ANNUAL REPORT 2018

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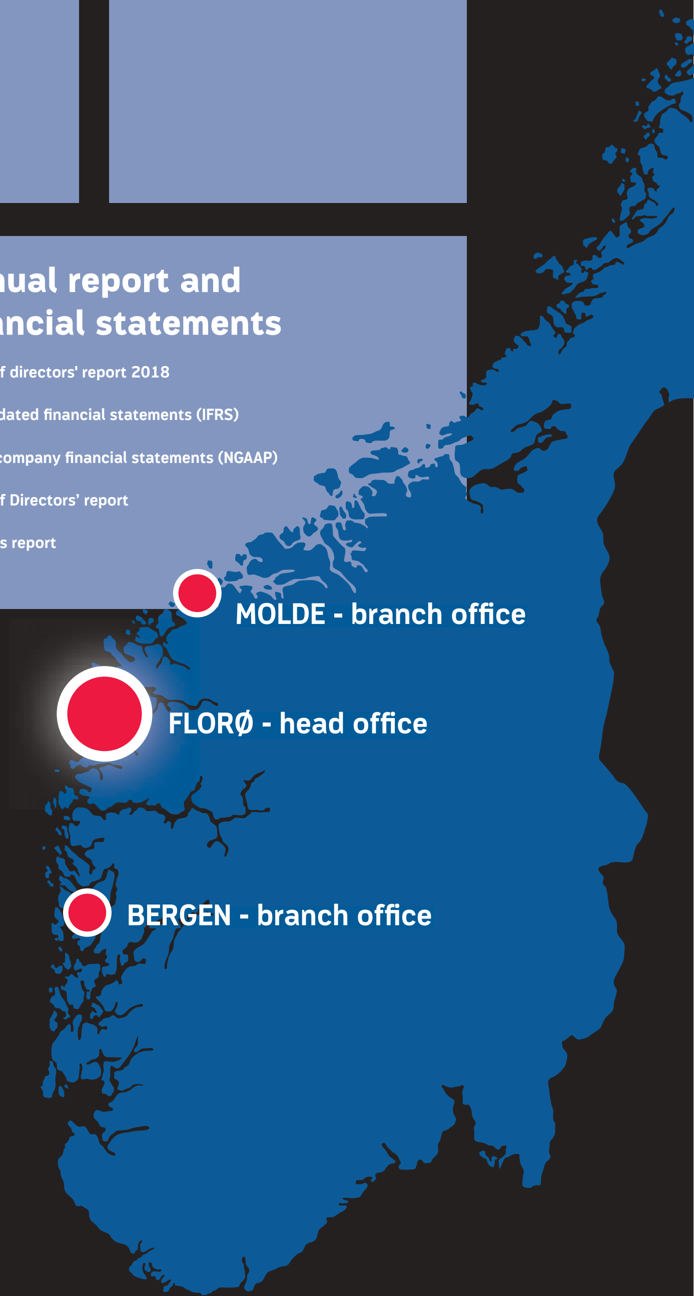


ABOUT FJORD1 ASA

THIS IS FJORD1

Fjord1 is Norway's leading ferry company, with ferry transport as its core business. The company also operates activities within passenger boat services, catering and fjord-based tourism. By providing friendly and professional service, Fjord1's employees ensures the 21,6 million passengers who travel on the fjords each year have a safe, comfortable and seamless experience.

Fjord1 is an innovative company with big ambitions. The company wants to play a leading role in the Green Shift currently dominating the ferry industry. By working continuously to develop world-class newbuilds, Fjord1's goal is to be unsurpassed in environmentally friendly and reliable transport.

Fjord1 is already making good progress on its biggest-ever ferry upgrade programme. Most tender competitions announced the last few years include enhanced environmental criteria, with many requiring zero- and low-emissions technology. By building new, climate-friendly vessels, the company has secured itself a leading position in the Green Shift and the electrification of Norway's fjords. Fjord1 has taken delivery of as many as seven new hybrid and fully electric vessels in 2018, with even more scheduled for 2019. At the same time, several of Fjord1's existing vessels will undergo extensive upgrades in order to meet the environmental criteria. In other words, the company finds itself in a period of high investments, which will in turn help to safeguard its position as the biggest operator in the Norwegian ferry industry.

> *By working continuously to develop world-class newbuilds, Fjord1's goal is to be unsurpassed in environmentally friendly and reliable transport.*

With its broad experience of ferry operations, solid market know-how and a high level of flexibility in the fleet, Fjord1 aims to show its owners that it is a good investment. The company is headquartered in Florø, with branch offices in Molde and Bergen.

FROM THE CEO

Several ferry contracts have been tendered during 2018. Fjord1 has participated in several of these tenders, and I'm pleased to report that the company can look back on a number of positives in this area over the past year. Fjord1 was successful in the tender processes for Western Norway, and the company has made a serious commitment to the Green Shift by investing in environmentally friendly vessels where zero-emissions requirements have come to the fore in the maritime industry.

The process of converting from traditional diesel to electric ferries entails extensive work but – with an organisation adapted to this very process – Fjord1 is definitely ready for the challenges ahead. We are investing heavily in newbuilds, and during the next few years, large parts of the fleet will be electrified. The environmental criteria from public authorities are fitting, and it was a special day for Fjord1 when it opened the world's first fully electric ferry route on 1 January 2018.

The Anda–Lote ferry link on the E39 is the first route in the world with a zero-emissions requirement, and the project brings Fjord1 great prestige in being the first company to use the new technology – not only in terms of the vessels, but also the solution for the shore charging system. Today, Fjord1 emerges as both a leader and innovator within environmental efforts and new technology, something that brings with it a need for new expertise. We at Fjord1 are always seeking new expertise within different specialist areas, and we have a specific focus on personal development for both employees and managers.

Our passengers have been a particular area of focus in 2018. The customer has always been important to Fjord1, and good service is more important now than ever. Self-service kiosks were introduced on an increasing number of routes over the last year. It is pleasing to see that customers appreciate the 24-hour availability and that there is little wastage. In November, Fjord1 conducted its biggest-ever customer survey. We will use the feedback gained going forward, as Fjord1 wants to do everything it can to safeguard its position as industry leader from a customer perspective too.

Reliable and safe operations are essential in establishing a good relationship with our passengers. Fjord1 achieved another year of good results, much of which can be attributed to continued good operations. Behind these results are a high level of expertise and precision, and highly skilled employees. The employees are the company's most valuable resource, and we want to consistently have the best and most highly motivated employees in the industry.

> *The company's employees are its most valuable resource, and we want to consistently have the best and most highly motivated employees in the industry.*

Fjord1 is steadily increasing its investments in tourism, which will be an exciting area in the year ahead, particularly in view of the Letter of Intent to establish a joint national tourism company signed with the NSB Group in the winter of 2018. In addition, we work closely with The Fjords, and were thrilled when their vessel MS "Future of The Fjords" was named "Ship of the Year 2018", the same as awarded to the sister ship in 2016.

Things are going very well for Fjord1. We have already gained useful experience linked to the transformation, which we shall carry forward into our work in the year ahead. We are always looking to the future, because we want to be unsurpassed in terms of safe and environmentally friendly transport on our ever greener fjords.

Dagfinn Neteland
CEO of Fjord1

A VALUE BASED COMPANY

Fjord1's values shall reflect who we are and how we work. These values shall guide how Fjord1's employees behave every day, both internally and externally. In this way, the values also become an important management tool in our day-to-day work, laying the foundations for the company's identity.

The employees themselves have been involved in drawing up the company's values, something that has been key to the work to build a strong and healthy organisational culture. Today, these values are fully integrated in all parts of the organisation.

CHEERFUL

OPEN AND HONEST

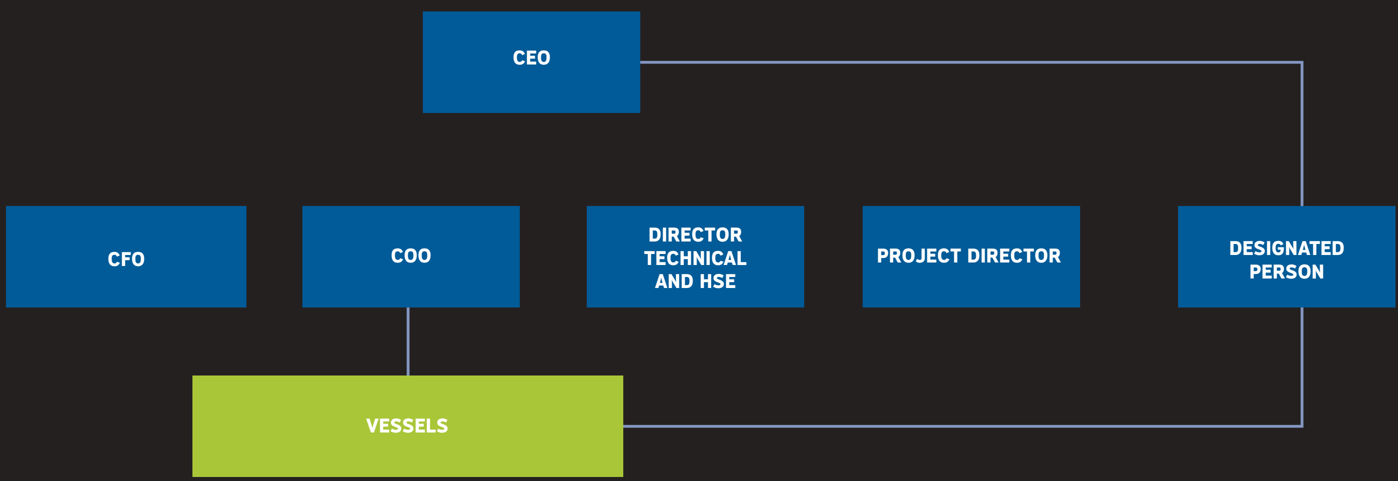
RELIABLE AND KEEPING OUR PROMISES

PROFITABLE

WORKING TOGETHER AND TEAM SPIRIT

PROUD

ORGANISATION



KEY FIGURES

MAN-YEARS
1264

VESSELS
74

PASSENGERS
21.6 MILLION

VEHICLES
10.7 MILLION

REVENUE
3.1 BILLION

BALANCE
6.7 BILLION

EQUITY
2.3 BILLION

BEFORE TAX
675 MILLION

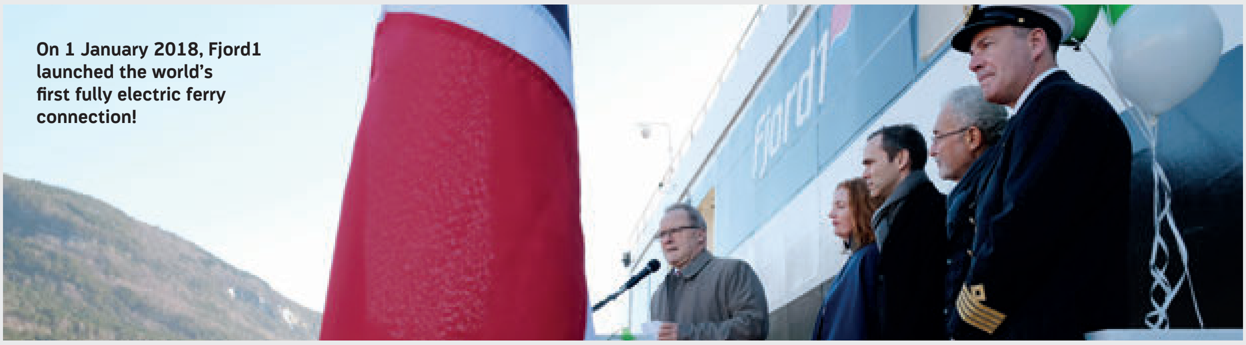
EBITDA
1.1 BILLION

INVESTMENTS
1.9 BILLION

FJORD1'S EMPLOYEES
– THE COMPANY'S MOST VALUABLE RESOURCE

Fjord1 shall be the safest and most attractive provider of environmentally friendly ferry and passenger boat transport for its customers, clients and partners. By providing friendly and professional service, Fjord1's employees will make travel on the fjords a safe, comfortable and trouble-free experience.

The company's positive development is closely linked to individual efforts, commitment and know-how, and it is the employees who have made Fjord1 a strong brand.



On 1 January 2018, Fjord1 launched the world's first fully electric ferry connection!

IMPORTANT EVENTS

In a year characterised by major tender competitions, Fjord1 made its mark in 2018 as the industry leader.

Q1
On 1 January, Fjord1 began operating the world's first fully electric connection on the Anda–Lote route in Sogn og Fjordane. This is the first route in the world with a zero-emissions requirement, and the project brings Fjord1 great prestige in being the first company to use the new technology – not only in terms of the vessels but also the solution for the quay-based charging system. From 1 January, Fjord1 also started up two new routes in Hordaland: Krokeide–Hufthamar and Husavik–Sandvikvåg. In the same period, Fjord1 was awarded the "Nordmøre package", which means that Fjord1 will continue to operate four county road connections in Nordmøre for 10 more years. Also during Q1, Fjord1 signed a contract for delivery of seven new vessels: five from Havyard and two from the Turkish shipyard Cemre.

Q2
By now, Fjord1 was well under way with the process of converting from traditional diesel to electric ferries. Work relating to newbuilds was at its highest level ever, and a bond loan linked to financing of new vessels was issued and listed on the Oslo Stock Exchange. In 2020, 29 electric ferries will be in operation as part of the conversion from conventional to electric ferries. The company took delivery of two new ferries in this period: MF "Horgefjord" and MF "Husavik". Moreover, the company signed a contract with Tersan Shipyard in Turkey for delivery of a new vessel. A dividend of NOK 270 million was paid to Fjord1's owners, based on the previous year's results. The Fjords DA signs a contract for a new vessel that will be deployed on the Oslofjord and also took delivery of the fully electric passenger catamaran: MS "Future of The Fjords". Fjord1 opened new self-service kiosks on an increasing number of routes. Feedback from customers was good, and there was little wastage.

Q3
The company achieved another period of good, stable operations. In addition, Fjord1 was awarded a new tender contract by Møre og Romsdal county council. This contract concerned the "Romsdal package", covering operation of four routes in Romsdal for a period of 14 years. The contract entails a significant reduction in CO_2 emissions and use of fossil fuels, and lower energy consumption overall. In the same period, Fjord1 signed a contract with Fiskarstrand Verft AS for conversion to electric operation of MF "Årdal". As the company has entered into several contracts for new environmentally friendly ferries, the Norwegian Export Credit Guarantee Agency (GIEK) has contributed to the financing of Fjord1's newbuilding programme by providing a NOK 900 million guarantee. In September, Fjord1 opened its first land-based Ferdamat café. Based on growth in operations in new geographical areas, Fjord1 established a new region in its operating entity, with "Region 4" becoming responsible for ferry operations on the new routes in Hordaland.
Fjord1 invited both local people and employees to naming ceremonies for its new electric ferries.

Q4
Fjord1 was one of three companies still in the running to operate the world's first hydrogen ferries and submitted its tender in October. Although the company was not successful on this occasion, work on the tender has been a valuable learning experience for Fjord1. In November, Fjord1 won the tender competition to operate four routes in Indre Sunnmøre. The contract, worth approximately NOK 1.9 billion, runs for 14 years, making this and the Romsdal package the company's longest contracts. In the last quarter of 2018, the company took delivery of four new vessels: MF "Austrått", MF "Vestått", MF "Hadarøy" and MF "Kommandøren". Fjord1 signed a Letter of Intent with the NSB Group to establish a joint national tourism company. The goal is to offer environmentally friendly tourism packages throughout Norway, develop new tourist destinations and contribute to year-round tourism. NSB and Fjord1 aim to establish the company during the first half of 2019.

TARGETS AND RESULTS

2018

INJURY LEAVE

TARGET: 3.00

RESULT: 4.13

(per million working hours)

SICK LEAVE

TARGET: 4.90 %

RESULT: 5.81 %

(%)

PASSENGER INJURIES

TARGET: 0.10

RESULT: 0.46

(per million passengers)

ALLISIONS

TARGET: 0

RESULT: 0.69

(per 100.000 port calls)

POLLUTION

TARGET: 0

RESULT: 0

(number of incidents)

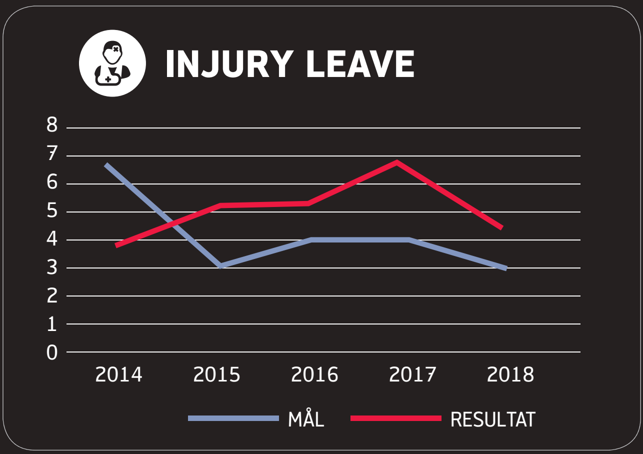
DRUG TESTS

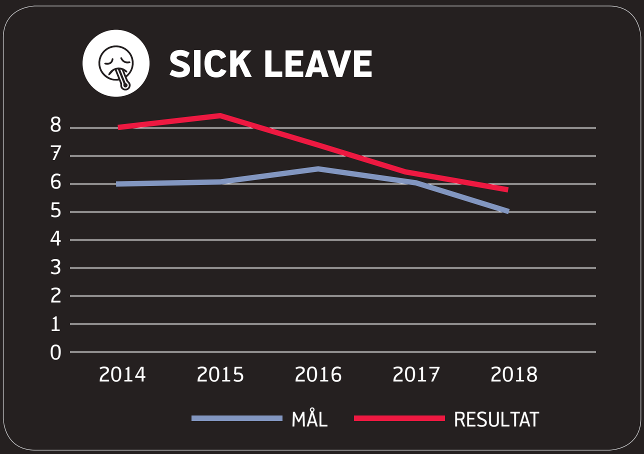
TARGET: 0

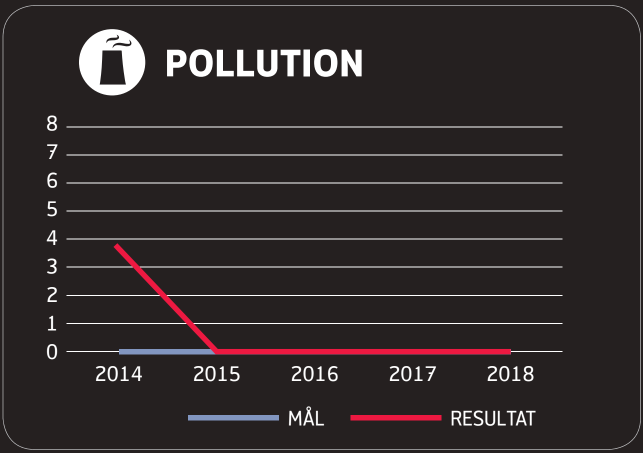
RESULT: 3

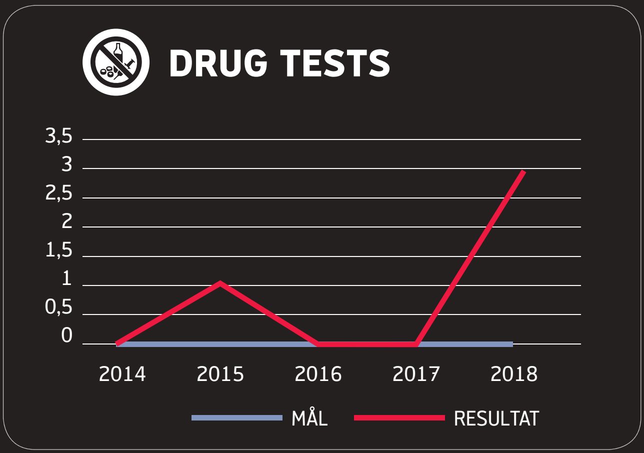
(positive unannounced alcohol/drugs tests)

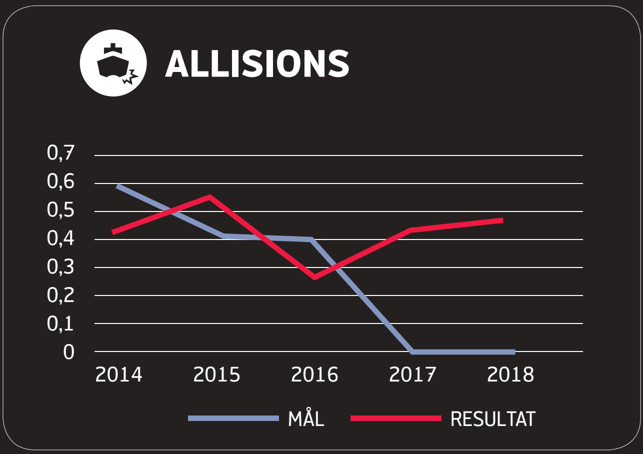
TRENDS

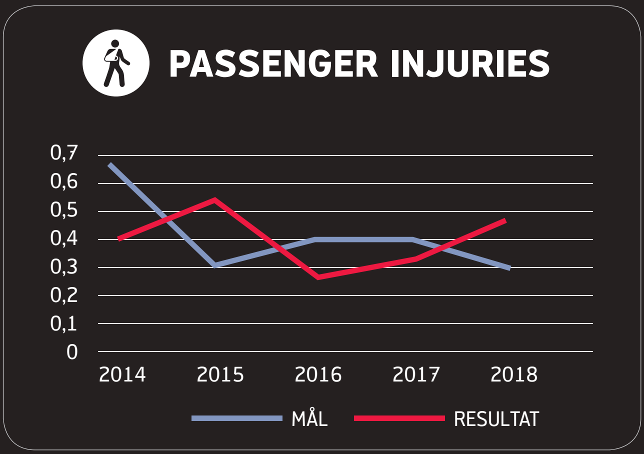

INJURY LEAVE
8
7
6
5
4
3
2
1
0
2014
2015
2016
2017
2018
MÅL
RESULTAT


SICK LEAVE
8
7
6
5
4
3
2
1
0
2014
2015
2016
2017
2018
MÅL
RESULTAT


POLLUTION
8
7
6
5
4
3
2
1
0
2014
2015
2016
2017
2018
MÅL
RESULTAT


DRUG TESTS
3,5
3
2,5
2
1,5
1
0,5
0
2014
2015
2016
2017
2018
MÅL
RESULTAT


ALLISIONS
0,7
0,6
0,5
0,4
0,3
0,2
0,1
0
2014
2015
2016
2017
2018
MÅL
RESULTAT


PASSENGER INJURIES
0,7
0,6
0,5
0,4
0,3
0,2
0,1
0
2014
2015
2016
2017
2018
MÅL
RESULTAT

Fjord1 is the leading operator in the Norwegian ferry industry, with a 50% market share

OPERATING SEGMENTS

Fjord1's core business is ferry transport, and it is now the largest ferry operator in Norway. The company is also involved in passenger boat transport, catering and tourism activity on the fjords.

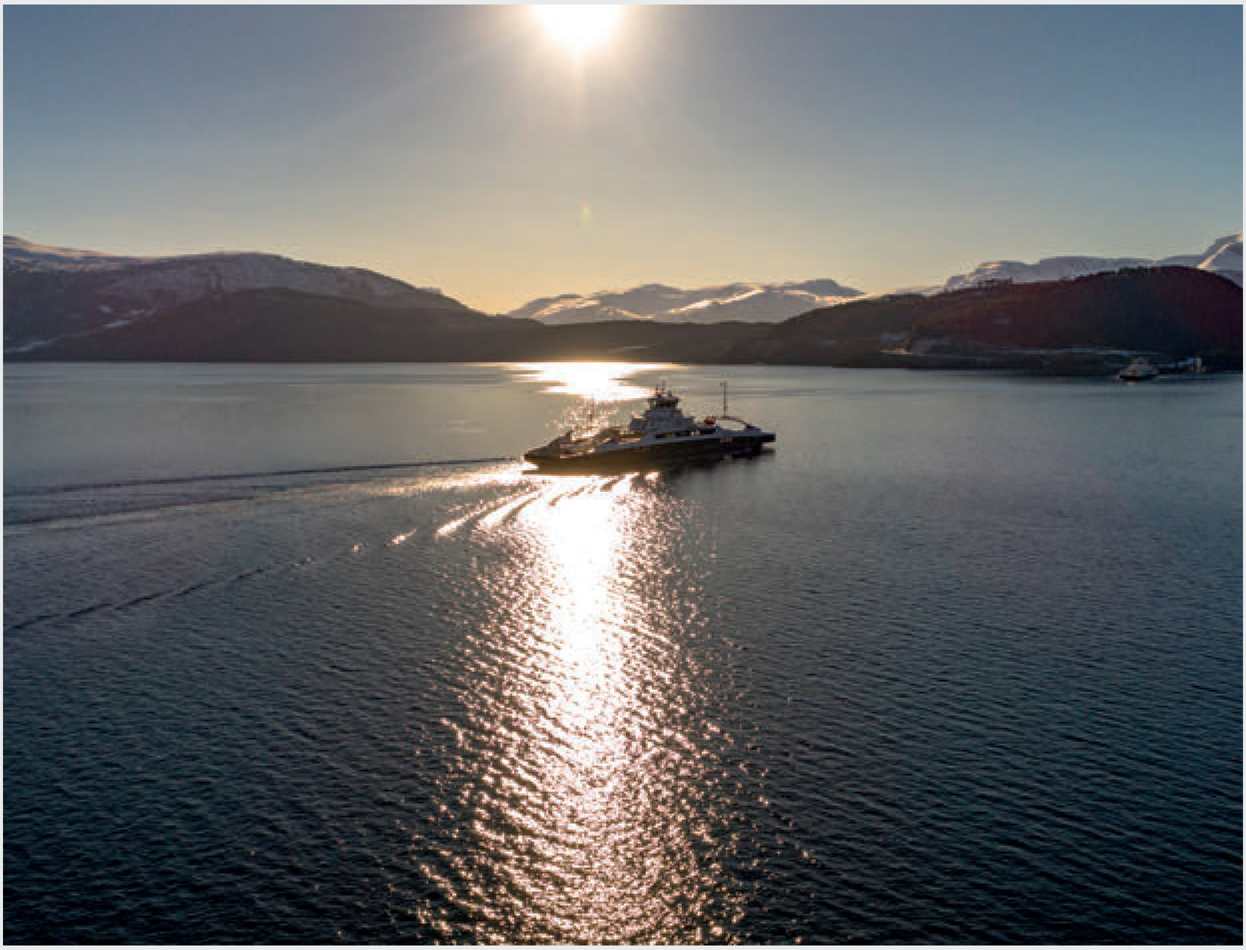
FERRIES

The ferry segment covers operation of ferry routes in Norway. Fjord1 is the leading operator in the Norwegian ferry industry, with a 50% market share, and operates seven of the ten ferry routes in Norway with the highest traffic volumes. In 2018, there has been a high level of activity within the ferry segment, which is reflected in the good results for the year. The total growth in traffic for the ferry segment in 2018 was 3.4%.

LIST OF VESSELS

Vessel name	Year of construction	PCE
Møkstrafjord	2018	130
Husavik	2018	45
Horgefjord	2018	120
Austrått	2018	50
Vestrått	2018	50
Hadarøy	2018	120
Kommandøren	2018	120
Gloppefjord	2017	120
Eidsfjord	2017	120
Hornelen	2016	60
Losna	2016	60
Edøyfjord	2012	50
Boknafjord	2011	240
Hjørundfjord	2011	120
Storfjord	2011	122
Fannefjord	2010	128
Korsfjord	2010	128
Lifjord	2010	110
Norangsfjord	2010	120
Romsdalsfjord	2010	128
Davik	2009	45
Moldefjord	2009	128
Årdal	2008	108
Vågsøy	2008	42
Fanafjord	2007	212
Mastrafjord	2007	240
Raunefjord	2007	212
Lote	2006	120
Bergensfjord	2006	212
Stavangerfjord	2006	240
Dryna	2005	35
Harøy	2005	35
Julsund	2004	99
Eira	2002	100
Volda	2002	100

Vessel name	Year of construction	PCE
Nordfjord	2001	54
Glutra	2000	120
Ivar Aasen	1997	76
Lærdal	1997	77
Svanøy	1992	89
Tresfjord	1991	124
Gulen	1989	83
Rauma	1988	73
Romsdal	1988	87
Dalsfjord	1986	28
Sulafjord	1986	106
Selje	1986	58
Sognefjord	1984	64
Sogn	1982	110
Solskjel	1981	35
Bjørnsund	1979	61
Geiranger	1979	36
Stordal	1979	51
Stryn	1979	81
Aukra	1978	36
Eid	1978	35
Nordmøre	1978	52
Sunnfjord	1978	46
Aurland	1977	35
Solnør	1977	36
Kvernes	1976	35
Sykkylvsfjord	1975	36
Veøy	1974	50
Fanaraaken	1973	29
Tingvoll	1972	35
Bolsøy	1971	38
Goma	1968	29
Nårasund	1968	11
Ørsta	1964	25
Driva	1963	29



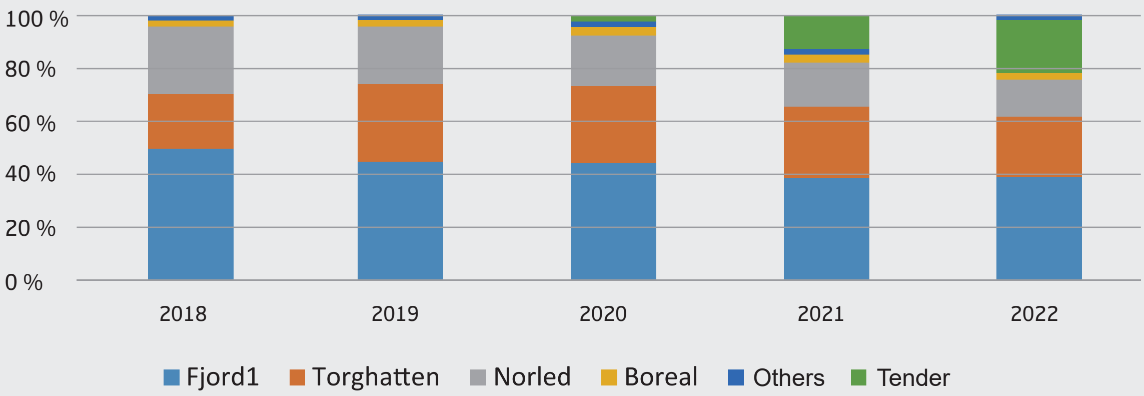
Vessels under construction	Planned delivery	PCE
TBN 1	1. kv 2019	120
TBN 2	1. kv 2019	120
TBN 3	3. kv 2019	120
TBN 4	3. kv 2019	120
TBN 5	3. kv 2019	130
TBN 6	3. kv 2019	83
TBN 7	3. kv 2019	83
TBN 8	4. kv 2019	83
TBN 9	4. kv 2019	80
TBN 10	4. kv 2019	80
TBN 11	3. kv 2019	50
TBN 12	4. kv 2019	50
TBN 13	4. kv 2019	50
TBN 14	4. kv 2019	50
TBN 15	4. kv 2019	50
TBN 16	4. kv 2019	120

Passenger-boats	Year of construction	Passengers
Tansøy	2006	96
Fjordglytt	2000	81
Sylvarnes	2000	70
Skagastøl	1970	384

THE 10 ROUTES WITH THE HIGHEST TRAFFIC VOLUMES IN 2018

Route	Operator	PCE (in thousands)
Moss - Horten	Torghatten	3 741
Mortavika - Arsvågen	Fjord1	2 838
Sandvikvåg - Halhjem	Fjord1	1 905
Molde - Vestnes	Fjord1	1 596
Fodnes - Mannheller	Fjord1	1 282
Hareid - Sulesund	Norled	1 201
Solevåg - Festøya	Fjord1	1 190
Sykkylven - Magerholm	Fjord1	1 186
Oppedal - Lavik	Norled	1 159
Flakk - Rørvik	Fjord1	1 085

MARKET SHARE BY PCE (INCL. CONTRACTS NOT AWARDED)



RESULTS FOR THE FERRY SEGMENT 2018

REVENUE
2.8 BILLION

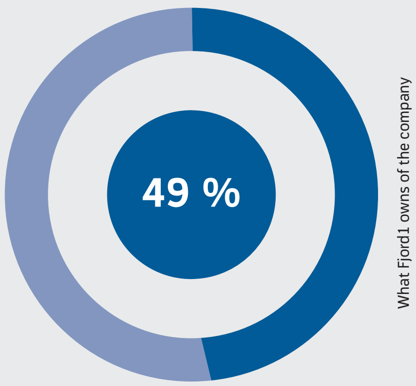
EBITDA
985 MILLION

BEFORE TAX
691 MILLION

PASSENGER BOATS

Fjord1 operates 15 local passenger boat routes in Sogn og Fjordane. The company owns four passenger and combi-boats, and leases a further 10 from subcontractors. Some of the boats carry both passengers and cars, while others carry passengers only.

