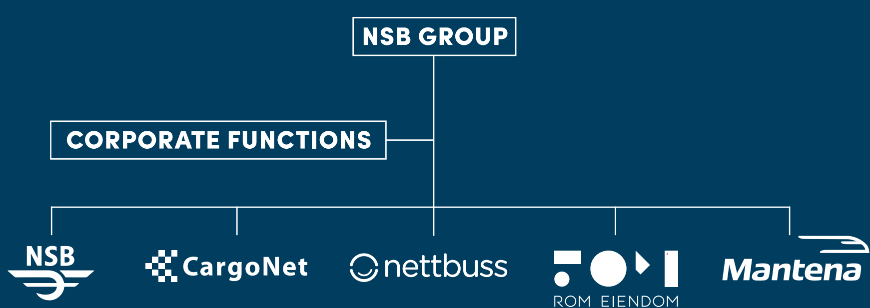
A New Era

NSB GROUP / ANNUAL REPORT 2014

Read about

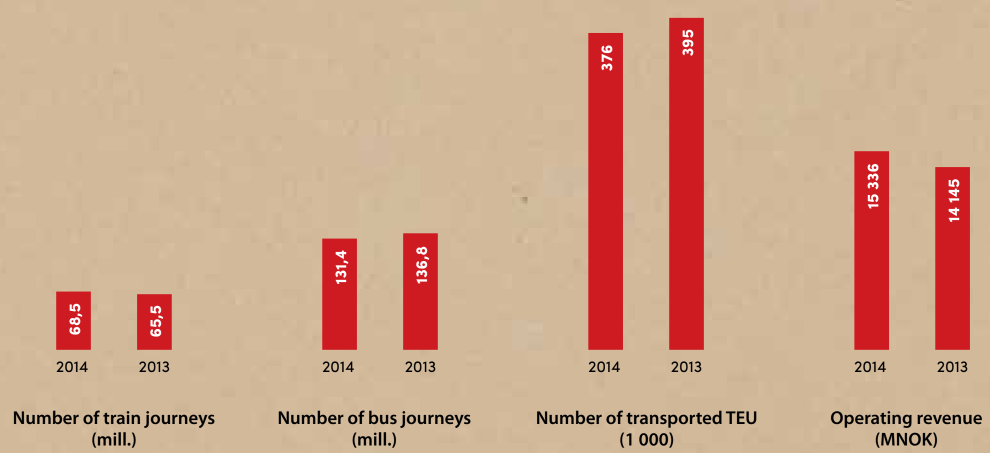
About

The NSB Group is a Nordic transportation group which main activities are passenger transport by bus and rail and freight traffic by rail, real estate and transport hub development and train maintenance.



OPERATIONAL KEY FIGURES	2014	2013
Passenger train		
Number of train journeys – (mill.)	68,5	65,5
Produced seat kilometers in Norway (mill.)	9 215	9 064
Punctuality – passenger train in Norway	88,3 %	88,4 %
Customer satisfaction – pass. train (index 0-100)	70	69
Bus transport		
Number of bus journeys – (mill.)	131,4	136,8
Produced kilometers (mill.)	190,4	198,7
Customer satisfaction express bus (index 0-100)	81	83
Freight transport		
Number of transported TEU – freight train (1.000)	376	395
Punctuality – freight train	90 %	89,3 %

FINANCIAL KEY FIGURES	2014	2013
Group profit		
Operating revenue	15 336	14 145
Operating profit	2 001	1 821
Profit before income tax expense	1 597	1 645
Group cash flow		
Net cash flow from operations	1 338	1 150
Group balance sheet		
Net interest bearing debt at nominal value (NIBD)	7 359	7 547
Equity		
Return on equity (ROE)	19,2 %	17,3 %
Equity ratio	30,2 %	30,4 %



A New Era

In the coming years there will be a million more people in Norway. This will make entirely new demands on us as a society. We will have to rethink about how we build towns and cities and how we travel.

ABOUT THE NSB GROUP

NSB is far more than passenger trains. No supplier in Norway can provide a more extensive bus service, no one transports more freight by rail and is involved in more urban development projects. With our extensive experience from sustainable development, we are well suited to make our contribution to meet Norway's future transport challenges.

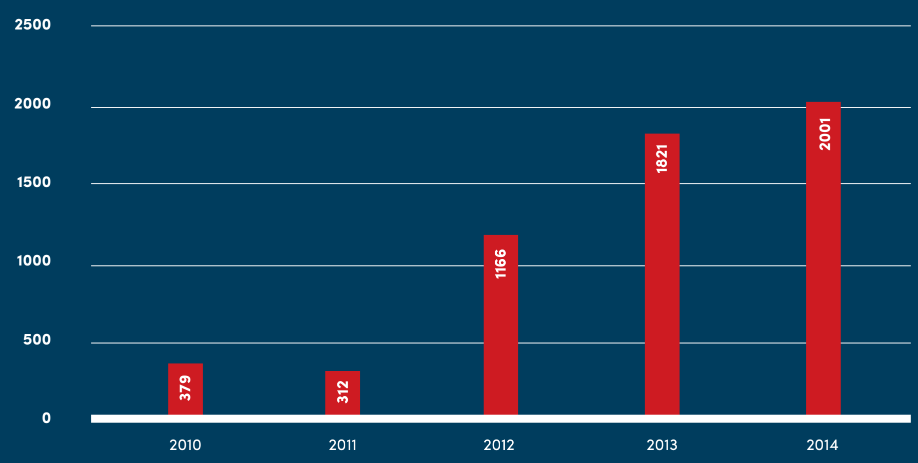
Creating value for society

Our main objective is to create value for our owner and society by providing effective, accessible, safe and environmentally friendly transportation of people and goods.

NUMBER OF EMPLOYEES

12 962

OPERATING PROFIT (MNOK)



NUMBER OF TRAIN JOURNEYS

68.5 million

63.3 million NSB passengers in Norway (including NSB Gjøvikbanen AS and the Flåm Railway) and 5.2 million in Sweden (Svenska Tågkompaniet AB)

NUMBER OF BUS JOURNEYS

131.4 million

Norway: 79.8 million / Sweden: 33.2 million / Denmark: 18.5 million

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REAL ESTATE RENTAL AREA

720 000 m^2

CONTAINERS TRANSPORTED BY TRAIN

376 375

ENVIRONMENTAL CONTRIBUTION

584 000* tonnes CO_2

The NSB Group saves society 584 000 tonnes of CO_2 annually. This is the equivalent of the greenhouse gas emissions from 10 per cent of all cars in Norway.

**Increase in CO_2 emissions if the transport provided by NSB Group had instead been provided by cars and lorries.*

Contributing to everyday life

Geir Isaksen, CEO, The NSB Group

The operating profit for the NSB Group in 2014 was in excess of 2 billion NOK. This is the best financial result in the history of NSB. This is due to the performance of skilled employees in our five operating areas: passenger train, bus, real estate, freight train and train maintenance. We are proud of our performance. But at the same time we realize that good financial results in 2014 do not guarantee a similar development in the future. Forthcoming changes in society will require other solutions than the ones we have at present.

Let us take a brief look at these changes. In 2012 Norway reached a population of 5 million. According to Statistics Norway the population will grow to 6 million over the next 15 years. This growth will be concentrated in and around large cities. The population of Oslo and Akershus will grow by about 450 000 in just a few years. People should be able to travel to and from their work and other daily activities quickly and effectively. At the same time we need to reduce the emission of greenhouse gasses. How can we reconcile these two goals?

A basic prerequisite for most people is a good place to live. A place where necessary services are close by, and rural amenities are easily accessible. A pulsating environment with old and young people, and urban areas where people can meet. Areas which are not severely hampered by heavy traffic and parked cars. Ideally an environment with a good balance between homes and offices, so that people can work in their neighbourhood and avoid long journeys to work. And when they do travel they can use public transport so that the need for a private car is reduced.

To achieve this we have to build homes and office buildings in areas that have a good public transport service. If you live and work within walking distance of the bus, tram, tube or train, you will probably choose public transport. A better service will ensure greater use.

During the last three years the number of train journeys with NSB has increased by 19 %. We believe that capacity in and out of our large cities during the rush hour will have to increase by 100 % during the next 20 years to meet the demand created by population growth. It is possible to achieve this capacity increase, provided that current plans for infrastructure investment and purchase of new train sets are carried out. The biggest challenge is not lack of funding, but rather implementation capacity.

NSB has proposed a major restructuring of the railway sector to ensure increased implementation capacity. Key factors are stronger cooperation and more efficient operations. If we reach this goal, we can meet the demands related to population growth positively and in time. And we will!

Photo: Knut Bry

Highlights in 2014

THE NSB GROUP

Change in the railway sector

NSB delivered its suggestions to the Government's ongoing work on reforming the railway sector. The recommendations are based on NSB's experience of the current organisation of the railway. The aim is to bring about better collaboration and even greater vitality towards good railway solutions and an environmentally-friendly urban development.

PASSENGER TRAIN OPERATIONS

New and expanded services

In December 2012 the passenger train operation implemented the first stage of the new timetable for Eastern Norway, resulting in significant growth in the number of journeys. The most recent changes, which came into force in December 2014, complete NSB's new basic route model for Eastern Norway, providing a 10% increase in seating capacity. Simultaneously new services are being offered around Trondheim and on the South Coast Railway.

More new trains

Improved train services generate increased demand, and NSB passenger train operation is procuring an additional 15 new Flirt trains to cover this. All the train sets are being introduced in the Oslo area, so that seat capacity will be doubled on many services during the rush hour. Over the next few years a new train will be delivered every month. NSB has now ordered a total of 81 new trains.

NSB app downloaded 1 million times

NSB's ticket app passed 1 million downloads in December 2014. Through NSB's Entertainment app customers can now download audiobooks, podcasts and music, even when they are not travelling by train.

REAL ESTATE

Sale of two award-winning commercial buildings in Oslo

The buildings at Schweigaards gate 21 and 23 are the first two commercial buildings in Norway to be classified as "Excellent" under the BREEAM-NOR standard, and ROM Eiendom received the Norwegian Award for Building Design for 2014. The buildings were sold in December to KLP Eiendom for NOK 1 750 million.

Best-selling housing project in Norway

The best-selling housing project in Norway – at the Grefsen station transport hub. Almost 1 200 flats in 25 buildings will be developed over the next 6 to 8 years.

FREIGHT OPERATIONS

Improved freight service to Northern Norway

The new freight terminal in Kiruna provides more rapid freight transport between the north and the south, and enables CargoNet to transport fish and goods to and from the counties of Troms and Finnmark.

Transporting ore for Rana Gruber

CargoNet won the contract for transporting ore for Rana Gruber, commencing in August.

Establishing an action plan

An action plan aimed at creating profitability in the freight business by end 2015 was adopted in June, and the work is well underway. The measures include staffing reductions and cost cutting related to operations and maintenance of trains and terminals.

BUS OPERATIONS

Improved profits from bus operations

Implementation of the profit improvement programme for buses has contributed to a significant improvement in profits in 2014.

Change to bus operations in Denmark

Nettbuss Danmark and City-Trafik merged, and became a joint venture between French Keolis and Norwegian Nettbuss. The result is a new strong company in the Danish market. Nettbuss Norge holds an ownership interest of 25 %.

New and improved express bus service

Renewal of Nettbuss' express service with six new double-decker buses on the Oslo-Gothenburg-Malmö route. The double-decker buses offer a choice between two comfort levels.

From October 2014 a new route was established between Stockholm and Oslo.

TRAIN MAINTENANCE

Better quality in 2014

Continuous improvement of maintenance processes contributed to greater stability in train operations.

Mantena is certified to EU 445/2011 for maintenance of freight rolling stock.

CONTRIBUTING TO SOCIETY

Population growth in the coming years will require a complete rethink about how cities should be built and how we should travel. The most comprehensive public transport system in Norway and many central properties give the NSB Group a solid foundation to help bring about a sustainable future.

NEW IDEAS

A PUBLIC TRANSPORT SOLUTION

When today's 15-year-olds are in their thirties, the population of Norway will probably have passed six million, and most of us will live in or near a town or city. There won't be much room on the roads in and out of the centre.

TEXT: RUTH ASTRID L. SÆTER / PHOTO: KNUT BRY

”PUBLIC TRANSPORT IS THE NUMBER ONE SOLUTION TO THE PROBLEMS CAUSED BY GROWTH IN TRAFFIC.”

BÅRD NORHEIM, ECONOMIST

The population of Norway is rising, and according to calculations from Statistics Norway we will most likely pass the milestone of six million in 2031. And we will be an urban people. The majority of us will be born, live, reside, work and die in cities or semiurban neighbourhoods.

For example, Oslo will probably reach 700 000 citizens as early as 2020. Four years later Bergen could boast 300 000 inhabitants and Trondheim 200 000.

The big question is how will we find room for everyone? How do we avoid negative effects when everyone wants to build and live close to a city? Not to mention when we want to get around, from home to work, to and from school and kindergarten, to exercise, to the shops, on weekend trips and vacations. The daily pressure on the road network into the major cities will be even greater than it is today, and all projections indicate big traffic jams during rush hours.

EFFICIENT USE OF SPACE. An example from the International Association of Public Transport (UITP), an international organisation working to promote sustainable mobility and public transport in urban areas, shows how much space is needed to transport 50 000 passengers per hour each way. Using only passenger cars, it would require a road 175 metres wide. If all the passengers were moved from cars to buses, a road 39 metres wide would suffice. But if you could transfer all the passengers onto metro trains, the corridor would not need to be more than 9 metres wide.

“This example from UITP shows something of fundamental importance to the challenge that we face: land use and efficiency. Roughly speaking, one bus and two cars require about the same space, but the bus is much more efficient because it has a much higher passenger capacity. A transition from passenger cars to public transport, such as buses and railways, affects space requirements on the road network. But it also has an impact on mobility into and within hubs. Fewer cars means improved mobility,” says Bård Norheim, CEO of Urbanet Analyse. He has spent many years studying and analysing developments in public transport, and with his background as a social economist, he has also calculated the effects of many different factors.

“If we were to focus on letting passenger cars absorb the growth in traffic that we know is coming, it would cost NOK 300 billion just to boost the capacity of the road network. We have neither the funds nor the space for that. If we invest in public transport and good solutions for cyclists and pedestrians, the cost is halved, and it is much more space-efficient,” he says.

DOUBLING PUBLIC TRANSPORT. Through its National Transport Plan (NTP) for the period 2014-2023, the government is also planning for the growth in passenger transport in city areas to be absorbed by public transport, cycling and walking, and for car traffic to stop growing.

This requires cities and city areas to implement a number of different measures, according to the social economist:

“All housing construction must take place through greater housing densities. Not necessarily in the form of tower blocks everywhere, but also through utilizing large suburban gardens. Workplaces must be situated centrally and around hubs. Building parking spaces for city offices should be avoided. This type of measure alone could cut car use by 17 per cent. Costs associated with car use should be increased by 20 per cent, for example through tolls or a higher petrol price.

Public transport is the primary solution for meeting traffic growth if the zero growth target (of car usage) is to be achieved, and here we must expect at least a doubling in the number of trips during rush hours. Capacity must be expanded to keep pace with increased demand, requiring about a doubling in government grants. However, this investment returns a healthy surplus back to society,” says Norheim and elaborates:

GOOD SOCIAL ECONOMICS. “An increase in grants results in better public transport. Better public transport means that more people choose not to take their car and to select public transport instead, which in turn reduces the social costs associated with car traffic. There are fewer cars, lower greenhouse gas emissions, better local air quality, less congestion, improved traffic safety and better mobility. One krone of public sector funds invested in public transport gives 1.08 kroner back to society.”

In theory this sounds simple and reasonable. Nonetheless, cars remain the preferred choice for the majority; how can we get people out of their cars and into public transport?

“There are many factors at work here. People are not going to stop driving their cars. And that’s not the purpose either. The point is to get them to cut out the unnecessary car trips. We need an infrastructure that makes this easier.

In general, public transport’s competitive advantage lies especially in trips to the town centre, while the car will dominate in outer areas. The railway, for example, first beco-

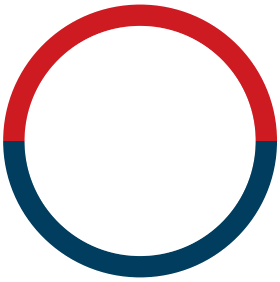
Bård Norheim, economist and CEO of Urbanet Analysis, believes we have neither the finances nor the space to allow cars to absorb future traffic growth. Just increasing the capacity of the road network will cost NOK 300 billion. *Photo: Arild Danielsen*

mes competitive when it is quicker than the car. It requires that one dares to prioritise certain distances over others. The prioritised lines must be rebuilt with fewer stations and bends, to increase average speeds. Moreover, buses and trains need to be better coordinated, with the buses feeding passengers to the trains. It is also essential that trains run on time. That requires capacity, frequency and punctuality, which in turn requires a stable and safe infrastructure. As a public transport provider, frequent delays are the worst thing you can do to your customers, who then would rather start using their cars again," Norheim points out.

PREDICTABILITY. The social economist thinks that predictability is extremely important, not just for public transport customers, but also for public transport operators.

"The authorities must aim for long-term stability and predictability in budgets and plans, with the goverment taking a larger share of the bill when public transport is to be expanded and operated. Moreover, the urban environment agreements should, to a larger extent, discuss what goals should be set.

We should not forget the market economy principle on product development either. The public transport service must be continuously renewed and improved, in order to retain old customers and recruit new ones," says Norheim. He elaborates with an example: "When real-time information displays were rolled out at tram and bus stops, it was a positive measure – knowing how long you have to wait for a bus, tram or train was a bonus. Now real-time information has become so commonplace that it is seen as negative if some stops and stations don't have it," concludes Nordheim.



Buses have a smaller footprint

Modern buses are environmentally friendly and energy efficient and everyone switching from car to bus will have a much lower carbon footprint, in fact more than 50 percent lower.

THE NSB GROUP REPLIES

IT'S ALL ABOUT MAKING LIFE SIMPLER AND THE ENVIRONMENT BETTER

NSB is already well underway with its part of Norway's increased emphasis on public transport. An important milestone was reached on 14th of December 2014 when NSB implemented a broad-ranging improvement to train schedules in Eastern Norway - two years after the first stage of major restructuring.

Behind the new scheduled services are many years of meticulous planning, the procurement of 81 new trains, an increase in capacity of 14 000 seats and a total investment in new and upgraded rolling stock of NOK 6 billion.

"It is the largest investment in NSB's recent history, no doubt about it," says Tom Ingulstad, COO of NSB Passenger Trains. He explains that the main objective for both the investments and the restructuring is to offer travellers more frequent train services.

"With the new timetable, departures are scheduled every ten minutes between the seven largest stations in Norway from 7 a.m. to 11 p.m. every single day of the week," says the COO. He adds:

"The new service will make it easier for customers to use public transport. We are also making arrangements so that Ruter (the municipal public transport company) can customize its bus services to the new train schedules ."

ENOUGH INFRASTRUCTURE? The background for the major restructuring is strong population growth, large-scale urbanisation, the need to cut energy consumption and at the same time reduce greenhouse gas emissions. The agreement on climate policy reached in the Storting (Norwegian Parliament) requires zero growth in car traffic; public transport must absorb all growth.

"When the new Høvik station opens, the Norwegian National Rail Administration has put in place vital new infrastructure along the so-called West corridor, the transport artery from Oslo through Bærum and Asker – and with the restructured services we are making optimal use of this new infrastructure. Now we are actually seeing that trains are taking market share from cars, and that indicates that we will manage to realise the goal we have set ourselves, namely absorbing traffic growth through public transport," says Ingulstad.

Despite the new infrastructure, isn't there still a need to further develop the railways in Eastern Norway? There is talk that the capacity of the existing infrastructure will be exceeded in just four or five years' time?

"Population growth in the cities is occurring more quickly than expected, which is something that all of us have only recognised fairly recently. So even though we are in the process of expanding the infrastructure, specifically the Follo Line, before it is completed in 2021 we will find that we have made maximum use of present capacity. The train alone cannot cover commuter requirements during rush hours," says the COO and adds:

"The train can transport large numbers of people quickly and comfortably over medium distances. In addition, this improves everybody's daily life because air pollution and greenhouse gas emissions are reduced. Our passengers avoid the irritation of sitting in traffic jams. But if we are to reduce the number of traffic jams, more people must use public transport."

THE BIG TRANSPORTER. "As Tom Ingulstad points out the train will not manage to solve everything. The major emphasis on public transport must take place through a better use of all public transport modes. Buses' strength is flexibility which enables them to serve areas where there is no basis for rail transport. When the bus/train mix is working well, public transport also becomes more attractive," says Nettbuss CEO Arne Veggeland.

Each year some 300 million bus journeys are made in Norway - buses account for over 60 per cent of all journeys on public transport in this country. The Nettbuss Group transports around 131 million passengers annually in Norway and Sweden, and operates routes for a number of Norwegian public transport companies.

"Modern buses are environmentally friendly and energy efficient and everyone who switches from car to bus will significantly shrink their carbon footprint, in many instances by up to 50 per cent" says Veggeland.

Express buses also make a significant social contribution.

"Nettbuss express buses transport around 10 million passengers annually and they don't receive government grants either," emphasises Veggeland.

Nonetheless there are some bumps in the road, especially for the express bus segment, which is struggling with its customer base.

It's a paradox that politicians speak highly of investing in public transport, while in reality it is being reduced. Passengers will no longer show up because express buses are unable to maintain their schedule due to persistent traffic jams. That's why politicians should prioritize constructing lanes to and from large cities where only public transportation vehicles are allowed. Especially E18 westbound out of Oslo is a major bottleneck today, emphasises the Nettbuss CEO. ●

Less space

Public transport needs less space.
How much space is needed to carry
50 000 passengers per hour each way?

Only cars:
A road width of 175 metres

Buses:
A road width of 39 metres

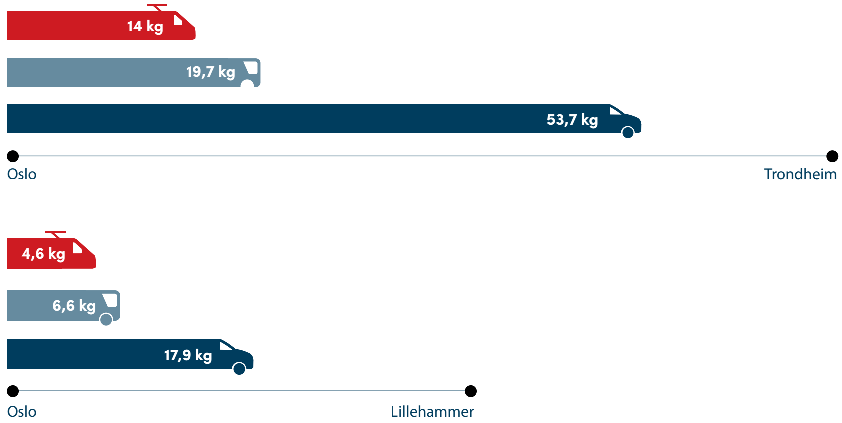
Metro trains:
A track corridor width of 9 metres

Source: Union Internationale de Transport publique (UITP)

Cut CO_2 by more than half

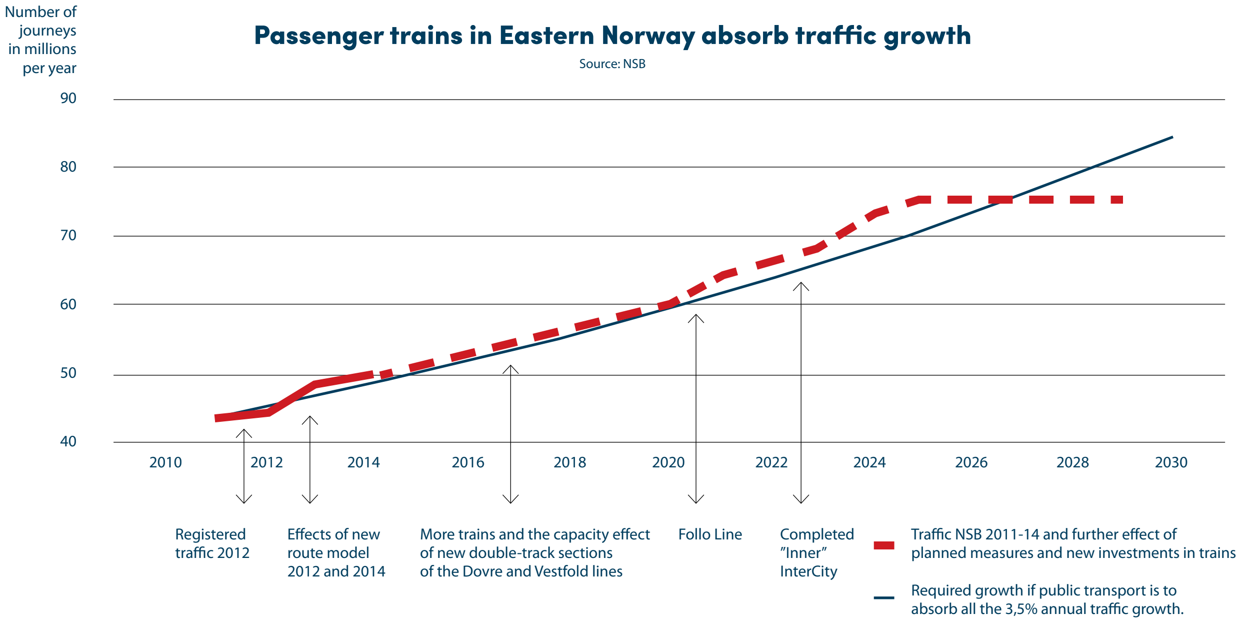
A traveller who switches from car to bus cut his CO_2 emissions by more than half.
If the traveller switches to the train, that reduces emissions even more.

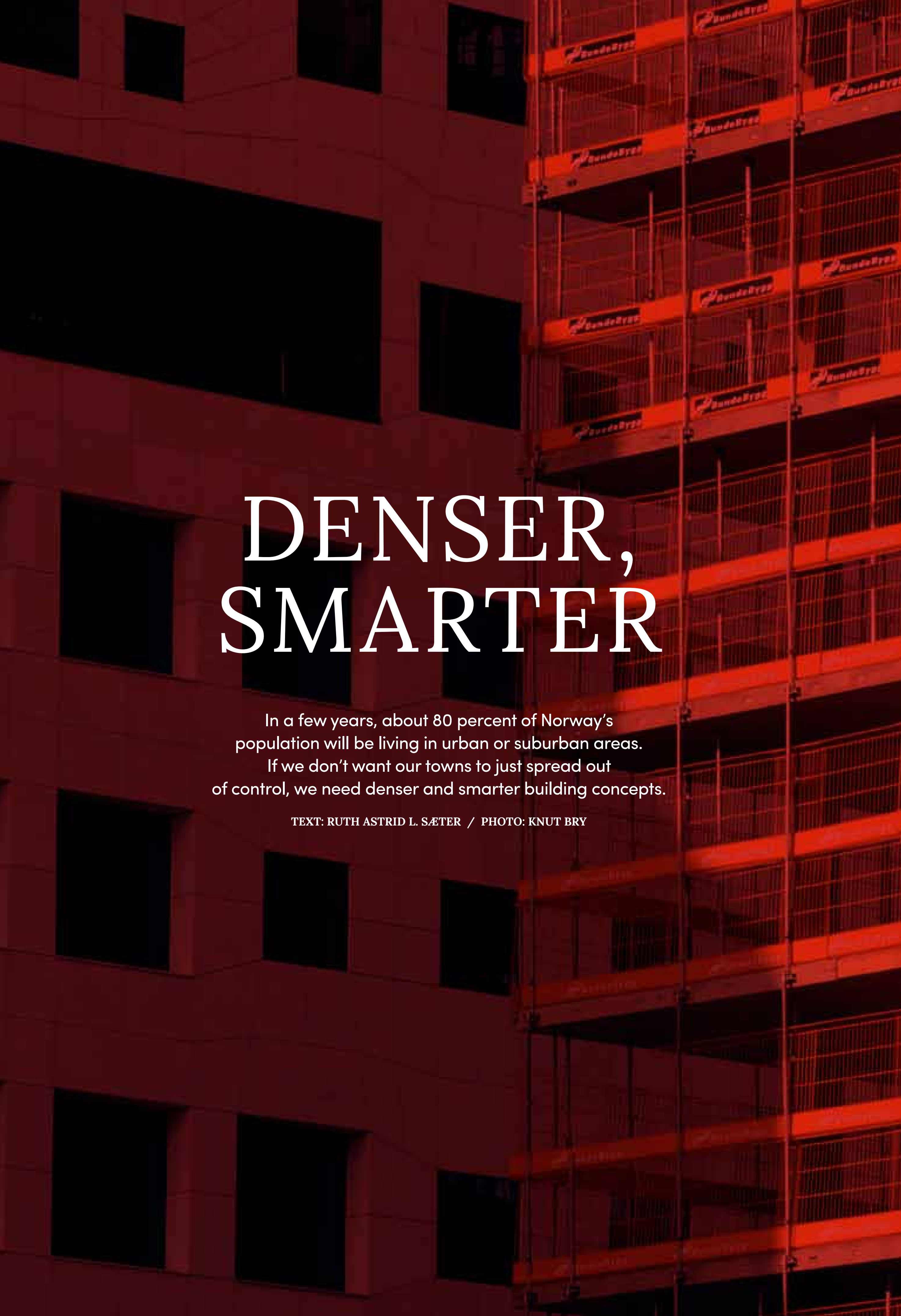
Source: Asplan Viak



Passenger trains in Eastern Norway absorb traffic growth

Source: NSB





DENSER, SMARTER

In a few years, about 80 percent of Norway's population will be living in urban or suburban areas. If we don't want our towns to just spread out of control, we need denser and smarter building concepts.

TEXT: RUTH ASTRID L. SÆTER / PHOTO: KNUT BRY

"ACCESSABILITY IS ALL ABOUT ORGANISING URBAN AREAS SO THAT PEOPLE GET WHAT THEY NEED WHERE THEY ARE."

AUD TENNØY, RESEARCH MANAGER FOR PUBLIC TRANSPORT, LAND USE AND TRANSPORT PLANNING

Norway is experiencing growing pains. Our cities are growing rapidly, actually more quickly than most other cities in Europe. This particularly applies to the Oslo region, which by 2040 will most likely have 450 000 more citizens than today, according to Statistics Norway, a growth of 40 per cent. But Oslo is not alone. Bergen, Trondheim, Stavanger, Kristiansand and Tromsø will also grow quickly in the coming years.

The mantra from researchers, urban planners, politicians, authorities and developers is that in order to address population growth we must increase the density of our cities. Allowing the cities to expand outwards is not the path to follow for a sustainable society. But what does densification really mean?

"Densification is generally defined as an increase in the number of people – be they citizens or employees – within a designated area, such as a city or a neighbourhood," explains Aud Tennøy, Research Manager for Public Transport and Urban Planning at the Institute of Transport Economics. She adds:

"Densification often occurs in connection with transformation – that traditional business areas, such as ports or old industrial areas, are rezoned and the land use is changed. This makes way for new workplaces and housing. There is also space for more homes when subdividing plots of land in established residential areas (developing suburban gardens)."

DENSIFICATION = CLIMATE-FRIENDLY. An important aim of densification is to reduce both reliance on cars and the amount of car traffic in cities, which in turn will result in lower greenhouse gas emissions and thereby help us to meet climate targets. Less car traffic also gives a better local environment, more liveable cities and less need for investments in costly road infrastructure.

Research from across the world shows that dense cities give lower CO2 emissions. International researchers and analysts frequently raise the example of Barcelona and Atlanta. Both are cities of about five million people. As the Spanish Mediterranean city is much denser, its citizens get around to a greater extent by foot, bicycle or public transport. Therefore the average emission per citizen in Barcelona is one tenth of the emission for the car-based city in the US: 0.7 compared with 7.5 tonnes per citizen.

