ANNUAL REPORT 2009

NSB-GROUP

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Important Events 2009

New double tracks on the Jær line
On 16th of November the first train used the new double tracks on the Jær line. 14th of December was the first day with 15 minute frequency between Sandnes and Stavanger.

Quicker development in Vestfold
Approvement has been made to construct double tracks between Holm-Holmestrand-Nykirke on the Vestfold line in one continuous operation.
The Government decided that the Holmestrand station is to be built inside the mountain, and there will be a continuous tunnel inside this mountain that will be 12,3 km long. The speed for this stretch increases from 200 km/h to 250 km/h. Before starting this project, an external quality securing of plan documents and expense quotations must be performed. This can only be completed after the regulation plan has been approved for this project. With a normal implementation it is probable to believe that construction can start within the first six months in 2010.

NSB saves millions on their environmental project
NSB's work on reducing the energy consumption has given good results for both NSB and the environment. The project started in 2005 with a target to save energy equal to consumption of 3000 households (60 million KWh) in the course of a four year period. After two years the target was attained. Despite the fact that 90 percent of NSB's trains run on environmental friendly and renewable water power, it is good environmental politics in saving as much power as possible. In addition to the environmental reward, NSB has reduced its energy expenses with about 35 MNOK annually since the start of the project in 2005 and through 2009.

Among the eight best
The late night train between Trondheim and Bodø is among the eight best train lines in Europe. It is Lonely Planet that has published this nomination and NSB is in good company. The following lines are included: Moscow - St. Petersburgh, London - Fort William, Paris – Venice, Trondheim – Bodø, Amsterdam – Copenhagen, Budapest – Split, Prague – Krakow and Thessaloniki-Istanbul.

Success and anniversary on the Bergen line
The Bergen line celebrated 100 years on the 27th of September. There were plenty of coverage in newspapers, television and radio. NRK TV broadcasted the whole trip from Bergen to Oslo in just one show. This was one of Norway's most watched television shows in 2009. His Majesty King Harald was present during the celebration in Bergen.

New locomotives in freight train operations
Ten new locomotives have been added to operations during the course of 2009 and they have better resource utilization and are equipped with equipment that allows electricity to be fed back while breaking.
The cargo volume that is being transported by train would otherwise have had to be transported on highways, so they are spared about 800.000 trucks annually.

Mantena in Sweden
After having won the tender bid on maintenance of the underground in Stockholm, together with MTR Corporation, Mantena took over responsibility on the 2nd of November. After winning another tender bid, Mantena also took over the responsibility of maintenance of Pågatog in a brand new workshop in Helsingborg in Skåne.

The CEO and Presidents Report 2009

NSB has an important social mission in providing efficient, available, safe and environmental friendly passenger and freight transport.

Regrettably, NSB has not been able to supply good quality transport services during the demanding winter conditions of 2009/2010. The cold winter combined with periodically large snow falls has led to operational challenges such as faults in infrastructure and trains. Low punctuality and regularity has unfortunately affected our customers during parts of the year.

Improvement measures
Even though a large portion of the operational problems this winter is due to a non modern infrastructure with major lags in maintenance, my main focus is that we in NSB shall do our outmost to reduce the operational deviations and the disadvantage to the customers. To improve the availability of operational trains we have put large resources into maintenance and thawing of trains, and we have started the building of 50 new passenger train sets which partly shall replace the oldest trains and partly give a higher capacity. We also invest substantially to modernize a large portion of our older trains. During this year NSB will assess whether we shall call the option to increase the order for new train sets.

This winter NSB has had a substantial number of buses ready at various locations to ensure alternative means of transport when trains are delayed. It is however hard to supply enough buses at sudden large deviations and delays. NSB cooperates with the bus companies to be better prepared for such cases.

The information to the customers shall be improved – for example through electronic warning and better information in the trains. NSB cooperates with the Norwegian National Rail Administration to give better information at the train stations.

February 1st NSB introduced new levels of delay compensation to the customers.

Infrastructure improvement required
The large operational deviations this winter show that there is a need for a major renovation of railway infrastructure. A large part of the infrastructure faults can be related to lags in maintenance and old systems. This combined with high local capacity utilization leads to a vulnerable transport system.

To be able to give the customers a more predictable and attractive offer, it is necessary to catch up with the maintenance lag and to build modern railway infrastructure with the necessary increased transport capacity.

NSB's view is that it is necessary to build modern double tracks in all the InterCity area in eastern Norway, and 4 tracks near and through Oslo. In NSB's view it is important that the government and parliament decide a date on which each of these tracks shall be completed.

It is also important to increase the capacity of the main tracks between regions so that it is possible to run 600 meter long freight trains every second hour.

Results 2009
The NSB-Group profits were positive in 2009, and the fourth best result for the last 10 years. The profit before tax was 497 MNOK. For four of the last five years the NSB-Group has had a good return on equity, and for the period 2006 – 2009 the Group has paid over 1 billion NOK in dividends to the owner. Based on the profit for 2009 a further 172 MNOK will be paid as dividend in 2010. The Group profit is primarily related to development and sale of property and improved bus operations. The world economic downturn has also affected NSB negatively, and the freight volumes and profits have suffered.

The future
In my view the railway and public transport have a bright future due to the need for better environmentally effective and energy efficient transport solutions. To succeed society must be willing to give priority to the required maintenance of and investment in a modern and well-functioning railway.

A modern railway infrastructure will improve business competitiveness and give future generations a good offer of public transport. In addition this will have positive effects on the environment.

NSB has planned a significantly better route offer in the Oslo area from 2012/2013 when the new double track Lysaker-Asker is completed and the new trains will be put into operational use.

We in NSB will do our outmost to develop the railway of the future and to offer our customers satisfactory public transport each and every day.

Einar Enger

NSB AS

Board of Directors Report NSB-Group 2009

2009 development

- Considerable increase in operating profit
- Improved profit in the bus and real estate operations
- Return on capital increased to 4.7 %
- The number of bus passengers at the same level as last year
- A minor reduction in the number of train passengers
- Reduced freight volumes

Punctuality is at the same level as in 2008, but with distinct fluctuations during the year. This is mainly due to infrastructure problems as well as snow and cold weather affecting the operability of the rolling stock. Customer satisfaction is stable, but the company reputation was somewhat lower than last year.

Profit before tax is 497 MNOK (previous year's number in brackets)
Profit before tax for the Group for 2009 is 497 MNOK (69 MNOK). The operating result is 550 MNOK (105 MNOK). The improved operating result is mainly due to:

- Increased profit in the bus operations, mainly due to reduced diesel costs, improved operations and a reduction in contract depreciation
- Reduction in insurance and accident costs
- Increased gain on sale of property, mainly related to sale of property in Bjørvika, Oslo

Net financial income of - 53 MNOK (- 37 MNOK) is 16 MNOK higher than in 2008. This is mainly due to higher borrowings.

Traffic safety
No passengers or employees perished in connection with the NSB-Group´s rail operations in 2009.

In passenger traffic (rail) in Norway one person perished after an accident at a crossing at Gjøvikbanen. Three passengers were seriously injured, one while disembarking, one due to lumps of ice from a passing train, and one due to a collision. The number of minor injuries was reduced in 2009. There were no deaths or serious injuries related to the passenger traffic (rail) in Sweden.

In the freight traffic (rail) no deaths or serious injuries were registered in 2009.

In the bus segment, four people perished in accidents where Nettbuss was involved. Neither the company nor the drivers were given blame in any of the accidents.

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.

The rail infrastructure still has weaknesses in regards to the technical barriers against collisions. After a slow progress the Norwegian National Rail Administration started several improvement projects in 2009. These projects need priority to reduce the risk for collisions.

Punctuality marginally improved
NSB passenger rail punctuality was marginally above 85 % in 2009, which is 5 percentage points below the goal of 90 %. Punctuality improved by one percentage point from 2008 to 2009, but large variations in punctuality have occurred, especially during periods of the year with challenging weather. The NSB share of delay minutes for its own passenger trains is 32 %, which is a marginal decrease compared to last year.

NSB has increased the maintenance of rolling stock due to problems with snow and ice as well as other operational faults. Infrastructure faults have also 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 rail tracks, signalling systems and power cables in the Oslo tunnel as well as for other track sections.

Punctuality for the Swedish subsidiary Svenska Tågkompaniet AB was 94 %, and for NSB Gjøvikbanen AS in Norway 88 %.

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

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 (55 % ownership)
- The real estate operations consist of the Rom Eiendom-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.

The articles of association were changed in a general assembly 15th of December 2009, and the company social mission is specifically described as to provide efficient, available, secure and environment friendly passenger and freight transport.

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. Risk within financial reporting is evaluated through risk analysis of specific areas and periodic follow-up meetings with the 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 the periodic financial reports.

Goals and strategies

The NSB-Group main goal is to create value for owner and community, through high safety, energy and environment efficient transports, efficient operations and profitable 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

Passenger train operations

Operating income for passenger train operations was 4 768 MNOK (4 605 MNOK), an increase of 3.5 % compared to the previous year. The number of passenger kilometres in the Norwegian market was reduced by 1 %, while the number of passengers was reduced by 1.7 % compared to last year.

The operating profit at 24 MNOK (48 MNOK) was reduced by 24 MNOK compared to 2008. The reduction is mainly due to a weaker market and increased cost related to maintenance and deviation management.

