Annual and sustainability report 2019

Vy Group

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Belief in the future and the will to succeed

2019 has been a year of change and renewal for the company. At the start of the year, we were known as NSB and Nettbuss. At the end of the year, most people know us by our new name: Vy. Trains and buses are gradually becoming greener, and our train and bus staff are wearing new uniforms that indicate our shared identity. We bring our rail and bus operations closer together and make it even easier to choose eco-friendly travel.

Vy has many years of experience of tendering procedures relating to bus services. We won a number of major bus contracts in 2019 and increased our market share still further. These experiences have been useful as our rail operations now have been put out to tender. We rounded off the year by winning the contract for Package West, coming out on top in terms of both price and quality.

We believe that our tender for the Bergen and Voss Lines will be so attractive that it will attract many more passengers in years to come. We have to make public transport easier and more attractive if we are to succeed in our ambitions. With the Bergen Line, many passengers are tourists who would like to see a bit of Norway, combining their rail journey with boat and bus travel around the beautiful landscape of western Norway. This is an important reason as to why Vy has joined forces with Fjord1 to form a new travel company, Vy Fjord1 Reiseliv, which aims to offer tourists great combination tours by road, rail and sea that include local experiences, dining and accommodation. A successful tourism initiative is a prerequisite for Vy's success with Package West.

For other passengers, trains are an alternative to cars when travelling to their cottages in the mountains. For these people, it is important to provide services that can take them to the railway station in Oslo or Bergen – ideally some form of public transport – or electric city cars if they have a lot of luggage to carry. And at their destination, taxis, flexible bus services or permanent shuttle services may provide the solution.

We are very active in Norway and Sweden. Vy was very successful in the bus market in Norway last year, increasing its market share in the competitive tendering market and seeing positive progress in respect to the express coach services. We have purchased Flygbussarna in Sweden and are now the leading express coach operator there as well. Rail operations in Sweden are clearly seeing strong profit growth as well as increasing number og travellers.

There has been an upturn in terms of rail freight in 2019, with positive results. We believe this progress will continue in 2020 in step with our ability to offer carriers and owners of goods more effective solutions and greater capacity on the most attractive routes. This will enhance safety on the roads in Norway and is great for the environment.

We believe in the future. The services we offer to commuters and leisure travellers are important contributions towards Norway's efforts to fulfil the UN's Sustainable Development Goals. However, we are also aware that tough competition and the need for attractive new offerings will demand a lot from us. Our employees have made a great effort in 2019. The determination they have shown to succeed give us high hopes for the future.

Thanks!

Geir Isaksen
CEO, Vy

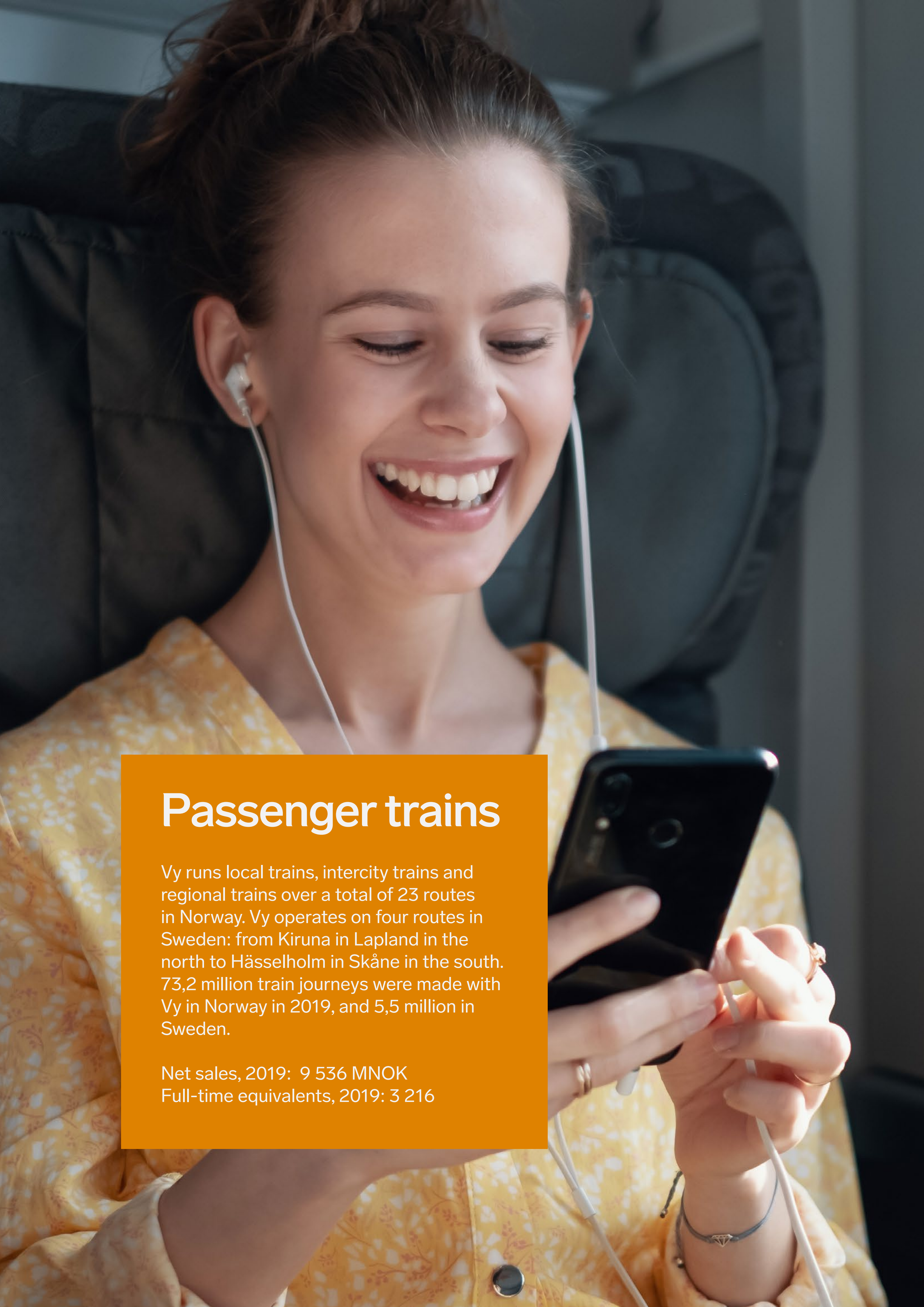
This is the Vy Group

The Vy Group is one of the largest stakeholders in the mobility market in the Nordic countries, with bus and coach services, rail services, mobility and tourism in Norway and Sweden.

Buses

Vy is the largest bus company in Norway and operates in Norway and Sweden. 125,9 million journeys were completed using Vy bus services in Norway and Sweden in 2019. The company's operations mainly involve contract services, but it also offers commercial express bus services. Vy also operates and owns around 25 garages for heavy vehicles via its Team Verksted division.

Net sales, 2019: 6 506 MNOK
Fullt-time equivalents: 5 479



Passenger trains

Vy runs local trains, intercity trains and regional trains over a total of 23 routes in Norway. Vy operates on four routes in Sweden: from Kiruna in Lapland in the north to Hässelholm in Skåne in the south. 73,2 million train journeys were made with Vy in Norway in 2019, and 5,5 million in Sweden.

Net sales, 2019: 9 536 MNOK
Full-time equivalents, 2019: 3 216

Mobility & Tourism

Mobility and Tourism (Mobilitet & Reiseliv in Norwegian) is the Vy Group’s business unit working with the development of mobility services and tourism. As regards mobility, we are working on developing a shared platform for travel planning and ticketing, as well as development of door-to-door services such as Din Bybil, taxis and autonomous buses.

When it comes to tourism, we sell fjord and mountain adventures and cultural experiences to Norwegian customers, tourists and international tour operators.

Freight

CargoNet is Norway's largest carrier of rail freight. More than 70 per cent of all rail freight is carried by CargoNet. CargoNet offers eco-friendly freight rail transport in Norway, and between Norway and Sweden. CargoNet also runs freight terminals via its subsidiary RailCombi.

The quality of delivery to customers has exceeded 95 per cent in 2019, and terminal departure punctuality stands at 96 per cent. These are historically high figures.

Net sales, 2019: 1 036 MNOK
Full-time equivalents, 2019: 398

Group management

Geir Isaksen
CEO, Vy

Synne Homble
Executive director, Mobility and tourism

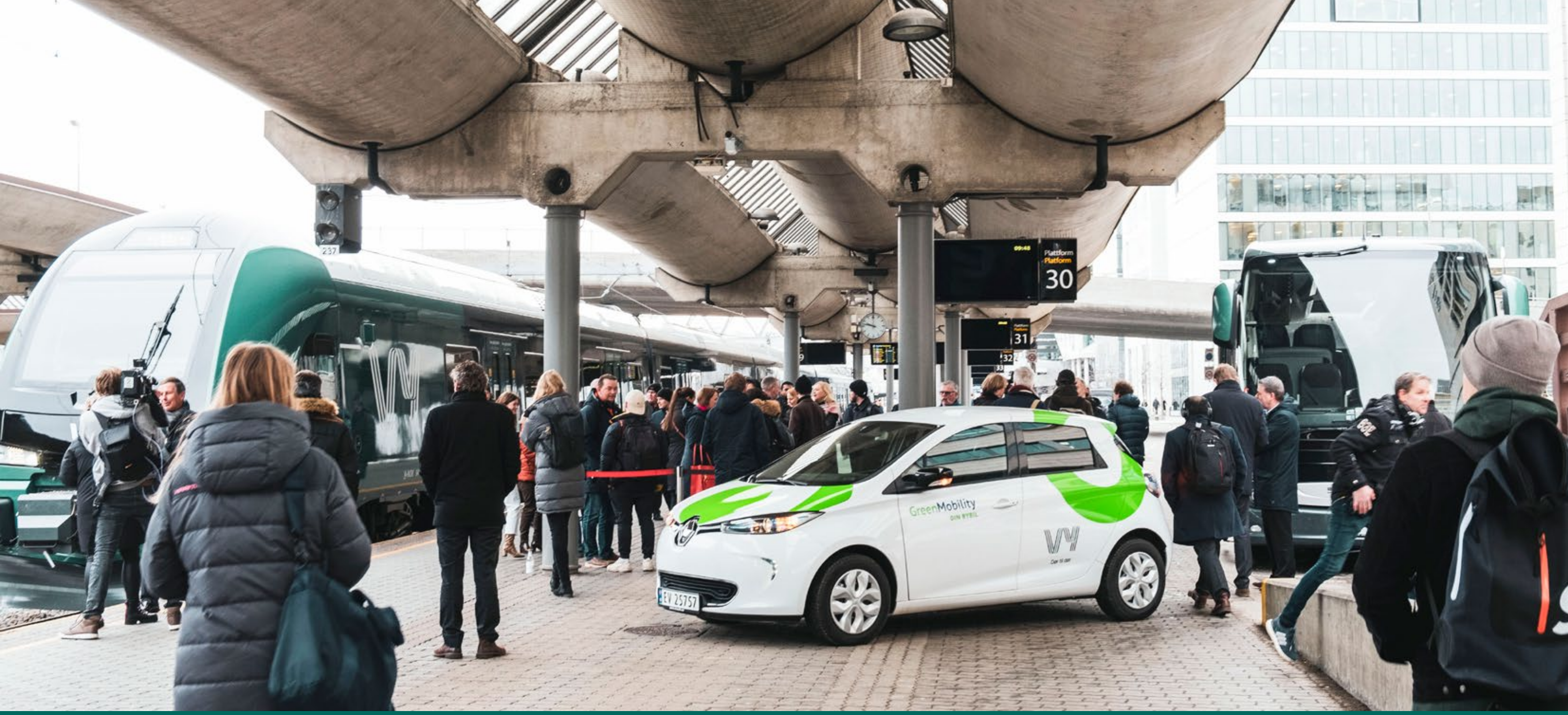
Morten Müller-Nilssen
Executive director, Organization and staff

Irene Katrin Thunshelle
Executive director, Finance and strategy

Arne Fosen
CEO, Passenger Train

Ole Engebret Haugen
General manager, Bus

Erik Røhne
General manager, CargoNet



Important events

Train and bus operations

Our new name: Vy

On 12 March, Nettbuss and NSB announced that we are switching to a collective brand name – Vy. An extraordinary general meeting was held at NSB AS on 22 March, where the new name and brand name were approved. The name Vy began to be used on 24 April.

The change of name attracted a great deal of attention in 2019 and marks a major change throughout the entire group. Buses, coaches, trains, mobility and tourism are now working together under a single collective brand name in order to create the best customer experiences possible and give ourselves greater strength for competitive tendering procedures.

We won the Bergen line

9 December, Vy came out on top in the competitive tendering procedure for operation of rail services in western Norway. This contract covers the Bergen and Voss Lines between December 2020 and December 2029, with the option of extending the contract for up to two years. This is an important victory for Vy as a whole. Vy came out on top in terms of both price and quality.

There will be more departures on both the Bergen Line and the Voss Line. Vy it is also planning new initiatives regarding tourism services on and along the Bergen Line, as well as services more aligned to services on the Flåm Line. Customers will also be seeing improvements in the regional rail services offered between Oslo and Bergen.

Seven bus contracts won

In 2019, Vy Buss was awarded five contracts in Norway and two in Sweden on the basis of competitive tendering procedures. With this, Vy remains the largest bus operator in Norway. Nordre Vestfold, Slemmestad/Asker and Haugalandet are new areas for us. We also came out on top in Hamar and Ålesund once more. In total, this means that 413 buses will have to be in place by 2021. In Sweden, we won the contract for Gävle again, along with a new contract in Jönköping; a total of 150 buses.

New uniforms

6400 bus drivers, conductors and train drivers in Norway and Sweden were given new Vy uniforms at the end of 2019 and start of 2020. This is the first time both train and bus crews use the same uniform, and the first time we have designed a unique women's uniform.

Bus tickets in the Vy app

In November 2019, we launched the ticket purchase option for Vy buses in Norway in the Vy app and at vy.no. In the first six months of 2020, Vy will be working to ensure that customers can combine bus and rail services in a single purchase.

Stronger rail service offering in eastern Norway

On 15 December, Vy set up a number of new departures for rush-hour, night and weekend periods in eastern Norway. We also ran more than 7000 more train sets into and out of Oslo during rush hour. We hope that many people will prefer to travel by train instead of using their cars and that eco-friendly travel will be made easier thanks to new departures and additional train sets.

Major growth for electric buses

Vy Buss will be launching its first electric buses in Norway in 2019. We were running three electric buses previously, in Östersund. Vy Buss will be one of the largest electric bus operators in Norway by the end of 2021, with a total of around 110 electric buses. We will also have around 60 electric buses in Sweden, operating in Jönköping and Gävle as of summer 2021.

Group CEO hands in his notice

On 21 November, Geir Isaksen notified the Board of Directors that Vygruppen AS that he wishes to resign from his position as CEO. Isaksen has been the CEO of Vy since September 2011, and he is now 65 years old. He will take on the role of advisor when the new CEO takes over.

More people choosing rail and bus services

78,7 million eco-friendly journeys by rail were made with Vy in 2019, 4,5 million more than in 2018. This represents a 6 per cent increase in travel. The number of journeys being made using Vy services has increased by almost 30 per cent since 2013.

This high travel growth figure is mainly due to the strong growth in Sweden, because we won the tender for Krösatog and because Norrtåg is growing rapidly. In Norway, our customers have travelled with Vy bus almost one million times more than the year before, while the development in Sweden is stable.

Customer satisfaction follows train punctuality

Customer satisfaction with regard to Vy rail services is closely linked with punctuality. Customers stated in our spring survey that they were happier with our rail service offerings, just as the debate on our change of name was at its peak. Customers felt trains were more punctual, and more routes reported their best ever results.

Major works and subsequent problems on tracks and with signalling systems have affected many passengers travelling by rail with Vy in the summer and autumn. The decline in customer satisfaction is in proportion to punctuality in the autumn survey.

Sweden's most satisfied customers for the ninth consecutive year

Of all the transport companies in Sweden, Vy Bus4You has the most satisfied customers in 2019. This bus company has won the Svensk Kvalitetsindeks [Swedish Quality Index] award for nine years in succession.

Purchase of Flygbussarna in Sweden

The Vy Group is buying Flygbussarna in Sweden from Transdev. This further reinforces the position of Vy Buss in Sweden, as well as shoring up Vy's position as a leader in the field of Nordic passenger transport. Flygbussarna will become part of the Vy Buss commercial operation in Sweden, which will offer luxury travel, express travel and airport buses from now on.

Norway's first metrobuses

In August, Vy Buss began running 44 out of 58 metrobuses in Trondheim. These high-capacity buses are 24 metres in length and double-articulated. These metrobuses provide most of the public transport services in and around central Trondheim. The metrobuses use second-generation biodiesel (HVO), also known as renewable diesel, with 60 per cent fewer emissions than current fuels.

The last train journey in the south of Norway

Vy's final rail departure in the south of Norway took place on 15 December. We have enjoyed a fantastic journey for more than a hundred years, with lots of tales to tell and great experiences. Vy wishes Go-Ahead the very best of luck with its contract for the Sørlandet Line, the Jæren Line and the Arendal Line. Vy will still be providing bus services between Oslo and Kristiansand, using comfortable double-deckers, and travelling time will be cut by up to one hour in December. You can buy both bus and rail tickets in the Vy app and at vy.no – and that goes for Sørtoget as well.

New rail operator to take over northern Norway

Unfortunately the tender submitted by Vy for the competitive tendering procedure for northern Norway failed to make the grade, and in June it was announced that SJ Norge AS will be taking over rail services from June 2020. We congratulate SJ on their victory. At the same time, this means we are losing seven important routes and a source of great pride and years of tradition. These are the Dovre Line, the Røros Line, the Rauma Line, the Trønder Line, the Meråker Line, the Saltenpendelen service and the Nordland Line routes.

Mobility & Tourism

150,000 journeys with Din Bybil

On 3 January, Oslo saw the launch of a completely new range of transport services, Din Bybil, with 250 electric cars that are available to hire. 10 per cent of the 12,000 active users state that Din Bybil was one of the reasons as to why they sold their cars. This means that there are now around 950 fewer cars operating in Norway. Customers made 156,000 journeys with Din Bybil in 2019.

The Din Bybil app indicates where unoccupied cars are available. You unlock the car using the app and can then drive wherever you like. When you have finished your journey, you park inside the zone and pay for the minutes for which you were using the car.

Vy and Fjord1 form a new travel company

Travel company Vy Fjord1 Reiseliv AS was established and registered on 28 June. The aim of Vy Fjord1 Reiseliv is to make it easy to choose eco-friendly road, sea and rail transport to both familiar and new destinations all year round.

The company will also help to create growth in the local tourist industry and local jobs, as well as improving interaction between national, regional and local tourism companies. Kristian B. Jørgensen, Managing Director of Fjord Norge AS, took over as head of Vy Fjord1 Reiseliv on 1 January 2020.

Taxis to be added to the Vy app

Vy and Internett Trafikk Formidling AS (ITF) concluded a contract in June. ITF is a leading supplier of taxi systems and covers most major towns and cities in Norway. Many taxi companies will be integrated into the Vy app in 2020. This means that customers will be able to book and pay for taxis in advance, either individually or as part of a trip that also includes trains or buses.

Vy purchases technology company

On 1 October, Kristiansand-based company Go Mobile became a wholly-owned subsidiary of Vy. This is a technology company that arranges taxi rides and flexible bus travel. As a result of Go Mobile technology, we can offer taxi booking in the Vy app as early as 2020. We also want to explore how we can use Go Mobile technology for flexible bus services that can be ordered from home.

Freight

Funding scheme established for rail freight

The government established an environmental funding scheme for rail freight in its revised national budget for 2019. This scheme was important in order to ensure that existing rail service offerings were maintained in respect of combined rail solutions. The scheme will continue for three years and will also pave the way for further development of the service offering.

Finally in the black

The measures implemented in 2019 with a view to improving profitability have had the desired effect. Together with the environmental funding scheme from the authorities, this has led to black numbers for CargoNet in 2019.

13,000 fewer trailers in Nordland

ASKO has been working for some time on identifying good solutions for deliveries to Nordland and Bodø to reduce environmental impact and transport costs. They have now come up with a solution, and ASKO Midt-Norge's freight transport from Trondheim to Bodø is being transferred from the roads to the railway. This unique partnership involving ASKO, CargoNet, Meyership and Nova Sea means that there will be 13,000 fewer trailers on the roads in Nordland each year.

Historically high quality

The quality of delivery to customers has exceeded 95,2 per cent in 2019, and terminal departure punctuality stands at 96 per cent. These are historically high figures.

Fewer injuries

CargoNet has increased its emphasis on personal safety. CargoNet's employees suffer too many injuries and are involved in too many accidents. We have therefore started to work on and implement measures to reduce the number of injuries. The number of injuries in 2019 is significantly lower than the numbers for 2018 and 2017.

Motorail trains

In January, CargoNet started running whole motorail trains for its customers Axess and Autotransport Service. Customer feedback has been positive, and services are operating as planned.

Wagon defects detected using new technology

CargoNet has started using new technology to reduce wheel damage on the route between Alnabru and Narvik, which is 2000 kilometres long. CargoNet operates fifteen return services between Oslo and Narvik each week, and there are around 90 to 120 wagons in service on the route at any time. There has been a lot of wheel damage to CargoNet wagons in service during the winter, causing challenges and higher costs for our customers and CargoNet.

Co-location of operating organisation in Alnabru

CargoNet has co-located its entire central and operational planning and operating facility in Alnabru in 2019. This has led to further development of work processes and helped promote interaction across levels within the organisation, bringing operations closer to both the terminal and the operation.

NSB and Nettbuss become Vy

On 12 March, Nettbuss and NSB announced a change of brand name: Vy. Bus, train and mobility and tourism are stronger under a single collective brand name, strengthening our customer experiences and competitiveness when it comes to tendering processes

Many Norwegians probably nearly choked on their coffee when they found out that NSB and Nettbuss were going to change their name to Vy. NSB is an old brand name, well established, well known and loved by many.

We expected the strong reactions we received. There was a great deal of debate on the change of name and the railway reform. By the end of 2019, 93 per cent of people in Norway are familiar with the Vy brand name. This is almost the same level of awareness that NSB enjoyed before we changed the name.

We realise it might take people a little time to get used to our new name. However, we are certain that having a new collective name for our rail and bus services is the right choice, and an important choice. Vy is continuing to build on the proud history of NSB, dating back to 1883. Now it is time for us to look to the future and build further on our company's robust experience and knowledge in the field of public transport.

Why did we decide to change our brand name to Vy?

The name Norges Statsbaner – NSB – was a very effective way of communicating what we were, but it did not tell people what we are. We no longer have a monopoly on rail services in Norway, and we compete on an equal footing with transport companies from around the world. We have not been responsible for tracks and infrastructure since 1996, and we are no longer the owners of stations, trains, ticketing systems or train maintenance either. Moreover, twice as many of our staff work with buses as with trains. We also operate rail and bus services in Sweden.

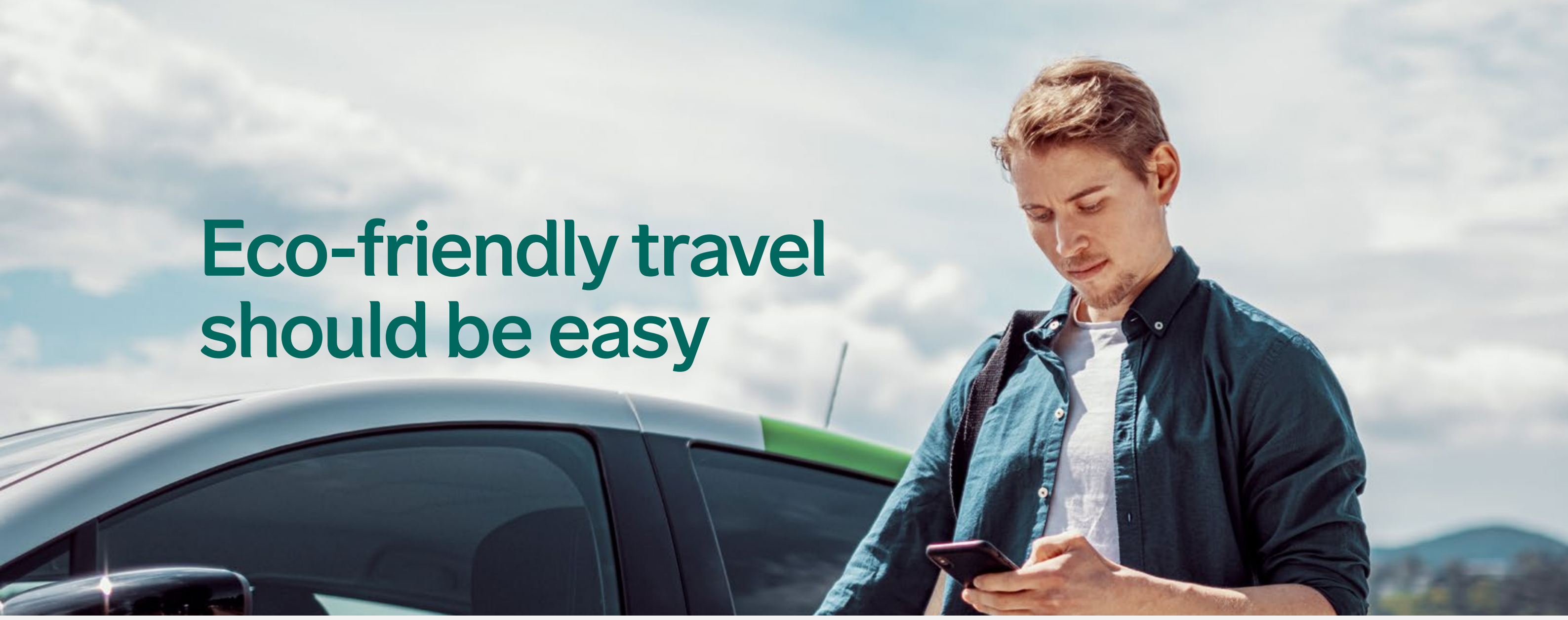
The transport industry is developing rapidly, and our customers have new needs. We want to meet those needs. We want to create the transport solutions of the future by bringing together bus and rail services under one roof, developing new digital services and exploring more modes of transport. Together, Vy will offer simple door-to-door travel – not just travel to and from stations or stops. Our aim is to make public transport simple and eco-friendly, and make it easy for people to live their lives without owning cars.

