

Annual and Sustainability Report 2020



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Group CEO Gorm Frimannslund, Bane NOR. Photo: Aksel Jernstad

1. A word from the Group CEO

I am fortunate to be the Group CEO of a railway enterprise. Trains are the safest, most efficient and climate friendly means of transport there is. We who work for Bane NOR have the chance to develop solutions that ensure that children, young people and adults can get to and from school, work and leisure activities. We are working to ensure that more freight haulage can be transferred from roads to rail. We are working to make sure that our development is greener and that the trains can operate without emitting

greenhouse gases. On my team are a group of highly capable employees who work on complex challenges across disciplines. We stand together and are driven by a strong belief that rail is the solution to the transport needs of the future. Strengthening and developing train services will enable rail to make a significant contribution to achieving the overarching transport policy goal of "An efficient, environmentally friendly and safe transport system in 2050".

When we started our fourth year in January 2020, we were deep in the process of restructuring and changing the enterprise. This was being done to ensure that we can deliver better punctuality, implement projects more efficiently, and put the digitalisation of rail in the driving seat. We are continuously working to free up funds in order to reduce the maintenance lag in the railway network, which at the end of 2020 was estimated to be NOK 21.3 billion. That is a lot of money and even though we have refurbished many stretches of track in the last few years, heavy train traffic results in extensive wear and many of our installations have reached the end of their useful lives. More is being invested in Norwegian railways today than ever before, and that is fantastic. At the same time, it is important to take care of what we have.

If commuters are to get the train services they deserve, we have to spend more on maintenance and refurbishment because of the significant lag in the maintenance programme on the Norwegian railway network. Every train in Norway operates on a combination of new and old infrastructure, so the question cannot be whether we should build anew or maintain the old, we have to do both. Train traffic is increasing, especially for passenger transport. Prior to Covid-19, an average of 200,000 people travelled by train every day. This is a fantastic, positive development that shows how important it is that we succeed when it comes to railways in Norway. We have to continuously improve and modernise because as cities grow, more people need to travel and as climate awareness grows, even more people will choose trains as their means of transport.

In 2020, we drew up a strategy for sustainability. This is our “rail map” for the next few years that will enable us to strengthen our work and contribute to a more sustainable society. We believe that “More on track leaves a smaller footprint”. Our most important contribution to greater sustainability – in society in general and the transport sector especially – is to strengthen support for rail. We intend to achieve this through clearer priorities. We will

focus on further developing rail’s environmental advantages, ensuring punctuality and predictability, and strengthening hub development and seamless travel. It is by making improvements in these areas that Bane NOR can have the greatest impact in relation to our ambition of “more on track”.

When the Covid-19 pandemic hit and everyone was sent home from the office on 12 March last year, it was important for us to contribute by keeping services going so that health professionals and other essential workers society depends on could get to work safely. I have been mightily impressed by the efforts of the employees of Bane NOR and our suppliers. Each and every day, skilled and dedicated employees have stuck at it while working from home and on construction sites adapted to satisfy infection control requirements. Thanks to their efforts we have managed to operate the railways and maintain our projects throughout the past year.

Punctuality for rail passengers achieved a record high last year. Some 92.7 per cent of trains were on time. There are a number of reasons for this: fewer passengers due to the pandemic, somewhat milder weather, and, not least, good maintenance work. The pandemic is not over, and we will continue to carry on our work as best we can from day to day.

There is also a lot to look forward to in 2021. In the spring, the Storting will consider the government’s proposed new National Transport Plan for 2022-2033. The year 2021 is the year of rail in Europe and we will use the opportunity to promote rail as a means of transport and focus on its environmental advantages. We will also be celebrating the beautiful Dovre Line, which will be turning 100 years old. I am looking forward to it.



Gorm Frimannslund
Group CEO

2. About us

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2.1 This is Bane NOR

The Bane NOR Group has approximately 4,700 employees. Its head office is in Oslo and it is a wholly state-owned enterprise under the Ministry of Transport. Our mission is to be responsible for operating, maintaining, planning and developing the national rail network, traffic management, and administering and developing railway properties. We are tasked with laying the foundation for rail traffic growth by ensuring safe, accessible and efficient railway infrastructure and facilitating customer friendly hubs for passengers and freight.

The basis for Bane NOR's role is described in White Paper No. 27 (2014-2015) On the Right Track – Reform of the railway sector, in White Paper 33 (2016-2017) National Transport Plan 2018-2029, in state ownership reports and in national budgets. The documents underscore our corporate social responsibility and our role, at the same time as they express an expectation that we should be an outward looking social stakeholder and perform our role through a good partnership with the society in which we operate.

Bane NOR's main source of revenue is remuneration from the state, which is received in line with agreements with the Norwegian Railway Directorate. Our other revenues are primarily infrastructure charges and rental and sales revenue from Bane NOR Eiendom's activities. For more details about Bane NOR's background, revenues, services and remuneration – see Accounting policies, and Annual Report 2019 for Bane NOR and Bane NOR Eiendom AS (wholly owned subsidiary).

In 2019, operation and maintenance of the railways were spun off into a separate limited company wholly owned by Bane NOR, Spordrift AS. Ownership of Spordrift AS was transferred to the state at the beginning of 2021. Approximately 1,200 employees were transferred to the new company. Spordrift AS is tasked with performing operating and maintenance services in line with technical and safety requirements set by Bane NOR. Tasks performed by Spordrift will be put out to competitive tender in the next few years in ten geographical contract areas. The first contract area – the Sørland Line – will be put out for competitive tender as early as 2021. This competitive tendering is intended to help improve efficiency and productivity in railway operation and maintenance.

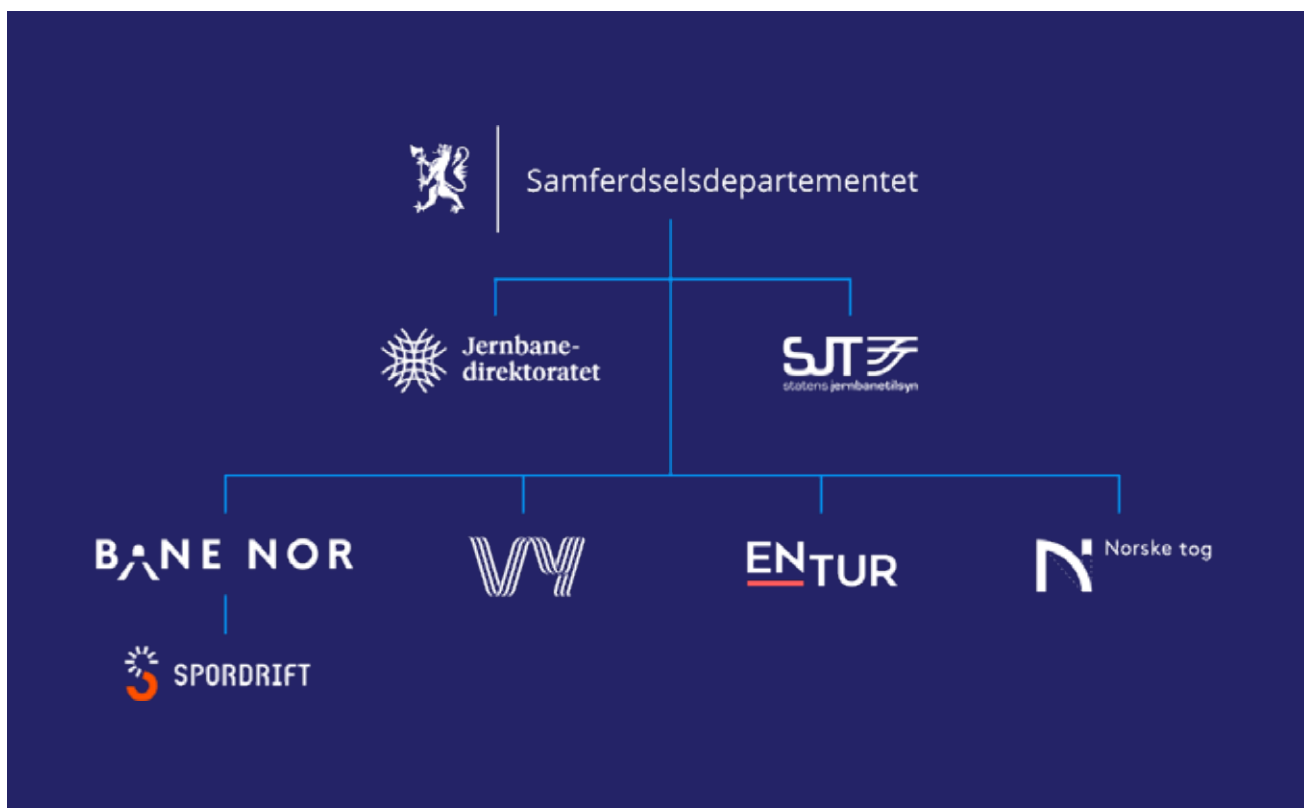


Figure 1. Organisation of the railway sector in Norway and the Ministry of Transport's ownership as at 31 December 2020.

The Ministry of Transport bears overarching (political) responsibility for the transport sector and performs the corporate governance of the Norwegian Railway Directorate and business governance of Bane NOR SF and Spordrift (from 1 July 2019), Entur AS (national sales channel for train tickets), Norske Tog AS (company tasked with ensuring access to rolling stock for the passenger train operators). The Ministry of Transport also addresses the state's ownership of Vy AS (formerly NSB AS), while the Ministry of Trade, Industry and Fisheries addresses the ownership of Flytoget AS and Mantena AS. (Source: Jernbanedirektoratet.no)

Bane NOR carried out a major reorganisation in 2020. The goal of the new organisation is to focus on our core deliveries, clarify roles and responsibilities, improve punctuality and strengthen the planning and construction of new infrastructure. The reorganisation entailed, among other things, Bane NOR going from five to four divisions and all responsibility for punctuality and regularity being gathered in a new division, Operations and Technology. The emphasis was on gathering together the expert environments

and cultivating lines of responsibility, which are intended to help Bane NOR deliver safe and punctual infrastructure. Furthermore, responsibility for all major projects was gathered into a single division, Construction. The new division, Customer and Marketing, was assigned overall responsibility for contact with customers and the total overview of revenue from the train companies. The Property division will generally continue on as before.

2.2 The rail network in numbers 2020



4219

kilometres of railway track



337

train stations and stops



719

tunnels



2614

bridges



15

freight terminals



16

timber terminals



14

train workshops



4400

properties

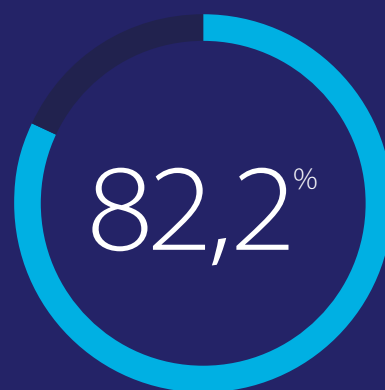
8043^{mill}

million total gross tonne kilometres driven by rail in Norway

2.2 The rail network in numbers 2020



punctuality for passenger trains



punctuality for rail freight transport

80,4^{mill}
passenger transport

Passengers (boardings) 80.4 million (2019). * Source: Statistics Norway.
The most recent figures are for 2019, published in June 2020.
The figures for 2020 will not be available before June 2021.



regularity for passenger trains



uptime for the rail network

2.3 The Board of Directors

The Board of Bane NOR consists of seven members, including the Chair and Deputy Chair. Siri Beate Hatlen was the Chair until June last year. Cato Hellesjø was elected the new Chair on 23 June.



Cato Hellesjø
Chair

Cato Hellesjø (born 1956) has been the Chair since June 2020. He has a Master in Business and Economics from BI Norwegian Business School and has been the Group CEO of Sporveien AS since 2009. He is the former Group CEO of Dagbladet and has been a director in Ringnes and head of department in Aftenposten. Hellesjø is the chair of the board of a number of companies and has held several board positions in Norwegian business.



Olaf Melbø
Deputy Chair

Olaf Melbø (born 1949) has been the Deputy Chair since 2016. He is a graduate engineer from the Norwegian Institute of Technology (NTH) and has 35 years' experience from heading major onshore development projects. Melbø has board experience from Baneservice, AF-Gruppen and Norway at Expo2000.



Toril Nag
Board member

Toril Nag (born 1964) has been a board member since 2016. She is a graduate engineer within computer science from the University of Strathclyde. Nag has had a number of management jobs in several major technology companies and infrastructure companies, and is currently an EVP in an energy and technology company, Lyse, in Stavanger. Nag has broad board experience from a number of Norwegian and international companies, and is currently the chair of a number of technology companies, including Altibox AS and Ambita AS.



Ane Breivega
Board member

Ane Rongen Breivega (born 1971) has been a board member since 2016. She holds Cand. Jur. and Cand. Mag. degrees from the University of Bergen. Breivega is a partner in, and the general manager of, the law firm Lin Advokater AS and has held positions in Ruter AS, Rådet for Legemiddelinformasjon and Vestre Viken Health Trust.



Baard Haugen
Board member

Baard Haugen (born 1955) has been a board member since 2017. He has a Master in Business and Economics from NHH Norwegian School of Economics and has held several management positions within economics and finance in Elkem, Torvald Klaveness and Elopak. Haugen is currently the CFO of the NHST Media Group.



Solbjørg Engeset
Board member

Solbjørg Engeset (born 1964) has been a board member since 2017. She is a graduate engineer and has a Master of Management from BI Norwegian Business School. Engeset has previous experience from Sveriges Televisjon, NRK, Telenor and the Directorate for Emergency Communication (DNK).



Torfinn Håverstad
Board member

Torfinn Håverstad (1965) has been a board member and observer since 2017. He has worked as a traffic controller and tactical route planner in Norwegian State Railways (NSB) and the Norwegian National Rail Administration/Bane NOR since 1984. Håverstad became a union official in the Norwegian Union of Railway Workers in 1994 and today is an assistant secretary general of the union.



Tor Egil Pålerud
Observer

Tor Egil Pålerud (born 1966) has been a board member and observer since 2017. He is a qualified track worker. Pålerud has long experience from the Norwegian Confederation of Trade Unions (LO) and as a local politician, and sits on several boards thanks to his position as the trade union secretary of the Norwegian Union of Railway Workers.



Morten Lønnes
Observer

Morten Lønnes (born 1957) has been an observer since August 2019. He is a qualified mechanical engineer from the Oslo College of Engineering and a business graduate from BI Norwegian Business School. Lønnes has held a number of positions within management, operations and planning in Oslo Sporveier, the Norwegian National Rail Administration and now Bane NOR. He has been a union official in Bane NOR since 2008 and is head of NITO and the SAN partnership.

2.4 Group structure and group management

Bane NOR's group management consists of nine people and is led by Group CEO Gorm Frimannslund.



Gorm Frimannslund
Group CEO

Gorm Frimannslund (born 1962) is the Group CEO of Bane NOR. He holds qualifications within transport, economics and management from Møre og Romsdal District College, BI Norwegian Business School and Templeton College Oxford. Frimannslund is the former director of the Infrastructure Division of the Norwegian National Rail Administration. He has also held several management positions in Widerøe and SAS.



Sverre Kjenne
EVP Operations and Technology

Sverre Kjenne (born 1964) is the EVP Operations and Technology. He is a graduate engineer from Manchester (UMIST) with an MBA from Lausanne (IMD). Kjenne has broad experience from managing listed and privately owned industrial and technology companies in Norway and abroad. He joined the Norwegian National Rail Administration in 2011 as the director of technology and has been a driving force behind the digital railway in Norway.



Stine Undrum
EVP Construction

Stine Undrum (1969) is the EVP Construction. She is a graduate engineer from the Norwegian Institute of Technology (NTH), Institute for Building and Construction Technology. Undrum joined the Norwegian National Rail Administration in 2007 as a project manager for the construction of the Holm-Nykirke stretch. She also has long experience from companies such as Veidekke and Asplan Viak.



Karsten Boe
EVP Safety and Quality

Karsten Boe (born 1970) is the EVP Safety and Quality. He is a graduate engineer from the Norwegian University of Science and Technology (NTNU). Boe joined Bane NOR in January 2017 and has more than 20 years' experience of HSE, quality and project management, national and international, from Norsk Hydro and the Aker Group.



Henning Scheel
EVP Customer and Marketing

Henning Scheel (born 1980) is the EVP Customer and Marketing. As a social scientist with an additional master's degree in innovation and international management, Scheel has a broad and versatile background. From the middle of the 2000s until he joined Bane NOR in 2017, as the director of contracts and marketing, he worked on various major projects for Hydro, REC and Statoil. He has held several management positions in Statoil.



Eli Skrøvset
EVP Business Management

Eli Skrøvset (born 1965) is the EVP Business Management. She has a Master in Business and Economics from NHH Norwegian School of Economics and has completed a management programme at Harvard Business School. Skrøvset has 20 years' experience from Statkraft, including as finance director and CFO. She also has a background from the Ministry of Petroleum and Energy and Export Credit Norway. Skrøvset has been a member of the board of Avinor AS for the last ten years.



Jon-Erik Lunøe
EVP Property

Jon-Erik Lunøe (born 1962) is the EVP Property. He is a graduate engineer in building and construction from Manchester (UMIST) and also holds a Master in Project Management from the same institution. Lunøe has broad experience from the property and contractor industry, most recently as the head of a property development company, Ulven AS.



Beate Hamre Deck
EVP HR and Organisation

Beate Hamre Deck (born 1967) is the EVP HR and Organisation. She has a Master in Business and Economics from France. Hamre Deck worked for many years in Arthur Andersen & Co. before she joined Statkraft as the director of the internal audit function and thereafter took on the role of HR director in the same company. She also worked for many years as the HR director in the international production and development business areas in Equinor before she joined Bane NOR in 2017.



