ANNUAL REPORT 2003
NSB-GROUP

The President and CEO

The Group prepares for competition

In 2003 the government made detailed decisions on the nature of future tenders for passenger rail traffic. NSB faces great challenges, but with the positive development in the last part of 2003 and the beginning of 2004, NSB definitely believes it can successfully meet the competition.

Processes for simplifying customers' use of the passenger rail system and systematic improvement lead to better results for passenger traffic rail operations, but the profit level is still not satisfactory.

The bus operations in Norway were consolidated after strong growth the last few years, while the operations in Sweden still are expanding. The freight operations reduced its deficit through internationalisation and liquidation of unprofitable products. Development of the considerable values within real estate continued.

The Group achieved a positive result of 150 MNOK for 2003 compared to 6 MNOK in 2002. The main reason for this is the sale of Flytoget AS to the government. The operating result was 0 MNOK. This is not satisfactory, even though there are underlying positive trends.

The Group still faces considerable challenges. On most of the lines, the railroad's infrastructure is of poor standard and with a capacity that is too low; while new modern roads weakens the trains' market position. Express bus routes are being established in areas and on routes where the train used to be the only mean of public transportation, and the competition from the airlines is fiercer than ever before. It's NSB's view that competition sharpens the operators to offer more and better choices for the customers. NSB wants to meet the competition by making it easier to be a customer and by giving competitive offers.

In addition to the increased competition from the car, bus and airplane, the passenger train traffic is preparing for competition on the railroad. In 2003, it was announced that the Gjøvik line would be put out for tenders in 2004. Furthermore, the government has announced that as a next step all passenger traffic on the Bergen line and Southern Norway line will be put out for tenders. Combined these lines represent a considerable part of NSB's rail passenger traffic operations and NSB will use all its competence and energy to win the tenders at the right price. It is a prerequisite that NSB can participate in this competition on the same terms as other operators.

NSB wants to offer its competence and experience transporting people and freight gained through 150 years of operations to the customer and the government.

NSB is experiencing a positive trend that gives us a sound platform to successfully face the competition.

Einar Enger
President and CEO

Report of the Board of Directors – NSB Group

For the NSB Group the year 2003 represents a positive development, with the trains being more punctual, it is easier to be a customer, and there are fewer unwanted incidents. The number of passengers increased on local traffic trains in the last six months, and it appears that the negative traffic development is about to be reversed.

The Group achieved a result of 150 MNOK in 2003 compared to 6 MNOK for the year 2002.

The Passenger train operation result has improved due to increased cost efficiency. Freight train operation also shows improved result, while the bus operation result is at the same level as the year before. The real estate operation has a lower level of profitability than the year before. The Group’s result was improved, but is still not at a satisfactory level. During the course of the year, NSB has systematically worked on increasing efficiency on operations to attain improved competitiveness in today’s market.

Traffic safety
There has been a positive development in traffic safety in the passenger- and freight train operations in 2003. There were no major rail accidents, and no passengers perished or were seriously hurt due to faults by NSB. The number of minor injuries is lower compared to the last two years.

In 2003, no passengers or employees perished in the bus operations. In two separate collisions between a bus and a car four people perished.

NSB works systematically with clear objectives to improve traffic safety. The work is based on modern principles for safety control, where reporting of near misses and risk analysis form the basis for giving priority to improvement measures. Reporting on the development within traffic safety is regularly included in all board- and management meetings in the Group’s transport operations.

Punctuality
For NSB’s trains, punctuality shows a positive development in 2003. On average for the year, 84% of all NSB’s passenger trains were on time on the arrival at their final destinations as compared to 82% the year before. For regional and local trains in the Oslo area, punctuality is improved compared to last year, while the rest of the local trains and freight trains punctuality is about the same as the year before. For regional trains in southern Norway punctuality is 85%, the best result since the start of these measurements in 1971. The target for punctuality is that 90% of all trains shall be on time, which means that the local trains and regional trains in eastern Norway will arrive at their final destination no later than three minutes behind schedule, and the other regional lines no later than five minutes behind schedule.

The large construction work in connection with the new double track on the Drammen line has contributed to difficulties with punctuality in the Oslo area. Additional cooperation with the Norwegian National Rail Administration has been implemented to reduce the number of technical faults on the rail infrastructure.

Regularity for 2003 shows that 98,9% of all scheduled passenger trains were carried out according to the timetable. This was at the same high level as the year before. The number of technical faults leading to non-moving trains was reduced compared to last year. Not included is the snow and ice related problems at the beginning of the year. NSB systematically works to identify and carry out measures to improve punctuality and regularity.

Changes

The restructuring of the NSB Group was continued in 2003. A plan was developed and implemented to simplify customer's access to the train product through easier access to tickets, better on board information and increased price differentiation. To increase profitability for commercial long distance trains, work on improving efficiency in the passenger train operation continued. The restructuring of the freight train operations lead to improved results. The Group's Nordic strategy was continued through growth in bus operations in Sweden. The restructuring measures are the foundation for improved future profitability.

The Norwegian Parliament approved in its national budget for 2004, changes in the value added tax laws that now include passenger transportation with a tax of 6% and a full deduction for value added tax paid.

Tenders on operating trains in Norway was first done in 2003, through Telemark county putting the line Porsgrunn - Notodden out for tenders. NSB chose not to submit a tender, but was invited for negotiations by the county as the discussions with the only bidder did not lead to an agreement. The county and NSB later reached an agreement where NSB will run the local trains on this line until 2007. More lines will be put for tenders in the coming years.

Nature of business and ownership

NSB is Norway's largest transport group. 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 AS, runs the passenger trains as well as Group functions and is the owner of the other operations in the Group.

The parent company, NSB AS, is a Norwegian limited company that is owned by the government through the Ministry of Transport.

Owner control and corporate governance

The company control in NSB is built on legislation, framework and conditions given by the owner and internal instructions and regulations that shall be used in all levels of the organization. The company was converted to a limited company 1. July 2002.

The companies in Sweden operate in accordance with local legislation.

The General Assembly consists of the government through the Ministry of Transport.

The Board is responsible for the company's administration and to make sure the company is adequately organized. The Board's work is regulated through purpose built instructions.

According to § 10 in the byelaws, the board shall every year present an annual activity plan that includes subsidiaries, for the Ministry of Transport. The plan will comprise the Group's main activities for the next several years, the Group's economic development and major investments including financing plans. The Board consists of 8 members of who 3 are selected by and among the employees. The term of office for the board members is 2 years with a possibility for re-election.

The President and CEO is both hired by and reports to the Board. The President and the CEO's responsibility and authority is regulated in a separate instruction. The President and CEO has Group staff functions to support his work.

The President and CEO's control of the subsidiaries is mainly done through the boards of the subsidiaries and Group management reporting. Separate instructions have been prepared for both the boards and the Managing Directors for the subsidiaries. There have also been implemented Group guidelines to top management within the areas of finance and insurance, purchase as well as accounting and reporting.

To ensure uniform control, the NSB Group has chosen a model with a Group auditor. The auditor participates in the board meetings that deals with the annual report and reports to the board about all activity sectors in the group twice every year regarding the discussion of Management Letter.

