fjordline.com

RESPONSIBLE MARITIME TRAVEL

- for a more sustainable world

Annual Report **2019**

“We aim to become Scandinavia´s most loved and profitable ferry company

CONTENT

THIS IS FJORD LINE

FJORD LINE IN BRIEF

Fjord Line was founded in 1993.

With a 21% market share, we are Norway's second largest shipping company for international passenger traffic and freight transportation between Norway, Sweden and Denmark.

As a young ferry company, we have grown a lot in recent years. With approximately 650 employees, we transport over 1.4 million passengers annually. We have added new, modern ships to our fleet, expanded our route network and offer our guests and freight customers high quality service and value for money.

Our four ships operate five routes between Norway, Sweden and Denmark, through which we transport commercial vehicles and goods in addition to passenger traffic.

Rickard Ternblom has headed up the company since 1 January 2015, when he took over as CEO.

OUR MISSION, VISION AND VALUES

Fjord Line's mission is to move people; not just physically, but also emotionally.

We strive to give our guests a real sense of joy, passion and outstanding service - every time.

Our vision is to become Scandinavia's best, most loved and profitable Ferry company. Being the best means providing excellent service, spreading joy and moving people.

Fjord Line is based on sound business values. Everything we do is with vigour, responsibility, respect and commitment.

RESPONSIBLE MARITIME TRAVEL

Our sister ships, MS Bergensfjord and MS Stavangerfjord, are powered by eco-friendly LNG (liquid natural gas). This innovative technology provides significant environmental benefits. The exhaust fumes from the on-board LNG engines are entirely free of sulphur and soot and therefore do not emit any visible smoke. Compared to diesel engines, carbon emissions are 20-25% lower when using LNG engines, and nitrogen oxides (NOx) emitted are reduced by as much as 92%.

This eco-friendly technology also means significantly less noise than you normally get from large diesel engines. This will benefit both our surroundings and our ears.

Due to this new and eco-friendly technology, the sister ships received the highest ESI (Environmental Ship Index) in 2015. This was achieved in competition with approximately 3,200 other ships. We are also proud to say that Fjord Line was awarded a prize for energy efficiency, in June 2013.

AT THE FOREFRONT WITH A STATE OF THE ART LNG FACILITY

Naturally, we would also like to get ahead of future emission regulations. This is one of the reasons why, in March 2015, we started using one of the world's most modern fuel plants in Risavika Port outside Stavanger. The system consists of a 650 m long underground pipe-line that transports the green fuel from the factory via the terminal in Risavika to the ships. Fjord Line is actually the first ferry company in Europe to supply its ships with LNG in this way.

OWN POWER PLANT ON BOARD

The sister ships produce their own electricity by con-verting waste heat from the exhaust gas into steam-generated energy. Thus, MS Bergensfjord and MS Stavangerfjord cover their electricity needs for cabins and public spaces, thanks to energy that could hardly have a smaller carbon footprint!

This is the reason why we say –
"We move people – sustainably"

BUSINESS SEGMENTS

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

Revenue from onboard operations are generated within the Onboard Services business area and includes revenue streams predominantly from the retail and food & beverage operations, but also from additional services.

Finally, the Freight business area generates revenue from selling transportation of trucks, trailers, articulated vehicles, specialized or out-sized cargo and on-deck shipments, as well as from forwarding services.

"We move people
– sustainably

2019 RESULTS

This year in numbers

5% REVENUE INCREASE

boosted by higher efficiency and an increase in average rates

From 1,529 to 1,613 million

3% PASSENGER GROWTH

From 1,386,700 to 1,429,900

27% INCREASE IN EBITDA

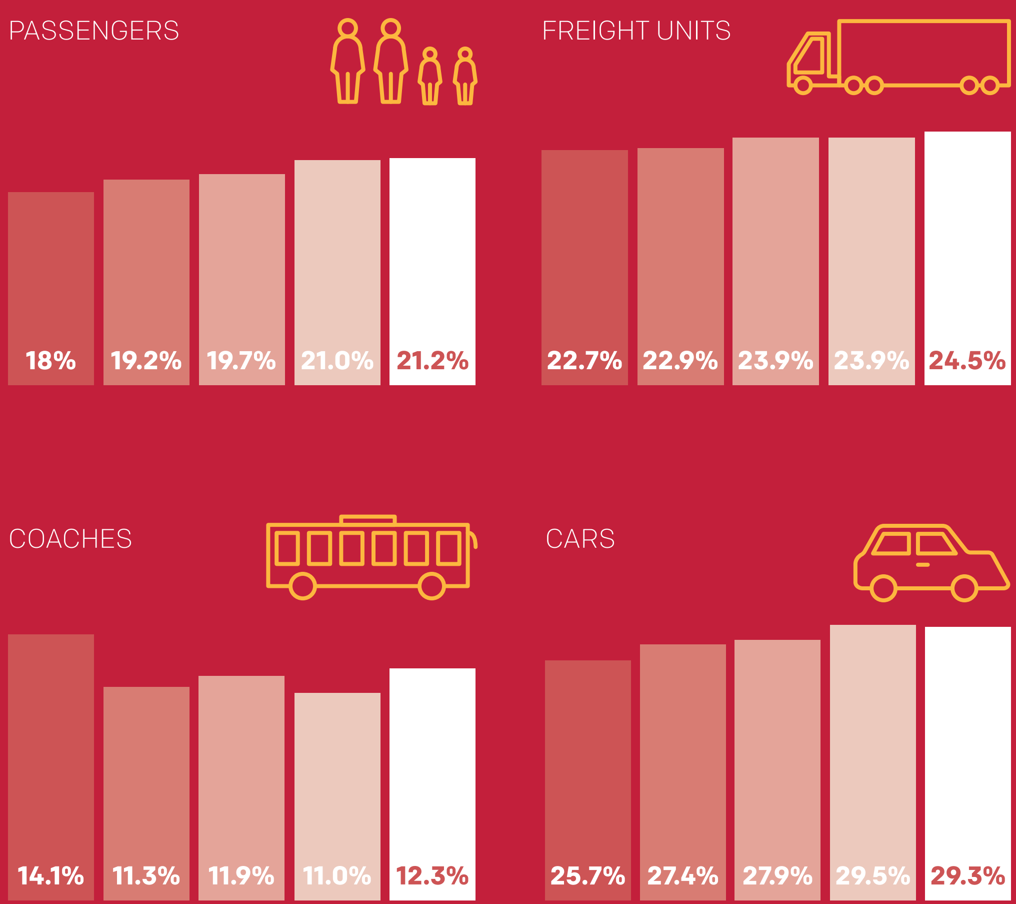
From MNOK 334,5 to MNOK 424,9

454% INCREASE IN EBT

From MNOK 14,2 to MNOK 78,8

MARKET SHARES

2015 - 2019



KRISTIANSAND - HIRTSHALS 2h15min
SANDEFJORD - STRØMSTAD 2h30min
HIRTSHALS - LANGESUND 4h30min
BERGEN - STAVANGER 5h30min
STAVANGER - HIRTSHALS 11h30min

02 SUSTAINABLE GROWTH TOWARDS NEW HEIGHTS

SUSTAINABLE GROWTH TOWARDS NEW HEIGHTS

We have ambitious plans for the future. But I know we can succeed. Because of the expertise and driving force that I see in Fjord Line every day, I know that when we work together towards a common goal - we can reach new heights!
Rickard Ternblom, CEO

JUST GREEN IS NOT GOOD ENOUGH

This past year, Fjord Line has seen continued success in the market, with increasing customer appeal, resulting in further growth in revenues and earnings. 2019 will enter the books as another record year for us with an annual revenue of MNOK 1,612 compared to MNOK 1,529 last year (+5%) and an EBITDA of MNOK 425 compared to MNOK 336 in 2018 (+26%).

The main driver behind this significant increase in EBITDA earnings is the highly successful cost-race programme "Project Falcon", launched in late 2018. During some intense months in the beginning of 2019, many of our core functions were re-designed, and ways-of-working were scrutinized and revamped to reach the robust and substantial savings we now see.

Yet again, we can see the great effects of the commitment of the Fjord Line team. Absolutely everyone contributed to these accomplishments one way or another, and I am incredibly grateful! Thank you all!

