability.



**'If we did not work with our major partners as part of a team, we would not be capable of creating the assets that we are aiming for, and that others are expecting of us.'**

A handwritten signature in black ink, appearing to read 'Terje R. Venold'.

Terje R. Venold  
President and CEO

# The Board of Directors' Report

## 'FIVE IN '97 – VEIDEKKE TOWARDS THE YEAR 2000'

Veidekke's profits for 1997 are the result of long-term and carefully planned operations within the framework of 'Five in '97 – Veidekke towards the year 2000'. When this restructuring and improvement programme was launched in 1995, the objective was that from 1997 onwards the company should show a profit margin of 5%, an injury rate of less than 12, and an absence rate of less than 5%. A strategy was formulated which would focus on the development of customer and supplier relations. The programme has been built up from the broad based involvement of all employees.

It is with great satisfaction that the Board of Directors now reports that the main objectives have, essentially, been achieved. The injury rates, and particularly the rate of absence due to illness, are still too high, and these areas must continue to be prioritised.

Our success in fulfilling the aims in all essential areas, may be ascribed primarily to the consistent implementation of the strategies determined by the company, even though favourable market conditions were also of significance. As well as improving its

profile during recent years as a partnership-oriented organisation which takes customer relations seriously, Veidekke has also given high priority to skills development. This is reflected by the continued high intake of apprentices, active recruitment at colleges and universities, and a comprehensive development programme within Veidekke itself.

In keeping with its strategy, the company has improved its market position and developed new business areas. In the course of 1997, there was an increase in our market share for housing, industrial buildings and heavy construction, and profitability has also improved. The Industry Division has maintained its level of earnings and expanded its market share. The Property division was able last year to reap the harvest of its long-term development work at the Sjølyst Allé site at Skøyen.

New business areas were established in 1997, including equipment hire through the Bygg- og anleggsutleie AS (Bautas) subsidiary and a concentration on the ready-mix concrete market resulting from the acquisition of 43% of the shares in HF-Gruppen AS. Since the new year, the resources and skills connected with residential and non-residential developments have been brought together into a single unit, Veidekke Development. This will further improve the company's effectiveness and attractiveness as a partner in this area. The Environmental and Recycling business area is in the process of being established.

During recent years, Veidekke has strengthened its position in terms of finance, the market and company structure. The company has a sound basis for further expansion, focusing on profitable growth.

## PROFIT PERFORMANCE

Taken together, the building and heavy construction markets performed positively in 1997 and showed a 7% increase. The building market in particular showed very satisfactory growth. New residential and non-residential building projects increased, in terms of area, by 12% and 16% respectively. The heavy construction market, on the other hand, saw a relatively stable level of activity. The traditional asphalt market for private asphalting contractors has been somewhat reduced.

From left: members of the Board of Directors, Flemming Vejgaard Andersen, Helge B. Andresen and Karsten Houm.

From left: members of the Board of Directors, Håkon Langballe and Peder Chr. Løvenskiold.



Veidekke had a turnover of NOK 4,961 million in 1997, compared with NOK 4,129 million in 1996, an increase of 20%. The Building and Heavy Construction Divisions have shown a significant increase in turnover and have expanded their market shares. The Industry Division has maintained the extent of its operations in a declining market, thanks to the asphalting contract at Gardermoen.

The total order book for the Building and Heavy Construction Divisions was worth NOK 2,710 million (NOK 2,261 million) at the end of the year, an increase of nearly 20%. The order book is regarded as satisfactory, both for the Group as a whole and for the company's various Divisions.

Group profit before tax was NOK 270.4 million, compared with NOK 123.0 million in 1996, and the profit margin increased from 3.0% in 1996 to 5.5% in 1997. The sale of industrial properties, including Sjølyst Allé at Skøyen, made a positive contribution, with a sales profit of NOK 86 million.

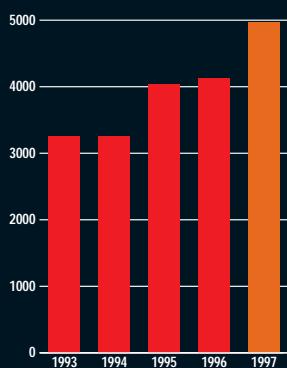
The Building and Heavy Construction Divisions have considered it essential to negotiate the market selectively, with regard both to products and to customers, while at the same time having sufficient capacity for the successful conclusion of contracts entered into. The Industry Division has maintained its profit levels in a very tight market, by achieving acceptable profitability on the Gardermoen contracts and by concluding the season for general asphalt production in a satisfactory manner. In addition, crushed stone and gravel operations showed a positive trend. The Property Division has strengthened its position as a property developer through the successful sale of fully developed industrial premises and also by becoming involved in new property development projects. During its start-up phase, Bautas has already shown good profits, which are divided between Building and Heavy Construction (see the notes to the accounts).

Profit after taxes and minority interests was NOK 183.8 million (NOK 77.7 million). Earnings per share were NOK 32.26 (NOK 13.83).

The company's financial position is good. Even with considerable expansion and investment within existing and new areas of operation, the company's equity ratio was maintained during 1997, increasing to 31.9% from 30.9% in 1996.

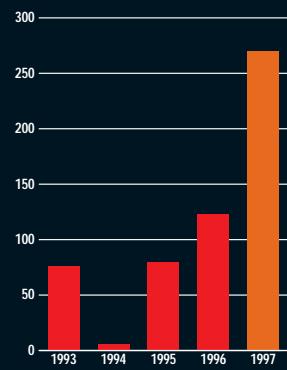
Turnover

NOK mill.



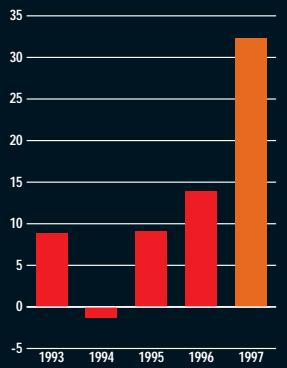
Profit before taxation

NOK mill.



Earnings per share

NOK





From left: Chairman of the Board Christian Bruusgaard in conversation with Bjørn H. Madsen and Steinar Krogstad, who are the employee representatives on the Board.

In keeping with Veidekke's aim to pay out a competitive dividend which gives shareholders a significant proportion of the profits, the Board of Directors proposes a dividend of NOK 9.50 per share (NOK 5.50). This indicates a pay out ratio of 29.5% (39.8%).

#### BUILDING

During 1997, the Building Division again prioritised customer focus and profitability. Because of the way we are focusing on the customer, greater demands are made on our employees to develop products which meet customer requirements regarding functionality, quality, price and timing.

The Building Division showed a significant increase in turnover and a clear increase in profit. Turnover stood at NOK 2,230 million, an increase of 22% compared with 1996. It is considered of the utmost importance to have adequate capacity and skills to meet the volume of commissions. The Division increased its market share in 1997.

Profits in the Building Division showed a positive trend in all quarters of the year, for both income and profit margin. Annual profit was NOK 98.3 million (NOK 53.6 million) which produced a profit margin of 4.4% (2.9%).

There were 469 projects under construction during the year. Major projects in progress include the development of Sjølyst Allé for Samvirke, the Halden Storsenter for Profiergruppen and the Strømmen Storsenter for Olav Thon Gruppen.

At the end of the year, the order book was worth NOK 1,203 million (NOK 1,125 million) and is considered satisfactory, especially when taking into account the major development portfolio for residential and industrial buildings held by the Property Division. The company is involved in advanced negotiations for several major building projects.

#### HEAVY CONSTRUCTION

The Heavy Construction Division pursued its strategy of selective choice of projects, together with its work on organisational development and improved productivity. As a result, the Division achieved a significant increase in profits. The heavy construction market remained relatively stable during 1997, and projects associated with Gardermoen made a positive contribution to this. In addition, underground work has shown greater growth than expected.

Turnover for 1997 was NOK 1,717 million, an increase of 24% compared with 1996. This growth was expected because of the order book at the start of the year. The Division showed a profit of NOK 46.3 million (NOK 28.3 million). Profit margin has increased from 2% in 1996 to 2.7%.

The order book for the Heavy Construction Division is very satisfactory and was worth NOK 1,507 million (NOK 1,136 million) at the beginning of 1998.

There was a high level of activity in 1997, including the last months of year, and excellent utilisation of capacity within the Heavy Construction Division. During May, the Norwegian Public Roads Administration came to an agreement with Veidekke

regarding the completion of the North Cape Tunnel and a financial settlement, based on the difficult and unexpected rock conditions. There are now revised plans for the project, which is progressing well. The agreed completion date is 1 June 1999 at the latest.

Among the major projects are the contracts for Oslo Gardermoen Airport, the multi-storey car park and extensions at Oslo Central Station for the Norwegian State Railways Gardermoen Line, a new bottling plant for Coca-Cola, the double railway track on the NSB Østfold Line, and a stretch of road on the Oslofjord link for the Norwegian Public Roads Administration. Another major contract is for the upgrading and development of Norsk Hydro's oil and gas terminal, built into the rock at Sture outside Bergen. The contract is worth around NOK 185 million, and Veidekke also has an option for an additional rock cavern.

International operations, which are managed primarily by Noremco and Nocon, had a turnover of NOK 350 million (NOK 197 million). Both subsidiaries showed poorer profits than expected. Profits for Nocon (owned equally by Veidekke and Selmer) are affected by a substantial allocation for a tunnel contract in Italy, where there is a dispute with the customer about the amount of compensation for increased costs associated with difficult and unpredictable rock conditions. A number of measures have been implemented in Noremco to bring profitability up to a satisfactory level.

## INDUSTRY

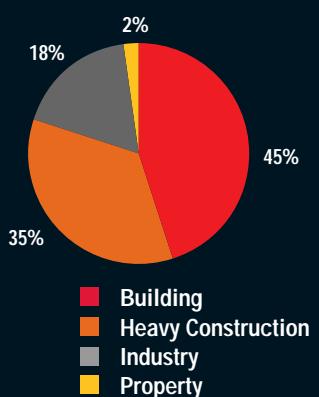
The Industry Division includes two new business areas, Ready-Mix Concrete and Environmental and Recycling, as well as the company's asphalt, crushed stone and gravel operations.

The asphalt market has been tight, since the volume of work undertaken by private asphalting contractors for the Public Roads Administration was reduced in 1997. In addition, demand from municipalities and the private market was much lower than anticipated. The asphalt contract for Gardermoen Airport has, as far as Veidekke is concerned, compensated for shrinkage in the market in general.

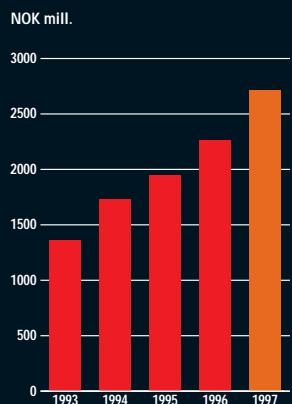
In 1997, the Industry Division had turnover of NOK 911 million (NOK 869 million) and a profit of NOK 37.0 million (NOK 36.1 million).

A number of strategic investments were made in the course of the year. By means of a private placing, Veidekke has acquired an interest in the ready-mix concrete company, HF-Gruppen. At the end of the year Veidekke owned 43% of the company. This interest was acquired in November, so the acquisition has not significantly affected the figures for 1997. Ready-mix concrete is a strategically important investment for Veidekke, and this acquisition will also enable us to coordinate ready-mix concrete with our own crushed stone and gravel operations. In 1997, HF-Gruppen had turnover of approximately NOK 110 million with satisfactory profits.

Areas of activity



Orders-on-hand, Building and Heavy Construction



Investments within crushed stone and gravel operations continued during 1997, and in the course of the year, three crushed stone and gravel works were acquired. Crushed stone and gravel operations showed a turnover of NOK 135 million (NOK 118 million) with satisfactory profits.

In the third quarter of the year, Veidekke signed a three-year contract with Oslo municipality for winter maintenance and spring refurbishment of parts of the municipal road network. Several municipalities are interested in inviting tenders for contracts of this kind, which enable Veidekke to make better use of its plant, equipment and personnel capacity during the winter season.

The establishment of Environmental and Recycling as a business sector in its own right is an important part of the programme to prioritise construction waste recycling and reduce emissions caused by our operations. The organisation is now more skilful at identifying environmentally responsible products and production methods, in consultation with the customer. See also pages 58 to 63.

#### PROPERTY

Total rental revenue was NOK 37.6 million (NOK 45.8 million), and of this, NOK 26.3 million (NOK 31.1 million) was derived from external tenants. Total operating income of NOK 126.2 million includes profit from the sale of business properties, including Sjølyst Allé, producing a profit of NOK 86 million. The total profit for the Property Division was NOK 90.5 million (NOK 6.3 million).

The Division has focused primarily on the development of business properties. A commercial property at Lysaker, which Veidekke developed and constructed, is now at the completion stage. The building is fully let, and has been sold. This sale produced a profit of NOK 15 million in the first quarter of 1998.

In October, Veidekke acquired a large business development site at Økern in Oslo, in which it holds 50%. The site consists of 10,000 square metres of existing business premises, and has new development potential of 37,000 square metres. It is expected that preparatory work on planning and regulations will be completed by mid of 1998, so that the first construction stage will begin at the start of 1999.

In addition to Sjølyst Allé, seven business properties were sold in the course of the year for a total of NOK 110 million. These properties were developed by Veidekke in previous years. In the summer of 1997, the company took up its option to buy back Olav Brunborgs vei 4 and 6 in Asker. The property covers 15,700 square metres, and the purchase price was NOK 150 million. The property is rented out and the lease has five more years to run. It is expected to be sold in 1998.

All property development is considered part of the Property Division, so as to facilitate the management of all housing and business premises development which the company undertakes on its own account.

#### ORGANISATION AND PERSONNEL

The 'Five in '97 – Veidekke towards the year 2000' restructuring and improvement programme has influenced the entire organisation during 1997. The programme is based on active participation and support among all employees. Collaboration and teamwork with employee representatives has been open and constructive. The programme is continuing with 'Creating value through interaction' as the guiding concept.

Training within the company itself continued at a high level, and this played an important role in our strategic investment in skills development. 1,300 employees took part in courses run by the company during the year, accounting for a total of 3,100 course days.

In order to meet market changes, priority was given to the strategic recruitment of qualified employees. During 1997, a total of 46 newly qualified civil engineers and engineers were appointed. There is extensive use of trainee schemes within the company. Veidekke continues to have a large intake of apprentices. The number of apprentices in 1997 was 117 (111).

Veidekke has been at the forefront of the building and construction industry in the use of information technology. By increasing the company's general IT skills, this competitive advantage can be further increased. In autumn 1997, as part of this strategy, Veidekke gave all employees who use computers at work the opportunity to borrow a home PC for three

Chairman of  
the Board  
Christian  
Bruusgaard.



years at no charge, provided they committed themselves to undertaking a comprehensive home study course. A separate offer was made to those not regularly using computers at work: they were entitled to purchase similar equipment at a discount price.

At the end of the year, Veidekke had 3,176 employees (3,111). 1,137 (1,066) were salaried and 2,039 (2,045) were paid by the hour.

#### INNOVATION AND DEVELOPMENT

Investing in innovation and development is an integral part of Veidekke's strategy, and the company carried out a number of interesting development projects during 1997.

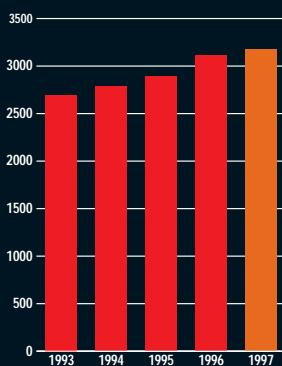
With support from the Confederation of Norwegian Business and Industry and the Norwegian Federation of Trade Unions' Joint Programme for Business Development, the development programme linked with 'Five in '97 – Veidekke towards the year 2000' has been continued. In 'Teamwork in the construction process', which is supported by the Research Council of Norway, Veidekke has initiated several pilot projects, in collaboration with suppliers and consultants, in order to develop better teamwork in all areas of the construction process. These development projects will be continued in 1998. Collaboration with the Norwegian University of Science and Technology in Trondheim and with the Foundation for Scientific and Industrial Research continued.

The Industry Division is always engaged with product development, and is focusing in particular on the recycling of asphalt and more environmentally responsible production methods.

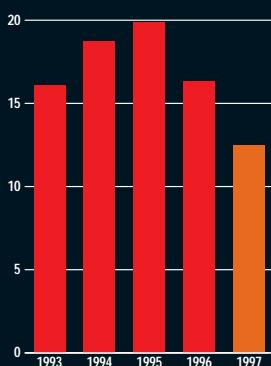
#### HEALTH, SAFETY AND ENVIRONMENT

Experience shows that quality at both the planning stage and the implementation stage helps to ensure good results in terms of profits and also in terms of reduced injuries and absences. There has been further focus on measures to prevent accidents, and this has contributed to making Veidekke a better and safer place to work. Measures to reduce the number of lost-time injuries per million working hours have proved successful, and in the course of the year the figure was reduced from 16.3 to 12.5. This is close to the company's 1997 target of 12. This improvement can be ascribed to a number of measures which focused on working conditions on specific construction sites. The company aims to reduce the figure further in 1998.

Number of employees



Number of lost-time injuries per million working hours



Absence among the company's employees was 4.6% (4.3%). Absence among hourly-paid employees was 6.0% (5.4%). This is a negative trend in terms of the company's target, and a number of preventive measures have been implemented, together with a scheme for following up those employees who have frequent or long absences.

By developing buildings and constructions that take into account the requirements for resource management and life cycle adaptation, Veidekke intends to contribute as much as possible to ensuring the quality of the products supplied, and also aims to comply with the collective wish for sustainable development. The Industry Division is working on the recycling of asphalt and more environmentally responsible production methods. Work is also being carried out on ways to use our crushed stone and gravel plant for recycling construction waste. The establishment of Environmental and Recycling as a separate business area has increased our contribution to environmental management.

#### FINANCIAL SITUATION

Total investments amounted to NOK 475 million (NOK 368 million). Gross investments in machinery totalled NOK 255 million (NOK 182 million). NOK 57 million was invested in the Bautas hire company. A considerable proportion of these investments were directed at the external hire market. Assets acquired through company take-overs are included in the investment figures at NOK 82 million, NOK 62 million of which refers to goodwill investments. NOK 158 million was invested in buildings and sites, of which the repurchase of Olav Brunborgs vei 4 and 6 represented NOK 150 million. Sales of fixed assets amounted to NOK 417 million (NOK 257 million), of which NOK 394 million (NOK 241 million) relate to buildings and sites.

Cash flow from operations amounted to NOK 271.1 million (NOK 107.5 million). The net interest-bearing position (in other words, the company's interest-bearing debts deducted from its liquid assets and interest-bearing receivables) was positive and stood at NOK 232 million (NOK 68 million). The Group's total assets at the end of the year were NOK 2,501 million (NOK 2,145 million). This increase must be

seen in the context of increased turnover. Total shareholders' equity increased from NOK 662 million to NOK 798 million. The equity ratio was 31.9% (30.9%).

The company showed considerable liquidity fluctuations during the year. These fluctuations are due to seasonal changes in activity, with most activity during the summer. The company issued short-term bonds to cover the short-term financing needs caused by these seasonal changes. Three short-term bonds were issued in 1997 for a total of NOK 190 million, and there were no outstanding short-term bonds at the end of the year.

