ANNUAL REPORT 2002
NSB-GROUP

The Managing Director's article

Challenges for passenger train operation

The owner of NSB has emphasized that the most important task is to improve traffic safety, regularity and finances in the parent company. This has been imperative for employees and leadership also in 2002, and there are indications that all three areas are moving in the right direction. But there are still challenges ahead. Especially when it comes to the infrastructure's condition and impact on railway traffic.

In 2002, the railway traffic was attacked from many directions through real income increases, lower gasoline prices and improved roads, leading to more people using their cars as transportation. The liberalization of express-bus licensing also means increased competition for the train. There were a total of 3.7 million less journeys with trains in 2002 compared to 2001, but this trend began already in 2000 after rapidly improving during all of the 1990's. Continued improvement of punctuality, regularity, information, and phasing in new local trains will contribute to turn around the negative trend in railway traffic. During 2002 the lack of personell has been eliminated as an influential factor to regularity.

A comprehensive improvement project has started to increase the efficiency of passenger train operations and to create profitability for long-distance trains. The work on creating a profitable freight train operation is continued and proven to be successful. The concentration on the NSB Group's Nordic strategy was further strengthened through additional development of inter-country railway traffic in cooperation with alliance partners and through establishment of bus operations in Sweden. The restructuring measures have contributed to lay the foundation for increased profitability.

Nettbuss produced a good result in 2002, and the cooperation between train and bus should intensify to ensure the customers a better public transportation and the NSB Group more synergies. Simultaneously, Nettbuss has an increasing engagement in Sweden, contributing to realization of the Group's vision to become Scandinavia's most innovative transport group.

In 2002, the Group achieved a result of NOK 6 million, an improvement of NOK 39 million compared to 2001. In the course of 2003, NSB will have realized the cost effectiveness that was planned during spring 2001. The big challenge is traffic revenues for passenger train operations. At the start of 2003, the annual result appears brighter in the present year.

The main goal for the NSB Group in 2003 is to become the customer's favourite through systematic work. Safety, regularity, punctuality and information are the underlying assumptions to succeed and will be the main areas prioritised. Work will also be done to attain priority to improve infrastructure. This is crucial so train operators will be competitive in comparison to other means of transport.

New and customer-friendly solutions must be found between the fine line of what the customers demand and what they are willing to pay for – and what NSB is able to deliver. It will be easier to be a customer with NSB, and the branding strategy will be changed in line with that. This also concerns several of the systems and routines that the customer uses. The level of cost will continue to be reduced. The competency of our own employees is the foundation for the alteration work. This is how the involvement, ownership and not to mention good solutions will be ensured. I feel strongly that we will enhance our competitiveness within train, bus and freight.

Einar Enger, Managing Director

Report of the Board of Directors

When the Board was appointed in the autumn of 2000, the owner emphasized that the most important task was to improve traffic safety, regularity and finances in the parent company. This guided the group's employees, leadership and the Board's work also in 2002, and the development is going in the right direction in all three areas.

Traffic safety in train operations show a positive trend from January 2002 to January 2003. In addition to strong numbers for travellers and employees, no third person perished either as a consequence of NSB operating trains. For 2002, more injury reports were filed in the category of first aid injuries than in any preceding year. These numbers have been analysed and the reason is that these types of injuries have most likely been under-reported in prior years.

Three people perished in NSB's bus operations in 2002. The number of injuries in the bus operations has increased about threefold. Several measures have been made to prevent injuries and to attain improvements in bus operations. The Board and the administration are systematically and purposely working to improve traffic safety. Clear goals have been established and indicators are followed up frequently. The traffic safety development is regularly discussed in all board meetings.

Punctuality shows a positive development in 2002 for freight trains, local trains and long-distance trains, however, there is a negative development for InterCity and local trains in the Oslo area. The negative trend in punctuality in Eastern Norway is met with intensified work. It is especially the combination of heavy traffic on single lines, extensive work on infrastructure and materiel defects that results in lower punctuality in passenger train operations. Shortage in staff that resulted in cancellations or delays has almost been eliminated. Punctuality is not measured in bus operations.

Regularity has improved in 2002 for passenger train operations. 98.7% of all passenger trains were considered to be on time. Measurements that show regularity in freight train operations will start in 2003. Regularity is not measured in bus operations.

In 2002, the Group achieved a result of NOK 6 million, an improvement of NOK 39 million compared to 2001.

The work on restructuring the NSB Group was continued in 2002. A comprehensive improvement project has started to increase the efficiency of passenger train operations and to create profitability for long-distance trains. The work on creating a profitable freight train operation is continued and is successful. The concentration on the NSB Group's Nordic strategy was further strengthened through additional development of inter-country railway traffic in cooperation with alliance partners and through establishment of bus operations in Sweden. The restructuring measures have contributed to lay the foundation for increased profitability.

The year 2002 has been imprinted by reorganization and adaptation to changed framework conditions;

- 30% reduction in administrative functions in NSB AS
- Preparations for new framework conditions through transformation of NSB BA to a limited company, as well as clarification of ownership regarding Flytoget AS
- Preparation for competitive tenders on passenger train operations
- Increase cost efficiency in passenger train operations
- Systematic work in building relations to ensure better terms for passenger train operations and to secure ownership of Nettbuss
- Establishment of bus operations and focus on profitable growth in Sweden
- Establishment of new express-bus routes and strengthening of the position as a country wide bus operator and concentration on large-city-transport
- Establishment and further development of a Nordic network for combined freight transport
- Sales processing and clarification of strategy for further developing the group's real estate
- Spin offs and further development of support functions into separate independent companies

Nature of the business and ownership

The NSB Group is divided into the following operations: passenger train, bus, freight train and real estate, as well as support functions for the main operations. The Group's headquarter is in Oslo, while the operations are spread throughout most of Norway and parts of Sweden.

The parent company NSB BA was converted to a limited company with the government as sole owner through a transformation law that ensures continuity for the company and its surroundings. On the same date, the parent company changed its name to NSB AS.

The government suggested to the Parliament in 2002 that Flytoget AS (airport express train) should be separated from the NSB-Group, and that the public ownership in the company should be in the hands of the Ministry of Transport. The separation of Flytoget AS from the NSB-Group was effective 1 January 2003, and the shares were sold to the state, Ministry of Transport**.**

Passenger train operations
Passenger train operations have been one of the biggest challenges for the Group in 2002. The operating result for passenger train traffic shows a loss of NOK 231 million, including Flytoget AS' loss of NOK 42 million. Comprehensive measures are carried out to improve the results. There is high focus on improving base quality. The most important elements are safety, punctuality, regularity and informing customers.

The total number of travellers with NSB's trains was reduced from 53.5 million travellers in 2001 to 49.8 travellers in 2002. The decline leads to a negative trend in income from passenger train operations. Referring to volume, the largest decline has been in local traffic around the capital. Other public transport companies have comparative declines. The Bergen line, the Dovre line, and the Vestfold line, has 8% less travellers in 2002 compared to the year before. Real income increase, lower gasoline prices, improved roads and tougher competition from low-fair-airlines and express-buses are the main reasons for the decline in passengers.

The results from 2002 show customer satisfaction varying greatly between the different types of train concepts. The customers are mainly satisfied with long-distance trains. Intercity and the regional trains have had steady increase in satisfaction from the spring of 2001 until the autumn of 2002, and the level of customer satisfaction has improved from "weak" to "satisfactory". The results for the local trains show a great difference on the customer's satisfaction in the Oslo area as compared to the local trains in other parts of the country. In the Oslo area it is directly connected with high production on single tracks, which results in low punctuality. For the local trains, except Oslo in 2002, certain lines had exceptionally good results.

Ticket access has been given considerable attention. The introduction of a new ticket system was completed before the main summer vacation started. In the introductory phase, the availability on the customer service phone was not satisfactory and resulted in many dissatisfied customers. This was greatly improved in the autumn, hence the customer service phone response time has reached an acceptable level. Totally the availability has improved considerably in 2002 compared to 2001.

To bring the customers back to NSB, several measures are initiated to simplify being an NSB customer.

The concentration on international railway traffic was further reinforced in 2002. In the summer of 2002, an express train started operating between Oslo and Stockholm. In December, an additional increase in quality was avhieved by introducing the first new Linx-train (type X2) between the two capitals. All departures between Oslo and Stockholm will be driven with the Linx-train from 1 February 2003. Linx AB has had a positive development in 2002 both in their result and complement percentage.

Bus operations
Nettbuss AS is Norway's largest bus company and positively contributed to NSB's operating income in 2002 with NOK 72 million, an improvement of NOK 15 million from 2001. Compared to framework conditions and the development of profitability in the business, the board considers the Nettbuss Group's result to be satisfactory. With scant margins in the agreements with the counties, there are small possibilities in meeting increased operating expenses. The Board believes it's important to focus on increased profitability within the existing operations and further growth in profits.

Nettbuss' core activity is fixed route services under contract with local authorities, tour services and express bus routes. Several new express bus routes were started in 2002 and a liberalization of express bus licensing is expected to present this business area with further opportunities and challenges. Nettbuss was established in Sweden 1 January 2002 through purchase of the shares in the Swedish Rimbom-Group. Rimbom, which changed its name to Nettbuss Sverige AS, owns the subsidiary Orusttrafiken AB who runs bus operations in western and southern Sweden. The company is Sweden's fifth largest bus company with 225 employees and about 200 buses. The company also owns 50% of Stadsbussarna AB located in Østersund.

In 2002 the company bought 100% of the shares in Team Trafikk AS. The company runs bus- and freight operations in the middle section of Norway. The Group has sales of about NOK 690 million, has 650 vehicles and about 1200 employees. Team trafikk is included in the Group's balance sheet per 31 December 2002.

The Nettbuss Group had 48 million travels in 2002 compared to 43 million in 2001.

Freight train operations

The reorganization to create a profitable operation in CargoNet is starting to show results. The operating loss was NOK 67 million, compared to NOK 146 million in 2001. The reason for the better result is mainly due to CargoNet's product reorganization in the autumn 2001. Meanwhile, considerable restructuring remains to make the operation profitable.

