fjord1

ANNUAL REPORT 2017

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THE EMPLOYEES
– FJORD1'S MOST IMPORTANT RESOURCE

Fjord1 aims to be the most reliable and attractive supplier of environmentally friendly ferry and passenger-boat transport for our customers, clients and collaboration partners.

With their friendly and professional service, Fjord1's employees will make travel on the fjords a safe, comfortable and trouble-free experience.

The positive development of the company is strongly reliant on the efforts of each employee, and it is the employees who have developed Fjord1 into a strong brand.

SOLID ECONOMIC RESULTS

Fjord1 reported strong financial results for 2017. Such a positive result is of particular importance for Fjord1 with a view to the current changes on the market. Fjord1 is in the middle of the "green shift" and plans to renew all of its vessel over the coming years, introducing the leading and "greenest" technology on the ferry market.

ABOUT FJORD1 ASA

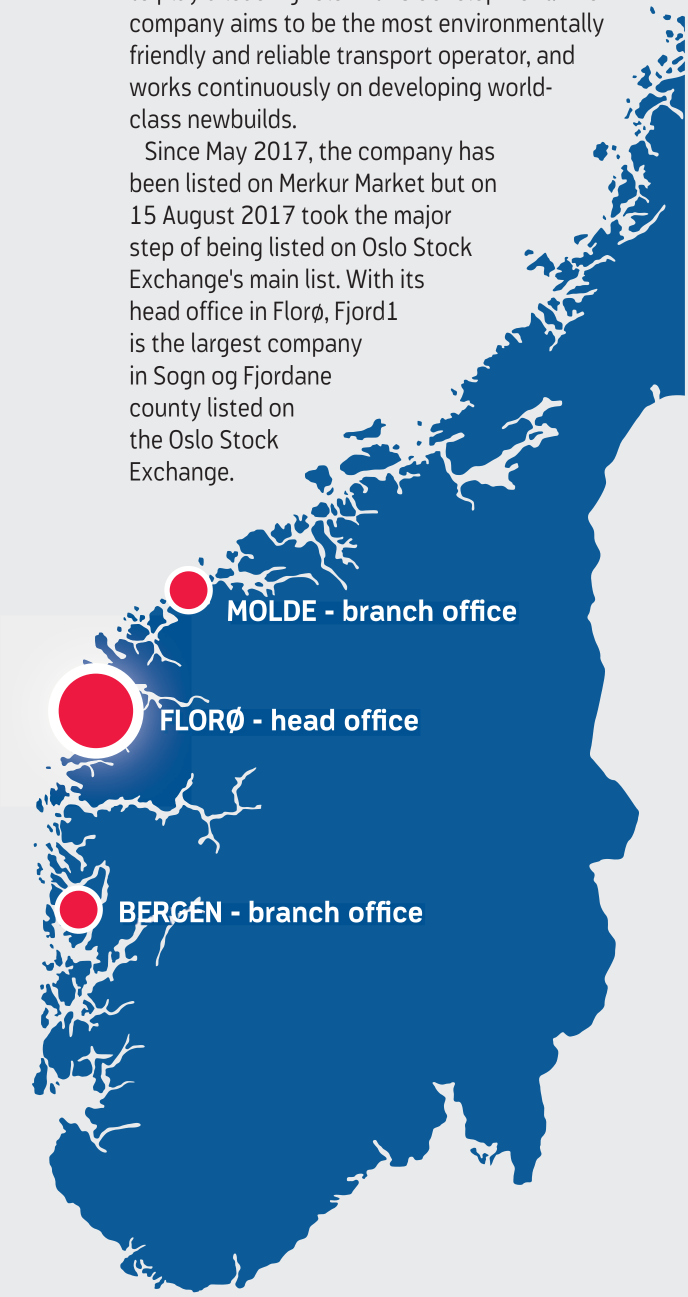
THIS IS FJORD1

Fjord1’s core business is ferry transport, and the company is the leading ferry operator in Norway. The company is also involved in passenger-boat services, catering and fjord-based tourism.

The 21 million passengers who use Fjord1’s services are fundamental to our business. With their friendly and professional service, Fjord1's employees will make travel on the fjords a safe, comfortable and trouble-free experience.

Fjord1 is an innovative company with major ambitions. The “green shift” is set to dominate the ferry industry in the near future, and Fjord1 aims to play a leading role in this development. The company aims to be the most environmentally friendly and reliable transport operator, and works continuously on developing world-class newbuilds.

Since May 2017, the company has been listed on Merkur Market but on 15 August 2017 took the major step of being listed on Oslo Stock Exchange's main list. With its head office in Florø, Fjord1 is the largest company in Sogn og Fjordane county listed on the Oslo Stock Exchange.



The employees are the company’s most important resource, and the company's value is closely linked to the motivation and efforts of the individual employee.

OVERVIEW OF CONNECTIONS AND PCE

	PCE 2017	Number of routes	Marketshare measured in PCE
Fjord1	17 357 725	29	49 %
Torghatten	7 224 651	34	22 %
Norled	9 409 556	31	27 %
Boreal	574 605	13	2 %
Other	296 276	4	1 %

The current Norwegian ferry market and Fjord1's market mainly comprise four companies. With a marketshare of 49 %, Fjord1 is the leading company in the industry.

Fjord1 is currently taking part in a major boost to the ferry industry, and having more room to manoeuvre on the capital market is one of the benefits inherent in a stock exchange listing.

In practically all the recent tender competitions for ferry operations, the requirements for environmental protection have been made more stringent and there are increasing demands for low-and zero-emission technology. With its hard work on the construction of new vessels, Fjord1 has therefore secured a leading position in the "green shift" and electrification of Norway's fjord crossings. As a result, the company currently has a major plan for investments.

With solid experience from ferry operations, strong market know-how and significant fleet 11 år, the company aims to demonstrate that they are a sound investment for owners.

Fjord1 reported 1,056 full-time equivalents in 2017. The company's head office/registered office is located in Florø, with operating departments in Molde and Bergen. The total number of full-time equivalents for the group is 1,204.

KEY FIGURES

Employees: **1 204**

Number of vessels : **67**

Number of people transported by boat and ferry: **21.1** MILLION

Number of vehicles transported by ferry: **10.4** MILLION

Revenue: NOK **2.8** BILLION

Total assets: NOK **5.3** BILLION

Equity: NOK **2.0** BILLION

Profit before tax: NOK **714** MILLION

EBITDA: NOK **985** MILLION

Investments: NOK **611** MILLION

VESSEL LIST

Vessel name	Year of construction	PCE
Driva	1963	29
Ørsta	1964	25
Goma	1968	29
Nårasund	1968	11
Bolsøy	1971	38
Tingvoll	1972	35
Fanaraaken	1973	29
Veøy	1974	50
Sykkylvsfjord	1975	36
Kvernes	1976	35
Aurland	1977	35
Solnør	1977	36
Aukra	1978	36
Eid	1978	35
Nordmøre	1978	52
Sunnfjord	1978	46
Bjørnsund	1979	61
Geiranger	1979	36
Stordal	1979	51
Stryn	1979	81
Solskjel	1981	35
Sogn	1982	110
Sognefjord	1984	64
Dalsfjord	1986	28
Sulafjord	1986	106
Selje	1986	58
Rauma	1988	73
Romsdal	1988	87
Gulen	1989	83
Tresfjord	1991	124
Svanøy	1992	89
Ivar Aasen	1997	76
Lærdal	1997	77
Glutra	2000	120
Nordfjord	2001	54
Eira	2002	100
Volda	2002	100
Julsund	2004	99
Dryna	2005	35
Harøy	2005	35
Lote	2006	120
Bergensfjord	2006	212
Fanafjord	2007	212
Mastrafjord	2007	212
Raunefjord	2007	212
Stavangerfjord	2006	212
Årdal	2008	108
Davik	2009	45
Vågsøy	2008	42
Moldefjord	2009	128
Fannefjord	2010	128
Korsfjord	2010	128
Lifjord	2010	110
Norangsfjord	2010	120
Romsdalsfjord	2010	128
Boknafjord	2011	242
Hjørundfjord	2011	122
Storfjord	2011	122
Edøyfjord	2012	50
Hornelen	2016	60
Losna	2016	60
Gloppefjord	2017	120
Eidsfjord	2017	120

Passenger-boats	Year of construction	Passengers
Skagastøl	1970	384
Fjordglytt	2000	81
Sylvarnes	2000	70
Tansøy	2006	96

Vessels under construction	Planned delivery	PCE
TBN 1	Q1 2018	130
TBN 2	Q2 2018	45
TBN 3	Q4 2018	50
TBN 4	Q4 2018	50
TBN 5	Q2 2018	120
TBN 6	Q4 2018	120
TBN 7	Q4 2018	120
TBN 8	Q4 2018	120
TBN 9	Q 2019	120
TBN 10	Q3 2019	120
TBN 11	Q3 2019	120
TBN 12	Q3 2019	130
TBN 13	Q3 2019	83
TBN 14	Q3 2019	83
TBN 15	Q4 2019	83

Vessel list per 31.12.2017

FROM THE CEO

Our employees are our most important resource for success. The company culture is a major focus point, and we want our employees to look forward to coming to work every day.

Every day, work is required for exciting tenders and newbuilds that require an increasingly high level of expertise and technology. We need good results to support such activities, and it is therefore extremely pleasing to see that our financial prognoses are correct.

2017 has been a very eventful year for Fjord1, and the company is recognised as a strong, economic and sound business in the maritime industry. Fjord1 has developed into a forward-looking and leading company, achieving good results every day of the year. 2017 has been a year of very high activity in all parts of the company, including work on some 20 new vessels to be included in future tenders for crossings along the west coast of Norway.

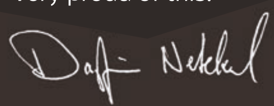
Fjord1 became a listed company in 2017. The transition from ownership by the county council to part private ownership was a quantum leap for the company – from listing on Merkur Market in May to Oslo Stock Exchange's main list in the summer of 2017. 15 August 2017 represents a milestone for Fjord1, a moment to be recorded in a long and proud company history. As a reward for the hard efforts of all our employees, we gifted shares to each person with permanent employment on the day the company was listed. Making the employees shareholders in their own company will strengthen the relationship between employee and workplace.

Fjord1 reported strong financial results for 2017. This is important with a view to the major investments the company now has to make. Fjord1 is in the middle of the “green shift” and plans to renew all its vessel over the coming years, introducing the leading and “greenest” technology on the ferry market. Every day, work is required for exciting tenders and newbuilds that require an increasingly high level of expertise and technology. We need good results to support such activities, and it is therefore extremely pleasing to see that our financial prognoses are correct.

And as our earnings continue to rise, we can also report a decrease in the number of injuries and accidents. in autumn 2017, we reached a record 591 days without undesired incidents – a historic milestone in the Norwegian ferry industry! It is therefore safe to say that we have established a good safety culture in Fjord1, although we remain humble and extremely vigilant where safety is concerned. Technical and human errors occur from time to time, but we always strive to be one step ahead. Our human resources and safety are always the top priority for Fjord1.

Our employees are our most important resource for success. The company culture is a major focus point, and we want our employees to look forward to coming to work every day. One important target area for the years ahead is reducing total absence, including sick leave. Our focus on our human resources was very evident in 2017 when we invited every one of our 1,200 employees to several conferences. These were followed by management conferences for all managers and captains. Good leadership is essential and shall be a predominant feature of Fjord1’s organisation. Both the employee and management conferences were educational and a useful tool in the work to develop Fjord1 in the future.

In 2017, we received more than 6,000 applications for vacancies. We recruited 281 new employees, including 19 in administration. We opened a new branch office in Bergen, and our head office in Florø is becoming increasingly crowded. There is no doubt that Fjord1 is an attractive employer, both with a view to technical expertise and the opportunities for own development, and a good place to work. We are very proud of this.



Dagfinn Neteland,
CEO Fjord1

A VALUE BASED COMPANY

Fjord1 aims to be an attractive employer, a sound investment object, a preferred partner and a provider of safe transport for passengers crossing the Norwegian fjords.

Fjord1's values shall therefore reflect who Fjord1 is and how we work. These values shall provide guidelines for the day-to-day conduct of Fjord1's employees, both at work and outside the company. As such, these values also become important tools for management and form the basis of the company's identity.

The company's values are also central to the work to develop a strong and healthy organisational culture. The employees have been involved in drawing up the company's values, which are now fully integrated in all parts of the organisation.

CHEERFUL

OPEN AND HONEST

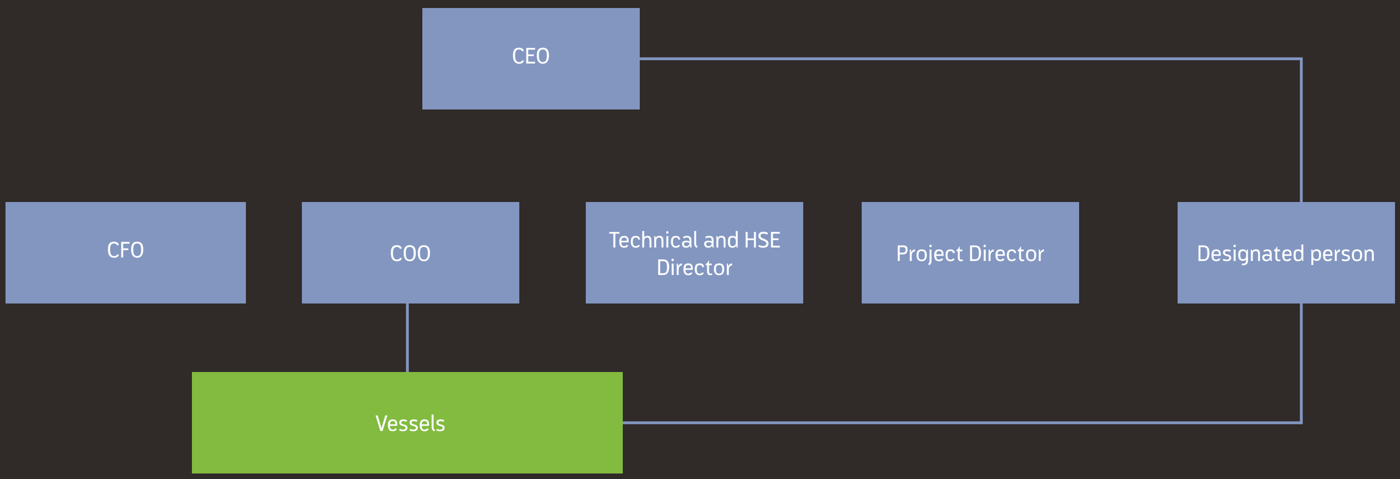
RELIABLE AND KEEPING ALL PROMISES

PROFITABLE

WORKING TOGETHER AND TEAM SPIRIT

PROUD

ORGANISATION



NUMBER OF UNIONIZED WORKERS

UNION/ASSOCIATION	NO. OF MEMBERS
NSOF	218
DNMF	125
NSF	410
Negotia	31
Handel og kontor	6
Norsk Arbeidsmandforbund	23

OPERATING SEGMENTS

Fjord1's core business is ferry and passenger-boat crossings, and the company is currently the largest ferry operator in Norway. In addition, the company is involved in catering and tourism-related activities on the fjords.

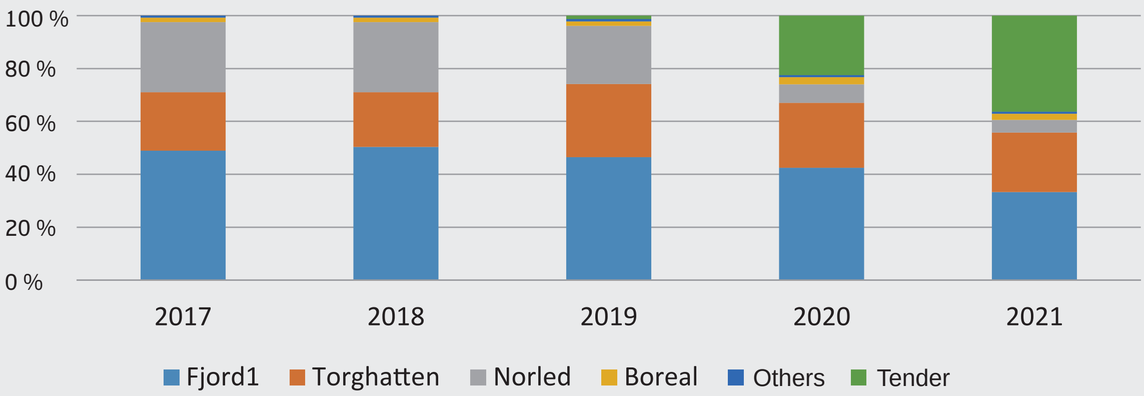
FERRIES

The ferry segment comprises ferry operations in Norway, with contracts signed for ferry crossings. The company is the leading player within Norwegian ferry operations, with 50 % of the market and 7 out of the 10 crossings with the highest volume of traffic in Norway.
In 2017, the ferry segment reported a high level of activity and good results from ferry operations. In addition to several gross contracts, where cost reductions have been achieved by means of a reduction in collisions, increased energy efficiency etc., the company has also experienced good traffic growth on its connections with net contracts. The total growth in traffic within the ferry segment in 2017 was 1.5 %.

10 LARGEST FERRY CONNECTIONS IN 2017

Route	Operator	PCE transported	Average per day
Moss - Horten	Torghatten	3 701 212	10 140
Mortavika - Arsvågen	Fjord1	2 848 849	7 805
Sandvikvåg - Halhjem	Fjord1	1 865 751	5 112
Molde - Vestnes	Fjord1	1 573 941	4 312
Fodnes - Mannheller	Fjord1	1 245 118	3 411
Hareid - Sulesund	Norled	1 224 907	3 356
Solevåg - Festøya	Fjord1	1 183 634	3 243
Sykkylven - Magerholm	Fjord1	1 176 219	3 223
Oppedal - Lavik	Nordled	1 113 349	3 050
Flakk - Rørvik	Fjord1	1 033 106	2 830
		16 966 086	**46 482**

MARKET SHARES BASED ON PCE (INCLUDING CONTRACTS NOT YET AWARDED)



PROFIT FOR THE FERRY SEGMENT 2017

REVENUE

NOK **2.5** billion

EBITDA

NOK **923** million

PROFIT BEFORE TAX

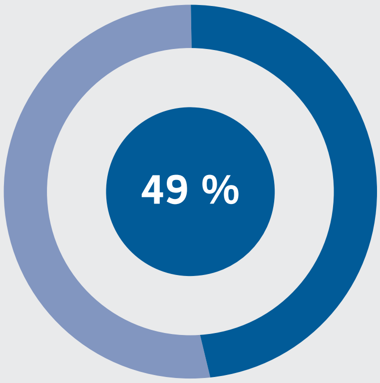
NOK **681** million

PASSENGER-BOATS

Fjord1 operates local passenger-boat routes in Sogn og Fjordane, comprising 15 local itineraries around the county. Fjord1 owns four passenger/combi-boats and leases 10 passenger and combi-boats from subcontractors. Some of the boats carry only passengers, while others can carry vehicles too.

The contracts for the local passenger-boat routes are valid from 1 May 2012 for eight years, with the option to extend by a further two years.

The results from the passenger-boat segment were marginally negative in 2017.



KYSTEKSPRESSEN

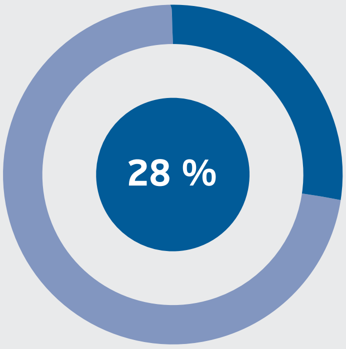
Fjord1 ASA is also involved in passenger-boat operations between Kristiansund and Trondheim in collaboration with Fosen Namsos Sjø AS via the company Partsrederiet Kystekspressen ANS, in which the company has a 49 % shareholding.

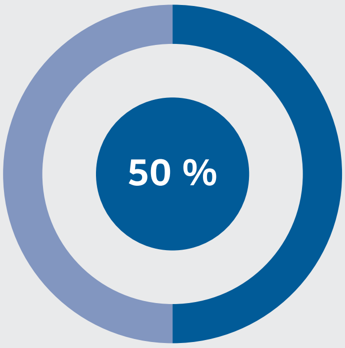
SEGMENTPROFIT PASSENGER-BOATS 2017

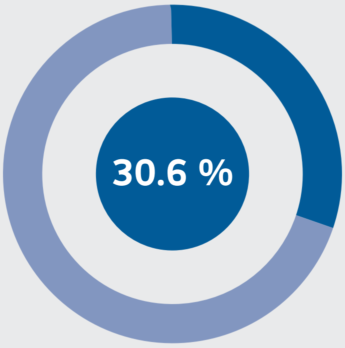
REVENUE	EBITDA	PROFIT BEFORE TAX
NOK 95 million	NOK 2 million	NOK -3 million

TOURISM

Fjord1 is involved in a number of tourism companies. Except for the regional airline Widerøe, these are based around the West Norwegian fjords and focus on fjord-based tourism. Fjord1 has a long tradition of fjord-based tours, but has recently focused on cooperating with partners offering complementary services to Fjord1 in relation to marketing and operations. This involves increased investments in product development for eco-friendly solutions, marketing on digital platforms and participation in the global growth of the tourism industry.







geiranger FJORDSERVICE

THE FJORDS

fjordtours

THE FJORDS

With expertise relating to both the maritime industry and tourism, Fjord1 and Flåm AS have founded a joint venture with equal ownership – The Fjords. The company was established in 2015 with the objective of renewing the fleet and carrying out product development to offer an even better tourism product on the Norwegian fjords. The company aims to enhance the fjord experiences of the numerous tourists who visit Norway's fjords, with a focus on fleet renewal and product development.

The establishment of The Fjords is an important and long-term investment, and factors such as the environment and sustainable development are key to the company's development.

GEIRANGER FJORDSERVICE

Via close cooperation with a number of businesses, Fjord1 aims to make Geiranger an attractive destination with travel experiences on the fjord and activities in Geiranger.

The company has a passenger-boat sailing round trips on the Geirangerfjord as its primary product. From the summer of 2018, this product will be expanded with a brand-new passenger-boat.

Geiranger Fjordservice also provides cycle and car hire, and can provide transport, guiding services and a range of activities.

Fjord1 owns 28 % of this company.

FJORD TOURS

Fjord Tours AS was founded in 1982 and offers tour packages throughout Norway, both on the national and international markets. The company's primary target group is individual passengers, and it has developed an online platform as its main sales and marketing channel.

The round trips are by public transport such as train, boat and bus. Fjord1 owns 30.6 % of this company.

REVENUE	EBITDA	PROFIT BEFORE TAX
NOK 20 million	NOK 18 million	NOK 18 million

CATERING

Catering is an important area for Fjord1. Using the Ferdamat concept, Fjord1 has in recent years concentrated on offering high-quality, freshly made food using good, local produce, as well as a visual identity that customers recognise on all Fjord1 services. Griddle pancakes and coffee are Fjord1's signature products. In 2017, Fjord1 sold a total of 800,000 griddle pancakes.

Fjord1 works continuously to further develop its catering concept to meet customer demand, and this targeted focus on catering over several years has produced good results.

SEGMENTPROFIT CATERING 2017

REVENUE	EBITDA	PROFIT BEFORE TAX
NOK 189 million	NOK 36 million	NOK 33 million

IMPORTANT EVENTS IN 2017

2017 has been an eventful year for Fjord1 with a number of highlights.

Q1

In January 2017, Fjord1 started a new two-year contract for the Bjørnefjorden and Boknafjorden crossings. Fjord1 has operated these ferry crossings since 2007. The new contract has a slightly higher production rate than before. By the end of 2018, six LNG vessels will operate these crossings.

The Sogn og Fjordane county road ferry contract comprises five ferry crossings with staged start-up from 2015 to 2017. On 29 January 2017, the ferry that operates the Rysjedalsvika – Rutledal – Krakhella route under this contract, MF Losna, was christened. In addition to MF Losna, Fjord1 took delivery of Hornelen in 2016. This vessel traffics the Måløy – Oldeide crossing. MF Åfjord and MF Hålogaland were sold in Q1, while the company purchased MF Sulafjord. Fjord1 received an award as the maritime apprenticeship company of the year.

An extraordinary general meeting adopted a dividend payment of NOK 250 million.

Q2

In April 2017, Fjord1 signed a contract with Skyss to operate four crossings under the Hordaland 2 contract. In 2016, Fjord1 signed a contract with Skyss to operate Hordaland route package 1. The two contracts, covering in total 11 ferry crossings, will entail a significant renewal of the ferry fleet in Hordaland. These contracts will place Fjord1 at the forefront of the “green shift” in the ferry industry. Thanks to battery technology, the crossings will be operated using zero- and low-emission ferries.

In May 2017, a contract was signed between Fjord1 and Møre og Romsdal county council to operate the Hareid – Sulesund and Sykkylven – Magerholm crossings. These are two of the highest-volume ferry crossings in Norway. The tender period is scheduled to start with three newbuilds for Hareid – Sulesund in 2019 and two newbuilds for Sykkylven – Magerholm in 2020. All the ferries will have capacity for 120 passenger cars (PCE).

Havilafjord AS exercised its option to acquire the remaining 33 % of the shares in Fjord1 from F1 Holding AS (Sogn og Fjordane county council). At the same time as Fjord1’s shares were listed on Merkur Market on the Oslo Stock Exchange, a dispersion sale was conducted where Havilafjord AS sold shares to reduce its shareholding to 51.5 %.

In May 2017, Fjord1 signed a contract with Fjellstrand AS for the construction of a fully electric ferry, type ZeroCatTM 120. The ferry will be used on the Halhjem – Våge crossing, part of the Hordaland 1 package, from 2020.

Q3

In June 2017, Fjord1 signed a contract with Havyard Group for the design and construction of five new 120 PCE ferries to operate the Hareid – Sulesund and Magerholm – Sykkylven crossings. The five ferries shall use zero-and low-emission technology. The requirements regarding design, emissions and energy consumption in the new tender contract signed between Fjord1 and Møre og Romsdal county council are in line with other new environmental contracts.

On 15 August 2017, Fjord1 was listed on Oslo Stock Exchange’s main list, at a market capitalisation of NOK 3.4 billion. In connection with the stock exchange listing, the company announced that all permanent employees would receive a gift of shares from the company, worth NOK 10,000.