But here in Norway we are not fully managing to bring about sustainable densification. In spite of good plans and targets, the strong growth in space and spread continues in many places, and car traffic is on the rise.

"Not all types of densification lead to reduced car traffic," says Tennøy. If we are to succeed in reducing car traffic and make cities climate-friendly and attractive, there are two factors that are critical, in addition to density: centrality and accessibility.

"If the densification occurs on the periphery of the city, or detached from the rest of the urban structure then the buildings that are developed will be reliant on cars and create more car traffic. All the research that I have read shows that the nearer workplaces, businesses and housing are to the centre, the less car traffic they generate. Accessibility is about cities and neighbourhoods being organised in a way that enables people to get what they need where they are. They then avoid having to use a lot of time travelling to and from work, shops, leisure activities and everything else in their daily routines," she emphasises.

FROM MOBILITY TO ACCESSIBILITY. Tennøy draws attention to accessibility as an increasingly important quality, rather than mobility.

"We are in a paradigm shift. Until now many people have focused on mobility, that we are able to transport people quickly from A to B. But the strain on the environment from rapidly transporting people over longer distances is substantial, especially when transport is based on types of energy that cause pollution. That is why we have now turned more towards accessibility in our planning, that people can get hold of what they need where they are. A 'local lifestyle' is increasingly being promoted as an objective in the planning of Norwegian cities. Densification should thus occur in a concentrated way and at public transport hubs. Hubs are not individual bus stops - a public transport hub is defined as having a number of public transport services joining up and coordinated together. Such as in Lysaker (Oslo West), for example," says Tennøy.

Researchers say that clear political leadership and targeted efforts in individual municipalities are key to safeguarding good urban development.

Politicians must be capable of setting a direction, prioritising and thinking about the big picture. And they must also acknowledge that things take time, often much longer than their own period of political governance. Trondheim is a good example of a city with clear political leadership. There they have taken steps to reduce car use. Two of the four lanes on a main road into the centre were rebuilt and dedicated to public transport. They have re-introduced tolls for car traffic and extended fare zones for public transport. And it shows: public transport grew by as

Aud Tennøy, Chief Researcher, Planning, Land Use and Public Transport at the Institute of Transport Economics reminds us that not all densification leads to a reduction in traffic. Densification that is detached from the rest of the urban structure will on the contrary create more traffic. *Photo: Arild Danielsen*

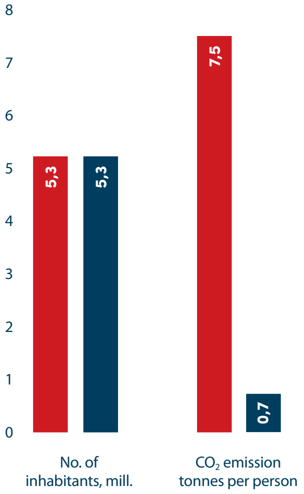
much as 54 per cent from 2008 to 2013. Now they are targeting efforts towards making it more attractive to cycle in Trondheim, says the TØI researcher.

URBAN QUALITIES. *Apropos attractiveness, how can we ensure that dense cities are attractive places for people to live in?*

"This is something that we are researching, but we do of course know a little about what constitutes urban qualities. We like to cite Richard Florida, who has researched cities' attractiveness to the 'creative class'. He sums up urban qualities as good access to a variety of workplaces, varied housing that satisfy different preferences, short and efficient commutes, the ability to walk and cycle to everything, aesthetics, the authenticity of the place and its 'soul' as well as a certain 'fun factor' – and requires a threshold level of activity at its centre," explains Tennøy.

She lives in a neighbourhood of Oslo that has 11.3 citizens per decare. That makes Torshov one of the most densely populated areas in Oslo and Norway. At the same time Torshov has many of the qualities that inner city citizens highlight as being advantageous: thriving streets and areas, little reliance on cars, large public green "lungs" in the vicinity, a broad range of products and services close by and a good public transport service.

"Really, we have plenty of space in Norwegian cities. We just need to learn to 'think urban' when we develop them. ROM Eiendom owns centrally located properties in many Norwegian cities, where accessibility is best met through alternative means of transport than the car. That gives them an extra responsibility for contributing to make cities better, more lively and more attractive. I hope that they shoulder that responsibility," concludes Tennøy.



Denser cities have lower emissions

Barcelona and Atlanta both have 5 million inhabitants, but Barcelona is significantly denser and its people move about much more on foot.

THE NSB GROUP REPLIES

PUBLIC TRANSPORT HUBS MUST BE DEVELOPED INTO ATTRACTIVE URBAN CENTRES

The new office buildings in Schweigaards gate near Oslo Central Station are good examples of exactly this. After Gjensidige moved from Sollerud to Schweigaards gate the share of employees using public transport increased from 35 to 73 per cent. The share using cars to commute to and from work has fallen from 48 to 9. This is equivalent to 175 000 fewer car trips per year.

A corresponding example is the development of an entirely new neighbourhood, Bjørvika, on the sea side of Oslo Central Station. A report drawn up by the Institute of Transport Economics for ROM Eiendom shows that locating workplaces centrally in Bjørvika in the centre of Oslo means that greenhouse gas emissions relating to work commutes are halved in comparison with if the workplaces had been distributed throughout Oslo. The report indicates that building 12 500 workplaces in Bjørvika rather than spreading them across Oslo saves the city from 6 250 car trips and 110 000 kilometres of car driving per day.

GREENER, MORE PLEASANT AND MORE ENVIRONMENTALLY-FRIENDLY. This is where ROM Eiendom can contribute:

"If we consider the development in the Gamlebyen neighbourhood of Oslo as an example, we see that the share of public transport is rising, the city is becoming more climate-friendly and through a number of projects in Schweigaards gate we are also making that part of the city more attractive," says Morten Austestad, Director of Development. He adds: "It is not so long ago that Schweigaards gate had a poor reputation, with an uninspiring residential environment and almost no workplaces. We have contributed to a transformation of this part of the city, and in an environmentally-friendly way. The two office buildings in Schweigaards gate are the first buildings in Norway to be classified as 'Excellent' under the international BREEAM standard."

BREEAM assesses a building project's entire environmental performance. The building shall not only be environmentally- and climate-friendly from a technical standpoint with low energy consumption and environmentally classified materials, but its location is also important. The aim is to reduce car use, through closeness to a public transport hub, few parking spaces and providing good facilities for cyclists.

In 2014 ROM Eiendom also received the Norwegian Award for Building Design for these buildings at Schweigaards gate 21 and 23. The grounds for the award emphasised both that the project distinguished itself with the environmental classification of 'Breeam-Nor Excellent' and it was pointed out that the prize winner is a role model in showing how good buildings can positively influence a neighbourhood.

VITALISING HUBS. ROM Eiendom owns 2 200 centrally situated properties throughout the country. This portfolio of properties includes 320 railway stations and 990 other buildings.

"We have gradually developed our own role in urban development. Quite simply because we not only own the stations, but also the surrounding properties," says Signe Horn, Director of Strategy and Public Relations at ROM Eiendom. She emphasises the train station's role in the centre:

"Now when we are developing and vitalising a hub, the station itself is naturally enough at the centre. But train traffic cannot be viewed in isolation – after all, the fact is that most people take the bus. Therefore we are concerned with making the hub work in conjunction with the buses, but also with trams, the metro, taxis and not least bicycles."

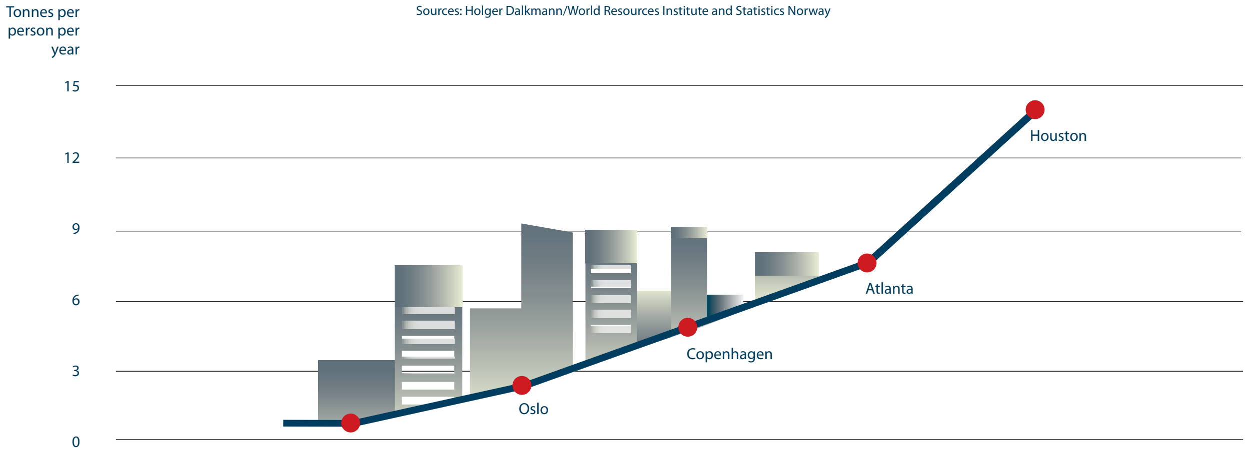
TAKING RESPONSIBILITY AS PROPERTY DEVELOPERS. ROM has many large development projects underway across the country. In addition to projects at Grefsen station and Østbanehallen in Oslo, the company will transform parts of all the major cities. In Bergen 600 new office workplaces will be built at Bergen station. In Stavanger old freight yards in Paradis will be rebuilt as residential homes and businesses, while Trondheim will have a completely new public transport hub connecting trains, buses, boats and taxis together.

Besides the major city projects, ROM Eiendom also has plans for hubs in smaller cities and towns. For example, upgrading both Gjøvik and Hamar transport hubs, developing a tourist-friendly hub in Voss and a new hub at Kristiansand station.

"Our strategy of developing housing, businesses and services at and around the stations will contribute to a more sustainable urban and local development, and facilitates a greater share of public transport use. This is how we are taking responsibility as property developers," conclude Signe Horn and Morten Austestad.

CO_2 emissions from various cities. Direct emissions.

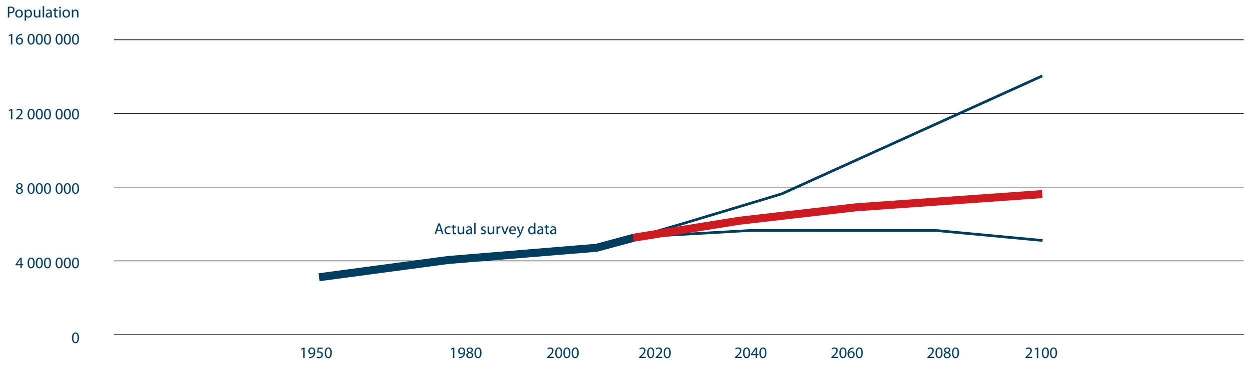
Sources: Holger Dalkmann/World Resources Institute and Statistics Norway



Population increase

While many European countries are seeing population stagnation and decline, Norway has rapid population growth. There is much uncertainty about future population trends in Norway and Statistics Norway operates with three different projections. According to the middle projection Norway will pass the 6 million mark in 2031, 7 million in 2065.

Source: Statistics Norway



FROM ROAD TO RAIL

It is a stated goal to shift freight transport from road to rail. The problem is that the trend is moving in the other direction.

TEXT: RUTH ASTRID L. SÆTER / PHOTO: ISTOCK

”FEWER HEAVY LORRIES ON THE ROADS MEANS FEWER ACCIDENTS. AND IT IS CERTAINLY BETTER FOR THE ENVIRONMENT AND CLIMATE TO MOVE FREIGHT BY RAIL RATHER THAN ROAD.”

INGER BEATE HOVI, CHIEF RESEARCH ECONOMIST, FREIGHT TRANSPORT

A maintenance backlog of NOK 17 billion for the railway in Norway. Disruption to services due to landslides and flooding. A vulnerable terminal system. Loss of customers and damage to reputation.

It is a bleak picture she paints of the situation for Norwegian freight transport by rail, the chief research economist in the department of economics and logistics at the Institute of Transport Economics, Inger Beate Hovi.

“It is of course desirable to get more freight transferred over to rail and sea, but in reality the trend is in the opposite direction. If we omit timber and ore transport, a growing share of freight is being transported by road. Since 2008 container transport on the railway has lost a million tonnes annually, ” says Hovi.

FINANCIAL CRISIS AND WINTERS WITH HEAVY SNOWFALLS. In 2013 the volume of freight transported by rail in Norway fell by almost ten per cent, according to Statistics Norway, steadily shrinking the railway’s market share of domestic freight transport in Norway .

“The financial crisis in 2008/9 led to a sharp reduction within freight transport generally, foreign as well as domestic. This was followed by a couple of winters in a row with heavy snowfalls which resulted in the trains being delayed, and delivery reliability to deteriorate. The customers, who are dependent on their goods arriving on time, chose alternative transport options. What we see is that once customers first transfer to lorries it is very difficult to bring them back to trains,” explains Inger Beate Hovi.

But the challenges don’t stop there.

“In the wake of the financial crisis customers have had a stronger focus on costs; they reduce their stocks, call for shorter delivery times and expect goods to be delivered on schedule. For a railway that is dealing with a steady stream of service disruptions, either due to weather conditions or a lack of maintenance, it is difficult to compete with road transport,” says the TØI researcher.

EXTENSIVE AND URGENT MAINTENANCE REQUIREMENT. The maintenance backlog on the railway network is extensive, with a price tag of NOK 17 billion just to bring it up to date.

“There is a lot of old and vulnerable technology on the railway. When a railway line is disrupted, traffic is brought to a halt because there are almost no rerouting options. If there is a disruption to the Dovre Line, we can certainly use the Røros Line, but it takes time because the Dovre Line has been electrified and the Røros Line is operated by diesel units, requiring a replacement locomotive and track access in the routing system,” she points out.

“When, in addition, the warehouse structure in Norway has become centralised over the last ten years, transitioning from many small warehouses to fewer, larger ones, mainly situated along the E6 motorway between Moss and Gardermoen, it becomes even harder for the railway to compete,” says Hovi.

LONG TRAILERS AND CABOTAGE TRANSPORT. Modular trailers, trailers up to 25 metres long, are now permitted on certain routes connected to border areas.

”Modular trailers have become a permanent arrangement, bringing pressure to bear on the authorities to expand these routes. These lorries will then be able to compete directly with the railway, a competition that will be very arduous for the latter, especially if the modular trailers are driven by foreign and inexpensive traction equipment,” Hovi points out.

Another factor is cabotage transport, which refers to domestic transport assignments that are carried out by foreign lorries. A transporter can take three freight runs of this type during one week after the international assignment has been completed, a rule that applies to the entire EU area and the EEA. However in Norway we have a special rule that cabotage assignments must be of an incidental nature, in order to further protect the domestic market. The rule is likely to be repealed, since the EU wants a free transport market.

“We may then risk that the Norwegian trucking industry will follow on the heels of the shipping industry, with foreign lorries taking over much of the domestic transport business, particularly over long distances, and creating an additional downward pressure on prices and increased competition for rail transport,” says Inger Beate Hovi.

THE VULNERABLE HUB. A final key challenge for rail freight is the Norwegian terminal structure. The Alnabru terminal in Oslo is the hub, the centre for handling and trans-shipment of containers in Norway. It is unique in its class, which also makes it highly vulnerable.

“This is how the railway network is shaped here, with a single hub. From the hub, one arm goes to Stavanger, one to Bergen, one to Trondheim and Åndalsnes and one abroad. If you take the Alnabru terminal out of service, you simultaneously stop almost all container transport by rail in Norway,” Hovi points out.

When a growing amount of freight traffic is being transported along the road

Inger Beate Hovi, Chief Research Economist at the Institute of Transport Economics, believes increased urbanisation around the major cities will create a need for increased rail freight.
Photo: Arild Danielsen

network, it also creates problems of considerable societal importance.

"More lorry traffic means poorer traffic flow on the roads, greater risk of accidents, higher energy consumption and more greenhouse gas emissions. TØI has calculated the socioeconomic costs associated with road transport, and for heavy transport the largest cost component is unquestionably connected to accidents, at about 60 per cent," says Hovi.

LIGHT AT THE END OF THE TUNNEL.
– The arguments in favour of having more goods transported by rail rather than lorry are especially strengthened by safety concerns. Fewer trailers on the roads reduce the risk of accidents. It is undoubtedly better for both the environment and the climate to have goods transported by train rather than by road, emphasises the chief research economist.

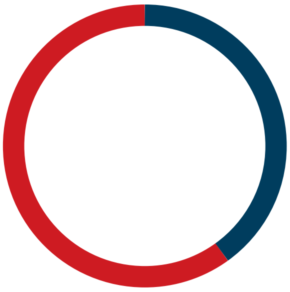
What is needed for the railway to be able to succeed with freight transport?

"When we look towards 2050 population growth is an important keyword. It creates an increase in urbanisation in and around the major cities. This development could be beneficial to railways which are more competitive between major cities in southern Norway as well as between southern and northern Norway, ie on long-distance routes.

Nevertheless, a number of measures must be implemented. Maintenance of the infrastructure and new investments are critical to safeguarding stable lines. It is vital to avoid disruptions on the lines wherever possible.

To counter failure in the railway network, work should be focused on measures that simplify and streamline alternative solutions. A general increase in crossover capacity and for example increased diesel locomotive capacity on the Røros Line could give an improved service if the Dovre Line drops out," says Hovi.

"An additional measure that would be both simple and reasonable to implement is to allocate more line capacity to freight rather than passenger transport for certain key time-slots each day," concludes Hovi.



The real costs of road transport

For heavy road transport, the greatest cost, around 60 percent, is related to accidents.

THE NSB GROUP REPLIES

THE RAILWAY MUST ABSORB THE GROWTH IN FREIGHT TRAFFIC

"Freight traffic by rail is public transport for cargo. The more we transport, the better it is for society," says Arne Fosen, CEO of CargoNet. He elaborates:

"When more people send their cargo by rail, we take pressure off the road system. CargoNet alone contributes to 600 fewer lorries on Norwegian roads every single day. We thereby make a contribution to better traffic flow on the roads, at the same time as the risk of an accident falls when there are fewer lorries out in traffic. In addition, it is undoubtedly better for the environment to transport freight by rail: railway operations have almost no greenhouse gas emissions and are less noisy than all the lorries."

THREE KEY PRIORITIES. *Despite all the positive effects, the trendlines are negative for freight transport by rail. Why is this so?*

"The factors described by Inger Beate Hovi from the Institute of Transport Economics are all valid.

The maintenance backlog is the biggest problem, and our highest priority. The infrastructure is the Norwegian National Rail Administration's (NNRA) responsibility and not ours. We contribute in the ways we can, by keeping our sets of wagons well maintained and by working long term for the NNRA to receive more funds for maintenance. Unfortunately maintenance is less exciting to those who grant the funds, so it takes time to remedy the situation.

The other priority is to get more meeting places, or passing loops, on single track lines so that we can expand scheduled services. These double track sections need to be long enough so that the train does not have to come to a full stop. This is also long-term work, because all railway expansions must go through municipal planning channels.

The third priority is to have terminals that are working effectively, first and foremost in Trondheim, Bergen and Oslo. By this I mean terminals that have long enough tracks to avoid dividing up the trains, plenty of space for storing containers, good electricity supply and effective systems for loading and unloading. A new, modern terminal at Ganddal near Sandnes has just been commisioned. It has great potential. However full exploitation is restricted since the western section of the South Coast railway is not organised for long freight trains," emphasises Fosen.

OPTIMISM, DESPITE EVERYTHING. *Hovi suggests boosting capacity by according greater priority to goods rather than passenger transport at certain times of the day and night. Is that a good solution?*

"We transport what we can during the nights, so I don't know how much more frequency we could provide by making changes there. More and longer meeting places would give a greater effect because we could then operate longer trains with higher capacities. In addition, it is a problem for freight traffic to come into and out of the major cities, particularly during morning rush hours. At those times the passenger trains have priority, which in practice means that commuters win over the long transport lines."

CargoNet's CEO finds that there is a gap between the glowing visions for the railway and its day-to-day reality.

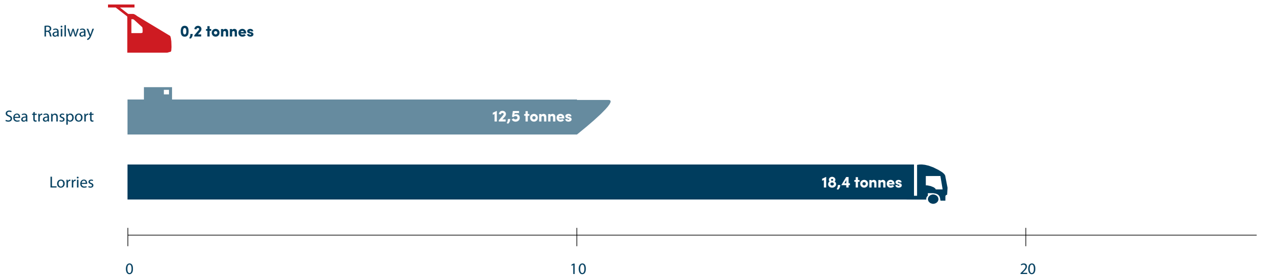
"Freight traffic plays a larger socioeconomic role than passenger traffic on the longer routes because it is the main artery for the business sector, and yet passenger traffic is accorded greater attention. It is probably related to the fact that train passengers, and not containers, have the right to vote.

With population growth there will undoubtedly be more freight transport, and we want to get that growth onto the rail tracks. We know that customers want to transport freight by rail, but they don't quite dare. Politicians say that they want more freight to be transported by rail and sea, but they do not manage to take enough specific actions that work. And we want it as well. But we are vulnerable, not only due to the challenges we have mentioned, but also to conditions that we are unable to influence, such as the weather. Flooding, landslides and warped tracks inflict disruptions that impinge on our ability to deliver on schedule.

Nonetheless, there is light at the end of the tunnel. Over the last few years we have implemented a series of measures to become more cost-efficient and competitive. We are seeing that our punctuality, arriving at the terminal, is better than it was before. We are now up at around 90 per cent. The problem is the regularity, it is still not good enough. But it is something that we are working on, every single day."

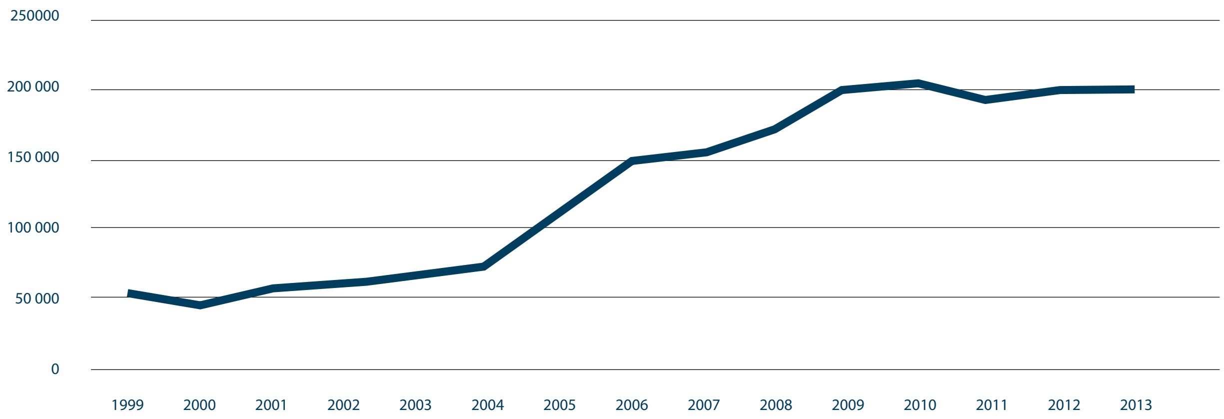
Climate and environmental perspectives

CO2 emissions from railway, lorries and sea transport. Oslo-Trondheim. 50 TEU.
Source: Ecotransit



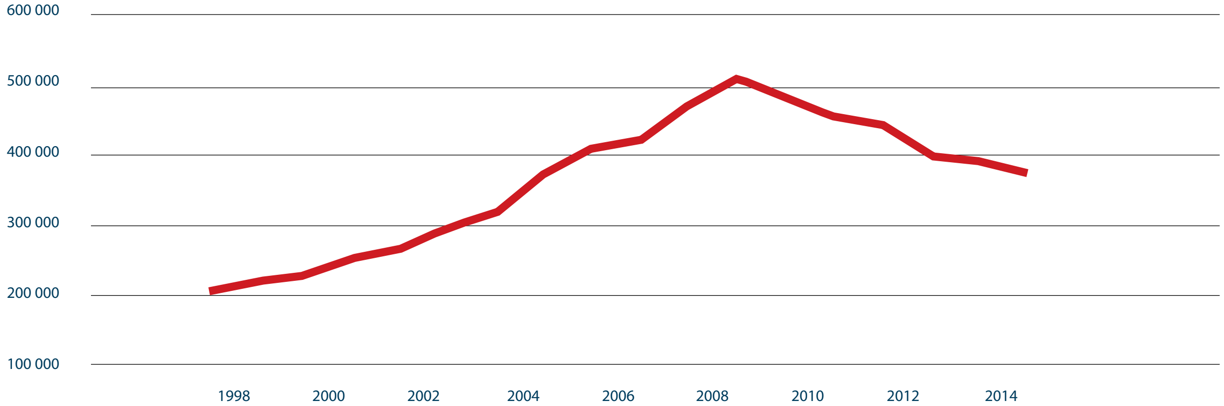
Developments in fish transport by CargoNet (Tonnes)

Despite major challenges in infrastructure CargoNet
has managed to maintain a high volume of fish transport.



Decline for CargoNet

The number of containers transported by CargoNet has declined in recent years. Poor maintenance
of the infrastructure and greater competition from road haulage are the two main reasons.



BUSINESS AREAS

Through our five business areas, we are working towards a better public transport service, environmentally friendly freight transport and more attractive public transport hubs. The businesses are different, but their goals are the same: To tackle a rapidly growing population.

More departures, better service

PASSENGER TRAIN OPERATIONS

The aim for the NSB Group's passenger train operations is for people using public transport to travel efficiently to and from work, kindergarten, school and leisure activities. By reducing the amount the car is used contributes to less traffic congestion, fewer accidents, and lower energy consumption, CO_2 emissions and air pollution.

NSB has markedly increased the number of train departures in recent years, and developed an improved service. More people are opting for travelling by train, particularly on journeys to and from work in the major cities. NSB and NSB Gjøvikbanen have delivered strong results for 2014, and Svenska Tågkompaniet returned a modest profit. For the first half of 2014 train punctuality was good. The Customer satisfaction index for the NSB passenger train operations reached 72, the highest figure ever recorded and well on the way towards the target of 75 in 2015. Then summer came with floods, sun kinks, landslides and infrastructure failures. This led to very poor punctuality and a number of train cancellations. The customers reacted as expected and satisfaction fell to 70 when measured in October.

The results from the customer satisfaction survey show that a reliable train service is the most important driver of customer satisfaction. The greatest area of improvement to achieve a reliable train service is the infrastructure. Maintenance and renewal of the railway network are therefore more important than ever as population grows and the need for travel increases.

From December 2014 NSB further increased its train services, which is expected to increase number of passengers in 2015 as well. Train services on the Trønderbanen have been expanded, Sørlandbanen and the Salten Commuter Line have more scheduled departures, and in Eastern Norway the number of seats has been increased by 10 per cent. Greater demand and the need for renewal mean that NSB is purchasing new trains. In coming years a new train will be delivered every month, and during 2016 NSB will have received a total of 81 Flirt trains. The trains have more seats, better comfort and provide a more reliable service.

Due to more trains and more frequent departures NSB is now recruiting new employees, especially in order to meet the increased need for travel in the Eastern part of Norway.

A well-functioning train service attracts more customers. NSB is playing a part in covering a growing need for transport in a sustainable way and contributing to make everyday life more liveable. This is consistent with the NSB Group's social mission.

Economy

// **The operating profit was NOK 659 million**, a decrease of NOK 183 million, caused mainly by increased depreciation and IT-costs. Operating revenues increased by 7,8 percent to NOK 7 087 million. 68.5 million journeys where completed during 2014 which is an increase of 4,4 percent.

Environment

// **The goal is to reduce energy consumption by 15 percent by 2017**. Re-launch of a new and updated environmental calculator which gives customer CO_2 information on their tickets. The environmental train wins an international prestigious award in creative communication.

Innovation

// **The new NSB App has increased** its share in turnover by NOK 200 million in 2014, and accounts for more than 20 percent of the total ticket sales for NSB. The app has been downloaded 1 million times, and is leading amongst train companies in the world. In 2014 NSB also launched their entertainment app for downloading audiobooks, podcasts and music. Home printing of tickets was launched on nsb.no. This means that customers do not need to retrieve their tickets from ticket machines or at the ticket counter before travelling, but are able to bring their own printed ticket or to display only the electronic image of the print.

HSE

// **Positive cooperation** with employee representatives and health and safety officials on working environment, rehabilitation and substance abuse.

HR

// **The employee satisfaction is high** and significantly above the national average for the transport industry (79 versus 69). Job content, commitment, pride and loyalty are all areas that score particularly high, and there are very few who leave the company (1.9 percent). In 2014 NSB centre of competence conducted 6 700 course days of professional development to our train operating staff, and 420 course days for management development.

Customer satisfaction

// **Historically high punctuality**, market oriented train schedules, new trains and improved service resulted in the highest customer satisfaction ever, with a score of 72 for the spring poll and 70 for the autumn poll.

Extensive restructuring

FREIGHT TRANSPORT

The NSB Group's freight transport company has through its high market share of freight transport by rail made the most important contribution towards achieving the political aim of transporting as much freight as possible by rail. In 2014 CargoNet has a punctuality of 90 percent. Each day we keep 600 articulated lorries off the roads as the freight is transported by the NSB Group's freight trains. This results in major climate gains and improves the environments in many local areas, increases traffic safety for those travelling on the roads, and boosts competitiveness for the Norwegian business sector. CargoNet completes another challenging year with weak financial results.

2014 has been a year of restructuring, and the company enters 2015 with significantly better conditions for creating an operating profit than CargoNet had one year ago. All parts of the organisation have contributed to this restructuring, and the employees' organisations and management have been in agreement about the overall objectives. Substantial reductions in staffing have been carried out in 2014 at the same time as scheduled services have been maintained.

In 2014 there have also been several unforeseen and sometimes prolonged route closures. This has a negative effect on the confidence that the business sector has to the freight trains. The volume trend for CargoNet is generally slightly negative within intermodal transport operations, whereas fish transport is developing more positively. Transport operations for timber, ore and military material are also showing growth. It is especially pleasing that CargoNet is again responsible for transporting ore for Rana Gruber. it is however still important to improve CargoNet's results. The restructuring work will continue in 2015 and is expected to give a positive effect with further improvements in 2016.

2015 will also be characterised by infrastructure work, which CargoNet takes into consideration when planning and in customer dialogue. CargoNet expect no changes to the underlying volume for freight transport by rail in 2015, but this will also depend on the extent of unforeseen cancellations.

