Explorer II AS

Registration Document

Joint Lead Managers:

Tromsø, 9 July 2020

Important information

The Registration Document is based on sources such as annual reports and publicly available information for Explorer II AS's (the Company or the Issuer) and the Guarantors' (including subsidiaries and affiliates) lines of business.

Certain information contained in this Registration Document, including any information on the Company's plans or future financial or operating performance and other statements that express the Company's management's expectations or estimates of future performance, constitute forward-looking statements (when used in this document, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to the Bank or its management, are intended to identify forward-looking statements). Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. The Company cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements.

A prospective investor should consider carefully the factors set forth in Chapter 1 Risk factors, and elsewhere in the Prospectus, and should consult his or her own expert advisers as to the suitability of an investment in the bonds.

IMPORTANT – EEA RETAIL INVESTORS - If the Securities Note in respect of any notes includes a legend titled "Prohibition of Sales to EEA Retail Investors", the notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ('EEA'). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of the Markets in Financial Instruments Directive II ('MiFID II'); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "Packaged Retail Investment and Insurance-Based Products, PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MiFID II product governance / target market – The Securities Note in respect of any notes will include a legend titled "MiFID II product governance" which will outline the target market assessment in respect of the notes and which channels for distribution of the notes are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

This Registration Document is subject to the general business terms of the Joint Lead Managers, available at their websites (www.carnegie.no, www.danskebank.no, www.dnb.no and www.nordea.no).

The Joint Lead Managers and/or any of their affiliated companies and/or officers, directors and employees may be a market maker or hold a position in any instrument or related instrument discussed in this Registration Document and may perform or seek to perform financial advisory or banking services related to such instruments. The Joint Lead Managers' corporate finance department may act as manager or co-manager for this Company and/or Guarantors in private and/or public placement and/or resale not publicly available or commonly known.

Copies of this Registration Document are not being mailed or otherwise distributed or sent in or into or made available in the United States. Persons receiving this document (including custodians, nominees and trustees) must not distribute or send such documents or any related documents in or into the United States.

Other than in compliance with applicable United States securities laws, no solicitations are being made or will be made, directly or indirectly, in the United States. Securities will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States without registration or an applicable exemption from registration requirements.

The distribution of the Registration Document may be limited by law also in other jurisdictions, for example in the United Kingdom. Approval of the Registration Document by Finanstilsynet (the Norwegian FSA) implies that the Registration Document may be used in any EEA country. No other measures have been taken to obtain authorisation to distribute the Registration Document in any jurisdiction where such action is required.

The Registration Document dated 9 July 2020 together with a Summary, Securities Note and any supplements to these documents constitute the Prospectus.

The content of this Registration Document does not constitute legal, financial or tax advice and potential investors should seek legal, financial and/or tax advice.

Unless otherwise stated, this Registration Document is subject to Norwegian law. In the event of any dispute regarding the Registration Document, Norwegian law will apply.

TABLE OF CONTENTS:

1 Risk factors

Investing in the Bonds involves inherent risks. For the purpose of this Registration Document, the risk factors for the Company and the Guarantors are deemed to be equivalent.

The risks and uncertainties described in the Prospectus are risks of which the Company is aware and that the Company considers to be material to its business. If any of these risks were to occur, the Company's and/or the Guarantors' business, financial position, operating results or cash flows could be materially adversely affected, and the Company and/or the Guarantors could be unable to pay interest, principal or other amounts on or in connection with the bonds. Prospective investors should carefully consider, among other things, the risk factors set out in this Registration Document and in the Securities Note, before making an investment decision. The risk factors set out in the Registration Document and the Securities Note cover the Company and Guarantors and the bonds issued by the Company, respectively.

An investment in the bonds is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.

RISKS RELATED TO THE COMPANY AND THE INDUSTRY IN WHICH IT OPERATES

The Covid-19 pandemic has caused a significant decline in the demand for the Parent Group's services and a corresponding liquidity need for the Parent Group – As a consequence of the Parent Group's global presence and the nature of the Parent Group's operations as a cruise and transportation company, the Parent Group has been and will continue to be significantly affected by the outbreak of the global pandemic caused by the Covid-19 virus and the related local travelling restrictions,customers cancelling or rescheduling their bookings, as well as the Parent Group has experienced a significant decline in revenues. As a consequence, the Parent Group halted the majority of its sailings in the period from 18 March 2020 to 15 June 2020, and 14 out of 16 vessels have been in in warm lay-up in this period. 5 of these vessels have resumed operations on the Norwegian coast in the period from 16 June 2020 to 26 June 2020, however with limited capacity. It is difficult to predict how the Parent Group will be affected by the Covid-19 pandemic going forward as the Covid-19 pandemic creates great uncertainty for the Parent Group's business activities in 2020 and 2021, including uncertainty relating to how long the current travelling restrictions and reduced demand of cruise services will last, at what pace and to what level the travelling restrictions will be lifted, the Parent Group's customers will return, if at all, and the "restart" of the industry will take place, which may take longer time than expected, all of which may vary from country to country and with regional variations within each country, which in turn creates great uncertainty relating to the Parent Group's financial performance during the remainder of 2020 and 2021, and could have an adverse effect on the Parent Group's business, results of operation and financial performance.

Due to the Covid-19 outbreak, the Parent Group has introduced a flexible rebooking policy to give passengers comfort to sail with the Parent Group later in 2020 or 2021 instead of cancelling or require refund. There is a risk that the portion of passengers with current bookings that elects to cancel or require refund of its booking rather than rebooking its travel increase. Further, passenger that have chosen to rebook its travels may change their minds and require to cancel or require refund instead. Should any of these risks materialize, it could have an adverse effect on the Parent Group's business, results of operation and financial performance.

Further, there is a risk that the Covid-19 may escalate from its current levels (i.e. a potential "second wave"), which may lead to stricter restrictions on travelling and business operations, and otherwise have a more significant impact on the Parent Group's operations than as of today, which could have an adverse effect on the Parent Group's business, results of operation and financial performance.

The Covid-19 pandemic outbreak could cause material disruption to the business operation of the Parent Group's suppliers. If the Parent Group fails to find alternative supply in case of shortage of supply and/or severe delay in delivery by its suppliers, the Parent Group's business, results of operation and financial performance could be adversely affected. The Parent Group's operations could also be disrupted if any of the Parent Group's employees are suspected of contracting or contracted an epidemic disease, since this may require quarantine of some or all of these employees, and it could be difficult to replace any quarantined personnel due to their competence.

In addition, requirements related to current and future Covid-19 restrictions, such as requirements to disinfection of the Parent Group's vessels, or adaption to such requirements, may lead to increased operational costs for the Parent Group.

The Company has a limited number of vessels and is vulnerable in the event of loss of revenue of any vessel

The Company's fleet consists of MS "Roald Amundsen" and MS "Fridtjof Nansen", which are on bareboat charters. The Company therefore has a limited asset base of two vessels, and any failure to secure employment at satisfactory rates for these vessels may have a material adverse effect on the earnings and the value of the Company and may affect the Company's results more significantly than for a company with a larger fleet.

Marine operations involve inherent risk, particularly in the extreme conditions in which the Parent Group’s vessels operate – The Parent Group's marine operations involves inherently risk, particularly in the extreme conditions in which the Parent Group’s vessels operate, including Arctic and Antarctic. Events such as marine disasters, adverse weather, mechanical failures, grounding, capsizing, fire, explosions and collisions may damage the vessels, the equipment and persons on-board, and the risk of such events occurring are considered higher in the extreme conditions in which the Parent Group's vessels operate than in more quieter waters.

Robbery, and civil unrest and disorder and terrorism may also interrupt and damage the Parent Group's operations. For example, due to hostile events in March 2020, the Parent Group could not disembark passengers in parts of South America. Local protests in harbor areas lead to change of harbor for dismemberment of guests at high repatriation costs for the Parent Group. Further, in 2019 the Parent Group experienced robbery of guest luggage in Santiago during luggage transport, resulting in a number of guests cancelling their voyage with costs for the Parent Group for repatriation and compensation to the affected guests.

Accidents may cause death or injury to persons, loss of property, damage to the environment and natural resources, delays, loss of revenues, liabilities or costs to recover any spilled oil or other petroleum products, liabilities or costs to restore the ecosystem affected by the spill, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to reputation and customer relationships generally, any of which could have a material adverse effect on the Parent Group’s business, financial condition and operating results.

Safety - Adverse incidents affecting the health of the Parent Group’s customers and crew, including spread of contagious diseases (e.g. COVID-19, SARS, Ebola etc.) and viral outbreaks, could have an adverse effect on the Parent Group’s sales and profitability. Such incidents may reduce the demand for travel, harm the reputation of the Parent Group or may lead to investigations and fines from public authorities, which in turn could reduce the demand for the Group's services.

The Parent Group is dependent on the availability of its fleet and operational problems with its vessels may reduce revenue and increase costs - The Parent Group's vessels are complex and their operations are technically challenging and require substantial capital expenditures. The Parent Group depends on the availability of its vessels and any breakdown, extended dry-docking or loss of a vessel could have a material adverse impact on the Parent Group's business. Operational problems, or an aging fleet resulting in a decline in vessel values, may lead to loss of revenue or operating expenses may be higher than anticipated or require additional capital expenditures. Any of these results could harm the Parent Group’s business, financial condition and operating results.

Vessel repairs and maintenance may increase costs - The Parent Group’s inability to carry out vessel repairs, maintenance and refurbishments on terms and within timeframes that are favorable or consistent with the Parent Group’s expectations could result in revenue losses and unforeseen costs. Further, as the Parent Group's fleet ages, the repair and maintenance expenses are likely to increase as a result of additional repair and maintenance work required to be performed, and further, the aging of the Parent Group’s fleet may result in increased operating costs in the future, which could adversely affect the Parent Group’s results of operations.

The Parent Group may not be able to compete - The Parent Group faces competition from cruise companies as well as holiday alternatives, and to compete effectively the Parent Group depends upon its ability to anticipate future market changes and trends, and to rapidly react on existing and future market needs. If the Parent Group fails to meet the competition from new and existing companies, or fails to react to market changes or trends, including necessary changes and measures due to the Covid-19 pandemic, there is a risk that this will have an adverse effect on the Parent Group's business, earnings and financial position.

The Parent Group may be exposed to fluctuations in currency exchange rates - The Parent Group may be exposed to currency and exchange rate fluctuations between EUR and GBP, EUR and NOK and EUR and USD, which may affect the Parent Group’s results of operations. The volatility has increased in recent weeks due to in part the expected impact of Covid-19 pandemic on the global economy and in part the fluctuation in NOK as a consequence of, inter alia¸ the decline of oil prices.

Changes in port taxes and fees may increase costs - Any increase in port taxes or fees or other adverse change of the Parent Group’s terms of business with the authorities operating the ports where the Parent Group calls could increase the Parent Group's operating costs.

Limitations in port availability could affect the Parent Group's business - Attractive port destinations are material for a customer's decision to go on a particular cruise or on a cruise vacation. The availability of ports is affected by a number of factors, including, but not limited to, access to landing sites in remote areas like the Arctic and Antarctic, existing capacity constraints, security concerns, adverse weather conditions and natural disasters, financial limitations on port development, local governmental regulations and local community concerns about port development and other adverse impacts on their communities from additional tourists. Due to the Covid-19 pandemic the Group may experience limited port availability due to national or local restrictions to reduce the effects of the pandemic. Any limitations on the availability of our ports of call could adversely affect the Parent Group's business.

The Parent Group's operations may be affected by unseasonable changes in weather and the Parent Group may be affected by adverse weather conditions - Extreme weather events, adverse weather and climate conditions may disrupt the Parent Group’s operations or require it to alter or cancel its cruise operations. Such events could also disrupt commercial airline flights that transport the Parent Group’s customers to the geographies in which the Parent Group operates. The Parent Group may incur costs in providing alternative transportation to customers on board the Parent Group’s vessels that require transportation to the next port, and may lose revenues from commissions paid to it by its excursion partners at ports where it cancels calls. In addition, inclement weather conditions may prevent or discourage customers from choosing the Parent Group’s services altogether. Extreme weather conditions could also result in increased wave and wind activity, which would make it more challenging to sail and dock the Parent Group’s vessels and could cause sea/motion sickness among customers and crew. The risk of adverse weather is in particular high in relation to the Parent Group’s Expedition segment, which also operates in polar waters. Weather events could also have an adverse impact on the safety of, and customer satisfaction with, the Parent Group’s services. Extreme weather events or other adverse weather may also disrupt the supply chain from or to the impacted region and could disrupt the Parent Group’s bunker fuel, food and shore power supplies. Finally, extreme weather conditions could cause property damage to the Parent Group’s vessels, port and related commercial facilities and other assets and impact the Parent Group’s ability to obtain insurance coverage for operations in such areas at reasonable rates. As a result of the foregoing, adverse weather conditions may have a material adverse effect on the Parent Group’s business, results of operations and financial condition.

Overcapacity could lead to lower occupancy rates - Overcapacity in the cruise and travel industries could lead to lower occupancy rates on the Parent Group's vessels and pricing pressure, which could adversely affect the Parent Group’s margins.

Claimant risk - Maritime claimants could arrest the Parent Group’s vessels with basis in International Conventions or local law, which could result in lost revenues. Regulations on ship arrest exist in many of the regions in which the Parent Group’s vessels operate, including (but not limited to) Norway, Chile, Argentina, Germany, UK, Iceland and USA. The basis for such clams varies in regions, but include for example unpaid pilotage fees, damage caused by a ship in a collision or otherwise, loss of life or personal injury caused by a ship or otherwise, loss and damage of goods carried by a ship. If any of the Parent Group's are arrested it could impact current and subsequent sailings, which could give rise to repatriation costs, customer claims, loss of future revenue and damage the reputation of the Parent Group.

Airline services - The Parent Group relies on scheduled commercial airline services for customer connections, and increases in the price of, or major changes or reductions in, commercial airline services (such as due to the Covid-19 pandemic) could adversely affect demand for the Parent Group’s products and have an adverse effect on its profitability.

The Parent Group is subject to seasonal factors - The Parent Group’s revenues are seasonal and dependent on the weather conditions, the holiday periods and other factors, and there can be no assurance that the Parent Group will be able to manage its working capital effectively in light of the seasonal fluctuations.

The Parent Group is dependent on its reputation - The Parent Group’s success depends upon its reputation and the continued strength of the Parent Group’s brand and its ability to distinguish itself from its competitors. There is no guarantee that the Parent Group will be able to maintain its reputation in the future and a loss of reputation may lead to decreased demand for its services. If the Parent Group’s services are delayed or cancelled, it may need to re-route customers to other ports of call, or reschedule or cancel their bookings, which may adversely affect the Parent Group’s reputation and customer loyalty. Further, the Parent Group may be subject to allegations of improper payments made to authorities at state-controlled enterprises in the jurisdiction where it operates. In spite of the Parent Group’s policy of observance of the highest ethical standards, any such allegation, were it to be substantiated, may give rise to penalties, fines or contract disputes, any of which could materially and adversely affect the Parent Group’s business, financial condition and results of operations. There have been no confirmed or suspected cases of Covid-19 on any of the Group's vessels, however, and despite having implemented strict measures to reduce risk for Covid-19 outbreaks, the Group may experience Covid-19 outbreaks on its vessels, which may harm the Group's reputation, and reduce the demand of the Group's services. Any such allegation, whether or not substantiated, could harm the Parent Group’s reputation.

Marketing risk - The Parent Group relies on external distribution channels for passenger bookings, and major changes in the availability of external distribution channels could undermine its customer base. If the level of sales made through third-party travel intermediaries were to increase significantly, the Parent Group may experience reduced traffic to its own distribution channels, which may have an adverse impact on its business and profitability.

Third-party risk - The Parent Group relies on third-party providers to carry out various services, such as ship yards, food, beverage and excursion providers, IT system providers, including all hosting services and technical services, and any of these third parties may act in ways that could be adverse to the Parent Group.

Events, such as work stoppages and other labour actions, insolvencies, “force majeure” events or other financial difficulties experienced at the shipyards and among the subcontractors and suppliers that build, repair, maintain or refurbish the Parent Group’s vessels could prevent or delay the completion of the refurbishment, repair and maintenance of the Parent Group’s vessels. These events could adversely affect the Parent Group’s operations, including causing delays or cancellations of the Parent Group’s trips or unscheduled or prolonged dry-docks and repairs. The construction of the vessel MS Roald Amundsen at Kleven yard was delayed and the Parent Group had to cancel several planned sailings in 2019. The consolidation of ownership of certain cruise shipyards, capacity reductions at shipyards or insolvencies could reduce competition and result in increased prices for new builds and repairs. The Parent Group typically uses shipyards in close proximity to its routes, in particular for the Parent Group’s Hurtigruten Norwegian Coast segment, which limits the Parent Group's options for choosing shipyards.

The Parent Group depends on local suppliers of food and excursions along the Norwegian Coast. Should any key suppliers not be able to deliver or deliver with poor quality this could damage the Parent Group’s reputation. In some instances the Parent Group has limited alternative suppliers and this could impact our ability to deliver the product and meet the guests’ expectations.

The Parent Group's insurance may not adequately cover all risks, losses or expenses – The Parent Group seek to maintain comprehensive insurance coverage at commercially reasonable rates. However, the Parent Group’s insurance may be insufficient and, due to factors beyond the Parent Group’s control or a claim by the Parent Group, the Parent Group’s insurance premiums may increase significantly in the future, which may adversely affect the Parent Group’s financial results. The risk for the Parent Group's insurances being insufficient is particular related to the Parent Group's vessels operating in Arctic and Antarctic, where the risks related marine operations are higher.

Collective bargaining agreements and strike risk - Amendments to collective bargaining agreements for crew members of the Parent Group’s fleet and land-based employees and other employee relation issues, in particular for the Parent Group's vessels operating in Norwegian waters, such as strikes or work stoppages, may adversely affect the Parent Group’s results of operations. The Parent Group is in particular exposed if a strike occurs during high season when the vessels are fully booked as there may be difficulties in rebooking passengers to other sailings, flights and hotels and repatriation costs may apply.

The Parent Group is dependent on its key personnel - The loss of key personnel or the Parent Group’s inability to recruit or retain qualified personnel could adversely affect its results of operations. The Parent Group may be unable to recruit or retain key personnel who are critical to the Parent Group’s success, which could result in harm to its guest and employee relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs, which could adversely affect the Parent Group’s results of operations. For the Parent Group’s operations key personnel are particularly the senior management, marine officers and crew.

The Parent Group may be required to assist ships in distress - From time to time, the Parent Group may be required to provide assistance to ships in distress, which may result in delays, deviations and disruptions to its service.

The Parent Group's vessels may be requisitioned - The vessels’ Flag State could requisition the Parent Group’s vessels during a period of war or emergency, resulting in a loss of revenues. If any vessel is requisitioned by the Flag State, the Parent Group must have approval by the Flag State to exercise its ownership rights over that vessel. As a consequence, the Parent Group's use, pledge and assignment of the vessels are limited in such situations, and it is uncertain whether the compensation payable for such requisition will cover the loss of revenues. The ongoing Covid-19 pandemic may increase the risk for situations where the Flag State may requisition a vessel, and the financial and operational impact this may have on the Parent Group is uncertain as the Parent Group has never previously experienced a similar situation.

RISKS RELATED TO LAWS, REGULATIONS AND LITIGATION

Regulatory and political risks - The Parent Group is subject to complex laws and regulations in various jurisdictions due to its international operations, including environmental, health and safety laws and regulations, currently in particular regulations implemented as a consequence of the Covid-19 pandemic, which could adversely affect its operations. Any changes in the current laws and regulations could lead to increased costs or decreased revenue. Further, the costs of compliance associated with environmental and safety regulations and changes thereto could require significant expenditures, and failure to comply with such regulations could result in the imposition of material fines and penalties or temporary or permanent suspension of operations. An incident involving environmental contamination could also harm the Parent Group's reputation and business.

The Parent Group must obtain compliance certificates - The Parent Group's operations depend on its ability to renew its annual ISM compliance certificates for its vessels and compliance with the annual audit by the Norwegian Maritime Authority.

RISKS RELATING TO OTHER FINANCING

Leverage - The Parent Group has substantial debt which requires payment of interest and instalments. As of 31 March 2020 the Parent Group had outstanding interest-bearing debt of EUR 1,150,676,552. The indebtedness requires the Parent Group to dedicate a substantial portion of its cash flows to service debt. There is no guarantee that the future earnings of the Parent Group will be sufficient to cover operating costs and debt service and failure to do so will adversely affect the Parent Group's business.

Refinancing risk - The Parent Group has entered into several agreements to finance its current operations, and above 80% of the Parent Group's interest-bearing debt matures within the next 5 years. When the existing financing of the Parent Group matures, the Parent Group may be dependent on refinancing such debt. There is however no guarantee that the Parent Group will be able to refinance its debt obligations on favourable terms, or at all, and if available, such refinancing may incur additional costs compared to the Parent Group's existing financing, in particular taken into consideration the current debt level of the Parent Group.

Restrictive covenants - The Parent Group is subject to restrictive debt covenants that limits its ability to finance its future operations and capital needs and to pursue business opportunities and activities. Pursuant to the Parent Group's financing agreements, the Parent Group can only incur new debt provided that it (1) meets a Fixed Charge Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense as defined in Term Loan B and RCF documentation) or (2) fits into a specified exception to the ratio test. Non-Guarantor Restricted Subsidiaries are not permitted to incur indebtedness exceeding EUR 50.0 million.

On 8 June 2020 Revolving Facility investors gave consent on amendments in the Senior Term and Revolving Facilities Agreement originally (dated 9 February 2018). Please see publicly available link for further information: https://global.hurtigruten.com/globalassets/global/about-hrg/investor-relations/2020/hurtigruten-announcement-re-rcf-consent-request_.pdf

Interest rate risk - Most of the Parent Group's interest-bearing debt has variable interest rate. As a consequence, the Parent Group is exposed to interest rate risk, and shifts in such rates may adversely affect the Parent Group's debt service obligations and adversely affect the Parent Group's financial results. In 2019, a + 50 bps change interest rate would have resulted in MNOK 25.4 lower net profit/profit after tax. The Parent Group has no specific hedging strategy to reduce variable interest-rate risk.

RISKS RELATED TO ACCOUNTING

Accounting assumptions - Changes in assumptions underlying the carrying value of the Parent Group's assets, including as a result of adverse market conditions, could result in impairment of such assets, including vessels and intangible assets, such as goodwill and the Hurtigruten brand.

2 Definitions

Additional Guarantors	Has the meaning ascribed to such term in the terms of the Bonds clause 13.16.
Annual Report Explorer II AS 2018	Explorer II AS annual report of 2018
Annual Report Explorer II AS 2019	Explorer II AS annual report of 2019
Annual Report Hurtigruten AS 2018	Hurtigruten AS annual report of 2018
Annual Report Hurtigruten AS 2019	Hurtigruten AS annual report of 2019
Annual Report Hurtigruten Cruise AS 2018	Hurtigruten Cruise AS annual report of 2018
Annual Report Hurtigruten Cruise AS 2019	Hurtigruten Cruise AS annual report of 2019
Annual Report Hurtigruten Group AS 2018	Hurtigruten Group AS annual report of 2018
Annual Report Hurtigruten Group AS 2019	Hurtigruten Group AS annual report of 2019
APCN	Means available passenger cruise nights
Articles of Association	The articles of association for each of the Company and each Guarantor.
Board or Board of Directors	The board of directors for each of the Company and each Guarantor.
Bonds, the:	"Explorer II AS 3.375% senior secured EUR 300,000,000 bonds 2020/2025" with ISIN code NO0010874548.
CAGR	Means compound annual growth rate
Coastal Service Contract/ Coastal Route Agreement	The contract between Hurtigruten Cruise AS and the Norwegian Ministry of Transport and Communications for local transport and freight shipment services between Bergen and Kirkenes
Companies Registry	The Norwegian Registry of Business Enterprises (Foretaksregisteret)
Company/Issuer	Explorer II AS, a company existing under the laws of Norway with registration number 918 500 812 and LEI code 98450067B64D440ED557.
Consolidated Financial Statements	The consolidated financial statements and notes included in the annual report of Hurtigruten Group AS.
EEA	European Economic Area
EU	European Union
Guarantors	Hurtigruten Group AS, Hurtigruten AS and Hurtigruten Cruise AS
IFRS	International Financial Reporting Standards
ISIN	International Securities Identification Number
LEI	Legal entity identifier
NGAAP	Generally accepted accounting principles in Norway

NOK	Norwegian kroner
Parent/Hurtigruten	Hurtigruten Group AS, a company existing under the laws of Norway with registration number 914 148 324.
Parent Group	The Parent and its subsidiaries from time to time
Parent Group Company	Each member of the Parent Group
Permitted Reorganisation	Means the reorganisation as described in the terms of the Bonds clause 13.16.
Registration Document	This document dated 9 July 2020. The Registration Document has been approved by the Norwegian FSA, as competent authority under Regulation (EU) 2017/1129. The Norwegian FSA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval shall not be considered as an endorsement of the Issuer that is the subject of this Registration Document.
Quarterly Report Explorer II AS Q1 2020	Explorer II AS first quarter report for 2020
Quarterly Report Hurtigruten Group AS Q1 2020	Hurtigruten Group AS first quarter report for 2020
Vessels, the	MS Roald Amundsen and MS Fridtjof Nansen
VPS or VPS System	The Norwegian Central Securities Depository, Verdipapirsentralen ASA

3 Persons responsible

3.1 Persons responsible for the information

Persons responsible for the information given in the Registration Document are as follows:
Explorer II AS, c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

3.2 Declaration by persons responsible

Explorer II AS declares that to the best of its knowledge, the information contained in the Registration Document is in accordance with the facts and that the Registration Document makes no omission likely to affect its import.

Tromsø, 9 July 2020

Explorer II AS

4 Statutory Auditors

The statutory auditors for the Issuer and the Guarantors for the period covered by the historical financial information are given in the table below.

Company	Year	Auditor	Auditor's address	Auditor's membership in a professional body
Explorer II AS	2018 and 2019	Pricewaterhouse Coopers AS	Dronning Eufemias gt 71, N-0194 Oslo, Norway	The Norwegian Institute of Public Accountants
Hurtigruten Group AS	2018 and 2019	Pricewaterhouse Coopers AS	Dronning Eufemias gt 71, N-0194 Oslo, Norway	The Norwegian Institute of Public Accountants
Hurtigruten AS	2018 and 2019	Pricewaterhouse Coopers AS	Dronning Eufemias gt 71, N-0194 Oslo, Norway	The Norwegian Institute of Public Accountants
Hurtigruten Cruise AS	2018 and 2019	Pricewaterhouse Coopers AS	Dronning Eufemias gt 71, N-0194 Oslo, Norway	The Norwegian Institute of Public Accountants

5 Information about the Issuer and the Guarantors

5.1 Legal and commercial name, domicile and legal form

Legal name	Commercial name	Domicile	Legal form
Explorer II AS	Explorer II	Norway	Private limited liability company
Hurtigruten Group AS	Hurtigruten Group	Norway	Private limited liability company
Hurtigruten AS	Hurtigruten	Norway	Private limited liability company
Hurtigruten Cruise AS	Hurtigruten Cruise	Norway	Private limited liability company

5.2 Place of registration, registration number and LEI code

Legal name	Place of registration	Registration number	LEI code
Explorer II AS	Register of Business Enterprises, Norway	918 500 812	98450067B64D440ED557
Hurtigruten Group AS	Register of Business Enterprises, Norway	914 148 324	213800EVBYLGF87O9I05
Hurtigruten AS	Register of Business Enterprises, Norway	914 904 633	254900IF4J7328MWPA75
Hurtigruten Cruise AS	Register of Business Enterprises, Norway	918 704 981	984500EN5F99E804C656

Legal name	Objects and purposes	Reference to the articles of association
Explorer II AS	Its purpose is to invest in, and lease out, under bareboat charter agreements, specialised cruise vessels for the operation in other Hurtigruten Group companies, as well as investments and participation in other companies.	Articles of Association for Explorer II AS, Article 3 (Annex 2)
Hurtigruten Group AS	Its purpose is to invest in other companies engaged in transport and travel business and associated activates, including shipping and offshore business, as well as investments and participation in other companies.	Articles of Association for Hurtigruten Group AS, Article 3 (Annex 3)
Hurtigruten AS	Run any kind of transport and travel business, and associated activates, as well as investments and participation in other companies.	Articles of Association for Hurtigruten AS, Article 3 (Annex 4)
Hurtigruten Cruise AS	The company's business is cruise and sea transportation and ancillary activities, to own cruise ships for charter hire and its own operations and to have ownership interests in other companies operating such business.	Articles of Association for Hurtigruten Cruise AS, Article 3 (Annex 5)

5.3 Country of incorporation, date of incorporation and legislation

Legal name	Country of incorporation	Date of incorporation	Legislation
Explorer II AS	Norway	9 January 2017	Norwegian*)
Hurtigruten Group AS	Norway	1 September 2014	Norwegian*)
Hurtigruten AS	Norway	24 July 1912	Norwegian*)
Hurtigruten Cruise AS	Norway	27 February 2017	Norwegian*)

*) including but not limited to the Private Limited Liability Companies Act.

5.4 Address, telephone and website

Legal name	Address	Telephone	Website
Explorer II AS	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N -9291 Tromsø, Norway	77 59 70 56	https://www.hurtigruten.no
Hurtigruten Group AS	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway	77 59 70 56	https://www.hurtigruten.no
Hurtigruten AS	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway	77 59 70 56	https://www.hurtigruten.no
Hurtigruten Cruise AS	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway	77 59 70 56	https://www.hurtigruten.no

The information on the websites mentioned above does not form part of the Registration Document unless that information is incorporated by reference into the Registration Document.

5.5 Details of any recent events particular to the Issuer and which are to a material extent relevant to an evaluation of the Issuer's solvency.

The Parent Group had a strong financial outlook prior to March 2020 and an all-time high customer satisfaction. However, the emergence of Covid-19 has led to operational challenges due to travel restrictions and closing of borders which have and will continue to have dramatic impact on the Parent Group's financial performance. In the current market situation and uncertainty, the Parent Group is not in a position to estimate on expected financial result for 2020.

Since the start of the Covid-19 outbreak, Hurtigruten has introduced several targeted measures to adopt its routines and concepts to prepare for partial reopening of operations in compliance with the Covid-19 restrictions meeting or exceeding relevant regulatory and industry standards. There have been no confirmed or suspected cases of coronavirus on any of Hurtigruten's ships. A company-wide set of proactive measures have been initiated to reduce the negative impacts on the liquidity position during the Covid-19 outbreak. All these measures have been implemented with the aim of putting the Parent group in the best possible position for a reopening of the market.

The Parent Group halted the majority of its sailings from 18 March 2020 until 15 June 2020 as a result of travel restrictions and 14 out of 16 vessels were in in warm lay-up in this period with significantly reduced operating costs. The Parent Group has also experienced dramatic revenue decline, but continues to receive full payment under the Coastal Service Agreement despite limited production. In agreement with the Norwegian Ministry of Transport, Hurtigruten has deployed two ships in an amended itinerary between Bergen and Kirkenes. In the period from 16 June to 26 June 2020, the Parent Group has resumed operations of a total of five ships including MS Fridtjof Nansen on the Norwegian coast, however with limited capacity. The Parent Group plan to resume operations for MS Roald Amundsen and MS Spitsbergen on 17 July 2020. Hurtigruten is prepared to expand operations with additional ships depending on easing of travel restrictions and customer demand. If travel restrictions are lifted as predicted and the guests start to travel again, the aim is to successively bring 14 of 16 ships back in operation by the end of September.

Hurtigruten has introduced a flexible rebooking policy to give passengers comfort to sail with Hurtigruten later in 2020 or 2021. Guests who have their voyages cancelled because of the suspension of operations are offered a Hurtigruten Future Cruise Voucher in the amount of 125% of amounts paid (including fees). They also get a 10% discount on any future Hurtigruten cruise - Expedition or Norwegian Coast - from 1 July 2020 to 31 December 2021. Even though they are not affected by the temporary suspension of operations, guests booked on voyages through 30 September 2020 are offered rebooking, without any rebooking fee and a future discount of 10%, to any future Hurtigruten cruise - Expedition or Norwegian Coastal - for departures between 1 July 2020 and 31 December 2021.

All non-critical projects are put on hold until further notice with only critical maintenance work on ships being conducted. Timing of full refurbishment of MS Fram, MS Midnatsol and MS Trollfjord have been postponed.

As 11 out of 16 ships are temporarily warm-stacked, 66% of employees are temporarily laid off as of 30 June 2020. Temporary leave regulations in Norway has enabled Hurtigruten to cut payroll costs two days after issuing temporary leave notice to affected employees and up until a period of maximum 27 weeks.

Monthly cruise operating expenses including loss on fuel hedges were reduced by approx. 65% equalling approx. EUR 7.8 million per month during the period with only two ships in operation. The cruise operating costs have increased with five ships having resumed operation in the period 16 June to 26 June 2020 with corresponding increase in revenues as the Parent Group will only increase activity level if the new ships generate postive group contribution. Consultant contracts have been terminated, paused or renegotiated. All non-essential traveling, non-committed marketing spend, centrally and across local markets have been put on hold. All bonuses have been deferred and 20% pay-cut for the management team.

5.6 Material changes in borrowing and funding structure since the last financial year

The Company issued the EUR 300m Bond in February 2020 to improve the Company's financial flexibility and diversification of funding sources. The ISIN code of the Bonds is NO0010874548. The net proceeds from the bond issue amounted to EUR 295,146,219 and was used to refinance an existing Export Credit Agency facility (EUR 255m outstanding) and for general corporate purposes. The Bonds are currently guaranteed by Hurtigruten Group AS, Hurtigruten AS and Hurtigruten Cruise AS. In case of a Permitted Reorganisation, the Guarantors will also consist of the Additional Guarantors. The Bonds are secured by first priority mortgages over the Vessels as well as customary first priority security including pledge in the shares of the Issuer, pledge in factoring agreements, pledge in earnings accounts and assignment of earnings and insurances related to the Vessels.

On 10 January 2020, the wholly (indirectly) owned subsidiaries of Hurtigruten Group AS, MS Richard With AS and MS Nordlys AS completed a sale and leaseback transaction with Bank of Communications Financial Leasing Co., Ltd for the two vessels MS Nordlys and MS Richard With. The total committed lease amount is EUR 55 million per vessel, of which EUR 30 million on closing and additional EUR 25 million committed upon completion of planned LNG conversions.

In order to further strengthen its financial position and to conservatively address a potentially longer than expected return to full service, the Parent Group issued a new EUR 105m term Loan facility on 23 June 2020. The Term Loan can be used for its and its subsidiaries' general corporate and working capital requirements. The facility is priced at E+800bps, has a maturity of 3 years and ranks pari passu with Hurtigruten Group's existing Senior Term and Revolving Facilities originally dated 9 February 2018.

5.7 Expected financing of activities

Investments
All non-critical projects are put on hold until further notice with only critical maintenance work on ships being conducted. Timing of full refurbishment of MS Fram, MS Midnatsol and MS Trollfjord have been postponed.

Operating costs
Monthly cruise operating expenses including loss on fuel hedges were reduced by approx. 65% to ~[EUR 7.8 million] per month with only two ships in operation. The cruise operating costs have increased with five vessels having resumed operation in the period 16 June to 26 June 2020 with corresponding increase in revenues as the Parent Group will only increase activity level if it provides positive group contribution.

Key funding sources

- **Cash:** Liquidity position of approx. EUR 183 million in cash as of 6 July 2020 including the new EUR105 million term loan.
- **Government support measures:**
  - **Government loan guarantee scheme:** The Norwegian government provides state guarantee for bank credit to companies impacted by the current Covid-19 crisis. This enables banks to distribute credit with the state guaranteeing up to 90 percent of the credit (applicable from 27th of March). Credit approval has been obtained for a NOK 150 million loan from this scheme.
  - **Government Compensation scheme:** The scheme is set to cover unavoidable fixed costs for enterprises suffering losses because of the extraordinary situation arising from the Covid-19. The scheme can cover up to 6 months of fixed costs from March 2020.
- **Funds from operations:** The Parent Group resumed operations of five ships on the Norwegian coast in the period from 16 June to 26 June 2020 and plan to resume operations for MS Roald Amundsen and MS Spitsbergen on 17 July 2020. Preparations are done to be in a position to have additional ships restart operations depending on easing of travel restrictions and passenger demand. The Parent Group has the ability to scale operations to demand, and will only increase activity level if it provides positive group contribution. Only approx. 20% and 30% occupancy is required in coastal and expedition operations respectively, in order to reach positive vessel contribution. The Parent Group continues to receive full payment under the Coastal Service Agreement despite limited production.

- Other financing alternatives are continuously being assessed and will be executed if deemed needed to be in a sound financial position.

6 Business overview

Hurtigruten Group AS, through it's indirectly fully owned subsidiary Explorer II AS, is the owner of MS Roald Amundsen and MS Fridtjof Nansen, two 2019-delivered battery hybrid powered expedition cruise vessels. The Vessels are on bareboat charters to Hurtigruten Cruise AS. Explorer II AS and Hurtigruten Cruise AS are part of the Hurtigruten Group.

Hurtigruten is the global leader in cruise-based exploration and adventure travel, offering customers authentic exploration adventures into both polar and non-polar waters. With nearly 2 million available passenger cruise nights across more than 200 destinations in ~30 countries and four continents annually, and a fleet of 16 custom-built expedition cruise vessels, Hurtigruten is recognised as the world's largest expedition cruise company (measured by APCN). [1]

Hurtigruten's operation builds on a rich and proud Norwegian Expedition Cruise heritage, offering the first voyages to Svalbard as early as 1896 and having offered cruises along the Norwegian coast for 126 years. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences with world leading experts and the best local food and beverages while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market.

Hurtigruten's itineraries include unique experiences in Alaska, South America, Arctic, Antarctica, along the Norwegian coast and to other unique destinations. Hurtigruten's offering and itineraries are differentiated from that of most other cruise operators, with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places and communities. The Parent Group views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract (Norwegian Coast segment).

The Parent Group has vast experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long naturally distinct coast line, Hurtigruten is among Norway's most recognized brands, and is as such frequently mentioned in leading international publications. In recent years, Hurtigruten has gained global recognition for several sustainability initiatives, including the removal of single-use plastic from all its ships and hotels, the introduction of battery hybrid powered expedition cruise ships and through investments alternatives to reduce emissions. Hurtigruten forms part of Norway's cultural heritage, strengthening Hurtigruten's legitimacy with customers seeking authentic Norwegian experiences.

Based on this strong recognised brand and the authenticity of a product tailored for the adventurous, Hurtigruten believes that a voyage with a major cruise operator is not a relevant alternative for its guests. Hurtigruten's competitive position is supported by substantial barriers to entry in the market for adventure and nature-based tourism, particularly in the expedition cruise segment. Substantial investments have been made across its fleet of 16 expedition vessels, custom built to deliver the unique Hurtigruten product. Any newcomer wishing to offer expedition and nature-based travel services in Hurtigruten's market will need to invest heavily before it will be able to compete with Hurtigruten. Other highly relevant barriers to entry include strong brand recognition in key markets such as Germany, UK and the Nordics, digital and customer ownership ensured through investments in digital development over time strengthening customer ownership and reducing customer acquisition cost, and Hurtigruten's strong distribution platform with local distribution teams on the ground in key markets.

Hurtigruten is regularly recognised as a leading operator in the industry, through Industry awards such as the "Best Expedition Cruise Line" at the 2017, 2018 & 2019 Travvy awards, "Best Adventure Cruise Line" in Cruise Critic Editor's Picks in 2017 Magellan Award Gold for "Best overall Eco friendly "green" Cruise ships" in 2018 and was deemed Germany's "Brand of the year (travel)" for 2017 & 2018. Cruise Critic U, best Adventure Cruise line of the year over the period of 2012-2019. Best Expedition Cruise line of the year 2019 – Australian Travel awards. Globe Travel awards – Best Specialist Cruise Company 2020.

Hurtigruten's standing and reputation was acknowledged in the Apeland and Reputation Institute's recognised reputation survey RepTrak 2020. Scoring 85.6 out of a total of 100 points, one of the highest scores ever achieved in the survey by any company, regardless of industry, Hurtigruten was recognised as Norway's third most reputable company, and by far the highest-ranking company within the travel industry.

[1] Source: *Cruise Industry News –2019 Expedition Market Report*


2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019
cruisecritic
UK EDITORS' PICKS
2019
Best Cruise Line, Adventure
2019
Australian TravelAwards
Expedition Cruise line of the year
2018
YouGov and Handelsblatt:
«Brand of the year» in Germany
1st place in the category Tour Operator/Booking pages
2020
GLOBE TRAVEL AWARDS
Best Specialist Cruise Company

Sustainability is at the core of Hurtigruten's way of operating

Hurtigruten is the global leader in exploration travel, and the world's largest expedition cruise company.[2] This comes with a responsibility to ensure that sustainability is integrated across all of Hurtigruten's operations. With the UN Sustainable Development Goals as a framework, Hurtigruten focus on innovation, technology and concrete measures to explore as responsibly as possible.

As the industry is entering a new era of expedition cruising and adventure tourism, Hurtigruten aims to raise and set new standards for the entire travel industry.

That is why we:

- were the first major travel company in the world and first cruise line to remove single-use plastic from all its ships and hotels (On track to reduce plastic waste by 32 tons annually)
- have been advocating for a total ban on HFO and we have used MGO/MSD for more than a decade
- have built the world's first battery hybrid powered expedition cruise ships
- will retrofit several ships with LNG propulsion, also compatible with climate-neutral biogas, paving the way for low emission shipping on all routes
- take an active role to reach zero emission target by 2040 through investing in R&D of fossil-free fuel alternatives
- arrange beach clean-ups and climate lectures to raise awareness
- invite all guests to join crew members picking up litter at all destinations where this is possible
- focus on minimizing food waste
- are dedicated to enhancing local communities, sourcing food and services/activities from local suppliers
- have established Hurtigruten Foundation to support great sustainability initiatives and
- are contributing to conserving the world's polar bear population, fighting against marine and plastic pollution and supporting local initiatives

Hurtigruten is ahead of regulations targeting to reach zero emissions by 2040

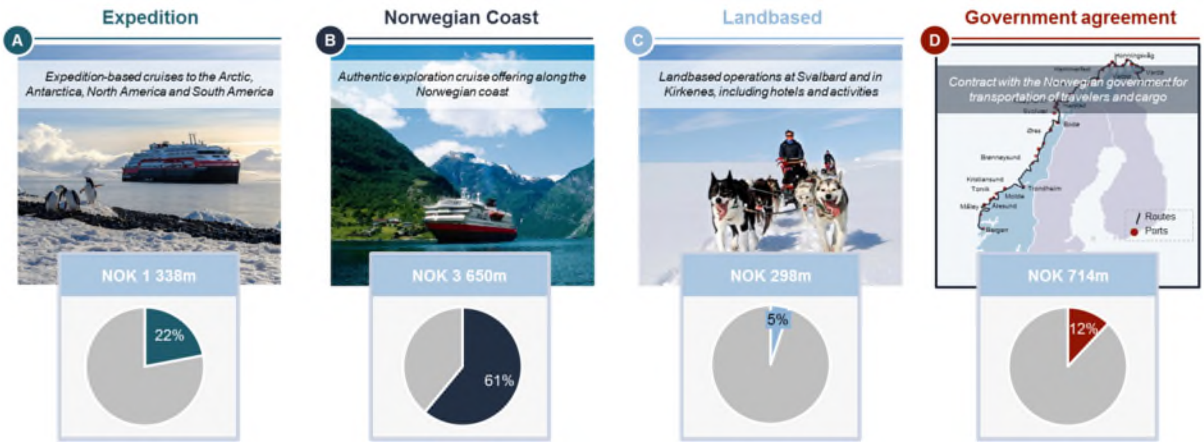
- Hurtigruten has a strong track record of minimizing its environmental footprint, and has powered its coastal vessels with MGO/MSD fuel oil for more than a decade, being well ahead of the IMO regulations. Additional fuel expenses for Hurtigruten since 2009 of more than NOK 1 billion in total.
- Together with the planned LNG conversions, mixing biogas together with LNG, and investment in the state of the art hybrid vessels, Hurtigruten is strongly positioned for potential new fuel related restrictions.
- For the rest of the fleet that sail on ultra-low Sulphur MGO, Hurtigruten will mix in biodiesel without palm oil to bring down emissions further.

[2] *Source: Cruise Industry News –2019 Expedition Market Report*

6.1 Products sold and services performed

Hurtigruten's business segments are divided into three operating segments: Hurtigruten Norwegian Coast, Expedition Cruises and Landbased. The government agreement is included within the Norwegian Coast segment.

Total operating revenues by operating segment, full year 2019



**Note: Norwegian Coast excluding revenue from the Government agreement (contractual revenue and goods revenues)*

Expedition Cruises:

Expedition Cruise products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include distinct expeditions to the Arctic (Norway, Svalbard, Greenland, Iceland, Canada and the Northwest passage), Antarctica, North America and South America.

Authentic exploration adventures in polar waters, with distinctive excursions and activities

In 2019, four vessels operated in this segment, MS Fram, MS Midnatsol (September–April), MS Spitsbergen (May–August) and MS Amundsen from July 2019. In December 2019 the sister ship, MS Fridtjof Nansen, was delivered. MS Roald Amundsen and MS Fridtjof Nansen are a crucial part of Hurtigruten's strategy of further expansion in the expedition cruise segment. The ships will operate at new Hurtigruten destinations, such as full Northwest Passage crossings, Alaska and the Caribbean, in addition to Antarctica and Hurtigruten's key Arctic destinations. Throughout the summer of 2019, MS Roald Amundsen operated custom-made voyages along the Norwegian coast, homeporting in Hamburg (Germany).

From 2020 Hurtigruten will have 5 ships operating in the Expedition segment: MS Fram, MS Midnatsol (January–April) and MS Spitsbergen (May–December), MS Roald Amundsen, MS Fridtjof Nansen (March-December). In addition, MS Nordstjernen is on time charter during parts of the year in this segment.

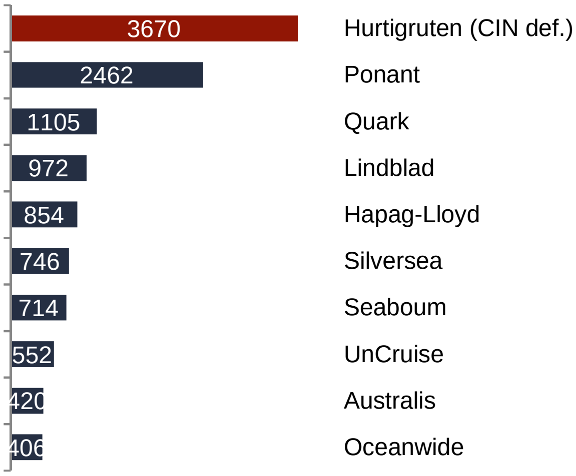
From 2021, the Expedition Fleet will comprise of 7 ice-class expedition vessels, including the two newbuilds delivered in 2019 and 3 millennium-class ships to be deployed in the Expedition segment in 2021, further cementing Hurtigruten's global leadership in the Expedition Cruising category[3]. The itinerary plan for the re-deployed vessels will be optimised commercially and includes year-round deployment along the Norwegian coast with a different sailing plan than the traditional coastal route; pure cruise product with no local transport, no night-time calls, long port stays and focus on more shore excursions.

[3] *Source: Cruise Industry News –2019 Expedition Market Report*

The increased capacity into the fast-growing and high-margin Expedition segment, is expected to have a positive effect on future profitability of Hurtigruten, with the Expedition segment having higher yield compared to the Norwegian Coast segment historically.

Hurtigruten with a market leading position (APCN) in the expedition segment, and uniquely positioned through its 500 pax offering, providing scale benefits (Estimated # of berths, 2021)[4]

Hurtigruten is the only player to have announced the construction of ice-class expedition ships in the 500 pax range. Through its unique 500 pax offering, Hurtigruten is able to offer distinctive explorations experiences to remote destinations at lower rates relative to its competition.



The 500 pax model yields significant cost advantage vs. competitors, both on capex per berth due to advantageous scale on newbuild capex and on cash operating costs per berth explained by fixed costs on the maritime operations side. This cost advantage is expected to provide significant resilience in the event of yield pressure in the industry.

Quark and Lindblad are exploration-focused and offer on-shore excursions, while for Ponant and Silversea the luxurious experience is the main attribute. These competitors operate at a significantly higher price point, and consequently with a smaller addressable market. Hurtigruten does not consider the conventional cruise players as direct competitors, as the large ships put restrictions on which destinations they can visit and the experience and authenticity they are able to offer.

[4] Source: *Cruise Industry News –2019 Expedition Market Report*

Hurtigruten Norwegian Coast:

Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as “The world’s most beautiful voyage”. During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a large number of active and immersive excursions. Hurtigruten offers a number of shore-based activities for its cruise passengers, including dog sledding, kayaking, inflatable boat adventures, local food tours, Lapland cultural tours, visits to land-based sites, mountain hiking and snowmobile excursions, skiing and whale safaris. The Hurtigruten Expedition Teams provides lectures, organizing excursions and adding to the onboard experience.

Hurtigruten’s culinary concept of “Norway’s Coastal Kitchen”, offering authentic Norwegian cuisine with locally sourced ingredients delivered fresh to the ships throughout the journey, reflecting both the seasons and local specialties. Hurtigruten is the only cruise operator offering year-round cruises out of the port of Bergen to these 34 ports and holds a unique competitive position on the Norwegian Coast.

Hurtigruten Norwegian Coast represents Hurtigruten’s longest-running and largest business area, comprising a fleet of 11 ships on average in 2019, providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten’s legendary voyage ranks as one of Norway’s most renowned and iconic attractions. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound).

The Norwegian state purchases local transport and freight shipment services along the Norwegian coast. In the period 2012-2020 Hurtigruten will operate 11 ships under the Coastal Route Agreement. In 2018, there was a tender for a new contract for the period 2021-2030 (2031, incl. one option year). In the new tender, the agreement was divided into 3 packages of 3,4 and 4 ships where potential interested parties could bid for one, two or three packages. Hurtigruten was awarded 2 packages of a total of 7 ships and will receive an annual payment of NOK 546m (2018 value) for 7 ships (NOK 78m per vessel) which is a 22% increase in annual compensation per vessel compared to the compensation in 2018 of NOK 64m per vessel. The annual payment will be CPI adjusted over the life time of the contract. This is a positive outcome for Hurtigruten as it will be able to re-deploy its 3 largest ships into the fast-growing, high margin Expedition Cruise segment from 2021.

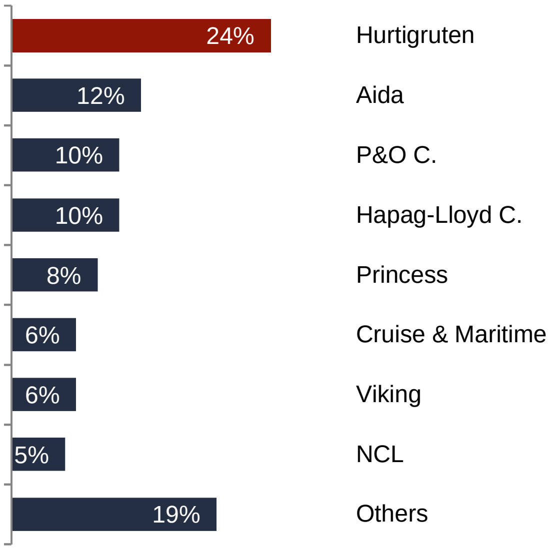
Hurtigruten the only operator offering year-round sailings along the Norwegian coast, with a clearly differentiated offering and value proposition from competitors

- Hurtigruten’s legacy as the original Norwegian coastal operator separates Hurtigruten from all other cruise companies operating along the Norwegian coast.
- Hurtigruten is the only operator to offer ‘working’ ship experience and visits to small coastal communities.
- Mass cruise competitors typically serve ~20% of Hurtigruten’s coastal destinations.
- Affordability differentiates Hurtigruten’s offering from luxury and expedition players.
- Hurtigruten offers access to an unmatched selection of excursions (more than 70 in total).
- Hurtigruten with an inimitable coastal DNA after more than 126 years of operations.

Market leader on the Norwegian Coast, with an estimated market share of 24% (2017 APCNs)

Hurtigruten is positioned as a leading cruise brand in Norway, with an estimated 24% share of APCNs for cruises visiting the Norwegian coast in 2017. Other competitors serving the region include AIDA, P&O Cruises, Hapaq-Lloyd Cruises and Princess Cruises. [5]

Hurtigruten's market share is particularly strong in the winter season, when many of the conventional cruise competitors reallocate ships to other regions or dry-docking. Hurtigruten is the only market participant to provide an extensive full-year offering on the Norwegian Coast. Hurtigruten's cruise experience is tailored to the changing seasons, targeted at curious adventurers seeking to explore the scenic nature and remote civilisations along the Norwegian coast.



