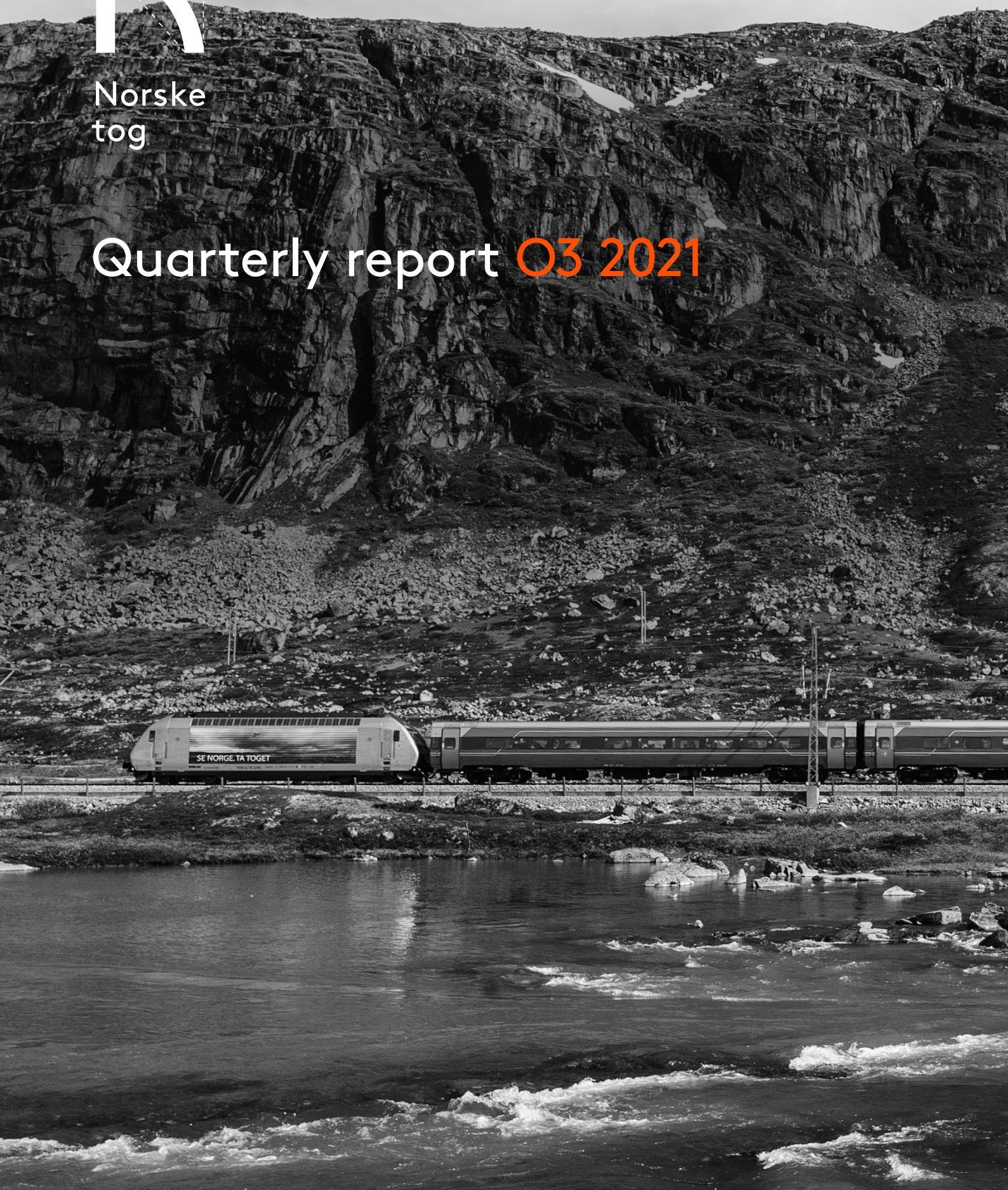




Norske
tog

Quarterly report Q3 2021



About Norske tog

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

Norske tog AS is owned by the Ministry of Transport and Communications and is a category 3 company. This means that the state ownership is based on sectoral policy, and that the company has targets for efficient operations in relation to this.

