

FJORD LINE AS – KVARTALSRAPPORT PR 30.09.2014

Fjord Line har i løpet av 1. halvår 2014 fullført et fireårig nybygg og ombyggingsprogram som inkluderer levering av de to nye cruisefergene MS Stavangerfjord og MS Bergensfjord, samt ombygging av MS Oslofjord. Den første av de nye cruisefergene, MS Stavangerfjord, ble levert og satt i drift i 2013, mens søsterskipet MS Bergensfjord ble levert i februar 2014 og satt i drift den påfølgende måned. Fjord Line har kunnet tilby daglige seilinger med de nye cruisefergene til Hirtshals fra både Bergen, Stavanger og Langesund siden 17. mars 2014 – tre uker tidligere enn opprinnelig planlagt. MS Oslofjord ble satt i drift i ny rute mellom Sandefjord og Strømstad den 20. juni 2014. Nybyggings og ombyggingsprogrammet har ført til en betydelig trafikkøkning i forhold til tidligere år.

Virksomhetens art og tilholdssted

Fjord Line AS ("Fjord Line") har hovedkontor i Egersund, og ellers kontorer i Bergen, Stavanger, Kristiansand, Langesund, Sandefjord, Strømstad og Hirtshals. Selskapet driver fergetrafikk med tre ruter mellom Norge og Danmark, hvorav rutene Bergen–Stavanger–Hirtshals ("Vestlandslinjen") og Langesund–Hirtshals ("Østlandslinjen") driftes av de to nye LNG-drevne cruisefergene MS Stavangerfjord og MS Bergensfjord, mens ruten mellom Kristiansand–Hirtshals betjenes av HSC Fjord Cat i perioden april/mai til september/oktober.

Fjord Line har i 2014 opprettet en fjerde fergerute, som er selskapets første fergerute mellom Norge og Sverige. Ruten Sandefjord – Strømstad betjenes av MS Oslofjord, og første seiling ble gjennomført som planlagt den 20. juni.

Tonnasje

MS Oslofjord ble bygget i 1993 og seiler under dansk flagg. Skipet betjente Vestlandslinjen frem til 23. desember 2013, hvorefter den gjennomgikk en omfattende ombygging ved verftet STX Raumo (Finland). MS Oslofjord har siden 20. juni 2014 driftet ruten mellom Sandefjord og Strømstad.

Den hurtiggående katamaranen HSC Fjord Cat ble bygget i 1998 og betjener ruten mellom Kristiansand–Hirtshals i sommersesongen. Skipet seiler under dansk flagg, og med en overfart på bare 2,5 timer er dette den hurtigste ruten mellom Norge og Danmark.

De to nye cruisefergene MS Stavangerfjord og MS Bergensfjord, som ble levert fra Bergen Group Fosen AS i henholdsvis 2013 og 2014, seiler under dansk flagg. Begge skipene er utstyrt med drivstoffeffektive single LNG-motorer, hvilket medfører at utslipp av miljøskadelige stoffer til luft og vann er minimale. Som følge av sin svært miljøvennlige profil vant MS Stavangerfjord pris for "Beste energieffektivitet" på Nor Shipping konferansen i 2013. Skipet er også hedret med "The Shippax Award" for beste skipsdesign i 2013, i tillegg til å motta en miljøpris for å ha introdusert den største cruisefergen i verden som utelukkende drives med flytende naturgass (LNG). Prisene ble overrakt på den internasjonale Shippax-konferansen i 2014.

Redegjørelse for regnskap pr 30.09.2014

Driften pr. 30.09.2014

Etter at Fjord Line fra og med den 17. mars 2014 har tilbudt daglige seilinger på både Vestlandslinjen og Østlandslinjen har man sett en betydelig vekst i både passasjerantall og antall cargoenheter fraktet.

Fjord Line opplevde en del "barnesykdommer" relatert til innfasingen av MS Stavangerfjord i 2013. Dette har man klart å unngå ved innfasingen av MS Bergensfjord i 2014. Regulariteten for begge skip har vært meget god hittil i 2014, og er vesentlig forbedret i forhold til situasjonen i 2013.

Oppstarten av ny rute mellom Sandefjord og Strømstad har også blitt gjennomført etter planen, og på denne ruten har regulariteten vært meget god fra første dag.

I 2014 har det særnorske forbudet mot å bunkre gass til skip med passasjerer om bord blitt opphevet. Dette medfører at Fjord Line med virkning fra mars i år har bunkret gass i Risavika Havn, og dermed sluppet de betydelige ekstrakostnadene selskapet tidligere er påført gjennom å transportere gassen fra Risavika til Hirtshals. Grunnet forsinkelser hos selskapets gassleverandør med infrastruktur til bunkring i Risavika Havn, bunkres det i dag fra lastebiler, hvilket medfører at bunkringstiden er lengre enn planlagt. Dette forventes utbedret i løpet av første kvartal 2015.

