# NSB GROUP 2017

Report of the Board of Directors
Corporate social responsibility report
Corporate Governance

# Report of the Board of Directors of the NSB group, 2017

## Summary of results and trends for the NSB Group for 2017

The NSB Group has delivered good results in a year that has been marked by significant restructuring through demerger of parts of the operations, preparation for tender for passenger traffic and a changed role due to the railway reform. The key figures in the following points are compared with similar activities in 2016.

(Last year's figures in brackets)

- // Operating profit for 2017 amounted to NOK 773 million (NOK 638 million)
- // Profit before tax amounted to NOK 772 million (NOK 685 million)
- // Return on equity was 13.2% (12.1%)
- // Increased traffic volume and operating revenue from passenger rail services
- // Stable results from bus services
- // Negative results from the rail freight service
- // Punctuality for passenger rail services was at 88.4 % which is in line with last year
- // Extensive efforts and effects related to the Norwegian railway reform and restructuring

**The railway reform and organization**
At the start of 2017, due to the railway reform, the ownership of the train maintenance company Mantena AS, the sales and ticketing company Entur AS, the rolling stock company Norske Tog AS and the real estate group ROM Eiendom was transferred to the Ministry of Transport and Communications. The legal processes were finalized 24th of April 2017.

In 2016, the NSB Group presented the business transferred to the Ministry of Transport and Communications, as discontinued operations / assets held for distribution. To give a representative picture of the trend in 2017, this year's operations is compared to continuing business in 2016 adjusted for the profit element in deliveries from the discontinued operations.

The Norwegian Railway Directorate is putting out for tender the passenger train packages on routes currently run by NSB. As a consequence the NSB Group and the competitive situation is significantly changed.

From 2017, the NSB Group's business activities involve the following main activities:

- Passenger train: passenger train operations
- Bus: bus operations
- Freight: freight train operations
- Tourism: tourism operations in Norway

**Financial development for the total operations of the NSB Group and the parent company NSB AS**
The NSB Group had a profit after tax of NOK 634 million (NOK 555 million), an improvement of NOK 79 million. The operating profit amounted to NOK 773 million (NOK 638 million), an improvement of NOK 135 million. The improvement is mainly due to increased profit from joint ventures and associates.

The parent company, NSB AS, showed a profit after tax for the year amounting to NOK 502 million (NOK 185 million). Group contributions and dividends from subsidiaries amounting to NOK 45 million (NOK 561 million) are included in the annual profit for the parent company. The operating profit for the parent company amounted to NOK 371 million (NOK 436 million). The change in operating profit is mainly due to increased costs for lease and maintenance of trains.

Net cash flow from operating activities amounted to NOK 572 million (NOK 2,698 million). Net cash flow invested was NOK 708 million (NOK 1,016 million). This includes NOK 148 million (NOK 1,471 million) in purchases of fixed assets. These investments focused primarily on increasing capacity and profitability within the Group's business segments. No dividend was paid to the company's owner in 2017.

After this year's profit, total equity for the parent company amounted to NOK 4,113 million (NOK 6,464 million). The main reason for the reduction is the demerger of operations due to the railway reform. The equity ratios is of 51 % (42.7 %). After implementation on 1 January 2018 of the change in lease obligations in IFRS 16, the equity ratio of the parent company NSB AS will decrease to 29.2% before deduction of dividend distribution for the 2017 income year. The parent company's retained earnings amounted to NOK 428 million.

For the NSB Group, total equity amounted to NOK 4,985 million (NOK 9,934 million), giving an equity ratio of 43.6 % (34.3 %). Following the implementation on 1 January 2018 of the change regarding lease obligations in IFRS 16, the equity ratio of the NSB Group drops to 26.5% before deduction of dividend distribution for the 2017 income year.

Group return on equity is 13.2 % (12.1 %).

The Group working capital amounted to 4,911 MNOK (4,219 MNOK), a change of 692 MNOK.

The owner, represented by the Ministry of Transport and Communications, normally expects a dividend equal to 50% of the NSB Group's profit after tax. The Board proposes the following allocation from the total profit of the parent company, NSB AS:

| | |
|---|---|
| Dividend | 315 MNOK |
| Transfers to other equity | 187 MNOK |
| Total profit for the year | 502 MNOK |

The accounts have been submitted on the assumption of the continuing operation of the company, and the Board confirms that this is the case.

## Summary of results and trends for the business areas

**Passenger train operations**
Passenger train operations are run by NSB AS and its subsidiaries NSB Gjøvikbanen AS and Svenska Tågkompaniet AB. The ownership of Norske Tog AS and Entur AS, which were established in 2016 as a result of the Norwegian railway reform in order to safeguard the ownership of passenger rolling stock and ownership and operations of sales and ticketing systems, was at the beginning of 2017 transferred to the Ministry of Transport and Communications. The legal processes were finalized 24th of April 2017.

As a part of the railway reform, the Norwegian government has announced three tenders relating to passenger rail services; service packages South, North and Vest, with operations commencing in June/July 2019, December 2019 and December 2020. In addition, further tenders are planned, for example for the central eastern Norway area. The passenger train operations has implemented a change programme to prepare for such tenders. Organisation and staffing will both have to be adapted to the new situation in the Norwegian market.

During 2017 the number of new Flirt-trains in operation has increased to 91 (81), of which 4 are being phased in at Gjøvikbanen as replacement for older train sets. During 2017 the capacity in seat kilometers has increased by 5 %, by the start of 4 express services at Vestfoldbanen, and the use of more double sets in the local train service south and north of Oslo.

For NSB AS and NSB Gjøvikbanen AS, at the end of December 2017, it was decided to close the current pension scheme in SPK for those over 55 years by the end of 2018. All younger employees at the time of the closing date will receive a registered right in SPK and from 2019 a new defined contribution pension scheme. Pension cost for 2017 and commitment as of 31 December 2017 is calculated for these companies in accordance with the principles in IAS 19. The pension commitments for these companies amounting to MNOK 1 560 are considered to provide a true and fair expression of the companies' obligations taking into account the estimated effect of liquidation of the scheme.

Operating revenue from the passenger train operations in 2017 was NOK 7,966 million (NOK 7,880 million), an increase of 1.1 %. The total no. of journeys in Norway and Sweden was 70 million, an increase of 4 %. For the passenger train operations in NSB AS the increase was 6.3 %.

The operating profit was NOK 558 million (NOK 398 million), an increase of NOK 160 million from 2016, mainly due to increased profit from joint ventures and associates and profit from the sale of shares in Oslo S Parkering AS. The increase in revenue was offset by increased costs for the hire and maintenance of trains and use of sales and ticketing systems.The Swedish operations has an operating profit of NOK – 52 million (NOK 4 million), a reduction mainly due to a change in tenders operated. An efficiency program is planned and under implementation.

Passenger train operations in Norway achieved a punctuality of 88.4 %, which is at about the same level as 2016, but under the official target of 90 %.

**Bus operations**
The bus operation is run by Nettbuss AS which has 28 subsidiaries and 7 associated companies.

The Nettbuss Group operates in almost all counties in Southern and Central Norway. Most of the operations of the Swedish subgroup are in the south west of Sweden. Both in Norway and in Sweden, bus services are mainly under contract to regional authorities, but the Group also offers express bus services, tourist services and workshop maintenance.

The operating profit amounted to NOK 264 million (NOK 306 million). Total operating revenue for 2017 amounted to NOK 6,075 million (NOK 5,850 million), an increase of 3.8 % from the previous year. The change in operating revenue is mainly due to changes in tender traffic in 2017.

The Scandinavian express bus market is characterized by strong competition from both aircraft, trains and other bus operators. Although overall development is stable, there is a large variation between areas. After several years of extensive restructuring, we have now achieved a satisfactory level of profitability in the Norwegian express bus market. However, competition is still fierce and further restructuring is required in order to maintain the market position. In Sweden, express bus operations have grown their market share, and shows good profitability

The bus operation has participated in relatively few but important tenders over the past year. In 2017 the bus operation was awarded contracts commencing 2018 (Nordhordland and Nord Trøndelag) with 107 busses and a total contract value of NOK 1,100 million, and a contract commencing 2019 (Trondheim) with150 busses and a total contract value of NOK 3,500 million. At the same time tenders for bus services in Kristiansand and Hadeland were lost, and will be discontinued in the summer of 2018.

The Swedish part of the business has maintained stable production in 2017 and does not expect major changes in 2018, but in the beginning of 2018, significant production will be put out for tender.

The bus operations transported a total of 122 (119) million passengers in 2017 as part of scheduled and express services, and drove 175 (172) million kilometres.

**Freight train operations**
Freight train operations are run by CargoNet AS with subsidiaries. The largest part of the business uses shuttle trains for transportation of containers and other intermodal platforms, and terminal operations related to this. CargoNet also operates dedicated services for specific customers for transporting for instance aviation fuel, ore and timber.

The freight train operations has in 2017 been characterized by high punctuality and less affected by infrastructure instability than previous years, with the exception of an increase in the autumn associated with storm and flooding. All in all, this helps to improve the standing of rail transport among our customers.

Operating revenue amounted to NOK 1,027 million (NOK 980 million), and operating profit NOK – 49 million (NOK – 2 million). The market is characterized by increased competition as the largest freight train competitor was established in the market in mid-2016, has increased its transport offer. The introduction of track access charges has also adversely affected the competitive power compared to road transport. This has resulted in pressure on prices and lower filling rates in the trains, while there are increased costs for rent and maintenance of locomotives and other rolling stock.

The extent of unplanned stops due to infrastructure at 103, is higher than last year (50), mainly due to storms and flooding a short period this autumn. Punctuality was 95 % (94 %) measured as delivery within 15 minutes, better than the 90 % target.

**Tourism operations**

The tourism operations sells fjord, mountain and cultural experiences to Norwegian customers, tourists and international tour operators. The main parts of the activity is operated through the partly owned companies Flåm Utvikling and Fjord Tours. Work is in process to develop more attractive travel packages by train, bus and boat, together with local tourism actors, which will be available through a digital tourism portal.

**Corporate governance**

The Board of Directors has discussed and approved the statement regarding Corporate Governance that is included in the annual report.

**Ownership**

NSB is one of Norway's largest transport 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 situated throughout most of Norway and parts of Sweden.

**Targets and strategies**

The change in activities related to the railway reform also has the consequence that the Group's goals and strategies need to be adjusted. The NSB Group has therefore prepared a new group strategy; The best journey.

The Group's strategy for creating the best journey is to develop the Group to become a leader within these four journeys:

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

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

Our goal is to have the most satisfied customers in the industry, that we are better than the competitors to take social responsibility, that we will be Nordic industry leader in traffic safety and HSE, have economic growth, and a return on capital that meets the requirements of the owner.

**Internal control**

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

The internal control system is revised according to the above strategies and evaluations, resulting in revision of management documents, recommendations, procedures and key controls.

## Risk

**Financial risk**
The Group's activities expose the Group to a variety of financial risks: market risk (currency exchange risk, interest rate risk and other price risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group can utilize financial derivativesto reduce certain risk exposures. The Group's financial risk management is described further in note 15 to the accounts.

NSB borrows money in the markets and currencies that offer the most favourable terms overall. Borrowings in foreign currencies are converted to Norwegian kroner through currency swap agreements. NSB aims to minimise currency exchange risk in its financial management. NSB has some exposure to currency exchange risk in its daily operations related to cash and cash equivalents in connection with operations abroad, but otherwise the Group has little exposure to currency exchange risk as most of its income and expenses are in NOK. In the case of agreements entailing a considerable outlay in foreign currency, the currency exchange risk is covered almost entirely for the term of the agreement. As a consequence of the railway reform, NSB's bond debt has been settled, but the principles above will be applied in the case of future funding.

Surplus liquidity is invested in bank accounts, short-term Norwegian bonds and certificates, as well as in bond and money market funds. Changes in interest rates may affect the value of the investments in interest-bearing securities, but these are normally held until maturity. Limits to credit exposure within certain sectors and institutions are established on the basis of credit assessments.

Current guidelines state that funding needs during the next twelve months must be covered by means of excess liquidity and committed credit facilities. The Group aims to have free liquidity of at least NOK 500 million.

NSB will continue to focus on counterparty risk in financial transactions and has established a framework for exposure and regular follow-up of credit quality on individual counterparties.
A minimum A- rating from Standard & Poor's (or equivalent from another recognized rating agency) is required for the conclusion of agreements relating to financial derivatives.

**Operational risk**
Operational risks are analysed systematically, for example for traffic safety and the achievement of financial targets. An overall risk analysis is prepared for the Group in connection with the annual planning and budgeting process, and both potential negative and positive effects are identified and actions introduced to manage the risk level. The analysis comprises both assessments of the competitive and market situation, the consequences of environmental requirements, climate change and changes in the regulatory framework. Based on the risk analyses, measures and control activities have been established which reduce identified risks, including automatic controls, audits and follow-up, and extended analyses of specific risk areas.

**The NSB Group and corporate social responsibility**
The Board of Directors is committed to ensuring that the company maintains corporate social responsibility, and guidelines have been adopted for exercising this. The Group's biggest contribution to society is to make sure that the transport challenges of society are conducted in an efficient, accessible, safe and environmentally friendly manner.

The NSB Group's new strategy for the green and safe journey will be the guide for how the company works with corporate social responsibility. The goal of the green journey is that we are better than the competitors on sustainability, and this will be measured through climate and reputation assessments. Important measures are to reduce the Group's emission of green house gases, and use of quality standards and certification as a basis for our environmental work.

The goal of the safe journey is that we shall be the industry leader in traffic safety and HSE, and goal achievement must be assessed on absence due to illness, work injuries which lead to absence and employee satisfaction. Key areas of action are safe transportation for people and goods, a safe journey that is predictable on time and quality, with safe handling of personal data and a safe workplace for our employees.

The NSB Group reports on the status of managing corporate social responsibility to the owner in the annual report as specified in the Articles of Association § 10, and in accordance with Accounting Act § 3-3 a and c and GRI4 CORE. The CSR report is an integral part of the NSB Group's annual report and include a statement on strategies, plans and status of working environment and absence, security, gender equality / discrimination, impact on the environment and corruption.

**Future prospects**
The market for passenger and freight transport is facing major changes over the next few years. Customers make new demands for smart and environmentally friendly solutions, and new technology makes it possible. To succeed in the future, the NSB Group must respond to the customer's growing expectations. To improve coordination of the Group's total resources, we will combine the resources that currently work with innovation and business development to develop and offer seamless transport to the customers. The NSB Group will focus on new technology, green solutions, and an offer to the customer that is flexible and tailored to the customer's needs. The goal is to offer the customer the best journey from door to door.

In the short term, the NSB Group has to adapt to a new market situation where all passenger routes in Norway are to be put out to tender. Therefore, a change program is being implemented that will contribute to a strong and viable NSB Group with a lower cost base and thereby more competitive power. In order to ensure that the Group wins the future tenders, the Kompass improvement program is implemented. The freight train operations is implementing the Flyt improvement program to improve and digitize work processes, thereby improving competitiveness.

The board is concerned about the low punctuality of passenger traffic, a development that deteriorated in the second half of 2017. NSB is committed to reducing operational deviations that NSB itself may influence and is committed to closer cooperation with BaneNOR on measures to reduce operating deviations due to infrastructure failures.

The passenger train operations is negotiating a new public purchase agreement with the State to run passenger services until these are put out to tender. In 2018 the production will be at the same level as in 2017, but with improvements on the Vestfold line where the opening of the Eidanger line will provide a better offer to the Grenland region with travel time savings to Porsgunn and Skien of 20-25 minutes. New trains will gradually be phased in on Gjøvikbanen and then Vossebanen. For 2018 the total capacity increase will be just over 3%.

The bus operations continues its efforts to improve the framework conditions in the industry, including working for a better environment, increased road safety and customer-friendly solutions. There are especially three factors that will be important in the future; An offensive focus on public transport solutions that ensures good accessibility for the bus, developing a tender regime that ensures adequate margins to maintain and develop customer-oriented offers, as well as ensuring good and efficient operation in all parts of the business.

The bus operations have an ambition to strengthen market share in Norway and increase this significantly in Sweden. By 2018, there will be several tenders related to existing production. This applies to Romerike in the Ruter area and Gjøvik, in addition, tenders comprising more than 700 buses related to lines we do not operate today. In Sweden, tenders of about 1,000 buses will be put out annually for the next 3 years.

The competitive situation for rail freight is very demanding. Continued strong competition is expected from both road and other railway companies. The introduction of track access fees have further reduced the competitiveness compared to road transport. In the freight operations, efforts are being made to reduce the negative effects of the introduction of these fees, and to reinforce the efficiency measures in order to adapt the business to current market conditions. However, in order to ensure economically sustainable freight transport by rail, it is necessary to reverse the negative development in competitiveness for rail transport.

2017 has been characterized by the restructuring of the group, and the establishment and implementation of a new strategy. At the same time, the Group's businesses have managed to maintain good and profitable daily operations, and employee satisfaction has increased. The NSB Group still has good results in external reputation surveys and measurements of customer satisfaction. The Board thanks all employees for good efforts this year and looks forward to a joint effort for the further development of the new NSB Group.

**Oslo, 9th of February 2018**

Dag Mejdell / *Chairman of the Board*

Bjarne Borgersen

Wenche Teigland

Åsne Havnelid

Kjerstin Fyllingen

Ove Sindre Lund

Rolf Juul Ringdal

Jan Audun Strand

Geir Isaksen / *CEO*

# Corporate social responsibility report 2017

## 1. Strategy and goals

In 2017, we worked on defining a new sustainability strategy - the green journey - with the clear goal that the NSB Group should be better than its competitors to take responsibility for sustainability. The strategy will ensure that we prioritize areas where we can make a significant contribution to society through our business, and through focused efforts contribute to meeting the UN's sustainability goals.

**We shall:**

// Strengthen the Group's sustainability and improve climate contribution through long-term measures, including developing sustainable tourism destinations

// Achieve common systematics and quality approach as a basis for environmental work, including ISO 14001 certification of all entities in the Group

// Build a clearer green profile in our communication and marketing so that the group is identified as a leading player in sustainability and the environment

The key performance indicators for this work shall measure the sustainability performance in our daily operations and our contribution to society, such as reducing climate change.

## 2. Our priorities

The Annual Report including the CSR report for 2017 describe the issues that the NSB Group has identified through stakeholder and materiality analyzes, as the most closely related to our corporate social responsibility, including:

// Help to achieve the goal that transport growth shall be met by public transport

// Ensure reliable transport

// Eliminate injuries and deaths

// Take responsibility for deliveries to customers and clients

// Reduce energy and resource consumption

// Ensure that the Group has committed employees

// Ensure employee health, safety and the environment

## 3. Satisfied customers

**Reputation**

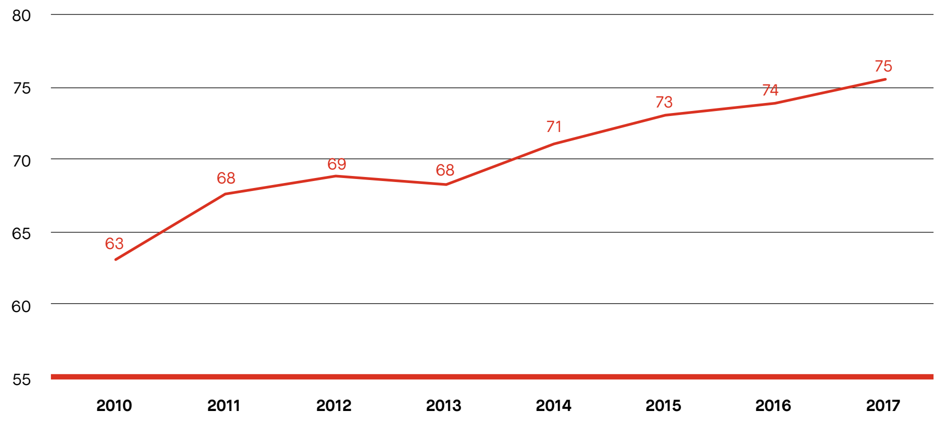
In Ipsos MMI's annual profile survey, "Large Norwegian companies", NSB is among the best on corporate social responsibility and the environment. While overall impression of NSB in the survey decreased from 18th to 22nd place, NSB gets a good character from the Norwegian people on environmental awareness and social responsibility.

Within environmental awareness, NSB achieved a strong second place in this year's survey, only beaten by Norsk Gjenvinning, with Tine in third place. This is the same order as in 2016.
In the area of social responsibility, NSB took 7th place (No. 5 last year).

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

**New customer satisfaction top score**

CUSTOMER SATISFACTION




*In 2017, the passenger train operations has achieved the highest score in customer satisfaction that we have measured until now.*

**The main features of the customer satisfaction survey in the autumn of 2017 are:**

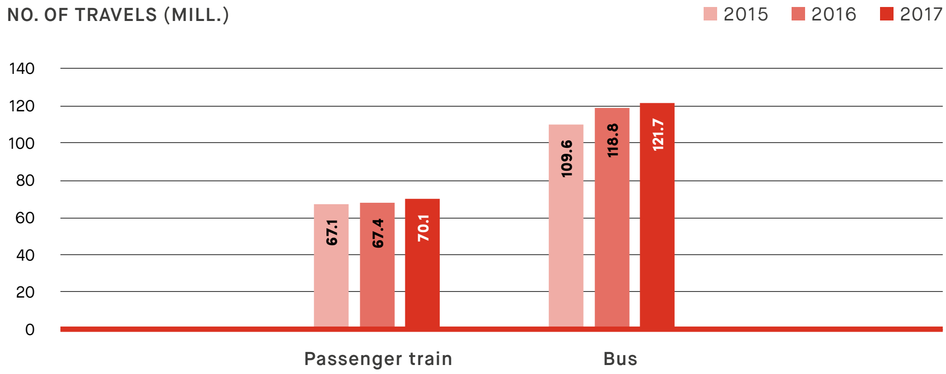
- The customers are more satisfied with the purchase of the tickets than before and NSB's mobile app is one of the highest-performing sales channels
- Better handling of bus for trains than ever measured, and positive development for the ticket purchase process
- Significantly lower experienced punctuality and poorer assessment of deviation information than last measurement
- The experience of information on the train, boarding, cabin comfort and on board staff stays high

Customer satisfaction for NSB Gjøvikbanen is relatively stable, and customers are mainly satisfied with the delivery. Satisfaction was 73 points, a decline of one point from 2016.

The customer satisfaction for our express buses is high and ended at 78 in 2017, one point decline from last year.

**Volume development**
The positive volume development for passenger train operations in Norway continues and the growth in the number of journeys this year was 6.3%.

The increase was highest in commuter and local traffic in the eastern region, but there was also a good development on Flåmsbanen, which has a high proportion of tourist traffic. There was a decline in long regional trains, and in Sweden due to change in the no. of tenders in operation.




In bus operations, the number of travels increased from 118.8 million to 121.7 million. The number of journeys in Norway and Sweden in 2017 was 85.8 (84.2) and 35.9 (34.6) million respectively, a growth of 1.9% and 3.8%. The change is mainly due to changes in the no. of tenders operated.

The freight (numbers of TEU) was reduced by 3.6% in 2017. The main reason is increased competition both on rail and from freight transport by road. However, the net ton kilometres increased due to increased activity within the system train segment.

**Quality of delivery**
In the passenger train operations, punctuality is continuously measured and the measurements are divided into operator-dependent and total punctuality. Operator-dependent punctuality (where only delays due to NSB are calculated) is 98% for the year, which is on par with last year. The total punctuality of NSB's passenger trains ended at 88.4%, which is still significantly below the target. Punctuality statistics provide a good basis for dialogue between rail operators and BaneNOR (the state-owned railway infrastructure manager) to improve the overall punctuality of passenger traffic on rail.

The number of delay hours (total hours of passenger traffic delayed in 2017) ended 26 279, a decrease of 4% from last year. The share that has a direct cause in NSB is 17%, the same as last year.

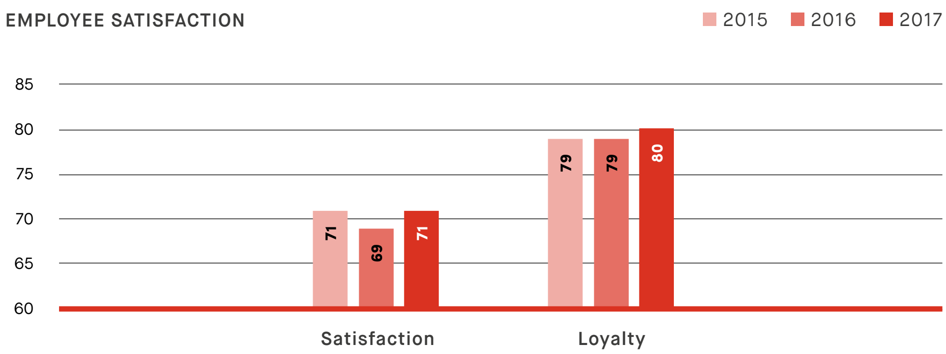
NSB Gjøvikbanen AS had an average punctuality of 89 % in 2017, compared with 90% in 2016. Our passenger train operations in Sweden achieved a punctuality of 88.5%, against 86.3% in 2016.

Challenges related to the infrastructure have increased slightly in 2017. Several railway lines were closed for shorter or longer periods due to flood, landslide and storms. This resulted in the cancellation of 103 freight trains, an increase from 50 in 2016. The punctuality for freight trains exceeded the target of 90%, ending at 95% (94%) within 15 minutes delivered at the terminal.

## 4. Satisfied and safe employees

**Number of employees and man years**
At the end of the year, the NSB Group has 10 858 employees, of whom 2 124 are temporary employees and 2 583 working part-time. The largest share of part-time and temporary employees is in bus operations. The number of man years is 8 964. Of the Group's employees, 1 679 work in Sweden.