The authentic experience and reach of its itineraries differentiates Hurtigruten from the conventional global cruise operators. The global market participants operate significantly larger ships, typically 2,000 berth ships, compared to the Hurtigruten's smaller ships with 500-650 berths, which offer a different experience. Most of the ports Hurtigruten visits are served by the company exclusively, with mass cruise competitors serving only approximately 20% of Hurtigruten's coastal destinations.

Hurtigruten's fleet of smaller-sized ships provides a more intimate feel to customers by allowing access to shallow fjords and straits inaccessible for the larger conventional cruise ships. Hurtigruten's offering is further strengthened by the company's unique heritage and the continued role as a local transport provider, which creates opportunities for cruise customers to interact with local culture.

[5] *Source: Company Information (for Hurtigruten data) and Market Study* commissioned by Hurtigruten in 2017*. Note: Market Share based on APCNs*

Overview of port calls along the Norwegian Coast and example excursions

Hurtigruten aims to further develop and strengthen the Hurtigruten Norwegian Coast position globally. It still has substantial development potential, which will be realised through a continued commitment to:

- Building Hurtigruten as a strong global brand within exploration travel, as a company that offers unique destinations and a small-scale authentic experience with Hurtigruten Expedition Teams on board.
- Strong differentiation – Hurtigruten offers the original voyage along the Norwegian coast and is the world leader in exploration travel[6].
- Market development – Enhanced customer insights, targeting new segments, expanding in emerging markets such as China and Australia, improving e-commerce and distribution channels, and more.
- Product development – Unique, active experiences, an even wider portfolio of voyages of varying duration, pre-and-post cruise offerings, and continued development of seasonal concepts.
- More efficient business processes, with an emphasis on on-line capabilities and anticipation of trends.

[6] Source: *Cruise Industry News –2019 Expedition Market Report*

Landbased:
The Landbased product area comprises year-round hotel and restaurant activities, as well as Arctic adventure tourism in Svalbard. From a base in Longyearbyen, Hurtigruten Svalbard AS offers active Arctic experiences on snow-covered and snow-free terrain with an extensive portfolio of activities and excursions. These include day trips on skis, dog sledding, snowmobile trips, boat or hiking excursions and longer expeditions in the archipelago. Hurtigruten's operations – originating back in 1896 – are the largest and most diversified in Svalbard.

Hurtigruten Svalbard – Offering experiences across all seasons in top quality facilities

- Time to experience the mesmerising magic of the Northern Lights which can appear at any time

- World's northernmost hotel, located in the heart of Longyearbyen with majestic mountain view

- More opportunities to delve into the depths of the landscape while ice-caving, or speed in a sled along the snow

- Totally refurbished in 2017 offering modern comfort in historic surroundings

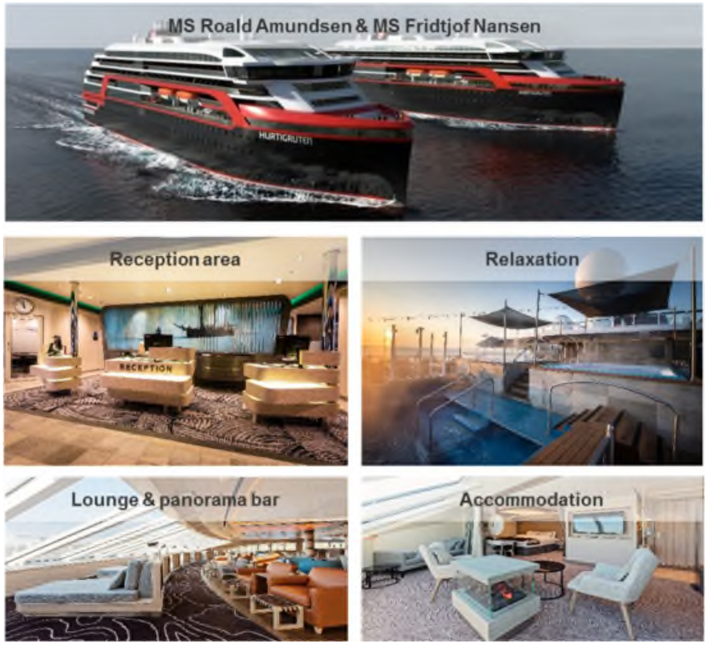
- Join mountain hikes and boat tours to reawakened fjords which buzz with Arctic wildlife

- A place for the real experience of the mining period on Svalbard in a relaxed atmosphere

6.2 Significant new products or activities

Expedition:

The delivery of MS Roald Amundsen and MS Fridtjof Nansen during 2019, represents an important milestone in Hurtigrutens history. The vessels are the world's first battery hybrid powered expedition cruise vessels, and the crown jewels of the Hurtigruten fleet. The vessels are fitted with equipment from well-known high-quality providers and designed by Kongsberg Maritime together with the Norwegian yacht designer Espen Øino. The vessels are built for global operations with additional ice classing capabilities allowing the ships to sail to Arctic & Antarctic regions. The vessels are battery hybrid powered, featuring advanced technology which reduces emissions, fuel consumption and offers a quieter and smoother cruising experience.



The delivery of MS Roald Amundsen and MS Fridtjof Nansen in 2019 is expected to generate a significant uptick in revenue and improved profitability over the coming years.

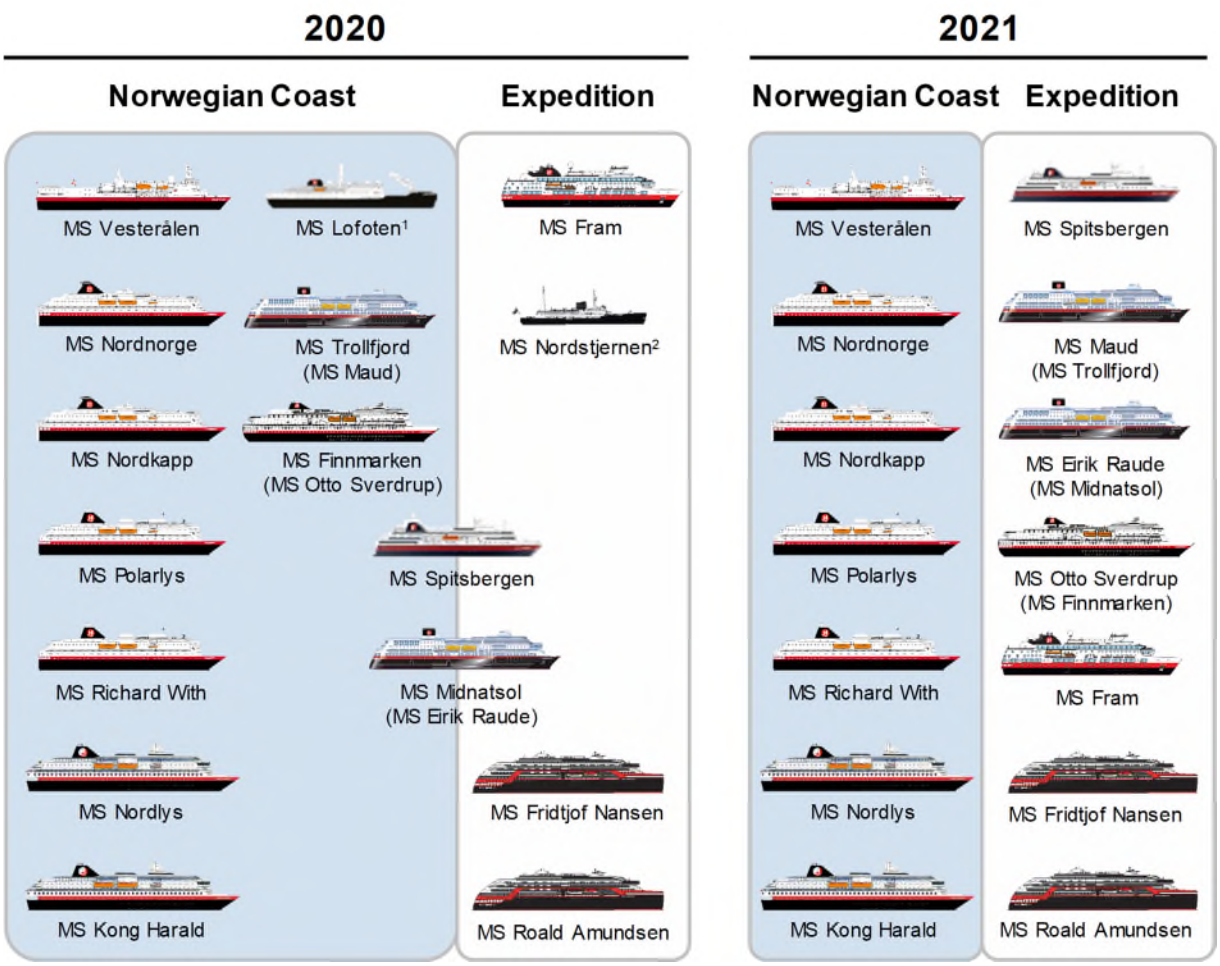
Additionally, Hurtigruten will re-deploy the three largest ships from the Norwegian Coast segment into the Expedition segment from 2021, in line with Hurtigruten's strategy to continue strengthening its position as the leading expedition cruise company[7]. MS Trollfjord, MS Otto Sverdrup (previously named MS Finnmarken) and MS Eirik Raude (previously named MS Midnatsol), will be positioned in the Expedition segment on the Norwegian coast.

Hurtigruten Norwegian Coast:

Current government agreement (2012-2020)	New government agreement (2021-2031)
• Exclusive contract with the Norwegian Ministry of Transport and Communications for: - Providing daily, continuous, year-round passenger service between Bergen and Kirkenes with 11 ships - Carrying cargo on the northernmost part of the route (between Tromsø and Kirkenes) - Under the Coastal Route Agreement Hurtigruten is paid annual remuneration for its public service obligations, on top of the ticket revenue it collects for the transportation of passengers and cargo • Annual payment in 2019 and 2020 NOK c.714m and c.NOK 827 respectively for 11 ships (NOK 65m and NOK75m per vessel) • Historically this contract has had limited profitability and has limited Hurtigruten's flexibility in re-deploying our ships to higher yielding areas	• Hurtigruten was awarded 2 packages of a total of 7 ships • Will receive a payment NOK546m p.a. (value for 2018) for 7 ships (NOK78m per vessel), a 22% increase in annual compensation per vessel vs. compensation in 2018 of NOK64m and will be CPI adjusted over the life time of the contract • Has equivalent operating requirements as the current agreement - Required to decrease CO2 emissions with 25% over the course of the lifetime of the agreement • A very positive outcome for Hurtigruten due to: - Significant increase in payment per vessel from the government - Speed requirements not being applicable to 4 vessels anymore, which will allow cruising at lower and more fuel efficient speeds - The ability to deploy the 3 largest ships into the Expedition Cruises segment from 2021 - historically the government agreement has had low profitability while Expedition segment has had close to 100% higher gross ticket yield even compared to the Norwegian Coast segment

[7] Source: *Cruise Industry News –2019 Expedition Market Report*

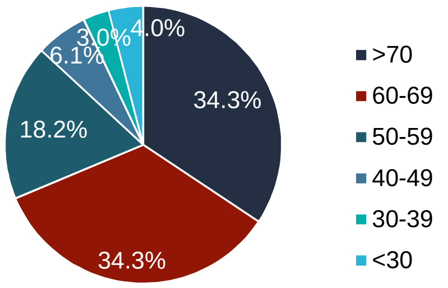
Fleet positioning in 2020 vs 2021



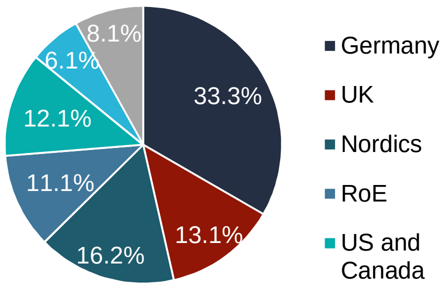
6.3 Principal markets

Hurtigruten's offering appeals to a wide range of travellers, with affluent individuals aged 50 years or older representing its largest demographic category. In 2019 Hurtigruten sourced c.50% of its ticket revenue from Germany and Nordic countries with European countries representing approximately 81% of 2019 ticket revenue.

Customer base by age[8]



Customer base by geography, 2019 Ticket revenue



8

Hurtigruten is increasingly focused on sourcing customers from the United States and China, which are among the strongest sources of growth in inbound tourism to Norway. The U.S. Market is significantly underpenetrated, providing additional opportunity for Hurtigruten to continue its sales and marketing efforts in the U.S to tap more into the market. Based on a market study, the U.S. represents approximately 51% of world total cruise passengers but accounts only for 9% of Hurtigruten's bookings for 2020 as of January 2020. Hurtigruten re-opened its Seattle sales and marketing office in 2014 and opened its Hong Kong sales and marketing office in 2016 and a Melbourne office in 2019 in order to access the large U.S. and the fast-growing Asia-Pacific markets, with a particular focus on China and Australia in the Asia-Pacific market. This has contributed to growth in bookings in the United States and Asia-Pacific. Bookings from these regions grew by a CAGR of 17% and 27%, respectively, based on bookings as of January 2020 compared to bookings as of January 2018.

Hurtigruten has maintained strong brand awareness in its key markets of the Nordics and Germany. Aided brand awareness in 2019 was 84%, 93%, 45% and 59% in Sweden, Norway, Denmark and Germany, respectively. Hurtigruten believes that there is significant potential for growth in markets where brand awareness is lower, such as the United Kingdom, France and the United States, where aided brand awareness was 8%, 6% and 4%, respectively.[9]

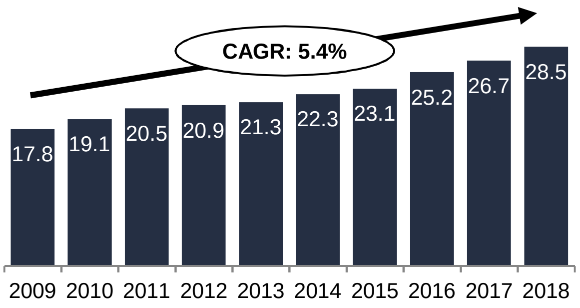
[8] Source: 2015/16 data from Hurtigruten Salesforce
[9] Source: Hurtigruten Brand Health report 2019

6.4 Industry overview and market development[10]

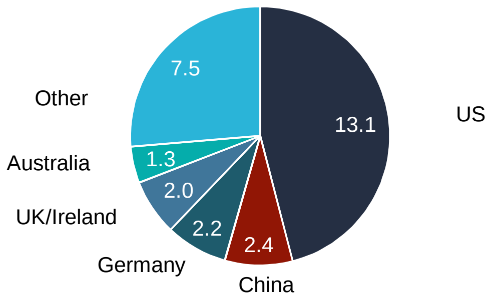
Global ocean cruise market:
The global cruise market has historically grown at a strong pace, with the US and China being the most important source markets. Since 2009, demand for cruising has increased by c.60%, corresponding to an annual growth rate of c.5,4%. The growth has been supported by some key global customer trends, such as self-realisation, activity-based travel and an attractive and convenient travel option for seeing new places.

While the US, is still the largest market for global ocean cruise in 2018, the Chinese market is expected to see significant growth in the coming years, with the upper middle class expected to constitute 54% of the urban population in 2022 compared to 14% in 2012.

Number of global ocean cruise passengers (millions)[10]

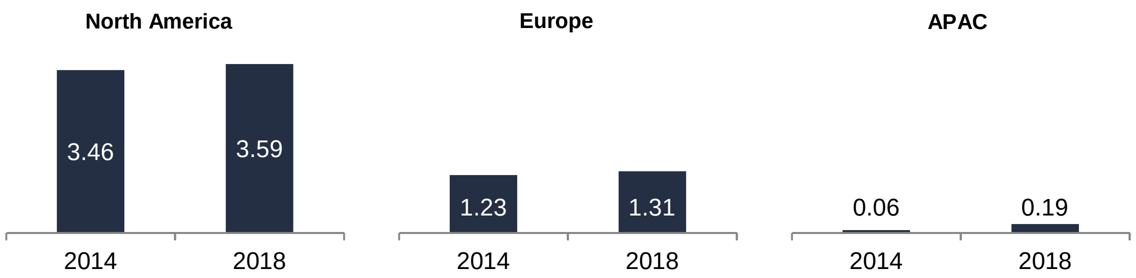


Global ocean cruise passengers 2018, by country[10]



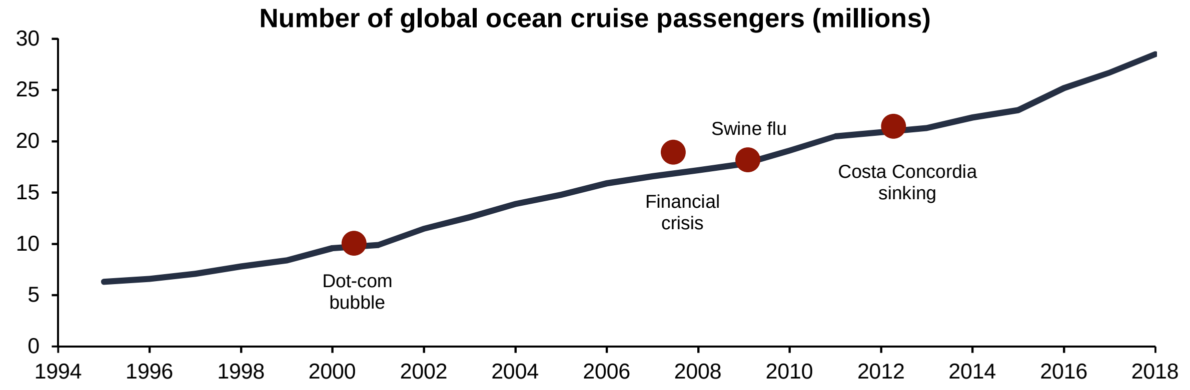
The cruise market is well established in North America and Europe, with approximately 3.59% and 1.31% of the respective populations going on a cruise in 2018. The market penetration in the Asia-Pacific region is 0.19% of the respective population, representing a promising segment with substantial development potential.

Large penetration potential with APAC and Europe clearly lagging behind North America[11]



The cruise passenger growth has proven resilient even through challenges such as the 2008 financial crisis and the Swine flu outbreak, and has grown from 3.8m passengers in 1990 to over 28m in 2018.

[10] *Source: CLIA 2018 Global Passenger Report, Clarksons Platou Company market study*
[11] Source: RCCL 2018 Annual report. *Penetration defined as number of annual cruise guests as a percentage of the total population*

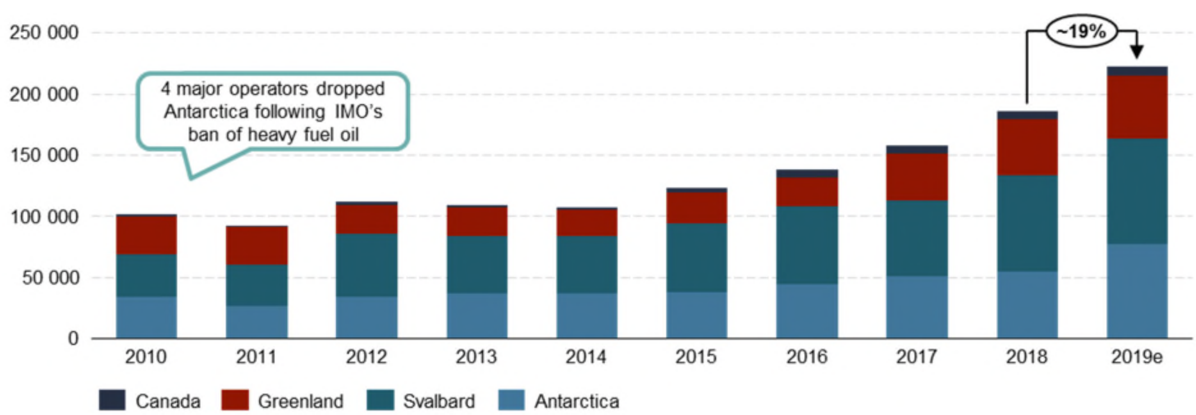


12

Expedition cruise and adventure travel:
Hurtigruten is through its premium expedition cruise offering positioned in the attractive intersection between cruise and adventure travel.

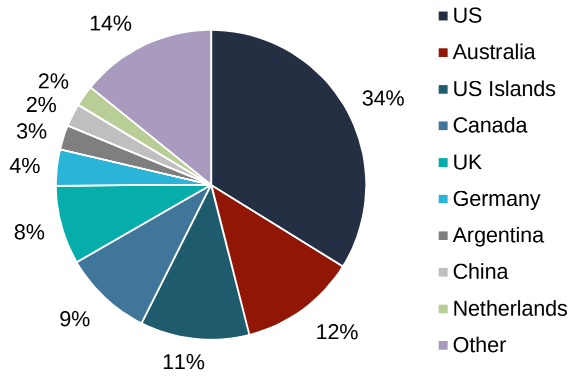
The adventure cruise market is experiencing a strong growth momentum, with expedition cruises growing at a CAGR of ~14% over the last five years.

Total expedition cruise tourism development (pax)[13]



[12] *CLIA changed methodology for calculating passenger volume in 2009. Therefore, consistent data for non-CLIA member cruise lines is unavailable prior to 2009. All passenger figures prior to 2009 are calculated by indexing CLIA-reported statistics to 2009 total of 17.8m*
[13] *Cruise Norway -Cruise pax prognosis*

Distribution of known passenger nationalities in Antarctica 2018/2019[14]



Antarctica tourism[14]

33%
Growth in Antarctic cruise landings from 2018/2019 to 2019/2020e

Norway Cruise[15]

13%
Pax CAGR from 2016 to 2019e

Iceland tourists[16]

22%
CAGR number of tourists from 2015 to 2018

Tourism to Northern Norway[17]

9% growth in Nordland
21% growth in Troms
18% growth in Finnmark
CAGR number of overnight stays from 2015 to 2018

Significant macro tailwinds support continued growth of expedition travel:

- **Global economic growth** means **more people** in the world that want to and can afford to travel, especially in **China and APAC.**
- **Baby boomers** are retiring. They are **young at heart, curious and well off.**
- People want to travel to, and immerse themselves in, **unique and authentic places.**
- Travelers care about what they leave behind, and **sustainability** is becoming a big part of the **operator value proposition.**
- **Social media drives travel** trends toward "off the beaten track"; travelers want **"Instagram moments"** that are unique.

[14] Source: *IAATO. Based on pre-season estimates, not actual statistics*
[15] Source: *Cruise Norway - Cruise pax prognosis*
[16] Source: *Ferdamalastofa Iceland tourism statistics*
[17] Source: *Statistics Norway*

6.5 The fleet

6.5.1 The Vessels; MS Roald Amundsen and MS Fridtjof Nansen

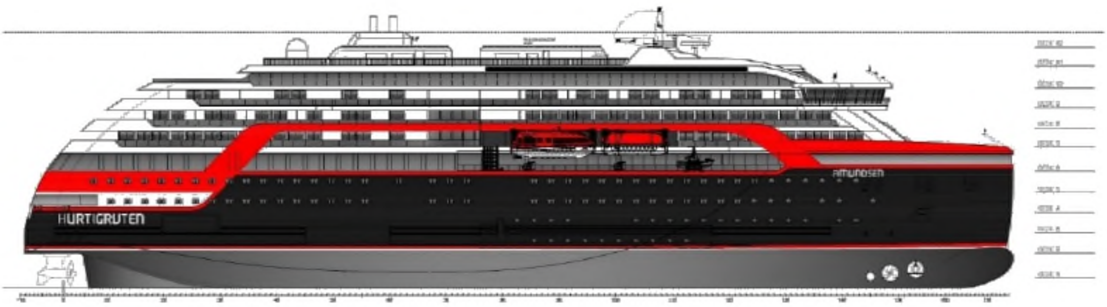
MS Roald Amundsen and MS Fridtjof Nansen are purpose-built expedition vessels and are the crown jewels of the Hurtigruten fleet.

The vessels are fitted with equipment from well-known high-quality providers and designed by Kongsberg Maritime together with the Norwegian yacht designer Espen Øino. The vessels are built for global operations with additional ice classing capabilities allowing the ships to sail to Arctic & Antarctic regions. The vessels are battery hybrid powered, featuring advanced technology which reduces emissions, fuel consumption and offer a quieter and smoother cruising experience.

Technical aspects

Place of registration:	Norway (both Vessels)
Identification:	MS Roald Amundsen: IMO: 9813072, MMSI 257425000 MS Fridtjof Nansen:IMO: 9813084, MMSI 257088070
Ship owning company:	Explorer II AS, a company existing under the laws of Norway with registration number 918 500 812 and LEI code 98450067B64D440ED557.
Leased/owned:	Owned directly by Explorer II AS

Detailed specifications – MS Roald Amundsen and MS Fridtjof Nansen



General

Yard	Kleven Verft
Classification	DNV GL
Flag	Norway
Polar Ice Class	PC-6

Crew Accommodation

Captains Class	4
Single crew	41
Double crew	53
Cabins Total	98
Berths total	151

Machinery

No. of main engines	4
Type:	Bergen B33:45
Output (each):	3600 kW
Propulsion concept:	azimuth
Propulsion motors:	2
Propulsion power:	3000 W
Service speed:	15 kn

Main Dimensions

Length o.a.	140 m
Length p.p.	13.5 m
Beam mld	23.6 m
Bulkhead deck	7.6 m
Draught design	5.3 m

Passenger Accommodation

Max. persons :	681
Max. passengers :	530
Expedition Suites	53
Arctic Superior	89
Polar Outside	123
Cabins Total	265
Outside ratio	100%
- thereof balcony cabins	50%

Tank Capacity

Fuel oil (MGO)	550 m²
Lube oil:	40 m²
Freshwater:	650 m²
Heeling water:	137 m²
Ballast water:	508 m²
Grey water:	850 m²

Tonnage	20 889 GT
Deadweight	1800

Passenger Areas

T. Aune Main dining	234
Fredheim restaurant	71
Lindstrøm restaurant	62
Activity Centre	228
Explorer Bar	335
Gym, Wellness & Sauna	
Pooldeck (Pool & 2 Jacuzzi)	

Thrusters

Bow thrusters:	2
Output (each):	1500 kW
Stabilisers:	1 pair fin type

Hybrid System

Battery storage:	2 x 627 kWh
Charge/discharge:	2 x 1750 kW

Bareboat charter overview / management of the Vessels
MS Roald Amundsen and MS Fridtjof Nansen are on bareboat charter from Explorer II AS to Hurtigruten Cruise AS at the following terms:

Contract start-up:	At the latest of the closing date for transferal of ownership for the two vessels
Charterer:	Hurtigruten Expedition Cruise AS
Contract type:	Bareboat charter, hell or high water
Profile:	25 years (equals depreciation profile in P&L)
Charter Period:	Until February 2025
Amount:	Expected to be approximately EUR 438m
Day rate:	MS Roald Amundsen: EUR 68 454 MS Fridtjof Nansen: EUR 68 454
Termination:	• The Issuer may terminate the charter if the Charterer, inter alia, fails to: i) pay hire, ii) comply with trading restrictions or iii) comply with insurance and repair requirements • The Charterer may terminate the charter if the Issuer is in breach of its obligations under the charter and the Charterer is deprived of its access to the Vessels and such breach continues for a period of 14 days after the Charterer has notified the Issuer of the breach • Either party is entitled to terminate the charter in the event of a resolution being passed for the winding up, dissolution, liquidation or bankruptcy of the other party • The charter is terminated if the Vessel becomes a total loss
Insurance:	The Charterer is obliged to keep the Vessels fully insured. This includes Hull & Machinery insurance, Hull Interest, Freight Interest, P & I and War Risk
Other:	Charterer is responsible for maintenance during the Charter Period

Summary of key financing terms

Issuer:	Explorer II AS
Issue ratings (S&P / Moody's):	B / B2
Initial guarantors:	Hurtigruten Group AS (rated B3 (neg) by Moody's and CCC+(neg) by S&P), Hurtigruten AS and Hurtigruten Cruise AS
Guarantors(post permitted reorganisation):	Hurtigruten Group AS (rated B3 (neg) by Moody's and CCC+(neg) by S&P), Hurtigruten Expedition Cruise AS, Hurtigruten Expedition Fleet AS, Hurtigruten Coastal Cruise AS, Hurtigruten Coastal Fleet ASandHurtigruten AS
Ranking:	Senior Secured First Lien bond
Security:	First priority mortgages over the Vessels, share pledge over all shares in the Issuer, assignment of earnings and insurances pertaining to the Vessels, pledge over earnings accounts and factoring agreements
Issueamount:	EUR 300m
Coupon:	3,375% p.a, semi-annual interest payments
Tenor:	5 years
Use of proceeds:	Refinance ECA facility + general corporate purposes
Vessels:	MS Roald Amundsen and MS Fridtjof Nansen
Amortisation:	5% semi-annually starting on the interest payment date falling 42 months after issue date
Financial covenants:	•Hurtigruten Group AS (consolidated): Minimum free liquidity ≥ EUR 15m •Issuer: Minimum free liquidity ≥ an amount equal to 50% of interest and amortization payable on the next interest payment date
Dividends (Parent):	•Prior to IPO: If Leverage≤ 3.75x: up to 25% of Net Profit. •Following IPO: If Leverage ≤ 3.75x: up to 50% of Net Profit; If Leverage ≤ 3.375x: up to 75% of Net Profit; If Leverage ≤ 3.00x:up to 100% of Net Profit
Change of control:	Put 101% of nominal amount
Call options:	Optional Early Redemption first two years, 24-36 months: par +50% of Coupon, 36-48 months: par +25% of Coupon, 48-54 months: par +12.5% Coupon, 54-60 months (not including Maturity Date): par
Equity clawback:	35% of Issue amount following an IPO at first call price
Trustee/ Law:	Nordic Trustee AS / Norwegian law
Listing:	Oslo Børs
Joint Lead Managers:	Carnegie, Danske Bank, DNB Markets and Nordea

A condensed valuation report for each of the Vessels can be seen in Annex 10. The valuations were prepared based on the market conditions as of fourth quarter 2019. As stated in clause 5.5, on 18 March 2020 Hurtigruten temporarily suspended operations due to effects of the coronavirus pandemic. According to the company responsible for the condensed valuation report, there is no data available which can be used in this situation and it would be pure speculation to adjust values. The market right now is disrupted and political decision makers have decided to shut down the industry and close ports, borders and forbid traveling. Under such circumstances there is no chance to talk about a market as there are no fundaments for a market in the leisure industry. Any legitimate data need to be referred to at this point in time to the time before the COVID19 Crises or until there is a normalization again. However, if the Parent Group needs to dispose the Vessel under the current market conditions it is uncertain if it is possible to find a viable buyer to purchase the Vessels for the appraised value.

It should be noted that the book value of the Vessels, which is lower than the appraised value is not representative of the underlying value of the Vessels. The Vessels are valued at historical cost in the accounts while the vessel contribution from these vessels are substantial compared to the initial investment. The Vessels are also depreciated over a significantly shorter period than the actual life of the Vessels. The appraised value also takes into account the increase in building costs for such vessels since the Vessels were built.

6.5.2 Remaining vessels

The remaining purpose-built fleet enables unique offerings and attractive returns on capital. Hurtigruten has a unique, well-invested and purpose-built fleet comprising of 14 mid-sized ships with a total of 5,797 berths. Hurtigruten estimates that the replacement value of its fleet is approximately €1bn and market value of approximately €500m, creating high barriers to entry. The fleet is flexible, with 12 out of 14 ships being explorer ice-class ships.

All 12 explorer class ships can be used along the Norwegian coast as well as other destinations, thereby providing greater destination reach compared to other cruise operators. The average age of Hurtigruten's fleet is approximately 20 years, which is lower than most of its explorer competitors. Compared to main-line cruise operators, the explorer vessels tend to have a longer useful life than conventional cruise ships, as the explorer vessels main offering is focused on the destination and outside experiences / activities vs. amenities on the cruises for main-line operators. e.g swimming pools, casinos or entertainment areas.

The ships have the ability to access shallow fjords and straits, which are inaccessible for conventional cruise ships due to shallow draft of the ships. Due to ship layout and logistics, Hurtigruten's ships are dedicated to offer an authentic and distinctive explorer experience, whereas conventional cruise operators can only operate "experience lite" cruises with less landings at very limited ports of call. For example, rigid inflatable boat landings are often perceived as key for the experience, Hurtigruten ships allow to utilise its cargo deck for landings with inflatable boats and expedition team.

In the period 2016-2019, Hurtigruten completed the refurbishment of the 6 90-class ships, MS Kong Harald, MS Polarlys, MS Nordkapp, MS Nordnorge Ms Nordlys, and MS Richard With yielding improved financial results by attracting new passengers, increased ticket prices, and increased on-board spending. In Q1 2020 Hurtigruten refurbished MS Finnmarken giving the vessel the same look and feel as MS Roald Amundsen and MS Fridtjof Nansen.

Millennium vessels

In 2021, MS Trollfjord, MS Finnmarken and MS Midnatsol will be positioned in the Expedition segment. MS Finnmarken and MS Midnatsol will be renamed MS Otto Sverdrup and MS Eirik Raude, respectively. Over the next 3 years, MS Eirik Raude and MS Trollfjord are anticipated to be fully refurbished with the same look and feel and concept as MS Roald Amundsen and MS Fridtjof Nansen. MS Otto Sverdrup was refurbished in Q1 2020.

Vessel mortgage under the Senior Facilities Agreement dated 9 Febuary 2018 (Term Loan B and RCF) and the Senior Term Loan Facility Agreement dated 17June 2020, borrower: Hurtigruten Group:

MS Midnatsol, built 2003, yard: Fosen Mek. Verk
MS Trollfjord, built 2002, yard: Fosen Mek. Verk
MS Finnmarken, built 2002, yard: Kværner Kleven, refurbished 2020
MS Fram, built 2007, yard: Fincantieri
MS Nordnorge, built 1997, yard: Kværner Kleven, refurbished 2016
MS Nordkapp, built 1996, yard: Kværner Kleven, refurbished 2016
MS Polarlys, built 1996, yard: Ulstein Mek. Verk, refurbished 2016
MS Kong Harald, built 1993, yard: Volkswerft, refurbished 2016
MS Vesterålen, built 1983, yard: Kaarbø Mek. Verk, refurbished/upgraded 1995/2019
MS Lofoten, built 1964, yard: Aker Mek. Verk, refurbished/upgraded 2019

BB charter (sale-leaseback):
MS Richard With, built 1993, yard: Worlkswerft refurbished 2018

MS Nordlys, built 1994, yard: Wolkswerft, refurbished 2019
MS Spitsbergen, built 2009, yard: Estaleiro Navais de Viana do Castelo, refurbished in 2016

Time charter during parts of the year:
MS Nordstjernen, built 1956, yard: Blohm & Voss

7 Organisational structure

7.1 Description of the group

Hurtigruten Group AS is the parent in the Hurtigruten Group. The purpose of Hurtigruten Group AS is being the group's treasury, including being the debtor in the group's main financing, and holding the direct ownership of Hurtigruten AS, Hurtigruten Explorer AS, Hurtigruten Onshore Operations AS, Hurtigruten Coastal Fleet AS and Hurtigruten Expedition Fleet AS.

Explorer II AS is a wholly owned subsidiary of Hurtigruten AS. Explorer II AS is the legal entity owning the vessels MS Roald Amundsen and MS Fridtjof Nansen. MS Roald Amundsen and MS Fridtjof Nansen are on bareboat charter to Hurtigruten Cruise AS, which operates the vessels. Explorer II AS has no employees.

Hurtigruten Cruise AS is also a wholly owned subsidiary of Hurtigruten AS. Hurtigruten Cruise AS owns the Hurtigruten brand, the cruise product and the ships which are not in SPVs. Hurtigruten Cruise AS hires crew from Hurtigruten Sjø AS, a separate crew center that handles the crew and is responsible for having qualified personnel available for all vessels.

Hurtigruten AS sells cruise products, flights, hotels and excursions through its sales and marketing companies worldwide as well as directly to the Nordic market, i.e. there is no separate sales company for the Nordic market segment. Hurtiguten AS has no employees. Hurtigruten AS has four main sales and marketing companies that are wholly owned subsidiaries, each covering its own geographical area: Hurtigruten GmbH, Hurtigruten Ltd, Hurtigruten Inc., Hurtigruten SAS,

Hurtigruten Pluss AS performs all administrative services for the Parent Group that pays a monthly fee for services received.

The Hurtigruten group chart can be seen in Annex 1.

7.2 Dependence upon other entities

The Hurtigruten Group's main source of financing is a Term Loan B with a face value of EUR 655 million. The Term Loan B is secured with pledge of the assets in Hurtigruten AS, including 10 owned ships, intercompany receivables, bank accounts, subsidiaries and assignment of insurance of and earnings from the ships.

In its ongoing business activities, the parent company Hurtigruten AS assumes a conditional liability through guarantees issued directly to or on behalf of its subsidiaries/associates.

Hurtigruten AS receives interest income from the Company, as well as trade and other current receivables from Hurtigruten Cruise AS and Hurtigruten Group AS. Hurtigruten AS pays interest and borrowing fees to Hurtigruten Group AS.

The Company's operations are dependent on Hurtigruten AS selling the cruise product, Hurtigruten Cruise AS operating the vessels and indirectly on Hurtigruten Sjø AS for crew hire and Hurtigruten Pluss AS for administrative services.

Therefore, the Company, Hurtigruten Group, Hurtigruten AS and Hurtigruten Cruise AS are dependent on the results of the operations of each other.

8 Trend information

8.1 Prospects and financial performance

As mentioned in 1 Risk Factors and 5.4 Details of any recent events particular to the Issuer and which are to a material extent relevant to an evaluation of the Issuer's solvency the Parent Group has been and will continue to be significantly affected by the outbreak of the global pandemic caused by the Covid-19 virus and the related local travelling restrictions, customers cancelling or rescheduling their bookings. As a result the Parent Group has experienced a significant decline in revenues with currently only five ships operating along the Norwegian Coast. It is difficult to predict how the Parent Group will be affected by the Covid-19 pandemic going forward as the Covid-19 pandemic creates great uncertainty for the Parent Group's business activities in 2020 and 2021, including uncertainty relating to how long the current travelling restrictions and reduced demand of cruise services will last and at what pace and to what level the travelling restrictions will be lifted. However, the Parent Group is well positioned to overcome near term challenges for numerous reasons:

- Strong customer satisfaction and positive booking trends for 2021 (8.1% higher compared to same time last year as of [5 July 2020]).
- The Parent Group is prepared for being positioned to take advantage of a rebound supported by a customer base mainly located in Northern Europe (>70% in Germany, Nordics and U.K.), in close proximity to the routes, though actual development will depend on further changes to travel restrictions
- Progressive relaxing of travel restrictions across Europe. As restrictions are gradually lifted all over Europe, domestic travel within the European Union and Norway is expected to surge - direct flights from large European cities to Bergen greatly enhances the attractiveness of Hurtigruten as a travel destination
- Operations along the Norwegian coast and in Arctic waters –less impacted by Covid-19 than other travel destinations and typically seen as a “safe” alternative
- Lower occupancy levels required compared to large cruise companies given higher ticket prices, lower reliance on onboard spend and fixed inflow from government contract
- Historically resilient nature of the cruise market further enhanced by Hurtigruten’s positioning in the small ship segment
- Proactive COVID-19 response with significant cost reduction measures, government support and cash burn minimization
- Hurtigruten has taken key steps to prepare for resumption of operations and has significant capacity on ships to accommodate social distancing. Approx. 30% of deck capacity blocked to ensure sufficient space between passengers. Extra cabins available at all times for isolation of guests or crew as necessary.
- Liquidity position of approx. EUR 183 million in cash as of [6 July 2020] including the new EUR105 million term loan.

8.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer’s prospects for at least the current financial year.

Ships in warm lay-up, cancelled sailings and resuming of operations
As described in section 5.4, due to Covid-19 and the new and changing port closures, the Parent Group had to cancel sailings for the majority of the fleet from 18 March including sailings with MS Fridtjof Nansen and MS Roald Amundsen owned by the Issuer. 14 out of 16 vessels has been in warm lay-up for this period, reduced to 11 out of 16 vessels from 26 June 2020. Due to travel restrictions and port closures 8 sailings with MS Fridtjof Nansen have been cancelled between March and June 2020 and 14 sailings with MS Roald Amundsen until September 2020. MS Fridtjof Nansen resumed operations on 26 June 2020, sailing Hamburg-Nordkap-Hamburg.The Parent Group plan to resume operations for MS Roald Amundsen and MS Spitsbergen on 17 July 2020. The Parent Group will closely monitor easing of travel restrictions and customer demand and restart further operations if it provides positive group contributions. If travel restrictions are lifted as predicted and the guests start to travel again, the aim is to successively bring 14 of 16 ships back in operation by the end of September.

Travel restrictions and reopening of some markets
The Parent Group is observing gradual relaxation of travel restrictions in certain European countries. European commission promotes opening of local tourism through lifting restrictions for member states with similar epidemiological situation, gradually restoring of passenger transportation, safely resuming tourism services and making vouchers a more attractive option for consumers. This is also the stated policy by the Government of Norway towards the Nordic countries. There is also a positive momentum for local travel in Norway this summer as most Norwegians are expected to spend their summer in Norway. The Parent Group is expected to benefit from geographical mix of its passengers with a customer base mainly located in Northern Europe (>70% in Germany, Nordics and U.K.), in close proximity to the routes. Norway has eased some travel restrictions and allowed some businesses to open from June 15. There are however still severe travel restrictions between most European countries and Norway, including Germany, UK, France and Sweden, which represent important markets to the Parent Group. On 25 June 2020 the Norwegian Government announced that it plans to allow people resident in the Schengen area/EEA to enter Norway from 15 July, provided that they live in a country or region where the level of infection is acceptable. The criteria for removing travel restrictions include the incidence of COVID-19 relative to population size, the number of people recently admitted to intensive care, and the proportion of positive tests. In addition, there are still severe travel restrictions in the US and APAC (9% and 8% of 2020 bookings per 13 Jan 2020) with uncertainty on when the markets will fully reopen. These restrictions are expected to have continued severe impact on the customer base and bookings going forward.

Booking trend

The Parent Group is experiencing good traction on 2021 bookings, which are up 8.1% y-o-y as of [5 July 2020] and account for greater than 20% of pre Covid-19 2021 sales target.

9 Administrative, management and supervisory bodies

9.1 Information about persons

Explorer II AS

Board of Directors
The table below set out the names of the members of the Board of Directors of Explorer II AS:

Name	Position	Business address
Daniel Andreas Skjeldam	Chairman	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Torleif Ernstsen	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Daniel Andreas Skjeldam

Education

- Master of Science in Economics and Business (Siviløkonom) from Norwegian School of Economics (NHH)

Experience

- Chief Commercial Officer at Norwegian Air Shuttle ASA
- Part of the start-up team at Norwegian Air Shuttle ASA
- Officer Norwegian Armed Forces
- Board experience from several companies in finance, tourism and transportation

Torleif Ernstsen

Education

- MBE, finance, BI Norwegian Business School MSc, Accounting and auditing, BI Norwegian Business School.

Experience

- CFO, Hurtigruten
- Investment banking, Carnegie Investment Bank
- Manager, Deloitte

Management
The table below sets out the name of the member of the Management of Explorer II AS:

Name	Position	Business address
Daniel Andreas Skjeldam	Chief Executive Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Daniel Skjeldam
See description under Board of Directors of Explorer II AS.

Hurtigruten Group AS

Board of Directors
The table below sets out the names of the members of the Board of Directors of Hurtigruten Group AS:

Name	Position	Business address
Trygve Hegnar	Chairman	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Petter Anker Stordalen	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Jonathan Barlow Rosen	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Matthew John Lenczner	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Trygve Hegnar
- Chairman of Hurtigruten since January 2015
- Owner and CEO of HegnarMedia AS, and editor of both Finansavisenand Kapital
- Chairman of Periscopus AS, and Board Member of Windy Boats, Hotel Vic and HegnarHotel
- Holds a degree in Business Administration from Mannheim University

Petter Anker Stordalen
- Board Member since January 2015
- Owner and Chairman of Nordic Choice Hotels since 1996
- Chairman of Strawberry Equities AS
- Founder of Stordalen Foundation

Jonathan Barlow Rosen
- Board Member since September 2014
- Partner at TDR Capital. More than 20 years experience from Private Equity, with TDR Capital since 2006
- Holds a degree in Economics and Public Policy from Duke University

Matthew John Lenczner
- Board Member since January 2015
- Partner at TDR Capital, with additional finance experience from Och-Ziff Capital and Lehman Brothers
- Holds a degree in Modern History and Modern Languages from Oxford University

Management
The table below set out the names of the members of the Management of Hurtigruten Group AS:

Name	Position	Business address
Daniel Skjeldam	Chief Executive Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Torleif Ernstsen	Chief Financial Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Ole-Marius Moe-Helgesen	Chief Digital Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Asta Lassesen	Chief Commercial Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Bent Martini	Chief Operating Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Stine Steffensen Børke	Chief Marketing Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Daniel Skjeldam
See description under Board of Directors of Explorer II AS.

Torleif Ernstsen
See description under Board of Directors of Explorer II AS.

Ole-Marius Moe-Helgesen

Education
- MBA with Distinction, INSEAD
- Financial Management and Governance at Norwegian School of Economics and Business Administration (NHH)
- MSc, Computer Science, Norwegian University of Science and Technology (NTNU)

Selected Experience
- Senior Engagement Manager, McKinsey & Company
- CTO and Principal Consultant, ITverket
- Software Architect, HMH Consulting

Asta Lassesen

Education
- MBA, Norwegian School of Economics Bodø

Experience
- Finance Manager Hurtigruten ASA
- Accountant Ernst & Young

- Chairman of TIRB

Bent Martini

Education

- Royal Norwegian Naval Academy
- Royal Norwegian Executive Staff College
- Maritime Executive Program, Duke University

Selected Experience

- Chief Operating Ofificer at Torvald Klaveness
- Managing Director, Klaveness Ship Management
- Various senior positions, Torvald Klaveness
- Deputy Managing Director at HSD Sea
- Deputy Managing Director & Maritime Adviser, Shipowners Association
- Commanding Officer in the Norwegian Royal Navy
- Various positions in the Norwegian Royal Navy

Stine Steffensen Børke

Education

- BA in International Marketing, BI Norwegian Business School
- MA in Professional Communication, University of Western Sudney

Selected Experience

- SVP Marketing at Norwegian Air Shuttle ASA
- Several senior positions, including Head of Marketing Communication Strategy, at Telenor ASA
- Various positions at HellyHansen

Hurtigruten AS

Board of Directors

The table below sets out the names of the members of the Board of Directors of Hutigruten AS:

Name	Position	Business address
Daniel Andreas Skjeldam	Chairman	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Torleif Ernstsen	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Daniel Andreas Skjeldam

See description under Board of Directors of Explorer II AS.

Torleif Ernstsen

See description under Board of Directors of Explorer II AS.

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Management

The company has no employees. The table below sets out the name of the member of the Management of Hutigruten AS:

Name	Position	Business address
Asta Sofie Lassesen	Managing Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Asta Sofie Lassesen

See description under Management of Hurtigruten Group AS.

Hurtigruten Cruise AS

Board of Directors
The table below sets out the names of the members of the Board of Directors of Hurtigruten Cruise AS:

Name	Position	Business address
Bent Martini	Chairman	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Asta Sofie Lassesen	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Inger Lise Winjevoll Myhre	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Regina Mari Aasli Paulsen	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Jørn Henning Lorentzen	Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Bent Martini
See description under Management of Hurtigruten Group AS.

Asta Sofie Lassesen
See description under Management of Hurtigruten Group AS.

Inger Lise Winjevoll Myhre

Education
- Master in Psychology – Cognitive Neuroscience

Selected Experience
- Vice President Crew Operations
- Various senior HR Positions in Hurtigruten Pluss AS
- HR Management positions in Maritime and offshore companies like Subsea 7 Norway AS and Master Marine AS
- Professional Services Consultant in SHL Norge AS

Regina Mari Aasli Paulsen

Education
- Nordreisa VGS Handel -og Kontor m/Markedsføring

Selected Experience
- Housekeeper (TFDS/Hurtigruten) (2000-2020)
- Kindergarden
- Grocery Store
- Flower Shop
- Petrol Station Esso (partly as general manger)

Jørn Henning Lorentzen

Education
- Chef education
- Catering manager school

Selected Experience
- Hurtigruten since 1984 as Chef
- Storekeeper
- Super User -onboard logistic system
- Various board positions

Management
The company has no employees. The table below sets out the name of the member of the Management of Hurtigruten Cruise AS:

Name	Position	Business address
Bent Martini	Managing Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Bent Martini
See description under Management of Hurtigruten Group AS.

9.2 Administrative, management and supervisory bodies conflicts of interest

There are no potential conflicts of interest between any duties to the Issuer or the Guarantors of the persons referred to in item 9.1 and their private interests and/or other duties.

10 Major shareholders

10.1 Ownership

Explorer II AS

The share capital of Explorer II AS is NOK 30,300 divided into 300 shares at a nominal value of NOK 101 each. The company has only one class of shares.

Explorer II AS is wholly owned by Hurtigruten AS.

Hurtigruten Group AS

The share capital of Hurtigruten Group AS is NOK 90,000 divided into 30 shares at a nominal value of NOK 3,000 each. The company has only one class of shares.

Hurtigruten Group AS AS is wholly owned by Silk Midco AS.

Hurtigruten AS

The share capital of Hurtigruten AS is NOK 427,491,754.63 divided into 423,259,163 shares at a nominal value of NOK 1.01 each. The company has only one class of shares.

Hurtigruten AS is wholly owned by Hurtigruten Group AS.

Hurtigruten Cruise AS

The share capital of Hurtigruten Cruise AS is NOK 300,000 divided into 30 shares at a nominal value of NOK 10,000 each. The company has only one class of shares.

Hurtigruten Cruise AS is wholly owned by Hurtigruten AS.

10.2 Change of control of the company

There are no arrangements, known to the Company or the Guarantors, the operation of which may at a subsequent date result in a change in control of the Company or the Guarantors.

11 Financial information concerning the Company's assets and liabilities, financial position and profits and losses

11.1 Historical Financial statements

Explorer II AS

Explorer II AS' financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied with effect from 1 January 2019 with retrospective effect.

The Explorer II's accounting policies for 2019 are shown in Annual Report Explorer II AS 2019, page 5, note 2.

Explorer II AS' financial statements for 2018 have been prepared in accordance with simplified International Financial Reporting Standards (IFRSs). With regard to the presentation and note information, simplified application of IFRS permits these to be in accordance with the Norwegian Accounting Act (NGAAP).

The Explorer II's accounting policies for 2018 are shown in Annual Report Explorer II AS 2018, page 6.

The Annual Report Explorer II AS 2018, the Annual Report Explorer II AS 2019 and the Quarterly Report Explorer II AS Q1 2020 are attached as Annex 6. Historical financial information is available on the pages shown below.

	Quarterly Report	Annual Report	
	Q1 2020*)	2019*)	2018
Explorer II AS			
Statement of profit and loss	3	1	1
Statement of financial position	4	2	2
Cash flow statement	6	4	5
Notes to the annual financial statements	7-8	5-17	6-17

*) contains comparative information for the previous year

Hurtigruten Group AS

Hurtigruten Group AS' consolidated financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

The Hurtigruten Group's consolidated accounting policies for 2019 are shown in Annual Report Hurtigruten Group AS 2019, page 9, note 2**).

Hurtigruten Group AS' consolidated financial statements for 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

The Hurtigruten Group's consolidated accounting policies for 2018 are shown in Annual Report Hurtigruten Group AS 2018, page 8, note 2**).

Hurtigruten Group AS' financial statement for 2019 have been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles.

The Hurtigruten Group's accounting policies for 2019 are shown in Annual Report Hurtigruten Group AS 2019, page 4, note 1**).

Hurtigruten Group AS' financial statements for 2018 have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on January 21, 2008. The company's significant accounting principles are consistent with the accounting principles of the Hurtigruten Group AS' consolidated financial statements.

The Hurtigruten Group's accounting policies for 2018 are shown in Annual Report Hurtigruten Group AS 2018, page 6, note 1**).

The Annual Report Hurtigruten Group AS 2018, the Annual Report Hurtigruten Group AS 2019 and the Quarterly Report Hurtigruten Group AS Q1 2020 are attached as Annex 7. Historical financial information is available on the pages shown below.

