



Norske  
tog



Annual Report 2020

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# Norske tog's fleet

Norske tog owns and manage aprox 90 % of Norwegian railway vehicles used for passenger traffic

## Class 5

Subseries: A5-1

B5-3



B5-5

BC5-3

FR5-1



 56  160 km/h  A5 has 48 seats, B5 has 68 seats and BC5 has 40 seats \*\*

-  Day/Night train Dovre line, Bergens line and Nordlands line
-  A5 has comfort class, BC5 has family carriage and FR5 is a restaurant carriage

## Class 69

Underserier: Class 69 B






Class 69 D



 43  130 km/h  69C has 286 seats, 69D has 302/303 seats, 69G has 269 seats and 69H has 238/240 seats\*  Local train E

## Class 70



 16  160 km/h  233/238\*  Regional train Eastern Norway  Only used as an entry train





## Class 74



 36  200 km/h  240\*  Regional train Eastern Norway





## Class 92



 14  140 km/h  143\*  Local train Trønder line, Meråker line and Røros line

## Class 93



 15  140 km/h  87\*  Regional train Rauma line, Røros line and Nordlands line

## Class 7

Subseries: A7-1

B7-4

B7-5



 59  160 km/h  A7 has 48 seats, B7 has 68 seats and BC7 has 36 seats \*\*

 Day/Night train Bergen line and Sørlands line

 A7 has comfort class, BC7 has family carriage and FR7 is a restaurant carriage

Class 69 H



Class 69 CII

Eastern Norway and Voss line  Series B is two car sets with fewer seats


## Class 72



## Class 73

Subseries: Class 73A



 36  160 km/h  310\*  Local train Eastern Norway and Jær line

 20  210 km/h

## Class 75




 79  200 km/h  295\*  Local train Eastern Norway and Gjøvik line

## Di 4



 5  140 km/h

 Day/Night train Nordlands line

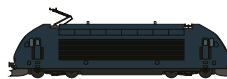
## WLAB 2




 20  150 km/h  30

 Night train on all main lines

## EI 18



 17  200 km/h

 Day/Night train Dovre line, Bergen line and Sørlands line



⌘ 204\* 📍 Regional train Eastern Norway, Dovre line and Sørlands line ⓘ 73B has 249 seats and is only used on the Østfold line

Class 73B



- ⌘ Amount
- ⌚ Maximum speed
- ⌘ Number of types
- \* Per train set
- \*\* Per cart
- 🛏 Beds per cart
- 📍 Field of application
- ⓘ Other

## Milestones 2020

### 31 January

Norske tog announces the tender for new local trains due to run on line L2 Stabekk - Oslo - Ski.

### 12 March

Large parts of Norway shut down due to the coronavirus pandemic and strict infection control measures. This leads to a dramatic decrease in the number of passengers on public transport.

### 25 May

Norske tog provided input to the Norwegian Railway Directorate's work to develop a long-term plan for procuring and acquisition of vehicles, which includes a proposal by Norske tog to reduce the number of train classes to three main classes of trains: Local trains, regional trains and long-distance trains.

### 8 June

Traffic package 2 North, Oslo–Bodø started up with SJ Norge as the operator.

### 30 June

The Norwegian Railway Directorate postponed the tender process for Traffic package 4 due to Covid-19. Start-up of the traffic package will now take place a year later, in December 2023.

### September

Norske tog received train number 40 of a total of 53 Flirt Class 74 trainsets from Stadler, which will be used on regional services.

### 28 October

Norske tog held an information meeting on the procurement of long-distance trains.

### November

The first bimodal train arrived in Norway for testing and is scheduled to be put into operation during May 2021. These are 14 Class 76 trainsets that can operate using both electricity and diesel and will be used on the Trønderbanen Line and the Trondheim-Røros section.

### 3 December

Start-up of Traffic Package 3 West, Oslo-Bergen, with Vy Tog as the operator.

### 31 December

Norske tog signed a letter of intent to purchase six trainsets from Flytoget for the price of NOK 181 million.

# This is Norske tog

## About the company

Norske tog procures, owns and manages rolling stock. The company enters into agreements with train operating companies who have a traffic agreement with the Norwegian Railway Directorate for the lease of rolling stock. This ensures low barriers to entry for train operating companies and contributes to a competition on equal terms for passenger rail traffic. The company was demerged from Vy Group in 2017. Norske tog's headquarters are in Oslo.

## State ownership

Norske tog AS is owned by the Ministry of Transport and Communications and is a category 3 company. The State's rationale for ownership of Norske tog AS is to have a provider of rolling stock on competition-neutral terms. The State's goal as owner is cost-effective procurement and leasing of rolling stock.

## Specific frameworks for the company

The quality and size of Norske tog's train fleet shall be adapted to the publicly funded passenger train service. The train operating companies pay Norske tog for the lease of rolling stock in accordance with the provisions laid down in the traffic agreements the Norwegian Railway Directorate has entered into with the train operating companies.

Financial key figures (MNOK)	2020	2019
Operating profit	299	392
Pre-tax profit	127	285
Profit for the year	99	222
Net cash flow**	-1,444	-638
Working capital	-70	1,232
Equity	3,164	3,065
Equity ratio	27.3 %	22.5 %
Return on equity	3.2 %	7.8 %

\*Norske tog uses the following terms for rolling stock and vehicles: rolling stock, railway vehicle, train, vehicle, passenger train, materiel, trainset and passenger train vehicle.

\*\*The negative net cash flow can partly be attributed to repayment of liabilities

# The Norwegian Railway Reform and the role of Norske tog

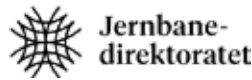


## SAMFERDSELSDEPARTEMENTET

Ministry of Transport and Communications  
Strategic management of the sector. Agency management of the Norwegian Railway Directorate and the Norwegian Railway Authority.  
Corporate governance. Regulation.



The Accident Investigation Board Norway



The Norwegian Railway Directorate  
Coordination, operational management and development of the sector.



The Norwegian Railway Authority



Bane NOR SF  
Manages existing and builds new rail infrastructure. Traffic control. Manages and develops property. Commercial approach.



Norske tog AS  
Owns, manages and provides access to rolling stock for train operators.



Entur AS  
Journey planning and ticketing.



Vygruppen AS  
Passenger trains, freight and buses.

## Train companies, maintenance companies, contractors and suppliers

Compete for contracts.



SJ Norge AS  
Passenger train operator.



Go-Ahead Nordic  
passenger train operator.



## NÆRINGS- OG FISKERIDEPARTEMENTET

Ministry of Trade, Industry and Fisheries



Mantena AS  
Vehicle maintenance. Moved to a different Ministry 01.01.20.



Flytoget AS

■ Administrative bodies

■ State-owned standalone units

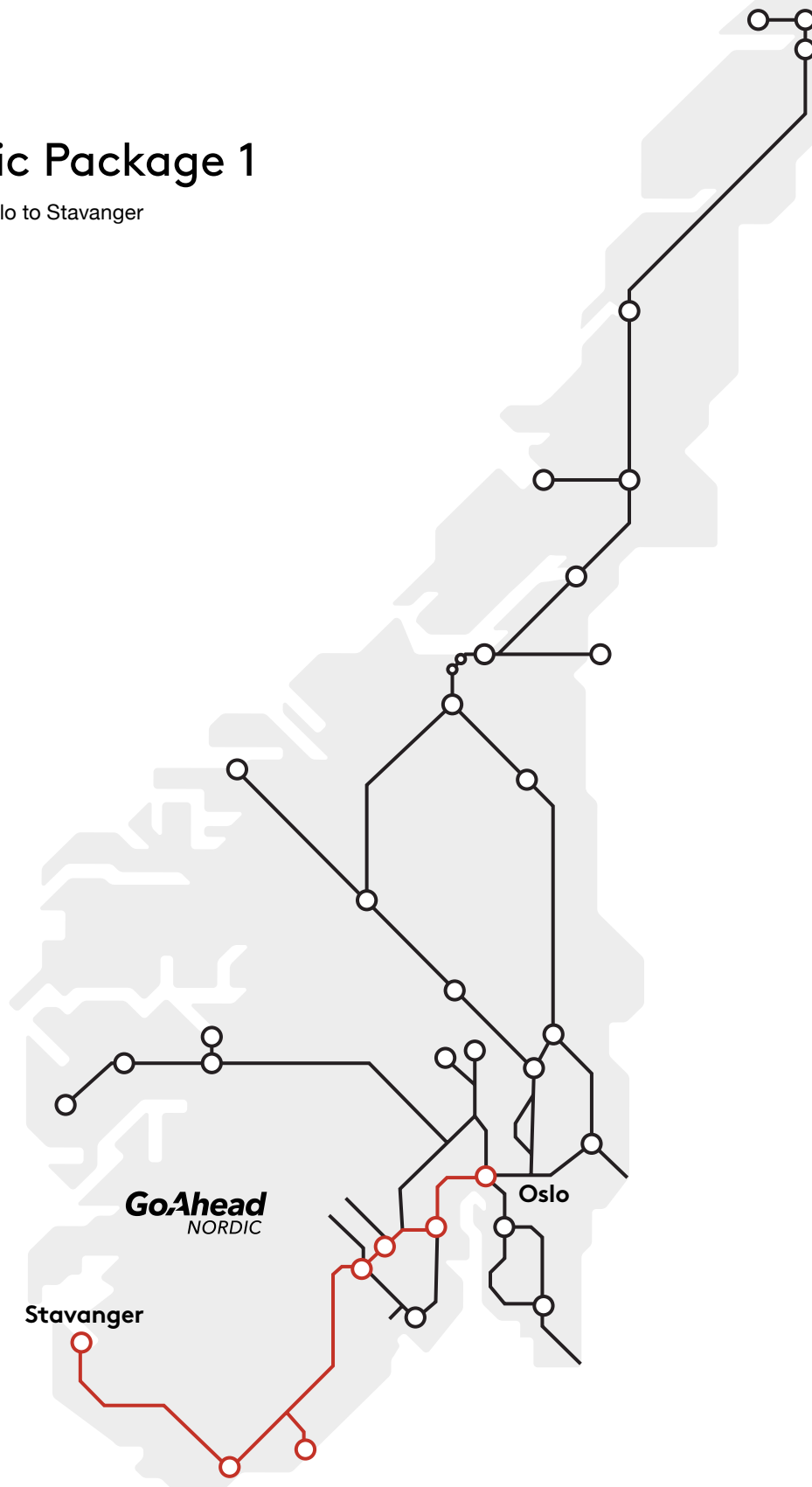
■ Private sector

\*From the website of the Norwegian Railway Directorate – <https://www.jernbanedirektoratet.no/no/jernbanesektoren/>



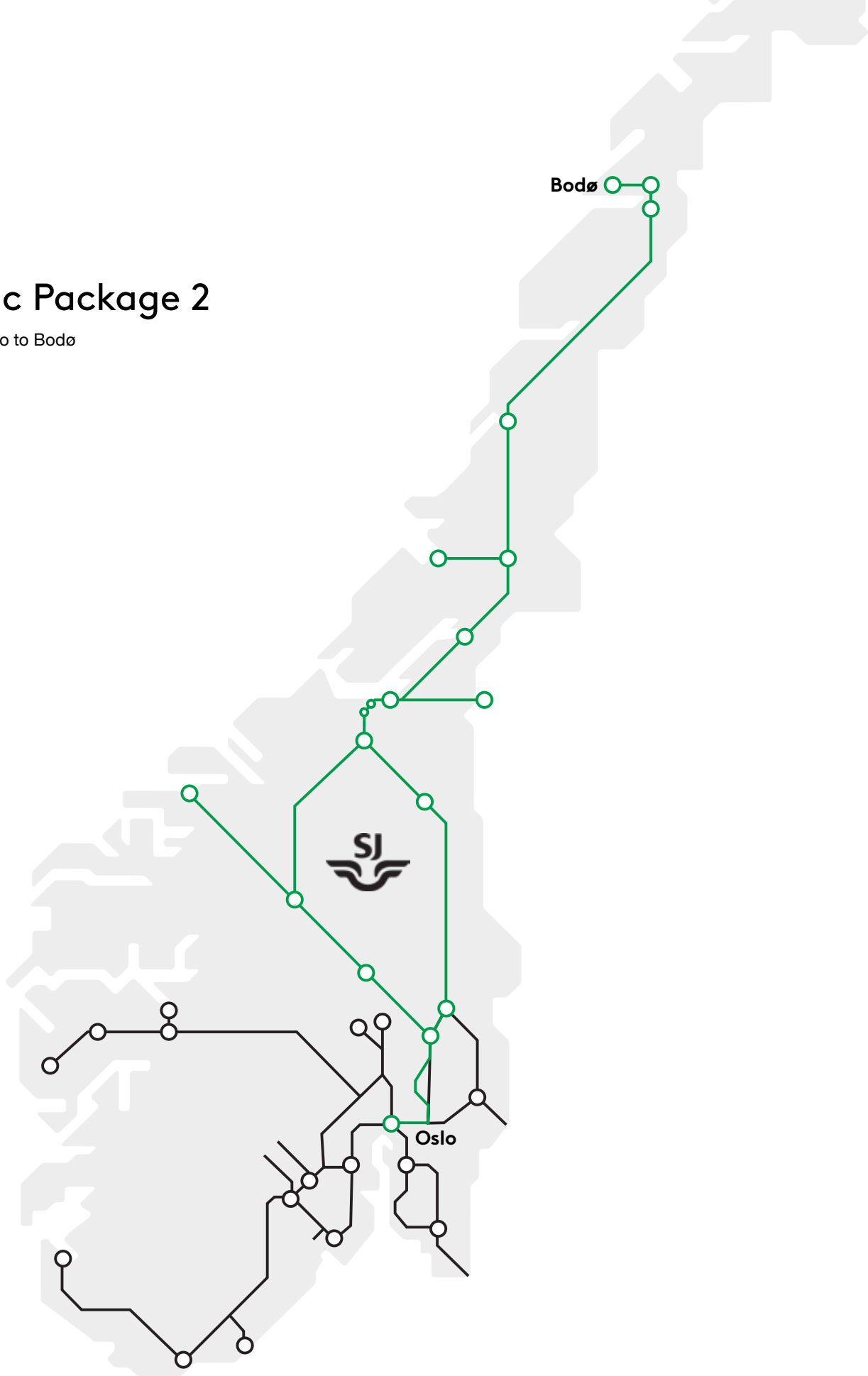
# Traffic Package 1

South – Oslo to Stavanger



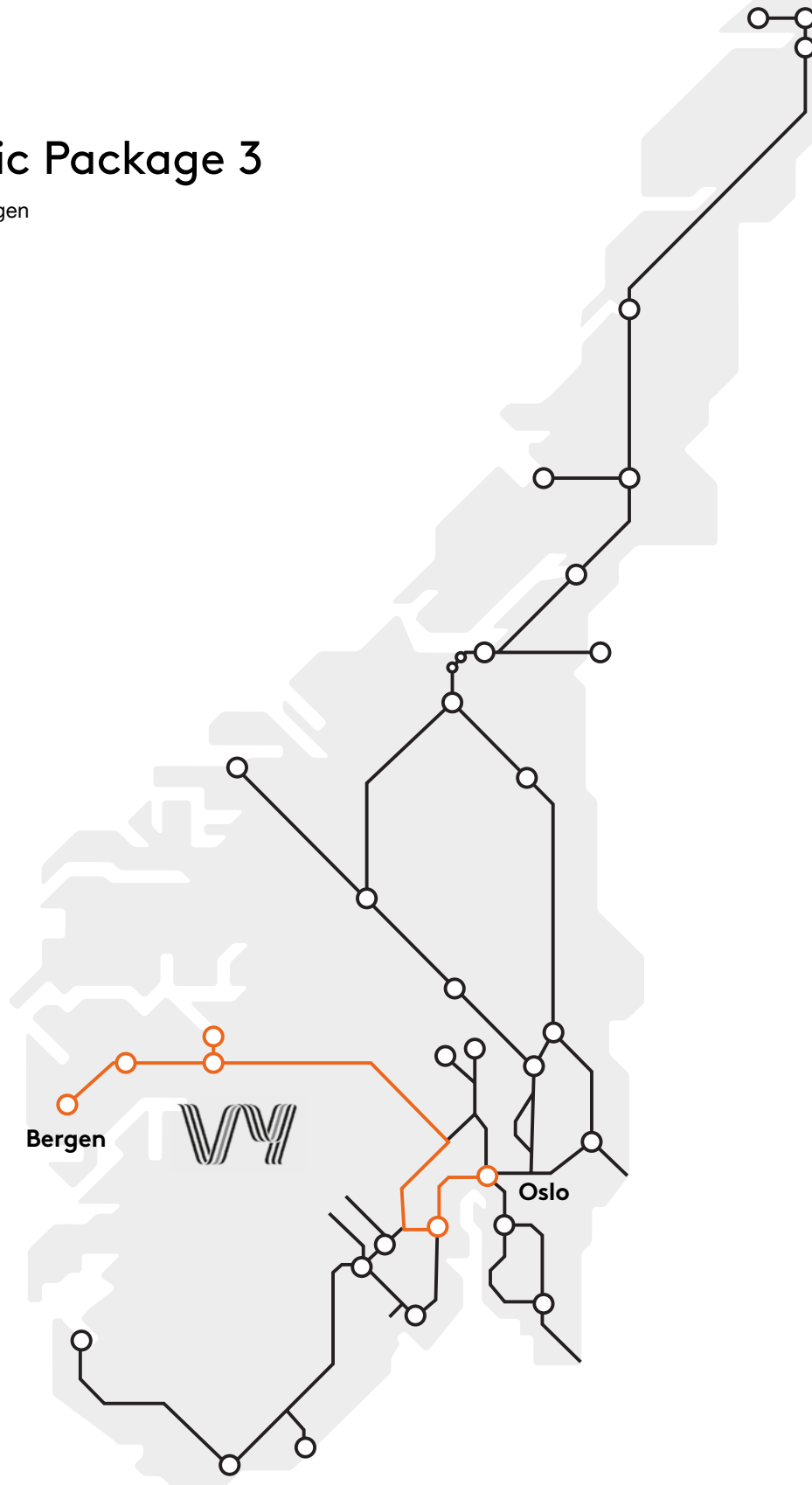
# Traffic Package 2

North – Oslo to Bodø



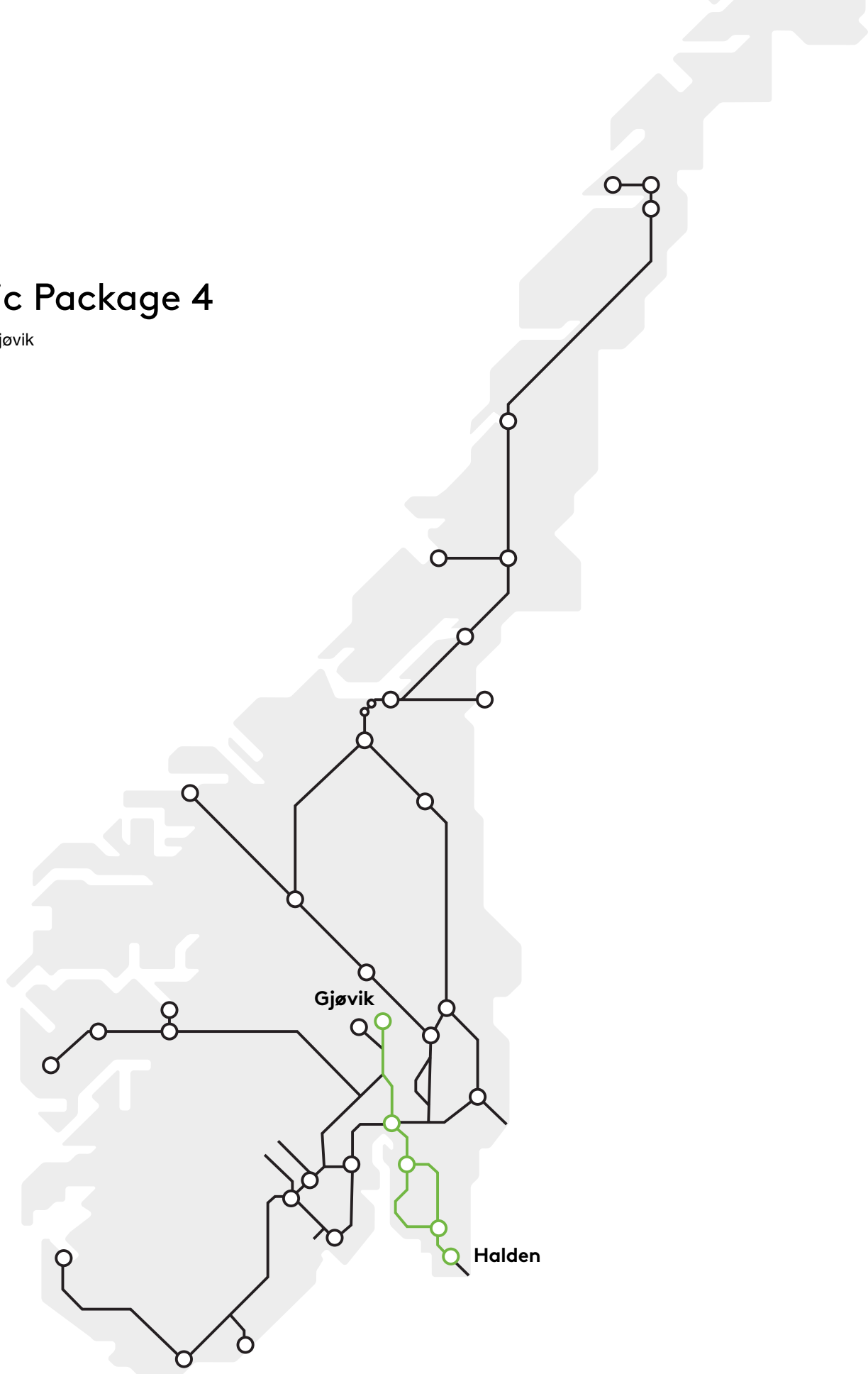
# Traffic Package 3

Oslo – Bergen

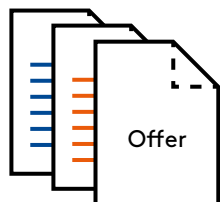


# Traffic Package 4

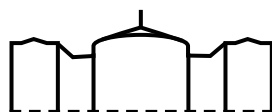
Halden – Gjøvik



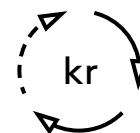
## Business model



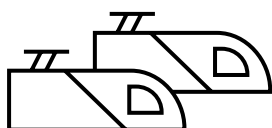
The Norwegian Railway Directorate specifies future train services in Norway and is the premise provider for Norske tog



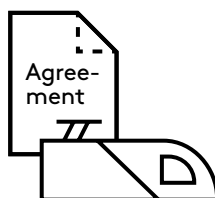
A residual value guarantee scheme has been set up whereby the state guarantees 75 % of the vehicles' book value



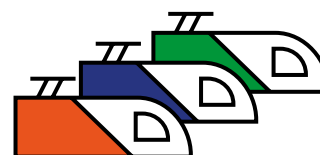
Norske tog finances its vehicle procurements through borrowings and capital inflows



Norske tog shall procure, own and manage vehicles for passenger train transport in Norway



The Norwegian Railway Directorate can order the train operating companies to use Norske tog's vehicles, and has chosen to do so for the agreements that have been entered into to date (direct purchase agreements with Vy – formerly NSB – and Traffic Packages 1 South and 2 North)



Norske tog earns revenue from leasing out vehicles

## Norske tog in figures

262

### trainsets

A motor coach is a non-divisible train formation that can be operated as a train. By definition, this assumes that the configuration of the unit can only be modified in a workshop. A motor coach comprises single vehicles with traction, or vehicles with and without traction.

