ANNUAL REPORT 2008

NSB GROUP

Contents

Important Events 2008

NSB with a historic train purchase to improve its rail traffic offer
NSB has decided to purchase 50 new train sets from the Swiss train producer Stadler Bussnang AG, with an option to purchase another 100 train sets. NSB's total cost linked to the new trains is four billion NOK, and is the largest single purchase contract NSB has ever entered into. The investment is part of the effort to increase capacity, improve the offer to customers and reduce the travelling time when the new double track to Sandvika is completed in 2012.

More people choose to travel with NSB
There is a 5.4 percent increase in number of passenger kilometres on NSB's Passenger trains in Norway in 2008 compared to last year (passenger kilometres: 1 person travelling 1 km).

Tender contracts won in Bus operations
Nettbuss Lillestrøm AS won three large tenders in 2008. The contracts have a life of 7 years, with an option for 3 more years.

New locomotives for freight train operations
The subsidiary CargoNet AS has entered into a long term leasing agreement of ten new electric locomotives. The locomotives, which are produced by Bombardier, are standard locomotives also used elsewhere in Europe. The leasing agreement is part of the long term strategy of CargoNet AS to increase the capacity and to replace the existing locomotives in the company. The new locomotives will further strengthen the environmental benefit of railway transportation by use of new technology with less total electricity consumed; the electricity the locomotives produce going downhill, is fed back to the net and can be used by other trains.

Norway's largest tax assessment office is completed
The subsidiary Rom eiendom AS developed and let out the new building in Schweigaardsgate in Oslo. Between 700 and 800 employees in Skatt Øst will work in the building.

Maintenance contracts won in tender offers in Sweden
NSBs maintenance company, Mantena, has won two maintenance contracts in Sweden. One of the contracts is by Skånetrafiken for maintenance of 49 trains on the Skåne line. The contract period is seven years, starting in November 2009. The maintenance will be performed in Helsingborg. Additionally, Mantena has also won the contract to operate and maintain Tunnelbanan in Stockholm together with MTR Corporation, and Mantena will be responsible for the train maintenance.

Delivery of new trailer wagons for freight transport
At the end of 2008/beginning of 2009, the subsidiary CargoNet AS has received and put into production 468 out of a total of 475 trailer wagons ordered. This will increase capacity for freight on the railway.

With NSB to Sandefjord Airport Torp
Monday 21st of January 2008, the station Torp, which is on the Vestfold line between Stokke and Sandefjord was opened. A shuttle bus operates between the station and the airport. Time on the bus is only four minutes, and the bus leaves immediately after the train's arrival. In the course of the year, 75 000 travellers have used this offer.

Internet on NSB trains
Internet access is introduced on NSB regional trains on the line between Skien and Lillehammer. This offer will expand to some of the NSB regional trains between Oslo and Trondheim and Oslo and Bergen.

Increased energy efficiency in NSB
Using the railroad as a way of transportation results in low energy consumption compared to other means of transportation. NSB actively seeks to reduce its consumption of energy further. With support from Enova (owned by the State through Ministry of Petroleum and Energy) NSB has realised several projects that have resulted in considerable savings. So far the energy consumption has been reduced by as much as what three thousand detached houses consume in one year.

Self service
7 out of 10 travellers already believe that it is simple to use NSBs automated ticket machines. A nationwide questionnaire of 1 500 people was performed in February/March 2008, and it concludes that most people do not think it is a challenge to use the automated ticket machines.

The President and CEO's article 2008

We are pleased to find that NSBs growth in number of passengers on both train and bus continued throughout 2008. With just a few exceptions there was growth on all lines in Norway.
The freight volumes also increased until the trade recession started last fall. The positive traffic development shows that more and more people want to travel in an environmentally friendly way, whether it is with the train or a bus, despite the fact that for the most part the quality and punctuality for the trains are not satisfactory.

The NSB-group has seen several years of growth and good economical results. However, 2008 shows a considerable weakened operating result. For CargoNet and Rom Eiendom the negative development has a direct connection to the current financial crisis. The weak result in Nettbuss is due to losses in newly acquired operations as well as the large fluctuations in energy prices. For passenger traffic the negative results are mostly related to increased personnel costs due to a pressured personnel situation during the prosperity period in 2007 and in the beginning of 2008.

The railroad is a fantastic system – when it functions. It can transport a great number of passengers quickly and comfortably in and out of the largest cities in an environmentally effective way. It carries large amount of goods between different parts of the country and lessens the freight load on large trucks and roads. Many factors show that the railroad should be a distinctive part of the further development of society. Where people settle will change and more will commute. According to Statistics Norway, the population in the Oslo area will increase by approximately 500 000 in the next 20 years. The train can play a central role in the development of attractive cities and regions if the commuters experience a fast and comfortable transport with greatly reduced travel time. In addition, the train has low energy consumption, uses little space and results in fewer travellers wounded and killed.

Major investments are required to ensure that public transportation and the railroad will attain its rightful position in the transport of people and goods. Today the capacity is overloaded and worn down infrastructure results in a not acceptable high number of faults and delays and inconveniences for the customers. More double tracks have to be built to ensure higher speeds in mainly the inter-city-triangle in the eastern part of Norway as well as longer overlapping crossing points for the freight traffic. At the same time large investments in the operation and maintenance of the existing infrastructure is needed. We experience that all political parties agree upon the fact that investment in the railroad has been too small, and there is now a will to invest. In December the Parliament approved a transportation budget for 2009 with a high focus on public transportation and the railroad – this corresponds to the Governments promise of a record breaking grant for the Norwegian railroad when the new National Transport Plan is presented to the Parliament in the near future. We hope that we are now at the turning point which starts a new trend in Norwegian transport politics.

NSB is a large supplier of energy- and environmentally effective products which the future demands. We see great possibilities ahead and several important decisions have been made in 2008 that will contribute to realise these opportunities. At the same time we have to realise that the uncertainty in the near future is greater than what we have experienced the last few years.

In 2008, NSB has ordered 50 new passenger trains to modernize and prepare for growth when the new double track between Lysaker and Asker can be utilized in 2011/2012. At the same time up-graded and modernized trains will gradually be introduced in the next few years. This is expected to have a positive effect on the part of regularity and punctuality that NSB can influence.

In June 2008, the Government decided that NSB also in the future shall own the railway stations. This means that Rom Eiendom and NSBs train- and bus operations have a unique opportunity to contribute to an environmentally friendly city – and junction development.

NSB will be a leading supplier in Scandinavia within combined transports. The recent economic downturn gives increased challenges regarding volume and profitability, but large investments in rolling stock have been made to meet demand when the market turns. This will contribute to increased quality for our customers, as well as putting us at the front edge regarding environmentally friendly transports.

The volumes in Nettbuss are expected to develop positively. The company has a strategic important position and customer feedback tell us that the operations continue to deliver high quality on all its products, within fixed route services, express buses and tour services.

The economic downturn strongly indicates that 2009 will be a very demanding year. The group must counteract the negative economic development and attain positive results. Our experience from negative business cycles in the past shows us that it is very hard to save to become profitable. We must therefore be able to see market possibilities in both our present operations as well as in closely related areas. During this challenging work, it is important to remember that our number one priority is to deliver to our customers as promised every single day.

2009 is an important anniversary year for the railroad – the Bergen line celebrates its 100th anniversary. At that time the politicians invested a whole national budget to build a connection between east and west. We hope that the politicians of today are as visionary when the present and future transport political choices must be made. Norway needs a modern and environmentally friendly transport system.

Oslo, 11th of March 2009

Einar Enger
President and CEO

NSB AS

Board of Directors Report NSB Group 2008

2008 development

- Increase in passengers for both train and bus
- Increased transport of freight on rail first part of the year
- Operating result considerably weaker than previous year
- Reduction in profits for all main segments
- Return on capital is lower than required by owner

Punctuality is weaker than last year. This is mainly due to infrastructure problems, but also partly due to NSB. A decrease in customer satisfaction and public reputation compared to last year.

Profit before tax is 69 MNOK. (previous year's number in brackets)
Profit before tax for the Group for 2008 is 69 MNOK (758 MNOK). The operating result is 105 MNOK (731 MNOK). The reduction in operating result is mainly due to:

- Increased personnel cost in the passenger- and freight segment
- Increased maintenance- and energy costs in the passenger segment
- Increased deviation costs due to faults in infrastructure
- Reduced growth in the freight segment during the 2nd half of the year due to the downward trend in the market
- Increased diesel costs and write down of contracts abroad in the bus segment
- A reduction in the gain on sale of property, due to delays in the sale of property development projects

Net financial income of - 37 MNOK (+ 27 MNOK) is 64 MNOK higher than in 2007. This is due to higher borrowing costs and the development in fair value of financial instruments.

Traffic safety
No passengers or employees perished in connection with the Groups rail operations in 2008, but one third-party perished due to a collision.

In passenger traffic (rail) one person had a major injury at Stokke Station while entering a train. 134 minor injuries were registered. This is at the same level as last year, and the increase experienced the last years seems to have stopped. Most of the accidents occurred due to falls in connection with passengers getting on or stepping off the trains in periods with snow and ice.

In the freight traffic (rail) one major injury occurred at the Trondheim terminal. 11 minor injuries were reported in the freight traffic segment. This is about the same level as 2007.

In the bus segment, 2 people perished in accidents where Nettbuss was involved. Neither the company nor the drivers were given any blame in either of the accidents. The number of less serious injuries shows a decrease, from 111 in 2007 to 96 in 2008. The number of traffic accidents has increased, but the seriousness of these is reduced so that related costs have been reduced by 10 %.

NSB is systematically and purposefully working to improve traffic safety. Measures to reduce risk include increased alertness, better training and information to employees who are critical to safety tasks, and improved technical systems.

To reduce the number of injuries related to passengers getting on or stepping off the trains, improvements are needed to the trains and the platforms. The acquisition of new trains and the on-going modernization projects will gradually improve the standard of the rolling stock in the next few years.

The rail infrastructure still has weaknesses in regards to the technical barriers against collisions. After a slow progress the National Rail Administration has in 2008 completed a limited number of measures. To further reduce the risk of train collisions the progress should be increased.

Punctuality somewhat reduced

In the access contract Jernbaneverket (the Norwegian National Rail Administration) is obliged to put the infrastructure in sufficient condition to allow trains to operate in accordance with the time table applying at any given time, and/or the prerequisites on which timetables are based at any given time. Jernbaneverket has a goal that 90 % of all trains shall be punctual, but this goal was not reached in 2008. The number of delay minutes due to infrastructure problems (Jernbaneverket) and its share increased compared to 2007, and increased considerably compared to 2005.

The NSB share of delay minutes is reduced, though the number is increasing marginally. These delays were mainly due to faults on rolling stock, lack of personnel and longer stops at stations.

NSBs punctuality was 85.2 % in 2008, which is 2.2 percentage points below 2007 and also below the goal of 90 %.

Reduction in punctuality occurred both for local and regional trains. Among regional trains the line from Oslo to Halden had the best punctuality at 92 %, while local trains in Bergen (99 %), Salten (92 %) and around Trondheim (90 %) had the highest punctuality for the shorter lines.

Infrastructure faults have repeatedly had a negative effect on the train operations. In the Oslo area and around the other major cities the traffic is so heavy that a small fault or deviation will delay a considerable number of trains. Jernbaneverket has started measures to improve the situation, especially in the Oslo tunnel, but several of these have a long time to completion. There is a considerable lag in maintenance and development of the rail infrastructure.

Delivery punctuality for freight trains in Norway ended up at 88 %, two points below the target.

Nature of business and ownership

NSB is one of Norways largest transportation Groups. The parent company NSB AS is owned by the State of Norway, represented by the Ministry of Transport and Communications. The Groups headquarters are in Oslo, while operations are spread throughout most of Norway, and in certain parts of Sweden and Denmark.