This takes us one step closer to becoming "Scandinavia's best, most loved and profitable ferry company", just as our present strategy plan proclaims.

GREEN LEADERSHIP IS NOT GOOD ENOUGH

We are at the forefront in our industry. In 2013, we pioneered the world's first single-fuel LNG operated ferries in our network. This significantly reduced our CO_2 emissions, and we have been taking further steps through several energy saving projects to continue reducing our emissions.

We are in a good place, but we are always working to be even better. We demand more from ourselves, and our current and potential future customers demand more as well. Our planet is fragile, and our stance is that we all must contribute to stop global warming through reduced emissions of greenhouse gasses.

In order to be able to continue profitable growth and gain even higher customer appeal, taking care of the environment is of paramount importance in my view. That is why we have invested resources to not only limit emissions into water and air, but hopefully eliminate them completely in the not too distant future. We plan on continuing to do so to an even greater extent in the future.

We fully back the IMO 2050 targets and I fully believe these are achievable in a much shorter time span than 2050. You can read more about our ambitious plans and targets concerning the environment and how we are working with the UN Sustainability goals later on in this report.

I am very proud to be working in a company such as ours, where our collective efforts are working to propel us towards the ambitious targets of our strategy plan "New Heights". The CoViD-19 pandemic has given a heavy blow to the whole travel industry and the society as such. In our specific segment however, I expect that we will come back rather fast. And when we do, I believe that it will be with new customers onboard - customers that are abandoning old ways of transport to try out ferry travel in its cleanest and most modern form - where Fjord Line is in the forefront.

See you onboard!
Rickard Ternblom, CEO

ENVIROMENTAL BENEFIT

81% LESS NOx
by choosing to travel with Fjord Line instead of by road

60% LESS CO2
by choosing to travel with Fjord Line instead of by road

03
"DET ER BARE Å GLEDE SEG"

CUSTOMER EXPERIENCES 2019

CUSTOMERS EXPERIENCES 2019

We aim high.
We want to be more than just preferred. Our ambition is to be loved. Key to achieving this are the experiences our passengers gain through the complete customer journey. From the first interaction online to the onboard experience, all the way through to the ongoing targeted communication that leads to the next booking. We want to improve every step of the journey and, in particular, increase our focus on brand identity, product development and digital marketing.

By working to continuously improve our business and the way our customers experience our service, we are step by step getting closer to becoming the most loved ferry company in Scandinavia.

> To stand out in a cluttered market and establish **a brand that is seen and appreciated,** has been a focus for Fjord Line in 2019.

BRAND IDENTITY

Developing a strong brand identity is crucial for our success. Effective branding helps us stand out from our competition and highlights our values to attract our ideal customers.

A strong brand identity:

- Communicates our business personality and shapes our customers perceptions of who we are
- Projects the expectations and promises we extend to our customers in terms of quality, service, reliability, and trustworthiness
- Creates trust and loyalty from those who do business with us
- Helps the audience differentiate us from our competitors
- Positively influences their purchasing decisions, directly impacting our profitability.

To stand out in a cluttered market and establish a brand that is seen and appreciated, has been a focus for Fjord Line in 2019. We have just started this work and established a "customer promise" where we distinguish our brand from others.

PRODUCT DEVELOPMENT

Product development is a continuous improvement process. We can always be better at everything we do and everything we offer. We have worked extensively to meet the needs of the market, both through our on-board products, but also external cooperation locally.

Bergen/ Stavanger – Hirtshals:

For our longer journeys, such as Bergen/Stavanger to Histshals, we've focused increasingly on gaining off-peak and mid-week travelling, by introducing exciting onboard concepts such as theme cruises, a new store and more tailored concepts and experiences for each target group.

Different themes, concepts and offers allow us to reach and capture the attention of our various target audiences. We have therefore further developed our B2B products through customized onboard experiences with activities that selected groups desire. By developing the product to suit people in different ways, making sure that there is 'something for everyone', we are attracting a larger customer base.

Given the value of musical segments both for entertainment purposes and for creating ambiance, we've started collaborating with a number of musicians and artists who have provided performances during our journeys. These artists include, to mention a few, Dr. Alban, Haddaway and Tor Endresen. In addition to musical performances, we are also offering theme-based trips. This includes themes such as Country Cruise, Pride Cruise, Waves of the 80s and 90s and Karaoke Cruise.

To attract more family travellers, we have increased our offers to families with children during high and shoulder seasons. We have also utilized further domestic volume by implementing a number of different volume-driving actions.

For our shorter journeys, we're also developing our product. Utilizing the Fjord Club concept, we are gaining more repeat customers. We are also optimizing the product mix in our shop, and are working on attracting increased geographical distribution of our customers, to gain increased market share.

Through initiatives and improvements like these, we are ensuring that our existing loyal customers remain happy, and that we are attractive to new potential target groups.

DIGITAL MARKETING

With a strong brand identity that helps us stand out, and a product that is attractive and suitable for our target groups, we have two of the key ingredients for continued and sustained growth. What remains now is the tool to shine a light on these assets to gain attention, recognition and make the most of the products we offer.

Digital marketing consists of search engine optimization (SEO), search engine marketing (SEM), content marketing, content automation, campaign marketing, data-driven marketing, e-commerce marketing, social media marketing, social media optimization, e-mail direct marketing and display advertising.

Both strategically and tactically we are getting better at utilizing these tools to attract new customers and increase loyalty among existing clients.

Our Fjord Club is the hub for many of these activities. Our Fjord Club members are our most loyal customers, and we constantly strive to improve our offerings to these customers with the best products at the best terms. Norwegians are by far the largest group, but other nationalities are growing rapidly. With an increase in digital communication to the international market, continental members are expected to growth.

04 SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainable transportation
Environmental responsibility
Health and safety
Employees and competence development
Corporate governance

SUSTAINABLE TRANSPORTATION

- Making the leap

Fjord line aim to be on the frontier of the passenger ferry business. In order to meet the demands of tomorrow, we need strong green shipping. An enlarged focus on sustainability in the industry is necessary, but companies follow the necessary transformation emission of CO2 and Nox gasses with baby steps. 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 shipping adventure.

INDUSTRY LEADERS

Global warming is an issue that effects everyone and no company, big or small, can ignore the current situation and their role in it. It is no secret that the transport industry is a key contributor to global pollution and need to minimize the total amount of CO2 emissions. A growing population will also indicate a stronger need for transportation and these needs must be met by sustainable growth in transportation. We believe that a larger proportion of transportation must be done by sea and wish to enable a green and sustainable travel alternative.

In 2018 Fjord Line transported 1,386,800 passengers, 417,000 passenger vehicles, 1,022 buses and 66,950 freight units. If Fjord Line's passengers were travel by road, Co2 emissions would rise by 60% while NOx emissions would rise by 81%. (Would be natural to include plane in these statistics). The National Transport Plan for 2018-2029 states that "The government's aim is to facilitate the development of competitive, effective, safe and environmentally friendly maritime transport, with efficient ports and transport corridors, as well as solid preparation against acute pollution." The desire to focus on making shipping even more environmentally friendly sends a signal regarding its central role in a future in which the climate and the environment must come first.

Transport by sea is an environment friendly alternative on these distances. However, the ferry- and shipping industry has allowed this be an excuse to lag on innovation for a long time. The fact that we are better than the alternatives do not mean that there is no room for improvement. For shipping to be truly green we need handle the malpractices of the industry, reduce CO2 emissions and protect our ecosystem.

> "The desire to focus on making shipping even more environmentally friendly sends a signal regarding **its central role in a future in which the climate and the environment must come first.**

The International Maritime Organization (IMO) has set a goal for a 40% reduction in CO2 emission in our industry by 2030. This is an initiative we applaud and one that we are constantly working towards.

This green profile has long been an important focus for Fjord Line. In 2015 our continuous effort to create a sustainable fleet was rewarded with the highest score on the Environmental Ship Index, beating over 3200 other ships. Both before and after this milestone we have worked towards becoming a more sustainable and energy efficient company.