On 1 January 2002, CargoNet AS was established as a separate company with Rail Combi AB as its wholly owned subsidiary, in order to offer customers a Nordic network in combined transports and flexible load-carriers (semi-trailers and containers). This entails a focus on a high-frequency network with strategic junctions. Rail Combi's development is marked by the economic development in Sweden, which has caused reduced transportation volumes.

The express freight operation, handled by Ekspressgods AS, shows an operating loss of NOK 16 million. The reason for the weak result is lack of demand in the marketplace. Comprehensive measures have been carried out in 2002 to make the operation profitable.

Real estate operations

Real estate operations had an operating profit of NOK 312 million in 2002 (including gains on disposal of fixed assets), against NOK 225 million in 2001.

Real estate operations consist of a total rental area of about 750,000 square meters in NSB Eiendom AS and 50,000 in ROM eiendomsutvikling AS. In addition, the subsidiary-group ROM eiendomsutvikling AS possesses about 30,000 dekar (30,000 square meters) for commercial development. Celexa Eiendomsforvaltning AS manages on NSB's behalf, approx. 2,500 properties.

In 2002, a thorough process has been carried out regarding the sale of ROM eiendomsutvikling AS to Entra Eiendom AS. The process was ended in November 2002 without an agreement between the two parties. The company will therefore continue its work on realizing the development potential on the company's properties with a focus on central sites in the bigger cities.

NSB Eiendom AS' purpose is to strengthen the economic foundation for the core-activity in the NSB-group through hiring out, operating and maintenance of NSB's operating properties.

On 23 December 2002, the Norwegian National rail administration (Jernbaneverket) and NSB signed an agreement on the selling of train stations, with a qualification that the Parliament will give their approval. The agreement consists of about 400 stations. This case is now up for political discussion and is expected to end autumn 2003.

Support functions

The strategy of the NSB Group is to lay the foundation for competitive bidding**,** utilize investment and potentially advantages of large-scale business and make fixed costs variable by opening up for external sale of services. As a part of this strategy, administrative support functions and workshop and maintenance functions were spun off into separate companies.

Per 1 January 2002, operations were transferred to Mantena AS (workshop and maintenance functions) and NSB Trafikkservice AS (cleaning of trains). Support functions also consist of Arrive AS (IT-company), NSB Forsikring AS (insurance) and MiTrans AS (workshop and maintenance functions).

The operating results for the support functions were NOK 22 million, an improvement of NOK 41 million from 2001. The improvement is due to the establishment of safety accruals in NSB Forsikring AS in its initial year of 2001.

Economic development
The NSB Group has a profit of NOK 6 million in 2002, against a loss of NOK 33 million in 2001. The operating result is at the same level as last year, NOK 108 million.

The parent company, NSB AS, has profits of NOK 44 million, compared to NOK 26 million in 2001. Group contributions from the subsidiaries are included in the profits with NOK 154 million, compared to NOK 72 million in 2001. The operating results decreased by NOK 176 million compared to last year. For NSB AS the numbers for 2001 and 2002 are not directly comparable because certain operations were spun off into separate subsidiaries from 1 January 2002.

The Group's cash flow from operations was NOK 378 million in 2002, compared to NOK 636 million in 2001. The reduction is mainly due to payment of accounts payable before the end of the year and weakened results before sale of fixed assets. Cash flow used on investments was NOK 1,392 million, against NOK 1,143 million in 2001.

NSB AS has satisfactory ratings from Standard & Poor's (AA/A-1+) and Moody's (Aa2/Prime-1). The company's long-term financing is through a European long-term borrowing program with a framework of EURO 750 million, and a bond issue of NOK 650 million outside the program that's due in 2007. Total outstanding loans as of 31 December 2002 are NOK 3,151 million. Additionally, a financial reserve of NOK 2,000 million has been established via a syndicated credit facility that expires in July 2004 and that has not been used in 2002.

The Group's liquidity by the end of the year was NOK 920 million and is placed mostly in short-term Norwegian Commercial Papers and bonds, as well as bank deposits.

Included in this years result, the parent company's owner's equity was NOK 6,827 million at the end of the year, which makes the company's share of owner's equity 52.5%. The corresponding numbers for the NSB Group is NOK 6,045 million (44%). The difference is mainly due to eliminated gains on disposal of fixed assets and operations in the Group's consolidation of internal sales of properties. Two transactions have been made directly to owner's equity.

In connection with the transformation on becoming a limited company (AS) on 1 July 2002, NSB AS was given an obligation to reimburse severance pay due to redundant employees until 1 January 2005. In this regard, NOK 300 million was accrued to cover this obligation. The NSB-Group has earlier understood and presented the pension agreement in the Norwegian Public Service Pension Fund (SPK) as a service plan for the employees, but as a subsidy for the employer. SPK has promoted a demand about additional payments during 2002 based on that this interpretation is wrong and that the employer has a responsibility in excess of the yearly payments. For this reason, the NSB Group has chosen to represent this arrangement as a service plan, both for the employee and the employer. Due to a change in accounting principle in the treatment of pension costs, the parent company has charged NOK 225 million against owner's equity and expensed NOK 38 million.

A comprehensive improvement project is in progress to make passenger train operation more efficient and to create profitability for long-distance trains. This work will be followed up by thorough assessments and analysis throughout the first tertiary in 2003. The Board will assess the need for a possible write-down of fixed assets when the result from the improvement project is available.

The Board suggests the following allocation of this years result for the parent company NSB AS (in NOK million):

Allocated to other owners equity	44
Total allocated	44

The company's earned owners equity after this is NOK 822 million.

The accounts have been submitted under the assumption of continued operations.

Health and environment
Working environment
Sickness absence for the year is 9.6%, compared to 9.0% in 2001. The sickness absence is about 1.5% higher than the average nationwide according to estimates from Statistics Norway (SSB). Measures have been taken in several units to especially reduce the long-term sickness absence.

Several of the companies in the Group have reached an agreement on “inclusive working life”. The agreement obligates the employer and employee to systematic cooperation to achieve lower sickness absence, increase retirement age and include employees with reduced functional ability. The employees’ organizations and the leadership in NSB agree on prioritising the work on reducing sickness absence. The goal is to reduce the absence by 20% by the end of 2004.

The occurrence of work related health problems are relatively constant. Noise, muscle and skeletal related problems and psychological tiredness are among the most frequent injuries. Several measures have been made to reduce noise and to improve conditions ergonomically.

External environment
NSB’s foremost contribution to sustainable and environmentally friendly development is to encourage more people to choose public transport alternatives, and to have more freight transferred from road to rail. The company has approved a new strategic goal for the external environment for 2002: “No damages to the environment as a result of the company’s operation”.

This Zero-vision for the environment is built into the company’s control system**.** Through identifying environmental indicators it is possible to measure and follow-up the development of the final result on the external environment as well as initiate measures to improve the results. NSB will put focus on:

- Develop competent and environmental conscious employees
- Further development of an environmental friendly rolling stock
- Utilize environmental friendly and future-oriented products in the operation
- Complete energy optimisation and conserve resources
- Clean up polluted areas

NSB continues to systematically work on reducing the total energy consumption and at the same time change the consumption over from non-renewable to renewable energy resources. By using new diesel driven trains of the type 93 (Agenda), the energy consumption is reduced by about 1/3 of what the prior diesel driven trains (Di3) used.

NSB systematically works to reduce toxic waste. Inside the real estate operations, several projects have been started where plants have shifted from using oil to bio-energy.

NSB is reducing the noise pollution from their own trains and buses through replacing old train and bus materiel. NSB demands that the materiel has low noise level from their contractors.

The work on land pollutions has continued in 2002. There remains to get an overview over the volume of land pollution through inspections. This work will be started in the spring of 2003.

Equal rights
The Board finds that the administration must intensify the work on equal rights within NSB and among other things make sure there is a better dispersion between men and women on the board’s of the subsidiaries.

Future challenges
The main goal for the NSB Group in 2003 is systematically working to become the customer’s favourite. Security, regularity, punctuality and information are the fundamental conditions to succeed and will be a prioritised area along with the work on improving infrastructure, which is decisive for a train operator to sufficiently be competitive in regards to other means of transport. The biggest challenge is within the passenger train operation. New and customer-friendly solutions must be found between the fine line of what the customer’s request and are willing to pay for – and what NSB is able to deliver. It will be easier to be a customer of NSB. That is also the case when it comes to several of the systems and routines the customers meet. The cost level will continue to be reduced. The competency of the company’s employees is the foundation for the alteration work. This will be the way involvement, ownership and not to mention good solutions will be ensured.

The phasing in of new local trains on the Jær line and the local traffic in Oslo will occur gradually throughout 2003. The strategic goal with no deaths and no injuries will be met through a yearly reduction in the number of developments of accidents, and accidents based on prioritised measures identified through systematic analysis.

In 2003, NSB will participate in the first competitive tenders for passenger transport on trains and will deliver a bid when it makes business sense. Systematic work is currently done to improve the competitiveness in regards to future participants on the railway. NSB will focus on operating trains where there is sufficient willingness to pay from either passengers or the Government.

The Board finds that the bus operation is contributing to underline NSB's goal in being the customer's favourite and Scandinavia's most innovative transport group. To win the competition against the car, customers must be offered public transportation in its broadest possible sense. Examinations show that frequencies and accessibilities are the most important factors when choosing ways of transportation. Nettbuss, along with NSB, will further develop and strengthen the work to improve public transportation possibilities for the customers. Train and bus in the same group will contribute to give NSB, as the only national transport group, as much weight and power as the international transport companies. It is crucial for the Board that NSB retains ownership of Nettbuss.

The Board is well aware that the reorganization process in 2002 was challenging for NSB employees and would like to thank them for their steadfast courage and efforts over the past year.

