



DNV annual report 2006

Balancing the needs of business and society

Det Norske Veritas



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Highlights from 2006

Q1

Q2

Q3

Q4



Henrik O. Madsen is appointed DNV's new CEO



DNV secures all-time high market share of newbuildings in Korea

DNV buys leading companies to strengthen its global capacity in the IT risk management field



DNV restructures to gear up for growth



DNV signs an agreement with Cosco to support its sustainable business development under the United Nations Global Compact

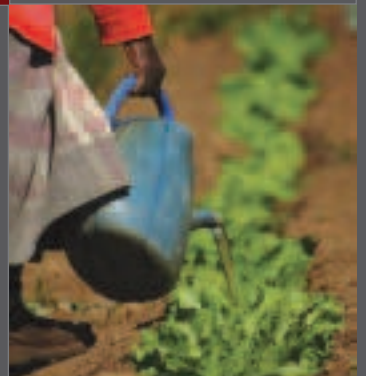


DNV extends its partnership with the Red Cross

DNV Petroleum Services celebrates its silver jubilee



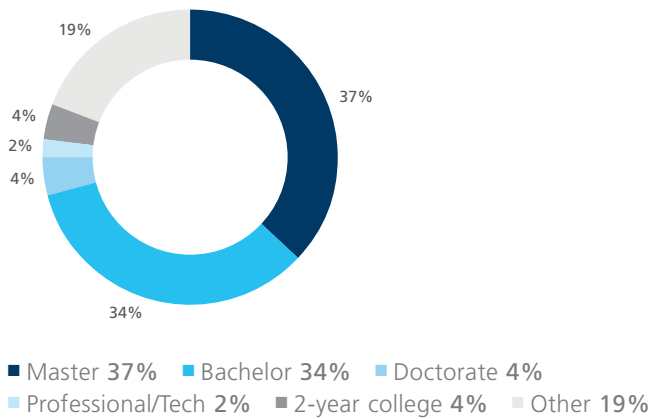
DNV expands its presence in China



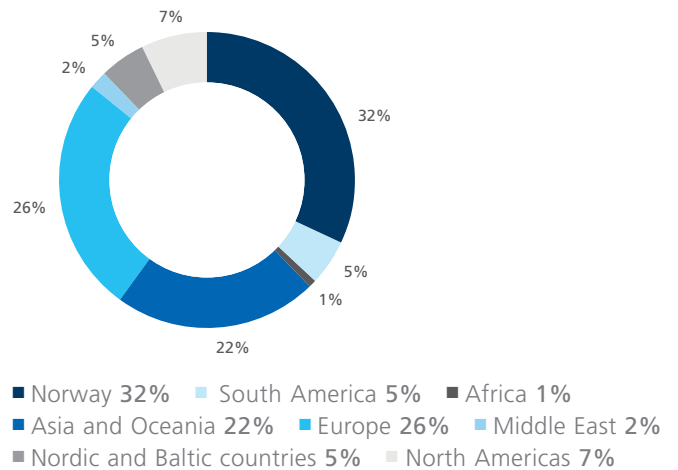


DNV is a global provider of services for managing risk. Established in 1864, DNV is an independent foundation with the objective of safeguarding life, property and the environment. DNV comprises 300 offices in 100 countries, with 7 000 employees.

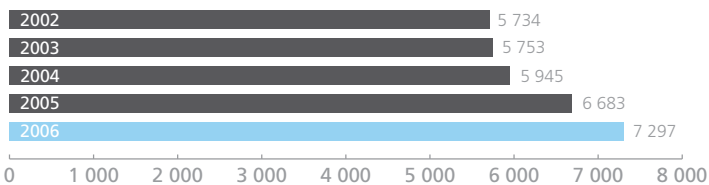
DNV HAS COMPETENT EMPLOYEES



DNV IS PRESENT WORLDWIDE

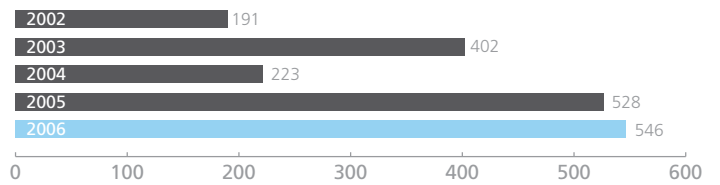


REVENUE



■ Revenue 2006: NOK 7 297 million

PROFIT



■ Profit 2006: NOK 546 million



DNV operates in a wide range of industries internationally and is organised into four business areas:

DNV MARITIME

DNV is one of the world's leading ship classification societies. We help the maritime industry manage risk in all phases of a ship's life, through classification, statutory certification, fuel testing and a range of technical, business risk and competency-related services.

DNV ENERGY

DNV provides advanced cross-disciplinary competence within technology, operations, management and risk for companies across the energy sector. We deliver cutting-edge solutions for managing business risks, enhancing business performance and improving safety and environmental performance.

DNV INDUSTRY

DNV is a world-leading certification body and a global provider of solutions for managing risk. We work to create trust and confidence and help our customers safely and responsibly improve performance.

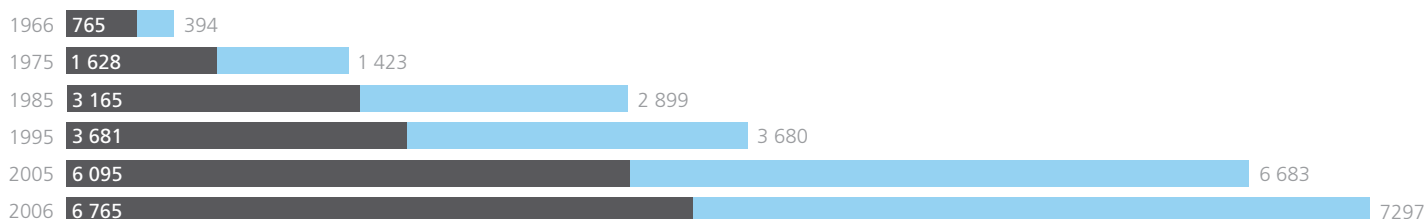
DNV IT GLOBAL SERVICES

DNV helps finance, telecommunications, government, defence, aerospace and automotive sector organisations to achieve more effective IT risk management, encompassing greater efficiency and predictability of IT-dependent processes and software.

INDEPENDENT BUSINESS UNITS

In addition to its four business areas, DNV has two independent business units: **DNV Research and Innovation** which enhances and develops services, rules and industry standards in multiple fields. **DNV Software** develops innovative software solutions for the maritime, offshore and process industries.

DNV GROWS



■ Number of employees

■ Revenue in million NOK

Our **purpose:**

To safeguard life, property,
and the environment

Our **values:**

We build trust and confidence

We never compromise on
quality or integrity

We are committed to
teamwork and innovation

We care for our customers
and each other

Our **vision:**

Global impact for a safe
and sustainable future



DNV's reason for being

The purpose describes DNV's ultimate objective; our reason for being. All strategic goals and actions are means to fulfil the purpose. DNV aims to continuously improve in terms of quality and profitable growth.

DNV is focused on enhancing the positive impacts our core business activities have on society. This is manifested both in how we conduct our business and how the company is managed.

DNV performs its services in a truly independent manner. As a self-owned foundation, there are no shareholders or government representatives in any of its decision making bodies. All profit is reinvested in the foundation.

We will differentiate ourselves from the competition by ensuring that our customers perceive higher value from our services and solutions based on the quality of delivery, and DNV's integrity and technological excellence.

QUALITY AND INTEGRITY

We must live our values as expressed in the value statement: "We never compromise on quality or integrity". Delivering high

value is the single most important factor for DNV to generate opportunities. Quality or integrity cases are the biggest threat to our business.

PROFITABILITY

DNV shall balance its investments in new services, markets and people with the need for a sound and sustainable profitability

GLOBAL IMPACT

Through growth we have a greater impact towards our purpose of safeguarding life, property and the environment, and we create dynamics and opportunities for the people in DNV. In order to realise our purpose, serve our customers better and extend our knowledge base, DNV aims to retain and develop existing business and develop new business.

President's introduction



THE DNV MANAGEMENT TEAM from left:

- > COO DNV IT Global Services **Annie Combelles**
- > Chief Financial Officer **Jostein Furnes**
- > COO DNV Energy **Remi Eriksen**
- > President and Chief Executive Officer **Henrik O. Madsen**
- > COO DNV Maritime **Tor E. Svensen**
- > COO DNV Industry **Peter Bjerager**
- > Director of Corporate HR and Competence **Cecilie B. Heuch**

Balancing the needs of business and society

We in DNV have a noble purpose, "To safeguard life, property and the environment." Through our services for managing risk, we strive to deliver on this purpose every day by making an impact on our customers' business globally, while safely and responsibly improving their business performance.

Companies today face a growing challenge to improve their performance in rapidly changing business environments. Making organisational changes, enhancing cost efficiency and meeting multiple stakeholder expectations are some of the challenges that companies have to address on a day-to-day basis.

Long trusted for its independence and integrity, DNV endeavours to help its customers develop and implement solutions that address their challenges. Moreover, DNV works to make a positive global impact on some of the world's most pressing concerns, such as safeguarding the environment and balancing the needs of business and society.

Following the adoption of a new strategy in June 2006, the past year laid emphasis on shaping and growing the DNV organisation. The business areas have been restructured to reflect a clearer industry sector focus, and we recruited 1 000 new professionals to gear up for the growth required to meet the targets in our strategy.

The changes have been well received in the marketplace and we have strengthened our position in all the sector activities throughout 2006. Our main priority is to ensure that our growth is sustainable as we expand further.

In this report, we take a close look at how DNV is addressing sustainable development and how it is helping its customers to manage their risks. DNV, through its holistic risk-based approach, is committed to further helping its customers and other organisations build confidence and integrity, enhance the quality and safety of products and operations, and manage their environmental and social responsibilities.

For DNV this means that we focus on the role that business can play in building the future. The more our activities can be seen as part of the customer's value chain, the greater the impact of our work to safeguard life, property and the environment. In this way we can help realise DNV's vision as well as all our customers' business goals.

Thank you for your desire to learn more about our company and our efforts to balance the needs of business and society. I hope you find this report informative, and that you will share my enthusiasm for the work DNV is doing to build a positive future for its customers and society.

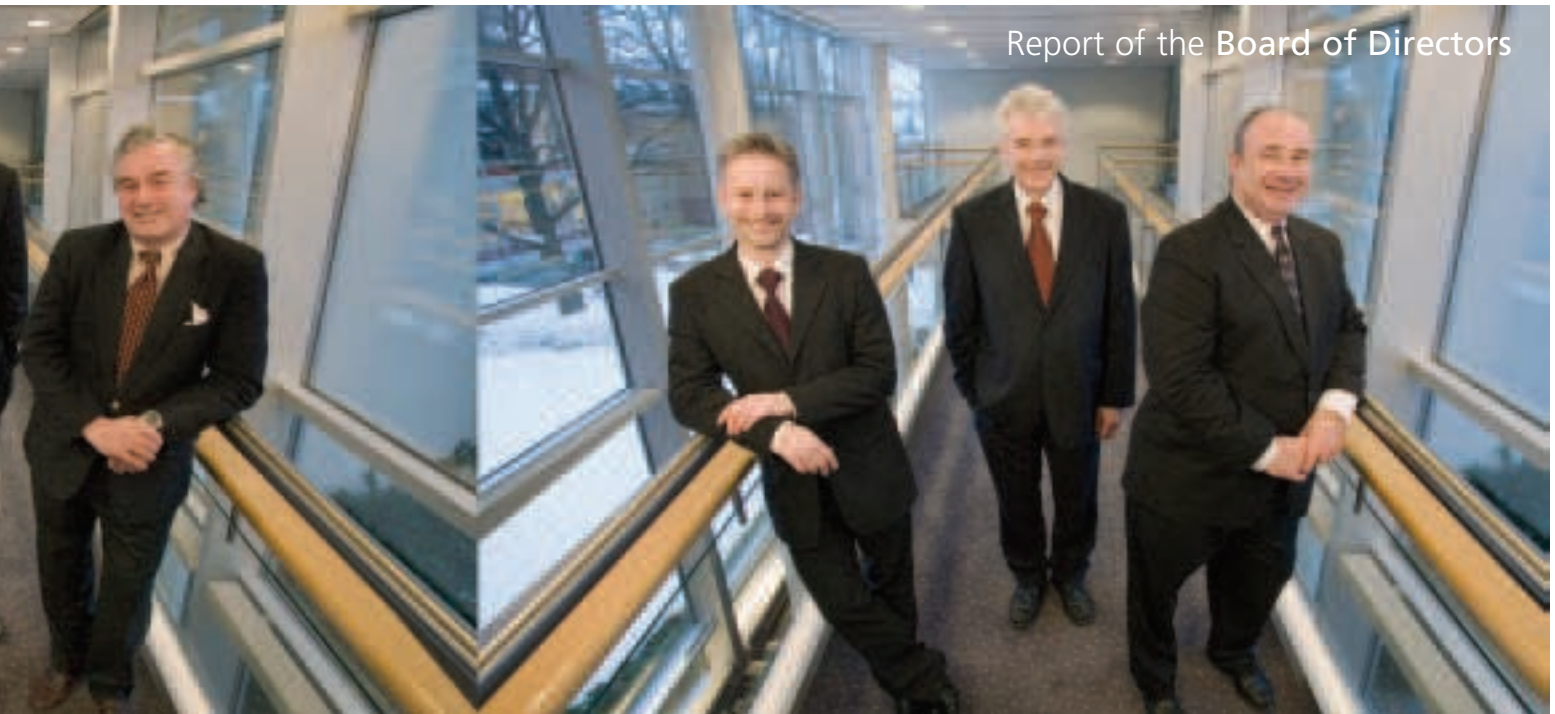


HENRIK O. MADSEN
President and Chief Executive Officer



Report of the Board of Directors 2006

Strong growth in the world economy has led to a high level of activity in most industries. At the same time, society in general has adopted a zero tolerance for failure and companies are expected to run safe, reliable and efficient operations. To meet these expectations, the demand for technical and business-risk services has grown. DNV is in a unique position to respond to these demands, being one of the world's leading providers of risk management services. Based on its core competence of identifying, assessing and managing risk, the company experienced a growth in turnover of 9 per cent in 2006.



DNV'S BOARD OF DIRECTORS: Mary Grace Anderson, Atle Bergshaven, C. Maury Devine, John H. Wiik, Tom Ruud, Axel C. Eitzen, Audun Brandsæter, Knut Vågnes and David McKay.

DNV strengthened its position in all sectors of its activities throughout 2006, with a continuous focus on quality and integrity. DNV's environmental, social and financial performance all showed progress. Further, a considerable growth throughout the organisation has led to a higher level of profitability.

A total of 20 per cent of all contracted ship newbuildings world-wide, measured in gross tons, has been ordered to DNV class. This represents an all time high for DNV, and demonstrates the trust that ship-owners and shipyards have in the DNV rules and technical support services. A relentless fight against substandard vessels and operations has further strengthened DNV's quality image, which has attracted many of the leading shipping companies to DNV.

The demand for risk-related technology and management services has been high in the oil and gas industries, providing DNV with exciting projects on all continents. The North Sea is still the most important area in terms of business revenue, while strong growth is seen in Brazil, North America, India and China.

DNV is among the world's three leading management system certification companies, delivering services towards all major international standards. Quality, safety, health and the environment still remain the most important management system certification standards. Risk management services have, over the past decade, grown to become DNV's second largest line of business, and include leading competencies within enterprise, project and asset risk management.

FREEDOM TO ACT

A sound financial foundation is required to secure the independence and integrity of DNV's operations. At year-end 2006

DNV's equity ratio reached 61 per cent. DNV had strong year-end financial results with growth in turnover of 9 per cent and a net profit of NOK 546 million. People are DNV's most valuable asset, and the number of employees increased by 670 to a total staff of 6 765.

Besides the financial bottom line, DNV is committed to reporting on environmental and social aspects as outlined in the Global Reporting Initiative (GRI). DNV's main contribution to environmental improvements comes through the effect of services the company provides to customers. Services for validation and verification of emission reductions according to the Kyoto Protocol, green passports for vessels, carbon capture and storage and environmental system certification are examples of such services. DNV has developed a concept for a Fraud and Corruption Resistance Profile, which represents a valuable tool for companies to improve their ability to perform responsibly.

The Board of Directors regards DNV's market position as strong and the financial situation to be good. This gives a high degree of freedom to pursue new opportunities in support of DNV's purpose, which continues to be "to safeguard life, property and the environment".