22

### engines

An engine is a motor coach (or a combination of several single vehicles) that is not intended to carry a payload and that, in normal operation, can be uncoupled from a train and operated independently.

135

### passenger coaches

A passenger coach is a single vehicle without traction that can carry passengers in a fixed or variable train formation.

17

### vehicle classes including subseries

Norske tog shall effectively facilitate access to a sufficient number of safe, reliable and up-to-date vehicles, in line with society's demand for passenger transport by rail. The company aims to reduce the number of vehicle classes, so as to obtain better purchasing terms and reduce operational and maintenance costs.

73-83

### satisfied passengers

The majority of Norwegian rail passengers are satisfied with the trains. They are most satisfied with the new Flirt trains and long-distance trains, and least satisfied with the trains that will be replaced in the next few years.

19.1 år

### average age of current fleet

The aim is to procure a minimum of one train per month, retiring the oldest which are in the worst condition first. This will ensure Norske tog has a more modern and reliable fleet of trains. In 2020, a total of 10 trainsets were phased in and 2 retired.

*\*With the exception of: The Flåm Railway, Flytoget, some sleeping carriages in Traffic Package 3, the Royal carriage, some trains from Sweden to Norway, Museum Trains.*

# 39

## employees

Norske tog is a small organisation with long experience and expert knowledge.

# 3.2 %

## return on equity

Norske tog achieved a return on equity of 3.2 % in 2020. The long-term goal of the owner is a return of 5 %.

# 4

## number of customers

Vy gruppen, Vy Tog, SJ Norge and Go-Ahead

# A+

## rating

The current rating from Standard & Poor's is A+. The aim is to retain the A+ rating.

# 27.3 %

## equity ratio

At 31 December 2020, the company had an equity ratio of 27.3 %.

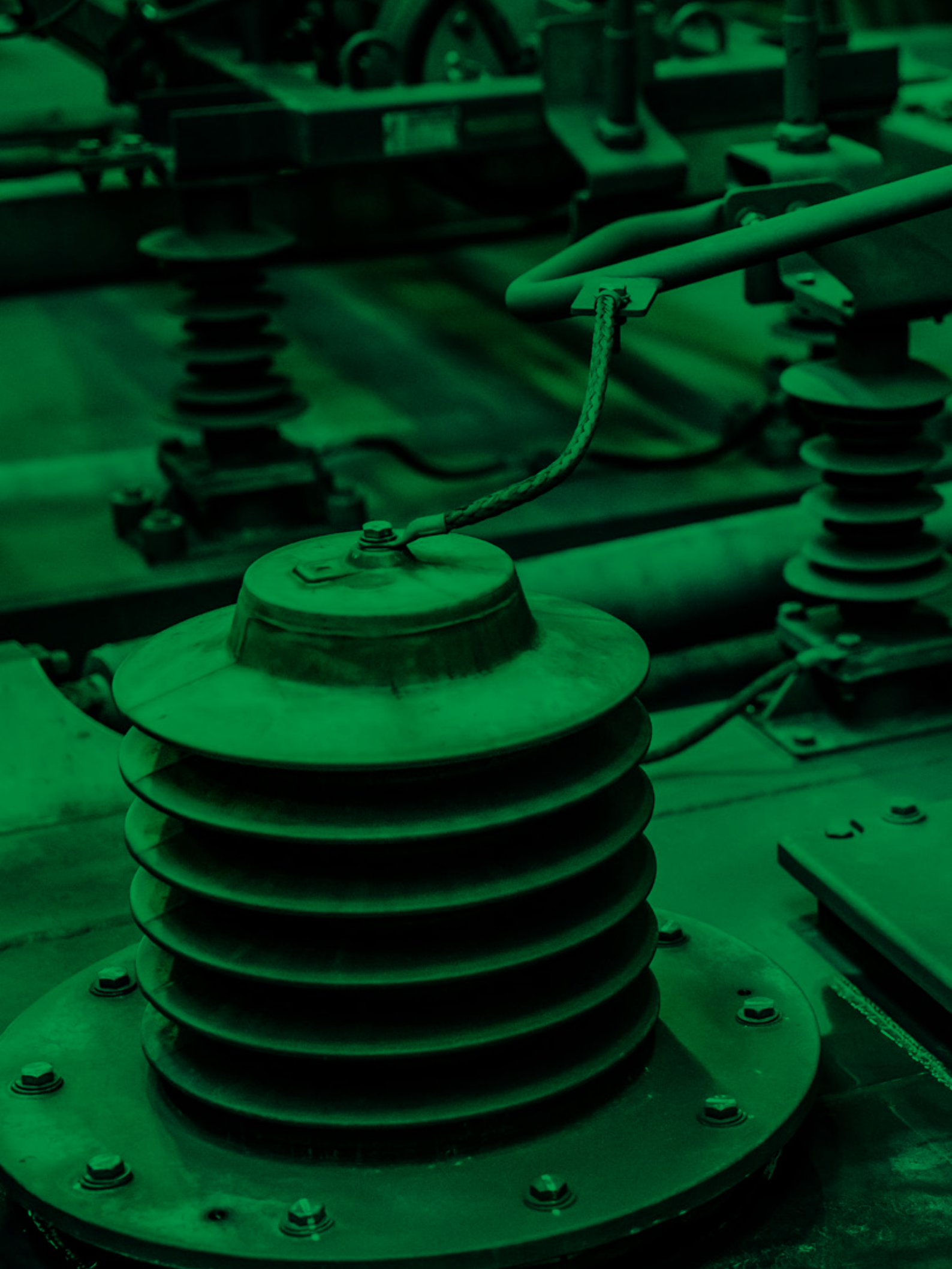
## Vision

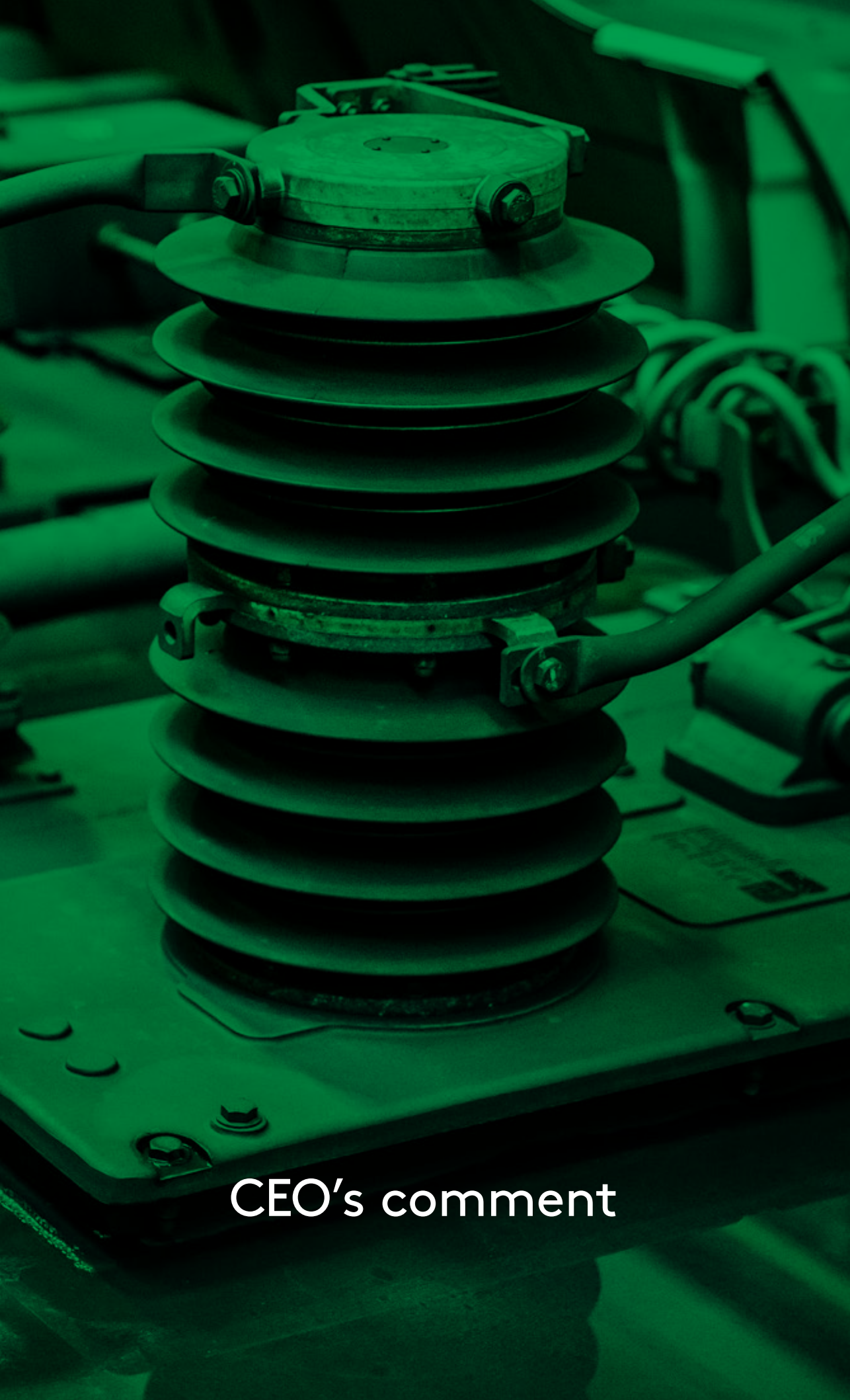
Norske tog shall help to make passenger train transport attractive in Norway and contribute to “the Green shift” by leasing out a sufficient number of up-to-date vehicles.











CEO's comment



The Covid-19 pandemic also left its mark on the railways in Norway in 2020 with a dramatic reduction in the number of passengers, which has affected Norske tog's customers – the train operating companies. However, the impact on Norske tog's own activities and lease income has been minor.

Norske tog had a net profit after tax of NOK 99 million in 2020, down from NOK 222 million in 2019, which gives a return on book equity of 3.2% (7.8%). The long-term goal is a 5% return on equity.

The decrease in profit is due to a higher level of activity and thus higher operating costs, such as Norske tog having taken over insurance for vehicles that were previously owned by Vy, and a change in fair value on bonds.

Norske tog started 2020 with two customers, and ended the year with four: Vy, Go-Ahead Norway, SJ Norge and Vy Tog. In June, SJ Norge had a successful start to Traffic Package 2, i.e. train traffic between Oslo and Bodø. In December, VY Tog also had a successful start when it took over as operator of the train services between Oslo and Bergen (Traffic Package 3).

The government aims to halve emissions from the transport sector by 2030, and Norske tog has set specific goals to contribute to more sustainable mobility solutions:

- Emission-free passenger traffic on the railway by 2030
- Contribute to increasing transport capacity through the Oslo tunnel
- Better network coverage on-board trains
- Offer travellers modern and attractive trainsets

To achieve these goals, Norske tog has worked on a number of measures in 2020:

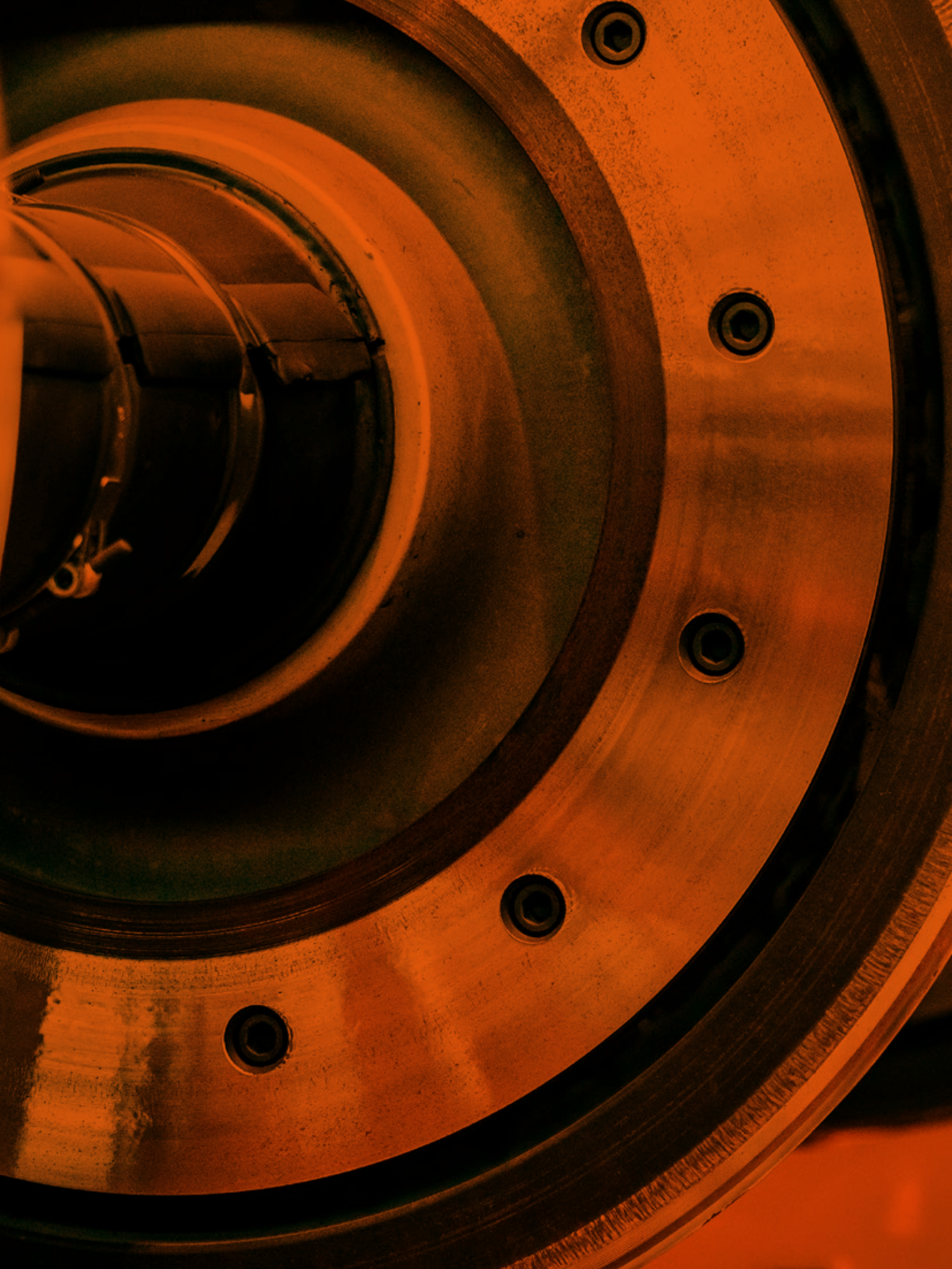
- During the autumn of 2020, the first of 14 bimodal trainsets for the Trønderbanen Line were tested. The trains can operate using both electricity and diesel and are an important step on the road to emission-free passenger traffic.
- The installation of the new pan-European signalling system ERTMS is important in order to increase transport capacity through the Oslo tunnel. Norske tog's part in the project is the installation of ERTMS on-board equipment. On-board equipment was installed in the first trainset in the autumn of 2020.

- 4G mobile repeaters were installed in trains on the Østfold Line to give passengers better network coverage. Work has also begun on other trains, and by 2022 the trains on the routes Oslo-Stavanger, Oslo-Bergen and Oslo-Trondheim will have mobile repeaters. In addition, the telecommunications companies are improving the mobile network along the track and Bane NOR is doing the same in tunnels.
- A large part of the Norske tog fleet is very old. In May, Norske tog submitted its long-term plan for train procurements to the Norwegian Railway Directorate. Norske tog have estimated a need for 254 trainsets in the next ten years and investment of NOK 30–50 billion.
- In January, Norske tog announced the tendering procedure for new local trains on line L2 Stabekk - Oslo - Ski, with the option for a further 170 trains. Preparations also began for the acquisition of new long-distance trains for the Dovre Line, the Sørland Railway, Bergen Line and Nordland Line, and in September an information and input meeting was arranged with stakeholders. For Norske tog, it is crucial to find good and reasoned answers as to future passenger capacity and passenger services for which local trains, regional trains and long-distance trains are to be procured.

At the beginning of 2020, nobody could have predicted the huge and long-lasting global consequences that Covid-19 would have for interaction, communication and travel patterns. The question is the extent to which people's travel habits and use of public transport have permanently changed and whether they will also affect future traffic growth. Regardless of the forecasts for traffic growth, a new funding model for Norske tog must provide sufficient freedom to manoeuvre to procure the required vehicles on time and allow for necessary upgrades.



Øystein Risan  
CEO





Norske tog's  
goals



.....

Goal 1

Satisfied customers  
and passengers



.....

Goal 2

A sufficient number  
of standardised and  
up-to-date trains



.....

Goal 3

Safe and reliable trains



.....

Goal 4

Efficient operations  
and financial freedom



.....

Goal 5

Competent and  
satisfied employees



## Customers and passengers

In 2020, Norske tog started up with two new customers, SJ Norge and Vy Tog. This means that the company now has four customers in operation: SJ Norge, Vy Tog, Go-Ahead and Vy.

On 8 June SJ Norge took over as the operator on Traffic Package 2 North. SJ now operates the Dovre Line (Oslo – Trondheim), the Røros Line, the Rauma Line, the Trønderbanen Line (Lundamo – Trondheim – Steinkjer), the Meråker Line, the Nordland Line and the Saltenpendelen commuter line (Bodø – Rognan). SJ Norge delivered according to expectations in line with the Norwegian Railway Directorate's requirements for the first 24 hours in operation and received a full start-up bonus.

On 13 December Vy Tog took over responsibility for Traffic Package 3 West. Vy Train now operates the long-distance Oslo-Bergen service, as well as the Bergen-Voss-Myrdal regional train service and the Bergen-Arna commuter train service. Vy Tog delivered according to expectations in line with the Norwegian Railway Directorate's requirements for the first 24 hours in operation and received a full start-up bonus.

Norske tog reports on rail passengers' satisfaction with the vehicles. In 2020, the operators Vy Persontog, Go-Ahead and SJ Norge conducted separate customer surveys. The figures from the operators for 2020 give only an indication. The results from the different operators are not comparable with each other, or with results from previous years, as a result of different methods used:

Passengers who are somewhat satisfied or very satisfied with the trainsets in 2020:

- Vy Persontog: 83 %
- Go-Ahead (long-distance trains): 83 %
- SJ Norge: 73 %

In 2021, the Norwegian Railway Directorate will carry out an overall survey of customer satisfaction for all train operating companies.

Bane NOR also reports an increase in punctuality of 3.9 percentage points to 92.7 per cent\*; see Bane NOR's punctuality portal.

## Vehicles

Norske tog has a fleet of around 300 trainsets, with 17 different train classes. Today's train fleet can be divided into three categories, by age:

- Under ten years: Flirt (Classes 74, 75, 75-2 and 76), of which 150 are on order and 123 have been delivered as of 31.12. 2020
- Around 20 years: 71 trains, all of which are from around the year 2000 (Class 72, 73A, 73B, 93)
- Older than 20 years: 116 trains from the 1970s, 1980s and 1990s (Class 69C, 69D, 69H, 70, 92, Di4, Ei18, 5, 7 and WLAB2).
- The average age of Norske tog's train fleet in 2020 is 19.1 years, up from 18.8 years in 2019. Significant investment in new trains is required to accommodate both traffic growth and the phasing out of older trainsets. In its long-term plan for train acquisitions, Norske tog has proposed reducing today's 17 classes of trains to three main classes, which will give increased reliability, lower costs and greater flexibility.

### Local trains

Norske tog shall procure 30 new local trains, with an option for an additional 170 trains. The trains are scheduled to be delivered from 2023 and will replace the current Class 69 local train on line L2 Stabekk–Oslo–Ski. The work on preparing option 1 with the Norwegian Railway Directorate has begun. Norske tog has a competitive tender in progress for the midlife upgrade of Class 72 local trains that run between Lillestrøm and Spikkestad, as well as on the Jæren Line. Upgrading the trains will reduce the risk of vehicle failure by extending the service life of components and systems. The award of both contracts is planned for 2021.

### Regional trains

In September 2020, Norske tog received trainset number 123 out of a total of 150 Flirt trainsets ordered from Stadler. This means that 40 out of a total of 53 Class 74 Flirt trainsets have been received. These trainsets will be used on regional services. The last 13 Class 74 trainsets will be delivered after the Class 76 has been delivered. In November, the first bimodal trainset arrived in Norway for testing. Bimodal Class 76 trains are hybrid trains that may be run as electric trainsets on electrified lines and as diesel trainsets on non-electrified lines.

