



NÆRINGS- OG HANDELSDEPARTEMENTET

Ministry of Trade and Industry

2003

CONTENT

- > 3 Ministry of trade and industry
Annual report on state ownership 2002
- > 4 Developing professional ownership
- > 6 Ownership report for 2002 from the
ministry of trade and industry
- > 9 Organisation of the administration of state
ownership interests
- > 10 Principles for good corporate governance
- > 12 Key figures
- > 16 Financial trends in the portfolio
- > 14 Portfolio figures
- > 16 The companies' financial performance
- > 17 The companies' figures
- > 19 Other issues
- > 22 Valuation guidelines
- > 23 Organisation

MINISTRY OF TRADE AND INDUSTRY

ANNUAL REPORT ON STATE OWNERSHIP 2002

Welcome to the Norwegian Ministry of Trade and Industry's first annual report on the management of the states ownership in companies within the ministry's portfolio. The intention is to make this an annual publication.

Our aim is for the report to provide a readily comprehensible overview of trends in the major assets constituted by this part of the State's holdings, and insights into how the role of owner is practised by the Norwegian State.

KEY FIGURES

	2001	2002	2001	2002	2001	2002	Total 2002
(NOK millions unless otherwise indicated)	Listed companies 1)		Non-listed companies 2)		Other companies 3)		
Financial figures							
Estimated market value	214 162	165 400		69 534	1 845	1 994	236 927
Value, growth in the period	-23%				8%		
State's equity	54%	53%	95%	95%	100%	100%	
Value of State's equity	115 877	87 730		66 025	1 845	1 994	155 748
Dividend	2 586	2 727	3 888	2 234	-	-	4 961
Proceeds from sales (capital injections)	-	-	(6 862)	-	-	-	
Key operating figures							
Net turnover		284 919		22 586		239	307 744
EBITDA		51 898		8 181		64	60 144
Result after tax		6 739		2 573		(29)	9 283
Book equity		145 953		35 089		1 951	182 992
Total balance sheet volume		740 609		197 558		3 667	941 834
Other figures							
Number of employees	100 858	120 628	7 898	8 236	58	64	128 928

1) DnB Holding ASA, Kongsberg Gruppen ASA, Norsk Hydro ASA, Raufoss ASA, SAS AB, Telenor ASA.

2) Arcus AS, Cermaq ASA, Eksportfinans ASA, Electronic Chart Centre AS, Grødegaard AS, Entra Eiendom AS, Nammo AS, NOAH AS, A/S Olivin, Statkraft SF, Store Norske Spitsbergen Kulkompani A/S.

3) Bjørnøen AS, Kings Bay AS, SIVA SF.

4) Moxy Trucks AS, SND Invest ASA and BaneTele AS are not included in the tables.

5) Average exchange rate NOK/SEK 2002: 81.96; 2001: 87.02.



2001

Ansgar Gabrielsen – the new cabinet minister
at the Ministry of Trade and Industry, autumn 2001.

DEVELOPING PROFESSIONAL OWNERSHIP

Since the change of government in autumn 2001, a considerable shake-up has taken place in the administration of State-owned enterprises. From being spread across the various sector-specific ministries, the administration of a number of State-owned enterprises has now been consolidated under the Ministry of Trade and Industry. The underlying rationale is for this Ministry alone to act as a centre of expertise for State ownership.

Public ownership in Norwegian trade and industry is extensive. A survey conducted by the Norwegian Financial Services Association indicates that more than 40% of Norwegian business is owned by the public sector. If we look at the Oslo Stock Exchange, we find that State ownership is also at the 40% mark, although this is also an expression of the fact that listing State owned companies on the stock exchange is a good instrument for the exercise of State ownership.

The Government's aim is to reduce the scope of State ownership, as stated in White Paper no. 22 (2001-2002) "Reduced and Improved State Ownership". However, given the current extent of State ownership, for the foreseeable future the State is set to be a substantial owner, responsible for administering major assets. There is therefore a need to further increase the professionalism with which State ownership is exercised.

An important element in the work of increasing the professionalism by which the ownership role is exercised is to distinguish between the jurisdictions of different authorities so that sectoral policy programmes are kept distinct from the regulatory remit, and so that the ownership role is in turn kept distinct from regulatory affairs. Also within the Government's internal procedure, much emphasis is placed

on adherence to these principles.

The substantial assets administered by the Ministry of Trade and Industry on behalf of the public sector bespeak the importance of high expertise, sound routines and predictability in the State as owner. But at the same time, public ownership dictates that political processes will at times have considerable influence on the development of a given enterprise.

By presenting an Annual Report on State Ownership for 2002, the Ministry of Trade and Industry intends to contribute to:

- More transparency, with greater openness surrounding the administration of State ownership.
- Professional administration, in which the deployment of internal and external expertise and the development of an administrative system are key.
- Good corporate governance, in which the State as owner will be open and predictable, and base its undertakings on generally accepted best practices for corporate governance and owner management.

Through the work of the a special committee mandatet to analyse the administration of the state ownership (The committee on state ownership), we will also be seeking in future to identify better ways of administering the State's ownership of assets.



Yours,
Ansgar Gabrielsen



Reier Sørberg
Director General
Department of Ownership

OWNERSHIP REPORT FOR 2002 FROM THE MINISTRY OF TRADE AND INDUSTRY

The Ministry of Trade and Industry administrates Norwegian State ownership interests in more than 20 commercial companies within a number of sectors ranging from mining and industry to telecommunications. Some of the companies are listed on the Stock Exchange, some are wholly owned and others are held jointly with private owners. The aim of the administration is to maximise the value of the State's shares, and to contribute to healthy industrial development in the companies.

A DEMANDING MARKET SITUATION

During 2002, trends in the national and international capital markets were weak, in extension of the downturn that started in 2000. Trends in the capital markets also affected the growth in value of companies in the Ministry of Trade and Industry's portfolio. The total value of State shareholdings in the following listed companies: Den norske Bank, Kongsberg Gruppen, Norsk Hydro, Raufoss, SAS and Telenor, amounted to NOK 87.9 billion at year-end 2002. This corresponds to a fall of 24.2 per cent from a market capitalisation of NOK 116.1 billion for the same shareholdings in the previous year. In the same period the main index on the Oslo Stock Exchange fell by 31 per cent.

Over the year, all listed shares administrated by the Ministry fell in value. The smallest relative decline affected Kongsberg Gruppen, with the company's total market value reduced from NOK 2.9 to 2.8 billion. The biggest decline in relation to company size affected Raufoss, whose market value was halved. The market value of Telenor fell by slightly more than 31 per cent. This corresponds with a fall in value for the company as a whole of NOK 21.8 billion. Values in

Norsk Hydro fell by 17.4 per cent – which corresponds to a fall from NOK 100.2 to 82.8 billion for the company as a whole at year-end.