Oslo, 4 April 2003

Profit and loss account 1 January - 31 December

Parent company 2002	2001	Figures in NOK million	Note	Group 2002	2001
		Operating income:			
1 970	3 207	Sales revenue	4	**5 035**	4 707
1 317	1 231	Public purchase of services		**1 637**	1 530
21	43	Gains on disposal of fixed assets	5	**307**	148
325	648	Other operating income	5	**731**	740
3 633	5 129	**Total operating income**		**7 710**	7 126
		Operating expenses:			
1 306	2 208	Personnel and administrative expenses	8,9	**3 214**	3 068
351	442	Depreciation, amortization and write-downs	14,15	**870**	768
2 165	2 492	Other operating expenses		**3 518**	3 182
3 822	5 142	**Total operating expenses**	3	**7 602**	7 018
-189	-13	**Operating profit/loss**		**108**	108
		Financial items:			
535	402	Financial income	10	**136**	215
285	349	Financial expenses	10	**274**	354
250	53	**Net financial items**		**-138**	-144
61	40	**Pre-tax profit/loss on ordinary activities**		**-30**	-31
17	14	Taxes	25	**-11**	2
-	-	Minority interests		**25**	-
44	26	**Profit/loss on ordinary activities**		**6**	-33
-	-	Extraordinary expenses	11		
-	-	Extraordinary expenses		**-**	-
44	26	**Profit/loss for the year**	25	**6**	-33

Balance Sheet at 31 December

Parent company				Group	
30.12.2002	31.12.2001	Figures in NOK million	Note	**30.12.2002**	31.12.2001
		Assets			
-	-	Intangible assets	16	**611**	429
5 264	7 212	Tangible fixed assets	14,15	**10 129**	9 496
6 453	3 989	Fixed asset investments	18,19	**325**	267
11 717	11 201	**Total fixed assets**		**11 065**	10 192
-	300	Inventory	13	**313**	309
441	819	Accounts receivable	11	**1 155**	1 064
325	229	Short-term receivables Group		**-**	-
222	303	Other short-term receivables		**316**	352
-	526	Investments in financial instruments	21	**253**	526
311	-139	Liquid assets	12	**667**	658
1 299	2 038	**Total current assets**		**2 704**	2 909
13 016	13 239	**Total assets**		**13 769**	13 101
		Equity and liabilities			
6 005	5 505	Deposits		**6 005**	5 505
822	1 306	Other equity		**40**	573
6 827	6 811	**Total equity**	26	**6 045**	6 079
-	-	**Minority interests**		**201**	1
353	4	Pension commitments	9	**419**	68
265	335	Deferred tax	25	**145**	214
365	192	Other provisions for liabilities and charges	22	**447**	223
4 274	4 189	Loans from other financial institutions	20	**4 440**	4 189
1	1	Other long-term liabilities		**7**	8
5 258	4 721	**Total long-term liabilities**		**5 458**	4 702
47	601	Accounts payable		**278**	853
106	60	Short-term liabilities Group		**-**	-
-	-	Accrued tax	25	**2**	2
77	123	Unpaid public taxes		**231**	179
701	923	Other current liabilities	23	**1 554**	1 286
931	1 707	**Total short-term liabilities**		**2 065**	2 320
6 189	6 428	**Total liabilities**		**7 523**	7 022
13 016	13 239	**Total equity and liabilities**		**13 769**	13 101

Oslo, 31 December 2002/4 April 2003

Olav Fjell, chairman

Ingeborg Moen Borgerud   Christian Brinch   Ellen-Birgitte Strømø

Øystein Aslaksen   Lise Lotte Solum   Ove Dalsheim

Einar Evensen   Einar Enger, konsernsjef

Cash Flow Statement 1 January - 31 December

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
		Cash flow from operations		
61	40	Pre-tax profit/loss	**-30**	-31
-21	-43	Loss/gain on sale of fixed assets	**-307**	-148
-	-	Group-profit	**-6**	-27
327	442	Ordinary depreciation	**853**	764
24	-16	Change in inventory	**17**	-17
300	-	Write-downs	**-4**	4
378	-161	Change in accounts receivable	**-91**	-262
-554	129	Change in accounts payable	**-575**	273
-	-	Conversion differences-foreign currency	**-10**	-
-2 246	-1 451	Change in other accruals	**531**	80
-1 731	-1 060	**Net cash flow from operations**	**378**	636
		Cash flow from investment activities		
2 230	111	Sale of fixed assets	**2 473**	523
-596	-1 067	Purchase of tangible fixed assets/plant under construction	**-3 641**	-1 678
-	14	Sale of shares	**-**	14
-564	-124	Investments in subsidiaries	**-224**	-2
1 070	-1 066	**Net cash flow from investment activities**	**-1 392**	-1 143
		Cash flow from financial activities		
85	897	New interest-bearing long-term debt	**251**	871
-	-2 135	Repayment of long-term debt	**-1**	-3 254
500	2 135	New equity	**500**	2 135
585	897	**Net cash-flow from financal activities**	**750**	-248
-76	-1 229	Net cash flow for the period	**-264**	-755
387	1 616	Cash and cash equivalent balances at 01.01	**1 184**	1 939
311	387	**Cash and cash equivalent balances at 31.12**	**920**	1 184
		This consists of :		
311	387	Bank deposits and financial instruments	**920**	1 184

Cash flow statement:

Payments made through purchases and sales of fixed assets as a result of transfers of operations to newly established Group-companies as of 1. January 2002, are included by their gross amounts in the cash flow statement for the Group.

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Note 1. Accounts Principles

Generally

NSB was a public management company until 30 November 1996, and was included as a business enterprise in the national budget and accounts. However, on 1 December 1996, NSB was reorganized from a public enterprise into the wholly owned limited company NSB BA (The Norwegian State Railways Traffic Corporation) via special legislation. The conditions for this reorganisation were contained in the parliamentary bill Storting Proposition No. 2 (1996-97). NSB BA was converted to NSB AS per 01.07.2002 through a transformation law, which assumes accounting continuity. The annual accounts for NSB AS includes the period between 01.01.2002 and 31.12.2002, and are prepared in accordance with the Accounting Act of 1998 and generally accepted Norwegian accounting principles.

Group accounts

The consolidated accounts include the collective economic result and the collective financial position when the parent company NSB AS and its ownership in subsidiaries and affiliated companies are presented as one economical unit.

Subsidiaries are defined as companies in which NSB AS, directly or indirectly, has a long-term ownership interest and determining control via ownership of more than 50% of the voting share capital.

The definition of joint ventures and affiliated companies are where NSB AS, directly or indirectly, has a long-term ownership interest and material control via ownership of between 20% and 50%.

Consolidation principles

Subsidiaries are consolidated by the purchase method in the consolidated accounts. Subsidiaries to be consolidated prepare company accounts in accordance with the same principles employed for the consolidated accounts. If a foreign subsidiary uses other principals as a result of legislation, the subsidiary accounts will be revised in accordance with the Group accounts principles when consolidated.

The purchase method implies that shares in subsidiaries are eliminated against booked owner's equity in the subsidiaries on the date of the purchase. Any added value that arises is referred to identifiable materiel and immaterial assets and liabilities, and is depreciated accordingly. Deferred tax on added values are booked as long-term debt on the balance sheet and included in income at the same time as the added value is depreciated. Any added value that cannot be identified with assets and liabilities, will be included on the balance sheet as goodwill.

Joint ventures and affiliated companies are consolidated through using the equity method in the Group account.

Investments in subsidiaries and affiliated companies are valued using the cost method in the company account.

Goodwill

Goodwill acquired by investment in subsidiaries and associated companies is valued at original cost after deduction of planned amortization. Goodwill is specified and evaluated for each individual business purchase. The amortization plan shall mirror expected profile on future earnings (future cash flow) and its insecurities. Economic life of more than 5 years must be proven by a concession, agreement or other circumstances that justify a longer amortization plan. Amortization of goodwill is classified as ordinary depreciation.

Recalculation of accounts into foreign currencies

The spot price is used when recalculating accounts into foreign currencies that are included through consolidation or through using the equity method of accounting. The recalculation difference is accounted for in owner's equity and income and expenses are recalculated using the periodic average exchange rate.

Minority interests

The Group account consists 100% of the balance and the profit and loss account for subsidiaries with minority owners. The minority's share of the result after tax and share of owner's equity is presented on separate lines.

Group contributions
Received Group contributions are posted as financial income in the parent company. Group contributions in excess of earnings for the year are accounted as repayment for the acquisition cost. Group contributions between subsidiaries are accounted as equity transactions.

Accrual accounting
Incomes are posted when they are accrued. Expenses are matched with income so that the costs are charged in the same accounting period as the associated income. Expenses related to income that are accrued in subsequent periods are capitalized and accrued in accordance with income.

Public purchase of service
Services that are commercially unprofitable but that the authorities consider socially essential are purchased at prices agreed between NSB and the authorities and classified as operating income. The purchase is made through annual negotiations and the subsequent appropriations via the central government and county council budgets.

Pension costs and pension commitments
Most of the companies within the Group have pension plans that entitle the employees agreed future pension benefits (defined-benefit plans), such benefits being based on the number of years in employment and the salary level at pensionable age.

The pension commitments are based on assumptions of discount rate, expected future pay increases and pension adjustments.

Employees are entitled to contractual early retirement (AFP) at age 62 through a collective wage agreement. The benefits are based on estimated rights earned in the national insurance system for retirement at age 67, and an agreed annual severance pay. The pension commitments are based on assumptions of withdrawal propensity, expected future pay increases and pension adjustments.

Employers' contribution is expensed based on paid pension premiums for secured pension arrangements, while it is in agreement with periodic change in pension commitments for unsecured pensions.

Taxes
Posted tax includes both the taxes payable for the period and the changes in deferred taxes/deferred tax assets. Changes in deferred taxes/deferred tax assets are that part of the tax levied on the period's book profit but payable subsequently. Deferred taxes/deferred tax assets are calculated by making a full provision for all temporary differences including losses for carrying forward by the liability method with use of the tax rates and nominal figures obtaining on the date of the balance sheet.

Classification of balance sheet items
Assets related to the circulation of goods are classified as current assets, and correspondingly as short-term liabilities. Receivables and liabilities that are not related to the circulation of goods are classified as current assets or short-term liabilities if they are due within one year of the date of the closure of the accounts. Other assets are classified as fixed assets and other liabilities as long term. Shares in other companies are strategic investments and classified as fixed assets.

