



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 921 045 379
Organisasjonsform: Aksjeselskap
Foretaksnavn: ROLLS-ROYCE ELECTRICAL NORWAY AS
Forretningsadresse: Jarleveien 8A
7041 TRONDHEIM

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: James Whiteley
Dato for fastsettelse av årsregnskapet: 16.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 12.10.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue		141 964 024	141 121 420
Other operating income	13		
Sum inntekter		141 964 024	141 121 420
Kostnader			
Cost of materials		25 690 200	48 458 602
Personnel expenses	6, 13	39 216 214	33 137 355
Depreciation of operating and intangible assets	9, 10	6 649 720	5 523 152
Nedskrivning av varige driftsmidler og immaterielle eiendeler	9, 10		
Other operating expenses	12	43 835 885	33 069 787
Sum kostnader		115 392 019	120 188 895
Driftsresultat		26 572 005	20 932 525
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	7		
Annen renteinntekt	7	7 564	18 742
Other financial income	7	837 775	62 420
Sum finansinntekter		845 339	81 162
Rentekostnad til foretak i samme konsern	7		
Annen rentekostnad	7	39 348	7 549
Other financial expenses	7	2 300 309	589 857
Sum finanskostnader		2 339 657	597 406
Netto finans		-1 494 318	-516 244
Ordinært resultat før skattekostnad		25 077 687	20 416 281
Tax on ordinary result	5	5 538 578	4 504 229
Ordinært resultat etter skattekostnad		19 539 109	15 912 052
Årsresultat		19 539 109	15 912 052
Årsresultat etter minoritetsinteresser		19 539 109	15 912 052



Resultatregnskap

Beløp i: NOK	Note	2020	2019
Totalresultat		19 539 109	15 912 052
Overføringer og disponeringer			
Ordinært utbytte			10 000 000
Allocated to other equity		19 539 109	5 912 052
Sum overføringer og disponeringer		19 539 109	15 912 052



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Research and development	9, 10		
Patents, licenses, trademarks, and similar rights	10	2 148 885	2 162 608
Utsatt skattefordel	5	94 795	
Goodwill	10	1 083 623	2 941 263
Sum immaterielle eiendeler		3 327 304	5 103 872
Varige driftsmidler			
Machinery and equipment	9	2 164 701	2 448 285
Equipment and other movables	9	12 998 454	14 409 563
Sum varige driftsmidler		15 163 155	16 857 848
Finansielle anleggsmidler			
Lån til foretak i samme konsern	11		
Lån til tilknyttet selskap og felles kontrollert virksomhet	11		
Sum anleggsmidler		18 490 459	21 961 719
Omløpsmidler			
Varer			
Sum varer	4	2 099 603	1 514 970
Fordringer			
Accounts receivables		5 393 107	7 504 909
Other short-term receivables	8	12 905 742	7 062 333
Konsernfordringer	11	23 680 673	21 692 389
Sum fordringer		41 979 521	36 259 631
Bankinnskudd, kontanter og lignende			
Cash and bank deposits	3	52 764 975	50 319 726
Sum bankinnskudd, kontanter og lignende		52 764 975	50 319 726
Sum omløpsmidler		96 844 100	88 094 327



Balanse

Beløp i: NOK	Note	2020	2019
SUM EIENDELER		115 334 558	110 056 047
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	1, 2	30 030 000	30 030 000
Overkurs	1	27 000 000	27 000 000
Sum innskutt egenkapital		57 030 000	57 030 000
Opptjent egenkapital			
Other equity	1	25 451 161	5 912 052
Sum opptjent egenkapital		25 451 161	5 912 052
Sum egenkapital		82 481 161	62 942 052
Gjeld			
Langsiktig gjeld			
Utsatt skatt	5		155 550
Sum avsetninger for forpliktelser			155 550
Annen langsiktig gjeld			
Sum langsiktig gjeld		0	155 550
Kortsiktig gjeld			
Leverandørgjeld		8 937 370	11 820 165
Tax payable	5	5 788 923	4 348 679
Public duties payable		2 392 624	2 138 850
Utbytte	1		10 000 000
Kortsiktig konserngjeld	11		
Other current debt	8	15 734 481	18 650 751
Sum kortsiktig gjeld		32 853 398	46 958 445
Sum gjeld		32 853 398	47 113 995
SUM EGENKAPITAL OG GJELD		115 334 558	110 056 047



Annual Report 2020

Rolls-royce Electrical Norway AS

Directors' Report
Revenue statement
Balance sheet
Cash flows
Notes to the Accounts

Org.no.: 921 045 379



Directors' annual report 2020 for Rolls-royce Electrical Norway AS

The nature of the business

Rolls-Royce Electrical Norway AS is 100% owned by Rolls-Royce plc. The ultimate parent company being Rolls-Royce Holdings plc, which has its business address in London, is listed on the London Stock Exchange, and prepares consolidated accounts within which Rolls-Royce Electrical Norway AS is consolidated. The company is located in Trondheim municipality.

Rolls-Royce Electrical Norway AS is a company whose business includes electrification in aircraft, marine and subsea. Deliveries include R&D, testing, commissioning and product deliveries.

The cash flow from operating activities is NOK 15,5 million in 2020, cash flow from investing activities is NOK -3,1 million, and payment of the 2019 dividend of NOK 10 million. Giving a net increase in cash of NOK 2.4 million and a year end cash position of NOK 52,8 million.

Going concern

In accordance with the regnskapslovens § 3-3a, it is confirmed that the conditions required for continued operation are present, and that this assumption is used as the basis for the preparation of the accounts.

Statement of the annual accounts

The board does not know of any matters of importance for judging the company's position and results that do not appear in the profit and loss statement and the balance sheet with notes.

The covid 19 epidemic that began early 2020 has continued into 2021 and even with successful vaccine role out looks set to continue influencing society and businesses both nationally and internationally for at least the medium term. The main uncertainty for Rolls-Royce Electrical Norway AS has been towards employee place of work, and working procedures, both which have been and are continually adjusted as necessary.