Fjord1 aims to have the most highly skilled and motivated employees in the industry and introduced an important measure in September: employee conferences. Ten meetings were held with all employees invited, focusing on developing the organisation and adapting to new contracts via the company's strategies, ambitions, values and main goals. The conferences were followed up with conferences for all management staff.

Q4 Fjord1 maintains a constant focus on safety. In October, the company was able to report around 1,100,000 port calls and more than 500 days without undesired incidents. Fjord1 is extremely satisfied with the positive safety culture that has developed within the company and is happy with the sustained positive developments within HSE.

The tender competition for the Nordmøre package, comprising five county road crossings in Nordmøre, was announced, and Fjord1 tendered to operate these crossings for a period of 11 years from 1 January 2020. Fjord1 was awarded the contract in January 2018.

Two vessels – MF Gloppefjord and MF Eidsfjord – were delivered from the Tersan shipyard in Turkey in November/December 2017. These vessels are 120 PCE ferries and shall operate the fully electric Anda – Lote crossing for a contractual period of 10 years from 1 January 2018.

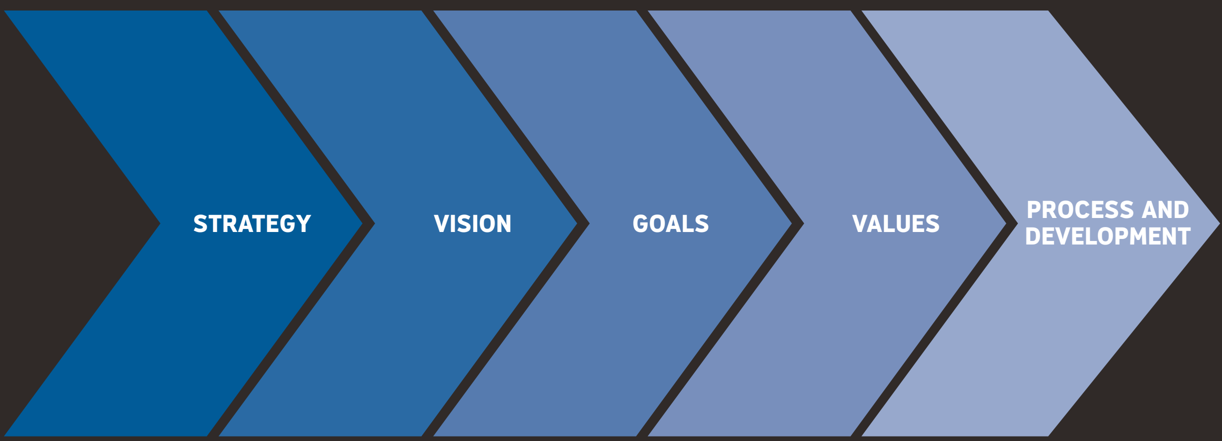
Fjord1 signed a contract with the Sefine shipyard in Turkey for construction of three 83 PCE vessels to operate the Skjærsholmane – Ranavik and Gjermundshavn - Varaldsøy - Årsnes crossings, part of the Hordaland 2 contract.

TARGETS AND RESULTS

NO. OF INJURIES RESULTING IN ABSENCE PER MILLION WORKING HOURS	SICK LEAVE (%)	NO. OF PASSENGER INJURIES PER MILLION PASSENGERS TRANSPORTED
TARGET: 4	TARGET: 6	TARGET: 0.1
RESULT: 5.71	RESULT: 6.23	RESULT 0.38

NUMBER OF COLLISION PER 100,000 PORT CALLS	MAJOR POLLUTION INCIDENTS (NUMBER)	RESULT OF UNANNOUNCED ALCOHOL/DRUGS TESTING
TARGET: 0	TARGET: 0	TARGET: 0
RESULT: 0.15	RESULT: 9	RESULT: 1

STRATEGY



The company's main strategy is to strengthen its position as the leading ferry company in Norway. Activities that promote growth and contribute to improved profitability shall thus have priority in line with Fjord1's strategy and financial objectives.

VALUES

Fjord1 aims to be the most reliable and attractive supplier of environmentally friendly ferry and passenger-boat transport for Fjord1's customers, clients and collaboration partners.

With their friendly and professional service, Fjord1's employees will make travel on the fjords a safe, comfortable and trouble-free experience.

"To provide the most environmentally friendly and reliable transport"

GOALS AND MANAGEMENT PARAMETERS

Fjord1's objectives are in many ways decisive for the strategy adopted by the company at any time and represent important metrics throughout the organisation.

FJORD1 SHALL

- be the best at environmentally friendly transport
- provide our owners with stable, good returns on their invested capital
- keep the promises we make to customers
- treat our employees in a way that makes people want to work for us
- be a preferred collaboration partner for our clients
- have solid financial results, healthy business management, and quality in all processes

MAIN AMBITIONS

Guided by the company's main ambitions, we shall strive at all times to achieve the company's objectives:

HAVE THE MOST HIGHLY SKILLED AND MOTIVATED EMPLOYEES IN THE INDUSTRY

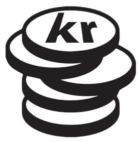
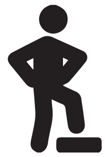
BE THE LEADING COMPANY IN THE INDUSTRY

HAVE A FOCUS ON SAFETY AND POSITIVE CUSTOMER EXPERIENCES

BE RECOGNISED FOR MODERNISATION, INNOVATION AND QUALITY

DEVELOP MANAGERS AND EMPLOYEES AT ALL LEVELS OF THE ORGANISATION

VALUES

CHEERFUL	OPEN AND HONEST	RELIABLE AND KEEPING ALL PROMISES	PROFITABLE	WORKING TOGETHER AND TEAM SPIRIT	PROUD
					

HIGHLY SKILLED EMPLOYEES

Fjord1 shall be an attractive employer and appeal to the best and most enthusiastic candidates. The company relies on having highly skilled employees to achieve its objectives and strategies. In addition to technical personnel with expertise within new digital technology, environmental efficiency and project management, Fjord1 also requires employees who produce and deliver a top-class service.

HIGH ETHICAL STANDARD

Ethics and integrity are key features of the interface between Fjord1 and its stakeholders. It is therefore important that the company is characterised by high ethical standards, where decisions are governed by standards, values and ethical regulations that comply with a general interpretation of law.

Value creation shall be governed by the company's ethical guidelines and prevailing legislation, and Fjord1 therefore accepts absolutely no corruption or other breaches of regulations.

CO-OWNERSHIP

The employees are the company's most important resource, and the company's value is closely linked to the motivation and efforts of the individual employee.

When Fjord1 was listed on the Oslo Stock Exchange's main list, all employees were offered the opportunity to become shareholders in the company, thereby benefiting from the company's value creation. Having a stake in the company boosts both loyalty and engagement, which will generate its own value creation in the long term.

FOCUS TOWARDS 2020

Fjord1 has taken the role of the leading company in the industry, based on extensive experience in ferry operations, market knowledge, high flexibility in the fleet and not least good investment capacity.

In the last two years, Fjord1 has won a number of new important environmental contracts, with the start of electrical connections in the period 2018 to 2020. At the same time, a large part of the ferry market will be on offer in the next years, and the company wishes to participate in additional bid competitions.

Because of the number of new contracts the last year, Fjord1 has already been refinanced to support these programs of newbuilding's. Cost-effectiveness and profitable operations will be central in the period forward to 2020.

Fjord1 will be at the forefront of innovation, environment and technology, and the company will continue to develop the position as the leading company in the industry. This will enable the company to streamline the demanding contract portfolio, win new profitable contracts, develop tourism investment and participate in technology development in the market.

EMPLOYEES

DELIVERING GOOD RESULTS

INNOVATION

THE ENVIRONMENT

TECHNOLOGY

TOURISM

CORPORATE SOCIAL RESPONSIBILITY

Fjord1's objective is to behave as a responsible and professional social player, building relationships based upon trust and reliability. The Norwegian ferry industry plays an important role in Norwegian society, transporting around 21 million vehicles and 42 million passengers in 2017. As the leading ferry company in Norway, Fjord1 also plays an important role in Norwegian infrastructure, providing efficient, safe and eco-friendly transport to meet society's needs. The prognoses for future demand are impacted by demographics and business development, customer mobility and a general requirement for increased regularity of services for private passengers and industry.

For Fjord1, the organisation's corporate social responsibility shall reflect the company's vision, core values, the quality of daily operations and the company's efforts related to employees, the environment and safety. By ensuring safe, eco-friendly and reliable operation of ferry connections, the organisation's corporate social responsibility also lays the foundations for return on invested capital, attractive jobs and good relationships with both customers and partners.

Fjord1's work on corporate social responsibility is an integral part of the company's strategy, management and daily operations. The company aims to maintain its systematic and structured focus on corporate social responsibility.

Fjord1 has fully integrated corporate social responsibility into daily operations by applying it into three focus areas. Together with the ferry industry, public authorities have long had a major focus on safety for ferry operations. As an important player in the ferry industry, Fjord1 has assumed a leading role in improving the safety culture, with its vision of zero undesired incidents. Challenges linked to climate and the environment are also an integral part of corporate social responsibility. Fjord1 aims to be instrumental in reducing emissions per passenger by renewing its fleet as a result of the new environmental contracts. The introduction of new and more energy-efficient vessels will have an effect on the ferry industry. Fjord1 seeks to recruit the most highly skilled and highly motivated employees. The company takes its role within training very seriously, and aims for a culture of openness, tolerance and high ethical standards.

As an important player in the ferry industry, Fjord1 has assumed a leading role in improving the safety culture, with its vision of zero undesired incidents.

SAFETY

Safety is absolutely central for Fjord1. In 2017, the company has reaped the rewards of many years of systematic work on safety culture. The Board of Directors and management have focused on maintaining their work on boosting safety culture in 2017, both in terms of the barrier system and changing attitudes. The interplay between procedures and technology shall prevent unintentional consequences of technical or human error. Fjord1 has a vision of zero injuries and loss of life. Throughout 2017, work on safety has been of a consistently high quality.

MANAGEMENT SYSTEM FOR SAFETY

The company has a proactive and well-organised safety management system certified according to the ISM code. The system focuses on development via risk management, allowing the company to take corrective action, make improvements and learn from incidents. This system helps ensure good and appropriate routines for safe operation of vessels, in order to prevent repetition of incidents and improve the skills of personnel both at sea and on shore.

The system is a means for Fjord1 to achieve its HSE objectives, making good use of routines and procedures. The company records and measures developments in injuries and incidents, and this data is used to take action to reduce accidents.

All Fjord1's vessels have automatic monitoring and warning systems. The position data used to monitor consecutive operation of the barrier system is an important part of the work on preventing undesired incidents.

By means of a targeted focus and efforts, Fjord1 has been able to reverse the trend and significantly reduce the number of incidents. This has not only resulted in fewer accidents but has also improved punctuality, leading to a better reputation and improved economy for the company. In the autumn of 2017, Fjord1 reached the milestone of 591 days without undesired incidents. Technical and human error is always a possibility, also in the future. Safety shall always be the company's top priority. This is ensured by means of compliance with the company's procedures and barrier system. Safety is always on the agenda at employee conferences. By ensuring that this subject is firmly integrated in the company and that the employees feel a sense of ownership of the issue of safety, individual employees can challenge one another on how to improve even more as a company, in particular in relation to sick leave and passenger injuries.

EMERGENCY PREPAREDNESS

Fjord1 attends national and local emergency preparedness drills. The aim of such drills, is to train on-board personnel and the shore-based emergency preparedness organisation to deal with emergencies. The fact that the company makes itself available and participates actively in such drills helps boost both local and national emergency preparedness.

Fjord1 has compiled plans aiming to reduce risk wherever possible by having an efficient emergency preparedness organisation to deal with any incidents that may occur. The company puts great importance to further developing its emergency preparedness for undesired incidents.

The purpose of the emergency preparedness organisation is to ensure support for vessels in an emergency situation in order to limit personal injury and damage to the environment and materials, and to assist the Joint Rescue Coordination Centres, police force and other authorities. Fjord1 carries out drills to ensure that personnel receive the best possible training in dealing with different situations.

THE ENVIRONMENT

Transport operations entail pollution of the external environment. The pollutants are linked in particular to the use of fossil fuels emitting NO_x and CO_2. The company's emissions comply with all the formal requirements made by the authorities. These requirements are becoming increasingly stringent, towards a target of zero/low emissions. The maritime industry and the ferry industry play a particularly important role in helping Norway meet its climate goals for substances such as CO_2. A resolution adopted by the Norwegian Parlament in 2015 ensures that all future tenders for ferry services shall include zero- or low-emission technology.

The requirements specified by contractors in tender requests create a market for technological developments, newbuilds and conversions, and operation of zero-or low-emission vessels. Fjord1 aims to be eco-friendly and has identified opportunities in the requirements for eco-friendly operations now being set by contractors. Development contracts also pave the way for developing the technology to use hydrogen as fuel. The company aims to balance economic and environmental factors and offer the best solutions for contractors and society.

By working with other industry players, engine suppliers and the research institutes, Fjord1 is striving to identify measures that can reduce levels of harmful emissions. Since 2016, Fjord1 has used 100 % renewable biofuel as a source of energy on two of the company's ferries operating scheduled services. The use of renewable energy results in greater reductions in CO_2 emissions compared with fossil fuels. Fjord1 will continue to remain at the forefront when it comes to operating natural gas-fuelled ferries, which reduce NO_x emissions by approximately 90 % and CO_2 emissions by 25-30 % compared with conventional diesel ferries.

With new environmental contracts and electrification of its fleet, Fjord1 aims to remain the leading company within the "green shift", by achieving a substantial reduction in CO_2 emissions. By 2020, the company will have have 30 electrical vessels in operation, providing a reduction of 80-95 % in CO_2 emissions compared with the conventional diesel ferries.

The company has entered into an agreement for the delivery of environmentally hazardous waste, including waste oil, to approved recipients. Fjord1 also requires its suppliers to take a conscious approach to sustainable operations. Parts of the company's Corporate Social Responsibility (CSR) focus on environmental responsibility and eco-friendly technology.

Fjord1 has established guidelines for SEEMP (ship energy efficiency management plans) on all vessels, aiming to improve on-board energy efficiency.

As a part of its environmental strategy, Fjord1 has decided to seek certification according to the regulations for ISO 50001 – Energy management. This process started in 2017 and the objective is to achieve certification by the autumn of 2018.

RENEWING THE FERRY FLEET

Fjord1 has recently experienced a period of significant activity related to tender competitions with requirements for low and zero emissions. One important factor for reducing emissions is to phase out older vessels and replace them with new, eco-friendly vessels in addition to rebuilding existing vessels. This fleet renewal implies a gradual transition to a fleet and operations with zero- and low-emission technology based on electric propulsion.

TECHNOLOGY, INNOVATION AND DEVELOPMENT

Fjord1 has a vision to be the most eco-friendly and reliable operator in the transport sector. Fjord1 works actively to develop solutions that improve resource utilisation and energy efficiency, and to implement technology that can provide more eco-friendly ferry operations. This development work is performed in close cooperation with suppliers and R&D institutes.

For several years, Fjord1 has been working on development projects linked to the ferries of the future, with a particular focus on battery and hybrid ferries. The conversion of MF “Fannefjord” as the world's first natural gas-battery hybrid vessel in 2015 provided essential experience with a view to the requirements for low and zero emissions in new ferry tenders.

Going forward, the company will actively invest in developing and introducing new technology, with a particular focus on energy efficiency requirements and emission reductions. Technology involving use of hydrogen as a source of energy and optimisation and automation of operations on board shall help reduce energy consumption.

Fjord1 is carrying out a “hydrogen project” as one of several tenderers for the construction of the first hydrogen ferry. The project shall enable zero-emission technology on ferry crossings that are not suitable for single electric operation.

The environmental efforts made by Fjord1 in 2017 will have a positive impact on the environment in the years to come. Fjord1 has been involved in promoting innovation and development in the industry, measures that will be instrumental in reducing future energy consumption, CO_2- and NO_x-emissions. The company has been awarded transport contracts requiring a transition from fossil fuels to mainly electric operations, and has signed contracts to build new electric ferries and convert existing ferries.

ECO-FRIENDLY TOURISM

Fjord1 aims to safeguard the environment by taking action over and above that required by contractors in public contracts. Via its ownership in The Fjords DA, the company has implemented hybrid and battery technology in new areas. The sightseeing vessel M/S “Vision of the Fjords” in the Nærøyfjord combines battery technology with the use of carbon fibre hulls in a completely new and unique concept. The experience gained from this project, combined with knowledge of battery operations, the sister ship – M/S “Future of the Fjords” – is scheduled for delivery in the spring of 2018 and will be the world's first fully electric passenger catamaran.

PERSONNEL AND ORGANISATION

Fjord1's employees are an important resource for the company. Systematic efforts and focus by the employees develop a culture in line with the company's values. Fjord1's objectives require the company to attract, develop and retain skilled employees. Creating a positive culture by facilitating a positive and safe workplace is therefore central. Fjord1 aims for a working environment that promotes health and where no one is injured or becomes ill because of their work.

After several years of high sick leave, there has been a downward trend in sick leave since 2015. The target for 2017 and beyond are lower, and work to reduce sick leave is a continuous process that will require full focus also moving forward.

In 2017, the company was 0.2% off reaching its target, but sick leave remains too high. Fjord1 is sustaining its focus on attendance at work and close follow-up, and has established target areas for preventive work, the psychosocial working environment, facilitation and follow-up.

A WORKING ENVIRONMENT THAT PROMOTES EMPLOYEE HEALTH

Fjord1 continuously takes measures to help create a positive working environment that promotes employee health. Fjord1 aims to be an organisation where the employees are seen and listened to, and the company's main goal is to eliminate all forms of work-related absence. Employees shall contribute towards their own motivation and development of the working environment and company, by means of active dialogue with and follow-up by their immediate managers. Fjord1 has a zero-tolerance policy for harassment and negative conduct that can be perceived as threatening or humiliating. An inclusive and inspiring working environment is characterised by mutual respect and equality. Fjord1 acts to promote health via the company's own facilitation policy, measures and analyses in order to prevent strain injuries. Fjord1 uses the Norwegian Maritime Authority's "Sjømannsidretten" Sports Service to encourage employees to take part in various activities that promote good health. The safety and environmental representative in Fjord1 safeguards the interests of employees in issues involving the working environment. In 2018, employee survey shall be carried out for all employees.

EMPLOYEE AND MANAGEMENT DEVELOPMENT

The company follows a specific strategy for development of both managers and employees at all levels in the organisation. A management development programme has been carried out as part of the company's organisational development. This programme is a tool to allow Fjord1 to prepare the organisation for changes in framework conditions for new contracts.

In 2017, all employees have taken part in employee meetings. Ten meetings were held with the aim of building a strong Fjord1 culture, whereby employees feel a sense of ownership for the company's main goals, values and ethical guidelines. As such, Fjord1 has laid the foundations for a unifying and inclusive fellowship for all employees, boosting motivation and job satisfaction. These meetings shall enable the individual employee to understand his or her own role in the company, and identify the need for professional development and expertise. Management conferences have been held for managers, with a focus on responsibility and challenges faced by managers.

EXPERTISE AND TRAINING

Fjord1 aims to help ensure employees have the necessary experience and expertise to carry out their work. Amended framework conditions and technological developments require action to boost expertise and develop the organisation in line with new requirements for both the company as a whole and the skills of individual employees.

In 2017, the company had 120 apprentice positions at sea, of varying durations, for both seamen and motormen. The company facilitates detailed and qualified training within the relevant discipline, and apprentices are assigned adapted tasks by the company and take part in daily operations. Fjord1 aims to recruit the most highly skilled employees and provide them with the best expertise available. The apprentices and cadets are important for the company. Every year, all the first-year apprentices are invited to a meeting, to promote involvement and inclusion and to provide them with a unique opportunity to get to know the company properly. These meetings have positive spin-off effects, for both the individual apprentice's working day and for Fjord1, which aims to be an attractive employer.

ETHICS AND ANTI-CORRUPTION

Fjord1 relies on being perceived as trustworthy by customers, public authorities, suppliers and society as a whole. The company shall be recognised for its high ethical standards, where decisions are governed by standards, values and ethical regulations that comply with general interpretation of law. The company's ethical guidelines apply to all employees and board members, and are based on the company's corporate values.

Ensuring that conduct is anchored in the company's shared values and acting in accordance with these guidelines contribute to a high ethical standard in all parts of the organisation. This enables Fjord1 to demonstrate to stakeholders the company's trustworthiness and the type of conduct to be expected of its employees.

The ethical guidelines are integrated in the management system and have been part of the management development programme and employee meetings. Fjord1 has established routines for whistle-blowing involving censurable conditions.

Fjord1 does not accept any form of corruption or other breach of regulations. Value creation shall comply with the company's ethical guidelines and prevailing legislation. Fjord1's employees shall at all times behave in a manner that is in the best interests of the company and shall always seek to avoid situations that may result in a conflict of interests. Fjord1's employees shall remain impartial in all business activities, and not allow other companies, organisations or individuals unlawful gains.

The ethical guidelines are reflected by agreements with suppliers demonstrating the requirements on suppliers and subcontractors in relation to Corporate Social Responsibility (CSR).

SUPPORT TO LOCAL COMMUNITIES

Fjord1 aims to promote diversity, job satisfaction and necessary requirements for sport and culture in those districts where the company has operations. As an engaged member of society, Fjord1 uses support to local communities as a means to achieve this goal. Fjord1 has chosen to support both clubs and organisations via both long-term projects and individual events. The company provides financial support to recreational sports and culture. Children and young people are an important part of the target group for sponsorship in the company's work to create safe and positive environments. In 2017, Fjord1 donated NOK 100,000 to Redningsselskapet (the Norwegian Society for Sea Rescue) to support their work within safety at sea.

SHAREHOLDER INFORMATION

THE ROAD TOWARDS STOCK EXCHANGE LISTING

Sogn og Fjordane county council has had ownership in the company ever since the first boat was launched in 1858. The company was originally founded in 1857 under the name "Bergenhus Amts Dampskibe". The company name was changed in 1919 to Fylkesbaatane. This was the first county-owned transport company in Norway.

Sogn og Fjordane county council's ownership of Fjord1 came to an end in May 2017, after a history of 159 years.

LOOKING BACK ON OWNERSHIP BY THE COUNTY COUNCIL

2001	The two transport companies, Fylkesbaatane i Sogn og Fjordane and Møre og Romsdal fylkesbåtar, merged operations to form Fjord1-Nordvestlandske. Sogn og Fjordane county council owned 59 percent of the shares while Møre og Romsdal county council owned the remaining 41 percent. The company's name was later changed to Fjord1.
2011	Møre og Romsdal county council sold its shareholding in Fjord1 to Havila Holding AS via its subsidiary Havilafjord AS.
November 2015	Sogn og Fjordane county parliament adopted (with a vote of 16 for and 15 against) to sell 50 percent of its shareholding in Fjord1 to Torghatten ASA.
July 2016	The Norwegian Competition Authority stopped the sale of shares to Torghatten as it felt that competition in the ferry industry would be significantly impaired by a transaction between two of the largest enterprises on the market.
August 2016	Sogn og Fjordane county parliament unanimously voted to sell 26 percent of the shares in Fjord1 to Havilafjord AS. The county council retained 33 percent of the shares. At the same time, Havilafjord secured an option to purchase the remaining shares within a period of two years.
May 2017	A unanimous county executive committee voted to allow Havilafjord AS to take over the remaining shares held by Sogn og Fjordane county council.

MERKUR MARKET

Havilafjord AS is the majority shareholder in Fjord1 ASA with 51.5 percent of the shares. Ownership of one of Norway's leading transport companies has allowed the Havila group to gain a stronger position on the west coast of Norway. The new owners of Fjord1 decide to list the company on the Oslo Stock Exchange.

In order to improve access to capital for the company in a period where major investments are required for new, eco-friendly vessels. Fjord1's objective is to be at the forefront of the "green shift" currently impacting the ferry industry, and this requires good access to capital. The company was therefore initially listed with Merkur Market in May 2017.

As a listed company, Fjord1 AS changed its name to Fjord1 ASA.

AUGUST 2017: FJORD1 ON OSLO STOCK EXCHANGE

On Tuesday 15 August 2017, Fjord1 was listed on Oslo Stock Exchange's main index. Fjord1 had been listed with Merkur Market since May but took a quantum leap on 15 August with listing on the main index for Oslo Stock Exchange. On this date, the share price for Fjord1's shares was NOK 34, representing in total NOK 3.4 billion. At that point in time, Fjord1 was the largest company in the region of Sogn og Fjordane with listing on Oslo Stock Exchange.

In connection with Fjord1's listing on Oslo Stock Exchange and to mark such an historical event in the company's history, all permanent employees received a gift of shares worth NOK 10,000.

INFORMATION ON EXECUTIVE TEAM

Executive Team of the Company

The table below set out the names of the members of the Executive Team of the Company:

NAME	POSITION
Dagfinn Neteland	CEO
Anne-Mari Sundal Bøe	CFO
André Høyset	COO
Deon Mortensen	Director Technical and HSE
Nils Kristian Berge	Project Director

DAGFINN NETELAND - CHIEF EXECUTIVE OFFICER (CEO)

Dagfinn Neteland is the Chief Executive Officer in Fjord1 since January 2017. He also held this position in 2014-2015. Mr. Neteland has previous positions in the Transporting and Banking industry including CEO of Tide ASA, CEO of HSD ASA, CEO of Gjensidige Vest and Regional Manager of Nordea.

Current directorships and senior management positions:
Fjord1 ASA (CEO), Norheimsund Skiheis AS (C), Presis Vegdrift AS (C), Janus AS (D), The Fjords DA (D), Fjord Tours (D), Geiranger Fjordservice (D)

ANNE-MARI SUNDAL BØE - CHIEF FINANCIAL OFFICER (CFO)

Anne-Mari Sundal Bøe has been the Chief Financial Officer in Fjord1 ASA since December 2013. Mrs Bøe has previous experience as Group chief Accountant of INC Invest AS and Senior Manager in PwC. She holds a Master of Business and Economics from Norwegian School of Economics (NHH).

Current directorships and senior management positions:
Fjord1 ASA (CFO), Widerøe AS (D), Widerøes Flyveselskap AS (D), F1 Administrasjon (C), Fanafjord AS (D)

ANDRÈ HØYSET - CHIEF OPERATIONAL OFFICER (COO)

Andrè Høyset is Chief Operational Officer starting in March 2017. Mr. Høyset had the position as const. Chief Executive Officer in 2016 and previous 20 years of experience from various positions at Fjord1 including Head of IKT and Director of Human Resource. He holds a Master of Science in Information Technology.

