fjord1

ANNUAL REPORT **2019**

www.fjord1.no

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Framsidefoto: Øystein Torheim, Frequency.no / Photoshop: Trygve Johan Solheim, Frequency.no

ABOUT FJORD1 ASA

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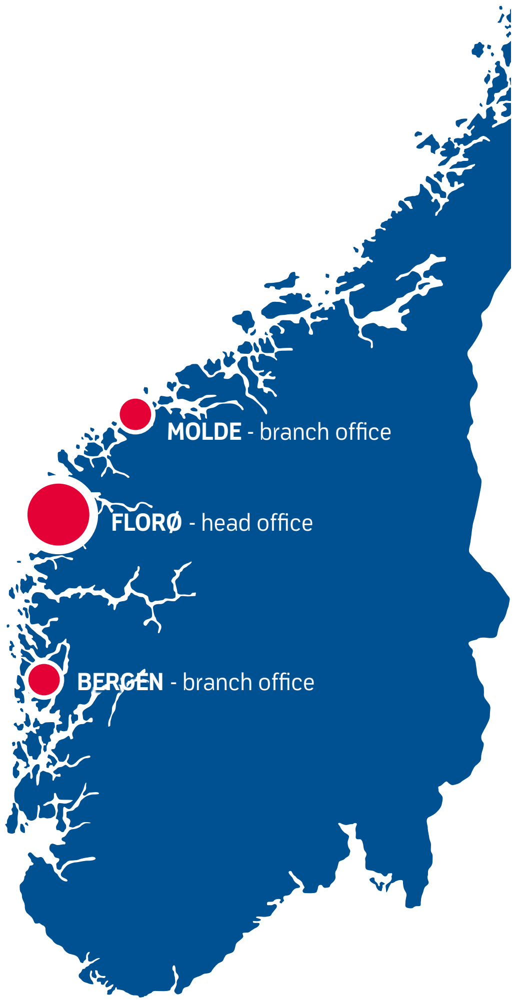
THIS IS FJORD1

Fjord1 ASA aims to be the safest and most attractive provider of environmentally friendly ferry and passenger boat transport for customers, clients and partners. Fjord1 is the leading operator in the Norwegian ferry market, and also has activities within passenger boat services, catering and tourism.

Fjord1 is an innovative company with big ambitions to succeed in the “green shift”. By working continuously to develop world-class newbuilds, Fjord1’s vision is to be unsurpassed in environmentally friendly and reliable transport.

2019 saw the biggest-ever ferry upgrade programme. Environmental criteria have been made more rigorous in recent years, and all new contracts now require zero- and low-emissions technology. Fjord1 has delivered nine fully electric vessels in 2019, and the portfolio will continue growing in 2020. At the same time, several of the company’s existing vessels are being upgraded. 2019 has been a transitional year, with high investments linked to newbuilds and conversions.



SAFE AND ENVIRONMENTALLY FRIENDLY OPERATIONS

Fjord1 has a zero vision for loss of life, personal injuries, large-scale emissions and substantial damage to assets. 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.

The company bases this on:

- An active safety system that emphasises development and corrective actions.
- A clear environmental focus, avoiding emissions into the marine environment, using environmentally friendly technology and having procedures in place for dealing with substances harmful to the environment.
- Developing the organisation such that expertise matches needs to the greatest extent possible.
- A team philosophy centred on unified use of resources.
- Clearly defined and communicated responsibilities and authorities.
- An inclusive management that attaches importance to the individual employee's development and involvement.

A VALUES-BASED COMPANY

Fjord1 shall be an attractive employer, a safe company to invest in, a preferred partner and an operator that safely conveys passengers across the Norwegian fjords. The company's values reflect who our employees are and how we work.

CHEERFUL

PROFITABLE

OPEN AND HONEST

WORKING TOGETHER AND TEAM SPIRIT

RELIABLE

PROUD

KEY FIGURES

FTES
1056

VESSELS
79

PASSENGERS
19.9 MILLION

VEHICLES
9.9 MILLION

REVENUE
2.7 BILLION

BALANCE SHEET TOTAL
9.2 BILLION

EQUITY
2.3 BILLION

PRE-TAX PROFIT
253 MILLION

EBITDA
818 MILLION

INVESTMENTS
2.4 BILLION

" Fjord1 is an innovative company with big ambitions to succeed in the “green shift" "

Foto: Øystein Torheim, Frequency.no

FROM THE CEO

2019 was another year of very high operational activity for Fjord1, although the ferry traffic volumes were somewhat lower than in 2018. We put in a lot of effort during the year to be ready for 1 January start-up of new contracts, and I was glad to see that we were fully operational right from the start.

From the beginning of this year, we operate 13 ferry contracts on Norwegian fjord crossings. This makes us a cornerstone of Norwegian coastal transportation with a market share of nearly 50%. Last year, we transported 20 million passengers and 10 million vehicles, tying together local communities with safe, reliable and increasingly environmentally friendly transportation solutions.

2019 was also a very active year in the ongoing transformation of our ferry fleet. We took delivery of 9 new hybrid vessels and have had three more vessels delivered in the first months of 2020. We also upgraded three of our older vessels last year. This move to electricity also meant a very high onshore activity level last year, with the building of quays and infrastructure for vessel charging. The vessel investment program takes us from less than 5% low- and zero emission vessels at the end of 2017 to more than 35% during 2020. This makes us one of the most environmentally friendly short-haul ferry services providers in the world and represents a significant contribution to the national climate targets.

Environmental, social and economic factors have been part of Fjord1 operations and business decisions for a long time. However, we want to increase transparency about the impact of our business. In 2019, we initiated development of a sustainability strategy focusing on the most material issues for the company and our stakeholders. Responsible long-term value creation will be the backbone of our sustainability strategy and the work will continue in 2020.

Our total revenues amounted to NOK 2.7 billion in 2019, and with the new contracts we expect revenue to increase by 10-15% this year and bring us back to the level of 2018. However, 2020 will also be impacted by the start-up and phase-in of these long-term contracts. Our contract portfolio now stretches through 2033 and has a total value of NOK 24.5 billion excluding index regulation and options.

We believe we will have the opportunity to increase the contract portfolio in the years to come, through ferry and passenger boat tenders in existing and new parts of Norway. We also see the ferry market changing beyond Norwegian borders. This will open new opportunities for Fjord1, as we should be well positioned to utilise our technology and environmental experience to compete in international tenders.

Right now, we see the current coronavirus outbreak impacting people and businesses everywhere. Our main concern in this matter is the safety and health of our passengers and employees, who can rest assured that we operated and will continue to operate in full compliance with all regulations and recommendations from national and local authorities. Ferries are a vital part of the infrastructure along the coast of Norway, and keeping our crew healthy and continuing a safe and predictable ferry service offering is the best way for us to fulfil our social responsibilities.

The impact from the coronavirus on our ferry business is so far limited, due to our infrastructure role and contract structures that insulate the ferry revenue from changes in traffic volumes. However, we have temporarily stopped our Catering and Tourism activities and expect a weak summer season for the Tourism segment. However, we hope that the coronavirus will be pushed back forcefully, and although international tourism is likely to be at low levels, we could perhaps hope that Norwegians will take the opportunity to enjoy the beauty of coastal Norway this summer season. In the meantime, we are monitoring the corona situation closely, acting accordingly, and preparing for new travel business opportunities for the 2021 season.

We look forward to another eventful year as Fjord1 continues to move forward at speed.

Dagfinn Neteland
CEO of Fjord1

2019 IN BRIEF

Q1

Four new ferry contracts started up on 1 January 2019: Hareid-Sulesund, Brekstad-Valset, Arsvågen-Motavika and Daløy-Haldorsneset. The first two of these services are new to the company, while the other two are - continuation of previous contracts. In the same quarter, the company took delivery of MF «Suløy» and MF «Giskøy», the sister ferries that are to service the Hareid-Sulesund route.

JANUARY

On 1 January, AutoPASS was introduced on the Arsvågen-Mortavika and Anda-Lote services.

January: Fjord1's svele (Norwegian pancakes) were named "most popular recipe 2018" on the Norwegian food website www.godt.no

FEBRUARY

MF «Austrått» and MF «Vestrått» were christened at Brekstad ferry quay on 18 February

MARCH

MF «Hadarøy», MF «Suløy» and MF «Giskøy» were christened in March

APRIL

Fjord1's pensioners' association was renamed "Fjord1 Pensioners' Association South" in April

MAY

Employee conference for all admin employees held in May

Jubilee event on 25 May for employees with 25 years' service, who were presented with gold clocks, and former employees who had retired in 2018

May: Fjord1 set itself the goal of achieving ISO 50001 certification by the end of the year

JUNE

June: Vy-gruppen and Fjord1 formed a new tourism company: Vy Fjord1 Reiseliv AS

Q2

In the second quarter, Fjord1 secured continuation of the Halsa-Kanestraum connection. The contract covers the period 2021–2030 (with an option of 18 months). Pioneering testing was carried out on the Krokeide-Hufthamar service involving a 6.2 MW charge, the most powerful ever used for ferries. In the second quarter Fjord1 and Vy (previously NSB) established the joint venture Vy Fjord1 Reiseliv AS. The company`s name was later changed to Fjord Tours Group AS.

Q3

The ongoing upgrade and renewal programme created a high level of activity throughout the organisation. Work on infrastructure and development of charging stations also generated new work, which is expected to continue in 2020. Fjord1's modernised low-emissions fleet continued to grow, with delivery of MF «Rovdehorn», the first of two newbuilds for the Magerholm – Sykkylven route and MF «Samlafjord», the new vessel for the Jondal-Tørvikbygd route. In addition, preparations were made to welcome 250 new employees to work on the ferries from the start of 2020 (linked to start-up of nine new services in Hordaland).

JULY

AUGUST

August: Fjord1 welcomed Prime Minister Erna Solberg on board MS «Fjordglytt»

SEPTEMBER

2 September: MF «Kommandøren» christened

September: Fjord1 received a bonus from its client for exceptionally good operation of individual services in Hordaland (part of Region 4).

OCTOBER

9 October: Fjord1 moved to an electronic booking system for car reservations on services in the Flora basin. This offers passengers a number of new benefits, and has received positive response

NOVEMBER

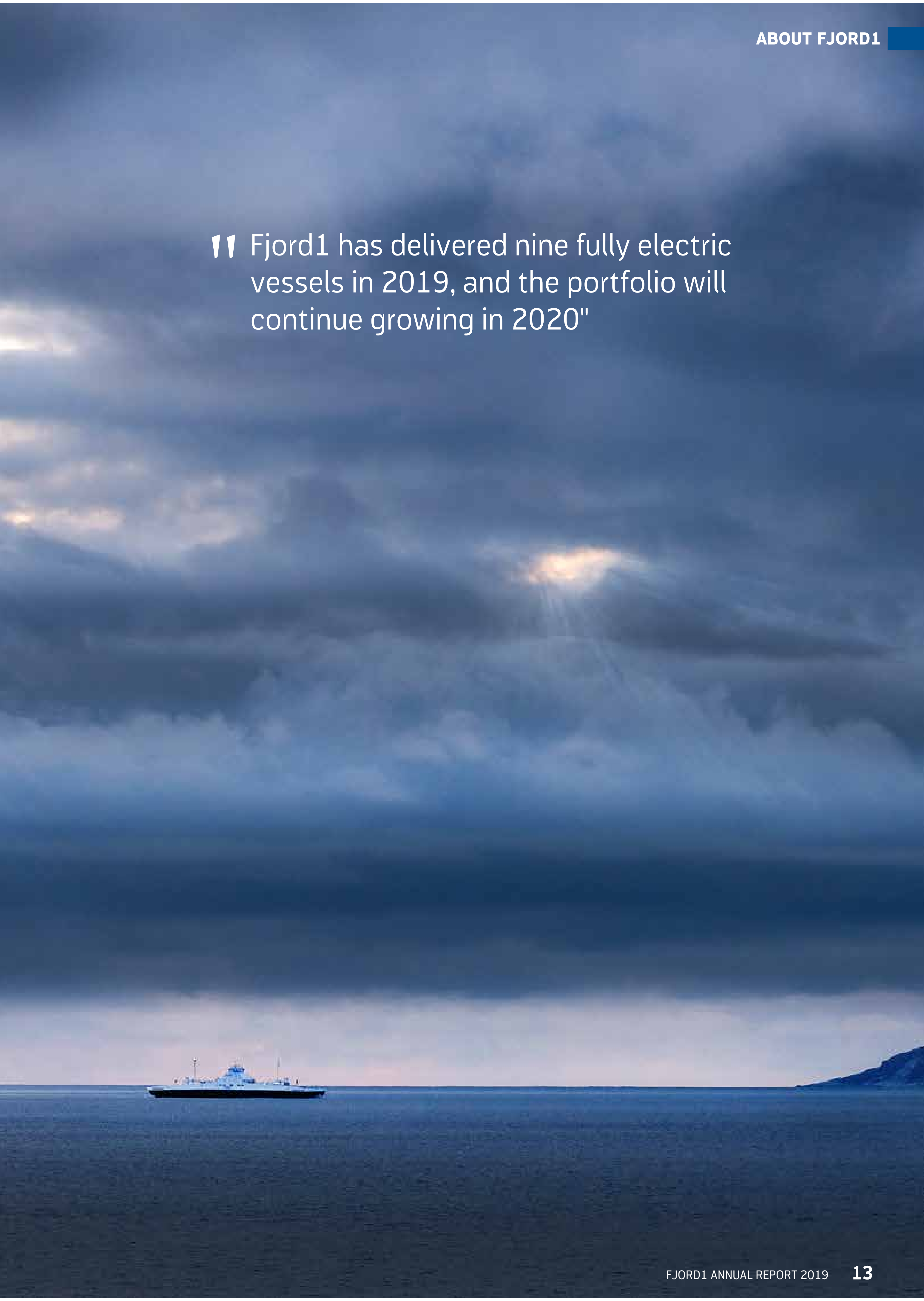
MF «Skopphorn» and MF «Rovdehorn» were christened in November

DECEMBER

Q4

The final quarter of the year continued the same pattern, with delivery of fivenew ferries: MF «Skopphorn» and MF «Hillefjord» were delivered in October, MF «Eresfjord» in November, followed by MF «Tustna» and MF «Fedjebjørn» in December. The company had scheduled delivery of more vessels this quarter but seven ferries were delayed until Q1 2020. Progress was made on the projects, and newbuilds were launched in Turkey. Apart from the newbuild programme, courses and skills development were under way both for new employees from 2020 and for managers. The annual apprentice conference was held, and the last ferry christening of the year took place in November.


Foto: Øystein Torheim, Frequ



> " Fjord1 has delivered nine fully electric vessels in 2019, and the portfolio will continue growing in 2020"

"The company is building for the future, developing a modern ferry fleet for safe, reliable and environmentally friendly transport"

ABOUT THE COMPANY AND ITS STRATEGY

Fjord1's overall strategy is to remain the leading ferry company in Norway with a continued strong contract portfolio. Activities that promote growth and profitability are prioritised in line with the company's strategy and financial targets.

The company is building for the future, developing a modern ferry fleet for safe, reliable and environmentally friendly transport. Once half the ferry fleet is running on LNG or electricity (within the first half of 2020), this shift will bring about a significant reduction in emissions. In line with society at large, the company takes a conscious approach to corporate social responsibility in the areas of energy and the environment.

In 2019, Fjord1 started developing its own strategy for sustainability. This will be continuously worked on for years to come and be part of the company's overall strategy. This will be claryfied in part of Corporate Social Responsibility.

As part of the overall strategy process, work is under way to develop Fjord1 through a clear emphasis on leadership, employee follow-up and development.

The company has defined "overall ambitions", which guide the company's strategy:

Have the most highly skilled and motivated employees in the industry

Be the industry leader

Place emphasis on safety and good customer experiences

Be recognised for modernisation, innovation and quality

Develop managers and employees at all levels of the organisation

Operations and segments

FERRIES

The ferry segment covers operation of ferry routes in Norway, most of them in the west of the country. Fjord1 is the leading Norwegian ferry operator with a market share of close to 50%. In 2019, the company operated six of the ten services in Norway with the highest passenger numbers. There was a high level of activity in the ferry segment in 2019, and operational regularity was good.

RESULTS FOR THE FERRY SEGMENT 2019

REVENUE

2,4 BILLION

EBITDA

739 MILLION

BEFORE TAX

380 MILLION

List of vessels (at 31.12.2019)

Name	Built	PCE
Driva	1963	29
Ørsta	1964	25
Goma	1968	29
Bolsøy	1971	38
Tingvoll	1972	35
Veøy	1974	50
Sykkylvsfjord	1975	36
Kvernes	1976	35
Aurland	1977	35
Solnør	1977	36
Aukra	1978	36
Eid	1978	35
Nordmøre	1978	52
Sunnfjord	1978	46
Bjørnsund	1979	61
Geiranger	1979	36
Stordal	1979	51
Stryn	1979	81
Solskjel	1981	35
Sogn	1982	110
Sognefjord	1984	64
Dalsfjord	1986	28
Sulafjord	1986	106
Selje	1986	58
Rauma	1988	73
Romsdal	1988	87
Gulen	1989	90
Svanøy	1992	89
Ivar Aasen	1997	70
Lærdal	1997	77
Glutra	2000	120
Nordfjord	2001	54
Eira	2002	100
Volda	2002	80
Julsund	2004	99
Dryna	2005	35
Harøy	2005	35
Lote	2006	120
Bergensfjord	2006	212
Stavangerfjord	2006	240
Fanafjord	2007	212
Mastrafjord	2007	240
Raunefjord	2007	212
Årdal	2008	105
Vågsøy	2008	31
Davik	2009	45
Moldefjord	2009	128
Fannefjord	2010	128
Korsfjord	2010	128
Lifjord	2010	110
Norangsfjord	2010	120
Romsdalsfjord	2010	128
Boknafjord	2011	240
Hjørundfjord	2011	120
Storfjord	2011	120
Edøyfjord	2012	50
Hornelen	2016	60
Losna	2016	60
Gloppefjord	2017	120
Eidsfjord	2017	120
Møkstrafjord	2018	130
Husavik	2018	45
Horgefjord	2018	120
Austrått	2018	50
Vestrått	2018	50
Hadarøy	2018	120
Kommandøren	2018	120
Suløy	2019	120
Giskøy	2019	120
Rovdehorn	2019	120
Samlafjord	2019	130
Skopphorn	2019	120
Hillefjord	2019	83
Eresfjord	2019	120
Tustna	2019	80
Fedjebjørn	2019	50

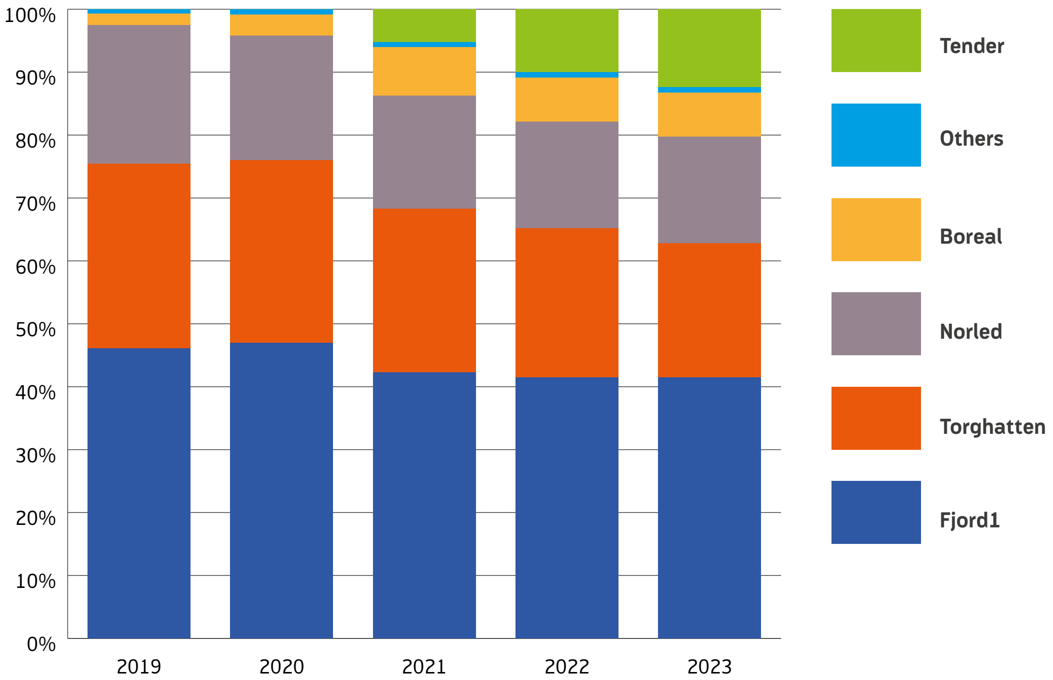
Passenger boats	Built	Passengers
Fjordglytt	2000	81
Sylvarnes	2000	70
Tansøy	2006	96

Ships under construction	Scheduled delivery	PCE
TBN 1	Q1 2020	80
TBN 2	Q1 2020	83
TBN 3	Q1 2020	83
TBN 4	Q1 2020	50
TBN 5	Q1 2020	50
TBN 6	Q2 2020	50
TBN 7	Q2 2020	50
TBN 8	Q3 2021	120

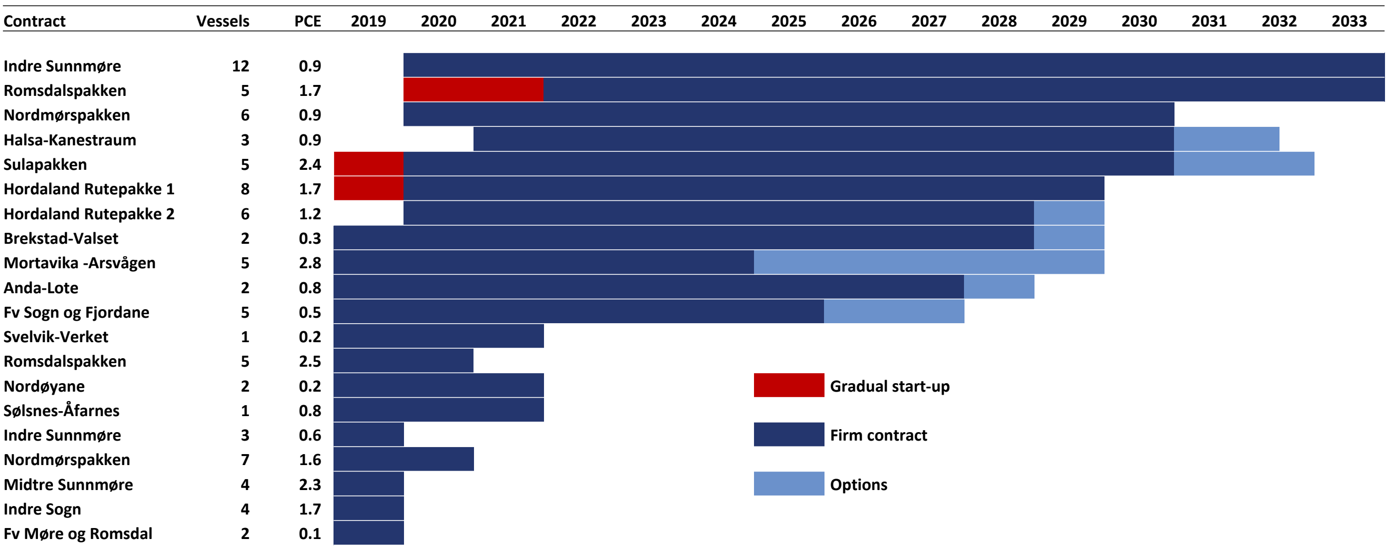
THE 10 ROUTES WITH THE HIGHEST TRAFFIC VOLUMES IN 2019

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

MARKET SHARE BY PCE
(INCL. CONTRACTS NOT AWARDED)



FERRY CONTRACT OVERVIEW



*Total contract colume, including the three Passenger Boat contracts. NOK 24.5 billion excl. options and index regulations

Foto: Øystein Torheim, Frequency.no

"Fjord1 is the leading Norwegian ferry operator with a market share of close to 50%"

PASSENGER BOATS

Fjord1 operates local passengerboat routes in Sogn og Fjordane. The company owns three passenger and combiboats, and leases a further ten from subcontractors. Some of the boats carry both passengers and cars, while others carry passengers only.

In October 2019, Fjord1 moved to an electronic booking system for car reservations on services in the Flora basin. This has been a positive development for both passengers and the Service Centre, with the number of telephone bookings down significantly in the last three months of the year.

The contracts for the local passenger boat routes have been in place since 1 May 2012 and run for eight years, and a option of two years has been declared. .

RESULTS FOR THE PASSENGER BOATS 2019

REVENUE

115 MILLION

EBITDA

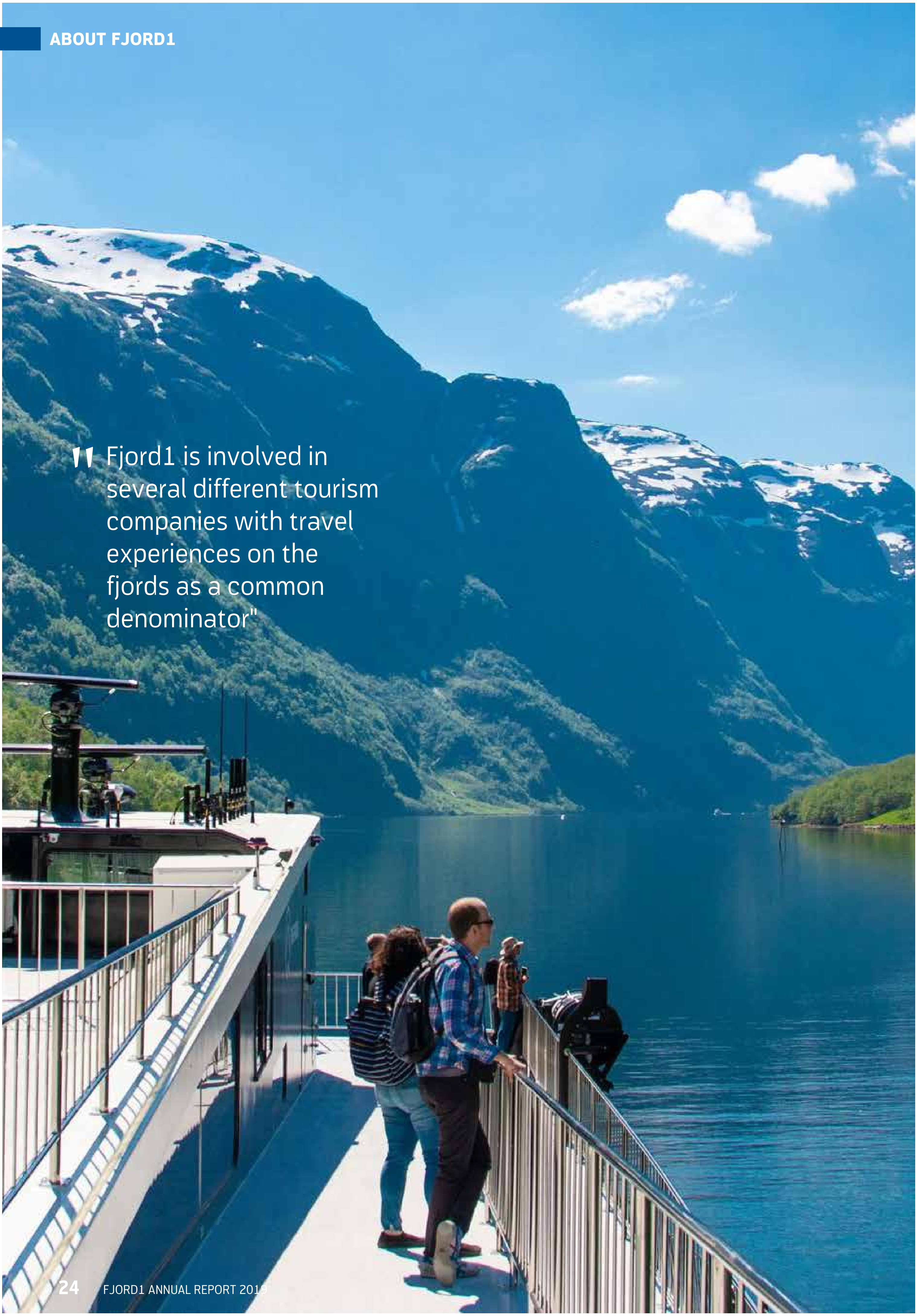
56 MILLION

BEFORE TAX

2 MILLION


Foto: Øystein Torheim, Frequency.no


Foto: Øystein Torheim, Frequency.no



"Fjord1 is involved in several different tourism companies with travel experiences on the fjords as a common denominator"

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, the company has achieved good results in this segment.

FJORD TOURS GROUP AS

Fjord Tours Group AS was established in June 2019, with Fjord1 and the Vy-Gruppen each holding a 50% stake. The tourism company is headquartered in Bergen. Fjord Tours Group AS shall help to create growth in local tourism and local jobs, and improve interaction between national, regional and local tourism players.

Fjord Tours Group AS will offer seamless sustainable round trips in Norway based around public transport services. Targeted national and international marketing will take the company's travel offer to more customers, ensuring a stable flow of customers throughout the year as well as safeguarding value creation in local communities.

Fjord Tours Group AS owns 74% of the shares in Fjord Tours AS and 30.5% of the shares in Geiranger Fjordservice AS.

Fjord Tours AS 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 a digital sales channel for B2B that it uses as a platform for sales and marketing.

By working closely with several providers, Geiranger Fjordservice aims to make Geiranger an attractive destination offering travel experiences on the fjord and activities in the area. The company's primary product is the passenger boats operating round trips on the Geirangerfjord. Geiranger Fjordservice


Foto: Øystein Torheim, Frequency.no

also provides bike and car hire, and can offer transport, guiding and various activities.

THE FJORDS
Fjord1 and Flåm AS founded The Fjords in 2015, with both companies having an equal stake of 50%. By focusing on fleet renewal and product development, The Fjords shall enhance fjord-based experiences for tourists visiting Fjord Norway.

The Fjords has attracted a high level of attention both nationally and internationally thanks to its two unique vessels: M/S Vision of The Fjords and M/S Future of The Fjords. Both vessels have been purpose built for sightseeing on Norwegian fjords, with the design inspired by mountain paths along the fjord.

The Fjords operates on the Geirangerfjord, Hjørundfjord, Nærøyfjord, Sognefjord, Lysefjord and Oslofjord. The company is expanding its geographical reach and has new vessels on order. M/S Legacy of The Fjords – the sister ship to M/S Future of The Fjords – is under construction, with delivery scheduled for June 2020. This vessel is intended for use on the Oslofjord, which is the newest of the markets in which The Fjords is investing. The Fjords is in a growth phase and the level of ambition is high. Establishing the company is an important, long-term investment, where factors such as the environment and sustainable development are key.

RESULTS FOR THE TOURISM SEGMENT 2019

REVENUE

18 MILLION

EBITDA

0,4 MILLION

BEFORE TAX

-1 MILLION

CATERING

Fjord1 concentrates on providing a high-quality food offer through its in-house catering concept, Ferdamat. The food on board 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 works continually to reinvent itself by launching new products, and coming up with good campaigns and tempting offers. The company also strives to offer products that accommodate various food allergies and preferences (e.g. vegetarian). Gluten- and lactose-free alternatives 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 has increased its focus on environmentally sustainable products. A number of initiatives were introduced in the catering segment in 2019, for example using environmentally friendly packaging.

Fjord1's foremost signature product within its catering range is its svele – traditional Norwegian pancakes – with approximately 800,000 sold in 2019.

Self-service kiosks

New technology is also making its presence felt in the catering segment. Fjord1 is the leader in the maritime ferry industry in terms of using new technology in catering. Since the first self-service kiosk opened in 2018, the company has opened a total of 22, ten of these in 2019. The move has been a success, with both the company and customers appreciating a 24-hour offer.

Several of the vessels where self service kiosks have been installed, previously had no on-board catering. In other words, the new kiosks have expanded the catering offer such that more passengers can now enjoy food and drink on board.

In addition, the staffed kiosks now have self-service checkouts, making the offer available outside the staffed opening hours. These checkout solutions also serve to relieve pressure in busy periods, leading to shorter queues and more satisfied customers.

RESULTS FOR CATERING 2019

REVENUE	EBITDA	BEFORE TAX
135 MILLION	15 MILLION	11 MILLION

STRATEGY - GOALS, COURSE AND PRIORITIES

Fjord1's goals are in many ways decisive for its underlying strategy. These goals are important management parameters for the entire organisation.

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 the company an attractive workplace for potential new employees
- be a preferred partner for our clients
- deliver solid financial results and practise healthy business management, with quality in all processes

The outlook for the company is promising, given the strong contract portfolio totalling NOK 24.5 billion running to 2033 inclusive (excluding potential options and indexation). This provides a sound basis for continued stable operations for many years to come.

The company has long experience of ferry operations, broad market know-how, flexibility in the fleet and, not least, good investment capacity. This is a position that the company will work to maintain, which is why efforts are also focused on the company bringing in new skills and know-how in the years ahead. Fjord1 shall be known as a company that looks after – and develops – its employees. A shared focus on employees and managers will remain a priority in the years ahead.