Experiences and outlook

We needed a collective name for our bus and rail services. So we settled for Vy – a short Nordic word meaning "View" that works in Swedish and both variants of Norwegian. As the name implies, we give our customers experiences and something to look at on their journeys. Vy describes the feeling you get when you are travelling, when you can let your thoughts wander while admiring the view out of the window.

The name also conveys the fact that we have views and ambitions on behalf of our customers. The transport industry is developing rapidly, and new technology and digitisation bring with them new opportunities. We are working on gathering our bus and rail services under one roof, and constantly developing the services we offer so that you can travel door-to-door using public transport.

Eco-friendly travel should be easy with Vy.



Eco-friendly travel should be easy

Vy is using new technology and smart new solutions to make public transport even more appealing. This is great for society, for you – and for the environment.

Environmental awareness is growing, and more people are choosing public transport. Even so, cars are still the dominant form of transport. So how can we help people who want to opt for more eco-friendly travel, but still find it inconvenient to choose bus or rail services?

Imagine your day starting with you booking an autonomous bus, which picks you up just around the corner from your home. You then board the train, and when you arrive you can choose between car sharing, a taxi, an electric scooter or a bus to get you to your destination. And the price of all this is included in a single ticket or monthly pass.

This may seem like a distant reality, but this is exactly the type of travel experiences that Vy is working hard to offer. Simple journeys from door to door, journeys that you can find and buy by the touch of a button.

Reduce greenhouse gas emissions

As the largest transport company in Norway, Vy can influence travel habits of the Norwegian people. This may reduce traffic jams on roads, cut our greenhouse gas emissions and make life better for many people.

As far as we are concerned, the most important thing is to make our rail and bus services as good as possible so that more people want to travel with us. But there is more we can do.

Easy digital purchases

It must be as easy as possible to make digital purchases. Vy is working hard to develop systems where customers can buy entire journeys from us.

Work is in progress. Our entire range of bus services was launched on Vy channels in 2019. Vy sells Sørtoget tickets for Go-Ahead, and you will soon be able to buy taxi journeys using the Vy app. New functions that appeal to train and bus passengers are constantly being added to this app. For example, you can see how full every train is on a number of routes so you can board the emptiest carriages.

Door-to-door

Early testing of new technology with great potential for the future is also important to us. We aim to offer door-to-door travel.

Vy has therefore purchased the latest generation of autonomous buses, and we are currently testing them together with Brakar and Applied Autonomy at one of the world's most advanced pilot facilities in Kongsberg. Vy purchased technology company GoMobile in 2019, which is developing taxi solutions and flexible booking for bus travel. We are working together to look at the options for including taxi and bus booking in the Vy app. We also launched the Din Bybil car sharing concept in Oslo in 2019.

We think more people will prefer eco-friendly travel if we make it easier to use public transport.

Sustainability Report

Today, the transport sector is one of the largest sources of greenhouse gas emissions in the Nordic region. We need to reduce these emissions. Vy therefore wants to make it easier to travel by public transport so that more people choose bus or train, rather than car or plane.

Although the private car is becoming more and more environmentally friendly, public transport is still the most sustainable and space-efficient way of traveling.

200

million passengers transported

761 228

tonnes of CO2 saved

850

reduced passenger cars in Oslobecause of Vy Your City Car

65%

the share of Vy's buses that runs on non-fossil fuel

156 500

the number of trucks on the road CargoNet replaces

600

cars are on average replaced by a full train in rush hour traffic

Sustainability is part of our culture

Vy transports passengers and freight by train and bus in Norway and Sweden using eco-friendly methods. In 2019, the Vy Group saved Norway 766,705 tonnes of greenhouse gas emissions, equivalent to the annual emissions from 385,000 cars. Our freight company CargoNet also helped to reduce traffic on the roads in 2019 by an amount equivalent to 156,500 long trailer journeys, or around 680 trailers per working day. We are proud that the people of Norway named the Vy Group "Norway's most sustainable brand" in the "transport" industry category in Sustainable Brand Index 2019, the largest sustainable brand survey in the Nordic region.

The transport solutions of the future must aim for zero greenhouse gas emissions, and at the same time more people have to share the same modes of transportation. Although the cars of the future will be more eco-friendly, public transport is still the most efficient and sustainable way of transporting people. Vy's most important contribution to the UN's Sustainable Development Goals, therefore, is to help more people to choose public transport solutions by making it easier. The Vy Group must offer door-to-door travel – not just travel to and from stations or stops. This will make it easier for people to give up owning cars of their own.

Besides helping to improve our climate, we are helping communities become more sustainable by allowing more people to share the same resources and removing congestion and heavy goods transport from our roads. We are also helping to reduce accidents, along with local emissions and noise. We are challenging our suppliers to make sustainable choices, and constantly doing our best to work more efficiently in order to reduce our use of resources. Diversity is becoming increasingly more important in our sustainability work, and we are proud to have employees from many different nations all working together and sharing their expertise. We are also helping Norway to develop more sustainable tourism based on public transport.

"The Best Journey" strategy and the UN's Sustainable Development Goals

The Vy Group's "The Best Journey" strategy ensures that we prioritise areas where we can make a significant contribution to compliance with the UN's Sustainable Development Goals by means of targeted initiatives. The most significant target areas are defined by stakeholder and materiality analyses.

For us, the most important thing is to encourage more people to use public transport and achieve a modal shift. In order to achieve this, we have to make it easy to use public transport; and this is something we will achieve by means of The Smart Journey. With The Green Journey, we will ensure that we reduce our greenhouse gas emissions and environmental footprint. The Safe Journey is focusing on reinforcing our diversity and safety work in order to reduce injuries on the roads and among our staff; while The Profitable Journey ensures that we will use our resources as efficiently as possible. We have defined targets for these areas, and these will be followed up on a monthly basis in our management of business activities. The most important indicators and targets are included in this report.

Strategic topic	Sustainable Development goal	Contribution to the UN's Sustainable Development Goals	Examples of work
The Smart Journey	Makes it easy to use eco-friendly public transport	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS	• Increase road capacity • City cars reduce the need for people to own their own cars • Improved digital solutions make it easier to choose public transport
The Green Journey	Reduces emis-sions per journey	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION	• Focus on energy-efficient driving • New technology (electric buses) • Reduce and recycle waste
The Safe Journey	Creates security and diversity	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	• Improved training • Increase the group's monitoring of HSE internally and in respect of suppliers • Targeted recruitment in order to ensure diversity
The profitable Journey	Results in efficient utilisation of resources	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Improve and streamline processes • Continuous work on best practice • Invest in new operations

The Smart Journey

– Makes it easy to use eco-friendly public transport

9 Innovation and infrastructure

- Sustainable transport
- Clean, eco-friendly forms of technology
- Technology and innovation

11 Sustainable cities and communities

- Accessible and sustainable transport systems at afforable rates
- Better safety on the roads
- Better air quality

13 Climate action

- Reduce emissions
- Focus on renewable energy

17 Partnerships for the goals

- Authorities, the business community and civil society must work together in order to achieve sustainable development

The Vy Group is working constantly to improve its travel offering to make it easier for our customers to choose public transport. We help resolve capacity challenges on our roads and deliver quality throughout the entire customer travel experience, focusing on punctuality and regularity.

Customer satisfaction

Good customer satisfaction is essential to the Vy Group, and we have clear targets for this. Surveys are used as a way of obtaining feedback on what we need to improve. It is particularly pleasing to see that for the ninth year in a row, Vy Bus4You has been named as the company with the most satisfied customers in Sweden with regard to passenger transport in the annual survey carried out by Svensk Kvalitetsindeks [Swedish Quality Index]. Vy Express in Sweden also came second in the same survey for the second consecutive year. The industry average in Sweden is 65 out of 100 points, and Vy Bus4You scored no fewer than 75 points in the same survey.

Vy Tog customer satisfaction with rail services in Norway was down in the 2019 surveys, mainly because of reduced punctuality and regularity. This reduction was caused by extensive works on the infrastructure during summer and a number of infrastructure faults. The figures for the autumn show that overall customer satisfaction for Vy Tog in Norway fell from 74 points to 67. The most satisfied rail customers were in the west, with a score of 76 points. The lowest satisfaction level, with 62 points, was in eastern Norway. The Vy Group is not satisfied with the results, and our long-term objective is to increase overall satisfaction to 77 points.

Vy is working specifically to reduce operational irregularities that Vy is able to influence and improve the services it provides to customers. Among other things, we are rolling out a programme for recruitment and training of personnel aboard services. Vy is working in close partnership with Bane NOR on measures to reduce operational irregularities due to failure of infrastructure. We are dependent on good deliveries from Bane NOR as they are responsible for tracks, signalling systems, information at stations and infrastructure data provided to train operators.

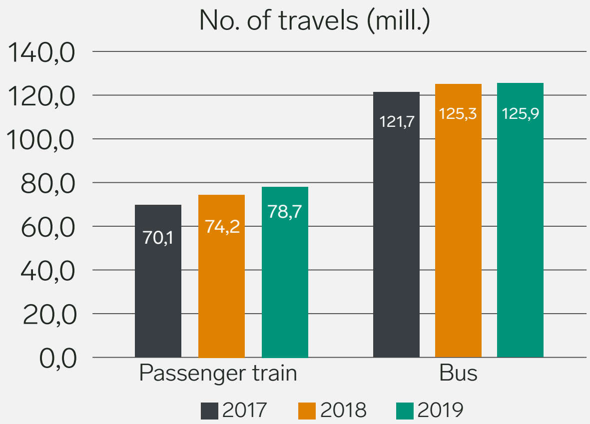
Overall, customers give the train crew in Vy 82 out of 100 points (KTI score). We are proud that our staff provide good services and that customers are still very pleased with them. They work aboard our trains every day and handle a wide variety of challenges for all our passengers, while also being greatly affected by the restructuring of the railway sector.

Punctual trains

When it comes to passenger rail services, there is a difference between operator-dependent punctuality and total punctuality. Operator-dependent punctuality in Norway (which only includes delays due to Vy) stands at 97.7 per cent for the year, which is on a par with last year. Total punctuality for Vy passenger trains in Norwaywas 86.3 per cent, which is considerably below our target of 91 per cent and is affected by challenges involving tracks and signalling systems.

The number of delay hours in Norway (the total number of hours by which passenger trains are delayed in 2019) was 14,353, compared with 14,722 hours in 2018. These delays are primarily caused by infrastructure and signalling system faults, which in turn cause problems with provision of services. The percentage of delay hours for which Vy Tog is directly responsible is less than 17 per cent, which is on a par with last year. Operator-dependent regularity, i.e. the number of completed departures compared with the schedule, disregarding cancelled services on account of infrastructure faults and planned track work, amounted to 99.7 per cent, which is in line with our target.

For freight trains, punctuality and regularity have improved compared with 2018. 2019 became a new record year for punctuality in terms of CargoNet deliveries. Despite a number of disruptions throughout the winter, overall punctuality for 2019 reached an all-time high of 95.2 per cent (target 92 per cent).



Volume development

The positive volume development for passenger rail services in Norway is continuing, and there was 2.8 per cent growth in the number of journeys over the year. Growth in Sweden stood at no less than 60 per cent as a consequence of new contracts and underlying growth in travel.

Growth in Norway was good on most routes, while both local services and regional services in the north saw a slight decline. Every day, more than 100,000 rail commuters help to reduce queueing and chaos in our cities by choosing to travel by train. A full Vy train during rush hour replaces 600 cars on average, so commuters help to prevent enormous greenhouse gas emissions for society.

Our bus division saw a 0.5 per cent increase in journeys. The number of journeys made in Norway and Sweden for 2019 stood at 86.9 (86) and 39 (39.3) million respectively, representing growth of 1 per cent and a decline of -0.8 per cent respectively. This change was mainly due to a change in the number of contracts operating, but an increase in demand for public transport as an alternative was also seen. Our commercial arm has seen significant growth between 2018 and 2019, and Vy Travel has also extended its offering between Gothenburg and Oslo in 2019. There are now 20 more services between Gothenburg and Oslo every day.

The number of load units (TEU) transported using our freight division’s container shuttles fell by 5 per cent in 2019. This reduction is mainly due to an 11 per cent capacity reduction in connection with the CargoNet restructuring programme, which focused on streamlining costs by optimising capacity. In 2020, CargoNet is aiming to start its own “food train” on the Nordland Line. For Mo i Rana, Fauske and Bodø, total freight train capacity will increase by 50 per cent, resulting in 13,000 fewer trailers on the roads over the year. For the Nordland Line alone, this represents an annual reduction of more than 6,000 tonnes of CO2. This will also reduce the strain on the road network and make the roads safer for other road users.

The Vy Group’s objective is to continue its growth and help more people to use eco-friendly public transport, as well as helping to transfer freight from road to rail.

Improved capacity

As of December 2019, Vy is setting up a number of new train departures for rush-hour, night and weekend periods in eastern Norway. There will also be over 7,000 more train sets into and out of Oslo during rush hour. We hope that many people will prefer to travel by train instead of using their cars in 2020, and that eco-friendly travel will be made easier thanks to new departures and additional train sets. The number of new Flirt trains used by the company over the year also increased from 105 to 115, 8 of which have been put into service in eastern Norway and 2 on the Voss Line in order to replace old train sets. This will increase operating stability, comfort and capacity.

Making it easier to use public transport

In 2019, a number of new records were set by the Vy app; the total number of downloads has exceeded 3 million, and 41,000 passengers subscribe to push notifications relating to service information.

The Vy app has a number of new services: passengers can now search on both trains and express coaches and buy tickets, the app now predicts how full trains are (which makes it easier to choose departures with available seats), passengers can buy tickets for all routes regardless of the operator, and there are up to 50 million hits on route searches in one month – depending on the traffic.

Vy.no provides effective new ways for customers to get in touch with Vy; with complaints, refund applications, price reductions or praise. Connection tickets combining trains and local buses such as Vy Tog and Ruter have been extended to the Vestfold and Telemark areas. We are also working to ensure that customers can combine bus and rail services in a single purchase: this is expected to be available in the first six months of 2020. Eventually, customers will also be able to buy bus tickets and combined bus and train tickets using Vy channels in Sweden.

In 2019, Vy has implemented a number of initiatives to facilitate door-to-door travel for our customers:

- In January 2019, we launched the Vy Your City Car product in partnership with the Green Mobility company. This service involves 250 electric cars in various locations in Oslo. These can be used freely within a defined zone, and passengers pay per minute. 10 per cent of active users state in a user survey that Your City Car has helped them to give up owning cars of their own. If we assume that this is applicable to all 11,000 active users, this means that there are now 850 fewer cars on the streets of Oslo. These cars are normally used for 'occasional trips' (75 per cent of trips are outside regular rush hours), and the behavioural pattern indicates that Your City Car is operating as intended, as a supplement to buses and trains. Your City Car customers spend 6 per cent more on rail travel in the months where they also drive city cars, than when they do not drive city cars. People who use Your City Car every month spend, on average, 15 per cent more on rail travel now than before they started using Your City Car.
- Vy has invested in two autonomous minibuses in 2019. These are operating on the world's longest autonomous public bus route in Kongsberg. The aim of this is to develop solutions that may make it cheaper to deliver short, frequent bus services such as feeder routes to railway stations.
- Vy also purchased the technology company GoMobile AS in 2019. This company has developed a software platform that makes it possible to deliver flexible taxi and bus services from stations to people's homes. These platforms are used by the taxi apps Mivai and Bizigo.

The Green Journey
– Reduces emissions per journey

12 Responsable consumption and production

- Reduce the use of resources, destruction og the environment and greenhouse gas emissions
- Reduce emissions of chemicals and waste to air, water and soil
- Reduce waste volumes
- Sustainable schemes for public procurement procedures
- A tourist industry that is sustainable, creates jobs and promotes local culture and products

13 Climate action

- Reduce emissions

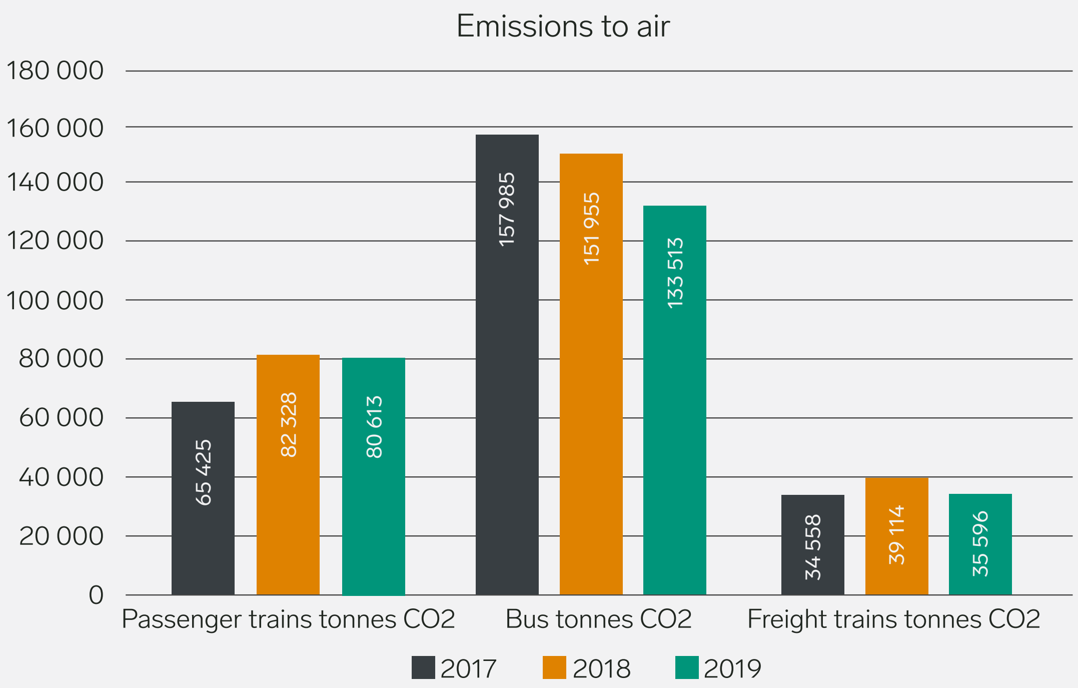
According to the Paris Agreement, Norway must reduce its greenhouse gas emissions by 40 per cent by 2030 compared with 1990 levels. The transport sector is the biggest source of greenhouse gas emissions in Norway and has to provide a significant proportion of reductions in emissions over the next few years. Vy takes the environment seriously and must deliver on society's shift to eco-friendly transport. Public sector clients are demanding this, while consumers are increasingly placing emphasis on green solutions while making their choices. The Vy Group is taking a clear position in respect of customers and clients as sustainability is a focus area for the group.

Sustainable brand

In 2019, the Vy Group was named "Norway's most sustainable brand" in the "transport" industry category in Sustainable Brand Index 2019, the largest sustainable brand survey in the Nordic region. Overall, we came in fourth after Tine, Stormberg and Kiwi.

Greenhouse gas emissions

Emissions of greenhouse gases from Vy's bus division have been reduced considerably over the past few years. Switching to newer, more energy-efficient buses, more energy-efficient driving and renewable fuel or electricity are the main reasons for this. Vy Bus is organising



a championship focusing on economical, customer-friendly and safe driving in order to improve at more efficient driving. Drivers will qualify if they have the lowest number of driving style flags for the driving hours logged in the EcoSafe programme. The final is organised as a competition including a number of different elements between the ten best bus drivers.

Emissions for passenger rail services in Norway are also being reduced. This is mainly due to a more beneficial mix of power (more renewable electricity). Vy buys power with guarantees of origin for rail services and buildings. This is helping to support the producers of renewable energy. That said, we have chosen to use the actual mix of renewable electricity and electricity produced using fossil energy in order to calculate our emissions.

Emissions from freight trains have also been reduced. This is mainly due to reduced volume in 2019 and hence reduced energy consumption; but also because consumption per kilometre driven has also been reduced, mainly because of more energy-efficient driving and more energy-efficient locomotives.

The Vy Group's total emissions from its own activities have fallen by 5 per cent in 2019. We have set ourselves a target for the 2020-2024 period; to reduce relative greenhouse gas emissions in grams/seat kilometre by 14 per cent. Emissions for 2019 amounted to 12.7 grams/each kilometre, which means that we met the interim target for the year and achieved a reduction of 5 per cent compared with 2018.

Greenhouse gas emissions from suppliers (scope 3)

We report on our suppliers' greenhouse gas emissions in accordance with the international greenhouse gas reporting standard, Greenhouse Gas Protocol, scope 3. Our biggest supplier is responsible for emissions of approx. 9,000 tonnes of CO2e. Transport linked with alternative travel accounts for 95 per cent of emissions, while train maintenance accounts for 2.5 per cent. Overall, this constitutes around 3.3 per cent of estimated greenhouse gas emissions from our operations (scopes 1 and 2). We have worked together with our suppliers in 2019 to improve scope 3 reporting.

Energy consumption

Consumption of fossil fuel for running buses and trains is the most significant source of greenhouse gas emissions within the Vy Group. We are constantly working to increase the percentage of renewable energy we use. The Vy Group's direct emissions will increase as we are growing in the field of eco-friendly transport, but savings for society compared with alternative transport (private cars and trucks) will increase considerably. Savings for 2019 are estimated at 766,705 tonnes of CO2e. (Source: Asplan Viak).

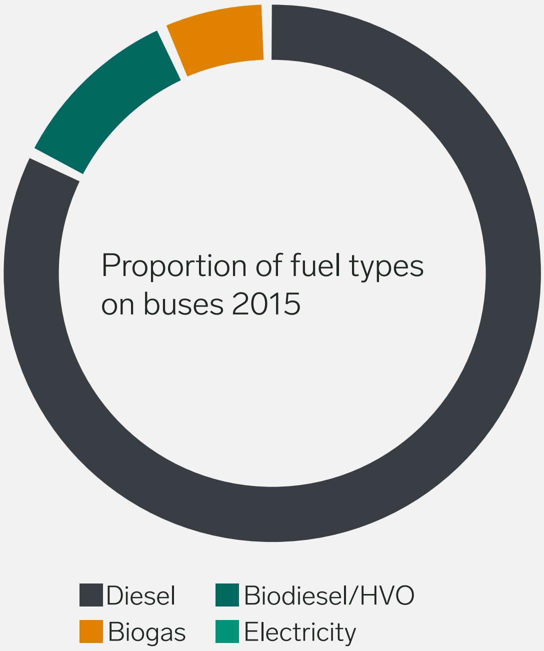
Switching to renewable energy for the bus division

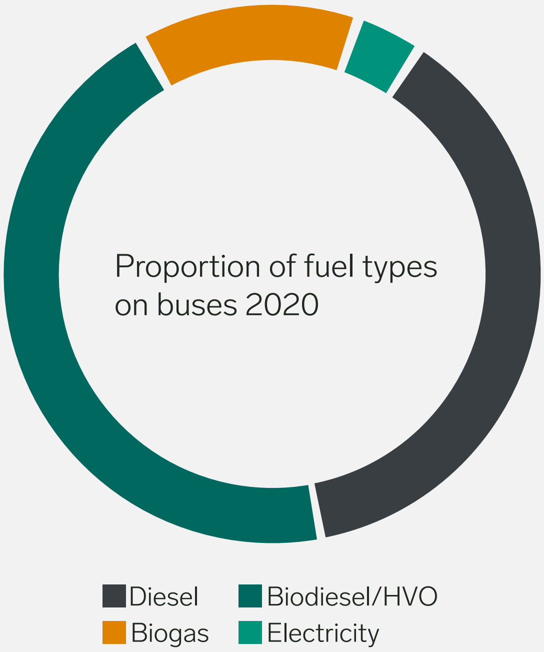
Greenhouse gas emissions from the Vy bus division have been reduced significantly over the last few years. The main reason for this is a significant switch to electricity and renewable energy for our bus division, as well as the installation of solar panels on buses. Furthermore, use of a fleet management system that records fuel consumption, idling and driving behaviour, among other things, has helped to reduce emissions.

