



NÆRINGS- OG HANDELSDEPARTEMENTET

*Norwegian Ministry of Trade and Industry*

OWNERSHIP REPORT 2003

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## PHOTOS

Johs. Bøe (page 4, 6, 9, 15 and 49), Telenor (page 17), Norsk Hydro (page 18), Getty Images (page 22 and 31), Scanpix (page 43), Kongsberg Gruppen (page 46 and 47)

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# MANAGEMENT OF STATE-OWNED ASSETS

in the Ministry of Trade and Industry

The Ministry of Trade and Industry (NHD) is Norway's largest direct owner of individual shareholdings in companies. This is the second ownership report the Ministry has published in which it gives an account of its management of State holdings. The report encompasses companies managed by the Department of Ownership in the Ministry of Trade and Industry. The objective of the management is to maximise the value of the State's shares and to contribute to the solid industrial development of the companies. The present report is intended to provide an overview of the Ministry's portfolio and to increase awareness of how the Ministry implements its management of State-owned assets (hereinafter referred to as "ownership management").

2003 was an eventful year for the Ministry's ownership management. There were a number of changes in ownership and, during the year, several companies were sold, while the Ministry also took over management of the ownership of new companies. At year-end 2003, the Ministry was managing the State's shareholding in 19 companies, of which 6 were listed on the stock exchange and 13 were unlisted. The value of the shareholdings in listed companies at year-end 2003 was just under NOK 120 billion. This report presents some of the key figures from the companies' 2003 results. For more detailed information, please refer to the companies' own annual reports.

## Key figures for the portfolio managed by the Department of Ownership in the Ministry of Trade and Industry - 2003

NOK millions	Listed	Unlisted	Total
State's shareholding - value <sup>1)</sup>	118 440	40 311	158 751
State's shareholding <sup>2)</sup>	46 %	91 %	52 %
Weighted return last year <sup>3)</sup>	48 %		
Profit <sup>4)</sup>	19 222	3 176	22 399
Weighted return on equity <sup>5)</sup>	12 %	8 %	10 %
Dividend <sup>6)</sup>	3 243	3 037	6 279
Sales proceeds	8 082	1 765	9 847
Capital injections, share acquisitions	1 832	4 113	5 945

1) For stock-exchange-listed companies, the values are based on market price. For Entra Eiendom AS the value is calculated from the Economic Value Added (EVA) published by the company. For the other companies, book equity is used. For companies in which the State had no shareholding at year-end, no value is entered.

2) The state's share in the companies included in the portfolio, weighted relative to value.

3) Change in market value plus dividends received during the year, corrected for issues

and share buy-backs. The change in value for unlisted companies is not published, with the exception of Entra Eiendom ASA. The return is weighted relative to total market value.

4) Result after tax and minority interests.

5) Weighted relative to the State's share of book equity.

6) Dividends to be paid in 2004 provided for in the 2003 annual accounts.



# IMPROVED OWNERSHIP

The State is currently a dominant owner in Norwegian industry and commerce. The Norwegian Financial Services Association (FNH) has estimated total public ownership in trade and industry at more than 40% and the State's shareholding on the Oslo Stock Exchange is also greater than 40%. On the Government's part, emphasis has been given to two primary objectives for the ownership policy. We aim to reduce the State's weight of ownership in Norwegian trade and industry and we aim to improve the the implementation of State ownership. This was also one of the main thrusts of White Paper no. 22 (2001-2002 Reduced and Improved State Ownership).

The task of reducing the State's ownership gathered pace during 2003. Over the last year, approximately NOK 10 billion worth of shares were sold, the largest disposal being those of Telenor. The State also sold out of SND Invest, Arcus Gruppen, NOAH Holding and Olivin, and reduced its shareholding in Grødegård from 100% to 52%. Through the merger of DnB and Gjensidige NOR we also reduced our shareholding in DnB from 47.8% to 28.1% of the new DnB NOR entity at year-end. This share was subsequently increased to 33.7%. In March 2004, the State became the owner of 36.2% through the separate listing on the Oslo Stock Exchange of Yara International ASA, previously part of Norsk Hydro.

With a new disposal of Telenor shares in April 2004, the State realised a further NOK 8.4 billion, and the shareholding has now been reduced to 53.1%. Overall, through its disposals of Telenor shares in 2003 and 2004, the State has achieved considerable value, NOK 16.5 billion in all, and also prepared the ground for a better ownership structure for the company.

There have been indications from many quarters that the State is increasingly viewed as a professional owner. As the Minister responsible for this area, I am naturally pleased to hear such assertions, even though they do not offer an objective benchmark for assessing how well the State is exercising its ownership. There will always be particular challenges related to State ownership and the aim is therefore to minimise potential conflicts of roles. What lies behind these results is a systematic endeavour in the Ministry towards the professionalisation of its ownership, and emphasis will continue to be given to this in the exercise of State ownership.

In early March 2004, the Committee on State Ownership – set up for this specific task – produced its report "Statens forretningsmessige eierskap" [The State's Commercial Ownership] (NOU 2004:7). The ministry has already implemented a wide consultation procedure on the basis of this report. The results from this process will provide the basis for a report to Parliament with the aim further to reduce and improve the state's ownership in the Norwegian industry and commerce.

Yours,



Ansgar Gabrielsen

# OWNERSHIP REPORT FOR 2003 FOR THE MINISTRY OF TRADE AND INDUSTRY



Reier Söberg,  
Director General

2003 was a hectic year for ownership management in the Ministry of Trade and Industry. On an organisational level, we worked to develop the administrative environment. Other work has been related to disposals, strategic changes within companies that the Ministry has adopted a position on, procedures concerning elections to boards and corporate assemblies, and negotiations with companies on the buy-back of shares, to mention a few.

The Ministry of Trade and Industry manages the State's ownership interests in 19 commercial companies within a range of sectors. Over the year, companies were disposed of, and new companies were brought into our administrative care. Some of the companies are listed on the stock exchanges, others are wholly-owned, while some are owned in partnership with private entities. The objective of management is to maximise the value of the State's shares and to contribute to the solid industrial growth of the companies.

2003 was a demanding year for many of the companies with ownership managed by the Ministry of Trade and Industry. Most however improved their performances and their prospects.

## TRENDS IN 2003

2003 was a year characterised by low growth. European GNP increased by just 0.6 per cent, and Norges Bank cut the base rate by a full 4.25 percentage points, from 6.5% to 2.25%. At year-end 2003, Norwegian interest rates were at their lowest since 1969. Extremely low growth in prices

meant that real rates of interest fell by 1.5 per cent during the year. During the same period, the Norwegian Krone weakened by 11.8 per cent against a traded basket of foreign currencies. Over the year, the interest-rate reduction and exchange-rate weakening led to improved conditions for trade and industry in general and for exports in particular.

In 2003, the Norwegian and international stock markets enjoyed an upturn and the Oslo Stock Exchange was among the European exchanges to have seen the largest rises over the year. The total increase in value of the main Oslo Stock Exchange index was around 40 per cent. This positive trend also affected the growth in value of the companies in the Ministry of Trade and Industry's portfolio. The listed portion of the portfolio rose by NOK 37.5 billion including sales proceeds, and the value of the State's shareholding in Telenor, SAS, DnB NOR, Norsk Hydro and Kongsberg Gruppen at the end of 2003 was NOK 117.2 billion; an increase of 43 per cent.

Telenor in particular showed a large rise in value. Over the year, the return on the State's shareholding in Telenor including dividends was almost 69 per cent, but this rise follows a number of years of poor returns, and, since its stock-exchange-listing, the average annual return is barely above 2 per cent. DnB NOR (formerly DnB Holding) also experienced very good growth in value over the year and produced a return of 43 per cent including dividends. Over the last 5 years, DnB has provided investors with an average annual return including dividends of 16 per cent. Norsk Hydro shares showed a positive trend over the year and generated a return including dividends of 36 per cent; over the last 5 years, the average dividend-inclusive return has been just over 12 per cent per annum. As a result of improved

development in SAS, in 2003 this company too produced a return of 55 per cent including dividends. This is gratifying after many years of poor returns. The State's shareholding in Kongsberg Gruppen also increased in value over the year, with an annual dividend inclusive return of 20 per cent.

The trends are illustrated in the following graphs, which show the market values of the portfolio's listed companies. The graph at the top shows the State's equity in the companies, while the graph at the bottom shows the companies' total value. The large fall in the State's equity in Telenor in mid-summer is due to the State's disposal of shares, which brought in NOK 8.1 billion, but led to a smaller holding in the company. The pronounced increase in the total market value of DnB NOR at the end of the year is the result of the merger between DNB and Gjensidige NOR; it was then that the new shares were listed.

FIG. 1. THE STATE'S SHARE OF MARKET VALUE (NOK billions)

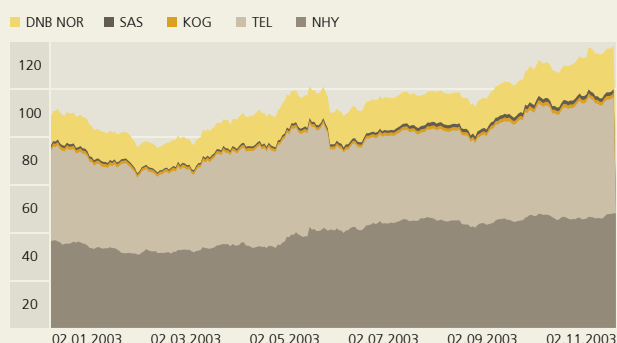
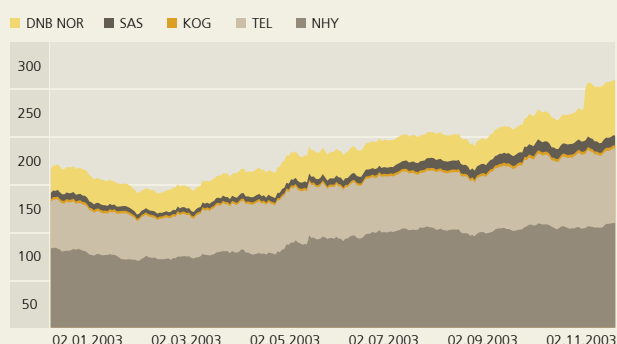


FIG. 2. TOTAL MARKET VALUE (NOK billions)



As concerns Statkraft, in 2003 a valuation was made in connection with work on an ownership strategy for the company. This is described more fully in White Paper no. 53 of 2003-2004 to Parliament. Using a method based on its estimated market value, the value of Statkraft's value-adjusted equity is of the order of NOK 38-48 billion. Using calculations based on the present value of future cash flows, the estimates exceed NOK 100 billion.

For the portfolio as a whole, weighted return on equity\* exceeded 10 per cent. Of this, the listed companies exhibit

\* Return on equity is weighted relative to the State's share of book equity at year-end.

a higher return than the unlisted ones.

## SALES ACTIVITIES

During 2003, sales of shares in the Ministry of Trade and Industry's portfolio were made to the tune of just over NOK 9.8 billion.

The largest proportion of this total derives from disposals in Telenor ASA. In June 2003, the State made a placement with Norwegian and foreign institutions of 250 million shares at a value of NOK 7.5 billion. Following the placement, private investors were offered the opportunity to buy shares at the same price as the institutions. There were 4,603 private individuals who bought Telenor shares for a total value of some NOK 595 million. Following the disposal, the State's shareholding fell to 62.6 per cent.

Another large sale in 2003 was that of SND Invest AS. SND Invest was an investment company comprising, in the main, shareholdings in some 100 relatively small and unlisted companies and a few listed ones. The company's shares were sold for approximately NOK 550 million. Additionally, a dividend of around NOK 500 million was paid out to the State by means of a capital reduction. All shares in the wholly-owned subsidiary Venturefondet AS, with a book value of NOK 113 million, were transferred to the Ministry of Trade and Industry. The total payment to the State was thus somewhat in excess of NOK 1,150 million.

Other sales made by the Ministry of Trade and Industry were:

- The sale of Arcus Gruppen ASA to Sucra AS. Here, an agreement was made for the sale of the State's remaining 34% shareholding for NOK 210 million.
- NOAH Holding was sold to Gjølsten Holding AS. All the shares in the company were sold for NOK 80 million, meaning that the State received NOK 56.7 million for its share. The State has security in the shares until the sales amount is paid on 30 June 2004.
- In Olvin, the Ministry of Trade and Industry's 51% shareholding was sold to North Cape Minerals AS. The purchase price was NOK 345 million.

In the spring of 2004, the Ministry made a further disposal in Telenor ASA, realising NOK 8.4 billion for the State. This disposal meant that the shareholding was reduced to 53 per cent.

## OTHER TRANSACTIONS

With the merger between DnB and Gjensidige NOR, the State's total shareholding was diluted and reduced to 28.1 per cent of the merged company. In respect of the merger, Parliament decided that it was desirable to ensure continued negative control of a merged DnB NOR by having the



State own at least 34 per cent of DnB NOR by the end of 2004. Through the AGM, the State, as represented by the Government Bank Investment Fund as sole shareholder, was given the opportunity to subscribe to a rights issue in DnB NOR ASA. As part of the approval of the merger, the State instructed the Government Bank Investment Fund that the issue was not to be taken up, but that sufficient shares should be acquired on the market. In this decision, the State's aim of equitable treatment of all shareholders was key.

In 2003, the Ministry devoted considerable effort to elaborating the State's owner decision on Norsk Hydro's decision to split off Agri, the mineral fertiliser business, from Norsk Hydro ASA. The demerger of Agri formed the basis for a new Norwegian-based listed company with worldwide activities. The transaction was designed so that the shareholders in Norsk Hydro ASA were allocated 80% of the share capital in the new company, while Hydro sold the remaining 20% as part of the stock exchange listing. As a result of this, the State's share of the new company is just over 36 per cent. The company was listed in 2004 under the name Yara International ASA.

The Ministry of Trade and Industry has worked on an ownership strategy for Statkraft and a Parliamentary Bill was presented in April 2004. In Parliamentary Bill no. 53 (2003-2004) the Government sets out its strategy for, and capitalisation and organisation of the company. Statkraft SF applied to the Ministry in December 2002 for an increase in capital. Parliament decided in December 2003 that Statkraft SF should be furnished with NOK 4 billion.

For Grødegård, ISS came in as an owner through an issue in spring 2003. This meant that State ownership was reduced to 52 per cent and Grødegård received an injection of new capital and acquired new owners with excellent knowledge of the sector.

## OTHER WORK

Other ownership matters that the Ministry worked on in 2003:

- A thorough review of Siva SF was carried out. Siva is a company whose main objective is to develop strong regional and local value creation environments across Norway. The conclusion of the review was that, because of the company's clear sectoral policy programmes, responsibility for ownership follow-up is to be transferred internally within the Ministry of Trade and Industry from the Department of Ownership to the Department for Innovation and Research.
- Since the company was founded in autumn 2001, shares in Argentum have been owned by the Norwe-

gian Industrial and Regional Development Fund (SND) and Siva SF, with 50% each. Parliament resolved in June 2003 that all shares in Argentum should be transferred to the Ministry of Trade and Industry with effect from 1 July 2003. The transfer of shares from SND was made accordingly. Siva's shares were not transferred to NHD until March 2004 owing to a capital reduction requirement.

