



Norske
tog

Quarterly report Q1 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, 1st quarter 2021

- Reclining stools have been ordered for all three traffic packages. Eight carriages with reclining stools will be put into service during 2022.
- The government propose to introduce portfolio management for the railway sector in the National Transport Plan (NTP) for 2022-2033. Norske tog is positive to this proposal. Norske tog have estimated an investment need of NOK 30-50 billion for the purchase of new trains. No money has been set aside for this in the NTP.

Financial indicators

Financial indicators (MNOK)	As at Q1 2021	As at Q1 2020	Year 2020
Profit/loss from operations	80	71	299
Pre-tax profit	57	-7	127
Profit/loss for the period	45	-5	99
Net cash flow	-19	-1,489	-1,444
Working capital	-492	457	-96
Equity	3,209	3,059	3,164
Equity ratio	28.0 %	26.5 %	27.4 %
Return on equity*	4.9 %	5.8 %	3.2 %

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

Economic development in Norske tog

For the 1st quarter of 2021, Norske tog has a net profit after tax of MNOK 45 (MNOK -5). Compared with the same period last year, this is an increase of MNOK 50. The main reason is the change in unrealized value recognized in the income statement of 11 MNOK in 2021 compared to -41 MNOK in during the same period last year. In addition, there is 7 MNOK less income, but at the same time 16 MNOK less operating costs for the first quarter of the year.

Norske tog have hired more employees towards the end of 2020 and will continue to do so in 2021. The company has started several large projects and in connection with that wage costs are now capitalised on these projects. For the first quarter, wage costs of approximately 1.2 MNOK been capitalized.

The result gives a return on book equity of 4.9 percent for the last 12 months. In the long run, the goal is to deliver a rolling 12 month return of 5 percent.

The main reason for a long return during this period is that Norske tog spends large resources on upcoming train procurements. Norske togs annual returns will fluctuate in line with the scope of planned investments projects.

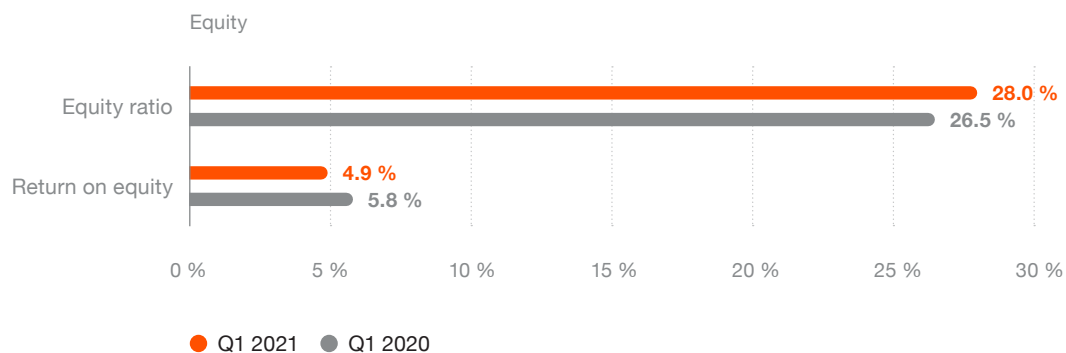
Change in financial indicators Q1 2020 to Q1 2021

Sales analysis

	1 st quarter 2021	1 st quarter 2020
Leasing income	299,706	306,127
Other operating income	164	782

Leasing income decreased by TNOK 6,421 compared to the first quarter of 2020.

Revenues are calculated based on book value, during the quarter the depreciation was greater than the value of new trains. This is because the income is calculated based on book value of the trains. The average age of vehicles is increasing, and there are higher operating costs for older vehicles.



The equity ratio for Norske tog increased from 26.5 per cent in the first quarter of 2020 to 28.0 per cent in the first quarter of 2021.