Competitive
In 2019, Fjord1 won important environmental contracts as well as starting up several new services. Parts of the market will be put out to tender in the next few years. The company wants to be well positioned to participate in these tender competitions, with a clear goal of being competitive. In 2019, Fjord1 took part in the competition for the first hydrogen ferry tender. Although not successful, valuable experience was gained for the future.

Innovation
Fjord1 wants to be at the forefront regarding innovation, the environment and technology. In recent years, the company has been 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. Fjord Tours Group AS was established in 2019, focusing among other things on year-round tourism, environmentally friendly tourism and new destinations. Another clear objective of the tourism company is to create a strong sales and marketing portal that will market Norway as an environmentally friendly tourist destination, as well as internationally.

Safe and stable operations
Cost efficiency and profitable operations will thus be key in the period until 2020. Fjord1 shall continue to deliver good results, first and foremost by ensuring safe and stable operations.

Operating revenue in 2020 is expected to rise by 10-15% compared with 2019. This relates in particular to start-up of nine new services in Hordaland, something that will have positive ripple effects in light of the revenues generated.

NIBD is also expected to continue to rise before falling again later in 2020 thanks to improved cash flow, lower investments and sale of infrastructure.

Where 2019 has been a "transitional year" with high investments linked to newbuilds and conversions, the top priority in the next few years will be safeguarding the portfolio by ensuring safe and stable operations.

FJORD1'S EXECUTIVE TEAM

DAGFINN NETELAND
CEO

Dagfinn Neteland has been CEO of Fjord1 since January 2017, having previously held this position from 2014 to 2015. Neteland has a background in the transport and banking industries, and has also been CEO of Tide ASA, HSD ASA and Gjensidige Vest, and Regional Manager for Nordea.

Current board and executive positions:
General Manager: Fjord1 ASA, F1 Administrasjon AS, Norheimsund Skiheis AS, Dato Invest AS. Chairman: Norheimsund Skiheis AS, Presis Vegdrift AS, Fjord Tours AS, Baneservice AS, Presis Infra AS, Dato Invest AS. Board member: Geiranger Fjordservice AS, Fjord Tours Group AS, Vent Invest AS, Janus Holding AS, Geiranger Utvikling AS.

ANNE-MARI SUNDAL BØE
CFO

Anne-Mari Sundal Bøe has been CFO of Fjord1 ASA since December 2013. Bøe has previous experience as Group Chief Accountant for INC Invest AS and Senior Manager at PwC. She graduated with a Master's degree in Business and Economics from the Norwegian School of Economics (NHH).

Current board and executive positions:
CFO: Fjord1 ASA. General Manager: Fanafjord AS. Chairman: F1 Administrasjon AS. Board member: Nye Fanafjord AS, Widerøe AS, Widerøe's Flyveselskap AS, Evoy AS, Fjord Tours Group AS, Fjord Tours AS, Fanafjord AS.

ANDRÉ HØYSET
COO

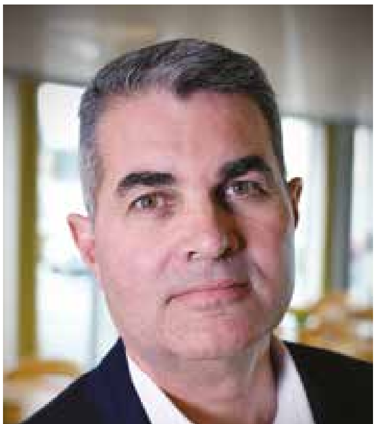
André Høyset has been COO since March 2017. Høyset was Acting CEO of Fjord1 in 2016 and has 20 years' experience from various positions in the company, including ICT Manager and HR Director. He has a Master's degree in Information Technology and is a university college graduate in Business Economics and Administration.

Current board and executive positions:
COO: Fjord1 ASA. Chairman: Kolkaia Vest 1. Board member: Widerøe AS, Widerøe's Flyveselskap AS, F1 Administrasjon AS, NHO Sjøfart, Maritimt Opplæringskontor Sør-Vest. Deputy member: Geiranger Fjordservice AS, Fjord Tours AS.

DEON MORTENSEN
TECHNICAL AND QHSE DIRECTOR

Deon Mortensen is Technical and QHSE Director at Fjord1. Mortenson has worked at Fjord1 since 2010 in positions including Deputy CEO and COO. He also has experience as Technical Director of STX Norway Florø and Project Manager for Odfjell SE.

Current board and executive positions:
Technical and QHSE Director: Fjord1 ASA. Chairman: Gunhildvågen Industri AS, Gunhildvågen Utvikling A, Fanafjord AS. Board member: The Fjords Fartøy I DA, The Fjords DA, Fjord-2 Fjord Cruises AS, The Fjords Fartøy II DA, The Fjords Fartøy III DA, Fjord1 Administrasjon AS, . Deputy member: Partrederiet Kystekspressen ANS, Widerøe AS, Widerøe's Flyveselskap AS.



NILS KRISTIAN BERGE
PROJECT DIRECTOR

Nils Kristian Berge has been Project Director at Fjord1 since January 2018. Berge has a degree in Naval Architecture and over 30 years' experience in the shipping industry. His previous positions include Chief Executive at Arab Shipbuilding and Repair Yard (ASRY), Director of Ship Management at Utkilen AS, Technical Director at Laurin Maritime Inc., as well as other management positions in shipping companies and shipyards.

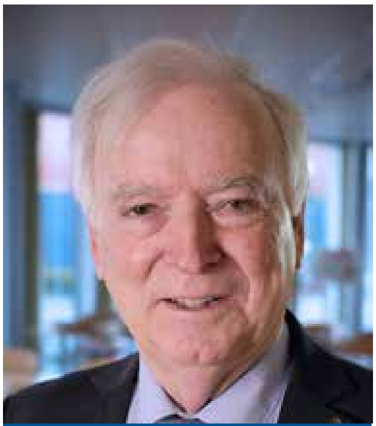
Current board and executive positions:
Project Director: Fjord1 ASA. Owner: Berge Consult. Chairman: The Fjords Fartøy I DA, The Fjords DA, Fjord-2 Fjord Cruises AS, The Fjords Fartøy || DA, The Fjords Fartøy ||| DA. Deputy member: Fjord Tours AS.

FJORD1'S BOARD OF DIRECTORS

VEGARD SÆVIK
CHAIRMAN

Vegard Sævik has been a board member since 2011, was Vice Chairman until 2016 and has been Chairman since July 2017. Sævik is Deputy Managing Director of Havila AS and holds board positions in various companies. He is currently Chairman of the Board of Havyard Group ASA. He has a Bachelor's degree from the Norwegian Business School (Handelshøgskolen BI).

Current board and executive positions:
General Manager: Havborg 1 Eiendom ANS, Havborg 1 Invest AS, Ohi Eiendom AS, Havblikk Eiendom AS, Havila Invest AS, Innidimman AS, Tangen 7 Invest AS, Havila Ariel AS. Contact person: Sæviking AS, Efficax AS. Chairman: Efficax AS, Havyard Group ASA, Never No AS, Fjord1 ASA, Innidimman AS, Simoveo AS, Nordic Mediatech AS. Board member: Raftevold Hotel AS, Sæviking AS, Hotell Ivar Aasen AS, Havilafjord AS, Bakkar og Berg Media AS, Havila Kystruten AS, Eiendom Hornindal AS, Havila Hotels AS, Hardhaus AS, Havborg 1 Eiendom ANS, Havborg 1 Invest AS, Havila Holding AS, Siva Sunnmøre AS, Ohi Eiendom AS, Havblikk Eiendom AS, Havila Invest AS, Tangen 7 Invest AS, Sævard DA, Havila Ariel AS, Brattholm Invest AS, Frøystad Eiendom AS, Havila AS. Deputy member: Volstad Seismic AS, Deep Cygnus AS, Geo Caspian AS, Deep Cygnus Operation AS, Geo Caspian Operation AS, Grand Canyon 2 AS, Volantis Operation AS, Grand Canyon Operation 3 AS, Grand Canyon 3 AS, Grand Canyon 3 Ks, Endeavour Operation AS, Volstad Maritime AS, Volstad Offshore AS, Volstad Subsea AS, Volstad Maritime Dis i AS, Volstad Maritime Dis II AS, Volstad Management AS, Fosnavåg Vekst AS, Deep Cygnus Ks. Partner with shared liability: Sævard DA.



PER SÆVIK
BOARD MEMBER

Per Sævik has been a member of Fjord1's Board of Directors since 2014 and, prior to that, was an observer from 2011. He has more than 35 years' experience in the operation and management of fishing and supply vessels, and is currently CEO of Havila AS and Havilafjord AS. Sævik was a Member of the Norwegian Parliament for four years. He is currently Chairman and a director of several companies, and holds various board positions for companies in the Havila group.

Current board and executive positions:
General Manager: Havilafjord AS, Havila Hotels AS, Havila Holding AS, Pison AS, Havila AS. Contact person: Hh Offshore AS, Sævard DA. Chairman: Sæviking AS, Bratholm AS, Havyard Ship Invest AS, Havilafjord AS, Havila Kystruten AS, Hh Offshore AS, Havila Hotels AS, Havblikk Eiendom AS, Pison AS, Sævard DA, Fosnavåg Vekst AS, Havila Ariel AS, Brattholm Invest AS, Fosnavåg Parkering AS. Board member: Raftevold Hotel AS, Hotell Ivar Aasen AS, Wf Holding AS, Vest Nord Group AS, Eiendom Hornindal AS, Fjord1 ASA, Shincon AS, Ocean Europe AS, Northsea Psv AS. Deputy member: Havgapet AS, Hardhaus AS, Innidimman AS, Norminor AS. Partner with shared liability: Sævard DA.

SIRI HATLAND
BOARD MEMBER

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 board and executive positions:
Board member: Fjord1 ASA.

BIRTHE CECILIE LEPSØE
BOARD MEMBER

Birthe Cecilie Lepsoe was elected member of the Board on an Extraordinary General Meeting held 14 January 2020. She has twenty years' experience in the area of financial management, advisory services and bo ard appointments in capital-intensive activities such as banking, shipping, offshore and real estate. Ms Lepsøe runs her own consulting firm today, and has been an Associate Partner in Vest Corporate Advisors since 2017.

Current board and executive positions:
General manager: Cebima AS. Assosiate partner: Vest Corporate Advisors AS. Chairman: Askøy Kommunale Eiendomsselskap ANS, Strusshamn Næringsbygg AS, Haugland Næringspark AS. Board member: Fjord1 ASA, Smedvig Eigedom AS, Belships ASA, Sparebanken 1 Sr-Bank ASA, Smedvig Capital AS, Smedvig AS.

REUBEN MUNGER
BOARD MEMBER

Reuben Munger was elected member of the Board on an Extraordinary General Meeting held 14 January 2020. He is the founder and Managing Partner of Vision Ridge Partners, LLC, a leading sustainable asset investment firm. Mr. Munger founded Vision Ridge Partners in 2008. A former Partner with The Bau post Group, LLC, a investment firm with over $30 billion in assets.
Mr. Munger has over twenty years of investment experience in Norway, Europe more broadly and the United States. He graduated magna cum laude from Washington and Lee University with a B.A. in Politics and Economics and a B.S. in Business Administration.

Current board and executive positions:
Managing Director: Vision Ridge Partners, LLC. Chairman: Securing Americas Future Energy. Board member: Fjord1 ASA , Guzma Energy Inc, Key Capture Inc, GSSG Solar LLC, League of Conservation Voters.

TERJE HALS
BOARD MEMBER - EMPLOYEE REPRESENTATIVE

Terje Hals joined the board as an employee representative in 2019. He has worked as a seaman in the company since 1977. Hals has been a representative of the Norwegian Seamen's Association for 20 years, and has been a leader in the welfare of the company (named "Velferden") for 10 years.

Current board and executive positions:
Board member: Fjord1 ASA.

ATLE OLAV TROLLEBØ
BOARD MEMBER - EMPLOYEE REPRESENTATIVE

Atle Olav Trollebø has been a member of Fjord1 ASA's Board of Directors since 2008. He works as a captain for Fjord1 and has 20 years' experience.

Current board and executive positions:
Board member: Fjord1 ASA.

THOMAS RAKSTANG
OBSERVER – EMPLOYEE REPRESENTATIVE

Thomas Rakstang has been a observator on Fjord1's Board of Directors since July 2016. He currently works as a Chief Engineer and has 20 years' experience.

Current board and executive positions:
Observer: Fjord1 ASA. General Manager and board member: Erak AS.

DANIEL NEDRELID
OBSERVER – EMPLOYEE REPRESENTATIVE

Daniel Nedrelid has been a observatory on Fjord1's Board of Directors since the Annual General Meeting in 2019. He works at the Service Centre in Florø.

Current board and executive positions:
Observer: Fjord1 ASA.

"Fjord1 ASA values the importance of sound corporate governance that strengthens shareholder trust in the Company"

Foto: Øystein Torheim, Frequency.no

FJORD1 CORPORATE GOVERNANCE REPORT 2019

Fjord1 ASA ("Fjord1", "the Group", "the Company") values the importance of sound corporate governance that strengthens shareholder trust in the Company and enhances shareholder value through effective management and improved communication between the Board of Directors and the Company's shareholders. The purpose of the Fjord1's corporate governance is to manage operational risk, maximise value and utilise the Company's resources in an efficient, sustainable manner to the benefit of shareholders, employees and society.

1. Corporate governance framework and reporting

Fjord1's governance policy and practices are based on the Norwegian Code of Practice for Corporate Governance ("the Code of Practice"), most recently revised 17 October 2018. The Code of Practice is based on legislation as well as stock exchange rules and is available at the Norwegian Corporate Governance Committee's website www.nues.no. Adherence to the Code of Practice is based on the "comply or explain" principle, which implies that any deviations will be explained.

The Board of Directors adopted the Company's corporate governance guidelines on 15 August 2017 when the Company was initially listed at the Oslo Stock Exchange. The guidelines include inter alia instructions for the Board of Directors, the audit committee and the nomination committee; a dividend policy, an inside information manual, an IR policy, code of conduct and ethical guidelines. The corporate governance framework is subject to annual review and discussions by the Board of Directors.

The corporate governance principles and practices as required by the Accounting Act Section 3-3b and the details of how Fjord1 complies with the Code of Practice are accounted for in this report of corporate governance. The report is included in the annual report. In the Board of Director's own assessment, Fjord1 complied with the Code of Practice in the year of 2019.

The structure of this report is aligned with the structure of the Code of Practice.

2. Business

Fjord1 primarily operates ferries with associated catering on Norwegian fjord crossings. The Company also provides passenger boat services and has a growing engagement in environmentally friendly tourism in Norway. The company transported in total 19,9 million passengers and 9.9 million vehicles in 2019. The Group's activities are in line with article 2 of the Company's Articles of Association:

"The Company's objective is to carry out transport, communication and tourism activities via its own company, or other partly or fully owned companies". The articles of association are available at the Company's website.

The Board of Directors has established the Company's objectives, strategy and risk profile within the scope of article 2 of the Articles of Associations to ensure that its resources are used efficiently and responsibly to create value for shareholders, employees and society. The Company's objectives, strategies and risk profile are reviewed and evaluated at least yearly by the Board of Directors. The review is usually carried out in connection with Fjord1's annual strategy meeting. Fjord1's objectives and strategy are further described in the annual report page 15 and on the Company's website www.fjord1.no.

Fjord1's vision is to be the safest and most attractive provider of environmentally friendly and reliable transport for customers, clients and partners. The Company acknowledges its responsibilities towards the environment, the society and the local communities in which it operates along the coast of Norway. The Company has adopted policies and guidelines on corporate social responsibility and matters that relate to human rights, employee rights and social matters, the external environment, the prevention of corruption, the working environment, equal treatment, discrimination and environmental impact according to the Accounting Act. These efforts are further described in the section Corporate Social Responsibility/Sustainability on page 51 in the annual report.

3. Equity and dividends

SHARE CAPITAL
The share capital of the Company is NOK 250,000,000 divided into 100,000,000 shares each with a nominal value of NOK 2.50.

EQUITY AND CAPITAL STRUCTURE
At 31 December 2019, the Company had a consolidated equity of NOK 2,270 million, which is equivalent to 24.6% of total assets, and had a debt-to-equity ratio of 32.9%.

The Company made significant investments in ferries and related infrastructure in 2019 in connection with the renewal and upgrade programme which is expected to be completed in 2020. As a result of the investment programme, the Company's net interest-bearing debt increased in 2019 but is expected to decline in 2020 due to lower investments, improved cash flow and sale of infrastructure.

The Board of Directors considers the capital structure to be satisfactory in terms of the Company's objectives, strategy and risk profile.

DIVIDENDS
The Board of Directors has adopted a dividend policy which states that the Company intends to pay a dividend of up to 50% of net profit after tax. The dividend shall be in proportion to the Company's solidity, growth and profit development.
The impact of the coronavirus on Fjord1's operations and financials over the coming months will depend on the magnitude and length of the extraordinary measures. Therefore, the Board of Directors believes it is prudent to postpone the dividend recommendation for 2019 until further notice. In the meantime, the Board of Directors recommends allocating the profit of NOK 240 million from the parent company to other equity to further strengthen liquidity and balance sheet.

BOARD MANDATES
On 14 May 2019, the Fjord1's General Meeting authorised the Board of Directors to purchase own shares on behalf of the Company with an aggregated nominal value of up to NOK 10,000,000 in connection with the share plan for employees and incentive plan for senior executives. If the Company acquires more shares than necessary under the plans, the shares may be sold in the market or be cancelled through a decrease of the share capital. The Board of Directors determines the methods by which own shares can be acquired or disposed of. The authorisation is valid until the General Meeting in 2020, which is to be held on 30 June 2020 at the latest.

In 2019, a total of 100,000 treasury shares were purchased. In total, 56 366 shared were transferred to employees in 2019, 47,068 shares to senior employees and 9,298 shares to other employees. At the end of the year, the Company had 90,402 treasury shares compared to 46,768 shares at the beginning of the year. More information about the transactions can be found in Note 12 Share capital in the financial statements.

The Company's general meeting has not granted the Board of Directors a mandate to increase the share capital.

4. Equal treatment of shareholders and transactions with related parties

PRE-EMPTION RIGHTS TO SUBSCRIBE
In the event of a share offering, the existing shareholders have pre-emption rights, unless the pre-emption rights are set aside by the General Meeting or the General Meeting has given the Board of Directors a mandate to set aside the pre-emption rights. Any decision to waive the pre-emption rights shall be justified and publicly disclosed through a stock exchange release.

There were no share offerings in 2019.

TRADING IN OWN SHARES
Transactions in the Company's own shares (e.g. treasury shares, share buy-back programme) should either be carried out through the trading system at Oslo Stock Exchange or at prevailing prices at the Oslo Stock Exchange. In case of limited liquidity in the Company's shares, the Company should consider other ways to ensure equal treatment of all shareholders.

In 2019, the Company bought treasury shares through the trading system at Oslo Stock Exchange, see Section 3 Equity and Dividends. The Company currently has no ongoing share buy-back programme.

TRANSACTIONS WITH RELATED PARTIES

The Board of Directors aims to ensure that the arm's length principle is applied to not immaterial transactions between the Company and its shareholders, shareholder's parent Company, members of the Board of Directors, executive personnel or close associates of any such parties. This is explained in more detail in the Company's instructions for the Board of Directors and the Company's code of conduct.

For not immaterial transactions with any of the parties listed above which do not require approval by the General Meeting pursuant to the Norwegian Public Limited Liabilities Companies Act, the Board of Directors will as a general principle, on a case-by-case basis, assess whether a valuation from an independent third party should be obtained. Transactions with related parties shall be carried out at arm's length principle and at market terms. If the transaction is subject to a comprehensive tendering process with a minimum of three participants, the tender process will substitute and fulfil the purpose of an independent valuation. This is because the internal guidelines for such situations are deemed sufficient to ensure compliance with the arm's length principle and market terms. Independent reports are obtained in cases where legislation so requires.

The instructions to the Board of Directors require each individual board member to objectively and continuously assess, and if relevant disclose, any conflict of interest in general or related to specific matters discussed in a meeting.

Havilafjord AS and Havilafjord Holding AS held 66,5% of Fjord1's shares at the end of 2019. Havilafjord's shares in Fjord1 are collateral for a NOK 1,000 million senior secured bond issued by Havilafjord.

Havilafjord AS is owned by Havila Holding AS. Havyard Holding AS owns 40.35 % f the shares in Havyard Group ASA, which owns 100% of the shipyard Havyard Ship Technology AS (HST). HST was awarded two contracts with five newbuilds in each contract during 2017 and 2018 by Fjord1. Fjord1's investments related to these contracts amount to NOK 788,3 million in total for 2019. All newbuild contracts are awarded in accordance to Fjord1's policy, requiring minimum three tender participants. Relevant board members have not participated in the decision process related to the contract awards.

The Company provides an overview of related party transactions on a quarterly basis in the interim consolidated financial statements. A complete overview of related party transactions for 2019 is disclosed in Note 18 Related party transactions in the consolidated financial statements.

5. Freely negotiable shares

The Company is listed on the Oslo Stock Exchange. There are no restrictions on owning, trading or voting for shares in the Company's Articles of Association.

6. General Meeting

ABOUT THE GENERAL MEETING

The General Meeting is the Company's supreme governing body. The Board of Directors has the overriding responsibility for managing and supervising the Company's day-to-day management and operations. The Board of Directors aims to make the General Meeting an effective meeting place for its shareholders by ensuring open, timely and accessible information about the General Meeting to all shareholders.

PARTICIPATION AND EXECUTION

Notice of the Company's General Meeting 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 Norwegian Public Limited Liability Companies 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.

All shareholders registered in the Central Securities Depository (VPS) received notice of the General Meeting and were entitled to submit proposals and vote directly at the meeting or by use of proxy. The Board of Directors ensured that resolutions and supporting information were sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters considered at the General Meeting. Each matter shall be voted on individually, including individual candidates nominated for election.

The Board of Directors aims to encourage attendance by all shareholders. Registration of attendance is made in writing, by post, through VPS account or email. Registration is available until four days ahead of the meeting. Shareholders who are not able to attend are encouraged to be represented by a proxy or vote by proxy. Provisions are made for proxy votes to be cast on each individual issue discussed.

As a general rule, the Board of Directors and the Chairman of the nomination committee shall be present at the General Meetings. While the Chairman of the Board is normally elected to Chairman the General Meeting, the Board of Directors will ensure that the General Meeting is able to appoint an independent Chairman.

In 2019, the Ordinary General Meeting was held 14 May 2019 with 74.6% of the shareholders represented. The Company complied with the procedures as described above in 2019. Minutes from the meetings can be found on the Company website and in the stock exchange release published after the respective meeting.

7. Nomination committee

The Articles of Association Article 6 provide for a nomination committee consisting of two members. The members shall either be shareholders or act as representatives for the shareholders.

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 7 July 2017.

The General Meeting elects the Chairman of the nomination committee. Each member of the committee is elected for a period of two years and may be re-elected once. The members shall be independent of the Company's Board of Directors and executives and consider the interests of all shareholders. Fees for the nomination committee are approved by the General Meeting.

The duties of the nomination committee are to propose candidates for election to the Board of Directors and to provide guidance on compensation for members of the Board of Directors and sub-committees, including the nomination committee. All candidate proposals shall be justified on an individual basis. The proposals shall include relevant information about the candidates and an evaluation of their independence of the Board of Directors and the executive management. The proposals are subject to justification by the Company's largest shareholders. All shareholders are entitled to propose candidates.

The proposals presented by the nomination committee to the General Meeting are made available to the Board of Directors four weeks prior to the General Meeting. The proposal must fulfil prevailing legislation and regulation on board composition.

On 31 December 2019, the nomination committee consisted of the following members; Anders Tallerås (Chairman) and Nina Skage. The members were re-elected for a new two-year term in May 2019. Both members are independent of the Board of Directors and the executive management.

8. Board of directors: Composition and independence

Pursuant to Articles of Association Article 5, the Board of Directors shall consist of five to nine members. The General Meeting elects the Board members including the Chairman of the Board based on proposals by the nomination committee. Members of the Board are encouraged to hold shares in the Company.

The Company's Board of Directors is composed to meet the Company's needs for expertise, background diversity and capacity to carry out Board duties. The Company's employees shall be represented on the Board by two employee representatives and two observers according to the prevailing agreement. The composition of the Board of Directors shall ensure that the Board can act as a collegiate body in the best interest of the shareholders and handle its duties effectively and independently.

All members of the Board are independent of the Company's executive management. Board member independence is assessed according to criteria in the Code of Practice. None of the shareholder elected directors are employees of or have performed work for Fjord1.

There are five shareholder appointed members of the Board.

Vegard Sævik and Per Sævik are two of four ultimate owners of the main shareholders Havilafjord AS and Havilafjord Holding AS, through the holding company Havila Holding AS. Havila Holding AS owns 40.35% of the shares in Havyard Group ASA, which in turn owns 100 % of Havyard Ship Technology AS. Havyard Ship Technology AS is the supplier of a number of vessels to the Company. Vegard Sævik and Per Sævik are consequently not considered independent of the main shareholders nor of the Company's material business contacts.

Reuben Munger is the founder and managing partner of Vision Ridge Partners, LLC. A fund managed by Vision Ridge Partners has provided funding to Havilafjord Holding AS in connection with the latter's acquisition of shares in Fjord1 in December 2019, and together with Havilafjord and on acting in concert basis holds 70.35 % of the shares in Fjord1. Reuben Munger is consequently not considered independent of the main shareholders.

Reuben Munger does not have any agreements, dealings or informal arrangements with Havyard Ship Technology AS or other material business contacts of the Company and is considered independent of material business contacts.

Siri Hatland and Birthe Cecilie Lepsøe are both considered independent of the main shareholders and of the Company's material business contacts.

Thus, two members of the Board appointed by the shareholders are independent of the Company's main shareholders; and three of the five members of the Board appointed by shareholders are not independent of the Company's material business contacts.

On 10 December 2019, it was announced that Havilafjord Holding AS, had acquired 15 million shares in Fjord1, resulting in Havilafjord AS and Havilafjord Holding AS having a combined ownership of 66.5 million shares, representing 66.5% of the share capital. Funding for the acquisition was secured from Vision Ridge Partners. Havilafjord Holding AS, Havilafjord AS and Vision Ridge Partners jointly control 70.35% of the outstanding shares and share capital of Fjord1. The Board shall maintain a high level of awareness of and take due care of the interests of the minority shareholders following the increase in the majority owner's stake in the Company.

On 11 December 2019, Brita Eilertsen (independent member) and Frederik Wilhelm Mohn withdrew from the Fjord1's Board of Directors. Reuben Munger and Birthe Cecilie Lepsøe was elected new members of the Board on an Extraordinary General Meeting was held 14 January 2020.

In total, the company held six ordinary board meetings and 16 extraordinary board meetings in 2019. Extraordinary board meetings are typically held in connection with tender processes.

Foto: Øystein Torheim. Frequency.no

The table below provides an overview of the Fjord1's shareholder elected Board members, their independence, shareholdings and election term:

Name	Role	Considered independent of main shareholders	Considered independent of material business contracts	Served since	Term expires	Participation in ordinary Board meetings 2019	Shares in Fjord1 (direct/ indirect)
Vegard Sævik	Chairman	No	No	2019	2020	6	*
Per Sævik	Member	No	No	2019	2021	5	*
Siri Hatland	Member	Yes	Yes	2019	2020	6	–
Siri Beate Hatlen	Member	Yes	Yes	2019	2019	3	–
Brita Eilertsen*	Member	Yes	Yes	2019	2021	2	–
Birthe Cecilie Lepsø	Member	Yes	Yes	2020	2021	0	–
Reuben Munger	Member	No	Yes	2020	2021	0	*
Frederik Mohn*	Member	Yes	Yes	2019	2021	0	*
Atle Olav Trollebø	Member	Yes	Yes	2019	2021	6	1 400
Geir Offerdal	Member	Yes	Yes	2019	2019	2	290
Terje Hals	Member	Yes	Yes	2019	2021	3	–

*** Owners of shares through other companies as described in section 8 above this table. Eilertsen and Mohn left the Board in December 2019.**

9. The work of the Board of Directors

The Board of Directors is elected by the shareholders and has the ultimate responsibility for management at the Company and for supervising its day-to-day operations and activities in general. The Chairman of the Board is responsible for ensuring that board work is executed efficiently and correctly.
The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board of Directors and includes inter alia the responsibility for ensuring that activities are soundly organised. In addition, the Board of Directors has adopted separate instructions to the Board of Directors which inter alia include administrative procedures, a clear split of responsibilities and duties between the Board and the CEO, including the CEO's responsibilities towards the Board. The instructions are subject to annual reviews.

The instructions to the Board of Directors require each Board member to objectively and continuously assess whether he or she may have any material interests in items to be considered by the Board of Directors. The purpose of this practise is to ensure that the Company's business decisions are made on an independent basis. If a member of the Board or a member of the executive management is found legally disqualified in a specific business decision, he or she will be excluded from the decision process. This practise also applies to the Chairman of the Board.

The Board of Directors conducts an annual assessment of its performance and expertise, which is presented to the nomination committee. The assessment includes the work of the board, the work of its committees and the contribution made by the various directors. An assessment of this kind was last conducted in 2019.

AUDIT COMMITTEE

The audit committee is elected by the Board of Directors and consists of three selected Board members. A minimum of one of the audit committee members has experience from accounting, financial management or auditing. The majority of the audit committee is independent. The Company's auditor attends meetings upon request by the audit committee.

The audit committee is a preparatory and advisory committee for the Board of Directors. The main tasks for the audit committee are to:

- prepare the Board's monitoring of the financial reporting process
- monitor the systems for internal control and risk management
- maintain contact with the Company's elected auditor regarding the audit of the consolidated financial statements
- assess and monitor the auditor's independence and objectivity in relation to the Company, including whether non-audit services provided by the audit firm represent a threat to the independence and objectivity of the Company

The audit committee consists of Vegard Sævik, Siri Hatland and Birthe Cecilie Lepsøe. Birthe Cecilie Lepsøe was elected 24 February 2020. Birthe Cecilie Lepsøe and Siri Hatland are independent members. Brita Eilertsen served as an independent member of the audit committee during 2019. The audit committee held six meetings in 2019 and was in regular contact with the Company's auditor regarding the audit of the financial accounts.

THE BOARD'S REMUNERATION COMMITTEE

The Company's executive remuneration policy and principles are established by the Board of Directors. The Board of Directors' has assessed the need for a remuneration committee but found that these matters can be treated by the board.
For an overview of executive remuneration for 2019 please see Note 19 Remuneration.

10. Risk management and internal control

The Board of Directors ensures that the Company has appropriate systems for risk management and internal control. These systems shall enable effective operational and financial risk management, including relevant reporting in accordance with legislation. The Board of Directors assesses the Company's risk management and internal control system once a year, usually in connection with the annual strategy meeting.

The internal control and risk management systems define roles and responsibilities, processes and procedures, tools and documentation, standards, including considerations of value creation for the Company's shareholders, employees and society. The Company has inter alia established a set of internal procedures to ensure comprehensive and reliable reporting of financial and operational performance. As part of the operational performance and risk control, the Company has a system for project execution which contains project risk monitoring in order to effectively manage risk and ensure reliable planning, control, execution and economic follow-up of projects, e.g. newbuilding.

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 Company has established whistle-blowing routines that enable employees to anonymously communicate about situations involving illegal or unethical conduct.

Reference is made to the Board of Directors' report in the annual report which includes the most critical risk factors for the Company.

11. Remuneration of Board of Directors

The nomination committee proposes, and the General Meeting approves the Board of Directors' remuneration. The remuneration to the Board of Directors reflects the Board's responsibility, expertise, time commitment and the complexity of the Company's activities. Additional compensation is paid to the members of the Board's subcommittees. The remuneration is not linked to the Company's performance and does not contain any share options. In 2019, a total of NOK 2.2 million was paid in remuneration to the Board of Directors. Detailed information on the remuneration to Board members is set forth in Note 17 Remuneration in the consolidated financial statements in the annual report for 2019.

As a main rule, the members of the Board shall not take on assignments for the Company beyond their Board duties, but if they do, this shall be disclosed to the full Board. The remuneration for such additional duties shall be approved by the Board of Directors. During 2019, none of the shareholder-elected members of the Board have had duties for the Company beyond their Board position.

12. Remuneration of executives

The purpose of the remuneration to executives is partly to ensure that leading employees remain in the Company, and partly to secure a strong performance culture that creates values for the shareholders over time.

The Board of Directors prepared and followed guidelines for remuneration of the executive management in 2019. The guidelines were communicated at the General Meeting 14 May 2019 as part of the agenda item 6 - Discussion regarding the Board's statement on determination of salary and other remuneration to leading employees in the Company. The statement on determination of salary and other remuneration was made available to all shareholders prior to the General Meeting at the Company's website. The guidelines in this statement clearly separated which guidelines that were advisory, and which were binding. The General Meeting on 14 May 2019 approved both the Board's advisory- and binding guidelines.

The executive management remuneration consists of a fixed base salary and standard pension and insurance schemes, a variable salary and an incentive scheme. The variable remuneration is a bonus based on the achievement of individual goals. The maximum bonus will be an amount equal to six months of the fixed base salary. Half of the bonus is paid in cash while the other half is paid in shares in the Company. In addition, the leading employees have a right to buy Fjord1 shares with a 20% discount to market price, with an aggregate value of up to 50% of the maximum potential bonus for the year.

Details on remuneration of the executive management can be found in Note 19 Remuneration in the consolidated financial statements.