- Raufoss was listed in 1990 and was primarily at that time a manufacturer of aluminium products and ammunition. Over recent years the company has experienced very significant financial problems, and, in order to reduce the loss and manage cash flow, a comprehensive cost-cutting and capital release programme was carried out during 2003 across all the company's business areas. In spring and summer 2003, Raufoss ASA proved unable to raise new equity for its activities as part of a broader refinancing of the entire group. On 12 January 2004 therefore, at an extraordinary general meeting, a unanimous decision was made to dissolve the company. On the proposal of the Ministry of Trade and Industry, Parliament decided that the State should issue a guarantee against any latent environmental liability that may arise from previous activities in the area.
- For Kings Bay 2003 was an exciting year. The State assisted in securing financing for a new marine laboratory. This will contribute to an increase in research activity in Ny-Ålesund and is thus an important milestone for Kings Bay. Construction of the foundations was completed in October 2003. Construction of the rest of the laboratory will be completed during the summer and autumn of 2004. Installation work will be carried out during winter 2004/05.
- The Government presented a proposal as part of the 2003 national budget that the Government Bank Investment Fund should be wound up. The Fund was set up through a special act of 29 November 1991 to make capital resources available to Norwegian banks based on commercial assessments, following the banking crisis at the beginning of the 1990s. The Government Bank Investment Fund has managed the State's ownership interests in financial institutions since that time. As the State has continued to sell out of financial institutions, the Fund's special role has gradually been diminished. As a result of this, on 30 March 2004 the Ministry of Trade and Industry took over the management of the State's shares in DnB NOR ASA.
- In the Revised National Budget 2003, the Government stated that it was open to looking at opportunities for finding industrial solutions for BaneTele. The Ministry has worked on evaluating the basis for this.

One important task for the management of ownership is



assisting companies to appoint competent boards of directors. The board is responsible for managing the company's assets within frameworks and objectives laid down by the owners. Board recruitment is therefore a crucial task for the owners. Under the State's corporate governance policy, this means that the composition of boards must be characterised by competence, capacity and diversity and must reflect the distinctive characteristics of each company.

### THE COMMITTEE ON STATE OWNERSHIP

As a consequence of Parliament's review of the Ownership White Paper (White Paper no. 22, 2001-2002) a committee was appointed, headed by Trond Reinertsen. The committee was given the mandate to carry out a wide-ranging review of the State's organisation and management of State ownership. In March 2004, the committee issued NOU 2004:7: "Statens forretningsmessige eierskap – organiserings og forvaltning av eierskapet" [The State's Commercial Ownership - organisation and management of ownership]. The committee describes direct State ownership in Norway and the legal framework and national regulations that are especially significant for ownership management. The committee has also looked at the organisation and management of ownership in selected Ministries, received input from chairmen of companies in which the State has ownership, and examined how other countries deal with this area.

The committee recommends that the objectives of ownership in the individual companies be made clearer. This would make it easier to evaluate the companies' results and simplify strategic tasks that require the State's participation. Precise formulations of objectives and subsequent public evaluation of their achievement would provide better information about the costs and benefits of State ownership. Lack of clarity can lead to the State being ascribed aims that it does not in fact have.

As for improvements in the Ministry's ownership, the committee recommends, amongst other things, the introduction of the normal provisions of the Company's Act for dividends in wholly-owned companies; according increased authority from Parliament to the Minister responsible; the introduction of an ownership report covering all State ownership; and an overall assessment of the objectives and their achievement in Parliament. The committee would like the ownership role and the other roles of the State to be differentiated as far as possible, while noting that, for individual companies that engage in important sectoral policy activities, it can be beneficial for ownership management to rest with the Ministries concerned. For the organisation of State ownership, the committee recommends that ownership continues to be managed from within the Ministries. A national Holding companies can be considered if the sole objective of

ownership is one purely of value creation. At the beginning of April 2004, the committee's report was submitted by the Ministry to interested parties for written comments.

### CONTINUED FOCUS ON THE FRAMEWORK FOR OWNERSHIP MANAGEMENT

As a step in the ongoing follow-up of companies, in 2003 as before, resources were used in improving the organisation's tools for managing the portfolio, and the Ministry's internal support and reporting system was enhanced. The Ministry also engages in continuous dialogue with the companies, during which it expresses its expectations for returns and dividends.

The Ministry however accords decisive importance to abiding by the rules of the Companies' Act on the division of competence. This means, among other things, that the Ministry in its capacity as an owner does not intervene in the commercial decisions that come under the remit of the company's management or board. Against that, the Ministry asks to be provided with sufficient key information to be able to take a position on the questions that are raised at general meetings. Communication with the companies beyond such resolutions is made within the framework laid down in the Companies' Act and the Securities Trading Act.

In 2003, the Ministry put on the agenda the question of ethics in business and company management. This work was pursued in a number of areas, including through the holding of several debates on the topic by the Ministry's political management, and one of the two themes at the ownership conference on 29 March 2004 dealt with how ethical problems in different sections of trade and industry are perceived and dealt with.

The Ministry will work to improve its ownership management further along the best possible lines. The objective is to increase the value of the State's shares and to contribute to the solid industrial growth of the companies.

# PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

The principles for good corporate governance must contribute to value creation in businesses, safer workplaces and confidence among investors for the benefit of all shareholders, employees and other stakeholders. In its capacity as an owner, the State gives due weight to communicating to the company the expectations an owner should have, and to communicating to society how the State will conduct itself as an owner.

## ABOUT CORPORATE GOVERNANCE

Corporate governance 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 as well. Corporate governance as described here will be limited to the principles that the Ministry of Trade and Industry has developed for managing its ownership of companies.

As concerns the companies' management tools, it is the companies themselves that are responsible for laying down their own principles for good corporate governance. The Ministry in its capacity as an owner will nonetheless urge all companies in the portfolio to develop such guidelines and

core values, and to frame management instructions, ethical guidelines and other appropriate management documentation based on generally accepted principles for good corporate governance.

## THE STATE'S 10 PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

In White Paper no. 22 (2001-2002) 10 principles were presented for good corporate governance of companies in which the State is a shareholder. The framing of these principles was intended to clarify any special challenges that State ownership may entail.

Two main considerations in particular formed the basis for the framing 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 and dividends, capital structure, the election 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 framed 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 particular importance that the State, a dominant owner in many companies, does not conduct itself in a way that has a negative effect on other shareholders' rights or financial interests. Emphasis is given therefore to considerations of equitable treatment of shareholders, openness as concerns the State's ownership and use of the annual general meeting as a decision-making arena. Clarity in this area will also make a positive contribu-

tion to value creation on the State's part. The Ministry of Trade and Industry's ownership management is based on these principles. For example, they were the basis for the State's choice to instruct the Government Bank Investment Fund not to take advantage of the option to acquire up to 34% share in DnB NOR AS through a rights issue, but instead to purchase the shares in the market.

### COOPERATION ON GOOD CORPORATE GOVERNANCE

The Ministry of Trade and Industry is committed to cooperating with other actors in trade and industry concerning ownership issues. The Ministry has taken an active part in a number of forums on good corporate governance, both nationally and internationally; nationally through participation in working groups engaged in recommendations for good corporate governance and internationally through participation in, for example, the OECD.

The Ministry also seeks dialogue with other market participants, including arranging forums such as the Ministry's annual ownership conferences. Here, various business stakeholders are invited to discuss problems relevant to the exercise of ownership. By virtue of being a large shareholder on the Norwegian market, the Ministry of Trade and Industry aims, through events of this kind, to contribute to the growth of a useful dialogue about the best ownership practices.

Internationally, the Ministry of Trade and Industry participates in the OECD's Steering Group on Corporate Governance. This aims to coordinate and provide guidelines for the OECD's work with corporate governance and associated topics such as privatisation, company law, etc. At present, OECD's principles are being subjected to expert review. In addition, the Ministry participates 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 work is to collate and disseminate expertise about privatisation programmes (methods, techniques, etc.) and to prepare guidance for the suitable organisation of the management of State ownership interests. Historical circumstances and different legal traditions mean that current practice varies greatly from country to country.

### CORPORATE GOVERNANCE IN THE FUTURE

The Ministry is committed to communication between a company and its shareholders. Studies have shown that companies perceived as committed to good corporate governance are held in high regard by their investors, and that this can, in turn, help to confer higher value on such companies. However, this requires that the company in question

is capable of formulating and communicating its principles for good corporate governance, and that these are adhered to over time. Companies which fail in this respect can be expected to find their access to the capital markets reduced, and to be assigned lower value. As a major owner, the Ministry therefore wishes to urge all companies in the portfolio to develop such principles and adhere to them.

There have been a number of cases in recent years in which several large, international, listed companies have had defective and inadequate governance and control mechanisms. This has been a contributory factor in problems in a number of internationally well-known companies. Moreover, there have been cases of serious accounting manipulation, which have damaged confidence in the companies' financial reporting. Good corporate governance can assist in reducing the opportunities for such manipulation and thus increase confidence in the companies. Companies where the State is a shareholder must engage in activities that are based on fundamental ethical conduct and be aware of their social responsibilities.

#### The State's 10 principles for good corporate governance

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. Compensation 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 to develop its own competences. The board's activities shall be evaluated.
10. The company shall recognise its responsibility to all shareholders and stakeholders in the company.

# THE AUDITOR'S ROLE

The auditor's task is to make an independent audit of an enterprise's accounts. For the State as an owner, it is extremely important to be able to have confidence in a company's financial reporting and therefore to have confidence that an auditor has undertaken an independent and critical review of the company.

## CONFIDENCE

Well-known international cases such as Enron and Worldcom, and also domestic problems involving companies such as Finance Credit, have weakened confidence internationally in companies' reporting and auditors' audits. In Norway this has led to increased focus on the auditor's role.

In Norway, the body responsible for regulating auditors is Kredittilsynet, an independent government agency. Its supervisory role involves verifying that they are operating in accordance with the law, regulations and good auditing practice. Kredittilsynet is required to verify the following:

- that the auditor employs an appropriate methodology for the audit.
- that the scope of auditing procedure carried out is sufficient.
- that the auditor's assessments and conclusions are in agreement with the result of the auditing procedures carried out.
- that there is adequate documentation for the audit.

## APPOINTMENT OF THE AUDITOR AND AUDITOR'S REMUNERATION

In limited liability companies it is the annual general meeting that appoints the auditor. If the company has a corporate assembly or committee of shareholders, one of these bodies nominates an auditor. If the company does not have such a body, the Board of Directors proposes an auditor to the general meeting. Nowadays, this is normally done following a tendering process, in which a number of auditors will have submitted tenders. It is also the general meeting that approves the auditor's remuneration for the audit in the parent company. An auditor remains engaged until a new auditor is appointed; this means that it is also the general meeting that discharges an auditor by appointing a new

one. Consequently, the Ministry, in its capacity as owner, is involved in appointing an auditor and hence the ongoing assessment of an auditor will be a matter for ownership administration.

### THE AUDITOR'S INDEPENDENCE

One important matter to ensure is that the auditor does not perform consultancy work for the company to such an extent that it raises concerns about the auditor's independence. In the light of the debate about auditors' independence, Kredittilsynet has put forward a proposal for regulations containing more detailed rules concerning the limitations on auditors' consultancy work.

For an owner it is important to have confidence that the auditor's performance of the company audit is not influenced by other consultancy work for the same company, and that it is a true and fair audit, so that the financial figures presented can be relied on. These are figures that the owner will use in his further analyses of the company. For this reason, it is undesirable for there to be a significant degree of business consultancy from the same firm.

### LIST OF AUDITORS' FEES

The Ministry reviews companies' use and remuneration of auditors systematically as part of preparations for general meetings, based in the companies' annual reports. As the list in the table shows, there are comparatively large variations in the fees the companies pay to auditors. The audit fee includes the fee for the audit itself and audit-related services, while other fees include payment for tax advice and other consultancy. There will be circumstances where the company needs to use an auditor for matters other than a pure audit, such as in connection with transactions. This means that annual variations may be acceptable.

The fees in the table are based on a group audit. The fees are reproduced from particulars in the notes to the companies' annual reports. Some companies use several auditors, for example when auditing a foreign subsidiary. In such cases, these are deducted from the total, since this will not affect the independence of the principal auditor.

Auditors' fees – Group – Principal auditor			
Company	Auditor 31.12.2003	Audit fee (1 000 NOK)	Other fees (1 000 NOK)
Listed companies			
DnB NOR ASA <sup>1)</sup>	PricewaterhouseCoopers DA	15 065	1 888
Kongsberg Gruppen ASA	Ernst & Young AS	7 439	1 823
Norsk Hydro ASA	Deloitte Statsautoriserte Revisorer AS	63 735	14 160
SAS AB <sup>2)</sup>	Deloitte & Touche AB	12 031	7 404
Telenor ASA	Ernst & Young AS	41 600	7 300
Unlisted companies			
Argentum Fondsinvesteringer as	Ernst & Young AS	174	44
BaneTele AS	Kjelstrup & Wiggen AS	599	517
Bjørnøen A/S	Ishavsbyen Revisjon	15	0
Cermaq ASA	Ernst & Young AS	2 926	1 772
Eksporfinans ASA	PricewaterhouseCoopers DA	716	2 257
Electronic Chart Centre AS	KPMG AS	51	0
Entra Eiendom AS	PricewaterhouseCoopers DA	774	1 387
Grødegård AS	Ernst & Young AS	215	150
Kings Bay AS	Ishavsbyen Revisjon	241	0
Nammo AS	KPMG AS	1 231	272
Statkraft SF	Ernst & Young AS	4 022	3 639
Store Norske Spitsbergen Kulkompani A/S	KPMG AS	428	294
Venturefondet AS	PricewaterhouseCoopers DA	25	0

1) DnB NOR ASA pro forma figures for new group.

2) SAS exchange rate employed: NOK/SEK: 1,08.

# THE EXERCISE OF OWNERSHIP IN PRACTICE

Good exercise of ownership and rational management of invested assets require a structured dialogue between the owner and the company.

An active owner will seek to exert influence over a company's direction and strategy, in order to ensure that his investment is well managed. Corporate governance of this nature is exercised in a number of arenas through interactions between the owner, the board and management. In its capacity as owner, the State seeks to exercise ownership in a way that is perceived as professional and straightforward, and which contributes to creating value and solid progress for the company. Such exercise of ownership is expressed in a number of contexts. This may include the general meeting, election of the board of directors, communicating expectations for returns and so forth.

## GENERAL MEETINGS

The general meeting is the most important arena for the exercise of the State's ownership. The general meeting delegates responsibility to the company's board of directors, which is responsible for managing the company's value within frameworks and objectives laid down by the owners.

The legal basis for the Ministry's ownership remit is the stipulation in the Companies Act which states that, through the general meeting, shareholders exercise supreme authority in the company. It is at the general meeting that the main frameworks and objectives for the company's activities are decided upon. The Ministry uses general meetings to exer-

cise its influence as an owner. At general meetings, the accounts and annual report are approved, and, with this, the distribution of any dividend is discussed and determined.

## THE BOARD OF DIRECTORS' DUTIES AND ELECTION OF BOARD MEMBERS

The board's duty is to oversee the strategic management of the company within the frameworks laid down by the owners. The board in conjunction with the CEO are responsible for managing the company's assets, development and restructuring of the company's operation and activities, evaluation of major projects and long-term strategy. The board is also responsible for appointing and, where required, discharging the CEO. The board's expertise and competence is crucial in ensuring sound management of the company, and recruitment to the board is therefore an extremely important task for the State in its capacity as owner.

Through the general meeting, the owners have authority over the board and may issue instructions which the board is required to follow. These may be of a general or specific nature. The Ministry is committed to having boards continuously update their competence and evaluating their own work, so that they fulfil their role as well as possible. In companies where the State is an owner, emphasis is given to electing professional boards that look after all the shareholders' assets. It is important for the development of a company to ensure that it has competent administrative and managerial bodies.

Nomination committees are the only corporate bodies the Ministry is represented on, and this representation is considered a key factor in guaranteeing competent and diversified boards. The Ministry regards it as important to formalise the work involved in electing boards, and that the process of



finding suitable candidates is done in a structured fashion. The nomination committee is appointed by the company's annual general meeting.