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

The Group is divided into several areas of operations:

- Passenger train operations consist of NSB AS and the subsidiaries NSB Gjøvikbanen AS and Svenska Tågkompaniet AB
- The bus operations consist of the activities in the Nettbuss Group
- The freight train operations consist of the activities in the CargoNet Group
- The real estate operations consist of the Rom Eiendom Group
- The support functions include the maintenance functions for the trains; the Mantena Group, NSB Trafikkservice AS, as well as the administrative support functions Finse Forsikring AS and the Arrive Group

Corporate Governance

The NSB Group follows the Norwegian recommendation of corporate governance with adaptation to the ownership structure. In addition, governance is based on the government principles for good ownership plus its expectations regarding public responsibility. A detailed description of corporate governance in the NSB Group is included in a separate enclosure to the annual report.

Risk analysis and internal control

The NSB Group has established a control-environment that consists of values, ethical guidelines, organisational structure, authorisation structure and steering documents. The Board of Directors evaluates the Group's business idea, foundation of values, strategies and plans on an annual basis.

Risk analysis is performed for the business as a whole as well as for special areas like traffic safety and financial reporting on an annual basis. Risk within financial reporting is evaluated through risk analysis of specific areas, planning and completing external audits and internal audit actions, as well as periodic follow-up meetings with the different business segments.

On the basis of the risk analysis, control activities are established to reduce identified risks, such as automatic controls, audits and detailed analysis related to certain risk areas.

The status for internal control is annually monitored through auditors periodic reporting, internal audit reports, and continuous evaluation of reporting.

Goals and strategies

The NSB Groups main goal is *to create value for owner and community, through high safety, efficient operations, energy and environment efficient transport, efficient operations and profitably business development.*

The NSB Group shall

- avoid injuries to people and damage to the environment
- be the leading land-based transport company in the Nordic region
- generate profits
- have satisfied customers
- have highly qualified and motivated employees

NSB shall be a leading operator within the Nordic transport market. Based on the Groups main competence in operations of trains and buses, NSB will assess profitable possibilities in new geographical areas.

Passenger train operations

Operating income for NSBs passenger train operations has shown a positive trend also in 2008. Operating income for passenger train operations was 4 605 MNOK (4 431 MNOK), an increase of 3.9 % compared to the previous year. Operating income increased also in the last months of the year, which indicates that the negative economic trends have not yet affected the passenger rail traffic. The operating profit in this business segment is 48 MNOK (277 MNOK). The decline of 229 MNOK is mainly due to the fact that payroll and related costs, deviation and energy expenses increased more than the growth in operating income.

The no. of passenger kilometres increased by 5.4 %, while the no. of passengers increased by 3.8 %.

There was a decline in customer satisfaction (KTI) compared to 2007. KTI for local trains reached 59, and 71 for regional trains. The main reason for this development is a reduction in punctuality.

MMIs measurement of the level of public reputation placed NSB 54th among the country's 116 largest companies, which is weaker than previous year. NSBs reputation regarding environmental and public responsibility is however high.

In September NSB signed a contract with the Swiss company Stadler Bussnang AG to buy 50 new Stadler Flirt trains sets. The train sets will both be used as local and short distance regional trains, and will according to plan be delivered in 2012. The investment will amount to about 4 000 MNOK.

Bus operations

The parent company Nettbuss AS has 16 subsidiaries and 25 sub- subsidiaries.

The Nettbuss Group has transport activities in all the counties in Southern and Central Norway. The Swedish sub Group has its main activities in South-western part of Sweden while the Danish has its transport activity centred in the Copenhagen area.

In Norway, the Nettbuss Group is the largest operator in the bus market, with a market share of approximately 27 %. In Sweden, the market share is 5 %. 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 local commercial operator in the maintenance market for larger vehicles.

The bus operations transported 104 million passengers (111). The reduction is mainly due to loss of contracts in Vestfold and Rogaland. In the other part of operations there was an increase of 3 %. Customer ratings show that the operation continues to deliver high quality products in the local and express bus sector as well as in the tourism sector.

The operating profit is - 64 MNOK (101 MNOK). The Nettbuss Group's operating income for 2008 is 3 692 MNOK (3 411 MNOK), an increase of 8.2 % from the previous year. The change in the operating profit is mainly due to depreciation of goodwill linked to foreign operations, the writing down of several contracts abroad and high diesel costs which can not be fully compensated by public transport contracts before 2009. The profitability of operations in Sweden and Denmark is weaker than expected, and measures are taken to improve the situation.

Nettbuss has won two large public transport contracts in the south of Norway which will commence operation during 2009.

Freight train operations

The freight train operations showed a negative development in 2008. Operating income increased by 6.7 % to 1 703 MNOK (1 596 MNOK). Operating profit for the freight train operations is - 21 MNOK (29 MNOK). The reduction is mainly due to the fact that the operations planned for increased growth which did not materialise due to the downward economic trend during the 2nd half of the year, plus an increase in personnel cost above industry average.

Both operations in Norway and Sweden had a considerably lower growth during the 2nd half of the year. The effects were stronger in Sweden than Norway. In Norway rail freight is the preferred choice for large customers, while in Sweden this applies to road freight, therefore demand fluctuations affect rail freight harder.

The rail freight operations has put into effect measures regarding cost reduction and improved efficiency, and is considering structural changes regarding both network and presence.

Quality and punctuality is deciding factors for the kind of transport services the freight traffic offers, and a punctuality of 88 % in Norway and 89 % in Sweden was achieved in 2008.

Real estate operations

The real estate operations achieved a positive operating profit of 104 MNOK (339 MNOK). The reduction is primarily due to a reduction of profits from sale of property of 204 MNOK.

The real estate operations manage property used in NSBs operations and create values through development of the Groups other properties. The real estate operation is comprised of a rental area of approx. 730.000 square meters, and property development potential of about 2 million square meters.

During 2008 the building for the Norwegian tax authorities as well as the refurbishment of DA-bygget, both in the Oslo city centre, was completed. An agreement was also made with DnB NOR regarding lease of a new building of 80 000 square meters in Bjørvika. The building project is expected to commence in 2009. The downward market trend has led to the delay of several development projects.

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, and NSB Trafikkservice AS supplies the cleaning services on the trains. Arrive AS supplies IT-services for the group. Finse Forsikring AS works on the NSB Group’s risk handling, through limiting the economic effect when accidents occur, as well as minimizing the Group’s financial risk expenses.

The operating result for the support functions is 40 MNOK (24 MNOK). The support functions results improved in 2008, mainly due to reduced insurance and accident expenses on property and rolling stock.

Economic development

The NSB Group has a profit of 3 MNOK (545 MNOK), a reduction of 542 MNOK. The operating profit is 105 MNOK (731 MNOK), a reduction of 626 MNOK. The reduction is due to weaker profit in all main business segments.

The parent company NSB AS shows a profit after tax, for the year, of 216 MNOK (238MNOK). Group contributions from subsidiaries in the amount of 157 MNOK (0 MNOK) are included in the result. Operational profit is 54 MNOK (235 MNOK).

The Groups net cash flow from operations is 1 590 MNOK (1 229 MNOK). The difference from operating profit consists mainly of depreciation and impairment of 956 NOK, fair value gains on derivative financial instruments of 663 MNOK and other changes in the balance sheet accounts. Net cash flow used for investments is 2 679 MNOK (1 686 MNOK). The number includes 1 782 MNOK in the acquisition of property, plant and equipment, and 861 MNOK prepayment of rolling stock. Furthermore, 402 MNOK was paid in dividends to the owner. Investments were mainly used to increase capacity and profitability within the Group's business segments. Investments and the payment of dividend were partly financed by increased borrowings.

Including this year's profit, owners equity for the parent company is 6 900 MNOK (7 085 MNOK). The equity ratio is 47 % (60 %). Distributable equity for the parent company before dividends for this year is 1 364 MNOK. For the NSB Group, owner's equity is 6 421 MNOK (6 821MNOK) an equity ratio of 38 % (48 %). The difference between the equity in the parent company and the Group is mainly due to group-internal transactions being eliminated in the Group accounts.

The Groups return on equity is 0.0 % (8.1 %).

The Groups short term liabilities are 4 187 MNOK, of which 723 MNOK are short term borrowings. Next re-payment of non-current borrowings of 785 MNOK is in 2010.

The Board proposes the following allocation of the result of the parent company NSB AS:

Dividend	14 MNOK
Allocated to retained earnings	202 MNOK
Sum allocated	216 MNOK

The group profit after minority interest is 20 MNOK, of which 14 MNOK is proposed as dividend.

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

Financial risk

The Groups activities expose the Group to a variety of financial risks: market risk (including currency exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Groups overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Groups financial performance. The Group utilizes derivative financial instruments to reduce some of the risk exposures. The

NSB Groups financial risk management is described in part 3 of NSB Group accounting principles.

NSB borrows money in the markets and currencies that offers the most favourable terms. Borrowings in foreign currencies are converted to Norwegian currency through currency swap agreements. NSB has a goal of minimising currency risk in its financial management. NSB has exposure to currency risks in its daily operations to a minimal degree, due to the fact that its income and expenses primarily occur in NOK. If there is an agreement for a considerable purchase in foreign currency, the currency risk is covered at almost 100 % during the course of the agreement.

NSB is exposed to changes in the interest rate. The parent company uses financial instruments to reduce interest rate risk and to achieve its desired interest rate structure. Guidelines have been established, regulating what portion of total outstanding debt that is to be subjected to interest rate fixing during a 12 month period, and for the duration of the loan portfolio.

Surplus liquidity is invested in short-term Norwegian bonds and commercial papers. Changes in interest rate can affect the value of the portfolio, however, the papers are normally held until maturity. Limits for exposure towards certain sectors and institutions are established based on credit evaluations.

Guidelines have been established to regulate how much of the total loan portfolio should mature and/or be refinanced during a twelve month period. The current guidelines state that loans that will mature during the next twelve months 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.

NSB AS currently secures up to 80 % of the total budgeted power purchase of the Groups real estate portfolio, and up to 50 % of budgeted purchase of electricity used for the trains through Bane Energi. The goal is to limit the risk for large fluctuations in price, so as to achieve predictability and a lower average electricity prices.

NSB has through 2008 financed its loans at prices which do not differ greatly from previous years. The recent market changes are expected to lead to higher loan margins compared to 2008. Due to the international finance crisis NSB has a high focus on financial risks and how to minimize these.

Work environment

Absence due to illness for the Group is 8.7 % (9.0 %). All units except Mantena AS, ROM eiendom AS and Arrive AS have less absence due to illness compared to the previous year. The group level of absence approximately followed the same development as the rest of the country and the transportation industry.

The business does have a higher absence due to illness than the national average because of shift work. In addition, there are strict health demands on employees with security service. The low level of illness in the CargoNet group shows that it is possible to achieve levels of sickness lower than industry average.

Most companies in the Group are an IA-company (inclusive labour market). As an IA-company, NSB AS works on lowering absence due to illness, but also to improve inclusion of people with reduced abilities as well as increasing the average retirement age.

External environment

The NSB Groups goal is to avoid any damage to people or the environment.

Electric passenger trains are four times as energy efficient as airplanes, and two times as efficient as the motor car, according to a SSB (Statistics Norway) report regarding energy consumption and pollution in the transport industry. Also rail freight, electric as well as diesel motored, is more environmentally safe than competing transport modes. In addition, most Norwegian trains use renewable energy. This means that the use of NSB transport products has a positive effect by reducing environmental damage compared to other transport modes, as well as efficiently solving the public transportation needs to and from the larger cities.

The NSB Group works to further reduce the environmental impact of its business.

Passenger train operations in NSB AS were certified according to ISO 14001 in 2005. NSB AS was recertified for 3 years in 2008.

Until 2005 NSB used about 400 GWh per year to run its passenger trains. An energy reduction project was started to reduce this consumption, with the goal of saving 15 % (60 GWh) within 2010. This was achieved in 2008, and the goal has been increased by another 40 GWh to be achieved before 2011.

The projects in Mantena AS and ROM eiendom AS regarding reduction of energy consumption will continue. A reduction of about 800 000 KWh was achieved in 2008. ROM eiendom intends to convert to cleaner and renewable energy.

In addition, the NSB Group continues to focus on cleaning up previous environmental damage and to improve systems for waste disposal.

Equal rights

The share of female employees in NSB AS in 2008 was 30.2 %. This is a marginal increase from previous years. The share of females in leadership positions in the Group companies and different business segments varies. The shareholder elected board members in NSB AS have a share of 40 % of females, and the Chairman of the Board is a female. In the Group leadership there are no females, while the share of females in the passenger train operations leadership group is 38 %.

