



Fjord1 ASA

Condensed interim financial statements

Q4 2017



Condensed consolidated statement of profit or loss

Unaudited

<i>Amounts in NOK thousands</i>	Note	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Revenue	3,12	162 396	241 287	851 192	1 223 970
Other income	3	497 334	309 508	1 942 943	1 162 442
Total revenue		659 730	550 795	2 794 136	2 386 412
Cost of sales	3	(78 448)	(100 238)	(433 547)	(378 407)
Personnel expenses	3	(237 997)	(220 312)	(946 354)	(884 835)
Other operating expenses	3	(113 120)	(73 270)	(449 621)	(402 583)
Total operating expenses		(429 564)	(393 820)	(1 829 523)	(1 665 825)
Share of profit/(loss) from joint ventures	3	4 175	(2 697)	20 641	9 055
Operating profit before depreciation and impairment (EBITDA)		234 340	154 278	985 254	729 642
Depreciation	4	(60 984)	(61 634)	(252 652)	(240 085)
Impairment	4	-	78 582	-	78 582
Total depreciation and impairment		(60 984)	16 948	(252 652)	(161 503)
Operating profit (EBIT)		173 356	171 226	732 602	568 139
Share of profit/(loss) from other joint ventures		19 649	28 752	41 100	72 540
Interest income		1 310	-	4 692	5 692
Interest expense		(25 891)	(26 961)	(82 865)	(105 484)
Other financial items, net	10	7 439	30 250	18 135	57 737
Net financial income / (expenses)		2 508	32 041	(18 937)	30 485
Profit/(loss) before tax		175 864	203 267	713 665	598 624
Income tax (expense) / income	9	(42 700)	(49 674)	(171 772)	(148 502)
Profit/(loss) for the period		133 164	153 593	541 892	450 122
<i>Attributable to:</i>					
Parent company owners		133 136	153 574	541 408	449 972
Non-controlling interest		28	19	484	150
Basic earnings per share (NOK)	6	1,33	1,54	5,42	4,50
Diluted earnings per share (NOK)	6	1,33	1,54	5,42	4,50

Condensed consolidated statement of financial position

Unaudited

<i>Amounts in NOK thousands</i>	Note	31.12.17	31.12.2016
Assets			
Non current assets			
Deferred tax assets	9	14 358	21 328
Ships	4	4 070 736	3 692 555
Other tangible fixed assets	4	110 651	102 312
Investments in joint ventures and associates	7	409 777	361 709
Other non-current financial assets	2	6 205	8 284
Total non-current assets		4 611 726	4 186 188
Current assets			
Inventories		16 508	14 690
Trade receivables	2	86 099	78 660
Other current receivables	2	62 499	35 888
Cash and cash equivalents	2	474 294	553 993
Total current assets		639 400	683 231
Total assets		5 251 125	4 869 419
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		250 000	250 000
Share premium		360 924	360 924
Retained earnings		1 426 000	1 108 299
Total equity attributable to owners of the parent		2 036 924	1 719 223
Non-controlling interests		4 166	3 881
Total equity		2 041 090	1 723 104
Non-current liabilities			
Borrowings	8,2	1 687 692	155 000
Derivative financial instruments	2	12 147	42 403
Net employee defined benefit liabilities		23 671	14 605
Deferred tax liabilities	9	474 053	382 276
Total non-current liabilities		2 197 563	594 284
Current liabilities			
Borrowings	8,2	130 285	1 800 511
Derivative financial instruments	2	26 607	22 775
Trade and other payables	2	164 895	110 075
Current income tax liabilities	9	40 055	2 675
Social security and other taxes		93 896	90 269
Other current liabilities	2	556 734	525 726
Total current liabilities		1 012 472	2 552 031
Total liabilities		3 210 035	3 146 315
Total equity and liabilities		5 251 125	4 869 419

