



2020 Annual report

Norled AS

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2020 DIRECTORS' REPORT

The operations

The Norled Group, of which Norled AS is the parent company, is one of Norway's largest privately owned maritime companies engaged in passenger transportation. The headquarter is located in Stavanger. Norled AS has a number of subsidiaries that are part of the group.

Norled is owned by the Canadian investment fund CBRE Caledon Capital Management and funds and investors managed by CapMan Infra.

The group's activities are located in the counties of Troms, Møre og Romsdal, Vestland, Rogaland, Agder, Oslo, and Viken.

The group's main activity is operation of ferries and express boats with associated catering facilities and terminals. Additionally, the company operates activities within tourism through hire-out of vessels and organization of package tours.

The activities in Agder are operated through wholly owned subsidiary Flekkefjord Dampskipsselskap AS.

Lysefjord AS owns a fast moving multiservice vessel which is operating on contract for the parent company.

The land based administration is employed with Norled Drift AS, whose purpose is organization and management of the operations and maritime personnel in Norled AS.

The group in 2020 transported and served around 13.5 million passengers and 5.6 million passenger car units. The operation represents an important part of infrastructure in major parts of Norway.

Norled's vision is to contribute significantly to the evolution of the ferry and express boat industry, through focusing on innovation and environmentally friendly solutions. Our ability and commitment to stimulate toward this development will continually position Norled as a leading and profitable player in the Norwegian ferry and express boat industry.

Continued operations

In compliance with the Accounting Act, § 3-3a, it is confirmed that an assumption of continued operations is present.

Income statement, cash-flow statement, balance and liquidity

The Norled Group in 2020 posted a total revenue of 2,022 MNOK compared to 2,330 MNOK in 2019. The annual result for 2020 was 109 MNOK compared to 149 MNOK in 2019.

The operating result (EBITDA) in 2020 was 487 MNOK versus 471 MNOK in 2019.

The group has 3,222 MNOK in long-term liabilities to financial institutions as of 31.12.2020, as compared to 2,817 MNOK as of 31.12.2019. The group's overall investments in 2020 were 727 MNOK versus 1,110 MNOK in 2019. Investments are mainly related to the newbuilding program for new vessels, in addition to rebuilding of vessels into electric propulsion, and onshore infrastructure relating to contracts starting up in 2020 and 2021.

The company's result in 2020 was satisfactory; however, the company has been affected by the ongoing Covid-19 pandemic. This relates to a few individual contracts, where the company has risk relating to traffic revenue, and where there is a significant element of tourism. Additionally, the pandemic has affected the newbuilding program, which has been delayed compared to the original plan.

Moreover, as a result of the pandemic, the company, after consulting with the client, has reduced the service on some individual contracts. Catering services have also been restricted in periods and on some routes, in order to contain the dissemination of Covid-19.

Reduced activities have led to periodic lay-off of employees.

The main driver of Norled's result is the company's contract portfolio. Further, safe and stable operations with a high regularity and a limited number of unforeseen incidents are essential to ensure a healthy profit.

Defying the Covid-19 pandemic, Norled in 2020 continued its stable operations and saw very few unforeseen incidents. A low price of oil on contracts regulated in arrears also contributed positively to the result of the year.

Financial risk

Market risk

-Exchange risk:

The group has no significant current transactions in foreign currency. In connection with entering into building contracts with foreign yards, concrete assessments of hedging requirements are made. The existing building program in foreign currency is in its entirety secured through hedging agreements.

-Price risk:

Shares and units in the balance are classified as fixed assets and are recognized at cost. Risk is limited to cost. The cost price has been tested for write-down without any basis for write-down having been identified as of 31.12.2020,

- Interest rate risk:

The group's interest rate risk is related to long-term loans and bank deposits. Loans with a floating rate represent an interest rate risk to company profits, a risk which is partly reduced by the opposite effect of cash equivalents with a floating interest rate. Fixed-rate loans reduce interest risk to the company's cash flows. The group is on a continuous basis considering the use of fixed-rate loans.

Contracts with clients to a large degree take fluctuations in the interest rate market into consideration, through regulation of contract revenue.

Credit risk

The risk of counter parties not having the financial ability to meet their obligations is considered low, as sales are largely related to government contracts.

Liquidity risk

The group considers company liquidity as satisfactory. The group as of 31.12.2020 had free liquidity of 411 MNOK. The corresponding figure as of 31.12.2019 was 281 MNOK. The variation is mainly due to the large-scale building program, including the pace of drawing on loaning facilities, as well as normal working capital fluctuations. The company has available drawing rights under the existing loan facility.

Fuel price risk

Developments in oil prices impact on company profits in 2020 and the development ahead. Contracts with clients to a large degree take oil price fluctuations into consideration through regulation of contract revenue. As a result of better regulation of contract revenue, risk related to fuel price is decreasing. The company is taking efforts to improve framework conditions relating to regulation of alternative forms of energy.

Working environment

At year's end the Norled Group had 862 permanent employees, of whom 145 are women and 697 are men. The proportion of women is 16.8%. 758 of the permanent employees are employed with Norled AS, 104 of whom are women and 654 are men. The proportion of women amongst the company's maritime crew is 13.4%.

The board of directors counts eight members, of whom three are women and five men. Of the share-holder-elected board members, three are women two are men. Management counts five persons, including two women and three men.

Special arrangements have been made to allow women to continue working during pregnancy and to facilitate work for parents of young children. Norled also facilitates for part time positions where this is needed. This also applies to older employees who wish to work reduced hours.

Norled is concerned with ensuring recruitment to the industry. Norled therefore pursues extensive training, and employed 20 apprentices in 2020.

Overall sickness absence in 2020 for the group was 6.7%, compared to 5.5% the previous year. Norled is an IA-company (IA= Inclusive Working Life). The company focuses on sickness absence, in particular long-term absence, and has by means of health campaigns and support of exercising activities contributed to enhanced focus on physical activities.

To ensure workers' right to participation and information, a number of committees have been established, where employee representatives can meet with management, e.g. the working committee, working environment committee, and IA group. Meetings are held regularly, and there is a good rapport between management and employee representatives.

Equal opportunities

The Norled Group aims at providing equal opportunities for women and men. Procedures have been established to ensure there is no differential treatment with basis in gender or other identity markers in matters such as pay, career advancement, and recruitment.

Discrimination

Procedures for reporting unacceptable conditions, such as bullying and harassment, and for handling conflicts, have been established. The guidelines are available in the personnel manual. All group co-workers have equal pay and working conditions, regardless of gender, nationality, and ethnic origin. The group has also established ethical guidelines that apply to all employees.

Safety and regularity

Norled focuses consistently on safety; the safety of employee as well as travelers. Norled also focuses on the safety of its partners in the projects we are carrying out, including the extensive newbuilding program.

The company has seen a positive development in terms of the number of incidents. Nevertheless, there were a number of incidents in 2020, and it is extremely important to learn from these incidents in order to prevent reoccurrence and to obtain improvement. The results of these improvement efforts include updated procedures and routines, technical measures, and enhancement of competence and awareness relating to safety.

The personal injury frequency (H-value – injuries per 1 million working hours) saw a positive trend last year. The H-value was 2.6 in 2020 versus 7.2 in 2019. Efforts focus on reducing the number of personal injuries, and it is gratifying to see that this work is giving results.

Company vessels in regular service deliver a very high regularity, i.e. 99.7% for all ferry services and 99.9% for all express boat services. Regularity is measured as the number of completed passages compared to planned passages throughout the year.