CHEERING FOR NEW REGULATIONS

Individual companies can only do so much, therefore we need to team up with regulatory bodies in order to reach the target set by IMO. A recent report published by DNV GL stated that without new regulations these targets cannot be met. That is why we are cheering for new regulations- both nationally and internationally. A stronger regulation of shipping is vital if we are to avoid an increase in temperature above 1,5%. In addition, it will give travelling by sea a higher legitimacy as a truly sustainable alternative to land and air. That is why we are eager to lead from the front to achieve ambitious goals.

This is not only about sustainability but also a matter of sheer economics and risk management. It is becoming increasingly obvious that new and mandatory regulations need to take place in order to reduce CO_2 emissions. If a company is reluctant to rethink fuel consumption and energy sources the necessary regulations will have a greatly negative impact. That is why we are proud to regard ourselves as a company for the future, both sustainable- and regulatory wise.

ENERGY EFFICIENCY

DNV GL points to two key factors in order to reach the targets for 2030. These are energy efficiency and new fuels. These are focal working points for Fjord Line as we aim to take a leading role in the transition to a low carbon shipping industry.

To achieve this goal, we have invested heavily in our fleet in order to obtain modern ships with a low fuel consumption. Our two newest ships to date, MS Stavangerfjord and MS Bergensfjord, arrived in 2013 and 2014. These ships are built with the latest technology and based on the principle of minimizing both the potential local and global environmental footprints. Today, a passenger trip from Langesund to Hirtshals aboard one of our ships produces 42% less CO_2 emissions than the industry average. This has been made possible through a strong investment in new green technology.

ON THE FOREFRONT OF LIQUIFIED NATURAL GAS

Another focus area we are proud of is that on alternative energy. Already in 2012, we made the choice to focus on liquified natural gas as the energy source for two of our ships, 50% of our total fleet. These are the world's first and largest cruise ferries that rely solely on natural gas. As a result, the CO_2 emissions of these ships are 25% percent lower than their diesel counterparts and NO_x emissions have been reduced by a full 92%.

The industry in total is still a laggard in this field. Only 0,14% of seaborne ships are run on LNG, and only a total of 0,3 % are run on some form of alternative energy source. The order book from 2018 shows that we are moving in the right direction, but change is slow. LNG motors consists of 2,73% of the ordered newbuilding ships. We at Fjord Line are proud to be at the forefront in this field and hopefully inspire the rest of the industry to make similar choices.

> The fact that we are better than the alternatives **do not mean** that there is no room for improvement.

RISAVIKA PORT

Both local and global pollution needs to be in focus for a modern shipping company. Our port in Risavika, that opened in 2008, is an important leap to increase our local sustainability. This new plant uses cutting-edge technology in order to bunker up on fuel without spills. Ford Line is the first ferry company in Europe to fuel its ship using this method.

Other measures to reduce local pollution is avoiding dumping of wastewater into the ocean and discontinued use of toxic paints as well as work to minimize use of water and chemicals at the company.

RECYCLING

We in Fjord Line believes that it is important to reduce company waste in order to call ourselves fully sustainable. That is why we have started on the future of waste management in all our ships. We keep our amount of waste at an absolute minimum and facilitate a high degree of recycling and reuse. This means that at Fjord Line all metal, glass, paper, cartons, aluminium cans, plastics, oil waste, bio-waste, hazardous waste, energy waste, wood waste and electronics are recycled. Our experience tells us that long-lasting and positive environmental effects are created when we let sustainability guide everything we do. For both the big things and the little things.

THE NEW HIGH-SPEED CATAMARAN

Even though we have invested heavily in new and green technology in the past, focus is set to take further leaps for the time to come. When we ordered our new high-speed catamaran, that will operate between Kristiansand and Hirtshals, focus were on fuel effective technology. We are very proud of the acquisition, that allow us to record even lower level of emissions. The new ship produces 32% less CO_2 emissions per passenger kilometre than current ships. No matter our current situation we will strive to improve.

Our green ambitions will continue to be top of mind, and we will always be in search for green energy to implement into our company. We have set ambitious goals for the future in order to be a key contributor to a more sustainable transport industry.

ENVIRONMENTAL RESPONSIBILITY

Fjord Line's contribution to the UN's Sustainable Development Goals

Based on UN's Sustainable Development Goals, we define the following five targets, that we are continuously striving to achieve. We contribute by working to move people sustainably, protect life below water, use clean energy, ensure responsible consumption and safety, and good health and wellbeing for both our employees and guests.

LIFE BELOW WATER

Fjord Line recognizes environmental protection and management as one of its highest priorities and every effort is made to conserve and protect the environment from marine, atmospheric, and other forms of pollution. At the heart of our environmental management approach is a zero-spill policy.

In addition to complying with relevant regulations and standards, our objective is to minimize the possibility of an unpredictable pollution at source by implementing cutting-edge technology and best-practise routines at every level.

We will now be implementing the Environmental Management System based on ISO 14001 standard to support the execution of our environmental management ambitions.

AFFORDABLE AND CLEAN ENERGY

Fjord Line is actively looking for opportunities that would allow the company to do more to improve the air quality, as it has a great influence on the overall welfare of the environment. We've made considerable early efforts to comply with the MARPOL Annex VI Convention on limiting sulphur oxide and nitrogen oxide emissions.

Fjord Line's vessels MS Stavangerfjord and MS Bergensfjord were the world's first sister ships to apply a single fuelled LNG propulsion powerplant. Fjord Line has long been cooperating with peers working in technology and science to identify LNG as the environmentally responsible choice for future fleet development. Fuel consumption monitoring systems have also already been implemented on some vessels to help the crew monitor the fuel consumption and optimize it in correlation with the conditions.

RESPONSIBLE CONSUMPTION AND PRODUCTION

There is a lot of unnecessary foodwaste in Norway, and reducing this kind of waste on our ships is one of our key objectives moving forward. We in Fjord Line aim to be one of the leading businesses in our industry when it comes to curbing foodwaste.

We are confident that we can limit foodwaste on our ships without this negatively impacting our passengers. Fjord Line is famous for having the best food in the industry. We intend to keep it that way. But now, we will also be the best at not wasting it.

3 GOOD HEALTH AND WELL-BEING

GOOD HEALTH AND WELL-BEING

The first priority of Fjord Line, both on shore and at sea, is the safety of our customers, employees and vessels. When it comes to investing money and time into the latest safety equipment or solutions, no expense or resource is spared.

Fjord Line is a responsible employer in all of the countries in which we operate. We manage the occupational health and safety as well as develop great working conditions for all of our employees. During 2019, continuous assessments of occupational health and working conditions were carried out in all units and entities.

The company has a groupwide Safety Management System in place. This is the basis for everything related to marine safety, security and environmental safety. In addition, Fjord Line complies with a number of international regulations aimed at ensuring safe and secure maritime passenger transport.

This is achieved by:

1. Ensuring that all of our vessels are equipped with life-saving and survival equipment which meet all relevant requirements and are always ready for use;
2. Ensuring that our employees have been through all relevant training and exercises;
3. Independent audits of our safety management system every year by DNV GL

5 GENDER EQUALITY

GENDER EQUALITY

Fjord Line is continuously working to prevent discrimination based on gender, age, ethnicity etc. both when it comes to existing employees and during recruitment. As per December 31st, 2019, the company had 190 shore based and 390 seagoing staff; 373 of which were males and 207 were females. Of the company's top management, three out of ten directors, are women.

In Fjord Line A/S the equivalent number of employees was 112; 61 men and 51 women.

HEALTH AND SAFETY

EMPLOYEES AND HSEQ

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

Absence due to illness in the Group was at 3.26 per cent in 2019, with 4.05 per cent absence among seafaring employees and 1,7 per cent among onshore employees. This is basically on the same level as last year. Guide-lines for systematic follow-up of employees on sick leave were introduced in 2017 and continued to be used in 2019 resulting in the very low absence rates stated above.