Electrification in our core markets continue to be important to reach global CO2 targets. This is the main driver for continued operation and growth in Rolls-Royce Electrical Norway AS.

No post financial year end events or transactions have occurred which, in the board's view, are important in assessing the financial statement.

Outlook for 2021

On entering Q2 2021 overall contract and commitment levels were as expected, with inter-group sales forecast to make up approximately 75% of annual revenue. The new production hall located at Jarleveien 8 is complete and expected to be in operational use shortly. Revenue and profitability margins are expected to be maintained at similar levels to the past two years.

Financial risk

The company's revenues and costs are primarily in Norwegian Kroner. Where the company does invoice customers in a foreign currency the revenue is calculated based on Norwegian Kroner price, the financial risk being foreign exchange movement during debtor day period. If deemed necessary hedging is available via Rolls-Royce Group Treasury. The company undertakes no hedging of interest rates and has no long-term borrowings in place. No significant financial risk exists.

Market Risk

The global trend towards electrification is the driving force behind Rolls-Royce Electrical Norway AS's



business. The market for electrification in specific business sectors can change for many reasons effecting those business sectors, for example the effect Covid 19 has had on aviation. These market changes can have knock on effects of temporarily reducing R&D towards electrification. The general trend towards electrification across all Rolls-Royce business sectors continues, this should allow Rolls-Royce Electrical Norway AS to benefit from this market growth in our core markets.

Liquidity risk

The company has significant cash balances which it intends to place on short term deposit after the new banking agreement is in place with Nordea in June 2021.

The company has minimal large investments or other financial outlays.

Fluctuations in accounts receivable and receivables from group companies are the most likely factors effecting the cash balance. Both of these are predominately made up of blue-chip companies which historically have maintained low debtor days towards Rolls-Royce Electrical Norway AS.

Working environment, gender equality and discrimination

The board considers the working environment in the company to be good. No special measures have been implemented in this regard. Employees in the company have not been exposed to accidents or injuries in connection with the performance of their work. Total employee sickness absence 2020 year has been a total of 2,5% of total working hours in the financial year.

Rolls-Royce Electrical Norway AS aims to be a workplace where there is full equality between women and men. It has incorporated a personnel policy which is considered to be gender neutral in all areas. At the end of the year, the company had 39 employees, 4 women and 35 men. In 2020 company's board consists of 4 people, of which 2 were women, one of the women left the board in 2021 and is yet to be replaced.

Environmental reporting

The company does not conduct activities that pollute the external environment.

Annual result and dispositions

In 2020, the company had a profit after tax expense of NOK 19,5 million which is to be allocated to other equity in full, as no dividend was proposed.

15.06.2021

The board of Rolls-royce Electrical Norway AS

Watson, Rob
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Robert Emmerson Watson
chairman of the board

Joanne Emma Chetwynd
member of the board

Stig Ove Stornes
member of the board

Digitally signed by Øvrebø, Sigurd
DN: dc=Local, dc=Rolls-Royce,
ou=EMEA, ou=Norway, ou=Trondheim,
ou=User Accounts, cn=Øvrebø, Sigurd
Date: 2021.06.22 15:40:38 +02'00'

Sigurd Øvrebø
general Manager



Revenue statement

Rolls-royce Electrical Norway AS

Operating income and operating expenses	Note	2020	2019
Revenue		141 964 024	141 121 420
Total operating income		141 964 024	141 121 420
Cost of materials		25 690 200	48 458 602
Personnel expenses	6, 13	39 216 214	33 137 355
Depreciation of operating and intangible assets	9, 10	6 649 720	5 523 152
Other operating expenses	12	43 835 885	33 069 787
Total operating expenses		115 392 019	120 188 895
Operating profit		26 572 005	20 932 525
Financial income and expenses			
Other interest income	7	7 564	18 742
Other financial income	7	837 775	62 420
Other interest expenses	7	39 348	7 549
Other financial expenses	7	2 300 309	589 857
Net financial items		-1 494 318	-516 244
Operating result before tax		25 077 687	20 416 281
Tax on ordinary result	5	5 538 578	4 504 229
Ordinary result after tax		19 539 109	15 912 052
Extraordinary income and expenses			
Annual net profit		19 539 109	15 912 052
Brought forward			
Allocated to dividend		0	10 000 000
Allocated to other equity		19 539 109	5 912 052
Net brought forward		19 539 109	15 912 052



Balance Sheet 31.12

Rolls-royce Electrical Norway AS

Assets	Note	2020	2019
Fixed assets			
Intangible assets			
Patents, licenses, trademarks, and similar rights	10	2 148 885	2 162 608
Deferred tax assets	5	94 795	0
Goodwill	10	1 083 623	2 941 263
Total intangible assets		3 327 304	5 103 872
Tangible assets			
Machinery and equipment	9	2 164 701	2 448 285
Equipment and other movables	9	12 998 454	14 409 563
Total tangible assets		15 163 155	16 857 848
Financial fixed assets			
Total fixed assets		18 490 459	21 961 719
Current assets			
Inventories	4	2 099 603	1 514 970
Debtors			
Accounts receivables		5 393 107	7 504 909
Other short-term receivables	8	12 905 742	7 062 333
Receivables from group companies	11	23 680 673	21 692 389
Total receivables		41 979 521	36 259 631
Investments			
Cash and bank deposits	3	52 764 975	50 319 726
Total current assets		96 844 100	88 094 327
Total assets		115 334 558	110 056 047



Balance Sheet 31.12

Rolls-royce Electrical Norway AS

Equity and liabilities	Note	2020	2019
Equity			
Paid-up equity			
Share capital	1, 2	30 030 000	30 030 000
Share premium reserve	1	27 000 000	27 000 000
Total paid-up equity		57 030 000	57 030 000
Retained earnings			
Other equity	1	25 451 161	5 912 052
Total retained earnings		25 451 161	5 912 052
Total equity		82 481 161	62 942 052
Liabilities			
Provisions for liabilities			
Deferred tax	5	0	155 550
Other long-term liabilities			
Current debt			
Trade creditors		8 937 370	11 820 165
Tax payable	5	5 788 923	4 348 679
Public duties payable		2 392 624	2 138 850
Dividend	1	0	10 000 000
Other current debt	8	15 734 481	18 650 751
Total current debt		32 853 398	46 958 445
Total liabilities		32 853 398	47 113 995
Total equity and liabilities		115 334 558	110 056 047

