

Fjord1

FOURTH QUARTER REPORT

26 February 2021



About Fjord1

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

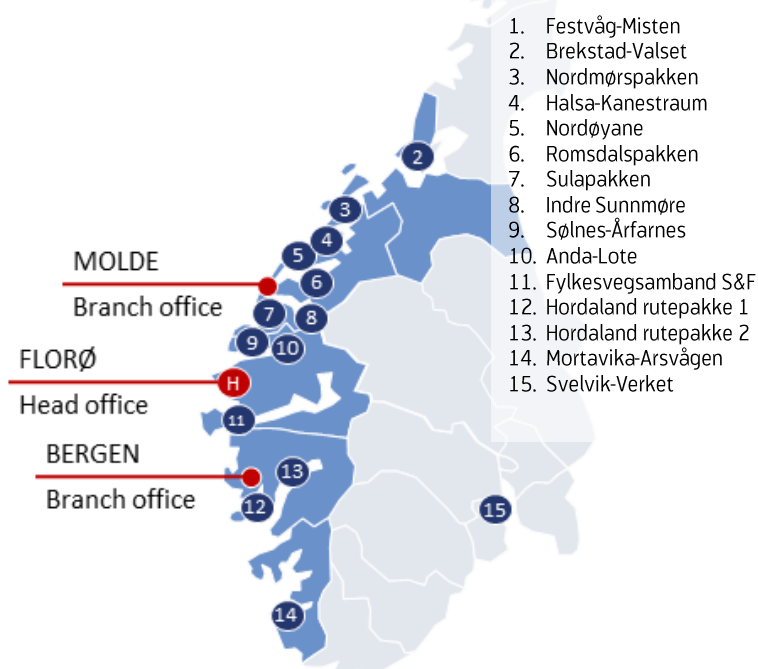
Fjord1 is a leading player in the Norwegian ferry market. It also operates passenger boat services and has interests in the catering and tourism sectors.

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

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

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

Ferry contract overview 2021



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



Cheerful



Open and honest



Reliable and keeping our promises



Profitable



Working together and team spirit



Proud

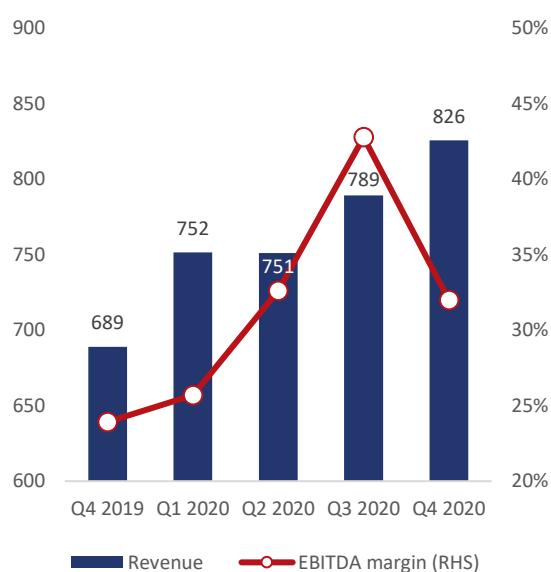
More information at www.fjord1.no

Fourth quarter highlights

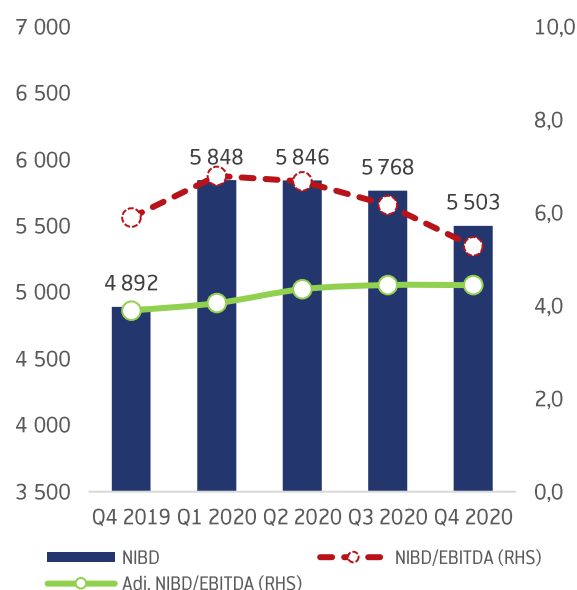
Solid revenue growth through the pandemic

- Fjord1 has operated in a safe and responsible manner throughout the Covid-19 pandemic, protecting the safety and security of its employees, customers and suppliers, while fulfilling its responsibilities as a provider of critical transport infrastructure in coastal Norway
- Revenue in the fourth quarter amounted to NOK 826 million. This was an increase of 20 per cent from the same quarter last year, driven by the new contracts that started up on 1 January 2020 and an adjustment to the ferry index in the fourth quarter
- EBITDA in the fourth quarter totalled NOK 266 million, up 67 per cent from the same period last year, with the EBITDA margin increasing to 32 per cent from 23 per cent. The positive development in margins reflects reduced operating expenses due to lower diesel fuel costs
- Revenue for the full year 2020 amounted to NOK 3,118 million, an increase of 14 per cent from the same period last year. EBITDA increased by 27 per cent to NOK 1,042 million, with the EBITDA margin improving from 30 per cent to 33 per cent
- Investments amounted to NOK 103 million in the fourth quarter, net of NOK 31 million in vessel NO_x compensation received in the quarter. Total investments for the full year 2020 came to NOK 1,428 million
- Net interest-bearing debt (NIBD) stood at NOK 5,503 million as at 31 December, a decrease of NOK 265 million from the end of the third quarter
- Fjord1's long-term contract portfolio worth NOK 24.1 billion and exciting long-term prospects in eco-tourism offer a strong platform for the further development of the company

Revenue (NOK m) and EBITDA (%)



NIBD (NOK m) and NIBD/EBITDA



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

Stable operations

While Fjord1's operations have been significantly affected by the Covid-19 pandemic in 2020, the contract structure has limited its financial impact on the **Ferry** and **Passenger Boat** segments. The **Catering** segment has seen a sharp reduction in revenue, although this has been offset by cost-cutting measures that have preserved operating margins. **Tourism** activities were shut down in mid-March and only slowly restarted late in the second quarter. While domestic traffic made up for lower international tourism in July, capacity utilisation has been low since the summer holidays.

2020 was a ramp-up year for Fjord1, with the start-up of several new ferry contracts, the completion of the vessel newbuild programme, and further progress in the electrification of the fleet. Electricity accounted for approximately 40 per cent of the fuel mix at the end of 2020, making Fjord1 one of the most environmentally friendly ferry operations worldwide.

The company remains committed to its long-term strategy to remain a leading player in the Norwegian ferry market and provide safe, reliable and environmentally friendly transport to its customers. The company has a solid long-term contract portfolio, worth NOK 24.1 billion excluding index regulation, and continues to see exciting long-term prospects in the eco-tourism industry despite a currently challenging market environment.

Ferry

The number of passengers transported decreased by 22 per cent year-on-year to 3.2 million in the fourth quarter, mainly driven by Covid-related travel restrictions. The number of vehicles transported decreased by 23 per cent year-on-year to 1.7 million in the fourth quarter. Compared with 2019, the number of passengers transported in 2020 as a whole decreased by 19 per cent to 15.7 million, whereas the number of vehicles transported decreased by 14 per cent to 8.5 million despite the new routes.

As described in previous reports through 2020, the majority of Fjord1's contracts are based on capacity and sailing frequency rather than traffic volumes, which largely insulates revenue and earnings in the Ferry segment from changes in traffic volumes. Revenues increased by 24 per cent in the fourth quarter 2020 and by 18 per cent for the full year, whereas EBITDA increased by 65 per cent in the fourth quarter 2020 and by 32 per cent in the year as a whole. The revenue increase is mainly due to the fleet expansion in 2020 as well as a positive adjustment to the ferry index in the fourth quarter 2020. The EBITDA improvement also reflects lower operating costs for the new electric vessels.

Passenger Boats

In the same way as the Ferry segment, Fjord1's passenger boat revenues are independent of traffic volume, and lower passenger volumes due to Covid-19 have had a limited financial impact. Revenues increased by 1 per cent in the fourth quarter 2020 and 5 per cent in the full year, reflecting annual contract price adjustments.

Catering

The financial effects of Covid-19 have been more significant for the Catering segment, necessitating a substantially reduced service. Revenues decreased by 44 per cent in the fourth quarter and by 37 per cent in 2020 as a whole. However, Fjord1 has succeeded in adjusting staffing and costs in line with the reduction in revenues. Catering is therefore the segment that has managed to adapt best, and has delivered good results despite the effects of Covid-19. EBITDA for the full year 2020 is at the same level as the year before.

Tourism

The Tourism segment has been hit hard by Covid-19 mitigation measures. Revenue mainly reflects consolidated vessel leasing revenue. This held steady compared with the fourth quarter 2019 and increased by 22 per cent for the full year in reflection of a higher asset base. The positive net result of NOK 7 million from associates reflects a cash support offered by the Norwegian Government to cover loss of revenue due to Covid-19.

