Frøygruppen

Consolidated Financial Statements 2020

Frøygruppen AS including subsidiaries

Contents

Consolidated statement of comprehensive income

Frøygruppen AS

(NOK 1000)	Note	06.12.2019-31.12.2020
Revenue	2.2	1 327 920
Other income	2.3	4 530
Total revenue		**1 332 450**
Direct expenses (goods/services delivered)	2.4	193 551
Employee benefit expenses	2.5	375 796
Other operating expenses	2.6	248 735
Depreciation	3.1, 3.3	224 133
Operating profit		**290 235**
Financial income	4.5	2 662
Financial expenses	4.5	-68 214
Gain/loss on shares at fair value	4.5	25 604
Share of profit (loss) from associates	6.3	766
Profit (loss) before tax		**251 054**
Taxes	5.1	-21 029
Profit (loss) for the period		**230 025**
Profit or loss for the period attributable to:		
Equity holders of the parent		191 347
Non-controlling interests		38 678
Total		**230 025**
Earnings per share		
Basic, profit for the year attributable to ordinary equity holders of the parent (NOK)	4.9	106,93
Diluted, profit for the year attributable to ordinary equity holders of the parent (NOK)	4.9	106,93
Other comprehensive income		
Net gain (loss) on cash flow hedges	4.10	-13 921
Total comprehensive income for the period		**216 104**
Total comprehensive income for the period attributable to:		
Equity holders of the parent		177 426
Non-controlling interests		38 678
Total		**216 104**

Consolidated statement of financial position

Frøygruppen AS		
(NOK 1000)	**Note**	**31.12.2020**
ASSETS		
Non-current assets		
Goodwill	3.2	687 361
Property, plant and equipment	3.1	3 617 546
Right-of-use assets	3.3	536 414
Pension assets	2.5	7 531
Investements in associates	6.3	24 712
Other financial assets	4.1	4 830
Total non-current assets		**4 878 394**
Current assets		
Inventory	2.4	8 193
Trade receivables	2.7	156 176
Other receivables	2.7	49 078
Cash and cash equivalents	4.4	148 811
Total current assets		**362 258**
TOTAL ASSETS		**5 240 653**
EQUITY AND LIABILITIES		
Equity		
Paid-in equity		
Share capital	4.8	69 955
Share premium	4.8	1 328 578
Total paid-in equity		**1 398 533**
Other equity		**547 311**
Total retained earnings		**547 311**
Non-controlling interests	6.1	25 567
Total equity		**1 971 411**
Non-current liabilities		
Non-current interest-bearing liabilities	4.1, 4.2, 4.3, 4.7	1 831 656
Non-current lease liabilities	3.3	371 571
Deferred tax liabilities	5.1	22 516
Total non-current liabilities		**2 225 742**
Current liabilities		
Current interest-bearing liabilities	4.1, 4.2, 4.3, 4.7	648 675
Current lease liabilities	3.3	103 493
Subordinated loan related parties	7.2	985
Trade payables and other current liabilities	2.8	281 721
Taxes payable	5.1	8 625
Total current liabilities		**1 043 500**
Total liabilities		**3 269 242**
TOTAL EQUITY AND LIABILITIES		**5 240 653**

Frøya, 17 February 2021

Dagfinn Eliassen
Board Member

Harry Asmund Bøe
Chairman of the Board

Anders Gåsø
Board Member

Roar Myhre
Board Member

Helge Gåsø
CEO

Consolidated statement of changes in equity

Frøygruppen AS

		Attributable to the equity holders of the parent							
(NOK 1000)	Note	Share capital	Share premium	**Total paid-in equity**	Retained earnings	Net gain (loss) on cash flow hedges	**Other Equity**	Non-controlling interests	**Total Equity**
At 06 December 2019		**30**	**-**	**30**	**-**		**-**	**-**	**30**
Profit or loss for the period				**-**	191 347		**191 347**	38 678	**230 025**
Other comprehensive income				**-**		-13 921	**-13 921**		**-13 921**
Total comprehensive income		**-**	**-**	**-**	**191 347**	**-13 921**	**177 426**	**38 678**	**216 104**
Acquisition of a subsidiary	6.2	**69 925**	**1 328 578**	**1 398 503**	378 156	-1 865	**376 291**	23 297	**1 798 091**
Acquisition of non-controlling interests	6.2			**-**			**-**	68 421	**68 421**
Acquisition of non-controlling interests	6.1				-12 818		**-12 818**	-104 182	**-117 000**
Dividends paid to minority in subsidiary				**-**			**-**	-646	**-646**
Tax effect of group contribution	5.1			**-**	6 411		**6 411**		**6 411**
At 31 December 2020		**69 955**	**1 328 578**	**1 398 533**	**563 096**	**-15 786**	**547 310**	**25 568**	**1 971 411**

Consolidated statement of cash flows

Frøygruppen AS

(NOK 1000)	Note	06.12.2019-31.12.2020
Cash flows from operating activities		
Profit or loss before tax		251 054
Income taxes paid	5.1	-11 203
Gain/loss on disposal of property, plant and equipment	2.3	4 530
Gain/loss on disposal of financial assets	4.5	-26 250
Depreciation and impairment	3.1, 3.3	224 133
Pension cost without cash effect	7.4	
Finance income	4.5	-28 267
Finance expenses	4.5	68 214
Changes in inventories, trade receivables, trade payables and other current liabilities	2.4, 2.7, 2.8	139 827
Net cash flows from operating activities		**622 038**
Cash flows from investing activities		
Purchase of property, plant and equipment	3.1	-440 213
Purchase of financial assets	4.1	-1 800
Acquisition of a subsidiary, net of cash acquired	6.2	55 253
Acquisition of non-controlling interest	6.1	-58 500
Proceeds from sale of property, plant and equipment	3.1	38 901
Interest received	4.5	465
Net cash flow from investing activities		**-405 893**
Cash flow from financing activities		
Proceeds from borrowings	4.3	323 168
Repayment of borrowings	4.3	-173 965
Payments for the principal portion of the lease liability	4.3	-98 324
Interest paid	4.5	-68 214
Payments of dividends	4.8	-50 000
Net cash flow from financing activities		**-67 334**
Net change in cash and cash equivalents		**148 811**
Cash and cash equivalents, beginning of period	4.4	**-**
Cash and cash equivalents, end of period		**148 811**

The consolidated statements of cash flows are prepared using the indirect method.

1.1 General information and significant accounting policies

Corporate information
Frøyguppen AS and its subsidiaries (collectively "the Group", or "Frøygruppen") is a privatly held company, and one of the leading providers of services to the Norwegian fish-farming industry. The Group operates several vessels which it uses to serve its clients along the Norwegian coastline.

The consolidated financial statements of the Group for 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 17 February 2021.

Frøygruppen AS is incorporated in Norway with headquarters in Sistranda, Frøya. The address of its registered office is Siholmveien 34, 7260 Sistranda, Norway.

Formation of the Group
Frøygruppen AS was established on 6 December 2019 under the name "Herkules Invest 316 AS", with NOK 30 thousand in cash and share capital. NTS ASA acquired 100% of the shares in Herkules Invest 316 AS on 10 January 2020.

The acquisition of Frøy Gruppen AS
Frøy Gruppen AS ("Frøy Gruppen", or "Frøyvirksomheten") was acquired by Herkules Invest 316 AS from Gåsø Næringsutvikling AS through a merger between Herkules Invest AS and Frøy Gruppen AS on 3 April 2020, with Herkules Invest 316 AS being the surviving entity. The acquisition was accounted for as a business combination under IFRS 3 by Herkules Invest 316 AS, see further information in note 6.2. Herkules Invest 316 AS changed its legal name to "Frøygruppen AS" following this merger.

Transfer of shares in Norsk Fisketransport AS, NTS Shipping AS and NTS Management from NTS ASA to Frøygruppen AS
In December 2020, Norsk Fisketransport AS, NTS Shipping AS and NTS Management AS (100 % owned by NTS ASA), was transferred from NTS ASA to Frøygruppen resulting in a capital increase in Frøygruppen. Frøygruppen further transferred shares in the associated entity Norway Royal Salmon to NTS ASA, as part of the repayment of the intercompany debt from the transaction described above. The remaining debt was converted to equity. The transfer of entities from NTS ASA to Frøygruppen are accounted for using the pooling of interest method. This entails the following:

- The assets and liabilities of the combining parties are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments made are to align accounting policies.
- No 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining parties. Any difference between the consideration transferred and the acquired net assets is reflected within equity.
- The income statement reflects the results of the combining parties.

The Group has restated the comparative figures of the combined entities as if the transaction happened 10 January 2020 (when the entities came under common control). See further description under "accounting judgements" below.