The number of employees is reduced as parts of our business due to the railway reform has been demerged from the NSB Group. In addition, the restructuring process in the passenger service business will have consequences for the future numbers of employees.




**Employee satisfaction**
In our employee satisfaction survey we measure two key indicators, "Work Happiness", summarizing how our employees experience the key factors that affect work efficiency, and "Loyalty", which provide an indication of the final intentions of our employees.

For the Group as a whole, we achieved an increase to 71 points for work satisfaction in 2017, a growth of 2 points from 2016. For loyalty the result is 80, an increase of 1 point from last year. There are no significant differences between the sexes. The job satisfaction seems to increase somewhat in line with age. Leaders have a higher level of work satisfaction and loyalty than employees.

The Group has a well established work process related to the employee satisfaction survey. Adequate tools have been established for identifying and following improvement measures, and feedback meetings are made for managers and employees, as well as own reviews in local and central working environment committees. This work is carried out both at unit level and at individual level in connection with employee interviews.

**Sick leave and LTI**
Customer safety starts with safe employees. We can only create the best journey, if the employees experience a safe and evolving workplace, and are motivated to help realize the Group's vision and goals.

Sick leave for the NSB group is higher compared to last year due to an increase in NSB AS, NSB Gjøvikbanen and Nettbuss. Also, LTI (lost time injuries) is higher than last year, mainly due to an increase in NSB AS and CargoNet. Within Nettbuss, LTI is significantly higher in Team Verksted than in the rest of the company.

| SICK LEAVE RATIO | 2017 | 2016 |
|---|---|---|
| NSB AS | 7.3 | 6.9 |
| Gjøvikbanen AS | 7.6 | 7.4 |
| TKAB | 3.0 | 3.5 |
| CargoNet AS | 6.0 | 6.5 |
| Nettbuss AS | 8.5 | 8.3 |
| NSB Trafikkservice AS | 11.4 | 11.5 |
| **Total** | **7.9** | **7.7** |

To ensure satisfied and safe colleagues, we will implement the following strategic initiatives:

// Increase the Group's follow-up of HSE internally and vis-à-vis suppliers, and reduce the number of employee injuries

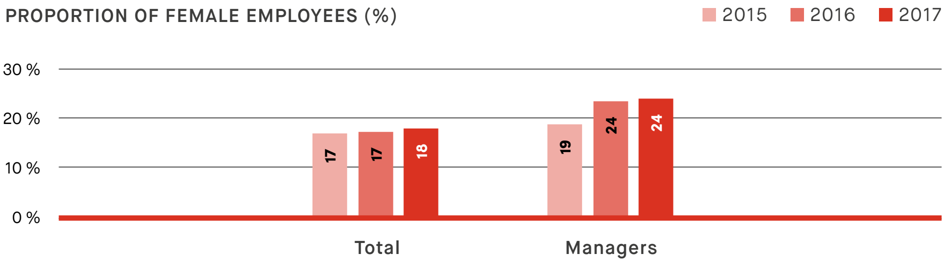
// Increase the Group's follow-up of sick leave, with emphasis on competence transfer and joint efforts to reduce absence rate due to sickness

| LTI | 2017 | 2016 |
|---|---|---|
| NSB AS | 7.1 | 2.9 |
| Gjøvikbanen AS | 0.0 | 5.9 |
| CargoNet AS | 12.4 | 12.4 |
| Nettbuss AS | 3.0 | 3.4 |
| **Total** | **4.7** | **3.8** |

**Equality**

The proportion of women in the NSB Group is 18%. The proportion of women in the Group's units varies between 9 and 50%. In the NSB Group's Board, the proportion of women among the shareholders-elected is 60%, in the Group Management 38%, while in the business area's top management teams the proportion ranges from 11% to 43 %. There are female top managers in the Tourism business area and in the subsidiaries NSB Trafikkservice AS and Finse Forsikring AS.

PROPORTION OF FEMALE EMPLOYEES (%)




The proportion of women in management positions is 24 %, which is higher than the proportion of women among employees. Women's average wage varies between businesses, from 88 to 104 % of the average wage for men. The main reason can be attributed to position and seniority. Average working hours for women are marginally lower than men.

**Human rights, labour rights and anti-corruption work**
In the NSB Group we have established ethical guidelines and guidelines for corporate social responsibility such as human rights, labour rights and anti-corruption efforts. The work on gender equality and equality is described in the Group's personnel policy:

- // All NSB Group employees are equal, regardless of gender, age, disability, sexual orientation or religious, ethnic and cultural background.
- // We want a wide and diverse range of executives and employees, where individual qualities must be respected and appreciated.
- // Increased balance between women and men is desirable at all levels in the Group, and should be emphasized through recruitment and development

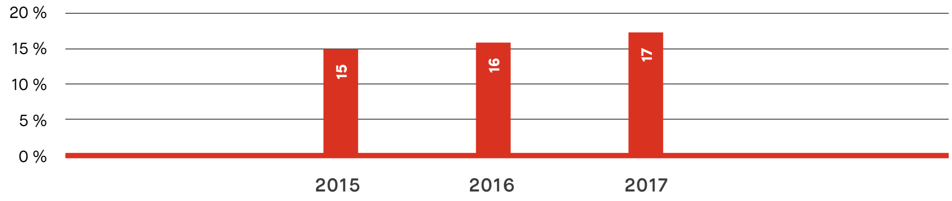
Our business operations are in Norway and Sweden. Here, the handling of human rights and labour rights is well taken care of through the venues where the employees and the company's management meet to discuss such conditions, and our employees have rights that are well defined through collective agreements. The employees are represented in the company's board, and working environment committees have been established which regularly holds meetings. In 2017, the NSB Group continued its work on internal control, including risk analysis for fraud / corruption. As part of this, we conducted a test of compliance with our ethical guidelines, as well as the quality of our accounting systems, and their ability to prevent mistakes and fraud. At the same time, a relationship analysis has been conducted to ensure that managers and close relations do not handle financial transactions where they have ownership or controlling interests.

Based on data collection from our systems, external advisors have analysed the status and recommended improvements in our systems, routines and practices. During this work no serious errors and / or incidents related to fraud / corruption have been found, but the analyses have provided the basis for measures to improve data and internal processes. Nor are we aware of criminal cases initiated against our companies or employees regarding corruption. The management groups and boards of the NSB Group were informed during the year of status and development in separate internal control reviews.

In the passenger and freight train operations, ethical guidelines are part of the employment contract for new employees. In bus operations ethical guidelines are available in the Operator's Manual (intranet), personnel manual and mentioned / linked in the driver's manuals. Anti-corruption training was given to key personnel in all businesses as part of this year's internal control project, and the freight operations has introduced e-learning related to our ethical guidelines. We have created a notification channel in accordance with requirements of the Working Environment Act. One notice of discriminatory behaviour has been received in 2017, which has been handled in accordance with adopted procedures.

**Proportion of immigrants**
The proportion of immigrants in the NSB Group is 17.4%, an increase from 16% last year for comparable activities. The largest immigrant share is within the train cleaning services at 39% and bus at 25%, while the proportion in the passenger and freight train operations is respectively 6.5 and 3.2%. The proportion is relatively stable in all the Group's businesses, but with a growth in bus operations.

PROPORTION OF IMMIGRANTS (%)




## 5. The safe journey

Preparing our new strategy, we have set the goal for 2020 that the NSB Group is to be the Nordic industry leader in safety and HSE. The following three areas have priority:

// **Road safety:** Safe transportation for people and goods

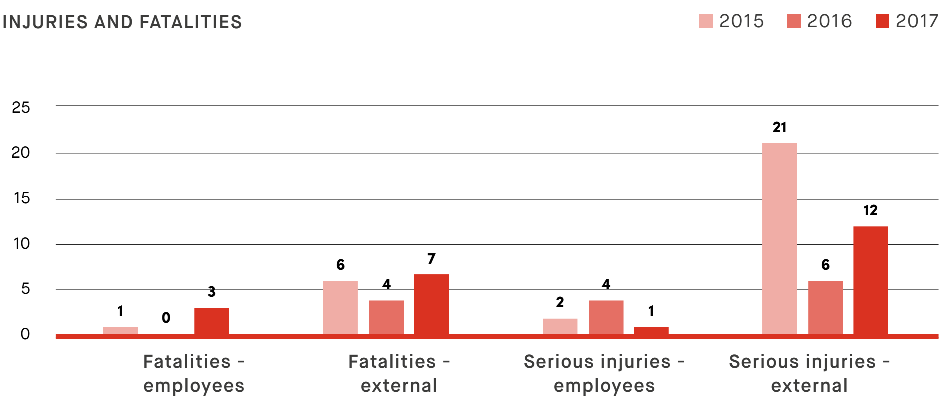
// **Safe customers:** Customers will experience safe travel, predictable on time and quality, and with safe handling of personal data

// **Satisfied and safe colleagues:** Our employees must have a safe workplace, which is developing and motivating for the employees

**Traffic Safety**
Traffic safety is central to the culture of the NSB Group, and employees have high competence and pride in safety work. In all the Group's businesses we work to further reduce the number of incidents and dangerous situations.The goal is to reduce the number of unwanted traffic events and dangerous situations so that we avoid injuries and deaths related to our operations.

**Traffic safety - injuries and fatalities**
No passengers died due to the NSB group's transport activity in 2017. One third party died in a bus collision, and one employee for hire and three employees in the bus business were killed due to accidents at work. In the passenger rail operations, 3 external persons were killed in level crossing accidents. In the freight operations, 2 external persons died in level crossing accidents.

INJURIES AND FATALITIES




**Traffic safety related to rail**

For the NSB group, 22 events have been defined as railway accidents in accordance with regulations. The number of railway accidents increased from 2016, mainly due to more accidents involving injuries. The number of incidents due to passenger rail activity has increased compared to 2016. The cases are followed up by established procedures and internal investigations are implemented as required.The causes for many of these incidents are outside the Group's direct influence. Incidents are systematically recorded and reported to the infrastructure manager. Traffic safety measured through performance management and risk management remains a high priority, both internally and in collaboration with others.Our traffic safety record overall is rated as satisfactory and target achievement is considered acceptable. NSB’s operations are conducted in compliance with external and internal requirements as assessed by management follow-up.

**Traffic safety in bus operations**
The NSB Group’s bus operations transport large numbers of passengers daily and take great responsibility for ensuring that everyone arrives safely while no other road users are harmed in any way. As part of its road safety activities, the bus operations in their entirety hold accreditation to ISO 39001 (traffic safety). Efforts to reduce injuries and accidents have continued in 2017. The increase in the number of accidents unfortunately correlates poorly with the increased work on road safety in the bus operations.

**Collisions with animals**
In 2017 1,351 collisions with animals on Norwegian railways killed a total of 2,144 animals, 5% more than in 2016, and almost 10% higher than the average in the last 10 years. The largest number is elk and reindeer, and the most vulnerable route is Nordlandsbanen.

BaneNOR, in its role as infrastructure manager, coordinates preventive measures to reduce collision with animals, and has developed an action plan to reduce these, such as vegetation eradication, fencing, warning systems and speed reduction. The train companies, including NSB, are responsible for notifying the infrastructure manager after collisions.

## 6. We take the environment seriously

Under the Paris agreement, Norway shall reduce greenhouse gas emissions by 40 percent by 2030 compared with 1990 levels. The transport sector is the largest source of greenhouse gas emissions in Norway and must carry a significant part of emissions reductions in the years to come. The NSB Group also has to deliver on society's change to climate-friendly transport. This will be a requirement from public sector clients, while at the same time consumers, especially young people, increasingly focus on green solutions when making their choices. The NSB Group will take a clear position in order to build a competitive edge towards customers and clients, and has decided that sustainability is a strategic focus area for the Group.

**Energy consumption**
*Energy efficient passenger trains*
From 2013 to 2017, the NSB passenger train operations had set the goal of reducing electric power consumption by 15%. The result is a decrease of 8.3% measured in energy consumption per ton kilometre. The target was ambitious and some of the energy efficiency projects are delayed due to the railway reform. In addition, a large proportion of the flow meters on the new Flirt trains have been out of order. The tariff used to calculate power consumption is on average higher than actual consumption. The higher tariff leads to higher invoiced energy consumption.

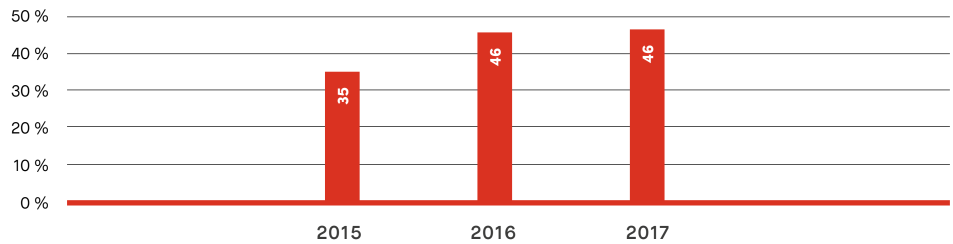
*Energy consumption in freight operations*
By 2017, energy consumption per ton kilometre is reduced by 3.3%. Consumption is largely

influenced by the lines that are operated and the mix between diesel and electrical operation. The main measures in 2017 are training in energy-efficient driving, improvement to locomotives, and data capture and presentation of target achievement for reduced energy consumption.

Freight rail transport represents a significantly less strain on the environment than road transport. The business relieves the roads for a significant number of trailers, thus helping to reduce emissions, accidents and queues. In 2017, the NSB Group's freight operations relieved the roads for approx. 177,000 trailer journeys. This represents about 700 trailers per day.

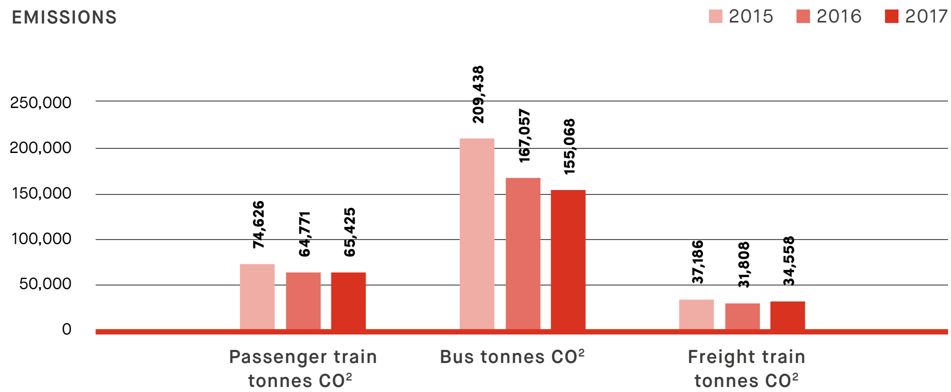
*Energy consumption in the bus operations*
The use of fleet management systems, which includes fuel consumption, idle driving and driving behavior, has led to reduced fuel consumption and thus emissions to the outside environment. The use of alternative fuels such as natural gas, biogas and biodiesel has been significantly expanded in recent years, as are the use of hybrid buses. The proportion of the operations driven by buses using HVO / biodiesel or gas is 46%.

PROPORTION OF BUSKM. RUN BY RENEWABLE ENERGY (%)




**Greenhouse gas emissions**
For trains, NSB purchases power with certificates of origin. By purchasing these certificates of origin, NSB is helping to support producers of renewable energy. In its annual environmental audits, NSB worked on the basis of zero emissions from electric trains due to the purchase of these certificates of origin. In 2014, a change was made to a new, recommended standard for calculation and comparison of energy consumption and gas emissions for transport services. The basis for calculating our emissions from power consumption is now the Nordic electricity mix, and "well to wheel" calculations for emissions from diesel consumption.

EMISSIONS



Emissions of greenhouse gas from NSB's operations have been significantly reduced in recent years. The main reason is a significant transition to renewable energy in bus operations, and that the Nordic electricity mix has become "cleaner" in recent years, with a larger proportion of electricity produced with renewable energy. From 2015 to 2017, emissions have decreased by 67,827 tonnes of CO2 equivalents, or 21%.

**Waste**
Due to organizational changes because of the railway reform, it has been challenging to get an overview of the total volume and recycling rate for waste in 2017, and especially for passenger operations. The bus operations has recorded a waste volume of 919 tonnes with a recycling rate of 75%. Corresponding figures for freight operations are 852 tonnes with a recycling rate of 92%. A complete report for 2018 is planned.

## 7. Responsible procurement

In the NSB Group, we are concerned that we are a responsible buyer, which specifies both quality, environment, and human rights and employee rights in our procurement.

The NSB Group buys goods and services and fixed assets for around NOK 7.5 billion a year from more than 6,000 suppliers. Of these, about 6% are registered outside Norway. Efforts to ensure compliance with social and ethical requirements in the value chain is therefore an important part of the group's work with social responsibility. The purchasing function is set up to ensure that the NSB Group collectively uses its purchasing power to achieve optimal purchasing conditions and that the agreements / contracts NSB engages with externally ensures NSB's interests in a satisfactory manner. We further develop our governing documents related to the Group's procurement, and continuously pursue further training of our employees in this area. The NSB Group is a member of the Ethical Trade Initiative (IEH), which aims to promote responsible supply chains.

A minimum standard has been established through the Group's "Ethical Guidelines for Suppliers", which provide a basis for all acquisitions and resulting contracts. These confirm, among other things, that suppliers should safeguard basic labour and human rights in their operations.

**Procurement**
Risk analysis is performed annually based on the Group's and business areas purchasing plans. The risk analysis includes both environmental, social and ethical requirements as well as procurement that affect road safety. By 2017, the following procurement areas were defined as being at risk for violation of ethical and social requirements:

- Cleaning services
- Train maintenance services

Measures were taken in these procurements, and among other things, no more than 2 levels of subcontractors in the supply chain is accepted to avoid social dumping. There have also been introduced stricter requirements related to reporting these conditions during the contract period. Moreover, audits were implemented in the procurement of cleaning services.

**Existing contracts and suppliers**

Work to follow up social and ethical requirements is also done regarding existing contracts. In total, the group has more than 600 ongoing contracts registered in the contract system. This represents the suppliers with deliveries over NOK 200,000, - where the rule is that a written contract must be entered into. An analysis was made in 2017 in view of the risk of violations of social and ethical requirements. The analysis resulted in a list of the following risk areas;

- IT operating services
- Train maintenance services abroad
- Spare parts special production
- Bus and taxi services
- Cleaning Services
- Signage and marking of rolling stock
- Night Comfort Packs
- Office supplies, gift and profile items, office furniture and fruit baskets
- Hotel Accommodation
- Clothing and uniforms

Suppliers with deliveries within risk areas are given special attention. Based on identified risk, measures are determined based on nature and severity of the risk. In 2017, audits were carried out regarding

- Production and distribution of uniforms
- Night Comfort Packs

There were no significant violations of ethical and social requirements in 2017.

## 8. Our results

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Passenger train journeys (mill.) | 70.1 | 67.4 | 67.1 |
| Bus journeys (mill.) | 121.7 | 118.8 | 109.6 |
| Transported TEU (1 000) | 355 | 368 | 373 |
| Punctuality - passenger train (Norway) | 88.4 % | 88.3 % | 88.6 % |
| Punctualityt - freight tain | 95.1 % | 93.6 % | 91.9 % |
| Customer satisfaction - passenger train (index 0-100) | 75 | 73 | 73 |
| Customer satisfaction - expressbus (index 0-100) | 78 | 79 | 80 |
| | | | |
| Energy consumption - passenger train Norway - electricity (MWh) | 376,761 | 364,441 | 344,453 |
| Energy consumption passenger train - diesel (mill.litre) | 8.8 | 8.9 | 8.7 |
| Energy consumption bus - diesel (mill.litre) | 32.2 | 31.2 | 49.0 |
| Energy consumption bus - biodiesel (mill.litre) | 4.0 | 9.9 | 16.0 |
| Energy consumption bus - HVO (mill.litre) | 16.1 | 11.2 | |
| Energy consumtion- bus (gass mill.m3) | 8.1 | 7.2 | 8.3 |
| Energy consumption freight train - electricity (MWh) | 125,199 | 101,631 | 105,613 |
| Energy consumption freight train - diesel (mill.litre) | 5.7 | 6.6 | 7.2 |
| Energy consumption passenger train - (kWh/seatkm.) | 0.0406 | 0.0402 | 0.0385 |
| Energyconsumption bus - (litre/buskm.) | 0.34 | 0.34 | 0.41 |
| Energy consumption freight train - (kWh/tonnekm) | 0.045 | 0.047 | 0.045 |
| | | | |
| Emissions passenger train (Norway) - tonnes CO2 | 65,425 | 64,771 | 74,626 |
| Emissions bus - tonnes $CO_2$ | 155,068 | 167,057 | 209,438 |
| Emissions freight train - tonnes $CO_2$ | 34,558 | 31,808 | 37,816 |
| | | | |
| Waste (tonnes) | n.a. | 5,131 | 5,096 |
| Recycling rate | n.a. | 53 % | 45 % |
| | | | |
| Fatalities - employees | 3 | 0 | 1 |
| Fatalities - external | 7 | 4 | 6 |
| Serious injuries - employes | 1 | 4 | 2 |
| Serious injuries - external | 12 | 6 | 21 |
| Railway accidents | 22 | 15 | 15 |
| | | | |
| Employees | 10,858 | 12,578 | 12,668 |
| Man years | 8,964 | 10,488 | 10,439 |
| Employee satisfaction | 71 | 69 | 71 |
| Sick leave ratio | 7.9 % | 7.7 % | 7.9 % |
| | | | |
| Proportion of women | 18 % | 17 % | 17 % |
| Proportion of female managers | 24 % | 24 % | 19 % |
| Proportion of immigrants | 17 % | 16 % | 15 % |
| Notices on discriminatory behaviour | 1 | 1 | 0 |

## 9. Principles and reporting standards

As part of our group policy, NSB has established corporate recommendations for corporate social responsibility as well as ethical guidelines. These are incorporated in the NSB Group's management system. We must follow these basic principles regarding corporate social responsibility:

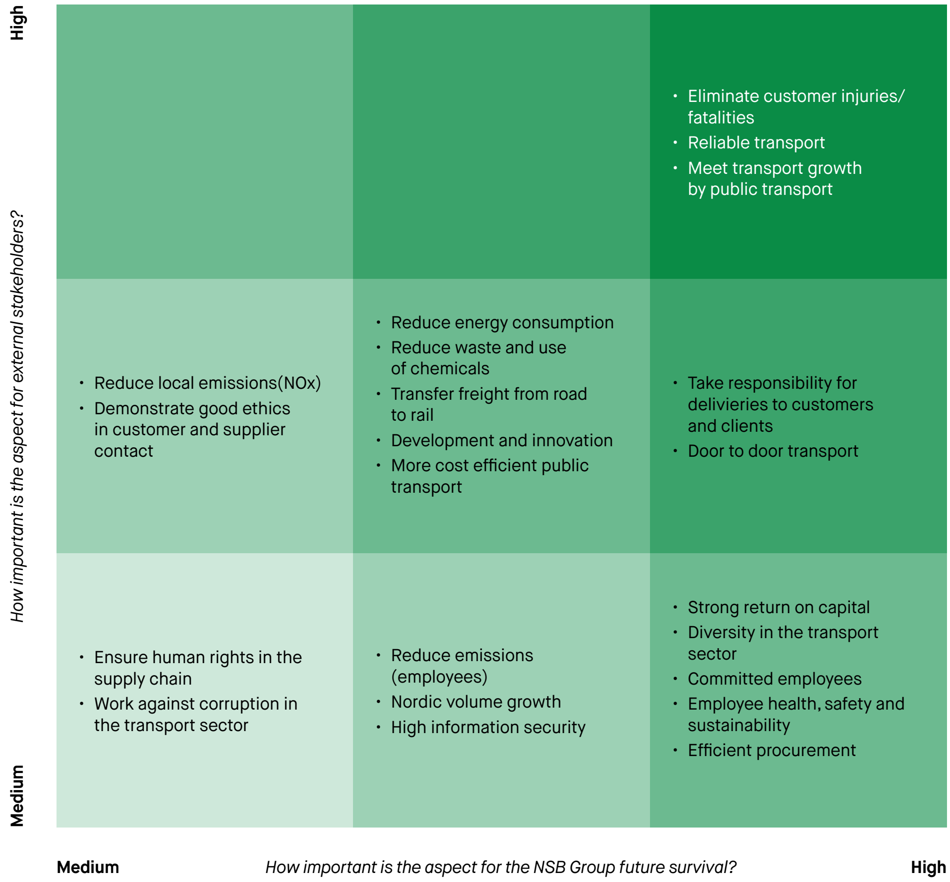
- // Every business manager is responsible for ensuring that their entity safeguards corporate social responsibility as an integral part of running their operations
- // Corporate social responsibility must be incorporated in our strategic foundation and values
- // We support the principles stated in the UN's Declaration of Human Rights and the ILO's Core Conventions
- // We are active in preventing all forms of corruption
- // We must actively contribute to the reduction of the transport sector's environmental impact
- // We publish the status and development of corporate social responsibility in our corporate social responsibility report each year

We apply the precautionary principle in our management of corporate social responsibility. This is achieved through application of risk analyses as a basis for business management and implementation of measures to reduce risk. In order to ensure a satisfactory approach to the Group's corporate social responsibility, we have conducted stakeholder and materiality analyses to identify and prioritize the areas we are going to work with. We have sorted our stakeholders into the following groupings:

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

For each of these, an overview of the type of dialogue, the number of meetings, and an aspect (theme) list has been recorded. The aspect list shows the most important topics that the business and stakeholders have been interested in.

Rail reform and reorganization have changed our surroundings, and these changes are also reflected in the updated materiality analysis for this year. While we have previously considered safety as a hygiene factor because the security system is thoroughly implemented in the organization, customer safety is now promised as our foremost priority. In addition, the materiality analysis shows that reliability and public transport growth is NSB's most significant contribution to society:




Based on strategic analyses and stakeholder and materiality analyses, we have prioritized the areas we will focus on in the Group's work on corporate social responsibility.

