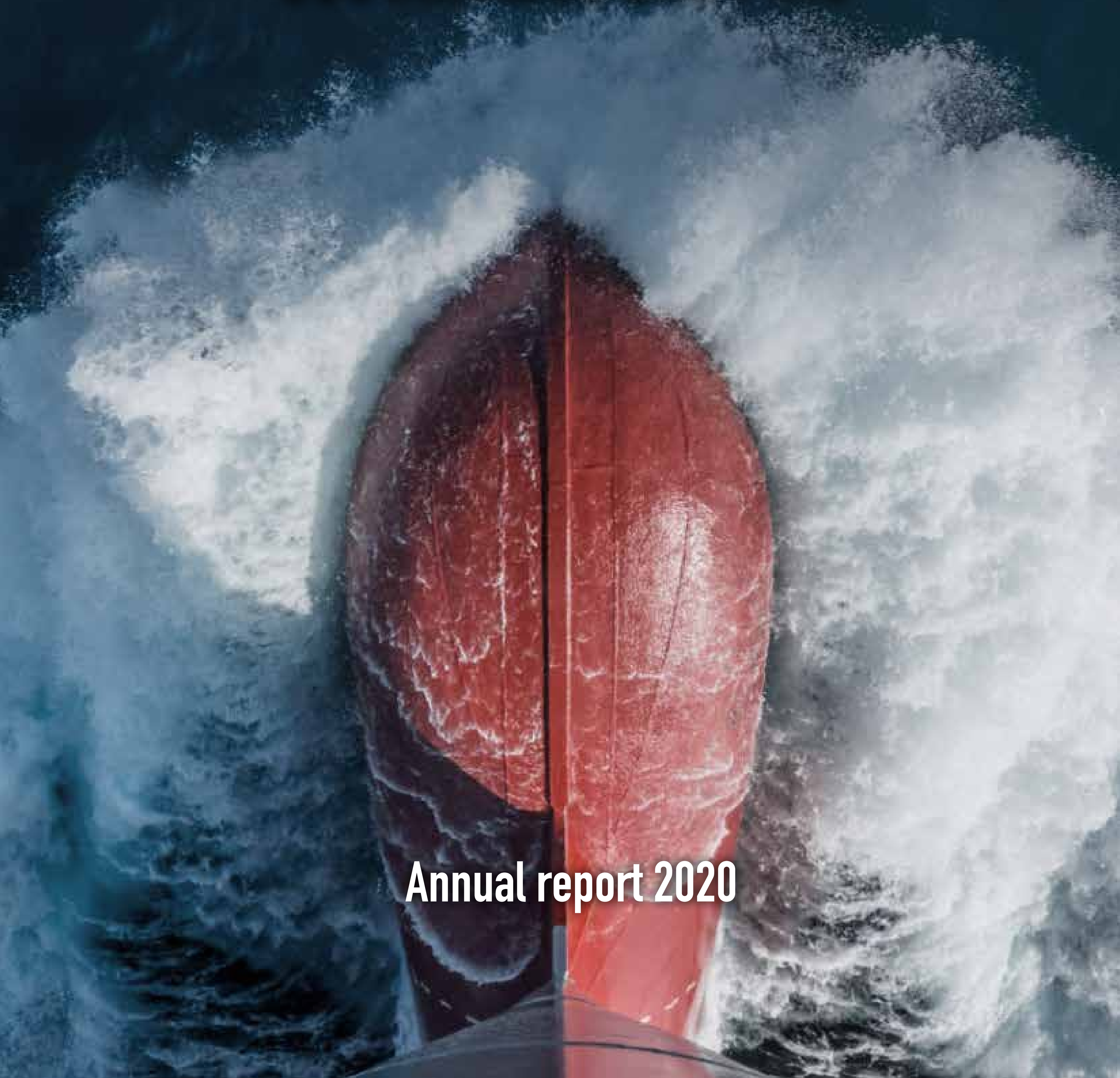
SOLVANG ASA

CUTTING EDGE SUSTAINABLE SHIPPING



Annual report 2020

Contents


Ord. Seaman
SOLVANG

Glossary

Please get to know these frequently used terms and abbriviations before you start reading this report.

OPERATIONAL GLOSSARY

AER

Annual Efficiency Ratio. CO2 emissions divided by fleet/vessel DWT.

CSR

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their operations.

CCS

Carbon capture and storage is the process of capturing waste carbon dioxide (CO2), transporting it to a storage site, and depositing it where it will not enter the atmosphere.

Dry docking

Normally related to a vessel´s periodic maintenance according to class requirements. The intervals are normally 5 years for newer vessels.

EEDI

Energy Efficiency Design Index. Co2 emissions divided by vessel DWT.

EEOI

Energy Efficiency Operational Indicator. Co2 emissions per ton cargo.

EEXI

Energy Efficiency Existing Ship Index describes the CO2 emissions per DWT and mile.

ESG

Environmental, Social, and Corporate Governance refers to the three central factors in measuring sustainability and social impact.

GHG

Greenhouse Gas

GRI

The Global Reporting Initiative helps businesses, governments and other organisations understand and communicate their impacts on climate change, human rights and corruption.

HSEQ

Health, safety, environment and quality.

KPI

Key Performance Indicator.

LTI

Lost Time Incident Ratio measuring the level of injuries in a company or an operation.

UN SDG

United Nations Sustainability Development Goals are a collection of 17 interlinked global goals designed to be a ”blueprint to achieve a better and more sustainable future for all”. The SDGs were set in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

CARGO GLOSSARY

Ammonia / NH3

Mainly used as raw material for fertilizer production.

Cbm

Cubic meter. The most common capacity nomination for gas vessels.

LPG

Liquefied Petroleum Gas, propane and butane.

Petrochemical Gases

Gases used as input/feedstock in petrochemical industry.

FLEET GLOSSARY

LGC

Large Gas Carrier. LPG vessels between 50,000 cbm and 70,000 cbm. Normal size for newer vessels is 60,000.

MGC

Mid-size Gas Carrier. LPG vessels between 30,000 and 40,000 cbm. Normal size for newer vessels is 38,000 - 40,000 cbm.

Panamax VLGC

Very Large Gas Carrier with a beam of 32,2 meter enabling the vessels to trade through both Panama Canals.

Semiref/Ethylene vessel

A gas carrier capable of transporting cargoes both under high pressure and with full refrigeration.

VLGC

Very Large Gas Carrier. LPG carriers with over 75,000 cbm load capacity. The normal size for modern vessels is 84,000 cbm. As opposed to Panamax VLGC, these vessels can only sail through the new Panama Canal.

MARKET GLOSSARY

CVC

Consecutive Voyage Contract. An agreement between ship owner and customer for the transportation from A to B and then return in ballast to A to repeat the voyage consecutively within a given time frame.

CoA

Contract of Affrightment. A CoA is an agreement between ship owner and customer for the transportation of a min-max volume of cargo at a given rate per ton, normally for one or several years.

Freight rate

The rate paid by customer to owners for the transportation service provided. Calculated either per ton basis or per day basis.

LIBOR

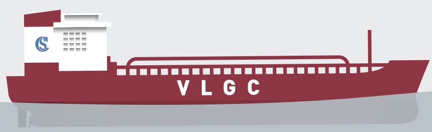
London Interbank Offered Rate.

Spot rate

The rate obtained when chartering out a vessel for a single voyage.

TC

Time charter. A contract between ship owner and customer for anything between 2 months and several years. All voyage costs such as bunkers, canal and harbour fees are payable by the customer. Operating cost is for the owner's account.



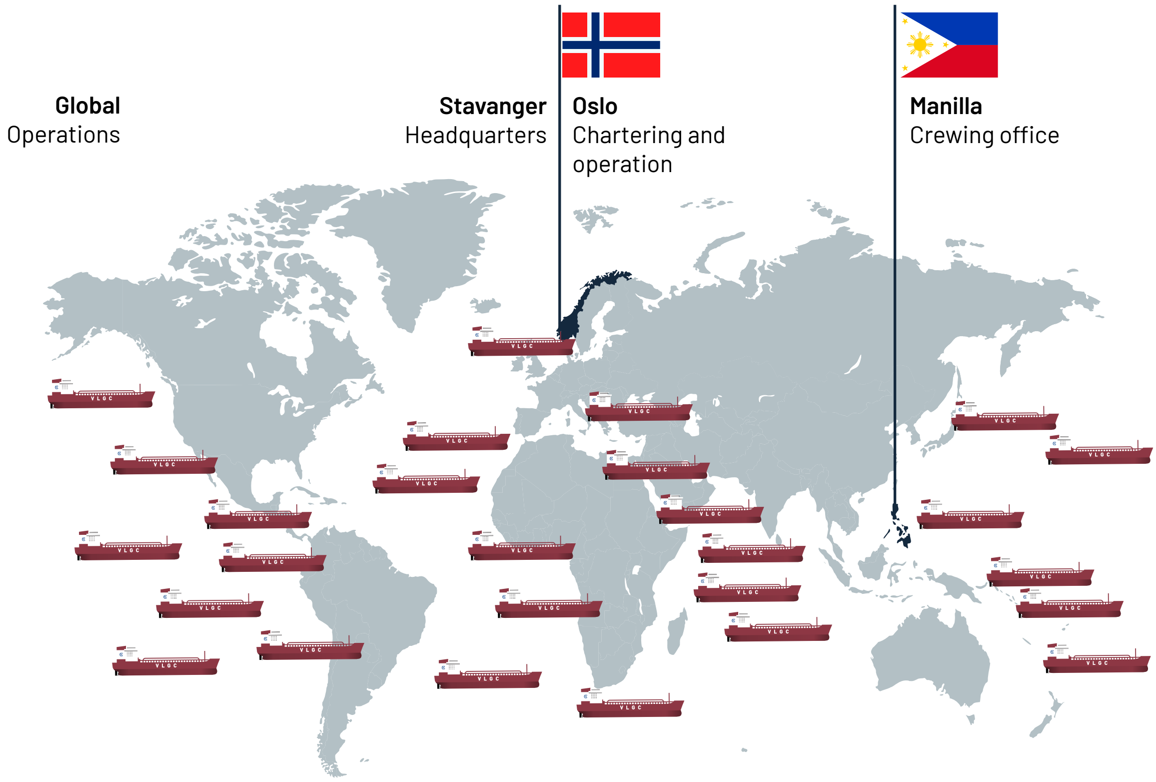
THIS IS SOLVANG

Industry leading provider of LPG and petrochemical tonnage

Solvang ASA dates back to 1936. From very modest beginnings, the shipping company has now developed into one of the world's leading transporters of LPG and petrochemical gases. Solvang ASA has its headquarters in Stavanger, with offices in Oslo and the Philippines.

Solvang has a fleet of modern and efficient vessels, all built in accordance with the most up-to-date specifications and fitted with new and efficient technology. Perhaps of greater importance than the modern technology is the way in which the vessels are operated – the people onboard. Good seamanship represents the very core of our business, and we place a firm focus on this area in the form of education, working on attitudes and training.

On every single sailing, we are required to demonstrate the full range of our experience and expertise. Our strength lies in reliable, high-quality deliveries. It is our goal to maintain a steady course towards the future, at the same time as making good use of the experience we have gained.

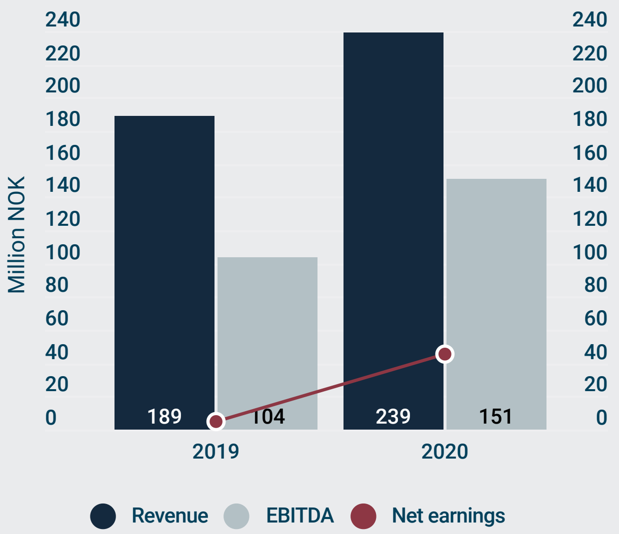


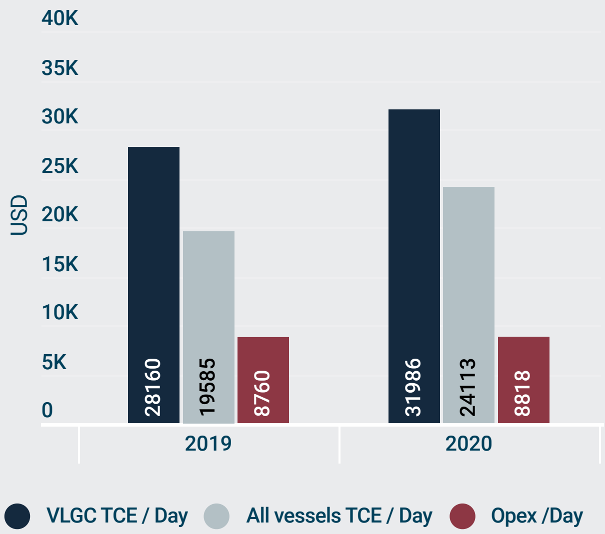
Long-term shipping partner with all core elements in-house

- Solvang's family control ensures focus on lifetime of assets and long-term investment perspective.
- Competitive finance and insurance, and close. relationship with quality yards.
- No third party managers only competing on cost.
- Core competence on construction, technical and maritime operation in-house.
- Strong focus on improving safety and quality of operations – beneficial freight without off-hire.

Key figures 2020

Revenue	USD 239 million	VLGC TCE / Day	USD 31,986
EBITDA	USD 151 million	All vessels TCE / Day	USD 24,113
NET EARNINGS	USD 46 million	Opex/day	USD 8,818

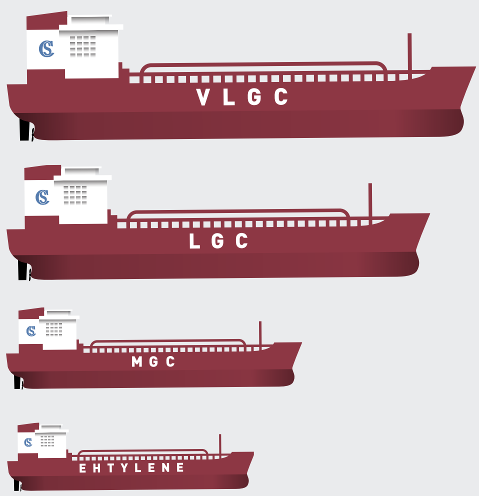




27 vessels
1,000,628 DWT total

Lifted 5.8 million tonnes cargo

2.27 million nautical miles sailed
105 times around the world



8 Very Large Gas Carriers

9 Large Gas Carriers

1 Mid-size Gas Carrier

9 Semi-refrigerated Ethylene Carriers

1,057 employees

Sailing crew ca	1,000
On shore Philippines	13
On shore Norway	44

Operation hours

Main engines	159,000 hours
Auxilary engines	352,000 hours
Boilers	32,550 hours

Fuel consumed

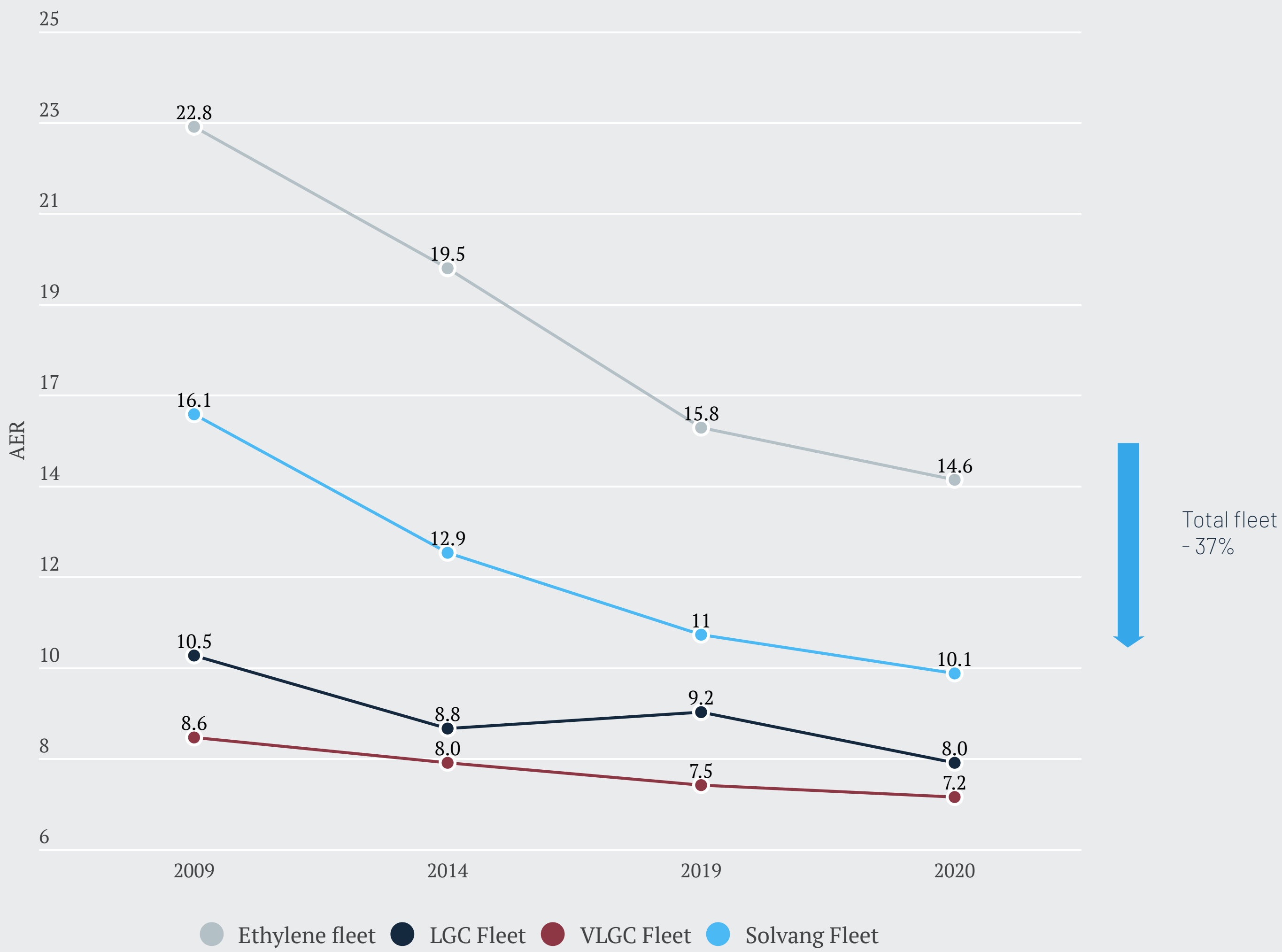
Bunker fuel	250,000 tonnes
Lube oil	1.6 million liters

Emissions

CO2	785,000 tonnes
SOx	1,064 tonnes
NOx	6,375 tonnes

Solvang's Annual Efficiency Ratio development

CO2 emissions per tonne DWT per nautical mile sailed



Our history

1936 – 1989

Independent shipping and investment company.

1989 – 2004

Inge Steensland buys 64 percent of the company's share capital. From 1992 the transformation from a shipping investment platform, towards a fully integrated shipping company starts.

Continuing fleet growth by buying second hand vessels and taking delivery of 5 newbuildings from 1998-2004.

2006

A large scale newbuild order placed in South Korea and Germany for 4 ethylene carriers 17,000 cbm, 3 LGC and 2 Panamax VLGCs for delivery in 2007/2008. In total 9 vessel.

2007/2008

Received delivery of 10 newbuildings, 9 constructed and 1 VLGC re-sale ex-yard.

From the past

To the future

2050 – Clipper Future

We assume that energy efficiency "from well to wake" will become even more crucial, and that all GHG emissions will have to be accounted for.

We will continue to be among the best in our business. All our newbuildings will be as fuel-efficient and green as possible. The vessels will run on GHG neutral fuels and zero carbon fuels.

2030

Continued focus on reducing emmissions.

The carbon intensity factor is closely monitored to secure full compliance with the IMO reduction target of 40 percent by 2030.

2025

Continue to be an industry leading provider of LPG and petrochemical tonnage to our clients in the safest, cleanest and most cost-effective manner.

A modern fleet and highly trained and motivated employees, combined with financial, operational and technical ability, will allow Solvang to pursue this vision and create long-term growth and profitability.

2006-2011

Starting to transform the land organisation from a small to a medium-size shipping company.

Establishing our vision, values and main goals. Establishing KPI and development of Solvang vessel performance monitoring system.

2011

The program "Make our Blue Logo Green" was initiated, entailing Solvang ECO LPG Carriers:

- Fuel-efficient design
- Comply with the emission regulations.
- Energy efficiency from well to wake.
- The question is not which fuel you use, but how you use it
- Operational Excellence by continuous improvement.

2011

Ordering Clipper Quito and Clipper Posh, 84,000cbm VLGC with full scale exhaust cleaning system for delivery in 2013.

2013

Delivery of the world's first ECO VLGC LPG Carrier, awarded as the first ECO-LPG carriers by The Royal Institute of Naval Architects.

2015

Delivery of 3 new ECO LGC (60,000) Gas carriers, Bosporus max.

Retrofit of EGC on Clipper Harald - combination of scrubber and LP-EGR for emission control (SOx and NOx).

2017

Delivery of 2 Panmax ECO LPG carriers.

2019

5 newbuildings, 4 ECO Ethylene, and 1 ECO Panamax VLGC. The greenest and most fuel efficient HFO-fuelled gas carrier in the world.

Retrofit 4 vessels with scrubbers.

2020

First ESG report – pulling together the last 15 years of continuous improvement.

Letter from CEO Edvin Endresen

Dear reader

« I want to extend a big thank you to all our people out there; we would not be in such a good shape if it were not for your efforts.

2020 was a year we had high expectations for. We grew significantly in 2019 in the segment for handy-size ethylene carriers, and 15 of the 27 vessels were finally equipped with full scale exhaust-gas cleaning systems. As such, we were well positioned for the new IMO2020 bunker regulations, as well as the new ethylene export terminal in the US. However, as we all know, the year went from oil price war with negative-price crude to a global pandemic that remains a full-on global challenge today.

In such a challenging environment, our first and foremost concern was for our 1,000 people around the world, both officers and crew, as well as onshore staff. Our continued safe operations relied completely on the resilience of our people handling uncertainties and prolonged periods onboard. In addition to increased challenges, most of our onshore staff also had to deal with a more isolated workday in home office. It is astonishing to see the dedication and commitment they all have shown in this challenging year.

In the spring of 2020, with the start of a global pandemic and complete shutdown in many countries, the LPG market took a significant fall from strong rate levels, down to mere OPEX earnings in the spot market. However, the market bounced back quickly into third quarter.
It remained strong throughout 2020 despite a global pandemic, with only second quarter showing effect of market disruption. Export from US remained strong and significant inefficiencies like Panama Canal waiting time, scheduled dry dockings and scrubber retrofits, further tightening the market.

On the ethylene side, the Covid pandemic was more apparent. The much-awaited new export volumes from the Enterprise terminal were nowhere near the volumes expected, and the demands from the petrochemical industry were just not there. However, with a dramatic drop in global consumption because of the pandemic, it makes sense that the demand for ethylene would also see a drop. The result was another muted year in ethylene, more in line with previous years. We are still optimistic, the volume is there, and once the post-pandemic world gets up to speed, the ethylene segment will see a positive turnaround.

This year's annual report marks a new chapter in reporting for Solvang. This year we include a substantial sustainability section as an integral part of our annual report. The GRI (Global Reporting Initiative) index is used to ensure easy reference and transparency for all relevant parties. And although this is the first year we include a separate section on sustainability, it is not something new to Solvang internally. We have been working for more than 15 years with clear goals for reduction of our environmental footprint and setting targets to ensure we continuously improve and develop in the right direction, and comply with all regulations. I hope that some of what we do now becomes evident for our readers by this new combined report. It is clear to me that we have already come far in reducing our footprint, and although there are still significant improvements to make, we see a carbon free future – even for deep sea shipping, illustrated in the chapter about "Clipper Future" (pages 29-31).

Therefore, in the midst of these challenging times, we can be very proud of what we have achieved. We have a very stable organisation with little or no turnover onshore, an organisation that is capable of handling any technical, operational or commercial issue. Throughout 2020, we delivered outstanding performance on all key success factors; HSE, customer satisfaction, quality, CSR and financial. I am particularly pleased with having no LTIs (Lost Time Incidents) for the entire fleet in 2020. Not because it looks good on the statistics, but for what it means: no serious injuries for any of our seafarers. That is a great achievement in a year like 2020, where the focus on quality and safety has been constantly challenged by other factors caused by a global pandemic.

Solvang ASA has a strong position, both in the marketplace and financially. We believe that the future looks good, and we will continue to focus on excellence in operating our ships and in high quality service-delivery to our customers.

Our vision

Industry leading provider of LPG and petrochemical tonnage.

Our core values

Quality
Enthusiasm
Friendliness
Team spirit

Our main goals:

For our customers:

Be the preferred carrier of LPG and petrochemicals worldwide

For our emplyees:

Happy, motivated and proactive employees

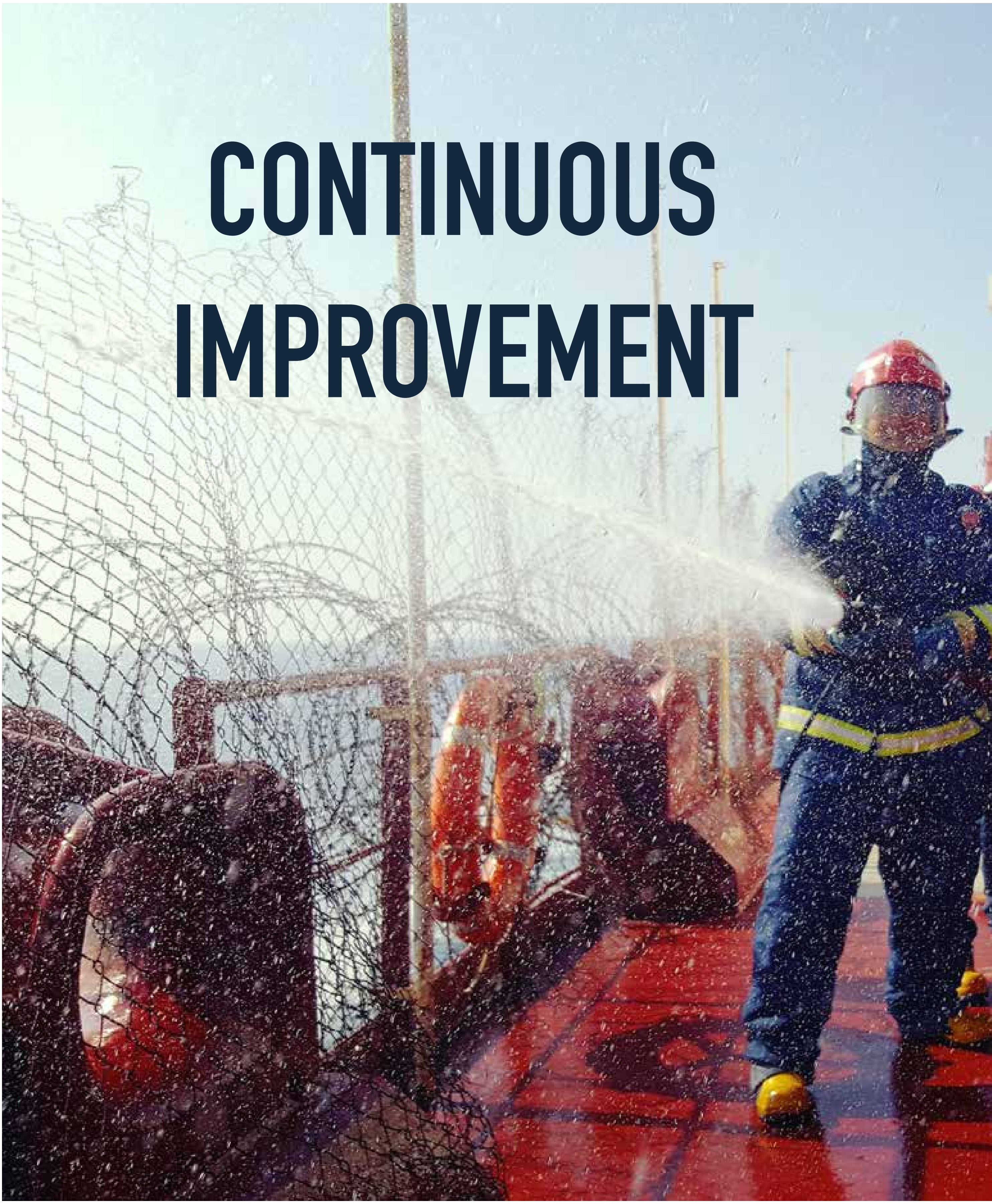
For our owners:

Be profitable in a long perspective

For the society:

Be a CSR leading company

CONTINUOUS IMPROVEMENT



ESG Performance

To keep our commitment for continuous improvement, we constantly measure our performance. We have defined a set of Key Performance Indicators (KPIs) within different areas. By analysing these we are able to show our performance, document our improvement and identify areas where we need further improvement.