Key figures (NOK million)

Profit & Loss	Q4 2020	Q4 2019	FY 2020	FY 2019
Total revenue	825.8	689.4	3,117.8	2,723.8
Total operating expenses	(568.5)	(512.3)	(2,066.8)	(1,907.2)
Share of profit/(loss) from JVs and associates	8.4	(18.5)	(9.0)	2.5
EBITDA	265.8	158.6	1,041.9	819.1
<i>EBITDA margin (%)</i>	32%	23%	33%	30%
Total depreciation and impairment	(153.5)	(117.4)	(550.6)	(421.9)
Operating profit (EBIT)	112.4	41.3	491.3	395.9
Net financial income/(expenses)	(65.2)	(72.0)	(284.5)	(138.1)
Profit/(loss) before tax	47.2	(30.7)	206.8	253.1
Tax (expense)/income	(8.2)	13.3	(43.4)	(43.9)
Profit/(loss) for the period	38.9	(17.4)	163.5	209.2
Balance sheet	31.12.20	31.12.19		
<i>Assets</i>				
Non-current assets	9,187.0	8,123.2		
Current assets, excl. cash	750.3	633.0		
Cash and cash equivalents	401.8	484.1		
Total assets	10,339.2	9,240.2		
<i>Equity and liabilities</i>				
Total equity	2,427.0	2,269.7		
Non-current liabilities	5,892.8	4,911.6		
Current liabilities	2,019.3	2,058.9		
Total equity and liabilities	10,339.2	9,240.2		
Equity ratio (%)	23%	25%		
Return on equity (12-month rolling) (%)	5.3%	9.5%		
NIBD	5,503.2	4,892.1		
NIBD/EBITDA (12-month rolling)	5.3	6.0		
Cash flow	Q4 2020	Q4 2019	FY 2020	FY 2019
Net cash flow from operating activities	391.7	(124.7)	906.9	323.6
Net cash used in investing activities	(105.2)	(1,041.6)	(1,434.7)	(2,358.9)
Net cash from financing activities	(89.9)	1,175.9	445.5	2,246.8
Net change in cash and cash equivalents	196.7	9.5	(82.2)	211.6
Cash and cash equivalents close of period	401.8	484.1	401.8	484.1
Net financial items	Q4 2020	Q4 2019	FY 2020	FY 2019
Share of profit (loss), JVs and associates	(20.4)	(0.6)	(42.0)	31.5
Interest income	0.7	1.2	2.5	2.6
Interest expense	(44.6)	(48.1)	(214.9)	(150.0)
Other financial items, net	(1.0)	(24.4)	(30.1)	(22.2)
Net financial items	(65.2)	(72.0)	(284.5)	(138.1)

Group and segment overview

The Fjord1 Group generated total revenues of NOK 826 million in the fourth quarter 2020, an increase of 20 per cent from the fourth quarter 2019. Operating costs rose by 8 per cent. EBITDA increased by 67 per cent to NOK 266 million. For 2020 as a whole, total revenues increased by 14 per cent to NOK 3,118 million, whereas EBITDA increased by 27 per cent to NOK 1,042 million. The fleet expansion and renewal programme, as well as investments in the electrification of the ferry operation, have resulted in higher depreciation and net financial expenses. Operating profit (EBIT) nevertheless increased to NOK 112 million in the fourth quarter 2020 and NOK 491 million in the full year, compared to NOK 41.3 million and NOK 396 million, respectively, in the same periods in 2019.

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

Ferry

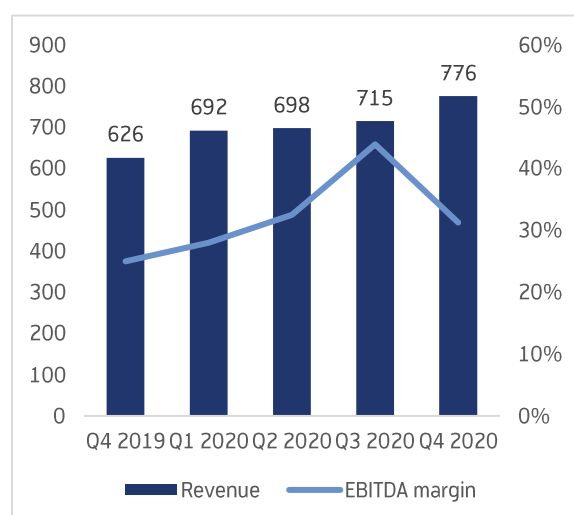
Revenue, EBITDA and EBIT (NOK million)

	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue	776	626	2,881	2,445
EBITDA	243	147	976	740
<i>EBITDA margin</i>	<i>31%</i>	<i>24%</i>	<i>34%</i>	<i>30%</i>
EBIT	103	57	484	378
<i>EBIT margin</i>	<i>13%</i>	<i>9%</i>	<i>17%</i>	<i>15%</i>

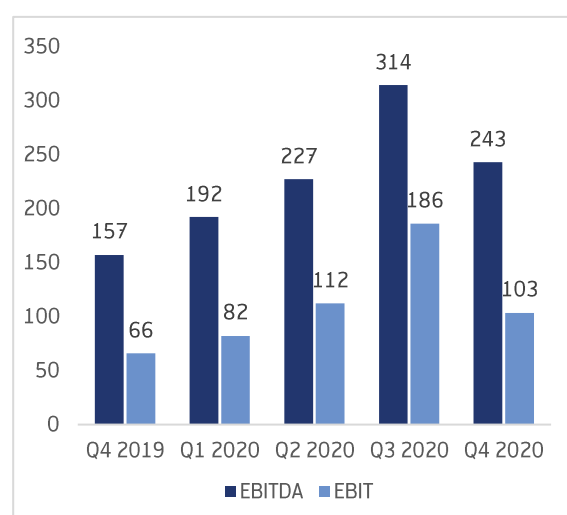
Revenue in the Ferry segment increased by 24 per cent year-on-year in the fourth quarter and 18 per cent for 2020 as a whole. The revenue increase is primarily explained by the start-up of services relating to the Indre Sunnmøre, Romsdalspakken, Nordmørspakken and Hordaland Rutepakke 2 contracts on 1 January 2020.

Ferry routes operated as normal during the fourth quarter despite the resurgence of Covid-19 towards the end of the year. Earlier in the year, the number of ferry departures was temporarily cut on some contracts in agreement with the ferry service principals: the county authorities (*Fylkeskommuner*) and the Norwegian Public Roads Administration (*Statens Vegvesen*). Fjord1 retained contractual revenues while cost savings were allocated to the contractual counterparties, resulting in only a limited financial impact for Fjord1.

Revenue (NOK m) and EBITDA margin (%)



EBITDA and EBIT (NOK m)



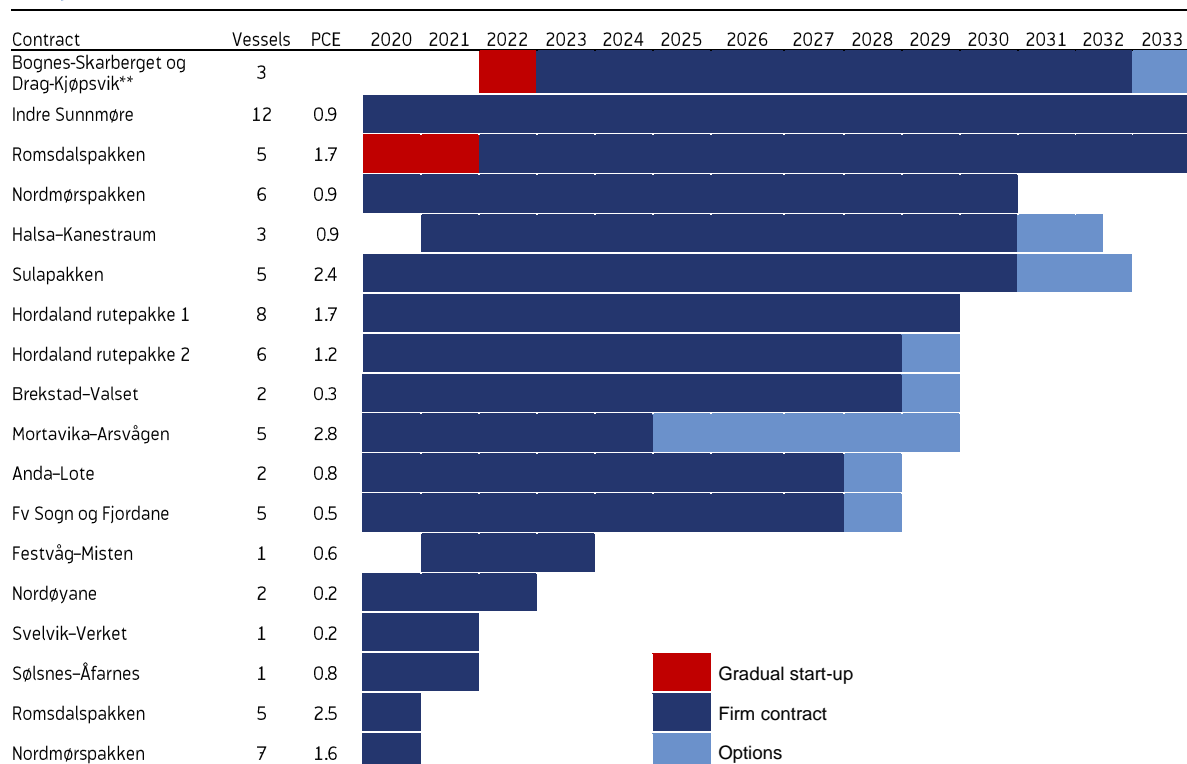
EBITDA increased by 65 per cent in the fourth quarter, with higher operational efficiency lifting the EBITDA margin to 31 per cent from 24 per cent in the same period last year. EBITDA for 2020 as a whole increased by 32 per cent, with the EBITDA margin increasing to 34 per cent from 30 per cent in 2019.

At NOK 533 million, operating costs for the fourth quarter were NOK 54 million higher than in the fourth quarter 2019. During the quarter, a write-down of NOK 21 million was made with respect to MF Fanafjord, which is currently held for sale. This explains the higher operating costs, in addition to increased personnel costs due to the increased number of routes in service.