	Quarterly Report	Annual Report	
	Q1 2020)**	2019*)**)	2018*)
Hurtigruten Group AS			
Statement of profit and loss		1	1
Statement of financial position		1-2	2-3
Cash flow statement		3	5
Notes to the annual financial statements		4-14	6-14
Hurtigruten Group AS Consolidated			
Consolidated income statement	18	1	1
Consolidated statement of financial position	20	3-4	3-4
Consolidated cash flow statement	22	6	6
Notes to the consolidated statements	23-29	7-69	7-77

*) page numbers refer to different parts of the document, i.e "Parent Company Financial Statements" for Hurtigruten Group AS and "Consolidated Financial Statements" for Hurtigruten Group AS Consolidated.
**) contains comparative information for the previous year

Hurtigruten AS

Hurtigruten AS' financial statements for 2019 have been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles.

The Hurtigruten's accounting policies are shown in Annual Report Hurtigruten AS 2019, page 5, note 2.

Hurtigruten AS' financial statements for 2018 have been prepared in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act § 3-9.

The Hurtigruten's accounting policies are shown in Annual Report Hurtigruten AS 2018, page 6, note 2.

The Annual Report Hurtigruten AS 2018 and the Annual Report Hurtigruten AS 2019 are attached as Annex 8. Historical financial information is available on the pages shown below.

	Annual Report	
	2019*)	2018
Hurtigruten AS		
Statement of profit and loss	1	1
Statement of financial position	2-3	2-3
Cash flow statement	4	5
Notes to the annual financial statements	5-34	6-44

*) contains comparative information for the previous year

Hurtigruten Cruise AS

Hurtigruten Cruise AS' financial statements for 2019 have been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles.

The Hurtigruten Cruise's accounting policies are shown in Annual Report Hurtigruten Cruise AS 2019, page 5, note 1.

Hurtigruten Cruise AS' financial statements for 2018 have been prepared in accordance with simplified International Financial Reporting Standards (IFRSs). With regard to the presentation and note information, simplified application of IFRS permits these to be in accordance with the Norwegian Accounting Act (NGAAP).

The Hurtigruten Cruise's accounting policies are shown in Annual Report Hurtigruten Cruise AS 2019, page 7.

The Annual Report Hurtigruten Cruise AS 2018 and the Annual Report Hurtigruten Cruise AS 2019 are attached as Annex 9. Historical financial information is available on the pages shown below.

	Annual Report	
	2019*)	2018
Hurtigruten Cruise AS		
Statement of profit and loss	1	2
Statement of financial position	2-3	3
Cash flow statement	4	5
Notes to the annual financial statements	5-23	7-16

*) contains comparative information for the previous year

11.2 Auditing of historical annual financial information

Explorer II AS

The historical financial information for 2018 and 2019 has been audited. The audit has been conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs).

A statement of audited historical financial information is given in a separate statement for 2018, and the Annual Report Explorer II AS 2019, pages 18-19, attached as Annex 6.

Hurtigruten Group AS

The historical financial information for 2018 and 2019 has been audited. The audit has been conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs).

A statement of audited historical financial information is given in the Annual Report Hurtigruten Group AS 2018, pages 15-17, and the Annual Report Hurtigruten Group AS 2019, pages 15-17, attached as Annex 7.

Hurtigruten AS

The historical financial information for 2018 and 2019 has been audited. The audit has been conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs).

A statement of audited historical financial information is given in the Annual Report Hurtigruten AS 2018, pages 45-46, and the Annual Report Hurtigruten AS 2019, pages 36-37, attached as Annex 8.

Hurtigruten Cruise AS

The historical financial information for 2018 and 2019 has been audited. The audit has been conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs).

A statement of audited historical financial information is given in a separate statement for 2018, and the Annual Report Hurtigruten Cruise AS 2019, pages 24-25, attached as Annex 9.

11.3 Legal and arbitration proceedings

Explorer II AS

There has been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Explorer II AS is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on Explorer II AS' financial position or profitability.

Hurtigruten Group AS

There has been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Hurtigruten Group AS is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on Hurtigruten Group AS' financial position or profitability.

Hurtigruten AS

There has been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Hurtigruten AS is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on Hurtigruten AS' financial position or profitability.

Hurtigruten Cruise AS

There has been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Hurtigruten Cruise AS is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on Hurtigruten Cruise AS' financial position or profitability.

11.4 Significant change in financial position

As mentioned in *1 Risk Factors* and *5.5 Details of any recent events particular to the Issuer and which are to a material extent relevant to an evaluation of the Issuer's solvency* the Issuer and Guarantors have been significantly affected by the outbreak of the global pandemic caused by the Covid-19 virus and the related local travelling restrictions, customers cancelling or rescheduling their bookings. As a result, the Issuer and Guarantors have experienced a significant decline in revenues with currently only five ships operating along the Norwegian Coast. As mentioned in *5.6 Material changes in borrowing and funding structure since the last financial year* the Parent Group secured a new EUR 105m term Loan facility on 23 June 2020, which strengthens its financial position and conservatively address a potentially longer than expected return to full service. In addition, the Parent Group has received credit approval for a NOK 150 million loan from the Government loan guarantee scheme. The Parent Group had a liquidity position of approx. EUR 183 million in cash as of [6 July 2020] including the new EUR105 million term loan.

Other than the above, there has been no significant change in the financial position of the Issuer and the Guarantors which has occurred since the end of the last financial period for which interim financial information has been published.

12 Documents available

For the term of the Registration Document the following documents, where applicable, can be inspected at the website stated in clause 5.4 or in the annexes, respectively:

(a) the up to date memorandum and articles of association of the Company and the Guarantors;

(b) all reports, letters, and other documents, valuations and statements prepared by any expert at the Company's or the Guarantors' request any part of which is included or referred to in the Registration Document.

13 Third party information and statement by experts and declarations of any interest

13.1 Third party information

Part of the information given in this Registration Document has been sourced from a third party. It is hereby confirmed that the information has been accurately reproduced and that as far as Explorer II AS is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The following table lists such third parties:

Kind of information	Publicly available	Name of third party	Business address	Qualifications	Material interest in the Company
Cruise Industry News –2019 Expedition Market Report	Yes, against a fee	Cruise Industry News	441 Lexington Avenue, Suite 809, New York, NY 10017	Transcript	None
Hurtigruten Brand Health report 2019	No	Hurtigruten	Storgata 70, 9008 TROMSØ	Parent of the Company	Owner
Customer base by Age, 2015/16 data from Hurtigruten Salesforce	No	Hurtigruten	Storgata 70, 9008 TROMSØ	Parent of the Company	Owner
Clarksons Platou Company market study	No	Clarksons Platou	Munkedams veien 62c 0270 Oslo Norway	Research	None
CLIA 2018 Global Passenger Report	Yes	CLIA	1201 F Street NW, Suite 250, Washington DC 20004	Industry Trade Association	None

RCCL Annual Report 2018	Yes	RCCL	1050 Caribbean Way Miami, FL 33132-2096	Cruise Company	None
Antarctica tourism estimates	Yes	IAATO	50 South County Commons Way, Unit E-5B South Kingston, Rhode Island 02879 USA	Association	None
Cruise pax prognosis	Yes	Cruise Norway	Nordre Nøstekaien 1, 5011 Bergen, Norway	Research	None
Iceland tourism statistics	Yes	Ferdamalastofa Iceland	Geirsgata 9 - 101 Reykjavík	The Icelandic Tourist Board, an independent authority under the Ministry of Industries and Innovation.	None
Northern Norway tourism statistics	Yes	Statistics Norway	Postboks 2633 St. Hanshaugen 0131 Oslo	Statistics	None

Joint Lead Managers' disclaimer

Carnegie AS, Danske Bank A/S (Norwegian branch), DNB Bank ASA and Nordea Bank Abp (Norwegian branch), the Joint Lead Managers, have assisted the Company in preparing the Registration Document. The Joint Lead Managers have not verified the information contained herein. Accordingly, no representation, warranty or undertaking, expressed or implied, is made and the Joint Lead Managers expressly disclaim any legal or financial liability as to the accuracy or completeness of the information contained in this Registration Document or any other information supplied in connection with the issuance or distribution of bonds by Explorer II AS.

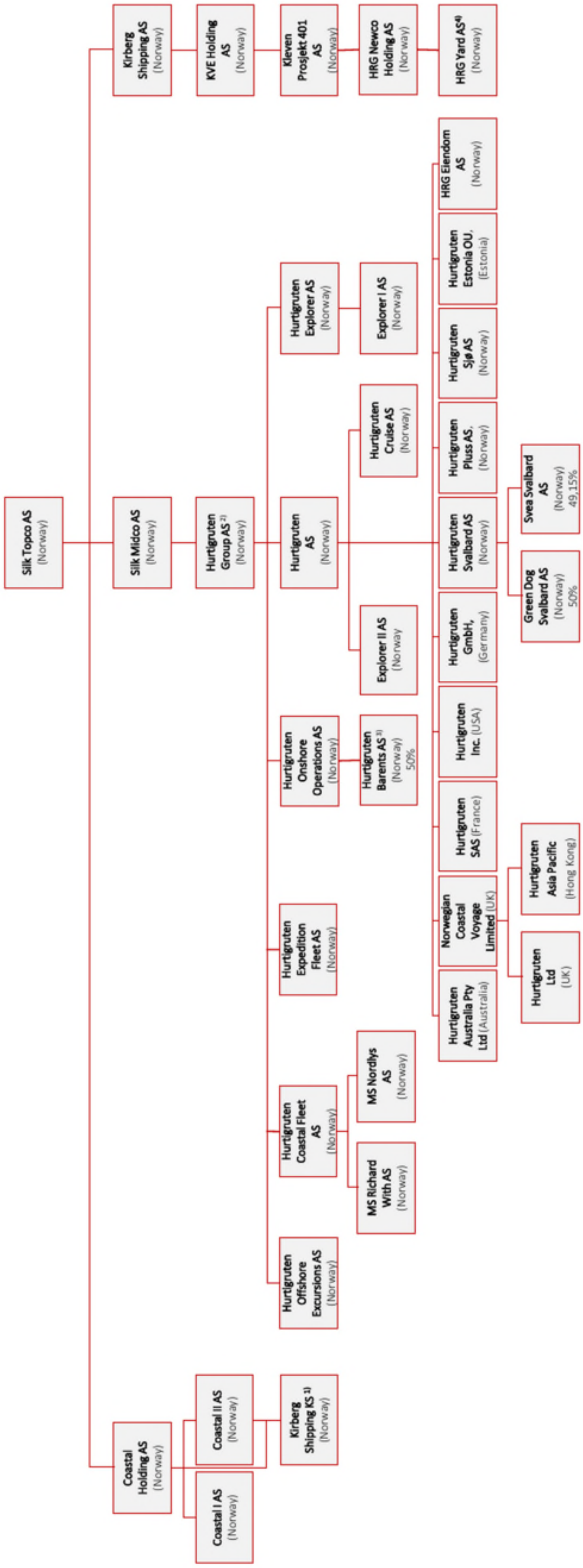
This Registration Document is subject to the general business terms of the Joint Lead Managers, available at their websites. Confidentiality rules and internal rules restricting the exchange of information between different parts of the Joint Lead Managers may prevent employees of the Joint Lead Managers who are preparing this Registration Document from utilizing or being aware of information available to the Joint Lead Managers and/or any of its affiliated companies and which may be relevant to the recipient's decisions.

Each person receiving this Registration Document acknowledges that such person has not relied on the Joint Lead Managers, nor on any person affiliated with it in connection with its investigation of the accuracy of such information or its investment decision.

Oslo/Trondheim, 9 July 2020

Carnegie AS (www.carnegie.no)	Danske Bank A/S (Norwegian branch) (www.danskebank.no)	DNB Bank ASA (www.dnb.no)	Nordea Bank Abp (Norwegian branch) (www.nordea.no)

Annex 1 Hurtigruten group chart



1) Coastal Holding AS owns 90% of Kirberg Shipping KS. The remaining 10% is owned by Coastal II AS.
2) Silk Bidco AS changed its name to Hurtigruten Group AS on 19 February 2019.
3) Hurtigruten Barents AS owns Arctic Secret Holding AS and Sollia Eiendom AS
4) HRG Yard AS owns 100% of HRG Shared Services AS, HRG Yard Facilities AS, HRG Maritime Contracting I AS, HRG Maritime Interior AS, HRG Bolig AS and HRG Prosjekt II AS (all entities being dormant entities)

Annex 2 Articles of Association for Explorer II AS

Annex 3 Articles of Association for Hurtigruten Group AS

Annex 4 Articles of Association for Hurtigruten AS

Annex 5 Articles of Association for Hurtigruten Cruise AS

Annex 6 Annual Report 2018 and 2019 and Quarterly Report Q1 2020 for Explorer II AS

Annex 7 Annual Report 2018 and 2019 and Quarterly Report Q1 2020 for Hurtigruten Group AS

Annex 8 Annual Report 2018 and 2019 for Hurtigruten AS

Annex 9 Annual Report 2018 and 2019 for Hurtigruten Cruise AS

Annex 10 Condensed valuation report MS Roald Amundsen and MS Fridtjof Nansen

<u>Vedlegg A</u>

VEDTEKTER

FOR

EXPLORER II AS

(sist endret 31. mars 2020)

§1

Selskapets navn er Explorer II AS.

§2

Selskapets forretningskontor er i Tromsø kommune**.**

§3

Investere i, eie og leie ut skip, samt investeringer og deltakelse i andre selskap, og alt hva står i den forbindelse.

§4

Selskapets aksjekapital er NOK 30.300 fordelt på 300 aksjer, hver pålydende NOK 101.

§5

Selskapets firma tegnes av styrets leder alene eller to styremedlemmer i fellesskap.

§ 6

Overdragelse av aksjer i selskapet krever ikke samtykke fra styret. Overdragelse av aksjer i selskapet utløser ikke forkjøpsrett for øvrige aksjeeiere i selskapet.

VEDTEKTER
Hurtigruten Group AS

(per 19. februar 2019)

§1 – Foretaksnavn

Selskapets foretaksnavn er Hurtigruten Group AS.

§2 – Forretningskontor

Selskapets forretningskontor er i Tromsø kommune.

Hvis styret bestemmer det, kan generalforsamlingen avholdes andre steder i Norge.

§3 – Virksomhet

Selskapets virksomhet er å investere i andre selskaper som driver transport- og reiselivsvirksomhet og dermed tilknyttet virksomhet, herunder skipsfart og offshorevirksomhet, samt investeringer og deltakelse i andre selskaper.

§4 – Aksjekapital

Aksjekapitalen er NOK 90 000, fordelt på 30 aksjer, hver pålydende NOK 3 000.

Selskapets aksjer er fritt omsettelige.

§5 – Styre og signatur

Styre har skal fire medlemmer som velges av generalforsamlingen.

Styrelederens stemme er ikke avgjørende ved stemmelikhet i styret. Ved stemmelikhet treffes heller ingen beslutning ved loddtrekning. Ved stemmelikhet anses således ingen beslutning truffet.

Selskapets foretaksnavn tegnes av et styremedlem.

ARTICLES OF ASSOCIATION
Hurtigruten Group AS

(as per 19 February 2019)

§ 1 – Name of the Company

The company's name is Hurtigruten Group AS.

§ 2 – Registered office

The company's registered office is in the municipality of Tromsø.

General shareholders' meetings may be held on other locations in Norway if the board of directors so decides.

§ 3 – Company business

The business of the company is to invest in other companies engaged in transport and travel business and associated activates, including shipping and offshore business, as well as investments and participation in other companies.

§ 4 – Share capital

The company's share capital is NOK 90,000 divided into 30 shares each with a nominal value of NOK 3,000.

The shares in the company are freely transferable.

§ 5 – Board members and signature rights

The board of directors shall have four members elected by the general meeting.

In event of parity of votes the chairman does not have a casting vote, and the resolution will not be decided by allotment. Thus, in event of parity of votes, no resolution will be made.

The signature of the company is held by one board member.

VEDTEKTER FOR HURTIGRUTEN AS

(sist endret 16. januar 2020)

§ 1 – Firma

Selskapets foretaksnavn er Hurtigruten AS.

§ 2 – Virksomhet

Selskapets formål er å drive enhver form for transport- og reiselivsvirksomhet, samt delta i virksomheter som står i naturlig sammenheng med dette. Selskapets virksomhet omfatter også deltakelse i andre selskaper.

§ 3 – Aksjekapital og aksjenes pålydende

Selskapets aksjekapital er NOK 427 491 754,63 fullt innbetal og fordelt på 423 259 163 aksjer. Pålydende pr. aksje er NOK 1,01.

* * *

VEDTEKTER	**ARTICLES OF ASSOCIATION**
HURTIGRUTEN CRUISE AS	**HURTIGRUTEN CRUISE AS**
(sist endret 18. oktober 2019)	(as amended on 18 October 2019)
1. Selskapets navn er Hurtigruten Cruise AS.	1. The company's name is Hurtigruten Cruise AS.
2. Selskapets forretningskommune er Tromsø.	2. The company's business municipality is Tromsø.
3. Selskapets virksomhet er å drive cruise- og sjøtransportsvirksomhet og tilknyttede aktiviteter, å eie cruiseskip for utleie og egen drift samt å ha eierandeler i selskaper som driver slik virksomhet.	3. The company's business is cruise and sea transportation and ancillary activities, to own cruise ships for charter hire and its own operations and to have ownership interests in other companies operating such business.
4. Selskapets aksjekapital er kr 300 000 fordelt på 30 aksjer pålydende 10 000.	4. The share capital of the company is NOK 300, 000 divided on 20 shares each share with a nominal value of NOK 10,000.
5. Selskapets signatur innehas av styrets leder alene.	5. The chairman of the board alone has the signatory rights of the company.

Resultatregnskap

Tall i EUR	*Note*	**2018**	9.jan - 31.des 2017
Driftsinntekter			-
Driftskostnader		**50 655**	-
Driftsresultat		**(50 655)**	-
Annen renteinntekt		**127**	
Annen finansinntekt		**16 807**	
Sum finansinntekter		**16 935**	-
Rentekostnader til foretak i samme konsern	8,10	**-**	363 536
Annen rentekostnad	8	**198**	618 133
Annen finanskostnad		**34 669**	
Sum finanskostnader		**(34 867)**	(981 669)
Årsresultat før skatt		**(68 587)**	(981 668)
Skattekostnad på ordinært resutlat	3		-
Årsresultat		**(68 587)**	(981 668)
Overf. og disponeringer			
Overføring udekket tap		**(68 587)**	(981 668)

Explorer II AS

Balanse pr 31.12.2018

Tall i EUR	*Note*	***2018***	9.jan - 31.des 2017
Eiendeler			
Anleggsmidler			
Skip under bygging	1,10	**64 232 254**	39 607 567
Sum anleggsmidler		**64 232 254**	39 607 567
Omløpsmidler			
Fordringer på konsernselskap		**4 224**	-
Andre kortsiktige fordringer		**7 719 099**	5 075 929
Bankinnskudd	2,5	**6 493**	3 049
Sum omløpsmidler		**7 729 816**	5 078 978
Sum Eiendeler		**71 962 070**	44 686 544
Egenkapital og gjeld			
Innskutt egenkapital			
Selskapskapital	6	**3 049**	3 049
Udekket tap		**(1 050 256)**	(981 669)
Sum egenkapital		**(1 047 207)**	(978 620)
Gjeld			
Langsiktig gjeld			
Gjeld til kredittinstitusjoner		-	-
Langsiktig gjeld til konsernselskap	2,4,9	**72 355 706**	45 543 831
Sum langsiktig gjeld		**72 355 706**	45 543 831
Kortsiktig gjeld			
Leverandørgjeld	2	**397 907**	121 333
Kortsiktig gjeld til konsernselskap	9	**255 664**	-
Sum kortsiktig gjeld		**653 571**	121 333
Sum gjeld		**73 009 277**	45 665 164
Sum egenkapital og gjeld		**71 962 070**	44 686 544

Oslo 28.06.2019

Daniel Skjeldam
Styreleder/ daglig leder

Torleif Ernstsen
Styrets nestleder

TOTALRESULTAT

Tall i EUR

	2018	9.jan - 31.des 2017
Årsresultat	**(68 587)**	(981 669)
Totalresultat etter skatt	**(68 587)**	(981 669)
Årets totalresultat	**(68 587)**	(981 669)

OPPSTILLING AV ENDRING I EGENKAPITALEN

Tall i EUR

	Aksjekapital	Overkursfond	Annen egenkapital	Udekket tap	Sum innskutt og opptjent egenkapital
Egenkapital 1. januar 2017	**-**	**-**	**-**	**-**	**-**
Åpningsbalanse	3 049	-	-	-	3 049
Årsresultat				(981 669)	(981 669)
Egenkapital 31. desember 2017	**3 049**	**-**	**-**	**(981 669)**	**(978 620)**
Egenkapital 1. januar 2018	**3 049**	**-**	**-**	**(981 669)**	**(978 620)**
Årsresultat				(68 587)	(68 587)
Egenkapital 31. desember 2018	**3 049**	**-**	**-**	**(1 050 256)**	**(1 047 207)**

Explorer II AS

KONTANTSTRØMOPPSTILLING

Tall i EUR

	Note	2018	2017
Kontantstrømmer fra operasjonelle aktiviteter			
Ordinært resultat før skattekostnad for videreført virksomhet		**(68 587)**	(981 668)
Endring i arbeidskapital:			
Endring i kundefordringer og andre fordringer		**(2 647 394)**	(5 075 929)
Endring i leverandørgjeld og annen kortsiktig gjeld		**276 574**	121 333
Netto kontantstrømmer fra driften		**(2 439 407)**	(5 936 264)
Kontantstrømmer fra investeringsaktiviteter			
Investering i varige driftsmidler	1	**(24 624 687)**	(39 607 567)
Netto kontantstrøm fra investeringsaktiviter		**(24 624 687)**	(39 607 567)
Kontantstrømmer fra finansieringsaktiviteter			
Innskutt kapital fra Hurtigruten AS			3 049
Opptak lån		**-**	
Opptak lån fra konsernselskap	9	**27 067 539**	45 543 831
Netto kontantstrøm fra finansieringsaktiviteter		**27 067 539**	45 546 880
Netto endring i kontanter og kontantekvivalenter		**3 444**	3 049
Beholdning av kontanter og kontantekvivalenter 01.01		**3 049**	-
Beholdning av kontanter og kontantekvivalenter 31.12	5	**6 493**	3 049

Explorer II AS

GENERELL INFORMASJON

Explorer II AS er et heleid datterselskap av Hurtigruten AS. Morselskapet har hovedkontor i Tromsø. Silk Topco AS er konsernspiss for konsernet. Konsernregnskap kan innhentes fra Brønnøysunds regnskapsregister.

Selskapet ble stiftet 09.01.17, alle tall for 2017 i regnskapet gjelder derfor perioden 09.01.17-31.12.17. Tall for 2018 i regnskapet gjelder for perioden 01.01.18-31.12.18.

Selskapet har valgt å benytte seg av adgangen til å anvende forenklet IFRS i selskapsregnskapet. Når det gjelder oppstillingsplan og noteinformasjon hjemler forenklet anvendelse av IFRS at disse kan være i samsvar med regnskapsloven (NGAAP). Oppstillingsplanen og noteinformasjonen for Explorer II AS er således gjort opp i samsvar med dette.

Selskapsregnskapet ble vedtatt av selskapets styre 28.06.2019

SAMMENDRAG AV REGNSKAPSPRINSIPPENE

(a) Omregning av utenlandsk valuta

(1) Funksjonell valuta og presentasjonsvaluta

Regnskapet presenteres Euro (EUR) som er den funksjonelle valutaen til selskapet. Både finansiering og en stor del av fremtidige inntekter og kostnader vil påløpe i Euro. Selskapet finner det da mest hensiktsmessig å bruke Euro som funksjonell valuta.

Balansedagskurs EUR/NOK er 9,9483.

(2) Transaksjoner og balanseposter

Transaksjoner i valuta annen enn Euro regnes om til den funksjonelle valutaen ved bruk av kurs på transaksjonsdato. Det foretas resultatføring av realiserte valutagevinster og -tap som oppstår ved betaling/oppgjør samt omregning av pengeposter (eiendeler og gjeld) i annen valuta enn funksjonell valuta på balansedagen.

(b) Kontanter og kontantekvivalenter

Kontanter og kontantekvivalenter består av kontanter og bankinnskudd. Kontanter og kontantekvivalenter er ulikt definert i balanse og kontantstrømspresentasjonen.

(c) Aksjekapital og overkurs

Ordinære aksjer klassifiseres som egenkapital.

(d) Leverandørgjeld

Leverandørgjeld er forpliktelser til å betale for varer eller tjenester som er levert fra leverandørene til den ordinære driften. Leverandørgjeld er klassifisert som kortsiktig dersom den forfaller innen ett år eller kortere (eller i den ordinære driftssyklusen dersom lenger). Dersom dette ikke er tilfelle, klassifiseres det som langsiktig.

Leverandørgjeld måles til virkelig verdi ved første gangs balanseføring. Ved senere måling vurderes leverandørgjeld til amortisert kost fastsatt ved bruk av effektiv rente metoden.

(e) Lån

Lån regnskapsføres til virkelig verdi når utbetaling av lånet finner sted, med fradrag for transaksjonskostnader. I etterfølgende perioder regnskapsføres lån til amortisert kost beregnet ved bruk av effektiv rente. Forskjellen mellom det utbetalte lånebeløpet (fratrukket transaksjonskostnader) og innløsningsverdien resultatføres over lånets løpetid.

(f) Betalbar og utsatt skatt

Skattekostnaden for en periode består av betalbar skatt og utsatt skatt. Skatt blir resultatført, bortsett fra når den relaterer seg til poster som er ført mot utvidet resultat eller direkte mot egenkapitalen. Hvis det er tilfelle, blir også skatten ført mot utvidet resultat eller direkte mot egenkapitalen.

Betalbar skatt for periode er beregnet i samsvar med de skattemessige lover og regler som er vedtatt, eller i hovedsak vedtatt av skattemyndighetene på balansedagen.

Det er beregnet utsatt skatt på alle midlertidige forskjeller mellom skattemessige og regnskapsmessige verdier på eiendeler og gjeld, ved bruk av gjeldsmetoden. Dersom utsatt skatt oppstår ved første gangs balanseføring av en gjeld eller eiendel i en transaksjon, som ikke er en foretaksintegrasjon, og som på transaksjonstidspunktet verken påvirker regnskaps- eller skattemessig resultat, blir den ikke balanseført. Utsatt skatt fastsettes ved bruk av skattesatser og skattelover som er vedtatt eller i det alt vesentlige er vedtatt på balansedagen, og som antas å skulle benyttes når den utsatte skattefordelen realiseres eller når den utsatte skatten gjøres opp.

Utsatt skattefordel balanseføres i den grad det er sannsynlig at fremtidig skattepliktig inntekt vil foreligge der de skattereduserende midlertidige forskjellene kan utnyttes.

Utsatt skattefordel og utsatt skatt skal motregnes dersom det er en juridisk håndhevbar rett til å motregne eiendeler ved betalbar skatt mot forpliktelser ved betalbar skatt, og utsatt skattefordel og utsatt skatt gjelder inntektsskatt som ilegges av samme skattemyndighet.

Endringer i regnskapsprinsipper

Alle nye og endrede standarder som er relevant for selskapet, og som trådte i kraft med virkning fra regnskapsperioden som starter fra 1. januar 2018, er anvendt ved utarbeidelse av årsregnskapet.

IFRS 9 Finansielle instrumenter har erstattet IAS 39 Finansielle instrumenter: Innregning og måling. Standarden har innført nye krav til klassifisering, måling og regnskapsbehandling av finansielle eiendeler og forpliktelser, samt sikringsbokføring. I henhold til IFRS 9 er finansielle eiendeler fordelt på tre kategorier: virkelig verdi gjennom annen totalresultat, virkelig verdi over resultatet og til amortisert kost. Målekategorien er etablert basert på metoden som brukes for første gangs måling av eiendelen. Klassifisering er betinget av selskapets forretningsmodell for styring av sine finansielle instrumenter og arten av kontantstrømmene for det enkelte instrument.

Nedskrivninger som kan henføres til kredittrisiko blir nå innregnet på grunnlag av forventet tap, i stedet for den tidligere modellen, hvor tap allerede har vært pådratt.
Standarden fortsetter i hovedsak kravene i IAS 39 for finansielle forpliktelser. Den største endringen gjelder i tilfeller der virkelig verdi alternativet er benyttet for en finansiell forpliktelse, men dette er ikke relevant for selskapet da dette alternativet ikke er benyttet.
IFRS 9 har forenklet kravene til sikringsbokføring ved å binde sikringseffektiviteten nærmere til ledelsens risikostyring og gi større mulighet for vurdering. Kravene til sikringsdokumentasjon er fortsatt, men noteringsopplysningskravene økes noe.

Implementering av IFRS 9 har ikke påvirket selskapets årsregnskap vesentlig.

IFRS 15, Inntekter fra Kontrakter med Kunder har etablert en ny fem-trinns modell som gjelder inntekter som følge av kontrakter med kunder. Videre krever standarden at kundekontrakten deles inn i individuelle leveringsforpliktelser. En leveringsforpliktelse kan være et produkt eller en tjeneste. Inntekter inntektsføres når en kunde oppnår kontroll over et produkt eller en tjeneste, og har dermed muligheten til å bestemme bruken av og kan motta fordelene som følger av produktet eller tjenesten. Standarden erstatter IAS 18 Driftsinntekter og IAS 11 Anleggskontrakter og tilhørende tolkninger.

Implementering av IFRS 15 har ikke påvirket konsernets årsregnskap vesentlig.

1 VARIGE DRIFTSMIDLER

Tall i EUR

	Skip under bygging	Sum
Balanseført verdi 1.januar 2017	-	**-**
Tilgang	39 607 567	**39 607 567**
Avgang	-	**-**
Årets avskrivninger	-	**-**
Årets nedskrivninger	-	**-**
Balanseført verdi 31. desember 2017	39 607 567	**39 607 567**
Pr. 31 desember 2017		
Anskaffelseskost	39 607 567	**39 607 567**
Akkumulerte avskrivninger 31. des	-	**-**
Akkumulerte nedskrivninger 31. des	-	**-**
Balanseført verdi 31. desember 2017	**39 607 567**	**39 607 567**
Balanseført verdi 1.januar 2018	**39 607 567**	**39 607 567**
Tilgang	24 624 687	**24 624 687**
Avgang		
Årets avskrivinger		
Årets nedskrivinger		
Balanseført verdi 31. desember 2018	**64 232 254**	**64 232 254**
Pr. 31 desember 2018		
Anskaffelseskost	64 232 254	**64 232 254**
Akkumulerte avskrivninger 31. des		
Akkumulerte nedskrivninger 31. des		
Balanseført verdi 31. desember 2018	**64 232 254**	**64 232 254**

2 FINANSIELLE EIENDELER OG FORPLIKTELSER

Tall i EUR

	2018	2017
Amortisert kost		
Eiendeler:		
Kundefordringer og andre fordringer	-	-
Kontanter og kontantekvivalenter	**6 493**	3 049
Sum	**6 493**	3 049
Andre finansielle forpliktelser til amortisert kost		
Forpliktelser:		
Lån fra konsernselskap	**72 355 706**	45 543 831
Leverandørgjeld	**397 907**	121 333
Kortsiktig gjeld konsernselskap	**255 664**	-
Sum	**73 009 277**	45 665 164

	2018	2017
Kundefordringer og andre fordringer		
Motparter med ekstern kredittvurdering		
Motparter uten ekstern kredittvurdering	-	-
Sum kundefordringer og andre fordringer	**-**	-

	2018	2017
Bankinnskudd		
Bankinnskudd	**6 493**	3 049
Sum bankinnskudd	**6 493**	3 049

3 SKATT

Tall i EUR

	2018	2017
Årets skattekostnad fordeler seg på:		
Betalbar skatt, tonnasjeskatt	-	-
Utsatt skatt/utsatt skattefordel knyttet til føringer mot egenkapital inkludert i endring utsatt skattefordel	-	-
Sum skattekostnad	**-**	-

Beregning av årets skattegrunnlag:		
Resultat før skattekostnad	**(68 587)**	(981 669)
Resultat fra virksomhet som omfattes av rederibeskatningsreglene		
Permanente forskjeller	-	-
Permanente forskjeller knyttet til egenkapitalføringer	-	-
Endring i midlertidige forskjeller som påvirker betalbar skatt	-	-
Anvendelse av fremførbart underskudd	-	-
Ytet konsernbidrag	-	-
Årets skattegrunnlag	**(68 587)**	(981 669)

Oversikt over midlertidige forskjeller:	**2 018**	2017
Andre forskjeller		
Pensjonforpliktelser	-	-
Anleggsmidler	-	-
Fremførbart underskudd	-	-
Grunnlag ikke balanseført utsatt skattefordel	-	-
Sum	-	-
Utsatt skatt/ utsatt skattefordel beregnet til	-	-
Anvendt skattesats	**22 %**	23 %

Avstemming av årets skattekostnad:		
Resultat før skatt	**(68 587)**	(981 669)
Beregnet skattekostnad på årets resultat 24% i 2017	-	-
Endring av skattekostnaden på grunn av:	-	
- ikke skattepliktig inntekt	-	-
- ikke skattemessig fradragsberettigede kostnader	-	-
- ikke balanseført utsatt skattefordel	-	-
- utsatt skatt/utsatt skattefordel knyttet til føringer mot egenkapital inkludert i endring utsatt skattefordel	-	-
- effekt endring av skattesats	-	-
Sum skattekostnad	-	-

Årets skattekostnad dreier seg i sin helhet om skatt beregnet på bruttotonnajse.

4 FORDRINGER OG GJELD

Tall i EUR

	2018	2017
Fordringer med forfall senere enn ett år	-	-
Sum	-	-

Langsiktig gjeld med forfall senere enn 5 år	**72 355 706**	-
Sum	**72 355 706**	-

5 BETALINGSMIDLER

Tall i EUR

	2018	2017
Kontanter og bankinnskudd (bundet)		-
Kontanter og bankinnskudd	**6 493**	3 049
Betalingsmidler i balansen	**6 493**	3 049

I kontantstrømoppstillingen omfatter kontanter og kontantekvivalenter:

	2018	2017
Kontanter og bankinnskudd	**6 493**	3 049
Bundne bankinnskudd		
Kontanter og kontantekvivalenter i kontantstrøm	**6 493**	3 049

6 INNSKUTT EGENKAPITAL

Tall i EUR

Aksjekapitalen på EUR 3049 i balansen består av 300 aksjer à kr. 10,16. Alle aksjer har like rettigheter
Innskutt egenkapital er 30 000 NOK

Selskapets aksjonærer pr. 31.12.2018:

	Aksjer	Eierandel	Stemmeandel
Hurtigruten AS	300	100 %	100 %
Totalt antall aksjer	300	100 %	100 %

7 GODTGJØRELSER

Tall i EUR

TALL FOR 2018:

	Stilling	Lønn	Pensjons kostnad	Annen godtgjørelse	Lån	Honorarer
Daniel Andreas Skjeldam	Daglig leder/ Styrets leder [1)]	-	-	-	-	-
Honorar til revisor - lovpålagt revisjon		-	-	-	-	**1 477**
Bistand IFRS, regnskap og skatt [2]		-	-	-	-	**-**

1) Daglig leder er lønnet fra Hurtigruten Pluss AS, og mottar ikke særskilt godtgjørelse for sitt

TALL FOR 2017:

	Stilling	Lønn	Pensjons kostnad	Annen godtgjørelse	Lån	Honorarer
Daniel Andreas Skjeldam	Daglig leder/ Styrets leder [1)]	-	-	-	-	-
Honorar til revisor - lovpålagt revisjon		-	-	-	-	**-**
Bistand IFRS, regnskap og skatt [2]		-	-	-	-	**-**
Andre attestasjonsoppgaver [2]		-	-	-	-	**-**
Honorar til revisor - annen bistand		-	-	-	-	**-**

1) Daglig leder er lønnet fra Hurtigruten Pluss AS, og mottar ikke særskilt godtgjørelse for sitt arbeid i Explorer II AS

8 FINANSINNTEKTER OG KOSTNADER

Tall i EUR

	2018	2017
Finansinntekter		
Renteinntekter kundefordringer		-
Valutagevinst	**16 807**	-
Renter bankinnskudd	**127**	
Sum	**16 935**	-
Finanskostnader		
Rentekostnader til foretak i samme konsern	**0**	363 536
Annen rentekostnad	**198**	618 133
Valutatap	**34 669**	0
Sum	**34 867**	981 669

9 MELLOMVÆRENDE KONSERNSELSKAP

Tall i EUR

	2018	2017
Langsiktig gjeld til Hurtigruten AS	**72 355 706**	45 543 831
Sum langsiktig gjeld konsern	**72 355 706**	45 543 831
Kortsiktig gjeld til Hurtigruten Pluss AS	**30 140**	**-**
Kortsiktig gjeld til Hurtigruten Sjø AS	**225 524**	**-**
Sum Kortsiktig gjeld konsern	**255 664**	-
Kortsiktig fordring til Hurtigruten AS	**4 224**	
Kortsiktig fordring konsern	**4 224**	-

10 NÆRSTÅENDE PARTER

Tall i EUR

Transaksjoner med nærstående parter er inngått på markedsmessige vilkår. Nærståene parter i denne sammenheng er nøkkelpersoner i selskapet, selskaper i samme konsern samt tilknyttede selskaper.

Transaksjoner med konsernselskap:	**2018**	2017
Finanskostnader		
Renter på langsiktig gjeld til Hurtigruten AS [1]	**1 532 616**	363 536
Kjøp av tjenester fra konsernselskap		
Kjøp av tjenester fra Hurtigruten Pluss AS	**49 019**	**-**

[1] Rentekosntader konsern er aktivert som skip under bygging

Det har ikke vært transaksjoner med nøkkelpersoner i selskapet.
Se note 7 for informasjon om godtgjørelser til nøkkelpersoner i selskapet,
det har ikke vært transaksjoner med nøkkelpersoner utover disse godtgjørelsene.

Det vises til note 9 for spesifikasjon av konsernmellomværende.

Til generalforsamlingen i Explorer II AS

Uavhengig revisors beretning

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Explorer II AS' årsregnskap som består av balanse per 31. desember 2018, resultatregnskap, totalresultat, oppstilling av endring i egenkapitalen og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3–9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3–9. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et regnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
https://revisorforeningen.no/revisjonsberetninger

Uttalelse om andre lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 28. juni 2019
PricewaterhouseCoopers AS

Stig Lund
Statsautorisert revisor

ANNUAL REPORT 2019

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c/o Hurtigruten AS, Storgata 70,
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Booking: +47 810 30 000, Switchboard: +47 970 57 030
Business register number: NO 918 500 812 VAT

HURTIGRUTEN

Directors' Report 2019

Operations and locations

Explorer II AS is a ship owning company located in Tromsø within the Silk Topco Group (Hurtigruten). Its purpose is to invest in, and lease out, under bareboat charter agreements, specialised cruise vessels for the operation in other Hurtigruten Group companies. At 31 December 2019 Explorer II AS owned the two-new hybrid-powered expedition ships, MS Roald Amundsen and MS Fridtjof Nansen. MS Roald Amundsen was delivered from the Kleven yard in June 2020 and started its operation in July 2019. In December 2019 the sister ship, MS Fridtjof Nansen, was delivered and started its operations in Q1 2019. The ships are state-of-the-art expedition vessels designed to meet guests' expectations as well as strict environmental and safety standards. MS Roald Amundsen and MS Fridtjof Nansen have an ice-reinforced hull, a total length of 140 metres and will be able to carry 530 guests. The hybrid technology engines will reduce fuel consumption substantially and permit periods of emission-free sailing. The investment in new technology has been partly funded by Enova, a Norwegian government enterprise responsible for the promotion of environmentally-friendly production and consumption of energy, and as such lives up to Hurtigruten's vision to be the leading expedition travel company by offering authentic and accessible experiences around the world to travellers who wish to explore and travel in a sustainable way.

Both vessels are operated by Hurtigruten Cruise, a sister company within the Hurtigruten Group. These two vessels will fortify Hurtigruten's position in the expedition cruise segment.

Key risk and uncertainty factors

Overall view on objectives and strategy

The company is exposed to financial risks in different areas. The goal is to reduce the financial risks as much as possible. The company's current strategy does not include the use of financial instruments. This is however, continuously being assessed by the Board of Directors. In 2019 the exchange risk was very limited by ensuring that the company's debt was in EURO which is the functional currency of the company.

Construction risk

The company's inability to deploy new ships and carry out ship repairs, maintenance and refurbishments on terms and within timeframes that are favourable or consistent with the company's expectations could result in revenue losses and unforeseen costs.

Currency risk

Explorer II AS has limited concentration of currency risk as the external financing is nominated in EURO, and the company has EURO as its functional currency. The company also has financing from the parent company in EUR, however during Q1 2020 these loans were converted in to share capital and other paid in capital to increase the company's equity and financial position as both vessels under construction have been delivered.

Explorer II AS has with the delivery of MS Roald Amundsen and MS Fridtjof Nansen fully drawn the committed Export Credit Agency credit facility for the two vessels (EUR 255 million outstanding as of 31.12.19). This loan has in Q1 2020 been refinanced by issuance of a Bond loan for EUR 300 million.

Price risk

The company has limited business activities except for a fixed bareboat lease agreement with Hurtigruten Cruise AS, hence no significant price risk.

Interest-rate risk

The company's borrowings and draws of the bank accounts are made at floating rates. Loans subject to a variable interest rate present a risk to the company's overall cash flow, while fixed interest rates expose the company to fair-value interest rate risk. The company has no specific hedging strategy to reduce variable interest rate risk.

Credit risk and Liquidity risk

The company has some credit risk, given that their source of income comes from one party, i.e. Hurtigruten Cruise AS (group company). However, the company delivers results and has a good equity and credit rating, hence the risk for losses on receivables is considered to be low.

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Finance function has the overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

Financial performance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied with effect from 1 January 2019 with retrospective effect. The transition effects are explained further in the disclosures to the financial statements in note 2.1.A).

The company has liquidity position of EUR 2.5 million as of 28.04.2020, where also Hurtigruten group has a liquidity of NOK 1.3bn as of 28.04.2020

Statement of profit and loss

Total operating revenues for Explorer II AS was EUR 7.7 million in 2019, related to bareboat charter of MS Roald Amundsen AS.

Net financial expenses amounted to EUR 3.2 million due to interest expenses related to the ECA financing of the vessels and internal loan from group company for funding of the purchase of the vessels.

The profit for the year was EUR 0.95 million, which will be transferred to other equity.

During 2019, the company did not have any research and development activities, and thus no cost related to this.

Cash flow

Net cash flow from operating activities amounted to EUR 6.6 million.

Net cash flow used in investment activities was EUR 307.4 million and includes the purchase of MS Roald Amundsen and Fridtjof Nansen.

Net cash flow from financing activities was EUR 303.7 million and is related to the financing of the vessels.

Financial position

The book value of the two new ships was EUR 380.7 million at 31 December 2019. The company's equity at 31 December was negative EUR 98 thousand. During Q1 Explorer II AS increased it's equity with a conversion of debt with an amount of EUR 105 million. The Bareboat lease agreements for MS Roald Amundsen and MS Fridtjof Nansen are for a period of 5 years, and the profitability in the lease agreements are deemed satisfactory to ensure a sound financial position going forward.

Share capital and shareholders

As of 31 December 2019, Explorer II AS had one shareholder and a total paid in Equity of EUR 3049. Issued shares was 300 with a nominal value of EUR 10.

Going concern

In the opinion of the Board of Directors, the financial statements provide a true and fair view of the financial performance during 2019, and financial position at 31 December 2019. The Board confirms that the financial statements have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

Health, safety and the environment

The company had no employees in 2019, thus no requirements related to the working environment, equal opportunities and discrimination.

With regards to the environment, Explorer II AS follows Hurtigruten's policy. Hurtigruten's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

Outlook

The company relies on the payment from group companies within Hurtigruten Group for the bareboat charter and can be affected of the result and performance of these. Due to the Covid-19 pandemic, Hurtigruten, has initiated activities to cut costs and growth investments. Hurtigruten are of the opinion that normal operations will commence in the late Q3 and Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company. We are therefore confident that the return on investment for Explorer II will be as expected for 2020.

Oslo, 29 April 2020
Board of Directors of Explorer II AS

Daniel Andreas Skjeldam	**Torleif Ernstsen**
Director/CEO	*Board member*

Explorer II AS

Financial Statements

2019

STATEMENT OF PROFIT AND LOSS

(in EUR 1,000)	*Note*	**2019**	2018*
Operating income	*11*	**7 664**	-
Depreciation	*4*	**-3 002**	-
Operating costs		**-516**	-51
Operating profit/(loss)		**4 145**	-51
Finance income	*10*	**245**	17
Finance expenses	*10*	**-3 442**	-35
Finance expenses - net		**-3 197**	-18
Profit/(loss) before income tax		**949**	-69
Income tax expense	*5*	**0**	-
Profit/(loss) for the year		**949**	-69

STATEMENT OF COMPREHENSIVE INCOME

(in EUR 1,000)	*Note*	**2019**	2018
Profit/(loss) for the year		**949**	(69)
Other comprehensive income:		**-**	-
Total comprehensive income for the year		**949**	(69)
Total comprehensive income for the year attributable to			
Owners of the parent		**949**	(69)
Total comprehensive income for the year		**949**	(69)

STATEMENT OF FINANCIAL POSITION

(in EUR 1,000)	*Note*	**2019**	2018*
ASSETS			
Non-current assets			
Ships	*4*	**380 687**	64 232
Total non-current assets		**380 687**	64 232
CURRENT ASSETS			
Receivables on group companies	*11, 13*	**8 170**	4
Other short-term receivables		**775**	7 719
Cash and cash equivalents	*7, 13*	**2 842**	6
Total current assets		**11 788**	7 730
Total assets		**392 475**	71 962
EQUITY			
Share capital	*8*	**3**	3
Retained earnings		**-101**	-1 050
Total equity		**-98**	-1 047
LIABILITIES			
Non-current liabilities			
Liabilities to financial institutions	*6, 13*	**223 789**	-
Liabilities to group companies	*11, 13*	**133 917**	72 356
Total non-current liabilities		**357 706**	72 356
Current liabilities			
Liabilities to financial institutions	*6, 13*	**21 667**	-
Accounts payable	*11, 13*	**410**	398
Income tax payable	*5*	**3**	-
Liabilities to group companies	*11, 13*	**331**	256
Other currents liabilities	*6*	**12 456**	-
Total current liabilities		**34 867**	654
Total equity and liabilities		**392 475**	71 962

* The comparable figures for the year ending 31 December 2019 in accordance with IFRS are the same as presented last year when following Norwegian Accounting Act and generally accepted accounting principles ("Forenklet IFRS"). Please refer to note 2.1 and section A for further information.

Oslo, 29 April 2020

Daniel Skjeldam
Chairman/CEO

Torleif Ernstsen
Board Member

STATEMENT OF CHANGES IN EQUITY

(in EUR 1,000)	*Note*	**Share capital including treasury shares**	**Retained earnings**	**Total Equity**
Balance at 1 January 2018		3	(982)	**(979)**
Profit/(loss) for the year		-	(69)	**(69)**
				-
Other comprehensive income		-	-	-
Total comprehensive income		-	(69)	**(69)**
Balance at 31 December 2018		3	(1 050)	**(1 047)**
Balance at 1 January 2019		3	(1 050)	**(1 047)**
Profit/(loss) for the year		-	949	**949**
				-
Other comprehensive income		-	-	-
Total comprehensive income		-	949	**949**
Balance at 31 December 2019		3	(101)	**(98)**

CASH FLOW STATEMENT

(in EUR 1,000)	**2019**	2018
Cash flows from operating activities		
Profit/(loss) before income tax	**949**	(69)
Adjustments for:		
Depreciation	**3 002**	-
Net interest expenses	**3 197**	18
Change in working capital:		
Trade and other receivables	**(529)**	(2 665)
Trade and other payables	**(12)**	277
Net cash flows from (used in) operating activities	**6 607**	(2 439)
Cash flows from investing activities		
Purchase of property, plant, equipment (PPE)	**(307 436)**	(24 625)
Net cash flows from (used in) investing activities	**(307 436)**	(24 625)
Cash flows from financing activities		
Proceeds from borrowings	**311 103**	27 068
Repayment of borrowings	**(5 417)**	-
Paid interest and fees	**(2 022)**	-
Net cash flows from (used in) financing activities	**303 664**	27 068
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**2 835**	3
Cash and cash equivalents at 1 January	**6**	3
Cash and cash equivalents at 31 December	**2 842**	6

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Explorer II AS is 100% owned by Hurtigruten AS. The ultimate parent company is Silk Topco AS, headquartered at Langkaia 1 in Oslo. The consolidated financial statements can be downloaded from the following website: www.hurtigruten.no

The purpose of Explorer II AS is owning two expedition vessels MS Roald Amundsen and MS Fridtjof Nansen for the purpose of bareboat charter lease to Hurtigruten Cruise AS. Both vessels were delivered in 2019.

The financial statements of Explorer II AS for the year ended December, 2019 where authorized for issue by the Board of Directors on 29 April 2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting polices applied in the preparation of the financial statements are described below. Unless otherwise stated in the description, these policies have been consistently applied to all periods presented.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied with effect from 1 January 2019 with retrospective effect. The transition effects are described in Section A below.

A) TRANSITION NOTE

As stated in section 2.1 for basis of preparation, these are the company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2019 and the comparative information presented in these financials. In preparing its opening IFRS statement of financial position, the analysis has shown that the transition did not affect the recognition and measurement in the financial statements. Nor were there any changes in accounting policies that resulted in different classifications and/or measurement compared to the financial statement as prepared in alignment with Norwegian GAAP ("Forenklet IFRS") last year.

Thus, the comparable figures are the same as presented for the financial year ending 31 December 2018, and the company has not presented a third statement of the financial statement, an additional statement of profit and loss and other comprehensive income as required by IFRS 1.21. The same is applicable for the cash flow statement as well as changes in equity and all related notes.

B) TRANSLATION OF FOREIGN CURRENCIES

(I) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are measured in the currency used in the economic area in which the entity primarily operates (the functional currency), which for Explorer II AS is Euro (EUR), as EUR counts for a significant part of the cash flow and financing of the company.

(II) TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the transaction rate. Realised and unrealised foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement. Foreign exchange gains and losses on loans, cash and cash equivalents are presented (net) in the income statement as finance income or expenses.

C) REVENUE RECOGNITION

The company only has intra group revenues from a bareboat leasing agreement with Hurtigruten Cruise AS, and revenues from the agreement is recognised on a straight-line basis over the lease term, and classified as operating revenues in the Income Statement.

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of ships. Property, plant and equipment are recognised at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

Periodic maintenance is recognised in the balance sheet and expensed over the period until the next periodic maintenance. Ongoing maintenance for all ship types is expensed continuously during the period in which the work is performed.

Expected useful life is determined on the basis of historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated on the basis of estimated sales values for operating assets at the end of their expected useful life.

Expected useful life is:

Ships	20–40 years

The useful life and residual value are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognised as their various components. These components are depreciated separately over each component’s useful life. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset’s recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

Gains and losses on disposals are recognised in the income statement under “Other (losses)/gains – net”, as the difference between the sales price and the book value.

The cost of ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items.

E) FINANCIAL ASSETS - CLASSIFICATION AND MEASUREMENT

Explorer II AS classifies financial assets in the following two categories, depending on the management’s object of acquiring the asset, and the characteristics of the asset:

1) *Financial assets measured at amortised cost*
   Primarily loans and receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method. Loans and

receivables with maturities less than 12 months are classified as current assets. Instruments with more than 12 months maturity are classified as non-current assets.

2) *Financial assets measured at fair value through profit or loss*
   All other financial assets should be measured at fair value through profit or loss.

F) TRADE RECEIVABLES

Trade receivables are measured at amortised cost, which normally is equal to the original invoice amount, as the interest element using the effective interest method normally is insignificant and therefore disregarded.

G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and bank deposits.

H) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are valued at fair value on first-time recognition in the balance sheet. Subsequently, trade payables are measured at amortised cost using the effective interest method. The interest element is disregarded if it is immaterial.

I) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognised at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

J) BORROWING COSTS

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the statement of financial position until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis. In the cash flow statement, interest paid is classified as part of the financing activities.

K) CURRENT AND DEFERRED INCOME TAXES

Vessel owning companies are subject to taxation under the Norwegian tonnage tax regime pursuant to chapter 8 of the Taxation Act. Under the tonnage tax regime, profit from qualifying operations are exempt from taxes. Financial results are not exempt from taxation. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Financial losses can be carried forward against positive financial income in later years. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is classified as an operating expense.