Financing

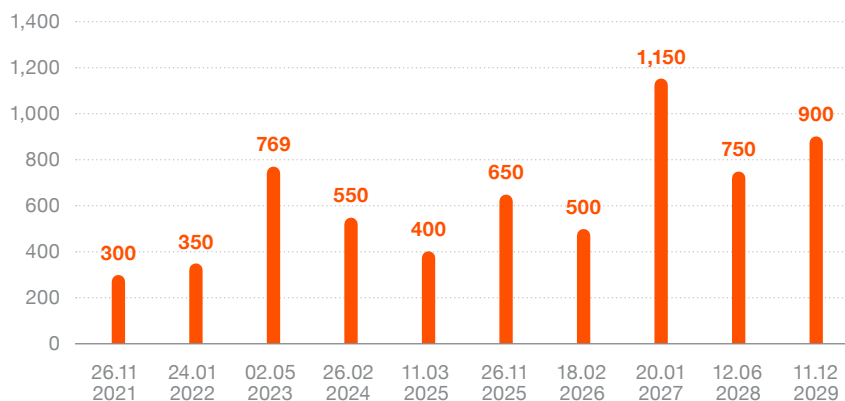
Norske tog has good creditworthiness. Standard & Poor's has given the company a credit rating for long-term borrowing of A+ (stable).

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. There is an equity share requirement of 20 percent in the RCF agreement.

As at 31.03.2021, the company has bond loans for MNOK 650 maturing over the next 12 months, as well as a commercial paper of 350 MNOK which matures in May 2021. The company plans to refinance this amount in 2021.

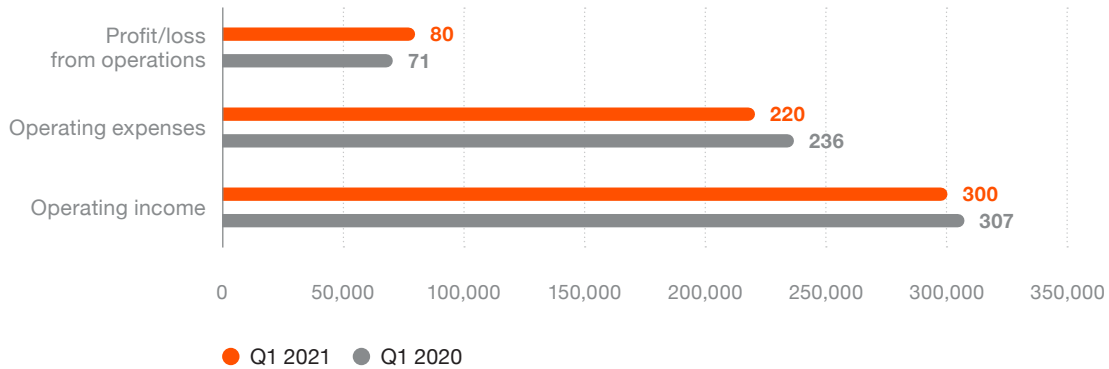
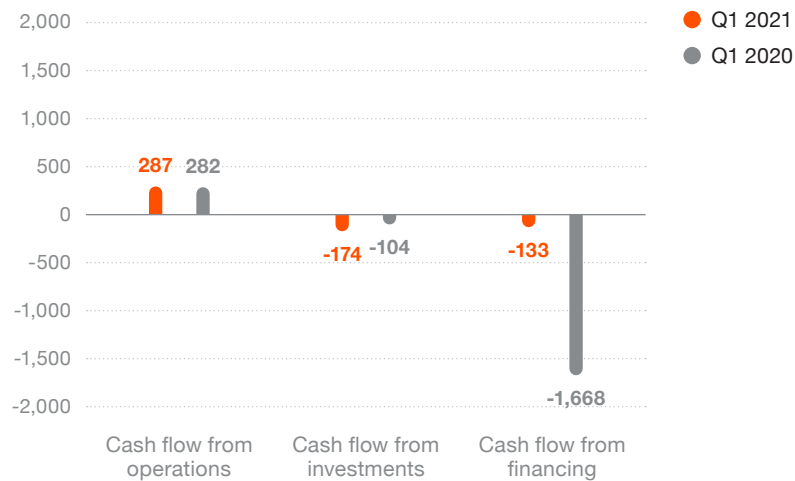
Noncurrent liabilities

Amounts outstanding in MNOK



Profit/loss**Profit/loss 1st quarter**

Alle figures in TNOK

**Cash flow****Cash flow 1st quarter**

Net cash flow from operations is MNOK 287 (MNOK 282). Net cash flows used for investments total MNOK 174 (MNOK 104), with the funds mainly used to purchase new trains.