The NSB Group has been reporting on environmental and corporate social responsibility since the early 2000s. The report and its emphasis have evolved on the basis of materiality assessments related to the challenges facing the company and the expectations of stakeholders. Like other major enterprises, the NSB Group reports on corporate social responsibility in accordance with the Norwegian Accounting Act, Section 3-3, paragraphs (a) and (c). The report is also based on the requirements of GRI4 Core (Global Reporting Initiative G4, a voluntary standard for reporting corporate social responsibility).

The NSB Group's auditor has commented in the auditor's report on the information in the corporate social responsibility report and is of the opinion that the corporate social responsibility report is consistent with the financial statements and compliant with the law and regulations.

# Corporate governance

**1. Reporting on corporate governance**
This statement follows the chapters in the *Norwegian Code of Practice for Corporate Governance*. NSB AS and the NSB Group adheres to the Code but with notable exceptions as the Group is not listed on a stock exchange, is owned 100 % by the Norwegian State and has certain restrictions in its articles of association.

The Code is designed to ensure that companies listed on the stock exchange have ownership control and a corporate governance that clarifies the roles between shareholders, the board of directors and management in addition to basic legal requirements. The Code is intended to strengthen confidence in listed companies among shareholders, the capital market and other interested parties.

The board of directors has adopted a set of Group values including both ethical- and social responsibility guidelines and which are published on our homepage nsbkonsernet.no.

**2. Nature of business**
NSB is a transport group with activities in both Norway and other Nordic countries. The parent company, NSB AS, is owned by the Norwegian Government through the Ministry of Transport and Communications. The Group's headquarters are in Oslo.

The group's business is as stated in the articles of association:

- The company's social mission is to provide efficient, accessible, secure and environment-friendly passenger and freight transport.
- The company's business is the carriage of passengers by rail in Norway, transport of passengers and goods in Norway and other Nordic countries as well as other related business.
- The business may be run by the company itself, by wholly owned subsidiaries, through other part-owned companies or by collaboration with other companies. The company may do business in other Nordic countries as far as this helps to strengthen company effectiveness in the Norwegian market and/or helps the company to cover its social duties mandated by state ownership.

**3. Equity and dividends**
NSB AS is a State Limited Liability company, ie a limited liability company where the state owns 100 % of the shares. The Minister of Transport or he/she to whom he delegates authority safeguards the rights of shareholders at the annual general meeting.

Important rules made specifically for such companies are as follows:
- The annual general meeting is not bound by the dividend recommendation agreed by the board of directors.
- The Office of the Auditor General of Norway who audits the management of all state ownership has a right to demand information from the CEO, the board and the external auditor.

The government expects an annual dividend equal to 50 % of Group profit after tax, but the actual level is decided annually. The board does not have a mandate to apportion dividends or to increase the number of shares.

**4. Equal treatment of shareholders and transactions with close associates**
The company has only one class of shares. They are not listed on a stock exchange and there are no share transactions. NSB AS has a contract with the Ministry of Transport and Communications concerning the public purchase of passenger traffic services on non-profitable railway lines. A similar contract applies to NSB's subsidiary NSB Gjøvikbanen AS regarding operation of the Gjøvik line.

Guidelines appertaining to material transactions between the company and members of the board of directors or management are given in the Group's ethical guidelines and specified in instructions to the board and the CEO.

**5. Freely negotiable shares**
The company's articles of association are without any form of restrictions on the negotiability of its shares.

**6. General meeting**
The general meeting consists of the government represented by the Ministry of Transport and Communications. The Ministry calls the meeting. An annual general meeting is to be held before the end of June.

The members of the board, the CEO and the auditor have the right to attend the general meetings.

**7. Nominating committee**
The general meeting consists of the government represented by the Ministry of Transport and Communications. The general assembly does not appoint a nominating 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. Two or three board members with deputies are elected by and among the employees. By agreement and in lieu of a corporate assembly, the employees elect a board member and deputy in addition to the above representatives.

The members of the board of directors are chosen based on experience, competence, diversity and ability to contribute to the development of the company. A company manager cannot be a member of the board of directors or own shares in the company. Information on board members is published on the NSB AS homepage.n shares in the company. Information on board members is published on the NSB AS homepage.

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**9. The work of the board of directors**
The board's work is governed by the Norwegian Companies Act, ie to manage company value on behalf of the owners. This is specified in separate instructions. The board follows a formal work plan on an annual basis. The plan regulates the board's main tasks which are to oversee the goal, strategy, organization and control of operations. The board of directors' work is evaluated annually by the board itself. The board has established a separate set of instructions for the CEO. The board of directors must ensure that the company has effective systems for internal control and risk management that are commensurate with the extent and nature of the company's activities. The board, according to the principles of association, shall ensure that the company acts in a socially responsible manner. The board has established audit and remunerations committees.

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**10. Risk management and internal control**
To ensure the quality of internal control, a separate governing system has been implemented. This includes leadership instructions, preparedness plans, safety procedures and processes to govern and control operations. Guidelines, routines, handbooks and authorization matrices are in place to ensure the quality of the company's economics, financial reporting and financing.

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

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**11. Remuneration of the board of directors**
Information about 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.

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**12. Remuneration of executive personnel**
The board of directors hires the CEO and decides his/her remuneration. The board evaluates the CEO's performance and salary parameters on an annual basis, and reviews the compensation of key management. The board has established guidelines for remuneration of members of key management. The CEO has been given authority to determine remuneration for key management within the above mentioned guidelines and adhering to the principles of remuneration for management in state owned companies. Remuneration guidelines for management are discussed at the annual general meeting. Information on the compensation of the board and key management is included in notes to the financial statement.

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**13. Information and communications**
Public information is communicated by the senior management of the Group. Financial information and the publication dates are to be found on the company's homepage.

Paragraph 10 in the articles of association state that NSB has a specific duty to inform the shareholder about the Group's operations. Matters of principle or social significance should be communicated to the Minister of Transport and Communications by the board of directors before they make any final decision.

Every year the board of directors is obliged to present to the Minister of Transport and Communications a plan for the operations of the NSB Group that includes the following aspects:

1. An assessment of the market in which the NSB Group operates, including developments since the previous plan.
2. The Group's main activities for the next few years, including plans for major restructuring, further development, the winding up of existing operations and the establishment of new ones.
3. The level of investment, new major investments and their financing.
4. The Group's economic development.
5. A report on measures and results regarding the company's social mission and corporate responsibility.

The board of directors has also to submit information regarding any material change to plans previously communicated to the Minister of Transport and Communications.

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**14. Take-overs**
State ownership precludes take-overs and is not relevant here.

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**15. Auditor**
The auditor is elected by the annual 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 is not present. The auditor attends the annual general meeting and some board meetings where relevant.

The auditor's remuneration is reported in notes to the financial statement.

# Accounts 2017

NSB Group
NSB AS

# Income statement

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Operating revenue** | 6 | **14,990** | **14,571** |
| | | | |
| Payroll and related expenses | 23 | 6,084 | 6,341 |
| Depreciation and impairment | 28 | 655 | 780 |
| Other operating expenses | 29 | 7,674 | 6,881 |
| **Total operating expenses** | | **14,413** | **14,002** |
| | | | |
| Share of loss(-)/profit of joint ventures | **11** | **43** | **29** |
| Share of loss(-)/profit in associates | **10** | **152** | **40** |
| **Operating profit** | | **773** | **638** |
| | | | |
| **Financial items** | | | |
| Financial income | 30 | 157 | 141 |
| Financial expenses | 30 | -135 | -60 |
| Net financial expenses - pensions | 24 | -47 | -36 |
| Change in unrealised fair value | 31 | 24 | 4 |
| **Net financial items** | | **-1** | **48** |
| | | | |
| **Profit before income tax** | | 772 | 685 |
| Income tax expense | 22 | -138 | -130 |
| **PROFIT FOR THE YEAR FOR CONTINUING OPERATIONS** | | **634** | **555** |
| | | | |
| **Discontinued operations** | | | |
| Profit after tax for the year from discontinued operations | 2 | - | 712 |
| **PROFIT FOR THE YEAR** | | **634** | **1,267** |
| | | | |
| **Attributable to** | | | |
| Non-controlling interest | | 4 | 6 |
| Shareholders equity | | 630 | 1,261 |
| **TOTAL** | | **634** | **1,267** |
| | | | |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Profit for the year | | 634 | 1,267 |
| **Items that will not be reclassified to profit or loss** | | | |
| Actuarial gain/loss | 24 | -163 | -699 |
| Tax on items that will not be reclassified | 22 | 28 | 168 |
| **Items that may be reclassified in net income in future periods** | | | |
| Currency translation differences | | 20 | -40 |
| **Total comprehensive income for the year** | | **520** | **696** |
| | | | |
| **Attributable to** | | | |
| Non-controlling interest | | -4 | |
| Shareholders equity | | 524 | 696 |
| **Total comprehensive income for the year** | | 520 | 696 |

# Statement of financial position

| ASSETS | Notes | 31.12.17 | 31.12.16 |
|---|---|---|---|
| Intangible assets | 7 | 126 | 117 |
| Deferred Tax Assets | 22 | 124 | - |
| Property, plant and equipment | 8 | 3,142 | 3,543 |
| Investments in associates | 10 | 42 | 50 |
| Financial assets | | 90 | 72 |
| **Total non-current assets** | | **3,528** | **3,782** |
| Investment in joint ventures | 11 | 47 | 34 |
| Inventories | 12 | 802 | 732 |
| Trade and other receivables | 9,14 | 1,882 | 8,240 |
| Derivative financial assets | 16 | - | 811 |
| Financial assets | 17 | 3,085 | 273 |
| Cash and bank deposits | 19 | 2,090 | 1,247 |
| Assets held for distribution | 2 | - | 13,845 |
| **Total current assets** | | **7,907** | **25,183** |
| **TOTAL ASSETS** | | **11,434** | **28,966** |

| EQUITY AND LIABILITIES | Notes | 31.12.17 | 31.12.16 |
|---|---|---|---|
| Ordinary shares and share premium | 20 | 3,686 | 5,144 |
| Restricted equity - revalued investment property | | - | 2,647 |
| Retained earnings | | 1,315 | 2,145 |
| Non-controlling interest | | -16 | -1 |
| **Total equity** | | **4,985** | **9,934** |
| Debt | 21 | 892 | 835 |
| Deferred income tax liabilities | 22 | - | 139 |
| Retirement benefit obligations | 24 | 2,276 | 2,318 |
| Provisions for other liabilities and charges | 26 | 285 | 310 |
| **Total long term liabilities** | | **3,453** | **3,601** |
| Trade and other payables | 25 | 2,653 | 3,517 |
| Tax payable | 22 | 341 | 700 |
| Debt | 21 | 1 | 2,875 |
| Derivative financial instruments | 16 | 2 | 27 |
| Short term liabilities directly associated with the assets held for distribution | 2 | - | 8,311 |
| **Total short term liabilities** | | **2,996** | **15,430** |
| **TOTAL EQUITY AND LIABILITIES** | | **11,434** | **28,966** |

Oslo, 9th of Februar 2018

Dag Mejdell
Chairman of the Board

Bjarne Borgersen

Wenche Teigland

Åsne Havnelid

Kjerstin Fyllingen

Ove Sindre Lund

Rolf Juul Ringdal

Jan Audun Strand

Geir Isaksen
CEO

# Cash flow statement

| | Notes | 2017 | 2016 |
|---|---|---|---|
| Profit before income tax from continuing operations | | 772 | 746 |
| Profit before income tax from discontinued operations | 2 | - | 758 |
| **Profit for the period before income tax expense** | | **772** | **1,503** |
| | | | |
| Depreciation and impairment | 28 | 655 | 1,497 |
| Gain/loss on sale of property, plant and equipment (PPE) | | -20 | -12 |
| Difference between exp. and paym. made/receiv. for pensions | 24 | -205 | -133 |
| Change in provisions for other liabilities and charges | 26 | -28 | 230 |
| Change in unrealised fair value | 31 | -24 | -783 |
| Interest items | 30 | -50 | -179 |
| Shares of profit/loss (-) from associated and joint ventures | 10, 11 | -195 | -171 |
| Change in working capital | | -274 | 804 |
| Taxes paid | | -59 | -58 |
| **Net cash flow from operating activities** | | **572** | **2,698** |
| | | | |
| Acquisition of subsidiaries, less cash acquired | 35 | -16 | -71 |
| Proceeds from sale of property | | -1 | 141 |
| Loans paid to/from single purpose/joint ventures | 10 | 129 | 298 |
| Changes in financial non-current assets | | -790 | -153 |
| Purchase of PPE and investment property | 8, 9 | -148 | -1,471 |
| Proceeds from sale of assets | | 63 | 137 |
| Grants | 8 | 10 | - |
| Dividends received | 30 | 45 | 103 |
| **Net cash flow from investment activities** | | **-708** | **-1,016** |
| | | | |
| Proceeds from borrowings | | - | 886 |
| Repayment of borrowings | | -2,079 | -2,249 |
| Dividends paid to company's shareholders | 20 | - | -595 |
| Dividends paid to non-controlling interests | | -7 | - |
| **Net cash flow from financial activities** | | **-2,086** | **-1,958** |
| | | | |
| **NET CHANGE IN CASH AND BANK DEPOSITS FOR THE YEAR** | | **-2,222** | **-276** |
| Cash and bank deposits as at the beginning of the year | 19 | 1,314 | 1,602 |
| Demerger effect as of 1 st of January | | 2,979 | - |
| Foreign exchange gain/loss on cash and bank deposits | | 18 | -12 |
| **CASH AND BANK DEPOSITS AS AT THE END OF THE YEAR** | 19 | **2,090** | **1,314** |

Cash and bank deposits for continuing operations in 2016 amounted to 1,247 MNOK.

| **Net cash flows related to the Group`s discontinued operations** | | |
|---|---|---|
| **Net cash flow from operating activities in discontinued operations** | **-** | **1,055** |
| **Net cash flow from investing activities in discontinued operations** | **-** | **-985** |
| **Net cash flow from financing activities in discontinued operations** | **-** | **-40** |

# Statement of changes in equity

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

| 2016 | Notes | Ord. shares and share premium | Restricted equity, value changes | Acc. currency translation | Retained earnings | Non-contr. interest | Total |
|---|---|---|---|---|---|---|---|
| Equity 1st of January 2016 | 20 | 5,144 | 2,244 | 42 | 2,405 | 3 | 9,838 |
| Profit for the interim period | | - | 413 | - | 848 | 6 | 1,267 |
| Changes in non-controlling interest | | | - | - | 2 | -4 | -2 |
| Changes in fund value | | - | -10 | - | 10 | - | - |
| From other comprehensive income | | - | - | -40 | -525 | -6 | -571 |
| Change in income tax rate | 22 | - | - | - | -3 | - | -3 |
| Dividends paid | | - | - | - | -595 | - | -595 |
| **EQUITY 31ST OF DECEMBER 2016** | | **5,144** | **2,647** | **2** | **2,142** | **-1** | **9,934** |

# Segment information

**Business segments**
As of 31th of December 2017, the Group has its main activities in the following segments:

(1) Passenger train: passenger train operations, including travel
(2) Bus: passenger bus operations
(3) Freight: freight train operations

Travel is not yet presented as a separate segment.

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

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

| **2016** (MNOK) | Passenger train | Bus | Freight | Group |
|---|---|---|---|---|
| External operating revenue | 7,762 | 5,838 | 971 | 14,571 |
| Internal operating revenue | 118 | 12 | 9 | 0 |
| **Operating revenue** | **7,880** | **5,850** | **980** | **14,571** |
| Operating expenses | 7,390 | 4,962 | 945 | 13,222 |
| Depreciation, impairment | 135 | 608 | 37 | 780 |
| **Total operating cost** | **7,525** | **5,570** | **982** | **14,002** |
| Share of profit/loss in joint ventures | 29 | - | - | 29 |
| Share of profit/loss in associates | 14 | 26 | - | 40 |
| **PROFIT FOR THE YEAR** | **398** | **306** | **-2** | **638** |
| | | | | |
| **Segment assets** | **9,843** | **4,341** | **1,066** | **15,120** |
| **Investments** | **138** | **950** | **13** | **1,101** |

Please refer to note 6 for further details.

# Notes

All figures in the report are in MNOK.



The consolidated financial statements were approved by the Board of Directors on 9th of February 2018.

# Note 1

## 1 General information and Group accounting principles

**GENERAL INFORMATION**

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

- Passenger train and bus transport
- Freight train transport
- Travel

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

As part of the Norwegian railway reform (jernbanereformen), the Group's passenger transport sales and ticketing function, rolling stock, train maintenance operation, and real estate business were demerged.

- The train maintenance company Mantena AS was demerged to Togvedlikehold AS
- The sales and ticketing company Entur AS was demerged to Reiseplan og Billett AS
- The rolling stock company Norske tog AS was demerged to Togmateriell AS
- ROM Eiendom was demerged to Bane Nor Eiendom 1 AS

The demergers were carried out in line with the concept pooling of interests and with financial reporting effect from 1st of January 2017. The demergers have resulted in a reduction in equity of 5,442 MNOK, which is specified in the statement of changes in equity. The effect of net group contributions and related tax effects are included in the equity reduction from the demerger.

In the 2016 financial statement, the demerged entities were classified as discontinued operations in the income statement, and assets / liabilities held for distribution in the statement of financial position.

Accounting principles that affect the comparative figures for the demerged real estate business are presented in a separate section below.

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

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

The financial statements 2017 were approved by the Board of Directors on 9th February 2018.

All numbers in the report are in MNOK, unless otherwise stated.

**BASIS OF PREPARATION**

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

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

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

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

**ASSUMPTIONS AND ACCOUNTING ESTIMATES**

Application of the Group accounting principles implies that the management must exercise judgment through use of estimates and assumptions. Estimates and assumptions are continuously evaluated and are based on experience combined with expectations of future events that are probable at the time of evaluation.

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

**Fixed assets**

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

**Provisions for contract losses**

The Group conducts tests annually to evaluate provisions for contract losses based on indications of impairment. For property, plant and equipment an impairment test is performed first. Then the present value of future cash flow for each separate contract is measured. These evaluations involve a large degree of judgment. We refer to the note on Provisions for a more detailed description.

**Retirement benefit obligation**

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

Included in the note is a sensitivity analysis that illustrates how sensitive the calculations are to changes in key assumptions. Actuarial deviations related to such changes are included in other comprehensive income with a direct effect to equity, after deducting deferred tax.

**Accrual of revenue**

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

**Provisions for restructuring costs**

The Group has significant provisions for restructuring costs as a result of the railway reform. The use of best estimates is exercised when calculating the basis of provisions. Please refer to notes on provisions for restructuring costs for further details.

**Provision for costs of periodic maintenance**

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

**CONSOLIDATION PRINCIPLES**

The Group financial statements show the total financial result and the total financial position for the parent company and its subsidiaries.

**Subsidiaries**

Subsidiaries are companies where the Group exercises control. Control occurs when the Group, as an investor, has the ability to influence variable yield that the Group has a right to or is exposed to.

Subsidiaries are consolidated from the time the Group obtain control, and are excluded from consolidation when control ceases to exist.

Transactions with non-controlling owners in subsidiaries are treated as equity transactions.

**Joint ventures and associates**

Joint ventures are companies or entities where NSB has joint control with one or several other investors. The Group has considerable shares in

# Note 1

single purpose companies for development of real estate projects that are considered to be joint venture.

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

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

**Acquisitions**
The acquisition method of accounting applies to business combinations. Compensation is measured at fair value on the transaction date which is when risk and control is transferred and will normally coincide with the implementation date. An allocation of the acquisition price is based on fair value of assets and liabilities acquired. Additional value that cannot be allocated to identifiable assets and liabilities are allocated to goodwill. If fair value of identifiable assets and liabilities is higher than consideration given, the excess is charged to income.

The principles on how to recognize acquisition of associates and joint ventures are the same as for acquisition of subsidiaries.

**SEGMENT INFORMATION**
NSB reports its operating segments according to how Group management, which is the operating decision-maker, adopt, follow-up and evaluates decisions.

**CURRENCY**
**Functional currency and presentation currency**
The NSB-Group financial statements are presented in Norwegian kroner and all numbers are in MNOK, which is both the functional currency and presentation currency for the parent company.

The NSB-Group operates mainly in Norway, as well as some in Sweden. Income statements and balance sheets from Group entities with a functional currency different from the presentation currency are converted accruing currency translation differences directly to equity through other comprehensive income.

**Transactions**
Operating income and –expenses, purchases as well as financing expenses are mainly in the following currencies: NOK, SEK, DKK, CHF and EUR. Transactions in foreign currency are re-calculated to the functional currency at the transaction date. Foreign exchange gains and losses from such transactions and from the translation of foreign currencies are recognised in the income statement.

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

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

**Sale of transport services**
Sale of services, including public purchase of passenger traffic services, is included in the accounting period the services are delivered.

**Dividends**
Dividends received from companies other than subsidiaries, associates and joint ventures are recognized on the date when the decision was made by the distributing company.

**PROPERTY, PLANT AND EQUIPMENT**
Property, plant and equipment (PPE) and operating related property is shown at cost less subsequent depreciation. Cost includes expenditure which is directly attributable to the acquisition of the items such that it's ready for use.

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

Borrowing costs accrued during construction of PPE, are capitalized until the asset is ready for intended use.

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

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

Land and residential buildings are not depreciated.

The fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are included in the income statement and are determined by the difference between the sales price and the balance sheet value.

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

Non-current assets classified as held for distribution are recognized at the lower of its carrying amount and fair value less costs to sell.

When an entity is classified as held for distribution, the income statement shows the Group's profit as if the entity had been distributed at the start of the period. The figures for discontinued operations does not show what these entities would have had of revenues and expenses if they had been independent entities, but it shows the impact the distribution has on continued operations of the Group.

**IMPAIRMENT**
Intangible assets as well as property, plant and equipment that depreciate are considered for impairment when there are indications that future earnings cannot justify balance sheet value.

Goodwill and intangible assets with indefinite useful life are not subject to depreciation, but are tested annually for impairment.

Impairment is recognized if the carrying amount is higher than the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date, one considers the possibilities for a reversal of prior impairments (except goodwill).

**POSSIBLE CONTRACT LOSSES**
The Group's activity results in entering into long-term public contracts for delivery of public transportation. For several of the contracts, the Group assumes part of the risk for the development in several cost areas (for example salaries, interest and fuel) without any income adjustment. This could result in contract losses if future remaining costs are higher than estimated revenues.

Before a provision is performed for contracts that may result in losses according to IAS 37, an evaluation is completed in accordance with IAS 36 (see section for impairment above). Then the Group measures continuously the present value of future expected cash flow from operational activities in each separate contract, where estimated payments consists of all future unavoidable operating costs including wear on assets. The provision is limited to the lower of continuing the contract or to go out of the contract. The provision is reversed over the remaining life of the contract.

# Note 1

### DERIVATIVES AND FINANCIAL INSTRUMENTS
The Group uses swaps to secure interest rates and currency on long-term debt to ensure predictability, and to hedge energy prices to obtain the lowest possible price and predictability in prices.

The Group does not use hedge accounting. Derivative financial instruments are recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value on derivative contracts entered into as debt instruments are included in net financial income, while derivative contracts related to electric power are included as other operating expenses.

### FINANCIAL ASSETS HELD FOR TRADING PURPOSES
A financial asset is classified as held for trading purposes if its primary reason for acquiring is to result in gains due to short-term changes in fair value.

Fair value of listed investments is based on its last registered value. If the market for the security is not active or if it concerns a security that is not listed, the Group uses evaluation methods to determine fair value.

### INVENTORY
Inventory is valued at the lower of acquisition cost and net realizable value. Acquisition cost is calculated using the average price method.

The cost of finished goods and work in progress comprises of design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Incurred borrowing costs that are directly related to the acquisition or manufacture of the goods, is included in the cost price of the goods.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### RECEIVABLES
Receivables include trade receivables and are initially measured at original value which is also considered to be fair value.

For subsequent measurement receivables are considered at amortised cost using the effective interest method, less provisions for probable losses. 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.

### CASH AND BANK DEPOSITS
Cash and bank deposits including restricted tax withholdings and restricted bank deposits in Finse Forsikring are specified in note 18. If bank overdrafts are utilized, it will be included in borrowings under current liabilities.

### BORROWINGS/LOANS
The initial recognition for loans was at fair value adjusted for directly related transaction costs.

In the following accounting periods, the loans were, as a rule, measured at amortized cost using the effective interest method such that the effective interest is equal throughout the life of the loan.

The Group has had several bonds that had associated interest- and currency swaps. Where measurement and reporting at fair value showed more relevant information because inconsistent measurement of loans and associated interest swap was eliminated, or to a certain degree reduced, this principle was used in the financial statements. Choice of principle was made at the time of each separate loan were raised and was binding throughout the term of the loan.

### TAX
Income tax expense for a period consists of tax payable and deferred tax.

Deferred income tax is calculated on all temporary differences between tax- and book values as well as tax effect of net losses carry forwards. Deferred income tax is determined using tax rates and tax laws that apply on the balance sheet date. Deferred tax asset that are expected to be utilized are included on the balance sheet.

Deferred income tax asset and liability are offset when there is a legally enforceable right to offset, and it is related to income taxes levied by the same taxation authority for (i) the same taxable entity or (ii) for separate taxable entities where the intention is to settle taxable positions on a net basis.

### RETIREMENT BENEFIT OBLIGATIONS
The companies in the Group operate various pension schemes; both defined benefit plans and defined contribution plans.

**Defined benefit pension plans are** schemes where the employer commits to periodical pension benefits to the employee when he/she retires. The pension payment will mainly depend on number of years in the plan, compensation level at retirement age and the size of the benefits from the national insurance scheme.

