



THIRD QUARTER REPORT

19 November 2020



# About Fjord1

**Fjord1 aims to be the safest and most attractive provider of environmentally friendly and reliable transport for our customers, clients and partners.**

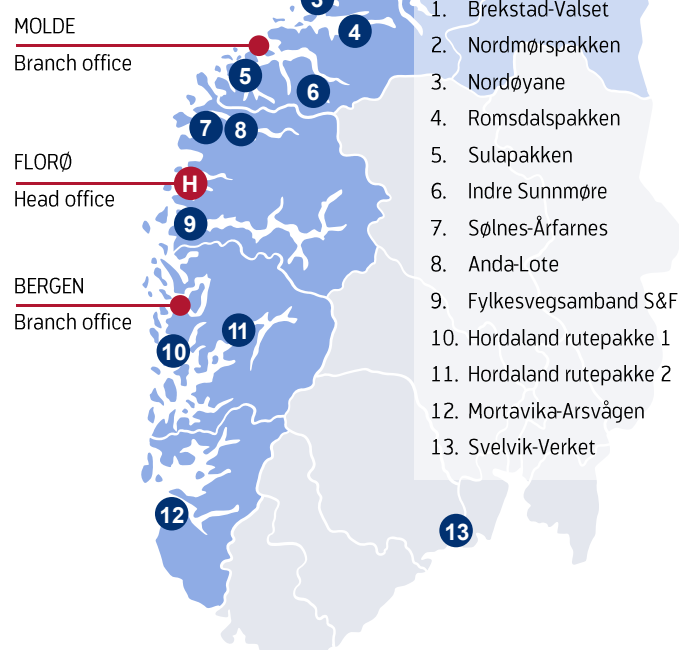
Fjord1 is a leading player in the Norwegian ferry market. It also operates passenger boat services and has interests in the catering and tourism sectors.

Competent employees enable Fjord1 to be at the forefront with respect to safety, innovation, technology and the environment.

Fjord1 is investing in low-emission and zero-emission technologies, and the electrification of Norway's fjord crossings.

Fjord1 is listed on the Oslo Stock Exchange under the ticker FJORD.

## Ferry contract overview 2020



## Our values reflect who we are and the way we work.



Cheerful



Open and honest



Reliable and keeping our promises



Profitable



Working together and team spirit



Proud

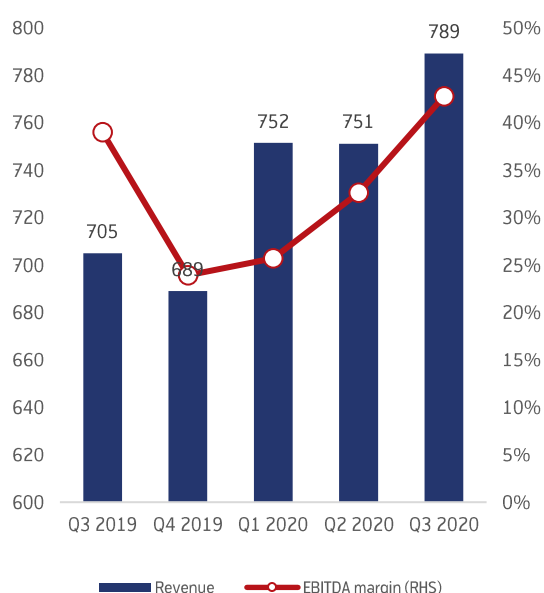
More information at [www.fjord1.no](http://www.fjord1.no)

## Third quarter highlights

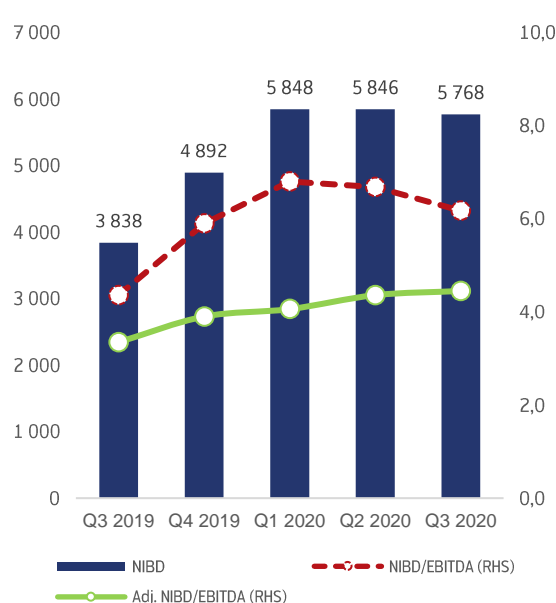
### Revenue growth and higher EBITDA margin

- Fjord1 has continued to operate in a safe and responsible manner throughout the Covid-19 crisis, protecting the safety and security of its employees, customers and suppliers, while fulfilling its responsibilities as a provider of critical transport infrastructure in coastal Norway.
- Revenue in the third quarter amounted to NOK 789 million. This was an increase of 12% from the same quarter last year, driven by the new contracts that started up on 1 January 2020.
- EBITDA in the third quarter totalled NOK 338 million, up 21% from the same period last year, with the EBITDA margin increasing to 43% from 39%. This reflects the positive impact on margins of lower operating costs for the new electric vessels.
- Operating profit (EBIT) increased by 7% to NOK 194 million, reflecting higher depreciation due to the vessel renewal programme and infrastructure investments.
- The vessel newbuild programme was completed with the delivery of MS Stangvikfjord in the third quarter, the last of 25 new vessels delivered over the past 4 years. A total of NOK 281 million was invested in the third quarter. This figure is net of NOK 28 million in vessel NO<sub>x</sub> compensation received in the quarter. Total investments in the first nine months of 2020 came to NOK 1,325 million. Remaining capital commitments in the fourth quarter 2020 amount to NOK 217 million. These are mainly related to onshore infrastructure investments.
- Net interest-bearing debt (NIBD) came to NOK 5,768 million as at 30 September, NOK 78 million less than at the close of the second quarter.
- Revenue in the first nine months of 2020 amounted to NOK 2,292 million, an increase of 13% from the same period last year. EBITDA increased by 18% to NOK 776 million, with the EBITDA margin improving from 32% to 34%. As previously stated, Fjord1 expects the contracts that started up at the beginning of the year to generate overall revenue growth of 10–15% in 2020.
- Fjord1's long-term contract portfolio, worth NOK 23.7 billion, and exciting long-term prospects in eco-tourism offer a strong platform for the further development of the company.

Revenue (NOK m) and EBITDA (%)



NIBD (NOK m) and NIBD/EBITDA



Adjusted NIBD/EBITDA reflects covenant allowance to adjust NIBD in alignment with the start-up of associated contracts



## Stable operations

While Fjord1's operations have been significantly affected by the Covid-19 pandemic in the third quarter and first nine months of 2020, the contract structure has limited its financial impact on the **Ferry** and **Passenger Boat** segments. The **Catering** segment has seen a sharp reduction in revenue, which has been countered by cost-cutting measures that have preserved operating margins. **Tourism** activities were shut down in mid-March and only slowly began restarting operations late in the second quarter. Domestic traffic made up for the reduction in international tourism in July, but capacity utilisation has been low after the summer holidays.

2020 is a ramp-up year for Fjord1, with the start-up of several new ferry contracts, the completion of the vessel newbuild programme and further progress in the electrification of the fleet. By the close of the year, electricity will account for approximately 40 per cent of the fuel mix, making Fjord1 one of the most environmentally friendly ferry operations worldwide.

The company remains committed to its long-term strategy of being a leading player in the Norwegian ferry market and providing safe, reliable and environmentally friendly transport to its customers. The company has a solid long-term contract portfolio worth NOK 23.7 billion – excluding index regulation – and continues to see exciting long-term prospects in the tourism industry.

### Ferry

The number of passengers increased by 34 per cent to 8.6 million in the third quarter. This was partly driven by the new routes but also by generally high traffic in the domestic holiday season. The number of vehicles transported remained flat at 2.9 million. In the year-to-date, the number of passengers transported has held steady at 15.0 million, whereas the number of vehicles transported is down by 14 per cent to 6.6 million despite the new routes.

As described in previous interim reports this year, the majority of Fjord1's contracts are based on capacity and sailing frequency rather than traffic volumes, which largely protects revenue and earnings in the Ferry segment from changes in the volume of traffic. Revenues increased by 14 per cent in the third quarter and by 16 per cent in the first nine months, whereas EBITDA increased by 33 per cent in the third quarter and by 24 per cent in the first nine months of 2020.

### Passenger Boats

In the same way as the Ferry segment, Fjord1's passenger boat revenues are independent of traffic volume, and although passenger volumes have been affected by Covid-19 its financial impact has been limited. Revenues increased by 7 per cent in the third quarter and 6 per cent in the first nine months, reflecting annual contract price adjustments.

### Catering

The financial effects of Covid-19 have been more significant for the Catering segment, with a substantially reduced service offering. Revenues decreased by 17 per cent in the third quarter and by 35 per cent in the first nine months of the year. Fjord1 has implemented significant cost-reduction measures and progressed the transition to more self-service operations. EBITDA for the first nine months of 2020 is at the same level as last year.

### Tourism

The Tourism segment has been the hardest hit by the Covid-19 mitigation measures. While revenue from the consolidated vessel leasing operation has been stable – on a higher asset base – associated companies made losses also in the normally strong summer season. Demand from domestic tourists was high but unable to offset the lack of international visitors.



## Key figures (NOK million)

Profit & Loss	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Total revenue	789.2	705.5	2 291.9	2 034.4	2 723.8
Total operating expenses	(446.6)	(445.1)	(1 498.4)	(1 395.0)	(1 908.5)
Share of profit/(loss) from JVs and associates	(5.0)	17.5	(17.5)	21.0	2.5
EBITDA	337.5	277.9	776.1	660.5	817.8
EBITDA margin (%)	43 %	39 %	34 %	32 %	30 %
Total depreciation and impairment	(143.6)	(95.9)	(397.1)	(304.5)	(421.9)
Operating profit (EBIT)	194.0	181.9	379.0	355.9	395.9
Net financial income/(expenses)	(44.7)	(34.6)	(219.3)	(66.1)	(143.0)
Profit/(loss) before tax	149.2	147.4	159.7	289.8	253.0
Tax (expense)/income	(32.8)	(32.4)	(35.1)	(57.1)	(43.9)
Profit/(loss) for the period	116.4	114.9	124.6	232.7	209.1

Balance sheet	30.09.20	30.09.19	31.12.19
Assets			
Non-current assets	9,129.0	7,363.7	8,123.2
Current assets, excl. cash	680.3	175.7	632.9
Cash and cash equivalents	205.2	474.6	484.1
Total assets	10,014.5	8,014.0	9,240.2
Equity and liabilities			
Total equity	2,396.5	2,268.9	2,269.7
Non-current liabilities	5,645.4	3,541.6	4,911.6
Current liabilities	1,972.6	2,203.5	2,058.9
Total equity and liabilities	10,014.5	8,014.0	9,240.2
Equity ratio (%)	24 %	28 %	25 %
Return on equity (12-month rolling) (%)	4.7 %	4.7 %	9.5 %
NIBD	5,768.3	3,838.0	4,892.1
NIBD/EBITDA (12-month rolling)	6.2	4.4	6.0

Cash flow	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Net cash flow from operating activities	381.2	297.1	515.2	322.0	323.6
Net cash used in investing activities	(282.1)	(460.2)	(1,329.5)	(1,317.2)	(2,358.9)
Net cash from financing activities	(210.7)	370.9	535.4	1,197.3	2,246.8
Net change in cash and cash equivalents	(111.5)	207.8	(278.9)	202.1	211.6
Cash and cash equivalents close of period	205.2	474.6	205.2	474.6	484.1

Net financial items	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Share of profit (loss), JVs and associates	9.2	4.5	(21.6)	32.1	26.6
Interest income	0.2	0.3	1.8	1.5	2.6
Interest expense	(49.8)	(37.4)	(170.3)	(102.0)	(168.0)
Other financial items, net	(4.3)	(2.0)	(29.2)	2.3	(4.2)
Net financial items	(44.8)	(34.5)	(219.3)	(66.1)	(143.0)

## Group and segment overview

The Fjord1 Group generated total revenues of NOK 789 million in the third quarter 2020, which was an increase of 12 per cent from the third quarter last year. EBITDA increased by 21 per cent to NOK 338 million, with operating costs nearly flat year-on-year despite a larger number of ferry routes. In the first nine months of 2020, total revenues increased by 13 per cent to NOK 2,292 million, whereas EBITDA increased by 18 per cent to NOK 776 million. The fleet expansion and renewal programme, as well as investments in the electrification of the ferry operation, have resulted in higher depreciation and net financial expenses. Operating profit (EBIT) totalled NOK 194 million in the third quarter and NOK 379 million for the first nine months of 2020, compared to NOK 182 million and NOK 356 million, respectively, in the same periods last year.

