



NSB-Group



Annual report 2012

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Important events in 2012

Long term agreement secures an improved passenger train offer

The Ministry of Transport signed in January 2012 a deal with NSB regarding purchase of passenger rail services with a total value of 15.4 billion NOK. The deal covers the period 2012 to 2017, and a prerequisite is the introduction of a new and improved route offer for Eastern Norway from 2014.

Billion NOK sale in Bjørvika, Oslo

Oslo S Utvikling AS (OSU) is owned by the NSB subsidiary Rom Eiendom AS, together with Entra Eiendom AS and Linstow AS. OSU has sold the three DNB headquarter buildings in Bjørvika in Oslo for a total of 4.8 billion NOK. The buildings have a floor area of about 80 000 square meters and will be the work place for 4 200 DNB-employees. The buildings will be finished and delivered to the new owner in the period 2012-2014.

Introduction of the NSB-app

The NSB-app for train ticket purchase was introduced in February, and the mobile phone is thereby a new ticket vending machine. The app is the main reason why 70 % of passenger train ticket sales were purchases by self-service in 2012.

Train derailment

On the 15th of February one of the new trains, type 74, derailed during a test drive at Nykirke on the Vestfold line. None of the five persons aboard were seriously injured.

The accident has been investigated by Statens Havarikommisjon (Accident Investigation Board Norway) which has not found faults with the train which would have caused the accident. The test program was stopped for a period before final testing and introduction into ordinary traffic was resumed.

First journey on the new train

The first departure with the new regional train type 74 took place on Wednesday 2nd of May from Oslo Central Station to Skien. Several of the ordered 50 new trains have been put into service after passed acceptance tests. The trains service the regional lines Skien-Lillehammer (type 74), and the long local train service between Eidsvoll and Kongsberg (type 75). The name given by the train producer Stadler is; Fast Light Innovative Regional Train (FLIRT). In addition to the 50 trains which are being delivered and put into service, NSB has ordered 16 local trains type 75. The first trains of this order will be delivered in 2014.

Honours award to NSB

The Norsk Designråd (Norwegian Design Council) has given NSB an honours award for design excellence for the new train types 74 and 75. The Council states that NSB is a locomotive for inclusive design in Norway.

Closure of rail lines

Weakened infrastructure has influenced the ability of NSB to meet customer quality expectations. During 2012 for example, the Dovre line was closed for over two months, which reduced the offer to the customers, reduced revenue and increased deviation costs. A large no. of customers have therefore chosen other suppliers due to closure of train lines.

Large population growth increases transport demand

The population of Norway is expected to grow by one million in the next 16 years. The largest part of the growth will occur in and around the larger cities, which will lead to an increased demand for transport. There is political agreement regarding the need for development of public transport, and the ambition of the government is to give the railways a more central role in the transport system.

The NSB recommendation to the National Transport Plan is to increase train capacity during rush hours to and from Oslo and deliver a good intercity service in Eastern Norway. In addition NSB has explained how the service around Stavanger, Bergen and Trondheim can be improved.

Bus tracking

Customers of the express product TIMEkspresen in Eastern Norway can track the bus on the internet. The new tracking system can show the bus position both on mobile phone and tablet computers. Nettbuss is so far the only bus company to use its own GPS-system to give customers real time positioning of the buses.

Major rescheduling of train timetables

The 9th of December a major change in the train timetables was introduced. This was the start of a major improvement in the route offer which will be finalised in December 2014. The changes will primarily give the customers in the central parts of Eastern Norway a much better route offer than today, for example through 10 minute departures for local trains.

CEO REPORT

2012 has on average been a good year for the NSB-Group. The financial results are satisfactory, the quality of our delivery has improved, and our customers are more satisfied, even though there is still potential for improvement. The profit development is not satisfactory in all our areas of operations, but results are good in the real estate and passenger train operations. The group profit before income tax of 853 MNOK and return on equity of 11.4 % are among the best in the history of NSB. In 2012 we reaped the financial benefits of our long term work with development and sale of property in Bjørvika, Oslo, through our associate Oslo S Utvikling AS. The operating profit of the passenger train operations have improved due to increased revenue and reduced operating expenses, while the losses in the freight operations are considerably reduced, especially because of the restructuring of operations in Sweden.

During the year we have introduced 30 of the 50 new regional and local trains of the Flirt type (Fast, Light, Innovative, Regional Train), and in December we implemented the first part of the change in timetable that will improve the passenger train offer for most of the passengers in Eastern Norway. We hope that more departures and increased capacity in the Oslo area will increase customer satisfaction and the no. of passengers. In parallel with the delivery of new trains and adjustment and increased capacity in the infrastructure we will increase our route offer even more. Due to improved infrastructure and passenger trains punctuality is improved, and is near the goal of 90 %.

CargoNet which operates our freight business is in the middle of a turnaround. The restructuring of the operations in Sweden have improved the results for this part of the business from a large loss to a small profit, while the Norwegian operations still has challenges regarding both quality of delivery and profitability. The closure of the Dovre line for two months during the spring of 2012 was challenging both for us and the customers. The quality of delivery has improved during the year, and CargoNet continues to adjust operations in Norway.

Nettbuss has expanded through acquisitions and new tenders, among others through acquisition of the bus operations of Fjord 1. As a result the bus operations have increased its strength in Western Norway and in the express bus market in Norway. The no. of travels has increased by 5.4 per cent to 133 million, and the no. of employees has increased by 890. The profitability in 2012 was not satisfactory. The competition through tenders in the bus market and demand for new environmental friendly buses has resulted in impairment of bus values and reduced margins. Low margins are now typical for the business. To achieve the necessary profitability in the bus market this development has to be incorporated in the pricing of new tenders.

Rom Eiendom has received a lot of attention regarding the development of building projects near Oslo Central Station and Bjørvika. The three headquarter buildings of DnB were in 2012 sold by our associate Oslo S Utvikling AS, and this has had a major impact on the profit of the year. Rom Eiendom will continue to develop good public transport hubs and commercial properties and dwellings in connection with these.

This spring the National Transport Plan 2014-2023 will be debated and decided on in the parliament. We have in our input to the plan «Oftere, raskere og mer miljøvennlig» described how the NSB-Group can help to develop a total and seamless public transport offer in Norway. We have shown how public transport hubs, train and bus together can meet the increased demand for transport driven by the expected growth of population in and near city centres. Make the infrastructure available, and we will help to get the passenger to and from jobs and holidays!

I have been lucky to work with NSB-employees for more than a year as CEO of the NSB-Group. It has been an eventful year. Our employees have worked day and night to be able to give our customers a really improved service. More trains are punctual and our profits are improving. It is important for us to succeed in making every day better for our many thousands of customers.

My grateful thanks to all who have contributed to the results of 2012!



Geir Isaksen
CEO
NSB-Group

REPORT OF THE BOARD OF DIRECTORS

Summary of the results and development of the NSB-Group for 2012

- The operating profit is 1 192 MNOK (312 MNOK)
- Return on equity is 11,4 %
- An increase in the number of train passengers and improved operating result in the passenger operations
- The number of passengers in the bus operations increased
- Restructuring and improved operating profit in the freight operations
- Considerable gains on sale of development property
- Closure of the Dovre line for two months due to landslide led to cancelled departures and affected especially the freight operations negatively
- Improved punctuality both for passenger and freight operations (rail)

Important events

The NSB mobile app for ordering and purchasing tickets has been well received by the customers. Already more than 300 000 have downloaded the app, and this is one of the reasons why 70 % of ticket sales were purchased by self-service in 2012.

The Dovre line was closed due to a landslide from 13th of March to 9th of May. Especially the freight traffic was negatively affected, and a large no. of freight trains had to be cancelled with negative impact on income and profits.

In the beginning of May the first Flirt train (type74) was introduced on the passenger line Skien-Lillehammer. By the end of the year more than half of the 50 new trains had been received by NSB.

On the 9th of December a new timetable was introduced, with an increased no. of train departures for both regional and local trains.

In 2012 Nettbuss acquired the shares in the bus operations of Fjord1.

Oslo S Utvikling AS, of which the NSB real estate operations own 33 %, sold the DnB head-office buildings in Bjørvika, Oslo, for 4 800 MNOK.

Profit development

Profit before tax is 853 MNOK (81 MNOK). The operating result is 1 192 MNOK (312 MNOK). The change is mainly due to:

- Improved results in the real estate operations due to sale of development property
- Improved profit in the passenger train operations, mainly due to increased no. of passengers, increased public purchase of train services and reduced deviation and energy costs
- Reduced operating result in the bus operations mainly due to impairment of goodwill and buses
- Improved operating result in the freight operations mainly due to restructuring in Sweden and improved efficiency in Norway
- Unrealised fair value changes on interest rate swaps of – 112 MNOK (- 220 MNOK)

Net financial income is – 328 MNOK (- 342 MNOK).

As of 1st of January 2012 the NSB-Group changed its principle for the measurement of investment property from historic costs to real value as this is considered to give better and more relevant information for the users of the financial accounts.

The NSB-Group changed on the 1st of January 2012 the reporting of actuarial gains and losses from the corridor method according to IAS 19 to immediate recognition of actuarial gains and losses over the profit and loss statement. The accounts for 2011 have been recalculated for comparison purposes. For further information see the principle notes and note 20.

Pension costs related to defined benefit plans are apportioned linearly over the time of employment and the liability is shown in the balance sheet as the present value of future payments. The main method for the present value calculation is to use the market based interest of corporate bonds of high rating. The best estimate has up to now

been to use government bonds as a basis for determining the discount rate. In 2012 the best estimate is that Norwegian bonds (OMF) have both a deep market and a rating which will be a good basis for determining the discount rate. The effect is that the present value of pension liability is considerably reduced, and the consequence is shown in equity due to the positive effect on actuarial gains.

Summary of results and development for the business operations

Passenger train operations

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

Operating income for passenger train operations was 5 849 MNOK (5 380 MNOK), an increase of 8,7 % compared to the previous year. A significant part of the change is due to an increase in passengers and public purchase of passenger train services. The number of passenger kilometres in the Norwegian market increased by 3,8 % to 2 827 million, while the number of journeys increased by 2,6 % to 53,8 million. The growth increased during the second half of the year.

The operating profit at 373 MNOK (- 2 MNOK), was improved by 375 MNOK. The improvement is mainly due to increased income and reduced cost related to energy and deviations.

A new timetable with significant changes and increased route offer was introduced the 9th of December. The main change was an increased route offer in the eastern part of Norway. Minor changes and improvements will be implemented as an effect of experience and the delivery of new trains. The next major change in timetable with a further increase of the route offer will take place in December 2014. The delivery of the new regional and local trains is going according to plan. 23 regional trains (type 74) and 7 local trains (type 75) were introduced on lines in eastern Norway by the end of the year. The new train sets have been well received by the customers but the seat width on the regional trains has been criticised by the commuter interest organisations. NSB has decided to replace some of the seats. All of the 50 new trains will be delivered by the end of 2014. 16 additional new trains will be ordered.

Bus operations

The bus operations consist of 35 companies, including the parent company Nettbuss AS, and operate in Norway, Sweden and Denmark.

The operating result is - 13 MNOK (103 MNOK). The Nettbuss Group's operating income for 2012 is 5 598 MNOK (4 864 MNOK), an increase of 15 % from the previous year. The increase in operating income is mainly due to acquisitions and new regional contracts, while the reduction in profit is primarily due to impairment of buses and goodwill.

The bus operations bought 100 % of the shares in the Fjord1 bus operations in 2012. This strengthens the operations in the western part of Norway and the express-bus segment.

The bus operations transported 133 (126) million passengers, an increase of 5.6 % from 2011. The express bus TIMEkspresen transported 3.9 million passengers, compared to 4.6 million in 2011.

The bus operations took part in several tenders in 2012, and started to drive new routes in Hamar and Bergen. New routes were also started in Denmark. The bus operations lost the tender for bus routes in Trøndelag, but won already operated tenders in Østfold and Kongsberg/Vikersund. Nettbuss will also start bus routes in Lund in Sweden and in Oslo in 2013. The bus operations have contracts in several regions which so far have not been put out for tender. This includes contracts in Hedmark, Buskerud, Aust-Agder, Sogn og Fjordane and Møre og Romsdal. Over the next few years the major part of this traffic will be put out for tender. In 2013 this includes the Nettbuss contracts in Drammen, Kristiansund, school bus routes in Trøndelag, Nordfjord and Nord-Gudbrandsdalen.

Freight operations

The profit improvement in 2012 is mainly due to the restructuring of the Swedish operations planned in 2011, and carried through in 2012. Cost reductions have been carried through in the Norwegian part of the operations, and maintenance services have been outsourced to the NSB train maintenance operations.

Operating income is 1 094 MNOK (1 452 MNOK), and the operating result is -70 MNOK (-202 MNOK). Income is reduced and operating result is improved mainly due to restructuring of the operations in Sweden.

The freight transport market has been stable, but competition is increasing, especially from foreign operated trucks. The freight operations has therefore adjusted capacity on several lines, and closed the offer on the line between Oslo and Malmö, Sweden, from December 2012.

Punctuality has improved after a rough start due to winter problems on the Oslo-Narvik line and closure of the Dovre line in March/April. Punctuality in Norway ended up at 91 %. The no. of cancelled departures due to unforeseen closure of infrastructure was 369.

Train maintenance

Train maintenance is operated by Mantena AS which was established in 2002 continuing the maintenance activities of NSB. The train maintenance operations maintain the trains of NSB AS, Flytoget AS, Gjøvikbanen AS and CargoNet AS in Norway.

Mantena operates in Sweden through the subsidiary Mantena AB which has workshop and main office in Helsingborg, and maintains trains for Skånetrafiken. The Swedish operations also maintain trains on contract for Østergötapendelen and Norrtåg in Umeå.

Mantena AS owns 50 % of TBT AB which maintains the trains used for the Stockholm Underground. This contract runs until 2017 with an option for extension of 6 years.

The operating income is 1 498 MNOK (1 525 MNOK). The operating profit is 30 MNOK (18 MNOK).

Real estate

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

The development of efficient and environment friendly traffic hubs has had priority for a number of years, and this work will continue. One of the goals of the climate and environment strategy is to reduce energy consumption and CO₂ by 20 % before the end of 2015 and the use of water reduced by 5 %. The ambition is also that new buildings shall at least be within energy class A and BREEM-NOR Excellent.

The projects in the 33 % owned Oslo S Utvikling AS have been successful. The sale of flats in the 50 % owned companies Grefsen Utvikling AS and Jessheim Byutvikling AS has been good. Both these projects will continue for a number of years.

The real estate operations comprise a rental area of approx. 730.000 square meters, property development potential of about 2 million square meters, and achieved an operating profit of 877 MNOK (387 MNOK). The change is mainly due to increased sale of development projects.

Supportfunctions

The support functions are separated into limited liability companies. NSB Trafikkservice AS supplies the cleaning services on the trains. Arrive AS supplies IT-services for the Group. Finse Forsikring AS works on the NSB-Group's risk handling, through limiting the economic effect when accidents occur, as well as minimizing the Group's risk expenses.

The operating result for the support functions is - 5MNOK (8 MNOK).

Corporate governance

Ownership

The NSB-Group is one of Norway's largest transportation groups. The parent company NSB AS is owned by the State of Norway, represented by the Ministry of Transport and Communications. The Group's headquarters is in Oslo, while operations are spread throughout most of Norway, and in certain parts of Sweden and Denmark.

