Interim report NSB-Group as of 31st of August 2012

NSB-Group profit before income tax is 807 MNOK.

Both passenger- and real estate operations show a considerable improvement to profits compared to last year.

Continued deficit in the freight operations weakens the Group's profits.

- **The Group's profit before income tax is 807 MNOK (283 MNOK), an improvement of 524 MNOK compared to 2011.**

- **The Group's operating profit is 1.002 MNOK (367 MNOK), an improvement of 635 MNOK compared to 2011.**

- **Revenues for passenger train operations have increased by 6 %, while costs have increased by 2% compared to 2011. The operating profit for the period is 266 MNOK (98 MNOK), an improvement of 168 MNOK.**

- **Bus operations increased revenues by 13 %, while operating costs increased by 14 %. The operating profit is 108 MNOK (101 MNOK) an improvement of 7 MNOK.**

- **Freight operations still have major challenges with the infrastructure and have lost volume due to lack of stability in operations. Restructuring measures have shown positive effects. The operating profit is -58 MNOK (-128 MNOK), an improvement of 70 MNOK compared to 2011.**

- **Real estate operations profit before financial items is 686 MNOK (384 MNOK), an improvement of 302 MNOK compared to 2011. Fair value development for investment property is 13 (106), a reduction of 93. Profits from sale of assets are 529 MNOK (162).**

Board of Director's report

1. Changes to reporting with consequences to Group equity

Effective 1st of January 2012, the NSB-Group changed its accounting principle on how to account for retirement benefit obligations by including all such obligations on the balance sheet with gross figures. This change alone has increased liabilities by 2.624 MNOK and weakened equity by 1.892 MNOK. Effective on the same date, the Group also implemented a change on how to account for investment property at fair value. This has increased the value on properties by 1.936 MNOK, and increased the Groups restricted equity by 1.396 MNOK. Combined the two changes have resulted in a reduction to the Group's reported book equity-ratio for the annual accounts for 2011 from 32,5 % to 27,4 % at the beginning of the year.

On the 1st of January 2012 the Group acquired 51 % of the shares in Fjord 1's bus operations. These operations are included in the opening balance sheet for 2012. After incorporating acquired companies in the NSB-Groups' balance sheet, the equity-ratio is 26,9 % at the start of 2012.

Some minor changes have been made to the presentation in the reports. Restated income statements and balance sheets based on previously reported figures and incorporated the principle changes made in 2012 have also been presented below. This has been done to show comparative figures for 2011 after the implementation of policy changes in 2012. All figures in the text below are taken from the restated comparative income statements and balance sheets for the same period last year.

2. Development in pre-tax profit/loss

Profit/loss, NSB-Group
Profit for the NSB-Group is affected by the operating situation regarding infrastructure in the spring of 2012, especially the landslides on the Dovre line. Punctuality for completed train transport has improved for both passenger- and freight transport.

The operating profit has improved, and is 1.002 MNOK (367 MNOK), an increase of 635 MNOK from last year. Profit before financial items which includes value changes to investment property, shows a profit of 1.038 MNOK (472 MNOK), an improvement of 566 MNOK compared to last year. Profits from sale of assets of 560 MNOK (230 MNOK), are included in the accounts.

The operating profit for the interim period is 847 MNOK, operating costs have increased by 212 MNOK. These are increases of 10 % and 3 % respectively, compared to the same period last year.

Revenue increases mainly due to growth in passenger operations as well as gain on sale of assets in real estate operations.

Profit after income tax is 659 MNOK (182 MNOK), an improvement of 477 MNOK compared to last year.

Dividends for the last year
The General Assembly meeting on 19th of June decided there will be no dividends paid out for 2011.

3. Trends

Passenger Traffic (rail)
The operating profit for the Group's passenger traffic (rail) for the interim period is 266 MNOK (98 MNOK), an improvement of 168 MNOK compared to the same interim period in 2011. This is mainly due to increased revenue, while cost has been relatively stable.

Bus
The operating profit for the bus operations is 108 MNOK (101 MNOK), an improvement of 7 MNOK. Revenue has increased by 13 %, while the costs have increased by 14 %. The increase in cost is mainly due to increased maintenance- and diesel costs.

Freight Traffic (rail)
The operating profit for the freight traffic is -58 MNOK (-128 MNOK), an improvement of 70 MNOK. Freight operations has had a positive development, but disturbances to the infrastructure with long lasting closures results in lost income, increased deviation costs and limited possibilities to reduce operating costs. The background is that the large cost items relating to the duration of the closures are fixed cost. The problems with the infrastructure have also resulted in customers choosing other transport alternatives during the winter. This has also resulted in a negative development in the form of volume and increased costs. Increased competition on the rail line, especially from the trucking industry, is a major challenge for short and medium stretches. Restructuring operations in Sweden by closing own production and cooperating in a new company on operation of two long lines, has had a positive effect on profits.