Current directorships and senior management positions:
Fjord1 ASA (COO), Widerøe AS (D), Widerøes Flyveselskap AS (D), The Fjords DA (D), The Fjords Fartøy I DA (D), The Fjords Fartøy II DA (D), Maritmt opplæringskontor (D), NHO Sjøfart (D), Fjord-2 - Fjord Cruises AS (D), F1 Administrasjon AS (D)

DEON MORTENSEN - DIRECTOR TECHNICAL AND HSE

Deon Mortensen is Director Technical and HSE in Fjord1. Mr. Mortensen has experience from Fjord1 since 2010 in positions including Deputy Managing Director and Chief Operationall Officer (COO). He has also experience as Technical Director of STX Norway Florø and Project Manager of Odfjell SE.

Current directorships and senior management positions:
Fjord1 ASA (Director Technical and HSE), Maritime Montering AS (D), Martime Møbler AS (D), Gunhildvågen Industri AS (D), Gunhildvågen Utvikling AS (D), Fanafjord AS (C)

NILS KRISTIAN BERGE - PROJECT DIRECTOR

Nils Kristian Berge is Project Director since January 2018. Mr. Berge has over 30 years of experience in the Shipping Industry and holds an BSc Degree in Naval Architecture. Previous positions include CEO of Arab Shipbuilding and Repair Yard, Director of Shipmanagement in Utkilen AS, Technical Director in Laurin Maritime Inc., and other senior manager positions in shipping companies and shipyards.

Current directorships and senior management positions:
Fjord1 ASA (Project Director), Berge Consult (Owner)

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors

The table below set out the names of the board of directors of the Company:

NAME	POSITION
Vegard Sævik	Chairman
Frederik Wilhelm Mohn	Director
Siri Beate Hatlen	Director
Janicke W. Driveklepp	Director
Per Sævik	Director
Atle Olav Trollebø	Director - employee representative
Geir Offerdal	Director - employee representative
Egil Kirkebø	Observer - employee representative
Thomas Rakstang	Observer - employee representative

VEGARD SÆVIK - CHAIRMAN

Vegard Sævik has been a board member since 2011, Vice Chairman of the Board until 2016, and was elected Chairman of the Board in July 2017. Mr. Sævik is employed with Havila AS as Deputy Managing Director and holds board positions in various external and internal companies. He is currently chairman of the board of Havyard Group ASA, and holds a Bachelor of commerce from Handelshøyskolen BI.

Current board and executive positions:
Fjord1 ASA (C), Havyard Group ASA (C), Never no AS (C), Havila Invest AS (MD/D), Havilafjord AS (D), Siva Sunnmøre AS (D), Kystruten KS (MD), Havila Ariel AS (MD), OHI Eiendom AS (MD), Havblikk Eiendom AS (MD/D), Tangen 7 Invest AS (MD), Sæviking AS (D), Havila AS (D), Hardhaus AS (D), Brattholm Invest AS (D), Innidimman AS (C), Hotell Ivar Aasen AS (C)

FREDERIK W. MOHN - DIRECTOR

Frederik W. Mohn has been a board member since July 2017. Mohn is the sole owner of Perestroika AS, an investment company with long-term investments within offshore/rig, shipping, property-development and financial services. He holds an extensive industrial experience from the world-wide family business, Frank Mohn AS, where he also held the position of Managing Director, as well as through positions with Schlumberger in the USA.

Current board and executive positions:
Fjord 1 ASA (D), Perestroika AS (C), Transocen (D), DOF ASA (D), Viken Crude (D), Møgster Mohn Offshore AS (D), Fornebu Sentrum AS (D), Fornebu Sentrum Utvikling AS (D), Høvik Stasjonsby AS og KS (D), Gjettumgrenda AS og KS (D)

SIRI BEATE HATLEN – DIRECTOR

Siri Beate Hatlen has been a member of the Board since July 2017. Ms Hatlen has a Master of Science from the Norwegian University of Science and Technology (NTNU) and a Master of Business Administration from INSEAD. In her early career she worked for Statoil on larger offshore projects, later as management for hire and as board member/chair of the board of directors for numerous companies in Norway. She has served as Executive Vice President of Statkraft, and as CEO of Oslo University Hospital.

Current board and executive positions:
Fjord 1 ASA (D), Bane Nor SF (C), Entra ASA (C), Teknologirådet (C), Norwegian University of Life Sciences (C), DNT Oslo og Omegn (C), Eksportkreditt Norge AS (D), Lovisenberg Diakonale Sykehus (C), Medi3 (D).

JANICKE WESTLIE DRIVEKLEPP – DIRECTOR

Janicke Westlie Driveklepp has been a board member since December 2016. Mrs. Driveklepp currently works as Chief Financial Officer in Vartdal Plastindustri AS. She has previously held positions as Finance Director/ executive vice president of Scana Volda AS and before that as Financial Manager of Frøystad Fiskevegn AS, in addition to being a senior associate of Ernst & Young AS. She has also held a position as Vice President Organisation in SafeRoad AS. Mrs. Driveklepp holds a Master in Business and Science.

Current board and executive positions:
Fjord 1 ASA (D), Vartdal Plastindustri AS (Chief Financial Manager), Mesta AS (D), Fjord1 ASA (D), VD Transport (C), Bakkane Invest AS (D).

PER ROLF SÆVIK - DIRECTOR

Per Sævik has been a board member since 2014. Mr. Sævik was Observer of the Boar since 2011. He has over 35 years experience in operation and management of fishing and supply vessels and is currently Managing Director of Havila AS and Havilafjord AS. Mr Sævik was member of the Norwegian Parliament for a period of 4 years. He is currently Chairman and Director in several external companies, and has various board positions in Havila-group companies.

Current board and executive positions:
Fjord 1 ASA (D), Havila AS (MD), Pison AS (MD/C), Bratholm AS (C), Sæviking AS (C), Fosnavåg Parkering AS (C), Brattholm Invest AS (C), Sævard DA (C), Hardhaus AS (DD), Havgapet AS (DD), Fosnavåg Vekst AS (C), Kystruten AS (D), Norsea PSV AS (D), Pison AS (C), Norminor AS (DD), P/F 6. September 2006 (D), P/F Skansi Offshore (D), P/F Eldborg (D), P/F Friborg (DD), P/F Hotel Hafnia (D), Havyard Ship Invest AS (C), HH Offshore AS (D), VestNord Group AS (D), Hotell Ivar Aasen AS (D), Havilafjord AS (C), Havila Ariel AS (C).

ATLE OLAV TROLLEBØ – DIRECTOR - EMPLOYEE REPRESENTATIVE

Atle Trollebø has been a board member since 2008, representing the employees. Mr Trollebø is currently working as a Captain with 20 years of experience.

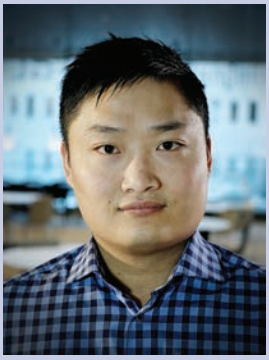
Current board and executive positions:
Fjord 1 ASA (D), Norsk Sjøoffisers Forbund Fjord1 ASA (Vice Chairman).

GEIR OFFERDAL – DIRECTOR - EMPLOYEE REPRESENTATIVE

Geir Offerdal has been a board member since July 2017, representing the employees. Mr. Offerdal is currently working as a sailor in Fjord1.

Current board and executive positions:
Fjord1 ASA (D), Norsk Sjøoffisers Forbund Fjord1 ASA (Vice Chairman).

EGIL KIRKEBØ – OBSERVER - EMPLOYEE REPRESENTATIVE



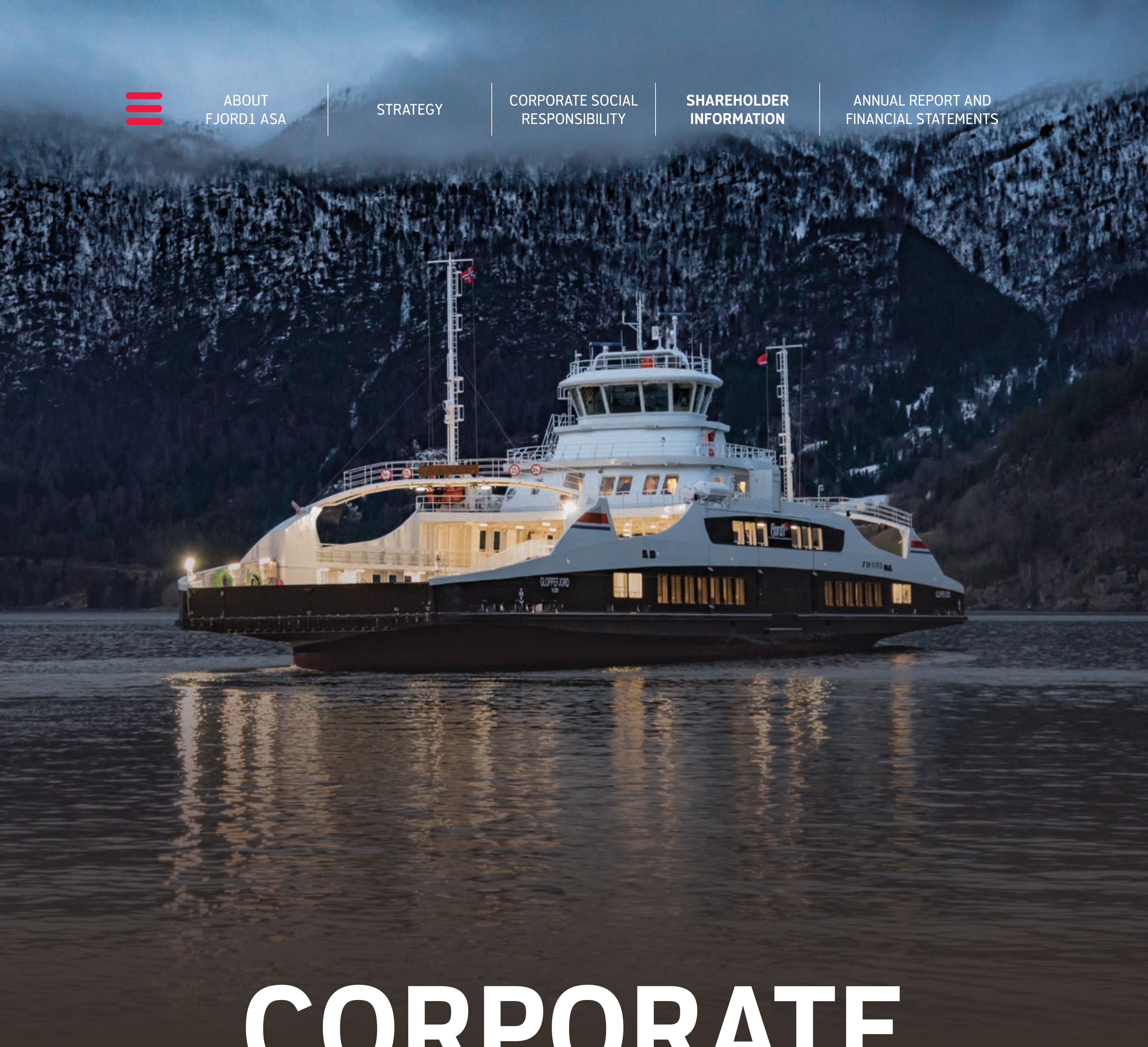
Egil Kirkebø was Empoyee representative Non-voting member from September 2012 to November 2015 and now as an observer since January 2018. Mr Kirkebø is currently working as an IT Systemscoordinator with 9 years' experience at IT Department. Holds an Bachelor degree in IT and Informationsystems from University of Agder, Apprenticeship certificate from Øyrane vidaregåande skule.

Current board and executive positions:
Fjord1 ASA (D), Negotia Fjord1 ASA (Vice Chairman).

THOMAS RAKSTANG – OBSERVER - EMPLOYEE REPRESENTATIVE

Thomas Rakstang has been an observer in the Board since July 2016. Mr. Rakstang is currently working as Chief engineer, with 20 years of experience.

Current board and executive positions:
Fjord1 ASA (D), Det Norske Maskinistforbund Fjord1 ASA (Chairman), Erak AS (MD).



CORPORATE GOVERNANCE

An open and strong management structure is necessary for the company to reach its economic goals and fulfil its responsibility towards society. The company is committed to ensuring that operations comply with standards and regulations. This involves e.g. the company's and employees' integrity, factors relating to safety and the external environment, a good working environment and a safe workplace for all employees.

CORPORATE GOVERNANCE REPORT

COMPLIANCE

For Fjord1, corporate governance is an important subject that covers the relationships between society, owners, the Board and management. Fjord1 is a Norwegian public limited liability company, listed on the Oslo Stock Exchange on 15 August 2017. The company is governed by the provisions in section 3-3b of the Norwegian Accounting Act regarding annual reporting on the policies and practice of company management. The Act stipulates the minimum information to be disclosed in this report.

The Norwegian Corporate Governance Board (NUES) has established a Norwegian Code of Practice for Corporate Governance ("the Code of Practice"). Oslo Stock Exchange requires listed companies to provide a full report of the company's policies regarding corporate governance each year, in compliance with the prevailing Code of Practice. The current obligations for listed companies can be found at www.oslobors.no. The NUES Code of Practice can be found at www.nues.no.

Fjord1 complies with the current Code of Practice, issued on 30 October 2014, in accordance with the "comply or explain principle". i.e. compliance with individual requirements in the Code of Practice and justification of any deviations. The company will issue a full report on the policies for corporate governance each year as part of the annual report.

VALUES, ETHICAL GUIDELINES AND CORPORATE SOCIAL RESPONSIBILITY

Fjord1 has ethical guidelines and other policy documents that are integrated in the company's corporate values. Fjord1 has a vision to be the most environmentally friendly and reliable operator in the transport sector. The company's core values are:

- **open and honest**
- **reliable and keeping our promises**
- **profitable**
- **cheerful**
- **working together and team spirit**
- **proud**

The ethical guidelines contain general policies for business practice and personal conduct, and are intended as a starting point for the attitudes and fundamental vision that shall permeate Fjord1's corporate culture. The company's ethical guidelines shall provide guidance for those persons making decisions on behalf of the company.

The company's general policy is to eliminate unequal treatment and other types of discrimination related to gender or ethnicity.

Corporate social responsibility is an integral part of Fjord1's operations. Fjord1 takes a conscious approach to corporate social responsibility (CSR). The company seeks to build and achieve the necessary level of trust within society to enable the company to manage the challenges and requirements it faces. This shall be fully reflected in the company's values and the quality of the work performed. The company's safety philosophy is based on a system of barriers, where the interplay between procedures and technology shall prevent unintentional consequences of technical or human error. Fjord1 works continuously to minimise emissions and environmental pollution. The company's goal is to ensure that the company is in full compliance with the formal requirements on emissions and shall, via cooperation with other shipowners, suppliers and research environments, identify measures to further reduce emissions from the ferry industry. One important element in reducing emissions is the conversion of existing vessels, and the delivery of newbuilds with eco-friendly technology.

More information on Fjord1's vision, strategy, values and CSR will be published on the company's website: www.fjord1.no

OPERATIONS

Fjord1's objective is to carry out transport, communication and tourism activities via its own or other companies. This is stated in Article 2 of the company's Articles of Association. Fjord1's goals, principal strategies and Articles of Association are mentioned in the company's annual report, available from the company's website: www.fjord1.no.

As part of annual strategy processes, the Board of Directors assesses whether the goals and guidelines emerging from the strategies are clear, comprehensive, fully implemented in operations and communicated to employees, customers and other stakeholders.

EQUITY AND DIVIDENDS

At 31 December 2017, Fjord1 had book equity of NOK 2,067 million, including non-controlling interests. This corresponds to an equity ratio of 39.4 %. The Board of Directors considers the equity to be appropriate in terms of the company's objectives, strategy and risk profile.

DIVIDENDS

The company intends to pay annual dividends of up to 50 % of net profit after tax. The dividend policy will always be evaluated in light of the company's equity and adopted investment plan. The company's capital structure is adapted to the company's current strategy and risk profile. This may change due to future investment programmes required for successful tenders, thereby having an impact on the company's dividend policy. Decisions on dividend payments will be made by the general meeting based on recommendations made by the Board of Directors. The company paid dividends to shareholders totalling NOK 250 million in 2016, and NOK 50 million in 2015. The Board of Directors has recommended a dividend payment for 2017 of NOK 270 million.

EMPLOYEE SHARE PROGRAMME

In connection with the listing on the Oslo Stock Exchange on 15 August 2017, a share programme was established for all employees, with entitlement to purchase discounted shares. In addition, executives are entitled to an incentive scheme with allocation of shares and the right to purchase discounted shares. Fjord1 wishes to provide employees with the opportunity to take part in value creation in the group, in addition to the shares gifted in connection with the stock exchange listing in 2017. The purpose of this programme is to boost the community of interest among the employees and the other shareholders, and to benefit value creation over time. Information on the share programme is disclosed in note 12 to the consolidated financial statements.

PURCHASE OF TREASURY SHARES
The company has a mandate issued by the general meeting to purchase treasury shares related to the employee share programme. This mandate is valid up to the date of the annual general meeting in 2018, at the latest on 30 June 2018.

CAPITAL INCREASE
The company's general meeting has not granted the Board of Directors a mandate to carry out a capital increase.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

EQUAL TREATMENT OF SHAREHOLDERS
Fjord1 has one class of shares, and all shares have equal voting rights. The Board of Directors and management work to ensure all shareholders are treated equally and have the same opportunities for influence. The company's Articles of Association contain no restrictions on voting rights.

Any transactions the company carries out involving its own shares (treasury shares) should be carried out either through the stock exchange or otherwise at quoted prices. In the event of a capital increase, the existing shareholders have pre-emption rights, unless special circumstances mean this can be waived. Any such decision to waive these rights shall be justified and published in a stock exchange announcement in connection with the capital increase.

TRANSACTIONS WITH RELATED PARTIES Fjord1 seeks openness and caution in connection with investments that may imply a close commitment or relationship between the company and a board member, executive or their family members. This is laid down in the company's ethical guidelines and instructions for the Board of Directors, based on legislation and regulations.

Each year, the company obtains and updates information related to its board members' offices, shares and other stakeholdings. This provides the company with fundamental information on which to assess transactions with related parties and possible conflicts of interest.

The Board of Directors also has guidelines to ensure that the individual board members and executives continuously assess and report to the Board of Directors any factors that may impair trust in their legal competence, or that may pave the way for conflicts of interest. Examples of the above may be a board member or executive who directly or indirectly has a significant interest in an agreement signed by the company. The purpose of this is to ensure that decisions are always made on an independent basis, in that disqualified board members or executives are not involved in of transactions with their related parties. In cases where the principal shareholder does not participate due to disqualification, routines have been established to ensure that other board members step in to handle such issues.

In situations where transactions are conducted with related parties, these shall be carried out at market terms and according to the arm's length principle. In cases where transactions with related parties are subject to a comprehensive tendering process that includes minimum three tenderers and decisions being made by the Board of Directors, no independent valuation will be obtained from a third party. This is because the internal guidelines for such situations are assessed to be sufficient to ensure compliance with the arm's length principle and market terms. Independent reports are obtained in cases where legislation requires the Board of Directors to provide an independent expert report, in accordance with section 3-8 of the Norwegian Public Limited Liability Companies Act. Transactions with related parties are described in note 16 to the consolidated financial statements.

PRINCIPAL SHAREHOLDER
Havilafjord AS is the principal shareholder in Fjord1. The Board of Directors views it as positive to have an owner who emphasises the importance of development and value creation in the Fjord1 group, and is confident that this will benefit all the shareholders by means of long-term and targeted decisions.

FREELY NEGOTIABLE SHARES

No restrictions have been laid down on the negotiability of Fjord1's shares.

GENERAL MEETINGS

ABOUT THE GENERAL MEETING

The shareholders in Fjord1 exercise ultimate authority via the general meeting. The Board of Directors takes steps to ensure that the general meeting is an effective meeting place for shareholders and the Board of Directors.

NOTICE OF GENERAL MEETING

Notice of the company's general meetings shall be issued in writing to all shareholders with a known address.

If documents relating to issues to be considered at the general meeting are made available to the shareholders on the company's website, the provisions of the Act requiring documents to be sent to the shareholders no longer apply. The same applies to documents that by law shall be included in or attached to the meeting notice.

A shareholder may, however, demand that supporting documentation for the general meeting be sent by post. This is laid down in article 7 of the company's Articles of Association. Supporting documentation shall contain all necessary documentation so that the shareholders are able to form an opinion on all the issues to be discussed. All shareholders registered in the Norwegian securities system (VPS) will receive notice of the meeting and are entitled to submit proposals and vote directly or by proxy. The company's financial calendar, including the dates of general meetings, is available on its website.

REGISTRATION AND PROXY

Registration of attendance is made in writing, either by post, VPS account or email. The Board of Directors aims to facilitate maximum attendance by the shareholders. Shareholders who are not able to attend are encouraged to be represented by a proxy or vote by proxy. Provision will be made for proxy votes to be cast on each individual issue discussed.

AGENDA AND PROCEDURE

A meeting chairperson is elected for each general meeting. The general meeting is opened by the Chairman of the Board, who also ensures a meeting chairperson is elected. Among other things, the annual general meeting shall approve the financial statements and annual report, and discuss the Board's recommendation for setting salary and other remuneration of executives.

The general meeting elects the members and the Chairman of the nomination committee. In addition, the general meeting deals with the issues required by law or the Articles of Association.

The minutes of the general meetings will be published via a stock exchange announcement and will be available on the company's website once the meeting has been completed.

NOMINATION COMMITTEE

Article 6 of the company's Articles of Association requires the company to have a nomination committee. Separate guidelines have been compiled for the duties of the nomination committee, its members and criteria. These guidelines were adopted by the extraordinary general meeting held on 7 July 2017.

In accordance with the Articles of Association, the nomination committee shall comprise two members, each elected for a period of two years. The nomination committee members shall be independent of the company's Board of Directors and executives, and shall safeguard the interests of the shareholders. The Chairman of the nomination committee is elected by the general meeting, and fees for the nomination committee are adopted by the general meeting. The nomination committee recommends its own members.

The current committee was elected at the extraordinary general meeting held on 7 July 2017.

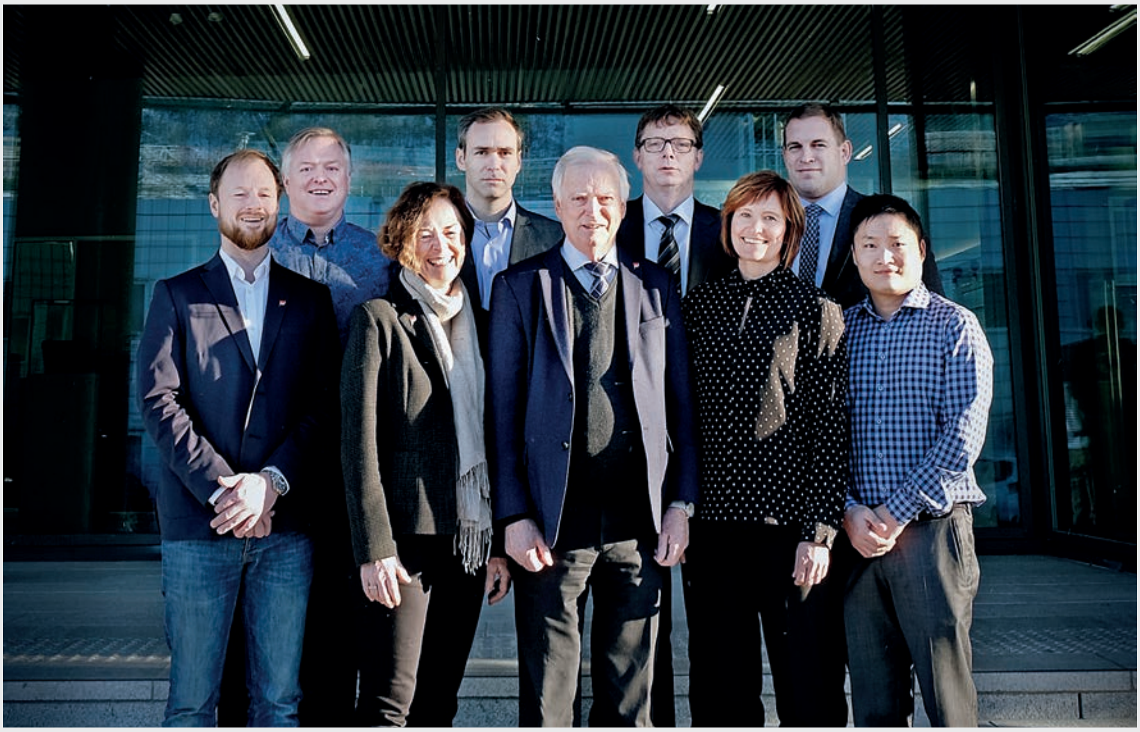
The members of the nomination committee will be due for re-election in 2019. The committee members are Anders Tallerås and Nina Skage.

The duties of the nomination committee are to propose candidates for election to the Board of Directors and to provide guidance regarding fees to be paid to members of the Board of Directors and sub-committees, including the nomination committee.

The report from the Board's annual self-evaluation is considered by the nomination committee. The nomination committee shall report on its work and present its reasons for recommendations to the general meeting.

These recommendations shall include relevant information on the candidates and evaluation of their independence in relation to the company's management and Board of Directors. The nomination committee will have contact with shareholders, board members and the CEO during the process to propose candidates to the Board and will justify its recommendations with the company's largest shareholders. Shareholders are entitled to propose candidates via the company's website.

The recommendation made by the nomination committee to the general meeting is made available to the Board of Directors four weeks prior to the general meeting. The nomination committee's recommendations shall fulfil the requirements on board composition laid down in prevailing legislation and relevant regulations.



BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

COMPOSITION OF THE BOARD OF DIRECTORS
In accordance with Article 5 of the company's Articles of Association, the Board of Directors of Fjord1 shall comprise between five and nine members. The Chairman of the Board and the shareholder-elected board members are elected by the general meeting, based on recommendations from the nomination committee.

The Board of Directors is currently made up of five shareholder-elected members, two of whom are female. There are two board members who represent the employees.