Use of alternative fuels such as natural gas, biogas and biodiesel for buses has increased gradually over the last few years. The number of wagon kilometres running on HVO/biodiesel or gas stands at 65 per cent, up from 58 per cent in 2018.

Vy Buss becomes a major electric bus stakeholder

Vy Buss will be running between 80 and 115 electric buses in addition to almost 300 biogas buses by the end of 2021. This means that Vy Buss is right at the top in Norway when it comes to implementing electric technology. We are also one of the biggest stakeholders when it comes to running biogas buses. We will also have around 60 electric buses in Sweden, operating in Jönköping and Gävle as of summer 2021. This will give Vy Buss valuable experience of operating such buses, as well as experience of charging infrastructure, making us an active participant in the forthcoming technology





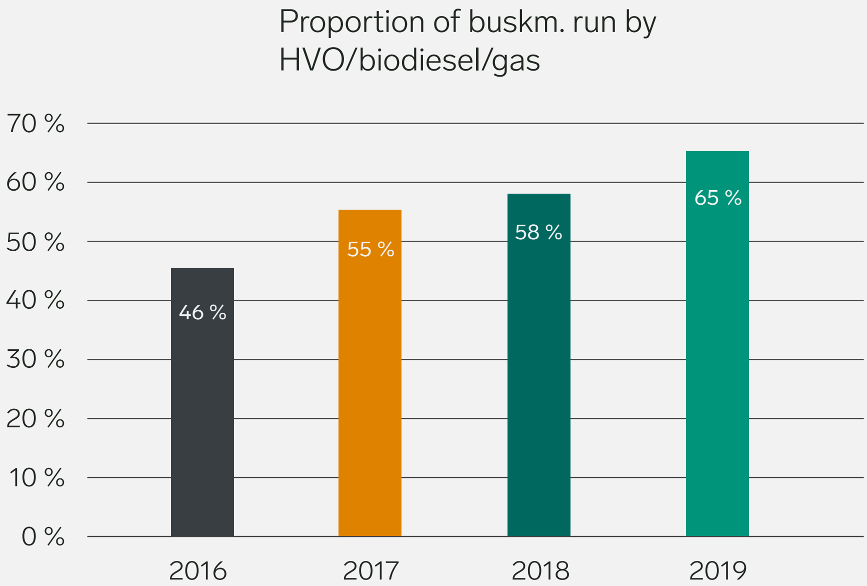
shift. Vy Bus is now running electric buses in Drammen, and we will be up and running in Slemmestad/Asker, Haugesund and Hamar by the summer of 2020. These are electric contracts awarded thanks to their combinations of price, quality and environment.

Buses with solar panels in Hønefoss

In early summer 2018, the world's first three buses with solar panels took to the streets in Hønefoss. After summer 2019, they were followed by another seven buses with solar panels on the roof. The solar panels power the ticket machines, air conditioning and lights aboard the bus. The bus saves a litre of fuel when it has generated one kilowatt of power, resulting in decent savings in financial terms and for the environment. This will save an estimated 30 tonnes of CO_2 emissions for the year and reduce expenditure on electricity.

Energy consumption for passenger rail services

More journeys made and more energy-efficient trains have reduced relative energy



consumption. Consumption of power per rail journey (kWh/passenger kilometre) in Norway has fallen by 7.7 per cent between 2018 and 2019.

Energy consumption for the freight division

Energy consumption for transportation of freight (kWh per tonne-kilometre) fell by 4.5 per cent in 2019. Consumption is largely influenced by which routes are used and the mix of diesel and electric operation. This reduction has been achieved by providing training on energy-efficient driving, as well as data capture and indication of target attainment for reduced energy consumption. Transportation of freight by rail is significantly less burdensome on the environment than transportation by road. CargoNet is relieving the strain on the roads for a significant number of long trailer journeys, thereby helping to reduce emissions, accidents and queues. In 2019, the Vy Group's freight division removed around 156,500 long trailer journeys from the roads, equivalent to some 600 trailers every working day.

Waste

Vy wishes to prevent waste being generated; but if it is generated, we want to reuse and recycle products and aim not to send waste to landfill. Incineration of waste without energy recovery is also something that we wish to avoid. Our aim is to be alert to recycling opportunities and to continue increasing the amount of waste we sort at source.

A waste volume of 846 tonnes has been recorded for our bus division, with a waste sorting level of 73.3 per cent. The corresponding figure for the freight division is 543 tonnes, with a waste sorting level of 100 per cent. For rail operations, the best estimate based on available sources is 516 tonnes, with a waste sorting level of 58 per cent.

For the Romerike contract, Vy Bus has an obligation to implement a pilot project to overhaul a washing station so that it meets requirements for the Nordic Swan Ecolabel. A washing station at Eidsvoll has been selected as a pilot for this project. The Nordic Swan Ecolabel defines strict requirements for water consumption and contamination of wastewater. To meet these requirements, an additional cleaning technology solution has to be installed that makes it possible to recirculate the wash water and clean it in accordance with requirements related to the Nordic Swan Ecolabel before releasing it to the municipal sewer system. At present, Norway has no washing facilities holding Nordic Swan Ecolabel accreditation for the external washing of heavy vehicles. If approved, Eidsvoll maybe the first facility in Norway to receive Nordic Swan Ecolabel accreditation. Similar overhauls of the washing facilities at Hamar and Brumunddal are also planned.

Bottles, paper and residual waste are sorted on our trains. Paper is recirculated and sent for recycling. Residual waste is sent to energy recovery via Norsk Gjenvinning. At Vy Bus, the most significant consumption of plastic is a result of plastic packaging on new buses. We are therefore holding discussions with future suppliers of new buses in order to reduce this plastic packaging. The greatest plastic consumption for our rail services is accounted for by our food service and night train packages. Vy is working to remove oil-based plastic from the disposable packaging used by Vy Meny.

When phasing in new uniforms, we work in partnership with Fretex to reuse and recycle the old uniforms. We have asked all our employees to submit their old uniforms to Fretex themselves so as to avoid additional transport. The clothing will be reused as far as possible, or else recycled for the production of polishing cloths, insulating mats, textile mats for the automotive industry and white goods, and in vegetation matter used to make green roofs.

The suppliers of engineering and cleaning services for our freight and passenger trains use chemicals. This consumption of chemicals is controlled means of requirements to suppliers and in supply follow-up. Our bus division uses chemicals for both bus services and engineering services. Of 1218 different chemicals, 61 are classified as belonging to hazard classes 3-5 in the EcoOnline chemical database. Vy Bus is continuing its efforts to reduce chemicals by mapping requirements and physically removing older chemicals. In addition, a new collective agreement was signed in December 2019 concerning chemicals used for washing buses. This agreement will reduce the use of hazardous chemicals.

There were no significant emissions associated with our passenger rail services in 2019. Following a collision with an excavator on the Nordland Line in December 2019, the diesel tank on a locomotive belonging to CargoNet was punctured and around 3,600 litres of diesel escaped. All alerts and the follow-up of this took place as described in the emergency response plan. Snow contaminated with diesel was removed, the site of the contamination was kept under surveillance and the need for further measures will be assessed.

The Safe Journey
– Creates security and diversity

3 Good health and well-being

- Half the number of deaths and injuries caused by accidents on the roads and railways
- Reduce number of deaths and cases of illness caused by hazardous chemicals and contaminated air

5 Gender equality

- Provide both genders with equal rights and opportunities

8 Decent work and economic growth

- Protect worker rights and promote a safe and secure work environment for all employees
- Promote a sustainable tourist industry that creates jobs and promotes local culture and products

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Vy's aim is to be the Nordic industry leader in terms of traffic safety and HSE in 2020. The following three focus areas are given priority:

- Traffic safety: Vy must help to ensure that people and freight can be transported more safely.
- Safe customers: Customers must travel safely on services that are predictable in terms of time and quality, and their personal data must be handled securely.
- Safe and happy colleagues: Our employees must have a safe place to work that enables them to develop and gives them motivation.

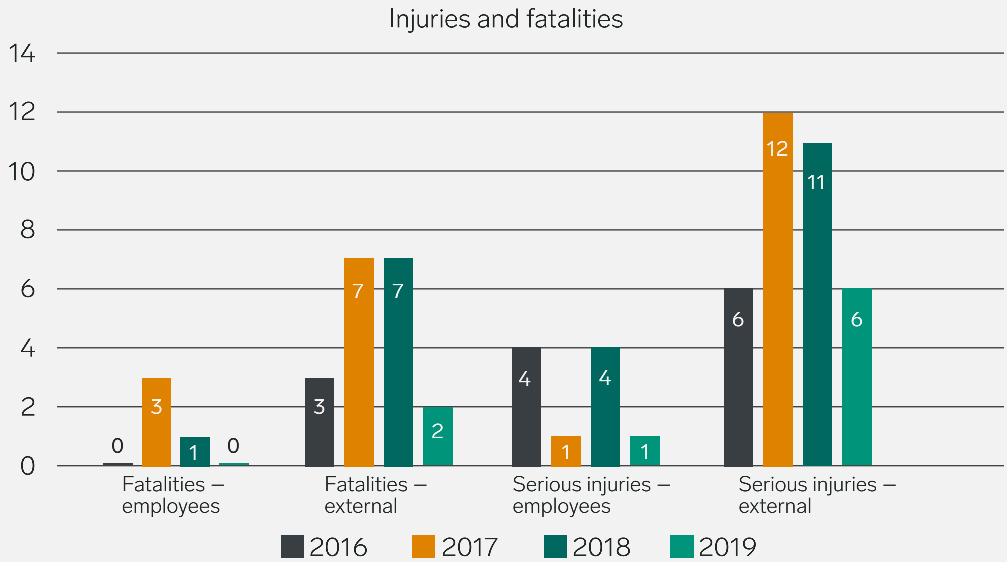
We have set ourselves a target for the 2020-2024 period; to reduce serious injuries among customers by 33 per cent, and to reduce injuries among employees by 36 per cent. Sick leave should be reduced by 11 per cent over the same period

Traffic safety

Traffic safety is at the heart of the Vy Group's corporate culture, and our staff have a high degree of expertise in traffic safety work and take great pride in it. We are working within all Group divisions to reduce adverse incidents and hazardous situations still further so that we avoid injuries and deaths linked with what we do.

Injuries and deaths

No passengers or staff were killed as a consequence of Vy Group operations in 2019. Two third parties died as a consequence of collisions involving a bus and a freight transport.



A car ended up on the opposite carriageway and collided with one of our buses, and the car driver died. A track worker was killed while operating an excavator on the track when a CargoNet train approached.

Traffic safety associated with railways

For the Vy Group, in 2019 there have been 29 incidents defined as railway accidents in accordance with regulations. This is on a par with 2018. Accidents are followed up according to established procedures, and internal investigations/reviews are implemented as required.

The causes of many of these incidents are beyond the direct influence of the Group. Systematic efforts are being made to record adverse incidents and report to the infrastructure manager. Traffic safety work is given high priority, and audits, risk management and management by objectives are used to influence risk both internally and in cooperation with others. Emergency response work aims to limit any damage and injuries. Vy Tog obtained ISO 45001 certification in 2019. This is a new work environment standard, defining minimum requirements for systems in order to protect employees from illness and accidents due to conditions in the workplace.

In 2019, 2,202 animals were run over on Norwegian railways. This is 615 less than in 2018. The main cause of the decline is assumed to be a less harsh winter, with less deep snow so the animals did not go down to the tracks. Vy's percentage of incidents involving animals is not indicated by the statistics. Bane NOR has implemented an action plan the number of animals run over by trains. Preventive measures to reduce collisions are currently being implemented, which includes clearing vegetation, setting up reindeer fences, alert systems and speed reduction.

Traffic safety associated with the bus division

Vy Buss focuses on road safety, and this topic is always the first item on the agenda at Vy Buss management meetings. All serious incidents are evaluated. Given the fatal accidents that took place in 2017, involving the deaths of three of our drivers, particular emphasis has been placed on driver's seat collision safety for class 1 buses. The safety services have approached the Ministry with regard to driver safety requirements, and on this basis the Norwegian authorities raised this issue with the EU's Working Party on General Safety Provisions (GRSG).

Unfortunately, stricter requirements have not received approval at the current time. Other European countries requested mapping of the extent of accidents before wanting to regulate the legislation. Vy Buss has also taken the initiative with regard to NHO Transport. To ensure that competition terms are equal, it is important for our clients to maintain the same

focus when they make demands of buses in competitive tendering procedures.

Nevertheless, as a consequence of this work it seems that more manufacturers are enhancing safety by placing reinforcements around the driver's seat, independently of the legal requirements.

None of our drivers has died due to collisions in 2019. From 2019 onwards, Vy Buss has been offering voluntary health checks to all drivers aged over 60 who are in the middle of their driving licence renewal period. In other words, health check intervals are being reduced from 5 years to approx. 2.5 years.

Vy Buss has defined traffic safety targets linked with driving style flags and injuries. These are being followed up at company, departmental and individual level. Local traffic safety risk assessments are updated annually. Vy Buss is certified to ISO 39001 Traffic safety.

Safe and happy workers

At the end of the year, the Vy Group has 11,666 employees, 2,468 of whom are temporary employees and 2,941 work part-time. Most of our part-time and temporary employees work with our bus division. There are 9,308 full-time equivalents. 2,159 Group employees work in Sweden.

Our staff survey (MTA) measures two key indicators; "Job satisfaction", which summarises what our employees think of the key factors that influence efficiency, and "Loyalty", which provides an indication of whether employees wish to remain with the company.

It is clear that both job satisfaction and loyalty remain at high levels within the Vy Group. Satisfaction has increased considerably within our freight division as operations, demand and profitability improve. The other business areas are showing a slight decline, but staff satisfaction is still good.

For the Group as a whole, we achieved a robust score of 72 points for "Job satisfaction" in 2019. The results for "Loyalty" is 79, down 1 point from last year.

Sick leave and injuries among employees (H1)

Employee satisfaction and customer satisfaction have a cause-effect relationship. We can only create the best journey if employees feel that their place of work is safe and secure and allows them to develop, and if they are motivated to help turn the Group's ambitions and targets into reality.

Sick leave has fallen by 0.7 percentage point to 7 per cent, 0.3 percentage point lower than the target, and we are seeing a decline in all business areas, with a significant decline for the bus division and train cleaning. Our target for 2020 stands at 7 per cent, and our long-term target is to bring sick leave down to 6.2 per cent by 2024.

H1 is defined as occupational injuries leading to absence beyond the day on which the injury was sustained (self-certified and/or with a medical certificate), and the H1 index is 5 for the Group as a whole. Injuries to employees measured using the H1 index have been reduced considerably in respect of our freight division, partly as a consequence of a range of measures for dealing with the challenge of injuries due to falls, for instance. Improvements are always being made to these measures, and this work will continue in 2020.

The number of occupational injuries resulting in absence is low and remains stable for passenger trains and our bus division; although these figures have increased at the end of the year, mainly due to slippery roads resulting in injuries due to fall accident among our operational personnel. As a result of this, we failed to reach our target for reduction of the number of occupational injuries resulting in absence in 2019. We have defined targets for reducing the number of injuries resulting in absence to an H1 value of 4.2 in 2020, and 3.2 in 2024.

We have implemented the following strategic initiatives in order to ensure that our colleagues are even safer and happier:

- To increase the Group's monitoring of HSE internally and in respect of suppliers, and reduce the number of injuries among employees.
- To increase the Group's monitoring of sick leave, with emphasis on skills transfer and joint initiatives to reduce sick leave. One measure for reducing absence due to illness has involved offering lifestyle courses where participants learn how to live healthier lives and make better choices for their health.

Ethical guidelines and rights

The Vy Group has guidelines for ethics and corporate social responsibility which refers to human rights, employee rights and efforts to counter corruption. Equality and equal opportunities efforts are expanded upon in the principles of the Group's personnel policy. These state, among other things, that:

- All employees of the Vy Group are equal, regardless of gender, age, disability, sexual orientation or religious, ethnic and cultural background
- We want to maintain a broad and diverse sector of managers and staff where individual qualities are respected and valued
- Greater balance between men and women is desirable at all levels in the Group, and emphasis must be placed on this in respect of recruitment and skills development

SAs part of this work, we have an internal notification channel for irregular activities. Five notifications were received in 2019 (fewer than the 8 received in 2018) linked with bullying/discrimination/harassment, and these have been dealt with according to established guidelines.

Human and employee rights are maintained well for our employees. We have forums in which employees and the company's management can meet, and our employees have rights that are clearly defined by means of agreements and collective agreements. Our staff are represented on the company's Board of Directors, and a work environment committee has been established that holds regular meetings.

Work and training to prevent corruption

The Vy Group is always working to minimise risks by means of internal inspection based on risk analyses that aim to identify irregularities and corruption. Ethical guidelines are part of the contract of employment with new employees for our passenger train and freight division. For our bus division, the ethical guidelines can be found in our Handbook for Managers (on the intranet) and our staff handbook and are referred to/linked in the handbooks for drivers. Training on how to counteract corruption is given to key individuals at all divisions, and the freight division has introduced online training linked to our ethical guidelines. We have set up a notification channel in accordance with the requirements of the Work Environment Act.

Internal inspections

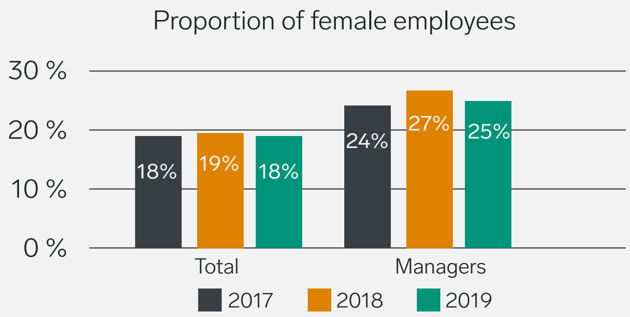
Based on data collected from our systems, we have analysed statuses and recommended surveys and improvements in our systems, procedures and practices. No serious errors and/or incidents linked with irregularities/corruption have been found during this work, but the analyses have provided a basis for measures to improve our data and internal processes. Moreover, we are not aware of any criminal cases linked with corruption that are being brought against our companies or employees. The management teams and Boards of Directors at the Vy Group were notified of the statuses and development of their own reviews of internal inspections over the course of the year.

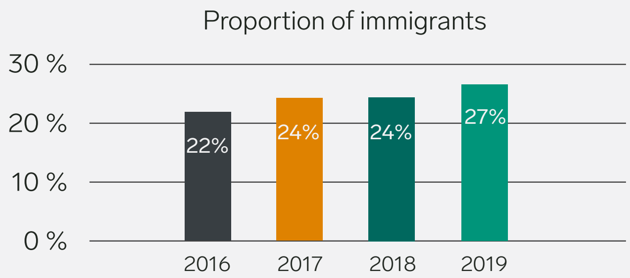
Diversity

Percentage of women – employees and management
18 per cent of employees at the Vy Group are women. The percentage of women at the various Group units ranges from 7 to 41 per cent. For

the Vy Group's Board of Directors, 40 per cent of shareholder-elected members are women and 29 per cent of group management members are women, while the percentage of female top managers varies from zero to 43 per cent at the various business areas. 29 per cent of middle managers are women, which is higher than the percentage of women among employees. The average pay for women varies from division to division, from 89 to 101 per cent of the average pay for men. The main reason for this can be linked with the position and seniority, along with the fact that average working hours for women are generally lower than for men.

Immigrants
27 per cent of employees at the Vy Group are immigrants, representing an increase of three percentage points from 2018. The highest percentage of immigrants is found among cleaning personnel and at the bus division. This percentage is growing within all our business areas; except with regard to train cleaning services, where it is falling slightly.





The Profitable Journey

– Ensures efficient use of resources

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

8 Decent work and economic growth

- Economic growth and new jobs through decent work
- Increase economic productivity through diversification, technological modernisation and innovation
- Protect worker rights and promote a safe secure work environment for all employees
- Promote a sustainable tourist industry that creates jobs and promotes local culture and products

11 Sustainable cities and communities

- Ensure that everyone has access to safe, readily accessible and sustainable transport systems at affordable prices

The Profitable Journey must guarantee high quality and value for money for our customers, Vy and our owners. The state owns Vy because it needs a supplier that can meet the government's need for transportation of passengers and freight on the railways. The state's objective as an owner is to achieve the highest possible returns over time.

All good things come in threes – Vy won Package West

After having been the runner-up in the competitive tendering procedures for the South and North packages, we were very pleased when Vy won the competitive tendering procedure for Package West. This package relates to rail services on the Bergen and Voss Line routes and local trains between Arna and Bergen. Services will commence on 13 December 2020. With Vy still in the driving seat, there will be more departures on the Bergen Line between Oslo and Bergen, and between Bergen, Voss and Myrdal on the Voss Line, depending on the season and the time of year. Arrangements are also being made for better alignment with the Flåm Line. For commuters, a significant increase in the service offering between Arna and Bergen has also been set up. This will allow us to attract even more daily passengers, leisure passengers and tourists. We will use a better selection of routes and exciting new solutions to ensure that the overall experience is as good as possible for customers and the environment.

Winners of tendering procedures and the start-up marathon at Vy Buss

Vy Buss has never launched as many contracts as it has in 2019. In 2019, Vy Buss AS was awarded five contracts in Norway and two in Sweden on the basis of competitive tendering procedures. With this, Vy Buss remains the largest bus operator in Norway. Nordre Vestfold, Slemmestad/Asker and Haugalandet are new areas for us. We also came out on top for Hamar and Ålesund once more. In total, this means that 413 buses will have to be in place by 2021. In Sweden, we won the contract for Gävle again, along with a new contract in Jönköping; a total of 150 buses.

Services began in Romerike, Gjøvik and Telemark in June 2019. A total of 376 buses had to be provisioned in a very short time so that services could be run. At the same time, we got ready for the start of our contract in Trondheim in August, where we are operating 44 new metrobuses. The unique thing about these metrobuses is that they are 24 metres long, so they are helping to implement more sustainable public transport in Trondheim as they allow more people to travel together. The contract in Trondheim is operating 160 buses. We started work on two smaller contracts in Sweden, running school buses in Lerum and Västtrafik Flex, with a total of 14 buses.

The contract for Romerike is unique as Vy Buss supplied ITxPT, which is an international cooperation for standardisation of IT solutions

for passenger transport services. Vy Buss is part of this initiative and was the first to deliver its own solutions in the contract for Nedre Romerike. This contract includes 223 buses over four traffic areas. ITxPT makes it possible to supply highly advanced IT solutions across different suppliers and clients. Standardising our IT deliveries will allow us to negotiate better agreements with suppliers, as well as simplifying the running of systems in the departments throughout the entire contract period. This may help to bring about better financial sustainability and traffic safety. Vy Buss is in a unique position, with very close cooperation with clients, bus manufacturers and IT suppliers, and is a leader in the field in Norway thanks to this.

Vy Buss working constantly with Best Practice

In everyday parlance, best practice means implementing management activities that we know will have results for areas such as sick leave and staff satisfaction. Increasing emphasis on reducing damage to buses is new for 2019, and our target is to reduce repair costs significantly over the next few years. We believe there is a great deal of potential for improvement by learning from the best departments.

Subsidies to freight trains

A temporary new subsidy scheme has been introduced for the transfer of freight from roads to railways. This funding scheme is aimed at the combined transport and wagon load forms of rail transport, where competition with road transport is at its strongest. The funding is paid to train companies based on net tonne-kilometres of freight transported by rail. The scheme is valid for up to three years and will help to move more freight to the railways and reinforce the offering in 2020, with increased capacity on the Sørlandet, Dovre and Nordland Lines.

Vy is focusing on renewal and growth in order to reinforce its core business

To reinforce its core divisions, Vy is focusing on developing door-to-door services and sustainable tourism based on public transport.

The launch of 250 electric city cars in Oslo in January 2019 was the first evidence of our mobility initiative that was presented to customers. This service is called Din Bybil and is Norway's first "free-flow" car sharing service.

User surveys that we have carried out indicate that this service has already reduced the number of private cars by around 850.

We are also working on developing a shared digital platform for travel planning and ticketing for buses and trains in Norway and Sweden. Go Mobile AS became a wholly-owned subsidiary of Vy in 2019. Among other things, Go Mobile has developed the Mivai taxi app and flexible bus ordering service Flexx. These products give Vy the opportunity to include a range of new solutions and products on our website and in our app.

We are continuing to work on developing more attractive tourist packages involving travel by rail, road and sea together with local tourism companies, and services should be available via a digital tourism portal. Vy and Fjord1 have established a joint national tourism company known as Vy Fjord1 Reiseliv AS. Its aim is to offer eco-friendly tourist packages involving travel by bus, train and boat all over Norway, develop new tourist destinations and help to promote year-round tourism.

Vy are co-owners of Applied Autonomy, a company that is developing technology and setting up autonomous buses. We have trialled autonomous buses at Gjøvik and Kongsberg, and plans are in the pipeline for Östersund. In Kongsberg. Our autonomous buses have replaced a standard bus all year round. We are constantly trialling new customer solutions, which includes pilot projects involving city bikes, carpooling to stations (Samme Vei) and the Nabobil car sharing service. We are working in partnership with innovation environments such as MobilityLab and are constantly on the lookout for new partnerships.

