Annual report

NSB - Group

2005

NSB AS
Annual report 2005

Report of the Board of Directors – NSB Group

NSB is in positive progress.

2005 was a very positive year in several areas for NSB;

- Punctuality increased
- Customer satisfaction increased
- Public opinion improved
- Volumes increased
- The operating result is at its highest level ever in NSB's history
- NSB will for the first time pay a dividend to its owner

The result before tax is 502 MNOK. (last year's number in parenthesis)
In 2005 the Group's result before tax is 502 MNOK (170 MNOK). The improvement of 332 MNOK is mainly due to:

- Considerable improvements in passenger train operations due to increased cost efficiency and positive traffic development
- Freight operations in Norway show increased volumes and improved result
- Improved operations within bus operations
- Increased gains on sale of property within real estate operations

The Group's operating result for 2005 has improved considerably. However, compared to the owner's expectations is still not at a satisfactory level. During the course of the year NSB continued the systematic work on improving operating efficiency to become more competitive in the market. Further improvements are expected in the years to come.

Traffic safety.
No passengers or employees perished in connection with our operations in any part of the Group in 2005. For the passenger- and freight operations this is the fifth consecutive operating year without a major rail accident where people perished or were seriously injured.

For passenger traffic operations, 90 non-serious injuries occurred during the year, an increase of 16 from 2004. This increase has been in the category "not wanted incidents on the trains" and is mainly due to acts of violence against the train ticket collectors. Three people perished and one was seriously injured when hit by a train in 2005 without NSB being blamed for the incidences.

7 (12) people were injured in connection with freight traffic, which is almost halved.

3 people perished in traffic accidents involving Nettbuss. This is half the number compared to last year. In 2005 the number of serious injuries has been reduced to 5 (7).

NSB is systematically and purposefully working to improve safety measures. To reduce risk measures include increased attention, better training and information to employees that are critical to safety tasks and improved technical systems. There are still too many incidents where serious accidents could have occurred due to lack of technical barriers on the railway net. In the fall of 2005 a survey of these circumstances were initiated in cooperation with the National Rail Administration. It's necessary to establish such barriers to reduce the risk of train collisions.

Punctuality shows positive development in train operations.
92 percent of all NSB trains were on schedule in 2005. This is an improvement compared to 2004 when 90 percent of the NSB trains were on schedule. NSB's passenger trains are ranked among the best national train operators in Europe when it comes to punctuality. The local trains in Bergen (Arna – Bergen) are the most punctual with 99 percent of all trains being on schedule. For the complex local traffic in the Oslo area the number is 91 percent, and 85 percent during rush hour. The improvement in punctuality is due to the systematic work being done within the NSB organization, the workshops and with the National Rail Administration who is responsible for the infrastructure.

The target for punctuality is that at least 90 percent of all trains should be on schedule. For the local- and regional trains in eastern Norway that means arriving at the final destination no more than three minutes behind schedule. For other regional trains the target is no more than five minutes behind schedule.

Even though the average punctuality has improved, there are still customers that experience that they arrive late at their destination. Therefore, the goal is to improve punctuality further.

The main focus for NSB is to deliver safe and punctual transport to the customers on a daily basis. In addition, the customers shall experience a level of service that results in them returning as customers.

For freight operations in Norway, punctuality was 88 percent. This is an improvement of 2 percentage points compared to last year, but still 3 percentage points behind target.

Still room for improvement.
To achieve the Group's goals, the increase in efficiency needs to continue. To improve the results further, NSB needs to focus on punctuality and regularity, upgrading of trains, satisfactory customer service, making sales channels more effective, and to improve operations and maintenance.

NSB Anbud AS, who won the tender offer on the Gjøvik line, is well on their way of preparing for their official start of business, 11. June 2006. The agreement with the Ministry of Transportation includes an expanded offer to the customers on the Gjøvik line.

Inside other business areas, emphasis is put on:

- Introduction of new combined transports within freight operations in Sweden. This will give a better and more stable offer to the customers as well as increased profitability.
- Consolidation within bus operations and concentration on profitable tenders in Sweden will give increased margins in a very competitive market.
- Further development of centrally located properties will ensure gains on sale of assets and development of railway junctions will stimulate more people to take public transportation.

NSB has established proper work routines when it comes to uncover and control risk connected to traffic safety, financing, damages and accidents. To systematically uncover and face risk, processes have been introduced to ensure total risk management within the Group. This process is included as part of the planning- and budget process and the continuous follow-up of the different business areas.

Nature of business and ownership.
NSB is one of Norway's largest transport groups. The parent company, NSB AS is owned by the Norwegian Government represented by the Ministry of Transport. The Group's headquarter is in Oslo while operations are spread throughout most of Norway and in certain parts of Sweden and Denmark.

The company's activity is railroad transportation, other transport, as well as other connected operations.

The Group is divided into several areas of operations:

- NSB AS takes care of Group functions, and together with the subsidiary NSB Anbud AS, passenger train operation.
- The Nettbuss Group runs the bus operation which includes passenger transport as well as special transports.
- The Freight train operation consists of the CargoNet Group which includes its subsidiary CargoNet AB.
- Included in the Real estate operation are the ROM Group and NSB Eiendom AS.
- Included in Support functions are the maintenance functions for the trains, the Mantena Group and NSB Trafikkservice AS, as well as the administrative support functions of Finse Forsikring AS and the Arrive Group.

General Assembly and the Board.
The General Assembly consists of the government represented by the Ministry of Transport. The Board consists of eight members of whom 3 are elected by and among the employees.

Owner control and Corporate Governance.
The Board emphasizes the fact that the owner and other interested parties shall have full confidence in the governance of NSB, and approved the introduction of the Norwegian Code of Practice for owner control and Corporate Governance adapted to the Group's and the subsidiaries structure of ownership.

Goals and strategies.
The Board has established the following strategic goals for the Group

- No damage to people or the environment
- The NSB Group shall have satisfied customers
- The NSB Group shall have a return on capital employed in accordance with expectations from its owner
- The NSB Group shall be the leading transport group in the Nordic countries

To achieve these goals the following Group strategies have been employed:

- Strive for continuous improvement in traffic safety
- Making things simple for the customer
- Secure good positive basis quality, customer satisfaction, profitability and communication
- Continued development of competence on operations and resource planning to secure competitiveness and win in the market place
- Secure resource effectiveness and flexibility
- Gradually implement competitive tenders for non-core parts of the operation

Passenger train operation.
There was a positive development in net profits in 2005. The operating result of 249 MNOK (-34 MNOK) is a considerable improvement compared to last year.

A total of 47,3 million passengers traveled with NSB in 2005, which is an increase of 1,7 percent compared to 2004. When measured in passenger kilometers, the increase was 2,1 percent.

The local trains in- and around the Oslo area have shown a positive development. On the longest routes in southern Norway, the regional trains had an average decline of 2 percent in the number of passengers. The other regional trains in eastern Norway had a considerable increase. On the regional trains the number of passengers increased overall by 6 percent.

Customer satisfaction improved compared to last year and reached a new high. Customers experience improved punctuality, better information and easier access to tickets. With introducing more and more new local trains into daily operations, the customer satisfaction on NSB's trains and compartment comfort increases.

