ANNUAL REPORT 2010

NSB-GROUP

Contents

Important events 2010

NSBs' new trains on track
The first of the 50 ordered NSB-trains was completed at the Stadler-factory in Switzerland on 8th of September. The train consists of five carriages and are constructed in two seperate versions for NSB, one version to be used for long local lines and one version which will be used in the eastern region. The first train will be used on the Skien-Lillehammer line. Before the train is ready to be put in regular operations, it will go through a considerable testing period in both Switzerland and Norway. NSBs' personnel must go through proper training before the train is ready for regular operations.

Accident at Sjursøya
On the 24th of March, three people perished and one was seriously injured in a serious accident in Oslo when a number of empty wagons rolled uncontrollably from the Alnabru terminal down to Sjursøya.
The Accident Investigation Board Norway preliminary conclusion states that the accident is due to a combination of human communication errors and a lack of technical barriers.
The National Rail Administration, the rail administrator, and CargoNet, the operator, was fined 15 MNOK and 7 MNOK respectively. CargoNet decided not to accept after reviewing the terms of the fine.

Two tunnel tubes on the Follo line
The Ministry of Transport and Communication has approved the National Rail Administration's plans to construct a new double-track railway to Ski. Major part of the new 22 kilometer long double-track between Oslo S and Ski will be constructed in a continuous and with two seperate tube tunnels, which will make this the longest railway tunnel in Norway.

Positive increase on the Jær line
Counts show a 29 per cent increase in the number of passengers on the Jær line between the fall of 2008 and the fall of 2010. The reason for the increase is the opening of the new double track between Sandnes and Stavanger, which increases the offer to the passengers.

Einar Enger resigns from NSB
Einar Enger decided at the end of the year that he wants to resign as President and CEO. No President and CEO in modern history has been at this position as long as Enger.

NSB AS purchased the remainder of the outstanding shares in CargoNet AS
NSB AS purchased Green Cargo ABs' 45 per cent share of CargoNet AS. The company is now, as of 2010, a wholly owned subsidiary in the NSB-Group. NSB and Green Cargo have cooperated through CargoNet since the company was founded in 2002.

Freight operations
After a tender, Posten chose CargoNet to transport major parts of its freight. CargoNet will then be Posten's biggest contractor using railway transport. The agreement results in sales of 1.000 MNOK over three years.

Environmental property
During the course of 2010, Rom Eiendom AS has completed NSB Competancy- og simulator centre at Sundland. This is Norway's first commercial building with an A-rating, and has a size of 7 300 m^2.

Considerable sale of property
KLP Eiendom purchased Skatt Øst's headquarters in Schweigaards gate located at Grønland in Oslo from Rom Eiendom AS. Gain on sale of that property was 106 MNOK.

New companies in the Nettbuss-Group
Nettbuss purchased 100 % of the shares in Klæburuten AS, which operates between Trondheim and the airport Værnes.
Nettbuss has purchased all the shares in the Swedish company Stadsbussarna.

Maintenance for the Airport Express Train
Mantena won a tender offer on maintenance on the Airport Express Train in competition with main competitors in the Scandinavian market. The contract includes overhaul and exchange of bogies from June 2010 until May 2011. Price and quality were the decisive factors why Mantena won the tender.

The President and CEO's article

The NSB-group is still impatient on behalf of the customers, and will continue to be so until the railway is able to deliver a product according to customer expectations. NSB wishes to improve its delivery, but is dependent on a binding plan for renewal of the infrastructure.

The NSB-Group's main goal is to create value for the owner and the community through efficient, available, safe and environment efficient transport for passengers and goods. We contribute through energy efficient bus and train solutions, and facilitate increased traffic through development and urbanisation around terminals and stations so that more people can live, work and have services performed at and near these traffic junctions.

We can expect a strong increase in the demand for public transport in and around the larger cities in Norway. Norwegian Statistics Norway expects the population in the Oslo-area to increase by 30 % by 2030. A similar development, if not as strong, is expected around other large cities such as Stavanger, Bergen and Trondheim. A centralization and urbanisation of this proportion will place heavy demands for effective transport solutions. Future solutions for roads, terminals, stations and public transport must therefore be planned according to this growth.

The demand for freight transport will also increase. The industrial structure in Norway is decentralized. The extraction and processing of natural resources and business development demand effective transport solutions. Railway infrastructure must facilitate environment friendly, fast and efficient freight to contribute to competitive business and meet consumer needs.

The transfer of public transport to bus and railway as well as freight transport to rail will be an important contribution to reach the target of using more energy efficient transport. The contribution will be even higher in the cases where the transport mode uses renewable energy.

The development of good and energy efficient solutions for public transport and freight transport demands large investments in Norwegian transport infrastructure. This is especially true for the railway, which is outdated for a large part of Norway. Few European countries, if any, have such a large proportion of single track line. The number of sharp curves limits speed and leads to high wear and tear on tracks and rolling stock. We are not well served by a situation where the transfer to modern and environment efficient solutions are hindered by a lack of modernization of the rail infrastructure, or by only part development with little or no effect.

To resolve this situation clear target dates have to be set for when new solutions are ready to be implemented. Planning and realization must be based on such clear target dates. Unfortunately there are a large number of examples of infrastructure projects which have suffered from a lack of priority and implementation.

The building of infrastructure and development of public transport gives positive effects. The new double track and new route offer at Jærbanen has increased the number of local trains passengers in the Stavanger region by 29 per cent. The Norwegian National Rail Administration has studied the effect of a fully developed double track and new improved route offer east and vest of Oslo, and have concluded that the passenger basis will increase threefold as a result of greatly reduced transport time and an increased number of departures. Such an infrastructure development is expected to give the residents an increased number of alternatives regarding choice of residence and work in the central eastern part of Norway

In connection with my resignation as President and CEO of the NSB-group I would like to thank all inside and outside NSB who have contributed wholeheartedly to safeguard the daily operations and to improve solutions for the passenger and freight transport.

On behalf of the customers NSB would like to point out the need for a binding and predictable development of infrastructure so that we in parallel can plan our investment in running stock, central terminals and stations. We will at the same time do our utmost to increase the quality of our own delivery so that the population and businesses get an up to date and satisfying transport offer. My wish for NSB and the railway is as follows; binding plans for the modernization of railway infrastructure and rolling stock so that NSB will be able to deliver according to customer expectations.

Einar Enger
President and CEO
NSB-Group

Board of Directors Report NSB-Group 2010

(Previous years' numbers in brackets)

2010 development

- The operating profit is 379 MNOK
- Return on capital is 3.8 %
- The number of passengers and operating profit in the bus operations increased
- An increase in the number of train passengers
- Reduced freight volumes
- Severe winter weather affected punctuality and regularity
- A serious accident at Sjursøya in Oslo in May

Punctuality and regularity remained at the same level as in 2009, but with distinct fluctuations during the year. During the severe winter conditions in January and February punctuality was reduced to 75 %, but improved thereafter and reached 90 % in several of the autumn months. The main reason for the low punctuality is infrastructure with low operating stability as well as snow and cold weather affecting the operability of the rolling stock. Customer satisfaction fell during the winter months, but improved during the second half of the year to a level somewhat higher than the previous year.

Profit before tax is 331 MNOK

Profit before tax for the Group for 2010 is 331 MNOK (497 MNOK). The operating result is 379 MNOK (550 MNOK). The reduction is mainly due to:

- Reduced profit in the passenger train operations, mainly due to increased costs related to difficult operating conditions and infrastructure with low operating stability during the winter as well as summer closure of the Oslo-Drammen line for maintenance
- Reduced gain on sale of property
- Increased accident costs mainly related to the serious accident at Sjursøya

Net financial income of - 48 MNOK (- 53 MNOK) is at the same level as 2009.

Traffic safety

The freight operations were severely affected by the accident at Sjursøya. A number of empty container wagons rolled out of control from Alnabru towards Sjursøya in Oslo Harbour where they hit a building and several cars/trucks. As a consequence three people perished, four were seriously injured, and rolling stock as well as buildings and trucks were damaged. In addition one person perished due to a railroad track accident near Mosjøen.

In passenger traffic (rail) operations in Norway 40 passengers were injured, of which three seriously, due to a derailment at Skotterud, by a Swedish train from SJ AB. Preliminary investigations indicate that the accident was due to faulty wheels. Three people perished in accidents due to collisions with vehicles at level crossings and persons in the rail tracks.

No passengers or employees perished in connection with the NSB-Group´s operations in 2010. In the bus segment there were no registered deaths or serious accidents during the year.

The accidents at Sjursøya and Skotterud are being investigated both internally and by the Accident Investigation Board Norway. The investigation is an important foundation for the organisation to learn and continuously improve the transport safety.

Punctuality

Passenger train punctuality was marginally above 84 % during 2010, which is 6 percentage points below the goal of 90 % and at the same level as in 2009. Large variations in punctuality have occurred during the year, especially during periods with challenging weather. Winter problems led to punctuality at 75 % during January and February. NSB's share of the delayed minutes for its own passenger trains is 31 %, which is a marginal decrease compared to last year. The NSB share is mainly due to faults with the rolling stock and delays at stations.