SAFETY

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

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

EMPLOYEE AND SKILL DEVELOPMENT

BUSINESS MODEL AND ORGANIZATIONAL DEVELOPMENT

As a result of Ford Line's "Flexible Vessel & Flexible Manning" strategy, the organization has under-gone some big changes in 2019. We have reduced our FTE from 670 to 580, equalling 15,5 per cent. Through the introduction of FLEXCREW staffing we have managed to successfully balance out peak and low season as well as weekly situational staffing requirements depending on guest numbers and mixes. This has also allowed us to meet high season head count peaks of 1,103 in July. This unique degree of flexibility has been possible only through a strong and dedicated co-operation between managers and staff both on board and ashore.

Our employees have embraced the changes, mustering a high degree of flexibility in taking on new work routines outside of their normal work area and making ends meet in peak situations.

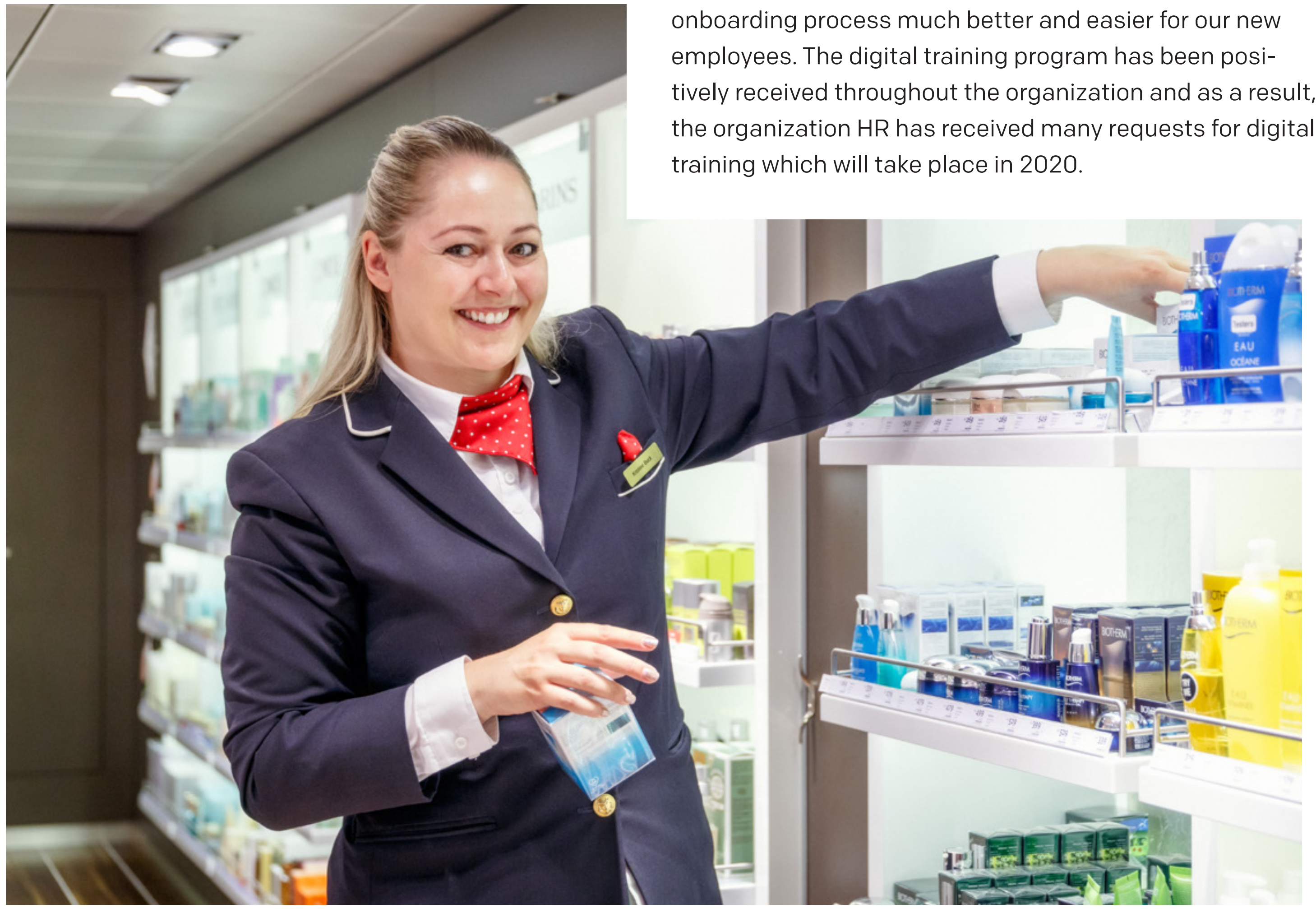
Increasing the use of FLEXCREW goes hand in hand with our success in building a strong employer brand, enabling us to recruit the required number of FLEXCREW in a Scandinavian job marked of high demand and low unemployment rates.

The "Flexible Vessel & Flexible Manning" will be further developed and fine-tuned in the coming years.

DEVELOPING OUR EMPLOYEES AND MANAGERS

Throughout 2019 we have continued working on our Fjord Line Academy Training Program – putting new emphasis on a more locally based training set-up. We have amongst other things partnered up with SAMAJU, persuading them to set up training in Hirtshals instead of in Helsingør, Sweden, and MARTEC (the Maritime and Polytechnic College in Frederikshavn) so that the majority of team trainings now takes place in Northern Jutland. Through this initiative we have managed to save transportation costs, as well as ensure a more rapid training sequence of our workforce matching our flexible organization set-up. In total, we have had 80 participants going through this local training.

> **The Leadership Program focuses largely on staff management,** but also on issues such as the prevention of stress and sick leave.



Similarly, we have conducted local retail product training for 22 employees as well as several sales and service training sessions during our docking period in January. Additionally, in 2019 a total of 20 Managers went through our internal Leadership Program, "Leading Fjord Line".

The Leadership Program focuses largely on staff management, but also on issues such as the prevention of stress and sick leave. In addition to all of the team training, we have completed 229 individual certificate renewals.

DIGITAL TRAINING GAINS TRACTION

Our 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 posi-tively received throughout the organization and as a result, the organization HR has received many requests for digital training which will take place in 2020.

Fjord Line | Annual report 2019 | 04 Sustainability and corporate responsibility

CORPORATE GOVERNANCE

Principles for good corporate governance form the basis for long-term value creation, benefitting shareholders, employees and society. This is important for Fjord Line, and we believe such principals are crucial in order to create a healthy corporate culture where sustainability, a long-term perspective and integrity are fundamental values.

CODE OF CONDUCT

Fjord Line's Code of Conduct sets out the standards for how we operate every day and everywhere, and governs our relationships with clients, suppliers, stakeholders and each other. It ensures we all maintain the highest levels of professional conduct and underpins the reputation and trust Fjord Line commands.

The Code of Conduct reflects and supports our core values: empowerment, responsibility, respect and commitment. Our values are the foundation of our corporate culture, and we strive to ensure that our compliance culture is visible and present at all levels in our organization.

