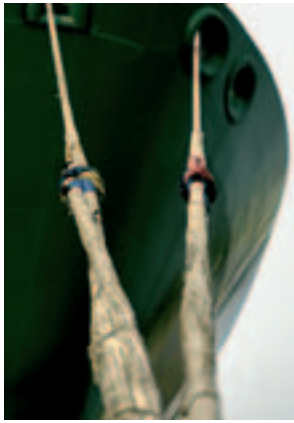


# DNV annual report 2004

Det Norske Veritas



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# Highlights from 2004

The international community's focus on risk and the increasing tendency towards zero tolerance of accidents has resulted in a high level of demand for safety and quality services, which are DNV's core areas.



■ Head office

■ Main support and service centres

■ Local offices

## MILESTONES

### 26 MARCH

DNV was the first company to be accredited by the UN Framework Convention on Climate Change to validate climate change mitigation projects where companies in industrialised countries invest in greenhouse gas abatement in the developing world (CDM projects).

### 1 APRIL

DNV passed the 100 million-gross tons mark by taking Danaos Shipping's container ship P&O Nedlloyd Caracas into class on delivery from Korea's Samsung Heavy Industry yard.

### 13 SEPTEMBER

DNV Research celebrated its 50th anniversary.

### 1 OCTOBER

DNV Certification launched Risk Based Certification™, its exclusive approach to all management system certification.

### 4 DECEMBER

DNV celebrated its 140th anniversary.

## STATUS

With the objective of safeguarding life, property, and the environment, 2004 was a year of considerable activity in all DNV's four business areas; DNV Maritime, DNV Certification, DNV Technology Services and DNV Consulting.

### DNV MARITIME

The total DNV-classed fleet:

5,083 ships and offshore installations (5,100 in 2003),  
16,6 per cent of the world fleet (16,4 percent in 2003).

### DNV CERTIFICATION

ISO 9001: 39,634 certificates

ISO 14001: 6,033 certificates

Other certificates: 12,767

Total certificates: 58,434 (45,542 in 2003).

### DNV TECHNOLOGY SERVICES

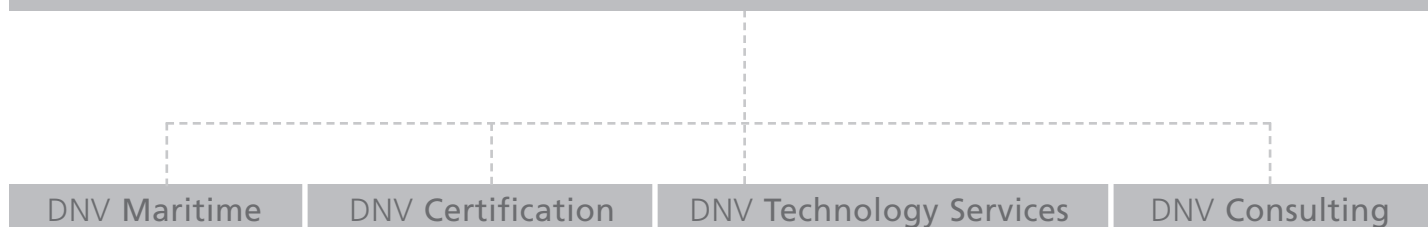
DNV-classed rigs:

158 offshore installations (147 in 2003), including mobile rigs,  
jack-ups, floating production ships and drill ships,  
representing 17 per cent of the total number of units.

### DNV CONSULTING

High level of impact on client's business performance  
in delivering DNV's objective.

## Det Norske Veritas



6,200 people in 300 offices in 100 countries.

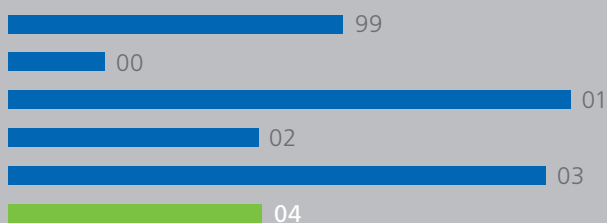
## KEY FIGURES

### Operating revenue



> Operating revenue for the  
year 2004 NOK 5,957 million

### Profit for the year



> Profit for the year 2004  
NOK 148 million







# Taking pride in managing risk

Established in 1864, Det Norske Veritas (DNV) has the objective of safeguarding life, property, and the environment. Our core competence is to identify, assess, and advise on how to manage risk.

Managing risk is at the core of everything we do, all over the world. Whether we classify a ship, certify an automotive company's management system, or advise on how to best take care of an aging oil platform, managing risk is our main focus and priority.

DNV is an independent, autonomous foundation. This means that we can balance the needs of business and society, based on our independence and integrity.

## GLOBAL REACH

DNV is an international company with 300 offices in 100 different countries. Headquartered in Oslo, Norway, DNV's global network is linked together by state-of-the-art information technology that enables us to create value for our customers in a consistent manner worldwide.

Our prime assets are the creativity, knowledge, and expertise of our 6,200 employees from more than 80 different nations, most of them highly qualified.

## OUR BUSINESS AREAS

DNV operates in multiple industries internationally, and is organised into four business areas.

## DNV MARITIME

DNV Maritime is a world-leading classification society, helping the maritime industry to manage risk in all phases of a ship's life, through ship classification, statutory certification, fuel testing, and a range of technical, business risk and other competence-based services. DNV Maritime develops rules and establishes requirements to ships, and our surveyors ensure that these requirements are met.

## DNV TECHNOLOGY SERVICES

DNV Technology Services is a leading supplier of services to the oil, gas, energy, and process industries, leveraging our cutting-edge technologies, industry knowledge, and

global network. We help our customers create confidence and enhance performance in all phases of their assets' lifetimes through technology qualification, risk-based verification, offshore classification, and asset-operation services. DNV Technology Services makes R&D results and recent industry experience available through the DNV Offshore Codes, thus establishing an industry standard.

## DNV CERTIFICATION

DNV Certification is a world-leading certification body in verification, assessment, and certification, providing trust and confidence to customers and stakeholders. Our customer base includes small and large companies in most industries. Key industries are food, automotive, aviation, and finance.

## DNV CONSULTING

DNV Consulting is a different type of consulting firm, combining business risk and technical competence with genuine industry knowledge and a strong business orientation. DNV Consulting helps clients to safely and responsibly improve their business performance by providing state-of-the-art solutions to a wide range of issues involving safety, security, environmental and business risks. The primary market sectors include upstream oil and gas, the process industries, transportation, utilities, ICT, food and beverage and the public sector.

## LOOKING TO THE FUTURE

DNV invests in research to develop future services that will safeguard life, property and the environment. Through exploring new technologies and building knowledge, our customers are provided with the best possible value over a long-term perspective.

Wherever we are, and whatever we do – 6,200 DNV colleagues take pride in working for a knowledge based organisation with a broad range and depth of competence.



### THE DNV MANAGEMENT TEAM, from left:

- > Chief Technology Officer **Wiggo Smeby**
- > President and Chief Executive Officer  
**Miklos Konkoly-Thege**
- > Chief Legal Officer **Amund W. Skou**

- > COO DNV Technology Services  
**Elisabeth Harstad**
- > Chief Relations and Communications  
Officer **Tom Virik**
- > Chief Financial Officer **Torolf Aadnesen**

- > Chief Human Resource and Organisation  
Officer **Paul S. Campbell**
- > COO DNV Maritime **Tor E. Svensen**
- > COO DNV Consulting **Iain M. Light**
- > COO DNV Certification **Henrik O. Madsen**

“ to safeguard life,  
property, and the environment ”



# A more complete picture

Increased transparency is a growing expectation regarding all aspects of society – not least the business community. Business performance is today far more than a company's financial bottom line, and needs to be reported on accordingly.

Managing the new risk reality means staying ahead in all facets of sustainable development: economically, environmentally and socially. This is referred to as the triple bottom line; representing a balance which increasingly focuses on the need to align corporate goals with those of society.

DNV's customers, employees, and society at large expect corporate transparency, and that our business decision-making is linked to ethical values.

Transparency is demanding. It exposes business practices and behaviour, and thus becomes an important mechanism for demonstrating ethical and sound business performance. At the same time, the risks involved in running substandard – or unethical – operations increase.

It is hardly controversial any longer to state that the business community has obligations far beyond maximising profit. Furthermore, meeting "non-financial" objectives is key to long term sustainability. There are obligations to society, represented by the environmental consequences of operations, and both political and social implications in local communities.

The Global Reporting Initiative (GRI) is a multi-stakeholder process and independent institution, whose mission is to develop and disseminate globally applicable sustainability-reporting guidelines. DNV supports the GRI with its guidelines on triple bottom line reporting, and this year we are broadening our reporting routines.

We have introduced key elements from the GRI in the way we report on DNV's performance in 2004. We believe this gives a more complete picture of our contribution to our customers and to the society in which we operate, and that it reflects the core DNV values in a holistic manner.

Triple bottom line-reporting is a very relevant approach for DNV, as an independent foundation, to report on how we meet our objective. This objective is "to safeguard life, property, and the environment" while running an efficient and profitable operation.

In conclusion, I am reasonably satisfied with meeting our goals on all three fronts, based primarily on the dedicated efforts of all our 6,200 employees.



MIKLOS KONKOLY-THEGE  
President and Chief Executive Officer



THE BOARD OF DIRECTORS OF DNV, from left (Tom Ruud was not present when the photo was taken):

> Knut Vågnes

> Unni Marsteinstredet Aagedal

> John H. Wiik

> Bente Rathe

> Axel C. Eitzen

> C. Maury Devine

> Atle Bergshaven

> Audun Brandsæter

# Board of Directors' report 2004

Driven by a strong focus on operational safety and efficiency, demands for technical and business risk services have risen significantly. As one of the world's leading providers of services for managing risk, DNV has strengthened its position in the main markets throughout 2004 by leveraging its core competence: identifying, assessing, and advising on how to manage risk.

To create a sustainable business and meet the expectations of stakeholders and society at large, DNV has focused on providing services of a high quality. This commitment to quality has resulted in an unprecedented growth in the demand for DNV class. As much as 20 per cent of contracted new tonnage in 2004 is being built to DNV rules. In the global Port State Control statistics, DNV-classed vessels have the lowest detention ratio.

The introduction of Risk Based Certification™ represents a revitalisation of management system certification that has been applauded by both accreditation bodies and key customers. Risk Based Certification adds more value to the certification process for the customer, and will further strengthen DNV's position as one of the world's leading certification bodies.

New investments have strengthened DNV's position as a provider of risk-related services in the oil, gas and pipeline markets. In order to improve its ability to serve pipeline operators, DNV acquired the US-based company CC Technologies, a leading provider of risk-related services to aging US pipeline systems, early in 2005. Other acquisitions include Primalux, Jardine & Associates and Alpha.

The Board remains committed to financial independence in order to maintain the integrity of DNV's services. In 2004, DNV's equity ratio was 66.9 per cent. The operating profit came to NOK 389 million, to which the sale of an office building in London contributed considerably, compared with NOK 459 million in 2003. Net profit for 2004 amounted to NOK 148 million, down from NOK 308 million the year before. The unusually high tax cost in 2004 relate to one time effects of changes to the Norwegian tax law.

The Board of Directors considers the company's financial situation to be satisfactory. The relentless pressure on prices and profit margins, however, demonstrates the need for a continuous focus on effective and efficient operations.

We have celebrated DNV's 140th anniversary through both external and internal events. The objective of "safeguarding life, property, and the environment" is deeply rooted in the organisation. Not many companies can demonstrate continuous operations – and an ability to be innovative – throughout one and a half centuries. Fifty years ago, in 1954, DNV established a dedicated research department. The new scientific approach to rule development repre-



**Mr. Atle Bergshaven** was in May 2004 elected as Chairman of the Board of Directors. **Mr. Wilhelm Wilhelmsen** stepped down after having served 22 years on the Board.



sented a quantum leap for DNV and for ship classification. From then on, the research activities have been instrumental in the development of new technologies as a basis for DNV services.

The Board of Directors works to ensure that DNV complies with all relevant principles for good corporate governance. During 2004, the Board conducted an overall review of its work with the assistance of an outside consultant. KPIs were established for the Board itself, and the Board strengthened and developed, together with management, an effective and comprehensive succession planning system for DNV executives.

In May 2004, Mr. Atle Bergshaven was elected Chairman of the Board of Directors. Mr. Wilhelm Wilhelmsen stepped down after having served 22 years on the Board, the last ten as Chairman. Ms. C. Maury Devine was elected Vice Chair. The Council elected Mr. Axel C. Eitzen as a new member of the Board.

#### STRATEGIES AND MARKETS

DNV's main strategic goal is to become "the world's leading classification society and certification company, and a leading technology and business-risk consulting firm". While striking the right balance between growth and profitability, quality remains the basis for our operations. The 2004–2008 Strategy Plan's targets for generic and profitable growth are ambitious. Acquisitions will be given continuous consideration in order to achieve future growth.

#### DNV MARITIME

In the maritime area, DNV's strategic ambition is to become the world's leading classification society in terms of quality and profitable growth. The joint initiative from the three leading classification societies, ABS, DNV and LR, to establish common structural rules for tankers is a significant development within the maritime safety regime. By working with one set of common class rules as the basis for design approval and new-building construction, competition between the classification societies in the future will be based on service and expertise, not to the same extent on safety levels. The process of harmonising the rules is complex and demanding.

The International Maritime Organisation (IMO) has started the process of defining the division of responsibilities between the IMO and class societies. The IMO may assume responsibility for formulating goal-based safety standards at the highest level, while the class societies will develop the detailed technical prescriptive rules. The safety acceptance criteria of the harmonised tanker rules are in line with what is expected to be the main approach of the IMO.

DNV is concerned about the increase in chemical-tanker total losses, and is participating in a joint working group with the industry to identify measures to reduce the increasing number of accidents on chemical tankers. The main focus is on operational procedures and inert gas systems.

Within ship classification, DNV's share of the world fleet measured in gross tons is approximately 16.6 per cent, about the same as in 2003. Of newbuilding tonnage contracted during 2004, DNV's share of the world market was more than 20 per cent measured in gross tons. This represents 402 ships. A total of 5,083 vessels, representing 103 million gross tons, were classed by DNV at the year-end 2004.

Ships classed with DNV have the lowest detention rate, according to the worldwide Port State Control (PSC) statistics. During the three-year rolling period from 2001 through 2003, an estimated 90 per cent of world ship detentions were carried out under the four leading PSC regimes: the Paris MOU\*, Tokyo MOU, Indian Ocean MOU and US Coast Guard. Of these, DNV-classed vessels were found to have the lowest detention ratio at just 2.8 per cent of ships inspected. The average of the IACS members is 4.5 per cent, while the corresponding non-IACS detention ratio is 22 per cent.

At the Lloyd's List Maritime Asia Awards in November 2004, DNV was awarded the prize as "The Best Classification Society in Asia". Criteria for the award included the company's global network, number of vessels classed, value-added services, customer satisfaction, and new ship types entered into at new yards. The prize was awarded by a panel of experts who represented all facets of the Asian shipping industry.

\* MOU - Memorandum of Understanding.



#### DNV CERTIFICATION

Within certification, DNV's strategic ambition is to become the preferred provider of certification and conformity-assessment services, founded on a risk-based approach.

The introduction of Risk Based Certification is an important strategic move and represents DNV's exclusive approach to management system auditing. Recently, there has been increased demand for more value-added services from the accredited system certification process. Risk Based Certification introduces elements of risk analysis as input to the customers in their efforts to improve operations. Extensive training of auditors has been carried out during 2004 in order to deliver consistently with regard also to risk elements.

The demand for quality management system certification has been stable, indicating that important markets have matured. There is still considerable growth in the demand for certification of environmental management systems. DNV is the world's leading player in the field of environmental certification, and among the top three in quality management system certification.