Systematic registration, measurement and evaluation form the basis of our KPIs. The data allow us to identify and implement the best operational practice in terms of health, safety, the environment and operations. Measurements and registrations are made using a number of systems. One example is the Vessel Performance Monitoring system developed in-house, which deals with all aspects of the vessels´ technical performance. A number of parameters are measured daily onboard. The figures are sent to the office where they are thoroughly evaluated.

Continuous improvement can be seen as many activities which support each other. The interaction between the vessel and shore organisation, charterer, terminals and other vendors are of crucial importance if we are going to reach our goals and live up to our mission statement:

To be an industry leading provider of LPG and petrochemical tonnage to our clients in the safest, cleanest and most cost-effective manner.

We believe that if all work tasks and jobs are done according to our core values, ***quality, enthusiasm, friendliness and team spirit***, the outcome will automatically be continuous improvement. For us, this is the single most important parameter in order to reach our mission statement and vision.

The vessels have to be operated within all rules and regulations. To ensure this, we have internal inspections where office staff spend several days on board for controlling and making sure that all systems and processes are according to our procedures.

Our customers have their own inspections three times a year, and the Class inspects our vessels yearly on behalf of the flag state and port state to ensure that the vessels are safe in their particular ports.

Passing the external inspections with good results are basically our «ticket to trade», and detention or high-risk observations may have severe consequences commercially.

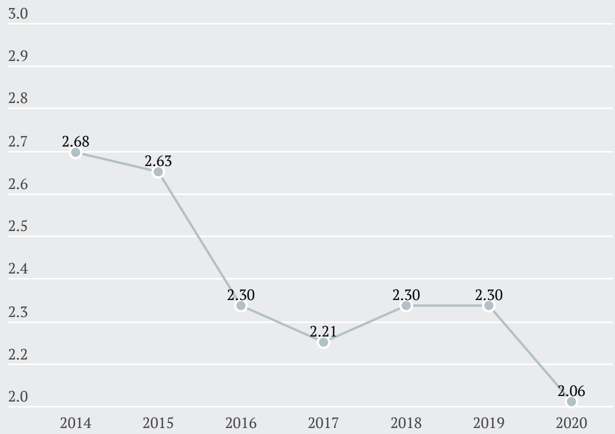
In total, we have approximately 70 KPIs in the following areas: safety, human resources/health, environment, training, fleet operation and vetting & inspections (quality).

Targets are set yearly and followed up monthly and quarterly on different levels in the organisation. This has been an ongoing process which started back in 2008. Sharing best practice and bench-marking between our vessels are among our tools for fuelling the process of continuous improvement. On a top level we started to measure our quality with a quality score, which is a weighted number of observations based on external inspections.

Solvang Quality Awards

We are proud of our good results and continuous improvement on HSEQ in Solvang. That is why we have invested a lot of time, effort and money in «Living the Vision».

Quality improvement*



Weighted number of observations in the fleet

* Based on the overall number of observations on the following inspections: OCIMF inspections, CDI inspections, DNV-GL Annual Class/ISM/ISPS/ISO 14001/MLC audits and Port State controls.

Quality Awards results

Year	Top 1 2 3	Score
2020	Clipper Venus	0,68
	Clipper Jupiter	1,03
	Clipper Eos & Saturn	1,10
2019	Clipper Eris, Venus & Wilma	0,70
	Clipper Vanguard	0,81
	Clipper Quito	1,20
2018	Clipper Venus & Jupiter	0,70
	Clipper Freeport	1,03
	Clipper Sun	1,10
2017	Clipper Venus	0,51
	Clipper Jupiter	1,10
	Clipper Saturn	1,15
2016	Clipper Star	0,70
	Clipper Victory	1,07
	Clipper Sun	1,24
2015	Clipper Hermod	0,86
	Clipper Star	1,17
	Clipper Helen	1,33
2014	Clipper Quito	0,77
	Clipper Mars	1,35
	Clipper Orion	1,48

Continuous improvement and «Living the Vision»

Our HSEQ programme «Living the Vision» is one of the most important tools Solvang has to achieve our vision and putting our core values to life every day.

In the programme, crew and office staff work together to improve our activities related to health, safety, environment and quality. All employees know they must work hard every day to maintain the standard and achieve the set goals in the company.

The idea has its origins in 2008. It started with the training programme «Safe Sailing» – an initiative to improve the reporting of incidents and accidents in the fleet, further improve our vetting results and reinforce our safety culture based on Maritime Crew Resource Management (MCRM).

After different initiatives following «Safe Sailing», the benefits of establishing a new platform to unite our HSEQ work were evident. «Living the Vision» was launched in 2013. It started with an overall plan for quarterly focus for HSEQ, specific topics each month and weekly onboard meetings – all followed up by the onshore organisation.

Since then, «Living the Vision» has been developed and fine-tuned along the way. Ship visits, surveys and interviews are used regularly to monitor the programme and get input. The seafarers also give monthly input on what the onshore organisation should do to improve on each topic. The onshore organisation gives feedback through the monthy newsletter on each topic. In addition, the office staff review the seafarers' input in quarterly meet-ups where they give direct feedback and plan the meeting content for the upcoming three months.

The working process of Living the Vision

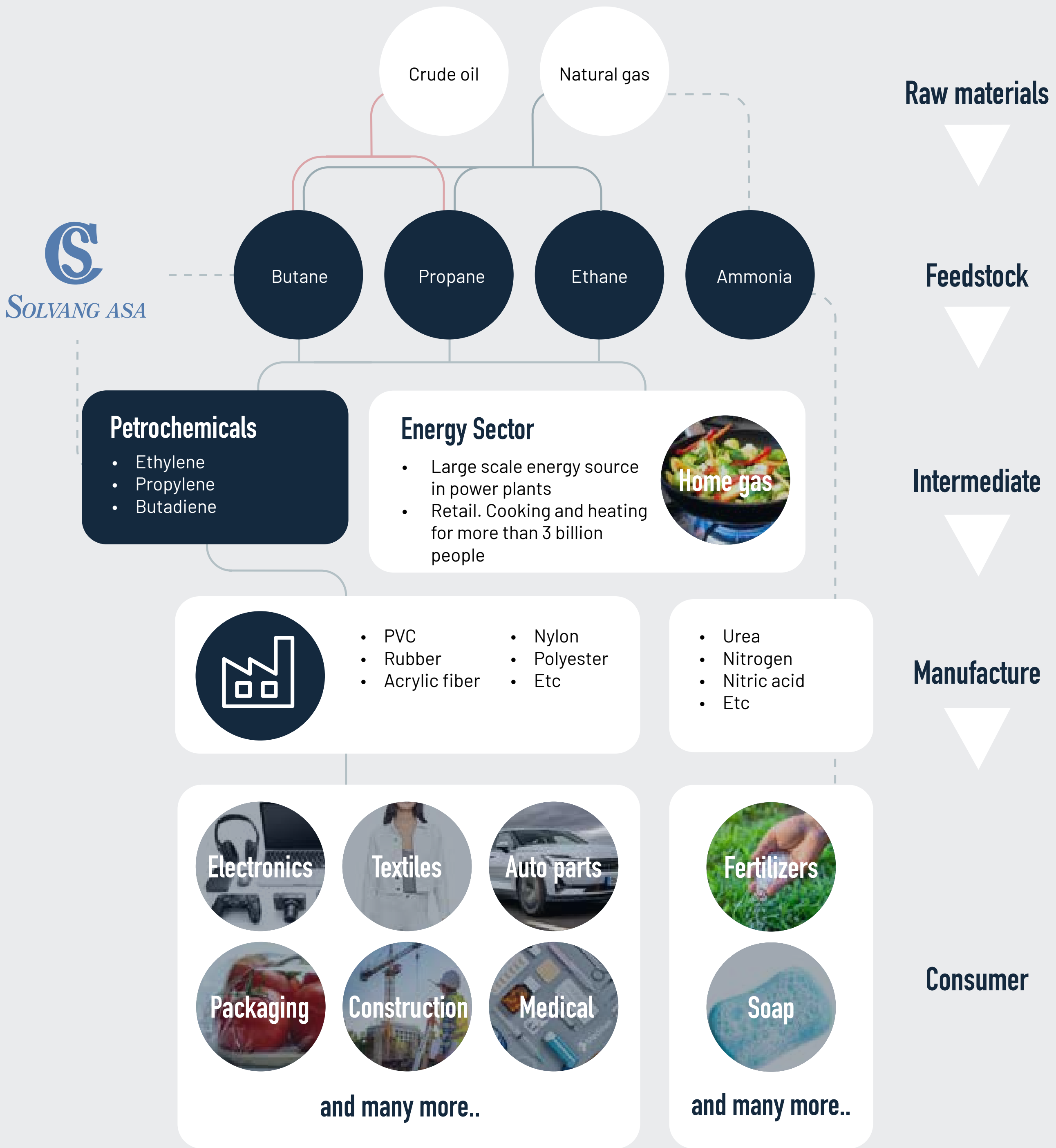
Living the Vision has 12 "fixed" topics each year which are decided in December. Still, we have the opportunity to rearrange and replace topics if necessary – if something comes up and we want extra attention on a specific topic. This proved beneficial this year when the pandemic brought unforeseen consequences necessary to deal with in Living the Vision.

In recent years, the seafarers have had 3 meetings on each topic.

The seafarers decide ship-specific actions for improvements each month and share these across the fleet. Organisational learning is ensured through the monthly "Living the Vision" newsletter. The recent years, we have also incorporated content from Shell's programme for Maritime Partners in Safety, including Reflective Learning and Resilience, into "Living the Vision".

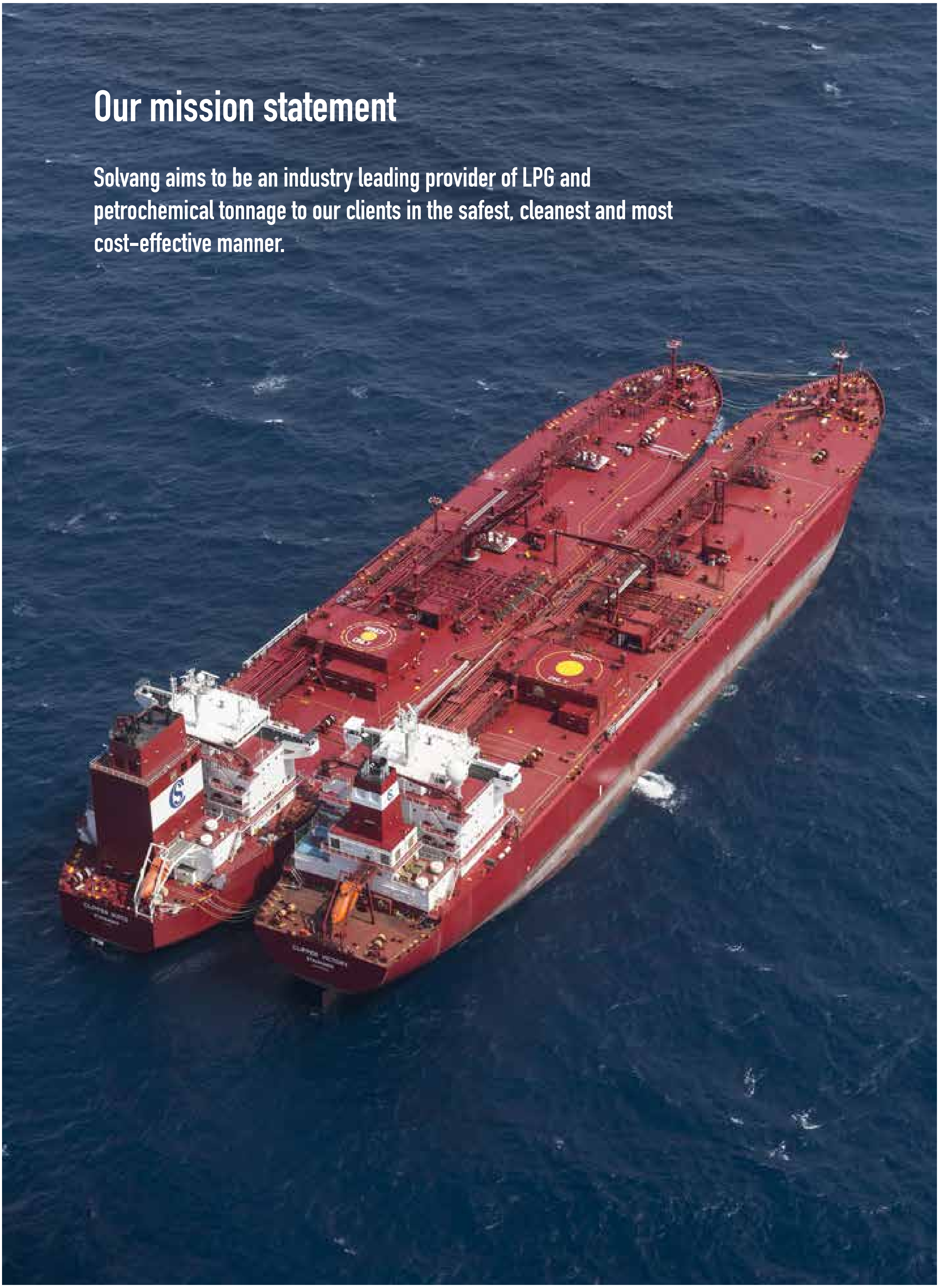
OUR CARGO

We transport vital materials for manufacturing products people depend on every day.



Our mission statement

Solvang aims to be an industry leading provider of LPG and petrochemical tonnage to our clients in the safest, cleanest and most cost-effective manner.

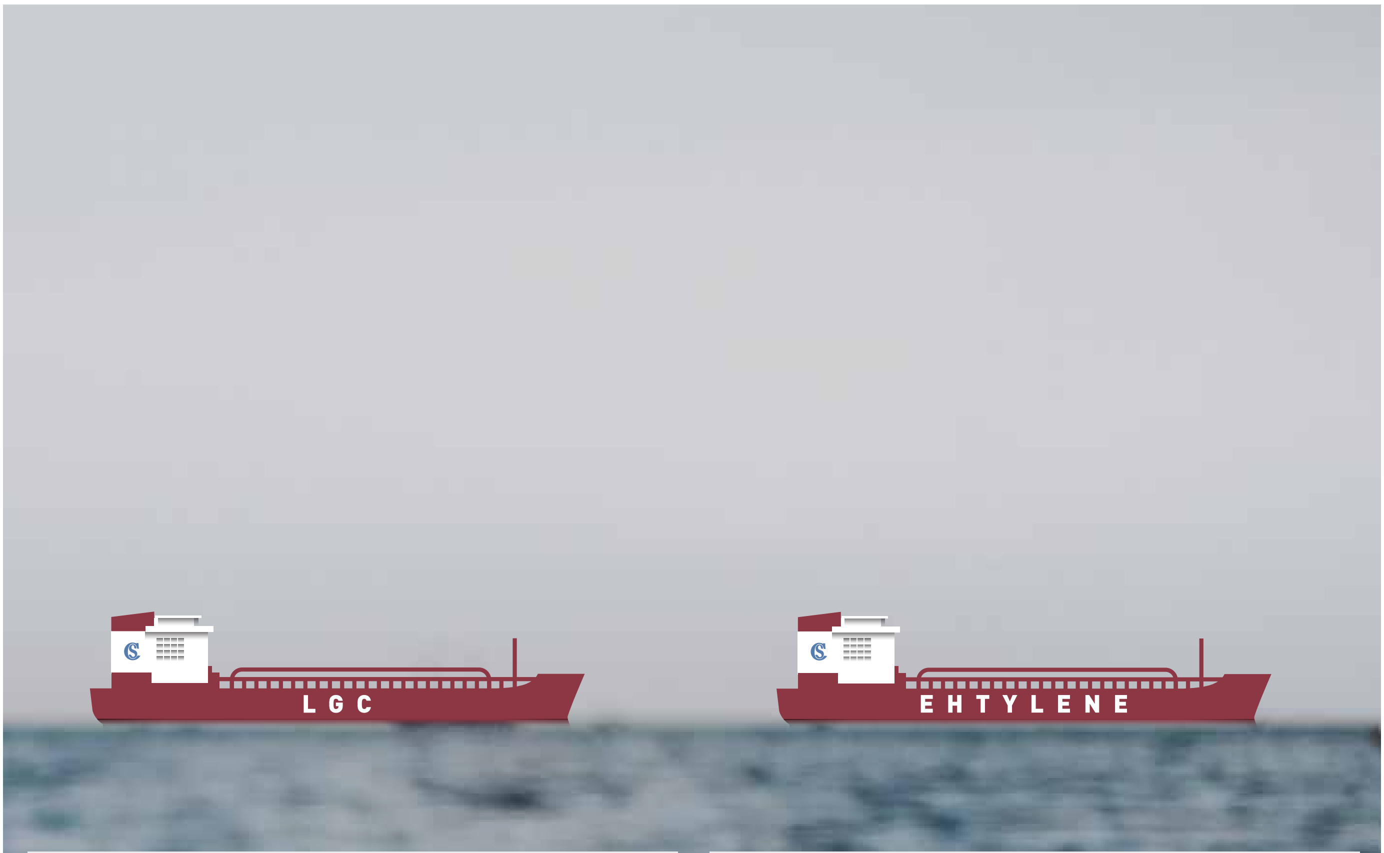


OUR FLEET

VERY LARGE GAS CARRIER

This segment consists of eight VLGCs, five of them Panamax size 75,000-80,000 cbm, one 82,200 cbm and two 84,000 cbm.

Name	Built	DWT	CBM
Clipper Wilma	2019	51,144	80,000
Clipper Freeport	2017	50,891	78,800
Clipper Vanguard	2017	50,891	78,800
Clipper Posh	2013	55,047	84,000
Clipper Quito	2013	55,047	84,000
Clipper Victory	2009	54,084	75,000
Clipper Sirius	2008	54,084	75,000
Clipper Sun	2008	58,677	82,200



LARGE GAS CARRIER

This segment is defined as fully refrigerated LPG ships of 60,000 cbm. We have a total of nine ships in this segment.

Name	Built	DWT	CBM
Clipper Jupiter	2015	42,543	60,000
Clipper Venus	2015	42,543	60,000
Clipper Saturn	2015	42,543	60,000
Clipper Mars	2008	43,544	60,200
Clipper Neptun	2008	43,508	60,200
Clipper Orion	2008	43,475	60,200
Clipper Sky	2004	44,617	59,300
Clipper Moon	2003	44,822	59,300
Clipper Star	2003	44,822	59,300

MID-SIZE GAS CARRIER

Name	Built	DWT	CBM
Clipper Odin	2005	29,217	38,400

ETHYLENE/SEMI-REF CARRIER

This segment includes semi-refrigerated, ethylene capable ships from 12,600 to 21,289 cbm. We have nine ships in this segment, four of them delivered in 2019.

Name	Built	DWT	CBM
Clipper Eris	2019	18,056	21,289
Clipper Eirene	2019	18,056	21,289
Clipper Enyo	2019	18,056	21,289
Clipper Eos	2019	18,056	21,289
Clipper Hermes	2008	18,884	17,100
Clipper Hermod	2008	18,967	17,100
Clipper Hebe	2007	18,800	17,100
Clipper Helen	2007	18,884	17,100
Clipper Harald	1999	13,780	12,600

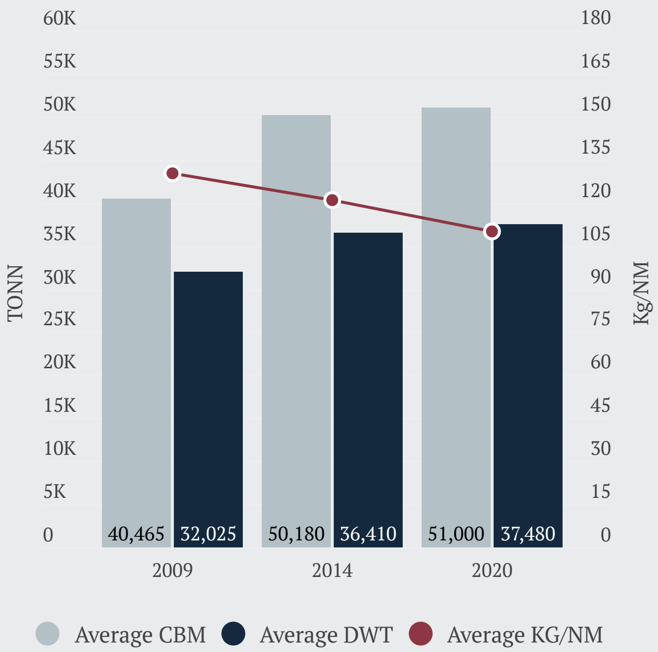
PERFORMANCE

Solvang energy consumption and GHG emissions

Our fleet has increased in number and tonnage. In 2009 we operated 16 vessels and in 2020 we have 27.

The total fleet emissions have increased due to the fleet expansion and more operations per vessel. However, the average emissions per vessel have decreased by 15%. This is in spite of a 27% increase in cargo capacity.

The 27% average cargo capacity increase is relevant for the EEOI performance. The 17% average size increase is relevant for AER performance shown under.

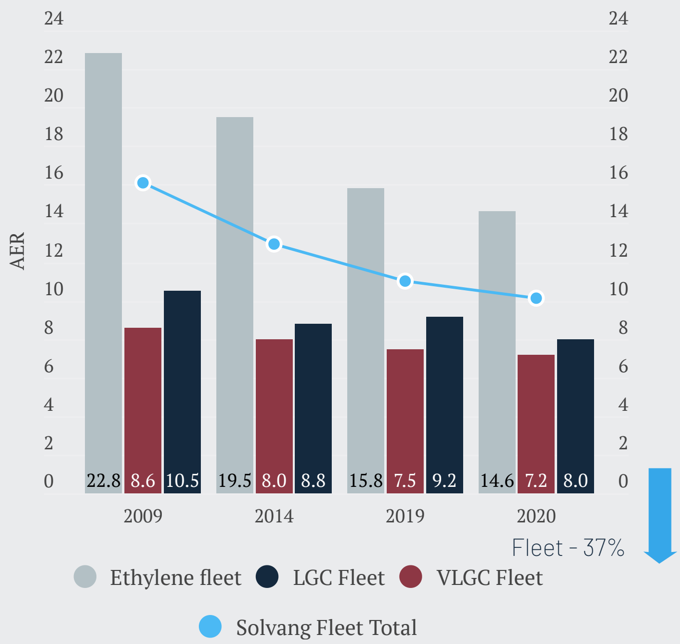


27% average cargo capacity increase.

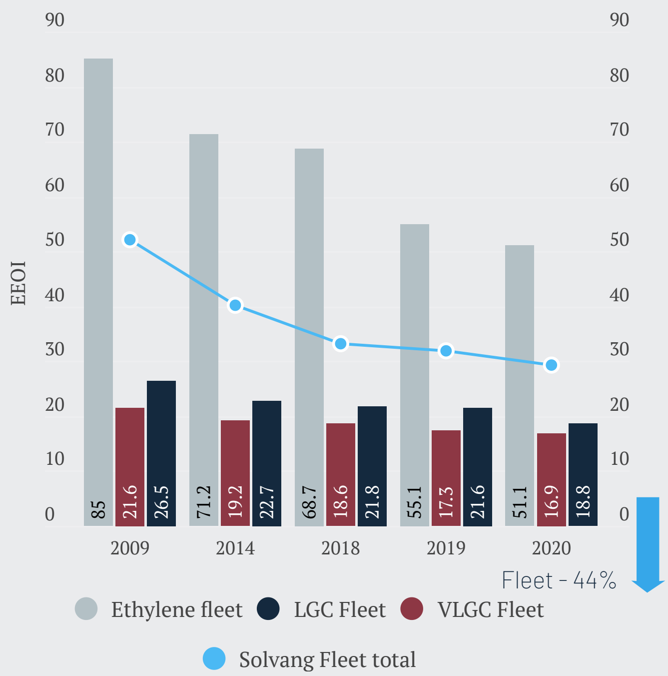
17% average size increase.

15% reduction in fuel consumption

Solvangs Annual Efficiency Ratio development (AER)



Energy Efficiency Operational Indicator (EEOI)



Sludge garbage

Cbm	Fleet total 2020	Fleet total 2019
Sludge Produced	3408.15	2470.53
Sludge Incinerated	1277.92	1101.82
Sludge Evaporated	1167.19	601.86
Sludge Disposed	682.55	534.84
Tonnes		
Plastics	344.44	369.69
Food wastes	21.97	62.90
Domestic waste	293.32	387.29
Cooking oil	3.32	4.53
Incenerator ashes	32.12	34.80
Operational wastes	53.43	101.50
Carcasses	0.81	0
Fishing gear	0	0
E-waste	5.47	6.28

SO_x 2019 – 2020

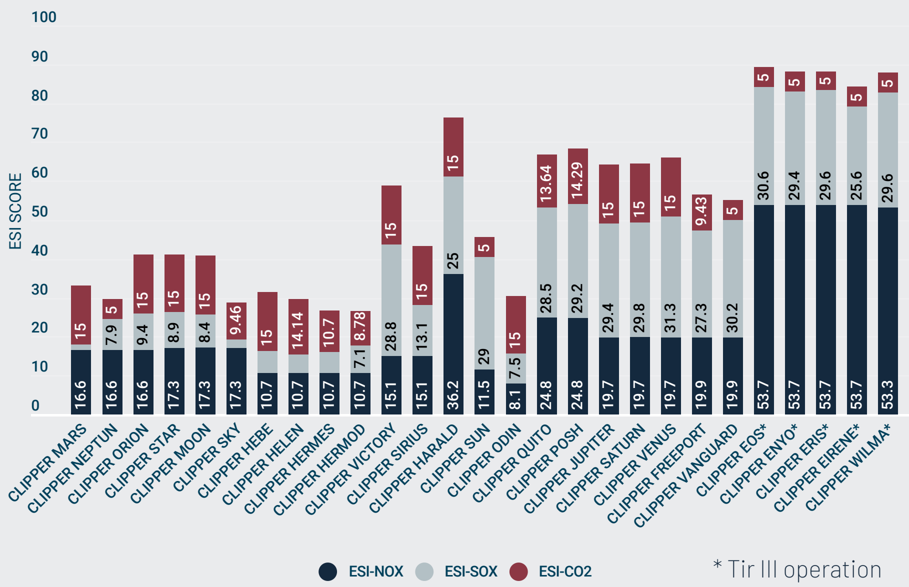
86%

reduction in total SO_x emissions

Environmental Ship Index (ESI) Score 2020

Rating of environmental performance. Best possible score is 100 points. This shows that the 5 newbuildings perform very good, around 90 points. All vessels with scrubber technology perform well.

ESI identifies seagoing ships that perform better in reducing air emissions than required by the current emission standards of the International Maritime Organisation (IMO)



1 oilspill since 2009.
800 liters 2015

155 days of operation Particularly Sensitive Sea Area (PSSA) in 2020

144 000 maintenance tasks

0,5% of which was overdue. The best score in TMSA is less than 1%

Our vessel's energy consumption

Fuel type	Tonne fuel	Sulphur content	Energy per tonne fuel (MJ/kg)	Energy (MJ)
MGO	13 060	0,07%	42,7	557 670 540
VLSFO	102 221	0,43%	41,0	4 191 048 700
HFO unscrubbed/ scrubbed	134 785	2,70 / 0,04%	40,2	5 418 357 000
Total	250 066	Average 0,21%	Total energy consumption:	10 167 076 240

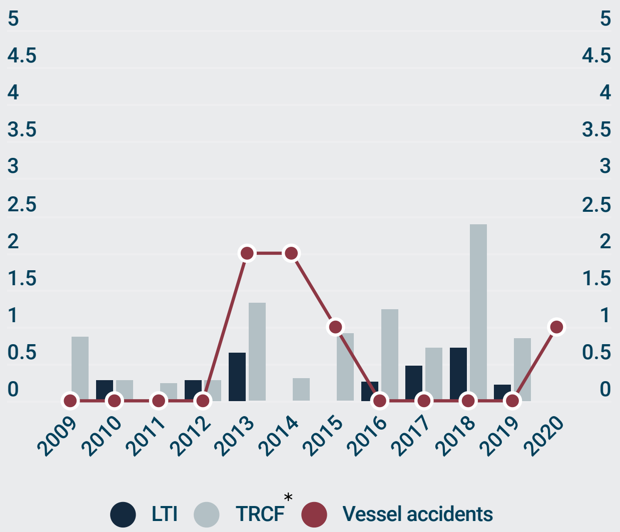
Sulphur

The table shows how efficiently the scrubbers remove SO2 from exhaust.

