



Norske  
tog



Annual Report 2021

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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



 14  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 76



 14  200 km/h  196 sitteplasser\*  Day/Night train Trønder 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



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

## Class 73

Subseries: Class 73A



20 210 km/h

## Class 75



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

## 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



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

### 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



16 200 km/h

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

## Milestones 2021

### 19 March

The Norwegian government presents the National Transport Plan (NTP for 2022-2033), outlining the government's transport policy plan for the next 12 years.

### March-September

Dismantling and recycling of parts from old trains. One locomotive, one airport train and two train sets are scheduled to be dismantled and scrapped by the company Hellik Teigen in Hokksund. The parts from the dismantled train sets will be used by Norske tog to supply critical components to operators in accordance with lease agreements. Any metals that cannot be used will be melted down and recycled.

### May

Norske tog enters into a framework agreement with the Czech company Borcad concerning the delivery of 180 reclining seats distributed across six carriages. The reclining seats will be installed and put into operation in 2022. These reclining seats will be used by Go-Ahead for the overnight trains running on the Sørland Line and SJ Norge for trains running on the Nordland Line and Dovre Line.

Norske tog also enters into a framework agreement with the Norwegian company Ove Eknes AS concerning the delivery of reclining seats that will be offered by Vy Tog to passengers travelling on overnight trains between Bergen and Oslo.

### 19 July

Conclusion of contract with Alstom Transport AB concerning mid-life upgrades to Class 72 local trains. These local trains run between Lillestrøm and Spikkestad, as well as on the Jæren Line. Upgrades will be made to existing train sets in order to reduce the risk of failure and improve travel comfort for passengers.

### July

During the summer of 2021, Norske tog completed the installation of mobile amplifiers on board all long-distance trains, i.e. Oslo-Kristiansand-Stavanger, Oslo-Bergen and Oslo-Trondheim-Bodø. The mobile amplifiers provide passengers with better mobile connectivity when travelling by train.

### 31 August

The first three of a total of 14 bimodal train sets were put into service on the Trøndelag Line by the operator, SJ Norge. The bimodal trains will replace the Class 92 diesel trains, which are now more than 30 years old. Bimodal trains run as electric trains on electrified lines and on diesel on other lines.

### 30 September

Norske tog secures NOK 2 billion with two green bond issues, one with a fixed interest rate and one with variable interest rates. There was great interest in the capital market to participate in the two bond issues. Through the green bonds, Norske tog has managed to secure financing on very good terms.

### 12 October

The Norwegian state budget for 2022 includes a proposal to purchase new long-distance trains. The initial plan is to acquire 17 trains. The estimated cost is NOK 6.5 billion, with a maximum budget of up to NOK 8 billion.

### 18 October

Norske tog celebrates reaching 51 employees. During the year, the company hired 17 new employees in order to be able to implement and manage the acquisition process for new local trains and long-distance trains in parallel. Further recruitment will be made in 2022.

### 9 November

Norske tog announces tender competition for new long-distance trains. The new long-distance trains will be put into service during the 2026-2033 period on the Oslo-Bergen, Oslo-Trondheim-Bodø and Oslo-Kristiansand-Stavanger routes. Throughout 2021, Norske tog has worked on the quality assurance of the tender competition, including through dialogue with the supplier market and user groups.

### 17 December

Norske tog announces that Alstom has been awarded the largest contract in Norwegian railway history, for the delivery of up to 200 train sets, including options. Initially, 30 local trains will be acquired and these will replace the current old local trains running on the Stabekk-Oslo-Ski route from 2025.

# This is Norske tog

## About the company

Norske tog procures, owns and manages vehicles for rail passenger transport in Norway. The company enters into agreements for the lease of train sets with train operating companies that have an agreement with the Norwegian Railway Directorate to run passenger transport trains in Norway. This leads to the efficient procurement and management of trains and ensures that specialist expertise can be found in one place. The headquarter of Norske tog AS 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 is to have a provider of vehicles for rail passenger traffic on competition-neutral terms. The state's goal as owner is cost-effective procurement and leasing of trains.

## 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. Based on the conditions that arise from the Norwegian Railway Directorate's traffic agreements with train operators, operators pay a lease to Norske tog for the use of the company's vehicles.

Financial key figures (MNOK)	2021	2020
Operating profit	336	299
Pre-tax profit	206	127
Profit for the year	161	99
Net cash flow**	497	-1 444
Working capital	1,029	-70
Equity	3,297	3,164
Equity ratio	25.3%	27.3%
Return on equity	5.08%	3.2%

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

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

# Norske tog's role in the railway sector

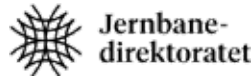


## SAMFERDSELSDEPARTEMENTET

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

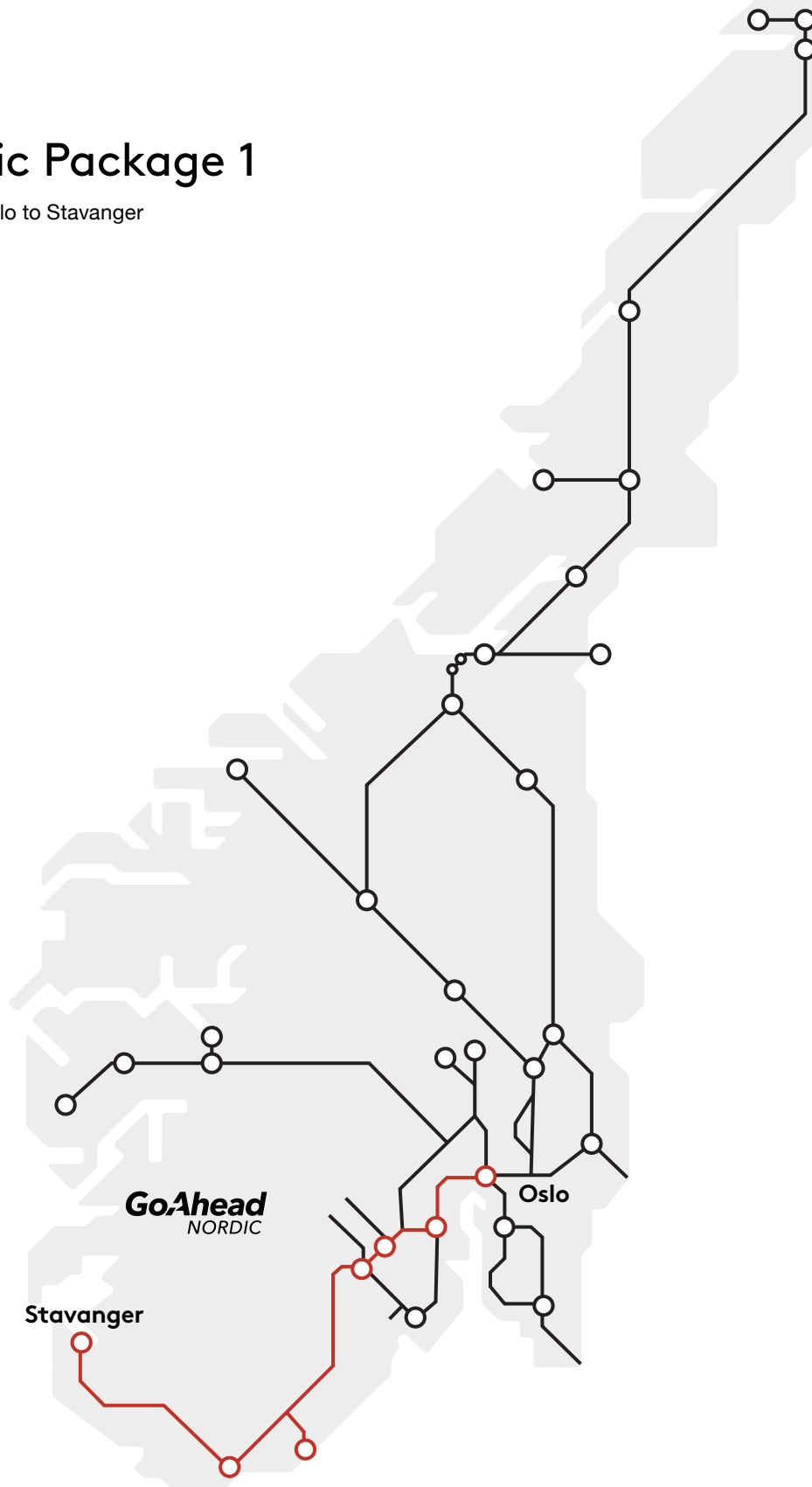
■ Private sector

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



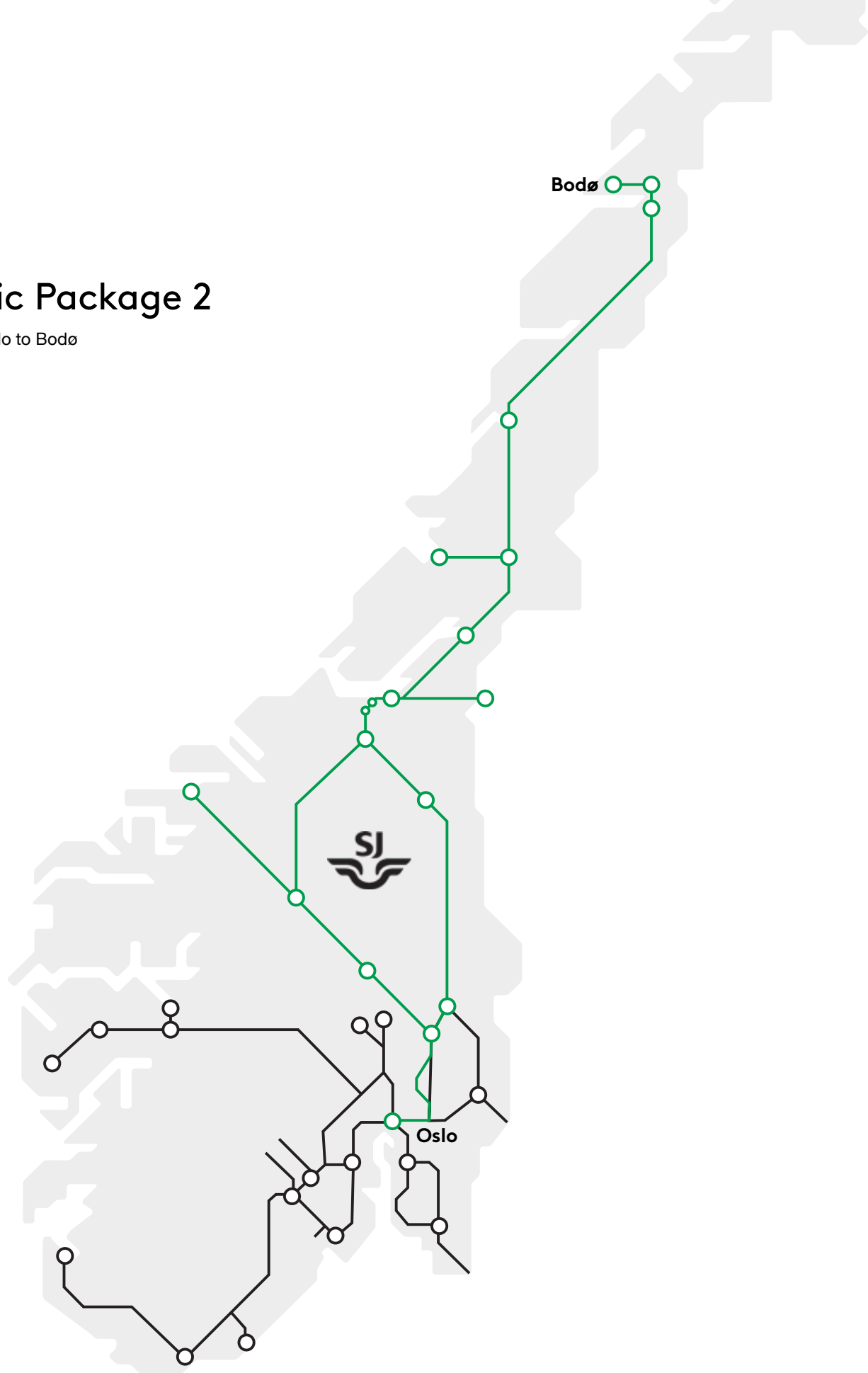
# Traffic Package 1

South – Oslo to Stavanger



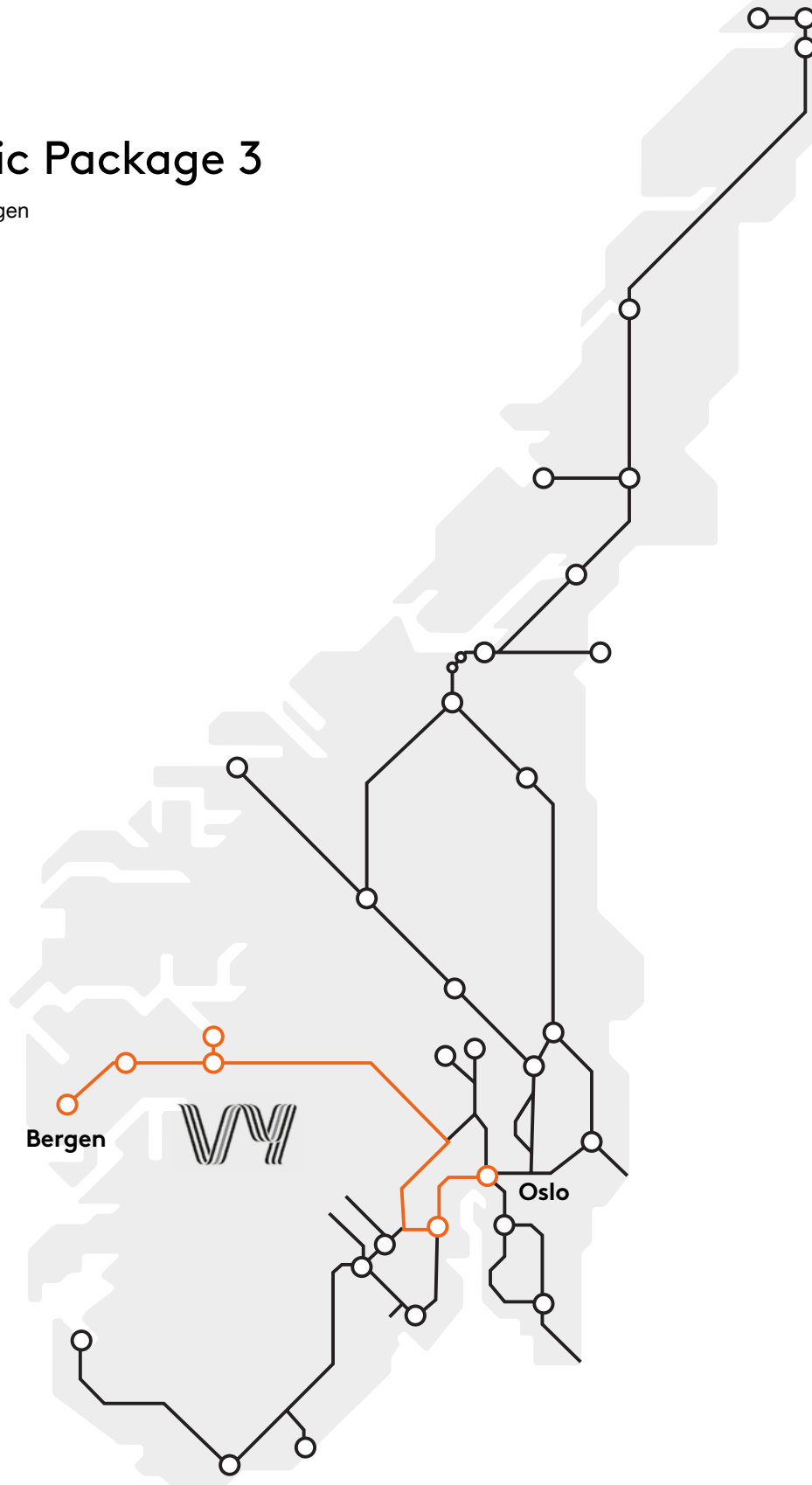
# Traffic Package 2

North – Oslo to Bodø



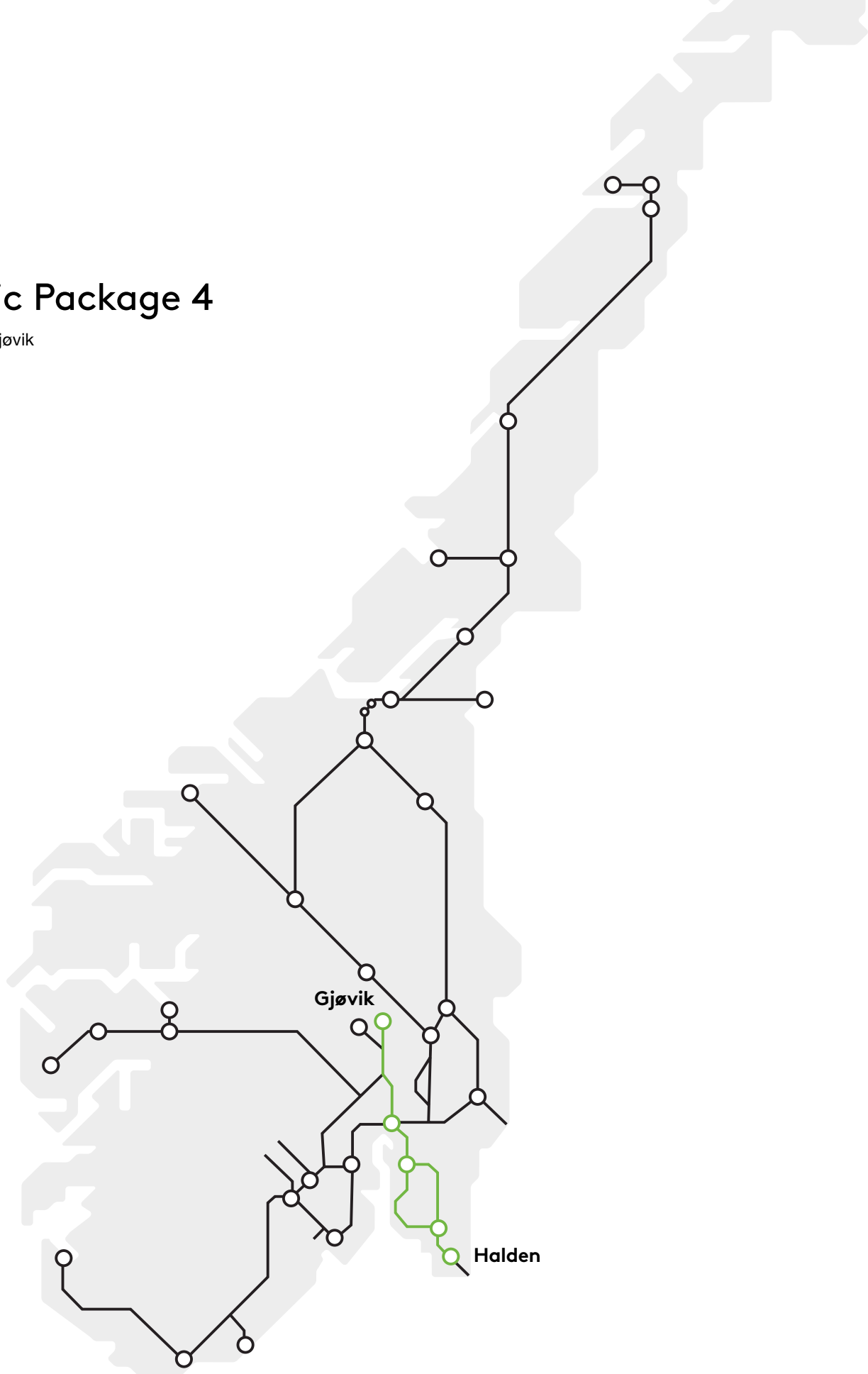
# Traffic Package 3

Oslo – Bergen

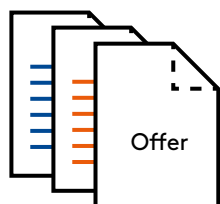


# Traffic Package 4

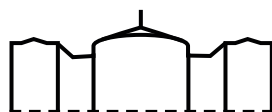
Halden – Gjøvik



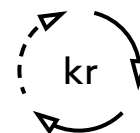
## Business model



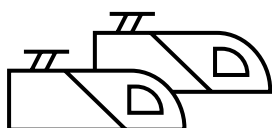
The Norwegian Railway Directorate determines future train services in Norway and is the policy advisor to Norske tog



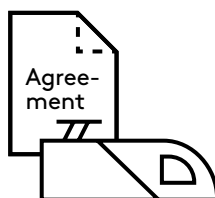
A residual value guarantee scheme has been set up, whereby the state guarantees 75% of the book value of the trains



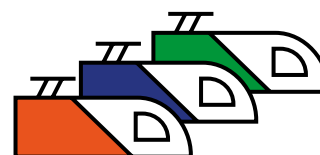
Norske tog will finance its train procurements through borrowing and capital inflow



Norske tog will procure, own and manage vehicles for rail passenger 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 and Traffic Packages 1 South, 2 North and 3 West)



Norske tog will earn revenue from leasing out train sets.

## Norske Tog in figures

270

### 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.

21

### 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 will effectively facilitate access to a sufficient number of safe, reliable and up-to-date trains, in line with society's demand for passenger transport by train. The company aims to reduce the number of train classes, in order to obtain better purchasing terms and reduce operational and maintenance costs.

82

### satisfied passengers

The majority of Norwegian train passengers are satisfied with the comfort of the compartments in the train classes they travel on.

18.7 years

### average age of current fleet

The goal is to procure a minimum of one train per month, retiring the trains that are oldest and in worst condition first. This will ensure that Norske tog has a more modern and reliable train fleet.

*\*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.*

# 51

## employees

Norske tog is an organisation with long experience and specialist expertise.

# 5.1 %

## return on equity

Norske tog achieved a return on equity of 5.1% in 2021. The long-term goal of the owner is a return of 5%.

# 4

## number of customers

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

# A+

## rating

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

# 25.3 %

## equity ratio

As of 31 December 2021, the company had an equity ratio of 25.3%.



## 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



Øystein Risan - CEO

Norske tog has delivered annual results in line with the expectations of the owner and has met important major targets in 2021. A strong financial performance and solid equity are important in ensuring the financial freedom to deliver on our mission going forward. The work to establish a new, sustainable leasing price model is therefore important to the company.

We will utilise our financial freedom to invest in new trains and an attractive rail service. When society starts returning to everyday life following the pandemic, an attractive rail service will be more important than ever. The advantages of using the railway include fast and energy-efficient transport with high capacity into the cities and low CO<sub>2</sub> emissions. For this reason, the railway has an important role to play and, as a company, we have some major tasks ahead of us.

For the state-owned Norske tog, which procures and manages the majority of passenger trains in Norway, our main objective is to contribute to the government achieving its target of reducing greenhouse gas emissions by 50-55 per cent by 2030. Emissions will be halved in the transport sector.

Norske tog will contribute to achieving this target as follows:

- By making it even more attractive for passengers to choose the train over the plane, bus or car
- By replacing old trains with new electric and bimodal models through new procurements

- By enforcing strict requirements relating to the climate and environment, as well as human rights and labour rights on our suppliers
- By having a focus on reuse and recycling when scrapping old train sets

In 2021, Norske tog worked on the largest train procurement in Norwegian history – the procurement of new train sets that are more comfortable, electric and emit less CO<sub>2</sub>. In December, Norske tog announced that we will be buying 30 new local trains from the French train manufacturer Alstom, within a budget limit of NOK 4.2 billion, including an option to buy a further 170 train sets. These are efficient and comfortable train sets that, from 2025, will replace the local trains on the Stabekk-Oslo-Ski route, which are up to 40 years old. The trains will ensure a much more comfortable journey for train commuters. There was keen competition and Alstom secured the contract following thorough assessments pursuant to the procurement regulations and the UN's Guiding Principles on Business and Human Rights.

Throughout 2021, Norske tog has also worked on the quality assurance of the tender competition for new long-distance trains, including through dialogue with and input from the supplier market and user groups. Norske tog imposes strict requirements on both suppliers and partners in order to contribute to a sustainable society and working life. The new long-distance trains will be put into service by Vy Tog, SJ Norge and Go-Ahead during the 2026-2033 period on the Oslo-Bergen, Oslo-Trondheim-

**In 2021, Norske tog worked on the largest train procurement in Norwegian history – the procurement of new train sets that are more comfortable, electric and emit less CO<sub>2</sub>.**

Bodø and Oslo-Kristiansand-Stavanger routes. In December, four suppliers qualified to participate in the tender competition. Initially, a total of 17 new long-distance trains will be procured.

Around 90 per cent of Norske tog's train sets are electric. Our ambition is to become fully electric as soon as possible. In August, the first of a total of 14 bimodal Class 76 train sets were put into service on the Trøndelag Line by SJ Norge. The bimodal trains replace the Class 92 diesel trains, which are now more than 30 years old. The bimodal trains run as electric trains on electrified lines and on diesel on lines that have yet to be electrified.

During 2021, Norske tog installed modern 4G amplifiers on board 184 train sets, including Flirt trains that will be delivered next year. The goal is to improve mobile connectivity for train passengers so that they can spend their journey time working, reading the news or watching films via their mobile devices. Data speed measurements on board the trains show that connectivity has improved since the installation of the mobile amplifiers, but it is still the case that we need good connectivity outside of the trains to be able to achieve good connectivity inside trains.

Norske tog has also entered into a contract with Alstom Sweden to upgrade Class 72 local trains. These train sets are used for local train traffic in the Oslo region and on the Jæren Line. The upgrades will lead to a more reliable train service for passengers.