Passenger train operations
The result for the passenger train operations showed a significant improvement for 2003, but is still one of the biggest challenges for the Group. The operating result in this activity has a loss of –153 MNOK compared to –231 MNOK the year before. This loss is mainly due to operations on the Dovre line, the Bergen line and the "Southern Norway" line between Kristiansand and Oslo, where the government does not purchase any services. Delayed delivery of new local train sets have lead to increased cost and worsen the operating result for the year.

Towards the end of the year, NSB reached a turning point in the development of number of passengers after loosing passengers for two consecutive years. 45 million passengers travelled with NSB's passenger trains in 2003, which is 1,3% less than in 2002 (excluding the Airport Express Train). Measurements of the number of passengers in the local train traffic in Oslo in October showed a 10% increase compared to last year. The increase in the local traffic for the year turned out to be between 3 and 4%. Local traffic around the major cities had also showed an increase in the number of passengers towards the end of the year.

The regional trains on the long lines in southern Norway had an average decline in the number of passengers of 8%. The number of passengers on regional trains in eastern Norway all increased except the Vestfold line. The local trains on the Northern line near Trondheim and Bodø had a strong increase, and the regional trains on the whole line had a growth of 2%.

Customer satisfaction for the passenger trains has improved somewhat compared to last year. The customer experiences improved punctuality, improved information and easier access to tickets. The customer satisfaction for the regional trains is at an acceptable level, while it is lower for local trains in the Oslo area.

The board will give priority to measures that are taken to improve the result for 2004 and to win back customers. In 2004, a large number of low fare tickets will be offered on trains with available capacity. An increased number of comfort-sections on regional trains are expected to give value added for customers who demand "something extra".

To improve customer satisfaction and profitability six areas are given priority:

- New customer solutions
- An effective production
- Competitive route model
- Effective maintenance and cleaning
- Better sales and distribution solutions
- Extraordinary cost reductions

Bus operations

Nettbuss AS is Norway's largest bus group. The core activity is fixed route services under contract with local authorities, tour services and express bus routes. The bus operations contributed positively to NSB's operating result in 2003 with 71 MNOK compared to 72 MNOK the year before. Increased competition within express bus routes and tourist traffic has resulted in challenges. Strong competition regarding tenders is a considerable challenge for the company. The acquisition of companies has lead to increased need for restructuring.

The board is focusing on increased profitability within bus operations and will in 2004 ensure that measures are taken to improve the result for the operations activity. It is important to improve the margins within today's operations with focus on increased prices, efficient production and reduced costs.

The group's strategy with concentration on bus in Sweden was continued in 2003. Nettbuss took over the operations in EGE Trafiken AB 1. July. EGE Trafiken has its headquarters in Katrineholm in Central-Sweden and has 60 employees and 45 buses. The take over gives Nettbuss a foothold in a densely populated area and gives a good base from which to participate in future tenders. Additionally, the concentration on tourism is strengthened.

Nettbuss has bought another 25% of the shares in Ålesund Bilruter AS, and now owns a total of 75% of the shares in the company.

The Nettbuss Group had 74,6 million passengers compared to 48 million the year before. The increase is mainly due to activity in the Team group, which was purchased at the turn of the year 2002-2003.

Freight train operations

The restructuring process to create a profitable freight train operation shows positive results. The operating results for this activity is –40 MNOK compared to –67 MNOK for the year before, which is an improvement of 27 MNOK. The reason for the improved result is mainly due to termination of CargoNet AS' wagonload products, growth in combined transports and railway transport of semi-trailers. However, further restructuring is needed to make the operations profitable.

Ordinary wagonload transport was terminated in December 2003. CargoNet AS will continue to develop combined transports, as well as maintaining the operations within system trains. The job on cost efficiency continues, among other things to reach economies of large-scale business with the subsidiary Railcombi AB.

Despite considerable restructuring for the last few years it has not been possible to reach profitability for the NSB's express freight operations, and Ekspressgods AS was liquidated as of 31. December 2003.

Real estate operations
The real estate operations have a positive operating result of 71 MNOK as compared to 312 MNOK the year before. The reason for the reduced result is mainly due to a reduction of gain on sale of property.

The real estate operations consist of a total rental area of about 760 thousand square meters.

The Norwegian National Rail Administration and NSB signed on 23. December 2002 an intentional agreement on sale of train stations with reservation regarding Parliament approval. The agreement expires 1. July 2004.

Support functions
Most of the support functions, including the workshop and maintenance functions, are divided into separate limited companies. The workshop and maintenance functions are maintained in the wholly owned subsidiaries Mantena AS and MiTrans AS. NSB Trafikkservice AS takes care of cleaning the trains and is currently in a process to improve efficiency to reach a competitive cost level.

The operating result for the support functions is 51 MNOK compared to 22 MNOK the year before.

Economic development
The NSB Group has a profit of 150 MNOK compared to 6 MNOK the year before. The change is mainly due to a positive development in net financial items as a result of selling Flytoget AS (Airport Express Train). The operating result is 0 MNOK compared to 108 MNOK the year before. The main reason for this is a reduction of gain on sale of property in the real estate operations, which partially counteracts an improvement in the Group’s train operations.

The parent company NSB AS shows a profit of 30 MNOK compared to 44 MNOK the year before. Group contributions from subsidiaries is included in the profits with 141 MNOK compared to 154 MNOK the year before. The operating result is improved by 35 MNOK.

The Group’s net cash flow for the year is 379 MNOK, compared to –264 MNOK for the year before. The change is mainly due to an improvement in net cash flow from operation- and investment activities.

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 obtained through a European long-term borrowing program with a framework of EURO 750 million, and two bond issues with a total of 650 MNOK. Loans from financial institutions as of 31. December is 3.564 MNOK, including the bond issues. A financial reserve of 1,000 MNOK has been established through a syndicated credit facility.

The Group’s liquidity by the end of the year is 1.299 MNOK and is placed 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 6.388 MNOK compared to 6.827 MNOK the year before, a 56% equity ratio compared to 52% the year before. For the NSB Group, owner's equity is 5.731 MNOK compared to 6.045 the year before, which is a 45% equity ratio compared to 44% the year before. The difference between owner's equity in the parent company and the group is mainly due to eliminated real estate gains in Group accounting.

The board suggests the following allocation of this years result for the parent company NSB AS:

Allocated to other owner's equity	30 MNOK
Total allocated	30 MNOK

The company's retained earnings after this is 6,388 MNOK.
The accounts have been submitted under the assumption of continued operations.

Health and environment

<u>Working environment</u>

Absence due to sickness for the year is 10,3% compared to 9,6% the year before. Absence due to sickness is about 2% higher than the national average. There are considerable variations for this absence in the different operations for the Group. NSB has entered in to an agreement as an IA-company, and focuses on measures to especially reduce the long-term sick absence.

Employee inquiries have been held with satisfactory results, and the results will systematically be followed up.

External environment

The quality on the environmental work shall support the Group's economical goals and contribute to increased customer and employee satisfaction. The company's strategic target for its influence on the external environment is: "No damages to the environment as a result of the company's operation".

To attain this goal, NSB will focus on developing competent and environmental conscious employees, make use of environmental friendly and prospective material/products in its operations, and to reduce noise and polluting discharges.

Equal rights

The number of man-labour years in NSB is 8.783 for 2003. The share of females is 18%, while in passenger train operations it is 31%. The share of females in leadership positions in the Group's operations varies. There are no women in leadership positions in the Group staff, while the share of females in the passenger train operations leader group is 40%. The board for NSB AS has a share of females of 38%, and the chairman of the Board is a woman.

