

Understanding and managing risk is of vital importance in all drives for improvement. Companies and organisations are changing in response to increased demands for efficiency and profitability. Expectations and requirements for improved quality, safety and environmental performance are growing in parallel to demands for cost reduction and enhanced production.

long traditions – new methods

Onshore plants, offshore platforms and ships of today are optimised through use of modern design tools and engineering methods. As a result they have far less redundancy and tolerance to failure. The organisations that run these plants are characterised by use of fewer, multitasked people, operating at a high pace with advanced technical and complex management systems.

To do the right things first and to do them successfully are absolute requirements in an industrial environment where mistakes can easily lead to very high costs in terms of money, trust and corporate reputation.

The key to success lies in prioritising among the tasks, operations and parts of the plants that yield the highest return per dollar spent. Attention must be applied to where the risk is highest – from both a safety and a business perspective. A crucial step is to select technologies and methods for design and operations such that these risks are managed in the most cost-efficient manner throughout the project life cycle. Risk management has

taken on a new importance and meaning in management of all industries in today's business environment.

For over 30 years DNV has used and developed risk management and analysis technology for effective management support and decision making. Our experience from thousands of assignments and the expertise of several hundred people working in this field is built into this technology. Strategic acquisitions, partnerships with our customers and extensive R&D have assured our position as a trend-setter in risk-based management. Today we merge risk management, materials technology, mechanical load and strength analysis. The result is a leading set of tools and methods with significant potential for improving and supporting the management of safety, design and cost-effective operations.

Sven Ullring
Sven Ullring



SVEN ULLRING
Chief Executive Officer
and Chairman of the
Executive Board.

DNV's services fall into three categories: classification, certification and advisory services. Our markets for these services are four worldwide industry segments, maritime, process, offshore and general industries. This corresponds to the four business areas into which the DNV organization is divided.

services services services service

Classification

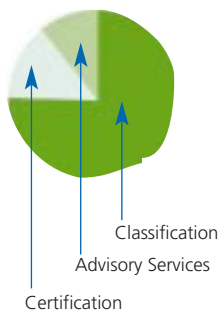
is primarily targeted at the maritime industry, but also to the upstream and downstream process industries offshore. Our DNV Classification rules including IMO regulations are applied to ships of all types, High Speed Light Crafts, mobile and fixed offshore units as well as submarine pipelines. Classification and certification of materials, equipment and marine systems is also included in the classification service package, as is Safety Management Certification covering the International Safety Management (ISM) code.

Certification

are targeted at all our business areas. These services include certification of offshore installations and Accredited Quality System Certification to ISO 9000, QS 9000 and other standards, Accredited Environmental Management System Certification to ISO 14001 and EMAS. Also included is Accredited Contractor Safety Certification, product certifications, certification of materials and components for ships and offshore industry, as well as personnel certification. DNV is also a Notified Body in the regulated sector.

Advisory services

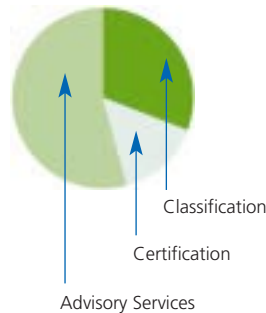
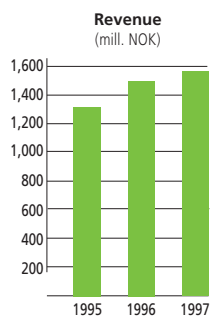
are targeted at all our business areas. These include life cycle services, technology development and partnership, environmental, safety and reliability analyses, cost optimisation analyses, verification inspection and testing, emergency response services, loss control management, training and competence building as well as facilitation of improvement processes.



Turnover per service category

Maritime Industry

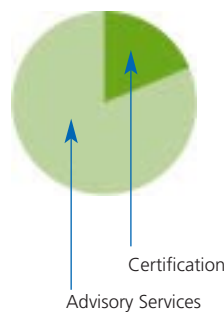
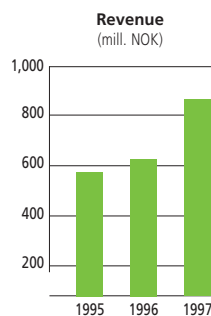
- Classification and certification of ships
- Authorised for survey and certification by more than 130 national administrations
- Certification of materials and products
- Certification of management systems for safety, quality and the environment
- Certification of maritime education, training centres, crewing agents and personnel
- Supportive facilitation and advisory services
- Risk and reliability analyses
- Technical advisory services
- Bunker fuel testing



Turnover per service category

Offshore Industry

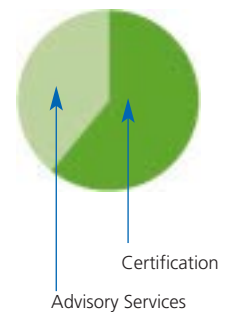
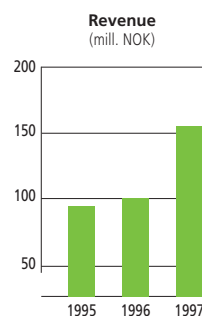
- Classification of mobile drilling rigs and floating production units
- Certification/verification of fixed offshore installations and pipelines
- Life-cycle assurance – advisory services from concept evaluation to decommissioning
- Certification of materials and components for the offshore industry
- Risk and Reliability analyses
- Environmental Risk Management
- Risk Based Inspection
- Life-cycle services
- Technology developer and provider
- Verification, inspection and testing
- Assessment, training and facilitation related to safety, quality and environmental management systems
- Technical analyses



Turnover per service category

Process Industry

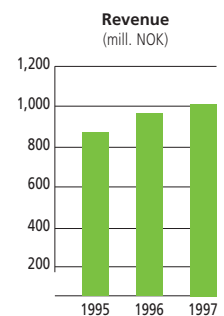
- Certification of management systems, materials, products and personnel
- Risk analysis
- Technical advisory services
- Risk-Based Management
- Life-cycle asset integrity services
- Technology developer and partner
- Environmental, safety and reliability analyses
- Cost optimisation
- Technical investigations, inspection and testing
- Assessment, training and facilitation related to safety, quality and environmental management systems
- Materials technology and behaviour
- Inspection management and planning
- Risk based inspection
- Compliance with legislation



Turnover per service category

General Industries

- Accredited Quality System Certification to ISO 9000, QS 9000 and other standards
- Accredited Environmental Management System Certification to ISO 14001 and EMAS
- Accredited Contractor Safety Certification
- Product Certification; Accredited Certification; Notified Body in the regulated sector
- Personnel Certification
- Technical investigations, inspection and testing
- Assessment, training and facilitation for safety, quality and environmental management systems
- Risk analysis
- Environmental studies



Optimising asset performance is on top of the agenda of companies worldwide. At the same time concern is growing over safety, quality and the environment. Business and safety objectives are mutually supportive. DNV is devoted to assisting companies in managing risk, so increasing productivity and avoiding losses to people and property, and damage to the environment.

business and safety

mutually supportive objectives



WILHELM WILHELMSSEN

Chairman of the Board,
Member of the Board 1982;
Chairman of the Board
1994. Chairman of the Board of
Wilh. Wilhelmsen Ltd. AS, Saga
Petroleum and Wilhelmsen's
subsidiaries;
Member of the Board
of Sponsor Service AS and
Norges Investor;
CEO Skips AS Tudor.

DNV will apply its business idea to selected industries, and advance with them in sophistication and global reach. It is gratifying and inspiring to see the growing correspondence between awareness of safety, quality and the environment, and fundamental business philosophy. There is also an increasing requirement for companies to manage, promote and document a positive reputation and image in society's eyes.

1997 was an active year for Det Norske Veritas, with considerable growth in our principal areas of operation. Main products and services are ship classification and certification and advisory services. To maintain strategic focus, the Business Area function was reorganised under a single manager, with priority on four industry sectors. These are the maritime, upstream,

process and general industry. The maritime industry's need for quality focus and improvements will continue. Offshore has for more than two decades been one of DNV's most important industries. DNV's risk based inspection services are well suited to the process industry, including downstream and process plants. Finally, many of DNV's certification and advisory services are aimed at industry in general, not restricted by specific business areas.

Maritime industry

Implementation of the International Maritime Organisation's International Safety Management (ISM) Code represents a major challenge to the shipping industry. It is a unique opportunity for the industry to implement its own recommended safety practices.

It is vital that flag states, port states, underwriters and the classification societies support IMO through a consistent enforcement of ISM Code requirements. If not, the shipping industry may fail to meet the international community's demand for improved safety through a more systematic approach, and the classification societies would lose credibility. More than 30 % of the DNV-classed fleet subject to meeting the Code requirements by 1 July 1998 have their ISM certificates, and a substantial number of ships are in the process of being certified.

DNV enjoys an increased share of the world's newbuildings. The 1997 orders total 6.94 million grt, representing 21 % of orders placed worldwide. South Korea is the most important newbuilding country for DNV. 28.3 % of all newbuildings at Korean yards are built to DNV class. At the close of the year, 14.7 % of the world fleet was classed by DNV.

During 1997 our new IT-based information and calculation system Nauticus has been tested in cooperation with major yards. Nauticus will improve the newbuilding approval process through easy access to advanced calculation tools, improved follow-up during construction, and closer dialogue with the owners and yards throughout the pre-contract, design and construction phases. Improved quality and shorter approval time are important results of the introduction of Nauticus.

Using Nauticus, the knowledge accumulated during a ship's construction will be carried through to its operational phase. By continuously updating the virtual model of the ship, both the owner and DNV can benefit from improved decision support and experience feedback. The owner or operator gains easy access to the updated ship condition and its damage history, and

can better plan for maintenance and possible upgrading. Nauticus represents a new approach to classification, and to the latest state of the art in ship design verification and class systematics. Its implementation will continue throughout 1998.

Upstream

Oil and gas exploration and production projects have made major progress in both lead times and cost. In the North Sea the British CRINE initiative and the Norwegian NORSOK have led to substantial cost savings. DNV has been part of both initiatives. By using known technology in new ways, projects have achieved 25 - 40 % savings in time, and have reduced costs considerably without compromising safety.

Field developments in deeper water, and of more marginal fields, have encouraged interest in floating drilling/production/storage vessels (FPSOs). These represent a merger of the offshore industry's well-proved quality approach and the shipping industry's traditions and experience. The offshore industry has been through a phase of learning, identifying the best practices from both offshore and shipping in order to ensure better and more cost-effective offshore projects. Of the 13 FPSO newbuilding projects worldwide, nine are to DNV class.

Downstream/Process industries

The process industries, which include refineries and chemical plants, face considerable risks and the potential for serious accidents. DNV's Risk-Based Inspection is a useful tool for companies to identify, assess and manage their critical risks.

Cost-effective maintenance planning is imperative in an industry with many old plants and low profit margins. A risk-based approach enables the opera-



HÅKON LØCHEN

Vice Chairman, Member of the Board 1986; Vice Chairman 1990. Supreme Court Attorney; Chairman of the Board Owens-Corning Fiberglass Norway AS; Chairman of the Board Coca Cola Norge AS; Chairman of the Board Norsk Alcoa AS.



JOHAN FR. ODFJELL

Member of the Board 1983. Chairman of the Board Nycomed Amersham Plc; Chairman of the Board Hafslund ASA; Chairman Corporate Assembly SAS.



MORTEN SIG. BERGESEEN

Member of the Board 1989. CEO and Member of the Board Bergeesen dy ASA.



JOHN G. BERNANDER

Member of the Board 1996. CEO Assuranceforeningen Gard; Chairman of the Board Christiansands Bryggeri; Member of the Board Jiffy International A/S 1992. Skipskredittforeningens Stiftelse for Maritim Forskning. Member of the German-Norwegian Advisory Council for Ruhrgas Scholarships.



SIR JOHN JENNINGS

Member of the Board 1997. Board of Directors Shell Company Ltd., Shell Petroleum N.V., The Shell Transport & Trading Company plc and others. Board Memberships Bechtel Corporation, Toyota Corporation, Exeter University Council Edinburgh University Development Trust.



ØYSTEIN ERLAND

Elected by the employees of Det Norske Veritas. Principal Surveyor, Section for Experience Transfer, Division Technology and Products. Chairman of the Board, Det Norske Veritas Employee Association. Joined DNV in 1975.

tors to target their maintenance plans as rationally as possible.

Risk-Based Inspection includes both DNVs traditional technical competence and risk-based methodology. The main market for these services has so far been in the U.S.A., but there is now growing potential for the same services worldwide.

General industry

Accredited certification of quality systems according to ISO 9000 standards has grown considerably in 1997, and this growth is expected to continue in 1998. There is at the same time a need to develop the certification process further, and DNV is currently doing this in order to add more value to certification.