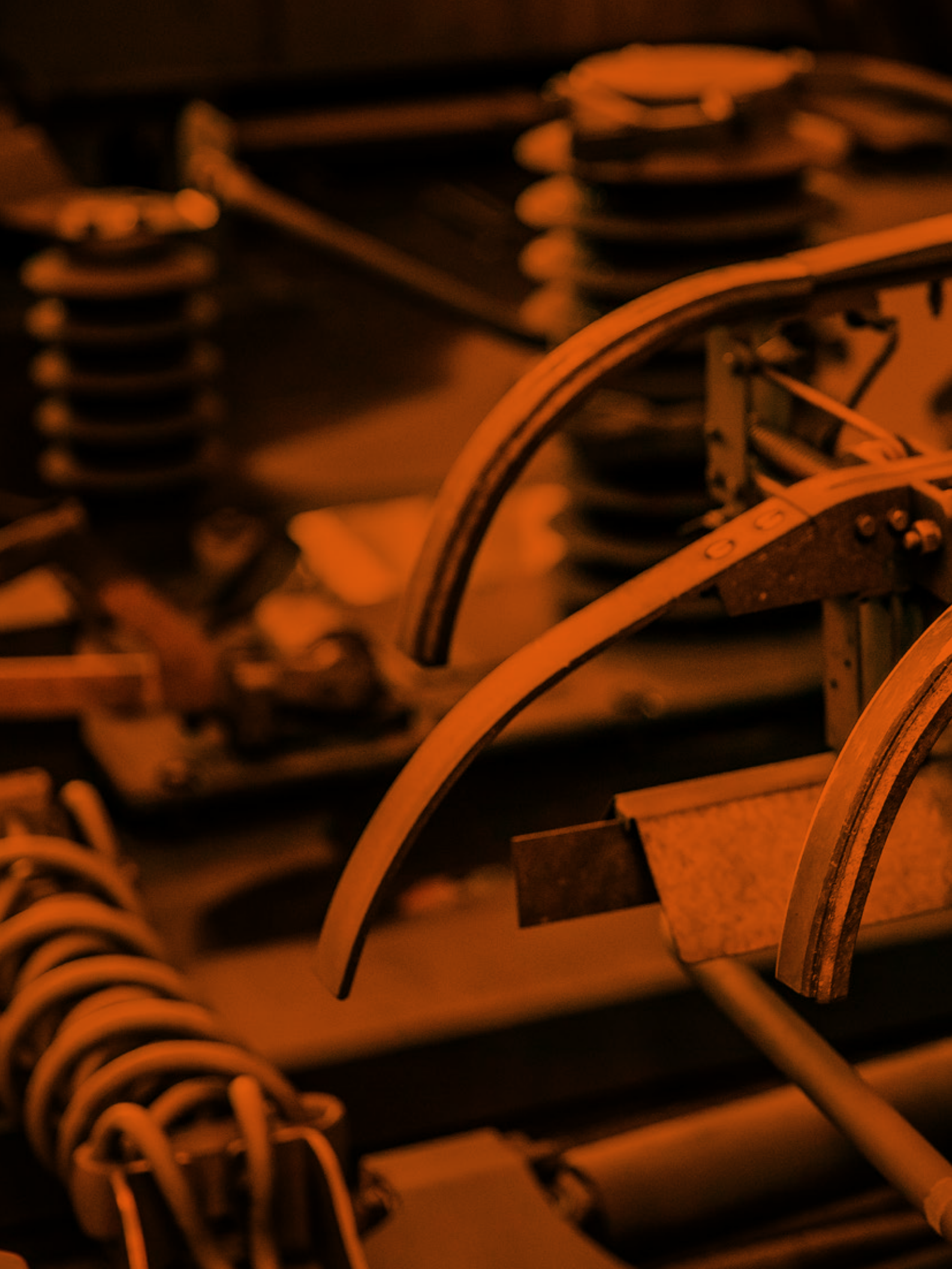
2021 was a hectic year for Norske tog employees. Never before have we experienced activity levels this high. The organisation grew from 39 to 51 employees during the year. A number of new appointments have been made to strengthen the management of the company's train fleet and also to better manage the major procurements that we are now undertaking. Our ambition is to have a lean and efficient organisation that delivers on the mission from our owner, while also serving our customers.

Norske tog had a net profit after tax of NOK 161 million in 2021, up from NOK 99 million in 2020, which gives a return on book equity of 5.1% (3.2% in 2020). The long-term goal is a 5% return on equity. This increase can be attributed to lower costs, largely as a result of vehicle updates and lower financial costs.



Øystein Risan  
CEO









Norske tog's  
goals



Goal 1

## Financial freedom

Norske tog will have the financial freedom to ensure that the size of the train fleet is adapted to the needs of our customers and the state-funded train service.



Goal 2

## Competitive services

Norske tog will provide a sufficient number of standardised, modern trains and additional services to ensure customer and passenger satisfaction.



Goal 3

## Efficient operations

On behalf of our owner and society, Norske tog will ensure the efficient procurement, management and leasing out of trains.



Goal 4

## Talented and satisfied employees

Norske tog will have satisfied, specialised employees with a strong focus on the customer.

## Financial freedom

Norske tog has a high credit rating. 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 of 31 December 2021, Norske tog AS has an unused five-year committed credit facility of NOK 3,000 million that is due to mature in June 2026.

## Competitive services

Norske tog has a fleet of around 300 train sets, with 17 different train classes. The current train fleet can be divided into three categories, by age:

- Less than ten years: Flirt (Class 74, 75, 75-2 and 76), of which 150 have been ordered and 133 have been delivered, as of 31 December 2021.
- Around 20 years: 71 train sets, all of which date from around the year 2000 (Class 72, 73A, 73B, 93).
- Older than 20 years: 67 train sets, 21 locomotives and 135 carriages from the 70s, 80s and 90s (Class 69C, 69D, 69H, 70, 92, Di4, Ei18, 5, 7 and WLAB2).

The average age in the company's train fleet in 2021 was 18.7 years, compared to 19.2 years in 2020. Significant investment in new trains is required to accommodate both traffic growth and the phasing out of older train sets. 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 has entered into a contract with Alstom SA concerning the procurement of 30 new local trains, with an option for a further 170 trains. Production of the new trains will start in 2023. The first trains are due in Norway for testing in 2024, and the trains will be delivered and put into operation in 2025. These will replace the current Class 69 local trains on line L2 Stabekk-Oslo-Ski.

### Regional trains

The first bimodal train set in Norway was put into service on the Trøndelag Line in September. The bimodal Class 76 train can be run as an electric train set on electrified lines and on diesel on non-electrified routes. In 2021,

a total of 10 new bimodal train sets have been supplied to SJ Norge to run on the Trøndelag Line and the Trondheim-Røros route. The bimodal train sets, supplied by Stadler, replace diesel trains that were more than 30 years old.

Norske tog has taken delivery of a total of 40 out of 53 Class 74 Flirt trains. These train sets will be used on regional services. The last 13 Class 74 train sets will be delivered after the bimodal Class 76 trains have been delivered. In total, Stadler will have delivered 150 FLIRT trains to Norway by 2022.

### 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 will therefore invest in 17 new long-distance trains. The estimated cost is NOK 6.5 billion, with a maximum budget of up to NOK 8 billion.

Production will start no earlier than 2024 and the trains will be put into service from 2026 at the earliest. After the first 17 long-distance trains have been delivered, the contract includes the option to order up to a total of 100 trains. The trains will mainly operate on the Dovre Line, the Sørland Railway, Bergen Line and Nordland Line.

Norske tog announced the tender competition for new long-distance trains in November 2021 and four suppliers qualified to participate in the competition in December.

## Customers and passengers

In 2021, Norske tog had four operational customers: SJ Norge, Vy Tog, Go-Ahead and VyGruppen.

Go-Ahead is the operator for Traffic Package 1 South and operates the long-distance train routes on the Sørlandet Line from Oslo S via Kristiansand to Stavanger, as well as local trains on the Stavanger-Sandnes-Egersund route and regional trains on the Arendal Line.

SJ Norge is the operator for Traffic Package 2 North and operates the long-distance train routes on the Dovre Line (Oslo-Trondheim), the Røros Line and the Nordland Line, as well as the regional train routes on the Rauma Line, the Trøndelag Line (Lundamo-Trondheim-Steinkjer), the Meråker Line, the northernmost part of the Nordland Line and the Salten commuter route (Bodø-Rognan).

Vy Tog is the operator for Traffic Package 3 West. Vy Tog operates the long-distance Oslo-Bergen train route, as well as the regional Bergen-Voss-Myrdal train route and the local Bergen-Arna train route.

VyGruppen currently operates the passenger train service in eastern Norway. The plan was originally to put this train service up for tender through two packages - Traffic Package 4 and 5, but both of these tender competitions were cancelled in November 2021. In the Hurdal Platform, the government has decided that further competition for passenger traffic on the railways will be stopped and that the train service in eastern Norway will be allocated directly rather than through a tender competition.

- Traffic Package 4 comprises the passenger train services on the Østfold Line, Gjøvik Line and local trains on the Spikkestad-Lillestrøm and Stabekk-Ski routes.
- Traffic Package 5 comprises the InterCity trains on the Skien-Eidsvoll and Drammen-Lillehammer routes, the local trains on the Kongsberg-Eidsvoll, Drammen-Dal and Asker-Kongsvinger routes, as well as the train service between Porsgrunn and Notodden.

Norske tog reports on rail passengers' satisfaction with the vehicles. When asked how satisfied passengers are with the compartment comfort on their journeys, the overall response across all train operators was a score of 82 (out of a maximum of 100) in 2021.

Bane NOR reported a decrease in punctuality of 2.4 percentage points in 2021, down to 90.3 per cent\* Please refer to the Bane NOR website.

### **Efficient operations**

Norske tog works continuously to achieve cost-effective procurement and leasing of trains.

Due to the special conditions in the Norwegian rail network, combined with harsh weather and wind conditions,

trains that will operate in Norway need to be adapted to Norwegian conditions. Large contracts (ordering enough trains) are therefore crucial in achieving a good price in the market and encourage suppliers to participate in tender competitions. In 2021, Norske tog announced that the company had entered into Norway's largest train procurement agreement with Alstom. The agreement involves the procurement of 30 new local trains, with an option for an additional 170 trains.

In order to ensure efficiency and cost-control when procuring many trains in a short period of time, it is crucial for Norske tog to have a strong, specialist internal team in order to follow up on the projects.

### **Upgrading trains and critical components**

Norske tog is continuously working on upgrading existing train sets. It can be challenging to obtain spare parts for older train sets, as such spare parts are often discontinued. We refer to spare parts that have been discontinued, that are complex or time-consuming to obtain or particularly expensive as "critical components". Such spare parts are essential for older train sets that remain operational to be repaired and continue to operate for a few more years.

When train sets are retired from service, they are sent to a workshop for the critical components to be removed before being sent for scrapping.

In 2021, Norske tog sent one locomotive and two older Class 70 train sets for dismantling to retrieve critical components before the trains were scrapped. The locomotive was retired due to the need for spare parts for other operational locomotives. The Class 70 train sets had reached end of their service life and were retired when there was no longer a need for them.

In 2020, Norske tog bought a train set from Flytoget in order to use spare parts from the train set for Norske

tog's Class 73 trains. This airport train was also sent for dismantling and scrapping in 2021.

In 2021, Norske tog established a 2,000 square metre warehouse, where the spare parts from the dismantled train sets are stored. These subcomponents ensure the supply of critical components to train operators that lease trains from Norske tog.

In 2021, Norske tog also entered into a contract with Alstom Transport AB concerning mid-life upgrades to Class 72 local trains running 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.

### Talented and satisfied employees

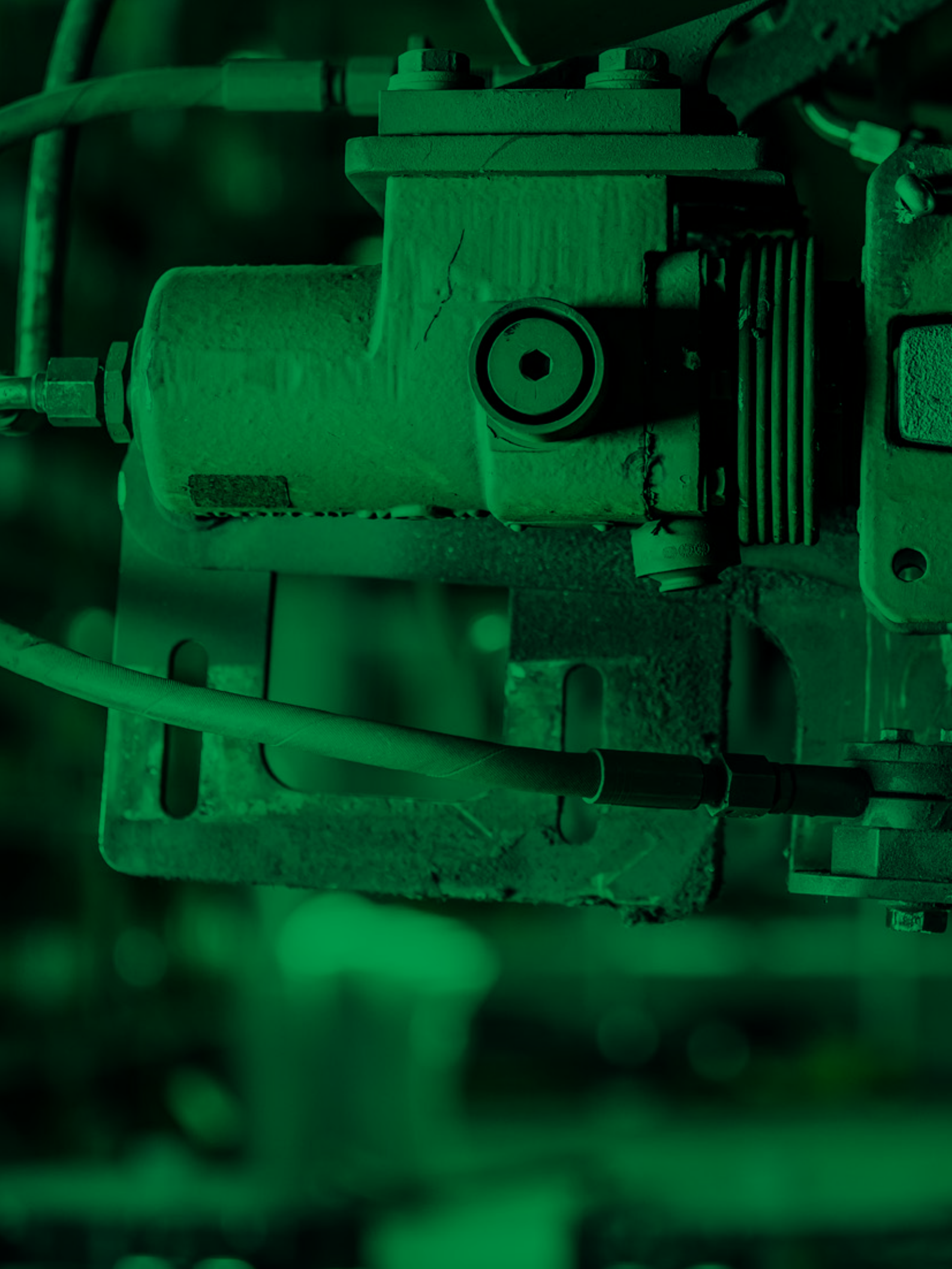
Norske tog aims to have satisfied employees with high levels of relevant skills.

In order to ensure efficient management of the train fleet, while also procuring a record number of trains in a short period of time, it is absolutely essential for Norske tog to have a strong, specialist internal team in order to follow up on these extensive and challenging projects, in terms of both efficiency and costs.

In 2021, Norske tog conducted an annual employee survey that showed that employee satisfaction remains at a high level. The job satisfaction score is 79 per cent (up from 72 per cent in 2020) and the loyalty score is 85 per cent (up from 80 per cent in 2020). A score of more than 75 per cent is considered high. Sick leave remains low at 2.3 per cent.



«Sørtoget», Class 73, in Kongsberg





Organisation

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

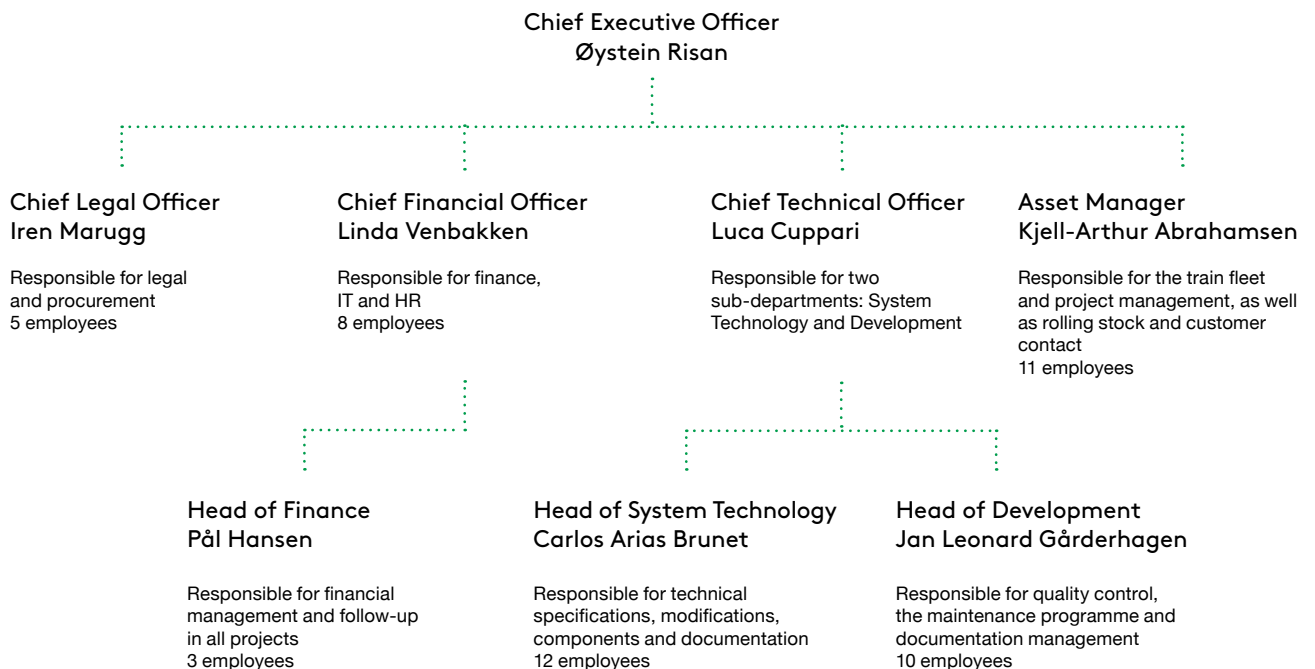




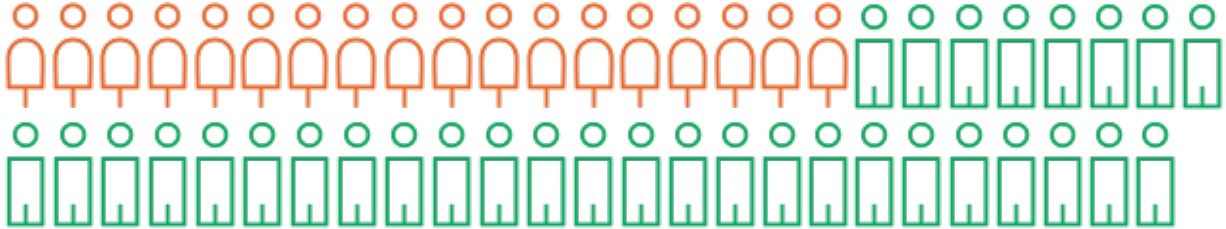
From left; Linda Marie Venbakken, Kjell-Arthur Abrahamsen, Øystein Risan, Iren Marugg and Luca Cuppari.

It is the expertise and experience of its employees that make Norske tog a strong knowledge based enterprise. At the end of 2021, the company had 51 employees.

After five years in operation and with the experience that has brought, customer-facing work was stepped up in 2021.



**Employees**



Number of employees: 51 (34 in 2020)  
 Number of person-years: 51 (34 in 2020)

Figure 12: Employees and person-years



Proportion of women  
 35% (40% in 2020)

Figure 13: Proportion of women



Proportion of women in  
 the management team  
 40% (40% in 2020)

Figure 14: Proportion of women  
 in the management team



Number of nationalities

Figure 15: Number of nationalities

**Achievement of objectives**

**Sick leave**

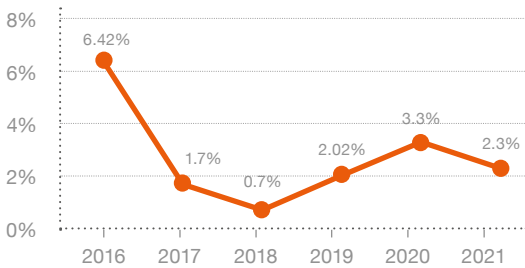


Figure 16: Sick leave

**Employee satisfaction**

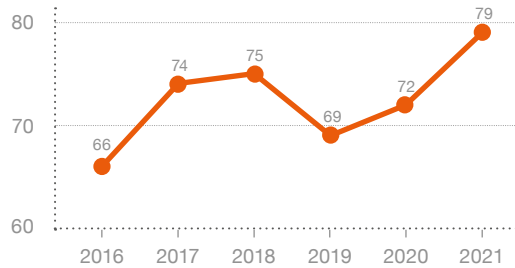


Figure 17: Employee satisfaction



The Rauma Line – Bimodal train set, Class 76





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

## Our work on sustainability

Through legislation and principles for corporate governance, Norske tog is required to report on its activities relating to sustainability and corporate social responsibility.

- Report to the Storting no. 8 (2019-2020) The state's direct ownership of companies - sustainable value creation sets out clear requirements concerning sustainable value creation. The guidelines from this report are also monitored through clear expectations from the Ministry of Transport and Communications, which emphasises requirements such as:
  - Transparency and reporting on significant matters relating to business activities
  - Preparation and implementation of clear goals and strategies to achieve these
  - Implementation of due diligence measures in keeping with recognised methods
  - Use of recognised standards for sustainability and climate, including in company reporting
  - Responsible business operations in keeping with the Norwegian recommendations on corporate governance as relevant to the company's activities
  - Clear goals and initiatives to promote increased diversity and gender balance in the company
- The Financial reporting Act imposes requirements for large companies to report on corporate social responsibility, including considerations relating to human rights, labour rights and social conditions, the external environment and anti-corruption, as well as the working environment, gender equality and anti-discrimination.
- The new Transparency Act, which enters into force on 1 July 2022, imposes requirements for larger companies (as defined in the Financial reporting Act) to conduct due diligence in line with the OECD Guidelines for Multinational Enterprises and to publicly report on these. Furthermore, the act gives anyone the right to request information, general or specifically associated with a product or service, from a company in relation to how the company manages actual and potential negative consequences.

This report describes all important matters relating to Norske tog's work on sustainability. The work to develop a specific framework for targets and indicators for the various areas will conclude in 2022 in order to meet the requirements set down in the most commonly used standards for sustainability reporting. Norske tog is owned by the Ministry of Transport and Communications and the Ministry is aware of the status and development of this work.

In addition to this report, the 2021 annual report also includes a collection of articles relating to key matters associated with Norske tog's sustainability work. Where relevant, this report will reference these articles for further information.

### Responsibility as an integral part of the management system

Norske tog's work on sustainability and 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, as well as the company's Board of Directors. This ensures accountability and makes it easier to integrate the work in Norske tog's day-to-day business processes and workflows:

- "Finance" – the workflows that contribute to efficient operations and financial freedom.
- "Customer offerings" – areas that are crucial in ensuring competitive offerings for operators.
- "Management and internal processes" – includes core processes such as customer services, procurement, management and development of vehicles, as well as communication and financial management.
- "Learning and growth" – initiatives aimed at attracting and retaining expert and satisfied employees.

In order to ensure comprehensiveness and make sure that Norske tog fulfils its overall responsibilities, the four business processes are supported by guidelines, targets and key performance indicators (KPIs).

Based on recognised principles enshrined in the UN Declaration of Human Rights, the ILO's Core

Conventions and the UN Sustainable Development Goals, Norske tog has drawn up specific guidelines and governing documents. These are subject to regular revisions, most recently in connection with the introduction of the Transparency Act and the sizable procurement processes Norske tog is involved in. Important guidelines and governing documents include:

- “Norske tog’s Code of Conduct for Employees and Suppliers”, which defines the requirements and expectations for 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.

### Revised materiality analysis

The materiality analysis is an important instrument in the company’s work on sustainability. The analysis is an instrument that helps the company assess how we can best make a positive contribution to societal development, while also supporting our long-term value creation.

During the year, Norske tog revised its materiality 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 exert influence.

Norske tog has a wide range of stakeholders, all with legitimate expectations of how the company is run. The most important stakeholders are

- The Ministry of Transport and Communications (owner)
- The Norwegian Railway Directorate and other regulatory and political authorities
- Operators and other parties within the railway sector
- Passengers
- Partners and suppliers
- Enterprise confederations, trade unions and special interest organisations
- Investors
- Employees

In 2021, the company gathered information through meetings with the owner, investors and suppliers, ongoing contact with operators and partners within the railway sector, customer satisfaction analyses and employee surveys. Together with the results from qualitative in-depth interviews with key representatives of all Norske tog stakeholder groups during the autumn of 2020, this forms the basis for the company’s main priorities.