Totalt antall passasjerer pr. 30.09.2014 var 719.323, mot 422.914 passasjerer i samme periode 2013. Antall fraktenheter pr. 30.09.2014 var 36.517, mot 15.745 enheter pr.30.09.2013.

Resultat pr. 30.09.2014

Konsernets driftsinntekter pr. 30.09.2014 utgjør MNOK 614,5, mot MNOK 367 i samme periode i 2013. Veksten skyldes hovedsakelig innfasing av ny tonnasje som har medført økte inntekter både på passasjer- og cargosiden.

Konsernets driftskostnader pr. 30.09.2014 utgjør MNOK 602,5, mot MNOK 311,7 i samme periode i 2013. Økningen skyldes i hovedsak innfasingen av ny tonnasje, og er også påvirket av engangskostnader relatert til denne innfasingen, jf. nedenfor.

EBITDA pr. 30.09.2014 viser overskudd på MNOK 12, mot et tilsvarende overskudd på MNOK 55,3 i samme periode i 2013.

Driftsresultatet (EBIT) pr. 30.09.2014 viser et underskudd på MNOK 59,9, mot et tilsvarende overskudd på MNOK 18,6 i 2013.

Konsernets finansposter utgjorde et underskudd på MNOK 19,2 pr. 30.09.2014, mot et tilsvarende underskudd på MNOK 46,8 i samme periode i 2013.

Resultat før skatt pr. 30.09.2014 ender dermed opp med et underskudd på MNOK 79,1, mot et tilsvarende underskudd på MNOK 28,2 i samme periode 2013.

Resultat etter skatt pr. 30.09.2014 ble et underskudd på MNOK 50,1, mot et tilsvarende underskudd på MNOK 8 i samme periode i 2013.

Fjord Line AS (morselskapet) fikk et underskudd etter skatt på MNOK 76,7 pr 30.09.2014, mot et tilsvarende underskudd på MNOK 52,1 i 2013.

Selskaps og konsernregnskapet pr 30.09.2014 er påvirket negativt av engangskostnader relatert til klargjøringen av MS Bergensfjord. Skipet ble levert i februar 2014, og det ble deretter brukt en måned på å klargjøre skipet før dette ble satt i drift i mars 2014.

Tilsvarende engangskostnader er også belastet halvårsregnskapet i forbindelse med leveringen av MS Oslofjord. Skipet ble levert i slutten av mai, og det ble deretter brukt 3 uker på å klargjøre skipet frem

mot oppstart 20.juni. Selskapet har også hatt betydelige engangskostnader både i Sandefjord og Strømstad relatert til oppstart av ny rute.

Etter at det ble kjent at Fjord Line i 2014 kommer til å starte opp ruten Sandefjord–Strømstad i konkurranse med Color Line, ble selskapet møtt med massive mottiltak fra sistnevnte. Color Line forsøkte gjennom et intensivt press mot havnene i Sandefjord og Strømstad å stenge Fjord Line ute fra tilgang til kommersielt akseptable avgangstider på ruten. Styret anså det helt nødvendig å engasjere juridisk ekspertise for å forsvare egne kommersielle interesser. Regnskapet pr. 30.09.2014 er derfor belastet med betydelige juridiske kostnader relatert til åpningen av linjen Sandefjord–Strømstad.

Linjeregnskapet for Sandefjord-Strømstad linjen er også negativt påvirket av at denne ruten er i en oppstartsfasen, og at det tar tid å innarbeide seg i et nytt marked.

Kontantstrøm 2014

Konsernets likvide beholdning er redusert med MNOK 1,5 hittil i år. Tilsvarende ble likvide midler økt med MNOK 42 i samme periode 2013.

Økningen fremkommer som følger:

Kontantstrøm fra operasjonelle aktiviteter: MNOK -23,7 (MNOK 94,2 pr.30.09.2013)
Kontantstrøm fra investeringsaktiviteter: MNOK -1 174,1 (MNOK -923,5 pr 30.09.2013)
Kontantstrøm fra finansieringsaktiviteter: MNOK 1 196,3 (MNOK 871,3 pr.30.09.2013)

Balanse og likviditet

Konsernets totalbalanse pr. 30.09.2014 utgjør MNOK 3 055 mot MNOK 1 768 pr. 30.09.2013. Veksten skyldes i hovedsak investeringene i skipene, samt finansieringen av disse. Netto rentebærende gjeld utgjorde MNOK 2 104, mot MNOK 1 042,8 i samme periode 2013.

Konsernets regnskapsmessige egenkapital utgjør MNOK 671,3 pr. 30.09.2014, mot en regnskapsmessig egenkapital på MNOK 689,9 pr 30.09.2013. Meglervurderinger som er innhentet vedrørende MS Stavangerfjord og MS Bergensfjord tilsier at det ligger store merverdier i skipene sammenlignet med balanseførte verdier. Disse merverdiene reflekteres ikke i regnskapstallene, men er sentrale for forståelsen av konsernets reelle egenkapital.

Konsernets likvide midler pr. 30.09.2014 utgjorde MNOK 95,1 inklusive en ubenyttet trekkfasilitet på MNOK 15.