Condensed consolidated statement of comprehensive income

Unaudited

<i>Amounts in NOK thousands</i>	Note	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Profit/(loss) for the period		133 164	153 593	541 892	450 122
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Share of other comprehensive income of associates accounted for using the equity method		-	1 363	-	1 363
Actuarial gain/(loss) on post employment benefit obligations		(4 425)	9 633	(4 745)	12 632
Total		(4 425)	10 996	(4 745)	13 995
Total other comprehensive income for the year, net of tax		(4 425)	10 996	(4 745)	13 995
Total comprehensive income for the period		128 739	164 589	537 148	464 116
<i>Attributable to:</i>					
Parent company owners		128 711	164 570	536 663	463 966
Non-controlling interest		28	19	484	150

Condensed consolidated statement of changes in equity

Unaudited

<i>Amounts in NOK thousands</i>	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 01.01.2016	250 000	360 924	694 332	1 305 256	3 731	1 308 987
Profit/(loss) for the period	-	-	449 972	449 972	150	450 122
Other comprehensive income for the period	-	-	13 995	13 995	-	13 995
Total comprehensive income for the period	-	-	463 966	463 966	150	464 116
Dividends paid	-	-	(50 000)	(50 000)	-	(50 000)
Transactions with owners	-	-	(50 000)	(50 000)	-	(50 000)
Balance at 31.12.2016	250 000	360 924	1 108 299	1 719 223	3 881	1 723 104
Balance at 01.01.2017	250 000	360 924	1 108 299	1 719 223	3 881	1 723 104
Adjustment for error in earlier periods	-	-	-	31 036	-	31 036
Profit/(loss) for the period	-	-	541 408	541 408	484	541 892
Other comprehensive income for the period	-	-	(4 745)	(4 745)	-	(4 745)
Total comprehensive income for the period	-	-	536 663	536 663	484	537 148
Equity contribution from owners	-	-	-	-	-	-
Dividends paid	-	-	(250 000)	(250 000)	-	(250 000)
Other contributions to owners	-	-	-	-	(199)	(199)
Transactions with owners	-	-	(250 000)	(250 000)	(199)	(250 199)
Balance at 31.12.2017	250 000	360 924	1 394 962	2 036 922	4 166	2 041 090

Condensed consolidated statement of cash flows

Unaudited

Amounts in NOK thousands	Note	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Operating activities					
Profit before tax		175 864	203 266	713 664	598 624
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>					
Depreciation and impairment	4	60 984	(16 948)	252 652	161 503
Interest expense, net		16 466	23 519	62 219	99 792
Change in fair value of financial instruments	2	(9 213)	(23 175)	(26 424)	(53 433)
Non-cash post-employment benefit expense		8 075	16 346	2 552	(1 885)
Gain on disposal of property, plant and equipment		-	(1 573)	(4 713)	(11 224)
Share of profit from associates and joint ventures		(23 824)	(26 055)	(61 741)	(81 595)
<i>Working capital adjustments:</i>					
Trade receivables	2	21 637	(3 539)	(7 439)	(6 955)
Inventories		(1 791)	(2 037)	(1 818)	(1 641)
Trade payables	2	25 381	30 090	54 820	15 308
Other accruals		(112 485)	(2 087)	9 784	24 153
Cash generated from operations		161 094	197 808	993 556	742 648
Interest paid, net		(18 452)	(23 519)	(64 205)	(99 792)
Income tax paid		(2 392)	(235)	(2 672)	(301)
Net cash from operating activities		140 250	174 053	926 679	642 554
Investing activities					
Purchases of property, plant and equipment	4	(299 690)	(159 732)	(738 174)	(379 654)
Purchase of shares incl. joint ventures		(11 829)	(2 400)	(16 160)	(2 400)
Proceeds from dividends from associates		-	24 404	25 503	24 404
Proceeds from sale of property, plant and equipment		2 999	3 309	103 566	83 503
Net proceeds/(investments) from other non-current financial assets		2 230	(67)	6 598	-
Proceeds from non-current receivables		(293)	(3 620)	(178)	-
Net cash used in investing activities		(306 582)	(138 106)	(618 845)	(274 147)
Financing activities					
Proceeds from borrowings	8	985 250	67 000	985 250	133 000
Repayment of borrowings	8	(930 804)	(53 479)	(1 122 783)	(255 930)
Dividends		-	-	(250 000)	(50 000)
Proceeds from other non-current liabilities		-	(478)	-	-
Net cash used in financing activities		54 446	13 043	(387 533)	(172 930)
Net change in cash and cash equivalents		(111 886)	48 991	(79 699)	195 477
Cash and cash equivalents at start of period		586 180	505 002	553 993	358 516
Cash and cash equivalents at end of period		474 294	553 993	474 294	553 993