Infrastructure faults have also repeatedly had a negative effect on the train operations. In and around the Oslo area and the other major cities the traffic is so heavy that a small fault or deviation can escalate and delay a considerable number of trains. Jernbaneverket (the Norwegian National Rail Administration) has started measures to improve rail tracks, signalling systems, power cables among other things in the Oslo tunnel as well as for other track sections. NSB has implemented an action plan to increase operational stability and regularity. Furthermore, extra resources on maintenance on rolling stock due to problems with snow and ice as well as other operational faults.

Punctuality for the Swedish subsidiary Svenska Tågkompaniet AB was 85,5 % (91 %), and for NSB Gjøvikbanen AS in Norway 80 % (88 %). The reduction is mainly due to challenging winter weather and planned track maintenance.

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
- 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 governments principles for good ownership plus its expectations regarding public responsibility. In the articles of association 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.

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, 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 the owner and the community through efficient, available, safe and environment efficient transport of passengers and goods.

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
- maintain financial freedom of action

Passenger train operations
Operating income for passenger train operations was 4 871 MNOK (4 768 MNOK), an increase of 2 % compared to the previous year. The number of passenger kilometres in the Norwegian market was at the same level as the previous year, while the number of passengers increased by 0.4 %.

The operating profit at - 234 MNOK (24 MNOK) was reduced by 258 MNOK compared to 2009. The reduction is mainly due to a weaker market and increased cost related to staff, maintenance and deviation management due to severe winter conditions and summer closure of the Oslo-Drammen railway track for maintenance.

Customer satisfaction (KTI) improved during the autumn to 61 (60) for local trains and 72 (71) for regional trains.

The first of the 50 new trains will arrive in Norway during March 2011, and will be tested until the new sets are gradually introduced into service during the winter 2012. The building activity regarding maintenance facilities for the new trains has started.

The market and operations in Sweden have been negatively affected by a cold winter and operational disruptions, with a negative effect on profits.

Bus operations

The bus operations consist of 33 companies, including the mother company Nettbuss AS, and operate in Norway, Sweden and Denmark.

The operating profit is 180 MNOK (103 MNOK). The Nettbuss Group's operating income for 2010 is 4 318 MNOK (3 897 MNOK), an increase of 11 % from the previous year. The increase in operating income is mainly due to acquisitions, while the improvement in profits is due to improved operations and reduced pension costs.

The bus operations transported 116 million passengers, an increase of 12 million from 2009. The express bus TIMEkspressen transported 4.4 million passengers, compared to 4.3 million in 2009.

The customer survey for 2010 shows that the customers are satisfied with the product quality. Customer satisfaction is at 73 points of a potential 100. The score for TIMEkspressen was 82 (80).

The bus operations acquired Klæburuten AS and Stadsbussarna AB during 2010. In addition new contracts were won in Kristiansand and Østfold.

Freight train operations

The main purpose of the freight train operations is freight of goods on railway, mainly by shuttle trains for containers and semitrailers.

The operations were negatively affected by the serious accident at Sjursøya, Oslo harbour, and the operational instability of the infrastructure both in Norway and Sweden. In addition volumes were affected by the severe winter conditions. Operating income decreased by 5 % to 1 439 MNOK (1 511 MNOK). Operating profit for the freight train operations improved to - 48 MNOK (- 73 MNOK).

The profit improved in the Swedish operations due to a revised line offer and improved operations. Profits in the Norwegian operations were reduced, mainly due to increased competition, deviation costs and the consequences of the accident at Sjursøya.

A punctuality of 83 % in Norway and 67 % in Sweden was achieved in 2010. In November NSB acquired the rest of the shares in CargoNet AS.

Real estate operations

The real estate operations shall through development and management of property create values for the owner and society, and facilitate modern stations and terminals. The real estate operations comprise a rental area of approx. 730.000 square meters, property development potential of about 2 million square meters, and achieved a operating profit of 382 MNOK (454 MNOK). The change is mainly due to reduced gain on sale of property.

Supportfunctions

Most of the support functions are separated into limited liability companies. The maintenance functions are performed by the wholly owned subsidiary Mantena AS. 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.
The operating result for the support functions is 99 MNOK (41 MNOK). The improvement is mainly due to increased maintenance activities and reduced overall risk and accident expenses.

Economic development
The NSB-Group has a profit after tax of 254 MNOK (311 MNOK), a reduction of 57 MNOK. The operating profit is 379 MNOK (550 MNOK), a reduction of 171 MNOK. The reduction is mainly due to reduced profits in the passenger train operations, where maintenance and deviation cost increased because of a severe winter, a long summer maintenance closure of the Oslo-Drammen line, and reduced gain from sale of real estate.

The parent company NSB AS shows a profit after tax for the year of - 61 MNOK (220 MNOK). Group contributions from subsidiaries in the amount of 239 MNOK (107 MNOK) are included in the result. Operational profit is - 194 MNOK (44 MNOK). The change is mainly due to reduced income growth and increased maintenance and deviation costs.

The Group net cash flow from operations is 458 MNOK (786 MNOK). The difference from operating profit consists mainly of depreciation and impairment of 1 152 MNOK and changes in the working capital. Net cash flow used for investments are 1 112 MNOK (1 558 MNOK). This includes 2 263 MNOK in acquisition of property, plant and equipment. Furthermore, 172 MNOK was paid in dividends to the owner. Investments were mainly used to increase capacity and profitability within the Group's business segments. Investments are mainly financed by increased borrowings.

Including this year's profit, owners equity for the parent company is 6 872 MNOK (7 105 MNOK). The equity ratio is 43 % (48 %). Distributable equity for the parent company before dividends for this year is 1 336 MNOK. For the NSB-Group, owner's equity is 6 796 MNOK (6 737 MNOK) an equity ratio of 35 % (37 %). 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 3.8 % (4.7 %).

The Group current liabilities are 5 177 MNOK, of which 1 913 MNOK are current borrowings due for repayment in May/June 2011.

Due to the need for major investments and the size and the size of the present investment programme the Board recommends that the owner refrains from taking dividend from the company.

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

Dividend	0 MNOK
Allocated to retained earnings	- 61 MNOK
Sum allocated	- 61 MNOK

The Group profit after minority interest is 293 MNOK, of which 0 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 the loans which 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 2010 at margins somewhat lower than 2009, but still higher than before the finance crisis. The market has improved during 2010, but there is still uncertainty related to what margins will be achieved in the future. NSB has a high focus on financial risks and how to minimize these.

Work environment and equal rights

Absence due to illness for the Group is 7.9 % (9.1 %). All major business areas have experienced a decrease. 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 IA-companies (inclusive labour market). As an IA-company, NSB 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.

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.

The share of female employees in NSB AS is about 30 %, the same level as in 2009. The share of females in leadership positions in the NSB-Group´s companies and different business segments vary. 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 Group leadership is 17% and 44% in the passenger train operations leadership group.

The female share of recruitment in NSB AS increased to 45 % in 2010. The average salary has increased more for women than men. The share of women with the lowest salaries continues to fall and is 47 % in 2010, while the share of women with high salaries has increased to 28 %.

The share of employees in NSB AS with an immigrant background is 6.3 % which is equal to the previous year.

External environment

NSBs major contribution to reduction of greenhouse gas emissions is to facilitate public transport. In addition most of the rail transport of goods and passengers is based on the use of renewable energy. NSB has developed a strategic environment plan to manage the ongoing work to reduce damage to the environment from our operations.

The project to reduce the use of energy in our passenger transport operations continues. The long term goal is to reduce 25 % of the greenhouse gas emissions from the 2005 level before the end of 2012. Up to 2012 the goal is to reduce the use of energy equivalent to the needs of 5000 households.

The work to clean up soil pollution continues. The cleaning process at Fagervika in Trondheim and Brakerøya in Drammen will be finished during 2011. The NSB school in Drammen has been completet with an energy saving certificate A.

During 2010 all the bus operations in Norway were certified according to the environmental management standard ISO 14001. In the Swedish operations Orusttrafiken AB was certified, and a certification process is being planned i the Danish operations.

Future challenges
NSB continues to work on improving the quality on its train offer and customer satisfaction. This is done through modernization and renewal of trains. The first of the new trains will be delivered in the winter of 2011, and be put in regular traffic in 2012. This will result in a considerable improved operating stability. It is expected that the number of passengers will increase in 2011 and the years to come.

NSB has planned a major increase of production through introduction of a new route model from December 2012 after the completion of the new double track west of Oslo. To build up capacity for the new offer from 2012 NSB has initiated several measures:

- Acquisition of 50 new trains
- Investment in new maintenance and education facilities
- Recruitment and training of personnel to facilitate increased production

Realization of a new route model is postponed as stated in the National Budget for 2011. Therefore, NSB can not offer its customers the improved product and departure frequency, that NSB presupposed when it purchased new trains and recruitment of personnel.

NSBs customers expect a modern and reliable train product. The present capacity and frequency is not satisfactory, and the delay in introducing the new route model means that the gap between customer needs and actual delivery will increase. This will lead to lower customer satisfaction and reduced confidence in the NSB-Group. The Board recommends that to achieve a predictable future product the necessary infrastructure measures must be implemented as soon as possible and a date set for the introduction of an improved and customer orientated route offer in the Oslo region, and especially west of Oslo. In addition, NSB continues to work on improvements. There will be need for additional train purchases in the future.