Basis of preparation
The consolidated financial statements of the Group comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU") and represents the first financial statements of the Group in accordance with IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through P&L or OCI (note 4.1). Further, the financial statements are prepared based on the going concern assumption. All figures are presented in NOK thousands (000), except when otherwise indicated. For presentation purposes, comparative financial information for prior periods are not presented in the notes to the financial statements when these amounts to zero.

Presentation currency and functional currency
The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the functional currency of the parent company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Financial statement period
As the Group was established at December 6, 2019, the Group has prepared these financial statements for the period December 6, 2019 to December 31, 2020 as allowed by Norwegian Accounting Act §1-7. Hence, the consolidated statement of comprehensive income reflects the period from December 6, 2019 to December 31, 2020 with no comparative information. The statement of financial position is presented for December 31, 2020 with no comparative information being presented.

1.1 General information and significant accounting policies (Continued)

Other accounting policies:
Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Significant accounting judgements, estimates and assumptions
The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgements that may have the most significant effect on the amounts recognised in the financial statements, are summarised below:

Estimates and assumptions:

Useful lives and methods of depreciation considerations of property, plant and equipment (note 3.1)
Impairment considerations of property, plant and equipment and goodwill (note 3.4)

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.
A detailed description of the significant estimates and assumptions are included in the individual note where applicable.

Accounting judgements:
Determination of appropriate accounting method for the transfer of shares from NTS to FrøyGruppen:

The transfer of shares in Norsk Fisketransport, NTS Shipping and NTS Management from NTS to Frøygruppen AS has been concluded to be a business combination based on an assessment that each of the former subsidiaries of NTS were combined consituted businesses. Further, based on an analysis of all relevant factors, each of these entities have been determined to be under common control according to IFRS 10, hence, the pooling of interest method is considered to be applicable. Based on this assessment, the Group has applied the principal selection to restate the comparative figures of the combined entities as if the transaction happened 10 January 2020. If not concluded to be a common control transaction, the pooling of interest method could not have been applied and the comparative figures could not have been restated.

A detailed description of the significant accounting judgements are included in the individual note where applicable.

The group's loan agreements contain financial and non-financial covenant clauses, including cross default clauses. The assessment of whether the Group meets the requirements for classifying its borrowings as non-current requires signficant judgement by management. See note 4.2 for further information.

Covid-19 Effects
Frøygruppen is a part of the seafood industry and has carefully monitored the development of Covid-19, and how the pandemic has affected the industry throughout the year. It is challenging to determine the actual effects from Covid-19. The Group notes that there may be a certain impact on factors like changes in demand, access to workforce and credit risk.

The main risk related to Covid-19 for the Group are linked to operations of vessels and safety procedures for our employees. This could potentially lead to increased costs related to testing, increased personnel expenses related to overtime, and delays in the deliveries of equipment and spare parts. More specifically, a Covid-19 outbreak on one vessel could result in lost revenues if the vessel were to be isolated and is unable to operate for a certain period of time. During 2020, the Group had one minor incident connected to Covid-19, as one vessel was isolated for 2 days due to the implementation of extra security procedures. However, so far, no employees within the Group has tested positive for the virus during the year. Furthermore, the Group had 3 wellboats under construction at Havyard, where Covid-19 could have had a direct effect on delays as the yard rely on foreign workers and as such been affected by quarantine rules. The Group is continuously evaluating the situation, and clear procedures related to Covid-19 has been implemented following instructions as provided by the central and local government agencies.

Furthermore, the Group constantly assess the counterpart risk of its customers and subcontractors. The Group's customers for the most part comprise of large and well-established companies where the credit risk is assessed to be low. On another hand, the Group does not have a complete overview concerning how the pandemic is affecting all its subcontractors or customers.

During 2020 the Group have noted no material Covid-19 effects and no provisions or impairments have been recorded as a consequence.

2.1 Operating Segments

ACCOUNTING POLICIES

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses,
b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
c) for which discrete financial information is available.

The operating segments represents the business units for which the chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group operates within three main segments; wellboats, service and sea transport.

Wellboat (Norway)

The Wellboat segment is characterised by contracts ranging from five to eight year fixed term TC contracts with salmon farmers. The Wellboats are mainly utilized for transportation of live fish and de-licing of the farmed fish. As of 31 December 2020, the Group had 12 Wellboats operating on contracts with clients, in addition to five vessels under construction scheduled to be delivered in 2021 and 2022.

Service (Norway)

The Group had 62 service vessels in operation, and eight service vessels under construction scheduled to be delivered in 2021 and 2022. The service vessels operate under TC contracts, bareboat contracts, frame agreements and in the spot market. The share of the fleet that operates under the different contract structures varies over time. As of 31 December 2020, 22 vessels operated under TC contracts, four vessels operated under bareboat contracts, 26 vessels operated under frame agreements and the remaining ten vessels operated in the spot market. The service vessels are performing a wide range of operations including diving, inspection, net cleaning and installation of infrastructure.

Sea transport (Norway)

The Sea Transportation segment consisted of four vessels utilized for transportation of feed to the salmon facilities and frozen fish, of which one vessel operated under a TC contract, two operated under frame agreements and one vessel operated in the spot market.

The remaining of the Group's activities and business are shown in the "non-allocated & financial" column below. These activities are mainly related to the administrative and financial components of the entity's revenue generating segments.

Transactions between the segments are made as a part of the day-to-day operating business and the applicable business terms. The management group monitors the segments' operating profit regularly and is using the information to generate analyzes of the different segments' performance as well as as making decisions with regards to allocation of resources.

Geographical markets

The group had revenue from more than one market based on location, with revenue in 2020 from Norway, UK, Ireland and Iceland.

Information about major customers

Four of the Group's external customer amount to 10 per cent or more of the Group's total revenues. Revenue from these customers amounted to MNOK 832 for 2020.

	Wellboat	Service	Sea transport	Non-allocated	Adjustments and eliminations	06.12.2019-31.12.2020
Revenues from external customers	627 957	591 105	110 352	3 037	-0	**1 332 450**
Revenues - intra-group				30 409	-30 409	**-**
Total revenues	627 957	591 105	110 352	33 446	-30 409	**1 332 450**
Depreciation	100 647	107 673	15 021	792	0	**224 133**
Operating costs	391 874	340 069	88 777	27 772	-30 410	**818 082**
Operating profit	135 436	143 363	6 554	4 882	0	**290 235**
Financial income	614	472	1 055	26 127	0	**28 267**
Financial expenses	35 131	23 735	8 995	353	0	**68 214**
Share of profit (loss) from associates (note 6.3)			809	-43		**766**
Earnings before tax	100 919	120 100	-577	30 613	0	**251 054**
Tax	27	24 019	8	-3 025	-0	**21 029**
Net income	100 892	96 081	-585	33 638	0	**230 025**
Balance sheet items						**31.12.2020**
Assets	2 827 458	1 442 339	325 677	1 553 924	-908 745	**5 240 652**
Liabilities	1 886 353	973 811	219 783	123 974	65 321	**3 269 242**
Equity	941 104	468 528	105 895	1 429 951	-974 067	**1 971 411**
Other disclosures						
Investements in associates (note 6.3)			23 312	1 400		**24 712**
Capital expenditure	424 191	177 585	103			**601 879**

	Wellboat	Service	Sea transport	Non-allocated	Adjustments and eliminations	06.12.2019-31.12.2020
Revenue from external customers						
Norway	608 443	589 549	96 554	3 037	-0	1 297 582
United Kingdom	10 116	-	13 713	-	-	23 829
Ireland	9 398	-	-	-	-	9 398
Iceland	-	1 556	85	-	-	1 641
Total revenue from external customers	**627 957**	**591 105**	**110 352**	**3 037**	**-0**	**1 332 450**

The revenue information above is based on the locations of the customers.

	Wellboat	Service	Sea transport	Non-allocated	Adjustments and eliminations	06.12.2019-31.12.2020
Revenue from major customers						
Major customer 1	120 762	200 866		18		321 646
Major customer 2	5 770	175 070				180 839
Major customer 3	126 951	65 153				192 103
Major customer 4	137 138	-				137 138
Other customers	237 337	150 017	110 352	3 019	-0	500 723
Total revenue from external customers	**627 957**	**591 105**	**110 352**	**3 037**	**-0**	**1 332 450**

2.2 Revenue

Source of revenue
The Group has three main sources of revenue consisting of the sale of service vessel capacity, wellboat and sea transport to the fish-farming industry.

ACCOUNTING POLICIES
General
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is presented net of VAT and variable considerations

The Group considers whether there are other contract obligations in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Revenue from wellboats, services and sea transport
Revenues from wellboats, service and sea transport are primarily obtained from bareboat and T/C-contracts (leasing of vessels and crew).