Real estate
The operating profit for the real estate operations is 673 MNOK (279 MNOK), an improvement of 394 MNOK compared to last year. Profit before financial items is 686 MNOK (384 MNOK), an increase of 302 MNOK compared to last year. 13 MNOK of value changes to investment property are included in the accounts, while restated accounts for 2011 include 106 MNOK. The large improvement in profit is mainly due to completion and profit from sale of development properties in the joint venture company Oslo S Utvikling AS (OSU). Profits from OSU is 455 MNOK (29 MNOK) of the Groups' profit.

Financial areas

Financial entries
Financial items show a net profit of -231 MNOK (-189 MNOK) for the period, an increase in costs of 42 MNOK compared to the same period last year.

Financial profits are influenced by unrealized value changes when measuring financial items at fair value. The profit for this interim period is -110 MNOK (-91 MNOK), a change of -19 MNOK compared to the same period last year.

Starting in 2012, financial items include financial charges from the retirement obligation calculations. These financial charges used to be included as net payroll and related costs. For this interim period, the costs and income have increased by 142 MNOK, and 137 MNOK as a consequence of these changes.

Liquidity
Cash, cash equivalent and restricted funds for the Group are 1.894 MNOK (1.573 MNOK) at the end of the 2nd interim period. Liquidity is placed in Norwegian banks, short term commercial papers and bonds with short maturities.

Additionally, the Group has financial reserves of 2.000 MNOK (1.500 MNOK) which has been established through a syndicated revolving loan facility which expires in April 2017 and an overdraft facility of 50 MNOK (50 MNOK). These financing reserves are not utilized as of the 2nd interim period.

Interest bearing debt
Total interest bearing debt for the NSB-Group is 8.932 MNOK (7.859 MNOK) as at the 2nd interim period. The Group's long term financing is obtained through a 1.500 MEUR (1.250 MEUR) European Medium Term Note Programme (EMTN).

4. Important events after the interim period

There are no material events which have occurred after the interim period that will affect the profits for this interim period.

5. Ending

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period of 1st of January to 31st of August 2012 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole as of 31st of August 2012. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first eight months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the next reporting period, and major related parties.

The interim report has not been subject to any specific audit.

Oslo, 10th of October 2012
Board of Directors NSB

Ingeborg Moen Borgerud
Chairman

Bjarne Borgersen
Vice Chairman

Tuva Barnholt

Tore Heldrup Rasmussen

Erlend Helle

Audun Sør-Reime

Rolf Jørgensen

Jan Audun Strand

Geir Isaksen
President and CEO

Income statement

NSB-GROUP (MNOK)	JAN-AUG 2012	JAN-AUG 2011 Restated	JAN-AUG 2011	2.tertial 2012	2. Tertial 2011 Restated	2nd interim period 2011	Last 12 months	2011 Restated	2011
Revenues	9 086	8 239	8 239	4 836	4 171	4 171	13 175	12 328	12 328
Payroll and related costs	4 252	4 016	4 061	2 090	1 918	1 941	6 244	6 008	6 075
Depreciation, impairment	845	826	852	439	439	452	1 267	1 248	1 286
Other operating expenses	2 987	3 029	3 029	1 525	1 499	1 499	4 718	4 760	4 760
Operating profit	**1 002**	**367**	**297**	**783**	**315**	**279**	**947**	**312**	**207**
Share of (loss)/ profit in assoc.	23	-1	-1	17	3	3	29	5	5
Unreal. Value change inv. property	13	106		37	26		13	106	
Profit before financial items	**1 038**	**472**	**296**	**837**	**344**	**282**	**990**	**424**	**212**
Financial income	405	349	142	342	178	75	862	806	496
Financial costs	-526	-447	-240	-399	-235	-132	-1 007	-928	-618
Unreal. Value changes fin. items	-110	-91	-91	-121	-128	-128	-239	-220	-220
Total financial items	**-231**	**-189**	**-189**	**-178**	**-185**	**-185**	**-384**	**-342**	**-342**
Profit before income tax expen	**807**	**283**	**108**	**659**	**159**	**97**	**606**	**82**	**-130**
Income tax expense	-148	-101	-52	-103	-55	-38	-102	-55	4
Profit for the period	**659**	**182**	**56**	**556**	**103**	**60**	**503**	**26**	**-126**
Attributable to:									
Non-controlling interests	-1	20	8	-1	15	7	5	26	8
Equity holders	660	162	49	557	88	53	499	1	-134
Total	**659**	**182**	**56**	**556**	**103**	**60**	**503**	**26**	**-126**
Other comprehensive income									
Profit for the period	659	182	56	556	103	60	503	26	-126
Deviation retirem. Benefit oblig.							-1 256	-1 256	
Tax on items in compr. income							352	352	
Currency translation differences	1	-7	-7	1	-7	-7		-8	-8
Total compr. Inc. for the per.	**660**	**175**	**49**	**557**	**96**	**53**	**-401**	**-886**	**-134**
Attributable to:									
Non-controlling interests	-1	20	8	-1	15	7	-15	6	8
Equity holders of parent company	661	155	42	558	81	47	-386	-892	-142
Profit for the period	**660**	**175**	**49**	**557**	**96**	**53**	**-401**	**-886**	**-134**