Customer satisfaction (KTI) is at the same level as in 2008. KTI for local trains reached 60 and regional trains 71. Measurement of the level of public reputation placed NSB 59th (54th) among the country's 116 largest companies, somewhat weaker than previous year. NSB's reputation regarding environmental and public responsibility is however high.

The project regarding purchase of 50 new trains has concentrated on production start, and the trains are planned to become operational in the period 2011 to 2013. Increased maintenance facilities have been ordered.

There has been at stronger downturn in the Swedish market, which has affected the number of passengers in our Swedish operations negatively. Our subsidiary Svenska Tågkompaniet AB has won a contract in Värmland, and operations started in December.

Bus operations

The operating profit is 103 MNOK (- 64 MNOK). The Nettbuss Group's operating income for 2009 is 3 897 MNOK (3 692 MNOK), an increase of 5.5 % from the previous year. The operations in Sweden and Denmark still have potential for improvement.

The bus operations transported 104 million passengers (104), the same level of volume as 2008. The express bus TIMEkspressen transported 4.4 million passengers, compared to 4.5 million in 2008.

The customer survey for 2009 shows that the customers perceive our product quality as satisfactory. Customer satisfaction is at 73 points of a potential of 100. The score for TIMEkspressen was 80.

Nettbuss Lillestrøm AS started three new public transport contracts during 2009, and has won new contracts in Bærum, Trondheim, Skien and Jaren. In Sweden public transport contracts were won in Halland, Borås and Jönköping.

Freight train operations
The freight train operations are affected by the economic downturn, and showed a negative development in 2009. Operating income decreased by 11 % to 1 511 MNOK (1 703 MNOK). Operating profit for the freight train operations is - 73 MNOK (- 21 MNOK).

Transport of industrial and consumer goods is considerably reduced. Restructuring and efficiency measures have been initiated, but have not fully compensated for the strong market downturn. 10 new locomotives with improved capacity and back feed of electric power have been put in operation during the year.

A punctuality of 88 % in Norway and 89 % in Sweden was achieved in 2009.

Real estate operations
The strategy of the real estate operations is to develop, operate and sell property to contribute to the success of the NSB-Group core business. The real estate operations comprise a rental area of approx. 730.000 square meters, and property development potential of about 2 million square meters, and achieved a operating profit of 454 MNOK (104 MNOK). The improvement is mainly due to an increased gain of 274 MNOK on sale of property.

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 risk expenses.

Mantena AS started operating two maintenance bases in Sweden during the autumn of 2009.

The operating result for the support functions is 41 MNOK (40 MNOK).

Economic development
The NSB-Group has a profit after tax of 311 MNOK (3 MNOK), an improvement of 308 MNOK. The operating profit is 550 MNOK (105 MNOK), an improvement of 445 MNOK. The change is due to increased gain on sale of property and improvement in the bus operations.

The parent company NSB AS shows a profit after tax, for the year, of 220 MNOK (216 MNOK). Group contributions from subsidiaries in the amount of 107 MNOK (157 MNOK) are included in the result. Operational profit is 44 MNOK (54 MNOK). The reduction is mainly due to increased maintenance costs.

The Group net cash flow from operations is 786 MNOK (1 293 MNOK). The difference from operating profit consists mainly of depreciation and impairment of 1 024 MNOK, fair value gains/losses on derivative financial instruments and other changes in the balance sheet accounts. Net cash flow used for investments is 1 558 MNOK (2 382 MNOK). This includes 2 018 MNOK in the acquisition of property, plant and equipment. Furthermore, 14 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 7 105 MNOK (6 900 MNOK). The equity ratio is 48 % (47 %). Distributable equity for the parent company before dividends for this year is 1 569 MNOK. For the NSB-Group, owner's equity is 6 737 MNOK (6 421MNOK) an equity ratio of 37 % (38 %). 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 Group return on equity is 4.7 % (0 %).

The Group current liabilities are 4 661 MNOK, of which 1 026 MNOK are current borrowings due for repayment in November 2010.
The Board proposes the following allocation of the result of the parent company NSB AS:

Dividend	172 MNOK
Allocated to retained earnings	48 MNOK
Sum allocated	220 MNOK

The Group profit after minority interest is 345 MNOK, of which 172 MNOK is proposed as dividend.

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

Financial risk
The Group 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 overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group financial performance. The Group utilizes derivative financial instruments to reduce some of the risk exposures. The NSB-Group 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, the papers are however normally held until maturity. Limits for exposure towards certain sectors and institutions are established based on credit evaluations.

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 has covered its borrowing needs satisfactorily during 2009, but at margins somewhat higher than previous years. The market has improved during the year, but there is still uncertainty related to which margins will be achieved in 2010. NSB has a high focus on financial risks and how to minimize these.

Work environment
Absence due to illness for the Group is 9.1 % (8.7 %). All major business areas have experienced an increase. The group level of absence approximately followed the same development as the rest of the country and the transportation industry.

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 project to reduce energy consumption in NSB AS will continue until 2012 with a goal of 100 GWh reduction. As per 2009 a reduction of 80 GWh is achieved. This corresponds to the annual energy consumption of 4 000 households.

The development properties of the real estate operations have been mapped for possible environmental damage, and reports have been made for each property. Mapping of possible environmental damage in soil at operational sites has been started. The cleaning process at Brakerøya has started, and will be finished during 2010.

The bus operations have started to certify its business according to ISO 14001. Four operational companies were certified during 2009, and five have commenced the same process in 2010. In the Norwegian part of the bus operations about 50 % of the operations are certified according to ISO 14001.

Universal design and availability
NSBs aim is to make train transport available for everyone. Universal design and availability is an important criterion when ordering new or major refurbishment of trains. The real estate operations emphasize universal design and availability in all their building and refurbishment projects.

Equal rights
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. NSB wants to emphasize diversity which reflects a cross section of the Norwegian society. Recruitment shall ensure that all potential recruits have equal possibilities.

The share of female employees in NSB AS has increased from 30 % to 31 % in 2009. The share of females in leadership positions in the NSB-Group´s 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. The share of females in the passenger train operations leadership group is 43 %.

The female share of recruitment in NSB AS was 37 % in 2009. The average salary has increased more for women than men. The share of women with the lowest salaries has been reduced from 51 % in 2008 to 47 % in 2009, while the share of women with high salaries has increased from 25 to 28 %.

The share of employees in NSB AS with an immigrant background is 6.0 %, an increase from 4.4 % in 2008.

Future challenges

The operational problems in the rail traffic in December 2009 and January 2010 show that in a country with severe variations in temperature and weather high quality rail infrastructure and rolling stock is required. In addition the time table needs to be robust and adapted to the quality and capacity of the rail infrastructure at any time. The problems regarding punctuality and regularity show that these critical factors have not fully been taken into consideration. Our customer satisfaction and reputation suffers as a consequence. To reduce the disadvantages for the passenger rail customers the maintenance and bus capacity has been increased, and new compensation levels have been introduced.

The production of 50 new trains to modernise and facilitate growth when the new double track Lysaker-Asker is finished in 2011/2012 is well under way. At the same time older carriages and train sets are being refurbished. This is expected to give positive effects on the punctuality and regularity which NSB is able to affect. At the same time operational staff will be recruited to facilitate higher production from December 2012.

The board of directors believes that even though NSB has real challenges regarding customer quality and the effects of the economic downturn, the future gives positive possibilities. Parliament and government signal that more funds will be available for infrastructure maintenance and capacity enhancement. To ensure stable train operations it is crucial that the improvement of rail infrastructure is implemented as soon as possible.

Through the freight operations NSB saves the environment and roads in Norway and Sweden by avoiding 800 000 long haul truck transports annually. The freight operations offer a high frequency network to be an attractive business partner for the transport business in Norway and Sweden, and to offer good links to the rest of Europe.

The bus operations are well prepared for future competition through its strategic positioning, organisation and present customer satisfaction. The market for heavy bus maintenance and the coach market is expected to improve after a weak 2009, while the market for public transport is expected to stay stable.

During the next years there will be considerable construction activity in and near the central railway stations. Østbanehallen at Oslo S will be refurbished, the new NSB School at Sundland will be finished, and the stations at Drammen and Lillehammer will be rebuilt. The real estate operations will also commence the building of new maintenance facilities to facilitate new trains and increased production from December 2012.

The Board of Directors and management will primarily focus on achieving higher quality in the NSB-Group's own delivery to the customers, but also work hard to influence Jernbaneverket (the Norwegian National Rail Administration) to improve the quality of the rail infrastructure. In the short term NSB is developing a plan to improve rolling stock availability, handling of deviations, and to give up to date and relevant customer information related to production deviations. In the medium term NSB plans to improve its route offer from December 2012.

The Board would like to thank the NSB-Group´s employees for their efforts in 2009.