	Scrubber	No scrubber
Total SOx Emissions (tonne)	118,8	945,2
Avg SOx Emissions (tonn per vessel)	7,9	78,8
Total SOx Emissions per distance (g/nm*)	93,2	946,5
Average S content in fuel	0,042%	0,428%

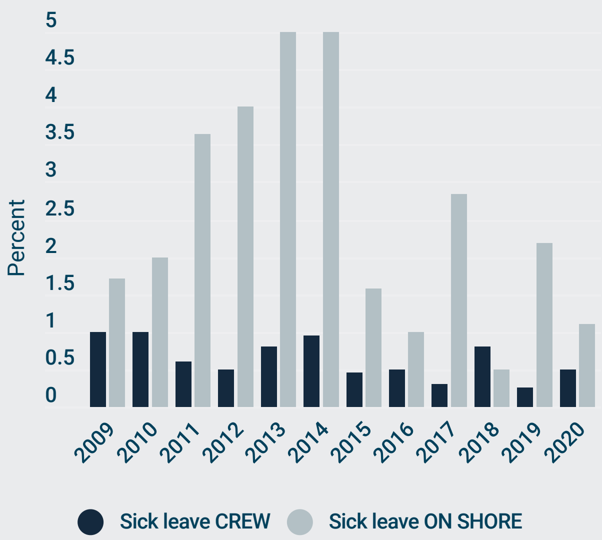
Safety

Continuous HSEQ programme since 2009



* Total Recordable Case Frequency

Sick leave



132 officers & crew conference days in Manilla and Stavanger since 2009.

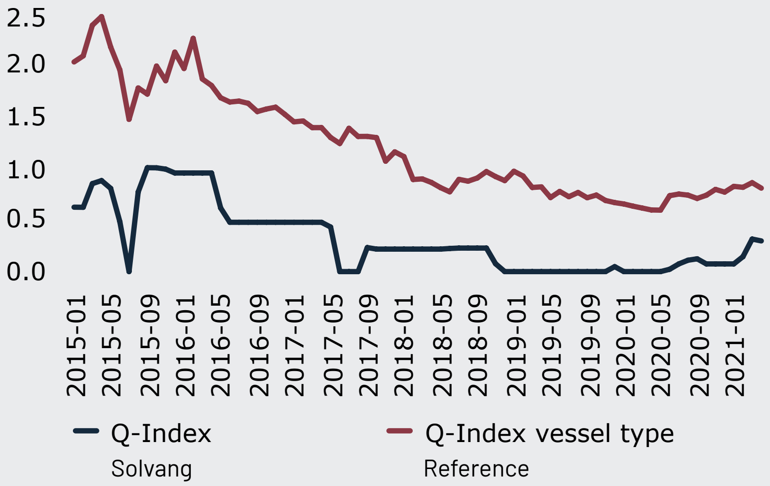
Employee turnover

* Turnover for CREW is retention rate - 100

Governance

Internal inspections follow the fleet size. External inspections by DNV and flagsstates are done in 5 year intervals.

DNV Ship Quality index 2015-2020



The DNV Ship Quality sums up Solvangs performance. Low number, few issues = high quality. The reference is the total LPG carrier fleet in the DNV system.

Flag & Port State control 2020

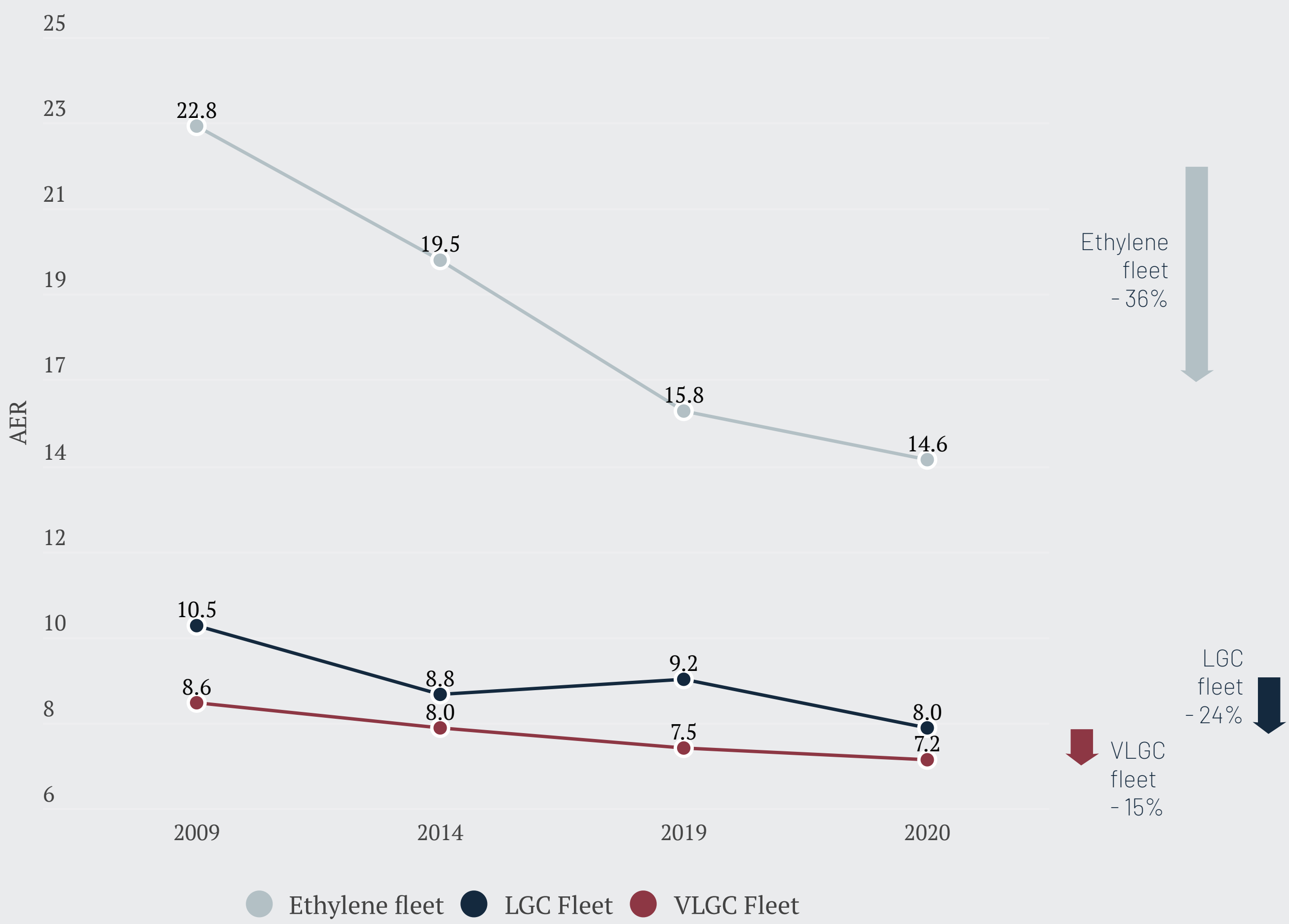
61 DNV inspections
0,2 observations on average

44 port state controls
0,6 observations on average

SOLVANG IN 5, 10, AND 30 YEARS

New regulations are driving forces for ship design and operation. With the IMO GHG, reduced fuel consumption and emissions have evolved from a commercial advantage to a prerequisite for trading vessels.

Solvang's Annual Efficiency Ratio development



If we look to the future, it seems obvious that we will need to comply with the EEXI and upcoming reduction targets for carbon intensity.

Our work with Solvang ECO gas carriers has demonstrated that systematic efforts towards all aspects of the design yields documented improvements. Furthermore, our systematic work to improve vessel operation continues to reduce energy consumption and related emissions to air.

IMO has defined a target of 40% reduction in carbon emission intensity from 2008 to 2030. Presently, the 2008 baseline is not defined, so we don't know the starting point of the calculation. The assumptions stated below are based on AER data for our own fleet, not for the world fleet, which otherwise would constitute the basis for the future requirement.

Solvang 2025

All our vessels are set to be recertified with EEXI certificates, and the carbon intensity factor is monitored closely in order to secure full compliance with the IMO reduction target of 40 percent by 2030.

Ethylene fleet

Solvang's AER (efficiency indicator) shows that our ethylene fleet already delivers a 36 percent reduction compared to our reference level from 2009 (see graph on previous page). Based on this assumption, our ethylene vessels operate in the same pattern with continued focus on improved operational procedures, best practice and maintenance. As a result, our ethylene fleet scores far better than the required efficiency ratio in 2025.

LGC fleet

Solvang's AER (efficiency indicator) shows that our LGC fleet has reduced its AER by 24 percent since the reference year 2009. Based on this assumption, our LGC vessels operate in the same pattern with continued focus on improved operational procedures, best practice and maintenance. As a result, our LGC fleet scores far better than the required efficiency ratio in 2025.

VLGC fleet

Back in 2009, Solvang recorded data for two Panamax VLGCs, which were delivered mid-2008 and Jan 2009. The third newbuild VLGC was introduced late 2009.
Solvang's AER (efficiency indicator) shows that our VLGC fleet has reduced its AER by 15 percent since the reference year 2009. Based on this assumption, our VLGC vessels operate in the same pattern with continued focus on improved operational procedures, best practise and maintenance. As a result, our VLGC fleet would score better than the required efficiency ratio in 2025. Another factor supporting this projection is that Poseidon* has established a reference level for gas tankers >50,000 cbm at 8.2 in 2020, and at 7.2 in 2025. The Solvang VLGC fleet reached 7.2 in 2020.

* The Poseidon Principles is a framework for climate alignment of ship finance portfolios. They set a benchmark for what it means to be a responsible bank in the maritime sector and provide actionable guidance on how to achieve this.

Solvang 2030

As in 2025, the carbon intensity factor will be closely monitored to secure full compliance with the IMO reduction target of 40 percent. The assumptions below are based on AER data from our own fleet, not for the world fleet, which otherwise would constitute the IMO baseline.

Additionally, we expect to see in place an improved indicator for documenting carbon intensity. There are several options, each representing advantages and disadvantages. Ship owners can control some of them and some are left to the charterers.

Ethylene fleet

Solvang's AER (efficiency indicator) shows that our ethylene fleet already delivers a 36 percent reduction compared to the reference year 2009. Based on this assumption, vessels operate in the same pattern with continued focus on improved operational procedures, best practise and maintenance, giving us reason to believe that even our existing ethylene fleet will score better than the required efficiency ratio in 2030. The uncertainty factor relates to the IMO reference level.

LGC fleet

Solvang's AER (efficiency indicator) shows that our LGC fleet has reduced its AER by 24 percent since the reference year 2009. Based on this assumption, our LGC vessels operate in the same pattern with continued focus on improved operational procedures, best practise and maintenance. Nevertheless, our existing LGC fleet would need speed reduction or other efficiency improvements to achieve a 40 percent AER reduction by 2030.

The main uncertainties again relate to IMO reference values, as Solvang´s average fleet age was merely three years in 2009. Assuming that a world average will be above our reference values, and that Solvang introduces efficiency measures on some of our mid-age vessels, we expect our existing fleet to reach an IMO AER target in 2030 without big investments.

Within a 10-year horizon, a renewal of our fleet is probable, as two of our oldest LGCs will reach 27 years in 2030.

VLGC fleet

Back in 2009, Solvang recorded data for two Panamax VLGCs, which were delivered mid-2008 and Jan 2009. The third newbuild VLGC was introduced late 2009.

Solvang's AER (efficiency indicator) shows that our VLGC fleet has reduced AER by 15 percent since the reference year 2009. Based on this assumption, our VLGC vessels operate in the same pattern with continued focus on improved operational procedures, best practise and maintenance. Our VLGC fleet would not reach the 5.2 target value, assuming a 40 percent reduction compared to our own AER in 2009. Poseidon requires 6.1 in 2030 and 7.2 in 2025. AER for Solvang VLGC class was at 7.2 in 2020 which is in line with the Poseidon target for 2025.

By adding a small percentage of E-fuel/biofuel, our existing fleet could reach an expected AER target. When the exact 2030 target will be defined, it gets possible to plan in detail how to reach it in a cost-effective way. Three of our oldest VLGCs would reach 22 years in 2030.

Solvang 2050 – Clipper Future

In 2010/2011 Solvang started the project Clipper Future, through which we created the Solvang ECO-LPG carrier concept.

Goal: To design vessels as fuel-efficient and green as possible. With a reasonable write-off schedule, the investment would yield lower OPEX and reduced emissions. The vessels should comply with known and future regulations.

The scope of Clipper Future has been to identify the most cost-effective and smart solutions for the technical systems on-board. For instance, all parts of the vessels should be optimized. The ship owner has assumed that energy efficiency "from well to wake" will become crucial, and that all GHG emissions will have to be accounted for. Through Clipper Future, we have realised that the question is not which fuel to use, but how to use it. Based on this, all our newbuilds delivered from 2013 are following the same vision:

GHG neutral fuels and zero carbon fuels

The statement above is still valid. The challenge is to comply with IMO GHG emission targets. Commercial technical solutions are still not on the market. To achieve the targets, we need a zero carbon fuel. Except from a small amount of biofuel, the zero carbon fuel is not available in any amount needed today. So far, no one knows when it will be.

The challenges of the zero carbon fuel include cost and energy intensive processing which represents substantial losses. Alongside, we observe price factors of 4 to 10, compared to standard fossil fuels (IMO 4th GHG study 2020). When pertaining to standard fuels, a well to wake approach is crucial, unless we are willing to shift GHG emissions from shipping to oil power plants or coal burning facilities without sufficient emission handling.

GHG neutral fuel: On-board CCS

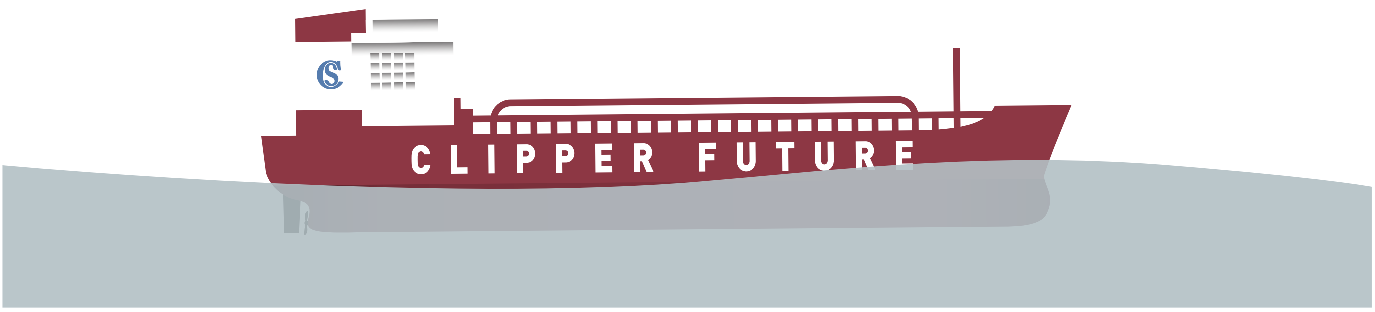
Alternative scenarios for on-board carbon capture storage (CCS) include CO2 being handled ashore and permanently stored beneath the seafloor, or the CO2 being reused to process carbon free e-fuels. Another option is to depose of CO2 in the form of solid dry ice in the deep sea. The CCS technology is still under testing, and according to the makers, the procedures can be carried out safely. In a cost perspective, such a technology is highly attractive.

GHG neutral fuel: Carbon offset

In a carbon offset scenario, the global cost of new fuels increases to a level that legitimises trading carbon with sectors that have lower emission reduction costs. Carbon offsets are an instrument which actively contributes to climate protection by supporting emission reduction projects which would otherwise be unfeasible. Not all GHG emissions can be avoided, high-quality emission reduction projects can be used for compensation.

A market for carbon quotas is currently open, selling CO2 cuts to a fraction of the price for using alternative fuels.

Carbon offsets sourced through the open market today, can also be eligible for a future compliance market.



Technologies range from the construction of community biogas digesters to geothermal power plants, forestry and coastal mangrove restoration. Carbon offsets can help reach the targets of supporting the SDGs, and to reach new customers looking for low-carbon offerings.

Future regulations

The political climate ambitions look unambiguous to the industry. We expect tighter regulations on emissions to air other than CO2, especially in port areas and close to shore, and especially SOx, NOx, CO, THC, and particles.

As reduced NOx emissions normally corresponds with increases in other greenhouse gases, the technological challenge of reducing total emissions is challenging. This is exemplified by TIR III, which requires an 80 percent NOx reduction compared to TIR I regulation. This is not achievable on a diesel engine by means of engine design and adjustments. Even costly modifications to bring down NOx emissions would result in higher GHG outlets, possibly ruling out compliance with other parts of the regulatory framework.

The conditions for future ship design and fuels will manifest itself through rules and regulations not yet defined. At the same time, charters will go to the lowest bidder, whether transporting LPG, petchem, ammonia or other gases. In this perspective we assume that transport expenses in the future will rise.

Design criteria for Clipper Future

Any vessel ordered today needs the possibility to operate on a GHG neutral fuel when this becomes available. At the moment, there is no alternative to our two-stroke directly driven main engines for propulsion. It features documented reliability, its fuel efficiency exceeds 50 percent, and it can be modified for operation on all fuels. The following examples illustrate that all foreseeable solutions today would be GHG neutral when using bio-fuel or e-fuel, without modifications.

Example 1

Today:
HFO/LSFO (SCR/EGR)

Tomorrow:
Bio fuel (HFO/MGO) or e-diesel

Example 2

Today:
Dual fuel LPG/MGO (SCR/EGR)

Tomorrow:
Bio fuel (LPG/MGO) or E-LPG

Example 3

Today:
Dual fuel LNG/MGO (catalyst + exhaust gas recirculation + LP-dual fuel)

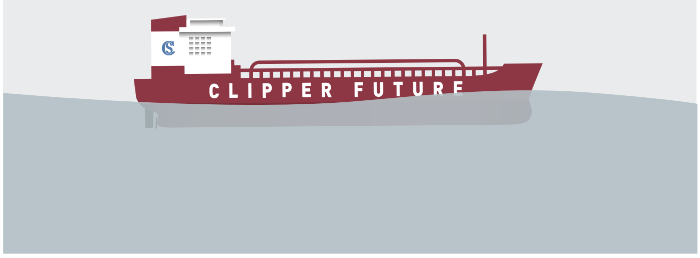
Tomorrow:
Bio LNG/MGO or E-LNG

Example 4

Today:
Dual fuel methanol / MGO (SCR/EGR/water in methanol)

Tomorrow:
Bio-methanol/MGO or e-methanol

Prerequisites for all examples:
No change in engine tank or system, the amount e-fuel/bio-fuel can be adjusted to reach the GHG target.



Ammonia and hydrogen

Ammonia and hydrogen are other potential zero GHG fuels, given that processing is made with renewable electricity or fossil fuels with CCS. Ammonia-based propulsion is under development, still dealing with substantial safety and technical issues, and operation target is set to 2024/2025. Another option is to modify an engine designed for dual fuel LPG into running on ammonia. Such a setup would require a NOx handling system like SCR or EGR, as well as a system for handling ammonia slip. This would foreseeably take some sort of a scrubber, and the whole setup would roughly double the size of the fuel tanks.

Technical fuel specifications

The specific choice of fuel for Clipper Future would be made after careful evaluations of the alternatives above, which are currently projectable in terms of commercial operation, environment, technology, and operational expenses and revenues. There might be more alternatives to come, and some might be radical, like wind assistance, on-board carbon capture and air lubrication of the hull. They should all be considered in due time. As for now, Solvang believes that a combination of fuel options would grant us the best flexibility.

In line with technical specifications for vessels, we stick to the Solvang ECO vessel design, including the Optimization of Hull lines, cargo intake, cruising range, propeller/rudder design, heat recovery and others.

SUSTAINABILITY IN SOLVANG

As an operator in the global shipping market, Solvang ASA acknowledges the importance of standing behind The United Nations' 17 Sustainable Development Goals (UN SDGs).

The Sustainable Development Goals is an urgent call to action towards countries and businesses, developed in a global partnership. The goals recognise that ending poverty and other evils must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. Read more on sdgs.un.org/goals

The UN SDGs cover a wide spectrum of issues. In this report we aim to show how our operations relate to the goals, starting with a broad overview in tables and gradually going in to detail in the article sections.

In the tables on the following pages we show our priorities and actions with regards to the environment (E), the society (S) and governance (G) = ESG. An icon shows the relevance to the UN SDGs.

Then follows an overview with short descriptions of what we do to achieve relevant UN goals.

Especially relevant goals are covered in articles for detailed insight.

Our priorities

Our priorities affect our decisions, both when it comes to investments, whom we cooperate with and how we plan and execute our work. It is important to show our stakeholders how we are influenced by these factors, how we think and how our actions impact our surroundings. We are proud of our work and aim to continue this process as a responsible business operator in the global marked of shipping.

Our approach

Our sustainability report refers to the Global Reporting Initiative (GRI) Reporting Standards.

We use the GRI index to present our approach and our company's practices on each of the 17 goals.

Stakeholder groups

Internal stakeholders	External stakeholders
Shore staff	Customers
Crew	Banks
Owners	Suppliers and contractors
Board of Directors	Government
	Regulatory bodies
	The general public

ESG PRIORITIES

This table shows the most important sustainability topics for Solvang. The topics are are compared to the UN Sustainability Development Goals (UN SDG). All SDGs are examinied in debth on the following pages.

	TOPIC	EXPLAINED	UN SDG
ENVIRONMENT	**Emissions to air**	Innovative technology for monitoring and reducing emissions. Contributing to a more sustainable future for the maritime industry.	9 Industry, innovation and infrastructure; 15 Life on land; 13 Climate action
	Energy consumption	Developing fuel efficent vessels and low energy operations. Providing affordable LPG and petrochemicals to customers.	9 Industry, innovation and infrastructure; 7 Affordable and clean energy; 13 Climate action
	Spills to sea	Avoiding oil spills and managing waste.	14 Life below water; 13 Climate action
	Recycling	Maximising vessel lifespan and treating the vessels properly when the time has come for recycling.	12 Responsible consumption and production; 13 Climate action
SOCIAL	**Community engagement**	Providing access to LPG as a clean source of energy and ammonia as a potent fertilizer. Supporting the communities where we operate.	2 Zero hunger; 4 Quality education; 7 Affordable and clean energy
	Health and safety	Working systematically to ensure the health, fitness and safety for all crew and employees, both at work and home.	3 Good health and well-being
	Employee relations	Providing good working conditions and fair salaries that reflect the individual's qualifications, regardless of gender. Recruiting, educating and retaining a skilled workforce.	4 Quality education; 5 Gender equality; 8 Decent work and economic growth
	Diversity and inclusion	Managing "happy ships" with happy, motivated and proactive employees. Encouraging diversity and inclusion at work and at home.	3 Good health and well-being; 8 Decent work and economic growth
GOVERNANCE	**Goverance and compliance**	Complying with all relevant laws and regulations.	16 Peace, justice and strong institutions; 17 Partnerships for the goals
	Anti-bribery and anti-corruption	Mitigating corruption and bribery in all forms. Upholding business integrity in the maritime industry.	16 Peace, justice and strong institutions; 17 Partnerships for the goals
	Economic Performance and Benefits	Generating sustainable economic value for our stakeholders	8 Decent work and economic growth

ENVIRONMENTAL PERFORMANCE DASHBOARD

EMISSIONS TO AIR

2020 target	2020 progress	2021 targets
100 % compliance with IMO 2020	Yes	100 % Compliance with IMO 2020
Retrofit scrubber on 4 vessels	Done	
Scrubber operation > 99,8 %	99,8 %	Scrubber operation > 99,8 %
Average sulphur in fuel < 0,4	0,21 %	Average sulphur in fuel < 0,2
Implementation of Solvang Environmental booklet	Done	Revision of Solvang Environmental booklet
Environment and Seemp as 2 month in LTV programme	Done	Environment and Seemp 2 month in LTV programme
Maintenance according to plan better than 1 % Overdue non-critical jobs.	0,50 %	Maintenance according to plan better than 0,6 % Overdue non-critical jobs
Engine health 9/10	Engine health 9/10	Engine health 9/10
Fuel optimisation potential better than 1 %	Fuel optimisation potential 0,8 %	Fuel optimisation potential better than 0,8 %
Dry docking and renewal of high quality antifouling on 4 vessels	Done	
Participation in the research project Smart Maritime and CLIMMS	Yes	Continued participation

ENERGY CONSUMPTION

2020 target	2020 progress	2021 targets
Present historical fuel efficiency for the fleet	Yes	Present historical fuel efficiency for the fleet
Continue work on Solvang ECO-Gas carrier Clipper Future	Yes	Continuous evaluation of vessel energy consumption against base line
Continuous evaluation of vessel energy consumption against base line	Yes	Continuous evaluation of vessel energy consumption against base line
5 vessels in pilot project energy optimisation Cargo Handling (Operim)	Done	16 vessels in project Energy optimisation Cargo Handling (Operim++)
Implementation of Solvang Environmental booklet	Done	Revision of Solvang Environmental booklet
Environment and Seemp as focus area 2 months in LTV program	Done	Environment and Seemp as focus aerea 2 months in LTV program
Dry docking and renewal of high quality antifouling on 4 vessels	Done	
Maintenance according to plan better than 1 % Overdue non-critical jobs	0,5%	Maintenance according to plan better than 0,6 % Overdue non-critical jobs
Engine health 9/10	Engine health 9/10	Engine health 9/10
Fuel optimisation potential better than 1 %	0,8%	Fuel optimisation potential better than 0,8 %
Participation in the research project Smart Maritime and CLIMMS	Yes	Continued participation

LIFE IN SEA AND ON LAND

2020 target	2020 progress	2021 targets
Zero spills to sea	Zero	Zero spills to sea
100 % compliance with IMO and local scrubber washwater requirement	Yes	Continued 100 % compliance with IMO and local scrubber washwater
Zero non-compliance with Marpool Annex I and IV	Yes	Continued Zero Non Compliance with Marpool Annex I and IV
Retrofit of ballast system Clipper Odin (last vessel)	Done	
Maintenance according to plan better than 1 % Overdue non-critical jobs	0,5%	Maintenance according to plan better than 0,6 % Overdue non-critical jobs
Engine health 9/10	Engine health 9/10	Engine health 9/10
Fuel optimisation potential <1 %	0,8%	Fuel optimisation potential better than 0,8 %
Pre-project participation in research project EMERGE	Done	Participation in research project EMERGE

SOCIAL PERFORMANCE DASHBOARD

COMMUNITY ENGAGEMENT

2020 target	2020 progress	2021 targets
Provide access to LPG as a clean source of energy and ammonia as a potent fertilizer	Yes	Continue as in 2020
Support the communities where we operate	Yes	Continue as in 2020
Support NSA cadet programme in Manilla	Yes	Continue as in 2020
Officer and crew conferences in Stavanger and Manilla	Yes	Continue as in 2020
100 % compliance in Living the Vision programme	98%	100 % compliance in Living the Vision programme
Live up to our Mission statement: To be an industry leading provider of LPG and petrochemical tonnage to our clients in the safest, cleanest and most cost-effective manner	Yes	Continue as in 2020

HEALTH AND SAFETY

2020 target	2020 progress	2021 targets
Work systematically to ensure the health, fitness and safety for all crew and employees, both at work and home	Yes	Continue as in 2020
Zero LTI	Yes	Continue as in 2020
Sick leave Solvang (sea/ashore) less than 1 %	0,44 / 1,15%	Sick leave Solvang (sea/ashore) less than 1 %
100 % compliance in Living the Vision program	98%	100 % compliance in Living the Vision program
Systematic training of our chefs	Yes	Continue as in 2020
Pre-medical screening of our Filipino seafarers	Yes	Continue as in 2020
Health insurance and pension for all seafarers	Yes	Continue as in 2020
Participate in Shell safety program	Yes	Continue as in 2020

EMPLOYEE RELATIONS		
2020 target	**2020 progress**	**2021 targets**
Provide good working conditions and fair salaries that reflect the individual's qualifications, regardless of gender	Yes	Continue as in 2020
Recruiting, educating and retaining a skilled workforce	Yes	Continue as in 2020
Systematic on-the-job training trough Living The Vision Programme	Yes	Continue as in 2020
Participate in research project Smart Maritime and CLIMS pre-project Emerge	Yes	Continue as in 2020
Cadets on each ship 0,8%	OK	Continue as in 2020

DIVERSITY AND INCLUSION		
2020 target	**2020 progress**	**2021 targets**
Managing "happy ships" with happy, motivated and proactive employees	Yes	Continue as in 2020
Encouraging diversity and inclusion at work and at home	Yes	Continue as in 2020
Retention rate more than 90%	99,5%	Continue as in 2020

GOVERNANCE PERFORMANCE DASHBOARD

GOVERANCE AND COMPLIANCE		
2020 target	**2020 progress**	**2021 targets**
54 technical inspections (FM) (2 per vessel)	Yes	Continue as in 2020
135 internal audits (MS) [-] (5 per vessel)	Yes	Continue as in 2020
Average number of observations Class 0	0,2	Average number of observations Class 0
Zero detention	Yes	Continue as in 2020
Observation Port state < 0,5	0,6	Observation Port state < 0,5

Summary: Our roles in the big goals

We enable efficient food production

About 90 percent of ammonia produced is used in fertilizer, to help sustain food production for billions of people around the world. Six Solvang vessels transport ammonia worldwide.

