

Report from the Board of Directors

THE GROUP

Fjord Line AS ("Fjord Line") is the parent company in the Fjord Line Group ("Group")

The Group is Norway's second largest shipping company in international passenger traffic and freight transportation between Norway, Sweden and Denmark.

The Group has one of the youngest and most modern fleets in the cruise ferry segment in Europe with an average age of 14,5 years. The fleet consists of four vessels that is highly cost efficient. All vessels fly the Danish flag. Our vessels operate three routes between Norway and Denmark, one route between Norway and Sweden and a domestic route between Bergen and Stavanger.

The Group is headquartered in Egersund with operative offices in Bergen, Stavanger, Kristiansand, Langesund, Sandefjord, Strömstad and Hirtshals.

With regular and daily departures between seven ports in Norway, Denmark and Sweden, the Group recognizes its important role in the contribution to developing a more sustainable sea transport. The Groups cruise ferries undertakes voyages only using environmentally friendly natural gas. By a strict focus on always reducing the amount of CO₂ and Nox gases Fjord Line wish to be at the frontiers of a sustainable sea transportation.

The Groups vision is to be the most loved and profitable ferry company in Scandinavia. Fjord Line aim to achieve this by providing the best experience in every step of the customer journey- from booking to destination, further strengthen our positioning and brand awareness and finally continue to be in lead within sustainable and efficient operations.

BUSINESS SEGMENTS

The Groups revenues arises from three main business areas. All ticket revenues within the Group are generated in in business area Travel and consists of transport-, cruise-, group-, package-, and conference ticket revenue streams.

All onboard revenues are generated within business area Onboard Services and includes revenue streams mainly from the retail and food & beverage operations, but also from related revenues and services.

Business area Freight generates its revenues from sales and transportation of trucks, trailers, articulated vehicles, specialized or out-sized cargo and on-deck shipments, but also from forwarding services.

TONNAGE

The cruise ferries MS Stavangerfjord (2013) and MS Bergensfjord (2014) operate the routes between Bergen – Stavanger – Hirtshals and Hirtshals – Langesund. The cruise ferries are nearly identical, and are both equipped with fuel efficient "single fuel" LNG-engines, which results in a close to complete elimination of pollutant emissions. The market demand on the

route Bergen – Stavanger – Hirtshals is high and increasing, especially during peak season, school holidays and weekends.

The modern day ferry MS Oslofjord (1993/2014) is customized for the route Sandefjord – Strömstad and was put into operation as the company's first vessel on the route on 20 June 2014. In January 2018 the tax-free shopping area of the ship were increased and improved and today MS Oslofjord has one of the largest tax-free shops on a day route worldwide.

The high-speed catamaran HSC Fjord Cat (1998) operates the route Kristiansand – Hirtshals in the summer season. The vessel, which is one of the world's fastest car carrying passenger vessels offers the fastest ferry crossing between Norway and Denmark in just 2 hours and 15 minutes.

After several years of solid growth on the route Kristiansand – Hirtshals, Fjord Line decided to invest in a new catamaran with higher capacity and comfort, more departures and longer season. The new vessel also marks an increased focus on freight. The vessel will represent a new technological standard and lower environmental footprint on this route from launching season 2020.

The new vessel has a capacity of 1,200 passengers and more than 400 cars – almost a double of capacity. The capacity of the onboard shops will also be doubled and provide the passengers with a wider selection. The guests will be able to choose from three different and exciting food concepts on board.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainability is an integral part of the Groups business model. The Group reports on sustainability and corporate responsibility outlines ambitions and achievements within Environmental, Social and Governance.

A green profile has for a long time been an important focus for the Group. The Groups continuous effort to create a sustainable fleet has been rewarded with the highest score on the Environmental Ship Index, beating over 3200 other ships.

In 2019 the Group transported 1,429,900 passengers and 64,900 freight units. If these passengers and freight units were to be travelling by road, Co2 emissions would rise by 60% while NOx emissions would rise by 81%.

The Group is continuously searching for even more green energy to implement into our vessels. The Group has set ambitious goals for the future in order to be a key contributor to a more sustainable transport industry.

HIGHLIGHTS FROM 2019

Increase in volumes, revenues and EBITDA

2019 proved to be another year of positive and steady development for the Group in terms of both revenues and in particular, consolidated EBITDA. Higher activity in terms of increased number of passengers and freight units, combined with continued increase in achieved average rates, pushed our revenues to a new all-time high.

Focused and successful cost race programs and further digitalization and other efficiency gains, reduced costs significantly without hampering our capabilities in revenue generation or customer satisfaction.

Compared with 2018, the revenues once again increased to an all-time high level. Especially the passenger business contributed to this growth, where a combination of more continental transport type passengers paired with an increase of leisure passengers on mini-cruise trips pushed volumes to a record-breaking level of 1.429.900 passengers in 2019 compared to 1.386.700 in 2018, in increase with 3%.

The number of passenger vehicles increased to 436.800 in 2019 compared to 417.000 in 2018 (+5 %) but the number of freight units dropped to 64.900, a decrease of -3 % from last year, where we reached 66.900 units. Regarding freight, the whole market suffered from lower market activity and our decrease in this area is only a reflection of this, showing as a stable market share below.

The Fjord Line marketplace is defined as all ferry trade between Norway - Denmark and Norway -Sweden. At the time of printing of this report, market shares have only been released as per Q3 2019. Looking at those, shows that Fjord Line again managed to increase its footprint in the marketplace in all categories.

The passenger market share increased to 22,5 % from 22,0 % in 2018 (figures comparing first three quarters of respective year). The share for passenger vehicles increased to 30,4 % from 30,3 % and finally number of freight units showed a stable level of 24,2% compared to 23,9% in 2018.

Operations and sustainable operations

Negatively affecting volumes is the fact that we did suffer from more cancelled sailings in 2019 compared to last year. The vast majority however of those cancellations was related to adverse weather conditions and only a couple to technical issues. What was slightly more unusual during 2019, is the fact that many of the cancellations came in our peak-season, a season that is normally boasting calm seas and good operating parameters.

Otherwise we are benefitting of having a young fleet and regularity and technical availability was according to plan. We did however experience a very unfortunate unplanned service stop due to a 3rd party contractor. As these situations are highly unappreciated – both by us and our passengers – measures have been taken in our internal quality assurance system to avoid similar situations for the future. No incidents have been reported following this episode.

Our Fleet management department has during 2019 taken the lead and identified and worked hard with several areas in connection with sustainability that during 2020 will materialize as a brand new and fully integrated sustainability strategy and action plan covering the whole Fjord Line Group. The past year has seen the first steps in implementation of ISO 14001:2015 which will form the basis of all environmental activities within the Group forward.

Significant achievements, to be specific, has been made regarding fuel consumption and results above expectation has been accomplished through the installation of AI and other software based tools helping our crews optimizing operations.

Flexible business model

During 2018 a lot of work was put into digitalization, implementation of a new ERP-system, new front-end solutions for our passengers, digital marketing initiatives and many more areas. All these initiatives paired with development of the fleet and organization, did make our costs increase and the Management saw it fit to initiate a cost race program named Project Falcon.

2019 saw the fruits of that labor and several new initiatives has been implemented, turning Fjord Line around to become an even more flexible and agile company able to constantly adapt to changing macro and internal factors.

Especially the full-scoped Flexible Manning scheme has proved very satisfactory, where crewing levels can be adopted from the demand on the different sailings – virtually from sailing to sailing. The benefits from this first level of implementation will continue to be reaped and further iterations of this manning strategy will for sure come going forward.

The introduction of Microsoft Dynamics 365 as new ERP-system in the Group, proved its capabilities during the year. The Group chose to include all functions into this new ERP-system, from pure financials, procurement and POS functionality, all the way to business planning and follow-up through the integrated business intelligence suit. The fully integrated parts let us instantly share information across the business areas and Group entities and has become the catalyst and back-bone for future efficiency gains going forward.

Late 2019 another cost initiative program was initiated in the company, “Wave”. This is a three-year program designed to in a more in-depth manner work its way into business processes, organizational structures with a clear target of reducing overhead costs and establish a more efficient, flexible and agile business model.

Digitalization

The company is constantly investing resources into digitalization and this both in the perspective of better customer- and front-end solutions and in the perspective of more lean and efficient internal operations.

During 2019 a lot of time has been put into business navigation and providing the right numbers to the people and functions that need them. During the year a tender process was also concluded where it was decided that our digital platform was to be moved to a new platform.

By these two initiatives described above, the ambition is to again create a backbone to build further efficiency gains on, not the least the capability of taking even more informed and analyzed decisions all the way out at our front line staff where applicable. We believe this to be a way of empowering and move quick and easy day-to-day decisions to where they belong.

On the customer side the development of a new front-end web interface, containing among many other things a new travel universe, has been in focus. This new version will hold full My Page-functionality where customers can modify and manage their profile as well as future reservations and much more. The launch of this new functionality will be made in steps starting during the first half of 2020. The Group aim for these investments are higher conversion rates, higher average basket but not the least important, higher customer satisfaction.

FINANCIAL PERFORMANCE IN 2019

The Group's operating income was MNOK 1,613.0 in 2019, compared to MNOK 1,529.3 in 2018. The Group's operating expenses ex. depreciation were MNOK 1,188.1 in 2019, compared to MNOK 1,193.8 in 2018.

The Group's EBITDA shows a profit of MNOK 424.9 in 2019, compared to a profit of MNOK 335.5 in 2018. Operating result (EBIT) in 2019 shows a profit of MNOK 189.7, compared to a profit of MNOK 123.9 in 2018.

Further on, the Group's net financial expenses are MNOK 110.8 in 2019, compared to corresponding expenses of MNOK 109.7 in 2018. Included is a net foreign exchange gain of MNOK 6.6 related to borrowing in EUR/DKK compared to corresponding foreign exchange loss in 2018 of MNOK 108.8. MNOK 17.7 of this gain has a counter entry through foreign exchange loss on intergroup loans in DKK to subsidiaries. In total net disagio of MNOK 32.1 was recognized in 2019, compared to a net disagio of MNOK 8.2 in 2018.

Result before tax for the Group was a profit of MNOK 78.8 in 2019, compared to a profit of MNOK 14.2 in 2018. Result after tax was a profit of MNOK 140.1 in 2019, compared to a profit of MNOK 67.9 in 2018.

The parent company Fjord Line AS' result before tax was a profit of MNOK 131.3 in 2019, compared to a profit of MNOK 53.8 in 2018. Fjord Line's profit of MNOK 193.7 after tax is proposed transferred to other equity. Subsequently the book equity of the parent company amounts to MNOK 878.1.

Fjord Line has accumulated basis for deferred tax asset of MNOK 1,171.7, which implies a deferred tax asset (22 per cent) of MNOK 257.8 at full capitalization. Based on the positive development of the company and the long-term future prospects, the Board of Directors has recognized the full capitalized deferred tax asset in the balance sheet in 2019. This presents an increase from 2018 with MNOK 79.8. The revaluation of the deferred tax asset is based on an updated review of the future prospects of Fjord Line, supported by the last two years financial results.