External environment

Norled is taking active efforts to reduce environmental impacts from its activities. The company is ISO 14001 and ISO 9001 certified, and continuous improvement is an integral part of day to day operations.

The major contributor in the work to cut emissions to the environment is fleet renewal and the introduction of emission reduction solutions. In 2020 ten battery-powered hybrid ferries were put into operation to operate new contracts, of which six are rebuilt vessels and four are newbuildings.

Further, building of a new battery-powered hybrid ferry was initiated in 2020, which will be operating in Ryfylke. The ferry will carry goods, vehicles, and passengers.

As early as 2015, Norled had one all-electric vessel in operation, the MF Ampere. In 2020 Norled initiated the building of the world's first hydrogen-powered ferry. It will be put into operation on the RV 13 (RV = classified road) ferry service between Hjelmeland – Nesvik - Skipavik. In connection with new tendering contracts where low and zero emission solutions are required, plans are for the fleet in 2021 to consist of 20 vessels with battery/hybrid solutions. Further, additional low emission vessels are being built for delivery in 2021 and 2022.

Norled is continuously seeking solutions that will contribute to a more sustainable environment, and has implemented source segregation across the entire fleet. This includes active efforts aimed at owners of the various quays, as well as customers, in order to improve waste collection facilities with the view of obtaining adequate and sensible flow of source segregation.

Optimization of energy consumption is an important part of Norled's work to reduce environmental impacts from its activities. The company has thus decided to implement further actions to cut emissions to the external environment through setting up a project that identifies technical and organizational measures.

Norled is proud to set ambitious targets relating to cuts in CO2 emissions. In 2020 Norled cut annual CO2 emissions by 37 000 tonnes (23%), and expects further cuts in 2021, by 19 000 tonnes (16%).

Results of the abovementioned work will form the basis of a sustainability report to be published in 2021, which is in compliance with international standard «The Greenhouse Gas Protocol», and which will give the company a documentation basis for the road ahead.

Prospects

As mentioned above, Norled, like the rest of society, was affected by the ongoing Covid-19 pandemic in 2020. At the same time as the first intervening measures were implemented in March 2020. Norled initiated a major restructuring, which included facilitating for contactless payment. The introduction of a full AutoPass (automatic vehicle identification) solution on ferries was also speeded up on a number of ferry services, compared to the original plans. Moreover, other extensive measures were implemented to reduce the dissemination of the disease onboard, with kiosks being closed down in periods.

The measures also had an impact on the production of routes, where measures were carried out in cooperation with our customers. In spite of the uncertainty that prevailed at the onset of the pandemic, the number of routes was largely maintained in a satisfactory manner.

The newbuilding program has been affected by the pandemic, resulting in delays. Nevertheless, we have had a constructive and good dialogue with our customers during this extraordinary period. Moreover, in spite of the challenges relating to the delay of newbuildings, Norled has succeeded in maintaining the service on the various contracts by using transitional vessels and spare vessels.

In 2020 Norled started five new tendering contracts.

In Vestland county operation of the Fjellberggruten service was continued, while operation of services Hjeltestad-Klokkarvik- Lerøy- Bjelkarøy was started. This contract is operated by means of one newbuilding with electric propulsion, and one vessel that will be rebuilt into electric propulsion. In addition to that, Norled took over operation of services Manheller- Fodnes and Vangsnes- Hella Dragsvik early 2020, a contract that will be operated by 5 newbuildings.

Norled is also continuing operation of the tourism route in Hardanger on a new contract.

In Møre og Romsdal county Norled started on a new contract consisting of services Volda- Folkestad and Solavågen- Festøya. The contract is operated by two new vessels and two vessels from the existing fleet. All vessels serving this contract will operate by electrical propulsion.

In Troms county Norled started on a new express boat contract with basis in Tromsø. This contract will be operated by three new express boats.

The start-up of these contracts have gone well thanks to rigorous planning and dedicated employees, even with the challenges posed by the Covid-19 pandemic.

Norled took part in a number of tendering competitions in 2020. Tendering processes saw some delays, amongst other as a consequence of Covid-19.

The company is in the midst of an extensive newbuilding program, Norled AS in 2020 took delivery of 4 ferries and 1 express boat. The company has further taken delivery of one more ferry at the entry to 2021.

For ongoing and new contracts, the current building program consists of 8 new ferries with anticipated delivery in 2021 and 2022. The construction is taking place at different yards in Norway and abroad.

Additionally, a number of major projects are ongoing relating to onshore infrastructure for the ferry operation.

Early 2021 Norled started operation of four new contracts.

The contracts include amongst other the ferry service from Finnøy in Rogaland county, which is a continuation of an existing operation. Further, on 1st January 2021, Norled introduced a new development in Ryfylkebassenget, a new ferry contract with an extensive network which previously has been partly operated by express boat alone.

In Møre og Romsdal county, a new contract consisting of ferry service Volda- Lauvstad was started. As of 2022 the contract will also include the Larsnes- Åram- Voksa- Kvamsøya services and Årvika- Koparnes. These ferry services are a continuation of operations previously handled by Norled, but they are under new contracts.

In Troms county we are also continuing the operation of the Lyngen route, however under a new contract.

Norled is also preparing for new contracts with start-up later in 2021, including the Hjelmeland ferry contract, where one of two vessels will run on hydrogen. The hydrogen project is a result of a dialogue based tender competition won by Norled, where progress takes place in close dialogue with suppliers and the responsible governments.

Norled will focus on securing healthy earnings in upcoming tenders individually. The company believes it is vital that new contracts give sufficient return on capital, in order to ensure investment capacity in the industry, in particular in the light of technology developments.

Next to operating ferry and express boat contracts, the company is engaged in activities within catering and tourism. The company is considering the strategic opportunities within these segments on a continuous basis.

Norled's board of directors is concerned about the framework conditions in the Norwegian ferry and express boat industry. Changes in recent years relating to material requirements resulting from the shift in technology entail significant needs for investments. Norled will work to obtain more balanced framework conditions in the various tender contracts. The company will also, in partnership with other shipping companies and the trade organization, take steps to obtain better predictability with a view, amongst other, to the land-based infrastructure, as a consequence of an increased element of electric propulsion technology.

The board thanks all employees for an exceptionally good effort during a tough and demanding year.

Allocation of profits

The board of directors proposes the following allocation of the annual profit (MNOK) in Norled AS:

Additional dividend	70.0
<u>Transferred to other equity</u>	<u>42.1</u>
Total	112.1