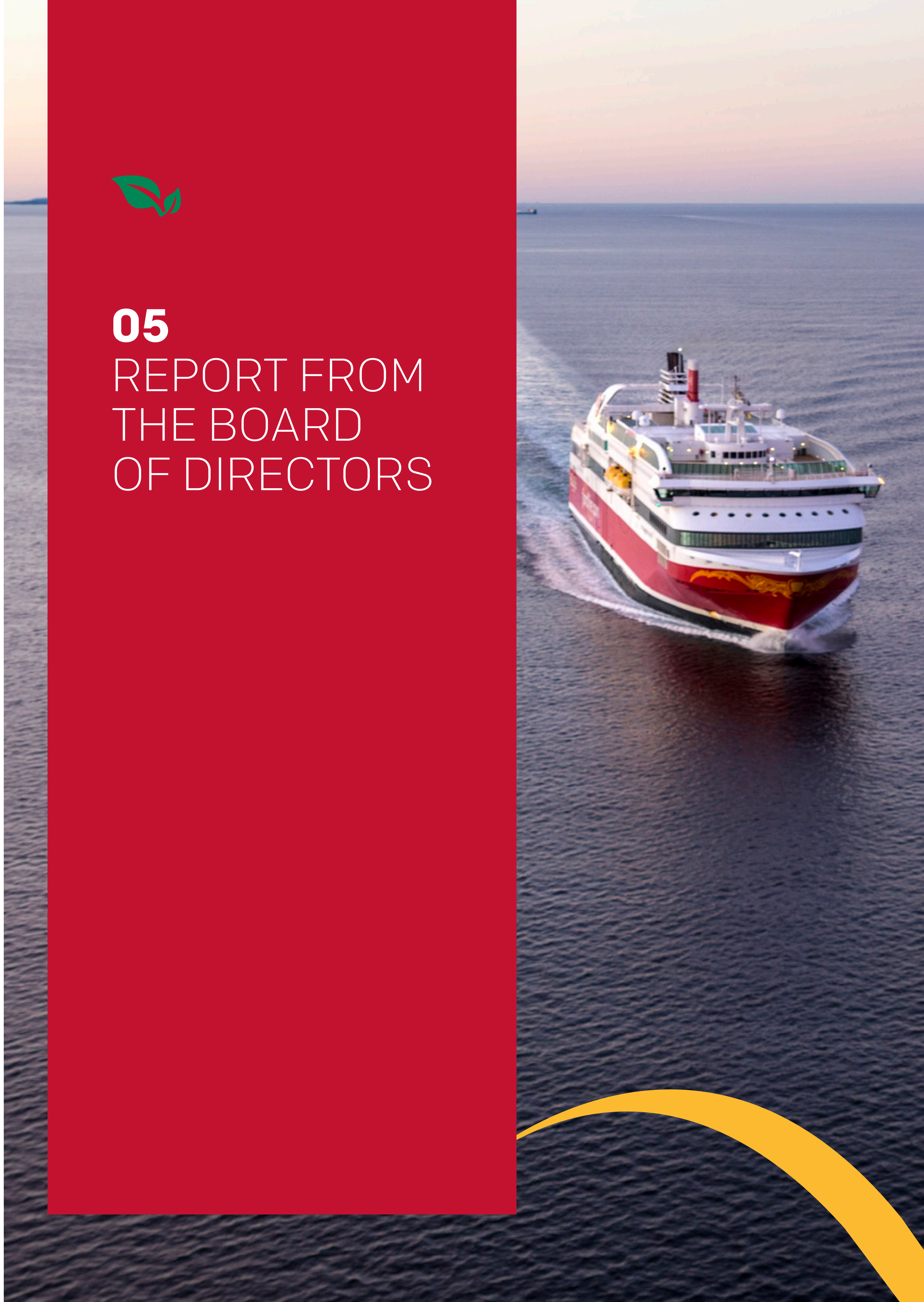
> The Code of Conduct reflects and supports our core values: **empowerment, responsibility, respect and commitment.**

WHISTLEBLOWING & INTERNAL INVESTIGATIONS

In 2019, a number of compliance initiatives were started in Fjord Line. One of them was to implement a new Whistleblower channel. This new system is called WhistleB and is hosted by an independent third party. All reports are received through encrypted messages by Fjord Line's Compliance Manager and our Legal Counsel, who follow up and undertake internal investigations when required. WhistleB was operational by the end of Q3 2019, and we are confident that our employees and business partners will consider this new reporting channel a valuable improvement to our compliance program.

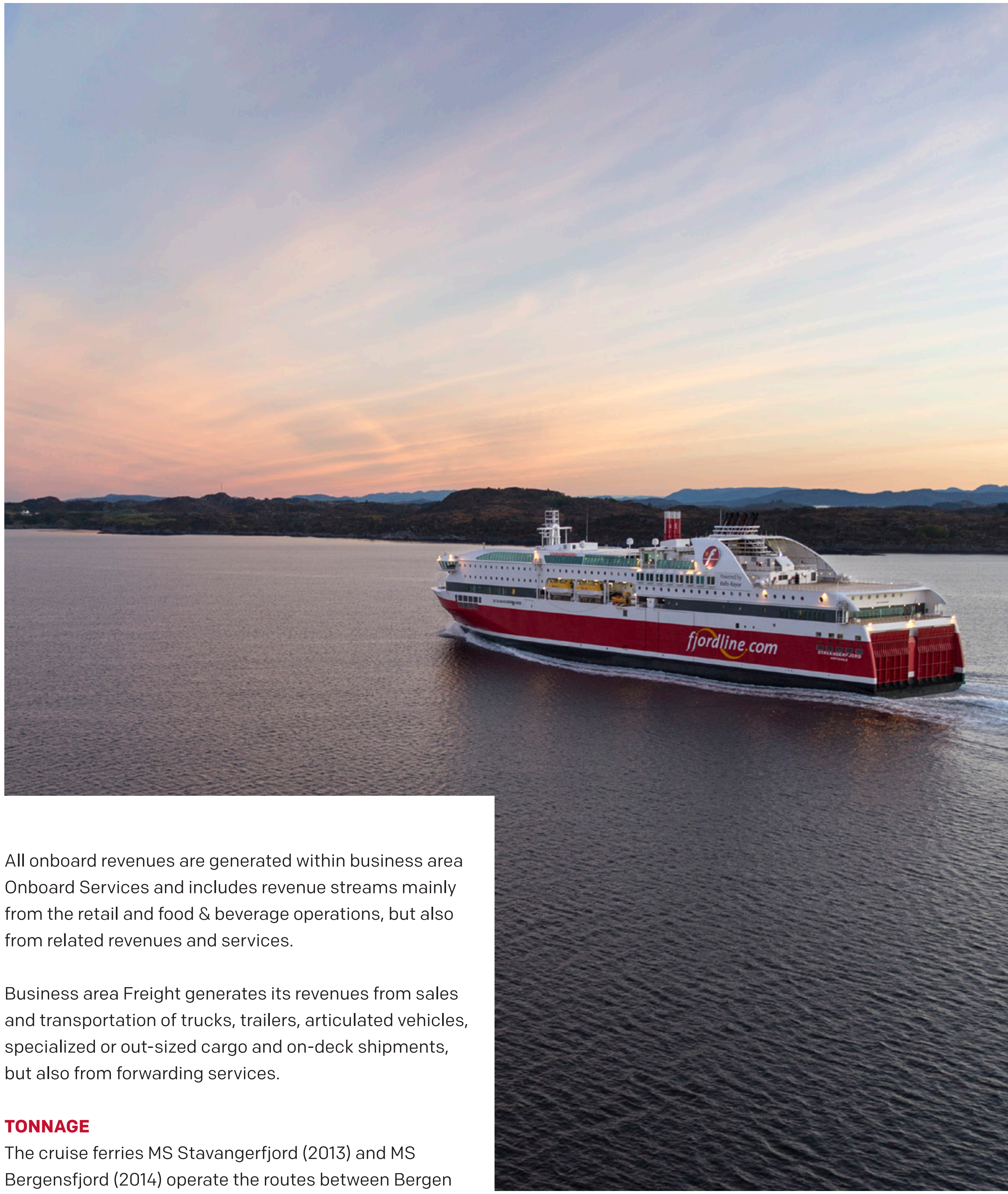
MANAGING COMPLIANCE RISK

With the establishment of the Compliance function, Fjord Line made it clear that adherence to our Code of Conduct at every level of the organization is a top priority. Since then, Compliance has grown to encompass a number of risk areas that we have identified and that we work actively to mitigate and eliminate. For this purpose, we focus a great deal on preparing thorough risk assessments of the various areas in our organization. Our compliance team works closely with each business area to identify the potential risks, analyse the associated probabilities and consequences, and determine the appropriate mitigating actions.



05
REPORT FROM THE BOARD OF DIRECTORS

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.

> 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.**

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 3,200 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.