This quarterly report has not been audited.

Highlights, 3rd quarter 2021

- Three of a total of 14 bimodal trains were put into service on the Trønder line by the train operator SJ Norge.
- Norske tog issued two green bonds totalling 2 BNOK. There was great interest in the capital market, and a good price was reached for the issues (5-year 3 MNOK NIBOR + 43 bsp., and 9 years 1.25 MNOK for 2.375 %).
- For the upcoming tender competition for new long-distance trains, Norske tog have received input from stakeholder groups, both suppliers and user groups.

Financial indicators

Financial indicators (MNOK)	As at Q3 2021	As at Q3 2020	2020
Lease income	301	309	1,232
Profit/loss from operations	240	227	299
Profit/loss for the period	120	62	99
Net cash flow	-202	174	-1 444
Working capital	-426	259	-96
Equity	3,267	3,127	3,164
Equity ratio	28.6 %	26.8 %	27.4 %
Return on equity*	4.5 %	2.1 %	3.2 %

* Return on book equity is for the last 12 months.

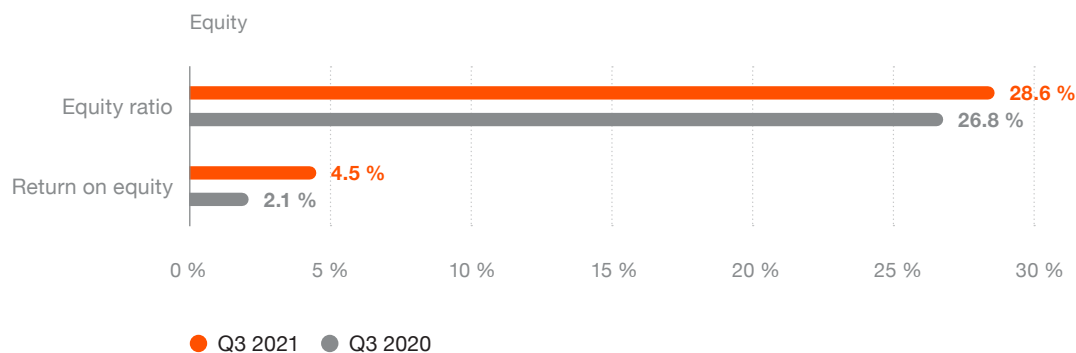
Economic development in Norske tog

For the third quarter of 2021, Norske tog has had a profit of 25 MNOK (40 MNOK). Compared with the same period last year, this is a decrease of 15 MNOK, which is mainly due to hedge accounting (18 MNOK).

Leasing income decreased by 8 MNOK compared to the third quarter of 2020. The reduction is because the rental income is calculated based on book values which are reduced during the period as a result of depreciation. Operating profit is also negatively affected by increased maintenance costs as a result of increased average age of the vehicles.

The result gives a rolling 12-month return on book equity value of 4.5 percent. In the long run, the goal is to deliver a rolling 12 month return of 5 percent.

Norske tog uses large resources on the upcoming train procurements. Through these the investments Norske tog contributes to boost the railway sector. Norske togs annual returns will fluctuate in line with scope of planned investment projects.



The equity ratio for Norske tog increased from 26.8 per cent in the third quarter of 2020 to 28.6 per cent in the third quarter of 2021.