The Board of Directors is of the opinion that the accounting figures for 2019 has to be assessed in view of the circumstances described under «Operations 2019».

The Board of Directors finds the profit development in 2019 satisfactory.

Cash flow and Financial structure

The Group's liquid funds have increased by MNOK 40.5 in 2019 compared to a decrease of liquid funds of MNOK 64.7 in 2018.

The increase consists of the following main elements:

Cash flow from operational activities: MNOK 494.6 (MNOK 268.9 per 31 December 2018).

Cash flow from investing activities: MNOK -131.9 (MNOK -312.6 per 31 December 2018).

Cash flow from financing activities: MNOK -322.1 (MNOK -21.1 per 31 December 2018).

The Group's total balance sheet value is MNOK 3,815.9 per 31 December 2019, compared to MNOK 3,813.3 per 31 December 2018. Fjord Line AS' total balance sheet is, however,

MNOK 3,424.5 per 31 December 2019 compared to MNOK 3,404.7 per 31 December 2018. Interest bearing debt made MNOK 2,408.9 per 31 December 2019 compared to MNOK 2,429.2 per 31 December 2018.

The group's equity is MNOK 1,189.1 per 31 December 2019, compared to an equity of MNOK 1,059.4 per 31 December 2018. Two independent valuations provided for the fleet promise that there are substantial added values in the ships compared to carrying values. These added values are not reflected in the accounting figures, but are central in the understanding of the Group's real equity per 31 December 2019. The ships are valued in EURO, and according to the brokerage the total real value of the ships per 31 December 2019 is MNOK 683.4 higher than the carrying value.

The Group's liquid funds made MNOK 150.6 per 31 December 2019, including an unused credit facility of MNOK 38.8.

Financial and operational risks

Exchange rate and interest rates

Per December 31.12.2019 the Group has interest bearing debt of MNOK 2,233.9, including loan in EUR/DKK, constituting in total MNOK 2,104.4. The Group is exposed to interest risk and currency risk on these loans. The risk is, however, partly eliminated through the fact that parts of the liabilities are hedged through fixed interest rate agreement, and that parts of Fjord Lines revenues are in EUR/DKK.

The Group is to some extent exposed to currency risk, but this risk is partly eliminated since revenues and expenses are denominated in both EUR/DKK, as well as NOK. The Group is also exposed to fluctuations in the exchange rate of USD through purchase of fuel. The Group is exposed to general fluctuations in bunkers- and LNG prices, but a significant part of the risk is eliminated through hedging contracts for LNG and MGO.

Price variations of bunker

The Group has per 31.12.2019 entered into hedging contracts for approximately 60 per cent of the calculated LNG consumption as per 31.12.19 in the period 2020-2021, and approximately 55 per cent of the calculated MGO consumption as per 31.12.19 for the period 2020-2021.

Covenants

Per 31.12.2019 the Group had financial debt covenants connected to EBITDA, liquidity and booked and value adjusted equity. The company's Board of Directors and management are continuously monitoring the financial debt covenants, and per 31 December 2019 the company is in compliance with all covenants.

Reference is however made to further information given in paragraph "The effects of the Covid-19 outbreak" below.

Market

Market risk as of 31.12.19 was considered to be limited for the company, as the target group comprises a large number of and various types of customers. The Group's main objective is

to secure profitability and to maintain cost efficient operations. Fjord Line is working purposefully to improve profitability and has strong focus on obtaining competitive frame conditions.

SHAREHOLDERS

The Group's major owners per 31.12.2019 were as follows:

Ferd AS	44.6%
Kontrari AS	34.8 %
Kontrazi AS	17.4 %

GENDER EQUALITY

As per 31.12.2019, the Group had 190 shore based and 390 seagoing staff, representing a total of 373 males and 207 females. In Fjord Line the equivalent number of employees was 112, including 61 men and 51 women.

The company is continuously working to avoid discrimination based on gender, age, ethnicity etc. both with respect to existing and new employments.

Of the Group's top management comprising ten employees, three employees are women. The Board of Directors in Fjord Line are composed of five men. Based on an assessment of number of employees and job category the Board of Directors have not found it necessary to implement special measures with respect to gender equality. The Group will, however, continuously focus on this issue.

EMPLOYEES AND HSEQ

Employee satisfaction in Fjord Line is measured biannually rather than on a yearly basis. By doing so we make sure to have enough time spans between measurements to focus on effective, long term action plans. Initiatives to reduce the level of sick leave and increased engagement are among the continuous focus areas of our employee satisfaction strategy.

The absence due to illness in the Group was 3.26 per cent in 2019 split on 4.05 per cent for seagoing employees and 1,7 per cent for shore employees. This equals an increase of 0.01 per cent compared with 2018. A guideline for systematic follow-up on sick leave was introduced in 2017 and continued also in 2019 resulting in the above very low absence rates.

In 2019 43 (31 in 2018) work accidents were registered. The majority of accidents were on car deck and in the kitchen. Of these accidents, 2 accidents were considered as serious. We continuously work to reduce the level of work accidents through several initiatives

Sea- and land-based employees regularly conduct safety and emergency drills including lifeboat drills and evacuation exercises, and functional tests of rescue equipment are regularly carried out onboard the ships.

DEVELOPPING OUR MANAGERS AND EMPLOYEES

Throughout 2019 the Group has continued working on our Fjord Line Academy Training Program by putting new emphasis on a more locally based training set-up. Through this initiative we have managed to save both transport cost, but also to ensure a more rapid training sequence of our workforce matching flexible organization set-up. In total we have had 80 participants going through this local training.

Additionally, in 2019 a total of 20 Managers have gone through our internal Leadership Program, "Leading Fjord Line". The Leadership Program focuses on staff management, but also on issues such as the prevention of stress and sick leave.

Digital training increases speed

The Fjord Line Digital Academy took off in 2019, now including both security and commercial training material as well as wayfinding courses – all designed to make the onboarding process much better and easier for our new employees. The digital training program has been positively received throughout the organization.

EXTERNAL ENVIRONMENT

Fjord Line is focusing attention on and endeavors that the Group at any time shall be operated in accordance with applicable national and international regulations.

The company operates a business which basically causes pollution of the external environment. There have been no uncontrolled emissions to air or sea in 2019. The company complies with applicable laws and regulations in the area and wishes to minimize the pollution for instance through measures that reduce the emission of NOx. Pollutant emissions to air and water are minimal from our LNG cruise ferries and considerably lower than allowed by current regulations. The LNG cruise ferries stand out as the most environmentally friendly of their kind and the ships have received several international environmental awards.

OUTLOOK AND EVENTS AFTER THE BALANCE SHEET DAY

From March 2020, the Covid-19 situation has affected the Groups business significantly, reference made to the paragraph below.

Fjord Line has however strong and committed long-term owners which implies that the management team has good conditions to implement the strategy set by the Board of Directors. Through increased customer insights, strategic investments and continued optimization of operations, the Group expects to have a positive financial development in the coming years.

The Board of Directors concurs with the management team view and expects the financial results for the Group to further improve in the years to come.

The Group is not involved in any litigations.

The effects of the Covid-19 outbreak

The Group has since March 2020 experienced increasingly adverse effects of the Covid-19 outbreak. The outbreak has developed rapidly and the situation affects Fjord Lines business significantly as the number of travelers has been decreasing in line with the respective Governments closing of borders as well as implementation of other travel restrictions in order to reduce the spread of the virus.

This situation has the highest priority in the Group and the management team has designed and implemented several extensive measures in order to immediately adjust the cost base in order to protect the Groups cash-flow, by eliminating all cash-negative operations this extraordinary situation has brought about.

These actions consist among others of temporary changes in our route network and deployment of vessels, as well as layoff of personnel and other robust cost reductions in order to adjust the cost base to the present market demand.

The Group has established an emergency route, primarily for cargo, to ensure the flow of goods between Norway and the EU with two daily departures in each direction between Kristiansand and Hirtshals. This route will be served by one of our vessels, MS Stavangerfjord. In addition, MS Stavangerfjord will sail two round trips a week to serve the west coast market in Norway and bunker fuel from our LNG plant in Risavika.

The remaining ships MS Bergensfjord, MS Oslofjord and HSC Fjord Cat are all put in hot lay-up and all other routes are temporary cancelled. The current temporary changes in our route network and deployment of vessels is initially valid for a period until medio May 2020.

The financial consequences for the Group are not clear at the time being due to the significant uncertainty that still exists with respect to the further development of the virus outbreak and the current implemented restrictions.

The Group has as per 30.04.2020 secured a robust financial restructuring that will provide the Group with MNOK 700 in positive cash flow for 2020. The financial restructuring consists of governmental aid packages for refund of cost schemes, owner contributions, new bank loans as well as postponement of interests, guarantee premium and instalments. The Group has also renegotiated all financial covenants under the current loan agreement in order to be compliant with these going forward.

Based on this it is the Board of Directors opinion that the Group will be able to handle the situation that has arisen.

The Group`s financial statements for 2019 was initially approved by the Board of Directors March 31th 2020. Based on the outcome of the financial restructuring process, the BoD has however decided to reapprove the financial statements for 2019 on May 11th in order to reflect this information. Reference is made to note 18 Subsequent events.

GOING CONCERN

Based on the information above regarding the events after the balance sheet day and in accordance with the Accounting Act § 3-3a it is confirmed that the financial statements for 2019 have been prepared under the assumption of going concern.