Transactions, receivables and liabilities in foreign currency
Transactions in foreign currency are converted at the exchange rate obtained at the time of the transaction. Assets and liabilities in foreign currency are valued at the rate obtained on the date of the balance sheet, taking into account hedging.

Accounts receivable/other receivables
Accounts receivable/other receivables are posted in the balance sheet after deduction for provision for assumed losses.

Fixed assets and depreciation
Tangible fixed assets are valued at purchase cost minus scheduled depreciation. If actual value is lower than book value and the fall in value is not regarded as temporary, the fixed asset is written down to actual value.

Capitalized loan costs
Capitalized loan costs are calculated on the basis of uncompleted investments with an interest rate equal to average borrowing rate. The costs of the loan are calculated over the entire investment period and capitalized as a part of that investment.

Stock of spare parts
Spare parts that are regarded as a part of the fixed asset are capitalized and depreciated over the lifetime of the fixed asset.

Upgrading of rolling stock
An upgrading that increases the rolling stock's real value is activated along with the actual rolling stock and depreciated accordingly. Upgrades that influences the life of the rolling stock is affected through the depreciation plan.

Maintenance
Maintenance and repairs of rolling stock are expensed as they accrue. No provisions are made for future periodic maintenance costs.

Immaterial assets
Immaterial assets are activated and depreciated if it's concluded that the asset will contribute to increase future economic advantages (future cash flow) and the acquisition cost is identifiable. By development of computer programs/systems, preliminary-projects and a continuing adaptation and further development of existing projects will normally be expensed as maintenance.

Inventory
Inventory consists of consumables and components. The component stock consists of free-standing components and spare parts for rolling stock. Both purchased components and revised components are capitalised. The inventory is incorporated in the balance sheet at purchase price and, for revised components, at accrued costs for repair and upgrading. Provisions are made for dead stock on the basis of physical stock-taking, stock turnover and existing plans for phasing out of rolling stock. Consumables and components are valued at average original cost or actual value whichever is lower.

Leasing contracts
A leasing contract is classified as financial or operational in accordance with the real content of the agreement. If most of the financial risk and control related to the underlying lease object has been transferred to the lessee, the agreement is classified as financial and appurtenant assets and obligations are capitalized. Other contracts of lease are classified as operational.

Uncertain commitments and contingent assets
Best estimates are employed for accounting of uncertain commitments and contingent assets. Best estimates are based on the probable outcome and estimated value of the uncertain commitment/contingent asset. The estimates are based on the management's best estimates relating to those matters.

Use of estimates
In certain cases, preparation of the annual accounts in accordance with general accepted accounting principles demands use of estimates and assumptions that affect reported figures related to assets, liabilities, expenses, incomes and notes. The results of the estimates may subsequently be found to diverge from the actual figures.

Cash flow statement
The indirect method is used to prepare the cash flow statement.

Note 2: Change in accounting principle

The NSB Group has earlier understood and presented the pension plan in the Norwegian Public Service Pension Fund (SPK) as a contribution plan for the employees, and as a supplemental plan for the employer. The background for this is the fact that the Government, according to the law on SPK, guarantees the arrangement and the responsibility to finance the contributions. Each member in this arrangement is given a premium and the employer's part of this is determined by the grant received.

During 2002, SPK has presented a demand for further payments based on that this interpretation is incorrect and that the employer has the responsibility in addition to the yearly payments. The NSB Group has refused the added obligation outside already paid premiums, but has so far not succeeded in getting this accepted. For this reason, the NSB Group will include the net obligations/net pension assets in its balance sheet by presenting the arrangement for each individual subsidiary in the Group per 01.01.2002.

The comparative numbers in the balance sheet for 2001 have not changed according the new principles. The impact of the new principles on the owner's equity and the result for 2002 are included below:

Parent company				Group		
01.01.2002	**31.12.2002**	Profit/loss 2002	Figures in NOK million	**01.01.2002**	**31.12.2002**	Profit/loss 2002
312	350	38	Pension commitments	312	350	38
87	98	-11	Deferred taxes	87	98	-11
225	**252**	**27**	**Total equity effect/Profit effect**	**225**	**252**	**27**

Note 3: Activity sectors

Figures in NOK million **Group**	**Passenger traffic (rail)**		**Bus**		**Freight traffic (rail)**		**Real estate**		**Support functions**		**Total**	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	**2001**	**2002**	2001
Operating income	**3949**	3925	**1 706**	1 436	**1 408**	1 187	**449**	500	**198**	**78**	**7 710**	7 126
Operating expenses	**2553**	3125	**1 504**	1 276	**1 155**	1 227	**304**	430	**1 216**	**192**	**6 732**	6 250
Internal allocations	**-1148**	-377	**53**	72	**-238**	-35	**257**	241	**1 076**	**99**	**0**	0
Depreciation	**479**	432	**183**	175	**82**	71	**90**	86	**36**	**4**	**870**	768
Operating profit/loss	**-231**	-9	**72**	57	**-67**	-146	**312**	225	**22**	**-19**	**108**	108
Assets	**7753**	6886	**1 805**	1 167	**750**	622	**2 561**	4 139	**900**	**287**	**13 769**	13 101
Interest-free debt	**878**	1353	**343**	297	**224**	188	**151**	263	**469**	**219**	**2 065**	2 320
Investments	**611**	1092	**828**	293	**443**	34	**1 844**	245	**213**	**12**	**3 939**	1 676

The NSB Group was restructured as of 1 January 2002. This means that the split in activity sectors for 2002 is not directly comparable with reported numbers for 2001. Through classification of activity, the Group subsidiaries are placed in the activity sector where they have their main part of the business.

- NSB AS, Flytoget AS (airport express train) and Linx AB (equity method) are included in the passenger traffic activity sector.
- The Nettbuss Group is included in the bus activity sector.
- The CargoNet Group with its subsidiary RailCombi AB is included in the freight traffic activity sector. Ekspressgods AS is also included in this activity sector.
- ROM eiendomsutvikling Group and NSB Eiendom AS, as well as other real estate subsidiaries, are included in the real estate activity sector.
- Included in support functions are administrative support functions through NSB Forsikring AS and the Arrive Group. It also includes the workshop and maintenance companies Mantena AS, MiTrans AS and NSB Trafikkservice AS. For 2001, the numbers only include the operation in MiTrans AS, six months of operation in the Arrive Group and the first month of operation for NSB Forsikring AS.

Note 4: Specification of sales revenue

Parent company			**Group**	
2002	2001	Figures in NOK million	**2002**	2001
		Passenger traffic revenue:		
1 970	2 077	Norway	**3 554**	3 558
-	-	Sweden	**150**	-
		Freight traffic revenue:		
-	1 130	Norway	**820**	1 149
-	-	Sweden	**511**	-
1 970	3 207	**Total sales revenue**	**5 035**	4 707

Note 5: Capital Gains and other operating revenue

Capital gains:

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
-	46	Sale of Real estate	**271**	133
-	-1	Sale of Shares	**-**	-1
-	-2	Sale of Rolling stock	**9**	16
21	-	Other	**27**	-
21	43	**Total capital gains**	**307**	148

Other operating income:

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
-	171	Rental income	**191**	242
-	79	Maintenance	**110**	142
325	398	Other income	**430**	356
325	648	**Total other operating income**	**731**	740

Note 6: Large individual transactions

Spin off of operations to separate limited companies at 1 January 2002
In connection with the reorganization of the parent company, spin off of operations into separate limited companies have been carried out: workshop and maintenance operation (Mantena AS), NSB Gods (CargoNet AS), NSB Ekspressgods (Ekspressgods AS) and the real estate operations in NSB Eiendom (NSB Eiendom AS). In addition, employees of the train cleaning operation have been transferred to Trafikkservice AS.

Establishment of a freight train Group at 1 January 2002
Through an issue of shares towards Green Cargo AB a capital appreciation in CargoNet AS was completed through a transfer of the shares in Rail Combi AB. NSB AS' equity interest in CargoNet AS after the transaction is reduced to 55%.

Establishment of Nettbuss Sweden at 1 January 2002
Nettbuss took over 100% of the shares in the Swedish Rimbom-Group at 1 January 2002. Rimbom changed its name to Nettbuss Sverige AB and owns the subsidiary Orusttrafiken AB that runs bus operations in the western and southern part of Sweden. The company is Sweden's 5th largest bus company with 225 employees and about 200 buses. The company also owns 50% of Stadsbussarna AB in Østersund.

Sale of cleaning operations at 1 April 2002
NSB AS sold the real estate related cleaning operations to ISS Norge AS. The operation had about 200 employees at the time of the sale.

Equity transaction – severance obligations
In connection with the establishment of NSB AS, the company was instructed to refund possible costs regarding severance payment for employees that are made redundant by NSB AS in the period from when the company was established and until 1 January 2005. On the establishment date the obligation was estimated to be NOK 300 million and was charged to the company's free equity in agreement with the establishment documents.

The purchase of Team Trafikk AS
Nettbuss purchased 100% of the shares in Team Trafikk AS 17 December 2002. The company operates bus- and freight operations in the middle section of Norway. Team Trafikk is consolidated in the Group's balance sheet at 31 December 2002, but is not included in the profit and loss statement for 2002.

Note 7: Uncertain commitments and contingent assets

Parent company

Severance
Employees in NSB BA are entitled to severance pay if they are dismissed due to redundancy, limited to 1 January 2005. In connection to the reorganization of NSB BA to a limited company, the employees' right to severance has been continued. NSB AS understands the laws in that where every single employee as of 1 July 2001 and that is transferred to NSB AS or another company through transfer of operations after 1 July 2001, will have their right to severance transferred. Originally and until 1 July 2002, this arrangement meant that the state would cover the severance costs without being refunded from the company. In connection with the establishment of NSB AS, the company was instructed to refund the severance costs for employees that are made redundant by NSB AS in the period from when the company was established as a limited company and until 1 January 2005.