Torild Lid Uribarri
EVP Communications and Public Relations

Torild Lid Uribarri (born 1964) is the EVP Communications and Public Relations. She has a Master in Business and Marketing from BI Norwegian Business School, management course at INSEAD and leadership course from the Norwegian Defence University College. Uribarri has many years' experience from Telenor and Telenor-owned companies, as well as some years of international experience within salmon farming, PR and as a business adviser in DnB (formerly Bergen Bank). She joined Bane NOR in 2018.

2.5 Bane NOR's strategy

Bane NOR's current strategy was developed when the enterprise was established and has a time horizon up to 2023. Our strategy supports our vision of growth for rail. The strategy must be seen in the context of the action programme for the railway sector, which in turn represents realisation of the current National Transport Plan (NTP).



Figure 2. Bane NOR's strategic platform

Vision

Our vision is "Norway on track", which provides an overarching direction for the Group. The vision expresses ambitions concerning growth for rail, as well as punctual and operationally stable railway services, and also alludes to our social role.

Main strategic topics

Our vision is supported by three strategic priorities: Value for money; Customer focus; and Forward-thinking social stakeholder. Safety and preparedness are common priorities in every activity in the enterprise. The three strategic topics, together with our safety and preparedness work, show how Bane NOR wants to develop over the long term.

Value for money

Bane NOR strives to be a business-oriented enterprise that is continuously improving how it uses resources in all of its processes. Efficiency gains will be delivered through improved productivity, standardisation and modernisation. We will ensure the most cost-effective solutions for projects and, with the right contract strategy and good procurements, ensure well-functioning competition in the contractor and supply markets. We will also prioritise reducing maintenance lag and predictive maintenance to improve the quality and dependability of the railway infrastructure. An ever more efficient Bane NOR will free up resources, thereby ensuring that society gets more for the money.

Customer focus

Bane NOR delivers services for train operators, passengers, consolidated shipping agents/freight owners, and other customers. We maintain our focus on customers by developing services that ensure high satisfaction. The work on punctual and operationally reliable railway services is the most important when it comes to satisfied customers.

We want to offer railway infrastructure that facilitates improved punctuality and regularity. By maintaining a strong focus on customers in all of our development work, we will lay the groundwork for growth in traffic and make rail more attractive for customers.

Forward-thinking social stakeholder

We want to be a clear stakeholder in the railway sector and promote long-term sector goals. With attractive and climate friendly infrastructure solutions, we want to contribute to a modal shift from road to rail. Customer-oriented solutions, good communications and facilitation, high operational reliability, efficient timetables, and good hubs will be important means of driving traffic growth. We will actively identify infrastructure maintenance and development needs and take on the role of Norway's leading developer of public transport hubs. We will also work to modernise rail and deliver environmentally efficient solutions in close cooperation with the supply market and customers. By acting as a forward-thinking social stakeholder we will lay the groundwork for sustainable traffic growth for rail.

Europe's safest railway

Bane NOR is tasked with delivering a safe transport system and aims to deliver Europe's safest railway system. We will strengthen and further develop our safety and preparedness work aimed at achieving our zero vision: no one should be seriously or fatally injured in the railway system.

Further development of the strategy

Work has started on updating Bane NOR's strategy. This process will result in a vision for the future up to 2033 and an updated corporate strategy for the period prior to 2025.

2.6 Bane NOR's values

These values are fundamental to our work.
We will be open, respectful, engaged and innovative



Figur 3. Bane NORs verdier

Open (Åpen)

- We share and cooperate to succeed
- We value diversity and new perspectives
- We address ethical dilemmas and act with integrity
- We are open and honest in our business operations

Respectful (Respektfull)

- We treat each other and the outside world with respect, tolerance and trust
- We put safety first
- We promote sustainability, ethical awareness and social responsibility

Engaged (Engasjert)

- We are all ambassadors for Bane NOR
- We think of the big picture and are solution-oriented
- We take responsibility for our own expertise and professional development

Innovative (Nytenkende)

- We are curious, seek new knowledge and learn from our experiences
- We use each other's expertise to deliver good results
- We challenge established truths
- We are courageous and a driving force behind change and development

3. Sustainability

As a state-owned enterprise, Bane NOR's mission is to help achieve sectoral policy goals as efficiently as possible over time, which means we have to operate sustainably. Bane NOR needs to balance economic, social and environmental factors in a way that contributes to long-term value creation.

Our reporting is based on the international standards for reporting on sustainability, the Global Reporting Initiative (GRI). The GRI Standards provide us with a tool for developing and measuring our continuous efforts. Below we take a closer look at important frameworks and guidelines on which our sustainability work is based, our material sustainability topic, our ambitions, vision and strategy for sustainability, and the goals we achieved in 2020.

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3.1 Legislation and initiatives

White Paper No. 8 (2019-2020) The state's direct ownership of companies – Sustainable value creation

The White Paper sets out clear expectations for sustainable value creation. It also provides a framework and guidelines for good corporate governance. Among other things, the state expects state-owned enterprises to:

- have an overarching plan for sustainable value creation that specifies clear goals and strategies, and to report in relation to this plan;
- be a leader in their work on developing a responsible enterprise;
- work to protect human rights and labour rights, reduce their climate and environmental footprints, and prevent financial crime, including corruption and money laundering;
- exercise due diligence in line with recognised methods; and
- be open about important areas, goals and initiatives within their work relating to responsible business.

The Accounting Act

The Accounting Act requires major enterprises to report on their corporate social responsibility in their annual report or in a separate report. The report must cover factors relating to human rights, labour rights and social conditions, the external environment and combating corruption, as well as the working environment, equal opportunities and discrimination.

Ethical Trade Norway

As a member of Ethical Trade Norway, Bane NOR has a duty to use our influence to increase support for ethical trade. Our purchasing power must be used to promote responsible trade and fair competition between suppliers, where corporate social responsibility is an important component on a par with price, quality, security

of supply, etc. Ethical trade must help to ensure that government contracts are not awarded to rogue suppliers. We must also procure goods and services in a way that helps to ensure that the fundamental rights of those who make the products are observed and that their production does not harm the environment.

Bane NOR reports on the progress of its work on ethical trade to Ethical Trade Norway every year.

UN Global Compact

Bane NOR chose to sign up to the UN Global Compact in March 2020. The UN Global Compact is based on ten principles covering the areas of human rights, working conditions, the environment and anti-corruption. Signing up to the UN Global Compact means that, as a responsible company, Bane NOR will do our best to ensure our operations comply with the ten principles. Bane NOR reports on its development to the UN Global Compact every year through a Communication on Progress (COP) report.

OECD's guidelines for multinational enterprises for responsible business conduct

In our work on sustainability, Bane NOR looks to the OECD's¹ guidelines for multinational enterprises regarding responsible business conduct and the UN Guiding Principles on Business and Human Rights (UNGP). The OECD Guidelines for Multinational Enterprises are the most comprehensive set of recommendations for responsible business conduct and include the considerations in the UNGP and ILO's core conventions. These specify standards for work that includes respecting human rights and labour rights and assessing, preventing, and dealing with breaches of them, reducing negative impacts on the climate and environment, and preventing financial crime such as corruption and money laundering, both in your own organisation and in high-risk parts of supply chains.

¹Organisation for Economic Co-operation and Development

3.2 UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a common global “road map” for sustainable development and are the entire world’s shared work plan for eradicating poverty, combating inequality and stopping climate change by 2030. The SDGs reflect the three dimensions of sustainable development: the climate and environment, economics and social conditions.






Bane NOR supports the work of the SDGs and has related our own work on sustainability to the SDGs.

We know that our activities can have both positive and negative impacts in relation to the SDGs. We are therefore making a systematic effort to minimise negative impacts wherever possible, at the same time as we contribute to achieving the goals.

Together with our stakeholders, Bane NOR has prioritised five of the 17 SDGs. These were chosen because they are the ones most closely related to our core activities and are thus areas where our efforts could have the greatest positive impact. Incorporating the SDGs is a useful compass in our work on sustainability. We also believe that it is important to be transparent in our reporting about the effects we are having within the various SDGs.

How Bane NOR is specifically working on the SDGs is stated in the discussion of the individual important themes. Important themes that specifically contribute to other SDGs beyond the five prioritised ones are also discussed.

UN Sustainable Development Goals

					
What	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Make cities and human settlements inclusive, safe, resilient and sustainable	Ensure sustainable consumption and production patterns	Take urgent action to combat climate change and its impacts	Strengthen the means of implementation and revitalise the global partnership for sustainable development
Why	Investments in infrastructure are vital for creating sustainable development. Infrastructure is the underlying structure that must be in place in order for society to function.	Urbanisation is creating huge opportunities and challenges. At their best, cities ensure that people can live good lives and develop both financially and socially. On the other hand, many cities are growing faster than the supply of jobs and housing. In the future, we will have to build cities so that they can provide access to fundamental services such as energy, housing and transport for the public.	Sustainable consumption and production are about doing more with fewer resources. Today, we consume far more than is sustainable for the globe.	It is important to limit the rise of the average temperature to 1.5 °C if the world wants to avoid catastrophic consequences in the future. In addition to cutting emissions and the capture and storage of CO ₂ , there has to be a greater focus on renewable energy, new industrial systems and changes in infrastructure. We must also invest in protecting, adapting and limiting the scope of harm.	New and strong partnerships are needed to succeed with the SDGs. Authorities, business and civil society must work together to achieve sustainable development.
Relevant targets	<ul style="list-style-type: none"> We will develop high-quality reliable, sustainable and resilient infrastructure to support economic development and quality of life 	<ul style="list-style-type: none"> We will increase access to safe, easily accessible and sustainable transport systems We will contribute to road safety through our development of public means of transport We will protect and secure our cultural and natural heritage 	<ul style="list-style-type: none"> We will reduce waste volumes through prohibitions, reduction, recovery and reuse We will encourage suppliers to introduce sustainable working methods 	<ul style="list-style-type: none"> We will strengthen our ability to resist and adapt to climate-related hazards and natural disasters We will incorporate measures against climate change in our work and strategy 	<ul style="list-style-type: none"> We will encourage and promote partnerships and cooperation

3.3 Stakeholder engagement and materiality analysis

Bane NOR carries out our social mission and work with sustainability in partnership with the rest of society. We have a wide range of stakeholders from decision-makers and policy advisers to customers and our infrastructure's neighbours. An overview of our stakeholders is provided in the figure below.



Figure 4. Bane NOR's stakeholders.

The materiality analysis is based on our work on sustainability. The analysis is a tool that helps us assess how we can best contribute positively to social development and at the same time support our long-term value creation.

As a major stakeholder in Norway, Bane NOR works with our stakeholders in various forums such as information meetings in local communities, network cooperation in the sector and the dialogue with our owner. There was no structured stakeholder engagement in 2020 like there was in 2019. We have instead analysed the results of our customer and reputation surveys, as well as information obtained from employees who are in regular dialogue with owners, supervisors, suppliers, local communities and neighbours. These analyses form part of the basis for the report.

Some of the key points stakeholders were especially interested in, and that we focus on in our work, include:

- Showing aspects of technological developments that will impact how rail's competitive advantages develop over time in relation to other forms of transport
- Communicating impartial and well-documented information about the climate and environment that supports rail's environmental advantages
- Promoting Bane NOR's value creation and socio-economic benefits
- Showing Bane NOR's role in the development of future-oriented hubs as part of our development of rail
- Communicating how Bane NOR works on expertise and restructuring to develop smart, innovative and future-oriented solutions
- Showing the importance of partnerships in the transport sector in order to encourage innovation and goal attainment

3.4 Bane NOR's material sustainability topic

Bane NOR's material sustainability topic support Bane NOR's strategy as outlined in the materiality matrix below. The "Value for money" strategic pillar, which is based on all long-term value creation, must also be based on sustainable solutions.

Bane NOR's materiality matrix

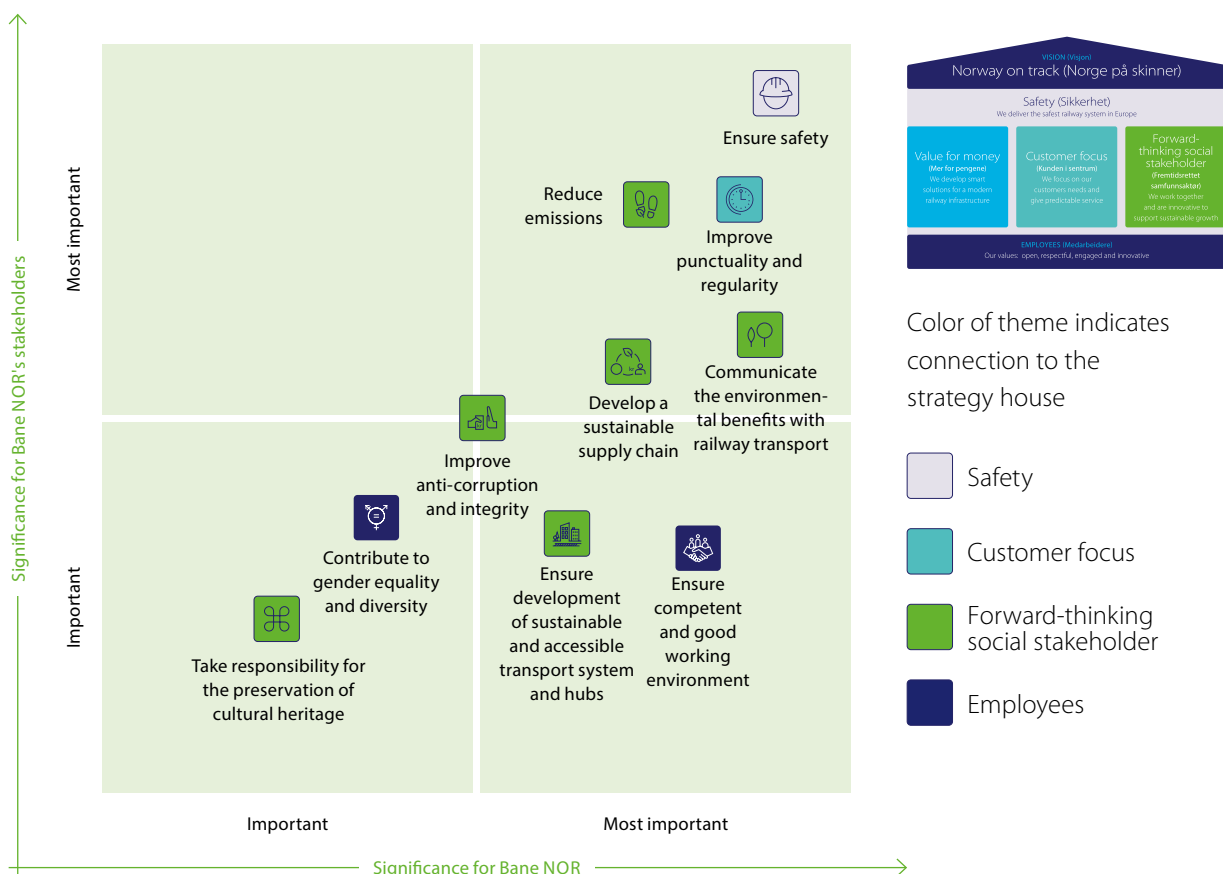


Figure 5: Bane NOR's materiality matrix is the result of Bane NOR's materiality analysis. The main points in the diagram are colour coded in relation to our four strategic priorities.

3.5 Our ambition, vision and strategy for sustainability

Bane NOR has systematically worked on sustainability since the company's inception. In 2020, we developed a vision and specific sustainability strategy for further, targeted development. Our ambition is to boost Bane NOR into becoming a role model within sustainability by the end of 2025. As a role model, Bane NOR will be an important driving force for sustainable development through our work on a strong culture of sustainability.

The strategy and vision will help us achieve our ambition. Bane NOR's sustainability strategy for 2021-2025 is our detailed "rail map" for our work on sustainability going forward. The strategy is structured around the themes that have been assessed as the most important for strengthening us within sustainability and contributing to a more sustainable society.

It is important to take a broad and thorough approach to this area, although it is also important to base the work on a clear focus. In order to illustrate how we believe we can make the biggest difference we have developed a short, unifying vision for the work on sustainability in Bane NOR. It stems from our environmental advantages and our organisation's inherent contribution to a more sustainable society – the fact that we are part of the answer.

«More on track leaves a smaller footprint»

Bane NOR's most important contribution to greater sustainability – in society in general and the transport sector especially – is to strengthen support for rail and help ensure more people can travel by train. Transferring transport to rail will make the transport sector more sustainable since rail uses less energy and land in relation to capacity than any other means of transport.

Firstly, rail helps to achieve climate and zero growth goals by transferring traffic from fossil forms of transport. Secondly, rail has other environmental advantages such as less air pollution, noise and need for land. Other significant advantages are rail's ability to offer fast, energy efficient transport with high capacity utilisation, as well as fewer road traffic accidents. These advantages are even greater in central regions where most people and most freight are transported. When more people can live, work or carry out necessary errands near a station, greenhouse gas emissions are reduced because there is significantly less need for private cars.



We believe that the most important factors that contribute to this can be summarised through the following main goals for our work:

- Further developing rail's environmental advantages
- Ensuring punctuality and predictability
- Improving hub development and seamless travel

It is by making improvements in these areas that Bane NOR can have the greatest impact in relation to our ambition of "more on track". And this will contribute to a more sustainable society.

This prioritisation does not mean that we are not systemically working on the other themes we have defined as important (see below). The other goals we have set ourselves in this strategy contribute to rail "leaving a smaller footprint" in various ways. They are all essential for our professionalism and our legitimacy as an important social stakeholder. Therefore, they also affect our ability to fulfil our mission: Being a driving force behind more people taking trains.