Environmental certification to ISO 14000 standards has shown a slower growth than expected, though towards the end of 1997 there was an increase in demand. In some markets the EU's environmental scheme, EMAS, has been more successful than ISO 14000. We still expect considerable growth in environmental certification, as well as in the market for product certification.

DNV assists and advises companies in a number of industrial sectors in improving the safety, quality and environmental aspects of their operations. In particular, management systems services based on DNV's Loss Control Management principles are widely used in various industries around the world. Companies realise more and more the impact that efficient, effective management systems have on their performance and business results.

Finance

Throughout 1997 the level of activity was high in all parts of DNV. Total revenues increased by 13 % to NOK 3,735 million. Strongest growth has taken

place in the Asian market. We continued to invest considerable amounts in research and development, as well as in information technology. An additional NOK 100 million over and above a normal year was budgeted for 1997 on IT investments. This consequently affected our cost structure and profitability.

The operating profit of NOK 258 is somewhat higher than budgeted, but shows a clear drop from 1996. IT investments will remain at the same level for 1998. The operating margin for 1997 was 6.9 %, also somewhat lower than in 1996. After taxes of NOK 103 million, our 1997 net profit was NOK 160 million.

Organisation

At the close of 1997 DNV had 4,235 employees, an increase of 235 during the year, and representing 74 different nationalities. Recruiting personnel with relevant competence is a major challenge for many of the DNV's regions. So is building bridges between different professional environments and between different cultures. The Board of Directors wishes to express its recognition of the work performed by all DNV staff.

DNV's own operations have little impact on the environment, and comply with requirements placed on us. Remuneration to the CEO and fees to the Board of Directors are noted in the financial statements (Note 2).

Future prospects

The economic turmoil in East Asia has considerable consequence for the countries involved. Lack of confidence in the financial institutions, lower consumption and production lead to economic and in some instances political instability. In the longer term it is fair to expect a gradual recovery in the region. Furthermore, it is not regarded as likely

that the East Asian situation will have significant consequences for the European or U.S. economies.

In the short term, the growth of the global economy in 1998 will be reduced as compared to 1997, but still increase by approximately 2.5 – 3%. In ship new-buildings, and in oil and gas exploration, our contracts are long term, and so hardly affected by the slowdown. Reduced trade may lead to less call for our ships-in-operation services and certification activities than before the Asian financial crisis. Possible re-adjustments of currencies represent other exposure. In total, however, it is not expected that the impact on DNV's operating performance or financial situation will be substantial.

In view of the likely recovery of the East Asian economies, DNV will in future years selectively strengthen its position in some of these markets.

In the future, a competent staff and how this benefits the client will be the key issue. Efficient IT systems with information networks are just one qualification for this race. The way we make use of our systems, our office network and how competent the staff is will be the real test. The most critical factor in the years to come is to maintain and develop relevant and sufficient core competence within all our areas of activity.



MARIT OLSEN TORSET
Elected by the employees of Det Norske Veritas, Personnel Manager. Organisational development and training. Corporate Management Staff. Joined DNV in 1981.



TRUDE HELGESEN
Elected by the employees of Det Norske Veritas. Senior Engineer, Section for Material Technology, Measurement and Testing, Division Nordic Countries, Joined DNV in 1988.

Oslo, 31 December 1997, 1 April 1998

W. Wilhelmsen
Wilhelm Wilhelmsen
Chairman

Håkon Løchen
Håkon Løchen

Johan Fr. Odjell
Johan Fr. Odjell

Morten Sig. Bergesen
Morten Sig. Bergesen

Johannes G. Bernander
Johannes G. Bernander

Sir John Jennings
Sir John Jennings

Øystein Erland
Øystein Erland

Marit Olsen Torset
Marit Olsen Torset

Trude Helgesen
Trude Helgesen

Sven Ullring
Sven Ullring
Chief Executive Officer

Shipping is one of the world's principal industries. The more than 70,000 oceangoing ships at sea today represent a vast amount of resources. Safeguarding these resources, be they in the form of human lives, property or the environment, is a sound business proposition, no matter what yardstick is used to measure it. DNV takes a holistic approach to safety at sea, incorporating both technical and human factors in the classification, certification and advisory services that the company provides. And this approach pays off – both for the industry in striving to obtain optimal risk management, and for DNV Maritime which experienced a substantial increase in business volume during 1997.

Profiting from a holistic approach to

safety at sea



The 37,000 dwt chemical carrier *Stolt Innovation*, the first in a series of seven sister ships ordered from Danyard by Stolt Parcel Tankers Inc., is one of the most technically advanced ships to be delivered to date. The involvement of DNV has been crucial to ensuring a high level of quality and safety. DNV-surveyor and naval architect Jørgen S. Højman (left) and Christian Nilsson, Stolt Nielsen, studying the drawings at Danyard in Frederikshavn, Denmark.



"Ikarus"

Is the second in a series of three DNV classed 26 knot passenger ferries delivered by Fosen Mek Verksted, Norway to Minoan Lines in Greece.



A year of growth for DNV

Globally there has been an increase in demand for new ships, and the DNV share of all newbuilding contracts awarded in 1997 amounted to 21 per cent. The growth has been especially strong in Asia, with yards in the Republic of Korea, Japan and China working to capacity. However, we have also seen shipowners in Asia, Europe and North America increase the number of contracts awarded to non-Asian shipyards. DNV has increased its classification activity substantially in Asia, Europe and North America.

In safety management services, DNV has issued more ISM certificates than any other class society. DNV is well positioned to assist shipowners required to meet the ISM certificate deadline of 1 July, 1998.

The need for a Total Approach

It is important to remember that the ISM Code, as well as any other international safety standard, is not an 'end result' but merely a tool in a never-ending quest to enhance safety. To improve safety at sea, it is necessary to address the interdependence of the ship itself, the operations of the shipowner, and the performance of the crew manning the ships – as laid down in DNV's Total Safety Class concept. And much to DNV's satisfaction, this line of thinking is gaining momentum within the industry.

The shipping industry is continuously facing the challenge of implementing new or revised international safety standards. The ISM code is one example, the Standard on Training, Certification and Watchkeeping (STCW) is another. They both focus on

the ‘human element’, which is clearly the most important factor in safe ship operation and environmental protection. Most casualties are the end result of a chain of events involving the ‘human element’, be it the personnel and their qualifications, or the organisation and management of an operation. Despite positive development towards including the human factor in the safety standards regime, there is still some way to go before we should be satisfied. In particular, the following are areas for improvement:

- Standard setting is too discipline-oriented.
- Clear safety goals and objectives should be set.

- A systematic and rational approach to the standard-setting process is needed.
- Cost/benefit analyses of new regulations should have stronger focus.
- Long-term effects of new regulations should be assessed and measured more thoroughly.

The application of Formal Safety Assessment (FSA) is one way to go, now on the agenda of both IMO (International Maritime Organisation) and IACS (International Association of Classification Societies). Clearly defining the goals and objectives of FSA can give benefits in the long run:

- FSA represents a systematic risk-based approach to safety.



Growth in Asia

The DNV share of all newbuilding contracts awarded in 1997 amounted to 21 per cent. The growth has been especially strong in Asia.



China, Japan and Korea

With 21%, respectively 28% of new orders at Chinese and Korean yards DNV has maintained a leading position in these two countries. DNV has also increased considerably from previous years in Japan with almost 20% share of the new contracts.



International

DNV has maintained the dominating position among Nordic shipowners. One third of the DNV classed ships are operated by Nordic shipowners, and two thirds by shipowners from the rest of the world. More than 50 per cent of tonnage ordered by Middle East owners in 1997 was to DNV class.

- It permits addressing all issues pertinent to a safety problem.
- It permits cost/benefit evaluation of alternatives.
- It can encompass all factors of importance to safety.

DNV has worked with FSA in safety studies for many years, and has begun to adapt it for standard-setting purposes.

Contributing to bulk carrier safety

Increased safety for both new and existing bulk carriers has been on the agenda of the International Maritime Organisation and the International Association of Classification Societies for some time.

DNV has taken an active part in this work, and contributed its wide experience and expertise to the research and studies performed by IACS. The objective has been to provide



Upon selection of DNV class for Stolt's chemical tankers, Danyard initiated a dialogue with DNV, and a productive co-operation was started between the parties at an early stage. A project assessment was subsequently arranged at the DNV headquarters in Norway to identify critical areas of concern. This was followed by a period of preparation to ensure compliance with all applicable Rules and Regulations and to build quality into the ships. A DNV project team of five surveyors with different professional backgrounds was established at the Danyard site offices. In addition, a welding expert from DNV's head office took part.

the best possible basis for cost-effective measures to enhance the safety of bulk carriers. Extensive discussions have been taking place within the industry concerning the need for additional measures for existing bulk carriers, over and above strengthening the Enhanced Survey Programme. DNV welcomes the general support for the so-called 'IACS December 1996' decision on this issue. IACS' position was also supported at IMO's most recent Maritime Safety Committee meeting. Below follows a summary of the action taken by DNV in order to ensure the safety of bulk carriers and their crew.

- DNV additional class notation Enhanced Strength (ES) has been available from July 1997 and applies to specification of the IACS Unified Requirements for new bulk carriers of single and double skin design.
- DNV Report No. 97-P010

'Impact of IACS Unified Requirements on Bulk Carrier Design' supports the Rules and provides Guidelines on how the new requirements should apply, together with existing DNV class notations.

- The September 1997 release of DNV's 'Nauticus Hull' includes software supporting the requirements for new and existing vessels.
- DNV has amended the software used for longitudinal strength calculations to calculate global moments and shear forces in flooded conditions in a quick and efficient way.

DNV supports shipowners and yards in their efforts to increase the safety of bulk carriers, and fully supports the IACS initiatives through its ongoing programme, the largest study ever undertaken by IACS.

Minimising Port State detention costs

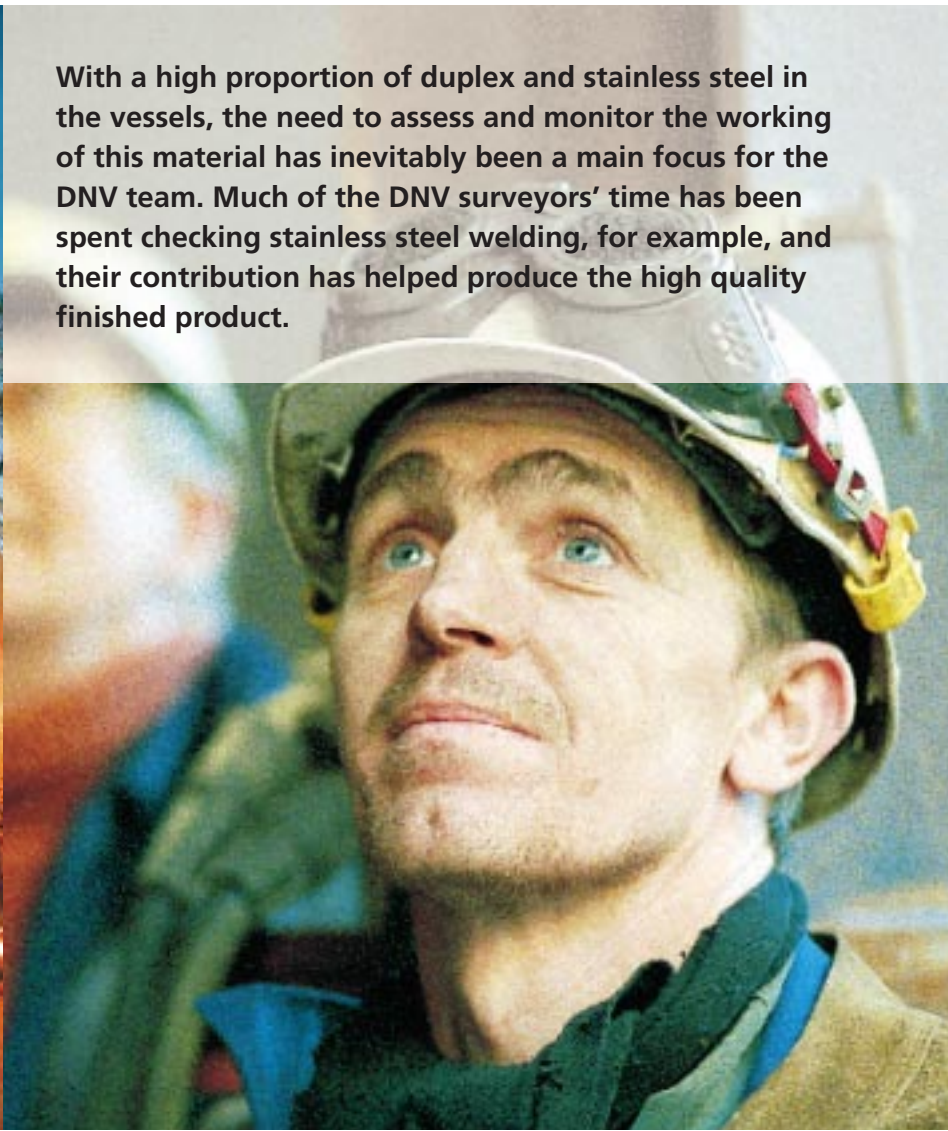
The true value of a classification society will be demonstrated to shipowners if a vessel is boarded for Port State inspection. Short term, a shipowner may save some money by opting for classification based on lower quality standards than those of DNV. However, days idle in port detained by the local Port State may be a costly experience. Statistics show that shipowners with DNV class come out best. In recent years, DNV has consistently been the classification society with the fewest Port State detentions – a position we will work hard to retain.