The female share of recruitment in NSB AS has increased considerably, from 39 % in 2007 to 45 % in 2008. In addition the average salary has increased more for women, an increase of 8.2 % compared to 5.5 % for men. The share of women with the lowest salaries has been reduced from 63.8 % in 2006 to 52.5 % in 2007 and further to 50.9 % in 2008. This is mainly due to the fact that groups with a high ratio of women had a higher wage rise in 2008.

NSBs goal is to have equal terms of employment that do not discriminate. NSB works to ensure equal rights among employees and especially focus on this during recruitment, advancement and job related training/schooling. Recruitment shall be based on group values and ethical guidelines, and ensure that all potential recruits have equal possibilities, regardless of sex, age, religious, ethnic and cultural background.

The share of employees in NSB AS with an immigrant background is 4.4 %.

Research and development

NSB participates in several ongoing EU-funded research and development projects through the UIC (International Union of Railways). Among these are several projects related to emission reduction, and a European clearing system for train energy consumption. A new system is under development to register energy consumption per train and line, to give improved data for measures to reduce the use of energy.

At Brakerøya new methods for cleaning creosote pollution are being used. Rom eiendom AS has a good dialogue with SFT (Norwegian Pollution Control Authority) regarding the operation and control of this work.

Future challenges

The international finance crisis and the downward market trend make the future more uncertain for the NSB Group. Especially for the rail freight operations the downward market trend has given effect in the form of reduced demand and growth, and the real estate operations have been negatively affected as well. The effects on the passenger train and bus operations are not expected to be large as long as the demand for travel to and from work is stable, and vacation travels continue. Market share is expected to increase due to the environment friendly nature of the passenger operations.

An increase in market share for public transport is dependent on a more reliable infrastructure with better punctuality and regularity. It is positive that the government both in the budget and as a part of the crisis packages intend to spend more money on infrastructure repair and development around major cities, and new projects to increase capacity and quality in areas important both to passenger and freight rail transport. The Board of Directors considers the low quality of the infrastructure as the major challenge to excellent railway service.

In 2008 NSB has ordered new passenger trains to modernise and prepare for growth when the new double track between Lysaker and Asker will be ready for use in 2011/2012. Older carriages and train sets are being refurbished and will be introduced in the years up to 2012. This is expected to give positive effects on NSBs punctuality and regularity. The economic downturn will hopefully give a positive effect on recruitment.

In the freight operations, the last of 475 new freight cars were delivered around the year end, and 10 new electric locomotives are expected to be delivered in 2009. The oldest electric locomotives will at the same time be taken out of service. The capacity of the Alnabru terminal has been increased. Together with government investment in longer stretches of double lines and other measures to increase capacity this will be a good basis to ensure future growth when the economic trend turns. As of now the growth experienced during the last few years has stopped, and the short term volume development is uncertain. The freight segment will implement measures to reduce the impact of the downward economic trend, including necessary structural changes to the business.

The volume in the bus operations is still expected to develop favourably, and new public transport contracts have been won and will start operation in 2009 both in Norway and in Sweden. The profits will be positively affected by the fact that changes in energy prices have been included in public transport contracts, and contracts with poor results were written down in the 2008 accounts. The economic downturn is expected give a positive effect on recruitment.

The market for real estate operations has changed considerably during 2008, and as a result several big housing projects have been delayed or stopped. At the same time the development of office projects in the city centre of Oslo will continue. The real estate operations will start to plan the development of the area around the central railway station in Oslo, based on the winning concept from an architecture competition. The economic downturn will affect project development and gains from sale of such projects, but the total effect is uncertain.

The Board of Directors expect that NSB in the long term will show positive development, even though the short term challenges regarding quality and profitability are evident. The government plans to increase spending on repair and expansion of infrastructure, and NSB invests in new and refurbished trains to utilize the new capacity west of Oslo which will be ready for use in 2012. A high focus on the environmental challenges is expected to give a positive effect on public transport and related industries.

The Board and the administration will focus on reducing the effects of the international finance crisis and the resulting economic downturn for the NSB Group, but the future is more uncertain than experienced previous years.

The Board would like to thank the NSB Groups employees for their efforts in 2008.

Oslo, 11th of March 2009

Ingeborg Moen Borgerud
Chairman of the Board

Christian Brinch

Bjarne Borgersen

Bente Hagem

Tore Heldrup Rasmussen

Øystein Aslaksen

Audun Sør-Reime

Jan Audun Strand

Einar Enger
President and CEO

Income statement

(ALL FIGURES IN MNOK)

	Note	2008	2007
Operating revenue	9	**10 329**	**9 994**
Operating expenses			
Payroll and related expenses	25	5 091	4 622
Depreciation and impairment	26	956	864
Other operating expenses	27	4 177	3 777
Total operating expenses		**10 224**	**9 263**
Operating profit		**105**	**731**
Net financial income	28	-57	2
Share of (loss)/profit in associates	8	20	25
Total financial items		**-37**	**27**
Profit before income tax		**69**	**758**
Income tax expense	18	66	213
Profit for the year		**3**	**545**
Profit for the year before minority interests		**3**	**545**
Attributed to:			
Minority interests		-17	9
Equity holders		20	536

Balance sheet at 31 December

ASSETS	Note	2008	2007
NON-CURRENT ASSETS			
Intangible assets	7	1 360	465
Property plant and equipment	6	8 839	8 525
Investment property	5	1 059	486
Investments in associates	8	118	95
Financial assets		64	11
Total non-current assets		**11 440**	**9 583**
CURRENT ASSETS			
Inventories	11	1 488	1 366
Assets held for sale	24	48	61
Trade and other receivables	12	1 333	1 510
Derivative financial instruments	13	1 225	11
Other financial assets at fair value through profit/loss	14	436	1 099
Cash and cash equivalents	15	1 150	591
Total current assets		**5 680**	**4 637**
Total assets		**17 120**	**14 220**

EQUITY AND LIABILITIES	**Note**	**2008**	**2007**
EQUITY			
Ordinary shares and share premium	16	5 536	5 536
Retained earnings		683	1 068
Minority interests		202	217
Total equity		**6 421**	**6 821**
LIABILITIES			
LONG TERM LIABILITIES			
Provision for liabilities			
Borrowings	17	4 730	2 115
Deferred income tax liabilities	18	233	247
Retirement benefit obligations	19	1 327	1 193
Provisions for other liabilities and charges	20	223	286
Total long term liabilities		**6 513**	**3 841**
SHORT TERM LIABILITIES			
Trade and other payables	21	3 129	3 027
Tax payable	18	268	444
Borrowings	17	723	41
Derivative financial instruments	13	67	46
Total short term liabilities		**4 187**	**3 558**
Total liabilities		**10 699**	**7 399**
Total equity and liabilities		**17 120**	**14 220**

Oslo, 11th of March 2009

Ingeborg Moen Borgerud
Chairman of the Board

Christian Brinch

Bjarne Borgersen

Bente Hagem

Tore Heldrup Rasmussen

Øystein Aslaksen

Audun Sør-Reime

Jan Audun Strand

Einar Enger
President and CEO

Cash flow statement

Cash flow statement from the Group	Note	1 Jan. – 31 Dec. 2008	2007
Cash flow from operating activities	23	1 845	1 355
Income tax paid		-255	-126
Net cash flow generated from operating activities		**1 590**	**1 229**
Investments in associates		-1	-5
Purchase of property, plant and equipment (PPE)	6	-1 782	-1 820
Proceeds from sale of PPE	23	100	227
Purchase of intangible assets	7	-938	-88
Loans given to associates		-58	0
Net cash flow from investment activities		**-2 679**	**-1 686**
Proceeds from borrowings		3 049	1 921
Repayment of borrowings		-1 000	-1 800
Dividends paid to company's shareholders	29	-402	-380
Net cash flows from financing activities		**1 647**	**-259**
Net (decrease)/increase in cash, cash equivalents and bank overdraft		**558**	**-716**
Cash, cash equivalents and bank overdrafts at 1st of January		591	1 312
Currency (gain/(loss)) on cash, cash equivalents and bank overdrafts		1	-5
Cash, cash equivalents and bank overdrafts at 31st of December	15	**1 150**	**591**

Change in the Group's equity

	Note	Ordinary shares and share premium	Retaines earnings	Minority interest	Total
Balance at 1 January 2007	16	5 536	915	208	6 659
Foreign exchange differences		0	-21	1	-20
Capital changes		0	18	0	18
Profit for the year		0	536	9	545
Dividends	29	0	-380	0	-380
Balance at 31 December 2007		**5 536**	**1 068**	**217**	**6 821**
Balance at 1 January 2008	16	5 536	1 068	217	6 821
Cash flow hedging, net after inc. tax		0	-2	0	-2
Foreign exchange differences		0	1	0	1
Profit for the year		0	20	-17	3
Dividends	29	0	-402	0	-402
Increase/decrease in minority interest		0	-2	2	0
Balance at 31 December 2008		**5 536**	**683**	**202**	**6 421**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DEC. 2008

All numbers in the report are in MNOK.

NOTES TO THE ANNUAL REPORT AND ACCOUNTS

The consolidated financial statements were approved by the Board of Directors on 11 March 2009.

1. ACCOUNTING PRINCIPLES

1. General information

NSB AS (*the company*) and its subsidiaries (the *Group*) do business in the market of passenger and freight transportation, in addition to businesses which are naturally connected to this. The Group also does business in real-estate.
The Group has its main office in Oslo.

2. Summary of significant accounting policies

The most important accounting principles which have been used to produce the Group accounts have been described below. The same principles have been used consequently throughout all periods, as long as nothing else is stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU.

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. Certain borrowings are accounted for using fair value when transaction costs are deducted before payment is made. The borrowings are accounted for amortised costs using effective interest rate in succeeding periods.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the notes.

Interpretations effective in 2008

- IFRIC 14, *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*, provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group has a pension deficit and it is not subject to any minimum funding requirements.

Interpretations effective in 2008, but not relevant for the Group

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1st of January 2008, but is not relevant to the group's operations:

- IFRIC 11, *IFRS 2 – Group and treasury share transactions*,
- IFRIC 12, Service concession arrangements

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1st of January 2009 or later periods, but the group has not early adopted them:

- IFRS 1 (revised), *First time adoption of international standards for financial reporting* and IAS 27 (amendment), *consolidated and separate financial statements* (effective from 1st of January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any impact on the group's financial statements.
- IFRS 3 (revised) *Business combinations* (effective from 1st of July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured throught the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1st of January 2010.
- IFRS 8 *Operating segments replace* IAS 14 *Segment reporting* and coordinates segment reporting with the demands in FASB standard SFAS 131, *Disclosures about segments of an enterprise and related information*. The new standard requires use of a leadership approach where the segment information is presented in the same manner as with internal reporting. It is not expected that this standard will affect the group accounting.
- IAS 1 (revised), *Presentation of financial statements* (effective from 1st of January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and other owner's equity transactions). The group will apply IAS 1 (revised) from 1st of January 2009.
- IAS 23 (Amendment), *Borrowing costs* (effective from 1st of January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (amendment) starting 1st of January 2009.

- IAS 27 (revised) *Consolidated and separate financial statements*, (effective from 1st of July 2009). The revised standard requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1st of January 2010.
- IAS 28 (amendment), *Investments in associates* (and consequential amendments to IAS 32*, Financial instruments - presentation*, and IFRS 7, *Financial instruments - disclosures* (effective 1st of January 2009)). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the IAS 28 (amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1st of January 2009.
- IAS 32 (amendment), *Financial instruments – presentation* and IAS 1 (amendment), *Presentation of financial statements – Puttable financial instrument and obligations arising on liquidation* (effective 1st of January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply the IAS 32 and IAS 1 (amendment) for 1st of January 2009. It is not expected to have any impact on the group's financial statements.
- IAS 36 (amendment), *Impairment of assets* (effective from 1st of January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the IAS 36 (amendment) and provide the required disclosure where applicable for impairment tests from 1st of January 2009.
- There are a number of minor amendments to IFRS 7, *Financial instruments - disclosures*, IAS 8, *Accounting policies*,*changes in accounting estimates and errors*, IAS 10, *events after the reporting period*, IAS 18, *Revenue* and IAS 34, *Interim financial reporting*, which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.
- IFRIC 15, *Agreements for construction of real estates* (effective from 1st of January 2009). The interpretation clarifies whether IAS 18, *Revenue*, or IAS 11, *construction contracts*, should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions.
- IAS 1 (amendment), *Presentation of financial statements* (effective from 1st of January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, *Financial instruments – Recognition and measurement* are examples of current assets and liabilities respectively- The group will apply IAS 1 (amendment) from 1st of January 2009. It is not expected to have an impact on the group's financial statements.