In companies directly and wholly owned by the State, the Ministry alone elects the board. In both cases, a systematic search will be made for candidates who best match the qualifications required for the board. In companies above a certain size, the Ministry seeks to have nomination committees laid down in the company's articles of association.

### TARGETS FOR RETURNS

The Ministry of Trade and Industry has elaborated a view internally of what a long-term target for returns should be for companies where the Ministry manages the State's ownership interests. For companies that do not operate on commercial terms, or that are dependent on State support for continuation of operations, no target for returns and dividends is set. For these companies, subsidisation regulations are adhered to in respect of subsidies and reporting.

The target figures for returns are used as the basis for dialogue with the companies. If, over a number of years, a company has poorer than expected returns, this means in

reality that the company as a whole is losing value. In following up the targets, use is also made of commercial and technical judgements in relation to the assumptions the models are based on and to annual fluctuations in returns and profitability.

### DIVIDENDS

It is the annual general meeting that sets the annual dividend in limited companies, but according to Norwegian company law the AGM cannot approve a higher dividend than the board proposes or accepts. Within this framework, the corporate assembly is able to set the highest amount that can be distributed. In limited companies with owners in addition to the State, it is the board that defines the framework for the distribution of dividends. In companies where the State owns all the shares (State limited company), the annual general meeting is not bound by the board's or corporate assembly's proposal for the distribution of dividends. In wholly owned companies, the dividend is set through the budget. The Ministry maintains ongoing dialogue with companies concerning dividends.





# CORPORATE SOCIAL RESPONSIBILITY

Once, they were the “dynamos” of local communities. Now, it is largely about business principles. The definition of what social responsibility means for State enterprises is changing in tune with new demands from both their owners and their surroundings.

White Paper no. 22, 2001-2002, Reduced and Improved State Ownership, underlines the change in attitude that has occurred over recent years in respect of how the State exercises its ownership of Norwegian enterprises and what expectations are made of the enterprises. Whereas there were formerly few limitations on the social obligations that companies were willing to assume and the State to support – such as street lighting, the operation of hospitals, the construction of meeting houses and sports halls – it is now expected that companies should, first and foremost, operate as sound commercial ventures and concentrate on profitability. From its standpoint as another professional owner, the State has to follow up its ownership of companies and ensure that the assets are being managed soundly.

## SOCIAL RESPONSIBILITY CONTINUES TO BE IMPORTANT

But the need for a commercial approach does not mean that the social perspective is lost. In fact, on the contrary. Social responsibility is one of the main principles on which the State bases its ownership. The definition of what the concept implies has, however, undergone a change. History has shown that it is not necessarily responsible to take on

more than the finances can bear. Recent decades have seen a greater understanding that well-run companies are actually better placed to make a positive contribution to society – especially following the composition proceedings in the 1980s of such bedrock businesses as Horten Verft and Kongsberg Våpenfabrikk.

As an owner of companies that are not subject to special social obligations, the State sees it as its primary task to contribute to the best possible growth of the companies' assets and to assist the companies' solid industrial development. Responsibility for the companies' activities lies with their managements and boards. If, for example, a situation should arise where a company in which the State is a dominant owner comes into conflict with the competition authorities, the environmental protection authorities or the like, then, in its capacity as owner, the State's fundamental position will be that such conflicts must be dealt with by the company in accordance with the usual dispute settlement mechanisms for this area, whether that be an appeal of an administrative judgement, processing through the apparatus of the courts, or similar.

The State is committed to the position that businesses in which it has a shareholding should operate under the same conditions as other commercially oriented businesses. Here then we may draw a sharp distinction between sectoral policy and the exercise of ownership.

The State is also committed to businesses adhering to the rules for corporate governance, which provide an important codex in respect of, for instance, disclosure, transparency, the composition of the Board and decision-making processes.

## 'WHEN COMMERCE IS YOUR LIVELIHOOD'

An interview on social responsibility with the heads of two of Norway's largest, most internationally oriented companies.

Corporate social responsibility is a concept that is frequently under discussion and for which more and more businesses are developing strategies. But what happens when good intentions and well-formulated visions have to be translated into measurable social responsibility? Two of Norway's largest and most internationally oriented companies have a lot of experience of trying to practice what they preach.



**JON FREDRIK  
BAKSAAS**  
CEO of Telenor

### How does Telenor define social responsibility?

Telenor's social responsibility is first and foremost about delivering competitive communications solutions and services that satisfy our customers' needs. In addition, we want to ensure that our customers and owners can have confidence that we are operating the business in an ethically justifiable manner and that our employees are proud of the way we respond to these issues.

In a developing country, our products and services in themselves contribute to the country's development. As a major tax-payer, we are also an important source of revenue. We therefore seek to demonstrate a responsibility to local communities beyond that of running a business. In Bangladesh, for example, we are involved in a massive micro-credit programme that currently offers loan schemes for mobile telephones to 50,000 villages, and we also support a children's home for 60 children in Dhaka. In Russia, we are supporting an institution for the mentally disabled.

In Norway, we have had an excellent collaboration with Save the Children, among other things concerning children's use of the Internet. Recently, we signed an agreement to sponsor the Nobel Centre, as we believe this will serve to promote Norway internationally and of course also strengthen our own position.

### Does Telenor have regulations for ethically responsible activities?

Yes, we have had such regulations in place since we became a public limited company in 1995. They have been revised as the company has evolved and we now have a set of regulations that embrace the entire company and take account of our increasing internationalisation.

### How are the regulations rooted in the organisation?

The ethical guidelines are approved by the Board and all employees of Telenor ASA – in Norway and abroad – pledge in writing to abide by them. Ethics are something we have an active and justifiable commitment to. Our responsibility as managers is not just to develop and update the regulations, but to make sure that our employees live and breathe them. There is no point in having regu-

lations unless each and every one of us has the right attitudes. To ensure that the focus on ethics and that openness vis-à-vis ethical issues are sustained, we have, for instance, set up an ethics council that acts as an arena for discussion and consultation. The council is made up of individuals from management and from the employees' organisations, both men and women. Far from being just a talking shop, this is actually an extremely useful body because it brings in new perspectives.

### How are the regulations implemented in day-to-day activities?

It's a matter of constantly looking for – and doing something about – any breaches. As I said, everyone who is employed by the company has to sign up to the regulations, but the responsibility for follow-up lies with line management.

### What are the consequences of a breach of the regulations?

The reaction depends of course on what has happened. It could be anything from no response at all to a reprimand or dismissal.

### Are there two sets of regulations, one for activities in Norway and one for activities in markets with a different culture from ours?

We operate in many countries which do things differently from us, but Telenor's position is clear and unambiguous: we dissociate ourselves from all forms of corruption.

For our employees who work abroad, it is often the little things that are most difficult. We have therefore created a corporate anti-corruption policy that applies regardless of country. We also train our employees in making the right decisions. Nonetheless, we recognise that there may be situations in individual countries with entirely different systems from ours where 'arrangement' fees are demanded. Here we keep to Transparency International's line and try to keep this sort of payment to a minimum.

### Has Telenor ever turned down a job because the terms of the contract were not compatible with the company's ethical regulations?

Yes. We turn down opportunities where there is insufficient transparency with regard to the cash flow, and we do not get involved in projects where there is confusion surrounding the partnership and regulatory conditions.

### In Telenor's experience, is social responsibility valued in practice?

Yes, we need a balance between social responsibility and commercial considerations. There needs to be an appreciation that the investors need to make money. Against that, those making the money must accept their responsibility for channelling resources back into the market.

Global Compact was set up in 1999 on the initiative of UN Secretary General Kofi Annan. Affiliated businesses commit themselves to following nine universal principles in human rights, employees' rights and environmental work.

The Environmental Charter of ETNO (European Telecommunication Network Operators) was created in 1996 when 24 European telecoms companies, including Telenor, signed a binding environmental agreement. The aim of the charter is to develop the European telecoms sector in a more sustainable direction. Each individual company is obliged to reduce its environmental impact.



**EIVIND REITEN**  
CEO of Norsk Hydro

#### How does Norsk Hydro define social responsibility?

Our interpretation of social responsibility will change as society changes. Nowadays, we expect businesses to assume a responsibility beyond what is imposed on them by law. The current reality is that it is absolutely essential to have an ethical and social perspective in everything we do. If we do not grow our companies in meaningful harmony with the society we live in, over time we will become unable to conduct good, profitable business, and that is a prerequisite for being able to contribute to the positive growth of society. It allows us to improve the situation of our employees, create new jobs, reduce emissions and so on. Social responsibility may also involve dealing with restructuring processes in an orderly fashion. A restructuring process that perhaps calls for staff cutbacks or the closing down of businesses may be necessary for the survival of the company. The responsibility lies not in avoiding such processes, but in implementing them in a considerate way.

#### Does Norsk Hydro have regulations for ethically responsible activities?

Yes, everyone who works for the company has to know what is expected of them. So we have a comprehensive set of regulations that define our ethical responsibility and provide clear ground rules for our business activity.

#### How are the regulations rooted in the organisation?

As an indication of how seriously we take this issue, the regulations are integrated into the company's business strategy and laid down in our policy papers. All employees have an individual responsibility for abiding by the regulations, but it is the line management's responsibility for making the regulations known, promoting their use and checking that they are kept to. If an employee is in doubt about whether a particular activity is legal or ethically acceptable, he or she has to consult his/her immediate superior or our legal department. As chief executive, I get involved in major issues, e.g. when we are assessing whether the framework conditions in a potential new market are in keeping with our ethical guidelines. But to conduct oneself ethically is not just about knowing the regulations. Our greatest challenge is to continually improve our ability to evaluate what is right and what is wrong, for example by acquiring a better understanding of human rights. This is the reason we have now begun a partnership with Amnesty International. We provide financial support and in return broaden our knowledge.

#### How are the regulations implemented in day-to-day activities?

Operating in a fashion consistent with our ethical regulations is something that occupies us constantly. For us, ethics is not a marketing theme, but something we work hard and systematically at. Even though we have regulations and excellent policy papers, this is a field in which we need to display practical judgement. Commerce is our livelihood and we have to make decisions quickly. The most important thing for us therefore is to keep the debate alive and have the company's fundamental ethics running through our veins. This is something the line management is highly aware of. In those

sections of the business where ethical problems most often arise, the issue is accorded much attention.

#### What are the consequences of a breach of the regulations?

A breach of the regulations may result in anything from dismissal to a conclusion of "a lesson to be learned here" – depending on the nature of the breach. But all cases are taken seriously and dealt with thoroughly. At the same time, it is important that management does not appear as "better-knowing", but shows respect for somebody who has been in a difficult situation and had to make a choice.

#### Are there two sets of regulations, one for activities in Norway and one for activities in markets with a different culture from ours?

What we do in other parts of the world must of course stand up to scrutiny here at home. Occasionally though we have to engage in commercial activities where the ground rules are different from our own. When we assess such opportunities, we put this question to ourselves: "Will we be part of the problem or part of the solution?" If the latter, our view is that it may be right to participate and then work to change the ground rules. One example of this is when we applied for an operating licence for an Angolan oilfield and had to pay bonuses, but were not permitted to publicise their size. We have now managed to get these rules changed. These are difficult judgements, which we have to look at thoroughly in each case and be open about. In other areas, such as environmental pollution, human rights and regard for employees, it is easier to draw absolute boundaries. Here we never compromise our principles.

#### Has your company ever refused a job because the terms of the contract were not compatible with the company's ethical regulations?

Yes, many times – but this is always something we are united on. It is not as if senior management are sitting on their high horses and making idealistic decisions while the line management are pressing to push ahead.

#### In Norsk Hydro's experience, is social responsibility valued in practice?

One can't always ask the question as to whether something is profitable. It is a myth that business is only concerned with that. We do a lot of things that are not directly profitable but that we believe are the right things to do. As long as it is not financially irresponsible, we are constantly looking to further improve the situation for our employees, reduce environmental impacts beyond what the authorities require and so forth. But it is of course also profitable to conduct oneself responsibly. It creates trust, and the company gains greater scope for operating its business.

## TRIPLE BOTTOM LINE

The notion of corporate responsibility is constantly evolving. The current definition of the concept is a natural extension of the environmental debate that began in the 1980s with the Brundtland Commission's call for sustainable development. Today, attention is focused more towards the businesses' overall impact on the living conditions of the individual and society as a whole. We now have the idea of a "triple bottom line" which involves the reporting of performance with reference to environmental, social and financial parameters. A number of stakeholders expect – and even demand – this; among them a number of fund and institutional investors.

The access to capital from environmentally or ethically-aware investors is one reason for social responsibility to be in the companies' own interests. A second substantial reason is that the risk and cost of ending up in difficult situations increases as business becomes ever more transparent and there is a growing awareness of ethical issues in general. The authorities, organisations, employees and, not least, the press all monitor businesses closely. At the same time, the penalties for the type of violation in question have increased.

## SOME ABSOLUTES

Social responsibility is largely about expectations, but there are some absolute requirements involved. For the State in its capacity as owner it is a prerequisite that State-owned businesses conduct their activities in accordance with fundamental ethical principles and considerations – no matter where in the world they are. The same rules must apply abroad as at home. It is absolutely crucial that companies operate in accordance with internationally recognised standards for human rights and that they assume responsibility for conditions within their own business in respect of occupational health and safety, treatment of employees, product quality and so on.

## GUIDELINES FOR SOCIAL RESPONSIBILITY

The Ministry takes a positive view of the work that the Confederation of Norwegian Business and Industry (NHO) and individual companies are doing to establish ethical guidelines for businesses that operate internationally. Guidelines of this sort can help to clarify the businesses' responsibility and serve as a tool in conducting an ongoing debate on ethical questions.

The OECD has established guidelines to assist in increasing social responsibility in businesses. The guidelines are voluntary and cover a range of areas relating to companies' social responsibility. They apply to the companies' conduct both within and outside the country that has signed up to the

guidelines and wherever else the company does business. The guidelines for multinational enterprises which are approved by the authorities are revised in cooperation with business and industry, employees' organisations and NGOs. Norway is one of the 38 countries to have adopted the guidelines and the Ministry of Trade and Industry wants as many companies as possible to follow them.

### Corporate Social Responsibility

"To conduct business in a way that meets or exceeds the ethical, commercial, legislative and social expectations that society has of the business"

Business for Social Responsibility

### Sustainable development

"The societal goal of meeting the needs of the current generation without compromising the ability of future generations to meet their needs"

The Rio Declaration, 1992

### OECD Guidelines for multinational enterprises

**In general:** Respect human rights and contribute to sustainable development.

**Disclosure:** Provide regular information about their activities, structure, financial situation and performance.

**Relationships with employees:** Respect employees' professional rights, cooperate with employees' representatives and oppose child labour and forced labour.

**Environment:** Take due account of the need to protect the environment and public health and safety.

**Corruption:** Not offer bribes. Foster openness and employee awareness of company policy against bribery.

**Consumer interests:** Provide information about products to consumers and establish routines to resolve consumer disputes.

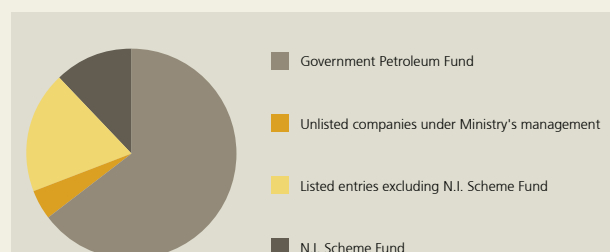
**Science and technology:** Contribute to transferring technology and know-how to the host country.