Egersund, 11 May 2020



Peter Frølich
Chairman of the Board



Frode Teigen
Board Member



Kristian Falnes
Board Member



Kaj Frederiksen
Board Member



Kristian Eikre
Board Member



Rickard Ternblom
Managing Director

Fjord Line AS - Group

Consolidated income statement (1,000 NOK)

	Note	Group 2019 Simplified IFRS	Group 2018 Simplified IFRS
Income/net gains			
Sales revenues	13, 16	1 583 417	1 505 870
Other operating income	13	29 567	25 427
Other gains/losses (net)	13		-1 975
Total		1 612 984	1 529 322
Operating expenses:			
Cost of goods		371 196	357 284
Wage costs	14	387 208	370 051
Depreciation of property, plant and equipment and intangible assets	1, 2	235 241	211 571
Other operating expenses	5, 6, 14	429 678	466 474
Total operating expenses		1 423 323	1 405 380
Operating result		189 661	123 942
Financial items:			
Interest income		8 159	3 737
Other financial income	3	0	118 086
Income from investment in associated company	3	-720	-507
Interest expenses	12	-84 412	-104 743
Other financial expenses	3	-33 847	-126 281
Net financial items		-110 820	-109 708
Ordinary result before tax		78 841	14 233
Tax expense on ordinary result	11	-61 241	-53 647
Ordinary result after tax		140 082	67 881
Result for the year		140 082	67 881
Distribution of result group:			
Majority's share of result		140 082	67 881
Non-controlling interests' share of result			0
Total		140 082	67 881

Consolidated statement of comprehensive income (1,000 NOK)

Result for the year, cf. above		140 082	67 881
Items that may be subsequently reclassified to profit or loss			
Change in value of financial instruments used as hedges	17	-23 138	-64 027
Currency translation differences	17	12 789	18 424
Total		-10 349	-45 603
Comprehensive income for the year, net of tax		-10 349	-45 603
Total comprehensive income for the year		129 733	22 278

Fjord Line AS - Group

Consolidated balance sheet (1,000 NOK)

ASSETS	Note	Group 31.12.2019 Simplified IFRS	Group 31.12.2018 Simplified IFRS
Fixed assets			
Intangible assets			
Deferred tax asset	11	275 430	195 473
Other intangible asset	1	79 550	70 557
Total intangible assets		354 980	266 030
Property, plant and equipment			
Ships	2, 18	2 879 399	3 066 789
Prepayment ships	2	234 714	183 636
Buildings, plants etc.	2	65 962	52 104
Right of use assets	2	30 146	
Total property, plant and equipment	2	3 210 221	3 302 529
Financial fixed assets			
Derivatives	17	208	9 133
Investment in associated company	4	10 036	10 886
Other non current receivables		9 900	0
Other investments	4	80	80
Total financial fixed assets		20 224	20 099
Total fixed assets		3 585 425	3 588 659
Current assets			
Inventories	5	33 534	22 833
Receivables and derivatives			
Trade receivables	6	33 298	43 676
Other current receivables	7, 16	37 453	60 808
Derivatives	17	146	12 582
Total receivables and derivatives		70 897	117 066
Bank deposit, cash etc.	8	126 013	84 725
Total current assets		230 444	224 625
Total assets		3 815 870	3 813 283

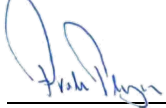
**Consolidated balance sheet
(1,000 NOK)**

EQUITY AND LIABILITIES	Note	Group 31.12.2019 Simplified IFRS	Group 31.12.2018 Simplified IFRS
EQUITY			
Paid-in equity			
Share capital	9, 10	519 107	519 107
Own shares	9	-109	-9
Share premium account	9	178 227	178 227
Total paid-in equity	9	697 225	697 325
Other equity controlling interests			
Other equity	9	491 912	362 078
Total		491 912	362 078
Total equity controlling interests		1 189 137	1 059 403
Non-controlling interests	9	-	0
Total equity	9	1 189 137	1 059 403
LIABILITIES			
Non-current liabilities/non-current provisions			
Leasing liability	2, 12	46 711	1 015
Non-current debt to credit institutions etc.	12	1 941 834	2 204 939
Pension liability (net)	14	2 790	3 486
Derivatives	17	74 416	63 526
Total non-current liabilities/non-current provisions		2 065 751	2 272 966
Current liabilities			
Current portion of non-current liabilities to credit institutions	12	245 412	223 253
Current portion of leasing debt	2, 12	0	0
Derivatives	17	17 459	4 316
Trade payables		129 497	93 221
Tax payable	12	714	1 579
Public duties owing		6 818	7 173
Other current liabilities	15	161 082	151 373
Total current liabilities		560 982	480 915
Total liabilities		2 626 733	2 753 881
Total equity and liabilities		3 815 870	3 813 283

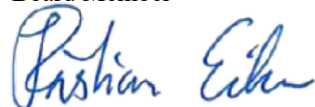
Egersund, 11.05.2020



Peter Frølich
Chairman of the Board



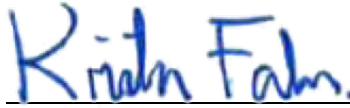
Frode Teigen
Board Member



Kristian Eikre
Board Member



Kaj Frederiksen
Board Member



Kristian Falnes
Board Member



Rickard Ternblom
Managing Director

**Cash flow statement - group
(TNOK)**

	2019	2018
Cash flows from operational activities		
Operating result	189 661	123 942
Taxes paid in the period	-1 379	-412
Depreciation	235 241	211 533
Write-down	0	0
Gain/loss from sale of property, plant and equipment/intangible assets	0	0
Change in inventories	-10 702	3 183
Change in trade receivables	36 336	-33 426
Change in trade payables	44 799	-38 582
Change in financial assets at fair value over profit or loss		0
Change in other accruals	690	2 686
Net cash flows from operational activities	494 645	268 924
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and received grants	0	0
Purchase/manufacturing of property, plant and equipment/intangible assets	-120 536	-130 066
Prepayment assets	-19 567	-183 636
Interest received	8 159	1 138
Sale of subsidiary (less cash in subsidiary)	0	0
Net cash flows from investing activities	-131 943	-312 564
Cash flows from financing activities		
Raising of interest bearing debt		138 621
Repayment of non-current interest bearing debt	-237 749	-74 000
Interest paid	-84 412	-85 721
Cash contribution share issue (net)		0
Net cash flows from financing activities	-322 161	-21 100
Net change in cash and cash equivalents	40 541	-64 740
Cash and cash equivalents at the beginning of the period	85 472	150 212
Currency translation cash and cash equivalents	0	
Cash and cash equivalents at the end of the period	126 013	85 472
Specification of cash reserves at the end of the period		
Bank deposit and cash	126 013	85 472

Note 1 Intangible assets - group

(Figures in the table in TNOK)

	Intangible assets in progress	WEB-project	Concept development and market projects	Other intangible assets	TOTAL (exclusive of deferred tax asset)
Acquisition cost 31.12.2018	33 810	45 944	902	1 903	82 558
Completed projects 2019	8 414	9 559	0	0	17 974
Addition 2019	-26 478	25 439			-1 039
Disposal 2019					0
Acquisition cost 31.12.2019	15 746	80 942	902	1 903	99 493
Accumulated write-down 31.12.2018	0	0	0	0	0
Accumulated depreciation 31.12.2018	0	9 703	889	1 408	12 000
Book value 31.12.2018	33 810	36 241	13	495	70 557
Accumulated write-down 31.12.2019	0	0	0	0	0
Accumulated depreciation 31.12.2019	0	17 493	902	1 547	19 942
Book value 31.12.2019	15 746	63 449	0	356	79 550
Depreciation intangible assets in the year	0	7 790	12	139	7 941
Total depreciation and write-down 2019	0	7 790	12	139	7 941

Intangible assets in development relates mainly to websites, WEB platform and BI.

New web projects in 2019 is completion of ERP system Dynamics 365.

Phase 1 of the system was launched in 2018, and the second phase was launched in the summer of 2019.

The depreciation period is 10 years.

The remaining projects relates to development of websites and WEB platform, with a depreciation period of 3-5 years.

Note 2 Property, plant and equipment - group

(Figures in the table in TNOK)

Figures for 2019 below

Property, plant and equipment (figures in TNOK)	Prepaid ships	Buildings, plant etc.	Spare parts, operating movables, reconstruction premises etc.	Right of use assets	Ships, incl. periodical maintenance, furnishing etc.	Total property, plant and equipment
Acquisition cost 31.12.2018	183 636	81 412	337	0	4 036 705	4 302 090
Addition 2019	19 580	19 762	0	40 629	82 776	162 747
Transfer	31 498				-31 498	
Disposal 2019	0		0	0	0	0
Translation differences	0	56	0	0	-27 900	-27 844
Acquisition cost 31.12.2019	234 714	101 230	337	40 629	4 060 082	4 436 992
Accumulated write-down 31.12.2018	0	0	0	0	0	0
Accumulated depreciation 31.12.2018	0	29 555	90	0	969 916	999 561
Book value 31.12.2018	183 636	51 857	247	0	3 066 789	3 302 529
Accumulated write-down 31.12.2019	0	0	0	0	0	0
Accumulated depreciation 31.12.2019		35 268		10 483	1 181 020,00	1 226 771
Book value 31.12.2019	234 714	65 962	337	30 146	2 879 062	3 210 221
Depreciation property, plant and equipment in the year	0	5 712		10 483	211 104	227 299
Write-down property, plant and equipment in the year	0	0	0	0	0	0
Depreciation period (completed operating assets)		5 - 10 years	3 - 5 years		See description below	
Depreciation plan		Linear	Linear		Linear	

Grant not recognised through profit or loss per 31.12.2019 is TNOK 134.109 (TNOK 139.290 per 31.12.2018).

Grant not recognised through profit or loss is recognised as a reduction of the acquisition cost per 31.12.

The grant is accrued/recognised in line with the depreciation profiles of the related ships and classified as reduction of depreciations.

Depreciation and book value of the ships per 31.12.2019

The Fjord Line group has 4 ships in the business at the reporting date;

- 1) "MS Oslofjord" (formerly MS Bergensfjord). This ship was under reconstruction in 2014 and has sailed in the route Sandefjord-Strømstad since 20 June 2014 .
- 2) "HSC Fjord Cat"
- 3) "MS Stavangerfjord". This ship was delivered in July 2013.
- 4) "MS Bergensfjord". This ship was delivered in February 2014.

MS Oslofjord:

In connection with Fjord Line starting up the sailing of a new route between Sandefjord and Strømstad in June 2014 MS Oslofjord was subject to a comprehensive reconstruction at the yard STX Rauma (Finland) in 2013/2014. Approx. 300 mill NOK was invested in the reconstruction of the ship. Carrying value for the ship including periodical maintenance is TNOK 412.886.

Both the ship and ship furnishing are depreciated linearly over 15 years, with estimated salvage value 20 MNOK per June 2029.

Ship furnishing is depreciated over 1 - 5 years. Periodical maintenance /docking is depreciated over 1 - 10 years.

HSC Fjord Cat:

The ship itself is depreciated linearly over 15 years. Remaining depreciation period per 31.12.2019 is 3 years.

Carrying value for the ship including periodical maintenance is TNOK 75.226 pr 31.12.2019.

Ship furnishing is depreciated over 3 years. Periodical maintenance/docking is depreciated linearly over 1 - 20 years.

MS Stavangerfjord

MS Stavangerfjord is depreciated linearly over 35 years, with salvage value 50 MNOK. Remaining depreciation period per 31.12.2019 is 28,5 years.

Carrying value for the ship including periodical maintenance is TNOK 1.299.537 pr 31.12.2019.

Ship furnishing is depreciated over 5 - 20 years. Periodical maintenance/docking is depreciated linearly over 1 - 10 years.

MS Bergensfjord

The ship itself is depreciated linearly over 3 Egersund, 11.05.2020

Carrying value for the ship including periodical maintenance is TNOK 1.187.930 pr 31.12.2019.

Periodical maintenance/docking and furnishing are depreciated linearly over 5 - 15 years.