Responsible purchasing

We are a responsible purchaser. We specify requirements in terms of both quality and the environment and observe human and employee rights as part of our procurement procedures. The Vy Group purchases goods and services worth around NOK 7.5 billion a year from over 6,000 suppliers, as well as procuring plant and equipment (mostly trains and buses) worth around NOK 2 billion. About 15 per cent of our suppliers are registered outside Norway. Efforts to ensure compliance with social and ethical requirements in the value chain is a crucial part of the Group's community work. Our purchasing function has been set up in order to ensure that the Vy Group utilises its collective buying power to achieve optimum conditions when making purchases, and that the contracts Vy enters into with external stakeholders safeguard Vy's interests satisfactorily. The Vy Group is a member of the Ethical Trading Initiative (Etisk Handel Norge), the purpose of which is to promote responsible supply chains.

A minimum standard is defined via the Group's "Ethical guidelines for suppliers", which are used as a basis for all procurement procedures and resulting contracts. These state, among other things, that suppliers must observe basic labour and human rights within their operations. We carry out risk analyses every year on the basis of the purchasing plans of the Group and the business areas, and 31 suppliers/procurement procedures underwent risk assessment in 2019. The risk analysis covers environmental, social and ethical requirements, as well as procurement procedures of significance to traffic safety. In the case of procurement procedures, the risk factors are followed up by defining relevant requirements in the competitive tendering procedure based on the risk identified. Specific environmental requirements were defined when purchasing GSM-R telephones and mobile phones, cleaning services and cleaning chemicals. The supplier's value chain was inspected when electric buses were purchased, and this work will continue in 2020. The value chain for production of the new uniform has also been inspected.

Cooperation and commitment to society

Vy Buss transported more than two thousand children to the UN's World Children's Day
In partnership with UNICEF and Brynäs IF, Vy Buss used its Gävle city buses to transport more than two thousand schoolchildren to the sports hall, Gavlerinken, where they enjoyed lots of fun and games and learned all about the rights of children in connection with the UN's World Children's Day on 20 November.

Vy's Christmas gifts to charity organisations
Staff at the Vy Group have donated their Christmas gifts from the company over the past few years to help one or more charity organisations. Instead of giving each and every staff member a small, symbolic gift, we hold a staff vote and distribute a total sum of NOK 500,000 to people that we know will put the money to good use.

The Children's Cancer Association, the Swedish Childhood Cancer Foundation, The Norwegian Air Ambulance Foundation and WWF received most votes from our employees in 2019. The Children's Cancer Association and the Swedish

Childhood Cancer Foundation received NOK 150,000 each, while The Norwegian Air Ambulance Foundation and WWF each received NOK 100,000. The Children's Cancer Association and the Swedish Childhood Cancer Foundation work to help children and their families in challenging situations and are working to try to ensure that no child has to die of cancer. The Norwegian Air Ambulance Foundation helps save lives, and WWF is working to prevent pollution in the sea.

Vy Bus4you is collecting funds for Giving People in Sweden for the fourth consecutive year
Giving People is an aid organisation working to prevent and counter child poverty in Sweden. Vy Bus4you has collected funds and donated SEK 5 per journey booked between 9 and 22 December. This year's campaign collected more than SEK 300,000, which meant that 313 children received new winter shoes and that more than 1000 children will receive Christmas gifts and Christmas food. Many children and their families live in poverty in Sweden. This is why we want to help these families to enjoy a wonderful and memorable Christmas. This is the third consecutive year in which Vy Bus4You is helping vulnerable children or pensioners with limited finances. In total, Vy Bus4You has collected around SEK 1.4 million for Giving People in this four-year period.

Helping to reduce environmental impact from Ski Tour 2020
With bus and train operations and experience in both Sweden and Norway, Vy is giving the Ski Tour 2020 events an opportunity to reduce its climate footprint considerably by allowing participants to travel by train between competition venues. One clear objective for the organisers of Ski Tour 2020 is to make the tour as sustainable as possible in financial, social and environmental terms. The partnership between the ski federations in Sweden and Norway also forms a basis for further sustainable development even after Ski Tour 2020.

Summary of results

	2019	2018	2017
Passenger train journeys (mill.)	78,7	74,2	70,1
Bus journeys (mill.)	125,9	125,3	121,7
Transported TEU (1 000)	355	35	355
Punctuality - passenger train (Norway)	86,3 %	85,8 %	88,4 %
Punctualityt - freight tain	95,2 %	93,0 %	95,1 %
Customer satisfaction - passenger train (index 0-100)	67	72	75
Customer satisfaction - expressbus (index 0-100)	NA	77	78
Energy consumption - passenger train Norway - electricity (MWh)	401 320	395 771	374 897
Energy consumption passenger train - diesel (mill.litre)	8,9	8,9	8,8
Energy consumption bus - diesel (mill.litre)	24,4	31,0	32,2
Energy consumption bus - biodiesel (mill.litre)	10,6	9,2	4,0
Energy consumption bus - HVO (mill.litre)	17,2	15,8	16,1
Energy consumtion- bus (gass mill.m3)	10,6	9,2	4,0
Energy consumption freight train - electricity (MWh)	111 722	121 522	125 199
Energy consumption freight train - diesel (mill.litre)	5,6	6,0	5,7
Energy consumption passenger train - (kWh/seatkm.)	0,0415	0,0414	0,0399
Energyconsumption bus - (litre/buskm.)	0,344	0,340	0,343
Energy consumption freight train - (kWh/tonnekm)	0,042	0,044	0,045
Emissions passenger train (Norway) - tonnes CO2	80 613	82 328	65 425
Emissions bus - tonnes CO2	133 513	151 955	157 985
Emissions freight train - tonnes CO2	35 596	39114	34 558
Fatalities - employees	0	1	3
Fatalities - external	2	7	7
Serious injuries - employes	1	4	1
Serious injuries - external	6	11	12
Railway accidents	29	28	22
Employees	11 666	10 999	10 858
Man years	9 308	9 008	8 964
Employee stisfaction	72	72	71
Sick leave ratio	7,1 %	7,8 %	8,0 %
Proportion of women	18 %	19 %	18 %
Proportion of female managers	25 %	27 %	24 %
Proportion of immigrants	27 %	24 %	24 %
Notices on discriminatory behaviour	5	8	4

Principles and reporting standards

The Vy Group has established its own corporate social responsibility guidelines and ethical guidelines. These have been incorporated into our management system. We have to follow these basic principles when exercising our corporate social responsibility:

- Every business manager is responsible for ensuring that their unit observes corporate social responsibility as part of its business
- Corporate social responsibility must be incorporated in our strategic foundation and values
- We support the principles of the UN's Declaration of Human Rights and the ILO core conventions.
- We work actively to prevent all forms of corruption
- We must work actively to reduce the environmental impact of the transport sector
- We issue annual reports on the status and development of corporate social responsibility in a separate sustainability report

We apply the precautionary principle when dealing with corporate social responsibility. This is achieved by using risk analyses as a basis for our management of the company and implementing measures to manage the risk.

We have implemented stakeholder and materiality analyses in order to identify and prioritise the areas that we need to work with and to ensure that we have taken into account our own assessments and the assessments of others as regards the Group's exercising of corporate social responsibility. We have sorted our stakeholders into the following groups:

- Owners
- National and local authorities
- Suppliers and other partners
- Customers
- Employees and employee organisations
- Interest groups and local communities

Overviews of typical discussions and the number of meetings, along with a summary of topics, have been compiled for each of these. Based on the stakeholder analyses and our own internal assessments, we have identified significant areas as summarised in the illustration below:

How important is this aspect to external shareholders?	High		Maximum
Maximum	• Preventing economic crime	• Reduce energy consumption and emissions	• To eliminate injuries and deaths • To supply reliable, safe transport services that meet the expectations of customers and owners • To help ensure that more people use public transport
		• Profits and returns in accordance with owners' requirements • To minimise waste and the use of chemicals • To safeguard restructuring, development and innovation	• Secure, commited, competent staff • To safeguard ethics and human rights
High		• To safeguard human rights in the supply chain • To ensure high levels of IT security	• Cost-effective operation • Robust and effective purchasing • To ensure stable, high-quality • recruitment

High — How important is this aspect in respect of attainment of Vy? — Maximum

The safety of customers and our staff is our top priority. The materiality analysis also indicates that reliability and growth in public transport are Vy's most significant contribution to society. The priorities in the materiality analysis above are reflected in our strategies and our day-to-day work in respect of sustainable running and development of the Group.

The Vy Group has been reporting on environmental and corporate social responsibilities since the early 2000s. The report and its emphasis have developed on the basis of materiality assessments linked with the business's challenges and expectations from stakeholders. As a large corporation, the Vy Group must account for corporate social responsibility in accordance with the Accounting Act, sections 3-3 a and c, and the report has been prepared and submitted according to these requirements. This report has been prepared in accordance with the GRI Core option standard.

Report of the Board of Directors

Summary of the Year 2019

(Last year's figures in brackets

The growth in demand for passenger train and buses services continues. The Vy Group delivers good results from operations before one-off effects from the completed settlement of pension liabilities with Statens Pensjonskasse in the parent company. The trend for the freight business is also positive. Unstable infrastructure following the maintenance work this summer has posed major challenges for our customers. The board is not satisfied with the punctuality of passenger trains.

Vy participates in competitions for announced rail passenger service tenders, and won the tender for package West, but lost the tender for package North. Package 4, which forms part of the train services in Eastern Norway, will be subject to competition with effect from December 2022.

Vy's bus business has successfully started production in several large tenders, including Trondheim. There has been significant growth in demand for express bus services in Norway and Sweden.

A decision has been made to introduce an environmental support scheme for freight traffic on the railways with effect from 2019. The purpose of the scheme is to strengthen the competitiveness of combined transport and cargo until special infrastructure measures for freight transport on the railways will take effect. The freight business is displaying better results, and increased demand has made it necessary to increase the capacity of popular routes and departures.

The Vy Group and Fjord1 have established a new joint travel company, Vy Fjord1 Reiseliv AS, and the Vy Group's stake in Fjord Tours has been transferred to the jointly owned company.

A new name and brand was introduced in the spring of 2019. New uniforms were introduced in December, and the re-profiling of trains and buses will continue in 2020. The Vy Group is now unified with one common identity and will offer simple purchases, travel experiences and offers that exploits the synergies within bus, train and travel. The goal is to make it easy to travel environmentally friendly by public transport.

Developments in key performance indicators:

- The growth in the number of passenger train journeys in Norway is 2.8 per cent
- The growth in the number of express bus journeys is 6 per cent
- Punctuality for passenger train operations in Norway is 86 per cent (85 per cent)
- Punctuality in freight operations improved to 95 per cent (92 per cent)
- 2 deaths arelated to the business in 2019
- Absence due to illness is 7.1 per cent, 0.7 percentage points lower than last year

Financial development:

- Operating profit is MNOK 808 (MNOK 754)
- Profit before tax is MNOK 699 (MNOK 585)
- Return on book equity over the past 12 months is 11.2 per cent (9.3 per cent)
- Demand growth and streamlining of operations produce improved results in the passenger train business
- Sound underlying operations for the bus business
- Streamlining of operations and introduction of a support scheme lead to better result for the freight business
- Accounting gain from transfer of shares in Fjord Tours to new joint venture Vy Fjord1 Reiseliv AS
- Accounting loss on one-off settlement with the Statens Pensjonskasse for pension liabilities in Vygruppen AS.

Summary of Results and Trends for the Business Areas

Passenger Train Operations

Vy train has in Norway entered into agreements with the Railway Directorate to operate the routes where competition has not yet been introduced. The agreement expires formally at the end of 2022 (2024 for Gjøvikbanen) and has a remaining contract value of approx. NOK 7.1 billion.

The Government has launched competition for three passenger train packages; traffic package South, traffic package North and traffic package West, with start-up in respectively December 2019, June 2020 and December 2020. It is also planned to launch further competitions in Eastern Norway with start-up in December 2022 and December 2024.
In December 2019, Vy trains were awarded Traffic Package 3 West (the Bergen railway line, Bergen-Voss-Myrdal and Bergen-Arna) with start-up in December 2020. Vy train had the highest score in both quality and price and will deliver an extended train offer. The contract is for 9 years with an option of 1 + 1 year. Vy will also participate in the remaining packages that are exposed to competition.

Vy did not win Traffic Package 1 South and Traffic Package 2 North which constitutes approx. 27 percent of the passenger train business' turnover. Traffic package South was awarded to British company Go-Ahead i.a. based on the company's high expectations of growth in the number of journeys during the tendering period. Traffic package North was awarded to SJ Norge AS, which presented approximately the same route offer, but a somewhat lower price than Vy. Our company obtained a good score on quality and was ranked second in both competitions.

During the year, the number of new Flirt trains in the company's operations increased to 115 (105), of which 8 are deployed in Eastern Norway and 2 on Vossebanen to replace old train sets.

Operating revenues for passenger rail operations in 2019 are MNOK 9,536 (MNOK 8,623), an increase of 10.5 per cent from the previous year. The total number of journeys in the passenger train operations in Norway and Sweden is NOK 78.7 million (NOK 74.2 million). For Vy passenger trains in Norway, the number of journeys is 73.2 million, which gives an underlying growth of 2.8 per cent. This shows that Vy makes a significant contribution to the growth of journeys being taken by public transport, and this together with the fact that the business mainly uses renewable energy contributes to reducing the climate footprint in Norway.

Operating profit for passenger trains is MNOK 777 (MNOK 642), an increase of MNOK 135 from last year. There has been a volume and revenue increase for passenger trains in both Norway and Sweden, while the costs have been affected by a one-off settlement with SPK in connection with the transition to a new pension scheme. For Sweden, the operating profit improved to -24 MNOK (-81 MNOK) as a result of increased revenues and improved operations.

In Norway, Vy trains achieved a punctuality of 86.3 per cent, a slight improvement from 2018, but still below the target of 90 per cent.

The board is concerned about the low punctuality of passenger trains. The year was marked by extensive infrastructure work during the summer months and a number of other infrastructure failures. Vy is dedicated to reducing the operational deviations that Vy can influence and improving delivery to the customer, including running a program for training and recruitment of staff in the trains. Vy is also committed to working closely with BaneNOR on measures to reduce operational deviations caused by infrastructure failure and to improve information to customers.

Bus operations
Vy carries out regular services on tenders or contracts with county municipalities in Norway and Sweden, as well as express bus services, tour services and workshop operations. The market for bus services in Norway and Sweden has been relatively stable in recent years and investments in public transport in the metropolitan areas are expected to continue. There is a great deal of attention on the transition to climate neutral solutions in the form of electric buses and increased use of biofuels. Most tenders require fossil-free solutions.

The Scandinavian express bus market is characterised by strong competition from aircraft, trains and other bus operators. After several years of extensive restructuring, satisfactory profitability has now been achieved in the Norwegian and Swedish express bus operations. However, competition is still fierce and continuous customer customisation is needed to hold the position. The development of digital sales channels is particularly important.

In Norway, our company has won several major contracts for operating bus services, both at Romerike, Telemark, Oppland and Trondheim, and our market share has been maintained. In Sweden, total production has been stable in 2019.
In December, the Vy Group signed an agreement for the purchase of Flygbussarna from Transdev. Flygbussarna have a turnover of almost half a billion SEK annually and take about five million travelers to and from seven airports in Sweden. The acquisition will take place in March 2020.

Operating profit for the year is MNOK 125 (MNOK 270). The main reason for the decline is the write-down of goodwill in connection with Vy losing its tender for an airport bus in Trondheim with effect from February 2020 and poor results in the workshop operations. Total operating income is MNOK 6,506 (MNOK 6,218), an increase of 4.6 per cent from the previous year.

Freight
In 2019, there has been considerable progress for the freight business both in terms of operations and profitability.

The framework conditions for freight on the railway have improved somewhat in 2019 through the introduction of a temporary support scheme (01.07.2018 - 30.06.2021), which is aimed at combined transports and carriage loads. There is still a great need for infrastructure measures (including tracks, freight priority, maintenance) in order to achieve a lasting transfer of freight from road to rail. The competitive situation versus freight transport on the road is becoming more and more demanding, especially as a result of the opening of new highways.

Punctuality and regularity have improved last year compared to 2018. The winter months have still been demanding, but the deviations from schedule in 2019 related to shortage of carriages have been somewhat reduced. However, deviations related to infrastructure failure/ derailments were somewhat higher in 2019 than the previous year.

In terms of profitability, the year has shown clear improvements compared to previous years, where, among other things, reductions in capacity have led to an improved loading rate. In addition, the efficiency measures implemented have led to cost reductions as expected, where staff reductions are mainly eliminated through natural retirement.
The average punctuality of freight trains improved to 95 per cent (92 per cent) of deliveries within 15 minutes, significantly better than the 92 per cent target. Punctuality and regularity in delivery have been well above target, but there have been some negative deviations related to derailments and track work.

Operating revenues were MNOK 1,036 (MNOK 1,023), and operating profit improved to MNOK 26 (MNOK - 61). The main reason for the improvement in earnings is the effect of the company’s change program, increased demand and the introduction of a support scheme for goods on the railway.

Mobility and Tourism
Mobility and Tourism is the Vy Group's investment in the development of mobility services and tourism. In mobility, work is being done on developing a mobility platform where the customer will be able to plan and buy the entire journey from door to door, both with Vy and with third parties. Consolidation of our own services is a high priority, and Vy’s express bus routes are now integrated into the Vy app.

The Vy Group's commitment to 250 free flow electric city cars in Oslo is largely developing according to plan, and work is being done to continuously optimise the offer. This and several other initiatives to offer customers travel from door to door will strengthen Vy’s total offer and make customers less dependent on their own car.

In tourism, fjord, mountain and cultural experiences are sold to Norwegian customers, tourists and international tour operators. To succeed with the focus on tourism, Vy builds on established solutions and collaborates with others. Vy Fjord1 Reiseliv has been established, and the owners' shares in FjordTours have been transferred to the new company with an accounting gain, which for the Vy Group amounts to NOK 102 million.

There has been a 3.4 per cent decline in travel on Flåmsbana, mainly due to reduced demand from tourists from Asia.

Ownership, Corporate Governance and Management

The Board of Directors has reviewed and approved the Corporate Governance Statement which is part of this Annual and Sustainability Report. The Vy Group is one of the largest transport groups in the Nordic region with operations in trains, buses, freight and tourism. The parent company, Vygruppen AS, is owned by the Norwegian state represented by the Ministry of Transport and Communications. The Group's head office is in Oslo, while the business is spread across most of Norway and parts of Sweden.

A Sustainable Strategy

The Board reviews the Group's strategy annually. The assessment is based on, among other things, risk analyses, materiality analyses related to sustainability, assessments of the market and development of competition, as well as internal analyses. We call our corporate strategy "The Best Journey" which consists of four journeys with the following strategic theme:

- The smart journey that will make it easy to travel cenvironmentally friendly by public transport
- The green journey that will reduce emissions per trip
- The safe journey that creates security and diversity
- The profitable journey that provides efficient use of resources

The strategy is operationalised and incorporated into the Vy Group's action plans and goals, and the Board monitors progress and status of goal achievement through monthly reporting.

The Vy Group's most important sustainability contribution is to make it easy to travel environmentally friendly by public transport. This is primarily measured by the growth in the number of journeys. At the same time, we will reduce our greenhouse gas emissions by reducing energy consumption and switching to fossil-free alternatives and reduce injuries and absenteeism. A detailed review of Vygruppen's sustainability contribution is presented in a separate chapter in the annual and sustainability report.

Intern Control

The Vy Group has adopted its own framework for internal control, and has established internal control systems that include values, guidelines for ethics and corporate social responsibility, organisation and authorisation structure and governing documents.

The Board reviews its business idea, 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.

On this basis the internal control system is revised, resulting in revision of management documents, recommendations, procedures and key controls when needed.

Risk

Financial Risk
The Group's activities entail various types of financial risk: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management plan focuses on the capital markets' unpredictability and seeks to minimise the potential negative effects on the Group's financial results.

In daily operations, the Vy Group is to some extent exposed to currency risk related to liquid assets in connection with operations abroad. Apart from this, the group is only slightly exposed to currency risk as the majority of revenues and expenses are in NOK and SEK.

Surplus liquidity is invested in banks, Norwegian certificates and bonds with short remaining maturities, as well as money market and corporate bond funds.

The Vy Group focuses on counterparty risk in financial transactions by having established limits for exposure and regular follow-up of credit quality on individual counterparties.

The Group can use financial derivatives to hedge against certain risks. Further information on the Group's financial risk management is described in note 15 to the financial statements.

Operational risk
Operational risk analyses are carried out systematically, including in the field of traffic safety, environmental impact, acquisitions and the achievement of financial targets. In addition, comprehensive risk analyses are carried out for the Group's activities in connection with the annual long-term plan and budget work, where both potential negative and positive effects are identified and measures are implemented to manage the risk level. These analyses include assessments of changes in framework conditions, competition and market situation, consequences of environmental requirements, and climate challenges. Based on the risk analyses, measures and control activities have been established that reduce identified risks, including automatic controls, revisions and follow-up and extended analyses related to particular risk areas.

Important risk elements include loss of volume and profitability through loss of tenders, failure of delivery of important input factors such as infrastructure, rolling stock and ticketing systems from other parties. For these risk elements, measures are identified and implemented to limit the consequences of any negative outcome.

While working with risk assessments, positive opportunities have been identified, such as the development of tourism, the development of door to door services and increased growth for trains and buses as a result of increased tolls and parking restrictions and as a result of new tenders.

Financial development

Net profit for the Vy Group is MNOK 564 (MNOK 466), an improvement of MNOK 98 compared to last year. Operating profit is MNOK 808 (MNOK 754).

Net profit after tax for the parent company Vygruppen AS is MNOK 759 (MNOK 588). Group contributions and dividends from subsidiaries are included in the parent company's annual profit of MNOK 338 (MNOK 275). The operating profit in the parent company is MNOK 532 (MNOK 527).

The Group's net cash flow from operating activities is MNOK 1,910 (MNOK 2,148), and amortisation of leasing assets amounts to MNOK 1,707 (MNOK 1,602). Net investment excluding leasing is MNOK 311 (MNOK 655). The investments are mainly used to increase capacity and profitability within the Group's passenger train and bus businesses.

The Vy Group has changed its pension scheme to a defined contribution plan, and a final settlement has been made with SPK for the parent company Vygruppen AS. The net cash effect was a payment of MNOK 893, and the cost effect was MNOK 171.

A dividend of NOK 233 million has been paid to the Group's owner. For the Group, equity is MNOK 4,873 (MNOK 4,869), which gives an equity ratio of 29.1 percent (27.7 percent). For the parent company, equity is MNOK 4 494 (MNOK 4 140) and the equity ratio is 36.1 percent (28.5 percent).

The Group's return on book equity over the past 12 months is 11.2 per cent (9.3 per cent).

The Group's owner, represented by the Ministry of Transport and Communications, has assumed an expectation of a 50 per cent dividend on Vygruppen's annual profit after tax, where the level of dividends in each individual year must be assessed specifically. The following allocation of the year's profit for the parent company Vygruppen AS is proposed:

Dividend	282 MNOK
Other equity transferred	477 MNOK
Profit for the year	759 MNOK

The accounts have been prepared on the basis of continued operations, and the Board of Directors confirms that the assumption is present.

Outook

The Vy Group will offer easy purchases, travel experiences and offers that utilise the synergies within bus, train and tourism. The goal is to make it easy to travel environmentally friendly by public transport. During the year, our customers will be able to choose from a larger range of travel packages based on public transport. We are already progressing well in the process of facilitating planning and buying of journeys in the Vy app and on vy.no and will present a good and coordinated route offer for regional trains and express buses.

The passenger train market is in the process of becoming exposed to competition. Experience from the first tender packages shows that there is considerable interest in operating passenger trains in Norway from other players, considerable pressure on costs and margins, and high expectations for travel growth. Vy trains has won package West and is preparing for the recently announced competition package 4 for Eastern Norway with start-up 2022.
The long-lasting closures of tracks for infrastructure maintenance in the summer have caused considerable disadvantage for Vy's passenger train customers, and it has been challenging to establish and implement good travel alternatives. Unstable infrastructure after the closures has compounded the problems. The Railway Directorate has been given the task to evaluate the summer closures by the Ministry of Transport and Communications, and Vy, as a train operator, will contribute in this work to find better solutions for the customers.

The bus market is still growing, and the Vy Group's bus services are exposed to competition. In 2019, several contracts were put out to tender and Vy bus has both won new and regained several tenders in Norway for start-up in 2020. In Sweden we have won a large tender in Jönköping city, but lost almost similar volume of production in other agreements.

In 2020 a number of major bus tenders where Vy will participate will be launched in both Norway and Sweden. In total, this amounts to almost 2,000 buses in total, approx. 800 in Norway and 1 100 in Sweden. Major changes are expected in digital solutions and at the same time great interest in new technical solutions, such as electric and autonomous buses.

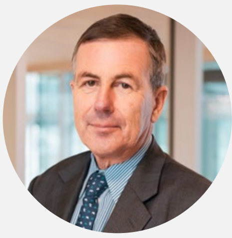
For the freight business, strong competition is expected from both road transport and other railway companies. The introduction of a support scheme for freight on the runway in 2019, which is aimed at combined transport and cargo, with appropriations for 2020 in place, gives a clear signal that it is desirable that the freight train offer be maintained and if possible developed. CargoNet will increase the capacity of some stretches in 2020 to facilitate the transfer of more goods from road to rail.