The Group

Polluted land
In conjunction with sale of sites, pollution of the ground was discovered. When NSB BA was formed the fact of the pollution was known, but not its extent, and no provision was made for environmental commitments on the grounds that NSB BA was not the polluter. The scope of the clean-up operations is still uncertain, but the cost has been provisionally estimated at about NOK 270 million. NSB BA has brought a claim against the polluter for refund of the costs related to these obligations. Estimated clean-up costs and expected refund thereof have been included in the accounts.

Severance – subsidiaries
People that were employed by NSB BA as of 1 July 2001 and that is transferred to a subsidiary or an affiliated company through transfer of operations, have a right to severance if they are dismissed due to redundancy. This right is limited to employees that are made redundant until 1 January 2005. It is expected that the employer must refund the state's severance costs because of redundancy in the company.

Pensions Nettbuss AS
As of 1 January 1998 Nettbuss AS switched management of its pension fund from the Norwegian Public Service Pension fund to Storebrand. Accrued pension entitlements from before 1 January 1998, are managed by the Norwegian Public Service Pension Fund while Storebrand is responsible for all accruals after this point in time. A considerable gap has been uncovered between the capitalised value of the earned entitlements in the Norwegian Public Service Pension fund and the accounting allocation at 31 December 1997. Work continues on calculations that document that Nettbuss AS does not have to cover this commitment.

Note 8: Personnel expenses, remuneration, staffing

Parent company			**Group**	
2002	2001	Figures in NOK million	**2002**	2001
1 035	1 816	Salary and other benefits	**2 569**	2 539
170	262	National insurance contribution	**434**	363
123	139	Pension costs	**226**	175
-	-	Other	**7**	-
-22	-9	Utilised restructuring funds	**-22**	-9
1 306	2 208	**Total**	**3 214**	3 068

The Managing Director has a contract for a pension under the rules at any given time of the Norwegian Public service Pension Fund. A private supplementary pension is also awarded, so that his overall pension at retirement will be 66% of his salary at pension age. He can apply for his pension at age 60. If the Managing director has held the post for at least five years at the time of his departure, he will be guaranteed full pension rights at age 62. If he leaves his post before he has held it for two years, he will have earned 50% of the pension rights. The Managing director has no rights to receive pension for the periods in which severance pay is disbursed. He has an agreement for severance pay for 6 + 18 months if leaving as a result of the Board's wish.

Remuneration of the Managing Director in 2002 was a salary of NOK 1,750,000, plus a car allowance of NOK 133.000. Pension premium for the period was NOK 884,000.

Parent company			Group	
2002	2001	Figures in NOK thousand	**2002**	2001
1 010	840	The Board	**3 260**	2 138
896	900	Auditing	**3 459**	2 672
1 823	1 960	Other auditing services	**7 902**	3 493

Other auditing services include a fee for attestation services.

Staffing

Parent company			Group	
2002	2001		**2002**	2001
2 866	5 410	Number of man-years (Average)	**7 818**	8 199
3 321	6 290	Number of employees (Average)	**9 138**	9 694

For 2001 the average number of man labour years is measured by averaging the number of employees at 1 January 2001 and 31 December 2001. For 2002 the calculation is based on weighting actual number of man labour years throughout the year. The number of man labour years and number of employees for 2002 are therefore not directly comparable with last year’s numbers.

Note 9: Pension funds and pension commitments

Most of the Group companies, including the parent company, have a secured group plan for their employees with the Norwegian Public Service Pension Fund (SPK) or with life insurance companies. In addition, a secured pension arrangement has been entered into for top-leadership-pension. Apart from that there are unsecured pension arrangements in agreed-upon early retirement pension (AFP) and individual pension arrangements.

The parent company’s pension arrangements with SPK and the pension payments are guaranteed by the Government. The contributions are age-, disabled-, spouse- and child pensions and are coordinated with the national insurance scheme contributions.

Summary of pension costs

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
115	130	Norwegian Public Service Pension Fund	**172**	136
8	5	Other funded plans	**43**	35
-	4	Unfunded plan (early retirement)	**11**	4
123	139	**Total**	**226**	175

Number of persons covered by the plans

Parent company			Group	
2002	2001	**Figures in NOK million**	**2002**	2001
4 922	7 195	Norwegian Public Service Pension Fund	**7 292**	7 598
23	18	Other funded plans	**3 718**	3 037
1	-	Unfunded plan (early retirement)	**3 409**	2 100
-	**-**	Other unfunded plans	**-**	5

Secured arrangements in Norwegian Public Service Pension Fund (SPK)

Premiums are fixed and pension commitments calculated in the Norwegian Public Service Pension Fund in accordance with actuarial principles. The pension plan is treated as a defined-benefit plan, on the assumption that the paid premiums will cover the earned pension rights at any given time. However, the plan is not based on unit trust investment. In the premium calculation, a deduction is nevertheless made for yield on simulated unit trust funds (claims on the Government) corresponding to the commitment as if the funds had been placed in long-term government bonds. The Norwegian Public Service Pension Fund also includes a contractual early retirement pension (AFP).

Pension cost for the year, Norwegian Public Service Pension Fund

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
115	130	Premium to Norwegian Public Service Pension Fund	**172**	136

Accrued commitments and simulated fund assets

Parent company			Group	
31.12.02	31.12.01	Figures in NOK million	**31.12.02**	31.12.01
2 578	3 283	Accrued commitments	**3 575**	3 379
2 229	3 283	Similated fund	**3 226**	3 379
349	-	**Net pension commitment**	**349**	-

Footnotes:

The following assumptions have been used for the estimation:

Financial assumptions:	**2002**	2001
Discount rate	**6 %**	6 %
Expected yield	**6 %**	6 %
Pay adjustment	**3,30 %**	3,30 %
Adjustment of G (national insurance baseline)	**2,90 %**	2,90 %
Pension indexing	**2,90 %**	2,90 %
National insurance contribution	**5,1 - 14.1%**	5,1 - 14.1%

Secured arrangements in life assurance

Pension funds and pension commitments are stated separately.

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
8	5	Pension earnings this year	**53**	38
1	1	Interest expense on accrued commitments	**28**	9
-1	-1	Expected return on pension funds	**-23**	-11
-	-	Amortisation of estimate deviation, posted to profit and loss account	**-15**	-
8	5	**Total retirement expenses**	**43**	35

Net pension funds are presented as financial permanent assets

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
-	-	Estimated market value of pension funds	**209**	84
-	-	Estimated accrued gross pension commitments	**205**	81
-	**-**	Result effects of estimation differences not booked	**-19**	**-**
-	-	**Net pension funds as of 31.12**	**23**	3

Pension commitments, other funded plans for companies with net pension commitments

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
22	19	Estimated market value of pension funds	**192**	89
25	23	Estimated accrued gross pension commitments	**241**	113
1	1	Result effects of estimation differences not booked	**30**	1
-2	-3	**Net pension commitments as of 31.12.**	**-19**	-23

Footnotes:

The following assumptions have been used for the estimation:

Financial assumptions:	**2002**	2001
Discount rate	**6 %**	6 %
Pay adjustment	**3 %**	3 %
Adjustment of G (national insurance baseline)	**3 %**	3 %
National insurance contribution	**5,1 - 14,0 %**	5,1 - 14,1 %

Unsecured arrangements

Early retirement plan
The NSB Group has contractual early retirement provisions (AFP) through its wage agreement. The accounting of the plan is in conformity with the Norwegian Accounting Standard for pension cost. The companies in the Group with secured group plans with SPK have a secured AFP arrangement and the obligation and means tied to AFP are included in the calculated pension obligation. Other AFP arrangements are not secured.

Other arrangements

Individual pension agreements are financed through the operation.

The following financial assumptions underpin the calculation of pensions:

Financial assumptions:	**2002**	2001
Discount rate	**6 %**	6 %
Pay adjustment	**3 %**	3 %
Adjustment of G (national insurance baseline)	**3 %**	3 %
National insurance contribution	**5,1 - 14,0 %**	5,1 - 14,1 %

Foreseen withdrawal possibilities within the different operation areas in the Group are estimated using actual circumstances.

Expenses for the unsecured pension commitments

Parent company			**Group**	
2002	2001	Figures in NOK million	**2002**	2001
1	1	Pension earnings this year	**6**	2
-	-	Interest cost for accrued pension commitments	**2**	2
-	-	Amortisation of estimate deviation, posted to profit and loss account	**2**	-
1	-	**Expenses for the unsecured commitments this year**	**11**	4

Pension commitments

Parent company			**Group**	
2002	2001	Figures in NOK million	**2002**	2001
3	3	Estimated market value of pension funds	**3**	3
-	-	Non-useable overfinancing	**-**	-
5	5	Estimated accrued gross pension commitments	**54**	49
-2	-2	**Net pension commitments as of 31.12.**	**-51**	-46

Note 10: Financial items

Parent company			**Group**	
2002	2001	Figures in NOK million	**2002**	2001
377	325	Interest incomes	**100**	203
154	72	Group contributions	**-**	-
-	-	Profit affiliated companies	**5**	5
-	4	Agio (exchange rate gain)	**1**	4
4	-	Dividend	**9**	1
-	-	Other financial income	**21**	2
535	402	**Total financial incomes**	**136**	215
276	345	Interest expenses	**240**	342
4	4	Disagio (exchange rate loss)	**10**	5
5	-	Other financial expenses	**24**	7
285	349	**Sum financial expenses**	**274**	354
250	53	**Net financial items**	**-138**	-139

Note 11: Customers

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
44	47	Allocated for insecure accounts receivable 1 Jan.	**47**	49
3	44	Allocated for insecure accounts receivable 31 Dec.	**46**	47
-41	-3	**Changes in allocations for insecure acc. receivable**	**-1**	-2
47	11	Ascertained loss for the year	**16**	12
-	1	Payments of previously written-off receivables	**-1**	1
6	8	**Total loss on accounts receivable**	**14**	10

Note 12: Liquid assets

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
77	88	Tax withholding funds	**130**	121
-	-	Other	**16**	-
77	88	Total Liquid assets	**146**	121

Note 13: Inventory

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
-	362	Spare parts and components	**311**	373
-	-	Other	**8**	-
-	-62	Dead stock assessment	**-6**	-64
-	300	**Total inventory**	**313**	309

Note 14: Plant under construction

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
1 278	1 627	Original cost 01.01.	**1 417**	1 732
-	-	Sale of infrastructure / land areas	**-**	-77
-278	-862	Transferred to investments	**-279**	-905
226	513	Change in cash balance	**386**	667
1 226	1 278	**Original cost 31 Dec.**	**1 524**	1 417
139	195	of which capitalised loan costs	**140**	195

Footnotes:
Plant under construction mainly consists of railway rolling stock under construction and real estate projects.