As part of its ordinary monitoring of the companies, the Ministry also performs annual valuations of its non-listed companies. The valuations are carried out according to conservative, but consistent valuation principles (as discussed later in this report), and usually based on the companies' accounting figures. Based on the principles for valuation employed, the decline in value of non-listed companies was smaller than may be observed among the listed companies.

The weakening in share prices of the listed companies has to a great extent tracked the weak trends of the Stock Exchange, and cannot, on the whole, be attributed to the actual performance of the companies. Special factors in individual sectors will naturally have an impact on companies in those sectors in which the State also has shareholdings. The fall in value of Cermaq, with substantial operations linked to the fisheries industry, is one example of this.

The weak capital market has dictated the need to reduce State shareholdings. Divestment processes are becoming more complicated, and investor capacity to finance acquisitions has been weakened. After active years in both 2000 and 2001 no divestments were undertaken by the Ministry in 2002.

MERGERS AND CORPORATE RESTRUCTURING

In 2002, the State endorsed the Board's recommendations concerning a proposed merger between Fjord Seafood ASA and Cermaq. However, the merger failed to obtain majority

backing at Fjord Seafood's annual general meeting. As the principal shareholder of Cermaq, the Ministry of Trade and Industry backed the merger proposal.

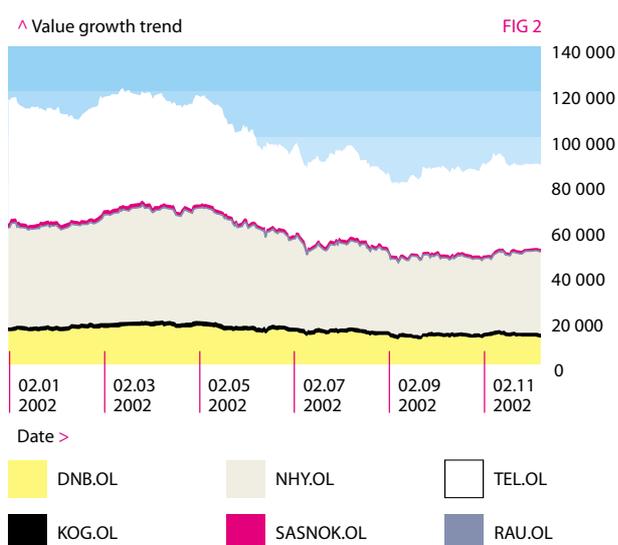
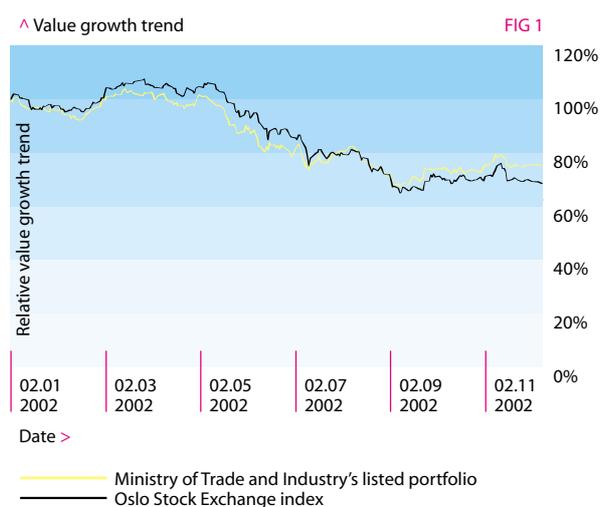
A proposed merger between DnB and Storebrand was also not carried through. At the time of the announcement of the agreement, Statens Bankinvesteringsfond (the Government Bank Insurance Fund) issued a statement as to its support for the industrial solution entailed by the merger, but the agreement was not presented at any of the companies' AGMs. Over the year, several of the companies underwent considerable restructuring processes, which also, in certain instances, resulted in staff cutbacks. Examples of this include Telenor and SAS. Structural changes were also undertaken in other companies in the portfolio.

KEY CORPORATE AFFAIRS IN 2002

In 2002, as part of the drive to consolidate State-owned assets under the Ministry of Trade and Industry, the Ministry was assigned ownership of a number of companies from other ministries. These companies are: Statkraft SF, Statens Bankinvesteringsfond, SND Invest AS, SAS AB, SIVA SF, Grødegaard AS, Entra Eiendom AS and BaneTele AS.

Over the year, a large number of corporate affairs were the object of particular scrutiny on the part of the Ministry's Ownership Department. A selection of these would include:

- The conversion of Statkraft SF from a State company to a limited liability company has been under consideration. This process has not as yet been completed.
- NOAH Holding AS underwent comprehensive restructuring in the wake of the sale of the waste treatment plant in Brevik. The resulting company is now better positioned to achieve long-term profitable operations.
- Raufoss ASA was the object of special scrutiny, as a result of weak earnings and a demanding capital situation. A planned sale of core sections of the company is still pending.
- On 6 December 2001, the Norwegian Parliament adopted a mandate for preparing and executing the sale of SND Invest AS. Preparations for realising this decision were underway during the year.
- Through Statens Bankinvesteringsfond, the Ministry has tracked trends in the Norwegian financial sector. The merger of DnB and Gjensidige Nor was adopted by the companies' AGMs in 2003.
- In December 2002, the Ministry of Trade and Industry assumed responsibility for administration of the State's ownership in BaneTele AS from the Ministry of Transport. The company has faced financial challenges, and the process was initiated by the refinancing of the company's government loan.
- In 2001 the State divested itself of shares in Moxy Trucks AS, reducing its shareholding to 49 per cent. In 2002 this State holding was wound up when the company went into liquidation.



The Ministry's ordinary monitoring entails tracking ongoing performance of the companies and that they achieve the targeted profitability.

OWNERSHIP POLICY AND ACTIVE OWNERSHIP PRACTICE

In addition to the operational remit of administrating State-owned shares in the companies, the Ministry works to ensure that the general public and Parliament are kept up to date on the Government's policies on ownership. In 2002, the Ministry presented a white paper on State ownership (Ownership White Paper no 22, 2001-2002), comprising a review of policies and practices for State ownership. The general policies for good corporate governance were endorsed by Parliament. However, positions differed when it came to the State's equity in individual companies.

Recent years have brought greater appreciation of the potential, unfortunate consequences of any overlap in the State's various roles. This applies especially to the approach to the State's role as owner vis-à-vis other State roles such as those of regulatory authority, inspection authority and complaints body. The organisation of ownership under the Ministry of Trade and Industry will contribute to greater confidence in the State as an owner, and to ensuring that the State does not confuse its roles in exercising its ownership policy.

As a result of Parliament's review of the Ownership White Paper, the decision was made to appoint a dedicated body: the committee on state ownership. The committee is chaired

by Trond Reinertsen, and has been mandated to carry out a comprehensive review of the State's organisation and administration of its ownership commitments. The Board will propose solutions of an organisational, legal and commercial nature linked to various administrative models. The Board will also examine how Parliamentary and Governmental governance and control, including the office of the Auditor General's auditing tasks, may best be managed.