13. Information and communications

The Company's IR practice is based on the Oslo Børs Code of Practice for IR, latest updated July 2019. Open, precise and timely communication of financial and other relevant information together with equal treatment of investors, are the main principles for the Company's communication. The Board of Directors has adopted an IR policy which guides the Company's investor relation communication and activities.

The main purpose of financial information disclosure is to communicate the Company's long-term goals and potential, including strategies, value drivers and important risk factors. All material documents such as the annual report, interim reports and material news are published via the Oslo Stock Exchange as stock exchange releases. The information is also available on the Company's website. The information is published in Norwegian and English. Interim reports are published on a quarterly basis and normally presented by the CEO at the day of announcement at an open public event, in line with Oslo Børs' recommendation.

The Company has an ongoing dialogue with investors and analysts at various conferences and events. Ahead of the interim reporting date, the Company has a "silent period" of 30 days. During this period, Company management are not available for discussion with investors and analysts. The CEO and the CFO are the point of contact for investors and analysts.

14. Takeovers

There are no defence mechanisms nor restrictions against takeover bids in the Company's Articles of Association. In a bid situation, the Board of Directors shall ensure that the shareholders of the Company receive equal treatment and that the Company's daily operations are not unnecessarily disrupted. The Board of Directors shall seek to ensure that shareholders are given sufficient information and time to assess the takeover bid. In the event of a takeover bid for the Company's shares, the Board of Directors shall make a statement with a recommendation as to whether the shareholders should accept the offer or not.

The Board of Directors will further consider the relevant recommendations in the Code of Practice and whether the concrete situation entails that the recommendations in the Code of Practice can be complied with or not.

15. Auditor

The Company's external auditor, PwC, is elected by the General Meeting and is independent of the Company.

The Board of Directors ensures that the auditor describes the main elements in the Company's audit plan which is shared with the audit committee annually. Further, the Board of Directors requires the auditor to participate in Board meetings that deal with the annual accounts. At least once a year the Board of Directors will review the Company's internal control procedures together with the auditor, including weaknesses identified by the auditor and proposals for improvement.

At least once a year the auditor shall have a meeting with the Board of Directors without the presence of executive management. The auditor shall confirm in writing to the Board of Directors that the established requirements for the auditor's independence were fulfilled.

The Board of Directors informs the General Meeting of fees paid to the auditor, broken down into audit and non-audit services. The Company assess any non-audit services on a case-by-case basis in order to ensure independence.

Foto: Øystein Torheim, Frequency.no

CORPORATE SOCIAL RESPONSIBILITY

Best at environmentally friendly transport

Taking responsibility for the climate and our fjords

Looking after people and local communities

Driver for innovation and development

Sustainable actions throughout the value chain

"In 2019, Fjord1 carried 10 million vehicles and 20 million passengers"

BEST AT ENVIRONMENTALLY FRIENDLY TRANSPORT

When it comes to ferry travel, Fjord1 has a long and proud history extending all the way back to 1858. In counties with long fjords and many islands, the sea and the boat routes remain the most important transport artery to this day. Yet much has changed since 1858: technology has evolved, moving on from steamships via gas ferries and now to electric ferries.

In 2019, Fjord1 carried 10 million vehicles and 20 million passengers, making the company an important social player. Fjord1 aims to be the safest and most attractive provider of environmentally friendly ferry and express boat transport for the company's customers, contractors and partners. By providing friendly and professional service, Fjord1's employees will make travel on the fjords a safe, comfortable and seamless experience.

Foto: Øystein Torheim, Frequency.no

FJORD1 – THE SAFE CHOICE

Sustainability is about how we can meet the needs of the current generation without diminishing the opportunities for future generations to meet theirs. Achieving sustainable development essentially involves working in three areas: climate and the environment, finance and social conditions.

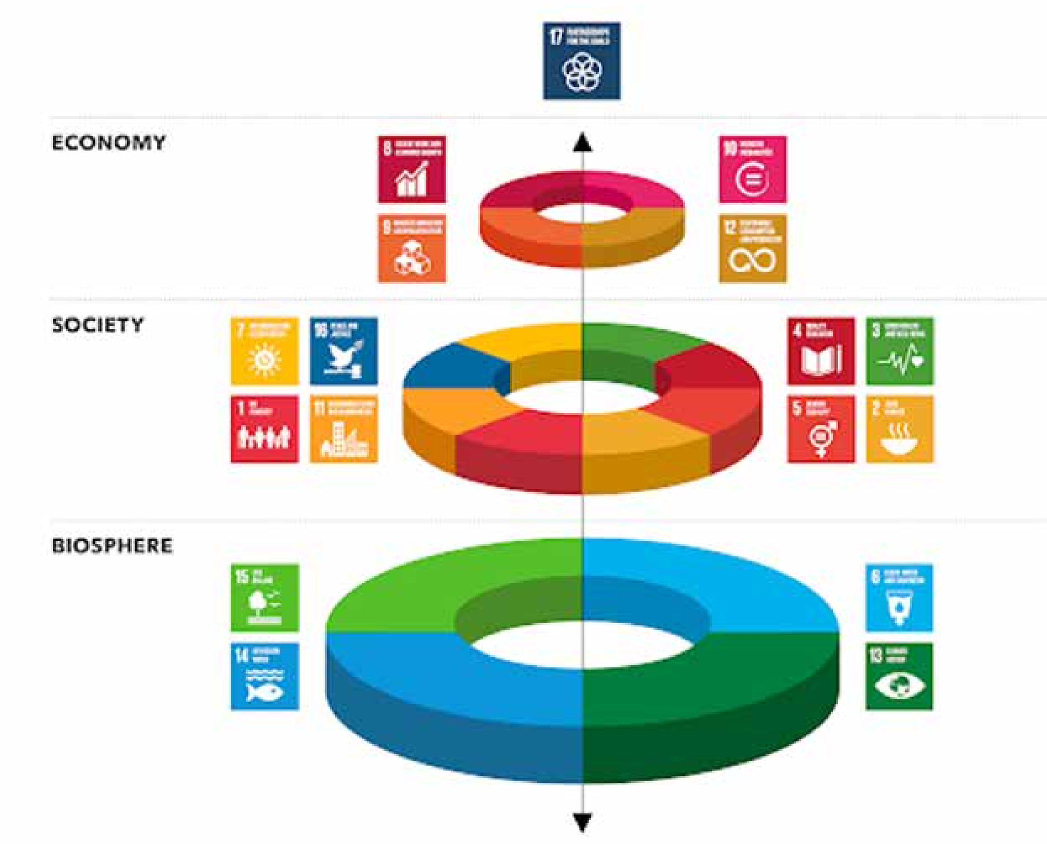


Figure: Illustration of the three dimensions of the UN Sustainable Development Goals.

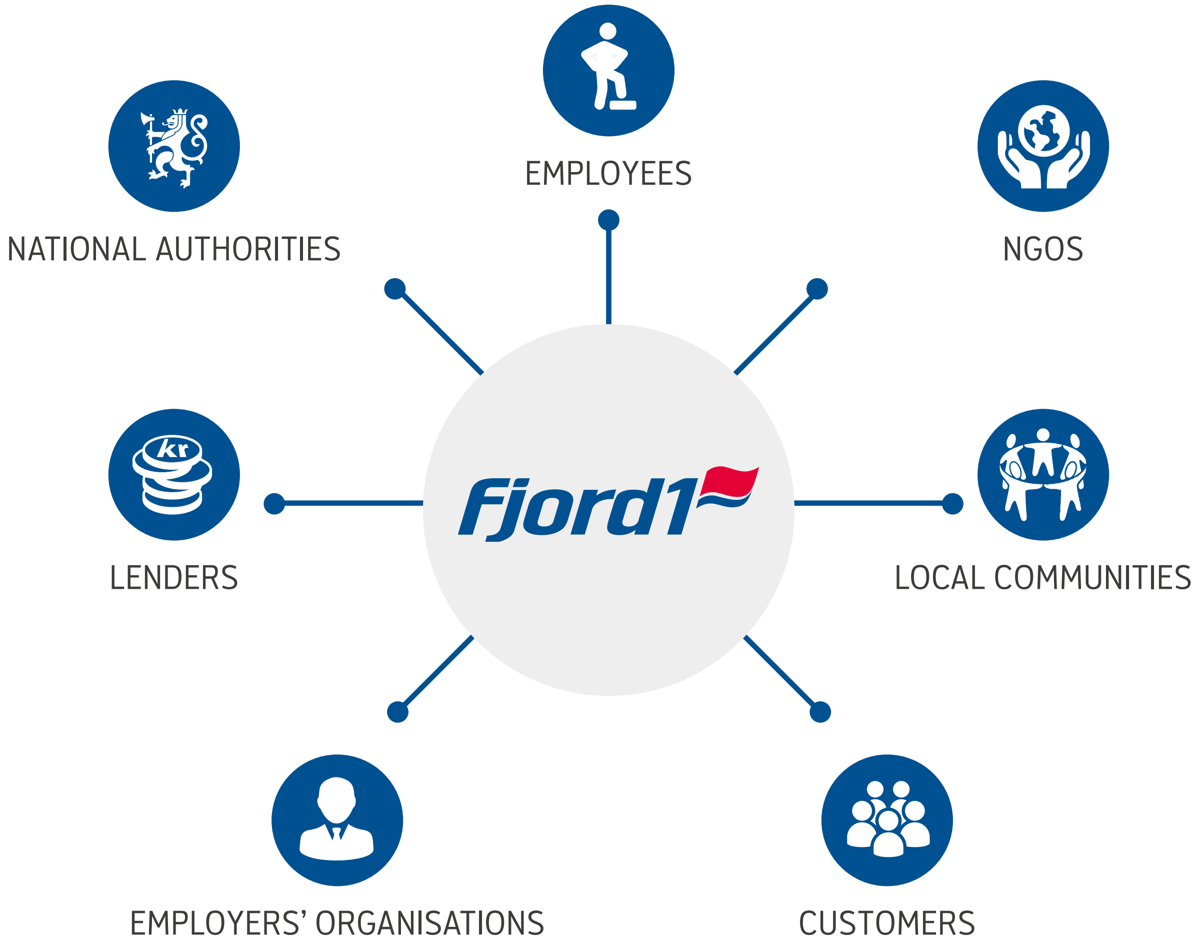
Fjord1 shall take active responsibility for its surroundings, while at the same time wishing to be clear about what that responsibility entails. This is why Fjord1 started work on developing its own sustainability strategy in 2019. The objective of the strategy is to clarify the company's focus on sustainability, while simultaneously providing guidance for its continuing work in this area. Sustainability efforts will therefore continue to be based on the company's vision, values and organisational culture, with the objective being to behave as a responsible social player with relationships built on trust and honesty.Fjord1 is convinced that integrating sustainability in all the company's core activities is crucial to long-term value creation. Fjord1 takes responsibility and shall contribute to a better world.

"Fjord1 – the safe choice" is the company's vision for its sustainability efforts. This embraces the following undertakings:

- Fjord1 shall protect the climate and the fjords by reducing the company's negative impacts and inspiring others to do the same
- Fjord1 shall be a driver for innovation and development, and provide a clear and honest voice in the public debate
- Owners, partners, employees and passengers shall feel confident that Fjord1 makes responsible choices throughout the organisation
- The safety of employees and passengers is paramount, and they can rely upon us to traverse the fjords safely

MATERIALITY

To map what sustainability means for Fjord1, the company has carried out a materiality analysis in order to identify the subjects that are material to Fjord1's sustainability efforts going forward. The analysis assessed what is material to Fjord1 as an organisation, to the company's employees and to external stakeholders. Fjord1's stakeholders include lenders, employees, public authorities, customers, local communities, suppliers, employers' organisations and NGOs.



Fjord1 seeks to maintain a close and trustful dialogue with its stakeholders at all times, something that is decisive in achieving a good flow of traffic on Norway's fjords. Based on information obtained in interviews with both internal and external stakeholders, Fjord1 has defined five key focus areas for its sustainability efforts going forward. These will be discussed in more detail in section of focus area.

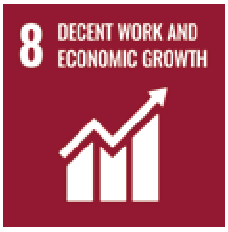
THE UN SUSTAINABLE DEVELOPMENT GOALS

Fjord1 aims to be the industry leader, including with regard to sustainability. Taking this as a starting point, the company wants to integrate the 17 UN Sustainable Development Goals (SDGs) into the company's overall strategy. Fjord1 has therefore mapped the areas in which it is most likely to be able to make a difference and to which of the UN SDGs it can make the biggest contributions.

Through Fjord1's focus area for sustainability work, it is evident that SDGs 8, 9, 12, 13 and 14 will be the most relevant going forward. The company has also prioritised SDG 17 because it believes collaboration will be vital in achieving all the goals .

Taking responsibility for the climate and our fjords	Driver for innovation and development
Sustainable value creation	
Looking after people and local communities	Sustainable actions throughout the value chain

The graphic below shows an example of how Fjord1 can contribute to the SDGs:



By safeguarding requirements when entering into major purchasing agreements, and by taking a local and long-term approach to purchasing practice nationally.

By contributing to innovation with the company's own initiatives, investing in new solutions, testing new forms of energy and investing in infrastructure locally.

By reducing use of fossil energy sources, reducing/stopping environmental destruction, reducing food waste and carrying out sustainable procurements.

By increasing the number of environmentally friendly ferries and reducing the company's total greenhouse gas emissions.

By reducing unnecessary emissions and impact on local ecosystems, and taking steps to ensure that waste does not end up in the sea.

By working with different players on innovation and to develop new solutions.

Foto: Øystein Torheim, Frequency.no

FUTURE SUSTAINABILITY WORK AT FJORD1

Carrying 20 million people a year, Fjord1 seeks to convey its passengers across Norway's fjords safely and sustainably. Yet, the sustainability issue is about more than energy, the environment and the services the company provides. Fjord1 wants to examine its own role in society and how the company can work with other players to contribute to a positive development.

Fjord1's priority focus areas for sustainability are sustainable use of resources, a good working environment and sound business ethics. Environmental, financial and social factors are integral to Fjord1's business, permeating all parts of the company's day-to-day operations.

Sustainability shall thus provide guidance in developing products and services, in skills development among the company's employees and in how the organisation shall function. In 2020, Fjord1 will therefore continue working to establish and implement a holistic sustainability concept that reflects Fjord1's focus areas linked to sustainability. Fjord1's sustainability strategy shall seek to define clear and well-founded sustainability goals that will achieve value creation for both the company and its stakeholders. Fjord1's priorities are relevant to the company but also to its stakeholders, the environment and the local communities where it operates.

In order to succeed in its sustainability work, Fjord1 will further develop existing KPIs as well as setting new goals for its sustainability efforts going forward. Taking this as a starting point, the company will also work on measures within all the different areas defined as material. Sustainability shall be a cornerstone when drawing up new goals and strategies.

"We're proud to have ambitious employees who make a difference"

The company also seeks to set an example by taking care of development, compliance and continuous improvement.

As Fjord1 decides on the sustainability strategy that will guide the company's work, it will also clearly communicate the sustainability goals underpinning its strategy work so as to gain broad support, both internally and externally.

VALUE CREATION THROUGH SUSTAINABILITY

FOCUS AREA

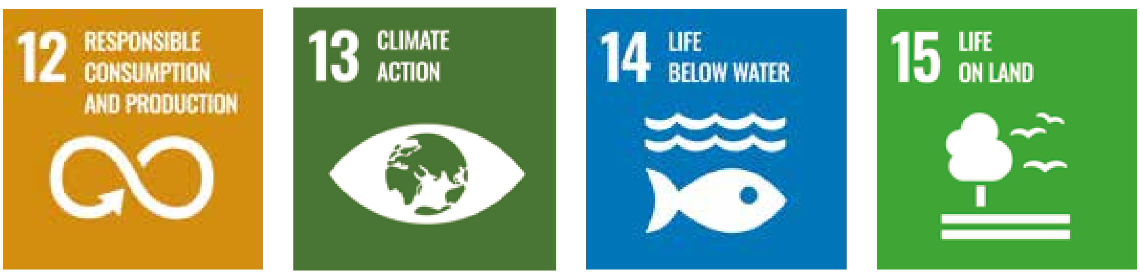
Fjord1 aims to be the safest and most environmentally friendly provider of ferry and express boat transport for its customers, contractors and partners. By providing friendly and professional service, Fjord1's employees will make travel on the fjords a safe, comfortable and seamless experience. Fjord1 therefore works continuously to ensure sustainable practice in all aspects of its operations and at all stages of the value chain. Another goal is creating value for customers, employees, investors, suppliers and local communities along the coast of western Norway .

Fjord1 has drawn up five focus areas for developing its sustainability work, all of which will play a part in securing long-term value creation both for Fjord1 and the company's stakeholders. Long-term value creation is one of the focus areas, but will not be elaborated on below, as long-term value creation and profitable operations are fundamental to all Fjord1's work.

TAKING RESPONSIBILITY FOR THE CLIMATE AND OUR FJORDS

With its core business on Norway's fjords, Fjord1 consciously seeks to reduce its impact on the environment, particularly with regard to our fjords. The challenges surrounding climate, the environment and energy are an area of corporate social responsibility that the company takes seriously. Through its fleet renewal programme ensuing from the new environmental contracts it has been awarded, Fjord1 aims to be instrumental in reducing emissions per passenger. The company has also undertaken an extensive newbuilding programme in recent years, with more energy-efficient vessels set to make their mark on the ferry industry in the years ahead. 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. Fjord1 shall surpass the environmental requirements set by public contractors in tender processes, as demonstrated by the company's investment in environmentally friendly tourism, for example.

In its work on this focus area, Fjord1 is mostly contributing to the following SDGs prioritised by the company.



The environment

Transport operations entail pollution of the external environment to varying degrees, linked in particular to use of fossil fuels emitting NOx and CO2. 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 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 and municipal ferries and express boats use low- or zero-emissions technology in new tenders and on routes operated under their own auspices".

Rigorous 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 profile, the company considers its work in this area has been largely successful. Tender competitions and start-up of new fully electric routes in 2019 show that the company has managed to balance economic and environmental considerations, offering the best solutions for contractors and society. In 2018, Fjord1 entered into a major cooperation agreement with the Norwegian environmental foundation ZERO.

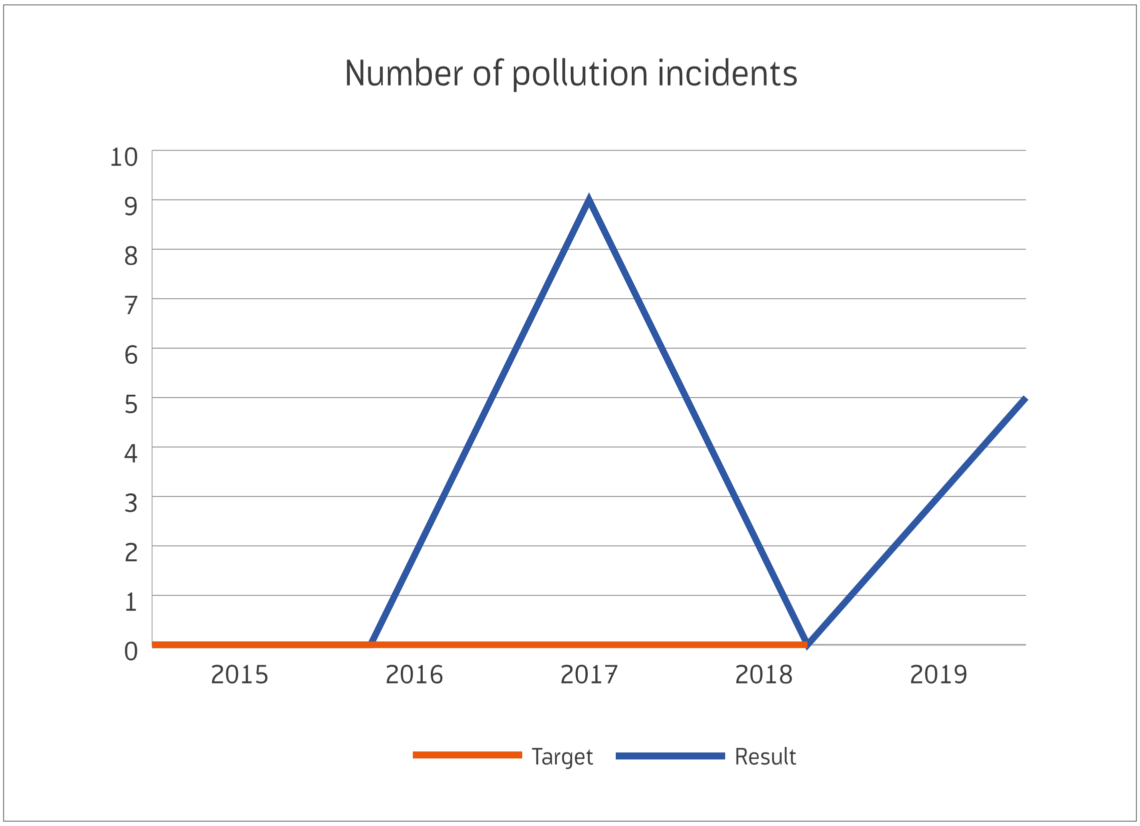


Figure: Number of pollution incidents.

Five emissions to the sea were recorded in 2019, which is just within the target. Some of the increase on the previous year can be attributed to more stringent reporting routines, in that both emissions/ spills and suspected emissions/spills must now be reported.

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.

Emissions of greenhouse gases

Thanks to new environmental contracts and electrification of its fleet, Fjord1 maintained its position as the leading company within the Green Shift, achieving a substantial reduction in CO_2 emissions. Each time a ferry route is electrified, its CO_2 emissions are reduced by 80–95% compared with running conventional diesel-powered ferries.

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.

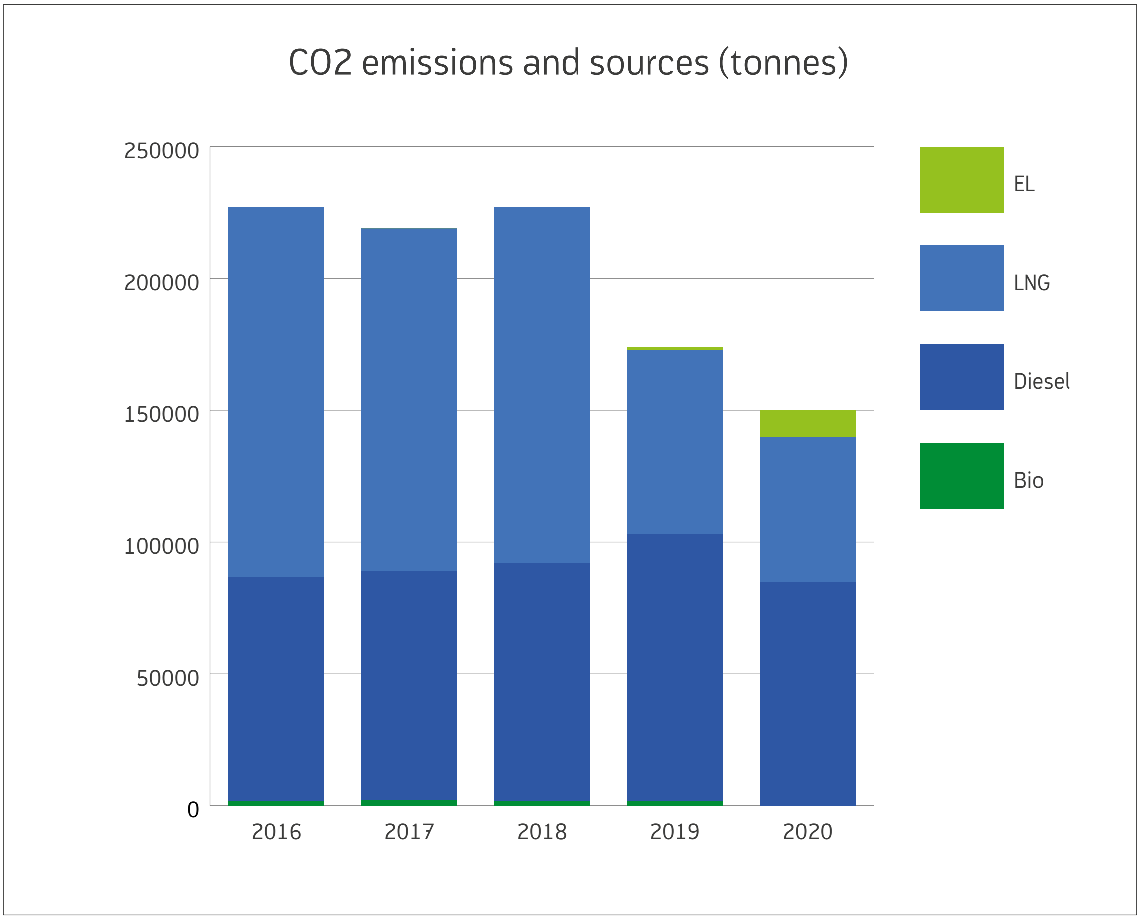


Figure: CO_2 emissions and sources (* budgeted values): Fjord1's emissions for 2019 were around 175,000 tonnes CO_2. The significant difference between 2018 and 2019 relates to discontinuation of the Halhjem–Sandvikvåg route. The level of activity will increase in 2020, while emissions will fall.

Energy consumption

Fjord1 was one of the first shipping companies to achieve NS ISO 50001:2018 certification. DNV-GL has certified Fjord1's energy management system for continual improvement of energy use. The objective is continual awareness-raising and improvement of energy performance for the shipping company's ferries. As part of its energy management, Fjord1 has already established new guidelines for Ship Energy Efficiency Management Plans (SEEMP) on all vessels as a tool for increasing the vessels' energy efficiency and improving land–sea interaction.

Energy sources

The transition from fossil fuels to electricity from the power grid amounts to a reduction in energy requirements of around two-thirds. In addition, new vessels have been fitted with modern equipment that further reduces energy requirements. For example, the new vessels have state-of-the-art propulsion solutions and heat-recovery systems.

Fjord1 remained at the forefront of operating natural gas-fuelled ferries, which reduce NOx emissions by around 90% and CO2 emissions by 25–30% compared with conventional diesel ferries. Fjord1 has been using 100% renewable biofuel as an energy source on some of its scheduled ferry services for several years. Using renewable fuel achieves significant reductions in CO2 emissions compared with fossil fuels.

Renewing the ferry fleet and building for the future

In recent years, Fjord1 has been extremely active in tender competitions where the focus has been on the environment, with stringent requirements for both energy consumption and emissions of CO2 and NOx. One important factor in reducing emissions is phasing out older vessels and replacing them with new, environmentally friendly vessels, as well as converting existing vessels. Further to winning a series of tender competitions in recent years, Fjord1 has had an extensive newbuilding programme ongoing in 2019, as well as five conversions of existing vessels. The renewal programme implemented in 2019 entails a gradual transition to a zero- and low-emissions fleet and operations using technology based on electric propulsion.

In 2019, the company opened three new fully electric routes, serviced by seven fully electric ferries. This will increase to a total of 29 electric ferries on 17 routes by the end of 2020. Developing the technology and building charging systems for electric ferries has been a time-consuming process, but the company can document that the technology is functioning in line with the requirements.

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. The past year has been characterised by unprecedented renewal of the ferry fleet, resulting in increased passenger comfort and environmental improvements

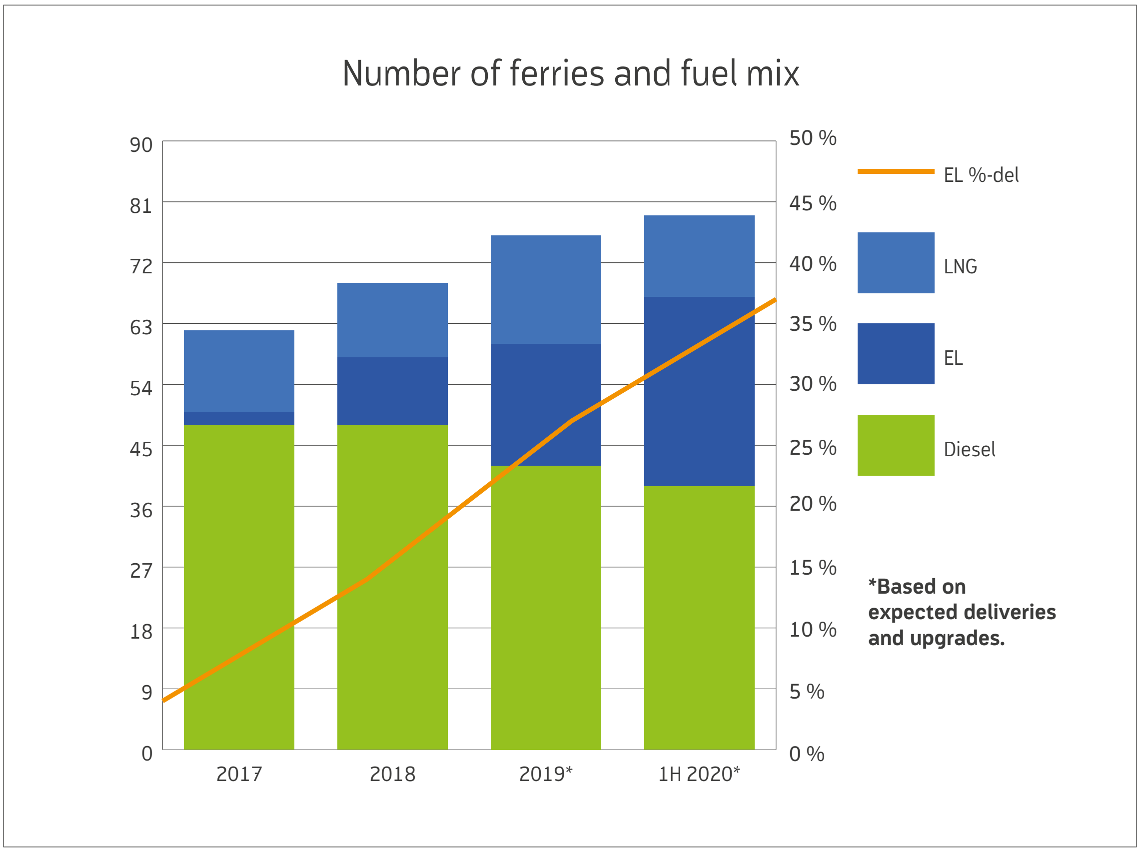


Figure: Developing a modern ferry fleet adapted for safe, reliable and environmentally friendly transport. Half the ferry fleet will be running on LNG or electricity within the first half of 2020. Fjord1 has moved from two electric ferries in 2017 to 29 in 2020, and this figure will increase further as a result of contractual commitments. The shift will lead to a significant reduction in emissions

Environmentally friendly tourism

Fjord1 shall surpass the environmental requirements set by public contractors in tender processes. Through its subsidiary The Fjords DA, Fjord1 has made substantial investments in green, fjord-based tourism experiences using pioneering zero- and low-emissions vessel concepts.

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 vessels combine battery technology and use of carbon fibre in a completely new and unique concept. A third fully electric vessel, 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.