15.06.2021

The board of Rolls-royce Electrical Norway AS

Watson, Rob
2021.06.18 12:18:25
+01'00'Robert Emmerson Watson
chairman of the boardJoanne Emma Chetwynd
member of the boardStig Ove Stornes
member of the boardSigurd Øvrebo
general ManagerDigitally signed by Øvrebo, Sigurd
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ou=EMEA, ou=Norway,
ou=Trondheim, ou=User Accounts,
cn=Øvrebo, Sigurd
Date: 2021.06.22 15:42:15 +0200



Indirect cash flow

Rolls-royce Electrical Norway AS

	Note	2020	2019
Cash flows from operating activities			
Profit/loss before tax		25 077 687	20 416 281
Taxation paid		4 348 679	0
Ordinary depreciation		6 649 720	5 523 152
Change in inventory		-584 632	-1 514 970
Change in accounts receivable		2 111 803	-7 504 909
Change in accounts payable		-2 882 796	11 820 165
Change in other accrual items		-10 494 189	-7 935 121
Net cash flows from operating activities		15 528 914	20 804 597
Cash flows from investment activities			
Payments to buy tangible assets		3 083 665	27 484 871
Net cash flows from investment activities		-3 083 665	-27 484 871
Cash flows from financing activities			
Proceeds from equity		0	57 000 000
Payment of dividend		10 000 000	0
Net cash flows from financing activities		-10 000 000	57 000 000
Net change in cash and cash equivalents		2 445 250	50 319 726
Cash and cash equivalents at the start of the period		50 319 726	0
Cash and cash equivalents at the end of the period		52 764 975	50 319 726



Notes to the financial statement 2020

Accounting principles

The annual accounts have been prepared in accordance with the Accounting Act and generally accepted accounting principles, and under the assumption of continued operations.

Use of estimates

The preparation of accounts in accordance with the Accounting Act requires the use of estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in the notes.

Revenue

Income from sale of goods and services are recognised at fair value, net after deduction of VAT, returns, discounts and reductions.

Revenue from sale of goods

Revenue from sale of goods are recognised in the income statement when both risk and control have passed on to the buyer. The risk being the asset's profit and loss potential, whilst control is defined as having both the decision-making rights as well as the jurisdiction. Historical data is applied to estimate and make provisions for quantity discount and returns at the date of sales.

Revenue from sale for services

Revenues for services are recognised when the services are performed and the company has a right to payment for performed.

Classification and assessment of balance sheet items

Assets intended for long term ownership or use are classified as fixed assets. Fixed assets are valued at acquisition cost.

Current assets and current liabilities include items due for payment within one year of the balance sheet date, along with inventory items. Current assets are valued at the lower of acquisition cost and estimated fair value.

Receivables are classified as current assets if they are to be repaid within one year. Similar criteria apply to current liabilities.

First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Some items are assessed according to other rules. The items in question will be among the items covered below.

Intangible assets

Expenditure on Research and Development is capitalised providing a future economic benefit relating to the development of an identifiable intangible asset can be identified and the expenses can be measured reliably. Otherwise, such expenditure is expensed as and when incurred. Capitalised development costs are depreciated on a straight-line basis over the asset's expected useful life.

Fixed assets

Tangible fixed assets are capitalised and depreciated on a straight-line basis down to the residual value over the expected useful economic life of the assets. When the depreciation plan is changed, the effect is distributed over the remaining depreciation period. Maintenance of operating equipment is expensed on an ongoing basis.

Upgrades or improvements are added to the acquisition cost of the asset and depreciated in line with the asset. The difference between maintenance and upgrade / improvement is assessed based on the condition of the asset when purchased. Land is not depreciated.

Leased fixed assets are capitalized as fixed assets if the lease is considered financial.



Notes to the financial statement 2020

Expenses for renting other fixed assets are expensed as operating costs. Prepayments are reflected in the balance sheet as a prepaid expense, and are distributed over the rental period.

Impairment of fixed assets

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent ingoing cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and the value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the value in use. Value in use is the present value of future cash flows related to the asset.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Inventory

The inventory of purchased goods is valued at the lower of acquisition cost according to the FIFO principle and net sales value. Finished goods of own production and work in progress are valued at production cost.

Receivables

Trade receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables.

Additionally, for trade receivables, an unspecified provision is made to cover expected losses.

Pensions

Pension schemes financed via hedged schemes are not capitalized. The pension premium is considered in these cases such as pension costs and are classified together with wage costs

Tax

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at 22 % on the basis of the temporary differences that exist between accounting and tax values, as well as any possible taxable loss carried forwards at the end of the accounting year. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been offset and netted.

Deferred tax on surplus values in connection with acquisitions of subsidiaries will not be settled.

List of deferred tax assets on net tax-reducing differences that have not been offset and losses to carry forward, is justified by assumed future earnings. Deferred tax assets that can be capitalized and deferred tax is entered net in the balance sheet.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate at the end of the accounting year. Agio gains and losses relating to sales and purchases of goods in foreign currencies are recognised as financial income and expenses.

Warranties, guarantee commitments/complaints and service

Provision for warranties and service work for completed projects / sales is recorded at the expected cost of such work. The estimate is based on historical figures for service and warranty repairs. The amount is recorded under other current liabilities and is recognised in the income statement on a straight-line basis over the warranty and service period.

Cash Flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal



Notes to the financial statement 2020

exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.