In connection of transfers of operations at 1 January 2002, plant under construction valued at NOK 120 million has been transferred to other subsidiaries within the Group.

Note 15: Tangible fixed assets

Parent company Figures in NOK million	Machines & equipm.	Passenger carriages	Freight wagons	Loco-motives	Buildings	Land areas	Total
Cost price 1 Jan.	1 191	6 699	531	2 020	2 982	267	13 690
Acquisitions this year	95	275	-	-	-	-	370
Transferred from plant under construction	114	43	-	-	-	-	157
Disposals this year	-828	-10	-531	-748	-2 982	-267	-5 366
Original cost 31 Dec.	572	7 008	-	1 272	-	-	8 852
Acc. depreciation 1 Jan.	858	3 498	450	1 238	1 570	142	7 755
Disposals this year	-574	-6	-450	-550	-1 570	-142	-3 292
Depreciation for the year	39	265	-	40	-	-	344
Acc. depreciation 31 Dec.	323	3 757	-	728	-1	-	4 807
Write-downs for the year	7	-	-	-	-	-	7
Capitalised value at 31 Dec.	242	3 251	-	545	1	-	4 038
-of which capitalised loan costs	-	267	-	-	-	-	267
-of which capitalised rental-costs	-	-	-	-	-	-	-
Depreciation period **Depreciation plan**	**3 - 15 år** **lineær**	**15 år** **lineær**	**15 år** **lineær**	**20 år** **lineær**	**10 - 30 år** **lineær**	**10 - 100 år** **lineær**	
Annual rent of non-capitalised fixed assets	31	6	-	-	98	-	135

Group Figures in NOK million	Machines & equipm.	Passenger carriages	Freight wagons	Loco-motives	Buses/ trucks	Buildings	Land areas	Total
Cost price 1 Jan.	1 592	7 801	531	2 020	1 810	3 299	494	17 547
Acquisitions - through purchasing companies	183	-	188	-	512	106	62	1 051
Acquisitions this year	399	279	82	200	143	1 583	127	2 813
Transferred from plant under construction	157	43	-	-	-	79	-	279
Disposals this year	-842	-10	-534	-753	-128	-2 988	-312	-5 567
Original cost 31 Dec.	1 489	8 114	267	1 467	2 337	2 079	371	16 124
Acc. depreciation 1 Jan.	1 122	3 733	450	1 238	1 120	1 660	142	9 465
Acc. - through purchasing companies	112	-	148	-	261	26	62	609
Disposals this year	-578	-6	-450	-550	-104	-1 571	-142	-3 401
Depreciation for the year	163	339	16	54	156	91	7	826
Acc. depreciation 31 Dec.	819	4 066	164	742	1 433	206	69	7 498
Write-downs for the year	7	-	-	-	-	4	-	11
Capitalised value at 31 Dec.	663	4 048	104	725	904	1 870	302	8 615
-of which capitalised loan costs	-	267	-	-	-	-	-	267
Depreciation period **Depreciation plan**	**3 - 15 year** **lineær**	**15 year** **lineær**	**15 year** **lineær**	**20 year** **lineær**	**5-12 year** **lineær**	**10 - 30 year** **lineær**	**10-100 year** **lineær**	
Annual rent of non-capitalised fixed assets	36	6	-	-	-	136	-	178

The valuation of fixed assets after AL § 7-13.3

The profitability development of passenger train operations indicates that the real value of the rolling stock in use within InterCity and long-distance trains production is lower than 90% of its value on the balance sheet, cf. to the Companies Act § 7-13.3 and Norwegian Accounting Standards (NRS) 1999 “write-down of fixed assets and immaterial assets”. One is not certain whether the drop in value is permanent or temporary. The insecurity is tied to, to what extent it is possible to carry into effect further profitable measures within today’s production, as well as to what extent it is possible to free any materiel for sale and rent without any losses. Until there is more secure information on the materiel, the company has decided not to write down the value.

Note 16: Goodwill

Figures in NOK million	Group **2002**	2001
Original cost 1 Jan.	**539**	537
Acquisitions through purchasing companies	**18**	-
Acquisitions this year	**195**	2
Disposals this year	**-**	-
Original cost 31 Dec.	**752**	539
Acc. depreciation 1 Jan.	**110**	78
Acc. -through purchasing companies	**8**	-
Disposals this year	**-**	-
Depreciation this year	**27**	33
Acc. depreciation 31 Dec.	**145**	110
Write-downs for the year	**6**	-
Book value 31 Dec.	**601**	429

Acquired goodwill in 2002 is divided into the following large transactions:
Nettbuss: Purchase of the Swedish Rimbom-Group (NOK 22 million, amortization period is 10 years) and Team Trafikk AS (NOK 116 million, amortization period is 20 years). The amortization period is determined through future expected cash flow related to identified value added.

CargoNet: The purchase of Rail Combi AB (NOK 57 million, amortization period is 10 years). The amortization period is determined through future expected cash flow related to the establishment of a Nordic network for combined transports.

At the establishment of a new balance sheet for Flytoget AS (airport express train) for 2000, the value of NOK 412 million for priority on the railway was included with an amortization period of 30 years. The company was sold 1 January 2003.

Note 17: Transfer of title

At the company formation in 1996, NSB BA took over property from the Government, held by the public enterprise NSB. The work on title transfer is not yet complete and is expected to take several years. For title to some of the sold properties to be transferred, it has been necessary to obtain the consent of the Norwegian National Rail Administration to the individual conveyances. Re-registration in the register of deeds and other registers in connection with transfer of title is done through a name change. This is also true when NSB AS transfers the ownership rights to real estate to a wholly owned subsidiary.

Note 18: Shares in subsidiaries, associated companies and joint ventures

The table only shows the parent company's directly owned investments. The Group also consists of indirectly owned companies and ownership interests.

Figures in NOK million **Shares in subsidiaries**	**Acquisition date**	**Registered office**	**Share of votes and profits in %**	**Equity**	**Profit/ Loss**	**31 Dec. 2002 Capitalised value**
Nettbuss AS	01.12.1996	Oslo	100 %	359	30	**274**
Flytoget AS	01.12.1996	Oslo	100 %	429	-72	**670**
ROM Eiendomsutvikling AS	18.12.1998	Oslo	100 %	583	168	**440**
MiTrans AS	01.07.1999	Drammen	100 %	10	-5	**15**
Arrive AS	01.07.2001	Oslo	100 %	15	8	**12**
NSB Trafikkservice AS	01.10.2001	Oslo	85 %	1	-	**1**
NSB Forsikring AS	01.12.2001	Oslo	100 %	38	10	**50**
CargoNet AS	01.01.2002	Oslo	55 %	445	-41	**295**
Ekspressgods AS	01.01.2002	Oslo	100 %	17	-12	**1**
Mantena AS	01.01.2002	Oslo	100 %	250	7	**250**
NSB Eiendom AS	01.01.2002	Oslo	100 %	-29	-29	**-**
Banestasjoner AS	02.01.2002	Oslo	100 %	-	-	**-**
Total shares in subsidiaries				**2 118**	**64**	**2 007**

Figures in NOK million **Shares in associated companies**	**Acquisition date**	**Registered office**	**Acquisition costs**	**Share of votes and profits in %**	**1. jan. 2002 Capitalised value**	**Acquisitions/ Disposals**	**Profit/ loss**	**31. Dec. 2002 Capitalised value**
Oslo S Parkering AS	01.04.1997	Oslo	12	25 %	10	-	-1	**9**
Linjearkitekter AS	01.09.2000	Oslo		30 %	-	-	-	**-**
Celexa AS	01.01.2002	Oslo	1	35 %	-	-	-	**-**
Linx AB	12.05.2000	Gøteborg		50 %	5	-	-	**5**
Total shares in associated companies					15		**-1**	**14**

Shares in associated companies and joint ventures - Group

Figures in NOK million **Group**	**Share of votes and profits in %**	**31 Dec. 2002 Capitalised value**
Fjord Tours AS	41 %	**1**
Others	-	**1**
Total shares in associated companies		**2**

Note 19: Receivables with maturity later than one year

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
102	86	Other receivables (fixed assets)	**111**	86
24	14	MiTrans AS	**-**	-
950	1 040	Flytoget AS	**-**	-
760	910	ROM eiendomsutvikling AS	**-**	-
742	324	Nettbuss AS	**-**	-
7	-	Arrive AS	**-**	-
100	-	Mantena AS	**-**	-
1 743	-	NSB Eiendom AS	**-**	-
4 428	2 374	**Total**	**111**	86

Note 20: Interest-bearing debt and redemption structure

Parent company		Figures in NOK million	Group	
2002	2001	**Interest-bearing debt per loan type**	**2002**	2001
650	650	Bonds	**650**	650
2 501	3 539	Borrowing under the EMTN programme	**2 501**	3 539
1 090	-	Sertificate	**1 090**	-
32	-	Other	**199**	-
4 274	4 189	**Total long-term interest-bearing debt**	**4 440**	4 189

On 31 July 1997, NSB AS signed a Multicurrency revolving credit facility for NOK 2,000 million, with 15 Norwegian and international banks. The credit is valid for seven years and its interest is NIBOR based. As of 31 December 2002 no funds have been drawn on this credit.

In June 1998, NSB AS launched two bond issues tradable on the European capital market. The total value of the issues is NOK 650 million, have fixed interest and mature in 2007. The issue was handled by Handelsbanken Markets, London, and the issues are quoted on the Luxembourg exchange.