In May 2006, Henrik O. Madsen succeeded Miklos Konkoly-Thege as Chief Executive Officer (CEO). The Board expresses acknowledgement to Miklos Konkoly-Thege for his years of service to DNV. Henrik O. Madsen has an in-depth knowledge of DNV's international markets and broad DNV experience from his 24 years in various positions in the company.

STRATEGY

Based on a six-month strategy development process headed by the new CEO, Henrik O. Madsen, a new strategy was approved by the Board in June 2006. The strategy builds on the main >

direction of the previous strategy plan, which was to make DNV the leading provider of services for managing risk. This shall be achieved through a balanced risk management of the opportunities and threats from relevant technical, organisational, environmental, human, commercial and societal factors.

NEW PRIORITIES

The most important new element in the strategy is the introduction of a clear industry sector focus. DNV is to concentrate on industry sectors where the company has, or intends to develop, deep industry knowledge, and can thus create an impact. The two top priority sectors for DNV at present are the maritime and energy sectors. Within the strategy period, two more industries are to be identified and developed as new priority sectors for DNV.

Society and businesses are becoming increasingly vulnerable to failures in software and IT systems. Acknowledging this, DNV has in its strategy decided to put considerable resources into building an organisation to help customers manage risks related to business and safety critical software systems. DNV acquired Q-Labs, a leader in software development and system maintenance and optimisation. The efforts are based on DNV's current risk services, combined with Q-Labs' software improvement services.

Research and innovation have been given even more focus in the new strategy. DNV will invest in technology, research and innovation to meet the needs of customers in a world undergoing rapid change. Investments will primarily be channeled to research and innovation supporting DNV's long-term business goals, and also to explore new emerging opportunities that may become part of future strategies. Strategic research will focus on new knowledge and technologies with a longer term impact on business development.

Another high priority matter in the new strategy is the collaboration between different organisational units in DNV. Internal barriers can hamper rational operation and utilisation of technical, human and financial resources. Considerable efforts are being spent on developing processes for capturing, sharing and managing knowledge.

DNV MARITIME

DNV Maritime's strategic objective is to be the world's leading classification society in terms of quality, profitability and size. The strong focus on quality has helped to maintain DNV's

position as one of the classification societies with the lowest ratio of detentions in the Port State Control regimes worldwide. This is one of the core elements in DNV Maritime's quality index, and represents an important means of measuring results in our efforts to eradicate substandard shipping.

In June 2006, the common structural rules for tankers and bulk carriers came into effect. This represents a significant development in maritime safety. By working with one set of common structural rules as a basis for design approval and newbuildings, competition between classification societies in these market segments is now based on service, cost efficiency and value-adding services, and not on technical standards.

The development of "Goal Based Standards", which is the responsibility of the International Maritime Organisation (IMO), represents an important basis for the common class rules. It is of vital importance that discussions and decisions on detailed technical standards reside with the classification societies and not with the IMO, which has a higher level responsibility to set policy and safety goals and to verify that class rules meet these goals.

DNV strongly supports the IMO as the regulator of the international maritime industry. We believe that the international community is best served when regulations effecting maritime safety and environment are made by the IMO and not on regional or national levels. It is therefore disturbing that an increasing number of regulatory decisions are made on a regional basis and not through the IMO.

Regulatory bodies, and the public at large, expect classification societies to represent an effective safety net in the shipping industry. This is very demanding, as capacity is being fully stretched at both shipyards and in many shipping companies, at the same time as new players are entering the shipping scene. The attraction and retention of people with the right competence is a major challenge for all organisations in the maritime industry; this is also true for the classification societies.

Within the field of ship classification, DNV's share of the world fleet measured in gross tons is approximately 16 per cent. Of the newbuildings contracted during 2006, DNV's share of the world market was 26 per cent when measured in gross tons. This represents 605 ships. A total of 5 228 trading vessels, representing 113.5 million gross tons, were classed by DNV at year-end, which is an all-time high for DNV.

DNV is committed to report on environmental and social aspects as outlined in the Global Reporting Initiative.



DNV ENERGY

As a consequence of DNV's new industry sector orientation, all activities towards the oil, gas process and power industries are organised in DNV Energy, which comprises the former DNV Technology Services and parts of DNV Consulting. The strategic goal is to become a leading provider of solutions that integrate business risk management and technical expertise. The aim is to help customers safeguard and improve their business performance.

Due to continued high oil prices and a growing demand for energy, the level of activity in this sector remains high. This is also reflected in the high level of activity in DNV Energy, demonstrating the need for risk-based services and qualification of new technologies. The main business segments for DNV Energy are upstream and downstream, pipeline transport, utilities, and cleaner and renewable energies.

DNV Energy has shifted its strategic focus from primarily serving the international oil majors to include a more dedicated effort towards national oil companies in countries with significant oil and gas resources. It is predicted that much of future oil and gas developments will come in regions with more unstable political conditions and demanding business environments. The national oil companies will play a more central role in exploration and production.

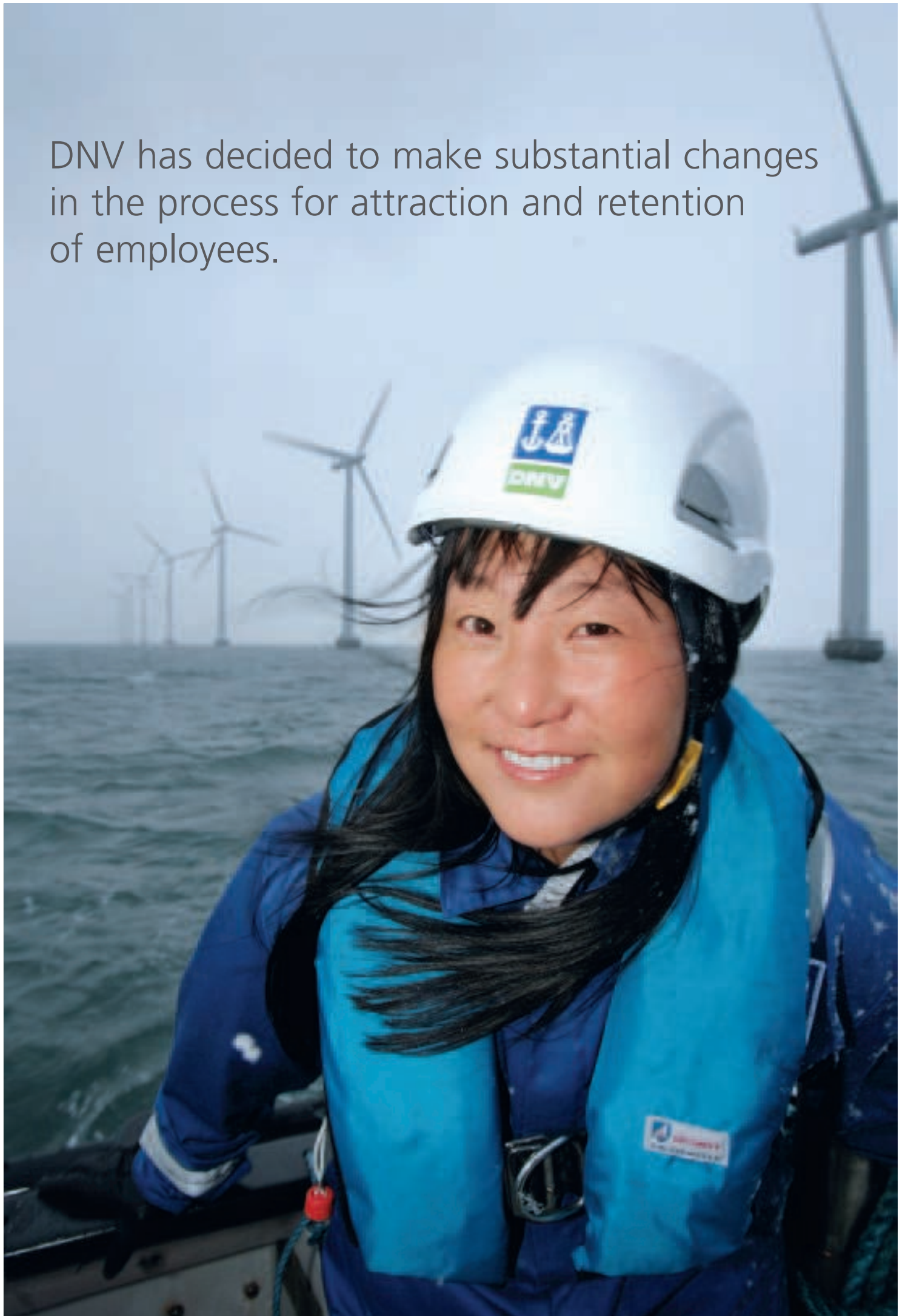
The acquisition of CC Technologies has proven successful and complements DNV's range of services for the pipeline industry. CCT is working to re-establish safe production in the onshore pipeline system at Prudhoe Bay in Alaska. Based on its Pipeline Rules, DNV is engaged in most of the world's major offshore pipeline development projects.

In the area of cleaner energies and renewables, DNV is developing risk analysis programs for carbon capture and storage with a special focus on the challenges represented by centuries of storage in geological structures. Also, through the business improvement system isrs7, DNV is assisting the nuclear industry to identify and assess its risk exposure. DNV has retained the leading position for certification of offshore wind energy farms.

DNV INDUSTRY

DNV's new industry sector approach has led to the establishment of the new business area DNV Industry, which is built on the former DNV Certification and parts of DNV Consulting. The operations in DNV Industry are based on DNV's global position as a leading provider of certification services and strong competence within risk management. Main services include certification of systems and products, assessment and risk management services. Related training is provided worldwide.

DNV has decided to make substantial changes in the process for attraction and retention of employees.



The concept of Risk Based Certification™, which was launched two years ago as a unique DNV approach to system certification, has proven to be a success. Risk Based Certification™ introduced a risk approach to traditional management system certification, adding significant value to the certification process.

DNV is among the world's three largest companies within accredited quality management system certification, and world leader in environmental management system certification. There is a clear trend towards more industry-specific certification schemes, which will increase the need for a deep understanding of the various industries.

In the new strategy, increased attention is given to global industry sectors and with major international companies. The selected sectors are capital intensive, and have a need for – and are open to – adapting a risk based approach. Prioritised industries are the automotive, food and beverage, ICT and telecom, health care and transportation. Developing two selected industries into separate global industry-focused business areas is a strategic goal.

DNV plays an active role in making the emission trading mechanism of the Kyoto Protocol become operational. Services where DNV has a strong international position include validation of projects for emission reduction and verification of actual emission reductions in specific projects.

Verification of sustainability reports is a service that builds on DNV's competence within Corporate Responsibility. The Fraud and Corruption Resistance Profile is a new tool to ensure that measures are taken to prevent misconduct in organisations. International companies are part of a pilot project to evaluate DNV's new concept.

DNV IT GLOBAL SERVICES

Failures or break-downs in IT systems and software-intensive systems represent major safety hazards for both society and businesses. In the new strategy, services related to IT and software risks from the inception phase to operations are defined as the basis for a new business area called DNV IT Global Services, which is expecting to double revenue in the strategy period.

The efforts are based on DNV's current IT risk management services, combined with Q-Labs' system and software improvement services. The IT service portfolio focuses at enhancing trust in IT. Maritime, oil and gas, automotive, finance and defence are industries where DNV has been engaged in IT and software risk management for several years. The four companies comprising the new business area – Q-Labs and the three acquisitions, Tirenio, CIBIT and Echelon – position DNV strongly in the European market. The market shares in the finance segment are significant and an obvious target for growth. The new DNV IT Global Services business area became operational on 1 January 2007.

ORGANISATION AND HUMAN RESOURCES

Changes have been made to the DNV organisation throughout 2006. Henrik O. Madsen introduced a new Executive Board when he took office as CEO in May. As a consequence of the revised strategy presented in June, the Business Area structure was changed.

During the change period, DNV has had a strong growth and maintained a more than satisfactory profitability. The Board of Directors appreciates the dedicated and hard work by all employees to achieve these results.

At year-end 2006, DNV had 6 765 employees, compared to 6 095 the previous year. The total number of employees includes 6 392 permanent staff and 373 employed on time-limited contracts. 88 nationalities are represented in the staff.

The turnover of personnel during 2006 was 9.4 per cent, compared to 7.4 per cent in 2005. DNV's ambitious growth strategy implies a large net manning growth each year in the strategy period. The fight for the best competence will continue to be an important factor in the strategy. Corporate HR has been strengthened with senior managers, learning specialists and internal communication resources. Consequently, DNV has decided to make substantial changes in the process for attraction and retention of employees.

A two-year international Attraction and Retention project was started in August 2006, with the aim of initiating actions to attract the competence needed and to retain an optimal work force. The main focus of the project is on major growth countries such as China, India, Brazil and Norway. DNV performs dedicated efforts to improve diversity in the organisation, and has an equal opportunity policy for all employees, irrespective of nationality, gender or age. Sixty-eight per cent of the managers are from countries outside Scandinavia, an increase of 6 per cent compared to the year before. The number of women in management training programmes is rising, and the ratio of female managers is now at 15 per cent, an all-time high.

Improvement of key processes such as leadership support and development, compensation and rewards, and better induction courses are other elements in the project. An additional aim is to increase the HR competence in DNV through sharing of knowledge and best practices in a global HR network.

CORPORATE FOCUS AREAS

Safety, Health and Environment (SHE) risk assessments are carried out in most of the countries where DNV is established. This gives a good basis for enhanced focus on SHE system improvements. Underreporting is a problem for many global enterprises. DNV is prepared to see increased rates of lost-time accidents for some years as a consequence of better reporting. Underreporting makes it difficult to initiate relevant preventive actions.

The sickness absence rate was 2.0 per cent in 2006, compared to 2.3 per cent in 2005.

DNV plays an active role in making the emission trading mechanism of the Kyoto Protocol become operational.

DNV's own activities do not have any significant negative impact on the environment. Procedures for waste handling and energy savings are being introduced in the international network of offices as part of the Environmental Management System for DNV.

As part of the company's efforts within Corporate Social Responsibility, DNV is in the process of implementing country analysis procedures to enable decision support when establishing presence in countries with difficult political conditions and business environment, including corruption. DNV's rapid growth in Angola demonstrated how difficult it can be to achieve strong growth in such countries. The importance of good control systems, experienced expatriates and local knowledge became evident. In order to ensure sustainable business practices, in line with DNV's policies and standards, operations in Angola have been downsized and restructured throughout 2006.

DNV's partnership with the Red Cross has been appreciated by our partner and has created enthusiasm, involvement and pride among DNV employees. In addition to a fixed financial contribution to the Red Cross, the focus of the partnership has been on provision of in-kind services, such as improving the water supply in areas hit by draught or disasters. Engineers from DNV have been instrumental in developing mobile drilling units for clean drinking water in Indonesia and in Mozambique.

FINANCIAL PERFORMANCE

The strong growth in the world economy, with a high level of activity in most industries, have resulted in good financial performance and a long-term order reserve, both better than ever. DNV achieved operating revenue of NOK 7 297 million in 2006, NOK 614 million or 9 per cent more than in 2005. All the business areas achieved a sound growth, but the fastest growth was also in 2006 within DNV Technology Services and DNV Maritime. DNV's core activities grew by 16 per cent.

The operating profits increased from NOK 750 million in 2005 to NOK 794 million in 2006, representing an operating margin of 11 per cent. Adjusting for the profits from sale of business activities in 2005, the improvement in operating profits between 2005 and 2006 is NOK 252 million or 47 per cent, mainly

explained by good financial performance in the business areas. DNV does business in 70 currencies, and has subsidiaries and branch offices in close to 100 countries. We have seen minor development in the exchange rates, and moderate currency effects in the 2006 accounts. The net financial income of NOK 31 million is explained by good return on the liquidity reserve, partly offset by the increased interest level leading to higher forward premiums on the currency hedging contracts.

The tax cost in 2006 of NOK 280 million gives an average tax cost of 34 per cent. The net profit after tax in 2006 came to NOK 546 million compared with NOK 528 million in 2005 and NOK 223 million in 2004.

DNV has a sound cash flow and no interest-bearing debt. Short-term financial investments in equity funds and the money market amount to NOK 1 304 million, and the unused available credit lines were NOK 750 million at year-end. DNV has a strong balance sheet with a total equity of NOK 3 895 million, or 61 per cent of its total assets.