Multinational companies with production facilities in several countries are taking corporate control of the certification body selection process for the whole group. They are moving towards global systems for quality, environment and safety. This trend is expected to continue. DNV has established a global customer management system, and this will be further developed to meet the needs of customers.

DNV was the first company to be accredited by the UN Framework Convention on Climate Change to validate projects in which companies in industrialised countries invest in climate-change efforts in the developing world, based on the Kyoto Protocol. In the international magazine *Environmental Finance*, DNV has been selected as the world's most reliable verifier in the area of climate-change projects.

There is strong growth in the demand for corporate social responsibility services. DNV is well positioned and actively developing new services defined as sustainability services. Sustainability certification, or certification of non-financial assets, is a growing line of business. In 2004, we launched the DNV Verification Protocol for Sustainability Reporting, and acquired CoreRatings, an international rating company.

In April 2004, the DNV-classed fleet passed 100 million gross tons. The vessel that brought DNV past the 100 million mark was the container vessel *P&O Nedlloyd Caracas*, built at Samsung's yard in Korea for Danaos Shipping of Greece.



### DNV TECHNOLOGY SERVICES

In the area of Technology Services, DNV's strategic ambition is to be the preferred provider of technology services to the oil, gas, energy and process industries, leveraging its cutting-edge technologies, industry knowledge and global network.

International growth for our oil and gas services is important in order to balance the large volume of business generated on the Norwegian continental shelf. In the North Sea, an increasing share of DNV activities is focusing on the operational phase of the oil and gas fields. At the same time, competence and technologies developed in the North Sea represent key parts of our international expansion.

Areas for growth include Brazil, China, India, Angola, and the Middle East. In addition, operations were established in Russia and Libya. National safety regimes relating to offshore oil and gas exploration are gradually adopting elements from the safety regime developed for the North Sea. Risk analysis and assessments are becoming widely used. DNV's safety regime experience gained in the North Sea has become very valuable when working in these new areas.

New developments in offshore Liquefied Natural Gas (LNG) terminals represent areas of future growth for DNV. These also include floating LNG production, containment and offloading solutions.

Field developments are moving into deeper waters, requiring new technologies. The need for technology qualification has led to increased activity at the DNV offshore laboratory in Singapore, and the establishment of a new offshore laboratory in Bergen, Norway. Special focus is given to subsea umbilical systems, risers and moorings. Based on the DNV Pipeline Rules, the company is involved in most of the world's major offshore pipeline development projects.

### DNV CONSULTING

Within the field of consulting, DNV's strategic ambition is to develop a leading business and technology risk management consulting firm, providing solutions that integrate business risk and technical competence. The

aim is to help customers safely and responsibly improve their business performance.

The operations in 2004 have focused on Norway, the UK, Germany, the Benelux countries, and the US. Restructuring in some of the key markets has been necessary in order to improve profitability and market focus.

The majority of projects are still generated within the oil and gas industry. In Alaska, DNV is assisting the owners of the Trans-Alaska pipeline to comply with requirements for the re-approval of their oil spill response plan, following their planned major changes in how the pipeline will be operated.

Aviation is an area where we have carried out several high-profile projects. In Maastricht in The Netherlands, DNV is helping EUROCONTROL (The European Organisation for the Safety of Air Navigation) to develop an integrated management system. Such a system was recognised by EUROCONTROL to enhance their business processes whilst at the same it will meet requirements of the EU's new European Single Sky Policy.

In late 2004, DNV conducted a security review of the Munch Museum in Oslo, Norway. The security review was initiated following the armed robbery of two of Munch's most famous paintings, "The Scream" and "Madonna". Due to the review's extensive findings, several other art museums have now asked DNV to carry out similar security reviews.

### ORGANISATION AND HUMAN RESOURCES

On 31 December 2004, DNV had 6,236 employees. This includes 5,993 permanent staff and 243 staff employed on time limited contracts. 84 nationalities are represented on the staff. The turnover of personnel during the past 12 months was 5.7 per cent, compared to 6.1 per cent in 2003. The Board acknowledges the dedicated efforts of all the employees in fulfilling DNV's objective.

Corporate and business-area goals and action plans to increase gender diversity are in place, together with measures to track status and progress. At the end of 2004, 30.6 per cent of the DNV staff were female, compared to 30.1 per cent at the year-end 2003. A special

project is working towards achieving equal percentages of female managers and female employees. One priority is to identify women with leadership potential, particularly within the technical field. In 2005, DNV will establish an international mentoring programme for female technical managers, with senior managers as mentors.

DNV's pension schemes have been or are in the process of being changed in several countries, including Norway, the UK, Japan, Germany, Belgium and Greece, moving from defined benefit to defined contribution schemes. The transition to a defined contribution scheme for employees entering the company from 2005 and onwards will gradually reduce DNV's long-term financial risk. Employees who are covered by the defined benefit schemes will be offered the chance to transfer to the defined contribution scheme where relevant.

By introducing an Ombudsman, DNV acknowledges the importance of employees having a trusted route to voice ethical concerns or obtain guidance when faced with difficult ethical choices. The Ombudsman reports to the CEO, and has an option to report directly to the Control Committee when this is felt relevant.

#### SAFETY, HEALTH, AND THE ENVIRONMENT

The goals of zero injuries and no occupational illnesses incurred by our employees, and no incidental pollution to the environment, are important focus areas. The level of reported lost-time accidents compares favourably with general industry standards. The rate of sickness-related absence was 2.2 per cent, compared to 2.6 per cent in 2003.

DNV's own activities do not have any significant negative impact on the environment. Recycling programmes are in place in most offices to handle paper and other consumables, and we are striving to reduce our energy consumption.

#### FINANCIAL RESULTS

2004 has been a variable year for DNV. In particular, a generally strong global economy has resulted in a long-term order reserve for DNV that is better than ever. Due to high freight rates in the shipping industry

we did, however, experience that many of our customers postponed non-essential work.

DNV achieved revenues of NOK 5,957 million in 2004, NOK 195 million more than in 2003. The growth was within DNV Technology Services and DNV Maritime. DNV Certification saw a small reduction in business volume, as a very high share of its customers completed the transition to the new ISO 9000:2000 standard in 2003, leading to a reduction in recertification in 2004. DNV Consulting has in 2004 downsized and restructured its operations in some market segments while we see sound growth in others. The incorporation of Q-Labs AB from 1 May 2004 has added revenue of NOK 93 million.

The operating profit decreased from NOK 459 million in 2003 to NOK 389 million in 2004, representing an operating margin of 6.5 per cent. The difference in operating profits between 2003 and 2004 is mainly explained by an office building in London which was sold in 2003, producing an operating gain of NOK 72 million compared to its book value.

DNV does business in 70 different currencies and has subsidiaries and branch offices in close to 100 different countries. The change in net financial items from NOK -80 million in 2002 to break even in 2003 and NOK -52 million in 2004 is mainly explained by the direct and indirect effects of fluctuating exchange rates.

The tax cost of NOK 190 million is extraordinarily high in 2004. DNV suffers from an increasing degree of double taxation, and the Norwegian tax reform approved by the parliament in November 2004 turned out to be very negative for DNV. The deferred tax asset on DNV's balance sheet had to be reassessed based on the new legislation, and has been written down in the 2004 accounts. The net profit after tax in 2004 came to NOK 148 million, compared with NOK 308 million in 2003 and NOK 140 million in 2002. The Board of Directors considers DNV's financial performance in 2004 to be satisfactory.

At year-end, DNV had a sound cash flow, no interest-bearing debt, bank deposits of NOK 1 billion and unused available credit lines of NOK 750 million. The balance sheet is strong, with a total equity of NOK 3,119 million, or 66.9 per cent of DNV's total assets.

For the parent company, the DNV Foundation, the accounts show a loss after tax of NOK 4.7 million, which has been covered by Other Equity. The Board of Directors confirms that the financial statements are based on the going-concern assumption.

#### FUTURE OUTLOOK

Exchange-rate fluctuations have a major impact on the revenue measured in NOK, as 75 per cent of the revenues are generated in currencies other than Norwegian kroner. DNV incurs 34 per cent of its costs in Norway. A rise in the NOK exchange rate reduces the competitiveness of our resources in Norway compared with other countries.

The order reserve is very satisfactory at the start of 2005, and DNV expects sound growth in its revenues in 2005, with an operating profit on about the same level as in 2004.



ATLE BERGSHAVEN  
Chairman



AUDUN BRANDSÆTER



BENTE RATHE



C. MAURY DEVINE



AXEL C. EITZEN



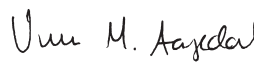
TOM RUUD



KNUT VÅGNES



JOHN H. WIIK



UNNI M. AAGEDAL



MIKLOS KONKOLY-THEGE  
President and Chief Executive Officer

**ATLE BERGSHAVEN** – Chairman of the Board of Directors. Member of the Board 2003. Chairman and CEO of Bergshav Group of companies. Member of the Board of Norwegian Hull Club and North of England P&I Club. Council member of Intertanko.

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

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

**AXEL C. EITZEN** – Member of the Board 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.

**BENTE RATHE** – Member of the Board 2003. Chairman of the Board of Petoro AS and Enviro Energi ASA. Member of the Board of Svenska Handelsbanken AB, Kongsberg Automotive ASA and Powel ASA. Former Executive Vice President Gjensidige NOR, CEO Gjensidige Bank AS and Elcon Finans AS.

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

**TOM RUUD** – Member of the Board 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.

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

**UNNI MARSTEINSTREDET AAGEDAL** – Member of the Board 2002. Elected by the employees of DNV. Principal consultant, DNV Consulting, Region Norway. Joined DNV in 1999.





# Passing the 100 million grt milestone

The container vessel *P&O Nedlloyd Caracas* was delivered in April 2004 from Korean yard Samsung Heavy Industries to Greek shipowner Danaos Shipping. With this delivery DNV passed 100 million gross tons.





Never before has DNV classed such a large share of the global shipping fleet, with a total of 16.6 per cent now to DNV class. The DNV share of the newbuilding tonnage contracted during 2004 amounted to 20 per cent (13.3 million gross tonnes), representing 402 vessels. A total of 5,083 vessels were classed by DNV at year-end 2004, which equals 103 million gross tonnes.

On the last day of 2004, as DNV celebrated 140 years of operation, the 140th vessel of 2004 was ordered to DNV class in Korea. In 2004 Korean yards rated DNV as the best class society for the fourth consecutive year, and the entire shipping industry in Asia voted DNV the best class society with DNV receiving the Lloyd's List Maritime Asia Award at a ceremony in Hong Kong. The criteria for this award include global network, number of vessels classed, value of service to customers, customer satisfaction and new ships contracted to DNV at new yards. The

global team efforts by the employees of DNV Maritime represent the key factors behind the many successes of DNV in 2004.

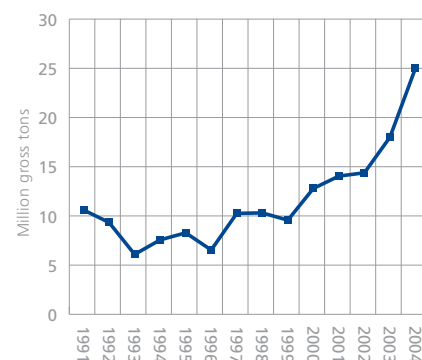
#### TECHNOLOGY DEVELOPMENTS

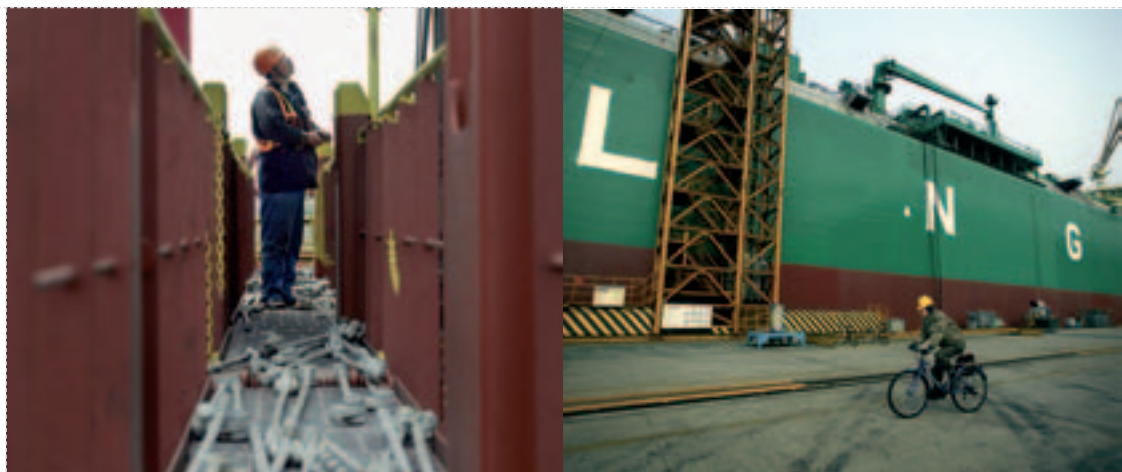
The most important technical developments for DNV in 2004 were within the areas of LNG, cold climate and vessel structures. In addition, there has been a substantial focus on the Nautical Production System in order to further enhance the quality of our services and shorten our response time for DNV to remain competitive and cost effective.

#### THE EXCITING LNG MARKET

Over the next five-year period, the global LNG fleet will increase to a total of more than 300 vessels compared to the entire fleet of 177 vessels currently trading (year-end 2004). This is a dramatic increase. While traditionally the LNG trade has been from the Gulf of Mexico to Europe, as well as from

Development of the DNV TOTAL ORDERBOOK





South East Asia to Japan and Korea, many of the new vessels will trade in tougher weather routes such as from the North Atlantic and the Barents Sea to the US East Coast and southern Europe. DNV has always played a central role in LNG shipping, and was active in the development of both the spherical tank and the membrane tank designs. About 20 per cent of all LNG vessels ordered during 2004 were to DNV class.

As new trades are evolving, large LNG carriers will be built with alternative propulsion systems such as large diesel engines or diesel-electric propulsion. The largest LNG vessels to date (216,000 m<sup>3</sup>) are thus contracted with slow-speed diesel engines. In rougher weather conditions, expected in these emerging trades, sloshing in partially filled tanks is an issue, but DNV has a long history of research into sloshing, including model experiments, and we can assist our clients with the appropriate solution.

#### COLD CLIMATE AND ARCTIC SHIPPING

Headquartered in the North and with our traditional clients trading in these waters, DNV has over the years gained unique experience in ship operations in cold climates. There are about 1,760 ice-strengthened vessels of all types in operation, including 380 tankers to DNV class, making DNV by far the market leader among class societies on cold-climate shipping. Furthermore, almost 50 per cent of all tankers currently on order with ice-class strengthening are to DNV class.

DNV has established a specific research programme, "Operation in Cold Climate", with class services being developed for strengthening of the hull to face this harsh environment and requirements for de-icing of vessels operating in these cold-climate waters. The programme considers all aspects of cold-climate operations. The DNV Ice Class Rules were further developed during 2004 and apply to oil tankers and LNG vessels, the two vessel types most commonly involved in Arctic trade.

#### COMMON STRUCTURAL RULES FOR DOUBLE-HULL OIL TANKERS

The Joint Tanker Project now nearing its completion is the result of an initiative taken by the three classification societies DNV, ABS and LR. The objective is to raise the level of safety, reliability and durability and develop common structural rules with clearly stated goals. Following close to three years of development, the new common rules are scheduled for publishing in 2005. Throughout the development project, interaction with the industry, yards, owners and regulators such as IMO, has been an important element to ensure that the final Rules meet industry expectations.