#### SHAREHOLDERS AND THE STOCK MARKET

At the end of the year, Veidekke had 2,592 (2,430) shareholders. The two major shareholders were Storebrand, with an ownership share of 12.3%, and Folketrygdfondet with 10.2% of shares. 9.7% of shares were held by foreign investors at the end of the year (11%). A total of 2.8 million Veidekke shares were traded on the Oslo stock exchange in 1997 (3.1 million).

One of Veidekke's objectives is that its employees should be involved as owners in the company, thereby sharing in Veidekke's value creation, as well as cultivating commitment and a feeling of collective belonging and helping to ensure stable ownership. To further this objective, the company sold shares to its employees for the sixth year running. All employees were given the opportunity to buy between 10 and 200 shares at a price that was 20% less than that quoted on the stock exchange. A total of 773 employees subscribed to 98,345 shares, a total value of NOK 20.7 million. The costs incurred by this sale (NOK 2.7 million) are charged to the profit and loss account.

The employees' ownership share at the end of the year was 10.9%, distributed between 1,240 employees. The Board of Directors will propose a 1 for 2 share split to the Annual General Meeting, so that one old share will be exchanged for two new shares.

## PROSPECTS

The Norwegian economy is expected to grow in 1998. High employment and household income growth is expected to produce higher prices for existing housing and growth in the construction of new housing. Non-residential building activity is expected to maintain its high level. A levelling-out is expected for the heavy construction and asphalt market in 1998. Price and wage growth is expected to be moderate, although the high level of activity in parts of the market might put some pressure on prices and costs.

Veidekke is well placed at the start of 1998, with a strong financial position, a skilled organisation and a satisfactory order book. The company can see business potential in existing and adjoining markets, which will provide the basis for further growth and development with continued sharp focus on profitability.

## DISTRIBUTION OF THE PROFIT FOR THE YEAR

In 1997, Veidekke ASA showed a profit after tax of NOK 162.8 million (NOK 82.8 million). The Board of Directors will propose to the Annual General Meeting on 28 April 1998 that the parent company's profit be distributed as follows:

	NOK million
Group contribution	3.1
Dividend, NOK 9.50 per share	54.1
Legal reserve	55.8
Distributable reserve	49.8
<b>Total</b>	<b>162.8</b>

Billingstad, 18 February 1998  
VEIDEKKE ASA



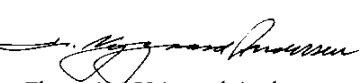
Christian Bruusgaard  
Chairman of the Board



Helge B. Andresen



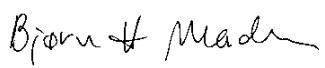
Karsten Houm



Flemming Vejgaard Andersen



Peder Chr. Løvenskiold



Bjørn H. Madsen

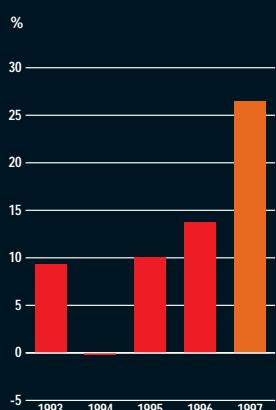


Håkon Langballe

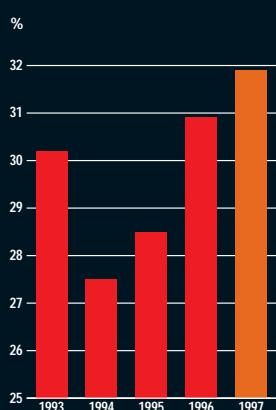


Terje R. Venold  
President and CEO

## Return on equity



## Equity ratio



# Profit and Loss Account

## GROUP

	Note	1997	1996	1995
(Figures in NOK million)				
<b>Turnover</b>	1, 2, 23, 24	4,960.8	4,129.4	4,029.0
Subcontractors		-1,720.0	-1,565.7	-1,644.5
Cost of materials		-1,359.1	-1,048.3	-1,084.6
Wages and social costs	17	-1,162.7	-1,024.5	-858.7
Other operating expenses		-324.1	-246.8	-249.7
Depreciation	12	-144.9	-129.3	-110.4
Bad debts		-1.4	-1.2	-3.6
<b>Total operating costs</b>		<b>-4,712.2</b>	<b>-4,015.8</b>	<b>-3,951.5</b>
<b>Operating profit</b>		<b>248.6</b>	<b>113.6</b>	<b>77.5</b>
Financial income/expenses	3	21.8	9.4	2.0
<b>Profit before taxation</b>	1	<b>270.4</b>	<b>123.0</b>	<b>79.5</b>
Taxation	18	<b>-76.9</b>	<b>-36.6</b>	<b>-21.6</b>
Minority interests' share	19	<b>-9.7</b>	<b>-8.7</b>	<b>-7.2</b>
<b>Profit</b>		<b>183.8</b>	<b>77.7</b>	<b>50.7</b>
<b>Earnings per share (NOK)</b>	4	<b>32.26</b>	<b>13.83</b>	<b>9.13</b>

# Balance Sheet

## GROUP

At 31 December	Note	(Figures in NOK million)			
		1997	1996	1995	
<b>ASSETS</b>					
<b>Current assets</b>					
Liquid assets	5	400.4	324.0	396.4	
Debtors	6	699.4	557.8	549.6	
Other short-term receivables		74.4	75.7	20.0	
Stocks	7	112.4	85.0	87.5	
Development projects for sale	8	151.3	70.8	53.4	
<b>Total current assets</b>		<b>1,437.9</b>	<b>1,113.3</b>	<b>1,106.9</b>	
<b>Fixed assets</b>					
Long-term receivables etc.	11, 17, 18	122.4	113.6	86.4	
Goodwill	12	77.2	27.0	12.2	
Machinery etc.	12	491.0	373.0	299.2	
Buildings	12	279.0	382.1	445.5	
Land	12	93.3	135.7	155.7	
<b>Total fixed assets</b>		<b>1,062.9</b>	<b>1,031.4</b>	<b>999.0</b>	
<b>Total assets</b>		<b>2,500.8</b>	<b>2,144.7</b>	<b>2,105.9</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Debts to credit-issuing institutions		12.1	6.8	11.5	
Creditors etc.	13	821.3	707.7	781.3	
Unpaid government charges etc.	14	189.8	178.8	155.7	
Other short-term debts	15	326.0	155.6	154.6	
<b>Total current liabilities</b>		<b>1,349.2</b>	<b>1,048.9</b>	<b>1,103.1</b>	
<b>Long-term liabilities</b>					
Long-term liabilities	16, 17	252.2	358.5	350.5	
Deferred taxes	18	101.2	75.5	52.1	
<b>Total long-term liabilities</b>		<b>353.4</b>	<b>434.0</b>	<b>402.6</b>	
<b>Minority interests</b>	19	<b>69.6</b>	<b>62.8</b>	<b>54.9</b>	
<b>Shareholders' equity</b>					
Share capital	20	57.0	57.0	57.0	
Other shareholders' equity		671.6	542.0	488.3	
<b>Total shareholders' equity</b>	21	<b>728.6</b>	<b>599.0</b>	<b>545.3</b>	
<b>Total liabilities and shareholders' equity</b>		<b>2,500.8</b>	<b>2,144.7</b>	<b>2,105.9</b>	
Secured liabilities	22	202.6	302.6	285.7	
Guarantees	22	87.0	74.7	28.0	

# Cash Flow Statement

## GROUP

	Note 25	1997	1996	(Figures in NOK million) 1995
<b>OPERATING ACTIVITIES</b>				
Profit before taxation		270.4	123.0	79.5
Tax paid		-17.7	-34.8	-42.6
Depreciation		144.9	129.3	110.4
Gain/loss on sale of fixed assets		-109.6	-23.0	-18.2
Gain/loss on sale of shares in partnerships				-17.6
Pensions, difference cost/paid		-10.1	-11.3	-12.2
Other differences profit/payment		0.3	-2.1	-1.8
<b>Generated from operating activities</b>		<b>278.2</b>	<b>181.1</b>	<b>97.5</b>
Change in debtors		-131.9	16.2	-54.9
Change in other current assets		-105.7	19.0	48.2
Change in creditors		106.7	-93.3	206.9
Change in other operating debts		123.8	-15.5	11.4
<b>Net cash flow from operating activities (A)</b>		<b>271.1</b>	<b>107.5</b>	<b>309.1</b>
<b>INVESTMENT ACTIVITIES</b>				
Purchase of property, plant and equipment		-394.5	-307.9	-195.9
Proceeds from sale of property, plant and equipment		403.4	245.5	63.6
Purchase of companies		-58.9	-38.5	-6.4
Proceeds from sales of shares in partnerships				18.2
Other investments		2.8	-24.4	-11.8
<b>Net cash flow from investment activities (B)</b>		<b>-47.2</b>	<b>-125.3</b>	<b>-132.3</b>
<b>FINANCING ACTIVITIES</b>				
New long-term borrowing		80.0	119.8	30.7
Repayments long-term debts		-206.1	-108.8	-89.0
Change short-term debts		4.0	-46.5	-97.5
Sale own shares		14.1		8.0
Sale minority interest			0.4	
Dividend paid		-39.5	-19.5	-15.1
<b>Net cash flow from financing activities (C)</b>		<b>-147.5</b>	<b>-54.6</b>	<b>-162.9</b>
<b>NET CHANGE IN LIQUID ASSETS (A+B+C)</b>		<b>76.4</b>	<b>-72.4</b>	<b>13.9</b>
Liquid assets at 1 January		324.0	396.4	382.5
Liquid assets at 31 December		400.4	324.0	396.4

# Accounting Policies

## CONSOLIDATION

### Consolidated accounts

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

### Subsidiaries

Subsidiaries are companies in which Veidekke has a direct or indirect majority of the votes. 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 for the year (after taxation) and 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. Any added or reduced value is shared among the respective assets. Added value which cannot be assigned to material assets is entered as goodwill. Added value and goodwill are depreciated via the profit and loss account.

### Joint venture operations

Some of Veidekke's operations are run as joint ventures with other companies. This kind of general partnership applies to building and construction, asphalt operations, ready-mix concrete and property, and includes working partnerships, joint and several liability companies and public limited companies. In working partnerships, construction contracts are completed with other contractors. Liability is shared by all parties in working partnerships.

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 parties
- the operation is jointly managed by the partners.

Joint venture operations account for part of Veidekke's overall activities, and Veidekke participates actively in these ventures. Financial investments, etc. do not constitute joint venture operations. Joint venture control means that no single partner has a controlling interest, and that important decisions are made together.

Veidekke uses the gross method (proportional consolidation) for joint venture operations. When using the gross method, the relevant proportion of the joint venture account is included, and each line of the Profit and Loss Account and Balance Sheet is incorporated. Activities in working partnerships and joint and several liability companies are included in the parent company's accounts, while activities in public limited com-

panies are consolidated in the Group accounts. The acquisition method of accounting is used for the purchase of a share in a joint venture operation.

### Limited partnerships – ships

Veidekke is also a partner in limited partnerships which own ships. The equity method is used for these investments. When using the equity method, the relevant proportion of the profit/loss is entered as a financial item, while net investment is entered as a capital asset.

### 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. 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

### Mergers

The Group uses the continuity method to integrate companies. By this method, the integrated company's assets and liabilities are carried forward at book value. Shareholders' equity is altered by the integrated company's shareholders' equity, less the cost price of shares that the Group held prior to the merger.

## RECORDING INCOME

### Projects

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

For projects, income is entered as the work progresses and in proportion to the percentage of completion. This means that the accumulated proportion of the estimated profit on the project is taken to income. The percentage of completion is determined on the basis of completed production.

In the case of projects that are expected to show a loss, the estimated loss is entered in its entirety as a cost. Provisions are made for guarantee work and other uncertainties. The guarantee period is normally three years. Disputed claims are entered as income once they have been settled or the outcome is certain.

### **Development projects for sale**

These development projects refer to the building of houses for sale on Veidekke's own account. These projects are entered as income at a conservative level, in step with the sale and completion of the houses, based on anticipated final profit. Allocations are made for uncertainty, work under guarantee, etc. In the case of projects that are expected to give a loss, the whole anticipated loss is entered under expenses. Costs incurred on units not entered as income and development sites are entered in the Balance Sheet under "Development projects for sale". Development projects for Veidekke's own account are valued at production cost or anticipated net sales value, whichever is lower. Production cost includes all assignable project costs. Projects for own account that are taken to income, but not paid, are classified as receivables and entered under "Debtors" (completed, not invoiced).

### **Development projects for Veidekke's ownership**

Veidekke also develops and builds non-residential buildings on its own account for rental and subsequent sale, as well as for its own use. Non-residential buildings for Veidekke's ownership are entered as capital assets under manufacturing costs, including interest charges during the construction period. Development projects for Veidekke's ownership are entered as operating income.

### **Sales of fixed assets**

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

## **OTHER ACCOUNTING POLICIES**

### **Pensions**

Veidekke has a group pension scheme for its employees that is covered in a life assurance company. The employees' pension rights 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 pensions 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.

### **Taxes**

This year's tax expenses consist of payable tax and the 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, i.e. with no discount. There are moreover strict criteria for entering deferred tax benefits in the accounts.

### **Depreciation**

Depreciation is based on the financial lifetime of the fixed assets.

### **Research and 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. 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.

Current assets and short-term liabilities in foreign currency are converted at the exchange rate on the date of the Balance Sheet. Long-term receivables in foreign currency are entered at the rate of exchange on the date of the Balance Sheet or on the date of acquisition, whichever is lower. Long-term liabilities in foreign currency are entered at the rate of exchange on the date of the Balance Sheet or on the date of acquisition, whichever is higher.

### **Stocks**

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

### **Shares**

Financial investments are classified as current assets, while strategic investments are classified as fixed assets. Short-term shareholdings are assessed on the portfolio principle

## **CHANGES IN 1997**

Veidekke has previously entered the figures for joint venture companies using the equity method, as it was assumed that the gross method could not be used for public limited companies. However, the Norwegian Institute of Accountants and the Oslo stock exchange have now announced that the gross method may be used for public limited companies. Veidekke has therefore started this year to use the gross method for joint venture public limited companies. In this context, figures for previous years have also been revised using the gross method. This means that turnover, pre-tax profit/loss and total capital for previous years have increased slightly, while profit for the year and shareholders' equity remain unchanged.

# Notes to the Account

## GROUP

### 1. SEGMENT ANALYSIS

(Figures in the tables in NOK million)

PROFIT AND LOSS ACCOUNT	Building			Heavy Construction			Industry		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
Turnover	2,230.3	1,823.2	1,951.8	1,716.7	1,389.4	1,172.0	910.5	868.6	812.2
Operating costs	-2,137.1	-1,777.7	-1,927.0	-1,631.6	-1,335.1	-1,137.1	-795.4	-761.4	-714.8
Depreciation	-18.5	-17.2	-13.9	-51.0	-32.9	-32.5	-70.0	-59.6	-50.4
Operating profit/loss	74.7	28.3	10.9	34.1	21.4	2.4	45.1	47.6	47.0
Net financial items	23.6	25.3	23.6	12.2	6.9	1.0	-8.1	-11.5	-4.1
Profit before taxation	98.3	53.6	34.5	46.3	28.3	3.4	37.0	36.1	42.9

#### BALANCE SHEET at 31 December

Liquid assets	413.8	386.7	386.1	80.7	130.4	131.9	-147.4	-86.9	-20.6
Other current assets	448.9	306.2	391.0	400.9	315.9	224.9	142.9	135.1	88.4
Fixed assets	181.4	85.7	78.8	237.6	109.4	98.7	365.2	296.5	231.9
<b>Total assets</b>	<b>1,044.1</b>	<b>778.6</b>	<b>855.9</b>	<b>719.2</b>	<b>555.7</b>	<b>455.5</b>	<b>360.7</b>	<b>344.7</b>	<b>299.7</b>
Interest-bearing liabilities	48.2	7.8	24.7	16.3	15.6	14.4	21.0	10.8	11.2
Other liabilities	739.0	571.4	686.4	506.8	387.7	324.1	159.8	151.1	134.7
Shareholders' equity	256.9	199.4	144.8	196.1	152.4	117.0	179.9	182.8	153.8
<b>Total liabilities and shareholders' equity</b>	<b>1,044.1</b>	<b>778.6</b>	<b>855.9</b>	<b>719.2</b>	<b>555.7</b>	<b>455.5</b>	<b>360.7</b>	<b>344.7</b>	<b>299.7</b>
Gross investments in fixed assets	76.0	35.7	21.9	128.2	48.2	82.7	116.8	128.2	85.4

PROFIT AND LOSS ACCOUNT	Property			Other activities			Group		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
Turnover	126.2	62.6	63.5	-22.9	-14.4	29.5	4,960.8	4,129.4	4,029.0
Operating costs	-24.7	-22.6	-27.1	21.5	10.3	-35.1	-4,567.3	-3,886.5	-3,841.1
Depreciation	-5.4	-19.6	-13.6				-144.9	-129.3	-110.4
Operating profit/loss	96.1	20.4	22.8	-1.4	-4.1	-5.6	248.6	113.6	77.5
Net financial items	-5.6	-14.1	-21.9	-0.3	2.8	3.4	21.8	9.4	2.0
Profit before taxation	90.5	6.3	0.9	-1.7	-1.3	-2.2	270.4	123.0	79.5

#### BALANCE SHEET at 31 December

Liquid assets	53.3	-106.2	-101.0				400.4	324.0	396.4
Other current assets	44.8	32.1	6.2				1,037.5	789.3	710.5
Fixed assets	278.7	539.8	589.6				1,062.9	1,031.4	999.0
<b>Total assets</b>	<b>376.8</b>	<b>465.7</b>	<b>494.8</b>				<b>2,500.8</b>	<b>2,144.7</b>	<b>2,105.9</b>
Interest-bearing liabilities	155.3	308.6	283.6				240.8	342.8	333.9
Other liabilities	56.2	29.9	26.6				1,461.8	1,140.1	1,171.8
Shareholders' equity	165.3	127.2	184.6				798.2	661.8	600.2
<b>Total liabilities and shareholders' equity</b>	<b>376.8</b>	<b>465.7</b>	<b>494.8</b>				<b>2,500.8</b>	<b>2,144.7</b>	<b>2,105.9</b>
Gross investments in fixed assets	153.8	155.4	44.5				474.8	367.5	234.5

## CRITERIA

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

## PRESENTATION OF AREAS OF ACTIVITY

The effect on profits of cash flow from the projects constitutes a substantial part of net financial items. The profit or loss before taxation therefore gives a more correct picture of the earnings of the areas of activity than operating profit or loss does. Financial items and the profit or loss before taxation are therefore presented in addition to the operating profit or loss. As complete profit and loss account is presented, a complete balance sheet for each area of activity is also presented.

## DISTRIBUTION OF ITEMS THAT ARE NOT DIRECTLY ASSIGNABLE

Costs that are not directly assignable are shared in proportion to turnover.

Balance sheet items that are not directly assignable to any of the areas of activity, mainly liquid assets and shareholders' equity, are shared in proportion to turnover. This principle has been chosen because the balance sheet items in the Building and Heavy Construction Divisions are to a large extent correlated with the level of activity.