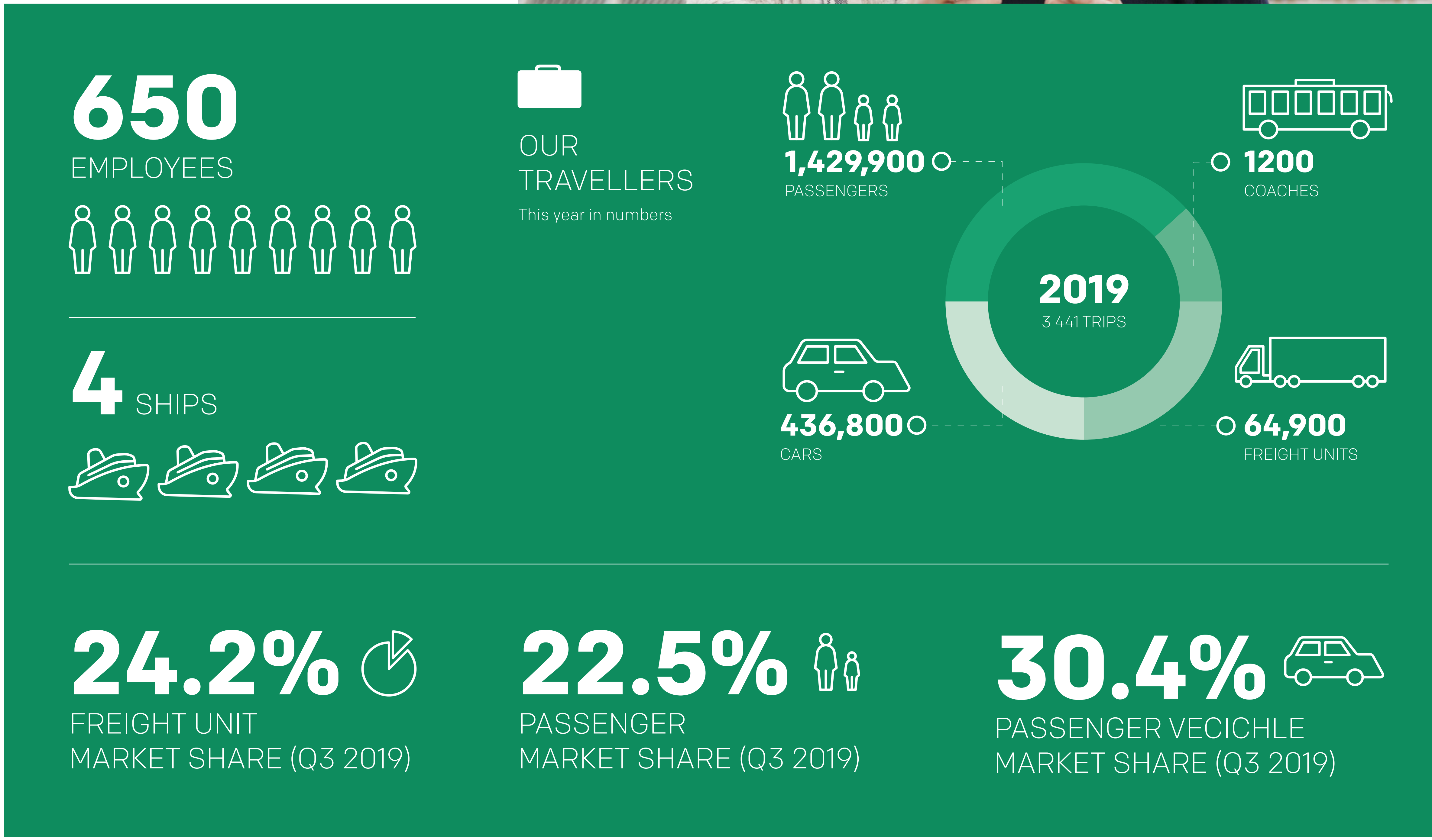
The Fjord Line marketplace is defined as all ferry trade between Norway - Denmark and Norway -Sweden. At the time of printing of this report, market shares have only been released as per Q3 2019. Looking at those, shows that Fjord Line again managed to increase its footprint in the marketplace in all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

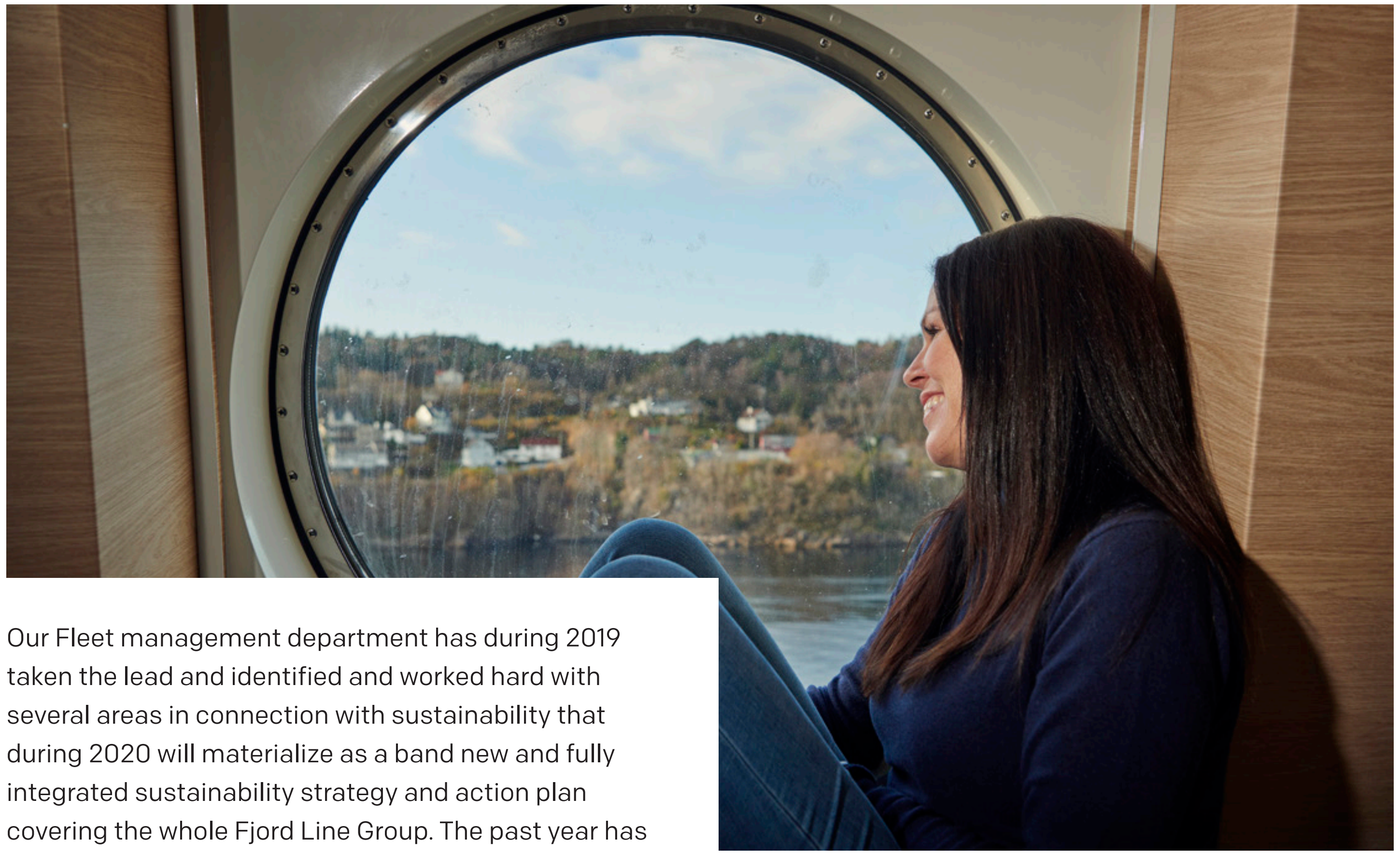
The passenger market share increased to 22.5 % from 22.0 % in 2018 (figures comparing first three quarters of respective year). The share for passenger vehicles increased to 30,4 % from 30.3 % and finally number of freight units showed a stable level of 24.2% compared to 23.9% in 2018.

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 band 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

"
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 band new and fully integrated sustainability strategy and action plan covering the whole Fjord Line Group.**

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.