The liability recognized on the balance sheet is the present value of the defined benefit pension plan at the balance sheet date, less the fair value of plan assets at the balance sheet date. The defined pension liability is calculated annually by an independent actuary using the projected unit credit method. The cost of pension contributions and net interest rate on the defined benefit pension plan obligation is included in net income.

Changes to the pension plan benefits (plan changes) are expensed or recognized as income continuously in the income statement. Actuarial deviations that are caused by new information and changes to the actuarial assumptions are included instantly, through other comprehensive income.

**Defined contribution plans are** pension plans under which the employer pays contributions towards the employees' future pension without further obligations after the contribution is paid. The payments are included in the income statement as payroll and related expense.

### PROVISIONS
Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise of costs when withdrawing Early Retirement Pension Regulated by Contract (AFP) beyond normal expectations, severance pay and associated termination and liquidation costs. Provisions are not recognized for ongoing operations nor future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

### OTHER SHORT-TERM DEBT
Other short-term debts include trade payable and are initially measured at original value which is also considered to be fair value. At later measurement dates, trade receivables will be considered at amortized cost by using the effective interest method.

### LEASES
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases 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 lease value. The lease payments are divided between liabilities and financial items. Property, plant and equipment are depreciated using the linear method.

# Note 1



**DIVIDEND DISTRIBUTION**
The dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements when the dividend is approved by the General Assembly.

**FAIR VALUE ESTIMATION**
The Group measures several financial assets and obligations as well as investment property at fair value. For classification of fair value, the Group uses a system that reflects the significance of the input that is utilized in the preparation with the following divisions:

**Level 1**
Fair value is measured using quoted prices from active markets for identical assets and obligations.

**Level 2**
Fair value is decided by using input based on other observable factors; either direct (price) or indirect (derived from prices) rather than noted prices (used in level 1) for the asset or obligation.

**Level 3**
Fair value is measured using inputs that are not based on observable market data.

Financial assets and obligations were classified in level 1, 2 or 3. The company's investment property is classified in level 3.

## Description of accounting principles relating to real estate business, for 2017 only included in the comparative figures

**REVENUE FROM THE REAL ESTATE BUSINESS**
**Lease and sale of real property**

Revenue from lease of real property was accrued over the length of the lease agreement.

Revenue from sale of property was recognized in the period where risk and control were transferred to the buyer. As a main rule this means that the revenue was recognized on the acquisition date.

**Construction and development of commercial- and residential buildings**
It was the building's character and buyer's ability to influence the final project that determined whether revenue recognition was conducted according to IAS 11 construction contracts or IAS 18 revenue. For property constructed where the purchaser had significantly influenced outcome, an expected gain, according to IAS 11, were included according to the rate of completion.

**PROPERTY**
**General**
The Group's property portfolio consisted of operating related property (IAS 16), investment property (IAS 40) and development property (IAS 2). The Group's properties were mainly owned by ROM Eiendom, which was demerged from the Group and therefore were classified as held for distribution as of 31st of December 2016.

There was a close and compound relation between operating property (IAS 16) and investment property (IAS 40) with several combined properties. For combined buildings that could be sectioned for sale, each separate section and part of the property was evaluated separately.

**Operating related property**
Property used within the Group's operations were considered as operating related property in accordance with IAS 16 and were treated in compliance with PPE as described above.

**Investment property**
Investment property consists of property (land, building or both) that were owned for the purpose to achieve a long-term yield from rental income, increase in fair value or both. Property that the Group leases out to the external market on commercial terms and long-term basis, are classified as investment property and are considered in accordance with IAS 40.

First time measurement at cost and inclusion of costs on the balance sheet complied with the principles for PPE and operating related property as described above. Further measurement of investment property was at fair value. Fair value corresponds with estimated market value used in a possible sales transaction between two independent parties. The values were estimated using external appraisers at each balance sheet date. The fair value determination was based on each separate property expected discounted future cash flow with individual risk adjusted yield.

Value changes due to changes in market value of investment property were continuously charged to the income statement and were presented on a separate line in the operating profit. Value changes due to reclassification from developmental property were charged to the income statement. Value changes due to reclassification from operating related property were charged to other comprehensive income.

**DEVELOPMENTAL PROPERTY**
Property where the intention was to develop and then sell were categorized as development property (IAS 2), even if the properties were temporarily leased on short-term agreements.

Developmental property for sale was valued at the lower of acquisition cost and net realizable value in accordance with IAS 2.

Acquisition cost consisted of purchase price for properties, as well as project related expenses to develop each property. Project related expenses mainly included expenses up until it was regulated and made ready for sale including salaries, external consultants, etc. Incurred borrowing costs that were directly related to the development of the property were capitalized in accordance with IAS 23. Net realizable value was estimated selling price less costs related to the completion.

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

**CHANGES IN ACCOUNTING PRINCIPLES, NEW STANDARDS AND INTERPRETATIONS**
The Group has not implemented any new accounting standards nor made changes to accounting principles in 2017.

**New standards and interpretations not yet taken into effect and not yet implemented**
The Group has elected not to early adopt any standards nor interpretations that have an adoption date after the reporting period. Below is an overview of the most central Standards that have been adopted by the IASB.

***IFRS 9 Financial instruments*** replace the parts of IAS 39 which describes accounting, classification and measurement of financial assets and liabilities, hedge accounting, measurement at amortized cost and impairment of financial assets. The standard is not considered to lead to significant changes regarding the classification or valuation of financial assets or liabilities, nor is the new model for impairment testing of assets. The standard has a mandatory effective date of 1st of January 2018, and is to be implemented retrospectively. The Group has chosen the option of implementation without conversion of comparative figures.

***IFRS 15 Revenue from contracts with customers***
In the spring of 2014, the IASB adopted a new standard for revenue recognition. The standard establishes a framework for recognition and measurement of revenue based on a fundamental principle that recognition of revenue reflects the transfer of ownership of goods and services to the customer.

The group's revenue streams mainly relate to passenger and goods transport where no significant differences have been identified between today's principles for recognition and framework in a new standard. It is therefore not considered that the standard will cause any significant differences compared with current principles. The standard takes mandatory effect on 1st of January 2018. The Group will implement the standard using a modified method that does not involve conversion of comparative figures.

# Note 1

***IFRS 16 Leasing***
IASB adopted in the beginning of 2016 a new standard for leasing. The general rule of the new standard is that the lessee must recognize all leases in the statement of financial position. According to IFRS 16, all significant leases with a lease term over one year must be recognized. Lessee must recognize the lease liability and the associated "right-of-use asset" for the use of the underlying asset over the lease term. Under IFRS 16, there will no longer be a distinction between financial and operating leases for the lessee.

The NSB Group has a significant number of leases relating to premises, and train and bus equipment. With the exception of bus rental, the leases are classified as operating leases according to the current lease agreement (IAS17).

The Group has decided to implement IFRS 16 from the financial year 2018, and will in the implementation use a modified retrospective method without recalculation of comparative figures. The implementation effect is taken against the opening balance on 1st of January 2018, by recognition of the value of the assets (right-of-use) equal to the equivalent value of the lease obligations.

When calculating the "right-of-use asset" and the corresponding obligation, the present lease agreements are used as base case. The operating agreements included in the business usually include an option for one of the parties to the agreement. In estimating the length of the discounting period, the Group's best estimate of the duration of the lease agreement has been taken into account.

Implementation of the standard is considered to result in a significantly increased total balance due to the recognition of future lease obligations, which at the time of implementation is matched by a "Right to Use Asset". This is estimated to an amount of 7,400 MNOK which represents the present value of future lease payments. The discount rate that has been used is corresponding to the interest rate in the lease agreement, and in the absence of this, the Group has used an estimated market-based borrowing rate for the relevant company, asset and duration. The implementation on the 1st of January 2018 decreases the equity ratio of the parent company NSB AS to 29.2% (42.7%) before recognition of dividend for the 2017 income year. For the NSB Group, the equity ratio decreases to 26.5% (34.3%) before recognition of dividend for the 2017 income year.

In the income statement, the change will provide a reclassification between operating costs and financial expenses. The total cost of the use / rental period will be equivalent to the current standard. At the beginning of the period, the cost of the period will be higher than towards the end of the period. This is due to linear depreciation and reduced interest expenses over time. For 2018, this is estimated to reduce operating expenses by approximately MNOK 170 (reduced rental costs by MNOK 1,600 and increased depreciation by 1430) and increased financial expenses of around 265 MNOK. Net effect in the income statement for 2018 is an increased cost of 95 MNOK related to leasing.

In the cash flow statement, the part of the rental payment classified as repayment of loans will be reclassified from operational to financing activities. For 2018 this is estimated to amount to approximately 1330 MNOK.

***IFRS 17 Insurance Contracts***
IFRS 17 is adopted by the IASB in 2017 and replaces IFRS 4 Insurance Contracts. IFRS 17 states principles for recognition, measurement, presentation and disclosure of insurance contracts. The new standard is not considered to be of importance to the Group's operations. The standard takes mandatory effect on 1st of January 2021.

***Other***
IASB has also adopted several small changes and clarifications in several different standards. It is not expected that any of these changes will have considerable effect for the Group.

# Note 2

## 2 De-merger and railway reform

As part of the reform of the railway sector the following companies were demerged from the NSB Group to companies owned by the Ministry of Transport with effect from 1th of January 2017:

- The train maintenance company Mantena AS was demerged to Togvedlikehold AS
- The sales- and ticketing systems company Entur AS was demerged to Reiseplan og Billett AS
- The train owning company Norske tog AS was demerged to Togmateriell AS
- The real estate company ROM Eiendom AS was demerged to Bane Nor Eiendom 1 AS

The demerger was completed pursuant to the accounting pooling of interest method with accounting effect 1st of January 2017. The demerger has resulted in a reduced equity of NOK 5,442 MNOK, which is specified in the Statement of changes in equity. The effects of net group contributions paid to demerged entities, including corresponding tax effects are included in the equity effects from the demerger.

In the annual statement for 2016, the demerged entities were classified as discontinued operations in the Income statement, and assets and liabilities held for distributions in the Statement of financial position. Please find further details below.

**Principles of preparation of figures for continuing operations:**
The income statement and financial position of continuing operations have been prepared based on total operations, less income, expenses and financials position from discontinued operations. Previously intercompany income and expenses between continuing and discontinued operations are included as external income and expense. Best estimates are exercised when allocating expenses between continuing and discontinued operations.

The Annual Report thus expresses that discontinued operations has been separated at the beginning of 2016.

On 15th of October two important key operations were separated and transferred to newly founded and wholly owned subsidiaries to prepare organizational changes adapted to the railway reform. The operations associated with sales- and ticketing system was transferred to Entur AS. Trains and staff who works with acquisition and leasing of equipment in NSB was transferred to Materiellselskapet AS. The entities were an integral part of the parent company prior to the structural change. External funding relating to trains was transferred to Materiellselskapet AS in a subsequent process. Expenses, including financial expenses and depreciation related to these entities are allocated to discontinued operations. Similarly, these costs are reallocated to operating expenses for continuing operations as they will be charged in the form of lease of trains, and sales- and ticketing services. The profit from discontinued operations includes the consolidated effect of the remaining NSB Group, and not the profit these entities would have achieved if they had been separated from the Group during the period. The comparative figures have been restated by adding a profit of MNOK 60 to operating expenses.

| **2016 INCOME STATEMENT** | **Total operations** | **Dis-continued operations** | **Continuing operations** |
|---|---|---|---|
| **Operating revenue** | **15,559** | **989** | **14,571** |
| Payroll and related expenses | 7,630 | 1,288 | 6,341 |
| Depreciation and impairment | 1,496 | 716 | 780 |
| Other operating expenses | 5,416 | -1,465 | 6,881 |
| **Total operating expenses** | **14,542** | **540** | **14,002** |
| Share of loss(-)/profit of joint ventures | 131 | 102 | 29 |
| Share of loss(-)/profit in associates | 41 | 1 | 40 |
| Unrealised value change investment property | 551 | 551 | - |
| **Operating profit** | **1,740** | **1,102** | **638** |
| | | | |
| **Financial items** | | | |
| Financial income | 252 | 111 | 141 |
| Financial expenses | -654 | -593 | -60 |
| Net financial expenses - pensions | -44 | -7 | -36 |
| Change in unrealised fair value | 209 | 206 | 4 |
| **Net financial items** | **-236** | **-284** | **48** |
| | | | |
| **Profit before income tax** | 1,503 | 818 | 686 |
| Income tax expense | -236 | -106 | -130 |
| **Profit for the year** | **1,267** | **712** | **556** |

# Note 2

Assets and liabilities from discontinued operations per 31st of December 2016 are as follows:

| STATEMENT OF FINANCIAL POSITION | Total operations | Dis-continued operations | Continuing operations |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 117 | 0 | 117 |
| Property, plant and equipment | 15,017 | 11,474 | 3,543 |
| Investment property | 5,431 | 5,431 | - |
| Investments in associates | 50 | - | 50 |
| Financial assets | 278 | 206 | 72 |
| **Total non-current assets** | **20,893** | **17,111** | **3,782** |
| Investment in joint ventures | 571 | 537 | 34 |
| Inventories | 1,590 | 857 | 732 |
| Trade and other receivables | 2,325 | -5 915 | 8,240 |
| Derivative financial assets | 1,998 | 1,187 | 811 |
| Financial assets | 276 | 2 | 273 |
| Cash and bank deposits | 1,314 | 66 | 1,247 |
| **Total current assets** | **8,073** | **-3,265** | **11,338** |
| **TOTAL ASSETS** | **28,966** | **13,845** | **15,120** |
| **EQUITY AND LIABILITIES** | | | |
| Debt | 7,915 | 7,080 | 835 |
| Deferred income tax liabilities | 578 | 440 | 139 |
| Retirement benefit obligations | 2,944 | 626 | 2,318 |
| Provisions for other liabilities and charges | 339 | 29 | 310 |
| **Total long term liabilities** | **11,776** | **8,175** | **3,601** |
| Trade and other payables | 3,472 | -45 | 3,517 |
| Tax payable | 735 | 35 | 700 |
| Debt | 3,021 | 146 | 2,875 |
| Derivative financial instruments | 27 | - | 27 |
| **Total short term liabilities** | **7,256** | **136** | **7,120** |
| **TOTAL LIABILITIES** | **19,031** | **8,311** | **10,721** |

Trade and other receivables from continuing operations in NSB AS will increase compared to trade and other receivables in NSB Group for total operations due to a receivable of 5,671 MNOK in continuing operations towards discontinued operations as of 31st of December 2016.

# Note 3

## 3 Shares in subsidiaries

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

| Subsidiaries | Established-/ acquisition-date | Registered office | Votes and profit share | Book value shares in subsidiaries in parent company | Equity | Profit/ loss |
|---|---|---|---|---|---|---|
| Nettbuss AS | 1st of December 1996 | Oslo | 100 % | 333 | 713 | 126 |
| NSB Trafikkservice AS | 1st of October 2001 | Oslo | 55 % | 1 | -35 | 6 |
| Finse Forsikring AS | 1st of December 2001 | Oslo | 100 % | 59 | 265 | 20 |
| CargoNet AS | 1st of January 2002 | Oslo | 100 % | 139 | 181 | -52 |
| NSB Gjøvikbanen AS | 1st of April 2005 | Oslo | 100 % | 30 | 59 | 21 |
| Svenska Tågkompaniet AB | 1st of January 2007 | Gävle | 100 % | 21 | -3 | -54 |
| NSB Anbud AS | 1st of August 2016 | Oslo | 100 % | 500 | 497 | -3 |
| Banestasjoner AS | 2nd of January 2002 | Oslo | 100 % | 0 | 0 | - |
| Tømmervogner AS[1] | 31st of December 2008 | Oslo | 45 % | 2 | 9 | 0 |
| **TOTAL CONTINUING OPERATIONS** | | | | **1,086** | **1,685** | **65** |

[1] *Remaining shares are owned by CargoNet AS.*

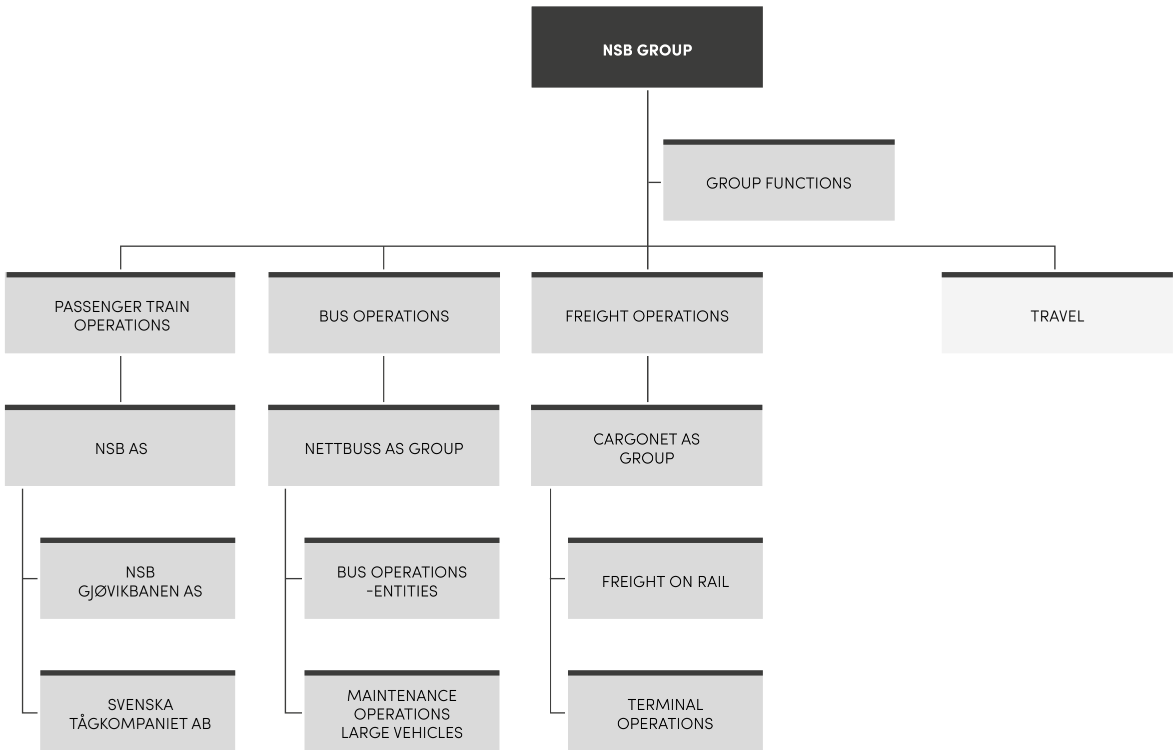
The Equity presented, is 100 % of the equity recognized in the subsidiary's Statement of financial position as of 31st of December 2017.

# Note 4

## 4 Group- and company structure

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

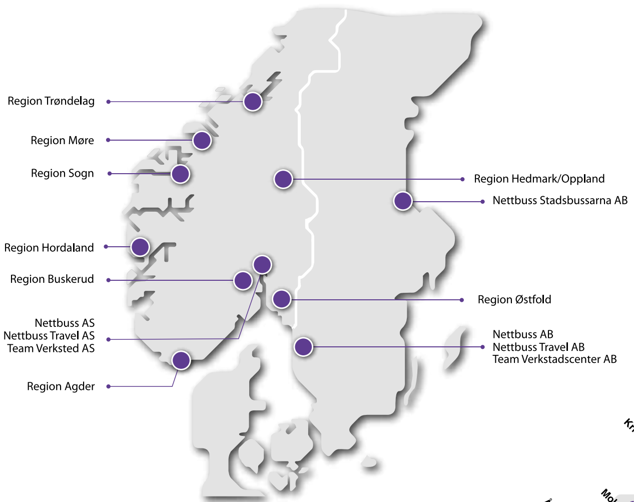
- NSB AS, NSB Gjøvikbanen AS, Svenska Tågkompaniet AB and NSB Anbud AS are included in Passenger rail operations.
- The bus segment consists of the Nettbuss-Group operations.
- The freight traffic segment consists of the CargoNet-Group operations.

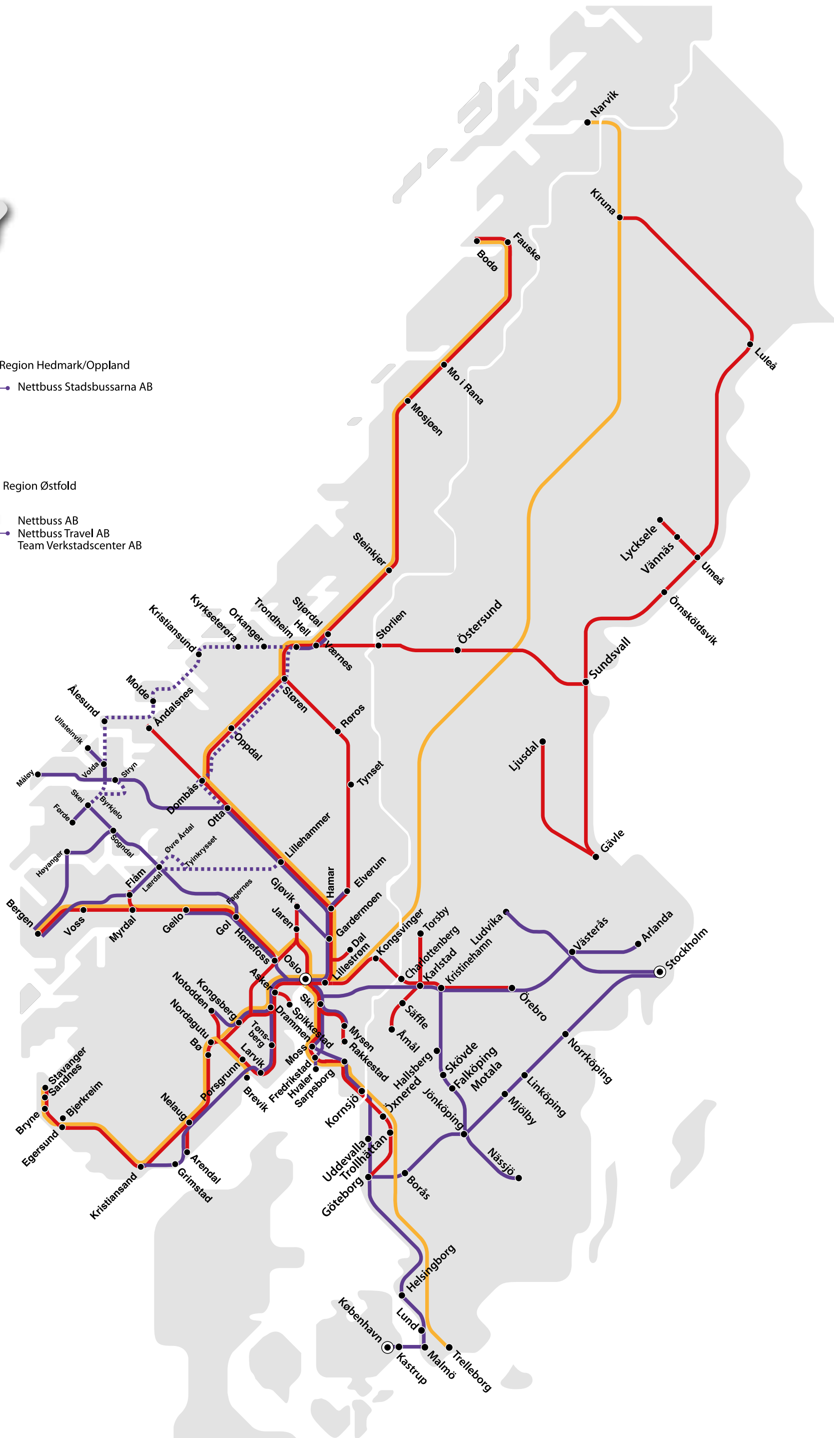


# Note 5

### 5 NSB-Group's passenger operations in the Nordic Region

Nettbuss in Scandinavia



# Note 6

## 6 Segment information

**Business segments**
As of 31th of December 2017, the Group has its main activities in the following segments:

(1) Passenger train: passenger train operations, including travel
(2) Bus: passenger bus operations
(3) Freight: freight train operations

Travel is not yet presented as a separate segment.

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

| Analysis of Operating income by category | 2017 | 2016 |
|---|---|---|
| Transport revenue | 13,996 | 13,629 |
| Sales revenue | 23 | 40 |
| Other revenue | 971 | 902 |
| **SUM** | **14,990** | **14,571** |

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

**Information on important customers**
The Group has one customer that constitutes more than 10 % of operating income. The Government's purchase from the NSB-Group is included in note 33.

# Note 7

## 7 Intangible assets

| | Goodwill | | Other | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **At 1st of January** | | | | | | |
| Accumulated acquisition cost | 113 | 81 | 20 | 21 | 133 | 102 |
| Accumulated amortization and impairments | - | - | -16 | -15 | -16 | -15 |
| **TOTAL** | **113** | **81** | **4** | **6** | **117** | **87** |
| | | | | | | |
| **Changes during the year** | | | | | | |
| Opening net book value | 113 | 81 | 4 | 6 | 117 | 87 |
| Exchange differences | - | - | 0 | -1 | 0 | -1 |
| Acquisition | 9 | 32 | - | - | 9 | 32 |
| Additions | 1 | - | - | - | 1 | - |
| Amortization and depreciation | - | - | -1 | -1 | -1 | -1 |
| **TOTAL** | **123** | **113** | **3** | **4** | **126** | **117** |
| | | | | | | |
| **At 31st of December** | | | | | | |
| Accumulated acquisition cost | 123 | 113 | 20 | 20 | 143 | 133 |
| Accumulated amortization and impairments | - | - | -17 | -16 | -17 | -16 |
| **TOTAL** | **123** | **113** | **3** | **4** | **126** | **117** |

Goodwill is exclusively in the Nettbuss Group. There is no goodwill impairment in 2016, nor 2017.

