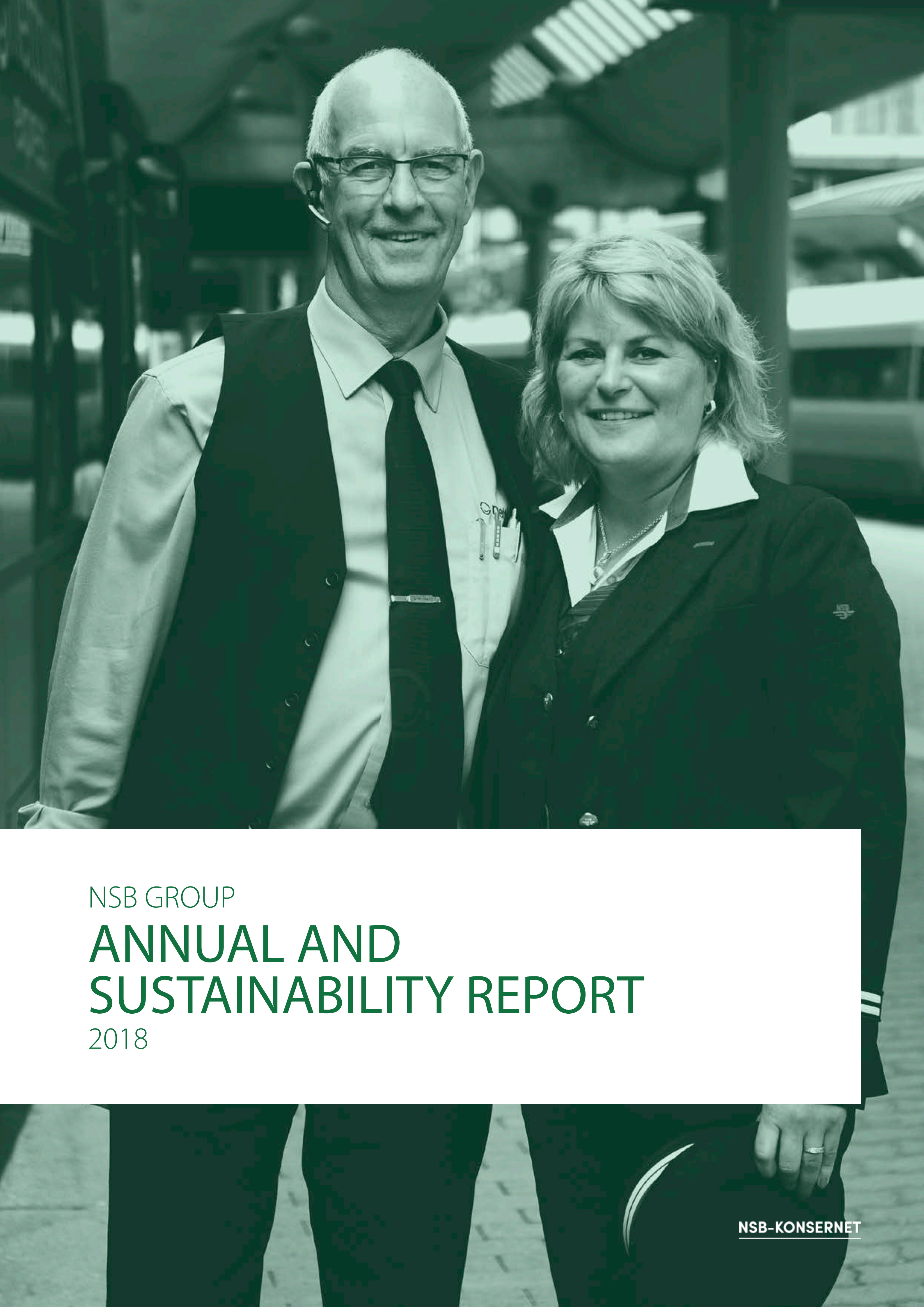

NSB GROUP

ANNUAL AND SUSTAINABILITY REPORT

2018

NSB-KONSERNET

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Customer happiness, cooperation and accountability

CEO Geir Isaksen summarizes the year that has passed.

Public transport is undergoing major growth, but private car use is still the most common way for people to travel. People want to travel in eco-friendly ways, but it must be easy and comfortable, and public transport is not readily available everywhere. In their day-to-day lives, people want to get to work and back home again and do all the things they need to do without wasting too much time. NSB wants to help people achieve this. Using "The Best Journey" as our vision, we have laid out plans in 2018 with regard to how the NSB Group should be structured and work in order to provide even better services for our customers.

New values

We have chosen customer happiness, cooperation and accountability as our new values. In order to succeed, we have to focus on customers as we move forward. If we can interact effectively with our partners in public transport and tourism, we can create new and improved solutions. And we will prove our accountability by putting customer and staff safety at the top of our agenda, taking responsibility for the environment and delivering strong financial results.

Customer happiness

NSB still transports 90 per cent of all rail passengers in Norway. The number of rail passengers increased by 6,4 per cent in Norway in 2018. This exceeded all our expectations. I am also very pleased to note that customer satisfaction among train passengers is improving throughout the country. Our customers are happier and giving good feedback to our staff, who deal with lots of different and demanding situations every day.

Our bus operations are doing well in the tendering market in Norway, and express coach operations are going well in both Norway and Sweden. Our bus customers are also satisfied, and Nettbuss Bus4You topped the annual Swedish Quality Index survey of transport companies in Sweden. Everyone working with our trains, buses and coaches, and everyone who comes into direct contact with our customers, has every reason to be very proud of the work they are doing.

Cooperation

We will gather all NSB passenger transport under a single brand. We are expecting great things from this. One collective identity will give us strength. Customers will receive consistent services across bus and rail services. They will soon be able to buy door-to-door travel using our shared digital platform. Wearing the same new uniforms will make our bus and train staff easier for customers to recognise. And internally, we will have new digital solutions that will make it easier to cooperate and communicate with one another across specialist fields and organisations.

We are launching new solutions for carrying our customers from door to door. We have tested city bike schemes, invested in technology companies working with autonomous buses and other mobility solutions, and we have recently launched 250 electric city cars in Oslo. We have also signed a letter of intent with Fjord1 concerning a joint travel company. This is just the beginning, and we are doing these things to reinforce the most important thing that we do: offer our train and bus customers even better services.

Accountability

Safety is our top priority every day. Public transport is responsible for few injuries, and travelling by bus and train is very safe. Our safety work is very closely linked to training and the development of a strong safety culture among our staff.

We take care of our environment, and do what we can to reach UN's Sustainable Development Goals. A representative sample of more than 6000 Norwegians voted NSB "Norway's most sustainable company 2018" in the Sustainable Brand Index, the biggest Nordic brand survey with sustainability in mind. The most important contribution that NSB can make to improving sustainability is to ensure that more people use public transport. Sustainability is thus at the heart of the group's business strategy.

Accountability also involves delivering solid results and making the most of the values that we are asked to manage. In 2018, the NSB Group had a turnover of NOK 15,9 billion and delivered a profit after tax amounting to NOK 466 million. This gives a return on equity amounting to 9,3 per cent.

Competition

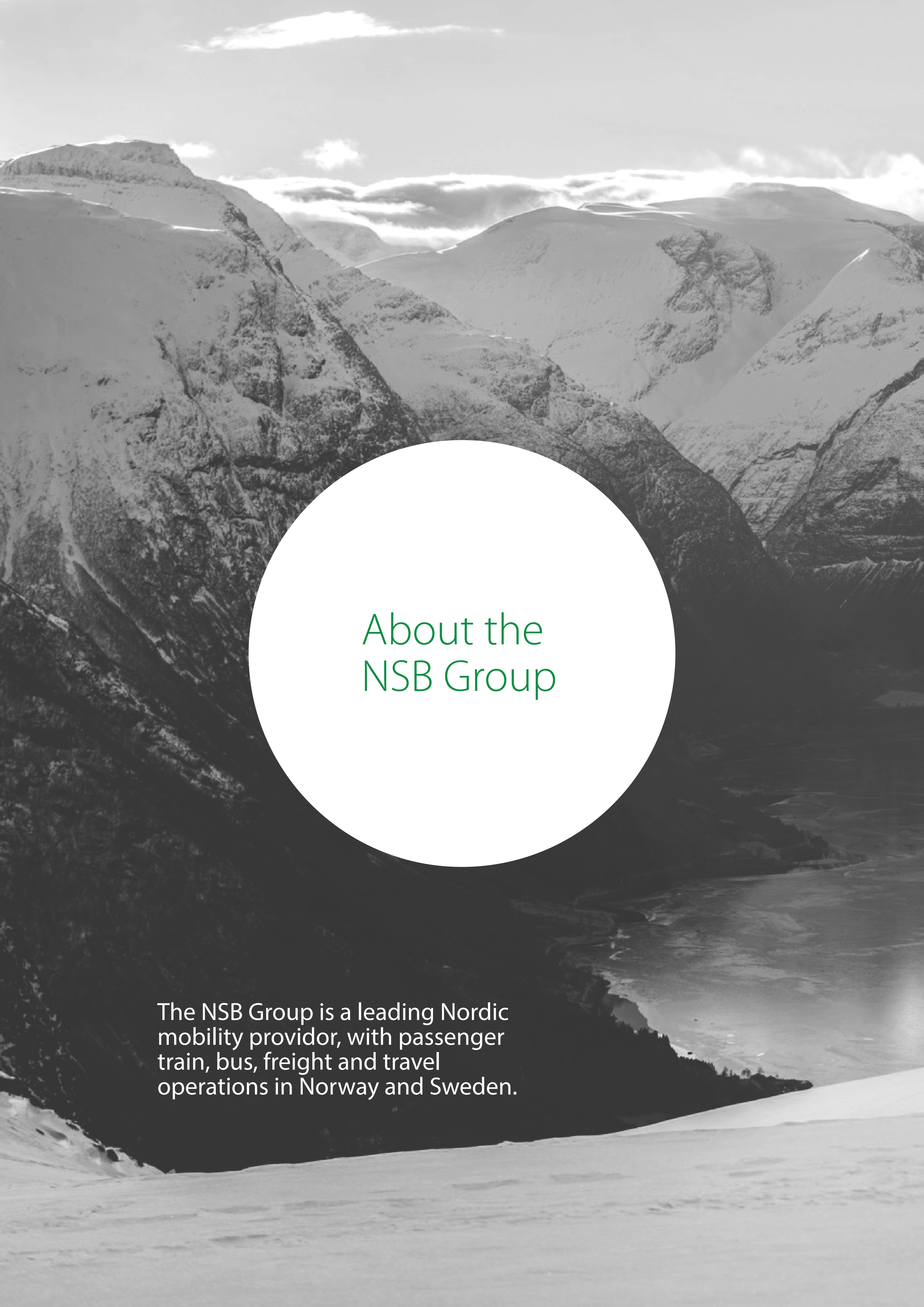
NSB is used to encountering competition in the bus industry, and in 2018 we have defended our position as a market leader in Norway. We have been competing for a number of years in Sweden a train operator, but competition has now been introduced into Norway as well. Unfortunately, we lost the competitive tender for the South Package, and as of December 2019 we will no longer be operating rail services on the Sørlandet Line, the Jæren Line or the Arendal Line. We submitted a good tender, but coming second in a competitive tender of this kind is no consolation.

Our freight operations have experienced major financial losses. In this regard, we have made some difficult but necessary changes in order to ensure robust and profitable operation. Freight transport by rail will be unable to survive in its present form unless the framework conditions for this business change.

Anticipation

2019 is set to be an exciting year. Decisions will be made on new competitive tenders for bus and rail services. Winning these competitive tenders will be hard, but we are well-equipped to do so. Gaining individual customers by offering good, smart solutions for door-to-door travel and persuading more and more people not to use private cars is every bit as important as winning these competitive tenders. This is a challenge that we are happy to accept!

Geir Isaksen
CEO



About the NSB Group

The NSB Group is a leading Nordic mobility providor, with passenger train, bus, freight and travel operations in Norway and Sweden.

Passenger train

Revenue 2018
8 724 MNOK
Full-time equivalents
3 184

NSB in Norway, including the Gjøvik Line, currently operates on a total of 26 routes serving 375 stations. Local, intercity and regional trains operate services to and from the biggest towns and cities in Norway and all stations in between. These trains were used for more than 70.7 million journeys in 2018, representing growth in excess of 6.4 per cent compared with 2017.

70,7

million journeys in 2018

Competitive tendering introduced into Norway

In October 2018, it was announced that Go-Ahead had been awarded the contract to operate rail services on the Sørlandet Line, the Arendal Line and the Jæren Line as of 15 December 2019. NSB's tender came second. In December, NSB submitted its tender for Tender 2 – North and the Dovre Line, the Trønder Line, the Meråker Line, the Rauma Line, the Røros Line, the Saltenpendelen Line and the Nordland Line. This contract will be awarded in June 2019. The tender documentation for Tender 3 – West and the Bergen Line and Voss Line sections (regional and local trains) was published in the same month. This contract will be awarded in December 2019.

15 600

station stops every day

Customers are pleased with NSB staff

NSB conducts a customer satisfaction survey in Norway twice a year. Our staff received an overall score of 84, which is very good. All NSB deliverables have also been deemed "Very good". Our lowest scores from customers were awarded for punctuality and information about changes to services.

6,4%

more train journeys

Passenger services in Sweden

Tågkompaniet is NSB's train service in Sweden, employing around 400 staff.

Tågkompaniet operates four different contracts in Sweden, from Kiruna in the north to Hässelholm (Skåne) in the south. In 2018, Tågkompaniet passengers made around 3.5 million journeys with Norrtåg, X-tåg and Värmland services. Krösatågen services, for which we took over responsibility in December 2018, will account for around 3 million journeys in 2019.

One train replaces

600 cars

Bus

Revenue 2018
6 218 MNOK
Full-time equivalents
5 385

Nettbuss is the biggest bus company in Norway operating just in Norway and Sweden. Its operations mainly involve contract services, but it also offers commercial express services (Nettbuss Travel). Nettbuss also operates and owns around 25 garages for heavy vehicles via its Team Verksted operation.

Nettbuss is responsible for contract services from Trøndelag in the north to Grenland in the south, and is responsible for a number of major contracts in western and eastern Norway. The Swedish arm of the enterprise operates primarily in south-west Sweden.

125,3 million
journeys with Nettbuss in 2018

New bus contracts won

Competition is becoming increasingly tough in the bus industry, with a great deal of pressure on margins and stringent requirements in terms of safety, quality and the environment. Nettbuss participated in a large number of competitive tenders for bus services in 2018. Contracts were both won and lost. Overall, we have retained our market leadership in Norway.

Express coach passengers very pleased

Nettbuss operates the Sørlandsekspressen service via its commercial enterprise Nettbuss Travel, carrying passengers from towns and cities in the west to Oslo in the east and Trondheim further north. Nettbuss Travel is also responsible for airport bus services to and from Værnes, commercial coach services between Oslo and Stockholm, and express coach services between Oslo, Gothenburg and Copenhagen.

8 years
in a row Nettbuss Bus4You has had Swedens most satisfied customers

According to customer surveys carried out in Norway in 2018, 77 per cent of Nettbuss Travel customers are satisfied with the service. In Sweden, Nettbuss Bus4You came out on top with the most satisfied customers in the annual Swedish Quality Index survey in 2018, for the eighth year in a row. Nettbuss Express came second in the same survey.

Freight

Revenue 2018
1 023 MNOK
Full-time equivalents
439

CargoNet is Norway's biggest transporter of rail freight. Its core business involves eco-friendly freight transport by rail in Norway and between Norway and Sweden. The rail network was opened up to competitive tenders for transborder freight traffic in 2003, and for domestic freight traffic in 2007. Via our subsidiary RailCombi, we own and operate terminals where we and other freight companies can load and unload trains.

A punctuality of 93,3%

Intermodal transport is a service for customers with their own containers (load carriers), who hire space on trains. This transport solution is based on shuttle services operating daily between the biggest towns and cities in Norway, and between Norway and Sweden.

Over 70% of all freight on rails are transported by CargoNet

System trains are what we call "charter trains", which are adapted to suit individual customers. Transporting timber, equipment for the armed forces or fuel to Oslo Airport Gardermoen are all examples of system trains.

Transport units are loaded onto and unloaded from lorries and trains at the intermodal terminals. Other services are available to customers as well, such as inspection of climate-controlled transport and storage of units at depots.

The green option

Freight transport by rail is the green option since a single freight train can replace up to 25 lorries on the roads. However, freight companies have struggled to remain profitable for many years. The competition with road freight is hard, and so CargoNet has implemented extensive streamlining and improvement measures while also working to improve framework conditions for rail freight.

A single freight train replaces 25 lorries

Mobility and Tourism

Mobilitet og Reiseliv – Mobility and Tourism

– is the NSB Group's initiative working with the development of mobility services and tourism. As regards mobility, we are working on developing a joint platform for travel planning and ticketing and the development of door-to-door services.

Door-to-door services

The first visible evidence of this initiative for customers was the launch of 250 electric city cars in Oslo at the end of the year. This – and a number of other initiatives involving offering customers door-to-door travel – will enhance our bus and train services and make customers less dependent on their own cars.

Sustainable tourism

As part of Reiseliv, we sell fjord and mountain adventures and cultural experiences to Norwegian customers, tourists and international tour operators. Most of these activities are run via the partly owned companies Flåm Utvikling and Fjord Tours. Work is in progress on developing more attractive tourist packages involving travel by rail, road and sea together with local tourism companies, and its services should be available via a digital tourism portal. A letter of intent has been concluded with Fjord1 concerning establishment of a joint tourism company in order to develop this market.

Group management

Geir Isaksen
CEO, NSB Group

Synne Homble
Executive director, Mobility and tourism

Morten Müller-Nilssen
Executive director, Organization and staff

Irene Katrin Thunshelle
Executive director, Finance and strategy

Arne Fosen
CEO, NSB Passenger Train

Ole Engebret Haugen
General manager, Nettbuss

Erik Røhne
General manager, CargoNet

Significant events

Bus

Four contracts won in Romerike

In April, Ruter AS awarded four Romerike contracts to Nettbuss AS. The total annual turnover for these contracts amounts to approx. NOK 390 million, and services will commence on 30 June 2019. This includes the areas of Eidsvoll, Årnes, Bjørkelangen, Gjerdrum/Nannestad and Enebakk.

44 metro buses

Nettbuss concluded a contract with Van Hool, Belgium concerning the purchase of 44 metro buses for the Trondheim 2019 tender. This metro bus purchase is an important element in the procurement of a total of 164 new buses for Trondheim and will form the cornerstone of the new public bus services from 3 August 2019.

Contracts won for Gjøvik and Telemark

Nettbuss was awarded a contract with Opplandstrafikk and signed a contract in June for the operation of bus services in Gjøvik. Nettbuss AS also won a major contract covering all of Telemark. This contract package includes a total of 90 buses and an annual turnover of around NOK 100 million. Nettbuss started work on the contract package for Nordhordland in May 2018. This includes 85 buses, with an annual turnover of around NOK 145 million.

New safety system being tested

The "Mobileye" system was demonstrated on April 24th. This system uses audible signals and symbols on small screens in the bus to alert drivers when its sensors pick up, for example, pedestrians and cyclists moving into the bus's blind spots. Nettbuss welcomes the introduction of blind spot technology on buses, which will help to increase road safety.

Electric buses in Sweden

Nettbuss operates three electric buses in Östersund (Sweden). This is the first Nettbuss contract in Sweden involving electric buses.

New green technology

In the Buskerud region, the new technology initiative has resulted in the installation of solar cell technology on ten buses. Nettbuss wants to focus on new technology and is also testing autonomous buses.

Satisfied customers

Nettbuss Travel Bus4You's services in Sweden achieved good results in customer satisfaction surveys. Sweden's Bus4You came out on top in the KTI survey carried out by the Swedish Quality Index. This survey includes the passenger transport field, which includes rail, air and bus services. Nettbuss Bus4You received the highest score of all the companies listed, while Nettbuss Express came in second place.

Testing autonomous buses

Autonomous buses have been tested in both Gjøvik and Kongsberg. Customers in Kongsberg were introduced to the first driverless bus in October. This is a partnership involving the municipality of Kongsberg, Brakar, Nettbuss AS, Applied Autonomy and the Norwegian Public Roads Administration. The project will last for nine months.

Passenger trains

New service agreements signed

Wednesday, 28 February 2018 heralded the signing of the new service agreements between the Norwegian Railway Directorate and NSB Persontog and NSB Gjøvikbanen. The service agreements for NSB AS and NSB Gjøvikbanen AS will remain in force until 2022 and 2024 respectively. These agreements regulate publicly procured rail services in Norway, which are not subject to competitive tendering.

New CEO for Tågkompaniet AB

Mats Gustafsson left his position as the chief executive of Tågkompaniet in Sweden on 23 August. The new chief executive is Dag Lokrantz-Bernitz. He took over on 28 November, and prior to this he was Head of Traffic for Hong Kong-based rail company MTR.

NSB named Norway's most sustainable company

A representative sample of more than 6000 Norwegians named NSB "Norway's most sustainable company 2018" in the Sustainable Brand Index, the biggest Nordic brand survey with sustainability in mind. "NSB is Norway's most sustainable brand in 2018 because Norwegian customers are mostly positive about the company's environmental accountability and social responsibility", according to the Sustainable Brand Index judges.

Punctuality challenges

The quality of our rail services, in particular on the Østfold Line, was not good enough throughout 2018. Infrastructure challenges due to a winter of heavy snow and hot summer weather, together with other signalling and line problems, resulted in poorer service punctuality than we have seen in the last few years. A lot of effort has gone into remedying the situation and punctuality has gradually improved.

New pension agreement

A new pension scheme for employees of NSB AS and Gjøvikbanen AS was adopted unanimously just before the New Year in 2017. Storebrand was selected as the company's pensions provider in 2018, and the new scheme will come into force as of 1 January 2019. The new defined-contribution pension scheme will cover all staff aged 55 or younger. Employees over 55 will continue with their pension scheme with the Norwegian Public Service Pension Fund.

Submitted tender for North

On 3 December, NSB submitted its tender for continued operation of rail services for North. This contract will be awarded by the Norwegian Railway Directorate in June 2019. It includes: the Dovre Line, the Røros Line, the Rauma Line, the Trønder Line, the Meråker Line, the Nordland Line and the Saltenpendelen Line.

Lost competitive tender for South

On 1 March, NSB submitted its first tender after the implementation of the Railway Reform. On 17 October, it became clear that NSB had not been awarded the contract to continue operating rail services on the Sørlandet Line, the Jæren Line and the Arendal Line. Go-Ahead Norge AS will be taking over from December 2019. NSB's tender came second.

Launch of Krösatågen services in Sweden

On Sunday, 9 December, NSB-owned Tågkompaniet took over rail services for Krösatågen. Krösatågen carries 2.8 million passengers a year, with the trains covering 5.8 million kilometres a year. These services operate from Halmstad in the west to Kalmar in the east, and from Tranås in the north to Hässleholm and Karlskrona in the south. Around 200 employees work on the production of these rail services.

Freight

Challenging situation for freight

A challenging economy and competition from road services forced CargoNet to take necessary action in autumn 2018 to ensure its continued survival. This resulted in a reduction in the number of routes on offer, fewer employees and a general adjustment of prices. CargoNet is working actively to improve profitability by improving framework conditions for rail freight, cost-reducing measures and strategic solutions for the company. The authorities are assessing various funding schemes for rail freight.

New terminal

A new railway terminal was opened at Heggstadmoen (Heimdal) near Trondheim on 1 June. CargoNet ran its first train to Heimdal on 20 August.

Transport for Biltema

CargoNet has started providing eco-friendly transport services for Biltema via its customer Bring. These transport services operate from southern Sweden to Oslo and elsewhere in Norway.

Winter problems

The winter of 2017/2018 presented a major challenge. This was due to issues such as large amounts of precipitation and low temperatures (down towards -35 degrees Celsius), which resulted in wagons being coated in ice and subsequent problems.

High delivery quality

Despite a demanding winter, the company achieved a high level of delivery quality throughout 2018, with average punctuality of 93.3 per cent. Historically, this is an extremely good figure and shows that, overall, we are providing a safe, reliable service.

Hot, dry summer

Transport services went well prior to the summer. A hot, dry summer led to many forest fires and a lot of rails buckling. This resulted in a significant number of train cancellations throughout the summer period.

Mobility and tourism

Din Bybil / Your city car

The NSB Group concluded a contract with Green Mobility for the introduction of 250 electric city cars in Oslo. This initiative focuses on future solutions for green, eco-friendly, cost-effective travel. This service is called Din Bybil and it is Norway's first so-called free-flow car sharing service. The service was tested towards the end of 2018 and will be launched early in 2019 for use by the general public.

Purchases

The NSB Group has purchased 26.3 per cent of shares in Go Mobile AS, a technology company in Kristiansand that has developed the Mivai taxi app and a flexible bus ordering service, Flexx.

Tourism agreement with Fjord1

The NSB Group and Fjord1 have signed a letter of intent concerning the establishment of a joint national tourism company. The company will aim to offer eco-friendly tourist packages all over Norway, develop new tourist destinations and contribute to year-round tourism.

Becoming more sustainable

The Norwegian people named NSB Norway's most sustainable brand in 2018. We really appreciate this distinction. We are sustainable thanks to our customers who choose to use public transport. But we cannot stop there.

Sustainability has been part of the DNA of the NSB Group for 135 years. We transport passengers and freight by road and rail in Norway and Sweden.

It was a great honour to be named "Norway's most sustainable company 2018" by the people of Norway in the Sustainable Brand Index, the biggest Nordic brand survey on sustainability.

Electrification, digitalisation and autonomous vehicles are about to change the way we travel. Despite this development, transport remains one of the sectors with the highest greenhouse gas emissions.

More than half of the world's population now live or work in towns and cities. According to Statistics Norway, Oslo is one of Europe's fastest growing cities. Population growth and urban growth provide opportunities, but they bring with them challenges as well.

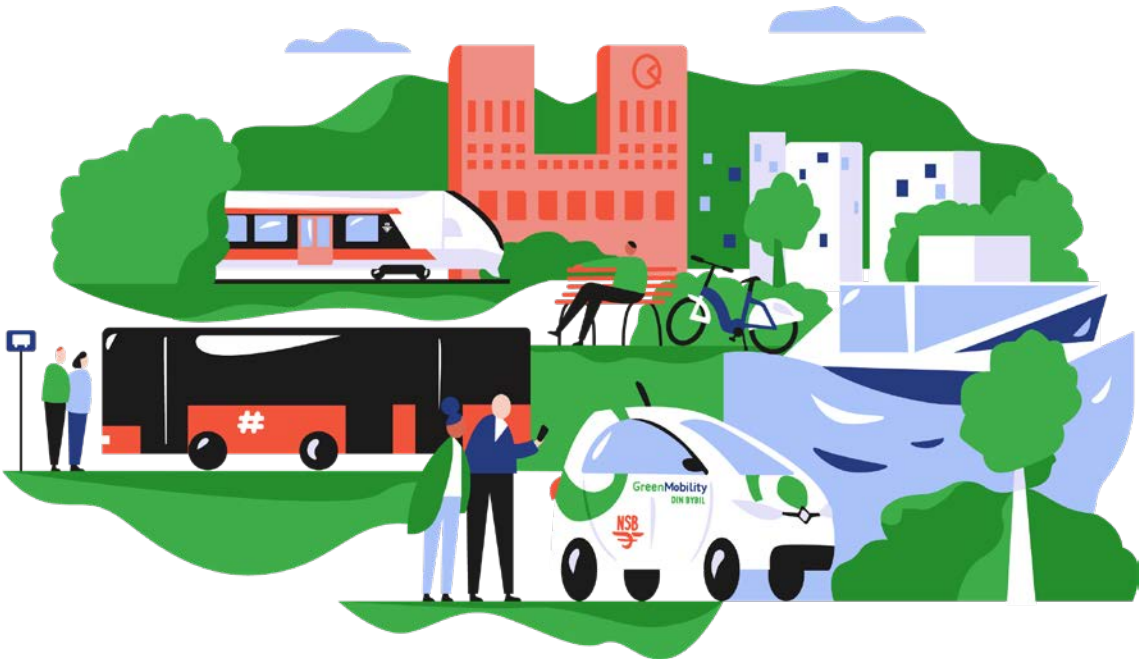
Traveling door to door

The transport solutions of the future must aim for zero greenhouse gas emissions, and more people must share the same resources. Even though the cars of the future are becoming more eco-friendly, public transport is still the most efficient, sustainable way of transporting people.

Our most important contribution to the UN's Sustainable Development Goals is to make it easier to use public transport. We want to offer door-to-door travel using various modes of transport, not just travel to and from train stations or bus stops. This will make it easier for people to live without owning a car.

More than just the climate

We are so fortunate in that the more people who travel with us, the more of a positive contribution we make to the environment. In 2017, the NSB Group saved Norway 675,575 tonnes of greenhouse gas emissions, equivalent to



the annual emissions from 340,000 cars.

Besides our climate contributions, we are helping to bring about a more sustainable society by allowing more people to share the same resources and relieve crowding on our roads. We are also helping to bring about health benefits such as fewer accidents, fewer local emissions and less noise. Surveys also show that people who use public transport walk more.