Unsurprisingly, most stakeholders are particularly interested in issues linked directly to their own relationship with Norske tog and/or the railway. Nevertheless, there are certain topics that are common across stakeholder groups. These are particularly linked to:

- Norske tog’s contribution to the overall development of the railway, including the ability to collaborate constructively with other parties.
- The quality of vehicles, including reliability and matters affecting punctuality and disruption to services.



- Expertise and deliverability linked to the predictability of maintenance, upgrades, modernisation and replacement of vehicles.
- Efforts to reduce the environmental and climate footprint of the vehicles during operation and from a life cycle perspective. This item is also closely linked to expectations relating to social responsibility in other areas, such as procurement.

Norske tog reviews the materiality analysis on an annual basis. The organisation, management team and board of directors are all involved with this work. The most im-

portant change from the latest review is the simplification of the analysis by gathering topics linked to the environment, climate and responsible procurement under a single item – Responsible operations and development. The reason for this is that the various topics covered under this are expected to be so tightly integrated that it makes most sense to treat them as a single item. The various aspects associated with this are also closely linked in the value chain in terms of operations and business activities and it therefore makes sense to address these topics collectively rather than individually.

Norske tog’s materiality analysis



## Four main priorities

Based on the materiality analysis and feedback from stakeholders, Norske tog has chosen to continue the four priority areas for sustainability that were established in 2020.

### 1. Development of the railway

This is about helping the Norwegian railway to achieve its overall objective - moving passenger traffic from road and air to the railway. There are two particular areas where Norske tog can contribute, namely through:

- Initiatives that help raise user satisfaction, leading to more people choosing the train.
- Contributing increased capacity in the railway through procurements and initiatives that help better utilise trains and infrastructure.

### 2. Responsible operations and development

This relates to Norske tog's responsibilities in connection with the environment, climate and responsible procurements. This area covers the entire value chain of Norske tog, including:

- Ethical, social and environmental requirements relating to procurements.

- Initiatives to reduce the climate footprint of vehicles during the operational phase.
- Requirements concerning reuse and recycling when retiring old vehicles.

### 3. Quality and reliability

Punctuality and reliability are among the most important drivers for operators to succeed in providing a service that passengers perceive to be good. Norske Tog can contribute to this in several ways, including through:

- Initiatives to improve reliability and availability.
- Initiatives to streamline operations and increase maintenance-friendliness.

### 4. Talented and developing working environment

The correct expertise and capacity, as well as an inclusive and positive working environment, are crucial to Norske tog's ability to successfully fulfil its role in the railway sector. We can achieve this through initiatives aimed at

- Diversity and equal opportunities.
- Learning and development.
- Healthy work-life balance.

## 1. 1. Development of the railway

Around half of the money allocated above the national budget for road and rail goes to the railways. This demonstrates the government's investment in the railways and sends a strong signal to all parties within the rail sector concerning the importance of contributing to a positive development.

Norske tog's most important contribution in this context is linked to the replacement of train sets that is no longer advantageous to upgrade, with new and modern trains that can better meet passengers' expectations for a modern railway and help move passenger traffic from air and road to rail. Through the introduction of the new signalling system (ERTMS), we will also be able to contribute to trains running more frequently, thereby increasing capacity through improved utilisation of the tracks. This represents the critical capacity limitation for the development of the railway as a transport system.

Accordingly, the overall objectives for Norske tog's contribution to the development of the railway are to:

- Increase the number of passengers travelling by rail.
- Increase the capacity in the railway.

The instruments needed to achieve this are linked to:

- Ensuring a train design and capacity that contribute to increased user satisfaction.
- Procuring new trains with an aim to increase capacity and standardisation.
- Installing ERTMS so that traffic management can be automated and improved over time.

2021 was an active year with regard to the commencement and completion of projects and activities in the following areas:

**Procurement:**

- The delivery and run-in of the first ten out of a total of 14 bimodal train sets for use on the Trøndelag Line to replace the diesel trains, which are now more than 30 years old.
- The announcement of the tender competition for the procurement of an initial 17 new long-distance trains. These will be put into service during the 2026-2033 period on the Oslo-Bergen, Oslo-Trondheim-Bodø and Oslo-Kristiansand-Stavanger routes.
- Selection of supplier for 30 new local trains for the Stabekk-Oslo-Ski route, with an option for an additional 170 trains. These train sets will replace the current local trains and will run on the Østfold Line from 2025.

**Upgrades:**

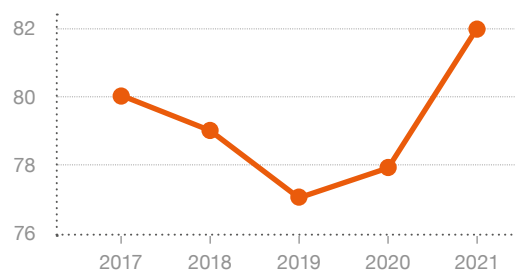
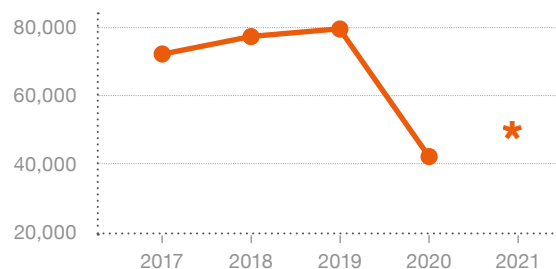
- Conclusion of contract with Alstom Transport AB concerning mid-life upgrades to local trains running on the Lillestrøm and Spikkestad route, as well as the Jæren Line. The upgrade will reduce the risk of vehicle failure by extending the service life of components and systems.
- The work on installing ERTMS continued in collaboration with the supplier, Alstom. ERTMS is a joint European system initiated by the EU to standardise signalling and traffic management in the European rail network. The system will lead to fewer signalling failures and more predictable and punctual railway traffic.

**Raising quality:**

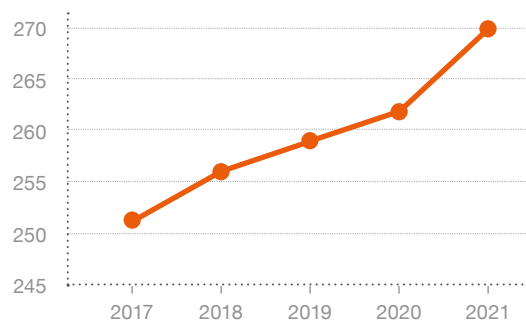
- Conclusion of contract and framework agreement for the delivery of reclining seats for the overnight trains on the Sørlandet Line, Nordland Line, Dovre Line and the overnight train between Bergen and Oslo.
- Installation of 4G mobile amplifiers on board all long-distance trains, as well as Flirt trains. This will improve mobile connectivity on the trains, which is essential in ensuring that passengers have the opportunity to work or use streaming services on their journeys.

**Achievement of objectives**

With regard to the achievement of the objectives, the majority of these initiatives will only have an effect in the long term, when the large volumes of new trains are delivered. 2021 was also an exceptional year in the sense that the COVID-19 restrictions that were introduced contributed to a significant decline in traffic.

**User satisfaction****Passenger growth (thousand)**

\* Figures for 2021 were not available from SSB

**Number of trains**

## 2. Responsible operations and development

### Environment and climate

#### The impact of trains on the environment and climate

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

- **Vehicle manufacturing**

The production of trains and carriages affects the environment and climate through emissions from energy sources and chemical components, interventions in nature and use of energy, water and natural resources for the production of steel and aluminium, as well as the production of various forms of waste.

- **Management, development and operation**

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 running on electricity that comes with a guarantee of origin from Norwegian hydro-power. As such, climate emissions from operations are largely linked to the few routes that have yet to be electrified and where diesel is currently used as the energy source.

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

- **Disposal**

The last stage of the train life cycle is the disposal and recycling of retired train sets. Here, the degree and type of recycling determine the footprint. The more we can reuse or recycle, the better for the climate and environment.

#### Norske Tog's approach

Norske tog takes a holistic approach to environmental and climate challenges in the sense that we seek to influence all stages of the train life cycle:

- **Strict requirements relating to procurements**

We impose strict requirements on suppliers in connection with procurement and choose the most climate-friendly solutions in areas where this is possible, including solutions that will help reduce energy

consumption and emissions during use and increase the recyclability of the material. We require comprehensive and up-to-date life cycle analyses for materials procured. In the tendering processes we managed in 2021, we included requirements relating to:

- Energy consumption, noise reduction, weight and passenger capacity.
- Qualities associated with materials and equipment, including recyclability.
- Documentation in the form of life cycle analyses and documentation of CO<sub>2</sub> emissions from the manufacturing process, as well as evaluating trains for recyclability in connection with scrapping.
- Employee rights and work processes to safeguard these rights being in line with Norske tog's requirements.

- **Train modernisation and upgrades**

Modern trains are generally more climate-friendly than old trains. The most important contribution to reduced emissions from operations is, of course, the procurement of new trains, including replacement of diesel locomotives during the transition to bimodal solutions. Norske tog's vehicles currently have an average age of 18.7 years, but several train sets are more than 40 years old and large parts of the train fleet are therefore due for replacement. Norske tog has put ambitious plans into place to modernise the train fleet and this plan also includes replacing diesel locomotives with bimodal trains.

*In 2021, Norske tog took delivery of ten new trains, which have been put into operation by SJ Norge in Traffic Package 2. During the same period, two trains and one locomotive were retired from the train fleet and scrapped.*

Because so much of the trains' environmental and climate footprint is linked to the production of train sets, life cycle extensions are not only economically sensible, but also important from a climate perspective. Mid-life upgrades help increase standards, reduce disruption and, in some cases, also help reduce energy consumption. Norske Tog also imposes strict requirements on the suppliers of such upgrades, both

in terms of material choices and solutions, as well as recyclability and work processes.

*A contract was entered into in 2021 with Alstom Transport AB concerning mid-life upgrades to 36 train sets used for local traffic in the Oslo region and on the Jæren Line. These upgrades will be completed during the 2022-2025 period.*

#### • Reuse and recycling

The trains that are now being retired are so old that they have not been designed for reuse and recycling. However, Norske tog still imposes strict requirements for recycling and prefers for recycling to take place as high up in the waste pyramid as possible – i.e. by critical components being dismantled for reuse in other trains and that as much materials as possible are recycled rather than used for energy recovery or sent to landfill. We have agreements with recycling companies for all train sets that are being retired and recyclability is also an important criterion in procurement and maintenance. (Please see separate article on the scrapping of trains on page 66).

*Since 2021, Norske tog has sent two train sets, one airport train and one locomotive for dismantling and scrapping. The trains were dismantled part by part. As much as 90 per cent of the vehicles were recovered. In 2022, 22 train sets and diesel-driven motor coach sets are scheduled for scrapping.*

#### Objectives for the work on climate and the environment

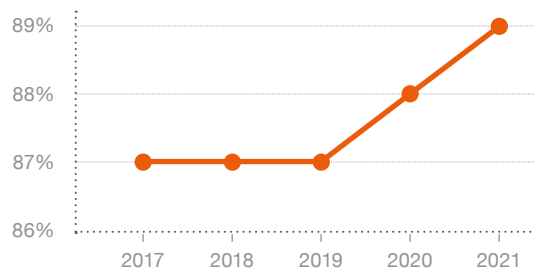
The overall objectives of Norske tog's work on climate and the environment are to:

- Reduce emissions and energy consumption.
- Increase the extent of train electrification.
- Increase the degree of recycling for scrapped train sets.

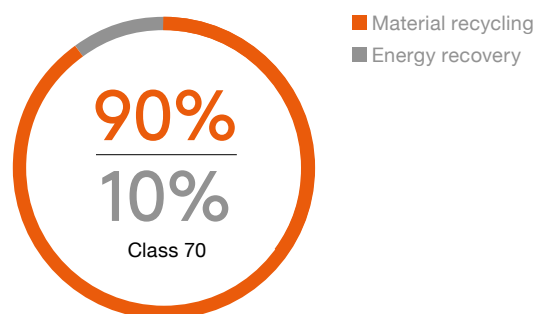
#### Green financing – a driving force for sustainability

Norske tog issued two green bonds totalling NOK 2 billion during the autumn of 2021 to finance new electric train sets. Together with loans totalling NOK 1.2 billion, which were issued during the autumn of 2019, the company has now secured NOK 3.2 billion through green bonds, on very good terms.

#### Proportion of electrified trains



#### Recycling rate



Green bonds provide lenders with the opportunity to achieve guaranteed returns on green and sustainable investments. In order to document the climate impact of the bonds, Norske tog has developed a framework for the bonds – the “Green Bond Framework”. This framework is based on the International Capital Market Association (ICMA) Green Bond Principles from 2018 and imposes requirements concerning the documentation of and reporting on the climate impact of investments. The framework has been independently audited by Cicero, which awarded the highest score available on their rating scale.

In connection with the development of the 2021 Impact Report (available on Norske tog's website), Norske tog announced its ambition to align its framework with the EU's Green Bond Standard. This would mean that:

- Bonds can be used only for purposes that fulfil the EU taxonomy criteria.
- The bond issuer must develop and ensure external verification of the framework for the bond, including environmental objectives, before the bond can be issued.

- Both the allocation and the impact of the investments must be reported on and these must be verified by an external party.
- The bond issuer must ensure that investments meet the projects' specific environmental requirements and social objectives, as described in the OECD guidelines.

In addition to securing financing for new trains, the work on the green framework and the development of the 2021 Impact Report has also contributed to increased expertise and raised awareness surrounding Norske tog's emissions. The issue of green bonds is therefore also a positive and important driving force for the development of expertise and frameworks for sustainability across all Norske tog business activities.

Further information about green bonds can be found in a separate article in the annual report, as well as on our website.

### Responsible procurements

In addition to imposing technical and environmental requirements on procurements, Norske tog has also committed to imposing ethical and social requirements on its suppliers. An important aspect of this commitment is adhering to the principles enshrined in the UN Guiding Principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises. It is also important to ensure that procurements are based on processes that ensure transparency and verifiability.

#### Due diligence

The choice of Alstom as the supplier of 30 local trains with an option for an additional 170 trains has led to criticism due to the company's links to Israeli settlements in occupied areas of Palestine (see page ..... for a separate article on the background and handling of this matter).

The matter also highlighted Norske tog's work on procurements and particularly the quality of the company's due diligence in the procurement process. In connection with the procurement process and the choice of Alstom as the supplier, Norske tog has conducted assessments in line with the procurement regulations and the UN Guiding Principles on Business and Human Rights. The assessments have shown that this case is an example of the complexity and legal considerations in procurement processes in light of important international processes and initiatives aimed at ensuring a responsible business sector. The case has helped strengthen Norske tog's work with due diligence measures in procurement

processes in order to meet our responsible procurement targets.

When the new Transparency Act enters into force on 1 July 2022, requirements will be imposed for larger companies, as defined in the Accounting Act, to conduct due diligence in line with the OECD Guidelines for Multinational Enterprises and publicly report on this. The act also gives anyone the right to request information regarding matters linked to human and labour rights in association with a specific product or service.

Responsible procurements are important at Norske tog. This also means that requirements must be imposed upon suppliers and not only on the products that are procured. Regardless of the act, Norske tog has established proper procedures and processes for due diligence in connection with its procurements, in line with the UN Guiding Principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises.

Due diligence is a continuous process that is based around six steps.

1. Embedding responsible business conduct into policies and management systems.
2. Identifying and assessing adverse impacts in operations, supply chains and business relationships.
3. Ceasing, preventing or mitigating adverse impacts.
4. Tracking implementation and results.
5. Communicating how impacts are addressed.
6. Providing for or cooperating in remediation where appropriate.

Based on the fact that Norske tog's procurements are largely at an early stage, Norske tog has so far focused particularly on steps 1-3, which are most relevant to where in the process the procurements take place. At Norske tog, we comply with these steps as follows:

- Norske tog's guidelines for procurement include a commitment to take into account the OECD Guidelines for Multinational Enterprises in all procurements.
- Our Code of Conduct for Suppliers is included in all contracts. This commits our suppliers and sub-contractors to comply with basic human and labour rights, manage matters relating to the environment and climate, ethics and anti-corruption and also provides Norske tog with the right to verify compliance on the part of both suppliers and subcontractors, including through the use of local inspections.

- For the procurement of new local trains and new long-distance trains, contractual requirements have been drawn up concerning due diligence measures relating to human rights and the environment. This commits our suppliers to conduct due diligence and, among other things, provides Norske tog with the opportunity to audit the suppliers' own procedures in relation to this.

Risk assessments are conducted at several stages of the procurement process:

- Upon conclusion of a contract, a risk mapping is conducted based on information about the relevant supply chains, including country of origin, manufacturing processes and specific subcontractors and business associates. This mapping is based, among other things, on the Norwegian Agency for Public and Financial Management's high-risk product list. Based on this mapping, we will prioritise risk-mitigating measures.
- Potential main suppliers for procurements will be subject to special considerations. We therefore conduct Integrity Due Diligence (IDD) for all relevant suppliers in larger tenders. This is done by an external party and aims to uncover matters that can be identified through open sources and includes all information about ownership of rights, negative press coverage, legal disputes, political exposure, sanctions and regulatory status.
- Based on the information identified through IDD measures, Norske tog will request further information from tenderers, in the form of accounts and separate assessments from the supplier in relation to some of the identified matters.

Initiatives to cease, prevent or reduce any negative impacts/damage are identified on the basis of the severity, as well as an assessment of Norske tog's links to the matter. The grounds for any sanctions will be based on the requirements imposed upon suppliers with regard to compliance with guidelines and contractual requirements.

When awarding the contract for local trains to Alstom, Norske tog and its external legal advisers concluded that there was no legal basis to exclude Alstom from the competition. The justification for this is described in a separate article on page 64.

Regardless of this, the case has documented the importance of robust due diligence systems and that the processes applied by Norske tog are also sufficient for identifying and managing relevant issues.

In addition to imposing requirements concerning compliance with basic human rights, Norske tog also imposes specific requirements relating to environmental and climate standards for products, processes and suppliers alike. These are addressed in a separate chapter on page 42 of this report.

### Objectives

The overall objective linked to responsible procurements is to ensure full compliance with contracts, requirements and fundamental guidelines. In the new procurement contracts for local trains and long-distance trains, non-conformity management will be governed and the associated work will be closely monitored by the company.

### Integrity and anti-corruption

Responsible procurements also require our own organisation to act with integrity.

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 has established a Code of Conduct and guidelines for corporate social responsibility that, among other things, address the company's stance on human rights, employee rights and anti-corruption. These apply to both our own employees and contracted resources.

Procedures have also been established for annual dilemma training for the company's employees. In 2021, one dilemma training session was conducted.

An external whistleblowing channel has been established and can be accessed via the company's website.

- Goal: No corruption incidents
- Result: No reported corruption incidents

### 3. Quality and reliability

Few things cause more frustration on the part of our passengers than cancelled or delayed trains. Predictability and punctuality are also important drivers for the reputation of the entire railway. During the 2016-2021 period, an average of 5.8 per cent of registered delays and 2 per cent of all cancellations were due to faults in trains. These are low figures by percentage. However, the number of instances is still much too high. Norske tog are working systematically to improve these results. The greatest challenges associated with operational reliability and quality are the age of trains and access to spare parts, as well as a lack of standardisation across the existing train fleet.

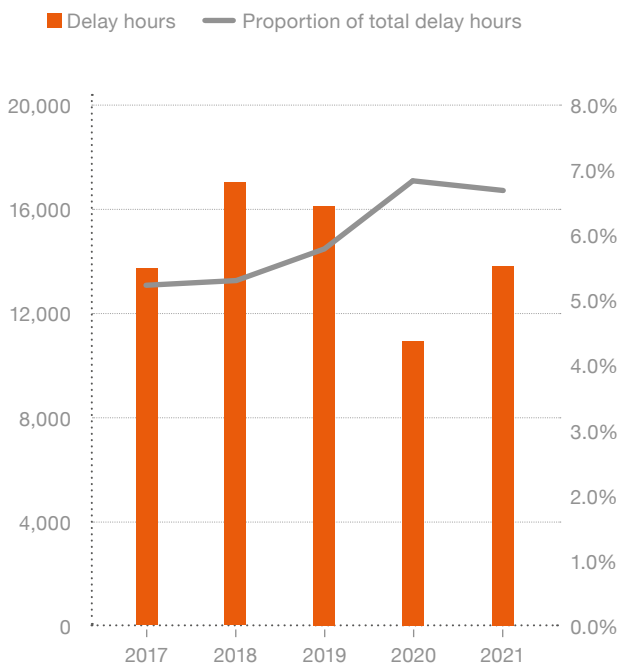
In order to address the short-term challenges, Norske tog is working to increase the pace of the work associated with modifications and improvements. In this context,

the scrapping of materials will be an important source for obtaining critical components.

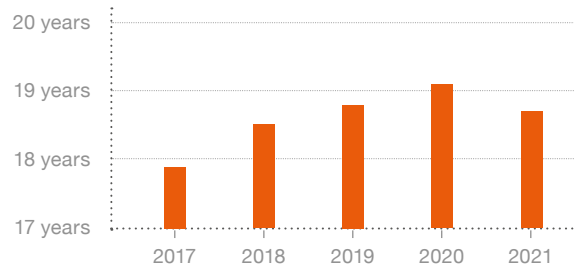
In 2021, Norske tog acquired one train set from Flytoget. This train set was moved directly to the workshop for dismantling/removal of critical components for maintenance and parts that can be used as spare parts for other train sets so that these can be maintained. The remaining parts of the train set were subsequently sent off for recycling. The most important measures to solve these challenges on a long-term basis are the train renewal and standardisation that will take place in the following years.

The operating companies are responsible for ongoing maintenance of the trains, but Norske tog is responsible for upgrades. Both of these are important in terms of operational reliability, energy consumption and for main-

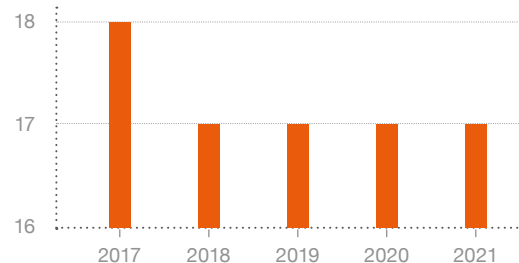
**Train related delays**



**Average age of trains**



**Number of train classes**







Electric locomotive EL18 – locomotive and carriage

taining the technical service life of the trains. Technical upgrades, i.e. upgrades to the technical components and interiors of the trains, provide an important opportunity for Norske tog to influence the characteristics of the trains with regard to energy consumption and operational reliability, as well as how long the trains can be used for. The contract entered into with Alstom in 2021 concerning mid-life upgrades to 36 train sets constitutes an important initiative for improving the operational reliability of these trains.

#### Customer and user satisfaction

Norske tog has high requirements for customer and user satisfaction. In 2021, the Norwegian Railway Directorate conducted the first overall survey on customer satisfaction for all train operators (passenger satisfaction).

When asked how satisfied passengers are with the compartment comfort on their journeys, the overall response across all train operators was a score of 82 (out of a maximum of 100) in 2021.

Even though the survey was conducted during a situation characterised by COVID-19 lockdowns and reduced traffic, it still forms a good basis for measuring future developments.

Norske tog's customers are the three train service operators in Norway: Vy, SJ and Go-Ahead. No separate customer satisfaction measurements have been performed for these operators, but proper processes have been established for dialogue and contact, during which relevant topics are discussed.

## 4. Talented and developing working environment

Norske tog wishes to provide its employees with a working environment in which people are happy and have the opportunity to develop both professionally and personally.

At the same time, we have traditionally been a lean and small organisation with major duties, for which the need for specialist expertise is significant during certain phases. In addition to focusing on a positive and diverse working environment, it has been just as important for us to reduce organisational and expertise-related vulnerability.

Our ambition is to have a lean and efficient organisation to serve our four customers – SJ Norge, Go-Ahead, Vy Tog and Vy – in the best possible manner. Nevertheless, it has been important and appropriate for us to increase the number of employees at Norske tog due to the workload and management associated with the major procurement processes that are currently ongoing.

This work requires both capacity and specialist expertise and, during certain periods of the year, we have had just as many contracted consultants as employees on our books in order to carry out these tasks.

In light of both the working environment and the need to build resilience in the organisation, we have therefore increased the number of employees from 39 to 51 during the course of the year.

### Talented and satisfied employees

Norske tog aims to have satisfied employees with strong, relevant expertise.

In 2021, Norske tog conducted an annual employee survey that showed that employee satisfaction remains at a high level. The job satisfaction score is 79 per cent (up from 72 per cent in 2020) and the loyalty score is 85 per cent (up from 80 per cent in 2020). A score of more than 75 per cent is considered high.

### Health, safety and environment

Norske tog's operations shall not cause serious injury to persons or serious damage to the environment or

material assets. This also applies to injury/damage caused by faults in Norske tog's vehicles.

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.

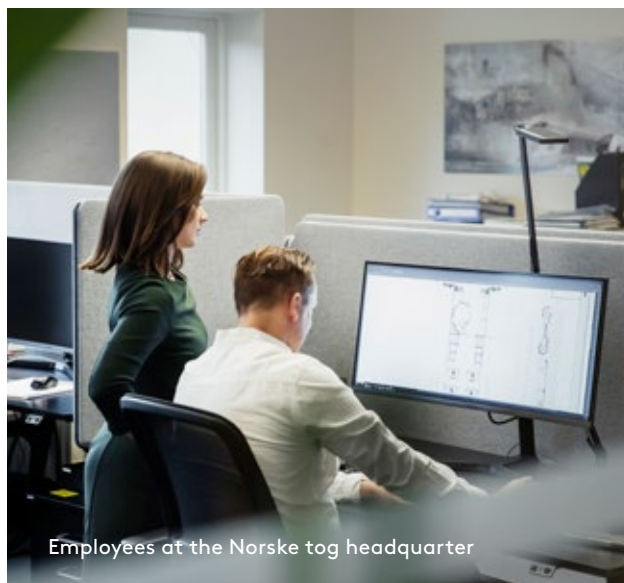
- Sick leave remains low at 2.3 per cent.
- No serious injuries have been reported.