The Ministry has worked actively to raise the proportion of women represented on the companies' boards of directors. To that end, the Ministry held a conference on women represented on company boards of directors in March 2002. A one-day seminar was also held on better corporate governance and good company management. The emphasis has been on ensuring that chairmen of boards in companies where the Ministry is the majority shareholder avoid any conflict in their legal capacity.

On the basis of the agreement between the Government and business and industry actors, the Ministry has also taken the initiative for taking a moderate line when it comes to board remuneration. Given that 2003 is an "exceptional year" in terms of accounting, the Ministry has also established that remuneration for members of Boards of Directors is to remain unchanged from 2002 to 2003.

The Ministry's undertakings are based on the prediction that the capital markets in 2003 may well remain challenging. The focus will continue to be on value-creation and industrial progress.



ORGANISATION OF THE ADMINISTRATION OF STATE OWNERSHIP INTERESTS

The Ministry of Trade and Industry's ownership administration is organised under a dedicated Ownership Department.

BACKGROUND

For almost 40 years, the Norwegian Ministry of Trade and Industry has worked actively on the concept of ownership. At an early stage, administrative practices were established, based on the principles of good corporate governance – although this term as such has only been in use over the last few years. The number and type of companies administrated by the Ministry have varied over the years and provide a platform for current policy work.

The Government's aim of evolving a more professional approach to ownership, and the need to delineate more clearly between the different roles of the State were a contributory factor in the creation of the Ownership Department under the Ministry of Trade and Industry in 2002. In that year the Government presented its ownership policy paper (White Paper no. 22) for "Reduced and Improved State Ownership". This launched a process to consolidate the State's commercial ownership within a dedicated ownership environment, such that a number of companies that had formerly been administrated by other Ministries were now transferred to the Ministry of Trade and Industry.

STRUCTURE

During the first year of operations, the emphasis has been on establishing a framework for administrating the portfolio of State-owned assets. The Ministry administrates the State's equity in more than 20 companies, worth a total of around NOK 160 billion. Administration is effected within a decision-making system in which the Ministry's political leaders constitute the supreme authority within the frameworks prescribed by Parliament. In addition, Parliament monitors operations through the agency of the Auditor General's office.

The Ministry is committed to maintaining a commercial orientation, and a focus on value-adding and industrial solutions in line with best ownership practice. Because the State's ownership is neither purely financial nor purely industrial, its administration procedures will likewise be a combination of the two. Within the prescribed frameworks, the Ministry acts as an active and far-sighted owner with targets for the optimal development of each individual company, and for the value of, and yield on, the portfolio.

There are few equivalent administrations. Norwegian or foreign private ownership environments are scarcely comparable. To some extent, major international industrial investment companies may display comparable traits – but without the political dimension. The closest comparable environments

are to be found in the ownership departments of the neighbouring Swedish and Finnish counterpart ministries.

The Ownership Department's organisational structure is characterised by the following:

- Small-scale core organisation.
- Extensive use of to consultants, advisers and investment banks.
- Extensive project-based organisation in which a distinction is drawn between ongoing operations and one-off activities associated with transactions and so forth.

ORGANISATION

The Ownership Department is currently manned by a staff of 16 who work in project teams. The Department's management team consists of 4 individuals: the executive (departmental head) and 3 departmental directors.

Work on major projects may involve relatively extensive use of external consultants. In 2002, services were retained from the following companies: DnB Markets, Deloitte & Touche, Burston Marsteller, Nordea Securities, Hartmark Consulting, Orkla Enskilda, CSFB, Jon G. Pedersen, BAHR, Citybank, Deutsche Bank, Thommesen Krefting Greve Lund, ABG Sundal Collier, Dresdner Kleinwort Wasserstein and Gjensidige NOR.

Each company is monitored by a dedicated project team. Specialised projects and one-off activities such as major divestments or activities requiring Parliamentary consultation are organised in a similar fashion, that is to say, with expertise assembled as required.

RAISING THE PROFESSIONALISM BY WHICH OWNERSHIP IS PRACTISED

A data-based decision-making support and reporting system linked to accounting figures and key data has been established in order to further improve internal routines. This comprises both accounting figures and other factual data about the companies. In addition, collated data are used for setting target criteria and estimates for internal use and for external reporting (proposals presented to Parliament and so forth). This also serves as support and to underpin dialogue with the companies.

Staff motivation and attitudes are all-important in the Ministry of Trade and Industry's practical administration work. The substantial assets administrated place exacting demands on staff. One of the aims is for ownership administration under the Ministry to instil confidence and be perceived as professional.

PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

Good corporate governance contributes to sound operations, solid growth, job security and investor confidence.

Corporate governance as a concept concerns the relationship between the owners, the board of directors and the management of a company. In a broader sense, it also includes the relationship vis-à-vis other stakeholders such as creditors, employees and society. But the concept is not precise. It can also be used to refer to control mechanisms internally within a company. The present document confines reference to “corporate governance” to this definition.

WHY DO WE NEED PRINCIPLES FOR GOOD CORPORATE GOVERNANCE?

Constructive communication between shareholders and the board of directors, and between the board and the administration are crucial to satisfactory corporate performance. It is also a key criterion for long-term value creation and job security.

Studies have shown that companies perceived as committed to good corporate governance are held in high regard by their investors, and that this, in turn, helps to confer higher value on such companies. However, this requires that the company in question is capable of formulating and communicating its principles, and that these are adhered to over time. Companies who fail in this respect can expect to find their access to the capital markets reduced, and in the long term to be assigned lower value. Trends in capital markets are, among other things, characterised by a tendency for numerous major, international listed companies to suffer from defective and – to some extent – altogether lacking governance and control mechanisms. This has been a contributory factor in the liquidation of major companies. Moreover, there have been cases of serious accounting manipulation, which have damaged confidence in the

companies’ financial reporting. In that context, the drive for good corporate governance is important in restoring confidence in such companies.

THE STATE’S 10 PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

In White Paper no. 22 (2001-2002) the Government presented 10 principles for good corporate governance of companies in which the State is a shareholder.

Two chief considerations in particular formed the basis for the elaboration of these principles. Firstly, that they should contribute to increased value creation for the State’s shareholdings. To that end, the principles concerning targets for return on investment, capital structure, the appointment of boards of directors, together with incentive and control systems are of great importance. Accounting and financial scandals at home and abroad in the period after the principles were presented indicate just how essential it is to operate with a keen focus on such principles – not least when it comes to incentive and control systems.