Taxation under the Tax tonnage regime requires compliance with strict requirements. Voluntary or compulsory exit from the regime will result in ordinary taxation of the operating results

L) PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that the Company will have to make a payment or forfeit an asset in order to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognised for future operating losses; however, provisions for unprofitable contracts are recognised.

M) LEASE AGREEMENTS (AS LESSOR)

As of year-end 2019 the vessels owned by the Explorer II AS were chartered out on long term contracts. The agreement is classified as an operating lease, as a significant portion of the risks and rewards of ownership are retained by the company. Lease assets held pursuant to an operating lease are included in the statement of financial position based on the nature of the asset.

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are reviewed on an ongoing basis and are based on experience, consultation with experts, trend analyses and several other factors, including forecast future events that are deemed probable under current circumstances.

3.1 KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions about the future. Thus, by their very nature, the accounting estimates that are made because of the above processes will rarely fully correspond with the outcome.

Estimates and assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

SHIPS

Useful economic lifetime

The level of depreciation depends on the estimated economic lifetime of the ships. These estimates are based on history and experience relating to the Company's vessel, as well as the vessel of the Group. The estimates are reviewed at regular intervals. A change in the estimate will affect depreciation in future periods.

Estimated impairment of ships

Where there are indications of such, the Group tests whether ships have suffered any impairment. The book value of the ships is included in the annual impairment test of goodwill and trademark at Group level.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

(in EUR 1,000)	Ships	Ships under construction	Total
Acquisition cost			
As at 1 January 2018	-	39 608	**39 608**
Additions	-	24 624	**24 624**
As at 31 December 2018	**-**	**64 232**	**64 232**
As at 1 January 2019	-	64 232	**64 232**
Additions	-	319 456	**319 456**
Transfer and reclassification	383 688	(383 688)	
As at 31 December 2019	**383 688**	**0**	**383 688**
Accumulated depreciation and impairment			
As at 1 January 2018	-	0	**0**
As at 31 December 2018	**-**	**0**	**0**
As at 1 January 2019	-	0	**0**
Depreciation	(3 002)	-	**(3 002)**
As at 31 December 2019	**(3 002)**	**0**	**(3 002)**
Book value 31 December 2018	**-**	**64 232**	**64 232**
Book value 31 December 2019	**380 687**	**0**	**380 686**
Useful economic lifetime	20 - 40 years	N/A	

Interest expenses that are directly attributable to acquisition of ships are capitalised as part of the cost of the asset. The amount in 2018 was MEUR 1,533 and MEUR 2,361 in 2019.

Lease agreements

Explorer II AS has entered a bareboat lease agreement with Hurtigruten Cruise AS with fixed payments for the next five years, as shown in the table below:

(in EUR 1,000)	2 019
Within 1 year	37 266
Between 1 and 2 years	39 800
Between 3 and 4 years	39 800
Between 4 and 5 years	39 800
Later than 5 years	145 671

NOTE 5 INCOME TAX

(in EUR 1,000)	**2019**	2018
Income tax payable, current year	-	-
Change in deferred tax, current year	-	-
Total income tax expense	**-**	-
Tonnage tax payable related to the shipping company tax schemes	3	-
Total Tonnage tax	**3**	-

Tonnage tax is calculated based on the ship's tonnage and not income, and is therefore classified as an operating expense.

(in EUR 1,000)	**2019**	2018
Profit/(loss) before tax from operations	**949**	-69
Tax rate	22 %	22 %
Expected income taxes at statutory tax rate in Norway	209	-617
Effect from change in valuation allowance, tax losses	168	640
Currency translation in tax return	143	-242
Shipping company tax schemes - NO Tax Act only (+/-)	-519	219
Income tax expense	**-**	-

NOTE 6 BORROWINGS

Nominal value at 31 December 2019

(in EUR 1,000)	Nominal value	Unamortized transaction costs	Book value
Liabilities to financial institutions	254 583	-9 128	245 456
Liabilities to group companies	133 917	-	133 917
Total	**388 501**	**(9 128)**	**379 373**

Nominal value at 31 December 2018

(in EUR 1,000)	Nominal value	Unamortized	Book value
Liabilities to group companies	72 356	-	72 356
Total	**72 356**	**-**	**72 356**

Movement in borrowings

(in EUR 1,000)	**2019**	**2018**
Total borrowings 1 January	**72 356**	**45 288**
Cash flows		
New financing	**311 103**	**27 068**
Repayments	**(5 417)**	**-**
Non-cash flow		
Accumalated interest	**1 078**	**-**
Amortisation of borrowing fee	**253**	**-**
Total borrowings 31 December	**379 373**	**72 356**
Of which Non-Current Liabilities to group companies	*133 917*	*72 356*
Of which Non-Current liabilities	*223 789*	-
Of which first year's instalment on non-current liabilities	*21 667*	-

Group

(in EUR 1,000)	**2019**	**2018**
Book value of collaterized assets	**380 686**	**64 232**

The collaterized borrowings are secured with the Company's assets.

Maturity profile of nominal borrowings

	2019	**2018**
Less than one year	**21 667**	**-**
Between 1 and 2 years	**43 333**	**-**
Between 3 and 5 years	**113 750**	**-**
More than 5 years	**209 751**	**72 356**
Total	**388 501**	**72 356**

Borrowings specified by currency

(In 1000)	**2019**	**2018**
EUR	**388 501**	72 356

Liabilities to financial institutions was repaid in 2020, see note 14 for details.

NOTE 7 CASH AND CASH EQUIVALENTS

(in EUR 1,000)	**2019**	2018
Cash and cash equivalents	**2 842**	6
Cash and cash equivalents	**2 842**	6

As of December 31 there were no restricted deposits included within cash and cash equivalents.

NOTE 8 PAID-IN EQUITY

(in EUR)	**Number of shares**	**Nominal value**	**Total**
Share capital	300	10	3 049

Shareholders	**Number of shares**	**Shareholding (%)**
Hurtigruten AS	300	100,00

All shares carry the same rights in the company.

NOTE 9 REMUNERATION

AUDIT REMUNERATION

(in EUR 1,000)	**2019**	2018
Statutory audit	**6**	1
Other assurance services	**-**	-
Other non-assurance services	**-**	-
Tax consultant services	**-**	-
Total	**6**	1

VAT is not included in the fees specified above.

Explorer II AS had no employees in 2019. The company's executives receive their salaries and other remuneration from Hurtigruten Pluss AS.

NOTE 10 FINANCIAL INCOME AND EXPENSES

(in EUR 1,000)	**2019**	2018
Interest income on current bank deposits	**1**	0
Foreign exchange gains	**244**	17
Finance income	**245**	17
Interest expenses borrowings	**289**	0
Borrowing fees	**1 987**	-
Interest paid to group companies	**1 078**	-
Foreign exchange losses	**88**	35
Finances expenses	**3 442**	35
Finance expenses – net	**(3 197)**	(18)

NOTE 11 RELATED PARTIES

TRANSACTIONS WITH GROUP COMPANIES

(in EUR 1,000)	**2019**	2018
Operating revenues		
Bareboat lease to Hurtigruten Cruise AS	**(7 664)**	-
Total		
Purchase of services		
Hurtigruten Sjø AS	**1 282**	-
Hurtigruten Pluss AS	**367**	49
Total		
Interest expenses		
Interest expenses to Hurtigruten AS	**3440**	1 533
Total		

INTRAGROUP BALANCES

(in EUR 1,000)	**2019**	2018
Current assets		
Current receivables from Hurtigruten AS	**507**	4
Current receivables from Hurtigruten Cruise AS	**7 664**	-
Total	**8 170**	4
Non-Current liabilities		
Non-Current liabilites due to Hurtigruten AS	**(133 917)**	(72 356)
Total	**(133 917)**	(72 356)
Current liabilities		
Payables to Hurtigruten Pluss AS	**(72)**	(30)
Payables to Hurtigruten Sjø AS	**(259)**	(226)
Total	**(331)**	(256)

NOTE 12 FINANCIAL RISK MANAGEMENT

MARKET RISK

a) Currency risk

Explorer II AS has limited concentration of currency risk as the external financing is nominated in EURO, and the company has EURO as its functional currency. The company also has financing from the parent company in EUR, however during Q1 2020 these loans were converted in to share capital and other paid in capital to increase the company's equity and financial position as both vessels under construction have been delivered.

Explorer II AS has with the delivery of MS Roald Amundsen and MS Fridtjof Nansen fully drawn the committed Export Credit Agency credit facility for the two vessels (EUR 255 million outstanding as of 31.12.19). This loan has in Q1 2020 been repaid by issuance of a Bond loan for EUR 300 million.

b) Price risk

The company has limited business activities except for a fixed bareboat lease agreement with Hurtigruten Cruise AS, hence no significant price risk.

c) Interest rate risk

The company's borrowings and draws of the bank accounts are made at floating rates. Loans subject to a variable interest rate present a risk to the company's overall cash flow, while fixed interest rates expose the company to fair-value interest rate risk. The company has no specific hedging strategy to reduce variable interest rate risk.

CREDIT AND LIQUIDITY RISK

The company has some credit risk, given that their source of income comes from one party, i.e. Hurtigruten Cruice (group company). However, the company delivers results and has a good equity and credit rating.

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

NOTE 13 FINANCIAL ASSETS AND LIABILITIES

The following principles has been used for subsequent measurement of financial assets and liabilities

Balance at 31 December 2019

(in EUR 1,000)	Amortised cost	Financial instruments at fair value through profit and loss	Total
Assets as per balance sheet			
Trade receivables and other receivables (note 11)	8 941	-	**8 941**
Cash and cash equivalents (note 7)	2 842	-	**2 842**
Liabilities as per balance sheet			
Liabilities to financial institutions (note 6)	(245 456)	-	**(245 456)**
Trade and other liabilities (note 11)	(134 658)	-	**(134 658)**
Total	**(368 330)**	-	**(368 330)**

Carrying value and fair value

(in EUR 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Trade receivables and other receivables (note 11)	8 941	8 941
Cash and cash equivalents (note 7)	2 842	2 842
Liabilities as per balance sheet		
Liabilities to financial institutions (note 6)	(245 456)	(254 583)
Trade and other liabilities (note 11)	(134 658)	(134 658)
Total	**(380 114)**	**(389 241)**

The carrying amount for short term receivables and payables has been assessed and does not differ materially from fair value.

Balance at 31 December 2018

(in EUR 1,000)	Amortised cost	Financial instruments at fair value through profit and loss	Total
Assets as per balance sheet			
Trade receivables and other receivables (note 11)	4	-	**4**
Cash and cash equivalents (note 7)	6	-	**6**
Liabilities as per balance sheet			
Trade and other liabilities (note 11)	(73 009)	-	**(73 009)**
Total	**(72 999)**	-	**(72 999)**

Carrying value and fair value

(in EUR 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Trade receivables and other receivables (note 11)	4	4
Cash and cash equivalents (note 7)	6	6
Liabilities as per balance sheet		
Trade and other liabilities (note 11)	(73 009)	(73 009)
Total	**(72 999)**	**(72 999)**

The carrying amount for short term receivables and payables has been assessed and does not differ materially from fair value.

Classification by IFRS fair value hierarchy

- Level 1: inputs are quoted prices in active markets for identical assets of liabilities.

- Level 2: inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This is primarily relevant for our derivatives, where the price normally is set by the counterpart (bank).

- Level 3: inputs are unobservable inputs for the asset or liability.

For Explorer 2 all cash and cash equivalents are classified within level 1. There were no transfers between the levels in 2019 or 2018.

NOTE 14 EVENTS AFTER BALANCE SHEET DATE

Financing

In February 2020 the ECA financing of EUR 260 million was refinanced. The ECA financing is replaced with a EUR 300 million five-year bond, semi-annual interest of six-month 3,375% p.a. The bond will be repaid with instalment of EUR 15.000.000 twice a year from August 2023. Any remaining outstanding bonds will be redeemed in full on the maturity. The Bond is planned to be listed at Oslo Stock Exchange in June 2020.

In March 2020 the share capital was increased with NOK 300 from NOK 30.000 to NOK 30.300 and the share premium was also increased by NOK 1.208.549.700 with a conversation of debt outstanding from parent company of EUR 105.000.000.

COVID-19 Outbrake

Subsequent to 31 December 2019, the spread of the COVID-19 virus significantly affects the Norwegian and global demand of travel related services. As Explorer II delivers bareboat charter to Hurtigruten Group, Explorer II needs to monitor the situation together with Hurtigruten Groups management. The effect on future cashflows and financial performance of Hurtigruten Group are still dependent on the extent and duration of the outbreak. As of 27 April the Group had a solid liquidity position of NOK 1.3bn.

The management in Hurtigruten Group has done the following actions

- Warm-stacked 14 of 16 ships
- Temporary lay-offs of approximately 73% of the Group’s employees
- Cancelled all non-critical projects
- Cut all non-essential and non-critical consultant and other costs

The Hurtigruten Groups management and board of Explorer II AS will continue to monitor the situation and take appropriate action as and when new information is available or more actions are needed.

To the General Meeting of Explorer II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Explorer II AS, which comprise the statement of financial position as at 31 December 2019, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29 April 2020
PricewaterhouseCoopers AS

Stig Arild Lund
State Authorised Public Accountant

First quarter report 2020

Explorer II AS
Financial Statements

Published 26 May 2020

Financial review

The financial information for the three months ended 31 March 2020 discussed below is derived from the unaudited financial statements of Explorer II AS as of this date, and the unaudited financial statements for the three months ended at 31 March 2019.

Explorer II AS sole business is to own two expedition vessels MS Roald Amundsen and MS Fritjof Nansen for the purpose of bareboat charter lease to Hurtigruten Cruise AS. Both vessels were delivered in 2019. MS Roald Amundsen in July 2019, while MS Fritjof Nansen was delivered in December 2019. Both vessels were constructed by Kleven Verft AS.

Profit and loss

Bare boat revenue in first quarter 2020 amounted to EUR 7.2 million vs. EUR 7.7 million for the year 2019 in total. Revenues in 2019 consists of bareboat charter for MS Roald Amundsen for 6 months, while first quarter 2020 includes, in addition to bareboat charter for MS Roald Amundsen, bareboat charter for MS Fritjof Nansen from February 24th. At the same date, the charter contract for MS Roald Amundsen were renegotiated, reducing the lease period while increasing the rent.

Net financial items in first quarter consists of interest on debt to financial institutions, interest on group borrowings and amortization of financing fees. In the first quarter of 2020, total finance expenses of EUR 12.2 million include full amortization of the fees paid for the ECA facility established in 2019.

Financial position and liquidity

Balance sheet
In second quarter of 2019, the company entered into an Export Credit Agency credit facility for financing of the purchase of the two vessels, in the amount of EUR 260 million. At year end 2019, the facility was fully drawn. The ECA financing was replaced in February 2020 with a bond of EUR 300 million. The bond has a 5-year tenor with semi-annual interest payments of 3.375% p.a.

In March 2020, the company increased its equity by increasing the face value of the ordinary shares from NOK 100 to NOK 101. A total of EUR 105 million of debt to the parent company Hurtigruten AS was converted, increasing the paid in capital to a total of EUR 105.003.000 at the end of first quarter 2020.

The equity ratio at the end of first quarter was 23.9%, compared to -2.0% at year-end 2019.

Cash flow
Net cash flow from operating activities in the quarter was EUR 3.8 million vs. EUR 6.6 million for the year 2019. The negative change is due to changes in receivables from Group companies.

Net cash flow from investing activities was EUR- 19.3 million and consist of payments for remaining deliveries related to MS Fritjof Nansen.

Net cash flow from financing activities consist of proceeds from the new issued bond of EUR 300 million, offset by repayments of the ECA facility and Group borrowings. Interest and finance fees in the amount of EUR 7.4 was paid in the quarter.

Net cash and cash equivalents in the cash flow statement was EUR 2,6 million at the end of first quarter 2020, equal to cash and cash equivalents in the statement of financial position.

Interim financial statements

Statement of profit and loss

Unaudited

(EUR 1 000)	*Note*	**1st quarter 2020**	1st quarter 2019	Full year 2019
Operating revenues		**7,230**	-	7,664
Total Revenues		**7,230**	-	7,664
Depreciation, amortisation and impairment		**(2,877)**	-	(3,002)
Other operating costs		**(113)**	(2)	(516)
Operating profit/(loss)		**4,241**	(2)	4,145
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		**7,118**	(2)	7,148
Finance income		**(0)**	(0)	245
Finance expenses		**(12,015)**	(568)	(3,442)
Net financial items		**(12,015)**	(568)	(3,197)
Income tax expense		**-**	-	-
Profit/(loss) for the period		**(7,774)**	**(570)**	**949**

Statement of comprehensive income

Unaudited

(EUR 1 000)	*Note*	**1st quarter 2020**	1st quarter 2019	Full year 2019
Profit/(loss) for the period		**(7,774)**	(570)	949
Other comprehensive income:				
Sum		**-**	-	-
Total comprehensive income for the period		**(7,774)**	(570)	949

Statement of financial position

Unaudited

(EUR 1 000)	31.3. 2020	31.3. 2019	31.12. 2019
ASSETS			
Non-current assets		*0*	
Ships	**385,256**	74,489	380,687
Total non-current assets	**385,256**	74,489	380,687
CURRENT ASSETS			
Receivables Group companies	**18,987**	5,181	8,170
Other short term receivables	**16**	3	775
Cash and cash equivalents	**2,548**	17	2,842
Total current assets	**21,550**	5,201	11,788
Total assets	**406,806**	79,689	392,474
EQUITY			
Equity attribute to owners of the parent			
Ordinary shares	**3**	3	3
Share premium	**105,000**	-	-
Paid -in capital	**105,003**	3	3
Retained earnings	**(7,876)**	(1,620)	(101)
Total equity	**97,127**	(1,617)	**(98)**
LIABILITIES			
Non-current liabilities			
Liabilities to financial institution	**294,621**	-	223,789
Liabilities to Group companies	**9,491**	80,571	133,917
Total non-current liabilities	**304,112**	80,571	357,706
Current liabilities			
Liabilities to financial institution	**-**	-	21,667
Accounts payables	**1,073**	80	410
Income tax	**3**	-	3
Liabilities to Group companies	**880**	658	331
Other current liabilities	**3,612**	(2)	12,456
Total current liabilities	**5,567**	736	34,867
Total equity and liabilities	**406,806**	79,689	392,475

Statement of changes in equity

Unaudited

	01.01-31.03.2020				
	Attributable to shareholders of Explorer II AS				
(in EUR 1 000)	Ordinary Shares	Share premium	Total paid in Capital	Retained earnings	Total Equity
Equity at beginning of the period	**3**	**-**	**3**	**(101)**	**(98)**
Total comprehensive income	-		-	(7,774)	(7,774)
Share issue	-	105,000	105,000	-	105,000
Equity at the close of the period	**3**	**105,000**	**105,003**	**(7,876)**	**97,127**

Cash flow statement

Unaudited

(in EUR 1 000)	*Note*	**1st quarter 2020**	1st quarter 2019	Full year 2019
Cash flows from operating activities				
Profit/(loss) before income tax		**(7,774)**	(570)	949
Adjustments for:				
Depreciation, amortisation and impairment losses		**2,877**	-	3,002
Interest expenses		**11,699**	581	3,197
Change in working capital:		**(2,957)**	(13)	(541)
Net cash flows from (used in) operating activities		**3,845**	(2)	6,607
Cash flows from investing activities				
Purchase of property, plant, equipment (PPE)		**(22,146)**	(7,122)	(307,436)
Change in restricted cash [1]		**2,820**	-	(2,820)
Net cash flows from (used in) investing activities		**(19,327)**	(7,122)	(310,256)
Cash flows from financing activities				
Issue of ordinary shares		**105,000**	-	-
Proceeds from borrowings		**300,000**	-	311,103
Repayment of borrowings		**(254,583)**	-	(5,417)
Repayment of borrowings to group companies		**(125,037)**	7,723	
Interest paid		**(7,373)**	(590)	(2,022)
Net cash flows from (used in) financing activities		**18,007**	7,134	303,664
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**2,525**	10	15
Cash and cash equivalents at the beginning of period		**23**	6	6
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**-**	-	0
Cash and cash equivalents at end of period		**2,548**	17	22

1) *The cash flow statement for 2019 has been changed to reflect that EUR 2.8 million was restricted funds at year-end 2019.*

Notes to the condensed consolidated financial Statements

Note 1 Accounting policies
The interim financial report for the company is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards, and should therefore be read in connection with the annual report for Explorer II AS for 2019.

The annual report for 2019 for the company can be obtained through a request to the company's main office. The accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2019.

In the preparation of the interim financial report, estimates and assumptions have been applied, which has affected assets, liabilities, revenues and costs. Actual figures can deviate from estimates applied.

Note 2 Financial risk management
There are potential risks and uncertainties that can affect the operations and financial solidity of the company. This may lead to actual results deviating from expected and historical results. Information concerning the most important risks and uncertainties is disclosed in the latest annual report.

Note 3 Interest-bearing Debt

Unaudited

(Figures stated in EUR 1000)	**31.3. 2020**	31.3. 2019	31.12. 2019
Long term interest-bearing debt			
Bond	**294,621**	-	-
Credit facilities	**-**	-	223,789
Liabilities to group companies	**9,491**	80,571	133,917
Total	**304,112**	80,571	357,706
Short term interest bearing debt			
Collateralized borrowings	**-**	-	21,667
Total	**-**	-	21,667
Total outstanding interest-bearing debt	**304,112**	80,571	379,373

The above amounts state borrowings at amortized cost, as in Statement of Financial Position.

Maturity Profile

The below maturity schedule reflects the borrowings at nominal values.

(Figures stated in EUR 1000)	**31.3. 2020**	31.3. 2019	31.12. 2019
Less than one year	**-**	-	21,667
Year 2 and 3	**-**	-	43,333
Year 4 and 5	**300,000**	-	113,750
More than 5 years	**9,491**	80,571	209,750
Total Interest-bearing debt	**309,491**	80,571	388,500

Note 4 Net Financial items

Unaudited

(EUR 1000)	**1st quarter 2020**	1st quarter 2019	01.01-31.12 2019
Interest income on current bank deposits		-	1
Foreign exchange gains	**-**	-	244
Finance income	**-**	-	245
Interest expense and amortized borrowing fees	**(10,957)**	13	(2,276)
Interest paid to Group companies	**(611)**	(581)	(1,078)
Foreign exchange losses	**(422)**	-	(88)
Other finance expenses	**(636)**	-	-
Finance expenses	**(12,015)**	(568)	(3,442)
Net Financial items	**(12,015)**	(568)	(3,197)

Note 5 Events after the balance sheet date

There are no material events after balance sheet date that affect the financial statements.

ANNUAL REPORT 2018

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HURTIGRUTEN

Directors' Report 2018

Hurtigruten - world leader in exploration travel

The Hurtigruten Group, through its brand Hurtigruten, is the world leader in expedition travel. With a fleet of 14 custom-built expedition cruise vessels – and the world's two first hybrid-powered expedition cruise ships under construction – Hurtigruten is the world's largest expedition cruise company. It offers a unique gateway to experiences in the Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travellers from all over the world. Hurtigruten's operation builds on a rich and proud Norwegian Expedition Cruises heritage, having connected the many coastal communities in Norway for 125 years, offering the first voyages to Svalbard as early as 1896. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market.

Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as "The world's most beautiful voyage". During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a rapidly growing number of active excursions. Hurtigruten has introduced the culinary concept of "Norway's Coastal Kitchen", offering authentic Norwegian cuisine with locally sourced ingredients delivered fresh to the ships throughout the journey, reflecting both the seasons and local specialties. Hurtigruten is the only operator offering year-round, daily departures from each of these 34 ports and holds a unique competitive position on the Norwegian Coast.

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is becoming known as the world leader in this segment. With its strong focus on sustainability and the environment, Hurtigruten is in 2019 introducing the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, is due to be launched in Q4 2019. These vessels are under construction at the Kleven Group's yard in Norway and will greatly enhance Hurtigruten's offering in the expedition cruise segment.

Hurtigruten completed the buy-back of MS Richard With in 2017 and MS Nordlys at the beginning of 2018, which are tailor made for the coastal route. Hurtigruten has leased the vessels since 2002. MS Richard With underwent a complete refurbishment in 2018, increasing the number of suites, improving the cabins and the indoor decks and improving the general service offering on the vessels. MS Nordlys will undergo the same upgrade in May 2019.The existing fleet has provided Hurtigruten with greater flexibility and an opportunity to tailor offerings, attracting more guests and new segments.

In 2017, Hurtigruten made the largest investment in land-based operations in the company's history, announcing a NOK 200 million expansion programme for the operations of its subsidiary, Hurtigruten Svalbard, including upgrades of two hotels and Arctic adventure travel experiences. The first stage of the investment plan was the refurbishment of the Funken Lodge which was completed in February 2018. Funken Lodge is taking lodging in the Arctic to another level with state of the art cuisine and guest experience. In October 2018, refurbishments started at the Svalbard Radisson Blu Polar hotel, which was completed in February of 2019. The upgraded hotel will offer enhanced facilities for the guests and employees and will further strengthen the company's position in the market. Hurtigruten Svalbard offers a wide range of excursions including dogsledding under the Northern Lights, ice-caving and snowmobile trips.

Business and location

Hurtigruten is the global leader in cruise-based exploration and adventure travel based on APCNs, offering adventures that provide customers with the feel of authentic exploration into polar waters. Its offering is differentiated from that of most other cruise operators, including itineraries with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places. The Group views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract. The Group has a fleet of 14 ships and has 125 years of experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long and naturally distinct coast line, Hurtigruten is one of Norway's most recognized international travel brands. Hurtigruten's global headquarters are located in Tromsø, one of the key ports of call on the Norwegian coastal route. In addition, commercial offices in Oslo, Trondheim, Hamburg, London, Paris, Seattle, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets.

Hurtigruten's wholly-owned subsidiary Hurtigruten Svalbard AS, is headquartered in Longyearbyen.

The group's business segments are divided into the following product areas: Hurtigruten Norwegian Coast, Expedition Cruises and Svalbard.

Hurtigruten Norwegian Coast represents Hurtigruten's longest-running and largest business area and comprises a fleet of 11 ships providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten's legendary voyage ranks as one of Norway's most renowned and iconic attractions. In recent years, Hurtigruten has developed the voyages significantly to offer a wide range of activities and excursions to guests along the coast. In this process, Hurtigruten Expedition Teams have been added to most of the ships, providing lectures, organising excursions and adding to the onboard experience. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound). The Norwegian state purchases local transport and freight shipment services along the Norwegian coast. In the period 2012-2020 Hurtigruten will operate 11 ships under the "Coastal Route Agreement". In 2018 there was a tender for a new contract for the period 2021-2031. In the new tender the agreement was divided into 3 packages of 3,4 and 4 ships where potential interested parties could bid for one, two or three packages. Hurtigruten was awarded 2 packages of a total of 7 ships and will receive an annual payment NOK 546m (2018 value) for 7 ships (NOK 78m per vessel) which is a 22% increase in annual compensation per vessel compared to the compensation in 2018 of NOK 64m per vessel and will be KPI adjusted over the life time of the contract. This is a very positive outcome for Hurtigruten as we will be able to deploy our 3 largest ships into the fast-growing Expedition Cruise segment from 2021.
Expedition Cruises products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include visits to the Antarctic and Arctic, Iceland, Greenland, South America and a variety of other destinations. Two vessels operate year-round in this segment, MS Fram, MS Midnatsol (September–April) and MS Spitsbergen (May–August). MS Midnatsol and MS Spitsbergen operate in the Norwegian Coast segment when they are not in the Expedition Cruises segment, as part of the 11-ship fleet. In addition, MS Nordstjernen homeports in Longyearbyen and operates shorter expedition cruises around Svalbard during the Arctic summer. In 2019, MS Roald Amundsen and MS Fridtjof Nansen, the two hybrid vessels under construction, will join the Expedition Cruises segment, further increasing the number of unique itineraries. From 2021 our 3 largest ships will join this segment after undergoing a full refurbishment.

The *Svalbard* product area comprises year-round hotel and restaurant activities, as well as Arctic adventure tourism in Svalbard. From a base in Longyearbyen, Hurtigruten Svalbard AS offers active Arctic experiences on snow-covered and snow-free terrain with an extensive portfolio of activities and excursions. These include day trips on skis, dog sledding, snowmobile trips, boat or hiking excursions and longer expeditions in the archipelago. Hurtigruten's operations – originating back in 1896 – are the largest and most diversified in Svalbard.

Business concept, objective and strategy

Objective and vision

Hurtigruten's vision is to be the world leader in exploration travel by offering authentic and accessible experienced around the world to travellers who wish to explore and travel in a sustainable way. Hurtigruten will be a frontrunner in adventure tourism and expedition cruising, a niche with substantial global growth potential. With a fleet of 14 custom-built expedition ships, Hurtigruten is already the world's largest expedition cruise operator. Two-thirds of the Bergen–Kirkenes route lies north of the Arctic Circle. Accordingly, Hurtigruten has, at any given time, more than half its fleet in Arctic waters throughout the year. Hurtigruten's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic and active experiences on both land and sea.

New ground-breaking expedition ships

On 30 June 2016, Hurtigruten AS and Kleven Yards signed a contract for the construction and delivery of two new hybrid-powered expedition ships, MS Roald Amundsen and MS Fridtjof Nansen. The construction will be completed in 2019. The ships will be state-of-the-art expedition vessels designed to meet guests' expectations as well as strict environmental and safety standards. MS Roald Amundsen and MS Fridtjof Nansen will have an ice-reinforced hull, a total length of 140 metres and will be able to carry 530 guests. The hybrid technology engines will reduce fuel consumption substantially and permit periods of emission-free sailing. The investment in new technology has been partly funded by Enova, a Norwegian government enterprise responsible for the promotion of environmentally-friendly production and consumption of energy.

Differentiation and strategy

Hurtigruten's primary strategy is profitable growth throughout its businesses. This will be achieved through increasing capacity through construction of new vessels, operational initiatives to realise its substantial potential, expand and renew its customer base, and strengthen the product range.

Hurtigruten believes its product portfolio differs significantly from product portfolios offered by other cruise operators. It has been purposefully designed to reach a customer segment whose wishes are not met by other operators. Rather than following the traditional cruise model of floating hotels and ships as the destination, Hurtigruten offers its guests the opportunity to get closer to nature in beautiful and remote areas in order to experience local wildlife, culture and activities – with a minimal footprint.

Hurtigruten appeals to guests who prefer to be close to nature and who value the experience of authenticity and sustainability. Operating smaller, custom-built vessels, Hurtigruten's ships are easier to manoeuvre and their crew and staff are very familiar with Norwegian, Arctic and Antarctic waters, which are among the most challenging in the world. In the Expedition Cruises segment, the day-to-day itineraries and programmes are adjusted based on weather and local conditions, ensuring optimal sightings of nature and wildlife, cultural events in a number of ports of call and other experiences that make each Hurtigruten voyage unique and memorable. Hurtigruten allows guests to experience being a part of the destination – rather than simply viewing it from the ship.

Hurtigruten has continued to improve the culinary concept on board through Norway's Coastal Kitchen. The concept of locally sourced produce – often loaded on board only hours before being served in the restaurants – has been a major success. This has been very well received among guests, as reflected by an increase in revenue and very high guest satisfaction ratings.

Described by the New York Times as "one of Norway's treasured national symbols", Hurtigruten's brand has been developed over its 125-year history. It forms part of the country's cultural heritage, strengthening Hurtigruten's legitimacy with customers seeking authentic Norwegian experiences. It has a high level of recognition in key travel markets, such as the Nordic countries and Germany. Based on this strong recognised brand and the authenticity of a product tailored for the adventurous, Hurtigruten believes that a voyage with a major cruise operator is not a relevant alternative for its guests. Hurtigruten's competitive position is supported by substantial barriers to establishment in the market for adventure and nature-based tourism, particularly in the expedition cruise segment. Substantial investments have been made across its fleet of 14 expedition vessels, custom built to deliver the unique Hurtigruten product. Any newcomer wishing to offer expedition and nature-based travel services in Hurtigruten's market will need to invest heavily before it will be able compete with Hurtigruten.

Hurtigruten is regularly recognised as a strong performer in the industry, through Industry awards such as the "Best Expedition Cruise Line" at the 2017, 2018 & 2019Travvy awards, "Best Adventure Cruise Line" in Cruise Critic Editor's Picks in 2017 Mangellan Award Gold for "Best overall Eco friendly "green" Cruise ships" in 2018 and was deemed Germany's "Brand of the year (travel)" for 2017 &2018. This year's Cruise Critic UK Cruisers' Choice Awards for smaller ships Hurtigruten's MS Spitsbergen won the best cruise ship cabins award winning over reviewers with its top-notch service and beautiful cabins.

Hurtigruten is experiencing increasing global media attention, across all markets – including outside Norway and the Nordics, where the company has a strong standing.

Hurtigruten's standing and reputation was acknowledged in the Apeland and Reputation Institute's recognised reputation survey RepTrak 2017. Scoring 86 out of a total of 100 points, one of the highest scores ever achieved in the survey by any company, regardless of industry, Hurtigruten was recognised as Norway's second most reputable company, and by far the highest-ranking company within the travel industry.

Hurtigruten Norwegian Coast

Hurtigruten's service along the Norwegian coast offers a premium experience to its guests, with a very high – and steadily growing – level of customer satisfaction.

Hurtigruten aims to further develop and strengthen its position globally. It still has substantial development potential, which will be realised through a continued commitment to:

- Building Hurtigruten as a strong global brand within exploration travel, as a company that offers unique destinations and a small-scale authentic experience with Hurtigruten Expedition Teams on board.
- Strong differentiation – Hurtigruten offers the original voyage along the Norwegian coast and is the world leader in exploration travel.
- Market development – Enhanced customer insights, targeting new segments, expanding in emerging markets such as China and Australia, improving e-commerce and distribution channels, and more.
- Product development – Unique, active experiences, an even wider portfolio of voyages of varying duration, pre-and-post cruise offerings, and continued development of seasonal concepts.
- More efficient business processes, with an emphasis on on-line capabilities and anticipation of trends.

As one of Norway's foremost tourist products, Hurtigruten is a driving force for developing Norwegian tourism and marketing the country internationally. Annually, Hurtigruten has a marketing budget of approximately MNOK 240. This equals one third of Norway's international marketing investment and is more than the Norwegian authorities invest through Innovation Norway. At the same time, the company has been collaborating with airlines and other industry players to improve flight connections for key departure ports in order to exploit the growth in the short-break market and to make Hurtigruten's products more accessible.

Along the Norwegian coast, Hurtigruten collaborates with over 60 different excursion providers, offering unique seasonally-adapted activities and experiences at all levels to all guests every day of the year. The fast-growing portfolio of excursions is unique both in its size and variety, and none of our competitors currently offer such a range to their guests. Excursions have been a prioritised area for Hurtigruten over many years and will continue as an important part of its differentiation strategy, including the continuous development of excursions operated by Hurtigruten. In 2017, guests can choose from around 100 activities along the Norwegian coast. This is a noticeable increase from 2012 (42 options).

Expedition cruising in polar waters

A further growth in capacity in expedition cruises – especially in Arctic and Antarctic waters – will be one of the main sources of growth for Hurtigruten's business in the coming years.

MS Roald Amundsen and MS Fridtjof Nansen is a crucial part of Hurtigruten's strategy of further expansion in the expedition cruise segment. The new ships will operate at new Hurtigruten destinations, such as full Northwest Passage crossings, Alaska and the Caribbean, in addition to Antarctica and Hurtigruten's key Arctic destinations. Throughout the summer of 2019, the two hybrid sister ships will operate custom-made voyages along the Norwegian coast, homeporting in Hamburg (Germany) and Amsterdam (Netherlands), respectively.

Hurtigruten has more than doubled the capacity allocated to Antarctica by positioning MS Midnatsol in the area from the 2016 Antarctica season – with the ship alternating with MS Spitsbergen on the Norwegian coastal route. This increase in capacity in Antarctica capacity provides Hurtigruten with flexibility and an opportunity to anticipate expected market changes that will occur with MS Roald Amundsen and MS Fridtjof Nansen, to be introduced in the coming years. With further expansion of the fleet, this flexibility will be strengthened. In 2021 MS Midnattsol, MS

Finnmarken and MS Trollfjord will be allocated to this segment after undergoing a full refurbishment and this will further cement our global leadership in the Expedition Cruising category.

Based on an extensive and varied product range, Hurtigruten's position as world leader in exploration travel will continue to be developed towards an active, broad-minded and affluent international public with a wide age range. Altogether, Hurtigruten offers around 250 different excursions on its expedition voyages globally throughout the year. Some excursions are provided by the ship's onboard Expedition Teams, others are operated through third-party companies.

Further work on Expedition Cruises products, both on Svalbard and within the existing and future expedition vessel fleet, will be characterised by the following:

- Continued development of the existing product portfolio, the development of new experiences on board and ashore, and continuous assessment of new destinations.
- Constant evaluation of capacity requirements, pricing and competitive developments in the segment.
- Knowledge building and increased commitment along the whole value chain through the development of logistics, destinations and excursions.
- A focused marketing commitment, strategic brand building and a strengthening of the sales organisation.
- A systematic effort to get coverage in global top-tier media and bloggers, by organising press trips on selected destinations.
- Hurtigruten's land-based activities in Svalbard, with three hotels, an equipment shop and excursions, will be further developed through its wholly-owned Spitsbergen subsidiary.
- Hurtigruten Svalbard owns and operates the Radisson Blu Polar Hotel, the Spitsbergen Hotel ("Funken") and the Coal Miners' Cabins.
- In 2017, Hurtigruten invested MNOK 200 in expanding and upgrading the hotels and the Arctic operations on Svalbard. In February 2018, Funken Lodge opened with 88 brand-new rooms, new bar and lounge areas, a new reception and a refurbished Funktionærmessen gourmet restaurant and In February 2019 the Radisson Blu opened after a full refurbishment of the public areas including a new restaurant and pub concept.
- This investment underlines Hurtigruten's ambitions for year-round expedition-based experiences for individual guests, as well as for groups of travellers. The land-based products in Svalbard will be better integrated with the rest of Hurtigruten's product portfolio in terms of development, marketing and sales.

Key risk and uncertainty factors

Construction risk

The Group's inability to deploy new ships and carry out ship repairs, maintenance and refurbishments on terms and within timeframes that are favourable or consistent with the Group's expectations could result in revenue losses and unforeseen costs.

The deployment of new ships and the repair, maintenance and refurbishment of the Group's ships are complex processes and involve risks similar to those encountered in other large and sophisticated construction, repair, maintenance and refurbishment projects. The Group could experience delays and cost overruns in completing such work. The delays can result in lost revenues as well as lost on-board revenues associated with cancelled bookings.

Other events, such as work stoppages and other labour actions, insolvencies, "force majeure" events or other financial difficulties experienced at the shipyards and among the subcontractors and suppliers that build, repair, maintain or refurbish the Group's ships could prevent or delay the completion of the refurbishment, repair and maintenance of the Group's ships. These events could adversely affect the Group's operations, including causing delays or cancellations of the Group's trips or unscheduled or prolonged dry-docks and repairs.

The consolidation of ownership of certain cruise shipyards, capacity reductions at shipyards or insolvencies could reduce competition and result in increased prices for new builds and repairs. The Group typically uses shipyards in close proximity to its routes, in particular for the Group's Hurtigruten Norwegian Coast segment, which limits its options for choosing shipyards.

Currency risk

The Group operates internationally and is exposed to currency risk in multiple currencies, in particular, EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the cost of bunker oil is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

Interest-rate risk

The Group's interest-rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. Fixed interest rates expose the Group to fair value interest-rate risk.

The Group's exposure to variable interest-rate risk is limited in 2018 and the Group has no specific hedging strategy to reduce variable interest-rate risk.

Credit risk

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards and are paid in full prior to the travel date. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Group has routines to ensure that credit is only extended to agents that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

Liquidity risk

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Group has a group account that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Group has sufficient liquidity reserves to satisfy its obligations and financial loan covenants. In February 2018 the group refinanced their main debt when the Group entered into a Senior Secured Credit Facility of EUR 575 million and a Revolving Credit Facility of EUR 85 million, securing a long term liquidity source.

Developments in the cruise industry and macro-economic conditions

A large part of Hurtigruten's consolidated revenues derive from international guests seeking unique nature-based and active experiences along the Norwegian coast and on the expedition ships. Generally speaking, the global cruise industry has substantial exposure to fluctuations in the world economy, which also applies to Hurtigruten as a niche provider in the world market. A number of Hurtigruten's markets have experienced economic uncertainty in recent years. This has had consequences for Hurtigruten because of key markets like Germany, the UK and the USA suffering from reduced purchasing power, including for holidays and travel. At the same time, visits by foreign cruise ships to Scandinavia in general and Norway and its west coast in particular, are showing a marked increase. Adventure tourism is one of – if not *the* – fastest-growing global tourist trend, and a market in which there is great potential for the unique Hurtigruten product. The adventure traveller segment does not appear to be age, gender or geography specific. People of all kinds, all over the world, want to explore while traveling.

A flexible, commercial and cost-effectively organised company is therefore essential for meeting such competition, as well as for tapping into a substantially unutilised potential. Hurtigruten will continue its efforts to make real, active and nature-based travel products more easily accessible and on sale earlier, through new channels, to new markets and customer segments. Clearly differentiating Hurtigruten's unique and authentic product in the global cruise and tourism market will be essential.

Hurtigruten is paying careful attention to the macro-economic environment, and additional measures have been taken in all key markets.

The EU Sulphur Directive came into force in January 2015 and involves stricter sulphur limits in fuel for ships in the EU. In SECA (SOx Emission Control Areas), the new limits have been set at 0.10%, which implies that operators in this area must either run on marine diesel/marine gas oil, LNG or install scrubbers that clean exhaust emissions (or apply alternative methods in order to achieve the same effect). The European SECA area includes the Baltic Sea, the English Channel and large parts of the North Sea, bordered in the north by the 62nd parallel. Hurtigruten's itinerary on the Norwegian coast, relevant to 11 ships in the fleet, has a total distance of 1,388 nautical miles (nm). 170 nm of the itinerary is south of the 62nd parallel. Hurtigruten complies with the EU Sulphur Directive, operating on marine special distillates (MSD) north of the 62nd parallel, and on marine gas oil (MGO) when entering the SECA area. Hurtigruten's Expedition Cruises vessel MS Fram operates on MGO only. As of 1 January 2017, Hurtigruten AS decided that it will only purchase an MSD with a maximum content of 500 PPM Sulphur.

The Sulphur Directive will potentially impact the competitive situation on the Norwegian coast. The financial benefits of burning low-priced heavy oil only will be reduced. However, the effect is difficult to quantify, as long as double fuel tank systems are still an option.

EFTA Surveillance Authority State Aid Investigation

The ESA opened a formal investigation into the coastal agreement in December 2015. The ESA has investigated whether or not the agreement provides over-compensation and cross-subsidisation in breach of EEA rules.

On 29 March 2017, the ESA published its conclusions and approved the compensation granted by Norway to Hurtigruten for operating a coastal ferry route between Bergen and Kirkenes from 2012 to 2019.

Financial performance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

Consolidated results

Total operating revenues for Hurtigruten Group Consolidated accounts came to NOK 5,428 million in 2018 (2017: NOK 4,923 million), an increase of 10% from last year. The growth was experienced in all segments, Hurtigruten Norwegian coast, Expedition Cruises and Spitsbergen.

Due to increased production, utilisation and yield, in particular in the Norwegian Coastal segment, consolidated EBITDA in 2018 increased by 30% to NOK 1,074 million, from last year's EBITDA of NOK 826 million.

Net financial expenses amounted to NOK 623 million (2017: NOK 854 million). The reduction in financial expenses in 2018 was primarily due to the substantial adverse effects of NOK value against the EUR in 2017 in addition to reduced effective interest rates in 2018 due to the refinancing of Group borrowings in February 2018 . The Group's financing is largely denominated in EUR, and the depreciation of NOK against the EUR in 2017 resulted in NOK 444 million in unrealised foreign exchange losses vs. NOK 160 million in 2018. The unrealized exchange rate losses has no liquidity effect.

The consolidated pre-tax profit for the year was NOK 54 million (2017: loss of NOK 507 million). Due to recognition of deferred tax on tax loss carry forward, the net profit after tax in 2018 was NOK 454 million vs. a net loss of NOK 532 million in 2017. The reason for recognition is due changed taxation regime within Norway and we therefore have a large likelihood of utilization of the tax loss carry forward.

Cash flow and financial position

Cash and cash equivalents in the cash flow statement totalled NOK 385 million at 31 December (2017: NOK 338 million), not including restricted cash.

Net cash flow from operating activities amounted to NOK 968 million (2017: NOK 939 million), reflecting the underlying positive operations.

Net cash flow used in investment activities was NOK 1,339 million (2017: NOK 708 million) including capital expenditures on maintenance and refurbishments of the ships, as well as prepayments on the newbuilds.

Net cash flow from financing activities was NOK 438 million (2017: NOK -150 million), consisting of net proceeds from the refinancing of the Group borrowings in 2018, in addition to interest and financing expenses during the year.

Consolidated non-current assets totalled NOK 8,585 million at 31 December (2017: NOK 7,266 million), an increase from 2017 primarily due to ships under construction and the recognition of previously unrecognized deferred tax asset related to tax loss carry forwards.

Total current assets was NOK 1,175 million (2017: NOK 1,001 million), which consists mostly of cash and cash equivalent but also trade and other receivables.

Total non-current liabilities were NOK 7,265 million (2017: 809 million). The substantial increase is due to reclassification of the issued bond of EUR 455 million and the Revolving Credit Facility of NOK 774 million from long-term to short-term borrowings in 2017, as the bond and the RCF were refinanced in February 2018, when the Group entered into a Senior Secured Credit Facility of EUR 575 million and a Revolving Credit Facility of EUR 85 million. The refinancing entails 3-year prolonged debt maturity, an increase in available liquidity and substantially reduced interest costs going forward. Net interest-bearing debt increased to NOK 6,383 million at 31 December 2018 from NOK 5,344 million in 2017, mainly due to the refinancing of borrowings in 2018.

Consolidated equity at 31 December was NOK 700 million (2017: NOK 455 million). The equity ratio was 7.2% (2017: 5.5%).
Taking into consideration the future prospects of expected growth in operations and revenues, it is the Board's opinion that the financial position of the Group is sound.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the Group's financial performance during 2018, and financial position at 31 December 2018. The Board confirms that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net loss for the parent company Hurtigruten Group AS in 2018 was NOK 268 million, which is proposed to be covered by other equity.

Product areas

Hurtigruten operates three main product areas: Hurtigruten Norwegian coast, Expedition Cruises and Spitsbergen. Activities which do not fall naturally into these three areas are grouped in other business.

Hurtigruten Norwegian coast

The Hurtigruten Norwegian coast product area is the largest activity in the group, accounting for around 78% of its consolidated operating revenues in 2018. This product area embraces 11 ships sailing between Bergen and Kirkenes, calling at a total of 34 ports along this route.

Hurtigruten's ships achieved an overall regularity of 97.8% in 2018, on target for the year. Altogether, 516 of a total of 23,640 port calls were cancelled in 2018, due to both technical cancellations and when weather conditions prompted the cancellation of relevant port calls for safety reasons.

Demand for the coastal product has increased and the winter season in particular, which historically had low occupancy, has seen substantial interest in the market. Capacity utilisation for 2018 increased by 6 percentage points to 84%. Gross ticket revenues increased at the same time, resulting in an operating revenue for 2018 of NOK 4,212 million, an increase of 9.9% over last year.

Norwegian Coast segment EBITDA was NOK 888 million for 2018 (2017: NOK 696 million), the positive development a result of increased utilisation and yield and focus on cost controls throughout the year.

Expedition Cruises
The Expedition Cruises product accounted for 17% of the consolidated operating revenues in 2018. The product comprises the vessels MS Fram, MS Nordstjernen, MS Spitsbergen and MS Midnatsol, where the latter two vessels have been alternating between Hurtigruten Norwegian Coast and Expedition Cruises product areas. MS Nordstjernen operated in the north of Norway in the winter/spring and Svalbard in the spring/summer season.

MS Fram cruised in the Antarctic, Canada, Spitsbergen and Greenland in 2018, and in September sailed Hurtigruten's first cruise through the North-West passage. The Fram cruises has shown a positive pricing trend and there is demand for the differentiated smaller-ship products. MS Midnatsol cruised in the Antarctic during the winter season, alternating in the spring with MS Spitsbergen sailing around Spitsbergen during the summer.

Operating revenues amounted to NOK 936 million (2017: NOK 811 million). Capacity utilisation increased to 72% from 68% in 2017, reflecting the increased demand in the segment. Segment EBITDA was NOK 140 million (2017: NOK 85 million).

Spitsbergen
This product includes the Group's activities in Svalbard, including year-round hotel operation with three venues, restaurants, snowmobile hire, retailing and an extensive portfolio of experience products, such as short day trips on skis, dog sledding, snowmobile trips, boat or hiking excursions, and longer expeditions in the archipelago.

There is increased demand for the destination and in 2018 two of the hotels, Funken and Polar hotel underwent substantial refurbishments ,upgrading the guest experience of the destination. However, as the hotels were closed during the renovation period, the number of guest nights in 2018 were reduced compared to last year.
Operating revenues in 2018 were NOK 295 million (2017: NOK 292 million), while EBITDA was NOK 45 million (2017: NOK 44 million).

Research and development activities

The Group conducts no research and development activities other than adaptation of Information and Communications Technology.

Health, safety and the environment

Highest priority
It is Hurtigruten's principle that a safe operation is one of the cornerstones in the process of developing in the desired direction. Hurtigruten has a robust Management System which provides operational guidelines to employees on board and ashore. The business and Hurtigruten's profitability depend on being in control of the safe operation of the ships. In 2018 there were significantly lower number of missed port calls due to technical issues compared to the same period last year.

Hurtigruten's safety policy, revised in 2014, incorporates zero tolerance for accidents and serious incidents – including serious personal injuries and loss of human life. It is, and will remain, a safe company to travel with for guests and a safe and secure workplace for employees. The safety policy will be revised to encompass the organization.

Hurtigruten's Management System is focusing on being proactive, including optimal planning of all operations. Risk management is a fundamental part of the planning process to identify any risks which may occur. Any such risks shall be addressed, and the corrective and preventive measures shall be identified to ensure the risk is at an acceptable level. The reporting of any non-conformities is a main part of improving operations. It enables Hurtigruten to monitor and follow up on any deviations which may occur during operation with regards to Health, Safety and the Environment and it is an integral part of the "continuous improvement process".

The Company did not suffer any serious personal injuries in 2018. A few minor injuries were reported during the year, such as cuts and bruises. 77 first-aid cases were reported, in which the employee in question continued to work after receiving first-aid treatment, this is a 40% reduction from last year. 24 cases were reported in which the employee in question was unable to work for one or more days following the injury. Hurtigruten is analysing these reports to identify effective preventive measures to ensure these incidents are reduced. There has been a reduction in lost-time incidents by crew in 2018. The Company has focused on the reporting of minor incidents by crew, which resulted in further reports in 2018.

There was no serious incident in the marine safety in 2018.

Hurtigruten has| focus to improve the reporting schemes for the controlled discharge of grey water and unwanted substances to the marine environment.

The 11 Hurtigruten ships sails just under one million nautical miles annually along the Norwegian coast and make more than 23,000 port calls. Hurtigruten's vision of zero tolerance is ambitious but attainable. Hurtigruten works continuously to ensure that proactive improvement processes are being addressed. Through such activities as the identification and registration of near misses, unsafe acts and unsafe conditions, Hurtigruten aims to prevent and avoid any incidents.

Responsible operations

Hurtigruten is the world leader in exploration travel, and the world's largest expedition cruise company. This comes with a responsibility. With a mission focused on innovation, technology and sustainability – we have embedded the UN Sustainable Development Goals into all aspects of Hurtigruten´s operations.

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten operation and experience.

Hurtigruten's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

The scope of Hurtigruten's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO_2) and nitrogen oxides (NO_x). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, and low-sulphur marine special distillates (MSD 500 ppm) north of 62 degrees north These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten. The higher price of these environmental fuels is offset by their significant positive environmental properties compared to heavier grades of fuel.

<u>Average greenhouse gas emissions in 2018 (2017):</u>
CO_2: 218 kg/nm (223 kg/nm)
NO_x: 4.0 kg/nm (4.1 kg/nm)
SO_2: 0.004 kg/nm (0.004 kg/nm)

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2018, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO_2, CO_2 and NO_x. Several fuel reducing initiatives contributed to reach the lowest ever average fuel consumption per nautical mile (with today's fleet fleet) with 77.3 l/nm (79.5 in 2017).