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.

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

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.

The corona pandemic leads to general challenges and some delays in several projects, especially for those associates with entry to the country.



Significant events

The main focus during the first quarter has been a high level of activity due to large procurements and commencement of several projects.

On the 5th March traffic package 4 was announced. This is a comprehensive traffic package that includes the local and regional traffic between Oslo and the former county of Østfold. The tenderers have until the 31st of August this year to submit a tender. Traffic package 4 has start-up in December 2023.

During the first quarter, Norske tog has started work on dismantling a train set which had been purchased from Flytoget. Norske tog will use the disassembled parts from the train set to supply critical components to the train operators according to the lease agreement.

226 reclining stools have been ordered to be distributed to the first three traffic packages during the first quarter. The reclining stools will be placed in eight carriages, with between 23 and 30 reclining stools in each carriage. The reclining stools can be folded down, either 45 degrees or completely flat. The carriages with reclining stools will be put into service in 2022.

The work of installing ERTMS on-board equipment is underway during the first quarter. ERTMS is the name of the new pan-European signalling system, where the goal is to standardise signalling and traffic management railway throughout Europe. In Norway, Bane NOR has the overall responsibility for the installation of the ERTMS.

Installation of 4G mobile amplifiers in trains continues during the first quarter. This will give passengers better network coverage when they travel by train. By the end of 2021, the trains on the routes Oslo-Stavanger, Oslo-Bergen and Oslo-Trondheim will have received mobile amplifiers.

Outlook

On the 19th March the government presented the new National Transport Plan for 2022-2033, which contains a plan for the government's transport policy over the next 12 years. In the National Transport Plan, the government is considering introducing elements from the Nye Veier model for the railway sector. This model exists of, among other things, portfolio management and greater operational freedom for the companies, assignment to prioritise projects according to socio-economic profitability, stronger incentives for cost reductions and predictable and credible framework management. Norske tog is positive to the introduction of portfolio management to the railway sector.

Norske tog is positive about introducing portfolio management to the railway sector. Large parts of the train fleet owned by Norske tog is very old. Norske tog have estimated a need for 254 new trains over the next ten years, which presents an investment need of between NOK 30 to 50 billion. Money is not set aside for this in the National Transportation Plan. Norske tog will prioritise the work with the introduction of financing for new trains through 2021.

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.

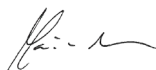
In the best judgement of the Board of Directors and the CEO, the report reflects significant transactions conducted with related parties in the current period and the most important risk factors facing the business in the coming period.

The Board of Directors and the CEO confirm that, to the best of their knowledge, the financial statements for the first quarter 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 third quarter have not been audited by the company's auditor.

Oslo, 12. May 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	1 st quarter 2021	1 st quarter 2020	Year 2020	Last 12 months
Operating revenue	2	299,870	306,909	1,234,078	1,227,039
Payroll and related expenses		11,615	11,732	43,735	43,618
Depreciation and impairment		174,604	176,117	715,327	713,814
Other operating expenses		34,008	48,529	175,815	161,294
Total operating expenses		220,227	236,378	934,877	918,726
Operating profit		79 642	70,531	299 201	308,312
Financial posts					
Financial income		21,026	41,161	107,195	87,060
Financial expenses		-54,366	-78,211	-245,753	-221,908
Net financial expenses - pensions		-	-	-123	-123
Unrealised fair value changes	1	11,154	-40,521	-33,507	18,168
Net financial items		-22,186	-77,571	-172,188	-116,803
Profit before income tax		57,456	-7,040	127,013	191,509
Income tax expense		12,640	-1,549	27,970	42,159
Profit for the period		44,816	-5,491	99,043	149,350
Attributable to					
Equity holders		44,816	-5,491	99,043	149,350
Other comprehensive income					
Profit for the year		44,816	-5,491	99,043	149,350
Items that will not be reclassified to profit or loss					
Deviation retirement benefit obligations		-	-	-5	10,646
Tax related to items that will not be reclassified		-	-	1	-2,342
Total comprehensive income for the period		44,816	-5,491	99,039	157,654
Attributable to					
Equity holders		44,816	-5,491	99,039	157,654