In addition to ensuring good, continuous operations, The Vy Group will in 2020 focus on:

- Efficiency in passenger train operations to adapt to changing volumes and ensure competitiveness and profitability in tenders
- Participate in significant bids for buses
- Continue planned restructuring measures within the freight business
- Continue work on a common digital sales solution, continuation of the city car offering in Oslo, and development of the joint tourism company Vy Fjord1 Reiseliv

The Board thanks the each and every employee for their efforts during a demanding transition period for the Group.

Board of Directors of the Vy Group



Dag Mejdell
Chairman

Åsne Havnelid
Vice

Geir Inge Stokke
Member of the board

Wenche Teigland
Member of the board

Semming Semmingsen
Member of the board

Ove Sindre Lund
Staff representative

Jan Audun Strand
Staff representative

Grethe Therese Thorsen
Staff representative

Oslo, 14th of february 2020

Board of directors of the Vy Group

Dag Mejdell / Chairman

Åsne Havnelid

Geir Inge Stokke

Wenche Teigland

Semming Semmingsen

Ove Sindre Lund

Jan Audun Strand

Grethe Therese Thorsen

Geir Isaksen / CEO

Accounts – Vy Group

Income statement

	Notes	2019	2018
Operating revenue	**5**	**17 065**	**15 895**
Payroll and related expenses	23	6 605	6 273
Depreciation and impairment	7	2 230	2 108
Other operating expenses	29	7 570	6 813
Share of lo Total operating expenses ss(-)/profit of joint ventures		**16 405**	**15 194**
Share of loss(-)/profit of joint ventures	11	33	37
Share of loss(-)/profit in associates	10	115	16
Operating profit		**808**	**754**
Financial items			
Financial income	29	107	86
Financial expenses	29	-210	-202
Net financial expenses - pensions	24	-25	-44
Change in unrealised fair value	31	20	-9
Net financial items		**-109**	**-169**
Profit before income tax		**699**	**585**
Income tax expense	22	-135	-120
Profit for the year		**564**	**466**
Attributable to			
Non-controlling interest			-
Equity holders		564	466
Total		**564**	**466**
OTHER COMPREHENSIVE INCOME			
Profit for the year		564	466
Items that will not be reclassified to profit or loss			
Actuarial gain/loss	24	-394	-297
Tax on items that will not be reclassified	22	87	54
Items that may be reclassified in net income in future periods			
Net cash flow hedge		-12	13
Currency translation differences		-10	-13
Tax on items that are not reclassified	22	3	-3
Total comprehensive income for the year		**237**	**220**
Attributable to			
Non-controlling interest		-	-
Shareholders equity		237	220
Total comprehensive income for the year		**237**	**220**

Statement of financial position

	Notes	31.12.19	31.12.18
ASSETS			
Intangible assets	9	149	164
Deferred Tax Assets	22	199	209
Property, plant and equipment	7	8 709	8 988
Investments in associates	10	30	53
Financial fixed assets		81	89
Total non-current assets		**9 169**	**9 503**
Investments in joint ventures	11	157	46
Inventories	12	822	802
Trade and other receivables	8, 14	1 749	1 824
Financial assets	17	3 480	3 705
Cash and bank deposits	19	1 395	1 709
Total current assets		**7 603**	**8 086**
TOTAL ASSETS		**16 772**	**17 589**

EQUITY AND LIABILITIES			
Ordinary shares and share premium	20	3 686	3 686
Retained earnings		1 188	1 183
Total equity		**4 873**	**4 869**
Debt	21	5 332	5 698
Retirement benefit obligations	24	1 517	2 314
Provisions for other liabilities and charges	26	229	260
Total long term liabilities		**7 077**	**8 272**
Trade and other payables	25	3 182	2 570
Tax payable	22	52	211
Debt	21	1 586	1 666
Derivative financial instruments	16	1	1
Total short term liabilities		**4 822**	**4 448**
TOTAL EQUITY AND LIABILITIES		**16 772**	**17 589**

Oslo, 14th of february 2020

Board of directors of the Vy Group

Dag Mejdell / Chairman

Åsne Havnelid

Geir Inge Stokke

Wenche Teigland

Semming Semmingsen

Ove Sindre Lund

Jan Audun Strand

Grethe Therese Thorsen

Geir Isaksen / CEO

Group cash flow statement

	Notes	2019	2018
Profit for the period before income tax		**699**	**585**
Depreciation and impairment	7	2 235	2 108
Gain/loss on sale of property, plant and equipment (PPE)		-33	-32
Difference between exp. and paym. made/receiv. for pensions	24	-1 191	-259
Change in provisions for other liabilities and charges	26	-33	-25
Change in unrealised fair value	29	-20	9
Interest items		-56	-39
Shares of profit/loss (-) from associates and joint ventures	10, 11	-148	-53
Change in working capital		649	154
Taxes paid		-192	-300
Net cash flow from operating activities		**1 910**	**2 148**
Acquisition of subsidiaries, less cash acquired	33	-46	-44
Loans paid to/from assosiated companies/joint ventures	10	4	2
Changes in financial non-current assets		310	-627
Purchase of PPE and investment property	7, 8	-735	-195
Proceeds from sale of assets		107	150
Dividends received		49	59
Net cash flow to investment activities		**-311**	**-655**
Proceeds from borrowings		-	-
Repayment of borrowings		-14	-17
Lease payments		-1 656	-1 531
Dividends paid to company's shareholders	20	-233	-315
Net cash flow to financial activities		**-1 903**	**-1 863**
Net change in cash and bank deposits for the year		**-304**	**-370**
Cash and bank deposits as at the beginning of the year	19	1 709	2 090
Foreign exchange gain/loss on cash and bank deposits		-11	-11
Cash and bank deposits as at the end of the year	**19**	**1 395**	**1 709**

Statement of changes in equity

2019	Notes	Ord. shares and share premium	Restricted equity, value changes	Acc. currency translation	Retained earnings	Non-contr. interest	TOTAL
Equity 1st of January	20	3 686	10	4	1 168	0	**4 869**
Profit for the year		-	-	-	564	-	**564**
From other comprehensive income		-	-9	-10	-307	-	**-327**
Dividends paid		-	-	-	-233	-	**-233**
Equity 31st of December		**3 686**	**1**	**-6**	**1 192**	**0**	**4 873**

2018	Notes	Ord. shares and share premium	Restricted equity, value changes	Acc. currency translation	Retained earnings	Non-contr. interest	TOTAL
Equity 1st of January	20	3 686	-	18	1 297	-16	**4 985**
Profit for the year		-	-	-	466	-	**466**
Change in non-controlling interest		-	-	-	-16	16	**-**
From other comprehensive income		-	10	-13	-242	-	**-246**
Change in income tax rate	22	-	-	-	-21	-	**-21**
Dividends paid		-	-	-	-315	-	**-315**
Equity 31st of December		**3 686**	**10**	**4**	**1 168**	**0**	**4 869**

Segment information

Business segments

As of 31 December 2019, the Group has its main activities in the following segments:

(1) Train: Passenger train operations
(2) Bus: Passenger bus operations
(3) Freight: Freight train operations
(4) Other: Mobility and tourism, other entities and Group functions

In line with changes in the management reporting structure the Group has adjusted the segment reporting so that Mobility and travel, other entities and Group functions is reported as part of the Other segment as of 1 January 2019. Comparative figures for 2018 are adjusted accordingly.
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.

2019	Train	Bus	Cargo	Other/elim	Group
Sales revenue	4 604	6 352	982	4	**11 942**
Public purchases	4 294	-	-	-	**4 294**
Other revenue	638	154	54	-17	**830**
Operating revenue	**9 536**	**6 506**	**1 036**	**-13**	**17 065**
Operating expenses	7 436	5 612	894	234	**14 175**
Depreciation, impairment	1 323	774	116	17	**2 230**
Total operating cost	**8 759**	**6 385**	**1 010**	**251**	**16 405**
Share of profit/loss in joint ventures and associated companies	-	5	-	144	**148**
Operating profit	**777**	**125**	**26**	**-120**	**808**
Segment assets	5 810	5 278	1 178	4 299	**16 565**
Investments	321	1 719	33	-	**2 074**

2018	Train	Bus	Cargo	Other/elim	Group
Sales revenue	4 306	6 090	974	-	**11 370**
Public purchases	3 834	-	-	-	**3 834**
Other revenue	483	129	49	31	**692**
Operating revenue	**8 623**	**6 218**	**1 023**	**31**	**15 895**
Operating expenses	6 690	5 256	968	172	**13 086**
Depreciation, impairment	1 294	695	116	4	**2 108**
Total operating cost	**7 984**	**5 950**	**1 084**	**176**	**15 194**
Share of profit/loss in joint ventures and associated companies	3	2	-	48	**53**
Operating profit	**642**	**270**	**-61**	**-97**	**754**
Segment assets	6 821	5 494	1 312	3 939	**17 566**
Investments	442	590	25	30	**1 087**

Please refer to note 5 for further details

Notes to the consolidated financial statement 2019

All figures in the report are in MNOK.

The consolidated financial statements were approved by the Board of Directors on 14th of February 2020.

Note 1
General information and Group accounting principles

General information
Vygruppen AS (former Norges Statsbaner AS) and its subsidiaries (Vy Group) operates in the following areas:

- Passenger train and bus transport
- Freight train transport
- Mobility and travel

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

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

The Vy Group's main offices are located in Oslo.

The financial statements for year 2019 were approved by the Board of Directors on 14th February 2020.

All numbers in the report are in million Norwegian Kroner (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 which are valued at fair value.

Accounting principles applied in 2019 are consistent with the accounting principles that were used for the financial statements in 2018.

The group has implemented IFRS 9, IFRS 15 and IFRS 16 with effect from 1st of January 2018.

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

Changes in accounting principles, new standards and interpretations

IFRS 17 Insurance Contracts
IFRS 17 is adopted by the IASB 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 2022.

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.

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:

Leases IFRS 16
When determining the lease period for the individual contract, the Group must continuously assess whether there are extension options and termination rights that must be taken into account when determining the lease term. These assessments involve a great deal of discretion as extension options and termination rights that it is reasonably certain that the group will use will be included. The Group has established guidelines for assessments so that all relevant issues are handled in a consistent manner. Leases for train and bus material and premises used in relevant agreements for the execution of passenger or goods transport are considered in connection with these.

Determining the discount rate as a basis for calculating the present value of future lease obligations also involves the use of judgment. A fixed methodology has been established for this process.

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 gains and losses related to such changes are included in other comprehensive income with a direct effect to equity, after deducting deferred tax. Effects from plan changes, closure and settlement included in the financial accounts (P&L) constitute estimates.

Accrued 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.

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 Vy has joint control with one or several other investors.

Share of associates are companies where Vy 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
Vy 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 financial statements for Vy Group are presented in Norwegian kroner, which is both the functional currency and presentation currency for the parent company.

The Vy Group operates mainly in Norway, as well as 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: Norwegian Krone (NOK), Swedish Krona (SEK) and Euros (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 where 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 services, including public purchase of passenger traffic services, is included in the accounting period the services are delivered. This corresponds with the transferal of services to the customer which in practice means when the journey has taken place. In connection with public purchase of passenger traffic services, the group has an agreement regarding sharing the profit with the Norwegian Railway Directorate (Jernbanedirektoratet). The share of profit is accounted for as a reduction of operating revenue.

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.

Leases

The Vy Group has an extensive number of lease arrangements of trains, buses and property directly used in the Group's transportation services. The general rule is that the lessee must recognize the lease liability and the associated "right-of-use asset" for the use of the underlying asset over the lease term. All leases that transfer the right to control the use of an identifiable asset (the lessee decides the use and receives the financial (dis-) advantages) are recognized.

As a consequence of the railway reform, the passenger train operation is exposed to competition. Vy will be responsible for operating the railways in the intermediate phase, until all lines are ready for tenders. As reflected in relevant agreements, Vy has the rights and obligation for leasing transportation assets and buildings until start-up after the tenders. Therefore, when determining the lease period for transportation assets and buildings, the plan for start-up after tenders for the individual lines which was treated in the Parliament, has been followed.

The lease liability is measured as present value of future fixed lease payments. Payments that depend on an index or a rate is based on the circumstances at the recognition date.

For lease agreements entered, the discount rate equivalent to the interest rate in the lease agreement is used, if present. Alternatively, the marginal loan rate will be used.

The Group has chosen to apply the exemption rule for short-term leases up to 12 months durations and leases for which the underlying asset is of low value, as these contracts are expensed directly in the income statement.

For contracts that also include other product or service deliveries, the Group has chosen to use the main rule where "non-lease components" are expensed as operating expenses separately from the lease component.

In determining the lease period, the regular lease period is adjusted for extension options and termination rights, which with reasonable certainty is assessed that the Group will exercise.

The Right-of-use assets are assessed for impairments in accordance with IAS 36 with specific judgement on how the corresponding liability is to be handled.

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.

Right-to-use assets are depreciated over the periode the assets are expected to be used and the lease period.

Railroad vehicle	10 – 30 years
Buses	5 – 12 years
Buildings	10 – 50 years
Other fixed assets	5 – 30 years
Right of use assets IFRS 16	2 – 20 years

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.

Impairment

Depreciable intangible assets as well as property, plant and equipment 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 costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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 consist 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.

Derivatives and financial instruments

The Group hedges energy prices to obtain the lowest possible price and predictability in prices.

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.

The Group has used currency accounts to hedge future purchases of buses in euros in accordance with IFRS 9.

The last purchase of buses was due in 2019 at which time the account was settled.

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.

Provisions are made for expected future losses based on the best estimate on the balance sheet date. Assessment is based on information about past, present and future estimates.

Cash and bank deposits

Cash and bank deposits including restricted tax withholdings and restricted bank deposits in Finse Forsikring are specified in note 19.

If bank overdrafts are utilized, it will be included in borrowings under current liabilities.

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) and settlement effects are expensed or recognized as income continuously in the income statement. Actuarial gains and losses 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 relating to 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.

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 financial liabilitiesat 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.

Note 2
Shares in subsidiaries

The table shows the parent company's directly owned investments at 31.12.19. The group also owns companies and interests indirectly.

Datterselskap	Established- / acquisition- date	Registered office	Votes and profit share	Book value shares in subsidiaries in parent company	Equity	Profit/ loss
Vy Buss AS	1st December 1996	Oslo	100 %	1 333	1 526	45
NSB Trafikkservice AS	1st October 2001	Oslo	100 %	61	8	-
Finse Forsikring AS	1st December 2001	Oslo	100 %	59	281	29
CargoNet AS	1st January 2002	Oslo	100 %	175	117	87
Vy Gjøvikbanen AS	1st April 2005	Oslo	100 %	30	91	22
Vy Tåg AB	1s jJnuary 2007	Gävle	100 %	23	7	-27
Vy Tog AS	16th June 2016	Oslo	100 %	516	496	-4
Vy Mobility AS	14th May 2018	Oslo	100 %	205	202	1
Tømmervogner AS*	31st December 2008	Oslo	45 %	2	10	0
TOTAL				**2 405**	**2 738**	**153**

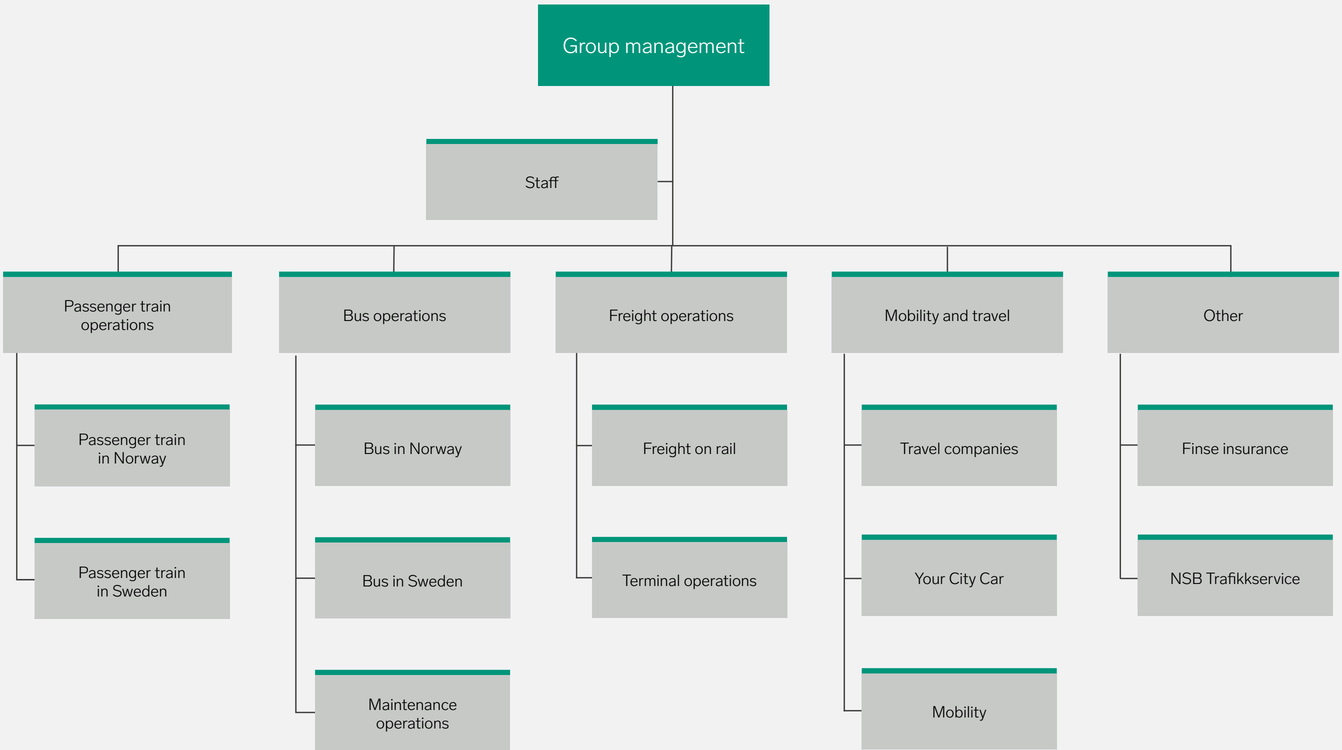
* Vygruppen AS owns 45% and CargoNet AS owns 55%.

The Equity presented, is 100 % of the equity recognized in the subsidiary's statement of financial position as of 31st of December 2019.

Note 3
Group- and company structure

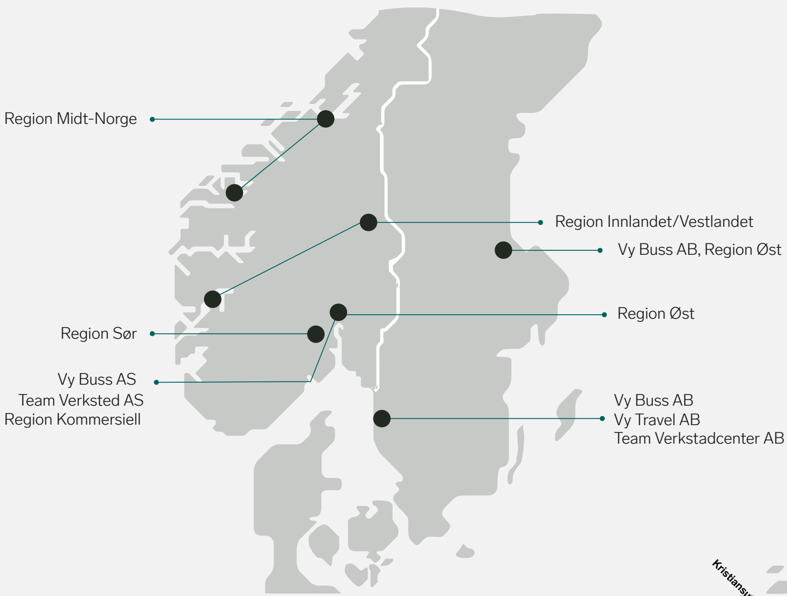
Vy operates in Norway and Sweden. Operations are run in accordance with the Business Segments which slightly differs from the legal structure:

- Vy Gjøvikbanen AS, Vy Tåg AB, NSB Trafikkservice AS, Vy Tog AS and part of Vygruppen AS are included in Passenger rail operations.
- The bus segment consists of the Vy buss group operations.
- The freight traffic segment consists of the CargoNet group operations.
- Mobility and Travel consists of Mobility solutions, activities in Flåm and Fjord Tours and are together with Finse Forsikring AS reported in the Other segment.



Note 4
Vy Group's passenger operations in the Nordic Region

Bus operations in Norway and Sweden



Note 5
Revenues

Analysis of Operating income by category	2019	2018
Transport revenue	15 694	14 665
Sales revenue		
Other revenue	1 371	1 193
TOTAL	**17 065**	**15 895**

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 Vy group is included in note 31.

Operating revenue
Most of the Group operations are personnel transport by train and bus. The transport date regulates the recognition of the revenue and is thus when the service is delivered. The Group also has revenue on agreements with counties and municipalities as well as a Traffic agreement with the State of Norway. Revenue from these arrangements is also recognized at the transport date. Additionally, the Group has revenue from freight, terminal services, workshop services and various ad hoc services. For all these revenue are recognized when the services are delivered.

Type	Segment	IFRS 15 accounting treatment
Personnel transport	Passenger train and bus	Revenue recognition at the transport date
Food and on board services	Passenger train and bus	Revenue recognition at the date of sale
Agreements with counties and municipalities	Bus	Revenue recognition at the transport date
Workshop services	Bus	revenue recognition when the service is delivered
Agreements with counties and municipalities	Passenger train and bus	Revenue recognition at the transport date
Traffic agreement with the state of Norway and public purchaser abroad	Passenger train and bus	Revenue recognition at the transport date
Fees	Passenger train and bus	Revenue recognition at the date of issuance
Freight and terminal services	Freight	revenue recognition when the service is delivered
Other services - sale of ad hoc services, renting premises etc.	All	revenue recognition when the service is delivered

The accounting of revenue streams will not be significantly affected by the application of IFRS 15.

Note 6
Leases

Specification of changes in the period	Liability	Assets
Total opening Balance right-to-use assets / lease obligations as per 1 January 2019	**7 340**	**7 233**
Lease payments	-1 665	-
Depreciations	-	-1 707
Additions and changes in agreements	1 243	1 250
Other / currency effects	-15	-13
Total Closing Balance as of 31 December 2019	**6 903**	**6 763**

Interest expenses on the leasing obligation amounted to 178 MNOK in 2019.

	Gjeld	Eiendel
Total opening Balance right-to-use assets / lease obligations as per 1 January 2018	**7 970**	**7 960**
Change of right-to-use asset bus and corresponding lease obligation - change of implementation effect IFRS 16*	-141	-141
Lease payments	-1 539	-7
Depreciations	-	-1 602
Additions and changes in agreements	844	822
Other / currency effects	206	201
Total Closing Balance	**7 340**	**7 233**

Interest expenses on the leasing obligation amounted to 177 MNOK in 2018.

*The comparable figures for 2018 have been restated due to a principle clarification during 2019 related to IFRS 16 leases. The Group implemented IFRS 16 as of 1 January 2018. In 2019 the Group has performed a principle clarification which has lead to a remeasurement of the right-to-use asset related to leased busses and the corresponding lease obligation ('day 2' adjustment) after the implementation. The right-to-use asset for busses and corresponding lease obligation as of 1 January 2018 have been reduced with 141 MNOK due to residual value guarantees which previously were included according to IAS 17. The principle clarification has also lead to additions in 2018 being reduced with 65 MNOK. It exists a joint liability linked to the residual value guarantees on these busses. According to IFRS 16 it is considered that there are no obligations related to this joint liability as of 31 December 2019.

For more specification on the effects from right-of-use assets in the financial accounts, refer to note 7 "Property, plant and equipment".

Liabilities	2019	2018
Short-term liability	1 586	1 666
Long-term liability	5 317	5 674
Total	**6 903**	**7 340**

Future nominal lease obligations amounting to approximately 1 400 MNOK are not recognized. These relates primarily to leases of passenger trains commited, but not yet received.
The Right-of-use assets and obligation will be recognized when the trains are received and made available for the Group.

Supplementary information

Leases not recognized	2019	2018
Short term agreements (between one month and one year)	38	63
Costs aligned to low-value items	22	25
Total	**60**	**88**

P&L		
Revenue from sub-lease	7	7
Profit or loss from sale leaseback transactions	-	1

Cash Flows		
Total cash flows on leases	1 892	1 660

For more information on the Group's handling of leases, refer to the principles.
For future maturities for the Group's lease liabilities, refer to note 15.