Fjord Line har i 1. halvår gjennomført en emisjon på MNOK 130 for å styrke konsernets egenkapital og likviditetssituasjon. Utover dette har selskapet i 3. kvartal 2014 solgt en andel av eget obligasjonslån på MNOK 75, og har derigjennom styrket likviditetssituasjonen tilsvarende.

Videre har selskapet i juli 2014 refinansiert lån på MEUR 124 gjennom Den europeiske investeringsbank til meget gunstige betingelser, og har gjennom denne refinansieringen redusert fremtidige rentekostnader.

For å styrke likviditetssituasjonen ytterligere har selskapet i fjerde kvartal iverksatt følgende prosesser:

- Emisjon for innhenting av minimum MNOK 100 i ny egenkapital.
- Forlengelse av løpetiden på obligasjonslånet med to år.
- Endring av avdragsprofilen for lånene fra Eksportkreditt Norge, European Investment Bank, Finish Export Credit, Sparebanken Vest og SpareBank 1 SMN, hvor årlige avdrag for de neste fire år reduseres med 40 prosent, samt endring av kravene til finansielle nøkkeltall.
- Et program for kostnadsbesparelser er innført.

Fremtidig inntjening og risiko

Implementering av nye skip på Vestlands- og Østlandslinjene, samt opprettelsen av en ny rute mellom Sandefjord–Strømstad, vil prege konsernets virksomhet fremover. Viktige stikkord i denne sammenheng er økt regularitet og frekvens. Daglige seilinger til samme tid i alle havner er enklere å huske for passasjerene og innebærer økt attraktivitet for transport- og cargokunder. Dette gir driftskostnadsfordeler både for Fjord Line og for kundene. Med vesentlig større kapasitet, og med daglige avganger fra alle havner, forventes betydelig økning i cargovolumet. Til grunn for denne vurderingen ligger også at godstransport langs sjøveien er vesentlig mer miljøvennlig enn andre transportveier, ikke minst når transporten drives med flytende naturgass (LNG). Det antas at avgiftsregimet i stadig økende grad vil hensynta dette.

Så langt i 2014 har daglige seilinger på Vestlands- og Østlandslinjene blitt svært godt mottatt av markedet, og Fjord Line har sett en betydelig vekst både i antall passasjerer og antall cargoenheter etter innføringen av de daglige seilingene.

Fjord Line har i 2014 også satsset på åpningen av ruten Sandefjord–Strømstad, samt videreført satsingen på Kristiansand–Hirtshals. På ruten Sandefjord–Strømstad er vi i en oppstartsfase, og på denne linjen ser vi at det vil ta noe tid å opparbeide tilfredsstillende markedsandeler.

I 2014 har det påløpt betydelige engangskostnader relatert til innfasing og markedsføring av tre nye skip og to nye ruter. Som en konsekvens av dette, samt forsinkelser med oppføring av infrastruktur for bunkring i Risavika Havn, forventer styret et underskudd i 2014. Oppstartskostnadene vil imidlertid etter styrets vurdering i det alt vesentlige være begrenset til 2014, og det forventes at man er i rute i henhold til opprinnelig forretningsplan når alle nye linjer er innfaset i 2015/2016.

Det er styrets oppfatning at Fjord Line gjennom den offensive satsingen med nye skip og ny rutestruktur vil utvikle et svært konkurransedyktig og fremtidsrettet konsept til glede både for kundene og aksjonærene. Det faktum at MS Stavangerfjord og MS Bergensfjord i fremtiden vil betjene både Vestlands- og Østlandslinjene med daglige avganger, gjør at Fjord Line vil oppnå en meget kostnadseffektiv drift.

Styret forventer på denne bakgrunn en betydelig forbedring av lønnsomheten i konsernet etter innfasing av de nye skipene og etter at alle ruter er innarbeidet i markedet i 2015. Styret ser således svært optimistisk på konsernets framtidutsikter.

Fjord Line er eksponert for valutarisiko ettersom MNOK 1 804 av den langsiktige gjelden er eurogjeld. Denne gjelden er pr. dato ikke sikret. Risikoen dempes imidlertid gjennom at Fjord Line har betydelige inntekter i euro.

Vedlegg:

Resultatregnskap, balanse og kontantstrømanalyse for Fjord Line og Fjord Line-konsernet per 30.09.2014.

Ledelsens erklæring pr 30.09.2014.