Organisation

The Group is divided into several areas of operations:

- Passenger train operations consist of NSB AS and the subsidiaries NSB Gjøvikbanen AS and Svenska Tågkompaniet AB
- The bus operations consist of the activities in the Nettbuss-Group
- The freight train operations consist of the activities in the CargoNet-Group
- Train maintenance operated by the Mantena-Group
- The real estate operations consist of the Rom Eiendom-Group

Goals and strategies

The NSB-Group main goal is to create value for the owner and the community through efficient, available, safe and environment efficient transport of passengers and goods.

The NSB-Group shall

- avoid injuries to people and damage to the environment
- be the leading land-based transport company in the Nordic region
- generate profits
- have satisfied customers
- have highly qualified and motivated employees
- maintain financial freedom of action

Internal control

The NSB-Group follows the Norwegian recommendation of corporate governance with adaptation to the ownership structure, and has adopted guidelines for corporate governance. These are enclosed in the annual report and available on the NSB homepage.

In addition governance is based on the government principles for good ownership. In the articles of association the company social mission is specifically described as to provide efficient, available, secure and environment friendly passenger and freight transport.

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

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

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

The NSB-Group has a profit after tax for 2012 of 729 MNOK (26 MNOK), an improvement of 703 MNOK. The operating profit is 192 MNOK (312 MNOK), a reduction of 880 MNOK. The improvement is mainly due to sale of development property and improved operations in the passenger operations.

The parent company NSB AS shows a profit after tax for the year of - 10 MNOK (- 60 MNOK). Group contributions from subsidiaries in the amount of 0 MNOK (213 MNOK) are included in the result. Operating profit for the parent company is 363 MNOK (51 MNOK). The change is mainly due to increased public purchase of passenger train services, increased number of travels and reduced deviation and energy costs.

The Group net cash flow from operations is 2159 MNOK (836 MNOK). The difference from operating profit consists mainly of depreciation and impairment of 1 419 MNOK, difference in cost and cash effect of pension costs, and changes in the working capital. Net cash flow used for investments is 3 255 MNOK (1 261 MNOK). This includes 3 271 MNOK in acquisition of property, plant and equipment as well as investment property. Dividend was not paid to the owner in 2012. Investments were mainly used to increase capacity and profitability within the Group's business segments.

Including this year's profit, owner's equity for the parent company is 5 832 MNOK (5 620 MNOK). The equity ratio is 32 % (35 %). Distributable equity for the parent company before dividends for this year is 296 MNOK. For the NSB-Group, owner's equity is 7 302 MNOK (6 006 MNOK), an equity ratio of 3 % (27 %).

The Group return on equity is 11.4 % (0.4 %).

The Group current liabilities are 4 545 MNOK.

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

Dividend	176 MNOK
Allocated to retained earnings	36 MNOK
Sum allocated	212 MNOK

The accounts have been submitted under the assumption of continued operations.

Risk**Financial risk**

The Group activities expose the Group to a variety of financial risks: market risk (including currency exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group financial performance. The Group utilizes derivative financial instruments to reduce some of the risk exposures. The NSB-Group financial risk management is described in note 29.

NSB borrows money in the markets and the currency that offers the most favourable terms. Borrowings in foreign currencies are converted to Norwegian currency through currency swap agreements. NSB has a goal of minimising currency risk in its financial management. NSB has exposure to currency risks in its daily operations to a minimal degree, due to the fact that its income and expenses primarily occur in NOK. If there is an agreement for a considerable purchase in foreign currency, the currency risk is covered at almost 100 % during the course of the agreement.

NSB is exposed to changes in the interest rate level. The parent company uses financial instruments to reduce interest rate risk and to achieve its desired interest rate structure. Guidelines have been established, regulating what portion of total outstanding debt that is to be subjected to interest rate fixing during a 12 month period, and for the duration of the loan portfolio.

Surplus liquidity is invested in short-term Norwegian bonds and commercial papers. Changes in interest rate can affect the value of the portfolio, the papers are however normally held until maturity. Limits for exposure towards certain sectors and institutions are established based on credit evaluations.

The current guidelines state that the loans which mature during the next twelve months should be covered through excess liquidity and committed credit facilities. The NSB-Group has a goal of having a free liquidity of at least 500 MNOK.

NSB has covered its borrowing needs for 2012 satisfactorily through a loan at the beginning of the year. There is still unrest in the financial markets, and there is uncertainty related to what margins will be achieved in the future. NSB has a high focus on financial risks and how to minimize these.

Operational risk

Analysis of operational risks is done systematically, for example for traffic safety and the achievement of financial goals. Based on the risk analysis, control activities reduce identified risks, including automatic controls, audits and analysis related to special risk areas. The status for internal control is annually monitored through internal audit reports and continuing analysis of financial performance.

Social responsibility**Owner expectations**

The Ministry of Transport and Communication has in the articles of association clarified that the board shall ensure that the company is socially responsible. The company shall annually report on this to the owner through the annual planning document (§ -10-plan). The social responsibility expectations are based on national and international conventions, guidelines and norms, with a special focus on human rights, environment/climate, and the work against corruption.

Ethics and social responsibility

The board of the NSB-Group has adopted guidelines for company ethics and social responsibility which are implemented in the business operations and published on the NSB homepage. The group status and efforts regarding social responsibility is published in an annual report.

Punctuality

Passenger train punctuality was 89.7 % in 2012. This is an improvement of more than two percentage points compared to 2011, and marginally below the goal of 90 %.

The National Rail Administration registered 18 247 delay hours in 2012 compared to 26 913 in 2011, a reduction of 32 %. The no. of delay hours includes delays caused by infrastructure, NSB and external causes. NSB passenger train carries the responsibility for a total no. of delay hours in Norway of 10 214 (16 177), which is 56 % of the total no. of delay hours for the year. This is a decrease in the no. of delay hours of 37 %.

The infrastructure is still the cause of the highest part of delay hours for the passenger train operations with 4 248 hours (42 %), followed by the passenger train operations with 2 811 hours (28 %). The delay hours caused by the passenger train operations is due to station delays of 1 378 hours (49 %) and rolling stock faults by 891 hours (32 %). Delay caused by rolling stock was reduced by 12 % and station delays by 50 % compared to 2011.

The passenger operation works continually to modify the rolling stock as well as maintenance programs, and at the same time renewing the passenger train pool. This as well as introducing a more robust timetable and efforts to reduce station delays contributes to improvement in punctuality.

Jernbaneanverket (The Norwegian National Rail Administration) has introduced measures to improve punctuality, including measures on the line between Skøyen and Bryn in Oslo during 2012.

Punctuality for NSB Gjøvikbanen AS in Norway was 92 % (88 %), and for the Swedish subsidiary Svenska Tågkompaniet AB 91.5 % (88 %).

Traffic safety

No passengers or employees perished due to the transport activities of the NSB-Group in 2012.

In the passenger train operations two persons perished after collisions on the rail track. One of these accidents is still under investigation. In the other accident the police have closed the case without conclusion. These will therefore according to the Norwegian Railway Authority definition be classified as railway accidents.

In addition one serious accident occurred during 2012. On the 15th of February a new regional train type 74 derailed during a test drive at Nykirke on the Vestfold line. Three NSB employees and two employees from contractors were injured, of which two stayed in hospital more than 24 hours. Both train and the infrastructure were extensively damaged. The accident has been investigated internally and by Statens Havarikommisjon (Accident Investigation Board Norway) and measures have been identified and put in action.

No persons perished and no serious accidents occurred in the freight operations in 2012.

In the bus operations there were two fatal accidents during 2012. In both accidents passenger cars crashed with the bus, and Nettbuss was found not guilty in both cases.

Work environment and equal rights

A safe and good work environment is a prerequisite for motivated employees, and also to ensure that the NSB-Group reaches its goals. Satisfactory work environment is also important for successful traffic accident work. The work environment measures shall prevent accidents, and risk assessment is an important part of this work. Measures shall be based on hard facts, and key performance indicators for this area are employee absence and injuries, no. of potential accidents, and employee satisfaction.

Absence due to illness for the Group is 7.8 % (8 %). Absence has increased somewhat in the passenger train, freight and train maintenance operations, while absence in the bus operations is stable. Absence was reduced in the real estate operations.

Most companies in the Group are IA-companies (inclusive labour market). As an IA-company, NSB primarily works to reduce absence due to illness.

NSB works to ensure equal rights among employees and especially focus on this during recruitment, advancement and job related training/schooling. NSB wants to emphasize diversity which reflects a cross section of the Norwegian society.

The share of female employees in NSB AS is about 29 %, the same level as in 2011. The share of females in leadership positions in the NSB-Group's companies and different business segments vary. The shareholder elected board members in NSB AS have a share of 40 % of females, and the Chairman of the Board is a female. The Group Management Board are all men. The share of females in the passenger train operations leadership group is 33 %.

The female share of recruitment in NSB AS was reduced from 50 % in 2010 to 48 % in 2012. The average salary has for a no. of years increased more for women than men, but the relative salary increase has been marginally lower for woman than men the last two years. The average remunerations for women in the parent company NSB AS is 86 % of that for men, and average working hours 1,7 hours less than for men. The share of women with low salaries decreased by 0.6 % to 63 %, while the share of women with high salaries is stable at 23 %. The share of employees in NSB AS with an immigrant background is 7.6 % (6.9).

External environment

NSB's major contribution to reduction of greenhouse gas emissions is to increase public transport on rail and bus as well as the volume of goods transported by rail. The NSB-Group also works to increase the relative importance and level of public transport by development of property at and near public transport hubs.

NSB has presented the document "Oftere, raskere og mer miljøvennlig" as its contribution to the National Transport Plan 2014-2023. In this document NSB shows how the train transport together with other public transport will be able to meet the growth in transport need due to the expected growth in the population by 20 % up to 2028. This requires investment in infrastructure and new trains. The gain will be increased mobility through higher route frequency, reduced travel time, increased capacity and punctuality.

An important part of the group work to reduce its environmental footprint is to increase the level of public transport. This is reflected in the group strategic environment plan. The main part of the energy for passenger and freight traffic on rail is supplied by green electricity.

Customer satisfaction

Customer satisfaction increased by one percentage point to 69 for the passenger operations compared to the autumn 2011 survey. A score under 60 is weak, while over 70 is good. Punctuality is the most important factor which affects customer satisfaction, and the surveys show that our customers experienced an improvement in this area compared to 2011. The local trains in the Oslo region have the lowest satisfaction level. Due to improvements in infrastructure, timetable and passenger trains, we expect improvement in this area in 2013.

The survey shows that the most important improvement areas are:

- Punctuality
- Bus transport during deviations
- Information during deviations
- The route offer

The NSB reputations survey confirms that the NSB-Group has improved its reputation in the populace as a whole.

The customer survey for 2012 shows, that the customers are well satisfied with the quality of the express bus routes. The average for all express bus routes increased to 83 (82).

Future challenges

The economic activity in Norway is high, unemployment rate is low, and state finances are good. There is still uncertainty regarding market development. The debt and finance unrest in Europe and USA can affect the demand for Norwegian export goods, reduce supply in the loan market and increase the cost of debt. The unrest may also influence the markets in Sweden and Denmark where we are established both within passenger train, bus and train maintenance operations.

According to Statistics the population in Norway will increase by 20 % up to 2028. Most of this growth will occur around and in the larger cities. Up towards 2040 the population growth in the larger city areas in Southern-Norway is expected to be 40 % from the present level. The growth is highest in the areas where the transport systems already experience capacity problems.

Even if the road system is expanded, roads will only be able to absorb a limited part of the growth in transport needs. Most of the growth has to be solved by public transport – i.e. rail and bus transport. This is a challenging future with possibilities for the NSB-Group.

To facilitate public transport growth, investment in quality and capacity improvement for the infrastructure is necessary, as well as an improved route offer and development of offices and dwellings on and around public transport hubs.

The NSB-Group will through its train, bus and real estate operations develop solutions to meet the future demand for efficient, safe and environmental transport. These possibilities are described in the NSB input to the National Transport Plan which will be debated in the parliament in 2013.

NSB is already redesigning and expanding the railway route offer, which will considerably increase the capacity in Eastern Norway. With the timetable change in December 2012 the first part of the new offer was introduced, and the rest will be introduced at December 2014. At the same time NSB invests in new trains, and 50 new regional and local trains will be in service by the end of 2014. The capacity in seat kilometres will grow by 21 %. If the infrastructure is improved as described in the NSB input to the National Transport Plan, the NSB-Group will start an investment programme of up to 150 new trains during the next 10 year period.

All passenger wagons on the long regional train lines will be upgraded by the end of 2013, while the passenger train sets type 73 will be upgraded during 2013 and 2014.

The real estate operations develop projects near public transport hubs. The development in and around Oslo Central Station continues, with the development of Bjørvika and two headquarter buildings in Schweigaardsgate. At Grefsen in Oslo and at Jessheim a considerable number of flats are being built together in cooperation with local real estate companies. Large projects are being planned or are under development in Drammen, Fredrikstad, Kristiansand, Sandnes, Bergen and Trondheim as well as public transport hubs at Gjøvik and Hamar.

NSB will develop the bus operations to be able to meet the expected growth in demand for public transport. Nettbuss is a major supplier of local route and bus services to Norwegian cities and local communities in Oslo, Akershus, Hedmark, Oppland, Buskerud, Telemark, Aust-Agder, Rogaland, Møre og Romsdal, and Sør og Nord Trøndelag. Nettbuss also operates a network of express buses in Scandinavia, for example the popular TIMEkspressen, Bus4You, and GoByBus. The express bus offer will grow in 2013, through among others improved express route offers in Østfold, Bergen and Sandnes.

The NSB-Group works actively to improve the profitability of the freight operations through closing down unprofitable parts of the operations, reduce costs and increase volumes. A stable infrastructure is a prerequisite to secure customers a trustworthy and punctual delivery.

NSB wishes to take part in the expected traffic growth through public transport, and help to achieve growth in transport of goods on rail. This necessitates increased investment in infrastructure, public transport hubs as well as development of rail terminals. The gain for society will be good and environment friendly mobility through higher route frequency, shorter travel time, increased capacity and good punctuality.

2012 has in general been a good year for the NSB-Group. The Board would like to thank the NSB-Group's employees for their efforts in 2012, and looks forward to common efforts to develop the NSB-Group according to the present challenges and possibilities.