Note 3 Financial items - group

(Figures in TNOK)

Other financial income and other financial expenses comprise the following:

Other financial income	2019	2018
Foreign exchange gains, intergroup receivables		108 245
Foreign exchange gains, loan in Euro/DKK	17 951	
Other foreign exchange gains		9 776
Other financial income		65
Total	17 951	118 086
Other financial expenses	2019	2018
Foreign exchange loss, including loan in Euro/DKK	11 354	108 767
Foreign exchange loss, intergroup receivables	17 667	
Derivat not included in hedge accounting	20 989	
Other financial expenses	1 788	17 514
Total	51 798	126 281

Foreign exchange gains/foreign exchange loss intergroup receivables

Fjord Line AS has non-current interest bearing receivables on the Danish subsidiaries amounting to a total of TNOK 1.917.581 per 31.12.2019 (TNOK 1.976.823 per 31.12.2018)

This has been eliminated in the consolidated financial statements.

The receivables are denominated in DKK. Foreign exchange loss on these receivables was TNOK 17.667 in 2019 (Foreign exchange gain TNOK 108.245 in 2018).

A specific installment plan for the loans the subsidiaries have to their parent company has not been established, however, the subsidiaries will use free liquidity for repayment.

Installment payments have been made both in 2018 and 2019.

Note 4 Investments in associated companies and other investments - group

Visit Sørlandet AS

In 2010 Fjord Line AS acquired shares amounting to TNOK 50 in Visit Sørlandet AS. After 2010 there has been neither additions nor disposals. The investment is recognised in accordance with the cost method. There has not been any write-down of the holding of shares neither in 2019 nor in 2018.

Visit Telemark AS

Fjord Line AS invested TNOK 30 in Visit Telemark AS in 2016. The investment is recognised in accordance with the cost method. No write-down has been made.

Green LNG A/S - associated company

In 2017 Fjord Line AS invested in Green LNG A/S, total amount invested was TNOK 250. The investment is recognised in accordance with the cost method. No write-down has been made.

Hirtshals LNG A/S - associated company

In 2015 Fjord Line group sold 50% of the shares in Hirtshals LNG A/S to Skangass AS. Prior to this sale Hirtshals LNG A/S was a 100% owned subsidiary of Fjord Line Danmark A/S. At the date of sale the balance sheet of Hirtshals LNG A/S consisted mainly of an LNG-tank. The compensation was determined based on a value of the plant of 25 MNOK.

For 2019 the income statement and the balance sheet figures are related to the investment in Hirtshals LNG A/S (associated company) as follows:

Book value 31.12.2018:	10 886 TNOK
Share of result 2019 (50%)	-722 TNOK
Foreign exchange translation differences	-128 TNOK
Book value 31.12.2019	10 036 TNOK

The share of result stated above is classified as income from investment associated company in the income statement for 2019.

Note 5 Inventories and fuel expenses - group

(Figures in TNOK)

	2019	2018
Fuel	3 136	3 384
Goods for resale	27 370	16 263
Other items, including key-cards etc.	3 028	3 186
Total inventories at acquisition cost 31.12.	33 534	22 833
Write-down 31.12.	0	0
Total book value of inventories 31.12.	33 534	22 833

No write-down has been made of the inventory per year-end.

Expenses related to fuel are classified as other operating expenses in the income statement. This amounts to TNOK 170.716 in 2019 (TNOK 165.314 for 2018).

Note 6 Trade receivables - group

(Figures in TNOK)

	2019	2018
Trade receivables at nominal value 31.12.	35 495	45 777
Provisions for bad debts 31.12.	-2 198	-2 198
Trade receivables 31.12.	33 298	43 579
Change provisions for bad debts in the year		0
Actual bad debts in the year	856	639
Received on receivables previously written off		0
Loss on bad debts	856	639

Bad debts are included in the item "other operating expenses" in the income statement.

Note 7 Other current receivables - group

(Figures in TNOK)

Other receivables	2019	2018
Refund from public authorities, including vat receivable	2 607	8 699
Prepaid expenses, incl. insurance ships	19 829	20 984
Other receivables	15 017	31 125
Other current receivables 31.12.	37 453	60 808

Note 8 Restricted funds - group

(Figures in TNOK)

	2019	2018
Restricted tax deduction funds per 31.12.:	3 481	3 451
The tax deduction funds are deposited on separate bank accounts.		

Note 9 Changes in equity - group

(Figures in TNOK)

	Share capital	Own Shares	Share premium account	Other equity, not recognised in income statement	Retained earnings	Non-controlling interests	Total equity
Equity 01.01.2018	519 107	-10	178 227	236 116	103 686	0	1 037 126
Net income 2018	0	0	0	0	67 881	0	67 881
Other comprehensive income 2018	0	0	0	-45 603	0	0	-45 603
Sale of own shares	0	1	0	0	0	0	1
Equity 31.12.2018	519 107	-9	178 227	190 513	171 567	0	1 059 403
Net income 2019					140 082		140 082
Other comprehensive income 2019				-10 347			-10 347
							0
Equity 31.12.2019	519 107	-9	178 227	180 166	311 649	0	1 189 137

Note 10 Share capital and shareholders' information - group

The share capital is NOK 519.107.350 per 31.12.2019, and consists of 207.642.940 shares each NOK 2,50. All shares have equal rights.

The major shareholders per 31.12.2019

	Owner share
Ferd AS	44.6%
Kontrari AS	34.8%
Kontrazi AS	17.4%
Arne Teigen	1.1%
Moly AS	0.8%
Others, including own shares *)	1.3%
Total	100.0%

*) Fjord Line AS has a total of 10.664 own shares per 31.12.2019.

The major shareholders per 31.12.2018

	Owner share
Ferd AS	44.6%
Kontrari AS	34.8%
Kontrazi AS	17.4%
Arne Teigen	1.1%
Moly AS	0.8%
Other, including own shares *)	1.3%
Total	100.0%

*) Per 31.12.2018 Fjord Line AS had a total of 664 own shares.

Note 11 Taxes - group

(Figures in TNOK)

Calculation of deferred tax/deferred tax asset allocated to the Norwegian activity

Temporary differences	31.12.2018	31.12.2019	Change
Fixed assets	1 751	4 786	-3 035
Receivables	-2 197	-2 197	0
OCI hedging account	0	-79 314	-6 439
Gain/loss account	10 782	8 626	2 156
Other differences, including accounting accruals	-88 973	-81 413	-7 560
Total	-66 055	-149 513	-14 877
Carry forward loss	-1 150 467	-1 022 210	-109 234
Basis for deferred tax (-deferred tax asset)	-1 216 522	-1 171 723	-124 111
22% of the basis	-267 635	-257 779	27 306
Deferred tax (-deferred tax asset) recognised in the balance sheet	-178 000	-257 779	-62 330
Deferred tax asset not recognised in the balance sheet	-89 635	0	89 637

Payable tax recognised in the balance sheet per 31.12.2019 connected to the Norwegian activity makes TNOK 0 (TNOK 0 per 31.12.2019).

Foreign subsidiaries

The Danish shipowning companies are under Danish law connected to tonnage tax system and have calculated taxable income based on these conditions.

Further on, the Danish subsidiaries are jointly taxed. Tax 2019 for the Danish subsidiaries is TNOK 1.003 (TNOK 715 in 2018)

The Danish subsidiaries received taxable grants in 2015. This was reflected in payable tax recognised in the balance sheet, TNOK 17.480 per 31.12.2015 which was allocated to the Danish subsidiaries.

As the grants are recognised as reduction of the ships' acquisition cost, the grant is recognised through gains/losses in line with the depreciation of the ships.

The grant is considered not to be comprised by IAS 12. Therefore a deferred tax asset corresponding to payable tax connected to the grant was recognised in the balance sheet upon receipt of the grant in 2015. This deferred tax asset is being reversed over the depreciation period of the ships.

Net book value of deferred tax asset per 31.12.2019 and 31.12.2018 relating to foreign subsidiary is listed below.

The main element of this net amount (TNOK 17.673 per 31.12.2018) is thus connected to the mentioned grants.

Specification of tax expense	2019	2018
Change in deferred tax asset connected to the Norwegian activity	-79 779	-53 000
Payable tax connected to the Norwegian activity (partially owned subsidiary)	0	0
Payable tax connected to foreign subsidiaries	714	-1 251
Change in deferred tax asset connected to foreign subsidiaries	755	594
OCI hedging account	17 449	
Other adjustments, including foreign exchange translation differences	-380	0
Tax expense	-61 241	-53 657

Specification of payable tax	2019	2018
Payable tax connected to the parent company	0	0
Payable tax connected to partially owned Norwegian subsidiary	0	0
Payable tax connected to foreign subsidiaries	714	1 579
Payable tax recognised in the balance sheet 31.12.	714	1 579

Specification of deferred tax asset	2019	2018
Deferred tax asset connected to parent company*)	240 330	178 000
Deferred tax asset connected to partly owned Norwegian subsidiary	0	0
Deferred tax asset connected to OCI hedging account	17 449	
Deferred tax asset connected to foreign subsidiaries (net)	17 651	17 473
Deferred tax asset recognised in the balance sheet 31.12.	275 430	195 473

Reconciliation of tax expense for the group	2019	2018
22% of result before tax	17 345	-3 274
Change of deferred tax asset not recognised in the balance sheet connected to the Norwegian activity	-92 405	-76 345
Tax recognized through other comprehensive income	17 449	
25% (27%) of not taxable income foreign subsidiaries etc.		-3 003
Impact of changed tax rate in Norway	0	12 165
Other permanent differences (net) including different tax rate between the countries	-3 630	16 808
Tax expense	-61 241	-53 577

*) Fjord Line AS has accumulated basis for deferred tax asset of TNOK 1.092.409 per 31.12.2019

This implies a deferred tax asset (22 %) of TNOK 240.330 at full capitalisation.

The Board of Directors following a concrete assessment of the future prospects of Fjord Line AS, under the basis of the net income from the last two years, found that it has convincing evidence that future earnings will justify a recognition of a further 62.3 MNOK in addition to the 178 MNOK that have already been recognized, thus the calculated deferred tax asset will be 240.3 MNOK.

We believe that this argument is sustained by the positive operating results in the recent years. This combined with the current plans in long term business plans indicates that we have convincing evidence that we can at least have equivalent earnings in the years to come as shown in 2019 and this has been taken into account in the assessment.

Note 12 Liabilities - group

(Figures in table in TNOK)

Non-current interest bearing debt per 31.12.	2019	2018
Debt to credit institutions etc.	1 941 834	2 204 939
Debt connected to leasing contracts recognised in the balance sheet	46 711	1 015
Total non-current interest bearing debt 31.12. excl. of first year's installment	1 988 545	2 205 954

Current interest bearing debt per 31.12.	2019	2018
Debt to credit institutions (overdraft facilities)		0
Current portion of debt to credit institutions	245 412	223 253
Current portion of leasing debt		0
Total current interest bearing debt 31.12.	245 412	223 253

Total book value of interest bearing debt 31.12.	2 233 957	2 429 207
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Fjord Line AS had an unused overdraft facility of MNOK 35 per 31.12.2019 (35 MNOK per 31.12.2018).

Per 31.12.2019 the company has a positive balance on the overdraft facility account of 111,6 MNOK (128,1 MNOK per 31.12.2018).