But we cannot stop there. Sustainability is an integral part of everything we do. We challenge our suppliers to make sustainable choices, and are constantly working to improve profitability. Diversity is becoming an increasingly important part of our sustainability work. We also want to help Norway develop more sustainable tourism based on scheduled public transport services.

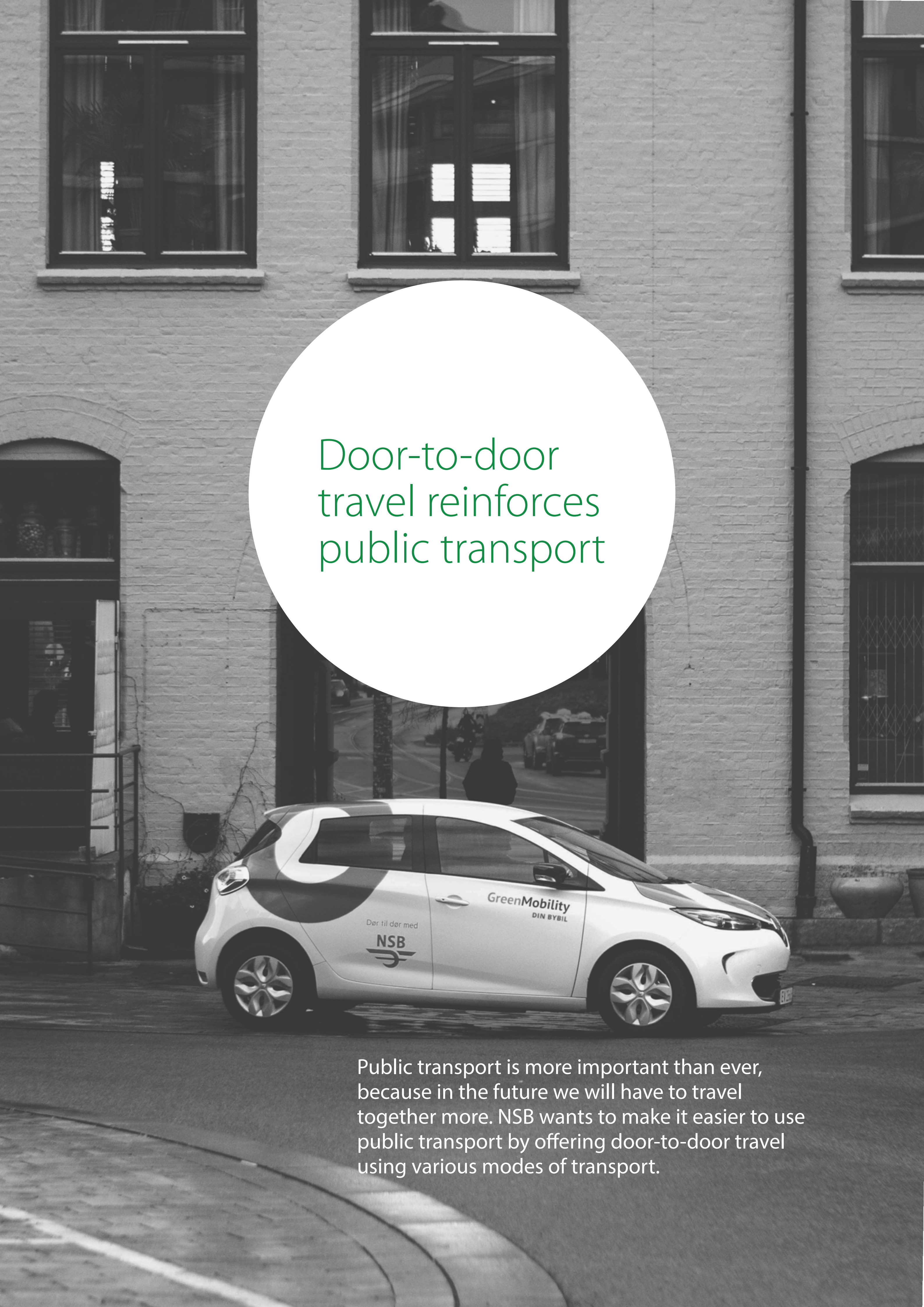
Norway can take ownership

Norway can be a country that shows the world how we can resolve sustainability challenges linked with transport. Among other things, the distance between the decision-makers and the market is short. This means it is important for Norway to take ownership of sustainable transport solutions.

All of us here at the NSB Group want to be part of that.

Read more about our work to reach the UN's sustainable development goals in the Sustainability report on page 29.

Door-to-door travel reinforces public transport



Public transport is more important than ever, because in the future we will have to travel together more. NSB wants to make it easier to use public transport by offering door-to-door travel using various modes of transport.

The advances in the transport sector are reminiscent of a science fiction film. The first Hyperloop tunnel will be completed in Los Angeles in 2019, and passenger capsules will be able to reach speeds of up to 1200 km/h. In California, autonomous cars are being tested on the roads without drivers.

There is still some way to go before these technological advances have a major impact on our day-to-day lives. For instance, although autonomous buses represent major potential they currently travel at slow speeds and have a driver aboard. Nevertheless, electrification, digitalisation and autonomous vehicles are about to change the way we travel.

Making public transport easier

Using public transport means you are helping to overcome some important societal challenges. A single train replaces 600 cars and is an efficient, eco-friendly way of getting into and out of towns and cities. Trains and buses must be at the core of travel in future.

Nowadays, many people still find it most practical to have their own cars. Although Norway is a world leader when it comes to electric cars, nine out of ten cars still run on fossil fuels. Greenhouse gas emissions are increasing, traffic jams are getting longer, and parking takes up a lot of space.

We should make it even easier to use public transport so that healthy towns, cities and societies can develop. Digitalisation and new technology are giving us new opportunities to offer our customers door-to-door travel using different modes of transport. This will make it easier for people to get by on a day-to-day basis without owning cars. In this way, the group's door-to-door initiatives are reinforcing its core business – travel by bus and train. In the NSB Group's new strategy, this initiative forms part of The Smart Journey.

250 city cars in Oslo

NSB is working hard. We launched 250 electric city cars in Oslo in early 2019. This service is called Din Bybil and it is Norway's first so-called free-flow car sharing service. This means you can unlock the cars using an app, drive wherever you like and park within a defined zone. You can pay by the minute or for a whole day, or subscribe to 20 hours a month.

NSB is working to reinforce public transport and develop new customer solutions that will make even more people want to use public transport.

Did you know that...

in December 2017, NSB became co-owners of **Applied Autonomy,** a company specialising in autonomous car and bus technology and carrying out pilot tests.

in april 2018 we purchased two **autonomous buses** via our bus company, Nettbuss. You can try the service for yourself in Kongsberg, where this bus operates a scheduled service.

NSB is testing new **new customer solutions,** and has run pilots involving city bikes, carpooling to stations (Samme Vei) and the Nabobil car sharing service.

we are working in partnership with **innovation environments** such as MobilityLab and are constantly on the lookout for new partnership opportunities.

in June 2018, we purchased a stake in **GoMobile**, a technology environment in Kristiansand that has developed the Mivai taxi app and a flexible bus ordering service, Flexx.

These are some of our partners

APPLIED AUTONOMY

GreenMobility YOUR CITY CAR

STARTUP LAB

GOmobile MOVING PEOPLE

Oslo Bysykkel

SAMMEVEI

Nabobil.no

Sustainability report

The best journey and the UN's sustainability goals

The main goal of NSB's sustainability work is to be better than the competitors at sustainability. In 2018 we have worked to clarify how the NSB Group's strategy, The Best Journey, contributes to meeting the UN's sustainability goals. The strategy ensures that we prioritise areas where we can contribute significantly and where, through targeted efforts, we contribute to fulfilling the UN's sustainability goals. In 2018, NSB was named Norway's most sustainable brand in the Sustainable Brand Index's award.

Our focus areas

The main areas for our contribution to the UN's sustainability goals are defined through stakeholder and materiality analyses. The focus areas have been allocated to the four components of the corporate strategy; the smart journey, the green journey, the safe journey and the profitable journey.

The most important sustainability area is to get more people to travel together so that transport growth is met by public transport. To make this happen we must meet the customer's expectations and needs, which we do through the smart journey. The green journey ensures that we are constantly working to reduce our climate emissions and our environmental footprint. The safe journey enhances safety and diversity, while the profitable journey ensures that we get the most out of our resources. In these areas we have set goals that are followed up monthly in the management of our business. The most important goals can be found in this report.

UN's sustainable development goals.

The smart journey

- Makes it attractive to travel collectively and reduce the need for a private car

The more people are traveling together, the more sustainable is their journey.

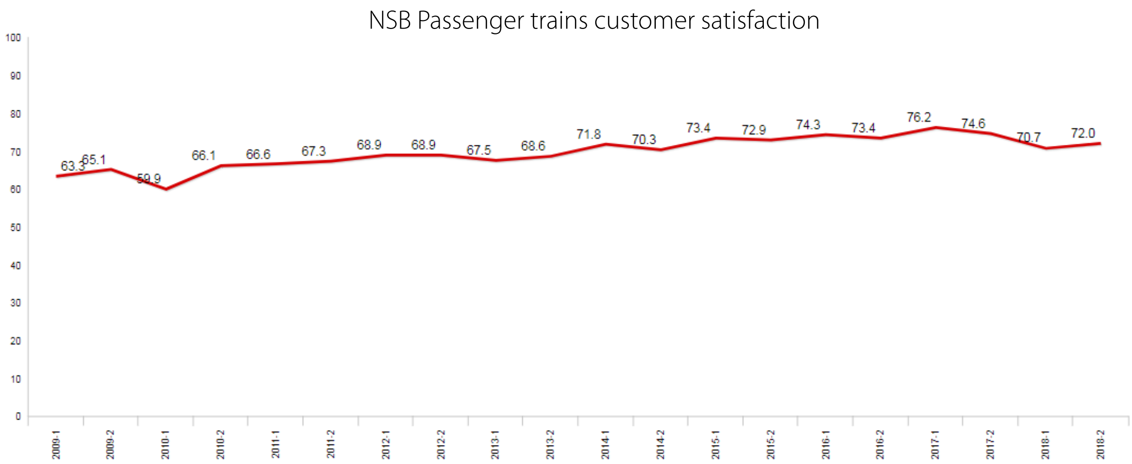
For people to travel more together it is required that we constantly work to make our customers satisfied by delivering an attractive travel offer. Our most important delivery is to offer an attractive public transport service by bus and train each and every day. We must help to solve capacity challenges and deliver quality throughout the customer's travel experience, with punctuality and regularity in the center.

Customer satisfaction

In the NSB Group, we are concerned with customer satisfaction and set goals for this. The measurement is used to give us feedback on the areas we need to improve on.

The passenger train operations measures how satisfied customers are with NSB's deliveries every spring and autumn. Satisfaction fell on the spring survey in 2018, mainly due to reduced punctuality and regularity after a winter with difficult driving conditions. In the autumn of 2018, the overall customer satisfaction level rose in all parts of the country and landed at 72 points. In particular, the feedback was good in the areas that were first exposed to competition, with NSB North at the top of the list. Our long-term goal is to increase satisfaction to 77 points.

Customers give good feedback to our employees, and on average, the on-board staff has a score of 84.
We also measure what customers think about ticket purchases, boarding, information on the train and cleaning. Here too, NSB delivered steadily at "very good" in 2018. The measurement is also good in comparison with the levels measured in the Swedish public transport market.



Below 60 is considered week, above 70 is considered strong. 75 and above is considered very strong.

The survey also shows that customers are less satisfied with the punctuality of the trains, and want better information when deviations occur. Problems in the train traffic directly impact how customers regard NSB. Clear feedback from customers on better punctuality and routing show how important it is for Bane NOR (the railway infrastructure manager) to carry out extensive maintenance and development, and we are therefore constantly working with Bane NOR to improve customer information and make sure traffic runs as smoothly as possible.

The customer satisfaction survey for Gjøvikbanen in 2018 resulted in 75 (74 in the spring and 76 in the autumn). The result of the autumn is all time high. Progress was made on ticket purchases, train comfort (new Flirt trains), handling of deviations and perceived punctuality, while there is a slight decline in the score for route offers and on-board staff as well as a somewhat larger decline in the score for service offering.

Customer satisfaction for our express buses in Norway ended at 77 points in 2018, a decline of one percentage point from last year. In the annual survey of the Swedish Quality Index, Nettbuss Bus4You has Sweden's most satisfied customers for the 8th consecutive year.

The weather affected the quality of delivery

In the passenger train business, punctuality is continuously measured, and there is a distinction between operator-dependent and total punctuality. Operator-dependent punctuality (where only delays due to NSB are included) is 97.6% for the year, which is on a par with last year. The total punctuality for NSB's passenger trains is 85.7%, significantly below target. There was weak punctuality at the beginning of the year linked to a severe winter, and too many faults on infrastructure after the summer's maintenance work. As of October, punctuality improved, and in December it was 90 %. Our goal is punctuality of more than 90 per cent.

The number of delay hours (total number of hours that passenger trains were delayed in 2018) was 14 749, compared with 11 994 hours in 2017. The main reason for the increase is a cold winter with a lot of snow, a dry and hot summer and a long period of maintenance on infrastructure that made the train operation challenging. The proportion of delays caused by factors that NSB is directly responsible for is just under 17 per cent, a slight improvement from last year. Operator-dependent regularity, i.e. the number of departures carried out compared to plan when cancellations due to infrastructure errors and planned track work are disregarded, was at 99.7 per cent, which is on a par with the target.

NSB Gjøvikbanen AS had an average punctuality of 79 per cent in 2018, compared with 89 per cent in 2017. The main reason is problems associated with severe winter and a lot of snow, as well as a hot summer that caused forest fires, damage to the rails etc. Operator-dependent punctuality was 98.2%. Our passenger train operations in Sweden achieved punctuality of 83 per cent, compared with 88.4 per cent in 2017. Here too, the main cause was a cold winter with large volumes of snow, especially in northern Sweden.

For the freight trains, rough winter conditions led to major operational problems and a large proportion of cancellations during the first five months of the year, after which the situation improved considerably. Punctuality has been good, and the average for the year was 93 per cent, which is similar to our long-term goal.

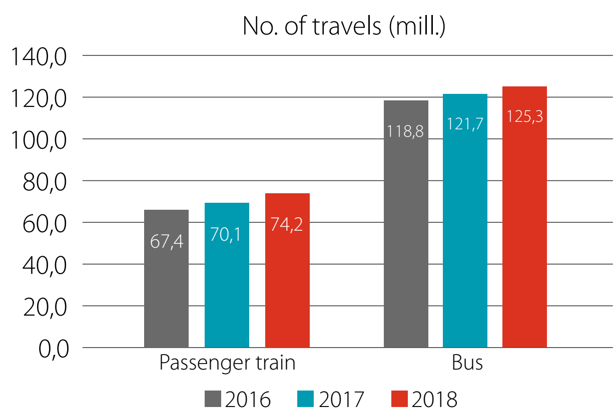
More people travel together

Volume development

The strong volume development for passenger train operations in Norway continues, and the number of journeys this year grew by 6.4 per cent.

The growth was greatest in commuter and local traffic in Eastern Norway and at Jæren, and there was also a positive development for the night trains.

In bus operations, the number of journeys increased by 3 per cent. The number of journeys in Norway and Sweden in 2018 was 86 (85.8) and 39.3 (35.9) million respectively, an increase of 0.2 per cent and 9.5 per cent. The increase is mainly



due to a change in the number of tenders being run, but there is also an increased demand for public transport in general.

The number of cargo units (TEU) transported by container shuttles in the freight business was reduced by 1 per cent in 2018. The main reason for the reduction is increased competition from both rail and freight transport by road. However, the number of kilometers driven in the freight business increased due to greater activity within the product system trains, which is dedicated trains to a main customer.

We have set internal targets for volume development up to 2023 for trains and buses.

NSB celebrates commuters

In May 2018 NSB launched a campaign that celebrates everyday heroes, commuters, those who do something as common as buying monthly cards and sitting on a train every day. The goal of NSB is to show how important public transport is for our society and the future. To show their tribute to the everyday heroes, the NSB foiled the trains with pictures of commuters. Tonje, Erik, Elsebeth, Henrik, Silje and Pål take the train every day, without thinking about themselves as heroes.

Every day, over 100,000 rail commuters contribute to shorter queues and less chaos in the cities, just by traveling together. A full NSB train during rush hour replaces an average of 600 cars. Furthermore, the commuters save the community from major climate emissions.

Last year alone, there were over 70 million train journeys in Norway, and on a single stretch in Eastern Norway, between Drammen and Lillehammer, there were 5.7 million journeys. This corresponds to more than the entire Norwegian population.

Improved capacity

By improving the capacity of sustainable transport systems, we contribute to the UN's sustainability goal number 11 on sustainable cities and societies.

Improved train service 2018

– More Flirt trains (Fast Light Innovative Regional Train)

In August 2018, Flirt train number 100 entered traffic in the eastern part of Norway, and increased the capacity for commuter traffic further. This means that we are fully in line with the plan for extensive improvement of the train service in Norway, which started with the phasing in of the very first Flirt trains in 2012. The contract for the deliveries of Flirt was entered into between NSB and the Swiss train manufacturer Stadler in 2008. In 2017, the contract was transferred to Norske tog AS, but it is NSB and Gjøvikbanen that run the Flirt trains.

– New Flirt trains at Vossebanen

In July 2018, the first new flirt trains finally arrived on the route between Bergen and Voss. It was the first time since the 1950s that this route had completely new trains. The train commuters at Vossebanen can, among other things, enjoy better seats, less noise, better toilets and power outlets for each seat. From July 2018 until March 2019, the old trains will be gradually replaced with 10 Flirt train sets.

– New Flirt trains at Gjøvikbanen

In the autumn of 2018, the entire old train park consisting of so-called type 69 trains was replaced with 10 new Flirt trains. The phasing-in of the new Flirt trains started in September 2017, with a new train set every month. The new trains on Gjøvikbanen lead to increased comfort for customers and better operational reliability.

– New double track between Larvik and Porsgrunn

On September 24, a new era started for those who commute by train between Grenland and Vestfold. The biggest gain was that the travel time was reduced by over 20 minutes. From 24 September, the train journey between Porsgrunn and Larvik takes only 16 minutes, and the journey time between Skien and Oslo was reduced from 2 hours and 39 minutes to 2 hours and 16 minutes. The travel time was reduced by further four minutes when the new timetable was implemented on 9 December 2018.

– Additional trains and "Literature trains"

NSB annually sets up additional trains in connection with busy periods such as Christmas and Easter holidays. In order to relieve the roads of car traffic and offer a more sustainable travel, additional trains are also set up for selected festivals and events.

In 2018, NSB ran "Literature Trains" for the fifth time with Her Royal Highness Crown Princess Mette-Marit and Norwegian authors to promote reading books.

Alternative transportation

In the summer of 2018, renewal and maintenance of the railway lasted for 6 weeks in total. During such periods NSB provides customers an alternative travel offer. This is demanding both in terms of logistics and information before and during the journey. Since the summer of 2014, Bane NOR has chosen to close off parts of railway lines for short, and sometimes longer periods for intensive maintenance work. As a result NSB chose to develop the program "Alternativ reise". The aim was to turn a potentially negative experience into positive reputation building by focusing on the customer's needs. In 2017, "Alternativ reise" won the DOGA award for good design. In addition, NSB works with Bane NOR, Flytoget, Ruter and the Norwegian Public Roads Administration to find as good solutions as possible for the customers in situations where alternative transportation is needed.

Smart ticket purchases

The smart journey requires smart ticket purchases, and customers expect it to be easy to buy the right ticket for their journey. Therefore, the NSB app is constantly being developed. In 2018, the NSB app broke a number of new records; among other things, the app passed 125,000 daily users in February and by September the app had been downloaded 2.5 million times. Furthermore, NSB updated the app a number of times and launched new features and campaigns. New launches in 2018 included a new control display, similar design for Android and iPhone and several types of push messages. In addition, the travel suggestions are now also shown with ticket prices. 37 000 customers have push notifications in the NSB app. The taxi service Mivai was launched in the NSB app in March, and from December 2018 it became possible to order NSB's new mobility service, Bybil, from the NSB app. The NSB Entertainment app was upgraded with Hopperguide, which offers "hidden" stories and useful information where the customer can choose language.

The service center of NSB

Other milestones for NSB's digital department in 2018 included turnover records for nsb.no of NOK 90 million in June. In the month before, Casebot was launched to relieve the Service Center that processes customer complaints. Casebot can both read and interpret outlay receipts which customers send us. On average, Casebot has resolved 10 per cent of all incoming cases at the Service Center since its launch. In total, the Service Center handled 68,000 cases and paid out NOK 8 million in reimbursements and compensations in 2018.

The green journey

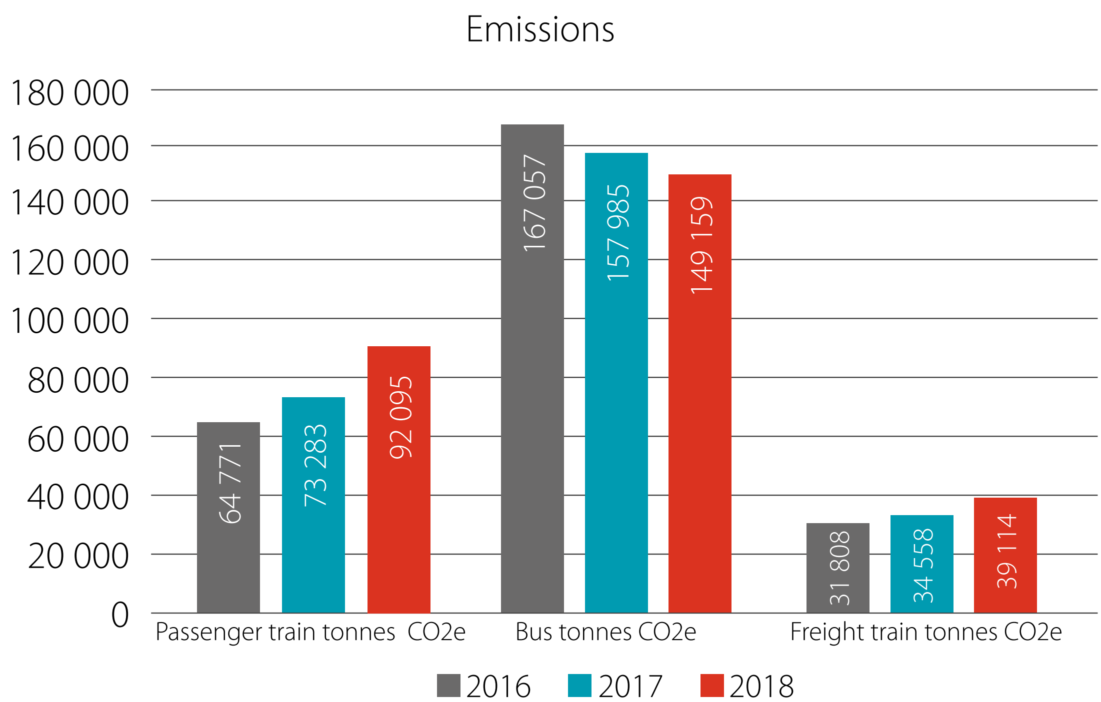
- Reduces emissions per trip

We take the protection of the environment seriously. According to the Paris agreement, Norway shall reduce greenhouse gas emissions by 40 per cent by 2030 compared to 1990 levels. The transport sector is the largest source of greenhouse gas emissions in Norway and must bear a significant part of the emission reductions in the years to come. The NSB Group must also take part in society's transition to climate-friendly transport. This is a public sector requirement, and consumers, especially the young, are increasingly emphasizing green solutions in their choices. The NSB Group will take a clear position towards customers and clients, and sustainability is a strategic focus area for the Group.

Sustainable reputation

In Ipso's annual profile survey "Large Norwegian Companies" NSB is among the best participants regarding social responsibility and environmental awareness, while the overall total impression of NSB in the survey declined from 22nd to 30th place.

Within environmental awareness, NSB



achieved a strong 3rd place in this year's survey, only beaten by Norsk Gjenvinning and Tine. It is one place down from 2017. In the area of social responsibility and morality, NSB took 8th place (no. 7 last year). In these two areas, we are at the top of the assessed transport companies, a level we are proud of and wish to maintain.

Climate gas emissions

NSB buys electricity with guarantees of origin for trains and buildings. By purchasing guarantees of origin, NSB helps support producers of renewable energy. The recommended standard for calculating and comparing energy consumption and greenhouse gases in transport services also includes the part of the supplied electricity that is not supplied with "clean" energy. NSB uses the Nordic power mix for calculating emissions from the use of electricity, and "Well to wheel" calculations when using diesel.

Emissions of greenhouse gases from NSB's bus operations have been significantly reduced in recent years. The main reason is transition to newer, more energy efficient buses, more energy efficient driving, and transition to renewable fuel. Emissions from passenger trains are increasing, mainly due to increased production and that the Nordic power mix we use as a reference for emissions in 2018 contains a larger proportion of fossil fuels. The energy consumption per seat kilometer and person kilometer is relatively stable. Due to defective power meters in some trains, it has been challenging to obtain accurate power consumption measurements, and the figures presented are our best estimate.

For freight trains, emissions have also increased, partly because of an increase in transported cargo and partly changed electricity mix.

If we adjust for a change in electricity mix, the NSB Group's total emissions from its own operations have been reduced by 1.5 per cent. In the period 2019-2023, we have set the goal of reducing the relative climate emissions measured in grams/ train seat kilometer by 10 per cent.

Climate gas emissions from suppliers (scope 3)

For 2018 on of our goals is to report on greenhouse gas emissions from suppliers related to their deliveries to the NSB group, in accordance with the international standard for climate reporting, Greenhouse Gas Protocol, Scope 3. We have made a selection of suppliers based on materiality. In this sample, we consider the reporting for train maintenance and alternative transport to be close to complete. Our best estimate is an emission of 9,000 tonnes of CO2 e, of which transport related to alternative travel amounts to 95 per cent and maintenance of trains 2.5 per cent. Overall, this estimate of the suppliers' climate emissions (scope 3) constitutes 3.3 per cent of the estimate for climate emissions from our operations (scope 1 and 2). In 2019 we will work with our suppliers to improve reporting on scope 3.

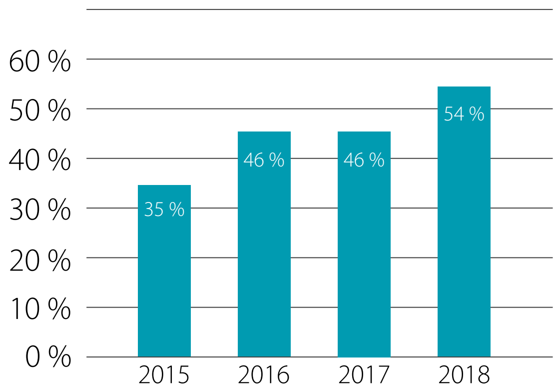
Energy consumption

Consumption of fossil fuels for bus and train driving is the most important source of climate emissions in the NSB Group. The NSB Group's competitive advantage is environmentally friendly transport, and we are therefore proactively working to provide mobility services based on renewable energy. At the same time, we are working to deliver as energy efficient operation as possible. As the NSB Group grows within environmentally friendly transport, our direct emissions will increase, while the savings for society compared to alternative transport (private car and truck) will also increase. For 2018, the saving is estimated at 761 228 tonnes of CO2 e, an increase of 12 per cent from 2017 (Source: Asplan Viak).

Energy consumption from the bus business

Emissions of greenhouse gases from NSB's bus operations (Nettbuss) have been significantly reduced in recent years. The main reason is a transition to renewable energy. Furthermore, the use of fleet management systems, which records fuel consumption, idling and driving style, among other things, has led to reduced fuel consumption and thus reduced emissions to the external environment.

Proportion of buskm. run by renewable energy



The use of alternative fuels such as natural gas, biogas and biodiesel has increased steadily in recent years, as have hybrid buses. The proportion of carriages driven by buses using HVO/ biodiesel or gas, is 54 per cent. This is an increase of 17 per cent since 2017.

– Biogas buses in Grenland

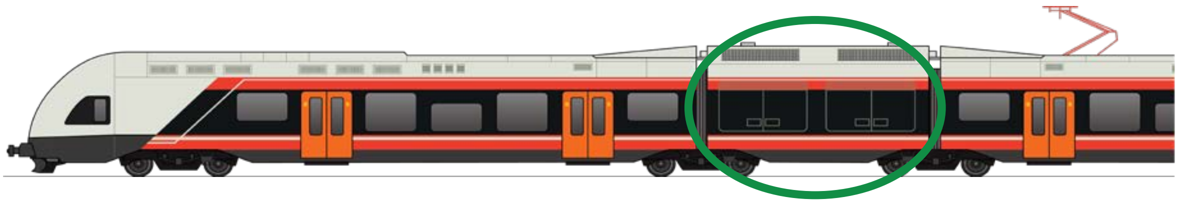
In June 2018, Nettbuss increased the number of biogas buses in Grenland in order to continue to fulfill the requirement from the principal that fifty per cent of the bus journeys should be run on biogas. With five new buses on biogas, in 2018 there were a total of 30 buses on biogas made from food waste in Grenland.