During 2021, the 14 new trainsets will be put into service on the Trønderbanen Line and the Trondheim-Røros section. They will replace diesel trains that are more than 30 years old.

#### Long-distance trains

Several of the current long-distance trains are more than 40 years old and have reached the end of their service life. Norske tog is therefore in the process of acquiring up to 100 new long-distance trains. These will be put into service in the period 2025-2033. The trains will mainly operate on the Dovre Line, the Sørland Railway, Bergen Line and Nordland Line.

#### Upgrading trains and critical components

Norske tog is continuously working on upgrading existing trainsets. Obtaining critical components for older trainsets is challenging. When trainsets are retired from service, they are sent to a workshop for the critical components to be removed before being sent for scrapping.

In December, Norske tog entered into an agreement with Flytoget for the purchase of one trainset and signed a letter of intent to purchase another five trainsets. Norske tog plans to recover spare parts from the first trainset to assure the supply of critical components for the train operating companies that lease trains from Norske tog.

#### Efficient operations and financial room to manoeuvre

Norske tog has good creditworthiness. Standard & Poor's has given the company a credit rating for long-term borrowing of A+ (stable). The company borrows through the Euro Medium Term Note (EMTN) programme. The EMTN programme does not include any financial requirements, but there is an ownership clause stipulating that the state must own 100 per cent of Norske tog. As at 31.12 2020, the company has outstanding bonds for the total of NOK 6,619 million, with NOK 600 million maturing during 2021. The company will use the commercial paper market for intermediate financing, and the borrowing requirement of up to NOK 1,000 million in 2021 will be covered under the EMTN program.

#### Competent and satisfied employees

Norske tog aims to have satisfied employees with good and relevant skills. In 2020 Norske tog conducted an annual employee survey that showed that employee satisfaction remains at a high level. The score for employee satisfaction was 72 (up from 69 in 2019) and for loyalty the score was 80 (the same as in 2019). A score of over 75 is considered high.

Sick leave remains low at 3.3 %.



76103

Sj NORD

STADLER





# Organisation

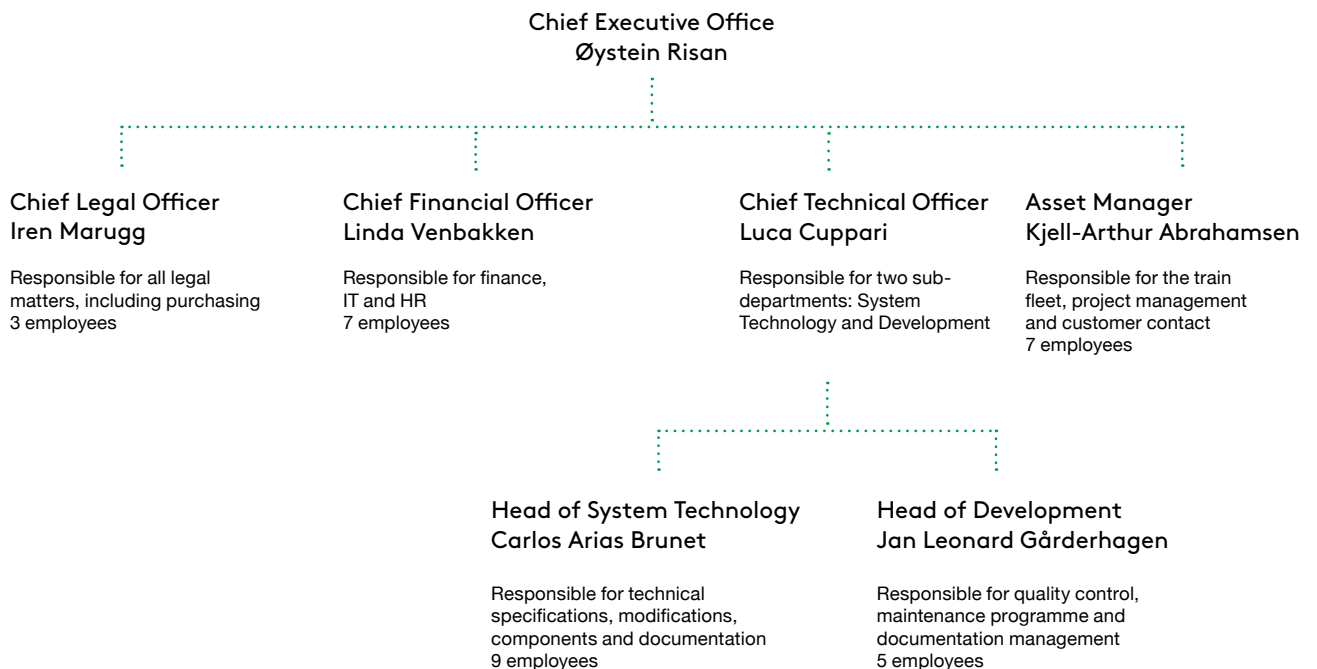
Norske tog is a knowledge-based company boasting experienced employees with top-level technical expertise.



Norske tog AS' management team from left; Linda Marie Venbakken, Kjell-Arthur Abrahamsen, Øystein Risan, Iren Marugg and Luca Cuppari.

It is the expertise and experience of its employees that make Norske tog a solid enterprise of knowledge. At the end of 2020, the company had 39 employees. After four years in operation and with the experience to follow, customer-facing work was stepped up in 2020, and this work will continue during 2021.

In 2020, the company conducted training in procurement regulations and evaluation of tenders for public procurement, as well as training in the investigations instructions for all employees.

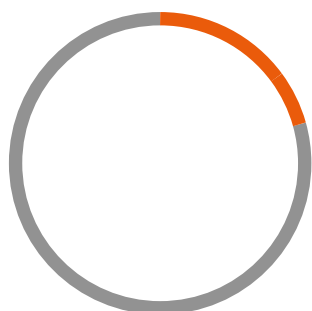


### Employees



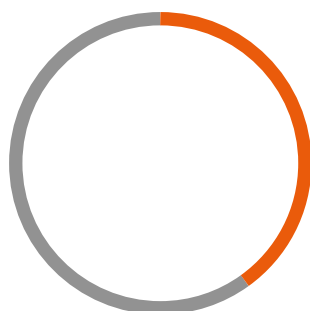
Number of employees: 39 (34 in 2019)  
 Number of person-years: 39 (34 in 2019)

Figure 12: Employees and person-years



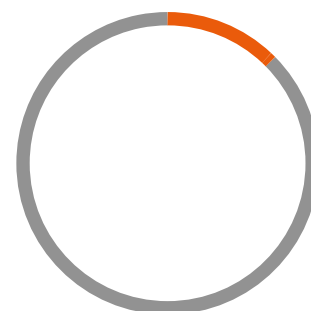
Share of women  
 21 % (15 % in 2019)

Figure 13: Share of women



Share of females in the management team  
 40 % (40 % in 2019)

Figure 14: Share of females in the management team



Percentage of minorities  
 13 % (12 % in 2018)

Figure 15: Share of minorities

### Achievement of objectives

#### Sick leave

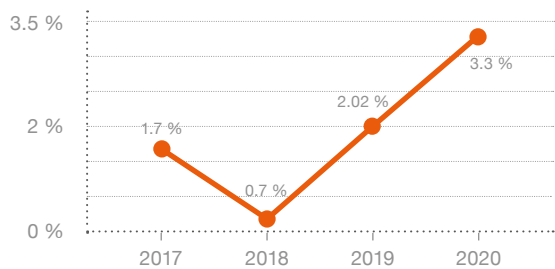


Figure 16: Sick leave

#### Employee satisfaction

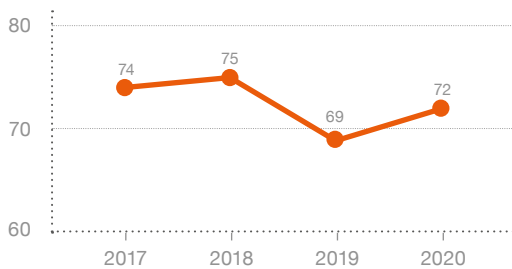


Figure 17: Employee satisfaction





8

NSB

N-NOR 94 76 0402 020-8

Kun gyldig billett  
Kun gyldig billett





Sustainability and  
corporate social  
responsibility

Norske tog's social function is to procure, own and manage rolling stock for passenger transport by train in Norway. As such, the company conducts operations that impact people, society and the environment both directly and indirectly

Passenger transport is a significant source of greenhouse gas emissions. A transition from planes and cars to trains is therefore an important pillar in the work of achieving the emission reduction targets which Norway has committed to.

For Norske tog, this means that all our activities must be aimed at contributing to the following overall objectives for train transport:

- An emissions-free railway by 2030
- Increased capacity, particularly around major cities
- Make train travel more attractive to ensure that passenger traffic moves from cars and planes to trains

Norske tog has an important role in the authorities' work to reduce the climate footprint of the transport sector. Sustainability, climate and the environment have therefore been important elements in Norske togs' work since the company was established.

Although we have always been aware how our business affects the environment and climate - and the measures we thus have had to focus on - defining relevant metrics and indicators for this work has been challenging. As a result, in 2020 we started work on revising and further developing our strategy for sustainability - including measurement and reporting. A new framework has been created, and efforts are being made to establish better and more appropriate parameters for measuring developments.

For Norske tog, it has been important to ensure that sustainability is integrated into all our work processes, and that goals and indicators are incorporated into our normal management system. At the same time, this must be balanced against the consideration of transparent and open reporting in accordance with established practices. The goal is to report on sustainability and social responsibility in accordance with the international Global Reporting Initiative (GRI) standard.

## Corporate Social Responsibility at Norske tog

Norske tog's social function is to procure, own and manage rolling stock for passenger transport by train in Norway. As such, the company conducts operations that impact people, society and the environment both directly and indirectly. Indirectly in the sense that Norske tog's activities help to influence the overall quality and hence also the "footprint" of the rail network. Directly through the requirements set for procurement and in the selection of specific solutions and working methods.

At the same time, rail is one of the most climate and environmentally friendly modes of transport, and a transition from car and aircraft to train will normally always have a positive impact on climate and the environment.

With this as a backdrop, Norske tog's social responsibility is especially related to the following elements:

### Climate and environment:

Measures that help reduce trains' environmental and climate footprint in a life cycle perspective, from production via operation, upgrades and maintenance to disposal and recycling.

### Responsible procurement:

Measures to guarantee a sustainable value chain by ensuring that suppliers comply with explicit standards regarding ethics, integrity and corporate social responsibility in all parts of its work process and value chain.

### Train operating companies and passengers:

Measures that can help to make train travel more attractive with a view to stimulating the transition from car and plane to train.

### Norske tog's impact on the environment and climate

The railway's greatest competitive advantage is its ability to carry large numbers of passengers, being energy efficient and essentially being powered by renewable energy. This energy consists of electricity from Bane Energi, which provides a guarantee of origin for all electricity used for rail operations in Norway. The most significant emissions challenges in the rail sector are linked to construction projects and operation and maintenance of Norway's rail network.

From a life cycle perspective, Norske tog's operations impact the environment and climate as follows:

#### Procurement

The production of trains and carriages impacts the environment and climate in several ways: The use of materials results in emissions and creates an environmental footprint. Most of the trains are made of steel and aluminium, and the production of both of these materials impacts the environment and climate in the form of, for example, encroachment on nature and emissions from mining and energy as well as water consumption in production. Energy efficiency and the type of energy used in the process impact emissions.

All stages of production until the trains are completed produces various forms of waste, and chemical substances and components are used that can cause toxic emissions to air and water. Large amounts of water are also used in production.

#### Management, development and operation

The trains procured by Norske tog consequently already come with a "climate footprint" from the production process. The longer the service life of the trains, the smaller the overall climate footprint of the trains, measured per kilometre of transport or as an annual average over the service life.

During use, the environmental and climate footprint is primarily related to energy consumption, noise and any local pollution from particles. Approximately 80 per cent of rail traffic in Norway uses electric trains, and the electricity comes from Bane Energi which provides a guarantee of origin for all electricity used for rail operations in Norway. The greenhouse gas emissions from operations are thus primarily related to the few sections that have not yet been electrified, and where diesel locomotives are currently in use.

The choice of materials and technological solutions in connection with maintenance and upgrades also affect the trains' environmental accounting.

#### Disposal

The last stage in the chain is the disposal and recycling of discontinued vehicles. Here, the degree and type of recycling determines the footprint. The more that can be

reused or recycled and the less that has to go to landfill, the better for the climate and environment.

#### Norske tog' ability to influence the trains' environmental and climate footprint

Norske tog works systematically to reduce emissions and environmental impact in all parts of the value chain:

- We set strict requirements for suppliers for procurement and choose the most climate-friendly solutions in areas where this is possible, including solutions that will help reduce energy consumption and emissions in use and increase the recyclability of the material. We require comprehensive and up-to-date life cycle analyses for materials procured.
- Norske tog's rolling stock currently has an average age of 19.1 years; several trainsets are over 40 years old and a large proportion of rolling stock is thus due for replacement. The most important contribution to reduced emissions in operations is therefore the procurement of new trains. Parliament has approved the procurement of new local trains. The diesel locomotives that are still in operation will be replaced by bimodal trains and work is underway to facilitate the purchase of new long-distance trains. Overall, this will contribute to making Norske togs' fleet of rolling stock more climate-friendly.
- But much work remains to improve the climate footprint from the operation of the rolling stock that is currently in use. Mid-life upgrades will help extend the life of the equipment and the transition to preventive maintenance will reduce maintenance costs and improve operational reliability. The programme to install ERMTS in all trains will help increase track capacity, reduce interruptions and save energy by optimizing driving patterns. We have strict demands related to the environment and climate, not only when choosing materials and solutions but also for upgrades and maintenance. The goal is to choose materials and solutions that have a low climate footprint in production, contribute to more environmentally friendly operations and are one hundred percent recyclable.
- In line with an ambitious procurement program, the number of trains being retired will also increase. The goal is for as much of the rolling stock to be recycled as possible, and for recycling to take place as high up

in the waste pyramid as possible - i.e. that as much as possible is reused or recycled instead of being used for energy recovery or going to landfills. We have agreements with recycling companies for all trainsets that are being retired, and recyclability is also an important criterion in procurement and maintenance.

### Principles and steering documents

Norske tog's approach to corporate social responsibility rests on internationally recognised principles laid down in the UN's Universal Declaration of Human Rights, the ILO's core conventions and the UN Sustainable Development Goals (SDGs).

The principles contained in policy documents have been translated into concrete guidelines and steering documents, the most important of which are:

- "Norske tog's ethical guidelines for employees and suppliers", which define the requirements and expectations made of employees and suppliers.
- "Norske tog's guidelines and qualification requirements for procurements", which define requirements for suppliers linked to procurements.
- "Guidelines for internal and external whistleblowing channels", which guarantee anonymity for whistleblowers, and ensure that any matters reported are treated seriously and dealt with thoroughly.
- "Norske tog's strategy and governance model", which defines work processes, goals and metrics for the business.

Norske tog's work on corporate social responsibility is integrated in the company's day-to-day operations. Responsibility for the work rests with the CEO and his management team, and with the company's Board of Directors. This ensures accountability and makes it easier to integrate the work in the day-to-day business processes. The most important tools in ensuring such integration are establishing explicit guidelines, clear goals and concrete key performance indicators (KPIs) for the various processes and business areas. These must be grounded in the company's evaluations of responsibility and risk linked to corporate social responsibility.

## The UN Sustainable Development Goals

Norske tog's administration and Board of Directors have identified seven of the UN Sustainable Development Goals as particularly relevant to the business. The most important are goals 8, 9, 11, 12 and 13:



### Goal 8: Decent work and economic growth

By emphasising work on anti-corruption, reputability requirements, safety, health and the working environment in procurements and day-to-day activities, Norske tog is contributing to sustainable economic growth and decent working conditions.



### Goal 9: Industry, innovation and infrastructure

By renewing and upgrading the rolling stock, and adapting the trains to a new, digital future, Norske tog is playing a part in renewing the rail network and ensuring Norway has a train service adapted to the needs of tomorrow.



### Goal 11: Sustainable cities and communities

Efficient rail transport is particularly important heading into urban centres and in densely populated areas. By developing solutions that can accommodate expected traffic growth, Norske tog is contributing to efficient and environmentally friendly transport – which in turn provides an important foundation for developing good residential environments and local communities.



### Goal 12: Responsible consumption and production

By setting requirements for recycling and material and energy consumption, Norske tog is helping to ensure environmental and climate perspectives are considered throughout the train's life cycle.



### Goal 13: Climate action

Norske tog is helping to stop climate change by systematically working to reduce the trains' energy and material consumption, and by designing vehicles that influence the transition from car to train.

## New and updated sustainability strategy

While principles and guidelines have long been in place, one of the biggest challenges for Norske tog has been to develop relevant metrics and indicators for the work on sustainability. In particular, the challenge has been related to finding indicators that can actually be influenced by the company, and where it is also possible to obtain meaningful data for measuring progress. Some work remains to be done to obtain relevant data, as this is primarily dependent on information from operators or other external sources.

### **Materiality analysis**

During the year, Norske tog revised its material analysis. The aim is to ensure that the company's operations are conducted in a way that meets the expectations and requirements of society and its stakeholders, and that the work focuses as much as possible on the areas that are most important to stakeholders and where Norske tog has the greatest opportunity to exert influence.

Norske tog has a wide range of stakeholders, all with legitimate expectations of how the company is run. The key stakeholders are the Ministry of Transport and Communications (owner), regulatory and political authorities, train operating companies and other players in the railway, partners and suppliers, special interest organisations, investors and employees. In connection with the revision of the materiality analysis, views have been obtained from almost all of these stakeholders, through owner meetings, investor meetings, customer satisfaction analyses and employee surveys. In addition, a stakeholder analysis was conducted during the autumn of 2020 with qualitative in-depth interviews with key representatives from all of Norske tog's stakeholders.

In total, more than 30 different issues were identified through these analyses. These were then divided into 12 areas:



Topic/problem	Includes
Vehicle quality and reliability	The requirements of passengers and operators for punctuality, reliability and the quality/standard of the trains.
Competence and ability to deliver	Norske tog's ability to deliver expected services to the operators, including elements such as the organisation's technical/professional competence and capacity to deliver according to expectations (on schedule, on time, etc.)
Environment and climate	The vehicles' environmental and climate footprint throughout the life cycle - production, operation and retirement, including material resource use, emissions, energy consumption, material consumption and recycling, etc.
Development of the railway	Contributing to strengthening the railway as a mode of transport, including measures to ensure passenger growth, better utilisation of equipment, increasing capacity, digitization and modernization, etc.
Passenger safety	Working to prevent accidents and incidents, as well as measures to minimise any consequences of such
Efficient procurement	Reducing the cost of acquisitions and upgrades - more railway for the money
Customer service	Follow-up of and service to the operators
Diversity and non-discrimination	Safeguarding diversity in the workforce, the proportion of women in organisation and management, equal conditions
Good and attractive workplace	The ability to retain, develop and recruit employees, internal HSE, etc.
Integrity and ethics	Honest communication and advice, professional integrity
Anti-corruption and impartiality	Measures to counter corruption in all parts of the value chain - and especially in connection with procurement
Responsible procurement	Requirements for suppliers in areas other than the environment and climate, such as working conditions, freedom of association, pay conditions, measures to counteract child labour, etc.

These topics were then used as the basis for a review of stakeholders' priorities against potential economic, social and environmental impact, using the following materiality matrix:



## Four main priorities

In order to ensure efficient operationalisation, Norske tog has chosen four focus areas for its sustainability work based on the materiality analysis. The reason why these specific areas have been chosen is that these are the areas where Norske tog has the greatest opportunity to exert positive influence.

### 1. Development of the railway

The single most important contribution Norske tog can make is to contribute to a larger share of passenger traffic in Norway moving from cars and planes to trains.

For Norske tog, this means a particular focus on the following areas:

- Procurement and upgrades
- Measures that contribute to increasing the railway's capacity and attractiveness
- Measures that can contribute to the modernisation of the railway

### 2. Environment and climate

At the same time as working towards a more rapid transition to trains, it is also important that each individual player within the railway family contributes to the railway being as environmentally and climate-friendly as possible, and thus further supports national climate objectives.

For Norske tog, this means that the following must be prioritized:

- Measures to reduce the vehicles' environmental and climate footprint in a life cycle perspective
- The introduction of zero-emission trains on non-electrified lines
- Emission reduction measures in operation and maintenance

### 3. Quality and reliability

The goal of a transition from plane and car to train is closely associated with the train operating companies success in implementing their plans, and that the service offered to passengers is perceived as good. Punctuality and reliability are among the most important elements here.

Norske tog can contribute to this in several ways, including through:

- Measures that can improve reliability and availability
- Measures to streamline operation and increase maintenance intervals
- Measures that can increase customer and user satisfaction

### 4. Competent and developing working environment

The last point is related to Norske tog' ability to contribute with the above. The key point here is the organisation's competence and motivation. The right competence and capacity as well as an inclusive and a good working environment are thus crucial to meeting the expectations made of us.

For Norske tog, this means prioritizing:

- Measures to ensure the right capacity and competence
- Measures to ensure diversity and non-discrimination
- Measures to promote learning and development

## A framework for measurement and reporting

Based on the materiality analysis and these four priority areas, Norske tog has developed a new framework for measurement and reporting.

While the principles and parameters for measurement and reporting have been decided, some work remains to ensure data access for the various parameters.

Below is an overview of implemented and planned measures within the most important areas.

# Reporting

In 2020, Norske tog has continued working on renewing and improving trains. Work on corporate social responsibility and sustainability has largely been connected with such activities.

## Environment and climate

The most important factors that Norske tog can influence in terms of climate and the environment are linked to energy consumption and emissions in connection with purchase or upgrade of the rolling stock, and material consumption and recyclability linked to the trains.

### Procurement of new trains

When Norske tog procures trains, it sets clear specifications for suppliers with requirements for energy consumption, noise reduction, weight and passenger capacity. Requirements have also been set concerning life cycle analyses, documentation of CO2 emissions from the production process, and evaluating the trains for recyclability on scrapping. In addition to absolute requirements, documentation requirements have been set for deliveries and work processes in order to ensure that these are in line with the requirements set by Norske tog.