T/C contracts are accounted for as operating leases, and the revenue from these contracts are separated into two different elements: lease revenues (IFRS 16) and delivery of services (IFRS 15).

Bareboat contracts are accounted as operating leases (IFRS 16).

Revenues from rental of service vessels and wellboats (IFRS 16) are recognized on a straight-line basis throughout the lease term. The revenues are recognized from the delivery day of the service vessel until the end of the tenancy.

Revenues from sale and delivery of services (in relation to IFRS 15) are recognized over time (as the service is performed), which normally would match the accrual of rental income.

When allocating the contract consideration between leasing of vessels and sale of other services the Group determines, upon signing of the contract the value of the stand-alone parts included in the delivery of services to the customer. The stand-alone value is the actual price of a good or service the Group would charge the customer if sold separately. The best way of calculating the stand-alone value of the good or service is to observe comparable transactions with comparable customers on a stand-alone basis.

Service elements, which primarily consist of services conducted by the crew onboard the vessels, is regulated by IFRS 15 and is considered to be a performance obligation.

For a contract that contains a lease component and one or more additional lease or non-lease components, The Group allocates the consideration in the contract applying the principles in IFRS 16 Leases.

Revenues from vessels that operate on spot-agreements are recognised over time (as the service is performed in accordance with rates agreed). Expenses are recognised on an ongoing basis as the principle of "load to discharge" is used.

SIGNIFICANT ACCOUNTING JUDGEMENTS
For contracts where the Group acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

	06.12.2019-31.12.2020
Revenue from contracts from customers	1 008 933
Lease revenues	318 987
Total revenue	**1 327 920**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	06.12.2019-31.12.2020
Wellboat	503 104
Service	416 536
Sea transport	89 293
Total revenue	**1 008 933**

	06.12.2019-31.12.2020
Geographical markets	
Norway	987 863
United Kingdom	10 116
Iceland	1 556
Ireland	9 398
Total revenue	**1 008 933**

Payment is generally due within 14 days after delivery.

Future minimum lease payments (lease revenues) under non-cancellable operating leases as at 31 December are, as follows:

	31.12.2020
Within one year	680 262
After one year but no more than five years	1 982 900
More than five years	656 897
Total	**3 320 059**

Timing of revenue recognition	**06.12.2019-31.12.2020**
Point in time	313 864
Services transferred over time	695 069
Total	**1 008 933**

2.3 Other income

ACCOUNTING POLICIES
Other income is recognized when control is transferred, where its probable that economic benefits will be controlled by the Group and the consideration can reliably be estimated. Gains or losses that arise from sale of property, plant and equipment are calculated as the differance between net sales price and the booked value of the asset.

Other income	**06.12.2019-31.12.2020**
Gain related to sale of PP&E	4 530
Other	0
Total other income	**4 530**

2.4 Inventory

ACCOUNTING POLICIES
Inventories are measured at the lower of cost and net realisable value. Purchase cost is allocated using the FIFO method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of materials are recognized as expenses in the period in which they occur.

Cost of materials	**06.12.2019-31.12.2020**
Marine gas oil	86 246
Hire of external boat and crew	25 628
Reimbursable cost by customers, incl fuel and chemicals	63 845
Other	17 833
Total cost of materials	**193 551**

Inventories	**31.12.2020**
Bunkers	4 439
Spare parts and other equipment	3 754
Total inventories (gross)	**8 193**
Write down of inventories	
Total inventories at the lower of cost and net realisable value	**8 193**

2.5 Employee benefit expenses

ACCOUNTING POLICIES
Employee benefit expenses comprise of all types of remuneration to personnel employed by the Group (ie. not contracted manpower) and are expensed when incurred. Ordinary salaries can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pension contributions are earned on a monthly basis.

Government grants related to the net salary scheme
Government grants related to the net salary scheme for sailors are recognized as a reduction of salary expenses in the same year as the corresponding employee benefit expenses.

Pensions
The Group has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

The scheme is a defined contribution plan where contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

The group also had a defined benefit plan until 01.03.2020, for more information see note 7.4.

Employee benefit expenses	**06.12.2019-31.12.2020**
Salaries	317 284
Social security costs	16 312
Pension costs	24 527
Other employee expenses	17 674
Total employee benefit expenses	**375 796**
Average number of full time employees (FTEs)	768

For information on remuneration to key management personnel, see note 7.1.

The group has received public reimbursements of NOK 85.076 million for 2020 through the net salary scheme.

At the end of the year, the total pension funds for the Group amounts to NOK 7.531 million.

2.6 Other operating expenses

ACCOUNTING POLICIES
Other operating expenses are recognized as they occur and represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified as cost of materials, employee benefit expenses, depreciation and amortization.

Other operating expenses	**06.12.2019-31.12.2020**
Freight	1 482
Harbour and cleaning cost	16 056
Maintenance cost and repairs	142 011
Travel expenses	25 221
Consulting expenses and insourcing	25 744
Marketing expenses	2 345
Insurance	16 050
Other	19 827
Total other operating expenses	**248 735**

Auditor related fees	**06.12.2019-31.12.2020**
Audit fee	2 100
Audit related services	141
Tax advisory services	282
Other advisory services	208
Total auditor fees (excl. VAT)	**2 731**

The audit fees presented above are related to the Group, including the parent Company and subsidiaries. The fees presented above include fees both to the previous auditor, and current auditor. All amounts are excl. VAT.

2.7 Trade and other receivables

ACCOUNTING POLICIES

Trade and other receivables
Trade receivables are assets that, at initial recognition should be valued at their transaction price. Trade and other receivables are subject to impairment by recognizing an allowance for Expected Credit Losses (ECLs). For details regarding the Group's accounting policies and procedures on managing credit risk (including ECLs), reference is made to note 4.7.

The information about ECLs on the Group’s trade receivables is disclosed below.

Trade receivables	**31.12.2020**
Trade receivables from revenue contracts with customers at nominal value - external	156 176
Total trade receivables (gross)	**156 176**
Allowance for expected credit losses	**-**
Total trade receivables (net)	**156 176**

Other receivables	**31.12.2020**
Prepaid rent and other expenses	15 896
Receivable government wage support	12 414
Other receivables related parties (note 7.2)	398
Other	20 370
Total other receivables (net)	**49 078**

Allowance for expected credit losses	**Financial instrument**	**31.12.2020**
At the beginning of the period	Financial asset at amortized cost	**-**
Provision for expected credit losses	Financial asset at amortized cost	**-**
At the end of the period	Financial asset at amortized cost	**-**

The credit risk of financial assets has not increased significantly from initial recognition. The Group has no allowance for expeced credit losses.

Set out below is the information about the credit risk exposure on the Group's trade reveivables:

			Trade receivables				
31.12.2020			Days past due				
	Contract assets	**Current**	**< 30 days**	**31-60 days**	**61 - 90 days**	**over 90 days**	**Total**
Trade receivables		134 147	17 586	4 350	123	-31	156 176

2.8 Trade payables and other current liabilities

ACCOUNTING POLICIES
Trade payables and other current liabilities are present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment).

Trade payables and other current liabilities are measured at fair value of their transaction price upon initial recognition and subsequently at amortized cost. Trade payables and other current liabilities are expected to be settled within the normal operating cycle within twelve months after the reporting period.

Trade payables and other current liabilities	**31.12.2020**
Trade payables - external	134 378
Payroll tax, VAT payable and social security	58 635
Seller credit purchase of shares in subsidiary	58 500
Other current liabilities	30 208
Trade payables and other current liabilities	**281 721**

Trade payables and other current liabilities are non-interest bearing on general due dates between 10-40 days. For an overview of the term date of trade payables and other current liabilities see note 4.3.

3.1 Property, plant and equipment

ACCOUNTING POLICIES
Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the PP&E and borrowing costs for similar construction projects if they meet the recognition criteria. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

Ships are decomposed into vessels and periodic maintenance and vessels are depreciated on a straight-line basis over the defined useful life. The depreciation period is 16-20 years for well boats, 10 years for service boats, 20 years for buildings, 3-5 years for other machines and equipment. Periodic maintenance is depreciated over the period until the next maintenance, usually 5 years. Periodic maintance only applies for owned vessels.

No impairments of property, plant and equipment were made in 2020. For the group's principles related to impairment of property, plant and equipment, see note 3.4.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS
The economic life of boats and other property, plant and equipment, as well as the carrying amounts and depreciation of periodic mantenance for boats, are based on estimates by management. Uncertainty in the use of accounting principles are primarily related to the determination of economic life of boats and other property, plant and equipment.