– Buses with solar panels at Hønefoss

In the early summer of 2018, the world's first three buses with solar panels on the roof rolled in the streets of Hønefoss. After the summer, they were followed by seven more. The solar panels provide power to the ticket machine, the air conditioner and the light in the bus. When the bus has generated a kilowatt of power, the bus saves one liter of fuel. This means solid savings for both finances and the environment. It is estimated this will save 30 tons of co_2 emissions a year and reduce electricity expenses accordingly.

– Nettbuss in Östersund received the municipality's environmental prize in 2018 for its work on introducing electric buses

At the award ceremony, Nettbuss emphasized its good cooperation with partners in public transport in Östersund; Region Jämtland Härjedalen, Östersund municipality and Länstrafiken. The main reason for the environmental award was



The bimodal Flirt train is actually a completely ordinary electric train set. The only difference is that it has a short wagon where diesel engines are located. These act as generators and supply power to the train's electric engines.
Source: Infokraft/Jernbanemagasinet

stated as:

«Nettbuss Bybussene Östersund sees opportunities to develop the business in a sustainable direction in a growing city. They invest in creating a journey that has less environmental impact."

Energy-efficient passenger trains

From 2013 to 2017, NSB had set the goal of reducing power consumption from passenger trains by 15 per cent. The result was an 8.3 per cent reduction in energy consumption per ton-kilometer. From 2017 to 2018, the relative power consumption has been stable. Challenges with power meters on the trains have made it more difficult to provide accurate measurements and specify actions.

On Gjøvikbanen, the old trains have been replaced, and 10 new energy-efficient Flirt trains with power feedback have been put into operation. This has resulted in a reduction in energy consumption of more than 6 per cent in 2018.

– New bimodal trains

In May 2018, it became known that Norske tog AS have exercised the purchase option of two of a total of 14 hybrid trains in the agreement to purchase Flirt trains from Stadler. NSB, which originally entered into the agreement, has been looking forward to being able to replace the 30-40 year old diesel trains. The first two bimodal Flirt trains will be introduced from April 2021.

Energy consumption in the freight business

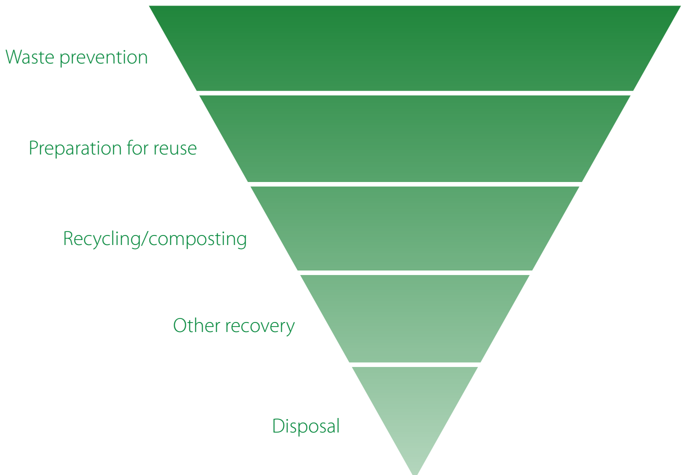
In 2018, the energy consumption per ton-km decreased by 1 per cent. Consumption is largely influenced by which routes are run and mixed between diesel and electric operation. The main measures are training in energy-efficient driving, measures on locomotives including during parking, and data capture and presentation of goal achievement for reduced energy consumption.

Freight transport by rail represents a considerably lesser burden on the environment than road transport. Our company relieves the roads for a large number of long trailer trips, thereby helping to reduce emissions, accidents and queues. In 2018, the NSB Group's freight business relieved the roads for approx. 165 000 long trailer trips, which make up about 700 trailers per weekday.

Waste

NSB is making priorities in the waste work based on the waste hierarchy.

The NSB Group does its utmost to ensure that waste is not placed on landfill or burnt without the energy being utilized in the process. Our goal is to focus on recycling opportunities and to constantly increase the degree of recycling. In purchasing processes, we will in the long term use the principles of circular economy as guidelines to avoid waste.



Based on organizational changes and changed interfaces related to the railway reform, it has been challenging to get an overview of the total volume and source separation rate for waste in 2018, especially for passenger train operations. For the bus operations, a waste volume of 987 tons with a source separation rate of 77 per cent was recorded. The corresponding figure for the freight operations is 1 654 tons, with a source separation rate of 100 per cent. For passenger trains, the best estimate based on available sources is 118 tons with a source separation rate of 79 per cent.

At NSBs and Gjøvikbanen's passenger trains, used bottles, paper and residual waste are sorted. Paper is recycled. Residual waste is transported to Norsk Gjenvinning for energy recovery.

Plastic

In 2018 we focused on gaining insight into the use of plastic in the NSB Group. In our bus business (Nettbuss), plastic packaging of new buses constitutes the most important plastic consumption. Nettbuss will therefore communicate to future suppliers of new buses to reduce plastic packaging.

In the train operation, food service and night train packages constitutes the most essential plastic consumption. In addition, plastic consumption in the administration was looked into in 2018.

On the trains, the biggest challenge in sorting plastics is that the recipient of the waste requires the plastic waste to be clean. Plastic waste in the NSB Kafé comes from food packaging, and is usually not clean. We are therefore working to remove oil-based plastic from the disposable packaging in NSB Kafé. Some of the packaging materials used for the food service on the trains is being replaced with products that are more environmentally friendly over a two-year period (2018-2019). During 2019 we estimate that 92 per cent of the packaging and accessories in NSB Kafé will be ecolabelled or bioplastic-based and be compostable.

Fleece blankets

At the end of 2018, NSB received a great deal of media attention related to fleece blankets that were distributed on our night trains. Many customers bring their carpet home after their journey, and NSB also collects carpets and passes them on to charitable organizations. However, from 2014 a large proportion of the carpets have been disposed of as garbage after only one use.

NSB has been working for a considerable time to find better solutions for the night train blankets, and from the autumn of 2017 new routines were gradually introduced. Customers themselves pick up blankets when needed. At the distribution, customers are also encouraged to bring the blanket home. As of April 16, 2018, this practice was introduced on all night trains, and it was well received by the customers. The results are highly satisfactory, and the decline in the use of carpets at the end of 2018 was considerable.

Chemicals

For freight and passenger trains, the suppliers of workshop and cleaning services use chemicals. This chemical consumption is controlled through requirements for suppliers and in supplier follow-up.

The bus operations use chemicals both in bus and workshop operations. Of 2,994 different chemicals, 158 are classified within hazard class 3-5 in the EcoOnline chemical register, a number that has been reduced in the last two years. Further work is underway on mapping needs and physical clearance of chemicals.

Water consumption

Nettbuss has in 2018 put special emphasis on water use for external washing of buses, and as the first in Norway the company has decided to Swan-label one of the bus washing plants. The work on the Swan label bus wash facility started in the autumn of 2018, and the Swan label is planned to be completed in 2019.

Undesirable events to the environment

In the passenger train operations, unwanted events to the environment, including accidents where animals are hit by the train, are handled by officers who work within the area of traffic safety, external environment and working environment. Other environmental aspects handled within this area are emissions to water and land and noise complaints. There were no significant emissions or noise complaints in 2018 in the passenger train operations.

The bus operations experienced two significant spills in 2018. In April, 11 300 liters of HVO diesel was spilled from a filling plant at Bøverbu in Toten municipality. The plant was hit by a snow clearing tractor, and the subsequent environmental technology analysis identified 277 m2 of contaminated mass which was delivered to an approved landfill. In addition, a number of measures were implemented such as the establishment of an oil separator plant and draining ditch, and physical protection of the filling plant. All done in collaboration with Toten municipality. The second discharge was 200 liters in Kristiansand. Here too, measures were immediately implemented. Work on cleaning up and getting an overview of the costs associated will be completed during 2019.

The safe journey

- Ensures safety and diversity

We have set the target for 2020 that the NSB Group shall be the Nordic industry leader in traffic safety and HSE. The following three areas are prioritised:

- Traffic safety: Safe transportation for people and goods
- Safe customers: Customers should experience a safe journey, which is predictable with regard to time and quality, and with safe handling of personal data
- Satisfied and confident colleagues: Our employees must have a safe workplace, which is developing and motivating for the employees

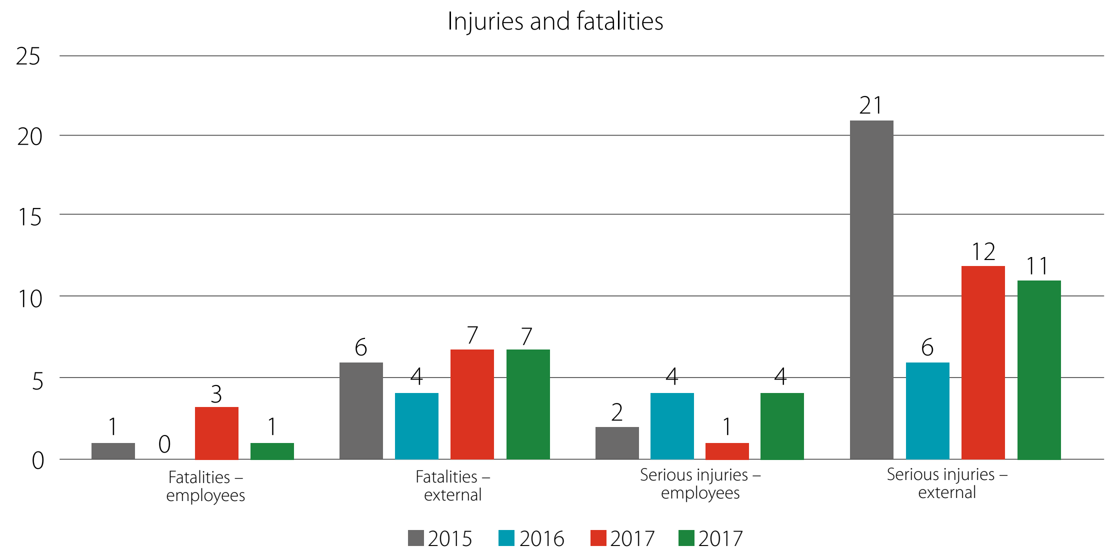
We have set as a goal that in the period 2019-2023, serious injuries to customers will be reduced by 33 per cent, and employee injuries to be reduced by 40 per cent. During the same period, sick leave shall be reduced by 14 per cent.

Traffic safety

Traffic safety is central to the culture of the NSB Group, and the employees have high competence and take pride in the traffic safety work. We work in all of the Group's businesses to further reduce unwanted incidents and dangerous situations, so that we avoid injuries and deaths related to our business.

Injuries and fatalities

One passenger died as a result of the NSB Group's transport activity in 2018, due to a fall between the train and the platform. One employee in service died in the bus operations related to failing health, four fatalities of external parties related to collisions in the train operation were



recorded, and two in connection with collisions/ meeting accidents in the bus operation.

Traffic safety related to rail

In the NSB Group there have been 28 incidents defined as railway accidents according to regulation in 2018. The number of railway accidents has increased from 2017, mainly due to several collisions with objects/ persons on the track and several cases of broken power supply cables. The accidents are followed up according to established procedures, and internal investigations are implemented when needed.

The causes behind many of the incidents are outside the Group's direct influence. Systematic work is being done on recording unwanted incidents and reporting them to the infrastructure manager. Traffic safety work is a high priority and audits, risk management and goal management are used to influence the risk both internally and in collaboration with others. Work on emergency preparedness ensures that any damage is limite

Accidents involving animals

In 2018, 2 804 animals were hit on the Norwegian railway (636 more than in 2017). The deviation from last year arose during the period January-April and is assumed to be mainly due to rough winter conditions with a lot of snow. Animals pulled towards areas with less snow depths such as train tracks. NSB's share of the total number of collisions does not appear from the statistics.
Bane NOR is the infrastructure manager and thus coordinates preventive measures to reduce accidents involving animals. They have developed an action plan to reduce collisions, which include vegetation clearing, setting up fences along tracks, warning systems and speed limit reductions. The train companies, including NSB, are responsible for notifying train management of accidents involving animals.

Traffic safety in bus operations

The NSB Group's bus operations, Nettbuss, carry large volumes of passengers daily, and have responsibility for ensuring that everyone arrives safely, while no other road users are injured. Nettbuss has established targets for traffic safety and measures driving style impacts and injuries. This is followed up at company, department and individual level. Local risk assessments on traffic safety are updated annually. Nettbuss is certified according to ISO 39001 Traffic Safety.

After tragic fatal accidents in 2017, where three of our drivers were killed, there has been a special focus on the collision safety for the person in the driver's seat for buses in class 1. The work environment committee has contacted the Ministry of Transport about the requirements for driver safety, and on this basis the Norwegian authorities in the autumn of 2018 raised the issue in the vehicle technical expert group GRSG in the EU. Unfortunately, no stricter requirements were decided at that time. Other European countries wanted a survey of the extent of accidents before changing the legislation.

In 2018, there were no driver fatalities caused by collisions. One driver died of failing health while driving. From 2019, Nettbuss will offer voluntary health checks to all drivers over the age of 60 who are in the middle of the period for renewal of their driver's license. This means that health control intervals are reduced from 5 years to approx. 2.5 years.

Information security

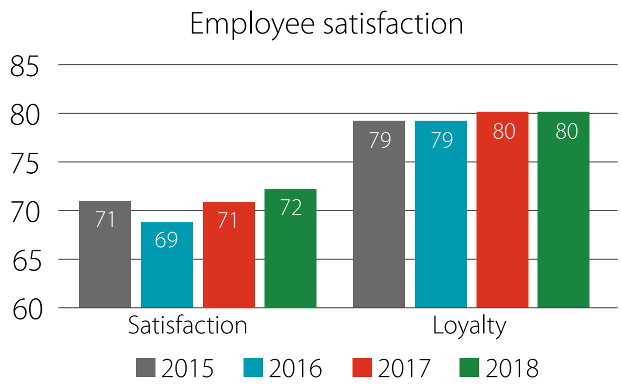
In 2018, the EU's new Data Protection Regulation (GDPR) came into force. The new regulation shall ensure privacy, that is, our right as individuals to privacy and the possibility of preserving our integrity. This is a right the NSB Group takes very seriously and wants to secure for both our customers and employees. As early as in 2017 we initiated a project to prepare for the new regulations. Measures that the project has worked on include creating a privacy policy, thoroughly identifying which personal information we handle, what purpose and which sources we use, updating and establishing new routines and processes and updating agreements with suppliers. In 2018, we also employed a privacy officer to assist the Group in complying with regulations and established routines in the area.

Satisfied and safe employees

At the end of the year, the NSB Group had 10 999 employees, of which 2 219 are temporary employees and 2 712 are part-time employees. The largest share of part-time and temporary employees is in the bus operations. The number of full time equivalents is 9,008. Of the Group's employees, 1,664 work in Sweden.

Employee satisfaction

In our employee survey (MTA), we measure two key indicators; "Work satisfaction", which summarizes how our employees experience the key factors that affect the efficiency of work, and "Loyalty", which gives an indication of the intention to resign among our employees.



Both job satisfaction and loyalty are high in the NSB Group. This is an important basis for a period of major changes for the Group. There is an increase in satisfaction both in the bus and passenger train operations, while in the freight business, which has had a demanding year with staff reductions and major financial challenges, there is a clear decline.

In 2018, the Group as a whole achieved a score of 72 points for "Work satisfaction", an increase of 1 point from 2017. For "Loyalty", the result was 80, similar to the year before.

The Group has a well-established work process related to the MTA survey. Tools have been established for identifying and following up improvement measures, and feedback meetings are conducted for managers and employees, as well as own reviews in local and central working environment committees. This work takes place both at the company and department level and at the individual level in connection with the implementation of employee interviews.

Sick leave and LTI (Lost-Time Injury)

Safe employees are the basis for customer safety. We can only create the best journey if employees experience a safe and evolving workplace, and are motivated to help realize the Group's vision and goals.

Absence due to sickness has decreased by 2.5 per cent, mainly due to a reduction in bus operations and within cleaning. Injury to employees measured by the LTI index has decreased by 9 per cent, mainly due to a reduction in the passenger train business. The freight business still has a number of injuries considered too high, especially at the terminals.

To achieve even more satisfied and safe colleagues, we will implement the following strategic initiatives:

- Increase the Group's follow-up of HSE internally and towards suppliers, and reduce the number of injuries among the employees.
- Increase the Group's follow-up of absence due to sickness, with emphasis on the transfer of expertise and joint efforts.

– Lifestyle Courses

One measure to reduce absence due to sickness has been to offer a lifestyle course. Here the participants learn to create a healthier everyday life. Among the topics on the course were shift work and meal frequency, physical activity, partying and alcohol, mental training and burning calories. In the spring of 2018, 25 per cent of the employees in Bodø chose to attend the lifestyle course. The nine participants lost in total 34.9 kilos, and reported increased well-being and a better mood.

Ethical guidelines

In the NSB Group, we have established ethical guidelines and guidelines for corporate social responsibility, which include the relationship with human rights, labour rights and work against corruption. The work on gender equality and equality among individuals is elaborated on in the Group's personnel policy principles:

- All employees of the NSB Group are equal, regardless of gender, age, disability, sexual orientation or religious, ethnic and cultural background.
- We want a broad and diverse range of managers and employees, where individual qualities are respected and valued.
- A more even balance between women and men is desirable at all levels of the Group, and should be emphasized in recruitment and competence development.

As part of this work, we have established an internal notification channel.
In 2018, 8 notifications were received related to bullying/ discrimination / harassment, and these were handled in accordance with established guidelines. There has been an increase in the number of notifications in the last 3 years, mainly due to the fact that the Swedish business

is now included in the notification channel.

Human rights and labour rights

Our business takes place in Norway and Sweden. Here, the handling of human rights and labor rights is well taken care of in the arenas where the employees and the company's management meet to safeguard such conditions, and our employees have rights that are well defined through collective agreements. The employees are represented on the company's board of directors, and a working environment committee has been established which regularly holds meetings.

Work and training against corruption

In 2018, the NSB Group continued its work on internal control, including risk analysis regarding fraud/ corruption. Our businesses have prepared risk analyses related to fraud and corruption, and implemented internal control measures to minimize this risk.

In the passenger train and freight operations, ethical guidelines form part of the employment contract for new employees. In the bus operations, ethical guidelines are available in the leader's guide (intranet), personnel manual and are mentioned/ linked in the driver manuals. Training in anti-corruption work has been given to key personnel in all businesses as part of this year's internal control project, and the freight business has introduced e-training related to our ethical guidelines. We have created a notification channel according to the requirements of the Working Environment Act.

Internal control

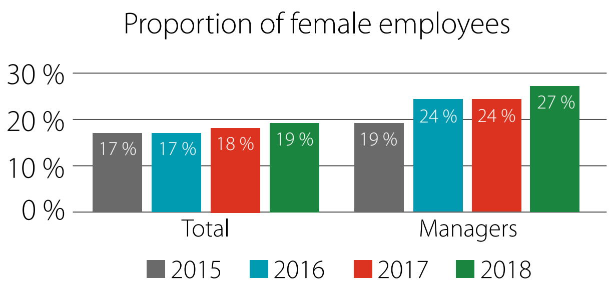
Based on data collection from our systems, an external advisor has analysed status and recommended surveys and improvements in our systems, routines and practices. During the work, no serious errors and/ or incidents related to fraud/ corruption have been found, but the analyses have provided a basis for measures to improve databases and internal processes. We are not familiar with any criminal prosecution initiated against our companies or employees related to corruption. The management groups and the board of directors of the NSB Group were informed of the status and development of internal control during the year.

Diversity

– Proportion of female employees and management

The proportion of women in the NSB group is 19 per cent. The proportion of women in the Group's units varies between 12 and 29 per cent. In the NSB Group's board of directors, the proportion of women among the shareholder-elected representatives is 40 per cent, in the corporate management 29 per cent, while in the business areas' top management groups it varies from zero to 43 per cent.

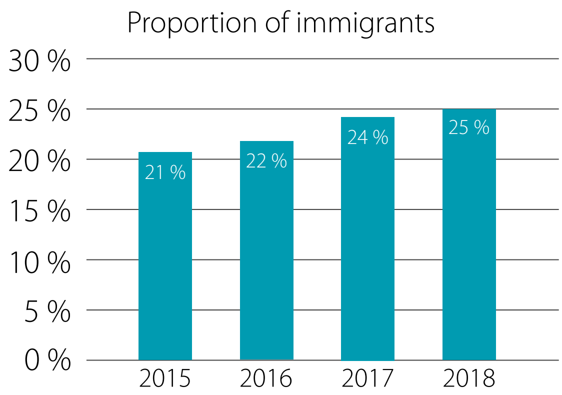
The proportion of women in middle management positions is 27 per cent, and



is higher than the proportion of women among all employees. Women's average wages vary between businesses, from 88 to 105 per cent of men's average wages. The main reason for the difference is position and seniority. Average working hours for women are marginally lower than for men.

– Immigrant proportion

The immigrant proportion in the NSB Group is 25 per cent, an increase of one percentage point from 2017. The largest immigrant proportion is recorded in the operational staff within cleaning and the bus operations. However, the proportion is growing within all our business areas.



– NAV diploma for the Nettbuss department in Lommedalen

In July 2018, Nettbuss' Lommedalen department in Bærum received NAV's diploma for the month's best work integration. The department in Lommedalen has employees with backgrounds from 25-30 nations, and extensive work is being done to preserve their well-being in a good working environment. Language training for employees is an important measure. Furthermore, emphasis is placed on close individual follow-up of employees who are struggling with health problems.

– Basic education with 26 participants from 15 nations

In 2018, Nettbuss' training facility in Drammen had a flying start of the new year; they introduced a multicultural bus driver's course in line with the NSB Group's sustainability work. Participants from 15 different nations were present. After the new bus drivers completed the course in Drammen, they were ready for the local training in their respective departments in Kristiansand, Grenland, Drammen, Vikersund, Fredrikstad, Furubakken and Gardermoen.Gardermoen.

The profitable journey

- Provides efficient use of resources

The profitable journey will provide quality and value for money. The journey should be profitable for us, the customers and the community. One of several characteristics of success in this area is that we are developing our offer and winning tenders in many of the competitions where we participate. The owner of the NSB Group has set goals for our profitability over time, and we aim to achieve those goals while at the same time it must be profitable and sustainable for customers to use services we offer.

Nettbuss won the largest agreement ever for bus traffic in Oppland

Never before has Opplandstrafikk entered into a larger contract than the one signed with Nettbuss AS in June 2018. It meant that Nettbuss will run the routes in Gjøvik for the next 10 years, and invest in 64 new buses. Nettbuss fulfilled all requirements Opplandstrafikk had for safety and environment. Furthermore, bus customers in Gjøvik can enjoy the increased comfort and standard of new buses, and an increase in bus services by 13 per cent. In addition, all buses must have a defibrillator and free internet access. The start date is June 24, 2019.

On December 9, 2018 Tågkompaniet took over train traffic on the Krösatågen. The start-up was hectic, but successful. All trains ran from day one completely according to timetable. Krösatågen's highly motivated employees thus fulfilled great expectations of delivering regularity and punctuality, and are looking forward to following up in 2019 on their approximately three million trips.

NSB's focus is on renewal and growth

In order to adapt to the competitive situation of Norwegian railway lines and rigging for the future, NSB established a mobility unit on January 1, 2018. The mobility unit will work with future solutions and development of customer-friendly journeys from door to door; The smart journey in the NSB Group's strategy. The first investment was in the entrepreneurial business, Applied Autonomy, which supplies self-driven vehicles, and where Kongsberg Innovation is the company's largest owner. They are an incubator for technology companies, and together with Nettbuss they started testing self-driven buses in 2018.

The introduction of Din Bybil in cooperation with Green Mobility is our latest new venture, where we offer a concept for easy sharing of 250 electric city cars in Oslo. Trial operation was initiated in December, and full start-up in January 2019.

Sustainable tourism

Based on its leading positions in environmentally friendly transport by land and sea, NSB and Fjord1 agreed in 2018 to establish a joint national tourism company. The goal of the tourism company is to offer environmentally friendly travel packages throughout Norway, develop new tourist destinations and contribute to year-round tourism. Fjord1 is Norway's largest ferry company and owns 50 per cent of The Fjords, with the hybrid ship Vision of the Fjords and whole-electric Future of the Fjords as important input factors.

Responsible procurement

In the NSB Group, we strive to be a responsible buyer, who specifies both requirements for quality, the environment and the safeguarding of human and employee rights in our procurement.

The NSB Group buys goods and services as well as fixed assets for approximately NOK 7.5 billion a year from just over 6,000 suppliers. Of these, just over 20 per cent are registered outside Norway, of which the most significant share relates to purchases in our Swedish bus and train operations. Efforts to ensure compliance with social and ethical requirements in the value chain are therefore an important part of the Group's work on social responsibility. The purchasing function is set up to ensure that the NSB Group collectively uses its purchasing power to achieve optimal terms when purchasing, and that the agreements / contracts that NSB enters into with external secures NSB's interests in a satisfactory manner. We further develop our governing documents and supervisors related to the Group's procurement, and continuously invest in further education of our employees in this area. The NSB Group is a member of the "Initiativ for Etisk Handel" (Ethical Trade Initiative, IEH), which seeks to promote responsible supply chains.

A minimum standard has been set through the group's "Etiske retningslinjer for leverandører" (Ethical Guidelines for Suppliers) which forms the basis for all procurements and resulting contracts. Among other things, these confirm that the suppliers are to safeguard basic labor and human rights in their activities.

Procurement

Each year, we carry out risk analyses based on the Group's and business areas' purchasing plans, and in 2018, 44 suppliers/ acquisitions were risk-assessed. The risk analysis covers both the environment, social and ethical requirements and acquisitions that are important for traffic safety. For 2018, the following acquisitions were considered significant in relation to environmental performance and represent a risk of breaches of employee and human rights:

- Rental of bed linen
- Taxi services as alternative transport when deviations
- Electric vehicles
- Cleaning Services

Measures were implemented in these acquisitions, including requirements for allergy sensitivity and certified (svanemerket) cleaning of the bed linen. In the procurement of taxi services, the suppliers' share of vehicles using renewable energy was emphasized. In connection with the purchase of cleaning services, provisions are established that ensure the services are performed properly, both with regard to employee rights (salary and tariff) and the environment. The contracts state that NSB has the right to follow up its supervisory duties. When purchasing electric cars, NSB has followed up that the production of cobalt takes place through proper processes. When acquiring a new canteen supplier in 2018, we set very strict climate and sustainability requirements for the entire value chain. Together with the supplier, the goal is now to reduce the amount of meat per guest and reduce average food waste per serving.

Existing contracts and Suppliers

Our work to follow up on environmental impact, social and ethical requirements also apply to existing contracts. In total, the Group has approximately 550 current contracts registered in our contract management system. This represents the suppliers with deliveries of more than NOK 200,000, - where a requirement is that a written contract shall be entered into. An

analysis has been made of these contracts in 2018 with regard to the risk of breaches of social and ethical requirements.
The analysis has resulted in a list of the following contract areas that are at risk;

- IT operating services
- Cleaning services
- Night Comfort packages
- Hotel accommodation
- Protective clothing and uniforms

Suppliers with contracts for deliveries within the risk areas are followed up separately. Based on the risk identified and the severity of it, measures are implemented. Self-declarations have been obtained on two occasions and the supervisory duty has been followed up in relevant acquisitions (hotel accommodation, cleaning). These controls did not reveal significant violations of ethical and social requirements in 2018, but two suppliers have been ordered to make improvement measures. No audits of external suppliers were carried out in 2018.

Cooperation and community involvement

– Nettbuss drove more than two thousand children to the UN International Children's Day

In collaboration with UNICEF and Brynäs IF, Nettbuss drove in its city buses in Gävle more than two thousand school children to the sports hall, Gavlerinken, where children through play and fun learned about children's rights in connection with the UN's international children's day, November 20.

– NSB's Christmas gifts for charities

In the NSB Group, employees have in recent years given their Christmas gift from the company as support for one or more charitable organizations. Instead of giving each employee a small symbolic gift, we hold a vote among all the employees, where we distribute the total money amount of NOK 500,000 to someone we know will benefit greatly from it.

In 2018, NSB's Christmas gifts in Norway went to Flyktningehjelpens (the Norwegian Refugee Council's) work for protection of vulnerable girls and women against violence and abuse, Blåkors' work for the care of children and young people who grow up in families with substance abuse and to WWF's work against littering the sea. In Sweden, the money went to the organization Maskrosbarn.

– Nettbuss co-operates with Giving People

In cooperation with Giving People, Nettbuss Bus4You helped children and the elderly in financially vulnerable situations to get a better Christmas in 2018. By giving SEK 5 of each trip that was booked between December 7 and 22, 2018 to both Giving People and Giving People Senior, Nettbuss Bus4You contributed to memorable Christmas gifts for the children and good Christmas food for the elderly.