Stavanger, 24 March 2021

Elisabeth Grieg
Chair

Torborg Margareta Chetkovich
Board member

Ville Akseli Poukka
Board member

Andreas Hermann Köttering
Board member

Liselotte Grønberg Lundberg
Board member

Roy Arne Rimestad
Board member

Andre Myhr
Board member

Ove Borgen
Board member

Heidi Wolden
CEO

Income Statement
Parent

Parent			Group		
2020	2019	Operating income and operating expenses (1.000 NOK)	Note	2020	2019
56 421	200 052	Passenger revenue		58 570	202 373
37 691	254 083	Car revenue		45 722	261 121
40 140	74 438	Catering		40 140	74 438
1 771 174	1 734 521	Contract revenue	1	1 801 567	1 764 813
77 799	28 066	Other operating income	2, 17	75 786	26 907
1 983 224	2 291 159	Total operating income	3	2 021 786	2 329 652
13 013	24 984	Raw materials and consumables used		13 013	24 984
673 270	789 034	Payroll expenses	4, 12	776 165	915 057
236 159	192 254	Depreciation and amortization expense	5	240 526	196 627
24	1 659	Write-down of tangible/intangible assets	5	24	1 659
-20 849	-39 651	Gain on sale of fixed assets	5	-20 849	-39 651
851 129	1 064 675	Other operating expenses	4, 6, 8, 10, 17	766 209	957 984
1 752 746	2 032 956	Total operating expenses		1 775 087	2 056 660
230 478	258 203	Operating profit		246 698	272 992
		Financial income and expenses			
18 912	14 863	Income on investment in subsidiaries		0	0
2 580	3 886	Other financial income		2 714	4 132
99 119	78 714	Other interest expenses		99 146	78 871
10 023	6 695	Other financial expenses		10 023	6 696
-87 650	-66 660	Net financial income and expenses	7	-106 454	-81 434
142 828	191 543	Ordinary result before tax		140 244	191 558
30 768	42 269	Tax on ordinary result	14	30 810	42 324
112 060	149 275	Ordinary result		109 434	149 234
112 060	149 275	Annual net profit		109 434	149 234
0	0	Minority share		502	478
0	0	Majority share		108 932	148 756
		Brought forward			
0	0	Provision for dividend		850	0
70 000	0	Additional dividend		70 000	0
42 060	149 275	To other equity		38 584	149 234
112 060	149 275	Total allocated	20	109 434	149 234

Balance

Parent				Group	
2020	2019	Assets (1.000 NOK)	Note	2020	2019
Tangible fixed assets					
752 085	1 051 031	Plants under construction		752 085	1 051 031
3 012 177	2 464 370	Ships and floating installations		3 040 303	2 495 944
12 428	22 487	Equipment and other movables		13 152	23 708
3 776 690	3 537 887	Total tangible fixed assets	5	3 805 539	3 570 683
Financial fixed assets					
24 662	24 835	Investments in subsidiaries	18	0	0
279	11 693	Other long-term receivables	10, 12	385	11 799
24 942	36 529	Total financial fixed assets		385	11 799
3 801 632	3 574 416	Total fixed assets		3 805 925	3 582 482
Current assets					
11 164	14 079	Inventories	9	11 164	14 079
Accounts receivable					
58 774	106 909	Accounts receivable	10	58 793	106 923
146 002	84 858	Other receivables	10	146 427	86 906
18 912	14 863	Short-term receivables parent/group	17	0	0
223 688	206 630	Total accounts receivable	13	205 220	193 829
397 000	271 061	Cash and bank deposits.	13, 15	411 427	280 626
631 851	491 769	Total current assets		627 811	488 533
4 433 483	4 066 185	Total assets		4 433 736	4 071 015

Balance

Parent				Group	
2020	2019	Equity and liabilities (1.000 NOK) Paid-up capital	Note	2020	2019
40 640	40 640	Share capital	19	40 640	40 640
416 757	416 757	Share premium		416 757	416 757
457 397	457 397	Total paid-up equity		457 397	457 397
		Retained earnings			
191 335	149 275	Other equity		190 161	151 154
191 335	149 275	Total retained earnings		190 161	151 154
0	0	Minority share		2 680	3 029
648 732	606 672	Total equity	20	650 238	611 580
		Liabilities			
		Provisions			
267 562	236 794	Deferred tax	14	271 781	241 618
267 562	236 794	Total provisions		271 781	241 618
		Other long-term liabilities			
3 221 545	2 815 530	Liabilities to financial institutions	13	3 221 545	2 816 980
3 221 545	2 815 530	Total other long-term liabilities		3 221 545	2 816 980
		Short-term liabilities			
26 535	33 303	Short-term liabilities to group companies	17	0	0
120 929	178 609	Trade creditors		121 119	179 795
0	0	Tax payable	14	647	613
51 338	52 118	Public duties payable		59 111	59 756
0	0	Dividend		850	0
96 841	143 157	Other short-term liabilities	11	108 444	160 673
295 644	407 188	Total short-term liabilities		290 171	400 837
3 784 751	3 459 513	Total liabilities		3 783 498	3 459 435
4 433 483	4 066 185	Total equity and liabilities		4 433 736	4 071 015

Stavanger, 24.03.2021

Elisabeth Grieg
Chair

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Board member

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Roy Arne Rimestad
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Andre Myhr
Board member

Ove Borgen
Board member

Heidi Wolden
CEO

CASH FLOW STATEMENT 01.01.-31.12.

Parent					Group	
2020	2019 Cash flow from operating activities:		Note	2020	2019	
142 828	191 543	Result before tax		140 244	191 558	
87 650	66 660	Net financial items	7	106 454	81 434	
-20 849	-39 651	Gain on sale of fixed assets	5	-20 849	-39 651	
236 159	192 254	Depreciation of tangible fixed assets	5	240 526	196 627	
24	1 659	Write-down of tangible fixed assets	5	24	1 659	
2 915	-1 300	Change in inventories	9	2 915	-1 300	
48 135	27 116	Change in accounts receivable	10	48 130	27 278	
-57 680	-4 034	Change in accounts payable	17	-58 676	-4 953	
11 503	6 733	Change in pension commitments	12	11 503	6 733	
0	0	Paid tax	14	-613	-582	
-104 657	-142 739	Change in other time-limited items		-111 470	-144 641	
335 211	298 241	Net cash flow from operating activities		358 189	314 163	
<hr/>						
2020	2019 Cash flow from investment activities:			2020	2019	
282 155	78 229	Payments received from sale of tang. fixed assets	5	282 155	78 229	
-726 702	-1 109 564	Payment for purchase of tangible fixed assets	5	-727 123	-1 109 564	
14 863	12 442	Payments received from other investments		0	0	
-114 571	-87 213	Paid interest	7	-114 636	-87 388	
417	5 635	Received interest	7	552	5 898	
-543 838	-1 100 471	Net cash flow from investment activities		-559 053	-1 112 825	
<hr/>						
2020	2019 Cash flow from financing activities:			2020	2019	
650 000	3 170 696	Proceeds from issuance of new longterm liabilities *	13	650 000	3 170 696	
-245 435	-2 048 324	Payments on repayment of long-term liabilities	13	-248 335	-2 051 224	
-70 000	-582 563	Dividend *	20	-70 000	-582 563	
-10 817	125 690	Change in intra-group balance	17	0	125 690	
334 565	665 499	Net cash flow from financing activities		331 665	662 599	
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125 939	-136 731	Net change in liquid capital through the year		130 801	-136 063	
<hr/>						
271 061	407 792	Liquid capital 01.01.		280 626	416 689	
397 000	271 061	Liquid capital 31.12.		411 427	280 626	

* Additional dividend in 2019 is set off against an increase in liabilities as part of acquisition financing made in 2019.

Accounting principles

General

Norled AS is a Norwegian public limited company founded 7 April 2000, with business registration number 981 940 768. Nanoq Invest AS owns all shares in the company. The company has its main office at Børehaugen 1, 4006 Stavanger, Norway.

The company's functional currency is NOK. All figures in the financial statements are given in thousand NOK, unless otherwise is specifically stated.

Accounting principles

The financial statements have been prepared in compliance with the Accounting Act and generally accepted accounting principles.

The following presents the company's accounting principles.

Consolidation

The consolidated accounts comprise Norled AS and companies where Norled AS has the controlling interest. Controlling interest is normally considered as being achieved when the group owns more than 50% of shares in the company, and the group is capable of exerting actual control monitoring the company. Minority interests are part of group equity. Transactions and intra-group accounts have been eliminated. The consolidated accounts have been prepared with basis in uniform principles, in that subsidiaries apply the same accounting principles as the parent company.

Classification and valuation of balance sheet items

Assets connected to goods circulation are classified as current assets.