The contracts for the local passenger boat routes have been valid from 1 May 2012. Option for another two years of operation was declared in 2018 and the contracts thus have a duration of 10 years.



KYSTEKSPRESSEN, THE COAST EXPRESS

Through the company Partsrederiet Kystekspressen ANS, Fjord1 is involved in passenger boat services between Kristiansund and Trondheim. Kystekspressen is a collaboration with Fosen Namsos Sjø AS, and Fjord1 has an ownership interest of 49%.

KYSTEKSPRESSEN

RESULTS FOR THE PASSENGER BOATS 2018

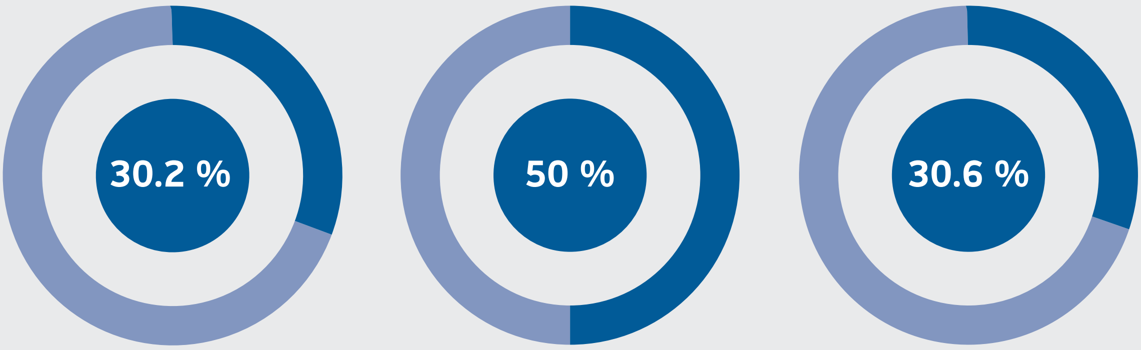
REVENUE
105 MILLION

EBITDA
7 MILLION

BEFORE TAX
1 MILLION

TOURISM

Fjord1 is involved in several different tourism companies with travel experiences on the fjords as a common denominator. The company has long traditions of offering fjord-based travel experiences and in recent years has stepped up its investments in collaboration with various partners with complementary offers, marketing and operations. Thanks to an increased focus on developing environmentally friendly solutions and marketing campaigns on digital platforms, and by participating in the global growth in tourism, Fjord1 has achieved good results in this segment. An ever-increasing focus on tourism will make itself felt in Fjord1 in coming years. Fjord1 and NSB have signed a letter of intent to invest in a joint tourism company. The parties have a common desire to focus on all year tourism, environmentally friendly tourism and new destinations. Fjord1 and NSB aim to establish the company during the first half of 2019.



What Fjord1 owns of the company

geiranger FJORDSERVICE

THE FJORDS

fjordtours

THE FJORDS

With expertise within both the maritime industry and tourism, Fjord1 and Flåm AS established a 50/50 joint venture: The Fjords. The company was set up in 2015 with the aim of offering an even better tourism product on the Norwegian fjords. By focusing on fleet renewal and product development, the joint venture shall enhance fjord-based experiences for the many tourists who visit Fjord Norway.

Since it was established, The Fjords has attracted a high level of attention both nationally and internationally thanks to its two unique vessels: MS "Vision of The Fjords" and MS "Future of The Fjords". MS "Vision of The Fjords", which is the company's first carbon-fibre hybrid vessel and carries tourists on the Nærøyfjord, was named "Ship of the Year" in 2016 and has won several prizes, including the Universal Design Prize, Design of the Year and the DOGA Award for Design and Architecture. MS "Future of The Fjords" also won "Ship of the Year" in 2018 and is the world's first fully electric carbon-fibre passenger catamaran. Both vessels have been purpose built for sightseeing on Norwegian fjords. The design is based on mountain paths along the fjord, giving every passenger on board the equivalent of one metre of railing and panoramic window, so wherever you are on the vessel, you have your own place from which to enjoy the impressive scenery in peace and quiet.

When MS "Future of The Fjords" was built, there was a problem, namely that there was not enough electricity in Aurland municipality to meet the needs of both vessels. This led to the development of a Powerdock: a floating quay with a battery pack on board that charges gradually from the power network and is then used to charge the vessel. The Powerdock also has connecting points for sewage and grey water, enabling the vessel to be truly emission free on all fronts. Powerdock is located in Gudvangen and is well functioning.

The Fjords operates on the Geirangerfjord, Hjørundfjord, Nærøyfjord, Sognefjord, Lysefjord and Oslofjord. The company is expanding its geographical reach and continually ordering new vessels. A new vessel named MS "Legacy of The Fjords" (the sister ship to MS "Future of The Fjords") is on order, with delivery scheduled for April 2020. This vessel is intended for use on the Oslofjord, which is The Fjords' latest new market. The Fjords is in a growth phase and has significant future prospects. Establishing the company is an important, long-term investment, where factors such as the environment and sustainable development are key.

GEIRANGER FJORDSERVICE

By working closely with several providers, the company aims to make Geiranger an attractive destination offering travel experiences on the fjord and activities in Geiranger. The company's primary product is a passenger boat operating round trips on the Geirangerfjord. From summer 2018, this product was strengthened by a brand-new second passenger boat. Geiranger Fjordservice also provides bike and car hire, and can offer transport, guiding and various activities. Fjord1 has a 30.5% stake in the company.

FJORD TOURS

Fjord Tours AS was established in 1982 and offers package tours throughout Norway, aimed at both the national and international markets. The company's primary target group is individual travellers, and it has developed an online platform as its main sales and marketing channel. The round trips use public transport – train, boat and bus. Fjord1 has a 30.6% ownership share in the company.

RESULTS FOR THE TOURISM SEGMENT 2018

REVENUE
23 MILLION

EBITDA
8 MILLION

BEFORE TAX
7 MILLION

CATERING

Catering is an important and profitable operating segment for Fjord1. In recent years, the company has invested in a high-quality food offer through its Ferdamat concept. The food on board the vessels is made using good, local ingredients and has a visual identity that customers recognise on all Fjord1 services. The quality of the food served is guaranteed by using products freshly made on board or by local producers in the immediate area.

Fjord1 also works continually to reinvent itself: finding new products, and coming up with good campaigns and tempting offers for all our passengers. In addition, the company is committed to offering products for passengers who are vegetarian or who have various food allergies and, not least, products that are environmentally sustainable. For example, gluten- and lactose-free options are always available in the staffed kiosks. Moreover, all the whole-bean coffee variants available from our coffee machines use organic, Fairtrade beans. The company also strives continuously to make good, environmentally friendly packaging choices.

Svele – Norwegian pancakes – and coffee are Fjord1's signature products, with approximately 800.000 svele served in 2018.

FERDAMAT CAFÈ HAREID AND PRODUCTION KITCHEN

1 September 2018 marked the opening of the first land-based Ferdamat café at Hareid Trafikkterminal. This is an exciting new development, which seeks to reach passengers travelling to and from Hareid by both express boat and ferry. Fjord1's production kitchen shares the same premises, supplying svele (Norwegian pancakes), open sandwiches, salads and other food to the staffed kiosks on the new electric ferries operating on the Hareid–Sulesund route. Fjord1 also aims to be able to supply svele and open sandwiches to self-service kiosks on other routes.

SELF-SERVICE KIOSKS

In February 2018, Fjord1 opened its first self-service kiosk, and the solution has proved a success. The months that followed saw a succession of new self-service kiosks opened on a number of routes in several counties. Fjord1 is now the leader in the maritime

> *Svele – Norwegian pancakes – and coffee are Fjord1's signature products*

ferry industry in terms of using new technology in the catering segment, opening 12 self-service kiosks in 2018.

Ten of the twelve vessels that gained a self-service kiosk in 2018 previously had no on-board catering. This means that Fjord1's self-service kiosks have expanded the catering offer such that more passengers now have access to a kiosk offering round the clock.

EXCEEDING ALL EXPECTATIONS
The self-service kiosks have been well received by passengers, and earnings have exceeded the company's expectations at the time the first self-service kiosk was launched early in 2018.

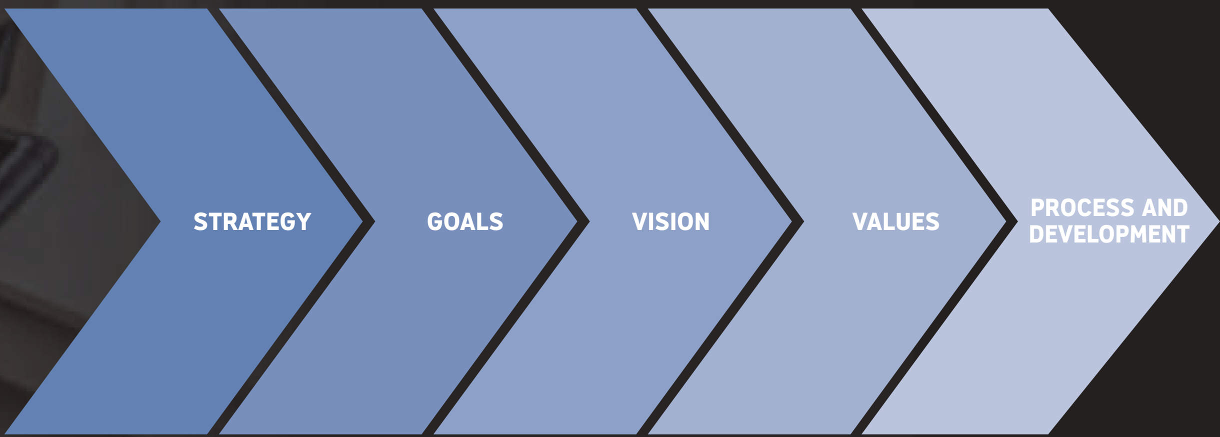
RESULTS FOR CATERING 2018

REVENUE
192 MILLION

EBITDA
34 MILLION

BEFORE TAX
31 MILLION

STRATEGY



Fjord1's overall strategy is to strengthen its position as the leading ferry company in Norway. Activities that promote growth and profitability are prioritised in line with the company's strategy and financial objectives. As part of its overall strategy process, work has been carried out to develop Fjord1 through a clear focus on leadership, employee follow-up and development.

GOALS AND KPIs

Fjord1's objectives are in many ways decisive for the strategy it adopts and represent important KPIs for the organisation as a whole.

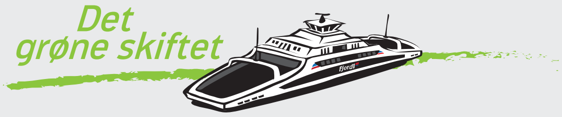
FJORD1 SHALL

- be the best at environmentally friendly transport
- provide our owners with stable and good returns on their invested capital
- keep the promises we make to customers
- treat our employees in a way that makes people want to work for us
- be a preferred partner for our clients
- have solid financial results and healthy business management, characterised by quality in all processes

VISION

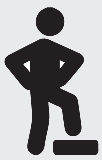
Fjord1 ASA aims to be the safest and most attractive provider of environmentally friendly ferry and express boat transport for its customers, clients and partners.

With their friendly and professional service, Fjord1's employees will make travel on the fjords a safe, comfortable and trouble-free experience.



"To provide the most environmentally friendly and reliable transport"

VALUES

CHEERFUL	OPEN AND HONEST	RELIABLE AND KEEPING OUR PROMISES	PROFITABLE	WORKING TOGETHER AND TEAM SPIRIT	PROUD
					

MAIN AMBITIONS

Guided by its main ambitions, the company shall strive to achieve its objectives:

- HAVE THE MOST HIGHLY SKILLED AND MOTIVATED EMPLOYEES IN THE INDUSTRY
- BE THE INDUSTRY LEADER
- FOCUS ON SAFETY AND POSITIVE CUSTOMER EXPERIENCES
- BE RECOGNISED FOR MODERNISATION, INNOVATION AND QUALITY
- DEVELOP MANAGERS AND EMPLOYEES AT ALL LEVELS OF THE ORGANISATION

HIGHLY SKILLED EMPLOYEES

Fjord1 shall be an attractive employer and appeal to the best and most enthusiastic people. The company relies on having highly skilled employees to achieve its objectives and strategies. As well as specialist staff with expertise in new digital technologies, environmental efficiency and project management, Fjord1 also depends on having employees who produce and deliver a top-class service. Last year, our highly skilled employees safeguarded the company for the years ahead by winning a number of tender competitions. Fjord1 started work on a general recruitment strategy in 2018, which it plans to finalise in the coming year. New technology and new vessels bring in new employees, but it's also a priority to to come up with a formal strategy that will help the company to attract new employees in the future, both when it comes to apprentices and cadets.

LOOKING AHEAD TO 2020

The fact that Fjord1 is now the leading company in the industry is linked to its long experience of ferry operations, broad market knowledge, high level of flexibility in the fleet and good investment capacity. This is a position that the company will work hard to maintain, which is why efforts are also focused on the company having the right skills and acquiring new knowledge in the years ahead.

Fjord1 has won important environmental contracts in both 2018 and the preceding years. At the same time as Fjord1 has started up several new routes in 2018, part of the market will be put out to tender in the years ahead. The company wants to be positioned such that it can participate in further tender competitions in the coming years, with a clear goal of being a competitive bidder in these tender processes.

As a result of Fjord1 having been awarded a number of new contracts and having started several of these in the past year, the company has implemented a refinancing process to support its newbuilding programme. Cost efficiency and profitable operations will as such be key in the period until 2020. Fjord1 shall continue to deliver good results, first and foremost by maintaining its focus on safeguarding safe and stable operations.

Fjord1 wants to be at the forefront when its comes to innovation, the environment and technology. In recent years, the company has shown that it is out in front in many areas, demonstrating an ability to think innovatively in the "green revolution". By winning new, profitable contracts, developing its tourism initiatives and being a party to technological developments, Fjord1 has already gained valuable experience to carry forward into its future work.

The next few years will see an ever greater focus on tourism in Fjord1. In November 2018, Fjord1 signed a Letter of Intent with NSB to establish a joint tourism company. The parties share a wish to invest in areas such as year-round tourism, environmentally friendly tourism and new destinations. Fjord1 and NSB aim to establish the company in during the first half of 2019. Another clear objective of the joint tourism company is to create a strong sales and marketing portal that will market Norway as an environmentally friendly tourist destination, including internationally.

Fjord1 shall continue to be known as a company that also looks after – and develops – its employees. The shared focus on employees and managers will continue, and various organisational measures will be implemented in the years ahead to maintain and upgrade the skills of all employees via a company-wide skills enhancement programme, corresponding to the internal focus on the "Fjord1 enhancement" initiative of recent years.

CORPORATE SOCIAL RESPONSIBILITY

Fjord1's goal is to behave as a responsible and professional social player, building relationships based upon trust and reliability.

The Norwegian ferry industry plays an important role in Norwegian society, transporting around 10,7 million vehicles and 21,6 million passengers in 2018. As the leading ferry company in Norway, Fjord1 also plays an important role in Norwegian infrastructure, providing efficient, safe and environmentally friendly transport to meet society's needs. Forecasts for future demand are impacted by demographic and business development trends, such as customer mobility and a general requirement for increased regularity of services for private passengers and industry.

For Fjord1, the company's corporate social responsibility shall reflect its vision, core values, the quality of daily operations, as well as its efforts related to employees, the environment and safety. Ensuring safe, environmentally friendly and reliable operation of ferry connections also lays the foundations for return on invested capital, attractive jobs and good customer relationships.

Fjord1's work on corporate social responsibility is an integral part of its strategy, management and daily operations. The company will continue its systematic and structured focus on corporate social responsibility going forward.

In order to integrate corporate social responsibility into daily operations, the company has three focus areas for exercising corporate social responsibility.

EMPLOYEE AND ORGANISATIONAL CULTURE

Fjord1 seeks to recruit the best and most highly motivated employees, with the best skills. The company takes its role as a training company very seriously, as well as having a culture of openness, tolerance and high ethical standards.

A WORKING ENVIRONMENT THAT PROMOTES EMPLOYEE HEALTH

We aim to prevent injuries to and illness among our employees by means of an uncompromising attitude to safety, and systematic and targeted measures to promote health. No one shall become ill from working at Fjord1, and the company's main goal is to eliminate all forms of work-related absence, which is why follow-up and adaptation are important parts of our daily work.

An inclusive and inspiring working environment characterised by mutual respect and equality is important. Fjord1 has a zero-tolerance policy for harassment and negative conduct that may be perceived as threatening or degrading. Efforts to reduce sick leave are work in progress and will continue to require targeted work moving forward. Fjord1 will sustain its focus on attendance and close follow-up, and has prioritised preventive work, the psychosocial working environment, adaptation and follow-up.

After several years with high levels of absence, 2018 saw a positive trend in terms of attendance, despite the fact that average absence is still above the target level of 4.9%.This target was achieved in April, at precisely 4.9%, and the figure for May was below the target at 4.7%.Beyond this period in the spring, total absence remained above the target, at an average of more than 5%.

INJURY LEAVE

TARGET: 3.0

RESULT: 4.13

SICK LEAVE

TARGET: 4.9 %

RESULT: 5.81 %

EMPLOYEE SATISFACTION

In the autumn of 2018, Fjord1 conducted a major survey of all its employees. One of the purposes of the survey was to map key aspects linked to perception of the individual's own workplace, well-being, job content and management, and to highlight areas requiring development and improvement. Measures drawn up in the wake of the survey will help to further develop Fjord1 as a safe and good place to work for the individual employee.

Fjord1 achieved a total score of 4.8 for motivation and satisfaction, which is satisfactory but with room for improvement. The target is between 5 and 7 where 7 is the top score.

MANAGER AND EMPLOYEE DEVELOPMENT

The company has worked purposefully to develop both managers and employees at all levels in the organisation. In 2015, Fjord1 launched its first-ever management development programme, which is mandatory for all middle managers with HR responsibilities. The aim of the programme was to make managers aware of their own management style, as well as being practically orientated and providing concrete tools for the managers to use in their day-to-day work.

At the start of 2018, Fjord1 held the final employee meeting in the series of 10 that had taken place through 2017. The aim of these meetings has been to build a strong Fjord1 culture where all employees feel a sense of ownership of the company's main goals, values and ethical guidelines. As such, Fjord1 has laid the foundation for a unifying and inclusive fellowship for all employees, boosting motivation and job satisfaction.

SKILLS DEVELOPMENT

Fjord1 aims to help ensure employees have the necessary experience and expertise to carry out their work. Changed framework conditions, the Green Shift and new technology require action to boost skills and develop the organisation in line with new requirements, both for the company as a whole and opportunities for each individual employee. In 2018, Fjord1 employed a number of new specialists with varied skills and backgrounds, something the company will continue to do in the coming year. New requirements linked to low- and zero-emissions technology and the need for employee training led to the launch of Fjord1's "skills upgrade" programme in 2018.

FOCUS ON TRAINING

In 2018, the company had around 60 apprentice positions for able seamen and motormen. The apprentices and cadets are important to the company, and Fjord1 aims to be a good place to train for the maritime trades. Fjord1 is also an active participant in Sogn og Fjordane's "Framtidsfylket" trainee scheme. The scheme has proved successful for Fjord1, which has offered several of the trainees permanent positions on completion of their one-year traineeship. In 2018, the company had about 60 training positions for the seaman and motorman profession. The company also had 14 cadets. The apprentices and cadets are important for the company and Fjord1 should be a good place for training within the maritime profession.

TRAINEE AT FJORD1

The company monitors its trainees closely, both at departmental level and through its trainee programme. Fjord1 works with Sogn og Fjordane county and has been involved in its "Framtidsfylket" trainee scheme since 2015.

"As a trainee at Fjord1, I'm part of unbelievably exciting developments in an innovative company, using my special field and developing as a person."

Sondre Austreim, trainee 2017–2018

"Being challenged professionally, having a lot of trust placed in them and the breadth of the work tasks combine to provide a unique training offer and an exceptional start to a young person's working life."

Kristine Larsen Mjelde, trainee 2018–2019

"Being a trainee at Fjord1 gave me a unique opportunity to be part of the Green Shift in the maritime industry in connection with the change from fossil fuel-based to electric propulsion."

Odd Helge Hatlem, trainee 2016–2017

HIGH ETHICAL STANDARDS

Fjord1 is dependent on trust from customers, public authorities, suppliers and society as a whole. The company shall be characterised by its high ethical standards, where decisions are governed by standards, values and ethical regulations that comply with general interpretation of law. The company's ethical guidelines apply to all employees and are based on the company's values.

Anchoring conduct in the company's shared values and acting in accordance with these guidelines contribute to high ethical standards in all parts of the organisation. This enables Fjord1 to demonstrate to its stakeholders the company's trustworthiness and the type of conduct to be expected of its employees.

The ethical guidelines are integrated in the management system and have been part of the manager development programme and employee meetings. Fjord1 has established whistle-blowing routines for reporting criticisable conditions.

Fjord1 does not accept any form of corruption or other breach of regulations. Fjord1's employees shall at all times behave in a manner that is in the best interests of the company and always seek to avoid situations that may result in a conflict of interests. Fjord1's employees shall remain impartial in all business activities, and not allow other companies, organisations or individuals unlawful gains.

SAFETY

Safety is paramount at Fjord1, and the company has focused on continuing to strengthen the safety culture through 2018, both in terms of the barrier system and changing attitudes.

The interplay between procedures and technology shall prevent unintentional consequences of technical or human error. Traditionally, Fjord1 develops and improves its management system by investigating incidents and risk-assessing operations. This is done to identify any need for action. Fjord1 has a zero vision for injuries and zero acceptance for loss of life.

MANAGEMENT SYSTEM FOR SAFETY

Fjord1 has a proactive and structured safety management system certified according to the ISM code. The emphasis is on development by means of risk management that enables the company to take corrective actions, make improvements and learn from incidents. The system helps ensure good and appropriate routines for safe operation of vessels, in order to prevent repetition of incidents and improve the skills of personnel both at sea and on shore.

The system provides a toolkit of routines and procedures to help Fjord1 achieve its HSE objectives. The company records and measures trends in injuries and incidents, and uses the data to implement measures to reduce accidents.

All Fjord1's vessels have automatic monitoring and warning systems. Using position data to monitor ongoing operation of the barrier system is an important part of the work to prevent allisions.

Thanks to a targeted focus and efforts, Fjord1 has been able to significantly reduce the number of incidents. This has not only resulted in fewer accidents but has also improved punctuality, meaning a better reputation and improved economics for the company. Safety is paramount at all times, and Fjord1 ensures this by following the company's procedures and barrier system.

EMERGENCY PREPAREDNESS

ALLISIONS

TARGET: 0

RESULT: 0.69

Fjord1 attends national and local emergency preparedness drills in order better to equip on-board personnel and the shore-based emergency preparedness organisation to deal with an emergency situation. The fact that the company makes itself available and participates actively in such drills helps strengthen both local and national emergency preparedness.

Fjord1 seeks to reduce risk wherever possible by having an effective emergency preparedness organisation to deal with any incidents that may occur. The company attaches great importance to further developing its emergency preparedness for undesired incidents.

The purpose of the emergency preparedness group is to ensure support for vessels in an emergency situation, so as to limit personal injury and damage to the environment and assets. The group carries out regular drills and evaluates these. It does this to ensure that employees receive the best possible training to handle different situations. The drills are based on realistic scenarios with the focus on the interaction between the emergency preparedness group, vessel and rescue service. Practising how to deal with relatives and the media is another important element of the training.

THE ENVIRONMENT

The challenges linked to energy and the environment are an area of corporate social responsibility that the company takes seriously. Fjord1 aims to be instrumental in reducing emissions per passenger through its fleet renewal programme ensuing from the new environmental contracts it has been awarded. The company has an extensive newbuilding programme, with more energy-efficient vessels set to make their mark on the ferry industry in the coming years.

POLLUTION

TARGET: 0

RESULT: 0

Transport operations entail pollution of the external environment to varying degrees. The pollution is linked in particular to the use of fossil fuels emitting NO_x and CO_2. The company's emissions comply with all the formal requirements made by the authorities. However, these requirements are becoming increasingly stringent, towards a target of zero emissions. The maritime and ferry industries have a particularly important role to play in meeting Norway's climate targets for reducing greenhouse gas emissions. In a parliamentary resolution in 2015, the Norwegian Storting asked the government to "implement measures to ensure that all county-council and municipal ferries and express boats use low- or zero-emissions technology in new tenders and on routes operated under their own auspices".

Stringent environmental requirements in tenders issued by contractors have created a market for developing low- or zero-emissions solutions for the maritime industry. Fjord1 looks very positively on contractors setting requirements for environmentally friendly ferry operations and, having won several contracts with a strong environmental focus in 2018, the company considers its work in this area has been largely successful.

Tender competitions and start-up of new fully electric routes in 2018 show that the company has managed to balance economic and environmental considerations, and thus offer the best solutions for contractors and society.In 2018, Fjord1 entered into a major cooperation agreement with the Norwegian environmental foundation ZERO, while The Fjords has a successful collaboration with the Bellona Foundation, an international environmental NGO based in Norway.

REDUCED CARBON FOOTPRINT

By working with other industry players – vessel designers, system suppliers and the research environment – Fjord1 strives continuously to identify measures that can reduce the level of greenhouse gas emissions. For several years now, Fjord1 has been using 100% renewable biofuel as an energy source on some of its scheduled ferry services. Using renewable energy leads to significant reductions in CO2emissions compared with fossil fuels. Fjord1 will remain at the forefront when it comes to operating natural gas-fuelled ferries, which reduce NO_x emissions by approximately 90% and CO_2 emissions by 25-30% compared with conventional diesel ferries.

The start-up of the Anda–Lote route, the world's first fully electric ferry connection, has been a success, preparing the company for the launch of eight new zero-emissions vessels in 2019. With new environmental contracts and electrification of its fleet, Fjord1 maintains its position as the leading company within the Green Shift, achieving a substantial reduction in CO_2 emissions. By 2020, Fjord1 will have 29 electric vessels in operation, reducing CO_2 emissions by about 90% compared with conventional diesel ferries.

The company has agreements in place to deliver environmentally hazardous waste, including waste oil, to approved recipients. Fjord1 also requires its suppliers to take a conscious approach to sustainable operations. Parts of the company's corporate social responsibility (CSR) focus on environmental responsibility and environmentally friendly technology. Fjord1 has established guidelines for SEEMP (ship energy efficiency management plans) on all vessels, with the goal of improving on-board energy efficiency. As part of its environmental strategy, Fjord1 is seeking certification according to ISO 50001 (Energy management). The target is for this to be achieved in the spring of 2019.

RENEWING THE FERRY FLEET

On 1 January 2018, Fjord1 launched the world's first fully electric ferry connection on the E39 in Sogn og Fjordane. This was a milestone and an historic day for Fjord1, simultaneously marking the start of a series of new low- or zero-emissions routes.

In recent years, Fjord1 has been involved in extensive activities linked to tender competitions where the focus has been on the environment, with stringent requirements for both energy consumption and emissions of CO_2 and NO_x. The company has been successful in a number of these tender competitions, which means that 2018 has been characterised by a major ongoing newbuilding programme plus plans for ferry conversions.

One important factor in reducing emissions is to phase out older vessels and replace them with new, environmentally friendly vessels, as well as converting existing vessels. The company's fleet renewal programme entails a gradual transition to a fleet and operations with zero- and low-emissions technology based on electric propulsion.

Among other things, the new tenders also take universal design into consideration. This means the new vessels will be well adapted for passengers with special needs, in line with society's general guidelines. By the end of 2019, Fjord1 will have taken delivery of 25 newbuilds adapted for battery operation and, together with conversion of several existing vessels, the company will have a total of 30 ferries that are all able to operate solely on electricity, with no CO_2 emissions.

These new requirements in the tender contracts mean that an unprecedented renewal of the ferry fleet will have been achieved within just a few years, resulting in increased passenger comfort and environmental improvements.

Fjord1 is a good place to work, and life on the Site Team is interesting and hectic!

FROM STEEL PLATE TO FERRY: LIFE ON THE SITE TEAM

Lars Gjerde (left) and Pål Wefring enjoy working on the Site Team in Turkey.

Lars Gjerde has been an inspector on the Site Team since newbuilding started in Turkey in 2016. He has worked for Fjord1 for 14 years, previously as a technical inspector in an office-based role .

"Fjord1 is a good place to work, and life on the Site Team is interesting and hectic! Working on the Site Team brings you into contact with what's new in the industry, and you get to work with the latest technology within ferry operations. I've been building ships all my life, and have been involved in more than 50 newbuilds. We work long days on the Site Team, but the time goes quickly," Gjerde says.

The significant increase in orders for newbuilds in recent years has brought an ever increasing number of people to the Site Team. Pål Wefring started work with the Site Team in Turkey in August 2018. Since joining Fjord1 in 2006, Wefring has worked as a ship's engineer on the gas ferries on the Arsvågen-Mortavika route. Wefring had long thought it might be interesting to be involved on the shipbuilding side, and in 2018 felt the time was right to seek new work challenges.

"I'm very happy in the Site Team, and the work is interesting. There were three spells in Turkey in 2018, and I'm looking forward to going again. It's good to learn something new, and it'll be exciting to see the ferry designs that I'm working on now take shape during 2019," Wefring says.

TECHNOLOGY, INNOVATION AND DEVELOPMENT

Fjord1's vision is to be the most environmentally friendly and reliable operator in the transport sector. The company works actively to develop solutions that improve resource utilisation and energy efficiency, and to implement technology that can contribute to more environmentally friendly ferry operations. This development work is carried out in close cooperation with suppliers and R&D institutes.

For several years, Fjord1 has been working on development projects linked to the ferries of the future, with a particular focus on battery and hybrid ferries. During 2018, Fjord1 developed expertise in hydrogen as an energy carrier by working with other industry suppliers to develop and gain approval for a concept for hydrogen-electric ferries.

To date, there has been a strong focus on being the first to embrace new technology and new energy carriers. In the years ahead, refining the use of the new technology and the new energy carriers will be decisive in being able to retain the company's industry leader position.

This is why Fjord1 is closely involved and taking an active role in various projects linked to the development of new digital tools. Going forward, the company will implement new digital tools to optimise operations, with a view both to improving energy efficiency and boosting cost efficiency thanks to smarter maintenance and lower downtime requirements for the vessels.

Lower downtime requirements for maintenance, for example, will also have a positive environmental impact, as the reserve vessels deployed are often less energy efficient than the main vessels.
Fjord1 is already seeing how new digital tools enable us to learn from and improve operations, and expects these tools to help to realise the potential for improvement on all vessels, old and new alike.

In addition, the new vessels have completely different redundancy from the older ones. New vessels typically have four independent power sources for propulsion, compared with just one on older vessels.This will help to increase the robustness of operations.

Fjord1's environmental focus shall extend beyond the requirements made by public-sector contractors in their calls for tenders.

ENVIRONMENTALLY FRIENDLY TOURISM

Fjord1's environmental focus shall extend beyond the requirements made by public-sector contractors in their calls for tenders. Through its subsidiary The Fjords DA, Fjord1 has invested heavily in green, fjord-based tourism experiences using pioneering vessel concepts with zero and low emissions.

MS "Future of The Fjords" – the world's first fully electric passenger catamaran – was delivered in the spring of 2018 and operates on the Nærøyfjord together with its sister ship, MS "Vision of The Fjords". These experience vessels combine battery technology and use of carbon fibre in a completely new and unique concept.

MS "Future of The Fjords" was awarded the accolade "Ship of The Year 2018" in recognition of its holistic concept, where innovative vessel development goes hand in hand with a consistent strategy to make the fully electric vessel concept feasible at other locations too. MS "Vision of The Fjords" was awarded the equivalent prize in 2016.

A third fully electric vessel, MS "Legacy of The Fjords", is on order and will be delivered in the spring of 2020. This will enable an ever increasing number of tourists to experience a new area of Norway aboard environmentally friendly and soundless vessels.