The accounts for the parent company, stiftelsen Det Norske Veritas, show a profit after tax of NOK 40 million which has been allocated to Other Equity. The Board of Directors confirms that the financial statements are based on the going-concern assumption.

OUTLOOK

DNV believes that the demand for its services will continue to be high in 2007. This is based on the assumption of a continuously high oil price and a high level of activity in all our main markets. The order reserve is very satisfactory at the start of 2007 for all business areas, and DNV expects a sound growth in revenues in 2007.

The financial risks are primarily related to currency fluctuations, in that a strengthening of the NOK against primarily the US Dollar will have considerable negative effects.

As society has adapted a zero tolerance for failures, any accident or incident involving DNV represents a risk to the brand. The only way to handle the future risk to our reputation and standing in the market is by living up to DNV's value statement: Never compromise on quality or integrity.



Atle Bergshav

ATLE BERGSHAVEN – Chairman of the Board of Directors. Member of the Board since 2003. Chairman and CEO of the Bergshav Group of companies. Member of the Board of Norwegian Hull Club, North of England P&I Club, Fosen Mekaniske Verksteder and Deep Sea Supply PLC. Council member of Intertanko.

C. Maury Devine

C. MAURY DEVINE – Member of the Board since 2000. Former President and Managing Director, Mobil Exploration Norway, Inc. Fellow, Harvard University. Member of the Board of Directors of FMC Technologies Inc. and the National Foreign Language Center. Member of the Council on Foreign Relations.

Tom Ruud

TOM RUUD – Member of the Board since 2002. Group Executive Vice President Nordea AB. Member of Group Executive Management. Head of Corporate Institutional Banking and President of Nordea bank Norge ASA. Member of the Board VPC AB, Stockholm. Member of the Board Finansnæringens Hovedorganisasjon (FNH), Oslo.

Audun Brandsæter

AUDUN BRANDSÆTER – Member of the Board since 2002. Elected by the employees of DNV. Principal Engineer/ Project Manager, Information Quality Management. Joined DNV in 1982.

Axel C. Eitzen

AXEL C. EITZEN – Member of the Board since 2004. Chief Executive Officer and Member of the Board Camillo Eitzen & Co ASA. Chairman of the Board NaturGass (USA) AS. Member of the Board Northern Oil ASA. Member of the Executive Committee Gard.

Knut Vågnes

KNUT VÅGNES – Member of the Board since 2002. Elected by the employees of DNV. Senior Principal Surveyor, DNV Maritime, Maritime Technology and Production Centre. Joined DNV in 1969.

Mary Grace Anderson

MARY GRACE ANDERSON – Member of the Board since 2005. Development Engineering Manager – Europe, Shell Exploration and Production International B.V. Member of the Board A/S Norske Shell. Member of the Board Shell UK Limited. Member of the Board Enterprise Oil Limited.

John H. Wiik

JOHN H. WIİK – Member of the Board since 2003. Managing Director Norwegian Hull Club. Chairman of the Board, Fana Sparebank. Member of the Board Handelsbanken (Norway).

David McKay

DAVID MCKAY – Deputy Member of the Board since 2002. Elected by the employees of DNV. Principal Surveyor, DNV Energy Offshore Class North America. Joined DNV in 1990.

Henrik O. Madsen

HENRIK O. MADSEN
President and Chief Executive Officer

DNV Maritime



Finding the right balance

DNV's goal is to be the world's leading class society in terms of quality and technology. Our services transform competence and knowledge into information that can be used by owners and operators to meet the challenges facing the industry, while maintaining the quality that is the essential pre-requisite for being in business.

DNV's strong focus on quality continues to benefit our customers. An illustration of how DNV assists business performance is that, in 2006, the number of class-related port state detentions involving DNV-classed vessels was lower than ever before. This is one of the core elements in DNV Maritime's quality index, and represents an important means of measuring results.

The past few years have seen major rule changes aimed at raising the safety level of tankers and bulk carriers. DNV has been a major contributor to both complete sets of rules and unified requirements common to all class societies in the International Association of Classification Societies (IACS). As a result of four years of rule development work, a common set of structural rules for both bulk carriers and tankers was published in April 2006. This will improve safety at sea in line with DNV's purpose, "To safeguard life, property and the environment".

The Diamond bulk carrier concept is a good example of how safety and operational efficiency can be used to spearhead a successful development. The

Diamond's origins date back to 2002 when a consortium representing different maritime disciplines pooled their collective knowledge to develop a Handy-max bulk carrier.

The resulting design has received very positive feedback from owners, charterers and port operators. In excess of 75 vessels were at year-end on order, with many optional variations on the initial design, reflecting different market needs.

SEAFARER TRAINING

A focus on quality and safety at sea also means a focus on the human elements on board a ship. A key area for DNV during 2006 has been to help improving the seafarer's skills. These services provided by DNV SeaSkill, assist the maritime industry in ensuring that its staff has the necessary competence to perform their tasks according to set standards of performance.

Complementing the SeaSkill services, in 2006 DNV launched a new service to help shipowners reduce the high level of accidents on board ships caused by human error. Studies show that 80–90

per cent of accidents are caused directly by human error and that 60 per cent of these are related to poor situational awareness. As a consequence, DNV has developed a risk-based service that takes a comprehensive approach to reducing accidents. By assisting companies in analysing and changing the safety culture throughout their organisations, a huge potential for cost savings and for building reputation as a competitive advantage is explored.

ENVIRONMENT AND INNOVATION

April 2006 saw the delivery of the world's largest cruise ship, Royal Caribbean's *Freedom of the Seas*. It is not only the public attractions on board the vessel that are spectacular; all the safety and environmental aspects are based on the latest knowledge and the best available technology. As an example, the vessel has DNV's class notations 'Clean' and 'Clean design' to support environmentally friendly shipping.

Noise and vibration are areas where DNV has recognised competence. This specialised service was initially introduced to increase the comfort of cruise passengers, but later on the knowledge



SAFETY. DNV's marine classification activities continue to grow and demonstrate a positive influence on global safety and the environment. ^

QUALITY. DNV is continuing to focus on quality in all aspects of its service delivery and in relation to all vessels to DNV class. >



has been used to improve the working environment and avoid fatigue for crews on board offshore support vessels operating in harsh environments.

Nearly 200 offshore support vessels were contracted to DNV during 2006. These vessels include a number of innovative solutions that DNV has helped develop and introduce to the market. Examples include the Ulstein X-bow, safe anchor handling systems, and diesel electric propulsion systems. Also, about 50 per cent of the vessels ordered will have 'clean design'.

New emission regulations are starting to transform the way the industry operates. There is a drive towards low sulphur alternatives and a strong focus on emissions of CO₂, NO_x, VOC and particulate matter. DNV Petroleum Services not only certifies fuel quality, but also assists ship operators to seek innovative ways of complying with the new regulations and achieve optimum fuel efficiency.

By introducing its Energy Management Service in 2006, DNV proved that shipowners can reduce their fuel consumption by 10 per cent while also reducing emissions to air. A 10 per cent reduction in the NO_x emissions of one single VLCC will reduce the ship's NO_x emissions by 400 tonnes a year – the same amount as that emitted by 10 000 cars.

In December 2006, the International Maritime Organisation (IMO) adopted

a new performance standard for protective coatings in water ballast tanks. The objective of this standard is both to ensure the durability of the ship and to protect the environment. DNV mandated the new coating requirement with immediate effect for tankers and bulk carriers, rather than waiting for the formal entry of this IMO requirement in July 2008.

DNV believes that the environmental focus in the shipping industry will be even stronger in the years to come. Cargo shipped by sea is environmentally friendly compared to all other forms of transportation, but improvements can still be made. DNV aims to play an active role, together with its customers, in creating new solutions and new environmental improvements.

RECYCLING

In common with other industries, shipping has adopted a life-cycle philosophy. At the very end of its lifetime, a ship has to be prepared for recycling – through a safe and environmentally sound demolition process. Following developments within the IMO towards a new ship recycling convention, DNV has seen an increased demand for this type of expertise and services. In 2006, DNV delivered its highest volume of hazardous material inventory and related services for ships under construction, ships in operation and ships destined for recycling.

Although the international legal framework for ship recycling is still not fully developed and operative, shipowners are facing increasingly strict requirements regarding the documentation of the hazardous material situation on board their vessels. These requirements are intended not only to ensure safer ship recycling, but also to safeguard the health and safety of the crew onboard and those engaged in the actual ship recycling.

OUTLOOK

We at DNV are closely following the emerging trends in the shipping industry and are optimistic about the future. Managing the increase in maritime regulations continues to be a challenge, but there are benefits. New regulations have improved performance standards and raised the overall quality and safety of vessels.

As one of the leading classification societies, DNV aims to be able to adequately enforce standards in a way that builds confidence for the whole industry. At the same time, we recognise that conflicts of interest exist. We must balance our role as partner to our customers with our obligation to enforce regulations. It's a demanding relationship, but we at DNV feel we are recognised as being good at providing services without compromising regulations. We will continue to work hard to keep the right balance.

DNV Industry



Responsible solutions to global challenges

Operating responsibly is becoming the only way for many companies and organisations. However, the markets where they conduct business are growing increasingly global in nature and complex in the challenges they pose, requiring new mindsets and solutions.

DNV continues to deliver and develop certification, assessment and training services. The need for transparency and communication of trust and confidence to customers, investors and other stakeholders worldwide persists. DNV continues to be a trusted, independent partner. In 2006 its portfolio continued to expand within solutions for managing risk related to enterprise and project risk management; asset risk management; safety, health and environment; and systems and software. The aim is to continue to instil trust and confidence and help customers act safely and responsibly improve performance.

DNV has strengthened efforts on services that fall under the sustainability umbrella. While the climate change and corporate responsibility services offer a direct and very visible support for customers' sustainability efforts, other services have a more indirect impact.

A STRONGER INDUSTRY ORIENTATION

The demand for industry-specific certification and services has manifested itself. DNV's industry orientation reflects this. Focus industries are now food and beverage, automotive, ICT and telecom, health care and transportation. Opportunities in other industry sectors will continuously be evaluated.

FOOD AND BEVERAGE

Market interest in global solution providers that help customers along the value chain to improve food quality, safety and supply chain efficiency is increasing. This has become imperative for consumer satisfaction and the survival of company brands. In 2006, DNV's sales to this market increased by 23 per cent, and the number of certificates issued to food-specific standards more than doubled. DNV will continue the efforts to contribute to trust, transparency and responsible operations for the benefit of this industry sector and its consumers.

AUTOMOTIVE

For the past three years, the certification market has been dominated by the transition from national quality schemes to ISO/TS 16949, the international industry-specific Quality Management System standard. There has also been growing interest in other management system standards – ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) – with a move towards integrated certification schemes. Another potential is software and electronics, essential drivers for automotive progress and close to DNV's core activities, e.g. Software Electronics Risk Assessment. Furthermore, training in all kind of automotive specific issues such as the Customer Specific Requirements or

business excellence is high on the agenda. Overall, 2006 showed a 17 per cent increase in sales to the automotive industry.

ICT AND TELECOM

In 2006, DNV strengthened its position within ICT and telecom through a further expansion of the service offering in the area of IT risk management and product certification. Several contracts with major industry sector players contributed to further improve DNV's global position. On the certification side, we saw a considerable increase in Information Security Management System certification to ISO/IEC 27001 and ISO 20000 standards, underscoring the increasing needs for IT risk management across all industry sectors.

SOLUTIONS FOR MANAGING RISK IN TRANSPORTATION AND SPACE

In 2006, we saw an increased demand for risk, safety and IT management services within the aviation, rail and space industry sectors, primarily in Europe. People's travel habits and frequency of travel are placing new demands on air traffic management, airport safety systems and human factors, for example. In addition, DNV saw a breakthrough for its services aimed at the space industry, taking the leadership within third-party services such as Independent Software Verification and Validation for satellites.



ON THE MOVE. Whether travelling by rail, road or air, passengers trust that their means of transportation is safe and reliable. DNV is a trusted, independent partner that works to help companies in the transportation industry and a number of other sectors manage risk and operate responsibly.



EVERYDAY LIFE. Products and services from the food and beverage, transportation, automotive, health care, and ICT and telecom industries are everywhere, have an impact on our daily lives and may even influence our quality of life. DNV's focus on the mentioned sectors reflects the increasing demand for industry-specific services and solutions. Through safe and responsible actions, companies can communicate trust and confidence to consumers and other stakeholders.





DNV is well positioned with its solutions-oriented services to answer the growing demand for strategic and operational risk management services, which are of strategic importance within not only the transportation sector but also the other focus industry sectors.

SYSTEMS AND PRODUCTS

DNV continues to be a world-leading certification body, with over 70 000 valid certificates issued to customers worldwide. Last year, both Quality Management System (ISO 9001) and Environmental Management System (ISO 14001) certification grew.

Target efforts have increased our base of larger, international and global companies. Many are looking for management system certification, and companies of this calibre are increasingly seeking help to create one global management system to ensure quality across the entire enterprise. This underscores the importance of systematically managing and improving internal processes to reach strategic goals and to operate responsibly vis-à-vis customers, investors, employees and other stakeholders.

DNV has a long tradition within product certification services, such as CE-marking and certification to national regulatory schemes. With the growing integration of economies and globalisation of consumer preferences, global trade is increasing. However, each country must ensure that products intro-

duced are safe and environmentally sustainable, thus creating an approval and certification need from manufacturers. We see an increased need for both voluntary and regulatory certification regimes, especially in the developing markets.

TRAINING

Training services have grown significantly due to DNV's focus on creating high-impact learning events that involve participants through interactive training methods using real-life cases. This stimulates the participant's own creative capabilities and problem-solving skills, enhancing companies' overall capability to act responsibly. Training services are an excellent way for DNV to share its extensive knowledge. It also provides customers with an opportunity to be exposed to our services in a cost-effective and enticing manner.

RESPONDING TO THE CLIMATE CHANGE CHALLENGE

For services related to the Kyoto Protocol, DNV continues to have a share of about 50 per cent of the global CDM validation market and over 40 per cent of the global JI market. Within the EU Emission Trading Scheme implemented in 2005, DNV has conducted a large share of verifications. The acceptance that our climate is changing has increased voluntary actions by companies, not obliged by law to respond, but instead driven by the significant business gains that their actions create. In 2006,

DNV secured several greenhouse gas inventory verification contracts with major companies in the energy and automotive industry.

CORPORATE RESPONSIBILITY

Corporate Responsibility (CR) is higher on the agenda than ever, reflecting the emphasis on topics such as fraud and corruption, supply chain management, the implementation of codes of conduct, and principles such as Global Compact and transparent reporting. DNV has seen an increase in customer demand for both existing and new services, but the potential is still large.

Acknowledging the importance of CR for companies' abilities to manage risks and business opportunities, DNV will continue the emphasis on responsible solutions and aim to deliver these to more customers worldwide.

ADDRESSING PRESENT AND FUTURE CHALLENGES

The increase of services for managing risk in 2006 has put further emphasis on addressing and managing impartiality professionally and transparently. For DNV this is a critical issue. Potential conflicts of interest have been mapped and analysed. Internal guidelines and instructions for the business area are developed and implemented to ensure that DNV's impartiality is preserved, and that conflict of interest scenarios are managed and avoided.

DNV Energy



Energising for a safe and responsible future

The demand for energy continues to increase and oil prices remain high. Public concerns about climate change have never been greater and the energy industry is increasingly being challenged to maintain production safely and responsibly. DNV Energy's key role is to assist the industry in fulfilling its responsibilities for a sustainable future.

The International Energy Agency (IEA) foresees an increase in energy demand of 50 per cent until 2030. Oil and gas are expected to cover a major part of this increase. Due to the current level of consumption and prices, substantial innovation and growth can be expected during this period.

Technological developments to access new hydrocarbon reserves and a need to better manage the safety, environmental and commercial risks, both with regard to production and consumption are evident.

In addition, due to the heightened concerns about climate change and environmental requirements, there is a drive for alternatives to hydrocarbons, such as renewable energy.

By establishing the DNV Energy business area, DNV is determined to grow with the market and aims to be even better positioned to pursue the many opportunities that exist.

BUILDING ON STRENGTHS

DNV Energy was established to become acknowledged as the leading professional service provider in safeguarding and improving business performance within the energy sector. This shall be achieved through holistic and balanced management of opportunities and threats from

commercial, technical, environmental, human, organisational and societal factors.

DNV Energy builds on the strengths of the former DNV Technology Services and parts of the former DNV Consulting. The combined service offering includes enterprise risk management; operations excellence; technology qualification; offshore classification; verification; and safety, health and environmental risk management.