Receivables are classified as current assets if they are to be repaid within one year after date of payment.

Other assets are classified as fixed assets.

For liabilities analogue criteria have been applied.

Current assets are valued at the lowest value of cost and fair value. Short term liabilities are recognized in the balance sheet at nominal value at the point of establishment.

Tangible assets are valued at cost. Long term liabilities with the exception of other provisions are recognized in the balance sheet at nominal value at point of establishment.

Foreign currency

Monetary items in foreign currency are valued at the exchange rate applicable on balance-sheet date at the end of the accounting period. Exchange rate adjustments appearing through conversion are allocated to net income.

Write-down of non-financial fixed assets

Assessment of decrease in value is carried out for units generating an independent cash flow. If it is indicated that write-down of fixed assets is required, it is assessed whether the recoverable amount of the fixed assets related to the unit being assessed exceeds book value. Recoverable amount is calculated as the value highest of the unit's utility value and net sales value. With utility value is meant the present value of future cash flows expected to arise from the unit being assessed, while net sales value is defined as the difference between market value on balance-sheet date and assumed sales costs.

Future cash flows include the unit's cash flows from operational activities before tax, added the terminal value of associated fixed assets at expiry of the contracts, upon which the unit being assessed may be based. Replacement investments are included in future cash flows when calculating utility value, while investments increasing capacity are held outside.

Should the discounted cash flow be lower than book value, these fixed assets will be written down to fair value.

The write-down is reversed if the basis of write-down no longer is present, with the exception of goodwill, for which such reversal is not allowed.

Accounting principles

Investments in subsidiaries

Subsidiaries are defined as investments where Norled AS has the controlling interest. Controlling interest is achieved when the company exerts control of the subsidiary and carries the financial risk related to investments. Controlling interest will normally exist when Norled AS has a direct or indirect ownership interest of more than 50% of company capital. Investments in subsidiaries are in the company accounts valued with basis in the cost method.

Revenue recognition

Revenues are recognized in the period when they are earned, i.e. when risk and control have passed on to the buyer. Amounts recognized as revenue constitute fair value of the compensation, after reduction of value added tax and discounts.

Revenues include the following main elements:

Ticket sales

Ticket sales comprise revenues generated by transportation of passengers and cars. Individual travel is recognized when the travel is completed.

Contract revenues

Contract revenues are governmental grants to operate services subject to license, assumed to compensate for inadequate revenues from customers. They are classified as operating income. Revenue recognition takes place in compliance with the government award for each period. Claims for contract revenue are recognized in the balance sheet as accounts receivable if the revenues have not been fully paid at end of the year.

Reimbursement of environmental tax from the State is meant to compensate for increased costs, and is therefore classified as cost reduction.

Catering revenues

These are revenues generated from catering operations on ships and ferries and from newsstand sales. The bulk is cash sale. Cash sale is booked in the same period as the sale was completed.

Interest income

Interest income is recorded as income is earned with basis in the effective interest rate method.

Group contribution/Dividend

The cost method is applied as principle for investments in subsidiaries. Cost price is increased when funds are added through capital increase, or when subsidiaries receive group contribution. Distributions received are generally recorded as income. Distributions exceeding the share of retained earnings after the acquisition are recorded as reduction of acquisition cost. Dividend/group contribution from subsidiaries is recorded the year in which the subsidiary allocates the amount. Dividend from other companies is recorded as financial income when it is adopted.

Government grants

Investment grants

Investment grants are given to allow the company to invest in fixed assets. Grants are recognized in the balance sheet when all conditions under the grant have been met and are recorded in the income statement in accordance with expensing of underlying asset.

Operating grants

Grants compensating for expenses or income are allocated to net income in a systematic manner in the same period in which the expense or income is meant to compensate.

Tangible fixed assets

Tangible fixed assets are valued at cost with deduction of accumulated depreciations and write-downs. When assets are sold or disposed, cost price and accumulated depreciations and write-downs are reversed into the accounts, and any losses or gains from the sale compared to book value are recorded in the income statement. Fixed assets with a limited useful life are depreciated linearly across expected useful life.

Accrued expenses for replacement of parts of operating assets are recognized in the balance sheet when such expenses are expected to give the company future financial advantages related to the replacement, and expenses for replaced parts can be reliably measured. All other expenses are recorded in the income statement in the period in which the expenses accrue.

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Accounting principles

Cost price with deduction of scrap value is depreciated linearly from date of acquisition across expected useful life in the following manner:

Equipment and fixtures	3-5 years
Ships	15-25 years
Ferries	15-30 years
Properties	25 years

Depreciation period and method are assessed annually in order to ensure that the method and period used are in accordance with the financial realities of the fixed assets. The same applies to scrap values.

Purchase and sale of tangible fixed assets are valued as part of the company's ordinary operations. Gains and losses relating to sales are in the income statement classified as operating income and expenses.

Lease of tangible fixed assets

A lease agreement is classified as financial or operational depending on the reality of each agreement. If the significant part of financial risk and control relating to the underlying object has passed on to lessee, the agreement is classified as financial. Other lease agreements are classified as operational.

Leased operating assets considered as financial lease are recognized in the balance sheet at the value of compensation in the lease agreement and recorded in the financial statement as tangible fixed assets. The installment part of the lease is recorded in the balance as long term liabilities. The debt is reduced by paid lease after deduction of calculated interest cost, which is recorded in the financial statement.

For agreements classified as operational, payments of lease are treated as an operating expense, with lease cost systematically distributed across the entire lease period.

Financial instruments/Hedging

A derivate is a financial instrument having all the following characteristics:

The value of instrument changes as a result of changes in the interest rate, exchange rate or price of an underlying item.

The instrument requires no or little initial investment.

The instrument is settled on a future date.

The hedging is reflected through realized and unrealized gains and losses on the hedging instrument not being recognized until the underlying hedging item impacts on the income statement.

Currency hedge agreement

The purpose of the currency hedge agreements entered by the company is to secure higher stability and predictability related to financing and payments of newbuildings where settlement is in foreign currency. The hedging instrument is recorded when the underlying hedging item impacts on the income statement.

Inventories

Inventories of purchased commodities are valued at the lowest value of cost according to the FIFU principle or fair value. Cost price of inventories includes all purchasing expenses, processing expenses, and other expenses that incur to bring goods to their place/location and condition on balance sheet date.

Write-downs are made for predictable obsolescence, i.e. the difference between cost and a lower fair value. Fair value is here assumed as future proceeds from sales with deduction of sales expenses.

Accounts receivable

Accounts receivable are recognized in the balance sheet after deduction of provisions for anticipated losses. Provisions for losses are carried out with basis in an individual assessment of the receivable and an additional provision to cover foreseeable losses. Customers' substantial financial problems, the likelihood of the customer going bankrupt or having to undergo financial restructuring, and postponed and deficient payments, are considered as indicators suggesting that accounts receivable should be written down.

Other accounts receivable, both current receivables and receivables relating to fixed assets are recorded at what is lowest of nominal and fair value. Fair value is present value of expected future payments. Discounting is nevertheless not performed when the effect of discounting is insignificant to the accounts. Provisions for losses are valued in the same way as accounts receivable.

Accounting principles

Cash and bank deposits

Cash and bank deposits include cash, bank deposits and other short-term liquid investments, which immediately and with insignificant exchange risk may be converted into known amounts of cash with due date shorter than three months from acquisition date.

Cash and bank deposits are recorded at amortized cost by using the effective interest rate method.