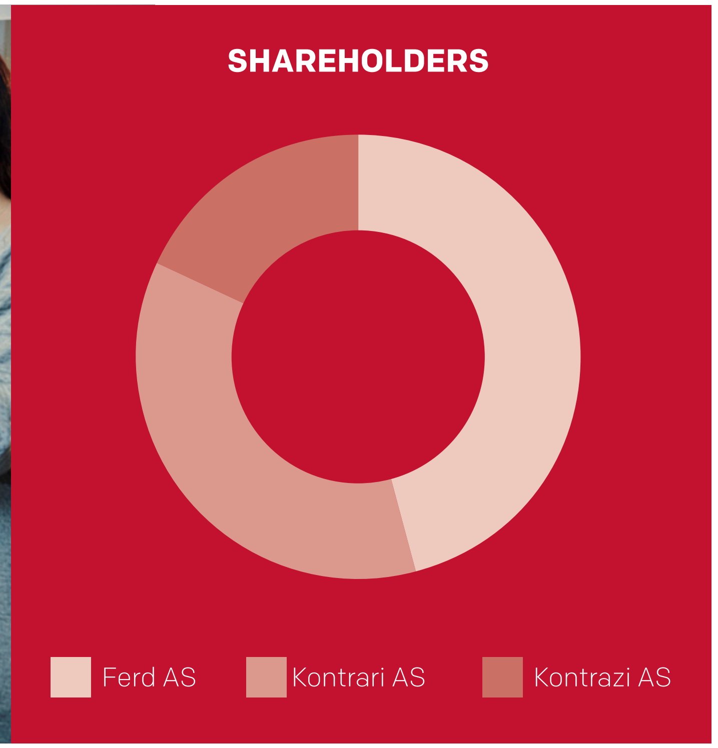
SHAREHOLDERS
The Group's major owners per 31.12.2019 were as follows:

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



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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.

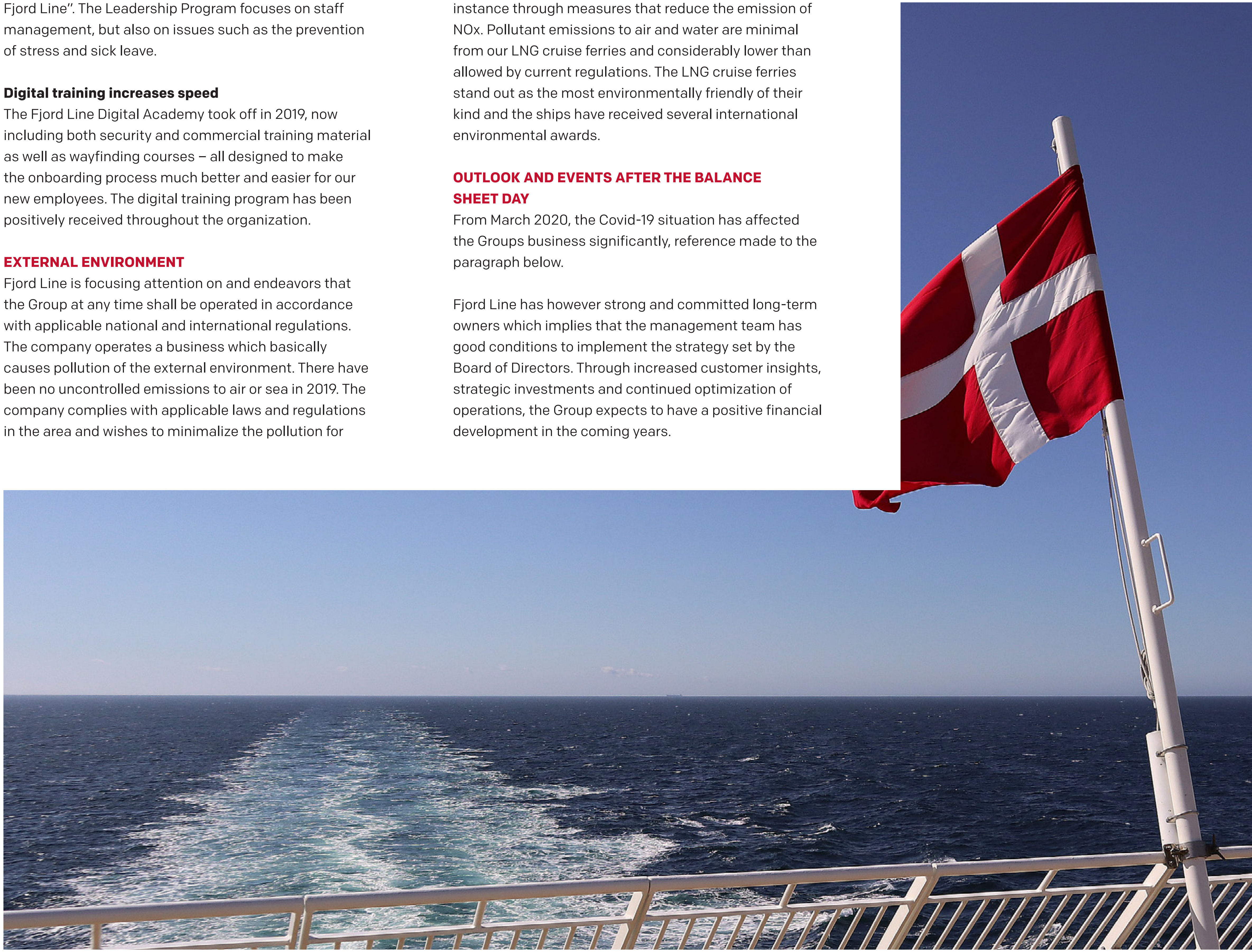
EXTERNAL ENVIRONMENT

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 minimalize 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.



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Pollutant emissions to air and water are minimal from our LNG cruise ferries and **considerably lower than allowed by current regulations.**

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.

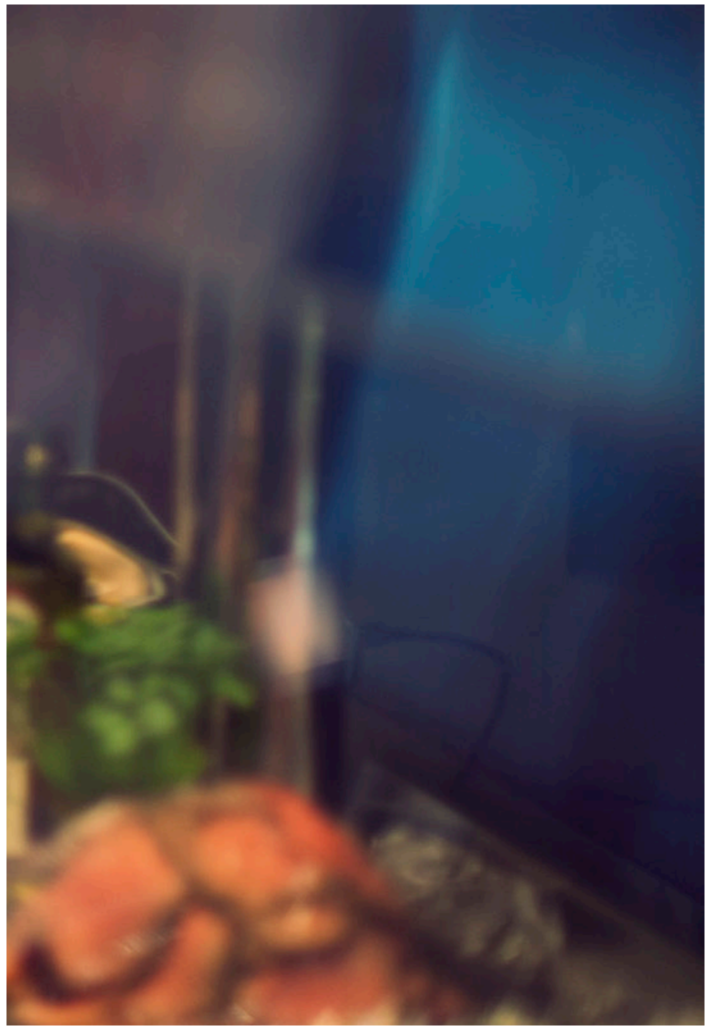
The remaining ships MS Bergensfjord, MS Oslofjord and HSC Fjord Cat are all put in hot lay-up and all other routes are temporary cancelled. The current temporary changes in our route network and deployment of vessels is initially valid for a period until medio May 2020.