Targeting low-priced tickets has been a success. Mini-price tickets continue to be offered in 2006. Starting in January 2006 there are changes in the offer of night compartments.

In the last quarter of 2005 the new self-serviced sales channels was put into operation.

NSB AS acquired a 34 % ownership in the Swedish passenger train operator Svenska Tågkompaniet AB in 2005.

Further measures are emphasized to improve the results in 2006.

Bus operation.
Nettbuss AS is owned 100 % by NSB AS. The Nettbuss Group consists of the parent company Nettbuss AS which controls the operating units Nettbuss Lillestrøm and Nettbuss Vest. Additionally, the parent company has 19 subsidiaries and 14 sub-subsidiaries. The core activity is fixed route services under contract with local authorities, tour services and express routes. The maintenance part of operations has developed from being just a support function to more of a commercial operator in the maintenance market for larger vehicles. After the purchase of Orusttrafiken in 2002, the Nettbuss Group has become a considerable operator in the Swedish public transport market.

Operations have had a positive development in 2005. Most of the improvement has come in the express routes. In the next few years a focus must be put on the general development on net profits in the Swedish part of operations. The operating result is 90 MNOK (74 MNOK). The Group's revenue for 2005 is 2 921 MNOK (2 730 MNOK), an increase of 7 percent compared to 2004.

Several new express routes were started in 2005. The concept TIME-express routes were started between Arendal and Kristiansand, Volda-Ålesund-Molde-Kristiansund, Orkanger-Trondheim and Vikersund-Drammen-Oslo. All routes have had a positive development. Routes between Oslo and Bergen as well as Dovreekspressen were cancelled due to weak profitability.

In Norway, the Nettbuss Group submitted tenders in Rogaland, Oppland, Vestfold and Akershus. Nettbuss lost in tenders in the regions of Rogaland, Oppland and Vestfold, but won in Nittedal which is part of the packages in the Akershus region. Nettbuss won in the Grenland region along with another operator.

Nettbuss also participated in tenders in Sweden, and won some small tenders in Borås and Norrkøping.

Freight train operation.
Further emphasis on combined transports has been well received in the Norwegian market. The number of transported units has grown 10 percent in Norway during the course of the year. Therefore, arranging proper capacity was a challenge on several routes. The concept of a high frequency network for combined transports is regarded by the large conveyors and forwarding agents as a modern and good transport solution. This combined with a sharp focus on quality and predictability is the basis for a continued positive development.

Quality and punctuality are decisive criteria to be successful. The Norwegian part of operations achieved a delivery punctuality of 88 percent which is measured per minute.

The development of financial results in the Swedish part of operations is not satisfactory. Readjustments and restructuring has been completed in Sweden to ensure profitability in the future. A new operating system based on the same model as in Norway is implemented starting January 2006.

The operating result for the freight train operations is 16 MNOK (-38 MNOK).

Real estate operation.
The real estate operations have a positive net operating result of 210 MNOK (232 MNOK). From this result, 172 MNOK (131 MNOK) is related to gain on sale of properties.

The real estate operations consist of a total rental area of about 735 000 square meters.

2005 represents a breakthrough year for the development of Bjørvika. Rental agreements for building a 40 000 square meters office building have been entered into. There is a substantial market interest for this area.

The Group has approved a new strategy- and business model for the real estate operations. The strategy is to emphasize more on long-term realization of non-operational property with station development as a new business area.

In the fall of 2005 it was decided to strengthen the ownership role in the real estate operation. Property management will be handled by own employees when the outsourcing agreement with Aberdeen Property Investors expires in 2006.

Support functions.
Most of the support functions are divided into separate limited companies. The maintenance functions are performed by the wholly owned subsidiary Mantena AS with its subsidiary MiTrans AS. NSB Trafikkservice AS takes care of cleaning the trains and has strong focus on efficiency to become more cost competitive.

The operating result for the support functions is 24 MNOK (33 MNOK).

Economic development.
The NSB Group shows net profits for the year in the amount of 328 MNOK (90 MNOK), an improvement of 238 MNOK. The operating result is 589 MNOK (266 MNOK), an improvement of 323 MNOK.

The parent company shows a result after tax of 414 MNOK (137 MNOK). Contributions of 395 MNOK (338 MNOK) from subsidiaries are included in net profit. The operating result shows an improvement of 283 MNOK.

The Group's net cash flow for the year is -867 MNOK (812 MNOK). The change is mainly due to re-payment of long-term debt.

Including this years result, owner's equity for the parent company is 6 824 MNOK (6 525 MNOK). The equity ratio is 63 percent (55 percent). Other owner's equity for the parent company is 1 288 MNOK. Owner's equity for the whole Group is 6 011 MNOK (5 816 MNOK) which is an equity ratio of 52 percent (45 percent). The difference between owner's equity for the parent company and the Group is mainly due to group-internal transactions being eliminated in the Group accounts.

Next re-payment of long-term loans of 650 MNOK is due in January 2007.

The Board of Directors proposes the following allocation of the result for the parent company:

Dividends	246 MNOK
Allocated to owner's equity	168 MNOK
Total allocated	414 MNOK

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

Financial risk.
NSB borrows money in the markets and currencies that offers the most favorable terms, and therefore also has loans in foreign currency. Such loans are converted to Norwegian currency through currency swap agreements. NSB does not take currency risk in its financial management. NSB only has limited exposure to currency risks in its daily operations since income and expenses mainly are in NOK.

NSB is exposed to changes in the Norwegian Interbank Offered Rate (NIBOR) and Norwegian Swap interest rates. The parent company uses financial instruments to reduce interest rate risks and to achieve the duration of its debt. Guidelines regulating what portion of total outstanding debt subjected to interest rate fixing during a 12 month period, and duration for the loan portfolio have been established.

NSB AS invests its surplus liquidity in short-term Norwegian bonds and Commercial Papers. Changes in the interest rates can affect the value of the portfolio, but papers are normally held until maturity. Limits of exposure towards certain sectors (state, county, bank, etc.) and specific counterparties have been established based on a credit evaluation.

In order to reduce refinancing risk internal guidelines regulate what portion of the total loan portfolio should mature within a twelve month period. The current guidelines rules state that loans which mature in the next twelve month period should be covered through excess liquidity and committed credit facilities. The NSB Group has a goal of having a free liquidity of at least 500 MNOK.

Work environment.
Absence due to illness is 8,4 percent (9,0 percent) for the year. The decline has been almost 2 percentage points over the last two years, which is better than the national average during the same time period.

There has been no serious work related injuries or injuries with a permanent character to employees in 2005. However, employees still have noise related injuries after being exposed at work, but the most important challenge the last year have been psycho-social work environmental problems. Measures have been implemented against persecution and sexual harassment, and to revitalize work rehabilitating.

NSB's aim is to hire more people with different cultural backgrounds. NSB is an IA-company (inclusive labor market).

External environment.
NSB shall satisfy their employer, authorities and the public demands and expectations to the external environment. NSB also put high and strict environmental expectations on their own suppliers.

Passenger train operation became certified according to ISO 14001 in 2005.

The NSB Group aims to minimize the environmental strain the units and subsidiaries put on the environment. A broad project on energy-economization within train operations started in the spring of 2005. The project is supported with 12 MNOK from ENOVA and will continue over the next few years.