Note 7
Property, plant and equipment

At 1st of January 2019	Machinery and equipm.	Trans-portation	Land and buildings	Under constr.	Right-to-use bus and train	Right-to-use buildings	Right-to-use other assets	Total
Accumulated acquisition cost	1 614	13 351	225	11	7 251	1 684	50	24 185
Accumulated depreciation	-1 489	-11 815	-140	-	-1 504	-237	-12	-15 197
Total	**124**	**1 536**	**86**	**11**	**5 746**	**1 447**	**37**	**8 988**
Year ended 31st of December 2019								
Opening net book value	124	1 536	86	11	5 746	1 447	37	8 988
Exchange differences	-1	-15	-	-	-8	-2	-	-26
Acquisition of subsidiary	1	-	-	-	-	-	-	1
Additions	33	683	8	13	912	424	1	2 074
Disposals at acquisition cost	-2	-965	-	-	-355	-56	-1	-1 379
Accumulated depreciation disposals	1	889	-	-	293	29	1	1 213
Transfers within PPE	7	3	-	-10	-	-	-	-
Depreciations	-43	-394	-10		-1 442	-252	-13	-2 154
Impairments	-6	-2	-	-	-	-	-	-8
Total	**114**	**1 735**	**84**	**14**	**5 147**	**1 590**	**25**	**8 709**
At 31st of December 2019								
Accumulated acquisition cost	1 652	13 056	233	14	7 800	2 050	50	24 855
Accumulated depreciation	-1 537	-11 322	-150	-	-2 653	-460	-24	-16 146
Total	**114**	**1 735**	**84**	**14**	**5 147**	**1 590**	**25**	**8 709**
Deprecation period	5 - 30 years	5 - 30 years	3 - ever- last.		1 - 10 years	1 - 20 years	1 - 10 years	

At 1st of January 2018	Machinery and equipm.	Trans-portation	Land and buildings	Under constr.	Right-to-use bus and train	Right-to-use buildings	Right-to-use other assets	Total
Accumulated acquisition cost	1 610	13 833	252	14	1 027	-	-	16 735
Accumulated depreciation	-1 456	-11 837	-142	-0	-158	-	-	-13 593
Total	**154**	**1 996**	**110**	**14**	**869**	**-**	**-**	**3 142**
Year ended 31st of December 2018								
Opening net book value	154	1 996	110	14	869	-	-	3 142
Effect of the IFRS 16 implementation	-	-84	-	-	5 488	1 558	45	7 007
Change of right of use asset bus - adjustment of implementation effect IFRS 16*	-	-	-	-	-141	-	-	-141
Exchange differences	-0	-20	-0	-	-7	-4	-	-32
Acquisition of subsidiary	-	-	-	-	-	-	-	-
Accumulated depr. Acq. of subsidiary	-	-	-	-	-	-	-	-
Additions	25	149	0	19	688	135	5	1 022
Disposals at acquisition cost	-29	-533	-35	-	-10	-	-	-607
Accumulated depreciation disposals	20	463	13	-	6	-	-	504
Transfers within PPE	8	6	9	-23	-	-	-	-
Other changes	-	-	-	-	206	-4	-0	201
Depreciations	-52	-430	-10	-	-1 353	-237	-12	-2 096
Impairments	-1	-11	-	-	-	-	-	-12
Total	**124**	**1 536**	**86**	**10**	**5 746**	**1 447**	**37**	**8 988**
At 31st of December 2018								
Accumulated acquisition cost	1 614	13 351	225	11	7 251	1 684	50	24 185
Accumulated depreciation	-1 489	-11 815	-140	-	-1 504	-237	-12	-15 197
Total	**124**	**1 536**	**86**	**11**	**5 746**	**1 447**	**37**	**8 988**
Deprecation period	5 - 30 years	5 - 30 years	3 - ever- last.		1 - 10 years	1 - 20 years	1 - 10 years	

*The comparable figures for 2018 have been restated due to a principle clarification during 2019 relatet to the implementation of IFRS 16 Leases, see note 6.

Depreciation, amortization and impairment	2019	2018
Depreciation charges, property, plant and equipment	2 154	2 094
Impairment charges, property, plant and equipment	8	12
Amortization and impairment charges on intangible assets (note 9)	68	1
Total	**2 230**	**2 108**

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 2019 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	1,7 %
Discount rate	7,0 % evaluations according to IAS 36
Borrowing rate	3,4 % evaluations according to IAS 37

Based on the main assumptions, the Group has made impairment on assets in 2019 by MNOK 1 (2018: 9). The Group has cash-generating units where the assets are valued at value in use as at 31 December 2019 and are written down by MNOK 0 (2018: MNOK 20). The Group also has cash-generating units where the assets are valued at the fair value of buses as at 31 December 2019, which are written down by MNOK 9 (2018: MNOK 3). For contracts where the assets are written down to fair value, total value in use is MNOK 79, which was approximately MNOK 4 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. Yearly change in EBITDA of 1 MNOK per contract wil also give an effect of the calculated net present value. The overview below shows these effects.

Discount rate Change in factors	Change in present value	Actual accumulated impairment	Estimated accumulated impairment*
Interest rate +1%	-2	9	9
Interest rate -1%	2	9	9

EBITDA Change in factors	Change in present value	Actual accumulated impairment	Estimated accumulated impairment*
EBITDA + 1 MNOK per contract	4	9	9
EBITDA - 1 MNOK per contract	-4	9	9

* 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.

Note 8
Periodic maintenance

Periodic maintenance on leased trains	2019	2018
Prepaid maintenance as of 1st of January	11	206
Accrual for incurred maintenance cost through the year	-133	-117
Performed maintenance through the year	159	117
Change in provision	-28	-195
Prepaid maintenance as of 31st of December	**9**	**11**

As a train leases, 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 9
Intangible assets

	Goodwill		Other		Total	
	2019	2018	2019	2018	2019	2018
At 1st of January						
Accumulated acquisition cost	162	123	20	20	182	143
Accumulated amortization and impairments	-	-	-18	-17	-18	-17
Total	**162**	**123**	**2**	**3**	**163**	**126**
Changes during the year						
Opening net book value	162	123	2	3	163	126
Acquisition	22	-	28	-	50	-
Additions	-	39	2	-	2	39
Impairments	-64	-	-	-	-64	-
Amortization	-	-	-4	-1	-4	-1
Total	**120**	**162**	**28**	**2**	**147**	**163**
At 31st of December						
Accumulated acquisition cost	184	162	50	20	234	182
Accumulated amortization and impairments	-64	-	-22	-18	-86	-18
Total	**120**	**162**	**28**	**2**	**147**	**163**

Goodwill is related to the bus operation in addition to Mobility and tourism. See note 33 for additional description of this years acquisitions.

Impairment testing 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 2019, goodwill recorded on several CGUs.

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]	1,70 %
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 0.

Note 10
Investments in associates

	2019	2018
Book value 1st of January	53	42
Acquisition of associates	-	10
Disposals/ -sale of associates	-126	-5
Share of profit/loss	115	16
Currency translation difference	-	-0
Other equity movements	-11	-11
Net book value 31st of December	**30**	**53**

Investments in associates at 31st of December 2019 include goodwill of 0 MNOK (0 MNOK).

As a result of the contibution in kind of the group's share of 43% of Fjord Tours AS into Vy Fjord1 Reiseliv AS, the group has recognized a gain on disposal of 102 MNOK. The gain is included in the total share of profit from investments in associates. Vygruppen AS owns 50 % of Vy Fjord1 Reiseliv AS.
Go Mobile AS was accounted for as an investment in associates up to and including 30 September 2019. As of 1 October 2019, the group acquired the remaining shares in the company and has from the same date consolidated the company as a fully owned subsidiary. See note 33 for further information about consideration paid and identified assets and liabilities recognized from the acquisition.

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

2019	Registered office	Assets	Liabilities	Revenues	Profit/Loss	% Interest held
Nordlandsbuss AS	Bodø	99	53	233	-7	34%
Peer Gynt Tours AS	Oslo	11	7	66	-0	34%
Minibuss 24-7 AS	Våler	86	72	129	5	49%
Sjøholt Last og Buss AS	Ørskog	5	4	14	0	49%
Total		**201**	**135**	**442**	**-3**	

2018	Registered office	Assets	Liabilities	Revenues	Profit/Loss	% Interest held
Go Mobile AS	Kristiansand	28	9	6	-4	26 %
Nordlandsbuss AS	Bodø	134	80	294	2	34 %
Strømstad-Tanum Buss AB	Tanumshede	14	9	38	-0	40 %
Peer Gynt Tours AS	Oslo	13	8	79	0	34 %
Minibuss 247 AS	Våler	77	67	85	1	49 %
Larsens Last og Buss AS	Sande	12	10	29	1	49 %
Sjøholt Last og Buss AS	Ørskog	5	4	14	0	49 %
Fjord Tours AS	Bergen	62	26	88	25	43 %
Total		**344**	**214**	**633**	**24**	

The group's share of 33% of Interoperabilitetstjenester AS was sold in January 2018. In connection with the sale, the Group reconized a gain of 3 MNOK, which is included in the share of profit from associates in 2018.

Note 11
Investment in joint ventures

	2019	2018
Book value 1st of January	46	47
Share of profit/loss	33	37
Other equity movements	-37	-39
Net book value 31st of December	**157**	**46**

Share of profit and loss includes adjustments from prior years.

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

Joint venture:	Year of acquisition	Registered office	Votes and profit share	Equity	Profit/loss	Book value 31st of December
Flåm Utvikling AS	2013	Aurland	50 %	92	36	125
Vy Fjord1 Reiseliv AS	2019	Oslo	50 %	293	-3	395

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

Assets	2019	2018
Non-current assets	144	1
Current assets	116	63
Total	**260**	**64**
Liabilities		
Short term liabilities	67	18
Total	**67**	**18**
Net assets	**193**	**46**
Income/expenses	**2019**	**2018**
Operating revenue	159	114
Operating expenses	-126	-68
Profits	**33**	**46**

Description of operations:

Flåm Utvikling
For 20 years, Flåm Utvikling has operated the travel product Flåmsbana with Vygruppen 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.

Vy Fjord1 Reiseliv AS
Vy Fjord1 Reiseliv AS was founded in April 2019 and should together with the subsidiary Fjord Tours combine and sell combined tours with public transport. As of today "Norway in a nutshell", with among others the Bergen Line and Flåmsbana, is the most famous round trip. The tourists travel with public transport and the package includes accomodation, activities and other experiences.

Note 12
Inventory

	2019	2018
Components	809	777
Not completed parts	13	24
Completed parts	-	1
Total inventory	**822**	**802**

Note 13
Hedging

The Group has in 2018 used currency accounts to hedge future purchases of buses in euros in accordance with IFRS 9. The purchase of currency (euro) was done to hedge currency risk through coinciding lifetime for the instruments and the payment periods. The euro accounts will solely be used for the purchase of buses that are included in the specified deliverances. The risk exposure the Group experiences through the purchases of buses in foreign currency will be offset by coinciding fluctuations in asset value.

Hedging instrument	Date	Rate	Amount (TEUR)	Accounting line	Balance 31.12.2019	Change
Euro accounting	30.05.2018	9,515	43 000	Cash/Receivables	-	-43 000

The last purchase of buses is due in August 2019 at which time the account will be settled.

Ineffectivity
Since the account will be used for purchases of buses, the lifetimes for the hedging instrument and exposure is coinciding. The hedging ratio is 1. The time difference between conclusion of the instrument and the payment leads to a small ineffectivity that will be recognized through Other Comprehensive Income. The effects are shown separately in the equity statement as hedging reserve. At the point of the last deliverance of the buses the sum is, by being activated to the hedge rate, recognized towards the cost of the buses.

Note 14
Trade and other receivable

	2019	2018
Trade receivables	1 078	1 097
Less: provision for impairment of receivables	-15	-13
Trade receivables - net	1 063	1 084
Prepayments	547	463
Other receivables	139	278
Total trade and other receivables	**1 749**	**1 824**

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:	2019	2018
Matured receivables on balance sheet date	164	188
Matured between 0 - 2 mnths ago	117	158
Matured between 2 - 6 mnths ago	29	15
Matured more than 6 mnths ago	18	14

Note 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, Vy 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 or somtimes are being hedged. The goal is to create predictability with respect to future payments measured in NOK. The Group has in 2018 hedged future purchases of buses in euro, refer to note 13.

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.

In 2019 and 2018 the Group had a significant excess liquidity. 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.

Vy'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.

Vy 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 and a credit facility.

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

The table below shows future maturities for the Group's liabilities as at 31st of December 2019:

Liquidity risk	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Short term liabilities	3 182	-	-	-
Debt	1	2	7	6
Lease obligations	1 596	1 365	3 139	1 078
Property, plant and equipment	1 221	6	6	-

Credit risk

Credit risk is the potential loss if an external part cannot meet its financial obligations to Vy. 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.

Vy 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.

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

Vy assesses maximum credit risk to be the following:	2019	2018
Cash and bank deposits	1 395	1 709
Certificates (placements)	3 480	3 705
Trade receivable and other short term receivables	1 749	1 824
Total	**6 624**	**7 238**

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. Vygruppen 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. In additon there are established guidelines for moneymarketfunds and bond funds.

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 39 % gives a calculated portfolio risk of -26 MNOK (2018: 41 % -24 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
Derivatives

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Interest and exchange rate swaps	-	-1	-	-1
Energy swaps	-	-	-	-
Total	**-**	**-1**	**-**	**-1**

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:	**2019**	**2018**
This period's change in fair value:	-	1
Accumulated change in fair value:	-1	-1

Interest rate and foreign exchange swaps
The notional principal of the outstanding interest rate swaps contracts at 31st of December 2019 was 11 MNOK (2018: 12 MNOK). At 31st of December 2019, the fixed interest rate was 5,25 % (2018: 5.25 %).

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

Listed securities	**2019**	**2018**
Stocks and other listed equity securities – Norway	2 891	2 834
Stocks and other listed equity securities – Europe	66	59
Bonds and certificates	427	752
Other financial instruments	96	60
Total	**3 480**	**3 705**

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

Effective interest rate on short term placements of financial instruments was 1.74 % at 31st of December 2019 (2018: 1.19 %) and the placements has an average maturity of 26 days.

Effective interest rate on short term bank deposits was 2.07 % as at 31st of December 2019 (2018: 1.45 %).

Changes in fair value of listed securities	**2019**	**2018**
This period's change in fair value	20	-10
Accumulated change in fair value	29	9

Note 18
Financial instruments by category

Assets at 31st of December	Loans and receivables		Assets at fair value through profit and loss		Total	
Year	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Financial fixed assets	81	89	-	-	81	89
Trade and other receivables (excl. prepayments)	1 202	1 366	-	-	1 202	1 366
Financial assets at fair value through profit or loss	-	-	3 480	3 705	3 480	3 705
Cash and bank deposits	1 395	1 746	-	-	1 395	1 746
Total	**2 678**	**3 201**	**3 480**	**3 705**	**6 158**	**6 906**

Vy Buss AS has its own pension fund for employees with public pension benefits. The equity contribution amounting 65 MNOK equals the fair value and is included included in financial fixed assets.

Liabilities at 31st of December	Other financial liabilities at amortised cost		Liabilities at fair value through profit and loss		Total	
Year	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Debt (excl. Financial lease liabilities)	14	24	1	1	15	25
Lease liabilities IFRS 16	6 903	7 340	-	-	6 903	7 340
Derivatives	-	-	1	1	1	1
Trade and other payables (excl. statutory liabilities)	3 182	2 469	-	-	3 182	2 469
Total	**10 099**	**9 833**	**2**	**2**	**10 101**	**9 835**

Financial assets and liabilities at fair value through profit and loss per. 31st of December 2019:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	3 480	-	-	3 480
Total assets	**3 480**	**-**	**-**	**3 480**
Debt and accrued interest	-	1	-	1
Derivatives used for hedging	-	1	-	1
Total liabilities	**-**	**2**	**-**	**2**

For discription of the different levels used, see the note for Vy Group accounting principles.

Financial assets and liabilities at fair value through profit and loss per. 31st of December 2018:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	3 705	-	-	3 705
Total assets	**3 705**	**-**	**-**	**3 705**
Debt and accrued interest	-	1	-	1
Derivatives used for hedging	-	1	-	1
Total liabilities	**-**	**2**	**-**	**2**

For discription of the different levels used, see the note for Vy Group accounting principles.

Note 19
Cash and bank deposits

	2019	2018
Cash and bank deposits	1 395	1 709

Includes restricted funds of 111 MNOK (2018: 133 MNOK).

Note 20
Share capital and share premium

	No. of shares	Ordinary shares	Share premium MNOK	Total MNOK
Shares at 1st of January 2019	3 685 500	3 685 500	-	3 686
Shares at 31st of December 2019	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,- which is owned by the norwegian Goverment (Ministry of Transport and Communication).

In 2019 dividend payment for the fiscal year 2018 was 233 MNOK. 282 MNOK dividend has been proposed for 2019. The decision will be made at the General Assembly in 2020.

Note 21
Interest bearing debt

Long term liabilities	**31.12.2019**	**31.12.2018**
Lease obligations IFRS 16	5 317	5 674
Mortgage loan	-	6
Other loans	15	19
Total	**5 332**	**5 698**
Short term liabilities		
Lease obligations IFRS 16	1 586	1 666
Other current debt	-	2
Total	**1 586**	**1 668**
Total debt	**6 918**	**7 366**

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

Loans and hedgings		**2019**	**2018**
6 months or less		1 200	992
Over 6 months		-	-
Non-current borrowings expire in:		**2019**	**2018**
Between 1 and 2 years		221	137
Between 2 and 5 years		591	414
Over 5 years		398	452
Effective interest rate at the balance sheet date in %:		**2019**	**2018**
Other loans	NOK	2,38	2,63
Other loans	SEK	1,13	3,01

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

The carrying amounts of the Group`s loans are denominated in the following currencies:	**2019**	**2018**
NOK	1 053	809
SEK	157	195
Total	**1 210**	**1 004**

The Group has the following unused loan facilities:	**2019**	**2018**
Floating interest rate		
- Expiring within one year	50	50
- Expiring after one year	-	-
Total	**50**	**50**

The facility that expire within one year is a bank overdraft related to Vy Group bank account system. Credit is granted for one year at the time and is renewed annually.

Note 22
Tax

Income tax expense:	2019	2018
Current income tax payable	55	214
Changes in deferred tax	80	-94
Total income tax expense	**135**	**120**

Tax payable on the balance sheet are as follows:	2019	2018
Current payable tax expense	55	214
Insufficient/ too much tax provision prior years	-3	-3
Tax payable on the balance sheet	**52**	**211**

Tax payable in the balance sheet will partly be offset by proposed group contributions which will to be decided by the general assembly in 2020.

Reconciliation between nominal and actual tax expense rate:	2019	2018
Profit before income tax	699	585
Expected income tax using the nominal tax rate (22/23 %)	153	135
Tax effect from the following items:		
Other permanent differences related to investm. (exemption method)	-28	-46
Other non-deductible expenses	21	47
Other non-taxable income	-11	46
Effect of change in income tax rate	0	-27
Insufficient tax provision prior years	-0	-21
Other items	-	-13
Income tax expense	**135**	**120**
Effective tax rate	**19 %**	**21 %**

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:

2019	01.01.	Exchange diff.	Acq. of subsidiary	Income statement charge	Charge to other compr. Income	Charged directly to equity	Tax effect Group contr.	31.12.
Benefit (+) / Liability (-)								
Fixed assets	-1 671	2	-1	224	-	-	-	-1 446
Intangible assets	-	-	-10	1	-	-	-	-9
Financial assets	-12	-	-	-	12	-	-	-
Inventories	16	-	-	13	-	-	-	29
Receivables	0	-	0	4	-	-	-	5
IFRS 16	86	-0	-	42	-	-	-	128
Value changes to financial current assets	-149	-	-	6	-0	-	-	-143
Retirement benefit obligations	2 147	-	-	-1 053	394	-	-	1 487
Provisions for other liabilities and charges	267	-	-	10	-	-	-	276
Gains (losses)	-55	-	-	11	-	-	-	-44
Losses carried forward	490	-9	29	387	-	-	-56	842
Other	122	-3	-	-7	-	-	-46	66
Total gross temporary differences	1 242	-10	18	-362	405	-	-102	1 191
Off-balance sheet deferred tax benefits	-298	9	-	2	0	-	-	-286
Net temporary differences	944	-1	18	-360	405	-	-102	904
Net deferred tax asset/liability	209	-0	3	-80	89	-	-22	199
Effect from changes in tax rate	-	-	-	-0			0	0
Net deferred tax asset/liability balance sheet 22%	209	-0	3	-80	89	-	-22	199

2018	01.01.	Exchange diff.	Acq. of subsidiary	Income statement charge	Charge to other compr. Income	Charged directly to equity	Tax effect Group contr.	31.12.
Benefit (+) / Liability (-)								
Fixed assets	-2 120	2	-	447	-	-	-	-1 671
Financial assets	0	-	-	-	-12	-	-	-12
Inventories	15	-	-	1	-	-	-	16
Receivables	-7	-	-	7	-	-	-	0
Value changes to investment property	-0	-	-	86	-	-	-	86
Value changes to financial current assets	-173	-	-	25	-1	-	-	-149
Retirement benefit obligations	2 223	-	-	-373	297	-	-	2 147
Provisions for other liabilities and charges	524	-	-	-257	-	-	-	267
Gains (losses)	-115	-	-	60	-	-	-	-55
Losses carried forward	427	-9	1	193	-	-	-122	490
Other	84	1	2	106	-	-	-71	122
Total gross temporary differences	859	-6	3	295	284	-	-193	1 242
Off-balance sheet deferred tax benefits	-308	9	-	-	1	-	-	-298
Net temporary differences	551	3	3	295	285	-	-193	944
Net deferred tax asset/liability	127	1	1	66	66	-	-43	218
Effect from changes in tax rate	-	-	-	27	-14	-21	-1	-9
Net deferred tax asset/liability balance sheet 22%	127	1	1	93	52	-21	-44	209

Deferred income tax assets	2019	2018
Deferred income tax assets to be recovered after more than 12 months	484	601
Deferred income tax assets to be recovered within 12 months	82	31
Total	**565**	**632**

Deferred tax liabilities	2019	2018
Deferred income tax liabilities to be recovered after more than 12 months	-362	-417
Deferred income tax liabilities to be recovered within 12 months	-4	-6
Total	**-366**	**-423**
Total deferred income tax asset (net)	**199**	**209**

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 62 MNOK (64 MNOK) in respect of losses carried forward amounting to 286 MNOK (290 MNOK).

Note 23
Payroll and related expenses

	2019	2018
Wages and salaries, including employment taxes	5 973	5 748
Pension costs – defined contribution plans (note 24)	340	150
Pension costs – defined benefit plans (note 24)	216	320
Other employee benefit expenses	76	54
Total	**6 605**	**6 273**

Benefits for Chief Executive Officer and key management are covered to in the note for related-party transactions (note 31).

	2019	2018
Average full-time equivalent	9 352	9 058
Average number of employees	11 484	11 160

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

Note 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 plans in Norway
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 1,012 (3,617) active members, 2,233 (3,938) retirees and 1,690 earned rights. 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 1,012 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 during 2017 to close the current defined benefit plan in SPK for employees within Vygruppen AS and Vy Gjøvikbanen AS that were older than 55 years of age by the year end of 2018/2019. All employees younger than 55 years of age were granted an earned right in the SPK and were included in a new defined contribution plan in Storebrand as of January 2019. SPK made a final settlement to employees during 4th quarter of 2019. Agreed compensation to employees for whom the defined benefit pension plan settlement had a negative effect, is previously expensed with 78 MNOK.

"The rest of the companies, CargoNet AS, RailCombi AS and NSB Trafikkservice AS have reached an agreement with the employees and decided to close the pension scheme the same way as in the parent company Vygruppen AS.

All above 55 years will stay in a closed scheme and all employees below 55 years will join a new contribution plan in Storebrand. For all companies where the defined benefit plan has been closed a new contribution plan in Storebrand have been established. All employees with an earned right have been transferred to the defined contribution plan in Storebrand. The employees included in the new defined contribution plan in Storebrand are also included in a private AFP pension plan. This scheme is also accounted for as a defined contribution plan. Vy Buss AS has a planned transfer of employees from a defined benefit plan to a contribution plan as a consequence of contracts.

As of 31st of December 2019, 2.559 employees are active members in the defined contribution scheme in Storebrand.

Other arrangements in Norway and Sweden
There are additionally defined contribution plans in Vy Buss in Norway which covers 6,881 employees (6,210 employees).

The pension plan in Sweden 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.

Specification of net defined benefit pension plan obligations	**2019**	**2018**
Present value of earned pension rights for funded collective pension plans	6 034	10 270
Fair value of plan assets	-4 539	-7 995
Present value of unfunded obligations	1 495	2 275
Unrecognised actuarial losses	22	39
Net pension obligation on the balance sheet	**1 517**	**2 314**
Changes in pension retirement obligations:		
Book value net pension obligation 1st of January	2 314	2 276
This years' actuarial deviations	351	254
This years net return on assets/increase in obligation	3	263
Net financial items in the acount	24	44
Curtailments	-837	-47
Payments to plan	-339	-538
Plan change	-	62
Book value 31st of December	**1 517**	**2 314**
Pension expenses included in the accounts, defined benefit pension plan		
Present value of current pension earnings	126	298
Plan changes in the period	-	59
Curtailments	91	-35
Employee contribution	-1	-2
Total return on pension plan, incl. in payroll and related expenses – see note 23	**216**	**320**
Total financial items in the accounts	**25**	**44**
Total pension expenses defined benefit pension plan	**240**	**364**
Defined contribution plan		
Employer's contribution, included as payroll and related expense – see note 23	340	150
Total pension expenses	**580**	**514**

The settlement with SPK has led to some 170 MNOK higher expenses than expected (net after the contribution from the Norwegian state). The amount has been recognised as pension expenses in 2019.