Fjord1's Board of Directors is composed according to the company's needs for expertise, capacity and diversity. Importance is attached to the Board comprising a wide range of backgrounds from business and management, with a good understanding of the industry. A list of the individual board members, detailing their expertise, background and shareholding in the company is available on the company's website. The company's employees shall be represented on the Board by two board members and two observers, according to the prevailing agreement. None of the shareholder-elected board members are employees of or have performed work for Fjord1.

The term of office for shareholder-elected board members is governed by section 6-6 of the Norwegian Public Limited Liability Companies Act. The current board members started their term of office on the date of the extraordinary general meeting on 7 July 2017. Employee representation on the Board of Directors is governed by section 6-4 of the Norwegian Public Limited Liability Companies Act.

Remuneration of the Board of Directors is established by the general meeting based on recommendations by the nomination committee.

BOARD INDEPENDENCE
The composition of the Board of Directors shall ensure that it can operate independently of any special interests and shall function effectively as a collegiate body, in the best interests of the shareholders.

No shareholder-elected board members are involved in the daily management. Chairman of the Board Vegard Sævik and board member Per Sævik are associated with majority shareholder Havilafjord AS.

The other shareholder-elected board members are independent of Fjord1's management and significant business relationships.

For information on the board members' shareholdings in Fjord1 at 31 December 2017, please refer to note 17 to the consolidated financial statements. Board members are governed by the regulations relating to primary insider information, with clear rules governing e.g. the obligation to investigate and report any trading in the company's shares.

THE WORK OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS' DUTIES

The Board of Directors has ultimate responsibility for the management of the group and for supervising its day-to-day management and activities and safeguarding the shareholders' interests.

This means the Board of Directors is responsible for ensuring that the Group's operations are soundly organised, and for drawing up strategies, plans and budgets. The Board takes part in important strategic discussions throughout the year. Moreover, the Board is responsible for establishing a control system and ensuring that the Group is operated in accordance with the stipulated values and ethical guidelines and the owners' own expectations in relation to corporate social responsibility. The Board of Directors is obliged to ensure proper control of the financial statements and capital management. Issues of material strategic or financial importance are considered by the Board of Directors. The Board of Directors is responsible for recruiting the CEO and establishing instructions, mandates and conditions for the CEO and establishing the salary of the CEO.

In 2017, 11 board meetings were held, 8 of which were meetings with physical attendance.

INSTRUCTIONS FOR THE BOARD OF DIRECTORS

The Board of Directors has adopted a set of instructions that provide regulations and guidelines for the Board's work and consideration of issues. This is reviewed annually or when required. The instructions stipulate the duties and obligations inherent in the Board's work and relationship with the CEO. The Chairman of the Board is responsible for ensuring that board work is executed efficiently and correctly. The Board works according to an annual plan with established subjects and issues for the board meetings. The Board of Directors carries out annual evaluations of its work and expertise. This is done by means of a self-evaluation, which is summarised and submitted to the nomination committee. At least once a year, the Board of Directors carries out a review of the company's most important risk areas and internal control in the company.

INSTRUCTIONS FOR THE CEO

The CEO of Fjord1 is responsible for the operational management of the Fjord1 group. The CEO shall further ensure that the financial statements comply with legislation and relevant regulations and that the Group's assets are properly managed. The CEO is recruited by the Board of Directors and shall report to the Board of Directors. The CEO is obliged to keep the Board constantly informed of the Group's financial position, operations and capital management. The instructions issued by the Board of Directors to the CEO include guidelines for issues to be considered by the Board.

FINANCIAL REPORTING

The Board of Directors receives periodic reports with comments on the company's economic and financial status. The company follows the Oslo Stock Exchange deadlines for interim reports and the guidelines for IR.

THE BOARD'S AUDIT COMMITTEE

The audit committee comprises three members and is elected by and from the board members. At least one of the member should have experience of accounting, financial management or auditing. The members of the audit committee are elected by the Board of Directors, and changes in the composition of the committee are implemented as preferred by the Board, or until the members leave their office as board member. The audit committee is made up of Janicke Driveklepp (chair), Vegard Sævik and Siri Hatlen. The chair of the audit committee is an independent board member. The company's auditor attends meetings of the audit committee on request.

The audit committee is a preparatory and advisory committee for the Board of Directors. The audit committee shall a) prepare the Board's monitoring of the financial reporting process, b) monitor the system for internal control and risk management, c) maintain contact with the company's elected auditor regarding the audit of the financial statements, d) assess and monitor the auditor's independence and objectivity in relation to the company, including in particular the degree to which non-audit services provided by the auditor represent a threat to the auditor's independence and objectivity in relation to the company. The audit committee held two meetings in 2017.

THE BOARD'S REMUNERATION COMMITTEE

The Board of Directors has assessed the establishment of a remuneration committee but has not found this to be necessary. The policies and strategies for remuneration of the company's management are established by the Board of Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

THE BOARD'S RESPONSIBILITY AND OBJECTIVE

Fjord1's risk management and internal control shall help to ensure that the company takes a holistic approach to its operations, financial reporting and prevailing legislation and regulations. The Board of Directors shall carry out an annual evaluation of Fjord1's risk management and internal control. Internal control also covers the company's values, corporate social responsibility and ethical guidelines, which apply to all the employees in the company.

THE BOARD OF DIRECTORS' REVIEW AND REPORTING

Fjord1 holds an annual strategy meeting to lay the foundations for the Board's considerations and decisions throughout the year. The most critical risk exposure areas and the internal control system are reviewed at this meeting. An overall management model has been prepared for ongoing follow-up, based on the group's strategy, values and ethical guidelines. Moreover, policies have been drawn up for reporting within the most critical areas, in addition to guidance and guidelines for key processes and activities. An authorisation matrix has been established for delegating responsibility to defined roles in the organisation. All employees have guidelines for the scope of their own authority and the next step up in the chain for decision-making or approvals.

Fjord1 has established a set of internal procedures and a system to ensure comprehensive and reliable financial reporting and operations. In addition, a system has been established to ensure the quality of project execution. Among other things, the system comprises a review of project risk and risk in other parts of the company to ensure reliable financial reporting and, if necessary, to establish necessary measures to manage risk. Planning, control, execution and economic follow-up of building processes, production processes and projects are integrated in the Fjord1 group's business operations.

The company has established whistle-blowing routines that enable employees to communicate situations involving illegal or unethical conduct.

Fjord1's consolidated financial statements are prepared in accordance with prevailing IFRS regulations. The Board of Directors receives periodic reports on the company's financial results and a description of the status of the group's most important individual projects. In addition, economic reports are drawn up every quarter and are adopted by the Board of Directors prior to publication of the interim reports. The auditor takes part in meetings of the audit committee and in board meetings involving presentation of the preliminary financial statements. The most critical risk factors for the group are described in the Board of Directors' report.

The Board has overall responsibility for the management of the Group as well as to oversee the day-to-day management and the Group's activities and safeguard the interests of the shareholders.

This means that the Board is responsible for ensuring a sound organization of work and for determining strategies, plans and budget. The Board participated in key strategic discussions throughout the year.

Furthermore, the Board is responsible for establishing control systems and ensuring that the

Group is operating in accordance with the values and ethical guidelines that have been established, and the owners expect their company to have a socially responsible operation. The board is obliged to ensure that the property management and asset management are subject to good control. Cases of significant strategic or financial significance are dealt with by the Board.

The Board is responsible for appointing the Managing Director and setting up instructions, proxies and terms for the Managing Director, as well as setting remuneration to the Managing Director.In 2017, 11 board meetings were held, where eight of these were with physical attendance.

REMUNERATION OF THE BOARD OF DIRECTORS

The general meeting stipulates the annual fee paid to the members of the board based on the recommendation of the nomination committee. The fee paid to the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the company's activities In 2017, total remuneration paid to the Board of Directors was NOK 1,658,000. Please refer to note 17 to the consolidated financial statements for more detailed information.

The Board of Directors' remuneration is not linked to company performance. No options are allocated to board members, and the shareholder-elected board members do not have any agreements relating to pension plans or pay from the company after termination of employment. None of the shareholder-elected board members have duties for the company in addition to their board work.

The board members are encouraged to own shares in the company. The board members comply with general insider regulations for trading shares in the company.

REMUNERATION OF EXECUTIVES

As mentioned under chapter 9, the company has not established a remuneration committee. The Board of Directors evaluates the conditions for recruitment of the CEO and contributes to the strategy and main principles for remuneration of the company's senior management.

The group's guidelines for remuneration of executives are described in note 17 to the consolidated financial statements. The main element in the remuneration scheme is the fixed base salary. Senior management has a share ownership scheme to ensure that remuneration aligns the interests of shareholders and senior management.

No options have been issued to employees or employee representatives in the company.

Guidelines for remuneration of executives are presented annually to the general meeting in connection with consideration of the financial statements.

INFORMATION AND COMMUNICATIONS

Fjord1 aims for all reporting of financial and other information to be correct and based on openness and equal treatment of all participants in the securities market. The company will comply with the IR guidelines issued by Oslo Stock Exchange on 1 March 2017. Information from Fjord1 is published in the form of annual reports, interim reports, press releases and stock exchange announcements, and investor presentations. All information deemed material for the valuation of the company is distributed and published via Oslo Stock Exchange's announcements system and on the company's website.

The company presents its preliminary financial result according to the dates established in the financial calendar. A complete set of financial statements, together with the Board of Directors' report and annual report, are made available for shareholders at the latest three weeks prior to the general meeting and at the latest by the end of May every year. The interim reports are published by the 28th of the second month after the end of the quarter.

The company's financial calendar is published for one year at a time and is announced prior to 31 December in line with Oslo Stock Exchange's regulations. The financial calendar is available on the company's website and on the website for the Oslo Stock Exchange.

The main purpose of information disclosure is to communicate the company's long-term goals and potential, including strategies, value drivers and important risk factors. The Guidelines for Investor Relations provide more detailed information on how to manage disclosure in the group. The company appoints specific spokespersons for different issues. In principle, the CEO or CFO of Fjord1 will make statements on behalf of the company to the financial market.

TAKEOVERS

The company's Articles of Association place no restrictions on the purchase of shares in the company. In a takeover situation, the Board of Directors shall help ensure that the shareholders in the company receive equal treatment and that the group's daily operations are not unnecessarily disrupted. The Board of Directors shall seek to ensure that shareholders are given sufficient information and time to form a view of a takeover bid.

If a bid is made for the company's shares, the Board of Directors shall make a statement with an evaluation of the bid and advice to the shareholders as to whether they should accept the bid or not. This evaluation should cover issues such as how a possible acquisition will affect the long-term value creation in the company. Justification of the evaluation shall be provided.

AUDITOR

ELECTION OF AUDITOR

The group's auditor shall be elected by the general meeting. The Board's audit committee shall make a recommendation regarding the election of auditor to the general meeting.

THE AUDITOR'S RELATIONSHIP WITH THE BOARD AND AUDIT COMMITTEE

The auditor presents his/her work and provides an evaluation of the company's financial reporting and internal control to the Board in connection with the financial statements. The Board is informed at this meeting of any non-audit services performed by the auditor during the year. At least once a year, the auditor shall have a meeting with the Board of Directors without the presence of company management. The auditor is entitled to take part in Fjord1's annual general meeting. The auditor shall confirm in writing to the Board each year that the established requirements for the auditor's independence are met.

The auditor takes part in meetings of the audit committee when requested. Every year, the auditor shall present to the audit committee the main elements in the plan for execution of the auditing work. The auditor shall review any material changes in Fjord1's accounting policies, evaluations of significant accounting estimates and all significant circumstances where there has been a disagreement between the auditor and company management. At least once a year, the auditor shall review Fjord1's internal control system together with the audit committee, including all visible weaknesses and proposed improvements.

The Board of Directors informs the general meeting of fees paid to the auditor, broken down into audit and non-audit services.

ANNUAL REPORT AND FINANCIAL STATEMENTS

BOARD OF DIRECTORS' REPORT 2017

Fjord1 reported a strong result in 2017, with a 17 % increase in revenue and stable and safe operations, generating EBITDA of NOK 985 million for the company. Fjord1 started work on two new contracts in 2017. There has been a high level of activity related to tender competitions with a green profile in 2017, and Fjord1 has signed two ferry contracts with contractors, thereby maintaining its position as the leading ferry company in Norway. Fjord1 is strongly committed to safety for both passengers and employees. Given the strength of the organisation and the high order backlog with long-term 10-year contracts with public bodies, the Board of Directors is confident that the company is well positioned to achieve positive results in the future. With a pre-tax profit of NOK 716 million and an EBIT margin of 26.2 %, the Board of Directors proposes a dividend payment of NOK 270 million for 2017.

ABOUT THE COMPANY

Fjord1 ASA is the leading ferry company in Norway with activities within ferry operations with associated catering, as well as fjord-based tourism and passenger transport, generating a total revenue of NOK 2,794 million in 2017. The company plays an important role for Norwegian infrastructure, operating 34connections. The fleet of ferries comprised 63 vessels at the end of 2017, in addition to a newbuilding and conversion programme running to 2020. By the end of 2020, Fjord1 will have 30 electric vessels operating Norwegian ferry connections. The electric vessels shall be assigned to six environmental contracts, and the vessels meet the requirements of the "green shift" in terms of zero- or low-emission technology.

Fjord1 ASA reported 1,056 full-time equivalents in 2017. The company's head office is in Florø, with operating departments in Molde and Bergen. The total number of full-time equivalents for the group is 1,204.

With a vision of being the safest and most attractive supplier of eco-friendly ferry and passenger-boat transport for customers, contractors and other partners, Fjord1 took a step forward in 2017 in its role as the leading player in the "green shift" and electrification of the ferry industry.

OPERATIONS

Fjord1 ASA's market is ferry and passenger-boat connections in Norway. The ferry segment represents 88 % of the company's revenue. Principal contractors are the county councils in Norway and the Norwegian Public Roads Administration. The company operates catering services on board the ferries on some of the routes. Fjord1 also targets tourism activities in the West Norwegian fjords via its ownership of The Fjords DA and other companies. In 2017, Fjord1 transported a total of 21.1 million passengers and 10.4 million vehicles, and made around 674,000 port calls. At the end of 2017, Fjord1 ASA had a fleet of 63 ferries of varying capacity and age. The average age of the vessels is 24, and this is expected to fall as the company takes delivery of new vessels. In addition to its fleet of ferries, Fjord1 ASA owns four passenger-boats.

THE FERRY SEGMENT

Fjord1 is the leading operator within Norwegian ferry operations, with a market share of 50 % in 2017, measured according to the number of private car units transported. The company also operates seven of the ten ferry connections in Norway with the highest traffic volumes. On 1 January 2017, a new two-year contract started for the Halhjem – Sandvikvåg and Arsvågen – Mortavika connections. In addition, new contracts have been signed for all the crossings on the county road network in the region of Sogn og Fjordane with effect from 2017.

In 2017, the ferry segment reported revenue of NOK 2,474 million and an operating profit of NOK 681 million.

The company has been able to reduce costs by reducing allisions and increasing operational efficiency, in addition to an increase in gross cost tenders. The total growth in traffic in 2017 within the ferry segment was 1.5 %. The company has achieved a positive earnings performance from the net cost contracts thanks to positive traffic developments.

In 2017, Fjord1 has focused on preparing to implement new contracts and contracting vessels. In December 2017, the company took delivery of two hybrid-electric vessels. The newbuilding and conversion programme arose because the company has in recent years been awarded seven contracts starting between 2018 and 2020, all requiring low- or zero-emission technology. Fjord1 has contracts with the Fjellstrand and Havyard Ship Technology shipyards, in addition to Tersan Shipyard, Sefine and Cemre Shipyard in Turkey. In 2017, there has also been a high level of activity linked to planning quayside charging facilities.

CONTRACTS FOR THE FERRY SEGMENT

The company had a high level of tendering activity again in 2017. One common feature of all the tender competitions in 2017 was a focus on low and zero emissions with criteria linked to energy consumption, CO_2 emissions and NO_x emissions. To meet the new requirements for zero or low emissions in the tenders, all newbuilds and converted vessels now have a green profile.

In 2017, Fjord1 signed a contract with Hordaland County Council to operate the “Hordaland 2” contract, with start-up on 1 January 2020.
This contract covers the following ferry routes: Skjærsholmane – Ranavik, Jektevik – Nordhuglo – Hodnanes, Gjermundshavn – Varaldsøy – Årsnes and Jondal – Tørvikbygd. Hordaland County Council has placed stringent environmental requirements on the new ferry contracts, implying a significant reduction in CO_2 emissions, and fuel and energy consumption. In October 2016, Hordaland County Council awarded the “Hordaland 1” contract to Fjord1 for seven ferry crossings in the region. This also requires a high level of electrification of all ferry crossings in the contract. From 2020, Fjord1 will operate 11 of the total of 17 eco-friendly ferry connections in Hordaland.

In 2017, Fjord1 signed a contract with Møre og Romsdal County Council, represented by “Fram”, to operate the Sula package. Fjord1 has assumed a leading role in the “green shift” for the Norwegian transport sector. This contract consolidates the company’s position in this regard. The five newbuilds assigned to the two connections will utilise zero-and low-emission technology.

The Hareid – Sulesund route will start on 1 January 2019 and the Sykkylven – Magerholm route on 1 January 2020.

Also in 2017, Fjord1 successfully submitted a tender for the contract for the Nordmøre package. The contract was signed with Møre og Romsdal County Council in January 2018. All the connections in this package start on 1 January 2020 and run for 11 years. These are Kvanne – Rykkjem, Arasvika – Hennset, Seivika – Tømmervåg and Sandvika – Edøya. The contract for the Halsa – Kanestraum county road connection is not yet open for tenders.

MARKET OUTLOOK, FERRY SEGMENT

On 1 January 2018, the world’s first fully electric ferry made its first journey between Anda and Lote, reducing emissions by 100 % on this route. The two electric vessels, Gloppefjord and Eidsfjord, are symbols of the “green shift” in the ferry industry. In the counties of Hordaland and Sør-Trøndelag, Fjord1 has been awarded contracts that, in a few years’ time, will provide substantial reductions in emissions from ferry operations.

The ferry segment is expected to see a high level of tendering activity again in 2018, as several ferry connections are approaching the end of their current contract periods. Developments in the ferry industry are driven by a combination of requirements in tenders and an industry that is forward-looking in developing and implementing new emission-free solutions. Tender competitions are expected to continue to focus on emissions and energy efficiency, and further renewal of the ferry fleet. The ferry industry and Fjord1 are contributing to the technological shift from fossil fuels to zero emissions by means of battery solutions for ferries in Norway. For Fjord1 alone, the 30 electric vessels planned for 2020 will provide substantial reductions in emissions in Norway.

PASSENGER-BOATS

Fjord1 operates local passenger-boat routes in Sogn og Fjordane, comprising 15 local itineraries around the county. Fjord1 ASA owns four passenger-

boats and leases 10 passenger and combi-boats from subcontractors. Some of the boats carry only passengers, while others can carry vehicles too. The contracts for the local passenger-boat routes are valid from 1 May 2012 for eight years, with the option to extend by a further two years. In 2017, the passenger-boat segment reported revenue of NOK 95 million and an operating loss of NOK 3 million. The company is evaluating measures to improve earnings from this segment.

Fjord1 ASA is also involved in passenger-boat operations between Kristiansund and Trondheim in collaboration with Fosen Namsos Sjø AS through the company Partsrederiet Kystekspressen ANS, in which the company has a 49% shareholding.

THE CATERING SEGMENT

Catering is closely related to the ferry segment and an important area for Fjord1. Using the Ferdamat concept, Fjord1 has concentrated on offering high-quality, freshly made food using good, local produce, as well as a visual identity that customers recognise on all Fjord1 services. Our signature product, griddle pancakes, is sold on all Fjord1 ferries with catering services. In 2017, the company sold approximately 800,000 pancakes. On shorter crossings without manned catering, several of the ferries have self-service kiosks or vending machines offering a more basic selection of food, drinks and refreshments. In line with developments in society in general, the company continuously strives to further develop its catering services to meet customer demand. These targeted efforts over several years have produced good results.

Revenue from catering in 2017 was NOK 189 million, with an operating profit of NOK 33 million.

The number of passengers travelling on Fjord1's vessels is increasing, and it is evident that a large % of passengers make use of the company's catering services. The menu available on longer crossings is varied, and the company plans to offer organic products in the future.

THE TOURISM SEGMENT

In recent years, Fjord1 has been involved in the tourism segment via its subsidiary established in 2015 – The Fjords DA, jointly owned with Flåm AS.

The Fjords DA has seven vessels sailing the West Norwegian fjords, and the company is a modern tourism company providing tours of the region's iconic fjords – Nærøyfjord, Lysefjord and Geirangerfjord. The company's objective is not only to be a tourist destination but also to provide a unique experience that can be combined with other extraordinary experiences in the region.

The tourism segment reported operating profit of NOK 18 million in 2017.

In addition to joint ownership of The Fjords DA, the company also has 50 % shareholdings in the general partnerships The Fjords Fartøy II DA and The Fjords Fartøy I DA. Fjord1 also owns 30.6 % of the shares in Fjordtours AS and 30.2 % of the shares in Geiranger Fjordservice.

The passenger catamaran M/S Vision of the Fjords, delivered in the summer of 2016, carries 400 passengers and is a unique vessel for tourism, winning awards such as “Ship of the Year”. M/S Future of the Fjords is scheduled for delivery in April 2018. As a partner in The Fjords DA, Fjord1 is involved in the renewal and development of low-and zero-emission vessels to traffic Norway’s UNESCO World Heritage fjords.

The number of passengers using the services offered by The Fjords DA has seen a good increase since 2015. Fjord1 and Flåm AS have a shared ambition to develop tourism and offer eco-friendly experiences in the fjords. Fjord1 seeks to contribute its core expertise to the further development of projects within fjord-related tourism.

OTHER INVESTMENTS

Via its 34 % shareholding in WF Holding AS, Fjord 1 has a financial interest in Widerøe's Flyveselskap AS. Widerøe is the largest regional airline in the Nordic countries, with both commercial and PSO (public service obligation) routes in Norway. The company owns and operates 41 aircraft and has around 450 departures daily.

CORPORATE SOCIAL RESPONSIBILITY

Fjord1 is committed to its corporate social responsibility and lives up to this through its values and ethical guidelines. The company's corporate social responsibility reports follow the guidelines issued by the Oslo Stock Exchange for reporting of corporate social responsibility and section 3-3 of the Norwegian Accounting Act. Fjord1 ASA's report on corporate social responsibility is available in the company’s annual report for 2017.

HSE

Fjord1 AS maintains a focus on well-being and the working environment by means of systematic health, safety and environmental work. These efforts shall help ensure a workplace without injuries for employees and without damage to the environment or society, and compliance with primary internal and external HSE requirements.

WORKING ENVIRONMENT AND EQUALITY

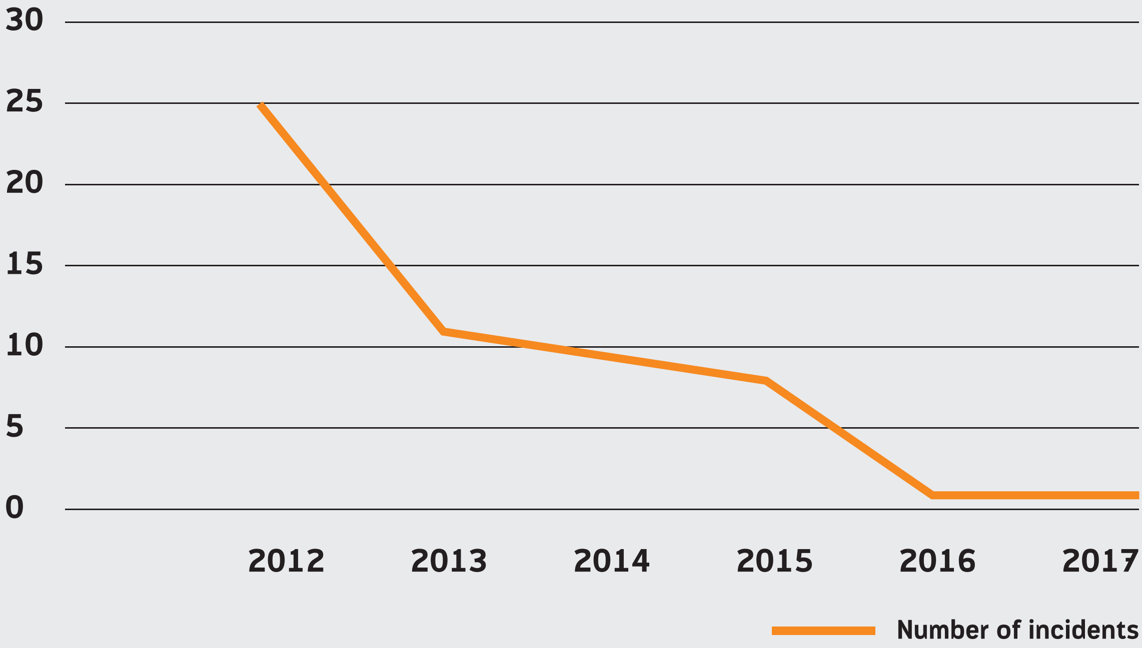
Fjord1 continuously invests in its employees. In 2017, the company held meetings in which all employees took part and were given the opportunity to share feedback and opinions. The aim of these meetings is to develop a Fjord1 culture and support the company's values. Throughout the year, several new employees have been recruited to the organisation due to new framework conditions for the industry introduced to ensure efficient and stable operations.

The working environment in Fjord1 ASA is generally good, and the workforce is stable in most areas. Sick leave in 2017 was 6.43 %, an unsatisfactory figure for the company. The corresponding figure for 2017 was 7.38 %. The company has introduced routines for follow-up of employees on sick leave and is working on new measures that may further improve attendance. The company also has a policy for making adaptations, which can provide employees with variation or support at work. As an employer, Fjord1 is obliged to adapt the workplace for employees who, for health-related reasons, have a reduced capacity for work. Employees are in turn obliged to contribute to this by utilising their full capacity for work.

There was a slight increase in injuries resulting in absence in 2017. The safety and environmental committee registered 18 injuries resulting in absence among the company's own employees in 2017, compared with 14 in 2016. Two of the injuries were reported to the Norwegian Maritime Authority in 2017, compared with seven in 2016. Impact-related injuries account for six of the injuries resulting in absence, fall-related injuries for four, while the remaining eight are other types of injuries. Reducing absence due to such injuries is a priority. In 2017, there were 1,204 full-time equivalents in the group (incl. underlying companies). The proportion of female employees in Fjord1 was 18.5 % in 2017, including administration (F1 Administrasjon AS). The corresponding figure for 2016 was 19.01 %. The proportion of female workers on board vessels was 14.2 % in 2017. The low proportion of female employees on board vessels must be seen in the context of women traditionally not choosing to train for maritime roles. There is still work to be done to increase the recruitment of women to these roles, and it is long-term work. When establishing salaries and salary adjustments, the company keeps in mind that men and women shall be treated equally.