SHAREHOLDER INFORMATION

INFORMATION ON EXECUTIVE TEAM

Executive Team of the Company

The table below set out the names of the members of the Executive Team of the Company:

NAME	POSITION
Dagfinn Neteland	CEO
Anne-Mari Sundal Bøe	CFO
André Høyset	COO
Deon Mortensen	Director Technical and HSE
Nils Kristian Berge	Project Director

DAGFINN NETELAND - CHIEF EXECUTIVE OFFICER (CEO)

Dagfinn Neteland is the Chief Executive Officer in Fjord1 since January 2017. He also held this position in 2014-2015. Mr. Neteland has previous positions in the Transporting and Banking industry including CEO of Tide ASA, CEO of HSD ASA, CEO of Gjensidige Vest and Regional Manager of Nordea.

Current directorships and senior management positions:
Fjord1 ASA (CEO), F1 Administrasjon AS (CEO) Norheimsund Skiheis AS (CEO), Dato Invest AS (CEO), Norheimsund Skiheis AS (C), Presis Vegdrift AS (C), Baneservice AS (C), Dato Invest (C), The Fjords Fartøy I DA (D), The Fjords DA (D), Fjord-2 Fjord Cruises AS (D), Fana Arena AS (D), The Fjords Fartøy II DA (D), Geiranger Fjordservice AS (D), The Fjords III DA (D), Fjord Tours AS (D), Janus Holding AS (D), Geiranger Utvikling AS (D).

ANNE-MARI SUNDAL BØE - CHIEF FINANCIAL OFFICER (CFO)

Anne-Mari Sundal Bøe has been the Chief Financial Officer in Fjord1 ASA since December 2013. Mrs Bøe has previous experience as Group chief Accountant of INC Invest AS and Senior Manager in PwC. She holds a Master of Business and Economics from Norwegian School of Economics (NHH).

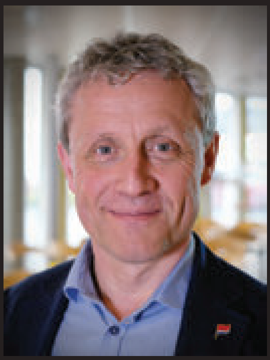
Current directorships and senior management positions:
Fjord1 ASA (CFO), Fanafjord AS (CEO, F1 Administrasjon AS (C), Nye Fanafjord AS (D), Widerøe AS (D), Widerøe's Flyveselskap AS (D), Evoy AS (D), Fanafjord AS (D).

ANDRÈ HØYSET - CHIEF OPERATIONAL OFFICER (COO)

Andrè Høyset is Chief Operational Officer starting in March 2017. Mr. Høyset had the position as acting Chief Executive Officer in 2016 and previous 20 years of experience from various positions at Fjord1 including Head of IKT and Director of Human Resource. He holds a Master of Science in Information Technology.

Current directorships and senior management positions:
Fjord1 ASA (COO), Kolkaia Vest 1 (C), The Fjords Fartøy I DA (D), The Fjords DA (D), Fjord-2 Fjord Cruises AS (D), Widerøe AS (D), Widerøe's Flyveselskap AS (D), The Fjords Fartøy II DA (D), The Fjords Fartøy III DA (D), F1 Administrasjon AS (D, NHO Sjøfart (D), Geiranger Fjordservice AS (DD), Fjord Tours AS (DD).

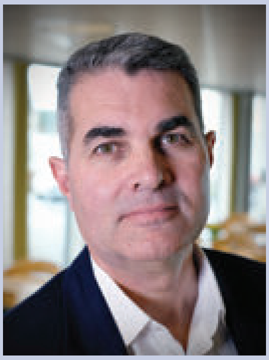
DEON MORTENSEN - DIRECTOR TECHNICAL AND HSE



Deon Mortensen is Director Technical and HSE in Fjord1. Mr. Mortensen has experience from Fjord1 since 2010 in positions including Deputy Managing Director and Chief Operationall Officer (COO). He has also experience as Technical Director of STX Norway Florø and Project Manager of Odfjell SE.

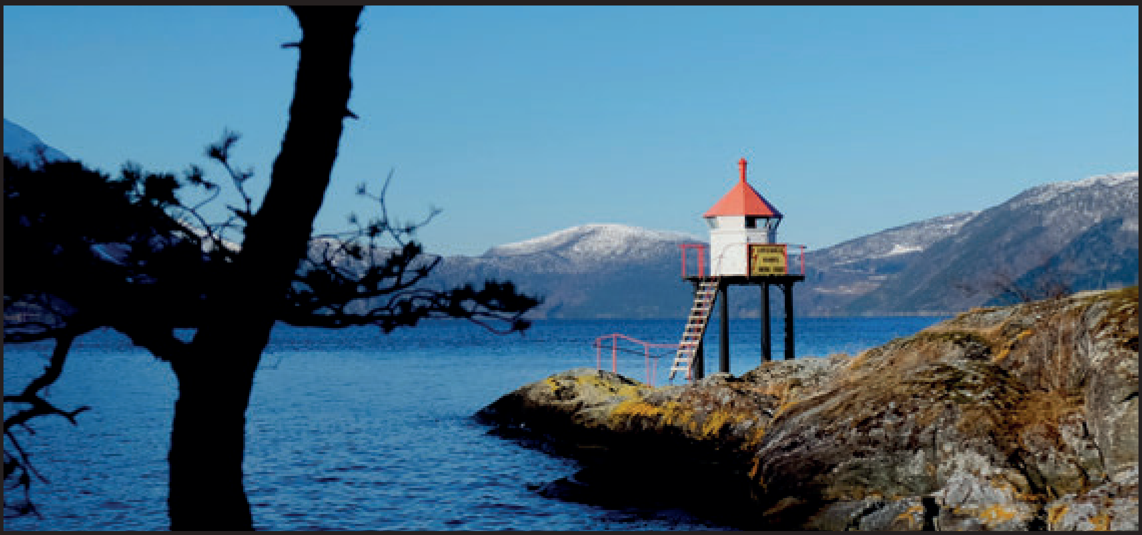
Current directorships and senior management positions:
Fjord1 ASA (Director Technical and HSE), Maritime Montering AS (D), Martime Møbler AS (D), Gunhildvågen Industri AS (D), Gunhildvågen Utvikling AS (D)

NILS KRISTIAN BERGE - PROJECT DIRECTOR



Nils Kristian Berge is Project Director since January 2018. Mr. Berge has over 30 years of experience in the Shipping Industry and holds an BSc Degree in Naval Architecture. Previous positions include CEO of Arab Shipbuilding and Repair Yard, Director of Shipmanagement in Utkilen AS, Technical Director in Laurin Maritime Inc., and other senior manager positions in shipping companies and shipyards.

Current directorships and senior management positions:
Fjord1 ASA (Project Director), Berge Consult (Owner)



INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors

The table below set out the names of the board of directors of the Company:

NAME	POSITION
Vegard Sævik	Chairman
Frederik Wilhelm Mohn	Director
Siri Beate Hatlen	Director
Siri Hatland	Director
Per Sævik	Director
Atle Olav Trollebø	Director - employee representative
Geir Offerdal	Director - employee representative
Egil Kirkebø	Observer - employee representative
Thomas Rakstang	Observer - employee representative

VEGARD SÆVIK - CHAIRMAN

Vegard Sævik has been a director since 2011, Vice Chairman of the Board until 2016, and was elected Chairman of the Board in July 2017. Mr. Sævik is employed with Havila AS as Deputy Managing Director and holds board positions in various external and internal companies. He is currently chairman of the board of Havyard Group ASA, and holds a Bachelor of commerce from Handelshøyskolen BI.

Current board and executive positions:
Fjord1 ASA (C), Havyard Group ASA (C), Never no AS (C), Havila Invest AS (MD/D), Havilafjord AS (D), Siva Sunnmøre AS (D), Kystruten KS (MD), Havila Ariel AS (MD), OHI Eiendom AS (MD), Havblikk Eiendom AS (MD/D), Tangen 7 Invest AS (MD), Sæviking AS (D), Havila AS (D), Hardhaus AS (D), Brattholm Invest AS (D), Innidimman AS (C), Hotell Ivar Aasen AS (C)

FREDERIK W. MOHN - DIRECTOR

Frederik W. Mohn has been a director since July 2017. Mohn is the sole owner of Perestroika AS, an investment company with long-term investments within offshore/rig, shipping, property-development and financial services. He holds an extensive industrial experience from the world-wide family business, Frank Mohn AS, where he also held the position of Managing Director, as well as through positions with Schlumberger in the USA.

Current board and executive positions:
Fjord 1 ASA (D), Perestroika AS (C), Transocen (D), DOF ASA (D), Viken Crude (D), Møgster Mohn Offshore AS (D), Fornebu Sentrum AS (D), Fornebu Sentrum Utvikling AS (D), Høvik Stasjonsby AS og KS (D), Gjettumgrenda AS og KS (D)

SIRI BEATE HATLEN – DIRECTOR

Siri Beate Hatlen has been a director since July 2017. She graduated in Engineering from the Norwegian University of Science and Technology (NTNU) and has an MBA from INSEAD business school. Ms Hatlen has previously worked on major offshore projects for Statoil. She has also been chairperson and a member of the board of a number of companies in Norway. Ms Hatlen has held positions as Executive Vice President at Statkraft and CEO at Oslo University Hospital.

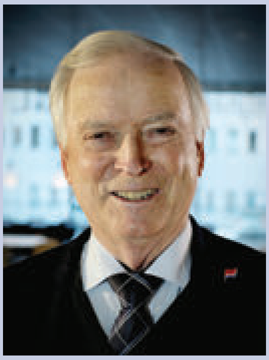
Current board and executive positions:
Fjord1 ASA (D), Bane Nor SF (C), Entra ASA (C), Norwegian Board of Technology (leader of board), Norwegian University of Life Sciences (C), the Norwegian Trekking Association Oslo and Area (C), Lovisenberg Diakonale Sykehus (C), Eksportkreditt Norge AS (D), the Norwegian Glacier Museum (VC), the Nobel Peace Centre (VC), Anti-Doping Norway (VC)

SIRI HATLAND - DIRECTOR

Siri Hatland was elected to the board at the annual general meeting in 2018. She has spent most of her professional life working in the maritime industry. From 2000 until she retired in August 2017, Ms Hatland was CEO of Kystrederiene (formerly the freight vessel owners' association).

Current positions:
Fjord1 ASA (D).

PER ROLF SÆVIK - DIRECTOR



Per Sævik has been a director since 2014. Mr. Sævik was Observer of the Board since 2011. He has over 35 years experience in operation and management of fishing and supply vessels and is currently Managing Director of Havila AS and Havilafjord AS. Mr Sævik was member of the Norwegian Parliament for a period of 4 years. He is currently Chairman and Director in several external companies, and has various board positions in Havila-group companies.

Current board and executive positions:
Fjord1 ASA (D), Havilafjord AS (CEO), Havila Hotels AS (CEO), Havila Holding AS (CEO), Pison AS (CEO), Havila AS (CEO), Hh Offshore AS (contact person), Sævard DA (contact person), Sæviking AS (C), Bratholm AS (C), Havyard Ship Invest AS (C), Havilafjord AS (C), Havila Kystruten AS (C), Hh Offshore AS (C), Havila Hotels AS (C), Havblikk Eigedom AS (C), Pison AS (C), Sævard DA (C), Fosnavåg Vekst AS (C), Havila Ariel AS (C), Brattholm Invest AS (C), Fosnavåg Parkering AS (C), Wf Holding AS (VC), Raftevold Hotel AS (D), Hotell Ivar Aasen AS (D), Vest Nord Group AS (D), Eigedom Hornindal AS (D), Shincon AS (D), Ocean Europe AS (D), Northsea Psv AS (D), Havgapet AS (VD), Hardhaus AS (DD), Innidimman AS (DD), Norminor AS (DD), Sævard DA (shared responsibility).

ATLE OLAV TROLLEBØ – DIRECTOR - EMPLOYEE REPRESENTATIVE

Atle Trollebø has been a director since 2008, representing the employees. Mr Trollebø is currently working as a Captain with 20 years of experience.

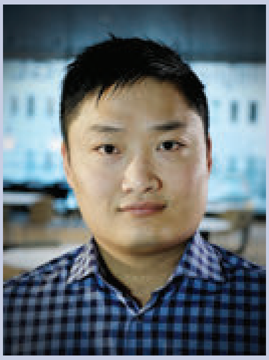
Current board and executive positions:
Fjord1 ASA (D), Director of NSOF, the Norwegian Maritime Officers' Association (central region).

GEIR OFFERDAL – DIRECTOR - EMPLOYEE REPRESENTATIVE

Geir Offerdal has been a director since July 2017, representing the employees. Mr. Offerdal is currently working as a sailor in Fjord1.

Current board and executive positions:
Fjord1 ASA (D), Norsk Sjøoffisers Forbund Fjord1 ASA (Vice Chairman).

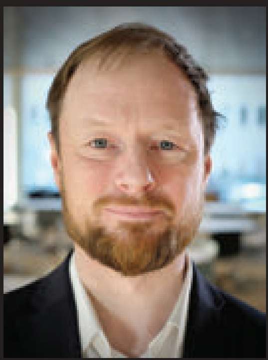
EGIL KIRKEBØ – OBSERVER - EMPLOYEE REPRESENTATIVE



Egil Kirkebø was Empoyee representative Non-voting member from September 2012 to November 2015 and now as an observer since January 2018. Mr Kirkebø is currently working as an IT Systemscoordinator with 9 years' experience at IT Department. Holds an Bachelor degree in IT and Informationsystems from University of Agder, Apprenticeship certificate from Øyrane vidaregåande skule.

Current board and executive positions:
Fjord1 ASA (O), Negotia Fjord1 ASA (Vice Chairman).

THOMAS RAKSTANG – OBSERVER - EMPLOYEE REPRESENTATIVE



Thomas Rakstang has been an observer in the Board since July 2016. Mr. Rakstang is currently working as Chief engineer, with 20 years of experience.

Current board and executive positions:
Fjord1 ASA (O), Det Norske Maskinistforbund Fjord1 ASA (Chairman), Erak AS (MD).

CORPORATE GOVERNANCE

COMPLIANCE

For Fjord1, corporate governance is an important subject that covers the relationships between society, owners, the Board and management. Fjord1 is a Norwegian public limited liability company and was listed on the Oslo Stock Exchange on 15 August 2017. As a listed company, it is subject to the provisions in section 3-3b of the Norwegian Accounting Act regarding annual reporting on its corporate governance policies and practice. These provisions stipulate the minimum information that the report must contain.

The Norwegian Corporate Governance Board (NUES) has established a Norwegian Code of Practice for Corporate Governance ("the Code of Practice"). Oslo Stock Exchange requires listed companies to provide a full report of the company's policies regarding corporate governance each year, in compliance with the prevailing Code of Practice. The current obligations for listed companies can be found at www.oslobors.no. The NUES Code of Practice can be found at www.nues.no.

Fjord1 will comply with the current Code of Practice, issued on 30 October 2014, in accordance with the "comply or explain principle", i.e. compliance with individual requirements in the Code of Practice and explanation of any deviations. The company will issue a combined report on its policies for corporate governance each year as part of its annual report, and the information is available on www.fjord1.no.
Values, ethical guidelines and corporate social responsibility

Fjord1 has drawn up ethical guidelines and other policy documents in line with the company's values. Fjord1's vision is to be the most environmentally friendly and reliable operator in the transport sector, with core values anchored in the business:

- open and honest
- reliable and keeping our promises
- profitable
- cheerful
- working together and team spirit
- proud

The ethical guidelines contain general policies for business practice and personal conduct, and are intended as a starting point for the attitudes and fundamental vision that shall permeate Fjord1's corporate culture. The company's ethical guidelines shall provide guidance for those persons making decisions on behalf of the company.

Fjord1 takes a conscious approach to corporate social responsibility (CSR) and seeks to achieve the necessary level of trust within society by being able to manage the challenges and requirements it faces. This shall be reflected in our values and the quality of the work we do. The company's safety philosophy is based on a barrier system, where the interplay between procedures and technology shall prevent unintentional consequences of technical or human error.

Fjord1 works continuously to minimise emissions and environmental pollution. The company's goal is to ensure that it complies with the formal emissions requirements, as well as working with other shipowners, suppliers and research environments to identify measures to further reduce emissions from the ferry industry. One important element in reducing emissions is converting existing vessels, as well as newbuilds with more environmentally friendly technology.

Corporate social responsibility is an integral part of Fjord1's operations and is addressed in ethical guidelines and policy documents linked to the company's values. Corporate social responsibility reporting forms part of the company's annual report. More information on Fjord1's vision, strategy, values and CSR is published on the company's website: www.fjord1.no

The company's general policy is to eliminate unequal treatment and other types of discrimination related to gender or ethnicity.

OPERATIONS

Fjord1's objective is to carry out transport, communication and tourism activities via its own or other companies. This is stated in Article 2 of the company's Articles of Association, which are available on the company's website. Fjord1's goals and principal strategies are referred to in the company's annual report and published on the company's website: www.fjord1.no.

As part of annual strategy processes, the Board of Directors assesses whether the goals and guidelines ensuing from the strategies are clear, comprehensive, fully implemented in operations, and communicated to employees, customers and other stakeholders.

EQUITY AND DIVIDENDS

At 31 December 2018, Fjord1 had book equity of NOK 2,031 million, including non-controlling interests. This corresponds to an equity ratio of 34.6%. The Board of Directors considers the equity to be appropriate in terms of the company's objectives, strategy and risk profile.

DIVIDENDS

The company intends to pay annual dividends of up to 50% of net profit after tax. The dividend policy will always be evaluated in light of the company's equity and adopted investment plan. The company's capital structure is adapted to the company's current strategy and risk profile. This may change due to future investment programmes required for successful tenders, thereby having an impact on the company's dividend policy. Decisions on dividend payments will be made by the general meeting based on proposals or endorsements from the Board of Directors. The Board of Directors has recommended a dividend payment for 2018 of NOK 270 million.

EMPLOYEE SHARE PROGRAMME

In connection with the stock exchange listing on 15 August 2017, a share programme was established for all employees. All employees received a gift of shares in connection with the stock exchange listing. In 2018, all employees had the opportunity to participate in the share programme by purchasing discounted shares. The Executive Management has an incentive scheme with allocation of shares and the right to purchase discounted shares. Up to 25 other key management employees are entitled to purchase discounted shares. The purpose of the programme is to strengthen the community of interest among employees and the other shareholders, and to reward value creation over time. Fjord1 wishes to give employees the opportunity to participate in value creation in the group. Information on the share programme is disclosed in note 12 to the consolidated financial statements.

PURCHASE OF TREASURY SHARES

The company has a mandate issued by the general meeting to purchase treasury shares related to the employee share programme. This mandate is valid up to the date of the annual general meeting in 2019, at the latest on 30 June 2019.

CAPITAL INCREASE

The company's general meeting has not granted the Board of Directors a mandate to carry out a capital increase.

EQUAL TREATMENT OF SHAREHOLDERS, AND TRANSACTIONS WITH RELATED PARTIES

EQUAL TREATMENT OF SHAREHOLDERS

Fjord1 has one class of shares, and all shares have equal voting rights. The Board of Directors and management work to ensure all shareholders are treated equally and have the same opportunities for influence. The company's Articles of Association contain no restrictions on voting rights.

Any transactions the company carries out involving its own shares (treasury shares) should be carried out either via the stock exchange or otherwise at quoted prices. In the event of a capital increase, the existing shareholders have pre-emption rights, unless special circumstances mean this can be waived. Any such decision to waive these rights shall be justified and published in a stock exchange announcement in connection with the capital increase.

TRANSACTIONS WITH RELATED PARTIES

Fjord1 strives for openness and caution in connection with investments that may imply a close commitment or relationship between the company and a director, executive or their family members. This is set out in more detail in the company’s ethical guidelines and instructions for the Board of Directors, and founded on legislation and regulations.

Each year, the company obtains and updates information related to its directors’ positions, shares and other stakeholdings. This provides the company with fundamental information on which to assess transactions with related parties and possible conflicts of interest. The Board of Directors also has guidelines to ensure that the individual directors and executives continuously assess and report to the Board of Directors any factors that may impair trust in their legal competence, or that may pave the way for conflicts of interest. Examples of the above may be a director or executive who directly or indirectly has a significant interest in an agreement signed by the company. The purpose of this is to ensure that decisions are always made on an independent basis, in that disqualified directors or executives are not involved in of transactions with their related parties.

In situations where transactions are conducted with related parties, these shall be carried out at arm’s length and on market terms. In cases where transactions with related parties are subject to a comprehensive tendering process that includes minimum three tenderers and decisions being made by the Board of Directors, no independent valuation will be obtained from a third party. This is because the internal guidelines for such situations are considered sufficient to ensure compliance with the arm's length principle and market terms. Independent reports are obtained in cases where legislation requires the Board of Directors to provide an independent expert report, cf. section 3-8 of the Norwegian Public Limited Liability Companies Act. Transactions with related parties are described in note 16 to the consolidated financial statements.

PRINCIPAL SHAREHOLDER

Havilafjord AS is the principal shareholder in Fjord1. The Board of Directors looks positively on having an active owner that emphasises the importance of development and value creation in the Fjord1 group, and is confident that this will benefit all shareholders by means of long-term and targeted decisions.

FREELY NEGOTIABLE SHARES

No restrictions have been laid down on the negotiability of Fjord1's shares.

GENERAL MEETING

ABOUT THE GENERAL MEETING
The shareholders exercise ultimate authority in Fjord1 via the general meeting. The Board of Directors takes steps to ensure that the general meeting is an effective meeting place for shareholders and the Board of Directors.

NOTICE OF GENERAL MEETING
Notice of the company's general meetings shall be issued in writing to all shareholders with a known address. If documents relating to issues to be considered at the general meeting are made available to the shareholders on the company's website, the provisions of the Act requiring documents to be sent to the shareholders no longer apply. The same applies to documents that by law shall be included in or attached to the meeting notice.

A shareholder may, however, demand that supporting documentation for the general meeting be sent by post. This is laid down in article 7 of the company's Articles of Association. Supporting documentation shall contain all necessary documentation so that the shareholders are able to form an opinion on all the issues to be discussed. All shareholders registered in the Norwegian securities system (VPS) will receive notice of the meeting and are entitled to submit proposals and vote directly or by proxy. The company's financial calendar, including the date of general meetings, is available on its website.

REGISTRATION AND PROXY
Registration of attendance is made in writing, either by post, VPS account or email. The Board of Directors aims to facilitate maximum attendance by the shareholders. Shareholders who are not able to attend are encouraged to be represented by a proxy or vote by proxy. Provision will be made for proxy votes to be cast on each individual issue discussed.

AGENDA AND PROCEDURE
A meeting chairperson is elected at the general meeting. The general meeting is opened by the Chairman of the Board, who also ensures a meeting chairperson is elected. Among other things, the annual general meeting shall approve the financial statements and annual report, and discuss the Board's recommendation for setting salaries and other remuneration for executives.

The general meeting elects the members and the chairman of the nomination committee. In addition, the general meeting deals with the issues required by law or the Articles of Association.

The minutes of the general meetings will be published via a stock exchange announcement and will be available on the company's website once the meeting has been completed.

NOMINATION COMMITTEE

Article 6 of the company's Articles of Association requires the company to have a nomination committee. Separate guidelines have been compiled for the duties of the nomination committee, its composition and criteria. These guidelines were adopted by the extraordinary general meeting held on 7 July 2017. In accordance with the Articles of Association, the nomination committee shall comprise two members, each elected for a period of two years. The nomination committee members shall be independent of the company's Board of Directors and executives, and shall safeguard the interests of the shareholders. The chairman of the nomination committee is elected by the general meeting, and fees for the nomination committee are adopted by the general meeting. The nomination committee recommends its own members. The current committee was elected at the extraordinary general meeting held on 7 July 2017. The members of the nomination committee will be due for re-election in 2019. The committee members are Anders Tallerås and Nina Skage.

The duties of the nomination committee are to propose candidates for election to the Board of Directors and to provide guidance regarding fees for members of the Board of Directors and sub-committees, including the nomination committee. The report on the Board's annual self-evaluation is considered by the nomination committee. The nomination committee shall report on its work and present its reasons for recommendations to the general meeting.

These recommendations shall include relevant information on the candidates and evaluation of their independence in relation to the company's management and Board of Directors. The nomination committee will have contact with shareholders, directors and the CEO during the process to propose candidates to the Board and will justify its recommendations with the company's largest shareholders. Shareholders are entitled to propose candidates via the company's website.

The recommendations made by the nomination committee to the general meeting are made available to the Board of Directors four weeks prior to the general meeting. The nomination committee's recommendations shall fulfil the requirements on board composition laid down in prevailing legislation and relevant regulations.

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

COMPOSITION OF THE BOARD OF DIRECTORS

In accordance with Article 5 of the company's Articles of Association, the Board of Directors of Fjord1 shall comprise between five and nine members. The Chairman of the Board and the shareholder-elected directors are elected by the general meeting, based on recommendations from the nomination committee. The Board of Directors is currently made up of five shareholder-elected members, two of whom are female. There are two directors who represent the employees.

Fjord1’s Board of Directors is composed according to the company's needs for expertise, capacity and diversity. Importance is attached to the Board comprising a wide range of backgrounds from business and management, with a good understanding of the industry. A list of the individual directors, detailing their expertise, background and shareholding in the company is available on the company's website. The company's employees shall be represented on the Board by two directors and two observers, according to the prevailing agreement. None of the shareholder-elected directors are employees of or have performed work for Fjord1.

The term of office for shareholder-elected directors is governed by section 6-6 of the Norwegian Public Limited Liability Companies Act. Employee representation on the Board of Directors is governed by section 6-4 of the Norwegian Public Limited Liability Companies Act.

Remuneration of the Board of Directors is established by the general meeting based on recommendations by the nomination committee.

BOARD OF DIRECTORS: INDEPENDENCE

The composition of the Board of Directors shall ensure that it can operate independently of any special interests and function effectively as a collegiate body, in the best interests of the shareholders. No shareholder-elected directors are involved in the daily management. Chairman of the Board Vegard Sævik and director Per Sævik are associated with majority shareholder Havilafjord AS. The other shareholder-elected directors are independent of Fjord1's management and significant business relationships. For information on the directors' shareholdings in Fjord1 at 31 December 2018, please refer to note 17 to the consolidated financial statements. Directors are governed by the regulations relating to primary insider information, with clear rules governing e.g. the obligation to investigate and report any trading in the company's shares.

THE WORK OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS' DUTIES

The Board of Directors has ultimate responsibility for the management of the group, supervising its day-to-day management and activities, and safeguarding the shareholders' interests.

This means the Board of Directors is responsible for ensuring that the Group's operations are soundly organised, and for drawing up strategies, plans and budgets. The Board takes part in important strategic discussions throughout the year. Moreover, the Board is responsible for establishing a control system and ensuring that the Group is operated in accordance with the stipulated values and ethical guidelines and the owners' own expectations in relation to corporate social responsibility. The Board of Directors is obliged to ensure proper control of the financial statements and capital management. Issues of material strategic or financial importance are considered by the Board of Directors. The Board of Directors is responsible for recruiting the CEO and establishing instructions, mandates and conditions for the CEO and establishing the salary of the CEO.

In 2018, 13 board meetings were held, eight of which were meetings with physical attendance.
Instructions for the Board of Directors
The Board of Directors has adopted a set of instructions that provide regulations and guidelines for the Board's work and administrative procedures. This is reviewed annually or when required. The instructions stipulate the duties and obligations inherent in the Board's work and relationship with the CEO. The Chairman of the Board is responsible for ensuring that board work is executed efficiently and correctly.

The Board works according to an annual plan with established subjects and issues for the board meetings. The Board of Directors carries out annual evaluations of its work and expertise. This is done by means of a self-evaluation, which is summarised and submitted to the nomination committee. At least once a year, the Board of Directors carries out a review of the company's most important risk areas and internal control in the company.

INSTRUCTIONS FOR THE CEO

The CEO of Fjord1 is responsible for the operational management of the Fjord1 group. The CEO shall further ensure that the financial statements comply with legislation and relevant regulations and that the Group's assets are properly managed. The CEO is recruited by the Board of Directors and shall report to the Board of Directors. The CEO is obliged to keep the Board constantly informed of the Group's financial position, operations and capital management. The instructions issued by the Board of Directors to the CEO include guidelines for issues to be considered by the Board.

FINANCIAL REPORTING

The Board of Directors receives periodic reports with comments on the company's economic and financial status. The company follows the Oslo Stock Exchange's deadlines for interim reports and guidelines for IR.
The Board's audit committee

The audit committee comprises three members and is elected by and from the directors. At least one of the members should have experience of accounting, financial management or auditing. The members of the audit committee are elected by the Board of Directors, and changes in the composition of the committee are implemented as preferred by the Board, or until the members leave their office as director. The audit committee comprises Siri Hatlen, Vegard Sævik and Siri Hatland. The chair of the audit committee is an independent director. The company's auditor attends meetings of the audit committee on request.

The audit committee is a preparatory and advisory committee for the Board of Directors. The audit committee shall a) prepare the Board's monitoring of the financial reporting process, b) monitor the system for internal control and risk management, c) maintain contact with the company's elected auditor regarding the audit of the financial statements, d) assess and monitor the auditor's independence and objectivity in relation to the company, including in particular the degree to which non-audit services provided by the auditor represent a threat to the auditor's independence and objectivity in relation to the company. The audit committee held six meetings in 2018.

THE BOARD'S REMUNERATION COMMITTEE

The Board of Directors has assessed the establishment of a remuneration committee but has not found this to be necessary. Principles and strategies for remuneration of the company's management are established by the Board of Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

Fjord1 holds an annual strategy meeting to lay the foundations for the Board's considerations and decisions throughout the year. The most critical risk exposure areas and the internal control system are reviewed at this meeting. An overall management model has been prepared for ongoing follow-up, based on the group's strategy, values and ethical guidelines. Moreover, policies have been drawn up for reporting within the most critical areas, in addition to guidance and guidelines for key processes and activities. An authorisation matrix has been established for delegating responsibility to defined roles in the organisation. All employees have guidelines for the scope of their own authority and the next step up in the chain for decision-making or approvals.

> *Fjord1 has established a set of internal procedures*

Fjord1 has established a set of internal procedures and a system to ensure comprehensive and reliable financial reporting and operations. In addition, a system has been established to ensure the quality of project execution. Among other things, the system comprises a review of project risk and risk in other parts of the company to ensure reliable financial reporting and, if necessary, to establish necessary measures to manage risk. Planning, control, execution and economic follow-up of building processes, production processes and projects are integrated in the Fjord1 group's business operations.

The company has established whistle-blowing routines that enable employees to communicate situations involving illegal or unethical conduct.

Fjord1's consolidated financial statements are prepared in accordance with prevailing IFRS regulations. The Board of Directors receives periodic reports on the company's financial results and a description of the status of the group's most important individual projects. In addition, economic reports are drawn up every quarter and are adopted by the Board of Directors prior to publication of the interim reports. The auditor takes part in meetings of the audit committee and in board meetings involving presentation of the preliminary financial statements. The most critical risk factors for the group are described in the Board of Directors' report.

REMUNERATION OF THE BOARD OF DIRECTORS

The general meeting stipulates the annual fee paid to the members of the board based on the recommendation of the nomination committee. The fee paid to the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the company's activities In 2018, total remuneration paid to the Board of Directors was NOK 2,380,000. Please refer to note 17 to the consolidated financial statements 2018 for more detailed information. The Board of Directors' remuneration is not linked to company performance. No options are allocated to directors, and the shareholder-elected directors do not have any agreements relating to pension plans or pay from the company after termination of employment. None of the shareholder-elected directors have duties for the company in addition to their board work.

The directors are encouraged to own shares in the company. The directors comply with general insider regulations for share trading in the company.

REMUNERATION OF EXECUTIVES

As mentioned in point 9, the company has not established a remuneration committee. The Board of Directors evaluates the conditions for recruitment of the CEO and contributes to the strategy and main principles for remuneration of the company's senior management.

The group's guidelines for remuneration of executives are described in note 17 to the consolidated financial statements. The main element in the remuneration scheme is the fixed base salary. Senior management has a share ownership scheme to ensure that remuneration aligns the interests of shareholders and senior management.

No options have been issued to employees or employee representatives in the company.

Guidelines for remuneration of executives are presented annually to the general meeting in connection with consideration of the financial statements.