### Upgrades and maintenance

The operating companies are responsible for ongoing maintenance of the trains, while Norske tog is responsible for upgrades. Both elements are important for operational reliability, energy consumption and maintaining the technical lifespan of the vehicles. When trainsets are retired from service, they are sent to a workshop for the critical components to be removed before being sent for scrapping.

Mid-life upgrades, i.e. upgrades of the train's interior and technical components, provide an important opportunity for Norske tog to influence the vehicle characteristics in terms of both energy consumption and operational reliability. Norske tog has been granted a residual value guarantee to upgrade its fleet of Class 72 trains, which operate in Eastern Norway and on the Jæren Line.

In December, Norske tog signed a letter of intent with Flytøget to purchase six trainsets. Norske tog plans to

recover spare parts from the first trainset to assure the supply of critical components to the train operating companies that lease trains from Norske tog.

### Innovation and development

In 2018, an agreement was signed for the purchase of 14 bimodal vehicles which can operate using both electricity and diesel. These will replace the Class 92 trainset that currently operates on the Trønderbanen Line. The first of these bimodal trainsets arrived in Norway for testing in November. The bimodal trainsets are due to be put into operation during the first half of 2021.

Norske tog is also considering the possibility of testing trains that run purely on batteries, and participated in the Norwegian Railway Directorate's NULLFIB project which examined both battery and hydrogen-powered trains. The NULLFIB project has chosen to prioritise battery technology. Current technology for hydrogen trains is considered inappropriate, primarily due to Norwegian railway infrastructure.

## Health, safety and the environment and anti-corruption

### Health, safety and environment

Norske tog's operations shall not cause serious injury to persons or serious damage to the environment or material assets. The same applies to injury/damage as a result of defects in Norske tog's rolling stock.

Management is responsible for employees at all levels developing good attitudes and prioritising safety in their work. If deviations in goal achievement or from specified safety requirements come to light, the responsible manager shall implement corrective measures.

In its report on the Filipstad accident on 24 February 2019, in which one person died and two were seriously injured, the Accident Investigation Board Norway made two safety recommendations. The accident happened when three youths climbed up on a set aside train. The youths suffered injuries from the high-voltage power line: one died and the other two were seriously injured. The report states that "The Accident Investigation Board

Norway advises the Norwegian Railway Authority to ask Bane Nor SF and the owners of the rolling stock to risk-assess how easy these classes of trains are to climb with a view to stabling and inspection requirements". The risk assessment will be conducted by Bane NOR.

**Goal:**

- No serious injuries or damage

**Result:**

- A train collided with a car towing a boat on a trailer at a level crossing. No other injuries to employees of Norske tog or passengers arising from the company's operations were reported.

**Anti-corruption**

Norske tog works to promote a strong anti-corruption culture in the company. Norske tog shall actively prevent undesired behaviour and shall use routines, controls and training to equip its employees to handle difficult situations.

Norske tog makes major purchases of both trainsets and other goods and services linked to management of the trains. Since this type of purchase is often of high economic value, it is important that employees are aware of the company's anti-corruption efforts in their dealings with suppliers and business partners.

Norske tog sets ethical requirements for the company's suppliers and maps the risk of any breaches of these requirements as part of the procurement process. All suppliers must undertake to follow international conventions and facilitate inspections by Norske tog or relevant authorities of working conditions throughout the supply chain. Norske tog seeks to work with suppliers on continual improvements to safeguard good, safe working conditions.

Norske tog has established ethical guidelines and guidelines for corporate social responsibility that, among other things, address the company's stance on human rights, employee rights and anti-corruption.

A routine has also been established for regular dilemma training for the company's employees.

An external whistleblowing channel has been established and has been made available on the company's website.

**Goal:**

- No corruption incidents

**Result:**

- No reported corruption incidents

**Financial and other aspects**

**Financial aspects**

For Norske tog, stable framework conditions and adequate equity and liquidity are vital prerequisites for securing low financing costs. The company seeks to maintain its high credit rating. This is important, as Norske tog's investment requirements have to be covered by borrowings and external capital.

In November 2019, Norske tog issued its first green bonds, totalling NOK 1.3 billion. The bond issue will be used to finance investments in qualified projects dedicated to new electric trains and for improvements and upgrades to existing electric rolling stock.

In 2020, Norske tog has invested the funds from the bond issue in 17 all-electric Class 75 trainsets, which are based on Stadler's FLIRT series. This is a trainset used for both local and regional trains in Norway. The train has a range of up to 200 km/h, the capacity to transport 561 passengers and a universal design.

Norske tog has prepared an environmental impact report describing the company's green investments and the climate impact of these investments. The impact is measured through the use of various indicators to highlight the increase in capacity and the extent of carbon emissions from alternative transport that can be avoided through the use of the new trains.

Norske tog is extremely happy to have completed and published its first environmental impact report in accordance with the company's green framework. The issuing of green bonds has shown to be a popular initiative within the financial industry and has contributed to capacity growth for a climate-friendly railway and has had a positive impact on carbon emissions.

**Goal:**

- 5 % return on equity
- Maintain A+ credit rating

**Result:**

- The company's return on equity for 2020 is 3.2 %
- The company has maintained its A+ credit rating in 2020

**Non-discrimination and employees**

Norske tog seeks to have a wide and diverse group of employees, where individual characteristics are respected and valued and where no one is discriminated against on the grounds of gender, age, disability, sexual orientation, or religious, cultural or ethnic background.

Women represent 21 % (8 out of 39) of the workforce at Norske tog, and the company strives to identify qualified female candidates where possible. Women make up 66 % of Norske tog's shareholder elected Board of Directors and 40 % of the company's management team.

Where possible, Norske tog will invite a minimum of one candidate from a minority background to interviews in order to ensure greater diversity among its employees.

**Goal:**

- Call at least one qualified female candidate to second interview.
- Call at least one qualified candidate from a minority background to second interview.

**Result:**

- Norske tog has achieved these goals where there have been suitably qualified candidates.

**Customer satisfaction**

Norske tog has set high standards for customer satisfaction. This is important in order to contribute to a transition from cars to the railway. In 2020, the operators Vy Persontog, Go-Ahead and SJ Norge conducted separate customer surveys. The results from the different operators are not comparable with each other, or with results from previous years, as a result of different methods used. The results for 2020 therefore only give an indication of how many passengers are somewhat satisfied or very satisfied with the trainsets:

- Vy Persontog: 83 %
- Go-Ahead (long-distance trains): 83 %
- SJ Norge: 73 %

In 2021, the Norwegian Railway Directorate will carry out an overall survey of customer satisfaction for all train operating companies. Norske tog will then be better able to measure the trend in customer satisfaction over time.



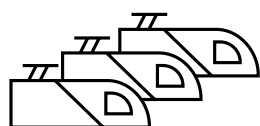


This year's articles

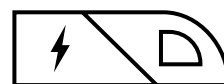
Norske tog plays an important role in facilitating sustainable mobility solutions by procuring and leasing out attractive train equipment, so that even more passengers choose the train as a means of transport.



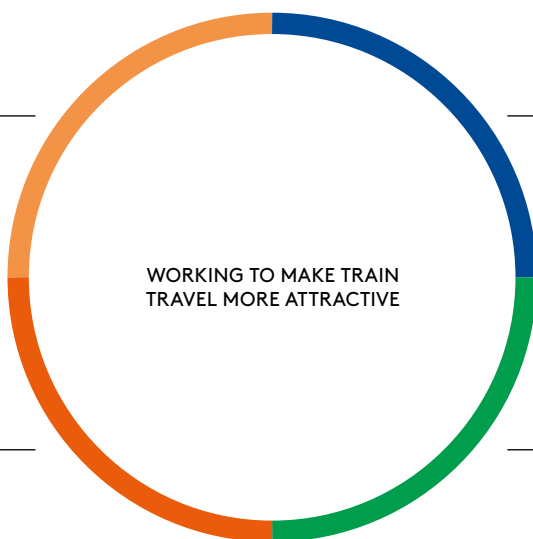
# Norske tog



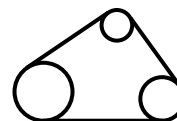
PROCUREMENT  
OF NEW TRAINS



ELECTRIFICATION  
- PURCHASE OF BIMODAL TRAINS



INSTALLATION OF  
MOBILE REPEATERS



SELF-DRIVING  
TRANSPORT

# How Norske tog is working to make train travel more attractive

In the spring of 2019, the government-appointed Technology Council submitted a transport report in which it looked at the implications of rapid technological development for the planning of future infrastructure development. The report is part of the technical basis for the work on the National Transport Plan for 2022-2033.

The expert committee highlighted four main technology-driven trends that will affect how we travel in the future: Electrification, self-driving transport, interacting intelligent transport systems, as well as new business models and the sharing economy.

Norske tog, which owns 90 per cent of trains for passenger traffic in Norway, has set specific goals within each of these four main trends defining the measures the company, together with the rest of the railway industry, can contribute to sustainable mobility solutions in the next National Transport Plan, i.e. for the period 2022-2033. The overall goal of these measures is to contribute to even more people choosing the train as a means of transport.

Four main technological trends	Norske tog's goals	Norske tog's measures
Electrification	Emission-free passenger traffic on the railway by 2030	<ul style="list-style-type: none"> <li>• Purchase of bimodal trains</li> <li>• Evaluation of the purchase of battery-driven trains</li> <li>• Increased passenger capacity, energy-efficient driving techniques</li> </ul>
Self-driving transport – automation/autonomy	Increased transport capacity through the Oslo tunnel	Procurement of new local trains and installation of the ERMTS digital signalling system on board the trains
Interactive intelligent transport systems	Good network coverage for all – average data speed of 5Mb/s per passenger	Installation of mobile repeaters in the trains
New business models – sharing models	Offer travellers modern and attractive trainsets	Develop and acquire new local, regional and long-distance trains for the next NTP period 2022-2033



# 1. Electrification – Purchase of bimodal trains

There are still train lines in Norway that have not been electrified. The Nordland Line is diesel-powered from Trondheim to Bodø. Norske tog will install bimodal trains on parts of this route – trains that alternate between running on electricity from the overhead line and on electricity that they produce themselves.

For train lines that are not electrified, such as the Nordland Line and Røros Line, bimodal trains are an important step towards the goal of emission-free passenger traffic on the railway by 2030. The bimodal trains can run on both electrified and non-electrified lines, and the trains can be operated by both electricity and diesel.

This autumn, the first of a total of 14 bimodal trains purchased by Norske tog from the Swiss train manufacturer Stadler arrived in the country. Norske tog, together with the train operating company SJ Norge which will put these trains into service on the Trønderbanen Line and the Trondheim-Røros section in 2021, have been testing the new trainset since their arrival in Norway. In November and December, the trainset was tested between Skien - Drammen and Skien-Nordagutu.

This year, test runs will also commence on the Trønderbanen Line. By the summer of 2021, the trains will be put into regular service on the Trønderbanen line and the Trondheim-Røros section.

## High level of comfort

The new bimodal trainsets will replace diesel trains that are more than 30 years old. The new trainsets will reduce CO2 emissions per passenger by up to 30 per cent. The new bimodal trainset looks similar to the electric Flirt trains that operate on the Vossebanen Line, the commuter trains used in Bergen and eastern Norway, that are also made by the Swiss manufacturer Stadler.

The existing Class 92 diesel trains on the Trønderbanen line were delivered in the mid-1980s and have reached the end of their service life. When the new bimodal trains are put into service, passengers will have a much more comfortable train journey.

The bimodal trainsets are 112.7 metres long, more than

twice as long as the current diesel trains operating on the Trønderbanen Line. The trainsets will also have nearly double the capacity. While the old diesel trains have space for 136 passengers, the new bimodal trains will have space for 241 passengers. The new trains also have wide entrance doors and large windows and are therefore well adapted in terms of universal design.

**The bimodal trainsets are 112.7 metres long, more than twice as long as the current diesel trains operating on the Trønderbanen Line. The trainsets will also have nearly double the capacity.**

## Climate gains

There are many advantages associated with the new bimodal trains. Firstly, there is the flexibility of being able to operate on both electrified and non-electrified lines. Additionally, these trains use traction batteries to increase acceleration during diesel operation, which reduces the diesel consumption. The resulting climate gains are therefore substantial. The battery packs will also be used to drive in and out of workshops without starting the diesel engines.

In 2020 Bane Nor, which is responsible for the national railway infrastructure, began planning the electrification of the Trondheim-Stjørdal, Hell-Riksgrensen to Sweden and the Stavne-Leangen sections. The total length of

these sections 120 kilometres. This work, which will help electrify the Trønderbanen Line and the Meråker Line becoming electrified, refurbished, will be completed by 2024.

The bimodal trains will increasingly be able to run electrically as these sections become electrified. The bimodal trains can also be modified for electricity operation or battery operation only. This will reduce emissions to zero.

### Battery trains vs. hydrogen trains

Norske tog participated in the NULLFIB project (Zero emission solutions for non-electrified lines), where the Norwegian Railway Directorate looked at the pros and

cons of battery trains and hydrogen trains. The project submitted a report in December 2019 where it concluded that battery trains overall appear more appealing than hydrogen trains.

Battery trains currently have a relatively short range, approximately 100 kilometres, and have to be charged during operation. Overhead lines must thus be built on parts of the route. The NULLFIB committee believes that the full electrification of the railway section between Bodø and Stjørdal will cost NOK 14 billion. An alternative option consisting of the partial electrification of the railway network and use of battery trains could make this section emission-free for only NOK 3.3 billion.



## 2. Self-driving transport – automation and autonomy Installation of the ERTMS digital signalling system

Many of the signalling systems that control train traffic today were installed around 70 years ago. Norske tog is now part of a huge effort to digitize the signalling systems on the railway. This will result in better utilization of both train tracks and rolling stock in the long term.

The task of the signalling system is to ensure the safe and secure flow of train traffic. Many of the signalling systems along the Norwegian railway were installed in the 1950s, whereby external light signals inform train drivers whether they can continue driving or have to wait for passing trains. The technology on which it is based is also dated: much of it was developed around the First World War.

This signalling system has done its job and will now be replaced. Bane Nor, which is responsible for Norwegian railway infrastructure, will invest NOK 20 billion in the pan-European signalling system ERTMS (European Rail Traffic Management System) over a ten-year period. ERTMS will be mainland Norway's largest digitalisation project.

Norske tog, which own the rolling stock, is part of this huge effort. Much of the equipment will be installed in the trains. The installation of ERTMS on board the very first trainset began at the end of 2020.

### **Better utilisation of the train fleet**

In simple terms, the ERTMS digitalisation project entails information and permission to drive being sent directly to a computer on a monitor in the driver's cab through the railway mobile network. This eliminates the need for the train driver to monitor external light signals. The trackside signals become redundant.

ERTMS is initiated by the EU, developed to standardise signalling and traffic management on the rail network across Europe. In the long term, the new system will provide a common system that makes it easier for the trains to cross country borders.

ERTMS reduces the risk of human error. ERTMS increases safety through technical barriers and continuous monitoring of all trains, increased punctuality due to fewer errors and automatic handling of deviations. In the long run, the utilisation rate in existing infrastructure can be increased.

### **Billion-dollar investment**

In other words, the potential is significant, but first the job must be done. There are currently a total of 336 signalling systems in Norway and more than 15 different variants. With ERTMS we will have one digital signalling system for all the railway lines in Norway. By 2034, all train traffic will be controlled through a single system controlled from a data centre.

Norske tog is responsible for the conversion of trains and the installation of the ERTMS equipment on board the vehicles. In total, Norske tog will invest NOK 1.1 billion in onboard solutions related to the digitalization project. The French company Alstom has been chosen as the supplier for the installation of the equipment onboard the trains. The signalling system will be in operation on all Norwegian trains by 2026.

### **Extensive work**

In the autumn of 2020, Norske tog began installing ERTMS on the very first train, a Class 75. This is complicated and cumbersome work, where the equipment installed on the trains must be able to "talk to" the infrastructure. The equipment to be installed is relatively similar, but must be adapted to the different classes of train. Cables must be installed throughout the train, and antennas will be installed both on the roof of the train and underneath. Computer monitors must also be installed in each cab.

The first installation on the Class 75 trainset is estimated to take 11 months before it is finally approved. This work should be approved around October 2021.

Installation on and approval of the first trainset takes several months, but the process is rapid thereafter - probably taking just 12 days per trainset. When Norske tog has completed installation of the equipment on the first trainset, the same work will continue on a locomotive (EL18), followed by installation on the trains that run on the Nordland Line between Grong and Bodø, and then

**The first installation on the Class 75 trainset is estimated to take 11 months before it is finally approved. This work should be approved around October 2021.**

the Gjøvik Line from Roa to Gjøvik. Both of these sections will begin using ERMTS by the end of 2022. Four years later, the new signalling system will be put into operation at Oslo Central Station. By 2034, all railway lines in Norway will have ERTMS.

#### **More frequent train departures**

Testing of ERTMS is already underway. The digital signalling system has been tested on the Østfold Line between Ski and Sarpsborg. It has also been tested in weather-exposed areas, such as Haugastøl and Røros, and in Bodø and Romeriksporten.

When ERMTS is installed, it opens up the possibility of autonomous transport that was referenced by the Technology Council.

This is particularly exciting for sections with a lot of train traffic, such as the Oslo tunnel, where 24 trains per hour currently pass in each direction. If the number of trains can be increased to 30, i.e. an increase of 25 per cent, this will absorb much of the expected growth in rail traffic through Oslo. This will be particularly important until a new double track between Lysaker and Oslo S can be completed.

#### **Traffic packages 4 and 5**

The same applies to Traffic Package 4, which includes local and regional traffic between Oslo and the former Østfold county, and Traffic Package 5 between Oslo and the former Buskerud county. Traffic package 4 starts in December 2023, but no date has yet been set for the start of Traffic Package 5. Both traffic packages are for sections with a high level of traffic, which start in parallel with the opening of the Follo Line and the reopening of Drammen station with six tracks. They include both local trains and intercity trains that carry large numbers of passengers and are crucial for a large part of the business community in Norway on a daily basis. In addition, significant traffic growth is estimated on these sections. Traffic package 5 contains the railway lines that currently operate the 10-minute system through the Oslo tunnel.

Increased capacity resulting from the ERMTS digital signalling system will give the operators of both traffic packages room for manoeuvre to be able to offer train passengers a better service with more frequent departures.

## 3. Interactive intelligent transport systems. Installation of mobile repeaters

By providing good and fast network coverage on-board trains, Norske tog help make it easier for train travellers to find information and plan changes between different modes of transport.

The train rarely takes you door-to-door. Most people who travel by train need alternative transport to and from the train station. Sometimes they have to change trains along the way, or the journey can consist of several transport stages such as train, bus, boat, and on foot.

To make using the train as a means of transport more attractive, it is important that travellers have easy access to relevant information. This presupposes a good and stable network on board the trains, making it possible to both work and be entertained during the train journey. This makes for a more effective use of travel time. Passengers are therefore increasingly demanding better and more stable mobile coverage on board the trains.

### Boosting signals

There are several reasons for the varying quality of mobile coverage: On the one hand, mobile coverage along the railway and in the railway tunnels has been poorly developed, and on the other, the body of the train carriage diminishes the mobile signals available from outside. This is because the train chassis is built to reduce vibrations and noise, shield from the sun and reduce heat loss. The disadvantage of these factors - which provide increased comfort for passengers - is that the chassis also prevents mobile signals from entering the train.

In order to improve mobile coverage on board the trains, Norske tog started work installing 4G mobile repeaters on board the trains that operate on the Sørland Railway, the Bergen Line, Dovre Line and Nordland Line in the autumn of 2020. The regional and local trains in operation on the Østfold Line between Oslo and Mysen, and between Oslo and Moss, have already had this equipment installed.

The mobile repeaters pick up the telecom operators' signals on the outside of the train. This is a technological

solution that provides better capacity per passenger than the current WiFi solution on board, and mobile coverage will be noticeably better.

### Retired from traffic

The work of installing 4G mobile repeaters on board the trains will continue in 2021. Mobile repeaters will be installed in a total of 36 trainsets and 133 carriages. The installation itself takes some time, because the trains are in use by the train operating companies. To install mobile repeaters, the trains must be taken out of operation and into the workshop for the installation of external antennas.

By the end of 2020, the installation of a mobile repeater on Class 73B trains running on the Østfold Line had been completed. In January and February 2021, Norske tog will test and measure mobile coverage on the Østfold line.

**The work of installing 4G mobile repeaters on board the trains will continue in 2021. Mobile repeaters will be installed in a total of 36 trainsets and 133 carriages.**



By 2022, all trains on the Oslo-Stavanger, Oslo-Bergen and Oslo-Trondheim routes will be equipped with mobile repeaters.

### Replacing old equipment

The goal for Norske tog trains and the rest of the railway sector is to be able to offer passengers a data speed of an average of 5 Mb/s per passenger, which is in line with the recommendations in the Norwegian Railway Directorate's "Plan for improved network coverage for rail passengers".

Mobile coverage on board the trains will also be improved by Bane Nor and the telecommunications companies implementing measures along the track. Norske tog are responsible for mobile coverage inside the train, the telecommunications companies are responsible for coverage along the track and Bane NOR is responsible for coverage in the tunnels. In recent years, mobile coverage on board the trains has improved, partly because the telecom operators Telia, Telenor and ICE have replaced old equipment with 4G equipment. The telecom operators have also paid more attention to the coverage along the railway tracks.



## 4. New business models and the sharing economy. Procurement of new trains

Increasing acceptance of collective solutions and increased climate awareness may lead to more travellers choosing the train over the car, bus or plane on long-distance journeys. Norske tog believes that there is a need to procure 254 new trainsets to meet this demand.

Getting more people to choose the train as a means of transport over their own car, a bus or a plane on long distances is important for reducing the overall greenhouse gas emissions of the transport sector. The Norwegian Railway Directorate's forecasts indicate that the number of passenger journeys will increase from 78 million in 2018 to 112 million in 2033. To support this development, it is important to have new, modern and comfortable trainsets.