Oslo, 14th of February 2012



Ingeborg Moen Borgerud
Chairman of the board



Bjarne Borgersen



Tuva Barnholt



Tore Heldrup Rasmussen



Erlend Helle



Audun Sør-Reime



Rolf Jørgensen



Jan Audun Strand



Geir Isaksen
CEO

Income statement

All figures in MNOK	Notes	2012	Restated 2011	2011
Operating revenue	5	13 780	12 328	12 328
Operating expenses				
Payroll and related expenses	24	6 510	6 008	6 075
Depreciation and impairment	25	1 419	1 254	1 286
Other operating expenses	26	4 659	4 754	4 760
Total operating expenses		12 588	12 016	12 121
Operating profit		1 192	312	207
Share of (loss)/profit in associates	9	31	5	5
Unreal. Value change inv. property	8	-42	106	0
Profit before financial items		1 181	423	212
Financial items				
Financial income	27	657	806	496
Financial expenses	27	873	928	618
Unrealised fair value changes	27	-112	-220	-220
Net financial items		-328	-342	-342
Profit before income tax		853	81	-130
Income tax expense	19	124	55	-4
Profit for the year		729	26	-126
Attributable to				
Non-controlling interest			25	8
Equity holders		729	1	-134
Total		729	26	-126
Other comprehensive income				
Profit for the year		729	26	-126
Deviation retirement benefit obligations	20	751	-1 256	
Change in value of reclassification of investment property	8	80		
Tax on items in comprehensive income	19	-270	352	
Currency translation differences			-8	-8
Total comprehensive income for the year		1 290	-886	-134
Attributable to				
Non-controlling interest		-18	6	8
Equity holders		1 308	-892	-142
Profit for the year		1 290	-886	-134

Balance sheet

All figures in MNOK			Restated		Restated	
	Notes	2012	2011	2011	2010	2010
ASSETS						
NON-CURRENT ASSETS						
Intangible assets	6	92	154	154	226	226
Property, plant and equipment	7	13 848	11 404	11 636	11 690	11 690
Investment property	8	3 351	3 021	854	2 663	872
Investments in associates	9	91	61	61	65	65
Financial assets		67	67	67	89	89
Total non-current assets		17 449	14 707	12 772	14 733	12 942
CURRENT ASSETS						
Inventories and development property	10	2 426	3 010	3 010	1 853	1 853
Trade and other receivables	12	1 756	1 596	1 596	1 517	1 517
Derivative financial assets	13	867	1 060	1 060	629	629
Financial assets	14	369	355	355	701	701
Cash and bank deposits	16	1 184	1 208	1 208	1 779	1 779
Total current assets		6 602	7 229	7 229	6 479	6 479
Total assets		24 051	21 936	20 001	21 212	19 421
EQUITY AND LIABILITIES						
EQUITY						
Ordinary shares and share premium	17	5 536	5 536	5 536	5 536	5 536
Retained earning		324	-925	962	209	1 242
Total		5 860	4 611	6 498	5 745	6 778
Non-realised gains - revalued inv. Property		1 449	1 393	0	1 290	0
Non-controlling interests		-7	2	4	18	18
Total equity		7 302	6 006	6 502	7 053	6 796
LIABILITIES						
Long term liabilities						
Borrow ings	18	8 763	7 921	7 921	5 690	5 690
Deferred income tax liabilities	19	703	287	480	611	511
Retirement benefit obligations	20	2 543	3 512	888	2 389	954
Provisions for other liabilities and charges	21	195	250	250	293	293
Total long term liabilities		12 204	11 970	9 539	8 983	7 448
Short term liabilities						
Trade and other payables	22	3 741	3 509	3 509	3 172	3 172
Tax payable	19	4	1	1	1	1
Borrow ings	18	402	173	173	1 913	1 913
Derivative financial instruments	13	398	277	277	91	91
Total short term liabilities		4 545	3 960	3 960	5 177	5 177
Total liabilities		16 749	15 930	13 499	14 160	12 625
Total equity and liabilities		24 051	21 936	20 001	21 212	19 421

Oslo, 14th of February 2013

 Ingeborg Moen Borgerud
 Chairman


 Bjarne Borgersen


 Erlend Helle



 Jan Audun Strand


 Tuva Barnholt


 Audun Sør-Reime


 Tore Heldrup Rasmussen


 Rolf Jørgensen


 Geir Isaksen
 CEO

Cash flow statement for the Group

	Notes	Restated		
		2012	2011	2011
All figures in MNOK				
Profit for the year before tax		853	81	-130
Deprec. And imparm. Of non-current and intangible assets	25	1 419	1 254	1 286
Gain/losses on disposal of property, plant and equipment		-87	-321	-321
Differences in pension cost through profit and loss and payment/disbursement of the defined contribution plan	20	-234	-134	-67
Net changes to other accruals	21	-54	-49	-43
Net unrealised fair value changes to financial instruments	27	112	220	220
Unreal. Fair value change inv. property		42	-106	0
Interest items (see below)	27	68	-1	-1
Share of profit/loss (-) from associates	9	-29	-5	-5
Changes to working capital (see below)		69	-43	-43
Taxes paid			-60	-60
Net cash flow from operations		2 159	836	836
Acquisition/sale of subsidiaries less cash acquired	32	-192	-22	-22
Additions/disposals of investments in associates	9	-4	22	22
Loans paid to/from single purp. Comp. Joint ventures		-6	0	0
Purchase of property, plant and equipm. (PPE) and investm. property	7,8	-3 271	-1 511	-1 511
Proceeds from sale of PPE		205	240	240
Dividends received	27	13	10	10
Net cash flow from investment activities		-3 255	-1 261	-1 261
Proceeds from borrowings		1 587	2 143	2 143
Repayment of borrowings		-495	-2 136	-2 136
Dividends paid to company's shareholder	17		-147	-147
Dividends paid to non-controlling interests			-1	-1
Net cash flow from financing activities		1 092	-141	-141
Net change in cash and bank deposits		-4	-566	-566
Cash and bank deposits as at 1 st of January	16	1 208	1 779	1 779
Foreign exchange gain/loss on cash and bank deposits		-20	-5	-5
Cash and bank deposits as at 31st of December	16	1 184	1 208	1 208

Specification of changes to working capital	2012	2011	2011
Change in developmental property	110	-1 164	-1 164
Change in inventories	10	7	7
Sale of developmental property		480	480
Changes to trade receivables and other receivables	-41	-79	-79
Changes to financial assets	11	343	343
Changes to trade and other receivables	-11	370	370
Changes in working capital	69	-43	-43

Specification of interest items	2012	2011	2011
Interest included in the income statement	27	211	122
Interest paid		-808	-504
Interest received		665	381
Interest items	68	-1	-1

Development in NSB-Group equity

2012	Notes	Ordinary shares and share	Restr. equity-investm.	Acc. currency translations	Retained earnings	Non-controlling interest	TOTAL
Equity 1 st of January 2012	17	5 536	1 393	-18	-907	2	6 006
Profit for the year			-30		759		729
Acquisition of non-controlling interest					-3	9	6
Other comprehensive income			86		493	-18	561
Equity 31st of December 2012	17	5 536	1 449	-18	342	-7	7 302

2011 Restated	Notes	Ordinary shares and share	Restr. equity-investm.	Acc. currency translations	Retained earnings	Non-controlling interest	TOTAL
Equity 1 st of January 2011	17	5 536	1 290	-10	219	18	7 053
Profit for the year			103		-102	26	27
Acquisition of non-controlling interest					9	-22	-13
Other comprehensive income				-8	-885	-20	-913
Dividends paid					-147		-147
Equity 31st of December 2011	17	5 536	1 393	-18	-907	2	6 006

2011	Notes	Ordinary shares and share	Restr. equity-investm.	Acc. currency translations	Retained earnings	Non-controlling interest	TOTAL
Equity 1 st of January 2011	17	5 536		-10	1 252	18	6 796
Profit for the year					-134	8	-126
Acquisition of non-controlling interest					9	-22	-13
Other comprehensive income				-8			-8
Dividends paid					-147		-147
Equity 31st of December 2011	17	5 536		-18	980	4	6 502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2012

All figures in the report are in MNOK.

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The consolidated financial statements were approved by the Board of Directors on 14th of February 2013.

1. ACCOUNTING PRINCIPLES FOR THE NSB-GROUP

1-1. General information

NSB AS (*the company*) and its subsidiaries (*the Group*) do business in the following areas:

- Passenger transport operations by train and bus
- Freight transportation by train
- Real estate operations
- Train maintenance
- Support functions, such as, train cleaning, to insurance operations and administrative services.

The NSB-Group has its main office in Oslo. All the shares are owned by the Norwegian Ministry of Transport and Communication.

1-2. Summary of significant accounting policies

The most important accounting principles which have been used to produce the Group accounts have been described below. The same principles have been used consequently throughout all periods, as long as nothing else is stated.

1-2.1 Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the notes.

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

1-2.2 Significant changes of principles implemented as of 01.01.2012

Pensions

The Group has changed its accounting principles on how to account for actuarial deviations, from using the corridor method to a direct charge of actuarial deviations over other comprehensive income. This change is within the current IAS 19 to harmonize with adopted changes in the standard and is considered to give a more reliable and relevant information. According to adopted changes in IAS 19R, actuarial deviations are to be included on the balance sheet in its entirety and the corridor alternative is no longer permitted.

At the implementation date of 1st of January 2012, non-balance sheet actuarial deviations for the Group of 2.624 MNOK increased the pension obligation, offset to other equity and deferred tax. The restated comparative numbers results in an increased pension retirement obligation of 1.435 MNOK as at 1st of January 2011 as well as reduced payroll and related costs in 2011 of 67 MNOK through reversed amortized actuarial deviations combined with actuarial losses of 1.256 MNOK in comprehensive income as at 31st December 2012, all numbers are gross before income tax.

Starting 1st of January 2012 the financial elements of the pension costs are presented as financial items and not as part of pension cost in the operating result.

Investment property

Acquisition of investment property is to be measured at cost. At the subsequent measurement date, one can choose between the fair value method or the historical cost method. The Group has been using the historical cost method for subsequent measurements. Starting in 2012, the Group has changed this principle to the fair value method, since this is considered to give more reliable and relevant information for this type of property.

At the implementation date of 1st of January 2012, by measuring investment property at fair value, the additional value of MNOK 1.936 increased book value to investment property; offsets are equity and deferred tax.

For a further description of the valuation as basis for estimated fair value, see a separate note for investment property towards the back of this report. There will also be a specification of the effects through restating comparative numbers including effects of reversing depreciation and fair value changes.

Overview of principle changes

As of the 1st of January 2012, the change in accounting principles will have a negative net effect of 496 MNOK on equity.

Restatement on comparative numbers for principle changes implemented 1st of January 2012

According to IAS 8, it is required that comparative numbers for 2011 are restated as if the changed principles had been used as of 1st of January 2011.

Below is a further specification of restated equity as of 1st of January 2011 with comparison to restated income statement and balance sheet per 1st of January 2012:

Restated equity 1 st of January after effects of principle changes	(MNOK)	2012	2011
Equity 1st of January before principle changes		6502	6796
Net reduction of equity 1 st of January as a consequence of principle change of retirement benefit oblig.		-1889	-1033
Net increased equity 1 st of January as a consequence of change in principle of investment property		1393	1290
Restated equity 1st of January after principle changes		6006	7053

Equity movements 2011 with restated numbers as a consequence of principle changes (MNOK)			
Equity 1st of January 2011 before principle changes			6796
Net equity effect of principle changes January 2011			
Fair value investment property 1 st of January		1290	
Change in retirement benefit obligation on the balance sheet		-1033	257
Other comprehensive income restated in the income statement 2011			-886
Other movements in equity in 2011			
Acquisition of non-controlling interest		-13	
Dividends paid to shareholders in 2011		-148	-160
Equity restated for the accounts as of 31st of December 2011			6006

Principle changes results in the following changes to comparative numbers

Profits

	Restated		Changes
	2011	2011	
Payroll and related expenses	-6 008	-6 075	67
Depreciation and impairment	-1 254	-1 286	32
Other operating expenses	-4 754	-4 760	6
Unreal. Value changes investment property	106	0	106
Tax	-55	4	-59
Profit for the year			152
Total amended items in other comprehensive income	-912	-8	-904
Total net amendments profit for the year			-753
Profit for the year			-134
Restated profit for the year 2011			-886

Balance sheet

	Restated		Changes	
	2011	2011	Reclass.	Equity effect
Property, plant and equipment	11 404	11 636	-232	
Investment property	3 021	854	232	1 935
Retirement benefit obligations	-3 512	-888		-2 624
Deferred tax	-287	-480		193
Total net equity effects 31.12.2011				-496

For a further specification per line item on the financial statement, we refer to the column for restated numbers that are presented with the ordinary statements at the beginning of this report.

Other than the changes in principles mentioned above, the Group has chosen not to adopt early any new or adopted standards or interpretations not yet effective or any other principle changes.

1-2.3 Standards, changes and interpretations to existing standards not yet effective and the Group has chosen not to adopt early

Other than the adopted changes in IAS 19 R that the Group essentially already have implemented within the current IAS 19 one has decided that interest expense and expected return on pension assets are replaced with net interest amount, which is calculated using the discount rate on net pension obligations (assets). Starting on 01.01.2013, the Group will adapt to this change, which results in the determined discount rate is to be used to calculate net return on pension assets. Based on the interest level at the end of 2012, this change will not result in significant changes in 2013.

In the spring of 2011, the IASB decided the new standard **IFRS 11 Joint Arrangement** which is approved by EU and will replace IAS 31 shares in joint ventures. The Group has considerable shares in single purpose companies that have joint control.

Based on the actual rights and obligations of the parties a concrete evaluation on all existing shares in single purpose companies has been made on whether it's a joint arrangement and if the companies should be classified as a joint venture in accordance with IFRS 11. Based on business form and agreements it is most likely that it should be classified as a joint arrangement. This conclusion results in that the equity method is to be used as the transition to IFRS 11 is implemented.

Implementing IFRS 11 will mean a transition from proportional consolidation to the equity method. Transition to the equity method will result in the share of joint ventures be classified as a net asset. Based on the Groups balance sheet as at 31st of December 2012, the change seems preliminary to result in a reduction of net assets and liabilities of approximately 895 MNOK. This will lead to an increase of 2 % to owner's equity ratio. The effects on the income statement will be presented net on one line as gain/loss on joint ventures.

The Group has decided to adapt to the ability to choose within today's IAS 31 with transition to the equity method starting on 01.01.2013.

Changes outside IAS 19R and IFRS 11 has been considered to not have a significant effect on the Group. This is presented below.

IAS 1 "Financial statement presentation" As part of IASB's annual improvement project, some minor changes have occurred in IAS 1. The changes result in requirement for entities to group items presented in "other comprehensive income" (OCI) per item, either in changes to equity or in the notes. Additionally, there is a requirement to allocate the elements in other comprehensive income in two groups that distinguishes between items that reverses in profit and loss and the items that doesn't.

IFRS 9 "Financial instruments" was issued in November 2009 and 2010 and replaces the parts of IAS 39 that relate to the classification and measurements of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12 "Disclosures of Interest in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities.

IFRS 13 "Fair value measurements" provides a precise definition of fair value and a complete description on how fair value is to be measured in IFRS and defines which additional information is to be included when fair value is used. The standard gives guidance on how it should be applied where its use is already required or permitted by other standards.

The Group will adapt to changes within IFRS 9, IFRS 10, IFRS 11, IFRS 12 and IFRS 13 when the standards are implemented within EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1-2.4 Consolidation

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered on the balance sheet date. Subsidiaries are fully consolidated.

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

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

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

(b) *Transactions and non-controlling interests*

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

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

(c) *Joint venture*

Associates are all entities where NSB exercises control in cooperation with other owners according to an agreement. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognise its share of profits and losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(d) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. In subsidiaries where we own 50 %, but do not have control, the companies are included as an associate. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost and include goodwill. Identified additional value is depreciated over remaining useful life, while goodwill is tested for a possible write-down as a part of the investment (see note 1-2.7).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounts have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

1-2.5 Segment information

Operating segments are reported in the same manner as internal reporting to the Group's chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocation of resources to and evaluating profitability within the operating segments is defined as the Group leadership.

1-2.6 Possible contract losses

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

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

1-2.7 Foreign currency translation

(a) *Functional and presentation currency*

NSB-Group's activities are mainly in Norway as well as some activity in Sweden and Denmark. Operating- income and expenses, purchases as well as financial expenses are mainly in NOK, SEK, DKK, CHF and EUR. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in NOK, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the unit's functional currency at the date of the transactions. Foreign exchange gains and losses from such transactions and from the translation of foreign currencies are recognised in the income statement.