Amendments and interpretations to existing standards that is not yet effective and not relevant for the group's operations

Several amendments and interpretations of existing standards have been published, as a part of the IASB's annual improvement. Amendments and interpretations that are considered to be of no relevance have not been commented.

2.2 Consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered on the balance sheet date. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The subsidiaries are excluded from the consolidation from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of: the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see note 2.6).
Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the company accounts the ownership is handled using the cost method.

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. The gains or losses incurred on disposal of shares in subsidiaries to minority interests are recorded in the Group's income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Joint ventures*

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognise its share of profits and losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(d) *Associates*
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost and include goodwill (which possibly is reduced by write downs) (see note2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services which are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns which are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) *Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in NOK, which is the Company's functional and presentation currency.

(b) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in real value on monetary assets in foreign currency classified as assets held for sale are split in exchange differences which are due to changes in amortised cost, and other changes in balance sheet value. Exchange differences due to changes in amortised cost are charged to the income statement and other changes in balance sheet value are charged to equity.
Translation differences are non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

(c) *Group companies*
The results and financial position of all group entities that have a functional currency different from the presentation currency as follows:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
ii. income and expenses for each income statement are translated at the closing rate at the date of that balance sheet
iii. all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment)

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

All property plant and equipment (PPE) is shown at cost less subsequent depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of PPE.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Investment properties, mainly office buildings, are held to earn rental income or for capital appreciation or both. These buildings are not utilized by the Group. Investment properties are shown at cost less subsequent depreciation.

Borrowing costs accrued during construction of PPE, are capitalized until the asset is ready for intended use. Land and houses are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Railroad vehicle	10 – 30 years
Buses	4 – 12 years
Buildings	10 – 50 years
Other fixed assets	5 – 30 years

The fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An impairment loss is recognised when the estimates recoverable value of the asset is less than its carrying value (see note 2.7). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Property, plant and equipment (groups of disposals) appointed for sale
Fixed assets (or groups of disposals) classified as assets appointed for sale is recognised at the lower of balance sheet value and fair value deducted sales cost if balance sheet value mainly is recovered by a sales transaction rather than continued use.

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units at the acquisition date for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment.

Advanced payments on contracts are classified as an intangible asset.

2.7 Impairment of non-financial assets

Fixed and intangible assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Investments

2.8.1 Classification

The Group classifies its investments in the following categories: a) financial assets at fair value through profit or loss, b) loans and receivables, and c) available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Derivative Financial assets (see note 2.9) or financial assets held for trading purposes are classified at fair value through profit or loss. This category also includes financial assets that are recognised on the balance sheet initially to be at fair value in the income statement. Assets in this category are classified as current assets if they are held for trading purposes or if they are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet date (see note 2.11).

(c) *Financial assets available for sale*

Available-for-sale financial assets are non-derivatives that are either designated in this category, or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.8.2 Accounting and measurement

Purchases and sales of investments are recognised on transaction date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows form the investments have expired, or have been transferred, and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments, are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'other (losses)/gains - net' in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses on each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets that are classified as borrowings and receivables of certain assets that are classified as held-for-sale are impaired. Objective indicators of a decrease in fair value for equity instruments include material and permanent impairments.

2.9 Derivatives and financial instruments

Derivative financial instruments (assets and liabilities) are recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value.

The Group does not use hedge accounting and all derivative financial instruments are classified as short-term assets or liabilities.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises of design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Borrowing costs are excluded in accordance with IFRS 23. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory costs include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchase of raw material.

2.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised as sale and marketing cost in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. On the balance sheet, bank overdrafts are included in short term loans for subsidiaries that have a negative bank overdraft.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Borrowings

External fixed rate bonds are recognised at fair value with value changes included in the income statement.

Other borrowings, bank loans with floating interest, inter-company loans etc are recognised initially at fair value, net of transaction costs incurred. The difference between the unsettled amount of loan (excluding transaction costs) and amount payable at maturity is recognised over the period of borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Deferred income tax

Income tax expense for a period consists of tax payable and deferred tax. Tax is charged to the income statement, except for when it is related to items that are charged directly to equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

Pension obligations

The companies within the Group operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit plans and defined contribution plans. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Most of the Groups employees in Sweden have pension rights and the companies liabilities are funded in ALECTA. This is a multiemployer plan and the employer is responsible for contributions until payment. Due to ALECTAs lack of ability to provide satisfactory documentation for evaluation of the liabilities and assets, the pension plan is treated as a defined contribution plan.

The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses, and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate comparable with long-term government bonds in the same currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets, or 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2.17 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely that not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

2.18 Accounts payable

Accounts payable are recognised at fair value at initial recognition. Subsequently accounts payable are measured at fixed amortised cost using the effective rate method.

2.19 Revenue recognition

Revenue comprised from services is recognised in the accounts at fair value after returns, rebates and discounts. Sales within the Group are eliminated. The Group's income is principally covered by: passenger transport, goods transport and rental and sale of real estate.

(a) *Sales of transport and real estate services*

Sales of services are recognised in the accounting period in which the services are performed. The government's purchase of passenger traffic services is also recognised in the period in which the delivery is performed. Income from rental of real estate is recognised during the term of the leasing agreement. Income from sale of real estate is recognised in the period where risk and control is transferred to the buyer. This implies mainly that income is considered acquired on the time of the acquisition.

(b) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.20 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

The dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements during the period in which the dividend is approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose the Group to a variety of financial risks: market risk (including currency exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group utilizes derivative financial instruments to hedge certain risk exposures.

(a) *Market risk*

(i) Foreign exchange risk

The Group operates internationally and makes material purchases from foreign suppliers and is therefore exposed to foreign exchange risk. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign subsidiaries where net assets are exposed to risks regarding currency exchange. Currency exposure regarding the Group's net investments in foreign operations is controlled through a loan programme in the relevant foreign currency.

In material purchases, for instance trains, the suppliers are requested to list their price in NOK and in foreign currency. If the foreign currency is more favourable, this currency exchange risk is covered close to 100 % for the life of the contract.
The goal is to be as predictable as possible when it comes to payments to be made in the future measured in NOK.
Risk related to foreign currency exchange is included in a separate note.

(ii) Floating and fixed interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Loans with floating interest rate involve a Group cash flow interest rate risk. Loans with fixed interest rate expose the Group for fair value interest risk.

The Group administrates the floating interest rate risk using floating-to-fixed interest rate swaps: Interest rate swaps imply conversion from floating to fixed interest rate loans. The Group normally enters into long-term loan agreements with a floating interest rate and hedges these partially or fully to a fixed interest rate. Through the interest rate swaps, the Group enters into contracts with counterparties to exchange the difference between the contract's fixed interest rate and the floating interest rate estimated in accordance with the agreed upon principal amount.
Risk regarding interest changes is included in a separate note.

(iii) Other price risk

The Group is exposed to risk regarding electricity prices. A continuous evaluation of the price of electricity is performed to possibly purchase electricity at fixed prices. The Group uses external companies to enter into these types of agreements. The goal is to have predictable expenses in the future.
Realised and unrealised gain or loss on electrical hedges is included in a separate note.

(b) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.
Liquidity risk management ensures that accessible liquidity is sufficient to meet obligations, without unwanted costs. Liquidity risk is included in a separate note.

Group management monitors the group's liquidity reserve (consists of loan facility and cash equivalents) through continuous prognosis based on expected cash flow.

(c) *Credit risk*

Credit risk is handled at Group level. The Group's exposure of credit risk is mainly influenced by individual aspects related to its customers. The train and bus segments mainly receive their income from cash sale. Other subsidiaries have its parent as its largest customer. The Group is not materially exposed to credit risk.

Excessive liquidity is placed in short-term Norwegian bonds and certificates. Limits have been established on both credit exposure towards the different sectors and certain segments based on credit evaluation.

Credit risk is included in separate notes.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3.3 Fair value estimation

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps are calculated as the present value of the estimated future cash flow.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate which is available to the Group for similar financial instruments.

4. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

(c) *Fair value of derivatives and other financial instruments*

The fair value of financial instruments which are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group uses discounted cash flow analysis for various available-for-sale financial assets that were not traded in active markets.

2 Shares in subsidiaries

The table shows **the parent company's directly owned investments.** The Group also consists of indirectly owned companies and ownership interests (equity represents 100 % of the companies' equity)

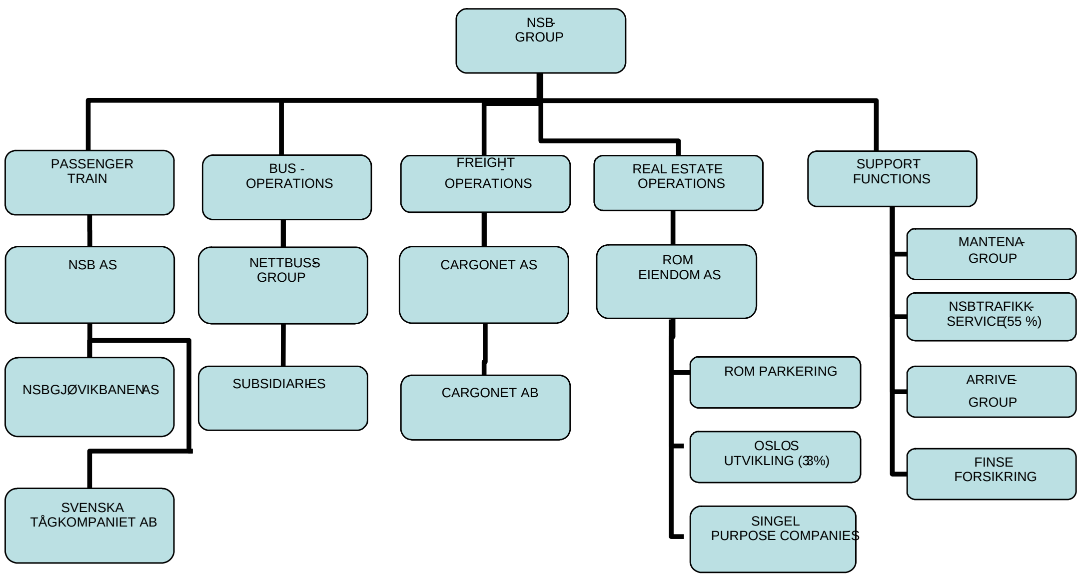
Subsidiaries	Aquisition-date	Registered-office	Votes and Profits %	Equity	Profit/ loss	Cap value 31 Dec.
Nettbuss AS	1 Dec. 1996	Oslo	100 %	552	-214	713
Rom Eiendom AS	18 Dec. 1998	Oslo	100 %	912	-8	601
Arrive AS	1 Jul. 2001	Oslo	100 %	18	4	21
NSB Trafikkservice AS	1 Oct. 2001	Oslo	55 %	7	4	1
Finse Forsikring AS	1 Dec. 2001	Oslo	100 %	227	35	50
CargoNet AS	1 Jan. 2002	Oslo	55 %	497	-79	295
Mantena AS	1 Jan. 2002	Oslo	100 %	200	-1	254
NSB Gjøvikbanen AS	1 Apr. 2005	Oslo	100 %	26	5	16
Svenska Tågkompaniet AB	1 Jan. 2007	Gävle	100 %	42	14	121
Tømmervogner AS [1)]	31 Dec. 2008	Oslo	45 %	-1	0	2
Banestasjoner AS	2 Jan. 2002	Oslo	100 %	0	0	0
Total				2 481	-241	2 073

[1)] NBS AS owns 45 % of the shares in Tømmervogner AS. The remaining 55 % are owned by CargoNet AS, a subsidiary of NSB AS.