The United States Coast Guard (USCG) has developed a Boarding Priority Matrix, based on the following

five criteria: Ship type, previous history, owner, Flag and Classification Society. Points are allotted according to the estimate of risk, e.g: 7 points for a Flag State with a high percentage of proven substandard ships; one point for a tanker or gas carrier, two for a bulker; 5 points for the lowest-rated Class Society to zero points for the highest rated. All these points are totalled and each vessel given a Boarding Priority reflecting its score. DNV has been alternating between the best and second best rated on the USCG rating of classification societies for several years, thus aiding ships entering U.S. waters to achieve a low score. DNV is also top-rated by similar schemes in some European countries.

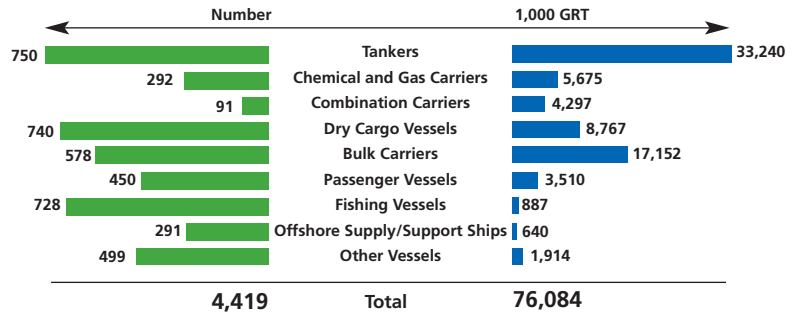


With a high proportion of duplex and stainless steel in the vessels, the need to assess and monitor the working of this material has inevitably been a main focus for the DNV team. Much of the DNV surveyors' time has been spent checking stainless steel welding, for example, and their contribution has helped produce the high quality finished product.



Ships in safe operation

The DNV term for ships having left the yard and started their operational life is 'Ships in Operation' or SiO. For DNV, ships in operation is a main focus area. With the average age of the world fleet creeping upwards, the role of class becomes even more important. DNV puts much effort and resources into ensuring that the 15% of the world fleet operating with DNV class is safe, while at the same time turning in an acceptable business result to the respective owners. By the end of 1997, some 4,400 DNV-class ships were operating worldwide, and DNV serves them globally 24 hours a day, 365 days a year. More and more shipowners and operators find that DNV is the right solution to their



25% and 53%

DNV was awarded about 25% of the newbuilding orders placed by U.S. based owners and 53% of orders placed by companies domiciled in Canada.



Port State Control

DNV classed ships have the lowest frequency of detentions in U.S. ports.

SiO demands, based on our long experience, our global service organisation and the technical and operational feedback that we provide.

An important tool in assisting owners in keeping track of their vessels, as well as class inspections, is DNV Exchange. More than 400 owners currently use this IT tool, some using the Internet as a communications channel to DNV. In addition, the Nauticus IT tool for constructing safe ships is finding its way into shipyards as well as the owners' technical departments.

The international oil and gas industry is enjoying a global boom in exploration and exploitation of fossil resources. The focus is very much on deep-water activities and new ways of managing the inherent risks. Major investments are taking place in new drilling units, including large drillships with full dynamic positioning (DP) for ultra-deep waters, conversion and newbuilding of semisubmersibles and monohull vessels as Floating Production Units, and International Pipeline Systems.

making a difference

in managing risk offshore



Gulf of Mexico

DNV is engaged in the Chevron Genesis Projects acting as the Certified Verification Agency, as well as performing selected third party independent analyses.



Floating Production

DNV enjoys a 70 % market share for Floating Production Storage and offloading (FPSO)-vessel newbuildings.

Compliance assurance in the North Sea

The contract with Conoco regarding a total of 39 installations in the UK sector is expanding year by year.





The Lufeng project is a success story of technical know-how transfer from Norway to China to develop a marginal and challenging reservoir in relatively deep waters – using ‘state of the art’ technology in drilling and reservoir management, subsea wells and Floating Production and Storage. The operator is Statoil, in cooperation with CNOOC. Here Chief Mate Jostein Bergfjord of Statoil (left) and DNV-surveyor Kwok-Yin Leung aboard the drilling ship *Navion Munin*.

Risk and reliability services

DNV is the world’s largest risk and reliability services consultant and dedicated software provider to the offshore industry – preparing the necessary decision background for operators to manage the risks involved with upstream activities. The current developments in the industry related to safety and risk management have resulted in a significantly increased business volume for DNV in 1997, and represent promising business opportunities for the future.

Lifecycle assurance services for offshore production fields

The need for integrated lifecycle assurance services in the operational phase – taking a holistic risk-based management approach and emphasising minimum

downtime, is becoming more and more evident on the part of offshore operators.

The scope of our ‘compliance assurance’ contract with Conoco, regarding a total of 39 installations in the U.K. sector of the southern North Sea, is expanding year by year. The installations comprise gas-producing, gathering and pipeline systems, supplying the British gas network. We are providing a wide range of services; including asset integrity management, risk based inspection, inspection management, vendor/quality control inspection, U.K. safety regime considerations (replacing the old ‘Certificate of Fitness’ regime), safety, environmental and quality assurance advisory services. All services are centrally coordinated and integrated.

Up front in the deep-water race

The Gulf of Mexico is undoubtedly taking the lead in the 'deep-water race'. In 1997, DNV strengthened its Houston Service Center considerably, to provide services closer and faster to clients in this area.

Typical floater concepts in deep waters are semisubmersibles, floating monohull vessels, tension leg platforms and SPAR buoys.

DNV is engaged in the Chevron-Genesis project for Gulf of Mexico, acting as the Certified Verification Agency for USCG and MMS, as well as performing selected third-party independent analyses.


Deep-water fields with associated gas constitute a special challenge regarding

CO₂ requirements. DNV is already involved in several projects involving offshore LNG production facilities.

Initiative in pipelines

The investments currently being made in large gas trunk lines are astounding. DNV is a world leader in pipeline technology and is involved in pipeline projects worldwide.

The new DNV Pipeline Rules of 1996 based on the 'limit state design principle' have been introduced in the North Sea, Australia, Middle East, Malaysia, Singapore and the U.S.A., and have met great interest from operators and authorities.



DNV was assigned classification of the multipurpose vessel *Munin*, built by Samsung, and is now acting as Certification Survey Agency in accordance with Chinese Shelf Regulations during the operational life of the field. The Lufeng field is located in the South China Sea, about 250 km southeast of Hong Kong. The recoverable reserves are in the order of 35 million barrels of oil; water depth is 330 m. Five horizontal production wells will have electrically powered booster pumps to provide artificial lift.

Major projects for DNV in 1997 were:

- Denmark: Tyra West- Tyra South. (West pipeline). Syd Arne – Nybro for DONG.
- Norway: Pipeline frame contract with Statoil; certification of pipeline material, inspection during offshore laying, advisory services in operation including Risk-Based Inspection.
- Taiwan: 295 km subsea line for China Petroleum Corporation.
- Papua New Guinea: submarine pipeline for Chevron.
- Black Sea: FSU/GAZPROM submarine pipeline in 2000m water depth.

The Åsgard project

The Åsgard project constitutes the

largest-ever offshore investment project

development project were booked by DNV. We are also entrusted with Marine Operations surveillance for the total field installations.

Major business in fixed permanent installations

DNV enjoyed a heavy workload regarding design verification and installation surveillance of fixed, permanent offshore installations in 1997. Major projects have been Oseberg East and Oseberg Gas – involving structural design verification of the jacket structures – for Operator Norsk Hydro. On behalf of PPCoN, we have carried out concept and design evaluations for both structure and topside for the planned water-injection platform at Eldfisk.



largest-ever offshore investment project in Norway. Statoil is the operator with Norsk Agip, Total Norge, Mobil Exploration Norway, Neste Petroleum, Saga Petroleum and Norsk Hydro as partners. The development includes 60 subsea wells tied back to a central floating processing platform. A particular challenge for the floaters is the requirement of 25 years operation without docking.

DNV is involved in many phases of the development work, including risk and reliability analyses, inspection planning, and classification/verification of the floaters. Åsgard A is being built by Hitachi and will be equipped at Stord. Åsgard B is being built by Kværner/Stavanger and Daewoo.

In 1997, a total of some 100 different assignments related to the Åsgard devel-

opment project were booked by DNV. We are also entrusted with Marine Operations surveillance for the total field installations.

Marine operations studies have been conducted regarding removal of the Ekofisk tank and associated barrier structure. The Brent field concrete structure has been evaluated for lifetime endurance – in particular the oil storage areas – on behalf of Shell.

Beyond the North Sea, DNV is the leading Certifying Survey Agent in China for fixed offshore installations.

FPSO concept has proven successful

During the past year, the fast-track, cost-efficient Floating Production Storage and Offloading (FPSO) concept has proven successful. Multipurpose vessels have shown themselves to be a flexible base for utilisation as oil tanker, drill ship and offloading unit. However, the concept has shown itself to be more

demanding and challenging than at first anticipated. The FPSO concept is attractive for operators worldwide, and DNV enjoys a 70 % market share for newbuildings and a 20 % market share for conversions. For DNV, the most significant projects in 1997 have been the Lufeng FPSO for Statoil in the South China Sea. Njord A and B for Hydro, Norne for Statoil, Balder for Esso, Åsgard A and B for Statoil, Hydro and Saga, Foinaven for BP and Varg for Saga.

Challenging the last frontier

The Caspian area is looked upon as an important and last frontier area for oil

waters. Horizontal drilling technology has completely changed field production concepts. There is a definite move towards increased use of multiphase flow and subsea, remotely controlled processing facilities.

DNV has carried out advanced research for many years in these areas and has developed tools and technologies very useful for the industry.

In 1997, efforts have been undertaken to secure better integration between business goals and plans and annual R&D planning and execution; both with respect to new and updated products and their implementation in the market place.



exploitation. A DNV office in Baku was opened in 1997. Major ongoing tasks are related to classification of the semi-sub drilling rig *Shelf 5* for AIOC and development of the offshore safety regime for Azerbaijan on behalf of Gosgorteknadzor.

On the basis of a past rehabilitation study of the Russian gas grid system, DNV has been entrusted with certification of the GAZPROM subsea pipeline crossing the Black Sea at a record 2000m water depth.