The consequence is that the NSB-Group will step-up on becoming more energy effective, clearing polluted ground and develop improved systems for recycling. Through continuous work on traffic safety the goal is to reduce the risk of environmental damages in accidents further.

Equal rights.
The share of female employees in NSB AS for 2005 is 29,2 percent (29,9 percent). The share of females declines despite a recruiting share of 52,3 percent. This is mainly due to the reorganization within the Sales organization.

The share of females in leadership positions in the Group companies and different operations varies, with the highest share being in passenger train operations with 33 %. The shareholder elected board members in NSB AS has a share of females of 40 %. The Chairman of the Board is a female.

Average time spent at work has increased for both males and females compared to 2004, and increase the most for females. The average salary increases more for females than for males both in absolute kroner and percent. This is mainly due to the increase in the share of females in mid-management positions.

Future challenges.
NSB Anbud AS won the tender for the Gjøvik line. The company starts operations on 11. June 2006. Further tender offers are temporarily put on hold by the Ministry of Transport, but NSB must prepare itself on more competition and demands for becoming more effective.

The partially owned Swedish company Svenska Tågkompaniet AB has won several tenders starting in 2006. Together with SJ (Sweden), the company will start operations on the inter-city lines in and around the Stockholm area in 2006. This represents a considerable increase in activity in Sweden.

Within Bus operations there are tight margins for tour services, express routes and special transports. Another challenge is the short time frame on contracts with local authorities. It's important to take advantage of operational and market synergies between fixed route-, express route- and tour services. This is mainly linked to plants, utilization of buses, drivers and administration.

Within freight train operations in Norway the challenge is to meet the market demand for an increase of volume, and to restructure the pendulum concept in Sweden. The pendulum concept will bring improved use of resources and a stable offer to the customers. This is a central part of the restructure to create satisfactory profitability in the Swedish part of operations.

Within real estate operations one has decided to have a longer time perspective when it comes to their developmental properties. The administration of the properties will be handled by the company itself to increase profitability and control.

The Parliament's resolution on further concentration on development of the railway infrastructure is important so that the railway quickly can attain a necessary standard- and capacity increase, as well as catching up on prior years. The competitive power of the train is dependent on an improved infrastructure with few bottlenecks and stable operations, which with a high level of velocity and security can bring people and freight to their destinations. In addition to investments in new infrastructure, considerable attention from the infrastructure administrator is needed on a daily basis to enable a vulnerable infrastructure to deliver satisfactory results.

The Board of Directors thanks the NSB-Group's employees for their contribution to ensure increased product quality and a higher level of profitability in 2005.

Oslo, 15. June 2006

Ingeborg Moen Borgerud
Chairman

Christian Brinch

Jon L. Gjemble

Bente Hagem

Tore Rasmussen

Øystein Aslaksen

Ole Reidar Rønningen

Øystein Sneisen

Corporate governance

Owner control and corporate governance
In 2005 The Board of Directors approved the implementation of the Norwegian Code of Practice for Corporate Governance, adapted to the Group's and subsidiaries structure of ownership.

The Code is composed to ensure that companies listed on the stock exchange would have ownership control and corporate governance that clarifies the roles between share owners, the Board of Directors and management in addition to what is included in the legislation. It is in the owners and the public interest that the companies are managed in a satisfactory manner. The recommendation shall contribute to strengthen the confidence the share holders, the capital markets and other interested parties have towards the company.

NSB AS and the NSB-Group have one shareholder, Norwegian Government and administer large values and public interests on the behalf of the owner. A major objective is to have a good reputation and satisfied customers. Furthermore, the group is dependent on long-term and cost effective funding. An implementation of the recommendation adapted to the shareholder structure of NSB AS and its subsidiaries will strengthen the confidence of owners, customers and in the financial markets towards NSB.

Nature of business and ownership
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Dividend policy
In the national budget for 2006 the Parliament approved a dividend of 116 MNOK to be paid by NSB AS for the fiscal year 2005. NSB's Board of Directors has

recommended, based on the future plans and needs for continued investments in a modern transport product that the maximum level of dividend should be set at 30 % of year end result.

General Assembly and the Board
The General Assembly consists of the government represented by the Ministry of Transport. The Board consists of eight members of whom 3 are elected by and among the employees. The members of the Board of Directors are chosen based on experience, competence and ability to contribute to the development of the company. Shareholders representatives are selected and appointed by the General Assembly. No members of the senior management of the company are represented on the Board. The Board members are elected for a period of two years.

The subsidiaries are managed by their own Boards and through Group guidelines. In the wholly owned subsidiaries the Boards shall normally have a minimum of two independent group external board members.

The members of the Board and the auditor have the right to attend the General Assembly meetings.

The task of the Board of Directors
The Board's work is governed by the Norwegian Companies Act, which is to manage the company's values on the behalf of the owners. The task of the Board has been determined in separate instructions. The Board follows a formal work plan on an annual basis. The plan regulates the Board's main tasks which are goal, strategy, organization and control of operations. The Board of directors' work is evaluated annually by the Board.

The Board has established a separate set of instructions for the President and CEO.

The standards of value and ethical guidelines
In connection with the annual plan process, the Board of Directors has reviewed NSB's standards of values, and has approved updated ethical guidelines for the Group.

Internal control
To ensure the quality of internal control, a separate governing system has been implemented. This includes leadership documents, preparedness plans, safety procedures and processes to govern and control operations. Guidelines, routines, handbooks and authorization matrixes are in place to ensure the quality of the company's economics, accounting and financing issues

Risk analysis of the different activities of the Group is evaluated on an annual basis, and measures are taken to control the risks.

Transactions between the company and the shareholder
The Ministry of Transport and NSB AS have entered into an agreement about public purchase of passenger traffic services on non-profitable lines. The Gjøvik line was opened for tender starting 1 July 2006 and The Ministry of Transport entered into an agreement with NSB's subsidiary NSB Anbud AS to operate this line.

Transactions involving related parties
Guidelines on how to treat material transactions between the company and members of the Board of Directors or management is included in the Group's ethical guidelines and are also included in the instructions for the Board of Directors and the President and CEO.

Compensation to the Board and leadership in the company
Compensation to the Board of Directors and senior management are specified in the annual report.

Auditor
The auditor is elected by the General Assembly. The policy of the company is to minimize assignments and fees paid to the auditor for services other than the actual audit. Twice a year the auditor submits a Management Letter to the Board of Directors, reporting the main findings from the audit of the company and status regarding management and internal control. From 2006 the Board of Directors will host an annual meeting with the auditor where the President and CEO will not be present. The auditor attends the General Assembly.

Information and communication
Public information is communicated by the senior management of the Group or the Director of Communications. Financial information is published on the company's internet site.

Through § 10 in the bye-laws, NSB has a distinct duty to inform the shareholder about the Group's operation. Aspects concerning sale of vital assets and rolling stock for train operations on the national railway network which is not part of the agreement with the Norwegian Government for public purchase of passenger traffic services, should be communicated to the Minister of Transport before the Board of Directors make their final decision.