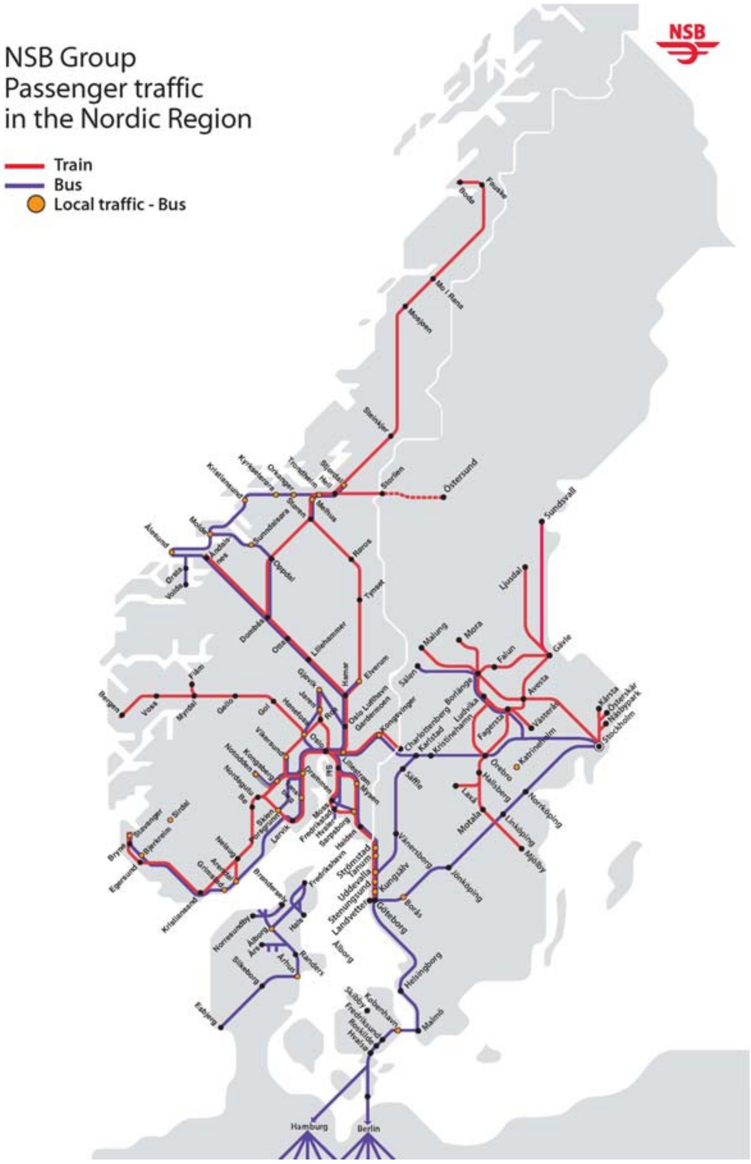
3 Group and company structure

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

- Included in Passenger traffic (rail) are the operations of NSB AS, NSB Gjøvikbanen AS as well as Svenska Tågkompaniet AB.
- The bus segment consists of operations in the Nettbuss-Group.
- The freight traffic segment consists of operations in the CargoNet-Group.
- The real estate operations are operated by the Rom Eiendom-Group.
- Mantena Group which performs workshop- and maintenance, NSB Trafikkservice AS, and as well as administrative functions in Finse Forsikring AS and Arrive Group are all included in Support functions.



4 NSB Group’s passenger operations in Scandinavia



5 Investment properties

Accounting for investment properties is done using the cost method.

At 1 January 2007	
Acquisition cost	568
Accumulated depreciation, impairments	-177
Net book value 01.01.	**391**
Year ended 31 December 2007	
Opening net book value 01.01.	391
Additions	148
Disposals	-4
Depreciation	-43
Impairments	-5
Closing net book value 31.12.	**486**

At 31 December 2007	
Acquisition cost	707
Accumulated depreciation, impairments	-221
Net book value 31.12.	**486**
Year ended 31 December 2007	
Opening net book value 01.01.	486
Additions	25
Disposals	-11
Acc. depreciation disposals	0
Transfers from property, plant and equipment	634
Depreciation	-76
Closing net book value 31.12.	**1 059**
At 31 December 2008	
Acquisition cost	1 357
Accumulated depreciation, impairments	-298
Net book value 31.12.	**1 059**

Fair value at 31st of December 2008 (including properties under construction available for sale)

At 31.12.08 the Group's investment properties had a fair value of 3 021 MNOK. By increasing the return on capital by 0,5 % the value will be reduced to 2 823 MNOK. By reducing the return on capital by 0,5 % the value will increase to 3 250 MNOK. The value evaluations were performed by a qualified, independent company and based on market value.

Investment properties, rental income and operating exp.	**2008**	**2007**
Rental income	237	225
Operating expenses	113	115

6 Property, plant and equipment

	Machinery & equipm.	**Transpor-tation**	**Land and buildings**	**Under construction**	**Total**
At 1 January 2007					
Acquisition cost	1 698	13 219	1 248	697	16 862
Accumulated depreciation	-1 116	-7 270	-526	-3	-8 915
Net book value 01.01.	**582**	**5 949**	**722**	**693**	**7 946**
Year ended 31 December 2007					
Opening net book value 01.01.	582	5 949	722	693	7 946
Exchange differences	1	-31	-8	1	-36
Acquisition of subsidiary	0	3	0	0	3
Additions	156	1 160	64	657	2 037
Disposal at acquisition cost	-43	-164	-21	-451	-678
Acc. depreciation disposals	23	99	27	0	149
Transfers to investment properties	0	0	0	-80	-80
Transfers to assets held for sale	0	-21	0	0	-21
Depreciation	-148	-587	-44	0	-779
Impairments	-2	-14	0	-1	-16
Closing net book value 31.12.	**571**	**6 395**	**739**	**820**	**8 525**
At 31 December 2007					
Acquisition cost	1 811	14 152	1 283	823	18 070
Accumulated depreciation	-1 241	-7 758	-543	-3	-9 545
Net book value 31.12.	**571**	**6 395**	**739**	**820**	**8 525**

Year ended 31 December 2008					
Opening net book value 01.01.	571	6 395	739	820	8 525
Exchange differences	3	67	2	0	71
Acquisition of subsidiary	3	54	-46	0	11
Additions	190	861	14	983	2 049
Disposals	-120	-716	-48	-263	-1 147
Acc. depreciation disposals	117	633	42	0	793
Transfers to investment properties	0	0	0	-635	-635
Depreciation	-151	-654	-15	0	-820
Impairments	-2	0	-4	0	-7
Closing net book value 31.12.	**611**	**6 640**	**684**	**905**	**8 839**
At 31 December 2008					
Acquisition cost	2 118	14 562	1 210	908	18 798
Accumulated depreciation	-1 507	-7 922	-526	-3	-9 959
Net book value 31.12.	**611**	**6 640**	**684**	**905**	**8 839**
Depreciation period	5 - 30 yrs	4 - 30 yrs	0 - 50 yrs		

Economic life for plant and equipment
Management determines economic life and depreciation plan for property, plant and equipment (see accounting principles for average scaled useful life for the asset). Management will increase depreciations if expected economic life is shorter than earlier estimated. Management will write-down eventual technically outdated assets or assets which are no longer strategically in use.

Financial lease
Property, plant and equipment are purchased through a financial lease agreement and include the following:

	2008	2007
Acquisition cost regarding financial lease agreements	214	100
Accumulated depreciation	-35	-3
Net book value 31.12.	**179**	**97**
Long term lease obligation	**138**	**86**

The rights to the leased asset go to the lessor when lessee fails to pay its lease obligations.

7 Intangible assets

	Goodwill	Other	Total
At 1 January 2007			
Acquisition cost	365	4	370
Accumulated amortisation and impairments	-135	0	-135
Net book value 01.01.	**231**	**4**	**234**
Year ended 31 December 2007			
Opening net book value 01.01.	231	4	234
Exchange differences	-2	-1	-3
Additions	1	166	167
Acquisition of subsidiary	0	87	87
Impairments	-9	0	-9
Amortisation	0	-11	-11
Closing net book value 31.12.	**221**	**245**	**465**

At 31 December 2007			
Acquisition cost	364	257	621
Accumulated amortisation and impairments	-144	-12	-156
Net book value 31.12.	**221**	**245**	**465**
Year ended 31 December 2008			
Opening net book value 01.01.	221	245	465
Exchange differences	1	2	3
Additions	14	931	944
Acquisition of subsidiary	0	2	2
Disposals	0	-2	-2
Impairments	-32	-1	-34
Amortisation	0	-19	-19
Closing net book value 31.12.	**203**	**1 157**	**1 360**
At 31 December 2008			
Acquisition cost	383	1 190	1 572
Accumulated amortisation and impairments	-180	-33	-212
Net book value 31.12.	**203**	**1 157**	**1 360**
Amortisation period		3 – 10 yrs	

The significant increase in 2008 represents the up-front payment for purchase of new trains.

A segment level summary of goodwill allocation is as follows:

	2008	**2007**
	Bus	**Bus**
Norway	181	194
Sweden	11	25
Denmark	11	2
Total	**203**	**221**

Goodwill is allocated to the groups cash-generating units identified according to the value the asset contributes to the segment. Liquidity prognosis is used based on the management approved budgets for a period of 5 years. Cash flow past this five year period is based on the estimated growth rate which is presented below.

Key assumptions used for value-in-use calculations are as follows

	Norway	**Sweden**	**Denmark**
Growth rate (1)	2,50	2,50	2,50
Discount rate (2)	11,09	11,97	13,73

1. Weighted average growth rate used to extrapolate cash flows beyond the budget period.
2. Pre-tax discount rate applied to the cash flow projections.

These assumptions have been used for the analysis of each cash-generating unit within the business segment. Management has determined budgeted net cash flows based on the past performance and its expectations of market development. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflects specific risks relating to the relevant segments.

The Nettbuss Group has been through an evaluation and selection of the natural cash-generating units connected to each acquisition based on both geographical belonging and the density connected to the cash flows to the different acquisitions:

Norway:
Region Drammen
Region Møre
Region Trøndelag
Borg Buss AS

Sweden:
Säffle Reseservice AB

Denmark:
Tylstrup Busser AS

8 Investment in associates

	2008	2007
Book value 01.01.	95	90
Acquisition of associate	1	14
Disposal of associate	0	-33
Share of profit/loss	20	24
Exchange differences	2	-1
Net book value 31.12.	**118**	**95**

Share of profit/loss is our share after tax and dividends paid.

Investments in associates at 31.12.2008 include goodwill of 7 MNOK (2007: 10 MNOK)

The Group's share of its principal associates, all of which are unlisted, are as follows:

2007	Reg. office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Oslo S Parkering AS	Oslo	34	28	5	1	25
Oslo S Utvikling AS	Oslo	289	254	36	21	33
Luleå kombiterminal AB	Luleå	2	0	0	0	75
Ålmhults Terminal AB	Ålmhult	3	1	0	0	33
Hallsberg kombiterminal AB	Hallsberg	2	2	12	1	20
Norlandsbuss AS	Bodø	55	47	70	0	34
Telemark Ekspressbusstrafikk AS	Skien	4	2	20	0	50
Nor-Way Bussekspress AS	Oslo	14	6	31	1	25
Agder Last AS	Arendal	0	0	0	-1	0
Elverum Rutebilstasjon AS	Elverum	2	0	1	0	50
KR Trafiken AB	Østersund	73	71	54	2	25
Stadsbusserna AB	Østersund	12	11	23	0	50
Raumabanen Åndalsnes AS	Åndalsnes	0	0	0	0	16
Interoperabilitetstjenester AS	Oslo	11	11	1	0	33
Active Travel Norway AS	Oslo	1	1	1	-1	24
Strømstad-Tanum Buss AB	Tanumshede	18	15	12	0	40
Kjellgrens Busstrafikk AB	Tranemo	7	6	18	0	40
Total		**526**	**457**	**285**	**25**	

2008	Reg. office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Oslo S Parkering AS	Oslo	34	25	7	4	25
Oslo S Utvikling AS	Oslo	465	414	35	16	33
Ålmhults Terminal AB	Ålmhult	4	1	1	0	33
Hallsberg kombiterminal AB	Hallsberg	3	2	12	0	20
Norlandsbuss AS	Bodø	41	33	64	1	34
Telemark Ekspressbusstrafikk AS	Skien	5	4	21	0	50
Nor-Way Bussekspress AS	Oslo	19	11	40	1	25
Travel AS	Oslo	1	0	1	-1	20
Elverum Rutebilstasjon AS	Elverum	2	0	1	0	50
KR Trafiken AB	Østersund	78	76	81	-2	25
Stadsbusserna AB	Østersund	16	11	26	1	50
Raumabanen Åndalsnes AS	Åndalsnes	0	0	0	0	16
Interoperabilitetstjenester AS	Oslo	11	10	3	0	33
Active Travel Norway AS	Oslo	0	0	3	-1	0
Strømstad-Tanum Buss AB	Tanumshede	18	15	14	-1	40
Kjellgrens Busstrafikk AB	Tranemo	8	6	8	1	40
Total		**702**	**608**	**317**	**20**	

9 Segment information

Primary reporting format – business segments
At 31st of December 2008, the Group has its main activities in the following segments:

(1) Passenger train
(2) Bus
(3) Freight
(4) Real estate

Included in Support functions are the workshop and maintenance companies Mantena Group, NSB Trafikkservice AS, as well as administrative support functions through Finse Forsikring AS and the Arrive Group.