#### QUALITY

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

One important measure of quality is the number of vessels detained by Port State Controls for deficiencies related to class. Once more, taking the rolling average of the past three years and on a global basis, DNV-classed ships achieved the least number of detentions – an expression of quality both with respect to the owners classing with DNV and of the contribution DNV makes to ensure the quality of its classed fleet.

The following statement by Graham Westgarth, Teekay's Senior Vice President in charge of operations, epitomises the common industry view on quality:

"Quality forms the basis of our philosophy and to me, quality is made up of three parts: First of all, quality is about our service to our customers in ensuring they receive their products on time. Secondly, it is about the physical quality of our assets – the Teekay vessels and our brand equity. Thirdly, it is about our customers seeing us as being innovative and steadily improving our performance."

➤➤ IT IS DIFFICULT TO PREDICT THE MARKET.  
WE ANTICIPATED GROWTH IN ARCTIC AND LNG SHIPPING  
AND GEARED UP TO MEET THE DEMAND. ⏪⏪







# Turning risks into rewards

Introducing Risk Based Certification™ is a paradigm shift in management system certification.





Aiming to improve the value of DNV's certification services, Risk Based Certification was launched towards the end of 2004. Representing a new approach to accredited management system certification, Risk Based Certification has been applauded by both accreditation bodies and key customers, as well as by DNV's own staff.

Although the regular certification requirements have been the foundation for this enhanced method, Risk Based Certification has been developed from the idea that certification processes should be tailored to the unique needs of each customer.

As part of the preparations for an audit, companies are asked to describe their most important business risks. Through discussions a critical few areas are identified, and the audit is tailored to focus especially on these. Taking a company beyond compliance to any standard, Risk Based Certification is considered vital to assist compa-

nies in identifying key improvement areas. Through the audits top management receive better information on the organization's ability to meet strategic objectives.

All auditors were trained during the year to ensure consistent delivery of the new certification approach. Risk Based Certification adds more value to the certification process for the customer, and is expected to further strengthen DNV's position as one of the leading certification bodies worldwide.

#### MANAGEMENT SYSTEM CERTIFICATION

DNV is the world's leading company in the field of environmental certification, with a worldwide market share of about eight per cent. For quality management system certification, DNV is among the top three worldwide, with a market share of about six per cent. All in all, DNV has issued more than 50,000 accredited management system certificates.





#### SPECIFIC INDUSTRIES

DNV's focus on specific industries has yielded good results, and the company will continue to identify and select new priority industry sectors. The automotive industry requires its suppliers to certify their quality management systems according to ISO/TS 16949, and DNV Certification has experienced a positive development towards this sector in 2004. Addressing food safety through HACCP and other standards, the food industry is a growing sector for DNV. Other defined key sectors are the aerospace industry and the telecommunications industry, both with growing results last year.

#### GLOBAL CUSTOMERS

Multinational companies with production facilities in several countries are taking corporate control of the certification-body selection process. This is happening concurrently with a move towards the establishment of integrated quality, environment and safety management systems. Expecting this trend to continue and to better serve companies with a global approach to management system certification, DNV appointed a number of global customer managers in 2004. DNV Certification has the organisation, knowledge and skills to manage global, multi-standard certification projects.

Achieving positive results, especially in the second half of 2004, this global customer management approach will be further developed to meet the needs of DNV's customers.

#### SUSTAINABILITY SERVICES

Realising that DNV's greatest influence and contribution to sustainable development is through a full Corporate Social Responsibility (CSR) service menu, new services were included in the portfolio in 2004.

Expecting a growing demand for CSR services, DNV acquired CoreRatings in 2004. With the acquisition of CoreRatings,

the leading European rating agency for extra-financial risk assessment and rating, DNV recognises the need for companies to provide more transparent and reliable information on their intangible values and material risks. CoreRatings takes an investor's view of corporate governance and corporate environmental and social performance.

Satisfying the call for the measurement of material investment risks, the combined expertise of DNV and CoreRatings makes a full range of corporate responsibility and corporate governance services available.

Based on internationally recognised principles, DNV has developed its own verification protocol for sustainability reporting. Companies can now have their contribution to sustainability verified – an emerging business that DNV expects to grow significantly.

DNV is the world-leading certification body for offshore wind farms, a highly interesting and growing market sector in which DNV will continue to strengthen its efforts.

#### CLIMATE CHANGE SERVICES

Being the first company accredited by the UN Framework Convention on Climate Change, DNV's strong position in the international climate-change arena was confirmed in 2004. DNV Certification is accredited to validate projects where companies in industrialised countries invest in climate-change efforts in the developing world.

Towards the end of the year, the UN formally registered the first climate-change project to be generated by the Kyoto Protocol; utilising gas from a Brazilian waste plant, electricity is generated. Paving the way for an array of other energy projects, the Brazilian project was validated by DNV, meaning that DNV assessed the project design. With Russia's ratification of the Kyoto Protocol towards the end of the year, the market for climate-change services is expected to increase. DNV is well prepared to meet this market demand.

» » TO EXERCISE CORPORATE SOCIAL RESPONSIBILITY,  
COMPANIES MUST STRIVE TO BALANCE THEIR  
ENVIRONMENTAL, SOCIAL AND ECONOMIC PERFORMANCE. « «



Having developed methodologies to ensure credible audits, DNV Certification has previously been accredited under both the

Californian Climate Action Registry in the US and the UK Emissions Trading Scheme.



# Pushing technological boundaries

Combining cutting-edge technology knowledge, and industry experience, DNV Technology Services is on its way to become a preferred provider for the oil, gas, process, and energy industry.





Moving into yet deeper waters, new technologies are required by the industry, and the need for technology qualification has led to increased activity. The offshore laboratories in Singapore, Oslo, and Bergen have also experienced increased activity. New offshore Liquefied Natural Gas (LNG) terminals also represent areas of growth.

Having developed the worldwide recognised DNV Pipeline Rules, the DNV Technology Services is involved in most of the world's major offshore pipeline development projects. Russian energy major Gazprom is adopting DNV's offshore standard as their corporate standard. To further strengthen DNV's ability to serve onshore pipeline operators, US-based CC Technologies was acquired.

Balancing the large volume of business generated on the Norwegian continental shelf, significant growth was ensured in Brazil, China, India, Angola, and in the

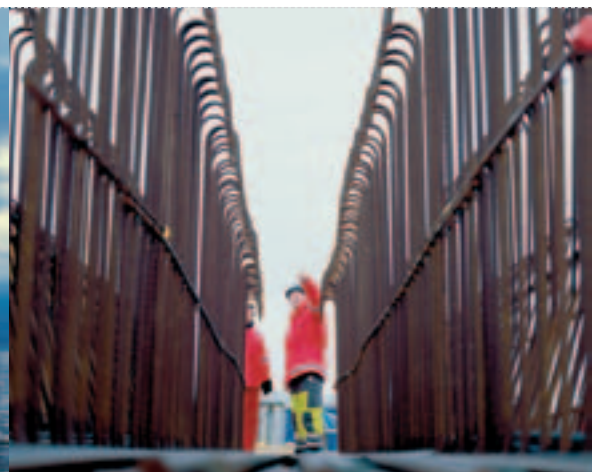
Middle East. In addition the infrastructure was developed further in Russia and Libya.

Dividing its services into the four categories of technology qualification, asset operations, offshore class, and verification, four projects are here presented as highlights of 2004.

#### TECHNOLOGY QUALIFICATION ON ORMEN LANGE

A giant prehistoric landslide created the uneven seabed above the Ormen Lange field, with steep slopes and obstacles up to 50 metres tall. Located 120 km off the west coast, Norway's first deepwater project with water depths between 800 and 1,200 metres will be developed using subsea installations and 120-km long pipelines.

Operator Norsk Hydro engaged DNV in many tasks to identify and mitigate the risks involved, among them the qualification of new pipeline technology. The extreme con-



» » RISK-BASED APPROACHES ARE THE MOST EFFECTIVE AND TRANSPARENT WAY TO INCREASE TRUST AND CONFIDENCE IN NEW AND AGING FACILITIES. « «

ditions combined with a long tie-back distance made technology qualification vital for the operator. Finding new technological solutions to get the pipelines up the slide surface, DNV has developed project-specific free-span guidelines.

Taking into account several vibration modes activated at the same time, laboratory tests were carried out, leading to greater understanding of the pipeline response and fatigue resistance. The research proved that pipelines are more robust than previously considered. The new free-span guidelines will be integrated into DNV's Pipeline Rules in 2005.

#### ASSET OPERATIONS ON THE BELANAK FIELD

Located in the South China Sea, Conoco-Phillips' Belanak field facilities utilise one of the largest and most complex floating production, storage and offloading (FPSO) vessels ever built. Using DNV's state-of-the-art risk-based maintenance methodology, Belanak's inspection and maintenance concept has been developed. The scope of work included the FPSO, wellhead platforms and oil-offloading buoy.

Developing the maintenance and inspection programme for the hull, structure and topside equipment, DNV's advanced methodology for risk-based inspection and reliability-centred maintenance was combined with the ORBIT software.

Due to the project complexity, different disciplines were involved: a risk-based inspection team for pressure systems, a risk-based inspection team for structure, and a reliability-centred maintenance team.

The DNV project teams started from the Belanak operating philosophy and SHE policy, progressively working towards developing the inspection and maintenance strategies that finally translated into inspection and maintenance work packs that were uploaded into Belanak maintenance management system for implementation.

#### OFFSHORE CLASSIFICATION OF PETROBRAS' P-51 AND P-52

Being the largest semi-submersible offshore units to operate in Brazil, the Floating Production Units (FPU) P-51 and P-52 are considered a milestone in Brazil's local shipbuilding history, due to Petrobras' requirements regarding local content. Designed for operation at water depths of 1,225 and 1,800 metres, off the coast of Rio, the platforms will produce 180,000 bpd each. The whole P-51 unit, except for nodes, will be built in Brazil, while for P-52 the deck box and modules are being built in Brazil and the lower hull in Singapore.

DNV in 2002 signed a verification contract for their front-end engineering design. Petrobras also chose DNV to classify the two FPUs with the additional class notation PROD, meaning that DNV also classifies the production plants. The classification work involves a design review, carried out at DNV's headquarters, as well as fabrication surveys in four different sites, carried out from Brazil and Singapore simultaneously.

Meeting customer demands, DNV has managed to cut the approval time significantly by using state-of-the-art IT and Nauticus in close cooperation with Keppel FELS in Singapore and Technip in Rio.





#### VERIFICATION OF THE HOLSTEIN PROJECT

Consisting of fifteen wells tied back to the truss spar platform, the BP-operated Holstein field is located in a water depth of 1,400 metres in the Gulf of Mexico. With production start in December 2004, this cutting-edge technology project is designed to process 110,000 barrels of oil and 150 million standard cubic feet of gas daily.

DNV has been heavily involved all the way in following up the engineering; concept, detailed engineering, construction, transportation of the hard tank, wet mating of the truss and hard tank, towing of the hull to the field, and installation of the hull, mooring system, and the suction piles.

Built in Finland, the hard tank is one of the largest solid objects – 88.7 m wide and 45.5 m in height – ever transported transverse on a heavy-lift vessel. It is also the largest truss spar hull and mooring system in the world, and involves the first-ever use of a spar-supported riser tension system.

DNV has carried out risk analyses regarding blow-out from the risers during production, installation and workovers, work related to the lifting and installation of the top-side, and blow-out during drilling operations. An extensive third-party review of the documentation and verification analysis was carried out for the platform's top-tensioned production risers and the export oil and gas steel catenary risers.



# Responsible solutions to business challenges

In 2004, activity increased in areas such as systems and software, food safety, and aviation, where safe and responsible solutions were implemented to address business challenges.



DNV Consulting provides integrated business-risk and technical solutions to customers in its primary market sectors – upstream, process, transportation and general industries. The main service areas include enterprise risk management, asset risk management, safety and environmental risk management, and systems and software risk management. In 2004, DNV Consulting achieved a very high average customer-satisfaction score: 4.3 out of a possible top score of 5.

There were some interesting trends in 2004: strategic projects were delivered, where management decision-making processes involving safety, security, environmental and business risks were enhanced and influenced, positioning DNV higher on its customers' senior management agendas. The general industry sector performed very well and penetrated new and exciting markets for DNV.

The former DNV Technology Services unit of the Benelux region joined DNV Consulting on 1 January 2004. Most of the activities in this region are within the process, transportation and general industry market sectors, hence strengthening the DNV Consulting portfolio.

Areas such as systems and software, food safety, and aviation experienced growth last year. When working in such diverse areas, DNV Consulting delivers different types of projects. Here are some examples from the four business sectors.

#### UPSTREAM

The operator of the Trans-Alaska Pipeline System, Alyeska, contracted with DNV Consulting for assistance in analysing their business management processes.

Under the watchful eyes of regulators and special interest groups, approximately one million barrels of oil a day are trans-





ported through the 1,300-kilometer long pipeline, which crosses the entire State of Alaska and some of the world's most sensitive environmental areas.

DNV's original task was to verify the capability and effectiveness of Alyeska's management system, ensuring its compliance with all legal and regulatory requirements. DNV Consulting was hired to assist Alyeska improve the overall efficiency and effectiveness of their business.

Upstream, which delivers solutions to major oil and gas operators worldwide, is the largest market sector in DNV Consulting.

#### PROCESS INDUSTRIES

Nippon Gohsei, a multinational chemical corporation and Japan's oldest public chemical company, began operation of its new chemicals plant in the UK in June 2004. Nippon Gohsei required a seamless transition from the commissioning of its new plant to the operating phase. To achieve this, the company needed to capture the knowledge gained during commissioning to ensure successful operation, operate within the requirements of its Integrated Pollution Prevention and Control (IPPC) permit, promote continual improvement, and achieve ISO 9001 and 14001 certification.

DNV Consulting assisted in addressing these critical issues by developing an integrated business system that increased effectiveness by utilising synergies and common areas in HSEQ disciplines. This resulted in reducing costs and inconsistencies whilst increasing knowledge sharing and communication across the organisation. The project was extended in scope on several occasions as Nippon Gohsei was introduced to new services.

Within the process industries sector, risk management and business improvement services are offered to the refining, pharmaceuticals, metals and chemicals industries.

#### TRANSPORTATION

In 2004, the Schiphol aviation supply chain contracted DNV Consulting to carry out verification of its supply-chain process for calculation of the environmental effects. The aviation supply chain includes the Schiphol Group (Schiphol Airport), LVNL (Air Traffic Control The Netherlands), KLM, and NLR (the Dutch Institute for Aviation and Space).

Deliverables from the project gave important input to the parliamentary discussions regarding environmental limits necessary for the future expansion of air-traffic at Schiphol Airport.

The UK team continued to work with EUROCONTROL on a wide range of issues, while in Norway DNV Consulting entered into a three-year frame agreement contract with Avinor to provide safety management services.

The transportation industry sector focuses mainly on aviation and the continued efforts to build high-level risk management and safety management services. The rail industry also continues to meet risk and safety challenges, while road construction and management as well as inter-modal transportation represent growing areas.

#### GENERAL INDUSTRIES

Nordea, the largest bank in Scandinavia, is highly dependent on reliable and available IT systems. IT systems consolidation and operations outsourcing are ongoing activities placing additional requirements on their IT operations. To ensure the quality of their IT operations, Nordea asked DNV Consulting to conduct an independent evaluation of their IT operations including an IT risk assessment.

When two of Edvard Munch's famous art icons, "The Scream" and "Madonna", were stolen from the Munch Museum in Oslo in August 2004, DNV was asked by the City of Oslo Art Collections, to perform an analysis of the museum's security measures relating



» » IF YOU ARE A DIRECTOR OF A COMPANY LISTED ON THE  
LONDON STOCK EXCHANGE ... **RISK MANAGEMENT**  
SHOULD BE NEAR THE TOP OF YOUR AGENDA ‹ ‹

Nigel Turnbull



to fire, burglary and robbery. The DNV report, and the art robbery itself, made it clear to the Munch Museum that its security precautions had been incomplete.