INFORMATION AND COMMUNICATIONS

Fjord1 aims for all reporting of financial and other information to be correct and based on openness and equal treatment of all participants in the securities market. The company will comply with the IR guidelines issued by Oslo Stock Exchange on 1 March 2017. Information from Fjord1 is published in the form of annual reports, interim reports, press releases and stock exchange announcements, and investor presentations. All information deemed material for the valuation of the company is distributed and published via Oslo Stock Exchange's announcements system and on the company's website.

The company presents its preliminary financial result according to the dates established in the financial calendar. A complete set of financial statements, together with the Board of Directors' report and annual report, are made available for shareholders at the latest three weeks prior to the general meeting and at the latest by the end of May every year. The interim reports are published by the 28th of the second month after the end of the quarter.

The company's financial calendar is published for one year at a time and is announced prior to 31 December in line with Oslo Stock Exchange's regulations. The financial calendar is available on the company's website and on the website for the Oslo Stock Exchange.

The main purpose of information disclosure is to communicate the company's long-term goals and potential, including strategies, value drivers and important risk factors. The Guidelines for Investor Relations provide more detailed information on how to manage disclosure in the group. The company appoints specific spokespersons for different issues. In principle, the CEO or CFO of Fjord1 will make statements on behalf of the company to the financial market.

TAKEOVERS

The company's Articles of Association place no restrictions on the purchase of shares in the company. In a takeover situation, the Board of Directors shall help ensure that the shareholders in the company receive equal treatment and that the group's daily operations are not unnecessarily disrupted. The Board of Directors shall seek to ensure that shareholders are given sufficient information and time to form a view of a takeover bid.

If a bid is made for the company's shares, the Board of Directors shall make a statement with an evaluation of the bid and advice to the shareholders as to whether they should accept the bid or not. This evaluation should cover issues such as how a possible acquisition will affect the long-term value creation in the company. Justification of the evaluation shall be provided.

AUDITOR

Election of auditor The group's auditor is elected by the general meeting. The Board's audit committee shall make a recommendation to the general meeting regarding election of auditor.

The auditor's relationship with the Board and audit committee The auditor presents his/her work and provides an evaluation of the company's financial reporting and internal control to the Board in connection with the financial statements.

The Board is informed at this meeting of any non-audit services performed by the auditor during the year. At least once a year, the auditor shall have a meeting with the Board of Directors without the presence of company management. The auditor is entitled to take part in Fjord1's annual general meeting. The auditor shall confirm in writing to the Board each year that the established requirements for the auditor's independence are met.

The auditor takes part in meetings of the audit committee when requested. Every year, the auditor shall present to the audit committee the main elements in the plan for execution of the auditing work. The auditor shall review any material changes in Fjord1's accounting policies, evaluations of significant accounting estimates and all significant circumstances where there has been a disagreement between the auditor and company management. At least once a year, the auditor shall review Fjord1's internal control system together with the audit committee, including all visible weaknesses and proposed improvements.

The Board of Directors informs the general meeting of fees paid to the auditor, broken down into audit and non-audit services.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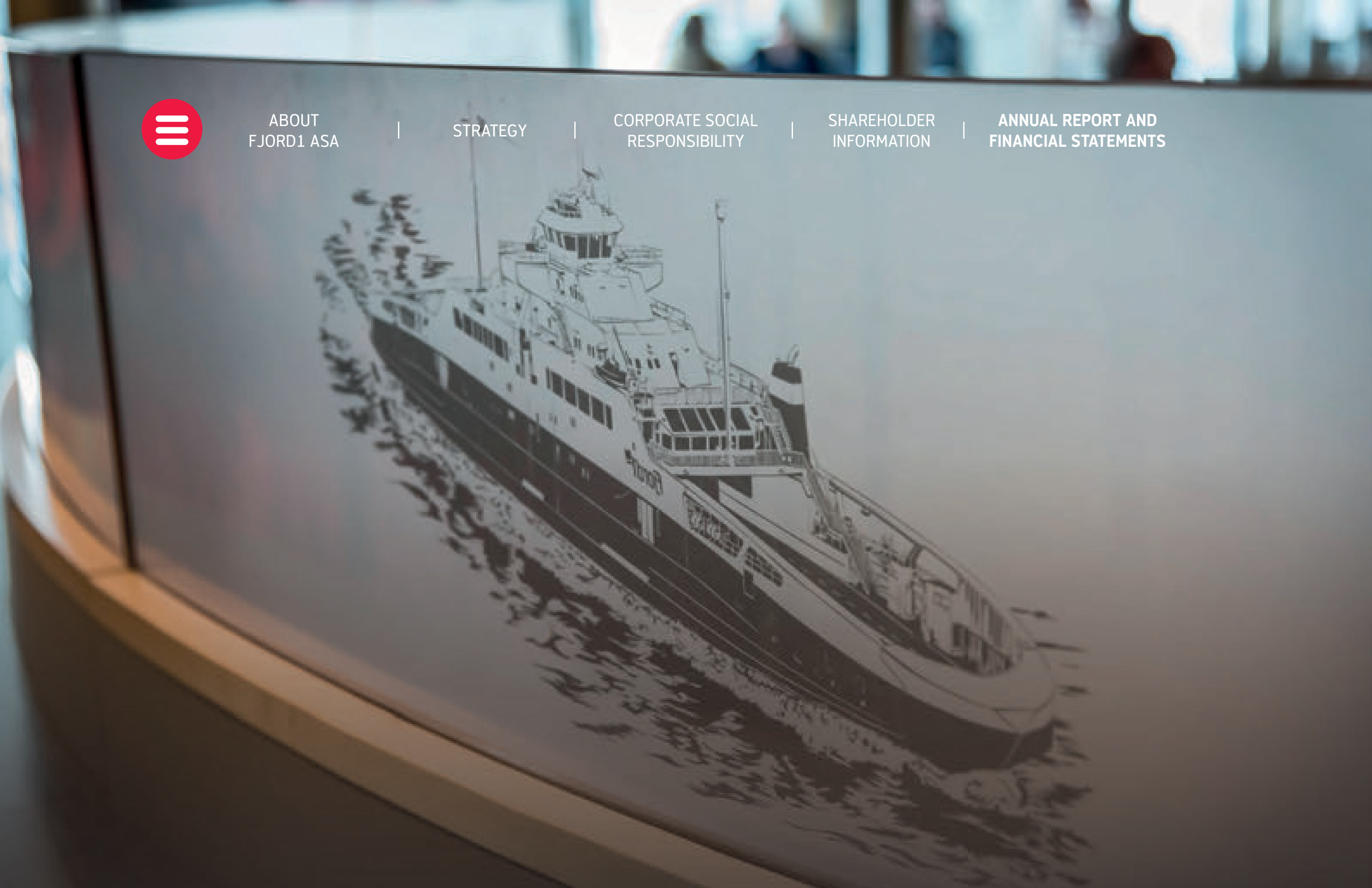
ANNUAL REPORT AND FINANCIAL STATEMENTS



BOARD OF DIRECTORS' REPORT 2018

Fjord1 reported a good result in 2018, with 11% revenue growth and stable and safe operations generating an EBITDA of NOK 1,051 million. Two new ferry contracts started up in 2018, and there has been a high level of tender-related activity.

Fjord1 has signed three ferry contracts during the year, maintaining its position as the leading ferry company in Norway. Safety is paramount at all times, both for employees and passengers. Given the strength of the organisation, high order backlog and long-term contracts with public bodies, the Board of Directors is confident that the company is well positioned to achieve positive results in the future. With a profit after tax of NOK 540 million and an EBIT margin of 24.0% for the Group, the Board of Directors proposes a dividend payment of NOK 270 million for 2018. The parent company's profit after tax is NOK 581 million.

ABOUT THE COMPANY

With a vision of being the safest and most attractive provider of environmentally friendly ferry and passenger boat transport for customers, contractors and other partners, Fjord1 took a step forward in 2018 in its role as the leading player in electrification of the ferry industry.

Fjord1 ASA has activities in Norway within ferry operations and associated catering, as well as fjord-based tourism and passenger boat services, generating a total revenue of NOK 3,102 million in 2018. The company plays an important role in Norway's

infrastructure, operating 31 ferry connections. At the end of 2018, the fleet comprised 70 ferries and four passenger boats. The company's newbuilding and conversion programme, which runs to 2020, will further increase the fleet. By the end of 2020, Fjord1 will have 30 electric vessels operating Norwegian ferry services. These vessels are in line with the requirements for low- or zero-emissions technology and will be deployed on seven different contracts.
Fjord1 ASA reported 1,105 full-time equivalents in 2018. The company is headquartered in Florø, with operating departments in Molde and Bergen. The total number of full-time equivalents for the group is 1,264.

OPERATIONS

Fjord1 ASA's market is ferry and express boat connections in Norway. The ferry segment represents 89% of the company's revenue, with county councils and the Norwegian Public Roads Administration being the principal contractors. The company operates catering services on board its ferries on some of the routes. Fjord1 is also investing in tourism activities in the West Norwegian fjords via its ownership stakes in companies including The Fjords DA, Fjord Tours AS and Geiranger Fjordservice AS. Fjord1 transported a total of 21.6 million passengers and 10.7 million vehicles in 2018, and made around 744,000 port calls. At the end of 2018, Fjord1 ASA had a fleet of 74 vessels of varying capacity and age. The ongoing renewal of the ferry fleet will significantly reduce the average age.

THE FERRY SEGMENT

Fjord1 is the leading operator within Norwegian ferry operations, with a market share of approximately 50% in 2018 (measured by number of private car units transported), and operates seven of the ten ferry connections in Norway with the highest traffic volumes. 1 January 2018 saw the start of two new contracts: Anda–Lote and Hordaland package 1. Anda–Lote is the world's first fully electric ferry connection, served by the two electric vessels MF "Gloppefjord" and MF "Eidsfjord". Hordaland package 1 involved start-up of the Husavik–Sandvikvåg and Hufthamar–Krokeide connections, which will be electrified in 2019.
The ferry segment reported revenue of NOK 2,760 million and an operating profit of NOK 690 million for 2018.

The company's operations are stable and efficient. Traffic growth in 2018 within the ferry segment was 0.8% for passengers and 3.6% for vehicles. The share of gross contracts in the company's contract portfolio is increasing.

In 2018, Fjord1 has focused on preparatory work for implementing new contracts and contracting vessels. During the year, the company signed contracts for delivery of eight vessels with Norwegian and foreign shipyards. The company also took delivery of seven hybrid-electric vessels in 2018. The company's newbuilding and conversion programme comes in the wake of the seven contracts it has been awarded starting between 2018 and 2020 and the requirements for low- or zero-emissions technology. Fjord1 has contracts with the Norwegian shipyard Havyard Ship Technology as well as Tersan Shipyard, Sefine and Cemre Shipyard, all in Turkey.

2018 has seen a high level of activity linked to planning and building of infrastructure and installation of quay-based charging systems for the new electric vessels. This is pioneering work for which Fjord1 is responsible, involving planning consultants, utility companies, building contractors and equipment providers.

Fjord1 sold M/F Fanafjord in March 2019. The vessel was classified as "held for sale" at 31 December 2018 and recognised at market value.

CONTRACTS FOR THE FERRY SEGMENT

There has been a high level of tendering activity in 2018, as several ferry connections are approaching the end of their current contract periods. Most of the tenders announced require zero- and low-emissions technology, with electric newbuilds and electrification of converted vessels to meet these requirements. In 2018 and previous years, Fjord1 has been successful in tender competitions where it has been awarded important environmental contracts.

In 2018, Fjord1 signed three new contracts with Møre og Romsdal County Council, represented by "Fram". The Nordmøre package covering four county road connections has been re-awarded for the contract period starting on 1 January 2020 and running for 11 years. The Romsdal package comprises four routes, and runs from 1 January 2020 and 1 January 2022 until the end of 2034. The Indre Sunnmøre contract also starts on 1 January 2020 and runs for 14 years. Fjord1 is currently operating the routes in this contract. The company started up several of these contracts in 2018 and 2019, which – together with other tenders already awarded – will mean a substantial reduction in ferry emissions within a few years.

MARKET OUTLOOK, FERRY SEGMENT

The Hareid–Sulesund route started up on 1 January 2019 as part of the Sula package contract, while the Sykkylven–Magerholm route in the same contract will start on 1 January 2020. Fjord1 also started up the Daløy–Haldorsneset, Brekstad–Valset and Arsvågen–Mortavika contracts on 1 January 2019. The last mentioned is one of the routes from the Bjørnefjord and Boknafjord contract that finished in 2018. 2019 is a transitional year, when the company will prepare for start-up of the new contracts in 2020 by taking delivery of and converting electric vessels. Next year, it will start up four new contracts and expand two existing major ones, adding nine new connections to the existing ones.

The company's contract portfolio is valued at NOK 24 billion (not indexed) for the period 2019-2033. Options for extensions on contracts that have not been exercised are not included in the total value. Developments in the ferry industry are driven by a combination of tender requirements and an industry that is forward-looking in developing and implementing new emission-free solutions. Tender competitions are expected to continue to focus on emissions, energy efficiency and further renewal of the ferry fleet. The contract for the Halsa–Kanestraum classified road connection has been put out to tender, with bids to be submitted in 2019. The ferry industry and Fjord1 are contributing to the technological shift from fossil fuels to zero emissions by introducing battery solutions for ferries in Norway. By 2020, Fjord1's 30 new and converted hybrid-electric vessels will bring substantial reductions in CO_2 emissions from Norway's ferry industry.

PASSENGER BOATS

Fjord1 operates 15 local express-boat routes in Sogn og Fjordane. Fjord1 ASA owns four passenger boats and leases 10 passenger and combi-boats from subcontractors. Some of the boats carry only passengers, while others can carry vehicles too. The contracts for the local express boat routes run from 1 May 2012 for eight years, and the options for the extra years have been exercised, meaning Fjord1 will operate these routes until May 2022. The passenger boat segment reported revenue of NOK 105 million and an operating profit of NOK 1 million for 2018, the latter up NOK 4 million on 2017. Fjord1 ASA is also involved in express-boat operations between Kristiansund and Trondheim in collaboration with Fosen Namsos Sjø AS through the company Partsrederiet Kystekspressen ANS, in which it has a 49% shareholding.

THE CATERING SEGMENT

Catering is closely related to the ferry segment and an important area for Fjord1. Using the Ferdamat concept, Fjord1 has concentrated on offering high-quality food based on good, local ingredients and having a visual identity that customers recognise on all Fjord1 services. In line with developments in society in general, the company continuously strives to further develop its catering services to meet customer demand.

In 2018, several routes launched a new concept with self-service kiosks offering a more basic range of food, drinks and snacks. A total of 12 vessels now have self-service kiosks, and the concept has been well received by passengers. In September 2018, the first land-based Ferdamat café opened at Hareid Trafikkterminal. The company wanted to tap into passengers travelling to and from Hareid, and to establish a production kitchen that would supply food to vessels on the Hareid–Sulesund route as well as to self-service kiosks on other routes in the area. The number of passengers travelling on Fjord1's vessels is increasing, and a large number of passengers make use of the company's catering services. Fjord1's targeted focus over several years on catering and ways to develop this has produced good results.

Revenue from catering in 2018 was NOK 192 million, with an operating profit of NOK 31 million.

THE TOURISM SEGMENT

In recent years, Fjord1 has been involved in the tourism segment via The Fjords companies, which Fjord1 owns jointly with Flåm AS. Fjord1 also has stakes in Fjordtours AS (30.6%) and Geiranger Fjordservice (30.5%), and in the ship-owning company for tourist vessels.

The Fjords operates in the West Norwegian fjords, offering environmentally friendly tourism on the iconic fjords – Nærøyfjord, Lysefjord and Geirangerfjord, with new offers on the Hjørundfjord and Oslofjord added in 2018. The company's objective is to offer unique fjord experiences that can be combined with other extraordinary travel experiences in the region. The passenger catamaran MS "Future of The Fjords" – the world's first fully electric passenger catamaran – was delivered in 2018 and, like her sister ship MS "Vision of The Fjords" before her, was awarded the accolade "Ship of the Year". A third fully electric vessel, MS "Legacy of The Fjords", is on order and due for delivery ahead of the 2020 tourist season. As a partner in The Fjords DA, Fjord1 is involved in the renewal and development of low- and zero-emissions vessels that will traffic Norway's UNESCO World Heritage fjords. The tourism segment reported revenue of NOK 23 million and operating profit of NOK 7 million in 2018. The level of activity has been increased by establishing new routes and extending the tourist season, resulting in a lower contribution from these companies in 2018 than in 2017.

Fjord1 has an ambition to develop tourism and offer environmentally friendly fjord-based experiences. The company seeks to contribute its core expertise to the further development of projects within fjord-based tourism. In 2018, Fjord1 signed a Letter of Intent with NSB to develop a joint national tourism enterprise by establishing a company to market and distribute travel via a national portal.

OTHER INVESTMENTS
Its 34% shareholding in WF Holding AS gives Fjord 1 a financial interest in Widerøe's Flyveselskap AS. Widerøe is the largest regional airline in the Nordic countries, with both commercial and PSO (public service obligation) routes in Norway. The airline owns and operates 44 aircraft, serving 49 destinations.

CORPORATE SOCIAL RESPONSIBILITY
Fjord1 is committed to corporate social responsibility and lives up to this through its values and ethical guidelines. The company's corporate social responsibility reports follow the guidelines issued by the Oslo Stock Exchange for corporate social responsibility reporting and section 3-3 of the Norwegian Accounting Act. Fjord1 ASA's report on corporate social responsibility is available in the company's annual report for 2018.

HSE AND SAFETY
Fjord1 AS maintains a focus on well-being and the working environment through systematic health, safety and environmental work. These efforts shall help ensure a workplace that is free from personal injury and free from damage to the environment or society, and compliance with primary internal and external HSE requirements.

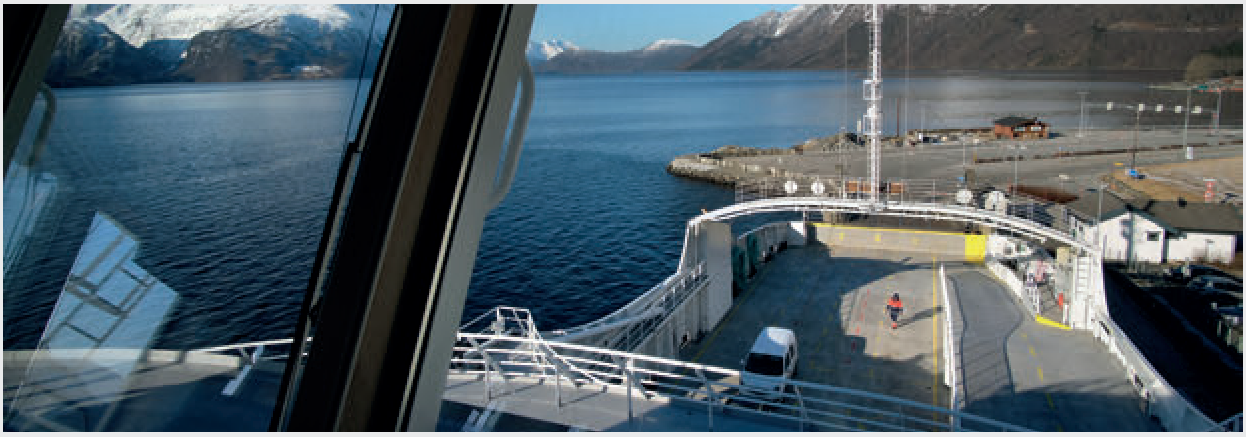
WORKING ENVIRONMENT AND EQUALITY
Fjord1's ambition is to have the most satisfied employees in the industry. In 2018, the company held the last of its 10 employee meetings, in which all employees have participated. The aim of these meetings is to develop a Fjord1 culture based around the company's values. Several new employees have joined the organisation, including as a result of transfer of business activities from routes Fjord1 has taken over. The working environment in Fjord1 ASA is generally good, and the workforce is stable in most areas. Sick leave was 5.8% in 2018, against a target of 4.9%. The company has routines for follow-up of employees on sick leave and is working on new measures that may improve attendance. In 2018, there has been an extra focus on factors relating to the psychosocial working environment, and a company-wide employee survey was conducted in this connection. The aim of this was to map the working environment so as to facilitate measures for a good, healthy working environment.

The company also has a policy for making adaptations to provide employees with variation or support at work. As an employer, Fjord1 is obliged to adapt the workplace for employees who, for health-related reasons, have a reduced capacity for work. Employees are in turn obliged to contribute by utilising their full capacity for work.

The working environment committee registered 18 injuries resulting in absence among the company's own employees in 2018, the same number as in 2017. Reducing absence due to injuries is a priority.
In 2018, there were 1,264 full-time equivalents in the group. The proportion of female employees in Fjord1 was 17.2% in 2018, including the administration company (F1 Administrasjon AS). The corresponding figure for 2017 was 18.5%. The proportion of female workers on board vessels was 14.4% in 2018, against 14.2% in 2017.

The low proportion of female employees on board vessels must be seen in the context of women traditionally not choosing to train for maritime roles. There is still work to be done to increase the recruitment of women to these roles, and it is a long-term undertaking. When setting salaries and salary adjustments, the company keeps in mind that men and women shall be treated equally.

Over time, Fjord1 has had good access to highly skilled



labour. The company is finding it somewhat more challenging than before to secure sufficient highly skilled labour and no longer has as many applicants for vacancies as it did two or three years ago. Fjord1 will continue its long-term, targeted recruitment work to ensure that the company can maintain safe and stable operations.

DISCRIMINATION

The Norwegian Anti-Discrimination Act seeks to promote equality, safeguard equal rights, and prevent discrimination based on ethnicity or national origin, descent, skin colour, language, religion or life stance. Fjord1 ASA works actively and purposefully to promote the aims of this legislation.

Fjord1 ASA is an Inclusive Working Life company (IWL) and has drawn up its own IWL plan. The company's goal is to be a workplace where there is no discrimination on the grounds of disability. The company is working hard to design and organise the physical set-up so that the various job roles in the company can be available to as many people as possible. Workplaces and tasks are individually adapted to meet the needs of employees and job applicants with disabilities.

SAFETY

Safety is paramount at Fjord1, and the company has focused on continuing to strengthen its safety culture in 2018, both in terms of the barrier system and changing attitudes. Operations in 2018 were carried out with a focus on passenger and employee safety. Incidents are reviewed and operations risk assessed via the management system to identify any need for action. Following systematic work in 2018, the company will use proactive indicators to predict and thus prevent undesired incidents.

In 2018, the company recorded six allisions compared with one in 2017. The company has a "zero philosophy" for allisions, emissions and loss of life. A total of 14 passenger injuries were recorded in 2018, most being minor cuts, crushing or falling injuries.

Work is continuing on a number of measures to further promote safe operation, and in 2019 the company will continue working to develop the safety culture in Fjord1 ASA. Fjord1 ASA works closely with its crews on the barrier system and to develop operational procedures on board.

Route production and traffic operations in Fjord1 ASA were implemented well and safely in 2018.

GOING CONCERN

The Board of Directors considers that the submitted income statement and statement of financial position as at 31 December 2018 provide a true and fair view of the assets, liabilities, financial position and result for the parent company Fjord1 ASA and the group. Nothing has happened since the closing of the accounts in the new year that has had any influence on this assessment. The company is assumed to be a going concern, and the company's financial statements have been drawn up subject to this assumption. These assessments are based on profit forecasts for 2019 and the group's long-term forecasts for the coming years.

PROFIT/LOSS, STATEMENT OF FINANCIAL POSITION AND LIQUIDITY – GROUP

In 2018, the Fjord1 group reported income of NOK 3.102 million (NOK 2.794 million). Operating profit was NOK 745 million (NOK 733 million), giving an EBIT margin (operating margin) of 24.0% (26.2%). The pre-tax result shows a profit of NOK 675 million (NOK 716 million) and the profit for the year after tax was NOK 540 million (NOK 603 million). Revenue and EBITDA have increased in 2018 thanks to the start-up of two new contracts. Operating profit/loss per segment is disclosed in note 3 to the consolidated financial statements and specified per segment under Operations.

Over the year, the Board of Directors and the management have made judgements in connection with the basis for ship values as well as provisions for possible future losses on contracts. Write-downs and reversals of write-downs from previous years were made in 2018, with a positive net effect of NOK 561.000.

The group has equity of NOK 2.331 million (NOK 2,068 million) and total assets of NOK 6.731 million (NOK 5.254 million), corresponding to an equity ratio of 34.6% (39.4%) at year-end 2018. The group's position is satisfactory in terms of both financial strength and liquidity.

Cash flow from operating activities in the group was NOK 1.108 million in 2018 (NOK 994 million). Cash invested totalled NOK 1.864 million (NOK 619 million), of which NOK 1.901 million (NOK 738 million) was investments in operating assets. In addition, operating assets were sold for a figure of NOK 12 million (NOK 104 million). Payments totalling NOK 911 million (NOK 1.123 million) were made in instalments and repayment of long-term debt to credit institutions, while a new bond loan of NOK 1,863 million was taken out as a result of the refinancing. Net cash and cash equivalents at 31 December 2018 were NOK 272 million (NOK 474 million).

PROFIT/LOSS, BALANCE SHEET AND LIQUIDITY – PARENT COMPANY

In 2018, the parent company reported income of NOK 3.094 million (NOK 2.795 million). Operating profit was NOK 781 million (NOK 646 million), giving an EBIT margin (operating margin) of 25.2% (23.1%). The pre-tax result shows a profit of NOK 715 million (NOK 603 million), and the profit for the year after tax was NOK 581 million (NOK 473 million).

The parent company has equity of NOK 1.820 million (NOK 1.511 million) and total assets of NOK 6.425 million (NOK 4.708 million), corresponding to an equity ratio of 28.3% (32.0%) at year-end 2018. The parent company's position is satisfactory in terms of both liquidity and financial strength.

Cash flow from operating activities in the parent company was NOK 895 million in 2018 (NOK 831 million). Cash invested totalled NOK 1,986 million (NOK 572 million), of which NOK 1.902 million (NOK 677 million) was investments in operating assets. Repayments of NOK 963 million (NOK 1.091 million) were made on long-term debt, and there was a dividend payment of NOK 270 million (NOK 250 million). Net cash and cash equivalents at 31 December 2018 were NOK 200 million (NOK 403 million).

ALLOCATION OF PROFIT IN THE PARENT COMPANY

Fjord1 ASA's strategic basis provides for an owner-friendly, balanced and long-term dividend policy.

The company's policy is to pay dividends of up to 50% of the group's profit for the year after tax. The dividend policy will always be evaluated in light of the company's equity. The company's capital structure is adapted to its current strategy and risk profile. This may change due to future investment programmes required for successful tenders, thereby having an impact on the company's dividend policy. Decisions regarding dividend payments will be made by the annual general meeting based on proposals from the Board of Directors.

The profit for the year after tax in the parent company was NOK 581 million in 2018, and the Board of Directors recommends the following allocation of this figure:

Transferred to other equity	**NOK 311 million**
Provision for dividends	**NOK 270 million**
Total allocation	**NOK 581 million**

CORPORATE GOVERNANCE

Fjord1 complies with the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES) From the group's perspective, the main elements of the report are how the relationships between society, owners, the Board and management function in the company.
Fjord1's corporate governance report describes the company's operations and values, its share capital and dividend policy, principles for the company's shares and share trading, nomination committee, principles for the Board of Directors' independence and work, remuneration of the Board and management, internal control and risk management, correct information and communication, and a brief description of the work of the auditor.

Please refer to the annual report, where the report on corporate governance details the company's principles in the areas mentioned above.

SHAREHOLDER INFORMATION

The company is listed on the Oslo Stock Exchange main list, and had 3,786 shareholders at 31 December 2018. Havilafjord AS is the largest shareholder and controls 51.50% of the share capital. In total, the 20 largest shareholders owned 85.9% of the shares at 31 December 2018. An up-to-date list of these shareholders is available under Investor Relations on Fjord1's website. The company has 100.000.000 shares.

At an extraordinary shareholders' meeting in spring 2018, the Board was authorised to purchase treasury shares in connection with the employee share programme. See note 12 in the consolidated financial statements concerning transactions in treasury shares in 2018. More information on the share programme and co-ownership can be found in the annual report, under the section on "Corporate Governance".

SHAREHOLDERS

The company has one class of shares. Pursuant to the Norwegian Public Limited Liability Companies Act, all shares in the company carry equal rights and are freely negotiable.

Earnings per share in 2018 were NOK 5.39. The proposed total dividend payment of NOK 270 million is equivalent to a dividend payment per share of NOK 2.70. Please refer to the proposed allocation of profit in Allocation of profit in the parent company above.

OPERATIONS-RELATED RISKS

Fjord1's operations entail various types of risk that the company evaluates on a continuous basis. The central risk elements are market risk and financial risk, as well as operating risk and supply risk related to newbuilds. Market risk is defined as the consequence of variation in market factors such as oil prices, interest rates and currency. The company's contracts with clients take fluctuations in these market-related factors into account to a high degree by regulating the contracts according to the cost index for domestic sea transport. Fjord1 utilises financial instruments to hedge cash flow that is not covered by regulation mechanisms in the contracts.

Fjord1 is exposed to currency fluctuations related to shipbuilding contracts entered into in EUR and USD. The company carries out hedging to reduce this risk. Other market risks include macroeconomic factors over which the company has no control, and demand for goods and services that may impact the company's investing activities and the market value of vessels. Credit risk – the risk of customers and contractual partners being unable to fulfil their financial commitments – is regarded as low. Historically, the company's bad debts have been low. Changes in framework conditions may alter this risk profile. The gross credit risk as at 31 December 2018 is NOK 96.5 million (NOK 86.1 million) for the group. No agreements have been entered into that reduce this risk. The use of credit ratings and parent company and bank guarantees helps reduce this risk. Fjord1 has corresponding guarantees in relation to its partners.

Operating risk is managed via daily operations, compliance with external legislation and regulations, and established HSE routines. There is a risk related to the delivery of newbuilds, but this is managed via the option to use transitional vessels at contract start-up. Financial risk relates to debt and liquidity. The company has framework agreements for banking and financing services with Nordea and DnB providing a financing framework of NOK 4.5 billion. Fjord1's portfolio of vessels has been pledged as security for the above. At 31 December 2018, NOK 1.8 billion of this framework had been used, and more of the NOK 4.5 billon line of credit will be used as the company takes delivery of new vessels in 2019. The group's financial commitments related to vessels under construction are secured via bank guarantees. As the company has entered into several contracts for new environmentally friendly ferries, the Norwegian Export Credit Guarantee Agency (GIEK) has contributed to the financing of Fjord1's newbuilding programme by providing a NOK 900 million guarantee. The company has an unsecured bond loan that was listed on the Oslo Stock Exchange in spring 2018.

The company's liquidity is managed via monthly monitoring and forecasts, and monitored on a daily basis by the company's finance department. The Board of Directors considers the liquidity in the company to be satisfactory.

OUTLOOK

The ferry industry is experiencing major change in the wake of changed tender requirements relating to energy, the environment and capacity. Demand for ferry services is increasing, with more ferries in operation and increased frequency on several routes. Fjord1 is well positioned within the ferry segment to be awarded the majority of the key environmental contracts put out to tender in recent years. Nine routes are due to start up in 2020, and the number of ferries Fjord1 has in service is increasing.

New contracts for Nordland and Troms will be put out to tender in the coming years, and the Board of Directors believes that the group is well positioned to take part in future tender competitions. The company assesses new operational areas, including outside Norway, on an ongoing basis. Fjord1 shall continue to develop its ferry operations as industry leader, increase the efficiency of its current contract portfolio, win new and profitable contracts, develop its tourism-related operations and take part in technological developments in the market.

Through its collaboration with NSB, the company will develop its tourism efforts going forward, focussing on a national portal.

The Board of Directors points out that forward-looking statements are subject to significant uncertainty. The Board of Directors would like to thank the management and employees for their significant contributions to the good results achieved in 2018, and is confident of achieving a high level of activity and a good result again in 2019.