The segment operating profit/loss includes purchase from support functions, but these are eliminated in the Group operating profit/loss.

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

Segment results 1.1. – 31.12.2008:

	Pass. train	Bus	Freight	Real estate	Support	Group
Operating income	4 605	3 692	1 703	525	1 302	10 329
Operating expenses	4 141	3 429	1 636	336	1 224	9 268
Depreciation and impairm.	416	327	89	86	38	956
Operating profit/loss	**48**	**-64**	**-21**	**104**	**40**	**105**
Net financial income/exp.						-57
Share profit/loss associate						20
Profit before income tax						69
Income tax expense						66
Net income						**3**
Assets	7 338	2 731	930	3 675	1 233	15 907
Liabilities	1 808	626	355	605	493	3 887
Investments	1 256	542	286	645	35	2 764

Segment assets and liabilities are reconciled as follows:

	Assets	Liabilities
Segment assets and liabilities	15 907	3 887
Not allocated;		
Derivatives	1 213	32
Tax payable		268
Total	**17 120**	**4 187**

Segment results 1.1. – 31.12.2007:

	Pass. train	Bus	Freight	Real estate	Support	Group
Operating income	4 431	3 411	1 596	786	1 190	9 994
Operating expenses	3 765	3 060	1 490	353	1 122	8 399
Depreciation and impairm.	389	250	77	93	45	864
Operating profit/loss	**277**	**101**	**29**	**339**	**24**	**731**
Net financial income/exp.						2
Share profit/loss associate						25
Profit before income tax						758
Income tax expense						213
Net income						**545**
Assets	6 453	2 358	870	3 442	1 086	14 210
Liabilities	1 236	554	262	563	499	3 114
Investments	599	567	286	431	25	1 908

Segment assets and liabilities are reconciled as follows:

	Assets	Liabilities
Segment assets and liabilities	14 210	3 114
Not allocated;		
Derivatives	11	0
Tax payable		444
Total	**14 220**	**3 558**

Segment assets consists primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables, derivatives designated as hedges of future commercial transactions, and cash and cash equivalents. Deferred taxation, investments and financial derivatives available-for-sale or designated as hedges of borrowings are not included.
Segment liabilities comprise of operating liabilities, but do not include tax and borrowings including related hedging derivatives. Internal Group loans are included in the segment liabilities, but excluded in the Group liabilities.

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

The Group's four business segments operate in three main geographical areas. The home country of the parent company is Norway, which is also the main operating company. The Group's activities are located in Norway, Sweden and Denmark.

Operating income	**2008**	**2007**
Norway	8 758	8 648
Sweden	1 282	1 241
Denmark	289	105
Total	**10 329**	**9 994**

Total assets	**2008**	**2007**
Norway	14 707	13 090
Sweden	812	768
Denmark	270	256
Total	**15 789**	**14 114**
Associates (note 8)	118	95
Unallocated assets	1 213	11
Total	**17 120**	**14 220**

Assets are allocated based on where the assets are located.

Investments	**2008**	**2007**
Norway	2 588	1 432
Sweden	138	284
Denmark	38	192
Total	**2 764**	**1 908**

Investments are allocated based on where the assets are located.

Analysis of operating income by category	**2008**	**2007**
Transport revenue	9 475	8 799
Sales revenue	2	226
Other revenue	853	969
Total	**10 329**	**9 994**

10 Leases

	2008	**2007**
Lease of machinery/equipm. (not incl. on balance sheet)	88	93
Lease of property (external)	98	86
Total	**186**	**178**

11 Inventories

	2008	**2007**
Spare parts and components	242	207
Not completed parts	33	17
Completed parts	14	6
Developmental property for sale	1 199	1 136
Total	**1 488**	**1 366**

12 Trade and other receivables

	2008	**2007**
Trade receivables	926	1 153
Less: provision for impairment of receivables	-20	-15
Trade receivables - net	906	1 138
Prepayments	286	210
Other receivables	141	161
Total	**1 333**	**1 510**

Fair value of trade and other receivables are as follows:	**2008**	**2007**
Trade receivables	906	1 138
Prepayments	286	210
Other receivables	141	161

Maturity of receivables:		
Matured receivables on balance sheet date	157	89
Matures in the next 0 - 2 months	118	67
Matures in the next 2 - 6 months	28	7
Matures after 6 months	9	14

13 Derivatives

	2008		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	1 213	-32	0	-45
Energy swaps	12	-36	11	-1
Sum	**1 225**	**-68**	**11**	**-46**

The Group does not use hedge accounting and derivatives are therefore classified as short term assets or contractual obligations. The Energy contracts relate to both hedging of electricity and diesel prices.

Changes in fair value of derivatives:

	2008	**2007**
This periods change in fair value:	1 192	-53
Accumulated change in fair value:	1 157	-35

Interest rate swaps and foreign currency swaps
The outstanding interest rate swaps contracts at 31st of December 2008 is 4 208 MNOK (2007: 2 547 MNOK). At 31st of December 2008, the fixed interest rates vary from 4,44 % to 6,93 % (2007: 5,64 % til 5,84 %) and the floating rates are EURIBOR og LIBOR.

14 Other financial assets at fair value through profit or loss

Listed securities	**2008**	**2007**
Equity securities – Europe	33	47
Bonds and certificates	403	1 052
Total	**436**	**1 099**

Financial assets at fair value through profit or loss are presented within the section of operating activities as part of the changes in working capital in the cash flow statement (note 23).

The change from 2007 to 2008 is connected to sale of listed securities.

15 Cash and cash equivalents

	2008	**2007**
Cash at bank and on hand	1 150	591
Includes restricted funds of 159 MNOK (145 MNOK)		

16 Share capital and share premium

	No. of shares	**Ordinary shares**	**Share premium (MNOK)**	**Total (MNOK)**
At 31 December 2008	3.685.500	3.685.500	1 850	5 536

There is only one class of shares, each share with a par value of NOK 1.000,-. There have been no changes to capital in either 2007 or 2008.

17 Borrowings

Non-current	**2008**	**2007**
Mortgage loan	34	0
Bonds	4 496	1 986
Other non-current borrowings	200	129
Total	**4 730**	**2 115**

Current	**2008**	**2007**
Current share of non-current borrowings	74	38
Other current borrowings	649	3
Total	723	41
Total borrowings	5 453	2 156

Notional value of long-term borrowings at 31.12.2008: 3 491 MNOK (2007: 2 144 MNOK)

Total borrowings include secured liabilities (bank and collateralized borrowings) of 5 260 MNOK (2007: 2 054 MNOK).

The exposure of the Group's borrowings to interest changes and the contractual dates at the balance sheet dates are as follows:

	2008	**2007**
6 months or less	2 657	805

Non-current borrowings expire in:

	2008	**2007**
Between 1 and 2 years	1 143	5
Between 2 and 5 years	1 587	2 092
Over 5 years	1 999	18

The table shows when non-current borrowings mature in accordance to their fair value.

Effective interest rate at the balance sheet date:

	2008				**2007**			
	NOK	**SEK**	**€**	**CHF**	**NOK**	**SEK**	**€**	**CHF**
Mortgage loan	8,69	0	0	0	0	0	0	0
Bonds	0	0	4,81	3,23	0	0	4,63	2,96
Other borrow.	6,42	0	0	0	5,25	4,00	0	0

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amount		**Fair value**	
	2008	**2007**	**2008**	**2007**
Mortgage loan	34	0	34	0
Bonds	4 496	1 986	4 496	1 986
Debentures and other loans	200	129	200	129
Total	**4 730**	**2 115**	**4 730**	**2 115**

Changes in fair value on non-current borrowings

	2008	**2007**
This periods change in fair value	1 248	-52
This periods change in fair value from the spread	-27	-1
Accumulated change in fair value	1 219	-29
Accumulated change in fair value from the spread	-28	-1

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2008	**2007**
NOK	883	40
SEK	0	7
EUR	1 169	1 312
CHF	3 401	798
Total	**5 453**	**2 156**

The Group has the following undrawn borrowing facilities:

	2008	2007
Floating rate		
- Expiring within one year	50	50
- Expiring beyond one year	1 500	1 000
Total	**1 550**	**1 050**

The facilities expiring within one year are annual facilities subject to review at various dates during 2009. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Scandinavia.

The Group has the following financial lease agreements	**2008**	**2007**
Lease obligations	138	86

Obligation on financial lease agreements – minimum payments	**2008**	**2007**
Expiring within 1 year	35	17
Expiring between 1 and 5 years	125	71
Expiring beyond 5 years	2	15
Total	**162**	**103**
Future financial cost – financial lease agreements	-24	-17
Current value on obligations – financial lease agreements	**138**	**86**

Current value of lease obligations for financial lease agreements	**2008**	**2007**
Expiring within 1 year	33	16
Expiring between 1 and 5 years	104	60
Expiring beyond 5 years	1	10
Total	**138**	**86**

18 Deferred income tax/income tax expense

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred income tax assets	**2008**	**2007**
Deferred income tax asset to be recovered after more than 12 mths	677	664
Deferred income tax asset to be recovered within 12 mths	13	5
	690	**669**

Deferred tax liabilities	**2008**	**2007**
Deferred income tax liability to be recovered after more than 12 mths	-893	-898
Deferred income tax liability to be recovered within 12 mths	-30	-18
	-923	**-916**
Total deferred income tax liability (net)	**-233**	**-247**

Gross movement on deferred income tax account is as follows:	**2008**	**2007**
Book value 01.01.	-247	-471
Exchange differences	-1	0
Acquisition of subsidiary	-6	-4
Income statement charge	-3	26
Norwegian correctional tax	29	0
Tax charged to equity	-5	202
Book value 31.12.	**-233**	**-247**

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities	Accelerated Tax depr.	Receivables	Profit/ loss	Other	Total
At 1 January 2007	-634	0	-220	-85	-939
Income statement charge	32	-7	-14	16	26
Acquisition of subsidiary	-2	0	-2	-1	-4
Exchange differences	0	0	0	0	0
At 31 December 2007	-604	-7	-236	-70	-916
Income statement charge	-61	-15	44	33	1
Acquisition of subsidiary	-8	0	0	0	-8
Exchange differences	0	0	0	0	0
At 31 December 2008	**-673**	**-22**	**-192**	**-37**	**-923**

Deferred tax assets	Provisions	Tax losses	Other	Total
At 1 January 2007	334	2	131	468
Income statement charge	90	4	-94	0
Acquisition of subsidiary	0	0	0	0
Norwegian correctional tax	0	0	202	202
At 31 December 2007	424	6	239	669
Income statement charge	-9	39	-32	-2
Charged to equity	-4	-5	0	-8
Acquisition of subsidiary	0	2	0	3
Norwegian correctional tax	0	0	29	28
At 31 December 2008	**411**	**43**	**235**	**690**

Income tax expense	2008	2007
Tax payable	68	240
Change in deferred tax	-2	-27
Total income tax expense	**66**	**213**

Tax payable on balance sheet	2008	2007
Tax payable in income tax expense	68	240
Tax payable – Norw. correctional tax	202	202
Other	-1	2
Total tax payable on balance sheet	**268**	**444**

The tax on the Group's profit before tax deviates from the amount calculated using the Group's weighted average tax rate. Explanation of the deviation is as follows:

	2008	2007
Net income before tax	69	758
28 % of net income before tax	19	212
Non-taxable income	-9	-11
Non-fiscal deductible expenses	15	-1
Other	0	- 7
Fiscal loss concerning unrecognized deferred tax asset	41	20
Income tax expense	**66**	**213**

Deferred tax assets regarding forwarded fiscal loss are recognized when it is probable that it can be reversed. Weighted average tax rate was 96 % (2007: 28 %).