Our ethylene fleet transport feedstock for many products, and without the packaging the food losses would be much larger than today.

READ MORE ON PAGES 18 AND 31

We learn every day

The quality of our service is totally dependent on education and training of our seafarers. Solvang is actively supporting the NSA cadet programme in Manila and arranges inhouse officer and crew conferences where courses and training are important parts of the programme.

Solvang «Living the Vision» programme is an-on-the job HSEQ training programme which comes in addition to the flag state's mandatory training.

READ MORE ON PAGES 42 - 45

We care for our people

This statement is supported by our health policy and is one of the main focus areas in Solvang's «Living the Vision programme».

Our officers and crew members must have the physical and mental strength to meet challenges that confront them every day. We know a healthy lifestyle contributes to well-being, and therefore it has a high priority at Solvang.

We want all employees aboard our vessels to take care of their bodies and minds. Appropriate ergonomics, sufficient exercise and healthy meals are important for the body's machinery. For us, health is an important component in ensuring satisfactory performance.

READ MORE ON PAGES 42 - 45

We choose competence

5 GENDER EQUALITY

International shipping is male dominated, but Solvang employs people according to knowledge, skills and attitude, not gender.

Women and men have equal opportunities to qualify for all types of jobs and positions, and they have equal opportunities for promotion. Working conditions are deemed to be good. Salaries reflect the individual's qualifications, regardless of gender.

A trustworthy provider

7 AFFORDABLE AND CLEAN ENERGY

Solvang aims to be an industry leading provider of LPG and petrochemical tonnage to our clients in the safest, cleanest and most cost-effective manner.

LPG used in industry and households is one of the cheapest and simplest energy sources available. Propane can be used as cooking fuel or fuel for engines with the same after treatment as ordinary gasoline or diesel.

As part of our industry, Solvang makes a valuable contribution in transporting this energy source around the world.

READ MORE ON PAGES 47 - 51

Focus on «happy ships»

8 DECENT WORK AND ECONOMIC GROWTH

One of Solvang's main goals is to have happy, motivated and proactive employees, and this is not possible without good working conditions.

One of our main goals is to provide profits for our owners. Our employees receive decent salaries. This provides further growth in the country of residence, through spending and taxes.

MLC is an integral part of our quality system, and all our vessels sail under the Norwegian flag (NIS) where the laws and regulations secure compliance with all legal standards.

Developing eco-friendly vessels

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Solvang has a long story for cooperation with both industry/ academia/research organisations and started a programme for green shipping for the future back in 2010.

Solvang is an active partner in Smart Maritime, the Norwegian Centre for improved energy efficiency and reduced harmful emissions.

READ MORE ON PAGES 47 - 51

Life Cycle Analysis (LCA)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Solvang follows a well-to-wake strategy, which means we avoid exchanging HFO for a distillate bunker fuel when possible. Life-cycle efficiency is our pledge. Such a transfer would lead SOx and other substances in HFO to be emitted into the atmosphere from other sectors, like coal and oil power plants burning the residuals for power generation.

Solvang´s carriers reduce consumption of both bunker fuel and natural resources like lube oil and chemicals.

READ MORE ON PAGES 47 - 51

Our climate actions

13 CLIMATE ACTION

Vessel performance monitoring is a critical tool when assessing the efficiency of Solvang´s innovations during commercial operation. In 2008, Solvang initiated the in-house program for vessel performance monitoring. Since that year, Solvang has collected and reported environmental performance, systematically deploying our findings into continuous improvement of operations into environmental operations, and into newbuildings. Competency, knowledge and Life-Cycle Analysis (LCA) are key elements in Solvang's climate actions.

READ MORE ON PAGE 47 - 51

No harm to life in water

14 LIFE BELOW WATER

As part of our sustainability work Solvang has identified and assessed all effluents to the sea. The effluents are rated as significant or non-significant, and programs for monitoring and controlling are in place. This is an important part of our ISO 14001 certificate and compliance.

Our obvious goals are to reduce operational discharges as much as possible and achieve zero spill caused by accidents.

All vessels have approved ballast treatment plant and biofouling plan, all discharges from the EGC are measured 24/7, and the EGC has water treatment in open loop.

READ MORE ON PAGES 53 - 61

No harm to life on land

15 LIFE ON LAND

Exhaust emissions from our engines is the main source to influence on life on land. Our assessments have shown the following significant aspects:

- CO2 (global warming)
- SOX (cloud formation and acid rain)
- NOX (cloud formation and acid rain, ground level ozone)
- Particles (visible smoke, health risk)
- THC (global warming, ground level ozone, health risk)
- CO (health risk)

Solvang has established programs for monitoring/ controlling and reducing emissions related to all these aspects.

READ MORE ON PAGES 53 - 61

Peace, justice and strong institutions

Substantially reduce corruption and bribery in all their forms.

Solvang has introduced 'Ethical Guidelines' comprising our core values, responsibility for an ethical and conscientious relationship with stakeholders, and a 'Supplier code of conduct' embracing the UN GlobalCompact.

Solvang is also a member of the Maritime Anti-Corruption Network (MACN) and will comply with the good corporate practices in the maritime industry described in their operating charter.

READ MORE ON PAGES 63 - 64

International shipping

International shipping brings people together from all parts of the world. Solvang is a good example of this.

Run in a good way, international shipping has a lot of positive effects that rarely make the media headlines. Solvang's goal is not only to be in compliance with rules and regulations, but to contribute to a high standard for quality shipping around the world. The world trade depends on shipping – and we strive to increase our positive impact on our surroundings the best we can.

READ MORE ON PAGES 63 - 64

We care for our people

Our officers and crew members are – and must be – physically and mentally fit to meet challenges that confront them every day.

We know a healthy lifestyle contributes to well-being, and therefore it has a high priority at Solvang. This is supported by our health policy and is one of the main parts in Solvang's «Living the Vision programme».

Our target is always that all employees aboard our vessels and in the offices take care of their bodies and minds. Finding a good balance both physically and mentally is vital.

Sick leave in Solvang 2020

Year	Sea	Office
2020	0.44%	1.15%
2019	0.25%	2.19%
2018	0.81%	0.49%

Turnover + retention rate 2020

Year	Sea retention rate*	Office turnover
2020	99.50%	0.00%
2019	98.00%	0.00%
2018	99.00%	7.30%

*Retention rate according to BIMCO

Mental health

Mental health was one of the main topics in our Living the Vision programme in 2020. This was followed up in several Living the Vision meetings during the year as the consequences of the pandemic became evident. Meetings focusing on Shell's resilience programme Let's Talk (from Maritime partners in safety) have also been conducted. Online mental training is mandatory for our seafarers who are in quarantine. This is a 1-day seminar by NTCM (Norwegian Training Centre Manila) focusing on mental health and what awaits them when they sign on in the current situation.

Nutrition and exercise

Solvang has a victual cooperation with the Thome Group, and all our cooks are trained according to an extensive catering programme, which covers menu planning, nutritional elements, etc. Solvang's goals for health and nutrition on board is described in our Health and Nutrition policy, which provides guidance to all employees onboard Solvang's vessels on how to choose healthy food.

In 2020, we focused on exercise and wellness on board with the programme "Fittest in the Fleet" and social activities like movie nights, bingo, karaoke, Christmas decoration contest etc. The welfare funds were also expanded for purchase of equipment and prizes. This was done in cooperation with the seafarers in a common effort to remove focus on Covid-19 and loneliness and improve the team spirit on board in the fleet.

Cooperation with Halcyon Healthcare

Solvang has been cooperating with Halcyon Healthcare Clinic in Manila Philippines for premedical (PEME) screening of our Filipino seafarers for more than a decade. Everyone who signs on a Solvang vessel from the Philippines undergoes a NIS (Norwegian) medical

Together with Thome, we have also initiated an annual "Solvang Best galley competition" in which health and nutrition are vital elements.

check-up. We also cooperate with GARD (our P&I club) for extensive PEMEs for all Filipino seafarers. This is an extensive health examination which ensures the seafarers' medical condition and health before signing on. Everyone also undergoes a BMI test and a conversation with medical personnel related to the importance of their diet, nutrition and regular exercise for staying healthy.

This is important. In recent years, it has been a challenge for some of our employees that they have a healthy lifestyle on board, but they fail to maintain this when at home. Solvang has the mantra "healthy on board, healthy at home". This includes follow-up of seafarers on vacation via Halcyon Healthcare Clinic. It has also been a focus area in «Living the Vision» where the seafarers have been challenged to focus on personal goals and make plans to ensure a healthy lifestyle at home between contracts.

Health insurance and pension

Solvang has comprehensive health insurance for our employees. Norwegian seafarers are covered by Norwegian social security, and all other nationalities are insured through Marine Benefits. This insures the employees and their families and covers doctor visits, sickness, hospitalisation. The system is cashless, so the employee books an appointment via the insurance company without paying in advance.

Solvang also has pension plans for all nationalities not covered by a national pension scheme where an amount of their yearly wage is contributed. Our focus is to create a package that secures good health, stability and security for our colleagues and their families.

Fitness status of Solvang seafarers' pre-departure health examination

Condition	2020	2019	2018	2017
FIT	96.39%	96.70%	98.70%	98.60%
UNFIT	2.86%	2.60%	1.00%	0.80%
EXPIRED	0.75%	0.70%	0.30%	0.60%

Green Shipping: Innovation for the environment

Since 2010, Solvang has pursued an innovation path to bring heavy fuel oil (HFO) operation into compliance with the strictest NOx emission control. The climate gain is significant.

Affordable energy made clean

Solvang aims to be an industry leading provider of LPG and petrochemical tonnage to our clients in the safest, cleanest and most cost-effective manner. We make an inexpensive and simple energy source available for cooking or other purposes.

As an active part of Smart Maritime, Norwegian Centre for improved energy efficiency and reduced harmful emissions, Solvang is applying research to bring down harmful emissions from our operation. As part of our goal, we work to further minimise our climate impact by making sustainable methods and technology available to other ship owners through public research.

Solvang´s ECO innovation started with monitoring vessels´ performance and emission in the entire fleet, carrying LPG across the world´s oceans, propelled by HFO. In 2013, Clipper Quito was awarded our first ECO-LPG carrier status. Today, Solvang has 12 vessels in this category, fuelled by affordable energy made clean through significant emission reductions. Our development procedures encompass cycles of monitoring, measurement and optimisation of engines, exhaust cleaning systems, hulls, propellers, thrusters and more systems.

The results so far show reduction in fuel consumption and CO2 emissions by 50 percent, NOx emissions by 65 percent, and SOx by nearly 100 percent. Our statement is that engine technology/maintenance and operation are more important than the type of fuel when looking at the harmful emissions to air.

Innovation of operation

The core of Solvang´s ECO concept is to optimise all parts of the operation in order to reduce our climate footprint and achieve more cost-efficient transport at the same time. We remove NOx from the exhaust without increasing CO2 emissions from HFO operation. This way of approaching NOx Tier III regulations is not driving costs, and it is made possible only with highly efficient ECO technology.

Solvang works in joint venture with engine and scrubber manufacturers, and the SINTEF maritime research institute to perform research and development. Together, we aim to demonstrate the viability of deploying a scrubber with washwater cleaning plus an exhaust gas recirculation unit in order to access all emission control areas (ECAs) while sustaining HFO operation.

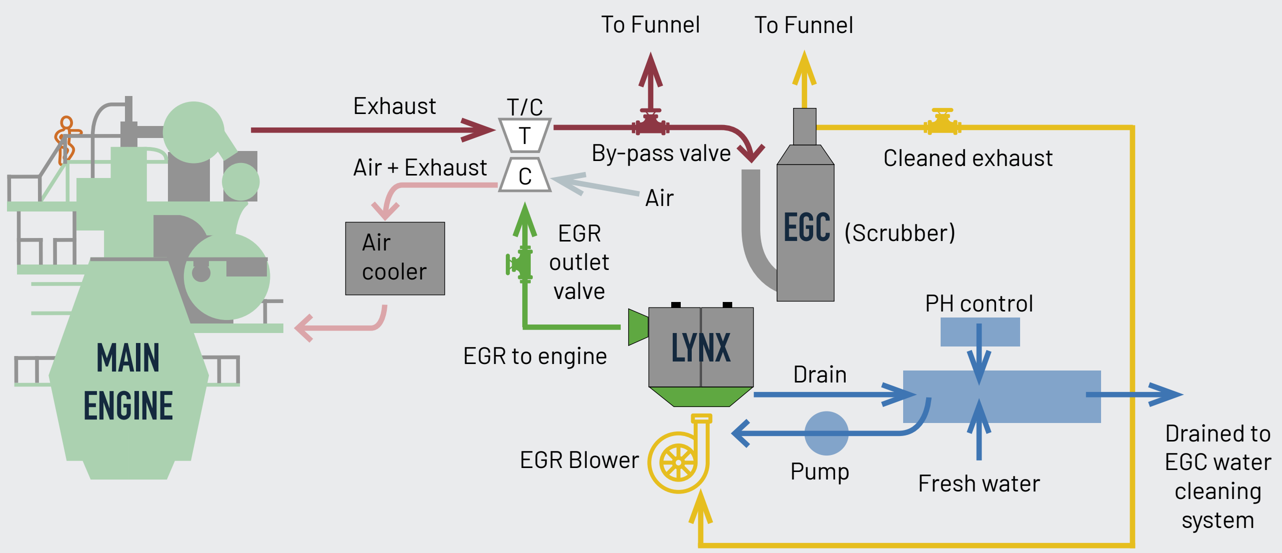
Since 2015, we have tested an open loop scrubber with washwater cleaning, in combination with exhaust gas recirculation, improved support engine operation, cooling water systems, hull and rudder innovation, and all the other elements of energy consumption on transportation. The experiment is carried out during commercial operation onboard Clipper Harald, an ethylene carrier fuelled by HFO. After the pilot vessel, we have added six more carriers to the project at Smart Maritime Center for Research-based Innovation.

Our third-party water analyses generate emission data coherently sampled for thousands of hours on various engine loads. The data is cross-checked and validated against data from historical sampling campaigns without the environmental technology.

The ensuing figures conclude that scrubber washwater is non-toxic for all 35 components measured. Among them, polycyclic aromatic hydrocarbons (PAHs) were at a mere 10 percent of the minimum level, PAH carceniogenics close to none-detection, and nitrates close to zero. Values for specific PAHs, a.o. fenantren, fluoranten and pyren are higher than in good quality water, but far below poor quality. The only substances not reduced by water treatment, are nickel and vanadium. The amounts emitted through washwater are still too miniscule to represent a significant impact on ocean water concentrations of those metals.

Solvang LP-EGR

EGR = Exhaust Gas Recirculation

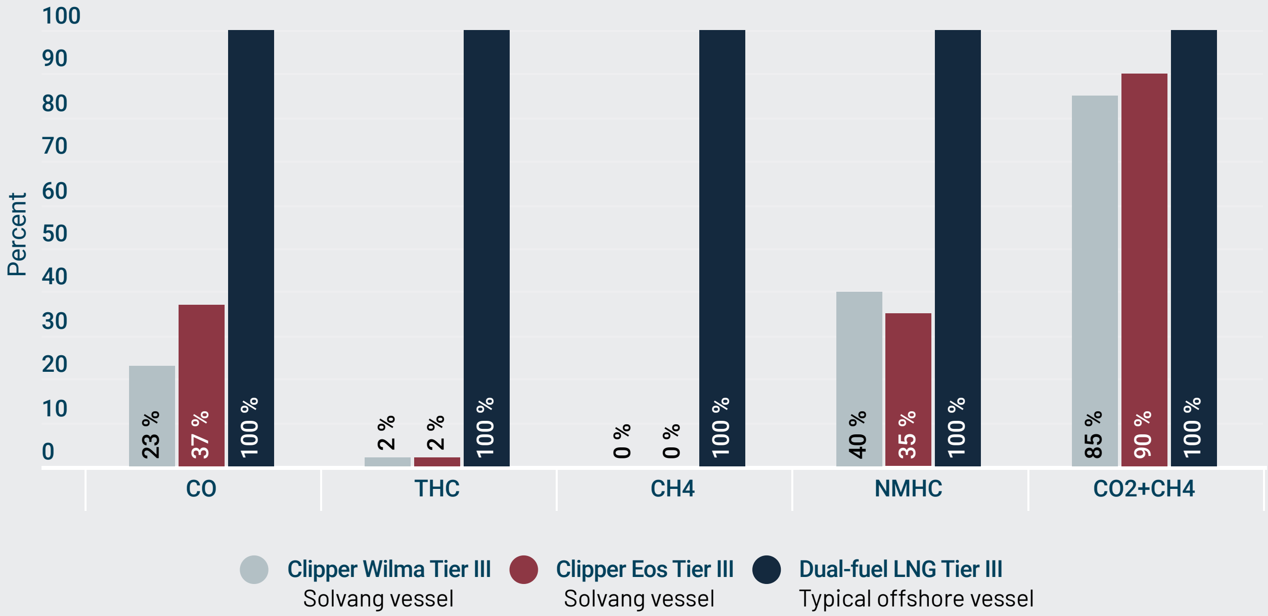


Model of scrubber setup on Clipper EOS

Comparison of HFO and LNG fuel NOx Tier III operation

Our 2-stroke slow speed heavy fuel oil engines + scrubber + Solvang's low pressure EGR compared to "Lean burn" dual fuel 4-stroke Medium Speed Engines (LNG) typical offshore supply vessel etc.

This documents our statement that engine technology/maintenance and operation are more important than the type of fuel when looking at the harmful emissions to air.



Please refer to SINTEF report "GHG and NOx emissions from gas": https://www.nho.no/siteassets/nox-fondet/rapporter/2018/methane-slip-from-gas-engines-mainreport-1492296.pdf and DNV sertified measurements for Clipper Wilma and Clipper EOS, see our webpage.

From well to wake

Albeit designing a sustainable propulsion system for deep sea shipping, the industry can´t get around fossil energy sources. Renewables like batteries or bio-fuels are still not economically viable for carrying large volumes over long distances. This is clearly demonstrable by the fact that 80 percent of the world´s ocean freight currently runs on HFO/VLSFO.

In this perspective, Solvang aims to minimise operational and indirect emissions and to avoid any spills to the environment. We follow a well-to-wake strategy, which means we avoid trading in HFO for a distillate bunker fuel when possible. Such a transfer would lead SOx and other substances in HFO to be emitted into the atmosphere from other sectors, like coal and oil power plants burning the residuals for power generation. Instead, Solvang provides emission reductions throughout the cycle of HFO, leaving nothing out of the climate account.

High quality HFO has excellent technical properties and the highest heating value per cubic of all fuels. This means Solvang´s carriers achieve the highest cargo capacity of the bunker fuel. Reduced consumption normally means lower harmful emissions. We also achieve conditions to establish optimal maintenance intervals and operational procedures.

SDG12 measures against direct emissions:

- ISO 14001 certification for securing continuous improvement
- Garbage management plan
- Environmental evaluation of new products
- Environmentally friendly technology
- Optimal operation to reduce consumption
- Maintenance according to the vessel's maintenance systems (PMS)
- Collaboration with suppliers and customers to improve environmental performance

SDG12 measures against indirect emissions:

- Involvement and accountability for all employees onboard and ashore to minimise emissions
- Optimised transactions related to travels, procurement, shipments and maintenance

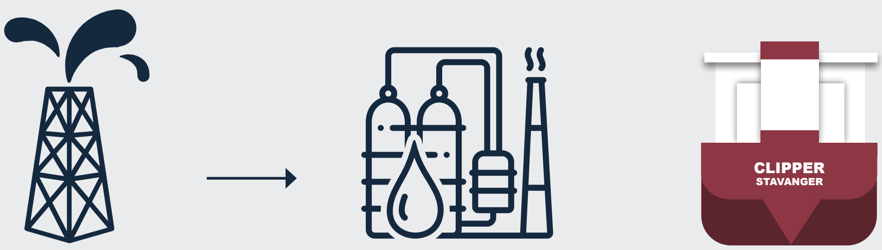
What is well-to-wake?

Solvang´s approach to GHG covers all emissions from fuel/energy consumption.

Well-to-tank (WTT) includes the whole upstream chain from production, processing and transport to the refinery, refining, optionally transport to the ship, and bunkering operations.

The tank-to-wake part includes the GHG emissions from combustion of the fuels or alternatively the emissions from any other chemical or electrical process onboard to propulsion power or any other power used onboard.

Our goal is to minimise total energy loss from well to wake.



	Well	Transport	Fuel raffinery	Engine wake
Energy loss	Ca 2 - 5 % loss when producing	1 - 3 % loss when transporting	Gasoline approx. 12 % loss Diesel approx. 8 % loss HFO 0% loss (residual from high value products)	More than 50% efficiency to propeller. Loss from cooling and exhaust is utilised for operation.

The energy loss depends on oil fields, type of oil and transportation.

Climate action

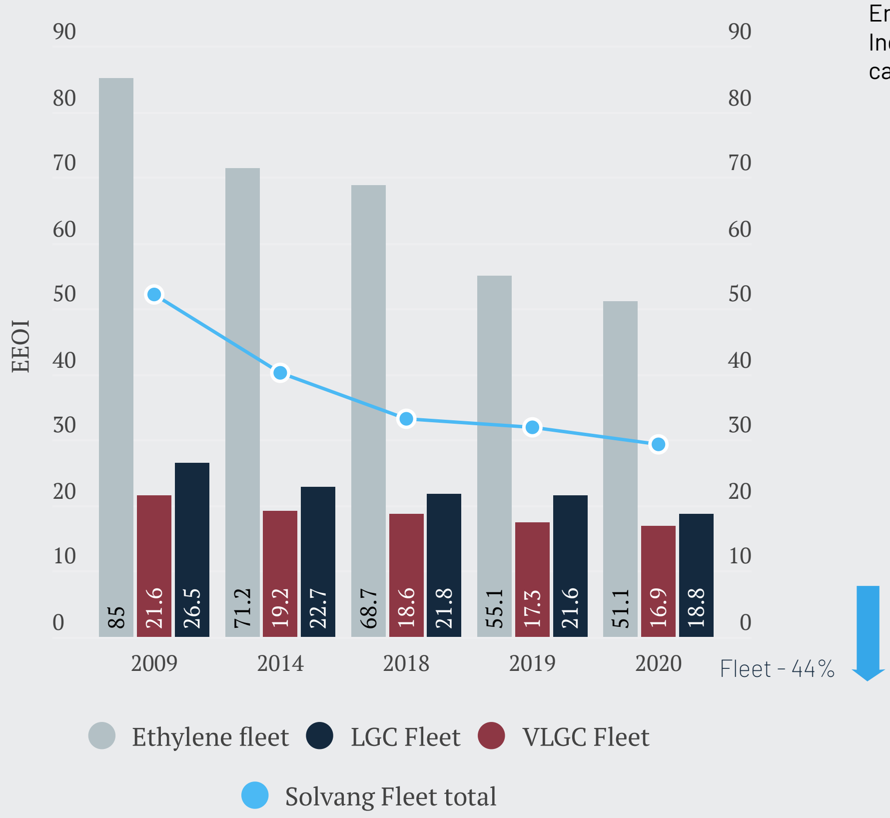
Solvang´s strategy is to stay ahead of national and IMO regulations by applying ongoing research to our vessels´ operation. Vessels performance monitoring is a critical tool when assessing the efficiency of Solvang´s innovations during commercial operation. In 2008, Solvang initiated the in-house program for vessel performance monitoring. First, we joined WG5, a partnership between five leading Norwegian shipping companies and The Norwegain Ship Owners Association. We also recieved support from the Norwegian Government. The partnership has collaborated extensively to achieve more environmentally friendly operations at sea. Later, we continued our engagement by entering the Center for Research-based Innovation Smart Maritime. Solvang supports the vision "Greener maritime transport", which aims to enable the Norwegian maritime cluster to be world-leading in environmentally friendly shipping by 2025. This position should be achieved through innovative use, improvement and combination of technologies measured not only by cost, energy and emission figures, but also in terms of increased revenues for the maritime industry.

Among the statistical findings which stand out as examples of the possibilities for the maritime industry, we would like to emphasise this one:

The relationship between CO2, CO, THC (unburnt fuel) and greenhouse gases from NOx Tier III operation shows that emissions from 2-stroke HFO operation with scrubber combined with low-pressure EGR, is lower than emissions from dual fuel lean burn 4-stroke LNG operation.

Read more about Smart Maritime´s work package "Power systems and fuel" on smartmaritime.no/work-packages/

Energy Efficiency Operational Indicator 2009 – 2020



EEOI

Energy Efficiency Operational Indicator. CO2 emissions per ton cargo.

Our impact on life below sea and on land

All human activity including ours has an impact on life on land and in the sea. Our goal is to minimise operational and indirect emissions, and strive for zero spills to the environment.

As part of our environmental certification ISO 14001, Solvang has established an overview of our environmental footprint to sea and land, and rated our impact as "significant" or "non-significant". All classified as "significant" have programs for controlling/monitoring and reducing our impact.

To reduce our environmental footprint, we need to deal with all important aspects – preferably at the same time. In fact, reduction of one parameter very often implies an increase in other aspects – which makes this quite challenging. Therefore, the vessels' design will be a compromise between different aspects. Most of the environmental aspect are also covered by rules and regulations.

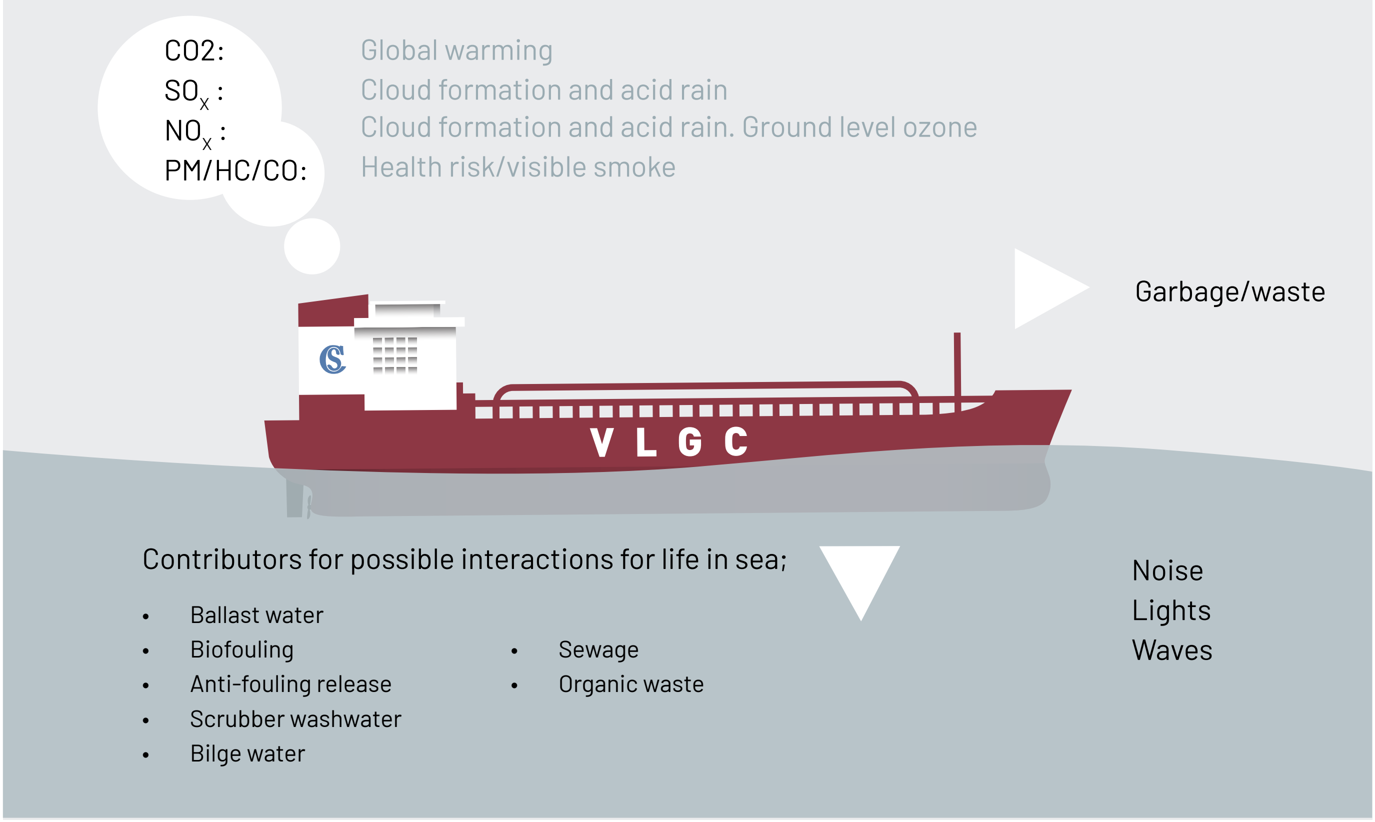
Our environmental footprint depends on operation and maintenance of the equipment on board. Wrong operation or poor maintenance can result in emissions far above the expected levels.