The subsidiary Fjord Line DK A/S has an unused overdraft facility of 3 MDKK (3 MDKK per 31.12.2018)

Interest bearing debt to credit institutions (incl. leasing) - distributed on currency per 31.12.2018 (figures in NOK 1,000)

Currency	Nominal currency	Exchange rate	Book value in NOK 31.12.2018
NOK	112 329	1,000	112 329
DKK	415 202	1,332	553 132
Euro	177 291	9,948	1 763 744
TOTAL			2 429 207 incl. first year's installment

Interest bearing debt to credit institutions (incl. leasing) - distributed on currency per 31.12.2019 (figures in 1,000)

Currency	Nominal currency	Exchange rate	Book value in NOK 31.12.2019
NOK	129 522	1,000	129 522
DKK	423 530	1,320	559 144
Euro	156 663	9,864	1 545 290
TOTAL			2 233 956 incl. first year's installment

Borrowing in Euro and DKK

Borrowing in Euro and DKK is recognised in the balance sheet at current exchange rate per 31.12.2019 and 31.12.2018, cf. the table above.

Foreign exchange loss in 2019 related to non-current borrowing in Euro and DKK is 17,9 MNOK.

Foreign exchange gain in 2018 related to non-current borrowing in Euro and DKK was 108,7 MNOK.

Book value per 31.12. for the Euro-borrowings and DKK is as follows in NOK (figures in TNOK):	2019	2018
Principal amount:	2 118 529	2 331 576
Amortization effect of the borrowings, incl. guarantee commission	-14 095	-14 700
Book value per 31.12.	2 104 434	2 316 876

Borrowing in DKK

Borrowing in DKK 31.12.2019 consists of a non-current loan to Danica Pension of TNOK 528 080. Total available loan facility is MDKK 400.

The loan facility is issued in its entirety in 2018 and the debt in DKK to Danica Pension amount to MDKK 400.

Derecognition of financial obligations

Fjord line group has entered into a loan agreement with the Australian export finance body EFIC about financing the purchase of a new catamaran to operate the route Kristiansand Hirtshals. Fjord Line group stands as the formal borrower also during the construction period, but as a result of the entered agreement with EFIC and the contractor of the catamaran Austal-group will Fjord Line not be required to pay interest or instalments in the construction period together with a additional agreement that in the event of a default of debt, will EFIC seek full coverage from Austal before they can seek coverage of the debt from Fjord Line group. This results in Fjord Line not considering itself as the primary responsible of the debt during the construction period and thus derecognise the debt in accordance with IFRS 9.

Loan agreement and financial covenants

In 2018 Fjord Line group entered into a loan agreement with the Australian export finance body EFA(former EFRIC) about financing the purchase of a new catamaran to operate the route Kristiansand- Hirtshals.

Fjord Line group stands as the formal borrower also during the construction period, but as a result of the entered agreement with EFA and the contractor of the catamaran Austal-group will Fjord Line not be required to pay interest or instalments in the construction period together with an additional agreement that in the event of a default of debt, will EFA seek full coverage from Austal before they can seek coverage of the debt from Fjord Line group.

This results in Fjord Line not considering itself as the primary responsible of the debt during the construction period and thus derecognize the debt in accordance with IFRS 9. The expected delivery of the catamaran is Q2 2020. Upon delivery all related financial liabilities will be recognized and Fjord Line will considered as the primary responsible of the debt.

Installment plan non-current interest-bearing debt to credit institutions/mortgage loan, leasing debt and bond loan

(Figures in TNOK)

	2020	2021	2022	2023	2024
Annual installments	247 020	268 211	268 157	268 157	268 157
Remaining loan per 31.12.	1 986 936	1 718 725	1 450 568	1 182 411	914 254

Book value of mortgaged assets 31.12.2019:

Ships	2 879 399
Prepaid ships	234 714
Receivables	78 044
Inventories	33 534
Total	3 225 691

Note 13 Operating income and other gains/losses - group

(Figures in TNOK)

	2019	2018	
Sales revenues			
Ticket income	581 303	522 949	
Sales income etc. onboard	765 506	742 400	
Cargo income	213 326	218 990	
Other	23 282	21 531	
Total sales revenues	1 583 417	1 505 870	A
Other operating income	29 567	25 427	B
Other gains/losses (net)			
Gain by transfer of subsidiary to associated company	0	0	
Loss from exit subsidiary	0	0	
Unrealized gain derivatives (value change recognised in income statement), cf. note 20	0	-1 975	
Total other gains/losses (net)	0	-1 975	C
Total operating income and other gains/losses (net)	1 612 984	1 529 322	A+B+C

Note 14 Wage costs, number of employees, remunerations, loans to employees etc. - group

(Figures in table below in TNOK)

	2019	2018
Wage costs		
Wages, incl. feeding crew, social costs etc.	320 595	306 858
Payroll tax and other public duties related to wages	24 456	24 319
Pension costs etc.	16 474	15 629
Other remunerations	25 683	23 244
Total	387 208	370 051

Average number of man-labour years in the group during the accounting year 2019 has been 637 (677 in 2018)

Remunerations for CEO and the Board of Directors (figures in TNOK)

	2019	2018
Wages CEO	2 400	2 050
Bonus CEO	400	513
Other remuneration CEO	290	239
Board of Directors' fee	500	91

The figures above do not include the option program. See below for further information.

No loan or guarantee has been provided for CEO or any of the members of the Board of Directors.

The CEO is included in the company's pension agreement, cf mentioned below.

According to the agreement, 20% of gross salary is allocated annually and the liability amounts to per 31.12.2019 TNOK 1.897 (TNOK 1.417 per 31.12.2018)

Pensions

The company has taken on a pension savings agreement on behalf of the former and the present CEO and another two individuals.

The market value of the contributions/assets was TNOK 3.101 per 31.12.2019 (TNOK 4.047 per 31.12.2018).

Gross liability per 31.12.2019 is calculated to TNOK 5 891 related to these four persons (TNOK 6 587 per 31.12.2018).

Net liability is thus TNOK 2.790 per 31.12.2019 (TNOK 3.486 per 31.12.2018), and is classified as pension liability in the balance sheet.

In addition the company has established a defined contribution pension scheme for its employees.

The company pays fixed contributions to an insurance company. The company has no further obligations to pay once the contributions have been paid.

The contribution constitutes from 2% to 4% of the employees' salary.

Auditor

Auditor's fee relates to the following services (exclusive of vat):

(Figures in TNOK)

	2019	2018
Audit services - group auditor	1 344	1 388
Audit services other auditors	864	0
Accounting and tax related consultancy other auditors	0	0
Certification services/agreed-upon control procedures group auditor	11	11
Certification services/agreed-upon control procedures other auditors	0	0
Total auditor's fee	2 219	1 399

Note 15 Other current liabilities - group

(Figures in TNOK)

Other current liabilities per 31.12:	2019	2018
Incurred costs regarding wages/pay etc. (Denmark)	42 193	43 645
Prepayment from customers	70 771	63 112
Incurred interests and guarantee commission	18 409	17 854
Provision for other incurred costs	29 708	26 764
Other current liabilities 31.12.	161 082	151 373

Note 16 NOx-grants - group

The ship "MS Stavangerfjord" was delivered in July 2013, and the ship "MS Bergensfjord" was delivered in January 2014. Because the ships are gas powered (LNG), with related low emission, Fjord Line AS was granted a contribution from the NOx-fund. Per 31.12.2014 contributions of MNOK 147,2 in total were paid to Fjord Line AS connected to these projects. As a condition for the grant Fjord Line AS has been obliged to use "MS Stavangerfjord" and "MS Bergensfjord" in NOx-labile waters for at least 2 years from time of delivery.

Fjord Line AS received 0 MNOK in NOx-grants in 2019 (0 MNOK in 2018).

In the 2019-accounts MNOK 5,1 of the grants have been recorded (5,4 MNOK in 2018). The amount is classified as reduction of depreciation in the income statement. The recording of the NOx-grants through profit or loss is accrued in line with the depreciation profile of the operating assets that the grants relate to.

Below is a list of accounting values (figures in TNOK)

Total received grants 01.01.2014	38 200 A
Received grants 2014	112 945 B
Total received grants 31.12.2014	151 145 C (A+B)
Grants recognised through profit and loss 2013	-857 D
Grants recognised through profit and loss 2014	-4 318 E
Grants received, not recognised through profit and loss 31.12.2014	145 970 F (C + D + E)
Grants received 2015	3 914 G
Total received grants 31.12.2015	155 059 H (C + G)
Grants recognised through profit and loss 2015	-5 278 I
Accumulated grants recognised through profit and loss 31.12.2015	-10 453 J (D + E + I)
Grants received, not recognised through profit and loss 31.12.2015	144 606 K (H + J)
Grants received 2016	11 750 L
Total received grant 31.12.2016	166 809 M (H + L)
Grants recognised through profit and loss 2016	-6 128 N
Accumulated grants recognised through profit and loss 31.12.2016	-16 581 O (J + N)
Grants received, not recognised through profit and loss 31.12.2016	150 228 P (M + O)
Grants received 2017	0 Q
Total received grant 31.12.2017	166 809 R (M + Q)
Grants recognised through profit and loss 2017	-5 469 T
Accumulated grants recognised through profit and loss 31.12.2017	-22 050 U (O + T)
Grants received, not recognised through profit and loss 31.12.2017	144 759 V (R + U)
Grants received 2018	0 W
Total received grant 31.12.2018	166 809 X (R + W)
Grants recognised through profit and loss 2018	-5 469 Y
Accumulated grants recognised through profit and loss 31.12.2018	-27 519 Z (U + Y)
Grants received, not recognised through profit and loss 31.12.2018	139 290 V (R + U)
Grants received 2019	0
Total received grant 31.12.2019	166 809
Grants recognised through profit and loss 2019	-5 181
Accumulated grants recognised through profit and loss 31.12.2019	-32 700
Grants received, not recognised through profit and loss 31.12.2019	134 109

Note 17 Derivatives - group

Fjord Line has the following financial contracts connected to fuel:
(Marine Gas
ii) LNG (the ships Bergensfjord and Stavangerfjord), delivery in 2020 - 2021

The derivatives are recognised in the balance sheet at fair value at the time of entering into the contracts and then continuously at fair value. Derivatives entered prior to 2018 are not included as part of the recognised hedge and the value change is recognised through profit and loss as "other financial expenses").

Items not included in the company's recognised hedge have the following values at the balance sheet date:
Derivatives related to MGO has delivery in the period 2020.
Fair value of these derivatives per 31.12.2019 is TNOK -146 (TNOK - 148 per 31.12.2018).
The contracts are classified as current liabilities.

The derivatives related to LNG has delivery in the period 2020 -2021.
Fair value of these derivatives per 31.12.2019 is TNOK -5 209 (TNOK 16.073 per 31.12.2018).

The contract entered during 2018 and 2019 are entirely considered as hedges and are recognised as follows.