As indicated in the interim report for the third quarter 2020, some of the electrification projects planned for 2020 rolled over into 2021. These delays postponed the start-up of more cost-efficient fully electric routes, the release of government-funded NO_x compensation for new electric vessels and public infrastructure payments.

The new vessels and electric infrastructure carry higher depreciation, however the fourth quarter EBIT of NOK 103 million increased a solid 82 per cent compared to fourth quarter last year. EBIT for the full year 2020 increased by 28 per cent to NOK 484 million.

Ferry contract overview 2020–2033

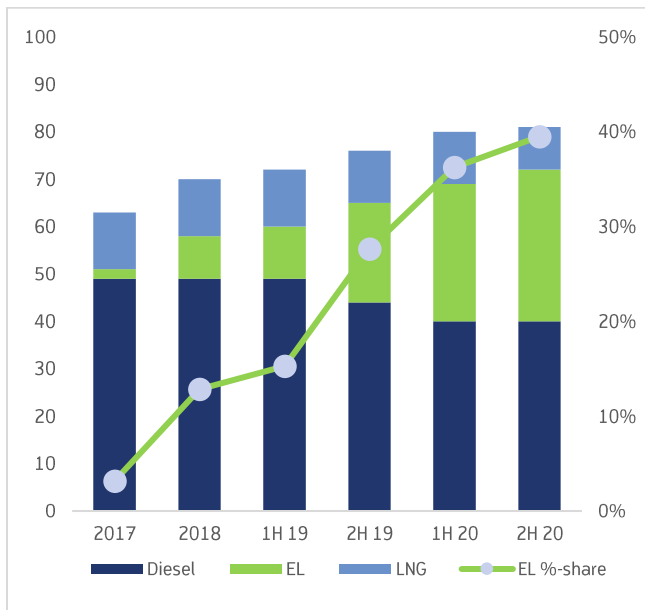


*Passenger car equivalents (PCE) capacity (million). **Fjord1 is announced as operator, contract to be signed.

The current contract portfolio has an estimated value of approximately NOK 24.1 billion, including the three passenger boat contracts but excluding options and index regulation.

The delivery of MF Stangvikfjord in August represented the completion of the vessel newbuild programme scheduled for 2017-2020. In January 2021, we received the first of three LNG to hybrid-electric vessel retrofits from the yard in Florø. The two others are scheduled for delivery during the first quarter of 2021. The company also has one new electric vessel under construction in Turkey.

Number of ferries and fuel mix



Passenger Boats

Revenue EBITDA and EBIT (NOK million)

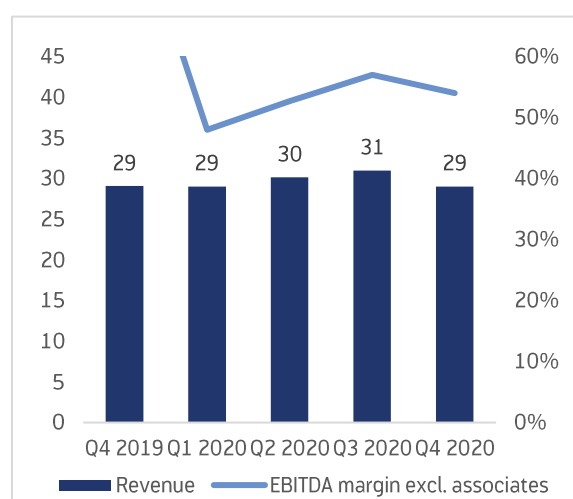
	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue	29	29	120	115
Associates	1	1	6	2
EBITDA*	17	27	64	56
<i>EBITDA margin excl. associates</i>	<i>54%</i>	<i>89%</i>	<i>49%</i>	<i>47%</i>
EBIT	5	2	13	2
<i>EBIT margin excl. associates</i>	<i>12%</i>	<i>3%</i>	<i>5%</i>	<i>0%</i>

*EBITDA incl. associates

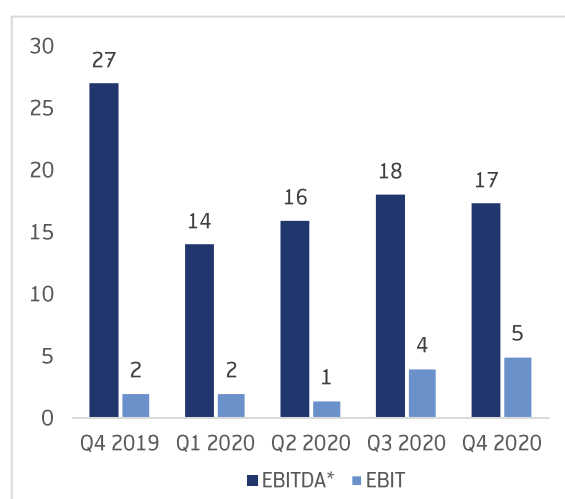
Revenue in the Passenger Boat segment was stable year-on-year in the fourth quarter and increased by 4 per cent for the full year 2020. However, EBITDA in the fourth quarter declined by NOK 10 million, mainly due to lower contribution from own operations.

EBITDA and EBIT for the full year 2020 increased by NOK 9 million and NOK 11 million respectively from the previous year, with better results in both own operations and associates.

Revenue (NOK m) and EBITDA margin (%)



EBITDA and EBIT (NOK m)



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

Catering

Revenue, EBITDA and EBIT (NOK million)

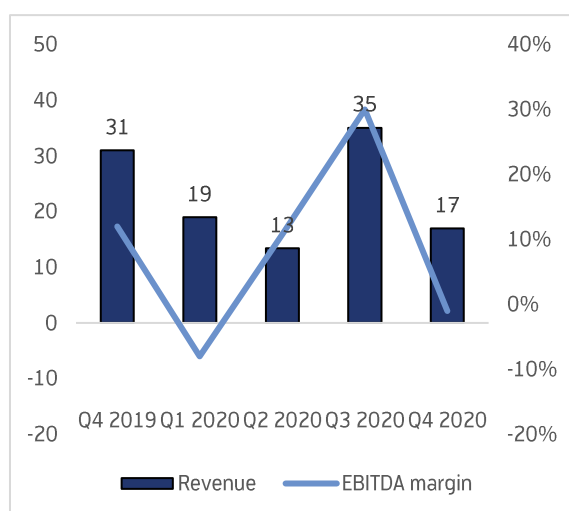
	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue	17	31	85	135
EBITDA	(0)	4	10	15
<i>EBITDA margin</i>	<i>(1%)</i>	<i>12%</i>	<i>12%</i>	<i>11%</i>
EBIT	(1)	2	7	11
<i>EBIT margin</i>	<i>(6%)</i>	<i>8%</i>	<i>9%</i>	<i>8%</i>

Revenue in the Catering segment fell by 44 per cent in the fourth quarter and 37 per cent in 2020 as a whole. This reflects a reduced service due to Covid-19, as well as low passenger numbers in the first half of the year. Having been closed for most of the second quarter, staffed cafeterias gradually reopened over the summer, although the share of self-service catering solutions has increased significantly.

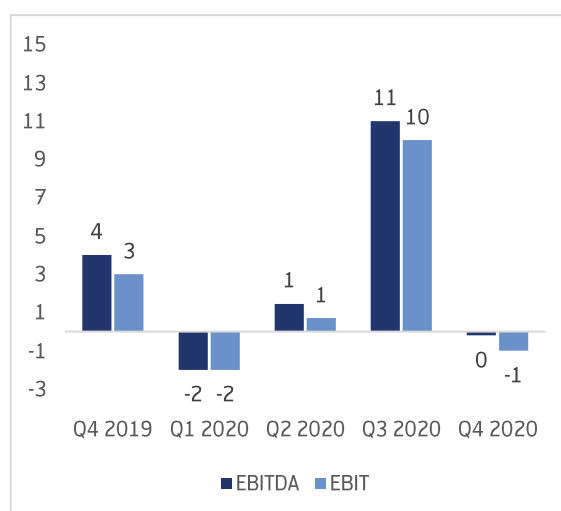
The company has implemented tough cost-cutting measures to compensate for the revenue shortfall, and has succeeded in adjusting staffing and cost levels correspondingly. This has dampened the financial impact, although the Catering business posted somewhat lower results for both the fourth quarter and the full year.

EBITDA decreased to NOK 0 million the fourth quarter from NOK 4 million in the same period in 2019, with a steady decline from high-season summer traffic in the previous quarter. EBITDA for the full year fell to NOK 10 million from 15 million in 2019.

Revenue (NOK m) and EBITDA margin (%)



EBITDA and EBIT (NOK m)



Tourism

Revenue, EBITDA and EBIT (NOK million)

	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue	3	2	22	18
Associates	7	(20)	(15)	0.4
EBITDA*	6	(22)	(16)	0.3
<i>EBITDA margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
EBIT	6	(22)	(18)	(1)
<i>EBIT margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>

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

The Tourism segment was also significantly affected by Covid-19 in 2020, due to restrictions on both international and domestic travel for most of the year. Activities were effectively shut down in mid-March and remained largely closed until June. While activity picked up in July, demand returned to low levels after the domestic summer holiday.