**Impairment test of Goodwill**
Goodwill is annually tested for impairment by comparing the carrying amount with the recoverable amount. The ratio is monitored based on what is considered as the natural cash-generating unit (CGU) associated with each acquisition. There are as of 31th December 2017, goodwill recorded on several CGUs in the Bus-business segment, and all these CGUs are followed up locally in the wholly owned corporate group Nettbuss.

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

**Estimates used when calculating recoverable amounts**

| | |
|---|---|
| Growth rate[1] | 2.00 % |
| Discount rate[2] | 7.00 % |

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

These assumptions have been used for the analysis of each cash-generating unit within the business segment. Management determines budgeted net cash flows based on the past performance and its expectations of market development. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflects specific risks relating to the relevant segments. The recoverable amounts from the CGU based on usage value are higher than the balance sheet values. Assuming other assumptions remain constant, the sensitivity calculations regarding an increase in the interest level of 2 % of the goodwill amount on the balance sheet will decrease by MNOK 6.

# Note 8

## 8 Property, plant and equipment

| At 1st of January 2017 | Machinery and equipment | Trans-portation | Land and buildings | Partially delivered trains | Under construc-tion | Leased buses | Total |
|---|---|---|---|---|---|---|---|
| Accumulated acquisition cost | 1,820 | 14,321 | 300 | -10 | 102 | 832 | 17,364 |
| Accumulated depreciation | -1,725 | -11,936 | -111 | 10 | -10 | -48 | -13,820 |
| **TOTAL** | **94** | **2,385** | **188** | **0** | **92** | 784 | **3,544** |
| | | | | | | | |
| **Year ended 31st of December 2017** | | | | | | | |
| Opening net book value | 94 | 2 385 | 188 | - | 92 | 784 | 3,544 |
| Exchange differences | 0 | 27 | 0 | - | - | 10 | 38 |
| Acquisition of subsidiary | 9 | -6 | 0 | - | - | - | 4 |
| Accumulated depr. Acq. of subsidiary | -7 | 4 | - | - | - | - | -3 |
| Additions | 41 | 51 | 2 | - | 38 | 181 | 313 |
| Disposals at acquisition cost | -343 | -469 | 19 | - | - | 4 | -789 |
| Accumulated depreciation disposals | 331 | 577 | -20 | - | - | -4 | 885 |
| Transfers within PPE | 19 | 53 | - | - | -71 | - | - |
| Transfers to prepaid maintenance | 64 | 51 | -69 | - | -45 | - | 0 |
| Transfers from development property | - | -194 | - | - | - | - | -194 |
| Depreciations | -55 | -478 | -11 | - | - | -105 | -650 |
| Impairments | -0 | -4 | - | - | - | -1 | -5 |
| **TOTAL** | **154** | **1,996** | **110** | **-** | **14** | **869** | **3,142** |
| | | | | | | | |
| **At 31st of December 2017** | | | | | | | |
| Accumulated acquisition cost | 1,610 | 13,833 | 252 | 0 | 24 | 1,027 | 16,735 |
| Accumulated depreciation | -1,456 | -11,837 | -142 | - | -10 | -158 | -13,593 |
| **TOTAL** | **154** | **1,996** | **110** | **0** | **14** | **869** | **3,142** |

# Note 8 | 9

| At 1st of January 2016 | Machinery and equipment | Trans-portation | Land and buildings | Partially delivered trains | Under construc-tion | Leased Busses | Total |
|---|---|---|---|---|---|---|---|
| Accumulated acquisition cost | 2,152 | 23,428 | 2,827 | 617 | 453 | - | 29,477 |
| Accumulated depreciation | -1,765 | -12,237 | -976 | - | - | - | -14,978 |
| **TOTAL** | **387** | **11,191** | **1,851** | **617** | **453** | **-** | **14,499** |
| | | | | | | | |
| **Year ended 31st of December 2016** | | | | | | | |
| Opening net book value | 387 | 11,191 | 1,851 | 617 | 453 | - | 14,499 |
| Exchange differences | -1 | -68 | - | - | - | - | -69 |
| Acquisition of subsidiary | 12 | 1 | 35 | - | - | - | 48 |
| Accumulated depr. Acq. of subsidiary | -10 | - | -30 | - | - | - | -40 |
| Additions | 37 | 131 | 4 | 257 | 867 | 832 | 2,128 |
| Disposals at acquisition cost | -98 | -1,428 | -6 | - | - | - | -1,532 |
| Accumulated depreciation disposals | 96 | 1,377 | 10 | - | - | - | 1,483 |
| Grants from public sources* | - | - | - | - | - | - | - |
| Transfers within PPE | 119 | 1,013 | 53 | -351 | -833 | - | 1 |
| Transfers to investment property | - | - | -11 | - | -1 | - | -12 |
| Transfers from development property | - | - | 2 | - | 4 | - | 6 |
| Depreciations continuing operations | -73 | -603 | -12 | - | - | -47 | -735 |
| Depreciations discontinued operations | -53 | -573 | -90 | - | - | - | -716 |
| Impairments continuing operations | -1 | -41 | - | - | - | -1 | -43 |
| Accumulated acquisition cost transferred to discontinued operations | -401 | -8,756 | -2,604 | -533 | -388 | - | -12,683 |
| Accumulated depreciation transferred to discontinued operations | 81 | 141 | 987 | - | - | - | 1,209 |
| **TOTAL CONTINUING OPERATIONS** | **94** | **2,385** | **188** | **-10** | **102** | **784** | **3,543** |
| | | | | | | | |
| **At 31st of December 2015** | | | | | | | |
| Accumulated acquisition cost | 1,820 | 14,321 | 300 | -10 | 102 | 832 | 17,364 |
| Accumulated depreciation | -1,725 | -11,936 | -111 | - | - | -48 | -13,820 |
| **TOTAL CONTINUING OPERATIONS** | **94** | **2,385** | **188** | **-10** | **102** | **784** | **3,543** |
| | | | | | | | |
| Depreciation period | 5 - 30 years | 5 - 30 years | 3 - everlast. | | | | |

## 9 Periodic maintenance

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

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

# Note 10

## 10 Investments in associates

| | 2017 | 2016 |
|---|---|---|
| Book value 1st of January | 50 | 200 |
| Acquisition of associates | - | - |
| Disposals/ -sale of associates | -144 | -177 |
| Share of profit/loss | 152 | 40 |
| Exchange differences | - | - |
| Currency translation difference | 0 | - |
| Other equity movements | -15 | -13 |
| Transferred to discontinued operations | - | - |
| **NET BOOK VALUE 31ST OF DECEMBER** | **42** | **50** |

Investments in associates at 31st of December 2017 include goodwill of 0 MNOK (0 MNOK).

The group's share of 25% of Oslo S Parkering AS was sold on December 7, 2017. In connection with the sale, the Group reconized a gain of 133 MNOK, which is included in the share of profit from associates in 2017.

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

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

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

| 2016 | Registered office | Assets | Liabilities | Revenues | Profit/ loss | % Int. held |
|---|---|---|---|---|---|---|
| Oslo S Parkering AS | Oslo | 109 | 63 | 42 | 27 | 25 % |
| Nordlandsbuss AS | Bodø | 131 | 76 | 299 | 11 | 34 % |
| Interoperabilitetstjenester AS | Oslo | 13 | 9 | 21 | - | 33 % |
| Strømstad-Tanum Buss AB | Tanumshede | 20 | 16 | 52 | - | 40 % |
| Peer Gynt Tours AS | Oslo | 9 | 4 | 73 | -1 | 34 % |
| Minibuss 247 AS | Våler | 19 | 12 | 66 | - | 49 % |
| Larsens Last og Buss AS | Sande | 7 | 5 | 22 | - | 49 % |
| Sjøholt Last og Buss AS | Ørskog | 7 | 5 | 19 | 2 | 49 % |
| Fjord Tours AS | Bergen | 47 | 19 | 58 | 17 | 43 % |
| Keolis Danmark AS | Glostrup | 846 | 620 | 627 | -16 | 25 % |
| **TOTAL** | | **1,208** | **829** | **1,279** | **40** | |
| | | | | | | |
| Tunnelbanan Technik Stockholm AB | Stockholm | - | - | - | 2 | 0 % |
| **TOTAL DISCONTINUED OPERATIONS** | | **-** | **-** | **-** | **2** | **-** |
| | | | | | | |
| **TOTAL OPERATIONS** | | **1,208** | **829** | **1,279** | **42** | |

# Note 11

## 11 Investments in joint venture

| | 2017 | 2016 |
|---|---|---|
| Book value 1st of January | 34 | 555 |
| Acquisition of joint venture | - | 2 |
| Disposals/ -sale of joint venture | - | -34 |
| Share of profit/loss | 43 | 133 |
| Other equity movements | -30 | -85 |
| Transferred to discontinued operations | - | -537 |
| **NET BOOK VALUE 31ST OF DECEMBER** | **47** | **34** |

Share of profit and loss includes adjustments from prior years.

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

| Joint venture: | Year of acquisition | Registered office | Votes and profit share | Equity | Profi/loss | Book value 31st of December |
|---|---|---|---|---|---|---|
| Flåm Utvikling AS | 2013 | Aurland | 50 % | 94 | 43 | 131 |

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

| | 2017 | 2016* |
|---|---|---|
| **Assets** | | |
| Non-current assets | 1 | 106 |
| Current assets | 65 | 1,412 |
| **TOTAL** | **65** | **1,518** |
| | | |
| **Liabilities** | | |
| Long term liabilities | - | 492 |
| Short term liabilities | 19 | 455 |
| **TOTAL** | **19** | **947** |
| **NET ASSETS** | **47** | **571** |

| **Income/expenses** | **2017** | **2016** |
|---|---|---|
| Operating revenue | 99 | 226 |
| Operating expenses | -58 | -95 |
| **PROFITS** | **42** | **131** |

** Applies to both continuing and discontinuing operations.*

**Description of operations:**

**Passenger train operations**
**Flåm Utvikling**

For 19 years, Flåm Utvikling has operated the travel product Flåmsbana with NSB AS as a supplier of train transport services. Flåm Utvikling conducts product development, sales, marketing, customer relationship management and brand development of Flåmsbana, as well as the foundation for commercial year-round operations of Flåmsbana. Flåmsbana is the country's first year-round mountain/fjord railway destination.

# Note 12 | 13 | 14

## 12 Inventory

| | 2017 | 2016* |
|---|---|---|
| Components | 784 | 721 |
| Not completed parts | 17 | 8 |
| Completed parts | 1 | 2 |
| **TOTAL INVENTORY** | **802** | **731** |

** Applies to continuing operations.*

## 13 Assets held for sale

The Group has no assets or business held for sale or distribution as of  31th Desember 2017.

For details of non-continuing operations that were demerged as part of the railway reform in 2017, please see Note 2 for comparative figures.

## 14 Trade and other receivable

| | 2017 | 2016* |
|---|---|---|
| Trade receivables | 1,205 | 1,582 |
| Less: provision for impairment of receivables | -10 | -11 |
| Trade receivables - net | 1,195 | 1,571 |
| Prepayments | 509 | 907 |
| Other receivables | 179 | 5,761 |
| **TOTAL TRADE AND OTHER RECEIVABLES** | **1,883** | **8,240** |

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:** | 2017 | 2016* |
|---|---|---|
| Matured receivables on balance sheet date | 213 | 121 |
| Matured between 0 - 2 mnths ago | 191 | 72 |
| Matured between 2 - 6 mnths ago | 9 | 10 |
| Matured more than 6 mnths ago | 13 | 39 |

** Applies to continuing operations.*

# Note 15

## 15 Financial risk management

### CAPITAL MANAGEMENT

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

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

### FINANCIAL RISK FACTORS

The Group's activities result in various types of financial risk: market risk (foreign exchange-, interest rate-, and price risk), credit risk and liquidity risk.

The Group's risk management policy focuses on the capital markets unpredictability and strives to minimize the potential negative effects on the Group's financial results. The Group uses financial derivatives to hedge certain risks.

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

### MARKET RISK

**Foreign exchange risk**

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

The Group operates in the Nordic region, makes purchases from foreign suppliers and is therefore exposed to currency risks. The Group minimizes currency risk associated with larger investments from foreign suppliers by mainly entering into agreements in NOK. The goal is to create predictability with respect to future payments measured in NOK.

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

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

**Interest rate risk**

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

The Group's securities in the interest rate market are exposed to changes in market rates. As the investments have a short average interest rate duration, value changes are moderate.

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

Any swaps entered into create risk of changes to booked fair value when measuring against interest level as at the date of the statement of financial position.

**Sensitivity evaluations as at 31st of December 2017**

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 0 MNOK (2016: 27 MNOK).

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

**Other price risk**

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

### LIQUIDITY RISK

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

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

NSB reduces liquidity risk on maturity of financial obligations by accessing a number of financing sources in Norway and internationally, as well as maintaining adequate liquidity to cover planned operating-, investing-, and refinancing needs without assuming new debt due within 12 months. Liquidity consists of bank deposits, interest rate certificates, money market funds, overdraft accounts and a committed revolving credit facility on 2,000 MNOK which expires in April 2019.

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

# Note 15

The table below shows future maturities for the Group's liabilities as at 31st of December 2017:

| Liquidity risk | < 1 year | 1-2 years | 2-5 years | > 5 years |
|---|---|---|---|---|
| Short term liabilities | 2,653 | - | - | - |
| Debt | 1 | 137 | 371 | 384 |
| Property, plant and equipment | 995 | - | - | - |

**CREDIT RISK**

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

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

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

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

| NSB assesses maximum credit risk to be the following: | 2017 | 2016* |
|---|---|---|
| Cash and bank deposits | 2,090 | 1,247 |
| Certificates (placements) | 3,085 | 274 |
| Financial derivatives | - | 811 |
| Trade receivable and other short term receivables | 1,882 | 2,569 |
| **TOTAL** | **7,057** | **4,901** |

** Applies to continuing operations.*

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

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

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

A decline in value of 41 % gives a calculated portfolio risk of 25 MNOK (2016: 39 % -21 MNOK). The evaluation and determination of percentage decline in value has been set in accordance with the Financial Supervisory Authority of Norway's regulations on reporting stress tests for insurance and pension companies.

# Note 16 | 17



## 16 Derivatives

| | 2017 | | 2016* | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Interest and exchange rate swaps | - | -2 | 811 | -25 |
| Energy swaps | - | - | - | -2 |
| **TOTAL** | **-** | **-2** | **811** | **-27** |

** Applies to continuing operations.*

The Group does not use hedge accounting. Fair value changes in derivatives are continuous recognized in the income statement. Derivatives are classified as current assets or contractual obligations. Energy contracts relate to hedging of electricity and diesel prices.

| **Changes derivatives fair value:** | **2017** | **2016*** |
|---|---|---|
| This period's change in fair value | -786 | 22 |
| Accumulated change in fair value | -2 | 784 |

** Applies to continuing operations.*

**Interest rate and foreign exchange swaps**
The notional principal of the outstanding interest rate swaps contracts at 31st of December 2017 was 13 MNOK (2016*: 3,180 MNOK). At 31st of December 2017, the fixed interest rate was 5,25 % (2016*: 3.97 % to 4.13 %) and the floating rates are mainly 6M NIBOR + margin.

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

| **Listed securities** | **2017** | **2016*** |
|---|---|---|
| Stocks and other listed equity securities – Norway | 1,493 | - |
| Stocks and other listed equity securities – Europe | 62 | 55 |
| Bonds and certificates | 1,509 | 219 |
| Other financial instruments | 21 | - |
| **TOTAL** | **3,085** | **274** |

** Applies to continuing operations.*

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

Effective interest rate on short term placements of financial instruments was 1.20 % at 31st of December 2017 (2016: 1.5 % ) and the placements has an average maturity of 93 days.

Effective interest rate on short term bank deposits was 1.05 % as at 31st of December 2017 (2016: 2.5 %).

| **Changes in fair values of listed securities** | **2017** | **2016*** |
|---|---|---|
| This period's change in fair value | 2 | 3 |
| Accumulated change in fair value | 19 | 17 |

** Applies to continuing operations.*

# Note 18 | 19

## 18 Financial instruments by category

| Assets at 31st of December | Loans and receivables | | Assets at fair value through profit and loss | | Total | |
|---|---|---|---|---|---|---|
| **Year** | **2017** | **2016*** | **2017** | **2016*** | **2017** | **2016*** |
| Financial fixed assets | 90 | 72 | - | - | 90 | 72 |
| Derivatives | - | - | - | 811 | - | 811 |
| Trade and other receivables (excl. prepayments) | 1,373 | 8,240 | - | - | 1,373 | 8,240 |
| Financial assets at fair value through profit or loss | - | - | 3,085 | 273 | 3,085 | 273 |
| Cash and bank deposits | 2,090 | 1,247 | - | - | 2,090 | 1,247 |
| **TOTAL** | **3,553** | **9,559** | **3,085** | **1,084** | **6,638** | **10,643** |

| Liabilities at 31st of December | Other financial liabilities at amortised cost | | Liabilities at fair value through profit and loss | | Total | |
|---|---|---|---|---|---|---|
| **Year** | **2017** | **2016*** | **2017** | **2016*** | **2017** | **2016*** |
| Debt (excl. Financial lease liabilities) | 892 | 835 | 1 | 2,875 | 893 | 3,710 |
| Financial lease liabilities | 850 | - | - | - | 850 | - |
| Derivatives | - | - | 2 | 27 | 2 | 27 |
| Trade and other payables (excl. statutory liabilities) | 2,448 | 3,321 | - | - | 2,448 | 3,321 |
| **TOTAL** | **4,190** | **4,156** | **3** | **2,902** | **4,193** | **7,057** |

** Applies to continuing operations.*

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

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

**Financial assets and liabilities at fair value through profit and loss per. 31st of December 2016*:**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Derivatives used for hedging | - | 811 | - | 811 |
| Financial assets available-for-sale: | | | | |
| - Debt instruments | 55 | 219 | - | 274 |
| **TOTAL ASSETS** | **55** | **1,030** | **-** | **1,085** |
| Debt and accrued interest | - | 2,875 | - | 2,875 |
| Derivatives used for hedging | - | 27 | - | 27 |
| **TOTAL LIABILITIES** | **-** | **2,902** | **-** | **2,902** |

** Applies to continuing operations.*

## 19 Cash and bank deposits

| | 2017 | 2016* |
|---|---|---|
| Cash and bank deposits | 2,090 | 1,247 |

Includes restricted funds of 128 MNOK (2016: 132 MNOK).

** Applies to continuing operations.*

# Note 20 | 21

## 20 Share capital and share premium

| | No. of shares | Ordinary shares | Share premium MNOK | Total MNOK |
|---|---|---|---|---|
| Shares at 1st of January 2017 | 3,685,500 | 3,685,500 | 1,458 | 5,144 |
| Shares at 31st of December 2017 | 3,685,500 | 3,685,500 | - | 3,686 |

There is only one class of shares. The par value of a share is NOK 1,000,-. As a result of demerger, the share premium reserve was reduced.

There was no dividend payment for the fiscal year 2016. A 315 MNOK dividend has been proposed for 2017.
The decision will be made at the General Assembly in 2018.

## 21 Debt

| **Non-current loans** | **31.12.17** | **31.12.16*** |
|---|---|---|
| Mortgage loan | 6 | 7 |
| Other non-current debt, incl. financial lease | 886 | 829 |
| **TOTAL** | **892** | **835** |
| | | |
| **Current loans** | | |
| Current share of non-current debt | - | 2,783 |
| Other current debt | 1 | 92 |
| Total | 1 | 2,875 |
| **TOTAL DEBT** | **893** | **3,710** |

Nominal value of long-term debt per 31st of December 2017: 892 MNOK (2016: 835 MNOK).

| **Nominal value of long-term interest bearing debt** | **31.12.17** | **31.12.16*** |
|---|---|---|
| 1st of January | 835 | 7,911 |
| Change in value during the current period | 57 | -1,190 |
| Transferred discontinued operations | - | -5,886 |
| **31ST OF DECEMBER** | **892** | **835** |

** Applies to continuing operations.*

The Group has not utilized its 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 in the second-hand market.

# Note 21

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

| Loans and hedgings | 2017 | 2016* |
|---|---|---|
| 6 months or less | 880 | 1,366 |
| Over 6 months | - | 600 |

| Non-current debt expire in: | 2017 | 2016* |
|---|---|---|
| Between 1 and 2 years | 137 | 120 |
| Between 2 and 5 years | 371 | 308 |
| Over 5 years | 384 | 407 |

| Effective interest rate at the balance sheet date in %: | | 2017 | 2016* |
|---|---|---|---|
| Bonds | NOK | - | 3.06 |
| Other loans | NOK | 3.29 | 2.28 |
| | SEK | 3.01 | 3.01 |

** Applies to continuing operations.*

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

| Changes in fair value on non-current debt: | 2017 | 2016* |
|---|---|---|
| Change in fair value during the current period | -812 | - |
| Accumulated change in fair value | - | 812 |

| The carrying amounts of the Group`s debt are denominated in the following currencies: | 2017 | 2016* |
|---|---|---|
| NOK | 675 | 927 |
| SEK | 218 | - |
| CHF | - | 2,783 |
| **TOTAL** | **893** | **3,710** |

| The Group has the following unused loan facilities: | 2017 | 2016* |
|---|---|---|
| **Floating interest rate** | | |
| - Expiring within one year | 50 | 50 |
| - Expiring after one year | 2,000 | 2,000 |
| **TOTAL** | **2,050** | **2,050** |

** Applies to continuing operations.*

The facility that expire within one year is a bank overdraft related to NSB-Group bank account system. Credit is granted for one year at the time and is renewed annually. NSB`s long term revolving credit facility expires in April 2019.

**Operating leases**
The Group also leases plant and equipment where the leasing agreements give the lessee the right to cancel the agreement. Future accumulated minimum payments related to cancellable leasing agreements are as follows:

| | 2017 | 2016* |
|---|---|---|
| Expiring within 1 year | 253 | 280 |
| Expiring between 1 and 5 years | 856 | 861 |
| Expiring after 5 years | 495 | 581 |
| **TOTAL** | **1,604** | **1,722** |

** Applies to continuing operations.*

In addition, NSB has entered an agreement to lease trains from 2016 to 2021. The rent amounts to 1,212 MNOK for 2018.