## NON-DISTRIBUTED ITEMS

In the Profit and Loss Account, some items are not shared between the areas of activity. Non-distributed items appears under "Other activities" and consist of:

- Elimination of inter-divisional turnover/profit
- Share of shipping partnerships' profit or loss
- Cost of discount on sale of shares to employees
- Gain on sale of short-term share investments

## MINORITY INTERESTS

Minority interests apply to the Industry Division and mainly to the company Korsbrekke og Lorck AS, of which Veidekke owns 60% (see Note 19).

## INTER-DIVISIONAL TRANSACTIONS

38% of turnover from "Property" is rent from other areas of activity. Market price at the time when the leases are signed is used as a basis for the changes.

## DISTRIBUTION OF TURNOVER BY GEOGRAPHICAL MARKET

NOK 350.0 million (NOK 197.0 in 1996 and NOK 357.4 in 1995) of the Group's total turnover derives from operations outside Norway, thus totalling 7.1% (4.8% in 1996 and 8.9% in 1995) of the Group's total turnover.

Turnover	Building			Heavy Construction			Other activities			Group		
	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995
Norway	2,230.3	1,823.2	1,866.9	1,366.7	1,182.6	881.7	1,013.8	926.6	923.0	4,610.8	3,932.4	3,671.6
Other Nordic countries				25.2	13.4	25.0				25.2	13.4	25.0
Germany		84.9				50.4		5.5	5.3		5.5	140.6
East Africa				255.7	167.6	174.1				255.7	167.6	174.1
Other countries				69.1	25.8	40.8		-15.3	-23.1	69.1	10.5	17.7
Total	2,230.3	1,823.2	1,951.8	1,716.7	1,389.4	1,172.0	1,013.8	916.8	905.2	4,960.8	4,129.4	4,029.0

Orders-on-hand	Building			Heavy Construction			Total			
	1997	1996	1995	1997	1996	1995	1997	1996	1995	
Total		1,203	1,125	1,024	1,507	1,136	920	2,710	2,261	1,944
Of which due for completion within 12 months		1,177	964	919	1,292	846	755	2,469	1,810	1,674

## 2. TURNOVER

Turnover includes the following gains on sale from:

	1997	1996	1995
Machinery etc.	10.2	4.8	11.0
Buildings, land	99.4	18.2	7.2
Shares in companies			17.6
<b>Total gains on sales</b>	<b>109.6</b>	<b>23.0</b>	<b>35.8</b>

## 3. FINANCIAL ITEMS

	1997	1996	1995
Interest received	50.6	34.9	43.9
Share of profit/loss limited partnerships, ships	-0.3	2.8	3.3
Other financial income	2.7	4.7	4.7
<b>Financial income</b>	<b>53.0</b>	<b>42.4</b>	<b>51.9</b>
Interest charges, long-term loans	-11.6	-20.0	-29.8
Interest charges, short-term loans	-18.1	-10.8	-16.1
Other financial expenses	-1.5	-2.2	-4.0
<b>Financial expenses</b>	<b>-31.2</b>	<b>-33.0</b>	<b>-49.9</b>
<b>Net financial items</b>	<b>21.8</b>	<b>9.4</b>	<b>2.0</b>

## 4. EARNINGS PER SHARE

	1997	1996	1995
Earnings per share (NOK)	32.26	13.83	9.13
Profit/loss for the year (NOK '000)	183,812	77,715	50,717
Time-weighted average number of ordinary shares	5,697,830	5,619,263	5,555,002
Number of ordinary shares at 31 December	5,697,830	5,697,830	5,697,830

The difference between the time-weighted number of ordinary shares and the number of ordinary shares at 31 December 1995 and 1996 is due to own shares owned by subsidiary Korsbrekke og Lorck AS. These shares were sold in December 1996.

The company had no potential ordinary shares outstanding in any of the periods. It is therefore not necessary to make any corrections.

## 5. LIQUID ASSETS

	1997	1996	1995
Bank deposits	270.7	158.1	253.7
Short-term investments	72.7	94.1	50.0
Withheld tax on salaries and wages	41.8	42.2	38.2
Securities	10.5	26.4	50.0
Shares	4.7	3.2	4.5
<b>Liquid assets</b>	<b>400.4</b>	<b>324.0</b>	<b>396.4</b>

## 6. DEBTORS

	1997	1996	1995
Book debtors	700.5	611.0	571.7
Provision for bad debts	-22.9	-24.1	-23.5
Due from customers	117.9	118.1	94.4
Completed, not invoiced	132.1	81.7	70.0
Invoiced, not completed	-228.2	-228.9	-163.0
Debtors	699.4	557.8	549.6

## 7. STOCKS

Stocks include project stocks and Industry Division stocks. Project stocks consist of materials, spare parts, tools etc., while Industry Division stocks consist of crushed stone and raw materials for the production of asphalt.

## 8. DEVELOPMENT PROJECTS FOR SALE

	1997	1996	1995
Projects in progress	29.0	52.8	35.5
Sites for development	122.3	18.0	17.9
Development projects for sale	151.3	70.8	53.4

Veidekke also has sites for development under fixed assets (Note 12).

Development projects for sale are concerned with house-building for Veidekke's own account for sale. The item "Projects in progress" above consists of costs incurred on units that have not been taken to income. Projects for Veidekke's own account that have been taken to income, but not paid for, are entered under "Debtors" (completed, not invoiced).

## 9. SHARES IN SUBSIDIARIES

	Total share capital	Ownership share in %	Nominal value	Balance sheet value
Topp-Dekke A/S	0.5	95	0.5	23.9
Korsbrekke og Lorck AS	5.0	60	3.0	16.9
Seby AS	0.6	70	0.4	16.0
A/S Noremco Construction	5.0	100	5.0	12.6
Moderne Bygg AS	2.5	100	2.5	10.9
Hokksund Pukkverk A/S	0.1	48	0.0	8.9
Veidekke Eiendom A/S	5.0	100	5.0	5.1
Bautas AS	5.0	100	5.0	5.0
Veidekke Finans A/S	5.0	100	5.0	5.0
Prosjektutvikling Bergen A/S	0.9	100	0.9	1.2
Other subsidiaries				4.2
<b>Owned by Veidekke ASA</b>				<b>109.7</b>
Hokksund Pukkverk A/S	0.1	48	0.0	2.0
<b>Owned through subsidiaries</b>				<b>2.0</b>

In 1997, Veidekke purchased 70% of the shares in the company Seby AS, and has agreed to buy the remaining shares in three years. Furthermore, the subsidiary Bautas, bygg- og anleggsutleie as, has been established.

## 10. SHARES IN JOINT VENTURE OPERATIONS

	Total share capital	Ownership share in %	Nominal value	Balance sheet value
HF-Gruppen AS	6.2	43	2.7	54.6
Nocon AS	6.0	50	3.0	3.0
A/S Kongsvinger Asfalt	2.0	50	1.0	1.0
A/S Foskvartalet	0.1	50	0.1	-
<b>Owned by Veidekke ASA</b>				<b>58.6</b>
Amrock JV AS	20.0	30	6.0	6.0
Martin Haraldstad A/S	0.1	50	0.1	2.0
<b>Owned by subsidiaries</b>				<b>8.0</b>
<b>Total Group</b>				<b>66.6</b>

In 1997, Veidekke has purchased 43% of the shares in the company HF-Gruppen AS.

## 11. LONG-TERM RECEIVABLES ETC.

		1997	1996	1995
Loan to employees		34.1	17.3	17.4
Loan to foundation for employees' share purchases		23.0	10.1	2.3
Loan to partners			29.3	14.7
Net pension funds		20.7	9.5	4.0
Miscellaneous shares		14.0	7.8	7.3
Loan to customers		14.8	25.2	22.4
Deferred tax benefit		5.8	6.3	7.9
Share in shipping partnership		5.7	4.2	5.3
Other		4.3	3.9	5.1
<b>Long-term receivables etc.</b>		<b>122.4</b>	<b>113.6</b>	<b>86.4</b>

## 12. FIXED ASSETS

	Cost 1 Jan.	Additions	Disposals	Accum. depreciation	Book value 31 Dec.	Depreciation for year	Depreciation in %
Goodwill	58.8	62.0	-	43.6	77.2	11.8	10-20
Machinery etc.	1,107.5	255.0	72.6	798.9	491.0	125.0	15-20
Buildings	494.4	140.5	272.8	83.1	279.0	8.1	2-5
Land	135.7	17.3	59.7	-	93.3	-	
<b>Total</b>	<b>1,796.4</b>	<b>474.8</b>	<b>405.1</b>	<b>925.6</b>	<b>940.5</b>	<b>144.9</b>	

"Land" includes properties for development with a book value of NOK 38.7 million (43.0).

Investments in and sale (sales price) of fixed assets

	1997		1996		1995		1994		1993	
	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale
Goodwill	62.0	-	24.0	-	2.8	-	7.1	-	3.9	-
Machinery etc.	255.0	22.5	181.6	15.8	171.3	33.6	88.0	24.2	68.9	25.6
Buildings	140.5	333.2	129.3	188.5	38.6	29.0	82.9	17.8	24.7	18.4
Land	17.3	61.1	32.6	52.8	21.8	5.1	3.8	3.7	33.7	12.6
<b>Total</b>	<b>474.8</b>	<b>416.8</b>	<b>367.5</b>	<b>257.1</b>	<b>234.5</b>	<b>67.7</b>	<b>181.8</b>	<b>45.7</b>	<b>131.2</b>	<b>56.6</b>

### 13. CREDITORS ETC.

“Creditors” includes accrued costs (accrued, not entered) and provisions for work under guarantee etc.

### 14. UNPAID GOVERNMENT CHARGES ETC.

These include unpaid VAT, withheld tax, social security contributions, holiday pay, etc.

### 15. OTHER SHORT-TERM LIABILITIES

	1997	1996	1995
Tax payable	49.8	14.1	34.3
Allocation dividend	57.4	39.3	19.5
Advance payment from customers	198.2	77.4	73.8
Other liabilities	20.6	24.8	27.0
<b>Other short-term liabilities</b>	<b>326.0</b>	<b>155.6</b>	<b>154.6</b>

### 16. LONG-TERM LIABILITIES

	Book value 31.12.96	Repaid 1997	New loans 1997	Book value 31.12.97
Loans secured in buildings/land	302.6	196.4	96.4	202.6
Other loans	33.5	9.7	2.3	26.1
Total loans	336.1	206.1	98.7	228.7
Net pension commitments	22.4			23.5
<b>Long-term liabilities</b>	<b>358.5</b>			<b>252.2</b>

Repayment structure	1998	1999	2000	2001	2002	After 2002
Loans secured in buildings/land	14.2	14.2	11.6	11.3	11.3	140.0
Other loans	4.4	4.6	4.5	4.6	3.4	4.6
<b>Total</b>	<b>18.6</b>	<b>18.8</b>	<b>16.1</b>	<b>15.9</b>	<b>14.7</b>	<b>144.6</b>

Of total long-term liabilities (excluding pension commitments) of NOK 228.7 million as at 31 December 1997, NOK 17.5 million was non interest-bearing.

Key figures for interest-bearing liabilities	1998	1997	1996	1995
Proportion with interest period of less than one year (including floating interest rate)	41%	45%	42%	79%
Weigthed effective interest as at 31 December		7.3%	6.9%	7.4%
Average interest period as at 31 December		3.0 years	2.6 years	2.2 years
<b>Drawing rights</b>				
Unused long-term drawing rights		300.0	300.0	322.0
Unused short-term drawing rights (short-term capital)		51.0	51.0	50.0

## 17. PENSIONS

Veidekke has a collective pension scheme for its employees that is covered by an agreement with a life assurance company. Veidekke also has unsecured pension commitments paid directly out of operations. The pension schemes cover 2,430 current employees and 900 pensioners.

	1997				1996	1995
	Veidekke ASA		Kolo*	Other	Group	Group
	Secured	Unsecured	Secured	Secured	Total	Total
<b>Pension expenses</b>						
Earned during year (present value)	11.7	0.2	0.4	2.1	14.4	10.1
Interest on commitments	13.8	1.6	1.2	0.8	17.4	16.3
Return on funds	-17.0		-2.8	-0.7	-20.5	-17.8
Deviation in estimate in P&L Acct.		0.6	0.5		1.1	0.9
Change over-financing			0.6		0.6	0.6
Pension expenses	8.5	2.4	-0.1	2.2	13.0	10.1
<b>Entered in Balance Sheet</b>						
Pension funds	232.0		37.6	11.0	280.6	244.1
Pension commitments (present value)	-216.5	-25.1	-18.3	-13.7	-273.6	-253.3
Net funds/commitments	15.5	-25.1	19.3	-2.7	7.0	-9.2
Deviation in estimate not entered in P&L Acct.	0.3	4.2	4.8		9.3	14.9
Over-financed not entered			-19.2		-19.2	-18.6
Net funds/commitments entered in Balance Sheet	15.8	-20.9	4.9	-2.7	-2.9	-12.9
* Korsbrekke og Lorck AS						

NOK 20.7 million of net pension funds/pension commitments is entered under long-term receivables etc., while NOK 23.6 million is entered as a long-term liability. Pension commitments and the amount earned during the year include employer's contributions.

For 1997 there was a total of 44 people who had retired with early pensions guaranteed by contract, and the costs incurred are included in the calculations above. However, the calculations do not, at present, take into account future commitments relating to the agreed early retirement scheme, as it is expected that there will be various additional schemes associated with it.

An annual deviation occurs between the estimated and actual return on pension funds and between estimated and actual pension commitments. The deviation in estimate is entered in the Balance Sheet until 10% is reached of pension funds or pension commitments, whichever is larger. When the accumulated deviation exceeds this limit, the excess amount is entered in the Profit and Loss Account over the remaining accumulation period.

Financial assumptions (%)	
Return on pension funds	8.0
Discount rate	7.0
Annual wage growth	3.3
Annual basic pension rate adjustment	3.3
Annual adjustment of pension being paid	2.5

## 18. TAX

TAXATION	1997	1996	1995
Tax payable	52.1	11.9	13.2
Deferred tax	24.8	24.7	8.4
<b>Taxation</b>	<b>76.9</b>	<b>36.6</b>	<b>21.6</b>

DEFERRED TAX	1997	1996	1995
<b>Timing differences:</b>			
Short-term items	264.1	164.8	81.5
Accelerated depreciation	51.8	23.9	36.8
Gain and loss account	27.3	74.4	80.8
Other long-term items	18.2	6.5	-13.0
<b>Basis deferred tax</b>	<b>361.4</b>	<b>269.6</b>	<b>186.1</b>
<b>Deferred tax (28%)</b>	<b>101.2</b>	<b>75.5</b>	<b>52.1</b>
<b>Deferred tax benefit *</b>	<b>5.8</b>	<b>6.3</b>	<b>7.9</b>

\* Calculated on net pension commitments of NOK 20.8 million (NOK 22.4 million in 1996 and NOK 28.1 million in 1995).

## 19. MINORITY INTERESTS

	1997	1996	1995
Minority interests 1 January	62.8	54.9	50.1
Minority share of profit for year	9.7	8.7	7.2
Dividends	-3.4	-8.0	-2.4
Sales of own shares		5.5	
Additions minority	0.5	1.7	
<b>Minority interests 31 December</b>	<b>69.6</b>	<b>62.8</b>	<b>54.9</b>

MINORITY SHARE OF PROFIT AND LOSS ACCOUNT ITEMS	1997	1996	1995
Turnover	108.3	104.7	88.1
Operating expenses	-97.2	-94.2	-80.4
<b>Operating profit</b>	<b>11.1</b>	<b>10.5</b>	<b>7.7</b>
Net financial items	1.7	1.5	2.2
<b>Profit before taxation</b>	<b>12.8</b>	<b>12.0</b>	<b>9.9</b>
Taxation	-3.1	-3.3	-2.7
<b>Minority share of profit for year</b>	<b>9.7</b>	<b>8.7</b>	<b>7.2</b>

The minority interests derive primarily from Korsbrekke og Lorck AS of which Veidekke owns 60%.

## 20. SHARE CAPITAL

Shares held by Board Members and the President and CEO:

	Number of shares
Christian Bruusgaard, Chairman of the Board	5,018
Flemming Vejgaard Andersen, Board Member	275
Helge B. Andresen, Board Member	5,054
Peder Chr. Løvenskiold, Board Member	1,600
Steinar Krogstad, Board Member	250
Bjørn H. Madsen, Board Member	600
Terje R. Venold, President and CEO	14,500
<b>Total</b>	<b>27,297</b>

## 21. SHAREHOLDERS' EQUITY

	1997	1996	1995
Shareholders' equity 1 January	599.0	545.3	502.2
Profit for year	183.8	77.7	50.7
Dividends	-54.2	-31.3	-17.1
Sales of own shares		8.6	
Currency adjustment			1.5
Adjustment minority		-1.3	
New issue			8.0
<b>Shareholders' equity 31 December</b>	<b>728.6</b>	<b>599.0</b>	<b>545.3</b>

## 22. MORTGAGES, GUARANTEES AND JOINT SEVERAL LIABILITIES

<b>Mortgages</b>	1997	1996	1995
Book liabilities secured by mortgages etc.	202.6	302.6	285.7
Book value of mortgaged buildings	175.8	322.3	342.5
Book value of mortgaged land	20.4	19.5	33.5
<b>Guarantees</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
Guarantees to employees	0.1	6.2	7.9
Guarantees to joint venture companies	82.4	60.2	3.2
Other guarantees	4.5	8.3	16.4
Committed limited partnership capital not expected to be called up			0.5
<b>Guarantees</b>	<b>87.0</b>	<b>74.7</b>	<b>28.0</b>

The Group has issued negative mortgage declarations for loans and guarantees.

Guarantees furnished by Veidekke ASA to subsidiaries:

	1997	1996	1995
Total	485.5	316.3	233.3
of which joint and several liability for subsidiaries' withdrawals from Group account	301.5	171.9	109.3

As a result of its participation in partnerships and joint ventures, Veidekke could become liable for other participants' inability to fulfil their obligations. However, Veidekke cannot be called to account until the company in question actually fails to fulfil its obligations.

## 23. PROJECTS IN PROGRESS

Taken to income	1997	1996	1995
Accumulated income	2,992	2,125	1,609
Accumulated contributions	152	133	83
Loss-bringing projects*	1997	1996	1995
Remaining turnover	164	127	196

\* Provision has been made in the accounts for the anticipated loss on these projects.

## 24. CLOSELY ASSOCIATED PARTIES

In 1997, Veidekke sold 151,845 (151,151) Veidekke shares to employees through a foundation, at a discount amounting to NOK 6.3 million (NOK 5.3 million). NOK 2.0 million (NOK 5.3 million) of this discount has been charged to Veidekke's accounts as a contribution to the foundation. Employer contributions of NOK 0.7 million (NOK 0.5 million) have also been charged to the accounts.