CargoNet

Economy

// **There was a negative operating profit** of NOK 90 million. The operation is affected by infrastructure problems and increased competition from road transport and other suppliers of transport of freight by rail. The decrease in volume as well as restructuring cost contributes to the weak result. The enterprise has implemented an extensive restructuring program.

Environment

// **If everyone who uses CargoNet to transport their goods** had used trucks instead in 2014, this would have resulted in an increase of CO_2 emissions in Norway by 137 000 tonnes. The volume of this gas amount is equivalent to a football field with a height of 10,7 kilometre. Or in 1004 return trips from earth to the moon.

Innovation

// **Have a total of 11 freight terminals in 2014**. The establishment of Kiruna as a new terminal for goods from the eastern area, to and from several destinations in Troms and Finnmark.

HSE

// **A larger restructuring process has been carried out**. Downsizing of approximately 100 man years is completed through normal turnover, severance agreements and dismissals.

HR

// **Extensive in-house training**. Management development program with the aim to increase skills, confidence and awareness in the leadership role. Sick leave of 7,5 percent in 2014, a decrease from 2013 when the sick leave was 7,7 percent. Employee survey for 2014 shows that the employee's job satisfaction and loyalty are in line with the transport industry in Norway in general.

Customer satisfaction

// **The customer satisfaction survey** has revealed specific areas for improvement which are taken into account in future action plans and initiatives.

Homes where the future is being built

REAL ESTATE

The NSB Group's real estate business develops residential housing and office workplaces at public transport hubs in order to meet the growth in population and facilitate increased public transport. 2014 has been a year with very good financial results. A large contribution to this has been the sale of the new office buildings at Schweigaards gate 21 and 23. Traffic growth in the major cities has also contributed to increased commercial activities at the stations, and in turn higher rental incomes. ROM Eiendom AS works continuously to improve the operations and maintenance work.

ROM Eiendom seeks to develop a real estate portfolio with low energy consumption, and for new projects the aim is to attain BREEAM certification with a high grade. The winners of the Norwegian Award for Building Design in 2014 were Schweigaardsgate gate 21 and 23, Gjensidige and NSB's headquarters. The award was awarded for the buildings' good design and outstanding environmental qualities, in addition their contribution to urban development.

ROM Eiendom has sold around 200 properties in 2014, upgraded Østbanehallen with 14 new shops and eateries, initiated a new commercial building at Bergen station and Trapphuset at Trondheim station.

The real estate business in the NSB Group contributes to good travel experiences by developing attractive stations. This is easier to achieve where passenger volumes enable commercial solutions, but the company has also succeeded in creating enterprises that are based on closeness to the local community in a number of smaller stations.

The growth in population in Norway continues, and a lot of the growth in traffic occurs within public transport. Many of the stations that are experiencing strong traffic growth are being upgraded. The development of properties in connection to hubs continues, and with a steadily increasing emphasis on residential housing. The ambition for 2015 is to increase the volume of houses sold in several cities. ROM Eiendom will continue to develop residential properties, commercial properties and transport hubs, among others residential development operations in the Operakvarteret, at Grefsen in Oslo and in Jessheim.

ROM EIENDOM

Economy

// **The operating profit in 2014** was NOK 1 246 million, this is an improvement of NOK 310 million. The improvement is mainly due to gains from sale of property. Revenue for 2014 was NOK 1 461 million.

Environment

// **Have introduced green leases** which ensure the environmental development of rental objects. Are involved in important Enova-projects with a total energy target of 8,4 GWh, which is the equivalent of the energy consumption in 336 houses. The first two buildings in Norway to achieve the environmental classification BREEAM-NOR Excellent were the office buildings in Schweigaardsgate 21 and 23. Two additional commercial properties under construction in Oslo and Bergen with new BREEAM-NOR Excellent certification.

Innovation

// **Were awarded the Norwegian award** for building design 2014 for the office buildings in Schweigaards gate 21 and 23. NSB resource centre is a pilot project for BREEAM-In-Use for the best possible environmental and cost effective operations. Have during 2014 further developed the cooperation with the Kirkens Bymisjon at Oslo S with the project ”Salary as deserved”- meeting place for the disadvantaged, ”Track” and ”The year’s most important summer job” where former addicts work actively against recruitment into the drug environment.

HSE

// **There is low absence due to sickness.** Few who resign form their jobs. The average retirement age is high. A large number of employees take part in organised physical training. Bicycle parking makes cycling to work attractive.

HR

// **There is a high employee satisfaction**. In the employee satisfaction survey for 2014 the following reasons are given as a cause for satisfaction in the workplace, ”interesting work tasks”, ”high professional level” and ”good working environment”.

Customer satisfaction

// **In the annual tenant satisfaction survey** the company achieved its best result ever.

Increased efficiency and new markets

BUS

The NSB Group's bus company is the largest in Norway and the second largest bus company in Scandinavia. Nettbuss has transported 131 million passengers in 2014, split between local scheduled services, express buses and school buses. When more people travel together rather than taking the car, greenhouse gas emissions are reduced and the roads become less crowded. A full bus replaces 50 cars and 1 kilometre of congestion.

Most of the Norwegian bus market is now subject to tenders. Nettbuss has managed to maintain its market share in Norway, in spite of very strong competition. In addition, Nettbuss has succeeded in establishing itself in the Swedish market. Large parts of the bus market in Scandinavia are exposed to competition through the competitive tendering process arranged by public sector clients. The competitive tendering has resulted in weaker margins, and Nettbuss has therefore initiated an extensive programme to improve results which has boosted profitability.

During 2014 Nettbuss has entered into a new contract in the Drammen area, regained the contract at Ringerike, while existing operations in Aust-Agder and in Elverum have been lost. In Sweden there have been small movements in the contracts during 2014. In 2014 the express bus business in Norway has struggled to create good profitability. The reasons for this are strong competition and increased navigational problems around the major cities. Extensive production adjustments have been carried out in 2014 in order to meet the competition. Introduction of a new fleet management system has contributed to less engine idling and reduced fuel consumption.

In Sweden the express bus business has grown and is steadily increasing its market shares. The company is showing good profitability and is now the market leader on the west coast Oslo-Gothenburg-Malmö route. From October 2014 a new bus route between Stockholm and Oslo was established. In 2015 Nettbuss will continue to work to further improve its results. Nettbuss will also work towards improving the framework conditions for the industry. The company will continue to work with creating good solutions for the customers so that a growing number will travel by public transport, and thereby contribute to more environmentally-friendly and safe transport.

nettbuss

Economy

// **The operating profit for 2014 was NOK 120 million**, this is an improvement of NOK 25 million. The main reason is the effect of the implemented improvement program. The revenue for 2014 totalled NOK 5 907 million. This is a reduction of 2.3 percent from 2013. The main reason for this is reduced ownership share in the business in Denmark. In 2014 the bus operations transported a total of 131 million passengers.

Environment

// **All operating companies are ISO certified** according to ISO14001 standard, one of the companies is certified according to the quality management system ISO 9001. As part of the road safety work Nettbuss has started certification according to ISO 39001. All staff complete environmental courses, in 2014 700 employees have received environmental training through this course.

Innovation

// **Due to the significant efforts to reduce cash sales** the internet sale of tickets now account for a turnover of over NOK 150 million. The express bus service is renewed with six new double decker busses between Oslo-Gothenburg-Malmø. There is a new route between Stockholm and Oslo.

HSE

// **Introduction of the fleet management system EcoSafe**, which contributes to more customer and environmentally friendly driving. A Group programme for managers at all levels is carried out during 2014 and 2015.

HR

// **In the employer survey** Nettbuss now has a score of 72 points out of 100 possible in terms of employee satisfaction and our attractiveness as an employer, which is somewhat higher than the national average for the transportation industry in Norway. Other areas with a high score amongst the employees are commitment and loyalty. The figure for sick leave was stable from 2013 to 2014.

Customer satisfaction

// **During the autumn of 2014 Nettbuss Sweden was nominated** for the Swedish quality award, an award for successful quality work within companies and organisations. For the second year running the company in Norway is nominated for the Public Transport award 'Kollektivtrafikkprisen'. Bus4You is best five years running in Sweden.

Innovation and development

TRAIN MAINTENANCE

The NSB Group's train maintenance company Mantena maintains railway vehicles. Mantena's vision is to be the best maintenance supplier of rail vehicles in Europe. Through good financial management, Mantena has delivered very favourable financial results in 2014. In addition to NSB, the Airport express train Flytoget and the Gjøvikbanen are customers of Mantena. A good cooperation with the operators has provided better quality and reliability. Mantena has skilled employees and a high focus on developing competence throughout the business. To ensure a good sharing of knowledge between younger and older employees, the intake of apprentices is important for Mantena. At any time Mantena has approximately 20 apprentices distributed across a number of disciplines. The recruitment of apprentices is an important social task.

In Stockholm Mantena maintains Underground trains through the associated company TBT. TBT is jointly owned with the Hong Kong-based company MTR. Through this collaboration the best solutions for good maintenance are developed, and with these experiences Mantena is preparing itself for imminent competitive exposure. Lean thinking is an integral part of all our workshops and is continuously being developed to improve the processes.

With skilful employees, Mantena will supply competitive maintenance services, and be a key contributor to the development of trains as a socially beneficial and effective transport option. Innovation and development are important parts of Mantena's stategy.

The train maintenance market is constantly evolving and new European companies are wishing to establish themselves. It is important for Mantena to stay ahead of this development, and be well prepared for competition. Mantena will win the competition by being a reputable supplier with skilled employees. The company will be characterised by good and effective deliveries and processes that meet all the necessary requirements in an increasingly more open Europe.

Mantena

Economy

// **Operating revenues of NOK 1 367 million**, which is a reduction of NOK 217 million. The main reason is that the inventories were transferred to the passenger rail and freight operations. Operating profit is NOK 47 million.

Environment

// **Environmentally certified in accordance with NS – EN ISO 14001**. No serious environmental deviations during 2014.

Innovation

// **Have contributed to the development of Telma**, a tool for monitoring vehicles in operation. Testing sensor technology on type 93. We are cooperating with Jernbaneverket regarding optical sensors for registering of abnormal noise and movements on the trains. Certified in accordance with EU 445/2011 ECM for maintenance of freight wagons.

HSE

// **Have entered into a new agreement** regarding an including workplace. Sick leave is 7.9 %. A small increase in injuries while in service.

HR

// **In the employee satisfaction survey** for 2014 the company scores high on job satisfaction, attractiveness as well as a high level of loyalty and commitment amongst the employees. The company has a stable workforce and there are few who leave the company.

Customer satisfaction

// **The annual customer satisfaction survey** gave a score of 4,13 (scale 1-6) on overall satisfaction, 4,7 on overall and professional skills, and good scores on accountability, commitment and availability.

ANNUAL REPORT

Record growth in the number of rail passengers and several successful urban development projects have made 2014 the most profitable year in NSB's history. The financial performance strengthens our ability to meet the challenges that the future holds.

Report of the Board of Directors

(Last year's figures in brackets)

Summary of the results and development of the NSB Group for 2014:

- // The operating profit is 2 001 MNOK (1 821 MNOK)
- // The profit before tax is 1 597 MNOK (1 645 MNOK)
- // Return on equity is 19.2 %
- // An increase in the number of journeys and operating income in the passenger train operations
- // Improved results in the bus operations
- // Unstable infrastructure and restructuring costs affect the freight operations and contribute to negative results for the year
- // Considerable gains from development and sale of property
- // Punctuality was good for the first four months of the year, then lower than target, before an improvement towards the end of the year

Summary of results and development for the business areas

Passenger train operations

The passenger train operations consist of NSB AS and the subsidiaries NSB Gjølvikbanen AS and Svenska Tågkompaniet AB.

Operating income for passenger train operations was 7 087 MNOK (6 577 MNOK), an increase of 7.8 % compared to the previous year. A significant part of the change is due to an increase in journeys by 4.4 % to 68.5 million. This is primarily due to increased train capacity and improved route offer in Eastern Norway.

The operating profit was 659 MNOK (842 MNOK), a reduction of 183 MNOK. This is mainly due to increased depreciation and IT costs. For the operations in Sweden the profit was 0 MNOK (4 MNOK).

An adjusted and improved route offer was introduced in December 2014, based on the significant improvement introduced in 2012. The change has given customers in the eastern part of Norway, and from 2014 also in Trøndelag and at Sørlandsbanen, a better train service in terms of increased capacity, more departures, new trains and more seats. This change has led to an increase in the no. of journeys during the two last years of 12 %.

The procurement of the new regional and local trains is going according to plan, and 23 regional trains (type 74) and 38 local trains (type 75) are now in service in eastern part of Norway. The delivery of a total of 81 new trains will be completed during 2016.

The passenger train operations in Norway reached a punctuality of 88.3 %, the same level as in 2013 but below the target of 90 %.

Bus operations

The bus operations consist of the parent company Nettbuss AS, 32 wholly owned subsidiaries, and 8 partly owned companies. The Nettbuss Group operates in most of the counties in the southern and the middle of Norway. The Swedish part of the operations is mainly situated in the south west of Sweden. During the autumn Nettbuss merged its activity in Denmark with the Danish company Keolis BUS. The new company will have a market share of about 13 %, and Nettbuss owns 25 % of the shares.

The operating result is 120 MNOK (95 MNOK). The Nettbuss Group's operating income for 2014 is 5 907 MNOK (6 046 MNOK), a decrease of 2.3 % from the previous year. The change in operating income is mainly due to the operations in Denmark not being consolidated from October 2014. The change in operating profit is mainly due to effects from efficiency programs.

The Norwegian market for long express bus travels is changing, partly due to increased competition. During 2014 the production in Norway has been adjusted to meet the competition in the market.

The express bus operation in Sweden is growing and market share is increasing. Profitability is good, and the company is now the market leader between Oslo – Gothenburg – Malmø. In October a new express route was started between Oslo and Stockholm.

The bus operations has taken part in several tenders during 2014, and re-won route contracts for Drammen and Hallingdal. The bus operations lost the tender for Nordfjord effective from July 2014, and Aust-Agder and Elverum from January and July 2015. Tenders were won for Molde (start January 2015) and Ringerike (start July 2015).

In Sweden new operations were started in Åmål in August, while the operations in Kungelv were closed in July. A tender in Lerum with start of operations in 2015 was won, while the existing operations in Orust were lost with effect from 2015.

The bus operations transported 131 (137) million passengers and drove 190 (198) million km. during 2014. The reduction is mainly due to non-consolidation of operations in Denmark from October 2014.

Freight operations

The freight operations are run by the CargoNet Group. The largest part of the business is operating pendulum freight trains for containers and other intermodal carriers. In addition CargoNet operates dedicated single customer train services, for example for transport of fuel and timber. In Sweden the company operates a number of long term contracts for train haulage.

The operation of container terminals is run through the wholly owned subsidiaries Rail Combi AS and Terminaldrift AS.

Operating income is 1 032 MNOK (1 070 MNOK), and the operating result is -90 MNOK (-44 MNOK).

The quality of the infrastructure has affected the operations also during 2014. The business has been characterised by the closure of several lines for shorter and longer periods due to flood, landslides and poor weather. In total 128 (335) trains had to be cancelled due to unforeseen problems with the infrastructure. Operations in Norway have also been affected by increased competition from trucks and competing suppliers of cargo transport on rail. Reduced volume and restructuring costs contribute to the weak financial performance.

The freight operations are undergoing an efficiency project to reach profitability during 2015. The project includes downsizing and other measures to reduce operation and maintenance costs.

Punctuality in Norway was 90 % (89 %) delivery within 15 minutes, equal to the goal of 90 %.

Train maintenance

Train maintenance is operated by Mantena AS which is the largest supplier of maintenance services to train operators in Norway. The main activity is maintenance of locomotives, wagons and passenger train sets. In addition Mantena operates workshops for maintenance of parts and components. The company also performs maintenance and repairs of machines used for work on the railways in Norway. The operations include workshops in Oslo, Trondheim, Drammen, Skien, Bergen, Stavanger, Narvik and Bodø.

Mantena runs maintenance operations in Sweden through Mantena Sverige AB, and is also an important partner in the maintenance operation for the Stockholm underground trains.

Mantena shall meet future competition though efficient and reliable maintenance operations. The company's competitiveness is critical and it has been working continuously for several years with measures to meet ever increasing demands for efficiency and reliability.

The operating income is 1 367 MNOK (1 584 MNOK). The reduction in income can be attributed to the inventories being transferred to the passenger rail operations and freight operations, which means that use of spares was not treated as income for the maintenance operator in 2014. The operating profit is 47 MNOK (112 MNOK).

Real estate

The group strategy for the real estate operations is to optimize the development of the value of the real estate assets with a view to sale of non-operational property according to market opportunities and the Group financing needs. In addition the real estate operations shall develop and manage the real estate properties to strengthen the transport business of the NSB Group. The NSB Group shall through its real estate operations be the leading developer of transport hubs for public transport and freight transport on rail.

In 2014 ROM Eiendom won a price for the new twin office buildings in Schweigaards gate 21 and 23 in Oslo. Both buildings were the first to achieve the environmental rating Breeam-NOR Excellent in Norway. Both buildings were in December sold to the Norwegian insurance company KLP.

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 an operating profit of 1 246 MNOK (936 MNOK). The positive result in 2014 is mainly due to high gains on sale of property.

About NSB

Corporate governance

The Board of Directors has discussed and approved the statement regarding Corporate Governance which is enclosed the annual report.

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.

Organisation

The Group is divided into several areas of operations:

- Passenger train: Passenger train operations including shared services for the group
- Bus: Bus operations
- Freight: Freight train operations
- Train maintenance: Maintenance and repair of passenger and cargo trains
- Real estate operations: Operation and development of real estate

Goals and strategies

The NSB Group core business is passenger traffic by train and bus in the Nordic countries, freight transport on rail within and to/from the Nordic countries and ownership of strategic property close to stations and freight terminals. In addition the NSB Group conducts operations closely connected to the core business.

The NSB Group shall add value through developing, producing, marketing and selling competitive passenger and freight transport in the Nordic countries, and based on owned property support urban development facilitating public transport.

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

Internal control

The NSB Group has adopted a framework for internal control, and established a control-environment that consists of values, ethical guidelines, organisational structure, authorisation structure and governing documents. The Board of Directors evaluates the Group's business idea, values, strategies and plans on an annual basis. Risk analysis is performed annually for the business as a whole as well as for the various operations. Risk within financial reporting is evaluated through risk analysis of specific areas and periodic follow-up meetings with the business segments.

Based on the above the internal control system is periodically revised, by changes and improvements in the governing documents, guidelines and procedures.

Economic development for the NSB Group and the parent company NSB AS

The NSB Group has a profit after tax for 2014 of 1 509 MNOK (1 300 MNOK), an improvement of 209 MNOK. The operating profit is 2 001 MNOK (1 821 MNOK), an improvement of 180 MNOK. The improvement is mainly due to gains from the development and sale of real estate.

The parent company NSB AS shows a profit after tax for the year of 947 MNOK (614 MNOK). Group contributions and dividend from subsidiaries in the amount of 720 MNOK (390 MNOK) are included in the result. Operating profit for the parent company is 541 MNOK (757 MNOK). The change is mainly due to low pension costs in 2013 and increased depreciation and IT costs.

The Groups net cash flow from operations is 1 338 MNOK (1 150 MNOK). Net cash flow used for investments is 637 MNOK (2 600 MNOK). This includes 2 302 MNOK in acquisition of property, plant and equipment as well as investment property and sale of assets including real estate of 1 755 MNOK. Investments were mainly used to increase capacity and profitability within the Group's business segments. A dividend of 515 was paid to the company shareholder in 2014.

Including this year's profit, total equity for the parent company is 5 961 MNOK (5 809 MNOK). The equity ratio is 25 % (27.1 %). Retained earnings for the parent company are 817 MNOK. For the NSB Group, total equity is 8 400 MNOK (7 941 MNOK), resulting in an equity ratio of 30.2 % (30.4 %).

The Group return on equity is 19.2% (17.3 %).

The Group working capital is 2 740 MNOK (1 680 MNOK), an increase of 1 060 MNOK.

The owner represented by the Ministry of Transport and Communication expects a dividend of 50 % of the profit after tax for the NSB Group. The Board proposes the following allocation of the result of the parent company NSB AS:

Dividend	753 MNOK
Transferred to other reserves	194 MNOK
Total allocations	947 MNOK

The annual financial statements have been presented under the assumption that the company will continue as a going concern and the board confirms that this is the case.

Risk

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 note 14.

NSB borrows money in the markets and the currency 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 some exposure to currency risks in its daily operations related to bank and cash deposits for business units abroad, but otherwise 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 level. 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 funding need 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 for 2014 satisfactorily through a long term bond at the beginning of the year, plus several short term loans in the domestic commercial paper market during the year. The unrest in the financial markets is somewhat reduced, but there is still uncertainty related to the development of interest rates and to loan margins that will be achieved in the future. NSB has a high focus on counterparty risk in financial transactions.

Operational risk

Analysis of operational risks is done systematically, for example for traffic safety and the achievement of financial goals. Based on the risk analysis, control activities reduce identified risks, including automatic controls, audits and analysis related to special risk areas.

Social responsibility

The Ministry of Transport and Communication has in the articles of association clarified that the board shall ensure that the company is socially responsible. The company shall annually report on this to the owner through the annual planning document (§ -10-plan).

The NSB Groups greatest contribution to society is to facilitate that the community's transportation challenges take place in an efficient, accessible, safe and environmentally friendly manner. The contribution shall be achieved by planning and implementing measures to increase the capacity of public transport to/from home and work, to develop public transportation hubs and develop residential and commercial buildings in close proximity to these hubs, and offer sustainable freight transport on rail.

The NSB Group reports on social responsibility according to the accounting law (§ 3-3C). These reporting requirements are included in the social responsibility report which is a part of the annual report. The CSR report includes among others information on work environment and absence due to sickness, external environment and anti-corruption work.

Future challenges

During the next 16 years there will be one million more inhabitants in Norway. Towards 2040 the population in and around the larger cities is expected to grow by 40 %, and the demand for efficient, smart and sustainable transport will grow. In spite of technological progress transport is one of the sectors with the strongest increase in environmental emissions, and in 2012 about 19 % of the total emissions in Norway was due to road traffic. Transport is thus a key factor in reducing climate change and to achieve sustainable development. The negative climate effects can for example be reduced by changing to transport modes with lower emissions, such as public transport, and to improve the efficiency of the present vehicles and transport systems.

The NSB Group by rail, bus and real estate operations play an important part in facilitating a shift towards public transport. Our passenger train and bus operations deliver a substantial and sustainable route network to and from transport hubs, and our real estate operations develop hubs which makes it possible to live and work near good public transport services. Our freight operations deliver freight transport on rail, which is both energy efficient and sustainable, and avoids the disadvantages related to freight transport on road.

NSB's increased service for passenger transport on rail, especially in eastern Norway, which started in December 2012, has led to a large growth in the number of journeys and income. A further improved route offer was introduced in December 2014 with a 10 minute frequency between the seven largest stations in Norway, and more departures on Sørlandsbanen and Trønderbanen. The investment and delivery of new trains continues. In total 81 new trains will be delivered by 2016. At the same time the older train sets type 69 A/B will be phased out from the Oslo traffic. When the new double track parts on Dovrebanen (2015) and Vestfoldbanen (2016) are completed, rush hour service to Hamar will be improved and new express trains on the Vestfold line will be introduced.

In the real estate operations large projects are developed near public transport hubs. The development around Oslo Central Station continues, with further development in Bjørvika, and the upgrade of the older part of Oslo Central Station is finished in January 2015.

The two office buildings in Schweigaards gate, Oslo, have been completed and sold, and further development is planned in the vicinity of Schweigaards gate 21 and 23. New office buildings are built at Filipstad and in Bergen, and at Grefsen in Oslo a large number of flats are built in association with a local partner. Large projects are planned or under development in Drammen, Fredrikstad, Kristiansand, Sandnes, Bergen and Trondheim.

Most of the bus industry, except express bus, is operated through tenders. The transition to tenders has contributed to low profitability in the industry. The bus operations in NSB face the same challenges, and the processes regarding calculating and bidding for tenders as well as further optimizing operating efficiency have been improved. During the next 5 years a lot of the routes operated by our bus operations today will be put out for tender. Our goal is to keep our market share, and grow in the express bus segment.

Freight transport on rail is characterized by low profitability, unstable infrastructure and reduced volumes. The NSB Group is conducting an improvement project to ensure profitability in the freight operations during 2015. This includes a reduction of the number of employees and other measures to reduce costs related to operations and maintenance.

To be able to achieve more freight transport on rail the reliability of the infrastructure must be improved to ensure reliable and punctual delivery to the customers. This will also help to improve customer satisfaction and growth in passenger rail transport. A prerequisite is that society gives priority to maintenance and renewal of critical infrastructure.

The Department of Transport and Communications is currently working on a reform of the railway sector to achieve an optimal governance of the sector, a business and customer oriented organization and clear goals. In the spring of 2014 the Department asked central interest groups to give their views on important themes related to the railway reform. The NSB Group has given input, especially regarding planning, organization and responsibility in the sector. The government is expected to submit a paper to the parliament during 2015 with spesific suggestions on how the Norwegian railway sector should be changed. The NSB Group will help to develop and carry through an optimal solution for the railway sector.

2014 has in total been a good year for the NSB Group. The Board would like to thank the NSB Group´s employees for their efforts in 2014, and looks forward to common efforts to develop the NSB Group according to the forthcoming challenges and possibilities.

Oslo, 12th of February 2015

Kai Henriksen
Chairman of the board

Bjarne Børgersen

Wenche Teigland

Åsne Havnelid

Tore Heldrup Rasmussen

Audun Sør-Reime

Rolf Jørgensen

Jan Audun Strand

Geir Isaksen
CEO

Avoid, shift, improve

Over the next years there will be significantly more inhabitants in Norway. Towards 2040 the population in and around the larger cities is expected to grow by 40 %, and the demand for efficient and sustainable transport will grow.

According to TØI and the Cicero Temporeport about 26 % of all greenhouse gas emissions in Norway in 2012 came from transport. The share has increased in recent years, and is primarily due to road traffic. Transport emerges as a key factor in reducing climate changes and achieving sustainable development.

In the UN's efforts towards a green economy 'Avoid-shift-improve' is launched as a strategy to reduce emissions from the transport sector. To avoid transport is to reduce the demand for transport or avoiding it all together. The second strategy is to shift to vehicles with lower CO2 emission per passenger, such as public transport, cycling and walking. The third strategy is to increase the efficiency of today's vehicles and transportation systems.

The NSB Group can significantly help to implement such strategies to achieve a more sustainable society. The NSB Group's greatest contribution to society is facilitating the community's transportation challenges to take place in an efficient, accessible, safe and environmentally friendly manner. The company's main strategic goals reflect this:

The main goal for the NSB Group is to create values for the owner and the society, through efficient, accessible, safe and environmental friendly passenger and freight transports.

The contribution shall be achieved by planning and implementing measures to increase the capacity of public transport to/from home and work, to develop public transportation hubs and develop residential and commercial buildings in close proximity to these, and deliver sustainable freight traffic on rail. Important measures are a new timetable which was established for the Eastern part of Norway in December 2012 and extended in December 2014, the delivery of 81 new trains towards 2016, and high activity in real estate development in and around transportation hubs.

This work has resulted in a considerable increase in volume also during 2014, with an increase in the number of journeys in our trains by 4,4 % to 68.5 million. The increase from 2012 has been 12 %. The number of journeys by our busses in Norway and Sweden increased at the same time with -2.2 % and 21 % in 2014.

Key milestones in 2014

// **On the 14th December 2014** a new timetable was implemented with an improved train service for passengers travelling in the Eastern part of Norway, Sørlandsbanen and the local trains in Trøndelag. This increased the route offer further compared to the last large improvement of December 2012

// **The two office buildings** in Schweigaards gate 21/23 won the Norwegian Award for Building Design in 2014

// **A new energy efficient** BREEAM-Nor Excellent office building at about 6 000 M2 is being built at Filipstad in Oslo, and will be completed in 2015

// **The Norwegian Environment Agency** approved the environmental clean-up at Brakerøya in June 2014

// **Energy consumption** per seat km. for our trains was reduced by 6 % from 2013

// **The introduction of a new fleet management system** in the bus operations which among others registers fuel consumption and driving behaviour has led to reduced energy consumption and greenhouse gas emissions

// **Energy consumption** for our properties is reduced by 7 % from 2013

// **The NSB Group continues to support** SOS Children´s Villages, and instead of giving Christmas presents to employees the Group supports the children´s village Siteki in Swaziland

Corporate responsibility for the NSB Group

The NSB Group has established its own guidelines for social responsibility as well as ethical guidelines. We shall follow these basic principles regarding social responsibility:

// **Each company manager** is to ensure that the company safeguards social responsibility as a part of the exercise of their business

// **Social responsibility** shall be incorporated into our strategic foundation and values

// **We support the principles** in FNs Declaration of human rights and the ILOs core conventions

// **We are active** in our work against all forms of corruption

// **We shall actively** contribute to the reduction of the environmental impact of the transport sector

// **We report annually** on the status and development of social responsibility in our CSR report

Customer

Volume and capacity

The route offer for the passenger train operations was first increased in December 2012, and in December 2014 the last step in the plan to improve the passenger transport offer was implemented. The effect is a fixed 10 minute frequency between the 7 largest stations from 7 am to 11 pm every working day. In addition there are more departures on the Sørlandsbanen, and on the Trønderbanen a new route offer was introduced to over 85 000 inhabitants south of Trondheim. This change, in conjunction with the introduction of a significant number of new trains, has resulted in an increase in the number of train journeys of 4.4 % over the last 12 months, and in 2014 our passenger trains registered 68.5 million journeys. 61 of 81 new trains are now in operation.

	2014	2013
Number of train journeys (mill.)	68,5	65,7
Number of bus journeys (mill.)	131,4	136,8
Number of transported TEU (1 000)	376	395

The volume for the freight operations has been reduced since the peak year of 2008. The reason is mainly unstable infrastructure, and increased competition from trucks and other rail operators. The operation for many of the lines outside the central Eastern part of Norway have at times been prone to flooding, landslides and infrastructure problems, and this has affected the company's ability to deliver reliable train service. In 2014 128 departures were cancelled due to unforeseen closure of the infrastructure. This contributed to a further reduction of the volume. To get more freight on rail, it is necessary to achieve a stable infrastructure that may contribute to provide the customers with confidence of a timely delivery.

In the bus operations the number of journeys was reduced by 3.9 % to 131.4 million. The development in the number of journeys was affected by a reduction in ownership share of the operations in Denmark, which are not consolidated from October. The no. of journeys in Norway and Sweden were at 79.8 and 33.2 million, a change of -2.2% and 21 %. This is mainly due to a change in the number of routes which are operated.

Reputation and customer satisfaction

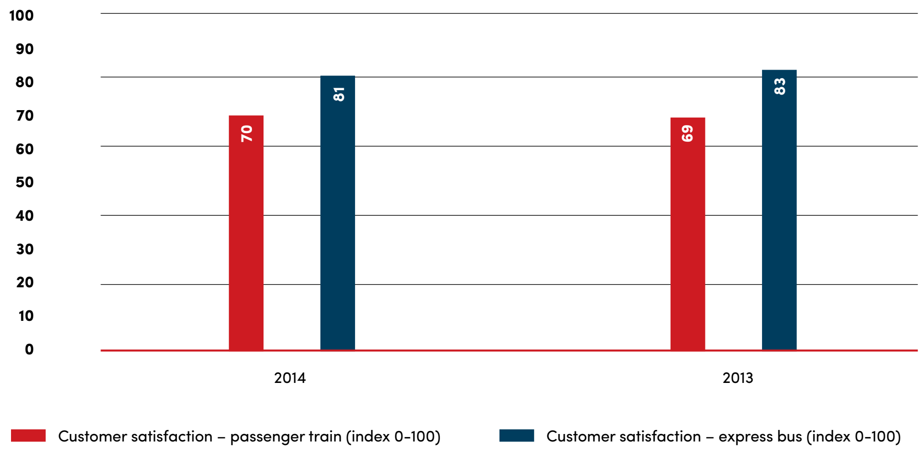
The operational entities within the NSB Group annually conduct surveys on customer satisfaction. These give a good picture of how NSB's service and quality is perceived, and give us feedback on what areas we need to improve.