The Ministry of Children and Family is carrying out a project that will test whether job measurement is a way to achieve equal salary. In addition to NSB, the project consists of 15 companies or operations within public and private sector. The project started in spring 2002 and will continue until 31. December 2004.

The analysis of NSB AS shows that there are no pronounced salary differences that can be directly linked to a person's sex, but of the considered positions there are more men than women in higher positions. NSB wants to recruit women for leadership positions throughout the Group, and will continually consider measures that will make such a recruiting possible.

Future challenges
The main goals for the NSB Group in 2004 will be:

- Systematic work to ensure satisfied customers.
- No passengers or employees will perish or be seriously injured in 2004, and NSB shall not be the cause of serious injuries to third parties.
- Increase volume and sales through planned market activities and implement necessary cost reductions to ensure returns in accordance with the owner's demand.

Safety, regularity, punctuality and information are fundamental presuppositions to succeed, and these will be prioritised areas for NSB. The Board also emphasizes that the Government must develop the railroad's infrastructure so that the train will have sufficient competitiveness compared to other means of transportation.

The biggest challenge is still within passenger train operations and its support functions.

The company will continue to increase the efficiency of all sections of its operations. Delays in delivery of new local trains results in challenges both when it comes to customer satisfaction and increased maintenance costs for using older trains.

This year the passenger traffic on the Gjøvik line will be open for tenders, and NSB will concentrate on effective use of resources and reduced level of costs inside its own passenger train operations and within maintenance, cleaning and other support functions to be in a position to win the tender. The Board emphasizes that NSB shall compete on the same terms as other operators.

In competing with the automobile, NSB must be able to offer the most extensive public transportation possible. All inquiries show that frequency and availability are important factors when choosing means of transportation. The Board emphasizes that NSB must have operations within both train and bus; to be able to compete on equal terms with the international companies that are expected to participate in the tenders for passenger traffic.

The Board recognizes with respect the fact that the reorganization process in 2003 has been challenging for NSB employees and will like to thank them for their steadfast courage and efforts.

Oslo, 16. April 2004

Ingeborg Moen Borgerud
Chairman of the Board

Christian Brinch	Einar Evensen	Bente Hagem
Tore Rasmussen	Øystein Aslaksen	Lise Lotte Solum
Ove Dalsheim	Einar Enger President & CEO	

Profit and loss account 1 January - 31 December

Parent company				Group	
2003	2002	Figures in MNOK	Note	**2003**	2002
		Operating income:			
3 314	3 287	Transport revenue	4	**7 098**	6 672
40	21	Gains on disposal of fixed assets		**89**	307
204	325	Other operating income		**786**	731
3 558	3 633	**Total operating income**	3	**7 973**	7 710
		Operating expenses:			
1 188	1 306	Personnel and administrative expenses	8	**3 493**	3 214
385	351	Depreciation, amortization and write-downs	13,14	**866**	870
2 139	2 165	Other operating expenses		**3 614**	3 518
3 712	3 822	**Total operating expenses**	3	**7 973**	7 602
-154	-189	**Operating profit/loss**		**-**	108
		Financial items:			
425	535	Financial income	9	**350**	136
228	285	Financial expenses	9	**238**	274
197	250	**Net financial items**		**112**	-138
43	61	**Pre-tax profit/loss on ordinary activities**		**112**	-30
13	17	Taxes	23	**-36**	-11
-	-	Minority interests		**2**	25
30	44	**Profit/loss on ordinary activities**		**150**	6
-	-	Extraordinary expenses	11		
-	-	Extraordinary expenses		**-**	-
30	44	**Profit/loss for the year**	25	**150**	6

Balance Sheet at 31 December

Parent company				Group	
30.12.2003	31.12.2002	Figures in MNOK	Note	**30.12.2003**	31.12.2002
		Assets			
-	-	Intangible assets	14	**250**	611
5 109	5 264	Tangible fixed assets	13	**9 370**	10 129
5 131	6 453	Fixed asset investments	16, 17	**265**	325
10 240	11 717	**Total fixed assets**		**9 885**	11 065
-	-	Inventory	12	**419**	313
128	441	Accounts receivable	10	**641**	1 155
256	325	Short-term receivables Group		**-**	-
287	222	Other short-term receivables	10	**471**	316
321	-	Investments in financial instruments	19	**647**	253
238	311	Liquid assets	11	**652**	667
1 230	1 299	**Total current assets**		**2 830**	2 704
11 470	13 016	**Total assets**		**12 715**	13 769
		Equity and liabilities			
5 536	6 005	Deposits		**5 536**	6 005
852	822	Other equity		**195**	40
6 388	6 827	**Total equity**	24	**5 731**	6 045
-	-	**Minority interests**		**222**	201
57	353	Pension commitments	8	**124**	419
161	265	Deferred tax	23	**77**	145
3 564	4 274	Loans from financial institutions	18	**3 640**	4 440
368	366	Other long-term liabilities	20	**815**	454
4 150	5 258	**Total long-term liabilities**		**4 656**	5 458
72	47	Accounts payable		**398**	278
46	106	Short-term liabilities Group		**-**	-
-	-	Accrued tax	23	**4**	2
130	77	Unpaid public taxes		**276**	231
684	701	Other current liabilities	21	**1 428**	1 554
932	931	**Total short-term liabilities**		**2 106**	2 065
5 082	6 189	**Total liabilities**		**6 984**	7 724
11 470	13 016	**Total equity and liabilities**		**12 715**	13 769

Oslo, 16 April 2004

Ingeborg Moen Borgerud, chairman

Christian Brinch | Einar Evensen | Bente Hagem

Tore Rasmussen | Øystein Aslaksen | Lise Lotte Solum

Ove Dalsheim | Einar Enger, President and CEO

Cash Flow Statement 1 January - 31 December

Parent company 2003	Parent company 2002	Figures in MNOK	Group 2003	Group 2002
		Cash flow from operations		
43	61	Pre-tax profit/loss	**112**	-30
-40	-21	Loss/gain on sale of fixed assets	**-89**	-307
-	-	Group-profit	**-4**	-6
385	327	Ordinary depreciation	**843**	853
-	24	Change in inventory	**23**	17
-	300	Write-downs	**-106**	-4
382	378	Change in accounts receivable	**514**	-91
-23	-554	Change in accounts payable	**120**	-575
-	-	Conversion differences-foreign currency	**-11**	-10
-482	-2 246	Change in other accruals	**-694**	531
265	-1 731	**Net cash flow from operations**	**708**	378
		Cash flow from investment activities		
40	2 230	Sale of fixed assets	**1 312**	2 473
-231	-596	Purchase of tangible fixed assets/plant under construction	**-1 311**	-3 641
-	-	Sale of shares	**40**	-
1 353	-564	Investments in subsidiaries	**-203**	-224
1 162	1 070	**Net cash flow from investment activities**	**-162**	-1 392
		Cash flow from financial activities		
649	85	New long-term debt	**808**	251
-1 358	-	Repayment of long-term debt	**-800**	-1
-	-	Reduced net pension obligations	**295**	-
200	500	New equity	**200**	500
-670	-	Reduction of capital	**-670**	-
-1 179	585	**Net cash-flow from financal activities**	**-167**	750
248	-76	Net cash flow for the period	**379**	-264
311	387	Cash and cash equivalent balances at 01.01	**920**	1 184
559	311	**Cash and cash equivalent balances at 31.12**	**1 299**	920
		This consists of :		
311	311	Bank deposits and financial instruments	**920**	920

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Note 1. Accounting 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. On 1. December 1996 the company was transformed into NSB BA. NSB BA was on 1. July 2002 transformed into NSB AS (a limited liability company) through a transformation law, which assumes accounting continuity. The annual report is 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 economic unit.