**Competition:** Refrain from entering into or carrying out anti-competitive agreements among competitors.

**Taxation:** Make timely payment of tax liabilities.

# LIST OF COMPANIES WITH STATE OWNERSHIP

The Norwegian State is the largest single owner of companies in Norway. Besides the Government Petroleum Fund and the National Insurance Scheme Fund, the State also holds substantial assets in directly owned enterprises. This ownership is currently distributed among a number of ministries.



## Overview of State assets

The chart illustrates State assets totalling some NOK 1,300 billion, of which the Government Petroleum Fund comprises around two thirds of the value. The National Insurance Scheme Fund's capital under administration at 31 December 2003 was just over NOK 150 billion. The remainder of the value consists of State ownership through the Oslo Stock Exchange and companies directly owned by the Ministry of Trade and Industry. The value of unlisted companies managed by other ministries, the net present value of the State's Direct Financial Interest (SDFI) and value of real estate etc. is not included in the figure.

In its Ownership White Paper, the Government decided to assemble in the Ministry of Trade and Industry resources and competence for management of State-owned assets in businesses that operate primarily with a commercial objective. Ownership management in the Ministry of Trade and Industry deals primarily with businesses that operate in a competitive environment and where the aim is the maximisation of value, as well as contributing to the companies' solid industrial growth.

A considerable proportion of the State's overall ownership is nonetheless managed by other ministries, notably the Ministry of Petroleum and Energy and the Ministry of Transport and Communications. This depends on the particular circumstances of the companies in question.

The table on the following page provides a complete list of ownership managed directly by the ministries. It includes State-owned enterprises (SF), Regional Health Authorities (RHF) and limited companies (AS, ASA), both wholly and part-owned. The table has been prepared on the basis of the Office of the Auditor General's list of companies in which the Office of the Auditor General performs an audit of the management of the State's interests.

## State shareholding 31.12.2003

Company	Shareholding (%)
<b>Ministry of Labour and Government Administration</b>	
AS Rehabil	100
Arbeidsforskningsinstituttet AS	100
<b>Ministry of Finance</b>	
Norges Bank	100
Nordiske Investeringsbanken	19,8
<b>Ministry of Health</b>	
Helse Midt-Norge RHF	100
Helse Nord RHF	100
Helse Sør RHF	100
Helse Vest RHF	100
Helse Øst RHF	100
KITH AS	59
<b>Ministry of Fisheries</b>	
Protevs AS	66
Fiskeriforskning AS	11,6
<b>Ministry of Justice</b>	
Norsk Eiendomsinformasjon AS	100
Industritjeneste AS	53,4
<b>Ministry of Local Government and Regional Development</b>	
Kommunalbanken AS	80
<b>Ministry of Culture and Church Affairs</b>	
Hundreårsmarkeringen-Norge 2005 AS	100
Nationalteateret AS	100
Norsk rikskringkasting AS	100
Norsk Tipping AS	100
Den Norske Opera AS	90
Norsk Filmstudio AS	77,6
Carte Blanche AS	70
Den Nationale Scene AS	66,7
Rogaland Teater	66,7
Trøndelag Teater AS	66,7
<b>Ministry of Agriculture</b>	
Staur Gård AS	100
Statskog SF	100
Veso	51
Instrumenttjenesten AS	45
Graminor AS	33,2
Bioparken AS	8
Akvaforsk AS	5
<b>Ministry of the Environment</b>	
Polarmiljøsensteret AS	52,5
<b>Ministry of Social Affairs</b>	
Vinmonopolet AS	100
<b>Ministry of Petroleum and Energy</b>	
Gassco AS	100
Petoro AS	100
Enova SF	100
Statnett SF	100
Statoil ASA	81,7

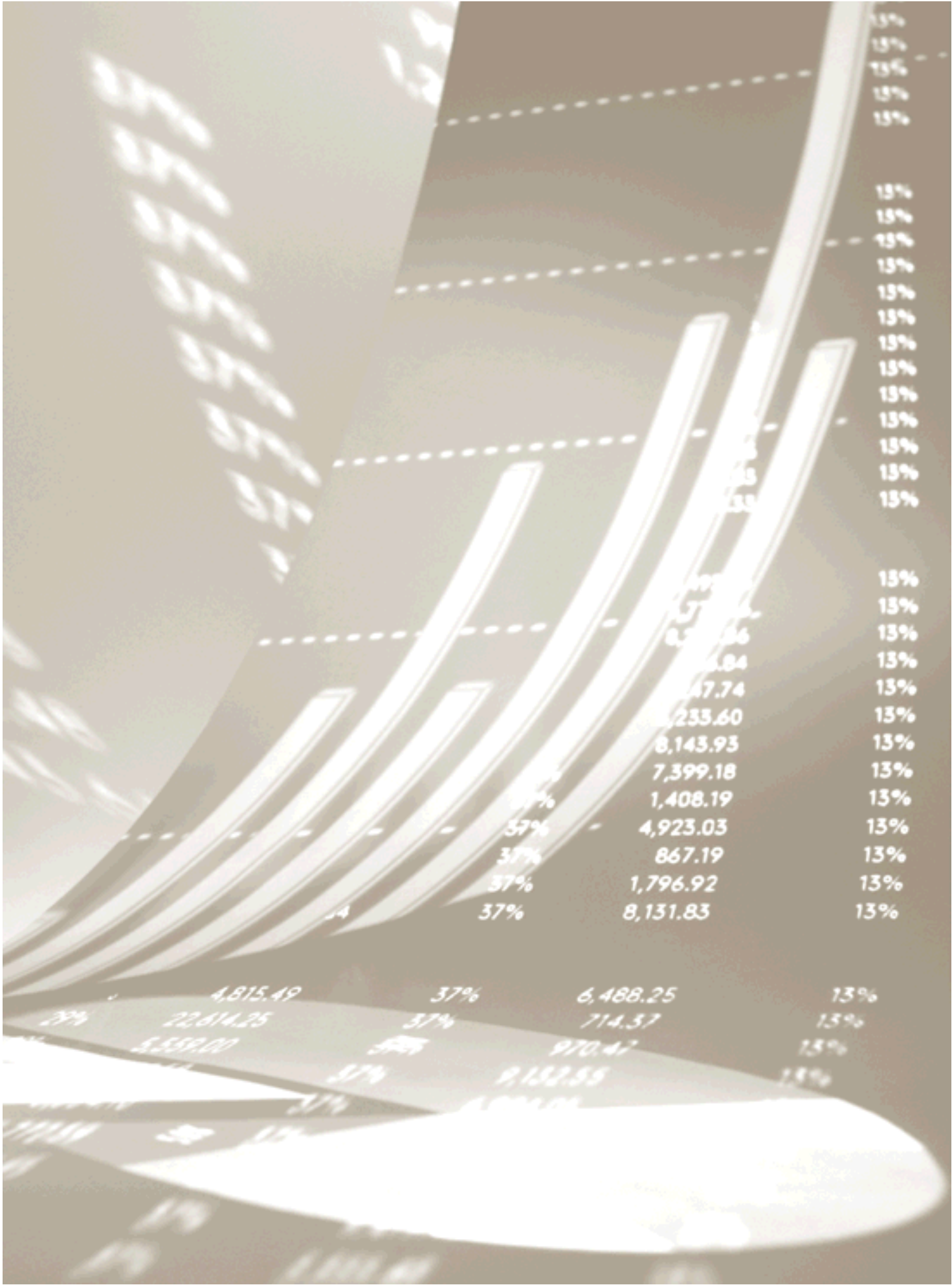
Company	Shareholding (%)
<b>Ministry of Trade and Industry</b>	
Banetele AS	100
Bjørnøen AS	100
Electronic Chart Centre AS	100
Entra Eiendom AS	100
Giek Kredittforsikring AS	100
Kings Bay AS	100
Norsk Garantiinstitutt for Skip og Borefartøyer AS	100
SIVA SF - Industrial Dev. Corporation of Norway	100
Statkraft SF	100
Argentum fondsinvesteringer AS	100
Venturefondet AS	100
Store Norske Spitsbergen Kulkompani AS	99,9
Cermaq ASA	79,4
Telenor ASA	62,4
Grødegård AS	51,2
Raufoss ASA	50,3
Kongsberg Gruppen ASA	50
Nammo AS	45
Norsk Hydro ASA	43,8
DnB NOR ASA	31,4
Eksportfinans ASA	15
SAS AB	14,3

<b>Ministry of Transport and Communications</b>	
Avinor AS	100
Avinors Parkeringsanlegg AS	100
Baneservice prosjekt AS	100
Mesta AS	100
Norges Statsbaner AS	100
Oslo Lufthavn AS	100
Posten Norge AS	100
Flytoget AS	100
Svinesundforbindelsen AS	100
Nemco Comlab AS	50
Stor-Oslo Lokaltrafikk AS	33,33

<b>Ministry of Education and Research</b>	
Sem Gjestegård AS	100
UNINETT AS (group)	100
UNIRAND AS	100
UiB eiendom AS	100
Universitetssenteret på Svalbard AS	100
Norsk synkrotronforskning AS	100
Filonova AS	100
Norsk samfunnsvitenskapelig datatjeneste AS	100
NTNU Norwegian Technology Transfer AS	100
Akvaforsk AS	86,3
Universitetsforskning Bergen AS	85
Simula Research Laboratory AS	80
Forskningsparken AS	66,6
Norsk Kveiteavlstasjon AS	60
NORUT-Gruppen AS	58
Agderforskning AS	51
Senter for økonomisk forskning AS	51
Chr. Michelsen Research AS	50
Havbrukstasjonen i Tromsø AS	50
Leiv Eirikson AS	38,1
Samfunns og næringslivsforskning AS	20
Bedriftsuniversitetet AS	In liquidation

<b>Ministry of Foreign Affairs</b>	
Norfund - Norw. Invest. Fund for Dev. Countries	100







# KEY FIGURES

# RETURNS AND VALUE CREATION IN THE PORTFOLIO

At year-end 2003, the Ministry was managing the State's shareholding in 19 companies. In this ownership report, the total value given for the State's holding is NOK 159 billion.

## Special circumstances

In its reporting of assets, the Ministry has decided to use book values for the unlisted portion of the portfolio in assessing the value of each of the companies reported on.

Raufoss ASA is in administration and will hence not be publishing accounts for 2003 that provide a basis for continuing operations. Because of this, it has been removed from the tables, even though ownership of the company was managed in 2003 by the Ministry of Trade and Industry.

Statkraft SF, Bjørnøen AS and Kings Bay AS had not held their annual general meetings at the time this report went to press. This means that the figures for these companies have only been audited, but not approved by the annual general meeting. They are accordingly subject to correction.

## RETURNS AND ASSETS

The overall return on equity is determined by the dividends received and growth in value in the company, adjusted for any other payments received or made. There are many ways of valuing a company and they each produce very different results. In addition, the method used must be consistent over time in order to produce comparable results.

For the listed companies, it is market capitalisation that is reported. Book equity is used for the valuation of all other companies with the exception of Entra Eiendom AS. Property companies are obliged to value their business annually and to report the valuation in the annual report. The company makes an estimate of economic value added (EVA) as the basis for assessing the value of its equity. This value is used as an estimate of Entra Eiendom's value. The use of book equity for the remaining companies means that their valuation in the report presupposes the same equity is posted in the accounts (P/B=1). At year-end 2003, the value of the listed companies where the State's interests are managed by the Ministry of Trade and Industry came to NOK 118 billion. For the portfolio in total, the State's assets amounted to NOK 159 billion.

The Ministry is committed to value creation in the companies and continually seeks to gain a better understanding of the factors that add value to each individual company, as well as of what the company's real value is. The Ministry has switched to reporting the change in value of unlisted companies based on book equity. There are a number of reasons for this. Firstly, it provides a more consistent valuation over time. Such reporting is also beneficial when the State's shares in one or more of the companies are to be sold, or if the companies are in talks about major industrial transactions. In assessing the growth

of the unlisted companies, the report is focused more on return on equity.

Statkraft is given a value of some NOK 31 billion. This is one of the unlisted companies that have a published valuation. This is described more fully in Parliamentary Bill no. 53 of 2003-2004. A valuation based on a proportional analysis of other power companies' annual accounting returns versus their market capitalisation indicated an estimated equity of the order of NOK 38-48 billion. For comparison, a valuation was also made of Statkraft in 2000. Using an estimated value based on proportional analyses of accounting returns and market capitalisations, equity was estimated to be of the order of NOK 27-33 billion.

Based on the present value of future cash flows, the value of Statkraft's equity in 2003 was reckoned to be of the order of NOK 95-100 billion. This illustrates the element of uncertainty in the different methods and how large the potential divergence may be.

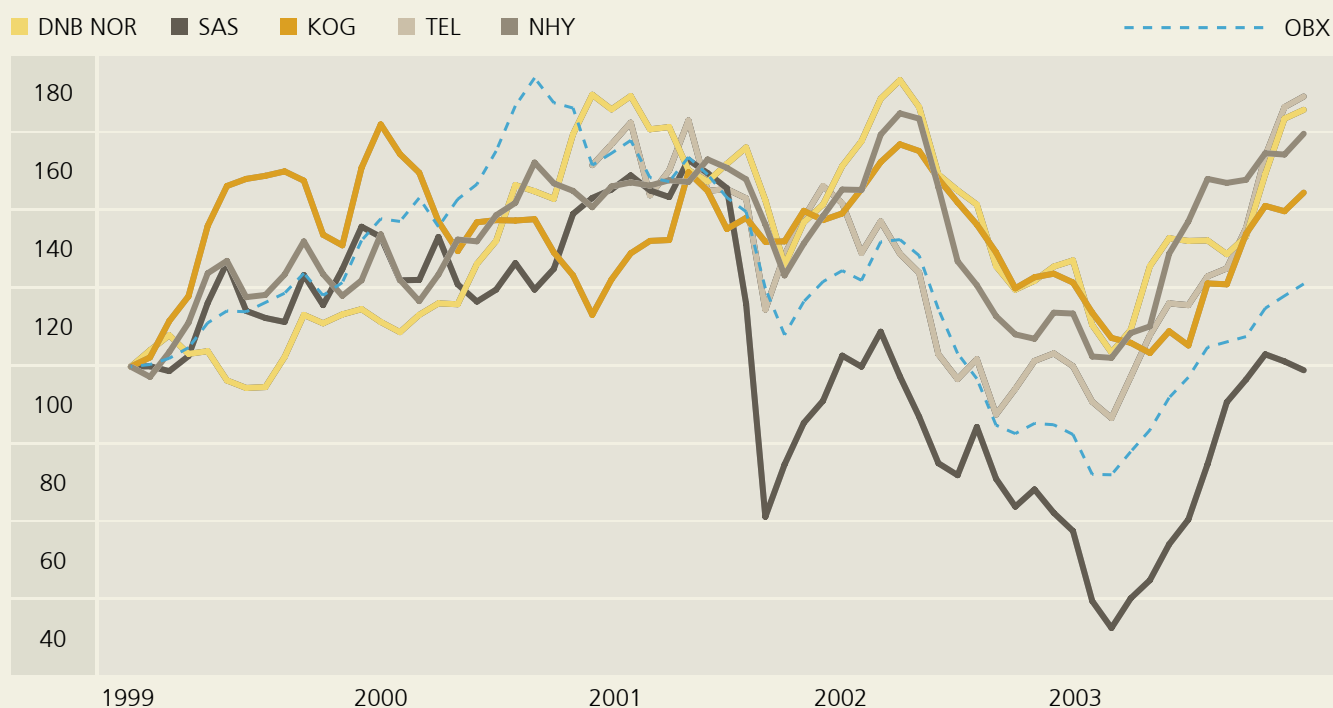
The overall return for the listed companies was 48 per cent over 2003. Telenor was the company that made the greatest progress, with a full 69 per cent return. Norsk Hydro's return was 36 per cent, DnB NOR's 43 per cent, Kongsberg Gruppen's 20 per cent and SAS's 55 per cent. The return for the companies is calculated from their change in market value plus dividends received during the year, corrected for issues and share buy-backs. 2003 was an especially good

year on stock exchanges worldwide and this also had a positive effect on the growth of the portfolio's value. For comparison, the main index on the Oslo Stock Exchange went up by some 40 per cent in 2003.