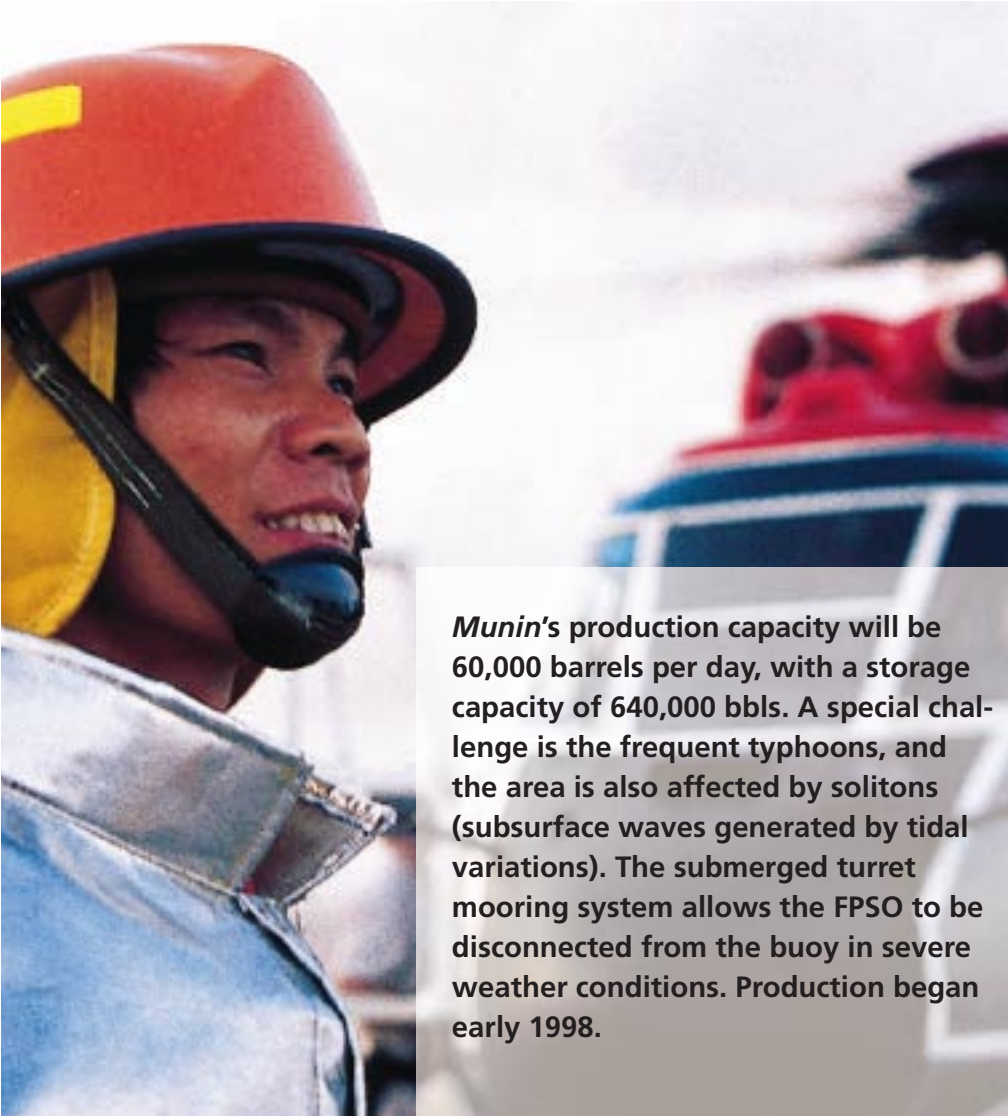
Focused research and development

The era of the gigantic offshore production platforms is definitely over. Now R&D effort in the industry is focusing on reservoir management, drilling and well completion/control, and risers and moorings in deep and ultra-deep

Major focus areas for DNV upstream R&D activities are risk & reliability tools to increase efficiency (Win OHRAT), risk-based inspection (RBI Upstream), product models (POSC/Caesar/Nauticus), renewal of Offshore Class, deepwater risers and moorings, and a new NORSOK offshore structural strength standard.

Staying ahead in mobile drilling rigs

DNV enjoys a 60 % market share in classification of new drill rigs and drill ships. A prominent example from 1997 is the *Discovery Enterprise*, a 5th generation Drill Ship for Transocean Offshore Inc. being built at Astano in Spain. The ship has a drilling ability down to 3000m water depth and has full dynamic positioning capability; it is intended for use in the Gulf of Mexico,



Munin's production capacity will be 60,000 barrels per day, with a storage capacity of 640,000 bbls. A special challenge is the frequent typhoons, and the area is also affected by solitons (subsurface waves generated by tidal variations). The submerged turret mooring system allows the FPSO to be disconnected from the buoy in severe weather conditions. Production began early 1998.

West Africa and in summer in the North Sea.

During 1997, DNV maintained its lead in classification of large jack-up rigs for the North Sea, receiving class requests for le Tourneau-design *Gorilla* 5, 6 and 7 for U.S. owners.

Pressure on expertise

There is a global shortage of experienced offshore personnel. At the same time, the outsourcing trend is prominent among oil companies, as they concentrate more and more on their core business. As a consequence, DNV is experiencing an enormous demand for all kinds of high-technology consultancy services, in addition to pressure on our traditional classification and certification services.

Change in regulatory regimes

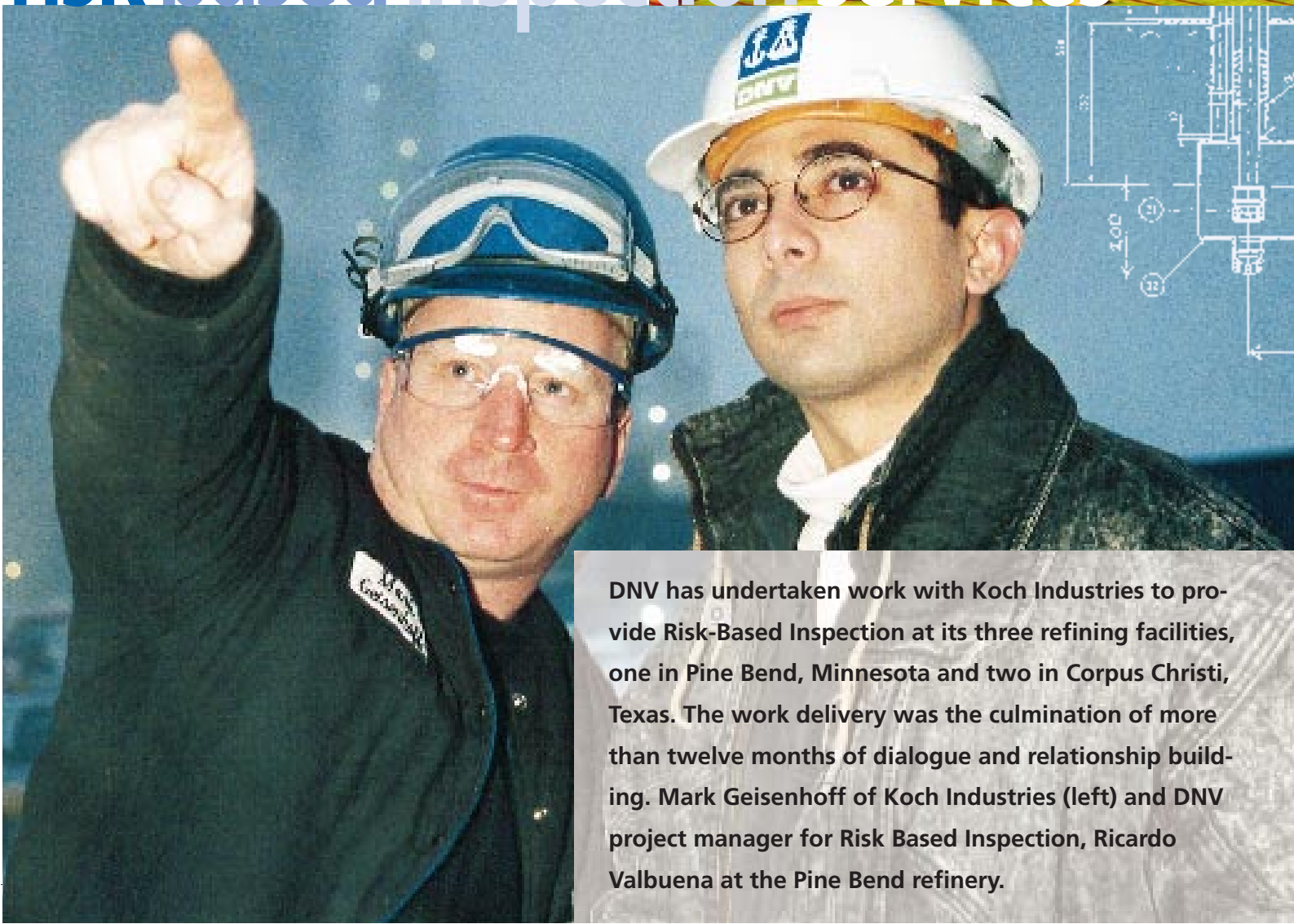
DNV's international organisation and global network is of major importance in helping share, communicate and participate in the challenge of managing risks.

The increasing awareness of safety at large, and environmental protection in particular, is by necessity changing the regulatory regime offshore from 'compliance' to a 'safety regime'. There is a growing understanding in the industry that risk cannot be controlled, but must be managed.

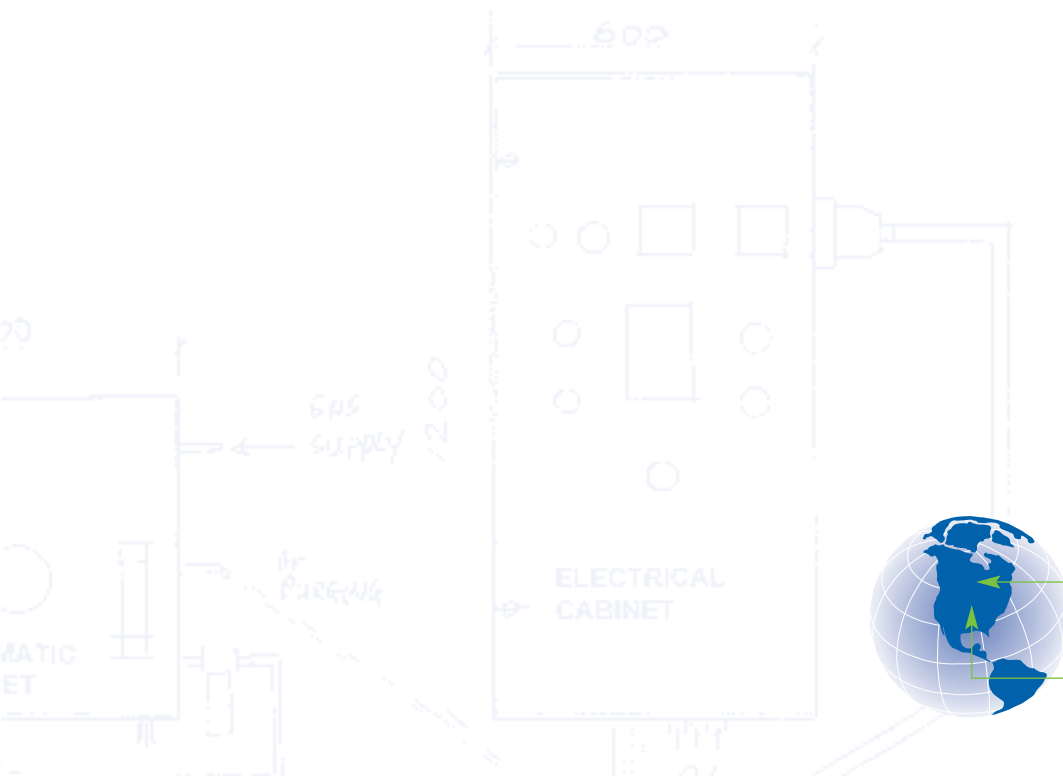
The process industry is in general a mature industry operating on marginal profit levels. At the same time the cost of conducting business continues to rise, in particular the cost of satisfying legislative demands pertaining to safety and the environment. A primary challenge for the industry is therefore to reduce costs, without compromising employee safety, corporate reputation, asset value or production.

Cutting costs safely with

risk based inspection services



DNV has undertaken work with Koch Industries to provide Risk-Based Inspection at its three refining facilities, one in Pine Bend, Minnesota and two in Corpus Christi, Texas. The work delivery was the culmination of more than twelve months of dialogue and relationship building. Mark Geisenhoff of Koch Industries (left) and DNV project manager for Risk Based Inspection, Ricardo Valbuena at the Pine Bend refinery.



Minnesota, USA

Risk based inspection and criticality rating of process plant

Houston, USA

Inspection management and planning



Oklahoma, USA

Materials selection and behaviour



METERING PUMP

A major DNV contribution to help increase profitability for many of our customers lies in helping to target and improve operations in areas where reduced expenditure will give the biggest return. This is equally true for our process-industry customers. The process industry spends a considerable amount every year on inspection of its assets. Much of this expenditure is to satisfy prescriptive legislative requirements, and many operators are concerned as to the value derived from such frequent inspection regimes. DNV's risk-based inspection (RBI) services are more and more becoming an interesting and profitable alternative to traditional, frequently performed inspection, which for process industry customers brings little added value. DNV's approach also allows the operator to have access to and gain the bene-

fits of leading technological solutions to operating problems not available within their own organisation. Using such risk-based approaches allows operating expenditure to be focused on the 'critical few' elements that will give the greatest return on expenditure.

Outsourcing of such non-core business tasks as inspection measurement, planning and management are seen by some operators as a way to reduce costs and improve profitability.

Cost reduction a key issue

Despite forecasts that the process industry in both the refining and chemical sectors, particularly in the United States and to a lesser extent in Europe, can look forward to significant growth and increased profitability, cost reduction continues to be a main concern in the business. Many operators have tradition-

ally returned single-figure returns on revenue and are constantly striving to achieve production costs in the refining sector of significantly less than \$2/barrel of oil equivalent. With the low-margin, high-volume throughput in large process plants, any cost reduction per barrel can make a significant impact on the bottom-line results. The revenue side of the profit formula of course plays an equally important part in obtaining a satisfactory profit level. Attention must also be focused on plant operability and uptime.

To obtain the desired cost reduction, many operators have embarked on outsourcing and alliancing contracts. Any

long-term business perspective should be values that a company looks for in a prospective outsourcing partner.

Exactly those values are central to the strategy followed by DNV in pursuing business opportunities within the process industry in the U.S.A. We have already succeeded in establishing business relationships within the framework of long-term integrated service contracts.