## 25. CASH FLOW STATEMENT

### Purchase of companies

In 1997, Veidekke purchased subsidiaries and shares in joint venture companies for a total net cash outlay of NOK 58.9 million (NOK 38.5 million). The following figures have been entered in the Group Balance Sheet:

	1997	1996
Liquid assets	28.0	19.6
Other current assets	11.3	77.8
Fixed assets	81.5	59.6
Debts to credit-issuing institutions	-1.3	-41.7
Operating debts	-10.4	-46.2
Payable/deferred tax	-3.0	-8.4
Long-term liabilities	-8.2	-0.8
Cost price for purchases	97.9	59.9
Credit for purchases	-11.0	-1.8
Liquid assets taken over	-28.0	-19.6
Net cash outlay	58.9	38.5

### Fixed assets

	1997	1996
Investments		
Entered in accounts *	474.8	367.5
Purchases of subsidiaries	-80.3	-59.6
Cash outlay	394.5	307.9

### Sales

	1997	1996
Entered in accounts *	416.8	257.1
Credit for sale	-25.0	-11.6
Payment sale 1996	11.6	
Cash payment received	403.4	245.5

\* See Note 12 - Fixed assets

# Profit and Loss Account

## VEIDEKKE ASA

		(Figures in NOK million)	
	Note	1997	1996
Turnover		3,978.6	3,481.0
Subcontractors		-1,596.1	-1,391.7
Cost of materials		-970.2	-870.2
Wages and social costs	A	-924.5	-866.3
Other operating expenses	B	-191.4	-153.9
Depreciation	E	-83.6	-80.8
Bad debts		-33.7	-32.2
<u>Total operating costs</u>		<u>-3,799.5</u>	<u>-3,395.1</u>
 Operating profit		 179.1	 85.9
Financial income	C	50.5	41.6
Financial expenses	C	-25.0	-21.7
 Profit before taxation		 204.6	 105.8
Tax payable	G	-20.8	2.0
Change deferred tax	G	-21.0	-25.0
 Profit for the year		 162.8	 82.8
 Transfers:			
Group contribution		3.1	20.5
Dividend		54.1	31.3
Legal reserve		55.8	27.8
Restricted revenue reserve			-9.6
Distributable reserve		49.8	12.8
 Total transfers		 162.8	 82.8

# Balance Sheet

## VEIDEKKE ASA

(Figures in NOK million)

At 31 December	Note	1997	1996
<b>ASSETS</b>			
<b>Current assets</b>			
Liquid assets		393.5	368.2
Debtors		489.7	414.0
Short-term receivables, group companies		26.1	15.7
Other short-term receivables		36.6	24.8
Stocks	7	56.3	56.4
Development projects for sale		26.6	22.5
<b>Total current assets</b>		1,028.8	901.6
<b>Fixed assets</b>			
Shares in subsidiaries	9	109.7	108.8
Shares in joint venture companies	10	58.6	7.3
Long-term receivables etc.	D	100.4	131.8
Long-term receivables, group companies		130.1	38.4
Goodwill	E	7.2	0.0
Machinery etc.	E	248.1	247.3
Buildings	E	189.2	119.1
Land	E	65.5	61.7
<b>Total fixed assets</b>		908.8	714.4
<b>Total assets</b>		1,937.6	1,616.0
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors etc.	13	671.0	616.4
Unpaid government charges etc.	14	163.4	159.3
Short-term debt, group companies		16.9	33.3
Other short-term debts	F	229.2	95.1
<b>Total current liabilities</b>		1,080.5	904.1
<b>Long-term liabilities</b>			
Long-term liabilities	16	176.6	157.6
Deferred tax	G	88.9	68.3
<b>Total long-term liabilities</b>		265.5	225.9
<b>Shareholders' equity</b>			
Share capital (5,697,830 shares at NOK 10 each)		57.0	57.0
Legal reserve		145.5	89.7
Distributable reserve		389.1	339.3
<b>Total shareholders' equity</b>	H	591.6	486.0
<b>Total liabilities and shareholders' equity</b>		1,937.6	1,616.0
Secured liabilities	I	127.0	112.9
Guarantees	22	572.5	391.1

# Cash Flow Statement

## VEIDEKKE ASA

(Figures in NOK million)

1997 1996

### OPERATING ACTIVITIES

Profit before taxation	204.6	105.8
Tax paid	-1.2	-19.6
Depreciation	83.6	80.8
Gain/loss on sale of fixed assets	-70.3	-20.1
Pensions, difference cost/paid	-12.4	-10.6
Share of difference profit/paid	0.1	-1.6
<b>Generated from operating activities</b>	<b>204.4</b>	<b>134.7</b>
Change in debtors	-75.7	-2.9
Change in other current assets	-12.8	44.5
Change in creditors	54.6	-88.4
Change in other operating debts	96.9	20.2
<b>Net cash flow from operating activities (A)</b>	<b>267.4</b>	<b>108.1</b>

### INVESTMENT ACTIVITIES

Purchase of property, plant and equipment	-262.8	-120.3
Proceeds from sale of property, plant and equipment	154.2	102.3
Other investments	-102.2	-63.7
<b>Net cash flow from investment activities (B)</b>	<b>-210.8</b>	<b>-81.7</b>

### FINANCING ACTIVITIES

New long-term borrowing	110.7	-12.6
Repayments long-term debts	-90.2	-6.5
Group contribution paid	-20.5	
Dividend paid	-31.3	-17.1
<b>Net cash flow from financing activities (C)</b>	<b>-31.3</b>	<b>-36.2</b>

**NET INCREASE IN LIQUID ASSETS (A+B+C)** 25.3 -9.8

Liquid assets at 1 January	368.2	378.0
Liquid assets at 31 December	393.5	368.2

# Notes to the Accounts

## VEIDEKKE ASA

The accounting policies on pages 21 and 22 and part of the notes for the Group, also apply to the parent company.

### A. SALARIES

Remuneration to Board Members amounts to NOK 575,000.-, while the President and CEO's salary amounts to NOK 1,268,457.-.

### B. OTHER OPERATING COSTS

Remuneration to the company's auditors amounts to NOK 1,100,000.- for auditing fees and NOK 659,000.- for consultancy fees.

### C. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income includes dividends of NOK 13.4 million (3.9), of which NOK 12.0 million (3.6) was paid from subsidiaries to the parent company. Other financial income from subsidiaries amounts to NOK 0.8 million (0.0). Financial costs to subsidiaries amount to NOK 0.1 million (0.0).

### D. LONG-TERM RECEIVABLES ETC.

Long-term receivables etc. includes a deferred tax benefit of NOK 5.8 million (6.3).

### E. FIXED ASSETS

(Figures in the tables in NOK million)

	Cost 1 Jan.	Additions	Disposals	Accumulated depreciation	Book value 31 Dec.	Depreciation for year	Depreciation in %
Goodwill	4.3	8.0	-	5.1	7.2	0.8	10-20
Machinery etc.	758.3	124.3	199.2	435.3	248.1	77.6	15-20
Buildings	177.7	123.6	65.2	46.9	189.2	5.2	2-5
Land	61.7	6.9	3.1	-	65.5	-	
<b>Total</b>	<b>1,002.0</b>	<b>262.8</b>	<b>267.5</b>	<b>487.3</b>	<b>510.0</b>	<b>83.6</b>	

### F. OTHER SHORT-TERM LIABILITIES

Accrued taxes payable amount to NOK 17.7 million (-1.9). Dividends payable amount to NOK 54.1 million (31.3).

### G. TAX

PROFIT ASSESSABLE FOR TAX PURPOSES	1997	1996
Profit before taxation	204.6	105.8
Group contribution	-3.1	-20.5
Other permanent differences	-14.7	1.2
Change in timing differences	-121.6	-89.3
Difference accounts/assessed tax timing differences		2.8
<b>Profit assessable for tax purposes (basis)</b>	<b>65.2</b>	<b>0.0</b>

DEFERRED TAX	1997	1996
Timing differences		
Short-term items	281.0	181.6
Accelerated depreciation	31.2	12.2
Gain and loss account	17.3	61.1
Other long-term items	-12.0	-11.0
<b>Basis deferred tax</b>	<b>317.5</b>	<b>243.9</b>
Deferred tax (28 %)	88.9	68.3
<b>Deferred tax benefit *</b>	<b>5.8</b>	<b>6.3</b>

\* Calculated on net pension commitments of NOK 20.8 million (22.4).

Deferred tax for 1997 has been reduced by NOK 13.4 million (basis for deferred tax was reduced by NOK 48.0 million) because shipping operations have been carried forward to taxation on shipping.

## H. SHAREHOLDERS' EQUITY

	1997	1996
Shareholders' equity at 1 January	486.0	455.1
Profit for the year	162.8	82.8
Dividends	-54.1	-31.3
Group contribution	-3.1	-20.5
<b>Total shareholders' equity at 31 December</b>	<b>591.6</b>	<b>486.0</b>

## I. SECURED LIABILITIES

	1997	1996
Book liabilities secured by mortgage etc.	127.0	112.9
Book value of mortgaged buildings	97.6	86.3
Book value of mortgaged land	20.4	15.4

## Auditors' Report for 1997

To the Annual Shareholders' Meeting of Veidekke ASA

We have audited the annual report and accounts of Veidekke ASA for 1997, showing a net income for the year of NOK 162.8 million for the parent company and a consolidated profit for the year of NOK 183.8 million. The annual report and accounts, which comprise the report of the Board of Directors, the profit and loss account, the balance sheet, the statement of cash flows, the notes to the accounts and the Group accounts, are presented by the company's Board of Directors and its President and CEO.

Our responsibility is to examine the company's annual report and accounts, its accounting records and other related matters.

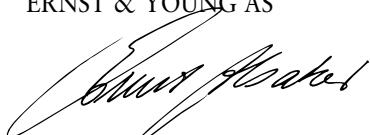
We have conducted our audit in accordance with relevant laws, regulations and the generally accepted standards of Norwegian auditing. We have performed those audit procedures considered necessary to confirm that the annual report and accounts are free of material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management, and the contents and presentation of the annual report and accounts. To the extent required by generally accepted standards of Norwegian auditing, we have reviewed the company's internal control and the management of its financial affairs.

The Board of Directors' proposal for the allocation of the profit for the year and transfers between equity accounts complies with the provisions of the Norwegian Joint-Stock Companies Act.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Norwegian Joint-Stock Companies Act and present fairly the financial position of the company and group as of 31 December 1997 and the result of its operations for the year ended, in conformity with generally accepted Norwegian accounting principles.

Oslo, 3 March 1998

ERNST & YOUNG AS



Ernst Alsaker

State Authorised Public Accountant (Norway)

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

# Shareholder Policy and Ownership Structure

## SHAREHOLDER POLICY

Veidekke aims to secure for its shareholders a high and stable return over time on their investment in Veidekke shares. The shareholders' return is a combination of the quoted share price and the dividend, and it should reflect the financial development of the company. Veidekke shares should be regarded as a liquid and promising investment option, and the company stresses the importance of providing the market with accurate and relevant information at the right time. Existing shareholders must have pre-emption rights whenever the share capital is increased.

## DIVIDEND POLICY

Veidekke aims to pay a competitive dividend which gives its shareholders a substantial share in profits. The company intends its dividends, over a period of time, to average out at between 25% and 40% of its profit for the year. For the last six years, dividends paid by Veidekke have been equivalent to approximately 30% of the company's profit for the year. For the 1997 financial year, the Board of Directors proposes to pay a dividend of NOK 9.50 per share. This corresponds to a payout ratio of 29.5%. The dividend will be paid on 20 May 1998 to all shareholders who are registered as owners on the date of the Annual General Meeting.

## OWNERSHIP STRUCTURE

As at 31 December 1997, Veidekke had 2,592 shareholders, including 40 foreign investors. The percentage of shares owned by foreign investors remained fairly stable throughout the year and stood at 9.7% at the end of the year.

The company's largest shareholders are Storebrand (12.3%) and Folketrygdfondet (10.2%). 1,240 employees hold shares in the company, and their total ownership share is 10.9%.

Veidekke shares have been quoted on the principle index of the Oslo stock exchange since 1986. The shares are sold in blocks of 50.

## EMPLOYEE-OWNERS

It is beneficial to Veidekke as a company, and therefore for all its shareholders, that its employees hold a substantial number of company shares. The value of a contracting company depends to a considerable extent on its structure and employees. The involvement of its employees as shareholders is therefore an important and positive element in the development of the company. It is the company's aim that at least half of its employees will be shareholders with an ownership share of up to 15%. It is desirable that those in senior management positions each hold a significant number of shares.

Veidekke endeavours to encourage greater employee ownership, and as part of this policy, gives its employees the opportunity every year to purchase shares in the company at a discount price. In 1997, every employee had the opportunity to purchase up to 200 shares. 773 employees took up this offer, and 98,345 shares were purchased at a total cost of NOK 20.7 million. Veidekke gives financial assistance to employees when they purchase employee shares.

A detailed list of the shares held by the Board of Directors and the President and CEO is given on page 30 of the Annual Report.

## INSIDER INFORMATION

Veidekke places great emphasises on incorporating current legislation regarding the handling of confidential information, such as the rules for reporting share transactions, into the company's procedures. The new Securities Trading Act, which came into force on 1 December 1997, contains several amendments to the rules for clearing and reporting any trading undertaken by primary insiders. These new rules have been incorporated into the company regulations concerning insider trading, and these regulations are even stricter than is required by law. In addition to the statutory, extended clause concerning duty to investigate, the company has maintained the clearance obligation for primary insiders, in order to ensure even more thorough compliance with the duty to investigate. This is in keeping with the recommendations of the Oslo stock exchange. The company has also drawn up internal rules which have been made known to all employees in key positions and to senior union representatives. These rules ensure that specific personnel cannot trade in the company's shares at certain times. They are not permitted to trade in shares one and two months before the quarterly and annual reports respectively.

## DISTRIBUTION OF SHARES

Shareholding From	Number of To	Number of shareholders	Number of shares	%
1 -	100	1,434	53,946	0.9
101 -	1,000	896	308,199	5.4
1,001 -	10,000	190	567,830	10.0
10,001 -	100,000	61	1,747,454	30.7
100,001 -		11	3,020,402	53.0
Total		2,592	5,697,830	100.0

**Jørgen G. Michelet (42),**  
Finance Director with responsibility for finance and investor relations. Attends meetings of the Board of Directors and Corporate Management. MBA St Gallen, Switzerland 1981. Chartered accountant since 1983. Began working for Veidekke in 1986. Finance Director since 1990. Holds 13,258 shares in Veidekke.



## SHARE CAPITAL

Veidekke's share capital as at 31 December was NOK 57 million, divided into 5,697,830 shares, each with a nominal value of NOK 10. Changes in the company's share capital since it was first listed on the Oslo stock exchange in 1986 are shown below.

## AUTHORISATION TO ISSUE SHARES AND PURCHASE EQUITY

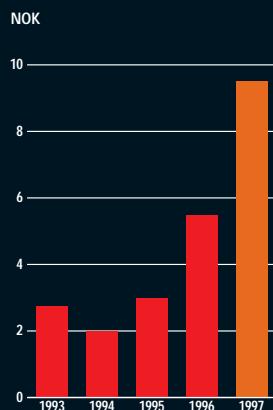
On 24 April 1997, the Annual General Meeting adopted a resolution to authorise the Board of Directors to issue up to one million shares. This authorisation is valid until 1 July 1999. To the greatest extent possible, resolutions concerning changes in share capital will be passed by the Annual General Meeting. Since 1986, authorisation has been granted to the Board of Directors for two years at a time, and this has been used mainly to issue shares to employees and in connection with minor mergers.

The new Public Shares Law, which is expected to come into force after 1 January 1999, will enable the acquisition of equity up to the value of 10% of the share capital. At the Annual General Meeting on 28 April 1998 a proposal will be made to authorise the Board of Directors to make a share acquisition of this nature. The Board of Directors considers that the purchase of equity is appropriate in situations where the company's financial strategy is sound, while at the same time there

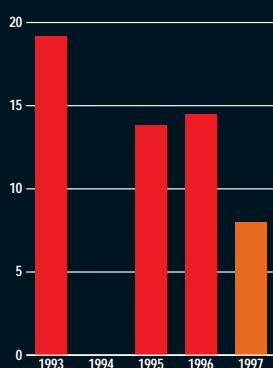
Form of issue	Amount paid	No. of shares after increase	(Figures in NOK million)	
			Share capital after increase	Adjustment factor*
1986 Issue price 57.50	25.3	3,053	30.5	
1986 Employee issue, price 51.75	3.1	3,113	31.1	
1988 Bond issue 1:5		3,736	37.4	0.8333
1989 Merger with Hesselberg Vei		4,693	46.9	
1989 Dividend shares	0.5	4,746	47.5	0.998
1990 Merger with Folke A. Axelson A/S		4,802	48.0	
1990 Dividend shares	0.6	4,861	48.6	0.9999
1991 Merger with Stoltz Røthing Haugesund A/S		4,912	49.1	
1991 Merger with Aker Entreprenør A/S		5,623	56.2	
1995 Employees issue, price 107.-	8.0	5,698	57.0	

\* Adjustment factors are calculated according to the standards of Norwegian Financial Analysts' Association.

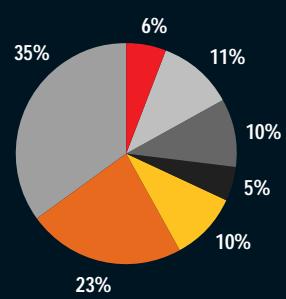
## Dividend per share



## Market price/Earnings (P/E)



## Shareholders as at 31 December



- Private companies
- Employees and Memb. of the Board
- Foreign investors
- Individuals
- State companies
- Credit institutions and unit trusts
- Insurance companies and pension funds

are limited possibilities for making other investments within the company's own sphere of operations.

### INVESTOR RELATIONS

Veidekke considers it important to keep the market regularly informed about the company's development. Quarterly reports will be issued on the dates given on the inside front cover of this report.

When annual and interim reports are published, Veidekke normally holds presentations for shareholders, brokers, analysts and the press, both in Norway and abroad. The company also keeps in regular touch with investors and analysts. A number of stockbrokers at the Oslo stock exchange carry out analyses of Veidekke shares.

### Veidekke share's price development and volume traded on the Oslo Stock Exchange



The company publishes information in Norwegian and English.

### RISK ADJUSTMENT

(Adjustment of incoming value of taxed capital)

The RISK amount is calculated annually, based on the change in Veidekke's retained, taxed capital divided by the number of non paid-up Veidekke shares. Only Norwegian shareholders must adjust their cost price by a RISK amount. RISK amounts for different years are shown in the table. The RISK amount passes to Norwegian shareholders on 1 January of the following year.

### MAJOR SHAREHOLDERS AS AT 31 DECEMBER 1997

Shareholding %

Storebrand	12.3
Folketrygdfondet	10.2
Vital Forsikring	9.3
Avanefondene	8.1
Morgan Stanley & Co.	5.0
Norsk Hydros Pensjonskasse	5.0
K-Holding	3.7
K-Fondene	3.0
Gjensidige Forsikring	2.9
Alfred Berg-fondene	2.1

VEIDEKKE SHARE	1997	1996	1995	1994	1993
Market price at 31 December	258.00	201.00	126.25	116.50	170.00
- high	292.00	205.00	146.00	236.00	170.00
- low	196.00	125.50	115.00	101.00	68.00
Earnings per share (NOK)	32.26	13.83	9.13	-1.25	8.84
Price/earnings (P/E)	8.0	14.5	13.8	-	19.2
Cash flow per share (NOK)	62.04	41.56	30.71	8.13	32.12
Price/cash flow	4.2	4.8	4.1	14.3	5.3
Dividend per share (NOK)	9.50	5.50	3.00	2.00	2.75
Payout ratio (%)	29.5	39.8	32.9	-	31.1
Earnings yield (%)	3.7	2.7	2.4	1.7	1.6
Non paid-up shares (average per 1,000) <sup>1)</sup>	5,698	5,619	5,555	5,509	5,463
Market value as at 31 December (NOK million)	1,470.0	1,145.3	719.4	655.1	955.9
No. of shares as at 31 December	2,592	2,430	2,245	1,988	1,907
RISK amount	0.00 <sup>2)</sup>	-5.50	6.92	8.86	-5.01

1) The number of non paid-up shares has been adjusted by shares owned by the company, ref. note 4 to the Accounts.