Life on land – exhaust gas emissions

Green shipping is very often reduced to a question of fuel, and vessels with a lot of black smoke are often followed by statements like "we need to get cleaner fuel". But in fact, fuel has very little to do with extensive black smoke. The environmental footprint from our engines and boilers is made up from the interaction between fuel and engine technology, operation and load profile, maintenance and after-treatment of exhaust and/or other discharges. NOx, CO, THC and particles are controlled by the combustion process/after-treatment of the exhaust gases and not the fuel. This means that focus on engine technology/maintenance and operation is more important than the type of fuel when looking at the harmful emissions to air.

Focus on engine technology/maintenance and operation is more important than the type of fuel when looking at the harmful emissions to air.

Environmental aspects for vessels



NOx IMO annex VI

The NOx control requirements of IMO Annex VI apply to installed marine diesel engines of over 130 kW output power, other than those used solely for emergency purposes irrespective of the tonnage of the ship onto which such engines are installed.

The Tier III controls apply only to the specific ships while operating in Emission Control Areas (ECA) established to limit NOx emissions. Outside such areas the Tier II controls apply. In accordance with regulation 13.5.2, certain small ships would not be required to install Tier III engines.

A marine diesel engine that is installed on a ship constructed on or after the following dates and operating in the following ECAs shall comply with the Tier III NOx standard:

January 1st 2016 and operating in the North American ECA and the United States Caribbean Sea ECA; or

January 1st 2021 and operating in the Baltic Sea ECA or the North Sea ECA.

SOx – IMO 2020

1. January 2020, a new limit on the sulphur content in the fuel oil used in ships came into force, marking a milestone to improve air quality, preserve the environment and protect human health.

Known as "IMO 2020", the rule limits the sulphur in the fuel oil used in ships operating outside designated emission control areas to 0.50% m/m (mass by mass) - a significant reduction from the previous limit of 3.5%. Within specific designated emission control areas the limits were already stricter (0.10%). This new limit was made compulsory following an amendment to Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL).

The resulting reduction in sulphur oxide (SOx) emissions from ships gives major health and environmental benefits to the world, particularly for populations living close to ports and coasts. Sulphur oxides are harmful to human health, causing respiratory, cardiovascular and lung disease. Once released in the atmosphere, SOx can lead to acid rain, which impacts crops, forests and aquatic species and contributes to the acidification of the oceans.

Exhaust gas cleaning

An alternative way to change to a low sulphur fuel is to install an exhaust gas cleaning system called seawater scrubber. The system has been used since the 1930s ashore. This is a preferred way to remove pollutants from exhaust in coal or oil-fueled power stations and other industry with seawater available.

The extra fuel consumption from running an exhaust gas cleaning system is approximately 2-3 percent. This means removing emissions from an HFO-fuelled ship will increase the total CO2 emissions, either by 10-15 percent if HFO is cracked in a refinery, or by 2-3 percent if done by an on-board scrubber.

A seawater exhaust cleaning system (scrubber) normally has an efficiency ratio exceeding 98 percent, limiting the SOx emissions to the air to a comparable fuel with sulphure content less than 0,1 % S. It also removes a considerable part of the soot and other particles, the exact ratio depending on the technical system.

Given a total evaluation including environmental performance, cost, flexibility, operational complexity and safety, HFO together with exhaust gas cleaning has so far been the best solution for us in Solvang. Heavy fuel oil is available all over the world, it is a safe and technically excellent fuel for deep sea shipping, and it also gives maximum fuel capacity and operational flexibility. At the moment, Solvang has 15 of 27 vessels equipped with exhaust gas cleaning systems.

For more information, please visit our web page solvangship.no.

CO_2 – GHG

What does the initial IMO GHG strategy say?

The initial IMO strategy's goal is a reduction in greenhouse gas emmissons of international shipping:

- Reduce emissions per DWT per nautical mile on average by at least 40% by 2030, compared to 2008.
- Reduce emissions per DWT per nautical mile on average by at least 70% by 2050, compared to 2008.
- Total annual tonnes GHG emissions released from international shipping should be reduced by at least 50% by 2050 compared to 2008.

The strategy includes a specific reference to "A pathway of CO_2 emissions reduction consistent with the Paris Agreement temperature goals".

Reducing greenhouse gas emissions from ships

CO_2 is the only greenhouse gas that is given directly from the amount of fuel and the fuel's carbon factor. Solvang's approach is to design and operate our vessels to use as little fuel as possible. This reduces our CO_2 emissions and all other emissions to air.

Greenhouse gasses are a global challenge and not a local problem. The logical approach must therefore require an assessment of the complete energy cycle, from well to wake.

50% cut by 2050

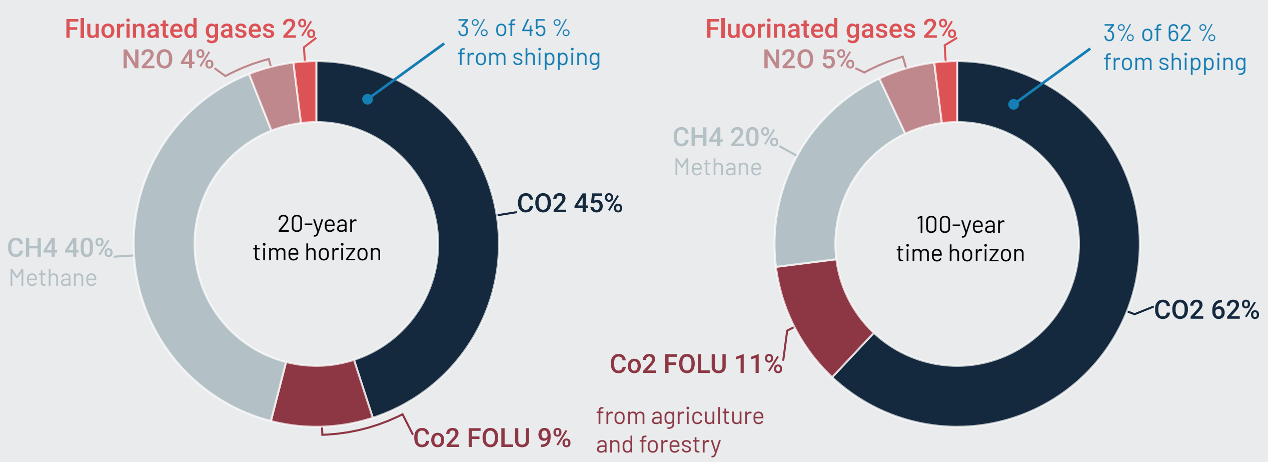
Total annual GHG emissions compared to 2008

Taking a fuel life-cycle approach to reach the ambitious IMO goals, we find that the potential reduction of GHG gases from fossil fuels are minor, around 10-15% in total. The IMO goals are 50-70%.

If we include methane slip (very potent GHG) we find that the total GHG emissions from low carbon fuels are in many cases higher than conventional fuels. Methane is a very potent gas, and it must be included in the full picture of GHG emissions. See figure below.

Well-to-wake categorisation of the fuels is under development. Standards for including other types of climate gases into the GHG calculation, especially methane slip and N_2O, are under development.

Global man-made GHG emissions in 2010

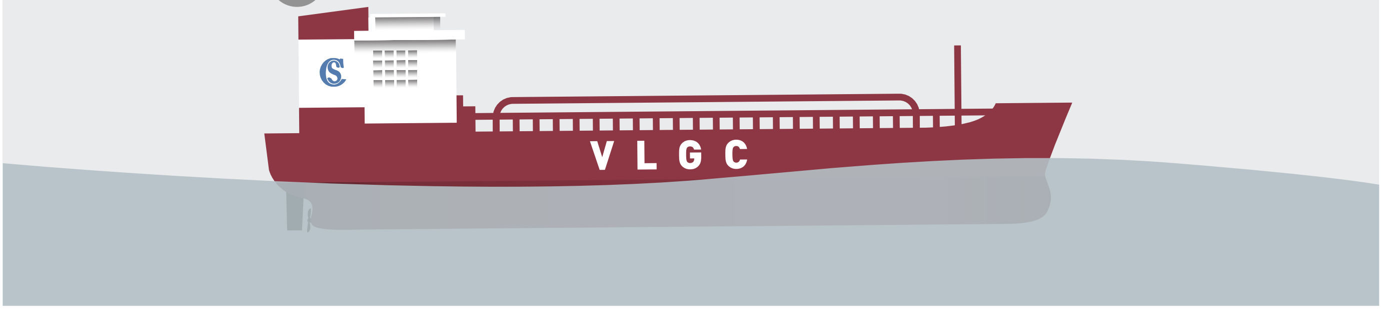


We have to look at the full picture of GHG to make a real difference, and not only comply with regulations. Methane has a different weight as GHG depending on the time horizon for decomposition. The figure above shows the difference between 20 and 100 years.

Environmental footprint is the result of interactions between fuel and engine technology.

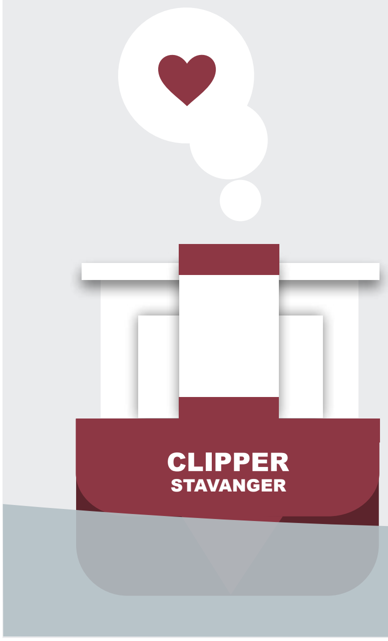
Variables

- Engine type/working principle
- Operation load profile
- Maintenance (very important)
- Treatment of exhaust and/or discharge



IMO is developing new life-cycle carbon-equivalent factors (LCCF) covering well-to-wake to replace the conventional categorisation of the fuels. The factors strongly support our philosophy that scrubber installations are effective in limiting the total GHG emissions instead of changing to LSFO (0,5%S).

Hull design/engine type and fuel are given during the construction of the vessel, but operation and maintenance will decide the environmental footprint during the lifetime of the vessel.



Taking care of the vessel

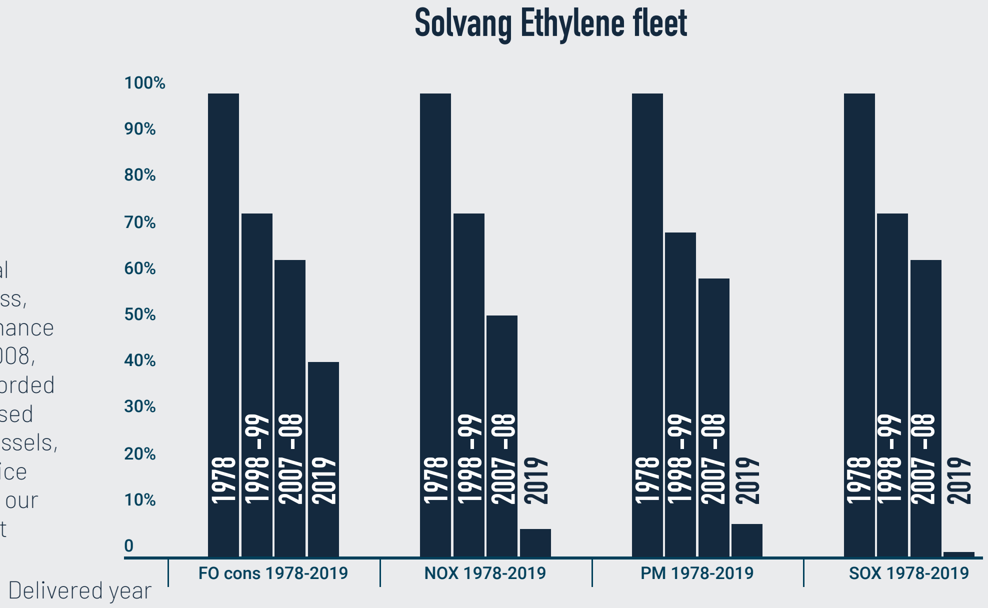
Our environmental footprint depends on operation and maintenance of the equipment onboard. Wrong operation or poor maintenance can increase emissions far above the expected levels.

Variables

- Continuous improvements, increased knowledge
- Maintenance
- Retrofits and technical improvements
- Optimal speed and route
- Cooperation between ship master, customers and organisation

Continuous improvement and environmental focus – What have we achieved?

Reduction of our environmental footprint is a continuous process, which requires reliable performance data from the vessels. Since 2008, Solvang has systematically recorded vessel performance data and used this for benchmarking sister vessels, develop best operational practice and feed this into the design of our newbuilt ECO LPG carriers (first delivered in 2013).



Discharges to sea

Under normal operation, operational discharges to the sea are small and we have chosen to consider the following categories:

Ballast water

Ballast water is regarded as a high-risk emission source, as the ballast water contains marine sediments and organisms. When ships sail across the world with ballast water, species are transferred into waters where they do not belong, and they become a threat to the original marine life. This may damage the local ecosystem and could give severe consequences.
Solvang has installed ballast water treatment systems on board our vessels since 2013. In 2020, the last vessel in our fleet was fitted with ballast water treatment system. This means that all ballast water has been treated on all vessels since 2020.

Biofouling

The introduction of invasive aquatic species to new environments by ships has been identified as a major threat to the world's oceans and to the conservation of biodiversity. A multitude of marine species, carried either in ships' ballast water or on ships' hulls, may survive to establish a reproductive population in the host environment, becoming invasive, out-competing native species and multiplying into pest proportions.
Solvang's approach is to use high quality antifoulings which prevent marine growth and constantly monitor hull resistance. In case of marine growth, this is removed by hull cleaning at the first opportunity.

Anti-fouling

Toxic discharges from the vessels' anti-fouling systems harming the environment, have led to a worldwide prohibition of coatings containing TBT. All old vessels are now coated with TBT-free anti-fouling systems, and of course all newbuildings are fitted with TBT-free coatings.

Solvang works closely with suppliers, in order to find and use anti-fouling solutions which will ensure the hull's environmental efficiency throughout the docking period.

Bilge water

All bilge water is run through the bilge water separator and each run shall be registered in the oil register. These discharges are covered by MARPOL 73/78 Annex 1. All waste oil and sludge is burned in the incinerator or delivered to an approved receiving plant onshore.

Sewage

Sewage is defined as discharges from toilets, urinals and holding tanks. MARPOL 73/78 covers these discharges, and our vessels have holding tanks that are in accordance with international regulations. Sewage dumping is only allowed when the distance from the shoreline is at least 12 nautical miles. For disinfected or finely dispersed sewage, the minimum distance is 4 nautical miles. In both circumstances the vessel shall be moving. The Company will abide by all directives in this area, but with a crew of about 25 persons, we do not consider our discharges to be a major burden to the environment.

Oil

Under normal circumstances there will be no operational discharges of oil, but oil discharges may occur from thrusters and propeller shaft casings. The key to minimise these discharges is good maintenance. The oil consumption on these systems is monitored precisely. All vessels are also using bio-oil for systems where oil leakage to sea is possible, i.e. tail shaft thrusters etc.

Scrubber washwater

The SOx removed from the exhaust are converted to sea salt by the alkalinity (mainly calsium carbonate) in seawater.

To secure no harm to sea IMO sets limits to discharges to the sea from exhaust gas cleaning systems (scrubbers). Discharge values are monitored 24/7 and records are kept available for inspection at any time, in addition to chemical washwater analyses.

The rules apply to vessels at berth, requiring PH> 6,5 measured 4 meters from the ship´s side. Verified compliance is part of the vessel´s certification. PAH, turbidity and PH are measured 24/7 upon scrubber operation, and logs must be available for inspection at any time.

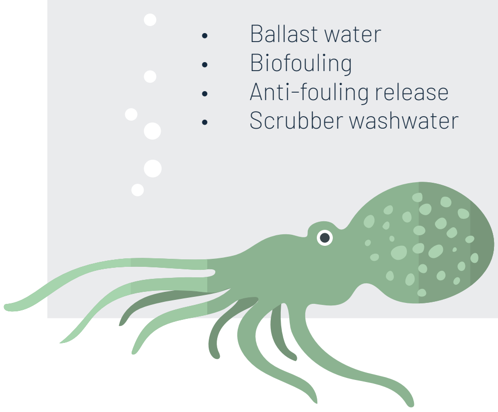
Third-party water analyses have been carried out as part of Solvang´s operation of vessel with scrubber. There are good reasons to believe that the uncertainty created in the press recently, arises from cases with poor water sampling and analytical procedures.

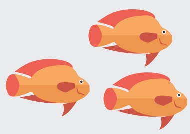
Life in water

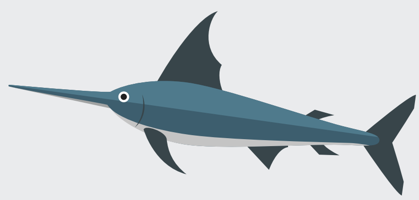
Our goal is to minimise operational and indirect discharges to sea, and strive for zero spills to the sea.

Contributors for possible interactions for life in sea:

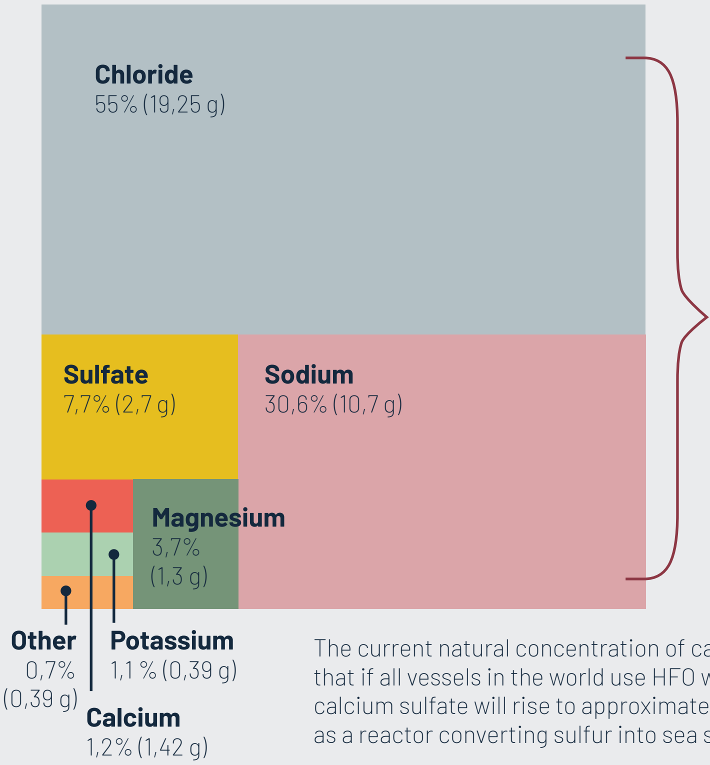
- Ballast water
- Biofouling
- Anti-fouling release
- Scrubber washwater
- Bilge water
- Sewage
- Organic waste



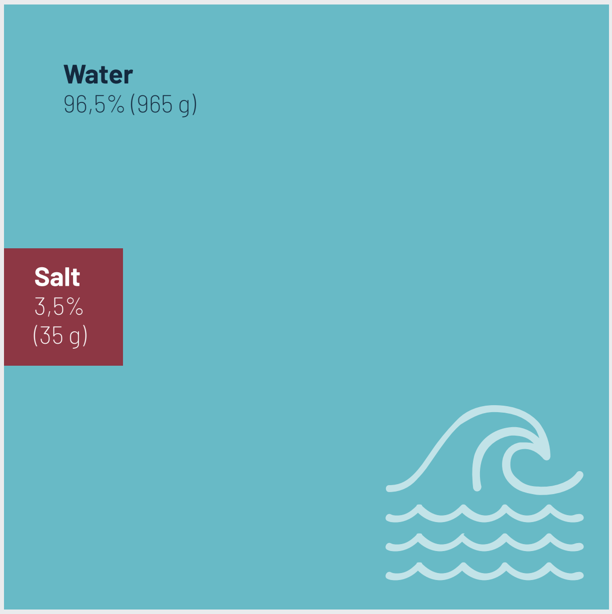




Sea SALT ingredients



Seawater ingredients



The current natural concentration of calcium sulfate in seawater is 2,7 g/l. It has been estimated that if all vessels in the world use HFO with scrubber for another 150 years, the concentration of calcium sulfate will rise to approximately 2,701 g/l. This means a seawater scrubber can be regarded as a reactor converting sulfur into sea salt.

Garbage/waste handling

MARPOL Annex V covers garbage and waste management. Within "special areas" such as the North Sea, it is prohibited to dispose of anything apart from food waste to the sea. Many types of garbage are produced onboard. A garbage management plan is stated for all vessels. Posters for garbage disposal are also displayed on all vessels.

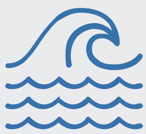
The waste is segregated in different categories and the amount of garbage produced is reported in our vessel reporting system.

Waste management plan

Waste to shore

Plastics
Incinerator ashes
Fishing gear
E-waste
Scrubber sludge/waste

Waste to sea



Food waste
Operational waste
Carcasses

Waste incinerated on board

Domestic waste
Cooking oil
Oil sludge

Done right, we hope our efforts contribute to a positive spiral with positive dialogue and improved standards in an international perspective.

Positive effects from International Shipping

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

International shipping brings people together from all parts of the world. Solvang is a good example of this.

Our vessels are built in South Korea, Germany and Japan with equipment and technology from Norway and other European countries. Employees from South Korea, Poland, Norway, Lithuania, the Philippines and numerous other nationalities contribute to the construction of the new-buildings; our vessels load and unload worldwide, and we are currently employing seafarers and office staff from more than 10 different nations.

To work, this complex structure depends on cooperation across different cultures and professions. We acknowledge that decisions made in Solvang's board room in Norway may have great impact on our employees, their families and the local societies in the Philippines. We take this perspective and responsibility very seriously.

Shipping as an industry is often criticised, but run in a good way, international shipping has a lot of positive effects that rarely make it to the media headlines. Solvang's goal is not only to be in compliance with rules and regulations but to contribute to a high standard for quality shipping around the world. The world trade depends on shipping – and we strive to increase our positive impact on our surroundings the best we can.

This ambition is not achieved over night but is an ongoing process. Our most important "tools" are our core values quality, friendliness, enthusiasm and team spirit. These should shine through everything we do and everyone we meet on our path – colleagues, customers, owners, competitors, public sector, society and the local and global environment. Done right, we hope our efforts contribute to a positive spiral with positive dialogue and improved standards in an international perspective.

As a supporter of the principles in the UN Global Compact, member of Maritime Anti-Corruption Network (MACN) and ISO 14001-2015 certified, Solvang ASA adheres to high ethical and environmental standards in the way we conduct business.

Examples of how we work to improve standards

Ethical Guidelines

Solvang has introduced 'Ethical Guidelines' comprising our core values, our responsibility for an ethical and conscientious relationship with our employees, stakeholders and the societies we are a part of.

The 'Ethical Guidelines' specifically instruct employees to be very careful about giving and accepting gifts or other services; it is not allowed to offer or accept any form of personal fees, provisions or services that may be interpreted as attempts of influencing decisions or give or accept any form of gift or service in relation to negotiations, or as acknowledgements for a specific contract or behaviour.

We promote "the ethical conduct test" using three simple questions (Is it legal? Is it right? Can it be justified?) to guide our decisions in minor or major ethical dilemmas.

Procurement

We have a 'Supplier code of conduct' embracing the UN Global Compact.

As a member of Incentra we use suppliers with high standards within health, safety, environment that meet Incentra Supplier Code of Conduct and provide quality products and services at competitive terms.

All purchase transactions require support documentation such as: A purchase order (subject to Solvang Terms and Conditions for Purchase Orders) or a stand-alone contract (such as a master purchase agreement).

All Solvang purchases of products or services are subject to Solvang Terms and Conditions for Purchase Orders.

Supplier's acceptance of a purchase order indicates acceptance of both the Terms and Conditions, and of the price, currency and shipping date as stated on the purchase order.

Solvang requires an original invoice (also referred to as a tax invoice). Solvang does not allow payment based on either pro forma invoices or statements. Invoices must meet Solvang requirements for payment.

International custom regulations require duty to be paid on the true net value of imported goods. Therefore, charges such as packaging, freight, and handling must be itemised separately on all invoices submitted for payment.
The only method of payment used by Solvang is by electronic transfer (direct deposit) – we do not accept cash payment.

The Clean Shipping Alliance

Solvang is a member of the The Clean Shipping Alliance 2020. The alliance represents a group of leading companies from the commercial shipping and cruise industries that have been leaders in emission control efforts and have made significant investments in research and analysis, funding and committing resources to comply with 2020 fuel requirements through the development and use of Exhaust Gas Cleaning Systems (EGCS).

In addition to serving as an advocate for companies working to reduce marine exhaust gas emissions, CSA 2020 will support the scheduled implementation and effective enforcement of the International Maritime Organisation's (IMO) requirement for a 0.5 percent global sulphur cap on fuel content as of January 1, 2020.

Social support

Since more than 95% of Solvang's maritime employees are from the Philippines, it is natural for us to support activities in that country in particular.

Through the Norwegian Shipowners' Association, Solvang has (as one of 12 members) been supporting the SOS Children's Village in Cebu with annual funding for their operations since 2008.

In Norway we also give financial support to various activities like The Norwegian Sea Rescue Society, The Salvation Army and Varmestuens Venner to mention some.

BOARD OF DIRECTORS REPORT

1. INTRODUCTION

The results for 2020 are significantly up from 2019, and comes from an improved LPG market, while the ethylene segment remains flat with 2019 at a fairly muted level. The LPG market stayed strong for most of the year on high export from US and significant inefficiencies like Panama-Canal waiting time, scheduled dry-docks and scrubber retrofits. Solvang benefited from the improved market with renewed time-charter contracts at improved rate levels, as well as having some vessels on market based floating rate. The ethylene segment, which was impacted by the trade war between USA and China in 2019, now for 2020 saw the effect of the global pandemic shutting down production and growth in most countries.

The Group recorded a profit before tax of USD 46.7 million against a profit of USD 5.3 million in 2019. Net Cash flow was negative USD 3.6 million compared to positive USD 15.0 million in 2019. Tax expense was USD 0.2 million, and the Group had a profit after tax of USD 46.5 million against a profit of USD 4.5 million in 2019.

The board of directors proposes to pay dividends of NOK 2,0 for 2020 on the basis of strong results and liquidity, as well as good market outlook in the LPG segment, and an expected improvement in ethylene.

2. OPERATIONS

The company's headquarters are located in Stavanger, Norway, with an additional commercial office in Oslo, and a crewing office in Manila, Philippines. The operation of all the ships, both commercial and technical, are managed from the company's fully integrated shipping organisation.

The company operates and has ownership in 27 ships by year end.

The group's activities are divided into three segments for the transportation of Liquefied Petroleum Gas (LPG), ammonia (NH3) and petrochemical gases:

2.1 Semi-refrigerated / ethylene carriers

This segment includes semi-refrigerated ethylene carriers from 12,000 cbm – 21,000 cbm. The group had nine ships in this segment where the ships operate in the spot market, on short term TC and on consecutive voyage contracts.