Our main priority sustainability themes are:

1. Further developing rail's environmental advantages
2. Ensuring punctuality and dependability
3. Improving hub development and seamless travel
4. Reducing our activities' climate and environmental footprints
5. Developing a sustainable supply chain
6. Ensuring a good, expert working environment
7. Taking responsibility for cultural heritage sites and the cultural environment
8. Contributing to diversity and equal opportunities
9. Strengthening anti-corruption and impartiality
10. Ensuring safety

For a detailed review of Bane NOR's work on corporate social responsibility and sustainability, see Bane NOR's sustainability strategy.

4.

Board of Directors' Report 2020

4. Board of Directors' Report 2020

Highlights

Bane NOR continued its work of developing the rail network in Norway in 2020. One important element of the focus on rail is the development of the InterCity stretches in towards Oslo. The aim of constructing double tracks between the major cities in Eastern Norway is to provide 1,500,000 people with faster travel routes and greater flexibility vis-à-vis where they live and work.

Bane NOR has focused heavily on keeping railway services going during the Covid-19 pandemic so that essential personnel can get to and from work and freight traffic can maintain the flow of goods in society. However, Bane NOR's commercial revenues were negatively impacted by less traffic. The Covid-19 pandemic has also affected the implementation of some projects because of restrictions on entry into Norway, an effect that will continue into 2021.

Good punctuality is important for delivering the best possible service for passengers. The last few years have seen a sharp increase in train traffic. This is making greater demands on infrastructure. Despite an increasing maintenance lag, Bane NOR achieved a punctuality score for passenger trains of 92.7 per cent in 2020. This was better than in 2019 when the punctuality score was 89.2 per cent. There were three main reasons why punctuality increased throughout 2020:

- Fewer train services and passengers due to the Covid-19 pandemic.
- Punctuality-improving work in operating activities, maintenance and refurbishment in recent years has produced positive results.
- A mild autumn and winter with little snow in central Eastern Norway.

The right level of refurbishment and maintenance of railway infrastructure is essential for good punctuality and regularity over time. Bane NOR takes a systematic approach to securing sufficient funds for refurbishment and maintenance and focuses heavily on redistributing the available funds to where they will have the greatest effect.

In 2020, work continued on several complex, major infrastructure projects. The largest ongoing project is the Follo Line, which will halve travel times and increase capacity between Oslo-Ski. The project includes Norway's longest railway tunnel, where the tracks have now been installed in all tunnel bores. Work on the Follo Line largely proceeded according to plan in 2020. However, the project has significant residual risk, mainly related to a possible increase in the scope of work, which could impact a tight schedule for the complicated approach to Oslo Central Station (Oslo S).

There was a high level of activity in the new double track Venjar-Langset project in 2020. The project is designed to increase frequency and save travel time on the Gardermoen Line and Dovre Line. The ongoing works along the stretch include construction of the Minnevik Bridge and the casting of the culvert at Wergeland.

The new double track Sandbukta-Moss-Såstad project on the Østfold Line includes a new station in Moss. Due to major challenges with ground conditions and area stability in the centre of Moss, it will not be possible to complete the project within the approved budget. The process of reviewing and establishing a new plan for the process is ongoing.

There was also a high level of activity in the Drammen-Kobbervikdalen and Nykirke-Barkåker projects on the Vestfold Line in 2020. The disconnection planned for October 2024 in both projects has been postponed until July 2025 because the project requires a six-week long disconnection. A six-week period without trains just before autumn would be unfortunate for passenger and freight transport. Work on clarifying the consequences of this is ongoing. These are important InterCity development projects and will result in shorter travel times, better punctuality and room for more trains.

In 2020, Bane NOR introduced a new strategy for track interruptions that in the long term will limit the duration of track interruptions and their consequences for passengers. A new guide for track interruptions is currently being prepared to support the implementation of the new strategy.

The first train passed through the new Ulriken Tunnel on the Arna-Fløyen stretch on 13 December 2020. Work will start in the existing tunnel in the first half of 2021.

In the coming years, Bane NOR will expand the European Rail Traffic Management System (ERTMS). ERTMS is a standardised system in Europe for digitalising railway signalling and traffic management. The system will replace the current signalling system since most of the installations have outdated technology. ERTMS is also expected to result in better safety and more stable railway infrastructure with greater punctuality. Over time, the system could result in increased capacity with automated train operation. Experiences with ERTMS from Norway and other countries suggest that the number of faults will be reduced, and punctuality will increase. The first test train has driven approximately 9,000 kilometres and successful integration tests between signalling and traffic management and onboard systems have been carried out. The plan is to open the first stretch, the Nordland Line, in

October 2022. The ERTMS programme is extensive, highly complex and will be completed in stages in the period prior to 2032.

The Norwegian Railway Directorate and Bane NOR delivered joint input to the National Transport Plan (NTP) 2022-2033. The submission emphasised facilitating good train services where most people live and completing ongoing construction projects before starting new ones. Giving greater priority to maintenance and refurbishment in the coming plan period is recommended in order to ensure good train services.

Bane NOR has divided the rail network into ten contract areas. Spordrift and Bane NOR have entered into new operating and maintenance contracts for all of the contract areas. These agreements will apply until the contract areas are gradually put out for competitive tender. The first contract area will be put out for competitive tender in April 2021 and the last area is expected to be put out in 2027. In order to facilitate open and fair competition for operating and maintenance tasks, the ownership of Spordrift AS was transferred from Bane NOR to the Ministry of Transport at the start of January 2021.

On 15 December 2020, the Office of the Auditor General of Norway presented a survey of Bane NOR's operations, maintenance and investments for the period 2017-2019. In this the Auditor General pointed out some areas for improvement for Bane NOR. Among other things, the survey concluded that:

- More money for operating activities and maintenance has resulted in fewer faults in train traffic.
- Bane NOR lacks an overview of the results of various operational and maintenance measures.
- Bane NOR's cost control is not good enough in major projects.

Bane NOR is continuously working to refurbish and modernise the railways and improve processes and routines in order to improve the situations raised by the Auditor General's survey. Bane NOR takes a long-term approach to developing and putting in place methods for measuring productivity and efficiency, and to ensuring that the enterprise continuously develops and improves project management and has ongoing measures designed to improve future punctuality.

In autumn 2019, Bane NOR started a major restructuring and efficiency programme, Epoch 2023. In order to clarify roles and responsibilities, and to focus on its core deliveries, one of the measures involved reorganising the enterprise's division structure from five into four divisions. The new structure is also intended to improve safety, punctuality and the planning and building of new infrastructure. The new organisation came into effect on 1 October 2020. Bane NOR now has four divisions: Construction, Operations and Technology, Customer and Marketing and Property. Overall responsibility for operating activities has been gathered in Operations and Technology, which is responsible for today's railway infrastructure, traffic management, the ERTMS programme, railway engineering, administrative ICT and operations ICT.

The Epoch 2023 programme is also intended to achieve considerable efficiency gains with a set annual target of accumulated efficiency gains of NOK 500 million in operating activities from 2023. The extraction of gains started in 2020 with gradually greater extraction from 2021 onwards. The measures cover the entire enterprise. At the end of 2020, measures were identified that are expected to result in annual operational improvements

of NOK 315 million once the measures take full effect. Epoch 2023 represents continuous improvement work aimed at extracting efficiency gains throughout the enterprise and helping Bane NOR better deliver on its core tasks and achieve its goal of "more rail for the money".

The national budget approved for 2021 provides a record budget of NOK 26.5 billion for operating activities, maintenance and investments in the rail network. Of this, NOK 16.1 billion has been allocated to the planning and construction of new infrastructure. Despite the high overall budget, the funds allocated for refurbishments are substantially lower than what is needed. The total lag in maintenance and refurbishment is expected to grow to NOK 23 billion by the end of 2021.

A new framework agreement between the Ministry of Transport and Bane NOR is being developed that will lay the groundwork for a new agreement regime between Bane NOR and the Norwegian Railway Directorate. In the ongoing process of revising the agreement regime and changing the governance model, the Board of Bane NOR will work to ensure that the enterprise is given appropriate leeway, both operationally and financially, as well as the most predictable grant level possible. The Board will also work to ensure that the enterprise continuously strengthens its ability to implement projects and streamline operations in order to ensure that the greater room for action produces results.

The Board would like to take this opportunity to thank the organisation for its good, comprehensive work in 2020.

About Bane NOR

Bane NOR SF is a state-owned enterprise that operates, maintains and develops the state's railway infrastructure and associated installations on behalf of the state. The Group consists of Bane NOR SF, Bane NOR Eiendom AS and their subsidiaries. In January 2021, ownership of Spor-drift AS was transferred from Bane NOR to the Ministry of Transport.

Bane NOR wants to be a forward-thinking social stakeholder that delivers a safe, reliable transport system that works well and that provides a basis for rail traffic growth through the development of stretches of track, stations, hubs and freight terminals. The enterprise is also responsible for traffic management in the national rail network. This involves allocating capacity, route planning and operational traffic management. Bane NOR is an infrastructure administrator pursuant to the Railway Regulations and must provide a safe, functional rail network for train companies and transport users. The enterprise must help to ensure that the value of the railway infrastructure is maintained and further developed, and that the best possible use is made of it.

Hub development involves facilitating seamless travel and densification around train stations by building attractive properties and providing premises for relevant service offerings. Passengers should be offered good amenities in stations through the facilitation of pleasant food and beverage outlets and shops, as well as parking for both bikes and cars. Bane NOR offers train companies functional and modern workshops, terminals and operations buildings. Commercial properties are generally developed for sale in the market.

Bane NOR's head office is in Oslo.

Economy and finance

The Group's total operating revenue in 2020 amounted to NOK 14,383 million (2019: NOK 14,281 million) with a profit for the year of NOK 557 million (2019: NOK 427 million).

Operating revenue increased by NOK 102 million from 2019 to 2020. Recognised remuneration from the Norwegian Railway Directorate amounted to NOK 5,309 million (2019: NOK 5,626 million). Compensation for wear and age (deferred revenue recognition of grants) amounted to NOK 5,760 million (2019: NOK 5,590 million) of operating revenue. This represents revenue recognition over the lifetime of the fixed asset, where Bane NOR receives the grant in line with the investment. Other operating revenue amounted to NOK 2,335 million (2019: NOK 2,517 million) and mainly consists of infrastructure charges and revenue from sales of operating power to train companies. The remaining part of the revenue consists of sales revenue of NOK 979 million from property projects (2019: NOK 548 million).

Total operating expenses in 2020 amounted to NOK 7,766 million (2019: NOK 7,827 million). In 2019, operating expenses included two significant one-time effects, which are the main reason for the difference between 2019 and 2020. The introduction of a new public service occupational pension in 2019 resulted in a scheme change that produced an accounting gain of about NOK 400 million. In addition, other expenses of NOK 276 million were included in 2019 related to compensation cases concerning the Follo Line. Other operating expenses decreased in 2020, partly due to the Covid-19 pandemic.

In 2020, depreciation and write-downs amounted to NOK 6,148 million (2019: NOK 5,979 million).

The financial revenue of NOK 112 million (2019: NOK 134 million) mainly consists of interest revenue from bank deposits and interest revenue from leasing fibre. Of the NOK 176 million in financial expenses (2019: NOK 242 million) NOK 103 million was interest on borrowing in Bane NOR Eiendom, compared with NOK 88 million in 2019.

The ordinary profit before income tax (EBT) amounted to NOK 593 million (2019: NOK 529 million). Profit after income tax amounted to NOK 557 million (2019: NOK 427 million). The parent company Bane NOR SF's profit for the year amounted to NOK 590 million (2019: NOK 853 million). This includes financial revenue that primarily consists of NOK 250 million in dividends from Bane NOR Eiendom AS.

Bane NOR's investments primarily consist of new developments and refurbishments (upgrades) of the railway infrastructure. The investments are capitalised on the enterprise's balance sheet. Total investments in 2020 amounted to NOK 17,862 million (2019: NOK 16,397 million).

As at the 31 December 2020, the Group's equity amounted to NOK 10,831 million. The enterprise's capital structure is a consequence of the funding model the state has chosen for the company.

As at the 31 December 2020, the Group's cash holdings amounted NOK 2,535 million. At year-end, the Group's interest-bearing liabilities amounted to NOK 4,644 million (NOK 4,801 million), related to Bane NOR Eiendom AS. Cash and cash equivalents on the balance sheet were mainly recognised in Bane NOR SF, which also has NOK 500 million in unused operating credit at Norges Bank.

Pursuant to section 3-3(a) of the Accounting Act, the Board confirms that the basis assuming the enterprise is a going concern exists. The annual financial statements for 2020 were prepared on this basis.

Allocation of the profit for the year

The Board will propose the following allocation of Bane NOR SF's NOK 590 million profit to the corporate assembly:

To other equity: NOK 590 million

Safety and HSE

Bane NOR manages critical national infrastructure and the Board attaches great importance to safe operations and a high degree of preparedness. Good risk management and a high degree of preparedness are important in a situation where the enterprise is carrying out a historically high level of investment and at the same time must continue to operate safely. In 2020, measures were prioritised based on risk assessments, including stretch analyses, condition assessments and landslide mapping.

The management's review of 2020 shows that the work on safety and quality is moving in the right direction. Group level methods and requirements are now largely in place and risk is decreasing, although some important challenges still remain. The goal going forward is to develop Europe's best safety culture. This is a continuous process of development involving the whole enterprise.

Oslo City Court cleared Bane NOR on two of three counts in the trial following the accident in Filipstad in February 2019. These were the counts concerning involuntary manslaughter and involuntary bodily harm. Bane NOR was fined NOK 10 million for breaches of the Safety Management Regulations. The public prosecutor has appealed the points in the city court's judgement that cleared Bane NOR. Bane NOR has appealed the point concerning breaches of the Railways Act and the Safety Management Regulations. Borgarting Court of Appeal has decided to hear the appeals, which means that the court of appeal will conduct a new, full assessment of all three counts in the indictment. No date has yet been set for the proceedings.

The Accident Investigation Board Norway has submitted a report on the collision between the digger and freight train on the Nordland Line that occurred in December 2019. Permission had not been given for work on the stretch when the collision happened. The accident had a tragic outcome with the loss of human life. The Accident Investigation Board Norway found no clear or decisive causes that resulted in the accident but did identify a number of weaknesses with respect to safety that may have contributed to the accident. The report from the Accident Investigation Board Norway largely concurs with Bane NOR's internal investigation report. Bane NOR has already implemented a number of measures to improve safety. The recommendations in the Accident Investigation Board Norway's report have been incorporated into Bane NOR's own non-conformity management system and are monitored through this system.

Bane NOR strives to protect the health and well-being of our employees. We work systematically on designing and improving working conditions in order to avoid accidents at work, work-related illnesses and absences due to illness caused by physical and psychosocial risk factors in the working environment. The systematic HSE work in connection with the Covid-19 pandemic has worked well. The average sick leave rate in 2020 was 4.1 per cent.

Injuries sustained in the enterprise are followed up using measurement parameters, including the Lost Time Injuries (LTI) value, which measures the number of personal injuries resulting in absences per million hours worked. The result for our employees was 0.5 in 2020, while the corresponding value for the contractors in projects was 4.8. The LTI value for our employees has fallen significantly compared with 2019, while the value for contractors has remained stable. The systematic work on preventing injuries during operating activities and projects will continue in 2021. Bane NOR sets strict requirements concerning suppli-

ers' compliance with rules and requirements for HSE, ethics, the external environment and social conditions, including the Group's requirements for ethical and sustainable behaviour.

Bane NOR is exposed to significant cyber risk. The threat of unauthorised access to critical computer systems has received a lot of attention both in Norway and internationally in recent years. Multiple incidents have confirmed that unauthorised access to ICT systems can cause enterprises great financial harm. Bane NOR therefore implemented significant upgrades to secure critical ICT solutions in 2020. The work will continue in the coming years.

Financial and operational risk factors

Bane NOR's funding model entails the enterprise's activities primarily being financed by annual grants through the national budget. Access to liquidity in the state-funded part of the activities, which is based on agreements with the Norwegian Railway Directorate, is largely determined by the funding model and a NOK 500 million operating credit line in Norges Bank. The current agreements with the Norwegian Railway Directorate are generally specified at a project level. This represents a risk when it comes to finding the best and most cost-effective solutions. A process aimed at making the agreements less detailed and more-result oriented, based on a framework agreement with the Ministry of Transport, is ongoing. Liquidity in the property activities that represent the commercial component of the enterprise is secured through unused funds in long-term credit facilities and short-term drawing rights.

The targets for infrastructure availability involve significant risk. In order to achieve a high degree of availability the maintenance lag must not increase. If the funding for refurbishing railway infrastructure is not increased, the ever-increasing lag in maintenance will result in increased costs in the long term and more unavailable infrastructure due to more faults. Installations that have already

exceeded their technical lifetimes require more maintenance to fulfil their intended functions. Infrastructure with a large lag in maintenance suffers more faults and produces more unforeseen disruptions to operations. The result of this may be that the number of faults increases causing more disruptions to operations, more slow running, more hours of delay, and poorer punctuality. If the lag in maintenance is not reduced, it will impact the ability to achieve the targets set for punctuality and regularity.

Bane NOR's project portfolio contains considerable economic risk. Major development projects in particular are complex and rely heavily on external actors and demanding execution, in many cases with challenging ground conditions. Cost estimates are established early on before, for example, availability and capacity in the contractor market are known and before the ground conditions have been fully clarified. A process aimed at improving risk and financial management in projects, so that this type of risk and the associated costs are caught early, is ongoing. It is also important that Bane NOR is included in the planning process at an early stage, before concept studies are conducted, so that the enterprise can assume greater responsibility for early cost estimates as well.

Executing major development projects close to ordinary operating activities results in further complexity and entails a cost risk. The Covid-19 pandemic in 2020 has resulted in greater risk of extra costs and delays to progress in parts of the project portfolio. The risk further increased in the first few months of 2021 due to restrictions on entry into Norway for foreign workers.