2) Estimate. The final RISK amount is fixed by the tax authorities and shareholders are notified direct by the Norwegian Registry of Securities.

## KEY FIGURES

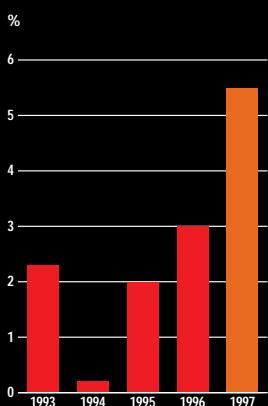
	1997	1996	1995	1994	1993
<b>OPERATIONS *</b>					
Turnover	4,960.8	4,129.4	4,029.0	3,255.4	3,249.7
Operating profit	248.6	113.6	77.5	6.0	71.7
Profit before taxation	270.4	123.0	79.5	6.2	76.0
Ordinary profit for the year 1)	183.8	77.7	50.7	-6.9	48.3
Orders-on-hand Building and Heavy Construction	2,710	2,261	1,944	1,731	1,358
<b>PROFITABILITY</b>					
Gross profit margin (%)	5.5	3.0	2.0	0.2	2.3
Return on total assets (%) 2)	13.0	7.3	6.3	2.8	6.5
Return on working capital (%) 3)	28.9	15.7	12.6	5.1	12.0
Return on equity (%) 4)	26.5	13.7	10.0	-0.1	9.3
<b>CAPITAL ADEQUACY *</b>					
Total assets	2,500.8	2,144.7	2,105.9	2,007.9	1,990.8
Total shareholders' equity 5)	798.2	661.8	600.2	552.3	600.8
Equity ratio (%) 6)	31.9	30.9	28.5	27.5	30.2
Investments	474.8	367.5	234.5	181.8	131.2
<b>LIQUIDITY</b>					
Liquidity 31 December *	400.4	324.0	396.4	382.5	378.3
Current ratio 7)	1.07	1.06	1.00	1.07	1.16
Quick ratio 8)	0.87	0.91	0.88	0.90	0.97
Net interest-bearing liabilities * 9)	232.3	63.8	83.1	-41.1	-45.7
<b>SHARES</b>					
Market price 31 December (NOK)	258.00	201.00	126.25	116.50	170.00
Earnings per share (NOK) 10)	32.26	13.83	9.13	-1.25	8.84
Market price/earnings (P/E)	8.0	14.5	13.8	-	19.2
Cash flow per share (NOK) 11)	62.04	41.56	30.71	8.13	32.12
Market price/cash flow	4.2	4.8	4.1	14.3	5.3
Dividend per share (NOK)	9.50	5.50	3.00	2.00	2.75
Outstanding shares (average 1,000)	5,698	5,619	5,555	5,509	5,463
<b>EMPLOYEES</b>					
Number of employees 31 December	3,176	3,111	2,888	2,785	2,694
Wages and social benefits *	1,163	1,025	859	774	800

\* Figures in NOK million

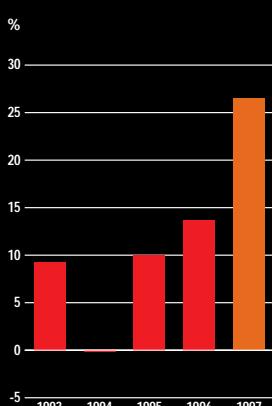
All the key figures have been revised to include deferred tax. The key figures for 1994 have not been revised since the introduction of the accounting standard for pension expenses.

- 1) Ordinary profit for the year: Profit for the year plus extraordinary items less tax on extraordinary items.
- 2) Return on total assets: Profit before taxation plus financial expenses as a percentage of average total assets.
- 3) Return on working capital: Profit before taxation plus financial expenses as a percentage of average total assets less interest-free short-term and interest-free long-term debts.
- 4) Return on equity: Profit after taxation as a percentage of average total shareholders' equity.
- 5) Total shareholders' equity: Book equity including minority interests.
- 6) Equity ratio: Total equity as a percentage of total assets at 31 December.
- 7) Current ratio: Current assets divided by short-term liabilities.
- 8) Quick ratio: Most liquid current assets divided by short-term liabilities.
- 9) Net interest-bearing liabilities: Short-term interest-bearing liabilities plus long-term interest-bearing liabilities less liquid assets and interest-bearing receivables from project financing.
- 10) Earnings per share: Ordinary profit for the year divided by the average number of outstanding shares (fully watered down).
- 11) Cash flow per share: Profit before extraordinary items plus ordinary depreciation less payable tax on ordinary profit less minority interests divided by the average number of outstanding shares.

## Profit margin



## Return on equity



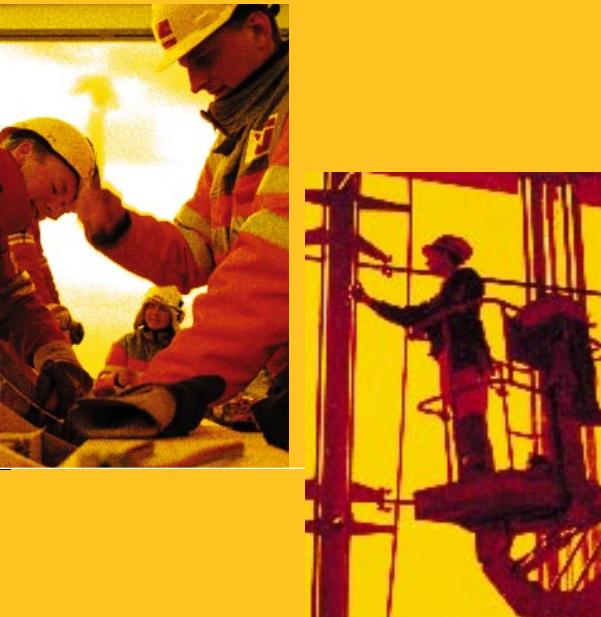
# Significant profit increases in an expanding building market



Above from left:  
Kjetil Ekrem  
Helge Hansesveen  
Geir Antonsen

**Recruitment and skills development play an important part in all Building Division regional operations**

**As in previous years, Veidekke's Building Division has prioritised customer relations and profitability in 1997. There is an increasing demand on employees to develop products that meet the customers' requirements regarding functionality, quality, time and price.**



#### **THE MARKET**

There were very positive developments in the building market during 1997. The strong Norwegian economy, with rapidly rising employment figures and low interest rates, contributed to a continued high level of demand for new residential and non-residential buildings. The high level of activity in central areas has, however, led to rising building costs. In addition to a moderate increase in material costs, a tight labour market has contributed to wage increases. The effects of this cost increase have been offset to a certain extent by the introduction of internal efficiency measures for improved project planning and closer cooperation with suppliers.

Commencement of new non-residential building projects increased for the fourth year in a row, and accounted for 3.6 million square metres. When compared with 1996, this shows an increase of 16%. This trend was most evident in Eastern Norway, and especially in Oslo and Akershus where the volume of new building was the highest ever. A slight drop from this high level of activity is expected for the commencement of new non-residential buildings in 1998, and one reason for this is the anticipated lower rate of increase in job creation, which will reduce demand for expansion in the industrial sector.

Housebuilding also increased in 1997. The rise in household incomes and low interest costs have contributed significantly to this. 21,300 dwellings were commenced in 1997 compared with 18,700 in the previous year. The price of existing dwellings rose on average by 12% per square metre in 1997, and in relative terms this represented a larger increase than

that for new dwellings in the same period. Favourable domestic economic conditions are expected to encourage a continued high level of demand for dwellings, producing an increase in housebuilding this year. This applies particularly to Oslo and Akershus, where population growth is relatively high.

### ACTIVITIES

The Building Division had a turnover for 1997 of NOK 2,230 million, compared with NOK 1,823 million in 1996. This represents an increase in turnover of 22%. This higher turnover is chiefly attributable to the growth in the market for residential and non-residential buildings.

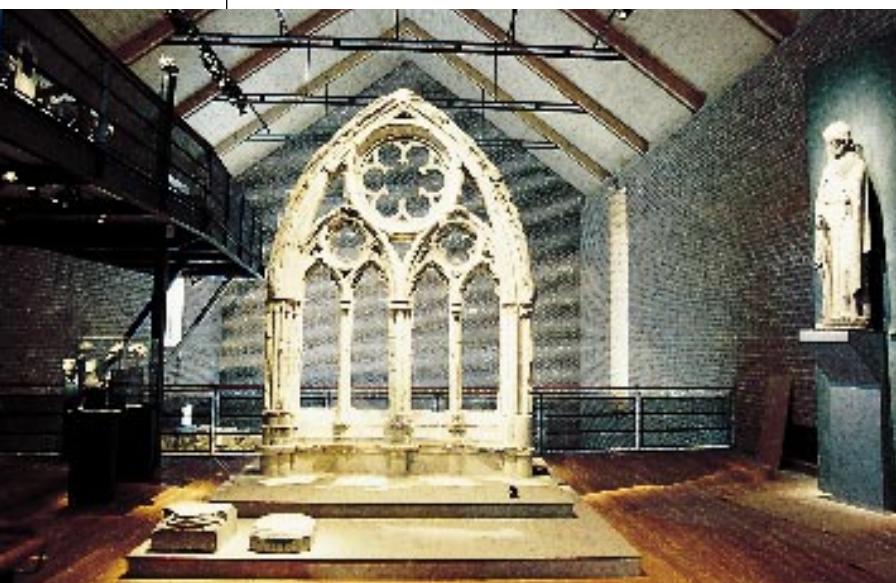
The positive profit trend is continuing. Pre-tax profits were NOK 98.3 million compared with NOK 53.6 million in 1996. This corresponds to a profit margin of 4.4%. The increase in profits can be ascribed to several factors. Market development has been positive, especially for non-residential buildings in Eastern Norway. In addition, the development of skills within the organisation has led to greater efficiency in completing the projects.

Veidekke acquired 70% of the shares in the Seby A/S construction company, with effect from 1 January 1997. Seby A/S concentrates its operations in the Romerike area, and has been integrated into Region East in Veidekke's Building Division. Coordination between the companies is progressing according to plan.

Recruitment and skills development have been prioritised in 1997. All regions in the Building Division have introduced recruitment plans for skilled workers and salaried employees. There are comprehensive training schemes for production technology, planning and management. The area of design management has been given particular attention. Veidekke is keen to ensure that there is sufficient recruitment into the building trade, and had a large number of apprentices last year. 71 out of the total 117 apprentices for 1997 were in the Building Division. As an experimental scheme, a training school for skilled workers has been established at a construction site in Son. This project is producing excellent results.

The use of information technology is becoming more and more important to our projects. This technology is making information and expertise more accessible to the whole organisation, and is generally facilitating communications throughout the Division. Veidekke is actively involved in the research project 'Teamwork in the construction process', in connection with which a number of pilot projects have been initiated in the Division:

- Electronic ordering systems are being tested in connection with the extension of Sandvika shopping centre.
- At the Rekkevik project in Larvik, drawings, reports and specifications are placed on a dedicated Internet page. This helps the different personnel working on the project to find the necessary information. There is also a plan to create an electronic template for communication between building projects and the authorities in connection with new planning and building legislation.



Impressive craftsmanship features strongly in the restoration of Erkebispegården (the Archbishop's Palace) in Trondheim, which burnt down in 1983. The picture shows the wing of the museum which is built over the oldest excavated walls and the old mint. Veidekke has performed a number of building contracts for this project, and was the official contractor for Trondheim's millennial celebrations in 1997.

Veidekke is building a rocket launch pad at a latitude of 70°, in Ny-Ålesund. Operations manager Audun Haraldsen has worked on construction projects on Svalbard for many seasons.



- Veidekke and the Directorate of Public Construction and Property, are trying out new trading arrangements at the Jessheim Trafikkstasjon project, which could make the construction process more efficient.

The development of customer relations is a central feature of the Division's strategy. One way of contributing to this is to make the different procedures in the Division more consistent, partly by developing common management principles and standards. Questionnaires are used to follow up on customer satisfaction.

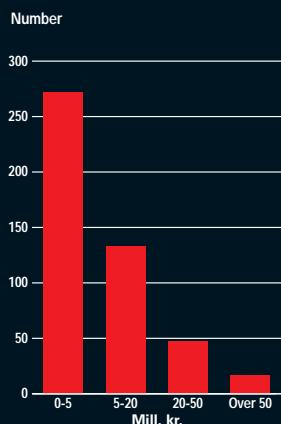
A high proportion, more than 60%, of our contracts are still being developed in collaboration with customers.

Housebuilding is a prioritised area for the Division. A substantial portfolio of building sites was acquired during 1997, chiefly in the Oslo area. Because of the amount of time spent on paperwork with the authorities, the volume of housebuilding will not increase significantly before 1999. Expertise in residential development work comes under Veidekke Development, which is part of the Veidekke Property Division.

The Division's operations cover a large number of projects. Many of these are relatively small, but still of great importance for individual district offices. Major projects that are now completed include the Amanda Shopping Centre for Steen and Strøm, and the Tista Shopping Centre (Veidekke/Selmer) for Fredriksten Eiendomsutvikling.

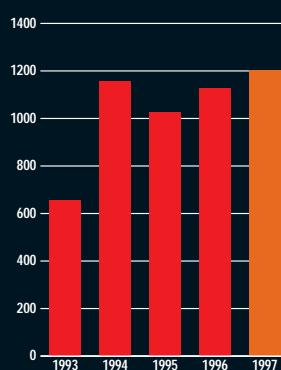
The order book remains healthy, and was worth NOK 1,203 million at the end of the year (NOK 1,125 million).

Projects distributed by size

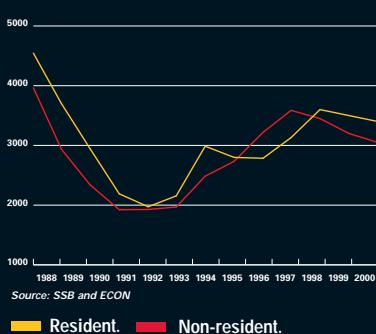


Orders-on-hand

NOK mill.



Residential and non residential building. 1,000 square metres started.



Source: SSB and ECON

Yellow line: Resident. Red line: Non-resident.

Key figures	NOK million		
	1997	1996	1995
Turnover	2,230.3	1,823.2	1,951.8
Operating profit	74.7	28.3	10.9
Profit before tax.	98.3	53.6	34.5
Shareholders' equity	256.9	199.4	144.8
Total capital	1,044.1	778.6	855.9
Gross investm. in property, plant and eq.	76.0	35.7	21.9

# Improvement measures have clearly increased the profit margin for the Heavy Construction Division



Above from left:  
Øystein Olsen  
Magne Oppedal  
Gunnar Holm

Right:  
Helge Gaustad

**Efficient completion of projects and an  
effective HSE programme have been  
priorities for 1997**

**In 1997, the Heavy Construction Division has focused on the way projects are handled, from market development and tendering all the way through to completion and the transfer of experience. This has contributed to a sizeable increase in profits.**



#### **THE MARKET**

There was more activity in the heavy construction market in 1997 than had been anticipated. Consequently, volume remained relatively stable compared with 1997, not least because of the transport projects linked with the Gardermoen development. The tunnelling market, in particular, showed a positive trend compared with the previous year.

According to official statistics, contractors' order books at the end of 1997 held less work than at the end of 1996, which might suggest a lower production level for 1998. Investments in road construction are expected to remain relatively stable, while the industry has plans to increase its investments in plant. Improved economy in the municipal sector, together with more housebuilding, may result in an overall increase in technical investments at municipal level during 1998. Increased investment in power stations is forecast for the longer term. In addition to the planned construction of gas power stations and the energy grid, the predictions of a rise in power costs has led to growing interest in expanding the hydroelectric network.

## ACTIVITIES

In 1997 the Heavy Construction Division had turnover of NOK 1,717 million, compared with NOK 1,389 million in 1996, an increase of 24%. This increase in turnover reflects the healthy order book the Division had at the beginning of the year and the many new contracts signed in the course of the year. Profits stood at NOK 46.3 million compared with NOK 28.3 million in 1996. The profit increase is due to the significant improvement in profit margins on projects in Norway.

There was a high level of activity in 1997, including the last months of year, which resulted in a virtually total utilisation of capacity. Despite this, a comprehensive plan for implementing new measures and developing new skills was introduced in the Division. The targeted measures associated with Health, Safety and Environment were particularly successful, helping to lower the rate of lost-time injuries from 20.2 per million working hours in 1996 to 10.8 in 1997. Improvement schemes changed character during the course of the year, moving from productivity-improvement initiatives to focusing on the way we undertake our construction projects, from marketing and tendering through to completion and transfer of

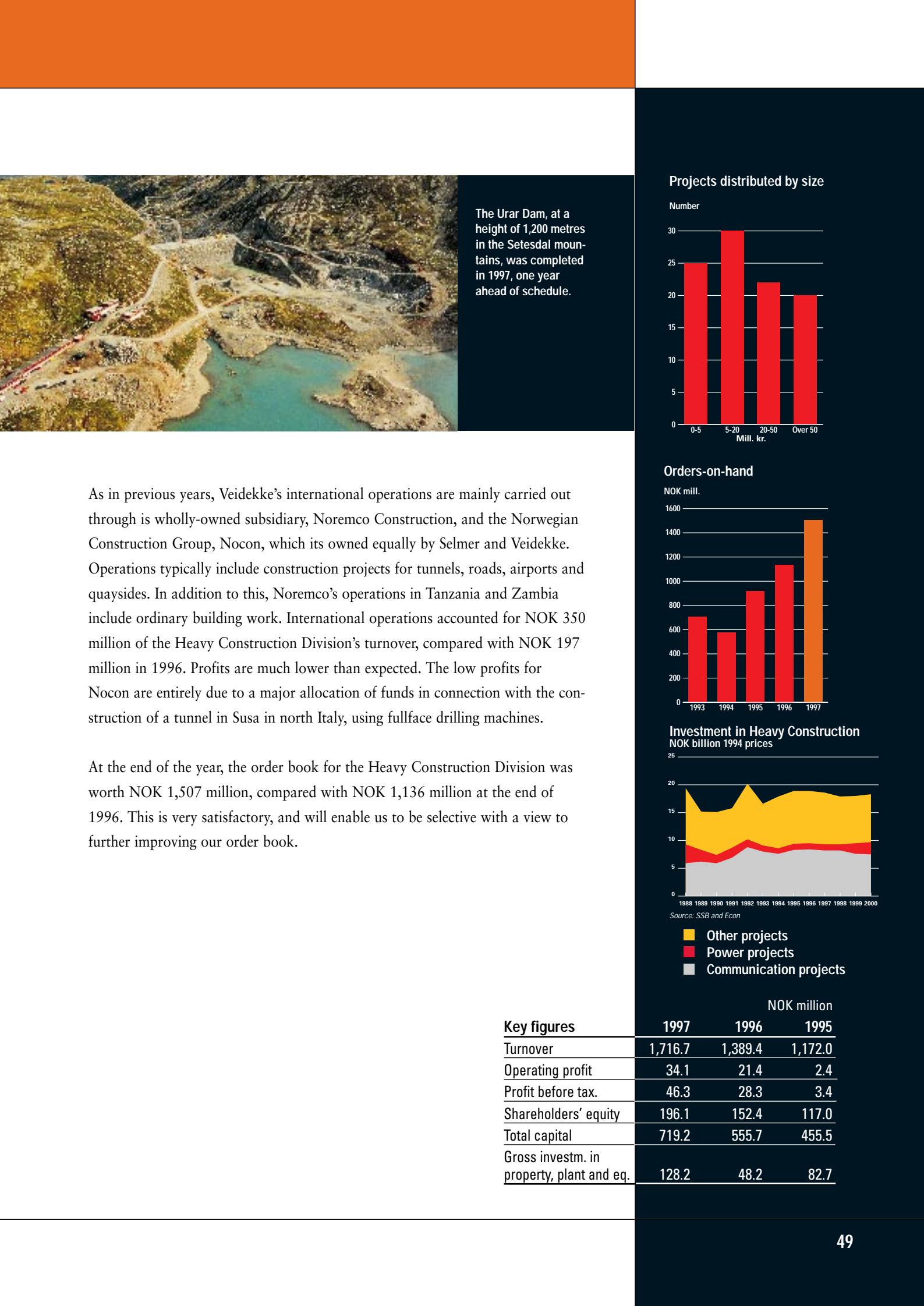
skills. These will also be major features of the Division's action plan for 1998.