In 2020, Norske tog trains started work on acquiring up to 100 new long-distance trains. The renewal of the night train service is also included in this procurement. Buying a train is a laborious process. The preparations for buying a train usually take one to two years. It then takes four to five years before new trains can be put into operation.

### **An aging train fleet**

In 2020, Norske tog started up two new traffic packages, in addition to the one that started up at the end of 2019. The three traffic packages cover the long-distance train sections in Norway: The Sørland Railway, the Dovre Line, Røros Line, Nordland Line and Bergen Line.

The three operators on these traffic packages – Go-Ahead, SJ Norge and Vy Tog – lease trainsets from Norske tog. The vehicles on all three long-distance routes are beginning to approach the end of their technical and financial service life. The oldest trainsets are over 40 years old. The average age of the train fleet is now 19.1 years. There are some cracks on some of the trains, and it takes time and costs money to repair them. From 2025, several of the trains will not be able to be used on sections where the ERMTS digital signalling system will then be in operation.

Norske tog believes it is high time that these trainsets are replaced with new trains, both to meet the need to replace the old trainset and to meet expected traffic growth on these routes. Norske tog also believes that it will be cost-effective to standardise the train fleet, by reducing today's 17 classes of train to three main classes:

1. Local trains, Class 77
2. Regional trains, Class (74, 75 and 76 (today's Flirt)
3. Long-distance trains. Class 79

**In 2020, Norske tog trains started work on acquiring up to 100 new long-distance trains. The renewal of the night train service is also included in this procurement.**

### **Input on the long-term plan**

On this basis, Norske tog submitted a long-term plan for train procurement for local, regional and long-distance train routes to the Norwegian Railway Directorate in May. Altogether – for local, regional and long-distance train routes – Norske tog believes that 187 new trainsets are needed to compensate for the trainsets that have to be retired from service. In addition, the company believes that a further 67 trainsets are needed to absorb the expected traffic growth up to 2033 (pre-Covid-19 estimate). The total cost of the procurement of new trains will be between NOK 30-50 billion.

In 2020, Norske tog began work on procuring long-distance trains for the Dovre Line, the Sørland Railway, the Bergen Line and the Nordland Line. If all goes to plan, the first trains will be delivered in 2026 and 2027. The remaining trains will then be delivered on a continuous basis until 2033. In total, Norske tog estimates that up to 100 new trainsets are needed to replace all old long-distance trains.

### Invitation to dialogue

In September, Norske tog arranged a dialogue and input conference, where a number of players were invited to submit their needs and wishes for the new long-distance

trains. From the operators' side, there is a great desire for new long-distance trains with a good level of comfort, reversible seats, play areas and enough space for wheelchairs in the entrance to the carriage. Appealing restaurant cars and the opportunity to order food from the seat are also in demand. In addition, many would like to see sleeping compartments or chairs that can be folded down completely to sleep in.

Such input is very useful to Norske tog for planning the procurement of long-distance trains. Work will continue on the procurement in 2021.







Corporate  
governance

The Board of Directors of Norske tog AS is responsible for corporate governance and reports here on the company's compliance with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES).

Area	Comply	Explain
Corporate governance report	The company is wholly owned by the Norwegian state, represented by the Ministry of Transport and Communications, and conducts its operations in line with the company's articles of association. The company's Board of Directors ensures good corporate governance by adopting frameworks for risk management and internal control and by considering the company's strategy.	
Business	<p>The company's purpose is to procure, own and manage rolling stock to lease to passenger train operating companies in Norway, as well as related activities.</p> <p>The Board of Directors evaluates the company's goals, strategies and risk profile on an annual basis. The company has adopted a set of values and guidelines for ethics and corporate social responsibility.</p>	
Equity and dividends	At 31 December 2020, Norske tog had equity of NOK 3,163 million. The company targets an equity ratio over 20 %. The earnings model and plans for significant investments in new rolling stock mean that the Board will not propose dividend payments in the coming strategy period.	
Equal treatment of shareholders and transactions with related parties	<p>The company has only one share class. All the shares are owned by the Norwegian state and administered by the Ministry of Transport and Communications.</p> <p>Guidelines for handling transactions that are not immaterial between the company and board members/senior employees are incorporated in the ethical guidelines and instructions for the Board of Directors and CEO.</p>	
Free negotiability	All the shares are owned by the Ministry of Transport and Communications.	The NUES requirements in this area are not considered to be relevant.
General meeting	The Norwegian state represented by the Ministry of Transport and Communications constitutes the general meeting. The annual general meeting is held by the end of June each year. As a minimum, the chairperson of the Board of Directors, CEO and auditor shall participate in the meeting. The notice convening the annual general meeting is sent to the shareholder no later than 21 days in advance. The registration deadline is set close to the date of the meeting. The annual general meeting is opened by the chairperson of the Board of Directors, after which the meeting elects the meeting chairperson.	
Nomination committee	The general meeting comprises the Ministry of Transport and Communications, and no nomination committee has been appointed. Election of board members follows the Ministry's processes for composition of boards of directors in wholly owned companies. The chairperson of the Board of Directors is elected by the annual general meeting. An employee-elected board member is elected by and from among the employees.	The NUES requirements in this area are not considered to be relevant.

Area	Comply	Explain
Corporate assembly and the Board of Directors: composition and independence	Norske tog AS does not have a corporate assembly. In 2020, the Board of Directors comprised three shareholder-elected members: two women and one man. The employee-elected board member is not part of the management group. The Board of Directors represents broad experience from different parts of business and industry and has good knowledge of the company's operations.	The NUES requirements in this area are not considered to be relevant.
The work of the Board of Directors	The Board of Directors meets a minimum of six times a year, including one annual strategy meeting. Meetings are otherwise convened as required. Ten meetings were held in 2020. The Board of Directors draws up an annual plan for its meetings. The Board of Directors evaluates its work and competence on an annual basis. The Board of Directors has also established an internal audit committee.	
Risk management and internal control	<p>Each year, the Board of Directors issues guidance and sets requirements for assessing risk and capital requirements in accordance with the company's guidelines. Risk management is treated as an integral part of the company's business plan.</p> <p>To ensure integrated management of the company, a dedicated management system has been drawn up comprising processes and routines to manage and control the business.</p> <p>Principles and guidelines, routines and authorisation matrices have been prepared in order to manage and control the company's financial position, accounts and financing.</p>	
Remuneration to the Board of Directors	The Board of Directors' remuneration is set at the general meeting. Remuneration is not dependent on performance. No board members or companies of which they are related parties have undertaken special tasks for the company.	
Remuneration to executive management	A detailed overview of remuneration of senior employees in the company can be found in Note 22. Pursuant to the articles of association, the Board of Directors has drawn up a declaration on executive pay. The CEO is authorised to set the salary and other remuneration for the company's senior management within the framework of the government's "Guidelines for salaries and other remuneration of senior executives in companies with state ownership", and the principles for executive pay set by the Board of Directors. The Board of Directors' declaration on executive pay is considered as a separate agenda item at the annual general meeting.	
Information and communications	The company is wholly owned by the Norwegian state. Legislation on securities and other regulations relating to equal treatment of players in the securities market are not relevant. There is no financial calendar. However, the company publishes interim and full-year reports on its website.	The requirements are only partially relevant for the company, but are followed with regard to publication of reports.



Area	Comply	Explain
Take-overs	The company is wholly owned by the Norwegian state and classified as a Category 3 company.	The NUES requirements in this area are not considered to be relevant.
Auditor	<p data-bbox="427 555 1174 646">Auditor Norske tog AS has an independent auditor elected by the annual general meeting. The auditor participates at the board meeting at which the full-year financial statements are discussed.</p> <p data-bbox="427 683 1174 740">Non-audit services provided by the auditor are reported to the Board of Directors each year.</p> <p data-bbox="427 776 884 804">Norske tog AS also has an internal auditor.</p>	







Board of Director's  
report



## Summary of results and trends for Norske tog AS in 2020

Norske tog had a high level of activity in 2020, with the company working on two major procurements in parallel. The government has a significant focus on Norwegian railways and this is reflected in the level of activity for Norske tog.

In 2020, Norske tog had successful start-ups of two traffic packages and in September the company received train number 123 of a total of 150 Flirt trainsets ordered from Stadler. The company has worked on the competitive tender process related to the procurement of 30 new local trains, with an option for another 170 trains. In 2020, preparations also began for the procurement of new long-distance trains for the Dovre Line, the Sørland Railway, the Bergen Line and the Nordland Line.

In 2020, Norske tog provided technical input to the Norwegian Railway Directorate in the form of a long-term plan for train procurement up to 2033. In its long-term plan, Norske tog estimates that there is a need for 254 new trainsets by 2033, to meet expected traffic growth and the need to replace old rolling stock. Norske tog recommends standardising the train fleet into three main classes - local trains, regional trains and long-distance trains - a sharp reduction from today's 17 train classes.

### Financial developments in Norske tog

Norske tog is posting profit for the year of NOK 99 million, down from NOK 222 million in 2019. The decline in profit is due to a high level of activity, new procurement of local trains and projects related to planning new long-distance trains, combined with somewhat lower income from leasing out trains (NOK 23 million). In 2020, Norske tog took over the costs of insuring the trains. In the lease agreement when the company was established, Vy Group insured the trains. Norske tog is responsible for insurance in the new lease agreements. Train insurance amounted to NOK 62 million in 2020.

Net cash flow from operating activities was NOK 65 million less in 2020 than in 2019. The main explanation for this decrease is changes in value of loans, which amounted to NOK -68 million in 2020. The result gives a return on book equity of 3.2% (7.8 %). In the long term, the company aims to deliver a return of 5 per cent. The annual return will fluctuate in line with the scale of planned investment in new trainsets or modifications to existing vehicles.

Net cash flow from operations is NOK 1,112 million (2020), compared to NOK 976 million in 2019. Net cash flow from operations is NOK 840 million (NOK 1,416 million). The company's working capital is NOK -70 million (NOK 1,232 million). The change in working capital is mainly due to procurements and repayment of debt. The balance sheet value (liabilities and equity) is NOK 11,560 million in 2020, compared to NOK 13,610 million in 2019. The balance sheet value is lower as a result of the repayment of debt.

Including the profit for the year, equity was NOK 3,164 million (NOK 3,065 million). The equity ratio is 27 per cent. Distributable reserves were NOK 764 million (NOK 665 million).

### Going concern

Pursuant to Section 3-3a of the Norwegian Accounting Act, it is confirmed that the financial statements have been presented under the assumption of a going concern. The profit for the year will be transferred to other equity.

### Purpose of the company

Norske tog's procures, owns and manages rolling stock. The company enters into agreements with train operating companies that have a traffic agreement with the Norwegian Railway Directorate for the lease of rolling stock. This ensures low barriers to entry for train operating companies and contributes to competition on equal terms for passenger rail traffic.

The State's rationale for ownership in Norske tog AS is to have a provider of rolling stock on competition-neutral terms. The State's goal as owner is cost-effective procurement and leasing of rolling stock.

The quality and size of Norske tog's train fleet shall be adapted to the publicly-funded passenger train service. The train operating companies pay Norske tog for the lease of rolling stock in accordance with the provisions laid down in the traffic agreements the Norwegian Railway Directorate has entered into with the train operating companies.

### Corporate governance report

The Corporate governance report is appended to the annual report and financial statements and discussed by the Board of Directors.

### Goals and strategies

Norske tog shall effectively facilitate access to a sufficient number of standardised and up-to-date vehicles, in line with society's demand for passenger transport by train. In this way, the company shall contribute to an integrated fleet of trains on Norway's railways.

Norske tog shall draw up plans to cope with capacity requirements and traffic growth for existing and future contracts. The company has drawn up a lease agreement that will form the basis for leasing vehicles to all train operating companies. Norske tog's vehicle strategy shall help to ensure standardisation and optimisation of trains and systems.

The company shall also act in an advisory capacity concerning factors at the interface between vehicles and infrastructure/workshops, and shall possess leading expertise in the procurement of trains and systems. Norske tog shall at all times follow technological developments and have oversight of new technological solutions in the sector.

### Internal control

Norske tog has a separate framework for internal control and has established internal control systems that cover its values, guidelines for ethics and corporate social responsibility, organisation, authorisation structure and steering documents. Risks within financial reporting are assessed through separate risk analyses.

Based on this, the internal control system is revised as required, in connection with revision of management documents, guidelines, procedures and key control matters.

### HR, non-discrimination and the external environment

Norske tog conducts an annual employee survey. This year's survey shows that employees in Norske tog report an average score of 72 in terms of Job Satisfaction, up from 69 in 2019. For Loyalty the average score was 80, which is the same level as in 2019. In total, this shows that Norske tog's employees have medium to high scores of job satisfaction and loyalty to the company.

Norske tog works purposefully with the company's employees on skills development and engagement. Sick leave remains low, averaging 3.3 % in 2020. Six employees joined the company and one resigned in 2020.

The number of person-years increased by five compared with 2019.

Norske tog's rolling stock has not been involved in any serious accidents or incidents in 2020. There were no reports of injuries to Norske tog's employees or passengers as a result of faults or defects in vehicles.

In 2020, Norske tog's Board of Directors was unchanged from the previous year with three shareholder-elected members – two women and one man – and one employee representative. Having a good gender balance in the organisation is one of the company's goals. This shall be achieved by working systematically to recruit more women.

Please refer also to the Corporate social responsibility report for Norske tog, which has been prepared in accordance with Section 3-3c of the Accounting Act.

### Outlook

Norske tog has an important role to play in presenting the Norwegian rail system as an attractive transport option for local, regional and long-distance travel. Helping more travellers to choose to travel by train rather than car, bus or plane is important to reduce total greenhouse gas emissions from transport.

2020 has been characterised by strict infection control measures related to Covid-19, where large parts of the population have worked from home. This has had dramatic consequences for train traffic, as the demand for train travel fell by 80-90 per cent in the first months after the outbreak in March. The number of passengers has remained at a low level for the rest of 2020. Operators have been required to reduce seating capacity in order to reduce the risk of infection. The Ministry of Transport and Communications has elected to cover 85 per cent of the train operating companies' financial losses in 2020 and until June 2021, to ensure the maintenance of a good train service for passengers. There is great uncertainty associated with traffic and financial support measures in the future.

Before the pandemic, the Norwegian Railway Directorate estimated an increase in passenger journeys from 80.4 million in 2019, to 112 million in 2033. This corresponds to an increase of almost 40 per cent. The question is whether this growth will be realised in the years ahead, if people

get used to working from home offices and travelling less, both for work and leisure.

Norske tog will continue work on the following projects in 2021:

- The 14 bimodal trainsets that have been procured will be put into service by SJ Norge on the Trønderbanen Line and the Trondheim-Røros section.
- The installation of the ERMTS digital signalling system on board the trains will continue at full pace in 2021.
- Norske tog is also continuing work on installing mobile repeaters. By 2022, all trains on the Oslo-Stavanger, Oslo-Bergen and Oslo-Trondheim routes will be equipped with mobile repeaters. Regional and local trains in Eastern Norway are already equipped with these.
- In 2021, Norske tog will prioritise work on acquiring new long-distance trains for the Dovre line, the Sørland Railway, the Bergen Line and the Nordland Line.

## Risk

### Financial risk

The company's overall risk management plan focuses on the unpredictability of the capital markets and seeks to minimise the potential negative impact on the company's financial performance. The company uses financial derivatives to hedge against changes in interest and exchange rates.

Norske tog takes out loans in the markets and currencies that provide the most favourable conditions overall. Loans in foreign currency are converted to NOK through combined interest rate and currency swaps. Norske tog aims to minimise currency risk in financial management. In other respects, the company has little exposure to foreign exchange risk, as most of its revenues and costs are in NOK. If agreements for major purchases are entered into in foreign currencies, the currency risk is hedged over the term of the agreement.

Norske tog is exposed to interest rate changes. The company uses interest rate swaps to reduce interest rate risk and to achieve the desired interest structure for the debt. Targets have been set regulating the proportion of loans that shall be interest adjusted for a twelve-month period, and for the fixed interest rate on the portfolio. The aim is to achieve a mix of approximately 70 % at fixed and 30 % at floating rates.

According to established targets, 150% of the capital requirement for the company in the next twelve-month period will be covered through free cash flow and established credit facilities. The company has a target for free cash flow of approximately NOK 300 million.

In 2019, Norske tog went to the market with an issue of green bonds valued at NOK 1.3 billion. The framework for the loan is based on the principles of The International Capital Market Association (ICMA) Green Bond Principles from 2018 and achieved the highest rating from CICERO, so-called "dark green". Norske tog experienced great interest in the financial market to participating in the issue. Through the green bond issue, Norske tog attracted several foreign investors on the borrowing side. The company has also gained several new investors - both Norwegian and foreign - who only invest in climate-friendly projects.

Norske togs has invested the proceeds in 75 electric Flirt trainsets, produced by Stadler. In 2020, Norske tog prepared four indicators for the company's reporting in the future, thus ensuring that the funds are invested according to purpose. The four indicators Norske tog shall report are: reduced CO2 emissions, the number of electric trains procured, increased passenger capacity and increased passenger kilometres.

### Credit risk

The state introduced support measures for the train operators after March 12, when the number of passengers were reduced by 80-90 percent as a result of the national shutdown. There is uncertainty regarding leasing income for Norske tog as a result of lower earnings for the operators.

### Operational risk

Systematic analyses are conducted of operational risk and achievement of financial targets. Based on the risk analyses, control activities have been established to reduce identified risks, including automated controls and audits and extended follow-up analyses related to specific risk areas.

Norske tog is responsible for maintaining the technical lifespan of all the vehicles it owns. Lack of financing to maintain the lifespan by means of mid-life upgrades and other modifications represents a risk for the company. In order for Norske tog to deliver on our tasks, we must have

a funding model that provides sufficient leasing income and returns for the company to be able to make the necessary procurements on time and have room for the upgrades required.

Another risk for the company is not being able to access the rolling stock at the right time to make major upgrades or changes.

When procuring vehicles, the specific Norwegian requirements are expensive, and small series will also contribute to increasing the price.

Technical upgrades are an important opportunity for Norske tog to change the characteristics of vehicles in terms of both energy consumption and reliability. Norske tog has been granted a residual value guarantee to upgrade its fleet of Class 72 trains, which operate in Eastern Norway and on the Jæren Line.


When carrying out mid-life upgrades on the Class 72 trains, it is planned to take trainsets out of operation two by two. As there are only two reserve sets of this class of train, there will be limited availability of back-up vehicles in this period should any unforeseen incidents occur. The availability of rolling stock will also be a challenge in several of the other projects Norske tog will be implementing in the next few years, for example the installation of mobile signal boosters, cab radios and ERTMS.

In December, Norske tog therefore signed a letter of intent with Flytoget to purchase six trainsets. Norske togs plan to dismantle one of the six trainsets. The spare parts from the dismantled trainset will be used to ensure the delivery of critical components to the train operating companies.

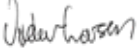
Oslo, 10 February 2021

  
Annette Malm Justad  
Chairperson

  
Espen Opedal  
Board member

  
Øystein Risan  
CEO

  
Marianne Abeler  
Board member

  
Vidar Larsen  
Board member





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# Financial statements



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# Statement of comprehensive income

Income statement (All numbers in TNOK)	Notes	2020	2019
<b>Operating revenue</b>	<b>2</b>	<b>1,234,078</b>	<b>1,256,002</b>
Payroll and related expenses	12	43,735	51,034
Depreciation and impairment	17	715,327	702,417
Other operating expenses	18	175,815	110,775
<b>Total operating expenses</b>		<b>934,877</b>	<b>864,226</b>
<b>Operating profit</b>		<b>299,201</b>	<b>391,777</b>
<b>Financial posts</b>			
Financial income	19	107,195	138,144
Financial expenses	19	-245,753	-278,667
Net financial expenses - pensions	13, 19	-123	-900
Unrealised fair value changes	20	-33,507	34,163
<b>Net financial items</b>		<b>-172,188</b>	<b>-107,260</b>
<b>Profit before income tax</b>		<b>127,013</b>	<b>284,518</b>
Income tax expense	11	27,970	62,636
<b>Profit for the year</b>		<b>99,043</b>	<b>221,882</b>
Attributable to			
<b>Equity holders</b>		<b>99,043</b>	<b>221,882</b>
<b>Other comprehensive income</b>			
Profit for the year		99,043	221,882
<b>Items that will not be reclassified to profit or loss</b>			
Deviation retirement benefit obligations	13	-5	10,646
Tax related to items that will not be reclassified	11	1	-2,342
<b>Total comprehensive income for the period</b>		<b>99,039</b>	<b>230,186</b>
Attributable to			
<b>Equity holders</b>		<b>99,039</b>	<b>230,186</b>


## Statement of financial position

Balance sheet (All numbers in TNOK)	Notes	31/12/2020	31/12/2019
Property, plant and equipment	3	10,732,622	10,608,420
<b>Total non-current assets</b>		<b>10,732,622</b>	<b>10,608,420</b>
Trade and other receivables	4	34,044	32,096
Derivative financial assets	6, 7	503,439	1,235,475
Cash and bank deposits	8	290,329	1,733,834
<b>Total current assets</b>		<b>827,812</b>	<b>3,001,405</b>
<b>Total assets</b>		<b>11,560,433</b>	<b>13,609,825</b>
<b>Equity and liabilities</b>			
Ordinary shares and share premium	9	2,400,000	2,400,000
Retained earnings		763,823	664,784
<b>Total equity</b>		<b>3,163,823</b>	<b>3,064,784</b>
Borrowings	10	6,678,566	7,196,235
Deferred tax obligation	11	753,084	725,115
Retirement benefit obligations	13	2,635	29,130
Other accruals	21	38,572	8,420
<b>Total long term liabilities</b>		<b>7,472,857</b>	<b>7,958,900</b>
Trade and other payables	14	135,172	47,609
Borrowings	6, 10	749,046	2,530,792
Derivative financial instruments	6, 7	39,535	7,739
<b>Total short term liabilities</b>		<b>923,753</b>	<b>2,586,140</b>
<b>Total equity and liabilities</b>		<b>11,560,433</b>	<b>13,609,825</b>

Oslo, 10. February 2021



Annette Malm Justad  
Chairman



Marianne Abeler  
Board Member



Espen Opedal  
Board Member



Vidar Larsen  
Board Member



Øystein Risan  
CEO

## Cash flow statement

Cash flow statement (All numbers in TNOK)	Notes	2020	2019
Profit for the period before income tax expense		127,013	284,518
Net financial items		180,261	107,260
Depreciation and impairment in the income statement	17	715,327	702,417
Net changes to obligations and retirement benefit oblig.	13	-26,926	6,580
Changes to working capital		116,073	-124,868
<b>Net cash flow from operating activities</b>		<b>1,111,748</b>	<b>975,907</b>
Purchase of PPE	3	-839,530	-1,416,220
<b>Net cash flow from investment activities</b>		<b>-839,530</b>	<b>-1,416,220</b>
Interest paid on borrowings		-292,264	-303,324
Interest income		112,003	117,869
Other financial items		-18,304	-12,389
Proceeds from borrowings	10	-	1,300,000
Repayment of borrowings	15	-1,517,500	-1,300,000
<b>Net cash flow from financial activities</b>		<b>-1,716,065</b>	<b>-197,844</b>
<b>Net change in cash and bank deposits for the period</b>		<b>-1,443,847</b>	<b>-638,157</b>
Cash and bank deposits as at the beginning of the period	8	1,733,834	2,372,091
Foreign exchange gain/loss on cash and bank deposits		341	-100
<b>Cash and bank deposits as at the end of the period</b>		<b>290,329</b>	<b>1,733,834</b>



## Statement of changes in equity

<b>2020 (All numbers in TNOK)</b>	<b>Notes</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 <sup>st</sup> of January 2020		100,000	2,300,000	664,784	3,064,784
Profit for the year		-	-	99,043	99,043
From other comprehensive income		-	-	-4	-4
<b>Equity 31<sup>st</sup> of December 2020</b>		<b>100,000</b>	<b>2,300,000</b>	<b>763,823</b>	<b>3,163,823</b>

<b>2019 (All numbers in TNOK)</b>	<b>Notes</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 <sup>st</sup> of January 2019		100,000	2,300,000	434,599	2,834,599
Profit for the year				221,882	221,882
From other comprehensive income		-	-	8,303	8,303
<b>Equity 31<sup>st</sup> of December 2019</b>		<b>100,000</b>	<b>2,300,000</b>	<b>664,784</b>	<b>3,064,784</b>

# 1. General information and summary of key accounting policies

## General information

Norske tog AS was founded on 16 June 2016.