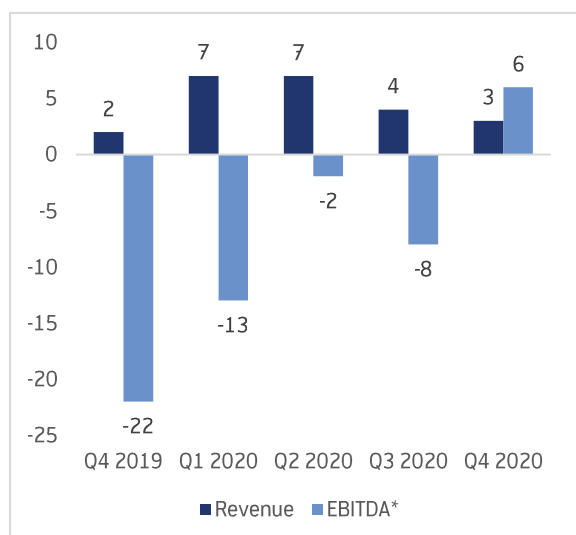
Revenue mainly reflects consolidated vessel leasing revenue. This held steady compared with the fourth quarter 2019 and increased by 22 per cent for the full year in reflection of a higher asset base.

The positive net result of NOK 7 million from associates reflects a cash support offered by the Norwegian Government to cover loss of revenue due to Covid-19.

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

The Tourism segment is currently in the winter low-season, and the current focus is on evaluating and planning for the upcoming 2021 season to make sure that operations are as well aligned with market changes as possible.

Revenue and EBITDA (NOK m)



Consolidated statement of profit and loss

Profit & Loss (NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Total revenue	825.8	689.4	3,117.8	2,723.8
Total operating expenses	(568.5)	(512.3)	(2,066.8)	(1,908.5)
Share of profit/(loss) from JVs and associates	8.4	(18.5)	(9.0)	2.5
EBITDA	265.8	158.6	1,041.7	819.1
EBITDA margin (%)	32%	23%	33%	30%
Total depreciation and impairment	(153.5)	(117.4)	(550.6)	(421.9)
Operating profit (EBIT)	112.4	41.3	491.3	395.9
Net financial income/(expenses)	(65.2)	(72.0)	(284.5)	(138.1)
Profit/(loss) before tax	47.2	(30.7)	206.8	253.1
Tax (expense)/income	(8.2)	13.3	(43.4)	(43.9)
Profit/(loss) for the period	38.9	(17.4)	163.5	209.2

Revenues and operating profit

Fjord1 reported revenues of NOK 826 million in the fourth quarter 2020, an increase of 20 per cent compared with the same period the year before. The year-on-year increase mainly reflects the start-up of new contracts on 1 January 2020, as well as an adjustment to the ferry index in the fourth quarter 2020. Revenue in 2020 as a whole increased by 14 per cent to NOK 3,118 million.

Operating expenses increased by 11 per cent to NOK 569 million in the fourth quarter. During the quarter, a write-down of NOK 21 million was made with respect to MF Fanafjord, which is currently held for sale. This explains the increase in operating costs, in addition to increased personnel costs due to the increased number of routes in service.

Operating expenses for 2020 as a whole amounted to NOK 2,067 million, an increase of 8 per cent from 2019.

Cost developments going forward will depend on the timing of the completion of ongoing electrification projects and the start-up of the last fully electric routes, which was delayed into 2021. Upon the completion of these projects, the company expects costs to stabilise at a lower level.

JVs and associates contributed positively to the results in the fourth quarter, reflecting a cash support offered by the Norwegian Government to cover loss of revenue due to Covid-19, although the full year net result from these interests was negative.

Reported EBITDA amounted to NOK 266 million in the fourth quarter 2020, a 67 per cent increase year-on-year. The EBITDA margin rose to 32 per cent from 23 per cent in the fourth quarter 2019. EBITDA for 2020 as a whole increased by 27 per cent to NOK 1,042 million.

The huge investment programme undertaken in recent years has increased the asset base and depreciation was 31 per cent higher both in the fourth quarter and for 2020, compared with the same period the year before. Nevertheless, operating profit (EBIT) increased by 172 per cent to NOK 112 million in the fourth quarter and by 24 per cent to NOK 491 million for the full year.

Net financial items

Net financial items (NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Share of profit (loss), JVs and ass.	(20.4)	(0.6)	(42.0)	31.5
Interest income	0.7	1.2	2.5	2.6
Interest expenses	(44.6)	(48.1)	(214.9)	(150.0)
Other financial items, net	(1.0)	(24.4)	(30.1)	(22.2)
Net financial items	(65.2)	(72.0)	(284.5)	(138.1)

The share of profit and loss in joint ventures and associates refers to the company's 34 per cent shareholding in WF Holding AS, which owns 100 per cent of the airline Widerøes Flyveselskap AS. Widerøe's results have been hard hit by the Covid-19 travel restrictions.

Interest expenses remained flat compared with the fourth quarter 2019. The rise in interest expenses for the full year 2020 reflects increasing debt due to investments in new electric vessels, quays and other infrastructure required to fulfil the company's ferry contracts. Most investments in quays and other onshore infrastructure will be compensated through either the sale of infrastructure to municipalities upon completion or by payments through the contract period.

Profits

Fjord1 made a profit before tax of NOK 47.2 million in the fourth quarter 2020 and NOK 207 million in the full year. This compares with a loss of NOK 31 million in the fourth quarter last year, and a profit of NOK 253 million in 2019 as a whole.

Tax amounted to NOK 8.2 million in the fourth quarter 2020 and NOK 43 million in the full year. This resulted in a net profit of NOK 39 million in the quarter and NOK 163 million for 2020 as a whole. This compares with a net loss of NOK 17 million in the fourth quarter 2019 and a net profit of NOK 209 million for the full year.

Earnings per share on an ordinary and fully diluted basis came to NOK 0.39 in the fourth quarter and NOK 1.63 in 2020 as a whole, compared with NOK -0.17 and NOK 2.09, respectively, in the same periods the year before.

Consolidated statement of financial position

Assets (NOK million)	31.12.2020	31.12.2019
Non-current assets	9,187.0	8,123.2
Current assets, excl. cash	750.3	633.0
Cash and cash equivalents	401.8	484.1
Total assets	10,339.2	9,240.2

Total assets increased by 10 per cent over the past year, mainly reflecting increased non-current assets due to the delivery of new ferries, investments in newbuilds and capitalised investments in onshore infrastructure.

MF Fanafjord is recognised in the balance sheet as an asset held for sale, under current assets, with a value of NOK 156 million, following a write-down of NOK 21 million in the fourth quarter.

Equity and liabilities (NOK million)	31.12.2020	31.12.2019
Total equity	2,427.0	2,269.7
Non-current liabilities	5,892.8	4,911.6
Current liabilities	2,019.2	2,058.9
Total equity and liabilities	10,339.2	9,240.2

The increase in total equity mainly reflects earnings in the period, whereas the increase in liabilities reflects the debt financing of investments in newbuilds, rebuilds and infrastructure. Total net interest-bearing debt amounted to NOK 5,503 million at the close of the year, down from NOK 5,768 million at the close of the third quarter 2020.

Consolidated statement of cash flow

Cash flow (NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Net cash flow from operating activities	391.7	(124.7)	906.9	323.6
Net cash used in investing activities	(105.2)	(1,041.6)	(1,434.7)	(2,358.9)
Net cash from financing activities	(89.9)	1,175.9	445.5	2,246.8
Net change in cash and cash equivalents	196.7	9.5	(82.2)	211.6
Cash and cash equivalents close of period	401.8	484.1	401.8	484.1

Cash flow from operating activities increased to NOK 392 million from NOK -125 million in the fourth quarter 2019. This reflects both higher cash earnings due to new contracts, and a positive change in net working capital. For 2020 as a whole, cash flow from operating activities increased to NOK 907 million from NOK 324 million in 2019.

Net cash flow used in investing activities decreased from NOK 1,042 million in the fourth quarter 2019 to NOK 105 million in the fourth quarter 2020. This figure is net of the NOK 31 million in vessel NO_x compensation received in the fourth quarter 2020. The net capital expenditure level is expected to continue decreasing as the last of the new ferries has been delivered and the company is working to complete onshore electrification infrastructure projects.

The negative cash flow from financing activities in the fourth quarter is mainly explained by the repayment of loans.

Financing and funding

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

Fjord1 has financed its investment programme through a combination of bank loans and bonds, and net interest-bearing debt (NIBD) amounted to NOK 5,503 million at the close of 2020.

The company's borrowing facility totals NOK 6,395 million, of which NOK 6,063 million has been utilised, including guarantees. In 2018, Fjord1 issued an unsecured bond of NOK 1,000 million with a coupon of 4.96 per cent, maturing in 2022.

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

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

As at 31 December 2020, Fjord1 had total future capital commitments of approximately NOK 237 million relating to vessel newbuilds, and future capital commitments of approximately NOK 299 million for quays and other onshore infrastructure.

Important events after the close of the reporting period

On 12 February 2021, Fjord1 announced that it had won the contract to operate the two routes Bognes–Skarberget and Drag–Kjøpsvik in Nordland County. The appeal period expired 25 February, and the contract is expected to be signed shortly thereafter. The contract is for the period 1 December 2022 until 30 November 2032, with the option to prolong the contract by 18 months.

Share information

As at 31 December 2020, Fjord1 ASA had 100.0 million issued shares, divided between 1,773 shareholders. Fjord1 held 90,402 treasury shares, unchanged from the previous quarter, corresponding to 0.09 per cent of total shares outstanding.

During the fourth quarter 2020, the Fjord1 share varied in price from NOK 42.60 to NOK 43.80. The closing price at 31 December was NOK 43.00, compared with NOK 36.60 at the close of 2019. At the close of the third quarter 2020, the share price stood at NOK 45.60.

A total of 0.9 million shares, or 0.9 per cent of the overall number outstanding, were traded during the period. Share turnover totalled NOK 36.9 million during the quarter, corresponding to an average daily figure of roughly NOK 0.6 million.