DNV – a major alliance player

An example of such a contract may be found in the United Kingdom, where DNV is now an alliance partner to Conoco (UK) Limited. The scope of



Rotterdam, The Netherlands
Risk assessment of hazardous plants in preparation of SEVESO II directive

Lincolnshire, UK
Asset integrity services supporting production.



successful company in a mature industry will constantly examine itself and question its cost base and overheads. This has been instrumental in turning around some businesses, and has created new opportunities for service providers such as DNV.

Although outsourcing can help reduce direct costs, there are also other important considerations that need to be assessed by companies following the outsourcing route. As more and more tasks are left to external service providers, these suppliers progressively become the ‘corporate memories’ and the corporation may be rendered vulnerable in terms of ownership and custodianship of this intellectual capital. Hence, the selection of a long-term outsourcing partner must be done with a view to more than short-term cost reductions. Reputation, trust, integrity and a

this contract includes the provision of safety and asset integrity services for all of Conoco’s Southern North Sea assets both upstream (offshore) and for their onshore process facilities at the gas terminal in Lincolnshire. In financial terms, DNV in 1998 will be responsible for almost 20% of the annual operating budget for Conoco’s entire Southern North Sea operation. This is a multi-million pound responsibility. Such contracts encompass the widest range of relevant services that satisfy the clients’ needs.

Future beyond compliance

DNV has a tradition well founded in helping customers satisfy their compliance requirements, be they internal from corporate demands, or externally driven by regulatory authorities.

The vision for DNV’s position in the



DNV's scope of work for Koch Industries covers a risk-based inspection programme for the three refineries. The objective is to implement RBI to understand and manage risks associated with loss of containment contributing to capacity availability. The contract includes an option to expand its scope to cover Koch's other operations, making the potential very much greater than originally defined. From left: Mark Geisenhoff, Koch Industries, Ricardo Valbuena, DNV and Mark Kachelmyer, Koch Industries.

international process industry is to fulfil a role beyond compliance assurance. Based on the core competences of DNV in the field of structures, materials and their behaviour, a comprehensive and valuable range of services has been developed, tailored and delivered to the process industry.

Contributing to the customer's value chain

Compliance is often seen as a necessary requirement, even though a cost activity. By satisfying compliance requirements and adopting principles of risk management, DNV is confident that significant value can be added. The 'value added' from DNV comes not only from satisfying the corporate and regulatory framework but also in concentrating on those areas that really count and will yield the greatest return. This is produc-

tion assurance, delivering asset integrity and enhanced operability, leading to increased plant uptime and hence a significant impact on the revenue side of the business equation.

The strategy for DNV in the process industry is to seek long-term support contracts with international clients. DNV's products, services, global reach and methodology fit perfectly with a life-cycle perspective and the industry's need to manage knowledge and information effectively. We strongly believe that our contribution will be greatest in a partnership with our clients, adding value in all project phases from concept and design, through construction, operation, upgrading and finally recycling/decommissioning.

For companies worldwide, proved and documented quality in management systems, processes and products has increasingly become a prerequisite for business, as the globalisation of world economies and markets continues. The challenge for companies that aim to take a leading position in product quality and operations is no longer merely to document quality, but to develop a level of quality that will give them a business advantage over their competitors. This perspective represents both a source of inspiration and a business opportunity for DNV.

certification and loss control

services that create true business advantage



Loss Control Management
Main Industries

NORTH AMERICA
Pharmaceuticals,
Food & Beverage,
Mechanical
Manufacturing,
Pulp & Paper



Europe
Food & Beverage, Railways,
Pharmaceuticals, Mechanical
Manufacturing

13,025
ISO 9000
Certificates

DNV UK
1,100

DNV NETHERLANDS
1,100

DNV ITALY
2,350



DNV USA
1,600

DNV GERMANY
1,050



Korean Airlines was the first international airline to receive an ISO 14001 certificate from Det Norske Veritas. Site Manager Dae San Kim (left) of Korean Airlines, Heathrow International Airport, London, UK, and General Manager of DNV Certification, The Republic of Korea, Young Ho Kim.

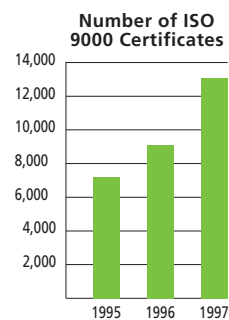
DNV's business area General Industry includes a wide variety of industries. The customer portfolio ranges from industries associated with advanced technology, such as aerospace and electronics, to other manufacturing industries and a variety of service segments. DNV's services within this business area in 1997 were mostly certification of management systems and products, and assessment, training and facilitation around management systems development, implementation and improvement.

Safer transport on and off the ground

The transport sector has always been close to DNV. In the General Industries business area we find customers involved in air transport, roads and rail-

ways. All areas of transportation are undergoing changes that represent new challenges and new possibilities. Safety, quality and environmental issues are high on the agenda, and DNV contributes with training, assessment and improvement support as well as certification services.

The airlines have always been concerned with safety. It goes without saying that technical safety is a high priority. Managing safety, and increasingly also environmental issues, through a systematic management approach is receiving greater attention by the world's leading airlines. The European Joint Aviation Requirements (JAR) state that all airlines which operate under European legislation shall have in place a quality management system.



DNV has worked closely with several international airlines during recent years on management systems activities. A project for the Scandinavian airline SAS's Flight Operations Department, applying a systematic approach on identification of opportunities for improvement and subsequent assistance to close the gaps, is presently forming a model for how quality management systems can best be implemented in an airline. The airlines' own organisation, IATA, is supporting this approach, and the ISO for Flight Operations Approach has been introduced by DNV to a number of international airlines, including Qantas, Thai International, Saudi

Arabian Airlines, Singapore Airlines and Air Canada.

During the spring of 1997 Korean Airlines was the first international airline to gain an ISO 14001 certificate. The fact that industries which traditionally give high priority to safety put so much effort into improvement of their management systems, underlines the importance that management systems and the human element has for quality, including safety and environmental impact of airline operations.

On track with safety

One of the industries competing with the airlines is the railways. Through



Rockwell Automation is one of the first companies in the USA to receive both 9001 and 14001 certificates from DNV. Director Jim Weber of Rockwell Automation Control and Information Group (left) and DNV assessor Greg Johnsen.

application of advanced technology both on the trains themselves and the systems which control and monitor traffic, modern trains have significantly improved in speed and comfort in recent years.

But increased speed and greater traffic also emphasise the need for safety and reliability in rail operation and management. DNV has been involved in rail-related projects for many years. Safety evaluations of selected lines and tunnel projects, assessment of control system suppliers according to ISO 9001, international standards for software and electronics as well as rail specific standards, are

Safety on the road

In the automobile industry, certification according to QS 9000, the major American car manufacturers' (Ford, General Motors and Chrysler), adjustment of the ISO 9001 standard, has continued, though with slower market development than expected. During 1997, DNV obtained accreditation according to the similar VDA requirements established by the German car-manufacturing industry.

DNV's involvement with the road transport industries also includes the transportation segment. DNV has certified the quality management systems of a number of large transport companies,



general



examples of recent railway projects for DNV.

Safer operation through improved management systems is high on the agenda for rail companies. Based on DNV's International Safety Rating System (ISRS), DNV has developed a customised assessment tool for Railtrack, the national British railway infrastructure company. With growing use of trains in many countries, DNV is now approaching other rail operators, in Europe, Asia and Australia. DNV offers safety and reliability studies, and assessment and facilitation of management systems improvements, utilising the tools and methods developed together with Railtrack.

including Avis, DHL, Schenker and TNT. This confirms the industry's belief that a well-structured and implemented management system has an important effect on its competitive position.

Increasing electronics and electrical certification

The importance of the electronic and electrical industries to modern society cannot be overstated. Not surprisingly, they have become among the most important industry sectors for DNV. With respect to management systems certification, the segment is the largest industry sector, representing some 15% of DNV's certification volume. If we include other industries which are

Railway safety

DNV has developed a customised assessment tool for Railtrack, the national British railway infrastructure company.

strongly electrical/electronics related, such as telecommunications and the electro-medical industry, the importance of this sector for DNV becomes even more evident.

DNV has obtained authorisation as Notified Body for most relevant European directives. As a proper quality management system is an essential element in modern quality assurance of products and production processes, DNV has given priority to product groups manufactured by companies which already have their quality system certified by us. Noting that a large proportion of DNV's existing customers are manufacturing goods incorporating

established co-operation with recognised laboratories.

The People's Republic of China represents an interesting potential for DNV. We are presently the largest international certification body for quality systems in China, and have established a co-operation with State Administration of Import and Export Commodity Inspection to build and operate an EMC laboratory in Shenzhen. This underlines DNV's commitment to serve Chinese industry, and will further strengthen our position in the Chinese market.

In addition to East Asia, the U.S.A. is DNV's main market with respect to cer-



Product Certification

China, Japan, Korea and Taiwan are large manufacturers of electrical and electronic equipment. DNV has a significant portion of these on the client list.

electrical or electronic systems which also may need testing as part of certification, DNV has made agreements with laboratories in several countries for testing of electromagnetic compatibility and electrical safety. Through co-operation between local laboratories and DNV's laboratory at Høvik, Norway, we provide efficient accredited and authorised product certification services to customers in the major manufacturing regions.

China, Japan, Korea and Taiwan are large manufacturers of electrical and electronic equipment, and DNV has a significant portion of these on our client list. Several divisions of companies such as Hitachi, Sanyo Electric Co. and Tokyo Electron Co. have their quality systems certified by DNV. In Japan, Korea and Taiwan, DNV has a well-

tification in the electronics industry. Among DNV's clients for ISO 9000 certification are Allied Signal, AT&T, Duracell, OKI Telecom and Sun Electric. As one of the first in the U.S.A., Rockwell Automation received both ISO 9001 and ISO 14001 certificates for a number of its U.S. sites from DNV.

Expanding the reach

Although DNV is mainly known for its services for high-tech industries, those traditionally somewhat more distant from DNV are becoming more and more significant. One such sector, where quality is strongly linked to human safety, is the food and beverage industry. Here we find the full spectrum from breweries in the U.K. to parmesan and spaghetti producers in Italy.

International corporations such as



Professor Sir John Pattison (left) is Chairman of the British government's Spongiform Encephalopathy Advisory (BSE), or 'mad cow disease' Committee. DNV represented by Dr. Philip Comer, has been acting as advisor to the U.K. authorities regarding environmental risk assessment.



Unilever, Pepsi Cola and Walker Snack Foods are all users of DNV's ISRS tools and our safety management training programmes. This is clear evidence of these companies' commitment to continuous improvement through systematic development of their management systems.

The food industry is to a growing extent using certification as a means to document the quality of its operations. As in other industries, international standards and requirements are being introduced. Some requirements are mainly monitored by national authorities, but we see a clear development towards use of certification by recognised certification bodies to ensure and document fulfilment of health and safety requirements.

A major concern in Europe has been Bovine Spongiform Encephalopathy (BSE), or 'mad cow disease'. With our extensive experience in risk analysis, DNV has been acting as advisor to the U.K. governmental authorities and has carried out a series of risk assessment studies to help make decisions in this complex area. The studies have included environmental risk assessment, focussed on disposal options for BSE-infected materials, and an assessment of the risk of BSE infectivity in meat on-the-bone.

1997 has confirmed that DNV's methods, tools, knowledge and experience are of value for numerous industries. Our challenge now is to match them with relevant industry experience and understanding, and to adjust our services and our tools to make them continuously more valuable for our customers.