"With 20 million passengers a year, Fjord1 is committed to both employees and passengers being able to travel safely across all Norway's fjords"

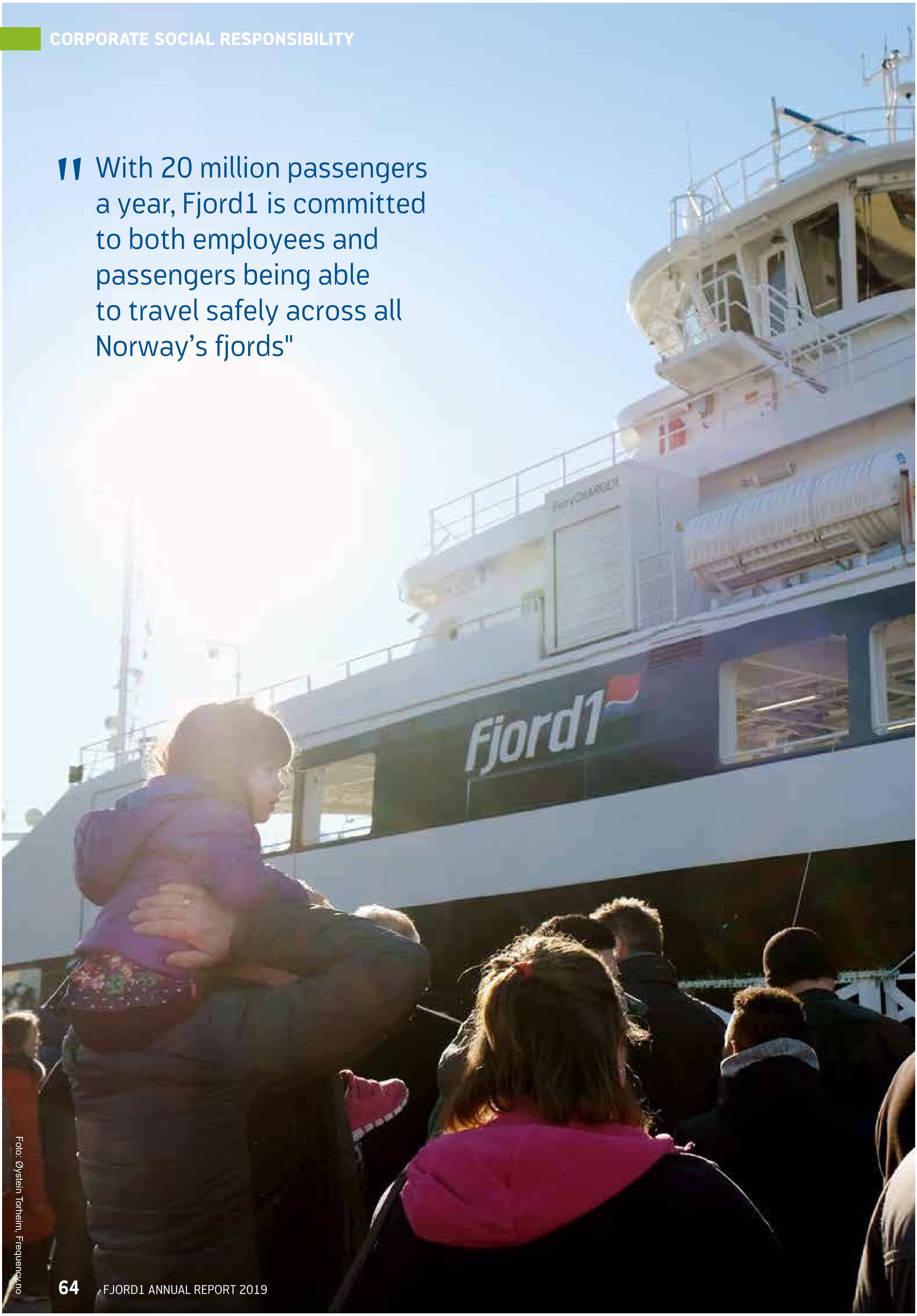


Foto: Øystein Torheim, Frequency.no

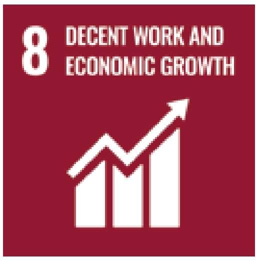
LOOKING AFTER PEOPLE AND LOCAL COMMUNITIES

With 20 million passengers a year, Fjord1 is committed to both employees and passengers being able to travel safely across all Norway's fjords. This is why Fjord1 has a target for zero occupational injuries. This is to be achieved by means of an uncompromising attitude to safety with the focus on avoiding occupational accidents, in particular accidents that result in serious personal injury or absence. The fundamental idea behind Fjord1's safety work is that all undesired incidents have a cause and can thus also be avoided. There is a strong will for continuous improvement, and the reporting rate is increasing.

In order to discharge its corporate social responsibility, the company is dependent on having the most competent and motivated employees in the industry at all times. The most profitable investment the company makes is therefore in laying the ground for employee satisfaction, at the same time as ensuring employees can develop their knowledge and skills.

As one of Norway's largest ferry operators, Fjord1 is also in a position to give back to the local communities it serves. Among other things, it does this by creating attractive jobs, offering a number of trainee positions within different trades, and paying dividends.

In its work on this focus area, Fjord1 is mostly contributing to the following SDGs prioritised by the company:



Safety

Safety is paramount at Fjord1 and, in 2019, the company has focused on continuing to strengthen its safety culture, 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, in order 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 standard. This focuses on development by means of risk management, enabling the company to take corrective actions, make improvements and learn from incidents. The system helps ensure effective and serviceable 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. The position data used to monitor daily operation of the barrier system is an important part of the work on preventing allisions.

Thanks to targeted 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 positive financial outcomes for the company. Safety is paramount at all times, and Fjord1 ensure this by complying with the company's procedures and barrier system.


Foto: Øystein Torheim, Frequency.no

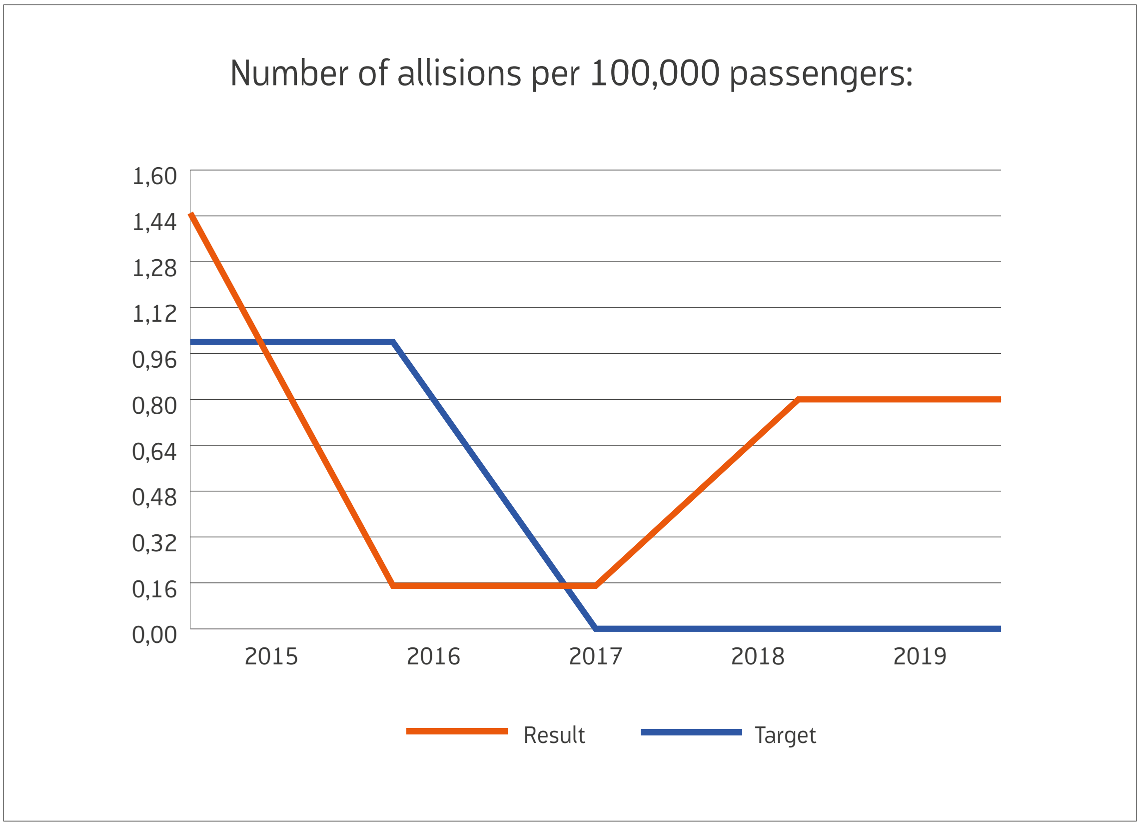


Figure: Number of allisions per 100,000 port calls.

'Allision' is a generic term for undesired incidents such as a ferry hitting a quayside or going aground. A total of six allisions were recorded in 2019, unchanged from 2018. Target not achieved.

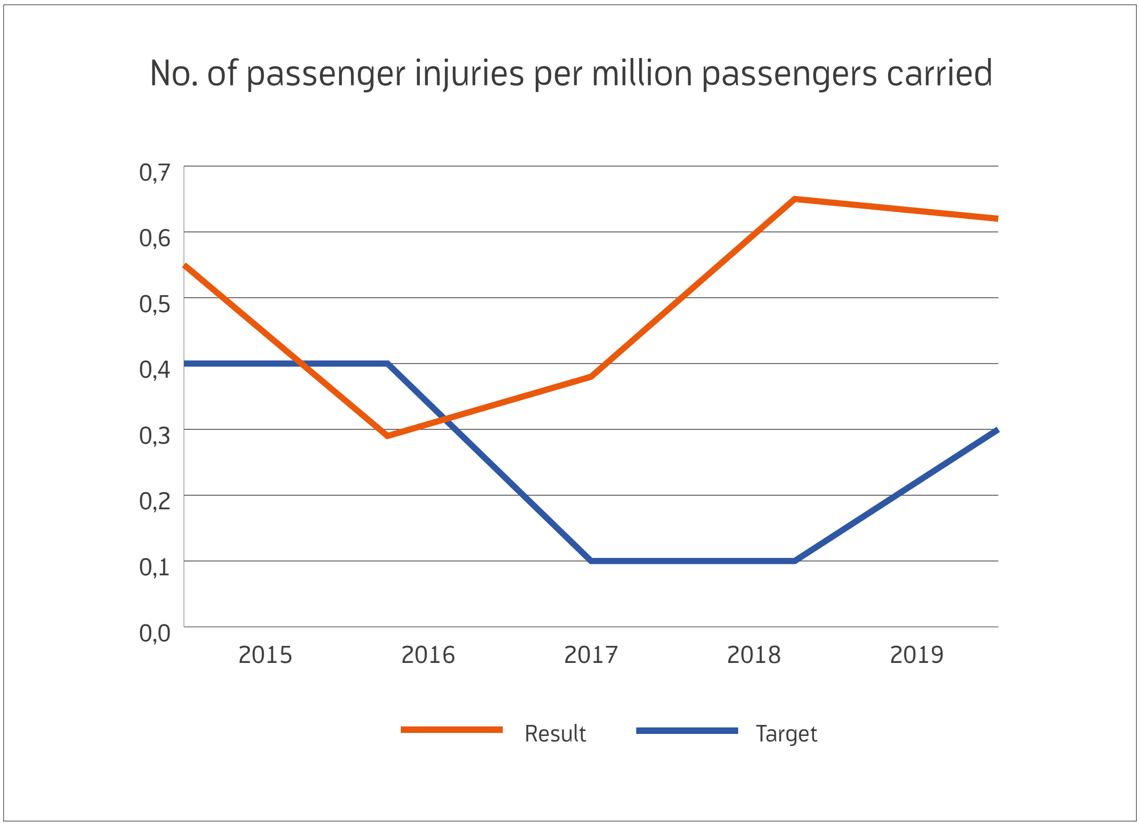


Figure: No. of passenger injuries per million passengers carried

The number of passenger injuries per million passengers carried had increased in recent years. However, the figure fell from 0.65 in 2018 to 0.62 in 2019. Target not achieved.

Emergency preparedness

Fjord1 takes part in national and local emergency preparedness drills. This is done so as better to equip on-board personnel and the shore-based emergency preparedness organisation to deal with emergencies. The fact that the company makes itself available and participates actively in such drills helps to strengthen emergency preparedness both locally and nationally.

Fjord1 seeks to have an effective emergency preparedness organisation in order 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. Fjord1's emergency preparedness group carries out regular drills with follow-up evaluations. It does this to be as best prepared as it can be 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.

A working environment that promotes employee health

Fjord1 aims to prevent injuries to and illness among its 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 overall goal is to eliminate all forms of work-related absence. Monitoring and facilitation are therefore important parts of the company's working day.

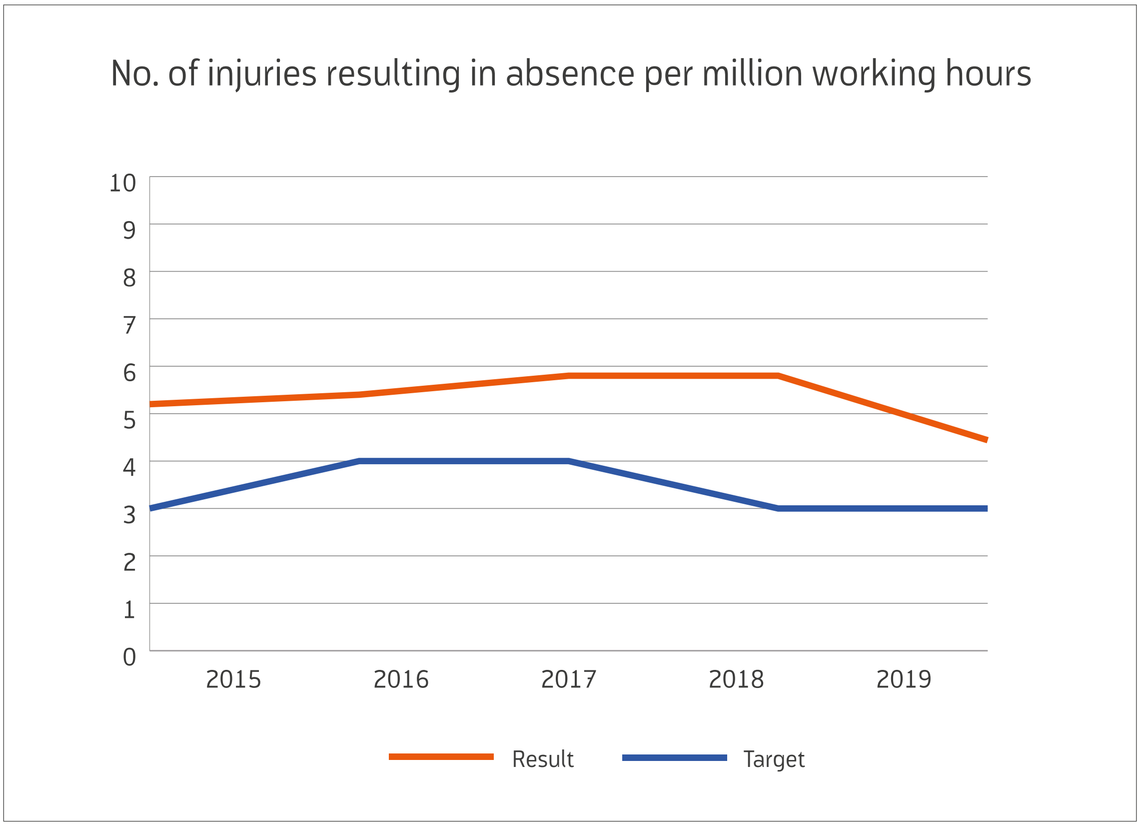


Figure: No. of injuries resulting in absence per million working hours.

The frequency of injuries resulting in absence in 2019 was 4.44%, which is an improvement on 2018 (5.71). The majority of injuries resulting in absence are caused by falls. Target not achieved.

An inclusive and inspiring working environment characterised by mutual respect and equality is important. Fjord1 has a zero-tolerance approach to harassment and negative conduct that may be perceived as threatening or degrading. Moreover, the company works actively to create an inclusive and inspiring working environment based on mutual respect and equality.

Efforts to reduce sick leave are work in progress and will continue to require targeted work moving forward. There has been a negative development in sick leave in 2019, the reasons for which are many and complex. In 2020, Fjord1 will therefore continue to closely monitor the situation, and the priorities going forward will be preventive work, the psychosocial working environment, adaptation and follow-up.

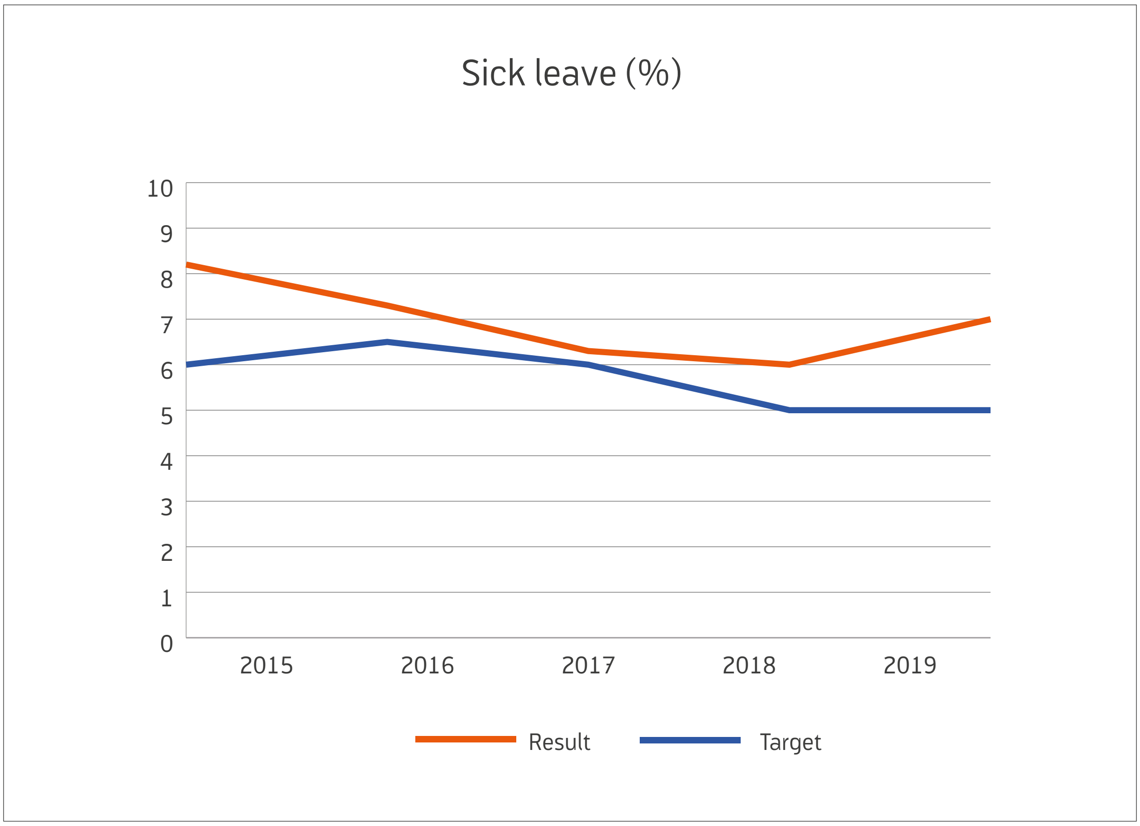


Figure: Sick leave (%).

Sick leave was 6.93% in 2019, up from 5.96% in 2018 and 2.03 percentage points above the target for 2019. Long-term sick leave rose from 4.53% in 2018 to 5.25% in 2019 and short-term sick leave from 1.43% to 1.68%. Target not achieved.

"The company makes conscious efforts to provide men and women with equal career opportunities in Fjord1 "

Gender equality

At Fjord1, the company want always to have the best people for the job, irrespective of gender. The company makes conscious efforts to provide men and women with equal career opportunities in Fjord1. Fjord1 is committed to ensuring women full and genuine participation in important decision-making processes and equal opportunities in leadership positions at all levels. The maritime industry continues to be dominated by men, and Fjord1 is unfortunately no exception, despite more and more women entering maritime professions.

Women in Fjord1:	14,9 %
Women on board wessel:	12,2 %
Women on shore:	37 %
Women in leadership positions on board vessels:	2,5 %
Women in leadership positions on shore:	21 %
Female apprentices on board vessels:	14 %
Female apprentices on shore:	0 %
Female board members:	28,6 %

Employee satisfaction

In the autumn of 2018, Fjord1 conducted a major survey of all its employees. One of the purposes of this 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. In 2019, Fjord1 has worked on measures that will help to further develop Fjord1 as a safe and good place to work for each individual employee.

Fjord1 achieved a total score of 4.8 for motivation and satisfaction in 2019, which is satisfactory but with room for improvement. The target is between 5 and 7, with 7 being the highest score. A new survey will be carried out in the autumn of 2020.

Career and development opportunities

Fjord1 is a skills-based workplace with a wide range of job categories in the company. Framework conditions in new tender contracts and technological developments require initiatives to boost skills and develop the organisation in line with new requirements, both for the company as a whole and for each individual employee. Fjord1 is always seeking new skills, particularly in connection with administrative positions within technology, innovation and the environment. In 2019, ten new specialists with a range of skills and backgrounds joined Fjord1's administration, plus four middle managers.

Training establishment

At any time, the company has a number of trainee positions for able seamen and motormen. In the first half of 2019, there were 53 apprentices (nine women) and 12 cadets (four women). In the second half of 2019, there were 74 apprentices (11 women) and 12 cadets (four women).

The apprentices and cadets are important to the company, and Fjord1 aims to be a good place to train for the maritime trades. Fjord1 has also had an apprentice in administration in recent years.
The company is also an active participant in the "Careers in Western Norway" trainee scheme run by the organisation Framtidsfylket. The scheme has proved successful for Fjord1, which has offered several of the trainees permanent positions on completion of their one-year traineeship.

Fjord1 takes a positive attitude towards traineeships for external parties such as the Norwegian Labour and Welfare Administration (NAV), where the company has had good experiences with targeted work training.

All of Fjord1's first-year apprentices were gathered in Florø, autumn 2019

Allocation of sponsorships

Fjord1 uses sponsorships to promote diversity and well-being, and cover essential requirements within sport and culture in those districts where Fjord1 operate. Fjord1 seeks to be an active and involved member of society, particularly in Western Norway where the company's presence is strongest, and uses sponsorship as a means to achieve this goal.

Fjord1 has chosen to support both clubs and organisations in their work, via both long-term projects and one-off events. The company's primary sponsorships are within sport and culture. Fjord1 seeks to focus on broad rather than narrow target groups, and teams rather than individual sportsmen and -women. Children and young people – involved in grass-roots rather than elite sport – are an important part of the target group for sponsorship. Fjord1 also supports a number of individuals and organisations through advertising.

DRIVER FOR INNOVATION AND DEVELOPMENT

Fjord1's vision is to be the most environmentally friendly and reliable operator in the transport sector. In order to guarantee safe and environmentally friendly services for society, Fjord1 seeks to contribute innovation and skills development to create services that can meet the challenges of tomorrow. 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.

In its work on this focus area, Fjord1 is mostly contributing to the following SDGs prioritised by the company:

The picture shows a small selection of employees who got a job in the administration during 2019.

Manager and employee development

The company has worked purposefully over time to develop managers and employees at all levels in the organisation. The purpose of this work is to make managers aware of their own leadership styles, including by facilitating practical exercises, and providing them with concrete tools they can use in their daily work.

In 2019, employee gatherings have been arranged to build a strong Fjord1 culture where all employees feel a sense of ownership of the company's overall goals, values and ethical guidelines. As such, Fjord1 has laid the foundations for a unifying and inclusive fellowship among all employees, boosting motivation and well-being.

Skills development

Fjord1 wants to help ensure the 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 the employees. Further to new requirements linked to low- and zero-emissions technology and the need for employee training, Fjord1's "skills upgrade" programme, launched in 2018, has been continued in 2019.

In May 2019, all employees in the administration (approximately 120) were gathered for a two-day staff gathering in Florø.

Technology, innovation and development

For several years, Fjord1 has been working on development projects linked to the ferries of the future, with a particular emphasis on battery and hybrid vessels. During 2019, Fjord1 built up skills linked to other energy carriers such as hydrogen. Here, Fjord1 has worked with industry suppliers to develop and gain approval for a concept for hydrogen-electric ferries.

To date, Fjord1 has strived to be 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 in and contributing to various projects linked to the development of new digital tools. Going forward, the company will use new digital tools to optimise operations. Fjord1 want to achieve better energy and cost efficiency through smarter maintenance and less off-hire for vessels.

Less off-hire 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 the company expect these tools to help to contribute to improvements on all vessels, old and new alike.

ACT SUSTAINABLY THROUGHOUT THE VALUE CHAIN

As part of its corporate social responsibility, Fjord1 has undertaken to operate safe and reliable transport on Norway's fjords. Fjord1's credibility and competitiveness are as such based on trust. The company has an uncompromising attitude to ethics, setting clear requirements for employees, suppliers and partners alike. While the company's employees have committed to complying with the business ethics guidelines, Fjord1 requires its suppliers to undertake to comply with the guidelines via its supplier declaration. Fjord1 has a zero-tolerance approach to corruption and other breaches of regulations, and has drawn up its own guidelines for reporting unacceptable conditions (whistle-blowing), whereby each report is to be professionally dealt with in line with the company's internal whistle-blowing procedures.

In its work on this focus area, Fjord1 is mostly contributing to the following SDGs prioritised by the company:

Ethical guidelines

Fjord1 depends on the trust of customers, authorities, suppliers and society as a whole. The company shall be characterised by high ethical standards, and decisions shall be governed by standards, values and ethical regulations that comply with general interpretation of law.

The business ethics guidelines (Code of Conduct) were further developed in 2019, and cover employees, board members, customers, suppliers and shareholders. Anchoring how people are to behave in the company's shared values and acting in accordance with the guidelines can 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 high standards of conduct they can expect from employees.

Corruption and other breaches of regulations

Fjord1 does not accept any form of corruption or other breaches of regulation. Value creation must be in line with the ethical guidelines and legislation. Fjord1's employees shall at all times behave in a manner that is in the best interests of the company and shall 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 to make unlawful gains.

Whistle-blowing routines for unacceptable conditions

In combination with Fjord1's values, the company's business ethics guidelines set the standard for ethics and integrity. Fjord1 wants anyone with knowledge of unacceptable conditions in breach of the company's business ethics guidelines to report this.

Employees have the right to whistle-blow, and an appropriate procedure is in place to ensure they are protected from reprisals. Fjord1 has established whistle-blowing routines for reporting unacceptable conditions.

Fjord1's suppliers, partners and others are also encouraged to report unacceptable conditions. Whistle-blowing can be open or anonymous, and both the circumstance reported and the identity of the whistle-blower are treated as confidential information. Reports may be submitted to the line manager, manager at superior level or by using Fjord1's external whistle-blowing channel.

Sustainable products

Fjord1 is committed to delivering sustainable products and services at all times and – most importantly – to being able to deliver environmentally friendly and reliable transport on the fjords. One of the ways Fjord1 do this is by using zero- and low-emissions vessels; see the more detailed account in section of the environment.

Another of the company's goals is to supply environmentally friendly and certified products through its Ferdamat catering concept. Fjord1's disposable coffee cups are PEFC certified, which guarantees the paper has been produced from pulp sourced from sustainably managed forests. The disposable cutlery and drinking glasses used in Fjord1's catering operations are recyclable. Moreover, the whole-bean coffee variants available from Fjord1's coffee machines use organic, Fairtrade beans. Fairtrade guarantees better trading terms for the farmers, and the crops are cultivated in accordance with standards for safe working conditions and sustainable agriculture.

Dealing with vessels at the end of their lifetime

Fjord1 seeks a safe and environmentally responsible way of recycling vessels that will no longer be used in its own operations. The company therefore follows the Hong Kong Convention or the EU's scheme for ship recycling. These stipulate that Fjord1 or the buyer of the vessel undertakes not to "beach" the vessel, i.e. when ships are run aground on shallow beaches at high tide and broken up there for scrap.

Foto: Øystein Torheim, Frequency.no

SUMMARY

In order to continue delivering socially beneficial and sustainable products and services, the company must be a reliable partner that contributes to climate-friendly solutions. Sustainability is, as such, crucial to the company's competitiveness, and Fjord1 therefore wants to continue setting ambitious, concrete targets within the focus areas it has prioritised. Fjord1 is determined to make a difference and, in so doing, set an example for the rest of the maritime industry.

For Fjord1, this means actively promoting ethical use of technology while simultaneously minimising the company's carbon footprint. Fjord1 shall work with its partners to develop solutions that have a positive impact on society and offer new ways of compensating for emissions.

One important step forward within sustainability is the overall reduction of greenhouse gases, with a particular focus on emissions of CO2/NOx from energy use. By working closely with other industry players – vessel designers, system suppliers and the research environment – Fjord1 is implementing a raft of measures to reduce the level of greenhouse gas emissions. Nevertheless, the most important measure has been phasing out older vessels and replacing them with new, environmentally friendly ones, as well as converting existing vessels. This has brought about a gradual transition to a zero- and low-emissions fleet using technology based on electric propulsion.

Fjord1 has harvested important learnings from the progress made and is proud of the work that has been done to reduce the company's carbon footprint. At the same time, the company openly admits that there is still a way to go. This is why Fjord1 is keen to get started on the next stage of its journey to develop sustainability as an important part of the company's overall strategy and, in this way, contribute further to sustainable development by bringing about positive change through the company's day-to-day operations.

Foto: Øystein Torheim, Frequency.no

ANNUAL REPORT AND FINANCIAL STATEMENTS

FJORD1 BOARD OF DIRECTORS' REPORT 2019

GROUP OVERVIEW - INTRODUCTION

Fjord1 Group ASA's ("Fjord1", "the Group" or "the Company") vision is to be the safest and most attractive provider of environmentally friendly ferry and passenger boat transport for customers, contractors and other partners.

Fjord1's values reflect the Company, and how it operates. The values are an important part of the Company's identity. The values are used as a management tool that guides all employees in their daily tasks internally and externally. The values are selected by the employees and are anchored at every level of the Company. Fjord1's values are: cheerful, open and honest, reliable and keeping all promises, profitable, proud, working together and team spirit.

The values guide the Company to continuously work to achieve its six primary objectives:

- be the best at environmentally friendly transport
- provide our owners with stable, 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 collaboration partner for our clients
- have solid financial results, healthy business management, and quality in all processes

Fjord1 already plays a very important role in the coastal transportation infrastructure in Norway, tying local communities together with safe, reliable and environmentally friendly transportation solutions. From 1 January 2020 Fjord1 operates thirteen ferry contracts with associated catering services on Norwegian fjord crossings. The connections are operated with a growing fleet of 79 owned vessels, with a high and increasing share of fully electric vessels. Fjord1 also provides regional passenger boat services and has a growing engagement in environmentally friendly tourism in Norway.

In 2019, Fjord1 transported a total of 19.9 million passengers and 9.9 million vehicles and made 752 thousand port calls without any serious incidents. At the end of 2019, the total value of the Group's contract portfolio was NOK 24.5 billion for the period 2020-2033, excluding options and index regulation.

Headquartered in Florø, Vestland, Fjord1 also has regional offices in Molde and Bergen.

2019 was a transitional year for the Group, with preparations for start-up of connections in six contracts 1 January 2020, the follow-up of an extensive newbuild and upgrade programme set for completion in 2020, as well as significant onshore infrastructure investments to facilitate the ongoing electrification of the coastal transportation system.

Fjord1 and subsidiaries ("the Group") reported total income of NOK 2,724 million in 2019, 12 % lower than in 2018 and within the original guided range of a 10-20 % revenue decline for 2019. The operating profit (EBITDA) was NOK 818 million, corresponding to an EBITDA margin of 30%. The Group profit for the year was NOK 209 million. More information on the 2019 financial results is to be found in the financial review of this report and in the consolidated financial statements in the annual report.

OPERATIONAL REVIEW

The Group has four reporting segments; Ferry, Passenger Boats, Catering, and Tourism. A brief presentation of the segments and key financials follows, and additional details can be found in Note 3 Segment information in the consolidated financial statements.

FERRY
Fjord1 continues to be the leading operator in the Norwegian ferrymarket. The market share was roughly unchanged from 50% in 2018, despite the loss of the high traffic connection Halhjem-Sandvikvåg.

In February2019, Fjord1 was awarded the contract for operating the connection Halsa-Kanestraum for the period 2021-2030 with an option to extend for an additional 18 months. This added to an overall solid ferry contract portfolio expected to generate predictable revenue streams going forward. An overview of the Company's contract portfolio at the end of 2019 can be found on page 19 in the annual report.

On 1 January 2020, Fjord1 started four new contracts: Rutepakke 2 Hordaland, Nordmørspakken, Indre Sunnmøre and the partial start-up of Romdalspakken. A total of nine new connections were added, involving 11 vessels. In the next few years, several tenders are expected on contracts in North Norway which Fjord1 does not operate today.

Fjord1 took delivery of 12 hybrid vessels in connection with the ongoing newbuild and upgrade programme. The vessels have been built at Havyard Ship Technology in Norway and at the Sefine, Tersan and Cemre shipyards in Turkey. Fjord1 secured vessels for rental for the interim period, and the delays had limited impact on the start-up of new contracts on 1 January 2020. Three vessels were sold during 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. At the end 2019, the Company's ferry fleet counted 76 vessels in total. Fjord1's vessel fleet is gradually transitioning to low- and zero emission technology, reducing direct emissions and fuel costs as new and upgraded vessels are fully operational. At the end of 2019, approximately 36% of Fjord1's capacity was low- or zero-emission vessels, with further deliveries of electric and converted hybrid-electric vessels set to reduce CO2 and NOx emissions further in 2020. The fleet renewal and upgrade programme are expected to significantly improve the Group's environmental footprint in the years to come.

Ferry	2019	2018
Revenue	2 445	2 760
EBITDA	739	985
EBITDA-margin	30 %	36 %
EBIT	380	691
EBIT-margin	16%	25 %

The ferry segment results in 2019 were impacted by changes in the contract portfolio with temporarily lower volumes, and preparatory work for start-up of new connections and contracts from 1 January 2020. Ferry volumes and revenues are set to increase with the start-up of the new contracts.

PASSENGER BOATS

The Passenger Boats segment consists of three passenger boats and 10 passenger and combi-boats leased from subcontractors. The main focus is on passenger traffic, although a few boats also transport vehicles.

The contracts for the local express boat connections were awarded for eight years, starting 1 May 2012, and client in 2019 exercised options extending the contracts until 1 May 2022. Fjord1 ASA is also involved in express boat operations between Kristiansund and Trondheim in collaboration with Fosen Namsos Sjø AS, through its 49% shareholding in Partsrederiet Kystekspressen ANS.

Tenders on passenger boat contracts on the West coast of Norway are expected to be announced during 2020. Fjord1 expects the trend seen in the ferry segment with regards to environmental requirements to have an influence on passenger boat tenders.

Passenger Boats	2019	2018
Revenue	115	105
Associated co's	2	3
EBITDA*	56	7
EBITDA-margin	49%	7%
EBIT	2	1
EBIT-margin	2%	1%

*EBITDA incl. associated companies

The higher revenue in 2019 mainly reflects price adjustments due to index regulation, whereas the changes in EBITDA and EBIT mainly reflect accounting changes under IFRS 16 on leasing.