There will also be considerable challenges in 2011 for train operations due to the infrastructure and the work to improve this. A complete closure of the tracks in the Oslo area is planned in the summer of 2011. All train traffic in the area is expected to be affected for six weeks. Alternative transport solutions will be established. NSB plans to have temporary measures to turn trains around outside Oslo, as well as temporary solutions for cleaning and maintenance of the trains. This could be challenging and cost demanding, which will affect the profits in 2011.

We expect an increase in the demand for transport of goods in line with the growth of the economy. The market is affected by increased competition from new freight companies on rail and excess truck capacity. Also for freight transportation, the quality and regularity of the rail infrastructure will be of major importance. The freight train operations will continue to work on improving quality, capacity and frequency in parallel with operational improvements and cost reductions.

The bus operation is well equipped for the future through a high customer satisfaction and the strategic position in the market. In the near future the present public contracts are expected to be put out for tender, and the bus operation works continuously to improve operations and strengthen competitive power. Three important factors will shape the future of the bus market; an offensive strategy to improve bus access on roads in city areas, availability of competent manpower and the development of a public transport tender regime which allows margins large enough to be able to maintain and develop a customer oriented product. We expect that the tourist market will improve, while the demand for public transport will be stable.

During the coming year the real estate operation will be active in development processes related to central hubs and stations. In and around Oslo Central Station large investments are made in new office buildings, hotels and apartments. In addition the real estate operation is building new maintenance facilities for the new passenger trains.

NSB will primarily focus on achieving higher quality in the NSB-Group's own delivery to the customers. NSB will also be active on improving the capacity and quality of the rail infrastructure. In the short term NSB intends to put into operation refurbished and new trains, and in the medium term to prepare for a new and improved route offer.

The Board would like to thank the NSB-Group´s employees for their efforts in 2010.

Oslo, 16th of March 2011

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	2010	2009
Operating revenue	5	**11 179**	**10 917**
Operating expenses			
Payroll and related expenses	24	5 370	5 309
Depreciation and impairment	25	1 152	1 024
Other operating expenses	26	4 278	4 034
Total operating expenses		**10 800**	**10 367**
Operating profit		**379**	**550**
Net financial income	27	-58	-49
Share of (loss)/profit in associates	9	10	-4
Total financial items		**-48**	**-53**
Profit before income tax		**331**	**497**
Income tax expense	19	77	186
Profit for the year		**254**	**311**
Attributable to:			
Non-controlling interest		-39	-34
Equity holders		293	345

Other comprehensive income

	2010	2009
Profit for the year	**254**	**311**
Currency translation differences	12	20
Other comprehensive income for the year, net of tax	**266**	**331**
Attributable to:		
Non-controlling interest	-39	-34
Equity holders	305	365
Total comprehensive income for the year	**266**	**331**

Balance sheet 31st of December

ASSETS	Note	2010	2009
NON CURRENT ASSETS			
Intangible assets	6	226	233
Property, plant and equipment	7	11 690	10 727
Investment property	8	872	1 175
Investments in associates	9	65	73
Financial assets		89	288
Total non-current assets		**12 942**	**12 496**
CURRENT ASSETS			
Inventories	10	1 853	1 965
Assets held for sale	11	0	0
Trade and other receivables	12	1 517	1 578
Derivative financial instruments	13	629	612
Other financial assets at fair value through profit/loss	14	701	773
Cash and cash equivalents	16	1 779	858
Total current assets		**6 479**	**5 786**
Total assets		**19 421**	**18 283**

EQUITY AND LIABILITIES

EQUITY	Note	2010	2009
Ordinary shares and share premium	17	5 536	5 536
Retained earnings		1 242	1 035
Non-controlling interest		18	165
Total equity		**6 796**	**6 737**
LIABILITIES			
Long term liabilities			
Borrowings	18	5 690	4 881
Deferred income tax liabilities	19	511	399
Retirement benefit obligations	20	954	1 321
Provisions for other liabilities and charges	21	293	284
Total long term liabilities		**7 448**	**6 885**
Short term liabilities			
Trade and other payables	22	3 172	3 476
Tax payable	19	1	111
Borrowings	18	1 913	1 026
Derivative financial instruments	13	91	48
Total short term liabilities		**5 177**	**4 661**
Total liabilities		**12 625**	**11 546**
Total equity and liabilities		**19 421**	**18 283**

Oslo, 16th of March 2011

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

Cash flow statement

	Note	2010	2009
Profit for the year before non-controlling interest		254	311
Current tax payable	19	7	82
Change in deferred tax	19	70	104
Income tax expense		77	186
Depreciation and impairment of non-current and intangible assets	25	1 152	1 024
Gains/losses on disposal of property, plant and equipment (see below)		-265	-298
Differences in pension cost through profit and loss and payment/disbursement of the defined contribution plan	20	-309	44
Net changes to other accruals	21	9	61
Fair value gains/losses (-) on financial instruments	27	25	-21
Net dividends		-11	-5
Net interest	27	59	76
Share of profit/loss (-) from associates	27	-10	4
Net foreign currency exchange gain (-)/loss	27	-24	-10
Total before changes in working capital		957	1 371
Changes in working capital			
Inventories/assets classified as held for sale		112	-430
Trade and other receivables		79	-245
Other financial assets at fair value through profit and loss	13,14	55	271
Trade and other payables		-354	338
Total change in working capital		**-108**	**-66**
Cash generated from operations		**849**	**1 305**
Interest paid	27	-361	-372
Taxes paid		-30	-147
Net cash flow from operations		**458**	**786**
Acquisition of subsidiaries, net of cash acquired		-87	0
Additions/disposals of investments in associates	9	18	45
Purchase of property, plant and equipment (PPE)	7,8	-2 263	-2018
Proceeds from sale of PPE	7,8	897	330
Acquisition of intangible assets	6	0	-1
Loan given to associates/joint venture	30	-2	-215
Interest received	27	314	296
Dividends received	27	11	5
Net cash flow from investment activities		**-1 112**	**-1 558**
Proceeds from borrowings	18	2 691	1 805
Repayment of borrowings	18	-933	-1 301
Dividends paid to company's shareholders	17	-172	-14
Dividends paid to non-controlling interests		0	-1
Net cash flow from financing activities		**1 586**	**489**
Net (decrease)/increase in cash, cash equivalents and bank overdraft		**933**	**-283**
Cash, cash equivalents and bank overdrafts at 1st of January		858	1 150
Foreign exchange gain/loss on cash and cash equivalents		-12	-9
Cash, cash equivalents and bank overdrafts at 31st of December		**1 779**	**858**

The cash flow statement includes gain from sale of property, plant and equipment of:

	2010	2009
Book value of sold assets and investment property	632	37
Gain/(loss) on sale of assets	265	298
Compensation received on the sale of assets	**897**	**336**

Changes in Group equity

	Note	Ord. Shares and share premium	Retained earnings	Non-controlling interest	Total
Balance at 1st of January 2010	17	5 536	1 035	166	6 737
Profit for the year			293	-39	254
Acquisition of non-controlling interest			74	-109	-35
Currency translation differences			12		12
Dividends	17		-172		-172
Balance at 31st of December 2010		5 536	1 242	18	6 796
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010

All numbers in the report are in MNOK.

NOTES TO THE ANNUAL REPORT AND ACCOUNTS

The consolidated financial statements were approved by the Board of Directors on 16th of March 2011.

1. ACCOUNTING PRINCIPLES FOR THE NSB-GROUP

1-1. 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.

1-2. 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.

1-2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention with the exception of Financial derivatives, certain financial assets and financial liabilities which are valued at fair value.

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.

The Group adopts the going concern basis in preparing its consolidated financial statements.

New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1st of January 2010:

- IFRS 3 *Business combinations (revised) and consequential amendments to IAS 27, Consolidated and separate financial statements,* IAS28*, Investments in associates,* and IAS 31*, Interests in joint ventures,* are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2010.

  The acquisition method for business combinations has changed considerably. According to revised standard the effect of all transactions with non-controlling owners be recorded in equity if there is no change in control. Such transactions will no longer result in goodwill or gains or losses. When control ceases to exist, remaining interest should be measured at fair value, and gain or loss is included in the result.

  The revised standard is used when acquisitions or sales has occurred in stages in the Nettbuss-Group, see note 32.

- IAS 36 *Impairment of assets*. The change clarifies that the largest cash generating-unit, or groups of units to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, Operating segments.

- IAS 24 *Related party disclosures*. The standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The standard is mandatory for annual periods starting on or after 1 January 2011. The group elects early adoption.

Standards, amendments and interpretations to existing standards that is not yet effective and the Group has not elected to adopt them early.

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 2011 or later, without the Group electing early adoption:

- IFRS 9, *Financial instruments,* the first step in the process to replace IAS 39. IFRS 9 introduces new requirements for classifying and measuring financial assets and is not likely to affect the Group's accounting for financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

- IAS 32 *Financial statements presentation*. The amendment applies to annual periods beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment is not expected to have a material effect on the Group.

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

Changes in accounting policy

The Group changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1st of January 2010 when revised IAS 27 became effective. The revision to IAS 27 contained consequential amendments to IAS 28 *Investments in associates*, and IAS 31 *Interests in joint ventures.*
Previously, transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognized in the financial statements.

1-2.2 Consolidations

(a) *Subsidiaries*

Subsidiaries are all 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.