The goal was to raise SEK 300,000 for Christmas gifts for the children. For pensioners, the initiative began with Nettbuss Bus4You donating SEK 100,000 to collecting Christmas lunch boxes, which corresponds to 333 Christmas food boxes. In the long run, the goal is to raise enough money to donate at least 800 Christmas boxes.

Summary of results

	2018	2017	2016
Passenger train journeys (mill.)	74,2	70,1	67,4
Bus journeys (mill.)	125,3	121,7	118,8
Transported TEU (1 000)	351	355	368
Punctuality - passenger train (Norway)	85,8 %	88,4 %	88,3 %
Punctualityt - freight tain	93,0 %	95,1 %	92,0 %
Customer satisfaction - passenger train (index 0-100)	72	75	73
Customer satisfaction - expressbus (index 0-100)	77	78	79
Energy consumption - passenger train Norway - electricity (MWh)	395 771	374 897	364 441
Energy consumption passenger train - diesel (mill.litre)	8,9	8,8	8,9
Energy consumption bus - diesel (mill.litre)	31,0	32,2	31,2
Energy consumption bus - biodiesel (mill.litre)	9,2	4,0	9,9
Energy consumption bus - HVO (mill.litre)	15,8	16,1	11,2
Energy consumtion- bus (gass mill.m3)	11,2	8,1	7,2
Energy consumption freight train - electricity (MWh)	121 522	125 199	101 631
Energy consumption freight train - diesel (mill.litre)	6,0	5,7	5,5
Energy consumption passenger train - (kWh/seatkm.)	0,0414	0,0399	0,0409
Energy consumption bus - (litre/buskm.)	0,340	0,343	0,343
Energy consumption freight train - (kWh/tonnekm)	0,044	0,045	0,047
Emissions passenger train (Norway) - tonnes CO2	92 095	73 283	64 771
Emissions bus - tonnes CO2	149 159	157 985	167 057
Emissions freight train - tonnes CO2	39 114	34 558	31 808
Fatalities - employees	1	3	0
Fatalities - external	7	7	4
Serious injuries - employees	4	1	4
Serious injuries - external	11	12	6
Railway accidents	28	22	15
Employees	10 999	10 858	12 578
Man years	9 008	8 964	10 488
Employee stisfaction	72	71	69
Sick leave ratio	7,8 %	8,0 %	7,7 %
Proportion of women	19 %	18 %	17 %
Proportion of female managers	27 %	24 %	24 %
Proportion of immigrants	25 %	24 %	22 %
Notices on discriminatory behaviour	8	4	1

Principles and reporting standards

In the NSB Group we have established guidelines for social responsibility and ethical guidelines. They are incorporated into our management system. In our pursuit of corporate social responsibility, we follow these basic principles:

- Each business manager is responsible for ensuring that the unit carries out social responsibility as part of the exercise of its business.
- Corporate social responsibility must be incorporated into our strategic foundation and our values
- We support the principles of the UN's human rights declaration and the ILO's core conventions
- We work actively against all forms of corruption
- We must actively contribute to reducing the environmental impact of the transport sector
- We report annually on the status and development of social responsibility in a separate sustainability report

We use the precautionary principle in our handling of corporate social responsibility. This is done by using risk analyses as the basis for our management of the company and implementing measures to manage the risk.

In order to ensure that we have taken into account both stakeholders and our own assessments relating to the group's exercise of corporate social responsibility, we have carried out stakeholder and materiality analyses. These help us arrive at and prioritize the areas we are to work with. We have sorted our stakeholders into the following groupings:

- Owner
- National and local authorities
- Suppliers and other partners
- Customers
- Employees and employee organizations
- Interest groups and communities

For each of these, an overview has been made of the type of dialogue, number of meetings, and themes discussed. Based on the stakeholder analyses and our own internal assessments, we comment on important areas summarized in the picture on the next page.

Customer safety is our top priority. In addition, the materiality analysis points to reliability and public transport growth as NSB's most significant contribution to society. The priorities in the materiality analysis are reflected in our strategies and our daily work on the sustainable operation and development of the Group.

The NSB Group has reported on environmental and social responsibility since the beginning of the 2000s. The report and its emphasis have evolved based on materiality assessments related to the company's challenges and expectations from stakeholders. As a large company, the NSB Group must report corporate social responsibility in accordance with regnskapsloven (the Norwegian Accounting Act) § 3-3 a and c, and the report has been prepared and presented according to these requirements. The report is also adapted to the requirements of GRI.

How important is the aspect for external stakeholders?

	Medium		High
High			• Eliminate customer injuries and fatalities • Deliver reliable and safe transportation • Contribute to growth in public transport • Contribute to more goods being transportet by rail
		• Reduce emissions • Adequate financial results • Trustworthy waste management • Development and innovation • Diversity in the transport sector	• Hight competence and necessary recruitment • Committed employees • HSE • Ethics and human rights
Medium	• Work to minimise corruption in the transport sector	• Ensure human rights in the supply chain • Ensure high degree of information security	• Cost-efficient operations • Robust and efficient procurement

Medium — How important is the aspect for the NSB Group's future survival? — High

Board of Director’s report

Summary of the year 2018

(Last year's figures in brackets)

The NSB group delivers good results and experiences significant growth in demand both within passenger rail and bus services. However, punctuality for passenger rail services is still below target, largely due to problems related to the infrastructure.

As targeted in the railway reform, the passenger rail services in Norway are being exposed to competition. NSB is participating in the competition for advertised rail packages, but lost the tender for the first one despite the company obtaining a good score on both quality and price. The winner of the first tender presented an offer with a more optimistic view of passenger growth than NSB, which became decisive. NSB is also participating in tenders for bus services and has maintained a stable market share in Norway. The company's freight business has struggled with low profitability, and services have been reduced somewhat in order to produce better results.

Development in key performance indicators

- Growth in the number of passenger train journeys of 6.4 per cent (6.3 per cent)
- Punctuality for passenger rail services is at 85.7 per cent (88.4 per cent)
- Punctuality for the rail freight service is at 93 per cent (95 per cent)
- The Customer Satisfaction Index for passenger rail services is 72, a reduction from 75
- 8 deceased, whereof 4 are due to collisions with unauthorized persons on the tracks/ level crossing accidents
- Work-related damages which lead to absence is reduced by 9 per cent
- Absence due to illness is at 7.8 per cent, a 0.2 percentage points decrease from last year
- Climate emissions from bus operations are reduced by 5.6 per cent compared to 2017

Financial development

- Operating profit for 2018 amounts to NOK 754 million (NOK 773 million)
- Profit before tax amounts to NOK 585 million (NOK 772 million)
- Return on book equity was 9.3 per cent (13.2 per cent)
- Stable results from passenger rail services
- Stable results from bus services
- Weakened results from the rail freight service
- Increase in activated fixed assets and liabilities due to the introduction of IFRS 16

Organization

The railway reform is still being implemented, and the Norwegian Railway Directorate is putting out for tender the passenger rail packages on routes currently run by NSB. As a consequence, our competitive situation is significantly changed.

The NSB Group's business activities in the Nordic region involve the following main activities

- Passenger train: passenger train operations
- Bus: bus operations
- Freight: freight train operations
- Mobility and Tourism: development of door to door services and experience-based tourism in Norway

Strategies and goals

Based on analysis of the Group's competitive situation and market, internal analyses, and stakeholder and materiality analysis related to sustainability, the Board of Directors has decided to implement the strategy; **The best journey.**

The Group's strategy for creating the best journey is to develop the Group to become a leader within four areas defined as:

- **The smart journey**
- **The green journey**
- **The safe journey**
- **The profitable journey**

The best journey is the vision of the NSB Group, and the four journeys can be understood in two ways. Specifically, the four journeys mean that the Group promises its customers a simple and comfortable journey from door to door, a climate-friendly and sustainable journey, a safe journey where we take care of the customers and a profitable journey that provides quality and value for money. At the same time, the four journeys mean that the NSB Group aims at developing the company so that we offer the best journey for the customers. The four journeys are the framework for strategic development, and will be leading the Group's work in the coming years.

The NSB Group's values describe how we work when we realize our main target and vision of offering the best journey. They also help us prioritize and make good decisions.

The NSB Group's values are

- Customer satisfaction: We are here to satisfy our customers with smart and comfortable journeys and experiences
- Responsibility: We have a long-term vision and depend upon trust. Therefore, we make responsible choices to protect the environment, customers and colleagues. We ensure all our operations are profitable to serve the interests of our customers and owner
- Teamwork: We seek teamwork with colleagues and partners to create possibilities and solve problems in the best interests of our owner, customers and society

The NSB Group's work with sustainability and the UN's sustainability targets

The concept of sustainability is integrated in NSB's strategies, plans, operations and targets. NSB is therefore proud to have been named "the most sustainable company in Norway" in a survey carried out by Sustainable Brand Index, where a large number of Norwegian consumers have given NSB the top score when they answered questions regarding companies' environmental and social responsibility.

The UN's sustainability targets are the world's global road map to abolishing poverty, fighting inequality and stopping climate change by the year 2030. NSB is proud of its contributions to the UN's sustainability targets. The most important contributions to sustainability is to develop and offer smart and attractive door to door services so that more people choose to travel by public transport such as bus and train instead of planes and cars. At the same time NSB will work systematically to reduce its carbon footprint and contribute to cleaner, more sustainable tourism. The Group will also contribute to equality and diversity, and work to make public transport cost-efficient for its customers, environmentally friendly for the global community and profitable for the Group. The Best Journey strategy contributes in particular to seven of the UN's 17 sustainability goals:

- Gender equality
- Decent work and economic growth
- Industry, innovation and infrastructure
- Responsible production and consumption
- Climate action
- Sustainable cities and communities
- Partnerships for the goals

In these areas NSB has seen a positive development in 2018. Emissions are reduced by 1.5 per cent, injuries with absence are reduced, and its financial performance meets the targets of its owner. And especially, the Group has contributed to an increase in the volume of public transporta. The number of journeys has increased by 4 per cent in 2018. You will find all sustainability actions and accomplishments in the chapter on sustainability, which is a part of this annual and sustainability report.

Summary of results and trends for the business areas

Passenger train operations

NSB has entered into an agreement with the Norwegian Railway Directorate to operate the routes where competition has not yet been introduced. The agreement expires formally at the end of 2022 (2024 for Gjøvikbanen), and has a remaining contract value of approx. 10 billion NOK.

As a part of the railway reform, the Norwegian government has announced three tenders relating to passenger rail services; packages South, North and West, with operations commencing in December 2019, June/ July 2020 and December 2020 respectively. In addition, further tenders are planned. NSB did not win the tender to operate Sørlandsbanen and Jærbanen, a package which included about 12 per cent of the revenues of the passenger train operations. However, the financial consequences of the loss of volume are not substantial. NSB will operate all routes until contracts with new operators are active and will participate in all competitive tenders.

NSB has participated in the tender for traffic package South. However, the British company Go-Ahead calculated price based on a high expected growth rate in travel volume, and was ultimately awarded the contract. NSB received a good score on quality and price and came in second place in the competition. The tender for traffic package North was submitted in December 2018, and contract award is expected to be announced in the summer of 2019, with commencement of operations in the summer of 2020.

During 2018 the number of new Flirt trains in operation has increased to 105 (91), of which 6 were introduced at Gjøvikbanen and 8 at Vossebanen as replacement for old trains.

Operating revenue for passenger train operations in 2018 is NOK 8 724 million (NOK 7 966 million), an increase of 9.5 per cent from the previous year. The total number of journeys in passenger train operations in Norway and Sweden is 74.2 million, which is a growth of 5.8 per cent from last year. For NSB AS, the growth is 6.4 per cent. The growth in the number of journeys shows that NSB makes a significant contribution to the public transport travel growth, and this, together with the fact that the company mainly uses renewable energy, contributes to a reduction of the climate footprint in Norway.

The operating profit for passenger train operations is NOK 545 million (NOK 558 million), roughly at the same level as last year. There has been an increase in volume and income for passenger trains in Norway, and weaker development in Sweden mainly due to major operational problems during the winter. For the Swedish business, operating profit was NOK -81 million (NOK -52 million).

In Norway, NSB achieved a punctuality of 85.7 per cent, a decrease from 2017, and below the target of 90 per cent.

NSB is concerned about the low punctuality of passenger trains. The year was characterized by a severe winter followed by a dry and warm summer, but was also affected by a tight staffing situation and extensive work on the infrastructure this summer. NSB is working purposefully to reduce operational deviations that NSB itself can influence, including a program for training and recruiting of operational personnel, and is concerned with a close collaboration with BaneNOR on measures to reduce operating deviations due to infrastructure failure.

Bus operations

The bus operations are doing business in almost all counties in Southern and Central Norway, and in Sweden mainly in the southwest. Both in Norway and Sweden, bus services are carried out on tenders or contracts with the county municipalities. The operations also include express and charter bus services and a workshop operation.

The operating profit is NOK 270 million (NOK 264 million). Total operating revenues for 2018 are NOK 6 218 million (NOK 6 075 million), an increase of 2.4 per cent from the previous year. The main reason for the increase in turnover is changes in the volume of tenders in 2018.

The Scandinavian express bus market is characterized by strong competition from aircraft, trains and other bus operators. Although overall development is stable, there is great variation between geographical areas. After several years of extensive restructuring, satisfactory profitability has now been achieved in the Norwegian express bus operations. However, the competition is still fierce and further market adaptation is required for NSB to keep its position in the market. In Sweden the express bus business has grown, continues to gain market share and is profitable.

In Norway NSB regained and started a tender in Stjørdal in the summer of 2018, and for Avinor at Gardermoen a new tender was started from November 2018. NSB also started a new contract in Nordhordaland in August 2018, and contracts were terminated in Kristiansand and at Hadeland in June/ July 2018.

NSB has had stable production in Sweden in 2018, and there will be no major changes in 2019. However, in the beginning of 2019 a considerable production volume will be put out to tender.

In 2018 a total of 125 (122) million passengers were transported by bus and express bus, and the total distance traveled was 171 (175) million km. The transition to new technology and continued travel growth means that NSB's bus operations make a good contribution to the goal of reducing climate emissions and traffic congestion.

Freight train operations

Trains on specific routes for the transport of containers and other intermodal cargo carriers, and the operation of terminals in connection with the operation, constitute the largest part of NSBs freight business. In addition, transport is provided in the form of dedicated operating systems for single customers, including transport of timber, ore and aviation fuel.

2018 has been a demanding year both operationally and with regard to profitably. The year started with a very challenging operational situation due to heavy snowfall and low temperatures. This resulted in an unusually high number of wagons and wheelbases on wagons covered with ice, and it became necessary to cancel a significant number of departures.

The average punctuality for freight trains fell to 93 per cent (95 per cent) delivery within 15 minutes, which is still better than the target of 90 per cent. Following the winter's operating deviations, a number of measures have been implemented to strengthen robustness during the winter season. The measures are expected to have positive effects on regularity and punctuality.

Operating revenues are NOK 1 023 million (NOK 1 027 million), and operating profit is NOK -61 million (NOK -49 million).
The market is characterized by strong competition from road transport and from the largest freight train competitor, which established itself in the market in mid-2016 and has increased its transport service. In addition, the introduction of railway track charges has had a negative effect on the competitive situation against road transport. This has led to pressure on prices and lower filling levels in the trains, and the operational problems in the winter

and summer have resulted in increased costs related to personnel, alternative transportation and maintenance. As a result of the above challenges, further measures have been implemented to ensure a sustainable freight offering on the railways. This alone is not sufficient, and financial support schemes for freight on the railway are necessary until infrastructure measures for freight are sufficiently effective.

Mobility and tourism operations

NSB has set up a new business area where the focus is on developing mobility services and tourism. Within mobility, efforts are made to develop both the common platform for travel planning and ticketing, as well as door to door services, initially with the launch of electric city cars in Oslo in January 2019. This and several other initiatives to offer customers travel from door to door, will strengthen NSB's bus and train service and make customers less dependent on their own car. Within tourism, NSB sells fjord, mountain and cultural experiences to Norwegian customers, tourists and international tour operators. The main parts of the activity are run through the partly owned companies Flåm Utvikling and Fjord Tours, which produced a result of NOK 48 million (NOK 48 million). Efforts are being made to develop several attractive travel packages by train, bus and boat together with local tourism players, which will be accessible via a digital tourism portal. A letter of intent has been signed with Fjord1 to establish a joint tourism company to develop this market.

Corporate governance

The Board has considered and adopted a report on corporate governance that appears as a separate document in the annual report.

Ownership

NSB is one of Norway's largest transport groups. The parent company, NSB AS, is owned by the Norwegian state represented by the Ministry of Transport and Communications. The Group's head office is in Oslo, while the business is spread across most of Norway and parts of Sweden.

Internal control

The NSB Group has adopted its own framework for internal control, and has established internal control systems that include values, guidelines for ethics and corporate social responsibility, organization and authorization structure and governing documents. The Board reviews its concept, values, strategies and plans on an annual basis. Risk analyses are performed annually for the Group as a whole, as well as for each business area. Risk pertaining to financial reporting is evaluated through separate risk analyses of specific areas and periodic follow-up meetings with the business areas.

On this basis the internal control system is revised, resulting in revision of management documents, recommendations, procedures and key controls when needed.

Risk

Financial risk

The Group's activities entail various types of financial risk: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management plan focuses on the capital markets' unpredictability and seeks to minimize the potential negative effects on the Group's financial results.

In daily operations, NSB is to some extent exposed to currency risk related to liquid assets in connection with operations abroad. Apart from this, the group is only slightly exposed to currency risk as the majority of revenues and expenses are in NOK.

Surplus liquidity is invested in banks, Norwegian certificates and bonds with short remaining maturities, as well as money market and corporante bond funds.

NSB focuses on counterparty risk in financial transactions by having established limits for exposure and regular follow-up of credit quality on individual counterparties.

The Group can use financial derivatives to hedge against certain risks. Further information on the Group's financial risk management is described in note 15 to the financial statements.

Operational risk

Operational risk analyses are carried out systematically, including in the field of traffic safety and the achievement of financial targets. In addition, comprehensive risk analyses are carried out for the Group's activities in connection with the annual long-term plan and budget work, where both potential negative and positive effects are identified and measures are implemented to manage the risk level. These analyses include assessments of changes in framework conditions, competition and market situation, consequences of environmental requirements, and climate challenges. Based on the risk analyses, measures and control activities have been established that reduce identified risks, including automatic controls, revisions and follow-up and extended analyses related to particular risk areas.

Important risk elements include: loss of volume and profitability through loss of tenders, sharp margin loss in the train market as a result of competition exposure, failure of delivery from important input factors such as infrastructure, and unwanted incidents. For these risk elements, measures are identified and implemented to limit the consequences of any negative outcome.

While working with risk assessments, positive opportunities have been identified, such as the development of tourism, the development of door to door services, and increased growth for trains and buses as a result of increased tolls and parking restrictions.

Overall financial development

The annual result for the Group is NOK 466 million (NOK 634 million), a reduction of NOK 168 million compared with last year. Operating profit was NOK 754 million (NOK 773 million). The reduction in profit for the year is partly due to the effect of introducing a new standard for lease accounting (IFRS16), which negatively affects the result by NOK 84 million, as well as weaker results for freight trains and passenger trains in Sweden.

The profit after tax for the parent company NSB AS is NOK 588 million (NOK 502 million). Group contributions and dividends from subsidiaries are included in the parent company's net profit of NOK 275 million (NOK 45 million). The operating profit of the parent company is NOK 528 million (NOK 371 million). The change in operating profit is mainly due to increased revenues, effects of restructuring projects, and changes in the classification of leases.

The Group's net cash flow from operations is NOK 2 148 million (NOK 572 million). Net investments amount to NOK 655 million (NOK 708 million), including the acquisition of various operating assets with NOK 195 million (NOK 148 million). The investments are mainly made to increase capacity and profitability within the Group's business areas. In 2018, a dividend of NOK 315 million was paid to the owner.

The NSB Group has chosen to implement IFRS 16 Leases from the financial year 2018 and onward. The standard affects both the balance sheet and income statement. All leases are recognized in the balance sheet as a lease obligation, meaning that the obligation to pay rent over the lease period is discounted, while a right to use the asset is also entered. This results in an increased total balance. Fixed assets and liabilities have increased by NOK 7 billion as a result of the implementation. The operating profit is positively affected by NOK 94 million, the financial expenses are increased by NOK 177 million, and the profit after tax is reduced by NOK 84 million compared with the previously used accounting standard. The figures for 2017 have not been restated. See the notes for further discussion.

Changes in the pension scheme and the transition to a defined contribution scheme entail a final settlement with the Government Pension Fund (SPK) for the proportion of employees who leave the benefit scheme. The final settlement is expected to be ready in the autumn of 2019. The estimates for the consequence of this final settlement for earnings and balance sheet have been updated, and have insignificant consequences for the annual result in 2018. There is uncertainty associated with the figures, and result-affecting items may appear when final settlement is made late in 2019.

Including profit for the year, equity in the parent company amounts to NOK 4 140 million (NOK 4 113 million). The equity ratio is 29 per cent (51 per cent). Retained earnings for the parent company before the year's dividend amounted to NOK 454 million.

For the Group, equity is NOK 4 869 million

(NOK 4 985 million), which gives an equity ratio of 27 per cent (44 per cent). The decrease in equity ratio is mainly due to the implementation of IFRS 16 as of January 1, 2018, with capitalization of fixed assets and liabilities that increase the total balance in the Group.

The Group's return on book equity is 9.3 per cent (13.2 per cent).

The Group's working capital is NOK 3 638 million (NOK 4 911 million), a change of NOK 1 273 million.

The owner, represented by the Ministry of Transport and Communications, has an expectation to receive as dividend 50 per cent of the NSB Group's annual profit after tax, where the dividend level in each year must be assessed specifically. The following allocation of the year's comprehensive income for the parent company NSB AS is proposed:

Dividend	NOK 233 million
Other equity transferre	NOK 355 million
Total annual profit	NOK 588 million

The accounts have been prepared on the basis of continued operations, and the Board of Directors confirms that the assumption is present.

Future prospects

The NSB Group wishes to contribute to achieving the UN's sustainability goals and will ensure this is done by making the use of climate-friendly public transport even more attractive, often in connection with door-to-door services. Furthermore, the Group will reduce its emissions, make it even safer to use its transport services and to be employed by the Group, and ensure long-term profitability. In recent years, the Group has done considerable work to streamline operations and create competitiveness, so that it can succeed in winning profitable tender competitions within bus and train services. It faces strong competition both within the markets for passenger trains, buses and freight trains, and will position itself for continued growth and profitability. In this work, the Group will draw on the total expertise it has accumulated in these markets, and utilize the synergies it has as a major supplier of sustainable transport services.

The market for passenger transport is changing. The Group must adapt to a greater growth in travel activities than expected, particularly in the Eastern Norway area, while the majority of its train operations will be exposed to competition within a 5-10 year period. Adapting to a competive market requires the development of expertise, innovation related to customer offerings and operations, and the forwarding of a powerful program for cost efficiency.

The tender package South, which includes the Sørlandsbanen's long-distance train, the local trains in Stavanger and Arendalsbanen, has been awarded a new operator from December 2019 and is withdrawn from the public purchase agreement from the same point in time. NSB has participated in the tender for package North, which will be decided in the summer of 2019, and will participate in the tender for package West where the decision will be announced in December 2019. NSB's ambition is to win these competitions.

The bus market is still growing and the Group's bus service is exposed to competition. The Group has participated in several important tender competitions in the past year, and won 10 major contracts starting in 2019, which includes 530 buses and a turnover over the contact period of NOK 8.5 billion. NSB will participate in tenders for about 2 000 buses during 2019.

The situation for freight transport by rail is difficult. The competitiveness against car transport is not sufficiently strong, and NSB's freight business is in the process of running a program to reduce and sharpen its services. This will lead to a reduction in transport volume of up to13 per cent, and the change is greatest on routes in southern Norway. A government aid scheme for the industry is under investigation, and a decision is expected in 2019. The board is concerned that rail freight transport must have competitive conditions that enable the operators to achieve the goal of having more goods transferred from road to rail.

In addition to ensuring on-going operations, in 2019 the Group will concentrate on

- Cost-savings in passenger trains services and working on winning tenders
- Commencement of large packages for bus services, including Trondheim and Romerike
- Participating in significant tenders for bus services
- Introduction of a new operating model for freight trains and further work on restructuring
- Establishment of a new digital platform, start-up of the City Car offer in Oslo, and establishment of a joint travel company with Fjord1

The board wishes to thank each and every employee for their great efforts in a year that has entailed major changes for many of our employees.

Board of Directors of the NSB group

Dag Mejdell
Chairman

Åsne Havnelid
Vice chairman

Geir Inge Stokke
Member of the board

Wenche Teigland
Member of the board

Semming Semmingsen
Member of the board

Ove Sindre Lund
Staff representative

Jan Audun Strand
Staff representative

Grethe Therese Thorsen
Staff representative

Oslo, 14th of February 2019

Board of directors of the NSB group

Dag Mejdell / Chairman

Åsne Havnelid

Geir Inge Stokke

Wenche Teigland

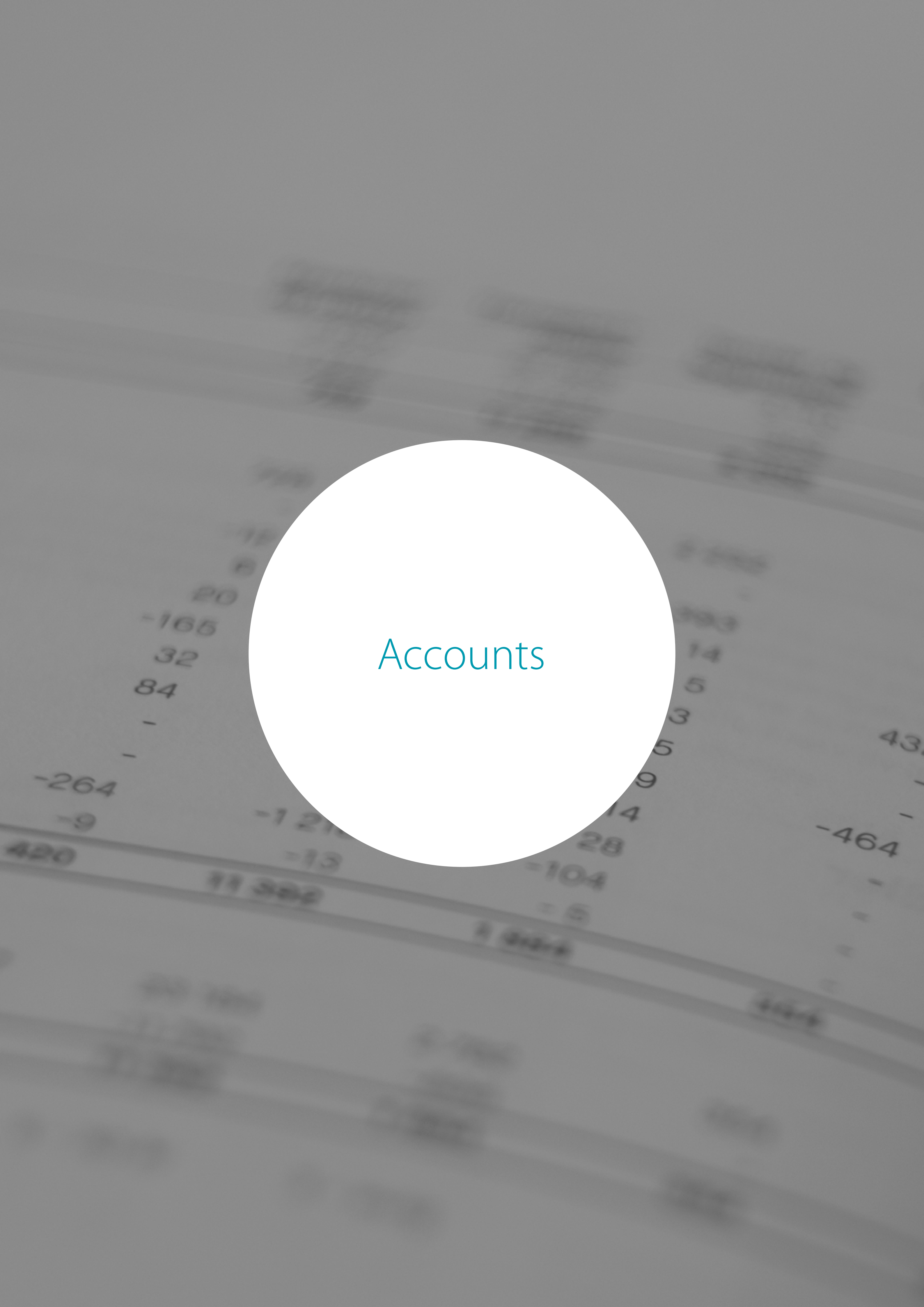
Semming Semmingsen

Ove Sindre Lund

Jan Audun Strand

Grethe Therese Thorsen

Geir Isaksen / CEO



Accounts

NSB-group

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Income statement

	Notes	2018	2017
Operating revenue	5	**15 895**	**14 990**
Payroll and related expenses	23	6 273	6 084
Depreciation and impairment	7	2 108	655
Other operating expenses	28	6 813	7 674
Total operating expenses		**15 194**	**14 413**
Share of loss(-)/profit of joint ventures	11	37	43
Share of loss(-)/profit in associates	10	16	152
Operating profit		**754**	**773**
Financial items			
Financial income	29	86	157
Financial expenses	29	-202	-135
Net financial expenses - pensions	24	-44	-47
Change in unrealised fair value	29	-9	24
Net financial items		**-169**	**-1**
Profit before income tax		**585**	**772**
Income tax expense	22	-120	-138
PROFIT FOR THE YEAR		**466**	**634**
Attributable to			
Non-controlling interest		-	4
Equity holders		466	630
TOTAL		**466**	**634**
OTHER COMPREHENSIVE INCOME			
Profit for the year		466	634
Items that will not be reclassified to profit or loss			
Actuarial gain/loss	24	-297	-163
Tax on items that will not be reclassified	22	54	28
Items that may be reclassified in net income in future periods			
Currency translation differences		-13	20
Tax on items that are not reclassified	22	-3	
Total comprehensive income for the year		**220**	**520**
Attributable to			
Non-controlling interest		-	-4
Shareholders equity		220	524
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**220**	**520**