Note 1 Accounting Principles

General information

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

Fjord1 ASA is incorporated and domiciled in Norway. 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 27 February 2018.

These condensed interim financial statements have been 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 2016, 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 2016, except for income taxes and post-employment benefits.

Income tax expense and deferred income tax liability is calculated by applying a weighted average of tax rates across jurisdictions, while in annual financial statements income tax expense and deferred income tax liability is calculated by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction.

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. Thus, they should be read in conjunction with the Group's annual financial statements of 2016. There are no material changes compared to the description in the year-end financial statements.

Financial assets

	Assets at FVOCI	Assets at FVPL	Assets at amortised cost	Total
Fourth quarter 2017				
Trade and other receivables			148 598	148 598
Available-for-sale financial assets	5 694			5 694
Employee loans			192	192
Other non-current receivables			319	319
Cash and cash equivalents			474 294	474 294
Total	5 694	-	623 403	629 096

	Assets at FVOCI	Assets at FVPL	Assets at amortised cost	Total
Fourth quarter 2016				
Trade and other receivables			114 548	114 548
Available-for-sale financial assets	7 653			7 653
Employee loans			467	467
Other non-current receivables			164	164
Cash and cash equivalents			553 993	553 993
Total	7 653	-	669 172	676 825

Financial liabilities

	Derivatives at FVPL	Liabilities at amortised cost	Total
Fourth quarter 2017			
Derivative financial instruments	38 754		38 754
Borrowings		1 817 977	1 817 977
Trade and other payables		721 629	721 629
Total	38 754	2 539 606	2 578 361

	Derivatives at FVPL	Liabilities at amortised cost	Total
Fourth quarter 2016			
Derivative financial instruments	65 178		65 178
Borrowings		1 955 511	1 955 511
Trade and other payables		635 801	635 801
Total	65 178	2 591 312	2 656 490

Available for sale financial assets

Available for sale financial assets include the following classes of financial assets:

	Q4 2017	Q4 2016
Unlisted equity securities	1 191	3 522
Equity contribution pension plan membership	4 503	4 131
Total	5 694	7 653

Recurring fair value measurements At 31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale financial assets			5 694	5 694
Financial liabilities				
Trading derivatives		38 754		38 754
Recurring fair value measurements At 31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale financial assets			7 653	7 653
Financial liabilities				
Trading derivatives		65 178		65 178

Note 3 Segment information

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

The Group has four reportable segments:

- Ferry
- Passengerboat
- Catering
- Tourism

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

Fourth quarter 2017

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Revenue							
External customers	625 722	21 197	42 125	1 351	690 395	(30 664)	659 730
Inter-segment					-		-
Total revenue	625 722	21 197	42 125	1 351	690 395	(30 664)	659 730
Expenses							
Operating expenses	(396 979)	(24 747)	(38 677)	(416)	(460 819)	31 255	(429 565)
Share of profit from associates	-	1 364	-	2 097	3 461	713	4 174
EBITDA	228 743	(2 187)	3 448	3 032	233 036	1 304	234 340
Depreciation	(58 888)	(979)	(907)	(33)	(60 807)	(177)	(60 984)
Segment profit	169 855	(3 166)	2 541	2 999	172 229	1 127	173 355