In May 1997, an agreement was reached with the Norwegian Public Roads Administration regarding completion of, and financial settlement for, the North Cape Tunnel. Construction work is now progressing faster than anticipated, and the project will be completed by 1 June 1999 at the latest. Among the other major projects are the construction of the western runway system at Gardermoen (Veidekke/Selmer), the multi-storey car park and rail-air terminal at Oslo Central Station for the Norwegian State Railways, Gardermoen Line, a production plant for Coca-Cola, the oil and gas terminal for Norsk Hydro at Sture, and a section of road on the Oslofjord link. Throughout the year the Division had a project portfolio which has been well suited to its resources, both in terms of technical expertise and mechanical equipment.

Approximately NOK 65 million was invested in new construction machinery during 1997, and this means that we have now completed the major part of a three-year investment and upgrading plan for the Division's plant and machinery.



Nocon (Veidekke/Selmer) is building a giant quayside complex in Thailand, costing NOK 182 million.



# Stable profit margin in the Industry Division



Above:  
Rolf Sigmund Vøien

**The Industry Division includes a wide range of operations, and involves a considerable amount of teamwork with the company's other business areas**

**Veidekke has maintained its production volume and its profit margin in an asphalt market that did not develop as strongly as expected, chiefly because of a reduction in demand from the state and municipal sectors.**

**The paving contract at Gardermoen has compensated for this to a large degree.**

The Industry Division includes Veidekke's asphalt operations, crushed stone and gravel operations, ready-mix concrete and, from 1998, Environmental and Recycling.

#### **THE MARKET**

Total asphalt production in Norway for 1997 amounted to 5.2 million tonnes, showing little change to the 1996 figure. Total production includes paving the runways at Gardermoen, which represents around 350,000 tonnes. All the same, there was a decline in real terms in the traditional asphalt market which is partly attributable to reduced demand from the state and municipal sectors. The Norwegian Public Roads Administration reduced the number of contracts with private asphalt contractors during 1997, partly because fewer funds were allocated to maintenance of the road network than the year before. Decline in these areas was offset, as far as Veidekke was concerned, by contracts associated with the development of Gardermoen.

The markets for crushed stone and gravel and for ready-mix concrete showed a positive development in line with general trends in the building and heavy construction markets.

#### **ACTIVITIES**

The Division had turnover of NOK 911 million in 1997 (NOK 869 million), giving a profit of NOK 37.0 million (NOK 36.1 million). This includes the figures for Veidekke's subsidiary Korsbrekke og Lorck AS.

In total, 1.5 million tonnes of asphalt were produced in 1997 by Veidekke and its subsidiaries Korsbrekke og Lorck (60%) and Topp Dekke (100%), together with the affiliated company Kongsvinger Asfalt AS (50%).





The Veidekke Group is paving the east and west runways at the new Oslo Main Airport at Gardermoen. During 1997, approximately 350,000 tonnes of asphalt were produced in connection with the contracts for paving the runways.

Veidekke acquired the asphalt division of the cement factory Førde Cementvarefabrikk at the beginning of the year. This has increased Veidekke's capacity and strengthened its position in the asphalt market for west Norway.

After competitive tendering, in 1997, Veidekke signed a three-year contract with Oslo municipality for winter maintenance and spring refurbishment of parts of the municipal road network in Oslo. This type of operation provides efficient use of resources outside the traditional asphalt season.

Veidekke's cold-mix plants continued to be in operation in 1997. The company is working systematically with the re-use of recovered and milled asphalt, and regards this as an important area for future asphalt production.

#### ASPHALTIC CORE DAMS

Veidekke and its subsidiary Korsbrekke og Lorck are the only companies in Norway with specialised knowledge of rock-fill dams constructed with asphaltic cores. In 1997, the companies were involved in the construction of five asphaltic core dams. They completed both the Storglomvass Dam and the Holmvass Dam on Svartisen, and also finished the Dam Urar in the Setesdal mountains. These projects have produced satisfactory profits.

Among their international operations, Korsbrekke og Lorck are the consultants and builders for asphaltic core dams in China and South Africa. In South Africa, the company is working together with Colas SA on the construction of the Ceres Dam project, which will be the first asphaltic core dam in Africa. In China, Korsbrekke og Lorck is working with AGN (Advisory Group of Norway) to supply equipment and technology for the Three Gorges project. These contracts in South Africa and China will be completed during 1998, but there are good opportunities for new contracts in both regions.

#### GARDERMOEN

Veidekke's asphalt operations were heavily involved at Gardermoen in connection with the construction of the new airport. Contracts for paving the runways involved the production of approximately 350,000 tonnes of asphalt, and accounted for a turnover of around NOK 115 million. The project has drawn on resources from the entire Veidekke organisation, and has made great demands on the company's ability to plan and complete the work, which it is now doing very satisfactorily. Paving the eastern runway was completed in 1997, while the western runway still needs 70,000 tonnes of asphalt before paving is completed in 1998. Veidekke is producing a polymer-modified binder on site at Gardermoen, using the same methods as those used for the paving of Bardufoss airport in 1996. This type of modified binder, which was developed in collaboration with the Shell Oil Company, gives the pavement better thermal properties at high and very low temperatures, which are important properties for runways.

#### CRUSHED STONE AND GRAVEL

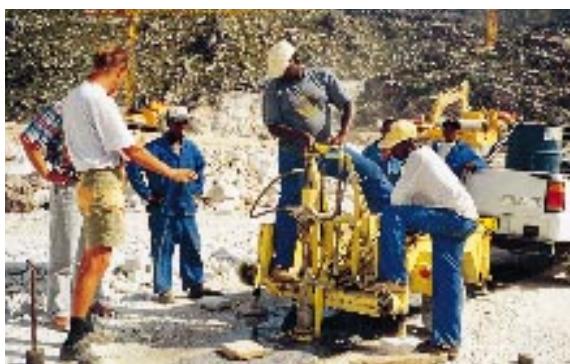
Crushed stone and gravel operations continued their positive trend in 1997. Total production of crushed stone and gravel for sale amounted to 3.2 million tonnes, which makes Veidekke one of the leading Norwegian producers. Part of this production volume was used in the company's own asphalt production, and part of it was sold to external customers in Norway and abroad. As part of the Group's strategy for securing access to raw materials, Veidekke acquired the crushed stone company Helgeland Pukkverk AS in the county of Nordland during 1997. The crus-

hed stone plant is well placed for supplying raw materials to the Group's asphalt plants in Nordland. In addition to the stationary crushed stone plants, the Division has produced crushed stone on site in connection with such contracts as the Gardermoen runways and the North Cape Tunnel in Finnmark.

Veidekke's subsidiary, Korsbrekke og Lorck, owns 30% of the shares in the Amrock JV AS company, which in March 1997 started producing and selling crushed stone for export from Espesvik in Tysvær municipality. The British company AMEC plc is the largest shareholder in Amrock JV AS, owning 45% of the shares. Sales in 1997 totalled around 700,000 tonnes and this is expected to increase to over 1,000,000 tonnes in 1998. The company's first operating year was used to build up a customer base and to establish depots in Denmark, north Germany and the UK (London). Price competition is very fierce in this market, and profits for the year are not satisfactory. As part of the programme to improve the company's cost structure, an 8,000 tonnes ship is being chartered on a five-year contract, starting in April 1998. This will reduce transport costs significantly. Korsbrekke og Lorck also own 20% of the chartered vessel, M/S Millennium.

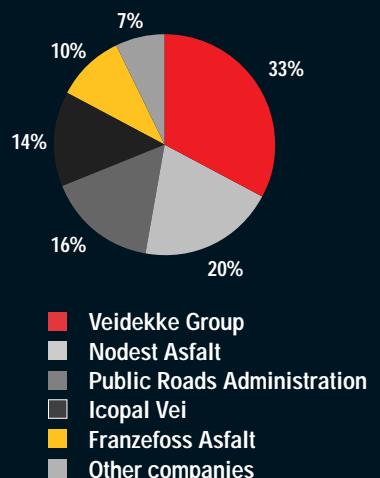
#### READY-MIX CONCRETE

In autumn 1997, Veidekke acquired 43% of the shares in HF-Gruppen AS. With a turnover in 1997 of around NOK 110 million, HF-Gruppen is one the largest producers of ready-mix concrete in Norway, with a substantial share of the market. The company has been engaged in an expansion phase in the last few years, and has had large supply contracts for several major construction sites, including Gardermoen. HF-Gruppen currently has production plants in Oslo, Drammen, Hønefoss, Lunner, Vikersund, Bøverbru, Gjøvik, Lillehammer, Jessheim, Gardermoen and Stolmasundet in Austevoll. Veidekke and HF-Gruppen have had a business relationship for many years, in part associated with Veidekke's high-volume production of crushed stone and gravel. Veidekke and its subsidiary Korsbrekke og Lorck deliver stone materials to several of HF-Gruppen's concrete mixing plants. HF-Gruppen is also a major supplier to Veidekke's Building and Heavy Construction Divisions, especially in east Norway.

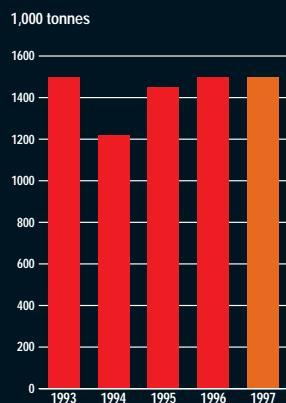


Ceres Dam near Cape Town in South Africa is the first rock-fill dam in Africa constructed with an asphaltic watertight core. Vermund Bjerkhagen is in charge of the work to remove a core sample to check that the 50-centimetre thick asphalt wall is watertight.

#### The Asphalt market



#### Asphalt production



Key figures	1997	1996	1995
Turnover	910.5	868.6	812.2
Operating profit	45.1	47.6	47.0
Profit before tax.	37.0	36.1	42.9
Shareholders' equity	179.9	182.8	153.8
Total capital	360.7	344.7	299.7
Gross investm. in property, plant and eq.	116.8	128.2	85.4

# Development projects creates profits for the Property Division



Above:  
Eivind Alstad  
and Ove Aagedal

Right:  
Ståle Brovold, Veidekke,  
Øyvind Christensen, Njord Eiendom  
and Ingolv Høyland, Reitan Invest

**Veidekke's Property Division develops residential and non-residential properties in close collaboration with both customers and Veidekke's Building Division**

**One of Veidekke's central concerns is the primary and secondary development of property. Together with the Building Division, the Property Division provides experience and skills at various stages in the value chain. The Division has close relations with its customers and provides expert advice about the property market. It is also a business area which utilises Veidekke's ability to manoeuvre freely in financial activities, enabling further earnings and growth.**



#### **THE MARKET**

The property market showed a positive trend in 1997 as in previous years. The sharp rise in employment led to increased need for non-residential premises, particularly in central areas. Low interest rates and higher rent for office premises in large towns contributed to great interest in fully developed properties. It is anticipated that demand for new non-residential premises will slacken somewhat in 1998 in response to any decline in employment growth. The demand for new housing, on the other hand, will increase, especially in the Oslo and Akershus area. Veidekke is well placed in this respect, with an attractive portfolio of sites which will be developed for housing during 1998 and 1999.

#### **ACTIVITIES**

The Property Division's total revenues from rent were NOK 37.6 million (NOK 45.8 million), of which NOK 26.3 million (NOK 31.1 million) was derived from external rental income. In addition, the Property Division achieved net gains on sales amounting to NOK 86.0 million, producing total turnover of NOK 126.2 million. The drop in revenues from rent is due to the sale of properties.

In the course of the year, interest charges and project costs for property developments amounted to NOK 7.2 million (NOK 5.3 million). Pre-tax profit was NOK 90.5 million (NOK 6.3 million).

#### **BUYING AND SELLING**

In January 1997, the Skøyen project was sold to the insurance company Samvirke forsikring. Veidekke's

share was 50%. The project was started in 1994 and was in most respects completed and rented out by the time it was sold. The building work, for which Veidekke is turnkey contractor, will be completed during 1999. The sale produced a gain for Veidekke of NOK 90 million.

During the year, Veidekke also sold seven of its completed property developments which are rented by external tenants. The total sales figure was NOK 110 million. There was an overall loss on the sale amounting to NOK 4 million.

Veidekke's main offices at Billingstad in Asker were sold in 1992 with an option to repurchase at a fixed price. This option was taken up on 1 July 1997. The purchase price was NOK 150 million. The property includes 13,442 square metres of office premises, which are mainly rented to the company Ericsson until the year 2003. The property will be offered for sale this year.

The company has purchased 50% of a property development at Økern in Oslo. Applications have now been made to the regulatory authorities, and the property is expected to be ready for development by the end of 1998. In addition to the existing buildings which cover 10,000 square metres that are currently rented out, the property has the potential for a new non-residential development of approximately 37,000 square metres.

Veidekke has also acquired a share in a number of smaller properties in Bergen, Porsgrunn and elsewhere. These operations are in collaboration with local developers.

#### MANAGEMENT, OPERATION AND MAINTENANCE

Veidekke regards management, operation and maintenance as an important part of the total package deal in property development. The Property and Building Divisions have therefore produced a Management, Operation and Maintenance manual, which will assist those involved in designing and

#### List of properties as at 31 December 1997

Property	District	Owner ship %	Sites sq.m.	Gross floorage in square meters					Rental level 1998
				Offices/ business	Wareh. industry	Resid./ hotels	Parking	Total	
<b>External leases</b>									
Olav Brunborgs vei 6	Asker	100	13,188	9,893	1,596		853	12,342	18,900
Fosskvartalet	Lier	50	2,399	3,736	289		950	4,975	3,800
Langbakken 16	Ås	100	3,800	1,578				1,578	450
Totlandsveien	Bergen	100	6,493	100	618			718	80
Haavard Martinsens vei 27	Oslo	100	Leasehold	432	5,263		105	5,800	900
Iduns gate 2	Oslo	100	809	235			2.102	2,337	670
Økern Næring	Oslo	50	15,000	5,000	1,000			6,000	2,500
<b>Total external leases</b>			<b>41,689</b>	<b>20,974</b>	<b>8,766</b>	<b>2.102</b>	<b>1,908</b>	<b>33,750</b>	<b>27,300</b>
<b>Internal leases</b>									
Olav Brunborgs vei 4	Asker	100	3,507	3,549	675		1,059	5,283	5,650
Ringeriksveien 193/201 C	Bærum	100	37,657	2,698	3,900			6,598	4,750
Trygve Nilsens vei 8	Oslo	100	Leasehold	1,351	1,290			2,641	1,250
Glitre	Gol	100	2,000	150	375			525	235
Smedasundet 50	Haugesund	100	5,860	1,032	3,078			4,110	1,775
Kokstadveien 48 B	Bergen	100	6,500	934	925			1,859	1,100
Sognshøy	Råde	100	31,041	836	1,088			1,924	940
Gråkerveien	Sarpsborg	100	6,219	173			769	942	370
Sandane	Gloppen	100	4,429	230	340			570	180
Moelv	Ringsaker	100	11,000	650	1,070			1,720	600
<b>Total internal leases</b>			<b>108,213</b>	<b>11,603</b>	<b>12,741</b>		<b>1,828</b>	<b>26,172</b>	<b>16,850</b>
<b>Total leases</b>			<b>149,902</b>	<b>32,577</b>	<b>21,507</b>	<b>2.102</b>	<b>3,736</b>	<b>59,922</b>	<b>44,150</b>
<b>Properties under development</b>									
Trygve Nilsens vei 10	Oslo	100	5,500	2,800	1,400			4,200	
Årvollveien 70	Oslo	100	9,400	5,000				5,000	
Fornebuveien 5 - 7	Bærum	100	1,500	3,000	500		1,900	5,400	
Olav Brunborgs vei	Asker	100	3,000	7,000			3,000	10,000	
Økern Næring	Oslo	50	15,000	18,500			300	18,800	
Porsgrunn Næringspark	Porsgrunn	33	11,100	1,400	150			1,550	
Nonneseter	Bergen	50	600	2,600				2,600	
Vøyenenga Senter	Bærum	33	Leasehold	2,100				2,100	
<b>Total</b>			<b>46,100</b>	<b>42,400</b>	<b>2,050</b>		<b>5,200</b>	<b>49,650</b>	

building work in taking management, operation and maintenance considerations into account, thereby improving the overall financial performance of building projects.

Veidekke currently manages a number of properties which were developed and built by the company but are now owned by others. The total area of managed property is 125,000 square metres, of which 65,000 square metres is owned by external customers.

Property management provides us with continuous feedback from our customers about the quality of the products we supply. Our employees meet these customers every day, and must show that we mean what we say about customer-focused relations.

### VEIDEKKE DEVELOPMENT

Property development is central to Veidekke's strategy. Because we have the expertise and capacity for developing products from initial concept through to completion, the company will play an active part in the entire supply chain and offer better products at a lower cost. Even more priority is being given to property development, now that the Property Division is assuming all responsibility for this part of our operations. There will be a clear distinction between the roles of customer and contractor, but we intend our active teamwork to keep us in close contact with the customers and the market. This will ensure stable, predictable activity and satisfactory income.

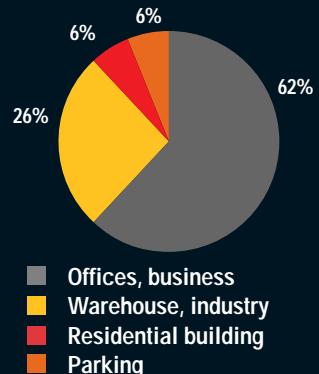
Both residential and non-residential developments are important to Veidekke. In collaboration with the local regional offices, we are in a position to undertake development and building projects throughout the country. It is usually our own partners who handle the rental of non-residential properties and the sale of private housing. This ensures that we remain in contact with the market and gives us the flexibility to adjust prices and products when required.