# Note 22

## 22 Tax

| Income tax expense: | 2017 | 2016* |
|---|---|---|
| Current income tax payable | 347 | 698 |
| Changes in deferred tax | -209 | -568 |
| **TOTAL INCOME TAX EXPENSE** | **138** | **130** |

| Tax payable on the balance sheet are as follows: | 2017 | 2016* |
|---|---|---|
| Current payable tax expense | 347 | 698 |
| Tax on Group contributions | - | 37 |
| Insufficient/ excessive tax provision prior years | -6 | - |
| Taxes payable on the balance sheet on discontinued operations | - | -35 |
| **TAX PAYABLE ON THE BALANCE SHEET** | **341** | **700** |

Tax payable in the balance sheet will partly be offset by proposed group contributions which will be decided by the general assembly in 2018.

| Reconciliation between nominal and actual tax expense rate: | 2017 | 2016* |
|---|---|---|
| Profit before income tax | 772 | 746 |
| | | |
| Expected income tax using the nominal tax rate (24 % / 25 %) | 185 | 186 |
| | | |
| Tax effect from the following items: | | |
| Other permanent differences related to investm. (exemption method) | -34 | - |
| Other non-deductible expenses | 2 | 1 |
| Other non-taxable income | -11 | -17 |
| Fiscal loss concerning unrecognized deferred tax assets | - | - |
| Change in already recognized downgrade of deferred tax asset | - | -1 |
| Effect of change in income tax rate | -25 | -32 |
| Insufficient tax provision prior years | -1 | -4 |
| Other items | 22 | -3 |
| **Income tax expense** | **138** | **130** |
| **Effective tax rate** | **18 %** | **17 %** |

** Applies to continuing operations.*

# Note 22

**Spesification of the tax effect from temporary differences and losses carried forward:**
Deferred income tax asset and liabilities are offset where there is a legally enforced right to offset current tax assets against current tax liabilities and where the deferred income taxes are due to the same tax authority. The offset amounts are as follows:

| 2017 | 01.01. | Ex-change diff. | Acqui-sition of sub-sidiary | Income state-ment charge | Charge to other compre-hensive income | Charged directly to equity | Tax effect Group contri-bution | Held for distri-bution to owners | 31.12. |
|---|---|---|---|---|---|---|---|---|---|
| Benefit (+) / Liability (-) | | | | | | | | | |
| Fixed assets | -2,647 | -3 | -2 | 692 | - | -160 | - | - | -2,120 |
| Inventories | 7 | - | - | 8 | - | - | - | - | 15 |
| Receivables | -21 | - | - | 14 | - | - | - | - | -7 |
| Value changes to financial current assets | -545 | 2 | 2 | -18 | - | 386 | - | - | -173 |
| Retirement benefit obligations | 2,204 | - | - | -140 | 163 | -4 | - | - | 2,223 |
| Provisions for other liabilities and charges | 418 | - | - | 106 | - | - | - | - | 524 |
| Gains (losses) | -47 | - | - | -68 | - | - | - | - | -115 |
| Losses carried forward | 322 | 15 | - | 122 | - | - | -32 | - | 427 |
| Other | 36 | 2 | - | 46 | - | - | - | - | 84 |
| Total gross temporary differences | -272 | 16 | - | 762 | 163 | 222 | -32 | - | 859 |
| Off-balance sheet deferred tax benefits | -293 | -15 | - | - | - | - | - | - | -308 |
| **Net temporary differences** | **-565** | **1** | **-** | **762** | **163** | **222** | **-32** | **-** | **551** |
| **Net deferred tax asset/liability 25 %** | **-139** | **-** | **-** | **184** | **39** | **53** | **-8** | **-** | **129** |
| Effect from changes in tax rate | - | - | - | 26 | -10 | -18 | - | - | -2 |
| **Net deferred tax asset/liability on the balance sheet 24 %** | **-139** | **-** | **-** | **210** | **29** | **35** | **-8** | **-** | **127** |

| 2016 | 01.01. | Ex-change diff. | Acqui-sition of sub-sidiary | Income state-ment charge | Charge to other compre-hensive income | Charged directly to equity | Tax effect Group contri-bution | Held for distri-bution to owners | 31.12. |
|---|---|---|---|---|---|---|---|---|---|
| Benefit (+) / Liability (-) | | | | | | | | | |
| Fixed assets | -5,594 | 3 | -6 | 567 | - | - | - | 2,383 | -2,647 |
| Financial assets | 8 | - | - | - | - | - | - | -8 | 0 |
| Inventories | 10 | - | 1 | -2 | - | - | - | -2 | 7 |
| Receivables | 21 | - | 0 | -25 | - | - | - | -16 | -21 |
| Value changes to investment property | -2,180 | - | - | -402 | -2 | - | - | 2,584 | -0 |
| Value changes to financial current assets | 70 | - | - | -614 | -1 | - | - | -0 | -545 |
| Retirement benefit obligations | 2,257 | - | - | -191 | 691 | 8 | - | -562 | 2,204 |
| Provisions for other liabilities and charges | 124 | - | 1 | 360 | - | - | - | -67 | 418 |
| Gains (losses) | -462 | - | -1 | -208 | - | - | - | 624 | -47 |
| Losses carried forward | 683 | -32 | -2 | 2,743 | - | - | -362 | -2,709 | 322 |
| Other | 829 | 1 | -39 | -358 | - | 1 | - | -398 | 35 |
| Total gross temporary differences | -4,234 | -28 | -46 | 1,870 | 688 | 9 | -362 | 1,829 | -273 |
| Off-balance sheet deferred tax benefits | -328 | 31 | - | -2 | 1 | - | 5 | - | -293 |
| **Net temporary differences** | **-4,562** | **2** | **-46** | **1,868** | **689** | **9** | **-356** | **1,829** | **-566** |
| **Net deferred tax asset/liability 27 %** | **-1,139** | **1** | **-11** | **464** | **172** | **2** | **-93** | **457** | **-148** |
| Effect from changes in tax rate | 0 | - | 0 | 36 | -6 | -3 | - | -18 | 9 |
| **Net deferred tax asset/liability on the balance sheet** | **-1,139** | **1** | **-11** | **500** | **166** | **-1** | **-93** | **439** | **-139** |

# Note 22 | 23

| Deferred income tax assets | 2017 | 2016* |
|---|---|---|
| Deferred income tax assets to be recovered after more than 12 months | 684 | 681 |
| Deferred income tax assets to be recovered within 12 months | 7 | 2 |
| **TOTAL** | **691** | **683** |

| Deferred tax liabilities | 2017 | 2016* |
|---|---|---|
| Deferred income tax assets to be recovered after more than 12 months | -557 | -821 |
| Deferred income tax assets to be recovered within 12 months | -7 | -1 |
| **TOTAL** | **-564** | **-822** |
| | | |
| **TOTAL DEFERRED INCOME TAX LIABILITY (NET)** | **127** | **-139** |

** Applies to continuing operations.*

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

## 23 Payroll and related expenses

| | 2017 | 2016* |
|---|---|---|
| Wages and salaries, including employment taxes | 5,515 | 5,941 |
| Pension costs – defined contribution plans (note 24) | 141 | 105 |
| Pension costs – defined benefit plans (note 24) | 296 | 240 |
| Other employee benefit expenses | 131 | 56 |
| **TOTAL** | **6,084** | **6,341** |

** Applies to continuing operations.*

Benefits for Chief Executive Officer and key management are covered to in the note for related-party transactions (note 33).

| | 2017 | 2016* |
|---|---|---|
| Average full-time equivalent | 8,928 | 9,287 |
| Average number of employees | 10,992 | 11,479 |

** Applies to continuing operations.*

Average full-time equivalent and number of employees apply to the total operation in 2017 and 2016.

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

# Note 24

## 24 Retirement benefit obligations and similar obligations

**General**
The Group has pension arrangements related to age-disability- and bereaved benefits for spouses and children. Below is a more detailed description of type of arrangements and how these are structured.

**Defined benefit pension plan**
The companies in the Group have several collective pension agreements that are handled by the Norwegian Public Service Pension Fund (SPK) or insurance companies. The Norwegian companies comply with the law on public pension.  The plan covers benefits from the pension basis up to 12G and results in a age- and disablity pension of 66 % of the pension basis when fully vested. The obligations connected to these agreements covers 3,708 active members and 3,769 retirees. The retirement benefit plans entitle defined future services that mainly are dependent on the number of contribution years and wage level at the time of retirement. The pension benefits received are coordinated with the National Insurance scheme and will also be dependent on its benefits paid out.

The companies have, through tariff agreements, retirement benefit obligations in affiliation with Early Retirement Pension Regulated by Contract (AFP). Obligations through this agreement cover 3,708 active members.

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

**Closed defined benefit plan**
A decision was made end of December 2017 to settle the current pension benefit plan for NSB AS and NSB Gjøvikbanen AS in the Norwegian Public Service Fund (SPK) for those above 55 years old by the end of 2018. All younger employees will be granted an earned right in the SPK, and will join a new defined contribution plan as of 2019. The SPK expects employer's final settlement to employees to be available in the 4th quarter of 2019. The Group's 2017 pension cost and 31st of December 2017 pension liability is calculated according to IAS 19. The carrying value of the pension liability in these companies amounts to 1,574 MNOK, and is considered to give a fair, and as of the balance sheet date, best view of the Group's liability taking into account the estimated effect from the pension plans settlement. Agreed compensation to employees for whom the defined benefit pension plan settlement will have a negative effect, is expensed with 78 MNOK.

The Norwegian state amended the criteria on who should pay the accrued regulation liability for the SPK defined benefit plans from 1st of January 2018. The amendment to the payable regulation liability is not included in NSB AS pension liability as it is primarily financed by grants from the Norwegian state in the revised national budget for 2017.

**Other arrangements in Norway and Sweden**
There are additionally defined contribution plans in Norway which covers 5,167 employees (5,243 employees).

All of the Groups' employees in Sweden have pension rights and the companies' obligations are funded in a Multiemployer plan that covers 1,615 employees (1,519 employees).

The plan is a Multiemployer plan and the employer is responsible for the benefits until payments are made in full. According to the statement from Redovisningsrådet, this is a performance based settlement. It has so far not been possible to obtain sufficient information to calculate and allocate obligations and assets for this plan, and therefore it is treated as a defined contribution plan. The companies have not received actuary estimates for any of the fiscal years from 2007 until today. This is an issue faced by most companies with a retirement benefit obligation with the Multiemployer plan in Sweden.

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

# Note 24

| Specification of net defined benefit pension plan obligations | 2017 | 2016 |
|---|---|---|
| Present value of earned pension rights for funded collective pension plans | 10,047 | 9,806 |
| Fair value of plan assets | -7,817 | -7,542 |
| Present value of unfunded obligations | 2,230 | 2,264 |
| Unrecognised actuarial losses | 46 | 54 |
| **NET PENSION OBLIGATION ON THE BALANCE SHEET** | **2,276** | **2,318** |
| | | |
| **Changes in pension retirement obligations:** | | |
| Book value net pension obligation 1st of January | 2,318 | 2,345 |
| This years' actuarial deviations | 144 | 613 |
| This years net return on assets/increase in obligation discontinued operations | - | 224 |
| This years net return on assets/increase in obligation continued operations | 251 | 281 |
| Net financial items in the acount from continuing operations | 47 | 36 |
| Net financial items in the acount from discontinued operations | - | 9 |
| Curtailments | -11 | -34 |
| Payments to plan | -473 | -529 |
| Net pension obligation transferred to discontinued operations | - | -627 |
| **BOOK VALUE 31ST OF DECEMBER** | **-2,276** | **2,318** |
| | | |
| **Pension expenses included in the accounts, defined benefit pension plan** | | |
| Present value of current pension earnings | 301 | 285 |
| Curtailments | -3 | -43 |
| Employee contribution | -2 | -2 |
| **Total return on pension plan, incl. in payroll and related expenses – see note 23** | **296** | **240** |
| | | |
| **Total financial items in the accounts** | **47** | **36** |
| | | |
| **TOTAL PENSION EXPENSES DEFINED BENEFIT PENSION PLAN** | **343** | **276** |
| | | |
| **Defined contribution plan** | | |
| Employer's contribution, included as payroll and related expense – see note 23 | 141 | 105 |
| | | |
| **TOTAL PENSION EXPENSES** | **484** | **381** |

**Sensitivity analysis with change in central assumptions**
The table below shows estimates for potential effects with change in assumptions that significantly affects the defined benefit pension plans in Norway. Actual results may substantially differ from these estimates.

| | Discount rate | | Salary growth rate | | Increase in G | |
|---|---|---|---|---|---|---|
| | 1 % | -1 % | 1 % | -1 % | 1 % | -1 % |
| Increase (+)/decrease (-) this period's net pension expense in % | (22-24%) | 21-23% | 18-20% | (13-15%) | 14-15% | (9-11%) |
| Increase (+)/decrease (-) net pension obligation at 31.12. in % | (12-14%) | 16-18% | 6-8% | (4-6%) | 10-12% | (7-9%) |

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

# Note 24

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

| | 2017 | 2016* | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| **Income statement** | | | | | | |
| Present value of current pension earnings | 298 | 242 | 398 | 371 | 351 | 420 |
| Plan changes during the year | - | - | -257 | - | -364 | - |
| Changes and deviations in estimates allocated to net income | -2 | -2 | -3 | - | - | - |
| Total cost in the income statement | 296 | 240 | 138 | 371 | -13 | 420 |
| Total financial items in the accounts | 47 | 36 | 54 | 76 | 72 | -7 |
| **TOTAL FINANCIAL ITEMS IN THE ACCOUNTS** | **343** | **276** | **192** | **447** | **59** | **413** |
| | | | | | | |
| **Financial position** | | | | | | |
| Total obligations | 10,093 | 9,860 | 11,091 | 10,938 | 10,039 | 9,781 |
| Pension assets | -7,817 | -7,542 | -8,746 | -8,386 | -7,574 | -7,238 |
| Total net pension obligations | 2,276 | 2,318 | 2,345 | 2,552 | 2,465 | 2,543 |
| Non-recognised actuarial losses | - | - | - | - | - | - |
| **NET PENSION OBLIGATION AT THE FINANCIAL POSITION** | **2,276** | **2,318** | **2,345** | **2,552** | **2,465** | **2,543** |

**Financial assumptions (defined benefit plans)**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| Discount rate | 2.50 % | 2.60 % | 2.70 % | 2.80 % | 3.90 % | 3.80 % |
| Expected return on plan assets | 2.50 % | 2.60 % | 2.70 % | 2.80 % | 3.90 % | 3.80 % |
| Average salary growth | 2.25 % | 2.55 % | 2.60 % | 2.95 % | 3.70 % | 3.70 % |
| G-regulation | 2.40 % | 2.50 % | 2.40 % | 2.70 % | 3.50 % | 3.50 % |
| Corridor: % of max (PBO, pension assets) | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |
| Annual reg. of pension increases | 1.65 % | 1.75 % | 1.65 % | 1.95 % | 2.75 % | 2.75 % |
| Average social security tax | 14.10 % | 14.10 % | 14.10 % | 14.10 % | 14.10 % | 14.10 % |

** Applies to continuing operations.*

**Explanation of key assumptions 31st of December 2017**
The discount rate is set at 2.5 % ( 2.6 %) and is determined based on preferential bonds (OMF). The OMF-market is considered a deep and liquid marked with applicable terms to maturity that qualifies as a reference for interest rate according to IAS 19.

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

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

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

Male 20,5 years
Female 23 years

Actuarial deviations in 2017 are mainly due to changes in economic parameters as well as the effect of increased regulatory responsibility in the Norwegian Public Service Pension Fund.

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

**Expected longevity**
The Group has assumed an obligation to pay pension to the employees for as long as they live. An increase in life expectancy among members results in an increased obligation for the Group.

**Yield risk**
The Group is affected by a reduction in actual yield on the pension assets, which will cause an increase to the Group's obligations.

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

# Note 25 | 26



## 25 Trade and other short term payables

| | 2017 | 2016* |
|---|---|---|
| Trade payables | 564 | 1,569 |
| Social security and other taxes | 205 | 197 |
| Other short term liabilities | 1,884 | 1,751 |
| **TOTAL** | **2,653** | **3,517** |

** Applies to continuing operations.*

The amount due to related parties is in 2017: 51 MNOK (18 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.

## 26 Provisions for other liabilities and charges

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

| 2016 | Environ-ment. Pollution | Reorgani-zation obligation | Contract losses | Other | Total |
|---|---|---|---|---|---|
| At 1st of January | 34 | 25 | 50 | 6 | 115 |
| Change in provision during the year | -25 | 275 | -22 | 27 | 255 |
| Used during the year | -7 | -5 | -12 | - | -24 |
| Transferred to discontinued operations | -2 | - | - | -27 | -29 |
| **TOTAL** | **0** | **295** | **16** | **6** | **317** |

| **Classification in the statement of financial position:** | 2017 | 2016 |
|---|---|---|
| Non-current liabilities | 285 | 310 |
| Current liabilities (included in note 25) | 4 | 7 |
| **TOTAL** | **289** | **317** |

**Severance – reorganization liability**
In establishing NSB AS, the company was obligated to refund employees who were made redundant before 1st of January 2005. NSB was compensated with a limited calculated amount, which is included as a reorganization obligation in other long-term debt on the balance sheet.

**Work related injuries**
Compensation for work related injuries which occurred during the period from 1st of January 1990, until the formation of NSB BA 1st of December 1996 are covered by the company. Accruals are made for expected outcomes of existing cases and expected future cases.

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

**Restructuring**
NSB Group announced a restructuring plan in 2016. The purpose of the restructuring is to adapt to the changes required by the railway reform (see Note 2). For an overview of the total restructuring costs please refer to note 36. The restructuring provision of 275 MNOK at the end of 2017 is mainly due to the downsizing that will incur in 2018, as well as approved compensation in the revised pension scheme as of 31 December 2018.

# Note 27 | 28

## 27 Contract losses

As of 31st December 2017, there are accruals of 9 MNOK (16 MNOK) for future contract losses with in the bus operation.

For provisions on losses on tenders in the bus operation, see note 28 for further information.

## 28 Depreciation, amortization and impairment

| | 2017 | 2016* |
|---|---|---|
| Depreciation current assets (note 8) | 650 | 735 |
| Impairment non-current assets (note 8) | 5 | 43 |
| Depreciation intangible assets (note 7) | 1 | - |
| **TOTAL** | **655** | **777** |

** Applies to continuing operations.*

**Property, plant and equipment, and contract losses**
Operating revenue in the Group is mainly related to long term tender contracts which means significant investments in property, plant and equipment (PPE). In the presentation of the accounts as at 31st of December 2017 an evaluation of the value of the Groups' PPE is performed, where there are indications of permanent impairment (IAS 36).

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

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

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

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

| | | |
|---|---|---|
| Growth rate of | 2.0 % | |
| Discount rate | 7.0 % | evaluations according to IAS 36 |
| Borrowing rate | 3.0 % | evaluations according to IAS 37 |

Based on the main assumptions, the Group has not recognized or reversed impairment losses in 2017. The Group has cash-generating units where the assets are valued at value in use as at 31 December 2017 and are written down by MNOK 23 (MNOK 35). The Group also has cash-generating units where the assets are valued at the fair value of buses as at 31 December 2017, which are written down by MNOK 3 (MNOK 11). For contracts where the assets are written down to fair value, total value in use is MNOK 103, which was approximately MNOK 1 lower than fair value.

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

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

# Note 28 | 29

| Discount rate<br>Change in factors | Change in present value | Actual accumulated impairment | Estimated accumulated impairment* |
|---|---|---|---|
| Interest rate +1% | -2 | 26 | 28 |
| Interest rate -1% | 2 | 26 | 26 |

| EBITDA<br>Change in factors | Change in present value | Actual accumulated impairment | Estimated accumulated impairment* |
|---|---|---|---|
| EBITDA + 1 MNOK per contract | - | 26 | 26 |
| EBITDA - 1 MNOK per contract | - | 26 | 30 |

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

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

## 29 Other expenses

| | 2017 | 2016* |
|---|---|---|
| Sales- and overhead expenses | 1,455 | 1,324 |
| Energy used in operations | 932 | 825 |
| Repair and maintenance, machinery rental, property expenses | 3,540 | 3,259 |
| Other operating expenses | 1,747 | 1,473 |
| **TOTAL** | **7,674** | **6,881** |

** Applies to continuing operations.*

| | 2017 | 2016* |
|---|---|---|
| **Auditing fees total operations (excluding VAT):** | | |
| Statutory audit fee | 5 | 5 |
| Assurance services | - | 1 |
| Other services | 1 | 3 |
| **TOTAL FEE TO AUDITOR** | **6** | **9** |

# Note 30 | 31 | 32

## 30 Financial income and expenses

| | 2017 | 2016* |
|---|---|---|
| Interest income | 132 | 178 |
| Other financial income | 4 | 2 |
| Net foreign exchange gains | 21 | -39 |
| **TOTAL FINANCIAL INCOME** | **157** | **141** |
| | | |
| Interest expense | -108 | -10 |
| Other financial expenses | -15 | -47 |
| Net foreign exchange losses | -11 | -4 |
| **TOTAL FINANCIAL EXPENSES** | **-135** | **-60** |
| | | |
| Net financial expenses - pensions | **-47** | **-36** |
| | | |
| Unrealised value changes | **24** | **4** |
| **TOTAL FINANCIAL ITEMS** | **-1** | **48** |

** Applies to continuing operations.*

## 31 Liabilities from financing activities

| | Liabilities | Asset held to hedge liabilities | Financial lease liabilities | TOTAL |
|---|---|---|---|---|
| **Liabilities 1st of January 2017** | 2,837 | -784 | 872 | 2,925 |
| Cash flow from financial activities | -1,984 | - | -100 | -2,084 |
| **Non-cash changes** | | | | |
| Foreign exchange gain/loss | 1 | - | 11 | 12 |
| Acquisition lease liabilities | - | - | 180 | 180 |
| Fair value changes | -812 | 786 | - | -26 |
| Other transaction | | | | |
| **Liabilities 31st of December 2017** | 42 | 2 | 963 | 1,007 |

## 32 Leases

| | 2017 | 2016* |
|---|---|---|
| Lease of machinery/equipment, not incl. on the balance sheet | 1,158 | 150 |
| Lease of property (external) | 297 | 175 |
| **TOTAL** | **1,455** | **325** |

** Applies to continuing operations*

# Note 33

## 33 Related party transactions

NSB has the following related parties:

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

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

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

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

| | 2017 | 2016 |
|---|---|---|
| **Sale of goods and services:** | | |
| Public purchase of passenger traffic services | 3,338 | 3,007 |
| Sales of other goods and services | 847 | 508 |
| **TOTAL** | **4,185** | **3,515** |
| | | |
| Purchases of goods and services: | 1,685 | 348 |

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

| | 2017 | 2016 |
|---|---|---|
| **Receivables:** | | |
| Associated companies | - | 3 |
| Entities owned by the Ministry of Transportation | 45 | 43 |
| **TOTAL** | **45** | **46** |
| | | |
| **Debts** | | |
| Other companies in the Group | 3 | 2 |
| Entities owned by the Ministry of Transportation | 49 | 2 |
| **TOTAL** | **52** | **4** |
| | | |
| **Loans to related parties** | | |
| Other companies in the Group | 14 | 2 |
| Entities owned by the Ministry of Transportation | - | 18 |
| **TOTAL** | **14** | **20** |

There are no related party loans.

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

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

# Note 33

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

| Board members | Title | 2017 | 2016 |
|---|---|---|---|
| Dag Mejdell | Chairman of the board (from October 2016) | 444 | 15 |
| Bjarne Borgersen | Vice chairman of the board (acting Chairman, May-October 2016) | 328 | 387 |
| Wenche Teigland | Member of the board | 256 | 250 |
| Åsne Havnelid | Member of the board | 222 | 212 |
| Kjerstin Fyllingen | Member of the board | 217 | 210 |
| Ove Sindre Lund | Staff representative (from June 2016) | 829 | 685 |
| Rolf Juul Ringdal | Staff representative | 217 | 212 |
| Jan Audun Strand | Staff representative | 612 | 748 |
| Audun Sør-Reime | Staff representative (until June 2016) | - | 164 |
| Kai Henriksen | Chairman of the board (until May 2016) | - | 239 |
| **TOTAL** | | **3,125** | **3,122** |

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 434.5 TNOK, Vice Chairman 263 TNOK and the other board members 216.5 TNOK each. In addition, fees for members of the audit committee with 66 TNOK for the leader, and 39.5 TNOK for each of the other members, and the compensation committee with 11.5 TNOK for the leader and 5 TNOK for each member. Fees for the staff representatives include their employee wages.

| **2017** (Figures in TNOK) **Group management:** | Title | Salary | Variable salary | Other benefits | Total benefits payed | Calcul. Pension expence* |
|---|---|---|---|---|---|---|
| Geir Isaksen | Chief Executive Officer | 3,772 | 892 | 191 | 4,855 | 779 |
| Irene Katrin Thunshelle | Chief Financial Officer (from 1st of June 2016) | 2,321 | 349 | 131 | 2,801 | - |
| Synne Homble | Executive Vice President strategy and corporate functions (from 1st of June 2016) | 2,566 | 387 | 133 | 3,086 | - |
| Marianne B. Einarsen | Executive Vice President travel (from 1st of June 2016) | 2,311 | 349 | 143 | 2,803 | - |
| Ole Engebret Haugen | General Manager Nettbuss (from 1st of August 2017) | 968 | - | 68 | 1,036 | 30 |
| Arne Veggeland | General Manager Nettbuss (until 30th of June 2017) | 1,185 | 466 | 76 | 1,727 | 735 |
| Arne Fosen | CEO, Director of Passenger Train (from 1st of July 17) | 1,400 | - | 63 | 1,463 | 467 |
| Arne Fosen | General Manager CargoNet (until 30th of June 2017) | 1,122 | - | 62 | 1,184 | 467 |
| Erik Røhne | General Manager CargoNet (from 1st of November 2017 | 433 | - | 21 | 454 | - |
| Tom Ingulstad | CEO, Director of Passenger Train | 1,041 | 356 | 51 | 1,448 | 893 |
| **TOTAL** | | **17,119** | **2,799** | **939** | **20,857** | **3,370** |

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

| **2016** (Figures in TNOK) **Group management:** | Title | Salary | Variable salary | Other benefits | Total benefits payed | Calcul. Pension expence* |
|---|---|---|---|---|---|---|
| Geir Isaksen | Chief Executive Officer | 3,690 | 1,186 | 191 | 5,067 | 783 |
| Tom Ingulstad | CEO, Director of Passenger Train | 1,920 | 463 | 103 | 2,486 | 1,360 |
| Marianne B. Einarsen | Executive Vice President travel (from 1st of June 2016) | 1,284 | - | 76 | 1,360 | - |
| Irene Katrin Thunshelle | Chief Financial Officer (from 1st of June 2016) | 1,228 | - | 76 | 1,304 | - |
| Synne Homble | Executive Vice President strategy and corporate functions (from 1st of Juni 2016) | 1,362 | - | 76 | 1,438 | - |
| Arne Veggeland | General Manager Nettbuss | 1,932 | 431 | 132 | 2,495 | 783 |
| Arne Fosen | General Manager CargoNet | 2,166 | 362 | 124 | 2,652 | 955 |
| Kjell Haukeli | Chief Financial Officer (until 31st of May 2016) | 623 | 327 | 43 | 993 | 165 |
| Ståle Rooth | Executive Vice President HR, IT and Legal (until 31st of May 2016) | 729 | 426 | 54 | 1,209 | - |
| Erik Røhne | Director Strategy and BD (until 31st of May 2016) | 729 | 426 | 54 | 1,209 | - |
| **TOTAL** | | **15,663** | **3,621** | **929** | **20,213** | **4,046** |

** Calculated pension expenses for executives are related to personal pension arrangements in addition to collective arrangements, for further description see point d) in the text below.*

# Note 33

**Executive salary and benefits policy:**
The Group has an Executives Salary Declaration that provides guidelines for remuneration of senior executives.

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

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

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

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

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

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

**a) Fixed salary**
The fixed salary is the main element in the compensation arrangement of the executives in NSB. The fixed salary will be competitive, but not market leading. The fixed salary is assessed once a year. At hiring of executives, the grandfather-principle should apply and be discussed among executives a level above before the candidate is given an offer. The CEO must consult the Chairman of the Board before hiring and setting executive salaries. No executives are compensated for Board participation within the NSB-Group.

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

**c) Variable salary**
NSB has bonus arrangements for executives. The CEO has a bonus arrangement, based on the Groups' profit and individual bonus criteria set by the Board of Directors. The maximum bonus is 5 months salary. Other executives have annual and individually tailored bonus agreements limited to 3 months salary. The arrangement in the NSB Group is based on the following principles:

- The variable salary must be based on defined and measurable criteria. Several relevant criteria must be applied.
- There must be a strong connection between the goals for the variable salary and the goals and strategies of the company.
- The bonus criteria must be based on variables the executive can influence, either directly or through the group of executives he/she is part of.
- The bonus arrangement must be transparent and simple to understand.