The State is a long-term owner and is concerned with the long-term return. Looked at over a five-year period, the return evens out somewhat. From the table on the following page, it can be seen that the companies in the Ministry's portfolio have produced good returns. DnB NOR has produced the highest return, with an annual average of a full 16 per cent, followed by Kongsberg Gruppen and Norsk Hydro with 13 and 12 per cent respectively. As for Telenor, its average return is that calculated from its initial listing in December 2000 and comes to 2 per cent. For SAS, the last 5 years have been very turbulent ones for the company and its value has fluctuated considerably. In all, over a five-year period, it has produced an annual return of around 4 per cent. For comparison, the average rise on the Oslo Stock Exchange over the last 5 years has also been around 4 per cent.

#### THE SHARE PRICES OF LISTED COMPANIES

The graphs show share price trends for the last 5 years for the Ministry's listed portfolio compared with the Oslo Stock Exchange's main index. To a large degree, the companies have followed the Exchange's trend. From a five-year perspective, however, all the companies but SAS have improved on the main index.



## Returns and assets 2003

NOK millions	Value <sup>1)</sup>	State's share-holding <sup>2)</sup>	Value of State's holding	State's share of dividend provision in 2003 accounts <sup>3)</sup>	Sales revenue to and capital injections from the State	Return during 2003 including dividend <sup>4)</sup>	Average annual return over last 5 years incl. dividends <sup>5)</sup>
<b>Company</b>							
DnB NOR ASA	58 121	31,4 %	18 250	979	(1 832)	43 %	16 %
Kongsberg Gruppen ASA	3 180	50,0 %	1 590	20	-	20 %	13 %
Norsk Hydro ASA	109 438	43,8 %	47 960	1 285	-	36 %	12 %
SAS AB	10 449	14,3 %	1 492	-	-	55 %	4 %
Telenor ASA	78 449	62,6 %	49 148	959	8 082	69 %	2 %
<b>Total for all listed companies</b>	<b>259 637</b>	<b>46 %</b>	<b>118 440</b>	<b>3 243</b>	<b>6 250</b>	<b>48 %</b>	
Argentum Fondsinvesteringer AS	2 486	50,0 %	1243	135	-	NA	NA
BaneTele AS	79	100,0 %	79	-	-	NA	NA
Bjørnøen A/S	4	100,0 %	4	-	-	NA	NA
Cermaq ASA	2 437	79,4 %	1935	-	-	NA	NA
Eksportfinans ASA	2 542	15,0 %	381	30	-	NA	NA
Electronic Chart Centre AS	10	100,0 %	10	-	-	NA	NA
Entra Eiendom AS	4 714	100,0 %	4714	250	-	2 %	11 %
Grødegård AS	8	51,8 %	4	-	-	NA	NA
Kings Bay AS	2	100,0 %	2	-	-	NA	NA
Nammo AS	529	45,0 %	238	9	-	NA	NA
Statkraft SF	31 300	100,0 %	31300	2 605	(4 000)	NA	NA
Store Norske Spitsbergen Kulkompani A/S	292	99,9 %	291	7	-	NA	NA
Venturefondet AS <sup>7)</sup>	108	100,0 %	108	-	(113)	NA	NA
Arcus Gruppen ASA	NA	0,0 %	0	-	210	NA	NA
Moxy Trucks AS <sup>8)</sup>	NA	0,0 %	0	-	-	NA	NA
NOAH Holding AS	NA	0,0 %	0	-	57	NA	NA
A/S Olivin	NA	0,0 %	0	-	345	NA	NA
SND Invest AS <sup>7)</sup>	NA	0,0 %	0	-	1 153	NA	NA
SIVA SF <sup>9)</sup>	NA	100 %	NA	-	-	NA	NA
<b>Total for unlisted companies</b>	<b>44 513</b>	<b>90,6 %</b>	<b>40 311</b>	<b>3 037</b>	<b>(2 348)</b>		
<b>ENTIRE PORTFOLIO</b>	<b>304 149</b>	<b>52 %</b>	<b>158 751</b>	<b>6 279</b>	<b>3 902</b>		

## PROCEEDS FROM SALES, CAPITAL INJECTIONS AND SHARE ACQUISITIONS

2003 was a busy year. The table on the following page provides a list of the Ministry of Trade and Industry's revenues from the sale of shares, dividends and disbursements for the purchase of shares and so forth. The largest single item here was the sale of Telenor shares in July 2003. The State received a total of NOK 8,082 million from the sale. Other sales were of Arcus, Olivin, NOAH and SND Invest. Following the merger of DnB Holding ASA and Gjensidige NOR ASA on 4 December 2003, the State's share of the new group fell to 28.1 per cent. Parliament resolved that, by year-end 2004, the State should own 34 per cent of DnB NOR. The Government Bank Investment Fund acquired NOK 1,832 million of shares by year-end 2003. This meant that the State then owned 31.3 per cent of DnB NOR. Parliament further decided in December 2003 that Statkraft SF should be furnished with NOK 4 billion of equity.

## DIVIDENDS

In total, the State received NOK 6,426 billion in dividends from the companies in respect of the 2003 accounting year. This is somewhat more than for the 2002 accounting year, for which the State received NOK 4,961 billion. The increase is due to increased dividends from Telenor, Hydro, Statkraft, Entra, DnB NOR and Eksportfinans. A further positive feature is that Nammo, for the first time, will be paying a dividend.

## Assets 2002

NOK millions	Value <sup>1)</sup>	State's shareholding <sup>2)</sup>	Value of State's holding	State's share of dividend provision in 2002 accounts	Sales revenue to and capital injections from the State
<b>Company</b>					
DnB Holding ASA <sup>6)</sup>	25 121	47,5 %	11 932	878	-
Kongsberg Gruppen ASA	2 715	50,0 %	1 358	32	-
Norsk Hydro ASA	82 778	43,8 %	36 276	1 187	-
Raufoss ASA	143	50,3 %	72	-	-
SAS AB	6 826	14,3 %	975	-	-
Telenor ASA	47 772	77,6 %	37 085	630	-
<b>Total for all listed companies</b>	<b>165 355</b>	<b>53,0 %</b>	<b>87 699</b>	<b>2 727</b>	<b>-</b>
Argentum Fondsinvesteringer AS	NA	0,0 %	NA	-	-
BaneTele AS	106	100,0 %	106	-	-
Bjørnøen A/S	4	100,0 %	4	-	-
Cermaq ASA	2 642	79,4 %	2 098	-	-
Eksportfinans ASA	2 492	15,0 %	374	12	-
Electronic Chart Centre AS	9	100,0 %	9	-	-
Entra Eiendom AS	4 603	100,0 %	4603	-	-
Grødegaard AS	14	100,0 %	14	-	-
Kings Bay AS	2	100,0 %	2	-	-
Nammo AS	414	45,0 %	186	-	-
Statkraft SF	27 070	100,0 %	27 070	2 192	-
Store Norske Spitsbergen Kulkompani A/S	232	99,9 %	232	9	-
Venturefondet AS <sup>7)</sup>	NA	NA	NA	-	-
Arcus Gruppen ASA	506	34,0 %	172,0	15	-
Moxy Trucks AS <sup>8)</sup>	NA	49,0 %	NA	-	-
NOAH Holding AS	35	70,9 %	25	-	-
A/S Olivin	327	51,0 %	167	5	-
SIVA SF	1 945	100,0 %	1 945	-	-
<b>Total for all unlisted companies</b>	<b>40 402</b>	<b>91,6 %</b>	<b>37 007</b>	<b>2 234</b>	<b>-</b>
<b>ENTIRE PORTFOLIO</b>	<b>205 757</b>	<b>61 %</b>	<b>124 706</b>	<b>4 961</b>	<b>-</b>

1) For stock-exchange-listed companies, the valuations are based on market price. For Entra Eiendom AS the valuation is calculated from the EVA published by the company. For the other companies, book equity is used. The report presupposes that P/B=1. For companies in which the State had no shareholding at year-end, no value is entered.

2) The State's shareholding at 31.12

3) Actual amount received by the State for the accounting year, paid out the following year. Includes any increase in shareholding up to the annual general meeting. Applies to Argentum (100%), Telenor (53,15%) and DnB NOR (33.67%).

4) Change in market value plus dividends received during the year, corrected for issues and share buy-backs. The change in value for unlisted companies is not published, with the exception of Entra Eiendom AS.

5) Geometric average is used, which is an expression of the average annual return for an

investor owning the share throughout the entire period and reinvesting any dividends in 5-year government bonds. For DnB NOR ASA, the change in value is calculated from DnB Holding's change and dividends. For Telenor, the annual average return is calculated from the company's listing in December 2000; for Entra Eiendom since 31.12.2001.

6) The valuation in this table is only for DnB Holding ASA in 2002. The proforma market value for DnB NOR ASA at year-end 2002 was NOK 44,869 million.

7) Sales proceeds from SND Invest AS includes 2 capital reductions, the sales amount and excludes Venturefondet. Venturefondet did not exist in 2002.

8) Moxy Trucks AS is bankrupt.

9) The management of SIVA SF is transferred from the department of ownership to the department innovation and research internal in the Ministry of Trade and Industry.

# THE COMPANIES' FINANCIAL TRENDS

## PROFIT

Overall, all the companies in the portfolio showed increased profits last year, but the largest contribution to the rise came from Telenor, with improved profits of approx. NOK 9 billion. This improvement is due to a number of factors. In addition to increased turnover of 9 per cent, more efficient operations and substantial gains from sales, the company had had extraordinarily large write-downs in the previous year. It is also pleasing to note that a small company such as Electronic Chart Centre made a profit for the first time since

it started business in 1999. This is due to a large extent to a renegotiated contract with the Norwegian Mapping Authority. For SAS, 2003 was another year of loss, of NOK 1.2 billion. Grødegård made a loss in 2003 of around NOK 30 million, due in large part to provisions for pension liabilities. BaneTele, Cermaq, Argentum and Venturefondet also made losses in 2003. For Cermaq, this was a difficult year because of low salmon prices and major problems for the fish farming industry. The company nonetheless managed to reduce its loss from NOK 140 million in 2002 to NOK 6 million in

### Group accounting figures 2003 (NOK millions)

Company <sup>7)</sup>	State's shareholding 31.12.2003	Net turnover <sup>1)</sup>	Operating profit	EBITDA <sup>2)</sup>	EBIT <sup>3)</sup>
<b>Listed companies</b>					
DnB NOR ASA	31,4 %	22 091	7 014	9 881	NA
Kongsberg Gruppen ASA	50,0 %	6 651	291	583	297
Norsk Hydro ASA	43,8 %	171 782	23 948	39 167	25 394
SAS AB <sup>8)</sup>	14,3 %	50 559	(1 943)	723	466
Telenor ASA	62,7 %	53 121	7 560	18 157	9 377
<b>Unlisted companies</b>					
Argentum Fondsinvesteringer AS	50,0 %	-	(20)	(19)	120
BaneTele AS	100,0 %	547	22	104	25
Bjørnøen A/S	100,0 %	0	0	0	0
Cermag ASA	79,4 %	6 041	23	304	93
Eksportfinans ASA	15,0 %	498	352	338	NA
Electronic Chart Centre AS	100,0 %	11	1	2	1
Entra Eiendom AS	100,0 %	856	320	450	329
Grødegård AS	51,8 %	274	(30)	(25)	(30)
Kings Bay AS	100,0 %	27	(2)	(2)	(1)
Nammo AS	45,0 %	1 529	125	417	138
Statkraft SF	100,0 %	11 193	6 264	7 611	7 852
Store Norske Spitsbergen Kulkompani A/S	99,9 %	945	69	134	100
Venturefondet AS	100,0 %	(16)	(19)	(19)	(18)

2003. The remaining companies in the portfolio made profits and most increased their profits over 2002.

## RETURN ON EQUITY

Because of the increase in profits in the portfolio, the return on equity also went up from just under 6 per cent in 2002 to nearly 12 per cent in 2003 for the portfolio as a whole. Return on equity is defined as corporate profit after minority interests divided by the group's equity excluding minority interests at year-end. The listed portion of the portfolio had a weighted average return of just over 12 per cent, while the unlisted companies had a weighted average return of around 8 per cent. Among the listed companies, Telenor, Hydro and DnB NOR produced a return of 12-13 per cent in 2003. Kongsberg Gruppen also had a positive return, but both Raufoss and SAS showed a loss. In the unlisted portion of the portfolio, Store Norske Spitsbergen Kulkompani, Nammo, Statkraft and Eksportfinans each produced a return in the region of or above 10 per cent in 2003. For the remainder, the return was close to zero or negative.

Using a somewhat longer timeframe and assessing the companies' return on equity over the last 5 years, then large sections of the portfolio have, on average, produced a positive return. DnB, Hydro and Eksportfinans in particular have had 5 good years, with average returns of more than 10 per cent. Statkraft, Nammo and Telenor have produced annual returns over time of between 6 and 8 per cent. For Ban-

eTele, Electronic Chart Centre and Grødegård, recent years have been difficult ones, with substantial losses.

## OPERATING REVENUES

Overall operating revenues increased by 6 per cent from 2002 to 2003. This is due primarily to increased revenues resulting from the DnB NOR merger and increased revenues in Telenor, Hydro, Statkraft, Entra and Nammo. Revenues of the same period fell in Kongsberg Gruppen and Cermaq.

## EBITDA

EBITDA, i.e. earnings before interest, tax, depreciation and amortization, 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. Especially Telenor, Hydro, DnB NOR and Statkraft have had an positive growth, but it is also worth noting that in Nammo EBITDA rose from NOK 142 million to NOK 417 million and in Entra Eiendom from NOK 296 million to NOK 450 million. With the exception of Grødegård and Venturefondet, all companies returned positive EBITDA.

## EBIT

EBIT, i.e. earnings before interest and taxes, indicates the company's ability to service its debt and equity. There were increases across the board for companies in the portfolio, but the largest was that of Telenor. With the exception of

### Group accounting figures 2003 (NOK millions) cont.

Company <sup>7)</sup>	Profit after tax and minority interests	Majority interests' book equity <sup>4)</sup>	Capital employed <sup>5)</sup>	Consolidated balance <sup>6)</sup>	Net cash flow from operations
<b>Listed companies</b>					
DnB NOR ASA	5 378	42 115	NA	705 677	(18 350)
Kongsberg Gruppen ASA	126	1 830	3 698	6 008	83
Norsk Hydro ASA	10 397	83 676	136 002	215 488	24 578
SAS AB <sup>8)</sup>	(1 239)	12 155	38 590	56 710	(1 216)
Telenor ASA	4 560	37 237	68 290	86 110	13 676
<b>Unlisted companies</b>					
Argentum Fondsinvesteringer AS	84	2 486	2 508	2 683	80
BaneTele AS	(26)	79	618	821	57
Bjørnøen A/S	0	4	4	4	NA
Cermaq ASA	(6)	2 437	4 124	5 044	764
Eksportfinans ASA	251	2 542	NA	103 339	737
Electronic Chart Centre AS	1	10	10	12	NA
Entra Eiendom AS	18	1 274	7 523	8 127	163
Grødegård AS	(30)	8	20	55	(15)
Kings Bay AS	0	2	5	16	6
Nammo AS	95	529	703	1 140	251
Statkraft SF	2 742	31 300	81 310	88 277	8 160
Store Norske Spitsbergen Kulkompani A/S	65	292	789	906	45
Venturefondet AS	(17)	108	108	109	-



Grødegård and Venturefondet, all companies in the portfolio had positive EBIT.