Pensions

Defined-benefit schemes

Pension costs and obligations are performed by actuary with basis in linear accumulations. Calculations are based on financial assumptions on amongst other discount rate, future regulation of wages, pensions and benefits from national insurance, future return on pension funds, and actuarial assumptions on amongst other mortality rate and voluntary leave.

The capitalized amount of pensions constitutes the total of net pension obligations and accumulated estimate deviations. Net pension obligation is the difference between calculated gross pension obligation, which represents a present value, and pension funds at actual value.

Changes in liabilities due to changes in pension plans are recorded to the extent they have been earned. In the opposite case they are recorded together with the changes in obligations that are due to changes of assumptions. This is referred to as estimate deviation and is systematically recognized in the income statement over the expected remaining earnings period. Estimate deviations are recognized in the income statement as far as the deviation exceeds the highest amount of 10 % of pension funds and 10 % of pension obligations per opening balance in the fiscal year. In other words, estimate deviations are accrued using the so-called corridor method.

If pension funds exceed pension obligations, it means the scheme is over financed. The over financing is recognized in the balance sheet to the extent it is likely it may be used to meet obligations in the relevant pension scheme.

Employer's national insurance is charged as an expense with basis in paid pension premium and change in net pension obligations in the individual pension scheme.

Contribution scheme

In contribution plans the company pays contributions to publicly or privately managed pension insurance plans on a compulsory, contractual, or voluntary basis. The company has no further payment liabilities after contributions have been paid. Contributions are recorded as wage costs when they fall due for payment. Prepaid contributions are recorded as an asset to the extent the contribution may be refunded or it may reduce future payments.

Tax

Tax in the income statement comprises payable tax for the period and change in deferred tax. Deferred tax is calculated with basis in the relevant tax rate on basis of the temporary differences that exist between accounting values and tax values, and any tax related loss to be carried forward at the end of fiscal year. Temporary differences increasing or relieving tax that is reversed or may be reversed in the same period are equalized. The item deferred tax advantage on net tax relieving differences that have not been equalized, and loss to be brought forward, is justified by assumed future earnings. Deferred tax and tax advantage that may be capitalized are recognized net in the balance sheet.

Tax relief obtained through group contribution paid, and tax on received group contribution leading to reduction of cost price or directly against equity, is recorded directly against tax in the balance sheet (alternatively against payable tax if group contribution impacts on payable tax and against deferred tax if contribution impacts on deferred tax).

Deferred tax is recorded at nominal value. Tax on group contribution is charged directly to tax expense in the income statement.

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Accounting principles

Use of estimates

Preparation of accounts in accordance with the Accounting Act requires the use of estimates. Further, the application of accounting principles requires that management exercise discretion. The areas that in particular include such discretionary assessments, as well as a high degree of complicity, or areas where the assumptions are essential to the financial statement, are described in the notes.

Events after balance sheet date

New information on the company's positions on balance sheet date is taken into consideration in the financial statements. Events after balance sheet date not impacting on the company's position on balance sheet date, but which will affect the company's position in the future, are communicated if they are significant.

Notes

Note 1 – Contract revenue

Contract revenues recorded in the income statement:

Norled AS			Group	
2020	2019	Government clients	2020	2019
1 262 272	1 348 280	County	1 292 665	1 378 572
508 902	386 241	State	508 902	386 241
1 771 174	1 734 521	Total	1 801 567	1 764 813
2 %	2 %	Change from last year	2 %	2 %
89 %	76 %	Percentage of total operating income	89 %	76 %

Note 2 – Other operating income

Norled AS			Group	
2020	2019	Specification of other operating income	2020	2019
29 506	1 224	Rental income	29 506	1 224
4 125	4 501	Conveyance of goods	4 178	4 578
44 168	22 341	Other income	42 103	21 106
77 799	28 066	Total	75 786	26 907

Note 3 – Income distribution

Norled AS			Group	
2020	2019	Geographical distribution of income	2020	2019
194 687	128 054	Northern Norway	194 687	128 054
1 612 929	1 993 175	Western Norway	1 610 864	1 993 175
0	0	Southern Norway	40 627	38 493
175 608	169 930	Eastern Norway	175 608	169 930
1 983 224	2 291 159	Total	2 021 786	2 329 652

Note 4 – Payroll expenses, number of employees, benefits and loans to employees

Norled AS			Group	
2020	2019	Payroll expenses	2020	2019
527 467	633 568	Payroll	614 731	716 781
69 979	83 156	Employer's contribution	82 503	96 858
44 923	38 884	Pension costs	53 083	42 800
30 901	33 426	Other benefits, travel costs and diet	25 848	58 618
673 270	789 034	Total	776 165	915 057
788	959	Number of man-years	889	1 080

Benefits to senior executives

No loans/collateral have been granted to General Manager, Chairman of the Board, or other related parties. There are no individual loans/collateral accounting for more than 5 % of company equity.

CEO of Norled AS is salaried by Norled Drift AS. Lars Jacob Engelsen was acting CEO during the 01.01.20.-30.04.20 period. Heidi Wolden was appointed as the new CEO from 01.05.20. The CEO is part of group management. She has a 6-month severance payment agreement upon agreed retirement

Benefits to the CEO, 01.01.20.-30.04.20:

Salary	612
Other remuneration	180

Benefits to the CEO, 01.05.20.-31.12.20.:

Salary	1 800
Other remuneration	0

Norled AS			Group	
2020	2019	Directors' fees	2020	2019
400	0	Elisabeth Grieg	400	0
0	0	Torborg Margareta Chetkovich	0	0
0	0	Ville Akseli Poukka	0	0
0	0	Andreas Hermann Köttering	0	0
0	0	Liselotte Grønberg Lundberg	0	0
29	85	Roger Johan Andersen	29	85
35	91	Anders Laukhamar	35	91
71	76	Roy Arne Rimestad	71	76
36	0	André Myhr	36	0
36	0	Ove Borgen	36	0
16	0	Roger Rivedal	16	0
622	252	Total	622	252

Norled AS			Group	
2020	2019	Audit fees	2020	2019
236	570	Statutory audit	332	673
131	97	Other attestation services	131	97
0	0	Tax consultancy	0	0
73	0	Other services in addition to audit	88	21
440	667	Total remuneration to auditor excl. VAT	552	791

Note 5 – Tangible fixed assets

Norled AS

	Ships	Ferries	Infra- structure	Equipme-nt and inventory	Plants under construct.	Total
Fiscal year 2019						
Carrying amount 01.01	1 105 343	1 100 455	15 709	17 746	425 360	2 664 613
Additions	0	0	0	0	1 109 564	1 109 564
Transferral of complete plants	95 505	357 993	16 654	13 741	-483 893	0
Disposals	0	42 377	0	0	0	42 377
Depreciation for the year	79 741	101 526	1 990	8 997	0	192 254
Write-down for the year	60	1 596	0	3	0	1 659
Carrying amount 31.12	1 121 047	1 312 949	30 373	22 487	1 051 031	3 537 887
Per 31 December						
Original cost	1 758 292	2 731 390	36 355	65 515	1 051 031	5 642 583
Accumulated depreciation	637 245	1 418 441	5 982	43 028	0	2 104 696
Carrying amount 31.12	1 121 047	1 312 949	30 373	22 487	1 051 031	3 537 887

Norled AS

	Ships	Ferries	Infra- structure	Equipme-nt and inventory	Plants under construc.	Total
Fiscal year 2020						
Carrying amount 01.01.	1 121 047	1 312 949	30 373	22 487	1 051 031	3 537 887
Additions	0	0	0	0	726 702	726 702
Transferral of complete plants	194 882	820 734	8 891	1 142	-1 025 648	0
Disposals	0	251 716	0	0	0	251 716
Depreciation for the year	105 435	116 482	3 040	11 202	0	236 159
Write-down for the year	24	0	0	0	0	24
Carrying amount 31.12	1 210 470	1 765 484	36 223	12 428	752 085	3 776 690
Per 31 December						
Original cost	1 953 174	3 128 185	45 246	66 657	752 086	5 945 347
Accumulated depreciation	742 704	1 362 701	9 022	54 230	0	2 168 657
Carrying amount 31.12	1 210 470	1 765 484	36 223	12 428	752 086	3 776 690

Total investment commitments per 2020 amount to approx. 1.7 billion NOK.