Financing

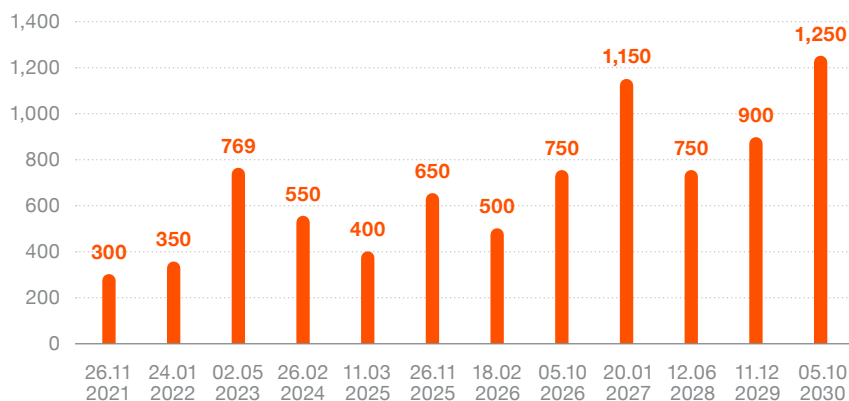
Norske tog has good creditworthiness. Standard & Poor's has given the company a credit rating for long-term borrowing of A+ (stable).

The company borrows through the Euro Medium Term Note (EMTN) programme. The EMTN-programme does not include any financial requirements, but there is an ownership clause stipulating that the state must own 100 per cent of Norske tog.

As at 30.09.2021, the company has 2 bonds totalling 650 MNOK maturing over the next 12 months, in addition to a commercial paper of 200 MNOK falling due in October. The company plans to refinance this amount in 2021 through issuing two bonds for the total of 2,000 MNOK in October.

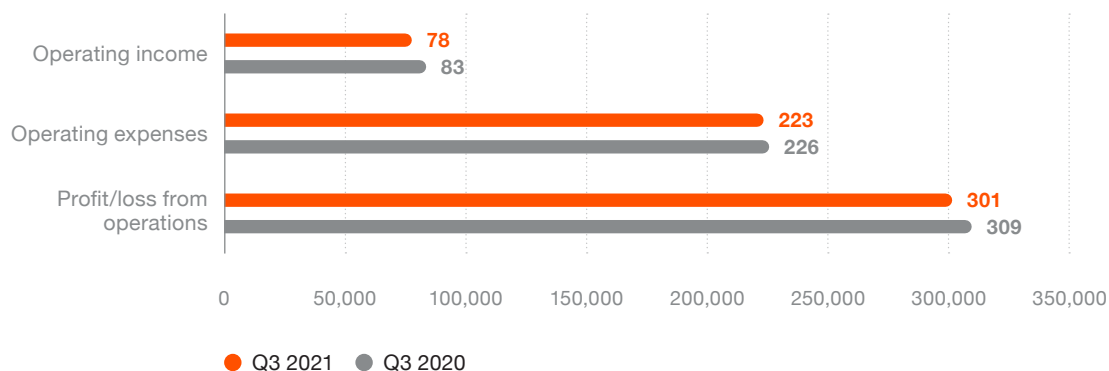
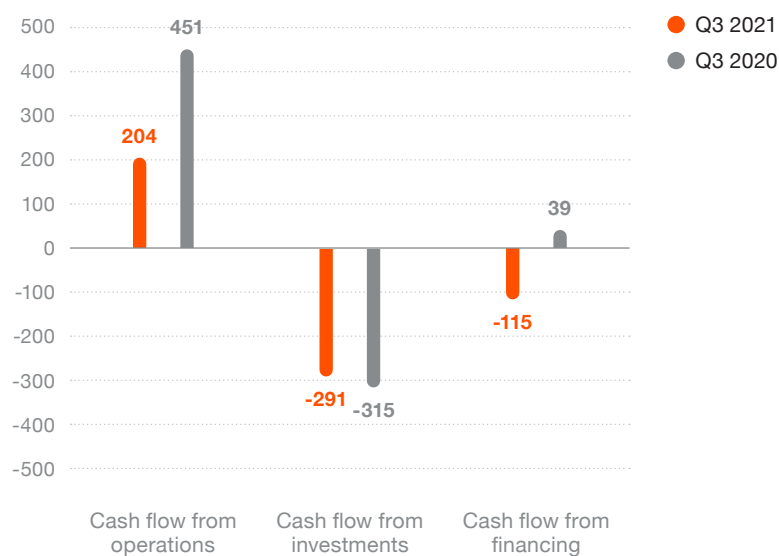
Noncurrent liabilities