The overall customer satisfaction for NSB's passenger train operations in the spring of 2014 was a record 72 points, and the positive development was largely due to improved capacity and punctuality. Customer satisfaction was reduced somewhat to 70 points during the autumn, mainly due to reduced punctuality during the summer. For the NSB regional trains the experience of carriage quality improved even further. A customer satisfaction under 60 is considered week, and over 70 as good.

Customer satisfaction for the NSB Gjøvikbanen is relatively stable, and the customers are in general very pleased with the service. Satisfaction was 71 points, a reduction of 2 percentage points from 2013.

The customer satisfaction index for bus includes the expressbus products TIMEkspressen, the airport bus in Trondheim, Bus4You and Netbuss express in Norway and Sweden. The customer satisfaction is stable and high, but as expected there is a reduction for TIMEkspressen due to reduced timetable and closure of some lines. In Sweden Bus4You is at the top of the Swedish quality index with the highest customer satisfaction score for 5th year running.

Reputation and customer satisfaction



Punctuality/timeliness

The passenger train operations are constantly working with technical improvment and development of maintenance programs. During 2014 they have also worked together with the Jernbaneverket (the government infrastructure manager) to reduce the time trains spent parked at stations to improve the punctuality. The work will continue in 2015.

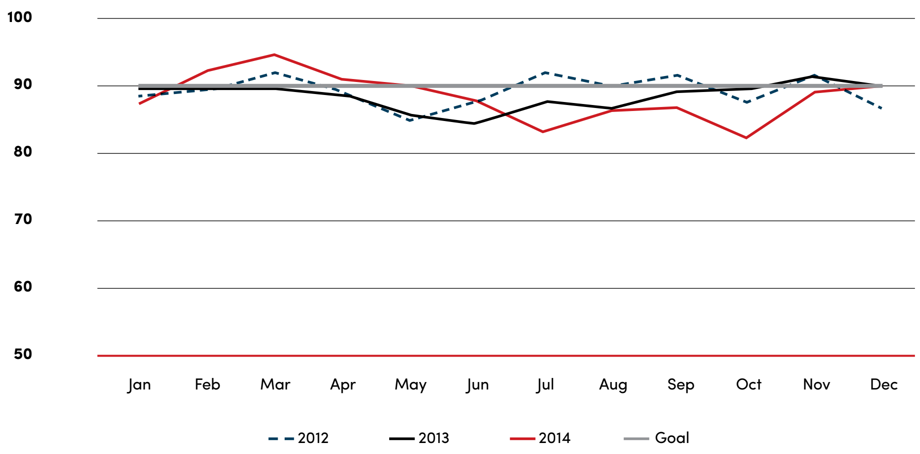
The punctuality for NSBs passenger trains was 88.3 % in 2014. This is a decrease of 0.1 % percentage points compared to 2013 and 1.7 % percentage points below the target of 90 %. The main reason for delays is work on infrastructure, weather, and signalling faults.

In total Jernbaneverket (JBV) registered 26 105 hours delay in 2014, about the same as 2013. The proportion of hours delayed which affected NSB passenger trains in 2014 was 11 701 hours. Compared to 2013 this is a reduction of 7 %. For the NSB passenger trains the hours delayed caused by the infrastructure is still the most with 5 886 hours (50 %). Followed by 2 318 hours (20 %) caused by NSB themselves. Delays due to long stops at stations decreased by 22 % from 2013 and delays caused by rolling stock are reduced by 13 % from 2013.

The subsidiary Svenska Tågkompaniet AB had a punctuality in 2014 of 88.4 %, compared to 90 % in 2013. The subsidiary NSB Gjøvikbanen AS had an average punctuality of 89 % in 2014, same as in 2013.

Challenges related to infrastructure affect the operations in 2014 as well. Several lines were closed for shorter or longer periods due to flooding, landslides and bad weather. This resulted in the cancellation of 128 freight train departures, which is an improvement from 335 cancellations in 2013. Otherwise the punctuality for the freight trains has been close to the goal of 90 %, and ended on 90 % (89.4 %) within 15 minute delay.

Passenger train punctuality index



Environment

Strategy

The NSB Group has incorporated environmental issues in its strategies, goals and plans. One of the company's key strategic objectives is to prevent harm to people and the environment. As a part of this a strategic environmental plan has been developed for the period 2011-2015. The main objectives of this plan are:

- // Certify the businesses of the Group in accordance with ISO-14001
- // Develop competent and environmentally conscious employees
- // Further develop an eco-friendly rolling stock
- // Use environmentally friendly and innovative products in our business
- // Implement energy optimization and resource conservation
- // Renovating old pollution
- // Increase recycling rate of waste

This plan contains policies and guidelines for how the work is to be accomplished, and standards for measuring indicators regarding the environment.

Increased environmental challenges

During the next 16 years there will be one million more inhabitants in Norway (source: Statistics Norway). Towards 2040 the population in and around the larger cities is expected to grow by 40 %, and the demand for efficient, smart and sustainable transport will grow.

In spite of technological progress transport is one of the sectors with the strongest increase in environmental emissions. According to TØI and the Cicero Temporeport the transport sector accounted for 26 per cent of the greenhouse gas emissions in Norway in 2012. The share of the passenger transport sector is about 60 %, and the freight sector about 40 %. The share is growing primarily due to road traffic. Railway transport is on the other hand a transport mode with a low emission rate according to Statistics Norway. Transport is thus a key factor in reducing greenhouse gas emissions and achieving sustainable development.

'Avoid-shift-improve' is launched as a solution for the transport sector included in the UN's efforts towards a green economy. To avoid transport involves reducing the demand for transport or avoiding it all together. The second strategy is to shift to vehicles with lower CO_2 emission per passenger, such as public transport, cycling and walking. The third strategy is to increase the efficiency of today's vehicles and transportation systems.

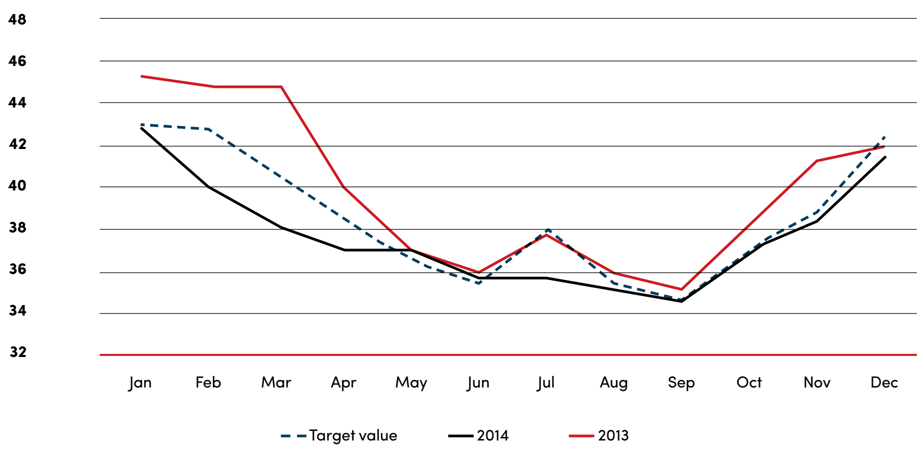
The NSB Group play an important part in reducing the transport sectors environmental challenge

The NSB Group by rail, bus and real estate operations play an important part in facilitating a shift towards public transport. Our passenger rail and bus operations deliver and improve a substantial and sustainable route network to and from transport hubs, and our real estate operations develop hubs which make it possible to live and work near good public transport services. Our freight operations deliver freight transport on rail, which is both energy efficient and sustainable, and avoids the disadvantages related to freight transport on road.

Energy consumption

	2014	2013
Energy consumption pass. trains – electricity (MWh)	302 377	316 527
Energy consumption pass. trains – diesel (mill. liter)	8,3	8,7
Energy consumption bus – diesel (mill. liter)	54,0	62,1
Alternative energy bus – gas (mill. m3)	8,2	4,8
Energy consumption freight trains – electricity (MWh)	107 268	111 091
Energy consumption freight trains – diesel (mill. liter)	5,3	6,1
Energy consumption buildings (MWh)	114,5	123,6
Energy consumption pass. trains (kwh/seatkm.)	0,0375	0,0399
Energy consumption freight trains (kwh/tonnekm.)	0,047	0,049
Energy consumption buildings (kwh/m2)	288	310

Energy consumption per seatkm



Energy efficiency passenger rail

The passenger train operations works systematically to increase its energy efficiency. Energy saving measures and introduction of new energy efficient Flirt trains led to 6 % less energy used to transport one seat one kilometre in 2014 compared to 2013. The increased energy efficiency has saved electricity equivalent to the consumption of 12 000 Norwegian households.The goal is to reduce the energy consumption by 15 % by 2017.

Energy consumption for the freight train operation

In 2014 the energy consumption per tonne-kilometre is reduced by 5 %, mainly due to a more efficient timetable. During 2015 about 50 train drivers will participate in a course on energy efficient driving, and a target is set to reduce energy costs by 4 MNOK. Freight transport by rail represents a smaller environmental impact than if the transport should have been by road. The operation relieves the roads for a substantial number of long trailer journeys, and thereby contributes towards lower emissions, road accidents and queues.

During 2014 the NSB Group's freight operations relieved the roads of approximately 188 000 long journeys by trailers. This represents about 600 trailers each day.

Energy consumption for the bus operations

The introduction of a new fleet management system, which amongst other things registers fuel consumption, idling and driving patterns, shows that there is potential to reduce fuel consumption and as a result emissions to the environment. Use of alternative fuels such as natural gas, biogas and biodiesel are considerably expanded, and the same applies to hybrid busses. 576 of our 3 246 busses have been run on alternative energy in 2014.

Ground contamination

We have not registered any new major spills during 2014. Clean up of old contamination at Stavne and Marienborg in Trondheim, and Brakerøya at the Drammen Fjord, was completed during 2014. During the development of real estate any ground contamination is registered and cleaned up. The program for examination of possible ground contamination for our operational real estate continues.

Greenhouse gas emissions

	2014	2013
Emissions passenger trains (Norway) – tonnes CO_2	78 802	78 923
Emissions bus – tonnes CO_2	150 400	155 132
Emissions freight trains – tonnes CO_2	41 787	40 173
Emissions buildings – tonnes CO_2	15 455	15 941

The NSB Group currently purchase all power to run the trains from Jernbaneverket with origin guarantees. This does not give incentive to more energy-efficient operations, however by purchasing origin guarantees NSB is helping to support the producers of renewable energy. NSB has in its greenhouse gas emission calculations up until 2013 used zero emission for electrical trains based on the purchase of these origin guarantees. From 2014 this is changed due to a new universal standard for computing energy consumption and gas emissions from transport services, and the emissions for 2013 are restated. The basis for calculating emissions for electricity is Nordic electricity mix.

Emissions for bus is calculated based on engine emissions. "Well to wheel" calculations will give emissions of 181 833 tonnes.

Management of waste

	2014	2013
Waste (tonnes)	5 703	6 232
Recycling rate train cleaning services	47 %	NA
Recycling rate freight trains	97 %	94 %
Recycling rate bus	44 %	59 %
Recycling rate train maintenance	77 %	80 %
Recycling rate real estate	32 %	49 %

All our modern trains are prepared for waste separation. A program to map and improve the value chain for waste separation regarding passenger trains has been implemented. When purchasing new trains strong environmental demands have been set to ensure environmental efficient operations for the lifespan of the train.

The maintenance operations Mantena have established their own processes for handling waste and good barriers to prevent accidental discharge. Environmental stations have been established at the workshops and the goal of zero damage to the environment is governing, with a goal of zero deviation in storage of hazardous waste.

Safety and security

The safety and security policy of the NSB Group states that:

- The operations shall not cause serious harm to people, the environment or assets
- The operational entities shall proactively prevent unwanted incidents and have the necessary competence to handle critical situations. The core business shall as far as possible stay operational even in threat and crisis situations
- Learning and continuous improvement shall be facilitated. Information regarding safety and security shall be easy to understand and accessible. No one is to be punished for reporting faults and problems
- Safety and security work shall be customized to the operations and developed to meet new demands

The goal is that no persons should perish or be seriously injured as a result of the Group's business. Line management is responsible for ensuring that employees at all levels develop an attitude to prioritizing safety in the performance of work. If discrepancies are revealed in terms of achievement or established safety requirements, the responsible line managers are to take corrective action.

Within the traffic safety there is reporting of adverse incidents, investigation, line surveys, risk analysis and measurement of results which provide a basis to define critical conditions and to take steps for correction and improvement.

The security policy for the railway operations is described in a separate governing document.

The figure shows accidents, injuries and fatalities related to the Group transport acitivities.

	2014	2013
Number of fatalities – employees	0	0
Number of fatalities – external	3	5
Number of serious injuries – employees	17	8
Number of serious injuries – external	3	4
Number of railway accidents	24	28

Injuries and fatalities

No passengers or employees perished as a result of the NSB Group's transport activities in 2014. One employee died of natural causes while at work, but probably not due to the transport activity, and is therefore not included in the above figure. 17 of our employees and 3 external people experienced serious injuries. In the passenger train operations there were 2 external fatalities due to people on the tracks.

The bus operations have been involved in one fatal accident in 2014.

Accidents

For the NSB Group there have been 24 incidents defined as railway accidents in accordance with regulations during 2014. The reasons for many of the incidents in 2014 are outside the Groups direct influence. There is systematic recording and reporting to the infrastructure manager. The traffic safety work through performance management and risk management remains a high priority and is used to affect the risk both internally and in collaboration with others.

The traffic safety is overall rated as satisfactory and goal achievement is considered acceptable. NSBs operations are conducted, as determined by management´s examinations, to comply with external and internal requirements.

Traffic safety for bus operations

The bus operations transports large amounts of passengers daily, and has a great responsibility to ensure that everyone arrives safely, while no other road users suffer damage of any kind. The bus operation has, as part of the road safety work, started certification for ISO 39001 from the autumn of 2013. This started with Netbuss Midt-Norge, and Nettbuss Sør and Nettbuss Sweden will follow.

Efforts to reduce injuries, incidents and accidents have continued during 2014. Nettbuss has in 2014 implemented a new system to follow up driving behaviour, and this has had a positive effect on traffic safety.

Employees

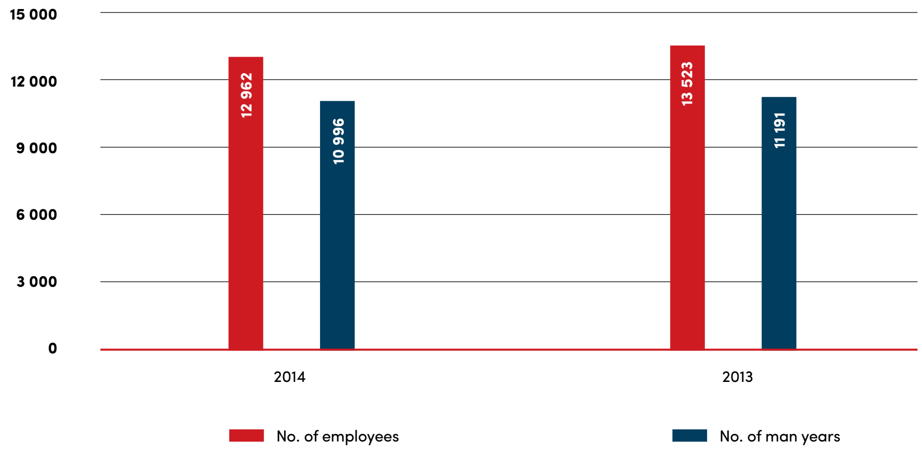
Our strategic goal is that the NSB Group shall have highly qualified and motivated employees. NSB shall as a personnel intensive service organization be an attractive working place and shall ensure a professional and good working environment with open, honest and consistent communication internally and externally in order to create trust and credibility.

A personnel policy has been established for the NSB Group, and personnel policy manuals have been prepared in the operational entities that contain guidelines, policies and standards for handling personnel issues.

	2014	2013
Employee satisfaction NSB Group	75	74
Sicness absence rate	7,8 %	7,8 %

The NSB Group has at the year-end 12 962 employees. The number of man-years is 10 996. This is a reduction of 1.8 %, and is mainly due to a change in ownership of bus operations in Denmark.

No. of employees



Employee satisfaction is at 75 on a scale of 0-100. This is one percentage point above the average of Norwegian companies, and 6 percentage points above the average in the transport sector. Employee satisfaction shows some correlation with the profitability and the sickness absence rate for the measured operations. On the basis of the survey actions will be put in place to improve satisfaction in the areas where performance is weak.

Absence due to sickness for the last year was 7.8 %, at the same level as last year. A main reason for high absence due to illness is strain injuries and inconvenient working hours, and the main measures to reduce absenteeism are improvements to the work place and processes to reduce long-term sick leave.

During 2014 a total of 17 (8) serious injuries to employees was registered, the main proportion in the train maintenance operations. The number of injuries has increased, but probably due to better registration.

For the passenger rail operations LTI (Lost Time Injuries) is at 4.2 per million working hours while TRI (Total Recordable Injuries) is at 6.5. The ratio was at 3.5 and 7.5 in 2013. LTI is 20 % higher than last year, while TRI is 13 % lower than last year.

The ratios for Rom Eiendomsutvikling AS, parent company for the real estate operations, as well as for NSB Gjøvikbanen AS which operates the Oslo-Gjøvik line, is zero.

The LTI and TRI ratio for the train maintenance operations is at 9.5 and 22,5. This is too high, and measures have been initiated:

// Annual safety meeting for all employees related to injuries and avoidance of these

// Active use of risk assessment and safety at work analysis

// High focus on reporting and issue management

For the freight train operations LTI is 9.6 and TRI 13.3. For the bus operations LT1 is 1.1 and TRI 1.7.

Human rights, labour rights and anti-corruption work

In the NSB Group we have established ethical guidelines and guidelines for social responsibility which includes amongst others human rights, labour rights and work against corruption.

Most of our activities take place in Norway and with links to Sweden and Denmark. Management of human rights and labour rights are well taken care of through the venues where staff and management meet to safeguard such questions. Most of our employees have rights that are well defined through collective agreements and understandings. Employees are represented on the Board of the companies, and working environment committees are established and hold regular meetings.

The percentage of our employees who are covered by a collective agreement between the employer and the employee organization varies between units from 84 % to almost 100 %. Major parts of the remaining employees of which most are managers have individual agreements.

Our operations shall have a high ethical standard as described in our ethical guidelines, and ethical requirements to suppliers are in force.

During 2014 a large internal control project was carried out by the NSB Group, and one of the main elements was risk analysis regarding corruption as well as a data analysis and analysis of possible close links between our employees and suppliers. In addition risk analysis regarding corporate responsibility in major supplier contracts has been conducted. These analyses are the basis for improvements to reduce risk and errors. Routines, systems and performance will be changed and improved where necessary, and the effects measured.

In the passenger train, freight and real estate operations ethical guidelines are a part of the employment contract for new employees. For the bus operations the ethical guidelines is a part of the manager's manual (intranet), the personnel handbook and is also mentioned/linked to the driver manual. Within the train maintenance operations our ethical guidelines was incorporated as part of the employment contracts during 2014.

Equality

Based on the statutory requirements and NSB's ethical guidelines, the pursuit of equality is elaborated in the group personnel policy. It states among other things, that:

// All employees in the NSB Group are equal regardless of sex, age, disability, sexual orientation, or religious, ethnical and cultural background

// We seek a wide and varied range of leaders and employees, where individual skills and ability shall be valued and respected

// A more equal proportion of male and female employees is desirable, and will be emphasized during recruitment and development of skills

	2014	2013
Proportion of female employees	17 %	16 %
Proportion of female managers	16 %	15 %

The proportion of women in the NSB Group is 17 %. The proportion of women in the Group's units varies between 6 and 43 %. On the Board of Directors for the NSB Group, the proportion of women among the shareholders-elected is 40 %, while the proportion in the top management of the various operations varies from 0 to 45 %. The lowest proportion is in the NSB Group top management team, where no women were represented in 2014. The average proportion of female managers is 16 %, which is about the same levels as the proportion of female employees. Women´s average wage varies between the different operations, from 76 to 105 % of the average male wage. The main reason may be attributed to position and seniority. The average working hours for women is slightly lower than for men, mainly due to the fact that a larger proportion of female employees work part time.

The administration wish to increase the proportion of women in the group, for example through the following measures:

// Through the Group's career pages (www.nsb.no) identify a number of positions with the help of female role models

// When recruiting for positions in male-dominated jobs, women are encouraged in particular to apply, and in several business areas, it is standard practice to always interview female applicants who fill the eligibility requirements

// Moderate gender quotas in recruitment for a number of job categories in which male dominance is especially great

// Managerial focus on sexist attitude and actions

	2014	2013
Proportions of immigrants	12,2 %	11,0 %

The share of immigrants in the NSB Group is 12.2 %, an increase from 11 % last year. The largest immigrant share is in railcar cleaning with 32.3 %, while the lowest is within freight traffic operations 2.9 %. The share is increasing in all the operations, with the exception of passenger rail operations.

The NSB Group follows the IMDIs recommendation in the ongoing work in relation to ethnic equality, and key action areas are:

// Thorough and serious treatment of messages or suspicions regarding discriminatory behaviour

// Highlighting the role models with immigrant background on the Group's website (www.nsb.no)

// Regular practice to call for an interview at least one candidate with immigrant background for most positions

// Managerial focus on ethnic diversity as an added value

We have established a notification channel in accordance with the requirements of the working environment act. We received one notification of discriminatory behaviour in 2014, and none in 2013.

Stakeholder engagement

One of the main elements in the international standard GRI and in the Norwegian accounting act regarding corporate responsibility is a description of how the organization has identified and engaged stakeholders. The operational entities in the NSB Group have in 2014 made a stakeholder analysis based on an assessment of importance, and grouped stakeholders according to the following criteria:

- // The Norwegian Government as owner
- // National and local authorities
- // Suppliers and other partners
- // Customers
- // Employees and unions
- // Interest groups and local communities

For each of these the type of dialog, numbers of meetings and issues have been described. The overview shows the major issues that the operational entities and interest groups have had on the agenda.

The meetings and the contact with interest groups secures that the operational entities in the NSB Group have a good knowledge regarding stakeholders and their needs, which gives a good contribution to management considerations and decisions.

Key figures

	2014	2013
Number of train journeys (mill.)	68,5	65,7
Number of bus journeys (mill.)	131,4	136,8
Number of transported TEU (1 000)	376	395
Punctuality - passenger trains (Norway)	88,3 %	88,4 %
Punctuality - freight trains	90,0 %	89,3 %
Customer satisfaction - passenger train (index 0-100)	70	69
Customer satisfaction - express bus (index 0-100)	81	83
Energy consumption pass. trains - electricity (MWh)	302 377	316 527
Energy consumption pass. trains - diesel (mill.liter)	8,3	8,7
Energy consumption bus - diesel (mill. liter)	54,0	62,1
Alternative energy buss - gas (mill. m3)	8,2	4,8
Energy consumption freight trains - electricity (MWh)	107 286	111 091
Energy consumption freight trains - diesel (mill. liter)	5,3	6,1
Energy consumption buildings (MWh)	114,5	123,6
Energy consumpton pass. trains (kwh/seatkm.)	0,0375	0,0399
Energy consumption bus (liter/buskm.)	0,34	0,35
Energy consumption freight train (kwh/tonnekm.)	0,047	0,049
Energy consumption buildings (kwh/m2)	288	310
Emissions passenger trains (Norway) - tonnes CO_2	78 802	78 923
Emissions bus - tonnes CO_2	150 400	155 132
Emissions freight trains - tonnes CO_2	41 787	40 183
Emissions buildings - tonnes CO_2	15 455	15 941
Waste (tonnes)	5 703	6 232
Resycling rate train cleaning services	47 %	NA
Resycling rate freight trains	97 %	94 %
Resycling rate bus	44 %	59 %
Resycling rate train maintenance	77 %	80 %
Resycling rate real estate	32 %	49 %
Number of fatalities - employees	0	0
Number of fatalities - external	3	5
Number of serious injuries - employees	17	8
Number of serious injuries - external	3	4
Number of railway accidents	24	28
Number of employees	12 962	13 523
Number of man years	10 996	11 191
Employee satisfaction NSB Group	75	74
Sickness absence rate	7,8 %	7,8 %
Proportion of female employees	17 %	16 %
Proportion of female managers	16 %	15 %
Proportion of immigrants	12,2 %	11,0 %
Number of notifications on discriminatory behaviour	1	0

Corporate governance

1 Reporting on corporate governance

This statement is prepared according to the chapters in the Norwegian Code of Practice for Corporate Governance. NSB AS and the NSB Group operate in accordance with the Code, with exceptions because the Group is not listed on a stock exchange, is wholly owned by the Norwegian state and has certain limits set out in the Articles of Association.

The Code is designed to ensure that companies listed on the stock exchange shall have ownership control and corporate governance that clarifies the division of roles between shareholders, the Board of Directors and executive management more comprehensively than is required by legislation. The recommendation shall contribute to strengthening the confidence the shareholders, the capital markets and other stakeholders have in the company.

The Group Board of Directors has adopted a set of Group values, and ethical and social responsibility guidelines which are published on the homepage of NSB AS.

2 Nature of the business

NSB is a transport group with operations in Norway and other Nordic countries. The parent company, NSB AS, is owned by the Norwegian Government, represented by the Ministry of Transport and Communications. The Group's head office is in Oslo.

The Group's business as stated in the Articles of Association:

// The company's social mission is to provide efficient, available, safe and environmentally-friendly passenger and freight transport

// The company's business is passenger traffic by rail in Norway, transport of passengers and goods in Norway and other Nordic countries as well as any related businesses

// The business may be run by the company itself, by wholly owned subsidiaries, through other partly owned companies or cooperating companies. The company may do business in other Nordic countries as far as this helps to strengthen the company's effectiveness on the Norwegian market and/or helps to strengthen the company's ability to solve the social duties which are the reason for state ownership

3 Equity and dividends

NSB AS is a state-owned limited liability company. This is a type of limited liability company where the state owns 100% of the shares. The responsible minister or whom he gives authority safeguards the rights of the shareholders in the general meeting.

Important special rules for such companies are:

// The General assembly is not bound by the dividend recommendation given by the Board of Directors

// The Office of the Auditor General of Norway audits the management of state ownership and has a right to demand information from the CEO, the Board and the external auditor

The Government expects for the next three to five years that the dividend level should be 50% of the Group profit after tax, but the exact level will be decided annually. The Board has not been given authorisation to approve the distribution of dividends or to increase the number of shares.

4 Equal treatment of shareholders and transactions with close associates

The company has only one class of shares. These are not listed on a stock exchange and the shares are not transacted.

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

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

5 Freely negotiable shares

The Articles of Association do not include any restrictions on negotiability.

6 General assembly

The General assembly consists of the Government represented by the Ministry of Transport and Communications. The Ministry calls the meeting. The annual ordinary meeting is held before the end of June.

Members of the Board, the CEO and the auditor have the right to attend the General assembly meetings.

7 Nomination committee

The General assembly consists of the Government represented by the Ministry of Transport and Communications. The General assembly has not appointed a nomination committee.

8 Corporate assembly and Board of Directors: composition and independence

The company does not have a Corporate assembly. The Board is elected by the General assembly. The Board consists of seven to ten members. Five or six members, including the chairman and deputy chairman, are elected by the General assembly. The Board members are elected for two years at a time. Two or three Board members with deputies are elected by and among the employees. An agreement has been made not to have a Corporate assembly, and therefore the employees elect a Board member with deputy in addition to the above representatives.

The members of the Board of Directors are chosen based on experience, competence, diversity and ability to contribute to the development of the company. Company management cannot be a member of the Board of Directors and may not own shares in the company. Information on Board members is published on the homepage of NSB AS.

9 The work of the Board of Directors

The Board's work is governed by the Norwegian Companies Act, which is to manage the company's values on behalf of the owners. The tasks of the Board have been set out in separate instructions. The Board follows a formal work plan on an annual basis. The plan regulates the Board's main tasks which are goals, strategy, organisation 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 CEO.

The Board shall according to the principles of association ensure that the company acts in a socially responsible manner.

The Board has established audit and remuneration committees.

10 Risk management and internal control

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

Risk analysis of the different activities of the Group is evaluated annually, and measures are taken to control the risks. The Board reviews the company risk management and internal control annually.

11 Remuneration of the Board of Directors

Information on remuneration of the Board and executive management is included in the notes to the financial statements. Board remuneration is not performance-based. The shareholder-elected members of the Board of Directors do not normally take on specific assignments for the company.

12 Remuneration of executive personnel

The Board of Directors hires the CEO and decides the remuneration. The Board evaluates the CEO's performance and salary conditions on an annual basis, and reviews the compensation of executive management. The Board has prepared guidelines that are to be applied for remuneration of executive management. The CEO has been given authority to determine remuneration for executive management within the above mentioned guidelines and principles for remuneration of management in state-owned companies. The guidelines for remuneration of management are on the agenda of the general assembly. Information pertaining to the remuneration of Board members and executive management is included in the notes to the financial statements.

13 Information and communications

Public information is communicated by the senior management of the Group. Financial information is published on the company's home page.

Through §10 in the Articles of Association, NSB has a specific duty to inform the shareholders about the Group's operations. Matters of principle or social significance should be communicated to the Minister of Transport and Communications before the Board of Directors makes its final decision.

Every year the Board of Directors is obliged to present to the Minister of Transport and Communications 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 developments since the last plan.

2. The Group's main activities for the next few years, including plans for major restructuring, further development and scaling down 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 in relation to 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 Communications.

14 Take-overs

Due to the company being state-owned this part of the code is not considered to be applicable.

15 Auditor

The auditor is elected by the General assembly. The auditor submits a Management Letter to the Board of Directors annually, reporting the main findings from the audit of the company and the status regarding management and internal control. The Board of Directors convenes an annual meeting with the auditor which the CEO will not attend. The auditor is present at the General Assembly.

The remuneration of the auditor is disclosed in the notes to the financial statements.