## BALANCE SHEETS

DnB NORs balance almost doubled as a result of the acquisition of Nordlandsbanken and the merger with Gjensidige NOR. DnB Holding also increased its volume of loans. Eksportfinans too improved its balance sheet considerably during 2003, due largely to increased loans to the local authority sector. Entra Eiendom's overall balance rose by nearly 25 per cent in the course of the year, due to significant property purchases. Hydro, Kongsberg Gruppen and Nammo also showed overall balance sheet increases. Against that, Telenor's and Cermaq's balance sheets declined somewhat during 2003; both companies sold off businesses and Cermaq's current assets fell.

## BOOK EQUITY

Book equity in the companies in the portfolio rose by 10 per cent over 2002 to NOK 218 billion in 2003. The State's share of the companies' total book equity amounted to NOK 113 billion.

### Accounts - key figures 2003

Company	State's holding	Profit after tax and minority interests	Dividend share <sup>9)</sup>	Annual avg dividend share over last 5 years <sup>12)</sup>	Return on equity <sup>10)</sup>	Average ROE over last 5 years <sup>12)</sup>	Equity ratio <sup>11)</sup>
<b>Listed companies</b>							
DnB NOR ASA <sup>13)</sup>	31,4 %	5 378	54 %	57 %	13 %	14 %	6,8 %
Kongsberg Gruppen ASA	50,0 %	126	31 %	18 %	7 %	8 %	30 %
Norsk Hydro ASA	43,8 %	10 397	27 %	33 %	12 %	12 %	39 %
SAS AB <sup>8)</sup>	14,3 %	(1 239)	0 %	16 %	-10 %	1 %	21 %
Telenor ASA	62,7 %	4 560	39 %	44 %	12 %	6 %	43 %
<b>Total for all listed companies</b>		<b>19 222</b>			<b>12 %</b>		
<b>Unlisted companies</b>							
Argentum Fondsinvesteringer AS	50,0 %	84	160 %	80 %	3 %	4 %	93 %
BaneTele AS	100,0 %	(26)	0 %	0 %	-33 %	-62 %	10 %
Bjørnøen A/S	100,0 %	0	0 %	0 %	1 %	5 %	100 %
Cermaq ASA	79,4 %	(6)	0 %	0 %	0 %	2 %	48 %
Eksportfinans ASA	15,0 %	251	80 %	56 %	10 %	10 %	13,4 %
Electronic Chart Centre AS	100,0 %	1	0 %	0 %	6 %	-66 %	84 %
Entra Eiendom AS	100,0 %	18	1359 %	480 %	1 %	2 %	16 %
Grødegård AS	51,8 %	(30)	0 %	25 %	-351 %	-126 %	16 %
Kings Bay AS	100,0 %	0	0 %	0 %	2 %	-4 %	14 %
Nammo AS	45,0 %	95	21 %	4 %	18 %	7 %	46 %
Statkraft SF	100,0 %	2 742	95 %	83 %	9 %	8 %	35 %
Store Norske Spitsbergen Kulkompani A/S	99,9 %	65	12 %	4 %	22 %	-18 %	32 %
Venturefondet AS	100,0 %	(17)	0 %	0 %	-15 %	-15 %	99 %
<b>Total for unlisted companies</b>		<b>3 176</b>			<b>8 %</b>		
<b>ENTIRE PORTFOLIO</b>		<b>22 399</b>			<b>10 %</b>		

- 1) Sales revenues, operating revenues, turnover or similar accounting entry.
- 2) EBITDA – Earnings before interest, tax, depreciation and amortization.
- 3) EBIT – Earnings before interest and taxes. Not applicable to financial institutions.
- 4) Book equity – total of posted restricted and unrestricted equity excluding minority interests.
- 5) Capital employed – consolidated balance corrected for short-term interest-free liabilities and deferred tax. This definition may vary somewhat from individual companies' definitions and consequently the figures for capital employed for individual companies may differ from table to table. Not applicable to financial institutions.
- 6) Consolidated balance – total of equity and liabilities.
- 7) The figures in the table are for the group

- 8) NOK/SEK exchange rates employed: 1.14 average and 1.08 outgoing. For calculations further back in time, the rates used are those SAS gives in its annual reports.
- 9) Dividend share – dividend provision as a proportion of the group annual profit.
- 10) Return on equity – Profit after tax and minority interests as a percentage of book equity excluding minority interests.
- 11) Equity ratio – book equity in relation to consolidated balance. For financial institutions, the core capital coverage is stated.
- 12) Annual average valuation for last 5 years for all companies that have existed since 1999, otherwise since their establishment.
- 13) Historical accounting figures are given proforma for the new DnB NOR ASA group.



## OTHER MATTERS

Over recent years, more attention has been paid to the reporting on non-financial indicators. From the companies' side, reporting to the market now has to give greater emphasis to values such as the relationship with society, the people working in the company and the relationship with the external environment. This is a trend that is reflected both in legislative requirements for reporting and in the companies' increased focus on good corporate governance, ethics and social responsibility.

It is now customary for companies to report such indicators in their annual reports. The companies now devote considerable resources to such reporting and, for example, Norsk Hydro has, for the fifth time, qualified for the Dow Jones Sustainability Index and, for the third time, for the FTSE4Good Index. These are both stock exchange indexes of companies that are renowned for their environmental work.

The table on the following page provides a summary of a number of non-financial indicators that are also the subject of special follow-up in the Ministry's reporting. These are largely indicators that the owner can exert influence over and which the Ministry has focused on.

Throughout 2003, there was also a keen focus on ensuring that the composition of the boards of directors of Norwegian limited companies reflects the diversity that exists in society. Increased diversity will lead to increased value creation. In the majority of companies, the employees elect one or more representatives to the board. This means that the shareholders can influence only the composition of the members that they themselves elect. This is one reason why the table differentiates between shareholder-appointed board members and those appointed by the employees.

There is an aim to achieve a 40% average representation of women in companies where the State is an owner. Representation of both sexes in the board of directors in wholly state owned companies are regulated in the Companies Act. When it comes to shareholder-elected members, 13 out of 19 companies have 1/3 or more women on the board, and 11 of these have more than 40 per cent. The board of Entra Eiendom has a majority of women among shareholder-elected members. Three companies have equal

### Number og employees

Company	No. of employees <sup>1)</sup>	
Listed companies	2003	2002
DnB NOR ASA <sup>7)</sup>	11 678	11 971
Kongsberg Gruppen ASA	4 176	4 208
Norsk Hydro ASA	42 911	49 662
SAS AB	34 544	35 506
Telenor ASA	21 750	23 000
Total for all listed companies	115 059	124 347

### Unlisted companies

Argentum Fondsinvesteringer AS	10	8
BaneTele AS	147	175
Bjørnøen A/S	-	-
Cermaq ASA	2 251	2 612
Eksportfinans ASA	90	92
Electronic Chart Centre AS	13	14
Entra Eiendom AS	130	96
Grødegård AS	600	700
Kings Bay AS	21	19
Nammo AS	1 243	1 297
Statkraft SF	1 968	2 370
Store Norske Spitsbergen Kulkompani A/S	232	225
Venturefondet AS	-	NA
Total for unlisted companies	6 705	7 608

ENTIRE PORTFOLIO	121 764	131 955
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representation of the sexes. Nammo, Eksportfinans and Electronic Chart Centre have increased their proportion of women, while DnB NOR and Grødegård have reduced theirs; in these last cases, because of the transactions the companies have been involved in.

Auditors' fees have also been the object of considerable attention, something that a separate article in this report has also been concerned with. The fees reported here are those made to the auditor responsible for making a statement about the annual report. The audit fee includes the fee for the audit and audit-related work, while other fees include payment for tax advice and other consultancy. Some large companies such as Norsk Hydro use several auditors for ancillary services; the fees for these are extracted from the statement. The main objective of following the trend in auditors' fees is to assess the auditors independence in relation to the reporting work. If a major part of the auditor's fee derives from other matters than the audit itself, this may raise doubts as to the auditor's independence. There will be circumstances where the company needs to use an auditor for matters other than a pure audit, such as in connection with transactions. This means that annual variations may be acceptable. In Statkraft, a question was raised as to the auditor's independence and the company has changed external auditors for the 2004 accounting year, approved by the Ministry at a business meeting.

The companies have a total of 121,764 employees in Norway and abroad. This is a reduction of 8 per cent over the previous year.

Companies are obliged by the accounting act to state their CEO's total remuneration in their annual reports. This includes bonuses, pension contributions paid, other assessable benefits and any remuneration for service on the boards of wholly owned subsidiaries. Salaries in wholly State-owned companies should be competitive, but not market-leading. As an appendix to Parliamentary Bill no 1. (2003-2004) for the Ministry of Trade and Industry there are guidelines for the conditions of employment for leaders in wholly state owned companies.

As for fees to board members, these are given in the table as a total for the whole board. On the basis of the agreement between the Government and trade and industry participants concerning moderation in the growth of senior management salaries, the Ministry determined that board fees should remain unchanged from 2002 to 2003. The Ministry's fundamental position is that companies' boards should be remunerated at a justifiable level and commensurately with the responsibility entailed by the board's duties.

Other matters								
NOK 1 000	Total remuneration to CEO <sup>2)</sup>	Audit fee - group <sup>3)</sup>	Other fees to auditor - group <sup>3)</sup>	Board fees <sup>4)</sup>	No. of women on board - total <sup>5)</sup>		Shareholder-appointed women <sup>6)</sup>	
Listed companies	2003	2003	2003	2003	2003	2002	2003	2002
DnB NOR ASA <sup>7)</sup>	3 989	15 065	1 888	2 111	25 %	30 %	25 %	43 %
Kongsberg Gruppen ASA	3 331	7 439	1 823	956	25 %	29 %	40 %	40 %
Norsk Hydro ASA	4 493	63 735	14 160	2 557	33 %	33 %	50 %	50 %
SAS AB	8 391	12 031	7 404	3 064	33 %	33 %	33 %	33 %
Telenor ASA	4 996	41 600	7 300	1 631	40 %	40 %	43 %	43 %
Unlisted companies								
Argentum Fondsinvesteringer AS	2 184	174	44	488	40 %	40 %	40 %	40 %
BaneTele AS	1204	599	517	579	43 %	33 %	40 %	40 %
Bjørnøen A/S	0	15	0	41	40 %	40 %	40 %	40 %
Cermaq ASA	1 629	2 926	1 772	940	25 %	25 %	40 %	40 %
Eksportfinans ASA	2 369	716	2 257	1025	29 %	17 %	29 %	17 %
Electronic Chart Centre AS	743	51	0	250	50 %	33 %	50 %	33 %
Entra Eiendom AS	1 888	960	1 720	370	38 %	43 %	60 %	60 %
Grødegård AS	831	215	150	291	43 %	50 %	25 %	40 %
Kings Bay AS	808	241	0	221	40 %	40 %	40 %	40 %
Nammo AS	2 761	1 231	272	608	14 %	0 %	20 %	0 %
Statkraft SF	4 321	4 022	3 639	1178	44 %	44 %	50 %	50 %
Store Norske Spitsbergen Kulkompani A/S	1 664	428	294	555	38 %	38 %	40 %	40 %
Venturefondet AS	0	25	0	0	0 %	NA	0 %	NA

- 1) For some companies, the number of employees is measured as the number of man-years worked and, for others, as the average number of employees, but the figures are measured consistently for each company over time.
- 2) Total remuneration includes salary, performance-related pay/bonus, pension contributions paid, other assessable benefits and any remuneration for service on the boards of subsidiaries.
- 3) Fees to principal auditor.

- 4) Remuneration to board members for their work as board members, as reported in the companies' annual reports.
- 5) Number of women measured as a proportion of the total number of board members.
- 6) Number of women measured as a proportion of shareholder-elected board members.
- 7) Board fees and women on the board in 2002 relate to DnB Holding ASA.





# COMMENTARY ON THE COMPANIES

# COMMENTARY ON THE COMPANIES

The following presents a brief overview of all the companies in which the State's equity was managed by the Ministry of Trade and Industry in the financial year 2003. The aim is to provide a short summary of each company with contact details as a source of additional information about the companies. A cut-off date of 31 December 2003 has been applied to all information concerning board members and auditors. This is due to the fact that all formal data in this report are based on accounts laid for the financial year 2003. As a result of decisions at the general meetings in 2004, the composition of the board and the accountable auditors may have been changed in respect of the particulars cited here.

Companies no longer managed by the Ministry are described in brief in a separate section. For these companies

no details are provided regarding the board of directors, CEO and auditors. Such information may be obtained by contacting the individual company.

## ARGENTUM FONDSINVESTERINGER AS

Argentum Fondsinvesteringer as is a state-owned trust company that invests in conjunction with private investors in the sector for private equity and venture capital. Investments are made solely in investment funds and investment companies, not in individual projects. The object of Argentum is to contribute to strengthened competitiveness and value creation in Norwegian business by facilitating access to venture capital for the innovation and research-based business sector. The company's mission is to operate on businesslike terms as a commercial investor.

Argentum is headquartered in Bergen, has a regional office in Oslo and has 8 permanent employees.



**CHAIRMAN**  
Tormod Hermansen

**BOARD MEMBERS**  
Widar Salbuvik, Knut J. Borch, Ada Kjeseth og Kari Johnsen

**CEO**  
Jørgen Kjærnes

**AUDITORS**  
Ernst & Young AS

**KONTAKTINFORMASJON**  
Postboks 3964 Dreggen, 5835 Bergen, Telephone +47 55 54 70 00  
[www.argentum.no](http://www.argentum.no)



## BANETELE AS

BaneTele was established as an independent company in 2001. The company's business is directly or indirectly to establish and operate infrastructure for the transmission of telecoms services (fixed and wireless), provision of telecoms services and associated activities. The backbone of the company's operations is the fibre-optics network that, in the main, follows the infrastructure of the rail network and energy companies in Norway. BaneTele part-leases and part-owns a fibre-optics network stretching across 12,500 km from Farsund in the South of Norway, to Tromsø in the North. BaneTele supplies the corporate market in Norway with Internet, transmission capacity, IP telephony and datacoms services. The company has 136 permanent employees.

On 20 December 2002, the Norwegian National Rail Administration's shares in BaneTele AS were acquired by the Ministry of Trade and Industry. The State is the sole shareholder in the company.

## BaneTele

### CHAIRMAN

Bjørn Kristiansen

### BOARD MEMBERS

Geir Drangslund, Ida Heliessen, Kjell G. Knutsen, Sigrun Sagedahl og Kenneth Bolsøy

### CEO

Matthias Peter

### AUDITORS

Kjelstrup & Wiggen AS

### CONTACT DETAILS

Jernbanetorget 1, Postboks 1162 Sentrum, 0107 Oslo, Telephone +47 21 00 00 00

[www.banetele.no](http://www.banetele.no)

## BJØRNØEN A/S

Bjørnøen A/S owns all land and a number of cultural heritage buildings on the Arctic island of Bjørnøya, and its object is to supervise the operation and utilisation of the company's properties. I/S Bjørnøen Kullkompani was founded in Stavanger in the autumn of 1915, while Bjørnøen A/S was founded on 3 June 1918. The company was taken over by the Norwegian State in 1932. Since 1967 the company has been under the administration of Kings Bay, which provides it with administrative services. The company has no employees.

Bjørnøen A/S leases property to the meteorological service, Avinor and Telenor kystradio (coastal radio). Some research activity takes place on the island. The Bjørnøya nature reserve was created on 16 August 2002, and the conservation order covers the entire island with the exception of a small area of land. The State is the sole shareholder.