Summons to Bondholders' Meeting

RESULTATREGNSKAP FJORD LINE KONSERN PR 30.09.2014

Alle tall i TNOK

Fjord Line AS (Morselskap)

	Pr 30.09 2014	Pr 30.09 2013	Hele Året 2013
	609 907	327 143	405 484
	-723 681	-355 297	-554 436
	-113 774	-28 154	-148 952
	-2 535	-753	-8 452
	-116 309	-28 907	-157 404
	11 227	-43 446	-22 995
	-105 082	-72 353	-180 399
	28 372	20 259	47 179
	-76 710	-52 094	-133 220

Fjord Line Konsern

	Pr 30.09 2014	Pr 30.09 2013	Hele Året 2013
	614 483	367 002	442 738
	-602 525	-311 741	-474 460
	11 958	55 261	-31 722
	-71 874	-36 580	-71 196
	-59 916	18 681	-102 918
	-19 177	-46 855	-29 809
	-79 093	-28 174	-132 727
	28 517	20 214	47 642
	-50 576	-7 960	-85 085

Driftsinntekter

Driftskostnader

EBITDA

Ordinære Avskrivninger

Driftsresultat

Finansposter

Resultat før Skatt

Skattekostnad

Resultat etter Skatt

BALANSE FJORD LINE KONSERN, PR 30.09.2014

Alle tall i TNOK

Fjord Line AS (Morselskap)

	Pr 30.09 2014	Pr 30.09 2013	Hele Året 2013
	209 760	189 340	185 311
	30 195	3 414	6 011
	2 554 030	692 806	1 601 914
	2 793 985	885 560	1 793 236
	8 781	6 658	7 016
	46 820	812 736	29 967
	70 076	62 778	72 362
	125 677	882 172	109 345
	2 919 662	1 767 732	1 902 581

Fjord Line Konsern

	Pr 30.09 2014	Pr 30.09 2013	Hele Året 2013
Anleggsmidler			
Immaterielle Eiendeler	212 220	189 864	187 249
Varige Driftsmidler	2 736 536	1 539 559	1 631 197
Finansielle Anleggsmidler	1 913	1 600	1 677
Sum Anleggsmidler	2 950 669	1 731 023	1 820 123
Omløpsmidler			
Varebeholdning	9 602	6 658	7 830
Fordringer	14 510	80 381	88 932
Likvide Midler	80 060	76 168	81 566
Sum Omløpsmidler	104 172	163 207	178 328
SUM EIENDELER	3 054 841	1 894 230	1 998 451
Egenkapital			
Innskutt Egenkapital	529 416	399 415	399 415
Opptjent Egenkapital	141 901	290 519	172 713
Sum Egenkapital	671 317	689 934	572 128
Gjeld			
Langsiktig Gjeld	2 280 591	1 100 904	1 217 471
Kortsiktig Gjeld	102 933	103 391	208 852
Sum Gjeld	2 383 524	1 204 295	1 426 323
SUM GJELD OG EGENKAPITAL	3 054 841	1 894 229	1 998 451

KONTANTSTRØMANALYSE FJORD LINE KONSERN

Alle tall i TNOK

Fjord Line AS (Morselskap)

	Pr 30.09 2014	Pr 30.09 2013	Hele Året 2013
	-1 085 145	-783 305	-746 265
	-113 945	-51 532	-203 335
	1 196 804	869 210	993 557
	-2 286	34 373	43 957
	72 362	28 405	28 405
	70 076	62 778	72 362

Netto kontantstrøm fra operasjonelle aktiviteter

Netto kontantstrøm fra investeringsaktiviteter

Netto kontantstrøm fra finansieringsaktiviteter

Netto endring i likviditet

Likviditetsbeholdning IB

Likviditetsbeholdning UB

Fjord Line Konsern

	Pr 30.09 2014	Pr 30.09 2013	Hele Året 2013
	-23 728	94 250	43 859
	-1 174 132	-923 485	-995 271
	1 196 354	871 272	998 847
	-1 506	42 037	47 435
	81 566	34 131	34 131
	80 060	76 168	81 566

ERKLÆRING FRA LEDELSEN

Vi erklærer med dette følgende:

- a) At delårsregnskapet pr 30.09.2014 etter vår beste overbevisning er utarbeidet i samsvar med gjeldende regnskapsstandarder og at opplysningene i regnskapet gir ett rettviseende bilde av foretakets og konsernets eiendeler, gjeld, finansielle stilling og resultat som helhet, samt at
- b) Halvårsrapporten pr 30.09.2014 gir en rettviseende oversikt over utviklingen, resultatet og stillingen til foretaket og konsernet, sammen med en beskrivelse av de mest sentrale risiko og usikkerhetsfaktorer foretakene står overfor i neste regnskapsperiode.

Egersund, 19 november 2014



Ingvald Fardal
Adm.direktør



Svein Ege
Økonomidirektør

Denne melding til obligasjonseierne er kun utarbeidet på engelsk. For informasjon vennligst kontakt Nordic Trustee ASA

To the Bondholders in:

ISIN: NO 001 067108.4 – "FRN Fjord Line AS Senior Unsecured Bond Issue 2013/2016"

Oslo, 17 November 2014

Summons to Bondholders' Meeting

Nordic Trustee ASA acts as trustee (the "**Trustee**") for the holders of the bonds (the "**Bondholders**") in the above mentioned bond issue ISIN NO 001 067108.4 (with total outstanding amount of NOK 300 million) (the "**Bond Issue**") issued by Fjord Line AS (the "**Issuer**").