Accounts and notes 2014

NSB Group

Income statement

	Notes	2014	2013
Operating revenue	5	**15 336**	**14 145**
Payroll and related expenses	22	6 975	6 539
Depreciation and impairment	27	1 624	1 589
Other operating expenses	28	5 064	4 881
Total operating expenses		**13 663**	**13 009**
Share of loss(-)/profit of joint ventures	10	102	317
Share of loss(-)/profit in associates	9	45	33
Unrealised value change investment property	8	181	85
Unrealised value change due to reclassifications	8	–	250
Operating profit		**2 001**	**1 821**
Financial posts			
Financial income	29	381	459
Financial expenses	29	-661	-626
Net financial expenses - pensions	23	-76	-72
Unrealised fair value changes	30	-48	63
Net financial items		**-404**	**-176**
Profit before income tax		1 597	1 645
Income tax expense	21	-88	-345
PROFIT FOR THE YEAR		**1 509**	**1 300**
Attributable to			
Non-controlling interest		4	6
Equity holders		1 505	1 294
TOTAL		**1 509**	**1 300**
OTHER COMPREHENSIVE INCOME			
Profit for the year		1 509	1 300
Items that will not be reclassified to profit or loss			
Deviation retirement benefit obligations	23	-735	-606
Tax related to items that will not be reclassified	21	198	231
Items that can be reclassified in net income in later items			
Change in value of reclassification of investment property	8	1	12
Currency translation differences		3	18
Tax related to items that are not reclassified	21	-1	-3
Total comprehensive income for the year		**975**	**952**
Attributable to			
Non-controlling interest		4	6
Equity holders		971	946
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**975**	**952**

Overview financial position

ASSETS	Notes	31.12.14	31.12.13
Intangible assets	6	64	71
Property, plant and equipment	7	14 415	15 057
Investment property	8	4 206	4 238
Investments in associates	9	186	99
Financial assets		97	38
Total non-current assets		**18 968**	**19 503**
Investment in joint ventures	10	681	650
Inventories	11	1 437	1 229
Assets held for sale	12	42	42
Trade and other receivables	13	1 800	1 625
Derivative financial assets	15	2 252	1 438
Financial assets	16	387	421
Cash and bank deposits	18	2 284	1 248
Total current assets		**8 883**	**6 653**
TOTAL ASSETS		**27 851**	**26 156**

EQUITY AND LIABILITIES	Notes	31.12.14	31.12.13
Ordinary shares and share premium	19	5 144	5 536
Restricted equity - revalued investment property		1 976	1 700
Retained earnings		1 286	704
Non-controlling interest		-6	1
Total equity		**8 400**	**7 941**
Borrowings	20	9 926	9 730
Deferred income tax liabilities	21	716	901
Retirement benefit obligations	23	2 552	2 465
Provisions for other liabilities and charges	25	114	146
Total long term liabilities		**13 308**	**13 242**
Trade and other payables	24	3 302	3 654
Tax payable	21	4	-
Borrowings	20	2 495	1 034
Derivative financial instruments	15	342	285
Total short term liabilities		**6 143**	**4 973**
TOTAL EQUITY AND LIABILITIES		**27 851**	**26 156**

Oslo, 12th of February 2015

Kai Henriksen
Chairman of the Board

Jan Audun Strand

Tore Heldrup Rasmussen

Bjarne Borgersen

Wenche Teigland

Rolf Jørgensen

Åsne Havnelid

Audun Sør-Reime

Geir Isaksen
CEO

Cash flow statement for the Group

	Notes	2014	2013
Profit for the year before income tax expense		1 597	1 645
Depreciation and impairment in the income statement	27	1 642	1 589
Gain/loss on sale of property, PPE and investment property		–467	–163
Net changes to obligations and retirement benefit obligations	23	–540	–681
Net changes to provisions for other liabilities and charges	25	–31	29
Net unrealised fair value changes	30	–126	–398
Interest items	29	19	–86
Shares of profit/loss (–) from associated and joint ventures	9, 10	–147	–350
Changes to working capital		–609	–435
Net cash flow from operating activities		**1 338**	**1 150**
Acquisition of subsidiaries less cash acquired	34	–23	–
Sale of property and buss operations		1 671	–
Loans paid to/from single purpose/joint ventures	9	–148	–
Purchase of PPE and investment property	7, 8	–2 302	–2 991
Proceeds from sale of PPE and investment property		84	186
Dividends received	29	81	205
Net cash flow from investment activities		**–637**	**–2 600**
Proceeds from borrowings		2 289	3 168
Repayment of borrowings		–1 451	–1 428
Dividends paid to company's shareholders	19	–515	–296
Dividends paid to non-controlling interest owners		–3	–
Net cash flow from financial activities		**320**	**1 444**
NET CHANGE IN CASH AND BANK DEPOSITS FOR THE PERIOD		**1 021**	**–6**
Cash and bank deposits as at the beginning of the period	18	1 248	1 164
Foreign exchange gain/loss on cash and bank deposits		15	90
CASH AND BANK DEPOSITS AS AT THE END OF THE PERIOD	18	**2 284**	**1 248**

Development in equity

2014	Notes	Ord. shares and share premium	Restricted equity, value changes	Acc. currency translation	Retained earnings	Non-contr. interest	Total
Equity 1st of January 2014	19	5 536	1 700	–	704	1	7 941
Profit for the interim period		–	132	–	1 373	4	1 509
Changes to non-controlling interest		–	–	–	9	–8	1
Changes to fund due to value changes		–	143	–	–143	–	–
From other comprehensive income		–	1	3	–537	–	–533
Dividends paid		–392	–	–	–123	–3	–518
EQUITY 31ST OF DECEMBER 2014		**5 144**	**1 976**	**3**	**1 283**	**–6**	**8 400**

2013	Notes	Ord. shares and share premium	Restricted equity, value changes	Acc. currency translation	Retained earnings	Non-contr. interest	Total
Equity 1st of January 2013	19	5 536	1 449	–18	342	–7	7 302
Profit for the interim period		–	243	–	1 051	6	1 300
Changes to non-controlling interest		–	–	–	–3	2	–1
Changes to fund due to value changes		–	–20	–	20	–	–
From other comprehensive income		–	9	18	–376	–	–349
Change for income tax rate	21	–	19	–	–34	–	–15
Dividends paid		–	–	–	–296	–	–296
EQUITY 31ST OF DECEMBER 2013		**5 536**	**1 700**	**–**	**704**	**1**	**7 941**

Notes

All figures in the report are in MNOK.

The consolidated financial statements were approved by the Board of Directors on 12th of February 2015.

Note 1

1 General information and summary of important accounting principles

GENERAL INFORMATION
Norges Statsbaner AS (NSB AS) and its subsidiaries (NSB Group) run operations in the following areas:

Passenger transportation by train and bus
Freight transportation by train
Real estate operations
Train maintenance

Additionally, the Group has its own insurance function which is organized in a separate captive, Finse Forsikring AS.

The NSB-Group has its main office in Oslo.

All the shares for NSB AS are owned by the Norwegian Ministry of Transport and Communication.

The financial statements for 2014 were approved by the Board of Directors on 12th of February 2015.

All numbers in the report are in MNOK, unless otherwise stated.

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 most important accounting principles which are utilized in the preparation of the Group financial statements are described below. These principles are utilized consistently for all periods that are presented, unless otherwise specifically stated.

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

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

IMPORTANT ASSUMPTIONS AND ACCOUNTING ESTIMATES
Application of the Group accounting principles implies that the management must exercise judgment through use of estimates and assumptions. Estimates and assumptions are continuously evaluated and are based on historical experience combined with expectations on future events that are probable at the time of evaluation.

Areas where the use of assumptions and estimates are material for the Group accounts:

Investment property measured at fair value.
When estimating investment property at fair value one uses estimates and assumptions. The level of yield/return on equity and the lease rate of the market are the most important factors. The change of these factors can result in material changes in recognized income/expense and the balance sheet value of investment property. A sensitivity analysis showing the effects when these assumptions are changed, is presented in the note for investment property.

Financial assets and liabilities at fair value
The Group has long-term debt, financial derivatives and certain financial assets, that are accounted for using fair value. The estimates are mainly based on observed prices, which change over time. Changes in assumptions will lead to changes on the balance sheet as well as affecting the income statement.

Fixed assets
The Group continues to evaluate expected useful life and expected residual value on fixed assets. This is of importance for annual depreciation. Furthermore, the Group considers the value of its fixed assets and whether write downs are necessary. These considerations involve a great deal of judgment. See the note on fixed assets for a description of impairment tests and related sensitivity analysis.

Estimated impairment of goodwill
The Group performs tests annually to assess impairment on goodwill. Recoverable amount is determined through calculations of value of use determined by use of estimates. Refer to the note on intangible assets for a description of impairment tests and corresponding sensitivity evaluations.

Estimated provisions for contract losses
The Group conducts tests annually to evaluate provisions for contract losses, where there are negative operating profits and therefore indications of impairment. For property, plant and equipment that are used in these contracts, an impairment test is performed first, as mentioned above. Then the present value of future cash flow for each separate contract is measured. These evaluations involve a large degree of judgment. We refer to the note on Provisions for a further description.

Retirement benefit obligation
The Group has considerable liabilities related to employees' pension rights regarding defined pension benefit plans. Calculations are depending upon economic and demographic assumptions. Changes to assumptions can result in considerable effects on the calculated liabilities on future retirement benefit expenses. For more information on pensions and for a more detailed description on what assumptions are used, see the retirement benefit obligation note to the financial statements.

Included in the note is an analysis that shows how sensitive the calculations are in relation to central assumptions. Actuarial deviations related to such changes are included in other comprehensive income with a direct effect to equity, after deducting deferred tax.

CONSOLIDATION PRINCIPLES
The Group financial statements show the total financial result and the total financial position for the parent company and its subsidiaries.

Subsidiaries
Subsidiaries are companies where the Group has actual control. Control occurs when the Group as an investor has the ability to influence variable yield that the Group has a right to or is exposed to.

Subsidiaries are consolidated from the time the Group obtain control and are excluded from consolidation when control ceases to exist.

Transactions with non-controlling owners in subsidiaries are treated as equity transactions.

Associates and joint ventures
Ownership in companies where NSB has considerable, but not controlling influence, and ownership in joint ventures, is accounted for using the equity method of accounting. Considerable influence is defined as having an ownership between 20 % and 50 % of the voting rights. The Group has considerable shares in single purpose companies with joint control for development and property projects that are considered to be joint ventures.

Note 1

Acquisitions
The acquisition method of accounting applies to business combinations. Compensation is measured at fair value on the transaction date which is when risk and control is transferred and will normally coincide with the implementation date. An allocation of the acquisition price is based on fair value of assets and liabilities acquired. Additional value that cannot be allocated to identifiable assets and liabilities are allocated to goodwill. If fair value of identifiable assets and liabilities is higher than consideration given, the excess is charged to income.

The principles on how to recognize acquisition of associates and joint ventures are the same as for acquisition of subsidiaries.

SEGMENT INFORMATION
NSB reports its operating segments according to how Group management, which is the operating decision-maker, adopt, follow-up and evaluates decisions.

CURRENCY
Functional currency and presentation currency
The NSB-Group financial statements are presented in Norwegian kroner and all numbers are in MNOK, which is both the functional currency and presentation currency for the parent company.

The NSB-Group operates mainly in Norway, as well as in Sweden and Denmark. Income statements and balance sheets from Group entities with a functional currency different from the presentation currency are converted accruing currency translation differences directly to equity through other comprehensive income.

Transactions
Operating income and –expenses, purchases as well as financing expenses are mainly in the following currencies: NOK, SEK, DKK, CHF and EUR. Transactions in foreign currency are re-calculated to the functional currency at the transaction date. Foreign exchange gains and losses from the translation of foreign currencies are recognised in the income statement.

REVENUE
The Group's revenues come mainly from sale of passenger- and freight transport services as well as lease and sale of real property.

Sale of transport services
Sale of services, including public purchase of passenger traffic services, is included in the accounting period the services are delivered.

Lease and sale of real property
Revenue from lease of real property is accrued over the length of the lease agreement.

Revenue from sale of property is recognized in the period where risk and control is transferred to the buyer. As a main rule this means that the revenue is recognized on the acquisition date.

Construction and development of commercial- and residential buildings
It's the building's character and buyer's ability to influence the final project that will determine whether revenue recognition will be according to IAS 11 construction contracts or IAS 18 revenue. For property constructed where the purchaser has significantly influenced outcome, an expected gain, according to IAS 11, has been included according to the rate of completion.

Dividends
Dividends received from companies other than subsidiaries, associates and joint ventures are recognized on the date when the decision was made by the distributing company.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment (PPE) and operating related property is shown at cost less subsequent depreciation. Cost includes expenditure which is directly attributable to the acquisition of the items such that it's ready for use.

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

Borrowing costs accrued during construction of PPE, are capitalized until the asset is ready for intended use.

Depreciation on other assets are 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	2 – 30 years

Land and residential buildings are not depreciated.

The fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are included in the income statement and are determined by the difference between the sales price and the balance sheet value.

Fixed assets 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.

PROPERTY
General
The Group's property portfolio consists of operating related property (IAS 16), investment property (IAS 40) and development property (IAS 2).

There is a close and compound relation between operating property (IAS 16) and investment property (IAS 40) with several combined properties. For combined buildings that may be sectioned for sale, each separate section and part of the property is evaluated separately.

Areas that change character from operating property or development property to investment property or the other way around must be reclassified. Reclassification will occur at the moment when there is a changed purpose and use of the actual property on a permanent basis.

Operating related property
Property used within the Group's operations are considered as operating related property in accordance with IAS 16 and are treated in compliance with PPE as described above.

Investment property
Investment property consists of property (land, building or both) that are owned for the purpose to achieve a long-term yield from rental income, increase in fair value or both. Property that the Group leases out to the external market on commercial terms and long-term basis, are classified as investment property and are considered in accordance with IAS 40.

Note 1

First time measurement at cost and inclusion of costs on the balance sheet complies with the principles for PPE and operating related property as described above. Further measurement of investment property is at fair value. Fair value corresponds with estimated market value used in a possible sales transaction between two independent parties. The values are estimated using external appraisers at each balance sheet date. The fair value determination is based on each separate property expected discounted future cash flow with individual risk adjusted yield.

Value changes due to changes in market value of investment property are continuously charged to the income statement and are presented on a separate line in the operating profit. Value changes due to reclassifications from developmental property are charged to the income statement. Value changes due to reclassification from operating related property are charged to other comprehensive income.

Developmental property

Property where the intention is to develop and then sell is categorized as development property (IAS 2), even if the properties are temporarily leased on short-term agreements.

Developmental property for sale is valued at the lower of acquisition cost and net realizable value in accordance with IAS 2.

Acquisition cost consists of purchase price for properties, as well as project related expenses to develop each property. Project related expenses mainly include expenses up until it is regulated and made ready for sale including salaries, external consultants, etc. Incurred borrowing costs that are directly related to the development of the property are capitalized in accordance with IAS 23. Net realizable value is estimated selling price less costs related to the completion.

The portfolio of developmental property available for sale is separated and is followed up as separate projects. The separation is based on the separate property's geographical location.

IMPAIRMENT

Intangible assets as well as property, plant and equipment that depreciate are considered for impairment when there are indications that future earnings cannot justify balance sheet value.

Goodwill and intangible assets with indefinite useful life are not subject to depreciation, but are tested annually for impairment.

Impairment is recognized if the carrying amount is lower than the recoverable amount. The recoverable amount is the higher of fair value less selling costs 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). At each reporting date, one considers the possibilities for a reversal of prior impairments (except goodwill).

POSSIBLE CONTRACT LOSSES

The Group's activity results in entering into long-term public contracts for delivery of public transportation. For several of the contracts, the Group assumes part of the risk for the development in several cost areas (for example salaries, interest and fuel) without any income adjustment. This could result in contract losses if future remaining costs are higher than estimated revenues.

Before a provision is performed for contracts that may result in losses according to IAS 37, an evaluation is completed in accordance with IAS 36 (see section for impairment above). Then the Group measures continuously the present value of future expected cash flow from operational activities in each separate contract, where estimated payments consists of all future unavoidable operating costs including wear on assets. The provision is limited to the lower of continuing the contract or to go out of the contract. The provision is reversed over the remaining life of the contract.

DERIVATIVES AND FINANCIAL INSTRUMENTS

The Group uses swaps to secure interest rates and currency on long-term debt to ensure predictability, and to hedge energy prices to obtain the lowest possible price and predictability in prices.

The Group does not use hedge accounting. Derivative financial instruments 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.

FINANCIAL ASSETS HELD FOR TRADING PURPOSES

A financial asset is classified as held for trading purposes if its primary reason for acquiring is to result in gains due to short-term changes in fair value.

Fair value of listed investments is based on its last registered value. If the market for the security is not active or if it concerns a security that is not listed, the Group uses evaluation methods to determine fair value.

INVENTORY

Inventory is valued at the lower of acquisition cost and net realizable value. Acquisition cost is calculated using the average price 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). Incurred borrowing costs that are directly related to the acquisition or manufacture of the goods, are included in the cost price of the goods.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

RECEIVABLES

Receivables include trade receivables and are initially measured at original value which is also considered to be fair value.

For subsequent measurement receivables are considered at amortised cost using the effective interest method, less provisions for probable losses. 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.

CASH AND BANK DEPOSITS

Cash and bank deposits including restricted tax withholdings and restricted bank deposits in Finse Forsikring are specified in note 18. If bank overdrafts are utilized, it will be included in borrowings under current liabilities.

SHARE CAPITAL

Ordinary shares are classified as equity.

BORROWINGS/LOANS

The initial recognition for loans is fair value adjusted for directly related transaction costs.

In the following accounting periods, the loans are, as a rule, measured at amortized cost using the effective interest method such that the effective interest is equal throughout the life of the loan.

Note 1

The Group has several bonds that have associated interest- and currency swaps. Where measurement and reporting at fair value show more relevant information because inconsistent measurement of loans and associated interest swap is eliminated, or to a certain degree reduced, this principle is used in the financial statements. Choice of principle is made at the time of each separate loan was raised and is binding throughout the term of the loan.

TAX

Income tax expense for a period consists of tax payable and deferred tax.

Deferred income tax is calculated on all temporary differences between tax- and book values as well as tax effect of net losses carry forwards. Deferred income tax is determined using tax rates and tax laws that apply on the balance sheet date. Deferred tax asset that are expected to be utilized are included on the balance sheet.

Deferred income tax asset and liability are offset when there is a legally enforceable right to offset, and it is related to income taxes levied by the same taxation authority for (i) the same taxable entity or (ii) for separate taxable entities where the intention is to settle taxable positions on a net basis.

RETIREMENT BENEFIT OBLIGATIONS

The companies in the Group operate various pension schemes; both defined benefit plans and defined contribution plans.

Defined benefit pension plans are schemes where the employer commits to periodical pension benefits to the employee when he/she retires. The pension payment will mainly depend on number of years in the plan, compensation level at retirement age and the size of the benefits from the national insurance scheme.

The liability recognized on the balance sheet is the present value of the defined benefit pension plan at the balance sheet date, less the fair value of plan assets at the balance sheet date. The defined pension liability is calculated annually by an independent actuary using the projected unit credit method. The cost of pension contributions and net interest rate on the defined benefit pension plan obligation is included in net income. Changes to the pension plan benefits (plan changes) are expensed or recognized as income continuously in the income statement. Actuarial deviations that are caused by new information and changes to the actuarial assumptions are included instantly, through other comprehensive income.

Defined contribution plans are pension plans under which the employer pays contributions towards the employees' future pension without further obligations after the contribution is paid. The payments are included in the income statement as payroll and related expense.

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 of termination of contracts and employee termination payments. Provisions are not recognized 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.

Provisions are measured at the present value of the expected expenditure required to settle the present obligation. 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.

OTHER SHORT-TERM DEBT

Other short-term debts include trade payable and are initially measured at original value which is also considered to be fair value. At later measurement dates, trade receivables will be considered at amortized cost by using the effective interest method.

LEASES

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

Leases where the Group mainly has all the risk and return are classified as financial lease. When entering an agreement, the financial lease is included on the balance sheet at the lower of the assets fair value and current value of future lease value. The lease payments are divided between liabilities and financial items. Property, plant and equipment are depreciated using the linear method.

DIVIDEND DISTRIBUTION

The dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements when the dividend is approved by the General Assembly.

FAIR VALUE ESTIMATION

The Group measures several financial assets and obligations as well as investment property at fair value. For classification of fair value, the Group uses a system that reflects the significance of the input that is utilized in the preparation with the following divisions:

Level 1
Fair value is measured using quoted prices from active markets for identical assets and obligations.

Level 2
Fair value is decided by using input based on other observable factors; either direct (price) or indirect (derived from prices) rather than noted prices (used in level 1) for the asset or obligation.

Level 3
Fair value is measured using inputs that are not based on observable market data.

Financial assets and obligations were classified in level 1, 2 or 3.
The company's investment property is classified in level 3.

Changes in accounting principles, new standards and interpretations

The Group implemented the following new accounting standards in 2014

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

The standard is based on the principle to use the term control as the decisive criteria to decide how an ownership share in a company is to be treated in the Group financial statements. The standard puts more emphasis on actual control than prior standards. The Group's subsidiaries are mainly owned 100 %, either directly or indirectly through the parent company NSB AS. The Groups investments in subsidiaries and associated companies are evaluated in relation to IFRS 10. The implementation of this standard has not resulted in any changes.

Note 1

IFRS 11 JOINT ARRANGEMENTS
This standard regulates accounting for operations where the Group has joint control along with other investors. Investments in joint arrangements are classified as either joint operating arrangements or joint operations. The parties' rights and obligations will be essential. In joint operations, the parties have rights over the assets and are responsible for the obligation for the share of assets, liabilities, revenue and expenses are recognized. The shares in joint operations, where the parties have rights related to net assets in the company are to use the equity method of accounting.

The Group has considerable shares in «single purpose» companies with joint control in developing property projects that are considered joint operations. The Group has no joint operating arrangements.

The Group has adapted to the changes in IFRS 11 for shares in joint operations with a transition from the gross consolidation method to equity method from and including 2013. In the business segment note, the equivalent changes were conducted in 2014, which is in accordance with the management's follow-up of internal control information. This change has only lead to an effect for the Group's property segment.

The implementation of this standard in 2014 has not resulted in any further changes.

IFRS 12 DISCLOSURES OF INTEREST IN OTHER ENTITIES
This standard indicates disclosure requirements in the annual report for financial interests in subsidiaries, joint arrangements, associates, special purpose entities and other off balance sheet entities.

With the exception of implementation of these new standards, the accounting principles implemented in 2014 are consistent with the accounting principles used for the annual report in 2013.

New standards and interpretations not yet taken effect and not yet implemented

Except the changes in principles described above, the Group has elected not to early adopt any standards or interpretations that have an adoption date after the balance sheet date. Below is an overview of the most central Standards that have been adopted by the IASB, but not the EU.

IFRS 9 Financial instruments
replace parts of IAS 39 which deals with accounting, classification and measurement of financial assets and liabilities, hedge accounting, measurement at amortized cost and impairment of financial assets. The last phases were completed by the IASB in the fall of 2014. The standard takes mandatory effect on 1st of January 2018.

IFRS 15 Revenue recognition
In the spring of 2014, the IASB adopted a new standard for revenue recognition. The standard establishes a framework for recognition and measurement of revenue based on a fundamental principle that recognition of revenue reflects the transfer of ownership of goods and services to the customer. The standard takes mandatory effect on 1st of January 2017.

Neither IFRS 9 nor IFRS 15 are approved by EU.

Preliminary assessments indicate that the standards will not result in considerable effects for the Group.

IASB has also adopted several small changes and clarifications in several different standards where the changes have not yet been implemented. It is not expected that any of these changes will have considerable effect for the Group.

Restating comparative numbers

Treatment of the effects of the age adjustment for the Group's public defined benefit pension plan

As part of the pension reform in Norway a life expectancy adjustment was adopted/implemented in 2010/2011. A life expectancy adjustment means that vesting is extended for the employees and they must work longer to achieve full pension rights. The consequence is that the employees, together with their employer, will bear part of the risk with an increase in life expectancy. The immediate effect of the extended vesting period is that the companies' fair value of the calculated obligations will be reduced. The life expectancy adjustment for the cohorts born after 1954 are in accordance with a statement made by Norsk regnskapsstiftelse (NRS) in 2010, and has not been recognized in the accounts. The reason for this is because the coordination rules for the younger cohorts in the National Insurance scheme are not yet completed and the life expectancy adjustment and the changes in the coordination rules are collective plan changes that are to be accounted for when the coordination rules are adopted. In 2013, a new mortality table, K2013, was introduced. It was assessed and determined as the best starting point to estimate the increase in life expectancy, and NSB included the calculations of the retirement benefit obligations in 2013, using the new tariff. This resulted in increased retirement benefit obligation that was accounted for as a deviation estimate and included in other comprehensive income (OCI) in 2013.

The effect of an increase in life expectancy was accounted for in 2013, but without the corresponding effect of the vesting period being extended and that some of the risk was transferred and actually carried by the employees was taken into consideration.

According to the new guidance issued from NRS in the fall of 2014, and that replaces the statement from 2010, it is now considered to be the basis to be able to calculate and account for the effect of the life expectancy adjustment for the younger cohorts as a separate plan change, even though the coordination rules are not yet in place.

Based on new knowledge related to the total effects from the pension reform, the Group has concluded that the life expectancy adjustment are to be handled separately from the coordination rules, but that the inclusion of the effects are to occur simultaneously with the effect of K2013, which is at 31st of December 2013. This will be a more symmetrical treatment of the transition to K2013, when both increased obligation for employees and life expectancy adjustment that counteracts this effect, will be accounted for in the opening balance for 2014.

With this as a starting point, the Group has restated comparative numbers for 2013 in accordance with IAS 8. The effect for the comparative numbers when including the life expectancy adjustment as a plan change as at 31st of December 2013, is shown in the table below:

Note 1 | 2

(MNOK)	2013
PROFIT	
Operating costs	-364
Operating profit	364
Income tax expence	-98
Profit after income tax	**266**
BALANCE SHEET	
Other, retaining earnings	266
Non-controlling interest	
Total equity	**266**
Provisions for other liabilities and charges	-364
Deferred income tax liabilities	98
Total Long-term liabilities	**-266**
TOTAL EQUITY AND LIABILITIES	**0**

For further specification, see restated comparative numbers which are presented in the income statement, balance sheet, cash flow, statement of owner's equity and relevant notes.

2 Shares in subsidiaries

Subsidiaries	Established-/ acquisition-date	Registered office	Votes and profit share	Equity	Profit/ loss
Nettbuss AS	1st of December 1996	Oslo	100 %	320	-31
Rom Eiendom AS	18st of December 1998	Oslo	100 %	6 986	1 154
Arrive AS	1st of July 2001	Oslo	100 %	52	5
NSB Trafikkservice AS	1st of October 2001	Oslo	55 %	-21	6
Finse Forsikring AS	1st of December 2001	Oslo	100 %	268	59
CargoNet AS	1st of January 2002	Oslo	100 %	126	-38
Mantena AS	1st of January 2002	Oslo	100 %	62	1
NSB Gjøvikbanen AS	1st of April 2005	Oslo	100 %	22	8
Svenska Tågkompaniet AB	1st of January 2007	Gävle	100 %	40	4
Tømmervogner AS[1]	31st of December 2008	Oslo	45 %	3	-
Banestasjoner AS	2nd of January 2002	Oslo	100 %	-	-
TOTAL				**7 858**	**1 168**

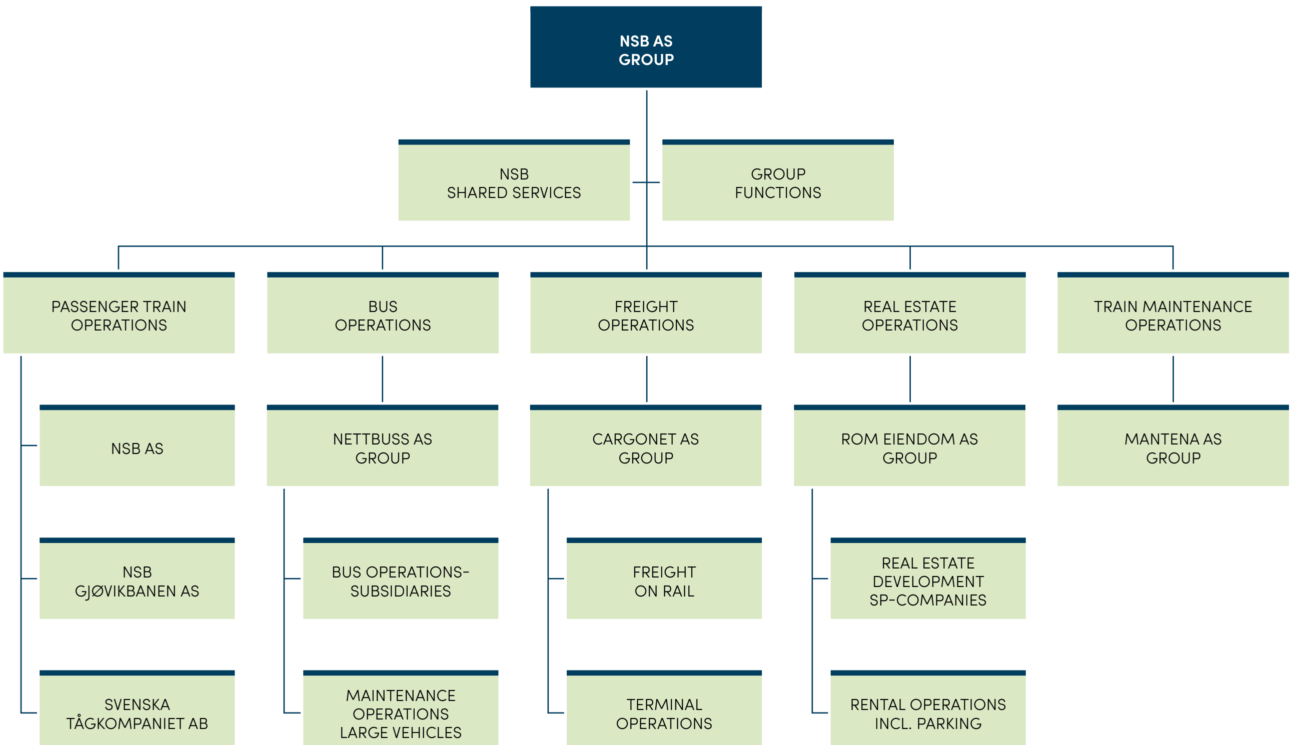
[1] Remaining shares are owned by CargoNet AS.
100 % of the equity in the accounts is included as at 31.12.2014.

Note 3

3 Group- and company structure

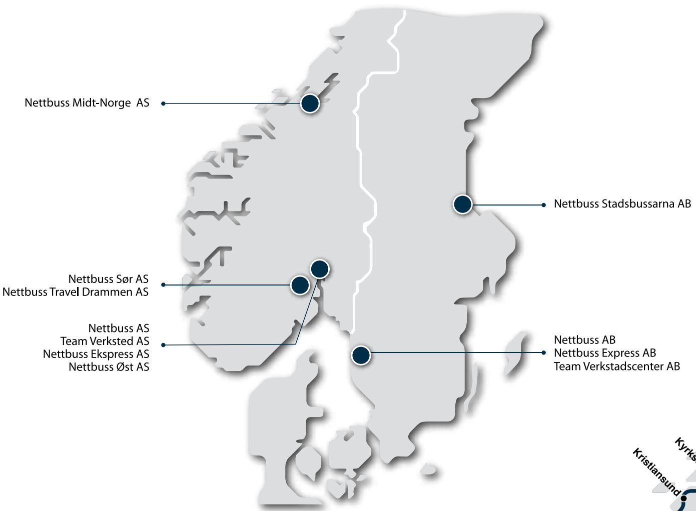
NSB operates in Norway, Sweden and Denmark. Operations are run in accordance to the Business Segments which differs slightly from the legal structure:

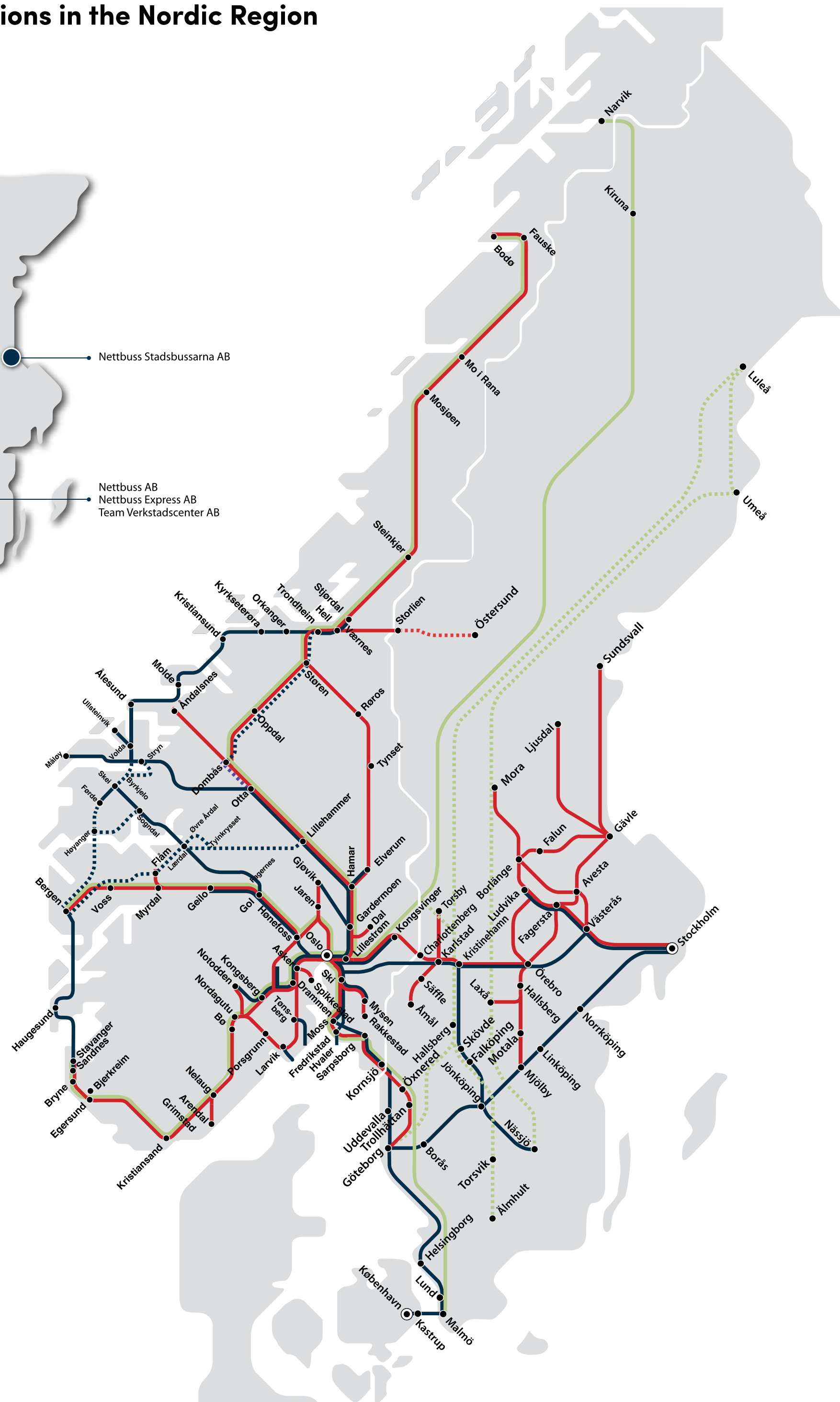
- Included in Passenger train are the operations of NSB AS, NSB Gjøvikbanen AS and Svenska Tågkompaniet AB.
- The bus segment consists of operations in the Nettbuss-Group.
- The freight traffic segment consists of operations in the CargoNet-Group.
- The real estate operations are operated by the Rom Eiendom-Group.
- Train maintenance is handled by the Mantena-Group.