The Fjord1 Group has four reporting segments; **Ferry, Passenger Boats, Catering and Tourism**, of which Ferry is the largest.

### Ferry

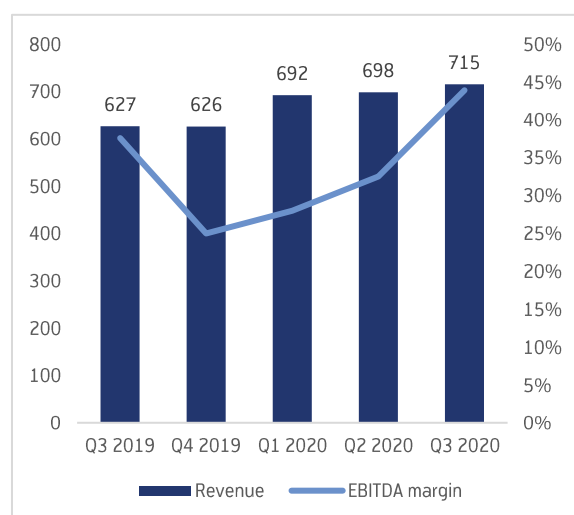
#### Revenue, EBITDA and EBIT (NOK million)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenue	715	627	2,106	1,818
EBITDA	314	236	733	593
EBITDA margin	44 %	38 %	35 %	33 %
EBIT	186	151	380	322
EBIT margin	26 %	24 %	18 %	18 %

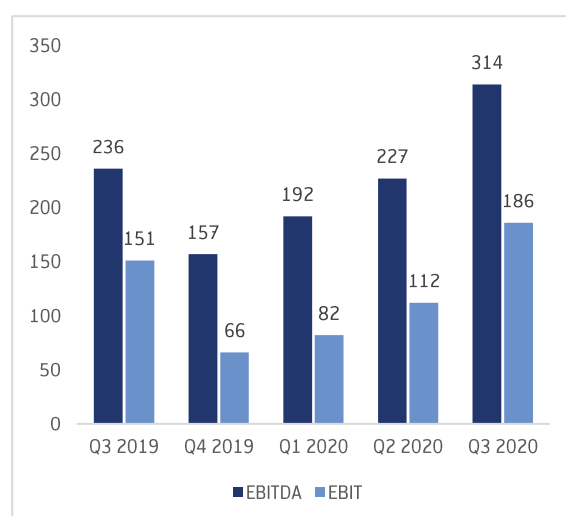
Revenue in the Ferry segment increased by 14 per cent year-on-year in the third quarter and 16 per cent in the first nine months of 2020. The revenue increase is explained by the start-up of services relating to the Indre Sunnmøre, Romsdalspakken, Nordmørspakken and Hordaland Rutepakke 2 contracts on 1 January 2020.

Ferry routes mostly operated as normal during the third quarter. The number of ferry departures was temporarily cut on five contracts in March and gradually resumed during the second quarter, in agreement with the principals in the respective county authorities (*Fylkeskommuner*) and the Norwegian Public Roads Administration (*Statens Vegvesen*). Fjord1 has retained contractual revenues, while the cost savings have been allocated to the contractual counterparties, resulting in only a limited financial impact for Fjord1.

#### Revenue (NOK m) and EBITDA margin (%)



#### EBITDA and EBIT (NOK m)

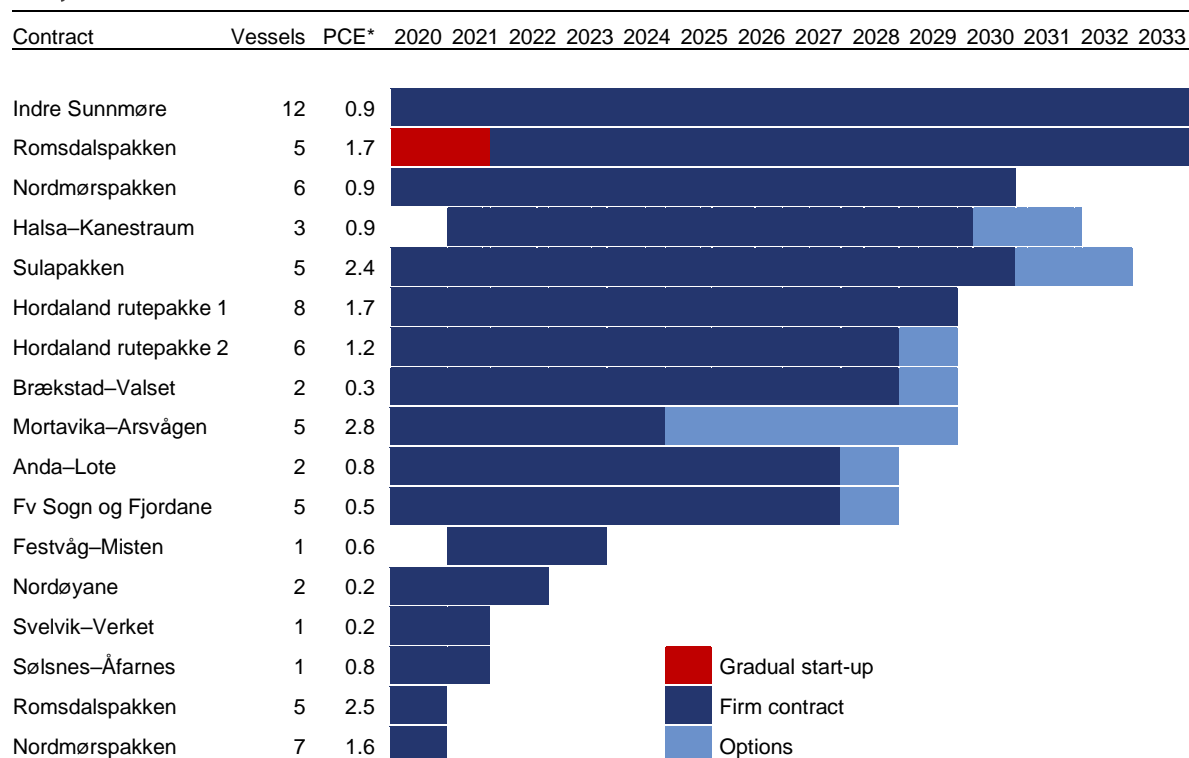


EBITDA increased by 33 per cent in the third quarter, with higher operational efficiency lifting the EBITDA margin to 44 per cent from 38 per cent in the same period last year. EBITDA for the first nine months of 2020 increased by 18 per cent, with the EBITDA margin increasing from 33 per cent to 35 per cent.

At NOK 401 million, operating costs were approximately NOK 70 million lower than in the second quarter and NOK 100 million lower than in the first quarter of the year. The decrease reflects lower fuel costs and lower start-up costs compared with previous quarters. Fjord1 expects to complete the ongoing electrification projects by the end of the year, although some projects are expected to roll over into 2021. Delays postpone the start-up of more cost-efficient fully electric routes as well as the release of government-funded NO<sub>x</sub> compensation for new electric vessels, and public infrastructure payments.

EBIT increased by 23 per cent in the third quarter and by 18 per cent for the first nine months of 2020, with a slightly stronger operating margin despite higher depreciation due to vessel and infrastructure investments.

### Ferry contract overview 2020-2033



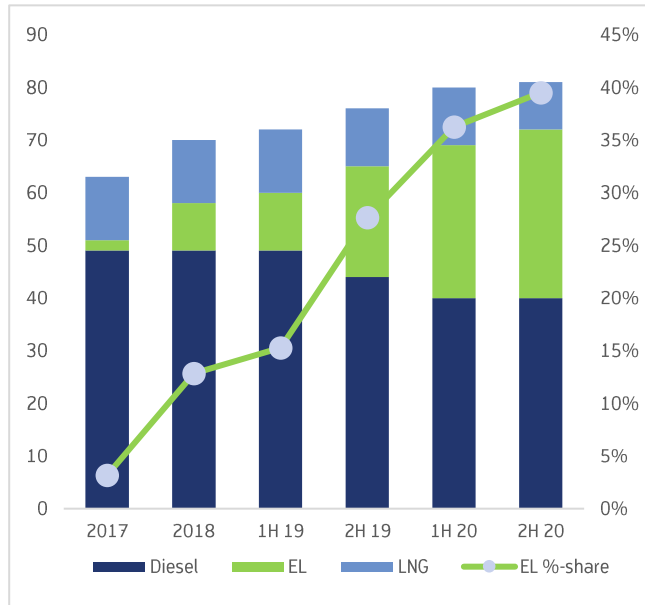
\*Passenger car equivalents (PCE) capacity (million)

The current contract portfolio is worth approximately NOK 23.7 billion, including the three passenger boat contracts but excluding options and index regulation. In the second quarter 2020, the company won the contract for the Festvåg to Misten route in Nordland county from 1 January 2021 through 2023.

The delivery of MF Stangvikfjord in August represented the completion of the vessel newbuild programme for start-ups in 2017-2020. The company will continue renewing its vessel portfolio, and has one vessel still under construction in Turkey, in addition to three ferry retrofitting projects ongoing in Florø to further increase the electrification ratio.