DNV Energy serves oil and gas companies in the upstream and downstream sectors, pipeline companies, electricity producers, industry subcontractors and suppliers, in addition to investors and authorities. Activities relating to Arctic areas, renewable energy, and the reduction of greenhouse gas emissions are also essential for this business area.

IMPROVING THE ENERGY VALUE CHAIN

Oil and gas companies receive valuable assistance from DNV Energy across the entire value chain, from exploration, production and transportation to refining and distribution.

In the area of deep and ultra-deep water developments, DNV is providing cross-disciplinary expertise in field develop-

ment strategy, technical and operational aspects, and risk management in North and South America and in Europe.

In the liquefied natural gas (LNG) sector, DNV is involved in supply chain projects in Russia, North America, Europe and Asia. As the demand for LNG increases, so too does the demand for DNV's independent and expert advice on the risks related to production, storing, shipping and re-gasification of LNG. For example, DNV Energy assisted the multinational utility company Endesa with its LNG projects by providing unbiased information to decision makers. This ensured the best possible basis for authority approval and improved business performance. The project involved performing detailed technical assessments, developing economic models for the business case, participating in public hearings as an independent expert, and developing management documentation.

CAPITALISING ON EXPLOSIVE GROWTH

Increased global demand coupled with the rapid growth of emerging markets, such as China and India, are creating enormous opportunities for energy companies. China is one of the countries targeted for extraordinary growth by DNV Energy. In 2006, PetroChina adopted DNV's isrs7 system at its sites across China >

ARCTIC OPERATIONS & TECHNOLOGY. Having been active in cold climate areas for more than 100 years, DNV's accumulated expertise in Arctic conditions and technology extends from concept selection through to exploration, production and transportation. >

JACKUP UNITS. Within offshore classification, DNV's goal is to strengthen its market position in FPSOs and jackup units in benign waters. >>

THE BAKER REPORT issued following BP's Texas City incident will have a major global impact on the downstream industries. >>>

CLEANER ENERGY. DNV Energy is playing a significant role in the development of cleaner energy and renewable energy sources in order to ensure that the business potential is unlocked safely and responsibly. v





in a bid to improve its safety, health and environmental performance. The Chinese energy major operates the largest pipeline network in China, totalling more than 33 000 kilometres in length. This contract was a significant milestone for DNV's consultancy penetration into the Chinese market.

In Singapore, DNV Energy is capitalising on the buoyant Asian newbuilding market by providing assistance to clients on jackup newbuildings. One example is a jackup drilling rig built at Keppel FELS for the Norwegian continental shelf. This will be the largest jackup drilling rig ever built in Singapore and one of the largest constructed for the harsh North Sea. The KFELS N-Class jackup will also be prepared for the installation of a production plant on board. This concept is specialised for tail-end production or for marginal fields that are not economical to develop using other measures.

NEW OPPORTUNITIES

DNV Energy is playing a significant role in the development of cleaner energy and renewable energy sources to ensure that the business potential is unlocked in a safe and responsible manner. Examples here include the assessment of carbon capture and sequestration in combination with enhanced oil recovery solutions in Europe, and verification systematics for the storage of CO₂ in underground reservoirs in the US. Furthermore, DNV Energy has carried out feasibility studies

of large-scale compressed air energy storage in depleted reservoirs, aquifers and salt domes in the UK. DNV is also leading in the certification and qualification of wind farms in Europe, and involved in the piloting of a hydrogen infrastructure project in Norway.

As oil and gas facilities age, the risks and threats to the business increase. Through its operations excellence services, DNV Energy helps clients identify and manage these risks and threats. One example of such a project is DNV's assistance to Gasco, Abu Dhabi Gas Industries Ltd, with the preparation of an Asset Integrity and Reliability Management System (AIRMS) framework. DNV was asked to review the scenarios the gas company had already identified, and to uncover any other threats. Furthermore, DNV quantified the risk to Gasco, and proposed measures that should be taken to reduce this risk. From this Gasco was able to prioritise its projects to address these concerns.

NEW CHALLENGES

As globalisation and regionalisation transform the energy industry, DNV, in the pursuit of following and supporting its clients, often operates in countries with unstable economic and political conditions. This has resulted in challenges for DNV Energy with respect to business practices and safe working conditions for employees – challenges that the business area acknowledges on the corporate responsibility front. For

instance, the use of agents to assist in entering a new market is challenging, due to the fact that in some countries national practices do not always follow international laws.

On the other hand, these emerging markets present opportunities for DNV to contribute towards raising competence levels within the area of safety, health and the environment (SHE). This has a positive contribution for both DNV employees undertaking the work and clients as they improve their SHE practices. DNV Energy strives to raise competence levels at all times in support of DNV's core objective of safeguarding life, property and the environment.

A critical success factor for DNV Energy is the scarcity of and competition for qualified and competent people. This is a very real and dynamic issue for the business area, and DNV has embarked on corporate and business area specific attraction and retention initiatives, with the aim of attracting the expertise needed and retaining an optimal work force.

OUTLOOK

The future for DNV in the energy sector is one of growth – derived from increased sales within the existing portfolio, new services and targeted acquisitions. DNV has been assisting oil and gas companies in safeguarding and improving business performance for many years, and is committed to continue to do so in the wider energy perspective.

DNV IT Global Services



Optimising IT systems based on effective risk management

During 2006, four leading companies within the different fields of system and software process improvement, IT service management, knowledge management, and IT security became part of DNV. They, together with DNV's existing expertise in risk management and IT, form a new business area called DNV IT Global Services.

DNV is a leading provider of risk management services in multiple industries across the world, but has so far not had a cohesive approach to managing risks related to the inception, development, deployment and operation of IT-based systems. Now a new business area has been launched to help large organisations ensure the efficiency and predictability of their IT-dependent processes and software. This will help them to reduce risk and maximise business opportunities.

IT is now pervasive in all parts of society, and the failure of IT systems may lead to catastrophic events, critical business consequences, or severe information security leaks. DNV's efforts are therefore concentrated on the safety and reliability of systems and software, information security, and efficient IT service management. Providing customers with predictable, sustainable and cost-efficient IT systems is the core of DNV's services.

People, systems and IT – and how they interact – are where risk management is important. With this new business area,

DNV wants to be able to deliver and develop services that use DNV's risk expertise to create solutions for customers' business performance and IT-related strategies.

Each of the four companies has a different background, and each company strengthens DNV's global capacity within information technology and security.

Q-LABS

Q-Labs is an international leader in the definition and optimisation of processes related to the development and maintenance of software and systems. Q-Labs has offices in France, Germany, Sweden, the United Kingdom, China, Italy and the United States. It employs a team of 120 consultants, and has for more than 15 years specialised in shaping system and software processes to obtain competitive advantages for world leaders in the automotive, finance, telecommunications, general manufacturing, and aerospace industries.

CIBIT

CIBIT is a consulting and education company which has specific in-depth expertise in IT architecture, software engineering and quality, and information and knowledge management. Its expertise ranges from strategic knowledge and learning issues to IT-architecture, all of which are necessary to effectively support business processes.

TIRENO

TIRENO is a provider of IT management services, and helps companies optimise their business processes in a cost-efficient manner. The company has a broad service portfolio supporting the continuity and quality of IT services and managing service levels to match business needs, and it works in sectors such as telecommunications, media, retail, banking, finance, transportation, and utilities.

ECHELON

Echelon Consulting Ltd is one of the leading independent information security and safety consultancies in the UK. Echelon provides services relating to



DNV IT GLOBAL SERVICES enables organisations to maximise business opportunities based on informed decisions resulting from rigorous risk management applied to their complex IT-dependent processes. ^

DNV IT GLOBAL SERVICES' IT risk management complements the DNV group's "core" operational and IT risk management abilities. >



information security consultancy and safety assessment, and has managed Security Operations Centres (SOCs). Echelon is particularly strong in the UK's central government, law enforcement and military sectors, but is also active in sectors such as transportation and utilities.

The global service offerings from the new business area are:

- System and software process improvement
- IT service management
- IT security
- Information management.

With the provision of these services, plus the ability to train organisations at various levels, DNV has the capacity to ensure a higher return on IT investments and provide sourcing strategies/scenarios and information/system assurance as well as greater predictability, a shorter time to market, and improved quality to a wide variety of information technology users.

BUILDING A STRONG TEAM

One of the biggest internal challenges for this new business area is to build a strong, unified team that can work closely together to serve increasingly globalised customers. DNV IT Global

Services will make the most of the strengths of, and complement the service offerings from, the different companies where needed.

Because DNV IT Global Services is practice-centred, compared to DNV's three other business areas which are industry-centred, there will be many interfaces with other teams. For example, DNV Industry has industry sector responsibilities that offer certification, assessment, training and risk management services to the same customers. DNV Industry and DNV IT Global Services will develop synergies and strengths to add maximum value to their customers. Regardless, DNV's newest business area also has ambitions to expand, as the market for global IT services is believed to be huge and growing.

FUTURE GROWTH AREAS

Software-based systems add value in almost every market segment, whether these are IT applications or embedded software, so there is a very large potential for growth within IT risk management. In addition, some segment regulations (such as FDA, Sarbanes Oxley) include an IT component. DNV IT Global Services will expand in most industries and services, with a special focus on

the finance, IT, telecoms, aerospace, and defence industries, but also in DNV's core industries maritime and energy.

RISK-BASED APPROACH

DNV's risk-based approach is a clear differentiator for this new business area. DNV has specialised in a risk-management approach for more than a century. This is the most efficient way of identifying issues that can do the most harm to business-critical processes.

DNV's objective was established in a time far removed from IT and software systems. However, as technology becomes part of every aspect of human endeavour, including the protection of life, safeguarding of property and even preservation of the environment, managing the risks entailed in complex IT systems is a natural development for DNV.

With IT's growing role in running successful businesses and/or adding value to products and services, DNV has since the late 1990s invested to reinforce its expertise in all aspects of information technology; its combination of a risk-management foundation and leading-edge IT technologies results in a unique consulting services portfolio.

Supporting product life cycle management

DNV Software is an independent business unit developing innovative software solutions for the maritime, offshore and process industries. From stand-alone applications, the software has now become an alternative way for DNV to share best-engineering practice, experience and knowledge with customers.

Today's hyper-competitive business environment requires companies to become more and more agile. The ability to act and change rapidly constitutes a huge business advantage. At the same time, tomorrow's business opportunities will be based on what we have learnt in the past.

Capturing and spreading knowledge requires a process-centric approach that includes both the process itself and the information and data related to it. Equally important are the engineering processes viewed in a life cycle context – a holistic view that includes the complete value chain. Engineering processes in a life cycle context mean the ability to design for operation. That is, to bring operational experience and knowledge back into the design phase. Newly emerged technologies are increasingly used by design teams and include:

BRIX

Brix Foundation allows distributed teams to work on the same design model from different locations. DNV Software's engineers have, together with key clients, responded to the need for more transparency and agility in the overall design process. Using business process templates to describe engineering work is how DNV Software offers a way to capture, preserve and spread knowledge, facilitating a learning and acting global organisation.

NAUTICUS

The new Common Structural Rules for tankers and bulk carriers came into force on 1 April 2006. The new rule requirements confirm the move towards more computerisation of the rule formulations and structural assessments. Hence, good software support has become even more essential for ship designers to be industry-compliant and for DNV to provide timely and

effective support to its customers. In response to this, Nauticus Hull has undergone a major upgrade and now includes the next-generation engineering modeller, GeniE.

SAFETI

The Dutch government has awarded DNV Software a contract to supply software for Quantitative Risk Analysis (QRA) calculations in The Netherlands. The five-year contract ends in 2011 and involves licensing SafetiTM to the Dutch users, including associated training and program maintenance.

The Field Life Cycle Manager portal allows management to have improved decision support through online access to the pipeline integrity status, history, inspection plans, activities and documents. The web portal provides an up-to-date overview of the pipeline condition based on aggregated views of the inspection findings. This provides management with decision support to ensure the safe and cost-efficient operation and maintenance of the pipelines.

SESAM

Brix Explorer for Sesam replaces the well-known Sesam Manager for all maintained Sesam users. It contains many improvements compared to Sesam Manager, including a graphical user interface that improves usability and efficiency and documents quality. It is now very easy to illustrate the work processes and information flow graphically, which will increase productivity significantly. Keppel Offshore & Marine, one of the world's largest offshore and marine groups, has chosen GeniE, DNV Software's next-generation engineering modeller to aid its offshore-related projects calculations. This product will be implemented by its yards, as well as the engineering offices located in Bulgaria, China and India.



Shaping tomorrow's DNV

One of the most important competitive advantages that DNV has is its investment in research and innovation. Since 1954, DNV has had a dedicated research department that has enhanced and developed services, rules and industry standards in multiple fields. It is a unit that will help determine how business is done, both by DNV and related industries, into the next generation. At present, examples of important research topics are:



BIORISK

SHAPING THE WAY FISH IS TRADED

Seafood is a global trade with at least 90 per cent of the 120 million tonnes produced globally being exported. Fish also spoils quickly, leading to typical post-harvest losses of 25–50 per cent. This results in a high risk of economic loss to stakeholders along the supply chain. To help customers manage this risk, DNV Research and Innovation has developed VeriFish, a tool for the independent verification of information related to fish quality and safety. Uniquely, VeriFish is based upon an internal microbiological time-temperature logger which is inherently difficult to manipulate, leading to results that can be trusted.

HELPING SHAPE THE WAY BIORISKS ARE MANAGED IN THE LABORATORY

Biosafety and biosecurity (biorisk) are hot topics due to the threats from bioterrorism and natural outbreaks of diseases such as bird flu and SARS. DNV is managing an international project to develop a biorisk management standard, which will help laboratories around the world responsibly handle and store dangerous agents while they work to contain and mitigate the risks that these pathogens represent to society.

GREENER TRANSPORTATION

DEVELOPING FUEL CELL SYSTEMS FOR SHIP USE

In the near future, we are likely to see conventional power-generating equipment being challenged by fuel cells that offer ultra-clean and silent operations with up to a 50 per cent reduction in fuel consumption. DNV, together with its industry partners, considers that the present fuel cell technology has matured to the stage where it may be used on board ships. Hence, DNV has teamed up with leading European suppliers of fuel cells to develop and demonstrate marine fuel cell power packs. Utilising MCFC and SOFC technology, these projects will develop fuel cell systems for auxiliary and propulsion ship power. DNV also contributes to classification services as well as technology qualification schemes.

CLEANING WASTEWATER ON BOARD SHIPS

Regulations governing the discharge of water at sea are becoming more stringent in many parts of the world. The MEMSHIP project aims to develop an integrated shipboard wastewater treatment system using membrane and bio reactor technology. It will treat black and grey water, bilge water and galley water in a single unit. Due to its quality, the treated water may be reused, thus reducing discharge.

INFORMATION PROCESS AND TECHNOLOGY

Modern industry and society depend heavily on digitally available information. Complex assets such as oil rigs and cruise ships typically have about 5 000 documents related to them. The lifetime of such physical assets is decades and, with an annual growth rate in general data storage of 30 per cent,

a critical need for trusted methods that enable businesses to manage their records over time has arisen. In this area, DNV has initiated the Long-term Records management project (LongRec). LongRec seeks to provide support for records that are in active use over decades, with the preservation of access rights, semantics (meaning) and trustworthiness of the contents. The aim is not only preservation, but also business support. This implies a need to manage continuous transitions in technology, organisations, people and ownership. The three-year joint industry project is partly funded by the Research Council of Norway.

ENERGY-SOLUTION FOR THE FUTURE

HYDROGEN AS A FUTURE ENERGY CARRIER

Hydrogen as an energy carrier has the potential to make significant contributions to the long-term diversification of energy sources and development of sustainable alternatives to oil and gas, and hence assist in securing national energy supplies. At the same time, hydrogen produced from renewable energy sources or from natural gas with carbon capture and storage can contribute significantly to long-term emission reductions and reduced environmental loads from the growing transport sector.

To facilitate the development of hydrogen as an energy carrier, barriers related to safety, safety perception and deficits in the regulatory framework must be overcome. In the partly EC-funded HyApproval project, DNV is cooperating with more than 20 European and non-European (China, Japan and USA) partners to develop a best practice European Handbook for Hydrogen Refuelling Stations, to facilitate the until now rather complex and unpredictable process of reaching approval for such stations. Major DNV contributions to HyApproval, which will be finalised by September 2007, include undertaking Quantitative Risk Assessment Studies supporting the development of the Handbook.