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 %	(18-20%)	11-13%	8-11%	(10-12%)	19-21%	(15-17%)
Increase (+)/decrease (-) net pension obligation at 31st of December in %	(13-15%)	17-19%	2-4%	(3-5%)	13-15%	(10-12%)

The Population is characterized 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:

	2019	2018	2017	2016*	2015	2014
Income statement						
Present value of current pension earnings	217	263	298	242	398	371
Plan changes during the year	-	59	-	-	-257	-
Changes and deviations in estimates allocated to net income	-1	-2	-2	-2	-3	-
Total cost in the income statement	216	320	296	240	138	371
Total financial items in the accounts	25	44	47	36	54	76
Total financial items in the accounts	**240**	**364**	**343**	**276**	**192**	**447**
Financial position						
Total obligations	6 056	10 309	10 093	9 860	11 091	10 938
Pension assets	-4 539	-7 995	-7 817	-7 542	-8 746	-8 386
Total net pension obligations	1 517	2 314	2 276	2 318	2 345	2 552
Net pension obligation at the financial pos.	**1 517**	**2 314**	**2 276**	**2 318**	**2 345**	**2 552**

Financial assumptions (defined benefit plans)

	2019	2018	2017	2016	2015	2014
Discount rate	2,05 %	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %
Expected return on plan assets	2,05 %	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %
Average salary growth	2,70 %	2,50 %	2,25 %	2,55 %	2,60 %	2,95 %
G-regulation	2,10 %	2,60 %	2,40 %	2,50 %	2,40 %	2,70 %
Annual reg. of pension increases	1,35 %	1,85 %	1,65 %	1,75 %	1,65 %	1,95 %
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 2019
The discount rate is set at 2.05 % (2.85 %) 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 1,3 % and inflation of 1.4 %. 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 23,5 years

Actuarial deviations in 2019 are mainly due to changes in economic parameters.

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
Trade and other short term payables

	2019	2018
Trade payables	662	551
Social security and other taxes	396	242
Other short term liabilities	2 124	1 777
Total	**3 182**	**2 570**

The amount due to related parties is in 2019: 135 MNOK (81 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.

Note 26
Provisions for other liabilities and charges

2019	Reorgani-zation obligation	Contract losses	Other	Total
At 1st of January	247	5	12	264
Change in provision during the year	-	-	-1	-1
Used during the year	-29	-4	-	-33
Total	**218**	**1**	**11**	**230**

2018	Reorgani-zation obligation	Contract losses	Other	Total
At 1st of January	275	9	5	289
Change in provision during the year	-18	-	8	-10
Used during the year	-10	-4	-1	-15
Total	**247**	**5**	**12**	**264**

Classification in the statement of financial position:	2019	2018
Non-current liabilities	229	260
Current liabilities (included in note 25)	1	4
Total	**230**	**264**

Legal disputes
The Vy-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
The Vy Group announced a restructuring plan in 2016. The purpose of the restructuring is to adapt to the changes required by the railway reform . The restructuring provision of 146 (166) MNOK at the end of 2019. The accruals include in addition 70 (78) MNOK as compensation according to changed pension.

Note 27
Contract losses

As of 31st December 2019, there are accruals of 1 MNOK (5 MNOK) for future contract losses with in the bus operation.

For provisions on losses on tenders in the bus operation, see note 7 for further information.

Note 28
Other expenses

	2019	2018
Sales- and overhead expenses	1 640	1 460
Energy used in operations	1 148	1 093
Repair and maintenance, machinery rental, property expenses	2 459	2 219
Other operating expenses	2 322	2 042
Total	**7 570**	**6 813**

Auditing fees total operations (excluding VAT):	2019	2018
Statutory audit fee	4	4
Other services	2	3
Total fee to auditor	**6**	**7**

Note 29
Financial income and expenses

	2019	2018
Interest income	108	81
Dividends	2	10
Other financial income	8	-
Net foreign exchange gains	-11	-5
Total financial income	**107**	**86**
Interest expense	-180	-181
Other financial expenses	-24	-12
Net foreign exchange losses	-6	-9
Total financial expenses	**-210**	**-202**
Net financial expenses - pensions	-25	-44
Unrealised value changes	20	-9
Total financial items	**-108**	**-169**

Note 30
Liabilities from financing activities

	Liabilities	Asset held to hedge liabilities	Financial lease liabilities	Total
Liabilities 1st of January 2019	**25**	**1**	**7 340**	**7 365**
Cash flow from financial activities	-14	-	-1 665	-1 679
Non-cash changes				
Acquisition lease liabilities	5	-	1 278	1 283
Other transactions	-	-1	-35	-36
Currency translation differences	-1	-	-15	-16
Liabilities 31th of December 2019	**15**	**-0**	**6 903**	**6 917**

	Liabilities	Asset held to hedge liabilities	Financial lease liabilities	Total
Liabilities 31st of January 2017	43	2	963	1 007
Implementation effect IFRS 16	-	-	7 210	7 210
Change in lease liabilities- adjustment of the implementation effect IFRS 16 *	-	-	-141	-141
Liabilities 1st of January 2018	**43**	**2**	**8 032**	**8 077**
Cash flow from financial activities	-17	-	-1 539	-1 556
Non-cash changes				
Acquisition lease liabilities	-	-	844	844
Other transactions	-	-1	16	15
Currency translation differences	-1	-	-13	-14
Liabilities 31th of December 2018	**25**	**1**	**7 340**	**7 365**

* The comparing figures for 2018 have been restated due to principle clarification during 2019 regarding implementation of IFRS 16 Leases, see note 6.

Note 31
Related party transactions

The Vy group has the following related parties:

Owner
As the owner of Vy, 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 Vy.

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 Vy.

Board of Directors and excecutive management
Executive management and the Board of Directors are also related party to the Vy group.

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

Sale of goods and services:	2019	2018
Public purchase of passenger traffic services	3 962	3 682
Sales of other goods and services	501	411
Total	**4 463**	**4 093**
Purchases of goods and services:	5 015	3 169

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

	2019	2018
Receivables		
Entities owned by the Ministry of Transportation	216	75
Total	**216**	**75**
Debts		
Other companies in the Group	-	-
Entities owned by the Ministry of Transportation	253	82
Total	**253**	**82**
Loans to related parties		
Other companies in the Group	-	-
Total	**-**	**-**

There are no related party loans.

Guarantees
Vygruppen AS has issued a guarantee of 40 MSEK on behalf of its fully owned subsidiary Vy Tåg AB, related to a contract with Varmlandstrafikk AB for licensing to operate trains in Värmland in Sweden.

Vygruppen AS has issued a guarantee of 150 MSEK on behalf of its fully owned subsidiary Vy Tåg AB related to a contract with Norrtåg AB.

Vygruppen AS has issued a guarantee of 240 MNOK to Jernbanedirektoratet on behalf of its fully owned subsidiary Vy Tog AS, regarding the contract Trafikkpakke 3 Vest.

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

Board members	Tittel	2019	2018
Dag Mejdell	Chairman of the board	483	450
Bjarne Borgersen	Vice chairman of the board (until 08.06.18)	-	225
Wenche Teigland	Member of the board	291	258
Åsne Havnelid	Vice chairman of the board (from 08.06.18)	292	242
Kjerstin Fyllingen	Member of the board (until 08.06.18)	-	134
Ove Sindre Lund	Staff representative	243	223
Rolf Juul Ringdal	Staff representative (until 08.06.18)	-	134
Jan Audun Strand	Staff representative	263	258
Grethe Therese Thorsen	Staff representative (from 08.06.18)	223	88
Semming Semmingsen	Member of the board (from 08.06.18)	263	88
Geir Inge Stokke	Member of the board (from 08.06.18)	223	88
Total		**2 281**	**2 188**

All employees are included in the collective pension agreement. The agreement premium is not included above. For Vygruppen AS, the General Meeting has approved a fee for the Chairman of the Board of 456 TNOK, Vice Chairman 277 TNOK and the other board members 227 TNOK each. In addition, fees for members of the audit committee with 70 TNOK for the leader, and 41 TNOK for each of the other members, and the compensation committee with 35 TNOK for the leader and 21 TNOK for each member. Fees for the staff representatives exclude their employee wages.

2019 (Figures in TNOK)	Title	Salary	Variable salary	Other benefits	Total benefits payed	Calcul. Pension expence*
Geir Isaksen	Chief Executive Officer	3 969	1 073	186	5 228	938
Irene Katrin Thunshelle	Chief Financial Officer	2 448	396	134	2 978	-
Synne Homble	Executive Director Mobility and Travel	2 720	550	138	3 408	-
Morten Müller-Nilssen	Executive Director HR, Organization	2 283	370	139	2 792	-
Ole Engebret Haugen	General Manager Vy buss	2 679	443	156	3 278	-
Arne Fosen	CEO, Director of Vy Passenger Train	2 975	520	135	3 630	-
Erik Røhne	General Manager CargoNet	2 707	309	139	3 155	-
Total		**19 781**	**3 661**	**1 027**	**24 469**	**938**

*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 and shown in the table above.

2018 (Figures in TNOK)	Title	Salary	Variable salary	Other benefits	Total benefits payed	Calcul. Pension expence*
Geir Isaksen	Chief Executive Officer	3 863	1 325	186	5 374	914
Irene Katrin Thunshelle	Chief Financial Officer	2 388	490	126	3 004	-
Synne Homble	Executive Director Mobility and Travel **	2 658	544	132	3 334	-
Morten Müller-Nilssen	Executive Director HR, Organization (from 01.01.2018) ***	2 163	-	126	2 289	-
Ole Engebret Haugen	General Manager Vy buss	2 552	230	125	2 907	-
Arne Fosen	CEO, Director of Passenger Train	2 866	595	126	3 587	-
Erik Røhne	General Manager CargoNet	2 606	928	127	3 661	-
Marianne B. Einarsen	Executive Vice President travel (until 30th of September 2018)	1 794	490	94	2 378	-
Total		**20 890**	**4 602**	**1 042**	**26 534**	**914**

* 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 and shown in the table above.
** Synne Homble was Executive Vice President strategy and corporate functions until 30th of September 2018
*** Not part of the group management in 2017, and therefore not entitled to bonus.

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 Vy. Guidelines and principles as expressed in this statement, are applied in setting executive salaries in Group subsidiaries.

Main principles for executive salaries in Vy
Principles for remuneration to senior executives in the Vy 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 policy of the Vy Group is to have most openness about salaries and terms for executive management only limited to compettitive conditions

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 the Vy Group is determined using the following main principles:
- Executive compensation should be competitive, but Vy 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.
- Total executive compensation in Vy 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. The compensation system shall attract and keep skillfull leaders.
- The compensation system should be perceived as understandable and acceptable both internally and externally.

The compensation to executive management in Vy consist of the following elements:
The total level of executive management compensation is composed of fixed salary and other benefits. Benefits are: fringe benefits,bonus, right to severance under given conditions and pension. Fixed salary is the main part of the compensation.

a) Fixed salary
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 Vy-Group.

b) Fringe benefits
Examples are free phone, free internet service, car compensation and free newspapers.

c) Bonus
The CEO and the other executives have a bonus arrangement. The maximum bonus for CEO is five months salary. For other executives maximum bonus is limited to three months salary.

The bonus is linked to achievement of the companies goals as they are defined in the yearly strategy- and budgetprocess. The bonus to executive management will change from year to year depending on achievement of objectives, but will average through several years be betweeen 50 % and 75 % of maximum bonus for the individuals. The bonus targets shall be based on criteria the management may influence on, either directly or as a participant in the management team

The targets should be time limited,transparent and clearly understandable. It is a prerequisite for the paying bonus that the Vy group totally achieve a return on equity of minimum 5 %.

d) Pension
The pension conditions for senior executives shall be in line with other employees' terms except CEO (see below). There are no former senior employees continues to earn occupational pensions after leaving the Group.

All employees are members of a collective pension scheme. The pension scheme in the SPK was ended 1.1.2019 ,and closed for employees over 55 year as of 31th of December 2018. For all other employees, a new deposit scheme is established in Storebrand.

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, childrens pension and a group life insurance. The disability coverage is the same as in the scheme previously 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.

e) Severance arrangements
The CEO has the right to six months of severance in addition to six months salary. Any other salary in this severance period will reduce the severance compensation.

For other senior executives an arrangement can be reached for a reasonable pay which takes effect if the employee does not dispute the termination.

The total salary including severance cannot exceed 12 months of fixed salary

f) Other
After the age of 64 the CEO may take a position as an adviser in the Group if he or the Board prefer that solution. The CEO has informed the Board in November 2019 that he will use that possibility.

Bonus criteria for 2019
In 2019 the bonus criteria was related to the four strategic area which together make the main strategy of the group: "The best travel" :
- The smart travel: Related to mobility and door-to-door solutions for the customers,tourism investment and and launching of new brand (the criteria is weighed at 16,7%)
- The green travel: Related to the group's environmental profile measured externally (the criteria is weighed at 16,7%)
- The safe travel: Related to sickness absence (the criteria is weighed at 16,7%)
- The profitable travel: Related to improvements in the segment for transportation of goods and passenger together with return on equity (the criteria is weighed at 50%)

The other members of the group management have bonus criteria with the same target except "the profittable travel", where the targets are customized the respective business area.

Achievement of objectives for 2019 regarding CEO, is decided as follows:

Achievement of objective 2019: 59,7 % of total bonus potential			
The Smart Journey	The Green Journey	The Safe Journey	The Profitable Journey
10,9 % of total bonus potential	Vy did not achieve the target regards to external reputation measurement (1. or 2. place) so the criterias for achieving bonus were not met.	6,7 % of total bonus potential	42,1% of total bonus potential

The bonus will be paid in the first quarter after the bonus is earned. The bonus paid in 2019 for CEO and executive management (based on achievement of objecttives for 2018) is described in note 31 in the financial statement.

Bonus criteria for 2020
For 2020 the board changes the bonus criteria for executive management in Vy to clearify the relationship between bonus criteria and long-term value creation. Bonus will be paid if target is achieved within three main criteria during the year:

1. Economic value creation– weighed at 50%
Target for economic value creation to owner is linked to two main areas:

Return on equity: 35% of total bonus potential is achived if the return on equity is 11 % or higher, 17,5% if the return on equity is 7%, (the same as the claims from the owner) and 0% if the return on equity is 5%. Between those points the achievement of objectives will be calculated linear.

Gains from improvements in the railway area: 15% of total bonus potential if the improvement measures in the passenger- and freight train area are completed according to plans and gain targets for the year decided by the board. Complete payout on this criteria is achieved if the improvements are of fullfilled with 20%. 50% payout with full achivement of objectives and 0% if the achievement of objectives is lower than 80%. Between those points the achievement of objectives will be calculated linear.

2. Key indicators – weighed 30%
Value creation for owner and society depends on good operations during the year. As a part of the yearly budget prosess scorecard with key indicators is established with key indicators (KPI-chart) for the group and for the individual business areas. The KPI-chart for the group contains of the following indicators:

- The number deads train,bus and workplace
- The number of serious damages regarding customers (bus and train)
- H1 Personal injury frequency with absence
- Absence
- The growth in number of traveling with passenger train
- Operating cost per carrige kilometer Vy Bus
- Climate pollution
- Operating profit per seat kilimeters Vy train
- Driving style effects Vy Bus per 100 km
- Punctuality passenger train
- Punctuality to customer (CargoNet)
- Load capacity of realized capacity (CargoNet)

Maximum bonus of 30% is asssigned if all of the KPI indicators are achieved. If none of the targets are achieved bonus is not paid out regarding this area. Between these extremes each criteria is 1/12 part of the total of 30%.

3. Strategy implementation – weighed 20%
Long term value creation for owner and society assuming a long-term perspective, which is important to maintain and develope the companies wealth creation and ability to deliver effectively. This perspective is established in the companies strategy, and the board decide every year implementation of several strategic initiative in the company.
Up to 20% of total bonus may be assigned after a reviw of the implementation of the adopted strategic initiative in the company. The achievement of objectives is evaluated discretionary.

Application of the salary and compensation principles for executives in the Vy Group for 2919
The executive compensation policy for 2019 has been completed in accordance with abovementioned guidelines.

The CEOs fixed salary was adjusted in 2019 by 2.8 % to 3.939.000 NOK. Received bonus was 1.072.819 NOK for results achieved in 2018, 67,2% of potential.

There were no new agreements to enter the Management Group in 2019. There were no severance payments made during 2019 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 2019 followed these principles without exception.

Note 32
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.

Note 33
Business combinations

The Group bought in 2019 100 % of the shares in Trailer & Maskinservice AS, and bought the remaining shares in Go Mobile AS so the company became a completely owned subsidiary from 1st of October 2019. Up to and icluding 30 of September 2019 Go Mobile AS was included as a associated company

The Group bought in 2018 90 % of the shares in Flybussekspressen AS. The Group's shares were demerged in 2018 out of Flybussekspressen AS to a new wholly owned company and then further merged into Nettbuss Travel AS.

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

	2019	2018
Consideration paid	55	44
Previous value of the shares in Go Mobile AS	-9	-
Total value of new subsidiary	**46**	**44**

Identified assets and liabilities on the balance sheet recognized from the acquisition:	2019	2018
Cash and bank deposits	1	-
Property, plant and equipment	1	-
Intangible assets	28	-
Inventories	7	1
Trade and other receivables	8	2
Trade and other payables	-11	-2
Borrowings	-5	-
Deferred tax	4	-
Total net identifiable assets	**33**	**1**
Goodwill	22	43
Total	**55**	**44**

Note 34
Events after the reporting date

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

Accounts – Vygruppen AS

Income statement

	Notes	2019	2018
Operating revenue	**4**	**8 807**	**8 123**
Payroll and related expenses	18	2 652	2 560
Depreciation and impairment	22	1 271	1 247
Other operating expenses	23, 26	4 352	3 788
Total operating expenses		**8 275**	**7 595**
Operating profit		**532**	**527**
Financial items			
Financial income	24	559	375
Financial expenses	24	-139	-158
Net financial expenses - pensions	19, 24	-18	-29
Change in unrealised fair value	24	-1	-18
Net financial items		**401**	**170**
Profit before income tax		**933**	**698**
Income tax expense	17	-174	-110
Profit for the year		**759**	**588**
Attributable to			
Equity holders		**759**	**588**
OTHER COMPREHENSIVE INCOME			
Profit for the year		759	588
Items that will not be reclassified to profit or loss			
Actuarial gain/loss	19	-220	-287
Tax on items that will not be reclassified	17	48	53
Total comprehensive income for the year		**588**	**354**
Attributable to			
Equity holders		**588**	**354**

Overview financial position

	Noter	31.12.19	31.12.18
Assets			
Deferred tax assets	17	69	128
Property, plant and equipment	6	3 855	4 825
Investments in subsidiaries	2	2 404	2 356
Investments in associates	7	-	2
Financial fixed assets	13	152	247
Loans to group companies	10, 26	-	603
Total non-current assets		**6 480**	**8 160**
Investments in joint ventures	8	119	5
Inventories	9	636	616
Trade and other receivables	10	864	883
Financial assets	11	3 108	3 340
Cash and bank deposits	13, 14	1 249	1 530
Total current assets		**5 976**	**6 374**
Total assets		**12 456**	**14 534**

Equity and liabilities			
Ordinary shares and share premium	15	3 686	3 686
Retained earnings		808	454
Total equity		**4 494**	**4 140**
Interest bearing liabilities	16	2 923	3 783
Retirement benefit obligations	19	742	1 691
Provisions for other liabilities and charges	21	217	247
Total long term liabilities		**3 882**	**5 721**
Trade and other payables	20	2 963	3 265
Tax payable	17	-	118
Interest bearing liabilities	16	1 117	1 290
Total short term liabilities		**4 080**	**4 673**
Total equity and liabilities		**12 456**	**14 534**

Oslo, 14th of february 2020

Board of directors of the Vy Group

Dag Mejdell / Chairman

Åsne Havnelid

Geir Inge Stokke

Wenche Teigland

Semming Semmingsen

Ove Sindre Lund

Jan Audun Strand

Grethe Therese Thorsen

Geir Isaksen / CEO

Cash flow statement

	Notes	2019	2018
Profit for the period before income tax		**933**	**698**
Depreciation and impairment	22	1 271	1 247
Impairments of shares in subsidiaries		-	21
Gain/loss on sale of assets		-5	-1
Gain/loss sale of associated companies	7	-	-4
Net changes to obligations and retirement benefit oblig.	19	-1 169	-154
Change in provisions for other liabilities and charges	21	-30	-29
Change in unrealised fair value	24	1	18
Interest items		-106	-101
Change in working capital		-300	1 521
Taxes paid		-178	-235
Net cash flow from operating activities		**417**	**2 982**
Acquisition of subsidiaries	2	-19	-1 260
Loans paid to/from associated companies	7,8	-115	5
Changes in financial non-current assets		309	-623
Purchase of PPE	6	-8	-8
Proceeds from sale of PPE	6	0	11
Dividends received	24	48	128
Net cash flow from investment activities		**215**	**-1 747**
Lease payments received from group companies		57	49
Lease payments		-1 287	-1 223
Repayment of loans from subsidiaries	10	592	452
Group contributions paid to subsidiaries		-33	-125
Dividends paid to company's shareholders	15	-233	-315
Net cash flow from financial activities		**-904**	**-1 162**
Net change in cash and bank deposits for the year		**-272**	**73**
Cash and bank deposits as at the beginning of the period	14	1 530	1 458
Foreign exchange gain/loss on cash and bank deposits		-9	-0
Cash and bank deposits as at the end of the year	**14**	**1 249**	**1 530**

Statement of changes in equity

2019	Notes	Ord. shares and share premium	Retained earnings	Total
Equity 1st of January	15	3 686	454	4 140
Profit for the year		-	759	759
From other comprehensive income		-	-172	-172
Dividend		-	-233	-233
Equity 31st of December		**3 686**	**808**	**4 494**

2018	Notes	Ord. shares and share premium	Retained earnings	Total
Equity 1st of January	15	3 686	427	4 113
Profit for the year		-	588	588
From other comprehensive income		-	-234	-234
Effect of change in income tax rate	17	-	-315	-315
Dividends paid		-	-12	-12
Equity 31st of December		**3 686**	**454**	**4 140**

Notes

All figures in the report are in MNOK.

The financial statements were approved by the Board of Directors on 14th of February 2020.

Note 1
General information and summary of important accounting principles

We refer to note 1 in the Vy 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 Vygruppen AS
Ownership in companies where Vygruppen 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.

Note 2
Shares in subsidiaries

See note 2 in Vy group report.

Note 3
Passenger train operations in the Nordic Region

See note 4 in Vy group report.

Note 4
Segment information and revenues

Vygruppen AS has only one operating segment - passenger train.

Analysis of operating income by category	2019	2018
Transport revenue	8 509	7 646
Other revenue	298	477
Total	**8 807**	**8 123**

Information on important customers
The company has one customer, the Ministry of Transport and Communications, that constitutes more than 10 % of operating income (see note 26).

The company's revenues and revenue reqocnition principles are as follows:

Type	IFRS 15 accounting treatment
Personnel transport	Revenue recognition at the transport date
Food and on board services	Revenue recognition at the date of sale
Agreements with counties and municipalities	Revenue recognition at the transport date
Traffic agreement with the state of Norway and public purchaser abroad	Revenue recognition at the transport date
Fees	Revenue recognition at the date of issuance
Other services - sale of ad hoc services, renting premises etc.	Revenue recognition when the service is delivered

The accounting of revenue streams will not be significantly affected by the application of IFRS 15.