Following share purchases in the second quarter, Havila Holding AS and the US-based investment firm Vision Ridge Partners hold 85 per cent of the share capital. Havila and Vision Ridge have announced their intention to offer to buy out the remaining shareholders of Fjord1 on similar terms. The company is preparing for a possible de-listing of Fjord1 from the Oslo Stock Exchange if such an offer is made and accepted.

Risk and uncertainties

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

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

The government's measures to contain Covid-19 have affected the progress of onshore infrastructure projects required for the electrification of the ferry fleet. For example, the installation of quayside charger towers requires technical personnel from international suppliers. Delayed completion of the electrification infrastructure has postponed the release of government-funded NO_x compensation for the vessels, public infrastructure payments and the forecast fuel cost savings. Further restrictions may result in additional delays.

As described in the 2019 Annual Report, Fjord1 was exposed to risk related to vessel deliveries. However, the company completed the newbuild programme for 2017–2020 with a final delivery in August.

The vessel newbuild programme and electrification infrastructure projects have entailed significant investments over the past few years. However, the company's net interest-bearing debt has passed its peak, decreasing to NOK 5,503 million in the fourth quarter 2020 from a peak level of NOK 5,848 million at end of the first quarter of that year. The sale of infrastructure projects and the release of public funds related to the electrification process were projected to lower interest-bearing debt through 2020. Delays in this process put pressure on the minimum equity ratio in the company's bank and bond financing arrangements, although both the banks and the bondholders agreed to amendments to loan agreements that reduce the risk of covenant breaches.

Activities within the smaller Catering and Tourism segments are heavily affected by the Covid-19 situation, although the company has to a large extent managed to adjust activity and cost levels to current market demand in the Catering segment. Although activity in this segment is expected to return once restrictions are lifted, the situation has increased the risk of a more permanent change in consumer behaviour.

Developments in the Tourism segment will depend on the lifting of travel restrictions both domestically and internationally, and a gradual return to normal travel patterns. Fjord1 and its subsidiaries and joint ventures in the Tourism segment are monitoring the situation closely and have sought to mitigate its negative effects by changing their offering to cater more to a domestic audience. The company remains confident in the long-term outlook for its eco-friendly Tourism concepts.

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

Outlook

Fjord1 believes there will be continued high demand for safe, environmentally friendly and reliable transport in coastal regions also in the future. Fjord1 assesses new tender opportunities in the Norwegian market on an ongoing basis, as well as opportunities outside of Norway. Fjord1's strong contract portfolio has a value of NOK 24.1 billion through 2033, excluding options and index regulation, which offers a solid platform for profitable growth.

The company expected new ferry routes to generate 10–15 per cent revenue growth in 2020, and achieved 14 per cent higher revenues during the year. As expected, the new and upgraded vessels led to an improvement in EBITDA margins, whereas the corresponding higher depreciation generated stable EBIT margins for the full year.

The company expects more moderate revenue growth 2021, with cost improvements continuing to support operating margins. Net interest-bearing debt is set to decrease as a result of positive cash flows from operating activities, lower investments and the sale of infrastructure assets, which will in turn support growth in profit before tax and net profit going forward.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	Q4 2020	Q4 2019	YTD 2020	YTD 2019	Full year 2019
Revenue	3,4,12	821 446	685 126	3 086 160	2 662 750	2 662 750
Other operating income	3,4	4 402	4 300	31 611	61 066	61 066
Total operating income		825 848	689 426	3 117 771	2 723 816	2 723 816
Purchased goods and fuel	3	(91 982)	(111 990)	(404 143)	(448 891)	(448 891)
Personnel expenses	3	(292 280)	(242 865)	(1 096 041)	(994 061)	(994 061)
Other operating expenses	3,13	(184 194)	(157 431)	(566 647)	(464 290)	(465 568)
Total operating expenses		(568 457)	(512 286)	(2 066 831)	(1 907 242)	(1 908 519)
Share of profit/(loss) from associates	3	8 430	(18 495)	(9 026)	2 550	2 550
Operating profit before depreciation and impairment (EBITDA)		265 821	158 644	1 041 914	819 124	817 846
Depreciation	5,13	(138 374)	(117 656)	(525 807)	(436 621)	(419 344)
(Impairment)/reversal of impairment	5	(15 090)	299	(24 799)	14 720	(2 557)
Total depreciation and impairment		(153 464)	(117 357)	(550 605)	(421 901)	(421 901)
Operating profit (EBIT)		112 357	41 287	491 308	397 223	395 945
Share of profit/(loss) from other associates		(20 357)	(580)	(41 958)	31 534	26 629
Interest income		731	1 156	2 514	2 616	2 616
Interest expense		(44 619)	(48 094)	(214 897)	(150 049)	(168 002)
Other financial items, net	10	(951)	(24 444)	(30 127)	(22 176)	(4 223)
Net financial income/(expense)		(65 197)	(71 962)	(284 468)	(138 074)	(142 980)
Profit/(loss) before tax		47 160	(30 674)	206 840	259 147	252 965
Income tax (expense)/income	9	(8 244)	13 263	(43 374)	(43 861)	(43 861)
Profit/(loss) for the period		38 916	(17 411)	163 466	215 287	209 104
Attributable to:						
Parent company owners		38 921	(17 412)	162 986	214 789	208 607
Non-controlling interest		(5)	(1)	481	496	497
Basic earnings per share (in NOK)*	7	0,39	(0,17)	1,63	2,15	2,09
Diluted earnings per share (in NOK)*	7	0,39	(0,17)	1,63	2,15	2,09

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	Q4 2020	Q4 2019	YTD 2020	YTD 2019	Full year 2019
Profit/(loss) for the period		38 916	-17 411	163 466	215 287	209 104
Other comprehensive income:						
<i>Items that will not be reclassified to profit or loss:</i>						
Share of other comprehensive income of associates accounted for using the equity method - net of tax		(4 985)	15 677	(1 813)	15 677	2 826
Actuarial gain/(loss) on post employment benefit obligations - net of tax		(3 397)	19 969	(4 300)	(744)	(744)
Total		(8 382)	35 646	(6 113)	14 933	2 082
Total other comprehensive income for the year, net of tax		(8 382)	35 646	(6 113)	14 933	2 082
Total comprehensive income for the period		30 534	18 235	157 353	230 221	211 186
<i>Attributable to:</i>						
Parent company owners		30 539	18 236	156 872	229 724	210 690
Non-controlling interest		(5)	(1)	481	496	497

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	31.12.2020	31.12.2019	31.12.2019
ASSETS				
Non-current assets				
Deferred tax assets	9	166 593	72	37 399
Ships and other property, plant and equipment	5	8 491 947	7 559 294	7 559 294
Right-of-use assets	13	87 067	40 354	40 354
Investments in associates	14	436 506	500 066	481 455
Other non-current assets	2	4 895	3 816	4 671
Total non-current assets		9 187 008	8 103 602	8 123 174
Current assets				
Inventories		20 204	22 457	22 457
Derivative financial instruments	2	-	-	-
Trade receivables	2	309 429	139 162	139 162
Other current receivables	2	264 345	293 970	293 970
Cash and cash equivalents	2	401 836	484 081	484 081
		995 814	939 670	939 669
Assets held for sale	5	156 340	177 372	177 372
Total current assets		1 152 154	1 117 042	1 117 041
Total assets		10 339 162	9 220 644	9 240 216
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent company				
Share capital	15	250 000	250 000	250 000
Share premium		360 924	360 924	360 924
Treasury shares		(3 617)	(4 894)	(3 617)
Retained earnings		1 814 481	1 676 643	1 657 612
Total equity attributable to owners of the parent company		2 421 788	2 282 673	2 264 918
Non-controlling interests		5 226	4 745	4 745
Total equity		2 427 014	2 287 418	2 269 663
Non-current liabilities				
Borrowings	2,8	4 747 106	4 179 391	4 179 391
Derivative financial instruments	2	6 890	6 829	6 829
Non-current lease obligations	13	24 518	9 050	9 050
Net employee defined benefit liabilities		32 289	13 104	13 104
Other non-current liabilities		335 391	127 476	127 476
Deferred tax liabilities	9	746 639	538 471	575 798
Total non-current liabilities		5 892 832	4 874 320	4 911 649
Current liabilities				
Borrowings	2,8	1 157 972	1 196 796	1 196 796
Derivative financial instruments	2	1 175	1 274	1 274
Current lease obligations	13	64 255	31 490	31 490
Trade payables	2	146 923	202 521	202 521
Tax payable	9	617	664	664
Taxes and duties payable		102 128	107 186	107 186
Other current liabilities	2	546 245	518 976	518 973
Total current liabilities		2 019 315	2 058 907	2 058 904
Total liabilities		7 912 148	6 933 227	6 970 553
Total equity and liabilities		10 339 162	9 220 644	9 240 216

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
UNAUDITED

AMOUNTS IN NOK THOUSANDS	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
Balance at 01.01.2019	250 000	360 924	(2 079)	1 716 796	2 325 641	5 795	2 331 436
Profit/(loss) for the period	-	-	-	208 608	208 608	497	209 105
Other comprehensive income for the period	-	-	-	2 082	2 082	-	2 082
Total comprehensive income for the period	-	-	-	210 690	210 690	497	211 186
Acquisition of treasury shares	-	-	(1 537)	-	(1 537)	-	(1 537)
Dividends paid	-	-	-	(269 874)	(269 874)	(1 548)	(271 422)
Other contributions to owners	-	-	-	-	-	-	-
Transactions with owners	-	-	(1 537)	(269 874)	(271 411)	(1 548)	(272 959)
Balance at 31.12.2019	250 000	360 924	(3 616)	1 657 612	2 264 919	4 745	2 269 663
Balance at 01.01.2020	250 000	360 924	(3 616)	1 657 612	2 264 919	4 745	2 269 663
Profit/(loss) for the period	-	-	-	162 986	162 986	481	163 466
Other comprehensive income for the period	-	-	-	(6 113)	(6 113)	-	(6 113)
Total comprehensive income for the period	-	-	-	156 872	156 872	481	157 353
Acquisition of treasury shares	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Other contributions to owners	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Balance at 31.12.2020	250 000	360 924	(3 616)	1 814 481	2 421 788	5 226	2 427 014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS UNAUDITED