The signalling and traffic management project, ERTMS, involves significant risk. The project requires the development of a significant element of new technical solutions, is highly complex and also involves a number of dependencies. There are dependencies on other stakeholders in the railway sector such as traffic companies and owners of trains, and its implementation requires good cooperation with the suppliers.

Bane NOR's revenues are mainly earned in NOK while in the Follo Line project the enterprise makes some payments to main suppliers in EUR. However, it has been contractually agreed with the Norwegian Railway Directorate that Bane NOR will not bear the currency risk for either this project or the ERTMS programme, since the cost framework was established before 1 January 2017. Bane NOR bears the currency risk in other projects itself, although our exposure is limited given that contracts are generally entered into in NOK and due to currency hedging.

The Group is exposed to interest rate risk through Bane NOR Eiendom AS. Interest rate hedging agreements are used to reduce the interest rate risk in the Group.

Bane NOR has hedged purchases of power through forward contracts. At the same time, sales of power for train operations are hedged in relation to the train companies. This means that Bane NOR has little exposure to fluctuations in power prices.

Corporate governance in Bane NOR

Bane NOR adheres to the state's principles for good corporate governance and the enterprise complies with the Norwegian Code of Practice for Corporate Governance (www.nues.no), wherever appropriate.

The Board bears overarching responsibility for corporate governance in Bane NOR and has established a corporate governance policy. The corporate governance policy forms part of Bane NOR's governing documents and is intended to help the Group deliver on its social mission by clarifying the allocation of roles, between the owner, the Board and the management, and establishing a framework for how the Group is managed and controlled.

For a more detailed account of corporate governance in Bane NOR, please see the special section in the annual report.

Sustainability

Bane NOR's social mission is to develop and manage the national rail network. Bane NOR plays an important role in resolving transport challenges in and around major cities, and with respect to climate and environmental challenges. It is important for Bane NOR, as a forward-thinking social stakeholder and responsible construction client, to ensure that we operate soundly from an ethical and financial perspective.

Bane NOR has worked systematically on sustainability in recent years. A sustainability strategy was developed as part of the Group's strategy in 2020. The strategy will be launched in 2021. Our ambition is that the work will turn Bane NOR into a role model within sustainability by the end of 2025. As a role model, Bane NOR will be an important driving force behind sustainable development.

Bane NOR continued to coordinate and reinforce the Group's work on sustainability in 2020. The work covers all relevant areas of corporate social responsibility, including the environment, human rights, labour rights and anti-corruption.

Bane NOR has to stipulate relevant requirements for suppliers when it comes to protecting the environment, respecting human rights, safeguarding labour rights, avoiding corruption and requiring suppliers to impose similar requirements on their subcontractors. Furthermore, Bane NOR has to prevent social dumping and work-related crime by systematically monitoring, checking and raising awareness in its own organisation and with respect to suppliers, as well as by requiring suppliers to do the same in relation to their subcontractors.

Bane NOR must address the impartiality of everyone involved, in all phases of procurements and contract follow-up. Circumstances that may result in disqualification must always be reported to the immediate line manager. In 2020, Bane NOR continued to develop the value creating effect the enterprise's impartiality register can

have in procurement processes, and this work will also continue in 2021.

For a detailed review of Bane NOR's work on corporate social responsibility and sustainability, see chapter 3 of Bane NOR's annual report for 2020.

Research and development

Bane NOR's research and development work is intended to ensure that it can make the right decisions based on good expertise and ensure technological solutions are future-oriented.

Introducing new technology can present challenges when it has to be integrated with technological solutions already in use in existing infrastructure. Continuous monitoring provides new opportunities for maintenance, which is contributing to longer lifetimes and less need for resources. New solutions and material options are helping to reinforce this. The work is intended to support the goals of safe and efficient traffic management with a high degree of punctuality and predictability. Bane NOR often carries out research and development activities with partners such as other infrastructure managers (e.g. the Norwegian Public Roads Administration, Statnett, etc.) or research organisations (e.g. NTNU, Oslo Met, NGI or SINTEF).

In 2020, Bane NOR refined a track monitoring app, which represented a further development of the system for monitoring status. This helps to ensure that non-conformities can be located and remedied at an early stage and thus reduces the number of hours of delay.

Bane NOR is working with the Norwegian Geotechnical Institute (NGI) on the development of a new system for warning train drivers of rockfalls and landslides so that trains can reduce speed. The system improves safety by preventing collisions between trains and rocks. Indirectly, this also results in better punctuality since incidents often result in long delays.

Bane NOR is looking at ways of conducting regular inspections and final inspections of performed maintenance work efficiently from a time and cost perspective. "BaneRobot" is being developed together with Railway Robotics. This is a new version of the Roger 1000 diagnostic vehicle. BaneRobot will make checking the status of stretches, both for safety and quality inspections, easier and faster across disciplines. In October 2020, Bane NOR and Railway Robotics were jointly awarded a patent for BaneRobot. A prototype will be ready for testing by June 2021.

As part of the work on continuously improving the maintenance programme, Bane NOR systematically worked on RCM analyses in 2020. The RCM method is key when it comes to ensuring sustainable, risk-based and cost-optimised maintenance. The analyses are resulting in ever more optimal preventive maintenance.

Bane NOR has developed a system that enables trains to save large amounts of electricity. Modern trains can produce electricity during braking. Simple technology makes it possible to accurately measure power use in trains anywhere in Europe. Bane NOR leads the European ERESS partnership, which manages the technology and is run from Bane NOR's premises in Oslo. More than 50 train companies in seven countries are currently covered by the partnership.

HR and organisation

At the end of 2020, the Group employed 3,433 people. Women represented 35 per cent of the enterprise's total workforce. The proportion of women in the group management team was 44 per cent, and 43 per cent of the board members are women.

Bane NOR strives to promote equal opportunities and diversity, and to prevent all forms of discrimination and harassment. This is clarified in our values and governing documents and underscored in, for example, management training activities, recruitment, and pay and working conditions, as well as by ensuring equal development oppor-

tunities for all. Through clear guidelines, preventive work and good follow-up, the Group wants to prevent harassment and unwanted behaviour among both permanent and contract staff. Work on developing the enterprise's strategy for equal opportunities and diversity continues and relevant measurement parameters are being introduced to follow up this work. All employees take an e-learning course on ethics and corporate social responsibility once a year and in this course Bane NOR also promotes diversity by employing figures depicting a variety of people, including people of different ages and genders with neutral ethnic backgrounds, pregnant women in management roles, and people with disabilities.

In connection with the Covid-19 pandemic, Bane NOR conducted risk assessments and introduced infection control measures, including training in infection control for all employees. Risk assessments were also conducted in relation to working from home with follow-up measures aimed at addressing the working environment. Regular status surveys have enabled us to introduce targeted measures to ensure a proper working environment for employees.

Skills are a top priority and Bane NOR has, among other things, representatives on the boards of the Training Office for Railway Subjects and Konnekt (a national resource centre for transport established by the Norwegian Railway Directorate). A comprehensive HR suite (HCM system) was acquired in 2020. This is in the process of being implemented. Skills training forms a major part of the system. The employee database and training modules were implemented in December 2020. The system also includes functions for administering larger training courses for external people at the Norwegian Railway Academy. The trainee scheme was continued with 21 new trainees in 2020. The management training programme for all managers in Bane NOR was also continued in 2020. When the Covid-19 pandemic resulted in restrictions on travel and in-person gatherings, the sessions were moved online and have largely been conducted in line with the original plan.

Future outlook and framework conditions

A report on the National Transport Plan (NTP) for the period 2022-2033 was presented on 19 March 2021. The Storting will consider the plan before summer 2021. The government is proposing to set aside NOK 392 billion for railways purposes during the period of the plan. The government wants to introduce portfolio management in the transport sector. This means that sector agencies and transport enterprises will have greater freedom to prioritise the order in which construction projects are executed in the first six-year period based on how the projects compare with other projects in the portfolio. The Board believes that the introduction of portfolio management is positive, and that greater operational freedom of action will make it easier for Bane NOR to realise our goal of "more for the money".

The ongoing situation with the Covid-19 pandemic is increasing uncertainty about the prerequisites for implementing the enterprise's activities. Going forward, the Board will continue to focus on stable operations and train performance, costs and progress in the enterprise's major construction projects, and ensuring solidity and liquidity in the enterprise's commercial property activities.

The Board of Bane NOR believes that it is important to ensure predictability and framework conditions for the enterprise that provide a basis for the good development and operation of Norwegian railway infrastructure. Work on ensuring that the railways are constructed, operated and maintained in as systematic, safe and cost-effective manner as possible will continue at full speed in the future as well.

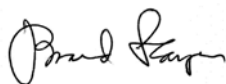
Oslo, 25 March 2021



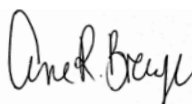
Cato Hellesjø
Chair



Olaf Trygve Melbø
Deputy Chair



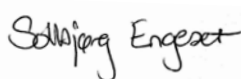
Baard Haugen
Board member



Ane Rongen Breivaga
Board member



Toril Nag
Board member



Solbjørg Engeset
Board member



Torfinn Håverstad
Board member



Gorm Frimannslund
Group CEO

5. Financial statements

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Income statement

Figures in NOK millions

Bane NOR SF		Notes	Bane NOR Group		
2020	2019		2020	2019	
5 309	5 626	Remuneration from the Norwegian Railway Directorate	1	5 309	5 626
5 755	5 590	Compensation for wear and age (deferred revenue recognition of grants)	1	5 760	5 590
0	0	Sales revenue, property projects	1, 2	979	548
2 347	2 516	Other operating revenue	1	2 335	2 517
13 411	13 732	Total operating revenue		14 383	14 281
0	0	Project expenses property projects	2	549	468
256	363	Commodity expenses		287	364
1 890	1 987	Personnel expenses	3, 4, 16	2 929	2 469
3 091	2 560	Machinery rental, equipment and maintenance	5	1 717	1 948
2 142	2 545	Other operating expenses	5	2 283	2 579
7 379	7 456	Total operating expenses		7 766	7 827
5 721	5 633	Depreciation and write-downs	8, 9	6 148	5 979
311	643	Operating profit		470	475
0	0	Profit from investments in joint ventures	10	187	162
365	383	Financial revenue	6	112	134
77	156	Financial expenses	6	176	242
287	227	Net financial result		-65	-108
599	870	Ordinary profit before income tax		593	529
9	17	Income tax on ordinary profit	7	36	102
590	853	Profit for the year		557	427

Balance sheet

Figures in NOK millions

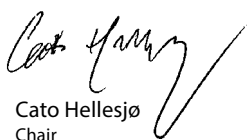
Bane NOR SF		Assets	Notes	Bane NOR Group	
2020	2019			2020	2019
307	319	Other intangible assets	8	302	313
307	319	Total intangible assets		302	313
31 711	32 025	Land, buildings, etc.	9	40 138	39 658
83 836	84 849	Infrastructure	9	83 836	84 849
55 877	44 478	Construction in progress	9	57 005	45 266
1 071	1 062	Operating equipment, machinery, transport equipment, etc.	9	1 224	1 216
172 495	162 414	Total property, plant and equipment		182 203	170 989
8 190	8 190	Investments in subsidiaries	10	0	0
0	0	Investments in joint ventures	10	1 127	846
0	0	Investments in shares and units		6	76
1 240	661	Other receivables and other financial non-current assets	11, 21, 22	547	534
9 430	8 851	Total financial non-current assets		1 680	1 456
182 231	171 584	Total non-current assets		184 185	172 757
0	0	Development properties	12	3 486	3 904
874	876	Inventories	12	874	876
874	876	Total inventories		4 360	4 781
245	247	Accounts receivable	11	475	587
6 737	6 776	Other receivables	11, 21, 22	6 231	6 140
6 982	7 023	Total receivables		6 706	6 726
1 731	1 846	Bank deposits	13	2 535	2 114
9 587	9 745	Total current assets		13 601	13 621
191 818	181 329	Total assets		197 786	186 378

Balance sheet

Figures in NOK millions

Bane NOR SF		Equity and liabilities	Notes	Bane NOR Group	
2020	2019			2020	2019
9 002	9 002	Invested capital	14	9 002	9 002
9 002	9 002	Total paid-up equity		9 002	9 002
2 033	2 011	Other equity	14	1 829	1 945
2 033	2 011	Total retained earnings		1 829	1 945
11 035	11 013	Total equity		10 831	10 948
171 978	161 586	Performance obligation	15	172 346	161 586
2 366	1 801	Pension liabilities	16	2 936	2 242
14	8	Deferred tax	7	264	363
2 076	1 937	Other provisions for liabilities	17	2 076	1 937
176 435	165 332	Total provisions for liabilities		177 621	166 128
0	428	Non-current interest-bearing liabilities	18	2 900	3 950
0	428	Total other non-current liabilities		2 900	3 950
0	0	Current interest-bearing liabilities	18	1 744	851
1 413	1 082	Accounts payable	21, 22	1 543	1 281
8	8	Tax payable	7	104	136
126	127	Public charges due		164	162
2 802	3 339	Other current liabilities	19	2 878	2 923
4 348	4 556	Total current liabilities		6 433	5 352
180 783	170 317	Total liabilities		186 955	175 431
191 818	181 329	Total equity and liabilities		197 786	186 378

Oslo, 25 March 2021



Cato Hellesjø
Chair



Olaf Melbø
Deputy Chair




Baard Haugen
Board member



Ane Rongen Breivega
Board member



Toril Nag
Board member



Solbjørg Engeset
Board member



Torfinn Håverstad
Board member



Gorm Frimannslund
Group CEO

Cash flow statement

Figures in NOK millions

Bane NOR SF			Bane NOR Group	
2020	2019		2020	2019
		Cash flow from operating activities		
599	870	Profit before income tax	593	529
-3	-11	Income tax paid for the period	-67	-77
-382	-532	Gain/loss from sales of non-current assets and development properties	-470	-247
5 721	5 633	Depreciation and write-downs	6 148	5 979
-5 755	-5 590	Revenue recognition, performance obligation	-5 760	-5 590
0	0	Profit contributions from joint ventures	-187	-162
2	-211	Change in inventories	2	-211
2	420	Change in accounts receivable	112	327
670	503	Claim for remuneration from the Norwegian Railway Directorate	670	503
331	-153	Change in accounts payable	262	-74
-2	-680	Difference between expensed pensions and receipts/payments in pension schemes	-10	-663
-21	-22	Calculated interest on non-current receivable (fibre)	-21	-22
-1 280	254	Change in other accruals and deferred items	-699	-11
-118	481	Net cash flow from operating activities	573	281
		Cash flow from investing activities		
52	76	Sales of development properties and property, plant and equipment	1 108	2 471
-16 385	-15 629	Investments in development properties and property, plant and equipment	-17 649	-17 014
0	-45	Payments upon investments in shares and units in other enterprises	-118	-31
0		Payments upon purchases of other investments	14	-4
227	50	Receipts from other loan receivables (current/non-current)	27	51
-425	-200	Payments for other loan receivables (current/non-current)	-18	-5
-16 531	-15 748	Net cash flow from investing activities	-16 636	-14 532
		Cash flow from financing activities		
16 534	15 334	Remuneration from the Norwegian Railway Directorate used for investments	16 534	15 334
0	0	Receipts from new debt	1 393	2 350
0	0	Payments on repayment of debt	-1 550	-3 600
0	0	Payments of equity	0	0
0	0	Receipts from dividends and group contributions	107	382
16 534	15 334	Net cash flow from financing activities	16 484	14 466
-115	67	Net change in cash and cash equivalents	421	215
1 846	1 779	Cash and cash equivalents at the start of the period	2 114	1 899
1 731	1 846	Cash and cash equivalents at the close of the period	2 535	2 114

Notes

1.	Revenue
2.	Property projects
3.	Personnel expenses FTEs, fees, etc.
4.	Statement on the determination of salaries and other remuneration for senior executives
5.	Operating expenses
6.	Financial revenue and financial expenses
7.	Tax
8.	Intangible assets
9.	Property, plant and equipment
10.	Subsidiaries and joint ventures
11.	Receivables and financial leases
12.	Inventories and development properties for sale
13.	Restricted bank deposits
14.	Equity and ownership information
15.	Performance obligation
16.	Pensions
17.	Other provisions for liabilities
18.	Interest-bearing liabilities
19.	Other current liabilities
20.	Business transfers
21.	Intra-group balances
22.	Transactions with related parties
23.	Hedging using financial derivatives
24.	Events after the balance sheet date

Note 01

Figures in NOK millions

Revenue

Bane NOR SF

Bane NOR Group

2020	2019	Revenue by category	2020	2019
5 309	5 626	Recognised remuneration from the Norwegian Railway Directorate	5 309	5 626
5 755	5 590	Compensation for wear and age *	5 760	5 590
0	0	Sales revenue, property projects	979	548
64	112	Revenue from other public enterprises	64	112
226	332	Energy revenue	226	332
850	856	Infrastructure charges	850	856
382	532	Gain on sale of assets **	40	167
46	67	Training services	46	67
171	188	Rental revenue from real estate and other rental revenue	908	860
609	428	Other operating revenue	201	123
13 411	13 732	Total revenue	14 383	14 281

2020	2019	Revenue per business area	2020	2019
9 941	9 637	Operations and Technology	9 959	9 647
377	1 004	Construction	377	1 004
1 131	1 143	Customer and Marketing	1 131	1 143
1 402	1 603	Property	2 382	2 143
559	345	Administration and support functions	533	344
13 411	13 732	Total revenue	14 383	14 281

* Compensation for wear and age concerns revenue recognition of investment grants in line with depreciation of the assets that the investment grants financed. Ref. note 15 and policy note on performance obligation.