Throughout Europe, the theft stirred considerable debate about how to protect valuable art. The museum will remain closed until summer 2005 in order to implement the immediate recommendations listed in the report.

General industries is a grouping of market segments including ICT, food and beverage, utilities, public sector, space, learning programmes, finance, media, construction, property and buildings, and development assistance. DNV's broad expertise in risk management and assessment is proving to be of increasing interest to these segments.

# Keeping the computers humming



Software and IT systems are extensively used to run business critical processes. This has introduced significant risks, as these complex and continuously evolving systems can, and sometimes do, break down. DNV has services aimed at managing these risks.

Information technology (IT) is now an integrated part of the modern business world. It evolves rapidly and is quickly implemented in businesses around the world. As new tools and functionality are brought online, the pace of business increases. Improved business efficiency is certainly the goal and often the result, but the continuous increase in speed and reliance on technology has inherent risks. As failure of IT systems can lead to disruption of critical business processes, security breaches, and much more, the ability to manage the risks of information and communication technology is crucial.

DNV has for decades built a foundation of knowledge and experience within IT that has come from extensive use of IT-systems, as well as close co-operation with customers and partners in multiple IT-intensive projects. One example of this in-house competence is DNV's own software-development house, DNV Software, which delivers innovative software solutions for the marine, offshore and process industries.

#### MITIGATING IT RISKS

Over the past few years, DNV has taken one step further, and developed a range of services tailored to help customers identify, assess and manage IT risks. These services build on the extensive knowledge of IT in DNV, as well as specialised competence from Q-Labs, a software process improvement firm where DNV is the majority owner.

At the end of 2004 more than 400 people worked with IT-related services in DNV, and an additional 100 in Q-Labs. This accounts for close to eight per cent of DNV's staff, illustrating DNV's depth of IT competence.

2004 also marked the launch of a DNV corporate initiative to further develop these services. The aim is to significantly increase DNV's ability to help clients efficiently manage their IT risks by combining the competence found within a number of relevant fields.

#### TECHNOLOGY AT THE CORE

DNV Corporate Technology runs the IT-systems for the widespread DNV organisation. Drawing on this experience, and on cooperation with DNV Consulting and DNV Research, a comprehensive IT strategy has been developed. The keywords for this strategy are standardising, sharing, and re-use. The strategy also encompasses concepts such as total cost of ownership, IT-service management, IT-risk management, IT security, and IT governance.

Based on the mentioned IT strategy and hands-on operational experience, Corporate Technology has developed DNV's IT platform "VerIT4Net." This internal product was packaged and sold to several external customers in the past year.

#### DNV'S UNIQUE RISK APPROACH

DNV has specialised in a risk-management approach for more than a century. It is the most efficient way of identifying those critical issues that can do most harm to business-critical processes, and provides solutions to assess and manage these risks in the best possible manner. Obviously, there exists no method to remove all risks in business, but DNV can help customers improve their information and software quality, optimise complex IT systems, and provide added security for business-critical processes.

DNV's objective was established in a time far removed from technology and software systems. However, as technology entwines itself into every aspect of human endeavour, including the protection of life, the safeguarding of property, and even the preservation of the environment, it is DNV's ambition to develop services that match that development.

#### DNV'S SERVICES AIMED AT MANAGING IT RISKS

##### Information Quality Management (IQM)

Data and information resources are valuable assets. Poor quality and management of these valuable resources are a major cost driver and a significant obstacle for business improvement. IQM provides services to improve the management, control and usage of data and information resources.

##### Q-Labs (a DNV company)

Q-Labs provides services to assist customers in development, acquisition and application of software and software-enabled systems. Q-Labs' consulting approach covers all aspects of the process; assessment and needs analysis, selection of performance and improvement goals, and practical implementation and project evaluation.

##### Managing Risk in Systems and Software (MRSS)

DNV Consulting offers a broad range of managing risk services; IT risk assessment, product and process assessment and improvement, information security, and IT service management. The focus is to assist customers to procure, develop and operate critical IT systems in a cost-efficient manner with the required business continuity and reliability.

##### DNV Validation Authority Services (VAS) for eSignatures

These are third-party trust services to enable effective use of electronic identification (eID) and eSignature for securing electronic business processes. DNV can provide independent validation of the identity and credentials of the interacting parties, and of the integrity of the information exchanged.

50 years of research

# A history of innovation



In connection with the 50th anniversary for DNV's research activities, the book "Impact" was published.



Fifty years ago, DNV took a significant and pioneering step by establishing a dedicated research department. Today, DNV is internationally recognised for its expertise in a broad range of industries.

Innovation to solve acute problems has a proven track record of success and is far more fertile than the occasional brilliant idea.

Way back in 1954, then CEO of DNV Professor Georg Vedeler appointed his former pupil, Egil Abrahamsen, as the first head of DNV's research department. Earlier the company had simply copied other leading class societies' rules, but this was the start of the modern, forward-looking DNV we know today. Egil Abrahamsen was CEO of DNV from 1966 to 1985.

Looking at DNV today, we see a technology company to be proud of. However, this did not come about by itself. Tomorrow's DNV will be built on the research and development projects initiated today.

#### PART OF THE BIGGER PICTURE

Egil Abrahamsen emphasises that a company can only hope that 5–10 per cent of its technology development will come from its own R&D work. "To achieve the remaining 90 per cent, there has to be a dedicated research department working closely with the organisation, customers and other industry players," he says.

Looking at the impact of the 5–10 per cent that is developed in-house in DNV, it is safe to say this is a sound investment.

Looking back, DNV's periods of strongest growth and profitability were associated with innovation and strategic decisions. For example, when DNV in the early 1950s realised it had to develop its own rules for ship classification based on scientific methods and in-house expertise, this combined innovation with insight and dedication. As a result, DNV became an international technology leader in many business areas.

#### SESAM – BACKBONE OF DNV'S SUCCESS

Acquiring SESAM from the Norwegian Institute of Technology in 1968 and making the strategic decision to develop it further was indeed a matter of innovation. Today

SESAM is recognised as the most comprehensive software system for structural and hydrodynamic analysis available to the offshore and maritime industries. Having been subject to continuous improvements, it has become a widely used tool and the basis of a broad spectrum of services for more than three decades.

#### NAUTICUS – LARGEST INVESTMENT EVER

Realising the importance of product models, DNV 15 years ago initiated the research that resulted in the product model Nauticus. An entirely new information, communication and data-tool infrastructure was developed through the largest single project investment in DNV's history. DNV Maritime is now a world leader in providing high-quality, IT-based services, and can integrate this infrastructure directly with those of its customers.

#### BROAD IMPACT – AND INTERFACE

DNV has a research portfolio of 36 projects for the European Commission, six of which it is in charge of coordinating. DNV has always participated in Joint Industry Projects and government-initiated R&D activities. What differentiates DNV from most typical industry players is its broad interface. DNV can contribute world-leading expertise with in areas ranging from ship design to biotechnology and management systems.

#### THE ENGINEERED APPROACH

In many ways, DNV has its own approach to innovation; characterised by reliance upon internal knowledge and by developing ideas "brick by brick" in a structured fashion. Above all, DNV's staff is able to combine the expertise throughout the organisation into a single concerted effort. This systematic approach has proved to have a higher success rate than what is typical for most innovation projects.

50 years of research

# Searching for opportunities



World premiere at Mercedes-Benz: an innovative nano-particle clearcoat offers three times greater scratch resistance and improved shine.

## Through strategic R&D DNV aims at discovering tomorrow's opportunities today.

Competitive advantage derives from continuously updated knowledge and expertise. It is vital to have an organisational culture that is prepared for change and can follow a path of “dynamic planning”, adopting the latest available knowledge and adapting to changed framework conditions.

Since 1995, DNV Research has regularly published its Technology Outlook, describing important trends and predicting the likely impact of fundamental and pioneering research. Having helped DNV assess which developments will be important to its way of working and in deciding on new service lines, these analyses have also helped to launch entirely new research programmes. Strategic research into biotechnology and biorisk management, for example, is a direct result of this approach.

### NEED FOR BETTER SOLUTIONS

It is easy to discover a need for better solutions to existing problems. For example, there is a real incentive to find better and safer ways to transport natural gas in compressed or liquefied form. The way we build our ships today stems from technical solutions developed half a century ago; it must surely be possible to find better ways? Similarly, could there be new ways of capturing renewable energy? Could we find better ways of reducing the risks of pollution and spread of disease? These are just some examples that may yield high rewards once good solutions are found.

The cost of investing in research and development to foster outstanding ideas is of little significance when the outcome is a major success.

### BIOLOGICAL RISK

DNV's most important strategic research projects are related to biological risk, global transport and the increasing role of short-sea shipping, the energy solutions for the future, nanotechnology, corporate social responsibility, and secure, reliable software. DNV is developing safety standards that can be applied to many areas, involving a potential for health, biological or environmental risk.

Risks where the major hazard is a biological agent are termed biorisks. Some of the

challenges such risks pose are similar to those encountered in offshore risk assessment – dealing with complex systems that lack data and involve high levels of uncertainty.

Computer software is an integral part of everyday life. Recognising that software accounts for a growing share of people's exposure to risk, DNV is investing heavily in research into this field.

To understand the concept of reputation risks, DNV is engaged in research in the field of Corporate Social Responsibility (CSR).

Nanotechnology has become a common buzzword, best defined by the size of the material building blocks. The size range is typically from 100 nm down to the atomic level of 0.2 nm. At these scales, materials change their behaviour – their chemical reactivity and optical, magnetic or electrical properties change dramatically. Nanotechnologies create new challenges and opportunities, but they also involve new risks. DNV will use its expertise and tools relating to risk management and risk-based management to advise on and certify the use of nanotechnology.

### FUTURE ENERGY SOLUTIONS

Achieving sustainable development is the main driver for developing renewable, environmentally friendly energy technology. The need to ensure future energy supplies makes this an issue of growing urgency, and DNV is focusing on specific technologies for sustainable growth.

Transport is crucial for commercial competitiveness, economic development and cultural exchange. Industry and the public in general have a continuing interest in enhancing mobility, facilitating access, reducing energy use and emissions, and making transport more effective and at the same time safer and more reliable. DNV is investing heavily in R&D relating to many aspects of modern integrated transport.

The world is changing at an ever-increasing pace, and these changes are more than ever being driven by technology. The next 15 years will probably bring about even greater changes than have been seen over the past 15 – or even 50 – years.



The DNV people

# The power of DNV





DNV is a people business. All the value of DNV's output is directly linked to our brain power; the people of DNV.

**PROFESSIONAL COMPETENCE**

One of DNV's major strengths is our professional competence, and during 2004 we continued to build on our already strong base. The average service length in DNV is at an all-time high, which means that the experience level in DNV is higher than ever, and our overall education level maintained its upward trend.

**COMMUNICATION AS A CENTRAL MANAGEMENT TOOL**

DNV sees the dialogue between line managers and employees as the best way to systematically enable both employees and managers to clarify expectations and ensure an understanding of business and personal goals. Continuing emphasis has, therefore, been placed on the "Managing Individual Performance" (MIP) process. This involves goal setting, coaching throughout the year, and a year-end review of performance. The MIP process is used to cascade DNV's strategy and corporate goals to all levels in the organisation.

In 2004 this process was strengthened by the revitalisation of the mandatory MIP courses for line managers and the introduction of an interactive online course for all employees. Since its introduction in November 2004, more than 500 employees have taken the online course, enabling them to become more actively involved in this process.

In addition to the ongoing dialogue between employees and line managers, employee surveys are carried out regularly. This is done to keep a systematic overview of the psycho-social aspects of working in DNV, as a basis for making improvements. A combination of targeted surveys in specific countries and DNV-wide people satisfaction surveys gives both an overview and the necessary level of detail. 2004 saw no DNV-wide surveys, but several were carried out on country level. For instance, DNV Sweden carried out a survey in close co-operation with the internationally recognised Karolinska Institutet.

**GEOGRAPHICAL DIVERSITY**

The global nature of DNV's business is apparent in the composition of the work force. While rooted in Norway, 66 per cent of the work force is outside Norway, and the number of expatriates from outside Norway is increasing.

There are fewer Norwegian expats than before. Expatriating employees is an effective way of sharing knowledge. 11 per cent of the expats in DNV are in Norway.

**GENDER DIVERSITY**

Increasing the number of women in leadership positions is a corporate priority. The number of women hired increased in 2004; 30.6 per cent of DNV's employees are women. However, this percentage is not reflected in the percentage of female managers, which is at 12.1 per cent, slightly up from last year. The number of female participants to DNV's manager development programmes, though, is increasing.

Identifying women with leadership potential and ambitions, particularly within the technical field, has been made a priority, and a corporate project addressing this issue has been initiated. As a part of the project, planning began in 2004 to establish an international mentoring programme during 2005, for female technical managers with senior managers as mentors.

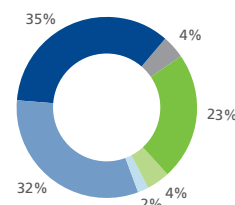
**DEVELOPING LEADERS**

DNV cooperates with the leading international business schools IMD and INSEAD, contributing a fresh and internationally recognised approach to leadership. DNV's manager development programme, The Journey, consists of three clearly defined levels with different goals – Port 1, 2 and 3.

**PORT 1**

The first level of The Journey aims to develop new and potential managers, emphasising the most common management challenges of DNV. Nearly 800 employees have completed this training.

**COMPETENCE CHART**

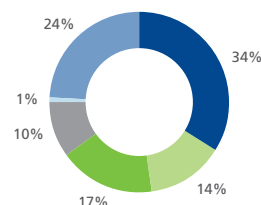


- > Doctorate 4%
- > Master 35%
- > Bachelor 32%
- > Professional/Tech 2%
- > 2-year college 4%
- > Basic education 23%

4,177 employees have a bachelor, master or doctorate education level. That is 71 per cent of the staff, a figure rising with new recruitments.

DNV recruited 471 new employees in 2004. 75 per cent of these have a bachelor, master or doctorate education. This is up 10 per cent from 2003.

**DNV STAFF AROUND THE WORLD**



- > Norway 1,974–34%
- > Europe and Middle East 1,425–24%
- > Nordic and Baltics 845–14%
- > Asia and Oceania 1,004–17%
- > Americas 590–10%
- > Africa 55–1%

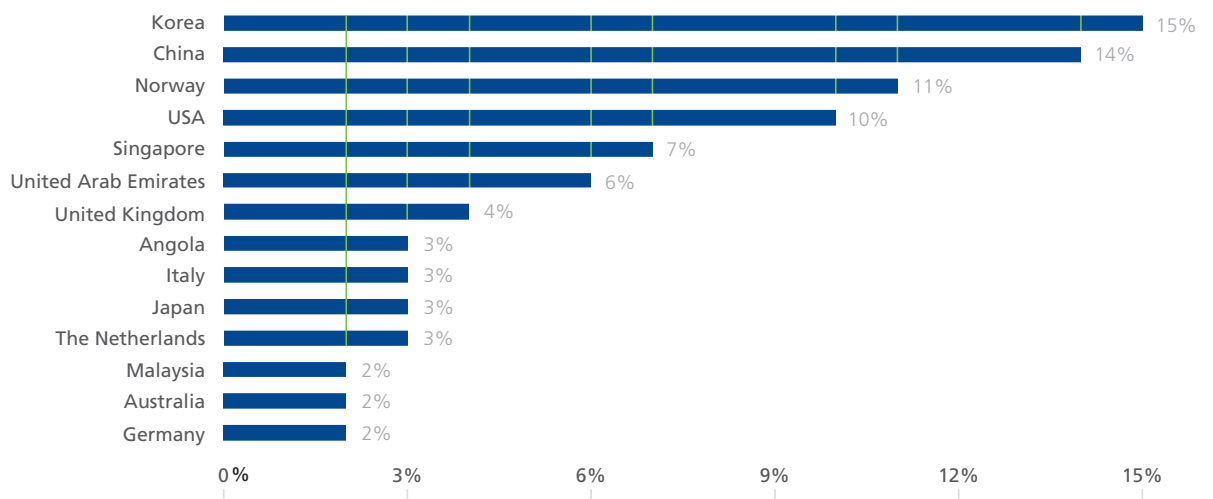
**PORT 2**

The second level intends to develop managers for senior leadership positions in DNV, based on introduction to management subjects which broaden the general management competence and add to the leadership development. More than 150 managers have completed Port 2.