AMOUNTS IN NOK THOUSANDS	NOTE	Q4 2020	Q4 2019	YTD 2020	YTD 2019	Full year 2019
Operating activities						
Profit before tax		47 160	(30 674)	206 840	259 147	252 965
Adjustments for profit and loss items with no effect on liquidity:						
Depreciation and impairment	5,13	153 464	117 357	550 606	438 133	421 901
Interest expense, net		43 889	46 938	212 383	147 433	165 386
Change in fair value of financial instruments	2	(7 312)	15 155	(38)	28 703	28 703
Change in fair value of assets held for sale		21 032	-	21 032	-	-
Change in pension liabilities		27 194	(21 718)	19 184	(10 159)	(10 159)
(Gain)/loss on disposal of property, plant and equipment		3 025	(2 257)	2 826	(4 267)	(4 267)
(Gain)/loss on realisation of investments in shares		-	-	-	(31 103)	(31 103)
Share of (profit)/loss from jointly controlled entities and associates		11 927	19 075	50 985	(34 084)	(29 178)
Change in working capital:						
Trade receivables	2	(8 590)	(39 325)	(170 267)	(42 632)	(42 632)
Inventories		789	(1 542)	2 253	1 640	1 641
Trade payables	2	(21 995)	(81 560)	(55 597)	(83 228)	(83 228)
Other accruals		121 362	(23 240)	266 550	(269 776)	(125 883)
Cash generated from operations		391 945	(1 791)	1 106 756	399 808	544 146
Interest paid, net		(4 324)	(94 032)	(198 797)	(128 878)	(146 832)
Income tax paid		4 111	(28 909)	(1 044)	(73 676)	(73 676)
Net cash from operating activities		391 732	(1 24 732)	906 915	197 254	323 637
Investing activities						
Purchase of ships and other property, plant and equipment	5	(103 168)	(1 019 182)	(1 427 915)	(2 399 132)	(2 399 132)
Purchase of shares incl. jointly controlled entities		-	(4 000)	(10 000)	(38 696)	(38 696)
Proceeds from dividends from associates		-	(288)	2 151	11 742	11 742
Proceeds from sale of ships and other property, plant and equipment		(2 062)	(17 635)	1 298	63 153	63 153
Proceeds from other non-current assets, net		49	(543)	(225)	4 059	4 059
Net cash from investing activities		(105 180)	(1 041 648)	(1 434 690)	(2 358 875)	(2 358 875)
Financing activities						
Proceeds from borrowings	8	-	1 435 288	1 210 506	2 042 306	2 042 306
Repayment of borrowings	8	(73 630)	(27 012)	(700 126)	(236 211)	(236 211)
Payment of lease obligation	13	(16 250)	(19 427)	(64 852)	(65 410)	(65 410)
Purchase of treasury shares		-	480	-	(2 815)	(1 537)
Dividends paid		-	-	-	(271 237)	(271 422)
Proceeds from short-term borrowings		-	200 000	-	1 320 000	1 320 000
Repayment of short-term borrowings		-	(540 900)	-	(540 900)	(540 900)
Proceeds from other non-current liabilities, net		-	127 476	-	127 476	-
Net cash from financing activities		(89 879)	1 175 905	445 528	2 373 209	2 246 827
Net change in cash and cash equivalents		196 673	9 525	(82 248)	211 588	211 589
Cash and cash equivalents at start of period		205 163	474 556	484 081	272 492	272 492
Cash and cash equivalents at end of period		401 837	484 080	401 836	484 081	484 081

NOTE 1 ACCOUNTING PRINCIPLES

GENERAL INFORMATION

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

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

These condensed interim financial statements were approved by the Board of Directors for issue on 25. February 2021.

These condensed interim financial statements have not been audited.

BASIS FOR PREPARATION

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

GOING CONCERN

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

ACCOUNTING PRINCIPLES

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

USE OF ESTIMATES

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

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

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

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

NOTE 2 FINANCIAL RISK MANAGEMENT, FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

FINANCIAL ASSETS

AMOUNTS IN NOK THOUSANDS	31.12.2020	31.12.2019
Financial assets at amortised cost		
Trade receivables and other receivables	573 774	433 132
Employee loans	105	216
Other non-current receivables	503	169
Cash and cash equivalents	401 836	484 081
Financial assets at fair value through other comprehensive income (FVOCI)	-	-
Financial assets at fair value through profit or loss (FVPL)	4 287	4 272
Derivative financial instruments		
Used for hedging	-	-
Held for trading at FVPL	-	-
Total	980 504	921 869

FINANCIAL LIABILITIES

AMOUNTS IN NOK THOUSANDS	31.12.2020	31.12.2019
Liabilities at amortised cost		
Trade and other payables *	693 168	860 834
Borrowings	5 905 078	5 376 187
Lease liabilities **	88 774	40 540
Derivative financial instruments		
Used for hedging	-	-
Held for trading at FVPL	8 065	8 103
Total	6 695 085	6 285 664

*Excluding non-financial liabilities.

**See note 13.

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Classification of financial assets at fair value through profit or loss

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

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

Financial assets mandatorily measured at FVPL include the following:

AMOUNTS IN NOK THOUSANDS	31.12.2020	31.12.2019
Non-current assets		
Unlisted equity securities	855	840
Equity contribution for pension plan membership	3 432	3 432
Total non-current assets	4 287	4 272
Total	4 287	4 272

RECOGNISED FAIR VALUE MEASUREMENTS

(i) Fair value hierarchy

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

RECURRING FAIR VALUE MEASUREMENTS AT 31.12.2020	Level 1 NOK'000	Level 2 NOK'000	Level 3 NOK'000	Total NOK'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
Unlisted equity securities	-	-	855	855
Equity contribution for pension plan membership	-	-	3 432	3 432
Total financial assets	-	-	4 287	4 287
Financial liabilities				
Derivative financial instruments				
Held for trading	-	8 065	-	8 065
Total financial liabilities	-	8 065	-	8 065

RECURRING FAIR VALUE MEASUREMENTS AT 31.12.2019	Level 1 NOK'000	Level 2 NOK'000	Level 3 NOK'000	Total NOK'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
Unlisted equity securities	-	-	840	840
Equity contribution for pension plan membership	-	-	3 432	3 432
Derivative financial instruments				
Held for trading	-	-	-	-
Total financial assets	-	-	4 272	4 272
Financial liabilities				
Derivative financial instruments				
Held for trading	-	8 103	-	8 103
Total financial liabilities	-	8 103	-	8 103

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market

price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

FIXED-PRICE CONTRACTS FOR PURCHASE OF ELECTRICITY

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

For fixed-price contracts with a settlement in foreign currency, the embedded derivatives has been recognised in accordance with IFRS 9 and is measured at fair value in the condensed consolidated financial statements. As at 31.12.2020 the fair value of the embedded derivatives was NOK (8.1) million. The Group recognised a gain of NOK 7.1 million relating to the embedded derivatives in the fourth quarter of 2020.

NOTE 3 SEGMENT INFORMATION

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

The Group has four reportable segments:

- Ferry
- Passenger boat
- Catering
- Tourism

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

FOURTH QUARTER 2020

NOK IN THOUSANDS	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Revenue							
External customers	775 514	29 467	17 124	3 008	825 113	735	825 848
Total revenue	775 514	29 467	17 124	3 008	825 113	735	825 848
Expenses							
Operating expenses excluding depreciation and impairment	(532 602)	(13 461)	(17 299)	(3 887)	(567 249)	(1 207)	(568 456)
Share of profit from associates	-	1 301	-	7 130	8 430	-	8 430
EBITDA	242 912	17 307	(175)	6 251	266 294	(472)	265 822
Depreciation	(124 529)	(12 354)	(790)	(494)	(138 168)	(207)	(138 375)
Impairment	(15 090)	-	-	-	(15 090)	-	(15 090)
Segment profit	103 293	4 953	(965)	5 756	113 036	(679)	112 357

YTD 2020

NOK in thousands	Ferry	Passenger-boats	Catering	Tourism	Total segments	Corporate and eliminations	Consolidated
Revenue							
External customers	2 881 207	119 973	85 339	21 596	3 108 116	9 655	3 117 771
Total revenue	2 881 207	119 973	85 339	21 596	3 108 116	9 655	3 117 771
Expenses							
Operating expenses excluding depreciation and impairment	(1 905 054)	(61 379)	(74 950)	(22 291)	(2 063 674)	(3 158)	(2 066 832)
Share of profit from associates	-	6 314	-	(15 340)	(9 026)	-	(9 026)
EBITDA	976 153	64 908	10 390	(16 035)	1 035 416	6 497	1 041 914
Depreciation	(467 576)	(52 225)	(3 021)	(1 526)	(524 349)	(1 457)	(525 806)
Impairment	(24 799)	-	-	-	(24 799)	-	(24 799)
Segment profit	483 778	12 683	7 368	(17 561)	486 268	5 039	491 308