Florø, 20 March 2019

Vegard Sævik
Chairman

Per Rolf Sævik
Director

Siri Hatland
Director

Siri Beate Hatlen
Director

Frederik Wilhelm Mohn
Director

Atle Olav Trollebø
Director

Geir Offerdal
Director

Dagfinn Neteland
CEO

CONSOLIDATED FINANCIAL STATEMENTS

2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in NOK thousands	Note	2018	2017
Revenue	3	3 060 946	2 748 150
Other operating income	3,5	41 102	45 985
Total income		**3 102 048**	**2 794 136**
Purchased goods and fuel		(574 001)	(433 547)
Personnel expenses	6, 13, 17	(1 004 979)	(946 354)
Other operating expenses	7	(483 653)	(449 621)
Total operating expenses		**(2 062 632)**	**(1 829 523)**
Share of profit/(loss) from jointly controlled entities	4	11 794	20 641
Operating profit before depreciation and impairment (EBITDA)		**1 051 210**	**985 253**
Ordnary depreciation	10	(306 578)	(252 652)
Impairment	10	(84 064)	
Reversal of impairment	10	84 625	
Total depreciation and impairment		**(306 017)**	**(252 652)**
Operating profit (EBIT)		**745 193**	**732 601**
Share of profit/(loss) from associates	4	975	42 963
Interest income	11	3 496	4 692
Interest expense	11	(113 078)	(82 865)
Other financial items, net	7	38 166	18 135
Net financial income / (expenses)		**(70 440)**	**(17 075)**
Profit/(loss) before tax		**674 753**	**715 527**
Income tax (expense) / income	8	(134 464)	(112 895)
Profit/(loss) for the year		**540 289**	**602 633**
Attributable to:			
Owners of the parent company		538 660	602 149
Non-controlling interests		1 629	484
Earnings per share (NOK)*	9	5,39	6,02
Diluted earnings per share (NOK)*	9	5,39	6,02

* Based on weighted average number of shares outstanding. Reference is made to notes 9 and 12 regarding earnings per share and share capital.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK thousands	Note	2018	2017
Profit/(loss) for the year		540 289	602 633
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income of associates accounted for using the equity method	4	(2 221)	(3 059)
Actuarial gain/(loss) on pension liabilities - net of tax	13	(2 287)	(4 745)
Total		**(4 508)**	**(7 804)**
Total other comprehensive income for the year, net of tax		**(4 508)**	**(7 804)**
Total comprehensive income for the year		**535 781**	**594 829**
Attributable to:			
Owners of the parent company		534 152	594 345
Non-controlling interests		1 629	484

CONSOLIDATED STATEMENT OF FINANCIAL POSTITION

Amounts in NOK thousands	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Deferred tax assets	8	19 148	18 327
Ships and other property, plant and equipment	10	5 598 220	4 181 387
Investments in associates and jointly controlled entities	4	391 393	408 581
Other non-current assets	11	8 730	6 205
Total non-current assets		**6 017 491**	**4 614 499**
Current assets			
Inventories		24 097	16 508
Derivative financial instruments	11	30 085	
Trade receivables	11	96 529	86 099
Other current receivables	11	116 941	63 012
Cash and cash equivalents	11	272 492	474 294
		540 145	**- 639 913**
Assets classified as held for sale	10	173 510	
Total current assets		**713 655**	**639 913**
Total assets		**6 731 146**	**5 254 412**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	12	250 000	250 000
Share premium		360 924	360 924
Treasury shares	12	(2 079)	
Retained earnings		1 716 795	1 452 645
Total equity attributable to owners of the parent company		**2 325 640**	**2 063 568**
Non-controlling interests		5 796	4 166
Total equity		**2 331 436**	**2 067 734**
Non-current liabilities			
Borrowings	11, 14	2 577 780	1 687 692
Derivative financial instruments	11	1 751	12 147
Pension liabilities	13	23 263	23 671
Deferred tax	8	497 763	450 696
Total non-current liabilites		**3 100 557**	**2 174 206**
Current liabilities			
Borrowings	11, 14	213 212	130 285
Derivative financial instruments	11	7 735	26 607
Trade payables	11	285 749	164 895
Tax payable	8	92 719	40 055
Taxes and duties payable		102 751	93 896
Other current liabilities	11	596 988	556 734
Total current liabilities		**1 299 154**	**1 012 472**
Total liabilities		**4 399 711**	**3 186 678**
Total equity and liabilities		**6 731 146**	**5 254 412**

The Board of Directors of Fjord1 ASA

Florø, 20 March 2019

Vegard Sævik
Chairman

Per Rolf Sævik
Director

Siri Hatland
Director

Siri Beate Hatlen
Director

Frederik Wilhelm Mohn
Director

Atle Olav Trollebø
Director

Geir Offerdal
Director

Dagfinn Neteland
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent company						
Amounts in NOK thousands	**Share capital**	**Share premium**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 01.01.2017	**250 000**	**360 924**		**1 108 299**	**1 719 223**	**3 881**	**1 723 104**
Profit/(loss) for the year				602 148	602 148	484	602 633
Other comprehensive income				(7 804)	(7 804)		(7 804)
Total comprehensive income				594 345	594 345	484	594 829
Dividends paid				(250 000)	(250 000)		(250 000)
Other contributions to owners						(199)	(199)
Transactions with owners				**(250 000)**	**(250 000)**	**(199)**	**(250 199)**
Balance at 31.12.2017	**250 000**	**360 924**		**1 452 644**	**2 063 568**	**4 166**	**2 067 734**
Balance at 01.01.2018	**250 000**	**360 924**		**1 452 644**	**2 063 568**	**4 166**	**2 067 734**
Profit/(loss) for the year				538 660	538 660	1 629	540 289
Other comprehensive income				(4 508)	(4 508)		(4 508)
Total comprehensive income				534 152	534 152	1 629	535 781
Equity contribution from shareholders							
Acquisition of treasury shares			(2 079)		(2 079)		(2 079)
Dividends paid				(270 000)	(270 000)		(270 000)
Other contributions to owners							
Transactions with owners			**(2 079)**	**(270 000)**	**(272 079)**		**(272 079)**
Balance at 31.12.2018	**250 000**	**360 924**	**(2 079)**	**1 716 795**	**2 325 640**	**5 796**	**2 331 436**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousands	Note	2018	2017
Operating activities			
Profit before tax		674 753	715 527
Adjustments for profit and loss items with no effect on liquidity:			
Depreciation and impairment	10	306 017	252 652
Interest expenses		109 582	62 219
Change in fair value of financial instruments	11	(59 353)	(26 424)
Change in pension liabilities		(637)	2 552
Gain /(loss) on sale of assets		(6 882)	(4 713)
Share of profit from associates		(12 770)	(63 604)
Change in working capital:			
Trade receivables	11	(10 430)	(7 439)
Inventories		(7 590)	(1 818)
Trade payables	11	120 854	54 820
Other accruals		(4 819)	9 784
Cash generated from operations		**1 108 724**	**993 556**
Interest paid		(91 278)	(64 205)
Interest received		3 496	
Income tax paid		(38 206)	(2 672)
Net cash from operating activities		**982 737**	**926 679**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(1 901 235)	(738 174)
Purchase of shares and units		(10 447)	(16 160)
Proceeds from dividends from associates		38 183	25 503
Proceeds from sale of property, plant and equipment	10	11 754	103 566
Net proceeds/(investments) from non-current assets		(2 525)	6 598
Proceeds from non-current receivables			(178)
Net cash used in investing activities		**(1 864 270)**	**(618 845)**
FINANCING ACTIVITIES			
Proceeds from borrowings	11	1 863 110	985 250
Repayment of borrowings	11	(911 299)	(1 122 783)
Acquisition of treasury shares	12	(2 079)	
Proceeds from short-term borrowings	11	200 000	
Repayment of short-term borrowings	11	(200 000)	
Dividends paid		(270 000)	(250 000)
Net cash used in financing activities		**679 732**	**(387 533)**
Net change in cash and cash equivalents		**(201 800)**	**(79 699)**
Cash and cash equivalents at 01.01.		**474 294**	**553 993**
Cash and cash equivalents at 31.12.		**272 492**	**474 294**

NOTE 1 ACCOUNTING PRINCIPLES

GENERAL INFORMATION
Fjord1 ASA and its subsidiaries (together 'the Group') operate passenger ferries and other passenger boats in Norway. The Group's core business is concentrated around sea transportation through its operation of ferries and express passenger boats, in addition to on-board catering operations. Fjord1 ASA is incorporated and domiciled in Norway, and was listed on the Oslo Stock Exchange on 15 August 2017. The address of its registered office is Strandavegen 15, 6900 Florø, Norway.

These consolidated financial statements were approved by the Board of Directors on 20 March 2019 and have been audited.

BASIS OF PREPARATION
The consolidated financial statements of Fjord1 ASA for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards.

GOING CONCERN
The Group has used the going concern basis in preparing its consolidated financial statements. In assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows from existing ferry contracts and other service contracts, debt servicing and obligations under existing newbuilding contracts. The forecasts take into consideration expected future net income from assets under construction. Based on these assumptions, management has a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future.

BASIS OF MEASUREMENT
The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and derivative instruments, which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity and areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

NEW STANDARDS
The accounting policies and interpretations adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. Below we have listed the amendments to IFRS which have been applicable for the Group’s 2018 financial statements.

IFRS 15 - Revenue from contracts with customers
The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts, and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is based on the principle that revenue is recognised when control of a good or a service is transferred to the customer.

Hence, the notion of control replaces the existing notion of transfer of risk. Revenue is recognised when the customer obtains control of a good or service and thus has the ability to exploit the benefits of the good or service. The standard was endorsed by the EU in October 2016 and came into effect on 1 January 2018.

The Group adopted IFRS 15 from 1 January 2018. The standard has been implemented in accordance with the fully retrospective transitional approach, which means that the effect of implementing the new standard is recorded as a change in shareholder equity as of 1 January 2017, and comparable periods for 2017 have been updated accordingly in the statement of profit or loss. The implementation of IFRS 15 has not had a material impact on total reported revenues, expenses, assets or liabilities, except that income from contracts for provision of ferry services previously presented as other operating income in the financial statements has now been reclassified to revenue.

IFRS 9 - Financial Instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, which was endorsed by the European Financial Reporting Advisory Group on 28 November 2016. The effective date for IFRS 9 is for financial years beginning on or after 1 January 2018, but early adoption is also permitted.

The standard replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 also introduces new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 contains three classification categories for financial assets: (i) measured at amortised cost, (ii) fair value through other comprehensive income (FVOCI) and (iii) fair value through profit or loss (FVPL). Thus, the standard eliminates the existing IAS 39 categories of held to maturity and available for sale.

The new impairment model requires impairment based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets valued at amortised cost, financial liabilities measured at FVOCI, contract-related assets under IFRS 15 Revenue from contracts with customers, lease-related receivables, loan commitments and certain financial guarantee contracts.

The Group implemented IFRS 9 Financial instruments from 1 January 2018. However, this has not had any significant impact on the Group's consolidated financial statements. Comparatives for 2017 have not been restated.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 1 2018 and not early adopted by the Group

Several new accounting standards and interpretations have been published that are not mandatory for the 2018 financial year and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rent are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will primarily affect the accounting for the group’s operating leases. Fjord1 will implement IFRS 16 from 1 January 2019 and has chosen not to prepare comparative figures. Estimated transition effects are disclosed in note 15.

PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

Subsidiaries

(i) Subsidiaries are all entities (including general partnerships) over which the group has control. The group controls an entity when, directly or indirectly, it controls the financial and operational management of the entity, and thus derives benefits from the entity's operations. Subsidiaries are consolidated from the date on which control is achieved. They are deconsolidated from the date that control ceases. Business combinations are accounted for using the acquisition method.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies applied by the group.

Non-controlling interests' share of the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are entities over which the group has significant influence but not control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, jointly controlled entities are initially recognised at cost and adjusted thereafter to recognise the group’s share of the post-acquisition profit or loss of the investee in profit or loss, and the group’s share of other comprehensive income of the investee in other comprehensive income. Dividends received from subsidiaries or jointly controlled entities are recognised as a reduction in the carrying amount of the investment. If the group’s share of losses in a jointly controlled entity exceeds the carrying amount, including other long-term investments that in reality are part of the group's net investment in the entity, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Reported amounts from jointly controlled entities are restated where necessary to ensure consistency with the policies adopted by the group. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in "Impairment of assets" below.

(iv) Changes in ownership
The group treats transactions with non-controlling interests in subsidiaries that do not result in a loss of control as equity transactions. The difference between fair value of the consideration and the shares' proportionate share of the carrying amount of net assets in subsidiaries is recognised in the consolidated statement of changes in equity. Correspondingly, gains or losses on sales to non-controlling interests are recognised in the consolidated statement of changes in equity.

Principles of consolidation and equity accounting
If the group ceases to consolidate or account for an investment using the equity method because of a loss of control, joint control or significant influence, any retained investment is measured at fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial cost for the purposes of subsequent accounting. If other gains or losses linked to the investment have previously been recognised, these are treated as if the group had disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

SEGMENT REPORTING
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of Fjord1 ASA is deemed to be the chief operating decision maker.

FOREIGN CURRENCY TRANSLATION
Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian kroner, which is Fjord 1 ASA's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised as financial items in profit or loss. They are designated as a reserve via other comprehensive income if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are recognised as financial items in the statement of profit or loss. All other foreign exchange gains and losses on translation are presented in the statement of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss, while translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

REVENUE RECOGNITION
Revenue is recognised when the customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service

The specific accounting policies for the group's main types of revenue are as follows:

(i) Sale of goods: In the case of on-board catering services, revenue is recognised when the item is sold to the customer.

(ii) Sale of tickets: Revenue from sale of tickets is recognised when the ticket is sold to the customer. For prepaid travel cards, revenue is deferred and recognised when the card is used.

(iii) Revenue from ferry contracts: The Group derives revenue from operating ferries and passenger boats on behalf of public authorities. There are two types of contract:

- Gross contracts, where the Group receives a fixed annual index-adjusted fee. The amount received each year depends on the planned number of voyages. Number of voyages is used as a measure of progress. The index used to adjust the transaction price compensates for price changes on input factors required to operate the vessels. The variability in transaction price caused by the index is allocated to the year to which the adjustment relates. If the index increases throughout the contract period, revenue will therefore increase year by year. The Group receives monthly/quarterly payments from the public authority, while ticket fees collected from passengers are transferred to the public authority each month.
- Net contracts: The Group assumes the risk related to passenger volume and receives a fixed fee from the contractor in addition to revenues from sale of tickets to passengers. The fixed fee from the public authority is recognised over the contract period using number of passengers as a measure of progress. The contracts will usually have the same index adjustments as for the contracts above. The ticket revenues are a variable component of the transaction price, which is recognised as revenue on a voyage-by-voyage basis.

TAX PAYABLE AND DEFERRED TAX

The tax for the period is the tax payable based on the applicable income tax rate, adjusted for changes in deferred tax assets and deferred tax attributable to temporary differences and unused tax losses.

The tax is calculated on the basis of the tax laws and regulations enacted or substantively enacted at the end of the reporting period by the tax authorities in the countries where the company's subsidiaries and associates operate and generate taxable income. Management evaluates the tax positions in the group in each period with respect to situations in which applicable tax legislation is subject to interpretation, and makes provisions for expected tax payments.

Deferred tax is calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements using the liability method. However, deferred tax is not recognised if it arises from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax/ tax assets are determined using tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset is realised or the deferred tax is settled.

Deferred tax assets are recognised only if it is probable that future income will be available to utilise the temporary differences.

LEASES

Leases of operating assets where the group, as lessee, has a significant share of the risks and rewards of ownership are classified as finance leases. Leases where a significant portion of the risks and rewards of ownership remains with the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are recognised and classified in the statement of financial position based on their nature.

IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 11 for further information about the group's accounting for trade receivables and credit risk.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business.

FINANCIAL INSTRUMENTS

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

i) Financial assets
Classification and measurement

Financial assets are classified on initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets depends on their contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures financial assets at fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it must give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, employee loans and other non-current receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near future. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and equity instruments which the Group had not irrevocably elected to classify at fair value through OCI.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted by an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and non-current assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

ii) Financial liabilities

Classification and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, interest-bearing debt, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of interest-bearing debt and trade payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, interest-bearing debt including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities initially designated at fair value through profit or loss are recognised if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liabilities as at fair value through profit or loss.

- Interest-bearing debt

After initial recognition, interest-bearing debt is measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included under financial expenses in the statement of profit or loss. For more information, refer to Note 14.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the operating asset. Cost may also include transfer of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Additional costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, if it is probable that future economic benefits associated with the item will flow to the group and the cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in note 10.

The assets' remaining useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if it exceeds the estimated recoverable amount (note 10)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts previously recognised via other comprehensive income in respect of those assets to retained earnings.

ASSETS HELD FOR SALE

The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continued use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding financing costs and tax.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services that have been provided to the group prior to the end of financial year but are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the end of the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

In this case, the fee is deferred until the drawdown occurs. If there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the liability specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or financial expenses.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all of the liability (debt conversion), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instrument issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

PROVISIONS

Provisions for legal claims, service warranties and make-good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that a future outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects the time value of money and the risks specific to the liability. Any increase in the provision due to the passage of time is recognised as an interest expense.

EMPLOYEE BENEFITS

The Group operates various pension schemes, both defined benefit and defined contribution pension plans.

Pension liability

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit liability at the end of the reporting period less the fair value of plan assets. The defined benefit liability is calculated annually by independent actuaries.

The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rates for government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related liability. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit liability and the fair value of plan assets. This cost is included in personnel expenses in the statement of profit or loss.

Estimate differences arising from new information or changes in actuarial assumptions are entered against equity in the period in which they occur. They are included in retained earnings in the statement of financial position and in the statement of changes in equity.

Changes in the present value of the defined benefit liability resulting from plan changes or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment liabilities once the contributions have been paid. The contributions are expensed under the accruals principle. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

DIVIDENDS

Provision is made for the amount of any dividend declared that has been approved and is no longer at the discretion of the entity, on or after the end of the reporting period but that has not been distributed at the end of the reporting period.

EARNINGS PER SHARE

(i) Basic earnings per share: Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the company
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 9)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used to determine basic earnings per share to take into account:

- the post-tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of assets or liabilities affected in future periods.

JUDGMENTS

In preparing the consolidated financial statements, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements:

1) REVENUE RECOGNITION

As described in note 14, the Group has recognised revenue of NOK 46 million in 2018 (2017: NOK 31 million) related to compensation received to cover loss of revenue due to changes in the original contract assumptions such as discount and fare structures. The level of compensation has not yet been finalised, which means the Group may receive additional compensation at a later stage or be required to pay compensation it has already received. Compensation received is recognised as revenue in the period it is paid, as this represents the Group's best estimate of expected compensation income.

2) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that the assets may be impaired. If any such indication exists, or when annual impairment testing is required for specific assets, the Group estimates the asset's recoverable amount.

An impairment loss recognised in prior periods for assets other than goodwill shall be reversed if there has been a change in the estimate used to determine the asset's value in use since the last impairment loss was recognised. If this is the case, the carrying amount is increased to the recoverable amount of the asset in question.

The carrying amount of the Group's vessels represents a significant share of the total assets in the statement of financial position. Consequently, guidelines and estimates linked to the vessels have a significant impact on the consolidated financial statements.

The Group has determined that impairment indicators existed at the reporting date, such as operating losses for assets, when comparing the accounting figures with the budgeted figures for the coming periods. As a result, the Group has performed impairment assessments at 31 December 2017 and 2018.

The impairment test is based on fair value less costs of disposal. Each ferry contract, including designated vessels for the ferry contract, is determined to be a cash-generating unit (CGU). When calculating fair value, the Group uses cash flow projections for the remaining contract period and estimates residual values at the end of each contract. Forecasted cash flows are based on the latest EBITDA forecast, taking into account the contract terms and forecasted operating expenses, together with forecasted maintenance investments.

At the end of the contract period, the Group has estimated a realisable value for each vessel. Fair value is based on the average of two external broker estimates obtained at the reporting date, adjusted for inflation and expected depreciation during the remaining contract period. The broker valuations are made on the basis of "willing seller and willing buyer" and on a contract-free basis.

The total of the present value of the contracts and the present value of the estimated realisable values of the contracts at the end of the contract period are deemed to be the Group's estimate of fair value less costs of disposal.

The Weighted Average Cost of Capital (WACC) is used as a discount rate in the calculation of the present value of the contracts and reflects a normalised capital structure for the industry. The WACC represents the rate of return the Group is expected to pay to its financing sources for cash flows with similar risks. Cash flows are calculated after tax and discounted using a post-tax discount rate. The nominal WACC used in the calculations is 7.0%.

A sensitivity analysis has been carried out for the key assumptions in the assessment, including WACC, EBITDA and residual value.

Reference is made to note 10 for further details.

3) OPERATING LEASES - THE GROUP AS A LESSEE

The Group lease certain express boats for use in the passenger boat segment. Based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic lifetime of the boats and the present value of the minimum lease payments not representing a material part of the fair value of the boat, the Group
has assessed these agreements to be operating leases.

4) DEFINED BENEFIT PENSION PLANS

The cost of the defined benefit pension plans and the present value of the pension liability are determined using actuarial calculations. An actuarial valuation involves various assumptions that may differ from actual developments in the future. These include discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the calculations and the long-term nature of the liabilities, defined benefit pension schemes are highly sensitive to changes in these assumptions. All assumptions are reviewed at the reporting date.

NOTE 3 SEGMENT INFORMATION

The Group provides ferry and passenger boat services, catering and tourism services. Operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Board examines the Group's performance from a service perspective. Segment performance is evaluated based on profit or loss and is measured in the same way as profit or loss in the consolidated financial statements.

The Group has four reporting segments:

- Ferry
- Passenger boat
- Catering
- Tourism

No operating segments have been aggregated to form the above reporting segments. Financing (including financial expenses, financial income and profit or loss from the interest in Widerøe) and income taxes are managed on a group basis and are not allocated to operating segments. Segment reporting is provided in accordance with NGAAP.

All the Group's activities are carried out in Norway. There are no customers representing more than 10% of revenue.

Year ended 31 December 2018

NOK in thousands	Ferry	Passenger boats	Catering	Tourism	Total segments	Other and eliminations	Consolidated
Revenue							
External customers	2 759 778	104 541	191 623	22 500	3 078 442	23 606	3 102 048
Total revenue	**2 759 778**	**104 541**	**191 623**	**22 500**	**3 078 442**	**23 606**	**3 102 048**
Operating expenses excluding depreciation and impairment	(1 774 310)	(101 473)	(157 549)	(22 961)	(2 056 293)	(6 339)	(2 062 632)
Share of profit/(loss) from associates		3 450		8 344	11 794		11 794
EBITDA	**985 467**	**6 519**	**34 074**	**7 884**	**1 033 943**	**17 267**	**1 051 210**
Depreciation	(295 268)	(5 476)	(2 932)	(831)	(304 506)	(2 073)	(306 579)
(Impairment)/Reversal of impairment	561				561		561
Segment profit	**690 199**	**1 043**	**31 142**	**7 053**	**729 437**	**15 194**	**745 193**

Year ended 31 December 2017

NOK in thousands	Ferry	Passenger boats	Catering	Tourism	Total segments	Other and eliminations	Consolidated
Revenue							
External customers	2 474 827	95 356	188 536	20 062	2 778 781	15 356	2 794 136
Total revenue	**2 474 827**	**95 356**	**188 536**	**20 062**	**2 778 781**	**15 356**	**2 794 136**
Operating expenses excluding depreciation and impairment	(1 551 564)	(95 506)	(152 326)	(19 226)	(1 818 622)	(10 900)	(1 829 523)
Share of profit from associates		2 359		17 569	19 928	713	20 641
EBITDA	**923 263**	**2 208**	**36 210**	**18 405**	**980 086**	**5 169**	**985 253**
Depreciation	(241 965)	(5 214)	(3 444)	(299)	(250 922)	(1 730)	(252 652)
(Impairment)/Reversal of impairment							
Segment profit	**681 298**	**(3 006)**	**32 766**	**18 106**	**729 164**	**3 439**	**732 601**

Reconciliation with consolidated profit/(loss) for the year	2018	2017
Segment profit	745 193	732 601
Share of profit from other associates	975	42 963
Impairment/Reversal of impairment		
Interest income	3 496	4 692
Interest expenses	(113 078)	(82 865)
Other financial items, net	38 166	18 135
Tax	(134 464)	(112 895)
Group profit	**540 289**	**602 633**

Specification of revenue	2018	2017
Transportation of passengers and cars	2 864 319	2 570 183
Catering	191 623	188 536
Tourism	22 500	20 062
Other	23 606	15 356
Total revenue	**3 102 048**	**2 794 136**

NOTE 4 INVESTMENTS IN OTHER ENTITIES

MATERIAL SUBSIDIARIES

The Group's material subsidiaries at 31 December 2018 are listed below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the Group's ownership interest matches its voting rights.

Name of entity	Place of business	Ownership interest held by the Group	Ownership interest held by non-controlling interests	Principal activities
Hareid Trafikkterminal AS	Hareid	63 %	37 %	Property management
F1 Administrasjon AS	Florø	100 %	0 %	Group administration
Bolsønes Verft AS	Molde	100 %	0 %	Shipyard
ÅB Eigedom AS	Årdal	66 %	34 %	Property management
Måløy Reisebyrå AS	Måløy	100 %	0 %	Travel agency
Fanafjord AS	Florø	100 %	0 %	Holding company
Nye Fanafjord AS	Florø	100 %	0 %	10% is held by Fanafjord AS, an entity. 100% controlled by the Group.

INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Listed below are the Group's associates and jointly controlled entities as at 31 December 2018 that management considers to be material to the Group. The entities listed below have share capital consisting solely of ordinary shares that are held directly by the Group, and the Group's ownership interest matches its voting rights.

Name of entity	% of ownership interest	Nature of relationship	Measurement method	Carrying amount 31.12.2018	Carrying amount 31.12.2017
The Fjords Fartøy I DA	50,0 %	Associate	Equity method	15 742	15 771
The Fjords Fartøy II DA	50,0 %	Associate	Equity method	19 568	17 974
The Fjords Fartøy III DA	50,0 %	Associate	Equity method	8 750	
Sognefjorden Farty I AS	50,0 %	Associate	Equity method	579	579
The Fjords DA	50,0 %	Associate	Equity method	4 944	20 429
Fjord Tours AS	30,6 %	Associate	Equity method	12 164	8 622
Geiranger Fjordservice AS	30,2 %	Associate	Equity method	7 169	6 219
Partsrederiet Kystekspressen ANS	49,0 %	Associate	Equity method	26 365	24 630
WF Holding AS*	34,0 %	Associate	Equity method	296 114	314 359
Investments in associates and jointly controlled entities				**391 393**	**408 581**

*WF Holding AS holds 100% of the shares in Widerøe's Flyveselskap AS. The company is controlled by Torghatten ASA, which prepares consolidated financial statements in which WF Holding AS is included. The consolidated financial statements for Torghatten ASA are available at its head office in Havnegata 40, 8900 Brønnøysund. Consequently, Fjord1's share of underlying profit or loss in Widerøe is 34%.

COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT OF ASSOCIATES

As an unlimited liability partner in The Fjords DA, The Fjords Fartøy I DA, The Fjords Fartøy II DA and The Fjords Fartøy III DA, the Group is jointly and severally liable with respect to all liabilities concerning these entities.

SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The tables below provide summarised financial information for the jointly controlled entities that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant jointly controlled entities and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications as a result of differences in accounting policies.

Summarised balance sheet	WF Holding Group		The Fjords DA	
Amounts in NOK thousands	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Cash and cash equivalents	30 294	1 362	429	15 314
Other current assets	556 336	583 786	11 093	11 319
Total current assets	**586 630**	**585 148**	**11 522**	**26 633**
Non-current assets	**2 822 817**	**2 089 459**	**12 573**	**11 957**
Trade payables	160 957	205 857	7 206	2 909
Other current liabilities	927 077	777 961	10 295	1 675
Total current liabilities	**1 088 034**	**983 818**	**17 501**	**4 584**
Borrowings	1 240 610	593 990		
Other non-current liabilities	174 018	172 216		
Total non-current liabilities	**1 414 628**	**766 206**		
Net assets	**906 785**	**924 584**	**6 594**	**34 007**
Reconciliation to carrying amounts:				
Opening net assets 1 January	924 584	884 260	40 859	23 013
Profit/(loss) for the period	2 869	99 319	(6 733)	30 859
Other comprehensive income	(6 531)	(8 996)		
(Dividends paid)/Capital contribution	(50 000)	(50 000)	(24 236)	(13 013)
Closing net assets 31 December	**870 922**	**924 584**	**9 890**	**40 859**
Group's share in %	34.0 %	34.0 %	50 %	50 %
Group's share in NOK thousands	296 114	314 358	4 945	20 430
Carrying amount	**296 114**	**314 358**	**4 945**	**20 430**

Summarised statement of comprehensive income

Amounts in NOK thousands				
Revenue	4 720 977	4 448 559	176 234	150 223
Operating expenses	(4 276 733)	(3 939 394)	(179 880)	(117 899)
Depreciation and impairment	(324 930)	(300 807)	(2 947)	(1 468)
Net financial items	(128 179)	(77 430)	(140)	3
Tax	11 733	(31 609)		
Profit/(loss for the period)	**2 869**	**99 319**	**(6 733)**	**30 859**
Other comprehensive income	(6 531)	(8 996)		
Total comprehensive income	**(3 662)**	**90 323**	**(6 733)**	**30 859**

Summarised balance sheet	**The Fjords Fartøy I DA**		**Partsrederiet Kystekspressen ANS**	
Amounts in NOK thousands	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Cash and cash equivalents	70	1 596	24 219	12 133
Other current assets	403	794	11 764	12 738
Total current assets	**474**	**2 390**	**35 983**	**24 872**
Non-current assets	**88 816**	**93 998**	**126 581**	**136 368**
Trade payables	95	3 060	19 261	13 278
Other current liabilities	3 555	4 016	6 267	11 008
Total current liabilities	**3 651**	**7 076**	**25 528**	
Borrowings	53 550	57 750		
Other non-current liabilities			83 232	88 690
Total non-current liabilities	**53 550**	**57 750**	**83 232**	**88 690**
Net assets	**32 089**	**31 564**	**53 803**	**48 262**
Reconciliation to carrying amounts:				
Opening net assets 1 January	31 544	30 951	50 263	43 449
Profit/(loss) for the period	(59)	593	7 041	6 814
Other comprehensive income				
(Dividends paid)/Capital contribution			(3 500)	
Closing net assets 31 December	**31 485**	**31 544**	**53 804**	**50 263**
Group's share in %	50.0 %	50.0 %	49%	49%
Group's share in NOK thousands	15 743	15 772	26 366	24 629
Carrying amount	15 743	15 772	26 366	24 629

Summarised statement of comprehensive income

Amounts in NOK thousands				
Revenue	8 750	8 495	145 166	137 592
Operating expenses	(1 817)	(837)	(122 666)	(113 812)
Depreciation and impairment	(5 152)	(5 030)	(13 293)	(14 591)
Net financial items	(1 840)	(2 035)	(2 167)	(2 375)
Tax				
Profit/(loss for the period)	**(59)**	**593**	**7 041**	**6 814**
Other comprehensive income				
Total comprehensive income	**(59)**	**593**	**7 041**	**6 814**

Balanse	The Fjords Fartøy II DA		The Fjords Fartøy III DA	
Amounts in NOK thousands	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Cash and cash equivalents	1 464	734	37	
Other current assets	11	134	31	
Total current assets	**1 475**	**868**	**68**	
Non-current assets	**125 978**	**85 045**	**17 543**	
Trade payables	136	334	129	
Other current liabilities	5 733	2 402		
Total current liabilities	**5 868**	**2 736**	**129**	
Borrowings	81 200	47 230		
Other non-current liabilities				
Total non-current liabilities	**81 200**	**47 230**		
Net assets	**40 385**	**35 947**	**17 482**	
Reconciliation to carrying amounts:				
Opening net assets 1 January	35 947			
Profit/(loss) for the period	(61)	(53)	(18)	
Other comprehensive income				
(Dividends paid)/Capital contribution	3 250	36 000	17 520	
Closing net assets 31 December	**39 136**	**35 947**	**17 502**	
Group's share in %	50.0 %	50.0 %	50.0 %	
Group's share in NOK thousands	19 568	17 974	8 751	
Carrying amount	19 568	17 974	8 751	

Summarised statement of comprehensive income

Amounts in NOK thousands				
Revenue	7 867			
Operating expenses	(1 990)	(54)	(18)	
Depreciation and impairment	(4 008)			
Net financial items	(1 930)	1	0	
Tax				
Profit/(loss for the period)	**(61)**	**(53)**	**(18)**	
Other comprehensive income				
Total comprehensive income	**(61)**	**(53)**	**(18)**	

Summarised balance sheet	Geiranger Fjordservice AS	
Amounts in NOK thousands	**31.12.2018**	**31.12.2017**
Cash and cash equivalents	5 943	12 680
Other current assets	437	4 134
Total current assets	**6 380**	**16 815**
Non-current assets	**30 556**	**2 913**
Trade payables	616	994
Other current liabilities	2 197	2 039
Total current liabilities	**2 813**	**3 034**
Borrowings	13 958	
Other non-current liabilities	500	200
Total non-current liabilities	**14 458**	**200**
Net assets	**19 666**	**16 494**

Reconciliation to carrying amounts:

Opening net assets 1 January	20 592	7 046
Profit/(loss) for the period	2 933	13 546
Other comprehensive income		
(Dividends paid)/Capital contribution		
Closing net assets 31 December	**23 526**	**20 592**
Group's share in %	30.2 %	30.2 %
Group's share in NOK thousands	7 168	6 219
Carrying amount	7 168	6 219

Summarised statement of comprehensive income

Amounts in NOK thousands		
Revenue	30 530	24 216
Operating expenses	(24 653)	(9 931)
Depreciation and impairment	(1 809)	(833)
Net financial items	(274)	95
Tax	(861)	
Profit/(loss for the period)	**2 933**	**13 546**
Other comprehensive income		
Total comprehensive income	**2 933**	**13 546**

Individually immaterial associates

In addition to the entities disclosed above, the Group also has investments in Fjord Tours AS and Sognefjorden Farty I AS that are deemed individually immaterial and accounted for using the equity method.