**PORT 3**

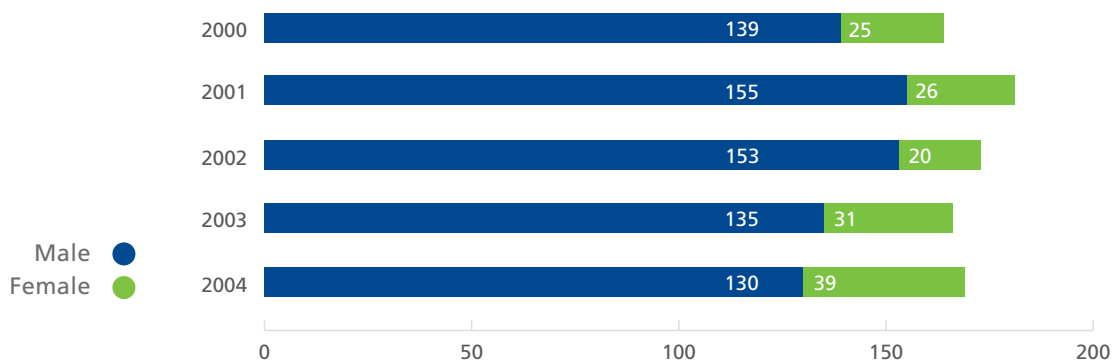
Integrated with DNV's strategy-development process, Port 3 used a working-group setting for developing and inspiring the senior manager group of DNV (the Executive Board plus 12 senior managers) in their efforts with strategic issues, strengthening the role of the Executive Board as DNV's top leadership team and driver of change. Port 3 was introduced in 2004.

**KNOWLEDGE SHARING THROUGH EXPATRIATION**



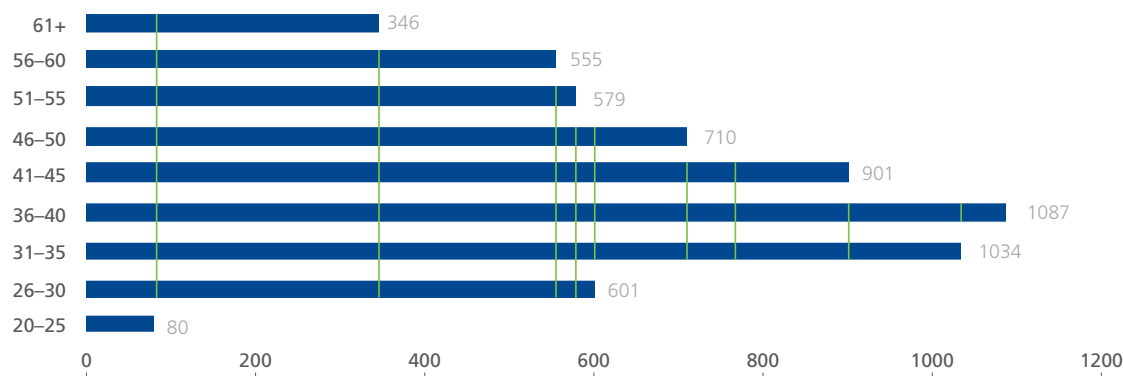
HOST COUNTRIES' PERCENTAGE OF EXPAT POPULATION. There are expats in 33 countries. Listed here are the top 14 regarding percentage of expat population.

**PORT 1 AND 2 PARTICIPATION 2000–2004**



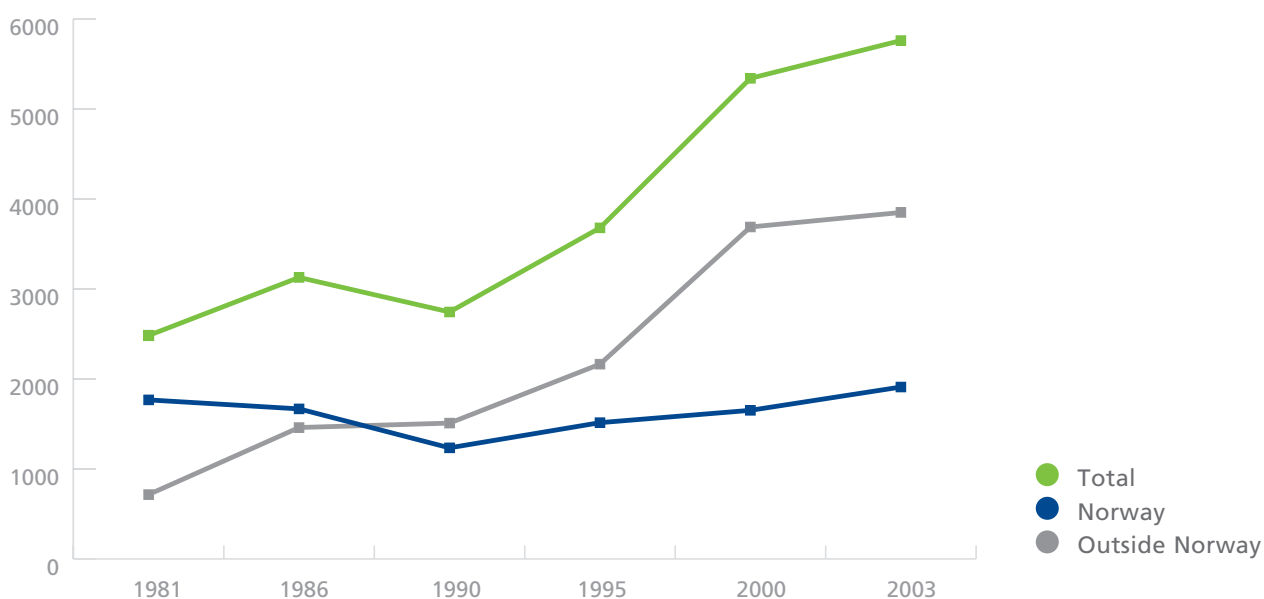
Port 1 and Port 2 are DNV's management training scheme.

### STAFF IN AGE GROUPS



DNV employees are typically well educated, experienced, and committed to DNV in the long term. Staff turnover in DNV is traditionally low, and in 2004 it was at an historical low of 5.7 per cent. However, the recruitments are typically young. 35% of new staff are under 30 years of age and 44% are between 30 and 39 years of age. Average age of new staff is 33,5 years.

### MANNING IN AND OUTSIDE NORWAY, 1981-2004



Since the late 1980s, DNV has had more staff outside than in Norway. The acquisition of the Swedish company SAQ in the late 1990s made a major impact on this trend; however, this is now levelling out, and the ratio is the same in 2004 as it was in 2003 (approximately 34%/66%) 75% of the new staff in 2004 were hired to work outside Norway.



# Managing our own risks



When helping clients manage their risks, DNV's own employees often find themselves in high-risk situations.

## DNV's SHE FRAMEWORK

DNV's SHE framework aims to provide a safe and inspiring working environment in which there is mutual trust between colleagues, and efforts are made to improve the safety culture and encourage the employees' environmental awareness.

Safety, Health, and the Environment is the framework for ensuring positive people in a successful company through:

- > caring for our employees' physical, mental and social well-being,
- > ensuring the safety of our employees and safeguarding our manufacturing process and property, and
- > establishing environmental awareness in relation to DNV services.

The aim of the DNV SHE policy is to ensure that all employees are aware of the risks involved in carrying out their work, and of the precautions to be taken to mitigate or remove these risks.

DNV employees are often exposed to potentially unsafe working conditions. DNV has over the years issued a range of policies and procedures for the safety of its employees. In 2004, corporate initiatives focused on emergency preparedness, hazard and incident reporting and handling, travelling and driving, and personal safety issues. In addition, coping with stress is a topic on which DNV has increased its focus.

In 2004, the five world-leading classification societies developed a joint initiative aimed at making clients provide safe working conditions for surveyors. Focusing on the leading principle that clients' premises must be safe, the initiative identifies five hazardous areas: entry into confined

spaces; access to, from and within the workspace; safe plant and equipment; working at heights; and transferring between vessels at sea.

In 2004, 30 SHE courses were available on the DNV intranet, ranging from asbestos protection to coping with stress. The courses were taken both individually and in groups. The focus has been on safe entry to confined spaces, fall protection awareness and office safety.

Hazard and incident reporting has been improved and systemised, and DNV has established a global web-based system for reporting accidents, near accidents, occupational health issues and hazardous conditions. In 2004, 226 such incidents were reported and followed up. No environmental incidents were reported.

Local SHE committees have been established in larger offices to support DNV's SHE efforts.

**EXTENDED ENVIRONMENTAL REPORTING**

This is the first year that DNV has reported on the environmental impact of both its operations and services.

In 2004, environmental research projects amounted to MNOK 22.5, representing 37 per cent of DNV Research's total revenue. When developing knowledge that contributes to sustainable economic, social and environmental development, special attention is paid to the secure supply of oil and gas and to clean, new and renewable energy. Other relevant topics are climate-change mitigation, harmful environmental emissions, responsible use of natural resources, and optimal management of industry assets and production processes.

During 2004, DNV issued 6,304 ISO 14001 and EMAS certificates; approximately 11 per cent of all the management system certificates issued by DNV last year.

The market share of the DNV tanker fleet is 17 per cent in gross tons and 16 per cent in number of ships out of the entire global tanker fleet. Based on Intertanko statistics, the oil spillage from tankers recorded in 2004 was 3,046 tons, of which the spillage from DNV-classed ships was 121 tons or four per cent of the total spillage. This indicates that DNV ships perform better than others with respect to oil spills.

DNV Maritime allocated 5.3 per cent of its R&D budget to environmental projects in 2004, and 7.9 per cent of the total classification fees are linked to environment-related surveys.

**OWN ENERGY CONSUMPTION AND EMISSIONS**

Being a service provider, DNV's operations have limited environmental impact. However, a global survey was conducted in 2004 covering five DNV offices with 2,435 employees – or approximately 40 per cent of the DNV staff. This survey included energy consumption and the hazardous waste (chemicals and oil) from all DNV Petroleum Services' laboratories. In addition, it described the waste handling at the Høvik headquarters, outside Oslo.

The average energy consumption per person in DNV offices at Høvik, London, Singapore, Rio and Houston was 15,000 kWh in 2004. 13 per cent of this is renewable energy produced by a heat pump at Høvik. However, when hydropower is included, the renewable energy amounted to 75 per cent. The corresponding emissions to air are set out in the table below.

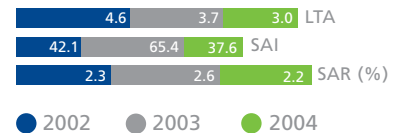
To improve the energy use at the headquarters in favour of more sustainable energy solutions, a project has been initiated to develop a conceptual design for viable renewable energy technologies. Contributing to this goal, solar cell panels and ancillary equipment have been purchased to test the efficiency of solar energy.

**WASTE HANDLING**

DNV Petroleum Services' laboratories reported 85 tons of hazardous waste in 2004, of which 97.6 per cent were delivered to waste-handling facilities approved by the authorities. The remaining 2.4 per cent were burned off.

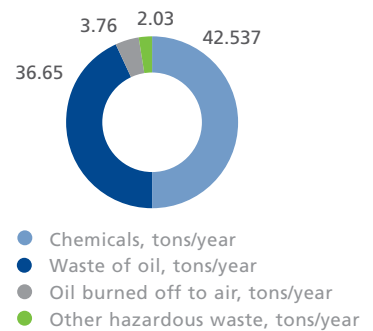
When upgrading the offices at Høvik, 80 per cent of the old furniture was found to be recycled, either re-used internally or sold to a contractor. Furthermore, all electronic-equipment waste at Høvik was either given or sold to others or sent to recycling companies, and comprehensive waste separation has been established. The total waste in 2004 was 512 tons, corresponding to 280 kg per person.

**SHE PERFORMANCE IN DNV**

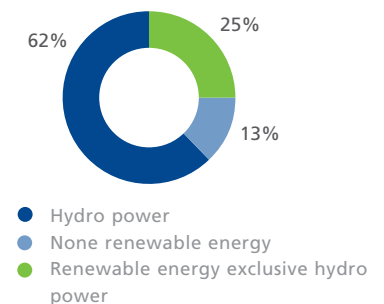


- > LTA – Lost Time Accident Frequency (number of lost time accidents/ million hours worked)
- > SAI – Severity Accident Index (number of days off work due to injury per million hours worked)
- > SAR – Sickness absence rate, (sickness absence/number of hours worked \*100)

**WASTE FROM DNVPS LABS**



**ENERGY USE**



**EMISSIONS TO AIR FROM ENERGY USE**

Source	kg CO <sub>2</sub> / person/year	kg NO <sub>2</sub> / person/year	kg SO <sub>2</sub> / person/year
From internal boiler	197	0.15	0.25
From external power plant	1,011	3.73	3.34
<b>Total average emissions</b>	<b>1,208</b>	<b>3.88</b>	<b>3.59</b>

\* These numbers include all accidents involving time off work.

# Impact on society





Ensuring that CSR is an integral part of DNV's management system and business culture, a range of initiatives was carried out in 2004.

DNV in 2004 introduced new corporate instructions for political and cultural risk assessments to be carried out in connection with establishing business or opening an office in new countries. The country assessment considers issues such as:

- > health, safety and security
- > humanitarian situation
- > political situation
- > human rights
- > corruption/extortion/transparency

It is important for DNV that presence in a country can not be perceived as giving support to oppressive regimes or prevent capacity building for civil society. In line with DNV's objective, the company wishes to contribute positively to sustainable development and develop knowledge and competencies locally. Particular focus is put on DNV's Code of Ethics, DNV's anti-corruption instructions, and DNV's signatory to the UN Global Compact.

The instructions are used by senior management in the business areas, and the CSR responsible person in DNV is consulted throughout the process. In 2005, DNV will gather experience from these types of assessments and further refine the instructions if necessary.

#### ANTI-CORRUPTION

Corruption is incompatible with DNV's values. Corrupt business practices pose a serious risk to sustainability of business and society. Involvement in any form of corruption and bribes as defined in DNV's anti-corruption instructions are unacceptable and prohibited.

In 2004, DNV Petroleum Services decided to restructure its bunker quantity services (BQS) following the prosecution of three Singapore BQS subcontractors for corruption. In order to enhance internal control over the integrity of its bunker surveys, it has been decided to hire more in-house surveyors in 2005 to reduce the reliance on subcontractors. The intention is to better control the professional and ethical conduct of surveyors carrying out quantity surveys.

In addition, regular audits of the BQS service by both external bodies and internal staff will be a cornerstone of the stringent quality management system.

#### TRUSTED ROUTE FOR ETHICAL CONCERNS

Situations that involve ethics and values are often complex. Instructions and codes can not cover every workplace situation. It is therefore important that employees have a trusted route to voice ethical concerns or get help when faced with difficult ethical choices. In 2004, DNV introduced an Ombudsman to give employees this possibility without any threat of reprisal. Openness and transparency is encouraged within DNV, but the Ombudsman can be contacted when one feels unable to raise an issue through the normal route of line management. The Ombudsman may be contacted at any time, and all enquiries are treated confidentially. The Ombudsman reports to the CEO and the Board of Directors.