The derivatives related to MGO has delivery in the period 2020-2021.
Fair value of these derivatives per 31.12.2019 is TNOK -10.068 (TNOK 23.824 per 31.12.2018)

The derivatives related to LNG has delivery in the period 2020-2021.
Fair value of these derivatives per 31.12.2019 is TNOK - 5.499 (TNOK 5.642 per 31.12.2018)

The group has also entered into a interest rate hedge agreement related to its external financing. As described in the accounting principle note, the group follows hedge accounting linked to these contracts. At the balance sheet date, the net value of future contracts amounts to TNOK - 70 890 (TNOK -43.870 per 2018) and is classified as long-term debt.

Note 18 Subsequent Event

The effects of the Covid-19 outbreak

The Group has since March 2020 experienced increasingly adverse effects of the Covid-19 outbreak. The outbreak has developed rapidly and the situation affects Fjord Lines business significantly as the number of travelers has been decreasing in line with the respective Governments closing of borders as well as implementation of other travel restrictions in order to reduce the spread of the virus.

This situation has the highest priority in the Group and the management team has designed and implemented several extensive measures in order to immediately adjust the cost base in order to protect the Groups cash-flow, by eliminating all cash-negative operations this extraordinary situation has brought about.

These actions consist among others of temporary changes in our route network and deployment of vessels, as well as layoff of personnel and other robust cost reductions in order to adjust the cost base to the present market demand.

The Group has established an emergency route, primarily for cargo, to ensure the flow of goods between Norway and the EU with two daily departures in each direction between Kristiansand and Hirtshals. This route will be served by one of our vessels, MS Stavangerfjord. In addition, MS Stavangerfjord will sail two round trips a week to serve the west coast market in Norway and bunker fuel from our LNG plant in Risavika.

The remaining ships MS Bergensfjord, MS Oslofjord and HSC Fjord Cat are all put in hot lay-up and all other routes are temporary cancelled. The current temporary changes in our route network and deployment of vessels is initially valid for a period until medio May 2020.

The financial consequences for the Group are not clear at the time being due to the significant uncertainty that still exists with respect to the further development of the virus outbreak and the current implemented restrictions.

The Group has as per 30.04.2020 secured a robust financial restructuring that will provide the Group with MNOK 700 in positive cash flow for 2020. The financial restructuring consists of governmental aid packages for refund of cost schemes, owner contributions, new bank loans as well as postponement of interests, guarantee premium and instalments. The Group has also renegotiated all financial covenants under the current loan agreement in order to be compliant with these going forward. Based on this it is the Board of Directors opinion that the Group will be able to handle the situation that has arisen.

The Group's financial statements for 2019 was initially approved by the Board of Directors March 31th 2020. Based on the outcome of the financial restructuring process, the BoD has however decided to reapprove the financial statements for 2019 on May 11th in order to reflect this information.

Fjord Line AS - Income statement

(1,000 NOK)

	Note	Parent company 2019 NGAAP	Parent company 2018 NGAAP
Operating income:			
Sales revenues	14	1 583 416	1 505 870
Other operating income	14, 19	35 036	30 657
Total operating income	14	1 618 452	1 536 527
Operating expenses:			
Cost of goods		371 196	357 284
Wage costs	17	98 906	100 729
Depreciation of property, plant and equipment and intangible assets	1, 2	9 966	9 466
Other operating expenses	3, 6, 7, 17	996 704	975 917
Total operating expenses		1 476 773	1 443 396
Operating result		141 679	93 131
Financial items:			
Interest income	11, 18	105 302	100 810
Income from investment in subsidiaries	4, 11	0	0
Intergroup guarantee expense	18	-22 077	-24 471
Interest expenses	16, 18	-83 646	-102 724
Other financial expenses	9, 16	-9 907	-12 983
Net financial items		-10 329	-39 368
Ordinary result before tax		131 351	53 763
Tax expense on ordinary result	15	-62 330	-53 000
Ordinary result after tax		193 681	106 763
Result for the year		193 681	106 763
Allocation of the result			
Transferred to other equity/uncovered loss		193 681	106 763
Total		193 681	106 763

Fjord Line AS - Balance sheet per 31 December (1,000 NOK)

ASSETS	Note	Parent company 31.12.2019 NGAAP	Parent company 31.12.2018 NGAAP
Fixed assets			
Intangible assets			
WEB-project, concept development etc.	1	79 550	70 557
Deferred tax asset	15	240 330	178 000
Total intangible assets		319 880	248 557
Property, plant and equipment			
Land plots		835	0
Buildings and plants	2	9 561	7 035
Movables, equipment, improvements ships etc.	2	180	247
Total property, plant and equipment	2	10 576	7 282
Financial fixed assets			
Investment in subsidiary	4	992 441	992 642
Financial receivables	11, 18	1 925 653	1 987 706
Other investments, incl. shares in associate	5	80	80
Total financial fixed assets		2 918 174	2 980 428
Total fixed assets		3 248 630	3 236 267
Current assests			
Inventory	6	32 696	21 976
Receivables			
Trade receivables	7	33 095	43 579
Intergroup balances	11	1 828	0
Other current receivables	8	24 866	32 277
Total receivables		59 789	75 856
Bank deposit, cash etc.	10	83 425	70 640
Total current assets		175 910	168 472
Total assets		3 424 540	3 404 739

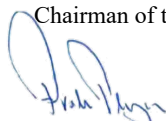
Fjord Line - Balance sheet per 31 December (1,000 NOK)

EQUITY AND LIABILITIES	Note	Parent company 31.12.2019 NGAAP	Parent company 31.12.2018 NGAAP
EQUITY			
Paid-in equity			
Share capital	12, 13	519 107	519 107
Own shares	12	-109	-9
Share premium account	12	178 227	178 227
Total paid-in equity	12	697 225	697 325
Retained earnings			
Other equity/Uncovered loss	12	180 913	-12 768
Total retained earnings		180 913	-12 768
Total equity	12	878 138	684 557
LIABILITIES			
Non-current liabilities/non-current provisions			
Non-current debt to credit institutions etc.	16	2 171 206	2 408 955
Received, not recognised contribution	19	87 359	92 829
Financial leasing		4 032	0
Pension liability	17	2 790	3 486
Total non-current liabilities/non-current provisions		2 265 387	2 505 270
Current liabilities			
Trade payables		158 870	82 137
Tax payable	15	0	0
Public duties owing		6 818	7 173
Intergroup balances	11	51 518	-1 880
Other current liabilities	16	63 809	127 482
Total current liabilities		281 015	214 912
Total liabilities		2 546 402	2 720 182
Total equity and liabilities		3 424 540	3 404 739

Egersund 11.05.2020



Peter Frølich
Chairman of the Board



Frode Teigen
Board Member



Kristian Eikre
Board Member



Kaj Frederiksen
Board Member



Kristian Falnes
Board Member



Rickard Ternblom
Managing Director

**Cash flow statement - parent company
(TNOK)**

	2019	2018
Cash flows from operational activities		
Result before tax expense	131 351	53 763
Taxes paid in the period	0	0
Depreciation	9 966	9 466
Write-downs	0	0
Change in inventories	-3 294	3 219
Change in trade receivables	10 484	-75 428
Change in trade payables	76 733	5 715
Gain/loss from sale of operating assets/intangible assets	0	0
Change in other accruals, incl. net agio and non-current balances	-13 165	103 687
Net cash flows from operational activities	212 074	100 422
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0	0
Purchase/manufacturing of property, plant and equipment/intangible assets	-23 593	-42 503
Loan to subsidiary	62 053	-198 729
Investment in subsidiary	0	0
Net cash flows from investing activities	38 460	-241 232
Cash flows from financing activities		
Raising of interest bearing debt (net)		138 621
Payment of interest bearing debt	-237 749	-74 000
Cash contribution share issue (net)	0	0
Net cash flows from financing activities	-237 749	64 621
Net change in cash and cash equivalents	12 785	-76 189
Cash and cash equivalents at the beginning of the period	70 640	146 829
Cash and cash equivalents at the end of the period	83 425	70 640
Specification of cash reserves at the end of the period		
Bank deposit and cash	83 425	70 640

Note 1 Intangible assets - parent company

(Figures in TNOK)

	Intangible assets in development	WEB-projects etc.	Market project	Other intangible assets	Total intangible assets
Acquisition cost 31.12.2018	33 810	45 944	902	1 903	82 558
Additions 2019	8 414	9 559	0	0	17 974
Completed projects 2019	-26 478	25 439			-1 039
Disposal 2019					0
Acquisition cost 31.12.2019	15 746	80 942	902	1 903	99 493
Accumulated write-down 31.12.2018				0	0
Accumulated depreciation 31.12.2018	0	9 703	889	1 408	12 000
Book value 31.12.2018	33 810	36 241	13	495	70 558
Accumulated write-down 31.12.2019					0
Accumulated depreciation 31.12.2019	0	17 493	902	1 547	19 942
Book value 31.12.2019	15 746	63 449	0	356	79 550
Write-down in the year					
Depreciation in the year	0	7 790	12	139	7 941
Total depreciation and write-down 2019	0	7 790	12	139	7 941

Intangible assets in development relates mainly to websites, WEB platform and BI.

New web projects in 2019 is completion of ERP system Dynamics 365.

Phase 1 of the system was launched in 2018, and the second phase was launched in the summer of 2019.

The depreciation period is 10 years.

The remaining projects relates to development of websites and WEB platform, with a depreciation period of 3-5 years.

Note 2 Property, plant and equipment - parent company

(Figures in TNOK)

Property, plant and equipment (figures in TNOK)	Land plots	Terminal, buildings	Equipment, machinery onshore etc.	Means of transport	Total property, plant and equipment
Acquisition cost 31.12.2018	0	10 808	8 900	337	20 045
Addition 2019	835	765	4 020	0	5 620
Disposal 2019					0
Acquisition cost 31.12.2019	835	11 573	12 920	337	25 666
Accumulated write-down 31.12.2018	0	0	0	0	0
Accumulated depreciation 31.12.2018	0	8 280	4 694	90	13 064
Book value 31.12.2018	0	2 829	4 206	247	7 283
Accumulated write-down 31.12.2019	0				0
Accumulated depreciation 31.12.2019	0	8 805	6 127	157	15 089
Book value 31.12.2019	835	2 768	6 793	180	10 577
Depreciation in the year	0	525	1 433	67	2 025
Write-down in the year	0	0	0	0	0
Depreciation period (completed operating assets)	N/A	5 - 10 years	3 - 5 years	5 years	
Depreciation plan	Does not depreciate	Linear	Linear	Linear	

Note 3 Leasing expenses and transactions with related parties - parent company

Expensed lease of operating assets not recognised in the balance sheet for 2019 and 2018 (operational lease)

(Figures in TNOK)

	Expensed lease 2019	Expensed lease 2018
Operating assets		
Lease of premises and similar *)	16 959	15 709
Lease of ships, including crew	552 169	514 191
Other leasing cost	24 547	21 789

*) Leasing expenses and similar: For 2019 leasing expenses of TNOK 1.578 to company controlled by owners. (TNOK 1.661 in 2018). The leasing conditions are market conditions.