The Group uses the purchase method of accounting to account for acquisitions of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets of acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Transactions and non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) *Joint venture*

Associates are all entities where NSB exercises control in cooperation with other owners according to an agreement. 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. Identified additional value is depreciated over remaining useful life, while goodwill is tested for a possible write-down as a part of the investment (see note 1-2.7).
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. 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' accounts have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group no longer has significant influence, remaining ownership interest is measured at fair value with changes charged to the income statement. Fair value will be equal to acquisition cost for the future accounting of this financial asset. Amounts related to these companies and that are included in comprehensive income will be treated as if the assets and liabilities were disposed. This could result in items that are included in comprehensive income are reclassified to profit for the year. By reducing the share of ownership in associated companies where the Group maintains significant influence, a proportional share of the amount is reclassified from comprehensive income to profit for the year.

1-2.3 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.

1-2.4 Contract losses

The Group's activity also results in entering into public contracts on deliverance of public transportation, net contracts where the operator assumes all the income risk and gross contracts where the purchaser assumes responsibility for the income. For several of these contracts the Group assumes a large part of the risks for the development of several costs (for example salaries, interest and fuel) without any income adjustment. This could result in unprofitable contracts if costs increase more than income. Therefore, the Group measures present value of future expected cash flow from operational activities in each contract, where estimated payments are unavoidable in the future. Depreciation, write-downs and financial costs are not included.

Before a provision is taken, the need for a write-down of assets is considered. Provision for contract losses will appear on the balance sheet under "Provisions for other liabilities and charges". Provisions for contract losses with an expected settlement date within one year of the balance sheet date, is classified as "Trade and other payables". The provision will be reversed according to a possible reduction of a negative present value in later periods.

1-2.5 Foreign currency translation

(a) *Functional and presentation currency*

NSB-Group's activities are mainly in Norway as well as some activity in Sweden and Denmark. Operating- income and expenses, purchases as well as financial expenses are mainly in NOK, SEK, DKK, CHF and EUR. 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 unit's functional currency at the date of the transactions. Foreign exchange gains and losses from such transactions and from the translation of foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are included in net financial income.

Foreign 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 are accounted for 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 in comprehensive income and separately specified in equity

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.

1-2.6 Property, plant and equipment

All property plant and equipment (PPE) is shown at cost less subsequent depreciation. Cost includes expenditure which 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 is 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	5 – 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 2.8). 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 are recognised at the lower of balance sheet value and fair value deducted sales cost if balance sheet value is mainly recovered by a sales transaction and when a sale is considered to be probable.

1-2.7 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.

1-2.8 Impairment of non-financial assets

Fixed and intangible assets which 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.

1-2.9 Investments

1-2.9.1 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) financial assets available-for-sale. The classification is determined at the acquisition date and depends on the purpose for which the investments were acquired.

(a) *Financial assets at fair value through profit or loss*
Derivative Financial assets (see note 1-2.10) 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 such if its primary purpose is to result in profits due to short-term price changes. Derivatives are classified as available-for-sale, unless they are part of hedging. Assets in this category are classified as current assets.

(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 note1-2.12).

(c) *Financial assets available for sale*
Available-for-sale financial assets are non-derivatives that are either designated in this category, or doesn't belong in any of the other categories. They are included in non-current assets as long as the investment does not mature or management intentions are not to dispose of the investment within 12 months of the balance sheet date.

1-2.9.2 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 including 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. Loans and receivables are subsequently 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. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement in net financial income when the Group's right to receive payments is established.

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.

1-2.9.3 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

1-2.9.4 Impairment of financial assets
The Group assesses on each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets which are classified as borrowings and receivables of certain assets which are classified as held-for-sale are impaired. Objective indicators of a decrease in fair value for equity instruments include material and permanent impairments.

1-2.10 Derivatives and financial instruments
The Group uses interest and currency swaps on its long term debt as well as on the price of electric power to ensure predictability.

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. Changes in fair value on derivative contracts entered into as debt instruments are included in net financial income, while derivative contracts related to electric power are included as other operating expenses.

The Group does not use hedge accounting.

1-2.11 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.

1-2.12 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 other operating expenses in the income statement.

1-2.13 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.

1-2.14 Share capital
Ordinary shares are classified as equity.

1-2.15 Borrowings
External fixed and floating rate bonds are recognised at fair value with value changes included in the income statement. Change in fair value is due to changes in interest levels and the Group's credit rating.

Other borrowings, bank loans with floating interest, inter-company loans etc are recognised initially at fair value, net of transaction costs incurred. In the following accounting periods, borrowings are accounted for at amortised cost using effective interest rate. The difference between the unsettled amount of loan (excluding transaction costs) and amount payable at maturity is recognised over the period of borrowings as part of effective interest.

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.

1-2.16 Deferred income tax

Income tax expense for a period consists of tax payable and deferred tax. Tax is recognised in the income statement, except when it is related to items that are charged directly to equity. Items which are included in other result components are presented net after tax.

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) which 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 there is a probability 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 be reversed in the foreseeable future.

Deferred income tax asset 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 assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1-2.17 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 plan is for many employers and they are responsible for contributions until payment. So far it hasn't been possible to present a sufficient foundation for estimates and allocations of liabilities and assets; the pension plan is therefore 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.

1-2.18 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.

1-2.19 Trade payable

Trade payable are classified as current liabilities if payment is due within one year or less. Accounts payable are recognised at fair value at initial recognition. Subsequently accounts payable are measured at fixed amortised cost using the effective rate method.

1-2.20 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.

1-2.21 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.

1-2.22 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.

1-3. Financial risk management

1-3.1 Financial risk factors

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management and written guidelines for specific risk areas.

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.

1-3.2 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.

1-3.3 Fair value estimation

The table in note 15 analyses financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

- 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.

1-4. 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.

1-4.1 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).

(d) *Fixed assets*

The Group must continuously evaluate expected useful life and expected rest value on fixed assets. This will have an effect on annual depreciation. Furthermore, the Group must evaluate whether there is a need for write-downs to recoverable amount on fixed assets and intangible assets, including goodwill. These evaluations involve using assumptions.

(e) *Pension benefits*

The Group has considerable liabilities related to employees' pension rights. The calculations used means the Group must make several economic and demographic assumptions. Changes in these assumptions can affect the calculated liabilities considerably. Such changes will not affect the accounts directly, but accumulated as changes and deviations in estimates.

(f) *Assets and liabilities at fair value*

Some of the Groups' financial assets, financial derivatives and long-term debts are accounted for using fair value. Calculating fair value result in using assumptions and leadership must use estimates. The estimates are mainly based on observed prices, which changes over time. Changes in assumptions will lead to changes on the balance sheet as well as affecting the income statement.

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 profit	Equity	Profit/ loss	Cap value 31st of des
Nettbuss AS	1. Dec. 1996	Oslo	100 %	482	-92	607
Rom Eiendom AS	18. Dec. 1998	Oslo	100 %	1 050	129	601
Arrive AS	1. Jul. 2001	Oslo	100 %	34	10	37
Arrive Systems AS	28. Nov. 1995	Oslo	100 %	1	0	1
NSB Trafikkservice AS	1. Okt. 2001	Oslo	55 %	8	3	1
Finse Forsikring AS	1. Dec. 2001	Oslo	100 %	227	33	59
CargoNet AS	1. Jan. 2002	Oslo	100 %	461	-36	290
Mantena AS	1. Jan. 2002	Oslo	100 %	218	22	254
NSB Gjøvikbanen AS	1. Apr. 2005	Oslo	100 %	17	-5	16
Svenska Tågkompaniet AB	1. Jan. 2007	Gävle	100 %	10	-4	51
Tømmervogner AS[1]	31. Dec. 2008	Oslo	45 %	-1	0	2
Banestasjoner AS	2. Jan. 2002	Oslo	100 %	0	0	0
SUM				**2 507**	**60**	**1 918**

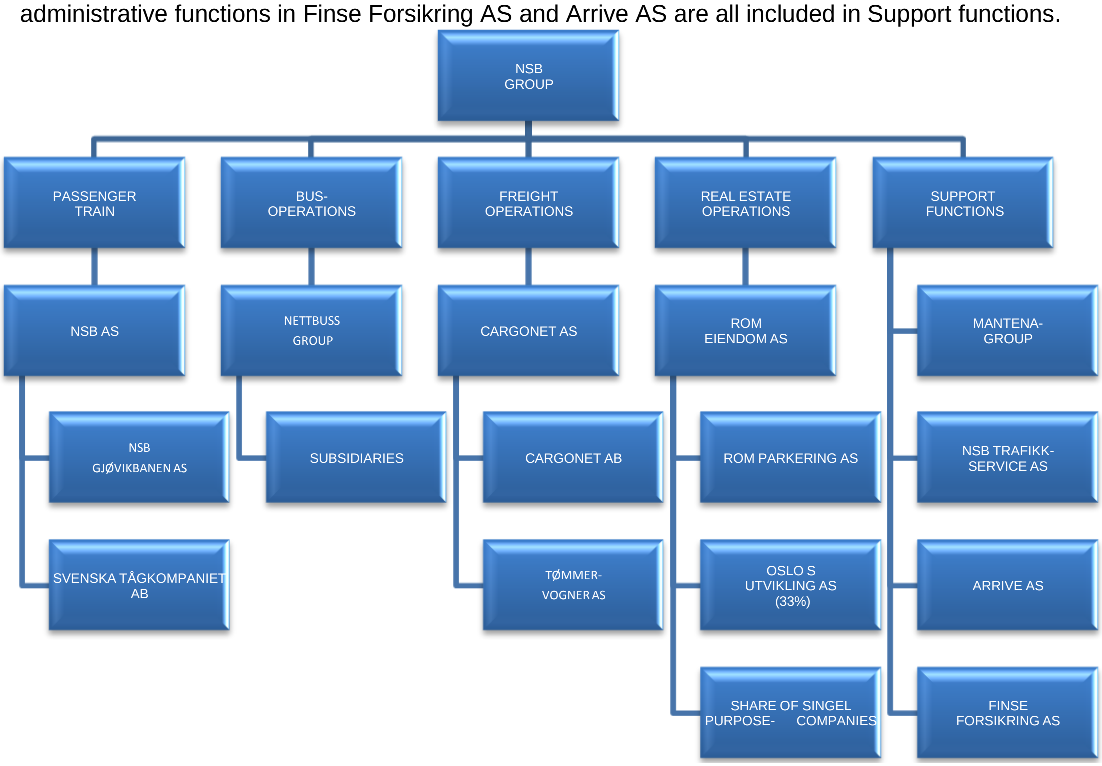
[1]Remaining shares are owned by CargoNet AS.