Balance sheet

NSB-GROUP (MNOK)	2nd interim period 2012	2nd interim period 2011 Restated	2nd interim period 2011	2011 Restated	2011
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	155	187	187	154	154
Property, plant and equipment	12 563	12 031	12 208	11 404	11 636
Investment property	3 228	2 951	851	3 021	854
Investment in associates	90	57	57	61	61
Financial assets	57	71	71	67	67
Total non-current assets	**16 093**	**15 297**	**13 374**	**14 707**	**12 772**
CURRENT ASSETS					
Inventory	2 984	1 791	1 791	3 010	3 010
Trade and other receivables	1 266	1 425	1 425	1 596	1 596
Derivative financial instruments	877	1 148	1 148	1 060	1 060
Other financial assets	335	403	403	355	355
Cash and cash equivalents	1 894	1 573	1 573	1 208	1 208
Total current assets	**7 356**	**6 340**	**6 340**	**7 229**	**7 229**
TOTAL ASSETS	**23 449**	**21 637**	**19 714**	**21 936**	**20 001**
EQUITY AND LIABILITIES					
EQUITY					
Ordinary shares and share premium	5 536	5 536	5 536	5 536	5 536
Restricted equity - value reg. inv. Property	1 432	1 384		1 396	
Retained earnings	-297	135	1 136	-928	962
Non-controlling interests		23	23	2	4
Total equity	**6 671**	**7 078**	**6 695**	**6 006**	**6 502**
LIABILITIES					
Long-term liabilities					
Borrowings	8 932	7 859	7 859	7 921	7 921
Deferred income tax liabilities	456	703	554	287	480
Retirement benefit obligation	3 491	2 474	1 084	3 512	888
Provision for other liabilities and charges	246	260	260	250	250
Total non-current liabilities	**13 125**	**11 296**	**9 757**	**11 970**	**9 539**
Short-term liabilities					
Trade and other payables	3 228	3 022	3 022	3 509	3 509
Current income tax liabilities		3	3	1	1
Borrowings	113	104	104	173	173
Derivative financial instruments	312	133	133	277	277
Total current liabilities	**3 653**	**3 263**	**3 262**	**3 960**	**3 960**
Total liabilities	**16 778**	**14 559**	**13 019**	**15 930**	**13 499**
TOTAL EQUITY AND LIABILITIES	**23 449**	**21 637**	**19 714**	**21 936**	**20 001**