### Promoting equal opportunities and preventing discrimination

Over time, Norske tog has worked systematically on an inclusive working environment, to promote equal opportunities and prevent discrimination. Our goal is for the workforce of Norske tog to reflect the diversity of the population. At Norske tog, no-one will experience discrimination based on gender, age, disability, sexual orientation or religious, cultural or ethnic background. This is made clear through our values and governing documents and is emphasised in connection with the implementation of internal courses and training sessions, recruitment and employees' pay and working conditions.

As a result of a deliberate focus and facilitation, the proportion of women at Norske tog has increased year on year since the company was formed. From a female proportion of 10 per cent when the company was formed in 2016 to 35 per cent (18 out of 51) at the end of 2021. This has been possible as the result of systematic work to increase the proportion of women in the company. The most important initiative is that there must always be a qualified female candidate and one candidate from a minority background invited for all second interview rounds. We are pleased with what we have achieved, but would like an even better balance and will continue to systematically work to identify qualified female candidates.

The company's board of directors now has a female proportion of 66 per cent among shareholder-elected board members and the proportion in the company's management team is 40 per cent.



Employees at the Norske tog headquarter

The work to increase the number of employees from a minority background has also yielded results. There are now ten different nationalities represented by our 51 employees. Where possible, Norske tog will invite a minimum of one applicant from a minority background to interviews.

All new employees at Norske tog are assigned a buddy and a mentor and we have also developed an onboarding programme that includes a dedicated “railway school” with lectures about the special conditions associated with the Norwegian rail network. These initiatives help ensure that it is easy to become part of the social and professional working environment at Norske tog and make it easier to recruit employees without experience from the Norwegian railways.

### Gender and pay

The management team at Norske tog has a female proportion of 40 per cent. We evaluate pay based on position and length of service and, on this basis, women and men should achieve virtually the same pay regardless of gender. Our local pay policy will ensure that employees with the same type of expertise and duties have the same opportunities for pay and skills development. Norske tog will not have any unfounded

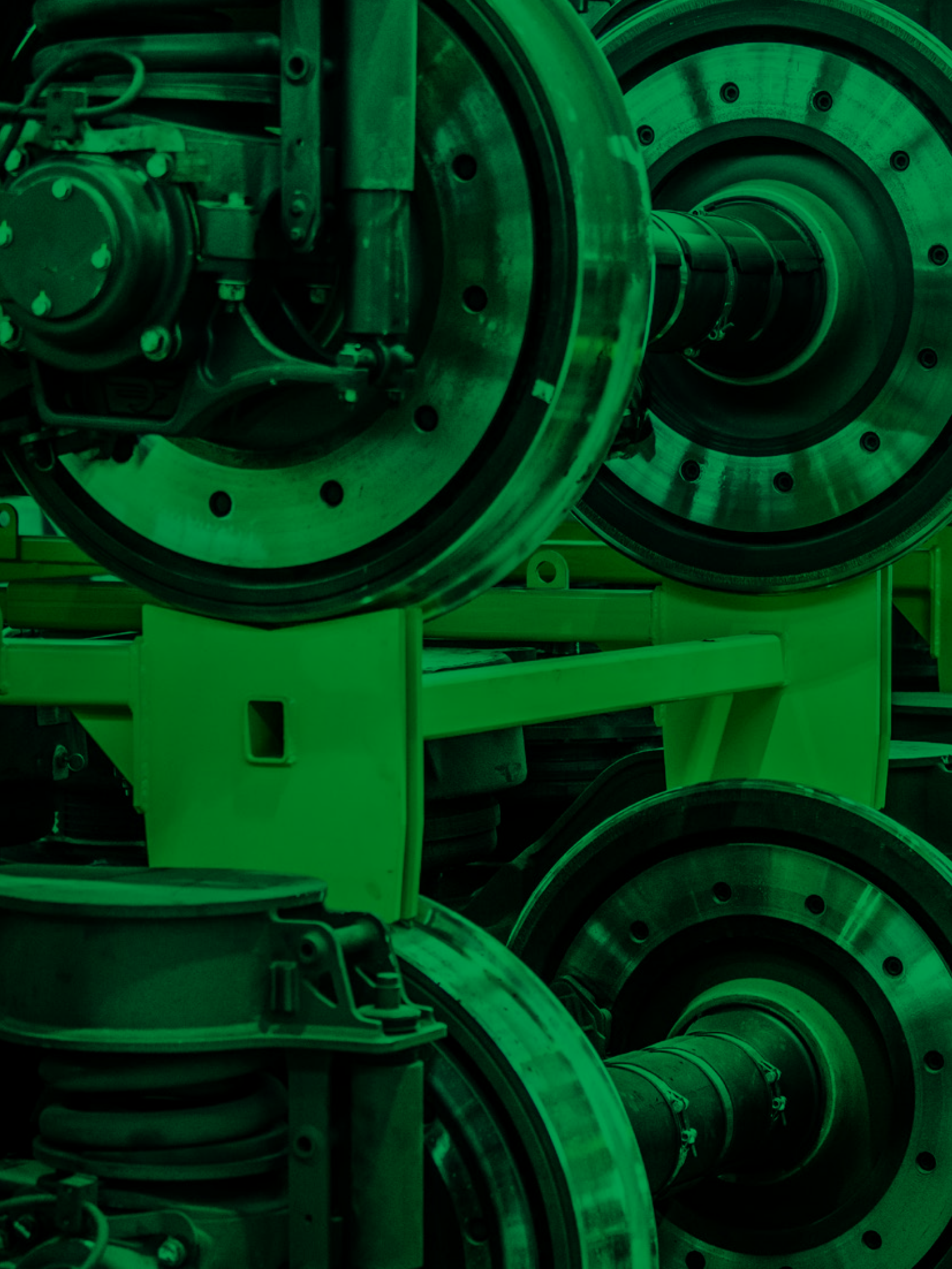
pay disparities between women and men. Our pay statistics show no tendency for pay disparities that can be attributed to gender.

In 2021, Norske tog implemented several initiatives to strengthen inclusion, the most important of which were:

- To always invite a minimum of one qualified female candidate and one candidate from a minority background to all second interview rounds.
- To provide all new employees with a buddy and mentor, as well as the onboarding programme, which includes a dedicated “railway school” with lectures about the special conditions associated with the Norwegian rail network.
- The company had a separate KPI on the proportion of females among employees and a goal for this to exceed 30 per cent in 2021 – a goal that was easily reached.
- Deliberate work to recruit women to project management positions resulted in two new female project managers.
- Systematic work to increase the number of employees from a minority background resulted in 5 out of 17 new employees recruited in 2021 being included in that category.

For 2022, Norske tog will continue the initiatives that the company has conducted so far and will also implement the following new initiatives to strengthen inclusion:

- New and higher target for the proportion of females in the company to exceed 40 per cent by the end of 2022.
- Implement statutory risk assessments in relation to equal opportunities and diversity.
- Implement risk assessments in relation to recruitment processes and consider improvements.
- When procuring recruitment services, we require the supplier to possess expertise relating to inclusion and to contribute to us meeting the targets we have set for Norske tog.
- Apply to participate in the government’s trainee programme for people with higher education qualifications and disabilities or gaps in their CV.
- Consider the possibility of creating apprenticeships, including for people with disabilities.
- Ensure that all employees who conduct or participate in interviews have participated in or watched the Norwegian Agency for Public and Financial Management’s seminar on inclusion efforts.

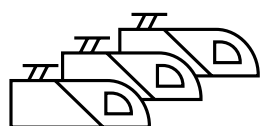




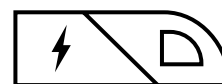
This year's articles

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.

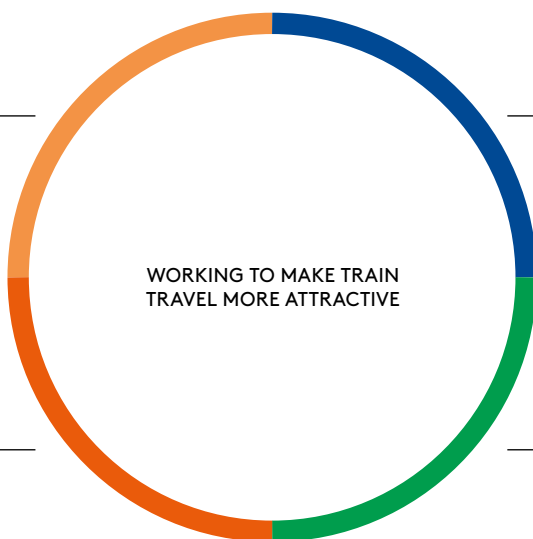
# Norske tog



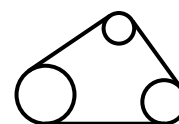
PROCUREMENT  
OF NEW TRAINS



ELECTRIFICATION  
- PURCHASE OF BIMODAL TRAINS



INSTALLATION OF  
MOBILE REPEATERS



SELF-DRIVING  
TRANSPORT

# How Norske tog works to make train journeys greener

Norske tog takes a sustainable approach to purchasing, maintaining and scrapping trains. The goal is to make train journeys even more attractive, while also reducing our own emissions from departure to arrival.

When more people choose to travel by train from A to Z, Norske tog helps meet the government's target of reducing greenhouse emissions from the transport sector. Norske tog's overriding objective is therefore to contribute to making train journeys as attractive, efficient and comfortable as possible. In order to achieve this, Norske tog is investing in new, comfortable, modern local trains, regional trains and long-distance trains. We are also making upgrades to older train sets that will remain in service for a few more years. Furthermore, we are also installing mobile amplifiers to improve mobile connectivity for train passengers and we are purchasing reclining seats for long-distance routes so that train operators can provide passengers with a better overnight train service.

In addition, Norske tog also works continuously to reduce its own emissions across the entire value chain, from train procurement to operation and scrapping.

Around 90 per cent of Norske tog's train sets are electric and generate zero emissions. At the same time, there is still room for improvement when it comes to the energy efficiency of the electric train sets we have and when it comes to replacing diesel-driven trains with electric or hybrid trains.

In this year's report, we explain how Norske tog works on sustainability along the entire train journey. The first chapter looks at ourselves and the working environment at Norske tog. We move on to how the company works to secure green financing for trains. We also look at how we use our purchasing power to influence suppliers to comply with UN Human Rights and also at the dilemmas we face on this journey. Finally, we talk about how Norske tog works on the scrapping and recycling of all retired train sets.

## **The most specialised working environment for trains**

The autumn of 2021 marked five years since Norske tog was divested from NSB and established as a separate company. During this period, Norske tog has developed a professionally strong organisation with highly specialised and knowledgeable employees.

In 2021, Norske tog recruited several new employees. The organisation now consists of 51 train enthusiasts. In Article 1, we talk about the people who work at Norske tog and what we do to ensure safe and climate-friendly train sets for the rail network.

## **Green financing of train journeys.**

Norske tog is a state-owned company and train procurements are financed by the Norwegian government guaranteeing 75 per cent of the book value of the vehicles above the national budget, as well as through borrowing in the bond market. In the last two years, Norske tog has been developing a framework for green financing, the Green Bond Framework, so that the company can borrow from the bond market in order to finance train procurements.

During the autumn of 2021, Norske Tog issued two green bonds totalling NOK 2 billion. Norske Tog also issued green bonds totalling NOK 1.2 billion during the autumn of 2019. Through this, Norske Tog has secured favourable financing for new electric regional and local trains.

Over the next few years, Norske tog will be acquiring up to 100 new long-distance trains, as well as the new local and regional trains. Our goal is for a number of these trains to be funded through the issuing of green bonds. We will tell you more about this in Article 2.



### Requirements and expectations for suppliers

The Norwegian parliament passed a Transparency Act in 2021. The new act, which is based on the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Responsible Enterprise, means that companies need to conduct due diligence on the working conditions at its suppliers.

The Transparency Act will apply to Norwegian companies, including Norske tog, from the summer of 2022. For us, as a company, this means that we need to conduct due diligence on, among other things, the working conditions at our suppliers. If we identify breaches relating to the contract, we will require changes to be made. At the same time, as a state-owned company, Norske tog has an obligation to comply with the Procurement Act. This act sets out strict requirements relating to matters such as excluding companies from tender competitions.

In Article 3, we will explain how Norske tog worked on these issues ahead of signing the agreements for the procurement of local trains from Alstom SA.

### Scrapping of old train sets

Norske tog works on sustainability by imposing requirements relating to energy consumption and emissions in connection with the procurement of new train sets and concerning reuse and recycling when scrapping trains.

Now that Norske tog is buying new local trains and long-distance trains, we require our suppliers to provide life cycle analyses for the trains, including calculations of energy consumption, noise, material consumption and the environmental footprint associated with disposal/scrapping.

When older train sets are retired and scrapped, our goal is to reuse and recycle as much of the materials as possible. This is an important part of Norske tog's work on the circular economy. Through a collaboration with the Norwegian recycling company Helliik Teigen, Norske tog has achieved a material recycling ratio of almost 90 per cent when scrapping old train sets.

In Article 4, we will talk more about how Norske tog works on the circular economy through professional management when scrapping older train sets.



Bimodal train set, Class 76

# The train enthusiasts at Norske tog

A total of 51 train enthusiasts and experts work at Norske tog. Let's meet some of them.

The autumn of 2021 marked five years since the rolling stock arm of NSB was separated from NSB and established as a separate limited company under the Ministry of Transport and Communications, tasked with procuring, owning and managing trains to lease out to the operators that run passenger trains in Norway.

The company was renamed in 2017 to Norske tog. 32 employees, all with extensive experience from NSB, followed the new company. Since then, Norske tog has grown substantially and the number of customers has increased from one to four and the number of employees from 32 to 51.

In 2021 alone, Norske tog recruited 17 new employees.

## Fun at work

Norske tog is the leading professional environment for the procurement, adaptation and management of railway vehicles in Norway. Norske tog employees need to possess specialist expertise on both trains and the unique Norwegian conditions that are crucial when procuring and managing trains. The Norwegian climate, with its wintry weather and snow, as well as the mountainous terrain, mean that the train sets need to fulfil a number of technical requirements in order to be suitable for Norwegian conditions.

The train enthusiasts at Norske tog come from varied backgrounds. 35 per cent of the company's employees are female. This is a high proportion in the traditionally male-dominated railway environment, but it is not high enough for us. Two out of five people in the management team are female.

The 51 employees represent a total of ten different nationalities and our colleagues hold passports from Italy, Iran, Sweden, Germany, Cuba, Romania, the UK, France, India and Norway.

Norske tog employees report high levels of job satisfaction and a strong sense of loyalty, according to the em-

ployee survey conducted in 2021. Both job satisfaction and loyalty increased from 2020 to 2021, despite the fact that the majority of employees have worked from home a lot and only had the opportunity to meet digitally during the year.

Norske tog is committed to including and involving all employees. New employees quickly come to learn their duties through the buddy and mentoring schemes. In the rest of this article, you will have the chance to get to know five Norske tog employees a bit better.

## Climbing on top of, under and inside trains

**Name:** Karoline Kjuus (28 years)

**Education:** Mechanical Engineer. Graduated from the University of Southeast Norway.

**Job:** Technical Inspector

**From:** Ski, Follo

During working hours, Karoline Kjuus can be found climbing on top of, under and inside trains. She works as a quality controller with Norske tog and conducts technical inspections of carriages, locomotives and motor coach sets.

"In practice, it is basically a complete inspection of the train. I carry out a visual inspection, which means that I visit the trains to look around and report on whether everything is as it should be. I also carry out functional testing from the driver's cabs in the train sets, where we check that things like IDU, PIS and GSM-R work as intended, carry out brake tests and check that all of the functions in the driver's cab work as intended; doors, steps and engine rooms, including cabinets, cables and valves. It's a pretty physical job, we climb onto the roof and underneath the trains, both externally and internally," Kjuus explains.



Karoline Kjuus



Julian Zeitzmann

She is a trained Mechanical Engineer specialising in product design and worked in the oil industry after graduating.

“The job I had in the oil industry was not all that different to my current role with Norske tog, except I worked on hydraulic subsea hoses rather than trains. The biggest difference is the fluctuations: In the oil industry, activity levels vary significantly and it gets really busy for a while, then it goes quiet and then it picks back up again. It is more balanced at Norske tog and there are plenty of opportunities to develop and lots of interesting projects taking place. I enjoy that,” she says.

Kjuus is one of 17 employees to join Norske Tog in 2021.

“I have gained a new colleague each month, but that has been great. The people who work here are different, in terms of age, gender and background. We have an excellent onboarding programme for new employees, which means that I have received close follow-up from my manager. I was also assigned a buddy and a mentor.”

## From oil to tram cars to trains

**Name:** Julian Zeitzmann (39 years)

**Education:** Graduated with a degree in Mechanical Engineering and Manufacturing. Graduated from the University of Bremen, Germany.

**Job:** Technical Project Manager for the procurement of new long-distance trains

**From:** Rügen in Germany

Julian Zeitzmann started in the oil industry before he joined Sporveien, where he procured trams. He now brews beer and works as the Technical Project Manager for new long-distance trains at Norske tog.

“I brew beer together with my brother. But let me just say that I enjoy the brewing more than the drinking. It’s important to clarify that when you work in transport,” Zeitzmann says with a laugh.

*“What did you find most surprising when you joined Norske tog?”*

“One of the biggest differences between Sporveien and Norske tog is that the latter feels a lot more close-knit. The company consists of around 50 people and we all get to know each other pretty well. Everyone’s based in the same place and we have lunch together. We’re almost like a big family.”

## First female engineer in the technical department

**Name:** Razieh Nejati Fard (34 years)

**Education:** Graduate Engineer, Electrical Power. Graduated from the Norwegian University of Science and Technology (NTNU).

**Job:** Special Adviser, Electrical Engineering.

**From:** Teheran, Iran

“I’m a train enthusiast! Trains are very climate-friendly and we can make them an even more climate-friendly mode of transport by replacing diesel with electricity. That’s something that is important to me,” says Razieh Nejati Fard.

She has been working at Norske tog since early 2019, initially as an Electrical Engineer and now as a Special Adviser responsible for electrical installations and traction systems, i.e. the electricity that propels the trains forward.

“When I joined, I was the first female engineer in the technical department at Norske tog. Norske tog now employs more female engineers, so there has been great progress in the last two years,” Fard explains.

She studied engineering and specialised in electrical power at NTNU and has worked on ship engines in the shipping industry and as a researcher at NTNU looking at mining in the seabed.

“I hadn’t really planned to leave research, but when I saw the job advert from Norske tog it felt just right for me. I fell in love with the job. When you work as a researcher it is very theoretical, but at Norske tog I have the chance to work on physical things. I also realised that it wasn’t quite right for me to conduct research into mining in the seabed. It destroys nature. I felt guilty when I was working on that,” she explains.

Fard is originally from Iran, but she and her husband moved to Trondheim together in 2011 to study. Now, they both live in Bærum, together with their son.

“When I joined Norske tog, I received excellent help and training from Erland Rasten, who has since retired. I could talk to him about all kinds of materials and all types of trains. It was incredibly educational. As an engineer, it’s important to me that I am able to have productive technical discussions with my colleagues, as well as having varied work tasks. And those are things I do have at Norske tog.”



Razieh Nejati Fard



## From air to rail to contributing to the green shift

**Name:** Vibeke Bergmo (44 years)

**Education:** Bachelor in Marketing and Tourism. Graduated from the BI Business School and Otto Treider.

**Job:** Key Account Manager

**From:** Nordreisa in Nord-Troms

“For me, the environmental perspective was crucial to my decision to switch workplaces from air to rail. Working at Norske tog allows me to contribute to the green shift,” says Vibeke Bergmo.

Vibeke joined Norske tog as a Key Account Manager in the middle of the pandemic, in August 2020, after working for the airline Norwegian for 17 years.

“I remember seeing the Norske tog role advertised and how I felt that it seemed perfect for me when it came to both work activities and the climate. I could have applied for hundreds of other positions, but I only applied for this one.

This was the job I wanted,” says Bergmo.

At Norske Tog, Bergmo is responsible for Traffic Package 2 North, i.e. the train traffic between Oslo and Trondheim and between Trondheim and Bodø. She is the main point of contact at Norske tog for the operator SJ Norge.

“This position allows me to be involved with several parallel processes and to juggle a lot of balls at the same time. Last autumn, for example, the new bimodal trains were put into service on the Trøndelag Line and that meant I had to work closely with suppliers, the Norwegian Railway Directorate, Bane NOR and the operator. I also work closely with and receive a lot of support from the various departments at Norske tog, such as the technical department, the legal department and finance.”

2021 was a challenging year and involved working from home a lot.

“It went well. I feel that we have become a family at Norske tog, there’s a strong sense of community and we spend a lot of time together, both at work and during our free time.”

## Newly qualified graduate engineer supported by mentor

**Name:** Simen Ellingsdalen (25 years)

**Education:** Graduated with a degree in Mechanical Engineering, Product Development and Manufacturing. Newly graduated from NTNU.

**Job:** System Engineer, bogie trucks and brakes

**From:** Skotbu, Akershus

Simen Ellingsdalen recently graduated from NTNU with an engineering degree and started his career with Norske tog in April 2021.

*“Do you have to be an expert in trains to get a job with Norske tog?”*

“Not all you, you will learn everything you need here! I’m generally quite technically-minded, but I didn’t know a great deal about trains when I joined. So it was nice to be assigned an experienced mentor in Guy Lorenzini. He is fun to work with and he knows everything like the back of his hand!”

Ellingsdalen explains that his experience of joining Norske tog has been positive.

“Norske tog is a relatively small company, so the working environment is great with little hierarchy. It’s easy to ask questions and chat to everyone. And we also have lots of great social events. We went on a bike ride together on Rallarvegen and we did a tennis course.”



Simen Ellingsdalen

## Green bonds for even greener train journeys

Norske tog has secured NOK 3.2 billion through green bonds issued in 2021 and 2019 to finance the procurement of new electric train sets. The electric trains will contribute to savings in greenhouse gas emissions compared to alternative transport if passengers choose to travel by train rather than car or bus.

In its annual environmental impact report, Norske tog highlighted the potential for reduced CO<sub>2</sub> emissions by replacing cars and buses with electric trains as a means of transport. Estimations show that the potential for savings in greenhouse gas emissions is at least 37,649 tonnes of CO<sub>2</sub> per year if passengers choose to travel on the new electric trains rather than using alternative means of transport.

As an environmentally friendly means of transport that contributes to reducing the climate footprint from the transport sector, the railway appeals to many green investors. This is why there was great interest when Norske tog issued two new green bonds, totalling NOK 2 billion, to the market during the autumn of 2021. The bonds were highly oversubscribed, with demand from both Norwegian and international investors. These green bonds have helped Norske tog secure favourable financing for 34 new electric regional and local trains, as well as contributing to the procurement of 30 new local trains.

Going forward, Norske tog has an ambition to finance the procurement of 17 long-distance trains using green bonds.

### The EU Green Deal

Norske tog's framework for issuing green bonds in the bond market, the Green Bond Framework, which was established in 2019, forms the basis for the successful borrowing. The ambition in developing this framework is for it to contribute to making the railway even more climate-friendly by making further investments in climate-friendly vehicles and supporting the significant investments made to expand and upgrade the Norwegian railway infrastructure.

Over time, Norske tog will work to adapt its framework and environmental impact reporting to be in line with the EU Green Bond Standard. The company's work on

sustainability and green financing must be viewed in light of the extensive climate work that is being undertaken in the EU – work that has a significant effect on Norway and Norwegian companies.

In 2019, the EU launched the European Green Deal – an ambitious plan laying out how Europe will become a net zero-emission region by 2050. The EU's Green Deal outlines how all sectors will, and must, cut their own CO<sub>2</sub> emissions, such that the net zero emissions target can be met. To achieve this, our energy systems, transport systems and consumption patterns must undergo a major restructuring. Fossil fuels must be replaced by renewable energy and materials need to be used and recycled in a much more efficient way.

In 2020, the European Commission reinforced the EU Green Deal through the introduction of a larger legislative package called 'Fit for 55'. The goal of this package of laws is to, by 2030, reduce the EU's CO<sub>2</sub> emissions by 55% compared to 1990.

### Gigantic climate investments

The European Green Deal also facilitates gigantic investments in greener, sustainable activities. Enormous amounts of renewable energy must be developed using solar, wind and water. A number of sectors, including transport, must adapt to these sources of energy. Only using public capital will not provide enough to actualise such ambitious plans. Private capital must also contribute. The EU has therefore adopted several regulations that aim to motivate private capital to invest sustainably. And this is where the EU Taxonomy comes in.

The taxonomy functions as a classification system that sets the criteria for exactly which activities are sustainable. This will help the finance sector, the public sector and individual companies in gaining a common understanding of what actually constitutes a sustainable



activity, or simply put: Which activities significantly contribute to our achieving the six defined climate and environmental objectives.

### 90 per cent electric

During the autumn of 2021, two of the six environmental and climate targets in the taxonomy were adopted; the limitation of climate change and climate adaptation. These two targets had already been implemented in January 2022.