100 % of the equity in the accounts are included as of 31.12.2010

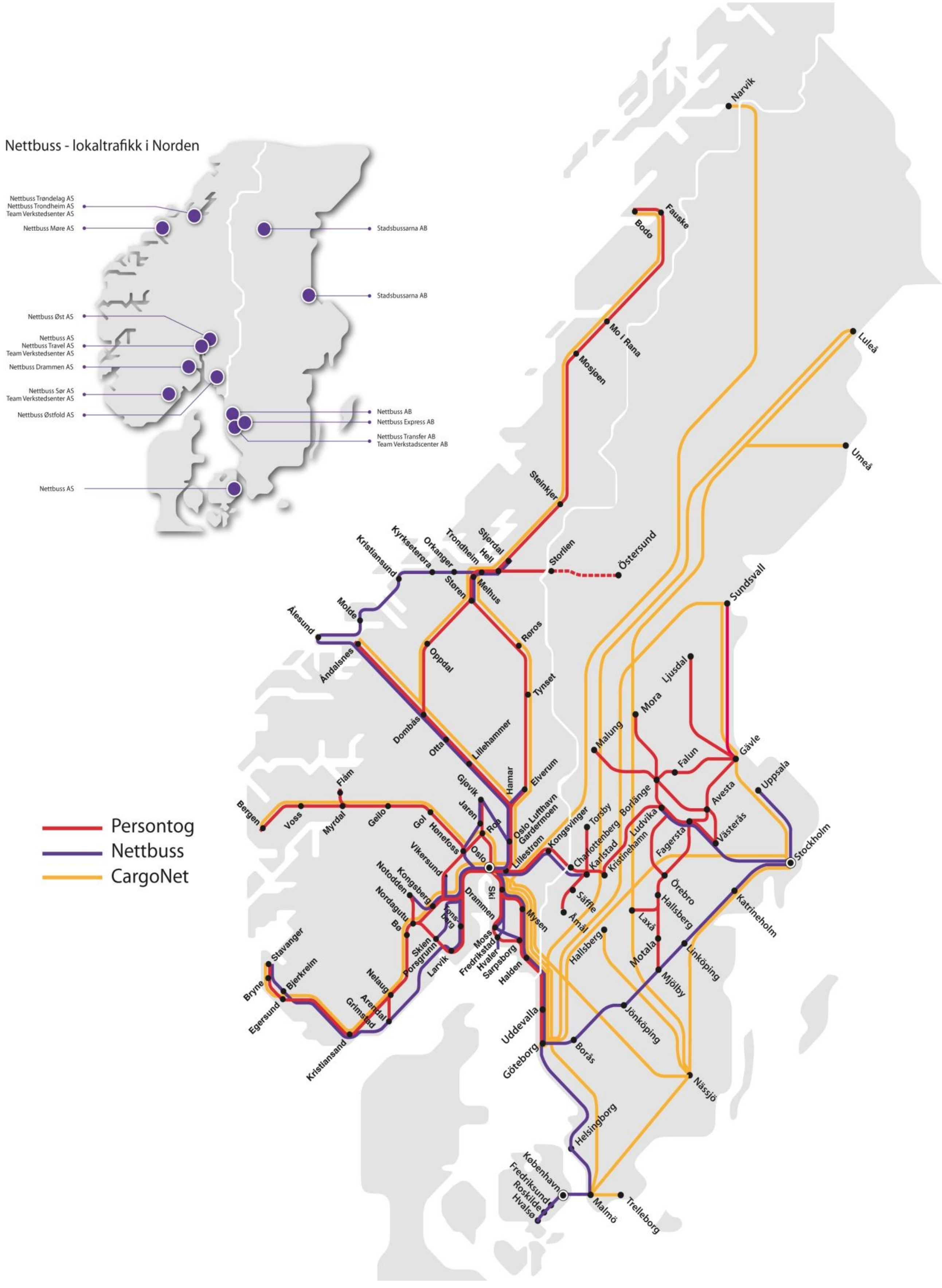
3 Group- and company structure

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) aret he 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 AS 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 2010, 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 Arrive AS.

Segment results 1.1.– 31.12.2010:

	Pass. train	Bus	Freight	Real estate	Support	Elimination	Group
Operating income	4 871	4 318	1 439	831	1 570	-1 849	11 179
Operating expenses	4 614	3 711	1 400	339	1 433	-1 849	9 648
Depreciation and impair.	491	427	87	110	37	0	1 152
Operating profit/loss	**-234**	**180**	**-48**	**382**	**99**	**0**	**379**
Net Financ. income/exp							-58
Share profit/loss of associate							10
Resultat før skattekostnad							**331**
Income tax expense							77
Net income							**254**
Assets	8 004	3 754	868	4 735	1 431		18 792
Liabilities	2 767	896	232	739	451		5 085
Investments	343	1 333	20	706	34		2 437

Segment assets and liabilities are reconciled as follows:

	Assets	Liabilities
Segment assets and liabilities	18 792	5 085
Not allocated;		
Derivatives	629	91
Tax payable		1
Total	**19 421**	**5 177**

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	10 917
Operating expenses	4 296	3 458	1 485	456	1 302	-1 653	9 343
Depreciation and impair.	448	336	99	104	36	0	1 024
Operating profit/loss	**24**	**103**	**-73**	**454**	**41**	**0**	**550**
Net financial income/exp							-49
Share profit/loss of 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

Segment assets and liabilities are reconciled as follows:

	Assets	Liabilities
Segment assets and liabilities	17 671	4 502
Not allocated;		
Derivatives	612	48
Tax payable	0	111
Total	**18 283**	**4 661**

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	**2010**	**2009**
Transport revenue	9 982	9 557
Sales revenue	270	298
Other revenue	928	1 062
Total	**11 179**	**10 917**

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

6 Intangible assets

	Goodwill	Other	Total
At 1st of January 2010			
Accumulated acquisition cost	377	106	483
Accumulated amortisation and impairments	-197	-52	-249
Total	**179**	**54**	**233**
Year ended 31st of December 2010			
Opening net book value	179	54	233
Exchange differences	0	0	0
Additions	0	0	0
Acquisitions of subsidiaries	47	13	60
Impairments	-47	0	-47
Depreciation	0	-20	-20
Total	**179**	**47**	**226**
At 31st of December 2010			
Accumulated acquisition cost	422	119	541
Accumulated amortisation and impairments	-243	-72	-315
Total	**179**	**47**	**226**
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	203	70	273
Exchange differences	-2	2	0
Additions	0	1	1
Impairments	-21	0	-21
Depreciation	-1	-19	-20
Total	**179**	**54**	**233**

Goodwill applies to the Nettbuss-Group and is alloc. as follows:	**2010**	**2009**
Norway	179	180
Sweden	0	0
Denmark	0	0
	179	180

Goodwill is allocated to the Group's cash-generating units identified according to the value the asset contributes to the segment. Liquidity prognosis is 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. The impairment in 2010 is a consequence of a lost tender in a subsidiary in Nettbuss. The impairment in 2009 was a consequence of a negative profit development in the bus operations.