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

Foreign exchange differences due to changes in amortized cost are charged to the income statement and other changes in balance sheet value are charged to equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) *Group companies*

The results and financial position of all Group entities that have a functional currency different from the presentation currency are accounted for as follows:

- i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- ii. income and expenses for each income statement are translated at the closing rate at the date of that balance sheet
- iii. all resulting exchange differences are recognised in other comprehensive income and separately specified in equity

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1-2.8 Property, plant and equipment

All property, plant and equipment (PPE) is shown at cost less subsequent depreciation. Cost includes expenditure which is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of PPE.

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

Investment properties, mainly office buildings, are held to earn rental income or for capital appreciation or both. These buildings are not utilized by the Group. Investment properties are shown at cost less subsequent depreciation.

Borrowing costs accrued during construction of PPE, are capitalized until the asset is ready for intended use. Land and buildings are not depreciated. Depreciation on other assets are calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Railroad vehicle	10 – 30 years
Buses	5 – 12 years
Buildings	10 – 50 years
Other fixed assets	5 – 30 years

The fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An impairment loss is recognised when the estimates recoverable value of the asset is less than its carrying value (see note 2.8). The Group will write down outdated technical assets or non-strategical assets which are no longer used.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Fixed assets (or groups of disposals) classified as assets for sale are recognised at the lower of balance sheet value and fair value deducted sales cost if balance sheet value is mainly recovered by a sales transaction and when a sale is considered to be probable.

1-2.9 Investment property

Investment property consists of property (land, building or both) that are owned for the purpose to achieve a long-term yield from rental income, increase in fair value or both.

At first time measurement, the property is included on the balance sheet at acquisition cost which includes direct transaction costs. Subsequent expenses are added to the investment property's value, when it is probable that future economic advantages will come to the Group and when the expense can be measured reliably. Other maintenance costs are to be included in profits in the accounting period they are incurred.

Subsequent measurement of investment property is at fair value. Fair value corresponds to assumed market values that are used in sales transactions between two independent parties. The values are estimated using external appraisers at each balance sheet date. The fair value determination is based on each separate property expected discounted future cash flow with individual risk adjusted yield. For a more detailed description of the appraisal method, see note for investment property. Changes in fair value due to changes in market value of investment property are included in profits and are presented on a separate line after operating income.

Transfers to or from investment property are carried out only through a permanent change in purpose/ usage of the property. When reclassifying property used by owner or developmental property (inventory) to investment property, the difference between the balance sheet value and fair value at the date of reclassification is included in other comprehensive income.

When selling investment property, the difference between net compensation and balance sheet value is included in profits.

1-2.10 Business combinations and intangible assets

The purchase method is used for business combinations. An allocation of purchase price is based on fair value of assets and liabilities acquired. Additional value outside the identified assets and liabilities is allocated to goodwill. If fair value of identified assets and liabilities is higher than the proceeds, the additional value is included in revenue. Allocation of purchase price related to business combinations are changed if new information about fair value is available within 12 months after acquisition date.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units at the acquisition date for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment.

Other immaterial assets

Advanced payments on contracts are classified as immaterial assets.

1-2.11 Impairment of non-financial assets

Fixed and intangible assets which have an indefinite useful life are not subject to depreciation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are tested for the amount by which the asset's carrying amount exceeds its recoverable amount.

A write down to the financial statement is performed using the difference between book value and recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1-2.12 Investments

1-2.12.1 Classification

The Group classifies its investments in the following categories: a) financial assets at fair value through profit or loss, b) loans and receivables, and c) financial assets available-for-sale. The classification is determined at the acquisition date and depends on the purpose for which the investments were acquired.

(a) *Financial assets at fair value through profit or loss*

Derivative Financial assets (see note 1-2.10) or financial assets held for trading purposes are classified at fair value through profit or loss. This category also includes financial assets which are recognised on the balance sheet initially to be at fair value in the income statement. Assets in this category are classified as such if its primary purpose is to result in profits due to short-term price changes. Derivatives are classified as available-for-sale, unless they are part of hedging. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet date (see note 1-2.12).

(c) *Financial assets available for sale*

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

1-2.12.2 Accounting and measurement

Purchases and sales of investments are recognised on transaction date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value including transaction costs, for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired, or have been transferred, and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments, are carried at amortized cost using the effective interest method. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement in net financial income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1-2.12.3 Off-setting financial instruments

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

1-2.12.4 Impairment of financial assets

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

1-2.13 Derivatives and financial instruments

The Group uses interest and currency swaps on its long term debt as well as on the price of electric power to ensure predictability.

Derivative financial instruments (assets and liabilities) are recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value on derivative contracts entered into as debt instruments are included in net financial income, while derivative contracts related to electric power are included as other operating expenses.

The Group does not use hedge accounting.

1-2.14 Inventories and developmental property

Developmental property

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

Acquisition cost consists of purchase price for properties, as well as project related expenses to develop each property. Acquisition cost includes all project related expenses until it is regulated and made ready for sale, including salaries, external consultants, etc. Incurred borrowing costs that occur during development is capitalized in accordance with IAS 23 until the asset is ready for intended use. Net realisable value is estimated selling price less costs for completion and the sale.

Developmental property for sale is valued at the lower of acquisition cost and net realisable value for each separate geographical area.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises of design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Borrowing costs are excluded in accordance with IFRS 23. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1-2.15 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised as other operating expenses in the income statement.

1-2.16 Cash and bank deposits

Cash and bank deposits have been adjusted for bank overdrafts in the Group account system. If bank overdrafts are utilized, it will be included in borrowings under current liabilities. Cash and bank deposits include restricted funds and restricted deposits in Finse Forsikring as specified in note 16.

1-2.17 Share capital

Ordinary shares are classified as equity.

1-2.18 Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1-2.19 Deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates (and laws) which have been enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that there is a probability that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax asset and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1-2.20 Employee benefits

Pension obligations

The companies within the Group operate various pension schemes. The Group has both defined benefit plans and defined contribution plans.

Defined benefit plan

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, mainly dependent on one or more factors such as age, years of service and compensation.

The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses, and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate comparable with long-term government bonds in the same currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Starting in 2012, the Group uses interest rate on covered bonds with preferential rights (OMF) when determining the discount rate when OMF was considered to be of high quality according to IAS 19 and therefore is the best approach for a correct interest rate determination for purpose of the discount rate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions will be charged directly to equity over other comprehensive.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions towards the employees' future pension. The employer's obligations ceases when the contribution has been paid. The payments are included in the income statement as payroll and related expense.

1-2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

1-2.22 Trade payable

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

1-2.23 Revenue recognition

Revenue comprised from services is recognised in the accounts at fair value after returns, rebates and discounts. Sales within the Group are eliminated. The Group's income is principally covered by: passenger transport, goods transport and rental and sale of real estate.

(a) *Sales of transport and real estate services*

Sales of services are recognised in the accounting period in which the services are performed. The government's purchase of passenger traffic services is also recognised in the period in which the delivery is performed. Income from rental of real estate is recognised during the term of the leasing agreement. Income from sale of real estate is recognised in the period

where risk and control is transferred to the buyer. This implies mainly that income is considered acquired on the time of the acquisition.

(b) *Constructing and development of commercial property*

A part of the Group's operations consist of developing and constructing commercial- and residential buildings by alone or through partly owned companies with one or more partners. Revenue recognition of these projects either follow IAS 11 construction contracts or IAS 18. IFRIC 15 clarifies whether IAS 11 or IAS 18 is to be utilized. It is the characteristics of the building and the purchaser's influence of the end-project that decides whether the revenue recognition should be according to IAS 11 or IAS 18.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

1-2.24 Leases

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

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

1-2.25 Dividend distribution

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

1-2.26 Fair value estimation

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

- Level 1: Fair value is measured using quoted prices from active markets for identical assets and liabilities. No adjustments are performed regarding these prices.
- Level 2: Fair value is decided by using evaluation methods based on other observable factors either direct (price) or indirect (derived from prices) rather than noted prices (used in level 1) for the asset or liability, (level 2). These evaluation methods maximize the use of observable data when available, and rely as little as possible on the Group's own estimates.
- Level 3: Fair value is measured using inputs that are not based on observable market data (non-observable input).

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Nominal value less impairments of real losses on trade receivables and nominal value on trade payables is regarded as having fair value.

1-3. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances.

1-3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. For description of write-down testing of goodwill and related sensitivity evaluations, see note 6.

(b) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

(c) *Fair value of derivatives and other financial instruments*

Fair value of financial instruments is separated in a three level valuation hierarchy, see 1-2.23 above.

(d) *Fixed assets*

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

(e) *Pension benefits*

The Group has considerable liabilities related to employees' pension rights. The calculations used means the Group must make several economic and demographic assumptions. Changes in these assumptions can affect the calculated liabilities considerably. See note 20 for a further description of which assumptions are used. Included in the note is a sensitivity analysis that shows how sensitive the calculations are in relation to central assumptions. Actuarial deviations related to such changes are included in other comprehensive income with a direct effect to equity, after deducting deferred tax.

(f) *Assets and liabilities at fair value*

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

(g) *Investment property at fair value*

When estimating of fair value on investment property one uses estimates and assumptions. The yield- and market rent level are the main factors. Any change in these can result in significant changes to profits and the balance sheet value on investment property. A sensitivity analysis on these factors is included in the note on investment property.

2 Shares in subsidiaries

The table shows the **parent company's directly owned investments**. The Group also consists of indirectly owned companies and ownership interests

Subsidiaries	Established- /acquisition- date	Registered- office	Votes and profit share	Equity	Profit/ loss
Nettbuss AS	1. Dec. 1996	Oslo	100 %	461	32
Rom Eiendom AS	18. Dec. 1998	Oslo	100 %	2 256	446
Arrive AS	1. Jul. 2001	Oslo	100 %	34	-6
Arrive Systems AS	28. Nov. 1995	Oslo	100 %	1	0
NSB Trafikkservice AS	1. Oct. 2001	Oslo	55 %	12	6
Finse Forsikring AS	1. Dec. 2001	Oslo	100 %	195	5
CargoNet AS	1. Jan. 2002	Oslo	100 %	112	-62
Mantena AS	1. Jan. 2002	Oslo	100 %	115	20
NSB Gjøvikbanen AS	1. Apr. 2005	Oslo	100 %	6	1
Svenska Tågkompaniet AB	1. Jan. 2007	Gävle	100 %	20	10
Tømmervogner AS ¹	31. Dec. 2008	Oslo	45 %	-2	0
Banestasjoner AS	2. Jan. 2002	Oslo	100 %	0	0
Rom Eiendom II AS	6. May 2011	Oslo	100%	0	0
TOTAL				3 210	452

¹Remaining shares are owned by CargoNet AS.

100 % of the equity in the accounts is included as at 31.12.2012.

3 Group- and company structure

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

- Included in Passenger traffic (rail) are the operations of NSB AS, NSB Gjøvikbanen AS as well as Svenska Tågkompaniet AB.
- The bus segment consists of operations in the Nettbuss-Group.
- The freight traffic segment consists of operations in the CargoNet-Group.
- The real estate operations are operated by the Rom Eiendom-Group.
- Train maintenance is handled by the Mantena-Group
- Included in support functions are the train-cleaning company NSB Trafikkservice AS and the captive Finse Forsikring AS.

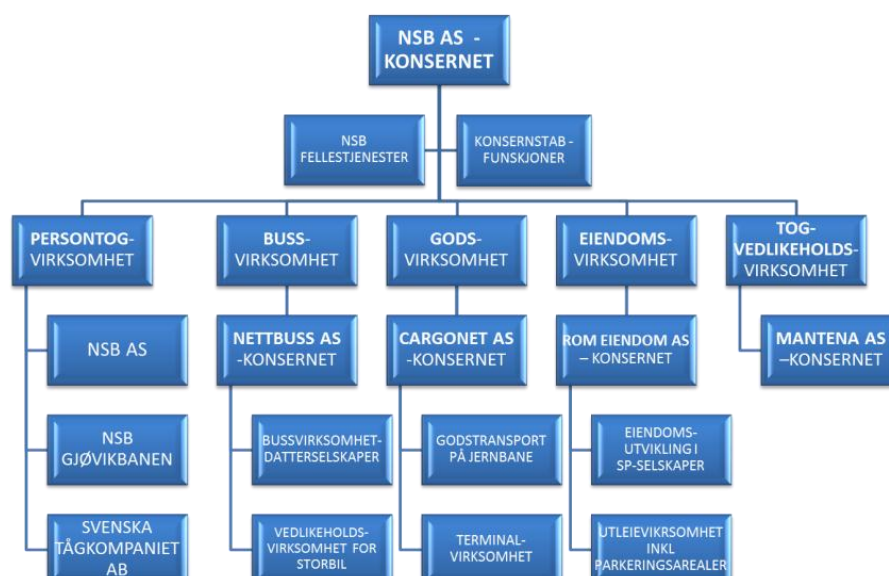
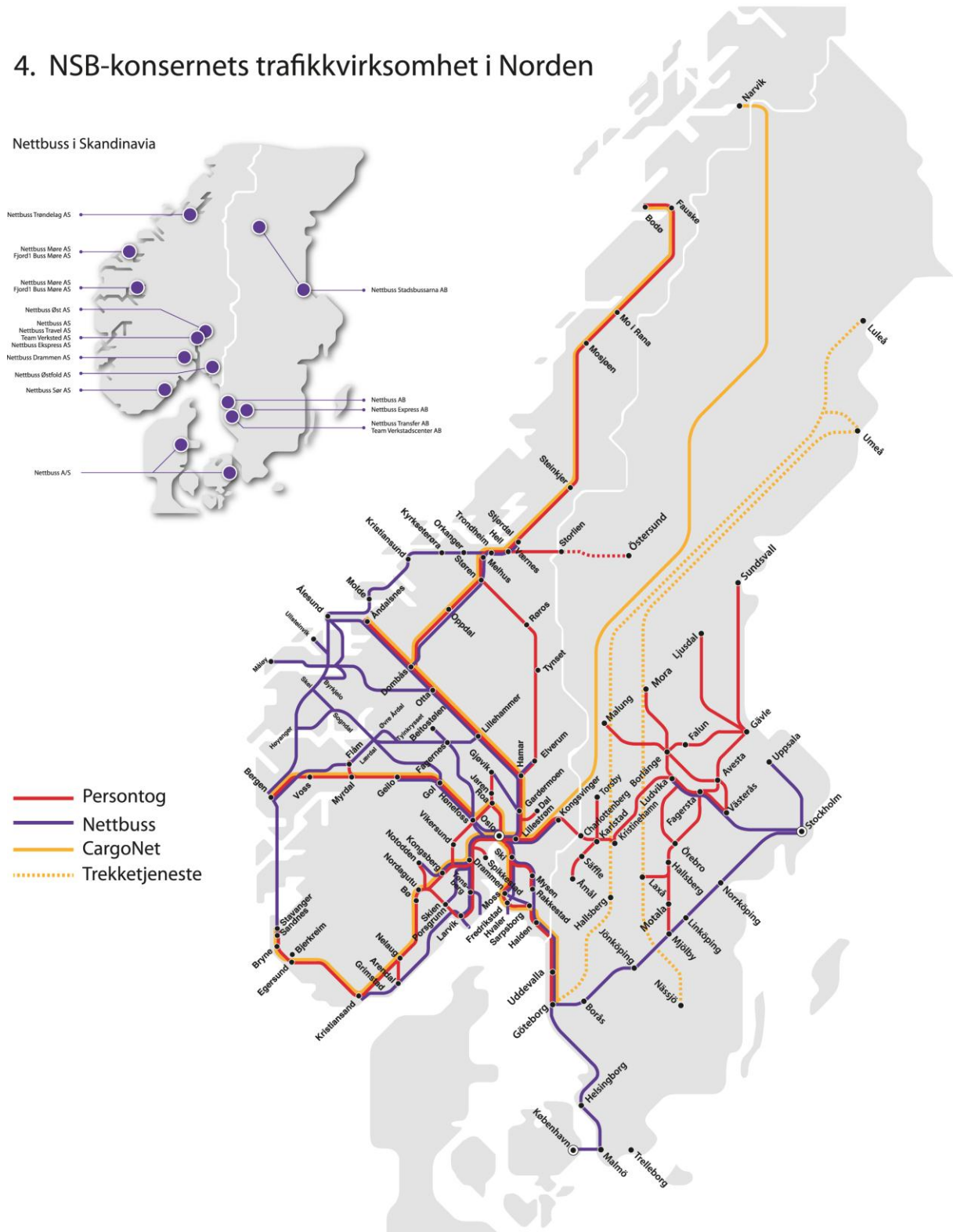


Fig. Pr 1. januar 2013

4. NSB-konsernets trafikkvirksomhet i Norden

Nettbus i Skandinavia



Map as at 31st of December 2012

5 Segment information

Business segments

At 31st of December 2012, the Group has its main activities in the following segments:

- (1) Passenger train: passenger train operations
- (2) Bus: passenger bus operations
- (3) Freight: freight train operations
- (4) Train maintenance: workshop and maintenance of freight- and passenger trains
- (5) Real estate: rental and development of property

Included in Support functions are the operations of NSB Trafikkservice AS, as well as administrative support functions through Finse Forsikring AS and Arrive AS.