The White Paper 27 (2014-2015) established that passenger train rolling stock previously owned by VyGruppen AS (former NSB AS) would be brought together under a state-controlled owner to ensure low barriers to entry and competition on equal terms.

Purpose and scope of the company  
The purpose of the company is to procure, own and manage rolling stock, to be used mainly for the provision of rail passenger transport as a public service obligation. The company's rolling stock is to be offered on non-competitive terms. The company also has an advisory function to the Norwegian state. The company shall have efficient operations.

The headquarters for Norske tog AS are located in Oslo.

All the shares in Norske tog AS are owned by the Norwegian Ministry of Transport and Communications.

The annual report for 2020 was approved by the Board of Directors on 10. February 2021.

All figures in the report are stated in MNOK unless stated otherwise in the text.

## Framework for presentation of financial statements

The corporate financial statements of Norske tog AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC) approved by the EU.

The key accounting policies used in preparing the corporate financial statements are described below.

The corporate financial statements have been prepared under the historical cost convention, with the exception of financial derivatives and certain financial assets and liabilities.

## Key assumptions and accounting estimates

Application of the company's accounting policies entails use of estimates and assumptions.

Estimates and assumptions are continually evaluated and are based on historical experience combined with expectations of future events that are considered likely at the time of valuation.

Areas where use of estimates and assumptions is key to the corporate financial statements:

### Financial assets and liabilities at fair value

The company has long-term liabilities, financial derivatives and certain financial assets recognised at fair value.

Calculation of fair value uses estimates based mainly on observable prices that may change over time. Changes in the assumptions will entail changes in carrying amounts (fair value through profit or loss).

### Fixed assets

The company considers the expected useful life and residual value of non-current assets on an ongoing basis. This is significant for depreciation and amortisation for the year. In addition, the company considers the value of the non-current assets and whether there are indications of a decrease in value. If there are indications that the recoverable amount is lower than the book value, the asset is tested for impairment. These tests involve a high degree of judgement.

### Estimated provisions for losses on contracts

The company carries out annual tests to assess provisions for losses on contracts where there are negative operating results and hence indications of a need for provisions. In the case of operating assets used in the contracts, an impairment test is first carried out, cf. discussion above. Subsequently, the present value of future cash flows is measured for the individual contract. These evaluations involve a high degree of judgement. Please refer

to the note on provisions for a more detailed description.

### Pension obligations

During the financial year 2020, the company settled the pension obligation to the Governments Pension Fund and had no obligation to this scheme at the end of the year.

The company has an operating pension plan for employees who will not reach the necessary entitlement for the contractual pension in the new defined contribution scheme. This obligation will only be paid out if employees retire before turning 67 years old.

## Segment information

Norske tog has only one segment for leasing of trains.

## Currency

### Functional currency and presentation currency

The financial statements are presented in Norwegian kroner (NOK), which is both the functional and presentation currency for the company.

The company operates solely in Norway.

Operating income and costs, purchases and financing costs are principally in NOK, CHF and EUR. Transactions in foreign currencies are translated to the functional currency on the transaction date. Foreign exchange gains and losses arising on translation of items in foreign currencies are recognised in the income statement.

## Revenue recognition

The company's revenue comes from leasing out rolling stock. The lease agreements are classified as operating leases in accordance with IAS 17, and the revenue is accrued on a linear basis over the lease period, as the lease agreements are wholly based on fixed prices. The lease agreements are invoiced in advance each month. Revenue from leasing is not included under IFRS 15; the company considers leasing of trains to be included under IFRS 16.

### Fixed assets

Fixed assets are recognised on the balance sheet at acquisition cost less depreciation/amortisation. Acquisition cost includes costs directly linked to the procurement of the operating asset such that it is ready for use. Subsequent expenses are capitalized when it is likely that future economic benefits linked to the expenses will flow to the company and the expenses can be measured reliably. Other repair and maintenance costs are recognised in the income statement in the period in which the expenses are incurred.

Where capitalisation of major projects is concerned, these are recognised at the following points:

1. Payment of advance on entering into contract is classified as a prepayment for contractually agreed partial delivery of train
2. On achievement of milestones, Norske tog AS (PTO) is invoiced and the cost is classified as a prepayment for contractually agreed partial delivery of train
3. On delivery of complete trains to Norske tog AS and on to the customer, the contractually agreed partial delivery and the estimated remaining cost as a means of transport are capitalised for depreciation purposes
4. On receipt of final invoice (FTO), the estimated capitalisation for depreciation is settled.

Borrowing costs that accrue on construction of operating assets are capitalized as part of assets under construction and included in the basis for depreciation.

Operating assets are depreciated using the straight-line method, such that the assets' acquisition cost is written down to the residual value over the expected useful life, which is within the following ranges:

In individual cases it may occur that some fixed assets have a shorter useful life remaining than the 10 years mentioned below; then the depreciation period will be the expected life for the asset.

Vehicles 10 – 30 years

Right-of-use assets (IFRS 16) 2-12 years

The depreciation method and the operating assets' useful lives and residual

values are assessed on each balance sheet date and adjusted if necessary. Profit and loss on disposal of operating assets is recognised in the income statement and represents the difference between selling price and carrying amount.

### IFRS 16 Leases

IFRS 16 comes into force for accounting periods beginning on or after 1 January 2019.

#### Leasing out

Norske tog AS' revenue from leasing out trains is covered by IFRS 16. IFRS 16 entails only minor changes in disclosure requirements for lease contracts. Norske tog AS owns the trains that are leased out and, pursuant to IFRS 16.C14, will not make any modifications to its accounting on transition.

#### Leasing in

Pursuant to IFRS 16, lessees shall recognise all leases in the balance sheet in the form of a liability to pay charges over the lease term and the associated right of use asset. All leases that transfer to the lessee the right to control use of an identified asset and receive the economic benefits shall be recognised. There will no longer be a difference in the treatment of financial and operational leases.

### Impairment

Operating assets that are depreciated are tested for a decrease in value only if there are indications that future earnings cannot support the carrying amount.

Impairment is carried out if the carrying amount is higher than the recoverable amount. The recoverable amount is the higher of sales value less costs to sell and value in use.

To assess decrease in value, the fixed assets are grouped at the lowest level where it is possible to distinguish independent cash flows (cash-generating units). The opportunities for reversing previous impairments are assessed at each reporting date.

### Derivatives and hedging

The company enters into derivatives to hedge interest rate and currency risks on long-term liabilities so as to achieve both the lowest possible price and predictability in the prices.

The company does not practise hedge accounting. Derivatives are recognized on the balance sheet at fair value when the derivative contract is entered into and adjusted to fair value through profit or loss on an ongoing basis. Changes in fair value on derivative contracts entered into linked to financial liabilities are recognized as financial items.

The financial derivatives are included according to IFRS 9.

### Financial assets held for trading

A financial asset is classified as held for trading if it has primarily been procured with a view to generating returns linked to short-term changes in value.

### Receivables

Receivables include trade receivables and are measured initially at acquisition cost, which is assessed to be fair value.

Trade receivables are subsequently measured at amortised cost established using the effective interest method, less provision for expected bad debts. Provision for bad debts is recognised when there are objective indications that the company will not receive settlement in accordance with the original terms.

The transition from an incurred loss model under IAS 39 to a expected loss model under IFRS 9 will result in a loss on receivables at an earlier time frame.

In December 2019, Norske tog AS got a new main customer; Go-Ahead Norge AS which now operates Traffic package Sør (started 15th of December 2019). SJ Norge AS operates Traffic package Nord (started 8th June 2020). Vy tog now operates Traffic package Vest, which started on the 13th December 2020. Vy-Gruppen currently operates the rest of the traffic packages in Norway. Norske tog has not identified a need to increase the provision for contract losses as at 31.12.2020.

### Cash in hand and at bank

Cash in hand and at bank includes restricted withholding tax and is specified in note 8.

If an overdraft facility is used, this is included in borrowings under current liabilities.

### **Borrowings**

Borrowings are recognised initially at fair value adjusted for directly attributable transaction costs.

In subsequent periods, the loans are measured as a general rule at amortised cost using the effective interest method, such that the effective interest is equal over the term of the loan.

The company has several bonds for which associated interest rate and currency swaps have been entered into. Where measurement and reporting using the option of measuring at fair value provide more relevant information by eliminating or materially reducing inconsistent measurement of loans and associated interest rate swaps, reporting is based on this principle. The choice of accounting principle is made when each individual loan is taken up and is binding for the term of the loan.

In connection with the business transfer from NSB AS, Norske tog AS took over the loans on 8 December 2016.

The company assumed the following liabilities with the values shown:

Bond at nominal value of TNOK  
5,886,250

Bond at fair value of TNOK 7,561,273

### **Tax**

Tax for the period comprises taxes payable for the period and change in deferred tax.

Deferred tax has been calculated on all temporary differences between tax base and carrying amount and tax effects of loss carryforwards. Deferred tax is determined using the prevailing tax rates and tax rules on the balance sheet date. Deferred tax assets are capitalised to the extent they are likely to be able to be utilised.

Deferred tax assets and deferred tax are offset if there is a legal right to offset, and this relates to income tax levied by the same tax authority for (i) the same taxable company or (ii) for different taxable companies where the intention is to settle the tax positions on a net basis.

### **Pension obligations**

On 1 January 2019, Norske tog went over to a defined contribution plan where the company pays a contribution to the employee's future pension without further obligations after the contribution is paid. The deposit is accounted for as staff costs.

During 2020 the company has settled their obligations to the government Pension Fund.

### **Other current liabilities**

Other current liabilities include trade payables and are measured initially at face value, which is assessed to be fair value. Trade payables are subsequently measured at amortised cost, established using the effective interest method.

### **Assessment of fair value**

The company measures several financial assets and liabilities at fair value. When classifying fair value, the company uses a system that reflects the significance of the input used to prepare the measurements as follows:

#### **Level 1**

Fair value is measured using quoted prices from active markets for identical assets or liabilities.

#### **Level 2**

Fair value is determined using input based on other observable factors, either direct (price) or indirect (derived from price), other than listed price (used in level 1) for the asset or liability.

#### **Level 3**

Fair value is measured using input not based on observable market data.

Financial assets and liabilities classified in level 1, 2 or 3.

### **Changes in accounting policies, new standards and interpretations**

#### **New and amended standards and interpretations that have been adopted**

#### **Amendment to IAS 1 Presentation of financial accounting and IAS 8 Accounting Principles, changes in accounting estimates and errors**

Materiality is consistently defined in the standards and the framework. It is being prepared when information is essential and further guidance is included in IAS 1 on non-material information.

#### **Amendment to IFRS 7, IFRS 9 (and IAS 39) – reference interest rate reform**

Changes provide certain relief related to the benchmark interest rate reform. The reductions apply to hedge accounting and entails that the reform generally does not mean that hedge accounting is terminated. Any ineffective hedging must nevertheless still be recognized in the income statement.

#### **Revised conceptual framework for financial reporting**

IASB has come up with a revised conceptual framework that will be used for standard setting with immediate effect.

#### **Other**

The IASB has also adopted some minor changes and clarifications in several different standards. It is considered that nine of these changes will have significant effect for the company.

*New standards and interpretations which have not entered into force and which have not been applied*

The company has not chosen early application of any standards or interpretations that take effect after the balance sheet date. Below is an overview of the most important rules adopted by the IASB.

#### **IFRS 17 Insurance Contracts**

IFRS 17 was adopted by the IASB in 2017 and replaces IFRS 4 Insurance Contracts. IFRS 17 principles for recognition, measurement, presentation and information insurance contracts. The new standard is considered not to be of significance to the company's business. The date of entry into force is January 1, 2023.

#### **Miscellaneous**

IASB has also adopted a number of minor changes and clarifications in several different standards. It has been assessed that none of these changes will have material effects for the company.

## 2. Segment information

Norske tog AS has only one segment - leasing of passenger rolling stock.

<b>Analysis of operating income by category</b>	<b>2020</b>	<b>2019</b>
Leasing revenue	1,232,423	1,255,228
Other revenue	1,654	774
<b>Total</b>	<b>1,234,078</b>	<b>1,256,002</b>

### Information on important customers

During the course of 2020, Norske tog has 2 new customers. On the 8th of June, SJ Norge AS started operating on the traffic package 2 (named North, line between Oslo and Bodø. On the 13th of December, Vy tog AS started operating traffic package 3 (named West, line between Oslo and Bergen). These two companies, together with VyGruppen AS and Go-Ahead AS make up 100 % of the leasing revenue.

<b>Overview future leasing agreements (nominal numbers)</b>	<b>2020</b>	<b>2019</b>
Leasing agreements next 12 months	1,248,429	1,237,743
Leasing agreements next 2-5 years	2,861,537	2,894,547
Leasing agreements more than 5 years	1,114,525	776,636
<b>Sum</b>	<b>5,224,491</b>	<b>4,908,926</b>

### Leasing revenue

Norske tog AS' revenue from leasing out trains is covered by IFRS 16. IFRS 16 entails only minor changes in disclosure requirements for lease contracts. Norske tog AS, owns the trains that are leased out and, pursuant to IFRS 16.C14, will not make any modifications to its accounting on transition.

## 3. Property, plant and equipment

	<b>Machinery and equipm.</b>	<b>Transportation</b>	<b>Partially delivered trains</b>	<b>Under construction</b>	<b>Right-to-use other assets</b>	<b>Total</b>
<b>At 1<sup>st</sup> of January 2020</b>						
Accumulated acquisition cost	47,880	11,730,461	978,076	15,373	10,824	12,782,614
Accumulated depreciation	-41,867	-2,131,031	-	-	-1,296	-2,174,194
<b>Total</b>	<b>6,103</b>	<b>9,599,430</b>	<b>978,076</b>	<b>15,373</b>	<b>9,528</b>	<b>10,608,420</b>

### Year ended 31<sup>st</sup> of December 2020

Opening net book value	6,013	9,599,430	978,076	15,287	9,528	10,608,420
Additions	385	-1,064	328,018	476,251	35,940	839,530
Transfers within PPE	33,730	792,883	-412,260	-414,353	-	-
Depreciations	-2,716	-708,620	-	-	-3,991	-715,327
<b>Total</b>	<b>37,412</b>	<b>9,676,355</b>	<b>893,834</b>	<b>83,545</b>	<b>9,528</b>	<b>10,732,622</b>

	Machin- ery and equipm.	Transpor- tation	Partially delivered trains	Under construction	Right-to- use other assets	Total
<b>At 31<sup>st</sup> of December 2020</b>						
Accumulated acquisition cost	81,995	12,516,006	893,834	83,545	46,764	13,622,144
Accumulated depreciation	-44,583	-2,839,651	-	-	-5,287	-2,889,521
<b>Total</b>	<b>37,412</b>	<b>9,676,355</b>	<b>893,834</b>	<b>83,545</b>	<b>41,477</b>	<b>10,732,622</b>

<b>At 1<sup>st</sup> of January 2019</b>						
Accumulated acquisition cost	46,693	10,803,140	480,053	15,287	-	11,345,173
Accumulated depreciation	-36,385	-1,424,995	-	-	-	-1,461,380
<b>Total</b>	<b>10,308</b>	<b>9,378,145</b>	<b>480,053</b>	<b>15,287</b>	<b>-</b>	<b>9,883,793</b>

<b>Year ended 31<sup>st</sup> of December 2019</b>						
Opening net book value	10,308	9,378,145	480,053	15,287	-	9,883,793
Implementation effect IFRS 16	-	-	-	-	10,824	10,824
Additions	-	-	960,198	456,022	-	1,416,220
Transfers within PPE	1,187	916,924	-462,175	-455,936	-	-
Depreciations	-5,482	-695,639	-	-	-1,296	-702,417
<b>Total</b>	<b>6,013</b>	<b>9 599,430</b>	<b>978,076</b>	<b>15,373</b>	<b>9,528</b>	<b>10,608,420</b>

<b>At 31<sup>st</sup> of December 2019</b>						
Accumulated acquisition cost	47,880	11,730,461	978,076	15,373	10,824	12,782,614
Accumulated depreciation	-41,867	-2,131,031	-	-	-1,296	-2,174,194
<b>Total</b>	<b>6,013</b>	<b>9,599,430</b>	<b>978,076</b>	<b>15,373</b>	<b>9,528</b>	<b>10,608,420</b>

The trains have expected useful life between 10 and 30 years when put in operation. The difference is due to decomposition of the trains according to IAS 16. The frame is normally depreciated over 30 years, while the inside of the trains (seats, floors, etc) is normally depreciated over 10-15 years.

The company also depreciate office equipment, software, computers, technical equipment, etc – hence the depreciation can be as low as 5 years.

#### Partially delivered trains:

Consist only of pre-payments in accordance with agreements. There has been no form for physical delivery of trains to Norske tog. When receiving new trains, the pre-payment is credited and posted immediately to assets under construction pending capitalisation

#### Assets under construction:

Assets under construction consists of trains that have been delivered to Norske tog, but still has not been handed over to any of the operators and consequentially into operations. When the operator takes over each train, it is activated as Transportation and depreciation is starting. Assets under construction also consists of high-cost components, changes made on the current stock or smaller projects that will be included on the train or agreed upon improvement, and where delivery has taken place, but the train or the delivery has not yet been activated.

#### Machinery and equipment:

Consist of IT-systems, IT-equipment and office equipment that are not part of the trains.

Interest included on the statement of financial position per 31.12.2020 is 26,670 TNOK (2019: 22,980 TNOK). Interest rate for 2020 is (average) 2.93 % (2019: 2.22 %).

## 4. Trade and other receivable

	2020	2019
Trade receivables	24,192	7,349
Less: provision for impairment of receivables	-	-
Trade receivables - net	24,192	7,349
Prepayments	0	1,870
Other receivables	9,851	22,877
<b>Total trade and other receivables</b>	<b>34,044</b>	<b>32,096</b>
<b>Total</b>	<b>34,044</b>	<b>32,096</b>

The carrying amount of trade receivables, prepayments and other receivables approximate their fair value.

<b>Maturity of receivables:</b>	2020	2019
Matured receivables on balance sheet date	21,137	7,268
Matured between 0 - 2 months ago	20,397	7,268
Matured between 2 - 6 months ago	-	-
Matured more than 6 months ago	741	-

## 5. Financial risk management

### Capital management

The company's goal for capital management is low risk and the company's ability to continue as a going concern.

The company invests its excess liquidity in interest bearing products as for example, bank deposits, certificates and bonds with short-term remaining life. The company has not had any short-term placements outside bank deposits in either 2019 or 2020.

Norske tog will be a strong company with a high rating and low financial expenses. Standard & Poor's has given the company a credit rating on long-term borrowings of A+ (stable), which is a good credit rating.

### Financial risk factors

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

the company's financial result. The company uses financial derivatives to hedge certain risks. The treasury department identifies, evaluates, and hedges financial risk in co-operation with the operating units.

### Market risk Currency risk

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

The company operates in Norway, makes purchases from foreign suppliers, and is therefore exposed to foreign currency exchange risk. The goal is to be predictable regarding future payments measured in NOK.

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

### Interest rate risk

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

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

The company's target is to secure approximately 70 % of interest and 100 % of foreign currency in the bond portfolio. As at 31.12.2020 the company has floating interest on 18 % of its bond portfolio; on which 3MNIBOR is utilized.

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

**Sensitivity evaluation as at 31.12.2020**

Interest rate risk is calculated using the company's long term loans with corresponding interest rate swaps. By changing the rate by 50 basis points, interest rate risk results in a calculated risk of fair value change of 152 MNOK.

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

Norske tog uses reference-interest in borrowing agreements and derivative contracts and the company is mainly exposed against NIBOR and CHF LIBOR.