#### STAKEHOLDER DIALOGUES

DNV is actively involved in several national and international organisations and committees that focus on sustainable development and the role of business in society, principally:

- > UN Global Compact
- > World Business Council for Sustainable Development (WBCSD)
- > KOMpakt

This gives DNV the opportunity to contribute to dialogues on for example corruption and human rights. It also gives DNV the chance to engage with stakeholders such as government and NGOs, and to continuously learn more about best practice for companies with a local and global presence.

Through a corporate partnership with the Red Cross, DNV works to make a difference in many of the countries where we are present. These activities are presented on the following pages.

#### UN GLOBAL COMPACT

DNV continues to support the UN Global Compact and its ten principles. In 2004, DNV's anti-corruption instructions were revised and several workshops and training sessions were held to follow up the implementation. DNV has also started to develop a rating protocol for fraud and corruption resistance, which will be finalised and tested in 2005. This protocol will be compliant with the principle on corruption in the UN Global Compact.



DNV is member of the World Business Council for Sustainable Development (WBCSD).

# To the rescue in Banda Aceh



## DNV's PARTNERSHIP WITH THE RED CROSS

As part of DNV's CSR effort, a partnership has been established with the Red Cross, adding value to both parties. In a corporate web-based poll DNV employees chose the Red Cross as a partner. In addition to financial support DNV contributes with in-kind services and expertise. Focusing on access to clean water, the partnership covers the development of Emergency Response Water Modules, and a water component of a Red Cross water and sanitation project in Kenya. DNV experts have contributed to the development of two portable drilling rigs for the effective use of groundwater in emergency situations.

After last year's tsunami disaster, DNV's Marte Ness joined the Red Cross rescue team in Banda Aceh as a water expert.

In 2004 DNV established a partnership with the Red Cross, built on the strong similarities between the two organisations.

Geologist and water expert Marte Ness was soon asked to contribute with her expertise.

"Working with the Red Cross was very interesting, and I soon wanted to get even more involved," she explains.

Having successfully completed her exam in December, she became a Red Cross rescue worker prepared to leave on a 72 hours' warning next time a disaster struck. As a geologist, her job would be to recommend where to dig or drill for water, as well as water quality testing.

It took 20 days; on 26 December the biggest natural catastrophe the world had ever seen took place as the giant tsunami spread out from the epicentre of an earthquake off Sumatra.

Early in the New Year Marte Ness, in agreement with DNV, left Oslo together with a team of 35 experienced Red Cross rescue workers to set up and run a field hospital in Banda Aceh, Sumatra. The hospital could hold 100 patients and had its own helipad.

"I was very busy at the hospital just outside the city, so I only went into the city – or what used to be a city – a few times. It was quite unreal; there was nothing left. Everything was completely flat," she says.

#### ESTABLISHING WATER SUPPLY

Her job was to physically establish the hospital's water-supply pipeline system: coupling pipes, driving the truck, and making the tap

stations and pumps work. Purified water, arriving in a large tank lorry every day, was transferred to the hospital's water tank for further distribution from there.

"My task was to ensure clean water to the hospital, and also to handle sanitary matters such as latrines and waste handling," she says.

After taking only a few days to erect, the hospital could treat all kinds of patients. Many had trouble with their lungs after swallowing dirty seawater.

"It was impressive. The Red Cross personnel were so professional, so hard-working and so nice to be with," says Marte Ness.

#### INDESCRIBABLE FATES

As the hospital started admitting patients, all their stories emerged, making a deep impression on Marte Ness.

"The whole place was filled with indescribable fates. Everyone were hard hit, having lost their loved ones. They all had stories one wouldn't think were possible," says Marte Ness, who is grateful she could contribute to the relief work. The five weeks in Banda Aceh only made her more motivated for further efforts in the future.

Later she has been appointed responsible for the development of new water projects on behalf of the Norwegian Red Cross. She will be spending six months partly at the Norwegian Red Cross' headquarters in Oslo, and partly at different sites in Sumatra.

#### THE MPUMI FUND – HELP AND RELIEF TO VICTIMS OF AIDS

The fight against HIV/AIDS and the need for help and relief to those affected is a global responsibility. DNV is present in areas particularly affected by this pandemic; employees have also been directly affected.

Following the death of a young member of staff, the Mpumi fund was established by DNV's office in Durban, South Africa. The fund helps a small Hospice in the Valley of a Thousand Hills, in the heart of the Zulu community outside the city of Durban. DNV support goes to food and basic medicine.

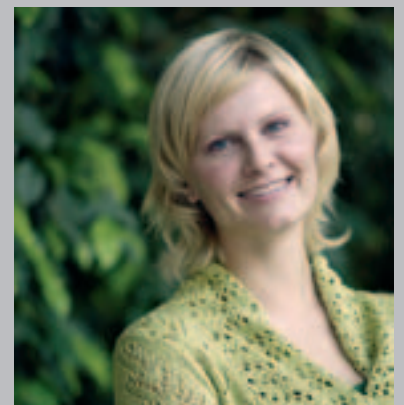
The fund is supported by voluntary fundraising activities carried out by DNV employees in several countries.

#### LOCAL RED CROSS INITIATIVES

All DNV offices are encouraged to establish relations with local Red Cross units. Here are some results from 2004.

- > DNV UK: Peace Walk where money was raised for the Red Cross.
- > DNV Sweden: Sponsor the World's Children's Prize for the Rights of the Child (WCPRC).
- > DNV Norway: Employees are actively involved in the local Refugee Guide Project.
- > DNV China: starting a community vulnerability project in collaboration with the Norwegian Red Cross and the Red Cross Society of China.

DNV's water expert Marte Ness >





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Hidetoshi Hatakeyama, Mitsubishi Gas  
Chemical Company, Inc.  
Masaaki Shimizu, The Furukawa Electric  
Co., Ltd.  
Motoyoshi Makino, Asahi Broadcasting  
Corporation

**KOREA**

**Chair**  
Ahn, In Kyoon, DNV

**Members**  
Cha, Keun Ho, Korea Aviation University  
Hong, Jong In, Neville-Clarke Korea Co.,  
Ltd.  
Hwang, Goo Yun, DNV  
Shin, Yong Ho, Hyundai Merchant Marine  
Co., Ltd.  
Yoon, Seok Choon, CJ Co., Ltd.  
Yang, Keun Dae, KMG Consultancy Co.,  
Ltd.  
Son, Doo Ik, Korea Occupational Safety  
and Health Agency (KOSHA)  
Choi, Woan Gyoon, EMS NGO

**NORWAY**

**Members**  
Ørnulf Tvedt  
Viktor Berg, Statoil  
Rolf E. Bjørnstad, Direktoratet for  
Samfunnsikkerhet og Beredskap  
Dagfinn Gedde-Dahl  
Finn H. Kristensen, Kongsberg Maritime  
Sverre L. Nielsen, Norsk Psykologforening  
Siri Sand, Aker Kværner Engineering &  
Technology AS  
Per Ove Øyberg, DNV

**SPAIN**

**Chair**  
Luis Gutiérrez de Soto, DNV

**Members**  
Antoni Boleda i Roura, Real Automovil  
Club de Cataluña  
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Autónoma de Barcelona  
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Educativa SEK  
Julio Sardaña de la Cita, Papyrus Nexus  
Luis Cañada Vicinay, Vicinay Cadenas  
Szymon Kaminski, DNV

**SWEDEN**

**Chair**  
Ann-Louise Pätt

**Members**  
Jan Forslund, HEBA Fastighets AB  
Leif Trogen, Svenska Bankföreningen  
Åsa Bergström, Recip AB  
Anders Johnson, Naturvårdsverket  
Anders Wetterling, Stora Enso Nymölla AB

**THE NETHERLANDS**

**PERSONNEL CERTIFICATION  
COMMITTEE**  
This committee is under revision

**UK**

**Chair**  
John Darby, Huntsman Chemicals BV

**Members**  
Mike Forrester, Independent  
Alan Calder, IT Governance  
Stanley Chadwick, Delphi Automotive  
Stephen Tupper, Hammonds  
Arthur Dransfield, Logica CMG  
Anthony Gray, DNV  
Douglas Milne, DNV (Secretary)

**USA**

**Chair**  
Larry Montano, Chevron Phillips Chemical  
Company LP

**Members**  
Paul Donnelly, Baker Hughes  
Jim Hudson, Bechtel Corporation  
R.A. Maddocks, Lockheed Martin Space  
Mission Systems & Services  
Ted Mercer, Reed Tool Company



## Management teams and senior managers

### Executive Board

Miklos Konkoly-Thege  
Tor E. Svensen  
Henrik O. Madsen  
Iain M. Light  
Elisabeth Harstad  
Paul S. Campbell  
Amund W. Skou  
Wiggo Smeby  
Tom Virik  
Torolf Aadnesen

### Corporate Units

Paul S. Campbell, Human Resources and Organisation  
Tore Høifødt, Communications  
Sven Mollekleiv, Relations and CSR  
Amund W. Skou, Legal  
Wiggo Smeby, Technology  
Torolf Aadnesen, Finance

### DNV Maritime

*Management Group*  
Tor E. Svensen, COO  
Per Marius Berrefjord, Strategy and Business Development  
Jostein Furnes, Planning & Review  
Wilhelm Magelssen, Marketing & Business Relations  
Olav Nortun, Technical Director & Quality Management  
Gunnar Rostad, Human Resources & Organisation  
Terje Staalstrøm, Class Policy

### Regional Managers

Peter Bjerager, Japan  
Blaine Collins, North and South America  
Eivind Grøstad, Middle East  
Ragnar E. Hansen, South East Asia and Australia  
Ioannis Kourmatzis, Southern Europe  
Svein Svarstad, Korea  
Helge Dag Tangen, Northern Europe

Odd P. Torset, Nordic Countries  
Andrew Westwood, China

### Maritime Units

Espen Cramer, Maritime Solutions  
Per Holmvang, DNV Petroleum Services  
Jon Rysst, Maritime Technology and Production Centre

### DNV Certification

Henrik O. Madsen, COO  
Patrick Adamcik, Technical  
Renato Grottola, Marketing  
Ole-Andreas Hafnor, Business Development  
Gary Shoesmith, Human Resources  
Thomas Vogth-Eriksen, Finance

### Regional Managers

Tom Backelin, Nordic Countries  
Inspection  
Ashok Balwani, Middle East, South and South East Asia  
Torger Baardseth, Northern and Western Europe  
Yehuda Dror, North and South America  
Jahn Henry Løvaas, North East Asia, Australia and New Zealand  
Gaetano Trizio, Central and Southern Europe

### DNV Consulting

Iain M. Light, COO  
Øivind Bøgh, SHE/Q  
Remi Eriksen, Service Development Director  
Lars Kjørnø, Finance  
Yngvar Sjoner, Human Resources

### Market Sector Leaders

Graham Bennett, Process  
Aage A. Enghaug, Transportation  
Jan Thomsen, General Industries  
Magne Tørhaug, Oil and Gas

### Regional Managers

Magne Tørhaug, Norway  
Eric Pape, United Kingdom  
Dieter Hansen, Germany and BeNeLux  
Stephen Shaw, North America

### DNV Technology Services

Elisabeth Harstad, COO  
Jørn Lunde, Human Resources  
Edvard Lysne, Finance  
Harald Sønju, SHE and Q  
Knut Ørbeck-Nilssen, Technology & Knowledge Management

### Regional Managers

Donald Brown, Europe and Middle East  
Craig Colby, North America and West Africa  
Kjell Eriksson, Asia Pacific  
Nils Andreas Masvie, Eurasia  
José Paulo Pontes, South America  
Kristen Ulveseter, Nordic

### Independent Business Units

Bengt Arne Olsson, DNV Eiendom  
Elling Rishoff, DNV Software

### Senior Vice Presidents

Tom Backelin  
Pål Gudmund Bergan  
Paul S. Campbell  
Carl Arne Carlsen  
Jostein Furnes  
Eivind Grøstad  
Ole-Andreas Hafnor  
Ragnar E. Hansen  
Elisabeth Harstad  
Tore Høifødt  
Ioannis Kourmatzis  
Iain M. Light  
Henrik O. Madsen  
Wilhelm Magelssen  
Gunnar Rostad  
Gudmundur Sigurthorsson  
Amund W. Skou

Wiggo Smeby  
Terje Staalstrøm  
Svein Svarstad  
Tor E. Svensen  
Helge Dag Tangen  
Ulv Tigerstedt  
Odd P. Torset  
Magne Tørhaug  
Hans Viig  
Tom Virik  
Torolf Aadnesen

### Vice Presidents

Ashok Balwani  
Per Marius Berrefjord  
Peter Bjerager  
Nikolaos Boussounis  
Torger Baardseth  
Blaine Collins  
Yehuda Dror  
Aage A. Enghaug  
Haakon Eriksen  
Luis Gutierrez de Soto  
Bjørngulf Haukelid  
Jan Einar Horne  
Jan Koren  
Kåre Kristoffersen  
John Lyng  
Edvard Lysne  
Jahn Henry Løvaas  
Sven Mollekleiv  
Jouko Nevala  
Olav Nortun  
Eric Douglas Pape  
José Paulo Pontes  
Elling Rishoff  
Jon Rysst  
Magne A. Røe  
Jan Thomsen  
Odd G. Tonby  
Gaetano Trizio  
Kristen Ulveseter  
Einar O. Venold  
Thomas Vogth-Eriksen  
Andrew Westwood  
Trond Øverland



# Financial review





## KEY FIGURES

(Amounts in NOK million)

	2004	2003	2002	2001	2000	DEFINITION OF RATIOS
<b>Income statement</b>						<b>Profitability</b>
Operating revenue	5 957	5 762	5 743	5 813	5 351	<i>Operating margin:</i> Operating profit x 100/ Operating revenue
Depreciation	116	116	147	128	230	<i>Pre tax profit margin:</i> Ordinary profit before tax x 100/ Operating revenue
Operating profit	389	459	336	590	181	<i>Net profit margin:</i> Profit for the year x 100/ Operating revenue
Net financial income ( expenses )	(52)	0	(80)	(125)	(63)	<i>Return on total assets:</i> (Operating profit + Financial income) x 100/ Average total assets
Ordinary profit before tax	338	459	257	465	118	<i>Return on equity:</i> Ordinary profit before tax x 100/ Average equity
Profit for the year	148	308	140	314	54	
<b>Balance sheet</b>						<b>Liquidity</b>
Fixed assets	1 974	2 188	2 372	2 244	2 044	<i>Cash flow:</i> Ordinary profit before tax + Depreciation – Taxes payable
Current assets	2 685	2 381	2 009	2 297	2 264	<i>Current ratio:</i> Current assets/ Current liabilities
Total assets	4 659	4 569	4 381	4 541	4 308	<i>Liquidity reserves:</i> Cash and bank deposits + Short-term financial investments
Equity	3 119	2 964	2 656	2 517	2 202	<i>Liquidity cover:</i> Liquidity reserves x 100/ (Total operating expenses – Depreciation)
Provisions and long-term liabilities	435	485	795	783	1 012	
Current liabilities	1 105	1 120	930	1 241	1 094	<b>Leverage</b>
<b>Cash flow items, working capital and investments</b>						<i>Equity ratio:</i> Equity x 100/ Total assets
Purchase of tangible fixed assets	126	130	146	189	183	
Working capital	1 580	1 261	1 079	1 056	1 170	
Cash flow	291	353	280	400	246	
Number of employees	6 236	5 989	5 799	5 599	5 531	
<b>FINANCIAL RATIOS</b>						
<b>Profitability</b>						
Operating margin	6.5%	8.0%	5.9%	10.1%	3.4%	
Pre tax profit margin	5.7%	8.0%	4.5%	8.0%	2.2%	
Net profit margin	2.5%	5.3%	2.4%	5.4%	1.0%	
Return on total assets	9.0%	11.2%	8.7%	14.2%	4.8%	
Return on equity	11.1%	16.3%	9.9%	19.7%	5.4%	
<b>Liquidity</b>						
Current ratio	2.4	2.1	2.2	1.9	2.1	
Liquidity reserves	999	852	543	534	684	
Liquidity cover	18.3%	16.4%	10.3%	10.5%	13.8%	
<b>Leverage</b>						
Equity ratio	66.9%	64.9%	60.6%	55.4%	51.1%	