Secondly, the principles should serve to underpin the State’s commitment to upholding the rights of all shareholders. For private shareholders, it is of especial importance that the State, which in many companies is a dominant shareholder, does not act in a manner detrimental to the rights or financial interests of other shareholders. Importance is therefore attached to the regard for equal treatment of shareholders, transparency surrounding State ownership interests and the use of the AGM as a decision-making arena. Correct procedure in this area will also be productive in increasing the value of assets held by the State. The Ministry of Trade

and Industry's ownership administration is based on these principles:

- 1 All shareholders shall be treated equally.
- 2 There shall be transparency in the State's ownership of companies.
- 3 Ownership decisions and resolutions shall be made at the general meeting.
- 4 The State may set performance targets for each company, together with other owners. The board will be responsible for meeting these targets.
- 5 The capital structure of the company shall be consistent with the objective of the ownership and the company's situation.
- 6 The composition of the board shall be characterised by competence, capacity and diversity and shall reflect the distinctive characteristics of each company.
- 7 Compensations and incentive systems shall promote the creation of value in the companies and shall be generally regarded as reasonable.
- 8 The board shall exercise an independent control of the company's management on behalf of the owners.
- 9 The board shall adopt a plan for its own work and shall work actively with development of its own competences. The board's activities shall be assessed.
- 10 The company shall recognise its responsibility to all shareholders and stakeholders in the company.

COLLABORATION ON GOOD CORPORATE GOVERNANCE

The Ministry's Ownership Department wishes to maintain close collaboration with other actors in trade and industry. As a substantial owner, the Ministry has therefore, among other undertakings, participated in a working group set up to assess the feasibility of creating a project or an organisation with responsibility for maintaining and developing a sector-wide codex on good corporate government and company management in Norway. This working group recommended that a forum of this nature be set up as a national centre of expertise. The group's report is currently under review by its commissioning bodies: Næringslivets Aksje-markedsutvalg (trade and industry stock market board), Norske Finansanalytikeres Forening (the Norwegian

Society of Financial Analysts) and Verdipapirfondenes Forening (the Norwegian Mutual Fund Association). The Ministry regards the prospect of a common codex for good corporate governance in Norway as highly advantageous, and is committed to supporting the efforts to identify a practical solution to the satisfaction of the issuers, the Oslo Stock Exchange and investors alike.

PARTICIPATION IN THE OECD

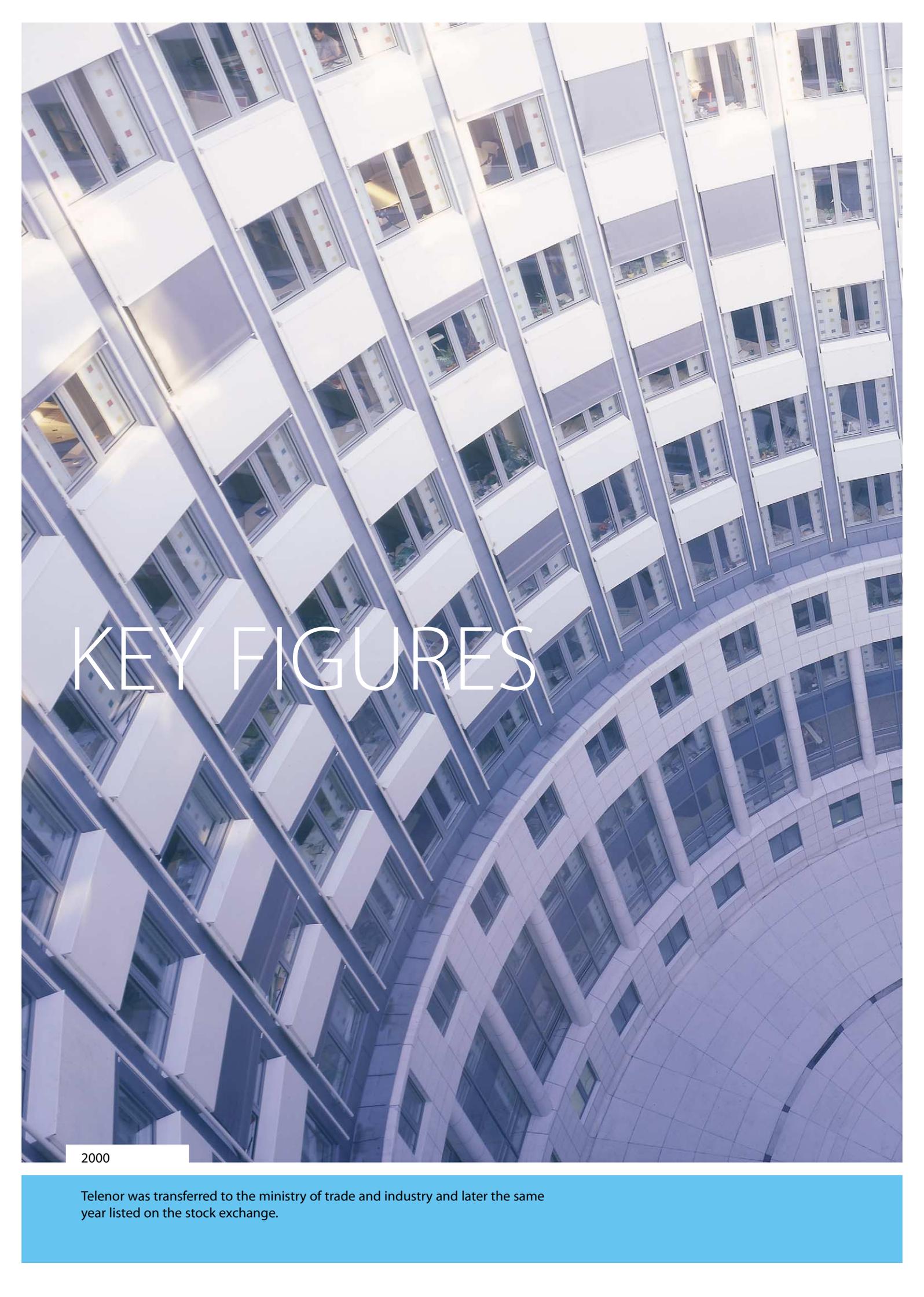
The Ministry of Trade and Industry is represented on the OECD's Steering Group on Corporate Governance, the purpose of which is to coordinate and formulate guidelines for the OECD's work on corporate governance and associated themes such as privatisation, company law and so forth. At the time of writing, the OECD's principles for corporate governance are undergoing review. In addition, we are also represented in the Working Group for Privatisation and Governance of State Owned Assets, which is a forum for exchanging experience on State ownership and privatisation. The Group's main themes are devoted to optimum organisation of State ownership and to collating and disseminating knowledge about privatisation programmes (methods, techniques and so forth).

THEMED EVENTS

The Ministry of Trade and Industry has organised two themed one-day events – one in 2002, and one in 2003. To the first event, the Minister for Trade and Industry, Ansgar Gabrielsen, invited a number of individuals and organisations in Norwegian trade and industry to engage in a debate on approaches to developing better corporate governance and company management in Norway. At the second event, the management and boards of directors of companies in which the Ministry of Trade and Industry is a shareholder, were invited to discuss expectations from the boards of directors, challenges surrounding corporate governance, and the Ministry's ownership administration practices.

By virtue of being a large shareholder on the Norwegian market, the Ministry of Trade and Industry aims, through events of this nature, to contribute to the development of best ownership practices.