2.2 LGC/MGC

This segment is defined as fully refrigerated LPG ships from 59,000 – 60,000 cbm. The fleet consist of 9 LGC ships. In addition, one MGC of 38,000 cbm is also included in this segment. All ships operate on TC with varying length.

2.3 VLGC

This segment is defined as fully refrigerated LPG ships of 75,000 – 84,000 cbm. Solvang has a total of 8 ships in this segment. The group has five Panamax VLGC ships with size between 75,000-80.000 cbm, one VLGC of 82.000 cbm, and two VLGC ships of 84.000 cbm.

The Panamax VLGC's are purpose built for transporting LPG from the Atlantic Ocean and Gulf of Mexico to the west coast of Central America as well as Far East. All vessels are currently on contracts, three of the vessels on long term contract, while the other five are medium to short term.

3. PROFIT

(Figures in parentheses refer to 2019)

Operating income increased from USD 188.8 million to USD 239.3 million, mainly due to full utilization of newbuilds in 2020.

The group's result after tax was USD 46.5 million (USD 4.5 million). The result for the parent company was NOK 3.7 million (NOK 18.7 million).

3.1 Financial items

The group reported net financial items of USD -36.5 million (USD -37.8 million). The corresponding figure for the parent company was a result of NOK -2.2 million (NOK 16.0 million).

3.2 Liquidity and financial strength

At year-end, the group had liquidity consisting of cash totalling USD 40.9 million (USD 44.6 million). The corresponding figure for the parent company was NOK 108.4 million (NOK 96.6 million). For the group, total current assets at year-end was USD 67.5 million (USD 65.1 million), while current liabilities totalled USD 125.8 million (USD 131.3 million). Long-term liabilities and obligations totalled USD 639.8 million (USD 723.0 million). For the parent company, total current assets at year-end amounted to NOK 138.5 million (NOK 146.5 million), while short-term liabilities totalled NOK 209.6 million (NOK 35.8 million). The parent company's long-term liabilities and obligations totalled NOK 3,580.3 million (NOK 4,194.6 million). Net cash flow from operating activities was USD 120.9 million, compared to an operating profit of USD 83.2 million. The main difference comes from changes in working capital items, depreciation and amortisation of contracts.

The group's book equity totalled USD 540.2 million (USD 498.5 million) at the year-end.

3.3 Taxes

The group is from 2013 part of the tonnage-tax regime through its subsidiary Clipper Shipping AS. Other companies within the group are taxed ordinary.

All the group's ships and shipping partnership interest by year end are owned under the tonnage-tax regime.

3.4 Financial risk

The group's activities are primarily USD-based, where most of the revenues and the majority of expenses are in USD. Furthermore, the market value of the ships, and thus the greatest share of the assets, is priced in USD. The same applies to the financing of the ships. This entails that the real foreign currency exposure is limited in financial terms.

The group's entire fleet is financed by long-term financing at favourable terms. The financial derivative contracts entered into by the group is considered to have low counterparty credit risk.

Most of the group's liabilities consist of secured debt on ships. This is denominated in USD and priced at a floating LIBOR interest rate. In addition, part of the mortgage debt is hedged through fixed interest rate contracts. The group has a satisfactory debt-equity ratio, and this, together with active management of the interest rate exposure, ensures that the risk associated with any change in interest rate levels is acceptable.

The group's fleet is employed in a mix of long & short TC contracts as well as in the spot market. This is a result of a conscious strategy aimed at ensuring earnings and cash flow, while at the same time benefiting from upturns in the market. The development of the world economy makes future market prospects uncertain.

The group has 7 ships on TC contracts in excess of one year. The charterers are oil majors and major operators within the Ammonia market. Credit risk is considered to be limited. The company sees the settlement risk for the business carried out in the spot market as satisfactory.

3.5 General

The year-end accounts are based on the assumption of a going concern. In the opinion of the Board of Directors, the accounts provide a true picture of the results for the year and the company's position at the year-end.

4. ORGANISATION, HEALTH SAFETY AND THE ENVIRONMENT

4.1 Organisation

Both at sea and onshore, the company's primary focus is to ensure continuity on the personnel side. The company strives to establish an interesting and attractive workplace that attracts competent employees, where appraisals and employee surveys are key measures. We believe that we have succeeded in this context and that we have a stable and highly qualified workforce.

Of the company's office staff, 34% are women and 66% are men. Women and men have equal opportunities to qualify for all types of jobs and positions, and they have equal opportunities for promotion. Working conditions are deemed to be good. Salaries reflect the individual's qualifications, regardless of gender.

Solvang is an international company with employees from a number of countries and cultures in addition to Norway. This recruitment policy is important for the future development of the company. The company wants to attract competent employees, regardless of religion, gender, race or sexual orientation.

The company engages in research and development work to optimise the ships' operations and to reduce emissions.

4.2 Health

The group has 44 onshore employees and around 1,000 sailing personnel. Working conditions on shore and on the ships are considered to be good. Sick leave on board the ships was 0.44%. The group had no incident that resulted in lost time in 2020. The target is always zero accidents, and the very low injury frequency can be attributes to a conscious attention on this area across the entire group.

Sick leave among the onshore employees was 1.15% in 2020. There were no incidents resulting in personal injury at the office in 2020.

4.3 Board of Directors

The Board of Directors consists of one woman and two men. There is a healthy and positive working relationship between the management and Board of Directors.

4.4 Compensation policy

By offering a complete range of jobs, salaries and other benefits, Solvang aims to be an attractive employer for skilled individuals in all relevant disciplines.

All of Solvang's employees, including the Managing Director, have in 2020 been employed at a fixed salary with no share based compensation. Salaries are adjusted once a year. The Managing Director's salary is evaluated correspondingly by the Board once a year. A named group of employees with management responsibilities have an incentive plan based on achievements in HSE, economic results and quality. The Incentive plan is set up with maximum achievement 25% of basis salary.

The company has a hybrid pension scheme which covers all employees. In addition, the company has an ordinary insurance scheme covering disability, accidents and death.

The Board is remunerated by fixed directors' fees that are determined annually by the General Meeting. Board members have no bonus or share based compensation agreements with the company.

4.5 External environment

The transport of LPG and petrochemical gases by sea entails little risk of emissions or leakage into the sea. Loading and unloading operations are conducted in closed systems, and strict quality and safety requirements reduce the risk of emissions to a minimum.

All transport at sea entails emissions to the air from the combustion of oil by the ships' main and auxiliary engines. Our policy in this area is thus to reduce such emissions as much as practically possible. The group focuses primarily on reducing the consumption of bunkers and lubricants, and has through active measures been able to continue the positive trend achieved in recent years. Please read more about this in the "Performance" section and "Sustainability in Solvang" section included in the annual report.

4.6 Safety

The company has strict quality and safety requirements, both on board the ships and within the onshore organisation. This is reflected in very good statistics for Lost Time Incident (LTI) injuries, with no incidents in 2020 and only eleven incidents in the entire period from

2009-2020, with around 4.2 million working hours per year the later years. This is further demonstrated in our good insurance statistics. In order to ensure that this positive development continues, the company invests significant resources in programmes for the continuous improvement of quality and safety on board and on land. Please read more about this in our "Sustainability in Solvang" section included in the annual report.

4.7 Corporate Social Responsibility

The group's main contribution to society is to conduct long-term, sustainable and value-added business for our shareholders, employees, customers, suppliers and other relations. Our goal is to ensure that our business practices and investments are sustainable and contribute to long-term economic, environmental and social development. The group's material sustainability areas are within Environment, Finance, Human Resources and Community, including ethics and anti-corruption. Please read more about this in our "Sustainability in Solvang" section included in the annual report.

5. FUTURE OUTLOOK

The ethylene fleet continue to be employed in the spot market, and the volatile product pricing and uncertain times seen through 2019, was not less in 2020 and into 2021. As such most traders in the Petchem market prefer not to take too much of a long term commitment on shipping, and rather preferring to fix on single voyage or very short time charters. Solvang is well positioned for this type of market, with very good relations to key traders, as well as having competitive and modern vessels.

For the fully refrigerated vessels (VLGC and LGC), 2020 surprised on the positive side after having started with oil price war, and a global pandemic. The LPG market quickly rebounded though, and stayed strong for the rest of 2020, and into 2021. Late winter of 2021 the LPG marked dropped significantly on extraordinary incidents with extreme weather, and no arbitrage open between West and East. The underlying strength of the LPG market is still there, and already at the time of writing, the LPG freight market has improved considerably, and our general expectation is for 2021 to remain at a fairly strong level.

The group had at year-end contract coverage of 83% for 2021 for the fully refrigerated fleet, with one vessel operating in the spot market, and two vessels coming open mid year.

6. ALLOCATION OF THE PARENT COMPANY'S PROFIT

Solvang ASA posted a result of KNOK 3,685

The Board of Directors proposes the following allocation:

Dividend:	KNOK	- 186,291
From other equity:	KNOK	182,606

At the year-end, the parent company's equity amounted to KNOK 2,789,027 (KNOK 2,971,888).

7. SUBSEQUENT EVENTS

There are no events after the balance sheet date that impacts the reported numbers.

8. CONCLUSION

The Board of Directors and the management would like to thank all the employees, both at sea and on shore, for their fine efforts during a challenging period, where the group delivers strong results in terms of safety, operation and quality. We would also like to thank our customers and suppliers for their good support and cooperation in 2020 and look forward to the same good cooperation in 2021.

Stavanger, 27th April 2021

This document has been signed electronically.

Michael Steensland Brun *Chairman*	Ellen Solstad	Jostein Devold
Edvin Endresen *CEO*		

FINANCIAL STATEMENT

SOLVANG GROUP

Consolidated income statement | Solvang Group

Amounts in USD 1 000

	Note	2020	2019
Operating revenue	5	274 028	214 936
Voyage expenses		-36 001	-26 093
Other income		1 242	0
Total income	**5**	**239 269**	**188 843**
Crewing expenses		46 832	41 688
Ship related operating expenses		32 230	34 836
Salaries and other personnel expenses onshore	10	7 632	7 182
Other operating expenses	10	1 160	1 442
Total operating expenses		**87 854**	**85 149**
Operating result (EBITDA)		**151 415**	**103 694**
Depreciation vessels	15	52 512	43 972
Depreciation other fixed assets	15	57	124
Depreciation Right-of-use assets	16	1 553	1 438
Depreciation capitalized dry-docking	14	10 946	10 335
Amortization of contracts	3	3 147	4 752
Total depreciation and amortization		**68 215**	**60 622**
EBIT		**83 199**	**43 072**
Financial income and cost			
Affiliated companies equity method	6	-6	6
Financial income	7,12	1 159	1 690
Financial expenses	8,12	-37 671	-39 482
Net financial items		**-36 518**	**-37 786**
Ordinary result before tax		**46 682**	**5 286**
Income tax expense	9	197	806
Net profit / (loss) for the year		**46 485**	**4 480**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)			
Profit / (loss) is attributable to:			
Controlling Owners		38 399	2 704
Minority interest		8 086	1 775
Earnings of the period		46 485	4 480
Items that will not be reclassified to profit or loss			
Remeasurements pension liability		-38	-24
Tax effects of remeasurements pension liability		8	5
Items that may be reclassified to profit or loss			
Translation differences to presentation currency		-68	-65
Comprehensive income		**46 387**	**4 396**
Comprehensive income is attributable to:			
Controlling Owners		38 300	2 621
Minority Interest		8 086	1 775
Total Comprehensive Income		46 387	4 396

Consolidated Balance Sheet | Solvang Group

Amounts in USD 1 000	Note	31.12.2020	31.12.2019
ASSETS			
Fixed Assets			
Intangible fixed assets			
Customer Contracts	3	2 071	5 218
Total intangible fixed assets		**2 071**	**5 218**
Tangible fixed assets			
Right-of-use assets	16	13 671	15 223
Vessels	15	1 184 224	1 223 046
Capitalized dry-docking	14	31 734	36 695
Office equipment, furniture etc.	15	102	131
Total tangible fixed assets		**1 229 730**	**1 275 095**
Financial fixed assets			
Investments in affiliated companies	6	26	34
Other long term receivables	4, 17,19	9 078	10 094
Other shares		2	2
Total financial fixed assets		**9 106**	**10 131**
Total fixed assets		**1 240 907**	**1 290 444**
Current Assets			
Bunkers / lubricant oil etc.		5 168	5 118
Receivables			
Accounts receivable	19	11 095	6 581
Other short term receivables	12,13,19	10 259	8 785
Total receivables		**21 354**	**15 366**
Cash and bank deposits	13	40 947	44 580
Total current assets		**67 469**	**65 064**
TOTAL ASSETS		**1 308 376**	**1 355 508**

Consolidated Balance Sheet | Solvang Group

Amounts in USD 1 000	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	20	54 582	53 042
Share premium reserve		243 337	236 472
Total paid-in capital		**297 919**	**289 514**
Retained earnings			
Other reserves		3 285	11 788
Retained earnings		172 943	134 545
Minority interest		66 007	62 619
Total retained earnings		**242 236**	**208 952**
Total equity		**540 155**	**498 466**
Liabilities			
Provisions			
Pension liabilities	11	806	727
Deferred tax	9	1 777	1 942
Total provisions		**2 583**	**2 669**
Long term liabilities			
Long term debt to financial institution	18	620 849	688 926
Lease liabilities	16	1 931	11 386
Other commitments	4	8 683	8 720
Interest Swap	17	8 373	0
Other long term liabilities	12,18	0	14 000
Total long term liabilities		**639 836**	**723 032**
Current liabilities			
Accounts payable		5 514	6 919
Tax payable	9	597	1 010
Public duties paytable		1 131	1 301
Current portion of long term debt incl accrued interest	18	91 887	106 244
Current portion of lease liabilities	16	9 454	3 105
Other short term liabilities		17 218	12 763
Total current liabilities		**125 802**	**131 341**
Total liabilities		**768 221**	**857 042**
TOTAL EQUITY AND LIABILITIES		**1 308 376**	**1 355 508**

Stavanger, 27th April 2021
This document has been signed electronically.

Michael Steensland Brun
Chairman

Ellen Solstad

Jostein Devold

Edvin Endresen
CEO

Consolidated statement of shareholders' equity

Amounts in USD 1 000	Share capital	Share premium reserve	Other reserves	Retained earnings	Minority interest	Total equity
2019						
Equity as of 31.12.2018	**50 135**	**225 782**	**8 995**	**131 840**	**57 338**	**474 090**
Profit/(loss) of the year				2 704	1 775	4 480
Remeasurements pension liabilities			-19			-19
Translation differences presentation curren	-525	-2 352	2 812			-65
Total comprehensive income	**-525**	**-2 352**	**2 793**	**2 704**	**1 775**	**4 396**
Minority interest increase of ownership					2 992	2 992
Minority share of capital increase in subsidiary					1 060	1 060
Minority share of capital decrease in subsidiary					-547	-547
Capital increase	3 432	13 042				16 474
Total changes in equity for the year	**2 907**	**10 690**	**2 793**	**2 704**	**5 281**	**24 376**
Equity as of 31.12.2019	**53 042**	**236 472**	**11 788**	**134 545**	**62 619**	**498 466**

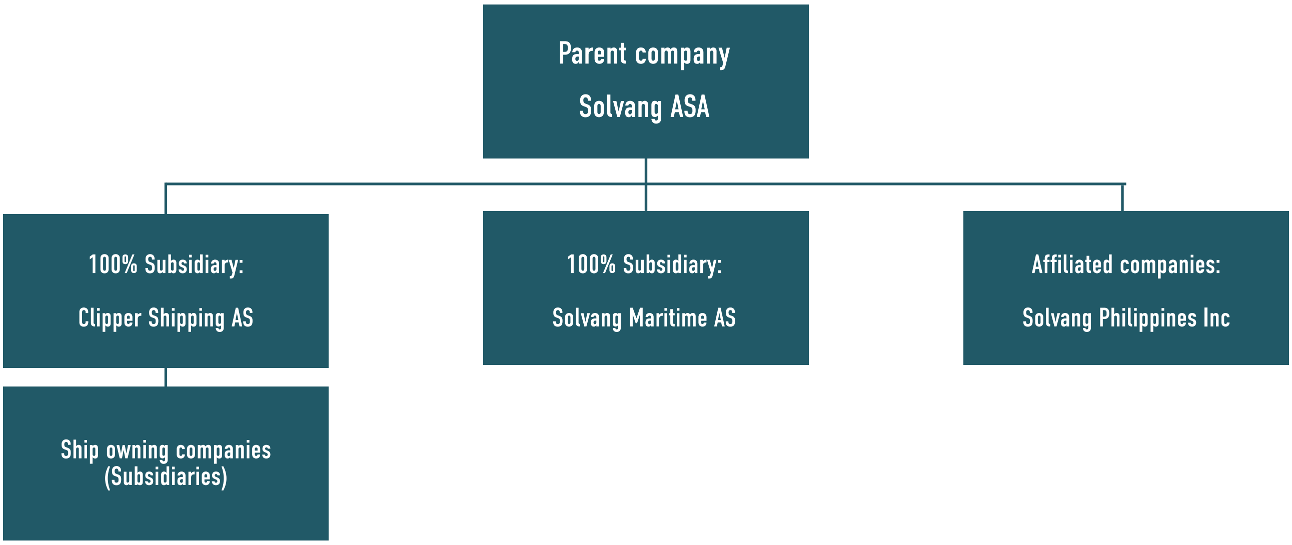
	Share capital	Share premium reserve	Other reserves	Retained earnings	Minority interest	Total equity
2020						
Equity as of 31.12.2019	**53 042**	**236 472**	**11 788**	**134 545**	**62 619**	**498 466**
Profit/(loss) of the year				38 399	8 086	46 485
Remeasurements pension liabilities			-30			-30
Translation differences presentation curren	1 540	6 865	-8 473			-68
Total comprehensive income	**1 540**	**6 865**	**-8 503**	**38 399**	**8 086**	**46 387**
Minority share of capital decrease in subsidiary					-4 698	-4 698
Total changes in equity for the year	**1 540**	**6 865**	**-8 503**	**38 399**	**3 388**	**41 689**
Equity as of 31.12.2020	**54 582**	**243 337**	**3 285**	**172 943**	**66 007**	**540 155**

Consolidated statement of cash flows

Amounts in USD 1 000	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		46 682	5 286
Tax paid for the period	9	-774	-529
Loss/gain on sale of tangible fixed assets		0	6
Depreciation and amortisation	14,15,16,3	68 215	60 622
Difference between expensed pension and paid in/out	11	41	-95
Result in affiliated companies	6	6	-6
Changes in inventories, trade receivables and trade payables		-5 970	-11 329
Changes in other current balance sheet items		2 187	1 943
Financial income	7	-1 028	-730
Financial expenses	8	11 572	3 058
Net cash flow from operating activities		**120 930**	**58 227**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets	15,16	-13 718	-211 100
Payments for capitalized periodic maintenance	14	-5 985	-13 420
Dividend from Investment affiliated companies	6	3	4
Proceeds from part sale of subsidiary		0	2 992
Payments received other receivables		2 921	3 004
Net cash flow from investing activities		**-16 779**	**-218 520**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from other debt (long term)	18	1 000	671 357
Repayment of debt (long term)	18	-98 381	-500 535
Changes in overdraft facility	18	0	-6 821
Payments of lease liabilities	16	-3 466	-3 218
Payments other commitments		-2 622	-2 634
Proceeds from capital increase		0	16 474
Minority interest share of capital changes in subsidiary		-4 698	513
Net cash flow from financing activities		**-108 168**	**175 136**
Effect of exchange rate changes on cash and cash equivalents		384	178
Net change in cash and cash equivalents		-3 634	15 021
Cash and cash equivalents 01.01		44 580	29 559
Cash and cash equivalents 31.12		**40 947**	**44 580**

Notes 2020 | Solvang Group

NOTE 1 – CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES



Corporate information

Solvang ASA is a public limited company incorporated and domiciled in Norway. The company was incorporated in 1936, and the address of the registered office is: Solvang ASA, Strandkaien 36, 4005 Stavanger, Norway.

Solvang ASA and its subsidiaries' ("Solvang" or "the Company") business is fully concentrated on shipping and ship owning activities.

As of 31.12.20, Solvang's fleet consists of 27 ships that carry liquid petrochemical gases, liquefied petroleum gases and ammonia.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in US Dollars (USD).

Statement of Compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the EU-adopted and appurtenant interpretations and additional country-specific disclosure requirements according to the Norwegian Accounting Act in effect as of 31st of December 2020.

The consolidated financial statement were approved by the board of directors and the managing director on the date which appears on the dated and signed balance sheet. The consolidated financial statements will be presented to the annual general meeting on 12 May 2021 for final approval. Until final approval, the board is authorised to amend the consolidated financial statement.

Basis of consolidation
The consolidated financial statements of Solvang ASA comprise the financial statements of Solvang ASA and its subsidiaries. Subsidiaries are all entities in which the Group has control. Whether control exist is based on an assessment of the partnership agreement for each investment together with the legislation that regulates the companies. The parent company's role as the managing director and other circumstances means that the group might also have control in ownership less than 50%. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. As of 31 December 2020, Solvang ASA has following subsidiaries:

- Solvang Maritime AS (100%)
- Clipper Shipping AS (100%)
    - PR Clipper Mars DA (49,5%)
    - PR Clipper Sirius DA (61,875%)
    - PR Clipper Sun II DA (50%)
    - PR Clipper Odin DA (95%)
    - PR VLGC DA (58,3%)

Consistent accounting policies are applied throughout the group.

All intercompany balances, transactions, income and expenses together with unrealized profits and losses resulting from intercompany transactions that are recognised in assets, have been eliminated.

<u>Minority interests</u>
Minority interests are included in the group's income statement and are specified as minority interests. Correspondingly, minority interests are included as part of the group's shareholders' equity and are specified in the consolidated balance sheet.

Functional Currency
The functional currency of an entity is the currency of the primary economic environment in which the entity operates. Normally, that is the currency of the environment in which an entity primarily generates and expends cash. The parent company, Solvang ASA, has Norwegian kroner (NOK) as the functional and reporting currency, and all the subsidiaries have US dollar (USD) as the functional currency, hence the reporting currency for the Group is US dollar (USD). Exchange differences arising from the translation from the functional currency to the presentation currency are recognised in the comprehensive income, net of any deferred tax. Share capital and similar equity items in the parent company are translated at the exchange rate on the balance sheet date.

Significant accounting judgments and estimates

Estimation uncertainty
The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to fixed asset impairment tests. We evaluate these estimates on an ongoing basis, utilizing past experience, consultations with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates.

The key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date and which have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of tangible fixed assets

The company invests in ships directly or through shipping partnerships. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount, which is the higher of fair value less costs to sell or value in use.

All tangible fixed assets are evaluated for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires an estimation of the asset's value, which, if available, is based on market appraisals or value in use.

The value in use is determined on the basis of the total estimated discounted future cash flows, excluding taxes. In determining impairment of fixed assets, management must make judgments and estimates to determine the cash flows generated by those assets. Discount rates must also be estimated. Assumptions used in these estimates are consistent with internal forecasts. To support management's estimates, market outlook and considerations provided by shipping analysts have been used.

If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment is reflected through the Company's share of income/(loss) from ship owning companies in the profit and loss account.

The Company considers whether there is a basis for reversing previous asset impairment write-downs, using the same evaluation criteria as for impairment. If the review suggests that there is a basis for reversal, the carrying amount is reversed to the estimated fair value, limited to the carrying amount the asset would have had if no impairment had been recognised.

Significant accounting policies

Revenue and expense recognition

The Group's revenues derive mainly from TC contracts. Revenue from such contracts is recognised on a straight-line basis over the contract period as the service is performed. Ongoing operating expenses related to vessels on a TC contract are expensed as they accrue.

To a lesser extent, the Group has income related to spot contracts. Such income is recognised on the basis of the "load-to-discharge" principle. Under this method, freight revenues are recognised on a straight-line basis over the period from loading ("load") for the journey to unloading the same journey ("discharge"). The management uses judgment when estimating the number of days per journey based on historical information, technical specifications on the ship and distance. Variable elements in the remuneration, including demurrage, are recognised with the amount most likely to be, based on historical experience. Contract costs incurred before loading are capitalized and recognised in the income statement on a straight-line basis over the contract period.

Foreign currency transactions

Transactions in foreign currencies are recorded using the exchange rate at the transaction date. Balances denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign currency gains and losses are recorded as financial items when incurred.

Vessels

In the ship owning companies, the ships are booked at cost less accumulated depreciation and impairment write-downs. Cost includes the expense of adding/replacing part of a ship, machinery or equipment when that expense is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised.

Depreciation of ships is computed using the straight line method over estimated useful life. The depreciable amount is determined after deducting the residual value of the asset. The cost of ships has been categorized separately by its main components, and useful life has been determined for each component. The average useful life for gas ships is 30 years.

A part of the original cost of ships is allocated to periodical maintenance. Periodical maintenance for ships is recognised in the balance sheet and expensed over the period up to the next periodical maintenance. Current maintenance is expensed as incurred.

When assets are sold or retired, their costs and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in net income.

Estimates of useful life, residual values and methods of depreciation are reviewed at each financial year end and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate. The estimated useful life of the ships could change, resulting in different depreciation amounts in the future.

Periodic maintenance

Periodic maintenance of ships is recognised in the balance sheet and expensed over the period up to the next periodic maintenance. When a ship is purchased a share of the purchase price is recognised as periodic maintenance. Current maintenance is expensed as incurred. In connection with incidents that are covered by insurance, the franchise is expensed at the time of the incident. Claim on the insurances underwriters is recognised in the balance sheet.

Other fixed assets

Other fixed assets are stated at cost, less accumulated depreciation and impairment write-downs. Depreciation is straight-line over the estimated useful life of the asset. When assets are sold or retired, their costs and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in net income. Estimates of useful life, residual value and method of depreciation are reviewed at each financial year end and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate.

Hedging

The Group has decided not to apply hedge accounting. Derivatives held for hedging purposes are measured at fair value through profit and loss in the financial statements

Financial instruments

Financial assets are recognised on the contract date, when the group becomes party to the contractual provisions of the instrument. Initially, all financial assets which are not recognised at fair value through profit or loss are recognised in the balance sheet at fair value including transaction costs. Financial assets which are recognised at fair value through profit or loss are recognised at the time of acquisition at fair value and the transactions costs are recognised.

The group derecognises a financial asset when the contractual right to the cash flow from the asset expires or when the group transfers the contractual right in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. All rights and obligations that are created or retained in this type of transfer are recognised separately as assets or liabilities.

The Group classifies its financial assets in the categories fair value through profit and loss and amortized cost. Measurement category is determined by initial recognition of the asset. The classification depends on the business model for managing financial instruments, as well as the characteristics of the cash flows of the individual financial instrument. The Group's receivables are held in a business model where the purpose is to collect contractual cash flows, and are therefore normally accounted for at amortized cost.

Financial assets at fair value through profit or loss

Financial assets at fair value include financial assets held for trading and financial assets that are classified as assets at fair value through profit or loss at the time of accounting (primarily interest swaps). Financial assets are classified as held for trading if they are acquired for the purpose of selling them shortly. Financial assets are designated at fair value through profit or loss if management and acquisition and sales decisions are based on the instrument's fair value in accordance with the group's documented risk management or investment strategy. Instruments are measured at fair value, and changes in value are recognised in profit or loss.

Financial assets at amortized cost

Financial assets at amortized cost include financial assets held to collect contractual cash flows that are solely the payment of principal and outstanding interest on principal. After initial recognition, the assets are measured at amortized cost using the effective interest method, less any impairment loss.

Financial assets are recognised on the contract date, when the group becomes party to the contractual provisions of the instrument. Initially, all financial assets which are not recognised at fair value through profit or loss are recognised in the balance sheet at fair value including transaction costs. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method.

Financial assets and obligations are presented net if the group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Pensions

All employees are members of a defined contribution hybrid pension scheme with investment choices. The non-funded schemes will continue as before and consist of defined benefit plans and defined contribution plans.

Defined benefit pension plan

The Company has non-funded pension obligations for three pensioners, which are not covered by the general pension plan. The present value of benefit obligations is calculated based on actuarial methods, and compared with the value of pension assets. The net amount of the present value of benefit obligations and pension assets, adjusted for unrecognised changes in estimates, is included under long-term liabilities or non-current assets. Net pension costs (benefits earned during the period including interest on the projected benefit obligation, less estimated return on pension assets and amortization of accumulated changes in estimates) are included in salaries and other personnel expenses.

Gains and losses resulting from the remeasurements of the pension liability based on experience variances and changes in actuarial assumptions are recognised in equity through other comprehensive income in the period they occur.

