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Financial report Norled Q2 - 2020

Norled at a glance



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- One of the leading ferry and expressboat operators in Norway
- Nationwide operations from Oslo to Tromsø
- 1 000 employees, HQ in Stavanger
- Norled aims to operate with low and zero emissions and to be the leader in developing green solutions in the ferry and expressboat sector
- Founded in 1855

Ferries



59 ferries and 18 routes

Expressboats



27 expressboats and 15 routes

- Operation of 13 ferry contracts and 12 expressboat contracts (2020)
- Tourism related to contracts, and some charter activities
- Catering



Operational highlights 2020 – Q2



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- Apart from the planned postponement of the start-up of tourist routes and closed kiosks, all agreed operations have been carried out despite the challenges COVID-19 has posed.
- Gradual reopening of catering kiosks. Kiosks on all vessels were closed mid-March due to restrictions related to the COVID-19 pandemic.
- Delivery of the electric ferry MF Festøya from Remontowa. MF Festøya will operate in the new Sunnmøre contract. MF Festøya is the first delivery out of 4 ferries being built at Remontowa.
- As a result of COVID-19, there is a risk of delays in the construction and delivery of new vessels. The company is constantly working to optimize a plan with temporary vessels on the routes where there may be delays in delivery.
- Heidi Wolden started as new CEO in Norled.
- Start of season and tourist routes:
 - Bergen-Flåm (expressboat). Started 24. June.
 - Turistrute Indre Hardanger (expressboat). Started 24. June.
 - Charter (expressboat). End of June.
 - Botnhamn-Brensholmen (ferry). Started 30. April.

MF Festøya. Delivered Q2-20



Operational highlights 2020 – YTD



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- Successful start of 4 new contracts from 01.01.2020.
 - Indre Sogn (ferries)
 - Sunnmøre (ferries)
 - Rutepakke 3 Hordaland (ferries)
 - Troms (expressboats)
- Norled win the ferry contract Ryfylkeferjen in Rogaland county. Length of the contract is 01.01.21-31.12.32.
- Norled win the ferry contract Lyngsambandet with the routes Lyngseidet-Olderdalen and Svendsby-Brevikeidet in Troms and Finnmark county. Length of the contract is 01.01.21.-30.04.31.
- Apart from the planned postponement of the start-up of tourist routes and closed kiosks, all agreed operations have been carried out despite the challenges COVID-19 has posed.
- As a result of COVID-19, there is a risk of delays in the construction and delivery of new vessels. The company is constantly working to optimize a plan with temporary vessels on the routes where there may be delays in delivery.
- Heidi Wolden started as the new CEO in Norled.
- Delivered vessels:
 - MF Hjeljestad. Yard, Westcon. Will operate in contract Rutepakke 3 Hordaland.
 - MF Festøya. Yard, Remontowa. Will operate in Sunnmøre contract.
 - MS Fjordjarl. Yard, Oma Baatbyggeri. Will operate in Troms contract.

Delivered vessels 2020:

Q1:

MF Hjeljestad



MS Fjordjarl



Q2:

MF Festøya



Financial highlights 2020 – Q2



- Decrease in revenue Q2-20 vs. Q2-19 is mainly due to changes in contract portfolio. Norled ended 5 contracts at year end 2019, and started 4 new contracts 1. January 2020.
- Increased EBITDA margins Q2-20 vs Q2-19. The increase in profitability is mainly due to changes in contract portfolio. EBITDA profitability in Q2-20 is affected by the COVID-19 epidemic, mainly with reduced traffic revenue. Especially the expressboat segments related to tourist routes and charter activity have been negatively affected by the COVID-19.
- Increased depreciation due to completion of newbuild- and retrofit projects.
- Increase in net financial items as a result of increase in long-term interest-bearing debt.

| NOKm | Q2 2020 | Q2 2019 | Changes | Changes % |
|----------------------------------|------------|------------|-------------|--------------|
| Total revenue | 478 | 605 | -127 | -21 % |
| Cost of goods (catering) | 1 | 9 | -7 | -85 % |
| Personnel costs | 173 | 216 | -43 | -20 % |
| Other operating costs | 186 | 233 | -47 | -20 % |
| Net gain on sale of Fixed Assets | 0 | 0 | 0 | |
| Total operating costs: | 360 | 457 | -97 | -21 % |
| EBITDA | 118 | 147 | -30 | -20 % |
| EBITDA % | 25 % | 24 % | 0 % | |
| Depreciation / writedown | 60 | 48 | 11 | 24 % |
| EBIT | 58 | 99 | -41 | -42 % |
| Net financial items | -25 | -14 | -11 | 79 % |
| EBT | 33 | 85 | -52 | -61 % |
| Tax expense | -7 | -19 | 12 | -61 % |
| Net Income | 26 | 66 | -41 | -61 % |

Quarterly tax expense is calculated based on 22% of EBT. Full year numbers include full tax calculation.