Every year the Board of Directors is obliged to present the Minister of Transport the plan for the operations of the NSB Group which includes the following aspects:

1. The Group's main activities for the next few years, including plans for major restructuring, further development and unwinding of existing operations and development of new ones. That also applies to material changes in the total services to the public.
2. The Group's economic development.
3. Material investments, including financing plans for these.

The Board of Director's has to submit information regarding material changes of already communicated plans to the Minister of Transport.

Furthermore, interim period meetings with Ministry of Transport are held to discuss traffic development, quality levels and economic results.

Profit and loss account 1 January - 31 December

Figures in MNOK	Note nr.:	PARENT COMPANY 2005	PARENT COMPANY 2004	GROUP 2005	GROUP 2004
Operating income:					
Transport revenue	2, 3	**3 524**	3 340	**7 619**	7 154
Gain on disposal of fixed assets		**0**	0	**197**	165
Other operating income		**207**	236	**812**	923
Total operating income		**3 731**	3 576	**8 629**	8 242
Operating expenses:					
Payroll and related costs	5, 6	**1 201**	1 184	**3 621**	3 576
Depreciation, amortization	11, 12	**404**	372	**908**	909
Other operating expenses		**1 877**	2 054	**3 511**	3 491
Total operating expenses		**3 483**	**3 610**	**8 040**	7 976
Operating profit/loss		**249**	-34	**589**	266
Financial items:					
Financial income		**530**	469	**99**	131
Financial expenses		**178**	206	**186**	227
Net financial items	7	**352**	263	**-87**	-96
Pre-tax profit/loss from ordinary activities		**600**	229	**502**	170
Taxes	20	**186**	91	**172**	91
Minority interests		**0**	0	**-2**	11
Net profit/loss for the year		**414**	137	**328**	90
Allocation of net profit					
Dividends		**246**	0	**246**	0
Allocated to owner's equity		**168**	137	**82**	90
Total allocated		**414**	137	**328**	90

Balance sheet at 31. December

Figures in MNOK	Note nr.:	PARENT COMPANY 2005	PARENT COMPANY 2004	GROUP 2005	GROUP 2004
Assets					
Intangible fixed assets	12	**0**	0	**177**	195
Tangible fixed assets	11	**4 554**	4 775	**8 600**	8 772
Fixed asset investments	14, 15	**5 194**	5 016	**125**	229
Total fixed assets		**9 748**	9 791	**8 902**	9 196
Inventories	10	**62**	0	**267**	293
Trade receivables		**17**	26	**407**	391
Short-term receivables Group		**424**	419	**0**	0
Other short-term receivables	8	**380**	555	**839**	907
Investments in financial instruments	17	**140**	1 001	**482**	1 330
Liquid assets	9	**41**	29	**762**	781
Total current assets		**1 063**	2 030	**2 758**	3 702
Total assets		**10 811**	11 821	**11 660**	12 898
Equity and liabilities					
Deposits		**5 536**	5 536	**5 536**	5 536
Other equity		**1 158**	989	**346**	280
Total equity	22	**6 694**	6 525	**5 881**	5 816
Minority interests		**0**	0	**202**	203
Pension commitments	6	**1**	13	**0**	73
Deferred tax	20	**438**	252	**335**	164
Loans from financial institutions	16	**1 880**	3 565	**1 956**	3 624
Other long-term liabilities	18	**262**	344	**325**	407
Total long-term liabilities		**2 582**	4 174	**2 615**	4 268
Accounts payable		**107**	96	**325**	439
Short-term liabilities Group		**183**	34	**0**	0
Accrued Tax	20	**0**	0	**1**	3
Unpaid public taxes		**47**	87	**184**	197
Other current liabilities	19	**1 199**	905	**2 451**	1 972
Total current liabilities		**1 535**	1 122	**2 962**	2 611
Total liabilities		**4 117**	5 296	**5 779**	7 082
Total equity and liabilities		**10 811**	11 821	**11 660**	12 898

Oslo, 15. June 2006

Ingeborg Moen Borgerud, Chairman of the Board

Christian Brinch

Jon L. Gjemble

Bente Hagem

Tore Rasmussen

Øystein Aslaksen

Ole Reidar Rønningen

Øystein Sneisen

Einar Enger, President and CEO

Cash flow statement 1. January – 31. December

Figures in MNOK	PARENT COMPANY 2005	PARENT COMPANY 2004	GROUP 2005	GROUP 2004
Cash flow from operations				
Pre-tax profit/loss	**600**	229	**502**	170
Gain/loss on sale of fixed assets	**0**	0	**-197**	-207
Ordinary depreciation, write-downs	**404**	371	**908**	909
Change in inventory	**-62**	0	**26**	126
Change in account receivable	**19**	17	**-16**	250
Change in account payable	**58**	-18	**-114**	41
Conversion differences-foreign currency	**13**	0	**-11**	-5
Change in other accruals	**239**	-316	**395**	46
Net cash flow from operations	**1 271**	283	**1 492**	1 330
Cash flow from investment activities				
Sale of fixed assets	**0**	0	**282**	831
Purchase of tangible fixed assets/plant under construction	**-183**	-35	**-896**	-965
Sale of shares	**0**	30	**23**	55
Investments in subsidiaries	**-154**	-57	**-27**	36
Net cash flow from investment activities	**-337**	-62	**-618**	-43
Cash flow from financial activities				
New long-term debt	**263**	437	**400**	0
Repayment of long-term debt	**-2 034**	-187	**-2 068**	-424
Reduced net pension obligations	**-12**	0	**-73**	-51
Net cash-flow from financal activities	**-1 783**	250	**-1 741**	-475
Net cash flow for the period	**-849**	471	**-867**	812
Cash and cash equivalent balances at 01.01	**1 030**	559	**2 111**	1 299
Cash and cash equivalent balances at 31.12	**181**	1 030	**1 244**	2 111

ACCOUNTING PRINCIPLES

Generally

NSB was a public management company until 30. November 1996. On1. December 1996 the company was transformed into NSB BA and on 1. July 2002 transformed into NSB AS (a limited liability company which assumes accounting continuity (going concern assumption)). The annual report is prepared in accordance with the Accounting Act and generally accepted Norwegian accounting principles.

At their meeting on the 9. March, the Board of directors decided on a recommended dividend of 116 MNOK. The owner, Kingdom of Norway by the Ministry of Transport used their right given by the Companies Act § 20,4 to decide a larger dividend than suggested by the Board of Directors. The Board of Directors suggested at their meeting on 15. June a dividend of 246 MNOK in accordance with the resolution of the annual general meeting 23. May 2006.

Group accounts

The consolidated accounts show the economic result and the 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 the 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 are consolidated using the purchase method of accounting. The subsidiaries prepare company accounts in accordance with the principles employed for the consolidated accounts. Foreign subsidiaries that use other principles as a result of legislation will be revised in accordance with the Group accounting principles when consolidated.

Using the purchase method of accounting means that shares in subsidiaries will be eliminated against owner's equity booked at the time of purchase. Any additional value will be booked to identifiable material and immaterial assets and liabilities, and depreciated accordingly. Deferred tax on the additional value is booked to long-term debt on the balance sheet and accrued as income in accordance to the coinciding depreciation. Any additional value that cannot be identified with any assets or liabilities is charged to goodwill.