Notes to the financial statement 2020

Note 1 Equity

	Share capital	Share premium reserve	Retained earnings	Total equity
Equity 01.01	30 030 000	27 000 000	5 912 052	62 942 052
Annual net profit/loss			19 539 109	19 539 109
Equity 31.12	30 030 000	27 000 000	25 451 161	82 481 161

Note 2 Share capital and shareholder information

Share capital	Number	Nominal value	Book value
Ordinary shares	300	100 100	30 030 000

Shareholders:	Number of shares	Ownership
Rolls-Royce plc	300	100 %
Total	300	100 %
Total number of shares	300	100 %

The company has one share class and all shares have equal voting rights. Rolls-Royce Electrical Norway AS is 100% owned by Rolls-Royce plc. The ultimate parent company being Rolls-Royce Holdings plc which has a business address in London and is listed on the London Stock Exchange, prepares consolidated accounts where Rolls-Royce Electrical Norway AS is included in the consolidation. The consolidated financial statements are available on the website <https://www.rolls-royce.com/investors.aspx>.

Note 3 Bank deposits

Funds standing on the tax deduction account (restricted funds) are NOK 1 572 733.

Note 4 Inventory

	2020	2019
Stocks of raw materials	1 325 075	1 514 970
Stocks of goods in manufacture	79 000	0
Stocks of self-produced finished goods	695 527	0
Total	2 099 602	1 514 970



Notes to the financial statement 2020

The inventory value of Rolls-royce Electrical Norway AS as at 31.12.2020 has been valued at acquisition cost for raw materials, and production cost for work in progress and finished goods.

Note 5 Tax

This year's tax expense	2020	2019
Entered tax on ordinary profit/loss:		
Payable tax	5 788 923	4 348 679
Changes in deferred tax	-250 345	155 550
Tax expense on ordinary profit/loss	5 538 578	4 504 229
Taxable income:		
Ordinary result before tax	25 077 687	20 416 281
Permanent differences	97 667	57 487
Changes in temporary differences	1 137 932	-707 044
Taxable income	26 313 286	19 766 724
Payable tax in the balance:		
Payable tax on this year's result	5 788 923	4 348 679
Total payable tax in the balance	5 788 923	4 348 679
Calculation of effective tax rate		
Profit before tax	25 077 687	20 416 281
Calculated tax on profit before tax	5 517 091	4 491 582
Tax effect of permanent differences	21 487	12 647
Total	5 538 578	4 504 229
Effective tax rate	22,1 %	22,1 %

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

	2020	2019	Difference
Tangible assets	-376 734	707 043	1 083 777
Warrenties	-54 154	0	54 154
Total	-430 888	707 043	1 137 931
Basis for deferred tax	-430 888	707 043	1 137 931
Deferred tax (22 %)	-94 795	155 550	250 345



Notes to the financial statement 2020

Note 6 Personnel expenses, number of employees, remuneration, loan to employees

Payroll expenses	2020	2019
Salaries/wages	32 157 167	27 043 497
Social security fees	4 828 892	4 078 834
Pension expenses	1 735 312	1 337 352
Other remuneration	494 843	677 671
Total	39 216 214	33 137 355

Average number of employees during the accounting year 39 31

Remuneration to executives	General Manager	Board
Salaries/wages	1 814 559	0
Pension expenses	80 827	0
Other remuneration	190 771	0
Total	2 086 157	0

The General Managers salary includes a management and performance bonus calculated by Rolls-Royce Group, his other remuneration includes share based payment paid as a retention bonus. No salary or other benefits have been paid to others on the board. No loan or security has been provided to the general manager or other leading persons.

OTP (Statutory occupational pension)

The company is required to have a pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirement of this law.

Auditors

PWC has been elected as auditor for 2020. In 2020 NOK 240 000 has been expensed to the P&L in this regard (2019: NOK 0) along with additional audit fees of NOK 79 570 relating to other assurance services (2019: 0).

Note 7 Specification of financial income and financial expenses

Financial income	2020	2019
Other interest income	7 564	18 742
Agio	837 775	62 420
Total financial income	845 339	81 162

Financial expenses	2020	2019
Other interest expense	39 348	7 549



Notes to the financial statement 2020

Other financial expenses	-193 170	420 559
Disagio	2 493 479	169 299
Total financial expenses	2 339 657	597 406

Note 8 Receivables and liabilities

The company has no debt secured by a mortgage in 2020. The company also has no long-term receivables or liabilities.

Note 9 Tangible assets

	Plant & machinery	Equipment, fixtures & fittings	Total
Acquisition cost 01.01.2020	2 701 917	17 697 444	20 399 361
Inflow of purchased intangible assets	0	2 629 463	2 629 463
Acquisition cost 31.12.2020	2 701 917	20 326 907	23 028 824
Accumulated depreciations 31.12	537 216	7 328 453	7 865 669
Book value 31.12.2020	2 164 701	12 998 454	15 163 155
Acc. depreciations and write-downs 01.01.2020	253 632	3 287 881	3 541 513
This year's depreciation	283 584	4 040 572	4 324 156
Acc. depreciations and write-downs 31.12.2020	537 216	7 328 453	7 865 669
Economic lifetime	3-10 years	3-5 years	

Note 10 Intangible assets

	Licenses	Goodwill	Total
Acquisition cost 01.01.2020	2 441 410	4 644 100	7 085 510
Inflow of purchased intangible assets	454 202	0	454 202
Acquisition cost 31.12.2020	2 895 612	4 644 100	7 539 712
Accumulated depreciations 31.12	746 727	3 560 476	4 307 203
Book value 31.12.2020	2 148 885	1 083 624	3 232 509
Acc. depreciations and write-downs 01.01.2020	278 802	1 702 836	1 981 638
This year's depreciation	467 925	1 857 640	2 325 565
Acc. depreciations and write-downs 31.12.2020	746 727	3 560 476	4 307 203
Economic lifetime	3-10 years	2,5 years	



Notes to the financial statement 2020

Note 11 Intercompany balances

<u>Receivables</u>	<u>2020</u>	<u>2019</u>
Trade receivables Rolls-Royce plc	37 563 432	6 279 720
Prepayment Rolls-Royce plc	-15 174 805	
Trade receivables Rolls-Royce Corporation	1 292 045	15 412 669
Total receivables	23 680 672	21 692 389

In 2020, the company had intercompany sales of 110 994 531 (2019: NOK 115 646 251), divided between Rolls-Royce plc of NOK 96 316 307 (2019: 96 981 912), Rolls-Royce Corporation of NOK 14 509 874 (2019: NOK 18 664 339) and Rolls-Royce Deutschland NOK 168 350 (2019: 0).