	2018	**2017**
Carrying amount of immaterial associates	12 739	9 199
Profit/(loss) for the period	10 892	5 661

SHARE OF PROFIT/(LOSS) FROM ASSOCIATES

Share of profit or loss from associates is recognised either as part of operating profit/(loss) or as part of net financial items, based on the nature of the ownership in the associates. Associates that are suppliers or customers of the Group are classified as operating activities.

	2018	2017
The Fjords DA	(3 367)	12 003
The Fjords Fartøy I DA	(29)	307
The Fjords Fartøy II DA	(31)	(27)
Sognefjorden Farty I AS	-	(2 443)
Fjord Tours AS	10 892	8 104
Geiranger Fjordservice AS	879	338
PR Kystekspressen ANS	3 450	2 359
Share of profit/(loss) from associates classified as operating activities	**11 794**	**20 641**
WF Holding AS	975	42 963
Share of profit/(loss) from associates classified as financial items	**975**	**42 963**

NOTE 5 REVENUE

Revenue from contracts with customers

The Group derives revenue from the operation of ferries and passenger boats. There are two types of contract:
- Gross contracts: The customer assumes the risk related to passenger volume. The Group receives a fixed annual index-adjusted fee. The amount received for each contract year depends on the planned number of voyages
- Net contracts: The Group assumes the risk related to passenger volume and receives a fixed fee from the customer in addition to revenue from sale of tickets to passengers.

In the catering segment, revenue is recognised when the goods are sold.

Spesifikasjon av inntekter per segment

2018

Amounts in NOK thousands	Ferry	Passenger boat	Catering	Tourism	Other	Total
Contract revenue from ferries and passenger boats, gross contracts						1 778 211
Contract revenue from ferries and passenger boats, net contracts						457 663
Transportation of passengers under net contracts						622 515
Sale of food and beverages			191 623		1 023	192 646
Other revenue					9 911	9 911
Total revenue			**191 623**		**10 934**	**3 060 946**
Rental income				22 500	4 823	27 323
Gain/(loss) on disposal of property, plant and equipment					7 018	7 018
NO_x refund						5 930
Other operating income					831	831
Total other operating income				**22 500**	**12 672**	**41 102**

2017

Beløp i NOK 1 000	Ferje	Passasjer-båtar	Catering	Tourism	Other	Total
Contract revenue from ferries and passenger boats, gross contracts						1 452 051
Contract revenue from ferries and passenger boats, net contracts						439 767
Transportation of passengers under net contracts						658 945
Sale of food and beverages			188 536		253	188 789
Other revenue					8 597	8 597
Total revenue			**188 536**		**8 850**	**2 748 149**
Rental income	12 854			20 062	2 152	35 068
Gain/(loss) on disposal of property, plant and equipment	4 403					4 403
NO_x refund	2 163					2 163
Other operating income					4 354	4 354
Total other operating income	**19 420**			**20 062**	**6 506**	**45 988**

Unsatisfied performance obligations on long-term ferry contracts

The following table shows liabilities in connection with unsatisfied performance obligations on long-term ferry contracts. The amounts disclosed do not include variable consideration.

NOK in millions	2019	2020	2021	2022-2025	2026-2033	Sum
Amount of the transaction price allocated to long-term ferry contracts	2 348	2 544	2 481	8 823	8 079	24 274

NOTE 6 PERSONNEL EXPENSES

Amounts in NOK thousands	2018	2017
Salaries	785 464	758 349
Social security	112 416	112 700
Pension expenses	59 524	53 745
Other benefits	47 576	21 559
Total personnel expenses	**1 004 979**	**946 354**
Number of employees (FTEs)	1 264	1 204

Defined benefit pension obligations are covered through insurance companies and KLP. Norwegian entities are obliged to comply with the requirements of the Norwegian Mandatory Occupational Pensions Act; the Group's current pension plans fulfil these requirements.

NOTE 7 OTHER INCOME AND EXPENSE ITEMS

This note provides a breakdown of the items included in other operating expenses and other net financial items.

Other operating expenses

Amounts in NOK thousands	2018	2017
Port fees, sanitation and other route-related costs	37 064	29 029
Repair and maintenance	195 116	186 999
Vessel operating expenses	173 273	153 025
Other operating expenses	78 200	80 569
Total other operating expenses	**483 653**	**449 621**

Other financial items, net

Amounts in NOK thousands	2018	2017
Change in fair value of derivatives	47 724	17 592
Foreign exchange gains	605	1 022
Foreign exchange losses	(501)	(1 506)
Dividends received	92	5 819
Gains/losses on realisation of investments in shares	75	
Impairment of investments in shares	(400)	
Commitment fees	(10 692)	
Other financial income	1 264	250
Other financial expenses		(5 043)
Total other financial items, net	**38 166**	**18 135**

NOTE 8 TAX

Specification of tax expense recognised in statement of profit or loss

Amounts in NOK thousands	2018	2017
Tax payable	92 719	40 055
Adjustments to tax payable for prior years	(5 185)	
Tax effect of Group contribution		
Change in deferred tax/(tax asset)	46 930	72 840
Total tax	**134 464**	**112 895**

Reconciliation of nominal and effective tax rate:

Amounts in NOK thousands	2018	2017
Profit before tax	672 532	715 527
Income tax at statutory tax rate in Norway (25%)	**154 682**	**171 727**
Tax expenses recognised in statement of profit or loss	134 464	112 895
Difference between expected and actual tax	**20 219**	**58 832**
Change in tax rate	21 755	18 799
Permanent differences	(6 719)	40 034
Adjustments to tax payable for prior years	5 185	
Group contribution		
Difference	**20 219**	**58 832**

Specification of basis for deferred tax

	2018	2017
Land, buildings and other real estate	2 105 738	1 854 981
Receivables	(937)	(984)
Profit and loss account	87 977	104 566
Shares in general partnerships	(5 846)	(16 272)
Pension liabilities	(23 282)	(23 671)
Derivatives	20 757	(38 754)
Temporary differences	**2 184 407**	**1 879 866**
Loss carryforward	(8 880)	
Tax base for deferred tax/(tax assets) in statement of financial position	**2 175 526**	**1 879 866**
Deferred tax/(tax asset)	478 616	432 369
Deferred tax asset recognised in statement of financial position	**19 148**	**18 327**
Deferred tax recognised in statement of financial position	**497 763**	**450 696**
Net position	**478 616**	**432 369**

Reconciliation of change in deferred tax

	2018	2017
Opening balance	432 369	360 947
Changes recognised in profit or loss	46 930	72 840
Changes recognised in other comprehensive income	(683)	(1 417)
Other adjustments		
Closing balance	**478 615**	**432 369**

NOTE 9 EARNINGS PER SHARE

The basic and diluted earnings per share are the same, as there are no convertible bond loan or stock option plans. Earnings per share is calculated as net result allocated to shareholders for the year divided by the weighted average number of outstanding shares. On 7 July 2017, the Company was converted from a private limited liability company to a public limited liability company. The number of shares is now 100,000,000, compared with 100,000 prior to the conversion. The new number of shares has been used to calculate earnings per share.

	2018	2017
Profit/(loss) attributable to shareholders in Fjord1 ASA (NOK thousands)	538 660	602 148
Average number of shares outstanding	99 988 308	100 000 000
Earnings per share (NOK)	**5,39**	**6,02**

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

2018	Vessels	Periodic maintenance	Vessels under construction	Property	Infrastructure under construction	Machinery and equipment	Total
Cost price 01.01.2018	5 899 137	210 987	679 639	135 912		186 295	7 111 970
Additions		72 887	1 564 887	45 122	200 682	17 657	1 901 235
Transferred from vessels under construction	1 585 181	63 206	-1 648 387				
Reclassified to held for sale	-353 805	-9 373					-363 178
Disposals	-17 849			-4 641		-2 367	-24 857
Cost price 31.12.2018	**7 112 664**	**337 707**	**596 138**	**176 393**	**200 682**	**201 586**	**8 625 170**
Accumulated ordinary depreciation 01.01.2018	2 433 527	93 473		50 209		161 347	2 738 556
Depreciation for the year	239 599	49 605		8 764		8 609	306 577
Reclassified to held for sale	-104 739	-865					-105 604
Disposals	-15 676			-2 069		-2 240	-19 985
Accumulated depreciation 31.12.2018	**2 552 711**	**142 213**		**56 904**		**167 716**	**2 919 544**
Accumulated impairment losses 01.01.2018	192 029						192 029
Impairment losses for the year	84 064						84 064
Reclassified to held for sale	-84 064						-84 064
Reversal of impairment losses in prior years	-84 625						-84 625
Accumulated impairment losses 31.12.2018	**107 404**						**107 404**
Carrying amount 31.12.2018	**4 452 549**	**195 494**	**596 138**	**119 489**	**200 682**	**33 870**	**5 598 220**

2017	Vessels	Periodic maintenance	Vessels under construction	Property	Machinery and equipment	Total
Cost price 01.01.2017	5 935 660	204 880	117 700	128 634	174 537	6 561 410
Additions	41 405	53 564	625 450	7 278	12 575	740 272
Transferred from vessels under construction	63 511		-63 511			
Disposals	-141 439	-47 457			-817	-189 713
Cost price 31.12.2017	**5 899 137**	**210 987**	**679 639**	**135 912**	**186 295**	**7 111 970**
Accumulated ordinary depreciation 01.01.2017	2 268 887	101 060		46 377	154 482	2 570 806
Depreciation for the year	201 753	39 406		3 832	7 661	252 652
Disposals	-37 115	-46 992			-796	-84 903
Accumulated depreciation 31.12.2017	**2 433 527**	**93 473**		**50 209**	**161 347**	**2 738 556**
Accumulated impairment losses 01.01.2017	192 029					192 029
Impairment losses for the year						
Reversal of impairment losses in prior years						
Accumulated impairment losses 31.12.2017	**192 029**					**192 029**
Carrying amount 31.12.2017	**3 273 581**	**117 514**	**679 639**	**85 703**	**24 948**	**4 181 387**
Useful life	*10-30 years*	*5 years*		*5-33 years*	*3-10 years*	
Depreciation method	*Straight-line*	*Straight-line*		*Straight-line*	*Straight-line*	

Additions

Seven vessels were delivered in 2018: MF "Møkstrafjord", MF "Horgefjord", MF "Husavik", MF "Vestrått", MF "Austrått", MF "Hadarøy" and MF "Kommandøren". In addition, the Group has fifteen additional vessels under construction as of 31 December 2018.

IMPAIRMENT TEST OF VESSELS

The Group has during 2018 identified impairment indicators for the Group's vessels in the Ferry segment as a result of expiration of several contracts and the continuous updates of technological and environmental requirements in public procurements. Further, the Group has identified indications that impairment losses recognised in prior periods no longer exist or have decreased at the reporting date.

Due to the identified indicators for the Ferry segment, the Group has conducted impairment tests for its vessels by estimating the recoverable amount. Each ferry contract, and all vessels designated for use under the different ferry contracts, has been identified as a separate CGU (cash-generating unit).

When evaluating the potential impairment of the different ferry contracts, the Group has assessed each contract's recoverable amount based on fair value less costs of disposal. Fair value is based on a calculated net present value of expected cash flow for each ferry contract, with a residual value equal to estimated value of the vessels after the contracts have expired based on two independent broker values. The broker values have been reduced by an estimated sales commission, which is the estimate of the costs of disposal. A reversal of any impairment of vessels in prior periods is recognised when circumstances and evidence indicate that impairment recognised in prior years no longer exists or has decreased. Please refer to note 2 for further information about the estimates and judgements applied.

Based on impairment tests performed as at 31 December 2018, the Group has recognised an impairment loss on one vessel that is currently not designated for use on any ferry contract, and has also decided to reverse previous impairment losses on two contracts:

Impairment of one vessel classified as held for sale
The Group decided in 2018 to initiate a process with a view to selling M/F Fanafjord, as the vessel was not allocated for use on any ferry contract after 31 December 2018. The sale process was completed on 13 March 2019 as described in note 18. The vessel was measured at fair value less costs of disposal at 31 December 2018, which resulted in an impairment loss of NOK 84 million.

Reversal of previous impairment losses on two contracts
Two of the Group's ferry contracts have either expired on 31 December 2018 or will expire in the near future, thus all or a major part of the fair value of the CGU relates to the residual value of the vessels allocated to the CGU, and no or a small part of the fair value of the CGU relates to the fair value of the ferry contract. When calculating fair value less costs of disposal of these CGUs, the impairment losses recognised on these CGUs in prior periods no longer exist or have decreased.

The cash flows are discounted using an estimated Weighted Average Cost of Capital (WACC). Cash flows are calculated after tax and discounted using a post-tax discount rate. The nominal WACC used in the calculations is 7.0%.

SENSITIVITY ANALYSIS - IMPAIRMENT TEST 2018

The Group has a portfolio of ferry contracts where the Group has identified the key sensitive assumptions applied in the impairment test to be the discount rate (WACC), EBITDA and residual value of the vessels at the expiration date of the contracts. Changes in these assumptions would have significant effects on fair value.

	Impairment	Reversal of previous impairment	Change
Recognised in statement of profit or loss 2018	84 064	(84 625)	(561)

	Reversal of previous impairment	Change
WACC increased by 1 percentage point	3 694	4 255
WACC increased by 2 percentage points	57 082	57 643
EBITDA decreased by 5%	4 063	4 624
EBITDA decreased by 10%	4 520	5 081
Residual value decreased by 5%	45 233	45 794
Residual value decreased by 10%	103 095	103 656

NOTE 11 FINANCIAL RISK MANAGEMENT, FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's financial instruments, including:
- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved
- financial risk management.

The Group holds the following financial instruments:

Amounts in NOK thousands

FINANCIAL ASSETS

2018	Assets at FVOCI	Assets at FVPL	Assets at amortised cost	Total
Derivative financial instruments		30 085		30 085
Trade and other receivables			213 470	213 470
Financial assets available for sale		5 737		5 737
Employee loans			2 749	2 749
Other current receivables			244	244
Cash and cash equivalents			272 492	272 492
Total		**35 822**	**488 955**	**524 776**

2017	Assets at FVOCI	Assets at FVPL	Assets at amortised cost	Total
Trade and other receivables			149 111	149 111
Financial assets available for sale		5 694		5 694
Employee loans			192	192
Other current receivables			319	319
Cash and cash equivalents			474 294	474 294
Total		**5 694**	**623 916**	**629 609**

FINANCIAL LIABILITIES

2018	Derivatives at FVPL	Liabilities at amortised cost	Total
Derivative financial instruments	9 486		9 486
Interest-bearing debt		2 790 992	2 790 992
Trade payable and other current liabilities		882 737	882 737
Total	**9 486**	**3 673 729**	**3 683 214**

2017	Derivatives at FVPL	Liabilities at amortised cost	Total
Derivative financial instruments	38 754		38 754
Interest-bearing debt		1 817 977	1 817 977
Trade payables and other current liabilities		721 629	721 629
Total	**38 754**	**2 539 606**	**2 578 361**

TRADE AND OTHER RECEIVABLES

	2018			2017		
NOK in thousands	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	97 465		97 465	87 035		87 035
Provision for impairment	(936)		(936)	(936)		(936)
	96 529		**96 529**	**86 099**		**86 099**
Employee loans		2 749	2 749		192	192
Prepayments	119		119	3 090		3 090
Insurance claims	14 345		14 345	18 906		18 906
VAT receivable	15 568		15 568	1 547		1 547
Accrued revenue	55 347		55 347	37 336		37 336
Other receivables	31 561	244	31 805	2 132	319	2 451
	116 941	**2 993**	**119 933**	**63 012**	**511**	**63 522**

CLASSIFICATION AS TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

FINANCIAL ASSETS AVAILABLE FOR SALE

	31.12.2018	**31.12.2017**
Unlisted shares	855	1 191
Capital contribution to KLP pension scheme	4 881	4 503
Total	**5 737**	**5 694**

CASH AND CASH EQUIVALENTS

Restricted cash was NOK 336,000 as at 31.12.2018 (2017: NOK 290,000). Nordea Bank and DNB have issued a guarantee to cover tax deductions of up to NOK 56 million. The guarantee amount has been increased by NOK 4 million as at 04.02.2019.

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2017	2017
Trade payables	285 749	164 895
Prepayments from customers, travelcards	385 772	363 042
Accrued salary and holiday pay	135 173	133 130
Other current liabilities	76 043	60 562
Total	**882 737**	**721 629**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade payables and other current liabilities are considered to be the same as their fair values due to their short-term nature.

RECOGNISED FAIR VALUE MEASUREMENTS

This section explains the judgements and estimates made in determining the fair values of financial instruments recognised at fair value in the financial statements. To provide an indication of the reliability of the inputs used in calculating fair value, the Group has classified its financial instruments into the three levels prescribed by IFRS. An explanation of each level follows underneath the table.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 31 December 2018				
FINANCIAL ASSETS				
Trading derivatives		30 085		**30 085**
Financial assets available for sale			5 737	**5 737**
FINANCIAL LIABILITIES				
Trading derivatives		9 486		**9 486**

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 31 December 2017				
FINANCIAL ASSETS				
Financial assets available for sale			5 694	**5 694**
FINANCIAL LIABILITIES				
Trading derivatives		38 754		**38 754**

There were no transfers between level 1 and 2 for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfers out of the different fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as shares, equity certificates and money market unit trusts) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using the valuation technique that maximises use of observable market data and relies as little as possible on entity-specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in level 2.

Level 3: If some or all of the significant inputs are not based on observable market data, the instrument is included in level 3. This is the case for all unlisted shares.

Valuation techniques used to determine fair values
Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps, forward foreign exchange contracts and bunker derivatives is recognised based on "Mark-to-market" estimates provided by external brokers
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted shares, where the fair values are based on the present value of future discounted cash flows.

FINANCIAL RISK MANAGEMENT

The Group is exposed to a range of financial risks, including:

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange rates	New building contracts denominated in foreign currencies	Sensitivity analysis	Forward foreign exchange contracts
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk - commodity prices	Fuel consumption	Sensitivity analysis	Use of fuel-related derivatives
Market risk - security prices	Investments in securities	Not applicable	The Group has limited holdings of shares, and only unlisted shares. The Group is indirectly exposed to security price risk through its defined employee benefit pension scheme where part of the plan assets are invested in securities. This risk is managed through investments in diversified portfolios and managed by external insurance companies.
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	Aging analysis	Diversification of bank relationships and credit limits
Liquidity risk		Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is handled by the finance department in accordance with instructions approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board has drawn up written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, commodity price risk, use of derivative financial instruments and other financial instruments, and investment of excess liquidity.

DERIVATIVES

Derivatives are only used for hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, changes in the fair value of the derivative instruments are recognised in profit or loss.

The Group has the following derivative financial instruments:

	2018	2017
Interest rate swaps	(8 982)	(26 621)
Foreign exchange forward contracts	30 085	
Fuel-related derivatives	(504)	(12 133)
Total	**20 599**	**(38 754)**

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months of the end of the reporting period.

CREDIT RISK

The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

If individual receivables are known to be uncollectible, a provision is made at once. The credit risk is considered limited, as the major customers are the public sector.

LIQUIDITY RISK

Prudent liquidity risk management implies ensuring sufficient cash and marketable securities at all times or having financing available through adequate committed credit facilities to meet obligations when they fall due and to close out market positions.

The Group manages liquidity risk based on 12-month rolling liquidity forecasts.

MATURITIES OF FINANCIAL LIABILITIES

The table below breaks down the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities
(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual unsettled cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

At 31 December 2018	< 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Trade payables	285 749					285 749
Borrowings	155 342	155 342	649 345	1 902 986	406 216	3 269 231
Derivatives	5 000	5 000	10 599			20 599
Total	**446 091**	**160 342**	**659 944**	**1 902 986**	**406 216**	**3 575 579**

At 31 December 2017	< 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Trade payables	164 895					164 895
Borrowings	49 615	49 615	610 940	1 291 931		2 002 102
Derivatives	7 500	7 500	23 754			38 754
Total	**222 010**	**57 115**	**634 694**	**1 291 931**		**2 205 751**

NOTE 12 SHARE CAPITAL

Sogn og Fjordane county council sold its remaining shares in Fjord1 AS to Havilafjord AS in May 2017, such that Havilafjord AS owned 100% of the shares in Fjord1 AS. Following this transaction, Havilafjord AS sold 49.5% of the shares through a private placement. The Company was listed on the Oslo Stock Exchange's Merkur Market on 24 May 2017.

The company was converted from a private libility company (AS) to a public liability company (ASA) on 7 July 2017. As part of this conversion, a share split was performed. Following the split, the share capital at 31.12.2018 comprises 100,000,000 shares, compared with 100,000 shares outstanding at 31.12.2016. The company was listed on the Oslo Stock Exchange on 15 August 2017.

Share capital in Fjord1 ASA was NOK 250,000,000 as of 31 December 2018, divided into 100,000,000 shares with a nominal value of NOK 2.50 per share.

See the list below for information on share capital and shareholders as of 31 December 2018 and 31 December 2017.

	Number of shares 31.12.2018	Nominal value per share 31.12.2018	Total nominal value 31.12.2018	Voting rights 31.12.2018
HAVILAFJORD AS	51 500 000	2.50	128 750 000	51.5 %
PERESTROIKA AS	7 758 620	2.50	19 396 550	7.8 %
VERDIPAPIRFONDET DNB NORGE (IV)	4 770 855	2.50	11 927 138	4.8 %
BROWN BROTHERS HARRIMAN (LUX.) SCA	3 576 315	2.50	8 940 788	3.6 %
STATE STREET BANK AND TRUST COMP	2 784 219	2.50	6 960 548	2.8 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	2 468 227	2.50	6 170 568	2.5 %
DZ PRIVATBANK S.A.	2 014 488	2.50	5 036 220	2.0 %
ARCTIC FUNDS PLC	1 311 051	2.50	3 277 628	1.3 %
JPMORGAN CHASE BANK. N.A.. LONDON	1 282 000	2.50	3 205 000	1.3 %
LANDKREDITT UTBYTTE	1 264 000	2.50	3 160 000	1.3 %
GH HOLDING AS	954 127	2.50	2 385 318	1.0 %
SEB NORDENFOND	940 500	2.50	2 351 250	0.9 %
TR EUROPEAN GROWTH TRUST PLC	801 892	2.50	2 004 730	0.8 %
SKANDINAVISKA ENSKILDA BANKEN S.A.	739 884	2.50	1 849 710	0.7 %
FONDSFINANS NORGE	700 000	2.50	1 750 000	0.7 %
VERDIPAPIRFONDET SR BANK UTBYTTE	672 661	2.50	1 681 653	0.7 %
RBC INVESTOR SERVICES BANK S.A.	622 325	2.50	1 555 813	0.6 %
VERDIPAPIRFONDET PARETO NORDIC	606 689	2.50	1 516 723	0.6 %
VPF NORDEA NORGE VERDI	593 000	2.50	1 482 500	0.6 %
RBC INVESTOR SERVICES TRUST	551 019	2.50	1 377 548	0.6 %
Total. 20 largest shareholders	85 911 872	2.50	214 779 680	85.9 %
Total	**100 000 000**	**2.50**	**250 000 000**	**100 %**

	Number of shares 31.12.2017	Nominal value per share 31.12.2017	Total nominal value 31.12.2017	Voting rights 31.12.2017
HAVILAFJORD AS	51 500 000	2.50	128 750 000	51.5 %
PERESTROIKA AS	7 758 620	2.50	19 396 550	7.8 %
VERDIPAPIRFONDET DNB NORGE (IV)	5 367 476	2.50	13 418 690	5.4 %
BROWN BROTHERS HARRIMAN (LUX.) SCA	4 172 340	2.50	10 430 850	4.2 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	2 552 492	2.50	6 381 230	2.6 %
STATE STREET BANK AND TRUST COMP	1 732 644	2.50	4 331 610	1.7 %
RBC INVESTOR SERVICES BANK S.A.	1 440 803	2.50	3 602 008	1.4 %
VERDIPAPIRFONDET PARETO NORDIC	1 111 000	2.50	2 777 500	1.1 %
GH HOLDING AS	1 106 000	2.50	2 765 000	1.1 %
ARCTIC FUNDS PLC	1 097 241	2.50	2 743 103	1.1 %
SEB NORDENFOND	1 020 500	2.50	2 551 250	1.0 %
LANDKREDITT UTBYTTE	1 000 000	2.50	2 500 000	1.0 %
TR EUROPEAN GROWTH TRUST PLC	886 892	2.50	2 217 230	0.9 %
JPMORGAN CHASE BANK. N.A.. LONDON	801 161	2.50	2 002 903	0.8 %
VERDIPAPIRFONDET SR-UTBYTTE	672 661	2.50	1 681 653	0.7 %
FLU AS	603 000	2.50	1 507 500	0.6 %
VPF NORDEA NORGE VERDI	593 000	2.50	1 482 500	0.6 %
FONDSFINANS NORGE	500 000	2.50	1 250 000	0.5 %
CITIBANK. N.A.	466 000	2.50	1 165 000	0.5 %
PIONEER MULTI-ASSET INCOME FND	450 000	2.50	1 125 000	0.5 %
Total. 20 largest shareholders	84 831 830	2.50	212 079 575	84.8 %
Total	**100 000 000**	**2.50**	**250 000 000**	**100 %**

TREASURY SHARES

Overview of purchase and sale of treasury shares

2018	Number of shares	Compensation	Percentage of share capital
Number of treasury shares at 01.01			0.0 %
Purchased. September 2018	23 746	1 112	0.4 %
Purchased. October 2018	52 450	2 420	1.0 %
Purchased. November 2018	2 795	129	0.1 %
Sold. 07.11.2018	78 991	(3 543)	-1.4 %
Discount on shares sold. 07.11.2018		(118)	0.0 %
Purchased. December 2018	110 000	4 798	1.9 %
Sold. 31.12.2018	63 232	(2 719)	-1.1 %
Number of treasury shares at 31.12	**331 214**	**2 079**	**0.8 %**

On 22 May 2018, the annual general meeting of Fjord1 ASA authorised the Board of Directors to acquire treasury shares in the company. Pursuant to the resolution, Fjord1 may acquire up to 3,200,000 treasury shares, with a maximum aggregate nominal value of NOK 8,000,000. The maximum and minimum amounts which may be paid per share are NOK 100 and NOK 2.50 respectively. The authorisation is valid until the annual general meeting in 2019, but no later than 30 June 2019.

The Board of Directors of Fjord1 has resolved to initiate a share buyback programme on the basis of this authority. Shares acquired under the programme will be distributed to senior executives of the company pursuant to the established bonus scheme for senior executives, under which 50% of the bonus shall be settled in the form of shares in Fjord1. This is detailed in the guidelines for the remuneration of senior executives, which were presented to and approved by the annual general meeting on 22 May 2018.

The maximum number of shares which may be acquired in the market for distribution to the employees is 110,000 shares.

See note 17 for an overview of the shares acquired by the Executive Management and the Board of Directors at 31 December 2018 and 31 December 2017.

NOTE 13 PENSION LIABILITIES

The Group operates various pension schemes, including both defined benefit and defined contribution pension plans.All pension schemes meet the requirements of the Norwegian Mandatory Occupational Pensions Act.

Pension liabilities
A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment liabilities once the contributions have been paid. The contributions are expensed when they are paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future contributions is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, salary and years of service. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the future benefits less the fair value of plan assets. The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined by discounting estimated future cash flows using interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged directly to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered schemes on a mandatory, contractual or voluntary basis. The Group has no further liability once these contributions have been paid. The contributions are recognised as personnel expenses when they are due. Prepaid contributions are recognised as an asset to the extent they can be used to cover future premiums or will be refunded.

Defined benefit pension plans
The Group has pension schemes covering a total of 1,018 persons, including 246 pensioners. The schemes entitle staff to defined future benefits. These are mainly dependent on the number of years of service, salary, salary at pensionable age and the level of benefits paid by the national insurance. The liabilities are covered through an insurance company (funded).

The Group also has a contractual pension agreement (CPA) covering 187 persons, 108 of whom are pensioners. The agreement entitles staff to benefits from the age of 62 until they are eligible for a national insurance pension on reaching the age of 67. Around 50% of this scheme is funded through KLP. KLP is not able to separate the funded and unfunded parts of the liability, so all liabilities related to CPA are presented as funded liabilities.

Pension expenses and liabilities for the defined benefit plans are presented according to IAS 19 (revised).

Risk exposure
Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below.

Volatility: The plan liabilities are calculated using a discount rate set with reference to OMF bonds. If plan assets underperform this yield, this will create a deficit. All plans holds a significant portion of equities, which are expected to outperform corporate bonds in the long term while entailing volatility and risk in the short term.

As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the bond holdings in the plans.

Inflation risk: Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although in most cases, caps on inflationary increases are in place to protect the plans against extreme inflation). The majority of the plan assets are either unaffected by or correlate only loosely with inflation, meaning that an increase in inflation will also increase the deficit.

AMOUNTS RECOGNISED IN STATEMENT OF FINANCIAL POSITION:

Amounts in NOK thousands	31 December 2018	31 December 2017
Present value of funded liabilities	245 978	246 823
Fair value of plan assets	242 537	239 048
Deficit on funded plans	3 441	7 775
Present value of unfunded liabilities	19 821	15 896
Total deficit on defined benefit pension plans	**23 263**	**23 671**

AMOUNTS RECOGNISED IN PROFIT OR LOSS	2018	2017
Defined benefit plans	7 699	16 035
Defined contribution plans	51 824	37 711
Total pension expenses	**59 524**	**53 745**

2018

	Funded liabilities	Unfunded liabilities	Total
Current service cost	5 814	2 182	7 996
Past service cost	(1 849)		(1 849)
Service cost	3 966	2 182	6 148
Net interest expense / (income)	287	440	727
Administrative expenses	190		190
Payroll tax (PT)	303	332	635
Total pension expenses	**4 745**	**2 954**	**7 699**

2017

	Funded liabilities	Unfunded liabilities	Total
Current service cost	5 697	2 197	7 894
Recognised past service cost		7 000	7 000
Service cost	5 697	9 197	14 894
Net interest expense / (income)	268	155	424
Administrative expenses	193		193
Payroll tax (PT)	192	332	524
Total pension expenses	**6 350**	**9 684**	**16 035**

CHANGE IN DEFINED BENEFIT LIABILITY

	Present value of liability	Fair value of plan assets	Sum
At 1 January 2018	**262 719**	**(239 048)**	**23 671**
Service cost for the year	7 948		7 948
Interest expense (income)	10 964	(5 626)	500
Past service cost			
Remeasurements	(4 382)	9 565	822
Benefits paid	(11 451)	5 751	(5 700)
Contributions		(14 615)	(14 615)
Administrative expenses		(1 806)	(1 190)
Payroll tax			
At 31 December 2018	**265 799**	**(249 348)**	**11 436**

	Present value of liability	Fair value of plan assets	Sum
At 1 January 2017	**241 825**	**(227 220)**	**14 605**
Service cost for the year	7 894		7 894
Interest expense (income)	6 072	(5 875)	197
Past service cost	7 000		7 000
Remeasurements	8 246	(2 178)	6 068
Benefits paid	(9 020)	7 202	(1 818)
Contributions		(12 591)	(12 591)
Administrative expenses		1 614	1 614
Payroll tax	702		702
At 31 December 2017	**262 719**	**(239 048)**	**23 671**

Significant actuarial assumptions	2018	2017
Discount rate	2.60 %	2.40 %
Salary growth rate	2.75 %	2.50 %
Expected growth in social security base amount (G)	2.50 %	2.25 %
Estimated return on plan assets	2.60 %	2.40 %
Pension growth rate	0.80 %	0.50 %

NOTE 14 BORROWINGS

	2018			2017		
NOK in thousands	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans	213 212	1 589 530	1 802 742	130 285	702 692	832 977
Unsecured						
Bonds		988 250	988 250		985 000	985 000
Total borrowings	**213 212**	**2 577 780**	**2 790 992**	**130 285**	**1 687 692**	**1 817 977**

NOK in thousands	2017	Cash flows	Non-cash changes	2018
Long-term bank loans	702 692	951 811	(64 974)	1 589 530
Short-term bank loans	130 285		82 927	213 212
Bonds	985 000		3 250	988 250
Total	**1 817 977**	**951 811**	**21 203**	**2 790 991**

NOK in thousands	2016	Cash flows	Non-cash changes	2017
Long-term bank loans	155 000		547 693	702 693
Short-term bank loans	1 800 511	(1 122 783)	(547 443)	130 285
Bonds		985 000		985 000
Total	**1 955 511**	**(137 783)**	**250**	**1 817 977**

Bank loans were secured by first mortgages on the Group's properties and vessels in 2017 and on vessels only in 2018. The carrying amount of assets has been pledged as security. The Group has complied with its financial covenants in 2018. "The Group issued a bond loan with a nominal amount of NOK 1 billion on 22 November 2017. The bond was listed on the Oslo Stock Exchange in Q2 2018.