Hurtigruten is also affiliated to the Industrial Fund for Nitrogen Oxides, where the overall goal is a general reduction in NOx emissions by Norwegian industry and commerce. Through this fund, Hurtigruten has applied for support for more than 30 NOx-reducing projects during the last years. A number of measures have been implemented and completed. The total annual environmental benefit of the measures is a reduction in emissions of around 680 tonnes of NOx and 19,000 tonnes of CO2. Fuel consumption is also reduced by around 5,950 tonnes as a result of these measures. Several equivalent projects are being developed by Hurtigruten.
In 2018 Hurtigruten started the preparations for technical upgrades on our six 90-class vessels, converting them to LNG/battery hybrids. A key feature has been ensuring that vessels are compatible with climate-neutral advanced biogas, paving the way for low emissions service. These are ground-breaking projects, demanding significant research and development prior to docking. The conversion will reduce the CO2 emissions from these vessels by 25 per cent, while the NOx emissions will reduce by approx. 90 per cent.

Shore power connection is an important environmental initiative, both for Hurtigruten and the ports of call.
Hurtigruten is an active ambassador for shore-based power in Norwegian ports, and has been a key voice in calling for a national shore-based power strategy, as part of our collaboration with the environmental organisation Bellona. In 2018, we were proud to be able to start testing shore-based power in the port of Bergen. This was a major milestone in our long-term goal of increasing the use of renewable energy, and making the transition to electric power from traditional fuels when docked at port. Two of our vessels, MS Kong Harald and MS Spitsbergen are ready to start using shore-based electricity, and three more vessels are ready to undertake the final technical installations during 2019. The rest of the coastal fleet will follow as soon as possible. Bergen was the first port to offer shore power for Hurtigruten ships, and during 2018 we connected our prepared vessels to shore power for the first time.

The shore power facility in the port of Bergen, where the Hurtigruten ships berth for eight hours daily during winter and 5.5 hours during summer, will reduce CO2 emissions annually by almost 130 tonnes per ship. Annual reduction of NOx is estimated at approximately 2.5 tonnes. Hurtigruten eagerly awaits shore power connections being provided at other ports along the Norwegian coast.

Hurtigruten's Expedition Cruises activities in Greenland, Svalbard and Antarctica are subject to guidelines from the International Association of Antarctica Tour Operators (IAATO) and the Association of Arctic Expedition Cruise Operators (AECO). Hurtigruten plays an active role in both these organisations to champion a safe and environmentally-conscious tourism industry in these unique and vulnerable areas.

The introduction of MS Roald Amundsen and MS Fridtjof Nansen – the world's first hybrid-powered expedition ships – will further strengthen Hurtigruten's environmental performance, but are also documenting our commitment to fuel technology innovation and sustainable operations.

Organisation

The company employed 2272 full-time equivalents at 31 December 2018. 1,599 were carried out by permanent employees – including subsidiaries, of which 417 of the full-time equivalents were carried out in our offices in Hamburg, London, Seattle, Tallinn, Paris, Hong Kong and Svalbard. Temporary employees accounted for 673 full-time equivalents.

Hurtigruten is an expertise-based company and training plays a key role. Hurtigruten had 183 apprentices on its ships at 31 December 2018, making it one of the largest apprentice companies in the maritime sector of the Confederation of Norwegian Enterprise (NHO).

Hurtigruten takes its vital role in the education of Norwegian seafarers seriously. Hurtigruten strongly emphasises professional expertise in the workforce, but also local knowledge in its recruitment processes. Our crew members are mainly recruited from along the Norwegian coast and the various ports at which the 11 ships call. Through this, Hurtigruten contributes to maintaining local and regional employment, combined with objectives such as ensuring knowledge, local expertise and flexible shift arrangements for its employees.

The MS Fram, MS Midnatsol/MS Spitsbergen Expedition Cruise ships also offer trainee positions in the expedition teams to newly-qualified nature guides from selected institutions. Our expedition teams are some of the most experienced in the industry. Their members have formal skills as scientists and are experts about the locations to be visited and the local wildlife. Hurtigruten requires all expedition personnel for the Antarctic to take and pass the IAATO field staff online assessment once a year.

Working environment

Hurtigruten is an inclusive workplace company, where we actively aim to reduce total sick leave throughout the organisation. Average sickness absence in 2018 was 5.6% for seagoing personnel and 2.2% for land-based personnel.

Hurtigruten will continue its intensive efforts to keep sick leave as low as possible.

Equal opportunities and discrimination

Hurtigruten aspires to be an attractive employer for people from different backgrounds, regardless of ethnicity, gender, religion or age. Diversity is a desired and positive part of the corporate culture, which strengthens Hurtigruten's ability to operate under varying conditions and operating parameters. Any kind of discrimination is incompatible with Hurtigruten's code of ethics.

51 different nationalities are represented in Hurtigruten and female employees account for 43% of the workforce.

For our seagoing personnel, female employees account for 37% of Hurtigruten's permanent seagoing workforce and are mostly employed in the hotel department. Of the senior officers on board – master, first officer, hotel manager, chief engineer and first engineer – 80% are male. Hurtigruten works continuously to create a better balance in seagoing management posts.

Three of the seven members of the corporate management team are women.

Corporate social responsibility (CSR)

For 125 years, Hurtigruten has explored some of the world's most pristine, vulnerable and awe-inspiring waters. Hurtigruten's guests have found themselves immersed in unique experiences with wildlife and nature and have been introduced to communities and cultures at the destinations Hurtigruten explores. For Hurtigruten, it is important that the guests of tomorrow can enjoy the same meaningful travel experiences as the guests of today. Therefore, Hurtigruten sees it as essential to both minimise the impact of expedition cruising on the environment and maximise the positive contribution to local communities.

Sustainable and responsible behaviour and operations are vital for Hurtigruten. Trust and good relations with partners and stakeholders are crucial for optimum operation and profitability. By virtue of Hurtigruten's position in Norwegian tourism, as well as its extensive business activities and social significance, Hurtigruten both encourages and requires the same level of commitment from its partners and stakeholders. Hurtigruten aims to raise and set standards for the whole industry to follow, as we enter a new era of expedition cruising and adventure travel driven by sustainability.

Our business and operations directly and indirectly touch on many of the 17 UN Sustainable Development Goals. Our sustainability ambitions are directly linked to goals 9, 11, 12, 13 and 14. This is where we believe we can have the most positive impact, for society as a whole and for our business, both now and in the future.

In addition, we have chosen four goals that represent our very foundation, our licence to operate. These are goals 4, 5, 8 and 16. They represent the values that sit at the core of our business and are embedded in our governance systems.

Hurtigruten Group AS – Group

As a result of the strong focus and sustainability we have implemented a lot of measures over the resent years:

- We are building the first ever hybrid-powered expedition cruise ships.
- As the first major travel company in the world to do so - have removed single-use plastic from all our ships and hotels.
- We invite our guests to explore the planet on a safer, greener and more advanced expedition fleet.
- We aim to educate guests and create ambassadors for every destination on every voyage through actively engaging guests in the culture, ecosystems and the consequences of climate change - wherever we explore.

Hurtigruten is dedicated to enhancing local communities through cooperation and trade. Our guests are explorers and appreciate quality experiences, learning, and understanding as a viable path to all-year activity and sustainable growth. We know that protecting and adding long-term value to the waters we sail in, and to the destinations we visit, is not just the right thing to do—it is necessary.

By participating in excursions and sourcing ingredients from local suppliers, Hurtigruten contributes to the livelihoods and welfare of small coastal societies. Hurtigruten respects and supports indigenous communities, values culture and traditions, and maintains a very close cooperation with the communities that make an immense effort to welcome our guests—wherever we visit.

In 2014, Hurtigruten implemented a comprehensive local food concept, called Norway's Coastal Kitchen. Based on locally produced ingredients and products, all menus are designed from the areas in which the ships sail. Fresh ingredients, such as fish, meat or vegetables are delivered, as far as possible, directly on board each ship when it docks in the nearest port. This reduces transport distance significantly by utilising the Hurtigruten port structure actively, and enhances the travel experience for our guests. The initiative has been extremely well received among our guests and the Norwegian Coastal Kitchen concept has been further developed in 2018.

Exploring some of the most spectacular destinations on our planet—and observing the unique wildlife—is an important part of every Hurtigruten voyage. And with that, comes an obligation to explore respectfully. Any impact should be minor and transitory only. Hurtigruten and our guests will not leave visible or lasting signs from a visit. Observing wild animals is done at a distance so as not to alter natural behaviour, and with the utmost respect for their welfare and habitat.

Hurtigruten is taking the lead in the fight against the exploitation and degradation of sites, nature, and local communities by unsustainable over tourism. We are advocating strict rules and regulations, and we are imposing them on ourselves to prove it can be done.

Hurtigruten works continuously to increase the number of guests, both local travellers and tourists. Enhancing capacity utilisation for the ships is an important measure, not only for Hurtigruten's profitability but also for the environment.

As part of the effort to raise awareness the Hurtigruten Foundation was established to address the opportunities and challenges in the areas Hurtigruten explores, to financially support locally-initiated projects and to encourage people to volunteer in worthwhile causes. Twice a year, the Board of the Hurtigruten Foundation grants funds to local and global projects involving initiatives in the areas in which Hurtigruten operates. The deadline for applying for funds is 1 November and 1 May each year.

Share capital and shareholders

Hurtigruten Group AS had one (1) shareholder at 31 December 2018 – Silk Midco AS, and a total paid in equity of NOK 1 826 778 000 spread over 30 shares with a nominal value of NOK 3 000 each, and share premium of 1 826 688 000. Other equity was negative NOK 1 057 million.

The shares have equal rights.

Outlook

Hurtigruten has experienced a strong positive underlying booking trend through of 2018 and into 2019. There is strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. Demand has also increased for the Coastal cruise product across all market segments at higher yields compared to 2018. Especially the increase in demand of our winter cruise product is very high and we see this continuing into 2019 and 2020.

Pre-bookings for 2019 and 2020 are materially higher compared to the same time last year and are driven by significant investments in our commercial team, product-improvement initiatives, including refurbishments, and additional capacity in the Expedition Cruises segment. 2019 bookings are very strong for both segments with NOK 3,525 million in gross ticket revenue including charters booked as of 30 March 2019, compared to NOK 3,041 million last year – an increase of 16%.

Gross revenue booked for Norwegian Coast is up NOK 126 million (+5.4%) for 2018 compared to last year, with an increase in bookings for the first and fourth quarter of 13%

Expedition Cruises has booked NOK 358 million more than the same period last year, up by 49%. Growth in the Expedition Cruises segment is largely due to new itineraries due to the launch of the vessel MS Roald Amundsen.

Marine operations have performed well in 2018 with a record low level lower number of missed port calls due to technical issues. This is expected to continue.

Customer feedback continues to be at a high level, strengthening Hurtigruten's brand position and ability to attract new customers. Hurtigruten aims to be positively different to counter competition from international cruise operators in Scandinavia and along the Norwegian coast, offering a truly unique experience to its customers.

Oslo, 29 April 2019
Board of Directors of Hurtigruten Group AS

Trygve Hegnar
Chair

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

Hurtigruten Group AS

Consolidated Financial Statements

2018

CONSOLIDATED INCOME STATEMENT

(in NOK 1,000)	*Note*	**2018**	**2017**
Operating revenues	*22*	**5,428,434**	4,922,550
Cost of goods sold	*23*	**(1,483,420)**	(1,316,505)
Payroll costs	*24, 25*	**(1,206,479)**	(1,159,050)
Depreciation, amortisation and impairment losses	*7,8*	**(397,623)**	(480,543)
Other operating costs	*26*	**(1,757,384)**	(1,570,098)
Other (losses) / gains – net	*27*	**92,634**	(50,586)
Operating profit/(loss)		**676,162**	345,768
Finance income	*28*	**59,798**	91,946
Finance expenses	*28*	**(682,479)**	(945,918)
Finance expenses - net		**(622,681)**	(853,973)
Share of profit/(loss) of associates	*9*	**596**	1,246
Profit/(loss) before income tax		**54,077**	(506,959)
Income tax expense	*17*	**399,719**	(25,110)
Profit/(loss) for the year		**453,796**	(532,069)
Profit/(loss) for the year attributable to			
Owners of Hurtigruten Group AS		**453,796**	(532,069)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in NOK 1,000)	*Note*	**2018**	**2017**
Profit/(loss) for the year		**453,796**	(532,069)
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity investments recognized in OCI	*10, 15*	**(28,015)**	-
Actuarial gain/loss on retirement benefit obligations	*15*	**(3,827)**	(2,554)
Tax	*17*	**659**	-
Sum		**(31,183)**	(2,554)
Items that will be reclassified to profit or loss in subsequent periods:			
Cash flow hedges	*15*	**(209,244)**	39,345
Tax	*17*	**35,794**	-
Currency translation differences	*15*	**(4,729)**	21,872
Sum		**(178,179)**	61,217
Total other comprehensive income, net of tax		**(209,362)**	58,663
Total comprehensive income for the year		**244,434**	(473,406)
Total comprehensive income for the year attributable to			
Owners of Hurtigruten Group AS		**244,434**	(473,406)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**2018**	2017
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**4,528,117**	4,301,649
Intangible assets	*8*	**2,653,228**	2,664,560
Investments in associates	*9*	**4,995**	4,880
Deferred income tax assets	*17*	**670,153**	198,837
Investments in other companies	*10*	**27,526**	53,139
Derivative financial instruments	*10*	**-**	30,494
Other financial assets, non-current	*10, 11*	**700,980**	12,794
Total non-current assets		**8,584,999**	7,266,352
CURRENT ASSETS			
Inventories	*12*	**185,390**	148,179
Trade and other receivables	*11*	**428,353**	393,590
Derivative financial instruments	*10*	**-**	19,533
Cash and cash equivalents	*13*	**561,576**	439,206
Total current assets		**1,175,318**	1,000,508
Total assets		**9,760,318**	8,266,860

(in NOK 1,000)	*Note*	**2018**	2017
EQUITY			
Equity attribute to owners of the parent			
Share capital	*14*	**90**	90
Share premium and other paid-in capital	*14*	**1,827,556**	1,827,556
Other equity not recognized in the income statement	*15*	**(154,254)**	55,108
Retained earnings		**(973,342)**	(1,427,137)
Total equity		**700,050**	455,616
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	**6,909,219**	486,556
Deposits from customers, non-current	*22*	**103,555**	133,328
Deferred income tax liabilities	*17*	**79,130**	74,562
Retirement benefit obligations	*18*	**112,220**	110,353
Derivative financial instruments	*10*	**57,351**	-
Provisions for other liabilities and charges	*19*	**4,290**	4,452
Total non-current liabilities		**7,265,765**	809,251
Current liabilities			
Trade and other liabilities	*21*	**850,372**	1,031,949
Deposits from customers, current	*22*	**708,425**	619,598
Current income tax liabilities	*17*	**28,842**	21,274
Borrowings	*16*	**35,118**	5,297,020
Derivative financial instruments	*10*	**140,310**	13,247
Provision for other liabilities and charges	*19*	**31,435**	18,904
Total current liabilities		**1,794,502**	7,001,992
Total equity and liabilities		**9,760,318**	8,266,859

Oslo, 29 April 2019

Trygve Hegnar
Chairman

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in NOK 1,000)	*Note*	Share capital including treasury shares	Share premium	Other equity not recognised in the income statement	Retained earnings	Total Equity
Balance at 1 January 2017		90	1,827,556	(3,555)	(824,119)	**999,972**
Correction, prior period errors					(70,950)	**(70,950)**
Balance at 1 January 2017		90	1,827,556	(3,555)	(895,069)	**929,022**
Profit/(loss) for the year		-	-	-	(532,069)	**(532,069)**
Other comprehensive income						
Currency translation differences	*15*	-	-	21,872	-	**21,872**
Cash flow hedges, net of tax	*15*	-	-	39,345	-	**39,345**
Actuarial gain/loss on retirement benefit obligations, net of tax	*15*	-	-	(2,554)	-	**(2,554)**
Other comprehensive income		-	-	58,663	-	**58,663**
Total comprehensive income		-	-	58,663	(532,069)	**(473,406)**
Balance at 31 December 2017		90	1,827,556	55,108	(1,427,137)	**455,616**
Balance at 1 January 2018		90	1,827,556	55,108	(1,427,137)	**455,616**
Profit/(loss) for the year		-	-	-	453,796	**453,796**
Other comprehensive income						
Currency translation differences	*15*	-	-	(4,729)	-	**(4,729)**
Cash flow hedges, net of tax	*15*	-	-	(173,450)	-	**(173,450)**
Change in fair value of equity investments recognized in OCI	*15*	-	-	(28,015)	-	**(28,015)**
Actuarial gain/loss on retirement benefit obligations, net of tax	*15*	-	-	(3,168)	-	**(3,168)**
Other comprehensive income		-	-	(209,362)	-	**(209,362)**
Total comprehensive income		-	-	(209,362)	453,796	**244,434**
Balance at 31 December 2018		90	1,827,556	(154,254)	(973,342)	**700,050**

We have discovered that the historical information needed to calculate both payments and the accounting liabilities for the defined contribution plan and the defined benefit plan for employees in Hurtigruten Sjø have been incorrect for the years back to 2006, but because of the volume of employees affected, the accounting effect have been difficult to estimate accurately. As a result, a project was initiated in order to update the information, a project which is still ongoing. Using updated information for a major part of the population, new pension liabilities have now been estimated. Per IAS 8, the effect of the increased liabilities has been corrected retrospectively, therefore the opening balances of liabilities and equity for 2017 have been corrected. Liabilities are increased with MNOK 91, deferred tax assets are increased with MNOK 20 and retained earnings are reduced with MNOK 71.

CONSOLIDATED CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	**2018**	2017
Cash flows from operating activities			
Profit/(loss) before income tax		**54,077**	(506,959)
Adjustments for:			
Depreciation, amortisation and impairment losses	*7,8*	**397,623**	480,543
Foreign exchange gains/losses	*28*	**135,187**	353,193
Unrealised gains/losses derivatives		**(9,764)**	40,992
Dividends received		**-**	(1,232)
Interest expenses		**520,878**	506,977
Share of profit and loss of associates		**(596)**	(1,246)
Impairment on financial investments		**(391)**	-
Difference between expensed pension and payments	*18*	**(2,024)**	(4,085)
Change in working capital:			
Inventories	*12*	**(37,209)**	(18,334)
Trade and other receivables	*11*	**(40,927)**	(2,437)
Trade and other payables	*21*	**(72,768)**	(14,458)
Deposits from customers	*22*	**48,855**	132,020
Income tax paid	*17*	**(24,350)**	(26,099)
Net cash flows from (used in) operating activities		**968,590**	938,877
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	*7*	**(213,378)**	(220,144)
Proceeds from sale of property, plant, equipment (PPE)		**870**	610
Purchases of intangible assets	*8*	**(69,087)**	(40,764)
Loans to associates and other companies, net		**(683,539)**	12,833
Advance payment of property, plant and equipment (PPE)	*7*	**(288,514)**	(359,855)
Purchase and proceeds from sale of shares		**(45)**	(49,970)
Settlement of financial instruments		**(9,725)**	(26,093)
Dividends received		**500**	1,232
Change in restricted funds	*13*	**(76,313)**	(26,168)
Net cash flows from (used in) investing activities		**(1,339,232)**	(708,319)
Cash flows from financing activities			
Proceeds from borrowings	*16*	**1,077,415**	316,725
Repayment of borrowings	*16*	**(105,403)**	(91,202)
Interest paid		**(533,629)**	(375,322)
Net cash flows from (used in) financing activities		**438,383**	(149,799)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**67,741**	80,758
Cash and cash equivalents at 1 January		**337,978**	217,419
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdrafts		**(21,135)**	39,801
Cash and cash equivalents at 31 December	*13*	**384,583**	337,978
Restricted cash	*13*	**176,992**	101,227
Cash and cash equivalents in statement of financial position	*13*	**561,576**	439,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The consolidated financial statements of Hurtigruten Group AS (the Group) consists of Hurtigruten Group AS and its subsidiaries. The main group activities are conducted in the subsidiary Hurtigruten AS, which is a private limited liability company and as of 31 December 2018 was registered and domiciled in Norway and headquartered at Fredrik Langes gate 14, Tromsø. The Group has offices in Kirkenes and Oslo, wholly-owned foreign sales companies in Hamburg, London, Paris, Hong Kong and Seattle, a reservations centre in Tallinn as well as activities in Longyearbyen. Hurtigruten Group AS changed name from Silk Bidco AS on 19 February 2019.

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 14 expedition cruise vessels and two new tailor-made expedition cruise vessels do be delivered in 2019. Hurtigruten opens a unique gateway to experiences in the Arctic, Antarctica and along the Norwegian coast to travellers from all over the world. The Group's operating segments are organised into the following three product areas: Norwegian Coast, Expedition Cruises and Spitsbergen.

Hurtigruten Norwegian Coast is the largest segment with 11 ships providing expedition cruises along the Norwegian coast between Bergen and Kirkenes making 33 northbound and 32 southbound port calls on an 11-day round trip. The segment's customers are predominantly international leisure travellers.

Expedition Cruises is the second largest segment using four vessels (MS Fram, MS Spitsbergen, MS Midnatsol and MS Nordstjernen) offering unique expedition cruises primarily in polar waters. The Expedition cruises segment will be strengthened from 2019 and onward with two new purpose-built polar cruise ships, The MS Roald Amundsen and the MS Fridtjof Nansen and from 2021 the Expedition Cruises segment will be Hurtigruten's largest segment when three of the largest vessels from the Hurtigruten Norwegian Coast segment will be transferred to the Expedition Cruises segment.

The Spitsbergen segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard. Hurtigruten Svalbard operates three hotels (two of them recently refurbished) and an equipment store.

Activities that do not naturally fall within these three segments are bundled in Other business. These operating segments are reported in the same way as internal reporting to the Board of Directors and Group management.

The Group's presentation currency is Norwegian Kroner.

The consolidated financial statements were approved by the company's Board of Directors on 29 April 2019.

The following companies are included in the consolidated financial statements

	Registered office	Ownership/voting share
Owned by Hurtigruten Group AS (parent company)		
Hurtigruten AS	Tromsø, Norway	100 %
Hurtigruten Explorer AS	Tromsø, Norway	100 %
Owned by Hurtigruten AS		
HRG Eiendom AS	Tromsø, Norway	100 %
Hurtigruten Estonia OÜ	Tallinn, Estonia	100 %
Hurtigruten GmbH	Hamburg, Germany	100 %
Hurtigruten Inc.	Seattle, USA	100 %
Norwegian Coastal Voyage Ltd	London, UK	100 %
Hurtigruten Pluss AS	Tromsø, Norway	100 %
Hurtigruten SAS	Paris, France	100 %
Hurtigruten Sjø AS	Kirkenes, Norway	100 %
Hurtigruten Svalbard AS	Longyearbyen, Svalbard, Norway	100 %
Explorer II AS [1)]	Tromsø, Norway	100 %
Hurtigruten Cruise AS	Tromsø, Norway	100 %
Owned by Norwegian Coastal Voyage Ltd		
Hurtigruten Ltd	London, UK	100 %
Hurtigruten Asia Pacific	Hong Kong	100 %
Owned by Hurtigruten Explorer AS		
Explorer I AS [1)]	Tromsø, Norway	100 %

1) SPE (Special Purpose Entity)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are described below. Unless otherwise stated in the description, these policies have been consistently applied to all periods presented.

2.1 BASIC POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union. The consolidated financial statements have been prepared under the historical cost convention, modified to include

- revaluation to fair value of certain financial assets and financial derivatives
- revaluation to fair value of defined benefit plan assets
- present value calculation of defined benefit liabilities

- use of the equity method on investments in associated companies

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Areas that involve a high degree of such judgments, or are highly complex, and areas in which assumptions and estimates are of material importance for the consolidated financial statements are described in more detail in Note 3.

The Group's consolidated financial statements have been prepared according to uniform accounting policies for similar transactions and events under similar conditions.

2.2 CONSOLIDATION POLICIES

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from 1 January 2018 to 31 December 2018, including comparable numbers for the previous year.

A) SUBSIDIARIES AND CONSOLIDATION

Subsidiaries constitute all companies (including structured companies) over which the Group exercises control. Control over an entity arises when the Group is exposed to variability in the return from the entity and has the ability to impact this return by virtue of its influence over the entity. Subsidiaries are consolidated from the time a controlling influence is established and until the controlling influence ceases to exist.

All intra-Group balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated.

B) ASSOCIATED COMPANIES

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) SEGMENT REPORTING

An operating segment is a component of the business:

i) that engages in business activities of which the company receives operating revenues and incurs costs;

ii) whose operating results are regularly reviewed by the company's ultimate decision-maker to determine which resources should be allocated to the separate segments.

The Group has three operating segments: Norwegian Coast, Expedition Cruises (previously known as "Explorer") and Spitsbergen (non-cruise operations on the isles of Svalbard). Activities that do not naturally fall within these segments are bundled in Other business.

B) TRANSLATION OF FOREIGN CURRENCIES

(I) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements of the individual entities in the Group are measured in the currency used in the economic area in which the entity primarily operates (the functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company's functional currency and the Group's presentation currency.

(II) TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the transaction rate. Realised and unrealised foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement. If the currency position is considered a cash flow hedge, gains and losses are recognised as other comprehensive income until the hedged transaction is completed, after which the currency position is transferred to the result on ordinary activities. Foreign exchange gains and losses on loans, cash and cash equivalents are presented (net) in the income statement as finance income or expenses.

(III) GROUP COMPANIES

The income statement and balance sheets of Group entities whose functional currency differs from the presentation currency are translated in the following manner:

- The balance sheet is translated at the currency rate in force at the balance sheet date

- The income statement is translated at the transaction date currency rate. Monthly average rates are used as an approximation of the transaction rate.

- Translation differences are recognised in other comprehensive income and specified separately in equity as a separate item.

C) REVENUE RECOGNITION

Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns and discounts.

In order to account for revenue, the following criteria first have to be met. All parties to the contract must have approved the agreement and be committed to perform in accordance with the agreement. Furthermore, the parties must be able to identify both the payment terms and the deliverables according to the contract. And the collection of the entitled payment must be probable considering only the customer's ability and intention to pay that amount of consideration when it is due.

Revenue is recognised when the customer achieves control over the sold product or service, and thus has the opportunity to determine the use of, and can receive the benefits deriving from, the product or the service. Sales are recognised when revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Group and specific criteria related to the various forms of sale that are listed below are met.

Revenue is recognised in the income statement as follows:

(I) REVENUE FROM SALE OF SERVICES AND TRAVEL

Sales of services are recognised in the accounting period when the service is rendered and/or delivered to the customer. For ship voyages, revenue is recognised over the days the passenger is on board. For voyages currently en route on the reporting date, revenues are accrued based on the number of days the voyage lasts before the end of the accounting period. Revenue recognition is performed based on reports from the booking system, providing detailed information regarding the sailings. Tickets, meals and excursions are primarily pre-sold before the journey commences, but for travellers along the Norwegian coast, it is also possible to purchase tickets in the port right before the ship sails. Onboard sales of food, beverages, shop and excursions accounts for approximately nine percent of the total revenue. Travellers pay their journey up-front, and the Group accounts for these payments as deposits from customers (liabilities). See note 22 for a reconciliation of changes in this liability.

Revenue from freight of cargo along the Norwegian coast is recognised based on monthly invoicing of available cargo space, as the customer has rented all the cargo space and pays a daily hire regardless of whether the space is used or not.

(II) REVENUE FROM SALE OF GOODS

The Group's sales of goods primarily relate to sales of food, souvenirs and other retail products onboard the ships. Sales are recognised in income when the customer has received and paid for the goods. Payment for retail transactions is usually made in the form of cash or by credit card.

(III) PUBLIC PROCUREMENT

The Group has a State Service Obligation with the Ministry of Transport and Communications to operate the Bergen–Kirkenes coastal route.

Revenue received from public procurement is recognised in the income statement on a continuous basis over the year based on existing contracts, and bases on monthly invoices. This contract is the result of a public tender, in which the company has a fixed contract-sum for planned (annual) production. There are specific conditions and calculation methods for the indexation of the contract sum. Any changes beyond the planned production are compensated/deducted utilising agreed-upon rates set out in the agreements and recognised in the periods in which they occur.

(IV) INCREMENTAL COSTS

Incremental costs of obtaining a contract are those costs incurred to obtain a contract with a customer that would not have incurred if the contract had not been obtained, for example, a sales commission. The Group incur commissions to several sales commissioners, selling tickets to Hurtigruten cruises on our behalf. When the agencies are invoiced, the invoices are net of commissions, and both the revenue and the commission cost is recognised in the income statement at the time of the travel. For commissions to agents who invoice on a monthly basis or subsequently after the journey, the Group will have to make an accrual. The expenses are presented as Cost of Goods sold in the Income Statement.

(V) CANCELLATIONS, GUARANTEES ETC

The Group has, as a provider of package travels, the same responsibilities as other actors in the business, following the EU Directive 2015/2302 on Package Travel, as set forth in our terms and conditions for travellers: "Subject to these booking conditions, if we or our suppliers perform or arrange your contracted holiday arrangements negligently, taking into consideration all relevant factors, we will pay you reasonable compensation".

No provision for guarantees has been accounted for in the statement of financial position as at 31 December 2018.

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment primarily comprise ships (Hurtigruten ships), land and buildings (hotels, offices and workshops). Property, plant and equipment are recognised at cost less depreciation and any impairments. Acquisition cost comprises costs directly associated with the acquisition of the asset.

Periodic maintenance is recognised in the balance sheet and expensed over the period until the next periodic maintenance. Ongoing maintenance for all ship types is expensed continuously during the period in which the work is performed.

Land is not depreciated. Other operating assets are depreciated on a straight-line basis to the estimated residual value, over the asset's expected useful life. Expected useful life is determined based on historical data and based on benchmark economic useful life in the industry. Residual value is calculated based on estimated sales values for operating assets at the end of their expected useful life. Expected useful life is:

Ships and ship-components	12–30 years
Buildings	25 – 100 years
Other	3–10 years

The useful life and residual value of operating assets are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognised as their various components. These components are depreciated separately over each component's useful life. At the end of each accounting period, an assessment of whether there are any indications that operating assets may be impaired, and in the event that such indications exist, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

Gains and losses on disposals are recognised in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the book value.

The cost of ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items.

E) INTANGIBLE ASSETS

(I) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets in the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is classified as an intangible asset.

Goodwill is allocated to the cash-generating unit or groups of cash-generating units that are expected to benefit from the acquisition at the time of acquisition (section F).

Goodwill is not amortised but is tested annually for impairment.

(II) TRADEMARK

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. The trademark Hurtigruten has an indefinite useful life and is tested annually for impairment.

(III) OTHER INTANGIBLE ASSETS

Other intangible assets are largely directly associated with development costs for computer systems recognised in the balance sheet at cost, if the criteria for recognition in the balance sheet are met. Expenses recognised in the balance sheet as custom-developed computer systems largely comprise payroll costs and hired-in consultants in connection with the development.

The criteria for recognising custom-developed intangible assets in the balance sheet are:

- It is technically feasible to complete the development of the software so that it will be available for use.
- Management intends to complete the development of the software and use it.
- The intangible asset will in fact be used after its completion.
- It is probable that the intangible asset will create future economic benefits.
- Adequate technical, financial and other resources are available for the company to be able to complete the development and to use the completed intangible asset.
- Development costs for the asset can be reliably measured

Intangible assets are considered to have a limited life span and are amortised over their expected useful life. Assessments are made at the end of each accounting period to find any indications of impairment of intangible assets. If there are indications of impairment, the intangible asset's recoverable amount is estimated and compared to its carrying amount, and in the event that the carrying amount is above the recoverable amount, the intangible asset is written down to its recoverable amount. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred. Contracts acquired in business combinations are recognised at fair value at the acquisition date and are amortized over the contract's useful life.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with indefinite useful life and goodwill are not amortised but are tested annually or more frequently if there are indications of impairment. Depreciated property, plant and equipment and amortised intangible assets are assessed for impairment when there is any indication that the book value may not be recoverable.

An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing impairments, non-current assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date the possibility of reversing previous impairment of non-financial assets (except goodwill) is assessed.

G) FINANCIAL ASSETS

(I) CLASSIFICATION

The Group classifies financial assets in the following three categories, depending on the management's object of acquiring the asset, and the characteristics of the asset:

1) *Financial assets measured at amortised cost*
   Primarily loans and receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method. Loans and receivables with maturities less than 12 months are classified as current assets. Instruments with more than 12 months maturity are classified as non-current assets.

2) *Financial assets measured at fair value through other comprehensive income*
   The Group uses derivatives to hedge exposure against foreign currency risk and bunker oil prices.

Some of these derivatives are designated as hedging instruments by management, and the formal hedging requirements regarding the relationship between the hedged item and the hedging instrument and the accompanying hedging documentation is prepared at the inception of the hedge. The portion of the gain or loss on such hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income.

Investments in equity instruments where the management has made an irrevocable election to present subsequent changes in the fair value in other comprehensive income and where the investment is not held for trading, is also classified into this group.

3) *Financial assets measured at fair value through profit or loss*
All other financial assets should be measured at fair value through profit or loss. For the Group, this primarily consist of derivatives that are not designated as hedges, or the portion of the gain or loss on hedging instruments that is determined to be an ineffective hedge. Assets in this category are classified as current assets or liabilities.

(II) RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised and derecognised using trade date accounting, which means using the date the Group commits itself to purchase or sell the asset. Unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and has a legal right to receive or a legal obligation to pay cash. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognised until at least one of the parties has performed under the agreement. Planned future transactions, no matter how likely, are not assets and liabilities because the entity has not become a party to a contract.

All financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets recognized at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Subsequent measurement depends on the classification as referred to under Section G, point I.

Financial assets are derecognised when the rights to receive cash flows from the investment expire or when these rights have been transferred and the Group has substantially transferred all risks and rewards of ownership.

Gains or losses from changes in fair value of assets classified as “financial assets at fair value through profit or loss”, including interest income and dividends, are included in the income statement under financial items in the period in which they arise. Dividends from financial assets at fair value through profit or loss are included in finance income when the Group’s right to receive payments is established.

H) OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are only offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

I) IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, for all financial assets measured at amortised cost except customer receivables, the Group assesses whether the credit risk on the financial instruments has increased significantly since initial recognition, by using available reasonable and supportable forward-looking information. If and when contractual payments are more than 30 days past due, the credit risk is always considered to have increased significantly. For financial instruments where the credit risk is considered to have increased significantly, an amount equal to the lifetime expected credit losses is recognised for loss allowance. For financial instruments where the credit risk has not increased since initial recognition, an amount equal to 12-months expected credit losses is recognised for loss allowance. The change in recognised impairment losses since the last reporting period is recognised in profit or loss.

Impairment testing of customer receivables is described in section k) below.

J) DERIVATIVES AND HEDGING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value on an ongoing basis. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group classifies derivatives that are part of a hedging instrument as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair-value hedge) or

(ii) hedges of variable cash flows with a particular risk associated with a recognised asset, liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Such assessments are documented both at hedge inception and on an ongoing basis.

The fair value of derivatives used for hedging purposes are presented in Note 10C. Changes in the equity item from hedging are presented in Note 15.

Cash flow hedging
The effective portion of changes in the fair value of derivatives that are designated and qualify as hedging instruments in cash flow hedges is recognised in other comprehensive income. Losses and profits on the ineffective portion are recognised in the income statement.

Hedge gains or losses recognised in other comprehensive income and accumulated in equity are recycled over profit and loss in the period during which the hedged item affects the income statement (for example, when the forecasted sales transaction is taking place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recycled over profit and loss when the forecasted transaction is recognised in the income statement. If a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement as a reclassification adjustment.

K) TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise or services sold on credit in the ordinary course of business. If settlement is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

Trade receivables are measured at amortised cost, which normally is equal to the original invoice amount, as the interest element using the effective interest method normally is insignificant and therefore disregarded.

For customer receivables, an amount equal to the lifetime expected credit losses is recognised for loss allowance.

L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities in the balance sheet. Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation. Restricted bank deposits are included in the balance sheet presentation but not in the cash flow statement. The difference is reconciled below the cash flow statement.

M) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are valued at fair value on first-time recognition in the balance sheet. Subsequently, trade payables are measured at amortised cost using the effective interest method. The interest element is disregarded if it is immaterial.

N) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognised at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

O) BORROWING COSTS

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the balance sheet until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis. In the cash flow statement, interest paid is classified as part of the financing activities.

P) CURRENT AND DEFERRED INCOME TAXES

Income tax expense comprises income taxes payable and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is calculated in accordance with the tax laws and regulations enacted or substantively enacted at the balance sheet date in the countries in which the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax laws are subject to interpretation. Based on management's assessment, a provision is made for expected tax payments when necessary.

Deferred tax is calculated on all temporary differences between the tax values and consolidated financial values of assets and liabilities. Deferred income tax is determined using tax rates and tax laws which have been enacted or substantially enacted by the balance sheet date and which are expected to apply when the deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the tax-reducing temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are recognised net to the extent that they relate to income taxes levied by the same taxation authority, and there is a desire and ability to realise the assets and settle the liabilities simultaneously.

Q) PENSION LIABILITIES, BONUS SCHEMES AND OTHER EMPLOYEE REMUNERATION SCHEMES

(I) PENSION LIABILITIES

The Group's companies operate various pension schemes. The schemes are generally funded through payments to life insurance companies. The Group operates both defined contribution and defined benefit plans.

The liability recognised in the balance sheet connected with the defined benefit schemes is the present value of the defined benefits at the balance sheet date less the fair value of the pension assets. The pension liability is calculated annually by an independent actuary using the projected unit credit method. The gross liability is discounted to present value applying the interest rate on high-quality corporate bonds issued in the currency in which the liability will be paid, and with approximately the same terms as the payment horizon of the liability.

The cost of pension entitlements for the period are recognised in payroll costs. This expense includes an increase in the pension liability due to earnings from previous years, changes, curtailments and settlements.

Past service costs arising from the amendments of plan benefits are immediately recognised in the income statement.

The net interest expense is calculated by applying the discount rate to the net pension liability and the fair value of the pension assets. This cost is recognised in payroll costs in the income statement.

Remeasurement gains and losses arising from changes in actuarial assumptions are recognised in equity through other comprehensive income in the period in which they arise and will not be reclassified to profit or loss in subsequent periods.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as payroll costs in the same period as the employees have rendered services entitling them to the contributions. Prepaid contributions are recognised as a financial asset to the extent that a cash refund or a reduction in the future payments are available.

(II) PROFIT-SHARING AND BONUS SCHEMES

The group recognises a liability and an expense for bonuses and profit-sharing plans at the time the specific criteria for performing the payment are fulfilled. The accrual is including social security tax.

(III) SHARE-VALUE-BASED REMUNERATION

The group have share-based remuneration schemes in which the company receives services from employees as consideration for a share-based payment, (see Note 20).

The fair value at grant date, is amortised over the vesting period.

Share-based remuneration plans are settled either with cash or a private placing of shares.

(IV) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

R) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that the Group will have to make a payment or forfeit an asset in order to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognised for future operating losses; however, provisions for unprofitable contracts are recognised.

S) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When the Group has substantially assumed all the risks and rewards of ownership of the underlying lease object, leases are classified as finance leases and the lease object and lease liability are recognised in the balance sheet.

Accounting for leases will change following implementation of IFRS 16 “Leases” with effect for financial reporting after 1 January 2019, see section 2.4.

T) DIVIDENDS

Dividend distribution to owners of the parent is recognised as a liability in the Group’s financial statements when the dividends are approved by the General Meeting.

U) GOVERNMENT GRANTS

The Group receives material grants in the form of grants for trainee schemes and net salary subsidies. These grants are recognised net (as a cost reduction) together with the other payroll costs (see note 24).

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following new accounting standards that were effective for accounting periods beginning on or after 1 January 2018 and which are relevant for Hurtigruten Group:

<u>IFRS 9 Financial Instruments</u> has replaced IAS 39 Financial Instruments: Recognition and Measurements. The standard has introduced new requirements for the classification, measurement and accounting treatment of

financial assets and liabilities, as well as hedge accounting. In accordance with IFRS 9, financial assets are divided into three categories: fair value through other comprehensive income, fair value through profit or loss and amortised cost. The measurement category is established based on the method used for the first-time recognition of the asset. Classification is contingent on the entity's business model for management of its financial instruments and the nature of the cash flows for the individual instrument.

Impairments attributable to credit risk are now recognised based on expected losses rather than the previous model where losses must already have been incurred.

The standard essentially continues the requirements of IAS 39 for financial liabilities. The greatest change applies to cases where the fair value option has been utilised for a financial liability, but this is not relevant for the Group as this option has not been used.

IFRS 9 has simplified the requirements for hedge accounting by tying hedging efficiency more closely to management's risk management and providing greater scope for assessment. The requirements for hedging documentation are continued but the notes disclosure requirements are increased somewhat.

Implementation of IFRS 9 has not affected the financial statements of the Group materially. Work processes have been slightly changed and there are some enhanced notes regarding hedge accounting.

IFRS 15, Revenues from Contracts with Customers has established a new five-step model that applies to revenue arising from contracts with customers. Furthermore, the standard requires the customer contract to be split into individual performance obligations where these are multiple. A performance obligation can be a product or a service, and as recognition of these can be different, they should be separated. Revenue is recognised when a customer achieves control over a product or service, and thus has the opportunity to determine the use of, and can receive the benefits deriving from, the product or the service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated interpretations.

Implementation of IFRS 15 has not affected the financial statements of the Group materially, however the notes disclosures regarding revenue have been altered, reflecting the new and increased requirements of the new standard.

Standards, amendments and interpretations to existing standards that have not entered into force and which the Group has not early adopted:

IFRS 16 Leases, establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. When applying the new model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. Depreciation and interest expenses will replace the rental expenses. For the Group this implies that current operating leases that satisfy the criteria will be recognised with assets and liabilities. Effective date is 1 January 2019.

The Group will adopt IFRS 16 on 1 January 2019. IFRS 16 requires adoption either on a retrospective basis or on the modified retrospective basis. Using the retrospective basis, the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and comparatives will be restated. Lease liabilities for all material leases, except short term leases (duration of 12 months or less) have been measured as the present value of the remaining lease payments, discounted using either the borrowing rate implicit in the lease, or by using the incremental borrowing rate at the date of initial application. Leases of assets of low value (purchase price less than approximately NOK 50,000) are regarded as immaterial and is disregarded for this purpose. The difference between the value of the lease liabilities and the right-of-use assets will be recorded as an adjustment to the opening balance of retained earnings. The following implementation effects have been calculated:

(in NOK 1,000)	Right-of-use asset	Lease commitment, short term	Lease commitment, long term	Effect on retained earnings, implementation date
Apartments	18,994	2,261	17,435	-702
Office machinery	11,708	4,811	7,027	-130
Office Premises	83,000	16,212	70,777	-3,989
Other machinery	734	374	369	-9
Ship	256,785	56,394	206,319	-5,929
Totals	**371,221**	**80,052**	**301,927**	**-10,759**

For the financial year 2018 (comparative figures in the 2019 financial statements), we estimate the effects on the income statement as follows:

(in NOK 1,000)	Amortisation of right-of-use asset	Interest expense	Rent expenses	Net P&L effect
Apartments	2,710	697	-3,188	-219
Office machinery	4,958	585	-5,396	-146
Office Premises	19,804	3,943	-23,107	-641
Other machinery	551	44	-583	-13
Ship	60,245	14,110	-70,505	-3,851
Totals	**88,269**	**19,378**	**-102,777**	**-4,870**

The following effects are expected in the statement of financial position as per 31 December 2018:

(in NOK 1,000)	Right-of-use asset	Lease commitment, short term	Lease commitment, long term	Effect on retained earnings
Apartments	18,912	2,660	17,172	-921
Office machinery	6,750	4,559	2,468	-277
Office Premises	89,413	21,960	72,082	-4,629
Other machinery	2,624	854	1,792	-22
Ship	196,540	59,843	146,476	-9,780
Totals	**314,238**	**89,876**	**239,991**	**-15,628**

For the financial year 2019, we estimate the effects on the income statement as follows:

(in NOK 1,000)	Amortisation of right-of-use asset	Interest expense	Rent expenses	Net P&L effect
Apartments	2,802	631	-3,291	-142
Office machinery	4,467	323	-4,882	92
Office Premises	21,945	3,578	-25,538	15
Other machinery	875	85	-939	-21
Ship	60,245	10,662	-70,505	-402
Totals	**90,334**	**15,280**	**-105,155**	**-459**

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are reviewed on an ongoing basis and are based on experience, consultation with experts, trend analyses and several other factors, including forecast future events that are deemed probable under current circumstances.

3.1 KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions about the future. Thus, by their very nature, the accounting estimates that are made because of the above processes will rarely fully correspond with the outcome.

Estimates and assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

(A) ESTIMATED IMPAIRMENT OF GOODWILL AND TRADEMARK

The Group performs annual tests to assess potential impairment of goodwill and trademark, cf. Section 2.3 point e. The estimated recoverable amount is determined using the present value of budgeted cash flows for the cash-generating units. These calculations require the use of estimates (Note 8) for the required rate of return for the period, cash flows and the growth factor of the cash flows.

The Group does not apply a general growth factor beyond expected inflation for cash flows when testing goodwill for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilizes an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

(B) SHIPS

Useful economic lifetime

The level of depreciation depends on the estimated economic lifetime of the ships. These estimates are based on history and experience relating to the Group’s vessels. The estimates are reviewed at regular intervals. A change in the estimate will affect depreciation in future periods.

Estimated impairment of ships

Where there are indications of such, the Group tests whether ships have suffered any impairment, see Section 2.3 point d. The book value of the ships is included in the annual impairment test of goodwill and trademark.

(C) DEFERRED INCOME TAX ASSETS

The recognition of deferred income tax assets is based mainly on the utilization of tax loss carry forwards against future taxable income in the Group. The assessment is made based on management’s estimates of future profits in the Group and includes an assessment of the Group’s future strategy, economic developments in the markets in which the Group operates, future tax regimes and the Group’s ability to deliver forecast synergies. In preparing the financial statements, management has found the future taxable income to be sufficient to utilise the recognised deferred income tax assets. Please refer to Note 17 for more information on deferred income tax assets recognised in the balance sheet.

(D) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques and information from the contract counterparty. The

Group uses its judgment to select a variety of methods and to make assumptions based mainly on market conditions existing at each balance sheet date. Please refer to Note 10 for further information.

(E) PENSION ASSUMPTIONS

The Group has both defined contribution and defined benefit pension schemes. Measurement of pension costs and pension obligations for defined benefit plans involves the application of a number of assumptions and estimates, including the discount rate, future salary levels, expected employee turnover rate, the return on plan assets, annual pension increases, expected adjustments to G (the National Insurance Scheme basic amount) and demographic factors.

The Group has pension obligations in Norway and Germany. The discount rate used to calculate pension obligations in Norway is based on 15-year corporate covered bonds, with an additional provision to adjust for applicable risk and maturity relevant for the pension obligations. Covered bonds are primarily issued by credit institutions to listed Norwegian commercial and savings banks and are secured against loans directly owned by the credit institution. The Group has applied economic assumptions in line with the recommendation of the Norwegian Accounting Standards Board. For obligations in Germany, the discount rate is determined based on the interest rates on high quality corporate bonds denominated in the currency in which the benefits will be paid, with terms to maturity approximating to the term of the related pension obligation.

We have discovered that the historical information needed to calculate both payments and the accounting liabilities for the defined contribution plan and the defined benefit plan for employees in Hurtigruten Sjø have been incorrect for the years back to 2006, but because of the volume of employees affected, the accounting effect have been difficult to estimate accurately. A project has been initiated in order to update the information, a project which is still ongoing. Using updated information for parts of the population and extrapolation, adjusted pension liabilities have been estimated.

Changes in pension assumptions will affect the pension obligations and pension cost for the period. Pension obligations are significantly affected by changes in the discount rate, life expectancy and expected salary and pension adjustments. Please refer to Note 18 for more information about pensions.

(F) INCOME TAX

Income tax is calculated based on results in the individual Group companies. The Group is subject to income taxes in several jurisdictions. Calculation of the period's tax expense and distribution of tax payable and deferred income tax for the period requires a discretionary assessment of complex tax regulations in several countries. Consequently, uncertainty attaches to the final tax liability for many transactions and calculations. Where there is a discrepancy between the final tax outcome and the amounts that were initially recognised, this discrepancy will affect the recognised tax expense and provision for deferred income tax assets and liabilities in the period in which such determination is made. Please refer to Note 17 for more information about income tax.

NOTE 4 FINANCIAL RISK MANAGEMENT

The following discussion concerning financial risk management relates to the policies adopted and applicable to the financial year 2018. The Group uses financial instruments such as bank loans and bond loans. In addition, the Group utilises financial instruments such as trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Group has also utilised certain financial derivatives for hedging purposes.

4.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency, bunker price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Group's overarching risk management goal is to increase predictability for the Group's operations and to minimise the impact of fluctuations in macro conditions on the Group's results and financial position.

The Group has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, bunker price, credit risk and the use of financial derivatives. The Board of Directors approves the Group's risk management strategy and reviews it annually. The CFO function is responsible, in consultation with the CEO, for conducting ongoing tactical risk management in line with the approved strategy, including exposure analyses and reporting.

(A) MARKET RISK

(I) CURRENCY RISK

The Group operates internationally and is exposed to currency risk in multiple currencies, in particular EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the bunker oil cost is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

The price of oil, and thus bunker fuel, is internationally traded in USD, while the Group purchases bunker fuel in NOK. The risk can therefore be split into a currency element and a product element. The currency element is partially aligned with the Group's cash flow exposure in USD, and the product risk is hedged separately.

In 2015, Hurtigruten Group AS issued a bond with a face value of EUR 455 million, with a tenure of 7 years. This Senior Secured Bond Facility was terminated in February 2018. A Senior Facility Term Loan of EUR 575 million and EUR 85 million Senior Secured Revolving Credit Facility were established to replace the EUR 455 million Bond Facility and repay the outstanding EUR 85 million Senior Secured Revolving Credit Facility. The new facility has a tenure of 7 years. A full utilization of the Term Loan until maturity is assumed and no repayment of any facility unless so required per documentation. The new EUR 85 million Senior Secured Revolving Facility was undrawn at closing in February. In November 2018 the Senior Facility Term Loan of EUR 575 million was increased with EUR 80 million. As of 31 December 2018, the outstanding principal is EUR 655 million. The purpose of increasing the facility was to repay the NOK 400 million bond (financing purchases of MS Nordlys and MS Richard With) and for general corporate purposes including further upgrade of the fleet. The RCF was undrawn at 31 December 2018. The Group pays semi-annual interests on the Senior Facility Term Loan which represent a currency risk. The semi-annual payment of interest is partially hedged through the Group's net revenue in euro.

The Group has some investments in foreign subsidiaries whose net assets are exposed to currency translation risk.

The table below shows the Group's sensitivity to potential changes in the exchange rate for NOK against relevant currencies in relation to the exchange rate as of 31 December, with all other variables held constant. The potential sensitivity effect below will impact the finance income/expense, but not operating profit/loss in the consolidated statement of profit and loss. Changes mainly relate to foreign exchange gains/losses on translation of financial derivatives, borrowings, trade and other receivables, trade and other payables and cash and cash equivalents and other investments.

(in NOK million)	Impact on net profit/loss after tax **2018**	Impact on equity **2018**
Change EUR/NOK 5%	-349.0	-327.3
Change USD/NOK 5%	-2.8	-0.4
Change GBP/NOK 5%	-4.2	16.4

The calculations assume that the NOK depreciates by 5% against the relevant currencies. With an equivalent appreciation of the NOK, the amounts would have an equal and opposite value. The effect on equity is different to the effect on profit/loss, due to the fact that bunker derivatives are recognised as hedges, with related changes in value being recognised in other comprehensive income.

(II) PRICE RISK

The Group is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Group has implemented a fuel hedging policy that follows the booking curve: the key principle in the bunker hedging policy is based on the company's ability to obtain visibility on earnings, hence the company has established a hedging policy linked to the development in the booking curve (actual vs. budgeted Passenger Cruise Nights (PCN) booked). For example, if at any given time 75% of the volume for one season is sold, a minimum of 50% of the bunker cost associated with the PCN volume sold are hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

The table below shows the Group's sensitivity to potential price increases of bunker fuel, with all other variables held constant.