CATERING

The Company's catering business provides catering services to passengers travelling with ferries or passenger boats. The 'Ferdamat' catering brand offers high-quality food based on local ingredients, striving to fulfil customer expectations in terms of selection and quality. During 2019, the segment has shifted to self-service concepts on several routes, both to expand service hours and contain costs.

Catering	2019	2018
Revenue	135	192
EBITDA	15	34
EBITDA-margin	11%	18 %
EBIT	11	31
EBIT-margin	8%	16 %

The lower revenues in Catering mainly reflect lower volumes due to changes in the ferry contract structure. The Company has strengthened the cost focus in response to the lower volumes and weaker results.

TOURISM
Fjord1's tourism activities are carried out both through fully owned and partly owned companies, with associated companies making up a significant part of the overall activities and revenues. An overview of the Group's ownership positions can be found in Note 4 Interest in other entities in the consolidated financial statements.

In June 2019, Fjord1 and Vy (previously NSB) formed the 50/50 joint venture Vy Fjord1 Reiseliv AS ("Vy Fjord1") in line with the letter of intent signed between the parties last year. The company's name was later changed to Fjord Tours Group AS. Fjord Tours Group shall offer sustainable tourism in Norway through accessible environmentally friendly transport via train, bus and boat to popular destinations in Norway all year round. Kristian B. Jørgensen commenced as CEO for the new company from 1 January 2020.

Tourism	2019	2018
Revenue	18	23
Associated co's	0	8
EBITDA*	0	18
EBITDA-margin	0%	58%
EBIT	-1	7
EBIT-margin	0%	23%

*EBITDA incl. associated companies

Fjord1 continues to see tourism as an interesting area with a long-term growth potential but the 2020 season is expected to be challenging due to the consequences of the coronavirus. More information in the section for Events after the reporting period.

FINANCIAL REVIEW

DECLARATIONS REGARDING THE FINANCIAL STATEMENTS
The Board of Directors confirms that the financial statements provide a fair and correct view of the Group's and the Parent company's result for 2019 and the financial position at year end. It is the Group's results which are reported in the interim reporting. The following sections provide an overview of the Group's 2019 results.

GOING CONCERN
In accordance with IAS1 Presentation of Financial Statements and the Norweagian Accounting Act, the Board of Directors confirm that the prerequisites for continued operations as a going concern have been met. This assumption is based on the preparations of the accounts, forecast and budgets for 2020 and the Group's long term forecast for the coming years.

Financial review - Group

PROFIT AND LOSS
In 2019, the Group's total income amounted to NOK 2,724 million in 2019 (NOK 3,102 million). The EBITDA was NOK 818 million (NOK 1,051 million), resulting in an EBITDA margin of 30% (34%). The EBIT was NOK 396 million (NOK 745 million). Profit for the year was NOK 209 million (NOK 540 million).

The total revenue decline of 12% compared to 2018 was in line with the Company's original guidance of a 10-20% decline, presented in late 2018. The revenue and results for the year were impacted by changes in the contract portfolio with temporarily lower volumes, and activities related to preparations of the start-up of new connections from 1 January 2020.

FINANCIAL POSITION
At the end of 2019, total assets amounted to NOK 9,240 million (NOK 6,731 million). The increase was explained by an increase in non-current assets due to delivery of new vessels, investments in newbuild and capitalised investments in quays and other infrastructure.

The total equity ratio was 24.6% (34.6%) at year end. The equity decreased by NOK 62 million to NOK 2,270 million (NOK 2,331 million).

At the end of the year, the Group had non-current liabilities of NOK 4,912 million (NOK 3,101 million), and current liabilities of NOK 2,059 million (NOK 1,299 million). The increase in total liabilities reflects investments in vessel newbuilds and upgrades, quays and other infrastructure which mainly have been financed by bank debt. The Group has secured necessary financing to complete the newbuild and upgrade programme. The net interest-bearing debt is set to decline towards the end of 2020 due to improved cash flow, lower investments and sale of infrastructure. More information in Note 15 Borrowings.

The Boards of Directors considers the Group's financial position to be satisfactory.

CASH FLOW
In 2019, net cash flow from operating activities was NOK 324 million in 2019 (NOK 983 million). The Lower cash flow is mainly explained by lower contributions from operations due to lower volumes and higher costs in a year with high activity related to preparations for new contracts and related infrastructure.

Net cash flow used in investing activities was NOK 2,359 million in 2019 (NOK 1,864 million). Investing activities consisted of newbuildings, upgrades and infrastructure and were impacted by progress on the vessel renewal and upgrade programme in 2019.

Net cash flow used in financing activities was NOK 2,247 million (NOK 680 million). The change in financing activities was mainly explained by increased debt in order to finance the vessel renewal and upgrade programme.
In 2019, the total net change in cash and cash equivalents was positive NOK 212 (-202) million. Cash and cash equivalents at year end were NOK 484 million (NOK 272 million).

The Boards of Directors considers the Group's liquidity to be satisfactory.

Financial review – Parent Company

PROFIT AND LOSS

In 2019, the Parent's total revenue amounted to NOK 2,737 billion in 2019 (NOK 3,094 billion). The EBIT was NOK 369 million (NOK 781 million). Profit for the year was NOK 240 million (NOK 581 million).

FINANCIAL POSITION

At the end of 2019, total assets amounted to NOK 8,967 million (NOK 6,425 million). The increase was explained by an increase in non-current assets due to delivery of new vessels, investments in newbuildings and capitalised investments in quays and other infrastructure.

The total equity of the Parent company was NOK 2,059 million (NOK 1,820 million). The total equity ratio was 23.0% (28.3%) at year end.

At the end of the year, the Parent company had non-current liabilities of NOK 6,006 million (NOK 3,234 million), and current liabilities of NOK 902 million (NOK 1,372 million).

The Boards of Directors considers the Parent's financial position to be satisfactory.

CASH FLOW

In 2019, net cash flow from operating activities was NOK 189 million in 2019 (NOK 895 million). Net cash flow used in investing activities was NOK 2,246 million in 2019 (NOK 1,986 million). Net cash flow used in financing activities was NOK 2,323 million (NOK 887 million).

In 2019, the total net change in cash and cash equivalents was positive NOK 266 (-204) million. Cash and cash equivalents at year end were NOK 465 million (NOK 200 million).

The Boards of Directors considers the Parent's liquidity to be satisfactory.

OTHER INVESTMENTS

Fjord1 has a 34% ownership in WF Holding AS. This is 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) connections in Norway. The airline owns and operates 44 aircraft, serving 49 destinations.

DIVIDEND

Fjord1's underlying long-term business provides for a balanced, owner-friendly and long-term dividend policy.

The Company's dividend policy is to pay dividends of up to 50% of the Group's profit for the year after tax. The dividend payment is evaluated considering the Group's financial position. The Company's capital structure is adapted to the Group's strategy and risk profile. Decisions regarding dividend payments will be made by the General Meeting based on a proposal by the Board of Directors.

ALLOCATION OF PROFIT IN THE PARENT COMPANY

In 2019, Fjord1 ASA, the parent company reported a income of NOK 2,737million (NOK 3,094 million). Operating profit was NOK 369 million (NOK 781 million) while the after-tax profit was NOK 240 million (NOK 581 million). The parent company's financial statements are disclosed in the annual report.

The impact of the coronavirus on Fjord1's operations and financials over the coming months will depend on the magnitude and length of the extraordinary measures. Therefore, the Board of Directors believes it is prudent to postpone the dividend recommendation for 2019 until further notice. In the meantime, the Board of Directors recommends allocating the profit of NOK 240 million from the parent company to other equity to further strengthen liquidity and balance sheet. See separate chapter in this report for more information about Fjord1 and the coronavirus.

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 2019.

SAFETY

Fjord1's vision is to be the safest and most attractive provider of environmentally friendly ferry and passenger boat transport for customers, contractors and other partners. The vision sets the ambition for safety within the Group. The Group has high safety standards and expectations which are clearly communicated through the Company's procedures, policies and safety targets.

Reference to made to Safety section in Annual Report 2019 page 66.

ENVIRONMENT

Fjord1's vision sets the Group's ambition for environment: to provide the most environmentally friendly ferry and passenger boat transportation. Fjord1 took a significant step towards its vision during the year of 2019 with 9 deliveries of new hybrid vessels, and 3 vessels upgraded for the use of electricity as the main source of power. The Group expects the transition to zero- and low emission fuel to continue.

Fjord1 monitors its emissions to sea and air closely. The Group operates within all environmental legislation and regulations. The Group's main source of greenhouse gas emissions is fuel combustion. In Fjord1's new contracts there are strict requirements for low- or zero emission fuel. As the low- or zero emission fuel vessels get fully operational, average emissions per passenger transported are expected to be reduced. In 2020, the Company expects necessary charging infrastructure to be gradually completed, allowing new and upgraded hybrid vessels to run on electricity. As is the case for most electricity in Norway, the electricity for the vessels are generated from renewables. The Group expects to continue to upgrade existing vessels for electricity use.

PEOPLE

The employees are the Group's most important resource. Fjord1's ambition is to have the most satisfied employees in the industry. At the end of 2019, Fjord1 had 1,066 full-time equivalents compared to 1,264 in 2018. Fjord1's culture is built on its values: cheerful, open and honest, reliable and keeping our promises, profitable, working together and team spirit and proud.

Fjord1 focus on employee well-being. The Group has continuous and systematic focus on and follow-up of employee health and the working environment. In 2019, the sickness absence rate was 6.9% compared to 5.9% last year. The Group will continue with a close follow-up of the absence rate due to sickness, aiming to turn the negative development around by focusing on preventive activities, on the psychosocial working environment, work adaption and close follow-up of employees on sick leave. An employee survey is planned in 2020.

In terms of equality opportunities, the Group continues to aim for more diversity including a better gender balance. The proportion of female employees was 14.9% at the end of 2019 (18.5%). The proportion of females working onboard the vessels was 12.2% in 2019 (14.4%). A low proportion of female employees must be seen in connection with fewer females choosing a maritime career. The Group is aware of the importance of treating men and women equally in terms of salary and salary adjustments. Fjord1 ASA is an Inclusive Working Life company (IWL) and has drawn up its own IWL plan. The Groups' goal is to be a workplace where there is no discrimination.

CORPORATE GOVERNANCE

Reference to separate Corporate Governance report included in the Annual Report of 2019 page 39.

SHAREHOLDER INFORMATION

Fjord1 ASA had 100.0 million issued shares at 31 December 2019, divided between 3,724 (3,786) shareholders. Fjord1's own shareholding amounted to 90 402 shares at the end of the year, corresponding to 0.09% of total shares outstanding.

The 20 largest shareholders controlled 91.4% (85.9%) of the total number of issued shares at year end. Havila Holding AS, through Havilafjord AS and Havilafjord Holding AS, represented 66.5% of the outstanding share capital at year end. An updated list of the top 20 shareholders is available under Investor Relations on Fjord1's website.

During the year 2019, the Fjord1 share varied in price from NOK 32.70 to NOK 44.60. The closing price at 30 December was NOK 36.60, compared with NOK 43.00 at the end of 2018.

A total of 33.6 million shares, or 33.6% of the overall number outstanding, were traded during the period. Share turnover totalled NOK 1,393 million during the year, corresponding to an average daily figure of roughly NOK 5.6 million.

RISK AND UNCERTAINTY FACTORS

The Group is exposed to various types of operational, financial and market risk which are monitored and assessed on a continuous basis.

Fjord1's operational risk is managed through daily operations and adherence to the Group's management system. Risk of delayed vessel deliveries has been an important operational risk in 2019. The Group has been in close dialogue with key suppliers and monitored the progress on the yards closely. Five vessels under construction at the Havyard Ship Technology (HST) have been delayed as a consequence of a challenging financial situations at the yard. Through close dialogue with HST, the Group and HST were able to find a solution. HST delivered 3 vessels during the first quarter of 2020. The remaining two vessels are scheduled for delivery in May 2020. The delay had no impact the start-up of new contracts from 1 January 2020. Replacement vessels for the interim period have been secured. Project progress on remaining newbuilds will be closely monitored to manage and mitigate remaining delivery risk.

The counterparts in the Group's contracts are the Norwegian county authorities (Fylkeskommuner) and the Directorate of Public Roads (Statens Vegvesen). The Board of Directors considers the risk of potential future losses related to contracts with these customers to be low.

Financial risk includes market risk (foreign exchange risk, interest rate risk, commodity price risk, security prices), credit risk and liquidity risk. The financial risk is managed by the Group's finance department via daily monitoring, and monthly forecasts. The Group is exposed to currency risk through USD and EUR contracts for vessels newbuilds. The Group uses financial derivatives to reduce currency risk.

Fuel price risk is a market risk which is mainly managed through client contracts. The contracts are typically regulated according to a cost index for domestic transport which reduces the Group's market risk to a minimum. For contracts without index regulation mechanisms, the Group utilises financial derivatives to partly hedge fuel prices. As the Group's vessels fleet is transitioning to low- and zero emission fuel, the risk associated with price will to a larger extent be related to power price fluctuations. Fjord1 manages risk associated with power prices through long-term power price agreements in EUR.

More information on the Group's financial risk management can be found in Note 12 Financial risk management, financial assets and financial liabilities.

EVENTS AFTER THE REPORTING PERIOD

Risk and uncertainty related to the coronavirus (Covid-19)
Recently, the coronavirus has been declared a national emergency by the Norwegian government and a global emergency by the Word Health Organisation (WHO). The coronavirus continues to progress, and the effects of the measures imposed by the Government and local authorities are still uncertain. The impact of the coronavirus on Fjord1's operations and financials over the coming months will depend on the magnitude and length of the extraordinary measures.

Fjord1 has taken necessary measures to protect the safety of passengers and employees and to limit the ongoing spread of the coronavirus. Fjord1's primary concern is the safety and well-being of the company's employees and customers, and their families and local communities. The Group complies fully with the requirements and recommendations by the Norwegian government and the Norwegian Institute of Public Health.

Fjord1 remains vigilant about the ongoing pandemic and see the following risks potentially impacting operations or financials, or both:

- Connection schedules may be distorted if crew members get infected by the coronavirus. Mitigating actions have been taken to protect the health of ferry and passenger boat crews, which are vital for our transport service offering and contract fulfilment.
- Delivery of 2 remaining vessels in the vessel renewal program, and ongoing work to complete onshore infrastructure projects related to the electrification of ferry connections, will be delayed due to restrictions, people becoming sick or put into quarantine.
- Financial implications are expected to be linked to the duration of travel restrictions. If national and international travel restrictions are upheld, significant revenue loss within Tourism and Catering. Employees within these segments are already on temporary leave to reduce operational cost are expected. Fjord1's associated companies, where the most significant position is, WF Holding AS which holds 100% of the shares in Widerøe's Flyveselskap AS, will be materially impacted as result of the restrictions in the aviation traffic.
- The Ferry and Passenger segments have long-term contracts mainly linked to traffic schedules rather than the number of vehicles or passengers, or ticket prices. Fjord1's ferry service is viewed as a vital part of the infrastructure along the Norwegian west coast and a certain level of ferry service are expected to be upheld regardless of the coronavirus development.
- The default risk related to the contract counterparties, the Norwegian county authorities (Fylkeskommuner) and the Directorate of Public Roads (Statens Vegvesen), continues to be low. However, the contract counterparties have requested a reduction in the number of departures due to the currently significant drop in demand for ferry and passenger boat services as a result of travel restrictions and social distancing recommendations. Fjord1 is in dialogue with the contract counterparties to find reasonable financial compensation schemes in these cases.
- Fjord1 has various agreements for different types of fuel. These may be negatively impacted by the recent changes in foreign exchange rates and the oil price drop.

Due to the current market uncertainties related to the coronavirus, the Board of Directors believes it is prudent to postpone the dividend recommendation for 2019 until further notice, to further strengthen liquidity and balance sheet. Fjord1 will monitor the financial development of the company closely and act accordingly.

Other events
Four ferry contracts were initiated 1 January 2020. In addition, there were extensions on three routes. In January 2020, MF «Florøy» was delivered from Sefine and MF «Grip» from Cemre. MF «Bømlafjord» was delivered from Havyard Ship Technology AS in February 2020, and MF «Smøla» in March 2020. MF «Sildafjord» was delivered from Sefine in March 2020.

For more details on events after the balance sheet date see Note 20 Events after the reporting period.

OUTLOOK

Fjord1' long-term strategy and business model is robust and unchanged. The current uncertainties related the coronavirus outbreak are addressed in a separate chapter above in this report.

Fjord1's ferry service is viewed as a vital part of the infrastructure along the Norwegian west coast and regarded as a critical function by the Government in this situation. Although Fjord1 and its principle counterparties are adjusting ferry schedules due to the lower traffic volumes, this means that a certain level of production will be upheld.

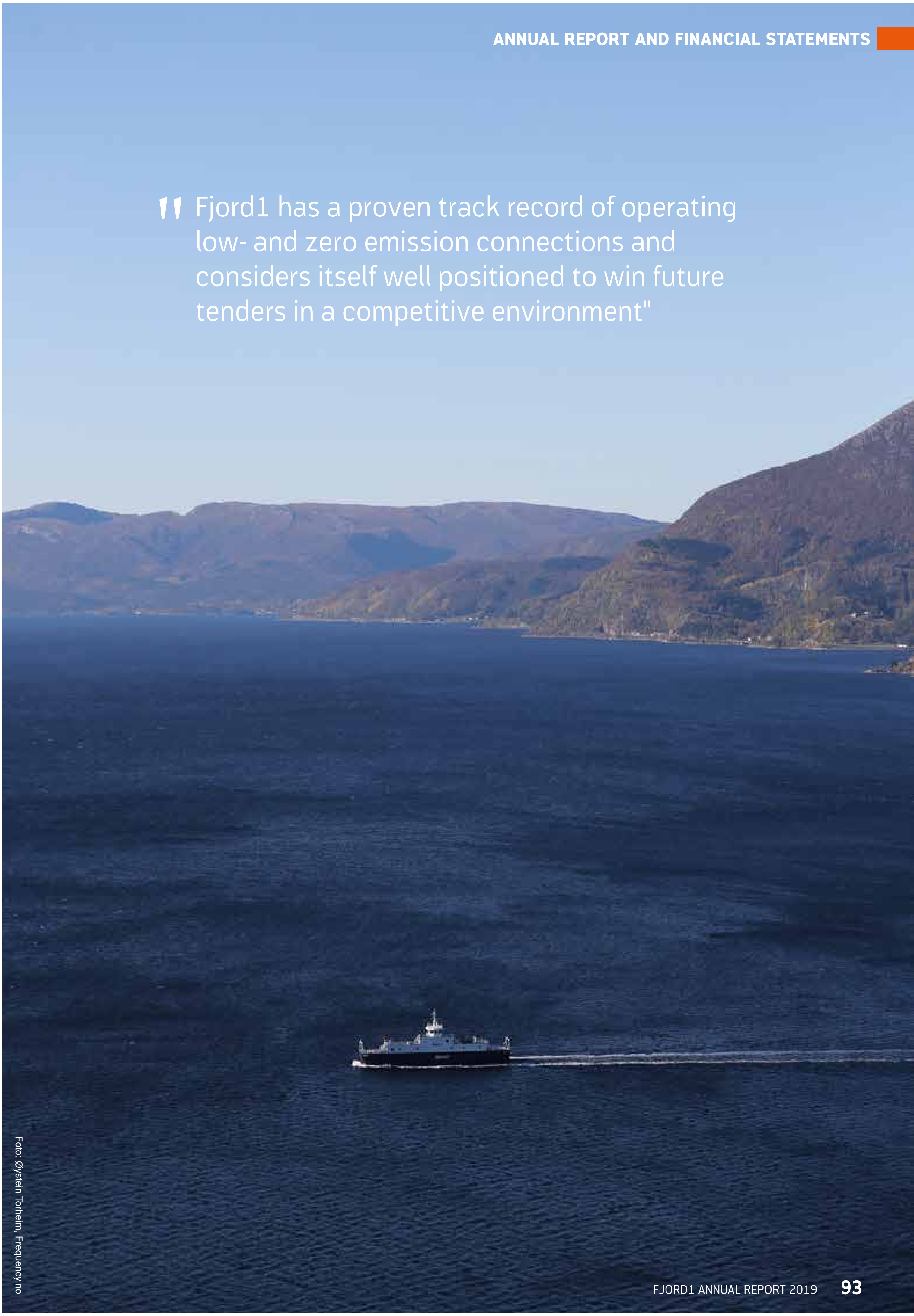
The Group has during 2019 taken a significant step towards its vision of becoming the most environmentally friendly transportation company. The Group will continue along this path as the vessel renewal and upgrade programme finishes during 2020. New contracts started 1 January 2020 and the numbers of ferries in service is expected to increase further. As the new hybrid vessels are fully operational and running on electricity, the Group expects to see lower fuel costs on average per vessel and lower relative emissions from its operations.

The fleet renewal and upgrade programme and associated onshore infrastructure investments have entailed significant investments and a higher debt position over the past few years. The net interest-bearing debt is set to decline towards the end of 2020 due to improved cash flow, lower investments and sale of infrastructure.

The shift from fossil fuel to low- and zero emission fuels is expected to continue going forward, and Fjord1 expects future tenders to include strict requirements with regards to energy usage and environmental impact. Fjord1 has a proven track record of operating low- and zero emission connections and considers itself well positioned to win future tenders in a competitive environment.

In the next few years, several tenders are expected on contracts in northern Norway which Fjord1 does not operate today. In addition, tenders on passenger boat contracts on the west coast of Norway are expected. The Group is also considering its options for international expansion based on its experiences from the ongoing shift towards more environmentally friendly coastal transport solutions in the Norwegian market.

The year 2020 will be an important year for the Group with new vessels and the start-up of several new contracts. New contracts and connections are expected to generate a 10-15% Group revenue increase compared to 2019.



"Fjord1 has a proven track record of operating low- and zero emission connections and considers itself well positioned to win future tenders in a competitive environment"

Foto: Øystein Torheim, Frequency.no

CONSOLIDATED FINANCIAL STATEMENTS 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AMOUNTS IN NOK THOUSANDS	NOTE	2019	2018
Revenue	3, 5	2 662 750	3 060 946
Other income	3, 5	61 066	41 102
Total income		**2 723 816**	**3 102 048**
Purchased goods and fuel		(448 891)	(574 001)
Personnel expenses	7, 14, 19	(994 061)	(1 004 979)
Other operating expenses	8	(465 568)	(483 653)
Total operating expenses		**(1 908 519)**	**(2 062 632)**
Share of profit/(loss) from associates	4	2 550	11 794
Operating profit before depreciation and impairment (EBITDA)		**817 846**	**1 051 210**
Depreciation	11, 16	(419 344)	(306 578)
Impairment	11	(67 717)	(84 064)
Reversal of impairment	11	65 160	84 625
Total depreciation and impairment		**(421 901)**	**(306 017)**
Operating profit (EBIT)		**395 945**	**745 193**
Share of profit/(loss) from other associates	4	26 629	975
Interest income	12	2 616	3 496
Interest expense	12	(168 002)	(113 078)
Other financial items, net	8	(4 223)	38 166
Net financial income / (expenses)		**(142 980)**	**(70 440)**
Profit/(loss) before tax		**252 965**	**674 753**
Income tax (expense) / income	9	(43 861)	(134 464)
Profit/(loss) for the year		**209 104**	**540 289**
Attributable to:			
Parent company owners		208 608	538 660
Non-controlling interest		497	1 629
Basic earnings per share (in NOK)*	10	2,09	5,39
Diluted earnings per share (in NOK)*	10	2,09	5,39

*Based on weighted average number of shares outstanding. Reference is made to note 10 and 13 regarding earnings per share and share capital.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN NOK THOUSANDS	NOTE	2019	2018
Profit/(loss) for the year		209 104	540 289
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 - net of tax	4	2 826	(2 221)
Actuarial gain/(loss) on pension obligations - net of tax	14	(744)	(2 287)
Total		**2 082**	**(4 508)**
Total other comprehensive income for the year, net of tax		**2 082**	**(4 508)**
Total comprehensive income for the year		**211 186**	**535 781**
Attributable to:			
Parent company owners		210 690	534 152
Non-controlling interest		497	1 629

CONSOLIDATED STATEMENT OF FINANCIAL POSTITION

AMOUNTS IN NOK THOUSANDS	NOTE	31.12.2019	31.12.2018
ASSETS			
Non current assets			
Deferred tax assets	9	37 399	19 148
Property, plant and equipment	11	7 559 294	5 598 220
Right-of-use assets	16	40 354	-
Investments in associates	4	481 455	391 393
Other non-current financial assets	12	4 671	8 730
Total non-current assets		**8 123 174**	**6 017 491**
Current assets			
Inventories		22 457	24 097
Derivative financial instruments	12	-	30 085
Trade receivables	12	139 162	96 529
Other current receivables	12	293 970	116 941
Cash and cash equivalents	12	484 081	272 492
		939 669	**540 145**
Assets classified as held for sale	11	177 372	173 510
Total current assets		**1 117 041**	**713 655**
Total assets		**9 240 216**	**6 731 146**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	13	250 000	250 000
Share premium		360 924	360 924
Treasury shares	13	(3 617)	(2 079)
Retained earnings		1 657 612	1 716 795
Total equity attributable to owners of the parent		**2 264 918**	**2 325 640**
Non-controlling interests		4 745	5 796
Total equity		**2 269 663**	**2 331 436**
Non-current liabilities			
Borrowings	12, 15	4 179 391	2 577 780
Derivative financial instruments	12	6 829	1 751
Non-current lease obligations	16	9 050	-
Net employee defined benefit liabilities	14	13 104	23 263
Other non-current liabilities	5	127 476	-
Deferred tax liabilitites	9	575 798	497 763
Total non-current liabilites		**4 911 649**	**3 100 557**
Current liabilities			
Borrowings	12, 15	1 196 796	213 212
Derivative financial instruments	12	1 274	7 735
Current lease obligations	16	31 490	-
Trade and other payables	12	202 521	285 749
Current income tax liabilities	9	664	92 719
Social security and other taxes		107 186	102 751
Other current liabilities	12	518 973	596 988
Total current liabilities		**2 058 904**	**1 299 154**
Total liabilities		**6 970 553**	**4 399 711**
Total equity and liabilities		**9 240 216**	**6 731 146**

The Board of Directors of Fjord1 ASA

Florø, 31 March 2020

Vegard Sævik
Chairman

Per Rolf Sævik
Board member

Siri Hatland
Board member

Birthe Cecilie Lepsøe
Board member

Terje Hals
Board member

Reuben Aguilar Samuels Munger
Board member

Atle Olav Trollebø
Board member

Dagfinn Neteland
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						
Amounts in NOK thousands	Share capital	Share premium	Treasury shares*	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 01.01.2018	**250 000**	**360 924**	**-**	**1 452 644**	**2 063 568**	**4 166**	**2 067 734**
Profit/(loss) for the period	-	-	-	538 660	**538 660**	1 629	**540 289**
Other comprehensive income for the year	-	-	-	(4 508)	**(4 508)**	-	**(4 508)**
Total compre-hensive income for the year	**-**	**-**	**-**	**534 152**	**534 152**	**1 629**	**535 781**
Aquisition 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)**	**1 716 796**	**2 325 640**	**5 795**	**2 331 436**
Balance at 01.01.2019	**250 000**	**360 924**	**(2 079)**	**1 716 796**	**2 325 640**	**5 795**	**2 331 436**
Profit/(loss) for the period	-	-	-	208 608	**208 608**	497	**209 104**
Other comprehensive income for the year	-	-	-	2 082	**2 082**	-	**2 082**
Total compre-hensive income for the year	**-**	**-**	**-**	**210 690**	**210 690**	**497**	**211 186**
Aquisition of treasury shares	-	-	(1 537)	-	**(1 537)**	-	**(1 537)**
Dividends paid	-	-	-	(269 874)	**(269 874)**	(1 548)	**(271 422)**
Other contributions to owners	-	-	-	-	**-**	-	**-**
Transactions with owners	-	-	(1 537)	(269 874)	**(271 411)**	(1 548)	**(272 959)**
Balance at 31.12.2019	**250 000**	**360 924**	**(3 616)**	**1 657 612**	**2 264 919**	**4 745**	**2 269 663**

*See note 13.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousands	Note	2019	2018
Operating activities			
Profit before tax		252 965	674 753
Adjustments for:			
Depreciation and impairment	11, 16	421 901	306 017
Interest expense - net		165 386	109 582
Change in fair value of financial instruments	12	28 703	(59 353)
Non-cash post-employment benefit expense		(10 159)	(637)
Gain on disposal of property, plant and equipment		(4 267)	(6 882)
Gain on realisation of investments in shares		(31 103)	-
Share of profit from associates and joint ventures		(29 178)	(12 770)
Change in working capital:			
Trade receivables	12	(42 632)	(10 430)
Inventories		1 641	(7 590)
Trade payables	12	(83 228)	120 854
Other accruals		(125 883)	(4 819)
Cash generated from operations		**544 146**	**1 108 725**
Interest paid		(149 448)	(91 278)
Interest received		2 616	3 496
Income tax paid		(73 676)	(38 206)
Net cash from operating activities		**323 637**	**982 737**
Investing activities			
Purchases of property, plant and equipment	11	(2 399 132)	(1 901 235)
Purchase of shares incl. joint ventures		(38 696)	(10 447)
Proceeds from dividends from associates		11 742	38 183
Proceeds from sale of property, plant and equipment	11	63 153	11 754
Net proceeds/(investments) from other non-current financial assets		4 059	(2 525)
Net cash used in investing activities		**(2 358 875)**	**(1 864 270)**
Financing activities			
Proceeds from borrowings	15	2 042 306	1 863 110
Repayment of borrowings	15	(236 211)	(911 299)
Payment of lease obligation	16	(65 410)	-
Acquisition of treasury shares	13	(1 537)	(2 079)
Proceeds from short-term borrowings	12	1 320 000	(200 000)
Repayment of short-term borrowings	12	(540 900)	200 000
Dividends		(271 422)	(270 000)
Net cash used in financing activities		**2 246 827**	**679 732**
Net change in cash and cash equivalents		**211 589**	**(201 800)**
Cash and cash equivalents 01.01		272 492	474 294
Cash and cash equivalents at 31.12		**484 081**	**272 492**

NOTE 1 ACCOUNTING PRINCIPLES

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

These consolidated financial statements were approved by the Board of Directors on 31 March 2020.

These consolidated financial statements have been audited.

BASIS FOR PREPARATION
These consolidated financial statements of Fjord1 ASA for the year ended December 31, 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS).

GOING CONCERN
The Group has adopted the going concern basis in preparing its consolidated financial statements. When 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 service and obligations under existing newbuilding contracts. Forecasts take into consideration expected future net income from assets under construction. After making such assessments, management has a reasonable expectation that the Group has adequate resources to continue its operational existence 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 the process of applying the Group's accounting policies. The areas involving higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment features with negative compensation - Amendments to IFRS 9
- Long-term interests in associates and joint ventures - Amendments to IAS 28
- Annual improvements to IFRS Standards 2015-2017 Cycle
- Plan amendment, curtailment or settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group also elected to adopt the following amendments early:

- Definition of material - Amendments to IAS 1 and IAS 8

The Group had to change its accounting policies as a result of adopting IFRS 16. The impact of adopting IFRS 16 is disclosed in note 16. The other amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(i)Subsidiaries
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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 adopted by the group.

Non-controlling interests in 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 balance sheet respectively.

(ii) Associates
Associates are all entities over which the group has significant influence but not control or joint 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 (iv) below), after initially being recognised at cost.

(iii) Equity method
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures 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. Accounting policies of equity accounted investees have been changed 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 below in the section "Impairment of assets".

(iv) Changes in ownership interests
The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Fjord 1 ASA

PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly 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 joint venture 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 are reclassified to profit or loss where appropriate.

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 ASAs functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. 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 generally recognised in profit or loss. They are deferred in equity 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 presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

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 as part of the fair value gain or loss and 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 a 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: The Group offers certain catering services related to its ferry operations where revenue is recognised when the item is sold to a customer.

(ii) Sale of tickets: Revenue from sale of tickets are recognised as revenue when it is sold to a customer. For prepaid travel cards, revenue is deferred and recognised when utilised.

(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, where 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.

The Group is entitled to compensation for lost revenue when the customer introduced a new tariff structure compared to assumptions outlined in the tender for certain ferry contracts. The parties are yet to agree on the final calculation of the compensation. The compensation is considered to be a variable consideration, where the most likely amount of consideration is recognised as revenue in the financial statements. A variable consideration is only recognised to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

LEASES

As explained above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change is described in note 16.

Until 31 December 2018 leases of property, plant and equipment where the Group, as a lessee, had substansially all the risk and rewards of ownership were classified as finance leases.

Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and lon-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the ownership were not transferred to the Group as a lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were 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 a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 whenever events or changes in 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment 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 includes 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 which 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 12 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 of one entity and financial liability or equity instrument of another entity.

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's 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 a financial asset at its fari value plus, in the case of a financial asset not at fair value through profit or loss, 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 needs to 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 an 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 designated 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 to hold 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 (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 includes 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 term. 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 listed 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 at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract 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
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, 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 loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings 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 near 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. Separated 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 designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 15.

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

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

DERIVATIVES AND HEDGING ACTIVITIES
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has no designated hedges as the derivatives used by the Group does not qualify for hedge accounting.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

PROPERTY, PLANT AND EQUIPMENT
All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All 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 11.