Note 4

4 NSB-Group's passenger operations in the Nordic Region





- Passenger train
- Nettbuss / Nettbuss express
- NOR-WAY Bus express / operated by Nettbuss
- CargoNet
- Haulage service

Note 5

5 Segment information

Segment information
At 31st of December 2014, 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) Train maintenance: workshop and maintenance of freight- and passenger trains
(5) Real estate: rental and development of property

Segment assets in the tables below consist mainly of property, plant and equipment, intangible assets, inventories, derivatives that are mainly used for hedging towards future transactions, trade assets and other assets and cash, while deferred tax asset, investments and derivatives held for sale or used for hedging for borrowings are not included.

2014 (MNOK)	Passenger train	Bus	Freight	Train mainten.	Real estate	Group
External operating revenue	6 934	5 883	1 015	278	1 207	15 336
Internal operating revenue	153	24	17	1 089	254	-
Operating revenue	**7 087**	**5 907**	**1 032**	**1 367**	**1 461**	**15 336**
Operating expenses	5 673	5 148	1 077	1 298	380	12 039
Depreciation, impairment	793	659	46	30	96	1 624
Total operating cost	**6 466**	**5 807**	**1 123**	**1 328**	**476**	**13 663**
Share of profit/loss in joint ventures	21	–	–	1	80	102
Share of profit/loss in associates	17	20	1	7	–	45
Unrealized value changes, investment property	–	–	–	–	181	181
PROFIT FOR THE YEAR	**659**	**120**	**-90**	**47**	**1 246**	**2 001**
Segment assets	**12 659**	**4 060**	**588**	**360**	**8 025**	**25 599**
Investments	**1 273**	**430**	**3**	**18**	**636**	**2 302**

2013 (MNOK)	Passenger train	Bus	Freight	Train mainten.	Real estate	Group
External operating revenue	6 461	5 913	1 024	299	448	14 145
Internal operating revenue	116	133	46	1 285	295	-
Operating revenue	**6 577**	**6 046**	**1 070**	**1 584**	**743**	**14 145**
Operating expenses	5 100	5 204	1 059	1 455	357	11 420
Depreciation, impairment	666	751	56	29	87	1 589
Total operating cost	**5 766**	**5 955**	**1 115**	**1 484**	**444**	**13 009**
Share of profit/loss in joint ventures	19	–	–	–	298	317
Share of profit/loss in associates	12	4	1	12	4	33
Unrealized value changes, investment property	–	–	–	–	335	335
PROFIT FOR THE YEAR	**842**	**95**	**-44**	**112**	**936**	**1 821**
Segment assets	**10 576**	**4 499**	**775**	**479**	**8 492**	**24 718**
Investments	**1 573**	**886**	**23**	**19**	**490**	**2 991**

Note 5 | 6

Analysis of operating income by category	2014	2013
Transport revenue	13 442	12 975
Sales revenue	603	91
Other revenue	1 291	1 079
TOTAL	**15 336**	**14 145**

Most of the Group operations are in Norway. The Group also has some operations in Sweden and Denmark.

Information on important customers
The Group has one customer that constitutes more than 10 % of operating income. The Government's public purchase from the NSB-Group is included in note 32.

6 Intangible assets

	Goodwill		Other		Total	
	2014	2013	2014	2013	2014	2013
At 1st of January						
Accumulated acquisition cost	222	222	117	117	339	339
Accumulated amortization and impairments	-158	-139	-110	-108	-268	-247
TOTAL	**64**	**83**	**7**	**9**	**71**	**92**
Year ended 31st of December 2013						
Opening net book value	64	83	7	9	71	92
Acquisition of subsidiary	2	-	-	-	2	-
Disposals at acquisition cost	-168	-24	-99	-	-267	-24
Accumulated depreciation disposals	168	24	99	-	267	24
Impairments	-9	-19	-	-	-9	-19
Amortization and depreciation	-	-	-1	-2	-1	-2
TOTAL	**57**	**64**	**6**	**7**	**63**	**71**
At 31st of December						
Accumulated acquisition cost	56	198	18	117	74	315
Accumulated amortization and impairments	1	-134	-12	-110	-11	-244
TOTAL	**57**	**64**	**6**	**7**	**63**	**71**

Goodwill is exclusively in the Nettbuss Group.

Impairment test of Goodwill
Impairment of goodwill is annually evaluated by comparing the carrying amount to its recoverable amount.

The Group has been through an evaluation and selection process of the natural cash-generating units (CGU) connected to each acquisition. During the course of 2014, one has performed a re-evaluation regarding allocation of goodwill. This re-evaluation is derived from the changes within the bus industry over the last few years due to the transition to tenders and the re-organization of Nettbuss. When an agreement has been reached, the length of the contract will be used to determine useful life.

The Nettbuss Group has been through an evaluation and selection of the natural cash-generating units connected to each acquisition. As at 31.12.14 there is still remaining goodwill on the following CGU's:

Team Verksted
Nettbuss Midt-Norge

Note 6 | 7

The calculated recoverable amount of a CGU unit is based on what value the asset will add to operations. Liquidity prognosis' based on approved budgets are approved by leadership for the next 5 year period. The cash flows from the tender period are limited to the end of the agreement-/tender period. For the commercial agreements, the cash flows after the first five years utilize the estimated growth rates presented below.

Assumptions used when calculating recoverable amounts

Growth rate[1]	2,50 %
Discount rate[2]	8,00 %

[1] Weighted average growth used to derive cash flows past the budgeting period.

[2] Interest rate before tax used to discount the cash flows.

These assumptions have been used for the analysis of each cash-generating unit within the business segment. Management determines 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 recoverable amounts from the CGU based on usage value are higher than the balance sheet values. Assuming other assumptions remain constant, the sensitivity calculations regarding an increase in the interest level of 1 % will reduce the goodwill amount on the balance sheet by MNOK 2,5.

7 Property, plant and equipment

At 1st of January 2014	**Machinery and equipment**	**Trans-portation**	**Land and buildings**	**Partially delivered trains**	**Under construc-tion**	**Total**
Accumulated acquisition cost	2 650	22 569	3 110	386	395	29 110
Accumulated depreciation	-1 922	-11 273	-858	-	-	-14 053
TOTAL	**728**	**11 296**	**2 252**	**386**	**395**	**15 057**
Year ended 31st of December 2014						
Opening net book value	728	11 296	2 252	386	395	15 057
Exchange differences	-	5	-	-	-	5
Acquisition of subsidiary	-12	-332	-393	-	-	-737
Accumulated depr. Acq. of subsidiary	6	126	14	-	-	146
Additions	20	402	5	432	926	1 785
Disposals at acquisition cost	-165	-637	-63	-	-	-865
Accumulated depreciation disposals	32	596	55	-	-	683
Transfers within PPE	84	1 167	109	-464	-896	-
Transfers to investment property	-	-	-14	-	-6	-20
Transfers to/from development property	-	-	28	-	- 54	-26
Depreciations	-264	-1 218	-104	-	-	-1 586
Impairments	-9	-13	- 5	-	-	-27
TOTAL	**420**	**11 392**	**1 884**	**354**	**365**	**14 415**
At 31st of December 2014						
Accumulated acquisition cost	2 577	23 184	2 782	354	365	29 262
Accumulated depreciation	-2 157	-11 792	-898	-	-	-14 847
TOTAL	**420**	**11 392**	**1 884**	**354**	**365**	**14 415**

Note 7

At 1st of January 2013	Machinery and equipment	Trans-portation	Land and buildings	Partially delivered trains	Under construc-tion	Total
Accumulated acquisition cost	2 606	20 576	2 735	362	866	27 145
Accumulated depreciation	–1 936	–10 544	–843	–	–	–13 323
TOTAL	**670**	**10 032**	**1 892**	**362**	**866**	**13 822**
Year ended 31st of December 2013						
Opening net book value	670	10 032	1 892	362	866	13 822
Exchange differences	2	115	1	–	–	118
Acquisition of subsidiary	–7	–57	–51	–	–	–115
Accumulated depr. Acq. of subsidiary	7	57	52	–	–	116
Additions	23	851	26	735	1 356	2 991
Disposals at acquisition cost	–218	–551	–56	–	–94	–919
Accumulated depreciation disposals	203	482	37	–	–	722
Transfers within PPE	244	1 635	473	–711	–1 641	–
Transfers to investment property	–	–	–18	–	–92	–110
Depreciations	–196	–1 172	–103	–	–	–1 471
Impairments	–	–96	–1	–	–	–97
TOTAL	**728**	**11 296**	**2 252**	**386**	**395**	**15 057**
At 31st of December 2013						
Accumulated acquisition cost	2 650	22 569	3 110	386	395	29 110
Accumulated depreciation	–1 922	–11 273	–858	–	–	–14 053
TOTAL	**728**	**11 296**	**2 252**	**386**	**395**	**15 057**
Depreciation period	5 – 30 years	5 – 30 years	3 – everlast.			

Financial lease
Property, plant and equipment acquired through a lease agreement include the following:

	2014	2013
Accumulated acquisition cost through financial leasing	–	120
Accumulated depreciation	–	–62
AT 31ST OF DECEMBER	**–**	**58**
Long term lease obligation	–	12

Long term leasing means a perspective life of more than one year. There are no financial leases in 2014.
For 2013, the financial lease is located in the bus operations in Denmark, which were sold in 2014.

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

Note 8

8 Investment property

Summary of investment property valued at fair value

Date	31. Dec. 14	31. Aug. 14	30. Apr. 14	31. Dec. 13	31. Aug. 13	30. Apr.13	31. Dec. 12
Value (MNOK)	4 206	3 895	4 468	4 238	3 480	3 368	3 318

Overview of value changes to investment property	2014	2013
Balance sheet value 1st of January	4 238	3 318
Reclassification from property, plant and equipment	49	481
Disposals	-783	-3
Additions /investments	520	95
Value changes due to change in market value	181	335
Value changes when reclassifying	1	12
BALANCE SHEET VALUE AT THE END OF THE PERIOD	**4 206**	**4 238**

Fair value
Investment properties in the property portfolio are measured at fair value on the balance sheet date. Fair value is the amount each property may be sold for in an arm's length transaction between well informed, independent parties.

Valuation methodology
Value of the portfolio is primarily determined by using a valuation model for estimating fair value. As an addition an external market valuation is conducted for a representative sample of the portfolio. A reliability interval for an acceptable deviation between the two valuation methods is predetermined. Any deviation beyond the reliability interval set for each property is analysed for identification of the cause and assessing whether there are factors that may cause significant deviation in the estimated fair value of the total portfolio.

Primary valuation to estimate fair value of the total portfolio
Valuation according to the primary valuation models at year end is undertaken with the assistance of external appraisers. For smaller properties with annual rentals below 150 TNOK an internal valuation has been performed based on a simplified yield calculation.

Estimating the fair value for primary valuations models is calculated on the basis of future operating cash flows decreased by ownership costs discounted to present value within a defined time period.

The valuation is made on the basis of a summary of all leases in conjunction with floor-space lists and lists of vacancies on each property. Contractual rent forms the basis for on-going contracts, whereas after the expiration of the lease contract is estimated at the market price, as the basis for the remainder of the buildings expected life. For space not rented at the reporting date a market rate is estimated from the time it is expected that the space is rented out. Market rent for each property is considered based on the property's location and level of standard.

Required return on equity reflects the market risk in the valuation model. Real return requirement is calculated based on the 10-year government bonds rate, the banks' spreads, premiums on bank margins and property-specific risk. This represents prime location in Oslo. In addition, consideration is given to property specific risk such as geographical location in relation to a metropolitan area (city/district), local area (centre/hub), type of property (office/warehouse/shop), the standard of the building, tenancy and risk of vacant properties.

Market assessment – secondary valuation of selected properties
As a supplement to the primary valuation there is an external market valuation performed for a selection of 10 properties that collectively represent 47 % of the portfolio value at year-end. Selection is made on a rolling basis throughout the year and amounts collected constitute to about 65 %.

Value development and sensitivity
For the year there are net positive changes identified in the market value for the Group's investment property of 181 MNOK, which is included in net profits as of 31st of December.

Estimated fair value is especially sensitive for changes to the return on equity demand/yield and assumptions in the development for leases.

The following sensitivity analysis has been performed:

Note 8 | 9

Changes in assumptions	Changes in fair value	Percentage change
Reduction of 25 basis points on 1. yrs direct yield	211	–4 %
Increase of 25 basis points on 1. yrs direct yield	–193	4 %
Increase of future rental agreements under contract by 5%	238	6 %

Overview of rental income and expenses	**2014**	**2013**
Rental income from investment property	255	210
Direct operating costs from investment properties that generated rental income during the year	–74	–78
Direct operating costs from investment property that did not generate rental income during the year	–4	–4
TOTAL	**177**	**128**

9 Investments in associates

	2014	**2013**
Book value 1st of January	99	91
Acquisition of associates	79	2
Disposals/ -sale of associates	–25	-
Share of profit/loss	45	33
Currency translation difference	1	–2
Other equity movements	–13	–25
NET BOOK VALUE 31ST OF DECEMBER	**186**	**99**

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

Investments in associates at 31.12.14 include goodwill of 39 MNOK (1 MNOK).

Profit/loss, assets and liabilities of its associates, all of which are unlisted, are as follows:

Note 9

2014	Registered office	Assets	Liabilities	Revenues	Profit/ loss	% Int. held
Oslo S Parkering AS	Oslo	113	72	37	21	25 %
Ålmhults Terminal AB	Ålmhult	–	–	–	–	33 %
Nordlandsbuss AS	Bodø	201	167	284	–	34 %
Interoperabilitetstjenester AS	Oslo	23	20	18	–	33 %
Roslagståg AB	Gävle	16	–	–	3	40 %
Strømstad-Tanum Buss AB	Tanumshede	37	35	51	–	40 %
Peer Gynt Tours AS	Oslo	10	6	81	–	34 %
Tunnelbanan Technik Stockholm AB	Stockholm	206	99	577	7	50 %
Minibuss 247 AS	Våler	22	16	58	2	49 %
Real Rail AB	Stockholm	–	–	143	2	40 %
Larsens Last og Buss AS	Sande	7	5	25	2	49 %
Sjøholt Last og Buss AS	Ørskog	5	3	15	1	49 %
Fjord Tours AS	Bergen	39	16	43	12	43 %
TOTAL		**679**	**439**	**1 332**	**50**	

2013	Registered office	Assets	Liabilities	Revenues	Profit/ loss	% Int. held
Oslo S Parkering AS	Oslo	114	76	42	6	25 %
Ålmhults Terminal AB	Ålmhult	14	2	2	–	33 %
Nordlandsbuss AS	Bodø	224	190	272	1	34 %
Nor-Way Bussekspress AS	Oslo	80	49	176	1	25 %
Interoperabilitetstjenester AS	Oslo	23	20	11	1	33 %
Roslagståg AB	Gävle	–	–	24	5	40 %
Strømstad-Tanum Buss AB	Tanumshede	48	44	46	-1	40 %
Kjellgrens Busstrafikk AB	Tranemo	54	46	38	–	40 %
Peer Gynt Tours AS	Oslo	12	4	81	1	34 %
Tunnelbanan Technik Stockholm AB	Stockholm	180	87	547	13	50 %
Minibuss 247 AS	Våler	23	7	56	1	49 %
Real Rail AB	Stockholm	–	–	–	2	40 %
Larsens Last og Buss AS	Sande	8	6	25	–	49 %
Sjøholt Last og Buss AS	Ørskog	5	4	14	–	49 %
Fjord Tours AS	Bergen	21	8	33	3	43 %
TOTAL		**806**	**543**	**1 367**	**33**	

Note 10

10 Investment in Joint ventures

	2014	2013
Book value 1st of January	650	491
Acquisition of joint venture	–	27
Disposals/ -sale of joint venture	-25	-8
Share of profit/loss	102	321
Other equity movements	-46	-181
NET BOOK VALUE 31ST OF DECEMBER	**681**	**650**

The NSB Group's interest in joint ventures is as follows:

Joint ventures:	Year of acquisition	Registered office	Votes and profit share	Equity	Profit/ loss	Book value 31st of December
Oslo S Utvikling AS	2000	Oslo	33 %	1 582	34	2 879
Alfheim Utvikling AS	2000	Oslo	50 %	–	–	–
Alf Bjerckes vei 30 AS	2000	Oslo	50 %	29	–	175
Grefsen Utvikling AS	2000	Bærum	50 %	136	68	447
Alfheim Bolig AS	2006	Oslo	50 %	1	–	1
Bellevue Utvikling AS	2006	Fredrikstad	50 %	39	27	73
Strandsonen Utvikling AS	2007	Hamar	50 %	2	–	7
Jessheim Byutvikling AS	2007	Ullensaker	50 %	71	5	296
Lilleelva Parkering AS	2011	Oslo	50 %	14	–	38
Jernbanebrygga AS	2011	Skien	50 %	13	–	24
Lagårdsveien Utvikling AS	2012	Oslo	50 %	3	–	7
Trondheim Stasjonssenter AS	2013	Trondheim	40 %	10	–	10
Gjøvik Utvikling AS	2013	Gjøvik	50 %	20	–	18
Hokksund Vest Utvikling AS	2013	Oslo	50 %	4	–	5
Flåm Utvikling AS	2013	Aurland	50 %	50	40	69
TOTAL				**1 974**	**174**	**4 049**

Note 10

The amounts below show the Group's share of assets and liabilities as well as revenue and expenses in joint ventures.

	2014	2013
Assets		
Non-current assets	192	188
Current assets	1 315	1 055
TOTAL	**1 507**	**1 243**
Liabilities		
Long term liabilities	351	443
Short term liabilities	475	133
TOTAL	**826**	**576**
NET ASSETS	**681**	**667**
Income/expenses		
Operating revenue	389	1 109
Operating expenses	-287	-792
PROFITS	**102**	**317**

Description of operations:

Real estate operations
The real estate joint ventures for the Group consist of development and sale of property projects in cooperation with other external operators organized in single purpose companies. Below is a presentation of the most significant projects.

Oslo S Utvikling AS (OSU) is a development company, whose purpose is to develop properties in Bjørvika in Oslo. Below are descriptions of on-going projects.

Commercial property
OSU develops and constructs all areas under the ground in the Barcode-area (gross volume is about 70.000 square meters, of which the Basement consist of just under 50 per cent), and the basis for business will be lease of storage space, parking spots and techical facilities/room for the buildings above. At the end of 2014 the area from the west (under the PwC building), and including the DNB-buildings are completed and mostly leased. The remaining areas will be completed in 2015. In 2014 the efforts on leasing the business premises on the city floor level in the Barcode have intensified. The result has been more leasing agreements and opening of more businesses.

Housing
In 2014 the first building in the last stage in the Barcode was completed. The remaining part of the last stage will be completed in 2015.

Infrastructure projects
OSU and other land owners operates the construction of some parts of the infrastructure in Bjørvika. The costs are covered by the developers, along with a contribution from the County of Oslo. All infrastructure will at the completion of the Bjørvika-development be transferred to the County of Oslo without any compensation.

Residential area at Grefsen
Through the development company Grefsen Utvikling AS a large residential area is being developed at Grefsen in Oslo. The project consists of approximately 1 000 residences. The construction of the first two buildings started in 2011 and the handover of the first completed residence was completed in 2013. At the end of 2014, five houses are completed, and the residences have been handed over to the purchasers. Another four houses have been put up for sale.

Residential- and commercial area at Jessheim
Through the development company Jessheim Byutvikling a combined residential- and commercial area is to be developed in the County of Jessheim. A total of 850 residences are to be constructed. The first stage contained 120 residences. All apartments in the first stage were completed in 2013 and taken over by the purchasers.

Residential area in Fredrikstad
Through the development company Bellevue Utvikling AS residences are being built in the proximity of the Fredrikstad station. The project is to be conducted in cooperation with OBOS New Homes. The projectet was completed during 2014. A total of, 58 out of 65 apartments have been sold.

Passenger train operations
Flåm Utvikling
Flåm Utvikling has for 16 years, along with NSB AS as a provider of train transport services, operated the tourism product; the Flåm line. Flåm Utvikling is to conduct product development, sale, marketing, customer management, and brand development of the Flåm line, as well as develop the foundation for commercial operations of the Flåm line all year-round. The Flåm line is the country's first complete all year-round mountain/fjord destination.

Note 11 | 12 | 13

11 Inventory and developmental property

	2014	2013
Components	570	484
Not completed parts	22	42
Completed parts	2	9
TOTAL INVENTORY	**594**	**535**
Inventory developmental property for sale	843	694
TOTAL INVENTORY DEVELOPMENTAL PROPERTY AND COMPONENTS	**1 437**	**1 229**

12 Assets held for sale

Assets held for sale consists of properties with a book value of MNOK 42.

Properties held for sale are properties where the sales process has been initiated and the actual sale is expected to be completed in 2015.

13 Trade and other receivable

	2014	2013
Trade receivables	955	968
Less: provision for impairment of receivables	-23	-24
Trade receivables - net	932	944
Prepayments	456	405
Other receivables	412	276
TOTAL TRADE AND OTHER RECEIVABLES	**1 800**	**1 625**

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:	2014	2013
Matured receivables on balance sheet date	190	183
Matured between 0 - 2 mnths ago	153	143
Matured between 2 - 6 mnths ago	6	25
Matured more than 6 mnths ago	31	15

Note 14

14 Financial risk management

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Investments are managed in accordance with guidelines established by the Board, which adopts principles for risk management and policies covering specific areas of risk. The total risk of asset management shall be low. Investments will be made in interest bearing products in NOK and there is determined credit risk limited for the Groups investment, and in accordance with the securities requirements, risk diversification and liquidity, NSB is to maximize the return on the managed assets.

The Group invests its excess liquidity in stocks and interest bearing products as for example, certificates and bonds with short-term remaining life.

FINANCIAL RISK FACTORS

The Group's activities results in various types of financial risk: market risk (foreign exchange-, interest rate-, and price risk), credit risk and liquidity risk. The Group's risk management policy focuses on the capital markets unpredictability and strives to minimize the potential negative effects on the Group's financial results. The Group uses financial derivatives to hedge certain risks.

Risk management is carried out by a centralized Group treasury department. Group treasury identifies, evaluates, and hedges financial risk in co-operation with the Group's operating units.

MARKET RISK

Foreign exchange risk

Foreign currency exchange risk due to fluctuations of the foreign currency rates will result in changes to the Group's income statement, balance sheet or cash flows.

The Group operates in the Nordic region and makes purchases from foreign suppliers and is therefore exposed to foreign currency exchange risk. The Group minimizes its foreign currency exchange risk by entering into sizeable agreements with foreign suppliers in NOK, as it did when purchasing new trains. The goal is to be predictable regarding future payments measured in NOK.

All debt in foreign currency is secured through foreign exchange swaps and changes in value are offset by fair value change to the derivatives. The Group is therefore not exposed to foreign currency exchange risk on debt instruments.

The Group has certain investments in foreign subsidiaries, whose net assets are exposed to foreign currency exchange risk. This risk has been evaluated to not be of any significance for the Group.

Interest rate risk

Interest rate risk is the risk for the fair value of the financial instrument or future cash flows to fluctuate due to changes in the market rate.

The Group is exposed to changes in interest rates, and uses interest rate swaps to reduce interest rate risk and to achieve preferred duration on its debt portfolio. The goal is to reduce risk related to possible future interest rate increases, and create more predictability regarding future interest payments. Guidelines have been established to regulate the share of loans that should be interest rate regulated within a twelve month time frame, and for the duration of the portfolio.

Swaps entered into create risk for change to booked fair value when measuring against long term interest level.

Sensitivity evaluations as at 31.12.2014

Interest rate risk is calculated using the Group's long term loans with corresponding interest rate swaps. By changing the rate by 50 basis points, interest rate risk results in a calculated risk of fair value change of 79 MNOK (2013: 107 MNOK).

Since the Group doesn't have any considerable interest bearing assets, the Group's net income and cash flow from operations is not affected by changes to the market rate.

Other price risk

The Group is exposed to price risk related to electricity and diesel used for the transport- and real estate operations. The Group hedges a proportion of future electricity and diesel prices. The goal for certain companies is to achieve predictable prices over time, while other units want to achieve the lowest possible price.

The Group's ability to create value in the developmental property portfolio is dependent of changes in demand for housing and commercial space. The Group seeks to reduce risk regarding each separate development projects by establishing single purpose companies together with professional partners, where realization of the project begins after a defined number of units have been sold. The Group's development portfolio consists mainly of attractive, centrally located properties that result in the Group being less exposed to small changes in demand.

LIQUIDITY RISK

Liquidity risk is the potential lack of ability to timely pay ones daily economic obligations.

NSB's management monitors the Group liquidity reserve (consists of borrowing facilities and cash equivalents) through rolling prognosis based on the Group's expected cash flow.

NSB reduces liquidity risk related to maturity of financial obligations through spreading the maturity structure, access to several financing sources in Norway and internationally, as well as sufficient liquidity to cover planned operating-, investing-, and refinancing needs without borrowing new debt within a time frame of 12 months. Liquidity consists of bank deposits, certificates and committed lines of credit and NSB's revolving credit facility on 2 000 MNOK which expires in April 2017.

NSB has a high credit rating. Standard & Poor's and Moody's have given NSB credit ratings on long term debt of AA- (stable) and Aa2 (stable) respectively. The high credit rating gives NSB ample supply of capital.

Note 14

This table shows future maturities for the Group's liabilities as at 31.12.2014:

Liquidity risk	< 1 year	1-2 years	2-5 years	> 5 years
Short term liabilities	3 303	-	-	-
Borrowings	2 495	601	3 378	5 447
New trains	800	402	-	-
Property, plant and equipment	320	120	-	-

CREDIT RISK

Credit risk is the potential loss that an external part cannot meet its financial obligations to NSB. The Group's exposure to credit risk is mainly related to each separate customer.

Passenger train- and bus operations mainly sell its services on a cash basis. Credit is given to public authorities through long term agreements. Revenue from freight operations is divided between medium sized customers whose financial development is tracked through updated credit assessments. Other subsidiaries have its parent company as their main customer. The Group is therefore to a small degree exposed to credit risk.

NSB is exposed to credit risk through placement of excess liquidity with issuers of debt securities. The parent company has framework established for credit exposure against sectors and institutions based on credit assessments.

NSB has risk against its counterparties in the interest- and currency derivatives. NSB focuses on counterparty risk in its financial transactions.

NSB assesses maximum credit risk to be the following:	2014	2013
Cash and bank deposits	2 284	1 248
Certificates (placements)	387	421
Financial derivatives	2 252	1 438
Trade receivable and other short term receivables	1 800	1 625
TOTAL	**6 723**	**4 732**

The credit risk is reduced by diversifying exposure on several counterparties. Counterparty rating is closely monitored. The demand is that the counter-party should have at least an A-rating from S&P or equivalent rating from an international rating agency. The respondent risk is constantly monitored. NSB AS has agreements that regulate judicial set-off calculations in a bankruptcy situation (ISDA agreements) with 19 banks.

Excess liquidity is placed in Norwegian bonds and certificates with short term maturity. Guidelines are established for credit exposure against several sectors, and certain sectors also have guidelines based on credit assessments.

For the wholly-owned subsidiary Finse Forsikring AS the Board of Directors has approved extended limits in relation to placement of surplus liquidity. The company has made investments in four listed mutual funds on the Oslo Exchange; "Skagen Global"," Nordea Internasjonale aksjer", "Storebrand Global Quant Equity" and "Delphi kombinasjon".

The presentation shows the effect on the income statement before tax with the specification of the decline in value compared to the values at the balance sheet date. Portfolio impairment of 45 % gives a calculated risk of -31 MNOK (48 % -29 MNOK). This evaluation and determination of percentage for a decline in value has been reached in accordance with the Financial Supervisory Authority of Norway's regulations on reporting of stress tests for insurance companies and pension companies.

Note 15 | 16

15 Derivatives

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2 252	–331	1 436	–282
Energy swaps	–	–11	2	–3
TOTAL	**2 252**	**–342**	**1 438**	**–285**

The Group does not use hedge accounting, fair value changes of derivatives are charged on a continuous basis to the income statement. Derivatives are classified as current assets or contractual obligations. The energy contracts relate to both hedging of electricity and diesel prices.

Changes in fair value of derivatives:	2014	2013
This period's change in fair value:	757	619
Accumulated change in fair value:	1 910	1 153

Interest rate and foreign exchange swaps
The notional principal amounts of the outstanding interest rate swaps contracts at 31st of December 2014 were 10 381 MNOK (2013: 11 602 MNOK).
At 31st of December 2014, the fixed interest rates vary from 3,97 % to 5,25 % (3,10 % to 5,25 %) and the main floating rates are mainly 6M NIBOR + margin.

16 Other financial assets at fair value through profit or loss

Listed securities	2014	2013
Stocks and other listed equity securities – Europe	68	61
Bonds and certificates	319	360
TOTAL	**387**	**421**

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

Effective interest rate on short term placements bank deposits was 2,2 % at 31st of December 2014 (2013: 2,2 %) and the placements have an average maturity of 160 days.

Effective interest rate on short term placements were 3,0 % as at 31st of December 2014 (2013: 3,2 %).