(in NOK million)	Impact on net profit/loss after tax **2018**	Impact on equity **2018**
Change bunker price +20% on contracts from 2018, expiring in the period 2019-2021	-	133.0

These calculations are based on the average hedged bunker oil volume and indicate how an increase of 20 % in bunker oil prices would impact the financial instruments valuation, which is hedging our exposure to bunker oil prices, and ultimately on the 2018 financial statements. The effect on equity is different to the effect on the income statement as these forward hedges fulfil the requirements for hedge accounting, and unrealised changes in value are recognised in other comprehensive income. Hedge efficiency is measured quarterly based on retrospective and prospective tests using the dollar offset methodology and regression analysis.

The purchase of physical bunker oil would be affected in the opposite way and accounted for as a variation on operating expense.

(III) CASH FLOW AND FAIR-VALUE INTEREST RATE RISK

The Group's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. Fixed interest rates expose the Group to fair-value interest rate risk. Most of the Group's interest-bearing debt has variable interest rate. The Group has no specific hedging strategy to reduce variable interest rate risk.

(in NOK million)	Impact on net profit/loss after tax **2018**	Impact on equity **2018**
Change in interest rate level with +50 basis points	-25.4	-25.4

(B) CREDIT RISK

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Group has routines to ensure that credit is only extended to agents with a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

(C) LIQUIDITY RISK

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Group has a group cash-pool that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

The table below provides an indicative debt repayment schedule over the coming 5-year period. The table excludes the new-build vessels financing that is expected to be drawn upon the vessels' delivery in March 2019 and fourth quarter of 2019 but includes interest, as the main financing runs without instalments until maturity, but interest is paid semi-annually.

(in NOK 1,000)	2019 **Less than one year**	2020-2021 **Year two and three**	2022-2023 **Year four and five**	2024--> **More than five years**
31. December 2018				
Borrowings	35,118	77,219	94,280	6,871,900
Estimated interest expenses on Bank loans	245,262	487,071	478,150	300,561
Total indebtedness repayment	**35,118**	**77,219**	**94,280**	**6,871,900**
Total impact on liquidity	**280,379**	**564,290**	**572,430**	**7,172,461**

On 30th June 2016, the Group entered into shipbuilding agreements with Kleven Verft AS, Norway, for the delivery of two newbuild explorer vessels. These contracts have impacted and are expected to impact liquidity in the following manner:

(in NOK million)	**2016**	**2017**	**2018**	**2019F**	**Total**
Capital expenditure					
Vessel 1 - MS Amundsen	65.8	137.8	-	1,373.5	**1,577.1**
Vessel 2 - MS Nansen	-	130.1	146.2	1,307.6	**1,583.9**
Ship financing, 80 % on delivery	-	-	-	(2,586.6)	**(2,586.6)**
CapEx - net cash from operations	**65.8**	**267.8**	**146.2**	**94.5**	**574.4**

Debt financing, which represent 80 % of the vessels' cost, shall be drawn upon delivery of the vessels and have a neutral impact on liquidity. Thus, the debt financing payment is presented with negative numbers in the table above.

Collection of sales prepayments for these vessels' sailings have started and mitigate the liquidity impact.

4.2 HEDGE ACCOUNTING

Up and until 2018, while complying to IAS 39, the bunker oil derivatives mitigating the fuel price risk were designated as hedging instruments for accounting purposes, and the gain or loss on the portion of the instrument which is determined to be an effective hedge has been recognised in other comprehensive income. During 2018, the hedging chapters in IFRS 9 are effective and are implemented. Furthermore, all previously engaged bunker oil hedging instruments had maturity during 2018. New bunker oil financial instruments have been closed regarding future fuel purchases.

The Group has chosen to designate a hedging relationship between these hedging instrument and the forecasted bunker oil purchases. During 2018, Hurtigruten Group has entered into 6 commodity forward swaps with Goldman Sachs and DnB Markets. These contracts have different strike prices (from 634 to 747 $/MT) and different expiry dates through the years 2019-2021. The contracts hedge forecasted future bunker oil purchase transactions. At the time the contracts were initiated, approximately 100 % of the forecasted oil consumption in 2019 and 50 % of the forecasted consumption in 2020 and 2021 are covered by the contracts. At year-end 2018, a total of 142,350 MT bunker fuel volume is hedged at an average price, incl. credit margin, of USD 656/MT during 2019-2021.

The forward swaps have monthly settlements, and the Group will be compensated if the market price of bunker oil is above the strike, and similarly have to make a payment to the counter-party if the market price is below strike. Hedge effectiveness is the extent to which changes in the cash flows of the hedging instrument offset changes in the cash flows of the hedged item. As there is a one-to-one relationship between the risk of price-fluctuations in bunker oil (hedged item) and the effect from the forward swaps, the forward swaps are effectively locking the purchase price of the bunker oil purchased, provided that the quantity purchased is equal to or larger than the quantity covered by the swap.

Hedge ineffectiveness is the extent to which the changes in the fair value or the cash flows of the hedging instrument are greater or less than those on the hedged item. As long as the purchased and consumed bunker oil quantities are greater than those included in the forward swaps, the hedge is effective. If the quantities included in the hedge is higher than the purchased and consumed bunker oil, then the excess quantities represent an ineffective hedge, and those effects should be recognised as other financial instruments, with valuation gains/losses recorded in profit/loss. This is not expected to occur, as the strategy is to hedge 50% - 100 % of forecasted purchases, and not above. No hedge ineffectiveness has been identified during 2018.

The movement in the cash-flow hedge reserve recognised in other comprehensive income is as follows:

(in NOK 1,000)	**2018**	2017
Opening balance	**46,545**	7,200
Reclassified into profit / loss	**-46,545**	-7,200
Change in fair value of hedging instruments	**-126,905**	46,545
Closing balance	**-126,905**	46,545

The carrying value of the hedging instruments is as follows:

(in NOK 1,000)	**2018**	2017
Non-current assets	**-**	30,494
Current assets	**-**	19,533
Non-current liabilities	**-57,351**	-
Current liabilities	**-105,347**	-
Net value	**-162,699**	50,028

4.3 THE COMPANY'S ASSET MANAGEMENT

The Group's objective for asset management is to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

NOTE 5 CONTINGENCIES

As of 31 December 2018, the Group had contingent liabilities relating to bank guarantees and other guarantees, in addition to other matters in the course of ordinary operations. No significant liabilities are expected to arise with respect to contingencies with the exception of the provisions that have already been provided for in the financial statements (Note 19).

MEMBERSHIP OF THE NOX FUND

Hurtigruten AS is a member of the Confederation of Norwegian Enterprise's (NHO) NOx Fund. The main objective of the Environmental Agreement concerning reductions of NOx and the NHO's NOx Fund is to reduce emissions of nitrogen oxide. The Fund is a joint venture to which affiliated businesses can apply for support for emission-reducing measures. Payment to the Fund replaces the nitrogen oxide tax for affiliated businesses.

The Environmental Agreement for 2011–2017 was signed on 14 December 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 2011-2016 were met. On 24 May 2017, an extension to the NOx Agreement for the period 2018-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22nd February 2018.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 3 % of emission targets trigger a collective fine, under which businesses must pay the nitrogen oxide tax for the pro rata share of the target that has not been met. However, businesses will never pay more than the official government rate for nitrogen oxide tax.

NOK 22.5 million in nitrogen dioxide tax was recognised in Hurtigruten Group's consolidated financial statements for 2018 compared to NOK 16.4 million in 2017.

CONSTRUCTION LOAN GUARANTEE

Hurtigruten Group AS is guarantor (unsecured guarantee) for the construction loans drawn by Kleven Yard AS ("Kleven") in connection with the building of the ships MS Roald Amundsen and MS Fridtjof Nansen. The maximum guaranteed amount from Hurtigruten Group AS equals 20 % of amounts outstanding for construction of each of the vessels. As at 31 December 2018, NOK 997.5 million is drawn for the construction of MS Roald Amundsen, and NOK 585.9 million is drawn for the construction of MS Fridtjof Nansen. Total exposure for Hurtigruten Group AS amounts to NOK 316.7 million in case of default on Klevens behalf.

NOTE 6 SEGMENT INFORMATION

(A) PRIMARY REPORTING FORMAT – OPERATING SEGMENTS (PRODUCT AREAS)

The operating segments are identified based on the same reporting that Group management and the board apply to their evaluations of performance and profitability at a strategic level. The company's ultimate decision-maker, which are responsible for allocation of resources to and assessment of earnings generated by the operating segments, is defined as the Board and Group management. The classification is broken down into the product areas Hurtigruten Norwegian Coast, Expedition cruises, and Spitsbergen. Activities that do not naturally fall within these three segments are bundled in Other business.

(in NOK 1,000)	Hurtigruten Norwegian Coast 2018	2017	Expedition Cruises 2018	2017	Spitsbergen 2018	2017
Operating revenues	**3,512,784**	3,159,211	**935,996**	811,497	**295,028**	292,411
Contractual revenues	**698,919**	674,234	**-**	-	**-**	-
Total operating revenues (Note 22)	**4,211,703**	3,833,445	**935,996**	811,497	**295,028**	292,411
Cost of goods sold	**(1,046,117)**	(954,000)	**(326,300)**	(253,616)	**(121,631)**	(120,893)
Crew costs, ship	**(662,221)**	(639,278)	**(101,672)**	(99,830)	**-**	-
Other operating cruise costs	**(977,705)**	(839,303)	**(248,800)**	(202,965)	**(15,611)**	(27,433)
Personnel costs, non-ship	**(299,741)**	(279,396)	**(55,402)**	(59,127)	**(87,443)**	(81,419)
Selling, general and admin expens.	**(416,347)**	(399,402)	**(77,462)**	(85,790)	**(25,404)**	(18,674)
Other (losses)/gains – net	**78,559**	(25,841)	**13,810**	(24,959)	**217**	214
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**888,131**	696,226	**140,170**	85,210	**45,156**	44,206
Depreciation and impairment losses	**(293,826)**	(401,791)	**(81,424)**	(60,883)	**(22,373)**	(17,844)
Operating profit/(loss)	**594,306**	294,435	**58,746**	24,327	**22,783**	26,362

(in NOK 1,000)	Other business and eliminations 2018	2017	Hurtigruten Group 2018	2017
Operating revenues	**(14,293)**	(14,803)	**4,729,515**	4,248,316
Contractual revenues	**-**	-	**698,919**	674,234
Total operating revenues (Note 22)	**(14,293)**	(14,803)	**5,428,434**	4,922,550
Cost of goods sold	**10,628**	12,003	**(1,483,420)**	(1,316,505)
Crew costs, ship	**-**	-	**(763,893)**	(739,108)
Other operating cruise costs	**2,769**	2,375	**(1,239,347)**	(1,067,326)
Personnel costs, non-ship	**-**	-	**(442,586)**	(419,942)
Selling, general and admin expens.	**1,175**	1,094	**(518,037)**	(502,772)
Other (losses)/gains – net	**48**	-	**92,634**	(50,586)
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**328**	670	**1,073,785**	826,311
Depreciation and impairment losses	**-**	(25)	**(397,623)**	(480,543)
Operating profit/(loss)	**328**	645	**676,162**	345,768

The reporting of segment assets and liabilities is not part of the internal management reporting in the Group. Material assets and liabilities are monitored at Group level, and individual key figures (e.g. trade receivables) are valued in the individual legal companies. Segment assets and liabilities are therefore not presented.

HURTIGRUTEN NORWEGIAN COAST

Hurtigruten Norwegian Coast is the Group's largest segment. Through this segment, the Group offers voyages along the Norwegian coast to an adventure-seeking international customer base. The segment offers a number of shore-based activities for its cruise passengers, including dog sledding, kayaking, inflatable boat adventures, local food tours, Lapland cultural tours, visits to land-based sites, mountain hiking and snowmobile excursions, skiing and whale safaris. 11 of the Group's ships provide services along the Norwegian coast under this segment (with MS Midnatsol and MS Spitsbergen alternating between the Hurtigruten Norwegian Coast and Expedition cruises segments), making 33 northbound and 32 southbound daily departures from ports located between Bergen in the south and Kirkenes in the north. It also offers freight and local passenger transport services along the coast, for which it receives a fixed fee from the Norwegian government each year under the Coastal Service Contract.

EXPEDITION CRUISES

The Expedition cruises segment is the Group's second largest and fastest growing segment, through which the Group offers exploration-based adventure cruises to the Arctic (including Svalbard, Greenland, Iceland, Canada and the Northwest Passage) and the Antarctic together with sailings to the Amazon river and Atlantic Islands. As part of the Group's Expedition cruises segment, customers are offered a wide array of excursions and expeditions designed to provide them with an unforgettable experience. The Group's purpose-built fleet includes three ice-class ships, MS Fram, MS Midnatsol and MS Spitsbergen. MS Midnatsol and MS Spitsbergen alternate between the Hurtigruten Norwegian Coast and the Expedition cruises segments and the Group leases and operates MS Nordstjernen around Svalbard during the summer months and as the basecamp for ski-cruises on the Norwegian Coast in March and April. The Group has also ordered two new-builds, MS Roald Amundsen and MS Fridtjof Nansen, which will operate as part of the Expedition cruises segment and are scheduled to be delivered in second and fourth quarter of 2019, respectively. These new-builds are optimal for adventure cruises, with size and technical specifications permitting the Group to sail adventure itineraries in the Arctic and Antarctic and flexibility to sail other adventure itineraries or in the Norwegian Coast segment. A third new-build has also been ordered, with expected delivery in 2021.

SPITSBERGEN

The Spitsbergen segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism on Svalbard, a Norwegian archipelago in the Arctic ocean. Through this land-based segment, the Group operates three hotels with a total of 258 rooms and an equipment store and offers activities such as kayaking, dog sledding, snowmobile hire, cross country skiing and observation of local fauna (including polar bears, walruses, seals and arctic birds)

OTHER BUSINESS

The area includes a minor portfolio of properties and smaller activities that cannot naturally be classified in the other areas.

ELIMINATIONS

Eliminations primarily consist of sales from Hurtigruten Svalbard AS (Spitsbergen segment) to Hurtigruten AS (Expedition cruises segment).

(B) SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

Operating revenues have been separated into geographical segments by which market the sales office is located. Some markets serve customers situated in other countries. In the table below, onboard sales, cargo freight revenue, contractual revenue and revenue from the Spitsbergen segment have all been allocated to the Nordic market.

2018

(in NOK 1,000)	Ticket revenue	Flights, hotel and trans-portation	Presold food, beverages, shop and excursions	Contractual revenue	Other revenue	Total operating revenue
Nordic market / onboard sales / Spitsbergen segment	471,489	43,343	115,332	698,919	828,116	**2,157,198**
Germany	865,057	275,200	310,711	-	12,096	**1,463,065**
France	140,892	37,683	47,411	-	16,467	**242,453**
United Kingdom	297,637	83,866	121,476	-	3,462	**506,440**
Rest of Europe	323,964	18,069	94,734	-	1,612	**438,379**
United States and Canada	269,554	37,232	77,479	-	6,671	**390,936**
Asia / Pacific	176,940	21,839	30,632	-	551	**229,963**
Totals	**2,545,533**	**517,231**	**797,776**	**698,919**	**868,975**	**5,428,434**

2017

(in NOK 1,000)	Ticket revenue	Flights, hotel and trans-portation	Presold food, beverages, shop and excursions	Contractual revenue	Other revenue	Total operating revenue
Nordic market / onboard sales / Spitsbergen segment	483,394	36,744	106,922	674,234	769,845	**2,071,139**
Germany	789,314	250,586	255,548	-	46,916	**1,342,364**
France	127,033	34,718	39,836	-	17,811	**219,398**
United Kingdom	228,278	68,080	88,362	-	12,404	**397,124**
Rest of Europe	288,531	16,999	82,611	-	2,574	**390,715**
United States and Canada	232,672	34,183	60,235	-	5,119	**332,209**
Asia / Pacific	136,309	7,781	23,423	-	2,088	**169,602**
Totals	**2,285,531**	**449,090**	**656,937**	**674,234**	**856,758**	**4,922,550**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(in NOK 1,000)	Land and buildings	Ships	Prepayments Ships under contruction	Other property, plant and equipment	Total
Acquisition cost					
As at 1 January 2017	173,057	4,421,888	-	72,950	**4,667,894**
Additions	36,817	265,850	359,855	16,332	**678,854**
Disposals	(40)	(5,465)	-	-	**(5,505)**
As at 31 December 2017	**209,834**	**4,682,273**	**359,855**	**89,282**	**5,341,244**
As at 1 January 2018	209,834	4,682,273	359,855	89,282	**5,341,244**
Additions	36,373	191,298	288,514	20,372	**536,557**
Disposals	(312)	(8)	-	(6,013)	**(6,333)**
Currency translation differences	-	-	7,827	363	**8,190**
As at 31 December 2018	**245,895**	**4,873,563**	**656,196**	**104,004**	**5,879,658**
Accumulated depreciation and impairment					
As at 1 January 2017	(11,746)	(644,436)	-	(21,072)	**(677,254)**
Depreciation	(6,066)	(346,879)	-	(9,397)	**(362,342)**
As at 31 December 2017	**(17,812)**	**(991,315)**	**-**	**(30,469)**	**(1,039,595)**
As at 1 January 2018	(17,812)	(991,315)	-	(30,469)	**(1,039,596)**
Depreciation	(9,815)	(289,938)	-	(16,596)	**(316,349)**
Depreciation disposals	-	-	-	5,456	**5,456**
Impairment losses	-	(854)	-	-	**(854)**
Currency translation differences	-	-	-	(197)	**(197)**
As at 31 December 2018	**(27,627)**	**(1,282,107)**	**-**	**(41,806)**	**(1,351,541)**
Book value 31 December 2017	**192,022**	**3,690,958**	**359,855**	**58,813**	**4,301,649**
Book value of financially leased assets, included above	-	576,156	-	-	**576,156**
Book value 31 December 2018	**218,268**	**3,591,455**	**656,196**	**62,197**	**4,528,117**
Book value of financially leased assets, included above	-	557,662	-	-	**557,662**
Useful economic lifetime	25 - 40 years	12 - 30 years	N/A	5 - 10 years	

Land and buildings primarily comprise the hotel properties at the Group's operations in Svalbard.

In 2018, the Group operated 14 cruise ships, whereof one ship (MS Nordstjernen) was operated under an operating lease. The Group reviews the long-lived assets for impairment whenever events or circumstances indicate potential impairment. No such events or circumstances were present in 2018 or 2017.
The vessels MS Richard With and MS Nordlys were operated under Financial lease agreements up until November 2017.

The cost of ships under construction include progress payments for the construction of two new ships (MS Amundsen and MS Nansen), as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items. The Group accounts for ship improvement costs by capitalising those costs believed to add value to its ships and which have a useful life greater than one year and depreciate those improvements over its estimated useful life.

Capitalised interest amounted to NOK 16.0 million in 2018 (NOK 16.4 million in 2017). The interest capitalisation rate is based on the weighted average interest rates applicable to borrowings within the Group during each period. During 2018, the average capitalisation rate was 3.8 %.

NOTE 8 INTANGIBLE ASSETS

(in NOK 1,000)	Goodwill	Trademark	Other intangible assets	Total
Acquisition cost				
As at 1 January 2017	1,945,558	450,000	1,132,963	**3,528,521**
Additions	-	-	40,763	**40,763**
As at 31 December 2017	**1,945,558**	**450,000**	**1,173,726**	**3,569,284**
As at 1 January 2018	1,945,558	450,000	1,173,726	**3,569,284**
Additions	-	-	69,087	**69,087**
As at 31 December 2018	**1,945,558**	**450,000**	**1,242,813**	**3,638,371**
Accumulated depreciation and impairment				
As at 1 January 2017	-	-	(786,523)	**(786,523)**
Depreciation	-	-	(118,201)	**(118,201)**
As at 31 December 2017	**-**	**-**	**(904,724)**	**(904,724)**
As at 1 January 2018	-	-	(904,724)	**(904,724)**
Depreciation	-	-	(80,420)	**(80,420)**
As at 31 December 2018	**-**	**-**	**(985,143)**	**(985,143)**
Book value 31 December 2017	**1,945,558**	**450,000**	**269,002**	**2,664,560**
Book value 31 December 2018	**1,945,558**	**450,000**	**257,670**	**2,653,228**
Useful economic lifetime	N/A	N/A	3 - 10 years	

In 2014, Hurtigruten Group AS acquired 100 % of the outstanding shares of Hurtigruten AS. As a result of the acquisition, Goodwill of NOK 1 919 million and an excess value of NOK 590 million related to contracts and trademarks were recognised.

Other intangible assets primarily comprise of capitalised development expenses related to ICT systems (booking, inventories, etc.) with a limited lifespan. The assets are amortised on a straight-line basis over 3–10 years. Amortisation is presented under amortisation in the income statements.

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

Goodwill relates to the following cash-generating units:

(In NOK 1,000)	2018	2017
Norwegian Coast	**1,579,111**	1,579,111
Expedition cruises	**306,667**	306,667
Spitsbergen Travel	**59,780**	59,780
Sum	**1,945,558**	1,945,558

The recoverable amount of a cash-generating unit is calculated on the basis of budgets and liquidity forecasts for the units approved by management.

Assumptions applied when calculating the recoverable amount:

	Norwegian Coast	Expedition cruises	Spitsbergen
Growth rate from 2023	2 %	2 %	2 %
Discount rate after tax	12.0 %	13.6 %	9.9 %

The recoverable amount has been calculated based on budgeted EBITDA for 2019. The forecast period is five years. Subsequently the terminal value is used. Expected future cash flows are based on budgeted EBITDA for 2019 deducted for capex, tax effects of depreciation and changes in net working capital (NWC). For the period 2020 to 2023, EBITDA is based on forecasts that represent management's best estimate of the range of economic conditions that will exist over the period, including expectations regarding occupancy rate, fuel prices and salary development. For the period beyond 2023, cash flow is estimated by extrapolating the projections based on the forecasts, using a steady growth rate of 2 % for subsequent years, equal to assumptions in inflation.

The Group does not apply a general growth factor beyond expected inflation for cash flows when testing goodwill for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilises an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

The impairment testing proves that there is a significant headroom before impairment losses will be recognised in all three segments.

Impact of possible changes in key assumptions in the Norwegian Coast segment

If the budgeted EBITDA margin used in the impairment test for the Coastal segment had been reduced by 3 %-points, combined with a 2 %-points lower revenue growth, the Group would have had to recognise an impairment against the carrying amount of Intangible assets of MNOK 205.

Likewise, if the long-term growth had been reduced by 1 %-points combined with a 2 %-points higher WACC calculation, the Group would have to recognise an impairment of MNOK 239.

Impact of possible changes in key assumptions in the Explorer segment

If the budgeted EBITDA margin used in the impairment test for the Explorer segment had been reduced by 3 %-points, combined with a 2 %-points lower revenue growth, the Group would have had to recognise an impairment against the carrying amount of Intangible assets of MNOK 104.

Likewise, if the long-term growth had been reduced by 1 %-points combined with a 2 %-points higher WACC calculation, the Group would have to recognise an impairment of MNOK 290.

Impact of possible changes in key assumptions in the Spitsbergen segment

If the budgeted EBITDA margin used in the impairment test for the Spitsbergen segment had been reduced by 3 % - points combined with a 2 %-points lower revenue growth, the Group would have had to recognise an impairment against the carrying amount of Intangible assets of MNOK 90.

Likewise, if the long-term growth had been reduced by 1 %-points combined with a 2 %-points higher WACC calculation, the Group would have to recognise an impairment of MNOK 40.

NOTE 9 INVESTMENTS IN ASSOCIATES

This table presents the associates and joint ventures of the Group as at 31 December 2018 which are material to the Group. Green Dog Svalbard AS has share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interest is the same as the proportion of voting rights held. Associates are accounted for using the equity method.

31 DECEMBER 2018

Company	**Green Dog Svalbard AS**
Registered office	Longyearbyen, Svalbard
Shareholding	50.0 %
Acquisition cost	50
Accumulated share of profits, 1 January 2018	6,830
Accumulated equity distributions, 1 January 2018	(2,000)
Carrying value, 1 January 2018	**4,880**
Share of profit after tax	596
Dividend distributions	(500)
Items recorded against other comprehensive income	19
Carrying value, 31 December 2018	**4,995**

31 DECEMBER 2017

Company	**Green Dog Svalbard AS**
Registered office	Longyearbyen, Svalbard
Shareholding	50.0 %
Acquisition cost	50
Accumulated share of profits, 1 January 2017	5,584
Accumulated equity distributions, 1 January 2017	(1,500)
Carrying value, 1 January 2017	**4,134**
Share of profit after tax	1,246
Dividend distributions	(500)
Carrying value, 31 December 2017	**4,880**

Green Dog Svalbard AS offers dog-related activities on Svalbard. These include dog sledding, overnight trips with teams of dogs and similar.

NOTE 10A FINANCIAL INSTRUMENTS BY CATEGORY

The following categories have been used for subsequent measurement of financial assets and liabilities:

AS AT 31 DECEMBER 2018

(in NOK 1,000)	Loans and receivables	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Long-term receivables (note 11)	700,980	-	-	-	**700,980**
Investments in other companies	-	3,199	24,327	-	**27,526**
Trade receivables and other receivables (note 11)	234,741	-	-	-	**234,741**
Cash at bank, cash on hand and market-based investments (note 13)	560,410	1,165	-	-	**561,576**
Total	**1,496,132**	**4,365**	**24,327**	**-**	**1,524,823**

(in NOK 1,000)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (note 16)	-	-	6,944,337	**6,944,337**
Derivatives (note 10C)	34,963	162,699	-	**197,662**
Accounts payable and other short term payables (note 21)	-	-	306,316	**306,316**
Total	**34,963**	**162,699**	**7,250,653**	**7,448,315**

(in NOK 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Long-term receivables (note 11)	700,980	700,980
Investments in other companies	27,526	27,526
Trade receivables and other receivables (note 11)	234,741	234,741
Cash at bank, cash on hand and market-based investments (note 13)	561,576	561,576
Total	**1,524,823**	**1,524,823**
Liabilities as per balance sheet		
Borrowings (note 16)	6,944,337	7,078,517
Derivatives (note 10C)	197,662	197,662
Accounts payable and other short term payables (note 21)	306,316	306,316
Total	**7,448,315**	**7,582,495**

The fair value of current receivables and payables has been assessed and does not differ materially from the carrying amount.

AS AT 31 DECEMBER 2017

(in NOK 1,000)	Loans and receivables	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Long-term receivables (note 11)	12,794	-	-	-	**12,794**
Investments in other companies	-	3,169	49,970	-	**53,139**
Trade receivables and other receivables (note 11)	210,923	-	-	-	**210,923**
Derivatives (note 10C)	-	-	-	50,028	**50,028**
Cash at bank, cash on hand and market-based investments (note 13)	438,053	1,153	-	-	**439,206**
Total	**661,770**	**4,321**	**49,970**	**50,028**	**766,089**

(in NOK 1,000)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (note 16)	-	-	5,783,576	**5,783,576**
Derivatives (note 10C)	-	13,247	-	**13,247**
Accounts payable and other short term payables (note 21)	-	-	494,296	**494,296**
Total	**-**	**13,247**	**6,277,872**	**6,291,118**

(in NOK 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Long-term receivables (note 11)	12,794	12,794
Investments in other companies	53,139	53,139
Trade receivables and other receivables (note 11)	210,923	210,923
Derivatives (note 10C)	50,028	50,028
Cash at bank, cash on hand and market-based investments (note 13)	439,206	439,206
Total	**766,089**	**766,089**
Liabilities as per balance sheet		
Borrowings (note 16)	5,783,576	6,079,348
Derivatives (note 10C)	13,247	13,247
Accounts payable and other short term payables (note 21)	494,296	494,296
Total	**6,291,118**	**6,586,891**

CLASSIFICATION BY IFRS FAIR VALUE HIERARCHY

The Group uses the following hierarchy to classify assets and liabilities, based on the valuation methods used to measure and disclose their fair value:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.

- Level 2: Other techniques in which all of the parameters that have a significant impact on measuring fair value are either directly or indirectly observable. This is primarily relevant for our derivatives, where the price normally is set by the counterpart (a financial institution).
- Level 3: Valuation techniques that use parameters that significantly affect the valuation, but which are not observable.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2018

(in NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Investments in other companies	-	-	27,526	**27,526**
Cash and cash equivalents (note 13)	1,165	-	-	**1,165**
Total	**1,165**	**-**	**27,526**	**28,692**
Liabilities				
Derivatives (note 10C)	-	197,662	-	**197,662**
Total	**-**	**197,662**	**-**	**197,662**

There were no transfers between levels 1, 2 or 3 in 2018.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2017

(in NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Investments in other companies	-	-	53,139	**53,139**
Derivatives (note 10C)	-	50,028	-	**50,028**
Cash and cash equivalents (note 13)	1,153	-	-	**1,153**
Total	**1,153**	**50,028**	**53,139**	**104,319**
Liabilities				
Derivatives (note 10C)	-	13,247	-	**13,247**
Total	**-**	**13,247**	**-**	**13,247**

There were no transfers between levels 1, 2 or 3 in 2017.

RECONCILIATION OF MOVEMENT IN LEVEL 3 FINANCIAL INSTRUMENTS

(in NOK 1,000)	2018	2017
Opening balance	**53,139**	3,000
Purchases	**2,763**	50,206
Sales	**(1,233)**	(25)
Gains / losses recognised in profit/loss	**872**	(43)
Gains / losses recognised in other comprehensive income (note 15)	**(28,015)**	-
Closing balance	**27,526**	53,139

During 2018, all the shares in Kirberg Shipping AS was sold to Silk Topco AS (the parent company) for NOK 349 thousand. Silk Topco AS has also purchased the rest of the shares and Kirberg Shipping AS has become a consolidated subsidiary in Silk Topco Group.

SPECIFICATION OF INVESTMENTS IN OTHER COMPANIES

Balance at 31 December 2018

(in NOK 1,000)	Ownership share	Carrying value
Myklebust Verft Invest AS	15.90 %	24,327
Other minor investments	-	3,199
Totals		**27,526**

Balance at 31 December 2017

(in NOK 1,000)	Ownership share	Carrying value
Myklebust Verft Invest AS	15.90 %	49,970
Other minor investments	-	3,169
Totals		**53,139**

NOTE 10B CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(in NOK 1,000)	**2018**	2017
Counterparties without external credit ratings:	**234,741**	210,923
Total trade receivables and other receivables	**234,741**	210,923
Cash bank and short-term bank deposits		
Rating A (S&P)	**555,243**	432,518
Counterparties without external credit ratings:	**721**	723
Total bank deposits	**555,964**	433,241
Cash on hand	**4,446**	4,812
Total cash and short-term bank deposits	**560,410**	438,053
Market based investments		
Money market fund (SICAV-France)	**1,165**	1,153
Total market based investments	**1,165**	1,153
Derivatives		
Rating AA (S&P)	**-**	50,028
Total derivatives (note 10C)	**-**	50,028

NOTE 10C FAIR VALUE OF DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If the derivative is not classified as a hedging instrument, subsequent re-measurements are recognised in profit or loss.

The Group has two different types of derivatives as of 31 December 2018:

- Bunker oil derivatives used in cash flow hedge in order to hedge the future market risk of bunker oil purchases.
- NOK/EUR currency option agreements (purchased put and sold call), used as an economic hedge to obtain loan commitments in EUR, in which this financing will be used to settle a future liability in NOK.

2018

(in NOK 1,000)	Assets	Liabilities
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	-	162,699
NOK/EUR currency options	-	34,963
Total fair value of derivatives	**-**	**197,662**
Short term	-	140,310
Long term	-	57,351

2017

(in NOK 1,000)	Assets	Liabilities
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	50,028	-
NOK/EUR currency options	-	13,247
Total fair value of derivatives	**50,028**	**13,247**
Short term	19,533	13,247
Long term	30,494	-

A hedging instrument is classified as long term if the major part of the instrument is settled in a period longer than 12 months from the balance sheet date. There are no recognised prospective inefficiencies regarding the hedging instruments.

FORWARD BUNKER OIL CONTRACTS

The hedged, highly probable purchase transactions of bunker oil are expected to occur at various dates over the next 36 months. The forward contracts mature monthly. Forward bunker oil contracts satisfy the requirements for hedge accounting under IFRS and changes in the fair value are recognised on an ongoing basis in other comprehensive income. Gains or losses on oil derivatives recognised in other comprehensive income as of 31 December 2018, will be recognised in the income statement in the same accounting periods that the hedged transactions affect the profit or loss. Realised gains and losses are recognised in Other (losses)/gains. In 2018 a net profit of NOK 74.2 million (2017: loss of NOK 20.6 million) was recognised in Other (losses)/gains.

NOK/EUR CURRENCY OPTIONS

The Group has a currency hedge in relation to the delivery of the two newbuild vessels MS Amundsen and MS Nansen in 2019. Proceeds from committed future financing in EUR will be used to settle future liabilities in NOK. Two currency options, which both have the same contractual amount in EUR, are used to obtain an economic hedge of the risk that currency fluctuations between NOK/EUR, could lead to a reduced NOK amount when proceeds from the future financing in EUR, are exchanged into NOK. At inception, the net fair value of the two options was zero.

The loan commitment does not qualify as a hedge object, and hedge accounting is therefore not applied. The currency options expire during 2019 on delivery on the two vessels.

NOTE 11 RECEIVABLES AND OTHER INVESTMENTS

(in NOK 1,000)	**2018**	2017
Trade receivables	**94,698**	88,111
Less provision for impairment of trade receivables	**(4,159)**	(3,757)
Trade receivables – net	**90,539**	84,353
Prepaid expenses	**193,612**	182,666
Claims	**-**	14,009
Other current receivables, group companies	**12,172**	551
Net wages claims	**49,901**	32,483
Other miscellaneous receivables	**82,130**	79,528
Other receivables	**337,814**	309,237
Total current trade and other receivables (Note 10A)	**428,353**	393,590
Non-current receivables, group companies	**698,870**	-
Other non-current receivables (Note 10A)	**2,110**	12,794
Total other receivables, non-current	**700,980**	12,794

For specification of receivables from related parties, please see Note 29.

AGEING OF OVERDUE TRADE RECEIVABLES

(in NOK 1,000)	**2018**	2017
Up to three months	**16,507**	15,490
Three to six months	**539**	1,733
Over six months	**3,737**	7,252
Total ageing of overdue trade receivables	**20,783**	24,475

PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

(in NOK 1,000)	**2018**	2017
Provision for impairment of receivables as of 1 January	**3,758**	9,139
Provision for impairment of receivables during the year	**1,249**	4,736
Receivables written off during the year	**(552)**	(6,803)
Reversal of unused amounts	**(298)**	(3,315)
Currency translation effects	**2**	1
Provision for impairment of receivables as of 31 December	**4,159**	3,758

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards and are paid in full prior to the travel date. Trade receivables primarily comprise sales to external agents through invoicing. The Group has routines to ensure that trade credit and prepayment of expenses are only extended to agents and vendors that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

NOTE 12 INVENTORIES

Inventories comprise the following types of goods

(In NOK 1,000)	**2018**	2017
Goods purchased for resale	154,611	116,630
Spare parts	4,949	6,530
Bunkers and lubrication oil	25,830	25,019
Total inventories	**185,390**	148,179

The inventories were measured at lowest of cost and fair value in accordance with the FIFO principle.

NOTE 13 CASH AND CASH EQUIVALENTS

(in NOK 1,000)	**2018**	2017
Cash at bank and on hand (Note 10A)	560,410	438,053
Market-based investments [1] (Note 10A)	1,165	1,153
Cash at bank, cash on hand and market-based investments	**561,576**	439,206
Restricted bank deposits [2]	(176,992)	(101,227)
Total cash and cash equivalents in the cash flow statement	**384,583**	337,979

1) Funds owned by a foreign subsidiary.

2) Restricted bank deposits primarily comprise tax withholding funds, pledged bank deposits, issued bond loans in an escrow account and guarantees to limited partnerships.

NOTE 14 SHARE CAPITAL AND PREMIUM

(in NOK 1,000 unless otherwise indicated)	Number of ordinary shares	Nominal value	Nominal value of ordinary shares	Share premium and other paid-in capital	**Total**
As of 31 December 2017	30	3	90	1,827,556	**1,827,646**
As of 31 December 2018	30	3	90	1,827,556	**1,827,646**

All ordinary shares have equal rights

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2018

	Number of shares	**Shareholding (%)**
Silk Midco AS	30	100.0 %

SHARES IN ULTIMATE PARENT HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2018

Board of Directors	
Trygve Hegnar, Chair, through Persicopus AS	4.9 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11.6 %
Jonathan Barlow, Director	0.0 %
Matthew Lenczner, Director	0.0 %
Management	
Daniel A. Skjeldam, CEO, through Hornsund Invest AS	0.9 %
Asta Lassesen, CCO, through A. Y. Invest AS	0.4 %
Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0.1 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS	0.2 %
Marit Finnanger, SVP, People and Org. Development through Mfortitude AS	0.1 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0.1 %

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2017

	Number of shares	**Shareholding (%)**
Silk Midco AS	30	100.0 %

SHARES IN ULTIMATE PARENT HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2017

Board of Directors	
Trygve Hegnar, Chair, through Persicopus AS	4.9 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11.6 %
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Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0.1 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS	0.2 %
Marit Finnanger, SVP, People and Org. Development through Mfortitude AS	0.1 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0.1 %
Robert Grefstad, SVP, ICT, through Trebor Invest AS	0.1 %

The company's auditor does not own any shares in Hurtigruten Group AS or Silk Topco AS (ultimate parent).

DIVIDEND PER SHARE

No dividend is proposed for the fiscal years 2018 or 2017.

NOTE 15 OTHER EQUITY NOT IN PROFIT OR LOSS

(in NOK 1,000)	**Cash flow hedge derivatives**	**Actuarial gain/loss**	**Fair value changes, equity investments recognized in OCI**	**Translation differences**	**Sum**
Carrying value as of 1 January 2017	**7,200**	**4,677**	**-**	**(15,432)**	**(3,555)**
Cash flow hedges, net of tax	39,345				**39,345**
Actuarial gain/loss on retirement benefit obligations, net of tax		(2,554)			**(2,554)**
Currency translation differences				21,872	**21,872**
Carrying value as of 31 December 2017	**46,545**	**2,123**	**-**	**6,440**	**55,108**
Cash flow hedges, net of tax	(173,450)				**(173,450)**
Actuarial gain/loss on retirement benefit obligations, net of tax		(3,168)			**(3,168)**
Change in fair value of equity investments recognized in OCI			(28,015)		**(28,015)**
Currency translation differences				(4,729)	**(4,729)**
Carrying value as of 31 December 2018	**(126,905)**	**(1,045)**	**(28,015)**	**1,711**	**(154,254)**

NOTE 16 BORROWINGS

NOMINAL VALUE AT 31 DECEMBER 2018

(in NOK 1,000)	Nominal value	Unamortized transaction costs	Book value
Collateralized borrowings	6,597,735	(134,180)	6,463,555
Lease financing	479,879	-	479,879
Other borrowings	902	-	902
Total	**7,078,517**	**(134,180)**	**6,944,337**

NOMINAL VALUE AT 31 DECEMBER 2017

(in NOK 1,000)	Nominal value	Unamortized transaction costs	Book value
Bond	4,477,337	(92,242)	4,385,095
Revolving Credit Facility	773,688	-	773,688
Lease financing	518,302	-	518,302
Other borrowings	79,702	-	79,702
Collateralized borrowings	26,789	-	26,789
Total	**5,875,818**	**(92,242)**	**5,783,576**

CLASSIFICATION OF BORROWINGS

(in NOK 1,000)	**2018**	2017
Non-current Borrowings		
Collateralized borrowings	**6,458,642**	-
Lease financing	**449,675**	473,109
Other borrowings	**902**	13,447
Total	**6,909,219**	486,556
Current Borrowings		
Bond	**-**	4,385,095
Collateralized borrowings	**4,913**	26,789
Revolving Credit Facility	**-**	773,688
Lease financing	**30,204**	45,193
Other borrowings	**-**	66,255
Total	**35,118**	5,297,020
Total borrowings	**6,944,337**	5,783,576

The bond and the revolving credit facility are secured with the Group's assets.

(in NOK 1,000)	**2018**	2017
Book value of collateralized assets	**4,094,971**	4,645,367

RECONCILIATION OF MOVEMENT IN BORROWINGS

(in NOK 1,000)	**2018**	2017
Total borrowings 1 January	**5,783,576**	5,161,323
Cash flows		
New financing	**1,225,792**	317,070
Repayments	**(105,403)**	(91,202)
Borrowing costs	**(148,741)**	(8,000)
Non-cash flow		
Amortisation	**108,537**	58,415
Currency translation effects	**94,939**	402,503
Other	**(14,362)**	(56,533)
Total borrowings 31 December	**6,944,337**	5,783,576

MATURITY PROFILE OF NOMINAL BORROWINGS

(in NOK 1,000)	**2018**	2017
Less than one year 1)	**35,118**	5,389,262
Between 1 and 2 years	**79,586**	66,224
Between 3 and 5 years	**91,913**	73,502
More than 5 years	**6,871,900**	346,830
Total	**7,078,517**	5,875,818

1) In February 2018, the Group entered into a Senior Secured Credit Facility of EUR 575 million and a Revolving Credit Facility of EUR 85 million. The existing Senior Secured Bond of EUR 455 million and the revolving Credit facility of EUR 85 million were terminated. Hence, the bond and revolving credit facility were classified as current borrowings in the Group's financial statements as at 31 December 2017.

BORROWINGS SPECIFIED BY CURRENCY

(in 1,000)	**2018**	2017
NOK	**84,868**	671,115
EUR	**699,963**	528,917

RECONCILIATION BETWEEN TOTAL OF FUTURE MINIMUM LEASE PAYMENTS AND PRESENT VALUE:

(in NOK 1,000)	**Present value**	**Future minimum lease payments**
Within a year	53,994	55,512
Later than one year but no later than 5 years	188,387	222,046
Later than 5 years	167,314	249,802
Total	**409,696**	**527,359**

The Group entered into a Memorandum of Agreement on 30 June 2016 with Jiaye International Ship Lease Co. Limited for the sale and lease-back of the vessel MS Spitsbergen. The leasing period is 12 years and expires on 30 June 2028. The agreed sale price was EUR 55 million, recognised as a finance lease agreement in the Group's financial statements (also see note 7). There is no contingent rent included in the lease. The Group has an obligation to purchase the vessel for an agreed price of 11 million euros at the end of the leasing period.

FAIR VALUE CALCULATIONS

The carrying amounts and the fair values of the borrowings are as follows:

	Carrying value		**Fair value**	
(in NOK 1,000)	**2018**	2017	**2018**	2017
Bond	-	4,385,095	-	4,540,130
Collateralized borrowings	**6,463,555**	26,789	**6,597,735**	26,789
Revolving Credit Facility	-	773,688	-	773,688
Lease financing	**479,879**	518,302	**479,879**	518,302
Other borrowings	**902**	79,702	**902**	79,702
Total	**6,944,337**	5,783,576	**7,078,517**	5,938,611

The fair value of current borrowings approximates their carrying value, as the impact of discounting is not significant. The financing is mainly floating interest rate borrowings, so the main difference between carrying value and fair value is the capitalised expenses recognised and being amortised in accordance with the effective interest method.

The Group’s main source of financing is a Term Loan B with EURIBOR floating interest + margin. The facility has a face value of EUR 655 million. The loan was issued in February 2018 (EUR 575 million) and increased in November 2018 (EUR 80 million) to repay an outstanding NOK bond and for general corporate purposes (incl. further investments in the fleet).

As of 31 December 2018, the Group has an undrawn Revolving Credit Facility of EUR 85 million which is undrawn.

On 7 February 2017, the Group entered into a loan agreement with the majority shareholder Silk Holding S.a.r.l in the amount of EUR 12 million with a rolling tenure. The interest is compounded quarterly and payable upon loan redemption. On 14 September 2017, the Group repaid EUR 5,5 million, and the net loan balance at 31 December 2017 was EUR 6,5 million. The remaining EUR 6,5 million was repaid in full on 14 August 2018.

Covenants

Term Loan B

There are no financial maintenance covenants.

Revolving credit facility

For the benefit of the Lenders under the Revolving Facility only (in that capacity only), the Group shall ensure that the Consolidated Senior Secured Leverage Ratio is not greater than 7.7:1, provided that Base Currency Amount of all outstanding Revolving Loans borrowed by members of the Group is greater than 40 per cent of the Total Revolving Facility Commitments at that time.

Limitations on indebtedness

The Group can only incur new debt provided that it (1) meets a Fixed Charge Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense) or (2) fits into a specified exception to the ratio test. Non-Guarantor Restricted Subsidiaries are not permitted to incur indebtedness exceeding EUR 50.0 million. Debt incurrence is only measured at the time debt is incurred. As a result, no violation occurs if, at a date subsequent to the incurrence, the Group or its Restricted Subsidiaries would not meet the incurrence ratios.

Incremental facilities

With the amount of any other term loan Incremental Facilities, the Accordion Amount (being an amount equal to 100% of Consolidated EBITDA plus the amount which does not cause (i) in respect of Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio to exceed 5.0:1.0, and (ii) in respect of any indebtedness that is not Senior Subordinated Indebtedness, the Fixed Charge Coverage Ratio to be less than 2.0 to 1.0.

NOTE 17 INCOME TAX

INCOME TAX EXPENSE

The income tax expense for the year can be broken down as follows:

(in NOK 1,000)	**2018**	2017
Income tax payable, current year	**30,520**	35,234
Income tax payable, adjustments regarding previous years	**(28)**	521
Change in deferred tax, current year	**(452,132)**	(10,645)
Change in deferred tax, tax rate changes and adjustments regarding previous years	**21,921**	-
Total income tax expense	**(399,719)**	25,110

Tonnage tax is calculated based on the ship's tonnage and not income and is therefore classified as an operating expense.

(in NOK 1,000)	**2018**	2017
Tonnage tax payable related to the shipping company tax schemes	**10**	9

RECONCILIATION OF INCOME TAX EXPENSE TO PROFIT / LOSS BEFORE TAX

The tax on the Group‘s profit or loss before tax deviates from the amount that would have applied if the statutory tax rate in Norway had been used. The difference can be explained as follows:

(in NOK 1,000)	**2018**	2017
Profit/(loss) before tax from operations	**54,077**	(506,959)
Expected income taxes at statutory tax rate in Norway (23 %)	**12,438**	(121,670)
Shipping company tax schemes - NO Tax Act only (+/-)	**2,451**	9,928
Non-taxable income (-)	**(640)**	(15,536)
Gifts, representation and other non-deductable expenses (+)	**3,668**	2,841
Effect from difference in tax rate from nominal tax rate in Norway (+/-)	**2,770**	(6,788)
Effect from change in tax rate and tax provisions from previous years	**21,893**	4,946
Effect from change in valuation allowance, tax losses	**(435,913)**	159,664
Share of profit from associates (equity method) (+/-)	**(137)**	(199)
Other permanent differences (+/-)	**(6,249)**	(8,075)
Income tax expense	**(399,719)**	25,110
Weighted average tax rate	-739.2 %	-5.0 %

INCOME TAX EXPENSE FOR ITEMS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(in NOK 1,000)	**2018**			2017		
	Before tax	**Tax effect**	**After tax**	Before tax	Tax effect	After tax
Actuarial gains/losses, pensions	**(3,827)**	**659**	**(3,168)**	(2,554)	-	(2,554)
Cash flow hedging	**(209,244)**	**35,794**	**(173,450)**	39,345	-	39,345
Change in fair value of equity investments	**(28,015)**	**-**	**(28,015)**	-	-	-
Currency translation differences	**(4,729)**	**-**	**(4,729)**	21,872	-	21,872
Other comprehensive income	**(245,815)**	**36,452**	**(209,363)**	58,663	-	58,663

DEFERRED INCOME TAX ASSETS (+) AND LIABILITIES (-)

Deferred income tax assets and liabilities are recognised on a net basis if the differences that are reversible can be offset.

2018

(in NOK 1 000)	**Opening balance**	**Tax expense**	**Recognised in other compr. income**	**Acqusitions and disposals**	**Foreign currency translation effects**	**Closing balance**
Non-current items						
Intangible and fixed assets	(560,095)	33,194	-	-	-	(526,901)
Leasing	6,751	5,216	-	-	-	11,967
Pensions	(4,690)	(566)	659	-	84	(4,513)
Other non-current items	-	(29,520)	-	-	-	(29,520)
Totals	**(558,034)**	**8,324**	**659**	**-**	**84**	**(548,968)**
Current items						
Derivatives	(7,659)	15,351	35,794	-	-	43,486
Provisions	823	6,867	-	-	-	7,691
Other current items	767	284	-	-	-	1,051
Totals	**(6,069)**	**22,502**	**35,794**	**-**	**-**	**52,227**
Tax loss carry forwards	973,730	(32,347)	-	-	1,460	942,843
Interest carry forwards	134,507	(4,181)	-	-	-	130,326
Valuation allowance	(459,881)	435,913	-	-	(1,460)	(25,428)
Total def. tax asset / (liability)	**84,252**	**430,211**	**36,452**	**-**	**84**	**551,000**
Carr. value of def. tax asset	198,837					670,153
Carr. value of def. tax liabilities	74,562					79,130
Net	**84,252**					**551,000**

2017

(in NOK 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Acqusitions and disposals	Foreign currency translation effects	Closing balance
Non-current items						
Intangible and fixed assets	(606,399)	46,304	-	-	-	(560,095)
Leasing	5,832	919	-	-	-	6,751
Pensions	(3,810)	(264)	-	-	(616)	(4,690)
Totals	**(604,377)**	**46,959**	**-**	**-**	**(616)**	**(558,034)**
Current items						
Derivatives	-	(7,659)	-	-	-	(7,659)
Provisions	739	84	-	-	-	823
Other current items	781	(15)	-	-	-	767
Totals	**1,520**	**(7,589)**	**-**	**-**	**-**	**(6,069)**
Tax loss carry forwards	810,960	162,770	-	-	-	973,730
Interest carry forwards	88,888	45,619	-	-	-	134,507
Valuation allowance	(222,768)	(237,114)	-	-	-	(459,881)
Total def. tax asset / (liability)	**74,223**	**10,645**	**-**	**-**	**(616)**	**84,252**

The deferred income tax assets relating to tax loss carry-forwards are recognised in the statement of financial position to the extent that the Group can utilise the tax loss carry-forward against future taxable income. Also see note 30 regarding events after the balance sheet date.

RECONCILIATION OF MOVEMENT IN TAXES PAYABLE

(in NOK 1 000)	**2018**	2017
Current income tax payables, opening balance	**21,274**	11,303
New provision, income tax payable (+)	**30,493**	35,755
Taxes paid (-)	**(24,350)**	(26,099)
Currency translation effects	**1,425**	315
Current income tax payables, closing balance	**28,842**	21,274

NOTE 18 PENSIONS

The Group operates both defined contribution and defined benefit pension schemes. For the defined contribution plans the cost is equal to the contributions to the employee’s pension savings during the period. Future pensions are dependent on the size of the contributions and the return on the pension plans.

The Group has defined benefit plans in Norway and Germany. For the Norwegian defined benefit plans, the employer is responsible for paying an agreed pension to the employee based on his/her final salary. Future defined benefits are mainly dependent on the number of contribution years, salary level upon reaching retirement age and the size of National Insurance benefits. These obligations are covered through an insurance company. In addition to the pension obligations that are covered through insurance schemes, the company has unfunded pension obligations that are funded from operations, primarily for former key management personnel. Pension fund assets managed by insurance companies are regulated by local legislation and practice. The relationship between the company and the insurance company is regulated by applicable legislation. The boards of the insurance companies are responsible for managing the plans, including making investment decisions and determining premium levels. An agreed fixed sum per month is paid as a pension for the German pension plan, from which most beneficiaries receive the same agreed amount, while three former directors receive a considerably higher payment. The German plan is organised as a CTA (contractual trust arrangement), in which the plan assets are earmarked for the pension fund, but the company's management determines how the assets are to be invested.

The new Contractual Early Retirement (AFP) Scheme Act adopted by the Norwegian Parliament in 2010 entailed the derecognition and recognition in the income statement of provisions related to the old contractual early retirement scheme. Provisions were set aside to cover the assumed underfunding of the old contractual early retirement scheme. The new AFP early retirement scheme is based on a tri-parties collaboration between employer, employee organisations and the government. The government covers one-third of the pension expenses for the early retirement scheme, while affiliated enterprises cover the remaining two-thirds. The scheme is recognised as a defined benefit multi-entity plan in the financial statements. This means that each individual company shall account for its proportional share of the scheme‘s pension obligations, plan assets and pension costs. Until reliable and consistent information is available for allocation, the new contractual early retirement scheme will be accounted for as a defined contribution plan. This is consistent with the Ministry of Finance's conclusion concerning the new AFP early retirement plan published in connection with the presentation of the Norwegian State Budget on 14 October 2013. The only members of the scheme are the Hurtigruten Pluss permanent employees, of whom there were 190 as of 31 December 2018. AFP is earned at the rate of 0.314% of pensionable income up to 7.1 G for every year worked between the ages of 13 and 62. In 2018 the contribution amount is a fixed percentage of salary, 5 % of salary between 1 and 7.1 G and 10 % of salary between 7.1 and 12 G. A total of NOK 2 million was paid into the scheme in 2018.