Subsidiaries are companies where NSB AS directly or indirectly has a long-term ownership interest and/or determinative influence as long as ownership or share of the voting stock is more than 50%.

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

Consolidation principles
Subsidiaries to be consolidated prepare company accounts in accordance with the principles employed for the consolidated accounts and are consolidated using the purchase method of accounting. If other principles are used by the foreign subsidiaries as a result of legislation, the subsidiary accounts will be revised in accordance with the Group accounting 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.

Joint ventures are consolidated using the gross method.

Affiliated companies are consolidated using the equity method.

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 for 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 risk. 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 in foreign currencies
The spot price is used when recalculating accounts in 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 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 periods 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 services
Services that are commercially unprofitable but that the authorities consider socially essential are purchased at prices agreed upon 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. A secured pension agreement has also been entered into for top management. In addition, there are pension agreements that have contractual early retirement (AFP) and individual pension agreements and these are not secured.

The pension commitments are accounted for in the books based on assumptions on discount rate, expected future pay increases and pension adjustments.

Employees are through a tariff agreement entitled to contractual early retirement (AFP) from the age of 62 and this is accounted for based on calculated rights with assumptions on withdrawal propensity, expected future pay increases and pension adjustments.

Payroll tax related to pension costs is expensed based on paid pension premiums for secured collective pension agreements, while it is in agreement with periodic change in pension commitment 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 carried 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 considerable 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 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 rolling stock and depreciated accordingly. Upgrades that influences the life of the rolling stock is affected through the depreciation plan.

Maintenance
Maintenance and repairs on 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. 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 individual components and spare parts for rolling stock. Both purchased components and revised components are capitalized. 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 either 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 are classified as operational.

Uncertain commitments and contingent assets
Best estimates are employed for accounting of uncertain commitments and contingent assets. The estimate is based on probable outcome and management's best quantification of the uncertain commitment /contingent asset.

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 result 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 principles

In 2003, the accounting handling of joint-venture operations has changed from consolidating using the equity method of accounting to consolidating using the gross method of accounting. The purpose with this change is to reflect the development in the underlying companies in the Group.

The comparative numbers in the balance sheet for 2002 has not been changed according to the new principles. The new principles will not have any affect on owner's equity and the result for 2003.

Note 3. Business Areas

Figures in MNOK **Group**	**Passenger traffic (rail)**		**Bus**		**Freight traffic (rail)**		**Real estate**		**Support functions**		**Total**	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Operating income	**3503**	3949	**2 502**	1 706	**1 412**	1 408	**248**	449	**308**	198	**7 973**	7 710
Operating expenses	**2159**	2553	**2 257**	1 504	**1 216**	1 155	**310**	304	**1 165**	1 216	**7 107**	6 732
Internal allocations	**-1112**	-1148	**53**	53	**-150**	-238	**254**	257	**955**	1 076	**0**	0
Depreciation	**385**	479	**227**	183	**86**	82	**121**	90	**47**	36	**866**	870
Operating profit/loss	**-153**	-231	**71**	72	**-40**	-67	**71**	312	**51**	22	**0**	108
Assets	**6338**	7753	**1 910**	1 805	**709**	750	**2 678**	2 561	**1 080**	900	**12 715**	13 769
Interest-free debt	**821**	878	**393**	343	**264**	224	**64**	151	**564**	469	**2 106**	2 065
Investments	**231**	611	**505**	828	**38**	443	**458**	1 844	**79**	213	**1 311**	3 939

Companies are placed in the Business Areas (BA) where they have their main activity.

- Included in passenger traffic (rail) are the operations of NSB AS and Linx AB (equity method of accounting). Flytoget AS (Airport Express Train) is included in the 2002 numbers.
- The Nettbuss Group is included in the bus BA.
- The CargoNet Group with its subsidiary Railcombi AB is included in the freight traffic (rail) BA. Ekspressgods AS is also included in this BA.
- ROM eiendomsutvikling Group and NSB Eiendom AS are included in the real estate BA.
- Included in the support BA are administrative support functions through NSB Forsikring AS and the Arrive Group, workshop and maintenance companies Mantena AS, MiTrans AS and NSB Trafikkservice AS.

NSB has operations in Norway and Sweden. Business Areas and not where they are located geographically control the operations.

Note 4. Transport revenue

Public purchase of services for the parent company is 1.400 MNOK (1.300 MNOK) and 1.800 MNOK (1.600 MNOK) for the Group are included in transport revenue.

Note 5. Significant transactions

Sale of Flytoget AS (Airport Express Train)
The shares in Flytoget AS were sold on 1. January 2003 to the Government represented by the Ministry of Transport. The sale gave NSB a profit of 241 MNOK and is included as financial income.

Acquisition of operations in EGE Trafiken AB
The Nettbuss-Group took over operations in EGE Trafiken AB as of 1. July 2003. EGE Trafiken has revenues of 80 MSEK, 60 employees and 45 buses. The acquisition adds a new geographic foothold in a densely populated area in Sweden, and is important for participation in future tenders.

Note 6. Uncertain commitments and contingent assets

Parent company

Severance – reorganization obligation
NSB AS was formed with an obligation to refund severance pay for employees that are dismissed due to redundancy before 1. January 2005. NSB was however compensated by the state with a limited calculated amount, and this is presented as a reorganization obligation in the accounts.

Work related injuries
Compensation for work related injuries that occurred from 1. January 1990 until the formation of NSB BA 1. December 1996 are covered by the company through its daily operations. Accruals have been made to account for this obligation based on expectations of cases that have not yet been reported and for cases that are currently being handled.

Personnel tickets – retirement rights
NSB AS has entered into a special agreement with the employee trade unions that entitle rights to a personnel ticket for groups of former employees that retired prior to 1. January 2004. Accruals have been made to cover this obligation.

Pension rights and obligations towards the railroad sickness insurance fund
There is an obligation for membership in the railroad sickness insurance fund for full time regular employees in NSB AS. Retired employees are also members of this fund. Each member pays a membership fee, while NSB AS pays an employer share to the operations of the sickness insurance fund. No accruals have been made to cover possible future obligations.

Group

Polluted ground – land sold
Pollution in the ground has been discovered when selling land. When NSB BA was formed the pollution was known, but not the extent, and there were no accruals made because of this since NSB BA was not the polluter. The costs for the clean up was estimated to about 270 MNOK. The claim for reimbursement made to Telenor ASA, the polluter, was charged in the Property Act Court in 2003, but NSB lost the case. Our claim towards the Norwegian National Rail Administration is up for consideration with the Ministry of Transport.