Full year 2017

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Revenue							
External customers	2 474 827	95 356	188 536	20 062	2 778 781	15 356	2 794 136
Total revenue	2 474 827	95 356	188 536	20 062	2 778 781	15 356	2 794 136
Expenses							
Operating expenses	(1 551 564)	(95 506)	(152 326)	(19 226)	(1 818 622)	(10 900)	(1 829 523)
Share of profit from associates	-	2 359	-	17 569	19 928	713	20 641
EBITDA	923 263	2 208	36 210	18 405	980 086	5 169	985 254
Depreciation	(241 965)	(5 214)	(3 444)	(299)	(250 922)	(1 730)	(252 652)
Segment profit	681 298	(3 006)	32 766	18 106	729 164	3 439	732 601

Fourth quarter 2016

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Revenue							
External customers	505 174	24 940	43 625	4 164	577 903	(22 609)	555 294
Inter-segment							-
Total revenue	505 174	24 940	43 625	4 164	577 903	(22 609)	555 294
Expenses							
Operating expenses	(402 187)	(24 819)	(33 751)	(3 691)	(464 448)	68 586	(491 001)
Share of profit from associates	-	1 077	-	(3 771)	(2 694)	-	(2 694)
EBITDA	102 987	1 198	9 874	(3 298)	110 761	45 977	61 599
Depreciation	(52 472)	(1 499)	(857)	(3)	(54 830)	(447)	(55 277)
Segment profit	50 515	(301)	9 017	(3 301)	55 931	45 530	6 322

Full year 2016

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Revenue							
External customers	2 062 497	100 518	187 982	21 437	2 372 434	18 477	2 390 911
Total revenue	2 062 497	100 518	187 982	21 437	2 372 434	18 477	2 390 911
Expenses							
Operating expenses	(1 444 046)	(93 715)	(149 297)	(16 912)	(1 703 970)	36 103	(1 667 867)
Share of profit from associates		2 622		6 435	9 057	-	9 057
EBITDA	618 451	9 425	38 685	10 960	677 521	54 580	732 101
Depreciation	(228 785)	(5 681)	(3 442)	(101)	(238 009)	(2 077)	(240 086)
Segment profit	389 666	3 744	35 243	10 859	439 512	52 503	492 015

	Q4 2017	Full year 2017	Q4 2016	Full year 2016
Reconciliation to Consolidated profit/(loss) for the period				
Segment profit	173 355	732 601	95 101	492 015
Share of profit from other associates	19 649	41 100	28 751	72 540
GAAP differences			(3 737)	(3 737)
Impairment			78 582	78 582
Interest income	1 310	4 692	(890)	5 692
Interest expense	(25 891)	(72 824)	(26 071)	(105 484)
Other financial items, net	7 439	8 094	31 529	59 016
Income tax (expense)	(42 700)	(171 772)	(49 674)	(148 502)
Group profit	133 163	541 892	153 592	450 122

Note 4 Property, plant and equipment

	Vessels	Periodic maintenance	Vessels under construction	Property	Machinery and equipment	Total
Fourth quarter 2017						
Cost price 01.01.2017	5 935 660	204 880	117 700	128 634	174 537	6 561 411
Additions	104 916	53 564	561 939	7 278	12 575	740 272
Disposals	-141 439	-47 457	-	-	-817	-189 713
Cost price 31.12.2017	5 899 137	210 987	679 639	135 912	186 295	7 111 970
Accumulated depreciation 01.01.2017	2 268 887	101 060	-	46 377	154 482	2 570 806
Depreciation for the period	201 753	39 406	-	3 832	7 661	252 652
Disposals	-37 115	-46 992	-	-	-796	-84 903
Accumulated depreciation 31.12.2017	2 433 526	93 473	-	50 209	161 347	2 738 555
Accumulated impairment losses 01.01.2017	195 738	-	-	-	-	195 738
Impairment loss	-	-	-	-	-	-
Reversal impairment	-	-	-	-	-	-
Disposals	-3 709	-	-	-	-	-3 709
Accumulated impairment losses 31.12.2017	192 029	-	-	-	-	192 029
Carrying amount 31.12.2017	3 273 582	117 514	679 639	85 703	24 948	4 181 386