A long-term loan program (EMTN-program) with a framework of 750 million euro was established in 1999. Loans equivalent to NOK 2,501 million was outstanding under the program per 31 December 2002.

As of 31 December 2002, NSB AS has NOK 1,122 million in interest bearing debt that matures in 2003, mainly in the Norwegian Commercial Paper market. The subsidiary, Flytoget AS, was sold to the Norwegian Government as of 1 January 2003 and a group-internal-loan of NOK 1,040 million was repaid to NSB AS on the same date.

The weighted average maturity for the parent company's interest bearing debt is 3.6 years as of 31 December 2002. The average duration, including the effect of interest-secured-instruments, is 2.4 years as of 31 December 2002.

All loans in the NSB Group are handled through the parent company, NSB AS, for lending to the subsidiaries.

The total interest-bearing long-term debt has the following redemption structure:

Year:	Figures in NOK million	Parent	Group
2003		1 122	1 289
2005		986	986
2007		650	650
2011		1 515	1 515

Overview of bond loans/loans under the EMTN programme.

Amount	Interest	Maturity
CHF 150 mill	3,75 %	2005
USD 25 mill	6,91 %	2005
350 mill kr	5,75 %	2007
300 mill kr	5,85 %	2007
JPY 3,8 bill	1,70 %	2011
EUR 150 mill	4,625 %	2011

Note 21: Financial market risk

Currency risk
In order to exploit the benefit of better interest terms in other lending markets, NSB issues loans in foreign currency. Such loans are converted to Norwegian kroner through currency swap agreements. NSB does not take currency risk in its financial management.

Interest-rate risk
NSB is exposed to changes in Norwegian Interbank Offered Rate (NIBOR) on all loans that are based on the floating interest rates. The parent company uses interest hedging instruments to reduce the interest rate risk and achieve the desired structure for its debt.

Status of currency and interest-rate hedging instruments at 31 December 2000.

Amount	NSB pays		NSB receives		Instrument	Maturity
NOK 100	NOK	5.64 %	NOK	NIBOR 6 months	Interest swap agreement	2003
NOK 754	NOK	6.83 %	CHF	Fixed: 3.75%	Interest and currency swap ag.	2005
NOK 232	NOK	6.71 %	USD	Fixed: 6.76%	Interest and currency swap ag.	2005
NOK 100	NOK	5.92 %	NOK	NIBOR 6 months	Interest swap agreement	2007
NOK 200	NOK	NIBOR 6 months	NOK	5.75 %	Interest swap agreement	2007
NOK 200	NOK	6.04 %	EUR	Fixed: 4.625%	Interest swap agreement	2009
NOK 310	NOK	6.83 %	EUR	Fixed: 4.625%	Interest swap agreement	2010
NOK 410	NOK	6.20 %	EUR	Fixed: 4.625%	Interest and currency swap ag.	2011
NOK 310	NOK	NIBOR 6 months	EUR	Fixed: 4.625%	Interest and currency swap ag.	2011
MNOK 285	NOK	NIBOR 6 months	JPY	Fixed: 1,70%	Interest and currency swap ag.	2011

Bonds and Commercial Papers
NSB places its surplus liquidity in Norwegian bonds and Commercial Papers. As of 31 December, NSB Forsikring AS has investments of NOK 253 million.

Note 22: Other provisions for commitments

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
55	78	Restructuring	**55**	78
10	114	Environmental commitments	**60**	119
-	-	Expenses related to operating accidents	**26**	26
300	-	Severance pay obligation	**300**	-
-	-	Other	**6**	-
365	192	**Total**	**447**	223

Restructuring
At the establishment of NSB BA, the Parliament granted a subsidy to restructuring in the amount of NOK 870 million. The background for the grant was that NSB BA should be established with a sound economic basis, so that the company is able to adapt to technological and market changes. For the company to be able to do this, it was estimated that a need for coverage of restructuring expenses was NOK 912 million (present value). More concrete, it was related to the following costs:

- The personnel centre (handling of redundant employees)
- Early retirement
- Technical training relating to a new workshop-structure
- Extraordinary maintenance of El 14-locomotives and BM 69-local train sets.

As of 31 December 2002, NOK 55 million remains of the grant. This amount will be used at the end of the different restructuring projects.

Note 23: Other short-term liabilities

Parent company			Group	
2002	2001	Figures in NOK million	**2002**	2001
-	12	Prepaid income	**92**	176
534	718	Accrued expenses	**936**	845
167	193	Other short-term liabilities	**526**	265
701	923	**Total**	**1 554**	1 286

Note 24: Mortgages and guarantees

Parent Company			Group	
2002	2001	Figures in NOK million	**2002**	2001
-	-	Guarantees	**16**	3
-	-	Mortgages - liabilities	**83**	5
-	-	Mortgages - assets	**286**	2

NSB AS has given a guarantee for the regulation of pension commitments with a cessation of Nettbuss AS so that the transfer agreement of 1974 can be used. One assumption for the guarantee is that Nettbuss AS can't approve changes to their pension plan that affects the commitment without approval from NSB AS' Board.

Note 25: Taxes

Figures in NOK million	Parent company		
Specification of temporary differences	**2002**	2001	Change
Current assets/Short-term liabilities	**427**	173	254
Fixed assets/Long-term liabilities	**1 240**	1 979	-739
Total differences	**1 667**	2 152	-485
Forwardable deficit	**-720**	-955	235
Basis for deferred taxes	**947**	1 197	-250
of which 28 % deferred taxes	**265**	335	-70
Change in accounting principle	**-**	-87	87
Deferred taxes	**265**	**248**	**17**

Analysis of the tax basis	**2002**	2001
Pre-tax profit, incl. Extraordinary items	**61**	40
Change in temporary differences	**174**	-285
Permanent differences	**-**	-8
Non-useable overfinancing	**236**	-
Tax basis for the year	**-**	-253
Change deferred tax	**17**	14
Tax cost for the year	**17**	14

Reconciliation of tax cost for the year	**2002**	2001
Tax on year's ordinary result	**17**	11
Tax on permanent differences	**-**	-2
Excess/deficit deferred tax from previous years	**-**	5
Tax cost for the year	**17**	14

Figures in NOK million	Group		
Specification of temporary differences	**31.12.2002**	31.12.2001	Change
Current assets/Short-term liabilities	**758**	110	648
Fixed assets/Long-term liabilities	**953**	1 863	-910
Total differences	**1 711**	**1 973**	**-262**
Forwardable deficit	**-1 205**	-1 212	7
Basis for deferred taxes	**506**	761	-255
of which 28 % deferred taxes	**145**	**214**	**-69**
Change in accounting principle	**-**	-87	87
Deferred taxes	**145**	**127**	**18**

Analysis of the year's tax cost	**2002**	2001
Tax payable	**2**	2
Change in deferred taxes	**18**	-4
Change in deferred taxes-through purch. Comp.	**-31**	
Excess/deficit deferred tax from previous years	**-**	4
Tax cost for the year	**-11**	2

Note 26: Change in equity

Parent company		**Group**
2002	Figures in NOK million	**2002**
6 811	Equity at 31 December	**6 078**
-3	Correction of beginning balance- previous years mistakes	**-4**
-	Correction of beginning balance- foreign currency	**-10**
-225	Correction of beginning balance- change in acct. Princ.-pensic	**-225**
-300	Severance pay obligation	**-300**
500	Capital increase	**500**
44	Profit/loss 1 January - 31 December	**6**
6 827	**Equity 31 December**	**6 045**

The company’s invested capital consists of capital stock of NOK 4,155 million, and additional-paid-in-capital of NOK 1,850 million. The capital stock consists of 4,155,000 shares, each having a face value of NOK 1,000.

Important NSB-events in 2002

This year's most important event within the railway sector was that the Government, in its budget proposal for next year, decided to gradually introduce competition on the Norwegian railway lines. The majority of the Parliaments members supported this proposal and therefore approved the biggest change in the modern time of Norwegian railways.

In the Government's plan, the traffic on the Gjøvik line and the local traffic on the stretch between Bergen-Voss/Myrdal will be opened up for competition through tenders in 2003. The winner is assumed to start its operations during 2004. The county of Telemark has entered into an agreement with The Ministry of Transport to assume responsibility for public transportation between Porsgrunn and Notodden (the Bratsberg line) and the local traffic between Nordagutu and Neslandsvatn on the southern line (Sørlandsbanen). The county decided later on to open these lines up to competitive bidding.

This year's main events within NSB

1 January: NSB Gods became a limited company, CargoNet AS, which is 55% owned by NSB and 45% by the Swedish Green Cargo. Rail Combi AB is wholly owned by CargoNet AS.

1 January: NSB's technical maintenance was spun off into its own limited company, Mantena AS, which is wholly-owned by NSB.

1 January: NSB's express freight was spun off into its own limited company, Ekspressgods AS, which is wholly-owned by NSB.

1 January: NSB's real estate operations was gathered in NSB Eiendom AS, which is wholly owned by NSB.

1 January: A new flexible season ticket was introduced. The customer can purchase a season ticket that starts at any time of the month and lasts for a full month.

1 January: The conditions for a student rebate were changed. The Government withdrew about NOK 30 million of its contributions. The student rebates were reduced from 40% to 10% on white departures, and from 60% to 50% on green departures. Later on, the demand that a trip must exceed 150 kilometers round trip to receive a rebate is now cancelled, and from 3 June it is possible to receive a "green rebate" on all long distance trains.

1 January: Nettbuss took over Orusttrafiken AB, which runs its bus operations in western and southern Sweden. It is Sweden's 5th largest bus company with 225 employees and about 200 buses. The company also owns 50% of Stadsbussarna AB in Østersund.

1 January: Nettbuss took over operations in Tønsberg from Norgesbuss. This operation consists of 70 man-years and 45 buses.

4 January: NSB entered into an agreement with Statskjøp on service travels for about 250,000 state employees.

10 January: NSB entered into an agreement with SINTEF on knowledge-management and research.

1 March: The sales system SMOD 29 (RAK) was shut down and NSB started to use the global sales systems Amadeus, Worldspan, Sabre and later on Galileo for booking and sale of tickets.