The assets' residual values and 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 the asset's carrying amount is greater than its estimated recoverable amount (note 11)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves 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 continuing use. Assets classfied 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, exlcuding finance costs and income tax expense.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which 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 after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest 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 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 draw down occurs. To the extent 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 obligation specified in the contract is discharged, cancelled or expired. 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 noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), 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 instruments 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 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 necessarily 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 an 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 current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

EMPLOYEE BENEFITS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high high-quality corporate 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 obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments 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 obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. 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, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not 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 owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding shares issued during the year and excluding treasury shares (note 10)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income 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 a material adjustment to the carrying amount of asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

1) RECOGNITION OF VARIABLE CONSIDERATION

The Group is entitled to compensation for lost revenue when the customer introduced a new tariff structure compared to assumptions outlined in the tender for certain ferry contracts. The following variable consideration has been recognised:

- For the period 2014 - 2016: NOK 375.58 million
- For the period 2017 - 2018: NOK 98.22 million
- For the period 2019: NOK 35.90 million

Per 31.12.19 the Group has a receivable relating to the variable consideration of NOK 98.22 million. The Group is currently negotiating the final settlement of compensation for the period 2014-2019. The variable consideration recognised has been determined based on what the Group considers to be the most likely amount of revenue, and thus the final outcome of the negotiations with the client may result in a compensation that differ from what the Group has recognised as variable consideration.

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 indication exists, or when annual impairment testing is required by IFRS, the Group estimates the assets' recoverable amount.

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

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

The Group has determined that impairment indicators existed at the reporting date. As a result, the Group has performed impairment assessments at 31 December 2019. Further, the Group has determined that there are indications that impairment losses recognised in prior periods no longer exist or have decreased at the reporting date, thus the recoverable amounts of such assets have been estimated at 31 December 2019.

The impairment test is based on fair value less costs of disposal. Each ferry contract, including designated vesssels for the ferry contract, is determined to be a cash-generating unit (CGU). When calculating fair value, the Group use cash flow projections for the remaining contract period and estimate 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 capital expenditures.

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

The total of the present value of the contract and the present value of the estimated realisable values at the end of the contract period are deemed to be the Group's estimate of the vessels 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 sources of finance for cash flows with similar risks. Cash flows are calculated after tax and discounted with an after tax discount rate. The nominal WACC used in the calculations is 7.0%.

Sensitivity analysis have been carried out for the key assumptions in the assessment, including WACC, EBITDA and residual value.

Reference is made to note 11 for further details

Foto: Øystein Torheim, Frequency.no

NOTE 3 SEGMENT INFORMATION

The Group provides ferry- and passengerboat 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 segment reporting to the chief operating decision-maker does not include a segment balance or segment cash flow. 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 type of services perspective. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The group has four reportable segments:

- Ferry
- Passengerboat
- Catering
- Tourism

No operating segments have been aggregated to form the above reportable segments. Financing (including finance costs, finance 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.

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

Year ended 31 December 2019

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Income							
External customers	2 444 602	114 665	135 276	17 827	2 712 370	11 445	2 723 816
Total income	**2 444 602**	**114 665**	**135 276**	**17 827**	**2 712 370**	**11 445**	**2 723 816**
Operating expenses excluding depreciation and impairment	(1 705 857)	(61 210)	(120 701)	(17 889)	(1 905 657)	(2 862)	(1 908 520)
Share of profit/(loss) from associates	-	2 151	-	399	2 550	-	2 550
EBITDA	**738 745**	**55 606**	**14 575**	**337**	**809 263**	**8 583**	**817 846**
Depreciation	(359 072)	(53 533)	(3 868)	(1 265)	(417 738)	(1 606)	(419 344)
(Impairment)/Reversal of impairment	(2 557)	-	-	-	(2 557)	-	(2 557)
Segment profit	**379 673**	**2 073**	**10 707**	**(928)**	**391 525**	**6 977**	**395 945**

Year ended 31 December 2018

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Income							
External customers	2 759 778	104 541	191 623	22 500	3 078 442	23 606	3 102 048
Total income	**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	**690 760**	**1 043**	**31 142**	**7 053**	**729 998**	**15 194**	**745 193**

Reconciliation to Consolidated profit/(loss) for the year	2019	2018
Segment profit	395 945	745 193
Share of profit from other associates	26 629	975
Impairment/Reversal of impairment	-	-
Interest income	2 616	3 496
Interest expense	(168 002)	(113 078)
Other financial items, net	(4 223)	38 166
Income tax (expense)	(43 861)	(134 464)
Group profit	**209 104**	**540 289**

Specification of income	2019	2018
Freight of passengers and cars, incl. ferry contracts	2 559 267	2 864 319
Catering	135 276	191 623
Tourism	17 827	22 500
Other	11 445	23 606
Total income	**2 723 816**	**3 102 048**

NOTE 4 INTERESTS IN OTHER ENTITIES

MATERIAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

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 %	Owner of property
ÅB Eigedom AS	Årdal	66 %	34 %	Owner of property
Bolsønes Verft AS	Molde	100 %	0 %	Shipyard
Måløy Reisebyrå AS	Måløy	100 %	0 %	Travel agency
F1 Administrasjon AS	Florø	100 %	0 %	Group administration
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.

INTERESTS IN ASSOCIATES AND JOINT VENTURES

Set out below are the associates and joint ventures of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	% of ownership interest	Nature of relationship	Measurement method	31.12.2019	31.12.2018
The Fjords Fartøy I DA	50,0 %	Associate	Equity method	15 853	15 742
The Fjords Fartøy II DA	50,0 %	Associate	Equity method	19 805	19 568
The Fjords Fartøy III DA	50,0 %	Associate	Equity method	15 841	8 750
Sognefjorden Fartøy I AS	50,0 %	Associate	Equity method	579	579
The Fjords DA	50,0 %	Associate	Equity method	13 312	4 944
Fjord Tours Group AS*	50,0 %	Joint venture	Equity method	65 434	-
Fjord Tours AS*	30,6 %	Associate	Equity method	-	12 164
Geiranger Fjordservice AS*	30,2 %	Associate	Equity method	-	7 169
Partsrederiet Kystekspressen ANS	49,0 %	Associate	Equity method	25 066	26 365
WF Holding AS**	34,0 %	Associate	Equity method	325 569	296 114
Investments in joint ventures and associates				**481 455**	**391 393**

*Fjord Tours Group was founded in 2019. The entity is a joint-venture between Fjord1 ASA and Vygruppen AS. A capital increase was performed in medio 2019 where Fjord1 ASA transferred it's existing shares in Fjord Tours AS and Geiranger Fjordservice AS and made a cash payment of NOK 26.4 million. Fjord1 ASA recognised a gain of NOK 31.1 million (ref. note 8) in relation to the transaction as a financial income in the statement of profit and loss for the financial year.

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

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COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT OF ASSOCIATES AND JOINT VENTURES

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 liable with respect to all liabilities concerning these entities.

SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATES AND JOINT VENTURES

The tables below provide summarised financial information for those joint ventures and associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures 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 for differences in accounting policy.

Summarised balance sheet	WF Holding Group		The Fjords DA	
Amounts in NOK thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Cash and cash equivalents	33 508	30 294	13 587	429
Other current assets	583 117	556 336	23 967	11 093
Total current assets	**616 625**	**586 630**	**37 554**	**11 522**
Non-current assets	**2 738 063**	**2 822 817**	**10 068**	**12 573**
Trade payables	202 323	160 957	5 935	7 206
Other current liabilities	815 190	927 077	8 520	10 295
Total current liabilities	**1 017 513**	**1 088 034**	**14 455**	**17 501**
Borrowings	1 115 167	1 240 610	-	-
Other non-current liabilities	264 453	174 018	-	-
Total non-current liabilities	**1 379 620**	**1 414 628**	**-**	**-**
Net assets	**957 555**	**906 785**	**33 167**	**6 594**
Reconciliation to carrying amounts:				
Opening net assets 1 January	870 922	924 584	9 890	40 859
Profit/(loss) for the period	78 320	2 869	6 732	(6 733)
Other comprehensive income	8 312	(6 531)	-	-
(Dividends paid)/Capital contribution	-	(50 000)	10 000	(24 236)
Closing net assets 31 December	**957 555**	**870 922**	**26 622**	**9 890**
Group's share in %	34,0 %	34,0 %	50,0 %	50,0 %
Group's share in NOK thousands	325 569	296 114	13 312	4 945
Carrying amount	**325 569**	**296 114**	**13 312**	**4 945**

Summarised statement of comprehensive income				
Amounts in NOK thousands				
Revenue	5 087 789	4 720 977	203 101	176 234
Operating expenses	(4 572 217)	(4 276 733)	(185 307)	(179 880)
Depreciation and amortisation	(333 743)	(324 930)	(10 831)	(2 947)
Net financial items	(81 203)	(128 179)	(231)	(140)
Income tax expense	(22 306)	11 733	-	-
Profit/(loss for the period)	**78 320**	**2 869**	**6 732**	**(6 733)**
Other comprehensive income	8 312	(6 531)	-	-
Total comprehensive income	**86 632**	**(3 662)**	**6 732**	**(6 733)**

Summarised balance sheet	The Fjords Fartøy I DA		Partsrederiet Kystekspressen ANS	
Amounts in NOK thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Cash and cash equivalents	1 022	70	22 422	24 219
Other current assets	855	403	14 664	11 764
Total current assets	**1 877**	**474**	**37 086**	**35 983**
Non-current assets	**85 590**	**88 816**	**117 181**	**126 581**
Trade payables	503	95	15 887	19 261
Other current liabilities	5 241	3 555	9 453	6 267
Total current liabilities	**5 743**	**3 651**	**25 340**	**25 528**
Borrowings	49 350	53 550	-	-
Other non-current liabilities	-	-	77 774	83 232
Total non-current liabilities	**49 350**	**53 550**	**77 774**	**83 232**
Net assets	**32 373**	**32 089**	**51 153**	**53 803**
Reconciliation to carrying amounts:				
Opening net assets 1 January	31 485	31 544	53 804	50 263
Profit/(loss) for the period	222	(59)	4 390	7 041
Other comprehensive income	-	-	-	-
(Dividends paid)/Capital contribution	-	-	(7 041)	(3 500)
Closing net assets 31 December	**31 707**	**31 485**	**51 152**	**53 804**
Group's share in %	50,0 %	50,0 %	49,0 %	49,0 %
Group's share in NOK thousands	15 853	15 743	25 066	26 366
Carrying amount	**15 853**	**15 743**	**25 066**	**26 366**
Summarised statement of comprehensive income				
Amounts in NOK thousands				
Revenue	8 925	8 750	154 391	145 166
Operating expenses	(1 215)	(1 817)	(134 029)	(122 666)
Depreciation and amortisation	(5 402)	(5 152)	(6 673)	(13 293)
Net financial items	(2 086)	(1 840)	(2 283)	(2 167)
Income tax expense	-	-	-	-
Profit/(loss for the period)	**222**	**(59)**	**11 406**	**7 041**
Other comprehensive income	-	-	-	-
Total comprehensive income	**222**	**(59)**	**11 406**	**7 041**

Summarised balance sheet	The Fjords Fartøy II DA		The Fjords Fartøy III DA	
Amounts in NOK thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Cash and cash equivalents	4 806	1 464	9	37
Other current assets	54	11	226	31
Total current assets	**4 860**	**1 475**	**235**	**68**
Non-current assets	**122 909**	**125 978**	**51 559**	**17 543**
Trade payables	44	136	548	129
Other current liabilities	3 892	5 733	3 194	-
Total current liabilities	**3 937**	**5 868**	**3 742**	**129**
Borrowings	82 583	81 200	16 427	-
Other non-current liabilities	-	-	-	-
Total non-current liabilities	**82 583**	**81 200**	**16 427**	**-**
Net assets	**41 250**	**40 385**	**31 626**	**17 482**
Reconciliation to carrying amounts:				
Opening net assets 1 January	39 136	35 947	17 502	-
Profit/(loss) for the period	473	(61)	(138)	(18)
Other comprehensive income	-	-	-	-
(Dividends paid)/Capital contribution	-	3 250	14 320	17 520
Closing net assets 31 December	**39 609**	**39 136**	**31 684**	**17 502**
Group's share in %	50,0 %	50,0 %	50,0 %	50,0 %
Group's share in NOK thousands	19 805	19 568	15 841	8 751
Carrying amount	**19 805**	**19 568**	**15 841**	**8 751**
Summarised statement of comprehensive income				
Amounts in NOK thousands				
Revenue	11 957	7 867	-	-
Operating expenses	(1 205)	(1 990)	(89)	(18)
Depreciation and amortisation	(7 105)	(4 008)	-	-
Net financial items	(3 175)	(1 930)	(49)	-
Income tax expense	-	-	-	-
Profit/(loss for the period)	**473**	**(61)**	**(138)**	**(18)**
Other comprehensive income	-	-	-	-
Total comprehensive income	**473**	**(61)**	**(138)**	**(18)**

Summarised balance sheet	Fjord Tours Group AS
Amounts in NOK thousands	**31.12.2019**
Cash and cash equivalents	99 705
Other current assets	10 003
Total current assets	**109 708**
Non-current assets	**285 154**
Trade payables	37 620
Other current liabilities	32 696
Total current liabilities	**70 316**
Borrowings	-
Other non-current liabilities	31 902
Total non-current liabilities	**31 902**
	-
Net assets	**292 644**
Reconciliation to carrying amounts:	
Opening net assets 1 January	-
Profit/(loss) for the period	(6 490)
Minority's share of profit/(loss) for the period	(1 568)
Other comprehensive income	-
Minority's share of equity	(67 451)
Contribution in kind	202 008
(Dividends paid)/Capital contribution	98 694
Excess value	(94 325)
Closing net assets 31 December	**130 868**
Group's share in %	50,0 %
Group's share in NOK thousands	65 434
Carrying amount	**65 434**

Summarised statement of comprehensive income	
Amounts in NOK thousands	
Revenue	83 277
Operating expenses	(79 938)
Depreciation and amortisation	(14 914)
Net financial items	677
Income tax expense	2 840
Profit/(loss for the period)	(8 058)
Other comprehensive income	-
Total comprehensive income	**(8 058)**

INDIVIDUALLY IMMATERIAL ASSOCIATES

In addition to the interests in associates disclosed above, the Group also has interests in Sognefjorden Fartøy I AS that is deemed individually immaterial associate, accounted for using the equity method.

	2019	2018
Carrying amount of immaterial associates	579	12 739
Profit/(loss) for the period	(93)	10 892

SHARE OF PROFIT/(LOSS) FROM ASSOCIATES

Share of profit or loss from associates are recognised in 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 driftsaktivitetar.

	2019	2018
The Fjords DA	3 366	(3 367)
The Fjords Fartøy I DA	111	(29)
The Fjords Fartøy II DA	237	(31)
The Fjords Fartøy III DA	(69)	-
Sognefjorden Fartøy AS	-	-
Fjord Tours Group AS	(3 245)	-
Fjord Tours AS	-	10 892
Geiranger Fjordservice AS	-	879
PR Kystekspressen ANS	2 151	3 450
Share of profit/(loss) from associates classified as operating activities	**2 550**	**11 794**
WF Holding AS	26 629	975
Share of profit/(loss) from associates classified as financial items	**26 629**	**975**
WF Holding AS	2 826	-
Share of profit/(loss) from associates classified as OCI	**2 826**	**-**

NOTE 5 REVENUE FROM CONTRACTS WITH CUSTOMERS

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the operations of ferries and passengerboats. There are two types of contracts:

- Gross contracts where the customer assumes the risk related to passenger volume. The Group receives a fixed annual price-index adjusted fee. The amount received each contract year depends on the planned number of voyages.
- Net contracts where 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 at point in time.

Disaggregation of revenue from contracts with customers

Year ended 31 December 2019

Amounts in NOK thousands	Ferry	Passenger-boats	Catering	Tourism	Corporate and eliminations	Total
	Norway	Norway	Norway	Norway		
Revenue from external customers	**2 444 602**	**114 665**	**135 276**	**17 827**	**11 445**	**2 723 816**
Timing of revenue recognition						
Over time	2 444 602	112 887	-	-	3 613	2 561 103
At a point in time	-	1 778	135 276	17 827	7 833	162 713
Breakdown of revenue:						
Contract revenue ferry and passenger boats, revenue from gross contracts	1 370 867	112 887	-	-	-	1 483 754
Contract revenue ferry and passenger boats, revenue from net contracts	454 607	-	-	-	-	454 607
Freight of passengers under net contracts	567 577	1 599	-	-	-	569 176
Sale of food and beverages	-	-	135 276	-	-	135 276
Other revenue	11 341	27	-	-	8 569	19 937
Total revenue	**2 404 392**	**114 513**	**135 276**	**-**	**8 569**	**2 662 750**
Rental income	32 179	152	-	14 219	879	47 429
Gain/(loss) on disposal of property, plant and equipment	7 099	-	-	-	-	7 099
NOX refund	932	-	-	-	-	932
Other income	-	-	-	3 608	1 998	5 606
Total other income	**40 210**	**152**	**-**	**17 827**	**2 877**	**61 066**

Year ended 31 December 2018

Amounts in NOK thousands	Ferry	Passenger-boats	Catering	Tourism	Corporate and eliminations	Total
	Norway	Norway	Norway	Norway		
Revenue from external customers	**2 759 778**	**104 541**	**191 623**	**22 500**	**23 606**	**3 102 048**
Timing of revenue recognition						
Over time	2 759 777	102 818	-	-	13 606	2 876 201
At a point in time	-	1 723	191 623	22 501	10 305	226 152
Breakdown of revenue:						
Contract revenue ferry and passenger boats, revenue from gross contracts	1 673 670	104 541	-	-	-	1 778 211
Contract revenue ferry and passenger boats, revenue from net contracts	457 663	-	-	-	-	457 663
Freight of passengers under net contracts	622 515	-	-	-	-	622 515
Sale of food and beverages	-	-	191 623	-	1 023	192 646
Other revenue	-	-	-	-	9 911	9 911
Total revenue	**2 753 848**	**104 541**	**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
NOX refund	5 930	-	-	-	-	5 930
Other income	-	-	-	-	831	831
Total other income	**5 930**	**-**	**-**	**22 500**	**12 672**	**41 102**

ASSETS AND LIABILITIES RELATED TO CONTRACT WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contract with customers:

Amounts in NOK thousands	31.12.2019	31.12.2018
Non-current contract liabilities relating to Ferry services	127 476	-
Total non-current contract liabilities	**127 476**	**-**
Current contract liabilities relating to Ferry and passenger-boat services	417 072	397 189
Total current contract liabilities	**417 072**	**397 189**

All trade receivables are related to IFRS 15 transactions.

UNSATISFIED PERFORMANCE OBLIGATIONS LONG-TERM FERRY CONTRACTS

The following table shows unsatisfied performance obligations resulting from long-term ferry contracts.
The amount disclosed do not include variable consideration which is constrained.

Amounts in NOK thousands	2020	2021	2022	2023-2025	2026-2033	Total
Amount of the transaction price allocated to long-term ferry contracts	2 580 839	2 727 518	2 553 634	6 767 619	7 814 707	**22 444 317**

The amounts above does not include options.

NOTE 6 CONTINGENCIES

REBATE COMPENSATION

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. Payments from the client since 2010 have been made subject to conditions. The choice of model used for calculation of compensation, may affect the final level of compensation. As a result, the Group may receive additional compensation or may receive a claim on paid out preliminary compensation. The Group is in dialogue with the client in regards to determining and settling the final compensation.

See note 2.1.

NOTE 7 PERSONNEL EXPENSES

Amounts in NOK thousands	Note	2019	2018
Salaries		785 442	785 464
Social security		116 760	112 416
Pension expenses	14	45 263	59 524
Other benefits		46 596	47 576
Total personnel expenses		**994 061**	**1 004 979**
		-	-
Number of employees		1 066	1 264

Defined benefit pension obligations are covered through insurance companies and KLP. Norwegian entities are obligated to establish a mandatory company pension. This obligation is fulfilled under the current pension plans.

NOTE 8 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	Note	2019	2018
Port fees, sanitation and other route related costs		46 627	37 064
Repair and maintenance		227 965	195 116
Vessel operating expenses	16	166 149	173 273
Other operating expenses		24 828	78 200
Total other operating expenses		**465 568**	**483 653**

Other financial items

Amounts in NOK thousands		2019	2018
Change in fair value derivatives	12	(29 207)	47 724
Foreign exchange gains		2 914	605
Foreign exchange losses		(520)	(501)
Dividends received		-	92
Gains/losses regarding realisation investments in shares		31 103	75
Impairment of investments in shares		-	(400)
Commitment fees		(8 370)	(10 692)
Other financial income		908	1 264
Other financial expenses		(1 052)	-
Total other financial items		**(4 223)**	**38 166**

NOTE 9 INCOME TAX

Specification of tax expense recognised in stament of profit or loss

Amounts in NOK thousands	2019	2018
Tax payable on profit for the year	664	92 719
Adjustments prior years tax payable	-	(5 185)
Tax effect Group contribution	-	-
Change in deferred tax/(tax asset)	43 197	46 930
Tax expense recognised in statement of profit or loss	**43 861**	**134 464**

Reconciliation of statutory tax rate to effective tax rate:

	2019	2018
Profit before tax	252 965	672 532
Income tax at statutory tax rate	**55 652**	**154 682**
Tax expenses recognised in statement of profit or loss	43 861	134 464
Difference	**11 792**	**20 219**
Change in tax rate	-	21 755
Permanent differences	11 791	(6 719)
Adjustments prior years tax payable	-	5 185
Difference	**11 791**	**20 219**

Specification of basis for deferred tax

	2019	2018
Property, plant and equipment	2 374 476	2 105 738
Receivables	(965)	(937)
Deferred capital gain	89 714	87 977
Shares in partnerships	(12 114)	(5 846)
Pension liabilities	17 478	(23 282)
Derivatives	(8 449)	20 757
Arrangement fee	58 442	-
Temporary differences	2 518 582	2 184 407
Loss carried forward	(71 312)	(8 880)
Basis for calculation of deferred tax/(tax assets)	2 447 270	2 175 526
Deferred tax/(tax asset)	538 399	478 616
Deferred tax asset recognised in statement of financial position	**37 399**	**19 148**
Deferred tax recognised in statement of financial position	**575 798**	**497 763**
Net position	538 399	478 616

Reconciliation of change in net deferred tax

	2019	2018
Opening balance	478 615	432 369
Changes recognised in profit or loss	58 777	46 930
Changes recognised in other comprehensive income	1 007	(683)
Other adjustments	-	-
Closing balance	**538 399**	**478 615**

NOTE 10 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.

Amounts in NOK thousands	2019	2018
Profit/(loss) attributable to equity holders of the company	208 608	538 660
Weighted average number of ordinary shares in issue	99 916 397	99 988 308
Earnings per share in NOK	**2,09**	**5,39**

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

2019

Amounts in NOK thousands	Vessels	Periodic maintenance	Vessels under construction	Property	Infrastruc-ture	Infrastruc-ture under con-struction	Machinery and equipment	Total
Cost price 01.01.2019	7 112 664	337 707	596 138	176 393	-	200 682	201 586	**8 625 170**
Additions	-	66 220	1 980 805	534	-	319 028	17 137	**2 383 724**
Transferred from vessels/infra-structure under construction	1 998 104	55 100	-2 053 204	-	35 339	-35 339	-	**-**
Disposals	-311 549	-14 167	-	-3 293	-	-	-	**-329 009**
Cost price 31.12.2019	**8 799 219**	**444 860**	**523 739**	**173 634**	**35 339**	**484 371**	**218 723**	**10 679 885**
Accumulated depreciation 01.01.2019	2 552 711	142 213	-	56 904	-	-	167 716	**2 919 544**
Depreciation for the year	273 840	60 362	-	8 258	1 178	-	11 536	**355 174**
Disposals	-233 945	-6 144	-	-72	-	-	-1 076	**-241 237**
Accumulated depreciation 31.12.2019	**2 592 606**	**196 431**	**-**	**65 090**	**1 178**	**-**	**178 176**	**3 033 481**
Accumulated impairment losses 01.01.2019	107 404	-	-	-	-	-	-	**107 404**
Impairment loss	50 440	-	-	-	-	-	-	**50 440**
Reversal impairment	-65 160	-	-	-	-	-	-	**-65 160**
Disposals	-5 579	-	-	-	-	-	-	**-5 579**
Accumulated impairment losses 31.12.2019	**87 105**	**-**	**-**	**-**	**-**	**-**	**-**	**87 105**
Carrying amount 31.12.2019	**6 119 507**	**248 429**	**523 740**	**108 544**	**34 161**	**484 371**	**40 547**	**7 559 295**

2018

Amounts in NOK thousands	Vessels	Periodic maintenance	Vessels under construction	Property	Infrastructure	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 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 loss	84 064	-	-	-	-	-	-	**84 064**
Reclassified to held for sale	-84 064	-	-	-	-	-	-	**-84 064**
Reversal impairment	-84 625	-	-	-	-	-	-	**-84 625**
Accumulated impairment losses 31.12.2018	**107 404**	**-**	**-**	**-**	**-**	**-**	**-**	**107 404**
Carrying amount 31.12.2018	**4 452 549**	**195 493**	**596 137**	**119 488**	**-**	**200 681**	**33 869**	**5 598 220**
Useful life	10-40 years	5 years		5-33 years	10-15 years		3-10 years	
Depreciation method	Straight line	Straight line		Straight line	Straight line		Straight line	

ADDITIONS

Nine vessels were delivered in 2019: MF «Suløy», MF «Giskøy», MF «Rovdehorn», MF «Samlafjord», MF «Skopphorn», MF «Hillefjord», MF «Eresfjord», MF «Tustna» and MF «Fedjebjørn». In addition, the Group has seven additional vessels under construction as of 31 December 2019. See note 20 for further information of delivered vessels in 2020.

DISPOSALS

Three vessels were disposed of in 2019: MF «Skagastøl», MF «Fanaraaken» and MF «Tresfjord». In connection with the sale of MF «Tresfjord», a reversal of previous impairment related to the vessel of NOK 14.4 million was recognised in 2019.

HELD FOR SALE

The Group decided to initiate a process with the intention to sell the vessel MF «Fanafjord», which was not designated for use on any ferry contract after 31 December 2018. The sale process was initially completed on 13 March 2019, but the sale was not finalised due the buyer's lack of funding. The vessel is still held for sale as at 31 December 2019. The Group recognised an impairment of NOK 17.28 million for MF «Fanafjord» in 2019.

INFRASTRUCTURE

Infrastructure relates to quay structures and land investments for chargings of the Group's electrical fleet. The structures are customised to fit the Group's vessels and is depreciated over the contract period.

IMPAIRMENT TEST OF VESSELS

The Group has during 2019 identified impairment indicators for the Group's vessels in the Ferry segment such as expiration of several contracts and the continous updates of technological and environmental requirements in public tenders. Further, the Group has identified indications that impairment losses recognised in prior periods no longer exist or have decreased at the reporting date, such as expiration of several contracts.

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 separate CGUs (Cash Generating Unit).

When evaluating the potential impairment of the different ferry contracts, the Group has assessed each contract's recoverable amount based on a fair value less costs of disposal. The fair value is based on a calculated net present value of forecasted cash flow under each ferry contract, with a residual value equal to an estimated value of the vessels after the expiration of the different ferry contracts based on two independent broker values. The broker values have been reduced with an estimated sales commission, which is the estimate of the costs of disposal. A reversal of any impairment of vessels in previous periods is recognised when circumstances and evidence indicates that impairment recognised in previous 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 2019, the Group has recognised an impairment of four vessels and reversal of impairment on one contract:

Impairment of four vessels

The rapid technological development in recent years has impacted the fair value of LNG vessels. The Group has calculated impairment losses on four LNG vessels. As a result of the calculation, the Group has written down these four vessels to the estimated fair value less costs of disposal. The fair value has been estimated based on the remaining value of the contract which these vessels have been designated (CGU) and the estimated residual vessel values at the end of the contract.

Reversal of impairment on one contract

One of the Group's ferry contracts expired on 31 December 2019, thus all or a major part of the fair value of the CGU relates to the residual value of the vessels designated 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 the fair value less costs of disposal of these CGUs, the impairment losses recognised on this CGU in prior periods does 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 with an after tax discount rate. The nominal WACC used in the calculations is 7.0%.

SENSITIVITY ANALYSIS - IMPAIRMENT TEST 2019

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), Net cash flow from contract and residual value of the vessels at the expiration date of the different ferry contracts. Changes in these assumptions would have considerable effects on the fair value.

	Impairment	Reversal impairment	Net impairment (reversal)
Recognised in statement of profit or loss 2019	67 717	(65 160)	2 557

	Impairment	Change
WACC increased by 1 percentage point	53 361	50 804
WACC increased by 2 percentage point	105 110	102 553
Net cash flow from contract decreased by 5%	36 972	34 415
Net cash flow from contract decreased by 10%	77 234	74 677
Residual value decreased by 5%	14 827	12 270
Residual value decreased by 10%	33 448	30 891

NOTE 12 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:

Financial assets

Amounts in NOK thousands	2019	2018
Financial assets at amortised cost		
Trade receivables and other receivables	433 132	213 470
Employee loans	216	2 749
Other non-current receivables	169	244
Cash and cash equivalents	484 081	272 492
Financial assets at fair value through other comprehensive income (FVOCI)	-	-
Financial assets at fair value through profit or loss (FVPL)	4 272	5 737
Derivative financial instruments		
Used for hedging	-	-
Held for trading at FVPL	-	30 085
Total	**921 869**	**524 776**

Financial liabilities

Amounts in NOK thousands	2019	2018
Liabilities at amortised cost		
Trade and other payables *	829 344	882 737
Borrowings **	5 376 187	2 790 992
Lease liabilities **	40 540	-
Derivative financial instruments		
Used for hedging	-	-
Held for trading at FVPL	8 103	9 486
Total	**6 254 174**	**3 683 215**

* Excluding non-financial liabilities
** See note 16 for details about the impact from changes in accounting policies.

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

Trade receivables

Amounts in NOK thousands	31.12.19	31.12.18	01.01.18
Current assets			
Trade receivables from contract with customers	140 098	97 465	87 035
Loss allowance	(936)	(936)	(936)
Total	**139 162**	**96 529**	**86 099**

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current.
Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 1.

(ii) Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other current receivables

Amounts in NOK thousands	2019	2018
Prepayments	179	119
Insurance claims	23 085	14 345
VAT receivable	13 474	15 568
Accrued revenue	192 079	55 347
Other receivables (ii)	65 154	31 561
Total	**293 970**	**116 940**

Other financial assets at amortised cost

(i) Classification of financial assets at amortised cost

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

Amounts in NOK thousands	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Employee loans	-	3 617	3 617	-	2 749	2 749
Total	**-**	**3 617**	**3 617**	**-**	**2 749**	**2 749**

(ii) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different from their carrying amounts.

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

(iii) Impairment and risk exposure

Impairment of financial assets and the Group's exposure to credit risk if further described below.

The majority of the financial assets at amortised cost are denominated in NOK. As a result, there is limited exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

Financial assets at fair value trough profit or loss

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value trough profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are not held for trading
- equity contribution for pension plan membership, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

Amounts in NOK thousands	2019	2018
Non-current assets		
Unlisted equity securities	840	855
Equity contribution for pension plan membership	3 432	4 881
Total non-current assets	**4 272**	**5 736**
Total	**4 272**	**5 736**

(ii) Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss:

Amounts in NOK thousands	2019	2018
Fair value gains (losses) on equity investments at FVPL recognised in other gains/(losses)	-	-
Total	**-**	**-**

(iii) Risk exposure and fair value measurements

Information about the Group's exposure to risk is provided below. For information about the methods and assumptions used in determining fair value, refer to table below.

Cash and cash equivalents

Amounts in NOK thousands	2019	2018
Current assets		
Cash at bank and in hand*	484 081	272 492
Deposits at call	-	-
Total available funds	**484 081**	**272 492**

*Restricted cash as at 31.12.19 was KNOK 319 and KNOK 336 as at 31.12.18. Nordea Bank and DNB have issued guarantees of MNOK 60 related to payroll tax deductions.

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Amounts in NOK thousands	2019	2018
Balances as above	484 081	272 492
Bank overdrafts	-	-
Balances per statement of cash flows	**484 081**	**272 492**

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a manturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 1 for the Group's other accounting policies on cash and cash equivalents.

Trade and other payables

Amounts in NOK thousands	2019	2018
Current liabilities		
Trade payables	202 521	285 749
Prepayments from customers, travelcards	59 853	385 772
Prepayments from customers, ferry contracts	221 622	-
Accrued salary and holiday pay	149 190	135 173
Other current payables	88 307	76 043
Total	**721 494**	**882 737**

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

Borrowings

(i) Overwiev of borrowings S

ee note 15 for details.

(ii) Compliance with loan covenants

Fjord1 ASA has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period, see note 15 for details.

(iii) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short- term nature.