Joint ventures are consolidated using the gross method.

Affiliated companies are consolidated using the equity method.

Company accounts

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 using foreign currencies when consolidating or through using the equity method of accounting. The recalculation difference is accounted for in owner's equity. Income and expenses are recalculated using the periodic average exchange rate.

Minority interest

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.

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). Benefits are based on the number of years in employment and the salary level at pensionable age. Secured pension agreements have 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 obligations 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 has periodic changes in accordance with changes in the net pension obligation for unsecured pensions.

Taxes

Posted tax includes both the taxes payable for the period and a change in deferred taxes/deferred tax assets. Change 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 viewed as strategic investments are 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 regarded as 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.

Environmental pollution

Accruals for known clean-up costs due to operations in the past have been made.

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 non-usable 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.

Contingent liabilities and contingent assets

Best estimates are employed for accounting of contingent liabilities and contingent assets. The estimate is based on probable outcome and management's best quantification of the contingent liability /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.

Transition to IFRS

Starting 1. January 2006 NSB will report their accounts in accordance with International Financial Reporting Standards (IFRS).

The largest effects connected to the adoption of IFRS are in the areas of

- depreciation
- pensions
- goodwill
- financial instruments and
- deferred tax connected to the items above

Property, plant and equipment (IAS 16 and IAS 17)

The transition will lead to changes in depreciation due to dividing assets into separate components. Separating these components is mainly performed on newer train sets where main parts are easily identified and has a different length of life compared to the main train-chassis. Depreciation for fixed assets that are separated into different components will change because a recalculation back to acquisition date is performed. The difference between the new value of the separated components and book value according to NGAAP at the transition date is charged to owner's equity. Trains as well as buildings are divided into separate components.

Stock of spare parts

The stock of spare parts is included in inventory. In connection with the transition to IFRS the stock of spare parts will go through a process where they will be identified, reclassified and depreciated according to the fixed asset they are linked to and over the life of that asset.

Heavy maintenance

Maintenance is divided into heavy periodical maintenance (main revisions) and ordinary continuous maintenance. Heavy maintenance is activated with the asset and depreciated until the next scheduled maintenance. This is included in the value of the separated components.

Investment property (IAS 40)

Investment property is property invested in to either earn rental income or an increase in value. Property which is used in the company's own production or as a supply of goods or services is accounted for as a fixed asset.

NSB has chosen to account for investment property using the cost method of accounting. This method implies that the invested asset is valued at acquisition cost less accumulated depreciation and any accumulated write-downs. Real value (market value) is included in the notes to the financial statements.

Pensions (IAS 19)

The transition to IFRS lead to a difference between capitalized pension assets and liabilities, and real pension assets and liabilities according to IFRS, and is charged to owner's equity.

As a consequence of the differences being charged to owner's equity, future annual pension expenses will be lower due to the fact that prior differences disappear. At the same time a new corridor accumulates.

Goodwill (IFRS 3)

Goodwill will not be amortised under IFRS. Any negative goodwill will be charged to income and not be capitalized.

Goodwill amortization is not an ordinary expense after the transition to IFRS, and will therefore improve net income. However, goodwill shall be tested for impairment annually and impairment loss will be recognised in the accounts.

Financial instruments (IAS 39)

Accounting for securities under IFRS has a more strict documentation demand compared to current Norwegian rules and will have an effect on net income due to different accounting treatment.

NSB has chosen to value its loans (bond issues) at market value on the balance sheet. Changes in market value will be charged to net income. Furthermore, NSB has chosen that all material elements that were classified as financial expense and financial income will also be presented as financial items under IFRS. NSB AS will not value any of its existing bonds at amortised cost. On the other hand will Group internal loans be valued at amortised cost.

Deferred tax (IAS 12)

Changes made to pensions, immaterial assets, fixed assets, and liabilities results in changes to deferred tax. There are no other material changes.

Notes for the annual report 2005

1. Material transactions for the year
2. Segment reporting/Business areas
3. Transport revenue
4. Contingent liabilities and contingent assets
5. Personnel expenses, remuneration, staffing
6. Pension funds and pension commitments
7. Financial items
8. Short-term receivables
9. Liquid assets
10. Inventory
11. Tangible fixed assets
12. Goodwill
13. Transfer of title
14. Shares in subsidiaries, associated companies and joint venture
15. Receivables with maturity later than one year
16. Interest-bearing debt and redemption structure
17. Financial market risk
18. Other long-term debt
19. Other short-term debt
20. Taxes
21. Guarantee obligations and mortgages
22. Owner's equity

1. MATERIAL TRANSACTIONS DURING THE YEAR

Material transactions in 2005 are the sale of:

- Properties in Bjørvika, Oslo. Sales price is 88 MNOK, total gain is 63 MNOK.
- Properties in Alna, Oslo. Sales price is 59 MNOK, total gain is 40 MNOK.

2. SEGMENT REPORTING/BUSINESS AREAS

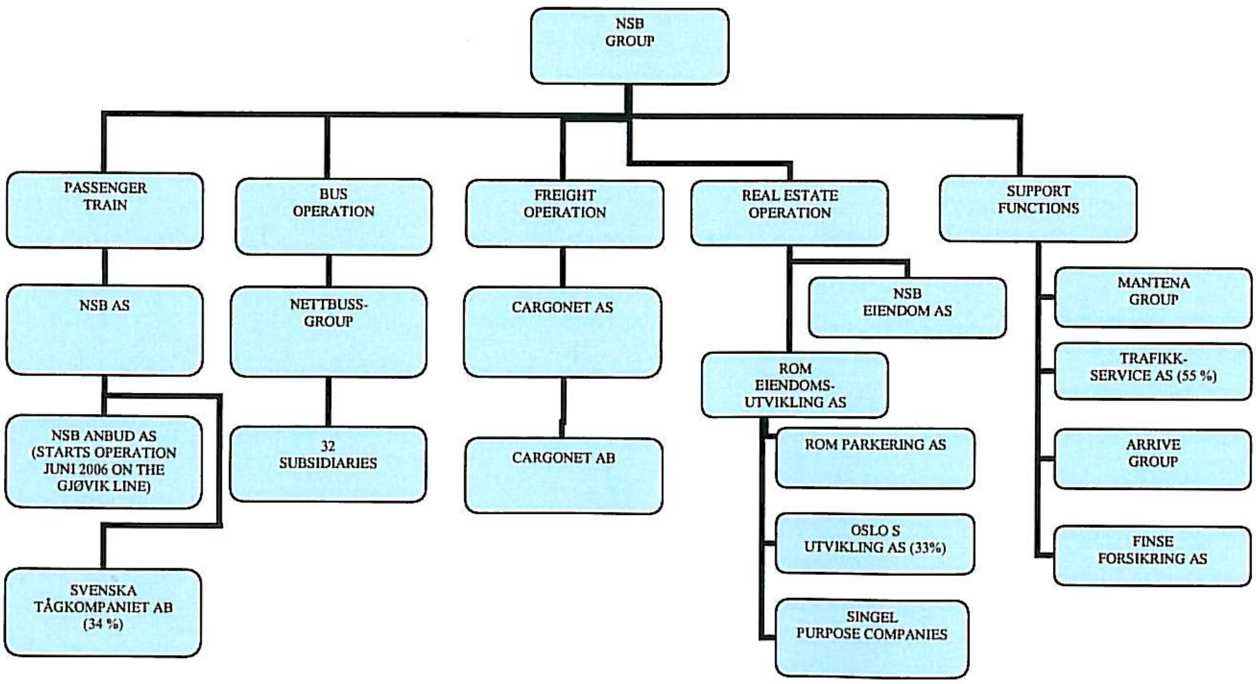
Group Figures in MNOK	Passenger traffic (rail)		Bus		Freight traffic (rail)		Real estate		Support functions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Operating income	**3 665**	3 534	**2 921**	2 730	**1 421**	1 381	**428**	372	**193**	225	**8 629**	8 242
Operating expenses	**2 074**	2 181	**2 620**	2 441	**1 159**	1 186	**301**	288	**978**	971	**7 132**	7 067
Internal allocations	**-938**	-1 015	**57**	51	**-174**	-106	**194**	233	**860**	837	**0**	0
Depreciation	**404**	372	**268**	267	**73**	126	**111**	85	**51**	59	**908**	909
Operating profit/loss	**249**	-34	**90**	74	**16**	-38	**210**	232	**24**	33	**589**	266
Assets	**5 203**	6 413	**1 999**	1 985	**726**	715	**2 635**	2 681	**1 042**	1 104	**11 605**	12 898
Interest-free debt	**1 239**	1 032	**434**	414	**231**	240	**354**	501	**580**	578	**2 839**	2 765
Investments	**685**	1 131	**414**	416	**75**	24	**215**	280	**38**	56	**1 427**	1 907