CO₂ – HOW CAN IT BE STORED SAFELY?

Geological storage of CO₂ provides a significant option to mitigate CO₂ emissions in a world which will continue to depend on fossil fuels for the next few decades.

One important factor in this process is the lack of a generally recognised verification protocol that is fit-for-purpose for CO₂ storage projects. This project aims to help fill this gap by participating in a portfolio of demonstration projects organised under the US Dept. of Energy programme known as Regional Partnerships for Carbon Sequestration.

Three Norwegian partners – DNV, Aker Kværner Geo and the Norwegian Geological Survey – have received support from the Norwegian Research Council CLIMIT programme specifically to participate in the US DOE regional partnership programme during the period from May 2006 to December 2008.

Gearing up for growth

DNV has adopted a new organisational structure to gear up for the growth required to meet the targets in the strategy adopted in June 2006. The goal is to ensure that DNV has an organisation that facilitates such growth and is able to capitalise on internal resources and expertise, exploit synergies in the way business areas serve clients, and create new business opportunities.

DNV's main priority is to ensure that its growth is sustainable. This will require common effort.

RESTRUCTURED BUSINESS AREAS

The business areas have been restructured to reflect a clearer industry focus. Three of the four business areas have a strong industry focus, while the fourth, DNV IT Global Services, is service-based.

DNV Maritime will keep on a steady course and continue to grow in terms of both classification and additional services. DNV Energy aims to develop into a global service provider in the fields of classification, verification and consulting. It is based on the strengths of the former DNV Technology Services and DNV Consulting. DNV Industry is based on DNV Certification's global operations and DNV's core competence in enterprise risk management. DNV IT Global Services is expected to grow into a global business area that helps customers to manage risks related to business and safety-critical software systems. It faces the challenge of being comprised of a number of companies that have only recently been acquired by DNV.

The provision of third-party certification and consulting services by the same business area prompts questions of integrity. DNV is taking a proactive approach to addressing this issue and defining which services can and should be delivered to customers. A thorough study of the services provided by DNV Industry was conducted in the autumn of 2006, and a policy on how potential conflict of interest issues are to be managed has been written for the internal governance manual. DNV is informing relevant accreditation bodies of this policy, and the feedback has been positive. Similar processes are valid for the other business areas, as well as at the corporate level.

STRENGTHENED CORPORATE FUNCTIONS

A number of corporate functions have been strengthened to drive the process for achieving strategic goals.

The Human Resources and Safety, Health and Environment (SHE) department has been empowered to take an active role in driving the DNV strategy through the creation of common processes for conveying strategic messages and maintaining DNV's corporate culture as the company grows. The department has been expanded and strengthened with senior operational managers, learning specialists and internal communication resources. The attraction and retention of highly qualified employees will be particularly prioritised, because the fight for talent is among the most important factors that can limit DNV's growth and thus the achievement of strategic goals.

DNV has appointed an internal Corporate Risk Manager to support the Executive Board in managing risks in a global and integrated fashion. Corporate risk management will include aligning risk strategies, as well as identifying and managing multiple and cross-enterprise risks, thereby reducing operational hazards and losses. The new position will facilitate the application of the lessons learned through DNV's provision of enterprise risk management services to customers. A particular challenge facing DNV as it grows rapidly is the integration of acquired companies and the retention of their human assets.

To facilitate the consolidation of and coordination between the new business areas, as well as the negotiation of DNV's extensive operational processes, the Business Process Excellence Manager position has been created as part of the CFO office. Goals include the definition and improvement of common business processes that can be shared by multiple business areas.



The DNV business areas have been restructured to reflect a clearer industry focus

Acting responsibly

Driven by its purpose to safeguard life, property and the environment, DNV ensures that corporate social responsibility is an integral part of its management system and business culture.



DNV's head of corporate relations, Sven Mollekleiv, here with corporate responsibility project manager Eli Munkelien (middle) and principal consultant Bente Pretlove.

DNV's greatest influence and contribution to sustainable development is through our services, driven by the objective to safeguard life, property and the environment. Corporate Social Responsibility (CSR), in DNV, is about striving for a balance between environmental, social and economic performance, and enhancing the positive impacts that DNV's core business activities have on society.

Important aspects in this regard are DNV's business conduct in relation to, for example, ethics and corruption, the way in which the company is managed with respect to diversity, communication and transparency, and the company's involvement in the local community and global policy making.

A CSR Board, with representatives from the whole organisation, was set up in October 2002 to drive and further develop CSR in DNV. Adjustments to the membership of the Board were made in 2006 to reflect the reorganisation of DNV's business areas. This Board is chaired by the head of Corporate Relations and has an advisory role on CSR issues in DNV.

The Board develops CSR action plans and reports directly to the CEO and the Executive Board.

The main focus areas are:

- governance and business ethics
- communication and transparency
- safety, health and the environment
- community involvement, partnerships and international collaboration.

The first action plan was implemented in 2003–2005, and a new plan has been prepared for 2006–2008. These action plans are living documents with the purpose of serving the changing needs and expectations of DNV's stakeholders. Activities and achievements in 2006 are described in this annual report.

More on DNV's corporate social responsibility initiatives:
www.dnv.com/about_us/csr/index.asp

Beyond business

Committed to the universal principles concerning human and labour rights, environmental standards and anti-corruption, DNV signed the UN Global Compact in 2003.

DNV works to continuously demonstrate responsible practices in these areas within its own organisation, as well as advancing these principles with others, through DNV's purpose to safeguard life, property and the environment.

The examples below describe some of this year's work on verifying sustainability performance, validating anti-corruption work, and ensuring environmental performance throughout the life cycle of ships. DNV's work on the UN Global Compact principles within the DNV organisation is discussed throughout this report, and a principle index is given together with the Global Reporting Initiative (GRI) index.

VERIFYING COSCO'S SUSTAINABILITY PERFORMANCE

In 2006, DNV signed an agreement with Cosco, the world's largest shipowner, to provide services to supporting Cosco's implementation of the UN Global Compact. Cosco has established a Global Compact Social Responsibilities Management System, and this year the company released its first annual Sustainable Development Report. The report, which has been verified by DNV, covers the three aspects of sustainability – economic performance, environmental protection and social impact. Cosco is the first Chinese state-owned company that has compiled such a report according to the requirements of the GRI and the UN Global Compact. Cosco is also the first enterprise in Asia that has applied the DNV verification protocol for sustainability reporting.



FRAUD AND CORRUPTION RESISTANCE PROFILE

Fraud and corruption constitute a major risk to an organisation's tangible assets, as well as to its reputation and brand value. In 2006, DNV launched a new service that provides an independent third-party validation of an organisation's resistance to fraud and corruption. The DNV assessment develops a snapshot profile of how resistant a company is to the effects and impacts of fraud and corruption, and benchmarks this against widely accepted conventions, principles and guidelines. The assessment is built on the UN Global Compact Principle on Anti-corruption, the OECD Business Approaches to Combating Corrupt Practices, Transparency International's Business Principles for Countering Bribery, the COSO International Control Framework, and the Sarbanes-Oxley Act of 2002.

SHIP RECYCLING

During the past few years, DNV has participated in the ongoing work of developing legislation and methods for safe and environmentally friendly ship demolition or recycling. This work is an important recognition of the fact that traditional ship recycling has in many ways a negative impact on both the personnel carrying out the work and the surrounding environment, while at the same time providing employment opportunities to people in areas of the world with high unemployment. We are happy that the ongoing work has been welcomed by clients looking for ways of disposing of ships in an ethical and safe manner. In line with the lessons learned, we will continue to participate in the work of international organisations such as the IMO, as well as focusing on ship design and the increased use of less hazardous materials.

In 2007, we will establish a fraud and corruption resistance profile for the DNV organisation

Water for all

As part of its corporate responsibility efforts, DNV entered into a partnership with the Red Cross in 2004. Through the partnership, which was recently extended for another three-year period, DNV is working to make a difference in many of the countries where it has a presence.

Building on former UN Secretary General Kofi Annan's ideas that peace and prosperity cannot be achieved without partnerships involving governments, international organisations, the business community and civil society, DNV entered into its partnership with the Red Cross in 2004 following an online vote among DNV's employees. Employees all over the world were asked which humanitarian organisation would be their preferred partner, and the Red Cross was chosen by the vast majority.

In addition to DNV's corporate partnership with the Red Cross, DNV offices worldwide are encouraged to establish concrete cooperation with national Red Cross units. The aim is to give employees the opportunity to get involved in Red Cross/Red Crescent projects with a local focus and relevance.

The partnership is founded on the exchange of knowledge, in addition to DNV giving financial support to Red Cross programmes. The Red Cross will benefit from the greater cross-fertilisation of ideas to address complex problems, and will obtain more and stronger advocacy of its mission and practical help in delivering services. For DNV, the partnership is expected to promote understanding of the humanitarian situation in the geographical areas in which DNV operates.

FOCUS ON WATER

The primary focus of the partnership is water issues. Access to clean drinking water and sanitation is crucial to the alleviation of poverty and the achievement of sustainable development. The UN Millennium Development Goal for Water is to "halve, by 2015, the proportion of people without sustainable access to safe drinking water". In line with this global agenda, DNV has supported Red Cross water projects in Indonesia, China and Kenya, resulting in thousands of people gaining access to clean water.

In Kajiado, south of Nairobi, DNV has sponsored a three-year water and sanitation project that was completed in 2006. A population of 5 500 people in two villages now has access to clean drinking water from drilled wells, and support for a third village is currently being planned.

Focusing on access to clean water, the partnership has also resulted in the development of Emergency Response Units (ERUs). These units consist of water experts and tools necessary for utilising ground water for drinking. The ground water is accessed by either digging shallow wells or drilling bore holes. DNV has sponsored two drilling rigs; one has been drilling wells in Aceh, Indonesia, and one in Mozambique.

In China, DNV is currently working with the Chinese Red Cross on clean water and sanitation projects for the benefit of villagers in Jilin Province in north-eastern China. The partnership is based on the exchange of competence, and the Chinese Red Cross has recently provided first-aid training to over 70 DNV employees. Other initiatives in China are in the pipeline.

In addition, the Norwegian Red Cross has developed ambulance services in the former Yugoslavia, and DNV has contributed IT expertise. New administrative and medical IT systems have been implemented in Belgrade, and DNV has helped to ensure their sustainable operation. DNV has also sponsored two ambulances in Lebanon.

An action plan is currently being developed by the two partners to ensure a common structure for activities and milestones over the next three years. DNV offices worldwide will be encouraged to establish practical cooperation with national Red Cross units.

For more information: www.dnv.com/partners



Taking care of our people

As a people business, DNV depends on the competence, safety and wellbeing of its employees and is strengthening its processes for supporting them.

Demand for DNV's services was high in 2006, and employees often felt the pressure. DNV was also restructured into four new business areas and acquired a number of companies, which strained many parts of the organisation.

MANAGING CHANGE

As part of the reorganisation, the Corporate Human Resources and Safety, Health and Environment (SHE) department was expanded and redesigned to include DNV Learning and Internal Communication resources. Some of the department's key tasks include designing and implementing procedures to tackle challenges associated with the reorganisation and rapid growth of DNV.

The attraction and retention of talented employees remains a top priority. A two-year project was launched in August 2006 to initiate and support actions that will help DNV retain its highly talented workforce and attract the additional competence needed to achieve strategic goals. Key deliverables in 2006 included a workshop for human resources professionals from ten countries, new profiling material for use in recruitment, improved career pages on DNV's website and intranet, launch of a job alert service for current and prospective employees, and development of an e-recruit tool for use by human resources departments.

In 2006, 993 new employees were recruited, excluding acquisitions. Hiring does not immediately relieve the pressure of a heavy workload, however. Country-level safety and health risk assessments conducted in 2006 in most countries where DNV has offices, which were the bases for developing local action plans for addressing SHE issues, showed that many employees were stressed. This was also reflected in surveys conducted by DNV Maritime and DNV Industry during the year.

The DNV Maritime survey of surveyors and others directly involved in classification also revealed differences in how safety issues are perceived in different parts of the world; this will be a valuable guide for designing safety activities in the future.

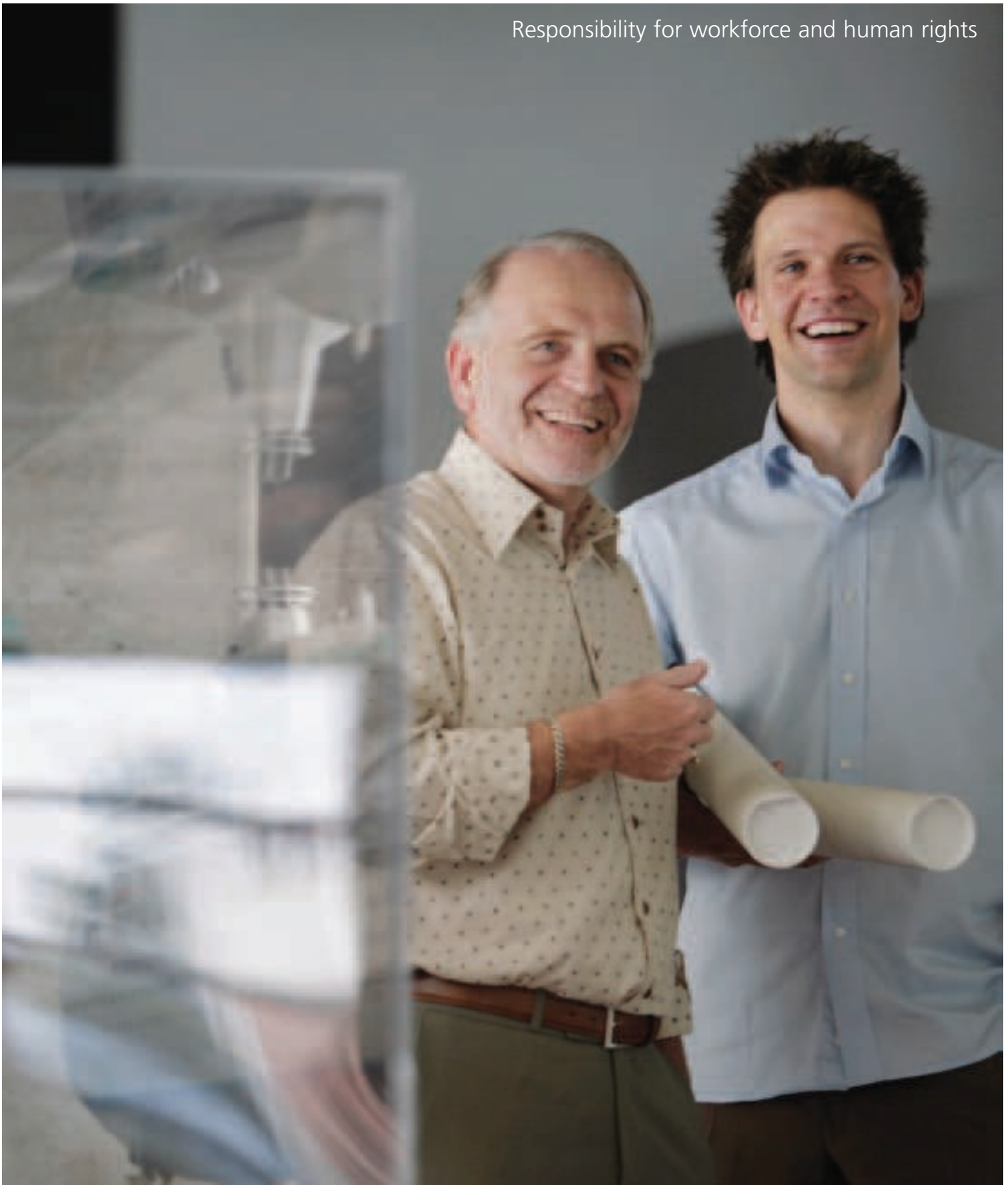
The DNV Industry survey highlighted the need to increase managers' involvement in SHE issues, which will be addressed by allocating more time for and strengthening managers' SHE training. It was noted that employees are increasingly aware of the availability of SHE information.

MANAGER DEVELOPMENT AND DIVERSITY

Line managers play a crucial role in ensuring employees' wellbeing and the development of DNV. To support managers, internal training offerings have been revamped and expanded. An e-learning survival guide for first-time managers has been created, and Port 1, the first step in DNV's manager development programme, has been extended through the addition of a basic management skills unit. In 2007, a Manager Portal on DNV's intranet containing information and resources will be developed and launched by the Internal Communication department.