Financial highlights 2020 - YTD



- Decrease in revenue is mainly due to changes in contract portfolio. Norled ended 5 contracts at year end 2019, and started 4 new contracts 1. January 2020.
- Increased EBITDA profitability is mainly due to changes in contract portfolio. EBITDA profitability in Q2-20 is affected by the COVID-19 epidemic, mainly with reduced traffic revenue. Especially the expressboat segments related to tourist routes and charter activity have been negatively affected by the COVID-19.
- Increased depreciation due to completion of newbuild- and retrofit projects.
- Increase in net financial items as a result of increase in long-term interest-bearing debt.

| NOKm | Q2 2020 | Q2 2019 | YTD 2020 | YTD 2019 | Y 2019 |
|----------------------------------|------------|------------|------------|--------------|--------------|
| Total revenue | 478 | 605 | 987 | 1 136 | 2 330 |
| Cost of goods (catering) | 1 | 9 | 5 | 13 | 25 |
| Personnel costs | 173 | 216 | 373 | 441 | 915 |
| Other operating costs | 186 | 233 | 391 | 473 | 958 |
| Net gain on sale of Fixed Assets | 0 | 0 | 0 | 0 | -40 |
| Total operating costs: | 360 | 457 | 770 | 926 | 1 858 |
| EBITDA | 118 | 147 | 217 | 210 | 471 |
| EBITDA % | 25 % | 24 % | 22 % | 18 % | 20 % |
| Depreciation / writedown | 60 | 48 | 116 | 96 | 198 |
| EBIT | 58 | 99 | 100 | 114 | 273 |
| Net financial items | -25 | -14 | -57 | -27 | -81 |
| EBT | 33 | 85 | 44 | 87 | 192 |
| Tax expense | -7 | -19 | -10 | -19 | -42 |
| Net Income | 26 | 66 | 34 | 68 | 149 |

Quarterly tax expense is calculated based on 22% of EBT. Full year numbers include full tax calculation.

Balance sheet and investments



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- Fixed assets. Increase in fixed assets is due to investments in new vessels and retrofit of existing vessels.
- Changes in bank deposits and cash is normal changes in working capital.
- Equity. As a part of the transaction structuring a dividend of 583 MNOK was decided, and netted against increased debt in July 2019.
- Long term debt. The increase of long-term debt from is due to increase of capex debt for building of new vessels and retrofit of existing vessels.
- Other debt. Reduction from Q2-19 is mainly due to reduction in prepaid value ferry-card related to the transition to Autopass for ferries.
- Norled is in compliance with all covenants related to bond and other long-term debt to financial institutions per 2Q 2020.

Balance sheet

| NOKm | 30.06.20. | 30.06.19. | 31.12.19. |
|-------------------------------------|------------------|--------------|--------------|
| Fixed assets | 3 893 | 3 109 | 3 571 |
| Bank deposits and cash | 363 | 140 | 281 |
| Other assets | 230 | 254 | 220 |
| Total assets | 4 486 | 3 503 | 4 071 |
| Equity | 646 | 1 112 | 537 |
| Long-term debt financial inst. | 3 344 | 1 768 | 2 817 |
| Other debt | 496 | 623 | 476 |
| Total equity and liabilities | 4 486 | 3 503 | 4 071 |
| NIBD | 2 980 | 1 628 | 2 536 |
| Total investments: | 2020 | 2021 | 2022 |
| Total investments: | 827 | 1 382 | 202 |
| Spec. of long-term debt | 30.06.20. | | |
| Term loan | 1 615 | | |
| Capex facility | 1 228 | | |
| Bond | 500 | | |
| Total long-term debt | 3 344 | | |

Cash flow statement



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| Cash flow from operating activities | Q2 2020 | Q2 2019 | YTD 2020 | YTD 2019 | Y 2019 |
|--|----------------|----------------|-----------------|-----------------|---------------|
| Net income before tax | 33 | 85 | 44 | 87 | 192 |
| Net financial items | 25 | 14 | 57 | 27 | 81 |
| Gain on sale of fixed assets | 0 | 0 | 0 | 0 | -40 |
| Depreciation | 60 | 48 | 116 | 96 | 197 |
| Write-down | 0 | 0 | 0 | 0 | 2 |
| Changes in inventory | 1 | -1 | 1 | 1 | -1 |
| Changes in accounts receivable | 27 | -21 | 17 | 23 | 27 |
| Changes in accounts payable | -27 | -22 | -101 | -27 | -12 |
| Changes in pension commitments | 3 | 3 | 4 | 5 | 7 |
| Income tax payable | -1 | -1 | -1 | -1 | -1 |
| Changes in other items | -35 | -44 | -86 | -154 | -137 |
| Net cash flow from operating activities | 85 | 62 | 51 | 57 | 314 |
| Cash flow from investing activities | Q2 2020 | Q2 2019 | YTD 2020 | YTD 2019 | 2019 |
| Proceeds from sale of fixed assets | 8 | 0 | 8 | 0 | 78 |
| Purchase of fixed assets | -127 | -400 | -446 | -503 | -1 110 |
| Paid interest | -26 | -15 | -58 | -31 | -87 |
| Received interest | 1 | 1 | 1 | 3 | 6 |
| Net cash flow from investing activities | -144 | -414 | -495 | -531 | -1 113 |
| Cash flow from financing activities | Q2 2020 | Q2 2019 | YTD 2020 | YTD 2019 | 2019 |
| Proceeds from borrowings of long term debt* | 350 | 121 | 650 | 147 | 3 171 |
| Repayment of borrowings | -122 | -48 | -123 | -76 | -2 051 |
| Sale of shares | 0 | 0 | 0 | 0 | 0 |
| Dividends* | 0 | 0 | 0 | 0 | -583 |
| Changes in intra-group balance | 0 | 123 | 0 | 126 | 126 |
| Paid group contribution | 0 | 0 | 0 | 0 | 0 |
| Net cash flow from financing activities | 228 | 196 | 527 | 197 | 663 |
| Net change in cash and cash equivalents | 169 | -156 | 82 | -277 | -136 |
| Cash and cash equivalents at IB | 194 | 296 | 281 | 417 | 417 |
| Cash and cash equivalents at CB | 363 | 140 | 363 | 140 | 281 |