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

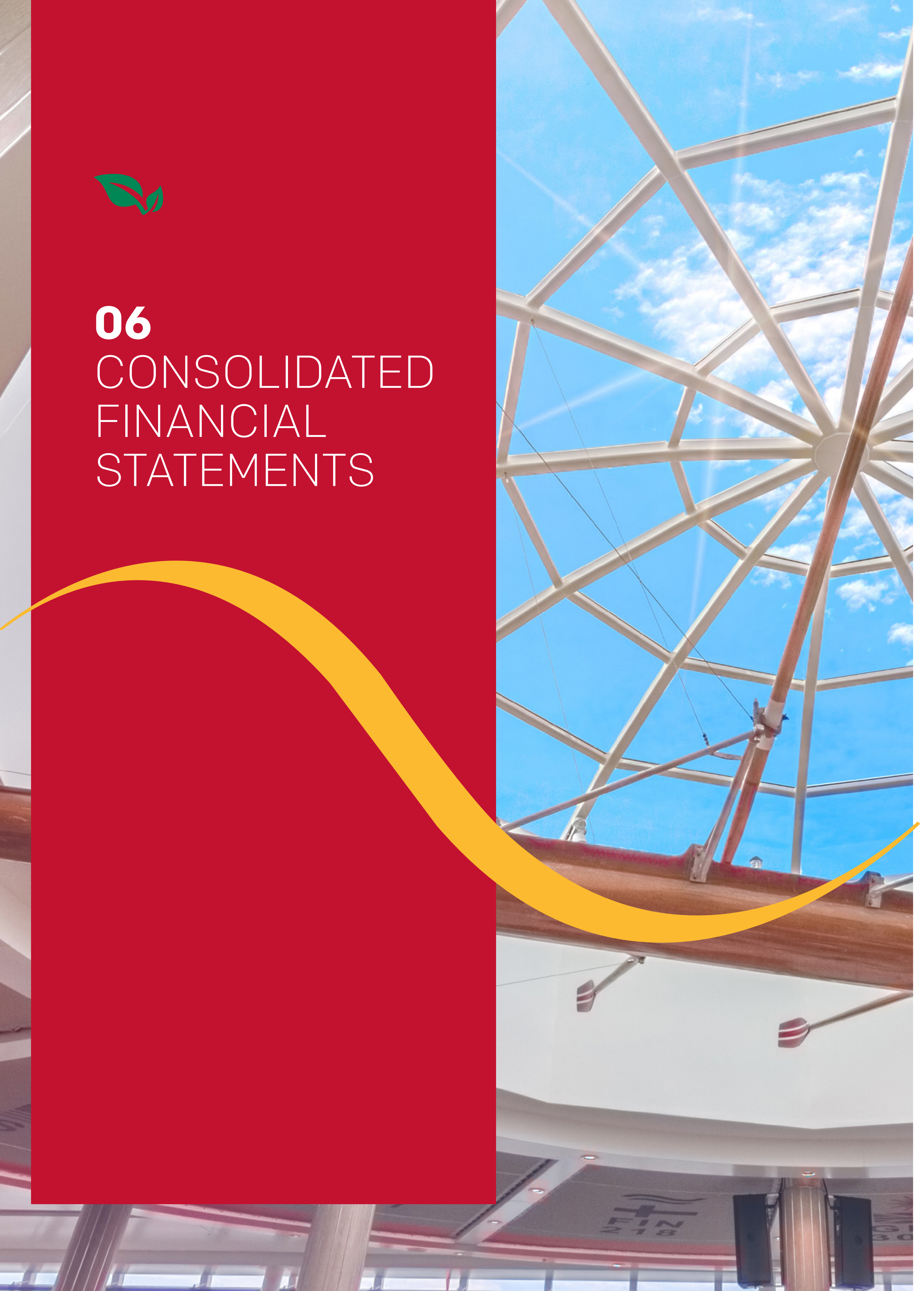
Frode Teigen
Board Member

Kristian Falnes
Board Member

Kaj Frederiksen
Board Member

Kristian Eikre
Board Member

Rickard Ternblom
Managing Director



06 CONSOLIDATED FINANCIAL STATEMENTS

Fjord Line AS - Group

Consolidated income statment (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)

	Note	Group 2019	Group 2018
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	Kaj Frederiksen Board Member
Frode Teigen Board Member	Kristian Falnes Board Member
Kristian Eikre 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 equipent 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 deprectiation 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 Raumo (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 inkluded 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 (assocoated 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			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 balace 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 recognized 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 Directions 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**

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 entirity 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 kan 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 ands 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)

Wage costs	2019	2018
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 (677in 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 gurarantee 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-liable 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 expences ").

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 hegde 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.

07
FJORD LINE AS FINANCIAL STATEMENTS

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

Kaj Frederiksen
Board Member

Frode Teigen
Board Member

Kristian Falnes
Board Member

Kristian Eikre
Board Member

Rickard Ternblom
Managing Directo

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 accurals, 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**
		2 769			
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)

Operating assets	**Expensed lease 2019**	**Expensed lease 2018**
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)

Operating income distributed on income area	2019	2018
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

Temporary differences	31.12.2018	31.12.2019	Change
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:

Taxable result	2019	2018
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**

Reconciliation of tax expense	2019	2018
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**

Specification of tax expense	2018	2018
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)

Non-current interest bearing debt per 31.12.	2019	2018
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.	2019	2018
Debt to credit institutions (overdraft facilities)	0	0
Other current interst 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 th 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.

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-liable 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)

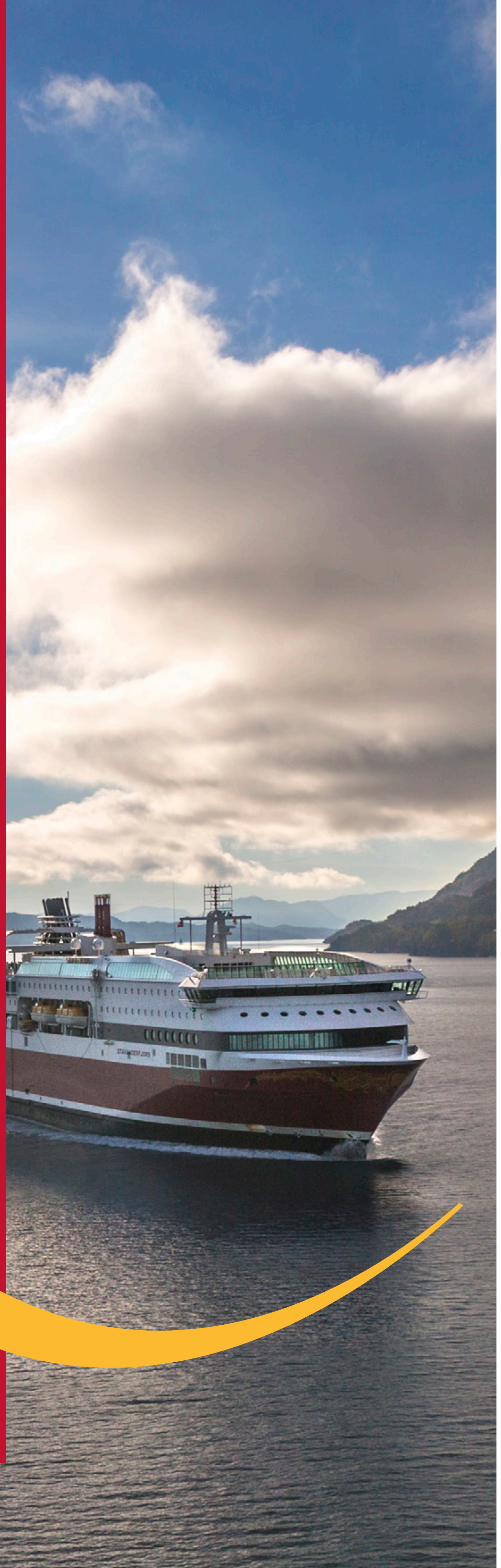
Total received grants 31.12.2018	**166 809**
Grants recognised as income 2018	-5 469
Accumulated grants recognised as income 31.12.2018	-73 979
Grants received, not recognised in the income statement 31.12.2018	**92 829**
Grants received 2019	0
Total received grants 31.12.2019	**166 809**
Grants recognised 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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AUDITORS REPORT

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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.

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

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