Note 4 Investments in subsidiaries - parent company

(Figures in TNOK)

The investments in subsidiaries are accounted for in accordance with the cost method. Accounting values are presented below (figures in TNOK).

Subsidiary	Time of acquisition	Business address	Owner share/voting share	Cost price 31.12.2019	Book value 31.12.2019	Book value 31.12.2018
Fjord Line Danmark A/S	2006	Danmark	100 %	13 753	13 753	13 753
Fjord Skibsholding I A/S	2007	Danmark	100 %	268 986	224 987	224 987
Fjord Skibsholding II A/S	2008	Danmark	100 %	150 362	109 849	109 849
Fjord Skibsholding III A/S	2010	Danmark	100 %	310 368	310 368	310 368
Fjord Skibsholding IV A/S	2010	Danmark	100 %	332 843	332 842	332 842
Fjord Skibsholding V A/S	2017	Danmark	100 %	642	642	642
Fjord Line GmbH	2008	Tyskland	100 %	201	0	201
TOTAL				1 077 155	992 441	992 642

Fjord Line GmbH was discontinued in 2019

Income from investment in subsidiaries and write-down 2019

No dividend has been approved from Fjord Line AS' subsidiaries in 2019.

Income from investment in subsidiaries and write-down 2018

No dividend has been approved from Fjord Line AS' subsidiaries in 2018.

Background for difference between cost price and carrying value of the shares in FSH I and FSH II:

In 2008 the shares in FSH II were written down by TNOK 20 291.

In 2009 the shares in FSH I were written down by TNOK 39 246 and the shares in FSH II were written down by TNOK 8 000

I 2009 also TNOK 4.754 in dividend from FSH I and TNOK 12 222 in dividend from fra FSH II were recognised as reduction of carrying value of shares.

Note 5 Investments in other shares/parts -parent company

In 2010 Fjord Line AS acquired shares amounting to TNOK 50 in Visit Sørlandet AS. After 2010 there has been neither additions nor disposals. The investment is recognised in accordance with the cost method. There has been no write-down in 2018 or 2017.

In addition Fjord Line AS invested TNOK 30 in Visit Telemark AS in 2016. The investment is recognised in accordance with the cost method. Nor has write-down been made on this investment.

Note 6 Inventories and fuel expenses - parent company

(Figures in TNOK)

Inventories	2019	2018
Fuel	3 136	3 384
Goods for resale	27 370	16 263
Other items, including key-cards etc.	2 190	2 329
Total inventories at acquisition cost 31.12.	32 696	21 976
Write-down 31.12.	0	0
Total book value of inventories 31.12.	32 696	21 976

No write-down has been made of the inventory by year end.

Expenses related to fuel are classified as other operating expenses in the income statement.
For 2019 this amounts to TNOK 170.716 (TNOK 165.314 in 2018)

Fjord Line has the following financial contracts related to fuel:

i) MGO (Marine Gas Oil), delivery in 2018 and 2019.

ii) LNG (The ships Bergensfjord and Stavangerfjord), delivery in 2018, 2019 and 2020

The derivatives are considered as hedging in the accounts, and unrealized gain/loss is not recognised in the balance sheet.

Gain and/or loss related to the contracts are recognised over profit or loss at delivery/realization.

Note 7 Trade receivables and bad debts - parent company

(Figures in TNOK)

	2019	2018
Trade receivables at nominal value 31.12.	37 120	45 776
Provisions for bad debts 31.12.	-2 197	-2 197
Book value trade receivables 31.12.	34 923	43 579
Change in provisions for bad debts in the year	0	0
Actual bad debts in the year	1 578	639
Received on receivables previously written off	0	0
Expensed loss on bad debts	1 578	639

Bad debts are included in the item "other operating expenses" in the income statement.

Note 8 Other receivables - parent company

(Figures in TNOK)

Other receivables	2019	2018
Refund from public authorities, including vat owing.*	2 603	8 699
Prepaid expenses etc.	22 263	23 578
Other receivables 31.12.	24 866	32 277

*) Per 31.12.2019 the company has recognised TNOK 1.922 in the balance sheet relating to VAT due to the company in Norway (TNOK 6.218 per 31.12.2018).

Note 9 Other financial income and other financial expenses - parent company

(Figures in TNOK)

Other financial income and other financial expenses comprise the following:

Other financial income	2019	2018
Foreign exchange gain, intergroup loan, cf. note 11	17 951	108 245
Foreign exchange gain related to non-current foreign exchange loan		
Other foreign exchange gain	6 447	5 929
Other financial income	125	65
Total	24 524	114 239
Other financial expenses	2019	2018
Foreign exchange loss, intergroup receivables, cf. note 11	11 354	
Foreign exchange loss, including non-current loan in Euro and DKK	17 667	127 222
Other financial expenses	5 410	0
Total	34 431	127 222

Note 10 Restricted funds - parent company

(Figures in TNOK)

	2019	2018
Restricted tax deduction funds per 31.12.:	3 481	3 451
The tax deduction funds are deposited on separate bank accounts.		

Note 11 Intercompany balance - parent company

(Figures in TNOK)

Assets - current items:	2019	2018
Receivables on subsidiary related to operation etc.	1 828	1 880
Total	1 828	1 880
Liabilities - current items:		
Net debt to subsidiary related to operation	51 518	0
Total	51 518	0
Net current intercompany balance per 31.12 for Fjord Line AS	-49 691	1 880

Assets - non-current items

Fjord Line AS has non-current receivables on the Danish subsidiaries of in total TNOK 1.897.343 per 31.12.2019 (TNOK 1.987.706 per 31.12.2018).

The amount is classified as financial fixed assets. The loans are in DKK and are subject to interest calculation (cf. note 18).

Foreign exchange gain on these loans was TNOK 14.092 in 2019 (foreign exchange loss of TNOK 31.097 in 2018), cf. note 9.

No specific installment plan has been determined for the loans, but the subsidiaries will use free liquidity for repayment.

Installments have been paid in 2019 and 2018.

***) Allocation for dividends in the subsidiaries**

The subsidiaries FSH I, FSH III, FSH IV and FSH V had per 31.12.2019 allocated in total TNOK 0 in dividend for Fjord Line AS, cf note 4.

Note 12 Equity - parent company

(Figures in TNOK)

Changes in equity for 2019	Share capital	Own shares	Share premium account	Other equity/uncovered loss	Total
Equity 31.12.2018	519 107	-9	178 227	-12 768	684 557
Purchase of own shares		-100			-100
Net income 2019	0	0	0	193 681	193 681
Equity 31.12.2019	519 107	-109	178 227	180 913	878 138

*) Net income 2019 contains a negative tax expense of TNOK 62.330 as a result of the changes in deferred tax asset.

Changes in equity for 2018	Share capital	Own shares	Share premium account	Other equity/uncovered loss	Total
Equity 31.12.2017	519 107	-9	178 227	-119 488	577 837
Mistakes from previous year				-43	-43
Net income 2018	0	0	0	106 763	106 763
Equity 31.12.2018	519 107	-9	178 227	-12 768	684 557

*) Net income 2018 contains a negative tax expense of TNOK 53.000 as a result of the changes in deferred tax asset.

Note 13 Share capital and shareholders' information - parent company

The share capital is NOK 519.107.350 per 31.12.2019, and consists of 207.642.940 shares each NOK 2,50. All shares have equal rights.

The major shareholders per 31.12.2019

	Owner share
Ferd AS	44,6 %
Kontrari AS	34,8 %
Kontrazi AS	17,4 %
Arne Teigen	1,1 %
Moly AS	0,8 %
Others, including own shares*)	1,3 %
Total	100,0 %

*) Fjord Line AS has a total of 10.664 own shares per 31.12.2019.

The major shareholders per 31.12.2018

	Owner share
Ferd AS	44,6 %
Kontrari AS	34,8 %
Kontrazi AS	17,4 %
Arne Teigen	1,1 %
Moly AS	0,8 %
Others, including own shares*)	1,3 %
Total	100,0 %

*) Fjord Line AS has a total of 664 own shares per 31.12.2018.

Note 14 Operating income - parent company

(Figures in TNOK)

	2019	2018
Operating income distributed on income area		
Ticket income	581 303	522 949
Sales income etc. onboard - see also note 19	762 446	742 400
Cargo income	213 326	218 990
Recognised/accrued grant from the NOx-fund- see also note 20	5 469	5 469
Other	55 908	46 720
Total	1 618 452	1 536 527

Note 15 Taxes - parent company

(Figures in TNOK)

Specification of deferred tax asset

	31.12.2018	31.12.2019	Change
Temporary differences			
Fixed assets	1 751	4 786	-3 035
Receivables	-2 197	-2 197	0
Gain/loss account	10 782	8 626	2 156
Other differences including accounting accruals	-88 973	-81 413	-7 560
Total	-78 637	-70 199	-8 438
Carry-forward loss	-1 150 467	-1 022 210	-128 257
Basis for deferred tax (-deferred tax asset)	-1 229 104	-1 092 409	-136 695
22% (23%) of basis	-270 403	-240 330	-30 073
Deferred tax (deferred tax asset) recognised in the balance sheet	-178 000	-240 317	62 317
Deferred tax asset not recognised in the balance sheet	-92 403	0	-92 403

Per 31.12.2019 Fjord Line AS has accumulated basis for deferred tax asset of TNOK 1,092,349

This implies deferred tax asset (22%) of TNOK 240,317 when recognised in total in the balance sheet.

The Board of Directors following a concrete assessment of the future prospects of Fjord Line AS, under the basis of the net income from the last two years, found that it has convincing evidence that future earnings will justify a recognition of a further 62.3 MNOK in addition to the 178 MNOK that have already been recognized, thus the calculated deferred tax asset will be recognized in the full amount of 240.3 MNOK.

We believe that this argument is sustained by the positive operating results in the recent years. This combined with the current plans in long term business plans indicates that we have convincing evidence that we can at least have equivalent earnings in the years to come as shown in 2019 and this has been taken into account in the assessment.

Specification of taxable result and tax expense:

	2019	2018
Taxable result		
Result before tax	131 351	53 764
Dividends from subsidiaries, not taxable	0	0
Write-down of shares	0	0
Other permanent differences	5 345	176
Employee options recognised as expense	0	0
Change in temporary differences	-8 438	-10 097
Issue expenses, offset against equity	0	0
Application of carry forward loss	-128 258	-43 843
Taxable result	0	0

	2019	2018
Reconciliation of tax expense		
22% of financial result	28 897	12 366
22% of permanent differences	1 176	40
Impact of change tax rate	0	10 923
Change of deferred tax asset not recognised in the balance sheet	-92 403	-92 403
Tax expense	-62 330	-69 074

	2018	2018
Specification of tax expense		
Change in deferred tax asset	-62 317	-53 000
Payable tax	0	0
Tax expense	-62 317	-53 000

Note 16 Liabilities - parent company

(The figures in the table below is in TNOK)

	2019	2018
Non-current interest bearing debt per 31.12.		
Debt to credit institutions etc.	2 171 206	2 408 955
Bond loan		0
Total non-current interest bearing debt 31.12.	2 171 206	2 408 955
Current interest bearing debt per 31.12.		
Debt to credit institutions (overdraft facilities)	0	0
Other current interest bearing debt, including debt to owners of the parent company	0	0
Total current interest bearing debt 31.12.	0	0
Total book value of interest bearing debt 31.12.	2 171 206	2 408 955

Fjord Line AS had an unused overdraft facility of MNOK 35 per 31.12.2019 (35 MNOK per 31.12.2018).