Number of ferries and fuel mix



## Passenger Boats

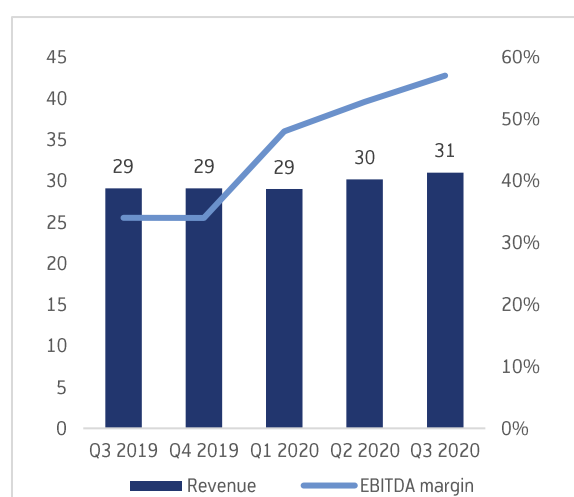
### Revenue EBITDA and EBIT (NOK million)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenue	31	29	90	85
Associates	2	0.6	5	1
EBITDA*	18	10	48	28
EBITDA margin	57 %	34 %	53 %	33 %
EBIT	4.0	0.3	8.0	0.0
EBIT margin	13 %	1 %	9 %	0 %

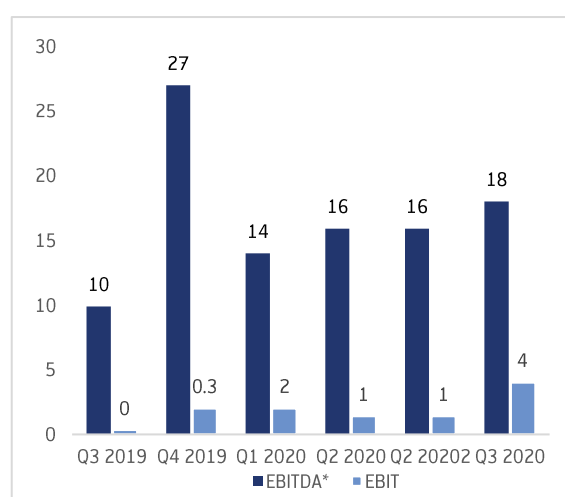
\*EBITDA incl. associates

Revenue in the Passenger Boat segment increased by 7 per cent in the third quarter and by 6 per cent in the first nine months of 2020. This is primarily attributable to annual contractual revenue adjustments. Because cost allocation has varied between quarters both this year and last year, the focus should be on the year-on-year margin and profit improvement in the first nine months.

### Revenue (NOK m) and EBITDA margin (%)



### EBITDA and EBIT (NOK m)



Fjord1 currently operates 15 express boat routes in Sogn og Fjordane, with 3 owned and 10 leased vessels under contracts running through 2022. The company also owns 49 per cent of Partsrederiet Kystekspresen ANS, which operates an express boat route from Kristiansund to Trondheim.

## Catering

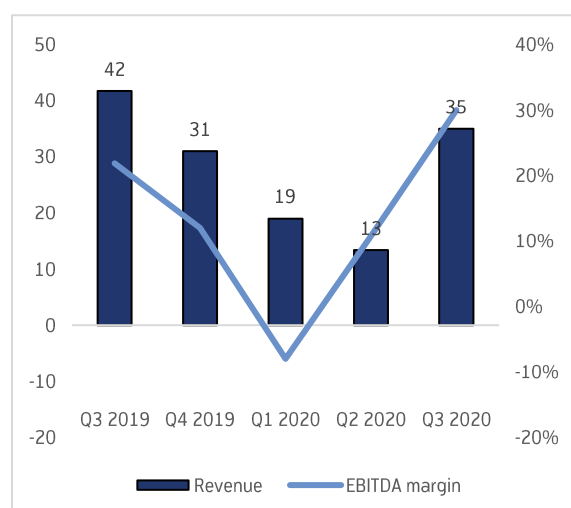
### Revenue, EBITDA and EBIT (NOK million)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenue	35	42	68	105
EBITDA	11	9	11	11
<i>EBITDA margin</i>	<i>30 %</i>	<i>22 %</i>	<i>15 %</i>	<i>10 %</i>
EBIT	10	8	8	8
<i>EBIT margin</i>	<i>28 %</i>	<i>20 %</i>	<i>12 %</i>	<i>8 %</i>

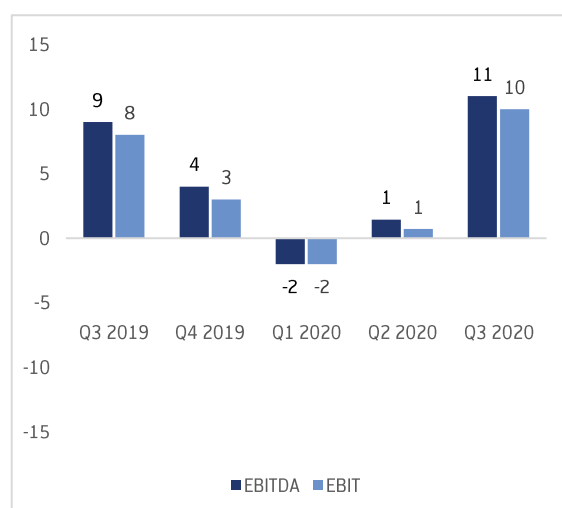
Revenue in the Catering segment fell by 17 per cent in the third quarter and by 35 per cent in the first nine months of 2020. This reflects a reduced service offering due to Covid-19, as well as low passenger numbers in the first half of the year. Having been closed for most of the second quarter, staffed cafeterias gradually reopened over the summer, although self-service catering solutions have increased in importance.

The company has implemented tough cost-cutting measures to compensate for the revenue shortfall. EBITDA increased in the third quarter alone, while EBIT for the first nine months of the year remained on par with 2019 despite the significant revenue increase.

### Revenue (NOK m) and EBITDA margin (%)



### EBITDA and EBIT (NOK m)





## Tourism

### Revenue, EBITDA and EBIT (NOK million)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenue	4	5	19	16
Associates	-7	18	-22	20
EBITDA*	-8	20	-22	22
EBITDA margin	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
EBIT	-8	20	-23	21
EBIT margin	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>

\*EBITDA incl. associates. EBITDA margins and EBIT margins are not meaningful given that earnings in the segment primarily reflects associated companies

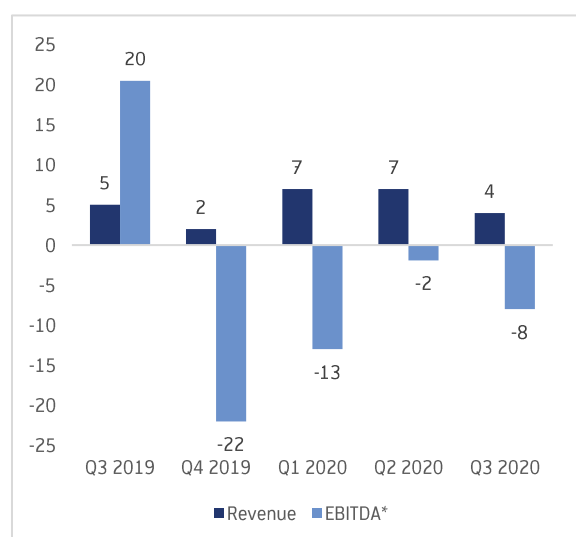
The Tourism segment has been significantly affected by Covid-19 this year, due to strict restrictions both on international and domestic travel. Activities were effectively shut down in mid-March and remained that way in April and most of May. Some services reopened in late May and at the start of the domestic tourism season in June. Activity picked up in July, with increased domestic demand and a cautious reopening of borders for some international tourists. However, demand returned to low levels after the domestic summer holiday period.

Consolidated vessel leasing revenue has held steady, though at a higher capacity level. However, low capacity utilisation in joint ventures and associates resulted in negative EBITDA and EBIT figures also in the traditional high season.

Fjord1 operates through both wholly owned and partly owned companies, with associates making up a significant part of the overall exposure. With the hybrid vessel 'Vision of the Fjords' and the fully electric 'Future of the Fjords' as its flagships, Fjord1 has taken a leading position in the development of environmentally friendly tourism in and around Norway's western fjords. Both these vessels are owned by The Fjords, in which Fjord1 has a 50 per cent shareholding.

As the Tourism segment is entering the seasonally weak winter season, efforts are underway to evaluate options for the upcoming 2021 season, to make sure that operations are as well aligned with market changes as possible.

### Revenue and EBITDA (NOK m)



## Consolidated statement of profit and loss

Profit & Loss	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Total revenue	789.2	705.5	2,291.9	2,034.4	3,102.0
Total operating expenses	-446.6	-445.1	-1,498.4	-1,395.0	-2,062.7
Share of profit/(loss) from JVs and associates	-5.0	17.5	-17.5	21.0	11.8
EBITDA	337.5	277.9	776.1	660.5	1,051.1
EBITDA margin (%)	0.4	0.4	0.3	0.3	0.3
Total depreciation and impairment	-143.6	-95.9	-397.1	-304.5	-306.0
Operating profit (EBIT)	194.0	181.9	379.0	355.9	745.1
Net financial income/(expenses)	-44.8	-34.5	-219.3	-66.1	-70.3
Profit/(loss) before tax	149.2	147.4	159.7	289.8	674.8
Tax (expense)/income	-32.8	-32.5	-35.1	-57.1	-134.5
Profit/(loss) for the period	116.4	114.9	124.6	232.7	540.3

### Revenues and operating profit

Fjord1 reported revenues of NOK 789 million in the third quarter, an increase of 12 per cent compared with the same period last year. The year-on-year increase mainly reflects the start-up of new contracts on 1 January 2020. Revenue in the first nine months of 2020 increased by 13 per cent to NOK 2,291 million.

Operating expenses held steady at NOK 447 million in the third quarter, despite a significantly larger ferry contract portfolio. This mainly reflects lower diesel fuel costs, as well as cost reductions in the Catering and Tourism areas in response to lower traffic volumes due to Covid-19. The company is also gradually deriving more positive cost effects from the electrification of the ferry fleet.

Operating expenses in the first nine months of 2020 amounted to NOK 1,498 million, which was an increase of 7 per cent from the same period last year.

Cost developments going forward will depend on the timing of the completion of ongoing electrification projects and the start-up of the last fully electric routes, some of which are expected to roll over into 2021 due to delays caused by Covid-19. Installation of critical parts of the onshore infrastructure depends on international technical personnel being able to enter the country.

Reported EBITDA amounted to NOK 338 million in the third quarter, corresponding to an increase of 21 per cent year-on-year. The EBITDA margin therefore increased to 43 per cent from 39 per cent in the third quarter 2019. EBITDA for the first nine months of 2020 increased by 18 per cent to NOK 776 million.

The large investment programme undertaken in recent years has increased the asset base and depreciation was 50 per cent higher than in the third quarter last year and up by 30 per cent in the first nine months of 2020. As a result, operating profit (EBIT) increased by 7 per cent to NOK 194 million in the third quarter and by 6 per cent to NOK 379 million for the first nine months of this year.

### Net financial items

Net financial items	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Share of profit (loss), JVs and ass.	9.2	4.5	(21.6)	32.1	1
Interest income	0.2	0.3	1.8	1.5	3.5
Interest expenses	(49.8)	(37.4)	(170.3)	(102.0)	(102.2)
Other financial items, net	(4.3)	(2.0)	(29.2)	2.3	27.3
Net financial items	(44.8)	(34.5)	(219.3)	(66.1)	(70.3)

The share of profit and loss in joint ventures and associates refers to the company's 34 per cent shareholding in WF Holding AS, which owns 100 per cent of the airline Widerøes Flyveselskap AS. However, this contribution has not offset the negative effects that the Covid-19 travel restrictions had in the first half of the year, which explains the weak results for the first nine months of 2020.