The risk from possible changes to the reference-interests is low, the company doesn't use hedge accounting and has a high share of fixed interest rate. The company follows the development related to reference-interests and will perform a risk evaluation of possible consequences and measures continuously.

**Liquidity risk**

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

Norske tog's management monitors the company's liquidity reserve which consists of borrowing facilities and cash equivalent through rolling prognosis based on the company's expected cash flow.

Norske tog reduces liquidity risk related to maturity of financial obligations through spreading the maturity structure, access

to several financing sources in Norway and internationally, as well as sufficient liquidity to cover planned operating-, investing-, and refinancing needs without borrowing new debt within a time frame of 12 months. Liquidity consists of bank deposits, certificates and committed lines of credit and Norske togs' revolving credit facility of 2,000 MNOK which expires in October 2022.

Norske tog has high credit rating. Standard & Poor's has given Norske tog an indicative credit rating on long term debt of A+ (stable). The high credit gives Norske tog ample supply of capital. No more than 25% of the company's debt are to mature within a 12-month period, and average remaining duration of the portfolio will be approximately 2-5 years.

The table shows future maturity for the companys contractual obligations as at 31.12.2020:

<b>Liquidity risk</b>	<b>&lt; 1 year</b>	<b>1 - 2 years (2022)</b>	<b>2 - 5 years (2023-2025)</b>	<b>&gt; 5 years</b>
Short term liabilities	22,285	27,369	75,564	26,408
Borrowings	600,000	350,000	2,864,702	3,300,000
Derivatives			-495,702	
Future interest payments*	181,534	164,345	434,266	201,855
New trains	1,028,000	703,000	15,000	-
Property, plant and equipment	242,000	83,000	270,000	3,000

\*) Based on interest level and bond portfolio as at 31.12.2020

Tabellen viser fremtidige forfall for selskapets kontraktuelle forpliktelser per 31.12.2019:

<b>Liquidity risk</b>	<b>&lt; 1 year</b>	<b>1 - 2 years (2021)</b>	<b>2 - 5 years (2022-2024)</b>	<b>&gt; 5 years</b>
Short term liabilities	27,684	-	-	-
Borrowings	2,334,125	600,000	2,103,747	4,350,000
Derivatives	-816,625		-434,747	
Future interest payments*	210,700	197,876	485,762	336,598
New trains	644,000	1,861,000	-	-
Property, plant and equipment	160,000	55,000	-	-

\*) Based on interest level and bond portfolio as at 31.12.2019



**Credit risk**

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

As at 31.12.2020, the company has four major customers, VyGruppen AS, Go-Ahead Norge AS, SJ Norge AS og Vy Tog AS. VyGruppen AS (which owns 100 % of Vy tog AS) is 100 % owned by the Ministry of Transport. We refer to note 24 where we speak of Covid-19 and its effects on Norske tog's customers during the pandemic.

Norske tog will monitor the development within rail passenger transport. The travel patterns may have permanently changed or use quite some time to recover due to the Covid-19 pandemic, before it is back to as it was before the pandemic.

Norske tog AS has risk against its counterparties in the interest- and currency derivatives and focuses on counterparty risk in its financial transactions. The credit risk is reduced by diversifying exposure on several counterparties. Counterparty exposure is closely monitored. The demand is that the

counterparty should have at least an A- rating from S&P or equivalent rating from an international rating agency. The respondent risk is constantly monitored. Norske tog AS has agreements that regulate judicial setoff calculations in a bankruptcy situation (ISDA agreements) with 4 banks.

Excess liquidity is placed in Norwegian bonds and certificates with short-term maturity.

<b>Norske tog assesses maximum credit risk to be the following:</b>	<b>2020</b>	<b>2019</b>
Cash and bank deposits	290,329	1,733,834
Financial derivatives	503,439	1,235,475
Trade receivable and other short term receivables	34,044	32,096
<b>Total</b>	<b>827,812</b>	<b>3,001,405</b>

## 6. Derivatives

	<b>2020</b>		<b>2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Interest- and currency rate swaps	503,439	-	1,228,271	-
Interest rate swaps	-	39,535	7,203	7,739
<b>Total</b>	<b>503,439</b>	<b>39,535</b>	<b>1,235,475</b>	<b>7,739</b>

Of the assets 495,702 TNOK is long-term (2019: 436,854 TNOK) and 7,737 TNOK short-term (2019: 791,417 TNOK).

The Company does not use hedge accounting, fair value changes of derivatives are charged on a continuous basis to the income statement. Derivatives are classified as current assets or contractual obligations.

**Interest- and currency rate swaps**

Since its foundation Norske tog has issued debt in the Norwegian bond market. Bonds with a duration of over 5 years are hedged to a fixed interest rate. About 1/3 of the issues from the company has been 5 years or shorter and have been using floating interest rate. Borrowings in foreign currency is hedged towards Norwegian kroner through a combined interest- and foreign currency derivatives. Furthermore, Norske tog uses interest rate swaps on bonds in Norwegian kroner to reduce its interest rate risk to achieve expected interest rate structure on its debt. Swaps with a material value in the annual accounts is tied to two outstanding CHF bonds with fixed interest rate, which is swapped to 6 months NIBOR on the first day of the loan. The notional principal amounts of the outstanding interest rate swaps contracts at 31. December 2020 was 1,569 MNOK (2019: 3,487 MNOK). At 31. December 2020, the fixed interest rate varied from 1.92 % to 2.35 % (2019: 1.92 % to 2.35 %) and the floating rates are mainly 3M og 6M NIBOR + margin.

For borrowings acquired from NSB AS i 2016 – see note 1.

## 7. Financial instruments by category

Assets at 31 <sup>st</sup> of December	Loans and receivables		Assets at fair value through profit and loss		Total	
	2020	2019	2020	2019	2020	2019
Derivatives	503,439	1,235,475			503,439	1,235,475
Trade and other receivables (excl. prepayments)	-	-	34,044	32,096	34,044	32,096
Cash and bank deposits	-	-	290,329	1,733,834	290,329	1,733,834
<b>Total</b>	<b>503,439</b>	<b>1,235,475</b>	<b>324,372</b>	<b>1,765,930</b>	<b>827,812</b>	<b>3,001,405</b>

Liabilities at 31 <sup>st</sup> of December	Liabilities at fair value through profit and loss		Other financial liabilities at amortised cost		Total	
	2020	2019	2020	2019	2020	2019
Borrowings (excl. financial lease liability)	1,547,937	3,803,926	5,879,675	5,923,101	7,427,613	9,727,027
Financial lease liabilities			42,559	9,646	42,559	9,646
Derivatives	39,535	7,739		-	39,535	7,739
Trade and other payables excl. statutory liabilities			129,632	44,808	129,632	44,808
<b>Total</b>	<b>1,587,472</b>	<b>3,811,665</b>	<b>6,051,866</b>	<b>5,977,555</b>	<b>7,639,339</b>	<b>9,789,220</b>

### Financial assets at fair value through profit or loss at 31st of December 2020:

	Level 1	Level 2	Level 3	Total
Derivatives	-	503,439	-	503,439
<b>Total assets</b>	<b>-</b>	<b>503,439</b>	<b>-</b>	<b>503,439</b>
Borrowings and accrued interest	-	1,547,937	-	1,547,937
Derivatives	-	39,535	-	39,535
<b>Total liabilities</b>	<b>-</b>	<b>1,587,472</b>	<b>-</b>	<b>1,587,472</b>

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

	Level 1	Level 2	Level 3	Total
Derivatives	-	1,235,475	-	1,235,475
<b>Total assets</b>	-	<b>1,235,475</b>	-	<b>1,235,475</b>
Borrowings and accrued interest	-	3,803,926	-	3,803,926
Derivatives	-	7,739	-	7,739
<b>Total liabilities</b>	-	<b>3,811,665</b>	-	<b>3,811,665</b>

**Overview bond portfolio**

Stock exchange	ISIN	Amount	Due date	Measuring principle
Luxembourg SE	NO0010703457	300 MNOK	12.02.2021	Amortised cost
Luxembourg SE	NO0010837263	300 MNOK	26.11.2021	Amortised cost
Luxembourg SE	NO0010635360	350 MNOK	24.01.2022	Amortised cost
SIX Swiss Exchange	CH0210891989	125 MCHF	02.05.2023	Fair value
Luxembourg SE	NO0010837271	550 MNOK	26.02.2024	Amortised cost
Luxembourg SE	NO0010837289	650 MNOK	26.11.2025	Amortised cost
Luxembourg SE	NO0010703556	500 MNOK	18.02.2026	Amortised cost
Luxembourg SE	NO0010635428	1,150 MNOK	20.01.2027	Amortised cost
Luxembourg SE	NO0010823792	750 MNOK	12.06.2028	Amortised cost
Luxembourg SE	NO0010870009	400 MNOK	11.03.2025	Amortised cost
Luxembourg SE	NO0010870017	900 MNOK	11.12.2029	Amortised cost

Information on fair value (as described in the principle note):

Level 1: Fair value is measured using quoted prices from active markets for identical assets or liabilities.

Level 2: Fair value is determined using input based on other observable factors, either direct (price) or indirect (derived from price) other than listed price (used in level 1) for the asset or liability.

Level 3: Fair value is measured using input not based on observable market data.

The company has reclassified a bond (350 MNOK) from fair value to amortized cost in 2019.

## 8. Cash and bank deposits

	2020	2019
Cash and bank deposits	290,329	1,733,834

Includes restricted funds of 1,984 TNOK (2019: 1,904 TNOK)

## 9. Share capital and share premium

	Number of Shares	Share capital	Share premium (TNOK)	Total (TNOK)
Shares at the 1 <sup>st</sup> of January 2020	100	100,000	2,300,000	2,400,000
Shares at the 31 <sup>st</sup> of December 2020	100	100,000	2,300,000	2,400,000

There is only one class of shares, each share with a value of NOK 1,000,000,-.

## 10. Borrowings

<b>Non-current</b>	<b>2020</b>	<b>2019</b>
Bonds	1,435,190	1,352,859
Bonds measured at amortized cost	5,243,376	5,843,376
<b>Total</b>	<b>6,678,566</b>	<b>7,196,235</b>
<b>Current</b>		
Current share of non-current borrowings	749,046	2,530,792
Other current borrowings	-	-
<b>Total</b>	<b>749,046</b>	<b>2,530,792</b>
<b>Total borrowings</b>	<b>7,427,613</b>	<b>9,727,027</b>

<b>Change in short- and long term borrowings 2020</b>	<b>Short-term debt fair value</b>	<b>Short-term debt- Amort.cost</b>	<b>Long-term debt fair value</b>	<b>Long-term debt Amort.cost</b>
Beginning balance	2,451,067	79,725	1,352,859	5,843,376
New loans for the year				
Payment of borrowings	-1,517,500			
Reclassification from long-term debt to short-term debt		600,000		-600,000
Amortization of transferred debt portfolio			-35,878	
Change in accrued interest		-43,425		
Change in fair value due to payment of loan	-747,628			
Change in fair value	-73,192		118,209	
<b>Total borrowings</b>	<b>112,747</b>	<b>636,299</b>	<b>1,435,190</b>	<b>5,243,376</b>
		<b>749,046</b>		<b>6,678,566</b>

<b>Change in short- and long term borrowings 2019</b>	<b>Short-term debt fair value</b>	<b>Short-term debt- Amort.cost</b>	<b>Long-term debt fair value</b>	<b>Long-term debt Amort.cost</b>
Beginning balance	76,869	1,386,994	4,117,910	4,193,376
New loans for the year			-	1,300,000
Payment of borrowings		-1,300,000	-	-
Reclassification from long-term debt to short-term debt			-350,000	350,000
Amortization of transferred debt portfolio	2,334,125		-2,334,125	-
Change in accrued interest			-42,030	-
Change in fair value due to payment of loan		-7,269	-	
Change in fair value	40,073		-38,896	-
<b>Total borrowings</b>	<b>2,451,067</b>	<b>79,725</b>	<b>1,352,859</b>	<b>5,843,376</b>
		<b>2,530,792</b>		<b>7,196,235</b>

<b>Nominal value of long-term interest bearing debt</b>	<b>2020</b>	<b>2019</b>
1 <sup>st</sup> of January	8,129,626	8,129,626
Changes during the year	-1,517,500	-
<b>31<sup>st</sup> of December</b>	<b>6,612,126</b>	<b>8,129,626</b>

During the course of 2020, the company paid down a loan of 1,517,500 TNOK; while no new loans were entered into this year. In 2019 a loan of 1,300,000 TNOK was paid while a new bond of 1,300,000 TNOK was entered into.

All existing bond issues have been issued under the Euro Medium Term Note loan programme (EMTN-Programme). The EMTN programme does not contain any financial covenants, except for an optional clause that requires that the State of Norway shall own 100 % of Norske tog.

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

For value on borrowings acquired from VyGruppen in 2016 - see note 1.

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

<b>Current borrowings expire in:</b>		<b>2020</b>	<b>2019</b>
6 months or less		300,000	1,517,500
More than 6 months		300,000	-
<b>Non-current borrowings expire in:</b>		<b>2020</b>	<b>2019</b>
Between 1 and 2 years (year 2022)		350,000	950,000
Between 2 and 5 years (years 2023-2024)		2,368,750	1,319,000
Over 5 years (from 2025-)		3,300,000	4,350,000
<b>Effective interest rate at the balance sheet date:</b>		<b>2020</b>	<b>2019</b>
Bonds	NOK	2.87	2.94

The company has swapped all exposure in CHF.

<b>The carrying amounts of borrowings are denominated in the following currencies:</b>		<b>2020</b>	<b>2019</b>
NOK		6,154,648	6,196,255
CHF		1,272,965	3,530,772
Total		<b>7,427,613</b>	<b>9,727,027</b>

<b>The company has the following undrawn borrowing facilities:</b>		<b>2020</b>	<b>2019</b>
<b>Floating interest rate</b>			
- Expiring within one year			
- Expiring beyond one year		2,000,000	2,000,000
Total		<b>2,000,000</b>	<b>2,000,000</b>

Norske tog's long-term revolving credit facility expires in October 2022.



## 11. Deferred income tax/Income tax expense

<b>Income tax expense</b>	<b>2020</b>	<b>2019</b>
Current income tax payable	-	-
Changes in deferred tax	-27,969	-64,978
<b>Total income tax expense</b>	<b>-27,969</b>	<b>-64,978</b>
<b>Reconciliation between nominal and actual tax expense rate:</b>		
Net income before tax	127,014	284,518
Expected income tax using the nominal tax rate (22 %)	27,943	62,594
Tax effect from the following items:		
Other non-taxable expenses	27	42
Income tax expense	27,970	62,636
Effective tax rate	22%	22%

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

<b>2020</b>	<b>Book value 01.01.</b>	<b>Income statement charge</b>	<b>Charge to other com- prehensive income</b>	<b>Book value 31.12.</b>
<b>Benefit (+) / Liability (-)</b>				
Fixed assets	-4,700,555	-512,322	-	-5,212,877
Trade receivables	-147	-337	-	-484
Value changes to financial current assets	-34,164	-67,671	-	33,507
Retirement benefit obligations	27,130	-24,500	5	2,635
Losses carried forward	1,411,757	341,268	-	1,753,428
<b>Total gross temporary differences</b>	<b>-3,295,979</b>	<b>-127,138</b>	<b>5</b>	<b>-3,423,112</b>
<b>Net temporary differences</b>	<b>-3,295,979</b>	<b>-127,138</b>	<b>5</b>	<b>-3,423,112</b>
Net deferred tax asset/liability 22 %	-725,115	-27,970	1	-753,085
<b>Net deferred tax asset/liability on the balance sheet 22 %</b>	<b>-725,115</b>	<b>-27,970</b>	<b>1</b>	<b>-753,085</b>



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

2019	Book value 01.01.	Income statement charge	Charge to other com- prehensive income	Book value 31.12.
<b>Benefit (+) / Liability (-)</b>				
Fixed assets	-4,130,867	-569,688	-	-4,700,555
Trade receivables	-	-147	-	-147
Value changes to financial current assets	-20,371	-13,793	-	-34,164
Retirement benefit obligations	27,890	9,885	-10,646	27,130
Losses carried forward	1,122,723	338,058	-	1,460,781
Total gross temporary differences	-3,000,625	-235,685	-10,646	-3,246,955
Net temporary differences	-3,000,625	-235,685	-10,646	-3,246,955
Net deferred tax asset/liability 22 %	-660,137	-62,636	-2,342	-725,115
Net deferred tax asset/liability on the balance sheet 22 %	-660,137	-44,243	-2,342	-725,115

## 12. Payroll and related expenses

	2020	2019
Wages and salaries, including employment taxes	40,171	36,539
Pension costs - defined benefit plans (note 13)	-2,788	6,726
Pension costs - pension contribution plan (note 13)	2,081	2,024
Other employee benefit expenses	4,272	5,745
<b>Total</b>	<b>43,735</b>	<b>51,034</b>

Due to the transition from a defined benefit plan to the contribution plan, a permanent compensation has been issued to the employees as long as they are employed by Norske tog.

	2020	2019
Average man-labour year*	36	33
Average number of employees	36	33

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

## 13. Retirement benefit obligations and similar obligations

### General

The company 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.

The company decided in 2018 to close the current pension benefit plan for Norske tog AS at the end of 2018. All employees were granted an earned right in the Norwegian Public Service Fund (SPK), as well as being included in the newly established defined contribution plan in Sparebank 1, which started 1.1.2019. The pension cost for 2020 and the obligation as at 31.12.20 are calculated according to IAS 19. The carrying value of the pension liability amounts to 2,635 TNOK, and is considered to give a fair, and as of the balance sheet date, best view of the company's liability taking into account the estimated effect from the pension plan settlement. Agreed compensation to employees for whom the defined benefit pension plan settlement will have a negative effect, will be paid and expensed on a monthly basis. In the last quarter of 2020, Norske tog received a demand for a settlement payment from the Norwegian Public Service Pension Fund. The payment was made before the end of the fiscal year.

Norske tog AS has established a pension plan for the employees that are unable to be employed long enough in the company to earn rights to early retirement pension regulated by contract (AFP) within the new pension contribution plan; 2,635 (2019: 3,931) TNOK is included in the pension obligation as at 31.12.2020. This obligation will only be paid out if the employees retire before they turn 67 years old.

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

<b>Specification of net defined benefit pension plan obligations</b>	<b>2020</b>	<b>2019</b>
Present value of earned pension rights for funded collective pension plans	-	77,800
Fair value of plan assets	-	-52,601
Present value of unfunded obligations	-	25,199
Pension obligation AFP	2,635	3,931
<b>Net pension obligatio on the balance sheet</b>	<b>2,635</b>	<b>29,130</b>
<b>Changes in pension retirement obligations:</b>		
Book value net pension obligation 1st of January	29,130	32,296
Actuarial deviations	5	-10,646
Net return on assets/increase in obligation	- 2,875	458
Net financial items in the account	123	900
Curtailments	-	6,121
Pension obligation defined benefit plan	-23,834	-
Pension obligation AFP	87	-
<b>Book value 31<sup>st</sup> of December</b>	<b>2,635</b>	<b>29,130</b>
<b>Pension expenses included in the accounts, defined benefit pension plan</b>		
Present value of current pension earnings	-	521
Settlement SPK	-2,875	-
Pension obligation AFP	87	84
Curtailments	-	6,121
Total return on pension plan, incl. In payroll and related expenses - see note 12	-2,788	6,726
<b>Total financial items in the accounts</b>	<b>123</b>	<b>900</b>
<b>Total pension expenses defined benefit pension plan</b>	<b>-2,665</b>	<b>7,626</b>
<b>Pension contribution plan</b>		
Employer contribution	2,081	2,024
<b>Total pension costs</b>	<b>-585</b>	<b>9,650</b>

Since Norske tog now has a pension contribution plan, it no longer has active employees in SPK. The members will therefore be as sensitive to the interest rate that regulates the G-amount in the National insurance scheme. The regulation of the earned rights and the pensions are directly affected by the growth in G.

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

<b>Income statement</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Present value of current pension earnings	2,075	521	4,091	3,606
Pension obligation AFP	87	84	3,303	-
Curtailment	-2,875	6,121	-	-
Total cost in the income statement	-713	6,726	7,394	3,606
Changes and deviations in estimates allocated to OCI	5	-10,646	13,423	2,774
Total financial items in the accounts	123	900	311	334
<b>Total pension expenses</b>	<b>-585</b>	<b>-3,020</b>	<b>21,128</b>	<b>6,714</b>

**Financial position**

Total obligations	-	77,800	81,726	68,232
Pension assets	-	-52,601	-52,733	-49,961
Total net pension obligations	-	25,199	28,993	18,271
Pension obligation AFP	2,635	3,931	3,303	-
<b>Net pension obligation at the balance sheet date</b>	<b>2,635</b>	<b>29,130</b>	<b>32,296</b>	<b>18,271</b>

**Financial assumptions (defined benefit plans)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Discount rate	1.70 %	2.30 %	2.60 %
Expected return on plan assets	1.70 %	2.30 %	2.60 %
Average salary growth	2.25 %	2.00 %	2.75 %
G-regulation	2.00 %	2.00 %	2.50 %
Annual reg. of pension increases	1.25 %	1.25 %	1.75 %
Average social security tax	14.10 %	14.10 %	14.10 %

**Explanation to selected assumptions 31st of December 2020**

The discount rate has been set at 1.7 % and is determined with basis in preferential bonds (OMF). The OMF-market has been assessed to represent a deep and liquid marked with relevance to maturities that qualifies to be used as a reference for interest rate according to IAS 19.

Salary adjustment for Norwegian arrangements are mainly calculated as the sum of expected nominal salary growth of 1 % (incl career salary increase) and inflation of 1.25 % with some individual adjustments. Regulation of pensions during disbursements mainly follows average salary growth (equivalent to G-regulation) less a fixed factor of 0.75.

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

Male 20,5 years  
 Woman 23 years

**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:

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 are used in the pension calculations, result in increased obligation for the company.