The established pension plans cover 1,776 Group employees and 238 pensioners. The pension costs for the period illustrate the agreed future pension entitlements earned by employees in the financial year.

FINANCIAL ASSUMPTIONS

	2018	2017
Norway		
Discount rate	**2.60 %**	2.30 %
Expected annual wage adjustment	**2.75 %**	2.50 %
Expected annual pension adjustment	**0.80 %**	0.50 %
Expected annual National Insurance basic amount (G) adjustment	**2.50 %**	2.25 %
Table book used for estimating liabilities	**K2013**	K2013
Table book used for estimating disabilities	**IR02**	IR02
Germany		
Discount rate	**1.60 %**	1.50 %
Expected annual wage adjustment	**N/A**	N/A
Expected annual pension adjustment	**1.90 %**	1.90 %
Expected annual National Insurance basic amount (G) adjustment	**N/A**	N/A
Average expected years of service until retirement age	**12.9 years**	12.9 years

PENSION COSTS RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	**2018**	2017
Present value of accrued pension entitlements for the year	**8,821**	7,462
Defined contribution plan	**51,079**	52,401
Interest expenses (income)	**1,010**	1,031
Payroll tax	**3,357**	3,886
Total pension costs included in payroll costs (Note 23)	**64,266**	64,780

SPECIFICATION OF NET PLAN ASSETS/OBLIGATIONS

(in NOK 1,000)	**2018**	2017
Present value of funded pension obligation	**271 744**	271 956
Present value of unfunded pension obligations	**22 362**	20 245
Total pension obligation 31 December	**294 106**	292 201
Estimated fair value of plan assets as of 31 December	**181 886**	181 848
Net pension obligations at 31 December	**112 220**	110 353

CHANGE IN THE DEFINED BENEFIT PENSION OBLIGATIONS DURING THE YEAR

(in NOK 1,000)	**2018**	2017
Pension obligations as of 1 January	**292 201**	281 417
Present value of accrued pension entitlements for the year	**8 168**	7 012
Interest expenses	**4 621**	4 841
Effect of recalculation:		
Changes in financial assumptions	**15 506**	16 009
Changes in demographic assumptions	**407**	-
Estimate deviations	**(12 618)**	(6 285)
Currency translation differences – obligations	**561**	3 576
Pension benefits paid	**(14 704)**	(14 368)
Change in payroll tax on net pension obligations	**(35)**	-
Pension obligations as of 31 December	**294 106**	292 202

CHANGE IN THE FAIR VALUE OF THE PLAN ASSETS

(in NOK 1,000)	**2018**	2017
Fair value as of 1 January	**181,848**	169,533
Return on plan assets	**3,002**	3,439
Actual return on assets re interest income recognised in income statement	**(561)**	6,395
Employer contributions	**7,671**	9,077
Currency translation differences – assets	**493**	3,440
Pension benefits paid	**(10,566)**	(10,036)
Fair value as of 31 December	**181,887**	181,848

COMPOSITION OF PENSION FUND ASSETS

	2018	2017
Shares	**9.6 %**	8.0 %
Current bonds	**9.4 %**	10.1 %
Money market	**32.6 %**	34.8 %
Non-current bonds	**23.0 %**	23.2 %
Property	**6.8 %**	7.4 %
Other	**18.6 %**	16.5 %
Total	**100.0 %**	100.0 %
Actual return on plan assets Norway	**1.78 %**	4.80 %
Actual return on plan assets Germany	**0.00 %**	0.10 %

THE GEOGRAPHICAL ALLOCATION OF THE OBLIGATIONS AND PLAN ASSETS FOR THE DEFINED BENEFIT PLANS IS AS FOLLOWS:

	2018			2017		
(in NOK 1,000)	**Norway**	**Germany**	**Total**	Norway	Germany	Total
Present value of obligations	**241 850**	**52 256**	**294 106**	239 207	52 994	292 201
Fair value of plan assets	**136 466**	**45 421**	**181 886**	136 920	44 928	181 848
Net pension obligations (assets)	**105 385**	**6 835**	**112 220**	102 287	8 067	110 354

RISK

The Group is exposed to several risks through the defined benefit pension schemes, the most significant of which are as follows.

Investment volatility
The pension obligations are calculated using a discount rate based on the interest rate on bonds. If the investment in the pension fund assets provides a lower return than the bond interest rate, this gives rise to a deficit. All the plans comprise shares that are expected to give a higher return than interest on bonds over the long term, but which may, however, result in increased volatility and risk over the short term. As the pension plans' obligations mature, the target will be to reduce the share of risky investments to better match the obligations.

Changes in interest rates on bonds
A reduction in interest rates on bonds would increase the pension plans' obligations. However, this would be partially offset by an increase in the return on the investments in bonds.

Inflation risk
The defined benefit pension plans' obligations are exposed to inflation risk. An increase in inflation could result in higher obligations. The key assets of the pension plans are either unaffected by inflation (fixed-interest bonds) or loosely correlated with inflation (shares). A rise in inflation could therefore increase deficits in the plans.

Life expectancy
The payment obligation only applies to the remaining life expectancy of the plan beneficiaries. A rise in life expectancy would increase the plans' obligations. This is particularly important for the Norwegian plan, in which the adjustment for inflation results in higher sensitivity to changes in life expectancy. A new mortality table, K2013, was introduced in 2013 to reflect the rising average life expectancy of the Norwegian population. The effect of the above is shown in changes in demographic assumptions under recalculations of the change in the pension obligation.

ASSET MANAGEMENT

A basic intention of asset management of plans organised through pension insurance companies is to secure cover of the non-current obligations by delivering a competitive annual return at least equal to the guaranteed interest rate. Asset management is based on a long-term arrangement of investment portfolios, tailored to the company's long-term obligations. Norwegian legislation imposes restrictions on concentration risk in the investment of all plan assets. The investments are made in collective portfolios with cautious, moderate risk. The assets in the German plan are currently invested in a listed fund that is managed by a professional asset manager. The fund follows a multi-asset strategy with a conservative risk profile. The composition of the fund is regularly changed to accommodate optimal returns and risk management. At the reporting date 50% of the assets were invested in shares in various markets. Consequently, these shares are exposed to risk attaching to the performance of global equity markets. While company management cannot influence the fund's investments, it may at any time elect to exit fund investments.

(in NOK 1,000)	**2019**	2018
The company's expected contributions to funded plans in the next year	**30,413**	7,626

The amount for 2019 includes payments regarding previous' years (see Statement of changes in equity). The average weighted term of the pension obligation is 24 years.

EXPECTED MATURITY DATE OF PENSION SCHEMES AS OF 31 DECEMBER 2018

(in NOK 1,000)	**< 1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Defined benefit pension	14,842	27,358	44,967	165,557	252,724

The Group has established mandatory occupational pension plans in the companies where this is required. These plans satisfy the requirements stipulated in the Norwegian Mandatory Occupational Pension Act.

TABLE OF THE HISTORICAL PRESENT VALUES OF PENSION OBLIGATIONS AND ASSETS AS OF 31 DECEMBER

(in NOK 1,000)	**2018**	2017	2016
Present value of defined benefit pension obligations	**294 106**	292 201	281 416
Fair value of plan assets	**181 886**	181 847	169 532
Deficit/(surplus)	**112 220**	110 354	111 884

SENSITIVITY ANALYSIS FOR CHANGES IN THE ASSUMPTIONS

	Norway		Germany	
	Discount rate		Discount rate	
	+ 1 per cent	– 1 per cent	+ 1 per cent	– 1 per cent
Increase (+) reduction (–) in the net pension costs for the period	(1,380)	1,570	(48)	67
Increase (+) reduction (–) in the net pension obligations as of 31 December	(2,642)	3,101	(5,958)	7,408

	Pension adjustment		Pension adjustment	
	+ 1 per cent	– 1 per cent	+ 1 per cent	– 1 per cent
Increase (+) reduction (–) in the net pension costs for the period	6,171	(4,561)	32	(27)
Increase (+) reduction (–) in the net pension obligations as of 31 December	5,520	(3,422)	6,261	(5,353)

	Change in the annual salary growth	
	+ 1 per cent	– 1 per cent
Increase (+) reduction (–) in the net pension costs for the period	(3,488)	4,740
Increase (+) reduction (–) in the net pension obligations as of 31 December	(2,981)	3,754

	Change in National Insurance basic amount (G) adjustment	
	+ 1 per cent	– 1 per cent
Increase (+) reduction (–) in the net pension costs for the period	492	(304)
Increase (+) reduction (–) in the net pension obligations as of 31 December	1,331	(848)

The sensitivity analysis above is based on a change in one of the assumptions, with all other assumptions remaining unchanged. In practice this would not happen as more than one assumption could vary simultaneously. The sensitivity calculation is performed applying the same method as the actuarial calculation used to determine the pension obligation in the statement of financial position.

The method and the assumptions in the sensitivity analysis have not been changed compared with the previous year. The Group has only one open defined benefit plan under which beneficiaries have entitlements.

Consequently, this is the only plan affected by changes in annual salary growth and adjustments to G.

NOTE 19 PROVISIONS

(in NOK 1,000)	Bonuses	Management incentive plan	Other	**Total**
Book value as of 1 january 2017	9,406	5,186	4,631	**19,223**
Provisions for the year	8,351	5,368	-	**13,719**
Utilisation of provisions from the prior year	(9,406)	-	(179)	**(9,585)**
Currency translation effects	-	-	-	**-**
Book value as of 31 December 2017	**8,351**	**10,554**	**4,452**	**23,357**
Provisions for the year	13,199	18,236	4	**31,439**
Utilisation of provisions from the prior year	(8,351)	(10,553)	(167)	**(19,071)**
Currency translation effects	-	-	-	**-**
Book value as of 31 December 2018	**13,199**	**18,237**	**4,289**	**35,725**

CLASSIFICATION IN THE STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	**2018**	2017
Non-current liabilities	**4,289**	4,452
Current liabilities	**31,436**	18,905

BONUSES

A performance-related bonus was introduced for Hurtigruten AS management from 2013. The bonus scheme includes the CEO and certain personnel in Group management. A provision of NOK 13.2 million has been recognised for this bonus agreement for 2018 (NOK 8.4 million in 2017).

MANAGEMENT INCENTIVE PLANS

Hurtigruten management has entered into an incentive plan to purchase shares in the parent company of the Silk Topco Group, Silk Topco AS. For further information regarding the Management incentive plan, see Note 20.

OTHER

A line-by-line recognition has been carried out with respect to an investment contribution received, including a possible repayment obligation. Revenue recognition of the investment contribution occurs in conjunction with depreciation and amortisation of the associated asset. NOK 167,000 was recognised as a reduction in depreciation during the year 2018 (NOK 179,000 in 2017).

OPERATING LEASE COMMITMENTS – GROUP COMPANY AS LESSEE

The Group leases offices in Tromsø and in Oslo, in addition to some other offices. These leases have varying payment dates, price adjustment clauses and renewal rights. The Group also leases machinery and transport equipment.

NON-CANCELLABLE OPERATING LEASES

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

(in NOK 1,000)	**2018**	2017
Within a year	**105,156**	98,088
Later than one year but no later than 5 years	**250,058**	315,563
Later than 5 years	**20,496**	30,093

NOTE 20 SHARE-BASED PAYMENT

Hurtigruten executive management has entered into an agreement with the ultimate parent company, Silk Topco AS. The executive managers have purchased shares in Silk Topco AS at the same price that Silk Topco AS paid for the shares in Hurtigruten ASA in 2014 through its subsidiary Hurtigruten Group AS. The agreement also contains an incentive scheme that gives management a right to bonus shares in different pre-defined exit scenarios. Silk Topco AS may settle the bonus shares either with cash or with a private placing at no cost to the management.

The incentive scheme has two market-based vesting conditions:

- The internal rate of return at the time of the sale, calculated from the time of the share-purchase, must be more than 8%
- The exit value must be at least 150% of the aggregated invested amount

The number of bonus shares depends on the aggregated exit value and can give a range of bonus shares from 0.38 per share up to 12 times per share. Management's investment at 31 December 2018 was NOK 41.7 million (NOK 41.7 at 31 December 2017).

When estimating the fair value of the incentive scheme at grant date, the main factors influencing the fair value that had to be estimated by management were as follows:

- The probability of different exit values that then give different levels of bonus shares,
- The expected time to exit
- Discount rate.

The agreement was signed on 23. June 2015.

Expected life of the agreement:	5 years
Fair value at initial recognition:	NOK 17.3 million
Expected time to exit:	5 years*
Annual amortisation:	NOK 4.5 million
Amortised amount as of 31.12.2018:	NOK 18.2 million
Amortised amount as of 31.12.2017:	NOK 10.6 million

As of 31. December 2018, the provision for employer's contribution related to the management incentive programme was NOK 13.1 million (NOK 14.2 at 31 December 2017).

* As of 31. December 2017 the best estimate of expected time to exit was 5 years and is still assessed to be a reasonable expectation.

NOTE 21 TRADE AND OTHER CURRENT PAYABLES

(In NOK 1,000)	**2018**	2017
Trade payables	**232,381**	375,229
Public duties payable	**73,171**	72,472
Accrued expenses	**402,779**	411,028
Other current liabilities	**142,040**	173,220
Total trade and other current payables	**850,372**	1,031,949

See Note 29 for information on trade payables and other current payables due to related parties.

NOTE 22 OPERATING REVENUES

REVENUE BY CATEGORY

(in NOK 1,000)	**2018**	2017
Ticket revenue	**2,545,533**	2,285,531
Revenue from flights, hotel & transportation	**517,231**	449,090
Presold food, beverages and excursions	**797,776**	656,937
Onboard sales of food, beverages, shop and excursions	**504,882**	417,280
Other passenger revenue	**81,015**	107,022
Cargo-freight revenue	**54,283**	53,415
Contractual revenues	**698,919**	674,234
Other operating revenue	**228,796**	279,040
Total operating revenues	**5,428,434**	4,922,550

Contractual revenues relating to the Bergen-Kirkenes coastal service is based on the existing agreement with the Norwegian government through the Ministry of Transport and Communications. The agreement applies to the Bergen-Kirkenes route for the period 1 January 2012 through 31 December 2020. From 1 January 2021 the agreement applies to 7 ships, a reduction from 11 ships which applies in the current agreement.

RECONCILIATION OF MOVEMENT IN DEPOSITS FROM CUSTOMERS:

(in NOK 1,000)	**2018**	2017
Deposits from customers, opening balance	**752,926**	620,905
New sales	**805,795**	531,655
Recognised in revenue	**(757,175)**	(420,908)
Currency translation effects	**10,434**	21,273
Deposits from customers, closing balance	**811,980**	752,926

DEPOSITS FROM CUSTOMERS ARE EXPECTED TO BE RECOGNISED IN INCOME AS FOLLOWS:

(in NOK 1,000)	**2018**	2017
During the first six months	**497,930**	451,226
Between seven and twelwe months	**210,495**	168,372
During the second year	**102,666**	131,266
During the third year or later	**889**	2,062
Total deposits from customers	**811,980**	752,926

NOTE 23 COST OF GOODS SOLD

(In NOK 1,000)	**2018**	2017
Commissions	**486,731**	383,360
CoGS regarding flights, hotel and transportation	**423,814**	367,798
CoGS regarding food, beverages, shops and excursions	**467,004**	423,345
Other CoGS	**105,872**	142,003
Total payroll costs	**1,483,420**	1,316,505

NOTE 24 PAYROLL COSTS

(In NOK 1,000)	**2018**	2017
Wages and salaries	**1,021,783**	930,561
Payroll tax	**47,032**	90,285
Pension costs (Note 18)	**64,266**	64,780
Other benefits (Note 20)	**73,397**	73,424
Total payroll costs	**1,206,479**	1,159,050
Average number of full-time equivalents	**2,272**	2,198

The reduction in payroll tax is due to changed rules for employees in the transport sector, effective from 1 January 2018.

Seamen hired by Hurtigruten are included in the "Net Wages" – scheme, where the Norwegian government reimburses to shipping companies an amount corresponding to the sum of the income tax paid, social security contributions and employer's national insurance contributions for crew within the scheme. The government grant is recorded as a reduction in payroll costs. During 2018, the Group has recognised NOK 139.6 million in government grants through this arrangement (NOK 165.0 million in 2017).

The Norwegian government reimburses parts of the salary to new seamen apprentices. The government grant is recorded as a reduction in payroll costs. During 2018, the Group has recognised NOK 10.0 million in government grants through this arrangement (NOK 9.6 million in 2017).

NOTE 25A REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

TOTAL COMPENSATION YEAR 2018

BOARD OF DIRECTORS

(in NOK 1,000)	Position	Salary	Pension cost	Other	Fees	Total remuneration
Trygve Hegnar	Chair	-	-	-	**326**	**326**
Petter Anker Stordalen	Director	-	-	-	**137**	**137**
Jonathan Barlow	Director	-	-	-	-	-
Matthew Lenczner	Director	-	-	-	-	-
Total					**462**	**462**

EXECUTIVE MANAGEMENT

(in NOK 1,000)	Position	Salary	Pension cost	Other [1]	Fees	Total remuneration
Daniel Skjeldam	Chief Executive Officer	6,074	851	5,109	-	**12,034**
Torleif Ernstsen	Chief Financial Officer	2,772	286	1,304	-	**4,363**
Asta Lassesen	Chief Commercial Officer	3,033	321	1,385	-	**4,739**
Thomas Westergaard	Operations	1,898	142	791	-	**2,831**
Anne-Marit Bjørnflaten	SVP Communications	1,519	77	490	-	**2,086**
Marit Finnanger	Organisational	1,873	142	402	-	**2,417**
Ole-Marius Moe-	(From November 5th 2018)	320	24	1	-	**346**
Robert Grefstad	(Until November 5th 2018)	1,358	682	281	-	**2,321**
Tor Geir Engebretsen[2]	Officer/SVP Maritime				4,157	**4,157**
Total		**18,847**	**2,526**	**9,765**	**4,157**	**35,294**

1) Including bonus, car allowance and severance benefits for outgoing managers.
2) Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT

The company's CEO receives an annual fixed salary of NOK 6 million. Other benefits include bonus, fixed car remuneration and ordinary phone expenses, Internet, newspaper and home computer allowance. The CEO has a time-limited agreement on a performance-related bonus linked to the operating result before depreciation, amortisation and impairments, in which performance is indexed against the adjusted budget operating result before depreciation, amortisation and impairments. This bonus agreement gives the right to one payment of maximum NOK 4 million. The CEO also has an agreement whereby the Board decides the bonus, factoring all the various activities and circumstances during the year. This bonus agreement gives the right to a maximum bonus payment of up to NOK 4 million.

The CEO is included in the company's ordinary defined contribution pension scheme for salaries up to 12G and the defined contribution scheme that provides a pension basis for salaries over 12G. The CEO's conditions of employment do not include any personal pension obligations.

The company's management are members of the company's defined contribution plan. In addition, a supplementary defined contribution pension plan has been established, which provides a pension for any salary in excess of 12 times the National Insurance basic amount (G). The scheme applies to the entire company and covers all employees with salaries over 12G, including members of the executive management and the CEO. The pension costs for the executive management have been included under pension costs above.

A performance-based bonus scheme was introduced for the company's management from 2013. The bonus payments are established applying pre-determined targets/parameters, some of which relate to the Group's overall performance and others to results within managers' individual spheres of responsibility. The maximum bonus for an individual manager is NOK 2 million. The bonus scheme covers certain members of Group management. The CEO has a separate performance-related bonus scheme as described above.

TOTAL COMPENSATION YEAR 2017

BOARD OF DIRECTORS

(in NOK 1,000)	Position	Salary	Pension cost	Other	Fees	Total remuneration
Trygve Hegnar	Chair	-	-	-	326	**326**
Petter Anker Stordalen	Director	-	-	-	137	**137**
Jonathan Barlow	Director	-	-	-	-	**-**
Matthew Lenczner	Director	-	-	-	-	**-**
Total					**462**	**462**

EXECUTIVE MANAGEMENT

(in NOK 1,000)	Position	Salary	Pension cost	Other [1]	Fees	Total remuneration
Daniel Skjeldam	Chief Executive Officer	6,074	915	7,106	-	**14,096**
Torleif Ernstsen	(From 1 February 2017)	2,256	288	504	-	**3,048**
Asta Lassesen	(CFO until 1 February 2017)	3,011	331	735	-	**4,077**
Thomas Westergaard	Operations	1,939	166	575	-	**2,680**
Anne-Marit Bjørnflaten	SVP Communications	1,571	94	344	-	**2,008**
Marit Finnanger	Organisational	1,944	161	546	-	**2,651**
Robert Grefstad	Chief Information Officer	2,025	182	744	-	**2,951**
Tor Geir Engebretsen[2]	Officer/SVP Maritime	-	-	-	3,796	**3,796**
Arild Kaale	(until 6 January 2017)	-	-	2,247	-	**2,247**
Total		**18,819**	**2,137**	**12,801**	**3,796**	**37,554**

1) Including bonus, car allowance and severance benefits for outgoing managers.
2) Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT

NOTE 25B AUDITOR REMUNERATION

(in NOK 1,000)	**2018**	2017
Auditor's fees – statutory auditing	2,316	2,660
Assistance IFRSs, accounting and tax	659	657
Other certification services	189	195
Auditor's fees – other assistance	4,279	312
Total	**7,443**	3,823

All amounts stated exclude VAT.

Other assistance fees in 2018 are primarily fees for legal and tax assistance in relation with transferring the cruise-operating business from Hurtigruten AS to its 100 % owned subsidiary Hurtigruten Cruise AS and the entry into the Norwegian tax tonnage regime.

NOTE 26 OTHER OPERATING COSTS

(in NOK 1,000)	**2018**	2017
Other operating cruise costs	**1,239,347**	1,067,326
Sales and administrative costs	**518,037**	502,772
Total other operating costs	**1,757,384**	1,570,098

Operating cruise costs consists of costs such as bunker fuel, harbour costs and repair and maintenance.

NOTE 27 OTHER (LOSSES)/GAINS – NET

Other (losses)/gains -net consists of the following items:

(In NOK 1,000)	**2018**	2017
Net gain (loss) on the sale of property, plant and equipment	**345**	266
Net unrealised foreign currency loss on balance sheet items	**7,834**	(9,860)
Net gains (loss) on forward currency exchange contracts	**10,262**	(20,366)
Net gains (loss) on forward bunker contracts	**74,193**	(20,626)
Total other (losses)/gains	**92,634**	(50,586)

Other losses/gains – net consists of gains and losses that results from revaluation of balance sheet items denominated in foreign currencies to functional currencies at balance sheet date, realised gains/losses on forward bunker fuel contracts, and realised and unrealised gains and losses on fair value adjustments on forward currency contracts.

NOTE 28 FINANCE INCOME AND EXPENSES

(in NOK 1,000)	**2018**	2017
Interest income on current bank deposits	**24,122**	(4,785)
Foreign exchange gains	**27,684**	93,558
Dividends	**149**	914
Other finance income	**7,844**	2,258
Finance income	**59,798**	91,946
Interest expenses		
– Borrowings	**(273,662)**	(400,827)
– Capitalised interest on prepayments	**16,006**	16,436
– Other interest expenses	**(26,010)**	(9,301)
Borrowing fees	**(237,212)**	(108,500)
Foreign exchange losses	**(159,743)**	(443,692)
Other finance expenses	**(1,858)**	(34)
Finances expenses	**(682,479)**	(945,918)
Finance expenses – net	**(622,681)**	(853,973)

NOTE 29 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are carried out in accordance with the arm's length principle. Related parties is defined as the key management personnel in the company, shareholders and associates. Associates in 2017 include Green Dog Svalbard AS in which the Group has a 50 per cent shareholding. Green Dog supplies dog-related services on Spitsbergen to Hurtigruten Svalbard AS.

The Group conducted the following transactions with related parties:

TRANSACTIONS WITH ASSOCIATES

(in NOK 1,000)	**2018**	2017
Operating revenues		
Sale of services to Green Dog Svalbard	**983**	567
Operating costs		
Purchase of services from Green Dog Svalbard AS	**9,701**	8,766
Net Financial Items		
Interest income from Green Dog Svalbard AS	**-**	8
Balances with Green Dog Svalbard AS at year-end		
Current receivables	**334**	392
Non-current receivables	**-**	-
Current liabilities	**(385)**	(42)
Net balances with Green Dog Svalbard AS as of 31 December	**(51)**	350

NON-CURRENT RECEIVABLES FROM OTHER GROUP COMPANIES AT YEAR-END

(in NOK 1,000)	**2018**	2017
Silk Topco AS	**13,530**	-
Coastal Holding AS	**437,725**	-
Coastal 1 AS	**135,741**	-
KVE Holding AS	**111,874**	-
Totals	**698,870**	-

TRANSACTIONS WITH SHAREHOLDERS

TRANSACTIONS WITH SILK HOLDING SARL

On 7 February 2017, the Group entered into a loan agreement for a rolling tenure credit facility with the majority shareholder Silk Holding S.a.r.l in the amount of EUR 12 million. The interest is compounded quarterly and payable upon loan redemption. On 14 September 2017, the Group repaid EUR 5,5 million, and net loan balance at 31 December 2017 is EUR 6,5 million. The rest of the liability to Silk Holdings S.A.R.L was repaid in August 2018.

TRANSACTION WITH TDR CAPITAL LLP

The majority shareholder Silk Holding S.A.R.L is 100% owned by an investment fund managed by TDR Capital LLP. Board members of Silk Topco AS, Matthew Lenczner and Jonathan Rosen, are partners in TDR Capital LLP. Silk Topco AS reimburses travel expenses and other third party expenses to TDR Capital related to their Hurtigruten investment, according to investment agreement between Silk Topco AS and its shareholders.

(in NOK 1,000)	**2018**	2017
Other operating costs		
Travel and other third party expenses reimbursement to TDR Capital	**(1,455)**	(5,444)
Net Financial Items		
Interest expense to Silk Holding S.A.R.L.	**(4,823)**	(14,550)
Balances with shareholders at year end		
Trade and other payables		(14,550)
Borrowings short-term		63,962

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

INTRA-GROUP BUSINESS TRANSACTION IN CONNECTION WITH ENTRY INTO TAX TONNAGE

On 1 January 2019, Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS. The transaction does not have any material effects for the consolidated financial statements of the Hurtigruten Group, except for tax. Since the transaction was performed at fair value for tax purposes, the transaction will generate a taxable profit in Hurtigruten AS. This profit will utilize the previously unrecognized tax loss carry forwards and as such, at 31 December 2018, the deferred tax asset related to the tax loss carry forwards has been recognized in the financial statements.

Hurtigruten Group AS

Parent Company Financial Statements

2018

STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	*Note*	**2018**	2017
Operating costs	*11*	**-9,561**	-4,391
Other (losses) / gains – net		**-191**	-51
Operating profit/(loss)		**-9,752**	-4,443
Finance income	*9*	**134,060**	434,116
Finance expenses	*9*	**-662,090**	-779,848
Finance expenses - net		**-528,030**	-345,732
Profit/(loss) before income tax		**-537,782**	-350,175
Income tax expense	*3*	**269,928**	0
Profit/(loss) for the year		**-267,854**	-350,175

STATEMENT OF COMPREHENSIVE INCOME

(in NOK 1,000)	*Note*	**2018**	2017
Profit/(loss) for the year		**-267,854**	-350,175
Other comprehensive income:		**-28,015**	0
Total comprehensive income for the year		**-295,869**	-350,175
Total comprehensive income for the year attributable to			
Owners of the parent		**-295,869**	-350,175
Total comprehensive income for the year		**-295,869**	-350,175

STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**2018**	2017
ASSETS			
Non-current assets			
Deferred income tax assets	*3*	**269,928**	-
Investments in subsidiaries	*4*	**6,274,359**	3,254,232
Non-current receivables, intragroup	*5, 6, 10*	**710,220**	2,296,109
Available for sale financial instruments	*6*	**24,327**	49,970
Derivative financial instruments	*6*	**57,351**	30,494
Total non-current assets		**7,336,185**	5,630,806
CURRENT ASSETS			
Trade and other current receivables	*6*	**25,866**	-
Intercompany current receivables	*6, 10*	**39,835**	104,085
Derivative financial instruments	*6*	**105,347**	16,051
Cash and cash equivalents	*6*	**3,896**	2,638
Total current assets		**174,944**	122,774
Total assets		**7,511,128**	5,753,579

(in NOK 1,000)	*Note*	**2018**	2017
EQUITY			
Equity attribute to owners of the parent			
Share capital	*7*	**90**	90
Share premium	*7*	**1,826,688**	1,826,688
Other equity not recognized in the income statement		**(28,015)**	-
Retained earnings		**(957,016)**	(689,162)
Total equity		**841,747**	1,137,616
LIABILITIES			
Non-current liabilities			
Borrowings	*5, 6*	**6,381,956**	-
Derivative financial instruments	*6*	**57,351**	46,545
Total non-current liabilities		**6,439,308**	46,545
Current liabilities			
Trade and other liabilities	*6*	**89,763**	184,006
Derivative financial instruments	*6*	**140,310**	-
Borrowings	*5, 6*	**-**	4,385,095
Current liabilities intercompany	*10*	**-**	318
Total current liabilities		**230,073**	4,569,419
Total equity and liabilities		**7,511,128**	5,753,579

Oslo, 29 April 2019

Trygve Hegnar
Chairman

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

STATEMENT OF CHANGES IN EQUITY

(in NOK 1,000)	Share capital including treasury shares	Share premium	Equity not recognized in the income statement	Retained earnings	Total Equity
Balance at 1 January 2017	90	1,826,688	-	(338,987)	**1,487,791**
Profit/(loss) for the year	-	-	-	(350,175)	**(350,175)**
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-350,175	**-350,175**
Balance at 31 December 2017	90	1,826,688	-	(689,162)	**1,137,616**
Balance at 1 January 2018	90	1,826,688	-	(689,162)	**1,137,616**
Profit/(loss) for the year	-	-	-	(267,854)	**(267,854)**
					-
Other comprehensive income	-	-	-28,015	-	**(28,015)**
Total comprehensive income	-	-	-28,015	-267,854	**(295,869)**
Balance at 31 December 2018	90	1,826,688	-28,015	(957,016)	**841,747**

CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	**2018**	2017
Cash flows from operating activities			
Profit/(loss) before income tax		**(537,782)**	(350,175)
Adjustments for:			
Depreciation, amortisations and impairment losses		**-**	51,073
Currency gains / losses		**133,044**	163,114
Interest expenses	*9*	**478,854**	324,650
Change in working capital:			
Trade and other receivables		**(687,959)**	(15,649)
Trade and other payables		**3,942**	6,616
Net cash flows from (used in) operating activities		**(609,901)**	179,629
Cash flows from investing activities			
Purchase of shares and investments in other companies	*6*	**(45)**	(49,970)
Net lendings to subsidiaries	*6*	**(710,220)**	8,068
Interest received		**-**	172,415
Net cash flows from (used in) investing activities		**(710,265)**	130,512
Cash flows from financing activities			
Drawdown, new borrowings	*5*	**2,035,586**	-
Repayment of debt	*5*	**(239,900)**	-
Interest paid		**(468,820)**	(309,775)
Net cash flows from (used in) financing activities		**1,326,866**	-309,775
Currency gains / losses on cash and cash-equivalents		**(5,442)**	-
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**1,258**	367
Cash and cash equivalents at 1 January		**2,638**	2,271
Cash and cash equivalents at 31 December		**3,896**	2,638

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Hurtigruten Group AS (previously known as Silk Bidco AS) is owned by Silk Midco AS and the ultimate parent company Silk Topco AS. Hurtigruten Group AS is the parent in the Hurtigruten Group. The purpose of Hurtigruten Group AS is being the Group's Treasury, including being the debtor in the Group's main financing, and holding the direct ownership of Hurtigruten Explorer AS and Hurtigruten AS, which operates the main activity of the group.

The information provided in the consolidated financial statements covers the company to a significant degree. Please refer to the consolidated financial statement of the Group for a description of the operative activities within the Group. The financial statements of Hurtigruten Group AS for the year ended December 31, 2018 were authorized for issue by the Board of Directors on April 29, 2019. The financial statement of the company has been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on January 21, 2008. The company's significant accounting principles are consistent with the accounting principles of the Group, as described in Note 1 of the consolidated financial statement. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes in the Group's Consolidated Financial Statements (hereinafter referred to as the Consolidated Financial Statements). The option in the regulation for simplified IFRS which the company has utilized in recognition and measurement, and which differ from the consolidated financial statements are:

- Dividends and group contribution
  Dividend and group contributions are recognized in accordance with the Accounting Act and recognized in the reporting period to which they relate.
- Investments in subsidiaries and associates
  Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at cost according to IAS 39.

NOTE 2 FINANCIAL RISK

As a result of ordinary operations expose the company to risk related to fluctuations in exchange and interest rates. The company is covered by the Groups hedging strategy. Further information can be found in the consolidated group accounts.

MARKET RISK

a) Currency risk

The Company has significant loan receivables and payables in foreign currencies and is thus exposed to currency risk.

In 2015, Hurtigruten Group AS issued a bond with a face value of EUR 455 million, with a tenure of 7 years. This Senior Secured Bond Facility was terminated in February 2018. A Senior Facility Term Loan of EUR 575 million and EUR 85 million Senior Secured Revolving Credit Facility were established to replace the EUR 455 million

Bond Facility and repay the outstanding EUR 85 million Senior Secured Revolving Credit Facility. The new facility has a tenure of 7 years. A full utilization of the Term Loan until maturity is assumed and no repayment of any facility unless so required per documentation. In November 2018 the Senior Facility Term Loan of EUR 575 million was increased with EUR 80 million and as of 31 December 2018, the outstanding principal is EUR 655 million. The Company pays semi-annual interests on the Senior Facility Term Loan which represent a currency risk. The semi-annual payment of interest is partially hedged through the Group's net revenue in euro. See the Group financial statements, note 4 for more detail.

b) Price risk

The company has limited business activities, hence no significant price risk.

c) Interest rate risk

The company's borrowings and draws of the Group bank accounts are made at floating rates. Loans subject to a variable interest rate present a risk to the Group's overall cash flow, while fixed interest rates expose the Company to fair-value interest rate risk. The Company has no specific hedging strategy to reduce variable interest rate risk.

CREDIT AND LIQUIDITY RISK

The Company has no significant concentration of credit risk.

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Company takes part of the Group's group account that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants. See the Group financial statements, note 4 for more detail.

NOTE 3 INCOME TAX

THE INCOME TAX EXPENSE FOR THE YEAR CAN BE BROKEN DOWN AS FOLLOWS

(in NOK 1,000)	**2018**	2017
Income tax payable, current year	-	-
Income tax payable, adjustments regarding previous years	-	-
Change in deferred tax, current year	**-282,197**	-
Change in deferred tax, adjustments regarding previous years	**12,269**	-
Total income tax expense	**-269,928**	-

RECONCILIATION OF EFFECTIVE TAX TO NOMINAL TAX RATE

(in NOK 1,000)	**2018**	2017
Profit/(loss) before tax from operations	**-537,782**	-350,175
Tax rate	**23 %**	24 %
Calculated tax expense at nominal tax rate	**-123,690**	84,042
Change in the income tax expense as a result of:		
– unrecognised deferred income tax assets	**-158,507**	-84,042
– change in tax rate	**12,269**	-
Income tax expense	**-269,928**	0
Weighted average tax rate	50 %	0 %

SPECIFICATION OF DEFERRED TAX ASSETS (+) / LIABILITIES (-)

2018

(in NOK 1 000)	**Opening balance**	**Tax expense**	**Recognised in other compr. income**	**Closing balance**
Non-current items				
Other non-current items	-	-29,520	-	-29,520
Totals	**-**	**-29,520**	**-**	**-29,520**
Current items				
Derivatives	-	7,692	-	7,692
Totals	**-**	**7,692**	**-**	**7,692**
Tax loss carry forwards	165,399	126,356	-	291,755
Valuation allowance	-165,399	165,399	-	-
Total def. tax asset / (liability)	**-**	**269,928**	**-**	**269,928**
Carr. value of def. tax asset	-			269,928
Carr. value of def. tax liabilities	-			-
Net	**-**			**269,928**

2017

(in NOK 1 000)	**Opening balance**	**Tax expense**	**Recognised in other compr. income**	**Closing balance**
Tax loss carry forwards	84,747	80,652		165,399
Valuation allowance	-84,747	-80,652		-165,399
Total def. tax asset / (liability)	**-**	**-**	**-**	**-**

The deferred income tax assets relating to tax loss carry-forwards are recognised in the statement of financial position to the extent that the Company can utilise the tax loss carry-forward against future taxable income.

NOTE 4 INVESTMENTS IN SUBSIDIARIES

(NOK 1,000)	Registered office	Ownership/voting share	Carrying value
Hurtigruten AS	Tromsø, Norway	100.0 %	6,274,309
Hurtigruten Explorer AS	Tromsø, Norway	100.0 %	50
Net			**6,274,359**

NOTE 5 RECEIVABLES AND LIABILITIES

RECEIVABLES THAT MATURE IN MORE THAN ONE YEAR

(in NOK 1 000)	**2018**	2017
Non current receivables intragroup	**710,220**	2,296,109
Total receivables that mature in more than one year	**710,220**	2,296,109

MATURITY PROFILE OF NOMINAL BORROWING

(in NOK 1 000)	**2018**	2017
Current borrowings	-	4,385,095
Non-current borrowings	**6,381,956**	-
Capitalised interest amortisation	**134,180**	92,242
Total liabilities, nominal value	**6,516,137**	4,477,336

REPAYMENT PROFILE FOR INTEREST-BEARING LIABILITIES

(in NOK 1 000)	**2018**	**2017**
2018	-	4,477,336
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	**6,516,137**	-
Maturity of total liabilities	**6,516,137**	4,477,336

The Group's main source of financing is a Term Loan B with EURIBOR floating interest + margin. The facility has a face value of EUR 655 million. The loan was issued in February 2018 (EUR 575 million) as a refinancing of the existing Senior Secured Bond of EUR 455 million and the revolving Credit facility of EUR 85 million which both were terminated. The Term Loan was increased in November 2018 (EUR 80 million) to repay outstanding NOK bond and for general corporate purposes (incl. further investments in the fleet).

COLLATERALIZED ASSETS

Hurtigruten Group AS as well as its subsidiaries Hurtigruten AS, Hurtigruten Svalbard AS, Hurtigruten Sjø AS and Hurtigruten Pluss AS has pledged all assets, including shares in subsidiaries, as security for the above loans.

(in NOK 1 000)	**2018**	2017
Booked value of collateralized assets	**3,509,051**	4,645,367

NOTE 6A FINANCIAL INSTRUMENTS BY CATEGORY

The following principles has been used for subsequent measurement of financial assets and liabilities:

AS AT 31 DECEMBER 2018

(in NOK 1 000)	Loans and receivables	Asset at fair value through profit and loss	Asset at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Non-current receivables intragroup	710,220	-	-	-	**710,220**
Available for sale financial instruments	-	-	24,327	-	**24,327**
Derivative financial instruments	-	-	-	162,699	**162,699**
Trade and other receivables, current	25,866	-	-	-	**25,866**
Intercompany current receivables	39,835	-	-	-	**39,835**
Cash and cash equivalents	3,896	-	-	-	**3,896**
Total	**779,816**	**-**	**24,327**	**162,699**	**966,842**

(in NOK 1 000)	Liabilites at fair value through profit and loss	Trading derivatives	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet					
Derivative financial instruments	-	34,963	162,699	-	**197,662**
Borrowings	-	-	-	6,381,956	**6,381,956**
Trade and other liabilities	-	-	-	89,763	**89,763**
Total	**-**	**34,963**	**162,699**	**6,471,719**	**6,669,381**

Carrying amount of non-current receivables, payables and borrowings is assessed to not differ materially from fair value.

AS AT 31 DECEMBER 2017

(in NOK 1 000)	Loans and receivables	Asset at fair value through profit and loss	Asset at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Non-current receivables intragroup	2,296,109	-	-	-	**2,296,109**
Available for sale financial instruments	-	-	49,970	-	**49,970**
Derivative financial instruments	-	-	-	46,545	**46,545**
Intercompany current receivables	104,085	-	-	-	**104,085**
Cash and cash equivalents	2,638	-	-	-	**2,638**
Total	**2,402,832**	**-**	**49,970**	46,545	**2,499,347**

(in NOK 1 000)	Liabilites at fair value through profit and loss	Trading derivatives	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet					
Derivative financial instruments	-	-	46,545	-	**46,545**
Borrowings	-	-	-	4,385,095	**4,385,095**
Trade and other liabilities	-	-	-	184,324	**184,324**
Total	**-**	**-**	**46,545**	4,569,419	**4,615,964**

Carrying amount of non-current receivables, payables and borrowings is assessed to not differ materially from fair value.

NOTE 6B CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(in NOK 1 000)	**2018**	2017
Cash bank and short-term bank deposits		
Rating A (S&P)	**3,896**	2,638
Counterparties without external credit ratings	**-**	-
Total bank deposits	**3,896**	2,638
Cash on hand	**-**	-
Total cash and short-term bank deposits	**3,896**	2,638

NOTE 7 PAID-IN EQUITY

(in NOK 1 000)	**Number of shares**	**Share premium**	**Nominal value**	**Total**
Share capital	30	1,826,688	90	1,826,778

Shareholders	**Number of shares**	**Shareholding (%)**
Silk Midco AS	30	100.00

All shares carry the same rights in the company.

NOTE 8 REMUNERATION

AUDIT REMUNERATION

(in NOK 1,000)	**2018**	2017
Auditor's fees – statutory auditing	**98**	290
Other certification services	**-**	9
Auditor's fees – other assistance	**-**	159
Total other operating costs	**98**	457

The company has no employees and there is as such no obligation to establish an obligatory service pension plan according to the Norwegian service plan act.

NOTE 9 FINANCIAL INCOME AND EXPENSES

(in NOK 1 000)	**2018**	2017
Interest income intragroup	**81,917**	220,723
Other finance income	**39,183**	11,264
Interest income on current bank deposits	**10**	0
Foreign exchange gains	**12,950**	202,129
Total finance income	**134,060**	434,116

(in NOK 1 000)	**2018**	2017
Interest expenses	**-478,854**	-428,532
Foreign exchange losses	**-183,236**	-351,315
Total financial expenses	**-662,090**	-779,848
Finance expenses - net	**-528,030**	-345,732

NOTE 10 RELATED PARTIES

TRANSACTIONS WITH GROUP COMPANIES

(in NOK 1,000)	**2018**	2017
Purchase of services from Group companies		
Hurtigruten Pluss AS	**323**	318
Purchase of services from Group companies	**323**	318
Interest income from Group companies		
Hurtigruten AS	**19,962**	178,177
Total interest income from Group companies	**19,962**	178,177
Fee borrowings received from Group		
Hurtigruten AS	**61,955**	42,545
Total fee borrowings received from Group	**61,955**	42,545

INTRAGROUP BALANCES

(in NOK 1 000)	**2018**	2017
Non-current receivables due from Group companies		
Hurtigruten AS	**272,495**	2,296,109
Coastal Holding AS	**437,725**	-
Total non-current receivables due from Group companies	**710,220**	2,296,109
Trade and other current receivables from Group companies		
Hurtigruten AS	**(1,765)**	92,771
KVE Holding AS	**2,417**	-
Hurtigruten Sjø AS	**2,571**	-
Hurtigruten Explorer AS	**-**	50
Hurtigruten Eiendom AS	**772**	1,033
Hurtigruten Pluss AS	**35,839**	10,231
Trade and other current receivables from Group companies	**39,835**	104,085
Trade payables and other current payables to Group companies		
Hurtigruten Plus AS	**-**	318
Total trade payables and other current payables to Group companies	**-**	318

NOTE 11 OPERATING COSTS

(in NOK 1,000)	2018	2017
Insurance premiums	-	223
Legal services	813	929
Other services	8,700	3,108
Other general expenses	48	131
Total other operating costs	9,561	4,391

NOTE 12 EVENTS AFTER BALANCE SHEET DATE

There are no material events after balance sheet date related to Hurtigruten Group AS. For events after balance sheet date related to the Group, please see note 29 in the Consolidated Annual Financial Statements.

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To the General Meeting of Hurtigruten Group AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hurtigruten Group AS, which comprise:

- The financial statements of the parent company Hurtigruten Group AS (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Hurtigruten Group AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29 April 2019
PricewaterhouseCoopers AS

Stig Lund
State Authorised Public Accountant

ANNUAL REPORT 2019

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HURTIGRUTEN

Directors' Report 2019

Hurtigruten – Leading premium expedition travel company

The Hurtigruten Group, through its brand Hurtigruten, is the leading expedition travel company focusing on sustainable expedition cruising. With a fleet of 16 custom-built expedition cruise vessels including the world's two first hybrid-powered expedition cruise ships delivered in 2019, Hurtigruten is the world's largest expedition cruise company. It offers a unique gateway to experiences in the Alaska, South America, Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travellers from all over the world. Hurtigruten's operation builds on a rich and proud Norwegian Expedition Cruises heritage offering the first voyages to Svalbard as early as 1896 and having offered cruises along the Norwegian coast for 126 years. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences with world leading experts and the best local food and beverages while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market.

Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as "The world's most beautiful voyage". During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a large number of active and immersive excursions. Hurtigruten has introduced the culinary concept of "Norway's Coastal Kitchen", offering authentic Norwegian cuisine with locally sourced ingredients delivered fresh to the ships throughout the journey, reflecting both the seasons and local specialties. Hurtigruten is the only cruise operator offering year-round cruises out of the port of Bergen to these 34 ports and holds a unique competitive position on the Norwegian Coast.

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is the leading company in this segment. With its strong focus on sustainability and the environment, Hurtigruten introduced in 2019 the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, was delivered in Q4 2019. These two vessels will fortify Hurtigruten's position in the expedition cruise segment.

MS Nordlys underwent a complete refurbishment in 2019, increasing the number of suites, improving the cabins and the indoor decks and improving the general service offering on the vessels. The existing fleet has provided Hurtigruten with greater flexibility and an opportunity to tailor offerings, attracting more guests and new segments.

In 2019, we completed the refurbishments of our hotels on Svalbard. The upgraded hotels now offer enhanced facilities for the guests and employees and will further strengthen the company's position in the market. Hurtigruten Svalbard offers a wide range of excursions including dogsledding under the Northern Lights, ice-caving and snowmobile trips.

Business and location

Hurtigruten is the leading expedition cruise-based travel company based on APCNs, offering adventures that provide customers with the feel of authentic exploration into polar waters. Its offering is differentiated from that of most other cruise operators, including itineraries with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places. The Group views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract. The Group has a fleet of 16 ships and has 126 years of experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long and naturally distinct coast line, Hurtigruten is one of Norway's most recognized international travel brands.

Hurtigruten's global headquarter is located in Tromsø, one of the key ports of call on the Norwegian coastal route in addition to a large office in Oslo holding key functions. Hurtigruten has also sales offices in Hamburg, London, Paris, Seattle, Melbourne, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets.

Hurtigruten's wholly-owned subsidiary Hurtigruten Svalbard AS, is headquartered in Longyearbyen.

The group's business segments are divided into the following product areas: Hurtigruten Norwegian Coast, Expedition Cruises and Landbased.

Hurtigruten Norwegian Coast represents Hurtigruten's longest-running and largest business area and comprises a fleet of 11 ships providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten's legendary voyage ranks as one of Norway's most renowned and iconic attractions. In recent years, Hurtigruten has developed the voyages significantly to offer a wide range of activities and excursions to guests along the coast. In this process, Hurtigruten Expedition Teams have been added to most of the ships, providing lectures, organising excursions and adding to the onboard experience. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound). The Norwegian state purchases local transport and freight shipment services along the Norwegian coast. In the period 2012-2020 Hurtigruten will operate 11 ships under the "Coastal Route Agreement". In 2018 there was a tender for a new contract for the period 2021-2031. In the new tender the agreement was divided into 3 packages of 3,4 and 4 ships where potential interested parties could bid for one, two or three packages. Hurtigruten was awarded 2 packages of a total of 7 ships and will receive an annual payment NOK 546m (2018 value) for 7 ships (NOK 78m per vessel) which is a 20% increase in annual compensation per vessel compared to the compensation in 2019 of NOK 65m per vessel and will be KPI adjusted over the life time of the contract. This is a very positive outcome for Hurtigruten as we will be able to deploy our 3 largest ships into the fast-growing Expedition Cruise segment from 2021.

Expedition Cruises products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include visits to the Antarctic and Arctic, Alaska, Iceland, Greenland, South America and a variety of other destinations. In 2019, three vessels operated year-round in this segment, MS Fram, MS Midnatsol (September–April) and MS Spitsbergen (May–August). In July 2019, MS Roald Amundsen was delivered from the Kleven yard and started its operation. In December 2019 the sister ship, MS Fridtjof Nansen, was delivered. From 2020 we will have 5 ships operating in the Expedition segment MS Fram, MS Midnatsol (January–April) and MS Spitsbergen (May–December), MS Roald Amundsen, MS Fridtjof Nansen (March-December). From 2021 our 3 largest ships in the Coastal segment will join this segment after offering a unique Expedition product on the Norwegian Coast.

The *Landbased* product area comprises year-round hotel and restaurant activities, as well as Arctic adventure tourism in Svalbard and in Kirkenes region. From a base in Longyearbyen, Hurtigruten Svalbard AS offers active Arctic experiences on snow-covered and snow-free terrain with an extensive portfolio of activities and excursions. These include day trips on skis, dog sledding, snowmobile trips, boat or hiking excursions and longer expeditions in the archipelago. Hurtigruten's operations – originating back in 1896 – are the largest and most diversified in Svalbard. Hurtigruten Barents with location in Kirkenes, delivers dog-sled trips, king crab experience and excursions to Russian boarders as well as hotel outside of Kirkenes.

Business concept, objective and strategy

Objective and vision

Hurtigruten's vision is to be the leading expedition travel company by offering authentic and accessible experienced around the world to travellers who wish to explore and travel in a sustainable way. Hurtigruten will be a frontrunner in adventure tourism and expedition cruising, a niche with substantial global growth potential. With a fleet of 16 custom-built expedition ships, Hurtigruten is already the world's largest expedition cruise operator. Two-thirds of the Bergen–Kirkenes route lies north of the Arctic Circle. Accordingly, Hurtigruten has, at any given time, more than half its fleet in Arctic waters throughout the year. Hurtigruten's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic and active experiences on both land and sea.

New ground-breaking expedition ships

In 2019, the two-new hybrid-powered expedition ships, MS Roald Amundsen and MS Fridtjof Nansen was delivered. The ships are state-of-the-art expedition vessels designed to meet guests' expectations as well as strict environmental and safety standards. MS Roald Amundsen and MS Fridtjof Nansen have an ice-reinforced hull, a total length of 140 metres and will be able to carry 530 guests. The hybrid technology engines will reduce fuel consumption substantially and permit periods of emission-free sailing. The investment in new technology has been partly funded by Enova, a Norwegian government enterprise responsible for the promotion of environmentally-friendly production and consumption of energy.

Differentiation and strategy

Hurtigruten's primary strategy is profitable growth throughout its businesses. This will be achieved through increasing capacity through construction of new vessels, operational initiatives to realise its substantial potential, expand and renew its customer base, and strengthen the product range.

Hurtigruten believes its product portfolio differs significantly from product portfolios offered by other main stream large ship cruise operators. It has been purposefully designed to reach customer segments whose wishes are not met by other operators. Rather than following the traditional cruise model of floating hotels and ships as the destination, Hurtigruten offers its guests the opportunity to get closer to nature in beautiful and remote areas in order to experience local wildlife, culture and activities – with a minimal footprint.

Hurtigruten appeals to guests who prefer to be close to nature and who value the experience of authenticity and sustainability. Operating smaller, custom-built vessels, Hurtigruten's ships are easier to manoeuvre and their crew and staff are very familiar with Norwegian, Arctic and Antarctic waters, which are among the most challenging in the world. In the Expedition Cruises segment, the day-to-day itineraries and programmes are adjusted based on weather and local conditions, ensuring optimal sightings of nature and wildlife, cultural events in a number of ports of call and other experiences that make each Hurtigruten voyage unique and memorable. Hurtigruten allows guests to experience being a part of the destination – rather than simply viewing it from the ship.