	Wellboats	Service boats	Shipping vessels	Periodic Maintenance	Land and buildings	Other machines and equipment	Total
Acquisition cost 06.12.2019	-	-	-	-	-	-	-
Additions	**308 379**	**115 240**	**-1 251**	**10 586**	**646**	**6 613**	440 213
Additions from acquisitions (note 6.2)	**2 482 093**	**459 441**	**295 070**	**30 011**	**23 132**	**79 840**	3 369 587
Disposals	-	**-7 791**	**-9 373**	**-7 169**	-	**-4 757**	-29 090
Acquisition cost 31.12.2020	**2 790 472**	**566 889**	**284 445**	**33 429**	**23 778**	**81 696**	**3 780 710**
Accumulated depreciation and impairment 06.12.2019	-	-	-	-	-	-	-
Depreciation for the period	89 313	31 054	13 663	8 009	1 101	20 023	163 164
Accumulated depreciation and impairment 31.12.2020	**89 313**	**31 054**	**13 663**	**8 009**	**1 101**	**20 023**	**163 164**
Carrying amount PP&E 31.12.2020	**2 701 159**	**535 835**	**270 782**	**25 420**	**22 678**	**61 672**	**3 617 546**
Economic useful lives	16-25 years	20 years	3-26 years	5 years	20 years	3-5 years	
Depreciation method			Straight-line method				

3.2 Goodwill

ACCOUNTING POLICIES
Nature of the Group's intangible assets
The Group's intangible assets comprise of Goodwill.

Goodwill
The value of goodwill is primarily related to synergies, assembled workforce and their competency as well as high growth expectations. Goodwill also arises due to the requirement to recognise deferred tax liabilities for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

For the group's principles related to impairment of Goodwill, see note 3.4.

	Goodwill	Total
Acquisition cost 06.12.2019	**-**	**-**
Additions through acquisitions (note 6.2)	687 361	**687 361**
Acquisition cost 31.12.2020	**687 361**	**687 361**
Accumulated impairment 06.12.2019	**-**	**-**
Impairment for the period	-	**-**
Accumulated impairment 31.12.2020	**-**	**-**
Carrying amount 06.12.2019	-	**-**
Carrying amount 31.12.2020	687 361	**687 361**

3.3 Right-of-use assets and lease liabilities

ACCOUNTING POLICIES

At inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
At the commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which the Group is the lessee.

Measuring the lease liability
The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in and index or rate.

Measuring the right-of-use asset
The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (Note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

Maturity of lease liabilities
For undiscounted lease liabilities and maturity of cash outflows, see note 4.3

The Group's leased assets
The Group leases several assets, mainly ships and vessels. Leases of land and buildings generally have lease terms between 5 and 10 years, while motor vehicles and other equipment generally have lease terms between 3 and 7 years. The Group also leases some machinery and equipment that are expensed as incurred as they are either considered short term or of low value, the total expense for these leases amounts to 9 862 for 2020.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 3.75% for 2020.

Right-of-use assets	**Service boats**	**Land and buildings**	**Other machines and equipment**	**Total**
Carrying amount 06.12.2019	**-**	**-**	**-**	**-**
Additions	**72 570**		55 652	**128 222**
Additions from acquisitions (note 6.2)	**434 906**	21 031	91 313	**547 250**
Depreciations	**-33 169**	-4 316	-23 484	**-60 970**
Termination of contracts	**-49 292**	-	-18 966	**-68 258**
Termination of contracts - gains and losses	**-9 343**		-486	**-9 830**
Carrying amount 31.12.2020	**415 671**	**16 715**	**104 028**	**536 414**

Remaining lease term or useful life	10 years	10 years	3-5 years	
Depreciation plan		Straight-line		

3.3 Right-of-use assets and lease liabilities (Continued)

The Group's lease liabilities

Changes in the lease liabilities	Total
Total lease liabilities at 06.12.2019	0
New leases recognised during the period	128 223
New leases recognised during the period from acquisitions (note 6.2)	499 322
Cash payments for the principal portion of the lease liability	-98 324
Interest expense on lease liabilities	14 101
Termination of contracts	-68 258
Total lease liabilities at 31.12.2020	**475 064**
Current lease liabilities in the statement of financial position	103 493
Non-current lease liabilities in the statement of financial position	371 571
Total cash outflow during the period	**-112 425**

Lease commitments not included in the lease liabilities

Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the Group's business needs. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group did not include the renewal period for leases of ships as part of the lease term because management were not reasonably certain to exercise the option to renew the leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Purchase options

The Group does not have any lease contracts that includes purchase options.

3.4 Impairment considerations

ACCOUNTING POLICIES

Property, plant and equipment and right-of-use assets
Property, plant and equipment (and intangible assets that are subject to depreciation) and right-of-use assets are tested for impairment when there are indications that the recoverable amount does not exceed the carrying amount. The recoverable amount of an asset is defined as the higher of fair value less costs to sell and the value in use.

Goodwill
Goodwill is not amortized, but subject to impairment testing. The testing is performed annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Basis for determining the recoverable amount
The CGUs' recoverable amounts have been determined based on their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from budgets for each individual vessel for 2021, with assumption for increase in sales price linked to CPI and an estimate of wage increase for the following 4 years, in line with a historic performance. There is also an element for capex for periodic maintenance of the ship every 5 years. Restructuring activities and significant future investments are excluded from the budgets. For the last year, a terminal value is calculated, using a terminal rate of 2%.

Key assumptions applied to determine the recoverable amount
The calculation of value in use for the Service vessels and Wellboat CGU is most sensitive to the following assumptions:

- Pre-tax discount rate
- Future price development

Pre-tax discount rate:
The discount rate reflects the current market assessment of the risks specific to the CGU. The discount rate for the Group is estimated based on the weighted average cost of capital (WACC). The main components of the WACC are the risk-free rate, the market equity premium, the CGU's Beta, interest cost of debt, expected debt/enterprise value ratio and the corporate tax rate. The pre-tax discount rate is determined by an iterative computation so that value in use determined using pre-tax cash flows and a pre-tax discount rate equals value in use determined using post-tax cash flows and a post-tax discount rate (WACC).

Future contract price:
The market for aquaservices, including service vessels and wellboats, is a quite young market. Future price development is therefore hard to assess with high accuracy. For the forecast period, there is a mix of firm contracts and expected income, mostly for the service vessel fleet, and therefore the development of prices in the markets is one of the main assumptions one has to take. The assumption is that the price will be adjusted following a normal consumer-price index, and therefore a value of 1.02 has been added to the 2020 prices.

3.4 Impairment considerations (Continued)

The key assumptions used to determine the recoverable amount for the CGU is presented below:

Key assumptions used to determine the recoverable amount for the CGU	**Service vessel**	**Wellboats**
Pre-tax discount rate	5,15 %	6,11 %
Future Contract price	2 %	2 %

Carrying amount of the intangible assets allocated to the CGU	**Service vessel**	**Wellboats**
Carrying amount of goodwill	246 075	441 286
Total carrying amount	246 075	441 286

The recoverable amount of the cash generating unit is significantly higher than its carrying amount and no impairment loss is recognised in the period. Headroom for service vessel CGU will according to the test results be depleted if future contract price decreases by 56%, or the discount rate is at 9.05%. The correseponding percentages for the well-boat CGU are 54% and 10.6% respectively.

4.1 Overview of financial instruments

ACCOUNTING POLICIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial instruments

The Group's financial instruments are grouped in the following categories:

Financial Assets

- *Financial assets measured subsequently at amortized cost:* Includes mainly trade receivables and cash and cash equivalents.
- *Financial assets measured subsequently at fair value through profit and loss:* Includes non-listed equity investments.

All the Group's financial assets are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortized cost.

Financial Liabilities

- *Financial liabilities measured subsequently at amortized cost:* Represent the Group's interest-bearing liabilities as well as non-interest bearing liabilities such as trade payables.
- *Financial liabilities measured subsequently at fair value through OCI:* Represents the Group's derivative financial instruments, see separate disclosures in note 4.10.

Initial recognition and subsequent measurement

The Group's financial assets and liabilities are initially recognized at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortized cost using the effective interest method (EIR). Gains and losses are recognized in profit or loss upon impairment, when the instruments are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of comprehensive income.

Impairment of financial assets

Financial assets measured at amortized cost are considered for impairment by recognizing an allowance for expected credit losses (ECLs). The Group applies a simplified approach in calculating ECLs for trade receivables and lease receivables, where the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.7 for further information related to management of credit risk.

Derecognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Group has transferred its rights to receive cash flows from the asset or The Group has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.1 Overview of financial instruments (Continued)

31.12.2020	Note	Financial instruments at amortized cost	Financial instruments at FV through P&L	Financial instruments at FV through OCI	Total
Assets					
Other financial assets	2.3, 4.6	3 029	1 800		**4 830**
Trade receivables	2.7	156 176			**156 176**
Other receivables	2.7	49 078			**49 078**
Cash and cash equivalents	4.4	148 811			**148 811**
Total financial assets		**357 094**	**1 800**	**-**	**358 895**
Liabilities					
Interest-bearing loans and borrowings					
Non-current interest-bearing liabilities	4.2, 4.6, 4.10	1 816 385		15 271	**1 831 656**
Non-current lease liabilities	3.3	371 571			**371 571**
Subordinated loan from related parties	7.2	985			**985**
Current interest-bearing liabilities	4.2	648 675			**648 675**
Current lease liabilties	3.3	103 493			**103 493**
Other financial liabilities					**-**
Trade payables and other current liabilities	2.8	281 721			**281 721**
Total financial liabilities		**3 222 830**		**15 271**	**3 238 101**

There are no changes in classification and measurement for the Group's financial assets and liabilities. Other financial assets mainly consist of lease receivables and shares in a non-listed equity investment. Significant finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.5.

4.2 Interest-bearing liabilities

Non-current interest-bearing loans and borrowings	31.12.2020
Loan from credit institutions	1 831 656
Non-current lease liabilities	371 571
Total non-current interest-bearing loans and borrowings	**2 203 227**

Current interest-bearing loans and borrowings	31.12.2020
Loan from credit institutions, due within 12 months	648 675
Current lease liabilities	103 493
Subordinated loan from related parties (principal), due within 12 months	985
Current interest-bearing loans and borrowings	**753 154**

For reconciliation of changes in liabilities incurred as a result of financing activities, see note 4.3.

For undiscounted liabilities and maturity of cash outflows, see note 4.3.

Overdraft facility
The Group has an overdraft facility in place which may be drawn at any time up to NOK 42.5 million. The Group has pledged assets as security for its liabilities, presented in the table below:

Assets pledged as security for interest bearing loans and borrowings	31.12.2020
Secured balance sheet liabilities:	
Non-current interest-bearing liabilities	2 203 227
Current interest-bearing liabilities	752 169
Total	2 955 395
Carrying amount of assets pledged as security for secured liabilities:	
Trade and other receivables	205 254
Inventories	8 193
Cash and cash equivalents	148 811
Right-of-use assets	536 414
Property, plant and equipment	3 617 546
Total	**4 516 219**

Covenant requirements
Subsidiaries in the Group is obligated to adhere to the following covenant requirement for its interest-bearing liabilities:
- Equity Ratio >15% -20%
- Equity Ratio in ultimate mother (NTS ASA) >25%
- Market value / loan value > 125 %
- EBITDA/(net interest and repayment) >1.5
- NIBD/EBITDA < 3.5-6.0

NOK 210,4 million and NOK 403,5 million of non-current interest-bearing loans and borrowings are held with Danske Bank and Nordea. The relevant loan agreements contain cross default provisions which might result in the relevant borrowings becoming payable on demand if an entity controlled by NTS ASA breaches a significant provision in another loan agreement with the same issuer (Danske Bank) or any other significant financial obligation (Nordea).

The Group is compliant with its covenants at year end 2020.

4.3 Ageing of financial liabilities

Contractual undiscounted cash flows from financial liabilities, including interest payments is presented below:

	Remaining contractual maturity						
31.12.2020	**Less than 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Financial liabilities							
Loans from credit institutions	673 573	379 530	188 403	257 738	243 053	840 767	2 583 063
Trade payables and other current liabilities	281 721						281 721
Lease liabilities	118 873	104 505	91 524	71 599	51 307	89 778	527 586
Total financial liabilities	**1 074 167**	**484 035**	**279 927**	**329 337**	**294 360**	**930 545**	**3 392 370**

In total, TNOK 673 573 of loans from credit institutions are due in 2021. The group is in process of refinancing some of these loans. As of 17 February 2021, Frøygruppen has received offers from both Danske Bank and Nordea. The offer from Danske Bank relates to three loans of TNOK 419 250 (due in 2021) that will be due for payment in 2022-2024 as a consequence of the refinancing. The offer from Nordea concerns eight existing loan agreements of TNOK 311 278 (TNOK 34 387 due in 2021), and will potentially lead to a change in the payment profile for these loans. The refinancing will lead to increased available liquidity from 2021.

Several of the group's current loan agreements contain change of control and ownership change clauses. The group will obtain consents prior to any ownership changes or change of control events.

Reconciliation of changes in liabilities incurred as a result of financing activities:

					Non-cash changes					
	06.12.2019	**Repayment of borrowings**	**Payments for principal portion of the lease liability**	**Proceeds from borrowings**	**New leases incl from mergers and aquistions**	**Reclassified**	**Termination of leasing contracts**	**New loans from transfer of NTS companies**	**New loans from acquisition of Frøy Gruppen (note 6.2)**	**31.12.2020**
Loans from credit institutions non-current	-	-173 965		323 168		-214 390		805 470	1 091 372	**1 831 656**
Lease liabilties non-current	-	-	-98 324	-	526 057	-	-56 162			**371 571**
Subordinated loans from related parties (principal)										**-**
Non-current interest-bearing liabilities	**-**	**-173 965**	**-98 324**	**323 168**	**526 057**	**-214 390**	**-56 162**	**805 470**	**1 091 372**	**2 203 227**
Loans from credit institutions current						214 390		341 743	92 543	**648 675**
Lease liabilties current	-	-		-	115 589		-12 096			**103 493**
Current interest-bearing liabilities	**-**	**-**	**-**	**-**	**115 589**	**214 390**	**-12 096**	**341 743**	**92 543**	**752 168**
Total liabilities from financing	**-**	**-173 965**	**-98 324**	**323 168**	**641 646**	**-**	**-68 258**	**1 147 213**	**1 183 915**	**2 955 395**

4.4 Cash and cash equivalents

ACCOUNTING POLICIES
Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Cash and cash equivalents	31.12.2020	06.12.2019
Bank deposits, unrestricted	127 007	30
Bank deposits, restricted	21 804	-
Total in the statement of financial position	**148 811**	**30**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For more information on the Group's credit facilities see note 4.2. There are no restrictions on the use of these funds.

The amount of included in "Bank deposits, restricted" consists only of withholding payroll taxes.

4.5 Finance income and expense

ACCOUNTING POLICIES
Interest income and interest expenses on loans and receivables are calculated using the effective interest method.

Foreign currency gains or losses are reported as gain or loss on foreign exchange within in finance income or finance expense.

Interest expenses on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognized in the statement of financial position.

Finance income	**06.12.2019-31.12.2020**
Interest income	465
Gain on sale of other financial assets	25 604
Other finance income	2 197
Total finance income	**28 267**

Finance expenses	**06.12.2019-31.12.2020**
Interest expenses	-50 639
Interest expense on lease liabilities	-14 101
Other finance expenses	-3 473
Total finance expense	**-68 214**

Interest income and expenses
Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on external financing, measured and classified at amortised cost in the statement of financial position.

4.6 Fair value measurement

ACCOUNTING POLICIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value disclosures

Management has assessed that the fair values of cash and short-term deposits, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments and the current risk-free interest rates.

The fair values of the Group's interest-bearing loans and borrowings are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair values of the Group's interest-bearing loans and borrowings are in most cases similar to carrying amount, as the interest rates are floating and as the own non-performance risk as at 31 December 2020 was assessed to be insignificant.

The fair values of the Group's hedge accounted interest swaps are based on DCF future cash flow using the market values mid-rates on the 31.12.2020. Because most of the input is observable prices, the hedge accounted interest swaps are assessed to be on level 2 in the fair-value hierarchy.

In 2020, the Group acquired 6% of the shares in a Naviaq Holding AS, a non-listed equity investment measured to fair value of NOK 1 800 thousand at the acquisition date. Management has determined that the fair value of the investment in all material aspects is similar to the carrying amount at the balance sheet date.

Information on fair value for the Group's financial liabilities:

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets disclosed at fair value						
Non-listed equity investments	31.12.2020	1 800	1 800			x
Liabilities disclosed at fair value						
Hedge accounted interest swaps	31.12.2020	13 921	13 921		x	
Loan from credit institutions	31.12.2020	2 480 331	2 480 331			x

There were no transfers between the levels during the current period.

4.7 Capital management and financial risk

Capital management
The primary objective of the Group's capital management is to maximize value creation over time. The Group seeks to optimize the capital structure by balancing risk and return on equity against collateral for lenders, requirements for liquidity and investment capacity.

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. The Group considers a solid equity ratio to be important to achieving its strategic goals in the future. Management regularly uses the ratio between net interest-bearing debt / earnings before interest, tax and depreciation & amortization (NIBD / EBITDA) to assess the Group's financial flexibility, as well as the ability to assume new debt. This key ratio and the equity ratio also constitute the Group's financial covenants to the bank. See note 4.2 for further information on the Group's covenant requirements.