Amounts outstanding in MNOK



Profit/loss**Profit/loss, 3rd quarter**

All figures in MNOK

**Cash flow****Cash flow, 3rd quarter**

Net cash flow from operations is 204 MNOK (451 MNOK). Net cash flows used for investments total 291 MNOK (316 MNOK), with the funds mainly used to purchase new rolling stock.

Risk

Financial risk

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

Norske tog takes out loans in the markets and currencies that provide the most favourable conditions overall. Loans in foreign currency are converted to NOK through combined interest rate and currency swaps to minimise currency risk in financial management. If agreements for major purchases are entered into in foreign currencies, the currency risk is hedged over the term of the agreement.

The average age of vehicles is increasing. There are higher operating costs associated with older vehicles. This entails higher levels of maintenance on older vehicles without significant lease income.

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. The changes in interest rates during the third quarter due to the Covid-situation have therefore had little effect on the average interest rate for the company.

According to its objectives, borrowing requirements in the next 12-month period should be covered through free cash flow and established credit facilities.

Norske tog have developed a framework for the issuing of green bonds. During 2021, the company will prepare a detailed report on green investment projects will be financed and the actual environmental and climate impact of these.

Infection prevention measures implemented by the authorities by means of recommendations not to travel on public transport have resulted in reduced revenues for the 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.

Operational risk

Systematic analyses of operational risk and any economic consequences are carried out. Based on the risk analyses, control activities have been established to reduce identified risks, including automated controls and audits and extended follow-up analyses related to specific risk areas.



Significant events

Norway was reopened after being closed down for over a year as a result of the Covid 19 pandemic on the 25th of September. For the train operators GoAhead, SJ Norge and Vy Tog – this meant that they could resume normal traffic of the trains, without restrictions on the number of passengers. The operators traffic revenues were reduced during the pandemic due to fewer travellers, but the loss of income has been partially compensated by the state.

Bimodal trains. In August, the first three of a total of 14 bimodal train sets were put in service on the Trønderbanen by the operator, SJ Norge. The bimodal trains replace the Type 92 diesel trains, which are more than 30 years old. The bimodal trains run as electric trains on stretches of electricity, and on diesel on stretches of line without. There are still a number of train routes in Norway that are not electrified, and for these routes the bimodal trains are the first important step towards zero emissions. The new trains will help reduce CO2 emissions per passenger by up to 30 percent. The hybrid train sets are delivered by the Swiss train manufacturer Stadler.

Reclining stools on night trains. Norske tog have entered into a framework agreement with two manufacturers which supply reclining stools. The seats will be installed on the night trains for the long distance train lines in 2022. The Czech company Borcad will deliver 180 stools that can be folded down 45 degrees. These stools will be installed on Sørlandsbanen, Nordlandsbanen and Dovrebanen. The Norwegian company Eknes AS will supply 46 flat beds for the Bergen line. These stools can be laid down to a flat bed position.

Green Bond. Norske tog raised 2 BNOK in two green bond issues at the beginning of October. There was great interest in the capital market to participate in the issuance of the two loans. The green bond loans will secure Norske togs financing at attractive rates.

Recycling of old train sets. Norske tog are concerned with sustainability and recycling. In the second and third quarters, three train sets and a locomotive have been sent for disassembly and scrapping. In this process, the train sets are dismantled, and old parts that can be reused are taken out and stored. In this way Norske tog secure parts that are no longer produced, but which are necessary for the use of maintenance of old trains. Unused metal is melted and reused. In total, 90 percent of the material from the train sets is reused. The three train sets that have been dismantled and scrapped are 30-40 years old.