### PROSPECTS

The amount of housing produced on our own account is expected to increase considerably during the coming years. Our objective is to reach an average volume of over 500 houses/apartments per year. It is not the market that is the chief limiting factor, but rather the ability of the municipal authorities to process building regulations and plans quickly enough.

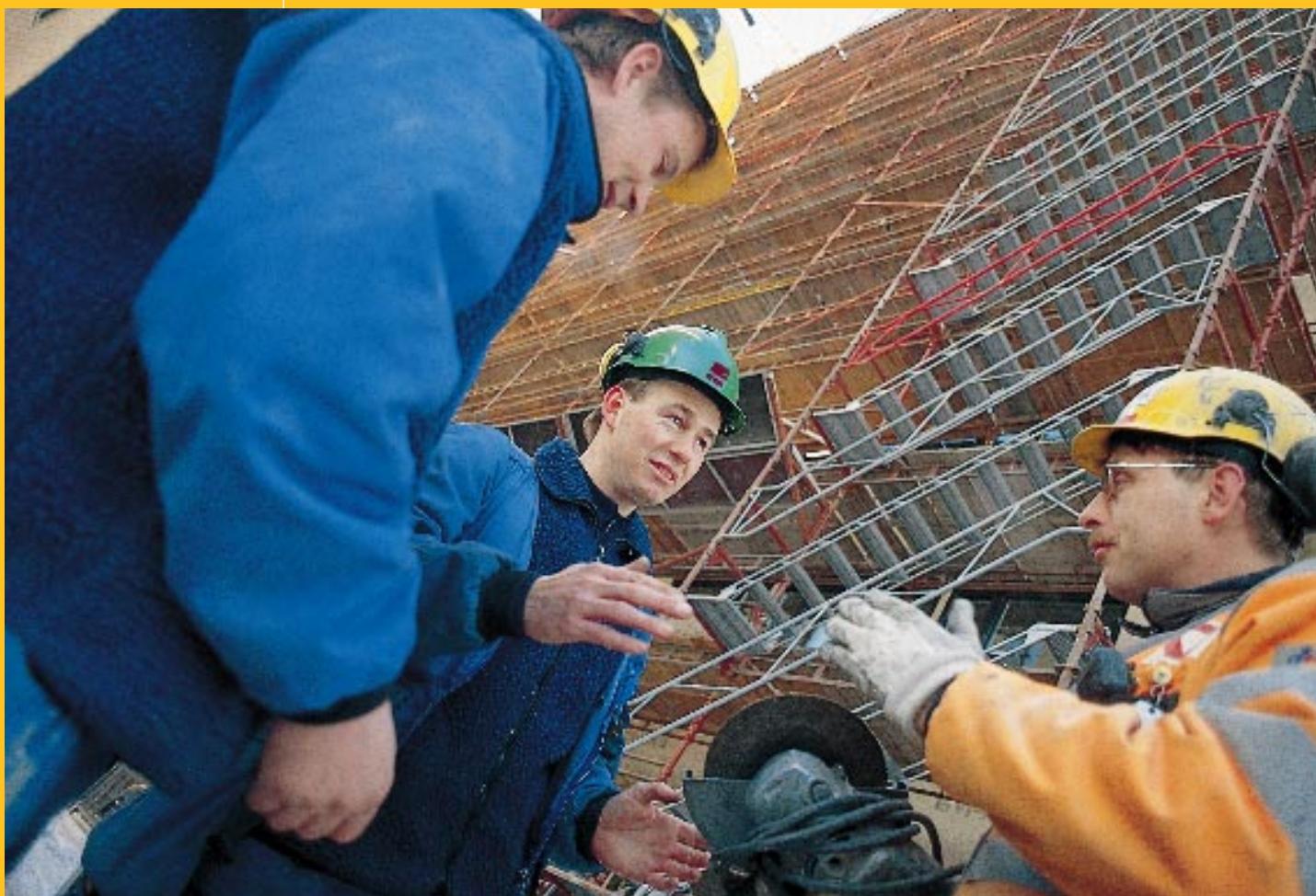
There is still a great deal of activity in the building of different kinds of non-residential property, while there is also high demand for modern premises. In the long term, this will lead to an increasing number of older buildings which have to be modernised or for which another use must be found. Priority will therefore be given to expertise in this kind of property development. Similarly, the demarcation between public and private operations will change. Many activities which are presently in the public sector will in the future be opened up to competition and come under private management. Veidekke is already actively engaged in the development of health and healthcare properties. In future, the rental and management of public buildings, such as administrative premises, schools and hospitals, will be interesting projects for Veidekke.

Floorage, external leases



Key figures	1997	1996	1995
Rental revenues	37.6	45.8	55.8
Property management	-6.1	-13.8	-12.8
Ground rent etc.	-2.9	-2.9	-4.0
Gross prop. management	28.6	29.1	39.0
Ordinary depreciation	-5.4	-8.2	-11.0
Interest	-11.5	-12.0	-22.4
Net property management	11.7	8.9	5.6
Prop. under management	-7.2	-5.3	-6.9
Profit/loss	4.5	3.6	-1.3
Net sales gain	86.0	16.8	2.1
of which written down	-	-14.1	-
Profit before taxation	90.5	6.3	0.8

The Health, Safety and Environment programme shows the result of planned long-term commitment



Above from left:  
Tore Nilsen  
Knut Arne Johnsen  
Jan Erik Frogner

**The overall target for lost-time injuries was achieved. An increase in the number of hours worked, and a reduction in the number of accidents, led to a significant reduction in lost-time injuries per million working hours**

The continuous and long-term programme to improve Health, Safety and Environment in Veidekke continues to produce positive results. This programme is being pursued in 1998 with as much commitment as ever. New and ambitious objectives have been established for Veidekke up until the year 2000: less than 8 lost-time injuries per million working hours, and an absence rate of less than 5%.

Considered as a whole, Veidekke achieved the overall target for the injury rate, with deviation of only 0.5. Total number of lost-time injuries dropped from 83 in 1996 to 67 in 1997. With an increase in the number of man-days-worked of over 35,000, Veidekke's injury rate dropped from 16.3 in 1996 to 12.5.

Alternatives to sick leave have gradually spread through the operating Divisions, and have made a significant contribution to the reduction in lost-time injury rate. Alternatives to sick leave were used in 16 cases in 1997; 11 instances in the Building Division, two in the Industry Division and three in Heavy Construction. Without using alternatives to sick leave, the number of lost-time injuries would have been 83 in all, and the injury rate would have been 15.5 instead of 12.5.

#### INJURY RATE HALVED IN THE HEAVY CONSTRUCTION DIVISION

The greatest improvements were made in the Heavy Construction Division, which halved its injury rate from 20.3 to 10.8. It should be mentioned that at the end of 1997, this Division had worked 125,000 man-hours with company employees on the North Cape Tunnel without any injuries. 100,000 man-hours (including subcontractors' hours) were worked at the Berger gravel pit by the end of the year, again without any injuries. The Industry Division showed a reduction of the injury rate from 11.5 to 7.5, and in the Building Division the

injury rate dropped from 18.3 to 16.9.

#### INCREASING ABSENCE RATE

The target for 1997 was an absence rate of 5% for hourly paid employees, but unfortunately an increase in the absence rate has been recorded; it was 6% in 1997 compared with 5.4% in 1996. There has been a moderate increase in the absence rate in all Divisions.

Long-term sick leave has remained constant during recent years, while short-term sick leave has increased from 3.6% in 1996 to 4.1% in 1997, resulting in higher absence costs for hourly paid employees per day worked. For Veidekke as a whole, these costs rose from NOK 20.83 in 1996 to NOK 25.17 in 1997. Overall absence rate, including absence for salaried employees, was 4.6% in 1997 compared with 4.3% in 1996.

#### ATTITUDE-IMPROVING MEASURES

The reduction of lost-time injuries achieved during 1996 and 1997 can be attributed to systematic improvement programmes implemented at several levels. Attitude-improving measures and visible management have encouraged all employees to become more committed to HSE. The efficiency of the Divisions, with improved quality at all project stages, has resulted in an improved financial performance and better HSE results. It is made evident again and again that orderliness on the building site and attention to HSE have economic benefits.

Among the measures which have contributed to these positive developments are: keeping things simple, making systems and procedures easier to understand, ensuring the active involvement of staff on site, familiarising everyone with HSE procedures and incorporating

training schemes. The Heavy Construction Division, for example, has established a procedure for the internal publication of details of all accidents as soon as they occur. The injured person's name is withheld, but details are given of age, occupation, date, circumstances of the accident and measures taken.

#### NEAR-ACCIDENTS CAN BE LEARNED FROM

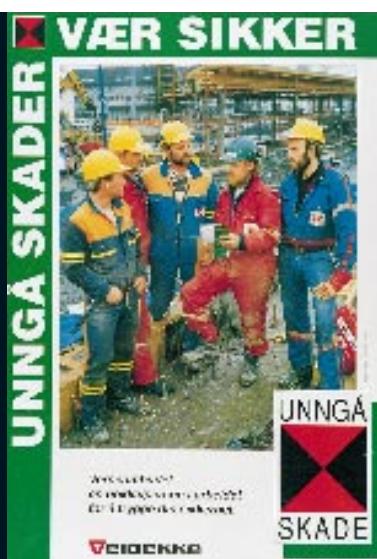
Veidekke has stressed the importance of reporting undesirable episodes and near-accidents as a means of educating employees and raising risk awareness. There has been an increase in the use of the 'little green notepad' for simple reporting, which was introduced and distributed to all places of work in 1996. 985 cases were reported in 1997, 32% more than in 1996 (746). All reported cases are entered on a separate database in Veidekke's electronic information system.

The aim is to report every near-accident. The actual number, however, is not the most important aspect. It is the processing of the reports, and the subsequent issuing of preventive information, which produces results. A good example of this is the course set up by the Building Division to train employees in how to secure crane loads and signal to the crane operator. This course is the direct result of a reported near-accident where a crane load fell to the ground. 60 people participated in this course in 1997.

#### SAFETY CAMPAIGN

At the beginning of 1997, Veidekke launched a campaign for a safe working environment. The aim of the campaign has been to contribute to raised awareness and improved attitudes at work places, using the slogan 'Avoid Accidents – Be Safe'. Six posters were displayed prominently at all work places during the course of the year, which focused on various potentially dangerous situations and the accidents which could occur.

The aim of the safety campaign has been to help increase awareness of HSE issues. Posters have helped to draw attention to dangerous situations which can occur in the workplace, and there has been a greater focus on the work of the safety officers.



At the same time, fact sheets with detailed information on prioritised areas in the HSE programme were distributed via Veidekke's internal electronic information system, and as notices at work places. A total of 13 fact

sheets were distributed in 1997. The company's safety personnel have played an active part in running the campaign at all work places. The campaign is now being assessed, with a view to determining how best to relate it to specific objectives in the future. It is already clear that the campaign will continue with a first aid poster and an AKAN poster in 1998. AKAN stands for Committee on abuse of alcohol and drugs in the workplace.

#### HSE PRIZE

Following on from the safety campaign, Veidekke has launched an annual HSE prize. The prize will be given in recognition of planned and systematic efforts to improve the working environment and reduce accidents and absences. The prize will also help to create a positive spirit of competition within the company, and promote the exchange of useful experience within the HSE programme. All Veidekke employees can nominate candidates, and the working environment committees in all the Divisions will also be able to propose candidates.

The prize was awarded for the first time during Veidekke's senior union representative's conference in March this year. The winner of the HSE prize for 1997 is the North Cape Tunnel. The jury's decision was explained as follows: 'As a strong candidate for this award, the North Cape Tunnel demonstrated that HSE is not an add-on concept, but an integral and essential part of the whole operational organisation. The project has shown an impressive ability to confront and correct a departure from the planned course. The regular inspections of the safety representatives have been no more than a formality to ensure that everything has been in order. In the continuous improvements that have characterised work on this project, the focus has been on the development of skills and investment in new equipment. Thanks to extensive cooperation and unrelenting commitment, our personnel at the North Cape have demonstrated that problems can be transformed into successes.'

#### PREVENTIVE HEALTH PROGRAMME

Veidekke's company medical service carried out 960 'industrial health' examinations in 1997 as the basis for its preventive programme. The examinations are specific, depending on the employees' type of work. All those exposed to dust are offered x-rays every third year.

Employees who are given sick leave for more than eight weeks are followed up by company nurses, and if necessary by the company doctor and physiotherapist. In some cases it has been possible to reduce the period of sick leave by offering an 'active' alternative.

The requirements for documentation concerning hazardous chemicals are becoming stricter, and there is a considerable need for training in hazardous chemicals and the use of data sheets on building and construction sites. To meet this need, the Veidekke medical service participates in the 40 hours HSE courses within the company. One of the five days of the course is devoted to instruction on hazardous chemicals, as well as noise, repetitive strain injuries, sick leave follow-up, the working environment and AKAN. There are now AKAN committees in all Veidekke Divisions, and at present 12 employees are covered by AKAN agreements.

#### **CHEMICAL SEALING AGENTS FOR ROCK**

In the decade between 1982 and 1992, Veidekke used the sealing agent Siprogel, which contains acrylamide and methylacrylamide. It is unlikely that this affected the health of any of our employees. All the same, everyone who was exposed to acrylamide will be examined at Ullevål Hospital, which will be working closely with the National Institute for the Working Environment. Since 1992, Veidekke has used micro-cements for sealing fine cracks in rock. The company seals water leaks first by using polyurethane compounds, which are well documented, then by injecting cement-based sealants.

#### **PREVENTING REPETITIVE STRAIN INJURIES**

Repetitive strain injuries are the most frequent reason for long-term sick leave within Veidekke. A great deal of time is spent following up and making arrangements for those with complaints, with attention paid to the correct use of protective equipment and various aids. Veidekke has started to collaborate with Sintef Unimed, Department for Extreme Working Environments, on the scientific testing of clothes and footwear.

In 1997, an agreement was reached with the Red Cross Clinic in Oslo, and as a result, employees who have been on sick leave for more than eight weeks because of muscular and skeletal strain, are examined at the clinic. Part of a research project which will last for two years, this facility has been a great help for those on sick leave, and has cut down on waiting time.

#### **ABSENTEEISM AND REHABILITATION COMMITTEE**

The increase in absenteeism indicates the importance of the work performed by the absenteeism and rehabilitati-

on committees, of which there are now 12 within Veidekke.

The absenteeism and rehabilitation committee in Region Oslo, which was established in April 1996, is an example of this. Its intention is to focus on absenteeism in the region and to find out how it can be reduced. The starting point is to follow up those on long-term sick leave, and also to gain an overview of self-certified short-term absence. The absenteeism and rehabilitation committee believes that family problems can often be the reason for longer illness-related absences. The committee will therefore investigate what opportunities there are for the company to assist those whose absence comes into this category.

The company's close monitoring of employees and the social security offices has been well received. There have been no instances of problems relating to the granting of different types of benefits/applications with regard to getting employees back to work.

#### **COLLABORATION WITH CUSTOMERS**

From autumn 1995 to autumn 1997, Veidekke carried out complicated construction work in rock for Hydro Energi Sogn at Høyanger Kraftverk. Hydro Energi Sogn had experienced a large number of 'contractor injuries', and was therefore concerned about contractors and safety. In its tender documents, Hydro required the contractor to comply with its internal HSE stipulations, which demanded zero injuries, wherever the contractor did not have an equivalent stipulation. Hydro also stressed the importance of reporting near-accidents and dangerous conditions. In collaboration with Hydro Energi Sogn, Veidekke increased the stringency of its HSE procedures at the construction site. Both parties found ways of adapting their systems in order to meet targets. A successful HSE programme is extremely dependent on the people carrying out the work in the field. Hydro Energi Sogn has informed Veidekke that it is very pleased to report that Veidekke's employees have carried out their work on the project in a professionally exemplary manner, without any lost-time injuries and with excellent reporting of dangerous conditions. Veidekke has used its experience of HSE collaboration with Hydro to develop even further its HSE procedures at other construction sites.

#### **ENVIRONMENTAL ISSUES**

The building industry is paying more and more atten-

on to recycling and re-using building materials, both in connection with demolition waste and with waste produced at new building and construction sites. Municipal regulations for waste handling and separation at source are becoming stricter, and the new Planning and

Building Act requires that environmental considerations are included as early as the design stage. Major professional clients are also increasing the scope of their contractual environmental requirements.

During 1997, Veidekke has continued its programme to improve environmental standards at its building and construction sites. It is not a matter of deciding whether to improve these standards, but rather how to improve them. A number of municipalities now require that all building projects separate waste at source. In Oslo, municipal regulations for the management of production waste have been enforced for certain contracts since 1 January 1996, with a gradual change-over as from the second half of 1997, and full implementation for all building work from 1 January 1998. Because of this, there is now a requirement for a waste management plan for all Veidekke's building projects in the regions. Examples of waste management plans and relevant clauses in building regulations are now included in the syllabus of Veidekke's 40-hour HSE course.

#### REFERENCE PROJECT

The renovation of the Lille Ekeberg housing cooperative, which was a reference project for the joint project 'Eco-management in building and construction companies', has now been completed. This project formed part of a programme to discover better methods of dealing with environmental issues on building sites, particularly with regard to renovation projects. Final conclusions have not yet been reached, but it is clear that more time spent on clearing up leads to increased costs, but also to a cleaner environment. At the same time, separation at source and arrangements to return unused materials, as opposed to sending off unsorted waste, produced an income for the project of around NOK 175,000. A number of questionnaires have been completed by members of the housing cooperative and Veidekke employees. Answers were given on a scale of 0 to 6, and the average result was 4.5 points. The concept is still very new and requires further development. The results of the Lille Ekeberg project are now being applied to new Veidekke projects.

#### VEIDEKKE AND THE RENA MILITARY BASE

The development of the Rena military base, where Veidekke was the major contractor, was completed in

1997, after a construction period of just over two years. Veidekke was responsible for managing the separation of waste at source and for setting up and operating a waste-handling station. A diesel filling station has been built next to a waste-handling station where waste is separated into wood, metal, glass, food, special waste and residual waste. Veidekke has employed one person on a quarter-time basis to attend to all the procedures associated with the fuel tanks and the waste-handling station. Containers have also been placed at each individual building site. The aim was that total residual waste after source separation should not exceed 50%. The overall result was 54%. Residual waste from all Veidekke's operations amounted to 38%.