The bond loan pays a floating interest coupon consisting of NIBOR 3 month plus 3.5% and matures in November 2022. There has been no change in the bond loan during 2018. In February 2018, the Group secured a NOK 2,258 million loan facility with DNB and Nordea, of which a total amount of NOK 1,842 million had been utilised as at 31.12.2018. Part of the facility was utilised for repayment of all existing bank loan facilities at the time.

Financial covenants
Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- NIBD/EBITDA at maximum 4.25
- Equity ratio above 25%

The bond loan agreement includes the following financial covenants:

- Minimum equity ratio of 22.5% for the six-quarter period starting 1 January 2019 and 25% at any other point in time
- Minimum liquidity of NOK 75 million

NOTE 15 COMMITMENTS

CAPITAL COMMITMENTS

Significant capital commitments contracted but not recognised as liabilities in the statement of financial position has the following agreed payment structure:

Amounts in NOK thousands	2019	After 2019 *	Total
Newbuildings	2 649 045		2 649 045
Quay structures/land-based investments	377 064		377 064
Total	**3 026 109**		**3 026 109**

* No signed contracts for commitments after 2019

NON-CANCELLABLE OPERATING LEASES

The Group leases vessels and other equipment from external suppliers.
The operating lease contracts has the following terms:

	ANNUAL RENT	
Amounts in NOK thousands	**2019**	**2020**
Vessels	64 102	30 153
Other equipment	450	400
Total	**64 552**	**30 553**

REPAIRS AND MAINTENANCE

Periodic maintenance is related to major inspection and maintenance costs which occur at regular intervals over the vessel's lifetime, normally every 5 years. The Group thus has commitments to maintain the vessel's operational ability and compliance with laws and regulations.

IFRS 16 LEASES

Transition effects

The company's lease agreements largely comprise rental of vessels. For the company, the estimated effect of IFRS 16 is a capitalisation of lease agreements and corresponding lease liabilities of NOK 90 million. Equity will not be affected by the transition.

NOTE 16 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Amounts in NOK thousands

SALES TO RELATED PARTIES

Related party	Relation	2018	2017
The Fjords DA	Associate	28 938	28 938
The Fjords Fartøy II DA	Associate	345	345
Havyard Production & Sercie sp.z.o	Owner	42	56

PURCHASES FROM RELATED PARTIES

Related party	Relation	2018	2017
The Fjords DA	Associate	(348)	(1 063)
Havyard Ship Technology AS	Owner	(778 840)	(155 651)
Norwegian Electric Systems AS	Owner	(43 541)	
Havila AS	Owner	(70)	(27)

RECEIVABLES/(LIABILITIES) TO RELATED PARTIES

Related party	Relation	2018	2017
The Fjords DA	Associate	2 305	1 541
The Fjords Farty II DA	Associate		144
Havyard Ship Technology AS	Owner	(40 224)	(752)

Four ferries have been delivered to Fjord1 ASA by Havyard Ship Technology AS in 2018. Fjord1 ASA has nine ferries under construction at Havyard Ship Technology AS at the end of 2018.

Via Havilafjord AS, Havila Holding AS owns 51.5% of Fjord1 ASA. Havila Holding AS owns 40.4% of Havyard Group ASA, which in turn owns 100% of Havyard Ship Technology AS. Under contract, Fjord1 ASA is obliged to pay advances and, at the end of 2018, the advance on the nine ferries under construction was NOK 164 million. In addition, Havyard Ship Technology AS has carried out repair and conversion of ferries for Fjord1 ASA for NOK 13.6 million in 2018.

Norwegian Electric Systems AS is 100% owned by Havyard Group ASA, and is a new supplier in 2018. NOK 43.5 million has been invested in quay structures/land investments supplied to Fjord1 ASA in 2018.

NOTE 17 REMUNERATION

EXECUTIVE MANAGEMENT 2018:

Amounts in NOK thousands	Salary	Bonus	Payments in kind	Other benefits	Pension costs	Total remuneration	Number of shares
Dagfinn Neteland (CEO)	2 433	600	723	113	2 024	5 893	36 031
Anne-Mari Sundal Bøe (CFO)	1 562	400	429	4	71	2 467	12 926
André Høyset (COO)	1 668	400	409	4	72	2 552	12 992
Deon Mortensen (Director Technical and HSE)	1 486	375	384	4	72	2 320	10 011
Nils Kristian Berge (Project Director)	1 267	-	29	4	70	1 371	3 334
Total remuneration, Executive Management 2018	**8 417**	**1 775**	**1 973**	**130**	**2 308**	**14 603**	**75 294**
Pension liability, CEO as at 31.12.18						**4 875**	

The Company's CEO, Dagfinn Neteland, is entitled to severance pay equal to twelve months' ordinary salary if the Company terminates his employment, or if he terminates his employment himself as a result of certain material changes in ownership or changes to the business strategy and operations of the Company. No other member of the Executive Management team or of the Board has any claim to severance payments from the Company. The CEO has a supplemental defined benefit pension agreement. The annual pension expense linked to this includes the actuarial cost related to this agreement.

The Group Executive Management received a bonus according to the established bonus program.

BOARD OF DIRECTORS 2018:

Amounts in NOK thousands	Total remuneration	Number of shares
Vegard Sævik (Chairman)	525	*
Per Rolf Sævik (Director)	274	*
Siri Beate Hatlen (Director)	290	
Fredrik W. Mohn (Director)	274	*
Siri Hatland (Director from 29.05.2018)	100	
Janicke Westlie Driveklepp (Director until 29.05.2018)	215	
Atle Olav Trollebø (Employee representative)	259	290
Geir Offerdal (Employee representative)	262	290
Reidar Tangen (Deputy member/Employee representative)		624
Ole Kjell Eidem (Deputy member/Employee representative)	5	624
Thomas Rakstang (Observer/Employee representative)	85	290
Egil Kirkebø (Observer/Employee representative from 19.01.2018)	75	624
Daniel Nedrelid (Observer/Employee representative from 25.07.2017 until 19.01.2018)	16	
Total remuneration, Board of Directors 2018 **	**2 380**	**2 742**

* Owners of shares through other companies: Vegard and Per Sævik through Havilafjord AS and Fredrik W. Mohn through Perestroika AS; see note 12.

** In addition, NOK 40,000 has been paid to the Board's Nomination Committee and NOK 68,000 in meeting allowances to directors.

The Company has not granted any loans, guarantees or other commitments to any members of the Board of Directors or Executive Management.

EXECUTIVE MANAGEMENT 2017:

Amounts in NOK thousands	Salary	Bonus	Payments in kind	Other benefits	Pension costs	Total remuneration	Number of shares
Dagfinn Neteland (CEO from 22.03.2017)	2 273	1 000	10	152	82	3 517	5 290
Anne-Mari Sundal Bøe (CFO)	1 081	600	10	9	65	1 764	290
André Høyset (Acting CEO until 22.03.2017, then COO)	1 904	450	10	6	70	2 440	2 690
Deon Mortensen (Director Technical and HSE)	1 203	450	10	6	70	1 739	290
Tor Vidar Kittang (Acting Project Director until 31.12.2017)	1 008	275	10	6	51	1 349	290
Total remuneration, Executive Management 2017	**7 469**	**2 775**	**49**	**179**	**338**	**10 810**	**8 850**
Pension liability, CEO as at 31.12.17						**2 233**	

To compensate for strong efforts through the company's turnaround, and facilitation of admission to and listing on the Oslo Stock Exchange, in 2017 the Board granted a bonus of NOK 1 million to the CEO and a total of NOK 3 million to other executives and other key employees.

BOARD OF DIRECTORS 2017:

Amounts in NOK thousands	Total remuneration	Number of shares 31.12.17 **
Vegard Sævik (Chairman from 25.07.2017, previously Director)	154	*
Pål W. Lorentzen (Chairman until 25.07.2017)	939	
Per Sævik (Director)	52	*
Janicke Westlie Driveklepp (Director)	69	
Siri Beate Hatlen (Director from 25.07.2017)	35	
Fredrik W. Mohn (Director from 25.07.2017)	26	*
Atle Olav Trollebø (Employee representative)	84	290
Geir Offerdal (Employee representative from 25.07.2017)	38	290
Reidar Tangen (Deputy member/Employee representative from 25.07.2017)		290
Ole Kjell Eidem (Deputy member/Employee representative from 25.07.2017)		290
Thomas Rakstang (Observer/Employee representative from 25.07.2017)	28	290
Egil Kirkebø (Observer/Employee representative from 19.01.2018)		290
Daniel Nedrelid (Observer/Employee representative from 25.07.2017 until 19.01.2018)	69	
Vidar Grønnevik (Director until 25.07.2017)	54	
Bente Iren Næsse (Director until 25.07.2017)	40	
Øyvind Oksnes (Observer/Employee representative until 25.07.2017)	30	
Arnstein Amås (Employee representative until 25.07.2017)	40	
Total remuneration, Board of Directors 2017	**1 658**	**1 740**

* Owners of shares through other companies: Vegard and Per Sævik through Havilafjord AS and Fredrik W. Mohn through Perestroika AS; see note 12.

** In addition to the 290 shares given to all employees at the time of the stock exchange listing (see note 12), some employees have invested in their own shares. The Company has not granted any loans, guarantees or other commitments to any members of the Board of Directors or Executive Management.

AUDIT FEE

Amounts in NOK thousands	2018	2017
Statutory audit	2 058	1 501
Tax advisory services	46	79
Other services	940	1 180
Total	**3 044**	**2 760**

NOTE 18 EVENTS AFTER THE END OF THE REPORTING PERIOD

NEW CONTRACTS
The Brekstad-Valset, Hareid-Sulesund and Arsvågen-Mortavika routes started on 01.01.2019.

NEWBUILDS
MF "Suløy" was delivered in February 2019 and MF "Giskøy" in March 2019, both from Havyard Ship Technology AS.

SALE OF M/F FANAFJORD
The Group entered into an agreement to sell M/F Fanafjord on 13 March 2019. The vessel is classified as an asset held for sale in the statement of financial position at 31 December 2018 and measured at expected proceeds from the disposal.

PARENT COMPANY FINANCIAL STATEMENTS

2018

INCOME STATEMENT 01.01.–31.12.

NOK 1000	Note	2018	2017
Sales	24	818 040	854 313
Contract income, route operations	24	2 241 372	1 896 958
Other operating income	1, 24	34 427	43 387
Total operating income		**3 093 840**	**2 794 658**
Cost of sales		68 821	67 592
Personnel expenses	14, 18	847 304	816 346
Depreciation and amortisation	1	261 261	215 658
Write-downs	1	-68 895	0
Other operating expenses	9, 19, 21	1 204 254	1 048 654
Total operating expenses		**2 312 745**	**2 148 250**
Operating profit		**781 094**	**646 408**
Share of profit in subsidiaries	2	317	315
Share of profit in associates	3	38 183	23 102
Interest income, group companies		6 880	536
Other interest income		3 408	4 636
Other financial income	20	795	7 274
Write-down of financial fixed assets		-400	0
Other interest expenses		-93 129	-59 229
Other financial expenses	22	-22 368	-19 972
Income from ordinary activities before tax		**714 780**	**603 071**
Tax	13	134 083	130 123
Profit for the year		**580 697**	**472 948**
Allocation (settlement) of profit (loss) for the year			
Proposed dividend		270 000	270 000
Transferred to other equity		310 697	202 948
Total allocations (settlement)		**580 697**	**472 948**

BALANCE SHEET AS AT 31.12.

NOK 1000	Note	2018	2017
ASSETS			
FIXED ASSETS			
Property, plant and equipment			
Land, buildings and other real estate	1, 16	278 932	40 505
Machinery and equipment	1	962	589
Ships etc.	1, 16	5 128 937	3 669 216
Movables, fixtures and fittings, tools, office equipment etc.	1	32 630	23 180
Total property, plant and equipment		**5 441 461**	**3 733 490**
Financial fixed assets			
Investments in subsidiaries	2	124 207	124 207
Loans to group companies	6, 7	136 132	21 871
Investments in associates	3	248 571	238 124
Investments in shares and units	4	840	1 176
Bonds and other receivables	5	2 591	511
Pension funds	14	8 728	4 822
Total financial fixed assets		**521 069**	**390 711**
Total fixed assets		**5 962 531**	**4 124 201**
CURRENT ASSETS			
Inventories	8	24 049	16 447
Receivables			
Trade receivables	9	93 088	82 712
Other receivables	10	134 596	80 871
Receivables, group companies	7	11 193	781
Total receivables		**238 877**	**164 365**
Cash and bank balances, etc.	16	199 710	403 418
Total current assets		**462 636**	**584 229**
TOTAL ASSETS		**6 425 167**	**4 708 431**

EQUITY AND LIABILITIES

NOK 1000	Note	2018	2017
EQUITY			
Contributed capital			
Share capital (100,000,000 shares of NOK 2.5)	11, 12	250 000	250 000
Treasury shares		-2 079	0
Share premium fund		360 924	360 924
Total contributed capital		**608 845**	**610 924**
Retained earnings			
Other equity	12	1 211 043	900 347
Total retained earnings		**1 211 043**	**900 347**
Total equity		**1 819 888**	**1 511 271**
LIABILITIES			
Provisions			
Deferred tax	13	431 333	378 786
Other provisions	15, 24	11 417	16 558
Total provisions		**442 751**	**395 344**
Other long-term liabilities			
Bond loan	16	988 250	985 250
Debt to credit institutions	16	1 802 742	684 727
Total other long-term liabilities		**2 790 992**	**1 669 977**
Short-term liabilities			
Trade payables		283 943	161 597
Tax payable	13	87 128	34 014
Taxes and duties payable		91 945	83 989
Dividend	12	270 000	270 000
Other short-term liabilities	17	578 619	547 179
Liabilities to Group companies	7	59 900	35 061
Total short-term liabilities		**1 371 536**	**1 131 839**
Total liabilities		**4 605 278**	**3 197 160**
TOTAL EQUITY AND LIABILITIES		**6 425 167**	**4 708 431**

The Board of Directors of Fjord1 ASA

Florø, 20 March 2019

Vegard Sævik
Chairman

Per Rolf Sævik
Director

Siri Hatland
Director

Siri Beate Hatlen
Director

Frederik Wilhelm Mohn
Director

Atle Olav Trollebø
Director

Geir Offerdal
Director

Dagfinn Neteland
CEO

CASH FLOW STATEMENT 2018

NOK 1000	Note	2018	2017
Cash flow from operating activities			
Profit before tax		714 780	603 071
Tax paid	13	-28 496	
Gain/loss on sale of assets	1	-1 183	-4 704
Gain/loss on sale of shares and units			
Income from investments in associates	3	-38 500	-23 417
Ordinary depreciation and amortisation	1	261 261	215 958
Write-down of fixed assets	1	-68 895	
Change in trade payables		122 346	57 229
Change in inventories and trade receivables		-17 978	-18 193
Change in other accruals		-48 043	1 423
Cash flow from operating activities		**895 293**	**831 367**
Liquid assets provided by/used for investing activities:			
Investments in property, plant and equipment	1	-1 901 661	-676 977
Acquisition of shares and units		-10 511	-20 381
Disposal of property, plant and equipment (selling price)	1	1 385	100 078
Proceeds, loan receivables (short-/long-term)		25 900	2 365
Disbursements, loan receivables, group (short-/long-term)		-139 886	
Dividends received from associates	3	38 500	23 417
Change in other investments			
Cash flow from investing activities		**-1 986 273**	**-571 499**
Liquid assets provided by/used for financing activities:			
New long-term borrowings		2 120 571	1 000 000
Repayment of long-term borrowings		-963 299	-1 090 783
Net change in bank overdraft			
Dividend (paid)		-270 000	-250 000
Cash flow from financing activities		**887 272**	**-340 783**
Net cash flow for the year		**-203 708**	**-80 915**
Cash in hand, companies bought		0	0
Cash and bank deposits at 01.01.		403 418	484 332
Cash and cash equivalents at 31.12.		**199 710**	**403 418**

ACCOUNTING POLICIES

ACCOUNTING POLICIES

The parent company financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles.

USE OF ESTIMATES

Preparation of financial statements in accordance with the Norwegian Accounting Act requires the use of estimates. Application of the company's accounting policies further requires the management to exercise judgement. Areas involving significant estimates or a high degree of complexity, and areas where assumptions and estimates are material to the financial statements, are shown in grey in the notes.

ACCOUNTING POLICIES FOR SHARES IN SUBSIDIARIES AND ASSOCIATES

Subsidiaries are companies where the parent company has control and thereby decisive influence on the company's financial and operational strategy, normally by owning more than half of the voting capital. Companies where Fjord1 ASA owns 20-50% of the voting capital and has a significant influence are defined as associates. For an overview of subsidiaries and associates as at 31 December 2018, see notes 2 and 3.

We value investments in companies at the purchase price of the shares (cost method), unless write-down has been necessary. We recognise group contributions to subsidiaries, after tax, as an increase to the cost of the shares. Dividends/group contributions are recognised as income in the same year as provision is made for this in the financial statements of the subsidiary/associate. If dividends/group contributions significantly exceed the part of the profits that is retained in the company after the purchase, we consider the excess as repayment of invested capital and deduct it from the value of the investment in the balance sheet.

OPERATING INCOME

Income from the sale of goods is recognised at the time of delivery. Income from services is recognised in line with provision of said services.

Operating income, income from car, passenger and freight services, other operating income and contract payments from public-sector clients are recognised as income in the year in which they are earned.

Contract payments are recognised in the balance sheet as receivables if they are not paid in full by year-end.

Sales of discount cards for passengers and vehicles on ferry routes are recognised at the time of use, with the company being liable for unused value. Unused value is classified as other short-term liabilities in the balance sheet.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

We classify assets intended for permanent ownership or use as fixed assets. We classify assets associated with the operating cycle as current assets Receivables are classified as current assets if they are to be paid back within one year after they were paid out. We apply analogous criteria to liabilities.

Current assets are assessed at the lower of purchase price and fair value. Short-term liabilities in Norwegian kroner are recognised in the balance sheet at their nominal amounts when established.

Fixed assets are valued at purchase price. The purchase price for operating assets with long production times also includes loan costs associated with manufacture of the operating asset. Fixed assets that fall in value are depreciated using the straight-line method over the anticipated useful life.

Assets are written down to fair value in case of impairment, where this is required by the accounting rules. Long-term liabilities in Norwegian kroner are recognised in the balance sheet at their nominal amounts when established. Provisions are discounted if the interest component is material.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised in the balance sheet and depreciated using the straight-line method over the expected lifetime of the asset if it has an expected lifetime of more than 3 years and a cost price in excess of NOK 15,000. The depreciation term for investments/expenditures/major replacements will follow the operating asset's assumed lifetime. Important operating assets made up of larger components with different lifetimes are broken down into different depreciation periods for the different components.

Maintenance of operating assets is recognised as a cost under operating expenses on an ongoing basis. Capital additions or improvements are added to the operating asset's cost price and depreciated in line with the operating asset. We calculate the difference between maintenance and capital improvements based on the operating asset's technical condition at the time of purchase.

All ships are covered by an annual maintenance programme. Classification costs and maintenance costs are recognised as expenses in connection with the annual maintenance programme, with the exception of main engines, thrusters and associated equipment, and 5-year surveys. Costs for these are capitalised and depreciated over the period up until the next periodic maintenance. The costs are capitalised under Ships and specified in note 1. On delivery of newbuilds, part of the cost price is recognised in the balance sheet as regular maintenance and depreciated at the first regular maintenance.

LEASING

A lease agreement is classified as a financial or operating lease according to the actual content of the individual agreement. If a substantial part of the economic risk and control associated with the leased object has been transferred to the lessee, the agreement is classified as a financial lease. Other lease agreements are classified as operating leases. Operating assets held under lease agreements regarded as financial leases are capitalised in the balance sheet at the value of the consideration in the lease agreement and depreciated as property, plant and equipment. The instalment component of the consideration is shown as a long-term liability. The total charge is reduced by the lease payments made less calculated interest expenses.

For agreements that are classified as operating leases, the lease payments are treated as an operating expense that is systematically allocated over the entire term of the lease.

OTHER LONG-TERM EQUITY INVESTMENTS

The cost method is applied to investments in other shares etc. We value the investments at the cost price of the shares, unless write-down has been necessary. Investments are written down to fair value if a decrease in value is attributed to reasons not thought to be transitory. Write-downs are reversed if the basis for the write-down no longer exists.

Dividends are initially recognised as financial income once the dividend has been adopted. If the dividends significantly exceed the part of retained earnings after the purchase, the surplus is used to reduce the cost price.

INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Investments in associates and subsidiaries are assessed using the cost method.

WRITE-DOWN OF FIXED ASSETS

If there is an indication that the carrying amount of a fixed asset is greater than the fair value, we perform a test for impairment. We assess whether the recoverable amount for the fixed asset related to the associated valuation object is greater than the carrying amount. The test is performed for the lowest level of fixed assets with independent cash flows. Recoverable amount is calculated as the higher of the valuation object's value in use and net sales value. Value in use is understood to mean the present value of future cash flows that are expected to arise from the valuation object, while net sales value is defined as the difference between market value on the balance sheet date and estimated selling costs. Where the fixed assets in the valuation object are tied up in contracts and cannot be realised without the opposite party claiming breach of contract, we simply use a value in use as an alternative to recoverable amount. Future cash flows cover the valuation object's cash flows from operating activities plus the terminal value of the associated fixed asset on expiry of any contracts that may have formed the basis for the valuation object. If the carrying amount is higher than both the sales value and recoverable amount, it is written down to the higher of the two.

Previous write-downs are reversed if the conditions for the write-down are no longer present (except for write-downs for goodwill).

HEDGING

The company has not used fair value hedging.

Cash flow hedging

Forward contracts that hedge future incoming and outgoing payments are recognised on realisation of the forward contracts. Any change in value of the hedging instrument is not recognised. The hedging instrument is recognised at the time of the transaction. The company uses various hedging instruments and fixed-price contracts to secure its cash flows, especially for various kinds of fuel and interest rates. The company assesses the use of hedging instruments relative to the adjustment clauses in the relevant contracts. If the relevant adjustment clauses for a contract are not thought to provide satisfactory cover for price development for the input factor in question, the company can use available hedging instruments to reduce or eliminate the price development risk.

Fuel

The company uses forward contracts in order to reduce the price risk in the fuel market for those contracts that do not have adjustment mechanisms for price changes. In months in which the relevant market price is higher than the hedging price, the opposite party will pay the company the difference. In months in which the relevant market price is lower than the hedging price, the company will pay the opposite party the difference. The company will have a fixed price for the agreed volume during an agreed period.

Interest rates
The company uses interest rate swaps, where we agree interest rates and repayment periods with an opposite party. In months in which the relevant market interest rate is above the level for which we have a hedging agreement in place, the opposite party will pay the company the difference calculated on the remainder of the principal sum. In months in which the relevant market interest rate is below the level for which we have a hedging agreement in place, the company will pay the opposite party the difference calculated on the remainder of the principal sum. The company will use such agreements to obtain fixed interest rates for agreed amounts and periods.
The company has made limited use of agreements whereby we are ensured a price or interest rate corridor. The purpose of such agreements is to hedge against consequences of extreme fluctuations in underlying price developments.

INVENTORIES
Inventories of purchased goods are valued at the lower of purchase price based on the FIFO principle and fair value. A write-down is made for anticipated obsolescence.

RECEIVABLES
Accounts receivable and other receivables are recognised in the balance sheet at nominal value less provision for anticipated losses. Provision for losses is made on the basis of individual valuations of the specific receivables. We also make a non-specific provision to cover anticipated losses on other receivables.

Other receivables, both short-term receivables and long-term receivables, are recognised at the lower of nominal and fair value. Fair value is the present value of anticipated future inward payments. However, there is no discounting where the effect of such discounting is not material for the financial statements. Provision for losses is valued in the same way as for accounts receivable.

SHORT-TERM INVESTMENTS
Short-term investments (shares and holdings that are current assets) are valued at the lower of average cost price and fair value on the balance sheet date. Dividends and other distributions received are recognised as other financial income.

Onerous contracts/write-down of fixed assets
The company's activities entail, among other things, entering into contracts with the public sector for the provision of public transport services. For several of these contracts, the company bears a large part of the risk for developments in a number of cost types (e.g. pay, interest and fuel), without any corresponding change in income. This can result in these contracts becoming unprofitable if costs increase more than revenues. The company therefore measures the present values of expected future cash flows from operating activities in each contract, with estimated outgoing payments covering all unavoidable future operating expenses payable. Depreciation, amortisation and write-downs and financial expenses are not included.

If the individual contract is regarded as a cash-generating unit, the cash flow is defined in the same way as the cash flow used in the impairment tests for the fixed assets, except that the fixed assets' terminal value on expiry of the contracts is not included. If the calculations show a negative present value, we recognise this amount in the balance sheet as a provision. Before any provision is made for onerous contracts, the need to write down the fixed assets is assessed. This means that the fixed assets are written down before any provision is made for onerous contracts.

Any provision for onerous contracts is recognised in the balance sheet under Other provisions (long-term liabilities). Provision for onerous contracts linked to the operating cycle or with expected settlement times within one year of the balance sheet date is classified as Other short-term liabilities.

The depreciation/write-down is reversed in line with any reduction in negative present value in subsequent periods.

If a new contract for a single route is announced as part of an existing tender package, concrete consideration is given to whether this/these routes can be assessed as part of the original cash-generating unit.

With several of the tender contracts, the client has an option to continue the contracts. Consideration is given to whether this option will be exercised and should therefore be included in the cash flows linked to the cash-generating unit.

CURRENCY
Transactions in foreign currencies are translated at the rate on the transaction date. Monetary items in foreign currencies are valued according to the exchange rate at the end of the financial year. Exchange rate changes are recognised under financial items in the income statement in the accounting period to which they relate.

PENSIONS

The company has various pension plans. These plans are financed by payments into publicly or privately administered insurance policies/companies, with the exception of the AFP plans and some that are covered via operations. The company has both defined contribution and defined benefit plans.

DEFINED CONTRIBUTION PLANS

With defined contribution plans, the company pays contributions into publicly or privately administered insurance plans/companies. The company has no further payment obligations after payment of the contribution. The contribution is recognised as staff costs. Any pre-paid contribution is capitalised as an asset (plan assets) if the contribution can be refunded or used to reduce future payments.

DEFINED BENEFIT PLANS

A defined benefit plan is a pension scheme that is not a defined contribution plan. A defined benefit plan is typically a pension scheme that defines the pension that an employee will receive on retirement. The pension paid out is usually dependent on a number of factors, such as age, years of service and salary. The capitalised liability for defined benefit plans is the present value of the defined benefits on the balance sheet date, less fair value of the plan assets (amounts paid to the insurance company), adjusted for estimate differences not recognised in the financial statements and costs not recognised in the financial statements relating to pension accruals in previous periods. The pension liability is calculated annually by an independent actuary using a linear accrual method. Plan changes are amortised over the anticipated remaining contribution time. The same applies to estimate differences resulting from new information or changes in the actuarial assumptions if these exceed 10% of the greater of the pension liabilities and the plan assets (corridor).

TAX

The tax cost in the income statement covers both the tax payable for the period and change in deferred tax. Deferred tax is calculated using the current tax rate (22 %) based on the temporary differences existing between book and tax values, and any tax-loss carryforward at the end of the financial year. Temporary differences that increase or reduce tax and that are or can be reversed in the same period are offset. The deferred tax asset relating to net tax-reducing differences that cannot be offset and that are tax-loss carryforwards is worked out from expected future earnings. Deferred tax and tax assets that may be recognised in the balance sheet are shown net in the balance sheet.

When acquiring a company, it is considered whether the present value of the deferred tax on the temporary differences should be used.

Tax on group contributions paid that are recognised as an increase in cost of shares in other companies, and tax on group contributions received that are entered directly against equity, are entered directly against tax in the balance sheet (the entry is made against tax payable if the group contribution impacts tax payable and against deferred tax if the group contribution impacts deferred tax).

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash and cash equivalents cover cash, bank deposits and other short-term, liquid investments that can be converted into known cash amounts with immediate effect and negligible currency risk, and which have a due date within three months of the date of issue.

NOTE 1 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT, PARENT COMPANY	Buildings, property and land	Infrastructure under construction	Ships	Ships under construction	Means of transport	Movables, tools, fixtures and fittings etc.	Total property, plant and equipment
Cost and ordinary depreciation							
Cost at 01.01.	69 916	3 209	5 653 808	679 638	1 931	179 864	6 588 365
+ additions during the year	45 123	200 682	72 887	1 564 887	679	17 405	1 901 661
+ additions transferred from completed property, plant and equipment	0	0	1 585 181	-1 585 181	0	0	0
– disposals in the year	1 381	0	17 849	0	779	339	20 348
Cost at 31.12.	**113 658**	**203 890**	**7 294 027**	**659 344**	**1 831**	**196 929**	**8 469 678**
Accumulated ordinary depreciation at 31.12.	38 616	0	2 714 859	0	869	164 299	2 918 643
Accumulated write-downs at 31.12.			109 574				109 574
Carrying amount at 31.12.	**75 042**	**203 890**	**4 469 594**	**659 344**	**962**	**32 630**	**5 441 461**
Depreciation for the year	7 204	0	245 795	0	306	7 955	261 261
Reversal of write-downs for the year	0	0	-84 625	0	0	0	-84 625
Write-downs for the year	0	0	15 730	0	0	0	15 730
Economic lifetime	0-30 years		5-30 years		5-10 years	3-5 years	
Depreciation schedule	Straight-line		Straight-line		Straight-line	Straight-line	

ADDITIONS

The company took delivery of seven vessels in 2018: MF "Møkstrafjord", MF "Horgeford", MF "Husavik", MF "Vestrått", MF "Austrått", MF "Hadarøy" and MF "Kommandøren". The company has 15 vessels under construction as at 31.12.2018.

WRITE-DOWN OF SHIPS

During 2018, the company identified indications of impairment for the company's ships in the ferry segment, such as expiry of several contracts, as well as the ever evolving technological and environmental requirements in public procurements. Moreover, the company has identified indications of impairment where write-downs have been made in previous periods that have now been reduced or that no longer exist on the balance sheet date, as a result of expiry of contracts.

Based on these indications, the company has carried out impairment tests on ships to estimate the recoverable amounts. Each ferry contract, and all ships assigned for use on the various ferry contracts, has been identified as a separate cash-generating unit (CGU).

In assessing potential write-down of the various ferry contracts, the company has assessed recoverable amounts for each contract based on fair value minus costs of disposal. Fair value is based on a calculated net present value of future cash flows for each ferry contract, with a residual value equal to an estimated value of the ship after expiry of the various ferry contracts based on two independent broker valuations. The broker values are reduced by an estimated sales commission, which is the estimated costs of disposal. Reversal of ship write-downs made in previous periods is carried out where there is evidence that indications of impairment identified in previous periods no longer exist or have been reduced.