In order for the transport sector to be defined as sustainable, it must convert to electrical energy by 2025. In this respect, Norske tog is particularly well-positioned. Around 90% of Norske tog's train sets are already electric.

Norske tog still owns 39 locomotives and train sets that run on diesel. These train sets were supplied in the 1980s and 2000s. From 2022, 14 Class 92 train sets are scheduled to be retired and replaced by electric or bimodal trains.

The remaining five Di4 locomotives will be retired when the new long-distance trains are delivered. The retirement of the final 15 Class 93 trains will depend on the pace of the procurement of further new trains and the electrification of routes.

### Green investment projects

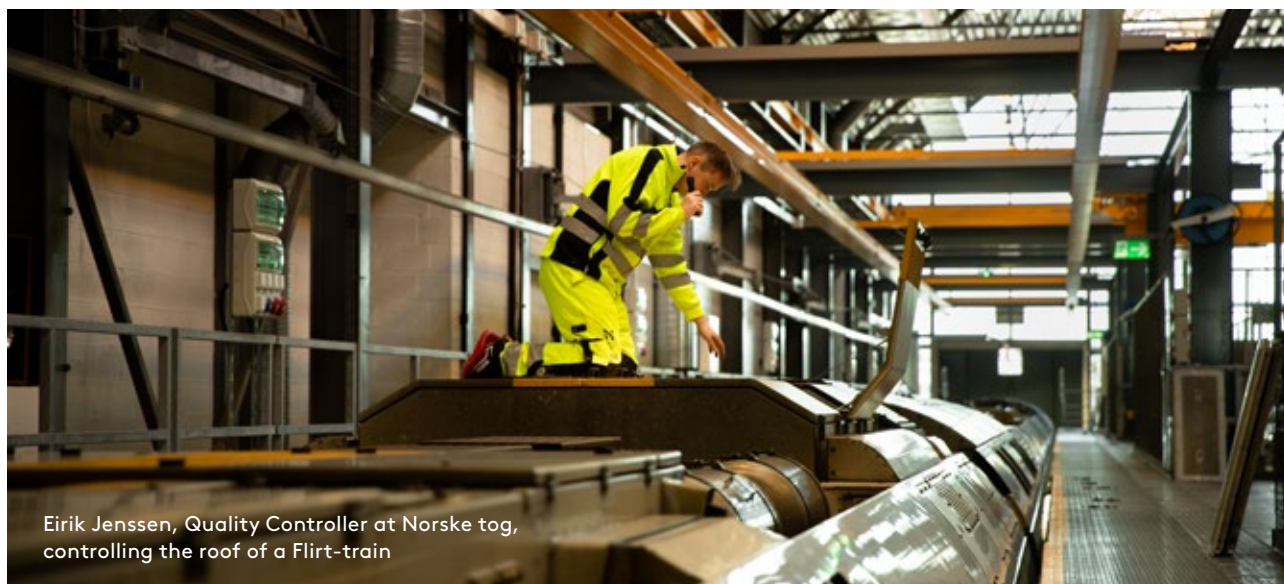
34 electric Class 74 and Class 75 train sets have been financed with funds from green bonds. The trains are manufactured by Stadler and are of the FLIRT type. The two train classes were ordered in 2018 and the last train set is scheduled for delivery to Norske tog in December 2022.

Both of these classes of train are adapted to the Norwegian climate, with its snow and cold winters. The trains can travel at up to 200 kilometres per hour and have a universal design so that passengers with impaired vision and varying degrees of disability can easily find their way around.

Flirt Class 74 are electric train sets that can be used on regional train journeys lasting up to three hours and are configured with 44 comfort seats.

Flirt Class 75 are electric train sets that will largely be used for local traffic in the Oslo and Bergen regions. These train sets are designed for shorter train journeys.

Additionally, funding has been set aside for allocation to the local train project for which the contract was signed in January 2022. Initially, the funds will be used to cover the advance payments for the 30 local trains that have been ordered, with estimated delivery scheduled for 2025.



Eirik Jenssen, Quality Controller at Norske tog, controlling the roof of a Flirt-train

# Requirements and expectations for suppliers

Norske tog buys trains and services from multinational groups with operations in many countries. Prior to major procurements, Norske tog conducts thorough processes to ensure that suppliers respect human rights and assume corporate social responsibility.

In December 2021, Norske tog announced that the company has entered into an agreement with the French train manufacturer Alstom concerning the purchase of 30 train sets worth NOK 4 billion. The train sets will be in service on the Østfold Line from 2025. Norske tog also secured the option to purchase an additional 170 train sets from Alstom.

Several parties, including the Norwegian Confederation of Trade Unions, are critical of the fact that Norske tog has awarded the local train contract to Alstom. The reason for this is that one of Alstom's subsidiaries was involved in a collaboration to build a light railway in East Jerusalem. As a result, Alstom was placed on a list of companies with activities in occupied Palestinian territory by the UN High Commissioner for Human Rights. Alstom has since withdrawn from the project in question, but is now involved in the tendering process for the development of the Jerusalem Blue Line.

It is important to Norske tog that we are transparent about the assessments we conduct prior to major procurements. In this article, we will explain how we work on assessments of potential suppliers ahead of major contracts.

## Must comply with Norwegian law

The starting point is that Norske tog, as a state-owned company, has to comply with the procurement rules set down in Norwegian laws and regulations. Such regulations impose strict requirements when it comes to excluding companies from competitions.

On the part of Norske tog, which buys goods and services from multinational groups with operations in multiple countries, this means that we may have suppliers whose operations involve indirect or direct violations of human or labour rights. This may either be within the supplier's own activities or through business associates. Such vio-

lations are not necessarily linked to the specific procurement made by Norske tog, but could be associated with other parts of the supplier's activities. There may be cases where there are violations of human and labour rights, but the procurement regulations do not allow for the exclusion of the supplier from a competition.

## Multinational groups

When Norske tog decided to buy new local trains, six suppliers pre-qualified to submit tenders. These were:

- Construcciones Auxiliar De Ferrocarrilles (CAF)
- Alstom Transport
- Bombardier Transportation (since acquired by Alstom)
- Hitachi Rail
- Siemens Mobility
- Stadler Rail

All six train manufacturers are major global groups with worldwide activities. A simple Google search would show that the companies or their subsidiaries have been criticised by the UN and several civil society organisations for individual projects or parts of their operations that are linked to violations of human and labour rights.

## Thorough investigations

As part of the tender competition, Norske Tog conducted a thorough process in order to assess the various suppliers in relation to the environment, human rights and corporate social responsibility.

As part of the due diligence measures associated with the procurement of new local trains, Norske tog conducted IDD (integrity due diligence) on pre-qualified suppliers. IDD means that Norske Ttog is able to identify the ownership structures of the supplier, as well as identifying any sanctioned companies and individuals, conduct regulatory checks and identify any links to tax havens, legal disputes, corruption or organised crime.

It was during this process that Norske tog identified that Alstom had been involved in supplying trains to a railway project in the occupied territory in East Jerusalem.

On this basis, Norske tog chose to obtain a legal opinion concerning Alstom's involvement in East Jerusalem from an external law firm, in which all questions and critical comments from the Norwegian Confederation of Trade Unions and others were considered. Norske tog engaged in dialogue with Alstom in relation to these matters and received satisfactory answers.

### Must have a court ruling

Norske tog's interpretation of the procurement regulations was that Alstom's involvement in East Jerusalem was not enough to exclude the company from participating in the tender competition, nor from being selected as a supplier. Pursuant to the procurement regulations, Norske tog cannot exclude a supplier from participating in a tender competition and justify such exclusion on these grounds.

Norske tog must follow up to ensure that Alstom conducts itself responsibly and we will engage in close dialogue with Alstom in relation to this matter going forward.

### Each case is unique

The review of the six suppliers that were pre-qualified to submit a tender for new local trains showed just how complicated and complex the situation is when looking to enter into agreements with multinational enterprises.

Norske tog imposes strict requirements on its suppliers with regard to compliance with human rights and the working conditions of their employees. At the same time, a company on the UN's list of companies (or one of its subsidiaries) that may be in violation of human rights is not automatically excluded from participation in tender competitions without specific assessments being carried out.

It is the actual tenderer/supplier that will be evaluated and that must be associated with any grounds for exclusion. As a general rule, neither the parent company nor affiliated companies may be identified together with the tenderer.

### New Transparency Act

In June 2021, the Norwegian parliament passed a new



Karoline Kjuus and Eirik Jenssen, Quality Controllers in Norske tog, onboard a Class 76 train

Transparency Act, which enters into force during the summer of 2022. The new Transparency Act is based on the UN's Guiding Principles for Business and Human Rights and the OECD Guidelines for Responsible Business.

The Transparency Act means that all Norwegian companies over a certain size must carry out due diligence on the working conditions of their suppliers and partners. In the event that Norwegian companies identify violations on the part of suppliers, the companies are expected to demand change. Non-compliance with such demands for change could in time provide grounds for termination of the contract.

Norske tog will be subject to the new Transparency Act. This is something we are very happy about.

# How train sets are dismantled like giant Lego pieces

In 2021, Norske tog sent two train sets, one airport train and one locomotive, for dismantling and scrapping. The trains were dismantled part by part. As much as 90 per cent of the trains have been recovered.

For Norske Tog, the work on the circular economy is important from a climate perspective and also because it contributes to securing adequate spare parts that Norske tog requires to repair train sets that are still in service.

In 2021, Norske tog sent two older train sets, one locomotive and one airport train, to be scrapped by our partner Hellik Teigen in Hokksund. As many as 22 train sets will be sent for scrapping at the recycling company in 2022.

The train sets are dismantled at Hellik Teigen piece by piece using heavy machines. It's almost a bit like dismantling a Lego structure, but with each Lego piece weighing up to 12 tonnes and measuring tens of metres long.

## A gigantic warehouse

All dismantled parts that can be reused in train sets that remain in service are subjected to functional quality checks before they can be used. The parts are carefully packaged onto various pallets before being transported to a warehouse the size of a football pitch that Norske Tog constructed in 2021. There, the parts are sent for functional testing before they can be used again.

At the warehouse, there is shelf upon shelf of spare parts in the form of electronics, transformers, control components, circuit boards, capacitors, refrigeration units, cables, train seats, cover panels for seat backs and walls and ceilings for train compartments – all of the spare parts that could be required when a 30-40 year old train has to go into the workshop for maintenance, repair or replacement of parts.

Bogie trucks are also stored at the Norske tog warehouse. A bogie truck is a wheeled assembly that attaches to the underside of the train set. Each bogie truck weighs

10-12 tonnes and requires specialist storage. Using large cranes, the bogie trucks are stacked on top of one another in twos in the enormous halls.

## Critical components

We refer to spare parts that have been discontinued, that are complex or time-consuming to obtain or particularly expensive as “critical components”. Such spare parts are essential for older train sets that are still operational to be repaired and remain in service for a few more years.

The dismantling of older train sets with Hellik Teigen is therefore crucial to Norske tog now being able to build up a stock of critical components.

## Originally a scrap dealer

The family-owned company Hellik Teigen started off as a scrap dealer 120 years ago. Today, the Hokksund company, which has 110 employees, is one of Norway's largest when it comes to the recycling of iron, other metals and EE waste.

At Hellik Teigen, enormous machines are used to crush ships and offshore installations as though they were matchsticks. Even train sets weighing several hundred tonnes are broken down like kindling when subjected to Hellik Teigen's heavy machinery.

Nothing is small at the former scrap dealer: Every year, Hellik Teigen recycles around 250,000 tonnes of scrap metal on behalf of its customers. Everything from train sets to ships and platforms is cut up and recycled.

The main focus is on recycling scrap metals in an environmentally friendly, safe and efficient manner. Recycling scrap metals is good for both the climate and the economy.



Hellik Teigen in Hokksund – scrapping of train carriage

## 30-year old trains

The two train sets that were sent to Hellik Teigen in 2021 were Class 70 train sets, electric motor coach sets consisting of four carriages. The train sets were supplied during the 1992-1996 period, which means that they are around 30 years old and by 2021 the train sets were in a poor technical condition. The train sets were used as regional trains in eastern Norway.

An old locomotive that was no longer required in the traffic packages was also sent for dismantling and scrapping in 2021 due to the need for spare parts for the remaining locomotives in service.

The same was the case for a train set that Norske tog bought from Flytoget in December 2020. The airport train set is similar to the Class 73 trains used by Norske tog and was bought to secure critical components for the company. The airport train set was therefore sent straight to Hellik Teigen for dismantling and scrapping after the acquisition of the train set in 2021.

In 2022, additional Class 70 train sets are scheduled for retirement in parallel with more Class 74 train sets being delivered as part of the fifth option under the FLIRT contract. In addition to the scrapping of Class 70, 14 Class 92 diesel-driven motor coach sets will also be sent for scrapping. These motor coach sets will be replaced by new bimodal Class 76 train sets in Trøndelag.

## Documenting the recycling ratio

To the untrained eye, the Hellik Teigen process involves tonnes of steel, kilometres of wires, electronics and transformers, heavy machinery and enormous refineries. However, behind the scenes there is a carefully planned process consisting of three stages:

### 1. Manual remediation

During this phase, hazardous waste is identified. Fluorescent tubes and lamps, as well as batteries, are removed from the train sets. Oil is emptied from all containers. The transformer oil from the train sets is purified. Capacitors, refrigeration units, cables and other electrical and electronic waste are also dismantled.

### 2. Machine cutting

During this phase, the train sets are cut into smaller parts using enormous mobile scissors.

### 3. Machine sorting

Any reusable components are sorted during this process. All cables are sorted. Cables are cut open and copper is recovered. The following fractions are also sorted: Pure coarse iron is moved to stationary scissors and mixed thin materials are sent for crushing in a giant "shredder", like those used in offices. Eddy currents, magnets and magnetic fluids are all used to help sort the metals. Manual sorting is also carried out for any parts that the machines are unable to sort correctly. Everything that can be sent to the refinery is sorted and sold on. Anything that cannot be reused is burned and turned into energy through heat recovery.

## 90 per cent material recovery

In 2021, Norske tog prepared a detailed report that documented the entire process associated with the scrapping of the two Class 70 train sets and measured the recycling ratio for all materials. These two train sets comprised a total of eight carriages and the report looked at the scrapping and material recovery for seven of the carriages, but only half of the bogie trucks for one of the train sets as these were required for other trains that remain in service.

The investigation found that the material recovery rate for the two train sets was as high as 89.7 per cent. Energy recovery represented 10.3 per cent. If all of the carriages had been included, i.e. the eight carriages and all dismantled components, the material recovery rate would likely have been even higher, perhaps as high as 93-94 per cent. This is because each bogie truck weighs 10-12 tonnes and is made of 100 per cent iron.

For Norske tog, the high material recovery rate is inspiring and shows how important and effective it is to focus on reuse and recycling throughout the entire value chain. Given the key role it has to play in achieving a more efficient and climate-friendly transport system, Norske tog considers it indispensable to recycle and reuse as much as possible when retiring old train sets.



Quality	Volume (kg)	Per cent
Oil	1,200	0.41
NiCD batteries	1,000	0.34
Transformer	4,895	1.69
Electric motors	2,630	0.90
Cable	2,385	0.82
EE waste	1,150	0.39
Metal fraction eddy current	98,000	33.86
Metal fraction metal finder	5,850	2.02
Iron / Shredder	37,400	12.92
Jern / Stasjonærsaks	70,200	24.25
Iron / Stationary scissors	29,850	10.31
Mineral mass	34,850	12.05
<b>Total</b>	<b>289,410</b>	







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	Explanation	Comment
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 trains 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	As of 31 December 2021, Norske tog had equity of NOK 3,297 million. The company targets an equity ratio of over 20%. The earnings model and plans for significant investments in new train sets 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 insignificant between the company and board members/senior employees are incorporated in the Code of Conduct and instructions for the Board of Directors and CEO.</p>	
Free negotiability	All of 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, makes up 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 one week in advance of the General meeting of the Ministry of Transport and Communications. The annual general meeting is opened by the chairperson of the Board of Directors. The general meeting subsequently elects a chairperson for the meeting.	
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 appointed by the Board of Directors. 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	Explanation	Comment
Corporate assembly and the Board of Directors: composition and independence	Norske Tog AS does not have a corporate assembly. In 2021, the Board of Directors comprised three shareholder-elected members, of which two were female and one was male, as well as one male employee-elected representative. The employee-elected board member is not part of the management group. The Board of Directors possesses broad experience from different areas of business and industry and has good knowledge of the company's operations.	The recommendation that board members should be encouraged to own shares in the company is not applicable.
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. The number of meetings convened in 2021 was 11 – five ordinary and six extraordinary board meetings. The Board of Directors draws up an annual plan for its meetings. The Board of Directors evaluates its work and expertise on an annual basis.	
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 of executive management	<p>A detailed overview of remuneration of senior employees in the company can be found in Note 23. 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.</p> <p>The Board of Directors' declaration on executive pay is considered as a separate agenda item at the annual general meeting.</p>	

Area	Explanation	Comment
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.
Take-overs	The company is wholly owned by the Norwegian state and classified as a Category 3 company.	Based on the ownership situation and the company classification, separate principles for company acquisition have not been drawn up.
Auditor	<p>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>Non-audit services provided by the auditor are reported to the Board of Directors each year.</p> <p>Norske tog AS also has an internal auditor.</p>	







Board of Director's  
Annual report





## Summary of results and trends for Norske tog AS in 2021

Activity levels at Norske tog were high in 2021, with the company working on the largest train procurement in Norwegian history. New local trains and long-distance trains are both due to be procured. The government is investing in the Norwegian railways and this has led to high levels of activity in the railway sector, including Norske tog.

In 2021, Norske tog announced that Alstom had won the contract to supply new local trains, which means that Norske tog will initially purchase 30 local trains from the company, with an option to buy an additional 170 trains. The company has also announced a tender competition for the supply of new long-distance trains and four suppliers have now pre-qualified to submit tenders.

The work to make the railway more environmentally friendly and also more attractive to passengers continued in 2021. During the year, Norske tog took delivery of ten bimodal trains from Stadler, which have been handed over to SJ Norge and were put into service on the Trøndelag Line during the autumn. These trains will replace diesel trains that are more than 30 years old. The new trains will contribute to a reduction in CO<sub>2</sub> emissions of 30 per cent per passenger. During the year, Norske tog also completed the installation of mobile amplifiers on board 184 train sets, resulting in improved and more stable mobile connectivity for passengers. Following an extraordinary allocation from the Norwegian parliament in order to improve overnight train services for passengers, Norske tog has entered into framework agreements with the Norwegian company Georg Eknes AS and the Czech company Borcad concerning the delivery of new reclining seats.

### Financial developments at Norske tog

In 2021, Norske tog achieved a profit of MNOK 161 after tax, up from MNOK 99 in 2020. This increase in profits can be attributed to lower costs, largely associated with backlogs in upgrades to vehicles and lower financial costs.

The financial result in 2021 was up MNOK 42 from 2020. The main explanation is the difference in loan values, amounting to NOK 57 million in 2021 compared to 2020. The result gives a return on book equity of 5.1% compared to 3.2% in 2020. In the long term, the

company aims to deliver a return of 5 per cent. The annual return may fluctuate over time, in line with the scale of planned investment in new train sets or modifications to existing vehicles.

Net cash flow from operations was MNOK 706 in 2021, compared to MNOK 1,112 in 2020. Net cash flow used for investments was MNOK 1,383 (compared to MNOK 840 in 2020). The company's working capital was MNOK 1,029 (MNOK -70 in 2020). The working capital has changed largely due to new borrowing. The balance sheet (debt and equity) was MNOK 13,030 in 2021, compared to MNOK 11,560 in 2020. The balance sheet total is higher as a result of investments in new trains and new borrowing.

Including profit for the year, equity amounted to MNOK 3,297 (MNOK 3,164 in 2020). The equity ratio is 25 per cent. Non-restricted equity amounts to MNOK 924 (MNOK 764 in 2020).

### 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 procures, owns and manages vehicles for rail passenger transport in Norway. The company enters into agreements with train operating companies that have a traffic agreement with the Norwegian Railway Directorate for the lease of train sets.

The state's goal as owner is cost-effective procurement and leasing of trains.

The quality and size of Norske tog's train fleet shall be adapted to the publicly funded passenger train service. Based on the conditions that arise from the Norwegian Railway Directorate's traffic agreements with train operators, operators pay a lease to Norske tog for the use of the company's vehicles.

### 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 will effectively facilitate access to a sufficient number of standardised and modern trains, in line with society's demand for passenger transport by train. In this way, the company will contribute to an integrated fleet of trains on Norway's railways.

Norske tog will 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 trains to all operators. 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 an overview 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. Financial risk is 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 at Norske tog report an average score of 79 per cent in terms of Job Satisfaction, up from 72 per cent in 2020. A score of between 60 and 74 per cent is considered "medium" and a score of between 75 and 100 is considered "high". In terms of Loyalty, the average score is 85 per cent, up from 80 per cent in 2020. In total, this shows that Norske tog's employees have high levels 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 2.3% in 2021. The

company recruited 17 employees in 2021 and said goodbye to five employees, three of whom retired. The increase in the number of FTEs is the result of a deliberate focus on ensuring adequate expertise and capacity to follow up on the procurement processes relating to local and long-distance trains.

Since its formation, Norske tog has worked to improve diversity in the company. The proportion of women has now increased to 35 per cent (18 out of 51 employees). The goal during recruitment has been to ensure that there is always one qualified female candidate and one candidate from a minority background invited to all second interview rounds. The systematic efforts to recruit well-qualified female candidates will continue in order to further improve the gender balance in coming years.

The efforts to increase the number of employees from minority backgrounds has also yielded results and Norske tog now has a more diverse group of employees.

Norske tog can confirm that the company has fulfilled its activity requirement pursuant to the Equality and Anti-Discrimination Act. Please refer to the section on page XX - 4. talented and developing working environment in the annual report.

There have not been any serious accidents or incidents involving Norske tog's vehicles in 2021. There were no reports of injuries to Norske tog's employees or passengers as a result of faults or defects in trains.

In 2021, Norske tog's Board of Directors was unchanged from the previous year, with three shareholder-elected members, two female and one male, as well as one employee-elected male representative. A new employee representative was elected in March 2021. Board liability insurance covering all board members, including deputies and the company's management team, has been taken out. Excluding the USA and Canada, the insurance is global and covers up to NOK 500 million per claim.

Please also refer 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 passengers choose to travel by train rather than car, bus or plane is important in reducing total greenhouse gas emissions from the transport sector.

Large parts of 2020 and 2021 were characterised by strict infection control measures related to COVID-19, with large parts of the population working from home. During the first half of 2021, the demand for train journeys in passenger traffic reduced significantly compared to similar periods in a “normal year”. Demand increased in the latter half of 2021, but declined towards the end of the year as a result of another wave of infections.

Before the pandemic, the Norwegian Railway Directorate estimated there would be an increase in passenger journeys from 80.4 million in 2019 to 112 million in 2033. This corresponds to an increase of nearly 40 per cent. The big question now is whether this growth is realistic for the coming years, even if society fully reopens. Multiple companies are accommodating a more flexible working day, with increased use of remote working and flexible hours. It is therefore difficult to predict how “a new normal” would affect passenger trends and the demand for train transport going forward.

Norske tog will continue to work on the following projects in 2022:

- The procurement of new long-distance trains, including the evaluation of tenders submitted during the tender competition. In the 2022 national budget, the company has been allocated an investment budget for the procurement of 17 new long-distance trains.
- ERTMS installation is well under way on board trains. The Nordland Line northbound and the northern part of the Gjøvik Line have been prioritised, as these lines will start using ERTMS from the end of 2022.
- The work on installing mobile amplifiers is continuing in 2022. Mobile amplifiers still need to be installed in Class 72 local trains and Class 93 regional trains. When the Flirt Class 74, 75 and 76 trains are due for mid-life upgrades, the mobile amplifiers on board these trains will also be upgraded.
- Together with the supplier, Siemens, Norske tog will install new “First of Class” train radios on four vehicle classes during the second half of 2022. This work involves obtaining train radio licenses, delivering training to the operators’ instructors and starting test operations of the radios in regular traffic.

- The overnight train service will be improved in 2022 and new reclining seats will be installed on all long-distance routes. The Oslo-Stavanger route is scheduled for completion first and passengers on the Sørland Line will be able to enjoy a better overnight product from as early as the start of March. During the summer of 2022, reclining seats will also be installed on trains running on the Nordland Line and the Dovre Line. Passengers travelling on the Bergen Line will also get a better overnight train service during the autumn of 2022 using “flatbeds” that allow the back of the seat to be laid completely flat.

## 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 are believed to 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 its financial management.

The company has had limited exposure to foreign currency risk, as the majority of costs have been in NOK. The new contract for the procurement of local trains has been entered into in EUR. The contract will not be currency hedged, as the Norwegian state acts as a self-insurer and has clearly expressed that it does not require the company to hedge currency risk for the procurement. Additional foreign currency costs will be covered through increased lease income and adjusted residual value guarantees for the procurement.

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 per cent 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 collaboration with KPMG, Norske tog has developed a framework for issuing green bonds in the bond market, the Green Bond Framework. Over time, this framework will be adapted to the EU's Green Bond Standard.

During the autumn of 2021, Norske tog issued two green bonds to the market, totalling NOK 2 billion, in order to finance the purchase of new electric train sets that can contribute to major annual cuts to emissions. There was significant interest from green investors in Norway and abroad and the bonds were fully subscribed to within a short period of time. Together with Norske tog's first green bond from 2019, when the company secured NOK 1.2 billion, the bonds have secured financing for Norske Tog to buy new electric local and regional trains.