Footnotes:

Companies are placed in the Business area (BA) according to where they have their main activity (the table does not include associated companies);

- Included in Passenger traffic (rail) are the operations of NSB AS as well as Tågkompaniet AB.
- The Nettbuss Group is included in the Bus BA.
- The CargoNet Group is included in the freight traffic (rail) BA.
- ROM eiendomsutvikling Group and NSB Eiendom AS are included in the Real estate BA.
- Included in Support functions are the workshop- and maintenance companies Mantena Group, NSB Trafikkservice AS, as well as administrative support functions represented by Finse Forsikring AS and the Arrive Group.

NSB operates in Norway, Sweden and Denmark. Operations are run in accordance to the Business Areas (which differs slightly from the organizational structure):



3. TRANSPORT REVENUE

Transport revenue includes public purchase of services of 1.527 MNOK (1.458 MNOK) for the parent company and 2.095 MNOK (1.946 MNOK) for the Group.

4. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

PARENT COMPANY

Severance – reorganization obligation

In connection to the formation of NSB AS the company acquired an obligation to refund severance pay for employees that are laid off due to redundancy before 1. January 2005. NSB was however compensated with a limited calculated amount, which is included as a reorganization obligation in other long-term debt on the balance sheet.

Work related injuries

Compensation for work related injuries that occurred from 1. January 1990 until the formation of NSB BA is covered by the company. Accruals have been made to account for this estimated obligation based on expectations of cases currently being handled, as well as cases not yet reported, but still justifiable.

Environmental pollution

As a train- and workshop- operator as well as a real estate owner, NSB AS has a considerable responsibility for pollution that occurs due to operations. A quantification of any known obligations is accrued for in the accounts. As the clean-up processes progress, the accrual is reversed based on actual cost.

GROUP

Polluted ground – land sold

On some occasions, creosote pollution 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 fact since NSB BA was not the polluter. By request from the owner the claim towards the Norwegian National Rail Administration is currently being assessed by the Ministry of Transport. Estimated clean-up costs and expected reimbursements are included in the accounts.

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, which is included in the cost of the project.

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 those costs.

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.

5. PERSONNEL EXPENSES, REMUNERATION, STAFFING

PERSONNEL EXPENSES

	PARENT COMPANY		GROUP	
	2005	2004	2005	2004
Salary and other benefits	**956**	958	**2 916**	2 901
Payroll taxes	**173**	161	**515**	498
Pension costs	**72**	65	**190**	177
Sum	**1 201**	**1 184**	**3 621**	**3 576**

All employees are included in the collective pension agreement. The President and CEO has an additional agreement to ensure that his total pension will be 66 % of his salary at retirement. The President and CEO can apply for early retirement from the time he turns 60 years old. If the President and CEO has held his position for at least five years at the time of his departure, he will be guaranteed full pension rights at age 62. The pension will be coordinated to include earnings from prior employments. The President and CEO has an agreement of maximum 2 years severance if asked to resign by the Board of Directors. The President and CEO has no bonus arrangement. For 2005 the President and CEO's salary is 1,95 MNOK (1,85 MNOK in 2004) as well as a company car with a benefit of 0,1 MNOK (0,1 MNOK) and a pension premium of 1,1 MNOK (1,1 MNOK).

FEES FOR BOARD AND AUDITOR

	PARENT COMPANY		GROUP	
	2005	2004	2005	2004
Board	**1 223**	846	**3 661**	2 716
Auditing	**883**	692	**5 453**	4 908
Attestation services-Auditor	**86**	100	**219**	203
Other services-Auditor	**0**	0	**1 129**	1 462

For NSB AS the General Assembly has approved a fee for the Chairman of the Board of 0,3 MNOK, Vice Chairman 0,18 MNOK and the other board members 0,15 MNOK each at NSB AS. No fees are paid to the board members that are employed in the NSB Group.

STAFFING

	PARENT COMPANY		GROUP	
	2005	2004	2005	2004
Number of man-years (Average)	**2 489**	2 571	**8 855**	8 798
Number of employees (Average)	**2 889**	2 992	**10 648**	10 432

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

6. PENSION FUNDS AND PENSION COMMITMENTS

The parent company's pension agreement is with the Norwegian Public Service Pension Fund (SPK) and the Government guarantees the pension payment. The defined benefit pension plan contributions are age-, disabled-, spousal-, and children's pension: The pension contributions are coordinated with the National Insurance Scheme contribution. Actuary principles for contribution plans that are in accordance with NGAAP are used to calculate the year's pension expense and pension obligations. The pension agreement for the Swedish part of the CargoNet Group is tied to ALECTA and is classified as a defined benefit pension plan fund by the Swedish Association for the Development of GAAP. However, due to lack of information from ALECTA, the arrangement is classified as a contribution plan in the accounts.