Cash flow statement

NSB-GROUP (MNOK)	JAN-AUG 2012	JAN-AUG 2011 Restated	JAN-AUG 2011	2011 Restated	2011
Profit before income tax	**807**	**284**	**108**	**82**	**-130**
Deprec. And imparm. Of non-current and intangible assets	845	826	852	1 247	1 286
Gain/loss on disposal of prop, plant and equipm. and inv. Property	-104	-230	-230	-321	-321
Diff in pension cost and paym/disbursem. Of def. Contribution Plan	-28	85	130	-134	-67
Net changes to other accruals	-5	-33	-33	-43	-43
Fair value gains/losses(-) on financial instruments	112	91	91	220	220
Unrealised fair value changes to investment property	-13	-106		-106	
Interest items	18	-30	-30	-1	-1
Share of profits of associates	-23	1	1	-5	-5
Changes to w orking capital	-219	299	299	-43	-43
Taxes paid	-4	-4	-4	-60	-60
Net cash flow from operations	**1 386**	**1 184**	**1 184**	**836**	**836**
Acquisition/sale of subsidiaries less cash acquired	-85			-22	-22
Additions/sale of associates	-5	26	26	22	22
Loans paid to/from single purpose companies/joint ventures	-6				
Acquisitions of property, plant and equipm. And investm. Property	-1 851	-1 486	-1 486	-1 511	-1 511
Sale of property, plant and equipment	120	408	408	240	240
Dividends received	10	10	10	10	10
Net cash flow from investment activities	**-1 817**	**-1 042**	**-1 042**	**-1 261**	**-1 261**
Proceeds from borrow ings	1 830	1 883	1 883	2 143	2 143
Repayment of borrow ings	-706	-2 082	-2 082	-2 136	-2 136
Dividends paid to company shareholders		-149	-149	-147	-147
Dividends paid to non-controlling interests				-1	-1
Net cash flow from financing activities	**1 124**	**-348**	**-348**	**-141**	**-141**
Net change in cash and bank overdrafts in the interim period	**693**	**-206**	**-206**	**-566**	**-566**
Cash and bank overdrafts at the beg. Of the interim period	1 208	1 780	1 780	1 779	1 779
Currency gains/losses to cash and bank overdrafts	-7			-5	-5
Cash and bank overdrafts at the end of interim period	**1 894**	**1 574**	**1 574**	**1 208**	**1 208**

Specification of changes to working capital					
Changes to development property	-345	62	62	-1 164	-1 164
Changes in inventories	-143			7	7
Sale of development property	587			480	480
Changes to trade and other receivables	463	90	90	-79	-79
Changes to financial assets	44	297	297	343	343
Changes to trade and other payables	-825	-150	-150	370	370
Changes in working capital	**-219**	**299**	**299**	**-43**	**-43**

Specification of interest items					
Interest included in the income statement	125	78	78	122	122
Interest paid	-532	-366	-366	-504	-504
Interest received	425	258	258	381	381
Interest items	**18**	**-30**	**-30**	**-1**	**-1**

Development in NSB-Group equity

2nd interim period 2012	Ord. Shares and share premium	Restr. equity-investm. Prop	Currency translation differences	Retained earnings	Non-contr. Interest	TOTAL
Equity 1st of January 2012	5 536	1 396	-18	-910	2	**6 006**
Profit for the interim period		9		651	-1	**659**
Changes to non-controlling interest				7	-1	**6**
Changes to restr. equity fund for val. change		27		-27		
Other comprehensive income			1	-1		
Dividends paid						
Equity at 31.08.2012	**5 536**	**1 432**	**-17**	**-280**		**6 671**

2nd interim period 2011 Restated	Ord. Shares and share premium	Restr. equity-investm. Prop	Currency translation differences	Retained earnings	Non-contr. Interest	TOTAL
Equity 1st of January 2011	5 536	1 290	-10	219	18	**7 053**
Profit for the interim period		94		68	20	**182**
Changes to non-controlling interest				13	-15	**-2**
Other comprehensive income			-7			**-7**
Dividends paid				-148		**-148**
Equity 31.08.2011	**5 536**	**1 384**	**-17**	**152**	**23**	**7 078**

2nd interim period 2011	Ord. Shares and share premium	Restr. equity-investm. Prop	Currency translation differences	Retained earnings	Non-contr. Interest	TOTAL
Equity 1st of January 2011	5 536		-10	1 252	18	**6 796**
Profit for the interim period				48	8	**56**
Changes to non-controlling interest				1	-3	**-2**
Other comprehensive income			-7			**-7**
Dividends paid				-148		**-148**
Equity 31.08.2011	**5 536**		**-17**	**1 153**	**23**	**6 695**

2011 Restated	Ord. Shares and share premium	Restr. equity-investm. Prop	Currency translation differences	Retained earnings	Non-contr. Interest	TOTAL
Equity 1st of January 2011	5 536	1 290	-10	219	18	**7 053**
Profit for the interim period		106		-105	26	**27**
Changes to non-controlling interest				9	-22	**-13**
Other comprehensive income			-8	-885	-20	**-913**
Dividends paid				-148		**-148**
Equity 31.12.2011	**5 536**	**1 396**	**-18**	**-910**	**2**	**6 006**

2011	Ord. Shares and share premium	Restr. equity-investm. Prop	Currency translation differences	Retained earnings	Non-contr. Interest	TOTAL
Equity 1st of January 2011	5 536		-10	1 252	18	**6 796**
Profit for the interim period				-134	8	**-126**
Changes to non-controlling interest				9	-22	**-13**
Other comprehensive income			-8	1		**-7**
Dividends paid				-148		**-148**
Equity 31.12.2011	**5 536**		**-18**	**980**	**4**	**6 502**

Reporting information

The NSB-Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by EU. Financial derivatives and financial assets and liabilities are based on fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. A complete description of the Group's accounting principles was included in the last annual report. By employing accounting principles, management must exercise judgment. Areas where judgment has been exercised or consist of high complexity, or areas where assumptions and estimates are material for the Group accounts, are separately described.