(iv) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are detailed below.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Liabilities from financing activities			Other assets		
Amounts in NOK thousands	Borrowings	Leases	Subtotal	Cash/bank overdraft	Liquid investments*	Total
Net debt as at 1 January 2018	1 817 977	-	1 817 977	474 294	(26 607)	**1 370 290**
Cash flows	951 811	-	951 811	(201 802)	-	**1 153 613**
Acquisitions - finance leases	-	-	-	-	-	**-**
and operating lease incentives	-	-	-	-	-	**-**
Foreign exchange adjustments	-	-	-	-	-	**-**
Other changes**	21 203	-	21 203	-	62 429	**(41 226)**
Net debt as at 31 December 2018	**2 790 991**	**-**	**2 790 991**	**272 492**	**35 822**	**2 482 677**
Recognised on adoption of IFRS 16	-	105 832	105 832	-	-	**105 832**
	2 790 991	**105 832**	**2 896 823**	**272 492**	**35 822**	**2 588 509**
Cash flows	2 585 195	(65 410)	2 519 785	211 589	-	**2 308 196**
Acquistion - leases	-	4 574	4 574	-	-	**4 574**
Foreign exchange adjustments	-	-	-	-	-	**-**
Other changes**	-	1 648	1 648	-	(31 991)	**33 639**
Net debt as at 31 December 2019	**5 376 186**	**46 644**	**5 422 830**	**484 081**	**3 831**	**4 934 918**

*Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.
** Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

FIXED-PRICE CONTRACTS FOR PURCHASE OF ELECTRICITY

The Group has entered into fixed-price contracts for purchase of electricity for its own production (ferry operations). The contracts have a duration of 10 years and covers approximately 70% of the Groups yearly estimated consumption.

In accordance with IFRS 9 the contracts are considered an exception from the scope of the standard ("own use"), cf. IFRS 9.2.4. Accordingly, the contracts have therefore not been recognised as assets/liabilities in the financial statements.

For fixed-price contracts with a settlement in foreign currency, the embedded derivates has been recognised in accordance with IFRS 9 and is measured at fair value in the financial statements.

RECOGNISED FAIR VALUE MEASUREMENTS

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 31. December 2019	*NOK1000*	*NOK1000*	*NOK1000*	*NOK1000*
Financial assets				
Financial assets at fair value trough profit or loss (FVPL)				
Unlisted equity securities	-	-	840	840
Equity contribution for pension plan membership	-	-	3 432	3 432
Total financial assets	**-**	**-**	**4 272**	**4 272**
Financial liabilities				
Derivative financial instruments				
Held for trading	-	8 103	-	8 103
Total financial liabilities	**-**	**8 103**	**-**	**8 103**

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 31. December 2018	*NOK1000*	*NOK1000*	*NOK1000*	*NOK1000*
Financial assets				
Financial assets at fair value trough profit or loss (FVPL)				
Unlisted equity securities	-	-	855	855
Equity contribution for pension plan membership	-	-	4 881	4 881
Derivative financial instruments				-
Held for trading	-	30 085	-	30 085
Total financial assets	**-**	**30 085**	**5 736**	**35 821**
Financial liabilities				
Derivative financial instruments				
Held for trading	-	9 486	-	9 486
Total financial liabilities	**-**	**9 486**	**-**	**9 486**

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end for the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) 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 (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) 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 similiar instruments
- the fair value of interest rate swaps, forward foreign exchange contracts and bunker derivatives is recognised based on "market-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 equity securities, where the fair values have been determined based on present values.

FINANCIAL RISK MANAGEMENT

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

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk - foreign exchange	New building contracts nominated 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 derivatives
Market risk - security prices	Investments in equity securities	Not applicable	Holding of equity securities are limited and related to non-listed equity securities. The Group is indirectly exposed to security price risk through its defined employee benefit agreement where part of the plan assets are invested in securities. This risk is managed through investment 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 carried out by the finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risk in close co-operation with the Group's operating units. The board provides 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 derivate financial instruments and non-derivate financial instruments, and investment of excess liquidity.

DERIVATES

Derivates are only used for economic hedging purposes and not as speculative investments. However, where derivates do not meet the hedge accounting criteria, changes in the fair value of the derivate instruments are recognised immediately in profit or loss and are included in other income or other expenses. The Group has the following derivate financial instruments:

	31.12.2019	31.12.2018
Interest rate swaps	(1 084)	(8 982)
Foreign exchange rate contracts	(7 020)	30 085
Fuel derivatives	-	(504)
Total	**(8 104)**	**20 599**

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 after 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.

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The credit risk is considered limited as the major customers are the public sector.

Liquidity risk Prudent liquidity risk management implies mantaining sufficient cash and marketable securities and the availability of funding through adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

The Group manage liquidity risk based on 12-months rolling liquidity forecasts.

MATURITIES OF FINANCIAL LIABILITIES

The table below analyse 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 undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2019	< 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Trade payables	202 521	-	-	-	-	202 521
Borrowings	200 075	996 721	435 242	2 601 596	1 200 994	5 434 629
Derivatives	81	1 193	872	1 435	4 523	8 103
Leasing*	16 200	16 200	15 391	3 180	3 513	54 483
Total	**418 877**	**1 014 115**	**451 505**	**2 606 210**	**1 209 029**	**5 699 736**

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
Leasing*	32 276	32 276	41 280	-	-	105 832
Total	**478 367**	**192 618**	**701 224**	**1 902 986**	**406 216**	**3 681 411**

*Undiscounted

NOTE 13 SHARE CAPITAL

Share capital in Fjord1 ASA was 250 000 000 as of 31 December 2019 divided into 100 000 000 shares of nominal value of NOK 2.50 per share.

See list below for information on share capital and the shareholders as of 31 December 2019 and 31 December 2018.

	Number of shares 31.12.19	Nominal value per share 31.12.19	Total nominal value 31.12.19	Voting rights 31.12.19
HAVILAFJORD AS	51 500 000	2,50	128 750 000	51,5%
HAVILA HYLLE AS	15 000 000	2,50	37 500 000	15,0%
PERESTROIKA AS	7 758 620	2,50	19 396 550	7,8%
Citibank, N.A.	3 873 545	2,50	9 683 863	3,9%
DZ PRIVATBANK S.A.	2 962 000	2,50	7 405 000	3,0%
Brown Brothers Harriman (Lux.) SCA	2 211 315	2,50	5 528 288	2,2%
VERDIPAPIRFONDET DNB NORGE	1 923 257	2,50	4 808 143	1,9%
State Street Bank and Trust Comp	1 137 627	2,50	2 844 068	1,1%
ARCTIC FUNDS PLC	695 882	2,50	1 739 705	0,7%
CLEARSTREAM BANKING S.A.	653 138	2,50	1 632 845	0,7%
Pictet & Cie (Europe) S.A.	650 000	2,50	1 625 000	0,7%
RBC INVESTOR SERVICES TRUST	510 212	2,50	1 275 530	0,5%
VERDIPAPIRFONDET SR-BANK UTBYTTE	454 719	2,50	1 136 798	0,5%
Citibank, N.A.	428 595	2,50	1 071 488	0,4%
GH HOLDING AS	357 143	2,50	892 858	0,4%
Landkreditt Utbytte	328 859	2,50	822 148	0,3%
VERDIPAPIRFONDET NORGE SELEKTIV	263 311	2,50	658 278	0,3%
BNP Paribas Securities Services	250 584	2,50	626 460	0,3%
Commerzbank Aktiengesellschaft	232 050	2,50	580 125	0,2%
EQUINOR PENSJON	207 513	2,50	518 783	0,2%
Number of shares in the 20 largest shareholders	91 398 370	2,50	228 495 925	91,4%
Total	**100 000 000**	**2,50**	**250 000 000**	**100%**

	Number of shares 31.12.18	Nominal value per share 31.12.18	Total nominal value 31.12.18	Voting rights 31.12.18
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%
Number of shares in the 20 largest shareholders	85 911 872	2,50	214 779 680	85,9%
Total	**100 000 000**	**2,50**	**250 000 000**	**100%**

TREASURY SHARES

Overview of purchase and sale of treasury shares

		2019	
Amounts in NOK thousands	**Number of shares**	**Compensation**	**Percent of the share capital**
Number of treasury shares as of 01.01	46 768	2 079	0,8 %
Sold 20.05.2019	(39 928)	(1 577)	-0,6 %
Acquired june 2019	100 000	3 715	1,5 %
Sold 30.09.19	(16 438)	(600)	-0,2 %
Number of treasury shares as of 31.12	**90 402**	**3 617**	**1,4 %**

	2018		
Amounts in NOK thousands	**Number of shares**	**Compensation**	**Percent of the share capital**
Number of treasury shares as of 01.01	-	-	0,0 %
Acquired September 2018	23 746	1 112	0,4 %
Acquired October 2018	52 450	2 420	1,0 %
Acquired November 2018	2 795	129	0,1 %
Sold 07.11.2018	(78 991)	(3 543)	-1,4 %
Discount shares on sold shares 07.11.2018	-	(118)	0,0 %
Acquired December 2018	110 000	4 798	1,9 %
Sold 31.12.2018	(63 232)	(2 719)	-1,1 %
Number of treasury shares as of 31.12	**46 768**	**2 079**	**0,8 %**

On 14 May 2019, the annual general meeting of Fjord1 ASA resolved to authorise the Board of Directors to acquire own shares in the company. Pursuant to the resolution, Fjord1 may acquire own shares, with a maximum aggregate nominal value of NOK 10,000,000. The maximum and the minimum amount which may be paid per share are NOK 100 and NOK 2.50, respectively. The authorisation is valid until the annual general meeting in 2020, however, no longer than to 30 June 2020.

The Board of Directors of Fjord1 has resolved to initiate a share purchase programme on the basis of this authority. Shares acquired under the programme will be delivered to leading employees of the company pursuant to the established bonus scheme for leading employees, under which 50% of the bonus shall be settled in the form of shares in Fjord1, as detailed in the guidelines for the remuneration of senior executives presented to and resolved 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 will be 110,000 shares. Fjord1 has engaged Nordea Markets to carry out the share repurchase programme on its behalf.

See note 19 for an overview of the aquired shares by the Management and the Board of Directors at 31 December 2019 and 31 December 2018.

NOTE 14 PENSION LIABILITIES

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. All pension schemes are in accordance with the requiremens in the Norwegian Act relating to mandatory occupational pensions.

PENSION OBLIGATIONS

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. 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, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of 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 obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited 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 pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

DEFINED CONTRIBUTION PENSION PLANS

The Group has a defined contribution plan covering a total of 144 persons. The plan entails a saving of 5% of salary up to 7G (Basic amount), and 8% of salary up to 12G. In addition, the Group has a mandatory occupational pension scheme (OTP) covering 1,397 persons with a saving of up to 2% of salary and a pension scheme for sailors covering 1,187 persons.

DEFINED BENEFIT PENSION PLANS

The Group has a pension scheme covering a total of 1,081 persons, of which 289 pensioners. The scheme entitles staff to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company (funded).

The Group also has a defined benefit plan trough KLP which covers 112 persons, of which 108 pensioners. The agreement entitles staff to Contractual pension agreement (CPA) benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67. Around 50% of this arrangement is secured through KLP. KLP is not able to separate the secured part of the liability from the unsecured part. Therefore, all liablilities related to CPA are presented as funded obligations.

The defined benefit plan's pension expenses and liabilities 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.

Asset 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 providing 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 plan's bond holdings.

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 the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy: The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Amounts recognised in statement of financial position:

Amounts in NOK thousands	31.12.2019	31.12.2018
Present value of funded obligations	234 812	245 978
Fair value of plan assets	242 814	242 537
Deficit of funded plans	(8 002)	3 441
Present value of unfunded obligations	17 018	19 821
Total deficit of defined benefit pension plans	**9 016**	**23 262**

Amounts recognised in profit or loss

	2019	2018
Defined benefit arrangements	8 757	7 699
Defined contribution arrangements	36 506	51 824
Total pension expenses	**45 263**	**59 523**

2019

Amounts in NOK thousands	Funded obligations	Non-funded obligations	Total
Current service cost	5 797	1 635	7 432
Recognised past service cost	-	-	-
Service cost	5 797	1 635	7 432
Net interest expense / (income)	242	427	669
Administrative expenses related to management of plan assets	177	-	177
Payroll tax (PT)	188	291	479
Total amount recognised in profit or loss	**6 404**	**2 353**	**8 757**

2018

Amounts in NOK thousands	Funded obligations	Non-funded obligations	Total
Current service cost	5 814	2 182	7 996
Recognised past service cost	(1 849)	-	(1 849)
Service cost	3 965	2 182	6 147
Net interest expense / (income)	287	440	727
Administrative expenses related to management of plan assets	190	-	190
Payroll tax (PT)	303	332	635
Total amount recognised in profit or loss	**4 745**	**2 954**	**7 699**

Change in defined benefit obligation

Amounts in NOK thousands	Present value of obligation	Fair value of plan assets	Total
At 1 January 2019	**265 799**	**(242 537)**	**23 262**
Service cost	7 443	-	7 443
Interest expense (income)	6 641	(7 156)	(515)
Past service cost	(5 015)	-	(5 015)
Remeasurements	(11 405)	12 149	744
Benefits paid	(11 633)	9 768	(1 865)
Contribution	-	(16 874)	(16 874)
Administrative expenses	-	1 836	1 836
Payroll tax	-	-	-
At 31 December 2019	**251 830**	**(242 814)**	**9 017**

Amounts in NOK thousands	Present value of obligation	Fair value of plan assets	Total
At 1 January 2018	**262 719**	**(239 048)**	**23 671**
Service cost	7 948	-	7 948
Interest expense (income)	10 964	(5 626)	5 338
Past service cost	-	-	-
Remeasurements	(4 382)	5 381	1 000
Benefits paid	(11 451)	9 565	(1 886)
Contribution	-	(14 615)	(14 615)
Administrative expenses	-	1 806	1 806
Payroll tax	-	-	-
At 31 December 2018	**265 799**	**(242 537)**	**23 263**

Significant actuarial assumptions	2019	2018
Discount rate	2,30 %	2,60 %
Salary growth rate	2,25 %	2,75 %
Expected growth in base social security amount (G)	2,00 %	2,50 %
Estimated return on plan assets	2,30 %	2,60 %
Pension growth rate	0,50 %	0,80 %

NOTE 15 BORROWINGS

	2019			2018		
NOK in thousands	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Secured						
Bank loans	1 196 796	3 188 141	4 384 937	213 212	1 589 530	1 802 742
Unsecured						
Bonds	-	991 250	991 250	-	988 250	988 250
Total borrowings	**1 196 796**	**4 179 391**	**5 376 187**	**213 212**	**2 577 780**	**2 790 992**

Bank loans are secured by first mortgages over the Group's vessels in 2018 and 2019. Book value of assets pledged as security:

NOK in thousands	**2019**	**2018**
Ships	6 119 507	4 452 549
Assets held for sale	177 372	173 510
Total	**6 296 879**	**4 626 059**

The Group has complied with its financial covenants during 2019.

The Group issued a bond loan with a nominal amount of NOK 1 billion at 22 November 2017. The bond was listed at Oslo Stock Exchange in Q2 2018.

The bond loan pays a floating interest coupon consisting of NIBOR 3 months plus 3.5 percent and maturing in November 2022. There has been no change in the bond loan during 2019.

The Group has in February 2018 and in 2019 secured a NOK 6,395 million loan facility with DNB and Nordea, of which a total amount of NOK 5,700 million has been utilised as at 31.12.2019, including guarantees. 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 5
- Equity ratio above 22.5%

The bond loan agreement include the following financial covenants:

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

NOTE 16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

In transition to IFRS 16, the Group recognised NOK 99.706 million in right-of-use assets and NOK 99.729 million as lease liabilities. Further, the Group recognised NOK 0 million to the opening balance of retained earnings.

The impact on the date of initial application is further presented below:

Amounts in NOK thousands

Operating lease commitments as at 31 December 2018	**105 832**
Short term leases recognised on a straight-line basis as expense	(480)
Low-value leases recognised in a straight-line basis as expense	(1 252)
Contracts reassessed as service agreements	(1 234)
Effect of discounting using the Group's weighted average incremental borrowing rate	(3 137)
Lease liability recognised upon implementation of IFRS 16	**99 729**
Additions:	
IAS 17 financial lease liabilities recognised as at 31 December 2018	-
Total lease liability as at 1. January 2019	**99 729**
Of which are:	
Current lease liabilities	64 045
Non-current lease liabilities	35 684
Total lease liability as at 1 January 2019	**99 729**

The Group implemented IFRS 16 1 January 2019.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Amounts in NOK thousands

Right of use assets	31.12.19	01.01.19
Buildings	5 695	3 802
Machinery and equipment	422	753
Vessels	34 237	95 151
Other	-	-
Total	**40 354**	**99 706**

Amounts in NOK thousands

Lease liabilities	31.12.19	01.01.19
Current	31 490	64 045
Non-Current	9 050	35 684
Total	**40 540**	**99 729**

Additions to the right-of-use assets in 2019 were NOK 4.818 million.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Amounts in NOK thousands

Depreciation charge of right-of-use assets	2019	2018
Buildings	2 810	-
Machinery and equipment	507	-
Vessels	60 853	-
Other	-	-
Total	**64 170**	**-**
	-	-
Interest expense	1 648	-
Expenses relating to short-term leases	480	-
Expenses relating to leases of low-value	1 252	-
Expenses relating to variable lease payments not included in lease liabilities	1 234	-
Income from subleasing right of use assets	-	-
Gains or losses arising from sale and leaseback transactions	-	-

The total cash outflow for leases in 2019 was NOK 65.41 million.

THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

Fjord1 ASA agreements consist of buildings, cars, vessels used in the operating activities and office machines. Cars usually have a lease period of 5 years, while several of the buildings have a longer time frame. The office machines are leased in a 3-5 year period. Some of the building leases have extension options and this has been taken into account.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Fjord1 ASA, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

VARIABLE LEASE PAYMENTS

The group's leasing portfolio mainly consists of lease of vessels, property and vehicles, and these contracts does not include variable lease payments.

EXTENTION AND TERMINATION OPTIONS

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group’s operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

RESIDUAL VALUE GUARANTEES

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

IFRS 16 IMPACT ON CONSOLIDATED INCOME STATEMENT

Amounts in NOK thousands	2019 IFRS16	Impact IFRS16	2019 IAS17
Revenue	2 662 750	-	2 662 750
Other income	61 066	-	61 066
Total income	**2 723 816**	**-**	**2 723 816**
Purchased goods and fuel	(448 891)	-	(448 891)
Personnel expenses	(994 061)	-	(994 061)
Other operating expenses	(465 568)	(65 410)	(530 978)
Total operating expenses	**(1 908 519)**	**(65 410)**	**(1 973 929)**
Share of profit/(loss) from associates	2 550	-	2 550
Operating profit before depreciation and impairment (EBITDA)	**817 846**	**(65 410)**	**752 436**
Depreciation	(419 344)	64 169	(355 175)
Impairment	(2 557)	-	(2 557)
Total depreciation and impairment	**(421 901)**	**64 169**	**(357 732)**
Operating profit (EBIT)	**395 945**	**(1 241)**	**394 704**
Share of profit/(loss) from other associates	26 629	-	26 629
Interest income	2 616	-	2 616
Interest expense	(168 002)	1 648	(166 354)
Other financial items, net	(4 223)	-	(4 223)
Net financial income / (expenses)	**(142 980)**	**1 648**	**(141 332)**
Profit and loss	**252 965**	**407**	**253 372**
Income tax (expense) / income	(43 861)	-	(43 861)
Profit/(loss) for the year	**209 104**	**407**	**209 511**

NOTE 17 COMMITMENTS

CAPITAL COMMITMENTS

Significant capital expenditure contracted but not recognised as liabilities has the following agreed payment structure:

Amounts in NOK thousands	2020	After 2020	Total
Newbuildings	1 054 816	126 187	1 181 003
Quay structures/land investments	363 311	176 733	540 044
Total	**1 418 127**	**302 920**	**1 721 047**

REPAIRS AND MAINTENANCE

Periodic maintenance is related to major inspections and overhaul costs which occur at regular intervals over the life of a vessel, normally every 5 years. Thus there are commitments for the Group to mantain the vessels' operational ability and compliance with laws and regulations.

NOTE 18 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

REVENUE FROM RELATED PARTIES

Amounts in NOK thousands

Related party	Relation	2019	2018
The Fjords DA	Associate	27 614	28 938
The Fjords Fartøy I DA	Associate	280	-
The Fjords Fartøy II DA	Associate	-	345
Fjord Tours Group AS	Joint venture	4	-
Havyard Production & Sercie sp.z.o	Owner	2	42
Havyard MMC AS	Owner	2	-
Havyard Ship Technology AS	Owner	408	-

EXPENSES TO RELATED PARTIES

Amounts in NOK thousands

Related party	Relation	2019	2018
The Fjords DA	Associate	-	(348)
Havyard Ship Technology AS	Owner	(887 100)	(778 840)
Havyard Group ASA	Owner	(3)	-
Norwegian Electric Systems AS	Owner	(85 013)	(43 541)
Havila AS	Owner	(45)	(70)
Havila Holding AS	Owner	(57)	-

RECEIVABLES/(LIABILITIES) TO RELATED PARTIES

Amounts in NOK thousands

Related party	Relation	31.12.2019	31.12.2018
The Fjords DA	Associate	4 831	2 305
Havyard Ship Technology AS	Owner	(2 744)	(40 224)
Norwegian Electric Systems AS	Owner	(505)	-

Five ferries have been delivered to Fjord1 ASA from Havyard Ship Technology AS in 2019. Fjord1 ASA has four ferries under construction at the end of 2019 at Havyard Ship Technology AS. Havila Holding AS owns via Havilafjord AS 51.5% of Fjord1 ASA. Havila Holding AS owns 40.4% of Havyard Group ASA which owns 100% of Havyard Ship Technology AS. Under contract, Fjord1 ASA is obliged to pay advances, and at the end of 2019, the advance on the four ferries under construction amounts to NOK 128 million. In addition, Havyard Ship Technology AS has carried out repair and remodeling of ferries for Fjord1 ASA for NOK 0.9 million in 2019.

Norwegian Electric Systems AS is owned 100% by Havyard Group ASA, and was a new supplier in 2018. NOK 84 million has been invested in quay structures/land investments supplied to Fjord1 ASA in 2019.

NOTE 19 REMUNERATION

Executive management 2019:

Amounts in NOK thousands	Salary	Bonus	Payments in kind	Other benefits	Pension costs	Total remuneration	Number of shares
Dagfinn Neteland (CEO)	3 350	297	417	161	1 732	5 957	59 988
Anne-Mari Sundal Bøe (CFO)	1 673	198	198	4	74	2 148	17 939
André Høyset (COO)	1 676	198	198	4	74	2 151	18 005
Deon Mortensen (CTO)	1 570	186	194	4	74	2 028	15 710
Nils Kristian Berge (Project Director)	1 562	173	197	4	73	2 009	10 720
Total remuneration executive management 2019	**9 831**	**1 052**	**1 203**	**178**	**2 028**	**14 292**	**122 362**

Pension obligation CEO as at 31.12.19	**6 634**

The Company's CEO, Dagfinn Neteland, is entitled to a severance pay equal to twelve months' ordinary salary on the Company's termination of his employment, and upon Mr. Neteland's termination of the employment upon certain material changes in control 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 service contract with the Company providing for material benefits upon termination of employment. 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 2019:

Amounts in NOK thousands	Total remuneration	Number of shares
Vegard Sævik (Chairman)	513	*
Per Rolf Sævik (Board member)	238	*
Siri Hatland (Board member)	283	-
Fredrik W. Mohn (Board member until 11.12.2019)	238	*
Brita Eilertsen (Board member from 07.06.2019 until 11.12.2019)	143	-
Siri Beate Hatlen (Board member until 07.06.2019)	155	-
Hege Sævik Rabben (Deputy member from 07.06.2019)	12	*
Atle Olav Trollebø (Employee representative)	238	1 400
Terje Hals (Employee representative from 25.06.2019)	113	-
Geir Offerdal (Employee representative until 25.06.2019)	125	290
Reidar Tangen (Deputy member/Employee representative)	-	624
Ole Kjell Eidem (Deputy member/Employee representative)	-	624
Karl-Andreas Grinde Pedersen (Deputy member/Employee representative from 25.06.2019)	-	318
Bjørn Sørlie (Deputy member/Employee representative from 25.06.2019)	-	290
Anne-Mone Strandmann (Deputy member/Employee representative until 25.06.2019)	12	-
Thomas Rakstang (Observer/Employee representative)	83	290
Egil Kirkebø (Observer/Employee representative from 19.01.2018 until 25.06.2019)	43	-
Daniel Nedrelid (Observer/Employee representative from 25.07.2017 until 19.01.2018 and anew from 25.06.2019)	40	457
Total remuneration Board of directors 2019 **	**2 232**	**4 293**

* Owners of shares through other companies: Vegard, Hege and Per Sævik through Havilafjord AS and Fredrik W. Mohn through Perestroika AS. See note 13.

** In addition, 40 KNOK has been paid to the Board's Election Committee and 12 KNOK meeting allowance to the Board's members.

The Company has not granted any loans, guarantees or other commitments to any of its board members or to any member of the executive Management team.

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	5 894	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 (CTO)	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**	**2 309**	**14 603**	**75 294**
Pension obligation CEO as at 31.12.18						**4 875**	

The Company's CEO, Dagfinn Neteland, is entitled to a severance pay equal to twelve months' ordinary salary on the Company's termination of his employment, and upon Mr. Neteland's termination of the employment upon certain material changes in control 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 service contract with the Company providing for material benefits upon termination of employment. 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 (Board member)	274	*
Siri Beate Hatlen (Board member)	290	-
Fredrik W. Mohn (Board member)	274	*
Siri Hatland (Board member from 29.05.2018)	100	-
Janicke Westlie Driveklepp (Board member 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 13.

** In addition, 40 KNOK has been paid to the Board's Election Committee and 68 KNOK meeting allowance to the Board's members.

The Company has not granted any loans, guarantees or other commitments to any of its board members or to any member of the executive Management team.

Audit fee

Amounts in NOK thousands	2019	2018
Statutory audit	2 745	2 058
Tax advisory services	88	46
Other services	1 974	940
Total	**4 807**	**3 044**

NOTE 20 EVENTS AFTER THE REPORTING PERIOD

STARTUP OF NEW CONTRACTS

The Group had start up of several routes on 01.01.2020:

Hordaland Rutepakke 1
Leirvåg - Sløvåg, Fedje - Sævrøy, Hatvik - Venjaneset, Halhjem - Våge, Langevåg - Buavåg.

Hordaland Rutepakke 2
Jektavik - Nordhuglo - Hodnanes, Skjersholmane - Ranavik, Gjermundshamn - Varaldsøy - Årsnes, Jondal - Tørvikbygd.

In addition the Group started on the extension of the following routes:

Sulapakken
Sykkylven - Magerholm

Indre Sunnmøre
Stranda - Liabygda, Eidsdal - Linge, Hundeidvik - Festøya, Sæbø - Leknes, Standal - Trandal.

Romsdalspakken
Aukra - Hollingsholm, Molde - Sekken, Solholmen - Mordalsvåg

Nordmørspakken
Arasvika-Hennset, Edøya-Sandvika, Kvanne-Rykkjem, Seivika -Tømmervåg.

DELIVERY OF NEW VESSELS

In January 2020 MF «Florøy» was delivered from Sefine and MF «Grip» from Cemre. In addition MF «Bømlafjord» was delivered from Havyard Ship Technology AS in February 2020, and MF «Smøla» in March 2020. MF «Sildafjord» was delivered from Sefine in March 2020.

In regards to the vessels being built by Havyard Ship Technology AS (Havyard Group ASA), a reference is made to the stock exchange announcement of 11 February 2020. The progress of the vessels under construction at Havyard Ship Technology AS will continue as planned and is not expected to be affected by the planned restructuring of the shipyard operations in Havyard Group ASA.

RISKS AND UNCERTAINTY RELATED TO THE CORONAVIRUS (COVID-19)

Recently, the coronavirus has been declared a national emergency by the Norwegian government and a global emergency by the Word Health Organisation (WHO). The coronavirus continues to progress, and the effects of the measures imposed by the Government and local authorities are still uncertain. The impact of the coronavirus on Fjord1's operations and financials over the coming months will depend on the magnitude and length of the extraordinary measures.

Fjord1 has taken necessary measures to protect the safety of passengers and employees and to limit the ongoing spread of the coronavirus. Fjord1's primary concern is the safety and well-being of the company's employees and customers, and their families and local communities. The Group complies fully with the requirements and recommendations by the Norwegian government and the Norwegian Institute of Public Health.

Fjord1 remains vigilant about the ongoing pandemic and see the following risks potentially impacting operations or financials, or both:

- Connection schedules may be distorted if crew members get infected by the coronavirus. Mitigating actions have been taken to protect the health of ferry and passenger boat crews, which are vital for our transport service offering and contract fulfilment.
- Delivery of 2 remaining vessels in the vessel renewal program, and ongoing work to complete onshore infrastructure projects related to the electrification of ferry connections, will be delayed due to restrictions, people becoming sick or put into quarantine.
- Financial implications are expected to be linked to the duration of travel restrictions. If national and international travel restrictions are upheld, significant revenue loss within Tourism and Catering. Employees within these segments are already on temporary leave to reduce operational cost are expected. Fjord1's associated companies, where the most significant position is, WF Holding AS which holds 100% of the shares in Widerøe's Flyveselskap AS, will be materially impacted as result of the restrictions in the aviation traffic.
- The Ferry and Passenger segments have long-term contracts mainly linked to traffic schedules rather than the number of vehicles or passengers, or ticket prices. Fjord1's ferry service is viewed as a vital part of the infrastructure along the Norwegian west coast and a certain level of ferry service are expected to be upheld regardless of the coronavirus development.
- The default risk related to the contract counterparties, the Norwegian county authorities (Fylkeskommuner) and the Directorate of Public Roads (Statens Vegvesen), continues to be low. However, the contract counterparties have requested a reduction in the number of departures due to the currently significant drop in demand for ferry and passenger boat services as a result of travel restrictions and social distancing recommendations. Fjord1 is in dialogue with the contract counterparties to find reasonable financial compensation schemes in these cases.
- Fjord1 has various agreements for different types of fuel. These may be negatively impacted by the recent changes in foreign exchange rates and the oil price drop.


Foto: Øystein Torheim, Frequency.no

PARENT COMPANY FINANCIAL STATEMENTS 2019

INCOME STATEMENT 01.01.–31.12.

Amounts in NOK thousands	NOTE	2019	2018
Sales	23	716 228	818 040
Contract income, route operations	23	1 941 659	2 241 372
Other operating income	1, 23	79 433	34 427
Total operating income		**2 737 320**	**3 093 840**
Cost of sales		51 080	68 821
Personnel expenses	13, 17	849 272	847 304
Depreciation and amortisation	1	340 153	261 261
Write-downs	1	-14 731	-68 895
Other operating expenses	8, 18, 20	1 142 459	1 204 254
Total operating expenses		**2 368 232**	**2 312 745**
Operating profit		**369 087**	**781 094**
Share of profit in subsidiaries	2	36 248	317
Share of profit in associates	3	11 742	38 183
Interest income, group companies		607	6 880
Other interest income		993	3 408
Other financial income	3, 19	43 619	795
Write-down of financial fixed assets		0	-400
Other interest expenses		-155 558	-93 129
Other financial expenses	21	-17 135	-22 368
Income from ordinary activities before tax		**289 603**	**714 780**
Tax	12	49 396	134 083
Profit for the year		**240 207**	**580 697**
Allocation (settlement) of profit (loss) for the year			
Proposed dividend		0	270 000
Transferred to other equity		240 207	310 697
Total allocations (settlement)		**240 207**	**580 697**

BALANCE SHEET AS AT 31.12.