Note 12 Leases

Leases:

<u>Annual rent of off-balance sheet fixed assets</u>	<u>2020</u>	<u>2019</u>
Buildings including real estate	3 271 097	2 801 264
Sum	3 271 097	2 801 264

Note 13 Government grants

In connection with a zero emissions aircraft viability project, a grant for NOK 500 000 has been received, primary as a salary cost reduction. The grant has been accrued and posted to the profit and loss account against the project's salary costs.



Notes to the financial statement 2020

Note 14 Contingent liabilities

In January 2017, after full cooperation, the Rolls-Royce Holdings plc Group ('the Group') concluded deferred prosecution agreements (DPA) with the SFO and the US Department of Justice (DoJ) and a leniency agreement with the MPF, the Brazilian federal prosecutors. Following the expiry of its term the DPA with the DoJ was dismissed by the US District Court on 19 May 2020. Certain authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities against the Group or individuals. In addition, the Group could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matters that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.



To the General Meeting of Rolls-Royce Electrical Norway AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rolls-Royce Electrical Norway AS, which comprise the balance sheet as at 31 December 2020, the revenue statement and indirect cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and 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.

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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

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

*PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and
authorised accounting firm*



Independent Auditor's Report - Rolls-Royce Electrical Norway AS



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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 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.

(2)



Independent Auditor's Report - Rolls-Royce Electrical Norway AS



Bergen, 18 June 2021
PricewaterhouseCoopers AS

Jan Roger Hånes
State Authorised Public Accountant

(This document is signed electronically)



 Securely signed with Brevio

Revisjonsberetning

Signers:

Name	Method	Date
Hånes, Jan Roger	BANKID_MOBILE	2021-06-22 17:23

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- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.



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The seal is a guarantee for the authenticity
of the document.



Skatteetaten

Vår dato 17.09.2020	Din/Deres dato 03.09.2020	Saksbehandler Vibeke Horne
800 80 000 Skatteetaten.no	Din/Deres referanse AR387656155	Telefon 90518192
Org.nr 974761076	Vår referanse 2020/5866625	Postadresse Postboks 9200 Grønland 0134 OSLO

ROLLS-ROYCE ELECTRICAL NORWAY AS
Jarleveien 8A
7041 TRONDHEIM

Att. James Whiteley

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for Rolls-Royce Electrical Norway AS, org.nr. 921 045 379

Vi viser til deres brev av 3. september 2020 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for Rolls-Royce Electrical Norway AS.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering Rolls-Royce Electrical Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn

Rolls-Royce Electrical Norway AS er eid av et utenlandsk selskap. Selskapet driver virksomhet knyttet til produksjon av elektromotorer, generatorer og transformatorer. Flere av styremedlemmene i selskapet er utenlandske.

Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i



samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapet er direkte eid av et utenlandsk selskap. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Vibeke Horne
rådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.



Annual Report 2020

Rolls-royce Electrical Norway AS

Directors' Report
Revenue statement
Balance sheet
Cash flows
Notes to the Accounts

Org.no.: 921 045 379



Directors' annual report 2020 for Rolls-royce Electrical Norway AS

The nature of the business

Rolls-Royce Electrical Norway AS is 100% owned by Rolls-Royce plc. The ultimate parent company being Rolls-Royce Holdings plc, which has its business address in London, is listed on the London Stock Exchange, and prepares consolidated accounts within which Rolls-Royce Electrical Norway AS is consolidated. The company is located in Trondheim municipality.

Rolls-Royce Electrical Norway AS is a company whose business includes electrification in aircraft, marine and subsea. Deliveries include R&D, testing, commissioning and product deliveries.

The cash flow from operating activities is NOK 15,5 million in 2020, cash flow from investing activities is NOK -3,1 million, and payment of the 2019 dividend of NOK 10 million. Giving a net increase in cash of NOK 2.4 million and a year end cash position of NOK 52,8 million.

Going concern

In accordance with the regnskapslovens § 3-3a, it is confirmed that the conditions required for continued operation are present, and that this assumption is used as the basis for the preparation of the accounts.

Statement of the annual accounts

The board does not know of any matters of importance for judging the company's position and results that do not appear in the profit and loss statement and the balance sheet with notes.

The covid 19 epidemic that began early 2020 has continued into 2021 and even with successful vaccine role out looks set to continue influencing society and businesses both nationally and internationally for at least the medium term. The main uncertainty for Rolls-Royce Electrical Norway AS has been towards employee place of work, and working procedures, both which have been and are continually adjusted as necessary.

Electrification in our core markets continue to be important to reach global CO2 targets. This is the main driver for continued operation and growth in Rolls-Royce Electrical Norway AS.

No post financial year end events or transactions have occurred which, in the board's view, are important in assessing the financial statement.

Outlook for 2021

On entering Q2 2021 overall contract and commitment levels were as expected, with inter-group sales forecast to make up approximately 75% of annual revenue. The new production hall located at Jarleveien 8 is complete and expected to be in operational use shortly. Revenue and profitability margins are expected to be maintained at similar levels to the past two years.

Financial risk

The company's revenues and costs are primarily in Norwegian Kroner. Where the company does invoice customers in a foreign currency the revenue is calculated based on Norwegian Kroner price, the financial risk being foreign exchange movement during debtor day period. If deemed necessary hedging is available via Rolls-Royce Group Treasury. The company undertakes no hedging of interest rates and has no long-term borrowings in place. No significant financial risk exists.