Net interest-bearing debt (NIBD) corresponds to the sum of "Non-current interest bearing liabilities", "Current interest bearing liabilities" and "Cash and cash equivalents" in the statement of financial position. The equity ratio corresponds to the carrying amount of "Total equity" divided by the "total equity and liabilities" in in the consolidated statement of financial position.

The Group's equity ratio was 37.6% as of 31.12.2020. The NIBD / EBITDA ratio was 5.46 as of 31.12.2020.

The Group is not in breach with any covenants.

Financial risk management
The Group's principal financial liabilities comprise interest-bearing liabilities, and trade and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations and investments. The Group's principal financial assets include trade and other receivables, other financial assets (mainly lease receivables) and cash and short-term deposits that derive directly from its operations. The Group do not hold derivative financial instruments.

The Group is exposed to a range of risks affecting its financial performance, including market risk, financial risk and credit risk. The Group seeks to minimize potential adverse effects of such risks through sound business practice, risk management and hedging. At the current time the liquidity risk of the Group is assessed to be low based on the operating cash flows, scheduled repayments of debt and the availability of credit facilities.

Risk management is carried out by Group management under policies approved by the Board. The Board reviews and agrees policies for managing each of these risks, which are summarized below.

(i) CREDIT RISK
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables). As the counterparty to Cash and cash equivalents is respectable banks the credit risk associated is considered to be small.

The Group manage its credit risks by trading only with creditworthy third parties. It is the Group's policy that all customers wishing to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating and review of prior payment issues. The Group obtains sufficient collateral (where appropriate) from customers and ensures that the outstanding amounts do not exceed the set credit limits as means of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis. As a result, the risk that counterparties do not have the financial ability to meet their obligations is considered low in the markets in which the group operates.

The Group do not have significant credit risk related to a single counterparty or several counterparties with similar credit risk. Further, the Group did not provide any guarantees to or on behalf of third-parties liabilities.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 4.1

No agreements have been entered into for set-off/netting of financial instruments.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

4.7 Capital management and financial risk (Continued)

(ii) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include interest bearing loans and borrowings and cash and cash equivalents.

Interest rate risk
The Group is exposed to changes in the market interest rate, as the Group's interest-bearing loans and borrowings has a floating interest rate. Furthermore, changes in market interest rates may affect investment opportunities in future periods.

The Group utilises interest rate swaps to hedge its interest rate risks for parts of its non-current interest-bearing liabilities see further decsription in note 4.10.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group’s profit before tax is affected through the impact on floating rate borrowings, as follows:

Interest rate sensitivity	Increase / decrease in basis points	Effect on profit before tax (+/-)
31.12.2020	+/- 100	29 554

Interest-bearing liabilities	31.12.2020
Interest-bearing loans and borrowings	2 480 331
Lease liabilities	475 064

(ii) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds by monitoring its working capital, overdue trade receivables and establishing credit facilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities, bank loans and loans from related parties to finance working capital and capital investments, without incurring any significant economical losses. The Group has flexible financing through an overdraft facility which is may draw funds (see note 4.2). Additionally, the Group has a positive cash flow from operating activities which limits its liquidity risk.

For overview of ageing of financial liabilites refer to note 4.3.

4.8 Share capital and shareholder information

ACCOUNTING POLICIES

Equity and liabilities
Financial instruments are classified as liabilities or equity in accordance with the underlying economic substance. Share capital and share premiums are classified as equity.

Costs related to equity transactions
Transaction costs are deducted from equity, net of associated income tax.

Distribution to shareholders
The Group recognises a liability to make distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

	31.12.2020	06.12.2019
Ordinary shares, par value 100 NOK per share		300
Ordinary shares, par value 1 NOK per share	69 955 181	
Total ordinary shares issued and fully paid	**69 955 181**	**300**

All shares are ordinary and have the same voting rights and rights to dividends.

	Number of shares		Share capital	
Changes in share capital	**31.12.2020**	**06.12.2019**	**31.12.2020**	**06.12.2019**
Beginning of period	300	300	30 000	30 000
Split 1-100*	29 700			
Issuance of share capital*	10 952 206		10 952 206	
Conversion of debt*	58 972 975		58 972 975	
End of period	69 955 181	300	69 955 181	30 000

* At December 21, 2020, Norsk Fisketransport AS including subsidiaries, NTS Shipping AS and NTS Management AS (100 % owned by NTS ASA), was transferred from NTS ASA to FrøyGruppen resulting in a capital increase in FrøyGruppen. FrøyGruppen further transferred shares in Norway Royal Salmon to NTS ASA, as part of the repayment of the intercompany debt from the transaction described above. The rest of the debt was converted to equity.

Reconciliation of equity is shown in the consolidated statement of changes in equity.

Dividends
The Group has proposed to distribute dividend of TNOK 0 for 2021.
The dividend per share is TNOK 0.

The Group paid dividend to shareholders of TNOK 50 000 in 2020.

The Group's shareholders (Shareholders in FrøyGruppen AS):
NTS ASA owns 100% of the shares in FrøyGruppen AS.

4.9 Earnings per share

Earnings per share (EPS)
Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

	06.12.2019-31.12.2020
Profit or loss attributable to ordinary equity holders - for basic EPS (NOK Thousand)	191 347
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution (NOK Thousand)	191 347
Weighted average number of ordinary shares - for basic EPS	1 789 427
Weighted average number of ordinary shares adjusted for the effect of dilution	1 789 427
Basic EPS - profit or loss attributable to equity holders of the parent (NOK)	106,93
Diluted EPS - profit or loss attributable to equity holders of the parent (NOK)	106,93

4.10 Derivative financial instruments

ACCOUNTING POLICIES
The Group uses derivative financial instruments, specifically interest rate swaps to hedge its interest rate risks for parts of its non-current interest-bearing liabilities. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Interest rate swaps
At 31 December 2020, the Group had an interest rate swap agreement in place whereby the Group receives a fixed rate of interest of between 0.99%-3.55% and pays interest at a variable rate equal to NIBOR+0% on the notional amount. This is accounted for as a cash flow hedging instrument.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:
- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

The derivatives are classified on the same line as interest-bearing liabilities in the statement of financial position. For information on fair value and principles related to valuation of derivatives, see note 4.6.

The impact of the hedging instruments on the statement of financial position is, as follows:

	Balance sheet date	Notional amount of interest rate swap	Line item in the statement of financial position	Change in fair value applied when measuring ineffectiveness
Interest rate swap	31.12.2020	405 159	Other non-current liabilities	-

The impact of the hedged items on the statement of financial position is, as follows:

		Fair value of interest rate swap	Line item in the statement of financial position	Change in fair value applied when measuring ineffectiveness
Interest-bearing liabilities	31.12.2020	15 271	Other non-current liabilities	-

The effects on the consolidated statement of profit and loss and comprehensive income for 06.12.2019-31.12.2020 is as follows:

	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in the profit or loss
Interest rate swap agreements	-13 921	-

5.1 Taxes

ACCOUNTING POLICIES

Income tax expense
Income tax expense consist of current income tax and change in deferred tax.

Current income tax
Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognized directly in equity is recognized in equity (OCI) and not in the statement of profit or loss.

Deferred tax
Deferred tax assets and deferred tax liabilities are calculated based on the differences between the basis for tax assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, with the exception of:

- initial recognition of goodwill, initial recognition of an asset or liability in a transaction which is not a business combination, and is not at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Shipping taxation
The Groups shipping business is subject to the Norwegian tonnage tax regime. The Norwegian tonnage tax scheme practically results in zero tax on profit from operations, and only a fee/tax based on each ships/vessels net tonnage. Net finance income is subject to 22% tax. The Group does not recognize a deferred tax asset related to net finance losses in the subsidiaries where shipping taxation is relevant. Net tonnage tax is classified as other operating expenses.

Current income tax expense:	**06.12.2019-31.12.2020**
Tax payable	14 968
Adjustment for income tax payable for previous periods	-
Change deferred tax/deferred tax assets (ex. OCI effects)	6 061
Total income tax expense	**21 029**

Reconciliation of income tax expense:	**06.12.2019-31.12.2020**
Profit before tax	251 054
Profit from business subject to Norwegian tonnage tax	-128 964
Permanent differences	-26 502
Basis for income tax expense	**95 588**
Income tax expense (22%)	21 029
Total income tax expense	**21 029**

5.1 Taxes (Continued)

Current tax liabilities consist of:	31.12.2020
Income tax payable for the period as above	14 968
Tax effect of group contribution to NTS ASA	-6 411
Tonnage tax	67
Current tax liabilities	**8 625**

Deferred tax liabilities	31.12.2020
Property, plant and equipment	13 347
Right-of-use assets and lease liability	54 330
Other current assets	31 780
Untaxed profit	29 922
Accounting provisions	-27 023
Losses carried forward (including tax credit)	-13
Basis for deferred tax liabilities	**102 344**
Calculated deferred tax liabilities	22 516
Deferred tax liabilities recognised in balance sheet	**22 516**

Changes in deferred tax liabilities	06.12.2019-31.12.2020
Deferred tax liabilities 06.12.2019	**-**
Recognized in the statement of profit and loss	6 061
Other changes	-
Effects of acquisitions / disposals	16 455
Deferred tax liabilities 31.12.2020	**22 516**

6.1 Consolidated entities

ACCOUNTING POLICIES

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests is presented as a separate line item within equity in the consolidated statement of financial position.