FOURTH QUARTER 2019

NOK in thousands	Passenger-boats				Total segments	Corporate and eliminations	Consolidated
	Ferry		Catering	Tourism			
Revenue							
External customers	626 492	29 115	30 700	2 152	688 459	967	689 426
Total revenue	626 492	29 115	30 700	2 152	688 459	967	689 426
Expenses							
Operating expenses excluding depreciation and impairment	(479 059)	(3 149)	(27 047)	(4 191)	(513 446)	1 159	(512 286)
Share of profit from associates	-	1 139	-	(19 634)	(18 495)	-	(18 495)
EBITDA	147 433	27 105	3 653	(21 673)	156 518	2 126	158 644
Depreciation	(91 058)	(24 988)	(1 193)	(91)	(117 330)	(324)	(117 656)
Impairment	299	-	-	-	299	-	299
Segment profit	56 674	2 117	2 460	(21 764)	39 487	1 802	41 287

YTD 2019

NOK in thousands	Passenger-boats				Total segments	Corporate and eliminations	Consolidated
	Ferry		Catering	Tourism			
Revenue							
External customers	2 444 602	114 665	135 276	17 827	2 712 371	11 445	2 723 816
Total revenue	2 444 602	114 665	135 276	17 827	2 712 371	11 445	2 723 816
Expenses							
Operating expenses excluding depreciation and impairment	(1 704 579)	(61 210)	(120 701)	(17 889)	(1 904 380)	(2 862)	(1 907 242)
Share of profit from associates	-	2 151	-	399	2 550	-	2 550
EBITDA	740 023	55 606	14 575	337	810 541	8 583	819 123
Depreciation	(376 349)	(53 533)	(3 868)	(1 265)	(435 015)	(1 606)	(436 621)
Impairment	14 720	-	-	-	14 720	-	14 720
Segment profit	378 394	2 073	10 707	(928)	390 246	6 977	397 223

Reconciliation to Consolidated profit/(loss) for the period

NOK in thousands	Q4 2020	YTD 2020	Q4 2019	YTD 2019
Segment profit	112 357	491 308	41 287	397 223
Share of profit from other associates	(20 357)	(41 958)	(580)	31 534
Interest income	731	2 514	1 156	2 616
Interest expense	(44 619)	(214 897)	(48 094)	(150 049)
Other financial items, net	(951)	(30 127)	(24 444)	(22 176)
Income tax (expense)	(8 244)	(43 374)	13 263	(43 861)
Group profit	38 916	163 466	(17 411)	215 287

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	Ferry Norway	Passenger- boats Norway	Catering Norway	Tourism Norway	Corporate and eliminations	Total
FOURTH QUARTER 2020						
AMOUNTS IN NOK THOUSANDS						
Revenue from external customers	775 514	29 467	17 124	3 008	735	825 848
Timing of revenue recognition						
Over time	775 278	29 467	-	3 008	21	807 773
At a point in time	236	-	17 124	-	714	18 074
YTD 2020						
AMOUNTS IN NOK THOUSANDS						
Revenue from external customers	2 881 207	119 973	85 339	21 596	9 654	3 117 770
Timing of revenue recognition						
Over time	2 881 488	119 973	-	21 596	4 889	3 027 947
At a point in time	(281)	-	85 339	-	4 765	89 823
FOURTH QUARTER 2019						
AMOUNTS IN NOK THOUSANDS						
Revenue from external customers	623 013	29 116	30 700	5 631	967	689 425
Timing of revenue recognition						
Over time	487 983	28 544	-	-	816	517 343
At a point in time	135 031	572	30 700	5 631	151	172 085
YTD 2019						
AMOUNTS IN NOK THOUSANDS						
Revenue from external customers	2 444 602	114 665	135 276	17 827	11 445	2 723 816
Timing of revenue recognition						
Over time	1 807 258	112 887	-	-	3 613	517 343
At a point in time	633 866	1 778	135 276	21 305	7 833	172 085

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

AMOUNTS IN NOK THOUSANDS	31.12.2020	31.12.2019
Contract liabilities		
Non-current liabilities		
Non-current contract liabilities relating to Ferry and passenger-boat services	335 391	127 476
Total non-current contract liabilities	335 391	127 476
Current liabilities		
Current contract liabilities relating to Ferry and passenger-boat services	273 415	417 072
Total current contract liabilities	273 415	417 072
Total contract liabilities	608 806	544 548

All trade receivables are related to IFRS 15 transactions.

UNSATISFIED PERFORMANCE OBLIGATIONS FROM LONG-TERM FERRY CONTRACTS

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

AMOUNTS IN NOK THOUSANDS	2021	2022	2023	2024-2025	2026-2033	Total
Amount of the transaction price allocated to long-term ferry contracts	2 992 618	2 869 559	2 781 546	4 899 775	9 508 486	23 051 984

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

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

FOURTH QUARTER 2020

AMOUNTS IN NOK THOUSANDS	Vessels maintenance	Periodic maintenance	Vessels under construction	Property	Infrastructure	Infrastructure under construction	Machinery and equipment	Total
Cost price 01.01.2020	8 799 219	444 860	523 740	173 634	35 339	484 371	218 723	10 679 886
Additions	-	76 560	1 059 668	1 323	-	276 481	13 883	1 427 915
Transferred from vessels/infrastructure under construction	1 300 243	40 600	(1 340 843)	-	402 960	(402 960)	-	-
Disposals	(37 986)	(9 829)	-	(1 679)	-	-	(9 274)	(58 768)
Cost price 31.12.2020	10 061 476	552 191	242 564	173 278	438 299	357 892	223 332	12 049 033
Accumulated depreciation 01.01.2020	2 592 606	196 431	-	65 090	1 178	-	178 176	3 033 481
Depreciation for the period	345 201	80 681	-	8 378	16 449	-	11 176	461 885
Disposals	(39 741)	(6 957)	-	(313)	-	-	(3 174)	(50 185)
Accumulated depreciation 31.12.2020	2 898 066	270 155	-	73 155	17 627	-	186 178	3 445 181
Accumulated impairment losses 01.01.2020	87 105	-	-	-	-	-	-	87 105
Impairment loss	18 195	-	-	-	-	-	9 709	27 904
Reversal impairment	(3 105)	-	-	-	-	-	-	(3 105)
Disposals	-	-	-	-	-	-	-	-
Accumulated impairment losses 31.12.2020	102 195	-	-	-	-	-	9 709	111 904
Carrying amount 31.12.2020	7 061 215	282 035	242 564	100 124	420 672	357 892	27 444	8 491 947

FOURTH QUARTER 2019

AMOUNTS IN NOK THOUSANDS	Vessels maintenance	Periodic maintenance	Vessels under construction	Property	Infrastructure	Infrastructure under construction	Machinery and equipment	Total
Cost price 01.01.2019	7 466 469	347 080	596 138	176 393	-	200 682	201 585	8 988 347
Additions	-	80 794	1 981 639	534	-	319 028	17 137	2 399 132
Transferred from vessels/infrastructure under construction	1 998 938	55 100	(2 054 038)	-	35 339	(35 339)	-	-
Reclassified to held for sale	(384 393)	(23 947)	-	-	-	-	-	(408 340)
Disposals	(281 795)	(14 167)	-	(3 293)	-	-	-	(299 255)
Cost price 31.12.2019	8 799 219	444 860	523 740	173 634	35 339	484 371	218 722	10 679 884
Accumulated depreciation 01.01.2019	2 657 450	143 078	-	56 904	-	-	167 716	3 025 148
Depreciation for the period	285 056	67 227	-	8 258	1 178	-	11 536	373 255
Reclassified to held for sale	(122 458)	(7 730)	-	-	-	-	-	(130 188)
Disposals	(227 441)	(6 143)	-	(72)	-	-	(1 076)	(234 732)
Accumulated depreciation 31.12.2019	2 592 607	196 432	-	65 090	1 178	-	178 176	3 033 483
Accumulated impairment losses 01.01.2019	191 468	-	-	-	-	-	-	191 468
Impairment loss	67 157	-	-	-	-	-	-	67 157
Reversal impairment	(65 160)	-	-	-	-	-	-	(65 160)
Reclassified to held for sale	(100 781)	-	-	-	-	-	-	(100 781)
Disposals	(5 579)	-	-	-	-	-	-	(5 579)
Accumulated impairment losses 31.12.2019	87 105	-	-	-	-	-	-	87 105
Carrying amount 31.12.2019	6 119 507	248 429	523 740	108 544	34 161	484 371	40 547	7 559 294
Useful life	10-40 years	5 years		0-33 years	10-15 years		3-10 years	
Depreciation method	Straight line	Straight line		Straight line	Straight line		Straight line	

ADDITIONS

Additions for the period are net of government-funded NO_x compensation for the new vessels.

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

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

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

DISPOSALS

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

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

In the fourth quarter of 2020, MF "Tingvoll" was sold in October.

IMPAIRMENT

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

In the fourth quarter of 2020 the Group has identified impairment indicators for the Group's vessels. As a result the Group recognised an net impairment of NOK (15.1) million.

HELD FOR SALE

The vessel MF "Fanafjord" is held for sale as at 31.12.2020. A fair value adjustment of NOK (21) million for the vessel was performed in the fourth quarter of 2020.