Income tax expense is calculated using nominal tax rate for each separate country. For items where one cannot assume positive results in the future, deferred tax asset has not been calculated.

Significant changes to accounting principles adopted with effect from 1st of January 2012

The NSB Group has adopted the following accounting principles effective 01.01.2012:

Retirement benefits

The Group has changed its principal for accruing deviation estimates. The transition is from using the corridor method to charging or crediting equity in other comprehensive income.

The change has been made to be in accordance with IAS 19 to harmonize with the expected change in the standard and will give a more reliable and relevant information. According to expected changes to IAS 19 the deviation estimates are to be included on the balance sheet in its entirety and the corridor method will no longer be allowed.

At the implementation date of 1st of January 2012, deviation estimates of MNOK 2.624, so far not included on the balance sheet, were charged as an increase to retirement benefit obligations; offsets were charged to equity and deferred taxes. When restating comparative numbers, this effect is shown as an increased retirement benefit obligation of 1.435 MNOK as of 1st of January 2011, reduced payroll and related costs of 67 MNOK through reversed amortization of deviations for 2011 and charging deviation with 1.256 MNOK through other comprehensive income per 31.12.2012, all numbers are gross before tax.

This year's change in deviation estimates as well as the consequences for the retirement benefit- costs and obligations when there is an internal segment transfer within the Group; will be calculated when updated actuaries are performed at the end of the fiscal year, and will be included in comprehensive income at 31st of December.

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

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 1st of January after effects of principle changes (MNOK)	2012	2011
Equity 1st of January before principle changes	**6502**	**6796**
Net reduction of equity 1st of January as a consequence of principle change of retirement benefit oblig.	-1889	**-1033**
Net increased equity 1st 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 1st 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**

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 interim report.

New and amended standards not implemented.

In the annual report for 2011 there is an overview of new and amended standards not yet effective and where the Group has chosen not to adopt early. The Group has made detailed evaluations of what effects these changes will have for the Groups' financial statements. Except for the change to IAS 19, which is already implemented, as well as a new standard (IFRS 11) on how to treat joint arrangements, the other new standards and amendments have been evaluated and will have no significant effects for the Group. Evaluations made related to IFRS and its implications on the Group, are discussed below.

IFRS 11 Joint Arrangement

In the spring of 2011, IASB adopted the new standard IFRS 11 Joint Arrangement, which will replace IAS 31 Interests in Joint Ventures. The standard is at the approval stage with the EU and is expected to be decided at the end of this year. The Group has significant shares in so-called single purpose companies through joint arrangement.

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 1st of January 2012, the change seems preliminary to result in a reduction of net assets and liabilities of approximately 1.200 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.

Investment property

Summary of investment property valued at fair value

Date	31.aug.12	30.apr.12	31.des.11	31.aug.11	30.apr.11	01.jan.11
Value in MNOK	3 228	3021	3021	2 951	2790	2642

Definition and separation between different types of property in the NSB
The Group's property portfolio consists of property used in operations as defined in IAS 16, investment property as defined in IAS 40 and development property as defined in 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, are each section evaluated separately. Buildings or where parts of a building is used in operations within the Groups, are defined as operating property in accordance with IAS 16. Buildings or parts of buildings that are leased externally on market terms in a long perspective are classified as investment property and is valued in accordance with IAS 40.

Property where the intension in a long term perspective is to redevelop for sale 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 change in purpose for that specific property in a long-term perspective. This has actualized and resulted in reclassifications as further noted in the table below.

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, one performs market based valuations 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. Each deviation will be analyzed per property 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 August 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 as of 01.01.2011 and 30.04.2011 is based on valuations as of 30.04.2012 and adjusted according to indexes received from external appraiser.

Estimation of fair value is calculated as present value of future cash flows during and after the end of the contract period. Future cash flow is calculated from cash flows from current leases as well as future cash flow based on an expected market lease at the end of the lease period. Market lease for each separate property is assessed based on the property's location, and standard.

The return on capital /yield is reflected in the market risk in the model.

The valuation is performed based on a complete overview of all the leasing contracts on the properties, lists and an overview over available premises at each separate 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 1st and 2nd interim period of 2012, an external market valuation on a selection of 8 properties was performed, this represents 34 per cent of the portfolio value. Deviations between valuations and market valuations for the selected properties are within acceptable confidence interval of plus/minus 5 per cent.