More than 160 managers completed the Port 1 programme in 2006, and 40 completed Port 2. More managers from Asia and South America participated than ever before (almost 20 per cent of Port 1 participants came from Asian countries). This is one step towards meeting DNV's strategic goal of increasing the number of local versus expatriate managers. In 2006, the ratio of non-Scandinavian managers increased by 6 per cent to a total of 68 per cent. A number of managers from newly acquired companies also participated in the management training, which has proven to be one of the best ways of integrating people into the DNV culture.

In addition to promoting diversity in terms of nationality, DNV is striving to increase the diversity of its employees in terms of age and gender. In 2006, DNV conducted a successful high-profile recruitment campaign targeting senior workers. The total percentage of female staff decreased by 1.3 per cent to 31.2 per cent, but the percentage of female managers increased to 14.7 per cent, an all-time high for DNV (up from 13.4 per cent in 2005). The percentage of women on the Executive Board increased from 10 per cent to 29 per cent, and there is a record number of women in the Senior



Key tasks include designing and implementing procedures to tackle challenges associated with the reorganisation and rapid growth of DNV

Management Group. In addition, more than 17 per cent of participants in the manager development programme in 2006 were female.

DNV continues to prioritise the development of its employees. An international female mentoring programme, run as a pilot in 2006, is being continued as part of normal operations. In addition to course-based training opportunities, a variety of expatriate assignments and exchange programmes are available to provide international work experience. The Education Fund sponsors employees who would like to embark on relevant further education and training programmes. Moreover, the definition of individual performance measures and development plans is being prioritised at all levels in the organisation.

EMPLOYEE REPRESENTATION

DNV is strengthening the mechanisms for employee participation in the formulation of the DNV strategy. A new process was initiated in 2006, whereby four elected employee representatives, one from each of the four geographical regions, will participate in the annual Senior Management Group meeting starting in 2007. In addition, the number of employee representatives on DNV's Board of Directors has been increased to four. Two will be elected from Norway, one from elsewhere in Europe and one from outside Europe.

ACCIDENTS AND SICKNESS

In 2006, 383 incidents were reported (an increase from 355 in 2005); 347 were work-related. Of these, 295 have been followed up and closed, and 88 cases are in progress. Incident reporting is still lagging in some countries. Therefore the number of reports per employee is expected to continue to grow as the process is embraced throughout the organisation.

In 2004, DNV started collecting data on occupational health issues, to learn more about the physical and psychosocial challenges facing employees, and to be able to address them. The number of occupational health issues reported increased in 2006, but the number that resulted in absence from work remained stable. DNV aims to comply with the occupational health and safety management system standard OHSAS 18001 in each of the 105 countries where it operates. The first step in this process will be the performance of a gap analysis in 2007.

Improved safety awareness continues to be a priority. A new safety training course, combining theoretical and practical training, was developed in 2006 for employees who work in physically challenging environments. In general, participation in SHE courses has continued to increase steadily since the SHE learning platform was established in 2004.

SAFETY AND HEALTH STATISTICS

	2002	2003	2004	2005	2006
Accident					
Lost-time accident (harm to people, absence >8hrs)	51	39	31	27	32
Injury accident (harm to people, absence <8hrs)	39	58	41	48	61
Occupational health issue, with absence	-	-	0	10	10
LTA	4.6	3.7	2.8	2.3	2.8
SAI	42.1	65.4	37.6	32.8	24.3
Sickness absence rate (%)	2.3	2.5	2.3	2.3	2.0

Occupational health issue: work environment conditions (including psychosocial work environment and ergonomics) where exposure may result in illness

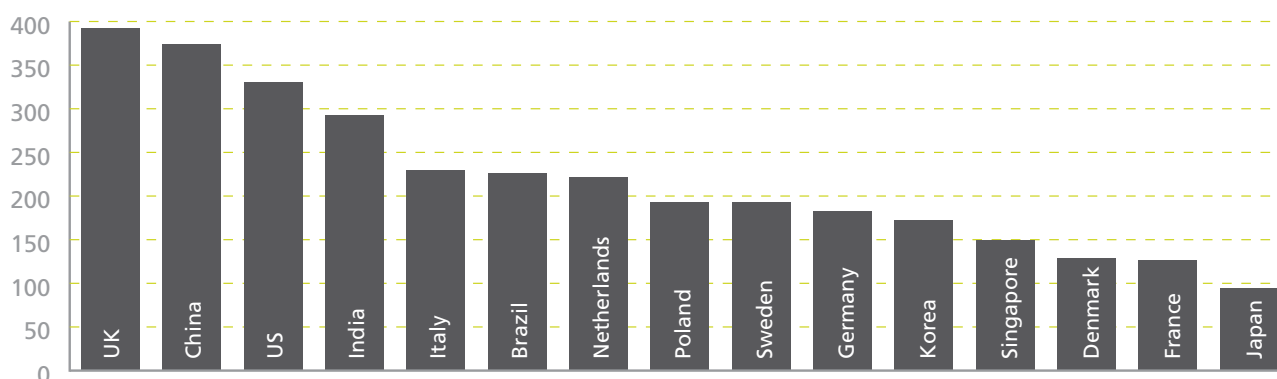
LTA (Lost-Time Accident frequency): number of Lost-Time Accidents/million hours worked

SAI (Severity Accident Index): number of days absence due to Lost-Time Accidents/million hours worked

Sickness absence rate (%): (sickness absence/number of hours worked)*100

NATIONALITIES

DNV benefits from the transfer of knowledge and experiences among its international workforce. Employees from a total of 88 countries work in DNV. Here are the top 15 countries in terms of employee origin, excluding Norway (1 941 employees come from Norway).



Committed to environmental awareness

As a service provider, DNV's operations have limited environmental impact. Nevertheless, DNV will work to improve its environmental performance through energy conservation and waste handling in all countries.

ENVIRONMENTAL MANAGEMENT SYSTEM

In 2006 DNV further developed an Environmental Management System in accordance with ISO 14001, where energy consumption and waste handling are the most important focus areas. This system will be implemented throughout the organisation in 2007.

ENERGY CONSUMPTION

A survey of five DNV offices (Høvik, Rio de Janeiro, London, Singapore and Houston), covering approximately 34 per cent of DNV's employees, has been conducted in order to map energy consumption and waste handling. The average energy consumption per person in the selected offices was 14 040 kWh in 2006, a decrease from 15 000 kWh in 2005. Of this, 12 per cent was renewable energy produced by a heat pump at Høvik (11 per cent in 2005). When hydropower is included,

renewable energy constitutes 77 per cent of consumption (the same level as in 2005).

WASTE HANDLING

The laboratories of DNV Petroleum Services (DNVPS) reported the disposal of 112 tonnes of hazardous waste in 2006 (a decrease from 138 tonnes in 2005), of which 2 per cent (2.37 tonnes) consisted of oil that was burned off to the air.

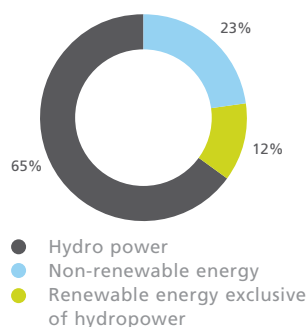
TRAVEL

Visits to customer sites and offices are an important part of the execution of DNV's services, including for meetings, audits and surveys, and require travel that has a negative impact on the environment. The fact that DNV is organised with offices located all over the world, and has locally employed staff, reduces the need for air travel. Furthermore, alternatives such as video conferences are used when practical.

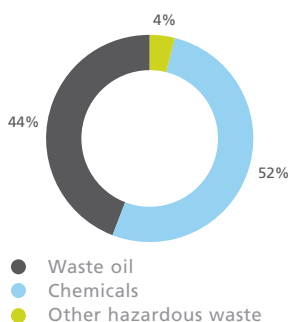
EMISSIONS TO AIR PER LOCATION

Source	kg CO ₂ /person/year	kg NO ₂ /person/year	kg SO ₂ /person/year
Høvik	251.93	0.24	0.40
London	1 889.72	2.39	7.62
Singapore	4 711.65	4.46	7.43
Rio de Janeiro	0.00	0.00	0.00
Houston	3 336.73	1.21	0.12
Total average emission 2006	3 600.00	2.90	4.96
Total average emission 2005	3 687.00	2.97	5.23

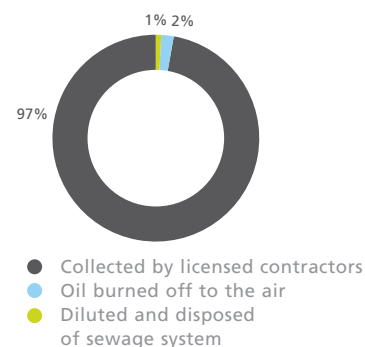
ENERGY USE 2006 five selected locations



WASTE from DNVPS Labs



HAZARDOUS WASTE DISPOSAL from DNVPS Labs



Communication and transparency

DNV is working to improve its dialogue with stakeholders and to be more transparent on issues related to corporate social responsibility. As part of its efforts, DNV is continuously broadening its reporting in line with the Global Reporting Initiative.

DNV acknowledges that employees may face ethical dilemmas in connection with their work, and the solutions to these may not always be obvious in codes and instructions. To help employees in these cases, and to give them a trusted route to voice ethical concerns, DNV has an Ombudsman who is independent of DNV's line management. All cases are treated confidentially, and no employees should feel any threat of reprisals from the organisation. Special efforts have been made this year to make the scheme better known in the organisation, and the Ombudsman has met with DNV employees in China, Libya, Angola and Nigeria to discuss dilemmas related to their work situations.

In 2006, there has been a significant focus on challenges related to growth in regions where there is political instability and weak governance structures, and without democratic traditions or sound legislation. In December 2002, DNV opened a permanently manned office in Angola. The market opportunities were huge and DNV's growth rate was stunning. DNV's rapid growth in Angola, however, demonstrated how difficult it can be to combine strong growth with transparent and responsible business practices. Financial problems surfaced, and the local management was replaced due to breaches of DNV's own values and standards. The importance of good control systems, experienced expatriates and local knowledge became evident. In 2006, the operations in Angola had to be downsized and restructured in order to ensure sustainable business practices in line with DNV's policies and standards. DNV learned the hard way in Angola, and several corrective actions had to be taken. In this process, openness and transparency have been vital, and the main lessons learned in Angola have been communicated to the DNV organisation.

In DNV Maritime, dilemma workshops focusing on, amongst other things, integrity and anti-corruption, have been held in several regions during 2005/06. Employee awareness of these issues was subsequently checked in a personnel survey among 1 335 employees (88 per cent response rate) working with Maritime Class Production. The survey, which covered a range of topics, showed that attempts at bribery do occur but that employees are familiar with DNV's codes and instructions and know how to handle such incidents. The success of DNV Maritime's dilemma workshops has led to the development of an internal dilemma training programme which will be carried out worldwide in 2007.

As an independent foundation, DNV actively takes the opportunity to provide a neutral arena to discuss complex issues and share experiences related to international business with other companies and stakeholders. This year, DNV facilitated a meeting between senior executives of Norwegian companies and Norwegian government ministers to discuss anti-corruption measures in international business. DNV is also a member of the World Business Council for Sustainable Development (WBCSD) and contributes to work and dialogues on sustainable development and the role of business in society. DNV is an organisational stakeholder in the Global Reporting Initiative (GRI) and contributes to various GRI working groups, including co-chairing the UNEP FI/GRI Working Group for Environmental Indicators. Further, DNV is an expert delegate in the development of the ISO 26000 guiding standard on social responsibility.



DNV has designed a governance model that addresses business ethics and guides employees in their daily operations in terms of corporate social responsibility

Council, Board of Directors, Committees

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Financial Review

KEY FIGURES

(Amounts in NOK million)

	2006	2005	2004	2003	2002	
						DEFINITION OF RATIOS:
Income statement:						Profitability:
Operating revenue	7 297	6 683	5 945	5 753	5 734	<i>Operating margin:</i> Operating profit x 100/ Operating revenue
Depreciation	140	136	116	116	147	<i>Pre-tax profit margin:</i> Profit before tax x 100/ Operating revenue
Operating profit	794	750	483	582	399	<i>Net profit margin:</i> Profit for the year x 100/ Operating revenue
Net financial income (expenses)	31	49	(52)	0	(80)	<i>Return on total assets:</i> (Operating profit + Financial income) x 100/ Average total assets
Profit before tax	826	799	432	582	320	<i>Return on equity:</i> Profit before tax x 100/ Average equity
Profit for the year	546	528	223	402	191	
Balance sheet:						Liquidity:
Fixed assets	2 027	2 026	1 637	1 888	1 919	<i>Cash flow:</i> Profit before tax + Depreciation – Taxes payable
Current assets	4 362	3 435	2 684	2 381	2 009	<i>Current ratio:</i> Current assets/ Current liabilities
Total assets	6 389	5 461	4 321	4 269	3 928	<i>Liquidity reserves:</i> Cash and bank deposits + Short-term financial investments
Equity	3 895	3 239	2 699	2 169	1 765	<i>Liquidity cover:</i> Liquidity reserves x 100/ (Total operating expenses – Depreciation)
Provisions and long-term liabilities	536	634	517	980	1 234	
Current liabilities	1 958	1 588	1 105	1 120	930	Leverage:
Cash flow items, working capital and investments:						<i>Equity ratio:</i> Equity x 100/ Total assets
Purchase of tangible fixed assets	112	139	126	130	146	
Working capital	2 403	1 847	1 579	1 261	1 079	
Cash flow	710	678	397	485	352	
Number of employees	6 765	6 095	6 236	5 989	5 799	
FINANCIAL RATIOS:						
Profitability:						
Operating margin	10.9%	11.2%	8.1%	10.1%	7.0%	
Pre tax profit margin	11.3%	12.0%	7.3%	10.1%	5.6%	
Net profit margin	7.5%	7.9%	3.8%	7.0%	3.3%	
Return on total assets	15.3%	16.4%	11.9%	15.2%	11.1%	
Return on equity	23.1%	26.9%	17.7%	29.6%	17.0%	
Liquidity:						
Current ratio	2.2	2.2	2.4	2.1	2.2	
Liquidity reserves	2 032	1 510	999	852	543	
Liquidity cover	31.9%	26.0%	18.7%	16.9%	10.5%	
Leverage:						
Equity ratio	61.0%	59.3%	62.5%	50.8%	44.9%	

INCOME STATEMENT 1 January–31 December

(Amounts in NOK million)

STIFTELSEN DET NORSKE VERITAS				DET NORSKE VERITAS GROUP			
2006	2005	2004		Note	2006	2005	2004
			Operating revenue				
0.0	0.0	0.0	Sales revenue		7 297.4	6 474.7	5 945.2
0.0	0.0	0.0	Gain on sale of business activities		0.0	208.5	0.0
0.0	0.0	0.0	Total operating revenue	3	7 297.4	6 683.2	5 945.2
			Operating expenses				
0.0	0.0	0.0	Payroll expenses	4,5,6	3 850.6	3 622.3	3 432.5
0.0	0.0	0.0	Depreciation	11,13	140.2	136.2	116.4
0.0	0.0	0.0	Other operating expenses		2 512.5	2 174.2	1 913.4
0.0	0.0	0.0	Operating profit		794.1	750.5	482.9
			Financial income and expenses				
50.1	27.9	10.8	Financial income		112.0	54.0	27.1
(0.6)	(0.5)	(0.9)	Financial expenses		(80.6)	(5.2)	(78.6)
49.5	27.4	9.9	Net financial income (expenses)	7	31.4	48.8	(51.5)
49.5	27.4	9.9	Profit before tax		825.5	799.3	431.4
(9.6)	(8.2)	(14.6)	Tax expense	9	(279.7)	(271.1)	(208.7)
39.9	19.2	(4.7)	Profit (loss) for the year		545.8	528.2	222.7
			Of this minority interests		0.2	2.2	1.7
			Of this majority interests		545.6	526.0	221.0

BALANCE SHEET as per 31 December

(Amounts in NOK million)