Oslo, 18th of March 2010

Ingeborg Moen Borgerud
Chairman of the Board

Christian Brinch | Bente Hagem | Tore Heldrup Rasmussen

Bjarne Borgersen | Audun Sør-Reime | Øystein Aslaksen

Jan Audun Strand

Einar Enger
President and CEO

Income statement

(ALL FIGURES IN MNOK)

	Note	2009	2008
Operating revenue	5	**10 917**	**10 329**
Operating expenses			
Payroll and related expenses	24	5 309	5 091
Depreciation and impairment	25	1 024	956
Other operating expenses	26	4 034	4 177
Total operating expenses		**10 367**	**10 224**
Operating profit		**550**	**105**
Net financial income	27	-49	-57
Share of (loss)/profit in associates	9	-4	20
Total financial items		**-53**	**-37**
Profit before income tax		**497**	**69**
Income tax expense	19	186	66
Profit for the year		**311**	**3**
Minority interests		-34	-17
Equity holders		345	20
Other comprehensive income			
Profit for the year		**311**	**3**
Currency translation differences		20	1
Other comprehensive income for the year, net of tax		**331**	**4**
Attributable to:			
Minority interests		-34	-17
Equity holders		365	21
Total comprehensive income for the year		**331**	**4**

Balance sheet at 31st of December

ASSETS	Note	2009	2008
NON-CURRENT ASSETS			
Intangible assets	6	233	273
Property plant and equipment	7	10 727	9 926
Investment property	8	1 175	1 059
Investments in associates	9	73	118
Financial assets		288	64
Total non-current assets		**12 496**	**11 440**
CURRENT ASSETS			
Inventories	10	1 965	1 488
Assets held for sale	11	0	48
Trade and other receivables	12	1 578	1 333
Derivative financial instruments	13	612	1 225
Other financial assets at fair value through profit/loss	14	773	436
Cash and cash equivalents	16	858	1 150
Total current assets		**5 786**	**5 680**
Total assets		**18 283**	**17 120**

EQUITY AND LIABILITIES

EQUITY	Note	2009	2008
Ordinary shares and share premium	17	5 536	5 536
Retained earnings		1 035	683
Minority interests		166	202
Total equity		**6 737**	**6 421**
LIABILITIES			
Long term liabilities			
Borrowings	18	4 881	4 730
Deferred income tax liabilities	19	399	233
Retirement benefit obligation	20	1 321	1 327
Provisions for other liabilities and charges	21	284	223
Total long term liabilities		**6 885**	**6 513**
Short term liabilities			
Trade and other payables	22	3 476	3 129
Tax payable	19	111	268
Borrowings	18	1 026	723
Derivative financial instruments	13	48	67
Total short term liabilities		**4 661**	**4 187**
Total liabilities		**11 546**	**10 699**
Total equity and liabilities		**18 283**	**17 120**

Oslo, 18th of March 2010

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

	Note	2009	2008
Cash flow from operating activities	23	**1 305**	**1 868**
Interest paid	27	-372	-320
Income tax paid		-147	-255
Net cash flow generated from operating activities		**786**	**1 293**
Additions/disposals of investments in associates	9	45	-1
Purchase of property, plant and equipment (PPE)	7,8	-2 018	-2 703
Proceeds from sale of PPE	7,8,23	330	100
Purchase of intangible assets	6	-1	-17
Loans given to associates/joint venture	30	-215	-58
Interest received	27	296	289
Dividends received	27	5	8
Net cash flow from investment activities		**-1 558**	**-2 382**
Proceeds from borrowings	18	1 805	3 049
Repayment of borrowings	18	-1 301	-1 000
Dividends paid to company's shareholders	17	-14	-402
Dividends paid to minority interests		-1	0
Net cash flow from financing activities		**489**	**1 647**
Net (decrease)/increase in cash, cash equivalents and bank overdraft		-283	558
Cash, cash equivalents and bank overdrafts at 1st of January		1 150	591
Foreign exchange gain/loss on cash and cash equivalents		-9	1
Cash, cash equivalents and bank overdrafts at 31st of December		**858**	**1 150**

Changes in Group equity

	Note	Ord. shares and share premium	Retained earnings	Minority interest	Total
Balance at 1st of January 2009	17	5 536	683	200	6 419
Profit for the year			345	-34	311
Currency translation differences			20		20
Dividends	17		-14	-1	-15
Balance at 31st of December 2009		5 536	1 035	165	6 737
Balance at 1st of January 2008	17	5 536	1 068	217	6 821
Profit for the year			20	-17	3
Currency translation differences			-1		-1
Dividends	17		-402		-402
Balance at 31st of December 2008		5 536	683	200	6 421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2009

All numbers in the report are in MNOK.

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The consolidated financial statements were approved by the Board of Directors on 18th of March 2010.

1. ACCOUNTING PRINCIPLES FOR THE NSB-GROUP

1. General information

NSB AS (*the company*) and its subsidiaries (the *Group*) do business in the following areas:

- Passenger transport operations by train and bus
- Freight transportation by train
- Real estate operations
- Support functions, such as, workshop, maintenance and cleaning the trains in addition to insurance operations.

The NSB-Group has its main office in Oslo. All the shares are owned by the Norwegian Ministry of Transport and Communication.

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.

New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1st of January 2009:

- IFRS 7 *Financial instruments - Disclosures* (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk, including information about which measurement hierarchy is to be used when measuring fair value. This change only impacts the presentation.

- IAS 1 *Presentation of financial statements* (revised). The revised standard prohibits the presentation of items of income and expenses in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. The consolidated statement of changes in equity presents all owner changes in equity as prior years, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. This change only impacts the presentation.

- IAS 23 *Borrowing costs*. Borrowing costs related to qualifying assets are capitalized as part of the cost of that asset. The Group recognizes all other borrowing costs as an expense immediately. This change has no impact on the financial statements.

- IFRS 8 *Operating segments* replacing IAS 14. The new standard requires use of a leadership approach where the segment information is presented in the same manner as with internal reporting. This is in accordance with prior reports.

- IFRIC 15 *Agreements for construction of real estates*. The interpretation clarifies whether IAS 18, *Revenue*, or IAS 11, *construction contracts*, should be applied to particular transactions. This change has no impact on the financial statements.

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

The following standards, amendments and interpretations of existing standards have been published, and will be mandatory for the Group in the accounts starting 1st of January 2010 or later, without the Group electing early adoption

- IFRS 3 (revised), *Business combinations.* The acquisition method to business combinations has been revised. All payments to purchase a business are to be recorded at fair value at the acquisition date. Contingent payments is normally classified as debt and subsequently re-measured through the income statement. The Group can decide on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets excluding goodwill. All acquisition-related costs should be expensed. This standard will apply prospectively to all business combinations from 1st of January 2010.

- IFRS 5 *Measurement of non-current assets (or disposal group) classified as held-for-sale* (revised). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). It is not expected to have a material impact on the financial statements.

- IFRS 9, 'Financial Instruments' (effective on or after 1st of January 2013) replaces the rules in IAS 39 for financial assets. Measurement in IFRS 9 is decided by the Group's business model and characteristics of the individual financial asset. A financial asset is measured at amortized cost if the objective for the Group's business model is to hold the asset to receive contractual cash flows and these cash flows only consists of installments and interest on outstanding amounts. The Group and parent company has not completed its evaluation of the effects of IFRS 9.

- IAS 1 *Presentation of financial statements* (amendment). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. The amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IAS 24 (amendment), 'Information about related party transactions' (effective on or after 1st of January 2011). The amendment means easing of information demands regarding related party transactions. The Group does not have public related parties. This amendment is not expected to have any future effects on the principle notes for either the Group or the parent company.

- IAS 27 *Consolidated and separate financial statements* (revised). The revised standard requires the effects of all transactions with non-controlling 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. When control ceases to exist, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1st of January 2010.

Amendments and interpretations to existing standards that is not yet effective and not relevant for the Group's operations have not been commented.

2.2 Consolidations

(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.

(c) *Joint venture*

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. In subsidiaries where we own 50 %, but do not have control, the companies are included as an associate. 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 note 2.6).

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 information

Operating segments are reported in the same manner as internal reporting to the Group's chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocation of resources to and evaluating profitability within the operating segments is defined as the Group leadership.

a. 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.

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 on 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.

(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) for sale
Fixed assets (or groups of disposals) classified as assets 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.
Prepayment on contracts is classified as property, plant and equipment.

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.

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 from 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. Derivative financial instruments are classified as current assets. Power swaps has been included in operating expenses, while other derivatives have been included in net financial income.

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. If bank overdrafts are utilized, it will be included in borrowings under current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Borrowings

External fixed and floating 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 than 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.

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 to maintain an optimal capital structure to reduce the cost of capital. The target for return on capital is set at 7,2 % of the Group's equity, see Group's report, section for economic development.

3.3 Fair value estimation

Effective 1st of January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying value less impairment provision of trade receivables and payables as well as financial assets are assumed to approximate their fair values. This is justified through a short interest rate binding time.

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.

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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*

Fair value of financial instruments is separated in a three level valuation hierarchy. These three levels are:

Level 1: Fair value is measured using quoted prices from active markets for identical financial instruments. No adjustments are made based on these prices.

Level 2: Fair value is decided by use of valuation methods. These methods maximize the use of observable data when available, and use the Group's estimations as little as possible.

Level 3: Fair value is measured by input that is not based on observable market data (non-observable input).

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).