The rise in interest expenses compared with the third quarter and first nine months of last year reflects increasing debt due to investments in the vessel renewal programme, as well as in quays and other items of infrastructure required to fulfil the company's ferry contracts. Most investments in quays and other onshore infrastructure will be compensated through either the sale of infrastructure to municipalities upon completion or by payments through the contract period.

## Profits

Fjord1 made a profit before tax of NOK 149 million in the third quarter and NOK 160 million for the first nine months of 2020. This compares with a profit of NOK 147 million in the third quarter last year and of NOK 290 million for the first nine months of 2019.

Tax amounted to NOK 33 million in the third quarter and NOK 35 million in the first nine months of 2020. This resulted in a net profit of NOK 116 million in the quarter and NOK 125 million for the first nine months of 2020. This compares to a net profit of NOK 115 million in the third quarter and NOK 233 million for the first nine months of 2019.

Earnings per share on an ordinary and fully diluted basis came to NOK 1.16 in the third quarter and NOK 1.24 in the first nine months of 2020, compared with NOK 1.15 and NOK 2.32, respectively, in the same periods last year.

## Consolidated statement of financial position

Balance sheet	30.09.2020	30.09.2019	31.12.19
Assets			
Non-current assets	9,129.0	7,363.7	8,123.2
Current assets, excl. cash	680.3	175.7	633.0
Cash and cash equivalents	205.2	474.6	484.1
Total assets	10,014.5	8,014.0	9,240.2

Total assets increased by 25 per cent over the past year, mainly reflecting increased non-current assets due to the delivery of new ferries, investments in newbuilds and capitalised investments in onshore infrastructure.

The increase in current assets reflects both NOK 177 million in assets held for sale – the ferry MF Fanafjord – as well as increased trade receivables and other current receivables.

Balance sheet	30.09.20	30.09.19	31.12.19
Equity and liabilities			
Total equity	2,396.5	2,268.9	2,269.7
Non-current liabilities	5,645.4	3,541.6	4,911.6
Current liabilities	1,972.6	2,203.5	2,058.9
Total equity and liabilities	10,014.5	8,014.0	9,240.2

The increase in total equity mainly reflects earnings in the period, whereas the increase in liabilities reflects the debt financing of investments in newbuilds, rebuilds and infrastructure. Total net interest-bearing debt amounted to NOK 5,768 million at the close of the third quarter, compared with NOK 5,846 million at the close of the second quarter 2020.



## Consolidated statement of cash flow

Cash flow	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Net cash flow from operating activities	381.2	297.1	515.2	322.0	323.6
Net cash used in investing activities	-282.1	-460.2	-1,329.5	-1,317.2	-2,358.9
Net cash from financing activities	-210.7	370.9	535.4	1,197.3	2,246.8
Net change in cash and cash equivalents	-111.5	207.8	-278.9	202.1	211.6
Cash and cash equivalents close of period	205.2	474.6	205.2	474.6	484.1

Cash flow from operating activities increased to NOK 381 million from NOK 297 million in the third quarter last year, reflecting both higher cash earnings due to new contracts and a positive change in net working capital. In the first nine months of 2020, cash flow from operating activities increased to NOK 515 million from NOK 309 million in the same period last year.

Net cash flow used in investing activities decreased from NOK 460 million in the third quarter last year to NOK 282 million in the third quarter 2020. This figure is net of the NOK 28 million in vessel NO<sub>x</sub> compensation received in the period. The net capital expenditure level is set to decrease as the last of the new ferries has been delivered and the company is working to complete onshore electrification infrastructure projects. Capital commitments for the final quarter of the year stood at NOK 217 million at the close of the third quarter.

The change in net cash from financing activities is mainly explained by the repayment of loans.

## Financing and funding

Fjord1 has been through an expansion phase, with significant capital expenditure related to vessel newbuilds, the conversion of existing vessels to electricity and investments in quays and other onshore infrastructure. These investments are crucial elements in the company's transition from fossil fuels to zero-emission and low-emission fuels.

Fjord1 has financed its investment programme through a combination of bank loans and bonds. Net interest-bearing debt (NIBD) amounted to NOK 5.8 million at the close of the third quarter.

The company's loan facility totals NOK 6,395 million, of which NOK 6,077 million has been utilised, including guarantees. In 2018, Fjord1 issued an unsecured bond of NOK 1,000 million with a coupon of 4.96 per cent, maturing in 2022.

The company has a contractual right to compensation for the majority of its infrastructure investments, either through the sale of infrastructure to municipalities upon completion or from payments through the contract period. Although the infrastructure is gradually compensated for, accounting principles require that the value of Fjord1's right to use the infrastructure be reflected in its balance sheet and depreciated over the lifetime of the contract. Fjord1's bank loan agreements have been amended to take these accounting principles into consideration in the calculation of the equity ratio covenant of 22.5 per cent.

In June 2020, the 22.5 per cent minimum equity ratio covenant in the company's bond was extended by one year until the end of the first half of 2021. Please see Note 8 – Borrowings for further details.

As at 30 September 2020, Fjord1 had total future capital commitments of approximately NOK 281 million relating to vessel newbuilds, and future capital commitments of approximately NOK 400 million for quays and other onshore infrastructure. Capital commitments for the remainder of 2020 amount to NOK 217 million. Please see Note 6 – Commitments for further details.

## Important events after the close of the reporting period

## Share information

As at 30 September 2020, Fjord1 ASA had 100.0 million issued shares, divided between 1,835 shareholders. Fjord1 held 90,402 treasury shares, unchanged from the previous quarter, corresponding to 0.09 per cent of total shares outstanding.

During the third quarter, the Fjord1 share varied in price from NOK 42.40 to NOK 46.00. The closing price at 30 September was NOK 43.60, compared with NOK 36.60 at the close of 2019 and NOK 45.40 at the close of the second quarter.

A total of 1.1 million shares, or 1.1 per cent of the overall number outstanding, were traded during the period. Share turnover totalled NOK 45.8 million during the quarter, corresponding to an average daily figure of roughly NOK 0.7 million.

Following share purchases in the second quarter, Havila Holding AS and the US-based investment firm Vision Ridge Partners hold 88.81 per cent of the share capital. Havila and Vision Ridge have announced their intention to offer to buy out the remaining shareholders of Fjord1 on similar terms. The company is preparing for a possible de-listing of Fjord1 from the Oslo Stock Exchange if such an offer is made and accepted.

## Risk and uncertainties

As described in the 2019 Annual Report, Fjord1 is exposed to various types of operational, financial and market risk. The public health measures intended to mitigate the Covid-19 pandemic and their expected economic effects have accentuated these risks through 2020.

Fjord1 has embraced its responsibility for the safety and security of its employees and customers during this situation, as well as its responsibilities as a provider of critical transport infrastructure services. Fjord1 has remained fully operational, although the scope of its ferry and passenger boat services has been temporarily reduced at the request of the main public counterparties. The company's long-term contracts with Norwegian county authorities (Fylkeskommuner) and the Norwegian Public Roads Administration (Statens Vegvesen) are primarily based on capacity and sailing frequencies rather than traffic volume, which to a large degree shields the revenue stream from the decrease in volume caused by the current travel restrictions.

The government's measures to contain Covid-19 have also affected the progress of onshore infrastructure projects required for the electrification of the ferry fleet, such as the installation of quayside charger towers, which requires technical personnel from international suppliers. Delayed completion of the electrification infrastructure has postponed the release of government-funded NO<sub>x</sub> compensation for the vessels, public infrastructure payments and the forecast fuel cost savings. Further restrictions may result in additional delays.

As described in the 2019 Annual Report, Fjord1 was exposed to risk related to vessel deliveries. However, the company has now completed its newbuild programme with a final delivery in August.

The vessel newbuild programme and electrification infrastructure projects have entailed significant investments over the past few years. However, the company's net interest-bearing debt has passed its peak, decreasing from NOK 5,768 million to NOK 3,838 million over the past 12 months. The sale of infrastructure projects and the release of public funds related to the electrification process were projected to lower interest-bearing debt through 2020. Delays in this process have put pressure on the minimum equity ratio in the company's bank and bond financing arrangements. Both the banks and the bondholders have agreed to amendments to loan agreements that reduce the risk of covenant breaches.

Activity within the smaller Catering and Tourism segments has been heavily affected by the Covid-19 situation. Associates in the Tourism segment have already adjusted activity and cost levels to current market demand. Although activity in the Catering segment is expected to return once restrictions are lifted, the situation has increased the risk of a more permanent change in consumer behaviour.

Developments in the Tourism segment will also depend on the lifting of travel restrictions both domestically and internationally, and a gradual return to normal travel patterns. Fjord1 and its subsidiaries and joint ventures in the Tourism segment are monitoring the situation closely and have sought to mitigate its negative effects by changing their offering to cater more to a domestic audience.

For other risk factors, please see the Annual Report for 2019.

## Outlook

Fjord1 believes there will be continued high demand for safe, environmentally friendly and reliable transport in coastal regions also in the future. Fjord1 assesses new tender opportunities in the Norwegian market on an ongoing basis, as well as opportunities outside of Norway. Fjord1's strong contract portfolio has a value of NOK 23.7 billion through 2033, excluding options and index regulation, which offers a solid platform for profitable growth.

As previously stated, the company expects that revenue will grow by 10–15 per cent from 2019 to 2020, mainly driven by the new ferry routes that started up on 1 January 2020. Revenue increased by 13 per cent in the first nine months of this year. Completion of new infrastructure related to the new and upgraded vessels has led to a gradual improvement in the EBITDA margin.

Net interest-bearing debt is set to decrease over the coming quarters as a result of positive cash flow from operating activities, lower investments and the sale of infrastructure assets.