Changes in fair values of listed securities at fair value	2014	2013
This period's change in fair value	9	14
Accumulated change in fair value	25	16

Note 17

17 Financial instruments by category

Assets at 31st of December	Loans and receivables		Assets at fair value through profit and loss		Total	
Year	2014	2013	2014	2013	2014	2013
Financial fixed assets	97	38	–	–	97	38
Derivative financial instruments	–	–	2 252	1 438	2 252	1 438
Trade and other receivables (excl. prepayments)	1 344	1 220	–	–	1 344	1 220
Financial assets at fair value through profit or loss	–	–	387	421	387	421
Cash and bank deposits	2 284	1 248	–	–	2 284	1 248
TOTAL	**3 725**	**2 506**	**2 639**	**1 859**	**6 364**	**4 365**

Liabilities at 31st of December	Liabilities at fair value through profit and loss		Other financial liabilities at amort. cost		Total	
Year	2014	2013	2014	2013	2014	2013
Borrowings (excl. Financial lease liabilities)	9 107	8 813	3 315	1 927	12 422	10 740
Financial lease liabilities	–	–	–	24	–	24
Derivative financial instruments	342	285	–	–	342	285
Trade and other payables excl. statutory liabilities	–	–	3 090	3 421	3 090	3 421
TOTAL	**9 449**	**9 098**	**6 405**	**5 372**	**15 854**	**14 470**

Financial assets at fair value through profit and loss as at 31st of December 2014

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	–	2 252	–	2 252
Financial assets available-for-sale:				
– Debt instruments	68	319	–	387
TOTAL ASSETS	**68**	**2 571**	**–**	**2 639**
Borrowings and accrued interest	–	9 107	–	9 107
Derivatives used for hedging	–	342	–	342
TOTAL LIABILITIES	**–**	**9 449**	**–**	**9 449**

Financial assets at fair value through profit and loss as at 31st of December 2013

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	–	1 438	–	1 438
Financial assets available-for-sale:				
– Debt instruments	61	360	–	421
TOTAL ASSETS	**61**	**1 798**	**–**	**1 859**
Borrowings and accrued interest	–	8 813	–	8 813
Derivatives used for hedging	–	285	–	285
TOTAL LIABILITIES	**–**	**9 098**	**–**	**9 098**

Note 18 | 19 | 20

18 Cash and bank deposits

	2014	2013
Cash and bank deposits	2 284	1 248

Includes restricted funds of 154 MNOK (2013: 158 MNOK).
Furthermore, there are restricted funds of 119 MNOK (2013: 89 MNOK) in Finse Forsikring AS.

19 Share capital and share premium

	No. of shares	Ordinary shares	Share premium (MNOK)	Total (MNOK)
Shares at 1st of January 2014	3 685 500	3 685 500	1 850	5 536
Shares at 31st of December 2014	3 685 500	3 685 500	1 458	5 144

There is only one class of shares, each share with a par value of NOK 1.000,-.

There was a payment of dividends for the accounting year 2013 at 515 MNOK. The proposal for dividends for 2014 is 753 MNOK.

20 Borrowings

Non-current	31.12.14	31.12.13
Bonds measured at fair value	6 612	7 792
Bonds measured at amortized cost	3 243	1 846
Other non-current borrowings, incl. financial lease	71	92
TOTAL	**9 926**	**9 730**
Current		
Current share of non-current borrowings	2 193	721
Other current borrowings	302	313
Total	2 495	1 034
TOTAL BORROWINGS	**12 421**	**10 764**

Nominal value of long-term borrowings per 31.12.2014: 8 466 MNOK (2013: 8 353 MNOK).

Nominal value of long-term interest bearing debt	31.12.14	31.12.13
1st of January	8 353	7 554
Changes during the year	113	799
31ST OF DECEMBER	**8 466**	**8 353**

Fair value on bonds measured at amortized cost is MNOK 3 717 (2013: 2 031 MNOK).

The Group has not utilized available bank overdraft facilities.

All existing bond issues have been completed under the Euro Medium Term Note loan programme (EMTN-Programme). The EMTN programme is a loan-documentation that NSB utilizes when bonds are issued. The EMTN-programme does not contain any financial covenants, except for an optional clause that requires that the State of Norway shall own 100 % of NSB.

NSB has a multicurrency revolving credit facility of 2 000 MNOK with a covenant that demands a minimum equity share of 20 %.

Note 20

Fair value of the credit margin on bonds is based on market observations from banks and the price/exchange NSB bonds in the second-hand market.

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

Borrowings and hedgings	2014	2013
6 months or less	3 718	3 339
More than 6 months	–	-

Non-current borrowings expire in:	2014	2013
Between 1 and 2 years	601	1 912
Between 2 and 5 years	3 878	2 932
Over 5 years	5 447	4 886

Effective interest rate at the balance sheet date:		2014	2013
Bonds	NOK	3,51	3,73
Other borrowings	NOK	7,25	7,25
	SEK	2,22	3,05

Calculated effective interest rate includes the effect of interest rate swaps. The Group has swapped all exposure in CHF to NOK.

The carrying amounts of the non-current borrowings approximate their fair value.

Changes in fair value on non-current borrowings:	2014	2013
This periods change in fair value	814	559
This periods change in fair value from the spread	–	6
Accumulated change in fair value	2 197	1 383

The carrying amounts of the Group's borrowings are denominated in the following currencies:	2014	2013
NOK	4 670	3 782
SEK	53	64
CHF	7 698	6 918
TOTAL	**12 421**	**10 764**

The Group has the following undrawn borrowing facilities:	2014	2013
Floating interest rate		
- Expiring within one year	50	50
- Expiring beyond one year	2 000	2 000
TOTAL	**2 050**	**2 050**

The facilities that expire within one year is a bank overdraft related to NSB-Group bank account system.
The credit is for one year at the time and is renewed annually. NSB`s long term revolving credit facility expires in April 2017.

Note 20 | 21

Obligation on financial lease agreements – minimum payments	2014	2013
Expiring within 1 year	–	12
Expiring between 1 and 5 years	–	12
TOTAL	**–**	**24**
Future financial cost – financial lease agreements	–	-
Current value on obligations – financial lease agreements	–	24
Current value of lease obligations for financial lease agreements:		
Expiring within 1 year	–	12
Expiring between 1 and 5 years	–	12
TOTAL	**–**	**24**

Operating leases
The Group also leases plant and equipment where the leasing agreements give the lessee the right to cancel the agreement. Future accumulated minimum payments related to cancellable leasing agreements are as follows:

	2014	2013
Expiring within 1 year	243	217
Expiring between 1 and 5 years	616	559
Expiring beyond 5 years	255	211
TOTAL	**1 114**	**987**

21 Deferred income tax/income tax expense

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

Income tax expense	2014	2013
Current income tax payable	95	-
Changes in deferred tax	–7	345
TOTAL INCOME TAX EXPENSE	**88**	**345**

Tax payable on the balance sheet are as follows:	2014	2013
Current payable tax expense	4	–
TAX PAYABLE ON THE BALANCE SHEET	**4**	**–**

Note 21

Reconciliation between nominal and actual tax expense rate:	2014	2013
Net income before tax	1 597	1 645
Expected income tax using the nominal tax rate (27 % / 28 %)	429	461
Tax effect of the following items:		
Other permanent differences related to investm. (exemption method)	-240	-
Other non-deductible expenses	9	5
Other non-taxable income	-2	-125
Fiscal loss concerning unrecognized deferred tax assets	-7	-
Change in already recognized downgrade of deferred tax asset	-16	-
Effect of change in income tax rate	-	-22
Insufficient tax provision prior years	-21	28
Fiscal loss concerning unrecognised deferred tax assets	-66	-
Other items	2	-2
Income tax expense	**88**	**345**
Effective tax rate	**6 %**	**21 %**

Specification of the tax effect of temporary differences and losses carried forward:	2014	2013
Benefit (+) / Liability (-)		
Fixed assets	-5 347	-5 206
Inventories	11	2
Receivables	27	-12
Value changes to investment property	-1 626	-1 631
Value changes to financial current assets	147	80
Retirement benefit obligations	2 581	2 473
Provisions for other liabilities and charges	147	148
Impairments	-	61
Gains (losses)	-269	-150
Losses carried forward	832	697
Other	1 222	844
Total	-2 275	-2 694
Off-balance sheet deferred tax benefits	-365	-658
Net deferred benefit/liability on the balance sheet	**-716**	**-901**

The deferred tax benefit is included in the balance sheet on the basis of future income.

Deferred income tax assets	2014	2013
Deferred income tax assets to be recovered after more than 12 months	1 401	841
Deferred income tax assets to be recovered within 12 months	4	11
TOTAL	**1 405**	**852**

Note 21 | 22

Deferred tax liabilities	2014	2013
Deferred income tax liabilities to be recovered after more than 12 months	-2 058	-1 745
Deferred income tax liabilities to be recovered within 12 months	-63	-8
TOTAL	**-2 121**	**-1 753**
TOTAL DEFERRED INCOME TAX LIABILITY (NET)	**-716**	**-901**

Gross movement on deferred income tax:	2014	2013
Book value 1st of January	-901	-776
Currency conversion	1	
Acquisition of subsidiary	13	3
Income statement charge	7	-349
Charged to other comprehensive income	198	261
Effect due to change in income tax rate	-	24
Effect due to change in income tax rate, charged directly to equity	-1	-15
Tax effect Group contribution	-33	-49
TOTAL	**-716**	**-901**

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 80 MNOK (177 MNOK) in respect of losses amounting to 365 MNOK (658 MNOK).

22 Payroll and related expenses

	2014	2013
Wages and salaries, including employment taxes	6 395	6 321
Pension costs – defined contribution plans (note 23)	124	136
Pension costs – defined benefit plans (note 23)	371	-13
Other employee benefit expenses	85	95
TOTAL	**6 975**	**6 539**

Benefits for Chief Executive Officer and key management are referred to in the note for related-party transactions (note 32).

	2014	2013
Average man-labour year*	10 996	11 191
Number of employes at 31st Dec.	12 962	13 523

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

Note 23

23 Retirement benefit obligations and similar obligations

General
The Group has pension arrangements related to age- disability- and bereaved benefits for spouses and children. Below is a further description of type of arrangements and how these are organized.

Defined benefit pension plan
The companies in the Group have several collective pension agreements that are handled by the Norwegian Public Service Pension Fund (SPK) or insurance companies that for the Norwegian companies satisfies the demands according to the law on public pension. The arrangement covers benefits from the pension basis up to 12G and results in a age- and disablity pension of 66 % of the pension basis when fully vested. The obligations connected to these agreements covers 5 873 active members and 3 631 retirees. The retirement benefit plans entitle defined future services that mainly are dependent on the number of contribution years and wage level at the time of retirement. The pension benefits received are coordinated with the National Insurance scheme and will also be dependent on its benefits paid out.

The companies have, through tariff agreements, retirement benefit obligations in affiliation with Early Retirement Pension Regulated by Contract (AFP). Obligations through this agreement cover 5 873 active members.

The additional defined benefit pension plan agreement for top leadership is not funded and will be paid through operations.

Other arrangements in Norway, Sweden and Denmark
There are additional grants that covers 5 030 members.

All of the Groups' 1 096 employees in Sweden has pension rights as described above and the companies' obligations are funded in multi-employer plans.

The plan is a Multiemployer plan and the employer is responsible for the benefits until they have completely covered the payments. According to the statement from Redovisningsrådet this is a performance based settlement. It has so far not been possible to obtain sufficient information to calculate and allocate obligations and assets from this plan, and therefore is treated as a defined contribution plan. The companies have not received actuary estimates for any of the fiscal year from 2007 until today. This is a problem connected to most companies with a retirement benefit obligation with the Multiemployer plan in Sweden.

In the tables below, employment taxes (notional numbers) are included in both gross obligations and this year's expense.

Note 23

Specification of net defined benefit pension plan obligations	2014	2013
Present value of earned pension rights for funded collective pension plans	10 854	9 972
Fair value of plan assets	–8 386	–7 574
Present value of unfunded obligations	2 468	2 398
Present value of accrued pensions liabilities for defined benefit plan in unfunded obligations	84	67
NET PENSION OBLIGATION ON THE BALANCE SHEET	**2 552**	**2 465**
Changes in pension retirement obligations:		
Book value net pension obligation 1st of January	2 465	2 543
This years' actuarial deviations	656	541
This years net return on assets/increase in obligation	315	366
Net financial items in the acount	78	72
Acquisitions /disposal of operations during the year	1	–165
Curtailments	6	120
Payments to plan	–969	–648
Plan changes during the year	–	–364
BOOK VALUE 31ST OF DECEMBER	**2 552**	**2 465**
Pension expenses included in the accounts, defined benefit pension plan		
Present value of current pension earnings	374	409
Effects due to plan changes	–	–418
Employee contribution	–3	–4
Total return on pension plan, incl. in payroll and related expenses – see note 22	371	–13
Total financial items in the accounts	**78**	**72**
TOTAL PENSION EXPENSES DEFINED BENEFIT PENSION PLAN	**449**	**59**
Defined contribution plan		
Employer's contribution, included as payroll and related expense – see note 22	124	136
DEFINED CONTRIBUTION PLAN	**573**	**195**

Sensitivity analysis with change in central assumptions
The table below shows estimates for potential effects with change in assumptions that significantly affects the defined benefit pension plans in Norway. Actual results may substantially differ from these estimates.

	Discount rate		Salary growth rate		Increase in G	
	1 %	–1 %	1 %	–1 %	1 %	–1 %
Increase (+)/decrease (–) this period's net pension expense in %	(26 – 28 %)	21 – 23 %	19 – 21 %	(17 – 19 %)	11 – 13 %	(10 – 13 %)
Increase (+)/decrease (–) net pension obligation at 31.12. in %	(13 – 16 %)	16 – 20 %	6 – 10 %	(6 – 8 %)	8 – 10 %	(7 – 9 %)

The Population is affected by a high pensioner population and high average age on participants that affects the sensitivity analysis.

Note 23

The last few years' development in pension expenses and pension obligations shows the following:

	2014	2013	2012	2011	2010	2009
Income statement						
Present value of current pension earnings	371	351	420	351	320	365
Plan changes during the year	–	-364	–	–	–	–
Recognized actuarial gains	–	–	–	67	-163	57
Total cost in the income statement	371	-13	420	418	157	422
Total financial items in the accounts	78	72	-7	9	5	1
TOTAL PENSION COST	**449**	**59**	**413**	**427**	**162**	**423**
Financial position						
Total obligations	10 938	10 039	9 781	10 333	8 910	7 963
Pension assets	-8 386	-7 574	-7 238	-6 821	-6 521	-5 951
Total net pension obligations	2 552	2 465	2 543	3 512	2 389	2 012
Non-recognised actuarial losses	–	–	–	-2 624	-1 435	-691
NET PENSION LIABILITY	**2 552**	**2 465**	**2 543**	**888**	**954**	**1 321**

Financial assumptions (defined benefit plans)

	2014	2013	2012	2011	2010	2009
Discount rate	2,80 %	3,90 %	3,80 %	2,80 %	3,80 %	4,50 %
Expected return on plan assets	2,80 %	3,90 %	3,80 %	4,00 %	4,60 %	5,60 %
Average salary growth	2,95 %	3,70 %	3,70 %	3,30 %	3,50 %	4,00 %
G-regulation	2,70 %	3,50 %	3,50 %	3,20 %	3,75 %	4,00 %
Corridor: % of max (PBO, pension assets)	0,00 %	0,00 %	0,00 %	10,00 %	10,00 %	10,00 %
Annual reg. of pension increases	1,95 %	2,75 %	2,75 %	2,45 %	3,00 %	4,25 %
Average social security tax	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %

Explanation to selected assumptions 31st of December 2014
The discount rate has been set at 2,8 % and is determined with basis in preferential bonds (OMF). The OMF-market has been assessed to represent a deep and liquid marked with relevance to maturities that qualifies to be used as a reference for interest rate according to IAS 19.

Salary adjustments for Norwegian schemes is mainly calculated as the total of expected real salary growth of 1 % and inflation of 1,7 % and career salary increase of 0,25 % with some individual adjustments.

Regulation of pensions during disbursement mainly follows average salary growth (equivalent to G regulation) less a fixed factor of 0,75.

Application of alternative assumptions with a reduction of the discount interest rate by 0,5 % and corresponding changes to other assumptions adapted to the Group's population would result in an increase to the retirement benefit obligation by 211 MNOK before deferred tax.

For the demographic factors, the tariffs K2013 and IR 73 has been used for determination of mortality rate and disability risk.

Average life expectancy (in number of years) for a person retiring when he/she turns 65 years old will according to K2013 be:

Male 20 years
Female 21 years

Actuarial deviations in 2014 are mainly due to changes in economic parameters
Effect of the life expectancy adjustment for younger cohorts constitute MNOK 364 and is included as a plan change as at 31.12.2013

See the principle note for a more detailed description and effects for restatement of comparative numbers.

Note 23 | 24 | 25

Risk-benefit schemes
The Group is affected through its defined benefit contribution plans by several factors due to uncertainties in assumptions and future development. The most central factors are described as follows:

Expected longevity
The Group has assumed an obligation to pay pension to the employees for as long as they live. An increase in life expectancy among members results in an increased obligation for the Group.

Yield risk
The Group is affected by a reduction in actual yield on the pension assets, which will cause an increase to obligations for the Group.

Inflation- and salary growth risk
The Group's pension obligation has risk related to both inflation and salary development, even though the salary development is closely related to inflation. Higher inflation and salary development than what is used in the pension calculations, result in increased obligation for the Group.

24 Trade and other payables

	2014	2013
Trade payables	591	651
Social security and other taxes	213	232
Other current liabilities	2 498	2 771
TOTAL	**3 302**	**3 654**

The amount due to related parties is in 2014: 10 MNOK (5 MNOK).

Book value of trade and other payables corresponds to fair value. Other current liabilities include pre-paid revenue, accrued payroll and related expenses as well as other accrued expenses.

25 Provisions for other liabilities and charges

Provisions for other liabilities 2014	Environ-ment. Pollution	Reorgani-zation obligation	Contract losses	Other	Total
At 1st of January	61	39	63	–	163
Change in provision during the year	–	8	–6	4	6
Used during the year	–11	–9	–23	–	–43
TOTAL	**50**	**38**	**34**	**4**	**126**

Provisions for other liabilities 2013	Environ-ment. Pollution	Reorgani-zation obligation	Contract losses	Other	Total
At 1st of January	60	43	22	–	125
Change in provision during the year	1	–	54	–	55
Used during the year	–	–4	–13	–	–17
TOTAL	**61**	**39**	**63**	**–**	**163**

Note 25 | 26 | 27

Analysis of total provisions:	2014	2013
Non-current liabilities	114	146
Current liabilities	12	17
TOTAL	**126**	**163**

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. Known liabilities are quantified and a provision made in the accounts. Best estimate is used.

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 latent 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 losing.

26 Contract losses

There have been no accruals (25 MNOK) in the accounts for future contract losses in the bus operations.

For provisions on losses on tenders in the bus operations, see note 27 for further information.

27 Depreciation, amortization and impairment

	2014	2013
Depreciation current assets (note 7)	1 586	1 471
Impairment non-current assets (note 7)	27	97
Depreciation intangible assets (note 6)	2	2
Impairment intangible assets (note 6)	9	19
TOTAL	**1 624**	**1 589**

Note 27 | 28

Property, plant and equipment and contract losses
This year's impairments are related to buses used in operations under official contract.

The calculation of fair value has been performed on the property, plant and equipment where there are indications of permanent decrease in value. In addition to evaluations to the balance sheet values according to IAS 36, the contracts are also assessed for further accruals according to IAS 37.

The following assumptions are applied:

Growth rate of	2,5 %	
Discount rate	8,0 %	evaluations according to IAS 36
Borrowing rate	4,0 %	evaluations according to IAS 37

To illustrate the sensitivity in the calculations of impairments according to IAS 36, analysis of sensitive factors for the buses used in the impaired contracts has been performed.

Discount rate Change in factors	Change in present value	Actual accumulated impairment	Estimated accumulated impairment*
Interest rate +1%	-7 710	-52 022	-52 022
Interest rate -1%	8 668	-52 022	-52 022

EBITDA Change in factors	Change in present value	Actual accumulated impairment	Estimated accumulated impairment*
EBITDA + 1 MNOK per contract	-18 883	-52 022	-52 022
EBITDA - 1 MNOK per contract	18 876	-52 022	-52 022

* Actual accumulated impairment affected by evaluations of market value of buses.

28 Other expenses

	2014	2013
Sales- and overhead expenses	1 177	958
Energy used in operations	961	1 025
Repair and maintenance, machinery rental, property expenses	1 478	1 516
Other operating expenses	1 448	1 382
TOTAL	**5 064**	**4 881**
Auditing fees (excluding VAT):		
Auditing	5	4
Tax advisory	-	1
Other services	2	5
TOTAL	**7**	**10**

Note 29 | 30 | 31

29 Financial income and expenses

	2014	2013
Interest income	335	342
Dividend	–	1
Other financial income	23	20
Net foreign exchange gains	23	96
TOTAL FINANCIAL INCOME	**381**	**459**
Interest expense	–617	–596
Other financial expenses	–31	–17
Net foreign exchange losses	–13	–13
TOTAL FINANCIAL EXPENSES	**–661**	**–626**
Net financial expenses – pensions	–76	–72
Unrealised value changes	–48	63
TOTAL FINANCIAL ITEMS	**–404**	**–176**

30 Unrealised fair value changes

The table below shows unrealised value changes in assets, liabilities and derivatives valued at fair value:

	2014	2013
Unrealized value changes investment property	181	85
Unrealized value changes reclass. Investment Property	–	250
Unrealized value changes reclass. Inv. Property – other compr. Income	1	12
TOTAL UNREALIZED VALUE CHANGES INVESTMENT PROPERTY	**182**	**347**
Unrealized value changes derivatives used for hedging	757	602
Unrealized value changes bonds	–814	–553
Unrealized value changes market placements	9	14
TOTAL UNREALIZED VALUE CHANGES FINANCIAL ITEMS	**–48**	**63**
Total unrealized value changes income statement	133	398
Total unrealized value changes other comprehensive income	1	12
TOTAL UNREALIZED VALUE CHANGES OTHER COMPREHENSIVE INCOME	**134**	**410**

31 Leases

	2014	2013
Lease of machinery/equipment, not incl. on the balance sheet	136	154
Lease of property (external)	141	183
Total	**277**	**337**

Note 32

32 Related party transactions

NSB has the following related parties:

Owner
As the owner of NSB, the Ministry of Transport and Communication is a related party. In addition, other businesses owned by the Ministry of Transport and Communication will also be a related party to NSB.

Companies within the same Group
All subsidiaries, associates and joint ventures as noted in notes 2, 9 and 10 as well as other Group companies that are related parties to these companies will be a related party to NSB.

Board of Directors and key management
Persons that are key management or on the Board of Directors are also related party to NSB.

Below is an overview of transactions, balances and guarantees to related parties:

	2014	2013
Sale of goods and services:		
Public purchase of passenger traffic services	2 996	2 859
Sales of other goods and services	450	363
TOTAL	**3 446**	**3 222**
Sale of goods and services	449	382

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

	2014	2013
Receivables:		
Associated companies	87	1
Entities owned by the Ministry of Transportation	131	110
TOTAL	**218**	**111**
Debts		
Other companies in the Group	1	2
Entities owned by the Ministry of Transportation	7	9
TOTAL	**8**	**11**
Loans to related parties		
Other companies in the Group	30	32
TOTAL	**30**	**32**

There are no borrowings from related parties.

Guarantees
NSB AS has guaranteed for the pension obligations in case Nettbuss AS no longer would exist, which means that the transferring agreement of 1974 can be used. The consequence is that Nettbuss AS cannot make changes in its pension without first getting approval from the Board of Directors of NSB AS.

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

Note 32

Compensation for members of the Board and key management
(Figures in TNOK)

Board members	Title	2014	2013
Kai Henriksen	Chairman of the board	193	-
Bjarne Borgersen	Vice chairman of the board	301	288
Wenche Teigland	Member of the board	235	81
Tore Heldrup Rasmussen	Member of the board	205	191
Åsne Havnelid	Member of the board (from June 2014)	97	-
Audun Sør-Reime	Staff representative	915	848
Rolf Jørgensen	Staff representative	200	191
Jan Audun Strand	Staff representative	214	197
Ingeborg Moen Borgerud	Chairman of the board (until June 2014)	239	382
Erlend Helle	Member of the board (until June 2014)	114	191
Tuva Barnholt	Member of the board (until June 2013)	-	145
TOTAL		**2 713**	**2 514**

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 404 TNOK, Vice Chairman 244 TNOK and the other board members 201 TNOK each. In addition, fees for members of the audit committee with 62 TNOK for the leader, and 37 TNOK for each of the other members, and the compensation committee with 11 TNOK for the leader and 5 TNOK for each member. Fees for the staff representatives include their wages as an employee.

2014 (Figures in TNOK)	Title	Salary	Variable salary	Other benefits	Total benefits payed	Calcul. Pension expence
Geir Isaksen	Chief Executive Officer	3 586	574	190	4 350	829
Tom Ingulstad	CEO, Director of Passenger Train	1 869	200	102	2 171	1 894
Kjell Haukeli	Chief Financial Officer	1 373	219	102	1 694	576
Ståle Rooth	Executive Vice President HR, IT and Legal	1 647	385	125	2 157	-
Erik Røhne	Director Strategy and BD	1 603	-	109	1 712	-
Arne Veggeland	General Manager Nettbuss	1 799	220	126	2 145	1 205
Arne Fosen	Vice CEO NSB (to jan-14) GM CargoNet (from mar-14)	1 968	427	122	2 517	2 376
Are Kjensli	General Manager CargoNet (to feb -14)	1 657	-	202	1 859	799
Petter Eiken	General Manager Rom Eiendom (from mar-14)	1 793	-	117	1 910	-
Jørn Seljelid*	General Manager Rom Eiendom (to feb-14)	372	-	3	375	-
Tomm Otto Bråten	General Manager Mantena (from sept -14)	567	-	40	607	-
Ole Edvardsen	General Manager Mantena (til aug -14)	1 152	-	64	1 216	502
TOTAL		**19 386**	**2 025**	**1 302**	**22 713**	**8 181**

** Jørn Seljelid was the stand-in as CEO in Rom Eiendom until Petter Eiken was appointed.*

2013 (Figures in TNOK)	Title	Salary	Variable salary	Other benefits	Total benefits payed	Calcul. Pension expence
Geir Isaksen	Chief Executive Officer	3 383	933	191	4 507	712
Are Kjensli	Vice CEO	1 730	350	99	2 179	460
Tom Ingulstad	CEO, Director of Passenger Train	1 822	-	103	1 925	1 103
Kjell Haukeli	Chief Financial Officer	1 341	307	103	1 751	285
Arne Veggeland	General Manager Nettbuss	1 730	213	142	2 085	581
Are Kjensli	General Manager CargoNet	1 766	210	209	2 185	723
Jørn Seljelid	General Manager Rom Eiendom	2 206	377	25	2 608	-
Ole Edvardsen	General Manager Mantena	1 330	-	88	1 418	773
TOTAL		**15 308**	**2 390**	**960**	**18 658**	**4 637**

Note 32

Group management:
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. A separate agreement has been entered into for the Chief Executive Officer with a pension contribution of 30 % in excess of 12G. Payment to his pension agreement is shown in the table above and is included in the accounts as debt until there is an appropriate plan that reflects the principles that are stated in the state's guidelines for establishment of pension rights.

Determination of salary and other benefits to executives:

Main principles for executive salaries in NSB
Principles on salary for executives in NSB AS and its subsidiaries are determined by the Board of Directors. Annually, the Board performs an evaluation on the CEO salary and other compensation, as well as the main principles on the performance based salary arrangement for the Group management.

The Boards compensation committee prepares the case for the Board. The committee consists of the Chairman and a shareholder elected board member and a board member elected by the employees.
The CEO determines the compensation to the other members of the Group management according to these principles.

Executive compensation in NSB is determined using the following main principles:

- The executive compensation is to be competitive, but NSB will not be a leader in the market in regards to compensation.
- NSB shall attract and keep skillful leaders. The total compensation to executives in NSB will reflect their responsibility level of management, results and development and take into consideration the size and complexity of the operations. The compensation must not be in the nature of or such a scope that will damage the Groups' reputation.
- The executive compensation can consist of fixed salary and additional compensation, including fringe benefits, bonus, severance and pension. The fixed salary shall always be the main part of the total compensation.
- The executive compensation scheme must be transparent, and in accordance with the principles for corporate governance, as well as the state guidelines for executive compensation.
- The compensation system is to be perceived as understandable and acceptable both internal and external.
- The compensation system is to be adequately flexible so that adjustments can be made if the needs change.

Elements in executive compensation
The starting point for the compensation is the total level of fixed salary and other benefits.

a) Fixed salary
The fixed salary is the main element in the compensation arrangement of the executives in NSB. The fixed salary will be competitive, but not be market leading. The fixed salary is to be assessed once a year. At employment of executives, the grandfather-principle is to be utilized, which will be discussed among executives above that level before the candidate is given an offer. The CEO is to consult the Chairman of the Board before the employment and determination of such members of executives. No executives are compensated for any Board participation within the NSB-Group.

b) Fringe benefits
Executives are offered fringe benefits that are common for such positions. Examples of this are free phone, free internet service, car compensation and free newspapers.

c) Variable salary
NSB has bonus arrangements for executives. The CEO has a bonus arrangement, based on the Groups' profit and individual bonus criteria determined by the Board of Director's. The maximum bonus is 4 months salary. Other executives have annual and individual adapted bonus agreements limited to 3 months salary. The arrangement in NSB is based on the following principles:

- There will be a strong connection between the goals for the variable salary and the goals of the company.
- The variable salary is based on defined and measurable criteria.
- The criteria are based on the conditions the executive can affect, either directly or through the group of executives he/she is part of.
- The bonus arrangement must be transparent and simple to understand.

d) Pension
All employees are members in a collective pension arrangement.

NSB has prior entered into pension agreement with executives, which entitles them to a 60 % pension compensation level of their pension earned from the age of 62. This operating pension arrangement was closed as of 1st of January 2008.

The CEO's pensionable age is 67 years. He has a collective pension arrangement. The arrangement carries rights to a pension of maximum 12 G. On top of that, the CEO has a defined contribution plan of 30 % of the fixed salary over 12 G, which is in accordance with the State's guidelines for executives in Government owned companies.

At employment of executives the State's guidelines for determination of pension rights are utilized.

e) Severance arrangements
In his employment agreement the CEO has the rights to 6 months of severance and benefits. Any other salary in this severance period will reduce the severance compensation. Where there are agreements regarding severance with other executives, total salary including severance will not exceed 12 month fixed salary. Severance arrangements will not be utilized when the cessation of employment is voluntary. There were no severance payments made during 2014 for executives that exceeded 12 month fixed salary.

Completion of the principles for salary and compensation for executives in the NSB-Group in the previous accounting year
The executive compensation policy for 2014 has been completed in accordance with abovementioned guidelines . The CEOs fixed salary was adjusted by 3,4 % to 3 444 TNOK. Received bonus was 574 TNOK for results achieved in 2013.

Note 33 | 34 | 35

33 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, and is expected to take several years. For some of the transfers concerning sold properties the approval of the Norwegian National Rail Administration has been required.

34 Business combinations

The Group has not acquired any subsidiaries in 2013.

The table below shows the allocation of the purchase amount on acquired assets and liabilities

	2014	2013
Consideration paid	7	-
Total value of new subsidiary	7	-

Identified assets and liabilities on the balance sheet recognized from the acquisition:	2014	2013
Cash and bank deposits	1	-
Inventories	5	-
Trade and other receivables	3	-
Trade and other payables	-4	-
Total net identifiable assets	**5**	**-**
Goodwill	2	-
TOTAL	**7**	**-**

35 Events after the balance sheet date

There are no material events which have occurred after the balance sheet date that will affect the Groups' profit and position.