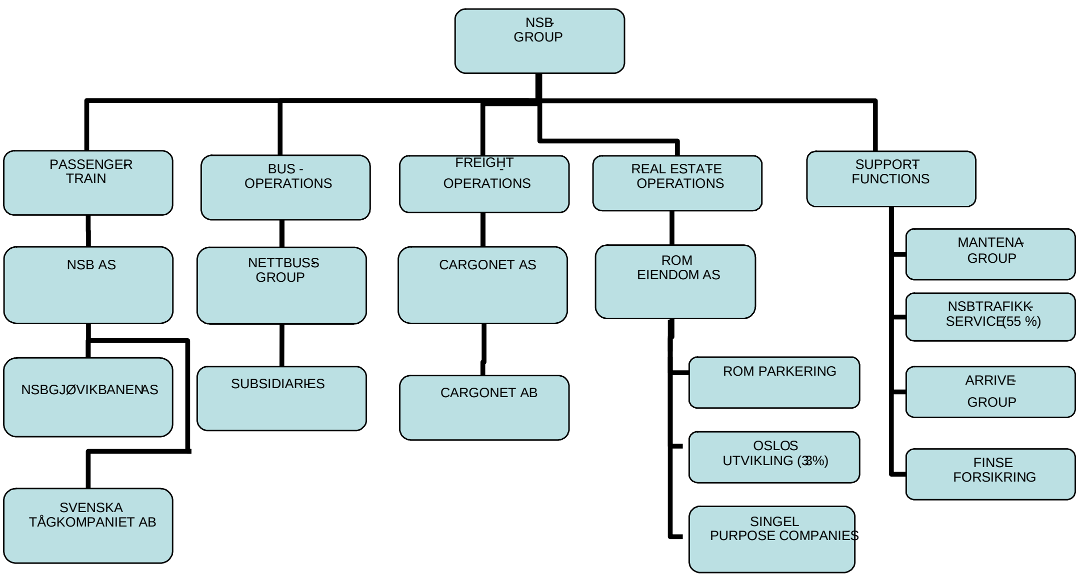
Subsidiaries	Established- / acquisition date	Registered- office	Votes and Profits %	Equity	Profit/ loss	Cap value 31st of Dec
Nettbuss AS	1 Dec. 1996	Oslo	100 %	574	22	713
Rom Eiendom AS	18 Dec. 1998	Oslo	100 %	1030	174	601
Arrive AS	1 Jul. 2001	Oslo	100 %	25	3	29
NSB Trafikkservice AS	1 Oct. 2001	Oslo	55 %	6	1	1
Finse Forsikring AS	1 Dec. 2001	Oslo	100 %	239	48	59
CargoNet AS	1 Jan. 2002	Oslo	55 %	497	1	295
Mantena AS	1 Jan. 2002	Oslo	100 %	196	-4	254
NSB Gjøvikbanen AS	1 Apr. 2005	Oslo	100 %	22	2	16
Svenska Tågkompaniet AB	1 Jan. 2007	Gävle	100 %	15	1	121
Tømmervogner AS[1]	31 Dec. 2008	Oslo	45 %	-1	0	2
Banestasjoner AS	2 Jan. 2002	Oslo	100 %	0	0	0
SUM				**2602**	**248**	**2091**

[1]Remaining shares are owned by CargoNet AS.

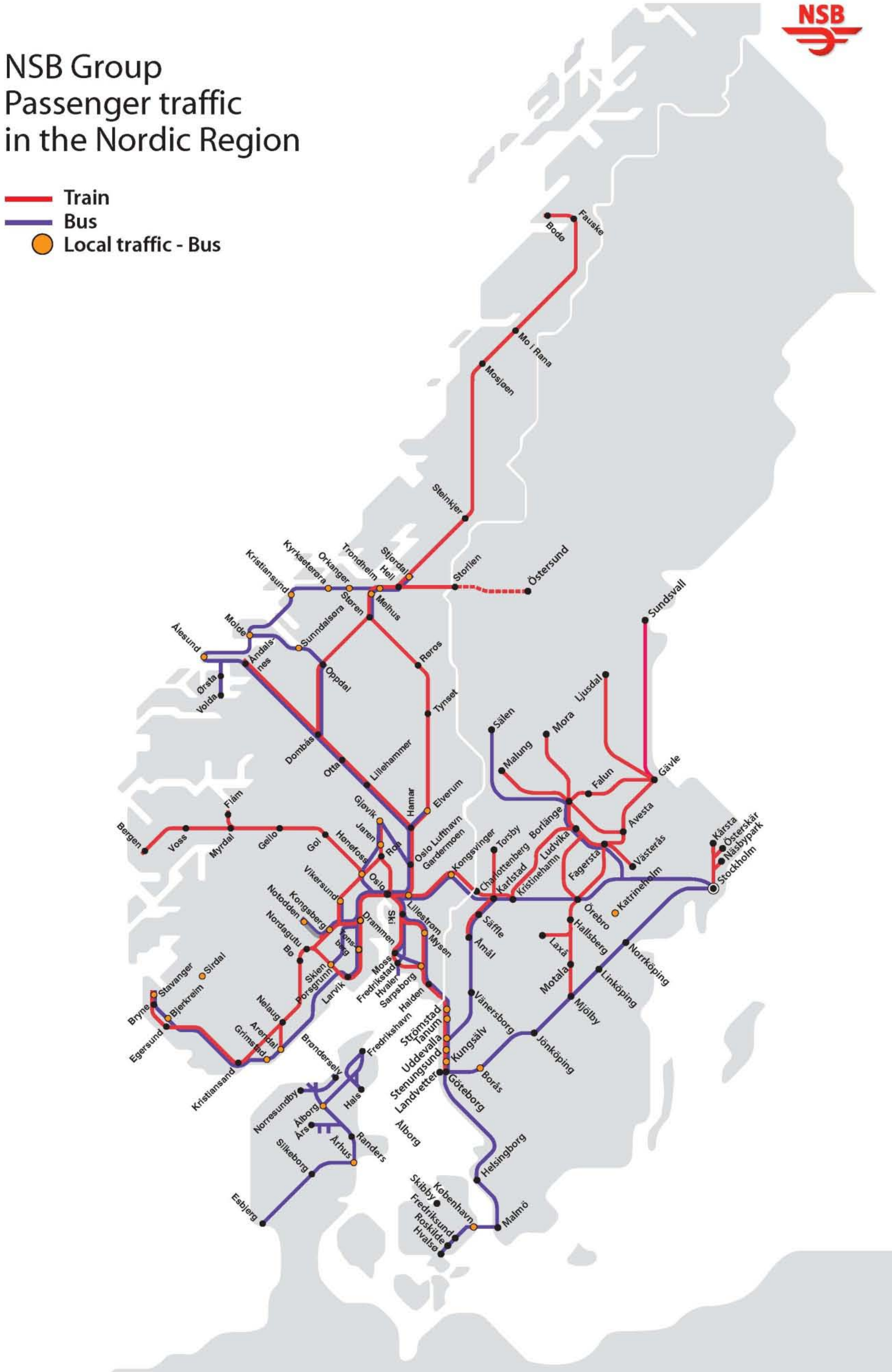
3 Group and company structure

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 the Nordic Region



5 Segment information

Business segments
At 31st of December 2009, the Group has its main activities in the following segments:
(1) Passenger train: passenger train operations
(2) Bus: passenger bus operations
(3) Freight: freight train operations
(4) Real estate: rent and development of 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.

Segment results 1.1.– 31.12.2009:

	Pass. train	Bus	Freight	Real estate	Support	Elimination	Group
Operating income	4 768	3 897	1 511	1 014	1 379	-1 653	10 916
Operating expenses	4 296	3 458	1 485	456	1 302	-1 653	9 344
Depreciation and impairm	448	336	99	104	36	0	1 023
Operating profit/loss	**24**	**103**	**-73**	**454**	**41**	**0**	**550**
Net financial income/exp.							-49
Share profit/loss associate							-4
Profit before income tax							**497**
Income tax expense							186
Net income							**311**
Assets	7 667	2 720	985	4 993	1 309		17 674
Liabilities	2 304	582	231	921	476		4 514
Investments	570	552	33	624	59		1 838

Elimination consists of internal transactions and items within the Group, including internal commerce transactions and rental of assets.

Segment assets and liabilities are reconciled as follows:

	Assets	Liabilities
Segment assets and liabilities	17 674	4 514
Not allocated;		
Derivatives	609	36
Tax payable	0	111
Total	**18 283**	**4 661**

Segment results 1.1.– 31.12.2008:

	Pass. train	Bus	Freight	Real estate	Support	Elimination	Group
Operating income	4 605	3 692	1 703	525	1 302	-1 498	10 329
Operating expenses	4 141	3 429	1 636	336	1 224	-1 498	9 268
Depreciation and impairm	416	327	89	86	38	0	956
Operating profit/loss	**48**	**-64**	**-21**	**104**	**40**	**0**	**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	0	268
Total	**17 120**	**4 187**

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 Interest rate swaps. Internal Group loans are included in the segment liabilities, but excluded in the Group liabilities.

Analysis of operating income by category	**2009**	**2008**
Transport revenue	9 557	9 475
Sales revenue	298	2
Other revenue	1 062	853
Total	**10 917**	**10 329**

The Group has one customer that constitutes more than 10 % of operating income. The government's public purchase from the NSB-Group is included in note 30.