Overview financial positions

ASSETS	Notes	31.12.18	31.12.17
Intangible assets	9	164	126
Deferred Tax Assets	22	209	127
Property, plant and equipment	7	9 194	3 142
Investments in associates	10	53	42
Financial fixed assets		89	90
Total non-current assets		**9 709**	**3 528**
Investments in joint ventures	11	46	47
Inventories	12	802	802
Trade and other receivables	8, 14	1 824	1 882
Financial assets	17	3 705	3 085
Cash and bank deposits	19	1 709	2 090
Total current assets		**8 086**	**7 907**
TOTAL ASSETS		**17 795**	**11 434**

EQUITY AND LIABILITIES	Noter	31.12.18	31.12.17
Ordinary shares and share premium	20	3 686	3 686
Retained earnings		1 183	1 315
Non-controlling interest		-	-16
Total equity		**4 869**	**4 985**
Debt	21	5 904	892
Retirement benefit obligations	24	2 314	2 276
Provisions for other liabilities and charges	26	260	285
Total long term liabilities		**8 478**	**3 453**
Trade and other payables	25	2 570	2 653
Tax payable	22	211	341
Debt	21	1 666	1
Derivative financial instruments	16	1	2
Total short term liabilities		**4 448**	**2 996**
TOTAL EQUITY AND LIABILITIES		**17 795**	**11 434**

Oslo, 14th of February 2019

Board of directors NSB

Dag Mejdell / Chairman
Grethe Therese Thorsen
Wenche Teigland
Åsne Havnelid
Geir Inge Stokke

Ove Sindre Lund
Semming Semmingsen
Jan Audun Strand
Geir Isaksen / CEO

Group cash flow statement

	Notes	2018	2017
Profit for the period before income tax		**585**	**772**
Depreciation and impairment	7	2 108	655
Gain/loss on sale of property, plant and equipment (PPE)		-32	-20
Difference between exp. and paym. made/receiv. for pensions	24	-259	-205
Change in provisions for other liabilities and charges	26	-25	-28
Change in unrealised fair value	29	9	-24
Interest items		-39	-50
Shares of profit/loss (-) from associates and joint ventures	10, 11	-53	-195
Change in working capital		154	-274
Taxes paid		-300	-59
Net cash flow from operating activities		**2 148**	**572**
Acquisition of subsidiaries, less cash acquired	33	-44	-16
Proceeds from sale of property		-	-1
Loans paid to/from assosiated companies/joint ventures	10	2	129
Changes in financial non-current assets		-627	-790
Purchase of PPE and investment property	7, 8	-195	-148
Proceeds from sale of assets		150	63
Grants	7	-	10
Dividends received		59	45
Net cash flow from investment activities		**-655**	**-708**
Proceeds from borrowings		-	-
Repayment of borrowings		-17	-2 079
Lease payments		-1 531	-
Dividends paid to company's shareholders	20	-315	-
Dividends paid to non-controlling interests		-	-7
Net cash flow from financial activities		**-1 863**	**-2 086**
NET CHANGE IN CASH AND BANK DEPOSITS FOR THE YEAR		**-370**	**-2 222**
Cash and bank deposits as at the beginning of the year	19	2 090	1 314
Demerger effect as of 1 st of January		-	2 979
Foreign exchange gain/loss on cash and bank deposits		-11	18
CASH AND BANK DEPOSITS AS AT THE END OF THE YEAR	**19**	**1 709**	**2 090**

Statement of changes in equity

2018	Notes	Ord. shares and share premium	Restricted equity, value changes	Acc. currency translation	Retained earnings	Non-contr. interest	Total
Equity 1st of January	20	3 686	-	18	1 297	-16	4 985
Profit for the interim period		-	-	-	466	-	466
Change in non-controlling interest		-	-	-	-16	16	-
From other comprehensive income		-	10	-13	-242	-	-246
Change in income tax rate	22	-	-	-	-21	-	-21
Effects from demerger		-	-	-	-315	-	-315
EQUITY 31ST OF DECEMBER		**3 686**	**10**	**4**	**1 168**	**0**	**4 869**

2017	Notes	Ord. shares and share premium	Restricted equity, value changes	Acc. currency translation	Retained earnings	Non-contr. interest	Total
Equity 1st of January	20	5 144	2 647	2	2 142	-1	9 934
Profit for the interim period		-	-	-	630	4	634
Change in non-controlling interest		-	-	-	-	-9	-9
From other comprehensive income		-	-	20	-126	-8	-115
Change in income tax rate	22	-	-	-	- 17	-	-17
Effects from demerger		-1 458	-2 647	-4	-1 332	-1	-5 442
EQUITY 31ST OF DECEMBER		**3 686**	**-**	**18**	**1 297**	**-16**	**4 985**

Segment information

Business segments

As of 31 December 2018, the Group has its main activities in the following segments:

- Passenger train: passenger train operations, including travel
- Bus: passenger bus operations
- Freight: freight train operations

Travel is not yet presented as a separate segment.

Segment assets in the tables below consist mainly of property, plant and equipment, intangible assets, inventories and other assets and cash, while deferred tax asset and investments are not included.

2018	Passenger train	Bus	Freight	Group
External operating revenue	8 691	6 190	1 013	15 895
Internal operating revenue	33	28	10	-
Operating revenue	**8 724**	**6 218**	**1 023**	**15 895**
Operating expenses	6 932	5 256	968	13 086
Depreciation, impairment	1 298	695	116	2 108
Total operating cost	**8 230**	**5 950**	**1 084**	**14 194**
Share of profit/loss in joint ventures	37	-	-	37
Share of profit/loss in associates	14	2	-	16
PROFIT FOR THE YEAR	**545**	**270**	**-61**	**754**
Segment assets	**12 062**	**5 494**	**1 312**	**17 566**
Investments	**472**	**590**	**25**	**1 087**

2017	Passenger train	Bus	Freight	Group
External operating revenue	7 924	6 048	1 018	14 990
Internal operating revenue	42	27	10	-
Operating revenue	**7 966**	**6 075**	**1 027**	**14 990**
Operating expenses	7 553	5 238	1 045	13 757
Depreciation, impairment	48	575	32	655
Total operating cost	**7 601**	**5 813**	**1 077**	**14 413**
Share of profit/loss in joint ventures	43	-	-	43
Share of profit/loss in associates	150	2	-	152
PROFIT FOR THE YEAR	**558**	**264**	**-49**	**773**
Segment assets	**6 911**	**4 190**	**804**	**11 287**
Investments	**6**	**127**	**15**	**148**

Please refer to note 5 for further details

Notes to the consolidated financial statements 2018

All figures in the report are in MNOK.

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The consolidated financial statements were approved by the Board of Directors on 14th of February 2019.

Note 1

1. General information and Group accounting principles

General information

Norges Statsbaner AS (NSB AS) and its subsidiaries (NSB-Group) operate in the following areas:

- Passenger train and bus transport
- Freight train transport
- Mobility and travel

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

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

The NSB-Group's main offices are located in Oslo.

The financial statements 2018 were approved by the Board of Directors on 14th February 2019.

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.

Significant accounting principles used in the preparation of the Group financial statements are described below. These principles are used consistently for all presented periods, unless otherwise 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 which are valued at fair value.

Accounting principles applied in 2018 are consistent with the accounting principles that were used for the financial statements in 2017, with the exception that the group has implemented the new standards IFRS 9, IFRS 15 and IFRS 16 with effect from 1st of January 2018. This implies that the comparative figures for 2017 are not fully comparable with the figures presented for 2018.

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

Implementation of new accounting standards with effect from 1st of January 2018

IFRS 16 Leases

NSB Group has decided to implement IFRS 16 Leases from the financial year 2018. The general rule of the new standard is that the lessee must recognize the lease liability and the associated "right-of-use asset" for the use of the underlying asset over the lease term. All leases that transfer the right to control the use of an identifiable asset, the lessee decides the use and receives the financial advantages are recognized. Under IFRS 16, there will no longer be a distinction between financial and operating leases for the lessee.

When calculation of the effects from the implementation, the Group used a modified retrospective method without recalculation of comparative figures. The implementation effect is taken against the opening balance on 1st of January 2018, by recognition of the value of the assets (right-of-use) equal to the equivalent value of the lease obligations. For leases classified as financial leases in accordance with IAS 17, the Group has continued using the carrying amount on the lease liability and "right-of-use assets".

The NSB Group has extensive lease arrangements of trains, buses and property directly used in the Group's transportation services.

As a consequence of the railway reform, the passenger train operation is exposed to competition. NSB will be responsible for operating the railways in the intermediate phase, until all lines are ready for tenders. As reflected in relevant agreements, NSB has the rights and obligation for leasing transportation assets and buildings until start-up after the tenders. Therefore, when determining the lease period for transportation assets and buildings, the plan for start-up after tenders for the individual lines which was treated in the Parliament, has been followed.

The lease liability is measured as present value of future fixed lease payments. Payments that depend on an index or a rate is based on the circumstances at the recognition date. When calculating the implementation effect for leases that existed on 1st of January 2018, the discount rate is determined using a marginal borrowing rate for the relevant company, and the "right-of-use asset" and duration as of 01.01.2018. For lease agreements entered after the time of implementation, the discount rate equivalent to the interest rate in the lease agreement is used, if present. Alternatively, the marginal borrowing rate will be used - following the same rules as at implementation.

The Group has chosen to apply the exemption rule for short-term leases up to12 months durations and leases for which the underlying asset is of low value, as these contracts are expensed directly in the income statement.

For contracts that also include other product or service deliveries, the Group has chosen to use the main rule where "non-lease components" are expensed as operating expenses separately from the lease component.

In determining the lease period, the regular lease period is adjusted for extension options and termination rights, which with reasonable certainty is assessed that the Group will exercise.

The Right-of-use assets are assessed for impairments in accordance with IAS 36 with specific judgement on how the corresponding liability is to be handled.

Implementation of the standard has resulted in a significantly increased value of both total assets and liabilities. See more detailed information in note 6 in the accounts.

IFRS 9 Financial Instruments

The implementation of the standard has not resulted in any significant changes regarding the classification or valuation of financial assets or liabilities, nor has the new model for impairment testing of assets. The standard has been implemented retrospectively. The Group has chosen the option of implementation without conversion of comparative figures, and the standard has not lead to any implementation effects on the figures as of 1st of January 2018.

The financial assets categories has been changed. These changes has not lead to changes in measurement of financial instruments as the sole consequence is classification of financial instruments in the notes.

Impairment of financial assets measured to amortized cost has changed from incurred loss to expected loss as a result of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

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 introduces a new five-step model in this regard. The group's revenue streams mainly relate to passenger and goods transport where the revenue is recognized by the completion of the journey. When reviewing the Group's revenue streams, no bundled products or services, bonuses or discount arrangements which would lead to changes according to IFRS 15 have been identified. For a more detailed description of the group's income, please refer to the note 5 .The Group has chosen to implement the standard using a modified retrospective method that does not involve conversion of comparative figures, and the standard has not lead to any implementation effects on the figures as of 1st of January 2018.

Changes in accounting principles, new standards and interpretations

IFRS 17 Insurance Contracts

IFRS 17 is adopted by the IASB and replaces IFRS 4 Insurance Contracts. IFRS 17 states principles for recognition, measurement, presentation and disclosure of insurance contracts. The new standard is not considered to be of importance to the Group's operations. The standard takes mandatory effect on 1st of January 2021.

Other

IASB har også vedtatt noen mindre endringer og presiseringer i flere ulike standarder. Det er ikke vurdert at noen av disse endringene vil ha effekter av betydning for konsernet.

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 experience combined with expectations of future events that are probable at the time of evaluation.

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

Leases IFRS 16

When determining the lease period for the individual contract, the Group must continuously assess whether there are extension options and termination rights that must be taken into account when determining the lease term. These assessments involve a great deal of discretion as extension options and termination rights that it is reasonably certain that the group will use will be included. The Group has established guidelines for assessments so that all relevant issues are handled in a consistent manner. Leases for train and bus material and premises used in relevant agreements for the execution of passenger or goods transport are considered in connection with these.

Determining the discount rate as a basis for calculating the present value of future lease obligations also involves the use of judgment. A fixed methodology has been established for this process.

Fixed assets

The Group continues to evaluate expected useful life and expected residual value on fixed assets to determine annual depreciation. The Group reviews its fixed assets values and the need for write downs. These reviews require considerable judgment. See the note on fixed assets for a description of impairment tests and related sensitivity analysis.

Provisions for contract losses

The Group conducts tests annually to evaluate provisions for contract losses based on indications of impairment. For property, plant and equipment an impairment test is performed first. 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 more detailed description.

Pensjonsforpliktelser

The Group has considerable liabilities related to employees' pension rights in defined pension benefit plans. Calculations are based on economic and demographic assumptions. Changes to assumptions can considerably affect the calculated liabilities of future retirement benefit expenses. For more information on pensions and a more detailed description on the assumptions used, see the retirement benefit obligation note to the financial statements.

Included in the note is a sensitivity analysis that illustrates how sensitive the calculations are to changes in key assumptions. Actuarial deviations related to such changes are included in other comprehensive income with a direct effect to equity, after deducting deferred tax. Effects from plan changes, closure and settlement included in the financial accounts (P&L) constitute estimates.

Accrued revenue

Parts of the Groups' revenue come from a fare cooperation with other transport operators. These revenues are accrued on the number of travels, composition of ticket types and historical data. These evaluations entail a significant degree of judgment and use of estimates.

Provision for costs of periodic maintenance

The Group prepares an ongoing provision for accrued costs for periodic maintenance in accordance with the obligation in the lease agreement. This is based on estimated cost per kilometer driven, the Group's route and, maintenance plan and regulation in the lease agreement. These assessments involve the use of judgment and estimates. Please see note for periodic maintenance for further details..

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 exercises 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.

Joint ventures and associates

Joint ventures are companies or entities where NSB has joint control with one or several other investors.

Share of associates are companies where NSB has considerable, but not controlling influence. Normally, considerable influence is defined as having an ownership between 20 % and 50 % of the voting rights.

Ownership in both joint ventures and associates are accounted for using the equity method of accounting.

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. 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 such transactions and from the translation of foreign currencies are recognised in the income statement.

Public grants

Public grants are systematically recognized in the income statement in the accounting periods the company include the expenses that the grants are meant to compensate. Public grants that are related to assets are accounted for net, through the grant being treated as a reduction of the amount included on the balance sheet.

Revenue

The Group's revenues come mainly from sale of passenger- and freight transport services.

Sale of services, including public purchase of passenger traffic services, is included in the accounting period the services are delivered. This corresponds with the transferal of services to the customer.

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 is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows.

Right-to-use assets are depreciated over the periode the assets are expected to be used and the lease period.

Railroad vehicle	10 – 30 years
Buses	5 – 12 years
Buildings	10 – 50 years
Other fixed assets	5 – 30 years
Right of use assets IFRS 16	2 – 20 years

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.

Held for sale

Operations and non-current assets are classified as held for sale if the sale or distribution in its present condition is considered highly probable with implementation during a fiscal year.

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 higher 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 hedging

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.

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.

The Group has used currency accounts to hedge future purchases of buses in euros in accordance with IFRS 9.

Financial assets

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.

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, is 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.

Provisions are made for expected future losses based on the best estimate on the balance sheet date. Assessment is based on information about past, present and future estimates.

Cash and bank deposits

Cash and bank deposits including restricted tax withholdings and restricted bank deposits in Finse Forsikring are specified in note 19.

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

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) and settlement effetcs 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 costs when withdrawing Early Retirement Pension Regulated by Contract (AFP) beyond normal expectations, severance pay and associated termination and liquidation costs. Provisions are not recognized for ongoing operations nor 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.

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.

Note 2

2. Shares in subsidiaries

The table shows the parent company's directly owned investments at 31.12.18. The group also owns companies and interests indirectly.

Subsidiaries	Established- / acquisition- date	Registered office	Votes and profit share	Book value shares in subsidiaries in parent company	Equity	Profit/ loss
Nettbuss AS	1st December 1996	Oslo	100 %	1 333	1 655	108
NSB Trafikkservice AS	1st October 2001	Oslo	100 %	61	24	2
Finse Forsikring AS	1st December 2001	Oslo	100 %	59	263	10
CargoNet AS	1st January 2002	Oslo	100 %	168	73	-77
NSB Gjøvikbanen AS	1st April 2005	Oslo	100 %	30	87	41
Svenska Tågkompaniet AB	1st January 2007	Gävle	100 %	-0	-39	-87
NSB Anbud AS	16th June 2016	Oslo	100 %	503	486	-14
NSB Mobility AS*	14th May 2018	Oslo	100 %	200	196	-4
Tømmervogner AS**	31st December 2008	Oslo	45 %	2	9	0
TOTAL				**2 356**	**2 755**	**-20**

* The former name was Banestasjoner AS
** NSB owns 45% and CargoNet AS owns 55%.

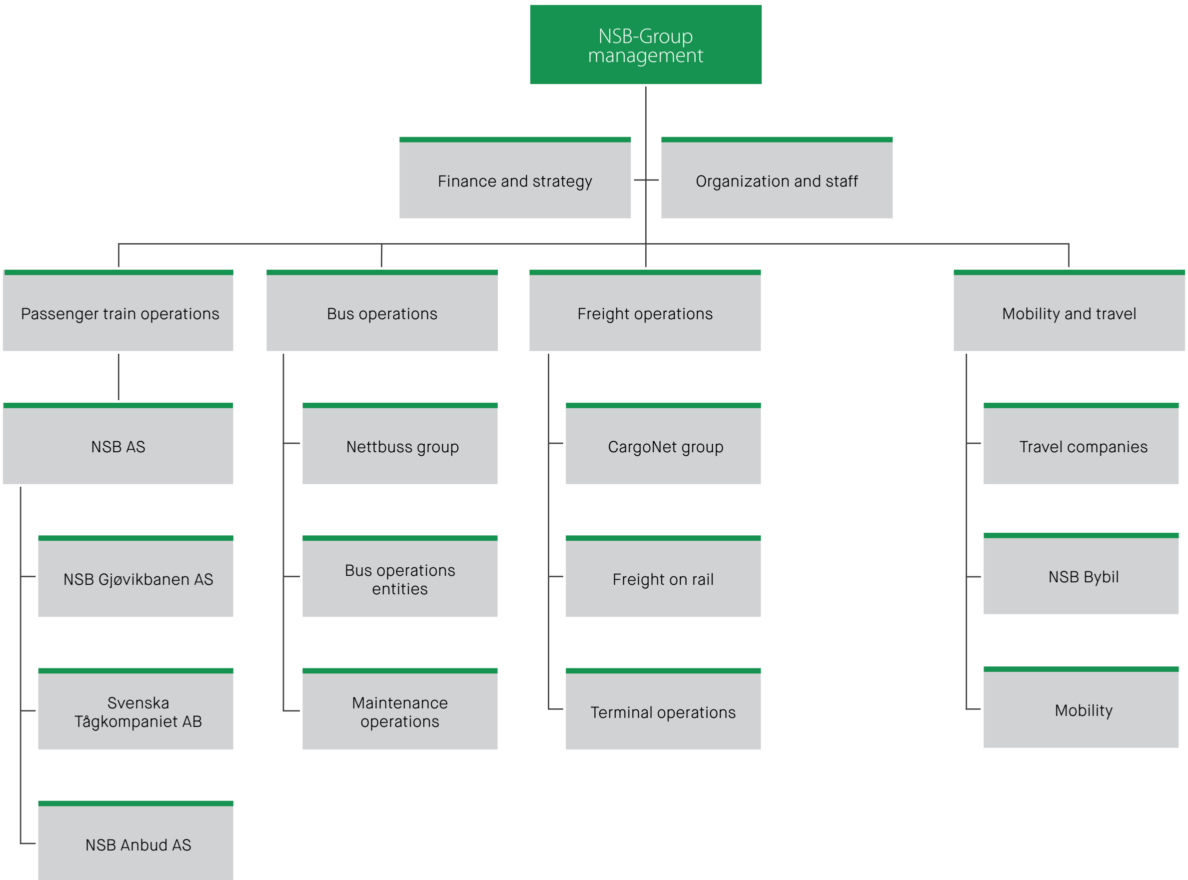
The Equity presented, is 100 % of the equity recognized in the subsidiary's statement of financial position as of 31st of December 2018.

Note 3

3. Group- and company structure

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

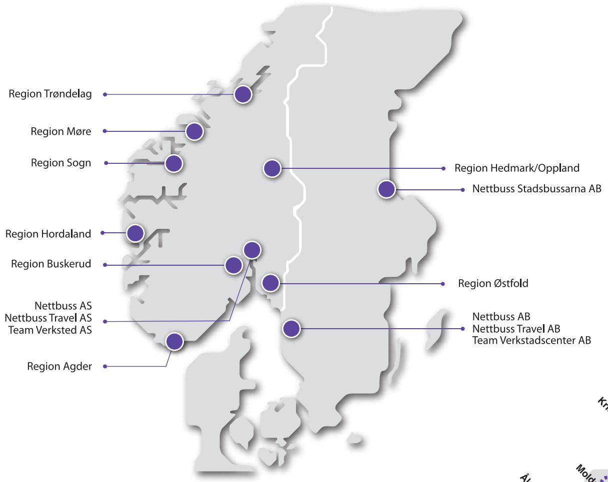
- NSB AS, NSB Gjøvikbanen AS, Svenska Tågkompaniet AB, Finse Forsikring AS, NSB Trafikkservice AS and NSB Anbud AS are included in Passenger rail operations.
- The bus segment consists of the Nettbuss-Group operations.
- The freight traffic segment consists of the CargoNet-Group operations.
- Mobility and Travel consists of Mobility solutions, activities in Flåm and Fjord Tours and are reported in the Passenger rail operations.



Note 4

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

Nettbuss in Scandinavia



Passenger train

Nettbuss Express

Other express lines operated by Nettbuss

CargoNet

Note 5

5. Segment information

Analysis of Operating income by category	2018	2017
Transport revenue	14 665	13 996
Sales revenue	37	23
Other revenue	1 193	971
TOTAL	**15 895**	**14 990**

The Group mainly operates in Norway. The Group also has some operations in Sweden.

Information on important customers

The Group has one customer that constitutes more than 10 % of operating income. The Government's purchase from the NSB-Group is included in note 31.

Operating revenue

Most of the Group operations are personnel transport by train and bus. The transport date regulates the recognition of the revenue and is thus when the service is delivered. The Group also has revenue on agreements with counties and municipalities as well as a Traffic agreement with the State of Norway. Revenue from these arrangements is also recognized at the transport date. Additionally, the Group has revenue from freight, terminal services, workshop services and various ad hoc services. For all these revenue are recognized when the services are delivered.

Type	Segment	IFRS 15 accounting treatment
Personnel transport	Passenger train and bus	Revenue recognition at the transport date
Food and on board services	Passenger train and bus	Revenue recognition at the date of sale
Agreements with counties and municipalities	Bus	Revenue recognition at the transport date
Workshop services	Bus	Revenue recognition when the service is delivered
Agreements with counties and municipalities	Passenger train and bus	Revenue recognition at the transport date
Traffic agreement with the state of Norway and public purchaser abroad	Passenger train and bus	Revenue recognition at the transport date
Fees	Passenger train and bus	Revenue recognition at the date of issuance
Freight and terminal services	Freight	Revenue recognition when the service is delivered
Other services - sale of ad hoc services, renting premises etc.	All	Revenue recognition when the service is delivered

The accounting of revenue streams will not be significantly affected by the application of IFRS 15.

Note 6

6. Leases

Specification of changes in the period	Liability	Assets
Opening balance implementation effects leasing earlier classified as operational lease	7 007	7007
Opening Balance leases earlier classified as financial lease (IAS 17)	963	953
TOTAL OPENING BALANCE RIGHT-TO-USE ASSETS / LEASE OBLIGATIONS	**7 970**	**7 960**
Lease payments	-1539	–7
Depreciations	-	–1 602
Additions and changes in agreements	909	887
Other / currency effects	206	201
TOTAL CLOSING BALANCE	**7 546**	**7 439**

Interest expenses leaseobligation amounted to 177 MNOK in 2018.
For more specification on the effects from right-of-use assets in the financial accounts, refer to note 7 "Fixed Assets".

Liabilities	2018	2017
Short-term liability	1 666	94
Long-term liability	5 880	777
TOTAL	**7 546**	**871**

Future nominal lease obligations amounting to about 700 MNOK are nor recognized. These relates primarily to leases of passenger trains commited, but not yet received.
The Right-of-use assets and obligation will be recognized when the trains are received and made available for the Group.

Reconciliation of the opening balance lease obligation	1st Jan. 18
Gross lease liability 1st of January 2018	**7 296**
Discounting effects	-693
Lease liability 1st of January 2018	**6 603**
Short-term leases	-44
Options that are reasonably certain to be exercised	448
Increased lease liability due to IFRS 16 implementation as 1st of January 2018	**7 007**
Financial leases recognized 1. of January 2018	963
Lease liability due to IFRS 16 implementation as 1st of January 2018	**7 970**

Weighed average of the discount rate as 1st January 2018 was 2,3 %

Supplementary information	2018
Leases not recognized	
Short term agreements (between one month and one year)	63
Costs aligned to low-value items	25
Total	**88**
P&L	
Variable leases not recognized	-
Revenue from sub-lease	7
Profit or loss from sale leaseback transactions	1
Cash Flows	
Total cash flows on leases	1 660

For more information on the Group's handling of leases, refer to the principles.
For future maturities for the Group's lease liabilities, refer to note 15.

Note 7

7. Property, plant and equipment

At 1st of January 2018	Machinery and equipm.	Trans-portation	Land and buildings	Under constr.	Right-to-use bus and train	Right-to-use buildings	Right-to-use other assets	Total
Accumulated acquisition cost	1 610	13 833	252	14	1 027	-0	-0	16 735
Accumulated depreciation	-1 456	-11 837	-142	-0	-158	-0	-0	-13 593
TOTAL	**154**	**1 996**	**110**	**14**	**869**	**-0**	**-0**	**3 142**
Year ended 31st of December 2018								
Opening net book value	154	1 996	110	14	869	-0	-0	3 142
Effect of the IFRS 16 implementation	-0	-84	-0	-0	5 488	1 558	45	7 007
Exchange differences	-0	-20	-0	-0	-7	-4	-0	-32
Additions	25	149	0	19	753	135	5	1 087
Disposals at acquisition cost	-29	-533	-35	-0	-10	-0	-0	-607
Accumulated depreciation disposals	20	463	13	-0	6	-0	-0	504
Transfers within PPE	8	6	9	-23	-0	-0	-0	-0
Transfers to prepaid maintenance	-0	-0	-0	-0	206	-4	-0	201
Depreciations	-52	-430	-10	-0	-1 353	-237	-12	-2 096
Impairments	-1	-11	-0	-0	-0	-0	-0	-12
TOTAL	**125**	**1 536**	**86**	**10**	**5 952**	**1 447**	**37**	**9 194**
At 31st of December 2018								
Accumulated acquisition cost	1 614	13 434	225	11	7 457	1684	50	24 391
Accumulated depreciation	-1489	-11 815	-140	-0	-1 504	-237	-12	-15 197
TOTAL	**125**	**1 620**	**86**	**11**	**5 952**	**1 447**	**37**	**9 194**
Deprecation period	5 - 30 years	5 - 30 years	3 - everlast		1 - 10 years	1 -20 years	1 - 10 years	

At 1st of January 2017	Machinery and equipm.	Trans- portation	Land and buildings	Partially delivered trains	Under constr.	Leased buses	Total
Accumulated acquisition cost	1 820	14 321	300	-10	102	832	17 364
Accumulated depreciation	-1 725	-11 936	-111	10	-10	-48	-13 820
TOTAL	**94**	**2 385**	**188**	**0**	**92**	**784**	**3 544**
Year ended 31st of December 2017							
Opening net book value	94	2 385	188	-0	92	784	3 544
Exchange differences	0	27	0	-0	-0	10	38
Acquisition of subsidiary	9	-6	0	-0	- 0	-0	4
Accumulated depr. Acq. of subsidiary	-7	4	-0	-0	- 0	-0	-3
Additions	41	51	2	-0	38	181	313
Disposals at acquisition cost	-343	-469	19	-0	- 0	4	-789
Accumulated depreciation disposals	331	577	-20	-0	- 0	-4	885
Transfers within PPE	19	53	-0	-0	-71	- 0	-0
Transfers to prepaid maintenance	64	51	-69	-0	-45	- 0	0
Transfers from development property	- 0	-194	-0	-0	-0	- 0	-194
Depreciations	-55	-478	-11	-0	- 0	-105	-650
Impairments	-0	-4	- 0	-0	- 0	-1	-5
TOTAL	**154**	**1 996**	**110**	**-0**	**14**	**869**	**3 142**
At 31st of December 2017							
Accumulated acquisition cost	1 610	13 833	252	-10	24	1 027	16 745
Accumulated depreciation	-1 456	-11 837	-142	10	-10	-158	-13 603
TOTAL	**154**	**1 996**	**110**	**-0**	**14**	**869**	**3 142**
Deprecation period	5 -30 years	5 - 30 years	3 - everlast.				