16 March: Nettbuss won a large competitive bid in the Sandnes area, which will start 1 January 2003. The bid consists of about 100, man-years and 50 buses. The tender offer is run on the behalf of the newly established subsidiary Nettbuss Vest AS. Most of this operation is a continuance of prior operations in the unit Nettbuss Vest.

18 March: Type 73B (Agenda) was introduced as a regional train between Kristiansand and Stavanger.

1 April: NSB changes its tariff area and leaves the State main tariff agreement for new arrangements with NAVO.

19 April: The Parliament wants NSB to remain wholly owned by the State. The State confirms this in Parliamentary announcement number 22 (the ownership announcement). This also included Posten (mail carrier) and BaneTele.

22 April: Nettbuss started a new express bus route between Sarpsborg, through Råde, Rygge and Moss, and Oslo together with BussLink. Nettbuss Østfold is the first company that started using our new TIMExpress concept that will be introduced in August 2002.

April: The first phase of PUTIN, a system for collective traffic information from the Norwegian National Rail administration and NSB, was put in use.

April: NSB entered into an agreement with Stabæk football club about using train instead of airplane to and from games.

1 May: NSB assumed employer responsibility for 162 service employees from Togservice Norge AS.

May: The night before 16 May an agreement was reached in the mediation of wage settlement between NSB AS, CargoNet AS, Mantena AS and Ekspressgods AS and the employee organizations, represented by NJF, NLF and STAFO. This was the first time NSB negotiated as a member of the employer organization NAVO. The settlement was 5%.

May: The Parliament public transportation announcement was presented. NSB had three scenarios outlined for this plan, the conclusion being that an extra NOK 8 billion per year should be dedicated to improve railway offer and to have passengers and freight moved from the roads to the railway.

3 June: The new sales and ticket system was introduced. This gives, among other things, increased possibilities to maximize income on sales of different ticket categories for NSB.

3 June: NSB has worked out new transportation terms. These new terms clarifies rights between NSB and the customers. The terms must be approved by the Ministry of Transport.

14 June: NSB reopened the sale of tickets at Lillehammer station as a part of an agreement with Oppland county on a complete transport and service centre at this station. Later on, Lillehammer's tourism chief and a travel agency established in the centre.

15 June: Linx, the Norwegian-Swedish company, offers a travelling time of 4 hours and 50 minutes between Oslo and Stockholm on the Swedish train X2000. Linx is owned 50/50 by NSB and SJ.

June: A new travel planner was started on the internet (nsb.no).

17 June: Nettbuss Østfold's new route Oslo-Lübeck-Hamburg was started. The route is driven within NorWay Bussekspress and operated in cooperation with the German company Deutsche Touring.

24 June: Nettbuss, along with the Norwegian National Rail administration (Jernbaneverket), won the bidding on regional traffic between the county of Oppland and Oslo. The tender offer consists of 6 buses and 12 man-years.

1 July: NSB changed its status from a public enterprise (BA) to an ordinary limited company (AS). The Group's name is from now on NSB AS. At the same time, NSB took over severance pay duties from the State, until the arrangement ended 01.01.2005.

1 July: Parts of Nettbuss' traffic in Romerike was taken over by Norgesbuss through a tender offer. This led to a liquidation of a department of Nettbuss Lillestrøm at Bjørkelangen. A total of 43 employees were dismissed.

8 August: The first new local train (Type 72) from the Italian producer Ansaldobreda was used on the Jær line. NSB has ordered 36 of these train sets, where 29 will be used in the Oslo area and seven on the Jær line.

19 August: TIMEkspressen turned into being a separate concept and network on the InterCity express bus routes. TIMEkspressen starts with six lines in the south-eastern part of Norway and in Trondheim, and at the year end it has become eight lines. The concept has its own profile and most of the TIMEekspress lines have departures

every hour, while some is driven less frequent. Investments have been made on several new buses with a focus on high comfort and security.

August: Narvesen took over the ticket sale in Horten and completed then the intention in the Narvesen agreement along the Vestfold line. Narvesen now sells NSB tickets in Porsgrunn, Larvik, Sandefjord, Tønsberg og Holmestrand, in addition to Horten. Østfold sells Narvesen tickets in Halden, Sarpsborg, Fredikstad and Moss. On the Dovre line Narvesen sells tickets in Stange, Hamar and Lillehammer. Narvesen will continue to offer NSB tickets in more and more stores.

August: NSB introduced electronic handling of invoices. This will lead to quicker handling of the invoices before any get paid by NSB.

August: NSB started moving in to their altered headquarters in Prinsensgate 7-9. By moving out of a building in Kirkegaten, the headquarters area was reduced from 14,000 square meters to about 7,000 square meters, which meant yearly savings of about MNOK 10 million. The move was completed by 1 December.

1 September: NSB introduced mobile terminals (MT) with train ticket collectors on the Gjøvik line, and for the first time it was possible to buy season tickets on a train.

16 September: Nettbuss and Connex cooperated in starting a night express route between Stavanger and Oslo. The route is run by NorWay Bussekspress.

22 September: “Nabotåget” started driving between Trondheim and Østersund. “Nabotåget” is a three-year project that is partly financed by means from EU.

26 September: The Board in Oslo S Utvikling as is owned 50/50 an NSB’s subsidiary ROM eiendomsutvikling as and Linstow Eiendom as.

3 October: In the Parliament’s proposal to the national budget the agreement with NSB on purchases of passenger train operations from NSB in 2003 for NOK 1,386 was presented. The State asks NSB to maintain today’s level on railway services. The grants to the Norwegian National Rail administration are considerably lower than what was anticipated in the National Transport Plan. The State believes that the railway needs strengthening where it has its biggest advantages and suggests more concentration on the main routes, the InterCity triangle and the railway net around the large cities.

3 October: The Parliament announced in its proposal to the national budget that train traffic on the Gjøvik line and the local traffic on the route Bergen-Voss-Myrdal will be put out for competitive bidding in 2003. It was earlier mentioned that the county of Telemark has assumed responsibility for the Bratsberg line which will also be laid out for competitive bidding. In all three instances it is expected that the winners of the bidding war will start operations in 2004.

13 October: The Røros line is 125 years.

21 October: TIMEkspressen line 7, Støren- Trondheim was started. This new offer is a co-operation between the companies Nettbuss Trøndelag and Gauldal Billag, which both own the concession to this route.

25 October: The Parliament suggested in cabinet that Flytoget (airport express train) should be separated from the NSB-Group 1 January 2003, and that the public ownership is directly under Ministry of Transport.

31 October: Nettbuss won a large competitive bidding package in Bærum, which will start up in July 2003. This is entirely a brand new operation, and the bid consists of 80 man-years and 45 buses.

11 November: Nettbuss Vestfold is preferred by Vestfold Kollektivtrafikk AS to drive a new express bus route between Tjøme-Tønsberg and Oslo. The route started in November and is a part of the TIMEkspress concept.

15 November: The Ofot line is 100 years old.

26 November: The Gjøvik line is 100 years old.

November: Narvesen took over the ticket sale in Kongsvinger.

1 December: The Managing Director implemented changes in the organization. The unit passenger train, was established within NSB AS. The units Passenger Train Eastern Norway and Passenger Train Regions were united in the unit called Business. At the same time the Managing Director implemented a cost reduction in all administrative functions in all parts of the company. Totally this meant a reduction of 118 man labour years administratively.

17 December: Nettbuss took over 100% of the shares in Team Trafikk AS. The company runs bus and freight operations in the middle part of Norway. The Group has sales of about NOK 690 million, has 650 vehicles and about 1200 employees. With this purchase Nettbuss takes over valuable competence, among other things, in big city operations.

December: NSB entered into an agreement with Rail Europe 4A, who can now sell NSB's combination trips in 157 countries in Asia, South America and Australia. Especially "Norway in a Nutshell" is a bestseller.

Challenges

The passenger train operation had a large decline in traffic in 2002. The largest decline occurred in the long distance routes in southern Norway as well as on parts of the InterCity routes. Measured in the number of travels, the local traffic in Oslo had the largest decline. NSB's regression is on the same level as the rest of the public transportation in Oslo. The total number of travels with trains declined from 53.5 million in 2001 to 49.8 million in 2002. The decline also meant a decrease in income for the passenger train operation.

The biggest challenge is within passenger train operation that shows a negative economic development. New and customer friendly solutions must be found in the fine line between what customers want and are willing to pay for – and what NSB is able to deliver. It will be easier to be a customer of NSB. The branding strategy will be changed in line with this philosophy. This is also true when it comes to several of the systems and routines the customers will meet. The expense level will continue to be reduced. The competence in our own employees is the foundation for the alteration work. This is how the involvement, ownership and not to mention good solutions will be ensured.

The phasing in of new local trains on the Jær line and in the local traffic in Oslo will gradually occur throughout 2003. Through this program large part of NSB's materiel will be renewed.

In 2003, NSB will participate in the first tenders for passenger train operations and will hand in bids when it makes business sense. Systematic work is being completed to improve competitiveness compared to future operators in rail. NSB will focus on running trains where passengers or the Government shows sufficient willingness to pay.

The bus operation contributes to emphasize NSB's goal to be the customers favourite and Scandinavia most innovative transport group. To win in competition against the car, the customers must be offered the broadest possible public transportation. Tests show that frequency and availability are the most important factors when choosing the preferred transport solution. Nettbuss, along with NSB, wants to further develop and strengthen the work on establishing a network of train-bus solutions to improve the public transportation offer for the customers.

Auditor's Report

To the Annual Shareholders' meeting of NSB AS

Auditor's report for 2002

We have audited the annual financial statements of NSB AS as of 31 December 2002, showing a profit of MNOK 44 for the parent company and a profit of MNOK 6 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- The financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- The company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- The information given in the director's report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, April 4, 2003
PricewaterhouseCoopers DA

Johnny Skaug
State Authorised Public Accountant (Norway)