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement dated 4 February 2013 and made between the Trustee and the Issuer (the "**Bond Agreement**"), unless otherwise stated herein. References to Clauses and paragraphs are references to Clauses and paragraphs in the Bond Agreement.

The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.

Bondholders are encouraged to read this Summons in its entirety, including all Schedules and any other attached documents.

1. BACKGROUND

The Issuer is a Norwegian operator (and indirect owner) of short sea cruise ferries on the Norwegian west coast route to Denmark (Bergen - Stavanger - Hirtshals), the Norwegian east coast route to Denmark (Hirtshals - Langesund) and on the Sandefjord - Strömstad route on the Norwegian east coast to the Swedish west coast. In addition, the Issuer operates the Kristiansand-Hirtshals route during the summer season.

The Issuer has the most modern and environmentally friendly fleet of passenger ferries in the world with its new LNG-powered ferries MS Stavangerfjord and MS Bergensfjord. The new MS Oslofjord is the most modern ferry sailing between Norway and Sweden and HSC Fjord Cat offers the fastest route by sea from the south of Norway to Denmark.

MS Stavangerfjord and MS Bergensfjord

In July 2013, the first of two new ferries, MS Stavangerfjord commenced operation. The two new ferries have made it possible for the Issuer to offer transport between Norway and Denmark, through the Langesund-Hirtshals route, to travelers from eastern Norway. On 9 March 2014, the sister ferry MS Bergensfjord, commenced operation and since 17 March 2014, the Issuer's cruise ferries have made almost daily departures year round between three ports in Norway and Hirtshals in Denmark. The Issuer's cruise ferries have had daily departures from all ports since 1 October 2014.

The new MS Oslofjord

With the new ferries operating the Norwegian west coast route, the Issuer decided that the old MS Bergensfjord would sail on a new route between Sandefjord in Norway and Strömstad in Sweden. The ferry was upgraded and modernized at the STX shipyard in Raumo, Finland, and subsequently renamed MS Oslofjord. Most of the cabins were removed to make way for large panoramic windows, modern top quality facilities, a large tax-free area (largest on the route with 1,100 m²) and new cafeteria and restaurants. The design of the new interior in MS Oslofjord is the same concept as the new cruise ferries MS Stavangerfjord and MS Bergensfjord.

1.1 Start-up challenges

The Issuer has been through a growth phase with material financial and operational implications. In 2013, the first ferry MS Stavangerfjord was delayed from the yard. Scheduled for delivery in April, the ferry was delivered in July. In order to rescue parts of the summer season 2013, Fjord Line took delivery of the ferry in non-completed condition according to contract with the yard. This, combined with the fact that the ferry had to be put into operation shortly after delivery, resulted in start-up challenges causing increased costs, disturbance in the overall schedule and weakened profitability. Travellers that had purchased tickets to MS Stavangerfjord were rescheduled to "Old Bergensfjord" and HSC Fjord Cat to the extent possible. The remaining passengers were compensated for lost travels. The start-up challenges related to MS Stavangerfjord were improved in October 2013 and finally solved in February 2014.

The second ferry, MS Bergensfjord was originally scheduled for delivery in September 2013. However, due to delays from the yard, the ferry was not delivered until February 2014. The financial impact was not as large as for the delay of MS Stavangerfjord as the ferry was delayed during low season.

Furthermore, the rudders were incorrectly installed on both ferries, resulting in the ferries being put in warranty docking. The costs related to the warranty docking were covered by the yard, however, the Issuer experienced significant lost income during both dockings.

Refueling of LNG

During the first quarter of 2014, the Norwegian prohibition of refueling LNG with passengers onboard was abolished. As such, from March 2014 the Issuer has also refueled LNG from Risavika harbour. Prior to the abolishment, the Issuer was forced to transport LNG by trucks from the LNG factory in Risavika, Stavanger to Hirtshals. Starting from March 2014, the Issuer has used trucks to transport LNG both to the ferries in Risavika and to the ferries in Hirtshals harbour. A permanent solution to transport the LNG through a pipe directly from Skangass AS' ("**Skangass**") LNG factory in Risavika to the harbour front is being built by Skangass. The pipe was scheduled to be operational at first in March 2014 and later September 2014 but has been further delayed.

As a result from the delayed pipe, refuelling time for the ferries have been 12-14 hours per week. In an attempt to offer the same number of departures as in the business case, the Issuer has been forced to run the ferries on higher speed which has resulted in higher fuel consumption. Despite the increase in speed, the Issuer has, in respect of each of its harbours, only been able to offer six weekly departures. Awaiting the completion of the pipe, the Issuer has re-negotiated its agreement with Skangass, the supplier of LNG, for costs regarding transportation of LNG to Hirtshals in order to refuel both in Hirtshals and Risavika. Skangass will be responsible for the delivery of LNG to the ferries in Hirtshals, and cover all related costs, until the pipe from the factory to the harbour front in Risavika has been completed. The Issuer has from 1 October 2014 been refuelling 50% of the LNG in Hirtshals and is as such able to offer daily sailings from all ports. The pipe is expected to be fully operational during the first quarter 2015. Refuelling time will decrease from 12-14 hours per week to less than five hours.