The CEO's bonus criteria for earning a bonus in 2017 was based on goal achievement of:

- Profitability, related to operating profit (in the calculation, this bonus criterion counts for 50%)
- Customer satisfaction (in the calculation, this bonus criterion counts for 15%)
- Sickness absence (in the calculation, this bonus criterion counts for 15%).
- The strategy process (in the calculation, this bonus criterion counts for 20%)

The other members of the group management have bonus criteria based on the CEO's criteria, but tailored to the individual's area of responsibility. It is a precondition for bonus payout that the group collectively achieves a return on equity of at least 5 %.

In order to earn bonus in 2018, the Group Board has decided that the following principles should be used as the basis for the CEO and Group senior executives:

- Bonus targets must be established within each of the four strategic areas of the NSB Group's strategy, including profitability requirements.
- Bonus targets related to profitability account for 50% of the total bonus potential, with the following differentiation:
  - For the Group CEO and the four Executive Vice Presidents for Travel, Strategy and Mobility, Group Economics and Finance, and Organization and Staff, the Group's overall results are used in calculating target achievement.
  - For the three CEOs of NSB Persontog, Nettbuss and CargoNet, the Group's overall results and the company / business area's own results count for 50% each in calculating the target achievement for this bonus component.
- Bonus target related to the smart journey, the green journey and the safe journey make up 50% of the total bonus potential and counts for one third each, and is tailored each executive's area of responsibility. Examples of bonus targets that can be included in these categories are efficiency measures (Kompass, Flyt), development of mobility solutions, travel, customer satisfaction, quality, climate gas emissions, reputation development, sickness absence, occupational injuries and accidents.

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

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

Consequently, with effect from 1st of January 2019, the Group Management, except the CEO will be on a defined contribution plan with the same conditions as all other employees in NSB AS. This scheme has a 5.5 percent deposit rate up to 7.1G, and 15 percent between 7.1 and 12G. The pension scheme contains a private AFP and a group life insurance of 20G. The disability coverage is the same as in today's sheeme in SPK.

The CEO's pensionable age is 67 years. He has a collective pension arrangement. The arrangement carries rights to a pension of maximum 12 G. On top of that, the CEO has a defined contribution plan of 30 % of the fixed salary over 12 G, entered into in 2011.

# Note 33 | 34 | 35

NSB has historically entered into pension agreement, with executives, which entitles them to a 60 % pension compensation level of their pension earned from the age of 62. This operating pension arrangement was closed as of 1st of January 2008. There is currently no one in the management team in this scheme.

**e) Severance arrangements**
The CEO has the right to 6 months of severance and benefits if leaving involuntarily. Any other salary in this severance period will reduce the severance compensation.

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

**Application of the salary and compensation principles for executives in the NSB-Group in the previous accounting year**
The executive compensation policy for 2017 has been completed in accordance with abovementioned guidelines. The CEOs fixed salary was adjusted by 2.4 % to 3,741,696 NOK. Received bonus was 892,185 NOK for results achieved in 2016.

Four employment agreements were signed in 2017 with new members of the group management team. All these agreements are according to this declaration.

There were no severance payments made during 2017 for executives that exceeded 12 month fixed salary.

The principles and guidelines for salary and other benefits to executives also applies for the determination of executive salaries in group companies. All group companies have in 2017 followed these principles without exception.

## 34 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.

## 35 Business combinations

In 2017, the Group acquired 100% of the shares in the companies Toppen Bilservice AS, Gråmyra Dekk and Bilservice AS, TK Mek AS and Lastebilsenteret Trøndelag AS.

In 2016, the Group acquired 100% of the shares in Hallingdal Lastebilservice AS, LVD Lastvagndelar AS and Nettbuss Eigedom Sogndal AS. The group also acquired 49% of Nordvik Last og Buss AS with an option to purchase the remaining 51%. The option was exercised in January 2018 and from then on the company is a wholly owned subsidiary. The option price is shown in the table below as “Trade and other payables” of MNOK 9. Nordvik Last og Buss AS has been fully consolidated from the date of acquisition of 49%, as it was assumed that the Group controlled the company.

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

| | 2017 | 2016 |
|---|---|---|
| Consideration paid | 20 | 37 |
| **TOTAL VALUE OF NEW SUBSIDIARY** | **20** | **37** |

| **Identified assets and liabilities on the balance sheet recognized from the acquisition:** | **2017** | **2016** |
|---|---|---|
| Cash and bank deposits | 5 | 8 |
| Property, plant and equipment | 3 | 3 |
| Inventories | 9 | 14 |
| Trade and other receivables | 7 | 17 |
| Trade and other payables | -7 | -19 |
| Borrowings | -7 | -8 |
| Deferred tax asset on excessive value on PPE | 1 | - |
| **Total net identifiable assets** | **11** | **14** |
| Non-controlling interest | **-** | **-9** |
| Goodwill | 9 | 32 |
| **TOTAL** | **20** | **37** |

# Note 36 | 37

## 36 Restructuring costs

The Group's continuing operations has the following restructuring costs relating to the adaptions to the reform of the Norwegian railway sector.

| | 2017 | 2016 |
|---|---|---|
| Payroll and related expenses | 1 | 310 |
| Other operating expenses | 66 | 205 |
| Financial expenses | -2 | 27 |
| **TOTAL RESTRUCTURING COSTS** | **65** | **542** |

Additionally, total restructuring costs for discontinued operations amounted to 218 MNOK in 2016.

## 37 Events after the reporting date

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

# Figures and notes | NSB AS

# Income Statement

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Operating revenue** | 5 | **7,386** | **7,235** |
| Payroll and related expenses | 18 | 2,393 | 2,714 |
| Depreciation and impairment | 22 | 44 | 134 |
| Other operating expenses | 23, 26 | 4,578 | 3,952 |
| **Total operating expenses** | | **7,015** | **6,800** |
| **Operating profit** | | **371** | **436** |
| **Financial items** | | | |
| Financial income | 24 | 346 | 269 |
| Financial expenses | 24 | -110 | -434 |
| Net financial expenses - pensions | 19, 24 | -33 | -26 |
| Change in unrealised fair value | 24 | 34 | -35 |
| **Net financial items** | | **237** | **-226** |
| **Profit before income tax** | | **608** | **210** |
| Income tax expense | 17 | -106 | -24 |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | **502** | **185** |
| **Discontinued operations** | | | |
| Profit after tax for the year from discontinued operations | | - | 322 |
| **PROFIT FOR THE YEAR** | | **502** | **507** |
| Attributable to | | | |
| **Equity holders** | | **502** | **507** |
| **Other Comprehensive Income** | | | |
| Profit for the year | | 502 | 507 |
| **Items that will not be reclassified to profit or loss** | | | |
| Actuarial gain/loss | 19 | -68 | -377 |
| Tax on items that will not be reclassified | 17 | 6 | 92 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **440** | **223** |
| Attributable to | | | |
| **Shareholders equity** | | **440** | **223** |

# Statement of Financial Position

| | Notes | 31.12.17 | 31.12.16 |
|---|---|---|---|
| **ASSETS** | | | |
| Deferred tax assets | | 79 | - |
| Property, plant and equipment | 6 | 130 | 392 |
| Investments in subsidiaries | 3 | 1,086 | 575 |
| Investments in associates | 7 | 2 | 11 |
| Financial fixed assets | 13 | 4 | 2 |
| Loans to group companies | 10, 27 | 1,066 | 7,404 |
| **Total non-current assets** | | **2,366** | **8,384** |
| Investments in joint ventures | 8 | 5 | 5 |
| Inventories | 9 | 634 | 593 |
| Trade and other receivables | 10 | 912 | 1,701 |
| Derivative financial assets | 12 | - | 811 |
| Financial assets | | 2,682 | - |
| Cash and bank deposits | 14 | 1,458 | 960 |
| Current assets held for distribution | 2 | - | 2,675 |
| **Total current assets** | | **5,692** | **6,745** |
| **TOTAL ASSETS** | | **8,058** | **15,129** |

| | Notes | 31.12.17 | 31.12.16 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Ordinary shares and share premium | 15 | 3,686 | 5,144 |
| Retained earnings | | 428 | 1,320 |
| **Total equity** | | **4,113** | **6,464** |
| Deferred income tax liabilities | 17 | - | 68 |
| Retirement benefit obligations | 19 | 1,557 | 1,649 |
| Provisions for other liabilities and charges | 21 | 276 | 296 |
| **Total long term liabilities** | | **1,833** | **2,013** |
| Trade and other short term payables | 20 | 1,852 | 3,200 |
| Tax payable | 17 | 260 | 644 |
| Debt | 16 | - | 2,783 |
| Derivative financial instruments | 12 | - | 25 |
| **Total short term liabilities** | | **2,112** | **6,652** |
| **TOTAL EQUITY AND LIABILITIES** | | **8,058** | **15,129** |

Oslo, 9th of February 2017

Dag Mejdell
Chairman of the Board

Bjarne Borgersen

Wenche Teigland

Kjerstin Fyllingen

Åsne Havnelid

Ove Sindre Lund

Rolf Juul Ringdal

Jan Audun Strand

Geir Isaksen
CEO

# Cash Flow Statement

| | Notes | 2017 | 2016 |
|---|---|---|---|
| Profit before income tax from continuing operations | | 608 | 210 |
| Profit before income tax from discontinued operations | | - | 322 |
| **Profit for the period before income tax expense** | | **608** | **531** |
| | | | |
| Depreciation and impairment | 22 | 44 | 597 |
| Impairments of shares in subsidiaries | | - | 205 |
| Gain/loss on sale of assets | | - | -148 |
| Gain/loss on sale of associated companies | 7 | -135 | - |
| Net changes to obligations and retirement benefit oblig. | 19 | -160 | -137 |
| Change in provisions for other liabilities and charges | 21 | -20 | 245 |
| Change in unrealised fair value | 24 | -34 | -171 |
| Interest items | | -76 | -139 |
| Changes to working capital | | -407 | -77 |
| Taxes paid | | -5 | -38 |
| **Net cash flow from operating activities** | | **-185** | **868** |
| | | | |
| Acquisition of subsidiaries | 3 | -500 | -2,459 |
| Loans paid to/from single purpose/joint ventures | 7 | 144 | - |
| Changes in current assets | | -2,668 | - |
| Purchase of PPE | 6 | 12 | -946 |
| Proceeds from sale of PPE | 6 | - | 9,360 |
| Grants from public sources | 6 | 12 | - |
| Dividends received | 24 | 45 | 559 |
| **Net cash flow from investment activities** | | **-2,956** | **6,514** |
| | | | |
| Conversion loans to subsidiaries | 3 | - | -6,415 |
| Increase in loans to subsidiaries | 10 | - | -2,350 |
| Repayment of loans from subsidiaries | 10 | 6,356 | 895 |
| Proceeds from borrowings | 16 | - | 800 |
| Repayment of borrowings | 16 | -1,966 | -2,150 |
| Repayment of paid-in equity | | - | 2,188 |
| Group contributions paid to subsidiaries | | -752 | -133 |
| Dividends paid to company's shareholders | 15 | - | -595 |
| **Net cash flow from financial activities** | | **3,637** | **-7,760** |
| | | | |
| **NET CHANGE IN CASH AND BANK DEPOSITS FOR THE PERIOD** | | **496** | **-378** |
| Cash and bank deposits as at the beginning of the period | 14 | 960 | 1,349 |
| Foreign exchange gain/loss on cash and bank deposits | | 2 | -11 |
| **CASH AND BANK DEPOSITS AS AT THE END OF THE PERIOD** | 14 | **1,458** | **960** |
| | | | |
| **Net cash flows related to the Group`s discontinued operations:** | | | |
| **Net cash flow from operating activities in discontinued operations** | | **-** | **-177** |
| | | | |
| **Net cash flow from investing activities in discontinued operations** | | **-** | **-887** |
| | | | |
| **Net cash flow from financing activities in discontinued operations** | | **-** | **1,064** |

# Statement of changes in Equity

| 2017 | Notes | Ord. shares and shares premium | Retained earnings | Total |
|---|---|---|---|---|
| Equity 1st of January 2017 | 15 | 5,144 | 1,321 | 6,646 |
| Profit for the interim period | | - | 502 | 502 |
| Effects from demerger | | -1,458 | -1,320 | -2,778 |
| From other comprehensive income | 17 | - | -62 | -62 |
| Effect of change in income tax rate | | - | -12 | -12 |
| **EQUITY 31ST OF DECEMBER 2017** | | **3,686** | **428** | **4,114** |

| 2016 | Notes | Ord. shares and shares premium | Retained earnings | Total |
|---|---|---|---|---|
| Equity 1st of January 2016 | 15 | 5,144 | 1,705 | 6,849 |
| Profit for the interim period | | - | 507 | 507 |
| From other comprehensive income | | - | -284 | -284 |
| Effect of change in income tax rate | 17 | - | -12 | -12 |
| Dividends paid | | - | -595 | -595 |
| **EQUITY 31ST OF DECEMBER 2016** | | **5,144** | **1,321** | **6,464** |

# Notes

All figures in the report are in MNOK.



The financial statements were approved by the Board of Directors on 9th of February 2018.

# Note 1 | 2

## 1 NSB accounting principles

We refer to note 1 in the NSB Group annual report, with the exception of the following:
a) Method for incorporation of associated companies and joint ventures.

**Associated companies and joint ventures in NSB AS**
Ownership in companies where NSB AS has considerable, but not controlling influence, and ownership in joint venture companies, are treated using the the cost method of accounting is applies. Considerable influence is considered to be when the company owns between 20 % and 50 % of the voting shares.

## 2 Continuing and discontinued operations

In preparation to the railway reform NSB AS' train and sales- and ticketing system were sold to the newly founded and wholly owned subsidiaries Norske tog AS and Entur AS. Also, bonds and accoumpanying swaps were transferred to Norske tog AS on marked terms. These companies, together with Mantena AS and ROM Eiendom AS were in 2017 demerged with accounting effect 1st of January 2017.

- The train maintenance company Mantena AS was demerged to Togvedlikehold AS
- The sales and ticketing company Entur AS was demerged to Reiseplan og Billett AS
- The train owing company Norske tog AS was demerged to Togmateriell AS
- ROM Eiendom was demerged to Bane Nor Eiendom 1.

The demergers were completed using the pooling of interest method and with accounting effect from the 1st of January 2017. The demergers have led to a reduced equity of MNOK 2,778 which is specified in developement of equity. The net effect of group contributions paid to demerged entities including corresponding tax effects is included in the equity effect from the demerger.

For the 2016 financial statement the demerged entities were classified as discountinued operations in the profit and loss and assets/liabilites held for distribution in the balance sheet. This is descriebed in more detail below.

**Principles for preparation of figures for continuing operations for comparable figures for 2016:**
The income statement and financial position of continuing operations have been prepared based on total operations, less income, expenses and financial positions from discontinued operations. Best estimates are exercised when allocating expenses between continuing and discontinued operations. The Annual Report thus expresses that discontinued operations had been separated at the beginning of 2016.

On 15th October 2016, two important business units were separated and transferred to newly founded and wholly owned subsidiaries to prepare organizational changes adapted to the railway reform. The unit associated with sales- and ticketing system was transferred to Entur AS. Trains and staff who works with acquisition and leasing of the equipment in NSB was transferred to Materiellselskapet AS (changed name to Norske tog AS in 2017). The entities were an integral part of the parent company until the structural change. External funding relating to trains was transferred to Materiellselskapet AS/Norske tog AS in a subsequent process. Expenses, including financial expenses and depreciation related to these entities is allocated to discontinued operations. Similarly, these costs are reallocated to operating expenses for continuing operations as they will occur in the form of lease of trains and sales- and ticketing services.

The profit from discontinued operations shows the consolidated effect of the remaining NSB AS and not the profit these entities would have achieved if they had been separated from the Company during the period. Profit for the year for discontinued operations is related to dividends from ROM Eiendom AS and write down of shares in Mantena AS.

# Note 2

| 2016<br>INCOME STATEMENT | Total operations | Dis-continued operations | Continuing operations |
|---|---|---|---|
| **Operating revenue** | **7,235** | **-** | **7,235** |
| Payroll and related expenses | 2,859 | 145 | 2,714 |
| Depreciation and impairment | 597 | 463 | 134 |
| Other operating expenses | 3,166 | -785 | 3,952 |
| **Total operating expenses** | **6,622** | **-177** | **6,800** |
| **Operating profit** | **613** | **177** | **436** |
| | | | |
| **Financial items** | | | |
| Financial income | 918 | 648 | 269 |
| Financial expenses | -1,144 | -710 | -434 |
| Net financial expenses - pensions | -26 | - | -26 |
| Change in unrealised fair value | 171 | 206 | -35 |
| **Net financial items** | **-82** | **144** | **-226** |
| | | | |
| **Profit before income tax** | 531 | 322 | 210 |
| Income tax expense | -24 | - | -24 |
| **Profit for the year** | **507** | **322** | **185** |

# Note 2 | 3 | 4

Assets and liabilities from discontinued operations as of 31st December 2016 are as follows:

| STATEMENT OF FINANCIAL POSITION | Total operations | Dis-continued operations | Continuing operations |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 392 | - | 392 |
| Investments in subsidiaries | 3,250 | 2,675 | 575 |
| Investments in associates | 11 | - | 11 |
| Financial assets | 2 | - | 2 |
| Loans to group companies | 7,404 | - | 7,404 |
| **Total non-current assets** | **11,059** | **2,675** | **8,384** |
| Investment in joint ventures | 5 | - | 5 |
| Inventories | 593 | - | 593 |
| Trade and other receivables | 1,701 | - | 1,701 |
| Derivative financial assets | 811 | - | 811 |
| Cash and bank deposits | 960 | - | 960 |
| Assets held for distribution to owners | - | -2,675 | 2,675 |
| **Total current assets** | **4,070** | **-2,675** | **6,745** |
| **TOTAL ASSETS** | **15,129** | **-** | **15,129** |
| **EQUITY AND LIABILITIES** | | | |
| Ordinary shares and share premium | 5,144 | - | 5,144 |
| Retained earnings | 1,320 | - | 1,320 |
| **Total equity** | **6,464** | **-** | **6,464** |
| Deferred income tax liabilities | 68 | - | 68 |
| Retirement benefit obligations | 1,649 | - | 1,649 |
| Provisions for other liabilities and charges | 296 | - | 296 |
| **Total long term liabilities** | **2,013** | **-** | **2,013** |
| Trade and other payables | 3,200 | - | 3,200 |
| Tax payable | 644 | - | 644 |
| Borrowings | 2,783 | - | 2,783 |
| Derivative financial instruments | 25 | - | 25 |
| **Total short term liabilities** | **6,652** | **-** | **6,652** |
| **TOTAL EQUITY AND LIABILITIES** | **15,129** | **-** | **15,129** |

## 3 Shares in subsidiaries

See note 3 in NSB Group report.

## 4 NSB-Group’s passenger operations in the Nordic Region

See note 5 in NSB Group report.

# Note 5 | 6

## 5 Segment information

NSB AS has only one operating segment - passenger train.

| | 2017 | 2016* |
|---|---|---|
| **Analysis of operating income by category** | | |
| Transport revenue | 7,095 | 6,803 |
| Other revenue | 291 | 432 |
| **TOTAL** | **7,386** | **7,235** |

** Applies to continuing operations.*

**Information on important customers**
The company has one customer that constitutes more than 10 % of operating income (see note 27).

## 6 Property, plant and equipment

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

# Note 6 | 7

| | Machinery and equipm. | Trans-portation | Partially delivered trains | Under construc-tion | Total |
|---|---|---|---|---|---|
| **At 1st of January 2016** | | | | | |
| Accumulated acquisition cost | 1,102 | 16,140 | 617 | 191 | 18,050 |
| Accumulated depreciation | -923 | -7,869 | - | - | -8,792 |
| **TOTAL** | **179** | **8,271** | **617** | **191** | **9,258** |
| | | | | | |
| **Year ended 31st of December 2016** | | | | | |
| Opening net book value | 179 | 8,271 | 617 | 191 | 9,258 |
| Additions | - | - | 226 | 719 | 945 |
| Disposals at acquisition cost * | -505 | -16,377 | -492 | -137 | -17,511 |
| Accumulated depreciation disposals* | 388 | 7,908 | - | - | 8,296 |
| Transfers within PPE | 83 | 1,005 | -351 | -737 | - |
| Depreciations continuing operations | -49 | -85 | - | - | -134 |
| Depreciations discontinued operations | -15 | -447 | - | - | -463 |
| **TOTAL** | **81** | **275** | **-** | **36** | **392** |
| | | | | | |
| **At 31st of December 2016** | | | | | |
| Accumulated acquisition cost | 680 | 768 | - | 36 | 1,484 |
| Accumulated depreciation | -599 | -493 | - | - | -1,092 |
| **TOTAL** | **81** | **275** | **-** | **36** | **392** |
| | | | | | |
| Depreciation period | 5-30 years | 5-30 years | | | |

** In preparation to the railway reform NSB AS' trains and sales- and ticketing system were sold as of 15th of October 2016 sold to the newly founded and wholly owned subsidiaries, which were demerged in 2017. See note 2 for more information.*

## 7 Investments in associates

| | 2017 | 2016 |
|---|---|---|
| Book value 1st of January | 11 | 11 |
| Disposals of associates | -9 | - |
| **NET BOOK VALUE 31ST OF DECEMBER** | **2** | **11** |

The Company's stake of 25 % of the shares in Oslo S Parkering AS was sold on the 7th of December 2017. The Company has as part of the sale recognised a profit of 135 MNOK which is included in financial income in 2017.

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

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

**The Companys shares in Oslo S Parkering AS was sold on the 7th of December 2017.*

| 2016 | Registered office | Assets | Liabilities | Revenues | Profit/ loss | % Int. held |
|---|---|---|---|---|---|---|
| Oslo S Parkering AS | Oslo | 109 | 62 | 42 | 27 | 25 % |
| Interoperabilitetstjenester AS | Oslo | 13 | 9 | 21 | - | 33 % |
| Fjord Tours AS | Bergen | 47 | 19 | 58 | 17 | 43 % |
| **TOTAL** | | **169** | **90** | **121** | **44** | |

# Note 8 | 9 | 10

## 8 Joint venture

| | 2017 | 2015 |
|---|---|---|
| Book value 1st of January | 5 | 5 |
| **NET BOOK VALUE 31ST OF DECEMBER** | **5** | **5** |

NSB AS has interest in joint ventures as follows:

| Joint ventures | Year of acquisition | Registered office | Votes and profit share | Equity | Profit/loss | Book value 31st of December |
|---|---|---|---|---|---|---|
| Flåm Utvikling AS | 2013 | Aurland | 50 % | 94 | 84 | 131 |
| **TOTALT** | | | | 94 | 84 | 131 |

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

**Description of operations:**
Flåm Utvikling has for 19 years, with NSB AS as a provider of train transport services, operated the travel product; the Flåm line. Flåm Utvikling conducts product development, sales, marketing, customer relationship management and brand development of the Flåm line, as well as develops the foundation for commercial operations of the Flåm line all year-round. The Flåm line is the country's first complete all year-round mountain/fjord destination.

## 9 Inventory components

| | 2017 | 2016* |
|---|---|---|
| Components | 634 | 593 |
| **TOTAL INVENTORY** | **634** | **593** |

** Applies to continuing operations.*

## 10 Trade and other receivable

| | 2017 | 2016* |
|---|---|---|
| Trade receivables | 472 | 46 |
| Group internal trade receivables | 54 | 919 |
| Less: provision for impairment of receivables | -3 | -5 |
| **Trade receivables - net** | **523** | **960** |
| Prepayments | 273 | 699 |
| Other receivables | 116 | 41 |
| **TOTAL TRADE AND OTHER RECEIVABLES** | **912** | **1,701** |
| | | |
| Loans to group companies | 1,066 | 7,404 |
| **TOTAL** | **1,978** | **9,105** |

The carrying amounts of the trade receivables, prepayments and other receivables approximate their fair value.
Trade receivables include mainly passenger train income.

| **Maturity of receivables:** | 2017 | 2016* |
|---|---|---|
| Matured receivables on balance sheet date | 43 | 10 |
| Matured between 0 - 2 mnths ago | 39 | 4 |
| Matured between 2 - 6 mnths ago | 1 | 4 |
| Matured more than 6 mnths ago | 3 | 3 |

** Applies to continuing operations.*

# Note 11 | 12

## 11 Financial risk management

This table shows future maturities for the company's liabilities from continuing operations as of 31st of December 2017:

| Liquidity risk | < 1 year | 1-2 years | 2-5 years | > 5 years |
|---|---|---|---|---|
| Short term liabilities | 1,852 | - | - | - |

| NSB assesses maximum credit risk to be the following: | 2017 | 2016 |
|---|---|---|
| Cash and bank deposits | 1,458 | 960 |
| Financial assets | 2,682 | - |
| Financial derivatives | - | 811 |
| Trade receivable and other short term receivables | 912 | 1,701 |
| **TOTAL** | **5,052** | **3,472** |

## 12 Derivatives

| | 2017 | | 2016* | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Interest and exchange rate swaps | - | - | 811 | -25 |
| **TOTAL** | - | - | 811 | -25 |

The Company 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.

** Applies to continuing operations.*

| Changes in fair value of derivatives: | 2017 | 2016* |
|---|---|---|
| This period's change in fair value | -786 | - |
| Accumulated change in fair value | - | 786 |

** Applies to continuing operations.*

**Interest rate and foreign exchange swaps**
The nominal principal amounts of the outstanding interest rate swaps contracts at 31st of December 2017 were 0 MNOK (2016: 3,166 MNOK).