Per 31.12.2019 the company has a positive balance on the overdraft facility account of 111,6 MNOK (128,1 MNOK per 31.12.2018).

Non-current interest bearing debt - distributed on currency per 31.12.2019 figures in 1.000)

Currency	Nominal currency	Exchange rate	Book value in NOK 31.12.2019
NOK	97 835	1,000	97 835
Euro	156 663	9,864	1 545 291
DKK	400 000	1,320	528 080
Total non-current interest bearing debt 31.12.			2 171 206

Non-current interest bearing debt - distributed on currency per 31.12.2018 figures in 1.000)

Currency	Nominal currency	Exchange rate	Book value in NOK 31.12.2018
NOK	112 329	1,000	112 329
Euro	177 291	9,948	1 763 745
DKK	400 000	1,322	532 880
Total non-current interest bearing debt 31.12.			2 408 955

Borrowing in Euro and Danish kroner

Borrowing in Euro and DKK is recognised in the balance sheet at current exchange rate per 31.12.2019 and 31.12.2018, cf. the table above.

Foreign exchange loss in 2019 related to non-current borrowing in Euro and DKK is 17,9 MNOK.

Foreign exchange gain in 2018 related to non-current borrowing in Euro and DKK was 108,7 MNOK.

Book value per 31.12. for the Euro-borrowings and Danish kroner-borrowings as follows in NOK

(figures in TNOK):

	2019	2018
Principal amount:	2 073 371	2 247 072
Amortization effect of the borrowings, incl. guarantee commission	-14 096	-14 700
Book value per 31.12.	2 059 275	2 232 372

Installment plan non-current interest-bearing debt to credit institutions (mortgage loan)

	2020	2021	2022	2023	2024
Annual installments*	247 020	268 211	268 157	268 157	268 157
Remaining loan per 31.12.	-247 020	-515 231	-783 388	-1 051 545	-1 319 702

Other current liabilities per 31.12 (figures in TNOK):

	2019	2018
Prepayment from customers	69 585	63 270
Incurred interests and guarantee commission	18 409	17 854
Provision for other incurred costs etc.	27 332	44 478
Other current liabilities 31.12.	115 327	125 602

Other off balance sheet obligations

In 2018 Fjord Line group entered into a loan agreement with the Australian export finance body EFA(former EFRIC) about financing the purchase of a new catamaran to operate the route Kristiansand- Hirtshals.

Fjord Line group stands as the formal borrower also during the construction period, but as a result of the entered agreement with EFA and the contractor of the catamaran Austal-group will Fjord Line not be required to pay interest or instalments in the construction period together with an additional agreement that in the event of a default of debt, will EFA seek full coverage from Austal before they can seek coverage of the debt from Fjord Line group.

This results in Fjord Line not considering itself as the primary responsible of the debt during the construction period and thus derecognize the debt in accordance with IFRS 9. The expected delivery of the catamaran is Q2 2020. Upon delivery all related financial liabilities will be recognized and Fjord Line will be considered as the primary responsible of the debt.

Note 17 Wage costs, number of employees, remunerations, pension etc. - parent company

(Figures in table below in TNOK)

Wage costs	2019	2018
Wages, incl. feeding crew etc.	78 546	74 432
Payroll tax	13 194	12 616
Pension costs	1 589	1 358
Other remunerations	5 577	12 323
Total	98 906	100 729

Average number of man-labour years during the accounting year has been 121 in 2018 (128 in 2017).

Remunerations for CEO and the Board of Directors (figures in TNOK)	2019	2018
Wages CEO	2 400	2 050
Bonus CEO	400	513
Other remuneration CEO	290	239
Board of Directors' fee	500	91

The figures above do not include the option program. See below for further information.

No loan or guarantee have been provided for CEO or any of the members of the Board of Directors.

The CEO is included in the company's pension agreement, cf mentioned below. According to the agreement, 20 % of gross salary is allocated annually and the liability amounts to per 31.12.2019 TNOK 1.897 (TNOK 1.417 as at 31.12.18).

Pensions

The company has taken on a pension savings agreement on behalf of the former and the present CEO and another two individuals.

The market value of the contributions/assets was TNOK 3.101 per 31.12.2019 (TNOK 4.047 per 31.12.2018).

Gross liability per 31.12.2019 is calculated to TNOK 5 891 related to these four persons (TNOK 6 587 per 31.12.2018).

Net liability is thus TNOK 2.790 per 31.12.2019 (TNOK 3.486 per 31.12.2018), and is classified as pension liability in the balance sheet.

In addition the company has established a defined contribution pension scheme for its employees.

The company pays fixed contributions to an insurance company. The company has no further obligations to pay once the contributions have been paid.

The contribution constitutes from 2% to 4% of the employees' salary.

Auditor

Expensed fee to auditor relates to the following services (exclusive of vat), figures in TNOK:

	2019	2018
Audit services	633	633
Certification services/Agreed-upon control procedures	11	11
Accounting and tax related/duty related technical assistance	75	254
Other services	193	371
Total auditor's fee	912	1 269

Note 18 Interest income/interest expenses and intergroup guarantee commission - parent company

(Figures in TNOK)

Interest income comprises:

	2019	2018
Interest income on loan to subsidiary (intergroup interests)	97 713	99 854
External interest income	7 708	956
Total	105 421	100 810

Interest expenses comprises:

	2019	2018
Interest expenses on loan to subsidiary (intergroup interests)	912	1 726
External interest expenses	82 734	100 998
Total	83 646	102 724

Non-current intergroup loans are subject to interest calculation in accordance with market conditions. Further information about intergroup loans/balances is disclosed in note 11.

In 2019 Fjord Line AS has expensed an intergroup guarantee cost of TNOK 22.077 (TNOK 24.425 in 2018)

Fjord Line AS has entered into several contracts on loan financing of the group's ships. The shipowning subsidiaries Fjord Skibsholding I, Fjord Skibsholding II, Fjord Skibsholding III, Fjord Skibsholding IV and Fjord Skibsholding V have on their part provided security for Fjord Line AS' liabilities related to the loan contracts.

As a compensation the shipowning subsidiaries have received guarantee commission based on market conditions.

Note 19 NOx-grant - parent company

The ship "MS Stavangerfjord" was delivered in July 2013, and the ship "MS Bergensfjord" was delivered in January 2014. Because the ships are gas powered (LNG), with related low emission, Fjord Line AS was granted a contribution from the NOx-fund. Per 31.12.2014 contributions of MNOK 147.2 in total had been paid to Fjord Line AS connected to these projects. As a condition for the grant Fjord Line AS was obliged to use "MS Stavangerfjord" and "MS Bergensfjord" in NOx-labile waters for at least 2 years from time of delivery.

In 2019 Fjord Line AS received 0 MNOK in NOx-grants (0 MNOK in 2018). In the 2019 accounts MNOK 5,5 of the grants was recognised as income (5,5 MNOK in 2018). The amount was classified as other operating income in the income statement. For 2016 and 2017 the grants are subject to accrual in line with the depreciation profile of the operating assets to which the grants relate.

Below is a summary of accounting values (figures in TNOK)

Total received grants 31.12.2018	166 809
Grants recognised as income 2018	-5 469
Accumulated grants recognised as income 31.12.2018	-73 979
Grants received, not recognised in the income statement 31.12.2018	92 829
Grants received 2019	0
Total received grants 31.12.2019	166 809
Grants recognised as income 2019	-5 469
Accumulated grants recognised as income 31.12.2019	-79 448
Grants received, not recognised in the income statement 31.12.2019	87 361

Note 20 Subsequent Event

The effects of the Covid-19 outbreak

The Group has since March 2020 experienced increasingly adverse effects of the Covid-19 outbreak. The outbreak has developed rapidly and the situation affects Fjord Lines business significantly as the number of travelers has been decreasing in line with the respective Governments closing of borders as well as implementation of other travel restrictions in order to reduce the spread of the virus.

This situation has the highest priority in the Group and the management team has designed and implemented several extensive measures in order to immediately adjust the cost base in order to protect the Groups cash-flow, by eliminating all cash-negative operations this extraordinary situation has brought about. These actions consist among others of temporary changes in our route network and deployment of vessels, as well as layoff of personnel and other robust cost reductions in order to adjust the cost base to the present market demand.

The Group has established an emergency route, primarily for cargo, to ensure the flow of goods between Norway and the EU with two daily departures in each direction between Kristiansand and Hirtshals. This route will be served by one of our vessels, MS Stavangerfjord. In addition, MS Stavangerfjord will sail two round trips a week to serve the west coast market in Norway and bunker fuel from our LNG plant in Risavika.

The remaining ships MS Bergensfjord, MS Oslofjord and HSC Fjord Cat are all put in hot lay-up and all other routes are temporary cancelled. The current temporary changes in our route network and deployment of vessels is initially valid for a period until medio May 2020.

The financial consequences for the Group are not clear at the time being due to the significant uncertainty that still exists with respect to the further development of the virus outbreak and the current implemented restrictions.

The Group has as per 30.04.2020 secured a robust financial restructuring that will provide the Group with MNOK 700 in positive cash flow for 2020. The financial restructuring consists of governmental aid packages for refund of cost schemes, owner contributions, new bank loans as well as postponement of interests, guarantee premium and instalments. The Group has also renegotiated all financial covenants under the current loan agreement in order to be compliant with these going forward.

Based on this it is the Board of Directors opinion that the Group will be able to handle the situation that has arisen.

The Group's financial statements for 2019 was initially approved by the Board of Directors March 31th 2020. Based on the outcome of the financial restructuring process, the BoD has however decided to reapprove the financial statements for 2019 on May 11th in order to reflect this information.



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To the General Meeting of Fjord Line AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fjord Line AS, which comprise:

- The financial statements of the parent company Fjord Line AS (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 Fjord Line AS 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 simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

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.

Offices in:

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansund	Stavanger	Ålesund

Emphasis of Matter

This audit report replaces our previous audit report as of 31. March 2020. The Company's Board of Directors initially approved the financial statements as of the same date. We draw attention to Note 20 of the financial statements of the parent company, Note 18 of the consolidated financial statements and to the Board of Director's report, which describes that the Board of Directors decided to re-issue the financial statements to reflect the outcome of the financial restructuring process in May 2020.

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 simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, 13 May 2020
KPMG AS



Mads Hermansen
State Authorised Public Accountant