Market Risk

The global trend towards electrification is the driving force behind Rolls-Royce Electrical Norway AS's



business. The market for electrification in specific business sectors can change for many reasons effecting those business sectors, for example the effect Covid 19 has had on aviation. These market changes can have knock on effects of temporarily reducing R&D towards electrification. The general trend towards electrification across all Rolls-Royce business sectors continues, this should allow Rolls-Royce Electrical Norway AS to benefit from this market growth in our core markets.

Liquidity risk

The company has significant cash balances which it intends to place on short term deposit after the new banking agreement is in place with Nordea in June 2021.

The company has minimal large investments or other financial outlays.

Fluctuations in accounts receivable and receivables from group companies are the most likely factors effecting the cash balance. Both of these are predominately made up of blue-chip companies which historically have maintained low debtor days towards Rolls-Royce Electrical Norway AS.

Working environment, gender equality and discrimination

The board considers the working environment in the company to be good. No special measures have been implemented in this regard. Employees in the company have not been exposed to accidents or injuries in connection with the performance of their work. Total employee sickness absence 2020 year has been a total of 2,5% of total working hours in the financial year.

Rolls-Royce Electrical Norway AS aims to be a workplace where there is full equality between women and men. It has incorporated a personnel policy which is considered to be gender neutral in all areas. At the end of the year, the company had 39 employees, 4 women and 35 men. In 2020 company's board consists of 4 people, of which 2 were women, one of the women left the board in 2021 and is yet to be replaced.

Environmental reporting

The company does not conduct activities that pollute the external environment.

Annual result and dispositions

In 2020, the company had a profit after tax expense of NOK 19,5 million which is to be allocated to other equity in full, as no dividend was proposed.

15.06.2021

The board of Rolls-royce Electrical Norway AS

Robert Emerson Watson
chairman of the board

Stig Ove Stornes
member of the board

Joanne Emma Chetwynd
member of the board

Sigurd Øvrebø
general Manager



Revenue statement

Rolls-royce Electrical Norway AS

Operating income and operating expenses	Note	2020	2019
Revenue		141 964 024	141 121 420
Total operating income		141 964 024	141 121 420
Cost of materials		25 690 200	48 458 602
Personnel expenses	6, 13	39 216 214	33 137 355
Depreciation of operating and intangible assets	9, 10	6 649 720	5 523 152
Other operating expenses	12	43 835 885	33 069 787
Total operating expenses		115 392 019	120 188 895
Operating profit		26 572 005	20 932 525
Financial income and expenses			
Other interest income	7	7 564	18 742
Other financial income	7	837 775	62 420
Other interest expenses	7	39 348	7 549
Other financial expenses	7	2 300 309	589 857
Net financial items		-1 494 318	-516 244
Operating result before tax		25 077 687	20 416 281
Tax on ordinary result	5	5 538 578	4 504 229
Ordinary result after tax		19 539 109	15 912 052
Extraordinary income and expenses			
Annual net profit		19 539 109	15 912 052
Brought forward			
Allocated to dividend		0	10 000 000
Allocated to other equity		19 539 109	5 912 052
Net brought forward		19 539 109	15 912 052



Balance Sheet 31.12

Rolls-royce Electrical Norway AS

Assets	Note	2020	2019
Fixed assets			
Intangible assets			
Patents, licenses, trademarks, and similar rights	10	2 148 885	2 162 608
Deferred tax assets	5	94 795	0
Goodwill	10	1 083 623	2 941 263
Total intangible assets		3 327 304	5 103 872
Tangible assets			
Machinery and equipment	9	2 164 701	2 448 285
Equipment and other movables	9	12 998 454	14 409 563
Total tangible assets		15 163 155	16 857 848
Financial fixed assets			
Total fixed assets		18 490 459	21 961 719
Current assets			
Inventories	4	2 099 603	1 514 970
Debtors			
Accounts receivables		5 393 107	7 504 909
Other short-term receivables	8	12 905 742	7 062 333
Receivables from group companies	11	23 680 673	21 692 389
Total receivables		41 979 521	36 259 631
Investments			
Cash and bank deposits	3	52 764 975	50 319 726
Total current assets		96 844 100	88 094 327
Total assets		115 334 558	110 056 047



Balance Sheet 31.12

Rolls-royce Electrical Norway AS

Equity and liabilities	Note	2020	2019
Equity			
Paid-up equity			
Share capital	1, 2	30 030 000	30 030 000
Share premium reserve	1	27 000 000	27 000 000
Total paid-up equity		57 030 000	57 030 000
Retained earnings			
Other equity	1	25 451 161	5 912 052
Total retained earnings		25 451 161	5 912 052
Total equity		82 481 161	62 942 052
Liabilities			
Provisions for liabilities			
Deferred tax	5	0	155 550
Other long-term liabilities			
Current debt			
Trade creditors		8 937 370	11 820 165
Tax payable	5	5 788 923	4 348 679
Public duties payable		2 392 624	2 138 850
Dividend	1	0	10 000 000
Other current debt	8	15 734 481	18 650 751
Total current debt		32 853 398	46 958 445
Total liabilities		32 853 398	47 113 995
Total equity and liabilities		115 334 558	110 056 047

15.06.2021

The board of Rolls-royce Electrical Norway AS

Robert Emmerson Watson
chairman of the board

Stig Ove Stornes
member of the board

Joanne Emma Chetwynd
member of the board

Sigurd Øvrebø
general Manager



Indirect cash flow

Rolls-royce Electrical Norway AS

	Note	2020	2019
Cash flows from operating activities			
Profit/loss before tax		25 077 687	20 416 281
Taxation paid		4 348 679	0
Ordinary depreciation		6 649 720	5 523 152
Change in inventory		-584 632	-1 514 970
Change in accounts receivable		2 111 803	-7 504 909
Change in accounts payable		-2 882 796	11 820 165
Change in other accrual items		-10 494 189	-7 935 121
Net cash flows from operating activities		15 528 914	20 804 597
Cash flows from investment activities			
Payments to buy tangible assets		3 083 665	27 484 871
Net cash flows from investment activities		-3 083 665	-27 484 871
Cash flows from financing activities			
Proceeds from equity		0	57 000 000
Payment of dividend		10 000 000	0
Net cash flows from financing activities		-10 000 000	57 000 000
Net change in cash and cash equivalents		2 445 250	50 319 726
Cash and cash equivalents at the start of the period		50 319 726	0
Cash and cash equivalents at the end of the period		52 764 975	50 319 726



Notes to the financial statement 2020

Accounting principles

The annual accounts have been prepared in accordance with the Accounting Act and generally accepted accounting principles, and under the assumption of continued operations.