“Studies have shown that companies perceived as committed to good corporate governance are held in high regard by their investors, and that this, in turn, helps to confer higher value on such companies. However, this requires that the company in question is capable of formulating and communicating its principles, and that these are adhered to over time. Companies who fail in this respect can expect to find their access to the capital markets reduced, and in the long term to be assigned lower value.”



KEY FIGURES

2000

Telenor was transferred to the ministry of trade and industry and later the same year listed on the stock exchange.

FINANCIAL TRENDS IN THE PORTFOLIO

1 SPECIAL CIRCUMSTANCES

At year-end 2002, the Ministry of Trade and Industry concluded an agreement with the other owner of Moxy Trucks AS concerning the sale of the remaining 49% of the shares for a token amount. However, shortly thereafter, the company went into liquidation proceedings. No public accounts were published for the company in 2002.

Towards the end of 2002, shares in BaneTele AS were transferred from the Ministry of Transport. Work on strategic improvements to the company are ongoing, based on a recent refinancing plan.

On 6 December 2001, Parliament adopted a mandate for preparing and carrying out the sale of SND Invest AS. Preparations for realising this decision are ongoing.

In view of this, the Ministry has not found it appropriate to include company figures and valuations for these companies in the tables.

2 RETURN ON INVESTMENTS

At year-end 2002, the Ministry was administrating the State's equity in 23 companies. The total value of these shareholdings in the 20 companies represented in the tables was estimated at around NOK 155 billion. This represents a decline of approx. 15 per cent as compared with a valuation on the same principles in the previous year.

In nine of the 23 companies, the State is the sole owner. In Store Norske Spitsbergen Kulkompani AS, the State owns 99.9 per cent of the shares. The State is a minority shareholder in six of the companies; six companies are listed on the Stock Exchange.

The greatest fall in value occurred among the listed companies, which account for around NOK 88 billion or approx. 57 per cent of the portfolio's value. However, this reflects the fact that valuation of non-listed companies may appear less volatile than a valuation based on market rates listed on a daily basis.

The portfolio's largest assets are concentrated with Norsk Hydro, Statkraft, Telenor and DnB. All told, equity in these four companies amounts to NOK 144.3 billion, or more than 90 per cent of the portfolio's total value. Statkraft represents the largest single asset, but unlike the others, is not a listed company.

In 2001, 15 per cent of the shares in Eksportfinans were acquired for NOK 402 million. In the same year, Arcus AS and A/S Olivin were sold for NOK 340 and 400 million respectively. In 2002 no capital injections or sales were effected in any of these companies. Preparations were made for the prospective divestment of the remaining shareholding in Olivin and Arcus, and the sale of SND Invest. This work has continued in 2003.

For a number of the other companies, the Ministry has been reviewing the capital situation. For some of the companies, this situation remains challenging.

In total, the Ministry received NOK 4.96 billion in dividends from the companies. This is somewhat lower than in 2001, and primarily reflects a lower return from companies from which shareholdings were sold off. In addition, an extraordinarily high dividend was generated by Statkraft in 2002. With the exception of SAS, the listed companies yielded stable or increasing dividends in 2002.

PORTFOLIO FIGURES

	2002	2002	2001	2002	2001	2002
(NOK millions unless otherwise indicated)	State's equity (%)	Estimated market value 1)	Value of State's equity 2)		Dividend received by State	
Listed companies						
Den norske Bank ASA	47,5 %	25 121	14 953	11 941	879	878
Kongsberg Gruppen ASA	50,0 %	2 760	1 448	1 380	-	32
Norsk Hydro ASA	43,8 %	82 778	43 929	36 276	1 129	1 187
Raufoss ASA	50,3 %	143	143	72	-	-
SAS AB	14,3 %	6 826	1 386	975	88	-
Telenor ASA	77,6 %	47 772	54 019	37 085	490	630
Total for these companies		165 400				
Total State's share of the companies		87 730	115 877	87 730	2 586	2 727
Non-listed companies		6)	6)			
Arcus AS	34,0 %				68	15
Cermaq ASA	79,4 %				-	-
Eksportfinans ASA	15,0 %				119	12
Electronic Chart Centre AS	100,0 %				-	-
Grødegård AS	100,0 %				-	-
Entra Eiendom AS	100,0 %				80	-
Nammo AS	45,0 %				-	-
NOAH Holding AS	70,9 %				-	-
A/S Olivin	51,0 %				82	5
Statkraft SF	100,0 %				3 640	2 192
Store Norske Spitsbergen Kulkompani A/S	99,9 %				-	9
Total for these companies		69 534 7)				
Total State's share of the companies		66 025	66 025	66 025	3 888	2 234
Other companies						
Bjørnøen AS	100,0 %				-	-
Kings Bay AS	100,0 %				-	-
SIVA SF	100,0 %				-	-
Total for these companies		1 994				
Total State's share of the companies		1 994	1 845	1 994	-	-
Total for these companies		236 927				
Total State's share of the companies		155 748	155 748	155 748	6 425	4 961

- 1) Based on market price or estimated value.
- 2) Market value * State's equity at end of period.
- 3) Change in market value from 2001 to 2002.
- 4) Nominal change in market value from 2001 to 2002, plus dividend for 2002 as percentage of market value at year-end 2001.
- 5) Result after tax as percentage of book equity.
- 6) For commercial reasons, valuations are not provided for non-listed companies.

The principles employed by the Ministry in its internal assessments are reproduced on page 28.

- 7) The valuation for Statkraft, which represents the largest asset of the non listed companies are in this table based on publicly available figures.

	2001	2002	2001	2002	2001	2002	2002
(NOK millions unless otherwise indicated)							
	Sales proceeds and (capital injections)		Value growth trend in the period 3)		Total yield in the period 4)		Equity yield 5)
Listed companies							
Den norske Bank ASA	-	-	-20,1 %		-14,3 %		11,4 %
Kongsberg Gruppen ASA	-	-	-4,7 %		-2,5 %		13,4 %
Norsk Hydro ASA	-	-	-17,4 %		-14,7 %		12,1 %
Raufoss ASA	-	-	-50,0 %		-50,0 %		-117,1 %
SAS AB	-	-	-29,6 %		-29,6 %		-0,9 %
Telenor ASA	-	-	-31,3 %		-30,2 %		-12,3 %
Total for these companies							
Total State's share of the companies	-	-	-24,3 %		-21,9 %		
Non-listed companies							
Arcus AS	340	-	0,0 %		8,6 %		11,1 %
Cermaq ASA	(1 200)	-	-24,9 %		-24,9 %		-5,3 %
Eksportfinans ASA	(402)	-	4,8 %		8,0 %		8,5 %
Electronic Chart Centre AS	-	-	-5,5 %		-5,5 %		-11,4 %
Grødegaard AS	-	-	-39,9 %		-39,9 %		-49,8 %
Entra Eiendom AS	-	-	17,2 %		17,2 %		-0,9 %
Nammo AS	-	-	-21,7 %		-21,7 %		10,6 %
NOAH Holding AS	-	-	0,0 %		0,0 %		-134,0 %
A/S Olivin	400	-	0,0 %		1,3 %		9,3 %
Statkraft SF	(6 000)	-	0,5 %		4,2 %		8,9 %
Store Norske Spitsbergen Kulkompani A/S	-	-	37,3 %		42,9 %		31,9 %
Total for these companies							
Total State's share of the companies	(6 862)	-	1,0 %		4,4 %		
Other companies							
Bjørnøen AS	-	-	0,0 %		0,0 %		17,9 %
Kings Bay AS	-	-	0,0 %		0,0 %		-92,3 %
SIVA SF	-	-	8,1 %		8,1 %		-1,5 %
Total for these companies							
Total State's share of the companies	-	-	8,1 %		8,1 %		
Total for these companies							
Total State's share of the companies	(6 862)	-	-14,9 %		-12,2 %		