Segment results

2012 (M NOK)	Pass. Train	Bus	Freight	Train- maintenance	Real estate	Support function	Elimination	Group
Revenue	5 849	5 598	1 094	1 498	1 369	303	-1 931	13 780
Operating expenses	4 915	4 950	1 098	1 436	410	291	-1 931	11 169
Depreciation, impairment	561	661	66	32	82	17	0	1 419
Operating profit/loss	372	-13	-70	30	877	-5	0	1 192
Share of profit/loss in assoc.	10	8	0	13	0	0	0	31
Unreal. Value changes investm. Prop.					-42			-42
Profit/loss before financial items	382	-5	-70	43	835	-5	0	1 181
Financial items								-328
Profit before income tax expense								853
Income tax expense								-124
Profit for the year								729
Segment assets	8 594	4 384	851	847	7 913	595		23 184
Investments	1 873	865	10	50	475	13		3 286

Eliminations consist of Group-internal transactions; including operating transactions and rental of fixed assets.

Segment assets are reconciled as follows:

Assets	23 184
Not allocated;	
Derivatives	867
Total	24 051

2011 Restated (M NOK)	Pass. Train	Bus	Freight	Train- maintenance	Real estate	Support function	Elimination	Group
Revenue	5 380	4 864	1 452	1 525	808	299	-2 000	12 328
Operating expenses	4 836	4 246	1 578	1 479	344	279	-2 000	10 762
Depreciation, impairment	547	515	76	28	77	11	0	1 254
Operating profit/loss	-3	103	-202	18	387	9	0	312
Share of profit/loss in assoc.	-1	1				5		5
Unreal. Value changes investm. Prop.					106			106
Profit/loss before financial items	-4	104	-202	18	493	14	0	423
Financial items								-342
Profit before income tax expense								81
Income tax expense								-55
Profit for the year								26
Segment assets	7 381	3 814	696	875	7 537	573		20 876
Investments	788	546	27	49	90	17		1 517

Segment assets are reconciled as follows:

Assets	20 876
Not allocated;	
Derivatives	1060
Total	21 936

2011 (MNOK)	Train- maintenanc e						Elimination	Group
	Pass. Train	Bus	Freight	Real estate	Support function			
Revenue	5 380	4 864	1 452		808	1 626	-1 802	12 328
Operating expenses	4 863	4 265	1 600		349	1 560	-1 802	10 835
Depreciation, impairment	546	514	76		110	40	0	1 286
Operating profit/loss	-29	85	-224		349	26	0	207
Share of profit/loss in assoc.	-1	1				5		5
Unreal. Value changes investm. Prop.								
Profit/loss before financial items	-30	86	-224		349	31		212
Financial items								-342
Profit before income tax expense								-130
Income tax expense								4
Profit for the year								-126
Segment assets	7 382	3 814	696		5 601	1 448	0	18 941
Investments	788	546	27		90	66	0	1 517

Segment assets are reconciled as follows:

Assets	18 941
Not allocated;	
Derivatives	1060
Total	20 001

Analysis of operating income by category

	2012	2011
Transport revenue	11 838	11 001
Sales revenue	720	322
Other revenue	1 222	1 005
Total	13 780	12 328

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

Information on important customers

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

6 Intangible assets

	Goodwill	Other	Total
At 1st of January 2012			
Accumulated acquisition cost	426	119	545
Accumulated amortization and impairments	-286	-105	-391
Total	140	14	154
Year ended 31st of December 2012			
Opening net book value	140	14	154
Additions	3	0	3
Impairments	-60	0	-60
Amortization and depreciation	0	-5	-5
Total	83	9	92
At 31st of December 2012			
Accumulated acquisition cost	429	117	546
Accumulated amortization and impairments	-346	-108	-454
Total	83	9	92

Accumulated acquisition cost and amortization and impairments of 211 MNOK have been reversed for intangible assets that no longer exist.

	Goodwill	Other	Total
At 1st of January 2011			
Accumulated acquisition cost	422	119	541
Accumulated amortization and impairments	-243	-72	-315
Total	179	47	226
Year ended 31st of December 2011			
Opening net book value	179	47	226
Acquisition of subsidiaries	4	0	4
Impairments	-43	-13	-56
Amortization and impairments	0	-20	-20
Total	140	14	154
At 31st of December 2011			
Accumulated acquisition cost	426	119	545
Accumulated amortization and depreciation	-286	-105	-391
Total	140	14	154

Goodwill applies to the Nettbuss-Group and is allocated as follows:

	2012	2011
Norway	84	140

Impairment test of Goodwill

Impairment of goodwill is annually evaluated by comparing booked value to its cash generating possibilities.

The Group has been through an evaluation and selection process of the natural cash-generating units (CGU) connected to each acquisition. During the course of 2012, one has performed a re-evaluation regarding allocation of goodwill. This re-evaluation is derived from the changes within the bus industry the last few years due to the transition to tenders. This has resulted in all bus companies to have equal possibilities to win tenders. The estimation period for the impairment test of goodwill is adapted to the current length of the tender contract.

The Nettbuss-Group has been through an evaluation and selection of the natural cash-generating units connected to each acquisition. As at 31.12.12 there is still remaining goodwill on the following CGU's:

Timeekspresen	Nettbuss Øst AS	Team Verksted Group
Rige Bil og Hengerservice AS	Flybuss i Trøndelag	Last og Buss Vest AS

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

Assumptions used when calculating recoverable amounts

Growth rate ¹	2,50 %
Discount rate ²	10,21 %

1. Weighted average growth used to derive cash flows past the budgeting period.
2. Interest rate before tax used to discount the cash flows.

These assumptions have been used for the analysis of each cash-generating unit within the business segment. Management has determined budgeted net cash flows based on the past performance and its expectations of market development. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflects specific risks relating to the relevant segments. The recoverable amounts from the CGU based on usage value are higher than the balance sheet values. Assuming other assumptions remain constant, the sensitivity calculations regarding an increase in the interest level of 1 % of the goodwill amount on the balance sheet will be reduced by MNOK 2.

7 Property, plant and equipment

	Machinery and equipm.	Transport ation	Land and buildings	Partially delivered trains	Under construct ion	Total
At 1st of January 2012						
Accumulated acquisition cost	2 472	16 964	1 408	1 221	1 685	23 750
Accumulated depreciation	-1 812	-9 544	-758	0	0	-12 114
Total	660	7 420	650	1 221	1 685	11 636
Year ended 31st of December 2012						
Opening net book value	660	7 420	650	1 221	1 685	11 636
Reclass. 1 st of Jan to investment property			-232			-232
Total after reclassifying 1 st of January	660	7 420	418	1 221	1 685	11 404
Exchange differences		-29				-29
Acquisition of subsidiary	24	685	98			807
Accumulated depr. Acq. Of subsidiary	-16	-441	-27			-484
Additions	93	809	625	543	1 075	3 145
Disposals at acquisition cost	-95	-614	-78			-787
Accumulated depreciation disposals	88	498	41			627
Transfers within PPE	116	2 761	419	-1 402	-1 894	0
Transfers to investment property			-69			-69
Transfers from development property			588			588
Depreciations	-196	-1 014	-98	0	0	-1 308
Impairments	-1	-43	-2	0	0	-46
Total	673	10 032	1 915	362	866	13 848
At 31st of December 2012						
Accumulated acquisition cost	2 610	20 576	2 759	362	866	27 173
Accumulated depreciation	-1 937	-10 544	-844	0	0	-13 325
Total	673	10 032	1 915	362	866	13 848
At 1st of January 2011						
Accumulated acquisition cost	2 310	16 593	1 507	1 145	1 552	23 108
Accumulated depreciation	-1 633	-9 114	-670			-11 417
Total	677	7 479	837	1 145	1 552	11 690
Year ended 31st of December 2011						
Opening net book value	677	7 479	837	1 145	1 552	11 690
Exchange differences		-1				-1
Acquisition of subsidiary	2					2
Accumulated depr. Acq. Of subsidiary	-2					-2
Additions	168	997	128	167	1 248	2 708
Disposals at acquisition cost	-8	-625	-227	-91	-1 115	-2 066
Accumulated depreciation disposals	4	478				482
Transfers within PPE						0
Depreciations	-181	-881	-88			-1 150
Impairments		-27				-27
Total	660	7 420	650	1 221	1 685	11 636
At 31st of December 2011						
Accumulated acquisition cost	2 472	16 964	1 408	1 221	1 685	23 751
Accumulated depreciation	-1 812	-9 544	-758	0	0	-12 114
Total	660	7 420	650	1 221	1 685	11 636
Depreciation period	5-30 yrs	5-30 yrs	0-50 yrs			

Financial lease

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

	<u>2012</u>	<u>2011</u>
Accumulated acquisition cost through financial leasing	105	155
Accumulated depreciation	-45	-60
At 31 st of December	<u>60</u>	<u>95</u>
Long term lease obligation	<u>3</u>	<u>34</u>

Long term leasing has a perspective life of more than one year.

The lease agreement consists of leasing fixed assets in the bus segment.

The rights to the leased asset go to the lessor if the lessee fails to pay its lease obligations.

8 Investment property**Summary of investment property valued at fair value**

Date	31.12.2012	31.08.2012	30.04.2012	31.12.2011	31.08.2011	30.04.2011	01.01.2011
Value in MNOK	3 351	3 228	3 021	3 021	2 983	2 790	2 642

Definition and separation between different types of property in the NSB Group

The Group's property portfolio consists of property used in operations (IAS 16), investment property (IAS 40) and development property (IAS2).

Investment property is used to earn rental income and/or for appreciation.

There is a close and compound connection between operating related property (IAS 16) and investment property (IAS 40) on several combined properties. For the combined buildings that can be sectioned as for sale, each section is evaluated separately. Buildings or parts of buildings that are leased externally on market terms in a long perspective are classified as investment property and are valued in accordance with IAS 40. Buildings or where parts of a building are used in operations within the Groups, are defined as operating property in accordance with IAS 16.

Property where the intension in a long term perspective is to redevelop and sell is treated as development property according to IAS 2, even though the properties are temporarily leased on short contracts.

Areas that change character from operating property or development property to investment property or the other way around, must be re-classified. Re-classification will occur when there is a permanent change in purpose for that specific property. This has actualized and resulted in reclassifications as further noted in the table below. Change in value by a reclassification is recognized in other comprehensive income.

Fair value

Investment property in the portfolio is evaluated at fair value on the balance sheet date. Fair value is the selling price for each separate property in an arm's length transaction between well informed, voluntary parties.

Valuation methods

The portfolio is valued with assistance from a primary valuation method of estimation of fair value. As a supplement, there is externally performed a market based valuation on a representative selection of the portfolio to evaluate whether the model is able to estimate market value. A confidence interval for acceptable deviations is determined in advance on the two valuation methods. Discrepancies above and beyond the acceptable confidence interval for each property will be analyzed to determine cause and whether there are conditions that can result in significant deviations in estimated fair value for the total portfolio.

Estimation of fair value

The determination of value according to the primary valuation model as of 31st of December 2012 is performed by an external appraiser. For smaller properties with an annual lease income of less than 150 TNOK, an internal valuation based on a simplified yield calculation is performed.

Fair value as a basis for restating comparative numbers for 2011 is based on valuations as of 30.04.2012 and adjusted according to historical indexes received from external appraiser.

Estimation of fair value in the primary assessment model calculated on the basis of future operating cash flows reduced cost of ownership, discounted to present value within a defined time period. The basis for discounting is specified nominal rate of return.

The valuation is made on the basis of a summary of all leases in conjunction with area list and lists of available space on each property. Contract hire basis is applied for on-going contracts, while after the expiration of the lease contracts are estimated at market rate. After the expiration of the given time period a discounted terminal value based on expected perpetual cash flow

based on the market rent of all area after reduction for own cost. The sum of the present value of defined time period and terminal value represents the property's market value.

For space not let at the time of reporting a market rent is estimated from the time it is expected that the area will be rented out. Market rent for each property assessed on the basis of the property's location and standard.

The owners cost is the owners specific cost that has been used to justify future rental income for the area. It is assumed, by calculating an estimated cost of ownership per square meter.

The required rate reflects the market risk in the valuation model. Real required rate of return is calculated based on the 10 year government bond yield, bank spreads, profit margins for banks and property-specific risk. This represents prime location in Oslo. In addition, consideration is given to the property's geographical location in relation to a metropolitan area (city/district) neighborhood (center/hub), type of property (office/warehouse/shop), the building standard, tenancy and risk of vacant property.

Conditions which may affect estimated fair value through reduced feasibility are considered and taken into account when estimating fair value.

Market valuation

As at the 3rd interim period of 2012, an external market valuation on a selection of 8 properties was performed, that together represents 46 per cent of the portfolio value. The selection is made on a rolling basis throughout the year and together constitutes 56 percent.

Deviations between valuation basis in the accounts as at the 31st December and conducted market valuations for the selected properties are within acceptable confidence interval of plus/minus 5 per cent. There has been analysis of deviations for certain properties that suggest that there should not exist deviations of greater importance for the overall portfolio.

Fair value development and sensitivity

- This year net negative changes in the market value for investment property of 42 MNOK has been included at 31st of December.
- Value changes due to reclassification of property from operating related property and developmental property have resulted in a positive value change at 31st of December of 79 MNOK that are included in other comprehensive income.

Estimated fair value is especially sensitive for changes in return on capital/yield and assumptions about development in contract rental agreements.