Financial Highlights

(Amounts in million NOK)	1997	1996	1995	1994	1993
Profit and loss account:					
Operating revenues	3,735	3,321	3,071	2,935	2,935
Depreciation	111	112	107	112	107
Operating profit	258	313	345	296	269
Net financial expense	6	(12)	(27)	(123)	(11)
Profit before taxes	263	301	317	173	258
Net profit	160	233	210	124	176
Balance sheet:					
Current assets	1,873	1,778	1,669	1,532	1,597
Long term assets	1,496	1,417	1,453	1,411	1,470
Total assets	3,369	3,195	3,122	2,943	3,067
Current liabilities	789	678	713	686	688
Long term liabilities	830	928	1,012	1,069	1,281
Equity	1,749	1,589	1,398	1,187	1,088
Cash flow items & working capital:					
Purchase of fixed assets	140	131	148	103	164
Working capital	1,084	1,100	956	846	909
Cash flow	271	345	317	236	285
Number of employees					
	4,235	4,000	3,681	3,582	3,520
FINANCIAL RATIOS					
Profitability:					
Operating margin	6.9 %	9.4 %	11.2 %	10.1 %	9.2 %
Profit margin	7.0 %	9.1 %	10.3 %	5.9 %	8.8 %
Return on total assets	8.0 %	12.1 %	13.8 %	11.4 %	13.0 %
Return on equity	15.8 %	20.2 %	24.5 %	15.2 %	23.9 %
Liquidity:					
Current ratio	2.4	2.6	2.3	2.2	2.3
Liquidity reserves	681	723	718	690	739
Liquidity cover	20.2 %	25.0 %	27.4 %	27.3 %	28.9 %
Leverage:					
Equity ratio	51.9 %	49.7 %	44.8 %	40.3 %	35.5 %
Net debt ratio	2.8 %	7.5 %	16.2 %	24.3 %	35.5 %

DEFINITION OF RATIOS:

Profitability:

Operating margin:
 $\text{Operating profit} \times 100 / \text{Total operating revenues}$

Profit margin:
 $\text{Profit before taxes} \times 100 / \text{Total operating revenues}$

Return on total assets:
 $(\text{Operating profit} + \text{Financial income}) \times 100 / \text{Average total assets}$

Return on equity:
 $\text{Profit before taxes} \times 100 / \text{Average equity}$

Liquidity:

Cash flow:
 $\text{Profit before taxes} + \text{depreciation} - \text{taxes payable}$

Current ratio:
 $\text{Current assets} / \text{Current liabilities}$

Liquidity reserves:
 $\text{Cash and bank deposits} + \text{Shares \& bonds}$

Liquidity cover:
 $\text{Liquidity reserves} \times 100 / (\text{Total operating expenses} - \text{depreciation})$

Leverage:

Equity ratio:
 $\text{Equity} \times 100 / \text{Total assets}$

Net debt ratio:
 $(\text{Total interest bearing debt} - \text{Liquidity reserves}) \times 100 / (\text{Equity} + \text{Minority interests} - \text{Goodwill})$

Total interest bearing debt includes: Overdrafts, short term promissory notes and long term promissory notes.

Profit and Loss Account

DET NORSKE VERITAS FOUNDATION		(Amounts in million NOK)	DET NORSKE VERITAS (CONSOLIDATED)	
1997	1996		1997	1996
		Operating revenues		
0.0	0.0	Sale of services	3,598.3	3,173.3
0.1	0.1	Other operating revenues	136.7	147.7
0.1	0.1	Total operating revenues	3 3,735.0	3,321.0
		Operating expenses		
(4.0)	3.3	Salaries and social expenses	2 1,905.5	1,681.0
(4.1)	(3.4)	Purchase, sales and administration expenses	1,437.5	1,201.6
0.2	0.2	Ordinary depreciation	11 111.2	111.5
0.0	0.0	Losses on receivables	23.1	13.5
(7.9)	0.1	Total operating expenses	3,477.3	3,007.6
8.0	(0.0)	Operating profit (loss)	257.7	313.4
		Financial income and expenses		
105.1	79.5	Financial income	106.9	67.6
(62.2)	(52.6)	Financial expenses	(101.3)	(79.6)
42.9	26.9	Net financial income (expense)	4 5.6	(12.0)
50.9	26.9	Profit before tax expense	263.3	301.4
(19.1)	(5.4)	Tax expense	5 (103.2)	(68.0)
31.8	21.5	Profit before minority interest	160.1	233.4
0.0	0.0	Minority interest	13 (0.2)	(0.1)
31.8	21.5	NET PROFIT	159.9	233.3
		Appropriation of net profit		
31.8	21.5	Allocation to free reserves		

Balance Sheet

DET NORSKE VERITAS FOUNDATION			DET NORSKE VERITAS (CONSOLIDATED)		
<i>(Amounts in million NOK)</i>					
31 December 1997	31 December 1996		Note	31 December 1997	31 December 1996
ASSETS					
Current assets					
547.2	384.0	Cash and bank deposits	6	291.0	166.0
388.3	555.9	Shares and bonds	7	390.3	557.4
0.0	0.0	Accounts receivable	8	828.7	684.7
15.9	45.6	Intercompany receivables		0.0	0.0
0.0	15.4	Other short term receivables		113.8	128.1
0.0	0.0	Work in progress		242.8	235.6
0.0	0.0	Physical stocks		6.8	6.4
951.4	1,000.9	Total current assets		1,873.4	1,778.2
Long term investments					
24.5	29.9	Long term shareholdings	9	28.2	35.5
240.0	240.0	Shares in subsidiaries	10	0.0	0.0
23.7	24.2	Long term loans to employees		48.0	45.2
46.2	36.3	Other long term receivables	2	242.4	187.6
334.4	330.4	Total long term investments		318.6	268.3
Fixed assets					
0.4	0.4	Machinery and equipment	11	211.0	199.6
0.0	0.0	Buildings and property	11	966.3	949.1
0.4	0.4	Total fixed assets		1,177.3	1,148.7
334.8	330.8	Total fixed assets and long term investments		1,495.9	1,417.0
1,286.2	1,331.7	TOTAL ASSETS		3,369.3	3,195.2

Balance Sheet

DET NORSKE VERITAS FOUNDATION			DET NORSKE VERITAS (CONSOLIDATED)		
<i>(Amounts in million NOK)</i>					
31 December 1997	31 December 1996		Note	31 December 1997	31 December 1996
LIABILITIES AND EQUITY					
Current liabilities					
0.3	0.1	Accounts payable		94.4	88.6
0.0	0.0	Overdraft	6	37.2	42.0
0.0	0.0	Short term promissory notes		0.0	18.0
1.1	0.5	Taxes withheld, VAT, accrued holiday allowance etc.		200.8	166.1
19.4	5.7	Taxes payable		122.0	96.1
0.0	0.0	Prepayments from customers		156.4	124.0
0.6	7.3	Intercompany payables		0.0	0.0
6.3	13.2	Other current liabilities		178.4	143.0
27.7	26.8	Total current liabilities		789.2	677.8
Long term liabilities					
620.0	709.2	Long term promissory notes	12	692.9	783.4
35.5	24.5	Other long term liabilities	2	137.4	144.3
0.0	0.0	Deferred taxes	5	0.0	0.0
655.5	733.7	Total long term liabilities		830.3	927.7
683.2	760.5	Total liabilities		1,619.5	1,605.5
0.0	0.0	Minority interests		0.6	0.4
Equity					
283.5	283.5	Foundation capital		283.5	283.5
0.0	0.0	Legal reserves (in Norway)		320.0	309.4
319.5	287.7	Free reserves		1,145.7	996.4
603.0	571.2	Total equity	13	1,749.2	1,589.3
1,286.2	1,331.7	TOTAL LIABILITIES AND EQUITY		3,369.3	3,195.2
1,548.4	1,543.7	Guarantees		52.0	36.9

Statement of Cash Flow

DET NORSKE VERITAS FOUNDATION		(Amounts in million NOK)	DET NORSKE VERITAS (CONSOLIDATED)	
1997	1996		1997	1996
CASH FLOW FROM OPERATIONS				
50.9	26.9	Profit before tax expense	263.3	301.4
0.0	0.0	Net gain/loss on sale of fixed assets	(4.7)	(19.6)
0.2	0.2	Ordinary depreciation	111.2	111.5
(19.1)	(5.4)	Taxes payable	(103.2)	(68.0)
23.2	22.5	Changes in work in progress, accounts receivable and accounts payable	(145.4)	(65.1)
0.0	0.0	Changes in minority interests and equity	(0.0)	(41.6)
33.8	8.7	Changes in other accruals and deferrals	129.8	(59.9)
89.0	52.9	Net change in liquidity from operations	251.0	158.7
CASH FLOW FROM INVESTMENTS				
(0.2)	0.0	Investments in fixed assets	(139.8)	(130.5)
0.0	2.3	Sale of fixed assets (sales amount)	23.4	120.4
0.0	0.0	Currency effects on fixed assets	(18.8)	(7.4)
(4.0)	638.5	Changes in other investments	(50.3)	(38.2)
(4.2)	640.8	Net change in liquidity from investments	(185.5)	(55.7)
CASH FLOW FROM FINANCING				
0.0	0.0	New loans (short/long term)	0.1	9.2
(80.0)	(50.0)	Repayment of existing loans	(107.2)	(94.3)
0.0	(462.6)	Net change, internal loans	0.0	0.0
(9.2)	4.4	Currency effect	(1.4)	(11.2)
(89.2)	(508.2)	Net change in liquidity from financing	(108.5)	(96.3)
LIQUIDITY				
89.0	52.9	Net change in liquidity from operations	251.0	158.7
(4.2)	640.8	Net change in liquidity from investments	(185.5)	(55.7)
(89.2)	(508.2)	Net change in liquidity from financing	(108.5)	(96.3)
4.4	185.5	Net change in liquidity	(43.0)	6.7
940.0	754.5	Liquidity at 1 January	724.2	717.5
935.6	940.0	Liquidity at 31 December	681.2	724.2

Notes to the Financial Statements

1. ACCOUNTING PRINCIPLES

The accounts are a translation of the statutory accounts of Det Norske Veritas and have been prepared in accordance with accounting principles generally accepted in Norway. The most important accounting principles followed by Det Norske Veritas are described below.

Consolidation

The consolidated accounts include DNV Foundation and all companies in which DNV Foundation directly or indirectly owns more than 50% of the shares. The consolidated accounts show Det Norske Veritas' profit and loss account, balance sheet and statement of cash flow when regarded as one accounting unit.

Intercompany transactions have been eliminated.

Shares in subsidiaries are eliminated according to the past equity method. Accordingly the cost of shares in subsidiaries is eliminated against equity in the same subsidiaries on date of acquisition. Differences arising between these amounts have been classified as goodwill under fixed assets. This goodwill is depreciated on a straight line basis over 5 years.

Subsidiaries acquired during the year are included in the profit and loss account from the date of acquisition.

Subsidiaries sold have been excluded from the profit and loss account from the beginning of the year.

Translation of accounts of foreign subsidiaries

When translating the foreign subsidiaries' annual accounts into Norwegian currency, the following principles are applied:

- The profit and loss items are translated at the average exchange rate in the financial year.
- The balance sheet items are translated at the exchange rate applying at 31 December.
- The translation rate differences which arise as a consequence of the principles above, are classified in the profit and loss accounts as financial expense or financial income.

Income taxes

Income tax expense includes taxes payable and change in deferred taxes. Deferred taxes are calculated in accordance with the liability method. These are provided for on all temporary differences and tax loss carry-forwards. Revaluation of land has been treated as a permanent difference. All positive and negative temporary differences and tax loss carry-forwards have been offset when calculating net deferred tax. Net deferred tax asset is not included in the balance sheet.

Assets and liabilities in foreign currency

Assets and liabilities in foreign currency are translated at the exchange rate applying at 31 December. Financial instruments, mainly forward exchange contracts and currency swaps, are used to hedge all significant balances denominated in the most common foreign currencies.

The related hedges are included at market value at 31 December.

Consequently, both realised and unrealised currency gains or losses are taken to income and included on a net basis as either other financial income or other financial expense.

Premiums paid for currency and interest rate options acquired to hedge future cash flows are capitalised and amortised over the life of the contracts. No mark to market adjustments are recorded at year-end.

Accounts receivable

Accounts receivable are stated at nominal value less provision for doubtful accounts.

Revenue recognition and work in progress

Revenues from services are recognised under the percentage of completion method. Work in progress is consequently stated at estimated sales value, and changes in work in progress are included in operating revenue.

Shares and other securities

Shares and other securities which are not regarded as long term investments are classified in the balance sheet as current assets. The securities portfolios are valued as a whole at the lower of cost and market value. This also includes options and other derivatives held for investment purposes.

Shares and other securities which are long term investments are stated at cost. However, these interests are continuously reviewed and, if appropriate, written down in case of permanent impairment in value of each individual investment. The equity method has not been applied for any of these companies, as the effect on Det Norske Veritas' balance sheet is considered insignificant.

Fixed assets and depreciation

Depreciable fixed assets have been stated in the balance sheet at cost less accumulated ordinary depreciation. Ordinary depreciation is charged on a straight line basis over the economic life of the assets. Gains/losses on sale of fixed assets are included in other operating revenues/other operating expenses.

Litigation

When companies in Det Norske Veritas are involved in litigation, and a claim has been put forward, provisions for these claims are made in the accounts based on an evaluation of the validity and amount of the claim.

Pensions

From 1 January, 1993 Det Norske Veritas changed its principles for calculation and presentation of pension expenses, pension obligations and pension assets related to the Norwegian entities in the consolidated accounts. From 1 January, 1996 Det Norske Veritas included foreign pension obligations according to Norwegian Accounting Standards. In the parent company accounts of Det Norske Veritas Foundation the former principle is still applied, and only annual pension premiums paid are reflected in the accounts. Accordingly, assets and obligations in the pension funds have been included in the consolidated accounts. The calculated obligations include the effect of projected future salary and pension adjustments. The pension assets are based on market values.