Outlook

Norske tog continued to work on preparing for procurement of new long-distance trains in the third quarter, that will operate Dovrebanen, Sørlandsbanen, Bergensbanen and Nordlandsbanen. In this process, all stakeholder groups, both user groups and the supplier market, have been invited to come with input. The competition for the acquisition of new long-distance trains was announced in October 2021. It is proposed in the state budget for 2022 to buy new long-distance trains.

Events after the closing date

There have been no significant events after the closing date beyond those discussed in this report.

Conclusion

This quarterly report has been prepared in accordance with the requirements in IAS 34 Interim Financial Reporting.

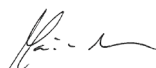
In the best judgement of the Board of Directors and the CEO, the report reflects significant transactions conducted with related parties in the current period and the most important risk factors facing the business in the coming period.

In the best judgement of the Board of Directors and the CEO, the financial statements for the third quarter of 2021 have been prepared in accordance with applicable accounting standards, and the information in the financial statements gives an accurate picture of the company's assets, liabilities and financial position and overall results at the end of the period, as well as a fair overview of important events during the reporting period and their influence on the financial statements. The financial statements for the second quarter have not been audited by the company's auditor.

Oslo, 25. November 2021



Annette Malm Justad
Chair of the Board



Marianne Abeler
Board Member



Espen Opedal
Board Member



Bjørn Erik Olsson
Board Member



Øystein Risan
CEO

Income Statement

All numbers in TNOK	Notes	3 rd quarter 2021	3 rd quarter 2020	Year to date 2021	Year to date 2020	Year 2020	Last 12 months
Operating revenue	2	300,943	309,020	900,888	922,996	1,234,078	1,211,970
Payroll and related expenses		12,790	9,604	33,027	33,587	43,735	43,175
Depreciation and impairment		174,498	180,019	523,990	535,233	715,327	704,084
Other operating expenses		36,015	36,750	104,152	126,929	175,815	153,038
Total operating expenses		223,303	226,373	661,169	695,749	934,877	900,297
Operating profit		77,640	82,647	239,719	227,247	299,201	311,673
Financial posts							
Financial income		22,865	23,460	53,173	84,300	107,195	76,068
Financial expenses		-52,636	-55,282	-158,543	-189,285	-245,753	-215,011
Net financial expenses - pensions		-	-	-	-	-123	-123
Unrealised fair value changes	1	6,149	984	19,591	-42,641	-33,507	28,725
Net financial items		-23,622	-30,838	-85,779	-147,626	-172,188	-110,341
Profit before income tax		54,018	51,809	153,939	79,620	127,013	201,332
Income tax expense		11,884	11,398	33,867	17,516	27,970	44,321
Profit for the period		42,134	40,411	120,072	62,104	99,043	157,011
Attributable to							
Equity holders		42,134	40,411	120,072	62,104	99,043	157,011
Other comprehensive income							
Profit for the year		42,134	40,411	120,072	62,104	99,043	157,011
Items that will not be reclassified to profit or loss							
Currency hedging-realised	5	-22,480		-22,480			-22,480
Deviation retirement benefit obligations						-5	-5
Tax related to items that will not be reclassified		4,946		4,946		1	4,947
Total comprehensive income for the period		24,600	40,411	102,538	62,104	99,039	139,473
Attributable to							
Equity holders		24,600	40,411	102,538	62,104	99,039	139,473