Contribution based pension plan

For contribution based pension plans, the company pays contributions to a public or private managed pension plan. The company has no further payment obligations after the contribution have been paid. Contributions are recognised as personnel expenses in line with the obligation to pay contributions accrue.

Taxes

The companies in the Group, with the exception of Solvang ASA and Solvang Maritime AS, are covered by the Norwegian tonnage tax regime. Consequently, these companies pay tonnage tax and otherwise only income tax on net financial items as well as recognition of the gain / loss account within the scheme. Deferred tax assets in tonnage taxed companies are generally not recognised, as it is not considered likely that the group will be able to utilize this benefit.

Income tax expense consists of taxes payable and the net change in deferred taxes arising as a result of temporary differences. Tonnage tax is recognised in the profit and loss account as a ship-related operating cost.

Current tax for the current and prior periods is measured at the amount expected to be paid to the tax authorities for present and earlier years. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

Change deferred taxes reflect the future tax effects resulting from the activities for the period. Deferred taxes in the balance sheet are calculated on the basis of temporary differences between financial and taxable values, with consideration for taxable losses carried forward. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Dividends

Dividends proposed by the Board of Directors are not recorded as liability in the financial statements until they have been approved by the shareholders at the annual general meeting.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. The Company believes that all transactions between related parties are based on the principle of arm's length (estimated market value).

Business areas/segments

Ship management and ship ownership are the business areas for Solvang. Ship ownership is further divided based on type and size of ship. Solvang has ownership interests in gas ships. These ships are divided into three types based on size, semi-ref ships from 12,000 – 21,000 cbm, MGC/LGC ships from 38,000 - 60,000 cbm and VLGC ships above 75,000 cbm.

Cash flow statement / Cash and cash equivalents

The Company uses the indirect method for calculating cash flow statements. Cash flows generated by investment and financing activities is shown gross, while for operations a reconciliation is shown between profit for the year and cash flows from operating activities. Interests are considered to be part of operating activities. Cash and cash equivalents include cash and bank deposits.

New IFRS and IFRIC interpretations

There are no new or changed IFRSs or IFRIC interpretations that are effective for the 2020 financial statements, which is considered to have or expected to have a material impact on the Group.

The company has adopted all other new standards and amendments that are applicable as of January 1, 2020, which had no material impact on the Group's consolidated financial statements. These include:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

The Group has not used early adoption of any new or amended IFRSs and IFRIC interpretations, and based on the information known to Solvang ASA at the reporting date (when the financial statements are prepared) it has been determined that these will most likely not have a material effect on the consolidated accounts for Solvang ASA in 2020.

NOTE 2 – FINANCIAL MARKET RISK

The group is exposed to credit risk, liquidity risk and market risk by use of financial instruments.

Credit risk
Credit risk is risk for financial loss if a counterpart to a financial instrument does not manage to fulfil its obligations under the contract. The Company's receivables are subject to credit risk. Receivables are mainly towards large oil majors with good credit rating and/or towards customers we have a long relationship with. The credit risk is therefore considered minimal.

Liquidity risk
Liquidity risk is the risk for the group not being able to fulfil its financial obligations as they fall due. Shipping is a cyclical business, and the group has therefore chosen to be well capitalized, and has a significant cash position. As of 31.12.2020 the liquidity reserves amounted to 3.1 % of the total balance sheet. The liquidity reserves inclusiv of short term receivables amounted to 4.8%. Current liabilities together with current portion of long term debt amounted to 9.6 % of the balance sheet. The liquidity risk is considered acceptable and is monitored continously.

Market risk
Market risk is risk for changes in market prices, such as exchange rates on currency, interest rates and share prices, influence on income or value of financial instruments. There is attached financial market risk to bank deposits (exchange rate) and loans (exchange rate and interest rates). The groups activities are mainly USD based, and deposits are to a large extent held in USD to reduce exchange rate risk. The group is mainly exposed to interest rate risk through long term debt to financial institutions in the ship owning companies. These loans are priced at floating LIBOR rate + margin. Interest rate exposure is actively handled, and parts of the loans are secured by fixed interest rate contracts to reduce interest rate risk. Due to a conservative strategy regarding financial instruments, and active handling of market risk, we are of the opinion that the groups market risk is satisfactory seen in relation to the balance sheet.

Capital management
The board's goal is to keep a sufficient capital base, to maintain confidence from investors, creditors and the market in general, and to develop the business activity. The Board considers any investments in financial instruments continuously. The Group currently has no investments in derivative financial instruments with the exception of interest swap (ref note 17). Capital return is monitored by the board. There has been no changes in how assets are managed during the year.

SENSITIVITY ANALYSIS

Change in exchange rates		**Value change**
Bank deposits	10 % increase of exchange rates	421
	10 % reduction of exchange rates	-421

Change of interest rates		**Effect on profit or loss**
Mortgage loans of vessels	100 basis points increase of interest rates	-7 127
	100 basis points reduction of interest rates	7 127

The impact of change in interest rates on bank deposits is estimated to be insignificant.

NOTE 3 – INTANGIBLE ASSETS

In connection with the group establishment in October 2018, a review of the underlying balance sheet items was made for the identification of possible excess / lower values, and in connection to this, additional values were identified on two of the TC contracts, which were thus separated and capitalized in the group. The excess value for the capitalized TC contracts is amortized over the remaining contract period.

TC CONTRACTS	2020	2019
Book value as of 01.01	5 218	9 746
Current year amortization	-3 147	-4 528
Book value as of 31.12	2 071	5 218
Minority interest share of book value as of 31.12	1 046	2 098

NOTE 4 – OTHER RECEIVABLE AND COMMITMENTS

The Group has two BareBoat contracts for the same vessel. One in and one out.

The contracts are considered to be cash flow contracts for the administrative handling until the expiry of the contract periods.

	Commitment BB out	
Overview of lease commitment as per 31.12	Minimum payment	Book value/ Net present value
< 1 year	-2 555	-1 862
2 - 5 year	-7 055	-6 821
> 5 year		
	-9 610	-8 683

	Receivable BB in	
Overview of lease claim as per 31.12	Minimum payment	Book value/ Net present value
< 1 year	2 933	2 205
2 - 5 year	7 226	6 873
> 5 year		
	10 159	9 078

NOTE 5 – OPERATING REVENUES

The total income of the Group can be divided into following segments based on the different types of vessels:

	2020	2019
Ethylene	53 059	42 168
LGC / MGC	92 313	74 342
VLGC	93 897	72 333
Total income	239 269	188 843

As of 31.12.20 the Group had seven vessels in the spot market. The other vessels are on shorter and longer Time Charter.

	2020	2019
Time charter contracts	205 575	173 519
Voyage contracts	68 453	41 416
Total freight income	274 028	214 936

Largest customers
In 2020, Solvang Group had one customers which individually accounted for 10% or more of total revenues.
The largest customer in Solvang Group in 2019 represented 12.7% of total revenues.
The one customer in 2020 individually contributing 10% or more of total revenues were:

- Equinor

Expected future Time Charter revenues - undiscounted

Expected future time charter revenue from firm contracts from 1st January 2020 (undiscounted) has the maturity as follows:

	31/12/2020	31/12/2019
< 1 year	169 700	207 900
2 - 5 year	224 600	283 200
> 5 year	87 700	147 000
	482 000	638 100

The above table is based on the knowledge we had about market and contracts at year end 2020, and might be different from actual revenue as some of the contracts in example follows baltic index or include other variable items and hence will depend on the market development throughout the following periods.

NOTE 6 – OTHER AFFILIATED COMPANIES

SHARE IN AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Owner-ship	Historical cost	Book equity at acquisition	Incoming balance 31.12.2019	Share profit of the year	Dividend	Translation	Outgoing balance 31.12.2020
Solvang Phillipines Inc	25 %	12	12	34	-6	-3	1	26
Total		12	12	34	-6	-3	1	26

Solvang Philippines Inc. is located in Manila, Philippines.
Voting rights are according to pro rata ownership share.

We have not recieved final audited accounts from the companies, and the results represented in this note are by definition estimates

NOTE 7 – FINANCIAL INCOME

	2020	2019
Interest income	130	772
Currency gain	444	241
Interest other long term receivable *(ref note 4)*	585	489
Other financial income		189
Total	1 159	1 690

NOTE 8 – FINANCIAL EXPENSES

	2020	2019
Interest and banking expenses	24 352	34 722
SWAP interest realized	1 480	-655
Interest element of leases	361	137
Amortized borrowing cost	1 573	1 121
Fair value changes interest swap	9 051	1 494
Interest expense other commitments *ref note 4*	587	443
Other financial expenses	268	2 220
Total	37 671	39 482

NOTE 9 – INCOME TAX EXPENSE

TAX EXPENSES FOR THE YEAR	2020	2019
Payable tax	254	846
Gross changes in deferred tax / deferred tax assets	-165	-29
Herof changes booked through other comprehensive income	8	5
Translation differences	-62	24
Tax previous years	162	-40
Total tax on income for the year	197	806

SPECIFICATION OF TEMPORARY DIFFERENCES:	31.12.2020	31.12.2019
Long term temporary differences		
Tangible fixed asset	-104	-104
Pension liabilities	-806	-727
Gain-/loss account of entry into tonnage tax system	3 810	4 628
Other temporary differences	5 177	5 031
Tax loss carry-forward	-13 539	-13 043
Total basis for deferred tax	-5 461	-4 214

ANALYSIS OF RECOGNISED DEFERRED TAX IN RESPECT OF EACH TYPE OF TEMPORARY DIFFERENCES AND UNUSED TAX LOSSES

			Changes	
	31.12.2020	31.12.2019	2020	2019
Temporary differences				
Tangible fixed asset	-23	-23		-11
Pension liabilities	-177	-160	-17	16
Gain-/loss account of entry into tonnage tax system	838	1 018	-180	-1 141
Other temporary differences	1 139	1 107	32	1 107
Tax loss carry-forward	-2 979	-2 869	-109	52
Total deferred tax / tax asset (22%)	-1 201	-927	-274	22
Deferred tax asset not recognised (22%)	-2 979	-2 869	-109	52
Total recognised deferred tax (22%%)	1 777	1 942	-165	-29
Change deferred tax recognized through profit and loss account			-157	-24
Other changes deferred tax (recognized through OCI)			-8	-5
Total			-165	-29

Changes in deferred tax recognized through other comprehensive income consist of tax effect related to remeasurements of pension liabilities.

NOTE 9 – INCOME TAX EXPENSE

Reconciliation tax expenses for the year	**2020**	**%**	**2019**	**%**
22% of ordinary income/loss before tax	10 270	22 %	1 163	22 %
Adjustment previous year	162	0 %	-40	-1 %
22% effect of permanent differences related to shares	1	0 %	1	0 %
22% effect of other permanent differences	-10 259	-22 %	-320	-6 %
Translation differences	23	0 %	2	0 %
Tax cost according to Profit & Loss account	197	0 %	806	15 %

The Group's subsidiary, Clipper Shipping AS enters into the tonnage tax scheme in 2013, and is therefore only assigned tax on financial records in accordance with the tonnage tax regulations. Clipper Shipping AS is the owner of the investments in ship owning companies which result will then also be taxed under the tonnage tax regime.

There is no tax payable for 2020 under the tonnage tax regime, except for the tonnage tax itself which is reported as other operating expences from 2016, and this years income of gain/loss account related to entry into tonnage tax system.
No deferred tax assets are recognized on finance deficits related to the tonnage tax regime.

Tax payable in Balance sheet consist of:	**2020**	**2019**
Payable tax related to current year	276	850
Tonnage tax of current year	160	160
Adjustments to previous years tax	162	0
Total payable tax	597	1 010

NOTE 10 – PAYROLL EXPENSES

PERSONNEL EXPENSES	2020	2019
Salary	5 757	5 359
Employers tax	868	889
Pension cost	649	604
Other benefits	358	331
Total personnel expenses	7 632	7 182
Number of employees	44	44

REMUNERATION (IN USD 1000)	2020	2019
Managing Director (CEO)		
Salary	307	326
Bonuses	71	45
Pension cost	39	41
Other remuneration	5	11
Director Marine Operations (CTO)		
Salary	215	243
Bonuses	28	22
Pension cost	24	25
Other remuneration	2	23
Director Commercial Operations (CCO) - ***Jan - July***		
Salary	587	237
Bonuses	0	0
Pension cost	92	38
Other remuneration	6	16
Total remuneration to key management personnel	1 376	1 028
Number of individuals included in key management personnel	3	3
Board of Directors		
Remuneration	69	0
Total remuneration to key management personnel and Board of Directors	1 446	1 028

CEO and former CCO have an additional contribution based pension of 15% of salary above 12G. In addition to this, Managing Director has an agreement of one year pay after termination of employment.

The company's senior executives are employed on a fixed salary. The Company has not granted loans or guarantees to any of its employees.

The company has an incentive scheme for senior executives based on achievement in HSE, finance and quality. The incentive scheme is set up as a cash consideration with a maximum of 25% of the basic salary. Settlement for the current year will be made during the first quarter of the following year.

Auditor

Remuneration to auditor consist of the following	2020	2019
Audit mandatory by law	96	134
Other certification services	3	3
Tax advisory services	0	6
Other non-audit services	3	15
Total	**102**	**157**

NOTE 11 – PENSION COST AND LIABILITIES

The company is obligated to have a pension plan according to the Act on Mandatory company pension, and has a pension plan which follows the requirement as set in the Act on Mandatory company pension.
All employees are members of the defined contribution hybrid pension scheme with investment choices. Deposits in the scheme for 2020 are MNOK 3.7.

Funded plans

The Group has as of 01.01.2020 discontinued the remaining defined benefit plan for seafarers and gone over to the defined contribution scheme for retirement. This is in line with changes in the seafarers' pension from the same date according to industry agreements. The company has no remaining obligations related to the old arrangements that have been settled. Net pension assets as of 01.01.20 has been offset against running deposit liabilities of the new defined contribution scheme.

Non-funded plans

The group also has non-funded pension obligations for 2 pensioners, and for the Managing Directors and former Director of Commercial operations, which are not covered by the general pension plan. The pension obligations for the Managing Director and former Director of Commercial Operations include early retirement pension and pension for salary exceeding 12 G.

Assumptions

Pension liabilities and pension costs are calculated by a third party independent actuary, and are valued according to Revised IAS 19. Changes in pension liabilities due to actuarial assumptions and differences between actual and expected return on plan a assets are recognized in other comprehensive income. The following Assumptions were used for non-funded plans:

	2020	2019
Discount rate	1.70%	2.30%
Expected salary increases	2.25%	2.25%
Rate of pension increases	1.50%	1.50%
Increase of National Insurance Basic amount (G)	2.00%	2.00%
Expected return on plan assets	1.70%	2.30%
Social Security Tax	14.10%	14.10%
Disability tariff	KU	KU
Mortality tariff	K2013	K2013

Net periodic pension cost:	***Non-funded plans***		***Funded plans***	
	2020	**2019**	**2020**	**2019**
Current service cost				33
Net interest expense /(income)	13	19		-3
Past service cost			120	
Administrative expenses				3
Social Security Tax	2	3		
Net pension cost	15	21	120	33

Present value of benefit obligation	***Non-funded plans***		***Funded plans***	
	2020	**2019**	**2020**	**2019**
Present value of benefit obligation at January 1	672	824	1 197	1 327
Remeasurements	53	13		17
Present value of the service cost				33
Net interest cost on benefit obligation	14	19		31
Past service cost			-1 197	
Pensions paid during the year	-137	-184		-212
Present value of benefit obligation at December 31	603	672		1 197

Fair value of plan assets	***Non-funded plans***		***Funded plans***	
	2020	**2019**	**2020**	**2019**
Fair value of plan assets at January 1			1 326	1 540
Remeasurements				-95
Actual return on plan assets				35
Company contributions				76
Administrative expenses				-19
Past service cost			-1 326	
Pensions paid during the year				-212
Fair value of plan assets at December 31				1 326

NOTE 11 – PENSION COST AND LIABILITIES

Status of pension plans reconciled to the balance sheet

	Non-funded plans		*Funded plans*	
	2020	**2019**	**2020**	**2019**
Present value of pension obligations	-603	-672		-1 197
Fair value of plan assets				1 326
Funded status of plans at December 31.	-603	-672	0	128
Social Security Tax	-203	-183		
Net pension obligations as at December 31	-806	-855	0	128

	2020	**2019**
Total net pension liability non-funded and funded plans recognised at Dec. 31	-806	-727

Expected payments related to the pension plans in 2021

The Group has no secured pension scheme. However, a payment of NOK 3.7 million is expected for the Defined-contribution Hybrid pension arrangement in 2021, which includes employees onshore, as well as a payment of USD 0.8 million to the defined contribution plan for seafarers.

The Company's estimated payments for non-funded pension plans are NOK 0.7 million for the fiscal year 2021.

NOTE 12 – RELATED PARTIES

Related parties are the companies in which the group has an ownership share higher than 20%. In addition, companies controlled by the Steensland-Brun family are considered related parties. All transactions with related parties, follows market principles.

	Profit & Loss Account		**Balance Sheet**	
	2020	**2019**	**31.12.2020**	**31.12.2019**
Interest expenses other related parties	-489	-734		
Crewing expenses other related parties	-27 882	-24 783		
Receivables other related parties			60	56
Long term liabilities other related parties				-14 000
Short term liabilities other related parties			-10 327	-783
Total	-28 372	-25 517	-10 267	-14 727

Liabilities related parties are priced at 3 months LIBOR + margin of 2.5% for foreign exchange loans.

NOTE 13 – BANK DEPOSIT

The group has the following restricted bank deposits

	2020	2019
Restricted bank deposit payroll withholding tax	378	468
Restricted bank deposit pension liability (*)	743	874

(*) The items are classified together with other receivables in the balance sheet.

The groups bank deposits at 31.12 are divided on different currencies as follows:

	2020	2019
NOK	3 891	7 416
EUR	321	474
USD	36 734	36 690
Total	40 947	44 580

Guarantees
A bank guarantee of NOK 1.7 million has been provided for the rent of office space in Oslo.

NOTE 14 – PERIODIC MAINTENANCE

	Periodic Maintenance	
	2020	**2019**
Book value as of 01.01.	**36 695**	33 610
Additions from newbuilds	**0**	8 150
Additions during the year	**5 985**	5 270
Depreciation during the year	**-10 946**	-10 335
Book value as of 31.12	**31 734**	36 695
Depreciation plan	Linear	

The company recognises the periodic maintenance and cost over a period of 5 years until the next periodic maintenance is expected to take place. Upcoming periodic maintenance is expected to complete in 2022 for two vessels. Four vessels completed their periodic maintenance in 2020.

NOTE 15 – TANGIBLE FIXED ASSETS

	Vessels	Other fixed assets	2020	2019
Acquisition costs 01.01	1 273 798	1 244	**1 275 042**	1 064 373
Translation differences		36	**36**	-13
Additions during the year	13 690	30	**13 720**	210 689
Disposals during the year				-9
Acquisition costs 31.12	1 287 488	1 310	**1 288 798**	1 275 042
Accumulated ordinary depreciation 01.01	50 752	1 113	**51 865**	7 779
Depreciation during the year	52 512	57	**52 569**	44 096
Translation differences		38	**38**	-10
Accumulated depreciation and write-off 31.12	103 264	1 208	**104 472**	51 865
Book value as of 31.12	1 184 224	102	**1 184 326**	1 223 176
Useful life	30 years	3 - 6 years		3 - 30 years
Depreciation plan	Linear	Linear		Linear
Depreciation percentage		0 - 30%		0 - 30%

The vessels have been tested for impairment by comparing the carrying values against valuations obtained from brokers. Estimated value in use are calculated for the vessels that have an indication of impairment. The recoverable amount is estimated at the calculated value in use for each vessel when the broker value is lower. Estimated value in use is calculated as a net present value based on the rest of life and risk. The net present value is calculated based on each vessel's remaining economic life, and the first year's cash-flow based on approved budgets. Any impairement charge of the vessels are then measured between book value and estimated value in use. Discount rate 5.7% (5 year) and 6.2% (10 year) is based on the companies weighted cost of capital (WACC). When estimating income, market outlook and average historical rates for own as well as comparable ships have been considered. Operating expenses is based on budget and is index regulated going forward.

Based on broker value only there was an indications of impairment for 2 out of 27 vessels as of 31.12 . An estimated value in use was calculated for these 2 vessels which resulted in no indications of impairment as of 31.12. The estimated value in use is robust and changes in discount rate (WACC) and income will not give any significant impact to the value.

NOTE 16 – RIGHT OF USE ASSETS / LEASES

The Group has three lease arrangements accounted for using IFRS 16.

PRACTICAL EXPEDIENTS APPLIED
The Group leases smaller office equipment, such as coffee machines and copyer with contract terms of 1-3 years. The Group has elected to apply the practical expedient of low-value assets for these leases. Leases that have a present value as new lower than USD 5 000, are considered low value leases. The Group has also applied the practical expedient for short-term leases. Short term is defined as a lease term of 12 month or less at the commencement date. For low-value leases and short-term leases, the Group does not recognise lease liabilities or right-of-use assets. The leases are instead expensed when they incur. Expenses relating to short-term and low value leases for 2020 amounts to KUSD 7.

SPECIFICATION OF RIGHT-OF-USE ASSETS

	Vessel	Office facilities	2020	2019
Acquisition costs 01.01	13 918	2 914	**16 833**	13 502
Initial application effect of IFRS 16				2 914
Additions during the year				416
Acquisition costs 31.12	13 918	2 914	**16 833**	16 833
Accumulated ordinary depreciation 01.01	1 239	371	**1 609**	171
Depreciations during the year	1 182	371	**1 553**	1 438
Accumulated depreciation and write-off 31.12	2 420	742	**3 162**	1 609
Book value as of 31.12	11 498	2 173	**13 671**	15 223

SPECIFICATION OF LEASE LIABILITY

	Vessel	Office facilities	2020	2019
Book value as of 01.01.	-11 888	-2 603	**-14 491**	-14 794
Initial application effect of IFRS 16				-2 914
Interest element of the lease liability	-239	-122	**-361**	
Payments for the principal portion of the lease liability	3 017	449	**3 466**	3 218
Book value as of 31.12	-9 111	-2 275	**-11 386**	-14 491

Maturity of lease commitment as per 31.12

	Vessel		Office facilities		2020	
	Minimum payment	Book value/ Net present value	Minimum payment	Book value/ Net present value	Minimum payment	Book value/ Net present value
< 1 year	-10 391	-9 111	-480	-344	-10 870	-9 454
2 - 5 year			-1 918	-1 556	-1 918	-1 556
> 5 year			-413	-375	-413	-375
	-10 391	-9 111	-2 810	-2 275	-13 201	-11 386

NOTE 17 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group employ interest rate swap agreements to establish greater stability for the Group's variable-rate loan interest expenses. The Group has decided that some of its variable interest-bearing liabilities should be secured using interest rate swap agreements. A given proportion will always be at a floating rate, while the remainder will be subject to potential hedging even though hedge accounting is not applied. This situation is constantly reviewed in light of the market situation. The interest rate swap agreements normally have a duration of three to five years.

Interest swap agreements

The Group has entered into the folowing interest rate swap agreement where 3 months LIBOR is replaced by a fixed rate + margin throughout the term of the agreements.

SWAP agreements	Fixed rate	Contract date	Periode from	Periode till	Fair value per 31.12.20 (KUSD)	Fair value per 31.12.19 (KUSD)
5-year interest swap of MUSD 50	1,2550 %	24.06.2016	30.05.2017	31.05.2022	-761	479
5-year interest swap of MUSD 50	1,7440 %	26.06.2019	01.07.2019	22.03.2024	-2 415	-163
5-year interest swap of MUSD 50	1,4925 %	06.08.2019	23.09.2019	22.03.2024	-2 011	342
5-year interest swap of MUSD 25	1,6825 %	02.08.2019	31.10.2019	31.10.2024	-1 322	19
2,5-year interest swap of MUSD 25	0,9380 %	03.03.2020	05.03.2020	30.08.2022	-313	
4-year interest swap of MUSD 20	1,2060 %	24.02.2020	23.03.2020	22.03.2024	-616	
4-year interest swap of MUSD 15	1,2100 %	24.02.2020	23.03.2020	22.03.2024	-465	
4-year interest swap of MUSD 15	1,2120 %	24.02.2020	26.02.2020	22.03.2024	-471	
					-8 373	678

Classifications of financial instruments

Except for the interest swap agreements that is accounted for using fair value through profit and loss account, all financial assets and liabilities are classified at amortized cost.

NOTE 18 – LONG TERM DEBT

With the exception of the previous overdraft facility in Solvang ASA (no longer available), the Group's interest-bearing debt is in its entirety related to the financing of vessels. The loan agreements are signed between the respective shipowning company and the lender. The loans are in USD and are priced at floating LIBOR + margin. In March 2019 the group completed a refinancing of a fleet loan including most of the vessels now directly owned by the subsidiary Clipper Shipping AS.

The loan agreements have covenants requirements related to the market value of vessels in relation to outstanding debts, as well as working capital and / or minimum cash deposits. The group was in compliance with covenants in the loan agreements during the year and at 31.12.

SECURED DEBT	2020	2019
Long term debt to financial institution	626 098	695 748
Long term debt issuance cost	-5 249	-6 822
Long-term debt	620 849	688 926
Next year installment long term debt	80 710	104 442
Accrued interest long term debt	1 177	1 802
Current portion of long-term debt	81 887	106 244
Total net debt as of 31.12	**702 736**	**795 170**
Minority interest of book value as of 31.12.	83 686	94 476

COLLATERAL FOR DEBT	2020	2019
Vessel	1 184 224	1 223 046
Bank deposits	39 949	42 216
Bunkers, lubricant oil etc.	5 168	5 118
Accounts receivables	11 095	6 581
Book value as of 31.12.	**1 240 436**	**1 276 960**

Change in interest-bearing debt is specified in the table below.

	Overdraft facility	Long term debt	Other long term debt	Total
Interest bearing debt as of 01.01.19	6 821	623 629	13 423	643 873
Proceeds from borrowings		678 300	1 000	679 300
Paid Long term debt issuance cost		-7 943		-7 943
Repayment of borrowings	-6 821	-500 112	-423	-507 356
Non-cash changes				
Changes in accrued interests		175		175
Amortized debt issuance cost		1 121		1 121
Interest bearing debt as of 31.12.19	0	795 170	14 000	809 170
Proceeds from borrowings		1 000		1 000
Repayment of borrowings		-94 381	-4 000	-98 381
Non-cash changes				
Changes in accrued interests		-625		-625
Amortized debt issuance cost		1 573		1 573
Interest bearing debt as of 31.12.20	0	702 736	10 000	712 736

Maturity overview of financial debt as of 31.12.

	Long term debt	Other long term debt	Total 2020	Total 2019
< 1 year	81 887	10 000	91 887	106 244
2 - 5 year	593 694		593 694	675 578
> 5 year	27 155		27 155	27 348
	702 736	10 000	712 736	809 170

The figures in the above table does not include future interest prognosis.

NOTE 19 – RECEIVABLES

Recivables consist mainly of trade debtors, prepaid voyage costs and accruals. The Group has a long term receivable which falls due i 2021 (ref note 4). Other than this, none of the receivables is falling due more than one year after the end of the fiscal year. None of the receivables of significant amount is due on the balance sheet date.

Receivables at 31.12 can be divided as follows:

	2020		2019		
	Non-current	**Current**	**Non-current**	**Current**	
Financial assets at amortized cost					
Receivable BB in	9 078		9 416		*(ref note 4)*
Financial assets at FVPL					
Interest Swap			678		*(ref note 17)*
Deposit and guarantees		743		874	*(ref note 13)*
Prepayments and other assets					
Accounts receivable		11 095		6 581	
VAT receivable		410		439	
Accruals and prepayments		3 710		4 078	
Insurance claim		1 718			
Other receivables		3 677		3 394	
Total receivables	9 078	21 354	10 094	15 366	

All the groups trade debtors at 31.12 are nominated in USD and are less than 30 days old.

There has been no loss on accounts receivable in 2020, nor is it deemed necessary with provision for possible losses on the receivables.

The above book values are considered a reasonable approximation of fair value.