Depreciation, amortization and impairment

	2018	2017
Depreciation current assets	2 094	649
Impairment non-current assets	12	5
Depreciation intangible assets (note 9)	1	1
TOTAL	**2 108**	**655**

Property, plant and equipment, and contract losses

Operating revenue in the Group is mainly related to long term tender contracts which means significant investments in property, plant and equipment (PPE). In the presentation of the accounts as at 31st of December 2018 an evaluation of the value of the Groups' PPE is performed, where there are indications of permanent impairment (IAS 36).

To test the balance sheet value, calculations using value in use have been performed. Value in use is calculated for every cash flow generating unit (CGU). Calculation of value in use has been performed on the tenders where there is an indication of permanent impairment on PPE.

The value in use is calculated as present value of expected future cash flows for each tender. Revenue from the contracts and expected operating expenses, including overhead that can be allocated to each separate CGU, are included in the contracts' lifespan in the future cash flows. At the end of the contract, a repurchase value on the buses is included, based on experiences or residual value guarantees from suppliers. Included in the contracts, the contracting entity has the option to extend the contracts. In the evaluations of the contracts, it is assumed that these options are exercised and included in the cash flows. Impairments are undertaken if the balance sheet value is lower than the recoverable amount. The recoverable amount is the higher of fair value less sales costs and value in use.

In addition to evaluating balance sheet values according to IAS 36, the contracts are also evaluated for any additional provisions according to IAS 37. In these evaluations the Group measures continuously present value of future expected cash flows from operational activities in each separate contract, where estimated payments include all future unavoidable operating expenses. The provision is limited to the lower amount of continuing or exiting the contract. The provision is released over the remaining life of the contract.

In the future cashflows evaluations in accordance with IAS 36 and IAS 37, the following main assumptions are used:

Growth rate of	1,5 %
Discount rate	7,0 % evaluations according to IAS 36
Borrowing rate	3,4 % evaluations according to IAS 37

Based on the main assumptions, the Group has made impairment on assets in 2018 by MNOK 9 (2017:0). The Group has cash-generating units where the assets are valued at value in use as at 31 December 2018 and are written down by MNOK 20 (MNOK 23). The Group also has cash-generating units where the assets are valued at the fair value of buses as at 31 December 2018, which are written down by MNOK 3 (MNOK 3). For contracts where the assets are written down to fair value, total value in use is MNOK 101, which was approximately MNOK 5 higher than fair value.

Sensitivity

To describe the uncertainty that are included in the IAS 36 impairment calculations, sensitivity analysis on selected variables in the calculation have been performed. A sensitivity analysis is performed on contracts where PPE is impaired in the current year.

Discount rate

A change in discount rate of +/- 1 % -points affects changes to present value differently across contracts. The overview below shows the effects a discountrate change has on the contracts with a need for impairment of property, plant and equipment.

"Discount rate Change in factors"	Change in present value	Actual accumulated impairment	Estimated accumulated impairment*
Interest rate +1%	-2	23	25
Interest rate -1%	3	23	23

"EBITDA Change in factors"	Change in present value	Actual accumulated impairment	Estimated accumulated impairment*
EBITDA + 1 MNOK per contract	5	23	23
EBITDA - 1 MNOK per contract	-5	23	27

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

DThe cash-generating units rated at fair value for buses would be classified at Level 2 in a valuation hierarchy. The assets that are valued at use value would be classified at level 3 in a valuation hierarchy.

Note 8

8. Periodic maintenance

Periodic maintenance on leased trains	2018	2017
Prepaid maintenance as of 1st of January	206	194
Accrual for incurred maintenance cost through the year	-117	-101
Performed maintenance through the year	117	113
Change in provision	-195	-
PREPAID MAINTENANCE AS OF 31ST OF DECEMBER	**11**	**206**

As a train leases, the Group is under the lease agreement responsible for carrying out heavy maintenance. Provisions for maintenance costs are continuously recorded on the basis of estimated costs per kilometer driven, and the route- and maintenance plan. Costs are estimated based on existing maintenance contracts, and historic maintenance work. Actual incurred maintenance costs are offset against the provision. Upon return of the leased equipment, the Group will have to compensate, or will be entitled to a compensation from the lessor, based on the equipment's maintenance level, assessed at the end of the lease period. The assessment involves use of judgment and estimates.

Note 9

9. Intangible assets

	Goodwill		Other		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
At 1st of January						
Accumulated acquisition cost	123	113	20	20	143	133
Accumulated amortization and impairments	-	-	-17	-16	-17	-16
TOTAL	**123**	**113**	**3**	**4**	**126**	**117**
Changes during the year						
Opening net book value	123	113	3	4	126	117
Exchange differences						
Acquisition	-	9	-	-	-	9
Additions	39	1	-	-	39	1
Amortization and depreciation	-	-	-1	-1	-1	-1
TOTAL	**162**	**123**	**2**	**3**	**164**	**126**
At 31st of December						
Accumulated acquisition cost	162	123	20	20	182	143
Accumulated amortization and impairments	-0	-0	-18	-17	-18	-17
TOTAL	**162**	**123**	**2**	**3**	**164**	**126**

Goodwill is exclusively in the Nettbuss Group.

Impairment testing of Goodwill

Goodwill is annually tested for impairment by comparing the carrying amount with the recoverable amount. The ratio is monitored based on what is considered as the natural cash-generating unit (CGU) associated with each acquisition. There are as of 31th December 2018, goodwill recorded on several CGUs in the Bus-business segment, and all these CGUs are followed up locally in the wholly owned corporate group Nettbuss.

The recoverable amount is calculated based on the value the asset will add to it's CGU. Liquidity prognosis' based on approved budgets are approved by leadership for the next five 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.

Estimates used when calculating recoverable amounts

Growth rate1	2,00 %
Discount rate2	7,00%

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 2 % of the goodwill amount on the balance sheet will decrease by MNOK 6.

Note 10

10. Investments in associates

	2018	2017
Book value 1st of January	42	50
Acquisition of associates	10	-
Disposals/ -sale of associates	-5	-144
Share of profit/loss	16	152
Currency translation difference	-0	0
Other equity movements	-11	-15
NET BOOK VALUE 31ST OF DECEMBER	**53**	**42**

Investments in associates at 31st of December 2018 include goodwill of 0 MNOK (0 MNOK).

The group's share of 33% of Interoperabilitetstjenester AS was sold in January 2018. In connection with the sale, the Group reconized a gain of 3 MNOK, which is included in the share of profit from associates in 2018.

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

2018	Registered office	Assets	Liabilities	Revenues	Profit/Loss	% int. held
Go Mobile AS	Kristiansand	28	9	6	-4	26 %
Nordlandsbuss AS	Bodø	134	80	294	2	34 %
Strømstad-Tanum Buss AB	Tanumshede	14	9	38	-0	40 %
Peer Gynt Tours AS	Oslo	13	8	79	0	34 %
Minibuss 247 AS	Våler	77	67	85	1	49 %
Larsens Last og Buss AS	Sande	12	10	29	1	49 %
Sjøholt Last og Buss AS	Ørskog	5	4	14	0	49 %
Fjord Tours AS	Bergen	62	26	88	25	43 %
TOTAL		**344**	**214**	**633**	**24**	

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

2017	Registered office	Assets	Liabilities	Revenues	Profit/Loss	% int. held
Oslo S Parkering AS	Oslo	-	-	43	28	25 %
Nordlandsbuss AS	Bodø	162	110	308	6	34 %
Interoperabilitetstjenester AS	Oslo	12	7	22	1	33 %
Strømstad-Tanum Buss AB	Tanumshede	18	14	44	-0	40 %
Peer Gynt Tours AS	Oslo	12	8	66	17	34 %
Minibuss 247 AS	Våler	20	18	71	-5	49 %
Larsens Last og Buss AS	Sande	6	4	20	0	49 %
Sjøholt Last og Buss AS	Ørskog	6	4	16	1	49 %
Fjord Tours AS	Bergen	61	17	81	28	43 %
TOTAL		**297**	**182**	**670**	**76**	

Note 11

11. Investment in joint ventures

	2018	2017
Book value 1st of January	47	34
Share of profit/loss	37	43
Other equity movements	-39	-30
NET BOOK VALUE 31ST OF DECEMBER	**46**	**47**

Share of profit and loss includes adjustments from prior years.

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

Joint venture:	**Year of acquisition**	**Registered office**	**Votes and profit share**	**Equity**	**Profit/loss**	**Book value 31st of December**
Flåm Utvikling AS	2013	Aurland	50 %	92	35	128

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

	2018	2017
Assets		
Non-current assets	1	1
Current assets	63	65
TOTAL	**64**	**65**
Liabilities		
Long term liabilities	-	-
Short term liabilities	18	19
TOTAL	**18**	**19**
NET ASSETS	**46**	**47**

Income/expenses	**2018**	**2017**
Operating revenue	114	99
Operating expenses	-68	-58
PROFITS	**46**	**42**

Description of operations:

Flåm Utvikling

For 20 years, Flåm Utvikling has operated the travel product Flåmsbana with NSB AS as a supplier of train transport services. Flåm Utvikling conducts product development, sales, marketing, customer relationship management and brand development of Flåmsbana, as well as the foundation for commercial year-round operations of Flåmsbana. Flåmsbana is the country's first year-round mountain/fjord railway destination.

Note 12

12. Inventory

	2018	2017
Components	777	784
Not completed parts	24	17
Completed parts	1	1
TOTAL INVENTORY	**802**	**802**

Note 13

13. Assets held for sale

The Group has no assets or business held for sale or distribution as of 31th Desember 2018.

Note 14

14. Trade and other receivable

	2018	2017
Trade receivables	1 097	1 205
Less: provision for impairment of receivables	-13	-10
Trade receivables - net	1 084	1 195
Prepayments	463	509
Other receivables	278	179
TOTAL TRADE AND OTHER RECEIVABLES	**1 824**	**1 882**

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:	2018	2017
Matured receivables on balance sheet date	188	213
Matured between 0 - 2 mnths ago	158	191
Matured between 2 - 6 mnths ago	15	9
Matured more than 6 mnths ago	14	13

Note 15

15. 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 to shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages some of its excess liquidity in interest bearing products like deposits, commercial papers and bonds, in accordance with guidelines prepared by the Board of Directors. The Board sets the principles of risk management and gives guidelines for specific risk areas. In accordance with the guidelines' demand of security, spread of risk and liquidity, NSB should maximize the return of the managed capital.

The Group invests portions of the surplus liquidity in interest-bearing products such as bank deposits, certificates, bonds with short remaining maturity and interest rate funds.

Financial risk factors

The Group's activities result 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

Currency risk is the risk that fluctuations in the exchange rate will lead to changes in the Group's income statement, statement of financial position or cash flows.

The Group operates in the Nordic region, makes purchases from foreign suppliers and is therefore exposed to currency risks. The Group minimizes currency risk associated with larger investments from foreign suppliers by mainly entering into agreements in NOK or somtimes are being hedged. The goal is to create predictability with respect to future payments measured in NOK. The Group has hedged future purchases of buses in euro, refer to note 34.

Any debt in foreign currency will be hedged through foreign exchange swaps and changes in value are offset by fair value changes in the derivatives. The Group is therefore not exposed to currency risk on debt instruments.

The Group has certain investments in foreign subsidiaries, whose net assets are exposed to currency risk. This risk is not considered to be of significant importance to the Group.

Interest rate risk

Interest rate risk is the risk that a fair value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

The Groups last bond issue was repaid in November 2017. In 2018 and 2017, excess liquidity was significantly higher than in previous years. The excess liquidity was invested in the Norwegian money market and was therefore exposed to changes in Norwegian money market rates. The management of excess liquidity has a short average interest duration and therefore the fair value changes due to changes in money market rates are moderate. In addition, risk will largely be exposed by the fact that investments in interest-bearing securities are held to maturity.

Other price risk

The Group has a risk associated with price changes related to electric power and diesel used in its train and bus operations. The Group are only in a limited extent hedging its future electricity and diesel needs.

Liquidity risk

Liquidity risk is the potential inability to meet short term liabilities.

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

NSB reduces liquidity risk on maturity of financial obligations by accessing a number of financing sources in Norway and internationally, as well as maintaining adequate liquidity to cover planned operating-, investing-, and refinancing needs without assuming new debt due within 12 months. Liquidity consists of bank deposits, interest rate certificates, money market funds and a credit facility.

NSB has a high credit rating. Standard & Poor's rates NSB's long-term debt at A- (negative outlook). This high credit rating gives NSB good access to external financing.

The table below shows future maturities for the Group's liabilities as at 31st of December 2018:

Liquidity risk	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Short term liabilities	2 711	-0	-0	-0
Debt	1	14	3	7
Lease obligations	1 683	1 381	3 151	1 259
Property, plant and equipment	1 518	-0	-0	-0

Credit risk

Credit risk is the potential loss if an external part cannot meet its financial obligations to NSB. The Group's exposure to credit risk is mainly related to individual customers.

Passenger train- and bus operations mainly sell its services on a cash basis. Deferral of payment is given to public authorities based on long-term agreements. Revenue from freight operations is divided between several 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 established limits for credit exposure against sectors and individual counterparties based on credit assessments.

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

NSB assesses maximum credit risk to be the following:	2018	2017
Cash and bank deposits	1 709	2 090
Certificates (placements)	3 705	3 085
Trade receivable and other short term receivables	1 824	1 882
TOTAL	**7 238**	**7 057**

The credit risk (counterparty risk) is reduced by diversifying exposure across several counterparties. Strict requirements are set for the counterparty's creditworthiness with a minimum A- rating from S & P, or equivalent from another international rating agency upon conclusion of the agreement. Counterparty risk is continuously monitored. NSB AS has agreements that regulate judicial offset calculations in a bankruptcy situation (ISDA agreements) with several banks.

Excess liquidity is placed in Norwegian certificates and bonds with short-term remaining maturity, as well as Norwegian money market funds. Guidelines are established for credit exposure against several sectors, and specific issuers based on credit assessments.

For the wholly owned subsidiary, Finse Forsikring AS, the Board of Directors has approved extended limits on placement of surplus liquidity. The company has made investments in four listed mutual funds on the Oslo Exchange; "Skagen Global"," Nordea Stabile Aksjer Global Etisk" and "Storebrand Global Multifactor ".

A decline in value of 41 % gives a calculated portfolio risk of 24 MNOK (2017: 41 % -25 MNOK). The evaluation and determination of percentage decline in value has been set in accordance with the Financial Supervisory Authority of Norway's regulations on reporting stress tests for insurance and pension companies.

Note 16

16. Derivatives

	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest and exchange rate swaps	-	-1	-	-2
TOTAL	**-**	**-1**	**-**	**-2**

Fair value changes in derivatives are continuous recognized in the income statement. Derivatives are classified as current assets or contractual obligations. Energy contracts relate to hedging of electricity and diesel prices.

Changes derivatives fair value:	**2018**	**2017**
This period's change in fair value:	1	-786
Accumulated change in fair value:	-1	-2

Interest rate and foreign exchange swaps

The notional principal of the outstanding interest rate swaps contracts at 31st of December 2018 was 12 MNOK (2017: 13 MNOK). At 31st of December 2018, the fixed interest rate was 5,25 % (2017: 5.25 %).

Note 17

17. Other financial assets at fair value through profit or loss

Listed securities	**2018**	**2017**
Stocks and other listed equity securities – Norway	2 834	1 493
Stocks and other listed equity securities – Europe	59	62
Bonds and certificates	752	1 509
Other financial instruments	60	21
TOTAL	**3 705**	**3 085**

Fair value is based on changes in original interest rate, currency exchange and spread (at recording time) against market interest rate, currency exchange rates at the reporting date.

Effective interest rate on short term placements of financial instruments was 1.19 % at 31st of December 2018 (2017: 1.2 %) and the placements has an average maturity of 68 days.

Effective interest rate on short term bank deposits was 1.45 % as at 31st of December 2018 (2017: 1.05 %).

Changes in fair value of listed securities	**2018**	**2017**
This period's change in fair value	-10	2
Accumulated change in fair value	9	19

Note 18

18. Financial instruments by category

Assets at 31st of December	Loans and receivables		Assets at fair value through profit and loss		Total	
Year	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Financial fixed assets	89	90	-	-	89	90
Trade and other receivables (excl. prepayments)	1 366	1 373	-	811	1 366	1 373
Financial assets at fair value through profit or loss	-	-	3 705	3 085	3 705	3 085
Cash and bank deposits	1 746	2 090	-	-	1 746	2 090
TOTAL	**3 201**	**3 553**	**3 705**	**3 085**	**6 906**	**6 638**

Liabilities at 31st of December	Other financial liabilities at amortised cost		Liabilities at fair value through profit and loss		Total	
Periode	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Debt (excl. Financial lease liabilities)	24	42	1	1	25	43
Financial lease liabilities	7 546	850	-	-	7 546	850
Derivatives	-	-	1	2	1	2
Trade and other payables (excl. statutory liabilities)	2 469	2 448	-	-	2 469	2 448
TOTAL	**10 039**	**3 340**	**2**	**3**	**10 041**	**3 343**

Financial assets and liabilities at fair value through profit and loss per. 31st of December 2018:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging31st of December 2018:	3 705	-	-	3 705
TOTAL ASSETS	**3 705**	**-**	**-**	**3 705**
Debt and accrued interest	-	1	-	1
Derivatives used for hedging	-	1	-	1
TOTAL LIABILITIES	**-**	**2**	**-**	**2**

For discription of the different levels used, see the note for NSB Group accounting principles.

Financial assets and liabilities at fair value through profit and loss per. 31st of December 2017:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	3 085			3 085
TOTAL ASSETS	**3 085**	**1 030**	**-**	**3 085**
Debt and accrued interest	-	1	-	1
Derivatives used for hedging	-	2	-	2
TOTAL LIABILITIES	**-**	**3**	**-**	**3**

For discription of the different levels used, see the note for NSB Group accounting principles.

Note 19

19. Cash and bank deposits

	2018	2017
Cash and bank deposits	1 709	2 090

Includes restricted funds of 133 MNOK (2017: 128 MNOK).

Note 20

20. Share capital and share premium

	No. of shares	Ordinary shares	Share premium MNOK	Total MNOK
Shares at 1st of January 2018	3 685 500	3 685 500	-	3 686
Shares at 31st of December 2018	3 685 500	3 685 500	-	3 686

There is only one class of shares. The par value of a share is NOK 1,000,- which is owned by the norwegian Goverment (Ministry of Transport and Communication).

In 2018 dividend payment for the fiscal year 2017 was 233 MNOK. A MNOK dividend has been proposed for 2018. The decision will be made at the General Assembly in 2019.

Note 21

21. Debt

Long term liabilities	**31.12.18**	**31.12.17**
Lease obligations IFRS 16	5 881	850
Mortgage loan	6	6
Other loans	18	36
TOTAL	**5 904**	**892**
Short term liabilities		
Lease obligations IFRS 16	1 665	113
Other current debt	1	1
Total	**1 666**	**1**
TOTAL DEBT	**7 570**	**893**

Nominal value of long-term debt and lease obligation per 31st of December 2018: 7 885 MNOK (2017: 892 MNOK).

The exposure of the Group`s debt and lease obligations to interest rate changes and the contractual dates as at the balance sheet date are as follows:

Loans and hedgings		**2018**	**2017**
6 months or less		992	880
Over 6 months		-	-

Non-current borrowings expire in:		**2018**	**2017**
Between 1 and 2 years		137	137
Between 2 and 5 years		414	371
Over 5 years		452	384

Effective interest rate at the balance sheet date in %:		**2018**	**2017**
Other loans	NOK	2,63	3,29
Other loans	SEK	3,01	3,01

Changes in fair value on non-current debt:	**2018**	**2017**
Change in fair value during the current period	-	-812
Accumulated change in fair value	-	-

The carrying amounts of the Group`s loans are denominated in the following currencies:	**2018**	**2017**
NOK	809	675
SEK	195	218
TOTAL	**1 004**	**893**

The Group has the following unused loan facilities:	**2018**	**2017**
Floating interest rate		
- Expiring within one year	50	50
- Expiring after one year	-	2 000
TOTAL	**50**	**2 050**

The facility that expire within one year is a bank overdraft related to NSB-Group bank account system. Credit is granted for one year at the time and is renewed annually.

Note 22

22. Tax

Income tax expense:	**2018**	**2017**
Current income tax payable	214	347
Changes in deferred tax	-94	-209
TOTAL INCOME TAX EXPENSE	**120**	**138**

Tax payable on the balance sheet are as follows:	**2018**	**2017**
Current payable tax expense	214	347
Insufficient/ too much tax provision prior years	-3	-6
TAX PAYABLE ON THE BALANCE SHEET	**211**	**341**

Tax payable in the balance sheet will partly be offset by proposed group contributions which will to be decided by the general assembly in 2019.

Reconciliation between nominal and actual tax expense rate:	**2018**	**2017**
Profit before income tax	585	772
Expected income tax using the nominal tax rate (23/24 %)	135	185
Tax effect from the following items:		
Other permanent differences related to investm. (exemption method)	-46	-34
Other non-deductible expenses	47	2
Other non-taxable income	46	-11
Effect of change in income tax rate	-27	-25
Insufficient tax provision prior years	-21	-1
Other items	-13	22
Income tax expense	**120**	**138**
Effective tax rate	**21 %**	**18 %**

Spesification of the tax effect from temporary differences and losses carried forward:

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

2018	**01.01.**	**Ex-change diff.**	**Acq. of subsidiary**	**Income statement charge**	**Charge to other compr. Income**	**Charged directly to equity**	**Tax effect Group contr.**	**31.12.**
Benefit (+) / Liability (-)								
Fixed assets	-2 120	2	-	447	-	-	-	-1 671
Financial assets	0	-	-	-	-12	-	-	-12
Inventories	15	-	-	1	-	-	-	16
Receivables	-7	-	-	7	-	-	-	0
IFRS 16	-0	-	-	86	-	-	-	86
Value changes to financial current assets	-173	-	-	25	-1	-	-	-149
Retirement benefit obligations	2 223	-	-	-373	297	-	-	2 147
Provisions for other liabilities and charges	524	-	-	-257	-	-	-	267
Gains (losses)	-115	-	-	60	-	-	-	-55
Losses carried forward	427	-9	1	193	-	-	-122	490
Other	84	1	2	106	-	-	-71	122
Total gross temporary differences	859	-6	3	295	284	-	-193	1 242
Off-balance sheet deferred tax benefits	-308	9	-	-	1	-	-	-298
Net temporary differences	**551**	**3**	**3**	**295**	**285**	**-**	**-193**	**944**
Net deferred tax asset/liability	**127**	**1**	**1**	**66**	**66**	**-**	**43**	**218**
Effect from changes in tax rate	-	-	-	27	-14	-21	-1	-9
Net deferred tax asset/liability balance sheet 22%	**127**	**1**	**1**	**93**	**52**	**-21**	**-44**	**209**

2017	01.01.	Ex-change diff.	Acq. of subsidiary	Income statement charge	Charge to other compr. Income	Charged directly to equity	Tax effect Group contr.	31.12.
Benefit (+) / Liability (-)								
Fixed assets	-2 647	-3	-2	692	-	-160	-	-2 120
Financial assets	0	-	-	-	-	-	-	0
Inventories	7	-	-	8	-	-	-	15
Receivables	-21	-	-	14	-	-	-	-7
Value changes to investment property	-0	-	-	-	-	-	-	-0
Value changes to financial current assets	-545	2	2	-18	-	386	-	-173
Retirement benefit obligations	2 204		-	-140	163	-4		2 223
Provisions for other liabilities and charges	418	-	-	106	-	-	-	524
Gains (losses)	-47	-	-	-68	-	-	-	-115
Losses carried forward	322	15	-	122	-	-	-32	427
Other	36	2	-	46	-	-	-	84
Total gross temporary differences	-273	16	-	762	163	222	-32	859
Off-balance sheet deferred tax benefits	-293	-15	-	-	-	-	-	-308
Net temporary differences	**-565**	**1**	**-**	**762**	**163**	**222**	**-32**	**551**
Net deferred tax asset/liability	**-139**	**-**	**-**	**184**	**39**	**53**	**-8**	**129**
Effect from changes in tax rate	-	-	-	26	-10	-18	-	-2
Net deferred tax asset/liability balance sheet 23%	**-139**	**-**	**-**	**210**	**29**	**35**	**-8**	**127**

Deferred income tax assets	2018	2017
Deferred income tax assets to be recovered after more than 12 months	601	684
Deferred income tax assets to be recovered within 12 months	31	7
Total	**632**	**691**

Deferred tax liabilities	2018	2017
Deferred income tax liabilities to be recovered after more than 12 months	-417	-557
Deferred income tax liabilities to be recovered within 12 months	-6	-7
TOTAL	**-423**	**-564**
TOTAL DEFERRED INCOME TAX LIABILITY (NET)	**209**	**127**

Deferred tax assets on forwarded fiscal losses are recognized when it is probable that the Group will utilize the losses towards future taxable profits. The Group has not recognize deferred income tax assets in Sweden of 64 MNOK (64 MNOK) in respect of losses carried forward amounting to 290 MNOK (290 MNOK).

Note 23

23. Payroll and related expenses

	2018	2017
Wages and salaries, including employment taxes	5 748	5 515
Pension costs – defined contribution plans (note 24)	150	141
Pension costs – defined benefit plans (note 24)	320	296
Other employee benefit expenses	54	131
TOTAL	**6 273**	**6 084**

Benefits for Chief Executive Officer and key management are covered to in the note for related-party transactions (note 31).

	2018	2017
Average full-time equivalent	9 058	8 928
Average number of employees	11 160	10 992

The calculation is based on a weighted average of the actual full-time equivalent for the year.

Note 24

24. 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 more detailed description of type of arrangements and how these are structured.

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. The Norwegian companies comply with the law on public pension. The plan 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 3,617 active members and 3,938 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 3,617 active members.

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

Closed defined benefit plan

A decision was made end of December 2017 to settle the current pension benefit plan for NSB AS and NSB Gjøvikbanen AS in the Norwegian Public Service Fund (SPK) for those above 55 years old by the end of 2018. All younger employees will be granted an earned right in the SPK, and will join a new defined contribution plan as of 2019. The SPK expects employer's final settlement to employees to be available in the 4th quarter of 2019. The Group's 2018 pension cost and 31st of December 2018 pension liability is calculated according to IAS 19. The carrying value of the pension liability at the balance sheet date, is the best view of the Group's liability taking into account the estimated effect from the pension plans settlement. Agreed compensation to employees for whom the defined benefit pension plan settlement will have a negative effect, is expensed with 78 MNOK.

The rest of the companies, CargoNet AS, RailCombi AS and NSB Trafikkservice AS has reached an agreement with the employees and decided to close the pension scheme the same way as in NSB AS. All above 55 years will stay in a closed scheme and all employees beloww 55 years will join a new contribution plan in Storebrand. Nettbuss AS has a planned transfer of employees from a defined benefit plan to a contribution plan as a consequence of contracts.

Below is a table showing number of employees transferred to the new contribution plan 1. of January 2019:

:

Number of employees transferred to a new contribution plan 2018	Number active at 31.12.18	Number transferred to new contribution plan	Number active remaining in the defined benefit plan
NSB AS	2595	1 769	826
Nettbuss AS	327	175	152
NSB Gjøvikbanen AS	90	74	16
CargoNet AS	237	117	120
RailCombi AS	190	112	78
NSB Trafikkservice AS	178	140	38
Total	**3 617**	**2 387**	**1 230**

The Norwegian state amended the criteria on who should pay the accrued regulation liability for the SPK defined benefit plans from 1st of January 2018. The amendment to the payable regulation liability is not included in NSB AS pension liability as it is primarily financed by grants from the Norwegian state in the revised national budget for 2019.

Other arrangements in Norway and Sweden

There are additionally defined contribution plans in Nettbuss Norway which covers 4,462 employees (5,167 employees).

All of the Groups' employees in Sweden have pension rights and the companies' obligations are funded in a Multiemployer plan that covers 1,748 employees (1,615 employees).