Overview financial position

All numbers in TNOK	Notes	30.09.2021	30.09.2020	31.12.2020
Assets				
Property, plant and equipment	3	10,767,574	10,747,093	10,732,622
Total non-current assets		10,767,574	10,747,093	10,732,622
Trade and other receivables		31,270	15,379	34,044
Derivative financial assets	4	440,445	579,033	503,439
Cash and bank deposits		184,461	315,983	290,329
Total current assets		656,176	910,395	827,812
Total assets		11,423,750	11,657,488	11,560,433
Equity and liabilities				
Ordinary shares and share premium		2,400,000	2,400,000	2,400,000
Retained earnings		866,896	726,888	763,823
Total equity		3,266,896	3,126,888	3,163,823
Borrowings	4	6,244,194	7,069,481	6,678,566
Deferred tax obligation		782,005	742,632	753,084
Retirement benefit obligations		2,373	27,774	2,635
Other accruals		46,522	39,695	38,572
Total long term liabilities		7,075,094	7,879,582	7,472,857
Trade and other payables		54,449	160,337	135,172
Borrowings	4	991,246	448,649	749,046
Derivative financial instruments	4	36,065	42,032	39,535
Total short term liabilities		1,081,760	651,018	923,753
Total equity and liabilities		11,423,750	11,657,488	11,560,433

Oslo, 25. November 2021


Annette Malm Justad
Chair of the Board


Marianne Abeler
Board Member


Espen Opedal
Board Member


Bjørn Erik Olsson
Board Member


Øystein Risan
CEO

Cash flow statement

All numbers in TNOK	3 rd quarter 2021	3 rd quarter 2020	Year to date 2021	Year to date 2020	Year 2020
Profit for the period before income tax expense	54,017	51,809	153,939	79,621	127,013
Net financial items	-6,380	-4,890	121,967	141,509	180,261
Depreciation and impairment in the income statement	174,498	180,019	523,990	535,233	715,327
Net changes to obligations and retirement benefit oblig.	-150	-455	-262	-1,356	-26,926
Changes to working capital*	-17,738	224,740	-70,001	160,720	116,073
Net cash flow from operating activities	204,247	451,223	729,633	915,727	1,111,748
Purchase of PPE	-291,257	-316,189	-558,942	-673,907	-839,530
Net cash flow from investment activities	-291,257	-316,189	-558,942	-673,907	-839,530
Interest paid on borrowings	-2,973	-2,816	-162,931	-243,063	-292,264
Interest income	9,353	7,707	40,964	101,554	112,003
Other financial items	28,230	33,735	-54,592	-707	-18,304
Proceeds from borrowings	200,003	-	900,000	-	-
Repayment of borrowings	-350,000	-	-1,000,000	-1,517,500	-1,517,500
Net cash flow from financial activities	-115,387	38,626	-276,559	-1,659,716	-1,716,065
Net change in cash and bank deposits for the period	-202,397	173,660	-105,868	-1,417,896	-1,443,847
Cash and bank deposits as at the beginning of the period	386,976	141,980	290,329	1,733,834	1,733,834
Foreign exchange gain/loss on cash and bank deposits	-120	343	-1	46	341
Cash and bank deposits as at the end of the period	184,461	315,983	184,461	315,983	290,329

* This line shows the change in trade and other receivables as well as changes in accounts payable and other current liabilities (adjusted for changes in current and non-current liabilities arising from IFRS 16 Lease Costs).

Development in equity

30.09.2021 (All numbers in TNOK)	Ordinary shares	Share premium	Specification hedge accounting reserves	Retained earnings	Total
Equity 1 st January 2021	100,000	2,300,000	-	763,823	3,163,823
Profit of the year	-	-	-	120,072	120,072
Changes in fair value	-	-	-17,534	-	-17,534
Reclassified to asset under construction after tax	-	-	535	-	535
Equity 30th September 2021	100,000	2,300,000	-16,999	883,895	3,266,896

30.09.2020 (All numbers in TNOK)	Ordinary shares	Share premium	Specification hedge accounting reserves	Retained earnings	Total
Equity 1 st January 2020	100,000	2,300,000	-	763,823	3,064,784
Profit for the year	-	-	-	62,104	62,104
From other comprehensive income	-	-	-	-	-
Equity 30th September 2020	100,000	2,300,000	-	825,927	3,126,888

2020 (All numbers in TNOK)	Ordinary shares	Share premium	Specification hedge accounting reserves	Retained earnings	Total
Equity 1 st 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
Equity 30th September 2020	100,000	2,300,000	-	763,823	3,163,823

Notes – reporting information

Policies and accounting principles

The financial statements for Norske tog AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretation Committee (IFRIC) as adopted by the EU.