Amounts in NOK thousands	NOTE	2019	2018
ASSETS			
FIXED ASSETS			
Property, plant and equipment			
Land, buildings and other real estate	1	587 363	278 932
Machinery and equipment	1	1 542	962
Ships etc.	1, 15	6 826 600	5 128 937
Movables, fixtures and fittings, tools, office equipment etc.	1	37 954	32 630
Total property, plant and equipment		**7 453 459**	**5 441 461**
Financial fixed assets			
Investments in subsidiaries	2	124 207	124 207
Loans to group companies	5, 6	94 800	136 132
Investments in associates	3	327 562	248 571
Investments in shares and units	4	840	840
Bonds and other receivables	5	370	2 591
Pension funds	13	14 733	8 728
Total financial fixed assets		**562 512**	**521 069**
Total fixed assets		**8 015 972**	**5 962 531**
CURRENT ASSETS			
Inventories	7	22 408	24 049
Receivables			
Trade receivables	8	137 225	93 088
Other receivables	8	291 015	134 596
Receivables, group companies	6	34 754	11 193
Total receivables		**462 995**	**238 877**
Cash and bank balances, etc.	15	465 277	199 710
Total current assets		**950 680**	**462 636**
TOTAL ASSETS		**8 966 652**	**6 425 167**

EQUITY AND LIABILITIES

Amounts in NOK thousands	NOTE	2019	2018
EQUITY			
Contributed capital			
Share capital (100,000,000 shares of NOK 2.5)	10, 11	250 000	250 000
Treasury shares		-3 617	-2 079
Share premium fund		360 924	360 924
Total contributed capital		**607 307**	**608 845**
Retained earnings			
Other equity	11	1 451 251	1 211 043
Total retained earnings		1 451 251	1 211 043
Total equity		**2 058 558**	**1 819 888**
LIABILITIES			
Provisions			
Deferred tax	12	494 182	431 333
Other provisions	14	135 597	11 417
Total provisions		**629 778**	**442 751**
Other long-term liabilities			
Bond loan	15	991 250	988 250
Debt to credit institutions	15	4 384 937	1 802 742
Total other long-term liabilities		**5 376 187**	**2 790 992**
Short-term liabilities			
Trade payables		201 136	283 943
Tax payable	12	0	87 128
Taxes and duties payable		96 216	91 945
Dividend	11	126	270 000
Other short-term liabilities	16	505 196	578 619
Liabilities to Group companies	6	99 455	59 900
Total short-term liabilities		**902 129**	**1 371 536**
Total liabilities		**6 908 094**	**4 605 278**
TOTAL EQUITY AND LIABILITIES		**8 966 652**	**6 425 167**

Foto: Øystein Torheim, Frequency.no

CASH FLOW STATEMENT 2019

IN NOK THOUSANDS	Note	2019	2018
Cash flow from operating activities:			
Profit before tax		289 603	714 780
Tax paid	13	-73 676	-28 496
Gain/loss on sale of assets	1	-4 350	-1 183
Gain/loss on realisation of investments in shares	3	-40 296	-
Share of profit from associates and joint ventures	3	-11 742	-38 500
Revenue from investment in subsidiaries	2	-36 248	-
Ordinary depreciation and amortisation	1	340 153	261 261
Impairment	1	-14 731	-68 895
Change in trade payables		-82 808	122 346
Change in inventories and trade receivables		-42 496	-17 978
Change in other accruals		-134 494	-48 043
Net cash flow from operating activities		**188 916**	**895 293**
Investing activities:			
Purchases of property, plant and equipment	1	-2 328 311	-1 901 661
Purchase of shares incl. joint ventures	3	-38 696	-10 511
Proceeds from sale of property, plant and equipment	1	63 149	1 385
Proceeds, loan receivables (short-/long-term)		2 221	25 900
Payments, loan receivables, group (short-/long-term)		-	-139 886
Proceeds, loan receivables, group (short-/long-term)		41 332	-
Dividends received from associates	3	11 742	38 500
Dividends received from subsidiaries		2 460	-
Net cash flow from investing activities		**-2 246 103**	**-1 986 273**
Financing activities:			
Proceeds from borrowings		3 369 739	2 120 571
Repayment of borrowings		-777 112	-963 299
Dividend (paid)		-269 874	-270 000
Net cash flow from financing activities		**2 322 753**	**887 272**
Net cash flow for the year		**265 566**	**-203 708**
Cash and cash equivalents at 01.01.		199 711	403 418
Cash and cash equivalents at 31.12.		**465 277**	**199 711**

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 2019, 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 yearend.

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 writedowns 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 nonspecific 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 cashgenerating 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 cashgenerating 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 taxloss 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 taxreducing 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

AMOUNTS IN NOK THOUSANDS

PROPERTY, PLANT AND EQUIPMENT, PARENT COMPANY	Buildings, property and land	Infrastructure under construction	Infrastructure	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.	113 658	203 890		7 336 754	679 638	1 831	197 352	**8 533 123**
+ additions during the year	496	315 819			1 994 919	1 140	15 955	**2 328 329**
+ additions transferred from completed property, plant and equipment	0	-35 339	35 339	2 145 422	-2 145 422	0	0	**0**
– disposals in the year	0	0		-216 791	0	-306	-641	**-217 738**
Cost at 31.12.	**114 154**	**484 370**	**35 339**	**9 265 385**	**529 135**	**2 665**	**212 666**	**10 643 714**
Accumulated ordinary depreciation at 31.12.	45 323	0	1 178	2 878 645	0	1 122	174 712	**3 100 980**
Accumulated writedowns at 31.12.	0	0		89 275	0	0	0	**89 275**
Carrying amount at 31.12.	**68 831**	**484 370**	**34 161**	**6 297 465**	**529 135**	**1 543**	**37 954**	**7 453 459**
Depreciation for the year	6 707	0	1 178	320 933	0	489	10 846	**340 153**
Reversal of write-downs for the year	0	0	0	65 171	0	0	0	**65 171**
Write-downs for the year	0	0	0	50 440	0	0	0	**50 440**
Economic lifetime	0-30 years		10-15 years	5-30 years		5-10 years	3-5 years	
Depreciation schedule	Straight-line		Straight-line	Straight-line		Straight-line	Straight-line	

ADDITIONS
The company took delivery of nine vessels in 2019: MF «Suløy», MF «Giskøy», MF «Rovdehorn», MF «Samlafjord», MF «Skopphorn», MF «Hillefjord», MF «Eresfjord», MF «Tustna» and MF «Fedjebjørn». The company has seven vessels under contruction as of 31.12.19.

DISPOSALS
Three vessels were disposed of in 2019: MF «Skagastøl», MF «Fanaraaken» and MF «Tresfjord». In connection with the sale of MF «Tresfjord», a reversal of previous impairment related to the vessel of NOK 14.4 million was recognised in 2019.

WRITE-DOWN OF SHIPS
During 2019, 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 assignet 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 cost of dosposal. 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 2019, the company has identified a write-down of four ships and reversal of writedowns on one contract:

WRITE-DOWN OF FOUR SHIPS

The rapid technological development in recent years has impacted the fair value of LNG vessels. The Group has calculated impairment losses on four LNG vessels. As a result of the calculation, the Group has written down these four vessels to the estimated fair value less costs of disposal. The fair value has been estimated based on the remaining value of the contract which these vessels have been designated (CGU) and the estimated residual vessel values at the end of the contract.

REVERSAL OF IMPAIRMENT ON ONE CONTRACT

One of the Company's ferry contracts expired on 31 December 2019, thus all or a major part of the fair value of the CGU relates to the residual value of the vessels designated 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 the fair value less costs of disposal of these CGUs, the impairment losses recognised on this CGU in prior periods does 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 with an after 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

AMOUNTS IN NOK THOUSANDS

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 (Fjord1's share)	Group contribution
Hareid Trafikkterminal AS	Hareid	63 %	63 %	1 200	1 200	760	5 890	1 299	768		
F1 Administrasjon AS	Florø	100 %	100 %	1 500	15 000	15 000	8 768	4 958	4 082		
Bolsønes Verft AS	Molde	100 %	100 %	100	100	100	5 575	1 311	23 000		1 681
ÅB Eigedom AS	Årdal	66 %	66 %	2 750	2 750	1 814	7 822	67	6 038	2 640	
Måløy Reisebyrå AS	Måløy	100 %	100 %	300	50	50	3 945	839	1 777		1 081
Fanafjord AS	Florø	100 %	100 %	400	1 000	1 000	10 256	-240	4 407		
Nye Fanafjord AS	Florø	90 %	90 %	30	30 000	27 000	104 263	25 760	84 135		30 846
Total							**146 519**	**33 995**	**124 207**	**2 640**	**33 608**

NOTE 3 SHARES IN ASSOCIATES

AMOUNTS IN NOK THOUSANDS

Associates	Registered office	Equity interest / voting share	Cost	Profit (loss) in 2019	Book equity, 31.12.2019	Dividend paid
The Fjords DA	Flåm	50,0 %	10 000	16 192	33 720	
The Fjords Fartøy I DA	Flåm	50,0 %	15 400	284	32 373	
Sognefjorden Farty I AS	Flåm	50,0 %	630	(93)	899	
The Fjords Fartøy II DA	Flåm	50,0 %	19 625	607	41 250	
The Fjords Fartøy III DA	Flåm	50,0 %	15 910	(177)	31 626	
Partsrederiet Kystekspressen ANS	Trondheim	49,0 %	13 382	4 390	51 153	3 450
WF Holding AS*	Bodø	34,0 %	178 600	93 220	974 288	
Fjord Tours Group AS	Oslo	50,0 %	74 015	(8 058)	292 641	8 292
Total			**327 562**	**106 364**	**1 457 950**	**11 742**

* 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.

THE FJORDS FARTY III DA

It has been a capital increase The Fjords Farty III DA. In connection with the capital increase has Fjord1 ASA paid NOK 7.16 million corresponding to the Group's share of the investment in the company of 50%.

FJORD TOURS GROUP AS

In April 2019, Fjord1 ASA together with Vygruppen AS, founded the jointly controlled Fjord Tours Group AS.

A capital increase was completed in June 2019 where both companies transferred existing shares in connection with operations to Fjord Tours Group AS. In connection with the capital increase, Fjord1 also made a payment of NOK 26.4 million.

Fjord1 ASA has recognized NOK 40.3 million as financial income in connection with this transaction.

NOTE 4 INVESTMENTS IN SHARES AND UNITS

AMOUNTS IN NOK THOUSANDS

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

NOTE 5 BONDS AND OTHER RECEIVABLES

AMOUNTS IN NOK THOUSANDS	2019	2018
Employee loans	201	2 347
Other long-term receivables	169	244
Total other receivables	**370**	**2 591**

NOTE 6 MELLOMVÆRANDE MED SELSKAP I SAME KONSERN OG TILKNYTTE SELSKAP

AMOUNTS IN NOK THOUSANDS	Sales		Purchases	
Group companies	**2019**	**2018**	**2019**	**2018**
F1 Administrasjon AS	619	929	152 537	161 995
Bolsønes Verft AS	440	1	8 072	8 676
Måløy Reisebyrå AS	-	-	2 888	2 241
Hareid Trafikkterminal AS	606	514	89	65
Nye Fanafjord AS	44	42	45 634	45 625
Fanafjord AS	27	26	-	-
Total, group companies	**1 737**	**1 513**	**209 221**	**218 602**
Associates				
The Fjords DA	27 614	34 988	-	348
The Fjords Fartøy I DA	280		-	
The Fjords Fartøy II DA		460	-	-
Geiranger Fjordservice AS	4	3	-	-
Total, associates	**27 898**	**35 451**	**-**	**348**

AMOUNTS IN NOK THOUSANDS	Short-term receivables		Long-term receivables	
Group companies	**2019**	**2018**	**2019**	**2018**
F1 Administrasjon AS	-	2 963	-	-
Bolsønes Verft AS	2 027	325	14 400	15 300
Måløy Reisebyrå AS	1 081	-	-	-
Hareid Trafikkterminal AS	-	315	400	600
Nye Fanafjord AS	31 647	7 564	80 000	115 000
Fanafjord AS	-	26	-	5 232
Total, group companies	**34 754**	**11 193**	**94 800**	**136 132**

AMOUNTS IN NOK THOUSANDS	Short-term receivables		Long-term receivables	
Associates	**2019**	**2018**	**2019**	**2018**
The Fjords DA	4 831	2 304	-	-
The Fjords Fartøy II DA	-	-	-	-
Total, associates	**4 831**	**2 304**	**-**	**-**

AMOUNTS IN NOK THOUSANDS	Short-term liabilities				Long-term liabilities	
	2019		2018		2019	2018
Group companies	Other	Group Acc.	Other	Group Acc.	Other	Group Acc.
F1 Administrasjon AS	13 814	12 456	19 623	22 390	-	-
Bolsønes Verft AS	2 182		558		-	-
Måløy Reisebyrå AS	440	5 481	82	4 835	-	-
ÅB Eigedom AS	-	5 297	9 425		-	-
Hareid Trafikkterminal AS	9	3 807	-	2 986	-	-
Nye Fanafjord AS	6 307	49 661	-		-	-
Total, group companies	**22 753**	**76 702**	**29 689**	**30 211**	**-**	**-**

NOTE 7 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.The carrying amount is the lower of purchase price and fair value.

AMOUNTS IN NOK THOUSANDS	2019	2018
Gas stock, ships	2 856	3 776
Oil stock, ships	16 848	17 571
Goods bought for resale	2 704	2 702
Inventories 31.12.	**22 408**	**24 049**

NOTE 8 TRADE RECEIVABLES

AMOUNTS IN NOK THOUSANDS	2019	2018
Trade receivables at nominal value 31.12	138 161	94 024
Provision for bad debts 31.12.	-936	-936
Trade receivables 31.12	**137 225**	**93 088**
Actual loss for the year on receivables	181	407
Loss on receivables	**181**	**407**

Loss on receivables is recognised in Other operating expenses

NOTE 9 OTHER SHORT-TERM RECEIVABLES

AMOUNTS IN NOK THOUSANDS	2019	2018
Prepayments	15 041	15 972
Other receivables	10 116	23 582
Other accruals - income	229 300	64 947
Sea damage claims	23 085	14 345
VAT receivables	13 474	15 749
Other short-term receivables 31.12.	**291 015**	**134 596**

NOTE 10 SHARE CAPITAL AND SHAREHOLDERS

At 31.12.2019, 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 of shares	Ownership
HAVILAFJORD AS	51 500 000	51,5 %
HAVILA HYLLE AS	15 000 000	15,0 %
PERESTROIKA AS	7 758 620	7,8 %
Citibank, N.A.	3 873 545	3,9 %
DZ PRIVATBANK S.A.	2 962 000	3,0 %
Brown Brothers Harriman (Lux.) SCA	2 211 315	2,2 %
VERDIPAPIRFONDET DNB NORGE	1 923 257	1,9 %
State Street Bank and Trust Comp	1 137 627	1,1 %
ARCTIC FUNDS PLC	695 882	0,7 %
CLEARSTREAM BANKING S.A.	653 138	0,7 %
Pictet & Cie (Europe) S.A.	650 000	0,7 %
RBC INVESTOR SERVICES TRUST	510 212	0,5 %
VERDIPAPIRFONDET SR-BANK UTBYTTE	454 719	0,5 %
Citibank, N.A.	428 595	0,4 %
GH HOLDING AS	357 143	0,4 %
Landkreditt Utbytte	328 859	0,3 %
VERDIPAPIRFONDET NORGE SELEKTIV	263 311	0,3 %
BNP Paribas Securities Services	250 584	0,3 %
Commerzbank Aktiengesellschaft	232 050	0,2 %
EQUINOR PENSJON	207 513	0,2 %
Number of shares held by the 20 largest shareholders (listed above)	**91 398 370**	**91,4 %**
Total number of shares	**100 000 000**	**100 %**

SHARES OWNED BY THE EXECUTIVE MANAGEMENT

	Number of shares, 31.12.2019
Dagfinn Neteland (CEO)	59 988
Anne-Mari Sundal Bøe (CFO)	17 939
André Høyset (COO)	18 005
Deon Mortensen (Director Technical and HSE)	15 710
Nils Kristian Berge (Project Director)	10 720
Total number of shares owned by the Executive Management	**122 362**

SHARES OWNED BY THE BOARD OF DIRECTORS

	Number of shares, 31.12.2019
Vegard Sævik (Chairman)	*
Per Rolf Sævik (Board member)	*
Siri Hatland (Board member)	0
Birthe Cecilie Lepsøe (Board member from 24.02.2020)	*
Reuben Aguilar Samuels Munger (Board member from 24.02.2020)	0
Siri Beate Hatlen (Board member until 07.06.2019)	0
Hege Sævik Rabben (Deputy member from 07.06.2019)	*
Atle Olav Trollebø (Employee representative)	1400
Terje Hals (Employee representative from 25.06.2019)	0
Geir Offerdal (Employee representative until 25.06.2019)	290
Reidar Tangen (Deputy member/Employee representative)	624
Ole Kjell Eidem (Deputy member/Employee representative)	624
Karl-Andreas Grinde Pedersen (Deputy member/Employee representative from 25.06.2019)	318
Bjørn Sørlie (Deputy member/Employee representative from 25.06.2019)	290
Thomas Rakstang (Observer/Employee representative)	290
Egil Kirkebø (Observer/Employee representative from 19.01.2018 until 25.06.2019)	0
Daniel Nedrelid (Observer/Employee representative from 25.06.2019)	457
Total number of shares owned by the Board of Directors	**4 293**

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

NOTE 11 EQUITY

Changes in equity in the year:

	Share capital	Treasury shares	Share premium fund	Other equity	Total equity
Equity at 01.01.2019	250 000	(2 079)	360 924	1 211 043	1 819 888
Profit for the year	-	-	-	240 207	240 207
Provision for dividends	-	-	-	-	-
Purchase of treasury shares in 2019	-	(1 538)	-	-	(1 538)
Equity at 31.12.2019	**250 000**	**(3 617)**	**360 924**	**1 451 250**	**2 058 557**

Treasury shares

Summary of purchase and disposal of treasury shares

	2019		
	Number	Consideration	Share of share capital
Holding at 1 January	46 768	2 079	0,8 %
Sold, 20. May 2019	-39 928	-1 577	-0,6 %
Purchased, 25. June 2019	100 000	3 715	1,5 %
Sold, 30. September 2019	-16 438	-600	-0,2 %
Holding of treasury shares at 31 December	**90 402**	**3 617**	**1,4 %**

On 22. May 2019, the annual general meeting of Fjord1 ASA authorised the Board of Directors to acquire treasury shares. In accordance with this mandate, Fjord1 can purchase treasury shares with a total nominal value of up to NOK 10 000 000. 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 2020, at the latest 30. June 2020.

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 12 ACCOUNTING TREATMENT OF TAX

	2019	2018
Tax payable is made up as follows:		
Profit on ordinary activities before tax	289 603	714 780
Permanent differences	-47 555	-32 676
Tax base	242 048	682 104
Change in temporary differences	-234 373	-303 285
Loss carryforward	-89 825	0
Taxable income (tax base)	-82 150	378 819
Tax cost for the year is made up as follows		
Tax payable on profit for the year	0	87 128
Change in tax payable on profit for prior year	-13 452	-5 593
Change in deferred tax/tax asset in the balance sheet	62 849	52 547
Total tax cost for the year	**49 396**	**134 084**
Tax payable in the balance sheet is made up as follows:		
Tax payable on profit for the year	0	87 128
Total tax payable	**0**	**87 128**
Specification of deferred tax base:		
Differences offset:		
Operating assets	2 326 488	1 887 879
Receivables	-936	-936
Profit and loss account	0	0
Accrued contract payment	85 090	82 198
Pensions	-135 597	-11 417
Interest rate swap	14 733	8 728
Units in general partnerships	0	0
Other differences	-12 114	-5 846
Deficit and allowance for performance	58 442	
Tax base for deferred tax/tax asset in the balance sheet	0	0
Underskot og godtgjersle til framføring	-89 825	0
Grunnlag for utsett skatt/skattefordel i balansen	**2 246 281**	**1 960 605**
Deferred tax asset/deferred tax	494 182	431 333
Deferred tax asset in the financial statements		
Deferred tax	**494 182**	**431 333**
Reconciliation of tax cost		
Accounting result before tax	289 603	714 780
Expected tax cost (23%/24%)	63 713	164 399
Tax cost in the income statement	49 396	134 084
Deviation	-14 316	-30 315
Explanation of deviation:		
23/24% of permanent differences	-10 462	-7 516
Change in tax rate (1%)	0	-19 606
Change in tax payable on profit for prior year	-13 452	-5 593
Other differences	9 599	2 399
Total explained deviation	**-14 316**	**-30 316**

NOTE 13 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 1,051 active employees and 133 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:	2019	2018
Present value of pension accruals for the year	4 709	4 531
Interest expenses on the pension liabilities	1 524	1 321
Expected return on plan assets	-2 381	-1 939
Recognised estimate differences	-167	-210
Net pension costs	**3 686**	**3 703**
Change in accrued liability		
Accrued liability at the start of the year	59 578	58 249
Present value of pension accruals for the year	4 709	4 531
Interest expenses on the pension liabilities	1 524	1 321
Estimate changes	-6 711	-4 250
Liability assumed from subsidiary after organisational change	0	824
Benefits paid from the schemes	-1 934	-1 097
Accrued liability at the end of the year	**57 167**	**59 578**
Change in plan assets		
Fair value of plan assets at the start of the year	80 978	77 516
Estimate changes	-14 333	-5 813
Return on plan assets	2 381	1 939
Paid in	9 690	8 433
Pensions paid out from schemes	-1 934	-1 097
Fair value of plan assets at the end of the year	**76 782**	**80 978**

Foto: Øystein Torheim, Frequency.no

NOTE 14 PENSJONSPLIKTAR FORTS.

AMOUNTS IN NOK THOUSANDS

Reconciliation of the pension schemes' funded status with amounts in the balance sheet:		
Net plan assets	19 616	21 400
Unrecognised estimate differences	-4 883	-12 672
Total net plan assets (+) / pension liability (–)	**14 733**	**8 728**

'Total net plan assets (+) / pension liability (–) are 'recognised in the balance sheet as		
Overfunded schemes	14 733	8 728
Total net plan assets (+) / pension liability (–)	**14 733**	**8 728**

Number of active employees in the schemes included in the pension calculations	1 051	1 084
Number of pensioners in the schemes included in the pension calculations:	133	147

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

	2019	2018
Cost of defined benefit schemes according to note	3 686	3 703
Cost of defined contribution schemes	35 398	33 301
Total pension costs	39 083	37 004

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

Assets	2019	2018
Overfunded defined benefit schemes	14 733	8 728
Total plan assets recognised as an asset in the balance sheet	**14 733**	**8 728**
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

	2019	2018
	i %	i %
Discount rate	2,30 %	2,60 %
Expected pay adjustment	2,20 %	2,75 %
Expected increase in pensions currently paid	0,50 %	0,80 %
Expected base amount adjustment	2,00 %	2,50 %
Expected return on plan assets	3,80 %	4,30 %

NOTE 14 OTHER PROVISIONS

	2019	2018
Provision for contract payment	8 120	11 417
Prepayment infrastructure	127 476	-
Total other provisions	**135 597**	**11 417**

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.

Prepayment of infrastructure relates to amounts paid by the customer for purchase of the infrastructure which Fjord1 ASA has built as a part of the contractual terms.

Fjord1 ASA uses the infrastructure in it's operation and recognises the revenue in line with the use of the asset over the contract period.

NOTE 15 PLEDGES, GUARANTEES, ETC

AMOUNTS IN NOK THOUSANDS	2019	2018
Interest-bearing debt:		
Unsecured		
Bond loan *	1 000 000	1 000 000
Amortised cost	8 750	11 750
Total bond loan	**991 250**	**988 250**
Secured		
Debt to credit institutions	4 434 628	1 842 000
Amortised cost	49 692	39 258
Total debt to credit institutions	**4 384 936**	**1 802 742**
Total long-term liabilities	**5 376 186**	**2 790 992**

* Fair value of bond loan at 31.12.19 is based on the last trading price on Oslo Stock Exchange at 101, which corresponds to a total of NOK 1.010.000,-

	"Balance at 31.12.2019"	Repayments 2020	Repayments 2021	Repayments 2022	Repayments 2023	Repayments 2024	Repayments 2025
Bond loan							
Debt to credit institutions	4 434 628	1 196 796	435 242	435 242	435 242	731 112	1 200 994
Total	**5 434 628**	**1 196 796**	**435 242**	**1 435 242**	**435 242**	**731 112**	**1 200 994**

	2019	2018
Total debt with terms longer than 5 years	1 200 994	392 479

The interest on the bond loan is regulated each quarter in accordance with 3M NIBOR, which averaged 1,55 % in 2019 with a margin of 3,50 %. The interest rate on other debt to credit institutions at 31.12.19 is 6M NIBOR, which averaged 1,69 % in 2019, with the margin varying from 1,60 % to 2,80 %. Parts of new loans are guaranteed via GIEK and the margin varies between 1,54 - 1,99 %.

Financial covenants

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

- NIBD/EBITDA must not exceed 5
- Equity ratio above 22,5 %

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 31.12.19 is NOK 37,280 million, but this is classified as short term, as it falls due for payment within six months of the reporting date.

	2019	2018
Total guarantee liabilities, surety, guarantee for transport licences etc.	1 082 262	1 308 830

Det foreligger ikkje andre garantiforpliktingar enn dei som er oppgitt ovanfor.
Alle garantiforpliktingane går via Nordea og DnB.

Carrying amount of assets pledged as security

	2019	2018
Ship	6 826 600	5 128 937
Total	**6 826 600**	**5 128 937**

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. The total credit balance in the group's group account scheme at 31.12.19 was NOK 389,8 million. This is classified as bank deposit in Fjord1 ASA . Fjord1 ASAs' share of group account scheme was NOK 313,5 million. Subsidiaries share of the group account was NOK 76,3 million. This is classified as bank deposits and debt to subsidiaries in the financial statement of Fjord1 ASA.

With regard to tax-withholding accounts, Nordea has issued a guarantee to the respective tax offices for the tax liability of NOK 60 million. Other than this arrangement, there were no locked-in amounts for withholding tax at 31.12.2019

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 16 OTHER SHORT-TERM LIABILITIES

AMOUNTS IN NOK THOUSANDS	2019	2018
Card database, maritime companies	71 972	385 772
Pay and holiday pay due/accrued	133 489	132 091
Prepayment of contract revenue	221 622	0
Accrued interest/hedging transactions	37 280	21 531
Other short-term liabilities	40 832	39 226
Total other short-term liabilities	**505 196**	**578 619**

NOTE 17 SALARIES AND SOCIAL SECURITY COSTS

AMOUNTS IN NOK THOUSANDS	2019	2018
Wages	667 149	666 467
Employer’s contribution	97 360	93 918
Pension costs	39 083	41 245
Other benefits	45 679	45 673
Total wages	**849 272**	**847 304**
Number of employed FTEs	972	1 105

The pension schemes are funded via insurance companies and KLP. The total pension costs for Fjord1 ASA recognised in the income statement are NOK 39 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

AMOUNTS IN NOK THOUSANDS

Payments to senior management	CEO	Board of Directors/ corporate assembly
Wages	3 350	2 284
Bonus	297	
Pension costs	1 732	
Other remuneration	578	
Total	**5 957**	**2 284**
Pension liability	6 634	

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)

	2019	2018
Statutory audit (including technical assistance with financial statements)	2 640	1 982
Tax advice (including technical assistance with tax declaration)	88	46
Attestation services		59
Other services	1 874	863
Services purchased from auditor *	**4 602**	**2 950**

* 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 18 ITEMS THAT HAVE BEEN COMBINED IN THE FINANCIAL STATEMENTS

Other operating expenses	2019	2018
Repairs and maintenance	236 113	203 792
Fuel	395 953	513 507
Ship costs	224 283	218 898
Service costs	46 551	38 130
Other operating expenses	239 560	229 927
Total other operating expenses	**1 142 459**	**1 204 254**

NOTE 19 OTHER FINANCIAL INCOME

Foreign exchange gains	2019	2018
Share/customer dividends	2 913	605
Gain on realisation of shares	410	83
Other financial income	40 296	75
Total other financial income	0	33
Sum anna finansinntekt	**43 619**	**795**

NOTE 20 LEASES

	Duration	Expensed lease payments
At the end of 2019, the group had various leases for ships/ passenger boats and other operating equipment:		
Leases for ships and passenger boats, external	2021	69 559
Other leases		8 922
Internal lease of ferry MS «Fanafjord»	2020	45 625
Vehicle leases	2020	501

NOTE 21 HEDGING CONTRACTS AND OTHER FINANCIAL EXPENSES

Interest rate:	2019	2018
Fixed-rate interest-bearing debt (cash-flow hedging)	80 000	139 500
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	-1 084	-5 335

Currency hedging:	2019	2018
Unrealised, unrecognised gain/loss on currency hedging is as follows:	0	30 085

Oil and LNG:	2019	2018
Average hedged volumes of oil and LNG in the period 2013- 2019	0 %	10 %
Unrealised, unrecognised gain/loss on hedging agreements is as follows:	0	-504

Fixed-price contracts for purchase of electricity

The company has entered into fixed-price contracts for purchase of electricity for its own production (ferry operations). The contracts have duration of 10 years and covers approximately 70% of the companys yearly estimated consumption. The company has not recognised any assets or liability relating to the fixed-price contracts.

Specification of other financial expenses:	2019	2018
Decrease in value of interest rate hedging	7 577	12 591
Currency expenses (exchange loss)	520	501
Other financial expenses	9 039	9 276
Total other financial expenses	**17 135**	**22 368**

NOTE 22 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. Payments from the client since 2010 have been made subject to conditions. The choice of model used for calculation of compensation, may affect the final level of compensation. As a result, the Group may receive additional compensation or may receive a claim on paid out preliminary compensation. The company is in dialogue with the client in regards to determining and settling the final compensation.

The companys' best estimate have been used for recognising revenue related to the rebate compensation.

NOTE 23 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	2019	2018
Ferry operations	580 981	623 933
Passenger boats	1 667	1 661
Sale of kiosk goods (catering)	133 440	192 008
Tourism	77	368
Other areas	**62**	**71**
Total sales income	**716 228**	**818 040**

Contract income	2019	2018
Ferry operations	1 828 772	2 138 554
Passenger boats	112 887	102 818
Total contract income	**1 941 659**	**2 241 372**

Other operating income	2019	2018
Rental income	64 146	23 773
Gains on disposals of operating assets	7 099	1 183
NOx refund	932	2 281
Other income	7 257	7 190
Total other operating income	**79 433**	**34 427**

NOTE 24 KEY FIGURES

		2019	2018
Return on total assets (1)	%	5,4 %	11,8 %
Operating margin (2)	%	13,5 %	25,2 %
Equity ratio (3)	%	23,0 %	28,1 %
Return on equity (4)	%	12,4 %	32,3 %
Liquidity ratio (5)	%	105,4 %	33,7 %
Debt-servicing capacity (6)	this year	7,0	2,7
Market funding (7)	%	29,1 %	27,6 %

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

RESPONSIBILITY STATEMENT FROM THE BOD AND CEO

We hereby confirm that, in our opinion, the financial statements for Fjord1 ASA for the period 1 January to 31 December 2019 have been prepared in accordance with current applicable accounting standards and that the disclosures in the financial statements provide a good and fair view of the parent company's and the Group's assets, liabilities, financial position and result as a whole.

Further, we also declare that the Board of Directors' report provides a fair view of the development, result and financial position of the parent company and the Group, together with an outline of the key risks and uncertainties facing the business and information on any material transactions with related parties

Florø, 31. mars 2020

Vegard Sævik Chairman of the Board	Birthe Lepsøe Styremedlem	Reuben Munger Boardmember
Terje Hals Boardmember	Per Sævik Boardmember	Siri Hatland Boardmember
Atle Trollebø Boardmember		Dagfinn Neteland Adm. Dir/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 2019, 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 2019, 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 2019, 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 2019, 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. We do not provide a separate opinion on these matters.

The company's operations are largely unchanged from 2018. Impairment assessment of vessels represent approximately the same level of complexity and risk as in 2018. As a result, impairment assessment of vessels has been a key audit matter also in this years audit.

The assumptions for the recognition of variable consideration due to changes in tariffs for some ferry contracts have changed from 2018. As a result, the recognition of variable consideration has been a key audit matter in this year's audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of vessels	
At 31 December 2019, the Group had vessels with a book value of NOK 6,892 million and a vessel held for sale with a book value of NOK 177.4 million. This represents approximately 77% 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 potential impairment and 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 managements impairment assessment resulted in an impairment of NOK 67.7 million and a reversal of a previously recognised impairment of NOK 65.2 million. Net effect on the financial statements was thus limited. We refer to notes 2 and 11 in the consolidated financial statements where the management explains the impaiment model and key assumtions.	We evaluated and tested the design and operating effectiveness of key controls in relation to impairment testing, with particular focus on the controls linket to 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. We compared the operating expenses to historical operating expenses and compared profit in 2019 per contract with budgeted profit for 2019. 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 discount 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

Recognition of variable consideration

Fjord1 has had several contracts related to operating ferry routes where Fjord1 as an operator assumed the risk related to traffic revenues. It follows from the contracts that the client will compensate Fjord1 for loss of revenue due to changes in public regulations. In the period 2006-2015, the authorities have implemented six tariff reforms where Fjord1 believes they are entitled to a compensation from lost revenues.

The parties have negotiated the size of the compensation over a longer period of time. Key themes in the negotiations have been methodical approaches to compensation and specific calculations.

Pending a final decision, Fjord1 from 2006 - 2019 has invoiced an annual on account amount pending final compensation. The invoiced amount has been calculated in accordance with the same method that Fjord1 still uses as basis for the revenue recognition.

Management considers the compensation for lost revenue as a variable consideration in accordance with IFRS 15. The use of judgement is related to estimating the variable consideration to be recognized, including assessing that a variable consideration can only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Management has used legal expertise and an external consulting firm to substantiate the claim for compensation.

We have obtained the management's calculations and discussed the structure of the model and accounting treatment based on the assumptions in IFRS 15 with the management. The correspondence between the parties was central to the discussion, including a report prepared by an external consulting firm on behalf of the company.

We considered the management's assessments of which the claim for variable consideration is based upon, the structure of the model and what assumptions and choices were made when the estimates for the variable consideration were prepared. We challenged their assessments related to how likely it would be to have a significant reversal of recognized total revenue when the uncertainty related to the variable consideration was resolved.

To further evaluate the management's estimate, we have held meetings with the company's lawyer. Our focus has been the assessments of whether the company is entitled to variable consideration as a result of changes in public regulations and whether the variable consideration the company has recognized represents the most likely outcome, including any potential repayment obligations. In order to use the work of the lawyers, we read their report, evaluated the results of their statement and evaluated their objectivity and competence. The statement from the company's lawyer was compared to the correspondence between the parties and the report prepared by the external consulting firm, and found to be in agreement. The management's assessments are compared to the statements made by the lawyer to the company and found to be in agreement.

We evaluated whether Note 1 on the Group's accounting principles and Note 2 adequately disclose the methodological approach and the specific estimates made and whether the information contained the elements as required by IFRS.

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, 31 March 2020

PricewaterhouseCoopers AS

Fredrik Gabrielsen

State Authorised Public Accountant

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

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