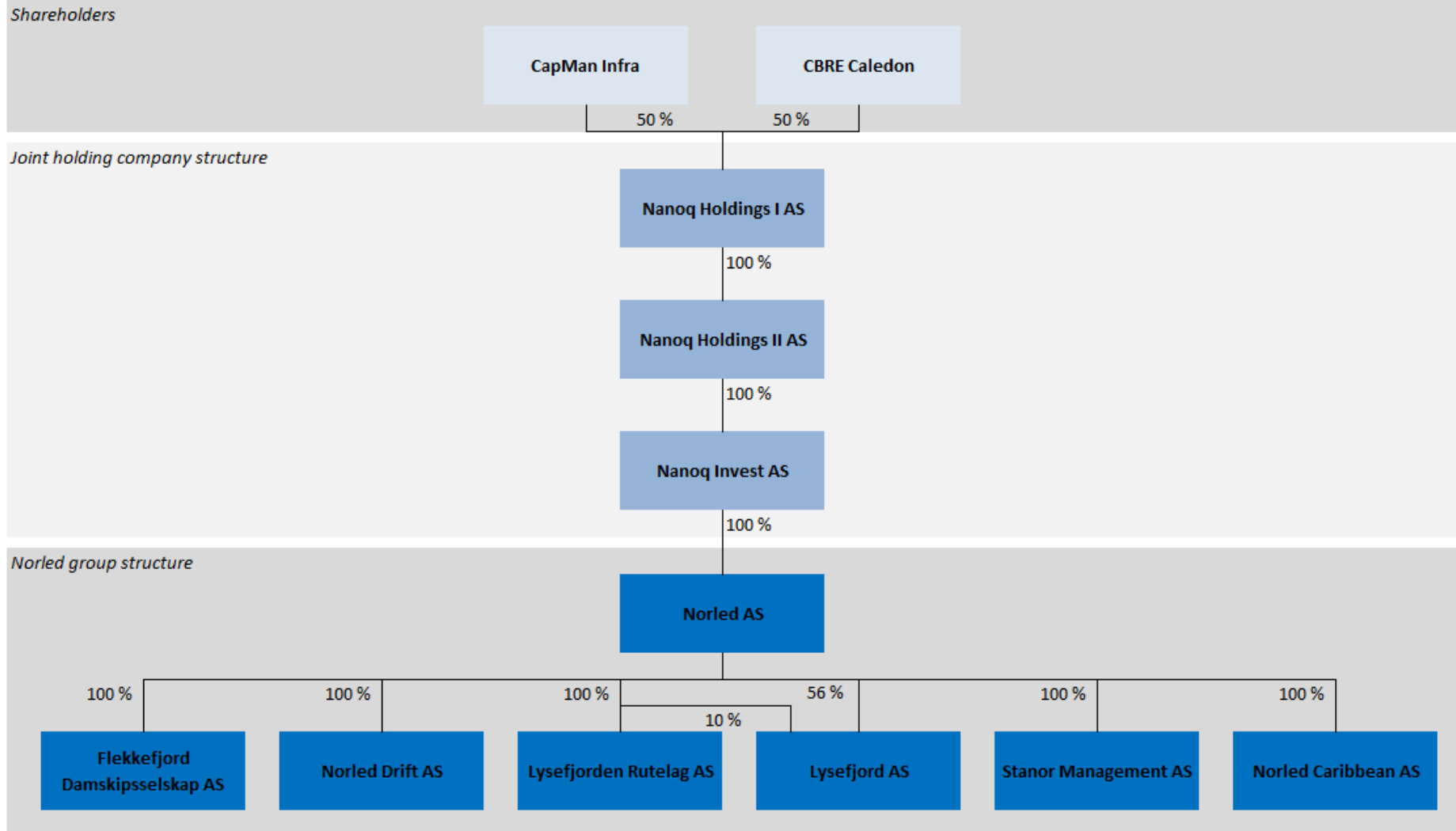
*As a part of the transaction structuring a dividend of 583 MNOK was decided, and netted against increased debt.

Group structure



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The quarterly report contains consolidated numbers and information for the «Norled group structure» only.



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