Pension costs include the net of benefits earned in the

period (including projected salary increases), interest on the projected benefit obligation, estimated return on pension assets and net amortisation of changes in estimates (changes in actuarial estimates and differences between actual and estimated return on assets).

Net prepaid pension related to the Norwegian pension plans is included in long term receivables and represents the difference between pension assets and the projected benefit obligation, adjusted for unrecognised net changes in estimates. The foreign pension plans show a net pension obligation which is included in long term liabilities.

Net changes in estimates in excess of 10 % of the projected benefit obligation are amortised over average remaining service period (15 years).

Please refer to note 2 which describes in detail the assumptions used and the effects on the financial statements.

Leases

Several group companies have lease commitments primarily related to office facilities. Provisions are recorded for commitments related to leased facilities not currently in use based on an evaluation of the expected period to sublet the facilities.

2. SALARIES, PENSION PREMIUMS AND OBLIGATIONS

The total remuneration to Det Norske Veritas' Chief Executive Officer amounted to NOK 2 004 699 in 1997.

The compensation and benefit arrangements for the CEO are otherwise as for employees of the company in general.

Total remuneration paid to members of the Board amounted to NOK 1 228 788 in 1997 and the remuneration to the auditors amounted to NOK 310 000.

The pension obligations of Det Norske Veritas are mainly covered through the two separate pension funds in Norway (Det Norske Veritas Pension Fund and Det Norske Veritas Pension Fund for Supplementary Pension Benefits), and outside Norway through arrangements with insurance companies.

Det Norske Veritas has pension plans which will give future pension benefits to the employees. These future benefits will be based on the pension plan rules applicable at that time. Today, the pension benefits are based on the employee's salary level at the time of retirement and on the number of years of membership. The pension schemes are considered as defined benefit plans. This has also been the basis for calculating the pension cost and pension obligations included in the accounts and as shown in this note.

Contributions to the Group's pension plans are made in accordance with common actuarial calculation methods in the country where the pension plan is administered. The pension assets are primarily invested in interest-bearing securities, real estate and listed shares.

(Amounts in million NOK)

	Norwegian Pension plans	
	1997	1996
Net periodic pension cost includes:		
Estimated gross pension cost	105.8	102.1
Expected return on assets	(70.8)	(61.8)
Net pension cost, included in salaries and social expenses	35.0	40.3

As at December 31 the pension assets and obligations were as follows:

(Amounts in million NOK)

	Norwegian Pension plans		Other Pension plans	
	1997	1996	1997	1996
Fair value of pension assets	1,189.2	1,044.4	258.8	180.1
Actuarial present value of pension obligations	(989.5)	(919.0)	(316.1)	(235.4)
Unrecognised net changes in estimates	(41.3)	(17.4)	0.0	0.0
Net prepaid pension (obligations), included in other long term receivables/(liabilities)	158.4	108.0	(57.4)	(55.3)

Net prepaid pension are included in other long term receivables and net pension obligations are included in long term liabilities in the balance sheet.

The calculation of the pension obligations in Norway is based on the following assumptions: a 6 % p.a. discount rate, projected annual salary adjustment of 3 %, projected annual increases in pension benefits of 2 %, Norwegian Government basis pension of 3 %, and expected return on assets of 7 %. Ordinary retirement age in Det Norske Veritas is 67 years. Some managers and employees are entitled to retire with pension premium benefits before the age of 67.

3. OPERATING REVENUES BY PRODUCT/SERVICE LINE *(Amounts in million NOK)*

	DET NORSKE VERITAS (CONSOLIDATED)	
	1997	1996
Classification	1,463.3	1,341.5
Certification	972.1	759.3
Advisory	1,162.9	1,072.4
Other operating revenues	136.7	147.8
Total operating revenues	3,735.0	3,321.0

4. FINANCIAL INCOME AND EXPENSES *(Amounts in million NOK)*

	DET NORSKE VERITAS FOUNDATION		DET NORSKE VERITAS (CONSOLIDATED)	
	1997	1996	1997	1996
Realised return on securities portfolio	89.6	51.5	89.6	51.5
Net interest earned from companies in DNV	14.7	26.1	0.0	0.0
Interest earned	0.7	2.1	10.5	9.7
Other financial income	0.0	0.0	6.8	6.4
Interest charges	(53.0)	(48.1)	(83.2)	(60.4)
Other financial expenses	(9.1)	(4.7)	(18.1)	(19.2)
Net financial income (expense)	42.9	26.9	5.6	(12.0)

Total return on the securities portfolio in DNV Foundation:

	Total capital invested		Return			
	Market value 31 December 1997	Average capital 1997	Realised return	Changes in unrealised return	Total return	
					1997	%
Shares and stock funds	347.8	172.4	63.5	(9.3)	54.2	31.5 %
Bonds	0.0	325.1	20.7	(3.3)	17.4	5.4 %
Index linked bonds	43.9	52.4	1.2	(1.6)	(0.3)	- 0.6 %
Total short term investments	391.7	549.8	85.5	(14.1)	71.3	13.0 %
Long term shareholdings	27.3	28.6	4.1	0.3	4.4	15.4 %
Total	419.0	578.4	89.6	(13.8)	75.7	13.1 %

The composition of the securities portfolio is shown in note 7 and 9.

5. TAXES *(Amounts in million NOK)*

	DET NORSKE VERITAS FOUNDATION	
	1997	1996
Taxable income	57.9	5.2
Profit before tax expense	50.9	26.9
Permanent differences	(6.6)	(4.0)
Change in temporary differences	13.6	(1.0)
Utilisation of tax loss carried forward	0.0	(16.7)

	DET NORSKE VERITAS FOUNDATION		DET NORSKE VERITAS (CONSOLIDATED)	
	1997	1996	1997	1996
Tax expense consists of:	19.1	5.4	103.2	68.0
Norwegian wealth tax	5.7	5.4	5.7	5.4
Norwegian income taxes payable	15.9	1.5	35.5	32.4
Tax credit	(2.5)	(1.5)	(2.5)	(1.5)
Income taxes payable outside Norway	0.0	0.0	64.5	31.7
Change in deferred taxes	0.0	0.0	0.0	0.0

	DET NORSKE VERITAS FOUNDATION		DET NORSKE VERITAS (CONSOLIDATED)	
	1997	1996	1997	1996
Temporary differences				
Positive differences current items	0.0	0.0	12.0	11.6
Positive differences non current items	0.2	1.7	273.3	214.6
Basis for deferred tax liability	0.2	1.7	285.3	226.2
Tax rates applied	28%	28%	25–42 %	16–54 %
Deferred tax liability	0.0	0.5	80.6	64.0
Negative differences current items	(15.9)	(8.0)	(46.0)	(29.9)
Negative differences non current items	(5.7)	(1.5)	(264.6)	(220.5)
Basis for deferred tax asset	(21.6)	(9.5)	(310.6)	(250.4)
Tax rates applied	28%	28%	25–42 %	16–54 %
Deferred tax asset	(6.0)	(2.7)	(106.8)	(80.9)
Net deferred tax asset	(6.0)	(2.2)	(26.2)	(16.9)

In addition there are tax loss carry forwards and negative temporary differences in entities outside Norway amounting to NOK 33 million which have not been included in the estimated deferred tax, due to uncertainty regarding utilisation.

6. BANK

At 31 December Det Norske Veritas had bank deposits restricted for payment related to taxes withheld for employees amounting to NOK 33.8 million. The corresponding amount in Det Norske Veritas Foundation was NOK 0.4 million.

Det Norske Veritas Holding AS has entered into an agreement for a group bank account system with Den norske Bank, where most of DNV's legal entities

participate. The agreement includes an overdraft facility of NOK 50 million, guaranteed by DNV Foundation.

The bank account balances of the individual participants are in this context considered as internal assets or liabilities vis-à-vis other DNV participants. For the DNV group on a consolidated basis, the net total balance of NOK 30.1 million is included in Cash and bank deposits in the balance sheet at 31 December.

7. SHARES, STOCK FUNDS AND BONDS *(Amounts in million NOK)*

	Share capital of the company	Number of shares owned by DNV Foundation	Par value	Cost price	Market value	Unrealised gain/(loss)
Shares owned by DNV Foundation						
Aker RGI A	1,111	41,450	0.8	4.9	5.5	0.6
Aker RGI B	433	73,150	1.5	8.7	8.8	0.1
Bergesen D.Y B	57	48,250	0.1	8.3	8.3	0.0
Color Line	97	26,500	0.1	0.9	0.8	(0.1)
Kværner A	424	22,790	0.3	8.9	8.6	(0.3)
Mosvold Shipping	4	95,000	0.0	1.4	1.0	(0.4)
Narvesen	200	4,500	0.1	0.8	0.7	(0.1)
Nera	132	111,600	0.2	4.7	4.4	(0.3)
Norsk Hydro	4,581	10,395	0.2	4.0	3.7	(0.3)
Norske Skog A	576	46,250	0.9	10.5	9.9	(0.6)
Norske Skog B	188	15,000	0.3	3.1	3.0	(0.1)
Orkla A	987	38,350	1.0	22.7	24.4	1.7
Petroleum Geo-Service	180	7,000	0.0	3.2	3.3	0.1
Saga Petroleum A	1,552	90,050	1.4	11.3	11.4	0.1
Schibsted	0	11,000	0.0	1.4	1.4	0.0
Sensoror	0	53,300	0.3	3.4	1.2	(2.2)
Total Norwegian shares owned by DNV Foundation				98.2	96.4	(1.8)
Foreign shares owned by DNV Foundation				1.0	0.5	(0.5)

	Number of shares owned by DNV Foundation	Par value	Cost price	Market value	Unrealised gain/(loss)
Industrifinans Aksje Norge Storkunde	983,341		100.0	100.7	0.7
Industrifinans Aktiv	113,049		50.3	50.9	0.6
K-Kapital	40,303		99.9	99.4	(0.5)
Total stock funds owned by DNV Foundation			250.2	251.0	0.8
Net adjustment of book value to market value			(1.5)		(1.5)
Total shares and stock funds owned by DNV Foundation			347.9	347.9	0.0
Total shares owned by other companies in Det Norske Veritas			1.1	1.1	0.0
Total shares and stock funds owned by Det Norske Veritas (Consolidated)			349.0	349.0	0.0
Index linked bonds owned by DNV Foundation			40.4	43.9	3.5
Bonds owned by other companies in Det Norske Veritas			0.9	0.9	0.0
Total bonds held by Det Norske Veritas (Consolidated)			41.3	44.8	3.5
Total shares, stock funds and bonds owned by DNV Foundation			388.3	391.8	3.5
Total shares, stock funds and bonds owned by Det Norske Veritas (Consolidated)			390.3	393.8	3.5

8. ACCOUNTS RECEIVABLE AND PROVISION FOR DOUBTFUL ACCOUNTS

(Amounts in million NOK)

DET NORSKE VERITAS
(CONSOLIDATED)

	31 December 1997	31 December 1996
Accounts receivable:		
Accounts receivable	887.4	735.9
Provision for doubtful accounts	(58.7)	(51.2)
Accounts receivable net	828.7	684.7
Provision in percent of accounts receivable	6.6%	7.0%

9. LONG TERM SHAREHOLDINGS (Amounts in million NOK)

Company	Share capital	Owner	Ownership	Number of shares	Par value	Book value
Røisheim Eiendom AS	5.7	DNV Foundation	5.5%	313	0.3	0.3
Industrifinans SMB AS	77.5	DNV Foundation	9.8%	8,742	7.6	11.2
Industrifinans SMB II AS	30.0	DNV Foundation	5.0%	15,000	1.5	13.0
Total long term securities portfolio						24.5
Ship Manoeuvring Simulator Center A/S	4.5	Det Norske Veritas AS	40.0%	1,800	1.8	1.8
Marintek AS	11.6	Det Norske Veritas AS	9.0%	100	0.1	0.0
Boss Teknologi AS	0.1	Det Norske Veritas AS	50.0%	250	0.0	0.0
Norsk Rørsenter A/S	1.2	Det Norske Veritas AS	19.0%	180	0.2	0.0
Hordaland Lederutviklingsforum AS	0.2	Det Norske Veritas AS	1.1%	1	0.0	0.0
Høyteknologisenteret i Bergen AS	33.5	DNV Region Norge AS	0.5%	156	0.2	0.0
Computas Expert Systems AS	2.2	DNV Holding AS	11.8%	25,895	0.3	0.2
Saga-Veritas Eiendom AS	5.0	DNV Eiendom AS	34.0%	34	1.7	1.7
Total strategic share investments						3.7
Total long term shareholdings						28.2

10. SHARES IN SUBSIDIARIES (Amounts in million NOK)

Company	Share capital	Owner-ship	Book value
Det Norske Veritas Holding AS	240.0	100%	240.0
Total shares in subsidiaries			240.0

Det Norske Veritas Holding AS owns:

100% of Det Norske Veritas AS

100% of Det Norske Veritas Eiendom AS

These subsidiaries again have 55 subsidiaries in 33 countries.