Non-recurring start-up costs

The table below outlines the Issuer's start-up costs related to the new ferries. These costs have had a cash effect which has affected the debt service ability of the Issuer.

Categorization	Occurrence	Financial effect (NOKm)		
		2013	2014e	2015e
Lost income	Delayed delivery of MS Stavangerfjord	30	-	-
"	Technical challenges during start-up	10	-	-
"	Warranty docking (incl. rudders)	8	24	-
"	Delayed delivery of MS Oslofjord	-	15	-
Non-recurring costs	Marketing/introduction of new ferries	18	20	-
"	Extra fuel consumption/bunkering cost	17	29	-
"	Legal fees (Sandefjord-Strömstad)	14	6	3
"	Completion MS Oslofjord	-	5	-
"	Completion MS Bergensfjord	-	5	-
Disagio	Currency loss (gain) on loan	10	-	-
Non-recurring income	Recognized liquidated damages	(40)	-	-
Total negative (positive) earnings impact		67	104	3

1.2 Legal dispute

When the Issuer announced operations on the Sandefjord-Strömstad route in competition with Color Line AS ("**Color Line**"), the Issuer instantly became the subject of countermeasures from Color Line. Color Line tried to block the Issuer from accessing commercially acceptable departure times on the route. The Issuer is currently involved in a legal dispute against Sandefjord municipality due to discrimination in allocation of sailing times. Allocation of sailing times shall be transparent and conducted on equal terms among operators.

Color Line is also appealing the court decision related to access to infrastructure in Kristiansand where the Issuer won the case in Dalane County Court.

Furthermore, the Issuer has, as a consequence of the court decision mentioned above, initiated a lawsuit against Color Line for damages due to illegal exclusion from infrastructure in Kristiansand harbour.

1.3 2014 performance triggering financing needs

The estimate for 2014 indicates an EBITDA of approximately NOK 2 million, representing a shortfall of approximately NOK 146 million compared to budget. The shortfall can mainly be attributed to non-recurring start-up costs on new routes/ferries as well as lower than expected on-board spending. The weak financial performance is having a significant impact on the Issuer's cash flow and cash balance resulting in a potential covenant breach in the first quarter of 2015. Without any amendments of the current financing structure, the cash balance is expected to be below the minimum cash requirement of the Issuer's loan agreements.

1.4 Outlook

With all ferries in operation and with the new agreement with Skangass, the Issuer is as of 1 October 2014 operating daily departures from each port with MS Stavangerfjord and MS Bergensfjord and will soon launch a third departure for evening sailings with MS Oslofjord.

1.5 Measures taken to strengthen financial position

In order to strengthen the Group's financial position, the Issuer is looking to implement four key measures that all are interdependent on each other (and which are described in more detail below):

- raising new equity in the Issuer of minimum NOK 100 million;
- amending the amortization profile and covenants on the interest bearing debt detailed in paragraphs (b) to and inclusive (e) of the new definition of "Senior Debt" set out in clause 2.2 below (the "**Long Term Senior Debt**");
- extending the maturity on the Bonds as described in clause 2.1. below; and
- cost reduction program.

The Issuer is currently conducting an equity issue of minimum NOK 100 million (the "**Equity Issue**"). The largest shareholders of the Issuer will fully underwrite the Equity Issue. The Equity Issue is subject to the Proposal (as defined below) being approved by the Bondholders.

The Issuer and the relevant lenders under the Long Term Senior Debt have agreed to amend the amortisation structure for each of the Long Term Senior Debt facilities reducing the annual instalments thereunder by 40% during the next four years.

The amendments on the amortization structure will commence 2015 and is expected to strengthen the Issuer's cash position with approximately NOK 68 million per year. The difference between the original and reduced instalment will be added to the balloon on maturity on the respective facility.

The lenders of the Long Term Senior Debt have also agreed to make certain amendments to the Issuer's covenants:

- amendment of Book Equity Ratio covenant; $\geq 15\%$ until 31 December 2017, $\geq 20\%$ anytime thereafter;
- amendment of NIBD/EBITDA covenant; $\leq 9x$ until 31 December 2017 and $\leq 7x$ anytime there after (measured first time 31 December 2016); and
- release of NOK 21.5 million cash deposit.

The Issuer has also introduced internal targets for cost reductions. The new cost reduction program is expected to decrease the Group's costs with approximately NOK 70 million from 2015. Furthermore, another NOK 50 million in savings is expected from reduced fuel consumption, the new agreement with Skangass and further reductions in cost of goods sold, bringing anticipated annual cost savings up to approximately NOK 120 million.

2. AMENDMENTS

The Issuer has approached the Trustee to convene a Bondholders' Meeting in order to obtain the Bondholders' approval of the proposed amendments to the Bond Agreement described below, pursuant to the authority given to the Bondholders' Meeting under Clause 16 of the Bond Agreement.