Statement of financial position

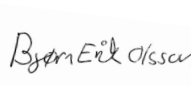
All numbers in TNOK	Notes	31.03.2021	31.03.2020	31.12.2020
Assets				
Property, plant and equipment	3	10,732 202	10,535,986	10,732,622
Total non-current assets		10,732 202	10,535,986	10,732,622
Trade and other receivables		58,356	79,652	34,044
Derivative financial assets		410,771	669,909	503,439
Cash and bank deposits		271,051	244,137	290,329
Total current assets		740,178	993,698	827,812
Total assets		11,472,381	11,529,684	11,560,433
Equity and liabilities				
Ordinary shares and share premium		2,400,000	2,400,000	2,400,000
Retained earnings		808,639	659,294	763,823
Total equity		3,208,639	3,059,294	3,163,823
Borrowings	4	6,226,461	7,173,707	6,678,566
Deferred tax obligation		765,725	723,567	753,084
Retirement benefit obligations		2,573	28,754	2,635
Other accruals		36,820	8,123	38,572
Total long term liabilities		7,031,579	7,934,151	7,472,857
Trade and other payables		115,980	95,903	135,172
Borrowings	4	1,094,057	402,946	749,046
Derivative financial instruments		22,127	37,391	39,535
Total short term liabilities		1,232,163	536,239	923,753
Total equity and liabilities		11,472,381	11,529,684	11,560,433

Oslo, 12. May 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	1 st quarter 2021	1 st quarter 2020	Year 2020
Profit for the period before income tax expense	57,456	-7,039	127,013
Net financial items	100,754	112,665	180,261
Depreciation and impairment in the income statement	174,604	176,117	715,327
Net changes to obligations and retirement benefit oblig.	-62	-376	-26,926
Changes to working capital*	-45,257	440	116,073
Net cash flow from operating activities	287,495	281,807	1,111,748
Purchase of PPE	-174,183	-103,682	-839,530
Net cash flow from investment activities	-174,183	-103,682	-839,530
Interest paid on borrowings	-108,600	-182,394	-292,264
Interest income	7,845	69,729	112,003
Other financial items	-81,859	-37,428	-18,304
Proceeds from borrowings	349,997	-	-
Repayment of borrowings	-300,000	-1,517,500	-1,517,500
Net cash flow from financial activities	-132,617	-1,667,593	-1,716,065
Net change in cash and bank deposits for the period	-19,305	-1,489,468	-1,443,847
Cash and bank deposits as at the beginning of the period	290,329	1,733,834	1,733,834
Foreign exchange gain/loss on cash and bank deposits	26	-228	341
Cash and bank deposits as at the end of the period	271,051	244,137	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).

Egenkapital

As at 31st of March 2021 (All numbers in TNOK)	Ordinary shares	Share premium	Retained earnings	Total
Equity 1 st of January 2021	100,000	2,300,000	763,823	3,163,823
Profit for the period	-	-	44,816	44,816
From other comprehensive income	-	-	-	-
Equity 31st of March 2021	100,000	2,300,000	808,640	3,208,639

As at 31st of March 2020 (All numbers in TNOK)	Ordinary shares	Share premium	Retained earnings	Total
Equity 1 st of January 2020	100,000	2,300,000	664,784	3,064,784
Profit for the period	-	-	-5,491	-5,491
From other comprehensive income	-	-	-	-
Equity 31st of March 2020	100,000	2,300,000	659,293	3,059,294

2020 (All numbers in TNOK)	Ordinary shares	Share premium	Retained earnings	Total
Equity 1 st of January 2020	100,000	2,300,000	664,784	3,064,784
Profit for the period	-	-	99,043	99,043
From other comprehensive income	-	-	-4	-4
Equity 31st of December 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 first quarter 2021 are consistent with the accounting principles used for the financial statements in 2020.

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

Unrealised fair value changes	31.03.2021	31.03.2020	31.12.2020
Unrealised value changes derivatives used for hedging	-81,694	-569,711	-731,923
Unrealised value changes bonds	92,848	529,190	698,416
Total unrealised value changes financial items	11,154	-40,521	-33,507

2. Sales analysis by category

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

Analysis of operating income by category	31.03.2021	31.03.2020	Year 2020	Last 12 months
Leasing revenue	299,706	306,127	1,232,423	1,226,002
Other revenue	164	782	1,654	1,036
Total	299,870	306,909	1,234,078	1,227,038

Information about major customers

The company has three customers for leasing of passenger rolling stock, Vy AS, Go-Ahead AS, SJ AS and Vy tog AS, which account for 100 per cent of the leasing income.