THE COMPANIES' FINANCIAL PERFORMANCE

Net turnover for companies in the portfolio increased considerably from 2001 to 2002. This was chiefly attributable to Norsk Hydro's acquisition of VAW, which was incorporated in the accounts in the last half of 2002. Seen in isolation, SAS's acquisition of Braathens also resulted in an increase in turnover. In total, the listed companies produced a turnover of NOK 284 billion in 2002. Of the non-listed companies, turnover was highest in Statkraft, Cermaq, Arcus and Nammo.b. However, the figures for turnover are not particularly suited to cross-sectoral comparison of e.g. telecoms, banking and property.

Compared with 2001, Norsk Hydro and Kongsberg Gruppen improved their results after tax, while DnB, Raufoss, SAS, Telenor, Cermaq and Statkraft showed weaker results. As a result of substantial write-downs on previous investments, the weakening in Telenor was considerable. The result from Cermaq was also poorer than expected, although, like Telenor, the result reflects the trend in sectors that faced considerable challenges in terms of profitability this year. Across the board, performance in the telecoms, fisheries and aviation industries was notably weak.

For the portfolio as a whole, profit after tax, weighted for the State's equity in each individual company, was close to NOK 3.9 billion. In relation to a correspondingly weighted share of turnover of NOK 147.1 billion, the total profit ratio of the portfolio is 2.6 per cent. Calculated in the same way, EBITDA accounted for 22.7 per cent of turnover.

EBITDA, i.e. earnings before financial costs and tax, corrected for depreciation, is one of many performance indicators employed by the companies for reporting on their financial situation. This particular indicator expresses the company's ability to cover its cash-based operating costs. With the exception of Raufoss, all the listed companies showed a positive EBITDA in 2002. The same applied to the non-listed companies, with the exception of NOAH and Grødegaard.

During 2002, NOAH was restructured in that the least profitable section of the company was separated out. As regards Grødegaard, the company is currently undergoing a restructuring process. Raufoss is also the object of considerable attention, and the challenges faced by the company are considerable.

Overall, the value growth trends and the companies' accounting figures show that performance by the companies in the portfolio was weaker than hoped for, but that the financial problems are restricted to a minority of companies. The companies' capacity for value creation has not necessarily been impaired, even if the value of their assets has fallen as a result of a weak trend in the securities markets.

There is no systematic difference between the trend in the companies' performance, based on the size of the State's shareholding, or whether or not the companies are listed. Seen as a whole, the portfolio accounting figures will be heavily affected by the trend displayed by the four companies in which State equity has the highest value.

At year-end, the State's share of the companies' total book equity amounted to NOK 106 billion. The companies' total balance sheet volume amounted to NOK 942 billion.

1986/88

THE COMPANIES' FIGURES

2002

(NOK millions unless otherwise indicated)	State share- holding (%)	Net turnover 1)	EBIT 2)	EBITDA 3)	Result after tax 4)	Net cash- flow from operations 5)	Book equity 6)	Total balance sheet volum 7)
Listed companies								
Den norske Bank ASA	47,5 %	12 327	3 894	4 544	2 960	(3 300)	26 117	385 234
Kongsberg Gruppen ASA	50,0 %	6 980	301	592	216	264	1 694	5 597
Norsk Hydro ASA	43,8 %	162 945	21 478	33 891	8 682	21 785	71 891	204 704
Raufoss ASA	50,3 %	771	(316)	(272)	(355)	(116)	118	859
SAS AB	14,3 %	53 228	1 351	2 907	(108)	1 752	12 448	54 757
Telenor ASA	77,6 %	48 668	(2 992)	10 236	(4 656)	12 858	33 685	89 458
Total		284 919	23 716	51 898	6 739	33 243	145 953	740 609
Non-listed companies								
Arcus AS	34,0 %	1 768	85	108	56	224	506	1 496
Cermaq ASA	79,4 %	6 737	138	389	(140)	417	2 483	6 445
Eksportfinans ASA	15,0 %	418	291	307	208	80	2 492	91 073
Electronic Chart Centre AS	100,0 %	11	(2)	0	(1)	N/A	9	11
Grødegaard AS	100,0 %	288	(9)	(2)	(9)	(9)	14	59
Entra Eiendom AS	100,0 %	637	201	296	(13)	(43)	1 506	6 518
Nammo AS	45,0 %	1 379	109	142	43	86	414	1 020
NOAH Holding AS	70,9 %	183	(209)	(182)	(142)	(20)	35	329
A/S Olivin	51,0 %	419	54	90	30	-	327	433
Statkraft SF	100,0 %	10 049	6 882	6 966	2 479	22	27 070	89 374
Store Norske Spitsbergen Kulkompani A/S	99,9 %	696	98	67	64	92	232	801
Total		22 586	7 637	8 181	2 573	849	35 089	197 558
Other companies								
Bjørnøen AS	100,0 %	1	-	1	1	N/A	4	4
Kings Bay AS	100,0 %	26	(1)	(2)	(2)	N/A	2	11
SIVA SF	100,0 %	213	71	66	(28)	N/A	1 945	3 651
Total		239	69	64	(29)	N/A	1 951	3 667
Total entire portfolio		307 744	31 422	60 144	9 283	34 092	182 992	941 834

KEY FIGURES

The companies' figures

> 17

THE COMPANIES' FIGURES [CONT]