Norske Tog has prepared four indicators for the company's reporting in the future, thereby ensuring that the funds are invested according to their purpose. The four indicators Norske tog needs to report on are: The number of electric trains procured, increased passenger capacity, increased passenger mileage and reduced CO<sub>2</sub> emissions.

#### 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, audits and extended follow-up analyses related to specific risk areas.

Norske tog is responsible for maintaining and, if possible, extending the technical service life of all vehicles owned by the company. Lack of government funding to maintain the service life 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 allows for the required upgrades.

A large proportion of Norske tog's train fleet is getting old and needs to be replaced. In order for the company to deliver a better train service in accordance with the expectations set out in the National Transport Plan (NTP) for 2022-2033, Norske tog will be dependent on being able to exercise the options in existing procurement agreements. It takes at least two years from exercising an option until the trains are delivered. One risk would be that the company is unable to secure the necessary budget allocations, or does so too late, resulting in an outdated train fleet and the desired improvements to train services not being completed due to a lack of trains.

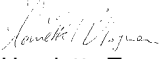
Another risk for the company is not being able to access the train sets at the right time to make major upgrades or changes. There is therefore a risk of projects being delayed. In 2022, this will largely relate to the installation of mobile amplifiers and new reclining seats for the improved overnight service.

Norske tog is in the process of completing the largest train procurement in Norwegian history. Both new local trains and new long-distance trains will be procured. This procurement is essential for maintaining the Norwegian train service and making the service more attractive. When a record number of trains need to be procured in such a short period of time, it is essential that Norske tog has the key expertise internally to properly follow up on the projects in terms of both efficiency and costs.

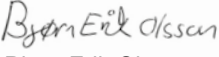
Oslo, 27 April 2022


  
Annette Malm Justad  
Chairperson

  
Espen Opedal  
Board member

  
Henriette Torgersen  
Board member

  
Marianne Abeler  
Board member

  
Bjørn Erik Olsson  
Board member

  
Øystein Risan  
CEO



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**R11 Skien**

11:00

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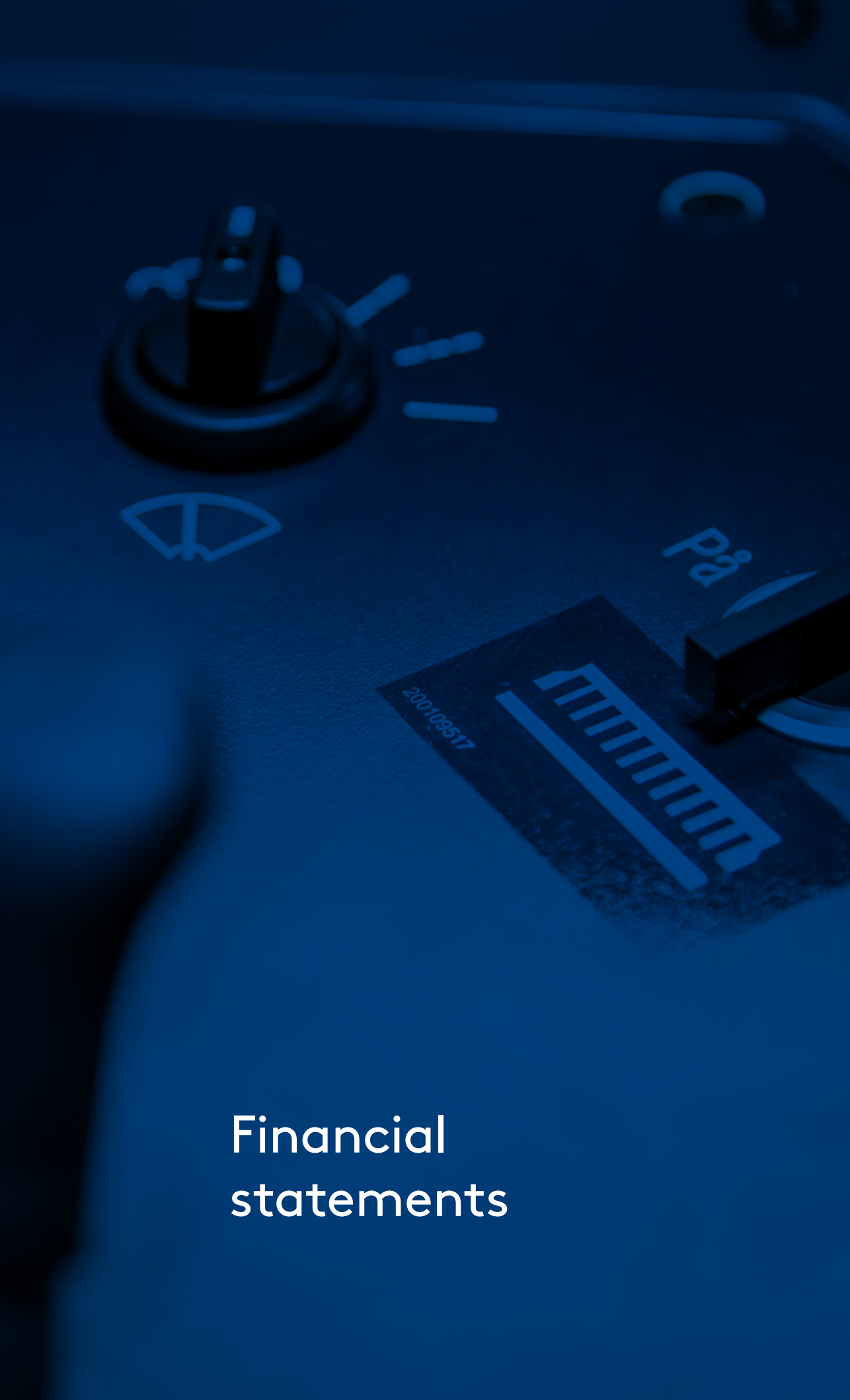
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# Financial statements





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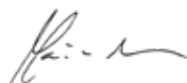
# Statement of comprehensive income

Income statement (All numbers in TNOK)	Notes	2021	2020
<b>Operating revenue</b>	<b>2</b>	<b>1,230,464</b>	<b>1,234,078</b>
Payroll and related expenses	12	41,008	43,735
Depreciation and impairment	17	708,574	715,327
Other operating expenses	18	144,963	175,815
<b>Total operating expenses</b>		<b>894,545</b>	<b>934,877</b>
<b>Operating profit</b>		<b>335,919</b>	<b>299,201</b>
<b>Financial posts</b>			
Financial income	19	59,704	80,525
Financial expenses	19	-213,254	-219,083
Net financial expenses - pensions	13, 19	-39	-123
Unrealised fair value changes	20	23,841	-33,507
<b>Net financial items</b>		<b>-129,748</b>	<b>-172,188</b>
<b>Profit before income tax</b>		<b>206,170</b>	<b>127,013</b>
Income tax expense	11	45,381	27,970
<b>Profit for the year</b>		<b>160,789</b>	<b>99,043</b>
Attributable to			
<b>Equity holders</b>		<b>160,789</b>	<b>99,043</b>
<b>Other comprehensive income</b>			
Profit for the year		160,789	99,043
<b>Items that will not be reclassified to profit or loss</b>			
Hedge account – currency	26	-36,250	
Tax related to items that will be reclassified	11	7,975	
<b>Items that will not be reclassified to profit or loss</b>			
Deviation retirement benefit obligations	13	-28	-5
Tax related to items that will not be reclassified	11	6	1
<b>Total comprehensive income for the period</b>		<b>132,492</b>	<b>99,039</b>
Attributable to			
<b>Equity holders</b>		<b>132,492</b>	<b>99,039</b>

# Statement of financial position

Balance sheet (All numbers in TNOK)	Notes	31/12/2021	31/12/2020
Property, plant and equipment	3	11,406,830	10,732,622
<b>Total non-current assets</b>		<b>11,406,830</b>	<b>10,732,622</b>
Trade and other receivables	4	359,214	34,044
Derivative financial assets	6, 7	476,499	503,439
Cash and bank deposits	8	787,493	290,329
<b>Total current assets</b>		<b>1,623,205</b>	<b>827,812</b>
<b>Total assets</b>		<b>13,030,035</b>	<b>11,560,433</b>
<b>Equity and liabilities</b>			
Ordinary shares and share premium	9	2,400,000	2,400,000
Retained earnings		896,730	763,823
<b>Total equity</b>		<b>3,296,730</b>	<b>3,163,823</b>
Borrowings	10	8,266,945	6,678,566
Deferred tax obligation	11	790,601	753,084
Retirement benefit obligations	13	2,406	2,635
Other accruals	21	43,927	38,572
<b>Total long term liabilities</b>		<b>9,103,879</b>	<b>7,472,857</b>
Trade and other payables	14	82,099	135,172
Borrowings	6, 10	499,104	749,046
Derivative financial instruments	6, 7	48,223	39,535
<b>Total short term liabilities</b>		<b>629,426</b>	<b>923,753</b>
<b>Total equity and liabilities</b>		<b>13,030,035</b>	<b>11,560,433</b>

Oslo, 27 April 2022


Annette Malm Justad  
Chairperson

Marianne Abeler  
Board Member

Espen Opedal  
Board Member

Bjørn Erik Olsson  
Board Member

Henriette Torgersen  
Board Member

Øystein Risan  
CEO

## Cash flow statement

Cash flow statement (All numbers in TNOK)	Notes	2021	2020
Profit for the period before income tax expense		206,170	127,013
Net financial items		164,248	180,261
Depreciation and impairment in the income statement	17	708,574	715,327
Net changes to obligations and retirement benefit oblig.	13	-295	-26,926
Changes to working capital		-372,887	116,073
<b>Net cash flow from operating activities</b>		<b>705,810</b>	<b>1,111,748</b>
Purchase of PPE	3	-1,388,790	-839,530
Proceeds from sale of PPE		730	-
Loss/(Gain) from sale of PPE		5,278	-
<b>Net cash flow from investment activities</b>		<b>-1,382,782</b>	<b>-839,530</b>
Interest paid on borrowings		-215,768	-292,264
Interest income		51,520	112,003
Other financial items		-61,350	-18,304
Proceeds from borrowings	10	2,900,000	-
Repayment of borrowings	15	-1,500,000	-1,517,500
<b>Net cash flow from financial activities</b>		<b>1,174,402</b>	<b>-1,716,065</b>
<b>Net change in cash and bank deposits for the period</b>		<b>497,430</b>	<b>-1 443 847</b>
Cash and bank deposits as at the beginning of the period	8	290,329	1,733,834
Foreign exchange gain/loss on cash and bank deposits		-267	341
<b>Cash and bank deposits as at the end of the period</b>		<b>787,493</b>	<b>290,329</b>

## Statement of changes in equity

<b>2021 (All numbers in TNOK)</b>	<b>Notes</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Specification hedge accounting</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 <sup>st</sup> of January 2021		100,000	2,300,000		763,823	3,163,823
Profit for the year		-	-	-	160,789	160,789
From other comprehensive income		-	-	-27,861	-22	-27,883
<b>Equity 31<sup>st</sup> of December 2021</b>		<b>100,000</b>	<b>2,300,000</b>	<b>-27,861</b>	<b>924,590</b>	<b>3,296,730</b>

<b>2020 (All numbers in TNOK)</b>	<b>Notes</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Specification hedge accounting</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>-</b>	<b>763,823</b>	<b>3,163,823</b>

# 1. General information and summary of key accounting policies

## General information

Norske Tog AS was incorporated on 16 June 2016.

The White Paper 27 (2014-2015) established that passenger train rolling stock previously owned by VyGruppen AS (formerly NSB) would be consolidated through a state-controlled rolling stock owner, in order to ensure low barriers to establishment and competition on equal terms.

## Purpose and scope of application of the company

The purpose of the company is to procure, own and manage rolling stock that is 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's operations shall have efficient operations.

Norske Tog AS is headquartered in Oslo.

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

The 2021 annual accounts were approved by the Board of Directors on 15 February 2022.

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

## Framework for presentation of the financial statements

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

The key accounting principles used in the preparation of the company accounts are described below.

The financial statements have been prepared on the basis of the historical cost

principle, except for financial derivatives and some financial assets and liabilities.

The company accounts have been submitted on the condition of continued operations.

## Key assumptions and accounting estimates

The application of the company's accounting principles involves the use of estimates and assumptions. Estimates and assumptions are continuously assessed and are based on historical experiences combined with expectations of future events that are deemed likely at the time of assessment.

Areas in which the use of estimates and assumptions are important to the company accounts:

### Financial assets and liabilities at fair value

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

The calculation of fair value uses estimates based mainly on observable prices which can change over time. Changed assumptions will result in changes in recognised values, with the differences reported through the statement of comprehensive income.

### Property, plant and equipment

The company continuously assesses the expected service life and residual value of fixed assets. This is significant for depreciation and amortisation for the year. Furthermore, the company also assesses the value of the fixed assets and whether there are any indicators of a decrease in value. An impairment assessment is carried out in the event that the recoverable amount is lower than the book value. These assessments involve a high degree of estimation.

### Estimated provisions for losses on contracts

The company conducts annual tests to assess provisions for losses on contracts for which there are negative operating results and thereby indications for a need

for provisions. An impairment assessment, cf. the above, is first performed for fixed assets used in contracts. The present value of future cash flows for the contract in question is subsequently measured. These assessments involve a high degree of estimation. Please refer to the note relating to provisions for a more detailed description.

### Pension obligations

During the 2020 financial year, the company settled its pension liabilities to the Norwegian Government's Pension Fund and no longer has any obligations to this scheme.

The company has an operating pension for employees who will be unable to accrue the right to a contractual early retirement pension under the new contribution scheme. This obligation will be payable only if the employee retires before turning 67 years of age.

## Segment information

Norske Tog AS has only one segment, the leasing of trains.

## Currency

### Functional currency and presentation currency

The financial statements have been presented using Norwegian kroner, which is both the functional and presentation currency of the company.

The company's operations take place solely in Norway.

Operating income and costs, procurements and financing costs predominantly occur in NOK, CHF and EUR. Transactions in foreign currencies are converted to functional currency at the time of the transaction. Currency gains and losses that arise during the conversion of items in foreign currencies are recognised in the statement of comprehensive income.

The company's operations take place solely in Norway.

## Revenue recognition

The company's revenue comes from leasing out rolling stock. Lease agree-

ments are classified as operational lease agreements in accordance with IAS 17 and revenue is accrued linearly over the lease period, as the lease agreements are based entirely on fixed prices. Lease agreements are invoiced monthly in advance. Leasing income is not covered by the scope of IFRS 15, the company considers the leasing out of trains for passenger transport to be covered by IFRS 16.

### Property, plant and equipment

Property, plant and equipment are recognised on the statement of financial position at acquisition cost less depreciation. Acquisition cost includes costs linked directly to the acquisition of the fixed asset so that it is ready for use.

Subsequent expenses are recognised on the statement of financial position when it is likely that future financial benefits associated with the expense will accrue to the company and the expense can be measured reliably. Other repair and maintenance costs are recognised on the statement of financial position for the period during which the expenses are incurred.

Larger projects are recognised on the statement of financial position at the following times:

1. The payment of advances at the time of entering into contracts is classified as advance payment, part delivery, trains (see Note 3)
2. When progress milestones have been achieved, Norske Tog (PTO) is invoiced and the cost is classified as advance payment, part delivery, trains (see Note 3)
3. Upon handover of train sets to Norske Tog AS and on to the customer, part delivery, trains, is capitalized and the remaining cost of the means of transport is estimated for depreciation
4. Upon receipt of the final invoice (FTO), the estimated value is capitalized for depreciation is calculated

Borrowing costs incurred in connection with the construction of operating assets are activated as part of plant under construction and included in the basis for depreciation.

The company works on multiple major procurements. Since 2021, the company has started to capitalize the hours spent on larger projects by its own employees.

This will lead to increased value of fixed assets and a corresponding reduction in payroll costs.

Fixed assets are depreciated in accordance with the linear method, so that the acquisition cost of the fixed asset is depreciated at residual value over the anticipated service life within the following intervals:

There may be certain cases in which some fixed assets have less service life remaining than the 10 years mentioned below and the depreciation period will then be the expected service life of the fixed asset.

Vehicles 10-30 years

Right-of-use assets (IFRS 16) 2-12 years  
The depreciation method, service life of the fixed assets and residual value are assessed each statement of financial position day and amended as necessary.

Gains and losses upon retirement of fixed assets are recognised in the statement of comprehensive income and constitute the difference between the sales price and book value.

### IFRS 16 Leasing

IFRS 16 entered into force on 1 January 2019.

#### Leasing out

Norske Tog AS's revenue from leasing out rolling stock will be covered by IFRS 16. In relation to Norske Tog AS's leasing contracts, IFRS 16 results in only minor changes to disclosure requirements. Norske Tog AS owns the trains that are leased out and, pursuant to IFRS 16.C14, no adjustments to accounting will be implemented during the transition.

#### Leasing

Pursuant to IFRS 16, the lessee must recognise all lease agreements on the statement of financial position by incorporating all liabilities to pay the lease amounts during the lease period, as well as associated usage rights for the underlying assets. All lease agreements that transfer rights to the lessee to control the use of an identified asset and receive financial benefits must also be recognised. There will no longer be any difference in accounting for financial and operational lease agreements.

### Impairment

Fixed assets that are depreciated are tested for impairments only when there are indicators that future earnings cannot justify the value recognised in the balance sheet.

Impairment are performed if the value recognised on the statement of financial position is higher than the recoverable amount. The recoverable amount is the highest of the sales value less sales costs and the utility value.

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

### Derivative instruments and hedging

The company enters into derivative instruments to hedge interest rates and foreign currency risks on long-term debt in order to ensure predictability and to achieve the lowest possible price, as well as price predictability.

The company practices hedge accounting for foreign currency futures associated with future procurements, but not for interest rates and foreign currency swaps associated with bonds – see Note 26. Derivative instruments are recognised on the statement of financial position at fair value at the time of entering into derivative contracts and are continuously adjusted to fair value in the profit and loss statement. Changes in the fair value of concluded derivative contracts associated with debt are recognised in the statement of comprehensive income as financial items.

The company has had limited exposure to foreign currency risk, as the majority of costs have been in NOK. The new contract for the procurement of local trains has been entered into in EUR. Contracts will not be subject to currency hedging, as the Norwegian government is a self-insurer and does not want the company to hedge procurements. Norske Tog will cover additional foreign currency costs through increased lease income and adjusted residual value guarantees for procurements.

Foreign currency futures contracts have been entered into in order to currency-

hedge future payments in accordance with the contract entered into for mid-life upgrades to Class 72 (local train) train sets entered into in EURO. The foreign currency futures contracts have been recognised at fair value. Hedge accounting managed through cash flow hedging is used in the company.

The part of the change in value of the hedging instrument considered to be effective hedging is recognised in other comprehensive income and classified as cash flow hedging reserve in equity. Upon payment, the corresponding value change is reclassified from cash flow hedging reserve to Property, plant and equipment (classified as plant under construction until the mid-life upgrades have been completed).

Financial derivative instruments are recognised in accordance with IFRS 9.

#### Financial assets held for trading purposes

A financial asset is classified as held for trading purposes if it has been acquired primarily for the purpose of making profits relating to short-term changes in value.

#### Receivables

Receivables include trade receivables and are measured upon initial recognition on the statement of financial position at the original value considered to be fair value.

In subsequent measurements, trade receivables are measured at amortised cost, determined using the effective interest method less provisions for expected bad debts. Provisions for bad debts are recognised on the statement of financial position when there are objective indicators that the company will not receive settlement in accordance with the original terms.

The transition from an incurred loss model in IAS 39 to an expected loss model in IFRS 9 will result in losses on receivables being recognised at an earlier stage.

In December 2019, Norske Tog AS gained a new main customer, Go-Ahead Norge AS, which now operates Traffic Package South (started on 15 December 2019). SJ Norge AS operates Traffic Package North (started on 8 June 2020). Vy tog now operates Traffic Package

West (started on 13 December 2020). VyGruppen AS operates the rest of the traffic packages in Norway. Norske Tog has not identified a need to increase provisions for contract losses on receivables as of 31/12/2021.

#### Cash and bank deposits

Cash and bank deposits include contingent tax withholding funds and have been specified in Note 8.

In cases where overdraft facilities are used, these have been included in borrowing under short-term liabilities.

#### Borrowing

Borrowing is measured upon initial recognition at fair value, adjusted for directly attributable transaction costs.

In subsequent periods, borrowing is generally measured at amortised cost using the effective interest method, so that the effective interest is the same throughout the term of the loan.

The company has multiple bonds for which associated interest rate and foreign currency swaps have been entered into. Where measuring and reporting on the use of options for measuring at fair value provides more relevant information by eliminating or significantly reducing inconsistent measuring of borrowing and associated interest rate swaps, this principle will form the basis for reporting. The principle used will be chosen in connection with each loan being taken out and will be binding for the term of the loan.

In connection with the business transfer from VyGruppen AS, Norske Tog AS acquired borrowings on 9 December 2016.

The company acquired the following borrowings at the following values:

Bond, nominal value:  
TNOK 5,886,250

Bond, fair value:  
TNOK 7,561,273

#### Tax

The tax expenses for the period consist of tax payable for the period and changes to deferred tax.

Deferred tax is calculated on all temporary differences between taxable and

accounting values, as well as the tax effects of loss carry-forwards. Deferred tax is determined using tax rates and tax rules adopted on the balance sheet date. Deferred tax advantages are recognised in the balance sheet to the extent that it is likely that the advantage can be used.

Deferred tax advantages and deferred tax are offset if there is a legal right to offset and this applies to income tax imposed by the same tax authority for (i) the same taxable company or (ii) different taxable companies for which the purpose is to settle the tax positions on a net basis.

#### Pension obligations

Norske Tog switched to a defined contribution plan on 1 January 2019 in which the company pays a contribution towards the employee's future pension without any further obligations after this contribution has been paid. The contributions are recognised as personnel expenses.

In 2020, the company settled its liabilities to the Norwegian Government's Pension Fund.

#### Other short-term liabilities

Other short-term liabilities include trade payable and are measured upon initial recognition at nominal value considered to be fair value. In subsequent measurements, trade payable are assessed at amortised cost, determined using the effective interest method.

#### Measurement of fair value

The company measures several financial assets and liabilities at fair value. For the classification of fair value, the company uses a system which reflects the significance of the input used to make the measurements, broken down 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 from input based on other observable factors, either direct (price) or indirect (derived from prices), than the quoted price (used in level 1) for the asset or liability.

##### Level 3

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



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

### **Changes to accounting principles, new standards and interpretations New and amended standards and interpretations that have been adopted**

New standards and interpretations that have not yet entered into force and that have not been applied

#### **Changes to IFRS 3 Mergers**

Here, there was only one update in the reference to IFRS 3 for the “Conceptual Framework” for financial reporting, without any changes to the actual requirements relating to mergers.

#### **Changes to IAS 16 fixed assets – COVID-19**

Regarding decrease in income in relation to COVID-19. As the Norwegian government has so far provided support to the

operators that lease trains from Norske Tog, this will not affect the company as long as this support remains in place.

#### **Changes to IAS 16 fixed assets**

A company cannot reduce the costs of fixed assets by selling such produced fixed assets while they are being constructed for their originally intended use. This must be included in income or costs. This will not affect the company, as such transactions rarely/never take place.

#### **Changes to IAS 37 Provisions, contingent liabilities and contingent assets**

Costs relating to loss contracts must be specified. This should not be relevant to the company.

#### **IFRS 1 Initial implementation of IFRS**

Annual improvement measures. Not relevant, as the company has already implemented IFRS.

### **Already implemented measures**

#### **IAS 1 Specification of short-term and long-term liabilities**

Already implemented in accounts.

#### **New standards and interpretations that have not yet entered into force and that have not been applied**

Annual improvement measures relating to IFRS 9 Financial instruments and IFRS 16 Leasing.

Amendments relating to IAS 12 Tax.

Amendments relating to IFRS 17 Insurance contracts.

These are not expected to affect the company.

#### **Other**

IASB has also adopted some minor changes and specifications in several different standards. None of these changes are deemed to have any significant impact on the company.

## 2. Segment information

Norske Tog has only one operating segment – leasing out trains

<b>Analysis of operating income by category</b>	<b>2021</b>	<b>2020</b>
Leasing revenue	1,225,206	1,232,423
Other revenue	5,258	1,654
<b>Total</b>	<b>1,230,464</b>	<b>1,234,078</b>

Other operating income includes a gain of TNOK 158 on the sale of fixed assets.

#### **Information about major customers**

Norske Tog has four customers. Traffic Package 1 South – Oslo-Kristiansand (Go-Ahead), Traffic Package 2 North - Oslo-Bodø (SJ Norge AS). Traffic Package 3 West - Oslo-Bergen (Vy Tog). Together with VyGruppen AS, these three companies account for 100 per cent of leasing income.

<b>Overview future leasing agreements (nominal numbers)</b>	<b>2021</b>	<b>2020</b>
Leasing agreements next 12 months	1,249,231	1,248,429
Leasing agreements next 2-5 years	2,940,351	2,861,537
Leasing agreements more than 5 years	1,367,220	1,114,525
<b>Sum</b>	<b>5,556,802</b>	<b>5,224,491</b>

#### **Leasing out**

Norske Tog AS's income from leasing out rolling stock will be covered by IFRS 16. In relation to leasing contracts, IFRS 16 only results in minor changes to disclosure requirements. Norske Tog AS owns the trains that are leased out and, pursuant to IFRS 16.C14, no adjustments to accounting will be implemented during the transition.