The following sensitivity analysis has been performed:

Changes in assumptions:	Changes to the developm. property portfolio	
Reduction of 25 basis points on 1. yrs direct yield	184,4 MNOK	6,04 %
Increase of 25 basis points on 1. yrs direct yield	-166,2 MNOK	-5,44 %
Increase of future rental agreements under contract by 5%	191,6 MNOK	5,70 %

Overview of effects of principle changes and value changes to investment property

	2012	2011
Opening balance investment property 1 st of January before transition to fair value	854	872
Reclassification to/f from property, plant and equipment	232	-22
Opening balance 1 st of January before transition to fair value	1 086	850
Value changes to investment property due to transition to fair value	1 935	1 792
Balance sheet value 1 st of January - restated	3 021	2 642
Reclassification from property, plant and equipment	69	0
Reclassification from development property	101	0
Additions /investments	126	235
Disposals	-3	0
Value changes due to change in market value	-42	106
Value changes when reclassifying, included in other comprehensive income	80	0
Reduced depr. due to restating comparative numbers because of change in principles	0	38
Balance sheet value at the end of the period	<u>3 352</u>	<u>3 021</u>

Overview of rental income and expenses

	2012	2011
Rental income from investment property	193 869	175 213
Direct operating costs from investment properties that generated rental income during the period	78 839	72 459
Direct operating costs from investment property that did not generate rental income during the period	5 032	4 625
Total	<u>109 998</u>	<u>98 129</u>

9 Investments in associates

	2012	2011
Book value 1 st of January	61	65
Acquisition of associates	3	0
Disposals/ -sale of associates	0	-1
Share of profit/loss	31	5
Exchange differences	1	0
Other equity movements	-5	-8
Net book value 31 st of December	91	61

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

Investments in associates at 31.12.12 include goodwill of 1 MNOK (1 MNOK).

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

2012	Registered office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Oslo S Parkering AS	Oslo	129	83	39	23	25 %
Ålmhults Terminal AB	Ålmhult	4	1	1	0	33 %
Nordlandsbuss AS	Bodø	85	74	90	1	34 %
Nor-Way Bussekspress AS	Oslo	20	7	47	2	25 %
Interoperabilitetstjenester AS	Oslo	25	23	18	0	33 %
Roslagståg AB	Gåvle	3	0	4	11	40 %
Strømstad-Tanum Buss AB	Tanumshede	17	16	18	0	40 %
Kjellgrens Busstrafikk AB	Tranemo	22	19	14	0	40 %
Peer Gynt Tours AS	Oslo	6	3	25	0	34 %
Tunnelbanan Teknik Stockholm AB	Stockholm	96	66	251	12	50 %
Minibuss 24 7 AS	Våler	11	4	26	4	49 %
Real Rail AB	Stockholm	33	29	86	1	40 %
Larsens Last og Buss AS	Sande	4	2	9	1	49 %
Sjøholt Last og Buss AS	Ørskog	3	1	6	0	49 %
Total		458	328	634	55	

2011	Registered office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Oslo S Parkering AS	Oslo	131	88	36	21	25 %
Ålmhults Terminal AB	Ålmhult	5	1	1	0	33 %
Nordlandsbuss AS	Bodø	91	81	83	-2	34 %
Nor-Way Bussekspress AS	Oslo	20	8	47	2	25 %
Elverum Rutebilstasjon AS	Elverum	0	0	0	0	50 %
Interoperabilitetstjenester AS	Oslo	27	25	11	1	33 %
Roslagståg AB	Gåvle	50	36	233	0	40 %
Samtrafiken i Sverige	Stockholm	0	0	0	0	
Strømstad-Tanum Buss AB	Tanumshede	20	18	18	-1	40 %
Kjellgrens Busstrafikk AB	Tranemo	18	16	12	0	40 %
Peer Gynt Tours AS	Oslo	4	2	24	1	34 %
Tunnelbanan Teknik Stockholm AB	Stockholm	214	168	573	0	50 %
Minibuss 24 7 AS	Våler	6	3	14	1	49 %
Total		325	242	246	23	

10 Inventory and developmental property

	2012	2011
Components	416	421
Not completed parts	10	24
Completed parts	9	8
Total inventory	435	453
Inventory developmental property for sale	1 991	2 557
Total inventory developmental property and components	2 426	3 010

For a further description of developmental projects, see note 33.

For the transition from developmental property to operating related property and investment property, see note 7 and 8 respectively.

Book value of the developmental properties of 846 MNOK (1 036 MNOK) are put as security as described in note 18.

11 Assets held for sale

There are no assets that are classified as available for sale as at 31.12.2012 or 31.12.2011

12 Trade and other receivable

	2012	2011
Trade receivables	936	870
Less: provision for impairment of receivables	-24	-22
Trade receivables - net	912	848
Prepayments	410	316
Other receivables	434	432
Total trade and other receivables	1 756	1 596

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

Maturity of receivables:

	2012	2011
Matured receivables on balance sheet date	171	192
Matured between 0 - 2 mnths ago	117	127
Matured between 2 - 6 mnths ago	17	36
Matured more than 6 mnths ago	37	29

13 Derivatives

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	867	-393	1 055	-271
Energy swaps	0	-5	5	-6
Total	867	-398	1 060	-277

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

Changes in fair value of derivatives:

	2012	2011
This period's change in fair value:	-314	245
Accumulated change in fair value:	469	782

Interest rate and foreign exchange swaps

The notional principal amounts of the outstanding interest rate swaps contracts at 31st of December 2012 were 11 475 MNOK (2011: 10 993 MNOK). At 31st of December 2012, the fixed interest rates vary from 3,55 % to 5,25 % (2011: 3,55 % to 5,25 %) and the main floating rates are 6M NIBOR + margin.

14 Other financial assets at fair value through profit or loss

	2012	2011
Listed securities:		
Stocks and other listed equity securities – Europe	46	42
Bonds and certificates	323	313
Total	369	355

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

Effective interest rate on short term placements in the bank was 2,9 % at 31st of December 2012 (2011: 3 %) and the placements has an average maturity of 77 days.

Effective interest rate on short term placements were 3,4 % as at 31st of December 2012 (2011: 3,3 %)

Changes in fair values of listed securities at fair value

	2011	2011
This period's change in fair value	4	-3
Accumulated change in fair value	2	-2

15 Financial instruments by category

	Loans and receivables	Assets at fair value through profit and loss	Total
Assets at 31st of December 2012			
Financial fixed assets	67	0	67
Derivative financial instruments	0	867	867
Trade and other receivables (excl. prepayments)	1 346	0	1 346
Financial assets at fair value through profit or loss	0	369	369
Cash and bank deposits	1 184	0	1 184
Total	2 597	1 236	3 833

Liabilities

	Liabilities at fair value through profit and loss	Other financial liabilities at amort. cost	Total
Borrowings (excl. Financial lease liabilities)	7 168	1 966	9 134
Financial lease liabilities	0	32	32
Derivative financial instruments	398	0	398
Trade and other payables excl. statutory liabilities	0	3 556	3 556
Total	7 566	5 554	13 120

Assets at 31st of December 2011

	Loans and receivables	Assets at fair value through profit and loss	Total
Financial fixed assets	67	0	67
Derivative financial instruments	0	1 060	1 060
Trade and other receivables (excl. prepayments)	1 280	0	1 280
Financial assets at fair value through profit or loss	0	355	355
Cash and bank deposits	1 208	0	1 209
Total	2 556	1 415	3 971

Liabilities

	Liabilities at fair value through profit and loss	Other financial liabilities at amort. cost	Total
Borrowings (excl. Financial lease liabilities)	6 960	1 079	8 039
Financial lease liabilities	0	55	55
Derivative financial instruments	277	0	277
Trade and other payables excl. statutory liabilities	0	3 372	3 372
Total	7 237	4 506	11 743

The following table presents the Group's assets and liabilities that are measured at fair value at 31st of December 2012.

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	0	0	0	0
Financial assets available-for-sale:				
-Debt instruments	0	1 236	0	1 236
Total assets	0	1 236	0	1 236

Financial liabilities at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
Borrowings and accrued interest	0	7 168	0	7 168
Derivatives used for hedging	0	398	0	398
Total liabilities	0	7 566	0	7 566

The following table presents the Group's assets and liabilities that are measured at fair value at 31st of December 2011.

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	0	1 060	0	1 060
Financial assets available-for-sale:				
-Debt instruments	0	355	0	355
Total assets	0	1 415	0	1 415

Financial liabilities at fair value through profit or loss:	Level 1	Level 2	Level 3	Total
Borrowings and accrued interest	0	6 960	0	6 960
Derivatives used for hedging	0	277	0	277
Total liabilities	0	7 237	0	7 237

16 Cash and bank deposits

	2012	2011
Cash and bank deposits	1 184	1 208

Includes restricted funds of 143 MNOK (2011: 135 MNOK), and 88 MNOK (2011: 83 MNOK) placed by Finse Forsikring AS

17 Share capital and share premium

	No. of shares	Ordinary Shares	Share premium MNOK	Total MNOK
Shares at 1 st of January 2011	3 685 500	3 685 500	1 850	5 536
Shares at 1 st of January 2012	3 685 500	3 685 500	1 850	5 536
Shares at 31 st of December 2012	3 685 500	3 685 500	1 850	5 536

There is only one class of shares, each share with a par value of NOK 1.000,-. There have been no changes to capital in either 2012 or 2011.

There was no payment made for dividends for the accounting year 2011. The proposal for dividends for 2012 is 176 MNOK. The decision will be made at the General Assembly in 2013.

18 Borrowings

Non-current	2012	2011
Mortgage loans	380	835
Bonds	7 026	6 879
Bonds measured at amortized cost	1 147	0
Other non-current borrowings, incl. financial lease	210	207
Total	8 763	7 921

Current	2012	2011
Current share of non-current borrowings	142	81
Other current borrowings	260	92
Total	402	173
Total borrowings	9 166	8 094

Nominal value of long-term interest bearing debt	2012	2011
1 st of January	6889	5123
Changes during the year	1045	1766
31 st of December	7934	6889

Fair value on bonds measured at amortized cost is MNOK 1 323.

Total borrowings include secured liabilities (bank and collateralized borrowings) totaling 476 MNOK (934 MNOK) of this 381 MNOK is mortgaged (835 MNOK). The Group has not utilized available bank overdraft facilities.

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

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

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

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

	2012	2011
6 months or less	2 936	2 650
More than 6 months	0	981

Non-current borrowings expire in:

	2012	2011
Between 1 and 2 years	596	146
Between 2 and 5 years	4 937	3 034
Over 5 years	3 230	4 741

Effective interest rate at the balance sheet date:

		2012	2011
Mortgage loan	NOK	3,9	4,7
	SEK	4,16	4,16
Bonds	NOK	4,19	4,03
Other borrowings	NOK	5,36	6,00
	SEK	4,16	
	DKK	3,5	4,00

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

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

Changes in fair value on non-current borrowings:

	2012	2011
This periods change in fair value	-201	488
This periods change in fair value from the spread	2	-9
Accumulated change in fair value	824	1 025
Accumulated change in fair value from the spread	-6	-8

The carrying amounts of the Group`s borrowings are denominated in the following currencies:

	2012	2011
NOK	3 533	2 181
SEK	68	80
CHF	5 565	5 833
Total	9 166	8 094

The Group has the following undrawn borrowing facilities:

	2012	2011
Floating interest rate		
- Expiring within one year	50	50
- Expiring beyond one year	2 000	1 500
Total	2 050	1 550

The facilities expire within one year is a bank overdraft related to NSB-Group bank account system. The credit is for one year at the time and is renewed annually. NSB`s long term revolving credit facility which expires in July 2013.

Obligation on financial lease agreements – minimum payments	2012	2011
Expiring within 1 year	29	23
Expiring between 1 and 5 years	3	34
Total	32	57
Future financial cost – financial lease agreements	0	2
Current value on obligations – financial lease agreements	32	55

Current value of lease obligations for financial lease agreements:	2012	2011
Expiring within 1 year	28	21
Expiring between 1 and 5 years	3	34
Total	31	55

Operating lease commitments

The Group leases various plant and machinery under cancellable operating lease agreements.

Future accumulated minimum payments included in cancellable operating lease agreements are as follows:

	2012	2011
Expiring within 1 year	197	163
Expiring between 1 and 5 years	441	384
Expiring beyond 5 years	187	244
Total	825	791

19 Deferred income tax/income tax expense

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

The offset amounts are as follows:

Deferred income tax assets

	2012	Restated 2011	2011
Deferred income tax assets to be recovered after more than 12 months	888	1 330	594
Deferred income tax assets to be recovered within 12 months	138	29	29
	1 026	1 359	623

Deferred tax liabilities

Deferred income tax liability to be recovered after more than 12 months	-1 734	-1 647	-1 104
Deferred income tax liability to be recovered within 12 months	4	1	1
	-1 730	-1 646	-1 103
Total deferred income tax liability (net)	-703	-287	-480

Gross movement on deferred income tax:

	2 012	Restated 2 011	2 011
Book value 1 st of January	-287	-511	-511
Effects-change in accounting principle		-100	
Restated book value 01.01.	-287	-611	-511
Acquisition of subsidiary	-15	-1	-1
Income statement charge	9	-55	4
Norwegian correctional tax	-7	57	57
Charged to other comprehensive income	-270	352	-
Tax effect Group contribution	-134	-29	-29
Book value 31st of December	-703	-287	-480

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax				Total
	depreciation	Receivables	Profit/loss	Other	
Deferred tax liability					
At 1st of January 2011	-842	-4	-206	-52	-1 104
Effects-change in accounting principle				-502	-502
At 1st of January 2011 (restated)	-842	-4	-206	-554	-1 606
Income statement charge	-110	5	15	66	-25
Effects-change in accounting principle				-40	-40
Acquisition of subsidiary	25				25
At 31st December 2011 (restated)	-927	1	-191	-528	-1 646
Income statement charge	-126	-1	169	-67	-24
Other comprehensive income				-45	-45
Acquisition of subsidiary	-15				-15
At 31st December 2012	-1 069	0	-22	-640	-1 730

	Provisions	Tax losses	Other	Total
	Deferred tax assets			
At 1st of January 2011	334	129	130	593
Deviation retirement benefit obligations	402			402
At 1st of January 2011 (restated)	736	129	130	995
Income statement charge	-29	30	28	29
Effects-change in accounting principle	-19			-19
Norwegian correctional tax			57	57
Tax effect of group contribution			-29	-29
Acquisition of subsidiaries			-26	-26
Other comprehensive income	352			352
At 31st December 2011 (restated)	1 040	159	156	1 359
Income statement charge	-69	103	-1	33
Tax effect of group contribution		-145	11	-134
Norwegian correctional tax			-7	-7
Other comprehensive income	-225			-225
At 31st December 2012	746	117	159	1 026

	2012	Restated 2011	2011
	Income tax expense		
Tax payable	4	1	1
Change in deferred tax	120	54	-5
Total income tax expense	124	55	-4
Tax payable in income tax expense	4	1	1
Total tax payable on balance sheet	4	1	1

The tax on the Group's profit before tax deviates from the amount calculated using the company's weighted average tax rate. Explanation of the deviation is as follows:

	2012	Restated 2011	2011
	Net income before tax	853	81
28 % of net income before tax	239	23	-36
Non-taxable income	-219	-27	-27
Non-fiscal deductible expenses	82	13	13
Not enough tax charged in prior year	7	1	1
Fiscal loss concerning unrecognised deferred tax assets	15	45	45
Income tax expense	124	55	-4

Deferred tax assets regarding forwarded fiscal loss are recognized when it is probable that the Group will utilize the losses towards future taxable surplus. The Group did not recognize deferred income tax assets of 175 MNOK (160 MNOK) in respect of losses amounting to 649 MNOK (595 MNOK).