	Vessels	Periodic maintenance	Vessels under construction	Property	Machinery and equipment	Total
Fourth quarter 2016						
Cost price 01.01.2016	5 865 488	200 476	47 705	128 349	169 890	6 411 908
Additions	250 100	52 304	69 995	285	4 647	377 331
Disposals	-179 928	-47 902	-	-	-	-227 830
Cost price 31.12.2016	5 935 660	204 878	117 700	128 634	174 537	6 561 408
Accumulated depreciation 01.01.2016	2 189 601	109 555	-	41 889	147 548	2 488 593
Depreciation for the period	189 257	39 406	-	4 488	6 934	240 085
Disposals	-109 970	-47 902	-	-	-	-157 872
Accumulated depreciation 31.12.2016	2 268 888	101 059	-	46 377	154 482	2 570 806
Accumulated impairment losses 01.01.2016	274 320	-	-	-	-	274 320
Impairment loss	-	-	-	-	-	-
Reversal impairment	-78 582	-	-	-	-	-78 582
Accumulated impairment losses 31.12.2016	195 738	-	-	-	-	195 738
Carrying amount 31.12.2016	3 471 034	103 819	117 700	82 257	20 055	3 794 867

<i>Useful life</i>	<i>10-30 years</i>	<i>5 years</i>	<i>0-33 years</i>	<i>3-10 years</i>
<i>Depreciation method</i>	<i>Straight line</i>	<i>Straight line</i>	<i>Straight line</i>	<i>Straight line</i>

Note 5 Commitments

5.1 Capital commitments

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

	2018	2019	After 2019	Total
Newbuildings	1 588 428	1 369 560		2 957 988
Quay structures/land investments	360 642	261 443	-	622 086
Total	1 949 070	1 631 004	-	3 580 074

5.2 Non-cancellable operating leases

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

	Annual rent	Expiry
Vessels/passenger boats	111 629	2020
Other equipment	585	2020
Total	112 214	

5.3 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 6 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. The company was transformed from a private liability company to a public liability company 7 July 2017. As part of this transformation, a share split was performed. The new number of shares is 100 000 000 compared to 100 000 shares outstanding as at 31.12.2016. The new number of shares is used when calculating earnings per share.

	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Profit/(loss) attributable to equity holders of the company	133 135 694	153 573 547	541 407 977	449 972 095
Weighted average number of ordinary shares in issue	100 000 000	100 000 000	100 000 000	100 000 000
Earnings per share	1,33	1,54	5,41	4,50

Note 7 Interests in other entities

The Group has increased its ownership in Geiranger Fjordservice AS in Q4 2017. Fjord1 ASA purchased additional 71 shares in the Company in December 2017 at a price of NOK 440,200. The total number of shares in Geiranger Fjordservice as at 30 December 2017 owned by Fjord1 ASA was 1,160 out of a total of 3,843 shares in the company. Thus, Fjord1 ASA has an ownership share in Geiranger Fjordservice AS of 30,2 % as at 31 December 2017.

Shares in Fjord Tours AS at book value NOK 1,231,250 are reclassified from Other non-current financial assets to Investments in joint ventures and associates. The total number of shares in Fjord Tours AS as at 31 December 2017 owned by Fjord1 ASA was 245 shares out of a total of 800 shares in the company. Fjord1 ASA has an ownership share in Fjord Tours AS of 30,6% as at 31 December 2017.

Note 8 Borrowings

<i>Amounts in NOK thousands</i>	31.12.2017		31.12.2016
Non-current	1 687 692		155 000
Current	130 285		1 800 511
Total	1 817 977	-	1 955 511

Movements in borrowings are analysed as follows:

Twelve months ended 31 Des 2017

Opening amount as at 1 January 2017	1 955 511
New bond loan raised	1 000 000
Arrangement fee	-14 750
Repayments of borrowings	-1 122 783
Closing amount as at 31 Dec 2017	1 817 977

Twelve months ended 31 Des 2016

Opening amount as at 1 January 2016	2 078 441
New bank loan raised	66 000
Repayments of borrowings	-188 930
Closing amount as at 31 Dec 2016	1 955 511

The Group has in February 2018 secured a NOK 4,458 million loan facility with DNB and Nordea. Part of the facility is assumed to be utilised for repayment of all existing bank loan facilities.