### CHAIRMAN

Knut Ore

### BOARD MEMBERS

Ann-Kristin Olsen, Roald G. Bergsaker, Olav Isachsen, Kirsten Broch Mathiesen og Tor Marschhäuser.

### CEO

Oddvar Midtkandal

### AUDITORS

Ishavsbyen Revisjon

### CONTACT DETAILS

9173 Ny-Ålesund, Telephone +47 79 02 72 00

[www.kingsbay.no](http://www.kingsbay.no)

## CERMAQ ASA

The object of the company is to operate fish feed production, fish-farming and other forms of aquaculture and associated enterprise. Cermaq takes an active role regarding research and development in the maritime sector. Cermaq, originally Statkorn Holding, was part-privatised in 1999, and in 2000 aquaculture was defined as an action area. Operations in wind-turbine operation and agricultural activities have been cut back considerably. The company is now a global leader in the manufacture and sale of fish feed for salmonid species. It is the fifth-largest aquaculture group in the world and had 2,251 employees at year-end 2003. The State owns 79.38% of shares in the parent company Cermaq ASA. The company's Board of Directors has resolved to work towards an IPO.

## cermaq

### CHAIRMAN

Sigbjørn Johnsen

### BOARD MEMBERS

Björg Ven, Stein H. Annexstad, Kjell Frøyslid, Wenche Kjølås, Jan Helge Førde, Jim-Egil Hansen og Karl Tore Mæland.

### CEO

Geir Isaksen

### AUDITORS

Ernst & Young AS

### CONTACT DETAILS

Postboks 144 Sentrum, 0102 Oslo, Grev Wedels plass 5, Telephone +47 22 31 75 80

[www.cermaq.com](http://www.cermaq.com)

## DNB NOR ASA

DnB NOR ASA is Norway's largest financial group, and was the result of the merger between DnB Holding ASA and Gjensidige NOR ASA on 4 December 2003. DnB NOR ASA's mission is to be the leading financial group in Norway, and one of the leading financial groups in the Nordic region. The Group consists of a number of business areas in finance such as banking (DnB NOR Bank, Postbanken, Nordlandsbanken), insurance (Vital Forsikring), and also operates in other business areas (DnB NOR Markets, DnB NOR Kapitalforvaltning (asset management), DnB Eiendomsmegling (estate agency), and others). The Group has more than 11,000 employees in Norway and abroad. At year-end 2003, the company had a market value of NOK 58.1 billion.

The management of the State's stake in DnB NOR was transferred to the Ministry of Trade and Industry 30 March 2004.

## DnB NOR

**CHAIRMAN**  
Olav Hytta

**BOARD MEMBERS**

Jannik Lindbæk, Bjørn Sund, Helge Leiro Baastad, Per Terje Vold, Berit Kjøll, Bent Pedersen, Anne Catrine Tanum, Sverre Finstad, Per Hoffmann, Jørn O. Kvilhaug og Ingjerd Skjeldrum.

**CEO**  
Svein Aaser

**AUDITORS**  
PricewaterhouseCoopers DA

**CONTACT DETAILS**  
Stranden 21, N-0021 Oslo, Telephone +47 22 48 10 50  
[www.dnbnor.com](http://www.dnbnor.com)

## EKSPORTFINANS ASA

The object of Eksportfinans ASA is to provide financing services to export businesses and, through its subsidiary, Kommunekreditt AS, to local authorities and counties. Eksportfinans also supervises export credit schemes under contract to the State. The company was founded in 1962. It draws on its high credit rating to place favourable deposits in the international capital markets, and to offer these on to Norwegian export businesses and their clients, and to local authorities and counties in the shape of competitive financing on market terms. In 1999 Eksportfinans was granted a concession from the Norwegian authorities to acquire Kommunekreditt, which company is now incorporated with the Eksportfinans ASA group. The State owns 15 per cent of Eksportfinans ASA.

## EKSPORTFINANS

**CHAIRMAN**  
Erik Borgen

**BOARD MEMBERS**

Baard Syrrist, Thomas Borgen, Cato A. Holmsen, Anders Lægreid, Åse Aulie Michelet, Gunvor Ulstein og Tor F. Johansen

**CEO**  
Tor F. Johansen

**AUDITORS**  
PricewaterhouseCoopers DA

**CONTACT DETAILS**  
Dronning Maudsgt. 15, Postboks 1601 Vika, 0119 Oslo, Telephone +47 22 01 22 01  
[www.eksportfinans.no](http://www.eksportfinans.no)

## ELECTRONIC CHART CENTRE AS

Electronic Chart Centre's (ECC) business is in developing and operating authorised electronic navigation chart services for the international maritime industry, including partnering, engaging in or setting up other activities naturally connected with these undertakings. The company cooperates with SKSK (Norwegian Mapping Authority (Maritime Division)), and currently comprises the administration of official nautical chart data for navigation from nine European national hydrographic offices. In addition, corresponding data is supplied from Russia and Singapore under special agreements. The intergovernmental collaboration is organised and headed by SKSK, while ECC is responsible for day-to-day operation of the countries' joint electronic nautical chart service. ECC has 13 employees and the company is wholly owned by the State.



**CHAIRMAN**  
Knut Ole Flåthen

**BOARD MEMBERS**

Peter Jacob Tronslin og Siri Norset Christiansen

**CEO**  
Asbjørn Kyrkjeide.

**AUDITORS**  
KPMG AS

**CONTACT DETAILS**  
Electronic Chart Centre AS, Lervigsveien 32, Postboks 60, 4001 Stavanger, Telephone +47 51 93 95 00  
[www.ecc.as](http://www.ecc.as)

## ENTRA EIENDOM AS

The company was founded in 2000 in connection with the implementation of a new strategy for Statsbygg (the Directorate of Public Construction and Property) according to which properties for which there was a well-functioning market were transferred from Statsbygg to Entra Eiendom AS. Entra's business is in the development, leasing, management, operation, acquisition and sale of real estate. The main object is to cater for the State's requirement for premises in the leasehold market. The company has 130 employees and its remit is to manage the State's open market property stock and to cover State requirements for premises.

The company's main focus area is in properties in central locations, and operates in competition with private actors on ordinary commercial terms. The company's area under management (gross) as at year-end 2003 was 881,853 sq.m. of which 126,333 sq.m. are under development.



**CHAIRMAN**  
Steinar Stokke

**BOARD MEMBERS**  
Hanne Berg, Knut Grøholt, Gerd Kjellaug Berge, Trine Buttingsrud Mathisen, Nils Arne Gundersen og Bjørnar Sletten

**CEO**  
Erik Løfsnes

**AUDITORS**  
PricewaterhouseCoopers DA

**CONTACT DETAILS**  
Biskop Gunnerus' gate 14, Postboks 3, 0051 Oslo, Telephone +47 21 60 51 00

[www.entraeiendom.no](http://www.entraeiendom.no)

## GRØDEGAARD AS

Grødegaard AS originates in Statens kantiner. On 17 January 2001 Statens kantiner was converted from being a State company to a limited company and changed its name to Grødegaard AS. The object of the company is to run canteens, public houses and hotels and anything naturally associated with such enterprises. The company is one of the leading operators in the Norwegian catering market.

In spring 2003 an agreement was concluded with ISS Norge AS, which, through a private placement of NOK 24 million, acquired a share of 48% in the company. At year-end 2003 the State owned 52% of shares in the company. There are 600 employees in Grødegaard.



**GRØDEGAARD**

**CHAIRMAN**  
Per Helge Nilsen

**BOARD MEMBERS**  
Bjarne Tarjei Haugen, Gunnar Kjell Bjørkavåg, Elisabeth Heien Berg, Svein Ernst Gerhardsen, May Gunn Kristansen og Bjørg Helene Mathisen.

**CEO**  
John-Ole Soløy

**AUDITORS**  
Ernst & Young AS

**CONTACT DETAILS**  
Schweigaardsgate 34 e, 0191 Oslo, Telephone +47 22 03 47 00

[www.grodegaard.no](http://www.grodegaard.no)

## KONGSBERG GRUPPEN ASA

Kongsberg Gruppen is a company engaged in technological and industrial operations in the maritime sector, defence and associated areas. The company consists of two main business areas: Kongsberg Maritime and Kongsberg Defence & Aerospace. Common to both main business areas is their general core competency in signals processing, cybernetics, system integration and software.

Kongsberg Gruppen is an international technology group headquartered in Norway, with over 4,000 employees in more than 20 countries. The company was listed in connection with the restructuring of Kongsberg Våpenfabrikk (arms factory) in 1993. The State owns 50 per cent of the shares.



**KONGSBERG**

**CHAIRMAN**  
Christian Brinch

**BOARD MEMBERS**  
Benedicte Berg-Schilbred, Torolf Rein, Siri Hatlen, Nils Petter Wright, Roar Martiniussen, Jan Erik Hagen og Roy Harald Hove.

**CEO**  
Jan Erik Korssjøen

**AUDITORS**  
Ernst & Young AS

**CONTACT DETAILS**  
Postboks 1000, 3601 Kongsberg, Telephone +47 32 28 82 00

[www.kongsberg.com](http://www.kongsberg.com)

## KINGS BAY AS

Kings Bay owns the land and the majority of properties in Ny-Ålesund on Svalbard, and the company is responsible for infrastructure in Ny-Ålesund. The company's operations aim to provide services to, and promote, research and scientific activities. Kings Bay Kull Company AS, the mining company, was founded in Ålesund in 1916 and in 1933 the State acquired all the shares. In autumn 1963 the decision was made to wind up mining operations in Kings Bay as a result of a serious explosion in the mine the year before. In 1998 the company changed name to Kings Bay AS.

Within the last decade, Kings Bay has evolved into a centre for arctic research and undergone major development. The company is also responsible for the administration of Bjørnøen AVS. All told, the company performs approx. 28 man-years per annum on Svalbard. Kings Bay AS is wholly owned by the State.



**CHAIRMAN**  
Knut Ore

### BOARD MEMBERS

Board members: Ann Kristin Olsen, Roald G. Bergsaker, Olav Isachsen og Kirsten Broch Mathiesen.

**CEO**  
Oddvar Midtkandal

**AUDITORS**  
Ishavsbyen Revisjon

**CONTACT DETAILS**  
9173 Ny-Ålesund, Telephone +47 79 02 72 00

[www.kingsbay.no](http://www.kingsbay.no)

## NAMMO AS

Nammo AS is an ammunitions company, whose object it is to operate in the development, manufacture and marketing of non-guided ammunitions products. The company is organised into five business units as follows: Small Arms, Medium Calibre Ammunition, Large Calibre Ammunition, Missile Products and Demilitarization. Nammo is a Nordic group.

The State, as represented by the Ministry of Trade and Industry, owns 45 per cent of the shares in Nammo AS. SAAB Nordic Holding AB and Patria Industries Oyj (which is in turn 73.2 per cent owned by the Finnish State) own 27.7 per cent each. In 2003 the company had 1,265 employees on average (1,243 man-years).



**CHAIRMAN**  
Karl Glad

### BOARD MEMBERS

Jorma Wiitakorpi, Ingemar Andersson, Arne Solli, Karin Furevik, Einar Linnerud, og Ricky Kinell.

**CEO**  
Edgar Fosshem

**AUDITORS**  
KPMG AS

**CONTACT DETAILS**  
Postboks 142, 2831 Raufoss, Telephone +47 61 15 22 42

[www.nammo.com](http://www.nammo.com)

## NORSK HYDRO ASA

Hydro is a leading energy and aluminium company with operations in more than 40 countries. The company is a large-scale producer of offshore oil and gas and has played a leading role in the development of the Norwegian petroleum industry since its beginnings 40 years ago. Hydro is the world's third-largest full-service supplier of aluminium, with products designed for the automobile, packaging and construction industries. The company is also a key actor in the development of renewable energy. Hydro Agri, formerly Hydro's mineral fertiliser products business, will continue in a separate company, Yara International ASA, which demerged from Hydro.

As at year-end 2003, Hydro had 42,911 employees. The State, as represented by the Ministry of Trade and Industry, owns 43.82 per cent of the company.



**CHAIRMAN**  
Egil Myklebust

### BOARD MEMBERS

Borger A. Lenth, Elisabeth Grieg, Håkan Mogren, Ingvild Myhre, Geir Nilsen, Anne Cathrine Høeg Rasmussen, Odd Semstrøm og Steinar Skarstein.

**CEO**  
Eivind Reiten

**AUDITORS**  
Deloitte Statsautoriserte Revisorer AS

**CONTACT DETAILS**  
Norsk Hydro ASA, N-0240 Oslo, Telephone +47 22 53 81 00

[www.hydro.com](http://www.hydro.com)

## RAUFOSS ASA

The company was founded in 1896 on the manufacture of defence equipment. After a good century in business, Raufoss ceded its original business area to Nammo AS, and concentrated on manufacturing various metal products, especially auto parts.

For some time now the Raufoss Group has been in financial difficulties. The decision was made in January 2004 to wind up the company with effect from not later than 1 July 2004 once the various assets have been realised. The State, as represented by the Ministry of Trade and Industry, acknowledges its retrospective environmental responsibility in respect of Raufoss and the dumping of decommissioned ammunition that took place in Mjøsa in the 1950s and 1960s.



### CHAIRMAN

Karl Glad

### BOARD MEMBERS

Elbjørg Løwer, Jan Erik Johansen, Tove Wangensten, Yngve Hågensen, Herman Fjeldet og Arild M. Hagen.

### CEO

Leif Salomonsen.

### AUDITORS

Ernst & Young AS

### CONTACT DETAILS

Postboks 2, 2831 Raufoss, Telephone +47 61 15 20 00

[www.raufoss.com](http://www.raufoss.com)

## SAS AB

SAS's objective is to offer passenger conveyance by air, principally within its domestic market in Northern Europe. The SAS group is also involved in air-related enterprises where these serve to increase the company's market value, directly or indirectly. During 2004, the SAS Group is due to be reorganised, with a separate company to be set up for air transport in each of the Scandinavian countries. In Norway, SAS and Braathens have been amalgamated as SAS Braathens.

In 2001 the ownership structure in SAS was amended through the creation of a joint holding company and the introduction of a single class of shares in the company. The shares in SAS AB are held by the Danish State (14.3%), the Norwegian (14.3%) and the Swedish (21.4%). The remaining 50 percent of the shares are owned by private interests. In 2003 the SAS Group had an average of 34,544 employees.



SAS Group

### CHAIRMAN

Egil Myklebust

### BOARD MEMBERS

Jacob Wallenberg, Berit Kjøl, Fritz H. Schur, Anita Steen, Lars Rebien Sørensen, Ulla Grøntvedt, Helmuth Jacobsen og Ingvar Lilletun.

### CEO

Jørgen Lindegaard

### AUDITORS

Deloitte & Touche AB

### CONTACT DETAILS

SE-195 87 Stockholm, Telephone + 46 8 797 00 00

[www.scandinavian.net](http://www.scandinavian.net)

## STATENS BANKINVESTERINGSFOND

The Government Bank Investment Fund was founded in 1991 and its object is to make equity and subordinated loan capital available to Norwegian banks. The majority of commitments were shed by 2000, such that the Fund's sole undertaking as at year-end 2003 was to manage the State's shares in DnB NOR ASA. The Fund had a shareholding of 31.38%. Following a resolution by Parliament, the Fund is being wound up, and the Ministry of Trade and Industry took over the management on 30 March 2004 of the State's shares in DnB NOR ASA. For more details of DnB NOR ASA, please refer to the separate commentary on the company.

Any queries regarding the Government Bank Investment Fund may be directed to the Ministry of Trade and Industry, tel. +47 22 24 01 41.