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]	10,21 %	11,09 %	10,85 %

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:	**Sweden:**	**Denmark:**
Region Drammen	Orusttrafiken AB	Netbus Danmark AS
Region Møre	Säfflebussen AB	
Region Trøndelag		

7 Property, plant and equipment

	Machinery and equipm.	Transportation	Land and buildings	Prepaid trains	Under construction	Total
At 1st of January 2010						
Accumulated acquisition cost	2 390	15 048	1 475	1 131	1 330	21 373
Accumulated depreciation	-1 648	-8 408	-592	0	0	-10 647
Total	742	6 640	883	1 131	1 330	10 727
Year ended 31st of December 2010						
Opening net book value 01.01.	742	6 640	883	1 131	1 330	10 727
Exchange differences	1	30	1			32
Acquisition of subsidiary	5	231	-2			234
Acc.depr. acq. of subsidiary	-2	-121				-123
Additions	133	1 539	37	61	1 059	2 829
Disposal at acquisition cost	-85	-394	-4	-47	-547	-1 077
Accumulated depreciation disposals	69	336				405
Transferred to investment properties					-290	-290
Depreciation	-186	-762	-78			-1 026
Impairments		-20				-20
Total	677	7 479	837	1 145	1 552	11 690
At 31st of December 2010						
Accumulated acquisition cost	2 310	16 593	1 507	1 145	1 552	23 107
Accumulated depreciation	-1 633	-9 114	-670			-11 417
Total	677	7 479	837	1 145	1 552	11 690
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
Disposals	-39	-232	-1	-44	-532	-848
Accumulated depreciation disposals	37	207	0	0	0	244
Transferred to investment property	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
Acumulated depreciation	-1 648	-8 408	-592	0	0	-10 647
Total	742	6 640	883	1 131	1 330	10 727
Depreciation period:	5 - 30 yrs	5 - 30 yrs	0 - 50 yrs			

Economic life for plant and equipment

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

Financial lease

Property, plant and equipment acquired through a financial lease agreement includes the following:	**2010**	**2009**
Accumulated acquisition cost through financial leasing	223	186
Accumulated depreciation	-56	-46
At 31st of December	167	140
Long term lease obligation	81	103

The agreement consists of leasing fixed assets in the bus operations. The rights to the leased assets go to the lessor when lessee fails to pay its lease obligations.

8 Investment properties

At 1st of January	**2010**	**2009**
Accumulated acquisition cost	1 521	1 357
Accumulated depreciation, impairments	-346	-298
Total	**1 175**	**1 059**
Year ended 31st of December		
Opening net book value 01.01.	1 175	1 059
Additions	0	18
Disposals	-554	-9
Acc. Depreciation disposals	0	0
Transferred from property, plant and equipment	290	156
Depreciation	-40	-46
Impairments	1	-3
Total	**872**	**1 175**
At 31st of December		
Accumulated acquisition cost	1 260	1 521
Accumulated depreciation, impairments	-388	-346
Total	**872**	**1 175**

Fair value at 31st of December 2010 (including properties under construction available for sale)
At 31.12.10 the Group's investment properties had a fair value of 3 635 MNOK. By increasing the return on capital by 0,5 % the value will be reduced by 242 MNOK. By reducing the return on capital by 0,5 % the value will increase with 280 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 7 484 MNOK (6 868 MNOK).

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.	**2010**	**2009**
Rental income	539	344
Operating expenses	231	148

9 Investments in associates

	2010	2009
Book value 01.01.	72	118
Acquisition of associate	2	12
Disposals/ -sale of disposals	-17	0
Share of profit/loss	10	-4
Exchange differences	-3	-2
Other equity movements	0	-51
Net book value 31.12.	65	73

Share of profit/loss is after tax, non-controlling interests and dividends paid.

Investments in associates at 31.12.2010 include goodwill of 0 MNOK (0 MNOK)

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

2010	Registered office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Oslo S Parkering AS	Oslo	131	89	28	2	25 %
Ålmhults Terminal AB	Ålmhult	5	2	1	0	33 %
Hallsberg kombiterminal AB	Hallsberg	5	2	13	1	20 %
Nordlandsbuss AS	Bodø	93	81	69	0	34 %
Telemark Ekspressbusstrafikk AS	Skien	0	0	23	0	0 %
Nor-Way Bussekspress AS	Oslo	16	6	37	1	25 %
Elverum Rutebilstasjon AS	Elverum	4	0	4	2	50 %
KR Trafiken AB	Østersund	0	0	70	0	25 %
Raumabanen Åndalsnes AS	Åndalsnes	1	0	0	0	16 %
Interoperabilitetstjenester AS	Oslo	0	0	0	0	33 %
Strømstad-Tanum Buss AB	Tanumshede	19	17	16	1	40 %
Kjellgrens Busstrafikk AB	Tranemo	7	5	7	0	40 %
Tunnelbanan Technik Stockholm AB	Stockholm	102	87	249	2	50 %
Minibuss 24 7 AS	Våler	0	0	4	0	49 %
Total		383	290	523	13	

2009	Regisered 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	

10 Inventories

	2010	2009
Spare parts and components	414	312
Not completed parts	39	71
Completed parts	7	8
Developmental property for sale	1 393	1 575
Total	1 853	1 965

11 Assets held for sale

Assets held for sale:	2010	2009
Investment property/developmental property	0	0
Total	**0**	**0**

12 Trade and other receivables

	2010	2009
Trade receivables	861	1 073
Less: provision for impairment of receivables	-20	-13
Trade receivables – net	841	1 060
Prepayments	341	311
Other receivables	335	208
Total trade and other receivables	1 517	1 578

The carrying amounts of the trade receivables, prepayments and other receivables approximate their fair value. Trade receivables include mainly freight revenue, rental revenue and non-calculated public purchase amounts due from counties.

Maturity of receivables:	2010	2009
Matured receivables on balance sheet date	128	321
Matures in the next 0 - 2 mnths	91	98
Matures in the next 2 - 6 mnths	22	211
Matures after 6 mnths	12	13

13 Derivatives

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	610	-88	609	-36
Forward foreign exchange contracts	0	0	0	0
Energy swaps	19	-3	3	-13
Total	629	-91	612	-48

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:	2010	2009
This period's change in fair value:	-26	-594
Accumulated change in fair value:	537	563

Forward foreign exchange contracts
The notional prinsipal amounts of the outstanding forward foreign exchange contracts at 31st of December 2010 were 0 MNOK (0 MNOK).

Interest rate and foreign exchange swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31st of December 2010 were 7 808 MNOK (6 537 MNOK). At 31st of December 2010, the fixed interest rates vary from 0,12 % to 4,24 % (0,57 % to 4,40 %), and the main floating rates are EURIBOR and LIBOR.

14 Other financial assets at fair value through profit or loss

Listed securities:	2010	2009
Equity securities – Europe	45	40
Bonds and certificates	656	733
Total	701	773

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 2,7 % (2,5 %) and the placements has an average maturity of 0 days.

Changes in fair values of listed securities at fair value	**2010**	**2009**
This period's change in fair value	4	7
Accumulated change in fair value	1	-3

15 Financial instruments by category

Assets at 31st of December 2010	**Loans and receivables**	**Assets at fair value through profit and loss**	**Total**
Financial fixed assets	89	0	89
Derivative financial instruments	0	629	629
Trade and other receivables (excl. prepayments)	1 177	0	1 177
Financial assets at fair value through profit or loss	0	701	701
Cash and cash equivalents	1 779	0	1 779
Total	3 045	1 330	4 375

Liabilities at 31st of December	**Liabilities at fair value through profit and loss**	**Other financial liailities at amort. cost**	**Total**
Borrowings (excl. financial lease liabilities)	6 789	734	7 523
Finance lease liabilities	0	78	78
Derivative financial instruments	91	0	91
Trade and other payables excl statutory liabilities	0	3 148	3 148
Total	6 880	3 960	10 840

Assets at 31st of December 2009	**Loans and receivables**	**Assets at fair value through profit and loss**	**Total**
Financial fixed assets	288	0	288
Derivative financial instruments	0	612	612
Trade and other payables (excl. prepayments)	1 268	0	1 268
Financial assets at fair value through profit and loss	0	773	773
Cash and cash equivalents	858	0	858
Total	2 414	1 385	3 799

Liabilities at 31st of December	**Liabilities at fair value through profit and loss**	**Other financial liabilities at amort. cost**	**Total**
Borrowings (excl. Financial lease liabilities)	5 081	723	5 804
Finance lease liabilities	0	104	104
Derivative financial instruments	48	0	48
Trade and other payables excl. statutory liabilities	81	3 226	3 307
Total	5 210	4 053	9 263

The following table presents the Group's assets and liabilities that are measured at fair value at 31st of December 2010.

Financial assets at fair value through profit and loss:	**Level 1**	**Level 2**	**Level 3**	**Total**
Bonds and certificates				
Trading securities				
Derivatives used for hedging		629		629
Available-for-sale financial assets:				
-Equity securities				
-Debt instruments		701		701
Total assets		1330		1330

Financial liabilities at fair value through profit or loss:	Level 1	Level 2	Level 3	Total
Borrowings and accrued interest		6789		6789
Derivatives used for hedging		91		91
Total liabilities		6880		6880

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	Total
Bonds and certificates	0	773	0	773
Trading securities	0	0	0	0
Derivatives used for hedging		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	Total
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

	2010	2009
Cash at bank and on hand	1 779	858
Short term bank deposits	0	0
Total	1 779	858

Includes restricted funds of 130 MNOK (128 MNOK)

17 Share capital and share premium

	No. Of shares	Ordinary Shares	Share premium	Total
Shares at 1st of January 2009	3 685 500	3 685 500	1 850	5 536
Shares at 1st January 2010	3 685 500	3 685 500	1 850	5 536
Shares at 31st of December 2010	3 685 500	3 685 500	1 850	5 536

There is only one class of shares, each share with a par value of NOK 1.000,-. There have been no changes to capital in either 2009 or 2010.

The dividends 2009, paid in 2010, were 172 MNOK. Proposed dividend for the accounting year 2010 is 0 MNOK. The decision will be made at the Annual General Meeting in 2011.

18 Borrowings

Non-current	2010	2009
Mortgage loan	267	393
Bonds	4 910	3 997
Other non-current borrowings, incl. financial lease	513	489
Total	5 690	4 881

Current	2010	2009
Current share of non-current borrowings	1 267	1 026
Other current borrowings	646	0
Total	1 913	1 026
Total borrowings	7 603	5 908

Notional value of long-term borrowings is 5 123 MNOK (4 476 MNOK).