Estimation of value

On presentation of the financial statement, Norled made an estimation of the value of operating assets included in tendering contracts. The estimation was made with basis in future cash-flows, the value of operating assets, and return requirements (WACC). The estimation does not indicate any requirement for writing down tangible fixed assets.

Note 5 – Tangible fixed assets

Group	Ships	Ferries	Infra-structure	Equipme-nt and inventory	Plants under construc.	Total
Fiscal year 2019						
Carrying amount 01.01	1 118 381	1 122 852	15 709	19 480	425 360	2 701 782
Additions	0	0	0	0	1 109 564	1 109 564
Transferral of complete plants	95 505	357 993	16 654	13 741	-483 893	0
Disposals	0	42 377	0	0	0	42 377
Depreciation for the year	81 246	103 882	1 990	9 509	0	196 627
Write-down for the year	60	1 596	0	3	0	1 659
Carrying amount 31.12	1 132 580	1 332 990	30 373	23 708	1 051 031	3 570 683
Per 31 December						
Original cost	1 789 438	2 785 137	36 355	73 978	1 051 031	5 735 939
Accumulated depreciation	656 858	1 452 147	5 982	50 269	0	2 165 256
Carrying amount 31.12	1 132 580	1 332 990	30 373	23 708	1 051 031	3 570 683

Group	Ships	Ferries	Infra-structure	Equipme-nt and inventory	Plants under construc.	Total
Fiscal year 2020						
Carrying amount 01.01.	1 132 580	1 332 990	30 373	23 708	1 051 031	3 570 682
Additions	0	0	0	0	727 123	727 123
Transferral of complete plants	194 882	821 155	8 891	1 142	-1 026 069	0
Disposals	0	251 716	0	0	0	251 716
Depreciation for the year	106 940	118 848	3 040	11 698	0	240 526
Write-down for the year	24	0	0	0	0	24
Carrying amount 31.12	1 220 498	1 783 580	36 223	13 152	752 085	3 805 539
Per 31 December						
Original cost	1 984 320	3 182 353	45 246	75 120	752 085	6 039 124
Accumulated depreciation	763 822	1 398 773	9 022	61 968	0	2 233 585
Carrying amount 31.12	1 220 498	1 783 580	36 223	13 152	752 085	3 805 539

Total investment commitments per 2020 amount to approx. 1.7 billion NOK.

Estimation of value

On presentation of the financial statement, Norled made an estimation of the value of operating assets included in tendering contracts. The estimation was made with basis in future cash-flows, the value of operating assets, and return requirements (WACC). The estimation does not indicate any requirement for writing down tangible fixed assets.

Note 6 – Specification of other operating expenses

Norled AS			Group	
2020	2019		2020	2019
190 483	255 328	Repairs, maintenance, equipment	193 702	260 087
463 707	597 809	Other operating expenses	462 391	596 530
97 546	112 043	Purchase of management services	0	0
99 394	99 495	Other operating expenses	110 116	101 367
851 129	1 064 675	Total	766 209	957 984

Note 7 – Financial income and expenses

Norled AS			Group	
2020	2019		2020	2019
18 912	14 863	Income on investment in subsidiaries	0	0
403	1 710	Interest income	535	1 856
0	2 030	Interest income group	0	2 107
2 177	147	Other financial income	2 179	169
21 492	18 749	Total financial income	2 714	4 132
99 081	75 903	Loan interest expenses	99 146	76 060
38	0	Interest expenses to companies in same group	0	0
0	2 811	Interest rate swap	0	2 811
10 023	6 695	Other financial expenses	10 023	6 696
109 142	85 409	Total financial expenses	109 169	85 566
-87 650	-66 660	Total	-106 454	-81 434

Note 8 – Lease agreements

Norled AS as lessee – operational lease agreements:

Ships are leased through operational lease agreements. Lease agreement typically apply to one service period. It is possible to renew agreements when they expire. Lease is paid monthly on the basis of invoice. Lease agreements do not contain restrictions in the company's dividend policy or financial options.

In addition to this the company has the following longterm agreements:

Norled AS:

Agreements are entered with:	Duration of agreement	Expiry date	Regular lease	
			2020	2019
Lease agreements for property	5 – 14 years	2020-2026	10 255	8 132
Other lease agreements	2 - 8 year	2020-2021	161 891	156 983
Total			172 147	165 115

Future minimum lease relating to lease agreements that cannot be cancelled matures as follows:

	2020	2019
Within 1 year	139 692	165 115
1 to 5 years	217 943	307 752
After 5 years	6 175	12 351
Total	363 810	485 218

Group:

Agreements are entered with:	Duration of agreement	Expiry date	Regular lease	
			2020	2019
Lease agreements for property	5 - 10 years	2020-2026	10 255	8 132
Other lease agreements	2 - 8 years	2020-2021	158 478	153 570
Total			168 734	161 702

Future minimum lease relating to lease agreements that cannot be cancelled matures as follows:

	2020	2019
Within 1 year	136 279	161 702
1 to 5 years	211 117	300 926
After 5 years	6 175	12 351
Total	353 571	474 979

Note 9 - Inventories

Norled AS		Group	
2020	2019	2020	2019
9 982	12 711 Fuel	9 982	12 711
274	213 Lube oil	274	213
908	1 155 Catering	908	1 155
11 164	14 079 Total	11 164	14 079

Note 10 – Short-term and long-term accounts receivable

Norled AS			Group	
2020	2019	Accounts receivable	2020	2019
56 674	109 409	Accounts receivable	56 693	109 423
2 100	2 500	Provisions for bad debts	2 100	2 500
58 774	106 909	Accounts receivable booked value 31.12	58 793	106 923
2020	2019	Recognized losses for the year	2020	2019
416	7	Bad debt loss for the year	416	7
0	0	Received on earlier accounts receivable entered as loss	0	0
-400	0	Changes in provisions for bad debts	-400	0
16	7	Total losses for the year	16	7
2020	2019	Other short-term accounts receivable	2020	2019
19 820	11 946	Prepaid expenses	20 099	12 261
51 815	8 319	Outstanding insurance settlement	51 829	8 319
15 630	16 919	Accrued income	15 630	16 919
8 138	7 078	Reimbursement claim el./diesel fuel tax	8 138	7 078
14 810	12 808	Outstanding VAT	14 733	12 943
35 789	27 788	Other short-term accounts receivable	35 998	29 386
146 002	84 858	Total other short-term accounts receivable	146 427	86 906
2020	2019	Accounts receivable that mature later than one year	2020	2019
0	11 503	Net pension funds	0	11 503
279	190	Other long-term accounts receivable	385	296
279	11 693	Total	385	11 799

Note 11 – Other short-term liabilities

Norled AS			Group	
2020	2019	Other short-term liabilities	2020	2019
10 187	39 656	Card database	10 187	39 656
86 654	103 501	Other short-term liabilities	98 257	121 017
96 841	143 157	Total other short-term liabilities	108 444	160 673

Note 12 - Pension

Norled AS has established a company pension for all personnel through a life insurance company. The company pension scheme fulfills requirements in the Act on mandatory occupational pension.