Fjord1 has good access to skilled labour, and the work required to ensure sufficient competent labour is easier now, as the company has a higher number of skilled applicants for the vacancies announced. Fjord1 shall continue with its long-term and targeted recruitment work to ensure that the company can continue to operate in a way that is safe and stable.

INCIDENTS



DISCRIMINATION
The Norwegian Anti-Discrimination Act seeks to promote equality, secure equal rights, and prevent discrimination based on ethnicity or national origin, descent, skin colour, language, religion or life stance. Fjord1 ASA works actively and purposefully to promote the aims of this legislation.

Fjord1 ASA is an Inclusive Working Life company (IW) and has drawn up its own IW plan. The company's goal is to be a workplace where there is no discrimination on the grounds of disability. The company is working hard to design and arrange the physical conditions so that the various job roles in the company can be available to as many people as possible. Workplaces and tasks are individually adapted to meet the needs of employees and job applicants with disabilities.

SAFETY
Safety is absolutely central for Fjord1. In 2017, the company has been reaped the rewards of many years of systematic work on safety culture. Operations in 2017 were carried out with a focus on customer and employee safety. The Board of Directors and management have focused on maintaining their work boosting safety culture in 2017, both in terms of the barrier system and changing attitudes.

From 2012 to 2017, Fjord1 ASA has recorded a reduction of close to 96 % in allisions (collision with quay or running aground). In 2017, the company recorded only one allision. The company has established a “zero philosophy” for allisions, and with approximately 1,100,000 port calls (591 days) without allisions, has achieved a unique milestone in the industry. A total of nine passenger injuries were recorded in 2017, most being minor cuts, crushing or falling injuries, compared with eight injuries in 2016.

Work is continuing on a number of measures to further promote safe operation. The reduction in allisions is a result of long-term work to develop the safety and control system. The company will continue working to develop the safety culture in Fjord1 ASA in 2018. The company works closely with its crews to implement barriers and develop operational procedures on board.

Route production and traffic operations in Fjord1 ASA were implemented well and safely in 2017.

GOING CONCERN
The Board of Directors considers that the submitted income statement and statement of financial position as at 31 December 2017 provide a true and fair view of the assets, liabilities, financial position and result for the parent company Fjord1 ASA and the group. Nothing has happened since the closing of the accounts in the new year that has had any influence on this assessment. The company is assumed to be a going concern, and the company's financial statements have been drawn up subject to this assumption. These assessments are based on profit forecasts for 2018 and the group's long-term forecasts for the coming years.

PROFIT/LOSS, STATEMENT OF FINANCIAL POSITION AND LIQUIDITY
In 2017, the Fjord1 group reported income of NOK 2,794 million (NOK 2,386 million). Operating

profit was NOK 733 million (NOK 568 million), corresponding to a strong EBIT margin (operating margin) of 26.2 % (23.8 %). The pre-tax result shows a profit of NOK 716 million (NOK 599 million) and the profit for the year after tax was NOK 603 million (NOK 450 million). Operating profit/loss per segment is disclosed in note 3 to the consolidated financial statements, and specified per segment under Operations.

Stable operations have provided better margins on contracts and thus an improved result. Combined with positive traffic development for net cost contracts and a high focus on safety resulting in fewer service interruptions, this has contributed to the improved result in 2017.

Over the year, the Board of Directors and the management have made valuations in connection with the basis for ship values as well as provisions for possible future losses on contracts. There were no write-downs in 2017, nor were there any reversals of write-downs from previous years.

The group has equity of NOK 2,068 million (NOK 1,723 million) and total assets of NOK 5,254 million (NOK 4,869 million), corresponding to an equity ratio of 39.4 % (35.4 %) at year-end 2017. The company's position is satisfactory in respect of both liquidity and financial strength.

Cash flow from operating activities was NOK 994 million in 2017 (NOK 743 million). Depreciation of NOK 253 million (NOK 162 million) is the largest factor to consider when comparing with pre-tax profit. Cash invested totalled NOK 619 million (NOK 274 million), of which NOK 738 million (NOK 380 million) was investments in operating assets. In addition, operating assets were sold for a figure of NOK 104 million (NOK 84 million). Instalments totalling NOK 1,123 million were made in downpayments and repayment of long-term debt to credit institutions, while a new bond loan of NOK 1,000 million was taken out. Net cash and cash equivalents at 31 December 2017 were NOK 474 million (NOK 554 million).

ALLOCATION OF PROFITS IN THE PARENT COMPANY

Fjord1 ASA's strategic basis provides for an owner-friendly, balanced and long-term dividend policy.

The profit for the year after tax in the parent company was NOK 473 million in 2017, and the Board of Directors recommends the following allocation of this figure:

Transferred to other equity	NOK 203 million
Provision for dividends	NOK 270 million
Total allocation	NOK 473 million

CORPORATE GOVERNANCE

Fjord1 complies with the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES) The main elements for the group in this report cover how the relationships between society, owners, the Board and management function.

Fjord1's corporate governance report describes the company's operations and values, the company's capital and dividend policy, principles for the company's shares and share trading, the company's nomination committee, principles for the Board of Directors' independence and work, remuneration of the Board and management, internal control and risk management, correct information and communication and a brief description of the work of the company's auditor.

Please refer to the annual report, where the report on corporate governance details the company's principles in the areas mentioned above.

SHAREHOLDER INFORMATION

The company is listed on the Oslo Stock Exchange main list, and had 4,015 shareholders at 31 December 2017. Havilafjord AS is the largest shareholder and controls 51.50 % of the share capital. In total, the 20 largest shareholders own 84.83 % of the shares. A list of these shareholders is available under Investor Relations on Fjord1's website. The company has 100,000,000 shares. At an extraordinary shareholders' meeting in July 2017, the Board was authorised to purchase treasury shares in connection with the employee share programme. More information on the share programme and co-ownership can be found in the annual report, under the section on "Corporate Governance".

The company's policy is to pay dividends of up to 50 % of the group's profit for the year after tax. The dividend policy will always be evaluated in light of the company's equity. The company's capital structure is adapted to the company's current strategy and risk profile. This may change due to future investment programmes required for successful tenders, thereby having an impact on the company's dividend policy. Decisions regarding dividend payments will be made by the annual general meeting based on recommendations made by the Board of Directors.

SHAREHOLDERS

The company has one class of shares. Pursuant to the Norwegian Public Limited Liability Companies Act, all shares in the company carry equal rights and are freely negotiable.

Earnings per share in 2017 were NOK 6.02. A proposed dividend payment of NOK 270 million in total will equal a dividend payment per share of

NOK 2.70. Please refer to Allocation of profits in the parent company and Shareholder information above.

OPERATIONS-RELATED RISKS

Fjord1's operations entail various types of risk that the company evaluates continuously. The central risk elements are market risk and financial risk, as well operating risk and supply risk related to newbuilds.

Market risk is defined as the consequence of variations in market factors such as oil prices, interest rates and currency. The company's contracts with clients take fluctuations in these market-related factors into account to a high degree by regulating the contracts according to the cost index for domestic sea transport. Fjord1 utilises financial instruments to hedge cash flow that is not covered by regulation mechanisms in the contracts.

Fjord1 is exposed to currency fluctuations related to shipbuilding contracts entered into in both EUR and USD. The company carries out hedging to reduce the risk related to currency fluctuations.

Other market risks include macroeconomic factors over which the company has no control, and demand for goods and services that may impact the company's investing activities and the market value of vessels.

Credit risk is the risk of customers and contractual partners being unable to fulfil their financial commitments, and is regarded as low. Historically, the company's bad debts have been low. Changes in framework conditions may change this risk profile. The gross credit risk as at 31 December 2017 is NOK 86.1 million (NOK 78.6 million) for the group. No agreements have been entered into that reduce this risk. The use of credit ratings and parent company and bank guarantees helps reduce this risk. Fjord1 has corresponding guarantees in relation to its partners.

Operating risk is managed via daily operations, compliance with external legislation and regulations, and established HSE routines. There is a risk related to the delivery of newbuilds, but this risk is managed via the option for transitional vessels at contract start-up.

Financial risk relates to debt and liquidity. In 2017, group operations have been financed by several long-term loans with vessels and equipment as collateral. In addition, the company issued an unsecured bond loan of NOK 1 billion in the autumn of 2017. At 31 December 2017, This bond loan comprises 59 % of long-term external financing. The bond loan will be listed on the Oslo Stock Exchange in the spring of 2018.

The company has a framework agreement for banking and financing services providing general financing of NOK 4.5 billion. Fjord1's portfolio of vessels has been provided as security for the above. The bond loan is an unsecured loan. In Q1 2017, the first part of the line of credit was paid in connection with the takeover of three new vessels. The three remaining parts of the line of credit will be paid as new vessels are delivered in 2018 and 2019. The group's financial commitments related to vessels under construction are secured via lines of credit and bond loans.

The company's liquidity is managed via monthly monitoring and prognoses. Daily monitoring of liquidity is carried out by the company's financial department. The Board of Director considers the liquidity in the company to be satisfactory.

OUTLOOK

The ferry industry is experiencing major change because of changed requirements in tenders related to energy, the environment and capacity. Demand for ferry services is increasing, with more ferries in operation and increased frequency on several routes. There is a high level of tender-related activity again in 2018. Fjord1 has been awarded important environmental contracts over the past two years, with the start-up of electric crossings from 2018 to 2020.

A substantial share of the market will be put out to tender in the coming years, and the Board of Directors believes that the group is well positioned to take part in future tender competitions. The company will continue to strive for cost-efficient and profitable operations. Refinancing has been carried out to support the company's newbuilding programme further to the new contracts awarded.

Fjord1 shall continue to develop its position as the leading company in the industry, increase the efficiency of its current contract portfolio, win new and profitable contracts, develop its tourism-related operations and take part in technological developments in the market.

The Board of Directors would like to thank the management and employees for their significant contributions to the results achieved in 2017. The Board of Directors is confident of achieving a high level of activity and a good result again in 2018.

The Board of Directors of Fjord1 ASA

Florø, 22. march 2018

Vegard Sævik
Chairman of the Board

Per Rolf Sævik
Board member

Janicke Westlie Driveklepp
Board member

Siri Beate Hatlen
Board member

Frederik Wilhelm Mohn
Board member

Atle Olav Trollebø
Board member

Geir Offerdal
Board member

Dagfinn Neteland
CEO

FJORD1 ASA

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in NOK thousands	Note	2017	2016
Revenue	3,14	851 192	1 223 970
Other income	3, 5, 16	1 942 943	1 162 442
Total income	-	**2 794 136**	**2 386 412**
Cost of sales	16	-433 547	-378 407
Personnel expenses	6, 13, 17	-946 354	-884 835
Other operating expenses	7, 15	-449 621	-402 583
Total operating expenses	-	**-1 829 523**	**-1 665 825**
Share of profit/(loss) from associates	4	20 641	9 055
Operating profit before depreciation and impairment (EBITDA)	-	**985 254**	**729 642**
Depreciation	10	-252 652	-240 085
(Impairment)/Reversal of impairment	10	-	78 582
Total depreciation and impairment	-	**-252 652**	**-161 503**
Operating profit (EBIT)	-	**732 602**	**568 139**
Share of profit/(loss) from associates	4	42 963	72 540
Interest income	11	4 692	5 692
Interest expense	11	-82 865	-105 484
Other financial items, net	7	18 135	57 737
Net financial income / (expenses)	-	**-17 075**	**30 485**
Profit/(loss) before tax	-	**715 527**	**598 624**
Income tax (expense) / income	8	-112 895	-148 502
Profit/(loss) for the year	-	**602 633**	**450 122**
Attributable to:			
Parent company owners	-	602 148	449 972
Non-controlling interest	-	484	150
Basic earnings per share (in NOK)*	9	6,02	4,50
Diluted earnings per share (in NOK)*	9	6,02	4,50

* Based on 100 000 000 shares outstanding. Reference is made to note 9 and 12 regarding share split in connection with conversion into public limited liability company (Fjord1 ASA).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK thousands	Note	2017	2016
Profit/(loss) for the year	-	602 633	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	4	(3 059)	1 363
Actuarial gain on pension obligations	13	(4 745)	12 632
Total	**-**	**(7 804)**	**13 995**
Total other comprehensive income for the year, net of tax	**-**	**(7 804)**	**13 995**
Total comprehensive income for the year	**-**	**594 829**	**464 117**
Attributable to:			
Parent company owners	-	594 345	463 966
Non-controlling interest	-	484	150

CONSOLIDATED STATEMENT OF FINANCIAL POSTITION

Amounts in NOK thousands	Note	31.12.17	31.12.16
ASSETS			
Non current assets			
Deferred tax assets	8	18 327	21 328
Property, plant and equipment	10,15,16	4 181 387	3 794 867
Investments in associates	4	408 581	361 709
Other non-current financial assets	11	6 205	8 284
Total non-current assets		**4 614 499**	**4 186 188**
Current assets			
Inventories	-	16 508	14 690
Trade receivables	11,16	86 099	78 660
Other current receivables	11	63 012	35 888
Cash and cash equivalents	11	474 294	553 993
Total current assets	**-**	**639 913**	**683 231**
Total assets	**-**	**5 254 412**	**4 869 419**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	12	250 000	250 000
Share premium	-	360 924	360 924
Retained earnings	-	1 452 645	1 108 299
Total equity attributable to owners of the parent	**-**	**2 063 568**	**1 719 223**
Non-controlling interests		4 166	3 881
Total equity	**-**	**2 067 734**	**1 723 104**
Non-current liabilities			
Borrowings	11	1 687 692	155 000
Derivative financial instruments	11	12 147	42 403
Net employee defined benefit liabilities	13	23 671	14 605
Deferred tax liabilitites	8	450 696	382 276
Total non-current liabilites	**-**	**2 174 206**	**594 284**
Current liabilities			
Borrowings	11	130 285	1 800 511
Derivative financial instruments	11	26 607	22 775
Trade and other payables	11,16	164 895	110 075
Current income tax liabilities	8	40 055	2 675
Social security and other taxes	-	93 896	90 269
Other current liabilities	11	556 734	525 726
Total current liabilities	**-**	**1 012 472**	**2 552 031**
Total liabilities	**-**	**3 186 678**	**3 146 315**
Total equity and liabilities	**-**	**5 254 412**	**4 869 419**

The Board of Directors of Fjord1 ASA

Florø, 22. march 2018

Vegard Sævik
Chairman of the Board

Per Rolf Sævik
Board member

Janicke Westlie Driveklepp
Board member

Siri Beate Hatlen
Board member

Frederik Wilhelm Mohn
Board member

Atle Olav Trollebø
Board member

Geir Offerdal
Board member

Dagfinn Neteland
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK thousands	Share capital	Share premium	Retained earnings	Total	Non- controlling interest	Total equity
	Attributable to owners of the parent					
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 year	-	-	13 995	**13 995**	-	**13 995**
Total comprehensive income for the year	-	-	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**
Profit/(loss) for the period	-	-	602 148	**602 148**	484	**602 633**
Other comprehensive income for the year	-	-	(7 804)	**(7 804)**	-	**(7 804)**
Total comprehensive income for the year	-	-	594 345	**594 345**	484	**594 829**
Equity contribution from owners						
Dividends paid	-	-	(250 000)	**(250 000)**	-	**(250 000)**
Other contributions to owners	-	-	-	**-**	(199)	**(199)**
Total transactions	-	-	**(250 000)**	**(250 000)**	**(199)**	**(250 199)**
Balance at 31.12.2017	**250 000**	**360 924**	**1 452 645**	**2 063 568**	**4 166**	**2 067 734**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousands	Note	2017	2016
Operating activities			
Profit before tax	-	715 527	598 624
Adjustments for:			
Depreciation and impairment	10	252 652	161 503
Interest expense - net	-	62 219	99 792
Change in fair value of financial instruments	11	(26 424)	(53 433)
Non-cash post-employment benefit expense	-	2 552	(1 885)
Gain on disposal of property, plant and equipment	-	(4 713)	(11 224)
Share of profit from associates and joint ventures	-	(63 604)	(81 595)
Change in working capital:			
Trade receivables	11	(7 439)	(6 955)
Inventories	-	(1 818)	(1 641)
Trade payables	11	54 820	15 308
Other accruals	-	9 784	24 153
Cash generated from operations		**993 556**	**742 647**
Interest paid	-	(64 205)	(105 484)
Interest received	-	-	5 692
Income tax paid	-	(2 672)	(301)
Net cash from operating activities	**-**	**926 679**	**642 554**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(738 174)	(379 654)
Purchase of shares incl. joint ventures	-	(16 160)	(2 400)
Proceeds from dividends from associates	-	25 503	24 404
Proceeds from sale of property, plant and equipment	10	103 566	83 503
Net proceeds/(investments) from other non-current financial assets	-	6 598	-
Proceeds from non-current receivables	-	(178)	-
Net cash used in investing activities	**-**	**(618 845)**	**(274 147)**
FINANCING ACTIVITIES			
Proceeds from borrowings	11	985 250	133 000
Repayment of borrowings	11	(1 122 783)	(255 930)
Dividends	-	(250 000)	(50 000)
Net cash used in financing activities	**-**	**(387 533)**	**(172 930)**
Net change in cash and cash equivalents	**-**	**(79 699)**	**195 477**
Cash and cash equivalents 01.01	**-**	**553 993**	**358 516**
Cash and cash equivalents at 31.12	**-**	**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 passenger-boats, in addition to on-board catering operation. Fjord1 ASA is incorporated and domiciled in Norway, and was listed on Oslo Stock Exchange 15 of August 2017 . The address of its registered office is Strandavegen 15, 6905 Florø, Norway.

These consolidated financial statements were approved by the Board of Directors on 22 of March 2018. These consolidated financial statements have been audited.

BASIS OF PREPARATION

These consolidated financial statements of Fjord1 ASA for the year ended December 31, 2017, have been prepared in accordance with International Financial Reporting Standards (IFRS).

GOING CONCERN

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

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, and derivative instruments, which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its

judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2017 AND NOT EARLY ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 - Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, and was endorsed by European Union in November 2016. The effective date for IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The standard replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 also introduces new rules for headge accounting and a new impairment model for financial assets.

IFRS 9 contains three classification categories for financial assets; (i) measured at amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit or loss. Thus, the standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Group has reviewed its financial assets and liabilities and does not expect the new guidance to affect the classification and measurement of these financial assets and liabilities.

The new impairment model requires recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group do not expects any material increases in loss allowances.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply IFRS 9 retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15 - Revenue from contract with customers
The standard replaces IAS 18 and IAS 11, and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with a customer. The standard is based on the principle that revenue is recognised when control of a good or a service is tranferred to a new customer. In that way, the notion of control replaces the existing notion of risks and rewards. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service. The standard was endorsed by EU in October 2016 and is effective from 1 January 2018. Management have assessed the effects of applying the new standard on the Group's financial statements. The Group does not expect any significant changes related to the new standard.

IFRS 16 Leases
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are shortterm and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments with an annual lease expense of NOK 65.5 million, see note 15. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and lowvalue leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date

PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates
Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

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

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described below in the section "Impairment of assets".

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

PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

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

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of Fjord 1 ASA is deemed to be the chief operating decision maker.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian kroner, which is Fjord 1 ASAs functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The specific accounting policies for the group's main types of revenue are as follows:

(i) Sale of goods: The Group offers certain catering services related to its ferry operations where revenue is recognised when the item is sold to a customer.

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

GOVERNMENT CONTRACTS

Grants from governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all conditions. Note 5 provides further information on how the Group accounts for government grants.

INCOME TAX

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

LEASES

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 15) Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straightline basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE RECEIVABLES
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 11 for further information about the group's accounting for trade receivables and credit risk.

INVENTORIES
Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business.

INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification
The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 11 for details about each type of financial asset.

ii) Reclassification
The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively

(iii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 11.

(v) Impairment
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 11.

Assets classified as available-for-sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(vi) Income recognition
Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends
Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

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

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

PROPERTY, PLANT AND EQUIPMENT
All property, plant and equipment is stated at historical cost less depreciation. Historical cost

includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in note 10.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

EMPLOYEE BENEFITS

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

Pension obligations

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of OMF-bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

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

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

EARNINGS PER SHARE

(i) Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note X)

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

JUDGEMENTS

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

1) RECOGNITION OF GOVERNMENT GRANTS

As described in note 14, 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 government grants in the period the compensation is received, as this represents the Group's estimate of expected consideration for the services.

2) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that the assets may be impaired. If any indication exists, or when annual impairment, testing for the assets is required, the Group estimates the assets' recoverable amount.

The Group has determined that there existed impairment indicators on cerain CGU's as operating losses for the assets, when current period amounts are aggregated with budgeted amounts for the future. Based on this, the Group has performed impairment assessments at each reporting date (31 of December 2016 and 31 of December 2017).

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

3) OPERATING LEASE - THE GROUP AS A LESSEE

The Group lease certain passenger-boats for use in the passenger-boat segment. Based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the boats and the present value of the minimum lease payments not amounting to substantially all of the fair value of the boat, the Group has determined to account for these agreements as operating leases.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

1) ESTIMATED VALUE IN USE OF NON-FINANCIAL ASSETS

For the purpose of impairment testing, each government contract including vessels designated for the different ferry contracts is determined to be a cash-generating unit (CGU). When calculating value in use, the Group use cash flow projections for the remaining contract period and estimate residual vessel values at the end of each contract. Reference is made to note 11 for further details.

2) DEFINED BENEFIT PLANS

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the reporting date.

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.

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

Year ended 31 December 2017

NOK in thousands	Ferry	Passenger-boats	Catering	Turisme	Total segments	Corporate and eliminations	Consoli-dated
Income							
Income	2 474 827	95 356	188 536	20 062	2 778 781	15 356	2 794 136
Total income	2 474 827	95 356	188 536	20 062	2 778 781	15 356	2 794 136
Share of profit from associates	-	2 359	-	17 569	19 928	713	20 641
Operating expenses excluding depreciati-on and impairment	1 551 564)	(95 506)	152 326)	(19 226)	(1 818 622)	(10 900)	(1 829 523)
EBITDA	**923 263**	**2 208**	**36 210**	**18 405**	**980 086**	**5 169**	**985 255**
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**	**732 602**

Year ended 31 December 2016

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consoli-dated
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
Share of profit from associates	-	2 622	-	6 435	9 057	-	9 057
Operating expenses excluding depreciati-on and impairment	1 444 046)	(93 715)	149 297)	(16 912)	(1 703 970)	36 103	(1 667 867)
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)	(240 085)
Segment profit	**389 666**	**3 744**	**35 243**	**10 859**	**439 512**	**52 503**	**492 016**

Reconciliation to Consolidated profit/(loss) for the year	2017	2016
Segment profit	732 602	492 016
Share of profit from other associates	42 963	72 540
Impairment/Reversal of impairment	-	78 582
GAAP differences	-	(3 737)
Interest income	4 692	5 692
Interest expense	(82 865)	(105 484)
Other financial items, net	18 135	59 016
Income tax (expense)	(112 895)	(148 502)
Group profit	**602 633**	**450 122**

Specification of revenue	2017	2016
Freight of passengers and cars	627 239	1 039 233
Catering	188 536	187 982
Tourism	20 062	21 437
Other	15 356	18 477

NOTE 4 INTERESTS IN OTHER ENTITIES

4.1 MATERIAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	Place of business	Ownership interest held by the Group	Ownership interest held by non-controlling interests	Principal activities
Hareid Trafikkterminal AS	Hareid	63 %	37 %	Owner of property
F1 Administrasjon AS	Florø	100 %	0 %	Group administration
Bolsønes Verft AS	Molde	100 %	0 %	Shipyard
ÅB Eigedom AS	Årdal	66 %	34 %	Owner of property
Måløy Reisebyrå AS	Måløy	100 %	0 %	Travel agency
Fanafjord AS	Florø	100 %	0 %	Holding company
Nye Fanafjord AS	Florø	100 %	0 %	10 % is held by Fanafjord AS, an entity 100 % controlled by the Group.

4.2 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Set out below are the associates and joint ventures of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

				Carrying amount	
Name of entity	% of ownership interest	Nature of relationship	Measurement method	31.12.17	31.12.16
The Fjords Fartøy I DA	50.0 %	Associate	Equity method	13 371	15 465
The Fjords Fartøy II DA	50.0 %	Associate	Equity method	(27)	-
Sognefjorden Fartøy I AS	50.0 %	Associate	Equity method	579	623
The Fjords DA	50.0 %	Associate	Equity method	20 429	8 426
Fjord Tours AS	30.6 %	Associate	Equity method	7 391	-
Geiranger Fjordservice AS	30.2 %	Associate	Equity method	338	-
Partsrederiet Kystekspressen ANS	49.0 %	Associate	Equity method	24 630	22 271
WF Holding AS*	34.0 %	Associate	Equity method	341 871	314 927
Investments in joint ventures and associates				**408 581**	**361 709**

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

COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT OF ASSOCIATES AND JOINT VENTURES

As an unlimited liability partner in The Fjords DA and The Fjords Fartøy DA, the Group is jointly liable with respect to all liabilities concerning these entities.

SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATES AND JOINT VENTURES

The tables below provide summarised financial information for those joint ventures and associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

NOTE 4.2 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarised balance sheet	**WF Holding Group**		**The Fjords DA**	
Amounts in NOK thousands	31.12.17	31.12.16	31.12.17	31.12.16
Cash and cash equivalents	1 362	124 391	15 314	16 788
Other current assets	583 786	509 040	11 319	13 634
Total current assets	**585 148**	**633 431**	**26 633**	**30 422**
Non-current assets	**2 089 459**	**2 137 963**	**11 957**	**3 786**
Trade payables	205 857	185 351	2 909	5 626
Other current liabilities	739 039	826 762	1 675	5 569
Total current liabilities	**944 896**	**1 012 113**	**4 584**	**11 195**
Borrowings	593 990	728 422	-	-
Other non-current liabilities	172 216	146 599	-	-
Total non-current liabilities	**766 206**	**875 021**	**-**	**-**
Net assets	**963 506**	**884 260**	**34 007**	**23 013**
Reconciliation to carrying amounts:				
Opening net assets 1 January	884 260	650 057	23 013	25 866
Profit/(loss) for the period	138 241	269 191	24 007	13 013
Other comprehensive income	(8 996)	5 011	-	-
Dividends paid	(50 000)	(40 000)	(13 013)	(15 866)
Closing net assets 31 December	**963 506**	**884 260**	**34 007**	**23 013**
Group's share in %	34.0 %	34.0 %	50%	50%
Group's share in NOK thousands	327 592	300 648	17 004	11 507
Goodwill	14 279	14 279		
Other adjustments	-	-	3 426	(3 081)
Dividends	-	-		
Carrying amount	**341 871**	**314 927**	**20 429**	**8 426**

Summarised statement of comprehensive income

Amounts in NOK thousands				
Revenue	4 448 559	4 559 819	150 223	125 821
Operating expenses	(3 900 472)	(3 913 672)	(124 751)	(111 882)
Depreciation and amortisation	(300 807)	(269 046)	(1 468)	(905)
Net financial items	(77 430)	(25 301)	3	(21)
Income tax expense	(31 609)	(82 609)	-	-
Profit/(loss for the period)	**138 241**	**269 191**	**24 007**	**13 013**
Other comprehensive income	(8 996)	5 011	-	-
Total comprehensive income	**129 245**	**274 202**	**24 007**	**13 013**

NOTE 4.2 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarised balance sheet	**The Fjords Fartøy I DA**		**Partsrederiet Kystekspressen ANS**	
Amounts in NOK thousands	**31.12.17**	**31.12.16**	**31.12.17**	**31.12.16**
Cash and cash equivalents	1 596	2 656	12 133	16 710
Other current assets	794	1 983	12 738	9 322
Total current assets	**2 390**	**4 639**	**24 872**	**26 032**
Non-current assets	**93 998**	**97 955**	**136 368**	**141 800**
Trade payables	3 060	3 046	13 278	7 538
Other current liabilities	4 016	6 648	11 008	21 527
Total current liabilities	**7 076**	**9 694**	**24 286**	**29 065**
Borrowings	57 750	61 950	-	-
Other non-current liabilities	-	-	88 690	95 316
Total non-current liabilities	**57 750**	**61 950**	**88 690**	**95 316**
Net assets	**31 564**	**30 951**	**48 262**	**43 450**
Reconciliation to carrying amounts:				
Opening net assets 1 January	30 951	25 973	43 449	40 098
Profit/(loss) for the period	613	177	4 813	5 351
Other comprehensive income	-	-	-	-
(Dividends paid)/Capital contribution	-	4 800	-	(2 000)
Closing net assets 31 December	**31 564**	**30 951**	**48 262**	**43 449**
Group's share in %	50.0 %	50.0 %	49 %	49 %
Group's share in NOK thousands	15 782	15 476	23 649	21 290
Adjustments	-	(11)	-	981
Goodwill	-	-	-	-
Dividends	-	-	-	-
Carrying amount	**13 371**	**15 465**	**24 630**	**22 271**

Summarised statement of comprehensive income				
Amounts in NOK thousands				
Revenue	8 495	3 894	137 592	131 892
Operating expenses	(817)	(482)	(115 813)	(111 263)
Depreciation and amortisation	(5 030)	(2 233)	(14 591)	(12 591)
Net financial items	(2 035)	(1 002)	(2 375)	(2 687)
Income tax expense	-	-	-	-
Profit/(loss for the period)	**613**	**177**	**4 813**	**5 351**
Other comprehensive income	-	-	-	-
Total comprehensive income	**613**	**177**	**4 813**	**5 351**

NOTE 4.2 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarised balance sheet	**Geiranger Fjordservice AS**	**Fjord Tours AS**
Amounts in NOK thousands	**31.12.17**	**31.12.17**
Cash and cash equivalents	12 680	44 016
Other current assets	4 134	1 817
Total current assets	**16 815**	**45 833**
Non-current assets	**2 913**	**10 684**
Trade payables	994	8 108
Other current liabilities	2 039	12 626
Total current liabilities	**3 034**	**20 734**
Borrowings		
Other non-current liabilities	200	
Total non-current liabilities	**200**	**-**
Net assets	**16 494**	**35 783**
Reconciliation to carrying amounts:		
Opening net assets 1 January	7 046	11 630
Profit/(loss) for the period	1 447	24 153
Other comprehensive income	8 001	
(Dividends paid)/Capital contribution		
Closing net assets 31 December	**16 494**	**35 783**
Group's share in %	30.2 %	30.6 %
Group's share in NOK thousands	4 981	10 950
Adjustments		
Goodwill		
Dividends		
Carrying amount	**338**	**7 391**

Summarised statement of comprehensive income		
Amounts in NOK thousands		
Revenue	24 216	72 428
Operating expenses	(22 031)	(38 894)
Depreciation and amortisation	(833)	(2 213)
Net financial items	95	622
Income tax expense		(7 790)
Profit/(loss for the period)	**1 447**	**24 153**
Other comprehensive income	-	-
Total comprehensive income	**1 447**	**24 153**

INDIVIDUALLY IMMATERIAL ASSOCIATES

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

	2017	**2016**
Carrying amount of immaterial associates	553	623
Profit/(loss) for the period	(169)	(17)

NOTE 5 SPECIFICATION OF OTHER INCOME AND GOVERNMENT GRANTS

The group has recognised the following amounts relating to revenue in the statement of profit or loss

Amounts in NOK thousands	2017	2016
Government grants related to ferry services	1 896 958	1 104 752
Rental income	35 068	26 274
Gain/(loss) on disposal of property, plant and equipment	4 403	11 841
NO_x refund	2 163	3 832
Other income	4 352	15 743
Total other income and government grants	**1 942 943**	**1 162 442**

There are no unfulfilled conditions or other contingencies related to these grants.
The Group did not benefit from any other forms of government assistance.

DEFERRAL AND PRESENTATION OF GOVERNMENT GRANTS

Government grants related to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants related to purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected life of the related assets.

NOTE 6 PERSONNEL EXPENSES

Amounts in NOK thousands	Note	2017	2016
Salaries	-	758 349	719 338
Social security	-	112 700	105 228
Pension expenses	13	53 745	48 280
Other benefits	-	21 559	11 989
Total personnel expenses	**-**	**946 354**	**884 835**
Number of employees	-	1 204	1 191

Pension obligations are covered through insurance companies and KLP.

Norwegian entities are obligated to establish a mandatory company pension. This obligation is fulfilled under the current pension plan.

NOTE 7 OTHER INCOME AND EXPENSE ITEMS

Amounts in NOK thousands	Note	2017	2016
Other operating expenses			
Port fees, sanitation and other route related costs	-	29 029	28 793
Repair and maintenance	-	186 999	157 632
Vessel operating expenses	15	153 025	153 084
Other operating expenses	-	80 569	63 074
Total other operating expenses	**-**	**449 621**	**402 583**
Other financial revenue			
Change in fair value derivatives	12	17 592	52 154
Foreign exchange gains	-	1 022	2 061
Foreign exchange losses	-	(1 506)	(1 259)
Dividends received	-	5 819	4 175
Other financial income	-	250	614
Other financial expenses	-	(5 043)	(9)
Total other financial items	**-**	**18 135**	**57 737**

NOTE 8 INCOME TAX

Amounts in NOK thousands

Specification of tax expense recognised in stament of profit or loss	2017	2016
Tax payable on profit for the year	40 055	2 672
Adjustments prior years tax payable	-	156
Tax effect Group contribution	-	1 222
Change in deferred tax/(tax asset)	72 840	144 452
Tax expense recognised in statement of profit or loss	**112 895**	**148 502**

Reconciliation of statutory tax rate to effective tax rate	2017	2016
Profit before tax	715 527	598 624
Income tax at statutory tax rate	**171 727**	**149 656**
Tax expenses recognised in statement of profit or loss	112 895	148 502
Difference	**58 832**	**1 154**
Change in tax rate	18 799	15 186
Permanent differences	40 034	(15 254)
Group contribution	-	1 222
Difference	**58 832**	**1 154**

Specification of basis for deferred tax	2017	2016
Property, plant and equipment	1 854 981	2 081 609
Receivables	(984)	(96 311)
Profit and loss account	104 566	71 548
Shares in partnerships	(16 272)	(5 610)
Pension liabilities	(23 671)	(14 605)
Derivatives	(38 754)	(65 704)
Temporary differences	**1 879 866**	**1 970 926**
Loss carried forward	-	(466 978)
Basis for calculation of deferred tax/(tax assets)	1 879 866	1 503 948
Deferred tax/(tax asset)	432 369	360 947
Deferred tax asset recognised in statement of financial position	**18 327**	**21 328**
Deferred tax recognised in statement of financial position	**450 696**	**382 276**
Net position	**432 369**	**360 947**

Reconciliation of change in net deferred tax	2017	2016
Opening balance	360 947	212 467
Changes recognised in statement of profit or loss	72 840	145 674
Changes recognised in other comprehensive income	(1 417)	3 989
Other adjustments	-	(1 183)
Closing balance	**432 369**	**360 947**

NOTE 9 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. On 7 July 2017 the Company has transformed from a private limited liability company (AS) into a public limited liability company (ASA). As part of this transformation, there has been a share split. The new number of shares outstanding is 100 000 000 compared to 100 000 shares outstanding as at 31 December 2016. The new number of shares of 100 000 000 is used when calculating earnings per share.

	2017	2016
Profit/(loss) attributable to equity holders of the company (NOK thousands)	602 148	449 972
Weighted average number of ordinary shares in issue	100 000 000	100 000 000
Earnings per share in NOK	**6,02**	**4,50**

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

2017	Vessels	Periodic maintenance	Vessels under construction	Property	Machinery and equipment	Total
Cost price 01.01.2017	5 935 660	204 880	117 700	128 634	174 537	6 561 410
Additions	41 405	53 564	625 450	7 278	12 575	740 272
Transferred from new buildings	63 511	-	-63 511	-	-	-
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 year	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	192 029	-	-	-	-	192 029
Impairment loss	-	-	-	-	-	-
Reversal impairment	-	-	-	-	-	-
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**	**4 181 387**

2016	Vessels	Periodic maintenance	Vessels under construction	Property	Machinery and equipment	Total
Cost price 01.01.2016	5 865 488	200 476	47 705	128 349	169 890	6 411 908
Additions	-	47 902	324 499	285	4 647	377 333
Transferred from new buildings	250 100	4 404	-254 504	-	-	-
Disposals	-179 928	-47 902	-	-	-	-227 830
Cost price 31.12.2016	**5 935 660**	**204 880**	**117 700**	**128 634**	**174 537**	**6 561 410**
Accumulated depreciation 01.01.2016	2 189 601	109 555	-	41 889	147 548	2 488 593
Depreciation for the year	189 257	39 406	-	4 488	6 934	240 085
Disposals	-109 970	-47 902	-	-	-	-157 872
Accumulated depreciation 31.12.2016	**2 268 887**	**101 060**	**-**	**46 377**	**154 482**	**2 570 806**
Accumulated impairment losses 01.01.2016	274 320	-	-	-	-	274 320
Impairment loss	-	-	-	-	-	-
Reversal impairment	-82 291	-	-	-	-	-82 291
Accumulated impairment losses 31.12.2016	**192 029**	**-**	**-**	**-**	**-**	**192 029**
Carrying amount 31.12.2016	**3 474 743**	**103 821**	**117 700**	**82 257**	**20 055**	**3 798 576**
Useful life	*10-30 years*	*5 years*		*5-33 years*	*3-10 years*	
Depreciation method	*Straight line*	*Straight line*		*Straight line*	*Straight line*	

ADDITIONS

The vessel Sulafjord was purchased in January 2017. The newbuildings Gloppefjord and Eidsfjord were in transit from Turkey to Norway in December 2017. In addition, the Group has 15 additional vessels under contruction as of 31 December 2017.

DISPOSALS

The Group sold two vessels in 2017; Hålogaland and Åfjord. Gain on sale of vessels is included in other income in the concolidated statement of profit or loss.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IMPAIRMENT

The Group has calculated the recoverable amount based on a value-in-use calculation. The value-in-use model calculates net present value of forecasted cash flow under each government contract. Each contract together with vessels designated for use unde the different contracts is deemed to be a cash-generating unit (CGU).

The forcasted cash flows are based on latest EBITDA forecast taking into account the contract terms and forecasted operating expenses, together with forecasted maintenance capital expenditures. At the end of the contract period, the Group has estimated a realisable value of each vessel. The realisable value is based on external broker estimates obtained at the balance sheet date adjusted for inflation and expected depreciation during the remaining contract period.

The cash flows are discounted using an estimated WACC. The Group has applied an after-tax discount rate (WACC) of 7.0 % (pre-tax 8.1%) when conducting the imparment tests.

SENSITIVITY ANALYSIS - IMPAIRMENT TEST 2017

	Reversal impairment
Recognised in statement of profit or loss 2017	-

	Reversal impairment	Change
WACC increased by 1 % point	13 455	13 455
WACC increased by 2 % point	26 154	26 154
EBITDA decreased by 5 %	5 621	5 621
EBITDA decreased by 10 %	10 962	10 962
Residual value decreased by 5 %	84 971	84 971
Residual value decreased by 10 %	189 092	189 092

NOTE 11 FINANCIAL RISK MANAGEMENT, FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- information about determining the fair value of the instruments, including judgements and estimatoin uncertainty involved
- financial risk management.

The Group holds the following financial instruments:

Amounts in NOK thousands

FINANCIAL ASSETS

31.12.2017	Assets at FVOCI	Assets at FVPL	Assets at amortised cost	Total
Trade and other receivables	-	-	149 111	149 111
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**	**-**	**623 916**	**629 609**

31.12.2016	Assets at FVOCI	Assets at FVPL	Assets at amortised cost	Total
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

31.12.2017	Derivatives at FVPL	Liabilities at amortised cost	Total
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**

31.12.2016	Derivatives at FVPL	Liabilities at amortised cost	Total
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**

TRADE AND OTHER RECEIVABLES

	31.12.2017			31.12.2016		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	87 035	-	87 035	80 165	-	80 165
Provision for impairment	(936)	-	(936)	(1 505)	-	(1 505)
	86 099	**-**	**86 099**	**78 660**	**-**	**78 660**
Employee loans	-	192	192	-	467	467
Prepayments	3 090	-	3 090	3 021	-	3 021
Insurance claims	18 906	-	18 906	10 935	-	10 935
Other receivables	40 505	319	40 824	21 300	164	21 464
	62 502	**511**	**63 012**	**35 256**	**631**	**35 888**

Classification as trade and other receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

AVAILABLE FOR SALE FINANCIAL ASSETS

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

	31.12.2017	31.12.2016
Unlisted equity securities	1 191	3 522
Equity contribution pension plan membership	4 503	4 131
Total	**5 694**	**7 653**

Classification as available for sale financial assets
Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Cash and cash equivalents
Restricted cash as at 31.12.2017 was KNOK 290 and as at 31.12.2016 KNOK 218. Nordea Bank has issued a guarantee of MNOK 50 related to employee payroll tax deductions. The guarantee has been increased by MNOK 3 on 12.03.2018.

Trade and other payables	31.12.2017	31.12.2016
Trade payables	164 895	110 075
Prepayments from customers, travelcards	363 042	340 188
Accrued salary and holiday pay	133 130	120 577
Other current liabilities	60 562	51 482
Deferred revenue	-	13 479
Total	**721 629**	**635 801**

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

Borrowings	**31.12.2017**			**31.12.2016**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Secured						
Bank loans	130 285	687 692	817 977	1 800 511	155 000	1 955 511
Bonds	-	1 000 000	1 000 000	-	-	-
Total borrowings	**130 285**	**1 687 692**	**1 817 977**	**1 800 511**	**155 000**	**1 955 511**

	2016	Cash flows	Non-cash changes	2017
Long term bank loans	1 800 511	(1 112 819)	-	687 692
Short term bank loans	155 000	(24 715)	-	130 285
Bonds	-	1 000 000	-	1 000 000
Derivative financial instruments	65 178	-	(26 424)	38 754
Trade and other payables	635 801	54 820	31 008	721 629
Total liabilities from financing activites	**2 656 490**	**(82 714)**	**4 584**	**2 578 360**

Bank loans are secured by first mortgages over the Group's properties and vessels.

	31.12.2017	31.12.2016
Book value of assets pledged as security	4 181 387	3 794 867

The Group has complied with its financial covenants during 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. Due to this, borrowings are presented as current liabilities as of 31 December 2016 because the Group does not have an unconditional right to defer its settlement for at least twelve months after the balance sheet date. "The Group issued a bond loan with a nominal amount of NOK 1 billion at 22 November 2017. The bond loan will" pay a floating interest coupon consisiting of NIBOR 3 montsh plus 3.5 percent and maturing in November 2022.

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

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

- NIBD/EBITDA at maximum 5.25
- Equity ratio above 25 %

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 MNOK 75

The fair value of non-current borrowings are not significantly different from their carrying amounts as the loans have floating interest rates and credit margins have been stable from the loan raising.

RECOGNISED FAIR VALUE MEASUREMENTS

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

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

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale 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.

VALUATION TECHNIQUES USED TO DETERMINE FAIR VALUES

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similiar instruments
- the fair value of interest rate swaps, forward foreign exchange contracts and bunker derivatives is recognised based on "Mark-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.

Fair value measurements using significant unobservable inputs (level 3)

	Unlisted equity securities	Other financial assets
Opening balance 1 January 2016	3 322	3 764
Profit/(losses) recognised in other comprehensive income	-	-
Additions	200	367
Disposals	-	-
Closing balance 31 December 2016	**3 522**	**4 131**
Opening balance 1 January 2017	3 522	4 131
Profit/(losses) recognised in other comprehensive income	-	-
Additions	-	372
Disposals	(2 331)	-
Closing balance 31 December 2017	**1 191**	**4 503**

FINANCIAL RISK MANAGEMENT

The Group's is exposed to a range of financial risks, including the ones in the table below. Management apllies the following methodology:

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	New building contracts nominated in foreign currencies	Sensitivity analysis	Forward foreign exchange contracts
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk - commodity prices	Fuel consumption	Sensitivity analysis	Use of fuel derivatives
Market risk - security prices	Investments in equity securities	Not applicable	Holding of equity securities are limited and related to non-listed equity securities. The Group is in-directly exposed to security price risk through its defined employee benefit agreement where part of the plan assets are invested in securities. This risk is managed through investment in diversified portfolios and managed by exter-nal insurance companies.
Credit risk	Cash and cash equiva-lents, trade receivables, derivative financial instruments	Aging analysis	Diversification of bank relations-hips and credit limits
Liquidity risk		Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, commodity price risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

DERIVATIVES

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

	31.12.2017	31.12.2016
Interest rate swaps	(26 621)	(40 889)
Foreign exchange rate contracts	-	(3 326)
Fuel derivatives	(12 133)	(20 963)
Total	**(38 754)**	**(65 178)**

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

CREDIT RISK

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

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The credit risk is considered limited as government grants is a major part of the receivables.

LIQUIDITY RISK

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

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

NOTE 12 SHARE CAPITAL

The county council of Sogn og Fjordane sold all its remaining shares in Fjord1 AS to Havilafjord AS in May 2017, making Havilafjord AS the owner of 100 % of the shares in Fjord1 AS. Following this transaction, Havilafjord AS sold 49.5 % of its shares through a private placement. The Company was listed on Oslo Stock Exchange Market on 24 May 2017. The company was transformed from a private limited liability company to a public limited liability company on 7 July 2017. As part of this transformation, a share split was performed. The new number of shares is 100 000 000 for the year ended 2017 compared with 100 000 shares outstanding for the year ended 2016. The company was listed on Oslo Stock Exchange on 15 August 2017.

Share capital in Fjord1 ASA was 250 000 000 as of 31 December 2017 divided into 100 000 000 shares of nominal value of NOK 2.50 per share.

See list below for information on share capital and the shareholders as of 31 December 2017 and 31 December 2016.

	Number of shares 31.12.17	Nominal value per share 31.12.17	Total nominal value 31.12.17	Voting rights 31.12.17
HAVILAFJORD AS	51 500 000	2,50	128 750 000	51.5 %
PERESTROIKA AS	7 758 620	2,50	19 396 550	7.8 %
VERDIPAPIRFONDET DNB NORGE (IV)	5 367 476	2,50	13 418 690	5.4 %
BROWN BROTHERS HARRIMAN (LUX.) SCA	4 172 340	2,50	10 430 850	4.2 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	2 552 492	2,50	6 381 230	2.6 %
STATE STREET BANK AND TRUST COMP	1 732 644	2,50	4 331 610	1.7 %
RBC INVESTOR SERVICES BANK S.A.	1 440 803	2,50	3 602 008	1.4 %
VERDIPAPIRFONDET PARETO NORDIC	1 111 000	2,50	2 777 500	1.1 %
GH HOLDING AS	1 106 000	2,50	2 765 000	1.1 %
ARCTIC FUNDS PLC	1 097 241	2,50	2 743 103	1.1 %
SEB NORDENFOND	1 020 500	2,50	2 551 250	1.0 %
LANDKREDITT UTBYTTE	1 000 000	2,50	2 500 000	1.0 %
TR EUROPEAN GROWTH TRUST PLC	886 892	2,50	2 217 230	0.9 %
JPMORGAN CHASE BANK, N.A., LONDON	801 161	2,50	2 002 903	0.8 %
VERDIPAPIRFONDET SR-UTBYTTE	672 661	2,50	1 681 653	0.7 %
FLU AS	603 000	2,50	1 507 500	0.6 %
VPF NORDEA NORGE VERDI	593 000	2,50	1 482 500	0.6 %
FONDSFINANS NORGE	500 000	2,50	1 250 000	0.5 %
CITIBANK, N.A.	466 000	2,50	1 165 000	0.5 %
PIONEER MULTI-ASSET INCOME FND	450 000	2,50	1 125 000	0.5 %
Number of shares in the 20 largest shareholders	84 831 830	2,50	212 079 575	84.8 %
TOTAL	**100 000 000**	**2,50**	**250 000 000**	**100 %**

	Number of shares 31.12.16	Nominal value per share 31.12.16	Total nominal value 31.12.16	Voting rights 31.12.16
F1 HOLDING AS	33 000	2 500,00	82 500 000	33.0 %
HAVILAFJORD AS	67 000	2 500,00	167 500 000	67.0 %
TOTAL	**100 000**	**2 500,00**	**250 000 000**	**100 %**

NOTE 12 SHARE CAPITAL (CONTINUED)

The Company does not own any treasury shares. On 7 July 2017, the general meeting authorised the Board to acquire up to 900 000 shares, to be applied solely in connection with the distribution of shares to the Group's employees and the incentive scheme for the key management. See note 17 for an overview of the aquired shares of the Management and the Board of Directors on 31 December 2017.

The Company has resolved to implement a share acquisition program for the Group's permanent employees, starting from 2018. The program will be established based on the applicable regulations on tax free discounted shares to employees, so that the qualifying employees may acquire shares at a discount of 20 % on the market price, limited to a discount of KNOK 3 per year.

In connection with the Listing, the Company has given each permanent employee (with a 50 % position or more, having been employed no less than six months) shares in the Company with a market value of KNOK 10. The Company is further in the process of implementing an incentive scheme for certain key management personnel (up to 12 persons). The scheme will consist of (i) a bonus scheme, entitling the manager to a bonus of up to an amount equal to six months' salary, to be settled 50 % in shares in the Company and 50 % cash, bonus being subject to the achievement of certain individual and general KPI's; (ii) the manager being entitled to acquire shares in the Company with a 20 % discount on the market price, at a total value of up to 50 % of the manager's maximum potential bonus for the year.

The Company has no share price-based remuneration program.

NOTE 13 PENSION LIABILITIES

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

Pension obligations

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

Typically defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of OMF- bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTE 13 PENSION LIABILITIES (CONTINUED)

Defined benefit pension plans

The Group has a pension scheme covering a total of 1 018 persons, of which 246 pensioners. The scheme entitles staff to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company (funded).

The Group also has a contractual pension agreement (CPA) covering 187 persons, of which 108 pensioners. The agreement entitles staff to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67. Around 50 % of this arrangement is secured through KLP. KLP is not able to separate the secured part of the liability from the unsecured part. Therefore, all liablilities related to CPA are presented as funded obligations.

The defined benefit plan's pension expenses and liabilities are presented according to IAS 19 (revised).

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to OMF bonds; if plan assets underperform this yield, this will create a deficit. All plans holds a significant portion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

Changes in bond yields: A decrease in OMF-bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

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

Amounts in NOK thousands

Amounts recognised in statement of financial position:

	31.12.2017	31.12.2016
Present value of funded obligations	246 823	234 466
Fair value of plan assets	239 048	227 220
Deficit of funded plans	7 775	7 246
Present value of unfunded obligations	15 896	7 359
Total deficit of defined benefit pension plans	**23 671**	**14 605**

NOTE 13 PENSION LIABILITIES (CONTINUED. 2)

2017

	Funded obligations	Non-funded obligations	Total
Current service cost	5 697	2 197	7 894
Recognised past service cost	-	7 000	7 000
Service cost	5 697	9 197	14 894
Net interest expense / (income)	268	155	424
Administrative expenses related to management of plan assets	193	-	193
Payroll tax (PT)	192	332	524
Total amount recognised in profit or loss	**6 350**	**9 684**	**16 035**

2016

	Funded obligations	Non-funded obligations	Total
Current service cost	6 737	666	7 403
Recognised past service cost	(14)	4 149	4 136
Service cost	6 723	4 816	11 539
Net interest expense / (income)	459	174	633
Administrative expenses related to management of plan assets	322	-	322
Payroll tax (PT)	250	704	954
Total amount recognised in profit or loss	**7 755**	**5 693**	**13 448**

Change in defined benefit obligation

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2017	**241 825**	**(227 220)**	**14 605**
Service cost	7 894	-	7 894
Interest expense (income)	6 072	(5 875)	197
Past service cost	7 000	-	7 000
Remeasurements	8 246	(2 178)	6 067
Benefits paid	(9 020)	7 202	(1 818)
Contribution	-	(12 591)	(12 591)
Administrative expenses	-	1 614	1 614
Payroll tax	702	-	702
At 31 December 2017	**262 719**	**(239 048)**	**23 671**

NOTE 13 PENSION LIABILITIES (CONTINUED. 3)

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2016	**251 806**	**(218 695)**	**33 111**
Service cost	7 320	-	7 320
Interest expense (income)	6 396	(5 762)	634
Past service cost	3 785	350	4 136
Remeasurements	(17 785)	913	(16 872)
Benefits paid	(9 256)	8 345	(911)
Contribution	-	(13 487)	(13 487)
Administrative expenses	-	1 117	1 117
Payroll tax	(442)	-	(442)
At 31 December 2016	**241 825**	**(227 220)**	**14 605**

Significant actuarial assumptions	2017	2016
Discount rate	2.40 %	2.60 %
Salary growth rate	2.50 %	2.50 %
Expected growth in base social security amount (G)	2.25 %	2.25 %
Estimated return on plan assets	2.40 %	2.60 %
Pension growth rate	0.00 %	0.00 %

NOTE 14 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 15 COMMITMENTS

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

Amounts in NOK thousands

	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**

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

Amounts in NOK thousands

	Annual rent	Expiry
Vessels/passenger-boats	65 488	2020
Other equipment	585	2020
TOTAL	**66 073**	**-**

15.3 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 16 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Amounts in NOK thousands

Revenue from related parties

Related party	Relation	2017	2016
THE FJORDS DA	Associate	28 938	29 422
THE FJORDS FARTØY I DA	Associate	-	1 249
THE FJORDS FARTØY II DA	Associate	345	-

Expenses to related parties

Related party	Relation	2017	2016
THE FJORDS DA	Associate	(1 063)	(1 104)
HAVYARD SHIP TECHNOLOGY AS	Owner	(155 651)	(3 705)

Receivables/(Liabilities) to related parties

Related party	Relation	2017	2016
THE FJORDS DA	Associate	154	3 973
HAVYARD SHIP TECHNOLOGY AS	Owner	(608)	-

Fjord1 ASA has eight ferries under contruction at the end of 2017 at Havyard Ship Tecnology AS. Havila Holding AS owns via Havilafjord AS 51.5 % of Fjord1 ASA. Havila Holding AS owns 57.71 % of Havyard Group ASA which owns 100 % of Havyard Ship Technology AS. Under contract, Fjord1 ASA is obliged to pay advances, and at the end of 2017, the advance on the eight ferries amounts to MNOK 148.7. In addition, Havyard Ship Technlogy AS has carried out repair and remodeling of ferries for Fjord1 ASA for MNOK 7 in 2017.