3. Property, plant and equipment

	Machinery and equipm.	Transportation	Partially delivered trains	Under construction	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

1st quarter 2021						
Opening net book value	37,412	9,676,355	893,834	83,545	41,477	10,732,622
Additions	-	41	52,940	121,202	-	174,183
Transfers within PPE	24,997	15,537	-16,043	-24,491	-	-
Depreciations	-2,888	-170,493	-	-	-1,222	-174,604
Total	59,521	9,521,439	930,731	180,256	40,255	10,732,202

Balance 31. mars 2021						
Accumulated acquisition cost	106,992	12,531,584	930,731	180,256	46,764	13,796,327
Accumulated depreciation	-47,471	-3,010,144	-	-	-6,509	-3,064,125
Total	59,521	9,521,439	930,731	180,256	40,255	10,732,202

	Machinery and equipm.	Transportation	Partially delivered trains	Under construction	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

1st quarter 2020						
Opening net book value	6,013	9,599,430	978,076	15,373	9,528	10,608,420
Additions	-	-	42,449	61,233	-	103,682
Transfers within PPE	162	174,001	-35,374	-138,789	-	-
Depreciations	-511	-175,282	-	-	-324	-176,116
Total	5,664	9,598,149	985,151	-62,184	9,204	10,535,986

At 31st of March 2020						
Accumulated acquisition cost	48,042	11,904,462	985,151	-62,184	10,824	12,886,295
Accumulated depreciation	-42,378	-2,306,313	-	-	-1,620	-2,350,310
Total	5,664	9,598,149	985,151	-62,184	9,204	10,535,986

	Machinery 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
Årsregnskapet 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	12,522,280	893,834	83,545	46,764	13,628,418
Accumulated depreciation	-44,583	-2,845,925	-	-	-5,287	-2,895,795
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 recognised values and the fair value of the company's interest-bearing debt is given below:

Interest bearing debt - long term	30.03.2021	30.03.2020	31.12.2020
Bonds measured at fair value	1,333,085	1,630,331	1,435,190
Bonds measured at amortized cost	4,893,376	5,543,376	5,243,376
Total interest bearing debt - long term	6,226,461	7,173,707	6,678,566
Interest bearing debt - short term	30.03.2021	30.03.2020	31.12.2020
Bonds measured at fair value	1,094,057	402,946	749,046
Bonds measured at amortized cost	-	-	-
Total interest bearing debt - short term	1,094,057	402,946	749,046
Total interest bearing debt	7,320,518	7,576,652	7,427,613
Nominal values	30.03.2021	30.03.2020	31.12.2020
Bonds measured at fair value	768,750	768,750	768,750
Commercial paper at amortized cost	350,000	-	-
Bonds measured at amortized cost	5,543,376	5,843,376	5,843,376
Total interest bearing debt - nominal values	6,662,126	6,612,126	6,612,126

Financial assets and liabilities at fair value through profit or loss as at 31st March 2021	Level 1	Level 2	Level 3	Total
Derivatives	-	410,771	-	410,771
Total assets	-	410,771	-	410,771
Borrowings and accrued interest	-	1,380,461	-	1,380,461
Derivatives	-	22,127	-	22,127
Total liabilities	-	1,402,588	-	1,402,588

Financial assets and liabilities at fair value through profit or loss as at 31st March 2020	Level 1	Level 2	Level 3	Total
Derivatives	-	669,909	-	669,909
Total assets	-	669,909	-	669,909
Borrowings and accrued interest	-	1,684,336	-	1,684,336
Derivatives	-	37,391	-	37,391
Total liabilities	-	1,721,727	-	1,721,727

Financial assets and liabilities at fair value through profit or loss as at 31st 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 31 March 2021, the fair value of bond loans at amortised cost is TNOK 4,893 376 (31 March 2020: TNOK 5,543,376).

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.

Norske tog AS

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