Note 5
Leases

Specification of changes in the period	Liability	Assets
Total opening Balance right to use assets/lease obligations per 1 January 2019	5 073	4 733
Total opening Balance right-to-use assets / lease obligations	**5 073**	**4 733**
Lease payments	-1 287	-
Depreciations	-	-1 242
Additions and changes in existing agreements	254	292
Total Closing Balance 31. December 2019	**4 040**	**3 783**

Interest expenses leaseobligation amounted to 94 MNOK in 2019

Specification of changes in the period	Liability	Assets
Total opening Balance right to use assets/lease obligations per 1 January 2018	**5 858**	**5 698**
Total opening Balance right-to-use assets / lease obligations	**5 858**	**5 698**
Lease payments	-1 191	-
Depreciations	-	-1 211
Additions and changes in existing agreements	406	246
Total Closing Balance 31. December 2018	**5 073**	**4 733**

Interest expenses leaseobligation amounted to 115 MNOK in 2018

For more specification on the effects from right-of-use assets in the financial accounts refer to note 6 “Fixed Assets”

Liabilities	2019	2018
Short term liabilities	1 117	1 290
Long term liabilites	2 923	3 783
Total liabilities	**4 040**	**5 073**

Supplementary information

Leases not recognized	2019	2018
Short term agreements (between one month and one year)	14	27
Total	**14**	**27**

P&L	2019	2018
Revenue from sub-lease	63	55

Cash Flows	2019	2018
Total cash flows on leases	1 411	1 384

Future lease payments		
Future nominal lease obligations related to lease of passenger trains not yet received	1 255	691

Note 6
Property, plant and equipment

At 1st of January 2019	Mach-inery and equipm.	Transportation	Under construction	Right-to-use transportation assets	Right-to-use buildings	Total
Accumulated acquisition cost	681	366	6	5 104	840	6 997
Accumulated depreciation	-648	-313	-	-1 094	-117	-2 172
Total	**33**	**53**	**6**	**4 010**	**723**	**4 825**
Year ended 31st of December 2019						
Opening net book value	33	53	6	4 010	723	4 825
Additions	-	-	8	225	44	277
Disposals at acquisition cost		-1		-282	-15	-298
Accumulated depreciation disposals		1		282	39	322
Transfers within PPE	6	0	-6			0
Depreciations continuing operations	-19	-10	-	-1 121	-121	-1 271
Total	**20**	**43**	**8**	**3 114**	**670**	**3 855**
At 31st of December 2019						
Accumulated acquisition cost	687	365	8	5 046	870	6 976
Accumulated depreciation	-667	-322		-1 932	-200	-3 121
Total	**20**	**43**	**8**	**3 114**	**670**	**3 855**
Depreciation period (years)	5 - 30	5 - 30		1 - 6	1 -20	

At 1st of January 2018	Mach-inery and equipm.	Transportation	Under construction	Right-to-use transportation assets	Right-to-use buildings	Total
Accumulated acquisition cost	687	375	6	-	-	1 068
Accumulated depreciation	-631	-307	-	-	-	-938
Total	**56**	**68**	**6**	**-**	**-**	**130**
Year ended 31st of December 2018						
Opening net book value	56	68	6	-	-	130
Effect of the IFRS 16 implementation	-	-	-	4 858	840	5 698
Additions	-	-	8	246	-	254
Disposals at acquisition cost	-14	-9	-	-	-	-23
Accumulated depreciation disposals	6	5	-	-	-	11
Transfers within PPE	8	-	-8	-	-	-
Depreciations	-23	-11	-	-1 094	-117	-1 247
Total	**33**	**53**	**6**	**4 010**	**723**	**4 825**
At 31st of December 2018						
Accumulated acquisition cost	681	366	6	5 104	840	6 997
Accumulated depreciation	-648	-313	-	-1 094	-117	-2 172
Total	**33**	**53**	**6**	**4 010**	**723**	**4 825**
Depreciation period (years)	5 - 30	5 - 30		1 - 6	1 -20	

Note 7
Investments in associates

	2019	2018
Book value 1st of January	2	2
Disposals of associates	-2	-0
Net book value 31st of December	**-**	**2**

As a result of the contribution in kind of the groups share of 43,38% of Fjord Tours AS into Vy Fjord Reiseliv AS, the group has recognized a gain on disposal of 112 MNOK. The gain is included in the financial income.

2018	Registered office	Assets	Liabilities	Revenues	Profit/loss	% int. held
Interoperabilitetstjenester AS*	Oslo	-	-	-	-	33 %
Fjord Tours AS	Bergen	62	26	88	25	43 %
Total		**62**	**26**	**88**	**25**	

*The Companys shares in Interoperabilitetstjenester AS was sold in January 2018.

Note 8
Investments in joint ventures

	2019	2018
Book value 1st of January	5	5
Addition of associates	114	-
Net book value 31st of December	**119**	**5**

Vygruppen AS has interest in joint ventures as follows:

Joint venture:	Year of acquisition	Registered office	Votes and profit share	Equity	Profit/loss	Book value 31st of December
Flåm Utvikling AS	2013	Aurland	50 %	92	72	125
Vy Fjord1 Reiseliv AS	2019	Oslo	50 %	293	-3	395
Total				**385**	**69**	**520**

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

Description of operations:

Flåm Utvikling
Flåm Utvikling has for 20 years, with Vygruppen AS as a provider of train transport services, operated the tourism 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.

Vy Fjord1 Reiseliv AS
Vy Fjord1 Reiseliv AS was founded in April 2019 and should together with the subsidiary Fjord Tours combine and sell combined tours with public transport. AS of today "Norway in a nutshell", with among others the Bergen Line and Flåmsbana,is the most famous round trip. The tourists travel with public transport and the package includes accomodation, activities and other experiences.

Note 9
Inventory components

	2019	2018
Components	636	616
Total inventory	**636**	**616**

Note 10
Trade and other receivable

	2019	2018
Trade receivables	360	380
Group internal trade receivables	140	193
Less: provision for impairment of receivables	-1	-4
Trade receivables - net	499	569
Prepayments	284	210
Other receivables	81	104
Total trade and other receivables	**864**	**883**
Loans to group companies	-	603
Total	**864**	**1 486**

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:	2019	2018
Matured receivables on balance sheet date	40	42
Matured between 0 - 2 mnths ago	22	36
Matured between 2 - 6 mnths ago	15	1
Matured more than 6 mnths ago	3	5

Note 11
Financial risk management

This table shows future maturities for the Company's liabilities as of 31st of December 2019:

Liquidity risk	< 1 year	1-2 years	2-5 years	> 5 years
Short term liabilities	2 963	-	-	-
Lease obligations train	995	805	1 671	
Lease obligations property	133	126	345	186
Property, plant and equipment	2			

Vygruppen AS assesses maximum credit risk to be the following:	2019	2018
Cash and bank deposits	1 249	1 530
Financial assets	3 108	3 340
Trade receivable and other short term receivables	864	883
Total	**5 221**	**5 753**

Note 12
Periodic maintenance on leased trains

Periodic maintenance on leased trains	2019	2018
Prepaid maintenance as of 1st of January	15	206
Accrual for incurred maintenance cost through the year	-129	-113
Conducted maintenance through the year	159	117
Change in accrual	-28	-195
Prepaid maintenance as of 31st of December	**17**	**15**

As a train lessee, the Company 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 Company 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 13
Financial instruments by category

Assets at 31st of December	Loans and receivables		Assets at fair value through profit and loss		Total	
Year	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Financial fixed assets	152	247		-	152	247
Trade and other receivables (excl. prepayments)	574	1 276		-	574	1 276
Financial assets at fair value in the income statement	-	-	3 108	3 340	3 108	3 340
Cash and bank deposits	1 249	1 530		-	1 249	1 530
Total	**1 975**	**3 053**	**3 108**	**3 340**	**5 083**	**6 393**

Liabilities at 31st of December	Other financial liabilities at amortised cost		Liabilities at fair value through profit and loss		Total	
Year	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Financial lease liabilities	4 040	5 073	-	-	4 040	5 073
Trade and other payables excl. statutory liabilities	2 649	3 115	-	-	2 649	3 115
Total	**6 689**	**8 188**	**-**	**-**	**6 689**	**8 188**

Financial assets and liabilities at fair value through profit or loss at 31st of December 2019:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	3 108			3 108
Total assets	**3 108**	**-**	**-**	**3 108**

Financial assets and liabilities at fair value through profit or loss at 31st of December 2018:

	Level 1	Level 2	Level 3	Total
Derivatives used for hedging	3 340	-	-	3 340
Total assets	**3 340**	**-**	**-**	**3 340**

Note 14
Cash and bank deposits

	2019	2018
Cash and bank deposits	1 249	1 530

Includes restricted funds of 89 MNOK (2018: 111 MNOK).

Note 15
Share capital and share premium

See note 20 in Vy group report.

Note 16
Debt

The Group has the following undrawn borrowing facilities:	**2019**	**2018**
Floating interest rate		
- Expiring within one year	50	50
- Expiring beyond one year	-	-
Total	**50**	**50**

The facility that expires within one year is a bank overdraft related to Vy group bank account system: The credit is for one year at the time and is renewed annually.

Note 17
Deferred income tax/Income tax expense

Income tax expense	2019	2018
Current income tax payable	67	118
Changes in deferred tax	107	-8
Total income tax expense	**174**	**110**

Tax payable on the balance sheet are as follows:	2019	2018
Current payable tax expense	67	118
Tax on group contribution recieved this year	-67	-
Tax payable on the balance sheet	**-**	**118**

Reconciliation between nominal and actual tax expense rate:	2019	2018
Net income before tax	933	698
Expected income tax using the nominal tax rate (22 %/23%)	205	161
Tax effect of the following items:		
Tax-exempt dividend	-10	-13
Other non-deductible expenses	1	50
Other non-taxable income	-25	-47
Effect of change in tax rules and tax rate	3	-20
Insufficient tax provision prior years	-	-21
Income tax expense	**174**	**110**
Effective tax rate	**19 %**	**16 %**

Specification of the tax effect of temporary differences and losses carried forward:

2019	Book value 01.01.	Exchange diff.	Acquisition of subsidiary	Income statement charge	Charge to other comprehensive income	Charged directly to equity	Tax effect Group contribution	31.12.
Benefit (+) / Liability (-)								
Fixed assets	-1 260	-	-	264	-	-	-	-996
Inventories	12	-	-	10	-	-	-	22
Receivables	-6	-	-	-2	-	-	-	-8
Lease obligations	37	-	-	6	-	-	-	43
Value changes to financial current assets	13	-	-	-9	-	-	-	4
Retirement benefit obligations	1 548	-	-	-1 050	220	-	-	718
Provisions for other liabilities and charges	249	-	-	14	-	-	-	263
Gains (losses)	-11	-	-	2	-	-	-	-9
Losses carried forward	-	-	-	278	-	-	-	278
Total gross temporary differences	581	-		-486	220	-	-	315
Net temporary differences	**581**			**-486**	**220**		**-**	**315**
Net deferred tax asset/liability on the balance sheet 22%	**128**	**-**	**-**	**-107**	**48**	**-**	**-**	**69**

2018	Book value 01.01.	Exchange diff.	Acquisition of subsidiary	Income statement charge	Charge to other comprehensive income	Charged directly to equity	Tax effect Group contribution	31.12.
Benefit (+) / Liability (-)								
Fixed assets	-1 602	-	-	342	-	-	-	-1 260
Inventories	12	-	-	-	-	-	-	12
Receivables	-11	-	-	5	-	-	-	-6
Lease obligations	-			37				37
Value changes to financial current assets	6	-	-	7	-	-	-	13
Retirement benefit obligations	1 517	-	-	-256	287	-	-	1 548
Provisions for other liabilities and charges	511	-	-	-262	-	-	-	249
Losses carried forward	-88	-	-	77	-	-	-	-11
Total gross temporary differences	344	-	-	-50	287	-	-	581
Net temporary differences	**344**			**-50**	**287**		**-**	**581**
Net deferred tax asset/liability	**83**	**-**	**-**	**-11**	**66**	**-**	**-**	**134**
Effect from changes in tax rate	-	-	-	20	-10	-12		-6
Net deferred tax asset/liability on the balance sheet 22%	**83**			**9**	**56**	**-12**	**-**	**128**

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

Deferred income tax assets	**2019**	**2018**
Deferred income tax assets to be recovered after more than 12 months	231	406
Deferred income tax assets to be recovered within 12 months	61	3
Total	**292**	**409**

Deferred tax liabilities	**2019**	**2018**
Deferred income tax liabilities to be recovered after more than 12 months	-221	-279
Deferred income tax liabilities to be recovered within 12 months	-2	-2
Total	**-223**	**-281**
Total deferred income tax assets (net)	**69**	**128**

Note 18

Payroll and related expenses

	2019	**2018**
Wages and salaries, including employment taxes	2 301	2 254
Pension costs – defined contribution plans (note 19)	140	-
Pension costs – defined benefit plans (note 19)	181	280
Other employee benefit expenses	29	26
Total	**2 652**	**2 560**

Benefits for Chief Executive Officer and key management are referred to in the note for related-party transactions (note 26).

	2019	**2018**
Average man-labour year	2 680	2 598
Average number of employees	3 093	2 998

As of 31st of December 2019 there are 2 577 man-labour years and 3 095 employees.

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

Note 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 satisfy 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 639 active members and 234 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 companies have, through tariff agreements, retirement benefit obligations in affiliation with Early Retirement Pension Regulated by Contract (AFP). Obligations through this agreement cover 639 active members.

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

Closing of the defined benefit plan
A decision was made during 2017 to close the current defined benefit plan in SPK for employees within Vygruppen AS that were older than 55 years of age by the year end of 2018/2019. These employees were included in a new, closed defined benefit plan with effect from 1st January 2019. All employees younger than 55 years of age were granted an earned right in the SPK and were included in a new defined contribution plan in Storebrand as of January 2019. SPK made a final settlement to employees during 4th quarter of 2019. Agreed compensation to employees for whom the defined benefit pension plan settlement had a negative effect, is previously expensed with 78 MNOK.

The employees included in the new defined contribution plan in Storebrand are also included in a private AFP pension plan. This scheme is also accounted for as a defined contribution plan.

As of 31st of December 2019, 2.034 employees are active members in the defined contribution scheme in Storebrand.

Specification of net defined benefit pension plan obligations	2019	2018
Present value of earned pension rights for funded collective pension plans	2 682	7 072
Fair value of plan assets	-1 962	-5 420
Present value of unfunded obligations	720	1 652
Unrecognised actuarial losses	22	39
Net pension obligation on the balance sheet	**742**	**1 691**
Changes in pension retirement obligations:		
Book value net pension obligation 1st of January	1 691	1 557
This years' actuarial deviations	192	252
This years net return on assets/increase in obligation continued operations	-39	206
Net financial items in the acount from continuing operations	18	29
Curtailments/transfer	-862	-11
Payments to plan	-258	-394
Plan change		53
Book value 31st of December	**742**	**1 691**
Pension expenses included in the accounts, defined benefit pension plan		
Present value of current pension earnings	90	280
Curtailments/transfer	91	
Total return on pension plan, incl. in payroll and related expenses – see note 18	181	280
Total financial items in the accounts	**18**	**29**
Total pension expenses defined benefit pension plan	**199**	**309**
Contribution plans		
Total return on pension plan, incl. in payroll and related expenses – see note 18	140	-
Total pension expenses	**339**	**309**

The settlement with SPK led to some 170 MNOK higher expenses than expected (net after the contribution from the Norwegian state). The amount has been recognised as pension expenses in 2019.

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 %	(20-21%)	15-16%	11-12%	(13-14%)	18-19%	(14-15%)
Increase (+)/decrease (-) net pension obligation at 31st of December in %	(14-15%)	18-19%	5-6%	(6-7%)	12-13%	(10-11%)

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:

	2019	2018	2017	2016	2015	2014
Income statement						
Present value of current pension earnings	90	220	232	191	47	213
Curtailments/transfer	91	-	-	-	-	-
Plan changes during the year	-	60	-	-	-	-
Tot.cost in the income statment	181	280	232	191	47	213
Tot.financial.items in the acc.	18	29	33	25	32	48
Tot.pension cost in the acc.	**199**	**309**	**265**	**216**	**79**	**261**

Financial position						
Total obligations	2 682	7 072	6 808	6 558	6 461	6 334
Pension assets	-1 962	-5 420	-5 297	-4 909	-5 051	-4 844
Total net pension obligations	720	1 652	1 511	1 649	1 410	1 490
Non-recognised actuarial losses	22	39	46	-	-	-
Net pension oblig. at the balance sheet date	**742**	**1 691**	**1 557**	**1 649**	**1 410**	**1 490**

Financial assumptions (defined benefit plans)

	2019	2018	2017	2016	2015	2014
Discount rate	2,05 %	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %
Expected return on plan assets	2,05 %	2,85 %	2,50 %	2,60 %	2,70 %	2,80 %
Average salary growth	2,70 %	2,50 %	2,25 %	2,55 %	2,60 %	2,95 %
G-regulation	2,10 %	2,60 %	2,40 %	2,50 %	2,40 %	2,70 %
Annual reg. of pension increases	1,35 %	1,85 %	1,65 %	1,75 %	1,65 %	1,95 %
Average social security tax	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %	14,10 %

Explanation to selected assumptions 31st of December 2019
The discount rate has been set at 2.05 % (2.85%) 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 1.3 % (incl career salary increase) and inflation of 1.4 % 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:

Female 23,5 years

Male 20,5 years

Actuarial deviations in 2019 are mainly due to changes in economic parameters.

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.

Note 20
Trade and other payables

	2019	2018
Trade payables	198	176
Group internal trade payables	1 461	2 146
Social security and other taxes	314	150
Other current liabilities	990	793
Total	**2 963**	**3 265**

Total trade and other payables include liabilities to related parties in 2019: 119 MNOK (59 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.

Note 21
Provisions for other liabilities and charges

Provisions for other liabilities 2019	Reorganization obligation	Other	Total
At 1st of January	247	-	247
Change in provision during the year	-	-	-
Used during the year	-30		-30
Total	**217**	**-**	**217**

Provisions for other liabilities 2018	Reorganization obligation	Other	Total
At 1st of January	275	1	276
Change in provision during the year	-18	-1	-19
Used during the year	-10	-	-10
Total	**247**	**-**	**247**

Analysis of total provisions:	2019	2018
Non-current liabilities	217	247

Legal disputes
Vygruppen 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
Vygruppen AS announced a restructuring plan in 2016. The purpose of the restructuring is to adapt to the changes required by the railway reform . The restructuring provision amounted to 146 (166) MNOK at the end of 2019, and is mainly due to downsizing. The accruals at 31.12.2019 includes in addition a compensation related to changed pension plans. This remaining accruals for this is 70 (78) MNOK at the end of 2019.

Note 22
Depreciation, amortization and impairment

	2019	2018
Depreciation charges (note 6)	1 271	1 247
Total	**1 271**	**1 247**

Note 23
Other expenses

	2019	2018
Sales- and overhead expenses	1 147	1 020
Energy used in operations	300	288
Repair and maintenance, machinery rental, property expenses	1 440	1 303
Other operating expenses	1 465	1 177
Total	**4 352**	**3 788**

Auditing fees for total operations (excluding VAT):	2019	2018
Statutory audit fee	1	2
Other services	2	2
Total fee to auditor	**3**	**4**

Note 24
Financial income and expenses

	2019	2018
Interest income	114	94
Dividend	48	58
Group contribution	290	217
Gain from sale of shares	114	4
Net foreign exchange gains	-7	2
Total financial income	**559**	**375**
Interest expense	-121	-128
Other financial expenses	-16	-29
Net foreign exchange losses	-2	-1
Total financial expenses	**-139**	**-158**
Net financial expenses - pensions	-18	-29
Change in unrealised fair value	-1	-18
Total financial items	**401**	**170**

Note 25
Liabilities from financing activities

	Financial lease obligations
Liabilities 1. January 2019	5 073
Cash flow from financial activities	-1 287
Non-cash changes	
Addition lease liabilies	254
Liabilities 31 December 2019	**4 040**

Note 26
Related party transactions

Vygruppen AS has the following related parties:

Owner
As the owner of Vygruppen AS, 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 Vygruppen AS.

Companies within the same Group
All subsidiaries, associates and joint ventures as noted in notes 2, 7 and 8 as well as other Group companies that are related parties to these companies will be a related party to Vygruppen AS.

Board of Directors and executive management
Executive management or on the Board of Directors are also related party to Vygruppen AS.

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

Sale of goods and services:	**2019**	**2018**
Public purchase of passenger traffic services	3 792	3 514
Sales of other goods and services	433	307
Sales to other companies within the Group	120	89
Total	**4 345**	**3 910**
Purchases from companies in the Group:	234	228
Purchases of goods and services:	3 777	2 984
Total	**4 011**	**3 212**

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

Receivables:	**2019**	**2018**
Group internal trade reveivables	75	193
Associated companies	0	2
Entities owned by the Ministry of Transportation	280	69
Total	**356**	**264**

Debts		
Group internal trade payables	1 461	2 146
Other companies in the Group	-	1
Entities owned by the Ministry of Transportation	223	58
Total	**1 684**	**2 205**

Loans to related parties		
Other companies in the Group	-	603

There are no borrowings from related parties.

Vygruppen AS has issued a guarantee of 40 MSEK on behalf of its fully owned subsidiary Vy Tåg AB, related to a contract with Varmlandstrafikk AB for licensing to operate trains in Värmland in Sweden.

Vygruppen AS has issued a guarantee of 150 MSEK on behalf of its fully owned subsidiary Vy Tåg AB related to a contract with Norrtåg AB.

Vygruppen AS has issued a guarantee of 240 MNOK to Jernbanedirektoratet on behalf of its fully owned subsidiary Vy Tog AS, regarding the contract Trafikkpakke 3 Vest.

Compensation for members of the Board and executive management
See note 31 in Vy group report.

Note 27
Contingencies

See note 32 in Vy group report.

Note 28
Events after the reporting date

See note 34 in Vy group report.

Statement from the Board and CEO regarding the annual report 2019

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 2019 to 31. December 2019 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, 14th of february 2020

Board of directors of the Vy Group

Dag Mejdell / Chairman

Åsne Havnelid

Geir Inge Stokke

Wenche Teigland

Semming Semmingsen

Ove Sindre Lund

Jan Audun Strand

Grethe Therese Thorsen

Geir Isaksen / CEO

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel.: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

To the General Meeting of Vygruppen AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vygruppen AS, which comprise:

- The financial statements of the parent company Vygruppen AS (the Company), which comprise the balance sheet as at 31 December 2019, 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 consolidated financial statements of Vygruppen AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows 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 give a true and fair view of the financial position of the Company as at 31 December 2019, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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 information in the annual report, except 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.

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 or 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.

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 proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 14 February 2020
Deloitte AS

Eivind Skaug
State Authorised Public Accountant (Norway)

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

Corporate governance

1. Reporting on corporate governance

This statement is prepared according to the chapters in the Norwegian Code of Practise for Corporate Governance. Vygruppen AS and the Group follows the Code, with exeptions because the Group is not listed on a stock exchange, is owned 100 % by the Norwegian State and has certain limits in the articles of association. The Code is composed to ensure that companies listed on the stock exchange shall have ownership control and corporate governance that clarifies the roles between share owners, the Board of Directors and management in addition to what is included in the legislation. The recommendation shall strengthen the confidence the share holders, the capital markets and other interested parties have towards the company.

2. Nature of business

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

The groups business as stated in the articles of association:

- The company social mission is to provide efficient, available, secure and environment friendly passenger and freight transport
- The company business is passenger traffic by rail in Norway, transport of passengers and goods in Norway and other Nordic countries as well as business connected to the above
- The business can be run by the company itself, by wholly owned subsidiaries, through other partly owned companies or cooperating companies. The company can do business in other Nordic countries as far as this helps to strengthen the company effectiveness on the Norwegian market and/or helps to strengthen the company's ability to solve the social duties which is the reason for state ownership

The Group Board annually evaluates strategy, goals and risk profile. The sustainability perspective is integrated into the Group's strategy and management.

3. Equity and dividends

Vygruppen AS is a State Limited Liability company. This is a type of limited liability company where the state owns 100 % of the shares. The responsible minister or whom he gives authority safeguards the rights of the shareholders in the general meeting.

Important special rules for such companies are:

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

The government expects that the dividend level should be 50 % of the Group profit after tax, but the exact level will be decided annually. The board has not been given mandate to approve the distribution of 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.

Jernbanedirektoratet, governed by The Ministry of Transport and Communication, and Vygruppen AS have entered into an agreement about public purchase of passenger traffic services on non-profitable lines that are not exposed to competition. Similarly, the Ministry of Transport and Communication has entered into an agreement with Vygruppens's subsidiary Vy Gjøvikbanen AS regarding operation of the Gjøvik line. The Group participates in tender competitions for railway packages exposed to competition announced by Jernbanedirektoratet.

5. Freely negotiable shares

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

6. General assembly

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

7. Nomination committee

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

8. Board of directors: composition and independence

The board is elected by the general assembly. Two or three board members with deputies are elected by and among the employees. An agreement has been made not to have a corporate assembly, and therefore the employees elect a board member with deputy in addition to the above representatives.

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

9. The work of the board of directors

The Board's work is governed by the Norwegian Companies Act, which is to manage the company's values on the behalf of the owners. The task of the Board has been determined in separate instructions.

The Board has established a separate set of instructions for the CEO.
The board shall according to the principles of association ensure that the company acts socially responsible.

The board has established audit and remunerations committees.
Guidelines on how to treat material transactions between the company and members of the Board of Directors or management are included in the Group's ethical guidelines and are included in the instructions of the Board of Directors and President and CEO.

10. Risk management and internal control

The board shall ensure that satisfactory systems for internal control of the company's activities are in place, and that risk analyzes with follow-up preventive measures and preparedness measures are regularly carried out.

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

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

11. Remuneration of the Board of Directors

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

12. Remuneration of executive personnel

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

13. Information and communications

Public information is communicated by the senior management of the Group.
Through § 10 in the articles of association, Vygruppen AS has a distinct duty to inform the shareholder about the Group's operation. Matters of principle or social significance should be communicated to the Minister of Transport and Communication before the Board of Directors makes their final decision.

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

1. An assessment of the market and the Group, including the development since the last plan.
2. The Group's main activities for the next few years, including plans for major restructuring, further development and unwinding of existing operations and development of new ones.
3. The level of investments, major investments and their financing.
4. The Group's economic development.
5. A report on measures and results regarding the company's social mission

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

14. Take-overs

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

15. Auditor

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

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