When calculating commitments and expenses, these assumptions have been used:

Financial assumptions:	2005	2004
Discount rate	**5,5 %**	6,0 %
Expected yield	**5,0 %**	5,5 %
Pay adjustment	**3,0 %**	3,0 %
Pension indexing	**2,5 %**	2,9 %
National insurance contribution (payroll taxes)	**14,1 %**	14,1

SPECIFICATION OF SECURED PENSION EXPENSE

	PARENT COMPANY		GROUP	
	2005	2004	2005	2004
Pension earnings this year	85	77	210	185
Interest expense	128	136	229	234
Expected return on pension funds	-140	-148	-240	-247
Effects on result-estimation differences	-1	0	-9	5
Total pension expenses	72	65	190	177

PENSION FUNDS AND COMMITMENTS ON THE BALANCE SHEET	2005	2004	2005	2004
Long-term receivables - funds	2	10	91	63
Long-term debt commitments	-3	-23	-21	-75
Long-term debt - unsecured		0	-67	-61
TOTAL	-1	-13	3	-73

STATUS ALL ARRANGEMENTS 31. DECEMBER	2005	2004	2005	2004
Estimated value pension assets	2 674	2 639	4 568	4 348
Estimated accrued pension commit.	-2 713	-2 607	-4 933	-4 597
Estimated differences not booked	38	-45	368	176
TOTAL STATUS ALL ARRANGEMENTS	-1	-13	3	-73

STATUS SECURED ARRANGEMENTS WITH NET PENSION ASSETS	2005	2004	2005	2004
Estimated value pension assets	0	23	1 113	1 311
Estimated accrued pension commit.	0	-12	-1 220	-1 333
Estimated differences not booked	0	-2	178	85
TOTAL STATUS ALL ARRANGEMENTS	0	9	71	63

STATUS SECURED ARRANGEMENTS WITH NET PENSION COMMITMENTS	2005	2004	2005	2004
Estimated value pension assets	2 674	2 616	3 455	3 037
Estimated accrued pension commit.	-2 713	-2 595	-3 594	-3 161
Estimated differences not booked	38	-43	138	49
TOTAL STATUS ALL ARRANGEMENTS	-1	-22	-1	-75

STATUS UNSECURED ARRANGEMENTS	2005	2004	2005	2004
Estimated accrued pension commit.	0	0	-108	-88
Estimated differences not booked	0	0	52	42
Payroll taxes	0	0	-11	-15
TOTAL STATUS ALL ARRANGEMENTS	0	0	-67	-61

NUMBER OF PERSONS COVERED BY THE PLANS	2005	2004	2005	2004
Norwegian Public Service Pension	4 015	4 387	6 075	6 567
Other funds	18	14	5 222	4 297
TOTAL	4 033	4 401	11 297	10 864

Unsecured early retirement pensions are included in the numbers for 2005.

7. FINANCIAL ITEMS

	PARENT COMPANY		GROUP	
(Figures in MNOK)	2005	2004	2005	2004
Interest income	**113**	118	**33**	37
Group contributions	**395**	338	**0**	0
Gain on sale of shares	**0**	0	**0**	43
Other financial income (incl. agio)	**22**	13	**66**	50
Total financial income	**530**	469	**99**	131
Total financial expense	**178**	206	**186**	227
Net financial items	**352**	262	**-87**	-96

8. SHORT-TERM RECEIVABLES

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

9. LIQUID ASSETS

The parent company has tax withholdings funds of 46 MNOK (49 MNOK), while the Group has 118 MNOK (128 MNOK).

10. INVENTORY

	PARENT COMPANY		GROUP	
(Figures in MNOK)	2005	2004	2005	2004
Spare parts and components	62	0	261	277
Other materials used	0	0	6	17
Total	62	0	266	294

11. TANGIBLE FIXED ASSETS

PARENT COMPANY (Figures in MNOK)	MACHINES AND EQUIPM.	TRANSPORTATION MATERIEL	PROPERTY AND BUILD.	PLANT UNDER CONSTRUCTION	TOTAL
Book value 01.01.	177	3 971	0	626	4 775
Additions this year	162	207	0	311	680
Disposals this year	0	0	0	-497	-497
This years depreciation	-70	-335	0		-404
Book value 31.12.	**270**	**3 844**	**0**	**440**	**4 554**
-of which capitalised finance costs	0	71	0	0	71
Depreciation period	3 - 15 yrs	15 - 20 yrs	10-30 yrs		
Depreciation plan	linear	linear	linear		
Annual rent of non-capitalised fixed assets	0	4	0	0	0

GROUP (Figures in MNOK)	MACHINES AND EQUIPM.	TRANSPORTATION MATERIEL	PROPERTY AND BUILD.	PLANT UNDER CONSTRUCTION	TOTAL
Book value 01.01.	540	5 192	2 257	783	8 772
Additions this year	224	631	77	495	1 427
Disposals this year	-6	-80	-107	-530	-723
This years depreciation,write-downs	-150	-587	-132	-19	-888
Recalculation difference	1	11	0	0	12
Bokført verdi 31.12.	**609**	**5 167**	**2 095**	**728**	**8 600**
-of which capitalised finance costs	0	71	0	5	76
Depreciation period	3 - 15 yrs	15 - 20 yrs	10-30 yrs		
Depreciation plan	linear	linear	linear		
Annual rent of non-capitalised fixed assets	1	125	0	0	0

12. GOODWILL

	GROUP	
(Figures in MNOK)	2004	2003
Book value 01.01	195	250
Additions this year	2	17
This years changes	-20	-73
Book value 31.12	177	195

Economic life and amortization plan for goodwill is determined for each separate acquisition. The amortization period is determined through future expected cash flow related to the identified added value and the amortization plan is longer than 5 years.

13. TRANSFER OF TITLE

At the company formation in 1996, NSB BA took over the property from the Government which belonged to the public enterprise NSB. The work on transferring the title is not yet complete and is expected to take several years.

14. SHARES IN SUBSIDIARIES, AFFILIATED COMPANIES AND JOINT VENTURES

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

SUBSIDIARIES

(Figures in MNOK) SHARES IN SUBSIDIARIES	ACQUISITION DATE	REGISTERED OFFICE	VOTES AND PROFITS %	EQUITY	PROFIT/ LOSS	CAP. VALUE 31. DEC.
Nettbuss AS	01.12.1996	Oslo	100	445	55	**418**
ROM eiendomsutvikling AS	18.12.1998	Oslo	100	539	64	**440**
Arrive AS	01.07.2001	Oslo	100	18	6	**21**
NSB Trafikkservice AS	01.10.2001	Oslo	55	1	0	**1**
Finse Forsikring AS	01.12.2001	Oslo	100	50	0	**50**
CargoNet AS	01.01.2002	Oslo	55	430	4	**295**
Mantena AS	01.01.2002	Oslo	100	262	7	**250**
NSB Eiendom AS	01.01.2002	Oslo	100	243	22	**161**
BaneStasjoner AS	02.01.2002	Oslo	100	0	0	**0**
NSB Anbud AS	01.04.2005	Oslo	100	16	0	**16**
TOTAL				**2 004**	**158**	**1 651**

The ownership interest in NSB Trafikkservice AS was reduced from 85 % to 55 % through a sale to ISS ASA in 2005.

ASSOCIATED COMPANIES

(Figures in MNOK) SHARES IN ASSOCIATED COMPANIES	ACQUISITION DATE	REGISTERED OFFICE	ACQUI. COSTS	VOTES AND PROFITS %	BAL. VALUE 01. JAN	CHANGES THIS YEAR	SHARE OF PROFITS	CAP. VALUE 31. DEC.
Oslo S Parkering AS	01.04.1997	Oslo	12	25 %	9	0	2	**6**
Linjearkitekter AS	01.09.2000	Oslo		30 %	0	0	0	**0**
Linx AB (under liquidation)	12.05.2000	Gothenburg		50 %	5	-5	0	**0**
Tågkompaniet AB	01.04.2005	Gavle	23	34 %	0	24	4	**28**
TOTAL					**14**	**19**	**6**	**34**

OTHER SHARES

(Figures in MNOK) **ASS. COMPANIES AND JOINT VENTURES**	**OWNERSHIP SHARE %**	**BAL. VALUE 31. DEC.**
Fjord Tours AS	41 %	1
Others	-	1
TOTAL		2

15. RECEIVABLES WITH MATURITY LATER THAN ONE YEAR

Receivables with maturity later than one year of 3.506 MNOK (3.453 MNOK) are receivables against subsidiaries in the parent company.