19 Retirement benefit obligation and similar obligations

The Group has several collective pension agreements. The obligations connected to these agreements covers 8268 employees and 3238 retirees. The benefit pension plans entitle defined future services. These services are mainly dependent on the number of contribution years, wage level at the time of retirement and the contribution from the National Insurance Scheme. The obligations are covered through insurance companies.

The companies have, through tariff agreements, retirement benefit obligations in affiliation with Early Retirement Pension Regulated by Contract (AFP). Obligations through this agreement cover 8268 active members. The agreement is treated according to accounting principle IAS 19.

The pension agreement for top leadership is not funded. Those are measured using the same principles as other pension obligations and will be paid through operations.

In the tables below social taxes (notional numbers) are included in both gross obligations and this years' expense.

The amounts recognised in the balance sheet are determined as follows:

	2008	2007
Present value of funded obligations, incl. social taxes	8 245	8 243
Fair value of plan assets	-5 589	-5 211
Net uncovered obligation	2 656	3 032
Present value of unfunded obligations	32	135
Unrecognised actuarial losses	-1 362	-1 974
Total net pension obligation on the balance sheet	**1 326**	**1 193**

Net pension cost	2008	2007
Current service cost	347	351
Interest cost	389	311
Expected return on plan assets	-276	-240
Changes and deviations in estimates allocated to net income	98	54
Effect on changing pension plan	-40	0
Employee contributions	-10	0
Total, included in employee benefit expense	**507**	**476**

Changes in pension retirement obligations	2008	2007
Book value 01.01.	-1 193	-1 008
Expense charges in the income statement	-507	-481
Payments to plan including social taxes	374	296
Book value 31.12.	**-1 326**	**-1 193**

Pension assets	2008	2007
Assets in programs at the beginning of the year	5 211	4 927
Payments received during the year	337	286
Payments made during the year	-158	-295
Reduction by termination of program	-25	0
Expected return on plan assets	276	240
Actuarial differences in estimates	12	54
Total assets at the end of year	**5 589**	**5 211**

Sensitivity is different for the separate companies in the estimates. The sensitivity is also influenced by the age of employees and therefore the remaining earning period for the members. The following table can illustrate the effects by a 1 % change in assumption for;

Discount rate	Changed obligation by	+/- 18-22 %
Salary growth rate	Changed obligation by	+/- 10-14 %

The last few years' development in the pension obligation shows the following:

	IFRS				NGAAP	
	NSB 2008	NSB 2007	NRS 2006	NSB 2005	NSB 2005	NSB 2004
INCOME STATEMENT						
Current service cost	297	351	308	231	210	185
Interest cost	389	311	290	220	229	234
Current returns on plan assets	-276	-240	-230	-215	-240	-247
Current estimation differences	98	54	87	-4	-9	5
Total cost in the income statement	**507**	**476**	**455**	**231**	**190**	**177**
BALANCE SHEET						
Total obligations	-8 277	-8 378	-7 642	-7 080	-4 933	-4 597
Total funding	5 589	5 211	4 927	4 546	4 568	4 348
Total net not covered	**-2 688**	**-3 167**	**-2 715**	**-2 535**	**-365**	**-249**
Estimation, net	1 362	1 974	1 707	1 738	-368	-176
Total on the balance sheet	**-1 326**	**-1 193**	**-1 008**	**-796**	**3**	**-73**

The principal actuarial assumptions used were as follows:

	IFRS				NGAAP	
Tekst	**NSB 2008**	**NSB 2007**	**NRS 2006**	**NSB 2005/IFRS**	**NSB 2005**	**NSB 2004**
Discount rate	4,00 %	4,90 %	4,41 %	4,30 %	5,50 %	6,00 %
Expected rate of return	5,50 %	5,24 %	5,00 %	5,00 %	5,00 %	5,50 %
Average salary increase	4,25 %	4,70 %	4,35 %	4,20 %	3,00 %	3,00 %
Regulating future pension earnings	4,25 %	4,25 %	4,10 %	4,00 %	4,25 %	4,25 %
Average social security tax	14,1 %	14,1 %	14,1 %	14,1 %	14,1 %	14,1 %

Maximum estimation in this period is 10 % of the largest amount of gross pension obligation or assets in the pension plans.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet day is 18 years for men and 19 years for women.

Assumptions regarding future mortality are based on actuarial-, published statistics and experience in each territory recommendations in the separate countries. Mortality expectations in Norway are based on the mortality table known as the K2005.

The pension agreement for the Swedish companies is secured through Alecta. According to the statement from *Redovisningsrådet* this is a performance based settlement. The companies have not received actuary estimates for any of these fiscal years; 2006, 2007 and 2008. This is a problem connected to most companies with a retirement benefit obligation with Alecta. In consultation with *Föreningen auktoriserade revisorer* we assume that the agreement is in balance and therefore use the payments of the period as the cost of the period.

The pension agreements in Denmark are defined contribution plans and the operations have no pension obligations that are not covered by paid contribution.

20 Provisions for other liabilities and charges

	Environmental pollution	Other liabilities	Reorganization obligation	Other	Total
At 1 January 2008	157	7	70	53	286
Charged/credited (-) to the income statement:					
– unused amounts reversed	-14	-3	0	0	-16
Used during year	-33	0	-5	-8	-47
At 31 December 2008	**110**	**3**	**65**	**45**	**223**

30 MNOK out of 33 MNOK under environmental pollution used during the year is a reclassification to short term debt.

Analysis of total provisions:	**2008**	**2007**
Non-current liabilities	223	286
Current liabilities	0	0
Total	**223**	**286**

Severance – reorganization liability
In connection with formation of NSB AS the company acquired a liability to refund pay for employees who are laid off due to redundancy before 1st of 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 which occurred during the period from 1st of January 1990, until the formation of NSB BA on the 1st of December 1996 are covered by the company. To account for these estimated liabilities, accruals have been made for both expectations of cases currently being handled and justifiable cases not yet reported

Environmental pollution
As a train and workshop operator as well as a real estate owner, the NSB Group has a considerable responsibility for pollution which occurs due to operations. A quantification of any known liabilities is accrued for constantly. The accrual is reversed based on actual cost as the clean-up processes progress.

Polluted ground – land sold

Creosote pollution has been discovered on some occasions when selling land. When NSB BA was formed the pollution was known but not the extent. No accruals were made since NSB BA was not the polluter.

Polluted ground – developmental land

Examination of the ground indicates environmental liabilities. When identifying developmental projects, costs are taken into consideration when ground is prepared. This includes costs related to polluted soil which is included in the project cost.

Preserved buildings – maintenance liability

If preserved buildings are used commercially, running maintenance is done. If preserved buildings are not used commercially accruals are made for future maintenance, unless it is likely that the maintenance is covered by future tenants or owners.

Legal disputes
The NSB Group is involved in legal disputes. Accruals are made for disputes where it appears to be a probable and qualified risk of loosing.

21 Trade and other payables

	2008	**2007**
Trade payables	428	458
Social security and other taxes	105	163
Other current liabilities	2 596	2 406
Total	**3 129**	**3 027**

In 2008 the amount due to related parties is: 121 MNOK (2007: 137 MNOK).

22 Statutory transfer
During incorporation of NSB BA in 1996 the company statutory transferred ownership to properties belonging to the administration company NSB. The process of the statutory transfer is not yet fulfilled.

23 Cash generated from operations

	2008	2007
Profit before minority interests	**3**	**545**
Current tax payable	12	439
Change in deferred tax	53	-226
Income tax expense	66	213
Depreciation and impairment of non-current and intangible assets	956	864
Gains/losses on disposal of property, plant and equipment (see below)	-2	-93
Differences in pension cost through profit and loss and payment/disbursement of the defined contribution plan	134	185
Other accruals	-64	29
Fair value gains on derivative financial instruments	55	53
Share of profit/loss (-) from associates	-21	-24
Net foreign currency exchange (gain)/loss on borrowings	-54	-23
Changes in balance sheet accounts (without acquisitions of subsidiaries, joint ventures and foreign exchange differences):		
Inventories	-123	-45
Trade and other receivables	125	-334
Other financial assets at fair value through profit and loss	663	-374
Trade and other payables	107	359
Cash generated from operations	**1 845**	**1 355**

In the cash flow statement, proceeds from sale of property plant and equipment comprise:

	2008	2007
Net book value	99	135
Profit/loss (-) on disposal of property, plant and equipment	1	93
Proceeds from disposal of property, plant and equipment	100	228

24 Assets held for sale

Non-current assets held for sale:	**2008**	**2007**
Property, plant and equipment	0	21
Investment property/developmental property	48	40
Total	**48**	**61**

There are no liabilities concerning assets held for sale in 2007 and 2008. Net book value for loan secured in investment property held for sale is 0 MNOK (2007: 0 MNOK).

25 Payroll and related expenses

	2008	2007
Wages and salaries including social security costs	4 485	4 092
Pension costs	540	476
Other employee benefit expenses	66	53
Total	**5 091**	**4 622**

Pension costs consist of defined contribution plans and defined benefit plans. Benefits for Chief Executive Officer and key management are referred to in the note for related-party transactions.

	2008	2007
Average man-labour year	9 007	9019
Average number of employees	11 222	11 035

The calculation is based on a weighted average based on the true number of man-labour year throughout the year.

26 Depreciation, amortisation and impairment

	2008	2007
Depreciation non-current assets (note 6)	820	779
Impairment non-current assets (note 6)	7	16
Depreciation investment property (note 5)	76	43
Impairment investment property (note 5)	0	5
Amortisation intangible assets (note 7)	19	11
Impairment intangible assets (note 7)	34	9
Total	**956**	**864**

27 Other expenses

	2008	2007
Sales- and overhead expenses	750	759
Energy used in operations	852	652
Repair and maintenance, machinery rental, property expenses	1 066	1 011
Other operating expenses	1 509	1 355
Total	**4 177**	**3 777**

Auditing fees (excluding VAT):	2008	2007
Auditing	5	5
Other attestation services	1	1
Tax advisory	0	1
Other services	2	2
Total	**8**	**9**

28 Financial income and expense

	2008	2007
Interest income	289	66
Dividend	8	4
Other financial income	22	17
Net foreign exchange gains on financing activities	-11	-4
Fair value gains on financial instruments	-15	6
Interest expense	-320	-77
Other financial expenses	-30	-10
Total	**-57**	**2**

29 Dividends/Earnings per share

The dividends for 2007, paid in 2008 were 402 MNOK (109,08 NOK per share). A dividend in respect of the year ended 31 December 2008 of 3,80 NOK per share, amounting to a total dividend of 14 MNOK, is to be proposed at the Annual General Meeting in 2009. These financial statements do not reflect this dividend payable.

All shares are owned by the Norwegian Ministry of Transport and Communication. Earnings per share are 0,81 NOK (3 MNOK).

30 Commitments

Capital expenditure contracted for at the balance sheet date but not incurred is as follows:

Capital commitments	**2008**	**2007**
New trains	2 881	0
Property, plant and equipment	1 084	1 076
Investment property	59	390
Total	**4 024**	**1 466**

Investment property – repair and maintenance	**2008**	**2007**
Contracted commitments for renovation, repair and maintenance of investment property	10	10

Operating lease commitments – Group Company as lessee

The Group leases various plant and machinery under cancellable operating lease agreements.