11. FIXED ASSETS (Amounts in million NOK)

DET NORSKE VERITAS FOUNDATION		DET NORSKE VERITAS (CONSOLIDATED)		
Machinery and equipment		Goodwill	Machinery and equipment	Buildings and property
1.4	Cost at 1 January 1997	81.0	612.9	1,272.4
0.2	Additions in 1997	0.0	116.8	23.0
0.0	Disposals in 1997	0.0	(46.4)	(4.3)
(1.2)	Accumulated depreciation at 31 December 1997	(81.0)	(472.3)	(324.8)
0.4	Book value at 31 December 1997	0.0	211.0	966.3
(0.2)	Ordinary depreciation	0.0	(91.0)	(20.2)
25 %	Depreciation rates		10 – 25 %	0 – 10 %

The book value of land included in buildings and property amounted to NOK 79.6 million at 31 December 1997, including a revaluation of NOK 54.0 million from 1986.

Purchase and sales (at sales price) of fixed assets during the last five years: (Amounts in million NOK)

	1993		1994		1995		1996		1997	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Machinery, equipment, goodwill	82.6	14.5	85.9	9.0	95.6	14.6	109.1	27.1	116.8	16.4
Buildings and property	81.3	21.1	17.2	10.3	52.5	51.2	21.4	93.3	23.0	7.0
Total	163.9	35.6	103.1	19.3	148.1	65.8	130.5	120.4	139.8	23.4

12. EXTERNAL LOANS

DNV Foundation had total credit facilities of NOK 1 152 million at 31 December, of which USD 150 million (NOK 1 102 million) expires in 2001. NOK 1 031 million were unused at year-end. The credit agreements supporting these facilities restrict Det Norske Veritas' ability to pledge other assets as security to any creditor (negative pledge). They also restrict Det Norske Veritas' ability to freely dispose of main real estate holdings and principal subsidiaries.

Of the consolidated total external long term loans of NOK 693 million at 31 December, NOK 620 million consisted of certificates (commercial papers) issued in the Norwegian money market. The certificates have been classified as long term loans because the unused portion of the USD 150 million facility is considered as a back-up source of repayment for the certificates outstanding.

13. EQUITY IN DET NORSKE VERITAS (CONSOLIDATED) *(Amounts in million NOK)*

	Foundation capital	Legal reserves	Free reserves	Total
Equity:				
Equity at 31 December 1996	283.5	309.4	996.4	1,589.3
Profit for the year and equity transfer		10.6	149.3	159.9
Equity at 31 December 1997	283.5	320.0	1,145.7	1,749.2

14. TENANCY AGREEMENT

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 1997 the rent amounted to NOK 6.9 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).

Auditor's Report

We have audited the financial statements of Det Norske Veritas Foundation for 1997, showing net profit of NOK 31.8 million for the foundation and net profit of NOK 159.9 million for the group. The financial statements, which consist of the Board of Directors' Report, profit and loss account, balance sheet, statement of cash flow, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Chief Executive Officer.

Our responsibility is to examine the foundation's financial statements, its accounting records and the conduct of its affairs.

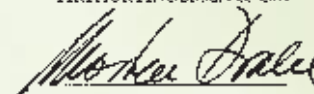
We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the financial statements

Oslo, 1 April 1998

are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by management and the overall presentation of the financial statements. To the extent required by generally accepted auditing standards we have also evaluated the foundation's asset management and internal controls.

In our opinion, the financial statements have been prepared in conformity with the Accounting Act and present fairly the foundation's and the group's financial position as of 31 December 1997 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.



Morten Drake

State Authorised Public Accountant (Norway)



The organisation

Attracting and retaining the best competence in a tight labour market worldwide is a challenge that management must deal with continuously. Quick adaptations, not least related to new technology, and deliberate attention to health, safety and the environment in new markets and cultures, necessitates focus and priority observance. We still have some ground to cover, but through our work towards continuous improvement, which is driven by a greater awareness of our internal work processes, we have the best basis to succeed.

Environmental policy

DNV's environmental policy was implemented during 1997. As part of the work towards continuous improvement, an internal quality award has been established for all our units worldwide. The focus on environmental support is an important part of the award criteria.



DNV's Executive Board



SVEN ULLRING
CEO and Chairman of
the Executive Board



STEIN THOR VERLE
Deputy CEO



**TOR-CHRISTIAN
MATHIESEN**
Member of the
Executive Board
Chairman of IACS



**MIKLOS
KONKOLY-THEGE**
Business Areas



TERJE STAALSTRØM
Division Technology
and Products



TOM VIRIK
Division Asia Pacific



**JENS HENRIK
WERGELAND**
Division Nordic
Countries



HELGE DAG TANGEN
Division Americas



PETER RODHOLM
Division Europe and
Africa

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Odd Per Torset
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■ DET NORSKE VERITAS ANNUAL REPORT 1997

Published and edited by DNV Corporate Communications
Produced by Det Norske Veritas Text Centre
Design: Burson Marsteller as
Printed by Gan Grafisk

■ PHOTO CREDITS

Knut Vadseth: Inside front cover and pages 1,4, 5, 6, 7, 8,
9, 11, 12, 14, 15, 16, 19, 20, 21, 23, 24, 25, 26, 29 and 43.
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DNV INTERNET HOME PAGE

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managing risk for industries worldwide. Through leading safety, quality and environmental services

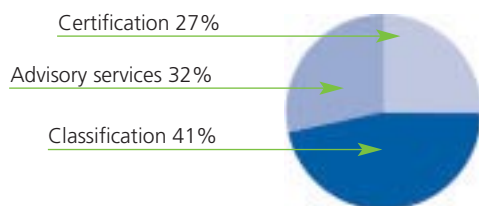


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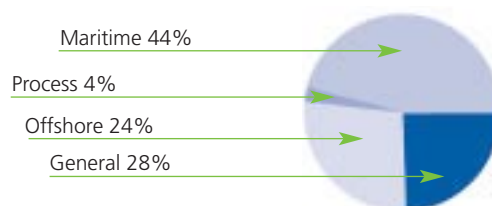
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- content**
- **DNV is a world leading provider of risk management services, safeguarding life, property and environment.**
 - **Our priority will be operations representing a high potential risk to human life, property or the environment.**
 - **DNV's holistic and global approach to managing risk ensures high quality and cost effective solutions.**
 - **We base our work on proven methodology, experience feed back, R&D/innovation culture delivered by a competent and responsive staff worldwide.**

Revenues per service category (total service revenue)



Revenues per business area (total service revenue)



Key figures

	1997	1996	1995	1994	1993
Operating Revenues*	3,735	3,321	3,071	2,935	2,935
Net Profit*	160	233	210	124	176
Equity*	1,749	1,589	1,398	1,187	1,088
Equity Ratio	51,9%	49.7%	44.8%	40.3%	35.5%
Return on Assets	8,0%	12.1%	13.8%	11.4%	13.0%
Cash Flow	271	345	317	236	285
Employees as at 31 December	4,235	4,000	3,681	3,582	3,520

* Mill. NOK

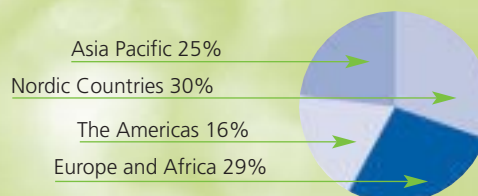
DNV highlights

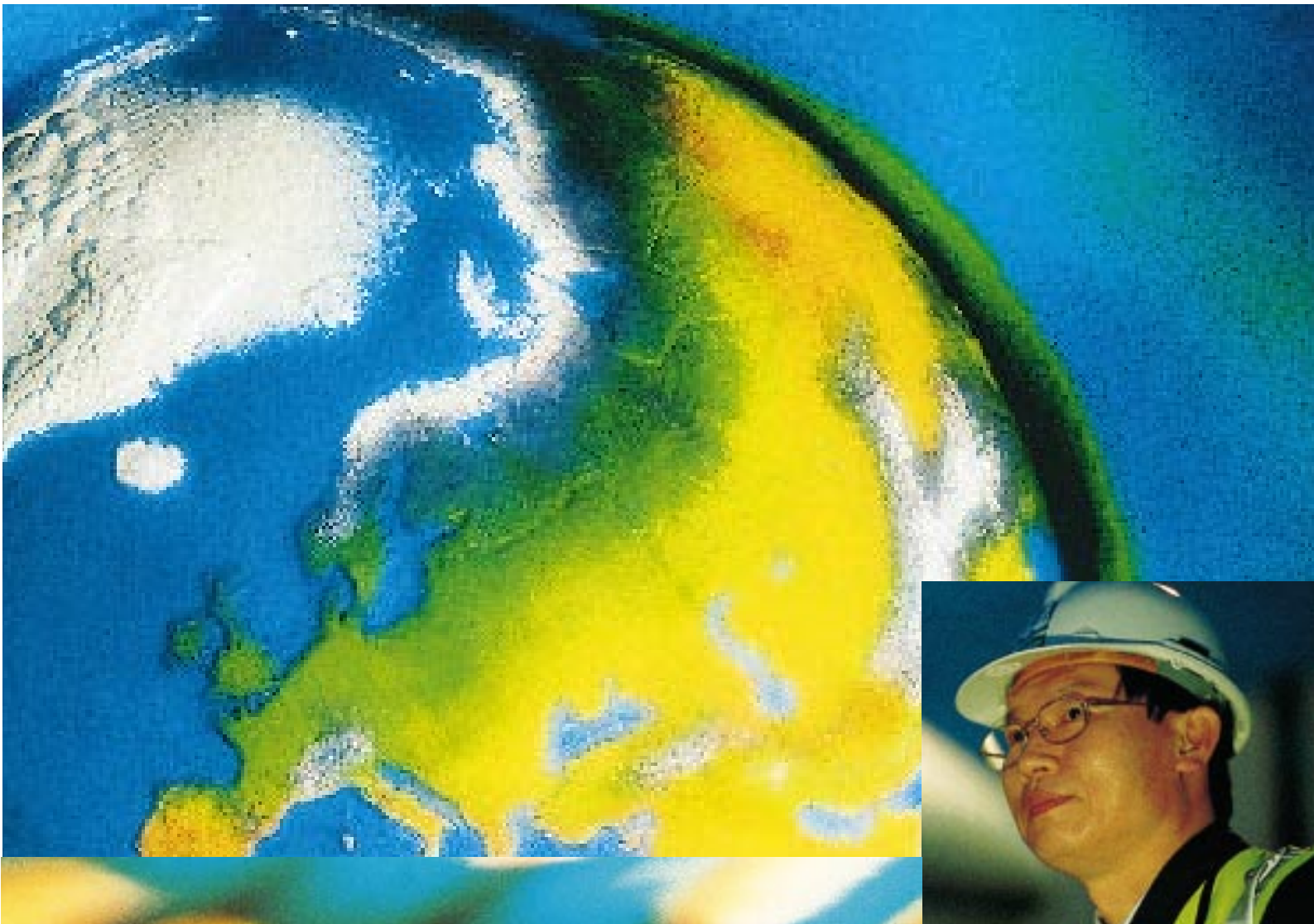
Industry pioneer with global presence

DNV was established in 1864 and is an autonomous foundation with the objective of safeguarding life, property and the environment. With 300 offices in 100 countries, DNV serves customers in maritime, offshore and process industries worldwide, as well as other business segments such as the automobile industry, aviation and the public sector. Product development takes place in a separate division for technology and products at our headquarters in Norway and within the other units around the world.

DNV is an international organisation with over 3.7 billion Norwegian kroner in revenues. Of this, over 75% come from units outside of Norway. Considerable growth was registered in our maritime activities, particularly in Asia. The operating profit for 1997 was satisfactory, in light of the large investments in our IT infrastructure.

Revenues per geographic area





1997

Staff: 4,235 employees of 74 different nationalities.

4,419 ships totalling 76.1 million grt to DNV class, about 15% of the world's fleet in tonnage terms, plus 105 drilling and service rigs and floating production units.

1,076 ISM (International Safety Management Code) certificates issued.

To date

Projects completed or under way at more than 500 processing plants around the world.

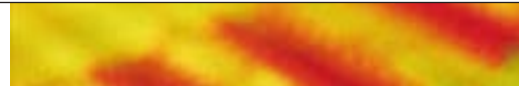
More than 13,000 ISO 9000-series certificates issued in over 40 countries.

274 ISO 14000 (Environmental Management System) certificates issued.

DNV's system for safety rating (ISRS) is in use at 5,000 plants.



Det Norske Veritas, Veritasveien 1, N-1322 Høvik, Norway, tel: +47 67 57 99 00



Det norske veritas

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managing risk

for industries worldwide. Through leading
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