6 Intangible assets

	Goodwill	Other	Total
At 1st of January 2009			
Accumulated acquisition cost	383	103	486
Accumulated amortisation and impairments	-180	-33	-213
Total	**203**	**70**	**273**
Year ended 31st of December 2009			
Opening net book value 01.01	203	70	273
Exchange differences	-2	2	0
Additions	0	1	1
Impairments	-21	0	-21
Depreciation	-1	-19	-20
Total	**179**	**54**	**233**
At 31st of December 2009			
Accumulated acquisition cost	377	106	483
Accumulated amortisation and impairments	-197	-52	-249
Total	**179**	**54**	**233**
At 1st of January 2008			
Acquisition cost	364	91	455
Accumulated amortisation and impairments	-144	-12	-156
Total	**221**	**79**	**299**

Year ended 31st of December 2008			
Opening net book value 01.01	221	79	299
Exchange differences	1	2	3
Additions	14	10	23
Acquisition of subsidiary	0	2	2
Disposals	0	-2	-2
Impairments	-32	-2	-34
Depreciation	0	-19	-19
Total	**203**	**70**	**273**

Prepayment for purchase of new trains is transferred to property, plant and equipment, note 7 for 2008 has been revised for comparison purposes.

Goodwill applies to the Nettbuss-Group and is allocated as follows:

	2009	2008
Norway	180	181
Sweden		11
Denmark		11
	180	203

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

Sweden:
Orusttrafiken AB
Säfflebussen AB

Denmark:
Netbus Danmark AS

7 Property, plant and equipment

	Machinery & equipment	Transportation	Land and buildings	Prepaid trains	Under construction	Total
At 1st of January 2009						
Accumulated acquisition cost	2 118	14 562	1 210	1 087	908	19 885
Accumulated depreciation	-1 507	-7 922	-526	0	-3	-9 959
Total	611	6 639	684	1 087	905	9 926

Year ended 31st of December 2009						
Opening net book value 01.01.	611	6 639	684	1 087	905	9 926
Exchange differences	-4	-74	-1	0	0	-80
Transferred from associates to joint venture	0	0	26	0	155	181
Additions	315	792	241	88	959	2 395
Disposal	-39	-232	-1	-44	-532	-848
Accumulated depreciation disposals	37	207	0	0	0	244
Transferred to investment properties	0	0	0	0	-156	-156
Depreciation	-177	-688	-64	0	0	-929
Impairments	0	-5	-1	0	0	-6
Total	742	6 640	883	1 131	1 330	10 727
At 31st of December 2009						
Accumulated acquisition cost	2 390	15 048	1 475	1 131	1 330	21 373
Accumulated depreciation, impairments	-1 648	-8 408	-592	0	0	-10 647
Sum	742	6 640	883	1 131	1 330	10 727
At 1st of January 2008						
Accumulated acquisition cost	1 811	14 152	1 283	166	823	18 236
Accumulated depreciation	-1 241	-7 758	-543	0	-3	-9 545
Total	571	6 395	739	166	820	8 691
Year ended 31st of December 2008						
Opening net book value 01.01.	571	6 395	739	166	820	8 691
Exchange differences	3	66	2	0	0	71
Acquisition of subsidiary	10	197	-40	0	0	167
Acc. depreciation acquisition of subsidiary	-7	-143	-6	0	0	-156
Additions	190	861	14	921	983	2 969
Disposal at acquisition cost	-120	-716	-48	0	-263	-1 147
Acc. depreciation disposals	117	633	42	0	0	793
Transferred to investment properties	0	0	0	0	-635	-635
Depreciation	-151	-654	-15	0	0	-820
Impairments	-2	0	-4	0	0	-7
Total	611	6 639	684	1 087	905	9 926
At 31st of December 2008						
Accumulated acquisition cost	2 118	14 562	1 210	1 087	908	19 885
Accumulated depreciation	-1 507	-7 922	-526	0	-3	-9 959
Total	611	6 639	684	1 087	905	9 926
Depreciation period	5 - 30 yrs	6 – 30 yrs	0 - 50 yrs			

*Ref note 9

Prepayment for purchase of new trains is transferred from intangible assets, note 6 for 2008 has been revised for comparison purposes.

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:

	2009	2008
Acquisition cost regarding financial lease agreements	186	214
Accumulated depreciation	46	35
Net book value 31st of December	140	179
Long term lease obligation	103	138

The agreement consists of leasing fixed assets in the bus operations.

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

8 Investment properties

Accounting for investment properties is done using the cost method.

	2009	2008
At 1st of January		
Accumulated acquisition cost	1 357	707
Accumulated depreciation	-298	-221
Total	**1 059**	**486**
Year ended 31st of December 2009		
Opening net book value 01.01.	1 059	486
Additions	18	25
Disposal	-9	-11
Acc. depreciation disposals	0	0
Transfers from property, plant and equipment	156	634
Depreciation	-46	-76
Impairments	-3	0
Total	**1 175**	**1 059**
At 31st of December		
Accumulated acquisition cost	1 521	1 357
Accumulated depreciation, impairments	-346	-298
Total	**1 175**	**1 059**

Fair value at 31st of December 2009 (including properties under construction available for sale)
At 31.12.09 the Group's investment properties had a fair value of 3 504 MNOK. By increasing the return on capital by 0,5 % the value will be reduced by 259 MNOK. By reducing the return on capital by 0,5 % the value will increase with 224 MNOK.

Fair value evaluation principles:
An independent fair value evaluation of investment- and developmental real estate of the operations' portfolio has been obtained. The fair value estimation is based on market value. The total fair portfolio value for the Group is valued at 6 868 MNOK (6 682 MNOK as of 31.12.2008).

In the fair value evaluations one has emphasized current market situation and expected availability for real estate. If one expects that general customization of real estate is necessary to make renting attractive, it has been taken into consideration during cash flow analysis. The cash flow analysis includes discounting to present value using expected return on capital.

All projects contain a risk element. This is expressed in the fair value evaluation by reducing probable value of the real estate project depending on market conditions.

Investment properties, rental income and operating exp.

	2009	2008
Rental income	344	237
Operating expenses	148	113

9 Investment in associates

	2009	2008
Book value 01.01.	118	95
Acquisition of associate	12	1
Share of profit/loss	-4	20
Exchange differences	-3	2
Other equity movements	-51	0
Net book value 31.12.	**72**	**118**

Share of profit/loss is after tax, minority interests and dividends paid. Other activity in equity is due to changes in accounting in 2009 for the share in Oslo S Utvikling AS, a change from being an associate to joint venture (see note 33). Also see note 7.

Investments in associates at 31.12.2009 include goodwill of 0 MNOK (2008: 7 MNOK).

The Group's share of profit/loss, assets and liabilities of its principal associates, all of which are unlisted, are as follows:

2009	Reg. office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Oslo S Parkering AS	Oslo	33	24	8	4	25 %
Ålmhults Terminal AB	Ålmhult	5	2	1	0	33 %
Hallsberg kombiterminal AB	Hallsberg	4	2	11	0	20 %
Nordlandsbuss AS	Bodø	70	59	78	-1	34 %
Telemark Ekspressbusstrafikk AS	Skien	7	5	22	1	50 %
Nor-Way Bussekspress AS	Oslo	15	6	36	1	25 %
Elverum Rutebilstasjon AS	Elverum	2	0	1	0	50 %
KR Trafiken AB	Østersund	96	86	81	2	25 %
Stadsbusserna AB	Østersund	14	9	25	0	50 %
Raumabanen Åndalsnes AS	Åndalsnes	0	0	0	0	16 %
Interoperabilitetstjenester AS	Oslo	9	9	4	0	33 %
Strømstad-Tanum Buss AB	Tanumshede	16	14	15	-2	40 %
Kjellgrens Busstrafikk AB	Tranemo	6	5	7	-1	40 %
Tunnelbanan Technik Stockholm AB	Stockholm	106	94	33	-1	50 %
Total		383	315	322	3	

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 %
Luleå kombiterminal AB	Luleå	2	1	1	0	75 %
Ålmhults Terminal AB	Ålmhult	4	1	1	0	33 %
Hallsberg kombiterminal AB	Hallsberg	3	2	12	0	20 %
Nordlandsbuss 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	Oslo	1	0	1	-1	20 %
Elverum Rutebilstasjon AS	Elverum	2	0	1	0	50 %
KR Trafiken AB	Østersund	77	76	81	-2	25 %
Stadsbusserna AB	Østersund	15	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	0	-1	33 %
Strømstad-Tanum Buss AB	Tanumshede	18	15	18	-1	40 %
Kjellgrens Busstrafikk AB	Tranemo	8	6	8	1	40 %
Total		702	608	317	20	

10 Inventories

	2009	2008
Spare parts and components	312	242
Not completed parts	71	33
Completed parts	8	14
Developmental property for sale	1 575	1 199
Total	1 965	1 488

11 Assets held for sale

Assets held for sale	**2009**	**2008**
Investment property/developmental property	0	48
Total	0	48

Liabilities associated with assets held for sale:	**2009**	**2008**
Trade and other payables	0	0
Provisions	0	0
Total	0	0

Net book value for loan secured in investment property held for sale is 0 MNOK (2008: 0 MNOK).

12 Trade and other receivables

	2009	**2008**
Trade receivables	1 073	926
Less: provision for impairment of receivables	-13	-20
Trade receivables - net	1 060	906
Prepayments	311	286
Other receivables	208	141
Total	1 578	1 333

The carrying amounts of the trade receivables, prepayments and other receivables approximate their fair value.