Based on impairment tests carried out at 31 December 2018, the company has identified a write-down of one ship that was not assigned for use on any ferry contract at 31 December 2018 and reversed write-downs of two contracts:

Write-down of one ship

One ship that is not currently assigned for use on any ferry contract has been identified as written down at 31 December 2018. In previous periods, the ship had been assigned for use on a ferry contract that expired on 31 December 2018. The company has not managed to deploy the ship on a new ferry contract and has therefore written down the ship to fair value minus costs of disposal, corresponding to the estimated market value of the ship without a contract minus estimated sales commission.

Reversal of write-down of two contracts
Two of the company's ferry contracts either expired on 31 December 2018 or will expire in the near future, and therefore all or the majority of the fair value for the CGU is linked to the residual value of the ship assigned to the CGU, and no or a small part of the fair value is linked to the fair value of the ferry contract.

When calculating fair value minus costs of disposal for these CGUs, it became apparent that the indications of impairment on which the impairment loss on these CGUs in previous periods had been based no longer exist or have been reduced.

The cash flow has been discounted using an estimated weighted average cost of capital (WACC). The cash flows have been calculated after tax and discounted using a post-tax discount rate. The nominal WACC used in the calculations is 7.0%.

Gains on disposals of operating assets are classified as other operating income.

NOTE 2 INFORMATION ABOUT SUBSIDIARIES

Subsidiary	Domicile	Equity interest	Voting right	Share capital	Total number of shares	Number of shares	Equity in subsidiary	Profit (loss) in subsidiary	Book value	Dividend paid
Hareid Trafikkterminal AS	Hareid	63 %	63 %	1 200	1 200	760	4 776	1 027	768	500
F1 Administrasjon AS	Florø	100 %	100 %	1 500	15 000	15 000	11 608	4 195	4 082	
Bolsønes Verft AS	Molde	100 %	100 %	100	100	100	5 795	962	23 000	
ÅB Eigedom AS	Årdal	66 %	66 %	2 750	2 750	1 814	11 755	4 424	6 038	
Måløy Reisebyrå AS	Måløy	100 %	100 %	300	50	50	3 963	1 064	1 777	
Fanafjord AS	Florø	100 %	100 %	400	1 000	1 000	7 559	-294	4 407	
Nye Fanafjord AS	Florø	90 %	90 %	30	30 000	27 000	102 560	-37 190	84 135	
Total							**148 015**	**-25 812**	**124 207**	**500**

NOTE 3 SHARES IN ASSOCIATES

Associates	Registered office	Equity interest / voting share	Cost	Profit (loss) in 2018	Book equity, 31.12.2018	Dividend paid
The Fjords DA	Flåm	50,0 %	5 000	(2 982)	7 018	12 118
The Fjords Fartøy I DA	Flåm	50,0 %	15 400	526	32 089	
Sognefjorden Farty I AS	Flåm	50,0 %	630	(96)	992	
The Fjords Fartøy II DA	Flåm	50,0 %	19 625	1 189	40 385	
The Fjords Fartøy III DA	Flåm	50,0 %	8 750	(18)	17 482	
Partsrederiet Kystekspressen ANS	Trondheim	49,0 %	13 382	7 041	53 803	1 715
WF Holding AS*	Bodø	34,0 %	178 600	(128)	516 910	17 000
Fjord Tours AS	Bergen	30,6 %	1 231	25 000	36 000	7 350
Geiranger Fjordservice AS	Geiranger	30,2 %	5 953	2 883	18 805	
Total			**248 571**	**33 415**	**723 486**	**38 183**

* WF Holding AS is a subsidiary of Torghatten ASA and is included in that company's consolidated financial statements. The parent company has its head office at Havnegata 40, 8900 Brønnøysund, Norway.

NOTE 4 INVESTMENTS IN SHARES AND UNITS

Company	Book value
Fjord Invest AS	100
Other shares and units	741
Total shares and units	**840**

NOTE 5 BONDS AND OTHER RECEIVABLES

	2018	2017
Employee loans	2 347	192
Other long-term receivables	244	319
Total other receivables	2 591	511

NOTE 6 LONG-TERM RECEIVABLES, GROUP COMPANIES

	2018	**2017**
Hareid Trafikkterminal AS	600	636
Bolsønes Verft AS	15 300	16 250
Fanafjord AS	5 232	4 984
Nye Fanafjord AS	115 000	0
Total long-term receivables, group companies	**136 132**	**21 871**

NOTE 7 INTERCOMPANY BALANCES

	Sales		Purchases	
	2018	**2017**	**2018**	**2017**
Group companies			218 602	
F1 Administrasjon AS	929	647	161 995	131 893
Bolsønes Verft AS	1	226	8 676	8 881
Måløy Reisebyrå AS	0	0	2 241	430
Hareid Trafikkterminal AS	514	282	65	0
Nye Fanafjord AS	42	42	45 625	46 141
Fanafjord AS	26	26	0	0
Total, group companies	**1 513**	**1 224**	**218 602**	**187 346**
Associates				
The Fjords DA	34 988	28 938	348	1 063
The Fjords Fartøy II DA	460	345	0	0
Geiranger Fjordservice AS	3	0	0	0
Total, associates	**35 451**	**29 283**	**348**	**1 063**

	Short-term receivables		Long-term receivables	
	2018	**2017**	**2018**	**2017**
Group companies				
F1 Administrasjon AS	2 963	0	0	0
Bolsønes Verft AS	325	323	15 300	16 250
Hareid Trafikkterminal AS	315	315	600	636
Nye Fanafjord AS	7 564	0	115 000	0
Fanafjord AS	26	143	5 232	4 985
Total, group companies	**11 193**	**781**	**136 132**	**21 871**
Associates				
The Fjords DA	2 304	1 541	0	0
The Fjords Fartøy II DA	0	144	0	0
Total, associates	**2 304**	**1 685**	**0**	**0**

	Short-term liabilities		Long-term liabilities	
	2018	**2017**	**2018**	**2017**
Group companies				
F1 Administrasjon AS	42 013	26 663	0	0
Bolsønes Verft AS	558	198	0	0
Måløy Reisebyrå AS	4 917	4 769	0	0
ÅB Eigedom AS	9 425	940	0	0
Hareid Trafikkterminal AS	2 986	2 489	0	0
Nye Fanafjord AS	0	1	0	0
Total, group companies	**59 900**	**35 061**	**0**	**0**

NOTE 8 INVENTORIES

Inventories comprise goods bought in for resale, as well as stocks of MGO, biodiesel and LNG. No write-downs have been made for obsolescence. The carrying amount is the lower of purchase price and fair value.

	31.12.18	31.12.17
Tankers – store LNG	0	775
Gas stock, ships	3 776	0
Oil stock, ships	17 571	12 972
Goods bought for resale	2 702	2 700
Inventories 31.12.	**24 049**	**16 447**

NOTE 9 TRADE RECEIVABLES

	2018	2017
Trade receivables at nominal value 31.12.	94 024	83 648
Provision for bad debts 31.12.	-936	-936
Trade receivables 31.12.	**93 088**	**82 712**
Actual loss for the year on receivables	407	26
Loss on receivables	**407**	**26**

Loss on receivables is recognised in Other operating expenses

NOTE 10 OTHER SHORT-TERM RECEIVABLES

	2018	2017
Prepayments	15 972	5 383
Other receivables	23 582	18 160
Other accruals – income	64 947	37 336
Sea damage claims	14 345	18 906
VAT receivables	15 749	1 087
Other short-term receivables 31.12.	**134 596**	**80 871**

NOTE 11 SHARE CAPITAL AND SHAREHOLDERS

At 31.12.2018, Fjord1 ASA had share capital of NOK 250,000,000 divided into 100,000,000 shares with a nominal value of NOK 2.50. The company has only one share class.

	Number	Equity interest
HAVILAFJORD AS	51 500 000	51.5 %
PERESTROIKA AS	7 758 620	7.8 %
VERDIPAPIRFONDET DNB NORGE (IV)	4 770 855	4.8 %
BROWN BROTHERS HARRIMAN (LUX.) SCA	3 576 315	3.6 %
STATE STREET BANK AND TRUST COMP	2 784 219	2.8 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	2 468 227	2.5 %
DZ PRIVATBANK S.A.	2 014 488	2.0 %
ARCTIC FUNDS PLC	1 311 051	1.3 %
JPMORGAN CHASE BANK. N.A.. LONDON	1 282 000	1.3 %
LANDKREDITT UTBYTTE	1 264 000	1.3 %
GH HOLDING AS	954 127	1.0 %
SEB NORDENFOND	940 500	0.9 %
TR EUROPEAN GROWTH TRUST PLC	801 892	0.8 %
SKANDINAVISKA ENSKILDA BANKEN S.A.	739 884	0.7 %
FONDSFINANS NORGE	700 000	0.7 %
VERDIPAPIRFONDET SR BANK UTBYTTE	672 661	0.7 %
RBC INVESTOR SERVICES BANK S.A.	622 325	0.6 %
VERDIPAPIRFONDET PARETO NORDIC	606 689	0.6 %
VPF NORDEA NORGE VERDI	593 000	0.6 %
RBC INVESTOR SERVICES TRUST	551 019	0.6 %
Number of shares held by the 20 largest shareholders (listed above)	85 911 872	85.9 %
Total number of shares	**100 000 000**	**100 %**

SHARES OWNED BY THE EXECUTIVE MANAGEMENT

	Number of shares, 31.12.2018
Dagfinn Neteland (CEO)	36 031
Anne-Mari Sundal Bøe (CFO)	12 926
André Høyset (COO)	12 992
Deon Mortensen (Director Technical and HSE)	10 011
Nils Kristian Berge (Project Director)	3 334
Total number of shares owned by the Executive Management	**75 294**

SHARES OWNED BY THE BOARD OF DIRECTORS

	Number of shares, 31.12.2018
Vegard Sævik (Chairman)	*
Per Rolf Sævik (Director)	*
Siri Beate Hatlen (Director)	0
Fredrik W. Mohn (Director)	*
Siri Hatland (Director)	0
Atle Olav Trollebø (Director – Employee Representative)	290
Geir Offerdal (Director – Employee Representative)	290
Reidar Tangen (Deputy member – Employee Representative)	624
Ole Kjell Eidem (Deputy member – Employee Representative)	624
Thomas Rakstang (Observer – Employee Representative)	290
Egil Kirkebø (Observer – Employee Representative)	624
Total number of shares owned by the Board of Directors	**2 742**

* Owners of shares via other companies: Vegard and Per Sævik via Havilafjord AS and Frederik W. Mohn via Perestroika AS.

NOTE 12 EQUITY

Changes in equity in the year:

	Share capital	Treasury shares	Share premium fund	Other equity	Total equity
Equity at 01.01.2018	250 000	0	360 924	900 347	1 511 271
Profit for the year				580 697	580 697
Provision for dividends				-270 000	-270 000
Purchase of treasury shares, 21.12.2018		-2 079		0	-2 079
Equity at 31.12.2018	**250 000**	**(2 079)**	**360 924**	**1 211 043**	**1 819 888**

Treasury shares

Summary of purchase and disposal of treasury shares

	2018		
	Number	Consideration	Share of share capital
Holding at 1 January	0	0	0.0 %
Purchased. September 2018	23 746	1 112	0.4 %
Purchased. October 2018	52 450	2 420	1.0 %
Purchased. November 2018	2 795	129	0.1 %
Sold. 07.11.2018	78 991	-3 543	-1.4 %
Discount on shares sold on 07.11.2018		-118	0.0 %
Purchased. December 2018	110 000	4 798	1.9 %
Sold. 31.12.2018	63 232	-2 719	-1.1 %
Holding of treasury shares at 31 December	**331 214**	**2 079**	**0.8 %**

On 22 May 2018, the annual general meeting of Fjord1 ASA authorised the Board of Directors to acquire treasury shares. In accordance with this mandate, Fjord1 can purchase up to 3,200,000 treasury shares with a total nominal value of up to NOK 8,000,000. The highest and lowest amounts that may be paid per share are NOK 100 and NOK 2.50 respectively. This mandate is valid up to the date of the annual general meeting in 2019, at the latest 30 June 2019.

The Board of Directors of Fjord1 has decided to initiate a share buyback based on the mandate. Shares acquired under the share buyback will be distributed under the bonus programme for key management personnel, whereby 50% of the bonus is settled in the form of shares in Fjord1, as reported in the statement on executive pay discussed at the annual general meeting on 22 May 2018. The maximum number of shares that may be acquired in the market for distribution to employees is 110,000.

Fjord1 has engaged Nordea Markets to conduct the share buyback on its behalf.

NOTE 13 ACCOUNTING TREATMENT OF TAX

	2018	2017
Tax payable is made up as follows:		
Profit on ordinary activities before tax	714 780	603 071
Permanent differences	-32 676	6 589
Tax base	682 104	609 660
Change in temporary differences	-303 285	-21 571
Loss carryforward	0	-446 362
Taxable income (tax base)	378 819	141 726
Tax cost for the year is made up as follows:		
Tax payable on profit for the year	87 128	34 014
Change in tax payable on profit for prior year	-5 593	0
Adjustment, deferred tax 2016	0	-181
Change in deferred tax/tax asset in the balance sheet	52 547	96 290
Total tax cost for the year	**134 084**	**130 123**
Tax payable in the balance sheet is made up as follows:		
Tax payable on profit for the year	87 128	34 014
Total tax payable	**87 128**	**34 014**

Specification of deferred tax base:		
Differences offset:		
Operating assets	1 887 879	1 571 237
Receivables	-936	-936
Profit and loss account	82 198	104 601
Accrued contract payment	-11 417	-16 558
Pensions	8 728	4 822
Interest rate swap	0	0
Units in general partnerships	-5 846	-16 272
Change in loss carryforward as a result of change in deferred tax 2016	0	-754
Tax base for deferred tax/tax asset in the balance sheet	**1 960 605**	**1 646 141**
Deferred tax asset/deferred tax	431 333	378 786
Deferred tax asset in the financial statements		
Deferred tax	**431 333**	**378 786**
Reconciliation of tax cost		
Accounting result before tax	714 780	603 071
Expected tax cost (23%/24%)	164 399	144 737
Tax cost in the income statement	134 084	130 123
Deviation	-30 316	-14 614
Explanation of deviation:		
23/24% of permanent differences	-7 516	1 581
Change in tax rate (1%)	-19 606	-16 461
Change in tax payable on profit for prior year	-5 593	0
Other differences	2 399	266
Total explained deviation	**-30 316**	**-14 614**

NOTE 14 PENSION LIABILITIES

PARENT COMPANY/GROUP

OCCUPATIONAL PENSION SCHEMES
Fjord1 ASA has group occupational pension schemes for all employees. The schemes meet the requirements of the Norwegian Mandatory Occupational Pensions Act.

DEFINED BENEFIT PENSION SCHEMES
GROUP OCCUPATIONAL PENSION SCHEMES
For accounting purposes, group defined benefit pension schemes are handled in accordance with the Norwegian pensions standard. The schemes provide a right to defined future benefits. These mainly depend on the number of qualifying years, salary, salary at pension age and the level of any payments from the national insurance scheme. The obligation is covered by a scheme with KLP and schemes with other insurance companies. Pension cost and liability/plan assets are shown in the note under Secured pension schemes.

DEFINED CONTRIBUTION PENSIONS
Defined contribution pensions are schemes where the company commits to pay an annual premium. The pension is dependent on the funds paid in and the return on these. For the company, the cost for the year is equal to the year's premiums.

PENSION SCHEMES FOR MARITIME EMPLOYEES IN FJORD1 ASA
Maritime employees have their own contractual defined benefit occupational pension scheme. The scheme is secured and covers 1,084 active employees and 147 pensioners.

In addition to the contractual occupational pension, a defined contribution scheme has been established for maritime employees in accordance with the Mandatory Occupational Pensions Act. The scheme pays out a pension from the age of 67, based on a 2% annual contribution for each member. The company's maritime employees can retire at the age of 60. They are then entitled to a seaman's pension. This is financed by deductions from pay and by contributions from the company. The company's component is classified as a defined contribution pension.

PENSION COSTS, DEFINED BENEFIT SCHEMES

Pension costs:	2018	2017
Present value of pension accruals for the year	4 531	4 420
Interest expenses on the pension liabilities	1 321	1 415
Expected return on plan assets	-1 939	-1 565
Recognised estimate differences	-210	-414
Net pension costs	**3 703**	**3 855**

Change in accrued liability		
Accrued liability at the start of the year	58 249	54 627
Present value of pension accruals for the year	4 531	4 420
Interest expenses on the pension liabilities	1 321	1 415
Estimate changes	-4 250	-1 777
Liability assumed from subsidiary after organisational change	824	
Benefits paid from the schemes	-1 097	-435
Accrued liability at the end of the year	**59 578**	**58 250**

Change in plan assets		
Fair value of plan assets at the start of the year	77 516	63 165
Estimate changes	-5 813	4 946
Return on plan assets	1 939	1 565
Paid in	8 433	8 274
Pensions paid out from schemes	-1 097	-435
Fair value of plan assets at the end of the year	**80 978**	**77 516**

Reconciliation of the pension schemes' funded status with amounts in the balance sheet:		
Net plan assets	21 400	19 267
Unrecognised estimate differences	-12 672	-14 445
Total net plan assets (+) / pension liability (–)	**8 728**	**4 822**

Total net plan assets (+) / pension liability (–) are recognised in the balance sheet as

Overfunded schemes	8 728	4 822
Total net plan assets (+) / pension liability (–)	**8 728**	**4 822**

Number of active employees in the schemes included in the pension calculations:	1 084	988
Number of pensioners in the schemes included in the pension calculations:	147	132

The company's total pension costs (defined benefit and defined contribution)

	2018	2017
Cost of defined benefit schemes according to note	3 703	3 855
Cost of defined contribution schemes	33 301	32 159
Total pension costs	**37 004**	**36 015**

Reconciliation of the company's plan assets/pension liability with the balance sheet:

Assets	2018	2017
Overfunded defined benefit schemes	8 728	4 822
Total plan assets recognised as an asset in the balance sheet	**8 728**	**4 822**

Liability		
Underfunded schemes	0	0
Total pension liability recognised as a liability in the balance sheet	**0**	**0**

Economic assumptions for calculating defined benefit pension

	2018	2017
	%	**%**
Discount rate	2.60 %	2.40 %
Expected pay adjustment	2.75 %	2.50 %
Expected increase in pensions currently paid	0.80 %	0.50 %
Expected base amount adjustment	2.50 %	2.25 %
Expected return on plan assets	4.30 %	4.10 %

NOTE 15 OTHER PROVISIONS

	2018	2017
Provision for contract payment	11 417	16 558
Total other provisions	**11 417**	**16 558**

The provision for contract payment is accrued based on the difference between the repayment period for property, plant and equipment used in contracts with the public sector, and the book depreciation.

NOTE 16 PLEDGES, GUARANTEES, ETC.

	2018	2017
Interest-bearing debt:		
Unsecured		
Bond loan *	1 000 000	1 000 000
Amortised cost	11 750	14 750
Total bond loan	**988 250**	**985 250**
Secured		
Debt to credit institutions	1 842 000	684 727
Amortised cost	39 258	0
Total debt to credit institutions	**1 802 742**	**684 727**
Total long-term liabilities	**2 842 000**	**1 684 727**

* Fair value of bond loan at 31.12.2018 is NOK 1,020,000

Repayment profile, long-term liabilities	Balance at 31.12.2018	Repayments 2019	Repayments 2020	Repayments 2021	Repayments 2022	Repayments 2023	Repayments 2024 or later
Bond loan							
Debt to credit institutions	1 842 000	213 211	242 378	271 545	664 402	57 985	392 479
Total	**2 842 000**	**213 211**	**242 378**	**271 545**	**1 664 402**	**57 985**	**392 479**

	2018	2017
Total debt with terms longer than 5 years	392 479	0

The interest on the bond loan is regulated each quarter in accordance with 3M NIBOR, which averaged 1.06% in 2018 with a margin of 3.50%. The interest rate on other debt to credit institutions at 31.12.2018 is 6M NIBOR, which averaged 1.19% in 2018, with the margin varying from 1.60% to 2.35%.

Financial covenants

The terms of the major loan agreements require the group to comply with the following financial covenants:

- NIBD/EBITDA must not exceed 4.25
- Equity ratio above 25%

The bond loan includes the following financial covenants:

- Minimum equity ratio of 22.5% for the six-quarter period starting 1 January 2019 and 25% at any other time
- Minimum liquidity of NOK 75 million

Since the loan is at floating interest and has a stable credit margin over time, the fair value of long-term debt to credit institutions is not considered to deviate significantly from the carrying amount.

Interest accrued at 31.12.2018 is NOK 18.726 million, but this is classified as short term, as it falls due for payment within six months of the reporting date.

Total guarantee liabilities, surety, guarantee for transport licences etc.	1 308 830	548 718

There are no guarantee liabilities other than those listed above. All the guarantee liabilities are via Nordea and DnB.

Carrying amount of assets pledged as security		
Buildings and land	0	40 505
Ships	5 128 937	3 669 216
Total	**5 128 937**	**3 709 721**

The Fjord1 group's liquidity is organised in a group account scheme with Nordea. The group account system has been set up to contribute to optimal liquidity management in the Fjord 1 group. Fjord1 ASA is the group account owner and thus the owner of the bank deposits. The group account incorporates the companies' operating accounts, and all the companies are jointly and severally liable for deposits in the group account scheme.

The subsidiaries' detail accounts are formally treated as receivables from and debt to the parent company, Fjord1 ASA. Contributions to the group account are classified as receivables from group companies in the balance sheet, while drawdowns on the group account are classified as debt to group companies in the balance sheet. The total credit balance in the group's group account scheme at 31.12.2018 was NOK 140.2 million.

With regard to tax-withholding accounts, Nordea has issued a guarantee to the respective tax offices for the tax liability of NOK 56 million. Other than this arrangement, there were no locked-in amounts for withholding tax at 31.12.2018. On 4 February 2019, this guarantee was increased by NOK 4 million to NOK 60 million.

In February 2018, bank loans in Fjord1 ASA were refinanced by means of a syndicated loan via Nordea and DnB. From this date forward, there is no long-term debt linked to the former group agreement.

NOTE 17 OTHER SHORT-TERM LIABILITIES

	2018	2017
Card database, maritime companies	385 772	363 042
Pay and holiday pay due/accrued	132 091	122 582
Accrued interest/hedging transactions	21 531	7 849
Other short-term liabilities	39 226	53 706
Total other short-term liabilities	**578 619**	**547 179**

NOTE 18 SALARIES AND SOCIAL SECURITY COSTS

	2018	2017
Wages	666 467	626 102
Employer's contribution	93 918	96 169
Pension costs	41 245	44 785
Other benefits	45 673	49 291
Total wages	**847 304**	**816 347**
Number of employed FTEs	1 105	1 056

The pension schemes are funded via insurance companies and KLP. The total pension costs for Fjord1 ASA recognised in the income statement are NOK 33.3 million.

The company's pension plans are in compliance with the provisions of the Mandatory Occupational Pensions Act.

No loans have been provided/security put up for the CEO, chairman of the board or other related parties. No loans have been provided/security put up representing more than 5% of the company's equity.

Payments to senior management	CEO	Board of Directors/ corporate assembly
Wages	2 437	2 489
Bonus	600	0
Pension costs including actuarial costs for 2018	2 024	0
Other remuneration	836	0
Total	**5 896**	**2 489**
Pension liability	4 875	0

The CEO is appointed and receives a salary from F1 Administrasjon AS, and is entitled to severance pay equal to 12 months' ordinary salary if his contract is terminated by the company, or if he gives notice in connection with significant changes in control or changes in business strategy and running of the company. No other members of corporate management or the Board of Directors have contracts that provide significant benefits in connection with termination of contract.

The company has no liabilities linked to share-based remuneration for employees or employee representatives.

As of today's date, the company has formal agreements in place on bonuses or share-based remuneration or other benefits for the Senior Management.

Auditor (NOK 1000 excl. VAT)	2018	2017
Statutory audit (including technical assistance with financial statements)	1 982	1 258
Tax advice (including technical assistance with tax declaration)	46	61
Attestation services	59	86
Other services	863	1 092
Services purchased from auditor *	**2 950**	**2 497**

* In 2018, NOK 1.2 million of this related to the new auditor PricewaterhouseCoopers AS and NOK 1.7 million to the previous auditor Ernst & Young AS.

NOTE 19 ITEMS THAT HAVE BEEN COMBINED IN THE FINANCIAL STATEMENTS

Other operating expenses	2018	2017
Repairs and maintenance	203 792	246 278
Fuel	513 507	371 315
Ship costs	218 898	199 166
Service costs	38 130	29 029
Other operating expenses	229 927	202 865
Total other operating expenses	**1 204 254**	**1 048 653**

NOTE 20 OTHER FINANCIAL INCOME

	2018	2017
Foreign exchange gains	605	1 022
Share/customer dividends	83	6 002
Gain on realisation of shares	75	0
Other financial income	33	250
Total other financial income	**795**	**7 274**

NOTE 21 LEASES

	Duration	Expensed lease payments
At the end of 2018, the group had various leases for ships/passenger boats and other operating equipment:		
Leases for ships and passenger boats, external	2021	82 616
Vehicle leases	2021	450

NOTE 22 HEDGING CONTRACTS AND OTHER FINANCIAL EXPENSES

Interest rate:

	2018	2017
Fixed-rate interest-bearing debt (cash-flow hedging)	139 500	303 250

The fixed rate on the Group's agreements varies, and the agreements have varying terms up to and including 2019.

Unrealised, unrecognised loss on interest rate swaps is as follows:	-5 335	18 470

Currency hedging:

	2018	2017
Unrealised, unrecognised gain/loss on currency hedging is as follows:	30 085	

Oil and LNG	2018	2017
Average hedged volumes of oil and LNG in the period 2013- 2019	10 %	22 %
Unrealised, unrecognised gain/loss on hedging agreements is as follows:	-504	-12 133

Specification of other financial expenses:	2018	2017
Decrease in value of interest rate hedging	12 591	13 466
Currency expenses (exchange loss)	501	1 506
Other financial expenses	9 276	5 000
Total other financial expenses	**22 368**	**19 972**

NOTE 23 OTHER INFORMATION

Fjord1 ASA is entitled to compensation for loss of transport revenue as a consequence of the client changing the conditions for the discount structure and fare zones beyond what was set out in the tender. Since 2010, no final settlement by the client has been made for some contracts. For these contracts, annual compensation is paid out that is recognised as income. The payments from the client since 2010 have been made subject to conditions. The choice of model used could affect the final level of compensation.

The company's best estimate has been used. Discount compensation paid out is mainly recognised as income.

NOTE 24 SPECIFICATION OF REVENUE FROM SALES AND CONTRACTS

Fjord1 ASA's revenue derives mainly from ferry operations, passenger boats, leasing vessels for tourism purposes and sale of kiosk goods on board ferries.

The ferry segment covers operations in Norway where the routes are subject to contracts. Kiosks are operated on board the ferries in these geographical areas. As well as ferry operations, the company operates local passenger boat routes in Sogn og Fjordane.

Vessels that are leased to tourism businesses operate on the UNESCO World Heritage fjords: the Nærøyfjord and the Geirangerfjord.

Sales	2018	2017
Ferry operations	623 933	665 530
Passenger boats	1 661	37
Sale of kiosk goods (catering)	192 008	188 746
Tourism	368	0
Other areas	71	0
Total sales income	**818 040**	**854 313**

Contract income	2018	2017
Ferry operations	2 138 554	1 803 139
Passenger boats	102 818	93 820
Total contract income	**2 241 372**	**1 896 958**

Other operating income	2018	2017
Rental income	23 773	31 523
Gains on disposals of operating assets	1 183	4 403
NO_x refund	2 281	2 163
Other income	7 190	5 298
Total contract income	**34 427**	**43 387**

NOTE 25 KEY FIGURES

		2018	2017
Return on total assets (1)	%	11,8 %	12,2 %
Operating margin (2)	%	25,2 %	23,1 %
Equity ratio (3)	%	28,1 %	37,7 %
Return on equity (4)	%	32,3 %	30,6 %
Liquidity ratio (5)	%	33,7 %	67,8 %
Debt-servicing capacity (6)	this year	2,7	2,5
Market funding (7)	%	27,6 %	32,1 %

1) Return on total assets:	Profit for the year + financial expenses / average total assets
2) Operating margin:	Profit after depreciation and amortisation / total operating income
3) Equity ratio:	Equity / total assets
4) Return on equity:	Profit for the year / average equity
5) Liquidity ratio:	Current assets / short-term liabilities
6) Debt-servicing capacity:	Average net interest-bearing liabilities / profit of the year + ordinary depreciation
7) Market funding:	Total operating income – contract income on route operations / total operating income

STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We hereby confirm that, in our opinion, the financial statements for Fjord1 ASA for the period 1 January to 31 December 2018 have been prepared in accordance with the current financial standards and that the disclosures in the financial statements provide a fair view of the parent company's and the Group's assets, liabilities, financial position and result as a whole.

Further, we believe the Board of Directors' report provides a fair review of the development, result and financial position of the parent company and the Group, together with an outline of the key risks and uncertain factors facing the business in the coming financial period, and information on any material transactions with related parties.

Florø, 20 March 2019

Vegard Sævik
Chairman of the Board

Per Rolf Sævik
Director

Siri Hatland
Director

Siri Beate Hatlen
Director

Frederik Wilhelm Mohn
Director

Atle Olav Trollebø
Director

Geir Offerdal
Director

Dagfinn Neteland
CEO

To the General Meeting of Fjord1 ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fjord1 ASA, which comprise:

- The financial statements of the parent company Fjord1 ASA (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Fjord1 ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in 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 2018, 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 2018, 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 accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of vessels	
At 31 December 2018, the Group had vessels with a book value of NOK 5,244 million and a vessel held for sale with a book value of NOK 174 million. The value of vessels are a substantial part (approximately 80%) of total assets in the Group's financial statements. We focused on this area because a potential impairment could have a significant impact on the book value of the Group's assets, and that the impairment assessment involves significant management judgement. Management has identified indicators of a potential impairment or a reversal of previously recognised impairment. The recoverable amount was calculated based on fair value less costs to sell. Each contract and vessels allocated for the specific contract were deemed to be a cash generating unit (CGU). Use of judgement is in particular related to discount rate (WACC), future revenue from ferry contracts, operating expenses, capital expenditures and net realisable value of the vessels at the end of contract. The impairment assessment resulted in an impairment of NOK 84 million related to a vessel not designated for any ferry contracts and a reversal of a previously recognised impairment of NOK 84.6 million. Net effect on the financial statements was thus limited. Reference is made to note 2 and 10 in the Group financial statements where the impairment assessment is explained, included a description of key assumptions.	We evaluated and tested the design and operating effectiveness of key controls in relation to impairment testing, with particular focus on the controls over external documentation supporting key assumptions applied in the impairment assessment. We reviewed management's identification of cash generating units, and found these to be in accordance with the requirements in IFRS. We assessed key assumptions on future revenue from ferry contracts, operating expenses, capital expenditures and net realisable value of the vessels at the end of the contract. In order to evaluate assumptions on revenue, we reconciled revenue from ferry contracts to existing contracts and compared tender offers. Furthermore, we compared the operating expenses to historical operating expenses and compared profit in 2018 per contract with budgeted profit for 2018. We found that revenue and operating expenses was reasonable compared to revenue in existing contracts and that operating expenses was reasonable compared to historical operating expenses. The applied discount rate was assessed by comparing the different input parameters in the dicsount rate to observable market data were applicable, and internal data. We found the applied discount rate to be within a range of reasonable outcomes. We evaluated external broker estimates obtained by management to assess assumptions on future net realisable value of the vessels at the end of the contracts. In order to evaluate external broker estimates we also compared historical sale of vessels to historical broker estimates. We found expected net realisable values to be reasonable compared to broker estimates and historical values. We performed sensitivity analysis on key assumptions in the impairment assessment, and found the impairment assessment to be sensitive to changes in WACC and net realisable value of vessels at the end of contracts. We reconciled the sensitivity analysis to information presented in notes.

We evaluated the appropriateness of the related note disclosures in the financial statements and found that they satisfied IFRS requirements.

Other information

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

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation 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.

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

Bergen, 20 March 2019

PricewaterhouseCoopers AS

Fredrik Gabrielsen

State Authorised Public Accountant

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

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