** Gain on sale of assets in Bane NOR SF mainly concerns sales of individual properties to Bane NOR Eiendom Group at fair value. Fair value is determined by an independent party. The individual properties are recognised at fair value in the receiving company. The gains are eliminated in the Bane NOR SF Group. Recognition through profit or loss in the Bane NOR SF Group is deferred until any future sale out of the Bane NOR SF Group.

Remuneration from the agreements with the Norwegian Railway Directorate are accrued for accounting purposes as follows:

2020	Earned remuneration revenue *	Change in unearned revenue **	Revenue recognised operating grants	Capitalised performance obligation	Total
K01		-70	4 688	3 011	7 629
K02			16		16
K03			288	1 109	1 397
K04			154	12 058	12 212
K03/K04 hybrid			163	356	519
Total remuneration	0	-70	5 309	16 534	21 773

2019	Earned remuneration revenue *	Change in unearned revenue **	Revenue recognised operating grants	Capitalised performance obligation	Total
K01	-268	-50	4 427	2 893	7 002
K02			29		29
K03			487	1 140	1 627
K04			631	10 851	11 481
K03/K04 hybrid			52	449	501
Total remuneration	-268	-50	5 626	15 334	20 642

* Earned remuneration revenue concerns remuneration revenue relating to additional production for K01 refurbishment.

** Unearned revenue partly concerns remuneration for which no agreement regarding its use was entered into with the Norwegian Railway Directorate and partly remuneration linked to entered into agreements where not all of the funds have been utilised for production in the individual year.

Figures in NOK millions

Note 02

Property projects

The Group is involved in a number of development projects through its subsidiaries in the Bane NOR Eiendom Group. An overview is provided below of the main projects that have generated construction client gains upon realisation/sale or ongoing settlement.

The Bane NOR Eiendom Group's development projects are capitalised on the balance sheet as development properties for sale, ref. note 12. Revenue from commercial buildings and residential buildings is not recognised for an ongoing settlement until a sales contract has been signed (in line with revenue recognition for construction contracts), ref. the policy note on construction contracts. Any associated value added is included in the calculation of the degree of completion and net project result.

The Bane NOR Eiendom Group is also involved in a substantial number of projects organised as joint ventures with other property developers. These projects (companies) are not consolidated. They are instead recognised using the equity method, ref. note 10.

Bane NOR Group			
2020	Sales revenue	Project expenses	Total net profit
Drammen Stasjon Kontor (commercial, Drammen)	698	-388	310
Riverside (residential, Fredrikstad)	281	-161	120
Total	979	-549	430
2019			
Schweigaards gate 33 (commercial, Oslo)	73	-40	33
Schweigaards gate 40-46 (commercial, Oslo)	13	0	13
Proffen Hageby (residential, Drammen)	195	-181	14
Riverside (residential, Fredrikstad)	267	-247	20
Total	548	-468	80

Note 03

Personnel expenses FTEs, fees, etc.

Bane NOR SF			Bane NOR Group	
2020	2019	Personnel expenses	2020	2019
2 612	2 942	Salaries	3 486	3 350
335	384	Employer's national insurance contributions	437	442
341	-79	Pension expenses	432	-36
15	29	Other benefits	21	24
-1 413	-1 288	Capitalised personnel expenses	-1 446	-1 310
1 890	1 987	Total personnel expenses	2 929	2 469
3 392	3 967	FTEs employed in the accounting year	4 647	4 567

See note 4 for details about the Board and management team's remuneration. No loans/guarantees were provided to the Group CEO, Chair or other related parties.

Bane NOR SF			Bane NOR Group	
2020	2019	Expensed auditor's fees (figure excl. VAT)	2020	2019
1,3	1,3	Statutory audit	3,2	3,1
0,2	0,1	Other attestation services	0,5	0,5
0,0	0,0	Tax advice	0,2	0,0
2,8	7,6	Other services *	2,8	7,6
4,3	9,0	Total expensed	6,8	11,2

* The elected auditor assisted the ERTMS programme with project support. The work included facilitating change processes and organisational development, as well as ongoing assistance with project and programme management.

Note

04

Statement on the determination of salaries and other remuneration for senior executives

The statement on the remuneration of Bane NOR's Group CEO and other senior executives (hereinafter collectively referred to as "senior executives") has been prepared in accordance with the provisions of the Accounting Act and the Norwegian Code of Practice for Corporate Governance. The Norwegian Government's guidelines on remuneration of senior executives in state-owned enterprises (the "Guidelines") are binding for the Group. The Board of Directors believes that the Guidelines are well-suited for determining salaries and other remuneration of senior executives in the Group.

Senior executive pay policy

The salaries and remuneration of senior executives are based on the following principles:

- Bane NOR aims to be a professional enterprise that attracts and retains capable employees, and that develops the competence of its employees. Bane NOR therefore needs to use remuneration, including competitive salaries and pension schemes, to ensure that the Group recruits and retains attractive expertise.
- The remuneration of both senior executives and employees in general must be competitive, but the enterprise must not be a pay leader.
- The enterprise's determination of remuneration must not put Bane NOR in a bad light or damage its reputation.
- The salaries and remuneration of senior executives must be transparent and in line with the principles for good corporate governance.

Procedures for determining salaries and other remuneration

The Board has established a dedicated Remuneration Committee consisting of the Chair of the Board, an owner-elected board member and an employee-elected board member tasked with following up the salaries and other remuneration of the Group's senior executives. The Group CEO attends the committee's meetings, unless the committee is considering matters relating to the Group CEO.

The Remuneration Committee acts as an advisory body to the Board and Group CEO in their determination of remuneration and conditions by:

- Making recommendations to the Board based on the committee's assessment of the principles and systems used to determine the salaries and other remuneration of the Group CEO and other senior executives.
- Assisting and advising the Group CEO in the determination of the remuneration of other senior executives.
- Providing the Board and Group CEO with advice on remuneration matters that the committee considers matters of importance or principle for Bane NOR.

Determination of salaries and other remuneration in 2020**General information**

Bane NOR's pay policy includes the following components: fixed salary, benefits in kind, and pension and insurance schemes. No changes to the policy are planned for 2021.

Components of remuneration packages*Fixed salary*

Bane NOR adheres to the principle that group management's remuneration should be in the form of fixed salaries. Base salaries are determined based on job content, level of responsibility, qualifications and experience. Positions in Bane NOR's group management are placed in a comprehensive job assessment system and the determination of remuneration for senior executives is assessed in relation to both internal and external pay levels. Bane NOR uses established benchmarks to assess pay levels in relation to comparable positions in comparable companies.

Benefits in kind

Senior executives are offered free telephony, broadband, free newspapers and free tickets for travel on trains covered by the Norwegian Railway Directorate's employee ticket scheme. The offer of free telephony, broadband and free newspapers is in the process of being discontinued.

Pension and insurance schemes

Senior executives are covered by the Group's general pension and insurance schemes and are subject to the Group's general age limit. No pension schemes have been established for salary in excess of 12 G (where G = national insurance (NI) basic amount). No pension expenses are incurred when the senior executive is no longer employed by the Group beyond the pension expenses that are incurred during the ordinary period of notice, as well as expenses from adjusting deferred pension rights.

Board remuneration

The Group CEO and senior executives do not receive special remuneration for board positions in subsidiaries.

Severance packages

If the Board requests his or her resignation, the Group CEO is entitled to a severance package equivalent to 12 months' base salary. This includes remuneration during the period of notice.

The severance package will be reduced proportionately in the event of income from a new position, but will correspond to at least six months' salary, which is three months longer than the period of notice.

Other principles in the Guidelines must be complied with, including that no severance package will be due if the Group CEO initiates the resignation.

Other senior executives do not receive severance packages. The senior executive pay policy and compliance with the Guidelines in previous accounting years

The senior executive pay policy for 2020 has been implemented in compliance with the Guidelines.

The adjustment of senior executives' remuneration took place at the same time and based on the same principles used for other employees in the Group. For 2020, the increase was on average 1.7 per cent on an annual basis in line with the result in the leading sector.

The senior executive pay policy is reviewed by the Board every year.

Remuneration and any other benefits for senior executives for 2020, and the individual's total pension expenses, are set out in the table below.

Figures in NOK thousands

Note

04

continues

Overview of overall remuneration of senior executives in 2020:

Name	Title	Salary	Benefits in kind	Pension expenses	Total
Gorm Frimannslund *	Group CEO	2 944	7	207	3 157
Jon-Erik Lunøe **	EVP Property	2 213	6	166	2 385
Stine B Illebrekke Undrum *	EVP Construction	2 335	11	225	2 571
Sverre Kjenne *	EVP Operations and Technology	2 181	10	197	2 388
Vibeke Aarnes * (until 30.09.20)	EVP Infrastructure	1 496	4	122	1 622
Bjørn Kristiansen * (until 30.09.20)	EVP Customers and Traffic	1 485	8	167	1 661
Henning Scheel ** (from 01.10.20)	EVP Customer and Marketing	437	1	163	602
Eli Skrøvset **	EVP Business Management	2 155	12	174	2 340
Karsten Boe **	EVP Safety and Quality	1 726	12	164	1 903
Beate Hamre Deck **	EVP HR and Organisation	1 797	12	172	1 981
Torild Lid Uribarri **	EVP Communications and Public Relations	1 758	8	173	1 939

* Norwegian Public Service Pension Fund

** Defined contribution pension DNB

Overview of overall remuneration for the Board in 2020:

Name	Role	Appointed	Directors' remuneration paid	Remuneration Committee	Total
Siri Hatlen	Chair, chair RC, member PC (until 22.06.20)	10.02.16	266	51	317
Cato Hellesjø	Chair, chair RC, member PC (from 23.06.20)	23.06.20	202	32	233
Olaf Melbø	Deputy Chair, chair PC	10.02.16	277	82	359
Ane Rongen Breivega	Board member, member RC, member AC	10.02.16	227	62	289
Toril Nag	Board member	10.02.16	227	0	227
Baard Haugen	Board member, chair AC	20.06.17	227	70	297
Solbjørg Engeset	Employee-elected board member, member AC	01.04.17	227	38	265
Torfinn Håverstad	Employee-elected board member, member RC	09.08.19	227	19	246
Tor Egil Pålerud	Observer, member PC	09.08.19	171	38	209
Morten Lønnes	Observer	09.08.19	171	0	171

Nomination Committee

Remuneration Committee ("RC")

Audit Committee ("AC")

Project Committee ("PC")

Directors' remuneration is paid in arrears every second month. This means that the payments do not follow the accounting year. This will be changed from 2021.

Figures in NOK millions

Note 05

Operating expenses

Bane NOR SF			Bane NOR Group	
2020	2019		2020	2019
		Machinery rental, equipment and maintenance		
42	135	Rental of machinery, fixtures, etc.	120	170
230	213	Tools, fixtures and operating machinery	305	241
241	271	Repairs and maintenance	396	444
2 578	1 941	Contractor and engineering services	896	1 092
3 091	2 560	Total machinery rental, equipment and maintenance	1 717	1 948
		Other operating expenses		
1	1	Freight and shipping expenses	1	1
84	111	Production-related energy expenses	84	111
800	761	Office premises and public areas, etc.	542	513
114	141	Consultancy services	138	123
541	543	Other external services	582	580
29	63	Course, meeting and office expenses	48	77
55	55	Telephony, computer communications, postage, etc.	68	60
58	61	Operation of own transport equipment and machinery	73	68
41	95	Travel, daily allowances, car allowances	73	113
328	332	Compensation for train companies	328	332
90	383	Other expenses	345	602
2 142	2 545	Total other operating expenses	2 283	2 579

Note 06

Financial revenue and financial expenses

Bane NOR SF			Bane NOR Group	
2020	2019		2020	2019
		Financial revenue		
40	68	Interest revenue from external parties	52	77
17	8	Interest revenue from group companies	0	0
23	22	Financial revenue, leasing fibre cables	23	22
30	28	Foreign exchange gains	30	28
250	250	Dividends from Bane NOR Eiendom AS	0	0
6	7	Other financial revenue	8	7
365	383	Total financial revenue	112	134
		Financial expenses		
0	0	Debt interest payments	103	88
9	5	Interest expenses to other group companies	0	0
54	71	Financial expenses, present value adjustment for contingent liabilities	54	71
0	73	Other interest expenses	0	73
14	5	Foreign exchange gains	14	5
1	2	Other financial expenses	7	4
77	156	Total financial expenses	176	242

Figures in NOK millions

Note 07

Tax

Tax policy

In principle, the Bane NOR SF Group strives to be a responsible taxpayer. The Group will, to the best of its ability, comply with tax rules, recognised practices, and reporting and disclosure requirements. If necessary, advice will be obtained from external advisers. This is to make sure that the Group remains within the applicable tax rules.

As far as tax is concerned, the Group will optimise its business affairs within the applicable rules for this area. This means that the Group will exercise its right to make legal group contributions between companies in the Group, utilise established depreciation opportunities and make other tax-related disposals within the applicable tax rules.

Bane NOR is covered by and reports to the Central Tax Office for Large Enterprises with respect to income tax and VAT. The Group's goal is to contribute to an open dialogue with the tax authorities, including by providing complete, accurate and timely information in tax returns and other correspondence with the tax authorities. This is especially true in those cases where the enterprise has made its own assessments of how tax rules and practices should be understood.

Calculation of tax payable and deferred tax for the year

The parent company, Bane NOR SF, has a tax exemption pursuant to section 2-32, paragraph one, of the Taxation Act. Acquisitions are not one of the enterprise's purposes. Nonetheless, the enterprise has limited tax liability for financial activities pursuant to section 2-32, paragraph two, of the Taxation Act. Taxable revenue in the parent company mainly involves the commercial leasing of property, revenue from power sales that are not related to the enterprise's infrastructure activities, contracting of employees to the subsidiary group Bane NOR Eiendom, and revenue from leasing fibre infrastructure.

Other group companies are liable for ordinary tax.

Bane NOR SF

Bane NOR Group

2020	2019		2020	2019
		Income tax for the year in the income statement		
3	12	Tax payable	101	140
6	5	Change in deferred tax	-65	-38
9	17	Income tax in the income statement	36	102
		Tax payable on the balance sheet		
8	12	Tax payable for the year	106	140
0	-4	Too little/too much set aside for tax in previous years	-2	-4
8	8	Tax payable on the balance sheet	104	136
		Reconciliation from nominal to actual tax rate		
599	870	Ordinary profit before income tax	592	529
132	191	Expected income tax based on nominal tax rate (22%)	130	116
		<i>Adjusted for tax effects of following items:</i>		
-55	-55	Permanent differences (exemption method)	-50	-7
0	0	Permanent differences (profit contributions from joint ventures)	-52	-36
-63	-124	Tax exemption pursuant to section 2-32, paragraph one of the Taxation Act.	0	-3
-5	4	Too little/too much set aside for tax in previous years	-15	4
0	1	Other items	23	28
9	17	Income tax	36	102
1 %	2 %	Effective tax rate	6 %	19 %

Calculation of deferred tax:

2020	2019		2020	2019
		Temporary differences		
53	37	Non-current assets	-446	-384
0	0	Current assets	1 498	1 560
0	0	Profit and loss account	433	533
0	0	Pension liabilities	-213	41
0	0	Deficit carried forward	-49	-34
12	0	Other items	-22	-64
65	37	Basis for deferred tax	1 201	1 652
14	8	Deferred tax on the balance sheet	264	363

Provisions are not made for deferred tax related to value added concerning properties whose usage is restricted to railway purposes.

Figures in NOK millions

Note 08

Intangible assets

Bane NOR SF

Bane NOR SF	Licences, rights	Goodwill	Total
Acquisition cost 01.01.	398	37	435
Additions	138	0	138
Transfers to/from property, plant and equipment	-85	0	-85
Acquisition cost 31.12.	451	37	488
Accumulated depreciation 01.01.	103	14	117
Depreciation for the year	57	7	64
Accumulated depreciation 31.12.	160	21	181
Total carrying amount 31.12.	291	16	307

Goodwill relates to the value of employees in Bane NOR Eiendom AS transferred to Bane NOR SF in 2017, and to assets taken over in the business transfer of the Norwegian Railway Academy from the Norwegian Railway Directorate in 2019. Ref. description in note 20. The amortisation period for intangible assets is five years, except where the lifetime of the asset is deemed to be significantly longer.

Bane NOR Group

Bane NOR Group	Licences, rights	Goodwill	Total
Acquisition cost 01.01.	402	19	421
Additions	138	0	138
Transfers to/from property, plant and equipment	-85	0	-85
Acquisition cost 31.12.	455	19	474
Accumulated depreciation 01.01.	104	4	108
Depreciation for the year	60	4	64
Accumulated depreciation 31.12.	164	8	172
Total carrying amount 31.12.	291	11	302

Note 09

Property, plant and equipment

Bane NOR SF

Figures in NOK millions

	Land, buildings, etc.	Infrastructure	Construction in progress	Operating equipment, machinery, etc.	Total
Acquisition cost 01.01.	32 327	100 835	44 478	1 399	179 039
Additions	0	0	16 247	0	16 247
Transfers between assets groups	408	4 304	-4 848	136	0
Transfers to/from intangible assets	0	85	0	0	85
Disposals	-665	-131	0	-2	-798
Acquisition cost 31.12.	32 070	105 093	55 877	1 533	194 573
Accumulated depreciation 01.01.	302	15 986	0	337	16 625
Depreciation for the year	126	5 402	0	127	5 655
Disposals	-69	-131	0	-2	-202
Accumulated depreciation 31.12.	359	21 257	0	462	22 078
Total carrying amount 31.12.	31 711	83 836	55 877	1 071	172 495
Expected economic lifetime	20-50 years	20-50 years		3-10 years	
Depreciation plan	Straight-line	Straight-line		Straight-line	

Annual rent for non-capitalised fixed assets:

Fixed asset	Annual rent
Machines	39
Buildings	776

Pursuant to its social mission, Bane NOR SF is responsible for the development of new railway infrastructure in Norway and it has a number of ongoing development projects. Accrued expenses related to development projects are capitalised on an ongoing basis as construction in progress.