Analysis of deviations for each separate property has been performed. The result from the performed analysis suggests that there is no significant deviation for the whole portfolio.

Valuation development and sensitivity
Changes of 13 MNOK to market value for the Groups investment property has been identified as at 31st of August.

The valuations are particularly sensitive to changes in return on capital /yield and assumptions on development on the rental market. An isolated 0,25 percentage point decline on 1 year yield will change the value for the property portfolio with approximately 4,5 % or 116 MNOK. A change in the future rental market of 5 per cent will have an equivalent change of the portfolio value of approximately 5,5 % per cent or 140 MNOK.

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

Text	2012 2nd interim period	2011 2nd interim period	2011 Year
Opening balance investment property 1st of January before trans. To fair value	854	871	872
Reclassification to property, plant and equipment	232	-21	-22
Opening balance 1st of January before transition to fair value	1 086	850	850
Value changes to inv. Property due to transition to fair value	1 935	1 792	1 792
Balance sheet value 1st of January - restated	3 021	2 642	2 642
Reclassification from property, plant and equipment	25		
Transfers from development property	101		
Additions/investments	69	177	235
Disposals	-2		
Value changes due to change in market value	13	106	106
Value changes due to reduced depreciation due to change in principle		26	38
Balance sheet value at the end of the period	3 228	2 951	3 021

Business segments

The Group has operations within the following main activities:
- Passenger train: passenger transport by rail
- Bus: passenger transport by bus
- Freight: freight transport by rail
- Train maintenance: workshop and maintenance of freight- and passenger trains
- Real estate: rental and development of property

Included in the support functions are NSB Trafikkservice AS as well as administrative support functions by Finse Forsikring AS and Arrive AS. Train maintenance consists of activity in the Mantena Group.

Segment reporting

2nd interim period 2012 (MNOK)	Pass. Train	Bus	Freight	Train-maintenance	Real estate	Support funct.	Elim.	Group
Revenue	**3 847**	**3 676**	**720**	**958**	**937**	**205**	**-1 257**	**9 086**
Operating expenses	3 232	3 199	733	919	212	201	-1 257	7 239
Depreciation, impairment	349	369	45	18	52	11	0	845
Operating profit/loss	**266**	**108**	**-58**	**21**	**673**	**-7**	**0**	1 002
Share of profit/loss in assoc.	**5**	**8**	**2**	**9**	**0**			23
Unreal. Value changes investm. Prop.					13			**13**
Profit/loss before financial items	**271**	**116**	**-56**	**30**	**686**	**-7**	**0**	**1 038**
Financial items								-231
Profit before income tax expense								**807**
Income tax expense								-148
Profit for the interim period								**659**

Segment assets	**8 164**	**4 430**	**860**	**801**	**7 765**	**551**		**22 572**
Investments	**842**	**672**	**7**	**22**	**628**	**6**		**2 177**

2nd int. period 2011 - Restated	Pass. Train	Bus	Freight	Train-maintenance	Real estate	Support funct.	Elim.	Group
Revenue	**3 619**	**3 263**	**938**	**1 006**	**529**	**197**	**-1 313**	**8 239**
Operating expenses	3 159	2 816	1 015	976	205	187	-1 313	7 045
Depreciation, impairment	362	346	51	18	45	6	0	826
Operating profit/loss	**98**	**101**	**-128**	**13**	**279**	**4**	**0**	367
Share of profit/loss in assoc.	**-3**	**-1**		**4**	**-1**			-1
Unreal. Value changes investm. Prop.					106			**106**
Profit/loss before financial items	**95**	**100**	**-128**	**17**	**384**	**4**	**0**	**472**
Financial items								-189
Profit before income tax expense								**283**
Income tax expense								-101
Profit for the interim period								**182**

Segment assets	**7 543**	**3 688**	**750**	**861**	**7 033**	**615**		**20 490**
Investments	**373**	**300**	**17**	**20**	**757**	**19**		**1 486**

2nd interim period 2011 (MNOK)	Pass. Train	Bus	Freight	Train-maintenance	Real estate	Support funct.	Elim.	Group
Revenue	**3 619**	**3 263**	**938**	**0**	**529**	**1 069**	**-1 179**	**8 239**
Operating expenses	3 177	2 828	1 029	0	205	1 029	-1 179	7 090
Depreciation, impairment	362	346	51	0	70	24	0	852
Operating profit/loss	**80**	**89**	**-142**	**0**	**254**	**15**	**0**	297
Share of profit/loss in assoc.	**-3**	**-1**			**-1**	**4**		-1
Unreal. Value changes investm. Prop.								**0**
Profit/loss before financial items	**77**	**88**	**-142**	**0**	**253**	**19**	**0**	**296**
Financial items								-189
Profit before income tax expense								**108**
Income tax expense								-52
Profit for the interim period								**56**