The Issuer proposes the following amendments to the Bond Agreement (the "**Amendments**"):

2.1 Amendment of the Maturity Date

The Maturity Date is extended from currently 5 February 2016 to 5 February 2018.

2.2 Amendment of the definition of Senior Debt and Permitted Security

The definition of Senior Debt is amended to read as follows:

"Senior Debt" means financial indebtedness existing or contemplated under the following credit arrangements (as amended and renewed from time to time) (collectively, the "Senior Debt Loan Agreements"):

- (a) *the NOK 15 million working capital credit facility dated 13 January 2014 provided by Sparebanken Vest (the "Working Capital Facility Agreement");*
- (b) *the EUR 66.1 million credit facility dated 8 July 2013 provided by inter alia Eksportkreditt Norge and guaranteed by GIEK with the purpose of financing of MS Stavangerfjord and MS Bergensfjord (the "Eksportkreditt Facility Agreement");*
- (c) *the EUR 124 million credit facility dated 20 June 2014 provided by European Investment Bank and guaranteed by GIEK with the purpose of financing of MS Stavangerfjord and MS Bergensfjord (the "EIB Facility Agreement");*
- (d) *the EUR 26,085,097 credit facility dated 13 January 2014 provided by Finnvera for the purpose of financing MS Oslofford;*
- (e) *the EUR 6,500,000 credit facility dated 13 January 2014 provided by Sparebanken Vest and Sparebank 1 SMN for the purpose of financing MS Oslofford;*
- (f) *the NOK 40,000,000 credit facility dated 1 January 2014 provided by Inflight for the purpose of financing MS Oslofford; and*
- (g) *the DKK 17 million credit facility dated originally dated May 2012 provided by Spar Nord.*

The definition of Permitted Security is amended to read as follows:

"Permitted Security" means:

- (a) *any Security existing or contemplated at the time of the Issue Date in relation to the Senior Debt, including any refinancing thereof, provided that:*
 - (i) *the amount secured in relation to the Working Capital Facility shall not at any time exceed NOK 25 million (or the equivalent in other currencies) plus interest, fees and costs; and*
 - (ii) *in respect of each of the other Senior Debt Loan Agreements, the amounts secured in relation thereunder shall not at any time exceed the aggregate amount (calculated for each Senior Debt Loan Agreement) outstanding, contemplated or being available thereunder as of 30 September 2014, unless any such excess amount secured is permitted to be secured under paragraphs (d) below,*
- (b) *any Security arising as a consequence of entering into financial lease arrangements by a Group Company;*
- (c) *any Security granted as security for obligations under any interest rate or foreign exchange derivative/ hedging agreements entered into by a Group Company in the ordinary course of business or in connection with any long-term financing, always provided that such hedging agreements are non-speculative in nature;*

- (d) *any Security securing financial indebtedness of a Group Company (including any refinancing thereof) incurred in connection with (a) the (direct or indirect) acquisition by a Group Company of any additional vessels, terminals and related assets and asset otherwise related to the business and/or operations of a Group Company and (b) the re-construction, up-grading or refurbishment of assets mentioned in (a) above;*
- (e) *any Security arising by operation of law and/or by agreement evidencing the same in the ordinary course of its business;*
- (f) *any Security created to replace or in substitution for any of the Security referred to in (a) to (d) above; and*
- (g) *any Security other than the Security permitted under paragraphs (a) to (f) above and securing financial indebtedness the principal amount of which does not exceed NOK 50,000,000.*

2.3 Guarantees from Fjord Skibsholding I A/S and Fjord Skibsholding II A/S

Each of Fjord Skibsholding I A/S (the owner of MS Oslofjord) and Fjord Skibsholding II A/S (the owner of HSC Fjord Cat) will issue additional security in the form of a guarantee in favour of the Bond Trustee (on behalf of the Bondholders) as security for the obligations of the Issuer under the Bond Agreement. The guarantees will be in the form and content already issued by Fjord Skibsholding III A/S (the owner of MS Stavangerfjord) and Fjord Skibsholding IV A/S (the owner of MS Bergensfjord), but will include the following standard limitation language as Fjord Skibsholding I A/S and Fjord Skibsholding II A/S may not benefit directly from the proceeds of the Bonds:

Notwithstanding any provision of this guarantee, the guarantee, indemnity and other obligations expressed to be assumed in this guarantee shall be limited to an amount equivalent to the higher of:

- 1. the Equity of the guarantor at the times (i) the guarantor is requested to make a payment under this guarantee or (ii) of enforcement of any security granted by the guarantor (as applicable); and*
- 2. the Equity of the guarantor at the date of this guarantee.*

For the purpose of this guarantee, "Equity" means the equity (in Danish "egenkapital") of the guarantor calculated in accordance with applicable generally accepted accounting principles at the relevant time, however, adjusted if and to the extent any book value is not equal to the market value.