As at December 2020, the statuses of the enterprise's largest, ongoing development projects (investment budget > NOK 500 million) were:

Project	Production in 2020	Progress in %	Forecast com- pletion
Oslo–Ski, Follo Line	3 805	82 %	Dec. 2022
ERTMS	1 134	15 %	Dec. 2032
Sandbukta-Moss–Såstad	971	22 %	Dec. 2024
Venjar-Langset	1 524	48 %	Dec. 2023
Arna-Fløen (Ulriken Tunnel)	625	72 %	June 2023
Drammen-Kobbervikdalen	1 513	21 %	Dec. 2025
Nykirke-Barkåker	1 085	23 %	Oct. 2024
Partial electrification of the Trønder Line and the Meråker Line	16	7 %	Dec. 2024
Temporary stabling at Nybyen (Drammen)	11	10 %	Apr. 2022
Stabling at Steinkjer and Støren	104	23 %	Dec. 2021
Total	10 788		

Figures in NOK millions

Note

09

continues

Property, plant and equipment

Bane NOR Group

	Land, buildings etc.	Infrastructure	Construction in progress	Operating equipment, machinery, etc.	Total
Acquisition cost 01.01.	43 789	100 835	45 326	1 736	191 686
Additions	793	0	16 898	33	17 724
Transfers between assets groups	719	4 304	-5 159	136	0
Transfers to/from development properties	0	0	0	0	0
Transfers to/from intangible assets	0	85	0	0	85
Disposals	-574	-131	0	-2	-707
Acquisition cost 31.12.	44 727	105 093	57 065	1 903	208 788
Accumulated depreciation 01.01.	4 131	15 986	60	520	20 697
Depreciation for the year	442	5 402	0	161	6 005
Write-downs for the year	85	0	0	0	85
Disposals	-69	-131	0	-2	-202
Accumulated depreciation 31.12.	4 589	21 257	60	679	26 585
Total carrying amount 31.12.	40 138	83 836	57 005	1 224	182 203
Expected economic lifetime	10-50 years	20-50 years		2-10 years	
Depreciation plan	Straight-line	Straight-line		Straight-line	

Annual rent for non-capitalised fixed assets:

Fixed asset	Annual rent
Machines	119
Buildings	517

The Group's carrying amount for land and buildings includes value added from the contribution in kind Bane NOR Eiendom AS carried out at fair value.

At year-end 2020, an assessment was made of the need to write down the Group's value added, including value added for land and buildings. The write-down assessment was based on valuations conducted by two independent parties. Valuations obtained as at 31 December 2020 indicate an increase in the value of the property portfolio in the Bane NOR Eiendom Group, less investments made during the year. The review shows that the carrying amount for some properties was higher than their fair value. These properties were written down by NOK 85 million to their fair value.

Note 10

Subsidiaries and joint ventures

Bane NOR SF

All subsidiaries have their registered office in Oslo and the stake/voting rights are 100%

Subsidiaries

Bane NOR Eiendom AS
Spordrift AS

Bane NOR Group

The Group's other subsidiaries and joint ventures are owned by Bane NOR Eiendom AS, the parent company in the Bane NOR Eiendom Group.

Subsidiaries in the Bane NOR Eiendom Group:

All subsidiaries have their registered office in Oslo and the stake/voting rights are 100%.

Company	Company	Company
Bane NOR Serviceeiendom AS	Bne Orkanger AS	Fosnagaten 12 AS
Bne 20legend AS	Bne Paradis 1 AS	Grenstølveien 40 AS
Bne 254 Vikersund AS	Bne Parkering AS	Grønland 21 AS
Bne Asker AS	Bne Riverside AS	Inkubator Sundland AS
Bne Baneveien 57 AS	Bne S-11 AS	Jernbanebrygga 63 AS
Bne Brueland AS	Bne S-22 AS	Jernbaneveien 27 AS
Bne C6 AS	Bne Schweigaardsgate 40-46 AS	Lierstranda Tomteselskap AS
Bne Cecilienborg AS	Bne Schweigaardsgate 41-51 AS	Moss Tomteselskap AS
Bne Egersund AS	Bne Schweigaardsgate 51 I AS	Paradis Boligutvikling 1B AS
Bne Foss Eikeland AS	Bne Schweigaardsgate 51 II AS	Paradis Boligutvikling 2 AS
Bne Frodegaten 23 AS	Bne Schweigaardsgate 51 III AS	Paradis Næring 1 AS
Bne Ganddal AS	Bne Schweigaardsgate 51 IV AS	Professor Smiths Hage Utvikling AS
Bne Holmestrand Bolig AS	Bne Ski Jernbanesvingen AS	Quadrum AS
Bne Horten AS	Bne Ski Vestveien AS	Quadrum Bygg A AS
Bne Hvalstad Bolig AS	Bne Ski Vestveien Sør AS	Quadrum Bygg B AS
Bne Hvalstad Næring AS	Bne Stryn AS	Quadrum Bygg C AS
Bne Hvalstad Parkering AS	Bne Strømmen AS	Quadrum Bygg D AS
Bne Kanalhotellet AS	Bne Tangen AS	Skien Brygge AS
Bne Kløfta Bolig AS	Bne Voss Knutepunktet AS	Skøyen Knutepunkt Utvikling AS
Bne Lagårdsveien felt G AS	Bne X6 AS	Spordrift Prosjekt AS
Bne Lagårdsveien felt I AS	Bne Økern AS	Stabæk Torg Utvikling AS
Bne Lagårdsveien Veiareal AS	Bne Årnes AS	Strandgata Moss 25 og 27 AS
Bne Langhus AS	Brakerøya Tomteselskap AS	Sundland Eiendom AS
Bne Lierstranda AS	Byterminalen Stavanger AS	Trolløya Eiendom AS
Bne Lisleby Utvikling AS	Drammen Stasjon A1 AS	Trondheim Stasjonsenter Gryta AS
Bne Nordfjordeid AS	Drammen Stasjon A3 AS	
Bne Nye Nybyen AS	Drammen Stasjon Hotell AS	

Figures in NOK millions

Note

10

continues

Subsidiaries and joint ventures (continues)

Joint ventures and associated companies in the subsidiary group the Bane NOR Eiendom Group:

Name	Registered office	Stake/voting rights, %
Bellevue Utvikling AS	Fredrikstad	50 %
Devoldholmen Utvikling AS	Oslo	50 %
Drammen Helsepark AS	Drammen	50 %
Eidos Eiendomsutvikling AS	Lier	23 %
Gjøvik Utvikling AS	Gjøvik	50 %
Grefsen Utvikling AS	Oslo	50 %
HAL 12 D AS	Oslo	50 %
Hinna Stasjon Utvikling AS	Stavanger	50 %
Hokksund Vest Utvikling AS	Oslo	50 %
Hommelvik Stasjonsby AS	Malvik	50 %
Jessheim Byutvikling AS	Ullensaker	50 %
Kammerherreløkka AS	Porsgrunn	50 %
Lagårdsveien Utvikling AS	Oslo	50 %
Lierstranda Invest AS	Oslo	50 %
Lilleelva Parkering AS	Porsgrunn	50 %
Nyhavna Hotell AS	Hamar	50 %
Oslo S Parkering Holding AS	Oslo	50 %
Oslo S Utvikling AS	Oslo	33 %
Paradis Boligutvikling 1 AS	Stavanger	50 %
Paradis Stasjon Bolig AS	Stavanger	50 %
Perleporten Asker AS	Asker	50 %
Sagtomta Utvikling Mysen AS	Indre Østfold	33 %
Sjøsidan Moss AS	Moss	50 %
Skien Brygge Utvikling AS	Skien	50 %
Snipetorp AS	Oslo	50 %
Stasjonsgarasjen Voss AS	Oslo	50 %
Strandsonen Utvikling AS	Hamar	50 %
Tangenkaia AS	Drammen	37 %
Trondheim Stasjonssenter AS	Trondheim	40 %
Vikersund Utvikling AS	Modum	50 %
Voss Stasjon - Hotell AS	Oslo	50 %

The profit contributions for the year from joint ventures and associated companies:

	Grefsen Utvikling AS	Jessheim Byutvikling AS	Oslo S Parkering Holding AS	Oslo S Utvikling AS	Others	Total
Profit contribution	57	17	-1	96	13	182
Internal gains	3	0	0	20	4	28
Value added	0	-18	0	0	-4	-22
Profit contribution for the year	60	-2	-1	117	13	187

Specification of carrying amount as at 31.12. for joint ventures and associated companies:

	Grefsen Utvikling AS	Jessheim Byutvikling AS	Oslo S Parkering Holding AS	Oslo S Utvikling AS	Others	Total
Carrying amount 01.01.	101	111	173	327	134	846
Other additions/disposals in the period	0	0	0	0	178	178
Profit contribution for the year	60	-2	-1	117	13	187
Change in internal gain/value added	0	0	0	0	-31	-31
Dividends	-68	-15	-15	0	-10	-107
Receipts/payments equity	0	0	0	0	54	54
Total carrying amount 31.12.	94	94	157	444	338	1 127

Figures in NOK millions

Note
11

Receivables and financial leases

Bane NOR SF			Bane NOR Group	
2020	2019		2020	2019
Accounts receivable				
251	255	Accounts receivable at nominal value	486	605
-6	-8	Provision for losses on accounts receivable	-11	-18
245	247	Total accounts receivable	475	587
Other receivables				
3 881	4 551	Claim for remuneration from the Norwegian Railway Directorate, ref. note 1	3 881	4 551
637	391	VAT credit	677	426
689	776	Receivables from group companies	0	0
433	487	Prepaid expenses and accrued revenue	475	570
1 096	572	Other current receivables	1 198	593
6 737	6 776	Total other receivables	6 231	6 140
Receivables due later than one year				
438	443	Financial leases, fibre infrastructure	438	443
787	200	Loans to group companies	0	0
0	0	Loans to joint ventures and associated companies	94	73
15	18	Other non-current receivables	15	18
1 240	661	Total receivables due later than one year	547	534

The enterprise has signed leases with external parties for parts of its fibre infrastructure. The agreements are classified as financial leases for accounting purposes. The term of the lease is deemed to match the estimated economic lifetime of the fibre infrastructure. Where full settlement has not been made in connection with a lease, a receivable is recognised corresponding to the present value of future cash flows from the lease. Ongoing rental payments are partly recognised as repayments on the receivable and partly as interest revenue, ref. note 6.

Note
12

Inventories and development properties for sale

Bane NOR SF			Bane NOR Group	
2020	2019		2020	2019
Inventories and development properties for sale				
52	64	Contingency inventories	52	255
142	119	Surplus inventories	142	109
687	650	Central inventories	687	486
80	70	Other inventories	80	52
0	0	Development properties for sale, incl. value added	3 486	3 904
-87	-26	Write-down for redundant railway-related inventories	-87	-26
874	876	Total inventories and development properties for sale	4 360	4 781

Contingency inventories involve components that will be used for ongoing maintenance and operation of the railway, defined by minimum and maximum levels. Equipment purchased for regional inventories that represent inventories in excess of defined maximum contingency inventories are surplus inventories. Contingency inventories and surplus inventories are located locally at track managers. Central inventories are long-term material requirements related to existing railway infrastructure.

At year-end 2020, an assessment was made of the need to write down the Group's value added, including value added for development properties. The write-down assessment was based on valuations conducted by two independent parties. Valuations obtained as at 31 December 2020 indicate an increase in the value of the property portfolio in the Bane NOR Eiendom Group, less investments made during the year. No individual properties requiring a write-down of their carrying amount were identified.

Figures in NOK millions

Note 13

Restricted bank deposits

Bane NOR SF			Bane NOR Group	
2020	2019	Restricted bank deposits	2020	2019
126	119	Tax deduction funds	170	159

Note 14

Equity and ownership information

The enterprise is a wholly stated-owned enterprise under the Ministry of Transport.

Bane NOR SF

Change in equity	Invested capital	Other equity	Total
Equity 31.12.18	9 002	967	9 969
Profit for the year	0	853	853
Actuarial gains and losses	0	191	191
Total equity 31.12.19	9 002	2 011	11 013
Profit for the year	0	590	590
Actuarial gains and losses	0	-567	-567
Total equity 31.12.20	9 002	2 033	11 035

Bane NOR Group

Change in equity	Invested capital	Other equity	Total
Equity 31.12.18	9 002	1 281	10 283
Profit for the year	0	427	427
Actuarial gains and losses	0	228	228
Change in minority in joint ventures	0	10	10
Total equity 31.12.19	9 002	1 946	10 948
Profit for the year	0	557	557
Actuarial gains and losses	0	-674	-674
Total equity 31.12.20	9 002	1 829	10 831

On 16 October 2020, the corporate assembly passed the following resolution: "The invested capital in Bane NOR SF shall be reduced by NOK 200,110,000, from NOK 9,002,291,516 to NOK 8,802,181,516. The decrease shall be used for repayment to the state. Ref. section 16, paragraph one, no. 2 of the Act relating to State-Owned Enterprises, by the enterprise's shares in Spordrift AS, measured at NOK 200,110,000, being transferred to the state."

The decrease in invested capital was registered with final effect in the Norwegian Register of Business Enterprises on 23 January 2021.

Figures in NOK millions

Note 15

Performance obligation

The performance obligation arises due to the gross transfer of public grants and is the cross entry for capitalised expenses related to railway infrastructure financed by government grants. The performance obligation is recognised in revenue in line with the depreciation of the assets financed by the government grants.

Bane NOR SF			Bane NOR Group	
2020	2019	Year's change in performance obligation	2020	2019
161 586	151 804	Performance obligation 01.01.	161 586	151 804
	36	Additions due to contribution in kind, Norwegian Railway Academy	0	36
16 534	15 334	Additions through procurements of property, plant and equipment financed by grants from the Norwegian Railway Directorate	16 534	15 334
-1	1	Reclassification	-1	1
-372	0	Sales of individual properties from Bane NOR SF to BNE Group	0	0
-226	-55	Disposals from sales/scrapping of property, plant and equipment or through reallocation for purposes other than railways	-226	-55
-5 543	-5 535	Year's revenue recognition	-5 547	-5 535
171 978	161 586	Total	172 346	161 586

Figures in NOK millions

Note 16

Pensions

The enterprise has a defined contribution scheme that applies to new employees after 1 January 2017. Defined contribution pensions, inclusive of employer's national insurance contributions, are expensed on an ongoing basis. The enterprise also has a closed collective defined benefit scheme in the Norwegian Public Service Pension Fund for employees transferred from the Norwegian National Rail Administration on 1 January 2017, as well as for employees transferred from Bane NOR Eiendom AS and the Norwegian Railway Academy. With effect from 1 January 2019, a voluntary transfer was carried out from the close defined benefit scheme in the Norwegian Public Service Pension Fund to the defined contribution scheme.

A new public service occupational pension scheme was approved on 21 June 2019. The new regulations (new coordination and new public service occupational pension scheme) results in a gain due to a change to the scheme. The liability for both active members and members with deferred pension rights is reduced. The change to the scheme has been recognised through profit or loss and included in the pension expenses for 2019.

The private contractual early retirement (AFP) scheme is regarded as a benefit-based multi-enterprise scheme. The administrator is unable to obtain reliable calculations of the earned liabilities. The AFP scheme is therefore treated in the financial statements as a defined contribution-based scheme and is included in expenses for the defined contribution scheme, inclusive of employer's national insurance contributions.

The enterprise's pension schemes satisfy the requirements of the Mandatory Occupational Pensions Act.