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Revenue	3,4,12	783 050	696 445	2 264 714	1 977 624	2 662 750
Other operating income	3,4	6 148	9 050	27 209	56 766	61 066
<b>Total operating income</b>		<b>789 198</b>	<b>705 495</b>	<b>2 291 923</b>	<b>2 034 390</b>	<b>2 723 816</b>
Purchased goods and fuel	3	(99 661)	(112 917)	(312 161)	(336 901)	(448 891)
Personnel expenses	3	(249 777)	(250 219)	(803 761)	(751 196)	(994 061)
Other operating expenses	3,13	(97 181)	(81 986)	(382 453)	(306 859)	(465 568)
<b>Total operating expenses</b>		<b>(446 619)</b>	<b>(445 122)</b>	<b>(1 498 375)</b>	<b>(1 394 956)</b>	<b>(1 908 519)</b>
Share of profit/(loss) from associates	3	(5 035)	17 480	(17 456)	21 045	2 550
<b>Operating profit before depreciation and impairment (EBITDA)</b>		<b>337 544</b>	<b>277 853</b>	<b>776 092</b>	<b>660 479</b>	<b>817 846</b>
Depreciation	5,13	(133 860)	(110 339)	(387 432)	(318 965)	(419 344)
(Impairment)/reversal of impairment	5	(9 709)	14 421	(9 709)	14 421	(2 557)
<b>Total depreciation and impairment</b>		<b>(143 569)</b>	<b>(95 918)</b>	<b>(397 141)</b>	<b>(304 544)</b>	<b>(421 901)</b>
<b>Operating profit (EBIT)</b>		<b>193 975</b>	<b>181 935</b>	<b>378 951</b>	<b>355 935</b>	<b>395 945</b>
Share of profit/(loss) from other associates		9 168	4 500	(21 601)	32 114	26 629
Interest income		192	333	1 783	1 460	2 616
Interest expense		(49 797)	(37 354)	(170 278)	(101 955)	(168 002)
Other financial items, net	10	(4 323)	(2 049)	(29 175)	2 268	(4 223)
<b>Net financial income/(expense)</b>		<b>(44 761)</b>	<b>(34 570)</b>	<b>(219 270)</b>	<b>(66 112)</b>	<b>(142 980)</b>
<b>Profit/(loss) before tax</b>		<b>149 214</b>	<b>147 365</b>	<b>159 680</b>	<b>289 822</b>	<b>252 965</b>
Income tax (expense)/income	9	(32 841)	(32 420)	(35 130)	(57 124)	(43 861)
<b>Profit/(loss) for the period</b>		<b>116 373</b>	<b>114 945</b>	<b>124 551</b>	<b>232 698</b>	<b>209 104</b>
<b>Attributable to:</b>						
Parent company owners		116 196	114 787	124 065	232 201	208 607
Non-controlling interest		177	158	486	497	497
Basic earnings per share (in NOK)*	7	1,16	1,15	1,24	2,32	2,09
Diluted earnings per share (in NOK)*	7	1,16	1,15	1,24	2,32	2,09

\*Based on weighted average number of shares outstanding. Reference is made to note 7 and 15 regarding earnings per share and share capital.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Profit/(loss) for the period		116 373	114 945	124 551	232 698	209 104
<b>Other comprehensive income:</b>						
<i>Items that will not be reclassified to profit or loss:</i>						
Share of other comprehensive income of associates accounted for using the equity method - net of tax		(1 214)	-	3 172	-	2 826
Actuarial gain/(loss) on post employment benefit obligations - net of tax		(301)	(21 429)	(903)	(20 713)	(744)
<b>Total</b>		<b>(1 515)</b>	<b>(21 429)</b>	<b>2 269</b>	<b>(20 713)</b>	<b>2 082</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>(1 515)</b>	<b>(21 429)</b>	<b>2 269</b>	<b>(20 713)</b>	<b>2 082</b>
<b>Total comprehensive income for the period</b>		<b>114 858</b>	<b>93 516</b>	<b>126 819</b>	<b>211 986</b>	<b>211 186</b>
<i>Attributable to:</i>						
Parent company owners		114 681	93 358	126 333	211 488	210 690
Non-controlling interest		177	158	486	497	497

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	30.09.2020	30.09.2019	31.12.2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred tax assets	9	37 399	17 469	37 399
Ships and other property, plant and equipment	5	8 530 728	6 783 010	7 559 294
Right-of-use assets	13	102 493	55 617	40 354
Investments in associates	14	453 418	503 464	481 455
Other non-current assets	2	4 945	4 128	4 671
<b>Total non-current assets</b>		<b>9 128 983</b>	<b>7 363 688</b>	<b>8 123 174</b>
<b>Current assets</b>				
Inventories		20 993	20 915	22 457
Derivative financial instruments	2	-	7 478	-
Trade receivables	2	300 839	99 836	139 162
Other current receivables	2	181 159	47 509	293 970
Cash and cash equivalents	2	205 163	474 556	484 081
		<b>708 154</b>	<b>650 294</b>	<b>939 669</b>
Assets held for sale	5	177 372	-	177 372
<b>Total current assets</b>		<b>885 526</b>	<b>650 294</b>	<b>1 117 041</b>
<b>Total assets</b>		<b>10 014 509</b>	<b>8 013 982</b>	<b>9 240 216</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent company</b>				
Share capital	15	250 000	250 000	250 000
Share premium		360 924	360 924	360 924
Treasury shares		(3 617)	(5 374)	(3 617)
Retained earnings		1 783 944	1 658 409	1 657 612
<b>Total equity attributable to owners of the parent company</b>		<b>2 391 251</b>	<b>2 263 959</b>	<b>2 264 918</b>
Non-controlling interests		5 231	4 931	4 745
<b>Total equity</b>		<b>2 396 482</b>	<b>2 268 890</b>	<b>2 269 663</b>
<b>Non-current liabilities</b>				
Borrowings	2,8	4 814 348	2 939 868	4 179 391
Derivative financial instruments	2	12 857	427	6 829
Non-current lease obligations	13	40 013	11 599	9 050
Net employee defined benefit liabilities		5 094	34 823	13 104
Other non-current liabilities		162 192	-	127 476
Deferred tax liabilities	9	610 884	554 905	575 798
<b>Total non-current liabilities</b>		<b>5 645 388</b>	<b>3 541 621</b>	<b>4 911 649</b>
<b>Current liabilities</b>				
Borrowings	2,8	1 159 149	1 372 761	1 196 796
Derivative financial instruments	2	2 520	-	1 274
Current lease obligations	13	64 105	44 431	31 490
Trade payables	2	168 918	284 081	202 521
Tax payable	9	-	57 464	664
Taxes and duties payable		64 849	51 529	107 186
Other current liabilities	2	513 096	393 206	518 973
<b>Total current liabilities</b>		<b>1 972 638</b>	<b>2 203 472</b>	<b>2 058 904</b>
<b>Total liabilities</b>		<b>7 618 026</b>	<b>5 745 093</b>	<b>6 970 553</b>
<b>Total equity and liabilities</b>		<b>10 014 509</b>	<b>8 013 982</b>	<b>9 240 216</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**UNAUDITED**

AMOUNTS IN NOK THOUSANDS	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
<b>Balance at 01.01.2019</b>	<b>250 000</b>	<b>360 924</b>	<b>(2 079)</b>	<b>1 716 796</b>	<b>2 325 641</b>	<b>5 795</b>	<b>2 331 436</b>
Profit/(loss) for the period	-	-	-	208 608	<b>208 608</b>	497	<b>209 105</b>
Other comprehensive income for the period	-	-	-	2 082	<b>2 082</b>	-	<b>2 082</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210 690</b>	<b>210 690</b>	<b>497</b>	<b>211 186</b>
Acquisition of treasury shares	-	-	(1 537)	-	<b>(1 537)</b>	-	<b>(1 537)</b>
Dividends paid	-	-	-	(269 874)	<b>(269 874)</b>	(1 548)	<b>(271 422)</b>
Other contributions to owners	-	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(1 537)</b>	<b>(269 874)</b>	<b>(271 411)</b>	<b>(1 548)</b>	<b>(272 959)</b>
<b>Balance at 31.12.2019</b>	<b>250 000</b>	<b>360 924</b>	<b>(3 616)</b>	<b>1 657 612</b>	<b>2 264 919</b>	<b>4 745</b>	<b>2 269 663</b>
<b>Balance at 01.01.2020</b>	<b>250 000</b>	<b>360 924</b>	<b>(3 616)</b>	<b>1 657 612</b>	<b>2 264 919</b>	<b>4 745</b>	<b>2 269 663</b>
Profit/(loss) for the period	-	-	-	124 065	<b>124 065</b>	486	<b>124 551</b>
Other comprehensive income for the period	-	-	-	2 269	<b>2 269</b>	-	<b>2 269</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126 333</b>	<b>126 333</b>	<b>486</b>	<b>126 819</b>
Acquisition of treasury shares	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Other contributions to owners	-	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30.09.2020</b>	<b>250 000</b>	<b>360 924</b>	<b>(3 617)</b>	<b>1 783 944</b>	<b>2 391 251</b>	<b>5 231</b>	<b>2 396 482</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

### UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
<b>Operating activities</b>						
Profit before tax		149 214	147 365	159 681	289 822	252 965
Adjustments for profit and loss items with no effect on liquidity:						
Depreciation and impairment	5,13	143 569	95 918	397 141	320 776	421 901
Interest expense, net		49 605	37 021	168 494	100 495	165 386
Change in fair value of financial instruments	2	1 032	(1 913)	7 274	13 548	28 703
Change in pension liabilities		(2 671)	16 432	(8 010)	11 559	(10 159)
(Gain)/loss on disposal of property, plant and equipment		(627)	(2 257)	(200)	(2 010)	(4 267)
(Gain)/loss on realisation of investments in shares		-	-	-	(31 103)	(31 103)
Share of (profit)/loss from jointly controlled entities and associates		(4 133)	(21 980)	39 058	(53 159)	(29 178)
Change in working capital:						
Trade receivables	2	(115 228)	(7 523)	(161 677)	(3 307)	(42 632)
Inventories		(2 264)	2 498	1 464	3 182	1 641
Trade payables	2	37 704	64 711	(33 602)	(1 668)	(83 228)
Other accruals		172 941	(19 887)	145 188	(246 536)	(125 883)
<b>Cash generated from operations</b>		<b>429 142</b>	<b>310 385</b>	<b>714 811</b>	<b>401 600</b>	<b>544 146</b>
Interest paid, net		(78 693)	(13 244)	(194 473)	(34 846)	(146 832)
Income tax paid		30 745	-	(5 155)	(44 767)	(73 676)
<b>Net cash from operating activities</b>		<b>381 194</b>	<b>297 140</b>	<b>515 183</b>	<b>321 987</b>	<b>323 637</b>
<b>Investing activities</b>						
Purchase of ships and other property, plant and equipment	5	(280 750)	(552 229)	(1 324 747)	(1 379 950)	(2 399 132)
Purchase of shares incl. jointly controlled entities		(5 000)	-	(10 000)	(34 696)	(38 696)
Proceeds from dividends from associates		2 151	12 030	2 151	12 030	11 742
Proceeds from sale of ships and other property, plant and equipment		1 955	79 387	3 360	80 788	63 153
Proceeds from other non-current assets, net		(440)	648	(274)	4 602	4 059
<b>Net cash from investing activities</b>		<b>(282 084)</b>	<b>(460 165)</b>	<b>(1 329 510)</b>	<b>(1 317 227)</b>	<b>(2 358 875)</b>
<b>Financing activities</b>						
Proceeds from borrowings	8	85 552	289 211	1 210 506	607 018	2 042 306
Repayment of borrowings	8	(280 037)	(99 144)	(526 497)	(209 199)	(236 211)
Payment of lease obligation	13	(16 170)	(16 473)	(48 602)	(45 983)	(65 410)
Purchase of treasury shares		-	(1 157)	-	(3 295)	(1 537)
Dividends paid		-	(1 363)	-	(271 237)	(271 422)
Proceeds from short-term borrowings		-	200 000	-	1 120 000	1 320 000
Repayment of short-term borrowings		-	-	(100 000)	-	(540 900)
Proceeds from other non-current liabilities, net		-	(202)	-	(0)	-
<b>Net cash from financing activities</b>		<b>(210 655)</b>	<b>370 872</b>	<b>535 407</b>	<b>1 197 304</b>	<b>2 246 827</b>
<b>Net change in cash and cash equivalents</b>		<b>(111 545)</b>	<b>207 848</b>	<b>(278 920)</b>	<b>202 064</b>	<b>211 589</b>
<b>Cash and cash equivalents at start of period</b>		<b>316 707</b>	<b>266 709</b>	<b>484 081</b>	<b>272 492</b>	<b>272 492</b>
<b>Cash and cash equivalents at end of period</b>		<b>205 163</b>	<b>474 557</b>	<b>205 163</b>	<b>474 557</b>	<b>484 081</b>

**GENERAL INFORMATION**

Fjord1 ASA and its subsidiaries (together 'the Group') operates passenger ferries and other passenger boats in Norway. The Group's core business is concentrated at sea transportation through its operation of ferries and express passenger boats, in addition to on-board catering operation.