Growth 2001- 2002

	Net turnover 1)	EBIT 2)	EBITDA 3)	Result after tax 4)	Net cash-flow from operations 5)	Equity 6)	Total balance sheet volum 7)
Listed companies							
Den norske Bank ASA	-7,5 %	-16,9 %	-19,9 %	-27,8 %	1286,6 %	1,1 %	7,6 %
Kongsberg Gruppen ASA	13,0 %	-18,0 %	-5,7 %	75,6 %	-17,8 %	11,2 %	-0,6 %
Norsk Hydro ASA	6,5 %	-14,2 %	1,7 %	10,4 %	-16,8 %	-0,1 %	4,4 %
Raufoss ASA	-6,9 %	-1170,3 %	-1470,8 %	595,1 %	427,2 %	-75,8 %	-24,7 %
SAS AB	26,3 %	-1063,7 %	377,4 %	-87,6 %	-710,9 %	-2,3 %	6,4 %
Telenor ASA	19,9 %	-126,2 %	41,2 %	-173,2 %	83,9 %	-20,1 %	8,3 %
Non-listed companies							
Arcus AS	14,4 %	3,4 %	1,6 %	-3,3 %	151,1 %	2,4 %	0,0 %
Cermaq ASA	-4,5 %	-68,8 %	-39,4 %	-256,5 %	384,9 %	-10,0 %	-18,8 %
Eksportfinans ASA	-9,9 %	-15,4 %	-13,7 %	-16,6 %	-130,0 %	5,3 %	7,0 %
Electronic Chart Centre AS	-42,2 %	-93,1 %	-429,3 %	-95,0 %	N/A	-10,8 %	-13,2 %
Grødegaard AS	12,0 %	-68,4 %	-89,7 %	-56,0 %	45,4 %	-39,9 %	-34,0 %
Entra Eiendom AS	0,0 %	-43,4 %	-30,5 %	-113,4 %	-111,7 %	-0,9 %	28,5 %
Nammo AS	2,0 %	17,9 %	7,0 %	9,0 %	-35,7 %	5,1 %	-6,2 %
NOAH Holding AS	-26,0 %	305,5 %	957,8 %	113,3 %	-143,9 %	-80,2 %	-30,6 %
A/S Olivin	-1,1 %	7,8 %	3,8 %	0,4 %	-100,0 %	6,6 %	-0,3 %
Statkraft SF	3,4 %	-18,4 %	-9,3 %	-42,0 %	-99,4 %	-5,4 %	25,4 %
Store Norske Spitsbergen Kulkompani A/S	23,0 %	128,2 %	23,1 %	1555,5 %	N/A	37,3 %	29,6 %
Other companies							
Bjørnøen AS	5606,9 %	-100,0 %	-729,7 %	-578,5 %	N/A	19,7 %	2,4 %
Kings Bay AS	4,2 %	339,4 %	309,9 %	64,8 %	N/A	0,8 %	-29,8 %
SIVA SF	0,8 %	23,5 %	-24,9 %	-19,5 %	N/A	7,6 %	11,5 %

1) Sales revenues, operating revenues, turnover or similar accounting entry.

2) Operating account plus interest revenues and other financial revenues, but before financial costs.

3) Defined here as operating result (before financial revenues and financial costs) plus depreciation.

4) Result after all taxes and extraordinary revenues/costs.

5) Net cashflow from operating activities, taken from company's cashflow statement.

6) Total of book unrestricted and restricted equity.

7) Interest-bearing and interest-free liabilities, plus minority interests, plus equity.

KEY FIGURES

The companies' figures

> 18

OTHER ISSUES

A number of non-financial matters have been highlighted in the companies' annual reports, including the companies' working environment and external environment commitments. Companies such as SAS and Norsk Hydro, for example, devote considerable resources to environmental reporting and monitoring of in-house ethical guidelines.

2002 brought an increased commitment to ensuring that the composition of the boards of directors in Norwegian limited companies reflect equal opportunities, and that expertise among women should be made far better use of.

In the majority of companies, the employees elect one or more representatives to sit on the board of directors. Consequently, the State only has influence over the composition of shareholder-elected board members. With the exception of Kongsberg Gruppen and NOAH, the proportion of women in the shareholder-elected fraction of the board is higher than for the board as a whole. When it comes to shareholder-elected members, 14 out of 20 companies have 1/3 or more women on the board, and 12 of these have more than 40 per cent. The board of Entra Eiendom has a majority of women among shareholder-elected members. Two companies have equal representation of both sexes. In the ammunition company Nammo, there are no women board members.

The companies have a total of 129,000 employees in Norway and abroad. This represents an increase of more than 20,000 on the previous year – which to a great extent is attributable to substantial acquisitions, and in particular, Norsk Hydro's acquisition of the German VAW company. Reporting on the number of employees varies between actual employees and the number of man-years worked. However, reporting is consistent over time for each individual company.

In companies such as DnB, Raufoss, Telenor and Nammo, long-term programmes are in progress to reduce costs. The overall picture for the portfolio is nonetheless that it comprises companies that are expanding in terms of turnover and activity, both in Norway and abroad.

The Ministry's basic position is that the companies' board members should be duly remunerated in proportion to the responsibility entailed by such membership. The table shows that total expenditure on remuneration to board members is largely determined by the size, complexity and financial capacity of the companies.

2002/03

OTHER ISSUES

Key figures	2002	2001	2002	2002
	State shareholding	Total number of women on board of directors 2)	Proportion of shareholder-elected women 3)	
Listed companies				
Den norske Bank ASA	47,5 %	30,0 %	30,0 %	42,9 %
Kongsberg Gruppen ASA	50,0 %	25,0 %	28,6 %	25,0 %
Norsk Hydro ASA	43,8 %	33,3 %	33,3 %	50,0 %
Raufoss ASA	50,3 %	14,3 %	14,3 %	20,0 %
SAS AB	14,3 %	33,3 %	33,3 %	33,3 %
Telenor ASA	77,6 %	40,0 %	40,0 %	42,9 %
Total for these companies				
Companies with commercial aims				
Arcus AS	34,0 %	9,1 %	9,1 %	12,5 %
Cermaq ASA	79,4 %	25,0 %	25,0 %	40,0 %
Eksportfinans ASA	15,0 %	16,7 %	16,7 %	16,7 %
Electronic Chart Centre AS	100,0 %	33,3 %	33,3 %	33,3 %
Grødegaard AS	100,0 %	37,5 %	50,0 %	40,0 %
Entra Eiendom AS	100,0 %	28,6 %	42,9 %	60,0 %
Nammo AS	45,0 %	0,0 %	0,0 %	0,0 %
NOAH Holding AS	70,9 %	12,5 %	25,0 %	14,3 %
A/S Olivin	51,0 %	25,0 %	25,0 %	40,0 %
Statkraft SF	100,0 %	33,3 %	44,4 %	50,0 %
Store Norske Spitsbergen Kulkompani A/S	99,9 %	37,5 %	37,5 %	40,0 %
Total for these companies				
Other companies				
	100,0 %			
Bjørnøen AS	100,0 %	40,0 %	40,0 %	40,0 %
Kings Bay AS	100,0 %	33,3 %	33,3 %	40,0 %
SIVA SF		42,9 %	42,9 %	42,9 %

- 1) Number of employees measured for individual companies as number of man-years. Figures may vary among the companies between man-years and number of employees, but are consistent for each company over time.
- 2) Number of women measured as a proportion of the total number of board members.
- 3) Number of women measured as a proportion of shareholder-elected board members.
- 4) Remuneration to board members for their work as board members, as reported in the companies' annual reports.