16. 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 5 years. The interest is based on NIBOR (Norwegian Interbank Offered Rate). As of 31. December 2005, 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. The interest rates are fixed and mature in 2007. The issues are quoted on the Luxembourgh 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 3,9 years as of 31. December 2005. The average duration, including the effect of interest-secured-instruments, is 2,3 years as of 31. December 2005. All loans in the NSB Group are handled through the parent company NSB AS. NSB AS has a satisfactory credit rating with Standard & Poor's (AA/A-1+) and Moody's (Aa/Prime-1).

(Figures in MNOK)	PARENT COMPANY		GROUP	
Interest-bearing debt per loan type	2005	2004	2005	2004
Bonds	650	650	650	650
Borrowing under the EMTN programme	1230	2914	1230	2914
Other loans from credit institutions	0	0	76	60
Total interest-bearing debt	1880	3565	1956	3624

At 31. December 2005, NSB AS has 0 MNOK and the Group has 51 MNOK of interest bearing debt that matures in 2006.

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

(Figures in MNOK) YEAR	PARENT COMPANY	GROUP
2006	0	51
2007	650	667
2008	0	5
2011	1230	1 233
	1 880	1 956

Overview of bond loans/loans under the EMTN programme:

AMOUNT	INTEREST	MATURITY
350 MNOK	5,75 %	2007
300 MNOK	5,85 %	2007
150 MEUR	4,63 %	2011

17: 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 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 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.

Currency- and interest rate hedging instruments status as of 31. December 2005:

AMOUNT	NSB PAYS		NSB RECEIVES		INSTRUMENT	MATURITY
MNOK 90	SEK	3,46 %	NOK	3,34 %	Interest and currency swap ag.	2006
MNOK 100	NOK	5,92 %	NOK	NIBOR 6 mnths	Interest swap agreement	2007
MNOK 200	NOK	NIBOR 6 mnths	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 mnths	EUR	Fixed: 4,625%	Interest and currency swap ag.	2011

Bonds and Commercial Papers

NSB AS places its surplus liquidity in short-term quoted Norwegian bonds and Commercial Papers. As of 31. December 2005 the investments were 482 MNOK, of which Finse Forsikring AS placed 328 MNOK.

18. OTHER LONG-TERM DEBT

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

Estimating cost to clean up known environmental pollutions has been done on the basis of investigation followed by a quantification of clean-up costs. As of 31. December the allocation for the parent company is 135 MNOK (155 MNOK) while for the Group it's 165 MNOK (188 MNOK).

Also included are estimated costs of 127 MNOK (127 MNOK) for severance/restructuring accruals for employees at NSB AS that have been dismissed before 1. January 2005.

19. OTHER SHORT-TERM DEBT

	PARENT COMPANY		GROUP	
Figures in MNOK	**2005**	2004	**2005**	2004
Unearned revenue	**33**	34	**233**	236
Accrued expenses	**770**	702	**1 215**	1 198
Accrued dividends	**246**	0	**246**	0
Other short-term debt	**150**	169	**757**	538
Total	**1 199**	905	**2 451**	1 972

20. TAXES

(Figures in MNOK)

Specification of temporary differences	PARENT COMPANY 2005	2004	Change
Current assets/Short-term liabilities	**225**	286	-61
Fixed assets/Long-term liabilities	**1 752**	1 614	138
Total differences	**1 977**	1 900	77
Forwardable deficit	**-411**	-997	586
Basis for deferred tax	**1 566**	903	663
of which 28 % deferred tax	438	253	186

Analysis of tax	2005	2004
Pre-tax profits	**600**	229
Change in temporary differences	**-77**	-89
Permanent differences	**88**	101
Forwardable deficit	**-611**	-241
Taxable income	**0**	0
Change in deferred tax	**186**	91
Tax cost for the year	**186**	91

Total tax cost for the year	2005	2004
Tax on regular income	**168**	64
Tax on permanent differences	**25**	27
Too much (not enough) def. Tax prior yrs	**-7**	0
Tax cost for the year	**186**	91
Actual tax rate	**31,0 %**	39,7 %

(Figures in MNOK)

Specification of temporary differences	Group 2005	2004	Change
Current assets/Short-term liabilities	**833**	1 030	-197
Fixed assets/Long-term liabilities	**831**	692	139
Total differences	**1 664**	1 723	-59
Forwardable deficit	**-470**	-1 138	668
Basis for deferred tax	**1 194**	585	609
of which 28 % deferred tax	**335**	164	171

Analysis of tax	2005	2004
Tax payable	1	3
Change in deferred tax	171	88
	172	**91**

Total tax cost for the year	2005	2004
28 % of the result before tax	**141**	**48**
Tax on permanent differences	**10**	**50**
Tax effects on changes in ownership	**-1**	**-12**
Too much tax in prior years	**7**	**0**
Group items with no tax effects	**0**	**2**
Deferred tax not charged	**9**	**0**
Other differences	**6**	**3**
	172	**91**
Actual tax rate	**34,2 %**	53,5 %

21. GUARANTEES OBLIGATIONS AND MORTGAGES

(Figures in MNOK)	PARENT COMPANY 2005	PARENT COMPANY 2004	GROUP 2005	GROUP 2004
Total guarantee obligations	**85**	16	267	29
Total secured mortgages	**0**	0	40	60
Total	**85**	16	307	89
Total secured assets	**0**	0	**67**	96

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. The consequence is that Nettbuss AS cannot make changes to their pension plan that affects the commitment without approval by the Board of NSB AS.

NSB AS has given a parent company guarantee for a leasing agreement between CargoNet AS and HSBC Rail (UK) Ltd. The agreement expires in May 2006.

NSB AS has given a parent company guarantee to Handelsbanken on the behalf of Ministry of Transport in connection with NSB Anbud AS' operating on the Gjøvik line.

22. OWNER'S EQUITY

Paid-in-capital

The company's paid-in-capital, which is owned by the Kingdom of Norway, consists of capital stock of 3.685 MNOK (3.685 MNOK), and additional-paid-in-capital of 1.850 MNOK (1.850 MNOK). The capital stock consists of 3.685.500 shares each having a value of 1.000 NOK and the same voting power.

(Figures in MNOK)	PARENT COMPANY 2005	PARENT COMPANY 2004	GROUP 2005	GROUP 2004
Equity at 01.01	**6 525**	6 388	**5 816**	5 731
Foreign currency translation	**0**	0	**-16**	-5
Dividends	**-246**	0	**-246**	0
Profit/Loss 01.01 - 31.12.	**414**	137	**328**	90
Equity 31.12	**6 694**	**6 525**	**5 881**	**5 816**