The pension scheme for maritime personnel in Norled AS was discontinued in 2020. Maritime personnel had a separate contractual additional pension scheme. Old age pension from 60 - 67 years constituted 60% of pensionable income at full accrual (360 months of service), including estimated pension from the pension insurance for seamen. The scheme was secured. The scheme comprised 644 active persons and 199 pensioners in 2019.

For maritime personnel a defined-benefit pension scheme has been established in addition to the occupational pension under the Act on mandatory occupational pension. The defined-benefit pension scheme grants old age pension from the age of 67 based on annual contributions that for each member constitute 2% of wage in the interval 1G to 12G. Pensionable income consists of fixed salary, excluding overtime, bonus and other variable and temporary benefits. The scheme comprises 648 persons.

Exemption from premium/contributions is granted for disabled personnel for both the additional pension and the defined-benefit pension scheme.

Employer's national insurance contribution.

Pension expenses and pension commitments include employer's national insurance contribution.

Norled AS			Group	
2020	2019		2020	2019
0	78 770	Present value of fund-based commitments	0	78 770
0	0	Present value of non fund-based commitments	0	0
0	-74 674	Fair value of pension funds	0	-74 674
0	577	Employer's contribution	0	577
0	-16 176	Estimate deviation	0	-16 176
0	0	Estimate adjustment for maritime personnel	0	0
0	-11 503	Total net defined-benefit pension commitment 31.12	0	-11 503
2020	2019		2020	2019
		Change in present value of defined-benefit pension commitments		
78 770	86 149	PBO per 01.01.	78 770	86 149
5 929	7 669	Pension accrual for the year	5 929	7 669
686	1 122	Employer's contribution	686	1 122
1 773	2 190	Interest expense on pension commitments	1 773	2 190
0	0	Variance from planned cost/ (curtailment)	0	0
0	-14 974	Estimate deviation	0	-14 974
0	-3 386	Pension payments before employer's contribution	0	-3 386
-87 158	0	Effect of discontinued agreement	-87 158	0
0	78 770	PBO 31.12	0	78 770

Note 12 - Pension

Norled AS			Group	
2020	2019		2020	2019
		Change in pension funds		
74 674	77 393	Pension funds (market value) per 01.01.	74 674	77 393
2 835	1 905	Return on pension funds deducted administration expenses	2 835	1 905
0	-4 461	Estimate deviation	0	-4 461
0	0	Funds through planned costs / (curtailment)	0	0
0	3 223	Premium paid to pension premium fund	0	3 223
0	-3 386	Pension payments	0	-3 386
-77 509	0	Effect of discontinued agreement	-77 509	0
0	74 674	Pension funds (market value) per 31.12	0	74 674

2020	2019		2020	2019
		Expenses included in result		
5 929	7 669	Pension accruals of the year	5 929	7 669
1 773	2 190	Interest expenses on pension commitments	1 773	2 190
7 702	9 859	Pension expenses (gross)	7 702	9 859
-2 835	-3 362	Expected return on pension funds deducted adm. expenses	-2 835	-3 362
4 867	6 497	Pension expenses (net) before employer's contribution	4 867	6 497
0	1 457	Administration expenses	0	1 457
5 949	1 334	Recognized estimate deviations	5 949	1 334
686	1 122	Employer's contribution	686	1 122
2 340	0	Effect of discontinued agreement	2 340	0
13 843	10 410	Recognized pension expense after employer's contribution	13 843	10 410

2020	2019		2020	2019
		Expense on defined-benefit pension schemes		
31 079	28 474	Defined-benefit pension schemes	39 240	32 390
31 079	28 474	Recognized defined-benefit pensions schemes	39 240	32 390

2020	2019		2020	2019
		Actuarial assumptions for expense calculation		
2,70 %	3,80 %	Return on pension funds	2,70 %	3,80 %
1,70 %	2,30 %	Discount rate	1,70 %	2,30 %
2,25 %	2,25 %	Wage growth	2,25 %	2,25 %
2,00 %	2,00 %	Regulation of pensions accrued in National Insurance	2,00 %	2,00 %
0,00 %	0,50 %	Regulation of pensions being drawn	0,00 %	0,50 %

2020	2019		2020	2019
		Actuarial assumptions for calculation of commitments		
2,70 %	3,80 %	Return on pension funds	2,70 %	3,80 %
1,70 %	2,30 %	Discount rate	1,70 %	2,30 %
2,25 %	2,25 %	Wage growth	2,25 %	2,25 %
2,00 %	2,00 %	Regulation of pensions accrued in National Insurance	2,00 %	2,00 %
0,00 %	0,50 %	Regulation of pensions being drawn	0,00 %	0,50 %

Note 13 – Interest bearing liabilities and mortgages

Norled AS			Group	
2020	2019	Specification of liabilities	2020	2019
1 530 249	1 700 000	Ordinary long-term liabilities	1 530 249	1 701 450
500 000	500 000	Bond loan	500 000	500 000
1 191 296	615 530	Building loan	1 191 296	615 530
3 221 545	2 815 530	Total liabilities secured with mortgage	3 221 545	2 816 980
2020	2019	Liabilities to financial institutions	2020	2019
3 221 545	2 815 530	Mortgage loan	3 221 545	2 816 980
301 288	243 985	First year installment on long-term liabilities	301 288	245 435
2 920 257	2 571 545	Total excl. first year installment	2 920 257	2 571 545
2020	2019	The company has the following mortgage repayment plan:	2020	2019
301 288	243 985	Installment year 1	301 288	245 435
301 288	301 288	Installment year 2	301 288	301 288
301 288	301 288	Installment year 3	301 288	301 288
2 317 681	301 288	Installment year 4	2 317 681	301 288
0	1 667 681	Installment year 5	0	1 667 681
3 221 545	2 815 530	Total year 1-5	3 221 545	2 816 980
0	0	Ordinary long-term liabilities due later than 5 years	0	0
3 221 545	2 815 530	Ordinary long-term liabilities secured with mortgage	3 221 545	2 816 980
460 843	606 240	Guarantee liabilities, amount guarantees, traffic permit, etc.	468 446	613 843
2020	2019	Interest-bearing liabilities	2020	2019
3 221 545	2 815 530	Long-term liabilities to financial institutions/mortgage debt	3 221 545	2 816 980
3 221 545	2 815 530	Gross interest-bearing liabilities	3 221 545	2 816 980
397 000	271 061	Interest-bearing assets	411 427	280 626
2 824 546	2 544 469	Net interest-bearing liabilities/(assets)	2 810 119	2 536 355

Norled AS's liabilities were refinanced in their entirety in 2019. To the advantage of long-term liabilities to financial institutions, Norled has pledged all assets as collateral. In addition, Nanoq Invest AS has provided a guarantee, limited to 7 billion NOK.

Norled AS in November 2019 issued a 500 million NOK unsecured bond loan. Floating interest is paid every 3 months. The bond issue falls due in 2024.

The group's calculations show that Norled adheres to covenant per 31.12.20.