The plan is a Multiemployer plan and the employer is responsible for the benefits until payments are made in full. 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 for this plan, and therefore it is treated as a defined contribution plan. The companies have not received actuary estimates for any of the fiscal years from 2007 until today. This is an issue faced by most companies with a retirement benefit obligation with the Multiemployer plan in Sweden.

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

Specification of net defined benefit pension plan obligations	**2018**	**2017**
Present value of earned pension rights for funded collective pension plans	10 270	10 047
Fair value of plan assets	-7 995	- 7 817
Present value of unfunded obligations	2 275	2 230
Unrecognised actuarial losses	39	46
NET PENSION OBLIGATION ON THE BALANCE SHEET	**2 314**	**2 276**
Changes in pension retirement obligations:		
Book value net pension obligation 1st of January	2 276	2 318
This years' actuarial deviations	254	144
This years net return on assets/increase in obligation	263	251
Net financial items in the acount	44	47
Curtailments	-47	-11
Payments to plan	-538	-473
Plan change	62	-
BOOK VALUE 31ST OF DECEMBER	**2 314**	**2 276**
Pension expenses included in the accounts, defined benefit pension plan		
Present value of current pension earnings	298	301
Plan changes in the period	59	-
Curtailments	-35	-3
Employee contribution	-2	-2
Total return on pension plan, incl. in payroll and related expenses – see note 23	**320**	**296**
Total financial items in the accounts	**44**	**47**
TOTAL PENSION EXPENSES DEFINED BENEFIT PENSION PLAN	**364**	**343**
Defined contribution plan		
Employer's contribution, included as payroll and related expense – see note 23	150	141
TOTAL PENSION EXPENSES	**514**	**484**

The pension obligation will be reduced with approximately 6 100 MNOK in 2019 if all entities should buy out their obligations to SPK to retirees and earned rights. The estimated payout is 1 602 MNOK. Closure and settlement will be ready in Q4 2019, and the payment date will be decided thereafter.

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 %	(22-24 %)	21-23 %	18-20 %	(13-15 %)	14-15 %	(9-11 %)
Increase (+)/decrease (-) net pension obligation at 31st of December in %	(12-14 %)	16-18 %	6-8 %	(4-6 %)	10-12 %	(7-9 %)

The Population is characterized 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:

	2018	2017	2016	2015	2014	2013
Income statement						
Present value of current pension earnings	263	298	242	398	371	351
Plan changes during the year	59	-	-	-257	-	-364
Changes and deviations in estimates allocated to net income	-2	-2	-2	-3	-	-
Total cost in the income statement	320	296	240	138	371	-13
Total financial items in the accounts	44	47	36	54	76	72
TOTAL FINANCIAL ITEMS IN THE ACCOUNTS	**364**	**343**	**276**	**192**	**447**	**59**
Financial position						
Total obligations	10 309	10 093	9 860	11 091	10 938	10 039
Pension assets	-7 995	-7 817	-7 542	-8 746	-8 386	-7 574
Total net pension obligations	2 314	2 276	2 318	2 345	2 552	2 465
NET PENSION OBLIGATION AT THE FINANCIAL POS.	2 314	**2 276**	**2 318**	**2 345**	**2 552**	**2 465**

Financial assumptions (defined benefit plans):

	2018	2017	2016	2015	2014	2013
Discount rate	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %	3,90 %
Expected return on plan assets	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %	3,90 %
Average salary growth	2,50 %	2,25 %	2,55 %	2,60 %	2,95 %	3,70 %
G-regulation	2,60 %	2,40 %	2,50 %	2,40 %	2,70 %	3,50 %
Annual reg. of pension increases	1,85 %	1,65 %	1,75 %	1,65 %	1,95 %	2,75 %
Average social security tax	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %

Explanation of key assumptions 31st of December 2018

The discount rate is set at 2.85 % (2.5 %) and is determined based on preferential bonds (OMF). The OMF-market is considered a deep and liquid marked with applicable terms to maturity that qualifies as a reference for interest rate according to IAS 19.

Salary adjustments for Norwegian schemes is primarily calculated as the total of expected real salary growth of 1 % and inflation of 1.5 %. Pension adjustments disbursement primarily follows average salary growth (equivalent to G regulation) less a fixed factor of 0.75 %.

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

Average remaining life expectancy for a person retiring when he/she turns 65 years old is according to K2013:

Male 20,5 years
Female 23,5 years

Actuarial deviations in 2018 are mainly due to changes in economic parameters as well as the effect of increased regulatory responsibility in the Norwegian Public Service Pension Fund.

Risk evaluation of defined benefit contribution plans

The Group is exposed to a range of risks via its defined benefit contribution plans due to uncertainties in assumptions and future events. The key risks are:

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 the Group's obligations.

Inflation- and salary growth risk

The Group's pension obligation is exposed to both inflation and salary changes, even though salary development changes are closely related to inflation. Higher inflation and salary changes than used in the pension calculations, increases the Group's obligations.

Note 25

25. Trade and other short term payables

	2018	2017
Trade payables	551	564
Social security and other taxes	242	205
Other short term liabilities	1 777	1772
TOTAL	**2 570**	**2 540**

The amount due to related parties is in 2018: 81 MNOK (51 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 26

26. Provisions for other liabilities and charges

2018	Reorgani-zation obligation	Contract losses	Other	Total
At 1st of January	275	9	5	289
Change in provision during the year	-18	-	4	-14
Used during the year	-10	-4	-1	-15
TOTAL	**247**	**5**	**8**	**260**

2017	Reorgani-zation obligation	Contract losses	Other	Total
At 1st of January	295	16	6	317
Change in provision during the year	78	-	-1	77
Used during the year	-98	-7	-	-105
TOTAL	**275**	**9**	**5**	**289**

Classification in the statement of financial position:	2018	2017
Non-current liabilities	260	285
Current liabilities (included in note 25)	4	4
TOTAL	**264**	**289**

Severance – reorganization liability

In establishing NSB AS, the company was obligated to refund employees who were made redundant before 1st of January 2005. NSB was 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. Accruals are made for expected outcomes of existing cases and expected future cases.

Legal disputes

The NSB-Group is involved in legal disputes, with some being tried in the courts. Accruals are made for disputes where there is a probable and quantifiable risk of losing.

Restructuring

NSB Group announced a restructuring plan in 2016. The purpose of the restructuring is to adapt to the changes required by the railway reform . The restructuring provision of 192 MNOK at the end of 2017 and 166 MNOK at the end of 2018. The accruals at 31.12.2018 include in addition compensation according to changed pension plans in 2017.

Note 27

27. Contract losses

As of 31st December 2018, there are accruals of 5 MNOK (9 MNOK) for future contract losses with in the bus operation.

For provisions on losses on tenders in the bus operation, see note 8 for further information.

Note 28

28. Other expenses

	2018	2017
Sales- and overhead expenses	1 460	1 455
Energy used in operations	1 093	932
Repair and maintenance, machinery rental, property expenses	2 219	3 540
Other operating expenses	2 042	1 747
TOTAL	**6 813**	**7 674**

Auditing fees total operations (excluding VAT):	**2018**	**2017**
Statutory audit fee	4	5
Other services	3	1
TOTAL FEE TO AUDITOR	**7**	**6**

Note 29

29. Financial income and expenses

	2018	2017
Interest income	81	132
Dividends	10	-0
Other financial income	-0	4
Net foreign exchange gains	-5	21
TOTAL FINANCIAL INCOME	**86**	**157**
Interest expense	-181	-108
Other financial expenses	-12	-15
Net foreign exchange losses	-9	-11
TOTAL FINANCIAL EXPENSES	**-202**	**-135**
Net financial expenses - pensions	**-44**	**-47**
Unrealised value changes	**-9**	**24**
TOTAL FINANCIAL ITEMS	**-169**	**-1**

Note 30

30. Liabilities from financing activities

	Liabilities	Asset held to hedge liabilities	Financial lease liabilities	TOTAL
Liabilities 31st of January 2017	43	2	963	1 007
Implementation effect IFRS 16	-	-	7 210	7 210
Liabilities 1st of January 2018	**43**	**2**	**8 173**	**8 218**
Cash flow from financial activities	-17	-	-1 539	-1 556
Non-cash changes				
Acquisition lease liabilities	-	-	909	909
Andre endringer	-	-1	16	15
Currency translation differences	-1	-	-13	-14
Liabilities 31th of December 2018	**25**	**1**	**7 546**	**7571**

Note 31

31. 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 is also a related party to NSB.

Companies within the same Group

All subsidiaries, associates and joint ventures as noted in notes 3, 10 and 11, as well as other Group companies that are related parties to these companies, is a related party to NSB.

Board of Directors and excecutive management

Executive management and the Board of Directors are also related party to NSB.

Purchases, sales and intercompany balances against related parties includes both continuing and discontinued operations.
Below is an overview of transactions, balances and guarantees to related parties:

	2018	2017
Sale of goods and services:		
Public purchase of passenger traffic services	3 682	3 338
Sales of other goods and services	411	847
TOTAL	**4 093**	**4 185**
Purchases of goods and services:	3 169	1 685

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

	2018	2017
Receivables		
Entities owned by the Ministry of Transportation	75	45
TOTAL	**75**	**45**
Debts		
Other companies in the Group	-	3
Entities owned by the Ministry of Transportation	82	49
TOTAL	**82**	**52**
Loans to related parties		
Other companies in the Group	-	14
TOTAL	**-**	**14**

There are no related party loans.

Guarantees

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

NSB AS has issued a guarantee of 150 MSEK on behalf of its fully owned subsidiary Svenska Tågkompaniet AB related to a contract with Norrtåg AB.

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

Board members	Title	2018	2017
Dag Mejdell	Chairman of the board	450	444
Bjarne Borgersen	Vice chairman of the board (until 08.06.18)	225	328
Wenche Teigland	Member of the board	258	256
Åsne Havnelid	Vice chairman of the board (from 08.06.18)	242	222
Kjerstin Fyllingen	Member of the board (until 08.06.18)	134	217
Ove Sindre Lund	Staff representative	223	219
Rolf Juul Ringdal	Staff representative (until 08.06.18)	134	217
Jan Audun Strand	Staff representative	258	253
Grethe Therese Thorsen	Staff representative (from 08.06.18)	88	-
Semming Semmingsen	Member of the board (from 08.06.18)	88	-
Geir Inge Stokke	Member of the board (from 08.06.18)	88	-
TOTAL		**2 188**	**2 156**

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 444 TNOK, Vice Chairman 269 TNOK and the other board members 221 TNOK each. In addition, fees for members of the audit committee with 68 TNOK for the leader, and 40 TNOK for each of the other members, and the compensation committee with 34 TNOK for the leader and 20 TNOK for each member. Fees for the staff representatives exclude their employee wages (comparable figures are adjusted).

2018 (Figures in TNOK)	Title	Salary	Variable salary	Other benefits	Total benefits payed	Calcul. Pension expence*
Geir Isaksen	Chief Executive Officer	3 863	1 325	186	5 374	914
Irene Katrin Thunshelle	Chief Financial Officer	2 388	490	126	3 004	-
Synne Homble	Executive Director Mobility and Travel **	2 658	544	132	3 334	-
Morten Müller-Nilssen	Executive Director HR, Organization (from 01.01.2018) ***	2 163	-	126	2 289	-
Ole Engebret Haugen	General Manager Nettbuss	2 552	230	125	2 907	-
Arne Fosen	CEO, Director of Passenger Train	2 866	595	126	3 587	-
Erik Røhne	General Manager CargoNet	2 606	928	127	3 661	-
Marianne B. Einarsen	Executive Vice President travel (until 30th of September 2018)	1 794	490	94	2 378	-
TOTAL		**20 890**	**4 602**	**1 042**	**26 534**	**914**

*Calculated pension expenses for executives are related to pension arrangements in addition to collective arrangements, for further description see point d) in the text below. Some of the participants have been compensated for exiting the arrangements. These costs have earlier been accrued for in the Group.

** Synne Homble was Executive Vice President strategy and corporate functions until 30th of September 2018

*** Not part of the group management in 2017, and therefore not entitled to bonus.

2017 (Figures in TNOK)	Title	Salary	Variable salary	Other benefits	Total benefits payed	Calcul. Pension expence*
Geir Isaksen	Chief Executive Officer	3 772	892	191	4 855	779
Irene Katrin Thunshelle	Chief Financial Officer	2 321	349	131	2 801	-
Synne Homble	Executive Vice President strategy and corporate functions	2 566	387	133	3 086	-
Marianne B. Einarsen	Executive Vice President travel	2 311	349	143	2 803	-
Ole Engebret Haugen	General Manager Nettbuss (from 1st of August 2017)	968	-	68	1 036	30
Arne Veggeland	General Manager Nettbuss (until 30th of June 2017)	1 185	466	76	1 727	735
Arne Fosen	CEO, Director of Passenger Train (from 1st of July 17)	1 400	-	63	1 463	467
Arne Fosen	General Manager CargoNet (until 30th of June 2017)	1 122	-	62	1 184	467
Erik Røhne	General Manager CargoNet (from 1st of November 2017)	433	-	21	454	-
Tom Ingulstad	CEO, Director of Passenger Train (until 30th of June, 2017)	1 041	356	51	1 448	893
TOTAL		**17 119**	**2 799**	**939**	**20 857**	**3 370**

* Calculated pension expenses for executives are related to pension arrangements in addition to collective arrangements, for further description see point d) in the text below. Some of the participants have been compensated for exiting the arrangements. These costs have earlier been accrued for in the Group and shown in the table above.

Executive salary and benefits policy

The Group has an Executives Salary Declaration that provides guidelines for remuneration of senior executive

Executives

The principles in the declaration apply to executives as defined in the Public Limited Liability Companies Act and the Accounting Act. This means that they also applies to Group management in NSB. Guidelines and principles as expressed in this statement, are applied in setting executive salaries in Group subsidiaries.

Main principles for executive salaries in NSB

Principles for remuneration to senior executives in the NSB Group are determined by the Group Board and follow Guidelines for salaries and other remuneration of senior executives in enterprises and companies with state ownership interest determined by the Ministry of Industry and Fisheries with effect from 13th of February 2015.

The Board annually evaluates the CEO's salary and terms and the Group's Executive Salary Declaration. The CEO determines the remuneration of the other members of the Group Management in accordance with the adopted salary wage principles.

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

- Executive compensation should be competitive, but NSB will not be a market leader in compensation when compared to equivalent companies. To ensure this, an annual external compensation evaluation on central executive positions is performed.
- NSB shall attract and keep skillful leaders. Total executive compensation in NSB shall reflect the level of responsibility, results and development, and take into consideration the size and complexity of the operation. The compensation must not take form or be at a level where it impairs the Groups' reputation.
- 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 of corporate governance, as well as the state guidelines for executive compensation.
- The compensation system should be perceived as understandable and acceptable both internally and externally.
- The compensation system should be adequately flexible so that adjustments can be made if the needed.

Elements in executive compensation

The total level of executive compensation is composed of fixed salary and other benefits. Below are the various elements that can be included in the executive salary compensation.

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 market leading. The fixed salary is assessed once a year. At hiring of executives, the grandfather-principle should apply and be discussed among executives a level above before the candidate is given an offer. The CEO must consult the Chairman of the Board before hiring and setting executive salaries. No executives are compensated for Board participation within the NSB-Group.

b) Fringe benefits

Executives are offered fringe benefits at comparable market rates. Examples are free phone, free internet service, car compensation and free newspapers.

c) Variable salary

NSB has bonus arrangements for executives. The CEO and the other executives have a bonus arrangement, in wich bonus criteria are based on the Groups' strategy and financial targets as a whole and for the business areas separately. The CEO's individual bonus criteria is set by the Board of Directors annualy. The maximum bonus is 5 months salary. Other executives have annual and individually tailored bonus agreements limited to 3 months salary.

The arrangement in the NSB Group is based on the following principles:

- The variable salary must be based on defined and measurable criteria. Several relevant criteria must be applied.
- There must be a strong connection between the goals for the variable salary and the goals of the company.
  The bonus criteria must be based on variables the executive can influence, either directly or through the group of executives he/she is part of.
- The bonus arrangement must be time-limited, transparent and simple to understand.
- A precondition for any bonus to be paid is that the Group as a whole achieves return on equity (ROE) of at least 5 %.

The CEO's bonus criteria for 2018 was based on each of the four strategic areas to constitute the Group's strategy ""The best Travel":

- The smart travel: Mobility and door-to-door solutions for the customers (this criteria is weighed at 16,7 %)
- The green travel: The Gorup's environmental profile measured externally (this criteria is weighed at 16,7 %)
- The safe travel: Sickness absence (this criteria is weighed at 16,7 %)
- The profitable travel: Target is linked to ROE (this criteria is weighed at 50 %)

The other members of the group management have bonus criteria based on the CEO's criteria, except the profitable target, defined as; for the CEO and the three executives of Mobility and Travel, CFO area and Organization and HR the Group's total profit and loss are the basis for target achievements. For the three executives of train, bus and freight the Group's and the respective business area's profit and loss count for a half each on this bonus criteria.

In order to earn bonus in 2019, the Group Board has decided that the following principles should be used as the basis for the CEO and Group senior executives:

- Bonus targets must be established within each of the four strategic areas of the NSB Group's strategy, including profitability requirements.
- Bonus targets related to profitability account for 50% of the total bonus potential, of which 1/3 relates to improvement projects in Passenger train and Freight and 2/3 relates to the return on equity, Further, this differentiation will be conducted in order to evaluate at yearend:
  - For the Group CEO and the two Executive Vice Presidents for Group Economics and Finance and Organization and Staff, the Group's overall results are used in calculating target achievement.
  - For the four CEOs of NSB Persontog, Nettbuss, Mobility and Travel and CargoNet, the Group's overall results and the company / business area's own results count for 50% each in calculating the target achievement for this bonus component.
- Bonus target related to the smart journey, the green journey and the safe journey make up 50% of the total bonus potential and counts for one third each. The targets will be similar for the whole Management Group.
- Bonus criteria for the Smart journey relates to the Group's strategy to establish itself as a leading participant in the our markets for passenger transportation services with a view to improved customer satisfaction, perceived quality and reputation, including:
  - New Mobility solutions and smart purchasing solution that enhances the customers' experiences of the Group's total range of offers to the passenger transportation market.
  - Improved range of Travel business alone and in joint ventures.
- Bonus criteria for the green journey relates to the Group's environmental profile evaluated externally.
- Bonus criteria for the Safe journey relates to reduction in total sickness absence and reduction in number of accidents leading to absence.

d) Pension

When new executives are appointed, the above mentioned state's guidelines with effect from 13th of February 2015 are followed. These guidelines state that the pension conditions for senior executives shall be in line with other employees' terms. There are no former senior employees continues to earn occupational pensions after leaving the Group.

All 2018 employees are members of a collective pension scheme. Following negotiations with the employees' federation, the Group Board decided on the 19th of December 2017 to switch to a new pension scheme in NSB AS with effekt from year end 2018. This entailed a liquidation of the scheme in the SPK, and closure for employees over 55 year as of 31th of December 2018. For all other employees, a new deposit scheme is established in Storebrand.

Consequently, with effect from 1st of January 2019, the Group Management, except the CEO will be on a defined contribution plan with the same conditions as all other employees in NSB AS. This scheme has a 5.5 percent deposit rate up to 7.1G, and 15 percent between 7.1 and 12G. The pension scheme contains a private AFP, childrens pension and a group life insurance. The disability coverage is the same as in the shceme previously in SPK.

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, entered into in 2011.

NSB has historically 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. There is currently no one in the management team in this scheme.

e) Severance arrangements

The CEO has the right to 6 months of severance and benefits if leaving involuntarily. Any other salary in this severance period will reduce the severance compensation. After the age of 64 the CEO may take a position as an adviser in the Group if he or the Board prefer that solution.

For other senior executives an agreement can be reached for a reasonable severance pay which takes effect if the employee does not dispute the termination. The total salary including severance cannot exceed 12 months of fixed salary. Severance arrangements will not be utilized when the cessation of employment is voluntary.

Application of the salary and compensation principles for executives in the NSB-Group in the previous accounting year

The executive compensation policy for 2018 has been completed in accordance with abovementioned guidelines.

The CEOs fixed salary was adjusted by 2.4 % to 3,831,497 NOK. Received bonus was 1,325,184 NOK for results achieved in 2017, 85% of potential.

There were no new agreements to enter the Management Group in 2018. One member stepped out. There were no severance payments made during 2018 for executives that exceeded 12 month fixed salary.

The principles and guidelines for salary and other benefits to executives also applies for the determination of executive salaries in group companies. All group companies have in 2018 followed these principles without exception.

Note 32

32. 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.

Note 33

33. Business combinations

The Group bought in 2018 90 % of the shares in Flybussekspressen AS. The Group's shares were demerged out of Flybussekspressen AS to a new wholly owned company and then further merged into Nettbuss Travel AS. In 2017, the Group acquired 100% of the shares in the companies Toppen Bilservice AS, Gråmyra Dekk and Bilservice AS, TK Mek AS and Lastebilsenteret Trøndelag AS.

The table below shows the allocation of the purchase price for the acquired assets and liabilities

	2018	2017
Consideration paid	43	20
TOTAL VALUE OF NEW SUBSIDIARY	**43**	**20**

Identified assets and liabilities on the balance sheet recognized from the acquisition:	2018	2017
Cash and bank deposits	-	5
Property, plant and equipment	-	3
Inventories	1	9
Trade and other receivables	2	7
Trade and other payables	-2	-7
Borrowings	-	-7
Deferred tax asset on excessive value on PPE	-	1
Total net identifiable assets	**1**	**11**
Non-controlling interest	-	-
Goodwill	43	9
TOTAL	**44**	**20**

Note 34

34. Hedging

The Group has used currency accounts to hedge future purchases of buses in euros in accordance with IFRS 9. The purchase of currency (euro) was done to hedge currency risk through coinciding lifetime for the instruments and the payment periods. The euro accounts will solely be used for the purchase of buses that are included in the specified deliverances. The risk exposure the Group experiences through the purchases of buses in foreign currency will be offset by coinciding fluctuations in asset value.

Hedging instrument	Date	Rate	Amount (TEUR)	Accounting line	Balance 31.12.2018	Change
Euro accounting	30.05.2018	9,515	43 000	Cash/Receivables	28 000	-15 000

The last purchase of buses is due in August 2019 at which time the account will be settled. The value of outstanding purchases is coinciding with the value on the hedging instrument.

Ineffectivity

Since the account will be used for purchases of buses, the lifetimes for the hedging instrument and exposure is coinciding. The hedging ratio is 1. The time difference between conclusion of the instrument and the payment leads to a small ineffectivity that will be recognized through Other Comprehensive Income. The effects are shown separately in the equity statement as hedging reserve. At the point of the last deliverance of the buses the sum is, by being activated to the hedge rate, recognized towards the cost of the buses.
Prepayments are booked in NOK and are classified as such in the balance sheet.

Note 35

35. Events after the reporting date

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

NSB AS

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Income statement

	Notes	2018	2017
Operating revenue	4	**8 123**	**7 386**
Payroll and related expenses	18	2 560	2 393
Depreciation and impairment	22	2 108	655
Other operating expenses	23, 26	3 788	4 578
Total operating expenses		**7 594**	**7 015**
Operating profit		**528**	**371**
Financial items			
Financial income	24	376	346
Financial expenses	24	-159	-110
Net financial expenses - pensions	19, 24	-29	-33
Change in unrealised fair value	24	-18	34
Net financial items		**170**	**237**
Profit before income tax		**698**	**608**
Income tax expense	17	-110	-106
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**588**	**502**
Attributable to			
Equity holders		**588**	**502**
OTHER COMPREHENSIVE INCOME			
Profit for the year		588	502
Items that will not be reclassified to profit or loss			
Actuarial gain/loss	19	-287	-68
Tax on items that will not be reclassified	17	53	6
Total comprehensive income for the year		**354**	**440**
Attributable to			
SHAREHOLDERS EQUITY		**354**	**440**

Overview financial positions

	Noter	31.12.18	31.12.17
ASSETS			
Deferred tax assets	17	128	79
Property, plant and equipment	6	4 825	130
Investments in subsidiaries	2	2 356	1 086
Investments in associates	7	2	2
Financial fixed assets	13	247	4
Loans to group companies	10, 26	603	2 366
Total non-current assets		**8 160**	**2 366**
Investments in joint ventures	8	5	5
Inventories	9	616	634
Trade and other receivables	10	883	912
Financial assets	11	3 340	2 682
Cash and bank deposits	13, 14	1 530	1 458
Total current assets		**6 374**	**5 692**
TOTAL ASSETS		**14 534**	**8 058**

	Notes	31.12.18	31.12.17
EQUITY AND LIABILITIES			
Ordinary shares and share premium	15	3 686	3 686
Retained earnings		454	428
Total equity		**4 140**	**4 113**
Interest bearing liabilities	16	3 783	-
Retirement benefit obligations	19	1 691	1 557
Provisions for other liabilities and charges	21	247	276
Total long term liabilities		**5 721**	**1 833**
Trade and other payables	20	3 265	1 852
Tax payable	17	119	260
Interest bearing liabilities	16	1 290	-
Total short term liabilities		**4 673**	**2 112**
TOTAL EQUITY AND LIABILITIES		**14 534**	**8 058**

Oslo, 14th of February 2018

Board of directors NSB

Dag Mejdell / Chairman
Grethe Therese Thorsen
Wenche Teigland
Åsne Havnelid
Geir Inge Stokke

Ove Sindre Lund
Semming Semmingsen
Jan Audun Strand
Geir Isaksen / CEO

Cash flow statement

	Notes	2018	2017
Profit for the period before income tax		**698**	**608**
Depreciation and impairment	22	1 247	44
Impairments of shares in subsidiaries		21	-
Gain/loss on sale of assets		-1	-
Gain/loss sale of associated companies	7	-4	-135
Net changes to obligations and retirement benefit oblig.	19	-154	-160
Change in provisions for other liabilities and charges	21	-29	-20
Change in unrealised fair value	24	18	-34
Interest items		-101	-76
Change in working capital		1 521	-407
Taxes paid		-235	-5
Net cash flow from operating activities		**2 982**	**-185**
Acquisition of subsidiaries	2	-1 260	-500
Loans paid to/from associated companies	7	5	144
Changes in financial non-current assets		-623	-2 668
Purchase of PPE	6	-8	12
Proceeds from sale of PPE	6	11	-
Grants from public sources	6	-	12
Dividends received	24	128	45
Net cash flow from investment activities		**-1 747**	**-2 956**
Lease payments received from group companies		49	-
Lease payments		-1 223	-
Repayment of loans from subsidiaries	10	452	6 356
Repayment of borrowings	16	-	-1 966
Group contributions paid to subsidiaries		-125	-752
Dividends paid to company's shareholders	15	-315	-
Net cash flow from financial activities		**-1 162**	**3 637**
NET CHANGE IN CASH AND BANK DEPOSITS FOR THE YEAR		**73**	**496**
Cash and bank deposits as at the beginning of the period	14	1 458	960
Foreign exchange gain/loss on cash and bank deposits		-0	2
CASH AND BANK DEPOSITS AS AT THE END OF THE YEAR	**14**	**1 530**	**1 458**

Statement of changes in equity

2018	Notes	Ord. shares and share premium	Retained earnings	Total
Equity 1st of January	15	3 686	428	**4 113**
Profit for the interim period		-	588	**588**
From other comprehensive income		-	-234	**-234**
Dividend		-	-315	**-315**
Effect of change in income tax rate	17	-	-12	**-12**
EQUITY 31ST OF DECEMBER		**3 686**	**455**	**4 140**

2017	Notes	Ord. shares and share premium	Retained earnings	Total
Equity 1st of January	15	5 144	1 321	**6 465**
Profit for the interim period		-	502	**502**
From other comprehensive income		-1 458	-1 320	**-2 778**
Effect of change in income tax rate	17	-	-62	**-62**
Dividends paid		-	-12	**-12**
EQUITY 31ST OF DECEMBER		**3 686**	**428**	**4 113**

Notes to the consolidated financial statements 2018

All figures in the report are in MNOK.

1. General information and a summary of the most important accounting principles
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The financial statements were approved by the Board of Directors on 14th of February 2019.

Note 1

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:

a) Method for incorporation of associated companies and joint ventures.

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 the cost method of accounting is applies. Considerable influence is considered to be when the company owns between 20 % and 50 % of the voting shares.

Note 2

2. Shares in subsidiaries

See note 2 in NSB Group report.

Note 3

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

See note 4 in NSB Group report.

Note 4

4. Segment information

NSB AS has only one operation segment - passenger train.

Analysis of operating income by category	2018	2017
Transport revenue	7 646	7 095
Other revenue	477	291
TOTAL	**8 123**	**7 386**

Information on important customers

The company has one customer, the Ministry of Transport and Communications, that constitutes more than 10 % of operating income (see note 26).

The company's revenues and revenue reqocnition principles are as follows:

Type	IFRS 15 accounting treatment
Personnel transport	Revenue recognition at the transport date
Food and on board services	Revenue recognition at the date of sale
Agreements with counties and municipalities	Revenue recognition at the transport date
Traffic agreement with the state of Norway and public purchaser abroad	Revenue recognition at the transport date
Fees	Revenue recognition at the date of issuance
Other services - sale of ad hoc services, renting premises etc.	Revenue recognition when the service is delivered

The accounting of revenue streams will not be significantly affected by the application of IFRS 15.