STIFTELSEN DET NORSKE VERITAS			DET NORSKE VERITAS GROUP				
2006	2005	2004	ASSETS	Note	2006	2005	2004
			Fixed assets				
			Intangible fixed assets				
3.5	4.4	6.1	Deferred tax assets	9	198.6	273.9	283.2
0.0	0.0	0.0	Goodwill	11	159.7	102.8	0.0
3.5	4.4	6.1	Total intangible fixed assets		358.3	376.7	283.2
			Tangible fixed assets				
6.8	6.7	6.7	Land, buildings and other property		884.3	909.2	901.7
0.0	0.0	0.0	Office equipment, fixtures and fittings		253.7	253.9	256.2
6.8	6.7	6.7	Total tangible fixed assets	13	1 138.0	1 163.1	1 157.9
			Financial fixed assets				
240.0	240.0	240.0	Investments in subsidiaries	2	0.0	0.0	0.0
0.0	0.0	0.0	Investments in associates	12	27.6	20.0	0.0
1.3	3.2	3.8	Long-term shareholdings	14	16.2	20.0	15.0
0.0	0.0	0.0	Prepaid pension	6	234.3	206.2	9.7
0.3	0.3	0.3	Other long-term receivables	15	252.5	240.2	170.8
241.6	243.5	244.1	Total financial fixed assets		530.6	486.4	195.5
251.8	254.6	256.9	Total fixed assets		2 026.9	2 026.2	1 636.6
			Current assets				
			Debtors				
0.0	0.0	0.0	Trade debtors		1 525.5	1 364.5	1 196.5
0.0	0.0	0.0	Work in progress		580.6	414.0	343.2
0.0	0.0	0.0	Other debtors		225.1	146.6	145.7
0.0	0.0	0.0	Total debtors		2 331.2	1 925.1	1 685.4
438.7	390.1	25.0	Short-term financial investments		1 303.5	632.7	25.0
2.0	5.2	348.3	Cash and bank deposits	16	727.1	877.0	973.9
440.7	395.3	373.3	Total current assets		4 361.8	3 434.8	2 684.3
692.5	649.9	630.2	TOTAL ASSETS		6 388.7	5 461.0	4 320.9

BALANCE SHEET as per 31 December

(Amounts in NOK million)

STIFTELSEN DET NORSKE VERITAS				DET NORSKE VERITAS GROUP			
2006	2005	2004		Note	2006	2005	2004
EQUITY AND LIABILITIES							
Equity							
			Paid-in capital				
283.5	283.5	283.5	Foundation capital		283.5	283.5	283.5
			Retained earnings				
381.0	341.1	321.9	Other equity		3 611.2	2 944.3	2 406.6
			Minority interests		0.0	11.4	9.2
664.5	624.6	605.4	Total equity	19	3 894.7	3 239.2	2 699.3
Liabilities							
			Provisions				
0.0	0.0	0.0	Pension liabilities	6	376.2	495.2	405.2
0.0	0.0	0.0	Deferred tax	9	8.7	9.6	14.3
16.9	16.8	16.8	Other provisions		150.7	129.4	97.2
16.9	16.8	16.8	Total provisions		535.6	634.2	516.7
Current liabilities							
			Overdrafts		4.5	0.5	0.0
0.0	0.0	0.1	Trade creditors		213.4	178.9	147.5
8.7	6.5	6.1	Tax payable		220.1	201.3	92.5
0.0	0.0	0.0	Public duties payable		204.1	195.4	204.9
2.4	2.0	1.8	Other short-term liabilities		1 316.3	1 011.5	660.0
11.1	8.5	8.0	Total current liabilities		1 958.4	1 587.6	1 104.9
28.0	25.3	24.8	Total liabilities		2 494.0	2 221.8	1 621.6
692.5	649.9	630.2	TOTAL EQUITY AND LIABILITIES		6 388.7	5 461.0	4 320.9

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STATEMENT OF CASH FLOW 1 January–31 December

(Amounts in NOK million)

STIFTELSEN DET NORSKE VERITAS				DET NORSKE VERITAS GROUP		
2006	2005	2004		2006	2005	2004
			CASH FLOW FROM OPERATIONS			
49.5	27.4	9.9	Profit before tax	825.5	799.3	431.4
0.0	0.0	0.0	Gain on disposal of tangible fixed assets	(18.9)	(4.4)	(13.8)
0.0	0.0	0.0	Gain on divestments	0.0	(208.5)	0.0
0.0	0.0	0.0	Depreciation	140.2	136.2	116.4
(8.7)	(6.5)	(6.1)	Tax payable	(256.1)	(256.6)	(151.0)
0.0	0.0	0.0	Change in work in progress, trade debtors and trade creditors	(296.0)	(250.6)	(74.6)
2.8	0.5	0.8	Change in other accruals	288.6	322.9	(55.1)
43.6	21.4	4.6	Net cash flow from operations	683.3	538.3	253.3
			CASH FLOW FROM INVESTMENTS			
0.0	0.0	0.0	Acquisitions	(109.7)	(121.3)	0.0
0.0	0.0	0.0	Divestments	0.0	216.6	0.0
(0.1)	0.0	0.0	Investments in tangible fixed assets	(111.9)	(139.1)	(125.6)
0.0	0.0	0.0	Sale of tangible fixed assets (sales value)	50.8	28.3	23.1
0.0	0.0	0.0	Currency effects on tangible fixed assets	8.2	(6.4)	3.7
1.9	0.6	3.5	Change in other investments	(3.8)	(6.1)	47.6
1.8	0.6	3.5	Net cash flow from investments	(166.4)	(28.0)	(51.2)
			CASH FLOW FROM CAPITAL TRANSACTIONS			
0.0	0.0	0.0	Change in overdrafts	4.0	0.5	(7.8)
0.0	0.0	0.0	Net cash flow from capital transactions	4.0	0.5	(7.8)
			LIQUIDITY			
43.6	21.4	4.6	Net cash flow from operations	683.3	538.3	253.3
1.8	0.6	3.5	Net cash flow from investments	(166.4)	(28.0)	(51.2)
0.0	0.0	0.0	Net cash flow from capital transactions	4.0	0.5	(7.8)
45.4	22.0	8.1	Net change in liquidity during the year	520.9	510.8	194.3
395.3	373.3	365.2	Liquidity at 1 January	1 509.7	998.9	804.6
440.7	395.3	373.3	Liquidity at 31 December	2 030.6	1 509.7	998.9

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and accounting principles generally accepted in Norway.

CONSOLIDATION PRINCIPLES

The consolidated statements include Stiftelsen Det Norske Veritas and all companies in which Stiftelsen Det Norske Veritas directly or indirectly has actual control. The group accounts show Det Norske Veritas' consolidated income statement, balance sheet and statement of cash flow as a single economic entity. Subsidiaries follow the same accounting principles as the parent company. Intercompany transactions have been eliminated in the consolidated accounts.

Acquired subsidiaries are reported in the financial statements on the basis of the parent company's acquisition cost. The cost of the shares in the parent company's books is eliminated against the equity in the subsidiary at the date of acquisition. The acquisition cost is allocated by attributing fair values to the identifiable assets and liabilities acquired. Surplus value in excess of the fair value of identifiable net assets is reported in the balance sheet as goodwill. Goodwill is amortised linearly through the income statement over its expected useful economic life.

TRANSLATION OF FOREIGN SUBSIDIARIES

When translating the financial statements of the foreign subsidiaries to Norwegian currency, the items in the income statement are translated at the average exchange rate for the financial year, and items in the balance sheet are translated at the exchange rate at the balance sheet date. The translation difference arising is included in the income statement as other financial income/ other financial expenses.

SUBSIDIARIES/ ASSOCIATES

Investments in subsidiaries are valued at the cost method in the parent company accounts. The investment is valued as cost of acquiring shares in the subsidiary, provided write down is not required. Write down to fair value is carried out when the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down is no longer present.

Investments in associated companies are valued in accordance with the equity method. The share of profits is based on profits after tax in the associated company, less internal gains and possible amortisation of surplus value caused by the cost of shares being higher than the acquired share of equity. In the income statement, the share of profit is stated as financial income/financial expenses.

REVENUE RECOGNITION AND WORK IN PROGRESS

Revenue from sale of services is recognised according to the percentage of completion method. Work in progress is recognised at

estimated sales value. Movement in work in progress is included in operating revenue.

CLASSIFICATION AND VALUATION OF ASSETS AND LIABILITIES

Assets meant for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables to be paid within one year are always classified as current assets. Short- and long-term liabilities are classified correspondingly.

Current assets are valued at the lower of cost and net realisable value. Short-term debt is recognised at nominal value at time of establishment.

Fixed assets are valued at cost. However, if a decline in value is expected not to be temporary, fixed assets are written down to recoverable amount. Fixed assets with a limited useful economic life are depreciated in accordance with a linear depreciation plan. Long-term debt is recognised at nominal value at time of establishment.

DEBTORS

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is made to cover expected losses.

FOREIGN CURRENCY

Monetary items denominated in a foreign currency are translated at the exchange rate at the balance sheet date. Financial instruments, mainly forward exchange contracts and currency swaps, are used to hedge all significant items denominated in the most common foreign currencies. These hedges are included at market value at 31 December.

Realised and unrealised currency effects are included on a net basis in either other financial income or other financial expenses.

Premiums paid for currency and interest rate options are capitalised and amortised over the life of the contract.

FINANCIAL INVESTMENTS

Financial investments not regarded as long-term are classified as current assets in the balance sheet. These short-term financial investments are valued at market value at the balance sheet date based on a portfolio assessment.

Long-term shareholdings where DNV does not exercise significant influence are recognised at cost. Each investment is written down to net realisable value if lower than cost.

NOTES TO THE FINANCIAL STATEMENTS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are capitalised and depreciated over the estimated useful economic life. Maintenance costs are expensed as incurred, whereas improvement and upgrading are assigned to the acquisition cost and depreciated along with the asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed when incurred.

PENSIONS

Pension costs and pension liabilities for the defined benefit plans are estimated on the basis of linear earnings and assumptions of: discount rate, projected annual salary adjustments, pension and other payments from the national insurance fund, expected annual return on plan assets and actuarial assumptions of deaths, voluntary resignations etc. Plan assets are valued at fair value and

deducted from net pension liabilities in the balance sheet. Actuarial gains and losses are recognised directly in the equity. This represents a change from prior years and the comparable figures have been restated.

TAX

The tax expense in the income statement includes taxes payable and change in deferred taxes. Deferred taxes are calculated based on the temporary differences existing between book values and tax values, together with tax loss carry-forwards at the end of the accounting period. Tax increasing and tax reducing temporary differences expected to reverse in the same period are offset and calculated on a net basis. Deferred tax assets are recognised to the extent utilisation of these assets can be justified.

Revaluation of land has been treated as a permanent difference.

LITIGATION

If Det Norske Veritas Group is involved in litigation, and a claim has been made, then provisions for these claims are made in the accounts based on a best estimate of the validity and amount of the claim.



NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

2. SUBSIDIARIES OF STIFTELSEN DET NORSKE VERITAS

Stiftelsen Det Norske Veritas owns 100% of the shares in Det Norske Veritas Holding AS.

Company	Business office	Share capital	Ownership	Book value
Det Norske Veritas Holding AS	Bærum	240	100%	240.0

Det Norske Veritas Holding AS owns two subsidiaries 100%, Det Norske Veritas AS and Det Norske Veritas Eiendom AS. Det Norske Veritas AS has 90 subsidiaries. With the exception of some financial transactions, Det Norske Veritas is operating through Det Norske Veritas Holding AS and its subsidiaries around the world.

3. OPERATING REVENUE

	DET NORSKE VERITAS GROUP		
	2006	2005	2004
Business area:			
Maritime	3 169.0	2 676.4	2 466.1
Certification	1 686.1	1 999.4	1 840.7
Technology Services	1 372.4	1 138.6	934.1
Consulting	551.9	490.4	435.0
Other	518.0	378.4	269.3
Total operating revenue	7 297.4	6 683.2	5 945.2
Geographical area:			
Nordic countries	2 572.1	2 653.3	2 481.8
Europe and Africa	2 044.5	1 780.1	1 578.1
Asia Pacific	1 738.0	1 452.4	1 275.5
North and South America	942.8	797.4	609.8
Total operating revenue	7 297.4	6 683.2	5 945.2

4. PAYROLL EXPENSES

STIFTELSEN DET NORSKE VERITAS			DET NORSKE VERITAS GROUP		
2006	2005	2004	2006	2005	2004
0.0	0.0	0.0	2 895.5	2 713.4	2 550.4
0.0	0.0	0.0	402.8	431.0	415.7
0.0	0.0	0.0	242.3	265.2	308.0
0.0	0.0	0.0	310.6	212.7	158.4
0.0	0.0	0.0	3 850.6	3 622.3	3 432.5
0.0			6 604.6		
0.0			187.5		

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK)

5. REMUNERATION AND LOANS TO PRESIDENT & CEO, EXECUTIVE BOARD, BOARD OF DIRECTORS ETC.

Henrik O. Madsen was appointed President & Chief Executive Officer from 9 May 2006, with an annual base salary of NOK 1 700 000, a functional allowance of NOK 1 000 000 and other benefits of NOK 508 000. Madsen has a right to retire at 62 years with a yearly pension equal to 66% of his annual base salary at date of retirement. Madsen had an incentive scheme with a maximum payment of 20% of his annual base salary.

On 8 May 2006 President & Chief Executive Officer Miklos Konkoly-Thege retired. During the first year Konkoly-Thege receives a pension equal to his annual base salary (NOK 2 652 000), decreasing on a linear basis to 26/30*66% of annual base salary at the age of 65 (in 2008).

Remuneration and loan to the current Executive Board for the period May 2006–December 2006:

Name	Remunerations:				Loans at 31 Dec. 2006:			
	Salary & functional allowance	Other benefits	Incentive pay for 2006	Pension cost	Loan amount	Interest rate	Repaym. period	Security
Henrik O. Madsen	1 742 317	469 780	192 667	1 013 381	0			
Peter Bjerager	943 957	515 612	79 167	147 419	2 071 662	1.75%	Nov. 2025	Mortgage
Annie Combelles	1 357 075	0	159 309	23 748	0			
Remi Eriksen	817 850	100 007	135 667	107 137	0			
Jostein Furnes	1 021 016	112 814	158 667	173 769	2 753 330	1.75%	Jul. 2031	Mortgage
Cecilie B. Heuch	587 401	57 468	90 667	24 272	0			
Tor E. Svensen	1 369 217	100 726	198 333	380 078	701 800	1.75%	Mar. 2028	Mortgage

Remuneration to the previous Executive Board for the period January 2006–April 2006:

Name	Remunerations:				Loans at 31 Dec. 2006:			
	Salary & functional allowance	Other benefits	Incentive pay for 2006	Pension cost	Loan amount	Interest rate	Repaym. period	Security
Miklos Konkoly-Thege	884 000	550 267	0	0	1 106 488	1.75%	Dec. 2015	Mortgage
Peter Bjerager	432 111	257 806	29 167	73 710	2 071 662	1.75%	Nov. 2025	Mortgage
Paul S. Campbell	433 250	248 067	55 767	61 795	0			
Elisabeth Harstad	577 848	48 267	0	121 030	0			
Iain M. Light	859 451	0	108 957	107 116	0			
Henrik O. Madsen	733 333	169 390	96 333	506 690	0			
Amund W. Skou	490 000	52 934	56 000	123 567	1 824 079	1.75%	Dec. 2015	Mortgage
Tor E. Svensen	600 479	50 364	51 000	190 039	701 800	1.75%	Mar. 2028	Mortgage
Tom Virik	608 944	56 611	75 133	12 689	2 049 696	1.75%	Mar. 2021	Mortgage
Torolf Aadnesen	523 251	56 868	63 000	106 955	1 539 977	1.75%	Mar. 2026	Mortgage

Remuneration to the Board of Directors for 2006:

Name	Remuneration:
Atle Bergshaven	267 500
C. Maury Devine	418 750 *
Mary Grace Anderson	0 **
Audun Brandsæter	140 417
Axel C. Eitzen	140 417
Tom Ruud	140 417
Knut Vågnes	140 417
John H. Wiik	140 417
Unni M. Aagedal	104 167
David McKay (1 meeting)	15 000
Peter Wieland (1 meeting)	15 000

Remuneration to the Control Committee for 2006:

Name	Remuneration:
Erling Øverland	68 000
Herbjørn Hansson	47 000
Georg Scheel	47 000

* Including compensation for travel time, NOK 210 000

** NOK 140 417 has been donated to charity

Fees to the auditors for 2006:	Statutory audit	Tax cons. services	Other attest services	Non-audit services
Stiftelsen Det Norske Veritas	290 000	0	0	0
Group auditor other Norwegian entities	1 485 000	160 000	40 000	127 000
Group auditor non-Norwegian entities	5 966 000	1 606 000	32 000	0
Other auditors	3 338 000			
Total	11 079 000	1 766 000	72 000	127 000

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

6. PENSION COSTS, PLAN ASSETS AND DEFINED BENEFIT PENSION LIABILITIES

Det Norske Veritas has both defined benefit pension plans and contribution pension plans. The defined benefit pension plans are covered through separate pension funds or through arrangements with insurance companies. The employees' future pension benefits are based on the employee's salary level at the time of retirement and on the number of years of membership. The basis for calculating the pension cost and the pension liabilities included in the accounts are shown in this note. Contribution to the Group's pension plans are made in accordance with common actuarial methods in the country where the pension plan is administered.