Use of estimates

The preparation of accounts in accordance with the Accounting Act requires the use of estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in the notes.

Revenue

Income from sale of goods and services are recognised at fair value, net after deduction of VAT, returns, discounts and reductions.

Revenue from sale of goods

Revenue from sale of goods are recognised in the income statement when both risk and control have passed on to the buyer. The risk being the asset's profit and loss potential, whilst control is defined as having both the decision-making rights as well as the jurisdiction. Historical data is applied to estimate and make provisions for quantity discount and returns at the date of sales.

Revenue from sale for services

Revenues for services are recognised when the services are performed and the company has a right to payment for performed.

Classification and assessment of balance sheet items

Assets intended for long term ownership or use are classified as fixed assets. Fixed assets are valued at acquisition cost.

Current assets and current liabilities include items due for payment within one year of the balance sheet date, along with inventory items. Current assets are valued at the lower of acquisition cost and estimated fair value.

Receivables are classified as current assets if they are to be repaid within one year. Similar criteria apply to current liabilities.

First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Some items are assessed according to other rules. The items in question will be among the items covered below.

Intangible assets

Expenditure on Research and Development is capitalised providing a future economic benefit relating to the development of an identifiable intangible asset can be identified and the expenses can be measured reliably. Otherwise, such expenditure is expensed as and when incurred. Capitalised development costs are depreciated on a straight-line basis over the asset's expected useful life.

Fixed assets

Tangible fixed assets are capitalised and depreciated on a straight-line basis down to the residual value over the expected useful economic life of the assets. When the depreciation plan is changed, the effect is distributed over the remaining depreciation period. Maintenance of operating equipment is expensed on an ongoing basis.

Upgrades or improvements are added to the acquisition cost of the asset and depreciated in line with the asset. The difference between maintenance and upgrade / improvement is assessed based on the condition of the asset when purchased. Land is not depreciated.

Leased fixed assets are capitalized as fixed assets if the lease is considered financial.



Notes to the financial statement 2020

Expenses for renting other fixed assets are expensed as operating costs. Prepayments are reflected in the balance sheet as a prepaid expense, and are distributed over the rental period.

Impairment of fixed assets

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent ingoing cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and the value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the value in use. Value in use is the present value of future cash flows related to the asset.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Inventory

The inventory of purchased goods is valued at the lower of acquisition cost according to the FIFO principle and net sales value. Finished goods of own production and work in progress are valued at production cost.

Receivables

Trade receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables.

Additionally, for trade receivables, an unspecified provision is made to cover expected losses.

Pensions

Pension schemes financed via hedged schemes are not capitalized. The pension premium is considered in these cases such as pension costs and are classified together with wage costs

Tax

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at 22 % on the basis of the temporary differences that exist between accounting and tax values, as well as any possible taxable loss carried forwards at the end of the accounting year. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been offset and netted.

Deferred tax on surplus values in connection with acquisitions of subsidiaries will not be settled.

List of deferred tax assets on net tax-reducing differences that have not been offset and losses to carry forward, is justified by assumed future earnings. Deferred tax assets that can be capitalized and deferred tax is entered net in the balance sheet.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate at the end of the accounting year. Agio gains and losses relating to sales and purchases of goods in foreign currencies are recognised as financial income and expenses.

Warranties, guarantee commitments/complaints and service

Provision for warranties and service work for completed projects / sales is recorded at the expected cost of such work. The estimate is based on historical figures for service and warranty repairs. The amount is recorded under other current liabilities and is recognised in the income statement on a straight-line basis over the warranty and service period.

Cash Flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal



Notes to the financial statement 2020

exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.



Notes to the financial statement 2020

Note 1 Equity

	Share capital	Share premium reserve	Retained earnings	Total equity
Equity 01.01	30 030 000	27 000 000	5 912 052	62 942 052
Annual net profit/loss			19 539 109	19 539 109
Equity 31.12	30 030 000	27 000 000	25 451 161	82 481 161

Note 2 Share capital and shareholder information

Share capital	Number	Nominal value	Book value
Ordinary shares	300	100 100	30 030 000

Shareholders:	Number of shares	Ownership
Rolls-Royce plc	300	100 %
Total	300	100 %
Total number of shares	300	100 %

The company has one share class and all shares have equal voting rights. Rolls-Royce Electrical Norway AS is 100% owned by Rolls-Royce plc. The ultimate parent company being Rolls-Royce Holdings plc which has a business address in London and is listed on the London Stock Exchange, prepares consolidated accounts where Rolls-Royce Electrical Norway AS is included in the consolidation. The consolidated financial statements are available on the website <https://www.rolls-royce.com/investors.aspx>.

Note 3 Bank deposits

Funds standing on the tax deduction account (restricted funds) are NOK 1 572 733.

Note 4 Inventory

	2020	2019
Stocks of raw materials	1 325 075	1 514 970
Stocks of goods in manufacture	79 000	0
Stocks of self-produced finished goods	695 527	0
Total	2 099 602	1 514 970



Notes to the financial statement 2020

The inventory value of Rolls-royce Electrical Norway AS as at 31.12.2020 has been valued at acquisition cost for raw materials, and production cost for work in progress and finished goods.