Note 5

5. Leases

Specification of changes in the period	Liability	Assets
Opening balance implementation effects leasing earlier classified as operational lease	5 858	5698
Opening Balance leases earlier classified as financial lease (IAS 17)	-	-
TOTAL OPENING BALANCE RIGHT-TO-USE ASSETS / LEASE OBLIGATIONS	**5 858**	**5698**
Lease payments	- 1191	-
Depreciations	-	-1 211
Additions and changes in existing agreements	406	246
TOTAL CLOSING BALANCE	**5 073**	**4 733**

Interest expenses leaseobligation amounted to 115 MNOK in 2018.
For more specification on the effects from right-of-use assets in the financial accounts, refer to note 6 "Fixed Assets".

Liabilities	2018	2017
Short term liabilities	1 290	-
Long term liabilites	3 783	-
TOTAL LIABILITIES	**5 073**	**-**

Reconciliation of the opening balance lease obligation	1st Jan. 18
Operational lease obligation 31. December 2017	6 190
Discounting effects	-527
Lease liability 1. of January 2018	5 663
Short-term leases	-25
Options that are reasonably certain to be exercised	220
Increased lease liability due to IFRS 16 implementation as 1. of January 2018	**5 858**

Supplementary information	2018
Leases not recognized	
Short term agreements (between one month and one year)	27
Total	**27**
P&L	
Revenue from sub-lease	55
Cash Flows	
Total cash flows on leases	1 384
Future lease payments	
Future nominal lease obligations related to lease of passenger trains not yet received	691

Note 6

6. Property, plant and equipment

At 1st of January 2018	Machinery and equipm.	Transportation	Under construction	Right-to-use transportation assets	Right-to-use buildings	Total
Accumulated acquisition cost	687	375	6	-	-	1 068
Accumulated depreciation	-631	-307	-	-	-	-938
TOTAL	**56**	**68**	**6**	**-**	**-**	**130**
Year ended 31st of December 2018						
Opening net book value	56	68	6	-	-	130
Effect of the IFRS 16 implementation	-	-	-	4 858	840	5 698
Additions	-	-	8	246	-	254
Disposals at acquisition cost	-14	-9	-	-	-	-23
Accumulated depreciation disposals	6	5	-	-	-	11
Transfers within PPE	8	-	-8	-	-	-
Depreciations continuing operations	-23	-11	-	-1 094	-117	-1 245
TOTAL	**33**	**53**	**6**	**4 010**	**723**	**4 825**
At 31st of December 2018						
Accumulated acquisition cost	681	366	6	5 104	840	6997
Accumulated depreciation	-648	-313	-	-1 094	-117	-2 172
TOTAL	**33**	**53**	**6**	**4 010**	**723**	**4 825**
Depreciation period (years)	5 - 30 years	5 - 30 years		1 - 6 years	1 - 20 years	

At 1st of January 2017	Machinery and equipm.	Transportation	Partially delivered trains	Under construction	Total
Accumulated acquisition cost	680	768	-	36	1 484
Accumulated depreciation	-599	-493	-	-	-1 092
TOTAL	**81**	**275**	**-**	**36**	**392**
Year ended 31st of December 2017					
Opening net book value	81	274	-	36	392
Additions	-	-44	13	19	-12
Grants from public sources	-12	-	-	-	-12
Disposals at acquisition cost	-1	-	-	-	-1
Accumulated depreciation disposals	1	-	-	-	1
Transfers within PPE	19	44	-11	-51	-
Depreciations continuing operations	-	-194	-	-	-194
Depreciations discontinued operations	-32	-12	-	-	-44
TOTAL	**56**	**68**	**1**	**5**	**130**
At 31st of December 2017					
Accumulated acquisition cost	687	375	1	5	1 068
Accumulated depreciation	-631	-307	-	-	-938
TOTAL	**56**	**68**	**1**	**5**	**130**
Depreciation period (years)	5 -30 years	5 - 30 years			

Note 7

7. Investments in associates

	2018	2017
Book value 1st of January	2	11
Disposals of associates	-0	-9
NET BOOK VALUE 31ST OF DECEMBER	**2**	**2**

The Company's stake of 33 % of the shares in Interoperabilitetstjenester AS was sold in January 2018. The Company has as part of the sale recognised a profit of 4 MNOK which is included in financial income in 2018.

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

2018	Registered office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Interoperabilitetstjenester AS*	Oslo	-	-	-	-	33 %
Fjord Tours AS	Bergen	62	26	88	25	43 %
TOTAL		**62**	**26**	**88**	**25**	

*The Companys shares in Interoperabilitetstjenester AS was sold in January 2018.

2017	Registered office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Oslo S Parkering AS**	Oslo	-	-	43	28	25 %
Interoperabilitetstjenester AS	Oslo	12	7	22	1	33 %
Fjord Tours AS	Bergen	61	17	81	28	43 %
TOTAL		**73**	**24**	**146**	**57**	

**The Companys shares in Oslo S Parkering AS was sold in December 2017.

Note 8

8. Joint venture

	2018	2017
Book value 1st of January	5	5
NET BOOK VALUE 31ST OF DECEMBER	**5**	**5**

NSB AS has interest in joint ventures as follows:

Joint venture:	Year of acquisition	Registered office	Votes and profit share	Equity	Profit/loss	Book value 31st of December
Flåm Utvikling AS	2013	Aurland	50 %	92	35	128
TOTAL				**92**	**35**	**128**

The table above shows equity that includes this year's profit, profit/loss and book value (100 %).

Description of operations:

Flåm Utvikling has for 20 years, with NSB AS as a provider of train transport services, operated the tourism product; the Flåm line. Flåm Utvikling conducts product development, sales, marketing, customer relationship management and brand development of the Flåm line, as well as develops 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 9

9. Inventory components

	2018	2017
Components	616	634
TOTAL INVENTORY	**616**	**634**

Note 10

10. Trade and other receivable

	2018	2017
Trade receivables	380	472
Group internal trade receivables	193	54
Less: provision for impairment of receivables	-4	-3
Trade receivables - net	569	523
Prepayments	210	273
Other receivables	104	116
TOTAL TRADE AND OTHER RECEIVABLES	**883**	**912**
Loans to group companies	603	1 066
TOTAL	**1 486**	**1 978**

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:	2018	2017
Matured receivables on balance sheet date	42	43
Matured between 0 - 2 mnths ago	36	39
Matured between 2 - 6 mnths ago	1	1
Matured more than 6 mnths ago	5	3

Note 11

11. Financial risk management

This table shows future maturities for the Company's liabilities from continuing operations as of 31st of December 2018:

Liquidity risk	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Short term liabilities	3 265	-	-	-
Lease obligations train	1 176	964	2 012	394
Lease obligations property	129	121	300	75
Property, plant and equipment	25	-	-	-

NSB assesses maximum credit risk to be the following:	2018	2017
Cash and bank deposits	1 531	1 458
Financial assets	3 340	2 682
Financial derivatives	-	-
Trade receivable and other short term receivables	883	912
TOTAL	**5 754**	**5 052**

Note 12

12. Derivatives

Changes in fair value of derivatives:	2018	2017
This period's change in fair value:	-	-786
Accumulated change in fair value:	-	-

Note 13

13. Financial instruments by category

Assets at 31st of December	Loans and receivables		Assets at fair value through profit and loss		Total	
Year	2018	2017	2018	2017	2018	2017
Financial fixed assets	4	4	-	-	4	4
Trade and other receivables (excl. prepayments)	1 276	1 705	-	-	1 276	1 705
Financial assets at fair value in the income statement	-	-	3 340	2 682	3 340	2 682
Cash and bank deposits	1 530	1 458	-	-	1 530	1 458
TOTAL	**2 810**	**3 167**	**3 340**	**2 682**	**6 150**	**5 849**

Liabilities at 31st of December	Other financial liabilities at amortised cost		Liabilities at fair value through profit and loss		Sum	
Year	2018	2017	2018	2017	2018	2017
Financial lease liabilities	5 073	-	-	-	5 073	-
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables excl. statutory liabilities	3 115	1 733	-	-	3 115	1 733
TOTAL	**8 188**	**1 733**	**-**	**-**	**8 188**	**1 733**

Financial assets and liabilities at fair value through profit or loss at 31st of December 2018:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	3 340	-	-	3 340
TOTAL ASSETS	**3 340**	**-**	**-**	**3 340**

Financial assets and liabilities at fair value through profit or loss at 31st of December 2017:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	2 682	-	-	2 682
TOTAL ASSETS	**2 682**	**-**	**-**	**2 682**

Note 14

14. Cash and bank deposits

	2018	2017
Cash and bank deposits	1 530	1 458

Includes restricted funds of 111 MNOK (2017: 105 MNOK).

Note 15

25. Share capital and share premium

See note 20 in NSB Group report.

Note 16

16. Debt

Long term liabilities	**31.12.18**	**31.12.17**
Lease obligations IFRS 16	3 783	-
TOTAL	**3 783**	**-**
Short term liability	**31.12.18**	**31.12.17**
Lease obligations IFRS 16	1 290	-
Total	**1 290**	**-**
TOTAL DEBT	**5 073**	**-**

Changes in fair value on non-current borrowings:	**2018**	**2017**
This periods change in fair value continued operations	-	-812
Accumulated change in fair value	-	-

The Group has the following undrawn borrowing facilities:	**2018**	**2017**
Floating interest rate		
- Expiring within one year	50	50
- Expiring beyond one year	-	2 000
TOTAL	**50**	**2 050**

The facility that expires within one year is a bank overdraft related to NSB-Group bank accopunt system: The credit is for one year at the time and is renewed annually.

Note 17

17. Deferred income tax/Income tax expense

Income tax expense	**2018**	**2017**
Current income tax payable	118	260
Changes in deferred tax	-8	-153
TOTAL INCOME TAX EXPENSE	**120**	**138**

Tax payable on the balance sheet are as follows:	**2018**	**2017**
Current payable tax expense	118	260
TAX PAYABLE ON THE BALANCE SHEET	**118**	**260**

The actual tax payable in the balance sheet will mostly be offset by group contributions which are proposed to be decided by the general assembly in 2019.

Reconciliation between nominal and actual tax expense rate:	**2018**	**2017**
Net income before tax	698	608
Expected income tax using the nominal tax rate (23 %/24%)	161	146
Tax effect of the following items:		
Tax-exempt dividend	-13	-11
Other non-deductible expenses	50	-
Other non-taxable income	-47	-32
Effect of change in income tax rate	-20	-19
Tax effect group demerger	-	22
Insufficient tax provision prior years	-21	-
Income tax expense	**110**	**106**
Effective tax rate	**16 %**	**17 %**

Spesification of the tax effect of temporary differences and losses carried forward:

2018	**Book value 01.01.**	**Exchange diff.**	**Acquisition of subsidiary**	**Income state-ment charge**	**Charge to other compre-hensive income**	**Charged directly to equity**	**Tax effect Group contri-bution**	**Book value 31.12.**
Benefit (+) / Liability (-)								
Fixed assets	-1 602	-	-	342	-	-	-	-1 260
Inventories	1	-	-	-	-	-	-	1
Receivables	-11	-	-	5	-	-	-	-7
Lease obligations	-	-	-	37	-	-	-	37
Value changes to financial current assets	6	-	-	7	-	-	-	14
Retirement benefit obligations	1 517	-	-	-256	287	-	-	1 548
Provisions for other liabilities and charges	511	-	-	-262	-	-	-	249
Gains (losses)	-88	-	-	77	-	-	-	-11
Total gross temporary differences	344	-	-	-50	287	-	-	581
Net temporary differences	**344**	**-**	**-**	**-50**	**287**	**-**	**-**	**581**
Net deferred tax asset/liability	**83**	**-**	**-**	**-11**	**66**	**-**	**-**	**134**
Effect from changes in tax rate	-	-	-	20	-13	-12	-	-6
Net deferred tax asset/liability on the balance sheet 22 %	**83**	**-**	**-**	**8**	**53**	**-12**	**-**	**128**

2017	Book value 01.01.	Exchange diff.	Acquisition of subsidiary	Income state-ment charge	Charge to other compre-hensive income	Charged directly to equity	Tax effect Group contri-bution	Book value 31.12.
Benefit (+) / Liability (-)								
Fixed assets	-2 221	-	-	619	-	-	-	-1 602
Inventories	-	-	-	7	-	-	-	12
Receivables	-24	-	-	13	-	-	-	-11
Value changes to financial current assets	23	-	-	-17	-	-	-	6
Retirement benefit obligations	1 555	-	-	-106	68	-	-	1 517
Provisions for other liabilities and charges	396	-	-	115	-	-	-	511
Gains (losses)	-18	-	-	-70	-	-	-	-88
Losses carried forward	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total gross temporary differences	-284	-	-	560	68	-	-	344
Net temporary differences	**-284**	**-**	**-**	**560**	**68**	**-**	**-**	**344**
Net deferred tax asset/liability	**-765**	**-**	**-**	**600**	**94**	**-**	**-**	**86**
Effect from changes in tax rate	-	-	-	19	-10	-12	-	-3
Net deferred tax asset/liability on the balance sheet 23 %	**-765**	**-**	**-**	**619**	**84**	**-12**	**-**	**83**

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

Deferred income tax assets	**2018**	**2017**
Deferred income tax assets to be recovered after more than 12 months	406	467
Deferred income tax assets to be recovered within 12 months	3	3
TOTAL	**409**	**470**

Deferred tax liabilities	**2018**	**2017**
Deferred income tax liabilities to be recovered after more than 12 months	-279	-385
Deferred income tax liabilities to be recovered within 12 months	-2	-7
TOTAL	**-281**	**-391**
UTSATT SKATT I BALANSEN	**128**	**79**

Note 18

18. Payroll and related expenses

	2018	**2017**
Wages and salaries, including employment taxes	2 254	2 059
Pension costs – defined benefit plans (note 19)	280	232
Other employee benefit expenses	26	102
TOTAL	**2 560**	**2 393**

Benefits for Chief Executive Officer and key management are referred to in the note for related-party transactions (note 26).

	2018	**2017**
Average man-labour year	2 598	2 605
Average number of employees	2 998	2 993

As of 31st of December 2018 there are 2 633 man-labour years and 3 024 employees.

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

Note 19

19. 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 2 595 active members and 2 071 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 companies have, through tariff agreements, retirement benefit obligations in affiliation with Early Retirement Pension Regulated by Contract (AFP). Obligations through this agreement cover 2 595 active members.

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

Closed defined benefit plan

A decision was made end of December 2017 to settle the current pension benefit plan for NSB AS in the Norwegian Public Service Fund (SPK) for those above 55 years old by the end of 2018. All younger employees will be granted an earned right in the SPK, and will join a new defined contribution plan as of 2019, The SPK expects employer's final settlement to employees to be available in the 4th quarter of 2019. The Company's 2018 pension cost and 31st of December 2018 pension liability is calculated according to IAS 19. The carrying value of the pension liability is considered to give a fair, and as of the balance sheet date, best view of the Company's liability taking into account the estimated effect from the pension plans settlement. Agreed compensation to employees for whom the defined benefit pension plan settlement will have a negative effect, is expensed with 78 MNOK.

Below is a table showing number of employees transferred to the new contribution plan 1st of January 2019

Number of employees transferred to a new contribution plan 2018	Number active at 31.12.18	Number transferred to new contribution plan	Number active remaining in the defined benefit plan
NSB AS	2595	1 769	826

The Norwegian state amended the criteria on who should pay the accrued regulation liability for the SPK defined benefit plans from 1st of January 2018. The amendment to the payable regulation liability is not included in NSB AS pension liability as it is primarily financed by grants from the Norwegian state in the revised national budget for 2019.

Specification of net defined benefit pension plan obligations	2018	2017
Present value of earned pension rights for funded collective pension plans	7 072	6 808
Fair value of plan assets	-5 420	-5 297
Present value of unfunded obligations	1 652	1 511
Unrecognised actuarial losses	39	46
NET PENSION OBLIGATION ON THE BALANCE SHEET	**1 691**	**1 557**
Changes in pension retirement obligations:		
Book value net pension obligation 1st of January	1 557	1 649
This years' actuarial deviations	252	42
This years net return on assets/increase in obligation continued operations	206	187
Net financial items in the acount from continuing operations	29	34
Curtailments/transfer	-11	9
Payments to plan	-394	-364
Plan change	53	-
BOOK VALUE 31ST OF DECEMBER	**1 691**	**1 557**
Pension expenses included in the accounts, defined benefit pension plan		
Present value of current pension earnings	280	232
Total return on pension plan, incl. in payroll and related expenses – see note 18	**280**	**232**
Total financial items in the accounts	**29**	**33**
TOTAL PENSION EXPENSES DEFINED BENEFIT PENSION PLAN	**309**	**265**

The pension obligation will be reduced with approximately 4.700 MNOK i 2019if all entities should buy out their obligations to SPK to retirees and earned rights. The estimated payout is 1.602 MNOK. Closure and settlement will be ready in Q4 2019, and the payment date will be decided thereafter.

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 %	(23-24 %)	22-23 %	21-22 %	(14-15 %)	15-16 %	(9-10 %)
Increase (+)/decrease (-) net pension obligation at 31st of December in %	(13-14 %)	17-18 %	7-8 %	(5-6 %)	10-11 %	(7-8 %)

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:

	2018	2017	2016	2015	2014	2013
Income statement						
Present value of current pension earnings	220	232	191	47	213	233
Plan changes during the year	60	-	-	-	-	-205
Tot.cost in the income statment	280	232	191	47	213	28
Tot.financial.items in the acc.	29	33	25	32	48	42
TOT.FINANCIAL ITEMS IN THE ACC.	**309**	**265**	**216**	**79**	**261**	**70**
Financial position						
Total obligations	7 072	6 808	6 558	6 461	6 334	6 437
Pension assets	- 5 420	-5 297	-4 909	-5 051	-4844	-4 889
Total net pension obligations	1 652	1 511	1 649	1 410	1 490	1 548
Non-recognised actuarial losses	39	46	-	-	-	-
NET PENSION OBLIG. AT THE BALANCE SHEET DATE	1 691	**1 557**	**1 649**	**1 410**	**1 490**	**1 548**

	2018	2017	2016	2015	2014	2013
Discount rate	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %	3,90 %
Expected return on plan assets	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %	3,90 %
Average salary growth	2,50 %	2,25 %	2,55 %	2,60 %	2,95 %	3,45 %
G-regulation	2,60 %	2,40 %	2,50 %	2,40 %	2,70 %	3,50 %
Corridor: % of max (PBO, pension assets)	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Annual reg. of pension increases	1,85 %	1,65 %	1,75 %	1,65 %	1,95 %	2,75 %
Average social security tax	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %

Explanation to selected assumptions 31st of December 2018

The discount rate has been set at 2.85 % 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 adjustment for Norwegian arrangements are mainly calculated as the sum of expected nominal salary growth of 1 % (incl career salary increase) and inflation of 1.5 % with some individual adjustments. Regulation of pensions during disbursements 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.

Average remaining life expectancy for a person retiring when he/she turns 65 years old will according to K2013 be:

Female 23,5 years
Male 20,5 years

Actuarial deviations in 2018 are mainly due to changes in economic parameters.

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 risks 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.

Note 20

20. Trade and other payables

	2018	2017
Trade payables	176	167
Group internal trade payables	2 146	782
Social security and other taxes	150	119
Other current liabilities	2083	785
TOTAL	**4 555**	**1 852**

Total trade and other payables include liabilities to related parties in 2018: 59 MNOK (15 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 21

21. Provisions for other liabilities and charges

Provisions for other liabilities 2018	**Reorganization obligation**	**Other**	**Total**
At 1st of January	275	1	276
Change in provision during the year	-18	-1	-19
Used during the year	-10	-	-10
TOTAL	**247**	**-**	**247**

Provisions for other liabilities 2017	**Reorganization obligation**	**Other**	**Total**
At 1st of January	295	1	296
Change in provision during the year	78	-	78
Used during the year	-98	-	-98
TOTAL	**275**	**1**	**276**

Analysis of total provisions:	**2018**	**2017**
Non-current liabilities	247	276

Severance – reorganization liability

In connection with formation of NSB AS the company acquired a liability to refund pay for employees who were 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. Accruals are made for expected outcomes of existing cases and expected future cases. In 2018 the accrual has been evaluated and it is expected to be reversed 2019.

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 based on best estimate is recognised the accounts.

Legal disputes

NSB AS is involved in legal disputes, where some of them will be tried in court. Provisions are made for disputes where it appears to be a probable and qualified risk of losing.

Restructuring

NSB announced a restructuring plan in 2016. The purpose of the restructuring is to adapt to the changes required by the railway reform . The restructuring provision amounted to 192 MNOK at the end of 2017 and 166 MNOK at the end of 2018, and is mainly due to downsizing made in 2017 and 2018. The accruals at 31.12.2018 includes in addition a compensation related to changed pension plans in 2017.

Note 22

22. Depreciation, amortization and impairment

	2018	2017
Depreciation current assets (note 6)	1 247	44
TOTAL	**1 247**	**44**

Note 23

23. Other expenses

	2018	2017
Sales- and overhead expenses	1 020	1 026
Energy used in operations	288	201
Repair and maintenance, machinery rental, property expenses	1 303	2 364
Other operating expenses	1 177	986
TOTAL	**3 788**	**4 578**

Auditing fees for total operations (excluding VAT):	2018	2017
Statutory audit fee	2	3
Other services	2	1
TOTAL FEE TO AUDITOR	**4**	**4**

Note 24

24. Financial income and expenses

	2018	2017
Interest income	94	163
Dividend	58	45
Group contribution	217	-
Gain from sale of shares	4	135
Net foreign exchange gains	2	3
TOTAL FINANCIAL INCOME	**375**	**346**
Interest expense	-128	-95
Other financial expenses	-29	-11
Net foreign exchange losses	-1	-4
TOTAL FINANCIAL EXPENSES	**-158**	**-109**
Net financial expenses - pensions	**-29**	**-33**
Change in unrealised fair value	**-18**	**34**
TOTAL FINANCIAL ITEMS	**170**	**237**

Note 25

25. Liabilities from financing activities

	Financial lease obligations	TOTAL
Liabilities 1. January 2018	**5 858**	**5858**
Cash flow from financial activities	-1 191	-1 191
Non-cash changes		
Addition lease liabilies	406	406
Liabilities 31 December 2018	**5 073**	**5 073**

Note 26

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, 7 and 8 as well as other Group companies that are related parties to these companies will be a related party to NSB.

Board of Directors and executive management

Executive 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:

	2018	2017
Sale of goods and services:		
Public purchase of passenger traffic services	3 514	3 222
Sales of other goods and services	308	743
Sales to other companies within the Group	89	103
TOTAL	**3 910**	**4 068**
Purchases from companies in the Group:	228	1 498
Purchases of goods and services:	2 984	242
TOTAL	**3 212**	**1 740**

Intercompany balances with related parties as a result of buying and selling of goods and services:

	2018	2017
Receivables:		
Group internal trade reveivables	193	54
Associated companies	2	23
Entities owned by the Ministry of Transportation	68	1
TOTAL	**264**	**79**
Debts		
Group internal trade payables	2 146	665
Other companies in the Group	1	14
Entities owned by the Ministry of Transportation	58	14
TOTAL	**2 205**	**693**
Loans to related parties		
Other companies in the Group	603	1 066

There are no borrowings from related parties.

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

NSB AS has issued a guarantee of 150 MSEK on behalf of its fully owned subsidiary Svenska Tågkompaniet AB related to a contract with Norrtåg AB.

Compensation for members of the Board and executive management

See note 31 in NSB Group report.

Note 27

27. Contingencies

See note 32 in NSB Group report.

Note 28

28. Periodic maintenance on leased trains

Periodic maintenance on leased trains	2018	2017
Prepaid maintenance as of 1st of January 2018	206	194
Accrual for incurred maintenance cost through the year	-113	-101
Conducted maintenance through the year	117	113
Change in accrual	-195	-
PREPAID MAINTENANCE AS OF 31ST OF DECEMBER 2018	**15**	**206**

As a train lessee, the Company is under the lease agreement responsible for carrying out heavy maintenance. Provisions for maintenance costs are continuously recorded on the basis of estimated costs per kilometer driven, and the route- and maintenance plan. Costs are estimated based on existing maintenance contracts, and historic maintenance work. Actual incurred maintenance costs are offset against the provision. Upon return of the leased equipment, the Company will have to compensate, or will be entitled to a compensation from the lessor, based on the equipment's maintenance level, assessed at the end of the lease period. The assessment involves use of judgment and estimates.

Note 29

29. Events after the reporting date

See note 35 in NSB Group report.

Statement from the Board and CEO regarding the annual report 2018

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 2018 to 31 December 2018 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, 14th of February 2018

Board of directors NSB

Dag Mejdell / Chairman
Grethe Therese Thorsen
Wenche Teigland
Åsne Havnelid
Geir Inge Stokke

Ove Sindre Lund
Semming Semmingsen
Jan Audun Strand
Geir Isaksen / CEO

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To the General Meeting of Norges Statsbaner AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norges Statsbaner AS. The financial statements comprise:

- The financial statements of the parent company Norges Statsbaner AS (the Company), which comprise the balance sheet as at 31 December 2018, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norges Statsbaner AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption 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, 14 February 2019
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

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

Corporate governance

1. Reporting on corporate governance

This statement is prepared according to the chapters in the Norwegian Code of Practise for Corporate Governance. NSB AS and the NSB-Group follows the Code, with exeptions because the Group is not listed on a stock exchange, is owned 100 % by the Norwegian State and has certain limits in the articles of association.
The Code is composed to ensure that companies listed on the stock exchange shall have ownership control and corporate governance that clarifies the roles between share owners, the Board of Directors and management in addition to what is included in the legislation. The recommendation shall strengthen the confidence the share holders, the capital markets and other interested parties have towards the company.

2. Nature of business

NSB is a transport group with activity in Norway and other Nordic countries. The parent company, NSB AS, is owned by the Norwegian Government represented by the Ministry of Transport and Communication. The Group's headquarter are in Oslo.

The groups business as stated in the articles of association:

- The company social mission is to provide efficient, available, secure and environment friendly passenger and freight transport
- The company business is passenger traffic by rail in Norway, transport of passengers and goods in Norway and other Nordic countries as well as business connected to the above
- The business can be run by the company itself, by wholly owned subsidiaries, through other partly owned companies or cooperating companies. The company can do business in other Nordic countries as far as this helps to strengthen the company effectiveness on the Norwegian market and/or helps to strengthen the company's ability to solve the social duties which is the reason for state ownership

The Group Board annually evaluates strategy, goals and risk profile. The sustainability perspective is integrated into the Group's strategy and management.

3. Equity and dividends

NSB AS is a State 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 CEO, the board and the external auditor

The government expects 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 mandate 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. They are not listed on a stock exchange and there are no share transactions.

Jernbanedirektoratet, governed by The Ministry of Transport and Communication, and NSB AS have entered into an agreement about public purchase of passenger traffic services on non-profitable lines that are not exposed to competition. Similarly, the Ministry of Transport and Communication has entered into an agreement with NSB's subsidiary NSB Gjøvikbanen AS regarding operation of the Gjøvik line. The NSB Group participates in tender competitions for railway packages exposed to competition announced by Jernbanedirektoratet.

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 Communication. The ministry calls the meeting. An annual ordinary meeting is held before the end of June.
The members of the Board, 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 Communication. The general assembly has not appointed a nomination committee.

8. Board of directors: composition and independence

The board is elected by the general assembly. 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 do 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 the behalf of the owners. The task of the Board has been determined in separate instructions.

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 socially responsible.

The board has established audit and remunerations committees.
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 included in the instructions of the Board of Directors and President and CEO.

10. Risk management and internal control

The board shall ensure that satisfactory systems for internal control of the company's activities are in place, and that risk analyzes with follow-up preventive measures and preparedness measures are regularly carried out.

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

Risk analysis of the different activities of the Group are evaluated on an annual basis, and measures are taken to control the risks. The board annually reviews the company risk management and internal control

11. Remuneration of the Board of Directors

Information on the compensation of the board and key management is included in notes to the financial statement. The remuneration if the board is not linked to the company´s performance. 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 key management. The board has prepared guidelines for remuneration of members of the key management. The CEO has been given authority to determine remuneration for the key 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 on the compensation of the board and key management is included in notes to the financial statement.

13. Information and communications

Public information is communicated by the senior management of the Group.
Through § 10 in the articles of association, NSB has a distinct duty to inform the shareholder about the Group's operation. Matters of principle or social significance

should be communicated to the Minister of Transport and Communication before the Board of Directors makes their final decision.

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

1. An assessment of the market and the NSB-Group, including the development since the last plan.
2. The Group's main activities for the next few years, including plans for major restructuring, further development and unwinding of existing operations and development of new ones.
3. The level of investments, major investments and their financing.
4. The Group's economic development.
5. A report on measures and results regarding the company's social mission

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

14. Take-overs

Based on the state ownership this part of the code is not considered relevant for the company.

15. Auditor

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

The remuneration of the auditor is included in notes to the financial statement.

NSB-KONSERNET

NSB nettbuss CargoNet