### 3. Property, plant and equipment

	Machin- ery and equipm.	Transpor- tation	Partially delivered trains	Under construction	Right-to- use other assets	Total
<b>At 1<sup>st</sup> of January 2021</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>Year ended 31<sup>st</sup> of December 2021</b>						
Opening net book value	37,412	9,676,355	893,834	83,545	41,477	10,732,622
Additions	2,253	-1,161	256,177	1,119,005	12,516	1,388,790
Disposals	-	-24,187	-	-	-	-24,187
Accum. depr. disposals	-	18,179	-	-	-	18,179
Transfers within PPE	45,831	1,403,212	-957,383	-491,659	-	-
Depreciations	-15,646	-687,444	-	-	-5,484	-708,574
<b>Total</b>	<b>69,850</b>	<b>10,384,953</b>	<b>192,628</b>	<b>710,890</b>	<b>48,509</b>	<b>11,406,830</b>

<b>At 31<sup>st</sup> of December 2021</b>						
Accumulated acquisition cost	130,079	13,893,869	192,628	710,890	59,280	14,986,747
Accumulated depreciation	-60,229	-3,508,916	-	-	-10,771	-3,579,916
<b>Total</b>	<b>69,850</b>	<b>10,384,953</b>	<b>192,628</b>	<b>710,890</b>	<b>48,509</b>	<b>11,406,830</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>6,013</b>	<b>9,599,430</b>	<b>978,076</b>	<b>15,373</b>	<b>9,528</b>	<b>10,608,420</b>

<b>Year ended 31<sup>st</sup> of December 2020</b>						
Opening net book value	6,013	9,599,430	978,076	15,373	9,528	10,608,420
Additions	385	-1,064	328,018	476,251	35,940	839,530
Disposals	-	-6,274	-	6,274	-	-
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>41,477</b>	<b>10,732,622</b>

<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>

The company's trains have an anticipated service life of between 10 and 30 years when put into service. The reason for the difference in service life is the decomposition of the trains pursuant to IAS 16. Train sets are normally depreciated over 30 years, while the train interior (seats, floors, etc.) is normally depreciated over 10-15 years. The company also depreciates office furniture, software, computers and technical equipment, for which the depreciation period may be as short as three years.

#### Partially delivered trains

Part delivery of trains consists exclusively of advance payments in accordance with agreements. There has been no form of physical delivery of trains to Norske Tog. Upon takeover of new trains, the advance that has been paid will be credited and reposted immediately to plant under construction pending capitalisation.

#### Plant under construction

Plant under construction consists of train sets that have been delivered to Norske Tog but that have not yet been delivered to

the operator and put into service. Upon the operator's takeover of the train sets, the full value of each train set is activated as a means of transport and depreciation starts. Plant under construction also includes high-cost components, change orders or smaller projects that will be included in the train or another agreed delivery and for which delivery has taken place but the train or delivery has not yet been activated.

#### Machinery and equipment

Consist of IT systems, IT equipment and fixtures that are not directly linked to trains.

In 2021, the company capitalised hours spent on projects for its own employees (plant under construction). When the assets are put into service, the value of these capitalised hours forms part of the assets. TNOK 19,985 was activated in 2021. See also the note relating to accounting principles.

The interest recognised for 2021 was TNOK 28,884 (2020: TNOK 26,670). The average interest rate for 2021 was 2.74% (2020: 2.93%).

## 4. Trade and other receivables

	2021	2020
Trade receivables	99,884	24,192
Less: provision for impairment of receivables	-	-
Trade receivables - net	99,884	24,192
Prepayments	-	-
Other receivables	259,329	9,851
<b>Total trade and other receivables</b>	<b>359,214</b>	<b>34,044</b>
<b>Total</b>	<b>359,214</b>	<b>34,044</b>

The book value of accounts receivable, advance payments and other receivables corresponds to fair value:

Maturity of receivables	2021	2020
Matured receivables on balance sheet date	6,901	21,137
Matured between 0 - 2 months ago	5,421	20,397
Matured between 2 - 6 months ago	-	-
Matured more than 6 months ago	1,480	741

## 5. Financial risk management

### Asset management

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

The company invests parts of surplus liquidity in interest-bearing products, such as deposits, certificates and bonds with limited terms remaining. The company did not make any short-term investments in 2020 or 2021 other than bank deposits.

Norske Tog shall be a solvent company with a high rating and low financing costs. Standard & Poor's has given the company a credit rating of A+ (stable) for long-term borrowing, which is considered a good credit rating.

### Financial risk factors

The company's activities entail different types of financial risk: market risk (foreign currency, interest and price risk), credit risk and liquidity risk. The company's requirements concerning risk management focus on the unpredictability of the capital markets and seek to minimise the potential negative impact on the company's financial performance. The company uses financial derivatives to hedge against certain risks. The finance department identifies, measures, hedges and reports on financial risk in collaboration with the various projects.

### Market risk

#### Foreign currency risk

Foreign currency risk is the risk of fluctuations in foreign currency exchange rates leading to changes to the company's profit and loss, balance sheet or cash flows.

The company operates in Norway and makes procurements from foreign suppliers and is therefore exposed to foreign currency risk. The objective is to create predictability with regards to future payments in NOK through financial hedging agreements or agreements with the government covering foreign currency risks and any increased expenses resulting from changes to foreign currency exchange rates.

All borrowing in foreign currencies is hedged using foreign currency swaps and changes in value are equivalent to value changes in derivatives. The company is

therefore not exposed to foreign currency risk on liabilities.

#### Sensitivity analyses as of 31/12/2021

Foreign currency risk is calculated based on procurements in foreign currency with associated foreign currency futures. A change of 20% in a foreign currency exchange rate would, in isolation, lead to an estimated value change of 138 MNOK.

Norske Tog generally makes major procurements in foreign currencies. In 2021, a contract was entered into in EUR for the upgrading of Class 72 local trains (36 train sets). The contract was hedged using foreign currency futures and the company applied hedge accounting. The company monitors foreign currency exposure in projects and conducts risk assessments of consequences and measures on an ongoing basis.

The company has had limited exposure to foreign currency risk, as the majority of costs have been in NOK. The new contract for the procurement of local trains has been entered into in EUR. Contracts will not be subject to currency hedging, as the Norwegian government is a self-insurer and does not want the company to hedge procurements. Norske Tog will cover additional foreign currency costs through increased lease income and adjusted residual value guarantees for procurements.

#### Interest risk

Interest risk is the risk of the fair value of a financial instrument or future cash flows fluctuating as a result of changes in the market rate.

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 that regulate the proportion of loans that shall be interest-adjusted for a twelve-month period, as well as for the fixed interest rate on the portfolio.

The company aims to hedge approximately 70% of interest and 100% of foreign currency in the borrowing portfolio. As of 31/12/2021, 21% of the company's borrowing portfolio is subject to variable interest and 3M and 6M NIBOR are used.

Interest derivatives are exposed to changes in the interest rate, changes to fair value are recognised in profit and loss when hedge accounting is not used.

#### Sensitivity analyses as of 31/12/2021

Interest risk is calculated on the basis of long-term liabilities recognised in the balance sheet with associated interest rate swaps. An interest rate change of 50 basis points would, in isolation, lead to an estimated value change of 165 MNOK. Since the company has no significant interest-bearing assets, the company's results and cash flow from operations are largely independent of any changes to the market rate.

Norske Tog uses reference rates in loan agreements and derivatives contracts and the company is primarily exposed to NIBOR and CHF LIBOR. The risk of any changes related to reference rates is considered low, since the company has a high proportion of fixed interest rates. The company does not use hedge accounting.

#### Liquidity risk

Liquidity risk is the inability to fulfil ongoing financial obligations at the right time.

The company's management monitors the company's liquidity reserves, which consist of borrowing facilities and cash equivalents in connection with rolling forecasts for expected cash flow.

Norske Tog reduces its liquidity risk associated with financial obligations through a distributed maturity structure, access to multiple financing sources in Norway and internationally, as well as adequate liquidity to cover scheduled operating, investment and refinancing needs without additional borrowing within a 12-month period. Liquidity consists of bank deposits and a revolving credit facility of 3,000 MNOK, which expires in June 2026.

Norske Tog has a high credit rating. Standard & Poor's has given the company a credit rating for long-term borrowing of A+ (stable). The high credit rating gives Norske Tog ample access to foreign capital. No more than 25% of the company's liabilities shall fall due for payment within a 12-month period and the average remaining duration of the borrowing portfolio shall be approximately 2-5 years.

The table shows future due dates for the company's contractual obligations as of 31/12/2021:

<b>Liquidity risk</b>	<b>&lt; 1 year</b>	<b>1 - 2 years (2023)</b>	<b>2 - 5 years (2024-2026)</b>	<b>&gt; 5 years</b>
Short term liabilities	47,031	33,073	57,061	26,741
Borrowings	350,000	1,238,332	2,850,000	4,050,000
Derivatives			-468,990	
Future interest payments	206,007	195,058	491,004	213,583
New trains	1,274,363	257,329	2,946,415	77,199
Property, plant and equipment	322,941	316,574	912,268	3,085

Future interest rate payments are based on the interest rate and borrowing portfolio as of 31/12/2021.

The table shows future due dates for the company's contractual obligations as of 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

Future interest rate payments are based on the interest rate and borrowing portfolio as of 31/12/2020.

### Credit risk

Credit risk refers to the losses the company may incur if a counterparty fails to settle its financial obligations. The company's exposure to credit risk is mainly affected by individual factors relating to each customer.

As of 31/12/2021, the company has four major customers, VyGruppen AS, Go-Ahead Norge AS, SJ Norge AS and Vy Tog AS. VyGruppen AS (which owns 100% of Vy Tog AS) is wholly owned by the Ministry of Transport and Communications. Please refer to Note 24 concerning COVID-19 and the impact on Norske Tog's customers dur-

ing the pandemic. Norske Tog will carefully monitor developments in rail passenger transport going forward. Due to the COVID-19 pandemic, travel patterns may have changed permanently or take some time to be restored to the previous normal levels. Norske Tog also has counterparty risk in interest and foreign currency derivatives and focuses on this risk in financial transactions by deliberately spreading exposure across multiple counterparties.

Strict requirements are imposed in relation to the creditworthiness of the counterparty and the requirement is that the counter-

party to any financial transactions must have at least an A- rating from S&P or the equivalent from another international rating agency at the time of entering into the agreement. Counterparty risk is monitored continuously and Norske Tog has agreements in place to govern legal offset rights in the event of a bankruptcy situation (ISDA agreements) with four banks.

In the event of surplus liquidity, such surplus liquidity may be invested in short-term Norwegian bonds and certificates.

<b>Norske tog assesses maximum credit risk to be the following:</b>	<b>2021</b>	<b>2020</b>
Cash and bank deposits	787,493	290,329
Financial derivatives	476,455	503,439
Trade receivable and other short-term receivables	109,582	34,044
<b>Total</b>	<b>1,373,530</b>	<b>827,812</b>

## 6. Derivative instruments

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Hedge derivatives (fair value other compr. Income)				
Hedge instruments	44	32,957		
Other hedge derivatives (fair value in ordinary profit)				
Interest- and currency rate swaps	476,455	-	503,439	-
Interest rate swaps	-	15,266	-	39,535
<b>Total</b>	<b>476,499</b>	<b>48,223</b>	<b>503,439</b>	<b>39,535</b>

Of assets, there are 469,332 TNOK long-term (2020: 495,702 TNOK) and 7,167 TNOK short-term (2020: 7,737 TNOK).

The company uses hedge accounting for foreign currency futures associated with the mid-life upgrades to Class 72 local trains. Value changes involving measurement of derivatives at fair value are continuously recognised in extended profit and loss. With regard to the management of derivative instruments arising from hedge accounting, the company would like to reference Note 1 relating to accounting principles, Note 5 relating to the company's risk assessment and Note 26 relating to the hedge accounting itself.

### Interest rates and foreign currency swaps

Since its inception, Norske Tog has been issuing bonds in the bond market. Bonds with terms exceeding five years are subject to fixed interest rates. Approximately 1/3 of the issuances from Norske Tog have had terms of five years or less and have therefore been subject to variable interest rates. Borrowing in foreign currency is converted to Norwegian kroner through combined interest and foreign currency agreements. Furthermore, Norske Tog uses interest rate swaps on borrowing in Norwegian kroner in order to reduce interest rate risk and achieve the desired interest structure on liabilities. Swap agreements of significant value in the annual accounts are associated with an outstanding CHF bond with a fixed interest rate, which was swapped to 6M NIBOR on day one for the duration of the term of the borrowing. The nominal principal of outstanding interest rate swaps as of 31 December 2021 was 1,569 MNOK (2020: 1,569 MNOK). As of 31 December 2021, the fixed interest rate varied between 2.34% and 2.35% (2020: 1.92% and 2.35%) and the variable interest rates were predominantly 3M and 6M NIBOR + margin.

Please see the note relating to principles regarding the value of borrowing acquired from NSB AS in 2016.

## 7. Financial instruments by category

Assets at 31 <sup>st</sup> of December	Loans and receivables		Assets at fair value through profit and loss		Other assets at amortised cost		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Derivatives	476,455	503,439	44	-			476,499	503,439
Trade and other receivables (excl. Prepayments)	-	-	-	-	359,214	34,044	359,214	34,044
Cash and bank deposits	-	-	-	-	787,493	290,329	787,493	290,329
<b>Total</b>	<b>476,455</b>	<b>503,439</b>	<b>44</b>	<b>-</b>	<b>1,146,706</b>	<b>324,372</b>	<b>1,623,205</b>	<b>827,812</b>

Liabilities at 31 <sup>st</sup> of December	Liabilities at fair value through profit and loss		Other financial liabilities at amortised cost		Other liabilities at amortised cost		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Borrowings (excl. Financial lease liability)	1,485,770	1,547,937			7,280,278	5,879,675	8,766,049	7,427,612
Financial lease liabilities					50,075	42,559	50,075	42,559
Derivatives	15,266	39,535	32,957	-		-	48,223	39,535
Trade and other payables excl. statutory liabilities					109,313	129,632	109,313	129,632
<b>Total</b>	<b>1,501,036</b>	<b>1,587,472</b>	<b>32,957</b>	<b>-</b>	<b>7,439,666</b>	<b>6,051,866</b>	<b>8,973,660</b>	<b>7,639,338</b>

### Financial assets at fair value through profit or loss at 31<sup>st</sup> of December 2021:

	Level 1	Level 2	Level 3	Total
Derivatives	-	476,455	-	476,455
<b>Total assets</b>	<b>-</b>	<b>476,455</b>	<b>-</b>	<b>476,455</b>
Borrowings and accrued interest	-	1,485,770	-	1,485,770
Derivatives	-	15,266	-	15,266
<b>Total liabilities</b>	<b>-</b>	<b>1,501,036</b>	<b>-</b>	<b>1,501,036</b>

### Financial assets at fair value through profit or loss at 31<sup>st</sup> 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>

For further information about assets at fair value in extended profit and loss, please refer to the note relating to principles and Note 26 hedge accounting.

## Overview bond portfolio:

Stock exchange	ISIN	Amount	Due date	Measuring principle
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	NO0010870009	400 MNOK	11.03.2025	Amortised cost
Luxembourg SE	NO0010837289	650 MNOK	26.11.2025	Amortised cost
Luxembourg SE	NO0010703556	500 MNOK	18.02.2026	Amortised cost
Luxembourg SE	NO0011115495	750 MNOK	15.10.2026	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	NO0010870017	900 MNOK	11.12.2029	Amortised cost
Luxembourg SE	NO0011115487	1,250 MNOK	05.10.2030	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 reclassified a bond (350 MNOK) from fair value to amortised cost in 2019.

## 8. Cash and bank deposits

	2021	2020
Cash and bank deposits	787,493	290,329

Includes restricted funds of 2,482 TNOK (2020: 1,984 TNOK)

## 9. Share capital and share premium

	Number of shares	Ordinary shares (TNOK)	Share premium (TNOK)	Total (TNOK)
Shares at 1 <sup>st</sup> of January 2021	100	100,000	2,300,000	2,400,000
Shares at 31 <sup>st</sup> of December 2021	100	100,000	2,300,000	2,400,000

The company has only one share class and each share has a nominal value of 1,000,000 NOK.



## 10. Borrowings

<b>Non-current</b>	<b>2021</b>	<b>2020</b>
Bonds	1,373,569	1,435,190
Bonds measured at amortized cost	6,893,376	5,243,376
<b>Total</b>	<b>8,266,945</b>	<b>6,678,566</b>

<b>Current</b>		
Current share of non-current borrowings	499,104	749,046
Other current borrowings	-	-
<b>Total</b>	<b>499,104</b>	<b>749,046</b>
<b>Total borrowings</b>	<b>8,766,048</b>	<b>7,427,613</b>

<b>Change in short- and long term borrowings 2021</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	112,747	636,299	1,435,190	5,243,376
New loans for the year	-	900,000	-	2,000,000
Payment of borrowings	-	-1,500,000	-	-
Reclassification of loan	-	350,000	-	-350,000
Reclassification from long-term debt to short-term debt	-	-	-	-
Amortization of transferred debt portfolio	-	-	-35,332	-
Change in accrued interest	-	603	-	-
Change in fair value due to payment of loan	-	-	-	-
Change in fair value	-546	-	-26,289	-
<b>Total borrowings</b>	<b>112,202</b>	<b>386,902</b>	<b>1,373,568</b>	<b>6,893,376</b>
		<b>499,104</b>		<b>8,266,945</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-payment of borrowings	-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>Nominal value of long-term interest bearing debt</b>	<b>2021</b>	<b>2020</b>
1 <sup>st</sup> of January	6,612,126	8,129,626
Changes during the year	1,400,000	-1,517,500
<b>31<sup>st</sup> of December</b>	<b>8,012,126</b>	<b>6,612,126</b>

In 2021, the company paid off 600,000 TNOK on borrowing and took out new bonds totalling 2,000,000 TNOK. In 2020, one loan totalling 1,517,000 TNOK was paid off, while no new borrowing was taken out.

All existing bond loan issues have been taken out under the Euro Medium Term Note (EMTN) programme. The EMTN programme does not include any financial covenants, but has an optional ownership clause stipulating that the government should own 100% of Norske Tog AS.

Norske Tog has a syndicated drawing facility of 3,000 MNOK, which has a covenant requirement of a minimum equity ratio of 20%.

Please see the note relating to principles regarding the value of borrowing acquired from VyGruppen in 2016.

The fair value of the credit margin on bond loans is based on market observations from banks and the pricing/valuation of the bonds in the secondary market.

<b>Current borrowings expire in:</b>	<b>2021</b>	<b>2020</b>
6 months or less	350,000	300,000
More than 6 months	-	300,000

<b>Non-current borrowings expire in:</b>	<b>2021</b>	<b>2020</b>
Between 1 and 2 years (year 2023)	1,238,332	350,000
Between 2 and 5 years (years 2024-2026)	2,850,000	2,368,750
Over 5 years (from 2026-)	4,050,000	3,300,000

<b>Effektive interest rate at the balance sheet date in %</b>	<b>2021</b>	<b>2020</b>
Bonds NOK	2.74	2.87

The company has hedged all exposure in CHF.

<b>The carrying amounts of borrowings are denominated in the following currencies:</b>	<b>2021</b>	<b>2020</b>
NOK	7,519,357	6,154,648
CHF	1,246,691	1,272,965
<b>Total</b>	<b>8,766,048</b>	<b>7,427,613</b>

<b>The company has the following undrawn borrowing facilities:</b>	<b>2021</b>	<b>2020</b>
<b>Floating interest rate</b>		
- Expiring within one year		
- Expiring beyond one year	3,000,000	2,000,000
<b>Total</b>	<b>3,000,000</b>	<b>2,000,000</b>

Norske tog's long term revolving credit facility expires in June 2026.

## 11. Deferred income tax/Income tax expense

<b>Income tax expense</b>	<b>2021</b>	<b>2020</b>
Current income tax payable	-	-
Changes in deferred tax	-45,381	-27,969
<b>Total income tax expense</b>	<b>-45,381</b>	<b>-27,969</b>

<b>Reconciliation between nominal and actual tax expense rate</b>	<b>2020</b>	<b>2020</b>
Net income before tax	206,170	127,014
Expected income tax using the nominal tax rate (22%)	45,357	27,943
Tax effect from the following items		
Other non-taxable expenses	24	27
Income tax expense	45,381	27,970
Effective tax rate	22%	22%

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

<b>2021</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>31.12.</b>
<b>Benefit (+) / Liability (-)</b>					
Fixed assets	-5,212,877	-482,017	-	-	-5,694,894
Leases on statement of fin. Position	1,082	484	-	-	1,566
Trade receivables	-484	484	-	-	-
Value changes to financial current assets	33,507	-57,348	-	-	-23,841
Retirement benefit obligation	2,635	-257	28	-	2,406
Hedging-currency		32,913	3,337	-531	35,719
Losses carried forward	1,753,025	299,461	32,913	-	2,080,755
<b>Total gross temporary differences</b>	<b>-3,423,112</b>	<b>-206,280</b>	<b>36,278</b>	<b>-531</b>	<b>-3,598,289</b>
Other temporary differences	-	-	-		4,644
<b>Total net temporary differences</b>	<b>-3,423,112</b>	<b>-206,280</b>	<b>36,278</b>	<b>-531</b>	<b>-3,593,645</b>
<b>Net temporary differences (22%)</b>	<b>-753,085</b>	<b>-45,381</b>	<b>7,981</b>	<b>-117</b>	<b>-790,601</b>

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

2020	Book value 01.01.	Income statement charge	Charge to other com- prehensive income	Book value 31.12.	31.12.
<b>Benefit (+) / Liability (-)</b>					
Fixed assets	-4,700,555	-512,322	-		-5,212,877
Leases on statement of fin. Position	-	1,082	-		1,082
Trade receivables	-147	-337	-		-484
Value changes to financial current assets	-34,164	67,671	-		33,507
Retirement benefit obligation	27,130	-24,500	5		2,635
Losses carried forward	1,411,757	341,268	-		1,753,025
Total gross temporary differences	-3,295,979	-127,138	5	-	-3,423,112
Other temporary differences	-	-	-		-
Total net temporary differences	-3,295,979	-127,138	5	-	-3,423,112
Net temporary differences (22%)	-725,115	-27,970	1	-	-753,085

## 12. Payroll and related expenses

	2021	2020
Wages and salaries, including employment taxes	55,738	40,171
Pension costs - defined benefit plans (note 13)	424	-2,788
Pension costs - pension contribution plan (note 13)	2,921	2,081
Other employee benefit expenses	1,911	4,272
Other employee expenses-capitalising employee hrs	-19,985	
<b>Total</b>	<b>41,008</b>	<b>43,735</b>

In 2021, the company capitalised hours spent on projects for its own employees (plant under construction). When the assets are put into service, the value of these capitalised hours forms part of the assets. TNOK 19,985 was activated in 2021. See also the note relating to accounting principles

As a result of the transition to the contribution pension scheme, a fixed annual change to employee's remuneration will be made for as long as they remain employed by Norske Tog.

Salaries and other benefits for the CEO are discussed in the note relating to benefits to senior executives and board members (Note 23).

	2021	2020
Average man-labour year*	44	36
Average number of employees	44	36

\*The calculation is based on a weighting of the actual number of FTEs throughout the year.

## 13. Retirement benefit obligations and similar obligations

### General information

The company has pension schemes in place relating to age, disability and bereavement pensions for spouses and children. A further description of the type of schemes and how these are organised can be found below.

In 2018, the company decided to discontinue the pension scheme at Norske Tog at the end of 2018. All employees received an entitlement with the Norwegian Government's Pension Fund and, from 01/01/2019, all employees also received a new contribution scheme via Sparebank 1. The company's pension costs for 2021 and the liability as of 31/12/2021 have been calculated in accordance with the principles in IAS 19 and the recognised pension liability, which totals 2,406 TNOK for the company and is considered to provide a prudent and currently the best possible expression of the company's liability, taking into account the estimated effect of the discontinuation of the schemes. The agreed compensation amounts for employees that end up worse off as a result of the discontinuation of the current pension scheme will be paid and recognised as costs on an ongoing basis. In Q4 2020, Norske Tog received a claim to settle the pension liability to the Norwegian Government's Pension Fund of 22,395 TNOK.

Norske Tog has established an operating pension for employees who will be unable to accrue the right to contractual early retirement pension under the new contribution scheme, 2,406 TNOK(2020: 2,635 TNOK) has been included in the pension liability as of 31/12/2021. This liability shall be payable only if the employee wishes to retire before turning 67 years of age.

Employer's national insurance contributions with nominal rates are included in the year's costs and net pension liability in the tables below.

<b>Specification of net defined benefit pension plan obligations</b>	<b>2021</b>	<b>2020</b>
Pension obligation AFP	2,406	2,635
<b>Net pension obligation on the balance sheet</b>	<b>2,406</b>	<b>2,635</b>
<b>Changes in pension retirement obligations:</b>		
Book value net pension obligation 1st of January	2,635	29,130
Actuarial deviations	28	5
Net return on assets/increase in obligation		-2,875
Net financial items in the account	39	123
Pension obligation defined benefit plan	-362	-23,834
Pension obligation AFP	66	87
<b>Net pension obligation 31<sup>st</sup> of December</b>	<b>2,406</b>	<b>2,635</b>
<b>Pension expenses included in the accounts, defined benefit pension plan</b>		
Settlement SPK	-	-2,875
Pension obligation AFP	385	87
Employer contribution	2,921	2,081
Total return on pension plan, incl. In payroll and related expenses - see note 12	3,306	-707
<b>Total financial items in the accounts</b>	<b>39</b>	<b>123</b>
<b>Total pension expenses defined benefit pension plan</b>	<b>3,345</b>	<b>-585</b>

Since Norske Tog has switched to a contribution pension scheme, there are no longer any active employees in the Norwegian Government's Pension Fund. Holdings will therefore be around as sensitive to interest rates as to the adjustment of the basic amount in the national insurance scheme. Adjustment of entitlements and adjustment of pensions are directly dependent on G (basic rate) growth.