## STATKRAFT SF

Statkraft is Norway's largest producer of electrical power. The company was founded in 1992. Its object is, independently and in association with other companies, to plan, design, install and operate power plants, to purchase and sell power, and to conduct any business naturally associated with this. Besides hydropower and wind energy production, Statkraft engages in large-scale trading activities, in addition to some transmission operations.

Statkraft is organised as a group of companies comprising a number of subsidiaries. Statkraft also holds shares in several companies allied under the name Statkraftalliansen. Statkraft's alliance partners are Agder Energi, BKK, Skagerak Energi and TEV. The alliance's output capacity amounts to 56 TWh/annum, while the Group's mean output is around 42 TWh/annum. The number of man-years in the Group was 1,968 at year-end 2003. The company is wholly owned by the State.



**CHAIRMAN**  
Terje Vareberg

**BOARD MEMBERS**  
Marit Büch-Holm, Halvor Stenstadvold, Inger Østensjø, Toril Mølmen, Erik Nygaard, Astrid Botten Larsen, Odd Vanvik og Thorbjørn Holøs.

**CEO**  
Bård Mikkelsen

**AUDITORS**  
Ernst & Young AS\*

**CONTACT DETAILS**  
Postboks 200 Lilleaker, 0216 Oslo, Telephone +47 24 06 70 00, info@statkraft.no  
www.statkraft.no

\* As of the accounting year 2004, Statkraft has appointed Deloitte statsautoriserte revisorer AS as its external auditors.

## STORE NORSKE SPITSBERGEN KULKOMPANI A/S

Store Norske Spitsbergen Kulkompani A/S (SNSK) was founded in 1916. The company operates a mining company on Svalbard through a wholly-owned subsidiary called Store Norske Spitsbergen Grubekompani A/S (SNSG). SNSG is staffed by around 240 employees. Around 95 per cent of production is exported. The State's shareholding is 99.94 per cent.

SNSK's operations are currently concentrated primarily on coal mining in Svea Nord. At the Parliamentary hearing on the project in December 2001, it was stipulated that mining must be undertaken on ordinary commercial terms and without any State subsidy.



**CHAIRMAN**  
Steinar Høgaas

**BOARD MEMBERS**  
Ole Fredrik Hienn, Esther Kostøl, Lise Chatwin Olsen, Atle Fornes, Anita Johansen, Torstein Nilsen og Jarle Haagensen.

**CEO**  
Robert Hermansen

**AUDITORS**  
KPMG AS

**CONTACT DETAILS**  
9170 Longyearbyen, Telephone +47 79 02 52 00  
www.snsk.no

## TELENOR ASA

Telenor ASA is Norway's largest telecommunications company. Telenor's business is based on the provision of voice services, information, expertise and entertainment to end-users through a wide range of communications services. The services are based on both wireless communications platforms such as mobile, satellite and broadcast networks, and fixed platforms such as telephony, IP and cable networks. Telenor ASA was listed on the Norwegian stock exchange on 4 December 2000. The State's shareholding at the turn of the year 2003/2004 was 62.63%.

Telenor's business areas at year-end 2003 consisted of Telenor Mobile, Telenor Fixed and Telenor Broadcast. Besides these, a marketing organisation, Telenor Norge has been set up with responsibility for all the business areas in Norway.



**CHAIRMAN**  
Thorleif Enger

**BOARD MEMBERS**  
Bjørn Ven, Einar Førde, Hanne de Mora, Jørgen Lindegaard, John Giverholt, Liselott Kileas, Irma Ruth Tystad, Harald Stavn og Per Gunnar Salomonsen.

**CEO**  
Jon Fredrik Baksaas.

**AUDITORS**  
Ernst & Young

**CONTACT DETAILS**  
Snarøveien 30, 1331 Fornebu, Telephone +47 810 77 000 / +47 67 89 00 00  
www.telenor.no







## VENTUREFONDET

Venturefondet AS was founded on 12 July 2000. The business consists of investing in shares and providing subordinated loan capital to investment and venture companies. In connection with the divestment of SND Invest AS, all shares in Venturefondet AS were transferred in December 2003 to the Ministry of Trade and Industry. The company has no employees, but has an administration agreement with Four Seasons Private Equity.

### CHAIRMAN

Thor Svegård

### BOARD MEMBERS

Jon Melle, Bjørn O. Olsen, Bjørn Løvlie

### AUDITORS

PricewaterhouseCoopers DA

### CONTACT DETAILS

Four Seasons Venture, Postboks 1216 Vika, 0110 Oslo, Telephone +47 22 83 06 60

## YARA INTERNATIONAL ASA

In summer 2003 Norsk Hydro initiated a process leading to the demerger of the Agri-business on 24 March 2004. The new company has been named Yara International ASA. Yara is the world's leading supplier of plant nutrients in the form of mineral fertilisers, and with sales in more than 120 countries, Yara is the only really global supplier in the fertiliser industry.

The State's owns 36.2 percent of the shares in the company.



### CHAIRMAN

Øyvind Lund

### BOARD MEMBERS

Lone Fønss Schrøder, Jørgen-Ole Haslestad, Åse Aulie Michelet, Leiv L. Nergaard, Arthur Frank Bakke, Charlotte Dykorn, Frank Andersen

### CEO

Thorleif Enger

### CONTACT DETAILS

Bygdøy allé 2, Postboks 2464 Solli, 0202 Oslo, Telephone +47 24 15 70 00

[www.yara.com](http://www.yara.com)

## COMPANIES DISPOSED OF DURING THE ACCOUNTING PERIOD

## ARCUS-GRUPPEN ASA

Arcus-Gruppen operates in the import, export, production, storage and distribution of alcoholic beverages and other goods, along with associated business. In July 2001 the Ministry of Trade and Industry sold 66% of its shares in Arcus to Sucra AS for NOK 340 million. In August 2003 the remainder of the State's shares were sold to the same company for NOK 210 million. The State is thereby no longer a shareholder in the company.

### CONTACT DETAILS:

Haslevangen 16, Postboks 6764 Rodeløkka, 0503 Oslo, Telephone +47 22 97 55 00

[www.arcus.no](http://www.arcus.no)

## MOXY TRUCKS AS

Moxy Trucks' business was in the manufacture, development and sale of ADT plant machinery. In 2001 the State divested itself of shares in Moxy Trucks AS, reducing its shareholding to 49 per cent. Following the order of the court at Romsdal magistrate's court on 11 February 2003, and on the debtor's petition, Moxy Trucks AS went into liquidation. The State's outstanding exposure amounts to a guarantee of NOK 30 million.

## NOAH HOLDING AS

NOAH Holdings' business is to build, own and operate plants for processing special waste, and other associated undertakings. Following agreement, the business in Brevik that was owned by the subsidiary NOAH AS was sold to Norcem AS on 15 November 2002.

On 1 December 2003 the Ministry of Trade and Industry concluded an agreement with Gjelsten Holding AS on the sale of the State's shareholding in NOAH Holding AS. The total sale price of the State's holding of 70.89 per cent amounted to NOK 56.7 million. The State has security in the shares until the sale price is paid on 30 June 2004.

### CONTACT DETAILS

Posttuttak H, 3081 Holmestrand, Telephone +47 33 09 95 00

[www.noah.no](http://www.noah.no)

## A/S OLIVIN

Olivin operates in the extraction and processing of the industrial mineral, olivine, and is located in the municipalities of Vanylven and Norddal on Sunnmøre. The main product is olivine sand, which is used as a slag former in the pig iron industry. 97 per cent of production is exported. The company has approx. 180 employees.

In March 2001, the Ministry of Trade and Industry sold off 49% of its shares in A/S Olivin to North Cape Minerals AS (NCM). In May 2003 the Ministry signed an agreement with NCM on the sale of the State's remaining 51% shareholding in the company.

### CONTACT DETAILS

6146 Åheim, Telephone +47 70 02 49 00

[www.olivin.com](http://www.olivin.com)

## SND INVEST AS

SND Invest AS was established in 1998 through a conversion of the equity division of SND that was created in 1993 as part of the apparatus in SND for implementing State instruments. The company evolved into a commercial operator in investments in the venture-capital and SME market. Ownership was transferred to the Ministry of Trade and Industry on 1 July 2002. The company was sold on 15 October 2003 to Four Seasons Venture IV AS.

## SIVA SF

SIVA - The Industrial Development Corporation of Norway - works to develop strong regional and local value-creation environments nationwide in Norway. The company has built up a comprehensive network of research and development companies which prepare the ground for innovation. As a result of the company's distinct sectoral policy commitments, responsibility for supervising owner follow-up was transferred in 2003 from the Ownership Department to the Department of Innovation and Research internally within the Ministry of Trade and Industry. The State is the sole shareholder.

### CONTACT DETAILS

Postboks 1253 Pirsenteret, 7462 Trondheim, Telephone +47 73 54 62 00

[www.siva.no](http://www.siva.no)

Department of Innovation and Research, Ministry of Trade and Industry:  
Postboks 8014 Dep, 0030 Oslo, Norway

Each year the Ministry of Trade and Industry invites specialists or companies to set out their views in the form of an external article. These may be articles on topics connected with the Ministry's ownership management or more specialised topics relating to companies in the

portfolio. This year's article has been written by Kongsberg Gruppen and addresses the topic of innovation and value creation. The views expressed are the author's own and do not necessarily reflect the Ministry of Trade and Industry's own views.



# KONGSBERG GRUPPEN

– Innovation and Value Creation



Jan Erik Korssj  n

Kongsberg Gruppen is an international technology group. We are established in 21 countries within the maritime and defence industries. Knowledge is the most important input factor in our innovation and value creation. The key to success lies in how, over time, we manage to exploit and develop our combined knowledge to come up with approaches, systems and solutions that our customers want.

In 2003 Kongsberg devoted approx. NOK 1 billion, or some 15 percent of its turnover, to research and product and market development. In addition to this “everyday” innovation, which is absolutely key to looking after profits in the years to come, Kongsberg is also engaged in developing and organising the establishment of entirely new commercial ventures, both within and beyond our current core areas.

Innovation involves both creation and commercialisation. The creative aspect may concern new products, technologies, services, processes or new working methodologies. For a business to label itself as innovative, it must be continually ready to develop something new and, in parallel, to develop markets for it. The commercial challenges are just as significant as the technological or conceptual ones.

It is our intellectual capital that provides the basis for innovation and value creation. It is the primary factor in our *raison d'être* and in our ability to create value in the future.

The most important requirement for innovation is the organisation's human capital. In knowledge-based companies, it is what the employees have in their heads that makes the business. We are therefore actively committed to putting in place the conditions to allow our employees to increase innovation.

Kongsberg operates in many different markets with a variety of different products, although often based on the same technology platform. One of the challenges is to exploit investments that have already been made in different parts of the company. We therefore attach importance to stimulating cross-company cooperation in order to exploit product concepts and basic technology as cost effectively as possible.

The need for innovation is increasing and products are having shorter lifespans, markets are changing and new markets are opening up. This is challenging but also offers opportunities. Our objective is to be at the leading edge and exploit these opportunities.

One example of innovation in Kongsberg is the development of control systems for bulk tankers carrying liquid natural gas (LNG). At the end of the 1990s, the offshore market and activities in the sector were on the decline. Kongsberg therefore needed to find new applications for the existing technology in order to sustain growth. At the time, activity in the LNG market was on the increase. In the 1990s this market was dominated by Japan, and Kongsberg had no systems or products in this area. It was a market that, on the face of it, would be ideal for Kongsberg if systems and products were developed quickly. The product that was targeted was similar to the automation and control systems that Kongsberg had had extensive experience of supplying to other types of vessels.

There was no lack of scepticism internally about whether we would succeed – we had previously dabbled in this market without success. The lesson from that period was that in order to overcome the resistance from established suppliers, you needed to have put together a comprehensive project incorporating both sales and product development strategies.

Some technical adjustments had to be made. Development of the system itself was given high priority in our maritime division. In order to expedite matters, Kongsberg's most skilled technologists were assigned to the project. But a

project of this sort needs more than just technically skilled staff. The participants have to have a lot of faith in the project.

At the same time, the organisation began working on market potential. The market was growing at a furious pace at the end of the 1990s. We needed to turn out quick results. The marketing work was given very high priority.

Cooperation with the Høegh shipping company was crucial for the project. Høegh wanted to upgrade an old ship into a modern LNG vessel, and this was to include modernising the control and automation systems. Høegh became the first customer to provide us with references. During this phase we learnt a lot about the market and about the procedures on board an LNG vessel. Customer relations were absolutely critical – close dialogue and daily contact. Our cooperation with the Bergersen shipping company also helped us to succeed with the LNG project.

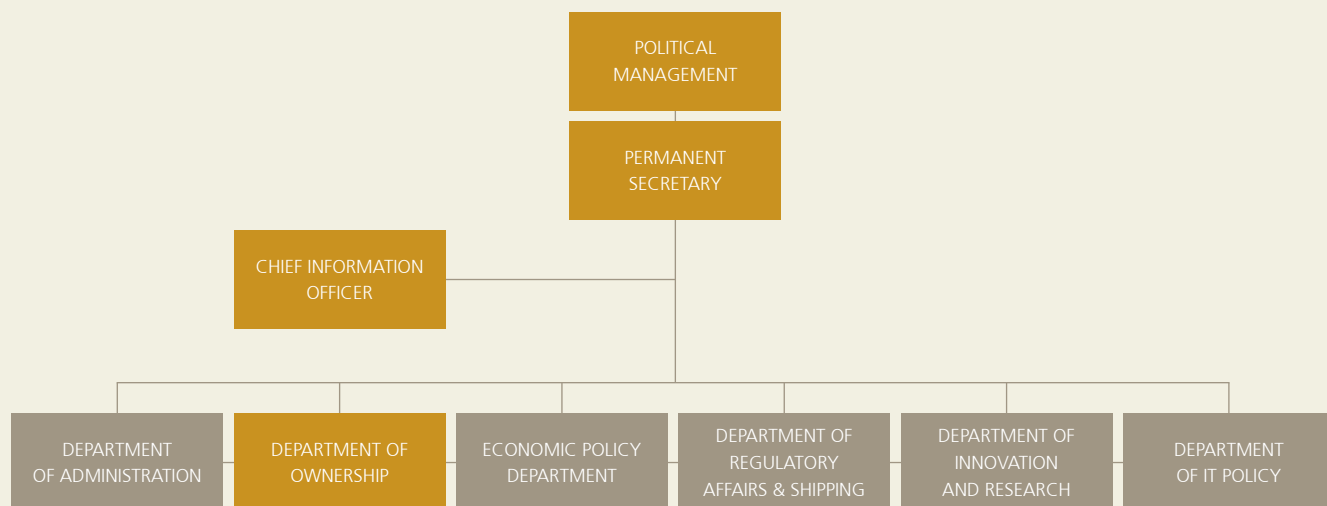
After the first contract was completed, new customer relationships with shipowners and shipyards had to be built up. The surveys we had carried out during the latter half of 1999 seemed to be holding water. There was indeed a large market potential. The contracts flowed in, not by chance, but out of an interaction between individual initiative, enthusiasm and technical know-how linked to an ability to adapt and innovate, and to excellent customer relations. Currently, we have received 50 contracts worth a combined value of some NOK 600 million.

On an international scale, Kongsberg is a small group. Being small can have its competitive drawbacks, but there are also advantages. In a world where the demand for innovation is increasing, a small and decisive organisation has an obvious edge. Concepts quickly become decisions and decisions are rapidly turned into action. Kongsberg possesses these qualities. We can innovate quickly, in terms of products, marketing and organisation.

The ability to innovate is one of our most important competitive advantages and an important precondition for creating value in the long term.







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