2.4 Temporary waiver of the Liquidity requirement

According to Clause 13.5 (c) of the Bond Agreement, the Issuer shall at all times maintain a Liquidity of minimum NOK 50 million. Due to the Issuer's cash position, the Issuer requests the Bondholders to waive the minimum Liquidity requirement of NOK 50 million for the Quarter Date in March 2015 and accept a reduced level of Liquidity of NOK 25 million. The minimum Liquidity of NOK 50 million shall be reinstated from the Quarter Date in June 2015 and onwards.

2.5 Increase of the Margin

As compensation to the Bondholders, the Issuer offers the Bondholders to increase the Margin from the Interest Payment Date in February 2015 and onwards with 1.25% from 7.50% to 8.75%. The definition of Margin shall read as follows:

"Margin" means eight point seventy five per cent. (8.75%) per annum.

2.6 Consequential amendments to the Bond Agreement

The Amendments described in clauses 2.1 to 2.5 above will require certain consequential amendments of the Bond Agreement not specified or detailed herein.

3. EVALUATION OF THE AMENDMENTS

3.1 The Issuer's evaluation

The Issuer regrets to approach the Bondholders in the Bond Issue to ask for their approval of the Amendments. However, the Issuer is of the opinion that the Equity Issue and the amendments of the Senior Debt will strengthen the Bondholders' position. With all ferries delivered and in operation together with the financial measures taken, the Issuer's earnings are expected to improve significantly.

The Issuer has engaged Pareto Securities AS and Norne Securities AS as the Issuer's financial advisors (the "Advisors") with respect to the Proposal. Accordingly, Bondholders may contact Pareto Securities AS Fixed Income Sales at +47 22 87 87 70 and Norne Securities AS Fixed Income Sales at +47 55 55 91 50 for further information.

The Advisors are acting solely for, and relying on information from, the Issuer in connection with the Amendments. No due diligence investigations have been carried out by the Advisors with respect to the Issuer, and the Advisors do not assume any liability in connection with the Amendments (including but not limited to the information contained herein).

3.2 Support from the Bondholders

Prior to this summons being dispatched, the Issuer has informed the Trustee that it has received binding commitments from the largest Bondholders to support the Proposal (as defined below).

3.3 The Trustee's disclaimer/non-reliance

The Proposal is put forward to the Bondholders without any evaluation or recommendations from the Trustee. The Bondholders must independently evaluate whether the Amendments and Proposal are acceptable and vote accordingly.

4. BONDHOLDERS' MEETING:

Bondholders are hereby summoned to a Bondholders' Meeting:

Time: 1 December 2014 at 13:00 hours (1 pm) (Oslo time)

Place: The premises of Nordic Trustee ASA, Haakon VII gate 1, 0161 Oslo – 6th floor

Agenda:

1. Approval of the summons
2. Approval of the agenda
3. Election of two persons to co-sign the minutes together with the chairman
4. Request for adoption of the proposal:

It is proposed that the Bondholders' Meeting resolve the following (the "Proposal"):

- (a) The Bondholders approve the (i) Amendments and the transactions contemplated thereby and (ii) the entry into by the Trustee (acting as trustee for the Bondholders) of such agreements, documents and instruments required to be entered into in connection therewith (the "**Transaction Documents**").
- (b) The Trustee (acting as trustee on behalf of the Bondholders) is hereby irrevocably authorised (and shall use such authorisations) to:
 - (i) negotiate, agree, enter into, sign, execute and deliver, in such final form and substance and in such manner as the Trustee shall in its sole discretion deem appropriate, the Transaction Documents (which shall include agreeing on further amendments consequential to the Amendments or otherwise necessary in connection therewith); and
 - (ii) take any other action necessary or desirable (in the sole opinion of the Trustee) in connection with the foregoing and the entering into, execution and deliverance of the Transaction Documents and to give full effect to the transactions contemplated thereby and the terms contained therein, in each case in such form and substance and in such manner as the Trustee shall in its sole discretion deem appropriate.
- (c) The resolutions herein and the powers and authorisations granted above shall be governed by and construed in accordance with Norwegian law.

* * *

To approve the above resolutions, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in favor of the resolution. In order to have a quorum, at least 1/2 of the voting Bonds must be represented at the meeting. If the Proposal is not adopted, the Bond Agreement will remain unchanged.

Please find attached a Bondholder's Form from the Security Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the Bondholders' meeting. (If the bonds are held in custody – i.e. the owner is not registered directly in the VPS – the custodian must confirm; (i) the owner of the bonds, (ii) the aggregate nominal amount of the bonds and (iii) the account number in VPS on which the bonds are registered).

The individual bondholder may authorize the Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorizing the Trustee to vote, must then be returned to the Trustee in due time before the meeting is scheduled (by scanned e-mail, telefax or post – please see the first page of this letter for further details).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' Meeting or enclose with the proxy, as the case may be, evidence which the Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the Bondholders' Meeting, either in person or by proxy other than to the Trustee, to notify the Trustee by telephone or by e-mail (mail@nordictrustee.no) within 16:00 hours (4pm) (Oslo time) the Banking Day before the meeting takes place.

Yours Sincerely,
Nordic Trustee ASA

Enclosed: Bondholder's Form