#### ENVIRONMENTAL REQUIREMENTS IN THE LIFE-CYCLE CONTEXT

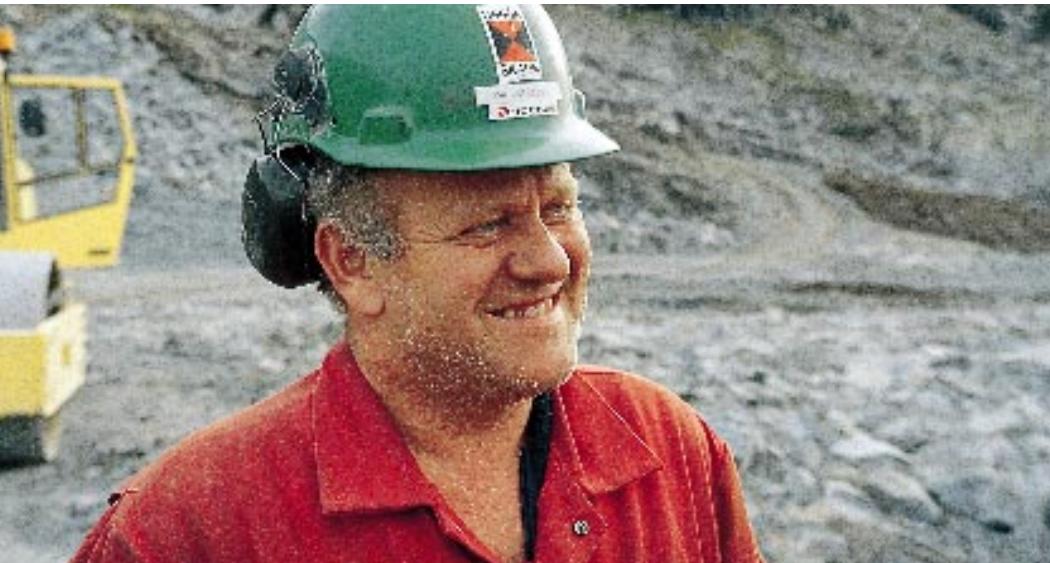
In association with Veidekke's turnkey contract for the construction of Jessheim Trafikkstasjon for the Directorate of Public Construction and Property, a pilot project has been set up to develop and test methods for improving collaboration and environmental awareness in building projects. The intention is to achieve closer integration between the different parties involved in the building project, in order to increase value creation and reduce environmental impact in comparison to a building contract completed in the traditional manner. Added value and environmental impact are to be assessed in a holistic perspective and a life-cycle context.

The building project will be planned and completed to produce as many benefits as possible for users and the environment. Environmental considerations will be incorporated into the planning, designing, building and operation of the station, and will be given the same priority as functional, technical and economic considerations. An environmental monitoring programme will be established, which will identify central environmental issues, and environmental targets will be formulated for the choice of materials and energy consumption.

#### ASPHALT AND THE ENVIRONMENT

The asphalt manufacturing section of the Industry Division aims to employ cutting edge production methods in order to stay ahead of environmental requirements.

Veidekke's asphalt operations produced 1,516,000 tonnes of asphalt in 1997 (1,497,000) and consumed 10,753 tonnes of oil and gas (11,160). Consumption of raw materials was 85,122 tonnes of bitumen (80,000), 124 tonnes of amine (169), 65,614 litres of asphalt cleaner (65,000) and 25,540 litres of white spirit (55,200). Asphalt cleaner is used instead of diesel to clean equip-



**Tor Brendemoen** was safety officer at the Urar Dam project in Setesdal for two seasons.

ment. Amine is added to asphalt to achieve the required adhesion to certain types of stone.

350,000 tonnes of asphalt (83,000) were produced during 1997 in connection with the contract for asphalt paving at Gardermoen. Another 70,000 tonnes (approximately) remain to be produced in 1998. Veidekke has fulfilled the environmental requirements contained in the Gardermoen contract (which is for a total of around 550,000 tonnes). Both the asphalt plants which are operating at Gardermoen are gas-fired.

There are both environmental and economic gains to be made from using cold asphalt as a binding layer on road shoulders. In 1997, Veidekke laid 21,000 tonnes of recovered asphalt using the cold-mix technique (25,000). The market demand for this type of asphalt is still low. Veidekke repaired a total of 370,000 square metres of road in 1997 (724,000), re-using asphalt which has been milled and stabilised with bitumen. This corresponds to laying 116,000 tonnes of hot asphalt. 539,000 square metres of road (548,000) were levelled by cold milling instead of filling in wheel tracks or laying new asphalt. In 1997, Veidekke laid a total of 109,000 square metres of microsurfacing (cold technique) at various locations and roads around Norway.

In 1996, Veidekke started a trial project for the production of warm asphalt at a temperature of up to 100 degrees Celsius lower than current methods. The concept has been developed by Shell and is being tried out

in practice by Veidekke. This project will continue in 1998.

There will be strict environmental requirements in connection with construction work at Fornebu when the airport is closed. Asphalt and other tarry substances at Fornebu total around 350,000 tonnes. Veidekke has well-developed technology for re-using asphalt. This volume will make a significant impact on the asphalt market in the immediate area. Veidekke estimates that the market for recovered asphalt is around 200,000 tonnes, or about four per cent of the total market.

#### ENVIRONMENTAL AND RECYCLING

Veidekke has established its own sector for the reception, sorting, handling, storage and sale of waste products from its own and from other contractors' building and construction sites. Veidekke's many stone quarries and crushed stone and gravel plants are well suited for this purpose. Crushed stone and gravel plants will be able to crush and clean concrete, break up timber for wood-chips and sort for other purposes, and store and prepare soil for horticultural purposes. Empty spaces in stone quarries are well suited for depositing both untreated and treated waste materials for recycling.

The Environmental and Recycling sector will be part of the Industry Division from 1998, joining asphalt operations, crushed stone and gravel, and ready-mix concrete. The new business area will be developed in close collaboration with the other operational areas in Veidekke.

# The Corporate Management

**Veidekke's divisional heads and staff management  
are members of the Corporate Management**



**TERJE R. VENOLD**

Terje R. Venold (47), President and CEO. Graduated from the Norwegian School of Management (BI) with a MBA in 1973. Started working for Veidekke in 1981. Appointed President and CEO in 1989. Number of shares in Veidekke: 14,500.



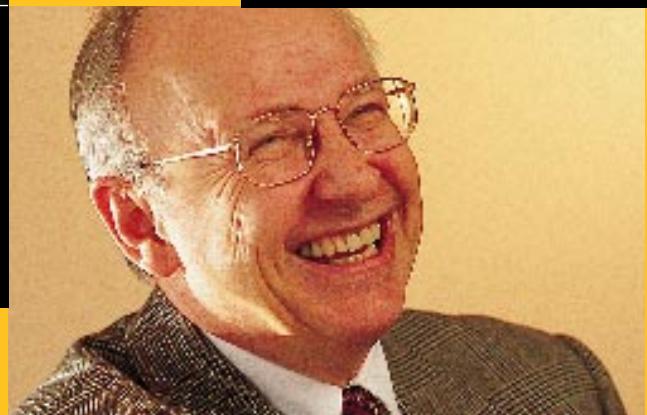
**TORKEL BACKELIN**

Torkel Backelin (54), Senior Vice President, Corporate staff. Responsible for organisational development, personnel, HSE, quality assurance, information, industrial policy, strategy and R&D. Graduated in 1965 from the Stockholm School of Economics, Sweden. Started working for Veidekke in 1989. Has been in present position since 1995. Number of shares in Veidekke: 13,350.



**OLE ARNFINN OPSAHL**

Ole Arnfinn Opsahl (42), Senior Vice President, Heavy Construction Division. Graduated from the Norwegian Institute of Technology in Trondheim in 1978. Doctorate in concrete technology, 1986. Started working for Veidekke in 1987. Has been in present position since 1994. Number of shares in Veidekke: 8,134.



**EIGIL FLAATHEN**

Eigil Flaathen (53), Managing director of Veidekke's subsidiary, Korsbrekke og Lorck AS. Graduated in 1968 from the University of Washington, USA, with a degree in engineering. Started working for Veidekke in 1977. Has been in present position since 1993. Number of shares in Veidekke: 7,889.

**DAG ANDRESEN**

Dag Andresen (36), Senior Vice President, Corporate staff. Responsible for financial control, finance/investor relations, IT, logistics and legal affairs. Graduated from the Norwegian School of Management (BI) with an MBA in 1986. Started working for Veidekke in 1986. In present position since 1995. Number of shares in Veidekke: 7,600.

**PETTER EIKEN**

Petter Eiken (42), Senior Vice President, Building Division. Graduated from the Norwegian Institute of Technology in Trondheim in 1980. Started working for Veidekke in 1986. Has been in present position since 1994. Deputises for the President and CEO. Number of shares in Veidekke: 4,632.

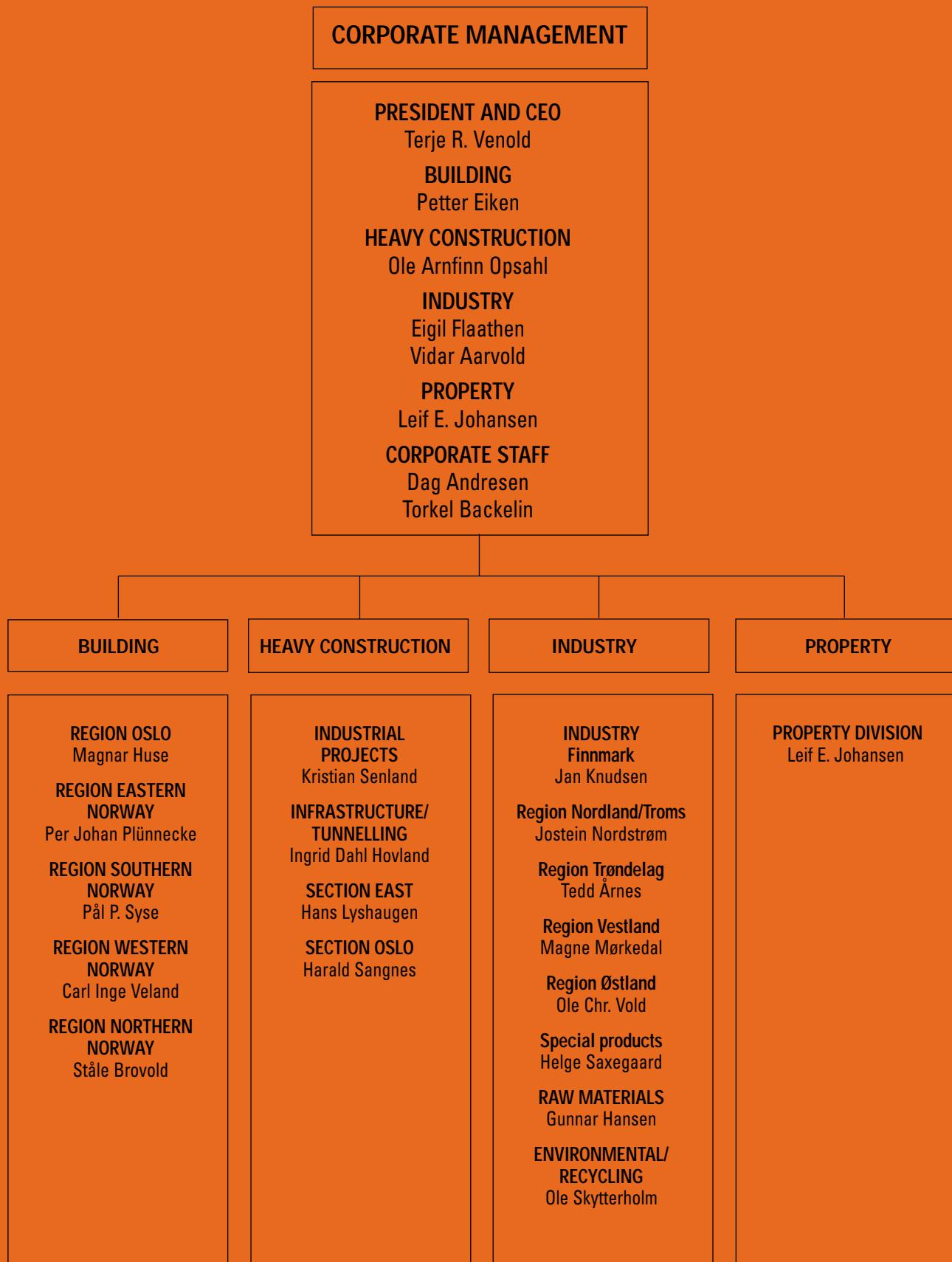
**LEIF E. JOHANSEN**

Leif E. Johansen (53), Senior Vice President, Property Division. Graduated from the Norwegian Institute of Technology in Trondheim in 1967. Started working in his present position at Veidekke in 1995. Number of shares in Veidekke: 8,150.

**VIDAR AARVOLD**

Vidar Aarvold (46), Senior Vice President, Industry Division. Graduated in 1976 from the University of Sunderland, UK, with a B.Sc. (Eng.) Started working in his present position at Veidekke in 1995. Previously employed by Veidekke from 1976 to 1988. Number of shares in Veidekke: 1,800.

# Organisation



# Addresses

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Fax: + 47 66 98 13 44  
E-mail: [firmapost@veidekke.no](mailto:firmapost@veidekke.no)  
Internet: <http://www.veidekke.no/>

## BUILDING DIVISION

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## REGION EASTERN NORWAY

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## District Romerike

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## District Buskerud

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## District South

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## District Grenland

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## REGION WESTERN NORWAY

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## REGION NORTHERN NORWAY

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## District Tromsø

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## HEAVY CONSTRUCTION DIVISION

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## Section Industrial projects

### Section Infrastructure/Tunnelling

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Fax: + 47 67 13 90 89

## Section East

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Telefax: + 47 69 28 31 55

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Fax: + 47 66 98 06 73

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## BAUTAS

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## A/S NOREMCO CONSTRUCTION

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# Largest ongoing projects as at 31 December 1997

## Building

Customer Project	Estimated total turnover Veidekke's share NOK million	Remaining work as at 31 December 1997 NOK million	Completion date	Type of contract
Olav Thon Gruppen, Strømmen: Park, Strømmen (shopping centre)	143	24	June 1998	turnkey contract
Profiergruppen, Halden: Storsenter, Halden (shopping centre)	117	59	June 1999	turnkey contract
Samvirke forsikring, Oslo: Sjølyst B2B, Veidekke's new HK*	134	98	December 1998	turnkey contract
Samvirke forsikring, Oslo: Sjølyst B2A*, (office building)	95	75	December 1998	turnkey contract
Møllerstua Borettslag, Årnes: Møllerstua Borettslag (housing project)	54	49	May 1999	Main contract
Sogndalsenteret A/S, Sogndal: Sogndalsenteret, Shopping centre	40	36	December 1998	Turnkey contract
Norferm DA, Tjeldbergodden: Bioproteinfabrikk (bioprotein factory)	35	10	July 1998	turnkey contract
FBT, Stavanger: Refurbishing of Håkonsvern, Bergen	33	25	November 1999	Main contract
Njord Moa A/S: Moa Park, Ålesund	33	30	May 1999	Turnkey contract
Brann stadion, Bergen: Grandstand and commercial building	33	28	October 1998	Turnkey contract
Sogn og Fjordane Bustadbyggelag: Housing project, Nordfjordeid, Førde	31	30	January 2000	Turnkey contract
Dølastugu Eiendom A.S: Otta-tunet, Otta, (shopping centre)	31	25	January 1999	Turnkey contract

\* Skøyen Project

Good teamwork provides the basis for all value-creating building and construction projects. Team foreman Bjørn Tonny Stalsberg fits the aperture covers on the waste ash and cinder unit at Langøya near Holmestrand with Jarle Reinskau and Tor Hermansen.

Lars Arne Bråten and apprentice Endre Lie build face walls and partition walls using traditional timber frame construction at Hemsedal Bygdeheim.



Formwork for poured concrete walls is constructed at Furuset skating rink in Oslo.



# Heavy Construction

Customer Project	Estimated total turnover Veidekke's share NOK million	Remaining work as at 31 December 1997 NOK million	Completion date	Type of contract
Oslo Main Airport, Gardermoen: Several contracts	678	62	August 1998	Main contract
Public Roads Administration, Finnmark: North Cape Tunnel	340	85	September 2000	Main contract
FrG Rena: Rena military camp, several contracts	257	26	July 1998	Main contract
Norsk Hydro: Oil- and gas terminal, Sture	185	185	September 1999	Sub- contract
Coca-Cola: Coca-Cola Production plant	165	142	February 1999	Main contract
Public Roads Administration, Akershus: Måna-Vassum	162	155	September 2000	Main contract
Elkem Tana A/S: Tana quartzite quarry	160	100	Year 2001	Main contract
Norwegian State Railway: Double railway track, Såstad Haug	132	20	April 1999	Main contract
Oslo Parkering: Multi-storey car park, Oslo S	126	36	May 1998	Main contract
Siam Cement: Quayside in Thailand (Nocon)	91	36	April 1999	Main contract
Pont Ventoux: Tunnel Suza, Italia (Nocon)	85	59	February 1999	Main contract
Sunnfjord Energi A/S: Mo Power Plant	84	78	June 2000	Main contract
Public Roads Administration, Møre og Romsdal: Rosethorn road tunnel	62	50	July 1998	Main contract
IKEA Handel og Eiendom A/S: IKEA Shopping centre	55	47	November 1998	Developed turnkey contract



Kjell Thaule prepares the iron reinforcing for poured concrete pillars at the Myratunet nursing home outside Arendal.

Veidekke project manager Anders Grimnes flies the helicopter. Jostein Myrann and Terje Leer guide the concrete skip into place for the last casting at the Reinevatn Dam in the Urar development in the Setesdal mountains.





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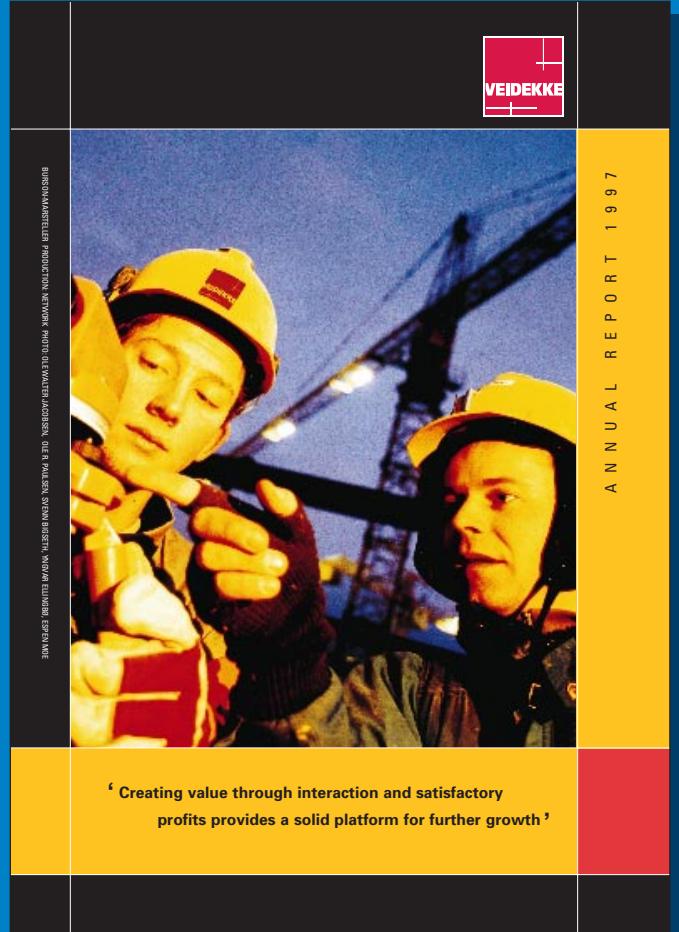
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‘Creating value through interaction and satisfactory profits provides a solid platform for further growth’