Total borrowings include secured liabilities (bank and collaterialized borrowings) totalling 6 981 MNOK (5 043 MNOK). The Group 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:

	2010	2009
6 months or less	2 652	1 714
Over 6 months	3	0
Non-current borrowings expire in:	**2010**	**2009**
Between 1 and 2 years	26	1 298
Between 2 and 5 years	2 375	672
Over 5 years	3 289	2 911

Effektive interest rate at the balance sheet date:

	2010				2009		
	NOK	SEK	€	CHF	NOK	€	CHF
Mortgage loan	4,10%				4,83 %		
Bonds	4,43 %		4,63%	2,26%	4,31 %	4,63%	3,23%
Other borrowings	4,20%	3,83 %			6,26%		

The carrying amounts of the non-current borrowings approximate their fair value, except for mortgage loans which has a fair value of 267 MNOK.

Changes in fair value on non-current borrowings:	**2010**	**2009**
This periods change in fair value	-28	-654
This periods change in fair value from the spread	2	28
Accumulated change in fair value	537	565
Accumulated change in fair value from the spread	2	0

The carrying amounts of the Group's borrowings are denominated in the following currencies:	**2010**	**2009**
NOK	2 499	2 033
SEK	91	0
EUR	1 217	1 330
CHF	3 797	2 545
Sum	7 603	5 908

The Group has the following undrawn borrowing facilities:	**2010**	**2009**
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 2011. The other facilities have been arranged to help finance the proposed expansion of the Group's activities.

Obligation on financial lease agreements – minimum payments	**2010**	**2009**
Expiring within 1 year	35	34
Expiring between 1 and 5 years	46	83
Expiring beyond 5 years	0	0
Total	81	117
Future financial cost – financial lease agreements	3	13
Current value on obligations – financial lease agreements	78	104

Current value of lease obligations for financial lease agreements:	**2010**	**2009**
Expiring within 1 year	34	30
Expiring between 1 and 5 years	44	74
Expiring beyond 5 years	0	0
Total	78	104

Operating lease commitments – Group company as lessee
The Group leases various plant and machinery under cancellable operating lease agreements. Future accumulated minimum payments included in cancellable operating lease agreements are as follows:

	2010	**2009**
Expiring within 1 year	144	91
Expiring between 1 and 5 years	284	184
Expiring beyond 5 years	162	156
Total	591	431

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:

	2010	**2009**
Deferred income tax assets		
- Deferred income tax assets to be recovered after more than 12 months	544	663
- Deferred income tax assets to be recovered within 12 months	49	15
	593	678
Deferred tax liabilities		
- Deferred income tax liability to be recovered after more than 12 months	-1 087	-1 061
- Deferred income tax liability to be recovered within 12 months	-17	-16
	-1 104	-1 077
Total deferred income tax liability (net)	-511	-399

Gross movement on deferred income tax account is as follows:	**2010**	**2009**
Book value 01.01.	-399	-233
Exchange differences	0	1
Acquisition of subsidiary	4	0
Income statement charge	-70	-104
Norwegian correctional charge	0	-46
Norwegian stimulus tax refund	0	-17
Tax effect Group contribution	-46	0
Book value 31.12.	-511	-399

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 2009	-673	-22	-192	-37	-923
Income statement charge	-106	12	-48	-13	-155
Acquisition of subsidiary	0	0	0	1	1
At 31st of December 2009	-779	-10	-240	-49	-1 077
Income statement charge	-61	6	34	-4	-25
Acquisition of subsidiary	-2	0	0	0	-2
At 31st of December 2010	-842	-4	-206	-53	-1 104

Deferred tax assets	Provisions	Tax losses	Other	Total
At 1st of January 2009	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 December 2009	428	53	197	678
Income statement charge	-100	76	-21	-45
Tax effect Group contribution	0	0	-46	-46
Acquisition of subsidiary	6	0	0	6
At 31st of December 2010	334	129	130	593

Income tax expense	2010	2009
Tax payable	7	82
Change in deferred tax	70	104
Total income tax expense	77	186
Tax payable in income tax expense	7	82
Tax payable – Norwegian correctional tax	0	29
Prepaid taxes	-6	0
Total tax payable on balance sheet	1	111

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:

	2010	2009
Net income before tax	331	497
28 % of net income before tax	93	139
Non-taxable income	-44	-9
Non-fiscal deductible expenses	20	5
Too much/little tax charged in prior years	2	-5
Other	0	6
Fiscal loss concerning unrecognized deferred tax assets	6	49
Income tax expense	77	186

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 115 MNOK (109 MNOK) in respect of losses amounting to 424 MNOK (403 MNOK). Weighted average tax rate was 23 % (37 %).

20 Retirement benefit obligation and similar obligations

The Group has several collective pension agreements. The obligations connected to these agreements covers 6625 employees and 3442 retirees. The retirement benefit 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 6625 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.

Currently, there are major on-going processes relating to public service retirement plan, which is the main product in the Group. Final approved actuarial calculated changes are included in the numbers below. This years result is influenced by changes to estimated length of life, and is with change to index of active pensions included in “Effect of change in index and life expectancy” in the note. Reversal of 45 MNOK of AFP-accruals related to Spekter has been completed and is included in “effect on changing AFP”.
In the tables below social taxes (notional numbers) are included in both gross obligations and this years’ expense.

Pension retirement obligations are as follows:

Present value of earned pension right	**2010**	**2009**
for funded collective pension plans	-8 854	-7 940
Fair value of plan assets	6 520	5 951
	-2 334	-1 989
Present value of unfunded obligations	-55	-24
Unrecognised actuarial losses	1435	691
Net pension obligation on the balance sheet	**-954**	**-1 321**

Net pension cost	**2010**	**2009**
Present value of current pension earnings	328	366
Interest cost	345	313
Expected return on plan assets	-340	-312
Changes and deviations in estimates allocated to net income	32	66
Effect on changing AFP	-49	0
Effect of change in index and life expectancy	-145	-9
Employee contribution	-8	0
Total, included in employee benefit expense (note 24)	**163**	**424**

Changes in pension retirement obligations:	**2010**	**2009**
Book value 1st of January	-1 321	-1 326
Expense charges in the income statement	-163	-424
Obligation due to acquisition/termination	53	0
Payments to plan	218	380
Actuarial deviations	259	0
Reduction by termination of program	0	49
Book value at 31st of December	**-954**	**-1 321**

Pension assets	**2010**	**2009**
Assets in programs at the beginning of the year	5 951	5 588
Payments received during the year	472	380
Payments made during the year	-254	-225
Reduction by termination of program	0	-41
Acquisitions	27	0
Expected return on plan assets	339	312
Paid during the year	0	-63
Actuarial deviations in the estimates	-15	0
Book value 31st of December	**6 520**	**5 951**

Sensitivity is differnet 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:

	2010	2009	2008	2007	2006
INCOME STATEMENT					
Current service cost	320	365	347	351	308
Interest cost	345	313	389	311	290
Current returns on plan assets	-340	-312	-276	-240	-230
Current estimation differences	-163	57	48	54	87
Total cost in the income statement	**163**	**424**	**508**	**476**	**455**
BALANCE SHEET					
Total obligations	-8 910	-7 963	-8 277	-8 378	-7 642
Total funding	6 520	5 951	5 589	5 211	4 927
Total net not covered	**-2 389**	**-2 012**	**-2 688**	**-3 167**	**-2 715**
Estimation, net	1 435	691	1 362	1 974	1 707
Total on the balance sheet	**-954**	**-1 321**	**-1 326**	**-1 193**	**-1 008**

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

The principal actuarial assumptions used were as follows:

	2010	2009	2008	2007	2006
Discount rate	3,80 %	4,50 %	4,00 %	4,90 %	4,41 %
Expected rate of return	4,60 %	5,60 %	5,50 %	5,24 %	5,00 %
Average salary increase	3,50 %	4,00 %	4,25 %	4,70 %	4,35 %
G-regulation	3,75 %	4,00 %	4,25 %	4,25 %	4,10 %
Estimation : % of max (PBO, pension assets)	10,00 %	10,00 %	10,00 %	10,00 %	10,00 %
Annual reg. of pension increases	3,00 %	4,25 %	4,25 %	4,25 %	4,10 %
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 the fiscal from 2007 until today. 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 2010	**Environment. pollution**	**Reorganization obligation**	**Other**	**Total**
At 1st of January	110	59	114	283
Change in provision during the year	0	0	32	32
Used during year	0	-5	-17	-22
Total	**110**	**54**	**129**	**293**

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

Analysis of total provisions:	2010	2009
Non-current liabilities	293	284
Current liabilities	0	0
Total	293	284

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 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 on a continuous basis. The accrual is reversed based on actual cost as the clean-up processes.

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	2010	2009
Trade payables	779	397
Social security and other taxes	24	160
Other current liabilities	2 369	2 919
Total	3 172	3 476

The amount due to related parties is 3 MNOK (15 MNOK)
Book value of trade and other payables corresponds to fair value. Other current liabilities include pre-paid revenue, periodizated payroll and related expenses as well as other periodizated expenses.

23 Contract losses

For 2010, a 12 MNOK loss related to contracts in the bus operations in Denmark, has been charged to the accounts.