**BALANCE SHEET** as per 31 December

(Amounts in NOK million)

DET NORSKE VERITAS FOUNDATION				DET NORSKE VERITAS GROUP			
2004	2003	2002	ASSETS	Note	2004	2003	2002
			<b>Fixed assets</b>				
			Intangible fixed assets				
<b>6.1</b>	14.7	17.6	Deferred tax assets	9	<b>114.6</b>	151.7	107.3
<b>6.1</b>	14.7	17.6	Total intangible fixed assets		<b>114.6</b>	151.7	107.3
			Tangible fixed assets				
<b>6.7</b>	6.7	6.7	Land, buildings and other property		<b>901.7</b>	897.1	965.0
<b>0.0</b>	0.0	0.0	Office equipment, fixtures and fittings		<b>256.2</b>	266.5	254.9
<b>6.7</b>	6.7	6.7	Total tangible fixed assets	10	<b>1 157.9</b>	1 163.6	1 219.9
			Financial fixed assets				
<b>240.0</b>	240.0	240.0	Investments in subsidiaries	2	<b>0.0</b>	0.0	0.0
<b>0.0</b>	0.0	0.0	Investments in associates		<b>0.0</b>	43.3	40.1
<b>3.8</b>	7.3	9.1	Long-term shareholdings	11	<b>15.0</b>	19.3	20.7
<b>0.0</b>	0.0	0.0	Prepaid pension	6	<b>0.0</b>	94.6	302.6
<b>0.3</b>	0.3	36.7	Other long-term receivables	12	<b>686.8</b>	715.0	681.1
<b>244.1</b>	247.6	285.8	Total financial fixed assets		<b>701.8</b>	872.2	1 044.5
<b>256.9</b>	269.0	310.1	<b>Total fixed assets</b>		<b>1 974.3</b>	2 187.5	2 371.7
			<b>Current assets</b>				
			Debtors				
<b>0.0</b>	0.0	12.3	Trade debtors		<b>1 196.5</b>	1 136.4	1 022.3
<b>0.0</b>	0.0	0.0	Work in progress		<b>343.2</b>	321.1	320.1
<b>0.0</b>	0.0	0.0	Other debtors		<b>145.7</b>	119.3	123.9
<b>0.0</b>	0.0	12.3	Total debtors		<b>1 685.4</b>	1 576.8	1 466.3
<b>25.0</b>	0.0	0.0	Short-term financial investments		<b>25.0</b>	0.0	0.0
<b>348.3</b>	365.2	588.6	Cash and bank deposits	13	<b>973.9</b>	804.6	542.5
<b>373.3</b>	365.2	600.9	<b>Total current assets</b>		<b>2 684.3</b>	2 381.4	2 008.8
<b>630.2</b>	634.2	911.0	<b>TOTAL ASSETS</b>		<b>4 658.6</b>	4 568.9	4 380.5



**BALANCE SHEET** as per 31 December

(Amounts in NOK million)

DET NORSKE VERITAS FOUNDATION				DET NORSKE VERITAS GROUP			
2004	2003	2002		Note	2004	2003	2002
			<b>EQUITY AND LIABILITIES</b>				
			<b>Equity</b>				
<b>283.5</b>	283.5	283.5	Paid-in capital Foundation capital		<b>283.5</b>	283.5	283.5
<b>321.9</b>	326.6	321.8	Retained earnings Other equity		<b>2 826.3</b>	2 680.5	2 372.9
<b>0.0</b>	0.0	0.0	Minority interests		<b>9.2</b>	0.0	0.0
<b>605.4</b>	610.1	605.3	<b>Total equity</b>	16	<b>3 119.0</b>	2 964.0	2 656.4
			<b>Liabilities</b>				
<b>0.0</b>	0.0	0.0	Provisions				
<b>0.0</b>	0.0	0.0	Pension liabilities	6	<b>323.2</b>	310.6	283.6
<b>16.8</b>	16.7	16.6	Deferred tax	9	<b>14.3</b>	24.2	48.7
			Other provisions		<b>97.2</b>	149.7	116.5
<b>16.8</b>	16.7	16.6	<b>Total provisions</b>		<b>434.7</b>	484.5	448.8
<b>0.0</b>	0.0	280.0	Other long-term liabilities				
<b>0.0</b>	0.0	280.0	Bank loans	14	<b>0.0</b>	0.0	344.9
<b>0.0</b>	0.0	280.0	<b>Total other long-term liabilities</b>		<b>0.0</b>	0.0	344.9
<b>0.0</b>	0.0	0.0	Current liabilities				
<b>0.1</b>	0.1	0.0	Overdrafts		<b>0.0</b>	7.8	2.1
<b>6.1</b>	5.3	5.0	Trade creditors		<b>147.5</b>	139.9	147.6
<b>0.0</b>	0.1	0.0	Tax payable		<b>92.5</b>	101.6	12.9
<b>1.8</b>	1.9	4.1	Public duties payable		<b>204.9</b>	167.7	151.6
			Other short-term liabilities		<b>660.0</b>	703.4	616.2
<b>8.0</b>	7.4	9.1	<b>Total current liabilities</b>		<b>1 104.9</b>	1 120.4	930.4
<b>24.8</b>	24.1	305.7	<b>Total liabilities</b>		<b>1 539.6</b>	1 604.9	1 724.1
<b>630.2</b>	634.2	911.0	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 658.6</b>	4 568.9	4 380.5

THE BOARD OF DIRECTORS OF DNV  
Høvik, 14 April 2005



ATLE BERGSHAVEN  
Chairman



AUDUN BRANDSÆTER



BENTE RATHE



C. MAURY DEVINE



AXEL C. EITZEN



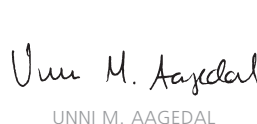
TOM RUUD



KNUT VAGNES



JOHN H. WIIK



UNNI M. AAGEDAL



MIKLOS KONKOLY-THEGE  
President and Chief Executive Officer

## STATEMENT OF CASH FLOW

1 January - 31 December

(Amounts in NOK million)

DET NORSKE VERITAS FOUNDATION				DET NORSKE VERITAS GROUP		
2004	2003	2002		2004	2003	2002
			<b>Cash flow from operations</b>			
9.9	13.0	8.6	Ordinary profit before tax	337.7	459.1	256.6
0.0	0.0	0.0	Gain/loss on disposal of tangible fixed assets	(13.8)	(89.1)	(18.2)
0.0	0.0	0.0	Depreciation	116.4	116.0	147.3
(6.1)	(5.3)	(5.0)	Tax payable	(163.0)	(221.7)	(123.5)
0.0	12.4	(10.6)	Change in work in progress, trade debtors and trade creditors	(74.6)	(122.8)	230.5
0.8	(1.7)	(4.7)	Change in other accruals	50.6	432.3	(395.6)
4.6	18.4	(11.7)	<b>Net cash flow from operations</b>	253.3	573.8	97.1
			<b>Cash flow from investments</b>			
0.0	0.0	0.0	Investments in tangible fixed assets	(125.6)	(129.7)	(146.3)
0.0	0.0	0.0	Sale of tangible fixed assets (sales value)	23.1	174.7	37.8
0.0	0.0	0.0	Currency effects on tangible fixed assets	3.7	(15.7)	40.7
(21.5)	38.2	14.1	Change in other investments	22.6	(1.8)	26.9
(21.5)	38.2	14.1	<b>Net cash flow from investments</b>	(76.2)	27.5	(40.9)
			<b>Cash flow from capital transactions</b>			
0.0	0.0	0.0	Change in overdrafts	(7.8)	5.7	1.7
0.0	0.0	160.0	New short- and long-term debt	0.0	0.0	0.0
0.0	(280.0)	0.0	Repayment of debt	0.0	(344.9)	(39.1)
0.0	0.0	0.0	Currency effect on debt	0.0	0.0	(10.3)
0.0	(280.0)	160.0	<b>Net cash flow from capital transactions</b>	(7.8)	(339.2)	(47.7)
			<b>Liquidity</b>			
4.6	18.4	(11.7)	Net cash flow from operations	253.3	573.8	97.1
(21.5)	38.2	14.1	Net cash flow from investments	(76.2)	27.5	(40.9)
0.0	(280.0)	160.0	Net cash flow from capital transactions	(7.8)	(339.2)	(47.7)
(16.9)	(223.4)	162.4	<b>Net change in liquidity during the year</b>	169.3	262.1	8.5
365.2	588.6	426.2	Liquidity at 1 January	804.6	542.5	534.0
348.3	365.2	588.6	<b>Liquidity at 31 December</b>	973.9	804.6	542.5

# 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 DNV Foundation and all companies in which DNV Foundation 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.



## NOTES TO THE FINANCIAL STATEMENTS

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.

### 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 assump-

tions of deaths, voluntary resignations etc. Plan assets are valued at fair value and deducted from net pension liabilities in the balance sheet. Changes in the pension liabilities due to changes in pension plans are recognized over 10 years. Effects of changes in estimates, changes in assumptions and deviations from actuarial assumptions are recognised over 10 years.

### 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 DET NORSKE VERITAS FOUNDATION

Det Norske Veritas Foundation 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 2 subsidiaries 100%, Det Norske Veritas AS and Det Norske Veritas Eiendom AS. Det Norske Veritas AS has 79 subsidiaries. With the exception of some financial transactions DNV is operating through DNV Holding AS and its subsidiaries around the world.

## CONSOLIDATED ACCOUNTS FOR DET NORSKE VERITAS HOLDING AS:

Income Statement	2004	2003	2002
<b>Total operating revenue</b>	<b>5 957.2</b>	5 762.0	5 742.7
Total operating expenses	<b>5 568.0</b>	5 302.8	5 406.4
<b>Operating profit</b>	<b>389.2</b>	459.2	336.3
Net financial income (expenses)	<b>(61.5)</b>	(13.1)	(88.3)
Tax on ordinary profit	<b>(175.5)</b>	(143.3)	(111.0)
<b>Profit for the year</b>	<b>152.2</b>	302.8	137.0
Of this minority interests	<b>1.7</b>	0.0	0.0
Of this majority interests	<b>150.5</b>	302.8	137.0

Balance sheet	2004	2003	2002	2004	2003	2002
<b>Fixed assets</b>				<b>Equity</b>		
Intangible fixed assets	<b>108.5</b>	137.0	107.3	Paid in capital	<b>240.0</b>	240.0
Tangible fixed assets	<b>1 151.2</b>	1 156.9	1 213.2	Retained earnings	<b>2 504.4</b>	2 353.9
Financial fixed assets	<b>697.7</b>	864.6	998.7	Minority interests	<b>9.2</b>	0.0
<b>Total fixed assets</b>	<b>1 957.4</b>	2 158.5	2 319.2	<b>Total equity</b>	<b>2 753.6</b>	2 593.9
<b>Current assets</b>				<b>Liabilities</b>		
Debtors	<b>1 685.4</b>	1 576.9	1 468.9	Provisions	<b>417.9</b>	467.8
Cash and bank deposits	<b>625.6</b>	439.4	0.0	Bank loans	<b>0.0</b>	64.9
<b>Total current assets</b>	<b>2 311.0</b>	2 016.3	1 468.9	Current liabilities	<b>1 096.9</b>	1 113.1
<b>TOTAL ASSETS</b>	<b>4 268.4</b>	4 174.8	3 788.1	<b>Total liabilities</b>	<b>1 514.8</b>	1 580.9
				<b>TOTAL EQ. AND LIAB.</b>	<b>4 268.4</b>	3 788.1

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

## 3. OPERATING REVENUE

	DET NORSKE VERITAS GROUP		
	2004	2003	2002
<b>Business area</b>			
Maritime	2 478.1	2 364.0	2 480.0
Certification	1 840.7	1 829.4	1 737.4
Consulting and Technology Services	1 369.1	1 321.9	1 325.4
Other	269.3	246.7	199.9
<b>Total operating revenue</b>	<b>5 957.2</b>	5 762.0	5 742.7
<b>Geographical area</b>			
Nordic countries	2 481.8	2 334.4	2 355.6
Europe and Africa	1 578.1	1 541.3	1 362.6
Asia Pacific	1 287.5	1 224.8	1 294.2
North and South America	609.8	661.5	730.3
<b>Total operating revenue</b>	<b>5 957.2</b>	5 762.0	5 742.7

## 4. PAYROLL EXPENSES

DET NORSKE VERITAS FOUNDATION			DET NORSKE VERITAS GROUP		
2004	2003	2002	2004	2003	2002
0.0	0.0	0.0	2 550.4	2 363.5	2 323.2
0.0	0.0	0.0	415.7	370.2	376.3
0.0	0.0	0.0	413.7	443.4	363.0
0.0	0.0	0.0	158.4	181.6	134.4
0.0	0.0	0.0	<b>3 538.2</b>	3 358.7	3 196.9
0	0	0	<b>6 113</b>	5 894	5 699

## 5. REMUNERATION AND LOANS TO PRESIDENT, BOARD OF DIRECTORS ETC.

President and Chief Executive Officer Miklos Konkoly-Thege has an annual basic salary of NOK 2 600 000. Konkoly-Thege does not participate in the Group's incentive schemes. Konkoly-Thege's total salaries and other remunerations for 2004 amounts to NOK 2 752 491. His pension rights are 26/30\*66% of basic salary. If asked to resign by the Board of Directors before reaching age 65 years (in 2008), Konkoly-Thege has the right to early retirement pension, which, at the point of resignation is equivalent to one year's basic annual salary for the first year, decreasing on a linear basis to normal pension at the age of 65 years. Calculated pension premiums to DNV Pension Funds in 2004 amounted to NOK 789 633.

As per 31 December 2004, the President and Chief Executive Officer, Miklos Konkoly-Thege had the following loans from Det Norske Veritas AS:

Amount	Interest	Repayment period	Security
1 271 296	1.63 % as per 31.12.2004	within 75 years of age (year 2018)	1st priority mortgage

Total remuneration paid to members of the Board of Directors amounted to NOK 1 544 375 in 2004. Remuneration to the members of the Control Committee amounted to NOK 152 000 in 2004.