Weighted average tax rate was 15 % (3 %).

20 Retirement benefit obligations and similar obligations

The companies in the Group has several collective pension agreements that are handled by the Norwegian Public Service Pension Fund (SPK) or insurance companies that for the Norwegian companies satisfies the demands according to the law on public pension. The obligations connected to these agreements covers 6209 employees and 2584 retirees. The retirement benefit plans entitle defined future services that mainly are dependent on the number of contribution years and wage level at the time of retirement. The pension benefits received are coordinated with the National Insurance scheme and will also be dependent on its benefits paid out.

The companies have, through tariff agreements, retirement benefit obligations in affiliation with Early Retirement Pension Regulated by Contract (AFP). Obligations through this agreement cover 6209 active members.

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

In addition, there are defined contribution plans in Norway that covers 3 450 employees.

Most of the Groups' employees in Sweden have pension rights and the companies' obligations are funded in a Multiemployer plan that covers 1 648 active members.

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

The pension agreements in Denmark are defined contribution plans and therefore the companies have no pension obligation that is not already covered by the contribution paid. The plan covers 399 active members.

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

Specification of net defined benefit pension plan obligations

	2012	Restated 2011	2011
Present value of earned pension rights for funded collective pension plans	-9 705	-10 244	-10 244
Fair value of plan assets	7 238	6 821	6 821
Present value of unfunded obligations	2 468	-3 423	-3 423
Unrecognised actuarial losses	-76	-89	-89
Non-recognised actuarial losses			2 624
Net pension obligation on the balance sheet	-2 543	-3 512	-888

Changes in pension retirement obligations:

Book value net pension obligation 31 st Dec. 2011	-888		-954
Balance change due to actuarial deviations 1 st of January 2012	-2 624		
Book value net pension obligation 1 st of January 2012	-3 512		-954
This years' actuarial deviations	754		288
This years' net return on assets/increase in obligation	-413		-427
Acquisitions/disposal of operations during the year	-15		
Payment to plan	650		205
Plan changes during the year	-4		
Curtailements	-3		
Book value 31.12.2012	-2 543		-888

Changes to the defines pension benefit plan for the year

	2012	Restated 2011	2011
Defines pension benefit plan as at 1 st of January	-9 904	-8 580	-8 580
Present value of current pension earnings	-375	-311	-311
Interest expense	-274	-320	-320
Actuarial deviations in the estimates	851	-868	-868
Payments made during the year	239	237	237
Curtailements	-5	-62	-62
Gross defined pension benefit plan at 31 st og December	-9 467	-9 904	-9 904
Calculated 14,1% employment tax on net pension obligation	-313	-429	
TOTAL	-9 781	-10 333	

Changes in fair value on pension assets for defined pension benefit plan

	2012	Restated 2011	2011
Fair value on pension assets at 1 st of January	6 821	6 520	6 520
Payments received during the year	567	434	434
Payments made during the year	-239	-229	-229

Curtailments	-1	-40	-40
Expected return on plan assets	281	310	310
Actuarial deviations in the estimates	-191	-174	-174
Administration expenses			
Fair value on pension assets at 31 st og December	7 238	6 821	6 821

Changes in actuarial gains and losses included in other comprehensive income

	2012	Restated 2011	2011
Accumulated amount included in other comprehensive income at 1 st of January	-2 624	-1 368	
Included in other comprehensive income	751	-1 256	
Acc.amount included in other comprehensive income before tax at 31 st of December	-1 873	-2 624	
Deferred tax related to actuarial loss included in other comprehensive income	524	735	
Acc.amount included in other comprehensive income after tax at 31 st of Dec.	-1 349	-1 889	

**Pension expenses included in the accounts
Defined benefit pension plan**

	2012	Restated 2011	2011
Present value of current pension earnings	428	357	357
Effects due to plan changes	-4		
Employee contribution	-5	-6	-6
Changes and deviations in estimates allocated to net income			67
Total return on pension plan, included in payroll and related expenses – see note 24	420	351	418
Interest expense	274	318	318
Expected return on plan assets	-281	-309	-309
Total financial items in the accounts	-7	9	9
Total pension expenses defines benefit pension plan	413	360	427
Defines contribution plan			
Employer's contribution, included as payroll and related expense – see note 24	110	96	96
Total pension expenses	523	456	523

Sensitivity analysis on changes in assumptions

	Discount rate		Salary growth rate		Increase in G	
	1 %	-1 %	1 %	-1 %	1 %	-1 %
Increase (+)/decrease (-) this period's net pension expense in %	-23-25%	23-25%	20-23%	-15-17%	12-14%	-8-10%
Increase (+)/decrease (-) net pension obligation at 31.12. in %	-14-18%	18-22%	9-12%	-7-9%	9-12%	-7-9%

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

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

	2012	2011	2010	2009	2008	2007
Income statement						
Present value of current pension earnings	420	351	320	365	347	351
Changes and deviations in estimates allocated to net income	0	67	-163	57	48	54
Return on pension plan, included in payroll and related expenses	420	418	157	422	395	405
Interest expense	274	318	345	313	389	311
Expected return on pension assets	-281	-309	-340	-312	-276	-240
Financial items pension	-7	9	5	1	113	71
Total pension expenses	413	427	162	424	508	476
Balance sheet						
Calculated total pension obligations	-9 781	-10 333	-8 910	-7 963	-8 277	-8 377
Pension assets	7 238	6 821	6 521	5 951	5 589	5 210
Calculated net pension obligation	-2 543	-3 512	-2 389	-2 012	-2 688	-3 167
Actuarial deviations not included in profit		2 624	1 435	691	1 362	1 974
Net pensions obligation on the balance sheet	-2 543	-888	-954	-1 321	-1 326	-1 193

	2012	2011	2010	2009	2008	2007
Discount rate	3,80 %	2,80 %	3,80 %	4,50 %	4,00 %	4,90 %
Expected rate of return	3,80 %	4,00 %	4,60 %	5,60 %	5,50 %	5,24 %
Average salary increase	3,70 %	3,30 %	3,50 %	4,00 %	4,25 %	4,70 %
G-regulation	3,50 %	3,20 %	3,75 %	4,00 %	4,25 %	4,25 %
Estimation: % av max (PBO, pension assets)	0,00 %	10,00 %	10,00 %	10,00 %	10,00 %	10,00 %
Annual reg. of pension increases	2,75 %	2,45 %	3,00 %	4,25 %	4,25 %	4,25 %
Average social security tax	14,1 %	14,1 %	14,1 %	14,1 %	14,1 %	14,1 %

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet day are as following:

- Male 17 years
- Female 20 years

Assumptions regarding future mortality are based on actuarial-, published statistics and experience in each territory recommendations in the separate countries. Mortality expectations in Norway are based on the mortality table known as K2005.

21 Provisions for other liabilities and charges

Provision for liabilities and charges 2012	Environment. pollution	Reorganization obligation	Other	Total
At 1 st of January	110	48	141	298
Change in provision during the year	0	0	13	13
Used during the year	-50	-5	-51	-106
Total	60	43	103	205

Provisions for liabilities and charges 2011	Environment. pollution	Reorganization obligation	Other	Total
At 1 st of January	110	54	130	294
Change in provision during the year	0	0	40	40
Used during the year	0	-6	-48	-54
Total	110	48	122	280

Analysis of total provisions:

Non-current liabilities	195	250
Current liabilities (included in note 22)	10	31
Total	205	281

Severance – reorganization liability

In connection with formation of NSB AS the company acquired a liability to refund pay for employees who are laid off due to redundancy before 1st of January 2005. NSB was however compensated with a limited calculated amount, which is included as a reorganization obligation in other long-term debt on the balance sheet.

Work related injuries

Compensation for work related injuries which occurred during the period from 1st of January 1990, until the formation of NSB BA 1st of December 1996 are covered by the company. To account for these estimated liabilities, accruals have been made for both expectations of cases currently being handled and justifiable cases not yet reported.

Environmental pollution

As a train and workshop operator as well as a real estate owner, the NSB-Group has a considerable responsibility for pollution which occurs due to operations. A quantification of any known liabilities is accrued for on a continuous basis. The accrual is reversed based on actual cost as the clean-up processes.

Polluted ground – land sold

Creosote pollution has been discovered on some occasions when selling land. When NSB BA was formed the pollution was known but not the extent. No accruals were made since NSB BA was not the polluter.

Polluted ground – developmental land

Examination of the ground indicates environmental liabilities. When identifying developmental projects, costs are taken into consideration when ground is prepared. This includes costs related to polluted soil which is included in the project cost.

Preserved buildings – maintenance liability

If preserved buildings are used commercially, running maintenance is done. If preserved buildings are not used commercially accruals are made for future maintenance, unless it is likely that the maintenance is covered by future tenants or owners.

Legal disputes

The NSB-Group is involved in legal disputes. Accruals are made for disputes where it appears to be a probable and qualified risk of losing.

22 Trade and other payables

Trade payables	959	815
Social security and other taxes	197	137
Other current liabilities	2 585	2 557
Total	3 741	3 509

The amount due to related parties is in 2012: 7 MNOK (4 MNOK).
Book value of trade and other payables corresponds to fair value. Other current liabilities include pre-paid revenue, accrued payroll and related expenses as well as other accrued expenses.

23 Contract losses

For 2012, there is an 15,1 MNOK (16 MNOK) accrual for future contract losses in the bus operations. Passenger train operations have reversed prior year's accruals of 5 MNOK in 2012.

Provisions for future losses on contracts are included in «other» in note 21.

24 Payroll and related expenses

	2012	Restated 2011	2011
Wages and salaries, including employment taxes	5 927	5 476	5 476
Pension costs – defined contribution plans (note 20)	110	96	96
Pension costs – defined benefit plans (note 20)	420	351	427
Other employee benefit expenses	53	85	76
Total	6 510	6 008	6 075

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

	2012	2011
Average man-labour year	10 807	10 487
Average number of employees	13 034	12 840

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

25 Depreciation, amortization and impairment

	2012	Restated 2011	2011
Depreciation non-current assets (note 7)	1 308	1 150	1 150
Impairment non-current assets (note 7)	46	27	27
Depreciation investment property (note 8)	0	0	32
Impairment investment property (note 8)	5	20	20
Impairment intangible assets (note 6)	60	57	57
Total	1 419	1 254	1 286

26 Other expenses

	2012	2011
Sales- and overhead expenses	789	839
Energy used in operations	1 008	1 016
Repair and maintenance, machinery rental, property expenses	1 551	1 386
Other operating expenses	1 311	1 519
Total	4 659	4 760
	2012	2011
Auditing fees (excluding VAT):		
Auditing	7	6
Tax advisory	1	1
Other services	1	1
Total	9	8

27 Financial income and expenses

	2012	2011
Interest income	667	399
Dividend	5	10
Other financial income	-2	3
Net foreign exchange gains	-13	84
Total financial income	657	496
Interest expense	-823	-510
Other financial expenses	-37	-24
Net foreign exchange losses	-13	-84
Total financial expenses	-873	-618
Unrealised value changes	-112	-220
Total financial items	-328	-342

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

28 Leases

	2012	2011
Lease of machinery/equipment, not incl. on the balance sheet	148	111
Lease of property (external)	167	137
Total	315	248

29 Financial risk management**Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages some of its excess liquidity in interest bearing products like deposits, commercial papers and bonds, according to guidelines prepared by the Board of Directors. The Board adopts principles for the main course of risk management and gives guidelines for specific risk areas. In accordance with the guidelines' demand of security, spread of risk and liquidity, NSB will maximize the return of the managed capital.

The total risk for capital management should be low. Placements are supposed to be in interest bearing products in Norwegian kroners and credit limits for the Groups' placements have been decided.

Financial risk factors

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

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

Market risk**Foreign exchange risk**

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

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

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

The Group has certain investments in foreign subsidiaries, whose net assets are exposed to foreign currency exchange risk.

Interest rate risk

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

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

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

Sensitivity evaluations as at 31.12.2012

Interest rate risk is calculated using the Group's long term loans with corresponding interest rate swaps. By changing the rate by 50 basis points, interest rate risk results in a calculated risk of fair value change of 129 MNOK (2011: 115 MNOK).

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

Other price risk

The Group is exposed to price risk related to electricity and diesel used for the transport- and real estate operations. The Group hedges future electricity and diesel prices. The goal is to achieve lower and more predictable prices over time.

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

Liquidity risk

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

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

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

NSB has a high credit rating. Standard & Poor's and Moody's have given NSB credit ratings on long term debt of AA- and Aa2 respectively.

This table shows future maturities for the Group's liabilities as at 31.12.2012:

Liquidity risk	< 1 yrs	1-2 yrs	2-5 yrs	> 5 yrs
Short term liabilities	3 752	0	0	0
Borrowings	402	597	4 937	3 230
New trains	1 403	1 058	120	0
Property, plant and equipment	523	97	37	0

Credit risk

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

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

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

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

NSB assesses maximum credit risk to be the following:

Cash and bank deposits	2012	2011
	1 184	1 208
Certificates (placements)	369	355
Financial derivatives	867	1 060
Trade receivable and other short term receivables	1 756	1 596
Total	4 176	4 219

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

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

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

The presentation shows the effect on the income statement before tax with the specification of the decline in value compared to the values at the balance sheet date. Portfolio risk by a decline in value of 39 % gives a calculated risk of -18 MNOK (36 % -15 MNOK). This evaluation and determination of percentage for a decline in value has been reached in accordance with the Financial Supervisory Authority of Norway's regulations on reporting of stress tests for insurance companies and pension companies.

30 Related party transactions

NSB has the following related parties:

Owner

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

Companies within the same Group

All subsidiaries, associates and joint ventures as noted in notes 2, 9 and 33 as well as other Group companies that are related parties to these companies will be a related party to NSB.

Board of Directors and key management

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

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

Sale of goods and services:

	2012	2011
Public purchase of passenger traffic services	2 524	2 176
Sales of goods and services	158	72
Total	2 682	2 248

Purchase of goods and services:

Purchase of goods and services	156	126
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Year-end balances arising from sales/purchases of goods/services:

Receivables:

	2012	2011
Associated companies	3	4
Entities owned by the Ministry of Transportation	116	22
Total	119	26

Debts:

	2012	2011
Entities owned by the Ministry of Transportation	7	4
Total	7	4

Loans to related parties

	2012	2011
Associated companies	11	44
Joint venture	25	4
Total	36	48

There are no borrowings from related parties.

Guarantees

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

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

Compensation for members of the Board and key management

(Figures in TNOK)

Members of the Board:	Title:	2012	2011
Ingeborg Moen Borgerud	Chairman of the board	366	353
Bjarne Borgersen	Vice chairman of the board	277	189
Tore Heldrup Rasmussen	Member of the board	183	177
Erlend Helle	Member of the board	183	62
Tuva Barnholt	Member of the board	216	62
Øystein Aslaksen	Staff representative (until 29 th of June 2012)	153	236
Audun Sør-Reime	Staff representative	778	741
Jan Audun Strand	Staff representative	188	182
Rolf Jørgensen	Staff representative (from 29 th of June 2012)	65	0
Christian Brinck	Vice chairman of the board (until 28 th of June 2011)	0	141
Bente Hagem	Member of the board (until 28 th of June 2011)	0	116
Total		2 409	2 259

All employees are included in the collective pension agreement. The agreement premium is not included above. For NSB AS the General Meeting has approved a fee for the Chairman of the Board of 373 TNOK, Vice Chairman 226 TNOK and the other board members 186 TNOK each. In addition, fees for members of the audit committee with 56 TNOK for the leader and 34 TNOK for each of the other members. Fees for the staff representatives include their wages as an employee.