The following parameters have been used for the calculation of defined benefit pension schemes in Norway:

	2021	2020
Discount rate	1.50 %	1.70 %
Expected return on plan assets	2.90 %	1.70 %
Average salary growth	2.50 %	2.25 %
G-regulation	2.25 %	2.00 %
Annual reg. of pension increases	1.25 %	1.25 %
Average social security tax	14.10 %	14.10 %

#### Explanation for the selected assumptions as of 31 December 2021

The discount rate has been set on the basis of covered bonds with preferential treatment and constitutes 1.5%. The market for covered bonds with preferential treatment is considered to represent a deep and liquid market with relevant terms that qualify for reference rates in accordance with IAS 19.

## 14. Trade and other payables

	2021	2020
Trade payables	56,833	81,961
Social security and other taxes	1,970	34,424
Other current liabilities	23,296	18,786
<b>Total</b>	<b>82,099</b>	<b>135,172</b>

The book value of trade and other payables corresponds to fair value. Other short-term liabilities include short-term liabilities related to IFRS 16, provisions for holiday pay and cost provisions on non-received invoices.

## 15. Provisions for other liabilities and charges

#### Legal disputes

Norske Tog may become involved in disputes, some of which may be tried before the legal system. In those cases where a balance of probabilities and quantifiable risk of loss are deemed to exist, ongoing provisions are made in the accounts. As of 31/12/2021, there are no provisions in the accounts for risk of loss.

## 16. Loss on contracts

The company had no loss on contracts at the statement of financial position date. This was also the case for the previous year.

## 17. Depreciation, amortisation and impairment

	2021	2020
Depreciation non-current assets (note 3)	703,090	711,335
Depreciation leasing contracts (note 3, 21)	5,484	3,991
<b>Total</b>	<b>708,547</b>	<b>715,327</b>

### Property, plant and equipment and losses on contracts

In addition to the evaluation of values recognised in the balance sheet in accordance with IAS 36, existing contracts are also assessed for any further provisions under IAS 37. These assessments measure the company's ongoing present value of expected future cash flows from operating activities in each contract and estimated payments include all unavoidable future operating costs that must be expected. Provisions are limited to continuing or exiting the contract, whichever cost is lower. Provisions are reversed over the remaining term of the contract.

Norske Tog's leases its trains to customers based on the book value of assets. The company's other costs (including capital costs) are also covered by income from the leasing out of trains.

In future cash flows for assessments under IAS 36 and IAS 37, the following assumptions have been used:

	2021	2020
Growth rate	5.8 %	1.3 %
Average cost of financing (WACC)	7.0 %	7.0 %
Borrowing rate	2.74 %	2.93 %

## 18. Other expenses

	2021	2020
Sales- and overhead expenses	1,356	1,116
Repair and maintenance, machinery rental, property expenses	3,511	3,373
Which costs are to be refunded by Vy for 2017, 2018 and 2019	-	-1,183
Modifications	26,490	49,401
Other operating expenses	113,605	123,109
<b>Total</b>	<b>144,963</b>	<b>175,815</b>

### Auditing fees (excluding VAT):

Auditing	370	517
Other attestation services	236	198
Other services outside audits	10	73
<b>Total</b>	<b>616</b>	<b>788</b>

## 19. Financial income and expenses

	2021	2020
Interest income	23,929	39,230
Other financial income	35,878	66,742
Net foreign exchange gains	-103	1,222
<b>Total financial income</b>	<b>59,704</b>	<b>107,195</b>
Interest expense	-189,048	-234,644
Other financial expenses	-24,043	-10,228
Net foreign exchange losses	-163	-881
<b>Total financial expenses</b>	<b>-213,254</b>	<b>-245,753</b>
Net financial expenses - pensions	<b>-39</b>	<b>-123</b>
Unrealised value changes	23,841	-33,507
<b>Total financial items</b>	<b>-129,748</b>	<b>-172,188</b>

Other financial income consists of the amortisation of the difference in nominal value and fair value of bonds in connection with the business transfer in 2016 from VyGruppen, TNOK 35,878 (2020: TNOK 40,073). Construction loan interest is included as a counter-item in interest rate costs, TNOK 28,884 (2020: TNOK 26,670).

## 20. Unrealised fair value changes

Below you will find an overview of all unrealised changes in value on assets, liabilities and derivative instruments measured at fair value. The figures below refer only to the company's borrowing and not the foreign currency futures, which are recognised using hedge accounting (see Note 26).

	2021	2020
Unrealized value changes derivatives used for hedging	-2,449	-731,923
Unrealized value changes bonds	26,289	698,416
<b>Total unrealized value changes financial items</b>	<b>23,841</b>	<b>-33,507</b>



## 21. Rental leases and tenancy agreements

	2021	2020
Lease of machinery/equipment, not incl on statement of fin. Position	1,803	975
Lease expenses to be received from VyGruppen AS	-	-1,183
Lease of property	1,716	107
<b>Total</b>	<b>3,519</b>	<b>-101</b>

In 2020, Norske Tog received a refund for rental costs from VyGruppen AS relating to the rental of premises in 2020.

### Lease agreements

Specification of changes in the period 2021	Liability	Assets
<b>Total opening balance right-to-use assets / lease obligations 1. January</b>	<b>42,558</b>	<b>41,477</b>
Lease payments	-4,999	
Depreciations		-5,484
Additions and changes in agreements	12,516	12,516
Other	-	-
<b>Total closing balance 31. December</b>	<b>50,075</b>	<b>48,509</b>

Interest expense for lease obligations amounted to 941 TNOK 2021

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 for 2020.

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>31.12.2021</b>	<b>31.12.2020</b>
Short-term liability	6,148	2,995
Long-term liability	43,927	36,563
<b>Total</b>	<b>50,075</b>	<b>42,558</b>

Weighted average of the discount rate is 2,42%.

<b>Additional information</b>	<b>2021</b>	<b>2020</b>
<b>Leases not recognised</b>		
Short-term agreements (between one month and one year)	12,376	1,630
Costs related to low value items	14	12
<b>Total</b>	<b>12,391</b>	<b>1,642</b>

<b>Cash flows</b>	<b>2021</b>	<b>2020</b>
Total cash flows from leases	19,950	5,844
Cash flow leases received *	-	-
<b>Total cash flows from leases</b>	<b>19,950</b>	<b>5,844</b>

\*The effective date for IFRS 16 was 1 January 2019. During initial recognition, Norske Tog has chosen to use the modified retrospective method.

#### Leasing

Pursuant to IFRS 16, the lessee must recognise all lease agreements in the balance sheet by incorporating the obligation to pay the lease amounts during the lease period, as well as associated usage rights for the associated right-of-use asset.

All lease agreements that transfer rights to the lessee to control the use of an identified asset and receive financial benefits must also be recognised. There will no longer be any difference in the way that financial and operational lease agreements are managed.

The company has chosen to use the modified retrospective method for the implementation effect on lease agreements that existed at the time of transitioning to the new standard without conversion of

of comparison figures. The implementation effect was recognised against the opening balance on 1 January 2019 by the value of the assets being measured as equal to lease obligations.

Lease obligations are measured as the present value of fixed lease payments during the term of the lease. Any payments linked to indices or similar are based on the relevant factor on the recognition date.

When calculating the implementation effect on lease agreements that existed on 1 January 2019, the discount rate has been determined based on the marginal borrowing rate at the time of implementing the standard.

The company has chosen to use the exemption rule by lease payments for short-term lease agreements with a term of up to 12 months and low value agreements being recognised directly as costs in the statement of comprehensive income.

For contracts that also include other product or service deliveries, the company has chosen to recognise these costs as operating costs separately from the lease component.

When determining the lease period, the irredeemable lease period shall be adjusted for extension options and termination rights that the company is reasonably certain to exercise.

An assessment of the need for impairments will be performed in accordance with IAS 36 for usage rights recognised in the statement of financial position, including a separate assessment of how the associated lease obligation will be included in the assessment.

## 22. Related party transactions

Norske Tog has the following related parties:

### Owner

Norske Tog is wholly owned by the Ministry of Transport and Communications. Other companies that are owned by the government under the auspices of the Ministry of Transport and Communications will be related parties to Norske Tog, this applies to both VyGruppen and BaneNor.

Bonds and associated basic swaps were transferred from VyGruppen AS to Norske Tog on 9 December 2016 in accordance with the “agreement on the settlement of receivables in connection with the acquisition of borrowing and derivative liabilities”. The payment for the transfer of the bond to Norske Tog AS has been determined at market terms. The payment was determined based on nominal residual value and associated swaps valued at fair value on the transaction date by calculating the difference between

- Expected net present value of borrowing and associated swaps that are transferred and
- Alternative financing for Norske Tog at the time of acquisition

In connection with the company entering into an agreement with the company’s shareholders concerning the acquisition of business activities, the Board of Directors submitted a report pursuant to Section 3-8 of the Limited Liability Companies Act.

For accounting purposes, Norske Tog was only a part of the NSB Group in 2016. For the years after 2016, the companies have remained related parties, but only due to being indirectly owned by the Ministry of Transport and Communications.

### The Board of Directors and senior executives

Individuals who are part of the company’s senior executive team or the Board of Directors are also considered related parties to Norske Tog (see Note 23 Benefits to senior executives and board members).

Below is an overview of transactions, outstanding accounts and provision of collateral with related parties:

<b>Revenue</b>	<b>2021</b>	<b>2020</b>
Leasing revenue	972,306	1,047,134
<b>Total</b>	<b>972,306</b>	<b>1,047,134</b>

<b>Purchases of goods and services</b>	<b>2021</b>	<b>2020</b>
Purchases of goods and services	50,411	36,650

The costs largely relate to modifications to trains and rental costs for buildings. These are recognised as “Other operating expenses” in the statement of comprehensive income.

Outstanding accounts with related parties resulting from the purchase and sale of goods and services:

<b>Receivables</b>	<b>2021</b>	<b>2020</b>
Entities owned by the Ministry of Transport	39,896	14,883
<b>Total</b>	<b>39,896</b>	<b>14,883</b>

Receivables largely consist of the leasing out of trains.

<b>Liabilities</b>	<b>2021</b>	<b>2020</b>
Entities owned by the Ministry of Transport	26,283	9,343
<b>Total</b>	<b>26,283</b>	<b>9,343</b>

Liabilities to related parties consist of costs for track access and modifications performed on trains.

### Loans to related parties:

There are no loans to related parties.

## 23. Executive- and Board member compensation

Board members	Title	2021	2020
Annette Malm Justad	Chairman	425	399
Marianne Abeler	Board member	171	169
Espen Opedal	Board member	277	239
Bjørn Erik Olsson	Board member-employee repr.	65	
Vidar Larsen	Board member-employee repr.	21	85
<b>Total</b>		<b>925</b>	<b>892</b>

### 2021

Management	Title	Salary	Other benefits	Total benefits paid	Pension expenses
Øystein Risan	Chief executive officer	2,071	132	2,203	195
Kjell-Arthur Abrahamsen	Material director	1,616	16	1,632	181
Linda Venbakken	Chief financial officer	1,495	11	1,506	202
Luca Cuppari	Technical director	1,492	11	1,503	169
Iren Marugg	Judicial director	1,350	11	1,361	122
<b>Sum</b>				<b>8,205</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>Sum</b>				<b>7,928</b>	

The salary of the CEO increased by 67 TNOK, from 2,004 TNOK in 2020 to 2,071 TNOK in 2021, which is within the framework of the wage settlement.

## 24. Contingencies

The company's activities commenced on 15/10/2016 and no contingent liability have occurred in connection with legal claims relating in the ordinary course of operations.

## 25. Events after the balance sheet date

There have been no events after the balance sheet date with significant impact on the company's results for 2021 and financial position as at 31/12/2021.

Infection control measures (COVID-19) from the authorities, with recommendations not to travel by public transport have resulted in reduced income for operators. Rescue packages from the state have contributed to Norske Tog still receiving lease income. In the event that any operators encounter financial difficulties due to ongoing low passenger numbers, there is a risk that Norske Tog will lose revenue.

On 10 January 2022, Norske Tog entered into a contract with Alstom Transport Deutschland GmbH for the procurement of 30 local trains. The contract includes options to purchase a further 170 train sets. You can read more about this agreement in other parts of the annual report.

## 26. Hedge accounting

Fair value hedging reserves		Due date 1-6 months	Due date 6-12 months	More than 1 year
Assets	0			
Liabilities	-32,913	44	-5,734	-27,233
<b>Specification hedging reserve</b>				
			<b>2021</b>	<b>2020</b>
Beginning balance 1st January 2021			0	0
Change in fair value			-36,250	0
Reclassified to property, plant and equipment			531	0
Reclassified to profit before income tax				0
Deferred tax			7,975	0
<b>Ending balance 31<sup>st</sup> December 2021</b>			<b>-27,744</b>	<b>0</b>

Norske Tog has entered into a contract in EUR with Alstom Transport Deutschland GmbH concerning mid-life upgrades to Class 72 local trains. Contractual payments have been foreign currency hedged. See Note 1 - Accounting Principles and Note 5 Financial Risk Management for further information.

In July 2021, Norske Tog entered into a contract with Alstom concerning the upgrades to 36 Class 72 train sets. The total contract price of MEUR 67.5 was hedged at the time of conclusion of the contract using EUR foreign currency futures contracts. This was done on the basis of the company's hedging strategy at the time of conclusion of the contract. An option valued at MEUR 6.5 has been exercised for the procurement. This amount is not subject to foreign currency hedging. Furthermore, any future options or contract price adjustments are also not subject to foreign currency hedging.

Foreign currency hedging has been performed on the basis of the agreed payment schedule with the supplier and the futures contracts have been established in line with the due dates for the anticipated cash flows until December 2025. Changes to the project will be managed in keeping with the original foreign currency exposure and the need for foreign currency hedging is assessed based on the company's foreign currency strategy and threshold values. In the event that a futures contract falls due without the corresponding hedged payment being settled, the hedging shall be transferred to a new futures contract or hedged through foreign currency deposits in the bank. Rolling settlement will be recognised as realised changes in value in extended profit and loss.

As a general principle, Norske Tog has used hedge accounting for foreign currency hedging. In the event that hedge accounting cannot be used or if the hedging ratio does not meet the requirements set down in the standard, the effects of the hedging instruments will be recognised under financial items. Inefficiencies relating to either size or time will occur in the event of significant changes to foreign currency exposure. Futures contracts will then need to be adjusted accordingly. No effects from extended profit and loss have been carried to ordinary profit and loss as a result of inefficiencies as of 31/12/2021.

## 27. Guidelines on the determination of salaries and other benefits for senior executives

These guidelines are based on the “Guidelines and reporting on remuneration for senior executives” (established by the Ministry of Trade, Industry and Fisheries with effect from 1 January 2021) and have been prepared by the Board of Directors in accordance with Article 5 of the articles of association of the parent company, cf. Section 6-16a and 6-16b of the Limited Liability Companies Act.

The guidelines are considered at the annual general meeting of Norske Tog AS and shall apply until the Board of Directors revokes the guidelines or adopts new guidelines.

The guidelines consist of three main elements. Part I addresses the principles behind the senior executive salary policy at Norske Tog AS. Part II describes the management of the previous financial year, cf. Section 6-16 a, paragraphs 1, 3 and 4 of the Limited Liability Companies Act and Part III addresses the determination of senior executive salaries for the upcoming financial year, cf. Section 6-16 a, paragraph 2 of the Limited Liability Companies Act. The guidelines in Part I will apply in full when entering into new agreements in the coming financial year and every effort should be made to also follow these within the framework of existing agreements.

### PART I Principles

#### 1.1 Senior Executives

These guidelines apply to senior executives as defined in the Limited Liability Companies Act and the Accounting Act. This means that the guidelines apply to management and employee-elected board members at Norske Tog AS.

#### 1.2 Main principles for the senior executive salary policy at Norske Tog AS

The principles for salaries to senior executives at Norske Tog AS are determined by the Board of Directors. The Board of Directors will conduct an annual evaluation of the salary and conditions for the CEO, as well as the company’s senior executive salary policy.

The CEO will determine the remuneration for other members of the executive management team in accordance with the adopted senior executive salary principles.

#### 1.3 Senior executive salaries at Norske Tog will be determined based on the following senior executive salary principles:

- Senior executive salaries will be competitive, but Norske Tog will not be a salary leader compared to similar companies. In order to ensure this, salary assessments are performed for central executive positions with comparisons to positions in other companies.
- Norske Tog will attract and retain talented executives. The total remuneration for senior executives at Norske Tog will reflect the responsibility for governance, results and developments, as well as taking into account the size and complexity of the company. Remuneration shall not be of such a nature or scope that it could damage the reputation of Norske Tog.
- Senior executive salaries will consist of a fixed basic salary and additional benefits, including benefits-in-kind, severance pay and pension schemes. The fixed salary will always constitute the bulk of the remuneration.
- Bonuses are not used at Norske Tog AS.
- The senior executive salary scheme will be transparent and in line with the government’s principles for proper corporate governance, as well as the government’s guidelines for senior executive salaries.
- The salary system will be understandable and acceptable internally, as well as externally.
- The salary system will be sufficiently flexible for adjustments to be made in line with changed requirements.

#### 1.4 Elements of the senior executive salary

The basis for salary determination will be the total level of fixed salary and variable benefits. The various elements that may be included in senior executive salary are addressed below.

##### a) Fixed basic salary

The fixed basic salary constitutes the main element of the remuneration

scheme for senior executives at Norske Tog. The basic salary will be competitive without being a salary leader. Basic salary is usually assessed once per year. Upon appointment of managers, the “grandfather principle” will be used, which means that the manager determining the salary needs to consult their manager before the salary is determined. Upon appointment and determination of salaries for members of the executive management team, the CEO will consult the Chair of the Board.

##### b) Benefits-in-kind

Managers are allocated benefits-in-kind that are common in comparable positions, such as free telephone, free broadband and vehicle schemes (applicable to the CEO only).

##### c) Pension

Upon appointment of managers, the government’s guidelines for senior executive salaries dated 01/01/2021 will be used. The pension terms for senior executives are in line with the terms for other employees. There are no former executives earning occupational pensions after leaving Norske Tog.

All employees are members of a collective pension scheme. On 23/08/2018, the Board of Directors decided to discontinue the pension scheme with the Norwegian Government’s Pension Fund and switch to a new scheme from the start of 2019. The scheme has a contribution rate of 5.5 per cent up to 7.1 G and 15 per cent between 7.1 and 12 G by the company. The pension scheme includes a private contractual early retirement pension and a group life insurance policy of 20 G plus 2 x salary.

The CEO has a retirement age of 67 years with a collective contribution scheme. This scheme carries an entitlement to a pension of up to 12 G. Upon appointment of managers, the government’s guidelines for senior executive salaries will be used and the pension terms for senior executives are in line with the terms for other employees.

**d) Severance pay**

Upon termination on the part of the company, the CEO shall be entitled to six months' severance pay pursuant to their contract, in addition to salary and benefits during the six-month notice period. Any other salary during the severance period will lead to a reduction in severance pay by a proportionate amount calculated on the basis of other income. The entitlement to severance pay will not apply if the CEO has committed acts that fulfil the material terms for dismissal pursuant to the provisions of the Working Environment Act. All terms that apply to the CEO will also apply correspondingly to other executives. No other executives have severance pay agreements.

## PART II Implementation of the senior executive salary principles in the last five years

The senior executive salary determination for the period from 2017 to 2021

was conducted in accordance with the aforementioned guidelines and has been explained in Norske Tog's senior executive salary statement.

In the period from 2017 to 2021, no severance pay exceeding 12 months of fixed salary was paid to executives. The bonus scheme at Norske Tog was discontinued in 2018 and no bonuses were therefore paid to executives or the CEO in 2021.

Salary settlements for senior executives in the last five years have been within the frameworks applicable to all Norske Tog employees. The statistics above do not provide a picture of the changes to average salaries for all Norske Tog employees, as approximately 10% of the company's employees have retired and there has also been an increase in the number of new employees.

Norske Tog completed its first full year of operations in 2017.

## PART III Senior executive salary policy for the upcoming financial year

The senior executive salary policy will follow the general guidelines adopted by the Board of Directors for the upcoming financial year. There were no changes during 2021.

Pursuant to Section 6-16 a, cf. Section 5-6, paragraph 4 of the Limited Liability Companies Act, senior executive salary statements must be considered at the annual general meeting.

Annual salary	Reported year 2020 vs reported year 2021	Reported year 2019 vs reported year 2020	Reported year 2018 vs reported year 2019	Reported year 2017 vs reported year 2018	Information
<b>Salary for CEO</b>					
Øystein Risan	3.3 %	3.3 %	-8.0 %	12.0 %	Øystein Risan had a bonus in 2018 and in 2019 his salary was adjusted due to the bonus being taken away permanently.
Kjell-Arthur Abrahamsen	3.8 %	2.1 %	1.7 %	3.5 %	
Linda Venbakken	3.8 %	2.1 %	1.7 %	3.5 %	
Luca Cuppari	3.8 %	2.1 %	1.7 %	3.5 %	
Iren Marugg	3.4 %	2.4 %	8.7 %		Iren Marugg joined the company in 2018.
<b>Company profits</b>					
Equity share	-2.0 %	5.0 %	2.0 %	-2.0 %	
Return on equity	1.9 %	-4.6 %	-3.0 %	5.0 %	
Salary paid to all employees	-0.3 %	0.5 %	0.5 %	2.9 %	Several elderly employees have retired while the company has grown from 32 employees to 51 employees. Many graduates and young people among the recently hired employees.

# Declaration by the Board of Directors and CEO for the annual report 2021

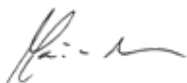
The Board of Director's and CEO confirm that, to the best of our knowledge, the annual report provides a description of significant transactions conducted with related parties during the current period and the main risk factors facing the business in the coming period.

The Board of Directors and the CEO confirm that, to the best of their knowledge, the financial statements for 2021 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, 27 April 2022



Annette Malm Justad  
Chairman



Marianne Abeler  
Board member



Espen Opedal  
Board member



Bjørn Erik Olsson  
Board member



Henriette Torgersen  
Board member



Øystein Risan  
CEO



# APM

## Return on equity:

Profit for the year/equity at the start of the period (160,789 / 3,163,823 = 4.9%)

This is a key figure for profitability that shows the ratio between the company's equity and profit for the year. Norske Tog uses this key figure to measure the return generated for owners. This key number return on equity is also part of the framework for green bonds and will therefore be important going forward.

## Equity ratio:

Total equity at the end of the period/total balance (3,296,730 / 13,030,035 = 25.3%)

This key figure says something about the solvency of the company. It is also important to continuously monitor the equity ratio, as the company has a syndicated drawing facility of 3,000 MNOK with an associated covenant requirement of a minimum equity ratio of 20%. A healthy equity ratio is also important in order to realise the objectives associated with the investments in new trains and upgrades to current rolling stock.

## Operating profit:

Operating income less operating costs: 1,230,464 - 894,545 = 335,919

This key figure shows the company's profits from underlying operations for a given period. Since this key figure does not include financing costs and income, it provides a picture of how strong the underlying operations of the company are, regardless of whether operations are financed by owners through equity or externally financed through bonds and borrowing. For a reconciliation of operating profit in relation to profit for the year, please refer to the company's statement of comprehensive income.

## Working capital:

Total current assets less total short-term liabilities: (1,623,205 - 593,769 = 1,029,436)

The company's working capital is crucial for monitoring short-term liquidity and to maintain some flexibility in ongoing operations. Working capital is also an important measure used in the company's external credit ratings.



Karoline Kjuus og Eirik Jenssen, Quality Controllers in Norske tog, controlling the roof of a Flirt-train.



To the General Meeting of Norske tog AS

## Independent Auditor's Report

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Norske tog AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Audit Committee.

#### Basis for Opinion

We conducted our audit in accordance with 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 27 June 2018 for the accounting year 2018.

#### 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.

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Key Audit Matters	How our audit addressed the Key Audit Matter
<b>Accurate and complete accounting for loans and financial instruments</b>	
<p>For a closer description of loans and derivatives, please see note 6,7 and 10.</p> <p>The carrying amount of the company's loan portfolio is NOK 8.77 billion as of 31 December 2021 and constitutes approximately 2/3 of the company's total balance. Carrying amount of the company's net derivatives is NOK 0,43 billion as of 31 December 2021, of which NOK -0.03 billion is currency futures associated with future purchases .</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>We have assessed that new loans were completely and accurately registered in the financial system and compliant with loan agreements and the company's principles for accounting for loans. Our control activities did not reveal any significant deviations.</p> <p>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.</p> <p>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.</p> <p>We also read the corresponding notes to the financial statements describing loans and derivatives and found the information to be sufficient.</p>

**Other Information**

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.



### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

### 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 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 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 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 Audit Committee 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

### Report on compliance with Regulation on European Single Electronic Format (ESEF)

#### *Opinion*

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name «NorsketogAS ESEF-reporting 31-12-2021» have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (*Verdipapirhandelloven*) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

#### *Management's Responsibilities*

Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the financial statements.

#### *Auditor's Responsibilities*

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 28 April 2022

**PricewaterhouseCoopers AS**

Marius Thorsrud  
State Authorised Public Accountant

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



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Uniform, Hyper

**Consulting and text:**

Zynk

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**Illustration Alstom:**

cover (Class 77)

**Print:**

RK Grafisk



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