Polluted ground – developmental land
The examination of the ground indicates latent environmental obligations. When identifying developmental projects, costs are taken into consideration when ground is made ready for use, including costs related to polluted soil, and these costs are included in the cost of the project. For this reason no accruals have been made relating to polluted ground.

Preserved buildings – maintenance obligations
If preserved buildings are used commercially, running maintenance is included as a natural part of maintenance. If preserved buildings are not used commercially, accruals are made for future maintenance obligations if future tenants or owners will not cover maintenance cost.

Severance - subsidiaries
People that were employed by NSB AS as of 1. July 2001 and that are transferred to a subsidiary or an affiliated company through a transfer of operations, have a right to severance pay if they are dismissed due to redundancy before 1. January 2005.

Legal disputes
The NSB-Group is implicated in disputes where some of the cases will be tried in a court of law. In the cases where it appears to be a probable possibility of- and a quantified risk of loosing, accruals will be made.

Note 7. Personnel expenses, remuneration, staffing

Parent company			**Group**	
2003	2002	Figures in MNOK	**2003**	2002
953	1 035	Salary and other benefits	**2 858**	2 569
202	170	Payroll taxes	**513**	434
95	123	Pension costs	**211**	226
-62	-22	Other contributions/restructuring	**-87**	-15
1 188	1 306	**Total**	**3 493**	3 214

The President and CEO has a contract for pension under the rules of the Norwegian Public Service Fund with additions so that at retirement the total pension will be 66% of the salary at that point. The

President and CEO can apply for his early pension at age 60. If the President and CEO 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. The President and CEO has no rights to receive pension for the periods in which severance pay is disbursed. The pension will be coordinated with earnings in prior employee arrangements. The President and CEO has an agreement for severance pay for 6 + 18 months if leaving as a result of the Board's wish. The President and CEO has no bonus arrangements. In 2003, The President and CEO's salary is 1,8 MNOK (1,8 MNOK in 2002) as well as a company car 0,1 MNOK (0,1 MNOK) and a pension premium of 1,4 MNOK (0,9 MNOK).

The Board receives no compensation except a Board fee. In 2003, the fee for the Board for the parent company is 0,9 MNOK (1,0 MNOK for 2002). For the Group as a whole, the Boards fee was 2,8 MNOK for 2003 (2,9 MNOK).

For 2003, auditing services for the parent company is 0,7 MNOK (0,9 MNOK). Other services performed by the auditor includes a fee for attestation services and amounted to 0,1 MNOK (1,8 MNOK) for the parent company in 2003. For the Group the fees paid for auditing services are 3,9 MNOK (3,5 MNOK. Other services performed by the auditor are 2,1 MNOK (7,9 MNOK).

The numbers are based on weighting actual number of man labour years throughout the year.

Staffing

Parent company			**Group**	
2003	2002		**2003**	2002
2 640	2 866	Number of man-years (Average)	**8 783**	7 818
3 167	3 321	Number of employees (Average)	**10 364**	9 138

Note 8. Pension funds and pension commitments

The parent company's pension arrangements are with the Norwegian Public Service Pension Fund (SPK), and the Government guarantees the pension payment. The contributions are age-, disabled-, spousal-, and children pension and are coordinated with the National Insurance scheme contributions. The stipulation of the premium and calculation of the pension obligation in the SPK are according to actuary principles for contribution plans.

Individual pension agreements are financed through daily operation.

The following assumptions are made when calculating obligations and costs:

Financial assumptions:	**2002**	2001
Discount rate	**6 %**	6 %
Expected yield	**6 %**	6 %
Pay adjustment	**3,3 %**	3,3 %
Pension indexing	**2,9 %**	2,9 %
National insurance contribution (payroll taxes)	**5,1 - 14.1%**	5,1 - 14.1%

Pension expenses for the year

Parent company			**Group**	
2003	2002	Figures in NOK million	**2003**	2002
102	124	Pension earnings this year (including payroll taxes)	**208**	231
149	1	Interest expense on accrued commitments	**242**	33
-133	-1	Expected return on pension funds	**-217**	-23
-22	-	Amortisation of estimate deviation, posted to profit and loss account	**-22**	-15
96	124	**Total pension expenses**	**211**	226

Pension funds other funded plans for companies with net pension assets (secured)

Parent company			Group	
2003	2002	Figures in NOK million	**2003**	2002
-	-	Estimated market value of pension funds	**951**	209
-	-	Estimated accrued gross pension commitments	**580**	205
-	**-**	Result effects of estimation differences not booked	**-84**	-19
-	-	**Net pension funds as of 31.12**	**455**	23

Pension commitments, other funded plans for companies with net pension commitments (secured)

Parent company			Group	
2003	2002	Figures in NOK million	**2003**	2002
2 509	2 251	Estimated market value of pension funds	**2 740**	3 418
-2 598	-2 603	Estimated accrued gross pension commitments	**-3 231**	-3 816
34	1	Result effects of estimation differences not booked	**52**	30
-55	-351	**Net pension commitments as of 31.12.**	**-439**	-368

Pension commitments (unsecured)

Parent company			Group	
2003	2002	Figures in NOK million	**2003**	2002
-	3	Estimated market value of pension funds	**-**	3
2	5	Estimated accrued gross pension commitments	**63**	54
-2	-2	**Net pension commitments as of 31.12.**	**-63**	-51

Summary

Parent company			Group	
2003	2002	Figures in NOK million	**2003**	2002
-	-	Companies with pension funds	**455**	23
-55	-351	Companies with net pension commitments	**-439**	-368
-2	-2	Unsecured plans	**-63**	-51
-57	-353	**Total**	**-47**	-396

Pension funds and obligations in the balance sheet

Parent company			Group	
2003	2002	Figures in NOK million	**2003**	2002
-	-	Companies with pension funds	**9**	-
-	-	Companies with net pension commitments	**68**	23
-57	-353	Unsecured plans	**-124**	-419
-57	-353	**Total**	**-47**	-396

Number of persons covered by the plans

Parent company			Group	
2002	2001	**Figures in NOK million**	**2002**	2001
4 481	4 922	Norwegian Public Service Pension Fund (SPK)	**6 764**	7 292
22	23	Other secured plans	**3 950**	3 718
1	1	Unsecured plans	**2 077**	1 394

Note 9. Financial items

Parent company			Group	
2003	2002	Figures in MNOK	**2003**	2002
247	377	Interest income	**83**	100
141	154	Group contributions	**-**	-
14	-	Gain on sale of shares	**241**	-
6	4	Other financial income	**26**	36
408	535	**Total financial incomes**	**350**	136
211	285	**Sum financial expenses**	**238**	274
197	250	**Net financial items**	**112**	-138

Note 10. Customer receivables and other short-term receivables

The change in customer receivables from 2002 to 2003 is due to considerable lower accrued revenue.

Other receivables consist of items like accrued income, group contributions and other short-term receivables that are not related to the circulation of goods.

Note 11. Liquid assets

The parent company has tax withholding funds of 48 MNOK (77MNOK), while the Group has tax withholding funds of 123 MNOK (146 MNOK).