Norwegian employees are covered either by the Norwegian contribution pension plan (mainly employees employed after 1 January 2005), or the defined benefit pension plan organised in two Norwegian pension funds (employees employed before 1 January 2005). The pension assets in the two Norwegian pension funds are invested as follows:

Market value of plan assets in Norway	31 Dec. 06	31 Dec. 05	31 Dec. 04
Buildings and property	203.3	166.2	147.0
Mutual equity funds and hedge funds	907.8	1 250.5	957.7
Norwegian bonds and bond funds	478.3	781.1	770.9
Non-Norwegian bonds and bond funds	308.6	473.0	457.8
Bank accounts, other assets and liabilities	1 409.3	363.7	301.9
Total market value of plan assets	3 307.3	3 034.5	2 635.2
Actual return on plan assets	303.5	381.9	248.1

	Funded Norwegian defined benefit pension plans			Other defined benefit pension plans		
	2006	2005	2004	2006	2005	2004
Net present value of this year's pension contribution	135.1	141.3	135.5	48.8	46.9	53.1
Interest expense on pension liabilities	112.9	125.6	120.3	44.6	43.8	42.8
Expected return on plan assets	(136.6)	(157.3)	(109.3)	(38.1)	(33.4)	(28.2)
Payroll tax	15.7	15.5	20.6	0.0	0.6	1.2
Curtailment/pension plan changes	0.0	(15.6)	0.0	(33.0)	0.0	(11.0)
Net pension cost	127.1	109.5	167.1	22.3	57.9	57.9

Plan assets and pension liabilities:

	Funded Norwegian defined benefit pension plans			Other defined benefit pension plans		
	2006	2005	2004	2006	2005	2004
Market value of plan assets	3 307.3	3 034.5	2 635.2	686.4	596.6	538.5
Actuarial present value of pension liabilities	(3 038.2)	(2 790.0)	(2 562.9)	(1 062.6)	(1 082.3)	(929.5)
Payroll tax	(34.8)	(38.3)	(62.6)	0.0	(9.5)	(14.2)
Net prepaid pension (liabilities)	234.3	206.2	9.7	(376.2)	(495.2)	(405.2)
Hereof recorded as plan assets	234.3	206.2	9.7			
Hereof recorded as pension liabilities				(376.2)	(495.2)	(405.2)

Effective from 2006, the assumptions for calculation of the pension liabilities in Norway have been changed. The consequence in 2006 is increased pension liabilities of NOK 16 million. Effective from 2006, the unrecognised net losses have been charged directly to the equity, same principle have been applied for the comparable 2005 and 2004 figures, resulting in reduced pension cost of NOK 69 million for 2005 and NOK 106 million for 2004.

The calculation of the pension liabilities in Norway is based on the following assumptions:

	2006	2005	2004
Discount rate	4.5%	4.0%	5.0%
Projected annual salary adjustment	4.0%	3.5%	4.0%
Projected annual increase in pension benefit	2.0%	1.5%	1.5%
Projected annual increase of Norwegian government basis pension	3.0%	2.5%	1.5%
Expected annual return on plan assets	5.0%	4.5%	6.0%

Ordinary retirement age in Det Norske Veritas is 67 years. Some managers and employees are entitled to retire before the age of 67.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

7. FINANCIAL INCOME AND FINANCIAL EXPENSES

STIFTELSEN DET NORSKE VERITAS				DET NORSKE VERITAS GROUP		
2006	2005	2004		2006	2005	2004
49.7	27.9	10.5	Return on financial investments	87.7	35.6	10.5
0.0	0.0	0.0	Profit from investment in associates	7.6	3.9	0.0
0.4	0.0	0.3	Net interest received from group companies	0.0	0.0	0.0
0.0	0.0	0.0	Other interest received	15.6	13.2	16.6
(0.6)	(0.5)	(0.9)	Other financial items	(79.5)	(3.9)	(78.6)
49.5	27.4	9.9	Net financial income (expenses)	31.4	48.8	(51.5)

8. FINANCIAL MARKET RISK

Det Norske Veritas has revenue and expenses in 70 currencies. Of these, five currencies (NOK, USD, EUR, SEK and GBP) make up for approximately 75% of the total revenue. In many currencies DNV has a natural hedge through a balance of revenue and expenses. Major imbalances on the balance sheet are hedged through forward exchange contracts.

9. TAX

STIFTELSEN DET NORSKE VERITAS				DET NORSKE VERITAS GROUP		
2006	2005	2004		2006	2005	2004
			Tax expense consists of:			
8.7	6.5	6.1	Norwegian wealth tax	8.7	6.5	6.1
0.0	0.0	0.0	Norwegian income tax	48.6	128.9	46.6
0.0	0.0	0.0	Income tax outside Norway	198.8	121.1	99.0
0.9	1.7	8.5	Change in deferred tax in Norway	7.6	(2.9)	53.4
0.0	0.0	0.0	Change in deferred tax outside Norway	16.0	17.5	3.6
9.6	8.2	14.6	Tax expense	279.7	271.1	208.7
			Tax on profit at 28%	231.1	223.8	120.8
			Tax effect of:			
			Foreign tax exempt branches	(11.1)	(7.0)	(4.0)
			Wealth tax	8.7	6.5	6.1
			Differences between tax rates in Norway and abroad	18.6	11.3	27.5
			Permanent differences	32.4	36.5	58.3
			Tax expense	279.7	271.1	208.7
			Net tax-reducing/tax-increasing temporary differences:			
(0.1)	(0.2)	(0.2)	Fixed assets	(181.3)	(217.4)	(419.6)
0.0	0.0	0.0	Current assets	4.2	(3.2)	(4.2)
0.0	0.0	0.0	Liabilities	(418.7)	(466.2)	(382.8)
(12.0)	(15.4)	(21.7)	Tax loss to be carried forward	(12.0)	(25.3)	(107.6)
(12.1)	(15.6)	(21.9)	Basis for deferred tax asset/liability	(607.8)	(712.1)	(914.2)
28%	28%	28%	Tax rates applied	10–43%	10–43%	10–45%
(3.4)	(4.4)	(6.1)	Deferred tax asset	(198.6)	(273.9)	(283.2)
0.0	0.0	0.0	Deferred tax liability	8.7	9.6	14.3

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

10. CHANGES IN THE GROUP STRUCTURE

Company	Acquired	Acquisition Cost	External revenue incl. in 2006 acct.
CIBIT B.V.	May 2006	48.8	48.4
Echelon Consulting Ltd.	June 2006	25.3	15.4

The 34% minority share of Quality-Laboratories Sweden AB Group was acquired for NOK 33.9 million in July 2006. Quality-Laboratories Sweden AB Group has been consolidated into the DNV Group since 2004.

11. INTANGIBLE ASSETS

Company/ business activity	Goodwill Cost at 1 Jan.	Accum. depr. 1 Jan.	Reval. effects	This year's additions	This year's depreciation	Goodwill 31 Dec.
Rutherford Holding Ltd (Jardine Group)	26.2	(5.2)	1.0		(5.5)	16.5
CC Technologies Inc.	56.6	(9.9)	(3.9)		(10.4)	32.4
Tireno Innovations AG	25.6	0.0	0.6	1.2	(5.5)	21.9
Alpha Miljørådgivning	4.0	(0.8)	0.0		(0.8)	2.4
Primalux Technology	7.9	(1.6)	(0.5)		(1.5)	4.4
CIBIT B.V.				47.5	(6.3)	41.2
Echelon Consulting Ltd.				23.9	(2.8)	21.2
Quality-Laboratories Sweden AB Group				21.5	(1.8)	19.8
Total	120.3	(17.5)	(2.8)	94.2	(34.5)	159.7

The goodwill is depreciated linearly over a 5 year period, based on an evaluation of the economic life of the intangible assets.

12. INVESTMENT IN ASSOCIATES

Det Norske Veritas Holding AS owns 50% of Coor Service Management AS. The investment is recognised in accordance with the equity method in Det Norske Veritas Group accounts.

Opening balance 1 January 2006	20.0
Profit from investment in associates	7.6
Investment in associates 31 December 2006	27.6

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

13. FIXED ASSETS

	Land, buildings and other property	Office equipment, fixtures and fittings
Cost at 1 January 2006	1 306.3	1 436.1
Revaluation effects	(2.6)	(3.2)
Additions from acquisitions	0.0	6.0
Other additions in 2006	13.7	98.2
Disposals in 2006	(22.0)	(9.9)
Accumulated depreciation at 31 December 2006	(411.1)	(1 273.5)
Book value at 31 December 2006	884.3	253.7
Depreciation 2006	14.0	91.6
Economic life	20–100 years	3–10 years
Depreciation plan	Linear	Linear

Det Norske Veritas Eiendom AS has a tenancy agreement with Det Norske Veritas Pension Fund for an office building in Stavanger. In 2006 the rent amounted to NOK 9.2 million. The tenancy agreement is nonterminable for 30 years starting in 1984.

Det Norske Veritas Pension Fund has an option to sell the property to Det Norske Veritas for NOK 147.0 million at the end of the period (year 2014).

14. LONG-TERM SHAREHOLDINGS

Company	Ownership	Market value	Book value
Røisheim Eiendom AS	4.1%		0.3
SMB Invest III ASA	4.9%	1.0	1.0
Shares owned by Stiftelsen Det Norske Veritas			1.3
Hua-Eng-Wei International Testing Co.Ltd.	49.0%		7.7
Ship Manoeuvring Simulator Center AS	40.0%		1.8
Vité Inc.	15.1%		0.0
TT Holding AS	11.3%		0.0
SA Isoscope	10.0%		0.0
Marintek AS	9.0%		0.0
IT Fornebu AS	1.81%		0.0
Hytrec AS	22.0%		0.0
Kapnord Fond AS	4.7%		0.7
Blade Test Centre AS	25.0%		4.6
Shares owned by subsidiaries			14.9
Total long-term shareholdings			16.2

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

15. OTHER LONG-TERM RECEIVABLES

	DET NORSKE VERITAS GROUP		
	2006	2005	2004
Loans to employees	64.0	64.4	60.3
Other long-term receivables	188.5	175.8	110.5
Total other long-term receivables	252.5	240.2	170.8

16. CASH AND BANK DEPOSITS

Det Norske Veritas Holding AS has entered into an agreement for a corporate bank account system with DnB NOR Bank ASA, where most of DNV's legal entities participate. The agreement includes an overdraft facility of NOK 50 million.

Det Norske Veritas AS has entered into an agreement for a cash pool system with ABN Amro, where most of DNV's legal entities in the Euro countries participate. The agreement includes an overdraft facility of EUR 2.75 million, guaranteed by Det Norske Veritas Holding AS.

Det Norske Veritas AS has entered into an agreement for a cash pool system with Handelsbanken, where all legal entities in Sweden participate. The agreement includes an overdraft facility of SEK 10 million.

Balances on bank accounts participating in the corporate bank account system/cash pooling systems are considered as internal assets or liabilities vis-à-vis other DNV participants. For DNV on a consolidated basis, the net total balance of NOK 267.5 million with DnB NOR Bank ASA, EUR 1.3 million with ABN Amro and SEK 3.4 million with Handelsbanken are included in 'Cash and bank deposits' in the balance sheet at 31 December.

17. BANK LOANS

Det Norske Veritas Holding AS has an agreement for a NOK 750 million multi-currency revolving credit facility with an international bank syndicate. The facility expires in January 2009. The facility is undrawn as per year-end 2006.

The credit agreement supporting this facility includes a negative pledge clause, and also restricts Det Norske Veritas' ability to freely dispose of main real estate holdings and principal subsidiaries. The credit agreement further requires that DNV on a consolidated basis maintains a certain minimum level of equity and that the net interest bearing debt does not exceed a set level relative to the equity. DNV was well within these limits at year-end.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

18. GUARANTEES

STIFTELSEN DET NORSKE VERITAS				DET NORSKE VERITAS GROUP		
2006	2005	2004		2006	2005	2004
0.0	0.0	0.0	Guarantee commitments not included in the accounts	18.2	20.6	25.1

19. EQUITY

	Foundation capital	Other equity	Stiftelsen DNV	Subsidiaries of Stiftelsen DNV	Minority interests	DNV Group
Equity 31 December 2005	283.5	341.1	624.6	2 961.7	11.4	3 597.7
Unrecognised net loss defined benefit pension plans 1 Jan. 06 charged to equity				(358.5)		(358.5)
Equity 1 January 2006	283.5	341.1	624.6	2 603.2	11.4	3 239.2
Acquisition of 34% of Quality-Laboratories Sweden AB					(11.6)	(11.6)
Change in unrecognised net loss defined benefit pension plans 2006				121.3		121.3
Profit for the year		39.9	39.9	505.7	0.2	545.8
Equity 31 December 2006	283.5	381.0	664.5	3 230.2	0.0	3 894.7

AUDITOR'S REPORT



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To the Board of Directors of
Stiftelsen Det Norske Veritas

Auditor's report for 2006

We have audited the annual financial statements of Stiftelsen Det Norske Veritas as of 31 December 2006, showing a profit of NOK 39,9 million for the Foundation and a profit of NOK 545,8 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Foundation and the Group. The financial statements of the Foundation and the Group comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Foundation and the Group. These financial statements and the Directors' report are the responsibility of the Foundation's Board of Directors and President and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the Foundation and the Group are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Foundation and the Group as of 31 December 2006, and the results of the operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Foundation's management has fulfilled its duty to properly record and document the accounting information as required by law and generally accepted bookkeeping practice in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of profit is consistent with the financial statements and complies with law and regulations.

Nothing has come to our attention that causes us to believe that the asset management of the Foundation has not been made in accordance with law, the object of the Foundation and its statutes.

Oslo, 19 April 2007
ERNST & YOUNG AS

Knut Aker
State Authorised Public Accountant (Norway)

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

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DNV works to continuously demonstrate responsible practices according to the Global Compact principles, both within our own organisation and those of our customers in realising **DNV's purpose to safeguard life, property and the environment** 

HENRIK O. MADSEN, President and CEO

Global Reporting Initiative index

DNV has made use of the Global Reporting Initiative (GRI) guidelines when selecting sustainability indicators to measure its performance.

The GRI provides guidance on how organisations can disclose their sustainability performance, and also provides stakeholders with a universally applicable, comparable framework in which to understand disclosed information. The Guidelines (“G3”) are the foundation of the GRI Framework.

The index below shows you where you can find the main reporting elements and indicators of the GRI. You will find two types of disclosure:

■ **Profile:** Disclosures that set the overall context for understanding organisational performance, such as strategy, profile and governance.

■ **Performance Indicators:** Indicators that elicit comparable information on the economic, environmental, and social performance of the organisation.

The GRI G3 Guidelines can be used to produce the Global Compact’s annually required Communication on Progress (COP), and the index also includes reference to the Global Compact principles for this purpose.

Our summarised COP for all principles is on page 37 in this report.

GRI INDICATOR	DESCRIPTION	PAGE	REPORTING LEVEL	GLOBAL COMPACT
1.1	Strategy and Analysis	3, 5, 7–8	Reported partly	
2.1–2.6	Organisational profile	Cover, 3, 14–33	Reported	
2.7	Organisational profile	Cover, 14–31	Reported partly	
2.8	Organisational profile	Cover, 52–55	Reported partly	
2.9	Organisational profile	34	Reported partly	
3.4	Report profile	Cover		
4.1, 4.8	Governance	2, 34, 46	Reported partly	
4.12	Commitments to external initiatives	37–38, 44	Reported partly	

GRI INDICATOR	DESCRIPTION	PAGE	REPORTING LEVEL	GLOBAL COMPACT
EC7	Economic	40, 42	Reported partly	
EN3	Environment	43	Reported partly	Principle 8 and 9
EN16, EN20, EN22, EN29		43	Reported partly	
LA1–LA2, LA7, LA11, LA13	Labour practices and decent work	Cover, 4, 11, 40, 42, 46	Reported partly	Principle 6
	Human rights	37	Reported partly	Principle 1 and 2
SO4	Society	44	Reported partly	Principle 10



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