Change in the ownership interest of a subsidiary, without a loss of control
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognised at fair value and the difference between the consideration and the carrying amount of non-controlling interests is recognised in equity attributable to the equity holders of the parent.

Loss of control of a subsidiary
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Non-controlling interests
Non-controlling interests in the consolidated financial statements constitute the non-controlling interest's share of the carrying amount of equity. Upon acquisition, non-controlling interests are measured at their proportionate share of identified assets. The Group has one investment in minority interest (Polarfjell AS), which is evaluated to be non-material to the Group.

6.1 Consolidated entities (Continued)

The financial information in the below table is based on amounts according to NGAAP before intercompany eliminations. The following subsidiaries are included in the consolidated financial statements 31.12.2020:

Consolidated entities 31.12.2020	Country of incorporation	Business	Group Ownership share	Group's voting ownership share	Equity 31.12.2020	Profit before tax 2020
Frøy Akvaservice AS **	Norway	Service Vessels	100,0 %	100,0 %	163 347	69 523
Frøy Akvaressurs AS **	Norway	Service Vessels	100,0 %	100,0 %	149 301	41 952
Frøy Vest AS **	Norway	Service Vessels	100,0 %	100,0 %	67 162	12 074
Stava Sjø AS **	Norway	Service Vessels	100,0 %	100,0 %	13 233	6 518
Evja AS **	Norway	Non-allocated	100,0 %	100,0 %	8 062	493
Frøy Nord AS*	Norway	Service Vessels	100,0 %	100,0 %	38 287	18 638
NCE AS **	Norway	Service Vessels	100,0 %	100,0 %	96	638
Frøy Rederi AS	Norway	Wellboat	100,0 %	100,0 %	390 185	76 028
Fisketransport AS	Norway	Wellboat	100,0 %	100,0 %	9 051	4 508
NTS Shipping AS	Norway	Shipping	100,0 %	100,0 %	105 896	7 022
NTS Management AS	Norway	Non-allocated	100,0 %	100,0 %	11 124	3 211
Norsk Fisketransport AS	Norway	Wellboat	100,0 %	100,0 %	448 793	13 152
MS Dønnland AS	Norway	Wellboat	100,0 %	100,0 %	22 567	9 403
MS Havtrans AS	Norway	Wellboat	100,0 %	100,0 %	82 919	-3 078
MS Namsos AS	Norway	Wellboat	100,0 %	100,0 %	83 733	-11 617
MS Novatrans AS	Norway	Wellboat	100,0 %	100,0 %	34 235	10 795
MS Reisa AS	Norway	Wellboat	100,0 %	100,0 %	4	-26
MS Viknatrans AS	Norway	Wellboat	100,0 %	100,0 %	36 589	8 567
MS Veidnes AS	Norway	Wellboat	100,0 %	100,0 %	27 264	7 528
Polarfjell AS	Norway	Wellboat	78,5 %	78,5 %	118 679	13 542

*Frøy Nord AS is owned 50% by Akvaservice AS and 50% by Frøygruppen AS. In 2020, the Group acquired the remaining 13.7% of the voting shares, increasing the group ownership to 100%.
** In 2020, the Group acquired the remaining 17,5% of the voting shares, increasing the group ownership to 100%.

6.2 Business combinations

ACCOUNTING POLICIES
A business combination is as a transaction or other event in which an acquirer obtains control of one or more businesses. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for according to IFRS 3 using the acquisition method, also called purchase price allocation (PPA). The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value according to IFRS 13, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at tihe acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Classification, is measured at fair value with the changes in fair value recognised in the statement of comprehensive income.

Goodwill arises in a business combination when the fair value of consideration transferred exceeds the fair value of identifiable assets acquired less the fair value of identifiable liabilities assumed. Goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units, and tested subsequently for impairment. Reference is made to note 3.2 for an overview of the Group's goodwill and note 3.4 gives an overview of the Group's CGUs and annual impairment testing of the CGU to which goodwill is allocated.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS
In a business combination, the assets acquired and liabilities assumed are valued at fair value at the time of acquisition. The various assets and liabilities are valued on the basis of different models, requiring estimates and assumptions to be made. Goodwill is the residual in this type of purchase price allocation. Errors in estimates and assumptions can lead to an error in the split of the value between the various assets and liabilities incl. goodwill, but the sum of the total excess values will always be consistent with the purchase price paid.

The useful lives of the intangible assets acquired in a business combination are assessed as either finite or indefinite and may in some cases involve considerable judgements. Intangible assets with indefinite useful lives are initially measured at fair value and subsequently tested for impairment by assessing the recoverable amount of each CGU (or group of CGUs) to which the intangible assets relates. Reference to note 3.4.

Intangible assets acquired with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amoitrtisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The following assets outside of goodwill was identified in the Frøy Gruppen AS acquisition, including management's expectation of economic useful life:

- Service Vessels - 15 years
- Larger Service Vessels - 20 years
- Wellboats - 25 years

Only assets and liabilities where fair value exceeded the carrying amount under other IFRS standards are included in the summary above.

According to IFRS 3, goodwill is to be allocated at the acquisition date, to each of the acquirers CGU's, or groups of CGU's, which are expected to benefit from the business combination. This can include existing CGU's of the acquirer irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

Each unit or group of units to which goodwill is allocated should;
- represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and
- not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

6.2 Business combinations (Continued)

Frøy Gruppen AS AQUISITION
On 3 April 2020, the Group acquired 100% of the voting shares of Frøy Gruppen AS. Frøy Gruppen AS provides maritime services and lease of ships and vessels with crew. The company provides maritime service such as inspections, maintenance, cleaning, freight and towing for businesses and private customers. The company is part of the service vessel, wellboat and non-allocated segments after the acquisition. The Group acquired this business to enhance the combined value of the Group from the possible benefits of being a larger service provider and with a more diversified fleet, being present at a larger strech of the Norwegian coastline.

The transaction is recorded as a business combination in accordance with IFRS 3. The acquisition date corresponds to the date when Frøygruppen AS (Formerly known as Herkules Invest 316 AS) obtained control of the legal entities, April 3, 2020.

The acquisition-date fair value of the total consideration transferred was NOK 2,696.18 million settled in shares in NTS ASA.

From the date of acquisition, Frøy Gruppen AS has contributed MNOK 787.4 of revenue and MNOK 194.9 to the net profit before tax. If the acquistion had been 1. january 2020, the contribution would be MNOK 1 016.0 of revenue and MNOK -135.2 to the net profit before tax. Of the profit before tax the fair value adjustment of the investment in other shares (Norway Royal Salmon) is MNOK -344.1 in the period 1 january 2020 to 3 april 2020.

The purchase price allocation is preliminary.

The below table illustrates the fair values of the identifiable assets in Frøy Gruppen AS at the acquisition date:

	Fair value recognised on acquisition
ASSETS	
Non-current assets	
Intangible assets	-
Property, plant and equipment	1 693 934
Right-of-use assets	547 250
Other financial assets	1 421 049
Total non-current assets	**3 662 233**
Current assets	
Inventories	3 064
Trade and other receivables	157 909
Cash and cash equivalents	55 253
Total current assets	**216 226**
Total assets	**3 878 459**
Non-current liabilities	
Deferred tax liability	16 308
Non-current interest-bearing liabilities	1 091 372
Non-current lease liabilities	388 482
Total non-current liabilities	**1 496 162**
Current liabilities	
Trade and other payables	58 869
Current interest-bearing liabilities	92 543
Current lease liabilities	101 019
Income tax payable	10 202
Dividends	50 000
Current provisions and other liabilities	60 426
Total current liabilities	**373 059**
Total liabilities	**1 869 221**

6.2 Business combinations (Continued)

Total identifiable net assets at fair value	2 009 237
Equity holders of the parent	1 940 816
Non-controlling interest	68 421
Purchase consideration	2 628 178
Goodwill arising on acquisition	**687 361**

Purchase consideration	
Contigent consideration	-
Shares in NTS ASA - consideration	2 628 178
Total consideration	**2 628 178**

Goodwill as a result of deferred tax - technical goodwill	8 477
Goodwill related to synergies & employees - residual goodwill	678 884
Net goodwill from acquisition	**687 361**

Provision for deferred tax is made for the difference between acquisition cost and acquired tax base in accordance with IAS 12. Offsetting entry of this non-cash deferred tax is technical goodwill. The remaining goodwill of MNOK 679 comprises the value of expected synergies arising from the acquisition and assembled workforce, which is not separately recognised.