Fjord1 ASA is incorporated and domiciled in Norway. The address of its registered office is Strandavegen 15, 6900 Florø, Norway.

These condensed interim financial statements were approved by the Board of Directors for issue on 18. November 2020.

These condensed interim financial statements have not been audited.

**BASIS FOR PREPARATION**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS.

**GOING CONCERN**

The Group has adopted the going concern basis in preparing its interim financial statements. When assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows from existing contracts, debt service and obligations under existing new building contracts. Forecasts also take into consideration expected future net income from assets under construction. After making such assessments, management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

**ACCOUNTING PRINCIPLES**

The accounting policies adopted are consistent with those of the previous financial year except that income tax expense is recognised in each interim period using the expected weighted average annual income tax rate for the full financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

**USE OF ESTIMATES**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except for income taxes and post-employment benefits.

Income tax expense and deferred income tax liability is calculated by applying an estimated effective tax rate, while in annual financial statements income tax expense and deferred income tax liability is calculated by applying the actual tax rate applicable

Present value of defined benefit obligations and the fair value of plan assets at the end of each interim reporting period is estimated by extrapolation of the latest actuarial valuation, while in the annual financial statements this estimate is based on an updated actuarial valuation.

## NOTE 2 FINANCIAL RISK MANAGEMENT, FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The condensed interim financial statements do not include all financial risk management information and disclosures required in annual financial statements.

### FINANCIAL ASSETS

AMOUNTS IN NOK THOUSANDS	30.09.2020	30.09.2019
Financial assets at amortised cost		
Trade receivables and other receivables	481 998	147 345
Employee loans	105	290
Other non-current receivables	553	188
Cash and cash equivalents	205 163	474 556
Financial assets at fair value through other comprehensive income (FVOCI)	-	-
Financial assets at fair value through profit or loss (FVPL)	4 287	4 506
Derivative financial instruments		
Used for hedging	-	-
Held for trading at FVPL	-	7 478
<b>Total</b>	<b>692 104</b>	<b>634 362</b>

### FINANCIAL LIABILITIES

AMOUNTS IN NOK THOUSANDS	30.09.2020	30.09.2019
Liabilities at amortised cost		
Trade and other payables *	682 014	830 711
Borrowings	5 973 497	4 312 629
Lease liabilities **	104 119	56 030
Derivative financial instruments		
Used for hedging	-	-
Held for trading at FVPL	15 377	427
<b>Total</b>	<b>6 775 007</b>	<b>5 199 797</b>

\*Excluding non-financial liabilities.

\*\*See note 13.

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

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Classification of financial assets at fair value through profit or loss

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

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



Financial assets mandatorily measured at FVPL include the following:

AMOUNTS IN NOK THOUSANDS	30.09.2020	30.09.2019
<b>Non-current assets</b>		
Unlisted equity securities	855	855
Equity contribution for pension plan membership	3 432	3 651
<b>Total non-current assets</b>	<b>4 287</b>	<b>4 506</b>
<b>Total</b>	<b>4 287</b>	<b>4 506</b>

## RECOGNISED FAIR VALUE MEASUREMENTS

### (i) Fair value hierarchy

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

RECURRING FAIR VALUE MEASUREMENTS AT 30.09.2020	Level 1 NOK'000	Level 2 NOK'000	Level 3 NOK'000	Total NOK'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (FVPL)				
Unlisted equity securities	-	-	855	855
Equity contribution for pension plan membership	-	-	3 432	3 432
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>4 287</b>	<b>4 287</b>
<b>Financial liabilities</b>				
Derivative financial instruments				
Held for trading	-	15 377	-	15 377
<b>Total financial liabilities</b>	<b>-</b>	<b>15 377</b>	<b>-</b>	<b>15 377</b>

RECURRING FAIR VALUE MEASUREMENTS AT 30.09.2019	Level 1 NOK'000	Level 2 NOK'000	Level 3 NOK'000	Total NOK'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (FVPL)				
Unlisted equity securities	-	-	855	855
Equity contribution for pension plan membership	-	-	3 651	3 651
Derivative financial instruments				
Held for trading	-	7 478	-	7 478
<b>Total financial assets</b>	<b>-</b>	<b>7 478</b>	<b>4 506</b>	<b>11 984</b>
<b>Financial liabilities</b>				
Derivative financial instruments				
Held for trading	-	427	-	427
<b>Total financial liabilities</b>	<b>-</b>	<b>427</b>	<b>-</b>	<b>427</b>

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

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

#### (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, where the fair values have been determined based on present values.

#### **FIXED-PRICE CONTRACTS FOR PURCHASE OF ELECTRICITY**

The Group has entered into fixed-price contracts for purchase of electricity for its own production (ferry operations). The contracts have a duration of 10 years and covers approximately 70% of the Groups yearly estimated consumption. The contracts are considered an exemption from the scope of the standard (“own use”) and have therefore not been recognised as assets/liabilities in the condensed consolidated financial statements.

For fixed-price contracts with a settlement in foreign currency, the embedded derivatives has been recognised in accordance with IFRS 9 and is measured at fair value in the condensed consolidated financial statements. As at 30.09.2020 the fair value of the embedded derivatives was NOK (12.9) million. The Group recognised a loss of NOK (1.5) million relating to the embedded derivatives in the third quarter of 2020.

### NOTE 3 SEGMENT INFORMATION

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

The Group has four reportable segments:

- Ferry
- Passenger boat
- Catering
- Tourism

No operating segments have been aggregated to form the above reportable segments. Financing (including finance costs, finance income and profit or loss from the interest in Widerøe) and income taxes are managed on a group basis and are not allocated to operating segments.

#### THIRD QUARTER 2020

NOK IN THOUSANDS	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
<b>Revenue</b>							
External customers	715 121	30 930	35 513	4 115	785 678	3 520	789 198
<b>Total revenue</b>	<b>715 121</b>	<b>30 930</b>	<b>35 513</b>	<b>4 115</b>	<b>785 678</b>	<b>3 520</b>	<b>789 198</b>
<b>Expenses</b>							
Operating expenses excluding depreciation and impairment	(400 684)	(15 378)	(24 784)	(4 520)	(445 366)	(1 254)	(446 620)
Share of profit from associates	-	2 169	-	(7 204)	(5 035)	-	(5 035)
<b>EBITDA</b>	<b>314 436</b>	<b>17 720</b>	<b>10 729</b>	<b>(7 609)</b>	<b>335 277</b>	<b>2 266</b>	<b>337 544</b>
Depreciation	(119 082)	(13 415)	(809)	(552)	(133 858)	0	(133 860)
Impairment	(9 709)	-	-	-	(9 709)	-	(9 709)
<b>Segment profit</b>	<b>185 645</b>	<b>4 305</b>	<b>9 920</b>	<b>(8 160)</b>	<b>191 710</b>	<b>2 266</b>	<b>193 975</b>

#### YTD 2020

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
<b>Revenue</b>							
External customers	2 105 694	90 507	68 215	18 588	2 283 003	8 920	2 291 923
<b>Total revenue</b>	<b>2 105 694</b>	<b>90 507</b>	<b>68 215</b>	<b>18 588</b>	<b>2 283 003</b>	<b>8 920</b>	<b>2 291 923</b>
<b>Expenses</b>							
Operating expenses excluding depreciation and impairment	(1 372 452)	(47 918)	(57 651)	(18 404)	(1 496 425)	(1 951)	(1 498 375)
Share of profit from associates	-	5 013	-	(22 470)	(17 457)	-	(17 456)
<b>EBITDA</b>	<b>733 241</b>	<b>47 601</b>	<b>10 564</b>	<b>(22 286)</b>	<b>769 121</b>	<b>6 969</b>	<b>776 092</b>
Depreciation	(343 459)	(39 871)	(2 231)	(1 032)	(386 593)	(839)	(387 432)
Impairment	(9 709)	-	-	-	(9 709)	-	(9 709)
<b>Segment profit</b>	<b>380 073</b>	<b>7 730</b>	<b>8 333</b>	<b>(23 317)</b>	<b>372 819</b>	<b>6 130</b>	<b>378 951</b>

### THIRD QUARTER 2019

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
<b>Revenue</b>							
External customers	626 809	29 076	41 716	5 040	702 641	2 855	705 495
<b>Total revenue</b>	<b>626 809</b>	<b>29 076</b>	<b>41 716</b>	<b>5 040</b>	<b>702 641</b>	<b>2 855</b>	<b>705 495</b>
<b>Expenses</b>							
Operating expenses excluding depreciation and impairment	(391 010)	(18 544)	(32 602)	(2 669)	(444 825)	(297)	(445 122)
Share of profit from associates	-	(645)	-	18 125	17 480	-	17 480
<b>EBITDA</b>	<b>235 799</b>	<b>9 887</b>	<b>9 114</b>	<b>20 496</b>	<b>275 296</b>	<b>2 558</b>	<b>277 853</b>
Depreciation	(98 961)	(9 544)	(972)	(435)	(109 912)	(426)	(110 339)
Impairment	14 421	-	-	-	14 421	-	14 421
<b>Segment profit</b>	<b>151 259</b>	<b>343</b>	<b>8 142</b>	<b>20 061</b>	<b>179 805</b>	<b>2 132</b>	<b>181 935</b>

### YTD 2019

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
<b>Revenue</b>							
External customers	1 818 110	85 550	104 576	15 675	2 023 911	10 479	2 034 390
<b>Total revenue</b>	<b>1 818 110</b>	<b>85 550</b>	<b>104 576</b>	<b>15 675</b>	<b>2 023 911</b>	<b>10 479</b>	<b>2 034 390</b>
<b>Expenses</b>							
Operating expenses excluding depreciation and impairment	(1 225 520)	(58 061)	(93 655)	(13 698)	(1 390 934)	(4 022)	(1 394 956)
Share of profit from associates	-	1 012	-	20 033	21 045	-	21 045
<b>EBITDA</b>	<b>592 590</b>	<b>28 501</b>	<b>10 921</b>	<b>22 010</b>	<b>654 022</b>	<b>6 457</b>	<b>660 479</b>
Depreciation	(285 291)	(28 545)	(2 675)	(1 173)	(317 684)	(1 282)	(318 965)
Impairment	14 421	-	-	-	14 421	-	14 421
<b>Segment profit</b>	<b>321 720</b>	<b>(44)</b>	<b>8 246</b>	<b>20 837</b>	<b>350 759</b>	<b>5 175</b>	<b>355 935</b>

### Reconciliation to Consolidated profit/(loss) for the period

NOK in thousands	Q3 2020	YTD 2020	Q3 2019	YTD 2019
Segment profit	193 975	378 951	181 935	355 935
Share of profit from other associates	9 168	(21 601)	4 500	32 114
Interest income	192	1 783	333	1 460
Interest expense	(49 797)	(170 278)	(37 354)	(101 955)
Other financial items, net	(4 323)	(29 175)	(2 049)	2 268
Income tax (expense)	(32 841)	(35 130)	(32 420)	(57 124)
<b>Group profit</b>	<b>116 373</b>	<b>124 551</b>	<b>114 945</b>	<b>232 698</b>

## NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

In the catering segment, revenue is recognised at a point in time.

### DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods and services over time and at a point in time from the following segments and geographical regions:

	Ferry Norway	Passenger- boats Norway	Catering Norway	Tourism Norway	Corporate and eliminations	Total
<b>THIRD QUARTER 2020</b>						
<b>AMOUNTS IN NOK THOUSANDS</b>						
Revenue from external customers	715 121	30 930	35 513	4 115	3 520	789 198
Timing of revenue recognition						
Over time	715 121	30 930	-	4 115	3 221	753 386
At a point in time	-	-	35 513	-	299	35 812
<b>YTD 2020</b>						
<b>AMOUNTS IN NOK THOUSANDS</b>						
Revenue from external customers	2 105 694	90 507	68 215	18 588	8 920	2 291 923
Timing of revenue recognition						
Over time	2 105 694	90 507	-	18 588	4 869	2 219 657
At a point in time	-	-	68 215	-	4 051	72 266
<b>THIRD QUARTER 2019</b>						
<b>AMOUNTS IN NOK THOUSANDS</b>						
Revenue from external customers	626 809	29 076	41 716	5 040	2 854	705 495
Timing of revenue recognition						
Over time	626 809	29 076	-	-	1 024	656 909
At a point in time	-	-	41 716	5 040	1 830	48 586
<b>YTD 2019</b>						
<b>AMOUNTS IN NOK THOUSANDS</b>						
Revenue from external customers	1 818 110	85 550	104 576	15 675	10 479	2 034 390
Timing of revenue recognition						
Over time	1 818 110	85 550	-	-	3 008	656 909
At a point in time	-	-	104 576	15 675	7 471	48 586

## ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

AMOUNTS IN NOK THOUSANDS	30.09.2020	30.09.2019
<b>Contract liabilities</b>		
<b>Non-current liabilities</b>		
Non-current contract liabilities relating to Ferry and passenger-boat services	162 192	-
<b>Total non-current contract liabilities</b>	<b>162 192</b>	<b>-</b>
<b>Current liabilities</b>		
Current contract liabilities relating to Ferry and passenger-boat services	301 528	88 807
<b>Total current contract liabilities</b>	<b>301 528</b>	<b>88 807</b>
<b>Total contract liabilities</b>	<b>463 720</b>	<b>88 807</b>

All trade receivables are related to IFRS 15 transactions.

## UNSATISFIED PERFORMANCE OBLIGATIONS FROM LONG-TERM FERRY CONTRACTS

The following table shows unsatisfied performance obligations resulting from long-term ferry contracts:

AMOUNTS IN NOK THOUSANDS	2021	2022	2023	2024-2025	2026-2033	Total
Amount of the transaction price allocated to long-term ferry contracts	2 992 618	2 664 791	2 665 752	4 687 570	8 983 968	<b>21 994 698</b>

The amounts do not include options or variable considerations which is constrained.

## NOTE 5 PROPERTY, PLANT AND EQUIPMENT

### THIRD QUARTER 2020

AMOUNTS IN NOK THOUSANDS	Vessels	Periodic maintenance	Vessels under construction	Property	Infrastructure	Infrastructure under construction	Machinery and equipment	Total
Cost price 01.01.2020	8 799 219	444 860	523 739	173 634	35 339	484 371	218 723	10 679 885
Additions	-	61 980	1 037 546	1 001	-	210 604	13 616	1 324 747
Transferred from vessels/infrastructure under construction	1 326 792	40 600	(1 367 392)	-	96 185	(96 185)	-	-
Disposals	(17 673)	(5 173)	-	(1 679)	-	-	(9 274)	(33 799)
<b>Cost price 30.09.2020</b>	<b>10 108 338</b>	<b>542 267</b>	<b>193 892</b>	<b>172 956</b>	<b>131 524</b>	<b>598 790</b>	<b>223 065</b>	<b>11 970 833</b>
Accumulated depreciation 01.01.2020	2 592 606	196 431	-	65 090	1 178	-	178 176	3 033 481
Depreciation for the period	256 685	58 931	-	6 270	8 673	-	8 736	339 295
Disposals	(21 068)	(4 931)	-	(313)	-	-	(3 174)	(29 486)
<b>Accumulated depreciation 30.09.2020</b>	<b>2 828 223</b>	<b>250 431</b>	<b>-</b>	<b>71 047</b>	<b>9 851</b>	<b>-</b>	<b>183 738</b>	<b>3 343 290</b>
Accumulated impairment losses 01.01.2020	87 105	-	-	-	-	-	-	87 105
Impairment loss	-	-	-	-	-	-	9 709	9 709
Reversal impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
<b>Accumulated impairment losses 30.09.2020</b>	<b>87 105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 709</b>	<b>96 814</b>
<b>Carrying amount 30.09.2020</b>	<b>7 193 010</b>	<b>291 835</b>	<b>193 892</b>	<b>101 910</b>	<b>121 673</b>	<b>598 790</b>	<b>29 617</b>	<b>8 530 728</b>

### THIRD QUARTER 2019

AMOUNTS IN NOK THOUSANDS	Vessels	Periodic maintenance	Vessels under construction	Property	Infrastructure	Infrastructure under construction	Machinery and equipment	Total
Cost price 01.01.2019	7 395 309	344 489	596 138	173 184	-	203 890	201 586	8 914 596
Additions	721 693	71 354	1 089 403	474	-	203 260	14 826	2 101 010
Transferred from vessels/infrastructure under construction	-	-	(721 152)	-	-	-	-	(721 152)
Disposals	(191 059)	(5 586)	-	-	-	(38 251)	(738)	(235 634)
<b>Cost price 30.09.2019</b>	<b>7 925 943</b>	<b>410 257</b>	<b>964 390</b>	<b>173 659</b>	<b>-</b>	<b>368 899</b>	<b>215 674</b>	<b>10 058 820</b>
Accumulated depreciation 01.01.2019	2 586 291	140 487	-	56 904	-	-	167 716	2 951 398
Depreciation for the period	209 489	50 369	-	6 123	-	-	7 737	273 718
Disposals	(134 342)	(1 998)	-	-	-	-	(667)	(137 007)
<b>Accumulated depreciation 30.09.2019</b>	<b>2 661 438</b>	<b>188 858</b>	<b>-</b>	<b>63 027</b>	<b>-</b>	<b>-</b>	<b>174 786</b>	<b>3 088 109</b>
Accumulated impairment losses 01.01.2019	191 468	-	-	-	-	-	-	191 468
Impairment loss	16 232	-	-	-	-	-	-	16 232
Reversal impairment	(14 421)	-	-	-	-	-	-	(14 421)
Disposals	(5 579)	-	-	-	-	-	-	(5 579)
<b>Accumulated impairment losses 30.09.2019</b>	<b>187 700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187 700</b>
<b>Carrying amount 30.09.2019</b>	<b>5 076 806</b>	<b>221 399</b>	<b>964 390</b>	<b>110 632</b>	<b>-</b>	<b>368 899</b>	<b>40 888</b>	<b>6 783 010</b>
Useful life	10-40 years	5 years		0-33 years	10-15 years		3-10 years	
Depreciation method	Straight line	Straight line		Straight line	Straight line		Straight line	

## ADDITIONS

Additions for the period are net of government-funded NO<sub>x</sub> compensation for the new vessels.

In the first quarter of 2020, MF "Florøy" was delivered from Sefine and MF "Grip" from Cemre in January. In addition, MF "Bømlafjord" was delivered from Havyard Ship Technology AS in February and MF "Smøla" in March. MF "Sildafjord" was delivered from Sefine in March.

In the second quarter of 2020, MF "Møringen" was delivered from Havyard Ship Technology AS in June.

In the third quarter of 2020, MF "Stangvikfjord" was delivered from Havyard Ship Technology AS in August.

## DISPOSALS

In the first quarter of 2020, MF "Goma" was sold in February. In addition, the vessel MF "Ørsta" was sold in March.

In the third quarter of 2020 the Group sold the property Smedsplassen 19, 6940 Eikefjord.



## IMPAIRMENT

In the third quarter of 2020 the Group has identified impairment indicators for the Group's ticketing equipment. The transition to AutoPass has reduced the need for manual ticketing and as a result the Group recognised NOK (9.7) million in impairment related to obsolete equipment.

## HELD FOR SALE

The vessel MF "Fanafjord" is held for sale as at 30.09.2020.

## NOTE 6 COMMITMENTS

### CAPITAL COMMITMENTS

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

AMOUNTS IN NOK THOUSANDS	2020	2021	After 2021	Total
Newbuildings and conversions	72 165	209 126	-	281 291
Quay structures/land investments	145 121	116 624	132 239	393 983
<b>Total</b>	<b>217 286</b>	<b>325 750</b>	<b>132 239</b>	<b>675 274</b>

### REPAIRS AND MAINTENANCE

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

## NOTE 7 EARNINGS PER SHARE

The basic and diluted earnings per share are the same, as there are no convertible bond loan or stock option plans. Earnings per share is calculated as net result allocated to shareholders for the year divided by the weighted average number of outstanding shares.

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Profit/(loss) attributable to equity holders of the company	116 196 472	114 787 054	124 064 929	232 201 103	208 606 653
Weighted average number of ordinary shares in issue	99 909 598	100 000 000	99 909 598	100 000 000	99 916 397
<b>Earnings per share in NOK</b>	<b>1,16</b>	<b>1,15</b>	<b>1,24</b>	<b>2,32</b>	<b>2,09</b>

## NOTE 8 BORROWINGS

AMOUNTS IN NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
Non-current bank loan	3 859 488	1 985 844	3 237 832
Non-current bond loan	1 001 071	1 000 000	1 000 000
Capitalised arrangement fee	(46 212)	(45 977)	(58 442)
Current bank loan	1 159 149	1 372 761	1 196 796
<b>Total</b>	<b>5 973 497</b>	<b>4 312 628</b>	<b>5 376 187</b>

Movements in borrowings are analysed as follows:

### NINE MONTHS ENDED 30 SEPTEMBER 2020

#### AMOUNTS IN NOK THOUSANDS

Opening amount as at 1 January 2020	5 376 187
New bank loan raised	1 211 577
Arrangement fee	12 229
Repayments of borrowings	(626 497)
<b>Closing amount as at 30 September 2020</b>	<b>5 973 497</b>

### NINE MONTHS ENDED 30 SEPTEMBER 2019

#### AMOUNTS IN NOK THOUSANDS

Opening amount as at 1 January 2019	2 790 992
New bank loan raised	1 728 913
Arrangement fee	5 031
Repayments of borrowings	(212 307)
<b>Closing amount as at 30 September 2019</b>	<b>4 312 628</b>

Bank loans are secured by first mortgages over the Group's vessels. Booked value of the vessels is pledged as security.

The Group issued a bond loan with a nominal amount of NOK 1.000 million at 22 November 2017. The bond was listed at Oslo Stock Exchange in Q2 2018.