NOTE 6 COMMITMENTS

CAPITAL COMMITMENTS

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

AMOUNTS IN NOK THOUSANDS	2020	2021	After 2021	Total
Newbuildings and conversions	-	236 744	-	236 744
Quay structures/land investments	-	124 333	174 737	299 070
Total	-	361 077	174 737	535 814

REPAIRS AND MAINTENANCE

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

NOTE 7 EARNINGS PER SHARE

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

	Q4 2020	Q4 2019	YTD 2020	YTD 2019	Full year 2019
Profit/(loss) attributable to equity holders of the company	38 920 575	(17 412 458)	162 985 504	214 788 645	208 606 653
Weighted average number of ordinary shares in issue	99 909 598	100 000 000	99 909 598	100 000 000	99 916 397
Earnings per share in NOK	0,39	(0,17)	1,63	2,15	2,09

NOTE 8 BORROWINGS

AMOUNTS IN NOK THOUSANDS	31.12.2020	31.12.2019
Non-current bank loan	3 787 035	3 237 832
Non-current bond loan	1 002 143	1 000 000
Capitalised arrangement fee	(42 072)	(58 442)
Current bank loan	1 157 972	1 196 796
Total	5 905 079	5 376 187

Movements in borrowings are analysed as follows:

NINE MONTHS ENDED 31 DECEMBER 2020

AMOUNTS IN NOK THOUSANDS

Opening amount as at 1 January 2020	5 376 187
New bank loan raised	1 212 648
Arrangement fee	16 370
Repayments of borrowings	(700 126)
Closing amount as at 31 December 2020	5 905 079

NINE MONTHS ENDED 31 DECEMBER 2019

AMOUNTS IN NOK THOUSANDS

Opening amount as at 1 January 2019	2 790 992
New bank loan raised	3 369 740
Arrangement fee	(7 434)
Repayments of borrowings	(777 111)
Closing amount as at 31 December 2019	5 376 187

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

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

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

The Group has in February 2018 and in 2019 secured a NOK 6.395 million loan facility with DNB and Nordea, of which a total amount of NOK 6.063 million has been utilised, including guarantees.

FINANCIAL COVENANTS

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

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

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

The bond loan agreement includes the following financial covenants:

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

NOTE 9 INCOME TAX

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

AMOUNTS IN NOK THOUSANDS	Q4 2020	Q4 2019	YTD 2020	YTD 2019	Full year 2019
Profit before tax	47 160	(30 674)	206 840	259 147	252 965
Tax expense	(8 244)	13 263	(43 374)	(43 861)	(43 861)
Average tax rate	17,5 %	43,2 %	21,0 %	16,9 %	17,3 %
Change in deferred tax liabilities	(8 244)	(17 397)	(170 841)	(74 521)	(61 448)
Change in deferred tax asset	-	14 737	129 194	14 737	18 251
Tax payable	-	(664)	(617)	(664)	(664)
Adjustments prior years tax expense	-	16 587	(1 110)	16 587	-
Tax expense in statement of profit or loss	(8 244)	13 263	(43 374)	(43 861)	(43 861)

NOTE 10 OTHER FINANCIAL ITEMS, NET

AMOUNTS IN NOK THOUSANDS	Q4 2020	Q4 2019	YTD 2020	YTD 2019	Full year 2019
Change in fair value derivatives	7 312	(15 155)	38	(29 207)	(29 207)
Gains/(losses) on realisation of investments in shares	-	-	-	31 103	31 103
Currency exchange gains	3	1 260	1 904	2 913	2 914
Currency exchange losses	(97)	(376)	(1 302)	(520)	(520)
Fee and contingency commission for bank- and bond loans	(8 215)	(10 266)	(30 814)	(26 322)	(8 370)
Other financial income	36	550	36	908	908
Other financial expenses	10	(457)	10	(1 052)	(1 052)
Total other financial items, net	(951)	(24 444)	(30 127)	(22 176)	(4 223)

NOTE 11 CONTINGENCIES

REBATE COMPENSATION

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

The following variable consideration has been recognised:

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

As at 31.12.2020 the Group has receivables relating to the variable consideration of NOK 78.22 million. The Group is currently negotiating the final settlement of compensation for the period 2014-2019. The variable consideration recognised has been determined based on what the Group considers to be the most likely amount of revenue, and thus the final outcome of the negotiations with the client may result in a compensation that differ from what the Group has recognised as variable consideration.

NOTE 12 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

REVENUE FROM RELATED PARTIES

AMOUNTS IN NOK THOUSANDS			YTD		Full year
Related party	Relation	Q4 2020	2020	Q4 2019	2019
The Fjords DA	Associate	10 509	26 409	5 131	27 614
The Fjords Fartøy I DA	Associate	-	-	105	280
The Fjords Fartøy III DA	Associate	-	304	-	-
Fjord Tours Group AS	Jointly controlled	-	-	-	4
Havyard Production & Service sp.z.o	Owner	-	-	-	2
Havyard MMC AS	Owner	-	-	-	2
Havyard Ship Technology AS	Owner	(3 531)	1 592	-	408

EXPENSES TO RELATED PARTIES

AMOUNTS IN NOK THOUSANDS			YTD		Full year
Related party	Relation	Q4 2020	2020	Q4 2019	2019
The Fjords DA	Associate	(1 637)	(6 106)	-	-
Havyard Ship Technology AS	Owner	-	(573 817)	(185 478)	(887 100)
New Havyard Ship Technology AS	Owner	(4)	(526)	-	-
Havyard Group ASA	Owner	-	-	(3)	(3)
Havyard Design & Solutions AS	Owner	(1)	(213)	-	-
Norwegian Electric Systems AS	Owner	(3 312)	(37 380)	12 223	(85 013)
Havila AS	Owner	-	(104)	(5)	(45)
Havila Holding AS	Owner	-	(33)	-	(57)

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

RECEIVABLES/(LIABILITIES) TO RELATED PARTIES

AMOUNTS IN NOK THOUSANDS			
Related party	Relation	31.12.2020	31.12.2019
The Fjords DA	Associate	7 089	4 831
New Havyard Ship Technology AS	Owner	(14)	(2 744)
Norwegian Electric Systems AS	Owner	143	(505)
Havyard Production & Service sp.z.o	Owner	(30)	30

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

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

RIGHT-OF-USE ASSETS

AMOUNTS IN NOK THOUSANDS	31.12.2020	31.12.2019
Right of use assets		
Buildings	4 943	5 695
Machinery and equipment	2 926	422
Vessels	79 198	34 237
Total Right of use assets	87 067	40 354

LEASE LIABILITIES

AMOUNTS IN NOK THOUSANDS	31.12.2020	31.12.2019
Lease liabilities		
Current	64 255	31 490
Non-Current	24 518	9 050
Total lease liabilities	88 774	40 540

Additions to the right-of-use assets in the fourth quarter of 2020 were NOK 0.32 million.

AMOUNTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

AMOUNTS IN NOK THOUSANDS	YTD Q4 2020	YTD Q4 2019
Depreciation charge of right-of-use assets		
Buildings	2 769	2 810
Machinery and equipment	1 000	507
Vessels	60 152	60 853
Total Depreciation charge of right-of-use assets	63 922	64 170
Interest expense	2 451	1 648
Expenses relating to short-term leases	1 846	480
Expenses relating to leases of low-value	1 707	1 252
Expenses relating to variable lease payments not included in lease liabilities	-	1 234

The total cash outflow for leases in the fourth quarter of 2020 were NOK 16.25 million.

THE GROUPS' LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not

impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

VARIABLE LEASE PAYMENTS

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

EXTENSION AND TERMINATION OPTIONS

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

RESIDUAL VALUE GUARANTEES

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

NOTE 14 INTERESTS IN OTHER ENTITIES

THE FJORDS DA

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

FJORD TOURS GROUP AS

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

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

NOTE 15 SHARE CAPITAL AND SHAREHOLDERS

Larges shareholders as at 31.12.2020:

Shareholder	Number of shares	Voting rights	Nominal value per share	Total nominal value
HAVILAFJORD AS	55 476 516	55,5 %	2,50	138 691 290
HAVILAFJORD HOLDING 2 AS	18 459 849	18,5 %	2,50	46 149 623
HAVILAFJORD HOLDING AS	11 023 484	11,0 %	2,50	27 558 710
Citibank, N.A.	3 850 000	3,9 %	2,50	9 625 000
DZ PRIVATBANK S.A.	3 131 680	3,1 %	2,50	7 829 200
CLEARSTREAM BANKING S.A.	1 195 989	1,2 %	2,50	2 989 973
Brown Brothers Harriman & Co.	1 068 326	1,1 %	2,50	2 670 815
Pictet & Cie (Europe) S.A.	650 000	0,7 %	2,50	1 625 000
Skandinaviska Enskilda Banken AB	472 264	0,5 %	2,50	1 180 660
Citibank, N.A.	410 051	0,4 %	2,50	1 025 128
GH HOLDING AS	354 020	0,4 %	2,50	885 050
HVALSUND MILJØLANDBRUK AS	289 218	0,3 %	2,50	723 045
The Bank of New York Mellon	215 000	0,2 %	2,50	537 500
Euroclear Bank S.A./N.V.	200 000	0,2 %	2,50	500 000
VERDIPAPIRFONDET STOREBRAND	174 318	0,2 %	2,50	435 795
Banque de Luxembourg S.A.	174 200	0,2 %	2,50	435 500
Bank Julius Bär & Co. AG	160 090	0,2 %	2,50	400 225
VERDIPAPIRFONDET KLP AKSJENORGE IN	141 515	0,1 %	2,50	353 788
SIX SIS AG	121 812	0,1 %	2,50	304 530
FJORD1 ASA	90 402	0,1 %	2,50	226 005
Total owned by top 20	97 658 734	97,7 %	2,50	244 146 835
Other	2 341 266	2,3 %	2,50	5 853 165
Total number of shares	100 000 000	100,0 %	2,50	250 000 000

NOTE 16 SUBSEQUENT EVENTS

The Group has entered into a bareboat agreement with Elbferry GmbH & Co.KG for the vessel MF “Fanafjord” with a duration of 18 months which commenced 01.02.2021. The agreement includes options for both extension of the charter period and purchase of the vessel.

In addition, Fjord1 ASA was set as the winner of the contract for operating the two connections Bognes – Skarberget and Drag – Kjøpsvik in Nordland on the 12.02.2021. The contract is for the period 01.12.2022 – 30.11.2032, with the option to prolong the contract with 18 months.