Note 12. Inventory

Parent company			Group	
2003	2002	Figures in MNOK	**2003**	2002
-	-	Spare parts and components	**280**	305
-	-	Other material used	**139**	8
-	-	**Total inventory**	**419**	313

Note 13. Tangible fixed assets

Parent company Figures in MNOK	**Machines & equipm.**	**Transportation materiel**	**Property and buildings**	**Plant under construction**	**Total**
Book value 01.01.	249	3 788	-	1 226	5 263
Acquisitions this year	43	433	-	-245	231
Disposals this year	-	-	-	-	-
This years depreciation	-70	-315	-	-	-385
Book value 31.12	**222**	**3 906**	**-**	**981**	**5 109**
-of which capitalised finance costs	-	-	-	105	105
Depreciation period **Depreciation plan**	**3 - 15 år lineær**	**15 - 20 år lineær**	**10 -30 år lineær**		
Annual rent of non-capitalised fixed assets	-	-	-	-	-

Group Figures in MNOK	**Machines & equipm.**	**Transportation materiel**	**Property and buildings**	**Plant under construction**	**Total**
Book value 01.01.	670	5 761	2 172	1 524	10 127
Acquisitions this year	204	701	754	-348	1 311
Disposals this year	-62	-824	-337	-	-1 223
This years depreciation	-176	-530	-116	-	-822
This years write downs	-	-	-23		-23
Book value 31.12	**636**	**5 108**	**2 450**	**1 176**	**9 370**
-of which capitalised finance costs	-	-	-	105	105
Depreciation period **Depreciation plan**	**3 - 15 år lineær**	**15 - 20 år lineær**	**10 -30 år lineær**		
Annual rent of non-capitalised fixed assets	4	23	-	-	-

The evaluation of fixed assets after AL § 7-13.3
The profit development of passenger train operations indicates that the real value of the rolling stock in use within InterCity and long-distance train production may be considerably lower than book value. The view of the company is that the proclaimed public purchase of services on night operated trains for 2005 and the plan for competitive tenders on the Bergen line and the Southern Norway line, promises that the government will finance operations including use of the rolling stock at a profitable level for the operator, and there is therefore no basis for writing down the value of the rolling stock.

Project costs – activity sector real estate
Own projects are presented as plant under construction until parts of the project is sold, then the project is defined as earned but not invoiced revenues.

Note 14. Goodwill

Figures in MNOK	Group 2003	2002
Book value 01.01	**601**	429
Acquisitions this year	**41**	205
Disposals this year	**-371**	-
This years amortization	**-21**	-33
Book value 31.12	**250**	601

Economic life and amortization plan for goodwill is determined of each separate acquisition. Additional goodwill in 2003 is divided between the following transactions in Nettbuss: Acquisition of EGE Trafiken in Sweden as well as additional acquisition of Ålesund Bilruter AS. The amortization period is determined through future expected cash flow related to identified added value and the amortization plan is longer than 5 years.

Disposals of 371 MNOK are all related to the sale of Flytoget AS.

Note 15. 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.

Note 16. 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 MNOK **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 %	479	16	**398**
ROM Eiendomsutvikling AS	18.12.1998	Oslo	100 %	555	44	**440**
MiTrans AS	01.07.1999	Drammen	100 %	14	1	**15**
Arrive AS	01.07.2001	Oslo	100 %	21	7	**21**
NSB Trafikkservice AS	01.10.2001	Oslo	85 %	1	-	**1**
NSB Forsikring AS	01.12.2001	Oslo	100 %	49	11	**50**
CargoNet AS	01.01.2002	Oslo	55 %	256	-3	**295**
Ekspressgods AS	01.01.2002	Oslo	100 %	18	-22	**18**
Mantena AS	01.01.2002	Oslo	100 %	256	19	**250**
NSB Eiendom AS	01.01.2002	Oslo	100 %	217	246	**4**
Banestasjoner AS	02.01.2002	Oslo	100 %	-	-	**-**
Total shares in subsidiaries				**1 866**	**319**	**1 492**

As of 1. January 2004 the shares in MiTrans AS were sold to Mantena AS at book value.
NSB Forsikring AS changed its name to Finse Forsikring AS on 26. March 2004.

Figures in MNOK **Shares in associated companies**	**Acquisition date**	**Registered office**	**Acquisition costs**	**Share of votes and profits in %**	**1. jan. 2003 Capitalised value**	**Acquisitions/ Disposals**	**Profit/ loss**	**31. Dec. 2003 Capitalised value**
Oslo S Parkering AS	01.04.1997	Oslo	12	25 %	9	-	-	**9**
Linjearkitekter AS	01.09.2000	Oslo		30 %	-	-	-	**-**
Linx AB	12.05.2000	Gøteborg		50 %	5	-	-	**5**
Total shares in associated companies					14		**-**	**14**

Shares in associated companies and joint ventures - Group

Figures in MNOK **Group**	**Share of votes and profits in %**	**31 Dec. 2003 Capitalised value**
Fjord Tours AS	41 %	**1**
Others	-	**1**
Total shares in associated companies		**2**

Note 17. Receivables with maturity later than one year

Receivables with maturity later than one year are mainly receivables against subsidiaries in the parent company. As of 31.12.2003, receivables against subsidiaries are 3.593 MNOK compared to 4.326 MNOK in 2002. For the Group it's mainly pension assets.

Note 18. Interest-bearing debt and redemption structure

In November 2003, NSB AS signed a Multicurrency revolving credit facility for 1.000 MNOK with Norwegian and international banks. The credit is valid for five years and its interest is based on NIBOR. As of 31. December 2003, 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 650 MNOK, have fixed interest and mature in 2007. The issues are quoted on the Luxembourg stock exchange. A long-term loan program (EMTN program) with a framework of 750 million Euros was established in 1999.

The weighted average maturity for the parent company's interest bearing debt is 3,8 years as of 31. December 2003. The average duration, including the effect of interest-secured-instruments, is 2,3 years as of 31. December 2003.

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

Parent company		Figures in MNOK	Group	
2003	2002	**Interest-bearing debt per loan type**	**2003**	2002
650	650	Bonds	**650**	650
2 914	2 501	Borrowing under the EMTN programme	**2 914**	2 501
-	1 090	Sertificate	**-**	1 090
-	32	Other	**76**	199
3 564	4 273	**Total long-term interest-bearing debt**	**3 640**	4 440

As of 31.12.03, NSB AS has 0 MNOK and the Group 15 MNOK in interest bearing debt that mature in 2004. The subsidiary Flytoget AS was sold to the Norwegian Government as of 1. January 2003 and a group internal loan of 1.040 was repaid to NSB AS on the same date.

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

Figures in MNOK

Year:	Figures in MNOK	Parent	Group
2004		0	15
2005		1 684	1 699
2006		0	14
2007		650	664
2008		0	18
2011		1 230	1 230

Overview of bond loans/loans under the EMTN programme.

Amount	**Interest**	**Maturity**
CHF 150 mill	3,75 %	2005
CHF 100 mill	1,19 %	2005
USD 25 mill	6,91 %	2005
USD 22 mill	1,16 %	2005
350 mill kr	5,75 %	2007
300 mill kr	5,85 %	2007
EUR 150 mill	4,625 %	2011

Note 19. 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 rate hedging instruments to reduce the interest rate risk and achieve the desired structure for its debt.