NSB AS

Income Statement

	Notes	2014	2013
Operating revenue	**4**	**6 561**	**6 081**
Payroll and related expenses	17	2 469	2 193
Depreciation and impairment	21	784	654
Other operating expenses	22	2 767	2 477
Total operating expenses		**6 020**	**5 324**
Operating profit		**541**	**757**
Financial posts			
Financial income	23	1 253	1 078
Financial expenses	23	–656	–973
Net financial expenses – pensions	18, 23	–48	–42
Unrealised fair value changes	23, 24	–51	112
Net financial items		**498**	**175**
Profit before income tax		**1 039**	**932**
Income tax expense	16	–92	–318
PROFIT FOR THE YEAR		**947**	**614**
Attributable to			
Equity holders		**947**	**614**
Other Comprehensive Income			
Profit for the year		947	614
Items that will not be reclassified to profit or loss			
Deviation retirement benefit obligations	18	–383	–453
Tax related to items that will not be reclassified	16	103	126
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**667**	**287**
Attributable to			
Equity holders		**667**	**287**

Overview Financial Position

ASSETS	Notes	31.12.14	31.12.13
Property, plant and equipment	5	8 929	8 562
Investments in subsidiaries	2	5 860	1 345
Investments in associates	6	12	12
Financial assets		2	2
Loans to group companies	9, 26	3 717	7 644
Total non-current assets		**18 520**	**17 565**
Investment in joint ventures	7	5	10
Inventories	8	476	448
Trade and other receivables	9	593	405
Derivative financial assets	11	2 252	1 436
Cash and bank deposits	13	2 032	993
Total current assets		**5 358**	**3 292**
TOTAL ASSETS		**23 878**	**20 857**

EQUITY AND LIABILITIES	Notes	31.12.14	31.12.13
Ordinary shares and share premium	14	5 144	5 536
Retained earnings		817	273
Total equity		**5 961**	**5 809**
Borrowings	15	9 856	9 638
Deferred income tax liabilities	16	556	567
Retirement benefit obligations	18	1 490	1 548
Provisions for other liabilities and charges	20	71	91
Total long term liabilities		**11 973**	**11 844**
Trade and other payables	19	3 122	1 904
Borrowings	15	2 494	1 021
Derivative financial instruments	11	328	279
Total short term liabilities		**5 944**	**3 204**
TOTAL EQUITY AND LIABILITIES		**23 878**	**20 857**

Oslo, 12th of February 2015

Kai Henriksen
Chairman of the Board

Jan Audun Strand

Tore Heldrup Rasmussen

Bjarne Borgersen

Wenche Teigland

Rolf Jørgensen

Åsne Havnelid

Audun Sør-Reime

Geir Isaksen
CEO

Cash Flow Statement

	Notes	2014	2013
Profit for the year before income tax expense		1 039	932
Depreciation and impairment in the income statement	21	784	1 005
Gain/loss on sale of assets		127	-
Net changes to obligations and retirement benefit oblig.	18	-443	-344
Net changes to provisions for other liabilities and charges	20	-20	-4
Net unrealised fair value changes	23, 24	51	-112
Interest items		-677	-47
Changes to working capital		1 005	-548
Net cash flow from operating activities		**1 865**	**882**
Acquisition of subsidiaries	2	-4 500	-
Loans paid to/from single purpose/joint ventures	6	-	-12
Purchase of PPE	5	-1 278	-1 626
Proceeds from sale of PPE	5	1	-
Dividends received	23	698	15
Net cash flow from investment activities		**-5 079**	**-1 623**
Conversion loans to subsidiaries	2	4 453	-
Increase in loans to subsidiaries	15	-991	-1 300
Repayment of loans from subsidiaries	15	471	472
Proceeds from borrowings	15	2 297	3 168
Repayment of borrowings	15	-1 450	-1 400
Group contributions paid to subsidiaries		-14	-
Dividends paid to company's shareholders	14	-515	-296
Net cash flow from financial activities		**4 251**	**644**
NET CHANGE IN CASH AND BANK DEPOSITS FOR THE PERIOD		**1 037**	**-97**
Cash and bank deposits as at the beginning of the period	13	993	1 046
Foreign exchange gain/loss on cash and bank deposits		2	44
CASH AND BANK DEPOSITS AS AT THE END OF THE PERIOD	**13**	**2 032**	**993**

Development in Equity

2014	Notes	Ord. shares and shares premium	Retained earnings	Total
Equity 1st of January 2014	14	5 536	273	5 809
Profit for the interim period		–	947	947
From other comprehensive income		–	–280	–280
Dividends paid		–392	–123	–515
EQUITY 31ST OF DECEMBER 2014		**5 144**	**817**	**5 961**

2013 Restated	Notes	Ord. shares and shares premium	Retained earnings	Total
Equity 1st of January 2013	14	5 536	296	5 832
Profit for the interim period		–	614	614
From other comprehensive income		–	–327	–327
Change for income tax rate	16	–	–14	–14
Dividends paid		–	–296	–296
EQUITY 31ST OF DECEMBER 2013		**5 536**	**273**	**5 809**

Notes

All figures in the report are in MNOK.

1. Principle notes
2. Shares in subsidiaries
3. NSB-Group's passenger operations in the Nordic Region
4. Segment information
5. Property, plant and equipment
6. Investments in associates
7. Investment in joint ventures
8. Inventory components and goods
9. Trade and other receivables
10. Financial risk management
11. Derivatives
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13. Cash and bank deposits
14. Share capital and share premium
15. Borrowings
16. Deferred income tax/Income tax expense
17. Payroll and related expenses
18. Retirement benefit obligations and similar obligations
19. Trade and other payables
20. Provisions for other liabilities and charges
21. Depreciation, amortization and impairment
22. Other expenses
23. Financial income and expenses
24. Unrealised fair value changes
25. Leases
26. Related party transactions
27. Contingencies
28. Events after the balance sheet date

The consolidated financial statements were approved by the Board of Directors on 12th of February 2015.

Note 1 | 2 | 3 | 4

1 General information and summary of important accounting principles

We refer to note 1 in the NSB Group annual report, with the exception of the following:
- method for incorporation of associated companies and joint ventures.
- Restating of comparative numbers.

Associated companies and joint ventures in NSB AS
Ownership in companies where NSB AS has considerable, but not controlling influence, and ownership in joint venture companies, are treated using the cost method of accounting. Considerable influence is considered to be where the company owns between 20 % and 50 % of the voting shares.

Restating comparative numbers
On the basis of the adjustment to life expectancy for the company's public defined benefit plan, the company has restated comparative numbers where the increase in life expectancy is included as a plan change as at 31st of December 2013.
The effect of the change appears in the table below:

	2013
Profit	
Operating costs	-205
Operating profit	205
Income tax expense	-55
Profit after tax	**150**
Balance sheet	
Other, retained earnings	150
Non-controlling interest	
Total equity	**150**
Provisions for other liab. and charges	-205
Deferred income tax liabilities	55
Total Long-term liabilities	**-150**
TOTAL EQUITY AND LIABILITIES	**0**

2 Shares in subsidiaries

See note 2 in NSB Group report.

3 NSB-Group's passenger operations in the Nordic Region

See note 3 in NSB Group report.

4 Segment information

NSB AS has only one operating segment - passenger train.

	2014	2013
Analysis of operating income by category		
Transport revenue	6 243	5 815
Other revenue	318	266
TOTAL	**6 561**	**6 081**

Information on important customers
The company has one customer that constitutes more than 10 % of operating income. The Government's public purchase from the NSB-Group is included in note 26.

Note 5

5 Property, plant and equipment

	Machinery and equipm.	Trans-portation	Partially delivered trains	Under construc-tion	Total
At 1st of January 2014					
Accumulated acquisition cost	1 449	14 603	385	126	16 563
Accumulated depreciation	–1 022	–6 979	–	–	–8 001
TOTAL	**427**	**7 624**	**385**	**126**	**8 562**
Year ended 31st of December 2014					
Opening net book value	427	7 624	385	126	8 562
Additions	–	–	432	846	1 278
Disposals at acquisition cost	–127	–62	–	–	–189
Accumulated depreciation disposals	1	61	–	–	62
Transfers within PPE	81	1 165	–463	–783	–
Depreciations	–205	–579	–	–	–784
TOTAL	**177**	**8 209**	**354**	**189**	**8 929**
At 31st of December 2014					
Accumulated acquisition cost	1 403	15 708	354	189	17 654
Accumulated depreciation	–1 226	–7 499	–	–	–8 725
TOTAL	**177**	**8 209**	**354**	**189**	**8 929**
At 1st of January 2013					
Accumulated acquisition cost	1 223	13 018	369	389	14 999
Accumulated depreciation	–905	–6 504	–	–	–7 409
TOTAL	**318**	**6 514**	**369**	**389**	**7 590**
Year ended 31st of December 2013					
Opening net book value	318	6 514	369	389	7 590
Additions	–	–	734	892	1 626
Disposals at acquisition cost	–8	–54	–	–	–62
Accumulated depreciation disposals	8	54	–	–	62
Transfers within PPE	234	1 639	–718	–1 155	–
Depreciations	–125	–529	–	–	–654
TOTAL	**427**	**7 624**	**385**	**126**	**8 562**
At 31st of December 2013					
Accumulated acquisition cost	1 449	14 603	385	126	16 563
Accumulated depreciation	–1 022	–6 979	–	–	–8 001
TOTAL	**427**	**7 624**	**385**	**126**	**8 562**
Depreciation period	5 – 30 years	5 – 30 years	3 – everlast.		

Note 6 | 7 | 8

6 Investments in associates

	2014	2013
Book value 1st of January	12	10
Acquisition of associates	–	2
NET BOOK VALUE 31ST OF DECEMBER	**12**	**12**

Profit/loss, assets and liabilities of its associates, all of which are unlisted, are as follows:

2014	Registered office	Assets	Liabilities	Revenues	Profit/ loss	% Int. held
Oslo S Parkering AS	Oslo	113	72	37	22	25 %
Interoperabilitetstjenester AS	Oslo	23	20	18	0	33 %
Fjord Tours AS	Bergen	39	16	43	12	43 %
TOTAL		**175**	**108**	**98**	**34**	

2013	Registered office	Assets	Liabilities	Revenues	Profit/ loss	% Int. held
Oslo S Parkering AS	Oslo	114	76	42	6	25 %
Interoperabilitetstjenester AS	Oslo	23	20	11	1	33 %
Fjord Tours AS	Bergen	21	8	33	3	43 %
TOTAL		**158**	**104**	**86**	**10**	

7 Investments in joint ventures

	2014	2013
Book value 1st of January	10	–
Acquisition of joint venture	–	10
Equity transactions	-5	–
NET BOOK VALUE 31ST OF DECEMBER	**5**	**10**

NSB AS interest in joint ventures is as follows:

	Year of acquisition	Registered office	Votes and profit share	Equity	Profit/loss	Book value 31st of December
Flåm Utvikling AS	2013	Aurland	50 %	50	40	69

The table above shows recognized equity, included this year's net profit (100 %).

Description of the nature of the Business:
Flåm Utvikling has for 16 years, along with NSB AS as a provider of train transport services, operated the tourism product; the Flåm line. Flåm Utvikling is to conduct product development, sale, marketing, customer management, and brand development of the Flåm line, as well as develop the foundation for commercial operations of the Flåm line all year-round. The Flåm line is the country's first complete all year-round mountain/fjord destination.

8 Inventory components and goods

	2014	2013
Components	462	411
Not completed parts	14	37
TOTAL INVENTORY	**476**	**448**

Note 9 | 10

9 Trade and other receivable

	2014	2013
Trade receivables	63	6
Group internal trade receivables	31	62
Less: provision for impairment of receivables	–7	–5
Trade receivables – net	**87**	**63**
Prepayments	293	210
Other receivables	213	132
TOTAL TRADE AND OTHER RECEIVABLES	**593**	**405**
Loans to group companies	3 717	7 644
TOTAL	**4 310**	**8 049**

The carrying amounts of the trade receivables, prepayments and other receivables approximate their fair value.
Trade receivables include mainly passenger train income.

Maturity of receivables:	2014	2013
Matured receivables on balance sheet date	27	12
Matured between 0 – 2 mnths ago	16	7
Matured between 2 – 6 mnths ago	1	3
Matured more than 6 mnths ago	9	2

10 Financial risk management

Liquidity risk	< 1 year	1-2 years	2-5 years	> 5 years
Short term liabilities	3 122	–	–	–
Borrowings	2 494	576	3 845	5 435
New trains	800	402	–	–
Property, plant and equipment	258	120	–	–

NSB assesses maximum credit risk to be the following:	2014	2013
Cash and bank deposits	2 032	993
Financial derivatives	2 252	1 436
Trade receivable and other short term receivables	593	405
TOTAL	**4 877**	**2 834**

Note 11 | 12

11 Derivatives

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate & currency swaps	2 252	–328	1 436	–279

The company does not use hedge accounting, fair value changes of derivatives are charged on a continuous basis to the income statement. Derivatives are classified as current assets or contractual obligations.

Changes in fair value of derivatives:	2014	2013
This period's change in fair value:	768	615
Accumulated change in fair value:	1 925	1 156

Interest rate and foreign exchange swaps
The notional principal amounts of the outstanding interest rate swaps contracts at 31st of December 2014 were 10 365 MNOK (2013: 11 585 MNOK). At 31st of December 2014, the fixed interest rates vary from 3,97 % to 4,64 % (3,10 % to 4,64 %) and the floating rates are mainly 6M NIBOR + margin.

12 Financial instruments by category

Assets	Loans and receivables		Assets at fair value through profit and loss		Total	
Year	2014	2013	2014	2013	2014	2013
Financial fixed assets	2	2	–	–	2	2
Derivative financial instruments	–	–	2 252	1 436	2 252	1 436
Trade and other receivables (excl. prepayments)	4 017	7 840	–	–	4 017	7 840
Cash and bank deposits	2 032	993	–	–	2 032	993
TOTAL	**6 051**	**8 835**	**2 252**	**1 436**	**8 303**	**10 271**

Liabilities	Liabilities at fair value through profit and loss		Other financial liabilities at amortised cost		Total	
Year	2014	2013	2014	2013	2014	2013
Borrowings (excl. Financial lease liabilities)	9 106	8 813	3 244	1 846	12 350	10 659
Derivative financial instruments	328	279	–	–	328	279
Trade and other payables excl. statutory liabilities	–	–	3 027	1 817	3 027	1 817
TOTAL	**9 434**	**9 092**	**6 271**	**3 663**	**15 705**	**12 755**

The following table presents the company's assets and liabilities that are measured at fair value at 31st of December 2014:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	–	2 252	–	2 252
TOTAL ASSETS	**–**	**2 252**	**–**	**2 252**
Borrowings and accrued interest	–	9 106	–	9 106
Derivatives used for hedging	–	328	–	328
TOTAL LIABILITIES	**–**	**9 434**	**–**	**9 434**

The following table presents the company's assets and liabilities that are measured at fair value at 31st of December 2013:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	–	1 436	–	1 436
TOTAL ASSETS	**–**	**1 436**	**–**	**1 436**
Borrowings and accrued interest	–	8 813	–	8 813
Derivatives used for hedging	–	279	–	279
TOTAL LIABILITIES	**–**	**9 092**	**–**	**9 092**

Note 13 | 14 | 15

13 Cash and bank deposits

	2014	2013
Cash and bank deposits	2 032	993

Includes restricted funds of 101 MNOK (2013: 99 MNOK).

14 Share capital and share premium

See note 19 in NSB Group report.

15 Borrowings

Non-current	2014	2013
Bonds	6 612	7 792
Bonds measured at amortized cost	3 244	1 846
Total	9 856	9 638

Current	2014	2013
Current share of non-current borrowings	2 193	721
Other current borrowings	301	300
Total	2 494	1 021
TOTAL BORROWINGS	**12 350**	**10 659**

Nominal value of long-term interest bearing debt	2014	2013
1st of January	8 261	7 343
Changes during the year	135	918
31ST OF DECEMBER	**8 396**	**8 261**

Fair value on bonds measured at amortized cost is MNOK 3 717 (2013: 2 031 MNOK) at 31.12.2014.

All existing bond issues have been issued under the Euro Medium Term Note loan programme (EMTN-Programme). The EMTN programme is a loan-documentation that NSB utilizes when bonds are issued. The EMTN-programme does not contain any financial covenants, except for an optional clause that requires that the State of Norway shall own 100 % of NSB.

NSB has a multicurrency revolving credit facility of 2 000 MNOK with a covenant that demands a minimum equity share of 20 %.

Fair value of the credit margin on bonds is based on market observations from banks and the price/exchange NSB bonds in the second-hand market.

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

Borrowings and swaps	2014	2013
6 months or less	3 665	3 246

Non-current borrowings expire in:	2014	2013
Between 1 and 2 years	576	1 876
Between 2 and 5 years	3 845	2 887
Over 5 years	5 435	4 875

Note 15 | 16

Effective interest rate at the balance sheet date:

		2014	2013
Bonds	NOK	3,51	3,73

Calculated effective interest rate includes the effect of interest rate swaps. The Group has swapped all exposure in CHF.

The carrying amounts of the non-current borrowings approximate their fair value.

Changes in fair value on non-current borrowings:	2014	2013
This periods change in fair value	814	559
Accumulated change in fair value	2 197	1 383

The carrying amounts of the Group`s borrowings are denominated in the following currencies:	2014	2013
NOK	4 652	3 765
CHF	7 698	6 894
TOTAL	**12 350**	**10 659**

The Group has the following undrawn borrowing facilities:	2014	2013
Floating interest rate		
- Expiring within one year	50	50
- Expiring beyond one year	2 000	2 000
TOTAL	**2 050**	**2 050**

The facilities that expire within one year is a bank overdraft related to NSB-Group bank account system.
The credit is for one year at the time and is renewed annually. NSB`s long term revolving credit facility expires in April 2017.

16 Deferred income tax/income tax expense

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

Income tax expense	2014	2013
Changes in deferred tax	92	318
TOTAL INCOME TAX EXPENSE	**92**	**318**

Note 16

Reconciliation between nominal and actual tax expense rate:	2014	2013
Net income before tax	1 039	932
Expected income tax using the nominal tax rate (27 % / 28 %)	281	261
Tax effect of the following items:		
Other non-deductible expenses	–	99
Other non-taxable income	-195	-4
Effect of change in income tax rate	–	-21
Insufficient tax provision prior years	6	-17
Income tax expense	**92**	**318**
Effective tax rate	**9 %**	**34 %**

Specification of the tax effect of temporary differences and losses carried forward:	2014	2013
Benefit (+) / Liability (–)		
Fixed assets	-4 940	-4 598
Inventories	5	-
Receivables	6	4
Value changes to financial current assets	317	260
Retirement benefit obligations	1 490	1 550
Provisions for other liabilities and charges	73	129
Gains (losses)	-27	-38
Losses carried forward	457	31
Other	561	560
Total	-2 058	-2 102
Net deferred benefit/liability on the balance sheet	**-556**	**-567**

The deferred tax benefit is included in the balance sheet on the basis of future income.

Deferred income tax assets	2014	2013
Deferred income tax assets to be recovered after more than 12 months	785	668
TOTAL	**785**	**668**

Deferred tax liabilities	2014	2013
Deferred income tax liabilities to be recovered after more than 12 months	-1 340	-1 233
Deferred income tax liabilities to be recovered within 12 months	-1	-2
TOTAL	**-1 341**	**-1 235**
TOTAL DEFERRED INCOME TAX LIABILITY (NET)	**-556**	**-567**

Note 16 | 17

Gross movement on deferred income tax:	2014	2013
Book value 1st of January	–567	–360
Income statement charge	–86	–231
Charged to other comprehensive income	103	126
Effect due to change in income tax rate	–	21
Effect due to change in income tax rate, charged directly to equity	–	–14
Tax effect Group contribution	–6	–109
TOTAL	**–556**	**–567**

17 Payroll and related expenses

	2014	2013
Wages and salaries, including employment taxes	2 227	2 136
Pension costs – defined benefit plans (note 18)	213	28
Other employee benefit expenses	29	29
TOTAL	**2 469**	**2 193**

Benefits for Chief Executive Officer and key management are referred to in the note for related-party transactions (note 26).

	2014	2013
Average man-labour year*	3 041	2 977
Number of employees at 31st Dec.	3 468	3 017

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

Note 18

18 Retirement benefit obligations and similar obligations

General
The Group has pension arrangements related to age- disability- and bereaved benefits for spouses and children.
Below is a further description of type of arrangements and how these are organized.

Defined benefit pension plan
The companies in the Group have several collective pension agreements that are handled by the Norwegian Public Service Pension Fund (SPK) or insurance companies that for the Norwegian companies satisfies the demands according to the law on public pension. The arrangement covers benefits from the pension basis up to 12G and results in a age- and disablity pension of 66 % of the pension basis when fully vested. The obligations connected to these agreements covers 3 126 active members and 1 698 retirees. The retirement benefit plans entitle defined future services that mainly are dependent on the number of contribution years and wage level at the time of retirement. The pension benefits received are coordinated with the National Insurance scheme and will also be dependent on its benefits paid out.

The companies have, through tariff agreements, retirement benefit obligations in affiliation with Early Retirement Pension Regulated by Contract (AFP). Obligations through this agreement cover 3 126 active members.

The additional defined benefit pension plan agreement for top leadership is not funded and will be paid through operations.

In the tables below, employment taxes (notional numbers) are included in both gross obligations and this year's expense.

Specification of net defined benefit pension plan obligations	**2014**	**2013**
Present value of earned pension rights for funded collective pension plans	6 270	6 398
Fair value of plan assets	-4 844	-4 889
Present value of unfunded obligations	1 426	1 509
Present value of accrued pension liabilities for defined benefit plan in unfunded obligations	64	39
NET PENSION OBLIGATION ON THE BALANCE SHEET	**1 490**	**1 548**

Changes in pension retirement obligations:	**2014**	**2013**
Book value net pension obligation 1st of January	1 548	1 439
This year's actuarial deviations	331	453
This year's pension earnings/increased obligation	177	233
Net interest expenses	48	42
Payments to pension schemes	-614	-414
Payments to plan	-	-205
BOOK VALUE 31ST OF DECEMBER	**1 490**	**1 548**

Pension expenses included in the accounts, defined benefit pension plan	**2014**	**2013**
Present value of current pension earnings, included as personnel expense - see note 17	213	233
Effects due to plan changes	-	-205
Total return on pension plan	213	28
Total financial items in the accounts	**48**	**42**
Total pension expenses defined benefit pension plan	**261**	**70**

Note 18

Sensitivity analysis with change in central assumptions
The table below shows estimates for potential effects with change in assumptions that significantly affects the defined benefit pension plans in Norway. Actual results may substantially differ from these estimates.

	Discount rate		Salary growth rate		Increase in G	
	1 %	-1 %	1 %	-1 %	1 %	-1 %
Increase (+)/decrease (-) this period's net pension expense in %	-27,5 %	22,5 %	21,4 %	-18,8 %	11,4 %	-10,6 %
Increase (+)/decrease (-) net pension obligation at 31.12. in %	-13,6 %	17,3 %	8,5 %	-6,3 %	9,3 %	-6,9 %

The Population is affected by a high pensioner population and high average age on participants that affects the sensitivity analysis.

The last few years' development in pension expenses and pension obligations shows the following:

	2014	2013	2012	2011	2010	2009
Income statement						
Present value of current pension earnings	213	233	228	178	157	166
Effect of plan changes	-	-205	-	-	-	-
Recognized actuarial gains	-	-	-	25	-54	21
Total cost in the income statement	213	28	228	203	103	187
Net pension interest expense	48	42	-3	6	2	-3
TOTAL FINANCIAL ITEMS IN THE ACCOUNTS	**261**	**70**	**225**	**209**	**105**	**184**
Financial position						
Total obligations	6 334	6 437	5 365	5 577	4 779	4 249
Pension assets	-4 844	-4 889	-3 926	-3 751	-3 569	-3 231
Total net pension obligations	1 490	1 548	1 439	1 826	1 210	1 018
Non-recognised actuarial losses	-	-	-	1 426	381	328
NET PENSION OBLIGATION AT THE FINANCIAL POSITION	**1 490**	**1 548**	**1 439**	**3 252**	**1 591**	**1 346**

Financial assumptions (defined benefit plans)

	2014	2013	2012	2011	2010	2009
Discount rate	2,80 %	3,90 %	3,80 %	2,80 %	3,80 %	4,50 %
Expected return on plan assets	2,80 %	3,90 %	3,80 %	4,00 %	4,60 %	5,60 %
Average salary growth	2,95 %	3,45 %	3,70 %	3,30 %	3,50 %	4,00 %
G-regulation	2,70 %	3,50 %	3,50 %	3,20 %	3,75 %	4,00 %
Corridor: % of max (PBO, pension assets)	0,00 %	0,00 %	0,00 %	10,00 %	10,00 %	10,00 %
Annual reg. of pension increases	1,95 %	2,75 %	2,75 %	2,45 %	3,00 %	4,25 %
Average social security tax	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %

Note 18 | 19

Explanation to selected assumptions 31st of December 2014
The discount rate has been set at 2,8 % and is determined with basis in preferential bonds (OMF). The OMF-market has been assessed to represent a deep and liquid marked with relevance to maturities that qualifies to be used as a reference for interest rate according to IAS 19.

Application of alternative assumptions with a reduction of the discount interest rate by 0,5 % and corrsponding changes to other assumptions adapted to the Group's population would result in an increase to the retirement benefit obligation by 127 MNOK before deferred tax.

Salary adjustments for Norwegian schemes is mainly calculated as the total of expected real salary growth of 1,0 % and inflation of 1,5 % and career salary increase of 0,25 % with some individual adjustments.

Regulation of pensions during disbursement mainly follows average salary growth (equivalent to G regulation) less a fixed factor of 0,75.

For the demographic factors, the tariffs K2013 and IR 73 has been used for determination of mortality rate and disability risk.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet day in respect of K2013 are as following:

Male	20 years
Female	21 years

Risk evaluation of defined benefit contribution plans
The company is affected through its defined benefit contribution plans by several factors due to uncertainties in assumptions and future development. The most central factors are described as follows:

Expected longevity
The company has assumed an obligation to pay pension to the employees for as long as they live. An increase in life expectancy among members results in an increased obligation for the company.

Yield risk
The company is affected by a reduction in actual yield on the pension assets, which will cause an increase to obligations for the company.

Inflation- and salary growth risk
The company's pension obligation has risk related to both inflation and salary development, even though the salary development is close related to inflation. Higher inflation and salary development than what is used in the pension calculations, result in increased obligation for the company.

19 Trade and other payables

	2014	2013
Trade payables	209	201
Group internal trade payables	2 035	767
Social security and other taxes	96	87
Other current liabilities	782	849
TOTAL	**3 122**	**1 904**

The amount due to related parties is in 2014: 6 MNOK (5 MNOK).

Book value of trade and other payables corresponds to fair value.
Other current liabilities include pre-paid revenue, accrued payroll and related expenses as well as other accrued expenses.

Note 20

20 Provisions for other liabilities and charges

Provisions for other liabilities 2014	Environ-ment. Pollution	Reorgani-zation obligation	Other	Total
At 1st of January	52	38	1	91
Used during year	-11	-9	-	- 20
TOTAL	**41**	**29**	**1**	**71**

Provisions for other liabilities 2013	Environ-ment. Pollution	Reorgani-zation obligation	Other	Total
At 1st of January	51	43	1	95
Change in provision during the year	1	-	-	1
Used during year	-	-5	-	-5
TOTAL	**52**	**38**	**1**	**91**

Analysis of total provisions:	2014	2013
Non-current liabilities	71	91

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 operator, the company 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. Known liabilities are quantified and a provision made in the accounts. Best estimate is used.

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.

Legal disputes
NSB AS is involved in legal disputes, where some of them will be tried in court. Accruals are made for disputes where it appears to be a probable and qualified risk of losing.

Note 21 | 22

21 Depreciation, amortization and impairment

	2014	2013
Depreciation current assets (note 5)	784	654
TOTAL	**784**	**654**

22 Other expenses

	2014	2013
Sales- and overhead expenses	710	514
Energy used in operations	177	200
Repair and maintenance, machinery rental, property expenses	308	121
Other operating expenses	1 572	1 642
TOTAL	**2 767**	**2 477**
Auditing fees (excluding VAT):		
Auditing	1	1
TOTAL	**1**	**1**

23 Financial income and expenses

	2014	2013
Interest income	529	631
Dividend	698	15
Group contribution	22	390
Net foreign exchange gains	4	42
Total financial income	**1 253**	**1 078**
Interest expense	-637	-611
Other financial expenses	-14	-360
Net foreign exchange losses	-5	-2
TOTAL FINANCIAL EXPENSES	**-656**	**-973**
Net financial expenses - pensions	-48	-42
Unrealised value changes	-51	112
TOTAL FINANCIAL ITEMS	**498**	**175**

Note 24 | 25 | 26

24 Unrealised fair value changes

The table below shows unrealised value changes in assets, liabilities and derivatives valued at fair value:

	2014	2013
Unrealized value changes derivatives used for hedging	757	602
Unrealized value changes bonds	-814	-553
Unrealized value changes intercompany loans	6	63
TOTAL UNREALIZED VALUE CHANGES FINANCIAL ITEMS	**-51**	**112**

25 Leases

	2014	2013
Lease of machinery/equipment, not incl. on the balance sheet	2	2
Lease of property (external)	12	18
TOTAL	**14**	**20**

26 Related party transactions

NSB has the following related parties:

Owner
As the owner of NSB, the Ministry of Transport and Communication is a related party. In addition, other businesses owned by the Ministry of Transport and Communication will also be a related party to NSB.

Companies within the same Group
All subsidiaries, associates and joint ventures as noted in notes 2, 6 and 7 as well as other Group companies that are related parties to these companies will be a related party to NSB.

Board of Directors and key management
Persons that are key management or on the Board of Directors are also related party to NSB.

Below is an overview of transactions, balances and guarantees to related parties:

	2014	2013
Sale of goods and services:		
Public purchase of passenger traffic services	2 919	2 784
Sales of other goods and services	396	350
TOTAL	**3 315**	**3 134**
Purchases of goods and services:	1 417	1 585

Note 26 | 27 | 28

Intercompany balances with related parties as a result of buying and selling of goods and services:

	2014	2013
Receivables:		
Group internal trade receivables	31	62
Associated companies	1	-
Entities owned by the Ministry of Transportation	1	1
TOTAL	**33**	**63**
Debts		
Group internal trade payables	2 041	767
Other companies in the Group	1	1
Entities owned by the Ministry of Transportation	5	21
TOTAL	**2 047**	**789**
Loans to related parts		
Other companies in the Group	3 717	7 644

There are no borrowings from related parties.

Guarantees
NSB AS has guaranteed for the pension obligations in case Nettbuss AS no longer would exist, which means that the transferring agreement of 1974 can be used. The consequence is that Nettbuss AS cannot make changes in its pension without first getting approval from the Board of Directors of NSB AS.

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

Compensation for members of the Board and key management
See note 32 in NSB Group report.

27 Contingencies

See note 33 in NSB Group report.

28 Events after the balance sheet date

See note 35 in NSB Group report.

Statement from the Board and CEO regarding the annual report 2014

The Board of Directors confirm that to the best of our knowledge the condensed set of Group financial statements and the financial statements for the parent company for the period 1. January 2014 to 31. December 2014 have been prepared in accordance with IFRS as determined by EU, with requirements of supplementary information in the Accounting Act, and that the information in the accounts give a true and fair view of the company's and Group's assets, liabilities, debt, financial position and profit or loss as a whole.

The Board of Directors confirm that the annual report give a true and fair view of the development, profit and position for the company and the Group, as well as a description of the most central risk- and uncertainty factors the company and the Group faces.

Oslo, 12th of February 2015

Kai Henriksen
Chairman of the Board

Bjarne Borgersen

Wenche Teigland

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norges Statsbaner AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Norges Statsbaner AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement 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 are 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 determine 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.

Deloitte.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norges Statsbaner AS and of the group as at 31 December 2014, 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 and the statement on Corporate Governance and Corporate Social Responsibility

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 in the statement on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit 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 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, 12 February 2015
Deloitte AS

Aase Aa. Lundgaard (signed)
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

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