## 14. Trade and other payables

	2020	2019
Trade payables	81,961	79,150
Social security and other taxes	34,424	-55,417
Other current liabilities	18,786	23,876
<b>Total</b>	<b>135,172</b>	<b>47,609</b>

Book value of trade and other payables corresponds to fair value. Other current liabilities include short-term debt related to IFRS 16, accrued salaries and accrued expenses on invoices yet to be received.

## 15. Provisions for other liabilities and charges

### Legal disputes

Norske tog AS could be 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. As at 31.12.2020 there are no accruals charged in the accounts.

## 16. Loss on contracts

The company has not incurred any losses as at the balance sheet date (same as for 2019).

## 17. Depreciation, amortization and impairment

	2020	2019
Depreciation non-current assets (note 3)	711,335	701,121
Impairment non-current assets (note 21)	3,991	1,296
<b>Total</b>	<b>715,327</b>	<b>702,417</b>

### Fixed assets and losses on contracts

In addition to evaluation of the carrying amount in accordance with IAS 36, assessed existing contracts for any additional provisions under IAS 37. These assessments measure the company's current value of future expected cash flows from operating activities in the individual contract, where estimated payments include any future unavoidable costs can be expected. The provision is limited to the minimum amount of continuing or exit contract. The provisions are reversed over the remaining term of the contract.

Norske tog leases its trains to its customers based on book value. Additionally, the other costs (also financial costs) are also covered by the income from the leases. There is only a miniscule chance for the company to write down its assets.

In the future cash flows that include evaluations according to IAS36 and IAS 37, the following main assumptions are used:

	2020	2019
Growth rate	1.3 %	2.0 %
Average cost of financing (WACC)	7.0 %	7.0 %
Borrowing rate	2.93 %	3.00 %

## 18. Other expenses

	2020	2019
Sales- and overhead expenses	1,116	1,094
Repair and maintenance, machinery rental, property expenses	3,373	3,669
Which costs are to be refunded by Vy for 2017-2019	-1,183	-14,620
Modifications*	49,401	73,488
Other operating expenses	123,109	47,144
<b>Total</b>	<b>175,815</b>	<b>110,775</b>

### Auditing fees (excluding VAT):

Auditing	517	649
Other attestation services	198	
Tax advisory		
Other services outside audits	73	821
<b>Total</b>	<b>788</b>	<b>1,470</b>

See comment in Note 21 on increase in lease of property.

## 19. Financial income and expenses

	2020	2019
Interest income	39,230	96,083
Other financial income	66,742	65,010
Net foreign exchange gains	1,222	30
<b>Total financial income</b>	<b>107,195</b>	<b>161,124</b>
Interest expense	-234,644	-289,129
Other financial expenses	-10,228	-12,388
Net foreign exchange losses	-881	-130
<b>Total financial expenses</b>	<b>-245,753</b>	<b>-301,647</b>
Net financial expenses - pensions	-123	-900
Unrealised value changes	-33,507	34,164
<b>Total financial items</b>	<b>-172,188</b>	<b>-107,260</b>

Other financial income includes amortization of the difference between nominal value and fair value on bonds acquired from VyGruppen 40 MNOK (2019: 42 MNOK).

## 20. Unrealized fair value changes

The table below shows unrealized value changes in assets, liabilities and derivatives valued at fair value:

	2020	2019
Unrealized value changes derivatives used for hedging	-731,923	35,341
Unrealized value changes bonds	698,416	-1,177
<b>Total unrealized value changes financial items</b>	<b>-33,507</b>	<b>34,164</b>

## 21. Leases

	2020	2019
Lease of machinery/equipment, not incl on the balance sheet	975	112
Lease expenses to be received from VyGruppen AS	-1,183	-14,620
Lease of property	107	2,886
<b>Total</b>	<b>-101</b>	<b>-11,623</b>

Norske tog has paid lease expenses in Drammen which has been included in public purchase for VyGruppen AS. These expenses were included in the annual accounts for the years 2016-2019. Norske tog has received the refund from VyGruppen AS. Norske tog has also received a refund for lease expenses during 2020 from VyGruppen AS, but these expenses have been for leasing of property in 2020.

### Expenses that were refunded

Annual accounts 2016	151
Annual accounts 2017	2,701
Annual accounts 2018	5,582
Annual accounts 2019	6,186
<b>Total</b>	<b>14,620</b>

### Lease agreements

#### Specification of changes in the period 2020

	Liability	Assets
<b>Total opening balance right-to-use assets / lease obligations 1. January</b>	<b>9 646</b>	<b>9,528</b>
Lease payments	-3,028	
Depreciations		-3,991
Additions and changes in agreements	35,940	35,940
Other	-	-
<b>Total closing balance 31. December</b>	<b>42,558</b>	<b>41,477</b>

Interest expense for lease obligations amounted to 720 TNOK 2020

#### Specification of changes in the period 2019

	Liability	Assets
<b>Total opening balance right-to-use assets / lease obligations 1. January</b>	<b>10,824</b>	<b>10,824</b>
Lease payments	-1,178	
Depreciations		-1,296
Additions and changes in agreements	-	-
Other	-	-
<b>Total closing balance 31. December</b>	<b>9,646</b>	<b>9,528</b>

Interest expense for lease obligations amounted to 218 TNOK for 2019

For further specification on the effects from right-of-use assets on the balance sheet and the income statement, see note 3 Property, plant and equipment



<b>Liabilities</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Short-term liability	2,995	1,226
Long-term liability	36,563	8,420
<b>Total</b>	<b>42,558</b>	<b>9,646</b>

Weighted average of the discount rate is 2.18%

<b>Additional information</b>	<b>2020</b>	<b>2019</b>
<b>Leases not recognised</b>		
Short-term agreements (between one month and one year)	1,630	2,457
Costs related to low value items	12	132
<b>Total</b>	<b>1,642</b>	<b>2,589</b>

<b>Cash flows</b>	<b>2020</b>	<b>2019</b>
Total cash flows from leases	5,844	-15,401
Cash flow leases received *	- 1,183	12,812
<b>Total cash flows from leases</b>	<b>4,661</b>	<b>-2,589</b>

\*A large part of lease expenses was initially expensed in the annual accounts, but VyGruppen had the very same expenses paid for through public purchase; the end result is that VyGruppen will compensate Norske tog for these expenses.

The effective date for IFRS 16 was 1st of January 2019. Norske tog chose to use the modified retrospective method for its initial recognition.

### Leasing

Pursuant to IFRS 16, lessees shall recognize on the balance sheet in the form of a liability to pay charges over the lease term and the associated right-of-use asset.

All leases that transfer to the lessee the right to control use of an identified asset and receive the economic benefits shall be recognized. There will no longer be a difference on how to account for financial or operational leases.

The company has chosen to use the modified retrospective method to calculate the implementation effect for leases already in place at the time of transition to the new standard, without restating comparative figures. The implementation effect has been recognized in the opening balance on 1 January 2019 by making the value of the asset equal to the lease liability.

The lease liability is measured at the present value of fixed lease payments over the lease term. Payments that are index-linked or similar are based on the relevant factor at the time of the recognition.

When calculating the implementation effect for leases that existed on 1 January 2019, the discount rate is set based on the marginal borrowing rate on the date of the standard was implemented.

The company has chosen to use the exception clause by expensing short-term leases of up to 12 months and low-value leases directly in the income statement.

For contracts that also include provision of other products or services, the company has chosen to recognize these costs as operating expenses separately from the lease component.

The lease term has been determined based on irrevocable lease terms adjusted for extension options and termination rights the company is reasonably certain to use.

Impairment testing pursuant to IAS 36 is carried out for capitalized right-of-use assets, with special consideration given to how the associated lease liability is to be incorporated in the impairment test.

## 22. Related party transactions

Norske tog has the following related parties:

### Owner

Norske tog AS is owned 100 % by the Ministry of Transport and Communication and it's a related party. In addition, other businesses owned by the Ministry of Transport and Communication will also be a related party to Norske tog, which is the case for VyGruppen, Mantena (no longer a related party in 2020) and BaneNor.

Bonds and related basis swaps were in accordance with the agreement on the settlement of claims on the acquisition of loans and derivative financial transferred from VyGruppen AS to Norske tog on the 9th December 2016. The consideration for the transfer of the bonds to Norske tog AS was determined on market terms. The consideration was determined on the basis of nominal residual debt and associated swaps valued at fair value on the transaction date for calculating the difference between

- Expected net present value between loans and associated swaps transmitted and
- Alternative financing for Materiellselskapet at the date of acquisition

The board of VyGruppen AS issued a statement under the Securities Act § 3-8, in conjunction with the company signed agreements with the company's shareholders to acquire the business and the acquisition of loans and derivative commitments.

For accounting purposes, Norske tog was only a part of the VyGruppen in 2016. For the years after 2016, these companies still remain related parties due to all being indirectly owned by the Ministry of Transport.

### Board of Directors and key management

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

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

<b>Revenue</b>	<b>2020</b>	<b>2019</b>
Leasing revenue	1,047,134	1,249,414
<b>Total</b>	<b>1,047,134</b>	<b>1,249,414</b>

<b>Purchases of goods and services</b>	<b>2020</b>	<b>2019</b>
Purchases of goods and services	36,650	60,559

The expenses are mostly related to modifications for the trains as well as leasing expenses on buildings. Included in "Other operating expenses" in the statement of comprehensive income.

Balances with related parties as a result of purchasing and selling of goods and services:

<b>Receivables</b>	<b>2020</b>	<b>2019</b>
Entities owned by the Ministry of Transport	14,883	22,959
<b>Total</b>	<b>14,883</b>	<b>22,959</b>

The receivables mainly consist of leasing of trains.

<b>Debts</b>	<b>2020</b>	<b>2019</b>
Entities owned by the Ministry of Transport	9,343	39,991
<b>Total</b>	<b>9,343</b>	<b>39,991</b>

Debts to related parties consist of track access and modifications performed on the trains

**Loans to related parties:**

There are no loans to related parties.

## 23. Compensation for key management and members of the Board:

Board members	Title	2020	2019
Annette Malm Justad	Chairman (from April 2018)	399	394
Marianne Abeler	Board member	169	167
Espen Opedal	Board member	239	237
Vidar Larsen	Board member-employee repr.	85	83
<b>Total</b>		<b>892</b>	<b>881</b>

**2020**

Management	Title	Salary	Other benefits	Total benefits paid	Pension expenses
Øystein Risan	Chief executive officer	2,004	133	2,137	180
Kjell-Arthur Abrahamsen	Material director	1,557	13	1,570	167
Linda Venbakken	Chief financial officer	1,438	13	1,451	187
Luca Cuppari	Technical director	1,438	13	1,451	158
Iren Marugg	Judicial director	1,306	13	1,319	114
<b>Total</b>				<b>7,928</b>	

**2019**

Management	Title	Salary	Other benefits	Total benefits paid	Pension expenses
Øystein Risan	Chief executive officer	1,940	132	2,072	230
Kjell-Arthur Abrahamsen	Material director	1,525	12	1,537	213
Linda Venbakken	Chief financial officer	1,408	12	1,420	227
Luca Cuppari	Technical director	1,408	12	1,420	177
Iren Marugg	Judicial director	1,275	12	1,287	121
<b>Total</b>				<b>7,736</b>	

The Chief executive officer increased the salary with 64 TNOK from 1,940 TNOK in 2019 to 2,004 TNOK in 2020, which was within the frame of the wage settlement in the company.

## 24. Contingencies

The company began operations 15.10.2016 and no contingent liability have occurred related to legal claims in the ordinary course of operations.

## 25. Events after the balance sheet date

There are no material events which have occurred after the balance sheet date that will affect the company's profit for 2020 and position as at 31.12.20.

Infection control measures (Covid-19) by the authorities with a recommendation to not use public transportation when travelling, has led to reduced revenue for the operators. Financial compensation from the Government has contributed so that Norske tog has continued to receive its lease revenue. If any of the operators end up in financial difficulties due to continued low number of customers, there is risk for loss of revenue for Norske tog.

## 26. Declaration on setting of salaries and other remuneration for senior employees

This declaration is based on "Guidelines for salaries and other remuneration for senior employees in enterprises and companies that are partly state-owned" (issued by the Norwegian Ministry of Trade, Industries and Fisheries with effective date 13 February 2015) and has been drawn up by the Board of Directors pursuant to Article 5 of the Parent Company's articles of association, cf. Section 6-16 a of the Norwegian Public Limited Liability Companies Act.

The declaration is considered at Norske tog's annual general meeting and is valid until the Board of Directors repeals it or adopts a new declaration.

The declaration has three main parts. Part I discusses the principles of Norske tog's executive pay policy. Part II describes how these principles have been applied in the previous financial year, cf. Section 6-16 a, first, third and fourth paragraphs, of the Public Limited Liability Companies Act, and Part III describes the setting of executive pay for the coming financial year, cf. Section 6-16 a, second paragraph, of the same act. The guidelines in Part I apply in full if new contracts are concluded in the coming financial year, and shall otherwise be followed as closely as possible within the frameworks of the contracts concluded previously.

### PART I Principles 1.

#### 1 Senior employees

The declaration applies to senior employees as this term is defined in the Public Limited Liability Companies Act and the Norwegian Accounting Act. This means that the declaration is applicable to the management of Norske tog AS.

#### 1.2 Main principles for the executive pay policy of Norske tog AS

The principles governing salaries for senior employees of Norske tog AS are set by the Board of Directors. The Board of Directors conducts an annual evaluation of the CEO's salary and conditions and the company's executive pay principles.

The CEO sets the remuneration for the other members of the management group in accordance with the principles adopted for executive pay.

#### 1.3 Executive pay at Norske tog is set on the basis of the following principles for executive pay:

- The executive pay shall be competitive, but Norske tog shall not be a wage leader relative to equivalent companies. To this end, the salaries for key management positions are benchmarked against other companies.

- Norske tog shall attract and retain capable managers. The total remuneration package for senior employees in Norske tog shall reflect the individual's responsibility for management, results and development, and take into account the company's size and complexity. The remuneration must not be of such a kind or such a size that it can damage the reputation of Norske tog.
- The executive pay shall comprise a fixed basic salary and additional benefits, including benefits in kind, pay after termination of employment and pension schemes. The fixed salary shall always constitute the main part of the remuneration.
- Norske tog AS does not use bonuses.
- The executive pay scheme shall be transparent and in line with the Norwegian government's corporate governance principles and guidelines for executive pay.
- The remuneration system shall be perceived as understandable and acceptable both within and outside Norske tog.
- The remuneration system shall be sufficiently flexible to enable adjustments to be made if necessary.

#### 1.4 Elements of the executive remuneration package

The starting point for setting salaries is the combined level of fixed salary and variable payments. The different elements that may form part of the executive remuneration package are discussed below.

##### a) Fixed basic salary

The fixed basic salary is the main element of the remuneration package for senior employees at Norske tog. The basic salary shall be competitive without making Norske tog a wage leader. The basic salary is normally reviewed once a year. The "grandfather principle" is used when appointing new managers, such as in Financial statements 111 Annual Report 2019 that the manager setting the salary shall consult his/her own manager before the salary is determined. In the case of new appointments of and setting of salaries for members of the management group, the CEO shall consult the chair of the Board of Directors.

##### b) Benefits in kind

Managers are given benefits in kind that are standard for comparable positions, for example free phone, free broadband and car scheme.

##### c) Pension

When appointing new managers, the government's guidelines of 13.02.2015 on executive pay shall apply, such that the pension conditions for senior employees are in line with those for other employees. No former senior employees earn occupational pension rights after having left Norske tog.

All employees are members of a collective pension scheme. On 23.08.2018, the Board of Directors decided to move to a new pension scheme for Norske tog from the start of 2019. This involves closing down the current scheme with the Norwegian Public Service Pension Fund. The new scheme entails a company contribution rate of 5.5 % up to 7.1 basic amounts and 15 % between 7.1 and 12 basic amounts. The pension scheme will include a private contractual early retirement pension and group life insurance of 20 basic amounts plus 2 x salary. The CEO has a retirement age of 67 with a collective defined contribution scheme. The scheme provides an entitlement to a pension of up to 12 basic amounts. When appointing new managers, the government's guidelines on executive pay shall apply, such that the pension conditions for senior employees are in line with those for other employees.

##### d) Severance pay

In the case of termination by the company, the CEO has a contractual right to six months' pay after termination of employment, in addition to salary and payments during the six-month notice period. Any other salary received in the period during which pay after termination of employment is paid will reduce such pay in proportion to the other income received. The entitlement to pay after termination of employment does not apply if the CEO's conduct meets the material conditions for dismissal in accordance with the provisions of the Norwegian Working Environment Act. No other key management employee has an agreement of severance pay.

#### **PART II Implementation of executive pay principles in the previous financial year**

The setting of executive pay for 2020 was carried out in accordance with the above guidelines and is accounted for in Norske tog's Declaration on executive pay.

No pay after termination of employment or severance pay exceeding 12 months' fixed salary was paid to managers in 2020. There are no bonus arrangements in Norske tog, there were no bonuses paid to key management or Chief executive officer in 2020.

#### **PART III Executive pay policy for the coming financial year**

On 07.09.2017, the Board of Directors decided to use the Hay method as a basis for evaluating all positions in Norske tog AS.

The executive pay policy shall conform to the general guidelines adopted by the Board of Directors in the coming financial year.

Pursuant to Section 6-16 a cf. Section 5-6, third paragraph, of the Public Limited Liability Companies Act, the Declaration on executive pay is considered at the annual general meeting.

## Declaration by the Board of Directors and CEO for the annual report 2020

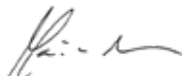
The Board of Director's and CEO confirm that, to the best of our knowledge, the annual report provides a description of significant transactions conducted with related parties during the current period and the main risk factors facing the business in the coming period.

The Board of Directors and the CEO confirm that, to the best of their knowledge, the financial statements for 2020 have been prepared in accordance with prevailing accounting standards, and the disclosures in the financial statements provide a true and fair view of the company's assets, liabilities, and financial position and profit or loss as a whole at the end of the period, as well as a true and fair view of key events during the financial period and their impact on the financial statements.

Oslo, 10 February 2021



Annette Malm Justad  
Chairman



Marianne Abeler  
Board member



Espen Opedal  
Board member



Vidar Larsen  
Board member



Øystein Risan  
CEO

# APM

**Return on equity:**

Profit for the year/ equity at the beginning of the period (99,043/3,064,784=3.2 %)

This performance measurement shows the relationship between the company's equity and profit for the year. Norske tog uses this key number to measure the return that is generated for the owners. This key number for return on equity is also a part of the framework for the green bonds and will therefore also be important in the future.

**Equity ratio:**

Total equity at the end of the period/total assets 3,363,823/11,560,433=27.4 %

This performance measurement states the solidity of the company. The equity ratio is also important to be able to monitor the company continuously, due to a revolving credit facility of 2,000 MNOK, its covenant being an equity ratio of 20 %. A healthy equity ratio is also important to be able to meet the targets regarding investments in new trains as well as upgrades to today's trains.

**Operating revenue minus operating expenses:**

Operating revenue minus operating expenses: 1,234,078 – 934,877 = 299,201

This performance measurement shows the net profit for the company's core business functions for a given period. Since it does not include financial- expenses or income it gives a picture of how well the core business functions really are, regardless if operations are financed by the owners through equity or externally financed through bonds and debt. For a reconciliation of operating profits in relation the profit for the year – see the company's statement of comprehensive income.

**Working capital:**

Total current assets minus total short-term liabilities: (827,812–897,440=69,628).

Working capital is important to monitor the short-term liquidity and to have some flexibility. Working capital is also an important performance measurement used in the company's credit evaluations.



To the General Meeting of Norske tog AS

## *Independent Auditor's Report*

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

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#### *Opinion*

We have audited the financial statements of Norske tog AS, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, 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.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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#### *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 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.

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#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The company's operations have remained largely unchanged compared to last year. It has not been regulatory changes, transactions or events that have led to the identification of new key audit matters. Our focus areas have therefore been the same in 2020 as last year.

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*PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no  
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and  
authorised accounting firm*



## Independent Auditor's Report - Norske tog AS


**Key Audit Matter**
**How our audit addressed the Key Audit Matter**
*Accurate and complete accounting of loans and derivatives*

For a closer description of loans and derivatives, please see note 6,7 and 10.

The carrying amount of the company's loan portfolio is NOK 7,43 billion as of 31 December 2020 and constitutes approximately 2/3 of the company's total balance. Carrying amount of the company's net derivatives is NOK 0,46 billion as of 31 December 2020.

The loan portfolio of Norske tog AS consists of bonds in Swiss francs (CHF) and Norwegian kroner (NOK), with both floating and fixed rates. The portfolio is valued at both fair value and amortized cost. Interest rate swaps and currency swaps are used as hedging instruments and both are measured at fair value.

Because of the considerably large carrying amount of the loan portfolio, being subject to a complex set of rules and complex calculations, we have focused on routines and processes aimed at ensuring accurate and complete accounting of loans and derivatives.

We have assessed the company's accounting guidelines and principles for loans and derivatives and found that these in all material aspects were in line with generally accepted accounting principles.

We also tested whether changes in variables affecting the calculations of loans and derivatives were accurately and completely recorded in the accounting system and reconciled to observable market data.

Furthermore, we have assessed the reasonableness of the company's calculation of market value of derivatives against the issuer's own calculations and assessed the company's calculation of fair value of loans compared with developments in exchange and interest rates. Our control activities did not reveal any significant deviations.

We also read the corresponding notes to the financial statements describing loans and derivatives and found the information to be sufficient.

*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.

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### *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 a true and fair view 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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### *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 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'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

(3)

## Independent Auditor's Report - Norske tog AS



audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 a true and fair view.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## *Report on Other Legal and Regulatory Requirements*

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### *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 statement on Corporate Governance concerning the financial statements and the going concern assumption 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, 10 February 2021  
**PricewaterhouseCoopers AS**

Marius Thorsrud  
 State Authorised Public Accountant

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

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# Tables, figures and photographs

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## **Norske tog AS**

### **Visiting address**

Drammensveien 35, 0271 Oslo

### **P.O. Box**

Postboks 1547 Vik, 0117 Oslo

### **E-mail**

[post@norsketog.no](mailto:post@norsketog.no)

### **Web**

[norsketog.no](http://norsketog.no)