The bond loan pays a floating interest coupon consisting of NIBOR 3 months plus 3.5 percent and matures in November 2022. In June 2020, the equity ratio requirement of 22.5% was extended for a period to and including 30 June 2021 through an amendment to the Bond terms. Additionally, under the amended Bond terms, the bond loan will mature at a price equal to 101 per cent of the nominal amount.

The Group has in February 2018 and in 2019 secured a NOK 6.395 million loan facility with DNB and Nordea, of which a total amount of NOK 6.077 million has been utilised, including guarantees.

## FINANCIAL COVENANTS

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

- Adjusted\* leverage (NIBD/EBITDA) at maximum 5.00
- Equity ratio above 22.5%
- Contracted volume (NIBD/contracted income)

\*The loan agreements include a grace period for measurement of the adjusted leverage covenants such that borrowings incurred in relation to investments in new contracts will not be included in the adjusted leverage measurement until after the start of the respective contracts. After start of a contract, borrowings are included with an increasing percentage over the next four quarters after start of the specific contract.

The bond loan agreement includes the following financial covenants:

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

## NOTE 9 INCOME TAX

Interim income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

AMOUNTS IN NOK THOUSANDS	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Profit before tax	149 214	147 365	159 680	289 822	252 965
Tax expense	(32 841)	(32 420)	(35 130)	(57 124)	(43 861)
Average tax rate	22,0 %	22,0 %	22,0 %	19,7 %	17,3 %
Change in deferred tax liabilities	(32 841)	(32 420)	(35 130)	(57 124)	(62 776)
Change in deferred tax asset	-	-	-	-	18 251
Tax payable	-	-	-	-	664
<b>Tax expense in statement of profit or loss</b>	<b>(32 841)</b>	<b>(32 420)</b>	<b>(35 130)</b>	<b>(57 124)</b>	<b>(43 861)</b>

## NOTE 10 OTHER FINANCIAL ITEMS, NET

AMOUNTS IN NOK THOUSANDS	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Change in fair value derivatives	(1 032)	1 913	(7 274)	(14 052)	(29 207)
Gains/(losses) on realisation of investments in shares	-	-	-	31 103	31 103
Currency exchange gains	30	1 582	1 901	1 654	2 914
Currency exchange losses	(331)	(56)	(1 204)	(144)	(520)
Fee and contingency commission for bank- and bond loans	(2 990)	(5 702)	(22 599)	(16 057)	(8 370)
Other financial income	-	288	-	358	908
Other financial expenses	-	(75)	-	(595)	(1 052)
<b>Total other financial items, net</b>	<b>(4 323)</b>	<b>(2 049)</b>	<b>(29 175)</b>	<b>2 268</b>	<b>(4 223)</b>

## **NOTE 11** CONTINGENCIES

### **REBATE COMPENSATION**

Fjord1 ASA is entitled to compensation for loss of transport revenue as a consequence of the client changing the conditions for the discount structure and fare zones beyond what was set out in the tender. Since 2010, no final settlement by the client has been made for some contracts. Payments from the client since 2010 have been made subject to conditions. The choice of model used for calculation of compensation, may affect the final level of compensation. As a result, the Group may receive additional compensation or may receive a claim on paid out preliminary compensation.

The following variable consideration has been recognised:

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

As at 30.09.2020 the Group has receivables relating to the variable consideration of NOK 78.22 million. The Group is currently negotiating the final settlement of compensation for the period 2014-2019. The variable consideration recognised has been determined based on what the Group considers to be the most likely amount of revenue, and thus the final outcome of the negotiations with the client may result in a compensation that differ from what the Group has recognised as variable consideration.

## NOTE 12 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

### REVENUE FROM RELATED PARTIES

AMOUNTS IN NOK THOUSANDS			YTD		YTD	Full year
Related party	Relation	Q3 2020	2020	Q3 2019	2019	2019
The Fjords DA	Associate	7 877	15 901	10 826	22 482	27 614
The Fjords Fartøy I DA	Associate	-	-	-	175	280
The Fjords Fartøy II DA	Associate	-	-	-	-	-
The Fjords Fartøy III DA	Associate	152	304	-	-	-
Fjord Tours Group AS	Jointly controlled	-	-	-	-	4
Havyard Production & Service sp.z.o	Owner	-	-	-	2	2
Havyard MMC AS	Owner	-	-	-	2	2
Havyard Ship Technology AS	Owner	5 123	5 123	408	408	408

### EXPENSES TO RELATED PARTIES

AMOUNTS IN NOK THOUSANDS			YTD		YTD	Full year
Related party	Relation	Q3 2020	2020	Q3 2019	2019	2019
Havyard Ship Technology AS	Owner	(171 828)	(573 817)	(185 478)	(578 328)	(887 100)
New Havyard Ship Technology AS	Owner	(515)	(516)	-	-	-
Havyard Group ASA	Owner	-	-	(3)	(3)	(3)
Havyard Design & Solutions AS	Owner	-	(212)	-	-	-
Norwegian Electric Systems AS	Owner	8 949	(33 266)	12 223	(53 872)	(85 013)
Havila AS	Owner	-	(104)	(5)	(34)	(45)
Havila Holding AS	Owner	33	33	-	(27)	(57)

Expenses related to New Havyard Ship Technology AS, Havyard Ship Technology AS and Norwegian Electric Systems AS are mainly related to investing in the construction of new vessels.

### RECEIVABLES/(LIABILITIES) TO RELATED PARTIES

AMOUNTS IN NOK THOUSANDS			30.09.2020	30.09.2019
Related party	Relation			
The Fjords DA	Associate		4 760	4 363
The Fjords Fartøy III DA	Associate		-	95
Havyard Ship Technology AS	Owner		5 123	32
Norwegian Electric Systems AS	Owner		(32)	(7 750)
Havyard Production & Service sp.z.o	Owner		30	-

**NOTE 13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES****AMOUNTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The condensed consolidated statement of financial position shows the following amounts relating to leases:

**RIGHT-OF-USE ASSETS**

AMOUNTS IN NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
<b>Right of use assets</b>			
Buildings	12 105	6 067	5 695
Machinery and equipment	2 852	445	422
Vessels	87 537	49 105	34 237
<b>Total Right of use assets</b>	<b>102 493</b>	<b>55 617</b>	<b>40 354</b>

**LEASE LIABILITIES**

AMOUNTS IN NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
<b>Lease liabilities</b>			
Current	64 105	44 431	31 490
Non-Current	40 013	11 599	9 050
<b>Total lease liabilities</b>	<b>104 119</b>	<b>56 030</b>	<b>40 540</b>

Additions to the right-of-use assets in the third quarter of 2020 were NOK 4.27 million.

**AMOUNTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

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

AMOUNTS IN NOK THOUSANDS	Q3 2020	Q3 2019	Full year 2019
<b>Depreciation charge of right-of-use assets</b>			
Buildings	2 150	2 345	2 810
Machinery and equipment	672	296	507
Vessels	44 471	42 584	60 853
<b>Total Depreciation charge of right-of-use assets</b>	<b>47 293</b>	<b>45 225</b>	<b>64 170</b>
Interest expense	1 904	1 331	1 648
Expenses relating to short-term leases	1 404	291	480
Expenses relating to leases of low-value	1 258	933	1 252
Expenses relating to variable lease payments not included in lease liabilities	-	1 030	1 234

The total cash outflow for leases in the second quarter of 2020 were NOK 16.17 million.

**THE GROUPS' LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR**

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

## **VARIABLE LEASE PAYMENTS**

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

## **EXTENSION AND TERMINATION OPTIONS**

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

## **RESIDUAL VALUE GUARANTEES**

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



## **NOTE 14** INTERESTS IN OTHER ENTITIES

### **THE FJORDS DA**

A capital increase was performed in the jointly controlled entity in May 2020 where Fjord1 ASA paid NOK 5 million corresponding to its 50 % share of the company. An additional capital increase of NOK 5 million corresponding to Fjord1 ASA's share was performed in July 2020.

### **FJORD TOURS GROUP AS**

Fjord Tours Group AS (previously Vy Fjord1 Reiseliv AS) is recognised as a jointly controlled entity and is owned 50% by Fjord1 ASA. Fjord Tours operates in tourism, with a focus on public transport-based round trips and a customer base that historically mainly has consisted of international tourists. It is therefore expected that the effects of the covid-19 pandemic will have a significant impact on the company's earnings from 2020 and for a period until the market has normalised. As a result, an impairment assessment has been performed in connection with the presentation of the financial statement for Q1-Q3.

The assessment is based on a "base case" forecast for the years ahead and reflects the current situation and the expectations of future normalisation of the market and cash flows. Fjord Tours Group has used a weighted average cost of capital (WACC) of 12.1% and based on the performed calculations an impairment of NOK 20 million (Fjord1 ASA's share) has been identified. An increase of the WACC of 0.5% would result in an increased impairment of NOK 5 million and a reduction of 0.5% would result in a decreased impairment of NOK 5 million, given that the other assumptions in the calculation are kept unchanged.

## NOTE 15 SHARE CAPITAL AND SHAREHOLDERS

Larges shareholders as at 30.09.2020:

Shareholder	Number of shares	Voting rights	Nominal value per share	Total nominal value
HAVILAFJORD AS	55 476 516	55,5 %	2,50	138 691 290
HAVILAFJORD HOLDING 2 AS	18 459 849	18,5 %	2,50	46 149 623
HAVILAFJORD HOLDING AS	11 023 484	11,0 %	2,50	27 558 710
Citibank, N.A.	3 850 000	3,9 %	2,50	9 625 000
DZ PRIVATBANK S.A.	2 908 602	2,9 %	2,50	7 271 505
Brown Brothers Harriman & Co.	1 100 475	1,1 %	2,50	2 751 188
CLEARSTREAM BANKING S.A.	1 059 220	1,1 %	2,50	2 648 050
Pictet & Cie (Europe) S.A.	650 000	0,7 %	2,50	1 625 000
Skandinaviska Enskilda Banken AB	472 264	0,5 %	2,50	1 180 660
Citibank, N.A.	417 325	0,4 %	2,50	1 043 313
GH HOLDING AS	357 143	0,4 %	2,50	892 858
HVALSUND MILJØLANDBRUK AS	289 218	0,3 %	2,50	723 045
AMG RENAISSANCE INTL EQ FD	215 000	0,2 %	2,50	537 500
Euroclear Bank S.A./N.V.	200 000	0,2 %	2,50	500 000
VERDIPAPIRFONDET STOREBRAND	171 891	0,2 %	2,50	429 728
Banque de Luxembourg S.A.	167 500	0,2 %	2,50	418 750
Bank Julius Bär & Co. AG	160 090	0,2 %	2,50	400 225
KLP AKSJENORGE INDEKS	148 253	0,1 %	2,50	370 633
SIX SIS AG	101 312	0,1 %	2,50	253 280
FJORD1 ASA	90 402	0,0 %	2,50	226 005
<b>Total owned by top 20</b>	<b>97 318 544</b>	<b>97,2 %</b>	<b>2,50</b>	<b>243 296 360</b>
Other	2 681 456	2,8 %	2,50	6 703 640
<b>Total number of shares</b>	<b>100 000 000</b>	<b>100,0 %</b>	<b>2,50</b>	<b>250 000 000</b>