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2008	**2007**
No later than 1 year	48	87
Later than one year and no later than 5 years	210	179
Later than 5 years	165	173
Total	**423**	**439**

31 Contingencies

The group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilites other than those provided for.

Examination of the Group's properties and land indicates environmental obligations. When identifying developmental projects, costs are taken into consideration when ground is prepared.

Nettbuss AS has placed a counter-guarantee towards the provision of a guarantee concerning license and contract guarantees. This is limited to 200 MNOK for the whole Nettbuss Group.

During incorporation of NSB BA in 1996 the company statutory transferred properties belonging to the administration company NSB. The process of the statutory transfer is not yet fulfilled. For some of the transfers concerning sold properties the approval of the Norwegian National Rail Administration has been required.

32 Business combinations

Details of net assets acquired and goodwill are as follows:

Cash paid	57
Direct costs relating to the acquisition	1
Total purchase consideration	58
Fair value of assets acquired	**44**
Goodwill	**14**

The assets and liabilites arising from the acquisition are as follows:	Fair value	Acquiree's carrying amount
Cash and cash equivalents	9	9
Property, plant and equipment	94	68
Intangible assets	11	0
Investments in other companies	0	0
Goodwill	0	0
Inventories	3	3
Trade and other receivables	22	22
Trade and other payables	-39	-39
Borrowings	-51	-51
Deferred tax assets/liabilites	-5	2
Fair value of net assets	**44**	**14**

Purchase consideration settled in cash	58
Cash and cash equivalents in subsidiary acquired	-9
Cash outflow on acquisition	**49**

The table above shows the numbers for the following companies:

Gjemse Busstransport AS
Fredrikstad Distriktets Bilruter AS
Lakk Tech AS
Wentzel i Göteborg AB
RTB-Drift AS
Miljøekspressen AS
RTB Bilservice AS
Hansens Bilruter AS
Toteneksprессen
Tylstrup Busser AS
Buss 4 You AB
Risør og Tvedestrand bilruter AS
Høvaagruten AS

33 Joint ventures

The parent company has no interest in a joint venture.
The subsidiary Rom Eiendom AS interests in joint ventures is as follows:

Joint ventures	Year of acquisition	Registered office	Votes and profits %
Alfheim Utvikling AS	2000	Oslo	50 %
Alna Nord Utvikling AS	2000	Oslo	50 %
Grefsen Utvikling AS	2000	Bærum	50 %
Trekanten Utvikling AS	2005	Hamar	50 %
Gulskogen Hage-By Utvikling AS	2005	Drammen	50 %
Sjøfront Utvikling AS	2005	Oslo	50 %
Harbitz Allé Utvikling AS	2006	Oslo	50 %
Alfheim Bolig AS	2006	Oslo	50 %
Bellevue Utvikling AS	2006	Fredrikstad	50 %
Strandsonen Utvikling AS	2007	Hamar	50 %
Jessheim Byutvikling	2007	Ullensaker	50 %

34 Related party transactions

The following are defined as related-parties:
* Ministry of Transport and Communication
* Business owned by the Government through Ministry of Transport and Communication
* Joint ventures
* Associates
* Minority shareholders in subsidiaries
* The Board of Directors and key management

Sale of goods and services:	2008	2007
Public purchase of passenger traffic services	1 599	1 593
Sales of other goods and services	274	226
Total	**1 873**	**1 819**

Purchases of goods and services:	2008	2007
Purchases of goods and services	243	277

Key management compensation (all numbers in TNOK)

Members of the Board:	Title:	2008	2007
Ingeborg Moen Borgerud	Chairman of the Board	462	300
Christian Brinch	Vice Chairman of the Board	298	180
Bjarne Borgersen	Member of the Board	71	0
Jon L. Gjemble	Member of the Board	90	150
Bente Hagem	Member of the Board	161	150
Tore H. Rasmussen	Member of the Board	161	150
Jan Audun Strand	Member of the Board	71	0
Øystein Aslaksen	Leader of Norsk Lokmannsforbund	231	150
Audun Sør-Reime	Staff representative	583	0
Ole Reidar Rønningen	Staff representative	493	523
Øystein Sneisen	Staff representative	324	519
Total		**2 945**	**2 122**

All employees are included in the collective pension agreement. The agreement premium is not included above.

For NSB AS the General Meeting has approved a fee for the Chairman of the Board of 330 TNOK, Vice Chairman 200 TNOK and the other board members 165 TNOK each. Benefits are also paid out per meeting for held election of officers meetings. Fees for the staff representatives include their wages as an employee.

2008

Group management:	Title:	Salaries	Pension	Additional benefits
Einar Enger	Chief Executive Officer	2 455	3 441	118
Stein Nilsen	Chief Executive Officer NSB Persontog	1 354	1 104	80
Kjell Haukeli	Chief Financial Officer	1 244	81	97
Arne Fosen	Chief of Strategic operations	1 563	273	90
Arne Veggeland	Executive Officer Nettbuss	1 593	296	118
Rolf Roverud	Vice Chief Ececutive Officer/ Executive Officer NSB Persontog	647	203	0
Total		8 856	5 398	503

2007

Group management:	Tittel:	Salaries	Pension	Additional benefits
Einar Enger	Chief Executive Officer	2 301	1 633	114
Kjell Haukeli	Chief Financial Officer	1 117	148	85
Arne Fosen	Chief of Strategic operations	1 627	216	86
Arne Veggeland	Executive Officer Nettbuss	1 463	312	134
Rolf Roverud	Vice Chief Ececutive Officer/ Executive Officer NSB Persontog	1 945	686	126
Total		8 453	2 995	545

There have been no changes to the pension plan for the group management during the year. All employees are members in the companies' collective pension plans. Rolf Roverud left his position as Vice Chief Executive Officer at the end of the year 2007.

The CEO has an agreement to ensure that his total pension will be 66 % of his salary at retirement. The CEO can apply for early retirement when he turns 60 years old. If the CEO has held his position for at least five years at the time of his departure, he will be granted full pension rights at age 62. The pension will be coordinated to include earnings from prior employments. The CEO has an agreement of maximum 2 years pay if asked to resign by the Board of Directors. The CEO has no bonus agreement.

The management that reports directly to the President and CEO have a bonus agreement of up to 3 month salary if all criterias are met. They also have in their agreements that their total pension at pensionable age will be 60 % of their salary at the time of retirement with a right to retire at the age of 62.

Year-end balances arising from sales/purchases of goods/services

	2008	2007
Receivables from related parties:		
Associates	64	260
Minority shareholders	3	4
Business owned by the Government through Ministry of Transport and Communication	116	14
Total	**183**	**278**

Payables to related parties:	2008	2007
Associates	100	101
Minority shareholders	7	7
Joint venture	9	9
Business owned by the Government through Ministry of Transport and Communication	5	20
Total	**121**	**137**

Loans to related parties:	2008	2007
Associates	58	0
Total	**58**	**0**

There are no borrowings from related parties.

Guarentees:

The company has guaranteed for an agreement of transportation. The guarantee is 70 MNOK (2007: 70 MNOK). NSB AS has also guaranteed for the pension obligations if Nettbuss AS no longer would exist, which means that the transferring agreement of 1974 can be used. The consequence is that Nettbuss AS can not make changes in its pension without first getting approval from the Board of Director's in NSB AS.

35 Risk analysis

This table shows future maturities for the Group's liabilities as at 31st of December:

Liquidity risk	**< 1 yr**	**1-2 yrs**	**2-5 yrs**	**> 5 yrs**
Non-current liabilities	3 494	0	0	0
Borrowings	647	904	1 273	1 326

The cash flow numbers in the table have not been discounted.

Other risk evaluations as at 31.12.2008

Interest rate risk is calculated using the Group's non-current borrowings with interest rate swaps. The finance department uses what it sees as a possible development in the interest rate level in the coming period for its presentation:

Interest rate risk by increasing the rate by 50 points results in a calculated risk of 161 MNOK (2007: 50 points -48 MNOK).

Foreign currency risk is calculated using the Group's non-current borrowings in foreign currency (EUR and CHF) including currency swaps. The finance department uses what is seen as a possible development in the foreign currency in the coming period for its presentation:

The currency risk for EUR by an increase of 10 % shows a calculated risk of 12 MNOK (2007: 10 % 1 MNOK).
The currency risk for CHF by an increase of 10 % shows a calculated risk of 33 MNOK (2007: 10 % 0,6 MNOK).

The risk related to electricity swaps is calculated as a change from discounted cash flows on realised and unrealised contracts in a dynamic model for market price on electricity. The changes in the factors in the analysis performed by the finance department, is expectations on development of the interest rate (NIBOR) and average change in market price on electricity compared to the price on the balance sheet date.

Risk on electricity swaps with an average inflation of 20 % and interest increase of 50 points shows a calculated risk of -2 MNOK (2007: 20 % and 50 points -1 MNOK).

Group management has given the wholly owned subsidiary Finse Forsikring AS extended limits in relation to placement and surplus liquidity. The company has made investments in four noted mutual funds in the Oslo stock exchange; Skagen Global, Nordea Internasjonale aksjer, Storebrand Global Quant Equity og Delphi kombinasjon. The presentation shows the effect on the result before tax on given decline in value on the portfolio compared to value on the balance sheet date:

Portfolio risk by a decline in value of 32 % gives a calculated risk of -11 MNOK (2007: 32 % 15 MNOK).

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2008 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 11th of March 2009

Ingeborg Moen Borgerud
Chairman of the Board

Christian Brinch

Bjarne Borgersen

Bente Hagem

Tore Heldrup Rasmussen

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To the Annual Shareholders' Meeting of NSB AS

Auditor's report for 2008

We have audited the annual financial statements of NSB AS as of December 31, 2008, showing a profit of NOK 216 000 000 for the parent company and a profit of NOK 3 000 000 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 annual financial statements comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity, the accompanying notes and the group accounts. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements. 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 laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards 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 give a true and fair view of the financial position of the Company and the Group as of December 31, 2008 and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information 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, March 11 2009
PricewaterhouseCoopers AS

Merete Stigen
State Authorised Public Accountant (Norway)
Note: This translation from Norwegian has been prepared for information purposes only.

Owner control and corporate governance

1. Background

The Board of Directors approved in 2005 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 shareholders, the capital markets and other interested parties have towards the company.
NSB AS and the NSB Group have one shareholder, the 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.

2. Nature of business and ownership

NSB is one of Norway's largest transport group. 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 the operations are spread throughout most of Norway and in 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:

- Train passenger traffic operations consist of NSB AS, its subsidiary NSB Gjøvikbanen AS and Svenska Tågkompaniet AB.
- 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.
- The Real estate operation consists of the ROM Group.
- Included in Support functions are the workshop and maintenance functions for trains, the Mantena Group and NSB Trafikkservice AS, as well as the administrative support functions of Finse Forsikring AS and the Arrive Group.

3. Dividend policy

The present long-term plans and needs for investments in the coming years should be of importance when deciding the level of dividend. Taking into consideration that NSB is a production company with a high level of locked up capital, NSB should have an equity share of more than 40 % to be able to have a sufficient degree of capital financing for its investments.

4. 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. There is no formal election committee. 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.

5. 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 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.

6. The standards of value and ethical guidelines
In connection with the annual plan process, the Board of Directors has revised and approved a common level of values which will be a guidance and set demands on employees' behavior, and to contribute so that the Group will reach its vision and goals. The Board of Directors has established ethical guidelines for the Group.

7. 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.

8. 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. Similarly, the Ministry of Transport has entered into an agreement with NSB's subsidiary NSB Gjøvikbanen AS (formerly NSB Anbud AS) regarding operation of the Gjøvik line.

9. 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.

10. Compensation to the Board and leadership in the company
The Board of Directors evaluates the President and CEO's working and salary conditions on an annual basis, and reviews the compensation of key management. The board will annually evaluate guidelines for compensating members of the key management. Information on the compensation of the board and key management is included in notes to the financial statement.

11. 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. The Board of Directors hosts an annual meeting with the auditor where the President and CEO will not be present. The auditor attends the General Assembly.

12. 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.