	Bane NOR SF		Bane NOR Group	
	Active workers	Pensioners	Active workers	Pensioners
People in schemes as at 31.12.20				
Defined benefit scheme (closed)	1 796	501	2 282	572
Defined contribution pension scheme	1 669		2 392	
Balance sheet	2020	2019	2020	2019
Pension liability 01.01.	5 043	6 546	6 164	6 546
Present value of pension accrual for the year	169	236	205	255
Interest expense on pension liability	115	147	140	160
Pension payments	-113	-97	-132	-102
Change in pension liability (Norwegian Railway Academy/Spordrift AS)	0	-1 064	0	72
Change in pension liability (voluntary transfer to the defined contribution pension)	0	-167	0	-167
Scheme change	0	-367	0	-367
Actuarial losses (gains)	500	-191	646	-232
Total calculated gross pension liability at the end of the period	5 714	5 043	7 024	6 164
Pension assets 01.01.	3 464	3 820	4 199	3 820
Interest revenue on pension assets	81	94	98	102
Receipts incl. administration expenses	208	415	260	426
Administration expense	-4	-6	-5	-6
Pension payments	-113	-96	-132	-101
Change in pensions assets (Norwegian Railway Academy/Spordrift AS)	0	-680	0	41
Change in pension assets (voluntary transition to defined contribution pension)	0	-58	0	-58
Actuarial losses (gains)	3	-24	30	-24
Total pension assets at the end of the period	3 640	3 464	4 451	4 199
Net pension liability	2 074	1 579	2 573	1 965
Employer's NI contributions on net pension liability	292	223	363	277
Total net capitalised pension liability incl. employer's NI contributions	2 366	1 801	2 936	2 242

Note

16
continues

Figures in NOK millions

Pensjoner (continues)	Bane NOR SF		Bane NOR Group	
	2020	2019	2020	2019
Results				
Present value of pension accrual for the year	169	236	205	255
Employer's national insurance contributions	29	42	36	45
Interest expense on pension liability	115	147	140	160
Expected return on pension assets	-81	-94	-98	-102
Gain from voluntary transfer to defined contribution pension	0	-124	0	-124
Scheme change	0	-419	0	-419
Administration expense	4	6	5	6
Total pension expense, defined benefit scheme, in the income statement	236	-206	287	-178
Actuarial losses (gains)	497	-167	616	-208
Employer's NI contributions on actuarial losses (gains)	70	-24	87	-29
Total pension expenses (actuarial gains/losses) recognised directly against equity	567	-191	703	-238
Total pension expense, defined benefit scheme, in the income statement	236	-206	287	-178
Expenses from defined contribution scheme incl. employer's NI contr.	105	127	145	142
Total net pension expense in the income statement	341	-79	432	-36
Reconciliation of pension liability and pension expenses for the year	2020	2019	2020	2019
Net pension liability at the start of the period	1 801	3 110	2 242	3 110
Change in net pension liability, incl. employer's NI contributions	0	-438	0	35
Annual premiums, incl. administration expense and employer's NI contr.	-238	-474	-297	-486
Total pension expenses (actuarial gains/losses) recognised directly against equity	567	-191	703	-238
Total pension expense, defined benefit scheme, in the income statement	236	-206	287	-178
Total net capitalised pension liability incl. employer's NI contributions	2 366	1 801	2 936	2 242
Economic, demographic and actuarial assumptions	2020	2019	2020	2019
Discounting interest rate	1,70 %	2,30 %	1,70 %	2,30 %
Expected return on pension assets	1,70 %	2,30 %	1,70 %	2,30 %
Expected annual wages growth	2,25 %	2,25 %	2,25 %	2,25 %
Expected annual adjust. of retirement and survivor's pension over 67 years old	1,25 %	1,25 %	1,25 %	1,25 %
Expected annual adjust. of G (NI basic amount), AFP, disability and survivor's pensions	2,00 %	2,00 %	2,00 %	2,00 %
Average employer's NI contribution factor	14,1 %	14,1 %	14,1 %	14,1 %
Number of active workers	1 796	1 931	2 282	2 469
Average age – active workers	53	52	52	52
Total pension basis (NOK millions)	1 189	1 247	1 463	1 543
Average pay (NOK thousands)	662	646	641	625
Number of pensioners	501	431	572	460
Number of deferred	1 282	1 240	1 297	1 245
Mortality	K2013	K2013	K2013	K2013
Disability	200 % * K63	200 % * K63	200 % * K63	200 % * K63
Survivors/probability of marriage, etc.	K2013	K2013	K2013	K2013
Voluntary departure < 50 years old	10,0 %	5,0 %	10,0 %	5,0 %
Voluntary departure > 50 years old	3,0 %	1,0 %	3,0 %	1,0 %
Early withdrawal trend (AFP) (equal both years)	Age limit 70 years old: 36% at 62 years old, Special age 65 years old: 100% 62 years old			

Note 17

Figures in NOK millions

Other provisions for liabilities

Bane NOR SF			Bane NOR Group	
2020	2019	Recognised contingent liabilities	2020	2019
1 132	1 107	Maintenance of listed and protected stretches of track and buildings	1 132	1 107
597	485	Contingent liabilities in connection with disputes and claims	597	485
341	339	Removal and cleaning up expenses	341	339
6	6	Other contingent liabilities	6	6
2 076	1 937	Total recognised contingent liabilities	2 076	1 937

Maintenance of listed and protected stretches of track and buildings

Provisions for maintenance lag on listed stretches of track, as well as present value of estimate future maintenance expenses for listed and protected stretches of track and buildings. The item was included in the opening balance on 1 January 2017 because the enterprise has an obligation to perform the maintenance and no additional remuneration for the Norwegian Railway Directorate is received to cover it. The liability is adjusted to the present value each year and a financial expense is recognised, ref. note 6. Expenses related to actual maintenance performed are recognised as a reduction of the provision.

Contingent liabilities in connection with disputes and claims

Provisions for the best estimate of the future settlement of contingent liabilities in connection with various types of disputes.

Obligation to remove pursuant to the Energy Act Regulations

Provision for present value of future removal expenses for installations that must be removed pursuant to the Energy Act Regulations. The liability is adjusted to the present value each year and a financial expense is recognised, ref. note 6. Expenses related to actual removal performed are recognised as a reduction of the provision.

Polluted ground

In connection with the transfer of the Norwegian National Rail Administration's assets to Bane NOR SF, the state assumed liability for any historical pollution. Surveys indicate that properties owned by the Bane NOR Eiendom Group have latent environmental obligations. When development projects are identified, expenses related to preparing the ground, including expenses related to polluted soil, are taken into account. The expenses are included in the project expenses. For this reason, no provisions are made relating to polluted ground in development properties under development for sale.

Figures in NOK millions

Note 18

Current interest-bearing liabilities

Bane NOR SF			Bane NOR Group	
2020	2019	Interest-bearing liabilities	2020	2019
0	0	Bonds	3 100	3 100
0	0	Bank loans	1 350	850
0	0	Certificate loans	0	850
0	0	Used overdrafts	194	1
0	428	Pension remuneration, business transfer to Spordrift AS	0	0
0	428	Total interest-bearing liabilities	4 644	4 801
0	428	<i>of which non-current liabilities</i>	2 900	3 950
0	0	<i>of which current liabilities</i>	1 744	851

Bane NOR Group

Maturity structure	2021	2022	2023	2024	2025	> 2026
Non-current interest-bearing liabilities			850		1 121	929

Covenant requirements (Bane NOR Eiendom Group)	Requirement	2020	2019
Loan-to-asset value ratio in relation to market value	< 65,0 %	28,8 %	27,3 %

Credit facilities/drawing rights

The Bane NOR Eiendom Group has a total of NOK 2,000 million in committed and available facilities, of which NOK 500 million is an operating credit line in a corporate account arrangement and the remaining NOK 1,500 million is a revolving credit facility. The revolving credit facility is not used for day-to-day operations and is regarded as security for the coverage of funding needs.

Bane NOR SF also has an operating credit line in Norges Bank, with a total limit of NOK 500 million. The operating credit line was unused as at 31 December 2020. In line with the Storting's grant, any unused operating credit must be repaid within 12 months, including interest. The interest rate shall be equal to the six-month government interest rate (floating) plus 0.4 per cent per annum.

Collateral and guarantees:

Neither Bane NOR SF nor other companies in the Group have mortgaged or pledged property or other assets as security as at 31 December 2020.

Note 19

Other current liabilities

Bane NOR SF			Bane NOR Group	
2020	2019	Other current liabilities	2020	2019
162	335	Unearned revenue *	90	140
1 795	2 156	Accrued expenses	1 693	1 914
552	516	Salary owed, holiday pay and tax deducted	738	686
293	332	Other current liabilities	357	183
2 802	3 339	Total other current liabilities	2 878	2 923

* Accounting gains from business transfer to Spordrift AS are included in unearned revenue. Ref. description in note 20.

Figures in NOK millions

Note 20

Business transfers

In December 2018, an agreement was entered into concerning the transfer of business from the Norwegian Railway Directorate to Bane NOR SF. The transfer included all of the employees linked to the units for railway subjects and traffic training at the Norwegian Railway Academy, as well as training facilities, machinery and transport equipment. The takeover took place on 1 July 2019.

Fair value of taken over assets and liabilities as at January 1st 2019:

Intangible assets	19
Property, plant and equipment	59
Net value of the business	78
Pension liabilities	35
Performance obligation	36
Other current liabilities	5
Debt taken over	76
Remuneration	2

In June 2019, an agreement was entered into concerning the transfer of business from Bane NOR SF to the wholly owned subsidiary Spordrift AS. The transfer took place on 1 July 2019.

Fair value of transferred assets and liabilities as at 1 July 2019:

Intangible assets	175
Property, plant and equipment	20
Net value of the business	195
Pension receivables/liabilities, net	45
Net current assets	0
Transferred debt	45
Remuneration	150

The remuneration was settled by converting a claim for the purchase sum into a share contribution in Spordrift AS.

The carrying amount of the shares in Spordrift AS was NOK 200 million as at 31 December 2020. Ownership of Spordrift AS was transferred to the state in 2021. The transfer was carried out by writing down the business capital in Bane NOR SF through a withdrawal in kind of the shares at their carrying value, ref. note 14. The transaction is treated in the financial statements as an equity transaction in 2021.

The accounting gain of NOK 131 million for Bane NOR SF was included in unearned revenue as at 31 December 2020. Restructuring funds for Spordrift AS that accrue after 31 December 2020 are recognised through a reduction in the gain. Unearned revenue and gains are eliminated in the Bane NOR SF Group.

Spordrift AS is consolidated into the consolidated financial statements of the Bane SF Group as follows for 2020:

Operating revenue	2 108
Operating expenses	2 040
Operating profit	68
Net financial revenue	4
Income tax	6
Result	66

Non-current assets	212
Current assets	995
Total assets	1 207
Equity	202
Pension liabilities	570
Current liabilities	435
Total equity and liabilities	1 207

Note 21

Intra-group balances

Figures in NOK millions

Bane NOR SF			Bane NOR Group	
2020	2019		2020	2019
Receivables from:				
689	776	Subsidiaries	0	0
0	0	Joint ventures	0	150
689	776	Total	0	150
Loans to:				
787	200	Subsidiaries	0	0
0	0	Joint ventures	94	73
787	200	Total	94	73
Debt to:				
332	501	Subsidiaries	0	0
0	0	Joint ventures	0	0
332	501	Total	0	0
Loans from:				
0	428	Subsidiaries	0	0
0	0	Joint ventures	0	0
0	428	Total	0	0

Figures in NOK millions

Note 22

Transactions with related parties

Bane NOR SF is a wholly stated-owned enterprise under the Ministry of Transport. The Norwegian state and underlying companies, directorates and agencies are consequently related parties of the enterprise. Furthermore, the companies in the Group, including joint ventures, and board members and members of the enterprise's and subsidiaries' management teams are also related parties.

Equity transactions with the Ministry of Transport are discussed in notes 14 and 20, as well as in the notes regarding accounting policies.

Benefits for senior executives are detailed in note 4 and intra-group balances are discussed in note 21. For the Group, no information is provided about transactions that have been eliminated in the consolidated financial statements.

The Group's transactions with related parties, beyond those stated in other notes:

Bane NOR SF			Bane NOR Group	
a) Inntekter og mottatte offentlige tilskudd:				
2020	2019	<i>Remuneration (government grants)</i>	2020	2019
21 773	20 642	Norwegian Railway Directorate	21 773	20 642
<i>Sales of good and services</i>				
3	34	Norwegian Railway Directorate	3	34
832	1 188	Operators that are subsidiary agencies of the Ministry of Transport	1 094	1 502
b) Kjøp av varer og tjenester:				
2020	2019		2020	2019
1	3	Norwegian Railway Directorate	1	3
463	483	Operators that are subsidiary agencies of the Ministry of Transport	555	575
c) Outstanding balances with related parties outside the Group (ref. note 15 for information within the Group):				
2020	2019	<i>Current receivables</i>	2020	2019
3 881	4 819	Norwegian Railway Directorate	3 881	4 819
87	135	Operators that are subsidiary agencies of the Ministry of Transport	98	191
<i>Current liabilities</i>				
0	0	Ministry of Transport	0	0
20	6	Operators that are subsidiary agencies of the Ministry of Transport	20	7

Figures in NOK millions

Note 23

Hedging using financial derivatives

Energy hedging

The enterprise hedges purchase prices for power for both onward sale to train operators and internal use. Price hedging for onward sale takes place in consultation with the train operators and the full loss or gain related to the hedging is included in the price they pay for train operating power. The train operators have chosen a strategy with a longer horizon (up to six years) with a gradual build-up of predictability. The train operators have also chosen to currency hedge their exposure to the Euro. For hedging of power for internal use, a shorter horizon (up to three years) has been chosen.

The holding of forward contracts for the enterprise's own consumption has a positive fair value of NOK 5 million. Maturity is in 2021. The holding of forward contracts for onward sale to the train operators has a negative fair value of NOK 5 million. Maturity is in 2021-2025.

Interest rate hedging

The subsidiary group the Bane NOR Eiendom Group has raised external debt to finance its property activities. The loan agreements with external lenders state that part of the debt must be interest rate hedged. Interest rate swap contracts for a total of NOK 2,770 million have been entered into. Average remaining duration of the interest rate swap agreements was four years as at year-end 2020. The hedging agreements in Bane NOR Eiendom are treated as cash flow hedging and are subject to hedging accounting, such that the ongoing interest expenses that are recognised correspond to the fixed rate in the hedging agreement.

Currency hedging

Some currency hedging agreements have been entered into in connection with the company's projects. The hedging agreements are treated as cash flow hedging and are subject to hedging accounting, such that the project expenses that are recognised correspond to the fixed currency amount in the hedging agreement. As at 31 December 2020, the following currency hedging agreements had been entered into: EUR 68 million and SEK 22 million.

Bane NOR SF

Bane NOR SF			Bane NOR Group	
2020	2019	Fair value of hedging instruments	2020	2019
0	-8	Energy hedging instruments	0	-8
0	0	Interest rate hedging instruments	-38	22
-14	0	Currency hedging instruments	-14	0
-14	-8	Total fair value of hedging instruments	-52	14

2020	2019	Unposted gains(+)/losses(-) on hedging instruments	2020	2019
0	-8	Energy hedging instruments	0	-8
0	0	Interest rate hedging instruments	-38	22
-14	0	Currency hedging instruments	-14	0
-14	-8	Total unposted gains(+)/losses(-) on hedging instruments	-52	14

Note 24

Events after the balance sheet date

No material events of significance are known to have occurred after the balance sheet data for the accounting year 2020.

The situation concerning the development of the Covid-19 pandemic and the financial consequences for the company remain uncertain, although the risk picture is becoming clearer over time.

In the opinion of the Board of Directors, both the Group as a whole and Bane NOR Eiendom AS in isolation are well-equipped to face an economic downturn, and retain good capacity for continued operations.

5.1 Accounting policies

General information

The annual financial statements of Bane NOR SF and the Bane NOR Group are prepared in accordance with the provisions of the Accounting Act and good accounting practices in Norway.

All figures are presented in whole NOK millions unless otherwise specified.

Bane NOR SF is a wholly state-owned enterprise. The state's ownership is administered by the Ministry of Transport. The enterprise was established as part of the decision by the Storting (the Norwegian parliament) to reorganise the railway sector and introduce competition for passenger transport by rail, commonly referred to as the "Railway Reform".

Most of the former Norwegian National Rail Administration's assets and liabilities were transferred to Bane NOR SF on 2 January 2017. The transfer was carried out as a contribution in kind at fair value and the enterprise's opening balance showed the value of the enterprise's assets and liabilities on the transfer date.

In preparing the enterprise's opening balance, the Ministry of Transport, in consultation with external advisers, estimated the value of the assets and liabilities transferred from the Norwegian National Rail Administration to the enterprise. The valuations were carried out in accordance with the Accounting Act and principles for good accounting practices in Norway. The fixed assets that were transferred included land, infrastructure, buildings, machinery and transport equipment, operating equipment and ICT. The transferred assets are specialised and generally do not generate revenue on their own. Nor is there, for most of the assets, an existing functioning second-hand market with reference prices. Therefore, most of the assets were valued based on a cost-based approach, which is normal when valuing assets in state-owned

enterprises where the ownership is due to sectoral policy considerations. The reacquisition cost was based on prices at the time of acquisition and thereafter adjusted for wear, age, other reduction in value, and technical development.

On 20 June 2017, 100 per cent of the shares in Rom Eiendom (now: Bane NOR Eiendom AS) were deposited as a contribution in kind in Bane NOR SF. The transfer took place as part of the Railway Reform and resulted in properties, including railway properties such as stations, workshops and terminals that had previously been owned by Norwegian State Railways (NSB), being transferred to the infrastructure administrator Bane NOR SF. The contribution in kind was carried out at fair value and with accounting effect from 1 January 2017.

Performance obligation

The transfer of non-current assets from the state to Bane NOR SF, supplied the enterprise with assets linked to historical investments in railway-related infrastructure, measured at reacquisition cost. However, the state set clear guidelines for the use of the non-current assets transferred to Bane NOR SF via the contribution in kind. The enterprise's articles of association also specify that the purpose of the enterprise is railway activities. The owner consequently expects the non-current assets that were received to be managed for the benefit of society and in line with the guidelines issued to the enterprise in the delivery agreements. Both ongoing future remuneration from the state and the contribution in kind must be used to fulfil this obligation and perform this social mission. This is shown on the balance sheet through the capitalisation of a performance obligation. On the date the contribution in kind involving railway-related property was made, this matched the fair value of the assets that were deposited and whose usage was restricted to railway purposes.

Reductions in value due to wear, age and using the enterprise's property, plant and equipment in the enterprise's social mission are reflected through depreciation. Use of the property, plant and equipment to fulfil the enterprise's social mission results in corresponding reductions being made in the performance obligation in the accounts. Reductions in the performance obligation are recognised as revenue on the line "Compensation for wear and age (deferred revenue recognition of grants)". Also see the description of the policy concerning remuneration from the Norwegian Railway Directorate and other revenue.

If an asset's usage is no longer restricted to railway purposes, the asset's residual related performance obligation is recognised as revenue on the aforementioned accounting line since eliminating the usage restriction means the asset no longer has any related performance obligation.

Pollution and cleaning up

Bane NOR SF is not responsible for historical pollution and cleaning up of land related to the Norwegian National Rail Administration's activities. Any liabilities that may be identified at a later date and that are due to the railway sector's earlier activities in the area will be met by the Ministry of Transport.

Remuneration from the Norwegian Railway Directorate and other operating revenue

The enterprise's main source of revenue is remuneration from the state, which is received in line with agreements with the Norwegian Railway Directorate. The Group also receives other revenue related to the parent company's social mission, primarily from train companies, as well as commercial revenue that primarily consists of rental revenue and gains on sales of assets from the Group's property activities.