Status for currency- and interest rate hedging instruments as of 31. December 2003

Amount	NSB pays		NSB receives		Instrument	Maturity
MNOK 754	NOK	6.83 %	CHF	Fixed: 3.75%	Interest and currency swap ag.	2005
MNOK 232	NOK	6.71 %	USD	Fixed: 6.76%	Interest and currency swap ag.	2005
MNOK 536	NOK	NIBOR 6 months	CHF	Fixed: 1.185%	Interest and currency swap ag.	2005
MNOK 162	SEK	STIBOR 6 months	USD	LIBOR 3 months	Interest and currency swap ag.	2005
MNOK 100	NOK	5.92 %	NOK	NIBOR 6 months	Interest swap agreement	2007
MNOK 200	NOK	NIBOR 6 months	NOK	5.75 %	Interest swap agreement	2007
MNOK 200	NOK	6.04 %	EUR	Fixed: 4.625%	Interest and currency swap ag.	2009
MNOK 310	NOK	6.83 %	EUR	Fixed: 4.625%	Interest and currency swap ag.	2010
MNOK 410	NOK	6.20 %	EUR	Fixed: 4.625%	Interest and currency swap ag.	2011
MNOK 310	NOK	NIBOR 6 months	EUR	Fixed: 4.625%	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 2003 the investments were 647 MNOK, of which NSB Forsikring AS placed 253 MNOK.

Note 20. Other long-term debt

For both the parent company and the Group, long-term debt mainly consists of restructuring- and reorganization/severance accruals, as well as long-term debt in the subsidiaries that are not included in the Group's loan program.

Restructuring
When NSB BA was established, the Parliament granted a restructuring grant in the amount of 870 MNOK. 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 912 MNOK (present value).
The grant 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 2003, the only remaining obligations are related to early retirements.

Note 21. Other short-term debt

Included in short-term debt are mainly periodic items.

Note 22. Mortgages and guarantees

Parent Company			Group	
2003	2002	Figures in MNOK	**2003**	2002
-	**-**	Guarantees	**75**	16
-	**-**	Mortgages - liabilities	**93**	83
-	**-**	Mortgages - assets	**114**	286

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 cannot approve changes to their pension plan that affects the commitment without approval by the board of NSB AS. In addition, the parent company has given a guarantee for a leasing agreement CargoNet has with HSBC Rail (UK) Ltd. The leasing agreement applies to rental of 6 locomotives and expires in the summer of 2005 with a possibility to extend for another two years.

Note 23. Taxes

Figures in MNOK	Parent company		
Specification of temporary differences	**2003**	2002	Change
Current assets/Short-term liabilities	**362**	427	-65
Fixed assets/Long-term liabilities	**1 449**	823	626
Total differences	**1 811**	1 250	561
Forwardable deficit	**-1 236**	-720	-516
Basis for deferred taxes	**575**	530	45
of which 28 % deferred taxes	**161**	148	13

Analysis of the tax basis	**2003**	2002
Pre-tax profit, incl. Extraordinary items	**42**	61
Change in temporary differences	**-561**	174
Permanent differences	**2**	-
Non-useable overfinancing	**-**	235
Tax basis for the year	**-517**	-
Change deferred tax	**13**	17
Tax cost for the year	**13**	17

Reconciliation of tax cost for the year	**2003**	2002
Tax on year's ordinary result	**13**	17
Tax on permanent differences	**-**	-
Excess/deficit deferred tax from previous years	**-**	-
Tax cost for the year	**13**	17

Figures in MNOK	Group		
Specification of temporary differences	**31.12.2003**	31.12.2002	Change
Current assets/Short-term liabilities	**1 225**	758	467
Fixed assets/Long-term liabilities	**477**	536	-59
Total differences	**1 702**	1 294	408
Forwardable deficit	**-1 422**	-1 230	-192
Basis for deferred taxes	**280**	64	216
of which 28 % deferred taxes	**77**	21	56
Change in deferred tax-sale of Flytoget AS	**-**	97	-97
Deferred taxes	**77**	118	-41

Analysis of the year's tax cost	**2003**	2002
Tax payable	**5**	2
Change in deferred taxes	**-41**	18
Change in deferred taxes-through purch. Comp.	**-**	-31
Excess/deficit deferred tax from previous years	**-**	-
Tax cost for the year	**-36**	-11

The numbers for 2002 are not comparable with the annual report for 2002 because some of the numbers are presented as gross instead of net in this year's annual report.

The reason for the tax cost not being 28% of the profit for 2003 is mainly because of the sale of Flytoget AS.

Note 24. Change in equity

The company's paid-in-capital consists of capital stock of 3.685 MNOK, and additional-paid-in-capital of 1.850 MNOK. The capital stock consists of 3.685.500 shares, each having a value of 1.000 NOK.

Parent			**Group**	Group
2003	2002	Figures in MNOK	**2003**	2002
6 827	6 811	Equity at 01.01	**6 045**	6 078
0	-3	Correction of beginning balance- previous years mistakes	**9**	-4
0	-	Correction of beginning balance- foreign currency	**-4**	-10
0	-225	Correction of beginning balance- change in acct. Princ.-pensions	**0**	-225
0	-300	Severance pay obligation	**0**	-300
200	500	Capital increase	**200**	500
-669	0	Capital decrease	**-669**	0
30	44	Profit/loss 01.01 - 31.12	**150**	6
6 388	6 827	**Equity 31 December**	**5 731**	6 045

Highlights

NSB Group

Principal financial figures (NOK million)	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**
Sales and other operating income	6176	6 073	5 595	5 622	5 633	5 145	4 821	4 993	4 491
Operating profit/loss	0	108	108	-304	20	332	328	480	282
Profit/loss for the year	150	6	-33	-325	-1 081	122	149	198	-12
Assets	12715	13 769	13 101	12 968	17 517	17 163	15 478	12 215	8 278
Interest-bearing loans	3640	4 447	4 197	6 584	11 452	10 898	9 575	6 780	4 804
Equity	5 731	6 045	6 079	3 978	3 463	3 354	2 954	2 806	-201
Net cash flow provided by operating activities	708	378	636	-91	154	23	811	842	
Net cash flow used in investing activities 1)	-162	-1 392	-1 143	3 960	1 154	905	4 582	3 745	
Financial key ratios (%)									
Operating margin 2)	4,5 %	3,2 %	4,5 %	-1,9 %	2,4 %	5,9 %	6,0 %	9,1 %	6,5 %
Earnings on capital employed 3)	3,3 %	2,1 %	3,0 %	-1,2 %	1,1 %	2,7 %	3,3 %	6,9 %	11,0 %
Return on equity 4)	2,5 %	0,1 %	-0,7 %	-8,5 %	-31,7 %	3,9 %	5,2 %		
Equity ratio	45,1 %	43,9 %	46,4 %	30,7 %	19,8 %	19,6 %	19,1 %	23,0 %	
Other key figures									
Passenger traffic									
Rail passengers (million) 6)	45	49,8	53,5	54,9	54,1	47,3	44,7	40,7	39,6
Rail passenger-km (million) 7)	2204	2 477	2 677	2 811	2 895	2 612	2 561	2 447	2 381
Freight									
Tons hauled by train - total (million) 5)	7	8	8,2	8,0	8,3	7,5			
Tons-km hauled by train - total (million) 5)	2091	2 190	2 451	2 328	2 456	2 421			
Stations and travel agencies									
Staffed stations	74	90	105	132	137	138	142	143	143
Travel agencies	0	-	-	-	34	34	38	38	39
Rolling stock (units)									
Electric locomotives	73	86	90	90	92	92	95	101	115
Diesel locomotives	30	25	35	35	59	71	71	64	70
Electric multiple units	131	126	135	126	130	118	119	119	123
Diesel multiple units	32	32	28	23	15	15	15	15	22
Passenger carriages	231	297	393	415	689	688	688	718	719
Freight wagons	2462	1 713	2 182	2 409	2 503	2 735	3 314	3 525	3 841
Airport Express multiple units	0	16	16	16	16	16			
Buses	2179	1 624	1 366	1 372	1 536	1 443	1 285		
Trucks	67	34	29	20	234	216	206		
Personnel									
Employees at end of year	*10364*	*9 138*	*9 694*	*10 029*	10 797	10 853	10 982	11 029	
Man-years at end of year	*8783*	*7 818*	*8 199*	*8 379*	9 267	9 775	10 011	10 122	