Maturity of receivables:	**2009**	**2008**
Matured receivables on balance sheet date	321	157
Matures in the next 0 - 2 months	98	118
Matures in the next 2 - 6 months	211	28
Matures after 6 months	13	9

13 Derivatives

	2009		**2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	609	-36	1 213	-32
Forward foreign exchange contracts	0	0	0	0
Energy swaps	3	-13	12	-36
Total	612	-49	1 225	-68

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:	**2009**	**2008**
This period's change in fair value:	-594	1 192
Accumulated change in fair value:	563	1 157

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31st of December 2009 were o MNOK (2008: 0MNOK).

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31st of December 2009 were 6 537 MNOK (2008: 4 208 MNOK).
At 31st of December 2009, the fixed interest rates vary from 0,57 % to 4,40% (2008: 4,44 % to 6,93%), and the main floating rates are EURIBOR and LIBOR.

14 Other financial assets at fair value through profit or loss

Listed securities	2009	2008
- Equity securities – Europe	40	33
Bonds and certificates	733	403
Total	773	436

Fair value is based on changes to original interest rate, currency exchange and spread (at recording time) in relation to market interest rate, currency exchange rates and spreads at the balance sheet date.

Effective interest rate on short term placements in the bank was 2,5 % (2008: 6 %) and the placements has an average maturity of 0 days.

Changes in fair values of listed securities at fair value	2009	2008
This period's change in fair value:	7	-13
Accumulated change in fair value:	-3	-10

15 Financial instruments by category

31st of December 2009 Assets per balance sheet	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Financial fixed assets	288	0	0	0	288
Derivative financial instruments	0	612	0	0	612
Trade and other receivables excl prepayments	1 268	0	0	0	1 268
Financial assets at fair value through profit or loss	0	773	0	0	773
Cash and cash equivalents	858	0	0	0	858
Total	2 414	1 385	0	0	3 799

Liabilities as per balance sheet	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings (excl finance lease liabilities)	5 081	0	723	5 804
Finance lease liabilities	0	0	104	104
Derivative financial instruments	48	0	0	48
Trade and other payables excl statutory liabilities	81	0	3 226	3 307
Total	5 210	0	4 053	9 263

31st of December 2008 Assets as per balance sheet	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Financial fixed assets	64	0	0	0	64
Derivative financial instruments	0	1 225	0	0	1 225
Trade and other receivables excl prepayments	1 047	0	0	0	1 047
Financial assets at fair value through profit or loss	0	436	0	0	436
Cash and cash equivalents	1 150	0	0	0	1 150
Total	2 261	1 661	0	0	3 922

Liabilities as per balance sheet	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings (excl finance lease liabilities)	4 667	0	0	4 667
Finance lease liabilities	0	0	138	138
Derivative financial instruments	67	0	0	67
Trade and other payables excl statutory liabilities	0	0	3 024	3 024
Total	4 734	0	3 162	7 896

The following table presents the group's assets and liabilities that are measured at fair value at 31st of December 2009.

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3	Sum
Bonds and certificates	0	773	0	773
Trading securities	0	0	0	0
Derivatives used for hedging	0	612	0	612
Available-for-sale financial assets:				
-Equity securities	0	0	0	0
-Debt investments	0	0	0	0
Total assets	0	1 385	0	1 385

Financial liabilities at fair value through profit or loss	Level 1	Level 2	Level 3	Sum
Borrowings and accrued interest	0	5 162	0	5 162
Derivatives used for hedging	0	48	0	48
Total liabilities	0	5 210	0	5 210

16 Cash and cash equivalents

	2009	2008
Cash at bank and on hand	858	1 150
Short-term bank deposits	0	0
Total	858	1 150

Includes restricted funds of 128 MNOK (2008: 159 MNOK)

17 Share capital and share premium

	No. of shares	Ordinary shares	Share premium	Total
Shares at 1st of January 2008	3 685 500	3 685 500	1 850 000	5 535 500
Shares at 1st of January 2009	3 685 500	3 685 500	1 850 000	5 535 500
Shares at 31st of December 2009	3 685 500	3 685 500	1 850 000	5 535 500

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 2008 or 2009.

The dividends for 2008, paid in 2009 were 14 MNOK. Proposed dividend for the accounting year 2009 is 172 MNOK. The decision will be made at the Annual General Meeting in 2010. These financial statements do not reflect this dividend payable.

18 Borrowings

Non-current	2009	2008
Mortgage loan	394	34
Bonds	3 998	4 496
Other non-current borrowings, incl financial lease	490	200
Total	4 881	4 730

Current	2009	2008
Current share of non-current borrowings	1 026	74
Other current borrowings	0	649
Total	1 026	723
Total borrowings	5 908	5 453

Notional value of long-term borrowings at 31.12.2009: 4 476 MNOK (2008: 3 490MNOK)

Total borrowings include secured liabilities (bank and collateralized borrowings) of 5 043 MNOK (2008: 5 260 MNOK). The company has not utilized available bank overdrafts.

The EMTN-programme does not contain any financial covenants, except for a clause that deals with state ownership. The multicurrency revolving credit facility loan has a covenant that demands a minimum equity share of 25 %.

Fair value of bonds is based on market observations of loans from other actors with corresponding terms and rating.

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

	2009	2008
6 months or less	1 714	2 657
Over 6 months	0	0

Non-current borrowings expire in:	2009	2008
Between 1 and 2 years	1 298	1 143
Between 2 and 5 years	672	1 587
Over 5 years	2 911	2 000

Effective interest rate at the balance sheet date:

	2009			2008		
	NOK	€	CHF	NOK	€	CHF
Mortgage loan	4,83 %			8,69 %		
Bonds	4,31 %	4,63 %	3,23 %		4,81 %	3,23 %
Other borrowings	6,26 %			6,42 %		

The carrying amounts of the non-current borrowings approximate their fair value, except for mortgage loans which has a fair value of 390 MNOK.

Changes in fair value on non-current borrowings	2009	2008
This periods change in fair value	-654	1 248
This periods change in fair value from the spread	28	-27
Accumulated change in fair value	565	1 219
Accumulated change in fair value from the spread	0	-28

The carrying amounts of the Group's borrowings are denominated in the following currencies:	2009	2008
NOK	2 033	883
EUR	1 330	1 169
CHF	2 545	3 401
Total	5 908	5 453

The Group has the following undrawn borrowing facilities:	2009	2008
Floating rate		
- Expiring within one year	50	50
- Expiring beyond one year	1 500	1 500
Fixed rate		
- Expiring within one year	0	0
Total	1 550	1 550

The facilities expiring within one year are annual facilities subject to review at various dates during 2010. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Europe.

Obligation on financial lease agreements – minimum payments	2009	2008
Expiring within 1 year	34	35
Expiring between 1 and 5 years	83	125
Expiring beyond 5 years	0	2
Total	117	162
Future financial cost – financial lease agreements	13	24
Current value on obligations – financial lease agreements	104	138

Current value of lease obligations for financial lease agreements	2009	2008
Expiring within 1 year	30	33
Expiring between 1 and 5 years	74	104
Expiring beyond 5 years	0	1
Total	104	138

Operating lease commitments – Group Company as lessee
The Group leases various plant and machinery under cancellable operating lease agreements.

19 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:

	2009	2008
Deferred income tax assets		
- Deferred income tax asset to be recovered after more than 12 mths	663	677
- Deferred income tax asset to be recovered within 12 mths	15	13
	678	690
Deferred tax liabilities		
- Deferred income tax liability to be recovered after more than 12 mths	-1 061	-893
- Deferred income tax liability to be recovered within 12 mths	-16	-30
	-1 077	-923
Total deferred income tax liability (net)	-399	-233

Gross movement on deferred income tax account is as follows:	2009	2008
Book value 01.01.	-233	-247
Exchange differences	1	-1
Acquisition of subsidiary	0	-6
Income statement charge	-104	-3
Norwegian correctional tax	-46	29
Norwegian stimulus tax refund	-17	0
Tax charged to equity	0	-5
Book value 31.12.	-399	-233

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

Deferred tax liabilities	Accelerated tax depreciation	Receivables	Profit/loss	Other	Total
At 1st of January 2008	-604	-7	-236	-70	-916
Income statement charge	-61	-15	44	33	1
Acquisition of subsidiary	-8	0	0	0	-8
At 31st of December 2008	-673	-22	-192	-37	-923
Income statement charge	-106	12	-48	-13	-155
Exchange differences				1	1
At 31st of December 2009	-779	-10	-240	-49	-1 077

Deferred tax assets	Provisions	Tax losses	Other	Total
At 1st of January 2008	424	6	239	669
Income statement charge	-9	39	-32	-2
Norwegian correctional tax	0	0	29	29
Charged to equity	-4	-5	0	-8
Acquisition of subsidiary	0	3	0	3
At 31st of December 2008	411	43	236	690
Income statement charge	16	10	24	50
Norwegian correctional tax	0	0	-46	-46
Norwegian stimulus tax refund	0	0	-17	-17
At 31st of December 2009	428	53	196	678

Income tax expense	2009	2008
Tax payable	82	68
Change in deferred tax	104	-2
Total income tax expense	186	66
Tax payable in income tax expense	82	68
Tax payable – Norw. correctional tax	29	201
Total tax payable on balance sheet	111	268

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:

	2009	2008
Net income before tax	497	69
28 % of net income before tax	139	19
Non-taxable income	-9	-9
Non-fiscal deductible expenses	5	15
Too much tax charged in prior years	-5	-1
Other	6	1
Fiscal loss concerning unrecognized deferred tax asset	49	41
Income tax expense	186	66

Deferred tax assets regarding forwarded fiscal loss are recognized when it is probable that the Group will utilize the losses towards future taxable surplus. The Group did not recognize deferred income tax assets of 109 MNOK (2008: 69 MNOK) in respect of losses amounting to 403 MNOK (2008: 254 MNOK).
Weighted average tax rate was 37% (2008: 96 %).