Note 5 Tax

This year's tax expense	2020	2019
Entered tax on ordinary profit/loss:		
Payable tax	5 788 923	4 348 679
Changes in deferred tax	-250 345	155 550
Tax expense on ordinary profit/loss	5 538 578	4 504 229
Taxable income:		
Ordinary result before tax	25 077 687	20 416 281
Permanent differences	97 667	57 487
Changes in temporary differences	1 137 932	-707 044
Taxable income	26 313 286	19 766 724
Payable tax in the balance:		
Payable tax on this year's result	5 788 923	4 348 679
Total payable tax in the balance	5 788 923	4 348 679
Calculation of effective tax rate		
Profit before tax	25 077 687	20 416 281
Calculated tax on profit before tax	5 517 091	4 491 582
Tax effect of permanent differences	21 487	12 647
Total	5 538 578	4 504 229
Effective tax rate	22,1 %	22,1 %

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

	2020	2019	Difference
Tangible assets	-376 734	707 043	1 083 777
Warrenties	-54 154	0	54 154
Total	-430 888	707 043	1 137 931
Basis for deferred tax	-430 888	707 043	1 137 931
Deferred tax (22 %)	-94 795	155 550	250 345



Notes to the financial statement 2020

Note 6 Personnel expenses, number of employees, remuneration, loan to employees

Payroll expenses	2020	2019
Salaries/wages	32 157 167	27 043 497
Social security fees	4 828 892	4 078 834
Pension expenses	1 735 312	1 337 352
Other remuneration	494 843	677 671
Total	39 216 214	33 137 355

Average number of employees during the accounting year 39 31

Remuneration to executives	General Manager	Board
Salaries/wages	1 814 559	0
Pension expenses	80 827	0
Other remuneration	190 771	0
Total	2 086 157	0

The General Managers salary includes a management and performance bonus calculated by Rolls-Royce Group, his other remuneration includes share based payment paid as a retention bonus. No salary or other benefits have been paid to others on the board. No loan or security has been provided to the general manager or other leading persons.

OTP (Statutory occupational pension)

The company is required to have a pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirement of this law.

Auditors

PWC has been elected as auditor for 2020. In 2020 NOK 240 000 has been expensed to the P&L in this regard (2019: NOK 0) along with additional audit fees of NOK 79 570 relating to other assurance services (2019: 0).

Note 7 Specification of financial income and financial expenses

Financial income	2020	2019
Other interest income	7 564	18 742
Agio	837 775	62 420
Total financial income	845 339	81 162

Financial expenses	2020	2019
Other interest expense	39 348	7 549



Notes to the financial statement 2020

Other financial expenses	-193 170	420 559
Disagio	2 493 479	169 299
Total financial expenses	2 339 657	597 406

Note 8 Receivables and liabilities

The company has no debt secured by a mortgage in 2020. The company also has no long-term receivables or liabilities.

Note 9 Tangible assets

	Plant & machinery	Equipment, fixtures & fittings	Total
Acquisition cost 01.01.2020	2 701 917	17 697 444	20 399 361
Inflow of purchased intangible assets	0	2 629 463	2 629 463
Acquisition cost 31.12.2020	2 701 917	20 326 907	23 028 824
Accumulated depreciations 31.12	537 216	7 328 453	7 865 669
Book value 31.12.2020	2 164 701	12 998 454	15 163 155
Acc. depreciations and write-downs 01.01.2020	253 632	3 287 881	3 541 513
This year's depreciation	283 584	4 040 572	4 324 156
Acc. depreciations and write-downs 31.12.2020	537 216	7 328 453	7 865 669
Economic lifetime	3-10 years	3-5 years	

Note 10 Intangible assets

	Licenses	Goodwill	Total
Acquisition cost 01.01.2020	2 441 410	4 644 100	7 085 510
Inflow of purchased intangible assets	454 202	0	454 202
Acquisition cost 31.12.2020	2 895 612	4 644 100	7 539 712
Accumulated depreciations 31.12	746 727	3 560 476	4 307 203
Book value 31.12.2020	2 148 885	1 083 624	3 232 509
Acc. depreciations and write-downs 01.01.2020	278 802	1 702 836	1 981 638
This year's depreciation	467 925	1 857 640	2 325 565
Acc. depreciations and write-downs 31.12.2020	746 727	3 560 476	4 307 203
Economic lifetime	3-10 years	2,5 years	



Notes to the financial statement 2020

Note 11 Intercompany balances

<u>Receivables</u>	<u>2020</u>	<u>2019</u>
Trade receivables Rolls-Royce plc	37 563 432	6 279 720
Prepayment Rolls-Royce plc	-15 174 805	
Trade receivables Rolls-Royce Corporation	1 292 045	15 412 669
Total receivables	23 680 672	21 692 389

In 2020, the company had intercompany sales of 110 994 531 (2019: NOK 115 646 251), divided between Rolls-Royce plc of NOK 96 316 307 (2019: 96 981 912), Rolls-Royce Corporation of NOK 14 509 874 (2019: NOK 18 664 339) and Rolls-Royce Deutschland NOK 168 350 (2019: 0).

Note 12 Leases

Leases:

<u>Annual rent of off-balance sheet fixed assets</u>	<u>2020</u>	<u>2019</u>
Buildings including real estate	3 271 097	2 801 264
Sum	3 271 097	2 801 264

Note 13 Government grants

In connection with a zero emissions aircraft viability project, a grant for NOK 500 000 has been received, primary as a salary cost reduction. The grant has been accrued and posted to the profit and loss account against the project's salary costs.



Notes to the financial statement 2020

Note 14 Contingent liabilities

In January 2017, after full cooperation, the Rolls-Royce Holdings plc Group ('the Group') concluded deferred prosecution agreements (DPA) with the SFO and the US Department of Justice (DoJ) and a leniency agreement with the MPF, the Brazilian federal prosecutors. Following the expiry of its term the DPA with the DoJ was dismissed by the US District Court on 19 May 2020. Certain authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities against the Group or individuals. In addition, the Group could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matters that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.