1) Investments in tangible fixed assets and facilities under construction
2) Operating margin before interest = (pre-tax profit/loss + finance costs) divided by total income
3) Earnings on capital employed = (pre-tax profit/loss + finance costs) divided by average capital employed (assets - short-term interest-free debt)
4) Pre-tax profit/loss divided by average equity
5) Totals for 1998 included leased wagons not included in the statistics for previous years.
6) Of which 3.9 million rode the Airport Express Train in 2002 (2001: 4.1 mill, 2000: 4.0 million passengers)
7) Of which Airport Express Train passenger-km totalled 213 million in 2002 (2001: 220 mill, 2000: 216 million, 1999: 221 million, 1998: 55 million)

Important NSB-events in 2003

Important NSB-events in 2003

The most important task for the NSB-Group in 2003 was to prepare for competition on the railroad

The year's events for NSB

11. February: The opening of NSB's bio cleaning facility at Marienborg.

24. February: A new brand name strategy for NSB's passenger train operation was adopted. On the Bratsberg line between Porsgrunn and Notodden, the local traffic was put out for tenders by the county of Telemark. NSB does not submit a tender. Negotiations with the operator that did submit a tender broke down, subsequently the county communicated with NSB about continuing operations.

March 2003: NSB's passenger trains break the record in punctuality when 90 out of a 100 local and regional trains in eastern Norway were on time or less than three minutes late at their final destination, and within five minutes late for the regional trains on the longer lines. The Nordland's (Northern) line had the best result with 95% punctuality of the main lines.

15. March: NSB receives its formal approval to be a rail operator. As a national railway company, NSB had until then an exception from needing a permit. The law changed as a result of new EU-regulations.

15. May: The government proposes to grant 200 MNOK in the national budget for 2003 to start development of the train-radio-system GSM-R. On the stretch between Bodø-Rognan the goal is to complete the development by the end of the year.

1 June: Arrive AS takes over the employer responsibility and the tasks for the IT employees in Stor-Oslo Lokaltrafikk (Greater-Oslo Local Traffic).

5. June: NSB's Board of Directors states that the night operated trains on the Dovre-, Sørlands- (Southern Norway), and the Bergen line can not be operated unless the government grants sufficient funds. It's the Board's opinion that all train operations are dependent on public purchase of services.

15. June: Modern trains are put in operations on the regional line between Oslo and Gjøvik.

15. June: New local trains are introduced on operations in eastern Norway. The trains had been run in local traffic between Stavanger and Egersund since November 2002 and are now in operation between Kongsberg and Eidsvoll.

Mid-June: NSB makes it easier for the customers by introducing NSB as the only brand name in the company's marketing.

Mid-June: NSB no longer requires seat reservation on board its trains. It will still be possible to reserve a seat, and NSB will continue to recommend this on long journeys. One can still go on board any NSB train without a seat reservation and buy a ticket from the train ticket collector.

19. June: ROM eiendomsutvikling AS regulation plan for Marienborg, Trondheim of 96.000 square meters is confirmed.

20. June: ROM eiendomsutvikling AS regulation plans in Hamar for Strandsoneplanen (250.000 square meters) and Åkersvika (60.000 square meters) are confirmed.

18. August: The local train operation between Oslo and Drammen is expanded by 300 departures per week. The number increases from 647 to 950 departures by extending the line Lillestrøm-Asker to Drammen.

27. August: ROM eiendomsutvikling AS regulation plans for Borgen, Sørenga, Grønlia and Bjørvika of 54.000 square meters, the released classified roads from SVRØ, Bjørvika of 60.000 square meters, Oslo S Utvikling AS (fire site property at Oslo central station), Bjørvika of 196.000 square meters and Scweigaardsgate, Oslo of 69.000 square meters were all confirmed. During the course of the year, ROM eiendomsutvikling AS received a confirmation on regulation plans for 1.095.000 square meters on developmental areas.

29 August: A large part of NSB's real estate at Finse was sold to individuals and the company Finse Eiendom.

5. September: NSB's Board of Directors decides that the ownership interest in the subsidiary MiTrans AS will be transferred to another subsidiary, Mantena AS.

12. September: ROM eiendomsutvikling AS regulation plan at Sundland in Drammen for 300.000 square meters was confirmed.

19. September: The companies Stor-Oslo Lokaltrafikk AS, AS Oslo Sporveier and NSB AS decide to establish a joint electronic ticket system. This ticket system will link the different ticket systems into one joint electronic ticket system for Oslo and Akershus by the end of 2005.

23. September: The President and CEO of Statoil, Olav Fjell, resigns as chairman of the board of NSB. The vice chairman, lawyer Ingeborg Moen Borgerud, takes over as chairman of the board of NSB.

1. October: The transport of semi trailers on the Bergen line started after expanding the profiles on that line.

8. October: In the proposal for the national budget for 2004, the government proposes changes in the value added tax law and the removal of tax on electricity. For this reason, NSB decides to maintain operations on night-operated trains under the condition that these trains will be included under government purchase of services from 2005.

10. October: Flytoget AS gives Mantena AS a price of honour for good maintenance service.

31. October: The number of passengers on NSB's local trains in eastern Norway shows an increase of 10% in October 2003 compared to October 2002.

4. November: NSB receives a price for the best environmental report for large operations in 2002.

19. November: NSB’s Customer Service Phone was chosen as the best in a test conducted by the website Din Side.

12. December: A new insurance agreement with Vesta Forsikring is signed for all the Group companies except Nettbuss and Linx.

14. December: NSB reintroduces “green” and “white” departures.

Mid-December: CargoNet AS terminates its wagonload products.

16. December: The company IntraPoint, which is located in Trondheim, is chosen as the supplier for a new net-based preparedness tool, Crisis Manager.

19. December: NSB and Norwegian National Rail Administration sign a new agreement regarding access to the railway tracks.

31. December: The subsidiary Ekspressgods AS is wound up.

31. December: NSB sells its ownership interest in Celexa Eiendomsforvaltning.

Auditor

To the Annual Shareholders' Meeting of NSB AS
Auditor's report for 2003

We have audited the annual financial statements of NSB AS as of December 31, 2003, showing a profit of MNOK 30 for the parent company and a profit of MNOK 150 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 practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2003, 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 directors' 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 16, 2004

PRICEWATERHOUSECOOPERS

Jonny Skaug
Statsautorisert revisor

Footers:
This translation from Norwegian has been prepared for information purposes only.