2012

(Figures in TNOK)

Group management:	Title:	Salary	Other benefits	Total benefits paid	Calcul. pension expense
Geir Isaksen	Chief Executive Officer	3 230	187	3 417	685
Arne Fosen	Vice CEO	1 585	99	1 684	412
Tom Ingulstad	Chief Executive Officer, Director of Pass. Train	1 735	103	1 838	869
Kjell Haukeli	Chief Financial Officer	1 240	103	1 343	207
Arne Veggeland	General Manager Nettbuss	1 801	160	1 961	349
Are Kjensli	General Manager CargoNet	1 698	210	1 908	551
Pål Berger	General Manager Rom Eiendom	2 838	24	2 862	1 969
Ole Edvardsen	General Manager Mantena	1 280	87	1 367	522
Total		13 606	973	16 370	5 564

2011

(Figures in TNOK)

Group management:	Title:	Salary	Other benefits	Total benefits paid	Calcul. pension expense
Geir Isaksen	Chief Executive Officer (from 1st of Sept.)	1 067	0	1 067	225
Einar Enger	Chief Executive Officer (until 12th of May)	1 556	102	1 658	899
Tom Ingulstad	Chief Executive Officer, Director of Pass. Train	1 685	102	1 787	799
Kjell Haukeli	Chief Financial Officer	1 207	102	1 309	141
Arne Fosen	Group Director of Strategy and Development	1 645	98	1 743	340
Wenche Rasch	Group Director of Communication and Public rel.	958	100	1 058	0
Arne Veggeland	General Manager Nettbuss	1 739	145	1 884	246
Are Kjensli	General Manager CargoNet	1 642	222	1 864	535
Pål Berger	General Manager Rom Eiendom	2 746	6	2 752	1 606
Total		14 245	877	15 122	4 791

Group Director, Arne Fosen, was acting President and CEO from 13th of May until 31st of August.

Group management:

All members in the Group management are members of their company's collective pension plan, which includes all employees. Calculated expense for additional retirement benefit is shown in the column above. A separate agreement has been entered into for the Chief Executive Officer with a pension contribution of 30 % in excess of 12G. Payment to his pension agreement is shown in the table above and is included in the accounts as debt until there is an appropriate plan that reflects the principles that are stated in the state's guidelines for establishment of pension rights.

Determination of salary and other benefits to executives:**Main principles for executive salaries in NSB**

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

The compensation committee of the Board of Directors is preparing this case for the Board. The committee consists of the Chairman of the Board, a shareholder chosen board member and a board member chosen by the employees. The CEO determines the compensation to the other members of the Group management according to these principles.

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

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

Elements in executive compensation

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

Fixed salary

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

Fringe benefits

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

Variable salary

NSB has bonus arrangements for executives. The CEO has a bonus arrangement that is limited to 4 month salary. Other executives have bonus arrangements limited to 3 month salary. The bonus arrangement is annual and individually adapted. The arrangement is based on the following principles:

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

Pension

All employees are members in a collective pension arrangement.

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

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

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

Severance arrangements

In his employment agreement the CEO has the rights to 6 months of severance and benefits. Any other salary in this severance period will reduce the severance compensation. Severance agreements for executives in the subsidiaries are in accordance with the agreement of the CEO.

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

The executive compensation policy for 2012 has been completed in accordance with abovementioned guidelines and the guidelines that were discussed at the General Assembly for NSB in 2012. The fixed salary for the CEO was not adjusted in 2012. He did not receive a bonus either. This is due to the Group's weak profits in 2011. The current CEO started his employment 01.09.11. In the column for salary for 2012, 723 TNOK is included for achieved results in 2011.

31 Contingencies

The group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

Examination of the Group's properties and land indicates environmental obligations. When identifying developmental projects, costs are taken into consideration when ground is prepared.

During incorporation of NSB BA in 1996 the company statutory transferred properties belonging to the administration company NSB. The process of the statutory transfer is not yet fulfilled. For some of the transfers concerning sold properties the approval of the Norwegian National Rail Administration has been required.

32 Business combinations

The Nettbuss-Group has acquired the following subsidiaries:

2012

Fjord 1 Buss Møre AS
Rige Bil og Hengerservice AS
Aukra Auto AS
Trolløya Eiendom AS
Team Verkstedssenter Møre AS
Nettbuss Sogn Billag AS
Nettbuss Nordfjordeid – Ottadalen AS
Sjåk Bil AS

2011

Last og Buss Vest AS
Industrivej 18 Skibby ApS
Industrivej 22 Skibby ApS

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

	<u>2012</u>	<u>2011</u>
Consideration paid	218	10
Total value of new subsidiary	<u>218</u>	<u>10</u>
Identified assets and liabilities on the balance sheet recognized from the acquisition:		
Cash and bank deposits	24	1
Property, plant and equipment	336	7
Investments in other companies	8	0
Inventories	15	2
Trade and other receivables	137	2
Trade and other payables	-157	-6
Borrowings	-127	0
Deferred tax asset on excessive value on PPE	-15	-1
Total net identifiable assets	<u>221</u>	<u>5</u>
Goodwill	4	5
Total	<u>225</u>	<u>10</u>

Fair value of acquired assets and liabilities except PPE, pension obligations and deferred tax on added value on PPE and goodwill, is equal to book value. For PPE the added value at acquisition date in 2012 is approximately 64 MNOK (1 MNOK), deferred tax on added value on PPE approximately 12 MNOK and pension obligations approximately 2 MNOK. Additionally, approximately 4 MNOK (5 MNOK) is allocated to goodwill.

Transactions with non-controlling owners

In connection with the initial acquisition of the shares in Fjord1's bus operations in 2012, Nettbuss sold 34 % of the shares in the company Nettbuss Ekspress AS. When Nettbuss acquired the rest of the shares in Fjord1's bus operations at the end of 2012, the Group acquired that same share.

In 2011 the Group acquired the last 50 % of the shares in Borg Buss AS and the last 9,9 % of the shares in Nettbuss Ekspress AB.

In the beginning of January 2012, the Group sold 34 % of the shares in Nettbuss Ekspress AS and acquired back that same share in December.

Sale of ownership in subsidiary without loss of control

	2012	2011
Proceeds received from new non-controlling owners	6	0
- Net balance sheet value of sold ownership share	-1	0
Gain on sale of ownership share credited parent company equity	7	0

Acquisition of additional ownership of subsidiary

	2012	2011
Balance sheet value of acquired non-controlling interest	-4	19
-Proceeds for assets	6	-12
Excess charged equity at parent company	-10	7

Summary of transactions with non-controlling interest

	2012	2011
Acquisition of additional share of ownership	-10	7
Sale of ownership in subsidiary without loss of control	7	0
Net effect on equity allocated to the company's owners	-3	7

33 Joint venture

The subsidiary Rom Eiendom AS interest in joint ventures is as follows:

Joint venture:	Year of acquisition	Registered office	Votes and profit share
Alfheim Utvikling AS	2000	Oslo	50 %
Alf Bjerckes vei 30 AS	2000	Oslo	50 %
Grefsen Utvikling AS	2000	Bærum	50 %
Gulskogen Hage-By Utvikling AS	2005	Drammen	50 %
Quadrum AS	2005	Oslo	50 %
Harbitz Allé Utvikling AS	2006	Oslo	50 %
Alfheim Bolig AS	2006	Oslo	50 %
Bellevue Utvikling AS	2006	Fredrikstad	50 %
Strandsonen Utvikling AS	2007	Hamar	50 %
Jessheim Byutvikling AS	2007	Ullensaker	50 %
Oslo S Utvikling AS	2000	Oslo	33 %
Jernbanebrygga AS	2011	Skien	50 %
Lagårdsveien Utvikling AS	2012	Oslo	50 %

The amounts below show the Group's share of assets and liabilities as well as revenue and expenses in joint ventures. The amounts are included in the Group's balance sheet and income statement:

Assets	2012	2011
Non-current assets	146	128
Current assets	1 333	1 476
Total	1 479	1 604
Liabilities	2012	2011
Long term liabilities	467	981
Short term liabilities	427	149
Total	894	1 130
Net assets	585	474
Income/expenses	2012	2011
Operating revenue	570	37
Operating expenses	46	59
Profits	524	-22

The Group's joint venture consists of development and sale of properties in co-operation with other external operators that are organized as single purpose companies. Below is a presentation of the most significant projects.

Development of property in Bjørvika

Oslo S Utvikling AS (OSU) is a development company founded with a purpose to construct property in Bjørvika in Oslo. Below is a more detailed description of on-going projects.

Commercial property

For three commercial buildings, called the DNB-buildings, OSU has entered into contracts regarding sale to DNB in 2012. Transfer of ownership is planned according to when each separate building is completed. Two out of three buildings are

completed and sold during 2012. The third building will be completed and sold in 2013.

One commercial building, named the Deloitte-building, one has entered into a lease agreement with Deloitte. Expected completion is in the fall of 2013.

OSU develops and constructs all space under ground to be leased as storage, parking space and technical facilities/rooms for the buildings in Bjørvika in Oslo. At the end of 2012, 34 % of the total area is completed and leased. The remaining area will be completed during the period of 2013 -2014.

Infrastructure projects

OSU operates along with other land owners the construction of parts of the infrastructure in Bjørvika. The expenses are covered by the developers as well as contributions for the county of Oslo. At completion of the Bjørvika development, all infrastructure will be transferred over to the county of Oslo without any compensation.

Residential area at Grefsen

Through the development company Grefsen Utvikling AS, a large area at Grefsen in Oslo will be used for residential purposes. The project has about 1 000 units. The construction of the first two buildings started in 2011 and the first few completed units will be delivered during 2013. At the end of 2012, sale has started in five houses, totalling 237 units. 164 apartments have been sold.

Residential and commercial area at Jessheim

Through the development company Jessheim Byutvikling, a combined residential- and commercial area will be developed in the county of Jessheim. A total of 850 units will be constructed. The first construction phase includes 120 units. At the end of 2012 an agreement is in place regarding sale of all units to purchaser in 2013.

34 Events after the balance sheet date

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



To the Annual Shareholders' Meeting of NSB AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of NSB AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements for of group comprise the balance sheet as at 31 December 2012, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group NSB AS as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

*PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening*



Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 14. February 2013
PricewaterhouseCoopers AS

Geir Haglund
State Authorised Public Accountant (Norway)

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

CORPORATE GOVERNANCE

1. Reporting on corporate governance

This statement is prepared according to the chapters in the Norwegian Code of Practice for Corporate Governance. NSB AS and the NSB-Group follows the Code, with exceptions because the Group is not listed on any stock exchange, is owned 100 % by the Norwegian State and has certain limits in the articles of association.

The Code is composed to ensure that companies listed on the stock exchange shall have ownership control and corporate governance that clarifies the roles between share owners, the Board of Directors and management in addition to what is included in the legislation. The recommendation shall contribute to strengthen the confidence the share holders, the capital markets and other interested parties have towards the company.

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

2. Nature of business

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

The Groups business as stated in the articles of association:

- *The social mission of the Company is to ensure efficient, accessible, safe and environment friendly conveyance of persons and goods*
- *The Company shall conduct passenger traffic by rail in Norway, the conveyance of persons and goods in Norway and other Nordic countries as well as activities naturally related thereto*
- *The business may be operated by the Company itself, by wholly owned subsidiaries or through other companies in which the Company holds ownership stakes or with which it collaborates. The Company may conduct business activities in other Nordic countries insofar as this contributes to the strengthening of the Company's competitiveness on the Norwegian market and/or contributes to the strengthening of the Company's ability to solve the social functions that underlie the ownership of the Company by the Norwegian State*

3. Equity and dividends

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

Important special rules for such companies are:

- The general assembly is not bound by the dividend recommendation given by the board of directors
- The Office of the Auditor General of Norway audits the management of state ownership and has a right to demand information from the CEO, the board and the external auditor

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

4. Equal treatment of shareholders and transactions with close associates

The company has only one class of shares. They are not listed on any stock exchange and there are no share transactions.

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

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

5. Freely negotiable shares

The articles of association do not include any restrictions on negotiability.

6. General meetings

The general meeting consists of the government represented by the Ministry of Transport and Communication. The ministry calls the meeting. An annual ordinary meeting is held before the end of June. The members of the Board, the CEO and the auditor have the right to attend the General Assembly meetings.

7. Nomination committee

The general meeting consists of the government represented by the Ministry of Transport and Communication. The general meeting has not appointed a nomination committee.

8. Corporate assembly and Board of Directors: composition and independence

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

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

9. The work of the Board of Directors

The Board's work is governed by the Norwegian Companies Act, which is to manage the company's values on the behalf of the owners. The task of the Board has been determined in separate instructions. The Board follows a formal work plan on an annual basis. The plan regulates the Board's main tasks which are goal, strategy, organization and control of operations. The Board of Directors' work is evaluated annually by the Board. The Board has established a separate set of instructions for the CEO. The Board shall according to the principles of association ensure that the company acts socially responsible. The Board has established audit and remunerations committees.

10. Risk management and internal control

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

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

11. Remuneration of the Board of Directors

Information on the compensation of the Board and key management is included in notes to the financial statement. The remuneration of the Board is not linked to the company's performance. The shareholder elected members of the Board of Directors do not normally take on specific assignments for the company.

12. Remuneration of executive personnel

The Board of Directors hires the CEO and decides the remuneration. The board evaluates the CEO's working and salary conditions on an annual basis, and reviews the compensation of key management. The board has prepared guidelines for compensating members of the key management. The CEO has been given authority to determine remuneration for the key management within the above mentioned guidelines and principles for remuneration of management in state owned companies. Information on the compensation of the board and key management is included in notes to the financial statement.

13. Information and communications

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

Through § 10 in the articles of association, NSB has a distinct duty to inform the shareholder about the Group's operation. Matters of principle or social significance should be communicated to the Minister of Transport and Communication before the Board of Directors makes its final decision.

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

1. An assessment of the market and the NSB-Group, including the development since the last plan
2. The Group's main activities for the next few years, including plans for major restructuring, further development and unwinding of existing operations and development of new ones

3. The level of investments, major investments and their financing
4. The Group's economic development
5. A report on measures and results regarding the company's social mission

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

14. Take-overs

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

15. Auditor

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

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

Statement from the Board and CEO regarding the annual report 2012

The Board confirms, to the best of our knowledge, that the condensed set of financial statements for the period 1st of January to 31st of December 2012 have been prepared in accordance with current accounting standards, and that the information give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

The Board confirms that the annual report shows a true and fair view of the development, profits and the position of the company and the Group, as well as a description of the principal risks and uncertainties the company and Group faces.

Oslo, 14th February 2013



Ingeborg Moen Borgerud
Chairman



Bjarne Borgersen



Tuva Barnholt



Tore Heldrup Rasmussen



Erlend Helle



Audun Sør-Reime



Rolf Jørgensen



Jan Audun Strand



Geir Isaksen
President and CEO