Remuneration from the Norwegian Railway Directorate

The enterprise recognises remuneration from the Norwegian Railway Directorate as revenue in line with NRS 4 Government Grants. This means that the remuneration is recognised through profit or loss at the same time as the expenses it is intended to reduce and is accrued in the same way as the expenses to which the remuneration relates. Remuneration for operating activities (operating grants) that is intended to reduce operating expenses is recognised as revenue in the same period in which the expenses accrue. Remuneration for investments (investment grants) is accrued as deferred revenue that is capitalised and called a performance obligation. This is subsequently recognised as revenue in line with the depreciation of the fixed asset. The enterprise recognises operating grants at their gross amount since this best reflects the enterprise's level of activity. However, this does not apply to non-depreciable fixed assets, which are presented net in line with the standard.

The enterprise has entered into a number of agreements with the Norwegian Railway Directorate that regulate the remuneration the enterprise will receive and the performance the enterprise has to deliver. The purpose of the main agreement (K00) is to establish a basis and general framework for Bane NOR's tasks and the funding of these. The various agreements for specific tasks/projects, referred to as "K agreements" are described below. The enterprise has a contractual option to redistribute remuneration between the K01, K03 and K04 agreements, after informing the Norwegian Railway Directorate. The enterprise can redistribute the funds in order to ensure the most effective implementation possible of planned activities and projects. The ability to manage portfolios means that any unused remuneration related to K04 projects that have lower cost estimates/are completed at a lower cost than their allocation can be transferred to other unfinished projects that are expected to cost more than their allocation.

Availability in existing infrastructure (K01)

Remuneration for covering the operation, maintenance and refurbishment of existing infrastructure. A total amount of remuneration is allocated which is then redistributed by the enterprise to operating activities (which include operating expenses, operational investments, corrective maintenance and preventive maintenance) as well as refurbishment, respectively.

K01 Operating activities: Remuneration for operating activities is generally considered an operating grant. The year's operating remuneration is recognised as revenue in the accounting year in which the remuneration is awarded, with the exception of operational investments and planned preventive maintenance that are scheduled for another time. Remuneration for operational investments is treated in the same way as remuneration for K01 refurbishments, ref. description below. In line with NRS 4 Government Grants, remuneration for planned preventive maintenance scheduled for another time is not recognised as revenue until the period during which the maintenance is carried out and the expenses incurred. This principle ensures that the enterprise does not show a surplus because a planned activity has not been carried out. Since the remuneration for K01 is fixed, the enterprise can experience an accounting surplus or deficit in relation to the agreement depending on how efficiently the enterprise is operated.

K01 Refurbishments: Remuneration for refurbishments is generally considered an investment grant. The remuneration is capitalised and treated as deferred revenue until the non-current asset has been completed and is ready to be used. Revenue recognition takes place from the date when the non-current asset is ready to be used and depreciation commences. Revenue recognition takes place in line with the related depreciation.

Studies (K02)

The remuneration is intended to cover studies and impact assessments ordered in connection with the development of new infrastructure. Revenue recognition takes place in line with production of the services.

Planning and engineering agreements (K03)

The remuneration is intended to cover activities related to the planning and engineering of infrastructure up to when an investment decision is made. Projects that involve engineering before a main plan has been adopted are not regarded as meeting the criteria for capitalisation from an accounting perspective. The related remuneration is treated as an operating grant and the revenue is recognised in line with accrued expenses. Projects that involve engineering after a main plan has been adopted are regarded as qualifying for capitalisation. Remuneration related to such projects is treated as an investment grant, ref. the description of K01 refurbishments above.

Project agreements (K04)

The remuneration relates to grants for constructing infrastructure after investment decisions have been made. The remuneration is generally treated as investment grants, ref. description of K01 refurbishments above. For administration expenses that are not directly linked to projects and for expenses that do not meet the criteria for capitalisation, revenue is recognised in line with the expenses incurred in the relevant year.

Revenue from train companies

Revenue from train companies can be divided into three main categories:

Infrastructure charges

Infrastructure charges are what users pay for using the track, which is a service the enterprise is required to deliver to train operators. Infrastructure charge rates are set by the enterprise and the revenue is paid by train operators directly to the enterprise. Infrastructure charges are recognised as revenue as they are earned, i.e. in line with the number of gross tonne kilometres train operators have driven on the track.

Performance scheme (remuneration for the train companies)

A performance scheme has been introduced that is intended to encourage train operators and the enterprise to reduce disruptions on the rail network to a minimum and improve the performance of the rail network. Revenue from the performance scheme is recognised as it is earned, i.e. when the enterprise has accrued a claim against a train operator for such remuneration.

Other statutory services

This is revenue from other services offered to train operators by the enterprise in line with the Railway Regulations and the Authorisation Regulations, and generally concerns the delivery of power and service offerings. Sales of services are recognised through profit or loss when the service has been delivered and the revenue earned.

Other revenue

The Group's other revenue mainly comes from leasing and sales of real estate, sales of power to parties other than train operators, and sales of individual other services to third parties.

Sales of power and services are recognised through profit or loss when the service has been delivered and the revenue earned.

Revenue from leasing real estate is recognised through profit or loss over the duration of the lease. Gains from sales of properties are recognised through profit or loss in the period when the risk and control is transferred to the buyer (transfer date) with the exception of gains from sales related to property that are constructed for sale (construction contracts).

Revenue from properties that are constructed for sale, including residential and commercial projects, are recognised in line with the degree of sale and degree of completion of the property. Ongoing settlement revenue amounts to expected project revenue multiplied by degree of sale and degree of completion. Also see the description of construction contracts in the separate policy description. In Bane NOR Eiendom AS's contribution in kind, all of the Group's property projects were deposited at their fair value as at 20 June 2017. Therefore, at a group level, results from ongoing settlement are eliminated by offsetting them against the relevant ongoing projects' related value added up to the value assigned to a project when it was deposited via the contribution in kind.

Use of estimates

In preparing the consolidated financial statements, the company's management has to use its judgement and make estimates and assumptions that affect items in the income statement, balance sheet and notes. Estimates and assumptions are based on previous experience and other factors, including expectations concerning future events that are regarded as reasonable. Estimates and assumptions may change over time and are subject to continuous assessment. Meanwhile, actual figures may differ from recognised estimates. The effects differences in relation to estimates and changed estimates and assumptions have on the results are recognised in the period when the change occurs or are accrued over the periods affected by the change.

Estimates and assumptions that are of material significance for the consolidated financial statements include:

Assessments of the fair value of non-current assets and some current assets

The Group has significant capitalised value added linked to the Bane NOR Eiendom Group's contribution in kind. This relates to assets in non-current assets linked to investment properties, including in land, buildings, etc., and development properties classified under current assets. These assets are tested for write-downs when there are indications of a potential fall in value that would mean there is a risk that the recognised value exceeds the recoverable amount. The recoverable amount for cash generating units is determined by calculating the utility value of non-current assets and the realisation value of current assets. These calculations require the use of estimates.

Recognised assets in the property portfolio are tested annually for falls in value. The outcome of the test for a fall in value may be a significant loss linked to capitalised assets that must be recognised through profit or loss. The property portfolio in the Bane NOR Eiendom Group consists of two portfolios divided between properties needed for operating activities

(investment properties) and development properties being developed for sale. The properties needed for operating activities (investment properties) mainly consist of station areas, railway workshops, engine sheds and terminal buildings. Development properties are mainly located in project development areas, either already started or in the planning stage. Pending zoning plans, development properties, both land and buildings, are leased out on shorter and flexible leases.

Contingent liabilities and other non-current liabilities

The enterprise makes provisions for contingent liabilities where the enterprise believes it is likely that the liability will have to be settled. Provisions are made based on the best estimate of the liability.

In connection with the opening balance based on the contribution in kind involving assets and liabilities from the Norwegian National Rail Administration, the enterprise has capitalised the liability related to maintenance lag and the present value of future maintenance expenses for listed and protected stretches of track and buildings. The liability derives from the enterprise's statutory duty to carry out maintenance work on listed or protected objects, and the fact that no additional remuneration is received from the Norwegian Railway Directorate to perform such maintenance.

The enterprise also makes provisions for assets that it has a statutory obligation to remove.

In connection with the transfer of the Norwegian National Rail Administration's assets to Bane NOR SF, the state assumed liability for any historical pollution, ref. also the description of the policy for pollution and cleaning up above.

Consolidation policies

The consolidated financial statements cover the parent company Bane NOR SF and its subsidiaries Bane NOR Eiendom AS and Spordrift AS. The subsidiary Bane NOR Eiendom AS is in turn the parent company of the Bane NOR Eiendom Group, which consists of around 100 wholly and partly-owned companies.

The consolidated financial statements are prepared as if the Group was a single financial unit. Transactions and outstanding balances between the legal entities in the Group have been eliminated. In the consolidated financial statements, the item line for shares in subsidiaries has been replaced by the subsidiaries' assets and liabilities. The consolidated financial statements are prepared based on uniform policies in that the Bane NOR Eiendom Group is restated to comply with good Norwegian accounting practices, which is the parent company's accounting language. The subsidiary group prepares its consolidated financial statements based on simplified IFRS.

The subsidiaries are recognised in the consolidated financial statements based on the parent company's acquisition cost. For Bane NOR Eiendom AS, acquisition cost is equal to the fair value of the shareholding upon the contribution in kind carried out on 20 June 2017. Acquisition cost is allocated to identifiable assets and liabilities in the subsidiary, which are stated in the consolidated financial statements at fair value on the date the Group was established. Value added in the consolidated financial statements is depreciated over the asset's expected lifetime. Value added related to land is not depreciated.

The Group's joint ventures are consolidated based on the equity method. Using this method results in recognised values on the balance sheet corresponding to the share of equity in the joint venture, corrected for any value added since the purchase and unrealised internal gains. The profit contribution in the financial statements is based on the share of the

joint venture's profit after tax and is corrected for the depreciation of value added and unrealised gains. The income statement shows the profit contribution as separate operations-related revenue.

Main rule for classifying assets and liabilities

Assets intended for permanent ownership or use are classified as non-current assets. Other assets are classified as current assets. Receivables that will be repaid within one year are classified as current assets. Equivalent criteria are used for classifying current and non-current liabilities.

Non-current assets are measured at acquisition cost but written down to fair value when a fall in value is not expected to be temporary. For non-current assets related to railway-related infrastructure and used for the enterprise's purpose, assessments will be made of fair value and any need for writing down based on the non-current asset's utility value for the enterprise. Assuming that the asset is used for the enterprise's purpose and fulfils the conditions in the remuneration agreement with the Norwegian Railway Directorate, the asset's utility value is generally assumed to have been retained.

Non-current assets with limited financial lifetimes are depreciated according to a schedule.

Current assets are measured at the lower of acquisition cost and fair value. Current and non-current liabilities are capitalised at their nominal received amount at the time of establishment.

Acquisition cost

The acquisition cost of assets includes the asset's purchase price, less any discounts and similar, plus any addition for purchase expenses. For purchases in foreign currency, the asset is capitalised at the exchange rate on the transaction date. Interest related to the manufacture of non-current assets is capitalised.

Property, plant and equipment

Land is not depreciated. Other property, plant and equipment is capitalised and depreciated on a straight-line basis to its residual value over the fixed asset's expected useful lifetime. Self-produced fixed assets are broken down into the significant component parts with different lifetimes and capitalised upon completion. Maintenance of fixed assets is expensed on an ongoing basis under operating expenses. Embellishments and improvements, which in Bane NOR SF are referred to as "refurbishments", are added to the fixed asset's cost price and depreciated over the lifetime of the improvement (broken down).

Significant leased fixed assets are capitalised as fixed assets if the lease is deemed financial. Such assets have a corresponding cross entry in the form of a capitalised liability.

Shares in subsidiaries, joint ventures and associated companies

Subsidiaries are enterprises over which the parent company has a direct or indirect controlling influence. Normally a stake of more than 50 per cent will in any case result in a company being deemed a subsidiary. Joint ventures are enterprises over which the parent company has a direct or indirect joint control with other owners. No single owner has a controlling influence, instead the parties have established joint control of the enterprise through an agreement. Associated companies are companies in which the Group has a significant influence, but which are not subsidiaries or joint ventures. A significant influence normally exists with stakes in excess of 20 per cent.

Shares in subsidiaries, joint ventures and associated companies are recognised at acquisition cost in the parent company's financial statements, although they are written down to fair value if a fall in value occurs that is not considered to be temporary. Write-downs are reversed if the basis for the write-down no longer exists. The cost price is increased when funds are

added through capital increases or when a group contribution is made to a subsidiary. Received dividends are generally recognised through profit or loss as revenue in the parent company. Disbursements that exceed the share of retained earnings after the purchase are recognised as a reduction in acquisition cost. Dividends/group contributions from subsidiaries are recognised in the same year as the subsidiary allocates the amount. Dividends from other companies are recognised as financial revenue when the dividends are approved.

Other shares

Other long-term shareholdings are shareholdings where the enterprise's stake is less than 20 per cent. Such shareholdings are recognised at acquisition cost in the consolidated financial statements but are written down to fair value if a fall in value occurs that is not deemed to be temporary. Write-downs are reversed if the basis for the write-down no longer exists.

Inventories

Properties, including land and projects, that are under development and intended for subsequent sale are classified as development properties in the consolidated financial statements and included on the line "Inventories".

The enterprise's inventories consist of equipment and components that are intended for use in the ongoing maintenance and operation of existing railway infrastructure.

Holdings of purchased inventories are measured at the lower of acquisition value and fair value. Inventories and development properties are written down if the fair value of the inventories is deemed to be lower than the acquisition cost. For inventories that are intended to be used for railway purposes, the enterprise's utility value of the inventories is used to measure fair value.

Construction contracts

Works under construction, related to the Group's residential projects and other property projects under construction for customers, are measured using the ongoing settlement method. The degree of completion is calculated as accrued expenses as a percentage of the expected total cost. The total cost is reassessed on an ongoing basis. For projects where it is assumed that the result will be a loss, the calculated loss is expensed immediately.

Currency

Receivables and liabilities, as well as monetary items in foreign currency are measured at the exchange rate on the balance sheet date.

Pensions

The enterprise has a defined contribution pension scheme that applies for new employees. The scheme covers people employed by the enterprise after 1 January 2017. The enterprise also has a closed collective defined benefit scheme in the Norwegian Public Service Pension Fund (closed scheme for employees who were transferred from the Norwegian National Rail Administration and Bane NOR Eiendom AS).

The defined contribution pension scheme is expensed in line with deposits into the employees' pension savings accounts. The enterprise has no further payment obligations once the deposits have been paid.

The private contractual early retirement (AFP) scheme is regarded as a benefit-based multi-enterprise scheme. The administrator is unable to obtain reliable calculations of the earned liabilities. The AFP scheme is therefore treated in the financial statements as a defined contribution-based scheme and is included in expenses for defined contribution schemes including employer's national insurance contributions.

The enterprise uses the option in NRS 6 Pensions to recognise pensions in line with IAS 19 Employee Benefits. In calculating pension expenses, a straight-

line earnings model based on expected final pay is used. The calculations are also based on expectations concerning the discounting interest rate, future wage adjustments, pensions and benefits from the National Insurance Scheme, future returns on pension assets, and actuarial assumptions concerning mortality, voluntary departure and early departure due to the special age limit in Bane NOR SF.

Bane NOR SF recognises actuarial gains and losses directly against equity. Changes in the pension liability and assets due to changes and deviations in relation to calculation assumptions (actuarial changes) are recognised against equity.

With effect from 1 January 2018, the Ministry of Labour and Social Affairs introduced amended provisions for adjusting deferred rights in state-owned enterprises. Financing deferred pension rights for employees who leave the enterprise remains the responsibility of the enterprise.

Financial and operational leases

Leases that transfer most of the financial risk and control from the lessor to the lessee are treated as financial leases. The enterprise has signed leases with external parties for parts of its fibre infrastructure. The agreements are classified as financial leases and are treated in the financial statements as sales of fixed assets paid for by instalments. The leased non-current asset is not capitalised, instead the enterprise capitalises a receivable equal to the present value of future payments of rent. Ongoing revenue from leases are partly treated as repayments on the receivable and partly as interest revenue.

Other leases are treated as operational leases.

Hedging

The enterprise hedges purchases of power for both onward sale to train operators and internal use. Price hedging for onward sale takes place in consultation with the train operators and is included in the cost basis invoiced to these back-to-back.

The Group has entered into so-called swap contracts to interest rate hedge loans that have been raised in the Group's subsidiaries. Only interest rate hedging entered into for the purpose of hedging cash flows for specific loans is treated as interest rate hedging.

The Group has entered into forward exchange contracts to hedge currency purchases in some projects.

The Group's hedge accounting is carried out in line with NRS 18, option 2, such that realised and unrealised gains and losses on hedging instruments are not recognised before the hedging instrument is realised. The value of the hedging object is not capitalised. Accumulated gains and losses not recognised through profit or loss are shown in the disclosures in the notes to the financial statements.

Tax liability

The parent company, Bane NOR SF, has a tax exemption pursuant to section 2-32, paragraph one, of the Taxation Act. Acquisitions are not one of the enterprise's purposes and it does not distribute dividends to the owner. Nonetheless, the enterprise has limited tax liability for financial activities pursuant to section 2-32, paragraph two, of the Taxation Act. Other group companies are liable for tax.

The income tax in the income statement includes both the tax payable for the period and the change in deferred tax. Deferred tax is calculated based on the temporary differences that exist between accounting and tax-related values, as well as tax deficits that can be carried forward at the end of the accounting year. Tax increasing and tax reducing temporary differences that are reversed or could be reversed in the same period are offset. Deferred tax and tax assets that can be capitalised are recognised net on the balance sheet.

Cash flow

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include the Group's cash and bank deposits.