The financial statements have been prepared on the historical cost principle, except for financial derivatives and some financial assets and liabilities which are measured at fair value.

The company has noncurrent 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 profit/loss.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements must be viewed in conjunction with the

company's most recent annual report, which contains a full description of the company's accounting principles.

The tax expenses for the period are based on the nominal tax rate in Norway. Accounting principles applied for the third quarter 2021 are consistent with the accounting principles used for the financial statements in 2020.

Description of principles

Currency term contracts have been entered into to hedge currency on future payments in Euro in accordance with the contract for a midlife upgrade on all type 72 (local trains). The currency futures contracts are measured at fair value. Hedge accounting is measured as cash flow hedging for the company.

The part of the change in fair value that is considered to be effective hedging, is accounted for in total comprehensive income and is classified as hedge accounting reserve in equity. When payments are made, the associated change in fair value from the hedge reserve is reclassified to property,

plant and equipment (with a classification as asset under construction until the midlife upgrade is completed).

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.

1. Unrealised changes in value

The breakdown of unrealized changes in the value of assets, liabilities and derivatives measured at fair value is shown below.

Unrealised fair value changes	3 rd quarter 2021	3 rd quarter 2020	Year to date 2021	Year to date 2020	31.12.2020
Unrealised value changes derivatives used for hedging	16,509	1,966	-37,809	-659,049	-731,923
Unrealised value changes bonds	-10,360	-983	57,400	616,407	698,416
Total unrealised value changes financial items	6,149	984	19,591	-42,642	-33,507

2. Sales analysis by category

Norske tog AS has only one operating segment – leasing of trains.

Analysis of operating income by category	3 rd quarter 2021	3 rd quarter 2020	Year to date 2021	Year to date 2020	Year 2020	Last 12 months
Leasing revenue	300,607	309,020	899,760	922,213	1,232,423	1,209,970
Other revenue	336	-	1,128	783	1,654	1,999
Total	300,943	309,020	900,888	922,996	1,234,078	1,211,970

Information on key customers

The company has four customers for leasing of passenger rolling stock; VyGruppen AS, Go-Ahead AS, SJ Norge AS and Vy tog AS, which accounts for 100 per cent of the leasing income.

3. Property, plant and equipment

	Machin- ery and equipm.	Trans- portation	Partially delivered trains	Under construc- tion	Right-to- use other assets	Total
At 1st of January 2021						
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
Total	37,412	9,676,355	893,834	83,545	41,477	10,732,622

3rd quarter 2021						
Opening net book value	37,412	9,676,355	893,834	83,545	41,477	10,732,622
Additions	802	-1,185	86,627	459,096	13,602	558,942
Transfers within PPE	43,705	49,433	-232,994	139,856	-	-
Depreciations	-10,990	-509,152	-	-	-3,849	-523,990
Total	70,930	9,215,451	747,467	682,497	51,230	10,767,574

At 30th of September 2021						
Accumulated acquisition cost	126,502	12,564,254	747,467	682,497	60,366	14,181,086
Accumulated depreciation	-55,573	-3,348,803	-	-	-9,136	-3,413,511
Total	70,930	9,215,451	747,467	682,497	51,230	10,767,574

	Machin- ery and equipm.	Trans- portation	Partially delivered trains	Under construc- tion	Right-to- use other assets	Total
At 1st of January 2020						
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
Total	6,013	9,599,430	978,076	15,373	9,528	10,608,420

3rd quarter 2020						
Opening net book value	6,013	9,599,430	978,076	15,373	9,528	10,608,420
Additions	-	-	229,263	408,703	35,940	673,907
Transfers within PPE	182	729,237	-376,529	-352,889	-	-
Depreciations	-1,291	-531,173	-	-	-2,769	-535,233
Total	4,904	9,797,494	830,810	71,187	42,699	10,747,093