The identification of CGU's in the Frøy Gruppen AS acquisition was made based on operating segments, as these were seen as the most efficient way to monitor goodwill going forward, and at the same time representing the minimum requirement. The segments Wellboat and Service Vessels were allocated goodwill from the aquisition, based on the assesment that these segments will have the highest potential for positive benefits from the aquisition related to operational synergies.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Analysis of cash flows on acquisition	
Net cash acquired (included in the cash flows from operating activities)	55 253
Cash paid (included in the cash flows from investing activities)	-
Net cash flow from acquisition	**55 253**

6.3 Associated entities

ACCOUNTING POLICIES
Associated entities are entities where the Group has signitificant influence but no control or joint control over the financial and operating policy decisions of the investee. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprenhensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Associated entities 31.12.2020	Country of incorporation	Ownership share	Group's voting ownership share	Group's share of equity
Sikkerhetssenteret Rørvik AS	Norway	23,0 %	23,0 %	1 400
Halten AS	Norway	33,4 %	33,4 %	23 312
Total				**24 712**

Summarized statement of financial position as per 31.12.2020	Sikkerhetssenteret Rørvik AS*	Halten AS*
Assets		
Current assets	6 327	87 313
Non-current assets	5 850	33 579
Liabilities		
Current liabilities	4 952	3 913
Non-current liabilities	1 141	47 225
Total equity	**6 078**	**69 754**

Summarized statement of profit and loss 2020	Sikkerhetssenteret Rørvik AS*	Halten AS*
Total revenue	9 972	57 823
Operating expenses	-8 877	-57 715
Net financial items	-95	9 625
Profit (loss) before tax	**1 000**	**9 733**
Income tax	-	-
Profit (loss) for the period	**1 000**	**9 733**
Group's share of profit for the year	**230**	**3 253**
Group's share of profit (loss) for previous periods adjusted for the year	-273	-2 444
Total share of profit booked 2020	**-43**	**809**

* The numbers in the table above are preliminary numbers for 2020.

7.1 Remuneration to Management and the Board

Remuneration to the Board of Directors

Remuneration for the members of the Board is determined by the Annual General Meeting (AGM) based on a proposal from the nomination committee. The remuneration is not linked to the Group's performance but reflects the Board's responsibilities, expertise, time and commitment.

Remuneration to executive management:
The Board of Frøygruppen determines the principles applicable to the Group's policy for compensation of executive management. The Board is directly responsible for determining the CEO's salary and other benefits. The Group's executive management includes the CEO and the management team of each business unit.

Principles for determining salary
The main principle for determining salary for each executive management member has been a fixed annual salary with the addition of benefits in kind such as telephone, insurance, internet subscription and newspaper subscription. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

Pension
All executive management are members of the defined contribution pension scheme. Beyond this, there is no agreement on special pension schemes in the group.

Other benefits
There are no special benefits beyond ordinary salary and pension. The exception is the CFO who has a bonus based on performance/profit.

Severance Arrangements
If the CEO is terminated by the Board, he is entitled to no severance pay.
For other executive management, there will be an individual assessment of severance packages that are reasonable in relation to responsibility and seniority and the reason for the termination of the employment.

The policy regarding the determination of salaries and other remuneration to executive management has been unchanged in recent periods and is expected to remain unchanged in the future.

Executive Management - 2020	Fixed salary	Bonus	Other compensation	Pension	Total remuneration
Helge Gåsø, CEO	1 007	-	8	50	1 065
Anders Gåsø (COO/CMO)	948	-	215	47	1 211
Arne J. Rødsjø (CFO)*	1 950	-	-	98	2 048
Oddleif Wigdahl (COO Wellboat)	1 260	-	110	63	1 432
Bjarne Johannessen (COO Shipping)	997	-	21	50	1 068
Eirin Ervik (COO Service vessels)	1 056	-	9	53	1 118
Total	**7 218**	**-**	**363**	**361**	**7 941**

* Employed by the Group from 1 December 2020. The disclosed amount in the table above consists of agreed fixed yearly salary.

Pension represent the premium paid for defined contribution plans.

No remuneration has been paid to the Board of Directors in 2020. No loans have been granted or collateral provided to Executive Management or members of the Board.

Shares held by Executive Management and the Board of Directors 31.12.2020
The Group's CEO holds 51% of Shares in Gåsø Næringsutvikling AS, which has an ownership share in NTS ASA of 39%. The Group's COO/CMO holds 24.5% of Shares in Gåsø Næringsutvikling AS, which has an ownership share in NTS ASA of 39%. The Group's Chairman of the Board holds 25% of Shares in Namsos Invest AS and SS-Invest AS, which has a combined 2.4% of shares in NTS ASA.

7.2 Related party transactions

Related parties are Group companies, associates, major shareholders, members of the board and Management in the parent company and the group subsidiaries. Note 6.1 provides information about the Group structure, including details of the subsidiaries and the holding company (related parties).

All transactions within the Group or with other related parties are based on the principle of arm's length.

The following table provides the total amount of transactions that have been entered into with related parties (outside the Group) for the relevant financial period:

	Other related parties*				**Entity under common control**	**Parent company**	
Related party transactions 06.12.2019-31.12.2020 and balances 31.12.2020	**Siholmen AS**	**Frøy Utvikling AS**	**Frøy Sjøstransport AS**	**Blått Kompetansesenter**	**Midt-Norsk Havbruk AS**	**NTS ASA**	**Total**
Related party balances							
Current trade and other receivables from related parties					378	20	398
Current loans and borrowings to related parties				260	-	725	985
Current trade and other payables to related parties					-	26 147	26 147
Non-current loans and borrowings from related parties					-		-
							-
Related party transactions							-
Sales to related parties	607	8	757		30 879		32 251
Purchases from related parties (incl. Management fees)					-	10 054	10 054
Interest paid to related parties							-
Interest received from related parties							-

* Other related parties consist of enties that are considered related parties to the CEO.

7.3 Subsequent events

ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Ongoing case with Norwegian Tax Authorities
At the balance sheet date, there is an ongoing case with the Norwegian Tax Authorities concerning the tonnage tax regime, and public reimbursements through the net salary scheme. Frøy Rederi AS has received a letter from the Norwegian Tax Authorities, where they question whether the terms in the Norwegian Taxation Act §6-13 are fulfilled. The Board of Directors in Frøy Rederi AS dispute the claim, and argue that the terms have been met.

7.4 Defined benefit plans

ACCOUNTING POLICIES
Defined benefit pension is a pension plan that defines the amount that an employee will receive at the time of his/her retirement. The payment depends on various factors, such as age, tenure and salary. The plan is recognized at the net present value of future pension benefits that is considered to be earned at the balance sheet date. Pension funds are recognized at fair value. Earned pensions in the period and net interest expense/income is recognized in the consolidated income statement on an ongoing basis and presented under the line item Employee benefit expenses. Changes in net pension obligation related to pension premiums and payment of pensions are accounted for. Actuarial gains or losses (estimate deviations) are recognized in other comprehensive income and not reclassified to profit or loss.

The employees that has been covered by the defined benefit plans until 01.03.2020 are offshore employees, working in Norway. The agreements was terminated 01.03.2020, and at year end 2020, there are no pension obligations in the group.

8.1 Changes in IFRS and new standards

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Roar Myhre
Member of the Board
On behalf of: Frøygruppen AS
Serial number: 9578-5997-4-1731
IP: 178.164.xxx.xxx
2021-02-17 14:11:48Z

Helge Gåsø
CEO
On behalf of: Frøygruppen AS
Serial number: 9578-5998-4-1454521
IP: 193.212.xxx.xxx
2021-02-17 14:27:08Z

Anders Gåsø
Member of the Board
On behalf of: Frøygruppen AS
Serial number: 9578-5997-4-444003
IP: 88.88.xxx.xxx
2021-02-17 15:57:13Z

Dagfinn Eliassen
Member of the Board
On behalf of: Frøygruppen AS
Serial number: 9578-5997-4-286700
IP: 195.139.xxx.xxx
2021-02-17 17:36:42Z

Harry Asmund Bøe
Chairman of the Board
On behalf of: Frøygruppen AS
Serial number: 9578-5997-4-180652
IP: 94.246.xxx.xxx
2021-02-17 18:31:23Z