Note 14 - Tax

Norled AS			Group	
2020	2019	Calculation of deferred tax/deferred tax advantage	2020	2019
		Temporary differences		
1 056 589	1 082 230	Fixed assets	1 075 462	1 103 774
-2 100	-2 500	Accounts receivable	-2 100	-2 500
168 819	64 839	Profit and loss account	169 125	65 222
86 227	39 691	Other differences	86 227	39 691
0	11 733	Pension, see note 12	0	11 733
1 309 535	1 195 993	Net temporary differences	1 328 714	1 217 920
0	0	Other differences	0	0
-93 344	-119 655	Loss carried forward	-93 344	-119 655
1 216 191	1 076 338	Basis of deferred tax	1 235 370	1 098 265
267 562	236 794	Deferred tax	271 781	241 618
267 562	236 794	Deferred tax in balance sheet	271 781	241 618
2020	2019	Calculation of taxable income	2020	2019
142 828	191 543	Pre-tax result	140 244	191 558
-2 975	586	Permanent differences	-197	824
-113 541	-82 038	Change in temporary result differences	-110 794	-79 471
-26 311	-110 092	Application of loss carried forward	-26 311	-110 125
0	0	Taxable income	2 942	2 786
2020	2019	Distribution of tax	2020	2019
0	0	Tax payable on result for the year	647	613
0	0	Too much, too little allocated last year	0	0
0	0	Total tax payable	647	613
30 768	42 269	Change in deferred tax	30 163	41 711
30 768	42 269	Tax	30 810	42 324
2020	2019	Calculation of effective tax rate	2020	2019
142 828	191 543	Pre-tax result	140 244	191 558
31 422	42 140	Estimated tax of pre-tax result	30 854	42 143
-655	129	Tax effect of permanent differences	-43	181
30 768	42 269	Total tax	30 810	42 324
22 %	22 %	Effective tax rate	22 %	22 %

Note 15 – Tied-up reserve

The group has established a tax deduction guarantee of MNOK 40 for parent and MNOK 45 for the group.

Note 16 – Financial instruments and risk management

Financial risk factors

The group is through its activities exposed to various types of financial risk: Market risk, credit risk and liquidity risk. The group's overall plan for managing financial risk focuses on reducing risk connected to incidents that may have a negative impact on the group's financial results. Risk management in the group is handled by management using guidelines approved by the board of directors in Norled AS.

Market risk

a) Exchange risk

Norled has entered agreements on the building of vessels with contractual values in both Euro (EUR) and Singapore dollars (SGD). In order to secure more stability and predictability relating to financing, and to reduce risk of major exchange rate fluctuations affecting the size of investments and subsequent return on investments, a major part of future payments to yards in foreign currency has been secured through hedging agreements.

We have entered hedging agreements to buy EUR and SGD in the same future periods that we expect having to pay yards in foreign currency. The company achieves a hedge where a fixed part of future payments to yards will not be affected by exchange rate fluctuations. Currency derivatives with an unrealized negative value of 30 MNOK have not been recorded as a consequence of hedge accounting.

b) Price risk

Shares in the balance sheet are investments in subsidiaries wholly owned by Norled AS. The shares are classified as fixed assets and are recognized in the balance sheet at cost. Risk is limited to cost price. Cost price has been tested for write-down without any basis for write-down having been identified as of 31.12.2020.

c) Interest rate risk

The group has no interest rate hedging as of 31.12.20. The group's interest rate risk is connected to long-term loans and bank deposits. Loans with a floating rate entail an interest rate risk to the group's cash flow which is partly reduced by the opposite effect of cash equivalents with a floating rate.

Risk related to interest rate developments is also significantly reduced as a result of the "nærstjaindeks" (Cost Index for domestic sea transport) regulation of contract revenues.

d) Oil price

Norled has no oil price hedging deals per 31.12.20. Risk relating to oil price developments is significantly reduced as a result of the "nærstjaindeks" (Cost Index for domestic sea transport) regulation of contract revenues.

Credit risk

The group's exposure to credit risk is connected to accounts receivable and transactions in connection with ticket sales. Credit risk related to ticket sale is minimal, since payment in all essentials is cash. Credit risk relating to accounts receivable is also low, since the opposing parties are mainly government customers. Maximum risk exposure is recognized value of financial assets in balance-sheet.

Liquidity risk

Cash-flow is followed up by the company's accounting department. Assessments are continuously made as concerns cash equivalents needed to meet operationally related commitments and loan requirements in connection with investments. The company has fulfilled its commitments at the expiry of 2020. The maturity structure of the company's commitments is listed in note 13.

Note 17 – Related parties

Group companies

Group companies buy services from Norled Drift AS within finance, accounting, IT services and vessel operation.

Norled AS

Sale of commodities and services:

	2020	2019
Sale of ferry services	2 066	1 195
Adm. services	1 383	1 352
Total	3 448	2 547

Procurement of commodities and services:

Ship rental	3 413	3 413
Cost for use of tank farm, Stanor Management AS	881	1 132
Adm. services	97 546	112 043
Total	101 840	116 588

Group

Sale of commodities and services:

	2020	2019
Sale of ferry services	0	0
Adm. services	0	0
Total	0	0

Procurement of commodities and services:

Ship rental	0	0
Cost for use of tank farm, Stanor Management AS	0	0
Adm. services	0	0
Total	0	0

Commodities and services are sold and bought at prices used toward external third parties.
Intra-group interest is presented in note 7.

Intra-group accounts:

Norled AS:

	2020	2019
Short-term accounts receivable on group companies	18 912	14 863
Short-term liabilities to group companies	26 535	33 303

Group:

	2020	2019
Short-term accounts receivable on group companies	0	0

A group account arrangement has been established in Norled Group.

Note 18 - Subsidiaries

Name of company	Org. no.	Acquired	Business office	Owner/ voting share
Flekkefjord Dampskipsselskap AS	911 712 253	26.06.2007	Flekkefjord	100 %
Norled Drift AS	996 226 441	10.11.2010	Stavanger	100 %
Lysefjord AS	983 983 189	26.06.2007	Stavanger	66 %
Stanor Management AS	965 798 617	01.01.2015	Stavanger	100 %

Result and equity in subsidiaries	Booked value	Result for the year	Equity
Flekkefjord Dampskipsselskap AS	14 600	8 551	11 922
Norled Drift AS	7 600	2 484	4 004
Lysefjord AS	1 112	1 475	7 883
Lysefjorden Rutelag AS*	0	-9	0
Stanor Management AS	1 350	342	1 011
Norled Caribbean AS*	0	-12	0

*Wound up 17.12.2020.

Note 19 – Share capital and shareholder information

Amounts in NOK

Share capital consists of:	Number of ordinary shares	Nominal value	Total
Shares 31.12	20 320	2 000	40 640 000

Number of shares and nominal value are unchanged from 31.12 last year.
Nanoq Invest AS owns all shares in the company as of. 31.12.

Note 20 - Equity

Norled AS

Change in equity for the year	Share capital	Premium	Other equity	Min. interest	Total
Equity 01.01	40 640	416 757	149 275	0	606 672
Additional dividend	0	0	-70 000	0	-70 000
Result for the year	0	0	112 060	0	112 060
Equity 31.12	40 640	416 757	191 335	0	648 732

Group

Change in equity for the year	Share capital	Premium	Other equity	Min. interest	Total
Equity 01.01	40 640	416 757	151 154	3 029	611 580
Additional dividend	0	0	-70 000	0	-70 000
Provision for dividend		0	0	-850	-850
Result for the year	0	0	108 932	502	109 434
Effect of disposal of subsidiary	0	0	75	0	75
Equity 31.12	40 640	416 757	190 161	2 680	650 238

To the General Meeting of Norled AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norled AS showing a profit of NOK 112 060 000 in the financial statements of the parent company and profit of NOK 109 434 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Norled AS (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norled AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 24 March 2021
Deloitte AS

Arnstein Antonsen

State Authorised Public Accountant (Norway)

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