Remuneration to the auditors amounted in 2004 to NOK 270 000 for Det Norske Veritas Foundation. Remuneration to Ernst & Young AS for other entities in Norway amounted to NOK 1.4 million for regular audit, NOK 1.1 million for tax related services and NOK 1.1 million for other services. Remuneration to Ernst & Young affiliates for regular audit outside Norway amounted to NOK 2.9 million and NOK 0.6 million for other services, and fees to other auditors amounted to NOK 4.8 million for regular audit and NOK 1.9 million for other services.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

## 6. PENSION COSTS, PLAN ASSETS AND 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 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 is 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. The pension assets in Norway are invested as follows:

Market value of plan assets in Norway	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002
Buildings and property	147.0	147.0	147.0
Norwegian bonds, long-term	0.0	136.5	155.0
Mutual equity funds	957.7	775.1	446.2
Norwegian bonds, short-term	770.9	826.1	741.4
Non-Norwegian bonds, short term	457.8	93.8	0.0
Index linked bonds	0.0	0.0	65.7
Bank accounts, other assets and liabilities	(214.1)	(156.4)	(76.9)
<b>Total market value of plan assets</b>	<b>2 119.2</b>	<b>1 822.1</b>	<b>1 478.4</b>
<b>Actual return on plan assets</b>	<b>248.1</b>	<b>323.3</b>	<b>(129.9)</b>

	Funded Norwegian defined benefit pension plans			Other defined benefit pension plans		
	2004	2003	2002	2004	2003	2002
Net present value of this year's pension contribution	135.5	134.5	107.7	53.1	45.3	81.0
Interest expense on pension liabilities	120.3	118.6	120.9	42.8	35.3	34.9
Expected return on plan assets	(109.3)	(88.7)	(107.7)	(28.2)	(21.7)	(23.8)
Payroll tax	20.6	23.2	17.0	1.2	1.2	1.2
Amortisation	97.4	112.7	61.3	8.3	19.6	10.8
Curtailment/pension plan changes	0.0	0.0	0.0	(11.0)	(5.0)	0.0
<b>Net pension cost</b>	<b>264.5</b>	<b>300.3</b>	<b>199.2</b>	<b>66.2</b>	<b>74.7</b>	<b>104.1</b>

Plan assets and pension liabilities	Funded Norwegian defined benefit pension plans			Other defined benefit pension plans		
	2004	2003	2002	2004	2003	2002
Market value of plan assets	2 119.2	1 822.1	1 478.4	538.5	451.2	340.5
Actuarial present value of pension liabilities	(2 562.9)	(2 593.6)	(2 216.9)	(929.5)	(878.8)	(706.2)
Payroll tax	(62.6)	(108.8)	(104.1)	(14.2)	(13.8)	(12.2)
Unrecognised net loss	482.3	974.9	1 127.3	106.0	130.8	112.2
<b>Net prepaid pension (liabilities)</b>	<b>(24.0)</b>	<b>94.6</b>	<b>284.7</b>	<b>(299.2)</b>	<b>(310.6)</b>	<b>(265.7)</b>
Hereof recorded as plan assets	0.0	94.6	284.7	0.0	0.0	17.9
Hereof recorded as pension liabilities	(24.0)	0.0	0.0	(299.2)	(310.6)	(283.6)

The calculation of the pension liabilities in Norway is based on the following assumptions	2004	2003	2002
Discount rate	5.0%	5.0%	6.0%
Projected annual salary adjustment	4.0%	4.0%	4.5%
Projected annual increase in pension benefit	1.5%	1.5%	2.0%
Projected annual increase of Norwegian Government basis pension	1.5%	1.5%	2.0%
Expected annual return on plan assets	6.0%	6.0%	7.0%

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

DET NORSKE VERITAS FOUNDATION				DET NORSKE VERITAS GROUP		
2004	2003	2002		2004	2003	2002
7.1	0.0	4.7	Return on short-term financial investments	7.1	0.0	4.7
0.6	0.0	0.0	Return on long-term shareholdings - realised	0.6	0.0	0.0
2.8	1.1	(8.7)	Return on long-term shareholdings	2.8	(3.0)	(15.7)
0.0	0.0	0.0	Profit (loss) from investment in associates	0.0	3.2	(8.2)
0.3	18.6	25.8	Net interest received from group companies	0.0	0.0	0.0
0.0	1.8	3.1	Other interest received	16.6	35.4	45.1
(0.5)	(6.7)	(14.5)	Other interest expenses	(21.2)	(12.2)	(23.3)
(0.3)	(1.8)	(1.8)	Other financial expenses	(57.4)	(23.5)	(82.3)
10.0	13.0	8.6	<b>Net financial income (expenses)</b>	<b>(51.5)</b>	<b>(0.1)</b>	<b>(79.7)</b>

## 8. FINANCIAL MARKET RISK

Det Norske Veritas has revenue and expenses in 70 currencies. Of these, 5 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.

DNV assists the space industry in managing risk in connection with the use of information, systems, and software.



## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

## 9. TAX

DET NORSKE VERITAS FOUNDATION				DET NORSKE VERITAS GROUP		
2004	2003	2002		2004	2003	2002
			<b>Tax expense consists of</b>			
6.1	5.3	5.0	Norwegian wealth tax	6.1	5.3	5.0
0.0	0.0	0.0	Norwegian income tax	46.6	68.1	11.1
0.0	0.0	0.0	Income tax outside Norway	111.0	148.3	107.4
8.5	2.9	0.7	Change in deferred tax in Norway	26.1	(65.7)	20.3
0.0	0.0	0.0	Change in deferred tax outside Norway	0.4	(4.5)	(27.1)
<b>14.6</b>	<b>8.2</b>	<b>5.7</b>	<b>Tax expense</b>	<b>190.2</b>	<b>151.5</b>	<b>116.7</b>
			Tax on ordinary profit at 28%	94.6	128.5	71.9
			Tax effect of:			
			Foreign tax exempt branches	(4.0)	(13.0)	(8.2)
			Wealth tax	6.1	5.3	5.0
			Differences between tax rates in Norway and abroad	35.2	11.1	4.9
			Permanent differences	58.3	19.6	43.1
			<b>Tax on ordinary profit</b>	<b>190.2</b>	<b>151.5</b>	<b>116.7</b>
			<b>Net tax-reducing/tax-increasing temporary differences</b>			
(0.2)	(24.3)	(22.9)	Fixed assets	62.7	52.1	126.4
0.0	0.0	0.0	Current assets	(4.2)	33.3	12.0
0.0	0.0	0.0	Liabilities	(276.8)	(315.8)	(91.3)
(21.7)	(28.2)	(40.0)	Tax loss to be carried forward	(107.6)	(184.3)	(214.8)
<b>(21.9)</b>	<b>(52.5)</b>	<b>(62.9)</b>	<b>Basis for deferred tax asset/liability</b>	<b>(325.9)</b>	<b>(414.7)</b>	<b>(167.7)</b>
<b>28%</b>	<b>28%</b>	<b>28%</b>	Tax rates applied	<b>10%-45%</b>	<b>10%-40%</b>	<b>10%-45%</b>
<b>(6.1)</b>	<b>(14.7)</b>	<b>(17.6)</b>	<b>Deferred tax asset</b>	<b>(114.6)</b>	<b>(151.7)</b>	<b>(107.3)</b>
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>Deferred tax liability</b>	<b>14.3</b>	<b>24.2</b>	<b>48.7</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

## 10. FIXED ASSETS

	Land, buildings and other property	Office equip- ment, fixtures and fittings
Cost at 1 January 2004	1 262.9	1 244.0
Additions in 2004	19.8	98.9
Disposals in 2004	(1.1)	(8.1)
Accumulated depreciation at 31 December 2004	(379.9)	(1 078.6)
<b>Book value at 31 December 2004</b>	<b>901.7</b>	<b>256.2</b>
Depreciation 2004	14.1	102.3
Economic life	More than 10 years	3-10 years
Depreciation plan	Linear	Linear

Det Norske Veritas Eiendom AS has a tenancy agreement with Det Norske Veritas Pension Fund for Supplementary Pension Benefits for an office building in Stavanger. In 2004 the rent amounted to NOK 9.2 million. The tenancy agreement is non-terminable for 30 years starting in 1984.

Det Norske Veritas Pension Fund for Supplementary Pension Benefits has an option to sell the property to Det Norske Veritas at book value at the end of the period (year 2014).

## 11. LONG-TERM SHAREHOLDINGS

Company	Ownership	Market value	Book value
Røisheim Eiendom AS	4.1 %		0.3
Industrifinans SMB III AS	4.9 %	3.5	3.5
<b>Total long-term shareholdings in DNV Foundation</b>			<b>3.8</b>
Hua-Eng-Wei International Testing Co.Ltd.	49.0%		7.6
Ship Manoeuvring Simulator Center AS	40.0%		1.8
Trace Tag International Ltd.	62.1%		0.0
Vité Inc.	14.3%		0.0
Computas AS	11.8%		1.1
SA Isoscope	10.0%		0.0
Marintek AS	9.0%		0.0
IT Fornebu AS	2.1%		0.0
NDT Training AB	50.0%		0.7
<b>Total long-term shareholdings in subsidiaries</b>			<b>11.2</b>
<b>Total long-term shareholdings</b>			<b>15.0</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in NOK million)

## 12. OTHER LONG TERM RECEIVABLES

	DET NORSKE VERITAS GROUP		
	2004	2003	2002
Paid in capital to DNV's Pension funds	411.0	336.0	336.0
Subordinated loan capital to DNV's Pension funds	105.0	180.0	180.0
Loans to employees	60.3	64.6	64.9
Other long term receivables	110.5	134.4	100.2
<b>Total other long term receivables</b>	<b>686.8</b>	<b>715.0</b>	<b>681.1</b>

## 13. 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 DNV Holding AS.

Balances on bank accounts participating in the corporate bank account system/cash pooling system 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 116.0 million with DnB NOR Bank ASA and EUR 1.0 million with ABN Amro are included in Cash and bank deposits/(overdrafts) in the balance sheet at 31 December.

Of the total liquidity reserve NOK 345.7 million was invested in money market fund, and classified as cash and bank deposits.

## 14. BANK LOANS

In January 2004 Det Norske Veritas Holding AS signed an agreement for a NOK 750 mill multi-currency revolving credit facility with an international bank syndicate. The facility expires in January 2009. The facility is undrawn as per year-end 2004.

The credit agreements supporting this facility includes a negative pledge clause, and also restrict 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.

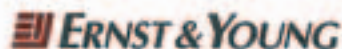
## 15. GUARANTEES

DET NORSKE VERITAS FOUNDATION				DET NORSKE VERITAS GROUP		
2004	2003	2002		2004	2003	2002
0.0	0.0	848.4	Guarantee commitments not included in the accounts	25.1	17.6	26.3

## 16. EQUITY

	Foundation capital	Other equity	DNV Foundation	Subsidiaries of DNV Foundation	Minority interests	DNV Group
Equity 31 December 2003	283.5	326.6	610.1	2 353.9	0.0	2 964.0
Minority interests at acquisition		0.0	0.0	0.0	7.5	7.5
Profit (loss) for the year		(4.7)	(4.7)	150.5	1.7	147.5
<b>Equity 31 December 2004</b>	<b>283.5</b>	<b>321.9</b>	<b>605.4</b>	<b>2 504.4</b>	<b>9.2</b>	<b>3 119.0</b>





■ Statsautoriserte revisorer

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Medlemmer av Den norske Revisorforening

To the Council of  
Det Norske Veritas Foundation

### Auditor's report for 2004

We have audited the annual financial statements of Det Norske Veritas Foundation as of 31 December 2004, showing a loss of NOK 4.7 million for the Foundation and a profit of NOK 147.5 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 coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements and the Directors' report are the responsibility of the 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 the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Foundation and of the Group as of 31 December 2004, and the results of the operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Foundation's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 14 April 2005  
ERNST & YOUNG AS

Knut Aker  
State Authorised Public Accountant (Norway)

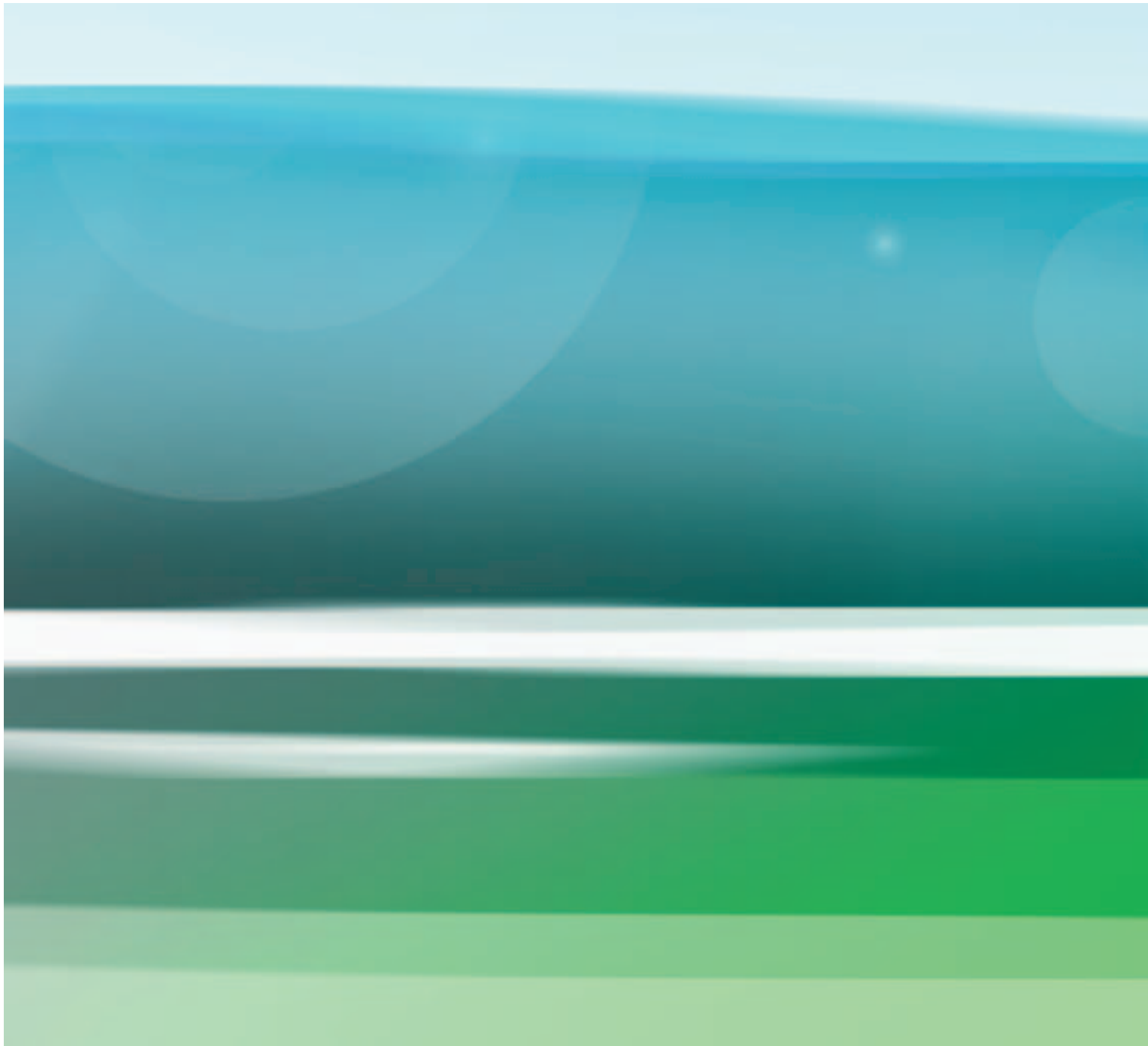
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DNV helps hospitals to better understand and manage the risk associated with their biobanks.

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DNV is the world-leading certification body for offshore wind farms.





# Global Reporting Initiative index

DNV has made use of the Global Reporting Initiative (GRI) guidelines and the principles of the UN Global Compact when selecting environmental and social indicators to measure DNV's performance.

Only the indicators that are currently seen to be relevant to DNV's worldwide operations as a service provider have been included. DNV will continuously assess the indicators used and the need to further broaden the reporting practices.

The economic performance indicators suggested in the GRI guidelines have not been referenced in the index below. Most of these indicators, however, are covered in the financial review. The financial statements in this report have been prepared in accordance with the Norwegian Accounting Act of 1998 and accounting principles generally accepted in Norway.

This index shows where you can find information on the main reporting elements and indicators of the GRI. In some cases, reference is made to information that may be found on our web site: [www.dnv.com](http://www.dnv.com).

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