20 Retirement benefit obligation and similar obligations

The Group has several collective pension agreements. The obligations connected to these agreements covers 8466 employees and 3280 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 8466 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:

	2009	2008
Present value of earned pension right for funded collective pension plans	-7 940	-8 245
Fair value of plan assets	5 951	5 589
	-1 989	-2 656
Present value of unfunded obligations	-24	-32
Unrecognised actuarial losses	691	1 362
Net pension obligation on the balance sheet	**-1 321**	**-1 326**

Net pension cost

	2009	2008
Current service cost	366	347
Interest cost	313	389
Expected return on plan assets	-312	-276
Changes and deviations in estimates allocated to net income	66	98
Effect on changing/reducing pension plan	-9	-40
Employee contributions	0	-10
Total, included in employee benefit expense (note 24)	**424**	**507**

Changes in pension retirement obligations:

	2009	2008
Book value 1st of January	-1 326	-1 193
Expense charges in the income statement	-424	-507
Payments to plan including social taxes	380	374
Reduction by termination of program	40	
Book value 31st of December	**-1 321**	**-1326**

Pension assets

	2009	2008
Assets in programs at the beginning of the year	5 588	5 211
Payments received during the year	380	337
Payments made during the year	-225	-223
Reduction by termination of program	-41	-25
Expected return on plan assets	312	276
Paid during year	-63	12
Book value 31st of December	**5 951**	**5 588**

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	+/- 15-22 %
Salary growth rate	Changed obligation by	+/- 10-14 %

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

	IFRS				
	2009	**2008**	**2007**	**2006**	**2005**
INCOME STATEMENT					
Current service cost	366	347	351	308	231
Interest cost	313	389	311	290	220
Current returns on plan assets	-312	-276	-240	-230	-215
Current estimation differences	57	48	54	87	-4
Total cost in the income statement	**424**	**508**	**476**	**455**	**231**
BALANCE SHEET					
Total obligations	-7 963	-8 277	-8 378	-7 642	-7 080
Total funding	5 951	5 589	5 211	4 927	4 546
Total net not covered	**-2 012**	**-2 688**	**-3 167**	**-2 715**	**-2 535**
Estimation, net	691	1 362	1 974	1 707	1 738
Total on the balance sheet	**-1 321**	**-1 326**	**-1 193**	**-1 008**	**-796**

1 % change in the discount rate changes the obligation between 15 and 22 %.

The principal actuarial assumptions used were as follows:

	IFRS				
	2009	**2008**	**2007**	**2006**	**2005**
Discount rate	4,50 %	4,00 %	4,90 %	4,41 %	4,30 %
Expected rate of return	5,60 %	5,50 %	5,24 %	5,00 %	5,00 %
Average salary increase	4,00 %	4,25 %	4,70 %	4,35 %	4,20 %
G-regulation	4,00 %	4,25 %	4,25 %	4,10 %	4,00 %
Estimation: % of max (PBO, pension assets)	10,00 %	10,00 %	10,00 %	10,00 %	10,00 %
Annul reg. of pension increases	4,25 %	4,25 %	4,25 %	4,10 %	4,00 %
Average social security tax	14,1 %	14,1 %	14,1 %	14,1 %	14,1 %

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet day is as following:

- Men	17 years
- Women	20 years

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; 2007, 2008 and 2009. 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.

21 Provisions for other liabilities and charges

Provisions for liabilities and charges 2009	**Environmental pollution**	**Reorganization obligation**	**Other**	**Total**
At 1st of January 2009	110	65	48	223
Reversal of unused provision	0		69	69
Used during year	0	-6	-3	-9
Total	**110**	**59**	**114**	**284**

Provisions for liabilities and charges 2008	Environmental pollution	Reorganization obligation	Other	Total
At 1st of January 2008	157	70	60	287
Reversal of unused provision	-14		-3	-17
Used during year	-33	-5	-8	-46
Total	**110**	**65**	**48**	**223**

Analysis of total provisions:	2009	2008
Non-current liabilities	284	223
Current liabilities	0	0
Total	284	223

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.

22 Trade and other payables

Trade and other payables	2009	2008
Trade payables	397	428
Social security and other taxes	160	105
Other current liabilities	2 919	2 596
Total	3 476	3 129

In 2009 the amount due to related parties is: 15 MNOK (2008: 121 MNOK)
Book value of trade and other payables corresponds to fair value.

23 Cash generated from operations

	Note	2009	2008
Profit before minority interests		311	3
Current tax payable	19	82	12
Change in deferred tax	19	104	53
Income tax expense		186	66
Depreciation and impairment of non-current and intangible assets	25	1 024	956
Gains/losses on disposal of property, plant and equipment (see below)	23	-298	-2
Differences in pension cost through profit and loss and payment/disbursement of the defined contribution plan	20	44	134
Other accruals	21	61	-64
Fair value gains on financial instruments	27	-21	55
Net dividends		-5	-8
Net interest	27	76	31
Share of profit/loss (-) from associates	27	4	-21
Net foreign currency exchange (gain)/loss	27	-10	-54
Total before changes in working capital		1 371	1 096
Changes in working capital			
Inventories/assets classified as held for sale		-430	-123
Trade and other receivables		-245	125
Other financial assets at fair value through profit and loss	14	271	663
Trade and other payables		338	107
Total change in working capital		**-66**	**772**
Cash generated from operations		**1 305**	**1 868**

	2009	2008
The cash flow statement includes gain from sale of property, plant and equipment of:		
Book value of sold assets and investment property	37	99
Gain/(loss) on sale of assets	298	1
Compensation received on the sale of assets	**336**	**100**

24 Payroll and related expenses

	2009	2008
Wages and salaries including social security costs	4 751	4 485
Pension costs – defined contribution plans	40	29
Pension costs – defined benefit plans (note 20)	424	511
Other employee benefit expenses	94	66
Total	5 309	5 091

Benefits for Chief Executive Officer and key management are referred to in the note for related-party transactions (note 30).

	2009	2008
Average man-labour year	9 617	9 007
Average number of employees	11 883	11 222

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

25 Depreciation, amortisation and impairment

	2009	2008
Depreciation non-current assets (note 7)	929	820
Impairment non-current assets (note 7)	6	7
Depreciation investment property (note 8)	46	76
Impairment investment property (note 8)	3	0
Amortisation intangible assets (note 6)	20	19
Impairment intangible assets (note 6)	21	34
Total	1 024	956

26 Other expenses

	2009	2008
Sales- and overhead expenses	740	750
Energy used in operations	727	852
Repair and maintenance, machinery rental, property expenses	1 154	1 066
Other operating expenses	1 414	1 510
Total	4 034	4 177

	2009	2008
Auditing fees (excluding VAT):		
Auditing	6	5
Other attestation services	0	1
Tax advisory	1	1
Other services	3	2
Total	**10**	**9**

27 Financial income and expenses

	2009	2008
Interest income	296	289
Dividend	5	8
Other financial income	2	22
Net foreign exchange gains on financing activities	10	-11
Fair value gains on financing activities	21	-15
Interest expense	-373	-320
Other financial expenses	-9	-30
Total	**-49**	**-57**

Fair value changes to financial instruments, due to changes in own credit risk is 0 for both years.

28 Leases

	2009	2008
Lease of machinery/equipment, not incl on balance sheet	105	88
Lease of property (external)	109	98
Total	**214**	**186**

29 Risk analysis

This table shows future maturities for the Group's liabilities as at 31st of December 2009:

Liquidity risk	**< 1 yr**	**1-2 yrs**	**2-5 yrs**	**> 5 yrs**
Short term liabilities	3 666	0	0	0
Borrowings	866	1 232	1 815	1 306
New trains	145	641	2 263	0
Property, plant and equipement	740	281	161	0
Investment property	0	0	0	2 736

Other risk evaluations as at 31.12.2009

Interest rate risk is calculated using the Group's non-current borrowings with interest rate swaps. NSB 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 36 MNOK (2008: 50 points 161 MNOK)

Foreign currency risk is calculated using the Group's lonborrowings in foreign currency (EUR and CHF) including currency swaps. NSB 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 - 0,3 MNOK (2008: 10 % 12 MNOK)

The currency risk for CHF by an increase of 10 % shows a calculated risk of -1 MNOK (2008: 10 % 33 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 NSB, 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 for the remaining life of the contracts.

Risk on electricity swaps with an average inflation of 20 % and interest increase of 50 points shows a calculated risk of 0,5 MNOK (2008: 20 % and 50 points -2 MNOK).

The board of directors 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 -13 MNOK (2008: 32 % -11 MNOK).