NOTE 17 REMUNERATION

Executive management 2017:

Amounts in NOK thousands

	Salary	Bonus	Payments in kind	Other benefits	Pension costs	Total remune-ration	Number of shares 31.12.17
Dagfinn Neteland (CEO from 22.03.2017)	2 273	1 000	10	152	82	3 517	5 290
Anne-Mari Sundal Bøe (CFO)	1 081	600	10	9	65	1 764	290
André Høyset (Acting CEO until 22.03.2017, then COO)	1 904	450	10	6	70	2 440	2 690
Deon Mortensen (CTO)	1 203	450	10	6	70	1 739	290
Tor Vidar Kittang (Acting Project director until 31.12.2017)	1 008	275	10	6	51	1 349	290
Total remuneration executive management 2017	**7 469**	**2 775**	**50**	**179**	**338**	**10 810**	**8 850**

Pension obligation CEO as at 31.12.17	**2 233**

The Company's CEO, Dagfinn Neteland, is entitled to a severance pay equal to twelve months' ordinary salary on the Company's termination of his employment, and upon Mr. Neteland's termination of the employment upon certain material changes in control or changes to the business strategy and operations of the Company. No other member of the executive management team or of the Board has any service contract with the Company providing for material benefits upon termination of employment.

To compensate for strong efforts through the company's turnaround and facilitation of admission and listing on Oslo Stock Exchange, in 2017, the Board granted a bonus to the CEO of MNOK 1 and MNOK 3 for the distribution of managing directors to leading employees and other key employees.

NOTE 17 REMUNERATION (CONTINUED)

Board of directors 2017:

Amounts in NOK thousands

	Total remuneration	Number of shares 31.12.17 **
Vegard Sævik (Chairman from 25.07.2017, former Board member)	154	*
Pål W. Lorentzen (Chairman until 25.07.2017)	939	-
Per Sævik (Board member)	52	*
Janicke Westlie Driveklepp (Board member)	69	-
Siri Beate Hatlen (Board member from 25.07.2017)	35	-
Frederik W. Mohn (Board member from 25.07.2017)	26	*
Atle Olav Trollebø (Employee representative)	84	290
Geir Offerdal (Employee representative from 25.07.2017)	38	290
Reidar Tangen (Deputy member/Employee representative from 25.07.2017)	-	290
Ole Kjell Eidem (Deputy member/Employee representative from 25.07.2017)	-	290
Thomas Rakstang (Observer/Employee representative from 25.07.2017)	28	290
Egil Kirkebø (Observer/Employee representative from 19.01.2018)	-	290
Daniel Nedrelid (Observer/Employee representative from 25.07.2017 until 19.01.2018)	69	-
Vidar Grønnevik (Board member until 25.07.2017)	54	-
Bente Iren Næsse (Board member until 25.07.2017)	40	-
Øyvind Oksnes (Observer/Employee representative until 25.07.2017)	30	-
Arnstein Amås (Employee representative until 25.07.2017)	40	-
Total remuneration Board of directors 2017	**1 658**	**1 740**

* Owners of shares through other companies: Vegard and Per Sævik through Havilafjord AS and Frederik W. Mohn through Perestroika AS. See note 17.

** In addition to the gift of 290 shares given to all employees at the time of the stock exchange listing (see note 12), some employees have invested in own shares.

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

Executive management 2016:

Amounts in NOK thousands

	Salary	Bonus	Payments in kind	Other benefits	Pension costs	Total remune-ration
Dagfinn Neteland (CEO until 22 January 2016)	137	-	-	1 503	6	1 640
Anne-Mari Sundal Bøe (CFO)	1 047	95	-	-	45	1 142
André Høyset (CEO from 22 January 2016)**	1 908	237	-	-	47	2 145
Deon Mortensen (CTO)	1 179	107	-	-	47	1 286
Tor Vidar Kittang (Project director)	763	-	-	-	37	763
Total remuneration executive management 2016	**5 033**	**440**	**-**	**1 503**	**183**	**6 976**

NOTE 17 REMUNERATION (CONTINUED. 2)

Board of directors 2016:

Amounts in NOK thousands

	Total remuneration
Pål W. Lorentzen (Chairman from 22 January 2016)	300
Reidar Jørgen Sandal (Chairman until 22 January 2016)	-
Vidar Grønnevik (Board member from 22 January 2016)	54
Nils R Sandal	6
Vegard Sævik (Board member)	104
Bente Iren Næsse (Board member rom 22 January 2016)	77
Janicke Westlie Driveklepp (Board member from 7 November 2016)	10
Daniel Nedrelid	42
Lars Birkeland	8
Per Sævik (Board member from 22 January 2016)	50
Øyvind Oksnes	50
Heidi Kathrin Osland (Board member until 22 January 2016)	-
Arvid Andenæs (Board member until 7 November 2016)	53
Arnstein Amås (Employee representative)	84
Atle Olav Trollebø (Employee representative)	78
Total remuneration Board of directors 2016	**916**

Audit fee

Amounts in NOK thousands

	2017	2016
Statutory audit	1 501	1 016
Tax advisory services	79	22
Other services	1 180	83
TOTAL	**2 760**	**1 121**

NOTE 18 EVENTS AFTER THE REPORTING PERIOD

New contracts
Møre and Romsdal county awarded Fjord1 ASA a considerable new contract consisting of four routes. The duration of the contract is a 11 year period with start-up in year 2020.

New loan facility
The Group entered into a new loan agreements witn DNB and Nordea for a MNOK 4,458 facility in March 2018.

Newbuilding contracts
The company has ordered five new ferries with design from Havyard Design & Solutions, for construction at Havyard Ship Technology's shipyard in Leirvik, Sogn og Fjordane. The ferries are to be delivered in 2019, and the total contract value is approximately MNOK 800.

In addition, the company has ordrered two new ferries to be built in Cemre, both to be delivered in 2019.

FJORD1 ASA

PARENT COMPANY FINANCIAL STATEMENTS (NAA)

INCOME STATEMENT 01.01.–31.12.

NOK 1000	Note	2017	2016
Operating income			
Sales	-	854 313	1 240 008
Contract income, route operations	-	1 896 958	1 099 298
Other operating income	1	43 387	46 247
Total operating income	-	**2 794 658**	**2 385 553**
Operating expenses			
Cost of sales	8	67 592	69 929
Personnel expenses	14, 18	788 198	730 634
Depreciation and amortisation	1	215 658	198 223
Write-downs	1, 23	-	-55 185
Other operating expenses	9, 19, 21, 22	1 076 802	955 437
Total operating expenses	-	**2 148 250**	**1 899 038**
Operating profit	-	**646 408**	**486 515**
PROFIT FOR THE YEAR			
Share of profit in subsidiaries	2	315	4 951
Share of profit in associates	3	23 102	24 404
Interest income, group companies	-	536	557
Other interest income	-	4 636	5 375
Other financial income	20	7 274	6 821
Other interest expenses	22	-59 229	-52 714
Other financial expenses	-	-19 972	-41 039
Income from ordinary activities before tax	-	603 071	434 869
Tax	13	130 123	89 111
Profit for the year	-	**472 948**	**345 758**
Allocation (settlement) of profit (loss) for the year			
Proposed dividend	-	270 000	250 000
Transferred to other equity	-	202 948	95 758
Total allocations (settlement)	-	**472 948**	**345 758**

BALANCE SHEET AS AT 31.12. ASSETS

NOK 1000	Note	2017	2016
FIXED ASSETS			
Property, plant and equipment			
Land, buildings and other real estate	1, 16	40 505	35 485
Machinery and equipment	1	589	453
Ships etc.	1, 16	3 669 216	3 237 070
Movables, fixtures and fittings, tools, office equipment etc.	1	23 180	18 406
Total property, plant and equipment	-	**3 733 490**	**3 291 413**
Financial fixed assets			
Investments in subsidiaries	2	124 207	124 207
Loans to group companies	6, 7	21 871	24 236
Investments in associates	3	238 124	215 412
Investments in shares and units	4	1 176	3 507
Bonds and other receivables	5	15 261	631
Pension funds	14	4 822	403
Total financial fixed assets	-	**405 461**	**368 396**
Total fixed assets	-	**4 138 951**	**3 659 810**
CURRENT ASSETS			
Inventories	8	16 447	14 636
Receivables			
Trade receivables	9	82 712	74 369
Other receivables	10	80 871	115 077
Receivables, group companies	7, 10	781	5 502
Total receivables	-	**164 365**	**194 949**
Cash and bank balances, etc.	16	403 418	484 332
Total current assets	-	**584 229**	**693 918**
TOTAL ASSETS	-	**4 723 181**	**4 353 727**

BALANCE SHEET AS AT 31.12. EQUITY AND LIABILITIES

NOK 1000	Note	2017	2016
EQUITY			
Contributed capital			
Share capital (100,000,000 shares of NOK 2.5)	11, 12	250 000	250 000
Share premium fund	-	360 924	360 924
Total contributed capital	**-**	**610 924**	**610 924**
Retained earnings			
Other equity	12	900 347	697 580
Total retained earnings	**-**	**900 347**	**697 580**
Total equity	**-**	**1 511 271**	**1 308 504**
LIABILITIES			
Provisions			
Deferred tax	13	378 786	282 496
Other provisions	15, 24	16 558	21 698
Total provisions		**395 344**	**304 194**
Other long-term liabilities			
Bond loan	16	1 000 000	-
Liabilities to credit institutions	16	684 727	1 775 511
Total other long-term liabilities	-	**1 684 727**	**1 775 511**
Short-term liabilities			
Trade payables	-	161 597	106 959
Tax payable	13	34 014	-
Taxes and duties payable	-	83 989	78 941
Dividend	12	270 000	250 000
Other short-term liabilities	17	547 179	496 698
Liabilities to Group companies	7	35 061	32 921
Total short-term liabilities	-	**1 131 839**	**965 519**
Total liabilities	-	**3 211 910**	**3 045 223**
TOTAL EQUITY AND LIABILITIES	-	**4 723 181**	**4 353 727**

The Board of Directors of Fjord1 ASA

Florø, 22. march 2018

Vegard Sævik
Chairman of the Board

Per Rolf Sævik
Board member

Janicke Westlie Driveklepp
Board member

Siri Beate Hatlen
Board member

Frederik Wilhelm Mohn
Board member

Atle Olav Trollebø
Board member

Geir Offerdal
Board member

Dagfinn Neteland
CEO

CASH FLOW STATEMENT 2017

NOK 1000

Cash flow from operating activities

Profit before tax	603 071
Tax paid	-
Gain/loss on sale of assets	-4 704
Share of profit in associates	-
Ordinary depreciation and amortisation	215 808
Change in trade payables	57 229
Change in inventories and trade receivables	-18 193
Change in other accruals	1 573
Cash flow from operating activities	**854 784**
Liquid assets provided by/used for investing activities:	
Investments in property, plant and equipment	-676 977
Acquisition of shares and units	-20 381
Disposal of property, plant and equipment (selling price)	100 078
Proceeds, loan receivables (short-/long-term)	2 365
Disbursements, loan receivables, group (short-/long-term)	-
Disbursements, loans to associates	-
Change in other investments	-
Cash flow from investing activities	**-594 916**
Liquid assets provided by/used for financing activities:	
New long-term borrowings	**1 000 000**
Repayment of long-term borrowings	-1 090 783
Dividend (paid)	-250 000
Cash flow from financing activities	**-340 783**
Net cash flow for the year	**-80 915**
Cash and bank deposits at 01.01.2017	484 332
Cash and cash equivalents at 31.12.2017	**403 417**

ACCOUNTING POLICIES

The parent company financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles.

USE OF ESTIMATES

Preparation of financial statements in accordance with the Norwegian Accounting Act requires the use of estimates. Application of the company's accounting policies also requires the management to exercise its judgement. Areas involving a large degree of such estimations, a high degree of complexity, or areas where assumptions and estimates are material for the financial statements, are shown in grey in the notes.

Accounting policies for shares in subsidiaries and associates

Subsidiaries are companies where the parent company has control and thereby a decisive influence on the company's financial and operational strategy, normally by ownership of more than half of the voting capital. Companies where Fjord1 ASA owns 20-50 % of the voting capital and has a significant influence are defined as associates. For an overview of subsidiaries and associates as at 31 December 2017, see notes 2 and 3.

We assess investments in companies at the purchase price of the shares, unless write-down has been necessary. We recognise group contributions to subsidiaries, after tax, as an increase to the cost of the shares. Dividends/group contributions are recognised as income in the same year as provision is made in the financial statements for the subsidiary/associate. If dividends/group contributions significantly exceed the part of the profits that are retained in the company after the purchase, we assess the excess as repayment of invested capital and deduct it from the value of the investment in the balance sheet.

OPERATING INCOME

Income from the sale of goods is recognised at the time of delivery. Income from services is recognised in line with provision of said services.

Operating income, income from car, passenger and freight services, other operating income and contract payments from public-sector clients are recognised as income in the year in which they are earned. Contract payments are recognised in the balance sheet as receivables if they are not paid in full by year-end.

Sales of discount cards for passengers and vehicles on ferry routes are recognised at the time of use, with the company being liable for unused values. Unused values are classified as other short-term liabilities in the balance sheet.

CLASSIFICATION AND ASSESSMENT OF BALANCE SHEET ITEMS

We classify assets intended for permanent ownership or use as fixed assets. We classify assets associated with the operating cycle as current assets Receivables are classified as current assets if they are to be paid back within one year after they were paid out. We apply analogous criteria to liabilities. Current assets are assessed at the lower of purchase price and fair value. Short-term liabilities in Norwegian kroner are recognised in the balance sheet at their nominal amounts when established.

We assess fixed assets at purchase price. The purchase price for operating assets with long production times also includes loan costs associated with manufacture of the operating asset. Fixed assets that fall in value are depreciated using the straight-line method over the anticipated useful life.

Assets are written down to fair value in case of impairment, if so required by the accounting rules. Long-term liabilities in Norwegian kroner are recognised in the balance sheet at their nominal amounts when established. Provisions are discounted if the interest component is material.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised in the balance sheet and depreciated using the straight-line method over the expected lifetime of the asset if it has an expected lifetime of more than 3 years and a cost price in excess of NOK 15,000. The depreciation term for investments/expenditures/major replacements will follow the operating asset's assumed lifetime.

Maintenance of operating assets is recognised as a cost under operating expenses on an ongoing basis. Expenditures or improvements are added to the operating asset's cost price and are depreciated in line with the operating asset. We calculate the difference between maintenance and expenditure/improvement based on the operating asset's technical condition at the time of its purchase.

All ships are included in an annual maintenance programme. Classification costs and maintenance costs are recognised as expenses in connection with the annual maintenance programme, with the exception of thrusters and associated equipment. Costs for these are recognised in the balance sheet and depreciated over a period up until the next regular maintenance, normally every fifth year. The costs are recognised in the balance sheet under ships and are specified in note 1. On delivery of newbuilds, part of the cost price is recognised in the balance sheet as regular maintenance and depreciated at the first regular maintenance.

LEASING

A lease agreement is classified as a financial or operating lease according to the actual content of the individual agreement. If a substantial part of the economic risk and control associated with the leased object has been transferred to the lessee, the agreement is classified as a financial lease. Other lease agreements are classified as operating leases.

Operating assets held under lease agreements regarded as financial leases are capitalised in the balance sheet at the value of the consideration in the lease agreement and depreciated as property, plant and equipment. The instalment component of the consideration is shown as a long-term liability. The total charge is reduced by the lease payments made less calculated interest expenses.

For agreements that are classified as operating leases, the lease payments are treated as an operating expense that is systematically allocated over the entire term of the lease.

OTHER LONG-TERM EQUITY INVESTMENTS

The cost method is applied to investments in other shares etc. Dividends are initially recognised as financial income once the dividends has been adopted.

If the dividends significantly exceed the part of retained earnings after the purchase, the surplus is used to reduce the cost price.

INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Investments in associates and subsidiaries are assessed using the cost method.

WRITE-DOWN OF FIXED ASSETS

If there is an indication that the carrying amount of a fixed asset is greater than the fair value, we perform a test for impairment. We assess whether the recoverable amount for the fixed asset related to the associated assessment unit is greater than the carrying amount. The test is performed for the lowest level of fixed assets with independent cash flows.

Recoverable amount is calculated as the higher of the assessment unit's value in use and net sales value.

Value in use is taken to mean the present value of future cash flows that are expected to result from the assessment unit, while net sales value is defined as the difference between market value on the balance sheet date and estimated selling costs. Where the fixed assets in the assessment unit are tied up in contracts and cannot be realised without the opposite party claiming breach of contract, we use a simple value in use as an alternative to recoverable amount. Future cash flows cover the assessment unit's cash flows from operating activities plus the terminal value of the associated fixed asset on expiry of any contracts that may have formed the basis for the assessment unit.

If the carrying amount is higher than both the sales value and recoverable amount, it is written down to the higher of the two.

Previous write-downs are reversed if the conditions for the write-down are no longer present (except for write-downs for goodwill).

HEDGING

The company has not used fair value hedging.

Cash flow hedging

Forward contracts that secure future in- and outgoing payments are recognised on realisation of the forward contracts. Any change in value of the hedging instrument is not recognised. The hedging instrument is recognised at the time of the transaction.

The company uses various hedging instruments and fixed-price contracts to secure its cash flows, especially for various kinds of fuel and interest rates. The company assesses the use of hedging instruments relative to the adjustment clauses in the relevant contracts. If the relevant adjustment clauses for a contract are not thought to provide satisfactory cover for price development for the input factor in question, the company can use available hedging instruments to reduce or eliminate the price development risk.

Fuel

The company uses forward contracts in order to reduce the price risk in the fuel market for those contracts that do not have adjustment mechanisms for price changes. In months in which the relevant market price is higher than the hedging price, the opposite party will pay the company the difference. In months in which the relevant market price is lower than the hedging price, the company will pay the opposite party the difference. The company will have a fixed price for the agreed volume during an agreed period.

Interest rates

The company uses interest rate swaps, where we agree interest rates and repayment periods with an opposite party. In months in which the relevant market interest rate is above the level for which we have a hedging agreement in place, the opposite party will pay the company the difference calculated on the remainder of the principal sum. In months in which the relevant market interest rate is below the level for which we have a hedging agreement in place, the company will pay the opposite party the difference calculated on the remainder of the principal sum. The company will use such agreements to obtain fixed interest rates for agreed amounts and periods.

The company has made limited use of agreements whereby we are ensured a price or interest rate corridor. The purpose of such agreements is to hedge against consequences of extreme fluctuations in underlying price developments.

INVENTORIES

Inventories of purchased goods are valued at the lower of purchase price based on the FIFO principle and fair value. A write-down is made for anticipated obsolescence.

RECEIVABLES

Accounts receivable and other receivables are recognised in the balance sheet at nominal value less provision for anticipated losses. Provision for losses is made on the basis of individual valuations of the specific receivables. We also make a non-specific provision in order to cover anticipated losses on other receivables.

Other receivables, both short-term receivables and long-term receivables, are recognised at the lower of nominal and fair value. Fair value is the present value of anticipated future inward payments. However, there is no discounting where the effect of such discounting is not material for the financial statements. Provision for losses is valued in the same way as for accounts receivable.

SHORT-TERM INVESTMENTS

Short-term investments (shares and holdings that are current assets) are valued at the lower of average cost price and fair value on the balance sheet date. Dividends and other distributions received are recognised as other financial income.

Onerous contracts/write-down of fixed assets

The company's activities entail, among other things, entering into contracts with the public sector for the provision of public transport services. For several of these contracts, the company bears a large part of the risk for developments in a number of cost types (e.g. pay, interest and fuel), without any corresponding change in income. This can result in these contracts becoming unprofitable if costs increase more than revenues. The company therefore measures the present value of future anticipated cash flows from operating activities in each contract, with estimated outgoing payments covering all unavoidable future operating expenses payable. Depreciation, amortisation and write-downs and financial expenses are not included.

If the individual contract is regarded as a cash-generating unit, the cash flow is defined in the same way as the cash flow used in the impairment tests for the fixed assets, except that the fixed assets' terminal value on expiry of the contracts is not included. If the calculations show a negative present value, we recognise this amount in the balance sheet as a provision. Before any provision is made for onerous contracts, the need to write down the fixed assets is assessed. This means that the fixed assets are written down before any provision is made for onerous contracts.

Any provision for onerous contracts is recognised in the balance sheet under Provisions (long-term liabilities). Provision for onerous contracts linked to the operating cycle or with expected settlement times within one year of the balance sheet date is classified as Other short-term liabilities.

The depreciation/write-down is reversed in line with any reduction in negative present value in subsequent periods.

If a new contract for a single route is announced as part of an existing tender package, concrete consideration is given to whether this/these routes can be assessed as part of the original cash-generating unit.

With several of the tender contracts, the client has an option to continue the contracts. Consideration is given to whether this option will be exercised and should therefore be included in the cash flows linked to the cash-generating unit.

CURRENCY

Monetary items in foreign currency are valued according to the exchange rate at the end of the financial year. Exchange rate changes are recognised under financial items in the income statement in the accounting period to which they relate.

PENSIONS

The company has various pension plans. These plans are financed by payments into publicly or privately administered insurance policies/companies, with the exception of the AFP plans and some that are covered via operations. The company has both defined contribution and defined benefit plans.

DEFINED CONTRIBUTION PLANS

With defined contribution plans, the company pays contributions into publicly or privately administered insurance plans/companies. The company has no further payment obligations after payment of the contribution. The contribution is recognised as staff costs. Any pre-paid contribution is recognised in the balance sheet as an asset (plan assets) if the contribution can be refunded or can reduce future payments.

DEFINED BENEFIT PLANS

A defined benefit plan is a pension arrangement that is not a defined contribution plan. A defined benefit

plan is usually a pension arrangement that pays a defined pension to an employee on retirement. The pension paid out is usually dependent on a number of factors, such as age, years of service and salary. The liability recognised in the balance sheet for defined benefit plans are the present value of the defined benefits on the balance sheet date, less fair value of the plan assets (amounts paid to the insurance company), adjusted for estimate differences not recognised in the financial statements and costs not recognised in the financial statements for pension accruals in previous periods. The pension liability is calculated annually by an independent actuary using a linear accrual method.

Plan changes are amortised over the anticipated remaining contribution time. The same applies to estimate differences resulting from new information or changes in the actuarial assumptions if these exceed 10 % of the greater of the pension liabilities and the plan assets (corridor).

TAX

The tax cost in the income statement covers both the tax payable for the period and change in deferred tax. Deferred tax is calculated using the current tax rate (23 %) based on the temporary differences existing between book and tax values, and any tax-loss carryforward at the end of the financial year. Temporary differences that increase or reduce tax and that are or can be reversed in the same period are offset. The deferred tax asset relating to net tax-reducing differences that cannot be offset and that are tax-loss carryforwards is worked out from expected future earnings. Deferred tax and tax assets that may be recognised in the balance sheet are shown net in the balance sheet.

When acquiring a company, it is considered whether the present value of the deferred tax on the temporary differences should be used.

Tax on group contributions paid that are recognised as an increase in cost of shares in other companies, and tax on group contributions received entered directly against equity, are entered directly against tax in the balance sheet (the entry is made against tax payable if the group contribution has an effect on tax payable and against deferred tax if the group contribution has an effect on deferred tax).

Cash flow statement

The cash flow statement is drawn up using the indirect method. Cash and cash equivalents cover cash, bank deposits and other short-term, liquid investments which can be converted into known cash amounts with immediate effect and negligible currency risk, and which have a due date within three months of the date of issue.