At 30th of September 2020						
Accumulated acquisition cost	48,062	12,459,698	830,810	71,187	46,764	13,456,520
Accumulated depreciation	-43,158	-2,662,204	-	-	-4,065	-2,709,427
Total	4,904	9,797,494	830,810	71,187	42,699	10,747,093

	Machin- ery and equipm.	Trans- portation	Partially delivered trains	Under construc- tion	Right-to- use other assets	Total
At 1st of January 2020						
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
Total	6,013	9,599,430	978,076	15,373	9,528	10,608,420
Annual accounts 2020						
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
Deletions	-	-6,274	-	6,274	-	-
Transfers within PPE	33,730	792,883	-412,260	-414,353	-	-
Depreciations	-2,716	-708,620	-	-	-3,991	-715,327
Total	37,412	9,676,355	893,834	83,545	41,477	10,732,622
At 31st of December 2020						
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
Total	37,412	9,676,355	893,834	83,545	41,477	10,732,622

4. Financial instruments

Measurement of fair value

A comparison of the recognized values and the fair value of the company's interest-bearing debt is given below:

Interest bearing debt - long term	30.09.2021	30.09.2020	31.12.2020
Bonds measured at fair value	1,350,818	1,526,105	1,435,190
Bonds measured at amortized cost	4,893,376	5,543,376	5,243,376
Total interest bearing debt - long term	6,244,194	7,069,481	6,678,566
Interest bearing debt - short term	30.09.2021	30.09.2020	31.12.2020
Bonds measured at fair value	791,246	448,649	749,046
Bonds measured at amortized cost	200,000	-	-
Total interest bearing debt - short term	991,246	448,649	749,046
Total interest bearing debt	7,235,440	7,518,130	7,427,612
Nominal values	30.09.2021	30.09.2020	31.12.2020
Bonds measured at fair value	768,750	768,750	768,750
Certificate loan at amortized cost	200,000	-	-
Bonds measured at amortized cost	5,543,376	5,843,376	5,843,376
Total interest bearing debt - nominal values	6,512,126	6,612,126	6,612,126

Financial assets and liabilities at fair value through profit or loss as at 30th of September 2021	Level 1	Level 2	Level 3	Total
Derivatives	-	440,445	-	440,445
Total assets	-	440,445	-	440,445
Borrowings and accrued interest	-	1,392,085	-	1,392,085
Derivatives	-	36,065	-	36,065
Total liabilities	-	1,428,150	-	1,428,150

Financial assets and liabilities at fair value through profit or loss as at 30th of September 2020	Level 1	Level 2	Level 3	Total
Derivatives	-	579,033	-	579,033
Total assets	-	579,033	-	579,033
Borrowings and accrued interest	-	1,569,010	-	1,569,010
Derivatives	-	42,032	-	42,032
Total liabilities	-	1,611,042	-	1,611,042

Financial assets and liabilities at fair value through profit or loss as at 31st of December 2020	Level 1	Level 2	Level 3	Total
Derivatives	-	503,439	-	503,439
Total assets	-	503,439	-	503,439
Borrowings and accrued interest	-	1,547,937	-	1,547,937
Derivatives	-	39,535	-	39,535
Total liabilities	-	1,587,472	-	1,587,472

At 30 September 2021, the fair value of bond loans at amortised cost is 5,543 MNOK (30 September 2020: 5,843 MNOK).

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 State should own 100 per cent of Norske tog AS. All bond loans are classified at level 2.

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.

5. Hedge Accounting

Fair value Forward exchange	1-6 months	6-12 months	More than 1 year	Total
Assets	-	-	-	-
Liabilities	1,768	1,759	18,418	21,945

Specification hedging reserve	
Balance as at 1st of July 2021	-
Change in fair value	22,480
Reclassified to assets under construction when paid	-535
Reclassified to ordinary income and expense til ordinært resultat	-
Deferred tax	-4,946
Balance as at 30th of September	16,999

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