30 Related party transactions

The following are defined as related-parties:
* Companies within the same Group
* 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:	**2009**	**2008**
Public purchase of passenger traffic services	1 641	1 599
Sales of other goods and services	57	274
Total	1 698	1 873

Purchases of goods and services:

Purchases of goods and services	171	243

Key management compensation (all numbers in TNOK)

Members of the Board:	**Title:**	**2009**	**2008**
Ingeborg Moen Borgerud	Chairman of the board	330	462
Christian Brinch	Vice Chairman of the board	200	298
Bjarne Borgersen	Member of the Board	165	71
Bente Hagem	Member of the Board	165	161
Tore H. Rasmussen	Member of the Board	165	161
Øystein Aslaksen	Staff representative	165	231
Audun Sør-Reime	Staff representative	675	583
Jan Audun Strand	Staff representative	166	71
Ole Reidar Rønningen	Staff representative	0	493
Øystein Sneisen	Staff representative	0	324
Jon L. Gjemble	Member of the Board	0	90
Total		**2 031**	**2 945**

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. Fees for the staff representatives include their wages as an employee. There have been no changes to the Board in 2009.

2009 **Group management:**	**Title:**	**Salaries**	**Pension**	**Additional benefits**
Einar Enger	Chief Executive Officer	2 470	3 277	205
Stein Nilsen	Chief Executive Officer NSB Pass. Tr.	1 767	1 194	100
Kjell Haukeli	Chief Financial Officer	1 231	74	99
Arne Fosen	Chief Strategic operations	1 566	322	99
Arne Veggeland	Chief Executive Officer Nettbuss	1 383	315	178
Sum		8 417	5 182	681

2008 **Group management:**	**Title:**	**Salaries**	**Pension**	**Additional benefits**
Einar Enger	Chief Executive Officer	2 455	3 441	118
Stein Nilsen	Chief Executive Officer NSB Pass. Tr.	1 354	1 104	80
Kjell Haukeli	Chief Financial Officer	1 244	81	97
Arne Fosen	Chief Strategic operations	1 563	273	90
Arne Veggeland	Chief Executive Officer Nettbuss	1 593	296	118
Rolf Roverud	Chief Executive Officer NSB Persontog	647	203	0
Sum		8 856	5 398	503

All members in the Group management are members of their company's collective pension plan, which includes all employees. Calculated expense for additional retirement benefit is shown in the column above. Stein Nilsen started as Executive Officer NSB Passenger trains on 1.2.2008.

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.

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

Receivables from related parties:	**2009**	**2008**
Associates	0	64
Minority shareholders	3	3
Business owned by the Government through Ministry of Transport and Communication	29	116
Total	32	183

Payables to related parties:	2009	2008
Associates	0	100
Minority shareholders	7	7
Joint Venture	0	9
Business owned by the Government through Ministry of Transport and Communication	8	4
Total	15	121

Loans to related parties:	2009	2008
Associates	53	58
Joint Venture	220	0
Total	273	58

There are no borrowings from related parties.

Guarentees:

NSB AS has 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 cannot make changes in its pension without first getting approval from the Board of Director's in NSB AS.

NSB AS has put up a guarantee of 40 MSEK on behalf of its fully owned subsidiary Svenska Tågkompaniet AB for licensing to operate trains in Värmland in Sweden.

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 liabilities 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.

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:	2009	2008
Cash paid	1	57
Direct costs relating to the acquisition	0	1
Total purchase consideration	1	58
Fair value of assets acquired	-1	-44
Goodwill	0	14

	2009		2008	
	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount
Intangible assets	0	0	11	0
Property, plant and equipment	0	0	94	68
Inventories	0	0	3	3
Trade and other receivables	0	0	22	22
Cash and cash equivalents	1	1	9	9
Trade and other payables	0	0	-39	-39
Borrowings	0	0	-51	-51
Deferred tax assets/liabilities	0	0	-5	2
Fair value of net assets	1	1	44	15
Purchase consideration settled in cash		1		58
Cash and cash equivalents in subsidiary acquired		0		-9
Cash outflow on acquisition		1		49

The table above for 2009 shows the numbers for the following company:
Vestfoldekspressen AS

The table above for 2008 shows the numbers for the following companies:
Gjemse Busstransport AS
Hansens Bilruter AS
Fredrikstad Distriktets Bilruter AS
Totenekspressen
Lakk Tech AS
Tylstrup Busser AS
Wentzel i Göteborg AB
Buss4 You AB
RTB-Drift AS
Risør og Tvedestrand bilruter AS
Miljøekspressen AS
Høvaagruten AS
RTB Bilservice AS

33 Joint Ventures

The parent company has no interest in a joint venture.
The subsidary Rom Eiendom AS interest 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 %
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 AS	2007	Ullensaker	50 %
Oslo S Utvikling AS	2000	Oslo	33 %

The amounts below show the Group's share of assets and liabilities as well as revenue and expenses in joint ventures. The amounts are included in the Group's balance sheet and income statement:

Assets	2009	2008
Non-current assets	679	25
Current assets	527	104
Sum	1 206	129

Liabilities	**2009**	**2008**
Long term liabilities	906	79
Short term liabilities	164	11
Total	1 069	89
Net assets	137	40

Income/expenses	**2009**	**2008**
Operating revenue	163	36
Operating expenses	-140	-36
Profit after income tax	23	0

Oslo S Utvikling AS (OSU), of which NSB owns 1/3, is a development company founded with a purpose to construct property in Bjørvika, Oslo. Starting from the accounting year 2009, OSU is classified as a joint venture. The comparative numbers has not been changed.

The most important on-going projects are

- The Visma-building, which was sold in February 2006 on a forward contract and is expected to be completed in 2011, for a gross sale of 920 MNOK. The construction of the building is treated as a construction contract according to IAS 11,
- For the KLP-building one has entered into an agreement of selling the office section to KLP. The building is expected to be completed in 2010. The office section is accounted for and included in the books according to IAS 11. The apartment part consist of 53 apartments and will be included in revenue when the sale has been completed according to IAS 18,
- The Snøhetta-building is as of 31.12.2009 neither rented out nor sold. Before construction is even started on this building, one assume that the building is mostly sold or rented out,
- For the DnB-Nor buildings, one has agreed upon a rental contract and the buildings will be expected completed in 2012-2013. The life of the contract is 15 years with options to extend as well as an option to purchase for the tenant,
- OSU Owns 34 % of Bjørvika Utvikling / Bjørvika Infrastruktur which main business is to construct infrastructure in Bjørvika. The expenses are covered by the developers with a determined amount per square meter that is developed, as well as a contribution from Oslo county.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1st of January to 31st of December 2009 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, 18th of March 2010

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

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AS
Postboks 748 Sentrum
NO-0106 Oslo
Telephone +47 95 26 00 00
Telefax +47 23 16 10 00

To the Annual Shareholders' Meeting of NSB AS

Auditor's report for 2009

We have audited the annual financial statements of NSB AS as of 31 December 2009, showing a profit of NOK 220 000 000 for the parent company and a profit of NOK 311 000 000 for the group. We have also audited the information in the Board of 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 financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of comprehensive income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of comprehensive income and cash flows, the statement of changes in equity and the accompanying notes. 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 31 December 2009 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 Board of 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, 18 March 2010
PricewaterhouseCoopers AS

Merete Stigen
State Authorised Public Accountant (Norway)

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

Corporate governance

Owner control and corporate governance

NSB AS and the NSB-Group follows the Norwegian Code of Practice for Corporate Governance, adapted to the Group's and subsidiaries structure of ownership and limits in the articles of association.

The Code is composed to ensure that companies listed on the stock exchange shall 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. The recommendation shall contribute to strengthen the confidence the share holders, the capital markets and other interested parties have towards the company.

Nature of business and ownership

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

The group's activity is railroad transportation, other transport, as well as other connected operations. The articles of association were changed in a general assembly 15th of December 2009, and the company social mission is specifically described as to provide efficient, available, secure and environment friendly passenger and freight transport.

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.

Dividend policy

In the white paper number 21 (2008-2009) the government assessed that the level of dividend shall be determined by the company strategy as well as the need for equity, and that the equity ratio of the company should be about 35 to 40 %. With regard to planned investments and the projected profit for the next few years the government concludes that the level of dividend should be reduced from the present 75 % of profit after tax. The government therefore expects the dividend for the next three to five years to be about 50 % of profit after tax, but the exact level will be determined annually.

General Assembly and the Board

The General Assembly consists of the government represented by the Ministry of Transport and Communication. The Board consists of seven to ten members of whom two to three 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.

The task of the Board of Directors

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

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

The standards of value and ethical guidelines

In connection with the annual plan process, the Board of Directors has 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.

Risk management and internal control

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

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

Transactions between the company and the shareholder
The Ministry of Transport and Communication and NSB AS have entered into an agreement about public purchase of passenger traffic services on non-profitable lines. Similarly, the Ministry of Transport and Communication has entered into an agreement with NSB's subsidiary NSB Gjøvikbanen AS regarding operation of the Gjøvik line.

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

Compensation to the Board and leadership in the company
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.

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. The auditor submits annually 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.

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 articles of association, NSB has a distinct duty to inform the shareholder about the Group's operation. Matters of principle or social significance should be communicated to the Minister of Transport and Communication before the Board of Directors makes their final decision.

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

1. An assessment of the market and the NSB-Group, including the development since the last plan.
2. 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.
3. The level of investments, major investments and their financing.
4. The Group's economic development.
5. A report on measures and results regarding the company's social mission

The Board of Directors has to submit information regarding material changes of already communicated plans to the Minister of Transport and Communication.