NOTE 1 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT, PARENT COMPANY	Buildings, property and land	Ships	Ships under con-struction	Means of transport	Movables, tools, fixtures and fittings etc.	Total property, plant and equipment
COST AND ORDINARY DEPRECIATION						
COST AT 01.01.	65 843	5 699 735	41 419	2 595	167 924	5 977 516
+ additions in the year	7 281	32 000	701 730	306	11 940	753 257
+ additions transferred from property, plant and equipment written off	-	63 511	-63 511	-	-	-
– disposals in the year	-	141 439	-	969	-	142 408
Cost at 31.12.	**73 124**	**5 653 807**	**679 639**	**1 932**	**179 864**	**6 588 366**
Accumulated ordinary depreciation at 31.12.	32 619	2 485 761	-	1 342	156 683	2 676 406
Accumulated write-downs at 31.12.	-	178 469	-	-	-	178 469
Book value at 31.12.	**40 505**	**2 989 577**	**679 639**	**589**	**23 180**	**3 733 491**
Depreciation for the year	2 261	206 074	-	158	7 165	215 658
Write-downs for the year	-	-	-	-	-	-
Ordinary straight-line depreciation (%)	10 %	3.33-20 %	10-20 %	10-20 %	20-33.33 %	-

- A large part of the company’s income is and will be linked to long-term contracts (tenders).
- On 31.12.2017, Fjord1 ASA’s property, plant and equipment was valued based on future EBITDA for each individual tender contract where there is an indication of impairment.
- The residual value used is the company’s best estimate of the value of property, plant and equipment at the end of the tender period.
- Unresolved options for contract extension have not been taken into account in the review for impairment.
- A weighted required rate of return for the total assets of 7 % after tax has been used in the calculation. Sensitivity analyses were performed where there is an indication of impairment, and a write-down was made.
- Several of the contracts are sensitive to changes in estimates.
- Gains on sales of operating assets are classified as Other operating income.

NOTE 2 INFORMATION ABOUT SUBSIDIARIES

SUBSIDIARY	Domicile	Equity interest	Voting right
Hareid Trafikkterminal AS	Hareid	63 %	63 %
F1 Administrasjon AS	Florø	100 %	100 %
Bolsønes Verft AS	Molde	100 %	100 %
ÅB Eigedom AS	Årdal	66 %	66 %
Måløy Reisebyrå AS	Måløy	100 %	100 %
Fanafjord AS	Florø	100 %	100 %
Nye Fanafjord AS	Florø	90 %	90 %

SUBSIDIARY	Share capital	Total number of shares	Number of shares	Equity in subsidiary	Profit (loss) in subsidiary	Book value	Dividend paid	Group contribution paid
Hareid Trafikkterminal AS	1 200	1 200	710	4 249	1 217	768	315	-
F1 Administrasjon AS	1 500	15 000	15 000	7 413	2 950	4 082	-	-
Bolsønes Verft AS	100	100	100	4 833	400	23 000	-	-
ÅB Eigedom AS	2 750	2 750	1 814	7 331	175	6 038	-	-
Måløy Reisebyrå AS	300	50	50	2 898	956	1 777	-	-
Fanafjord AS	400	1000	1000	7 853	-264	4 407	-	-
Nye Fanafjord AS	30 000	30 000	30 000	139 749	18 882	84 135	-	-
TOTAL				**174 326**	**24 317**	**124 207**	**315**	**-**

NOTE 3 SHARES IN ASSOCIATES

ASSOCIATE	Registered office	Equity interest /Voting share	Cost	Profit (loss) in 2017	Book equity, 31.12.17	Dividend paid
The Fjords DA	Flåm	50.0 %	5 000	24 007	34 007	8 502
THE FJORDS FARTØY I DA	Flåm	50.0 %	15 400	613	31 353	-
Sognefjorden Farty I AS	Flåm	50.0 %	630	(84)	1 088	(2 400)
The Fjords Fartøy II DA	Flåm	50.0 %	18 000	(53)	35 947	-
Partsrederiet Kystekspressen ANS	Trondheim	49.0 %	13 382	4 813	48 263	-
WF Holding AS*	Bodø	34.0 %	178 600	16 063	538 455	17 000
Fjord Tours AS	Bergen	30.6 %	1 231	24 153	35 783	-
Geiranger Fjordservice AS	Geiranger	30.2 %	5 881	1 118	8 164	-
TOTAL			**238 124**	**45 359**	**689 112**	**23 102**

* WF Holding AS is a subsidiary of Torghatten ASA and is included in that company's consolidated financial statements. The parent company's registered office is Havnegata 40, NO-8900 Brønnøysund. The consolidated financial statements are available at this address.

NOTE 4 INVESTMENTS IN SHARES AND UNITS

COMPANY	Market capitalisation	Book value
Fjord Invest AS		100
Fjord Invest Sørvest AS		400
Fjord Invest Industri AS		-
Møre og Romsdal Såkornfond AS		-
BookNorway AS		-
Norway Bussekspress AS		-
Fergebo AS		-
Andre aksjar og delar		676
TOTAL SHARES AND UNITS		**1 176**

NOTE 5 BONDS AND OTHER RECEIVABLES

	2017	2016
Employee loans	192	467
Capital contribution, KLP	-	-
Other long-term receivables	15 069	164
TOTAL OTHER RECEIVABLES	**15 261**	**631**

NOTE 6 LONG-TERM RECEIVABLES, GROUP COMPANIES, PARENT COMPANY

	2017	2016
Internal loans, drawdowns on the corporate account	636	1 336
Loans to subsidiaries	21 234	22 899
Loans to associates	-	-
TOTAL LONG-TERM RECEIVABLES, GROUP COMPANIES	**21 871**	**24 236**

NOTE 7 INTERCOMPANY BALANCES

	Sales		Purchases	
	2017	**2016**	**2017**	**2016**
Group companies	1 224	770	187 346	171 101
Associates	29 283	30 671	153 222	1 358
	Short-term receivables		**Long-term receivables**	
	2017	**2016**	**2017**	**2016**
Group companies	781	5 502	21 871	24 236
Associates	1 541	3 973	-	-
	Short-term liabilities		**Long-term liabilities**	
	2017	**2016**	**2017**	**2016**
Group companies	35 061	32 921	-	-
Associates	608	-	-	-

NOTE 8 INVENTORIES

Inventories comprise goods bought in for resale plus stocks of oil and LNG. No write-downs have been made for obsolescence.

NOTE 9 TRADE RECEIVABLES

	2017	2016
Trade receivables at nominal value 31.12.	83 648	75 932
Provision for bad debts 31.12.	-936	-1 505
Trade receivables 31.12.	**82 712**	**74 427**
Actual loss for the year on receivables	26	510
Loss on receivables*	**26**	**510**

*Loss on receivables is recognised in Other operating expenses

NOTE 10 OTHER SHORT-TERM RECEIVABLES

	2017	2016
Group contributions received	-	4 890
Other receivables, group companies	781	612
Short-term receivables, group companies	**781**	**5 502**
Prepayments	5 443	9 096
Other receivables	18 100	93 623
Other accruals – income	37 336	5 021
Sea damage claims	18 906	10 935
VAT receivables	1 087	-3 598
Other short-term receivables 31.12.	**80 871**	**115 077**

NOTE 11 SHARE CAPITAL AND SHAREHOLDERS

	Number	Equity interest
HAVILAFJORD AS	51 500 000	51.5 %
PERESTROIKA AS	7 758 620	7.8 %
VERDIPAPIRFONDET DNB NORGE (IV)	5 367 476	5.4 %
BROWN BROTHERS HARRIMAN (LUX.) SCA	4 172 340	4.2 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	2 552 492	2.6 %
STATE STREET BANK AND TRUST COMP	1 732 644	1.7 %
RBC INVESTOR SERVICES BANK S.A.	1 440 803	1.4 %
VERDIPAPIRFONDET PARETO NORDIC	1 111 000	1.1 %
GH HOLDING AS	1 106 000	1.1 %
ARCTIC FUNDS PLC	1 097 241	1.1 %
SEB NORDENFOND	1 020 500	1.0 %
LANDKREDITT UTBYTTE	1 000 000	1.0 %
TR EUROPEAN GROWTH TRUST PLC	886 892	0.9 %
JPMORGAN CHASE BANK, N.A., LONDON	801 161	0.8 %
VERDIPAPIRFONDET SR-UTBYTTE	672 661	0.7 %
FLU AS	603 000	0.6 %
VPF NORDEA NORGE VERDI	593 000	0.6 %
FONDSFINANS NORGE	500 000	0.5 %
CITIBANK, N.A.	466 000	0.5 %
PIONEER MULTI-ASSET INCOME FND	450 000	0.5 %
Number of shares held by the 20 largest shareholders (listed above)	84 831 830	84.8 %
TOTAL NUMBER OF SHARES	**100 000 000**	**100 %**

At 31.12.2017, Fjord1 ASA had share capital of NOK 250,000,000 divided into 100,000,000 shares of NOK 2.5.
The company has only one share class.

NOTE 12 EQUITY

Change in equity in the year:

	Share capital	Share premium fund	Other equity	TOTAL EQUITY
Equity at 01.01.2017	250 000	360 924	697 580	1 308 504
Profit for the year	-	-	472 948	472 948
Provision for dividends	-	-	-270 000	-270 000
Other	-	-	-181	-181
Equity at 31.12.2017	**250 000**	**360 924**	**900 347**	**1 511 271**

NOTE 13 ACCOUNTING TREATMENT OF TAX

	2017	2016
Tax payable is made up as follows:		
Income from ordinary activities before tax	603 071	434 869
Permanent differences	6 589	-26 842
Tax base	609 660	408 027
Change in temporary differences	-21 571	-131 396
- Group contribution received/paid	-	4 890
Loss carryforward	-446 362	-740 121
Taxable income (tax base)	141 726	-458 600
Tax cost for the year is made up as follows:		
Tax payable on profit for the year	34 014	-
Change in tax payable on profit for the previous year	-	156
Tax effect of group contribution	-	-
Adjustment, deferred tax 2016	-181	-
Change, deferred tax/tax asset in the balance sheet	96 290	88 955
Total tax cost for the year	**130 124**	**89 111**
Tax payable in the balance sheet is made up as follows:		
Tax payable on profit for the year	34 014	-
Tax effect of group contribution	-	-
Total tax payable	**34 014**	**-**
Specification of deferred tax base:		
Differences offset:		
Operating assets	1 571 237	1 592 803
Receivables	-936	-1 505
Profit and loss account	104 601	71 592
Accrued contract payment	-16 558	-21 698
Pensions	4 822	403
INTEREST RATE SWAP	-	-
Units in general partnerships	-16 272	-5 610
Change in loss carryforward as a result of change in deferred tax 2016	-754	-
Loss and compensation carried forward	-	-458 920
Deferred tax base/tax asset in the balance sheet	**1 646 141**	**1 177 065**
Deferred tax asset/deferred tax	378 786	282 496
Change in deferred tax asset/deferred tax 2016	-	-
Elimination of deferred tax on amortisation of goodwill	-	-
Deferred tax asset in the financial statements	-	-
Deferred tax	**378 786**	**282 496**

NOTE 14 PENSION LIABILITIES

PARENT COMPANY/GROUP

PARENT COMPANY/GROUP
Occupational pension schemes
Fjord1 ASA has collective occupational pension schemes for all employees. The schemes satisfy legal requirements concerning mandatory occupational pensions.

Defined benefit pension schemes
Collective occupational pension schemes
Collective defined benefit pension schemes are handled for accounting purposes in accordance with the Norwegian standard for pensions. The schemes provide an entitlement to defined future benefits. These are dependent primarily on the number of contribution years, pay level, pay level at retirement age and the amount of state benefit payments received. The liability is covered by a scheme with KLP and schemes with insurance companies. Pension costs and pension liability/plan assets are shown under Secured pension schemes in the note.

Defined contribution pension schemes
Defined contribution pension
Defined contribution pensions are schemes in which the company commits to pay an annual premium. The pension is dependent on the funds paid in
and the yield on these. For the company, the costs for the year are equal to the year's premiums.

Pension schemes for maritime employees with Fjord1 ASA
Maritime personnel have their own contractual defined benefit occupational pension scheme. The scheme is secured and covers 988 active employees and 132 pensioners.

In addition to a contractual occupational pension, a defined contribution scheme has been established for maritime employees in accordance with the Mandatory Occupational Pensions Act This scheme pays out a pension from the age of 67 based on a 2 % annual contribution for each member.

The company's maritime employees can retire at the age of 60. They are then entitled to a seaman's pension, which is funded by deductions from pay and by contributions by the company. The company's component is classified as a defined contribution pension.

Pensions paid as part of operations
There are three people in the group who are paid pensions as part of operations. The costs and liabilities represented by this are shown under Unsecured pension schemes in the note. The group has an early retirement pension agreement with a former group CEO, which pays out 66 % of salary from 65 to 67 years. This scheme is unsecured and is covered by the company's operations.

Estimated pension liabilities at 31.12.2017
A provision of NOK 7.0 million has been recognised in the financial statements as at 31.12.2017 for estimated additions to pension liabilities. This estimate is based on information received by the company in January 2018 concerning closed pension schemes. The pension scheme provider notified an error in previous years' estimates for this scheme. Up-to-date calculations of the pension liability will be carried out in 2018.

NOTE 14 PENSION LIABILITIES (CONTINUED)

PENSION COSTS, DEFINED BENEFIT SCHEMES	SECURED		UNSECURED	
PENSION COSTS:	**2017**	**2016**	**2017**	**2016**
Present value of pension accruals for the year	4 420	4 739	-	-
Interest expenses on the pension liabilities	1 415	1 555	-	-
Expected return on plan assets	-1 565	-1 711	-	-
Recognised change to plan	-	-	-	-
Recognised estimate differences	-414	-	-	-
Employer's contribution	-	-	-	-
NET PENSION COSTS	**3 855**	**4 583**	**-**	**-**
CHANGE IN ACCRUED LIABILITY				
Accrued liability at the start of the year	54 627	58 233	-	-
Present value of pension accruals for the year	4 420	4 739	-	-
Interest expenses on the pension liabilities	1 415	1 555	-	-
Change to plan	-	-	-	-
Estimate changes	-1 777	-8 640	-	-
Cessation of scheme/transfer of liability from subsidiary	-	-	-	-
Benefits paid from the schemes	-435	-1 259	-	-
ACCRUED LIABILITY AT THE END OF THE YEAR	**58 250**	**54 627**	**-**	**-**
CHANGE IN PLAN ASSETS				
Fair value of plan assets at the start of the year	63 165	60 110	-	-
Upward adjustment of plan assets, retained earnings in pension fund	-	-	-	-
Estimate changes	4 946	-2 454	-	-
Return on plan assets	1 565	1 711	-	-
Cessation of scheme/transfer of assets from subsidiary	-	-	-	-
Assets taken over from subsidiaries after organisational change	-	-	-	-
Assets on change of plan/reduction	-	-	-	-
Paid in	8 274	5 058	-	-
Pensions paid out from schemes	-435	-1 259	-	-
FAIR VALUE OF PLAN ASSETS AT THE END OF THE YEAR	**77 516**	**63 165**	**-**	**-**

NOTE 14 PENSION LIABILITIES (CONTINUED. 2)

	SECURED		UNSECURED	
RECONCILIATION OF THE PENSION SCHEMES' FUNDED STATUS AGAINST AMOUNTS IN THE BALANCE SHEET	**2017**	**2016**	**2017**	**2016**
Net pension liability	19 267	8 539		-
Employer's contribution				-
Unrecognised changes in estimates	-14 445	-8 136		-
Unrecognised plan changes				-
TOTAL NET PLAN ASSETS (+) PENSION LIABILITY (–)	**4 822**	**403**	**-**	**-**
TOTAL NET PLAN ASSETS (+) PENSION LIABILITY (–) ARE RECOGNISED IN THE BALANCE SHEET AS:				
Over-funded schemes	4 822	403	-	-
Under-funded schemes			-	-
TOTAL NET PLAN ASSETS (+) PENSION LIABILITY (–)	**4 822**	**403**	**-**	**-**
Number of active employees in the scheme included in the pension calculations:	988	930	-	-
Number of pensioners in the scheme included in the pension calculations:	132	68	-	-

THE GROUP'S TOTAL PENSION COSTS (DEFINED BENEFIT AND DEFINED CONTRIBUTION)	SECURED/UNSECURED	
	2017	**2016**
Cost of defined benefit schemes according to note	3 855	4 583
Cost of defined contribution schemes	32 159	31 684
TOTAL PENSION COSTS	**36 015**	**36 267**

RECONCILIATION OF THE GROUP'S PLAN ASSETS/ PENSION LIABILITY AGAINST THE BALANCE SHEET

	SECURED		UNSECURED	
ASSETS	**2017**	**2016**	**2017**	**2016**
Over-funded defined benefit schemes	4 822	403	-	-
TOTAL PLAN ASSETS RECOGNISED AS AN ASSET IN THE BALANCE SHEET	**4 822**	**403**	**-**	**-**
LIABILITY				
Under-funded schemes		403	-	-
TOTAL PENSION LIABILITY RECOGNISED AS A LIABILITY IN THE BALANCE SHEET	**-**	**-**	**-**	**-**

NOTE 14 PENSION LIABILITIES (CONTINUED. 3)

ECONOMIC ASSUMPTIONS FOR CALCULATING DEFINED BENEFIT PENSION

	2017	2016
	%	%
Discount rate	**2.40 %**	**2.60 %**
Expected pay adjustment	**2.50 %**	**2.50 %**
Expected increase in pensions currently paid	**0.50 %**	**0.00 %**
Expected base amount adjustment	**2.25 %**	**2.25 %**
Expected return on plan assets	**4.10 %**	**3.60 %**

NOTE 15 OTHER PROVISIONS

	2017	2016
Provision for contract payment	16 558	21 698
TOTAL OTHER PROVISIONS	**16 558**	**21 698**

The provision for contract payment is accrued based on the difference between the repayment period for property, plant and equipment used in contracts with the public sector, and the book depreciation.

NOTE 16 PLEDGES, GUARANTEES, ETC.

	2017	2016
DEBT:		
Bond loan	1 000 000	-
Debt to credit institutions	684 727	1 775 511
TOTAL DEBT	**1 684 727**	**1 775 511**
Total debt with terms longer than 5 years	-	-
Total guarantee liabilities, surety, guarantee for transport licences etc.	548 718	873 617
BOOK VALUE OF ASSETS PROVIDED AS SECURITY:		
Buildings and land	40 505	35 485
Ships	3 669 216	3 238 405
TOTAL	**3 709 721**	**3 273 890**

NOTE 16 PLEDGES, GUARANTEES, ETC. (CONTINUED)

The Fjord1 group's liquidity is organised in a three-way split between a corporate account arrangement, a long-term loan commitment to service older loans with group companies and a long-term commitment to service the raising of new loans in connection with new material in general and the gas-operated ferries in particular. All of these commitments are consolidated in Nordea.

The subsidiaries' detail accounts are formally treated as receivables from and debt to the parent company, Fjord1 ASA. Contributions to the corporate account are classified in the balance sheet as receivables from group companies, while drawdowns on the corporate account are classified in the balance sheet as debt to group companies. The company's receivables are pledged as security for total liabilities in the corporate account arrangement. The total balance in the group's corporate account arrangement at 31.12.2017 is NOK 389.7 million.

With regard to tax withholding accounts, Nordea has issued a guarantee to the respective tax office for the tax liability of NOK 45 million. Other than this arrangement, there are no locked-in tax withholding amounts at 31.12.2017.

The long-term liability in connection with a group agreement is NOK 684.7 million at 31.12.2017. Individual ferries have been pledged as security for liabilities linked to ferries and passenger-boats. For other long-term liabilities, the security is linked to property and other assets in the individual companies in the group.

NOTE 17 OTHER SHORT-TERM LIABILITIES

	2017	2016
Map database, maritime companies	363 042	340 456
Pay and holiday pay due/accrued	122 582	117 394
Accrued interest/hedging transactions	7 849	3 774
Other short-term liabilities	53 706	35 074
TOTAL OTHER SHORT-TERM LIABILITIES	**547 179**	**496 698**

NOTE 18 SALARIES AND SOCIAL SECURITY COSTS

	2017	2016
Wages	626 102	592 068
Employer's contribution	96 169	89 871
Pension costs	44 785	37 066
Other benefits	21 143	11 628
TOTAL WAGES	**788 198**	**730 634**
Number of employed FTEs	1 056	1 069

NOTE 18 SALARIES AND SOCIAL SECURITY COSTS (CONTINUED)

- The pension schemes are funded via insurance companies and KLP. The total pension costs for Fjord1 ASA recognised in the income statement are NOK 39,552.
- The company's pension plans are in compliance with the provisions of the Mandatory Occupational Pensions Act.
- No loans have been provided/security put up for the CEO, chairman of the board or other related parties.
- No loans have been provided/security put up representing more than 5 % of the company's equity.

Payments to senior executives

	CEO	Board of Directors/corporate assembly
Wages	3 283	1 658
Pension costs including actuarial calculation of costs for 2017	82	-
Other remunerations	152	-
TOTAL	**3 517**	**1 658**
Pension liability	2 233	-

The CEO is appointed and receives a salary from F1 Administrasjon AS, and is entitled to severance pay equal to 12 months' ordinary salary if his contract is terminated by the company, or if he gives notice in connection with significant changes in control or changes in business strategy and running of the company. No other members of corporate management or the Board of Directors have contracts that provide significant benefits in connection with termination of contract.

The company has no liabilities linked to share-based remuneration for employees or representatives.

As of today's date, the company has no formal agreements on bonuses or share-based remuneration or other benefits for the management or Board of Directors.

Auditor (NOK 1000 excl. VAT) — Parent company

	2017	2016
Statutory audit (including technical assistance with financial statements)	1 258	819
Tax advice (including technical assistance with tax declaration)	61	22
Attestation services	86	-
Other services	1 092	73
SERVICES PURCHASED FROM AUDITOR	**2 497**	**914**

NOTE 19 ITEMS THAT HAVE BEEN COMBINED IN THE FINANCIAL STATEMENTS

OTHER OPERATING EXPENSES	2017	2016
Service costs	28 929	28 786
Ship costs	703 091	603 528
Other operating expenses	344 782	323 122
TOTAL OTHER OPERATING EXPENSES	**1 076 802**	**955 437**

NOTE 20 OTHER FINANCIAL INCOME

	2017	2016
Foreign exchange gains	1 022	2 061
Share/customer dividends	6 002	4 175
Other financial income	250	584
TOTAL OTHER FINANCIAL INCOME	**7 274**	**6 821**

NOTE 21 LEASES

At the end of 2017, the group had various leases for ships and other operating equipment:

	Varighet	Kostnadsført leige
Leases for ships	2020	65 488
The group also leases the ferry MS Fanafjord	2020	46 141
Vehicle leases	2020	585

NOTE 22 HEDGING CONTRACTS

INTEREST RATE:	2017	2016
Fixed-rate interest-bearing liabilities (cash flow hedging)	303 250	320 000
The fixed interest rate on the group's agreements varies, and the agreements have varying terms up to and including 2019.	-	
Unrealised, unrecognised loss on interest rate swaps is as follows:	18 470	30 247

OIL AND LNG:	2017	2016
Average hedged volumes of oil and LNG in the period 2013- 2019	22 %	22 %
Unrealised, unrecognised gain/loss on hedging agreements is as follows:	12 133	20 963

NOTE 23 TENDER CONTRACTS

	2017	2016
Write-down of property, plant and equipment	-	-
Reversal of write-downs on property, plant and equipment	-	-55 185
EARNINGS IMPACT LINKED TO TENDER CONTRACTS	**-**	**-55 185**

NOTE 24 OTHER INFORMATION

- Fjord1 ASA is entitled to compensation for loss of transport revenue as a consequence of the client changing the conditions for the discount structure and fare zones beyond what was set out in the tender.
- Since 2010, no final settlement by the client has been made for some contracts. For these contracts, annual compensation is paid out that is recognised as income.
- The payments from the client since 2010 have been made subject to conditions. The choice of model used could affect the final level of compensation.
- The company's best estimate has been used, i.e. that unpaid discount compensation is in principle recognised as income.

NOTE 25 KEY FIGURES

		2017	2016
Return on total assets (1)	%	12.2 %	10.5 %
Operating margin (2)	%	23.1 %	20.4 %
Equity ratio (3)	%	37.7 %	30.1 %
Return on equity (4)	%	30.6 %	34.5 %
Liquidity ratio (5)	%	67.8 %	71.8 %
Debt-servicing capacity (6)	this year	2,5	2,9
Market funding (7)	%	32.1 %	53.7 %

(1) Return on total assets:	Profit for the year + financial expenses / average total assets
(2) Operating margin:	Profit after depreciation/total operating income
(3) Equity ratio:	Equity/total assets
(4) Return on equity:	Profit for the year/average equity
(5) Liquidity ratio:	Current assets/short-term liabilities
(6) Debt-servicing capacity:	Average net interest-bearing liabilities/profit of the year + ordinary depreciation
(7) Market funding:	Total operating income – contract income on route operations/total operating income

DECLARATION BY THE BOARD AND THE DAILY LEADER

We declare that, for the period 1.January to 31.December 2017, the annual accounts for Fjord1 ASA have been prepared in accordance with current accounting standards and that disclosures in the financial statements give a true and fair view of the company and the Group's holdings, liabilities, financial position and overall results.

We declare that the annual report gives a true and fair overview of the development, results and position of the company and the group, together with a description of the most important risk and uncertainty factors in the next financial period and information about any significant transactions with closely related parties.

Florø, 22. march 2018

Vegard Sævik
Chairman of the Board

Per Rolf Sævik
Board member

Janicke Westlie Driveklepp
Board member

Siri Beate Hatlen
Board member

Frederik Wilhelm Mohn
Board member

Atle Olav Trollebø
Board member

Geir Offerdal
Board member

Dagfinn Neteland
CEO

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Fjord1 ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fjord1 ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2017, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation – property, plant and equipment

As at 31 December 2017 property, plant and equipment amounting to NOK 4 181 million represents 80% of the Group balance sheet total. Management have defined each contract and related vessels as a cash-generating unit (CGU). Management identified impairment indications or indications for reversal of impairment for some contracts, and tested the recoverable amount. Management's assessment of the valuation of property, plant and equipment was significant to our audit because this process is complex and requires significant management judgement. Management's assessment resulted in no impairment losses or reversal of impairment in the financial statements for the year ended 31 December 2017.

The recoverable amounts of property, plant and equipment were calculated using value in use calculations. Key assumptions in the calculations were discount rates (WACC), future revenue from contracts, sales revenue, operating costs, maintenance and the net value of disposal of vessels at the end of the contract.

We evaluated management's identification of the group's cash generating units and management's assessment of impairment indications and indications for reversal of impairment for property, plant and equipment. We tested management's assumptions for future revenue from contracts, sales revenue, operating costs, maintenance and net value of disposal, and we assessed the historical accuracy of management's estimates. We evaluated supporting external broker reports obtained by management to evaluate the fair value less cost of disposal at the end of the contract. We involved our valuation experts to assist us in the evaluation of the discount rates used by the Group, perform sensitivity analyses of key assumptions, assess the consistency of valuation methodologies applied throughout the Group and test the mathematical accuracy of calculations in the valuation model.

We refer to note 2 and 10 of the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Bergen, 16 April 2018
ERNST & YOUNG AS

Eirik Moe
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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