The Group has complied with its financial covenants during the interim period Q4 2017. As described in the 2016 financial statements, the change in ownership triggered a change in control clause in the loan agreements where the Group in 2017 received a waiver and extension of existing bank loan facilities up until 31 December 2018.

The Group issued a bond loan with a nominal amount of NOK 1 billion at 22 November 2017

The bond loan agreement include the following financial covenants:

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

Note 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.

	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Profit before tax	175 864	203 267	713 665	598 624
Tax expense	(42 700)	(49 674)	(171 772)	(148 502)
<i>Average tax rate</i>	24 %	25 %	24 %	25 %
Change in deferred tax	(82 287)	(113 025)	(91 777)	(127 834)
Change in deferred tax asset	(13 429)	(5 196)	(6 970)	(16 618)
Tax payable	84 054	69 926	(41 986)	(2 672)
Adjustments prior years tax payable	(31 039)	(156)	(31 039)	(156)
Tax effect Group contribution	-	(1 222)	-	(1 222)
Tax expense in statement of profit or loss	(42 700)	(49 674)	(171 772)	(148 502)

Note 10 Net financial items

	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Other financial items, net				
Change in fair value derivatives	9 414	24 292	17 592	52 155
Realized interest swap settlements		-	-	
Dividends received from investments in shares		4 175	5 819	4 175
Currency exchange gains	1 022	1 957	1 022	2 061
Currency exchange losses	(1 506)	(940)	(1 506)	(1 259)
Other financial income		(4 133)	250	614
Other financial expenses	(1 491)	4 898	(5 043)	(9)
Total other financial items, net	7 439	30 250	18 135	57 737

Note 11 Contingencies

Rebate compensation

The Group has recognised an income of NOK 31 million in 2017 (2016: NOK 87 million) related to received compensation to cover loss of revenue due to changes in the original contract assumptions such as discount and fare structures. The compensation is subject to final negotiations and as a result, the Group may receive additional compensation or may receive a claim on paid out preliminary compensation. Paid out compensation is recognised as revenue in the period the compensation is received, as this represents the Group's estimate of expected consideration for the services. The recognised compensation is not deemed to represent a contingent asset.

Note 12 Related party transactions

In 2015 the Group was controlled by the county council of Sogn og Fjordane with an ownership share of 59%. The remaining (41%) shares were held by Håvilafjord AS. In 2016 Håvilafjord AS increased its ownership share to 67% and thus becoming the controlling shareholder. The county council of Sogn og Fjordane held the remaining 33% shares outstanding. In May 2017 Sogn og Fjordane sold all its remaining shares through a private placement.

The following transactions were carried out with related parties:

Revenue from related parties

Related party	Relation	Q4 2017	Full year 2017	Q4 2016	Full year 2016
The Fjords DA	Associate	3 100	28 938	5 423	29 422
The Fjords Fartøy I DA	Associate				1 249
The Fjords Fartøy II DA	Associate	345	345		

Expenses to related parties

Related party	Relation	Q4 2017	Full year 2017	Q4 2016	Full year 2016
The Fjords DA	Associate		(1 063)		(1 104)
H.R.Adv. Pål W Lorentzen	Chairman of the Board				(250)
Havyard Ship Technology AS	Owner	(27 589)	(155 651)		(3 705)

Receivables/(Liabilities) to related parties

Related party	Relation	31.12.2017	31.12.2016
The Fjords DA	Associate	154	3 973
The Fjords Fartøy I DA	Associate	-	-
Havyard Ship Technology AS	Owner	(608)	

Note 13 Subsequent events

New loan facility

The Group entered into new loan agreements with DNB and Nordea for a NOK 4,458 million facility in February 2018.

New contracts

Møre and Romsdal county awarded Fjord1 ASA four new contracts with start in 2020 for a 10 year period.