Segment assets	**7 543**	**3 688**	**750**	**0**	**5 110**	**1 476**		**18 566**
Investments	**373**	**300**	**17**	**0**	**757**	**39**		**1 486**

2011 Restated (MNOK)	Pass. Train	Bus	Freight	Train-maintenance	Real estate	Support funct.	Elim.	Group
Revenue	**5 380**	**4 864**	**1 452**	**1 525**	**808**	**299**	**-2 001**	**12 328**
Operating expenses	4 835	4 246	1 578	1 479	349	279	-2 001	10 768
Depreciation, impairment	547	515	76	28	72	11	0	1 248
Operating profit/loss	**-2**	**103**	**-202**	**18**	**387**	**8**	**0**	312
Share of profit/loss in assoc.	**-1**	**1**				**5**		5
Unreal. Value changes investm. Prop.					106			**106**
Profit/loss before financial items	**-3**	**104**	**-202**	**18**	**493**	**13**	**0**	**424**
Financial items								-342
Profit before income tax expense								**82**
Income tax expense								-55
Profit for the interim period								**26**

Segment assets	**7 382**	**3 814**	**696**	**875**	**7 537**	**573**		**20 876**
Investments	**788**	**546**	**27**	**49**	**90**	**17**		**1 517**

2011 (MNOK)	Pass. Train	Bus	Freight	Train-maintenance	Real estate	Support funct.	Elim.	Group
Revenue	**5 380**	**4 864**	**1 452**	**0**	**808**	**1 626**	**-1 802**	**12 328**
Operating expenses	4 862	4 264	1 600	0	349	1 560	-1 802	10 835
Depreciation, impairment	547	515	76	0	110	40	0	1 286
Operating profit/loss	**-29**	**85**	**-224**	**0**	**349**	**26**	**0**	207
Share of profit/loss in assoc.	**-1**	**1**				**5**		5
Unreal. Value changes investm. Prop.								**0**
Profit/loss before financial items	**-30**	**86**	**-224**	**0**	**349**	**31**	**0**	**212**
Financial items								-342
Profit before income tax expense								**-130**
Income tax expense								4
Profit for the interim period								**-126**

Segment assets	**7 382**	**3 814**	**696**	**0**	**5 601**	**1 448**		**18 941**
Investments	**788**	**546**	**27**	**0**	**90**	**66**		**1 517**

Segment assets consists primarily of property, plant and equipment, intangible assets, inventories, derivatives designated as hedges for future commercial transactions, trade and other receivables, and cash and cash equivalents. Deferred taxation, investments and financial derivatives available for sale or designated as hedges of borrowings including related hedging derivatives.

Analysis of operating income per category

(All numbers in MNOK)	2nd interim period 2012	2nd interim period 2011	Last 12 months	Year 2011	Year 2010
Transport revenue	7 752	7 354	11 399	11 001	9 982
Gain on sale of assets	560	230	652	322	270
Other revenue	774	655	1 124	1005	928
Total	**9 086**	**8 239**	**13 175**	**12 328**	**11 179**

The Group has one customer that constitutes more than 10 % of operating revenue. During the interim period the public purchase of services for the NSB-Group is 1.670 MNOK.

Business combinations

Fjord 1
Nettbuss AS has acquired 51 % of the bus operations and 100 % of its corresponding maintenance operations of Fjord 1. The acquisition is included in the Group accounts through application of the purchase method of accounting effective 1st of January. Inclusion and measurement at consolidation have been performed of the identifiable acquired assets, liabilities and non-controlling interests.

Below is a set up that shows a preliminary allocation of the consideration of assets and liabilities at the acquisition date.

Consideration	(MNOK)
Cash	105
Obligation , If option to redeem	97
Total consideration, acquisition cost	202

Allocation of identifiable assets and liabilities

Text (MNOK)	**Fair value When alloc. Purchase amt.**	**Book value of acquired company**
Property, plant and equipment	326	257
Investment in other companies	8	8
Inventories	12	13
Receivables	134	134
Cash and cash equivalents	14	14
Debt	-154	-153
Borrowings	-122	-122
Net deferred tax	-16	3
Fair value of net assets	202	153

Fair value of the acquired assets and liabilities, with the exception of property, plant and equipment (buses and properties), corresponds with book value of the acquired company. For property, plant and equipment there is an added value of 69 MNOK, when reduced for deferred tax results is an additional value of 50 MNOK.