NOTE 20 – EQUITY

The company's main shareholders as of 31.12.2020

	31/12/2020		31/12/2019	
Name of owner	**# of shares**	**Ownership**	**# of shares**	**Ownership**
Clipper AS	29 330 654	31.49%	29 330 654	31.49%
Straen AS	18 117 245	19.45%	18 117 245	19.45%
Audley AS	16 126 163	17.31%	16 126 163	17.31%
Barque AS	8 812 908	9.46%	8 812 908	9.46%
Leif Hübert AS	2 882 741	3.09%	2 882 741	3.09%
Jaco Invest AS	2 150 000	2.31%	2 150 000	2.31%
Skagenkaien Eiendom Holding AS	1 926 318	2.07%	1 926 318	2.07%
Tyin AS	1 880 389	2.02%	1 880 389	2.02%
Motor-Trade Eiendom og Finans AS	1 578 373	1.69%	1 578 373	1.69%
Torkap AS	1 456 218	1.56%	1 456 218	1.56%
Mertoun Capital AS	1 359 782	1.46%	1 359 782	1.46%
Taif AS	1 308 608	1.40%	1 308 608	1.40%
Menne Invest AS	1 206 148	1.29%	1 206 148	1.29%
Other < 1%	5 010 061	5.38%	5 010 061	5.38%
Totalt	93 145 608	100.00%	93 145 608	100.00%

The board of directors has no direct ownership in the company, nor control any shares in the company as of 31.12.202(
The CEO, Edvin Endresen, owns 10 720 shares in the company as of 31.12.2020.

Proposed dividend

The Board of Directors has proposed a dividend of NOK 2.00 per share for 2020. No dividend was paid for 2019. The company has no other dividend limitations than those imposed by Norwegian law.

Treasury shares
As of 31.12.2020 Solvang ASA holds no treasury shares

NOTE 21 – SUBSEQUENT EVENTS

There are no events after the balance sheet date that impacts the reported numbers.

FINANCIAL STATEMENT

SOLVANG ASA PARENT COMPANY

Profit & Loss Account | Solvang ASA

Amounts in NOK 1 000	Note	2020	2019
Management fee	10	94 284	88 998
Other Income		0	0
Total Operating income		**94 284**	**88 998**
Salaries and other personnel expenses	8	71 745	63 232
Depreciation	13	535	1 093
Other operating expenses	8	15 031	16 602
Total operating expenses		**87 311**	**80 928**
Operating result		**6 973**	**8 071**
Affiliated companies equity method	3	-53	56
Financial income	4,10	151 875	182 140
Financial expenses	5,10	-154 015	-166 228
Net financial items		**-2 193**	**15 968**
Ordinary result before tax		**4 779**	**24 038**
Tax on ordinary result	6	1 095	5 304
Net profit or loss for the year		**3 685**	**18 734**
Net profit or loss for the year is distributed as follows			
Dividend		-186 291	0
To/from other equity		182 606	-18 734
Total distributed		**-3 685**	**-18 734**

Balance Sheet | Solvang ASA

Amounts in NOK 1 000	Note	31.12.2020	31.12.2019
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	6	1 708	1 852
Total intangible fixed assets		**1 708**	**1 852**
Tangible fixed assets			
Office equipment, furniture etc	13	868	1 148
Total tangible fixed assets		**868**	**1 148**
Financial fixed assets			
Investments in subsidiaries	7	2 860 869	2 859 253
Loans to group companies (Back-to-back)	10,15	3 506 259	4 118 061
Investments in affiliated companies	3	226	303
Other long term receivables	12	77 455	82 676
Total financial fixed assets		**6 444 808**	**7 060 292**
Total fixed assets		**6 447 384**	**7 063 292**
Current Assets			
Receivables			
Accounts receivables	10	2 826	494
Short term receivables group companies	10,14	8 095	27 583
Other short term receivables	11,14	19 188	21 815
Total receivables		**30 109**	**49 892**
Cash and bank deposits	11	108 387	96 649
Total current assets		**138 495**	**146 541**
TOTAL ASSETS		**6 585 880**	**7 209 833**

Balance Sheet | Solvang ASA

Amounts in NOK 1 000	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	17	465 728	465 728
Share premium reserve		2 076 295	2 076 295
Total paid-in capital		**2 542 023**	**2 542 023**
Retained earnings			
Other equity		247 004	429 865
Total retained earnings		**247 004**	**429 865**
Total equity	**17**	**2 789 027**	**2 971 888**
Liabilities			
Provisions			
Pension liabilities	9	6 877	7 507
Total provisions		**6 877**	**7 507**
Long term liabilities			
Loan (back-to-back)	15	3 506 259	4 118 061
Other commitments	12	74 088	76 567
Total long term liabilities		**3 580 347**	**4 194 628**
Current liabilities			
Trade creditors		3 332	2 708
Current liabilities Group companies	10	2 072	9 595
Tax payable	6	422	5 071
Public duties payable		5 799	7 292
Dividend	17	186 291	0
Other short term liabilities		11 712	11 145
Total current liabilities		**209 628**	**35 811**
Total liabilities		**3 796 852**	**4 237 945**
TOTAL EQUITY AND LIABILITIES		**6 585 880**	**7 209 833**

Stavanger, 27th April 2021

This document has been signed electronically.

Michael Steensland Brun
Chairman

Ellen Solstad

Jostein Devold

Edvin Endresen
CEO

Cash Flow Statement | Solvang ASA

Amounts in NOK 1 000	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		4 779	24 038
Taxes paid	6	-5 071	-1 269
Profit / (loss) on sale of fixed assets	13	0	50
Depreciation and amortisation	13	535	1 093
Difference between expensed pension and paid in/out	9	-957	-1 486
Result in other affiliated companies	3	53	-56
Changes in inventories, trade receivables and trade payables		-1 708	201
Changes in other current balance sheet items		1 701	-8 365
Financial items		25	-402
Net cash flow from operating activities		**-643**	**13 804**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale / purchase of tangible fixed assets	13	-256	-99
Investment affiliated companies	3	26	35
Received payments other receivable	12	27 761	25 326
Net cash flow from investing activities		**27 531**	**25 262**
CASH FLOW FROM FINANCING ACTIVITIES			
Changes in overdraft facility		0	-59 280
Payment other commitments	12	-25 043	-22 167
Change in outstanding accounts group companies		9 893	-12 222
Issue / repurchase of partnership capital	17	0	144 000
Net cash flow from financing activities		**-15 150**	**50 330**
Net change in cash and cash equivalents		**11 738**	**89 397**
Cash and cash equivalents 01.01		96 649	7 252
Cash and cash equivalents 31.12		**108 387**	**96 649**

Notes 2020 | Solvang ASA

NOTE 1 – ACCOUNTING PRINCIPLES

The annual accounts consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts, and have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31st of December 2020.

The annual accounts have been prepared based on the fundamental accounting principles and the classification of assets and liabilities are according to the Norwegian Accounting Act. The application of the accounting principles and the presentation of transactions and other issues attach importance to economic realities, not only legal form. Contingent losses, which are likely to happen and are quantifiable, will be expensed.

General principles

Assets that are meant for long-term ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables are classified as current assets if they are to be re-paid within one year after payment. The same criteria apply for liabilities.

The annual accounts have been prepared based on the fundamental accounting principles historical cost, comparability, going concern, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time of delivery of goods or service sold and matches costs expensed in the same period as the income to which they relate is recognised.

Valuation of fixed assets is entered in the accounts at original cost. If the fair value of a fixed asset is lower than book value, and the decline in value is not temporary, the fixed asset will be written down to fair value. Fixed assets with a limited expected useful life are depreciated according to plan.

Current assets are valued at the lower of acquisition cost and fair value. Short-term liability is booked nominally at the point of establishment.

Solvang ASA has Norwegian kroner (NOK) as both the functional and reporting currency.

According to the accounting principles there are some exceptions from the general principles. These exceptions are commented below.

Fixed assets

Fixed assets are entered in the accounts at original cost, with deductions for accumulated depreciation and write-down. If the fair value of a fixed asset is lower than book value, and the decline in value is not temporary, the fixed asset will be written down to fair value. Depreciation is calculated and distributed linearly over the estimated useful life. Maintenance of fixed assets is continuously booked to operating cost. Major replacement and improvements witch significantly improve the fixed assets useful life, are added to the purchase price of the assets.

Investment in subsidiaries

By subsidiaries means investments where the company directly or indirectly owns more than 50% of the voting shares, where the investment has a long-term and strategic dimension, and investments where the company have a controlling interest. Investments in subsidiaries are accounted for using the purchase method. Cost price increases when means are contributed by a capital increase, or when group contribution is received by the subsidiary. Received dividends are normally booked as income. Dividends which exceeds retained earnings after the initial investment, is booked as reduction of historical acquisition cost. Year-end allocation related to dividend from subsidiaries is entered as financial income the same fiscal year.

Investment in affiliated companies

By affiliated companies means investments where the company directly or indirectly owns 20-50% of the voting shares, where the investment has a long-term and strategic dimension, and investments where the company can exercise a considerable influence. Investments in affiliated companies are accounted for using the equity method.

Solvang's share of the profit in an affiliated company is based on profit after tax in the affiliated company less any depreciation on excess value due to the acquisition cost of the owner interest being higher than the acquired share of book equity. In the profit and loss account, the share of the profit in affiliated companies is presented as financial items. In the balance sheet, owner interests in affiliated companies are presented together with fixed assets.

For affiliated participant taxed companies are Solvang's share of the profit based on the pre-tax profit in the affiliated company. Tax on profit share is recognised through the general tax cost of the Group.

Receivables

Receivables are valuated at face value after deduction of accrual for anticipated loss. Accruals for anticipated loss are made on basis of assessment of the individual outstanding claims.

Foreign currency

Transactions in foreign currencies are recorded at transaction date.
All cash and bank balances in foreign currency are accounted for at the exchange rate at year-end.

Financial expenses

When a new debt financing is established any up-front fees and other cost related to the financing are capitalized at the date of drawdown of the loan and amortized over the loan period.

Financial Lease

Financial leasing is included as a liability under interest-bearing debt to the present value of the minimum lease, and amortized over the lease term.

Long term loan (Back-to-back)

The interest and loan are presented gross in both P&L and Balance sheet as this relates to a flow-through loan. The loan is set up with Back-to-back terms, hence it has no actual effect to the accounts.

Pension liability and pension cost

As of 01.01.2017 all employees are members of the newly established defined contribution hybrid pension scheme with investment choices. All employees are then member of the same pension scheme and the old general schemes were terminated. The company has no remaining obligations to the old schemes that have been settled. However, the non-funded schemes will continue as before and consist of defined benefit plans and defined contribution plans.

Defined benefit pension plan

Net pension cost includes the period calculated pension benefits, including expected salary increases, estimated interest expenses, less the expected return on plan assets and any effects of changes in estimates and plans. The surplus is capitalized to the extent it can be applied to future pension obligations. The company applies Revised IAS 19 Employee Benefits as a basis for accounting for pension.

Gains and losses arising from recalculation of the obligation due to experience variances and changes in actuarial assumptions are recorded against equity and deferred tax in the period when they occur.

Contribution based pension plan

For defined contribution plans the company pays contributions to publicly or privately administered pension insurance plans. The company has no further payment obligations once the contributions have been paid. Contributions are recognised as compensation expense in line with the obligation to pay contributions accrue.

Treasury shares

Own shares are posted at face value on a separate line of the balance sheet under equity. The difference between the face value of the share and the original cost is deducted from other equity. As of 31.12.2020 Solvang ASA holds no treasury shares.

Taxes

Taxes in the Profit and Loss statement contain both payable tax of the year and changes in deferred tax / deferred tax asset.

Deferred tax /deferred tax assets are calculated on basis of temporary differences between accounting standards and tax legislation by the end of the fiscal year. The calculation is based on nominal tax rate. Tax-augmenting and tax-reducing temporary differences that can be reversed in the same period are balanced in the accounts. Deferred tax assets arise if there are net tax-reducing temporary differences which can be justified by the assumption of future profits. This year tax on ordinary result consist of net changes in deferred tax and deferred tax assets together with payable tax of the year and adjusted for any differences in provision previous years.

Cash flow statement

The Cash Flow statement is prepared in accordance with the indirect method. Cash flow generated by investing and financing activities is shown gross, while for operations reconciliation is shown between book profit and cash flow from operating activities. Cash and cash-equivalents include petty cash and bank payments.

NOTE 2 – FINANCIAL MARKET RISK

The company's operations expose the company for low currency risk because income and the majority of cost are normally in the same currency (NOK). However, there is some exposure to currency related to foreign currency bank accounts as well as interim accounts with group companies and other shipping companies that Solvang is the managing director of, but the risk is considered low. The company only have a very limited exposure to credit risk and market risk.

CURRENCY RISK AND INTEREST RISK

Investment in ship owning companies (owned through subsidiary Clipper Shipping AS)

"The operations of the company's investments in ship owning companies are mainly USD based. Most of the revenues are in USD. The majority of the income is in USD. Furthermore, the market value of the ships, and thus most of the assets, are priced in USD. Most of the debts are also in USD. This leads to foreign exchange exposure being limited. The Ship Owning companies has due to the reorganisation of Solvang been part of the Group and with that fully consolidated from and including November 2018.

Most of the company's debt is share of the debt in the ship owning companies accounted for according to the equity method. This is denominated in USD and is priced by floating LIBOR interest. All loans are at floating interest rates. The company has an acceptable equity ratio. This together with an active handling of interest rate exposure, leads to the risk of any changes in the interest rate level being limited for the company."

NOTE 3 – AFFILIATED COMPANIES

AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Owner-ship	Acquisition cost	Equity at acquisition	Opening balance 01.01.2020	Share of net profit	Dividend received	Translation differences	Closing balance 31.12.2020
Solvang Phillipines Inc	25 %	102	102	303	-53	-26	2	226
Total		102	102	303	-53	-26	2	226

Solvang Phillipines Inc is located in Manila, Phillipines.
The voting rights are according to pro rata ownership share.

We have not received final or audited accounts from the affiliated companies for 2020, hence the amounts presented in this note is based on financial statement 2019, adjusted for dividend received in 2020.

NOTE 4 – FINANCIAL INCOME

	2020	2019
Interest income	225	702
Interest received from group companies	0	17 164
Interest income back-to-back loan (*ref note 15)*	146 154	159 943
Interest other long term receivable (*ref note 12)*	5 496	4 302
Currency gain	0	0
Other financial income	0	29
Total	**151 875**	**182 140**

NOTE 5 – FINANCIAL EXPENSES

	2020	2019
Interest and banking expenses	59	617
Interest loan (back-to-back) *ref note 15*	146 154	159 943
Interest expense other commitments *ref note 12*	5 520	3 900
Currency loss	1 870	374
Other financial expenses	412	1 393
Total	**154 015**	**166 228**

NOTE 6 – TAX

		2020	2019
Ordinary income/loss before tax		4 779	24 038
Permanent differences related to shares		26	35
Permanent differences		117	91
Differences related to equity method		53	-56
Group contribution		-2 072	0
Changes in temporary differences		-985	-1 058
Net taxable income/loss		**1 918**	**23 050**
Tax Payable	**22 %**	**422**	**5 071**
Tax expenses for the year			
Tax Payable		422	5 071
Gross changes in deferred tax / deferred tax assets		145	186
Deferred tax of remeasurement pensions recognized in equity		72	47
Tax on group contribution		456	0
Total tax on income for the year		**1 095**	**5 304**
Specification of temporary differences:			
Long term temporary differences			
Tangible fixed asset		-885	-913
Pension liabilities		-6 877	-7 507
Total		**-7 762**	**-8 420**
Deferred tax / deferred tax assets	**22 %**	**-1 708**	**-1 852**
Reconciliation tax expenses for the year			
22% of ordinary income/loss before tax		1 051	5 288
Changes related to equity method		12	-12
22% effect of permanent differences related to shares		6	8
22% effect of other permanent differences		26	20
Effect of change in tax rate		0	
Tax cost according to Profit & Loss account		**1 095**	**5 304**

NOTE 7 – SHARES IN SUBSIDIARIES

Company name	Ownership/ voting rights	Share capital	Nominal value	Number of shares owned	Total nominal value	Value on balance sheet
Clipper Shipping AS	100 %	700 000 000	100	7 000 000	700 000 000	2 858 984 079
Solvang Maritime AS	100 %	100 000	1 000	100	100 000	1 884 927
Total Subsidiaries						**2 860 869 006**

Clipper Shipping AS and Solvang Maritime AS are located in Stavanger.

NOTE 8 – PAYROLL EXPENSES

	2020	2019
Personnel expenses		
Salary	54 116	47 178
Employers tax	8 164	7 827
Pension cost	6 099	5 314
Other benefits	3 367	2 913
Total personnel expenses	71 745	63 232
Number of employees	44	44

Remuneration (in NOK) 2020

		Director's fees	Salary	Bonuses	Pension costs	Other remuneration	Total remuneration
MANAGERS							
Edvin Endresen, CEO			2 882 384	667 333	370 654	45 887	3 966 258
Tor Øyvind Ask, Dir. Marine Operations			2 022 929	260 041	228 669	22 779	2 534 418
Tor Augdal, Chief Commercial Director (CCO)	*Jan - July*		5 517 341	0	865 581	54 687	6 437 609
BOARD OF DIRECTORS							
Michael Steensland Brun, Chairman		150 000	0	0	0	0	150 000
Jostein Devold, Board member		125 000	0	0	0	0	125 000
Ellen Solstad, Board member		125 000	0	0	0	0	125 000
Alf Andersen, Observer		125 000	0	0	0	0	125 000
S.Botolf Sundby, Observer		125 000	0	0	0	0	125 000
Total remuneration		**650 000**	**10 422 654**	**927 374**	**1 464 905**	**123 353**	**13 588 286**

CEO and former CCO have an additional contribution based pension of 15% of salary above 12G. In addition to this, Managing Director has an agreement of one year pay after termination of employment.
The company's senior executives are employed on a fixed salary. The Company has not granted loans or guarantees to any of its employees.

The company has an incentive scheme for senior executives based on achievement in HSE, finance and quality. The incentive scheme is set up as a cash consideration with a maximum of 25% of the basic salary. Settlement for the current year will be made during the first quarter of the following year.

AUDITOR

The fee to the auditors for 2020 amounts to NOK 312 769, whereof NOK 293 000 relates to audit required by law and NOK 19 769 for other non-audit services. The amounts are reported exclusive of VAT.

NOTE 9 – PENSION COST AND PENSION LIABILITIES

The company is obligated to have a pension plan according to the Act on Mandatory company pension, and has a pension plan which follows the requirement as set in the Act on Mandatory company pension.
All employees are members of the defined contribution hybrid pension scheme with investment choices. Deposits in the scheme for 2020 are 3,661,634, -.

Funded plans
The funded plans were closed and settled as of 2016 and replaced by a defined contribution hybrid scheme with investment choices as of 1/1-17. The company has no remaining obligations related to the old arrangements that have been settled.

Non-funded plans
The company also has non-funded pension obligations for 2 pensioners and an additional defined contribution plan for CEO and CCO, which are not covered by the general pension plan.

Assumptions
Pension liabilities and pension costs are calculated by a third party independent actuary, and has been evaluated according to revised IAS 19. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited through Equity. The following assumptions were used for non-funded plans:

	2020	2019
Discount rate	1,70 %	2,30 %
Expected salary increases	2,25 %	2,25 %
Rate of pension increases	1,50 %	1,50 %
Increase of National Insurance Basic amount (G)	2,00 %	2,00 %
Expected return on plan assets	1,70 %	2,30 %
Social Security Tax	14,10 %	14,10 %

Net periodic pension cost:	**Non-funded plans**	
	2020	**2019**
Benefits earned during the year		
Interest cost	122	165
Social Security Tax	17	23
Net periodic pension cost	**140**	**189**

Overview of actuarial gains and losses recognized directly through other equity:

	2020	2019
Net actuarial gains/losses 01.01	-4 894	-4 729
Current year actuarial gains/losses	-328	-212
Tax	72	47
Net actuarial gains/losses 31.12	**-5 149**	**-4 894**

Status of pension plans reconciled to the balance sheet

	Non-funded plans	
	2020	**2019**
Present value of pension obligations	-5 145	-5 901
Fair value of plan assets	0	0
Funded status of plans at December 31.	-5 145	-5 901
Social Security Tax	-1 732	-1 605
Net pension liability recognised at December 31.	**-6 877**	**-7 507**

NOTE 10 – RELATED PARTIES

Related parties are the companies that are part of the Solvang ASA group as well as companies in which the group has an ownership share higher than 20%. In addition, companies controlled by the Steensland-Brun family are considered related parties. All transactions with related parties, are at arm's length and market terms. In connection with Solvang's position as manager for the shipping partnerships, there are ongoing transactions between Solvang and the individual shipping partnerships. Solvang receives a yearly fee as managers. The size of the fee is regulated by the management agreement, and is approved each year by the annual general meeting of the shipping partnerships.

	Profit & Loss Account		Balance Sheet	
	2020	**2019**	**31.12.2020**	**31.12.2019**
Management fee (income)	94 284	88 998		
Interest subsidiaries (back-to-back)	146 154	159 943		
Net interest subsidiaries	0	17 164		
Receivables group companies			8 095	27 583
Liabilities group companies			-2 072	-9 595
Loan subsidiaries (back-to-back)			3 506 259	4 118 061
Net receivables other related parties			793	494
Total	**240 438**	**266 105**	**3 513 074**	**4 136 543**

NOTE 11 – RESTRICTED BANK DEPOSIT

In connection with payment of payroll withholding tax, the company has a restricted bank deposit of NOK 2,760,214,-.

Total bank deposit also includes provision on a restricted account related to pension for former managing director of the merged subsidiary. Restricted bank deposit as of 31.12 amounts to NOK 6,339,944,-
The account is included in other short term receivables.

NOTE 12 – OTHER RECEIVABLE AND COMMITMENTS

In October 2018 the company took over two BB charter parties for the same vessel, one in and one out.
Based on the fact that the counterparty has a purchase obligation of the vessel at the end of the contract period, the contract is considered to be a cash flow contract for the administrative handling until the expiry of the contract period.

Amounts in KUSD	Receivable BB in		Commitment BB out	
Summary of Bare Boat charter parties per 31.12.	Minimum payment	Book value / Net present value	Minimum payment	Book value / Net present value
< 1 year	2 933	2 208	-2 555	-1 862
2 - 5 year	7 226	6 873	-7 055	-6 821
> 5 year				
	10 159	9 081	-9 610	-8 683
Converted to NOK at 31.12 *FX rate* *8,5326*		**77 455**		**-74 088**

NOTE 13 – TANGIBLE FIXED ASSETS

	Software and office equipment	Furniture and fixtures	Non depreciable assets	2020	2019
Acquisition costs 01.01	6 373	4 382	165	**10 920**	10 871
Additions during the year	256	0	0	**256**	124
Disposals during the year	0	0	0	**0**	-75
Acquisition costs 31.12	6 628	4 382	165	**11 175**	10 920
Accumulated ordinary depreciation 01.01	5 995	3 777	0	**9 772**	8 679
Depreciation during the year	272	264	0	**535**	1 093
Accumulated depreciation sold/disposed assets	0	0	0	**0**	0
Accumulated depreciation and write-off 31.12	6 267	4 040	0	**10 307**	9 772
Book value as of 31.12	362	342	165	**868**	1 148
Useful life	3-4 years	6 years	-		3 - 6 years
Depreciation plan	Linear	Linear	Linear		Linear
Depreciation percentage	25 - 30%	15 %	0 %		15 - 30%

NOTE 14 – RECEIVABLES

Debtors consist mainly of receivables from shipping partnerships. None of these receivables is falling due more than one year after the end of the fiscal year.

NOTE 15 – LIABILITIES

Solvang ASA has given a guarantee for the share of debt that its subsidiary Clipper Shipping AS is committed to through its ownership in shipowning companies. This is limited to ownership of the individual shipping partnerships. Clipper Shippings share of the mortgage debt 31.12.2020 is MUSD 130.0. Solvang ASA has guaranteed for all of this amount.

Solvang ASA has provided a bank guarantee of NOK 1.7 million regarding the lease of office space in Oslo.

In March 2019, Solvang together with the subsidiary Clipper Shipping AS, entered into a 5-year loan agreement for refinancing a fleet loan for the major part of vessels owned by Clipper Shipping AS. The refinancing was carried out with Solvang ASA as the Borrower and Clipper Shipping AS as the Guarantor.
As the loan is related to financing of vessels owned by Clipper Shipping AS, the loan is further distributed from Solvang ASA to Clipper Shipping AS on Back-to-back terms.
Longterm loan as of 31.12 amounts to USD 415,4 millions.
The company has no debt that falls due more than five years after the balance sheet date.

Summary of Long term loan as of 31.12.

Amounts in KNOK	**Receivables (back-to-back terms)**	**Long term loan**
Long term loan	3 544 039	-3 544 039
Capitalized borrowing costs	-37 781	37 781
Total	3 506 259	-3 506 259

NOTE 16 – AREAS OF OPERATION

Since practically all of the company's ship ownership was sold to the subsidiary Clipper Shipping AS in December 2007, the company is left with one area of operation, ship management.

NOTE 17 – EQUITY

Solvang ASA	Share capital	Share premium reserve	Other Equity	Total equity
Equity as of 31.12.2019	**465 728**	**2 076 295**	**429 865**	**2 971 888**
Profit / loss of the year			3 685	3 685
Translation differences *(note 3)*			2	2
Remeasurement pension liability (net after tax)			-256	-256
Dividend			-186 291	-186 291
Equity as of 31.12.2020	**465 728**	**2 076 295**	**247 004**	**2 789 027**

Treasury Shares

As of 31.12.2020 Solvang ASA holds no treasury shares.

Shareholders

The share capital of Solvang ASA consist of 93,145,608 ordinary shares, each with a par value of NOK 5,-.
All shares have equal rights.

The company's main shareholders as of 31.12.2020

Name of owner	# of shares	Ownership
Clipper AS	29 330 654	31,49 %
Straen AS	18 117 245	19,45 %
Audley AS	16 126 163	17,31 %
Barque AS	8 812 908	9,46 %
Leif Hübert AS	2 882 741	3,09 %
Jaco Invest AS	2 150 000	2,31 %
Skagenkaien Eiendom Holding AS	1 926 318	2,07 %
Tyin AS	1 880 389	2,02 %
Motor-Trade Eiendom og Finans AS	1 578 373	1,69 %
Torkap AS	1 456 218	1,56 %
Mertoun Capital AS	1 359 782	1,46 %
Taif AS	1 308 608	1,40 %
Menne Invest AS	1 206 148	1,29 %
Others < 1%	5 010 061	5,38 %
Totalt	**93 145 608**	**100,00 %**

The board of directors has no direct ownership in the company, nor control any shares in the company as of 31.12.2020.

The CEO, Edvin Endresen, owns 10 720 shares in the company as of 31.12.2020.

Proposed dividend

The Board of Directors has proposed a dividend of NOK 2.00 per share for 2020. No dividend was paid for 2019.
Allocated dividend is based on the number of shares outstanding on the grant date.
The company has no other dividend limitations than those imposed by Norwegian law.

NOTE 18 – SUBSEQUENT EVENTS

There are no events after the balance sheet date that impacts the reported numbers.

To the General Meeting of Solvang ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solvang ASA, which comprise:

- The financial statements of the parent company Solvang ASA (the Company), which comprise the balance sheet as at 31 December 2020, the profit & loss statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Solvang ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

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

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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Independent Auditor's Report - Solvang ASA

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report - Solvang ASA

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, 27 April 2021
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

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REFERENCES

TOPIC	SOLVANG DOCUMENTS	EXTERNAL REFERENCES
Emissions to air	Environmental Policy Environmental Management System	IMO GHG Strategy IMO MARPOL ISO 14001 ISM Code NIS Flag State requirements
Energy consumption	Environmental Policy Environmental Management System	IMO GHG Strategy IMO MARPOL ISO 14001 ISM Code NIS Flag State requirements
Spills to Sea	Ballast Water Management Policy and Management System Waste Management Policy and Management System Environmental Policy and Management System	IMO MARPOL IMO Ballast Water Management Convention European Waste Shipment Regulation The Federal Water Pollution Control Act US VGP regulations ISM Code
Recycling	Vessel Recycling Policy	NIS Flag State requirements
Community Engagement	How we contribute to social welfare, jobs and stability.	
Health and Safety	Emergency procedures Occupational Health and Safety Management System Health and nutrition Programmes Contractor Safety Policy Living the Vision programme for employee development and communications.	International Labour Organisation Convention (Marine Labour Convention) International Convention for the Safety of Life at Sea (SOLAS) 1974 OCIMF Marine Injury Reporting Guidelines ISM Code NIS Flag State requirements
Employee Relations	Ehical guidelines Internal health and safety policy Non-discrimination Policy Living the Vision programme for employee development and communications.	Norwegian Shipowners Association UN Global Compact International Labour Organisation Convention (Marine Labour Convention) NIS Flag State requirements
Goverance and Compliance	Code of Conduct Executive Remuneration Guidelines Authorisation Levels	
Anti-Bribery and Anti-Corruption	Code of Conduct Whistleblowing Policy and Management System Anti-Bribery and Anti-Corruption Policy Conflict of Interest Policy	
Economic Performance and Benefits	Annual report Code of Conduct Responsible Tax Policy	International Financial Reporting Standards (IFRS)

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