24 Payroll and related expenses

	2010	2009
Wages and salaries, including social security costs	5 062	4 751
Pension costs – defined contribution plans	72	40
Pension costs – defined benefit plans (note 20)	163	424
Other employee benefit expenses	73	94
Total	5 370	5 309

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

	2010	2009
Average man-labour year	9 992	9 617
Average number of employees	12 136	11 883

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

	2010	2009
Depreciation non-current assets (note 7)	1 026	929
Impairment non-current assets (note 7)	20	6
Depreciation investment property (note 8)	40	46
Impairment investment property (note 8)	-1	3
Amortisation intangible assets (note 6)	20	20
Impairment intangible assets (note 6)	47	21
Total	1 152	1 024

26 Other expenses

	2010	2009
Sales- and overhead expenses	763	740
Energy used in operations	911	727
Repair and maintenance, machinery rental, property expenses	1 271	1 154
Other operating expenses	1 333	1 414
Total	4 278	4 034

Auditing fees (excluding VAT):	2010	2009
Auditing	7	6
Tax advisory	0	1
Other services	1	3
Total	**8**	**10**

27 Financial income and expenses

	2010	2009
Interest income	314	296
Dividend	11	5
Other financial income	2	2
Net foreign exchange gains on financing activities	24	10
Fair value gains on financing activities	-25	21
Interest expense	-373	-373
Other financial expenses	-11	-9
Total financial items	**-58**	**-49**

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

28 Leases

	2010	2009
Lease of machinery/equipment, not incl. On the balance sheet	89	105
Lease of property (external)	76	109
Total	165	214

29 Risk analysis

This table shows future maturities for the Group's liabilities as at 31.12.2010:

Liquidity risk	**< 1 år**	**1-2 år**	**2-5 år**	**> 5 år**
Short term liabilities	3 139			
Borrowings	1 913	26	2 375	3 289
New trains	171	1 608	795	
Property, plant and equipment	408	174		1 399
Investment property				2 324

Other risk evaluations as at 31.12.2010

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 30 MNOK (50 points 36 MNOK)

Foreign currency risk is calculated using the Group's borrowings 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 1 MNOK (10 % -0,3 MNOK)

The currency risk for CHF by an increase of 10 % shows a calculated risk of 0 MNOK (10 % -1 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, are 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 1 MNOK (20 % and 50 points 0,5 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 48 % gives a calculated risk of 19 MNOK (32 % -13 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
- Non-controlling shareholders in subsidiaries
- Board of Directors and key management

Sale of goods and services:	2010	2009
Public purchase of passenger traffic services	1 673	1 641
Sales of other goods and services	119	57
Total	1 792	1 698

Purchases of goods and services:

Purchases of goods and services	174	171

Members of the board:	Title: (numbers in TNOK)	2010	2009
Ingeborg Moen Borgerud	Chairman of the board	342	330
Christian Brinch	Vice chairman of the board	208	200
Bjarne Borgersen	Member of the board	172	165
Bente Hagem	Member of the board	172	165
Tore H. Rasmussen	Member of the board	172	165
Øystein Aslaksen	Staff representative	172	165
Audun Sør-Reime	Staff representative	687	675
Jan Audun Strand	Staff representative	172	166
Total		2 097	2 031

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 342 TNOK, Vice Chairman 208 TNOK and the other board members 172 TNOK each. Fees for the staff representatives include their wages as an employee. There have been no changes to the board in 2010.

2010

Group management:	Title: (Numbers in TNOK)	Salary	Other benefits	Total benefits paid	Calculated pension-expense
Einar Enger	Chief Executive Officer	2 521	210	2 731	1 844
Tom Ingulstad	Chief Executive Officer, Director of Pass. Train	1 542	103	1 645	748
Kjell Haukeli	Chief Financial Officer	1 173	103	1 276	221
Arne Fosen	Director of Strategy and Development	1 493	99	1 592	406
Wenche Rasch	Director of Communication and Public Relations	329	35	364	0
Arne Veggeland	General Manager Nettbuss	1 655	181	1 836	213
Stein Nilsen	Chief Executive Officer, Director of Pass. Train	1 125	54	1 179	617
Total		9 838	785	10 623	4049

2009

Group management:	Title: (Numbers in TNOK)	Salary	Other benefits	Total benefits paid	Calculated pension-expense
Einar Enger	Chief Executive Officer	2 470	205	2 675	3 277
Stein Nilsen	Chief Executive Officer, Director of Pass. Train	1 767	100	1 867	1194
Kjell Haukeli	Chief Financial Officer	1 231	99	1 330	74
Arne Fosen	Director of Strategy and Development	1 566	99	1 665	322
Arne Veggeland	General Manager Nettbuss	1 383	178	1 561	315
Total		8 417	681	9 098	5 182

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. Some of the members in the Group management have bonuses that could result in as much as 3 months extra salary. The bonus is paid out based on an evaluation on personal goals as well as segment result and customer satisfaction index. Bonus paid out is included in the table above. Other benefits include newspapers, communication, free car and fixed car remuneration.

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:	2010	2009
Associates	3	0
Non-controlling share holders	0	3
Businesses owned by the Government through Ministry of Transport and Communication	28	29
Total	31	32

Payables to related parties:	2010	2009
Associates	0	0
Non-controlling share holders	0	7
Businesses owned by the Government through Ministry of Transport and Communication	7	8
Total	7	15

Loans to related parties	2010	2009
Associates	58	53
Joint venture	32	220
Total	90	273

There are no borrowings from related parties.

Guarantees
NSB AS has guaranteed for the pension obligations if Nettbuss AS no longer would exist, which eans 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

	2010	2009
Details of net assets acquired and goodwill are as follows		
Cash paid	60	0
Equity instruments	9	0
Contingency fee, estimated fair value	0	0
Total consideration to seller	**69**	**0**
Expenses related to acquisition	0	0
Fair value of net acquired assets	23	0
Goodwill	46	0

Identified assets and liabilities on the balance sheet recognised from the acquisition:

	Fair value	Acquired companies balance sheet value
Cash and cash equivalents	8	0
Property, plant and equipment	115	0
Licenses	13	0
Inventories	0	0
Trade and other receivables	26	0
Trade and other payables	-35	0
Retirement benefits and similar items	-6	0
Borrowings	-98	0
Deferred tax on excessive value on PPE	-2	-2
Net assets	**23**	**9**
Non-controlling inerest (0,0%)	0	0
Nett acquired assets	**23**	**0**
Amount paid in cash ans cash equivalents		60
Cash and cash equivalents in acquired subsidiary		-8
Cash paid at acquisition		**52**

The table above for 2010 shows the numbers for the following companies:
Buss og Klima AS, Klæburuten AS og Stadsbussarna AB. These companies were associates before, and in 2010 acquired a 100 % ownership. The increase in value of already existing ownership has been calculated to result in a gain of 1,2 MNOK in the profit for the year according to IFRS 3.

The fair value of the acquired assets and liabilities are mainly based on book value on the acquired companies' balance sheet. From this there are to deviations which are related to goodwill and existing contracts in the acquired companies, they are valued at market price from the actual transactions. Market price is based on the valuation of the companies at acquisition date.

33 Joint ventures

The parent company has no interest in a joint venture.
The subsidiary 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	**2010**	**2009**
Non-current assets	910	679
Current assets	462	527
Total	1 372	1 206

Liabilities	**2010**	**2009**
Long term liabilities	618	906
Short term liabilities	165	164
Total	783	1 069
Net assets	589	137

Income/expenses	**2010**	**2009**
Operating revenue	199	163
Operating expenses	154	-140
Profit after income tax	45	23

Oslo S Utvikling(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 company was prior classified as an associate.

The most important on-going projects are:

- The Visma-building 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.
- The KLP-building was completed and handed over to the purchaser in April 2010. The residence part consists of 53 apartments, where 51 are sold and handed over to its purchaser in 2010.
- The Snøhetta-building is as of 31.12.2010 rented out to Deloitte. The building is expected to be finalised in the fall of 2013.
- For the DnB NOR buildings one has entered into a lease contract and the buildings will be completed in 2012-2013. The contract's lifespan is 15 years with options on an extension as well as an option to purchase for the lessee.
- Sales of apartments in a new complex with 76 apartments has started. The construction of the building is planned to start as soon as at least 50 % of the total value has been sold.
- 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 contribution from the county of Oslo.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1st of January to 31st of December 2010 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, 16th of March 2011

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

PricewaterhouseCoopers AS
Postboks 748 Sentrum
NO-0106 Oslo
Telefon 02316

To the Annual Shareholders' Meeting of NSB AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of NSB AS, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company and the financial statements for the group comprise the balance sheet at December 31, 2010, income statement, changes in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position for the parent company and the group NSB AS as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2011
PricewaterhouseCoopers AS

Merete Stigen
State Authorised Public Accountant (Norway)
sign

CORPORATE GOVERNANCE

1. Background
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.

2. 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.

3. 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.

4. 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.

5. The task of the Board of Directors
The Board's work is governed by the Norwegian Companies Act, which is to manage the company's values on 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.

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

7. 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.

8. 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.

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

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

11. Auditor
The auditor is elected by the General Assembly. The policy of the company is to minimize assignments and fees paid to the auditor for services other than the actual audit. 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.

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

Through § 10 in the 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.