Additions to Group profits after the acquisition date
Gross revenues and profit after income tax from the acquisition of Fjord1 was as at the 2nd interim period 2012, 468 MNOK and 5 MNOK respectively.

Rige Bil og Hengerservice
Nettbuss AS has during the interim period, also acquired 100 % of the shares in Rige Bil og Hengerservice at a purchase price of 6 MNOK. According to preliminary acquisition analysis, there is added value of 4,4 MNOK that are allocated to goodwill and property, plant and equipment with 3,6 MNOK and 0,6 MNOK respectively.
Final acquisition analysis will be finalized before the deadline of the IFRS requirement of twelve months.

Important events for the Group during as at the 2nd interim period 2012

A billion kroner agreement ensures a better service to the rail passengers
The Department of Transport and NSB has entered into an agreement for the purchase of passenger services by rail from 2012 until 2017. The agreement includes a total purchase of services of 15.4 billion NOK. The agreement contains among other things the realization of a new basic model for routing rail passenger traffic in the eastern part of Norway from 2014. The transport agreement covers all of the 20 existing railway lines.

An agreement was entered into regarding the sale of DNBs head office which is under construction by Oslo S Utvikling AS
NSBs property company owns one third of Oslo S Utvikling AS together with Entra Eiendom AS and Linstow AS who has entered into an agreement regarding the sale of the three buildings in the Bjørvika area in Oslo which will be DNBs new head office. The sale price is 4.8 billion NOK. The first building has been delivered in the 2nd interim period in 2012. The 2nd building is planned to be completed and delivered at the turn of the year and the last building during the 2nd interim period in 2013.

Honorary award for NSB
NSB has received the honorary award from Norwegian Design Council for the new type 74/75 trains. The new train is a train for everyone. The Design Council believes NSB has become a locomotive for inclusive design in Norway.

New trains in traffic
The 2nd of May was the first trip with passengers which was driven from Oslo S to Skien using the new train. Several of the 50 new trains purchased will now be put in use as they are approved for commercial traffic. All of the 50 train sets were supposed to be put in regular traffic during 2013, but was delayed by the accident at Nykirke in February. The report from the Accident Investigation Board has not been published yet.

Large growth in population creates major transport needs
In the course of the next 16 years, the population will grow by a million people. Most of this growth will occur in and around the large cities, and that creates a major transport need. There is a broad political consensus that public transportation must be expanded. The authorities’ ambition is to give the railroad a more central place in the transport system. Increased capacity during rush hours towards Oslo and a good InterCity-service in eastern Norway are the main points in NSBs input to the Government- and Parliaments work on the National Transport Plan. Furthermore, NSB also shows how the train service can improve in the regions of Stavanger, Bergen and Trondheim.

NSB’s input is all about meeting the increased need with an effective and environmental friendly transport service.

More bus
During the 2nd interim period, Nettbuss took over the tender in western Bergen. Around a 100 new buses are put in operations and 270 employees are now employed by the NSB-Group.
Earlier this year Nettbuss took over the tender in Hamar and the surrounding area, also using new buses.

New hotels in Oslo and Trondheim
In May, a new hotel opened in the old part of Oslo Central Station. Rom Eiendom is responsible for the reconstruction. The Choice-Group runs the hotel in the middle of Norway’s largest transport hub and uses the name Grand Central Comfort hotel. A new hotel has also opened up in Trondheim, which is in close proximity to the railway station and it is run by P-hotels.

Slightly better for Freight
Things are improving for CargoNet after extensive restructuring during the last year. Especially the new cooperation in Sweden, where one has established two regularly scheduled shuttle trains with committed freight volumes, has proven to be successful.

Strengthen Group staff and gather shared services in the Group
All shared services in the NSB-Group as well as corporate health services will be gathered while Group staff will be strengthened within HR and ICT. A strengthened cooperation is facilitated between the separate subsidiaries in all of the NSB-Group.

A record number of customers travel digitally

Half of NSB passenger train season ticket users have within the last 2 months exchanged their ticket to a digital one. After launching the NSB-app this spring, 280 000 users had downloaded this app by the end of July. In addition to being able to purchase the ticket using the cell phone, the customers can also quickly access updated traffic information. NSB passenger train continues to receive feedback from their customers on how to improve the app, and one constantly try to make it even more user friendly.