Key figures	2002	2001	2002
(NOK millions unless otherwise indicated)		Remuneration to board members 4)	Number of employees 1)
Listed companies			
Den norske Bank ASA		1 977	7 236 7 023
Kongsberg Gruppen ASA		900	4 012 4 208
Norsk Hydro ASA		2 090	35 563 49 662
Raufoss ASA		821	962 779
SAS AB		2 869	31 035 35 506
Telenor ASA		1 700	22 050 23 450
Total for these companies			100 858 120 628
Companies with commercial aims			
Arcus AS		670	466 501
Cermaq ASA		1 010	2 583 2 612
Eksportfinans ASA		895	98 100
Electronic Chart Centre AS		200	14 14
Grødegaard AS		386	650 700
Entra Eiendom AS		460	94 96
Nammo AS		600	1 409 1 297
NOAH Holding AS		920	107 115
A/S Olivin		533	194 206
Statkraft SF		1 156	2 035 2 370
Store Norske Spitsbergen Kulkompani A/S		540	248 225
Total for these companies			7 898 8 236
Other companies			
		41	
Bjørnøen AS		260	- -
Kings Bay AS		405	20 24
SIVA SF			38 40
Total for these companies			58 64
Total entire portfolio			108 814 128 928

VALUATION GUIDELINES

1 General principles for valuation of portfolio enterprises

Valuation is performed in the interests of arriving at an objective and true and fair impression of the value growth trend of the portfolio over time. According to the prescribed principles, valuation is based on a conservative, as opposed to an optimistic, premise, and in line with criteria and methods that are consistent over time.

2 Current premise and procedure for valuation of portfolio enterprises

MARKET PRICE

For companies listed on the Stock Exchange, the most recently available market value is taken as the basis for valuation. No deductions are made for any restrictions associated with the sale of State shareholdings – nor are any additions made as a result of the fact that the shareholding is of such a size as to make it strategic for potential buyers.

SECONDARY MARKET SALES/ISSUE PRICE

If any third party – at tangible arm's length distance from the State as shareholder – takes part in issues that change the distribution of shares among existing shareholders (not including the State), or if shares are sold on the unlisted market, and this sale is of significant size relative to the State's shareholding in the company, the share price associated with the aforementioned transaction(s) can be taken as the basis for the valuation.

COST-BASED VALUATION

Cost-based valuation is applicable to high-performance companies, and to small companies in which shareholdings in the companies are not, or in the short-term would not be, saleable and in which valuation is less meaningful on account of the company's modest size or the lack of any comparable enterprise. For companies undergoing a development phase in which development is based on milestones reached, any

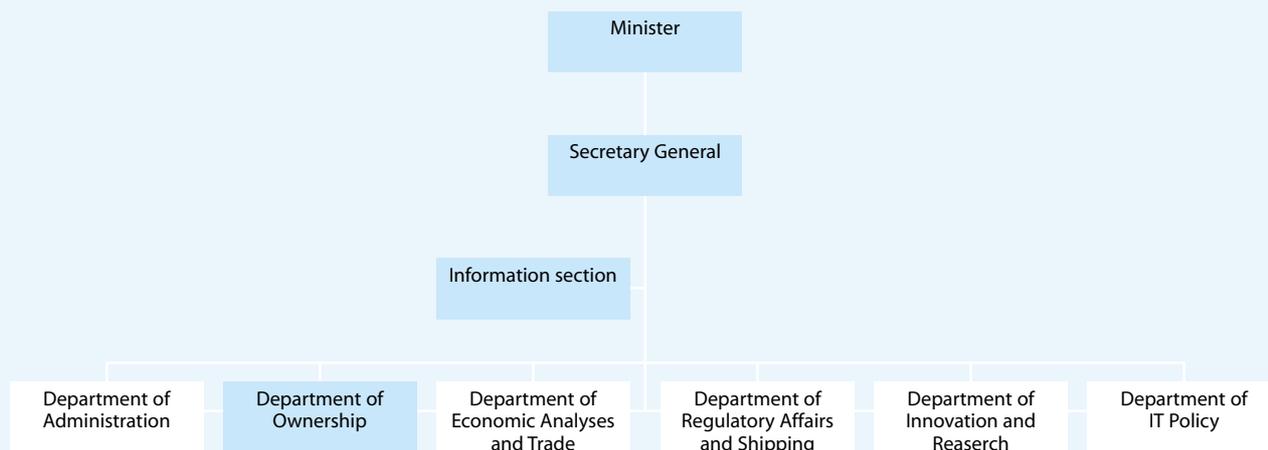
failure to reach such milestones may result in a reduction of the value in multiples of 25 per cent of the cost price. For companies currently in a more stable phase of operations, the basis used will be the cost price, annually adjusted for the posted result after tax and dividend paid. Correction of the initial value will be made in conformance with the rules applying to the RISK system, and the value of any deficit to be carried forward will be included in the value assigned in line with the rules governing private shareholders.

ASSESSING VALUE

For companies with positive earnings, valuation may be made on an assessment of value. For each company, different methodologies will be available, though such that the same valuation methodology must be used over time for each company. As far as possible, the methodology must be based on objective criteria and forecasts. The valuation must reflect the stock market's valuation of similar companies, based on a peer-group selection.

ORGANISATION

Ministry of trade and industry



MINISTER
STATE SECRETARY

Ansgar Gabrielsen
Oluf Ulseth (responsible for ownership issues)

SECRETARY GENERAL

Jan Solberg

DEPARTMENT OF OWNERSHIP

Telephone + 47 22 24 01 41
Telefax + 47 22 24 01 45

Reier Sørberg	+ 47 22 24 65 12	Bent Rølland	+ 47 22 24 04 84
Morten M. Kallevig	+ 47 22 24 67 50	Tom Skodvin	+ 47 22 24 65 52
Jan Fr. Nicolaisen	+ 47 22 24 66 40	Nina Sole	+ 47 22 24 01 41
Knut J. Utvik	+ 47 22 24 65 31	Tove Solemdal	+ 47 22 24 67 53
Anders Berg	+ 47 22 24 01 58	Thea Sveen	+ 47 22 24 65 79
Thomas S. Geiran	+ 47 22 24 04 79	Frode H. Sørland	+ 47 22 24 04 50
Cathrine Giertsen	+ 47 22 24 67 43	Kristian Thowsen	+ 47 22 24 02 27
Lars S. Nørgaard	+ 47 22 24 67 63	Olav Tyrhaug	+ 47 22 24 67 60

MINISTRY OF TRADE AND INDUSTRY

Postboks 8014 Dep
NO-0030 Oslo
Norway

Telephone + 47 22 24 90 90
Telefax + 47 22 24 01 30
E-mail postmottak@nhd.dep.no
<http://www.dep.no/nhd/>

Visiting address
Einar Gerhardsens plass 1

1999

The state reduces its holding in Norsk Hydro ASA
as part of the takeover of Saga Petroleum

Ministry of Trade and Industry
Postbox 8014 Dep
NO - 0030 Oslo
Norway

Visiting address
Einar Gerhardsens plass 1

Telephone + 47 22 24 90 90
Telefax + 47 22 24 01 30
E-mail postmottak@nhd.dep.no
<http://www.dep.no/nhd/>