# Note 13 | 14 | 15

## 13 Financial instruments by category

| Assets at 31st of December | Loans and receivables | | Assets at fair value through profit and loss | | Total | |
|---|---|---|---|---|---|---|
| **Year** | **2017** | **2016*** | **2017** | **2016*** | **2017** | **2016*** |
| Financial fixed assets | 4 | 2 | - | - | 4 | 2 |
| Derivative financial instruments | - | - | - | 811 | - | 811 |
| Trade and other receivables (excl. prepayments) | 1,705 | 8,406 | - | - | 1,705 | 8,406 |
| Financial assets at fair value in the income statement | - | - | 2,682 | - | 2,682 | - |
| Cash and bank deposits | 1,458 | 960 | - | - | 1,458 | 960 |
| **TOTAL** | **3,167** | **9,368** | **2,682** | **811** | **5,849** | **10,179** |

| Lialibilites at 31st of December | Other financial liabilities at amortised cost | | Liabilities at fair value through profit and loss | | Total | |
|---|---|---|---|---|---|---|
| **Year** | **2017** | **2016*** | **2017** | **2016*** | **2017** | **2016*** |
| Borrowings (excl. Financial lease liabilities) | - | - | - | 2,783 | - | 2,783 |
| Derivative financial instruments | - | - | - | 25 | - | 25 |
| Trade and other payables excl. statutory liabilities | 1,733 | 3,104 | - | - | 1,733 | 3,104 |
| **SUM** | **1,733** | **3,104** | **-** | **2,808** | **1,733** | **5,912** |

** Applies to continuing operations.*

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Derivatives used for hedging | 2,682 | - | - | 2,682 |
| **TOTAL ASSETS** | **2,682** | **-** | **-** | **2,682** |
| Debt and accrued interest | - | - | - | - |
| Derivatives used for hedging | - | - | - | - |
| **TOTAL LIABILITIES** | **-** | **-** | **-** | **-** |

**Financial assets and liabilities at fair value through profit or loss per. 31st of December 2016*:**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Derivatives used for hedging | - | 811 | - | 811 |
| **TOTAL ASSETS** | **-** | **811** | **-** | **811** |
| Debt and accrued interest | - | 2,783 | - | 2,783 |
| Derivatives used for hedging | - | 25 | - | 25 |
| **TOTAL LIABILITIES** | **-** | **2,808** | **-** | **2,808** |

** Applies to continuing operations.*

## 14 Cash and bank deposits

| | 2017 | 2016* |
|---|---|---|
| Cash and bank deposits | 1,458 | 960 |

Includes restricted funds of 105 MNOK (2016: 106 MNOK).

** Applies to continuing operations.*

## 15 Share capital and share premium

See note 20 in NSB Group report.

# Note 16

## 16 Debt

| Current | 31.12.17 | 31.12.16* |
|---|---|---|
| Bonds measured at fair value | - | 2,783 |
| Current share of non-current debt | - | - |
| Other current debt | - | - |
| **Total** | **-** | 2,783 |
| **TOTAL BORROWINGS** | **-** | **2,783** |

| Nominal value of long-term interest bearing debt | 31.12.17 | 31.12.16* |
|---|---|---|
| 1st of January | - | 7,846 |
| Changes during the year - continuing operations | - | -1,960 |
| Transferred discontinued operations | - | -5,886 |
| **31ST OF DECEMBER** | **-** | **-** |

** Applies to continuing operations.*

All previous bonds were issued under the Euro Medium Term Note loan programme (EMTN-Programme).

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:**

| Borrowings and swaps | 2017 | 2016 |
|---|---|---|
| 6 months or less | - | 766 |

**Effective interest rate at the balance sheet date:**

| | | 2017 | 2016 |
|---|---|---|---|
| Bonds | NOK | - | 3.46 |

Calculated effective interest rate includes the effect of interest rate swaps.

| Changes in fair value on non-current borrowings: | 2017 | 2016 |
|---|---|---|
| This periods change in fair value continued operations | -812 | - |
| Accumulated change in fair value | - | 812 |

| The carrying amounts of the Group`s borrowings are denominated in the following currencies: | 2017 | 2016 |
|---|---|---|
| NOK | - | - |
| CHF | - | 2,783 |
| **TOTAL** | **-** | **2,783** |

| The Group has the following undrawn borrowing facilities: | 2017 | 2016 |
|---|---|---|
| Floating interest rate | | |
| - Expiring within one year | 50 | 50 |
| - Expiring beyond one year | 2,000 | 2,000 |
| **TOTAL** | **2,050** | **2,050** |

The facilitiy that expires 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 April 2019.

# Note 17

## 17 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:

| Income tax expence | 2017 | 2016* |
|---|---|---|
| Current income tax payable | 260 | 641 |
| Change in deferred tax | -153 | -617 |
| **TOTAL INCOME TAX EXPENSE** | **106** | **24** |

| Tax payable on the balance sheet are as follows: | 2017 | 2016* |
|---|---|---|
| Current payable tax expense | 260 | 641 |
| Insufficient/too much tax provision prior years | - | 2 |
| **TAX PAYABLE ON THE BALANCE SHEET** | **260** | **644** |

The actual tax payable in the balance sheet will mostly be offset by group contributions which are proposed to be decided by the general assembly in 2017.

| Reconciliation between nominal and actual tax expense rate: | 2017 | 2016* |
|---|---|---|
| Net income before tax | 608 | 210 |
| Expected income tax using the nominal tax rate (24 % / 25 %) | 152 | 52 |
| Tax effect of the following items: | | |
| Other non-taxable income | -43 | -8 |
| Effect of change in income tax rate | -19 | -18 |
| Tax effect group demerger | 22 | - |
| Insufficient tax provision prior years | - | -2 |
| **Income tax expense** | **106** | **24** |
| **Effective tax rate** | **17 %** | **12 %** |

** Applies to continuing operations.*

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

| 2017 | Book value 01.01. | Effect change acc. principle | Acqui-sition of subsidiary | Income statement charge | Charge to other compre-hensive income | Tax charged directly to equity | Group contri-bution | Book value 31.12 |
|---|---|---|---|---|---|---|---|---|
| Benefit (+) / Liability (-) | | | | | | | | |
| Fixed assets | -2,221 | - | - | 619 | - | - | - | -1,602 |
| Inventories | 5 | - | - | 7 | - | - | - | 12 |
| Receivables | -24 | - | - | 13 | - | - | - | -11 |
| Value changes to financial current assets | 23 | - | - | -17 | - | - | - | 6 |
| Retirement benefit obligations | 1,555 | - | - | -106 | 68 | - | - | 1,517 |
| Provisions for other liabilities and charges | 396 | - | - | 115 | - | - | - | 511 |
| Gains (losses) | -18 | - | - | -70 | - | - | - | -88 |
| Total gross temporary differences | -284 | - | - | 560 | 68 | - | - | 344 |
| **Net temporary differences** | **-284** | **-** | - | **560** | **68** | **-** | **-** | **344** |
| **Net deferred tax asset/liability 24%** | **-68** | **-** | - | **134** | **16** | **-** | **-** | **83** |
| Effect from changes in tax rate | - | - | - | 19 | -10 | -12 | - | -3 |
| **Net deferred tax asset/liability on the balance sheet 23%** | **-68** | **-** | - | **153** | **6** | **-12** | **-** | **79** |

# Note 17 | 18

| 2016 | Book value 01.01. | Effect change acc. principle | Acqui-sition of subsidiary | Income statement charge | Charge to other compre-hensive income | Tax charged directly to equity | Group contri-bution | Book value 31.12 |
|---|---|---|---|---|---|---|---|---|
| Benefit (+) / Liability (-) | | | | | | | | |
| Fixed assets | -5,221 | - | - | 3,000 | - | - | - | -2,221 |
| Inventories | 5 | - | - | - | - | - | - | 5 |
| Receivables | -1 | - | - | -23 | - | - | - | -24 |
| Value changes to financial current assets | 229 | - | - | -206 | - | - | - | 23 |
| Retirement benefit obligations | 1,335 | - | - | -157 | 377 | - | - | 1,555 |
| Provisions for other liabilities and charges | 54 | - | - | 342 | - | - | - | 396 |
| Gains (losses) | -22 | - | - | 4 | - | - | - | -18 |
| Losses carried forward | - | - | - | - | - | - | - | - |
| Other | 561 | - | - | -561 | - | - | - | - |
| Total gross temporary differences | -3,060 | - | - | 2,399 | 377 | - | - | -284 |
| **Net temporary differences** | **-3,060** | **-** | - | **2,399** | **377** | | **-** | **-284** |
| **Net deferred tax asset/liability 25%** | **-765** | **-** | - | **600** | **94** | **-** | **-** | **-71** |
| Effect from changes in tax rate | - | - | - | 17 | -2 | -12 | - | 3 |
| **Net deferred tax asset/liability on the balance sheet 24%** | **-765** | **-** | - | **617** | **92** | **-12** | **-** | **-68** |

| **Deferred income tax assets** | **2017** | **2016** |
|---|---|---|
| Deferred tax to be recovered after more than 12 months | 467 | 497 |
| Deferred income tax assets to be recovered within 12 months | 3 | - |
| **TOTAL** | **470** | **497** |

| **Deferred tax liabilities** | **2017** | **2016** |
|---|---|---|
| Deferred tax to be recovered after more than 12 months | -385 | -565 |
| Deferred tax to be recovered within 12 months | -7 | -1 |
| **TOTAL** | **-391** | **-566** |
| | | |
| **TOTAL DEFERRED INCOME TAX LIABILITY (NET)** | **79** | **-68** |

## 18 Payroll and related expenses

| | **2017** | **2016*** |
|---|---|---|
| Wages and salaries, including employment taxes | 2,059 | 2,511 |
| Pension costs – defined benefit plans (note 19) | 232 | 190 |
| Other employee benefit expenses | 102 | 12 |
| **TOTAL** | **2,393** | **2,714** |

** Applies to continuing operations.*

Benefits for Chief Executive Officer and key management are referred to in the note for related-party transactions (note 27)

| | **2017** | **2016** |
|---|---|---|
| Average man-labour year | 2,605 | 2,979 |
| Number of employees at 31st Dec. | 2,993 | 3,438 |

Average man-labour years and number of employees relates total operations in 2016 and 2017.
As of 31st of December 2017 there are 2,540 man-labour years and 2,931 employees.

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

# Note 19

## 19 Retirement benefit obligations and similar obligations

**General**
The Group has pension arrangements related to age-disability- and bereaved benefits for spouses and children. Below is a further description of type of arrangements and how these are organized.

**Defined benefit pension plan**
The companies in the Group have several collective pension agreements that are handled by the Norwegian Public Service Pension Fund (SPK) or insurance companies that for the Norwegian companies satisfies the demands according to the law on public pension. The arrangement covers benefits from the pension basis up to 12G and results in a age- and disablity pension of 66 % of the pension basis when fully vested. The obligations connected to these agreements covers 2,611 active members and 1,957 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 Insurancescheme 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 2,611 active members.

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

**Closed defined benefit plan**
A decision was made end of December 2017 to settle the current pension benefit plan for NSB AS in the Norwegian Public Service Fund (SPK) for those above 55 years old by the end of 2018. All younger employees will be granted an earned right in the SPK, and will join a new defined contribution plan as of 2019, The SPK expects employer's final settlement to employees to be available in the 4th quarter of 2019. The Company's 2017 pension cost and 31st of December 2017 pension liability is calculated according to IAS 19. The carrying value of the pension liability amounts to 1,511 MNOK, and is considered to give a fair, and as of the balance sheet date, best view of the Company's liability taking into account the estimated effect from the pension plans settlement. Agreed compensation to employees for whom the defined benefit pension plan settlement will have a negative effect, is expensed with 78 MNOK. The Norwegian state amended the criteria on who should pay the accrued regulation liability for the SPK defined benefit plans from 1st of January 2018. The amendment to the payable regulation liability is not included in NSB AS pension liability as it is primarily financed by grants from the Norwegian state in the revised national budget for 2017.

| **Specification of net defined benefit pension plan obligations** | **2017** | **2016*** |
|---|---|---|
| Present value of earned pension rights for funded collective pension plans | 6,808 | 6,511 |
| Fair value of plan assets | -5,297 | -4,909 |
| Present value of unfunded obligations | 1 511 | 1,602 |
| Present value of accrued pension liabilities for defined benefit plan in unfunded obligations | 46 | 47 |
| **NET PENSION OBLIGATION ON THE BALANCE SHEET** | **1,557** | **1,649** |

| **Changes in pension retirement obligations:** | **2017** | **2016*** |
|---|---|---|
| Book value net pension obligation 1st of January | 1,649 | 1,410 |
| This years' actuarial deviations | 42 | 328 |
| This years net return on assets/increase in obligation discontinued operations | - | 13 |
| This years net return on assets/increase in obligation continued operations | 187 | 205 |
| Net financial items in the acount from discontinued operations | - | 1 |
| Net financial items in the acount from continuing operations | 34 | 25 |
| Curtailments/transfer | 9 | - |
| Curtailments/transfer discontinued operations | - | -49 |
| Payments to plan | -364 | -284 |
| **BOOK VALUE 31ST OF DECEMBER** | **1,557** | **1,649** |

| **Pension expenses included in the accounts, defined benefit pension plan** | **2017** | **2016*** |
|---|---|---|
| Present value of current pension earnings | 232 | 190 |
| Total return on pension plan, incl. in payroll and related expenses – see note 18 | 232 | 190 |
| **Total financial items in the accounts** | **33** | **26** |
| **Total pension expenses defined benefit pension plan** | **265** | **216** |

** Applies to continuing operations.*

**Sensitivity analysis with change in central assumptions**
The table below shows estimates for potential effects with change in assumptions that significantly affects the defined benefit pension plans in Norway. Actual results may substantially differ from these estimates.

# Note 19

| | Discount rate | | Salary growth rate | | Increase in G | |
|---|---|---|---|---|---|---|
| | 1 % | -1 % | 1 % | -1 % | 1 % | -1 % |
| Increase (+)/decrease (-) this period's net pension expense in % | (17-18 %) | (23-24 %) | (17-18 %) | (12-13 %) | (7-8 %) | (3-4 %) |
| Increase (+)/decrease (-) net pension obligation at 31.12. in % | (13-14 %) | (17-18 %) | (7-8 %) | (5-6 %) | (10-11 %) | (7-8 %) |

The sensitivity analysis applies to continuing operations.
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:**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| **Income statement** | | | | | | |
| Present value of current pension earnings | 232 | 191 | 47 | 213 | 233 | 228 |
| Plan changes during the year | - | - | - | - | -205 | - |
| Changes and deviations in estimates allocated to net income | - | - | - | - | - | - |
| Total cost in the income statement | 232 | 191 | 47 | 213 | 28 | 228 |
| Total financial items in the accounts | 33 | 25 | 32 | 48 | 42 | -3 |
| **TOTAL FINANCIAL ITEMS IN THE ACCOUNTS** | **265** | **216** | **79** | **261** | **70** | **225** |
| | | | | | | |
| **Financial position** | | | | | | |
| Total obligations | 6,808 | 6,558 | 6,461 | 6,334 | 6,437 | 5,365 |
| Pension assets | -5,297 | -4,909 | -5,051 | -4,844 | -4,889 | -3,926 |
| Total net pension obligations | 1,511 | 1,649 | 1,410 | 1,490 | 1,548 | 1,439 |
| Non-recognised actuarial losses | 46 | - | - | - | - | - |
| **NET PENSION OBLIG. AT THE BALANCE SHEET DATE** | **1,557** | **1,649** | **1,410** | **1,490** | **1,548** | **1,439** |

**Financial assumptions (defined benefit plans in Norway)**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| Discount rate | 2.50 % | 2.60 % | 2.70 % | 2.80 % | 3.90 % | 3.80 % |
| Expected return on plan assets | 2.50 % | 2.60 % | 2.70 % | 2.80 % | 3.90 % | 3.80 % |
| Average salary growth | 2.25 % | 2.55 % | 2.60 % | 2.95 % | 3.45 % | 3.70 % |
| G-regulation | 2.40 % | 2.50 % | 2.40 % | 2.70 % | 3.50 % | 3.50 % |
| Corridor: % of max (PBO, pension assets) | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |
| Annual reg. of pension increases | 1.65 % | 1.75 % | 1.65 % | 1.95 % | 2.75 % | 2.75 % |
| Average social security tax | 14,10 % | 14.10 % | 14.10 % | 14.10 % | 14.10 % | 14.10 % |

**Explanation to selected assumptions 31st of December 2017**
The discount rate has been set at 2.5 % and is determined with basis in preferential bonds (OMF). The OMF-market has been assessed to represent a deep and liquid marked with relevance to maturities that qualifies to be used as a reference for interest rate according to IAS 19.

Salary adjustment for Norwegian arrangements are mainly calculated as the sum of expected nominal salary growth of 1 % (incl career salary increase) and inflation of 1.5 % with some individual adjustments. Regulation of pensions during disbursements mainly follows average salary growth (equivalent to G-regulation) less a fixed factor of 0.75 %.

For the demographic factors, the tariffs K2013 and IR 73 has been used for determination of mortality rate and disability risk.
Average remaining life expectancy for a person retiring when he/she turns 65 years old will according to K2013 be:

| | |
|---|---|
| Male | 23 years |
| Female | 20,5 years |

Actuarial deviations in 2017 are mainly due to changes in economic parameters.

# Note 19 | 20 | 21

**Risk evaluation of defined benefit contribution plans**
The company is affected through its defined benefit contribution plans by several factors due to uncertainties in assumptions and future development. The most central factors are described as follows:

**Expected longevity**
The company has assumed an obligation to pay pension to the employees for as long as they live. An increase in life expectancy among members results in an increased obligation for the company.

**Yield risk**
The company is affected by a reduction in actual yield on the pension assets, which will cause an increase to obligations for the company.

**Inflation- and salary growth risk**
The company's pension obligation has risks related to both inflation and salary development, even though the salary development is close related to inflation. Higher inflation and salary development than what is used in the pension calculations, result in increased obligation for the company.

## 20 Trade and other short term payables

| | 2017 | 2016* |
|---|---|---|
| Trade payables | 167 | 180 |
| Group internal trade payables | 782 | 2,122 |
| Social security and other taxes | 119 | 96 |
| Other short term liabilities | 785 | 802 |
| **TOTAL** | **1,852** | **3,200** |

** Applies to continuing operations.*

Total trade and other payables include liabilities to related parties in 2017: 15 MNOK (18 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.

## 21 Provisions for other liabilities and charges

| Provisions for other liabilities 2017 | Environ-ment. Pollution | Reorgani-zation obligation | Other | Total |
|---|---|---|---|---|
| At 1st of January | - | 295 | 1 | 296 |
| Change in provision during the year | - | 78 | - | 78 |
| Used during year | - | -98 | - | -98 |
| **TOTAL** | **-** | **275** | **1** | **276** |

| Provisions for other liabilities 2016 | Environ-ment. Pollution | Reorgani-zation obligation | Other | Total |
|---|---|---|---|---|
| At 1st of January | 25 | 25 | 1 | 51 |
| Change in provision during the year | -25 | 275 | - | 250 |
| Used during year | - | -5 | - | -5 |
| **TOTAL** | **-** | **295** | **1** | **296** |

| Analysis of total provisions: | 2017 | 2016 |
|---|---|---|
| Non-current liabilities | 276 | 296 |

# Note 21 | 22 | 23

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

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

**Environmental pollution**
As a train operator, the company has a considerable responsibility for pollution which occurs due to operations. A quantification of any known liabilities is accrued for on a continuous basis. The accrual is reversed based on actual cost as the clean-up processes. Known liabilities are quantified and a provision based on best estimate is recognised the accounts.

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

**Restructuring**
NSB announced a restructuring plan in 2016. The purpose of the restructuring is to adapt to the changes required by the railway reform (see Note 2). For an overview of the total restructuring costs for 2016 relating to the railway reform see Note 29. The restructuring provision amounted to 275 MNOK at the end of 2016 and 192 MNOK at the end of 2017, and is mainly due to downsizing that was and will be completed in 2017 and 2018. As of 31st of December the Company has also made a provision related to the change of the current pension agreement.

## 22 Depreciation, amortization and impairment

| | 2017 | 2016* |
|---|---|---|
| Depreciation current assets (note 6) | 44 | 134 |
| **TOTAL** | **44** | **134** |

** Applies to continuing operations.*

## 23 Other expenses

| | 2017 | 2016* |
|---|---|---|
| Sales- and overhead expenses | 1,026 | 996 |
| Energy used in operations | 201 | 177 |
| Repair and maintenance, machinery rental, property expenses | 2,364 | 2,282 |
| Other operating expenses | 986 | 496 |
| **TOTAL** | **4,578** | **3,952** |

** Applies to continuing operations.*

| | 2017 | 2016 |
|---|---|---|
| **Auditing fees for total operations (excluding VAT):** | | |
| Statutory audit fee | 3 | 2 |
| Assurance services | - | 1 |
| Other services | 1 | 3 |
| **TOTAL FEE TO AUDITOR** | **4** | **6** |

# Note 24 | 25 | 26

## 24 Financial income and expenses

| | 2017 | 2016* |
|---|---|---|
| Interest income | 163 | 242 |
| Dividend | 45 | 35 |
| Gain from sale of companies | 135 | - |
| Net foreign exchange gains | 3 | -7 |
| **Total financial income** | **346** | **269** |
| | | |
| Interest expense | -95 | -7 |
| Other financial expenses | -11 | -425 |
| Net foreign exchange losses | -4 | -2 |
| **TOTAL FINANCIAL EXPENSES** | **-110** | **-434** |
| | | |
| Net financial expenses - pensions | **-33** | **-26** |
| | | |
| Unrealised value changes | **34** | **-35** |
| **TOTAL FINANCIAL ITEMS** | **237** | **-226** |

** Applies to continuing operations.*

## 25 Liabilities from financing activities

| | Liabilities | Asset held to hedge liabilities | Financial lease obligations | Total |
|---|---|---|---|---|
| **Liabilities 1. January 2017** | 2,783 | -786 | 1,997 | 3,994 |
| Cash flow from financial activities | -1,971 | - | -1,971 | -3,942 |
| **Non-cash changes** | | | | |
| Fair value changes | -812 | 786 | -26 | -52 |
| **LIABILITIES 31 DECEMBER 2017** | **-** | **-** | **-** | **-** |

## 26 Leases

| | 2017 | 2016* |
|---|---|---|
| Lease of machinery/equipment, not incl. on the balance sheet | 998 | 207 |
| Lease of property (external) | 138 | 43 |
| **TOTAL** | **1,136** | **250** |

The increase in lease costs is a consequense of the railway reform.

** Applies to continuing operations.*

# Note 27

## 27 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 3, 7 and 8 as well as other Group companies that are related parties to these companies will be a related party to NSB.

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

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

| | 2017 | 2016 |
|---|---|---|
| **Sale of goods and services:** | | |
| Public purchase of passenger traffic services | 3,222 | 2,916 |
| Sales of other goods and services | 743 | 202 |
| Sales to other companies within the Group | 103 | 170 |
| **TOTAL** | **4,068** | **3,288** |
| | | |
| Purchases of goods and services | 1,498 | 1,352 |
| Purchases from companies in the Group | 242 | 211 |
| **TOTAL** | **1,740** | **1,563** |

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

| | 2017 | 2016 |
|---|---|---|
| **Receivables:** | | |
| Group internal trade receivables | 54 | 910 |
| Associated companies | 23 | 1 |
| Entities owned by the Ministry of Transportation | 1 | 19 |
| **TOTAL** | **79** | **930** |
| | | |
| **Debts** | | |
| Group internal trade payables | 665 | 2,122 |
| Other companies in the Group | 14 | - |
| Entities owned by the Ministry of Transportation | 14 | - |
| **TOTAL** | **693** | **2,122** |
| | | |
| **Loans to related parts** | | |
| Other companies in the Group | 1,066 | 7,404 |

There are no borrowings from related parties.

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

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

**Sale to related parties**
In preparation to the railway reform NSB AS' trains and sales- and ticketing systems were as of 15th of October 2016 sold to the newly founded and wholly owned subsidiaries Norske tog AS and Entur AS, which were demerged in 2017. Also, bonds and accompanying swaps were, as part of the sales transaction, transferred to Norske tog AS on market terms. Settlement was offset the previous receivable that was established with the transfer of the trains from NSB AS to Materiellselskapet AS. See note 2 for more information.

**Compensation for members of the Board and key management**
See note 33 in NSB Group report.

# Note 28 | 29 | 30 | 31

## 28 Contingencies

See note 34 in NSB Group report.

## 29 Restructuring costs

The company's continuing operations has the following restructuring costs relating to the adaptions to the reform of the Norwegian railway sector.

| | 2017 | 2016 |
|---|---|---|
| Payroll and related expenses | 1 | 310 |
| Other operating expenses | 66 | 205 |
| Financial expenses | 0 | 27 |
| **TOTAL** | **67** | **542** |

## 30 Periodic maintenance

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

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

## 31 Events after the balance sheet date

See note 37 in NSB Group report.

## Statement from the Board and CEO regarding the annual report 2017

The Board of Directors confirm that to the best of our knowledge the condensed set of Group financial statements and the financial statements for the parent company for the period 1 January 2017 to 31 December 2017 have been prepared in accordance with IFRS as determined by EU, with requirements of supplementary information in the Accounting Act, and that the information in the accounts give a true and fair view of the company's and Group's assets, liabilities, debt, financial position and profit or loss as a whole.

The Board of Directors confirm that the annual report give a true and fair view of the development, profit and position for the company and the Group, as well as a description of the most central risk- and uncertainty factors the company and the Group faces.

Oslo, 9th of February 2018

Dag Mejdell
Chairman of the Board

Bjarne Borgersen

Wenche Teigland

Kjerstin Fyllingen

Åsne Havnelid

Ove Sindre Lund

Rolf Juul Ringdal

Jan Audun Strand

Geir Isaksen
CEO

# Auditor's report

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Translation from the original Norwegian version

To the General Meeting of Norges Statsbaner AS

INDEPENDENT AUDITOR'S REPORT

**Report on the Audit of the Financial Statements**

*Opinion*

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

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

*Basis for Opinion*

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

*Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility and information in other reports included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 9 February 2018
Deloitte AS

**Aase Aa. Lundgaard**
State Authorised Public Accountant

Translation has been made for information purposes only