Hurtigruten has continued to improve the culinary concept on board through Norway's Coastal Kitchen. The concept of locally sourced produce – often loaded on board only hours before being served in the restaurants – has been a major success. This has been very well received among guests, as reflected by an increase in revenue and very high guest satisfaction ratings.

Described by the New York Times as "one of Norway's treasured national symbols", Hurtigruten's brand has been developed over its 126-year history. It forms part of the country's cultural heritage, strengthening Hurtigruten's legitimacy with customers seeking authentic Norwegian experiences. It has a high level of recognition in key travel markets, such as Germany, UK and the Nordic countries. Based on this strong recognised brand and the authenticity of a product tailored for the adventurous, Hurtigruten believes that a voyage with a major cruise operator is not a relevant alternative for its guests. Hurtigruten's competitive position is supported by substantial barriers to establishment in the market for adventure and nature-based tourism, particularly in the expedition cruise segment. Substantial investments have been made across its fleet of 16 expedition vessels, custom built to deliver the unique Hurtigruten product. Any newcomer wishing to offer expedition and nature-based travel services in Hurtigruten's market will need to invest heavily before it will be able compete with Hurtigruten.

Hurtigruten is regularly recognised as a strong performer in the industry, through Industry awards such as the "Best Expedition Cruise Line" at the 2017, 2018 & 2019 Travvy awards, "Best Adventure Cruise Line" in Cruise Critic Editor's Picks in 2017 Magellan Award Gold for "Best overall Eco friendly "green" Cruise ships" in 2018 and was deemed Germany's "Brand of the year (travel)" for 2017 & 2018. Cruise Critic U, best Adventure Cruise line of the year over the period of 2012-2019. Best Expedition Cruise line of the year 2019 – Australian Travel awards. Globe Travel awards – Best Specialist Cruise Company 2020.

Hurtigruten is experiencing increasing global media attention, across all markets – including outside Norway and the Nordics, where the company has a strong standing.

Hurtigruten's standing and reputation was acknowledged in the Apeland and Reputation Institute's recognised reputation survey RepTrak 2019. Scoring 86 out of a total of 100 points, one of the highest scores ever achieved in the survey by any company, regardless of industry, Hurtigruten was recognised as Norway's second most reputable company, and by far the highest-ranking company within the travel industry.

Hurtigruten Norwegian Coast

Hurtigruten's service along the Norwegian coast offers a premium experience to its guests, with a very high – and steadily growing – level of customer satisfaction.

Hurtigruten aims to further develop and strengthen its position globally. It still has substantial development potential, which will be realised through a continued commitment to:

- Building Hurtigruten as a strong global brand within exploration travel, as a company that offers unique destinations and a small-scale authentic experience with Hurtigruten Expedition Teams on board.
- Strong differentiation – Hurtigruten offers the original voyage along the Norwegian coast and is the world leader in exploration travel.
- Market development – Enhanced customer insights, targeting new segments, expanding in emerging markets such as China and Australia, improving e-commerce and distribution channels, and more.
- Product development – Unique, active experiences, an even wider portfolio of voyages of varying duration, pre-and-post cruise offerings, and continued development of seasonal concepts.
- More efficient business processes, with an emphasis on on-line capabilities and anticipation of trends.

As one of Norway's foremost tourist products, Hurtigruten is a driving force for developing Norwegian tourism and marketing the country internationally. Annually, Hurtigruten has a marketing budget of approximately MNOK 360. This equals one third of Norway's international marketing investment and is more than the Norwegian authorities invest through Innovation Norway. At the same time, the company has been collaborating with airlines and other industry players to improve flight connections for key departure ports in order to exploit the growth in the short-break market and to make Hurtigruten's products more accessible.

Along the Norwegian coast, Hurtigruten collaborates with approx. 50 different excursion providers, offering unique seasonally-adapted activities and experiences at all levels to all guests every day of the year. The fast-growing portfolio of excursions is unique both in its size and variety, and none of our competitors currently offer such a range to their guests. Excursions have been a prioritised area for Hurtigruten over many years and will continue as an important part of its differentiation strategy, including the continuous development of excursions operated by Hurtigruten. In 2019, guests could choose from around 75 activities along the Norwegian coast.

Expedition cruises

A further growth in capacity in expedition cruises – especially in Arctic and Antarctic waters – will be one of the main sources of growth for Hurtigruten's business in the coming years.

MS Roald Amundsen and MS Fridtjof Nansen is a crucial part of Hurtigruten's strategy of further expansion in the expedition cruise segment. The new ships will operate at new Hurtigruten destinations, such as full Northwest Passage crossings, Alaska, South America, and the Caribbean, in addition to Antarctica and Hurtigruten's key Arctic destinations. Throughout the summer of 2019, MS Roald Amundsen operated custom-made voyages along the Norwegian coast, homeporting in Hamburg (Germany).

Hurtigruten has more than doubled the capacity allocated to Antarctica by positioning MS Midnatsol in the area from the 2016 Antarctica season – with the ship alternating with MS Spitsbergen on the Norwegian coastal route. This increase in capacity in Antarctica capacity provides Hurtigruten with flexibility and an opportunity to anticipate expected market changes that will occur with MS Roald Amundsen and MS Fridtjof Nansen, where we included MS Roald Amundsen in 2 half of 2019, while MS Fridtjof Nansen in Q1 2020. With further expansion of the fleet, this flexibility will be strengthened. In 2021 MS Otto Sverdrup, MS Eirik Raude and MS Maud (MS Finnmarken, MS Midnatsol, and MS Trollfjord) will be allocated to this segment and this will further cement our global leadership in the Expedition Cruising category.

Based on an extensive and varied product range, Hurtigruten's position as world leader in exploration travel will continue to be developed towards an active, broad-minded and affluent international public with a wide age range. Altogether, Hurtigruten offered 309 different excursions on its expedition voyages globally throughout the year in 2019. Some excursions are provided by the ship's onboard Expedition Teams, others are operated through third-party companies.

Further work on Expedition Cruises products, both on Svalbard and within the existing and future expedition vessel fleet, will be characterised by the following:

- Continued development of the existing product portfolio, the development of new experiences on board and ashore, and continuous assessment of new destinations.
- Constant evaluation of capacity requirements, pricing and competitive developments in the segment.
- Knowledge building and increased commitment along the whole value chain through the development of logistics, destinations and excursions.
- A focused marketing commitment, strategic brand building and a strengthening of the sales organisation.
- A systematic effort to get coverage in global top-tier media and bloggers, by organising press trips on selected destinations.
- Hurtigruten's land-based activities in Svalbard, with three hotels, an equipment shop and excursions, will be further developed through its wholly-owned Spitsbergen subsidiary.
- Hurtigruten Svalbard owns and operates the Radisson Blu Polar Hotel, the Spitsbergen Hotel ("Funken") and the Coal Miners' Cabins.
- In February 2018, Funken Lodge opened with 88 brand-new rooms, new bar and lounge areas, a new reception and a refurbished Funktionærmessen gourmet restaurant and in February 2019 the Radisson Blu opened after a full refurbishment of the public areas including a new restaurant and pub concept.
- This investment underlines Hurtigruten's ambitions for year-round expedition-based experiences for individual guests, as well as for groups of travellers. The land-based products in Svalbard will be better integrated with the rest of Hurtigruten's product portfolio in terms of development, marketing and sales.

Key risk and uncertainty factors

Construction risk

The Group's inability to deploy new ships and carry out ship repairs, maintenance and refurbishments on terms and within timeframes that are favourable or consistent with the Group's expectations could result in revenue losses and unforeseen costs.

The deployment of new ships and the repair, maintenance and refurbishment of the Group's ships are complex processes and involve risks similar to those encountered in other large and sophisticated construction, repair, maintenance and refurbishment projects. The Group could experience delays and cost overruns in completing such work. The delays can result in lost revenues as well as lost on-board revenues associated with cancelled bookings.

Other events, such as work stoppages and other labour actions, insolvencies, "force majeure" events or other financial difficulties experienced at the shipyards and among the subcontractors and suppliers that build, repair, maintain or refurbish the Group's ships could prevent or delay the completion of the refurbishment, repair and maintenance of the Group's ships. These events could adversely affect the Group's operations, including causing delays or cancellations of the Group's trips or unscheduled or prolonged dry-docks and repairs.

The consolidation of ownership of certain cruise shipyards, capacity reductions at shipyards or insolvencies could reduce competition and result in increased prices for new builds and repairs. The Group typically uses shipyards in close proximity to its routes, in particular for the Group's Hurtigruten Norwegian Coast segment, which limits its options for choosing shipyards.

Currency risk

The Group operates internationally and is exposed to currency risk in multiple currencies, in particular, EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the cost of bunker oil is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

Interest-rate risk

The Group's interest-rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. Fixed interest rates expose the Group to fair value interest-rate risk.

The Group's exposure to variable interest-rate risk is limited in 2019 and the Group has no specific hedging strategy to reduce variable interest-rate risk.

Credit risk

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards and are paid in full prior to the travel date. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Group has routines to ensure that credit is only extended to agents that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

Liquidity risk

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Group has a group account that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Group has sufficient liquidity reserves to satisfy its obligations and financial loan covenants. In February 2018 the group refinanced their main debt when the Group entered into a Senior Secured Term Loan B of EUR 575 million and a Revolving Credit Facility of EUR 85 million, securing a long-term liquidity source. Further the group refinanced the EUR 260 million Export Credit Agency facility connected to the construction of MS Roald Amundsen and MS Fridtjof Nansen, with a EUR 300 million senior secured bond issue in February 2020. In addition, the group entered into a sale-lease back agreement with Bank of Communications for MS Richard With and MS Nordlys for a total of EUR 60 million in January 2020.

Developments in the cruise industry and macro-economic conditions

A large part of Hurtigruten's consolidated revenues derive from international guests seeking unique nature-based and active experiences along the Norwegian coast and on the expedition ships. Generally speaking, the global cruise industry has substantial exposure to fluctuations in the world economy, which also applies to Hurtigruten as a niche provider in the world market. A number of Hurtigruten's markets have experienced economic uncertainty in recent years. This has had consequences for Hurtigruten because of key markets like Germany, the UK and the USA suffering from reduced purchasing power, including for holidays and travel. At the same time, visits by foreign cruise ships to Scandinavia in general and Norway and its west coast in particular, are showing a marked increase. Adventure tourism is one of – if not *the* – fastest-growing global tourist trend, and a market in which there is great potential for the unique Hurtigruten product. The adventure traveller segment does not appear to be age, gender or geography specific. People of all kinds, all over the world, want to explore while traveling.

A flexible, commercial and cost-effectively organised company is therefore essential for meeting such competition, as well as for tapping into a substantially unutilised potential. Hurtigruten will continue its efforts to make real, active and nature-based travel products more easily accessible and on sale earlier, through new channels, to new markets and customer segments. Clearly differentiating Hurtigruten's unique and authentic product in the global cruise and tourism market will be essential.

Adverse incidents related to, and public perception about, the safety of travel, including customers or crew illness, such as incidents of COVID- 19, H1N1, Ebola virus, Zika, stomach flu, or other contagious diseases, may adversely affect travel patterns in general and demand for the Group's services. Such outbreaks of disease could, among other things, disrupt the Group's ability to embark and disembark customers and crew from its ships or conduct land-based services, disrupt air travel to and from ports, increase costs for prevention and treatment and adversely affect the Group's supply chain. This could also adversely impact the Group's reputation and demand for its offerings in areas unaffected by such an outbreak. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

Hurtigruten is paying careful attention to the macro-economic environment, and additional measures have been taken in all key markets.

The EU Sulphur Directive came into force in January 2015 and involves stricter sulphur limits in fuel for ships in the EU. In SECA (SOx Emission Control Areas), the new limits have been set at 0.10%, which implies that operators in this area must either run on marine diesel/marine gas oil, LNG or install scrubbers that clean exhaust emissions (or apply alternative methods in order to achieve the same effect). The European SECA area includes the Baltic Sea, the English Channel and large parts of the North Sea, bordered in the north by the 62nd parallel. Hurtigruten's itinerary on the Norwegian coast, relevant to 11 ships in the fleet, has a total distance of 974,590 nautical miles (nm). 170 nm of the itinerary is south of the 62nd parallel. Hurtigruten complies with the EU Sulphur Directive, operating on marine special distillates (MSD) north of the 62nd parallel, and on marine gas oil (MGO) when entering the SECA area. Hurtigruten's Expedition Cruises vessel MS Fram operates on MGO only. As of 1 January 2017, Hurtigruten decided that it will only purchase an MSD with a maximum content of 500 PPM Sulphur (0,05%).

The Sulphur Directive will potentially impact the competitive situation on the Norwegian coast. The financial benefits of burning low-priced heavy oil only will be reduced. However, the effect is difficult to quantify, as long as double fuel tank systems are still an option.

Financial performance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

Consolidated results

Total operating revenues for Hurtigruten Group Consolidated accounts was NOK 5,992 million in 2019 (2018: NOK 5,428 million), just shy of NOK 6bn mark, and an increase of 10% compared to last year. The growth was experienced in all segments, Coastal, Expedition and Landbased. The company experienced both increased occupancy, but also the passenger-mix on the coastal segment, with a higher number of long cruises, compared to short-term voyages passengers.

Due to increased capacity in the Expedition segment with the inclusion of MS Roald Amundsen during Q2 and average yield, in all quarters for Norwegian Coastal segment, consolidated EBITDA in 2019 increased by 2.5% to NOK 1,206 million, from last year's EBITDA of NOK 1,176 million including both negative effect on derivatives and increased cost on support functions. The underlying growth has been higher, where we have seen both higher occupancy, better passenger mix on costal segment and kept the cost to expected targets. This was offset by negative effects on valuation on derivatives and the increased the supporting functions for the increased activity, where we will first see the actual return in 2021 sailings.

Net financial expenses amounted to NOK 186 million (2018: NOK 641 million). The reduction in financial expenses in 2019 was primarily due to decreased interest expense for 2019 compared to 2018, where the reduction is due to the refinancing of EUR 455million and revolving credit facility of EUR 85 million that was replaced with a term B loan of EUR 575 million and a new Revolving Credit Facility of EUR 85 million. The refinancing entails 3-year prolonged debt maturity increased available liquidity and reduced interest costs going forward. Further the changes towards currency gains with the reversal of FX loss in 2018 on derivatives that was connected to the purchase of MS Roald Amundsen and MS Fridtjof Nansen.

The consolidated pre-tax profit for the year was NOK 473 million (2018: NOK 50 million). The inclusion of most of the activity to the tax tonnage regime gave a large increase of tax income in 2018 for the recognition of deferred tax asset. For 2019 Hurtigruten had the opposite tax effect of changing the tax regime due to tax realization, giving rise to a large tax cost for 2019, which is a one-time effect.

Cash flow and financial position

Cash and cash equivalents in the cash flow statement totalled NOK 352 million at 31 December (2018: NOK 385 million), not including restricted cash.

Net cash flow from operating activities amounted to NOK 1,379 million (2018: NOK 1,053 million), reflecting the underlying positive operations and strong cashflow generation.

Net cash flow used in investment activities was NOK 3,842 million (2018: NOK 1,339 million) including capital expenditures on maintenance and refurbishments of the ships, and not least the payment of delivery of MS Roald Amundsen and MS Fridtjof Nansen both in 2019.

Net cash flow from financing activities was NOK 2,466 million (2018: NOK 354 million), consisting of net proceeds from the loan financing for MS Roald Amundsen and MS Fridtjof Nansen, in addition to interest and financing expenses during the year.

Consolidated non-current assets totalled NOK 12,633 million at 31 December (2018: NOK 8,884 million), an increase from 2018 primarily due to taking delivery of MS Roald Amundsen and MS Fridtjof Nansen.

Total current assets were NOK 1,113 million (2018: NOK 1,175 million), which consists mostly of cash and cash equivalent but also trade and other receivables.

Total non-current liabilities were NOK 9,838 million (2018: 7,497 million). The increase is due to a debt facility that was drawn when taking delivery of MS Roald Amundsen and MS Fridtjof Nansen. This debt facility has been repaid with an issuance of Bond loan of EUR 300 million in 2020.

Consolidated equity at 31 December was NOK 619 million (2018: NOK 686 million). The equity ratio was 4.5% (2018: 6.8%). Taking into consideration the future medium to long-term prospects of expected growth in operations and revenues, it is the Board's opinion that the financial position of the Group is sound. However, the outbreak of COVID-19 and the closing of travels during March of 2020, has given rise to lower short-term profitability. In order to preserve its financial position, Hurtigruten has initiated a company wide cost and capex cutting program which includes: i) postponing all non-critical capex projects ii) temporary lay of 90% of the personnel iii) stopping all spending on marketing cost, non-critical consultants iv) non-essential travel. The cost cutting plan also includes the temporary layup all ships except for 2, which sail between Bodø and Kirkenes to support local transport.

The Board of Directors are of the opinion that normal operations will commence in the late Q3 and Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company

The BoD is confident that Hurtigruten will have a sound equity also in 2020. In the opinion of the BoD, the underlying value of Hurtigruten's vessels and brand are also significantly higher than the book value.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the Group's financial performance during 2019, and financial position at 31 December 2019. The Board confirms that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net loss for the parent company Hurtigruten Group AS in 2019 was NOK 135 million, which is proposed to be covered by other equity.

Product areas

Hurtigruten operates three main product areas: Hurtigruten Norwegian coast, Expedition Cruises and Landbased. Activities which do not fall naturally into these three areas are grouped in other business.

Hurtigruten Norwegian Coastal

The Hurtigruten Norwegian Coastal product area is the largest activity in the group, accounting for around 78% of its consolidated operating revenues in 2018. This product area embraces 11 ships sailing between Bergen and Kirkenes, calling at a total of 34 ports along this route.

Hurtigruten's ships achieved an overall regularity of 96.8% in 2019. Altogether, 740 of a total of 23,074 port calls were cancelled in 2019, due to both technical cancellations and when weather conditions prompted the cancellation of relevant port calls for safety reasons.

Demand for the coastal product has increased, especially the winter season, which historically had low occupancy. However, we experienced a drop-in volume during the summer months related to local transport and short voyages which negatively influenced utilisation rates. Capacity utilisation for 2019 decreased by 3 percentage points to 81% but was offset by higher average yield. Gross ticket revenues increased at the same time, resulting in an operating revenue for 2019 of NOK 4,364 million, an increase of 3.6% over last year.

The Norwegian Coastal segment EBITDA was NOK 1,650 million for 2019 (2018: NOK 1,646 million), the positive development is driven by higher average net yield per cruise night as a result of higher ticket prices and lower direct costs per cruise night sold, but the effect the higher net yield per cruise night has been somewhat offset by lover occupancy and higher cruise operating expenses. For 2019 the EBITDA figures are changed with showing segment contribution before SG&A, where the indirect cost from supporting functions is not allocated to business areas.

Expedition Cruises

The Expedition Cruises product accounted for 25% of the consolidated operating revenues in 2019. The product comprises the vessels MS Roald Amundsen, MS Fram, MS Nordstjernen, MS Spitsbergen and MS Midnatsol, where the latter two vessels have been alternating between Hurtigruten Norwegian Coast and Expedition Cruises product areas. MS Nordstjernen operated in the north of Norway in the winter/spring and Svalbard in the spring/summer season.

MS Fram cruised in the Antarctic, Canada, Spitsbergen and Greenland in 2018, and in September sailed Hurtigruten's first cruise through the North-West passage. The Fram cruises has shown a positive pricing trend and there is demand for the differentiated smaller-ship products. MS Midnatsol cruised in the Antarctic during the winter season, alternating in the spring with MS Spitsbergen sailing around Spitsbergen during the summer.

Operating revenues amounted to NOK 1,338 million (2019: NOK 936 million). Capacity utilisation increased to 77% from 72% in 2018, reflecting the increased demand in the segment. Segment EBITDA was NOK 470 million (2018: NOK 298 million) mainly driven by the introduction of the MS Roald Amundsen in July and higher occupancy in the Arctic sailings during Q2 and Q3 2019 compared to same period in 2018, where we for the full year see an increased net gross revenue, while the net cruise cost only increased slightly.

Landbased

This product includes the Group's activities in Svalbard and Kirkenes, including year-round hotel operation with three venues, restaurants, snowmobile hire, dog-sled, King crab safari, retailing and an extensive portfolio of experience products, such as short-day trips on skis, dog sledding, snowmobile trips, boat or hiking excursions, and longer expeditions in the archipelago.

There is increased demand for the destination and in 2019 two of the hotels, Funken and Polar hotel underwent substantial refurbishments, upgrading the guest experience of the destination. However, as the hotels were closed during the renovation period, the number of guest nights in 2018 were reduced compared to last year.
Operating revenues in 2019 were NOK 298 million (2018: NOK 295 million), while EBITDA was NOK 44 million (2018: NOK 50 million).

Research and development activities

The Group conducts no research and development activities other than adaptation of Information and Communications Technology.

Health, safety and the environment

Highest priority

It is Hurtigruten's principle that a safe operation is one of the cornerstones in the process of developing in the desired direction. Hurtigruten has a robust Management System which provides operational guidelines to employees on board and ashore. The business and Hurtigruten's profitability depend on being in control of the safe operation of the ships.

Hurtigruten's safety policy, revised in 2014, incorporates zero tolerance for accidents and serious incidents – including serious personal injuries and loss of human life. It is, and will remain, a safe company to travel with for guests and a safe and secure workplace for employees. The safety policy will be revised to encompass the organization.

Hurtigruten's Management System is focusing on being proactive, including optimal planning of all operations. Risk management is a fundamental part of the planning process to identify any risks which may occur. Any such risks shall be addressed, and the corrective and preventive measures shall be identified to ensure the risk is at an acceptable level. The reporting of any non-conformities is a main part of improving operations. It enables Hurtigruten to monitor and follow up on any deviations which may occur during operation with regards to Health, Safety and the Environment and it is an integral part of the "continuous improvement process".

The Company did not suffer any serious personal injuries in 2019. The Company experienced improved reporting of minor injuries during the year, such as cuts and bruises. 67 first-aid cases were reported, in which the employee in question continued to work after receiving first-aid treatment, a reduction of 13% compared to 2018 (77 cases). 17 cases were reported in which the employee in question was unable to work for one or more days following the injury, a reduction of 29% compared to 2018 (24 cases). 4 minor allisions with pier and 1 with a small fishing vessel with minor damages was reported.

The Company has focused to improve the reporting from the vessels and operation. Hurtigruten is analysing these reports to identify effective preventive measures to ensure these incidents are reduced.

The 11 Hurtigruten ships sails just under one million nautical miles annually along the Norwegian coast and make more than 23,000 port calls. Hurtigruten's vision of zero tolerance is ambitious but attainable. Hurtigruten works continuously to ensure that proactive improvement processes are being addressed. Through such activities as the identification and registration of near misses, unsafe acts and unsafe conditions, Hurtigruten aims to prevent and avoid any incidents.

Responsible operations

Hurtigruten is the world leader in exploration travel, and the world's largest expedition cruise company. This comes with a responsibility. With a mission focused on innovation, technology and sustainability – we have embedded the UN Sustainable Development Goals into all aspects of Hurtigruten´s operations.

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten operation and experience.

Hurtigruten's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

The scope of Hurtigruten's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO_2) and nitrogen oxides (NO_x). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, and low-sulphur marine special distillates (MSD 500 ppm) north of 62 degrees north These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten. The higher price of these environmental fuels is offset by their significant positive environmental properties compared to heavier grades of fuel.

<u>Average greenhouse gas emissions in 2019 (2018):</u>
CO_2: 218.1 kg/nm (214 kg/nm)
NO_x: 4.0 kg/nm (3.9 kg/nm)
SO_2: 0.004 kg/nm (0.004 kg/nm)

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2019, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO_2, CO_2 and NO_x however due to changes in sailing plan as well as rough weather the emissions are above 2018 level. This also resulted in an average fuel consumption per nautical miles in 2019 of 80,2 which is slightly above 2018 levels (2018: 77,9)

In 2019 Hurtigruten started the preparations for technical upgrades on up to six 90-class vessels, converting them to LNG fuel. A key feature has been ensuring that vessels are compatible with climate-neutral advanced biogas, paving the way for low emissions service. These are ground-breaking projects, demanding significant research and development prior to docking. The conversion will reduce the CO_2 emissions from these vessels by above 25 per cent, while the NO_x emissions will reduce by approx. 90 per cent.

Shore power connection is an important environmental initiative, both for Hurtigruten and the ports of call.
Hurtigruten is an active ambassador for shore-based power in Norwegian ports, and has been a key voice in calling for a national shore-based power strategy, as part of our collaboration with the environmental organisation Bellona. We were proud to be able to start testing shore-based power in the port of Bergen. This was a major milestone in our long-term goal of increasing the use of renewable energy, and making the transition to electric power from traditional fuels when docked at port. Two of our vessels, MS Kong Harald and MS Spitsbergen are ready to start using shore-based electricity, and three more vessels are ready to undertake the final technical installations during 2019. The rest of the coastal fleet will follow as soon as possible. Bergen was the first port to offer shore power for Hurtigruten ships, and during 2018 we connected our prepared vessels to shore power for the first time.

The shore power facility in the port of Bergen, where the Hurtigruten ships berth for eight hours daily during winter and 5.5 hours during summer, will reduce CO_2 emissions annually by almost 130 tonnes per ship. Annual reduction of NO_x is estimated at approximately 2.5 tonnes. Hurtigruten eagerly awaits shore power connections being provided at other ports along the Norwegian coast.

Hurtigruten's Expedition Cruises activities in Greenland, Svalbard and Antarctica are subject to guidelines from the International Association of Antarctica Tour Operators (IAATO) and the Association of Arctic Expedition Cruise Operators (AECO). Hurtigruten plays an active role in both these organisations to champion a safe and environmentally-conscious tourism industry in these unique and vulnerable areas.

The introduction of MS Roald Amundsen and MS Fridtjof Nansen – the world's first hybrid-powered expedition ships – will further strengthen Hurtigruten's environmental performance, but are also documenting our commitment to fuel technology innovation and sustainable operations.

Organisation

The company employed 2489 full-time equivalents at 31 December 2019. 1,660 were carried out by permanent employees – including subsidiaries, of which 434 of the full-time equivalents were carried out in our offices in Hamburg, London, Seattle, Tallinn, Paris, Hong Kong,Melbourne and Svalbard. Temporary employees accounted for 383 full-time equivalents.

Hurtigruten is an expertise-based company and training plays a key role. Hurtigruten had 191 apprentices on its ships at 31 December 2019, making it one of the largest apprentice companies in the maritime sector of the Confederation of Norwegian Enterprise (NHO).

Hurtigruten takes its vital role in the education of Norwegian seafarers seriously. Hurtigruten strongly emphasises professional expertise in the workforce, but also local knowledge in its recruitment processes. Our crew members are mainly recruited from along the Norwegian coast and the various ports at which the 11 ships call. Through this, Hurtigruten contributes to maintaining local and regional employment, combined with objectives such as ensuring knowledge, local expertise and flexible shift arrangements for its employees.

The MS Fram, MS Midnatsol, MS Spitsbergen, MS Roald Amundsen Expedition Cruise ships also offer trainee positions in the expedition teams to newly-qualified nature guides from selected institutions. Our expedition teams are some of the most experienced in the industry. Their members have formal skills as scientists and are experts about the locations to be visited and the local wildlife. Hurtigruten requires all expedition personnel for the Antarctic to take and pass the IAATO field staff online assessment once a year.

Working environment

Hurtigruten is an inclusive workplace company, where we actively aim to reduce total sick leave throughout the organisation. Average sickness absence in 2019 was 6,7 % for seagoing personnel and 1.8% for land-based personnel.

Hurtigruten will continue its intensive efforts to keep sick leave as low as possible.

Equal opportunities and discrimination

Hurtigruten aspires to be an attractive employer for people from different backgrounds, regardless of ethnicity, gender, religion or age. Diversity is a desired and positive part of the corporate culture, which strengthens Hurtigruten’s ability to operate under varying conditions and operating parameters. Any kind of discrimination is incompatible with Hurtigruten’s code of ethics.

52 different nationalities are represented in Hurtigruten and female employees account for 40% of the workforce.

For our seagoing personnel, female employees account for 41% of Hurtigruten’s permanent seagoing workforce and are mostly employed in the hotel department. Of the senior officers on board – master, first officer, hotel manager, chief engineer and first engineer – 78,4% are male. Hurtigruten works continuously to create a better balance in seagoing management posts.

Two of the five members of the corporate management team, reporting to the CEO, are female.

Corporate social responsibility (CSR)

For 126 years, Hurtigruten has explored some of the world’s most pristine, vulnerable and awe-inspiring waters. Hurtigruten’s guests have found themselves immersed in unique experiences with wildlife and nature and have been introduced to communities and cultures at the destinations Hurtigruten explores. For Hurtigruten, it is important that the guests of tomorrow can enjoy the same meaningful travel experiences as the guests of today. Therefore, Hurtigruten sees it as essential to both minimise the impact of expedition cruising on the environment and maximise the positive contribution to local communities.

Sustainable and responsible behaviour and operations are vital for Hurtigruten. Trust and good relations with partners and stakeholders are crucial for optimum operation and profitability. By virtue of Hurtigruten’s position in Norwegian tourism, as well as its extensive business activities and social significance, Hurtigruten both encourages and requires the same level of commitment from its partners and stakeholders. Hurtigruten aims to raise and set standards for the whole industry to follow, as we enter a new era of expedition cruising and adventure travel driven by sustainability.

Our business and operations directly and indirectly touch on many of the 17 UN Sustainable Development Goals. Our sustainability ambitions are directly linked to goals 9, 11, 12, 13 and 14. This is where we believe we can have the most positive impact, for society as a whole and for our business, both now and in the future.

In addition, we have chosen four goals that represent our very foundation, our licence to operate. These are goals 4, 5, 8 and 16. They represent the values that sit at the core of our business and are embedded in our governance systems.

As a result of the strong focus and sustainability we have implemented a lot of measures over the resent years:

- We have the first ever hybrid-powered expedition cruise ships.
- As the first major travel company in the world to do so - have removed single-use plastic from all our ships and hotels.
- We invite our guests to explore the planet on a safer, greener and more advanced expedition fleet.
- We aim to educate guests and create ambassadors for every destination on every voyage through actively engaging guests in the culture, ecosystems and the consequences of climate change - wherever we explore.

Hurtigruten is dedicated to enhancing local communities through cooperation and trade. Our guests are explorers and appreciate quality experiences, learning, and understanding as a viable path to all-year activity and sustainable growth. We know that protecting and adding long-term value to the waters we sail in, and to the destinations we visit, is not just the right thing to do—it is necessary.

By participating in excursions and sourcing ingredients from local suppliers, Hurtigruten contributes to the livelihoods and welfare of small coastal societies. Hurtigruten respects and supports indigenous communities, values culture and traditions, and maintains a very close cooperation with the communities that make an immense effort to welcome our guests—wherever we visit.

In 2014, Hurtigruten implemented a comprehensive local food concept, called Norway's Coastal Kitchen. Based on locally produced ingredients and products, all menus are designed from the areas in which the ships sail. Fresh ingredients, such as fish, meat or vegetables are delivered, as far as possible, directly on board each ship when it docks in the nearest port. This reduces transport distance significantly by utilising the Hurtigruten port structure actively, and enhances the travel experience for our guests. The initiative has been extremely well received among our guests and the Norwegian Coastal Kitchen concept has been further developed in 2018 and 2019.

Exploring some of the most spectacular destinations on our planet—and observing the unique wildlife—is an important part of every Hurtigruten voyage. And with that, comes an obligation to explore respectfully. Any impact should be minor and transitory only. Hurtigruten and our guests will not leave visible or lasting signs from a visit.

Observing wild animals is done at a distance so as not to alter natural behaviour, and with the utmost respect for their welfare and habitat.

Hurtigruten is taking the lead in the fight against the exploitation and degradation of sites, nature, and local communities by unsustainable over tourism. We are advocating strict rules and regulations, and we are imposing them on ourselves to prove it can be done.

Hurtigruten works continuously to increase the number of guests, both local travellers and tourists. Enhancing capacity utilisation for the ships is an important measure, not only for Hurtigruten's profitability but also for the environment.

As part of the effort to raise awareness the Hurtigruten Foundation was established to address the opportunities and challenges in the areas Hurtigruten explores, to financially support locally-initiated projects and to encourage people to volunteer in worthwhile causes. Twice a year, the Board of the Hurtigruten Foundation grants funds to local and global projects involving initiatives in the areas in which Hurtigruten operates. The deadline for applying for funds is 1 November and 1 May each year.

Share capital and shareholders

Hurtigruten Group AS had one (1) shareholder at 31 December 2019 – Silk Midco AS, and a total paid in equity of NOK 1 826 778 000 spread over 30 shares with a nominal value of NOK 3 000 each, and share premium of 1 826 688 000. Other equity was negative NOK 1,209 million.

The shares have equal rights.

Outlook

Hurtigruten has experienced a strong positive underlying booking trend through 2018 and 2019 and been the leading expedition cruise company in the world. There has been a strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. The introduction of the MS Roald Amundsen and the MS Fridtjof Nansen has been a great success.

In 2019 we have experienced an increased willingness to pay for Expedition cruises and this is shown in the increased yield in both the Coastal and Expedition segments. We have also seen this trend continue in 2020 and 2021. Pre-bookings for 2020 started out materially higher compared to the same time last year and are driven by significant investments in our commercial team, product-improvement initiatives, including refurbishments, and additional capacity in the Expedition Cruises segment. However, due to the Covid-19 pandemic operations were temporarily halted in March and the plan is now to resume operations in late May. Booking inflow for the period April-August 2020 has stopped due to the Covid-19 pandemic, but there is still net inflow of bookings for the period September-December 2020 the last 30 days. Hurtigruten has introduced a flexible booking policy enabling guest to rebook free of charge 2020 voyages to 2021. Due to this flexible rebooking policy we have had a very good growth in 2021 bookings compared to same period last year for 2020. Over the last 30 days we have seen a booking inflow of NOK 203m which is 36% higher compared to same period last year.

Due to the Covid-19 pandemic, the company, has initiated activities to cut costs and growth investments, including cancelling most contracts with consultants, temporary lay-offs of over 90% of the employees and temporary layup all ships except for 2, which sail between Bodø and Kirkenes to support local transport. We are of the opinion that normal operations will commence in the late Q3 and Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company. The BoD acknowledge that, as of today, Hurtigruten has had no confirmed or suspected cases of Covid-19 on our ships.

Marine operations have performed well in 2019 with a record low level lower number of missed port calls due to technical issues. This is expected to continue.

Hurtigruten Group AS – Group

Customer feedback continues to be at a high level, strengthening Hurtigruten's brand position and ability to attract new customers. Hurtigruten aims to be positively different to counter competition from international cruise operators in Scandinavia and along the Norwegian coast, offering a truly unique experience to its customers. The customer feedback during March 2020 when the Covid-19 started to be active we have had extremely good customer feedback. The NPS score of 74 across the company which is all time high. This is very positive for the long-term development of the company.

Oslo, 29. April 2020
Board of Directors of Hurtigruten Group AS

Trygve Hegnar *Chair*	**Petter Stordalen** *Director*
Jonathan Barlow Rosen *Director*	**Matthew John Lenczner** *Director*

Hurtigruten Group AS

Consolidated Financial Statements

2019

CONSOLIDATED INCOME STATEMENT

(in NOK 1,000)	*Note*	**2019**	**2018 Restated***
Operating revenues	*22*	**5,992,922**	5,428,434
Cost of goods sold	*23*	**(1,562,026)**	(1,483,420)
Payroll costs	*24, 25*	**(1,323,537)**	(1,206,479)
Depreciation, amortisation and impairment losses	*7,8*	**(547,964)**	(486,082)
Other operating costs	*26*	**(1,845,972)**	(1,654,889)
Other (loss) / gains – net	*27*	**(55,492)**	92,634
Operating profit/(loss)		**657,930**	690,199
Finance income	*29*	**359,660**	59,798
Finance expenses	*29*	**(545,385)**	(700,839)
Finance expenses - net		**(185,725)**	(641,040)
Share of profit/(loss) of associates	*9*	**1,232**	596
Profit/(loss) before income tax		**473,436**	49,754
Income tax expense	*17*	**(653,119)**	399,719
Profit/(loss) for the year		**(179,683)**	449,472
Profit/(loss) for the year attributable to			
Owners of Hurtigruten Group AS		**(172,213)**	**449,472**
Non-controlling interests		**(7,469)**	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in NOK 1,000)	*Note*	**2019**	**2018 Restated***
Profit/(loss) for the year		**(179,683)**	449,472
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity investments recognised in OCI	*10, 15*	**(2,327)**	(28,015)
Actuarial gain/loss on retirement benefit obligations	*15*	**3,673**	(3,827)
Tax	*17*	**(1,218)**	659
Sum		**128**	(31,183)
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges	*15*	**138,207**	(209,244)
Tax	*17*	**(35,794)**	35,794
Currency translation differences	*15*	**3,207**	(3,451)
Sum		**105,620**	(176,901)
Total other comprehensive income, net of tax		**105,748**	(208,084)
Total comprehensive income for the year		**(73,935)**	241,388
Total comprehensive income for the year attributable to			
Owners of Hurtigruten Group AS		**(66,465)**	241,388
Non-controlling interests		**(7,469)**	-
Total comprehensive income for the year		**(73,935)**	241,388

Notes 1 to 31 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**31 December 2019**	31 December 2018	1 January 2018 Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	*7*	**9,150,058**	4,827,249	4,672,870
Intangible assets	*8*	**2,725,415**	2,653,228	2,664,560
Investments in associates	*9*	**6,226**	4,995	4,880
Deferred income tax assets	*17*	**9,167**	670,153	198,837
Investments in other companies	*10*	**25,219**	27,526	53,139
Derivative financial instruments	*10*	**-**	-	30,494
Other financial assets, non-current	*10, 11*	**717,423**	700,980	12,794
Total non-current assets		**12,633,509**	8,884,131	7,637,574
CURRENT ASSETS				
Inventories	*12*	**175,400**	185,390	148,179
Trade and other receivables	*11*	**465,970**	428,353	393,590
Derivative financial instruments	*10*	**8,162**	-	19,533
Cash and cash equivalents	*13*	**463,879**	561,576	439,206
Total current assets		**1,113,410**	1,175,318	1,000,508
Total assets		**13,746,919**	10,059,450	8,638,082

(in NOK 1,000)	Note	**31 December 2019**	31 December 2018	1 January 2018 Restated*
EQUITY				
Equity attribute to owners of the parent				
Share capital	14	**90**	90	90
Share premium and other paid-in capital	14	**1,827,556**	1,827,556	1,827,556
Other equity not recognized in the income statement	15	**(50,124)**	(152,977)	55,108
Retained earnings		**(1,157,741)**	(988,423)	(1,437,896)
Total Equity attributable to owners of the group		**619,782**	686,246	444,858
Non-controlling interests		**(986)**	-	-
Total equity		**618,796**	686,246	444,858
LIABILITIES				
Non-current liabilities				
Borrowings	16	**9,597,178**	7,140,494	788,483
Deposits from customers, non-current	22	**116,710**	103,555	133,328
Deferred income tax liabilities	17	**66,583**	79,130	74,562
Retirement benefit obligations	18	**46,177**	112,220	110,353
Derivative financial instruments	10	**7,571**	57,351	-
Provisions for other liabilities and charges	19	**4,519**	4,290	4,452
Total non-current liabilities		**9,838,738**	7,497,039	1,111,178
Current liabilities				
Trade and other liabilities	21	**2,005,007**	850,372	1,031,949
Deposits from customers, current	22	**904,823**	708,425	619,598
Current income tax liabilities	17	**15,643**	28,842	21,274
Borrowings	16	**300,762**	116,779	5,377,072
Derivative financial instruments	10	**25,083**	140,310	13,247
Provision for other liabilities and charges	19	**38,068**	31,435	18,904
Total current liabilities		**3,289,385**	1,876,164	7,082,044
Total equity and liabilities		**13,746,919**	10,059,449	8,638,081

Oslo, 29 April 2020

Trygve Hegnar
Chairman

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in NOK 1,000)	*Note*	Share capital including treasury shares	Share premium	Other equity not recognised in the income statement	Retained earnings	Total paid-in and retained capital	Non-controlling interests	Total Equity
Balance at 1 January 2018		90	1,827,556	55,108	(1,427,137)	999,972	-	**455,616**
Implementation effect of IFRS 16	*30*				(10,759)			
Balance at 1 January 2018		90	1,827,556	55,108	(1,437,896)	444,858	-	**444,858**
Profit/(loss) for the year		-	-	-	449,472	449,472	-	**449,472**
Other comprehensive income								
Currency translation differences	*15*	-	-	(3,451)	-	(3,451)	-	**(3,451)**
Cash flow hedges, net of tax	*15*	-	-	(173,450)	-	(173,450)	-	**(173,450)**
Change in fair value of equity investments recognised in OCI	*15*	-	-	(28,015)	-	(28,015)	-	**(28,015)**
Actuarial gain/loss on retirement benefit obligations, net of tax	*15*	-	-	(3,168)	-	(3,168)	-	**(3,168)**
Other comprehensive income		-	-	(208,084)	-	(208,084)	-	**(208,084)**
Total comprehensive income		-	-	(208,084)	449,472	241,388	-	**241,388**
Balance at 31 December 2018		90	1,827,556	(152,976)	(988,424)	686,246	-	**686,246**
Balance at 1 January 2019		90	1,827,556	(152,976)	(988,424)	686,246	-	**686,246**
Profit/(loss) for the year		-	-	-	(172,213)	(172,213)	(7,469)	**(179,683)**
Other comprehensive income								
Currency translation differences	*15*	-	-	311	2,896	3,207	-	**3,207**
Cash flow hedges, net of tax	*15*	-	-	102,413		102,413	-	**102,413**
Change in fair value of equity investments recognised in OCI	*15*	-	-	(2,327)	-	(2,327)	-	**(2,327)**
Actuarial gain/loss on retirement benefit obligations, net of tax	*15*	-	-	2,455		2,455	-	**2,455**
Other comprehensive income		-	-	102,852	2,896	105,748	-	**105,748**
Total comprehensive income		-	-	102,852	(169,317)	(66,465)	(7,469)	**(73,935)**
Business combination		-	-	-	-	-	6,484	**6,484**
Other Equity transactions		-	-	-	-	-	6,484	**6,484**
Balance at 31 December 2019		90	1,827,556	(50,124)	(1,157,741)	619,781	(985)	**618,795**

CONSOLIDATED CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	**2019**	**2018 Restated***
Cash flows from operating activities			
Profit/(loss) before income tax		**473,436**	49,754
Adjustments for:			
Depreciation, amortisation and impairment losses	*7,8*	**547,963**	486,082
Foreign exchange gains/losses	*29*	**(114,036)**	135,187
Unrealised gains/losses derivatives		**-**	(9,764)
Net Interest expenses		**270,190**	520,878
Share of profit and loss of associates		**(1,232)**	(596)
Impairment on financial investments		**-**	(391)
Difference between expensed pension and payments	*18*	**(67,401)**	(2,024)
Change in working capital:			
Inventories	*12*	**9,988**	(37,209)
Trade and other receivables	*11*	**(63,699)**	(40,927)
Trade and other payables	*21*	**179,250**	(72,768)
Deposits from customers	*22*	**200,894**	48,855
Income tax paid	*17*	**(55,866)**	(24,350)
Net cash flows from (used in) operating activities		**1,379,488**	1,052,726
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	*7*	**(3,747,298)**	(262,546)
Advance payment of property, plant and equipment (PPE)	*7*	**(84,667)**	(239,346)
Proceeds from sale of property, plant, equipment (PPE)		**528**	870
Purchases of intangible assets	*8*	**(135,779)**	(69,087)
Loans to associates and other companies, net		**44,437**	(683,539)
Purchase and proceeds from sale of shares		**-**	(45)
Cash effect from business combinations, net of cash in acquiree		**(23,577)**	-
Settlement of financial instruments		**-**	(9,725)
Dividends received		**-**	500
Change in restricted funds	*13*	**65,891**	(76,313)
Net cash flows from (used in) investing activities		**(3,880,465)**	(1,339,232)
Cash flows from financing activities			
Proceeds from borrowings	*16*	**3,075,998**	1,077,415
Repayment of borrowings	*16*	**(235,274)**	(105,403)
Payment of lease liabilities	*30*	**(55,849)**	(84,136)
Interest paid		**(319,202)**	(533,629)
Net cash flows from (used in) financing activities		**2,465,673**	354,247
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(35,305)**	67,741
Cash and cash equivalents at 1 January		**384,583**	337,978
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdrafts		**2,604**	(21,135)
Cash and cash equivalents at 31 December	*13*	**351,882**	384,583
Restricted cash	*13*	**111,996**	176,992
Cash and cash equivalents in statement of financial position	*13*	**463,878**	561,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The consolidated financial statements of Hurtigruten Group AS (the Group) consists of Hurtigruten Group AS and its subsidiaries. The group is owned by Silk Midco AS with the ultimate parent company being Silk Topco AS, headquartered at Langkaia 1 in Oslo. The main group activities are conducted in the subsidiary Hurtigruten AS, which is a private limited liability company and as of 31 December 2019 was registered and domiciled in Norway and headquartered at Fredrik Langes gate 14, Tromsø. The Group has offices in Kirkenes and Oslo, wholly-owned foreign sales companies in Hamburg, London, Paris, Hong Kong, Melbourne and Seattle, a reservations centre in Tallinn as well as activities in Longyearbyen. Hurtigruten Group AS changed name from Silk Bidco AS on 19 February 2019. The consolidated financial statements can be downloaded from Hurtigruten's website www.hurtigruten.no.

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 16 expedition cruise vessels. Hurtigruten opens a unique gateway to experiences in the Arctic, Antarctica, Greenland and along the Norwegian coast to travellers from all over the world. The Group's operating segments are organised into the following three product areas: Norwegian Coast, Expedition Cruises and Landbased.

Hurtigruten Norwegian Coast is the largest segment with 11 ships providing expedition cruises along the Norwegian coast between Bergen and Kirkenes making 33 northbound and 32 southbound port calls on an 11-day round trip. The segment's customers are predominantly international leisure travellers.

Expedition Cruises is the second largest segment using the four vessels MS Roald Amundsen, MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and the Expedition cruises segments), as well as MS Nordstjernen which is leased and operated on the archipelago of Svalbard in the summer season. Expedition Cruises offers unique expedition cruises primarily in polar waters. The Expedition cruises segment was strengthened in Q3 2019 with the new purpose-built 530 pax. polar cruise ship MS Roald Amundsen and will be further strengthened by her sister-ship MS Fridtjof Nansen with first commercial sailings in Q1 2020.

The Landbased segment (renamed from Spitsbergen compared to the 2018 annual financial statement) comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard and Kirkenes. Hurtigruten Svalbard operates three hotels (two of them recently refurbished) and an equipment store.

Activities that do not naturally fall within these three segments are bundled in Other business. These operating segments are reported in the same way as internal reporting to the Board of Directors and Group management.

The Group's presentation currency for 2019 is Norwegian Kroner.

The consolidated financial statements were approved by the company's Board of Directors on 29 April 2020.

The following companies are included in the consolidated financial statements

	Registered office	Ownership/voting share
Owned by Hurtigruten Group AS (parent company)		
Hurtigruten AS	Tromsø, Norway	100 %
Hurtigruten Explorer AS	Tromsø, Norway	100 %
Hurtigruten Onshore Operations AS	Tromsø, Norway	100 %
Hurtigruten Expedition Fleet AS	Tromsø, Norway	100 %
Hurtigruten Coastal Fleet AS	Tromsø, Norway	100 %
Hurtigruten Ship Holding AS	Tromsø, Norway	100 %
Owned by Hurtigruten AS		
HRG Eiendom AS	Tromsø, Norway	100 %
Hurtigruten Estonia OÜ	Tallinn, Estonia	100 %
Hurtigruten GmbH	Hamburg, Germany	100 %
Hurtigruten Inc.	Seattle, USA	100 %
Norwegian Coastal Voyage Ltd	London, UK	100 %
Hurtigruten Pluss AS	Tromsø, Norway	100 %
Hurtigruten SAS	Paris, France	100 %
Hurtigruten Sjø AS	Kirkenes, Norway	100 %
Hurtigruten Svalbard AS	Longyearbyen, Svalbard, Norway	100 %
Explorer II AS [1)]	Tromsø, Norway	100 %
Hurtigruten Cruise AS	Tromsø, Norway	100 %
Owned by Norwegian Coastal Voyage Ltd		
Hurtigruten Ltd	London, UK	100 %
Hurtigruten Asia Pacific	Hong Kong	100 %
Owned by Hurtigruten Explorer AS		
Explorer I AS [1)]	Tromsø, Norway	100 %
Owned by Hurtigruten Onshore Operations AS		
Hurtigruten Barents AS	Kirkenes, Norway	50 %
Owned by Hurtigruten Barents AS		
Arctic Secret Holding AS	Kirkenes, Norway	100 %
Gapahuken Drift AS	Jarfjord, Norway	100 %
Sollia Gjestegård AS	Jarfjord, Norway	100 %
Owned by Hurtigruten Coastal Fleet AS		
MS Richard With AS[1]	Tromsø, Norway	100 %
MS Nordlys AS[1]	Tromsø, Norway	100 %

1) SPE (Special Purpose Entity)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting polices applied in the preparation of the financial statements are described below. Unless otherwise stated in the description, these policies have been consistently applied to all periods presented.

2.1 BASIC POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union. The consolidated financial statements have been prepared under the historical cost convention, modified to include

- revaluation to fair value of certain financial assets and financial derivatives
- revaluation to fair value of defined benefit plan assets
- present value calculation of defined benefit liabilities
- use of the equity method on investments in associated companies

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Areas that involve a high degree of such judgments, or are highly complex, and areas in which assumptions and estimates are of material importance for the consolidated financial statements are described in more detail in Note 3.

The Group's consolidated financial statements have been prepared according to uniform accounting policies for similar transactions and events under similar conditions.

GOING CONCERN BASIS OF ACCOUNTING

The Group has recognised a net loss of NOK -180 million for the year ended 31 December 2019 and a pre-tax profit of NOK 473 million, as at that date, current assets exceed current liabilities. As described in the Directors' Report, a significant decrease in revenue is expected in 2020 as a result of the COVID-19 pandemic that affects both the Norwegian and global demand of the cruise- and transportation industry. The company has initiated activities to cut costs and expansion investments, including cancelling most contracts with consultants, temporary lay-offs of approximately 73% of the employees and temporary layup of all ships except for 2, which sail between Bodø and Kirkenes to support local transport. We are of the opinion that normal operations will commence late in Q3 or Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company.

The consolidated financial statement has therefore been prepared on a going concern basis, which assume that the Group will be able to meet the mandatory repayment terms of the banking facilities and bond terms as disclosed in Note 16 Borrowings. See note 31 for further Informaiton on activity and liquidity

2.2 CONSOLIDATION POLICIES

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from 1 January 2019 to 31 December 2019, including restated comparable numbers for the previous year with the impacts of adopting IFRS 16 (refer to 2.4 Change in accounting policies and disclosures).

A) SUBSIDIARIES AND CONSOLIDATION

Subsidiaries constitute all companies (including structured companies) over which the Group exercises control. Control over an entity arises when the Group is exposed to variability in the return from the entity and has the ability to impact this return by virtue of its influence over the entity. Subsidiaries are consolidated from the time a controlling influence is established and until the controlling influence ceases to exist.

All intra-Group balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated.

B) ASSOCIATED COMPANIES

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) SEGMENT REPORTING

An operating segment is a component of the business:

(i) that engages in business activities of which the company receives operating revenues and incurs costs;
(ii) whose operating results are regularly reviewed by the company's ultimate decision-maker to determine which resources should be allocated to the separate segments.

The Group has three operating segments: Norwegian Coast, Expedition and Landbased. Activities that do not naturally fall within these segments are bundled in Other business.

B) TRANSLATION OF FOREIGN CURRENCIES

(I) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements of the individual entities in the Group are measured in the currency used in the economic area in which the entity primarily operates (the functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company's functional currency and the Group's presentation currency.

For the parent company and other subsidiaries in the Group, EUR will be the functional currency from 1 January 2020. The change is made to reflect that EUR has become the predominant currency in the companies, counting for a significant part of the cash flow and financing. The change will be implemented with prospective effect. The change in presentation currency will be applied retrospectively for comparable figures.

(II) TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the transaction rate. Realised and unrealised foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement. If the currency position is designated as a cash flow hedge, gains and losses are recognised in other comprehensive income until the hedged transaction occurs. Foreign exchange gains and losses on loans, cash and cash equivalents are presented (net) in the income statement as finance income or expenses.

(III) GROUP COMPANIES

The income statement and balance sheets of Group entities whose functional currency differs from the presentation currency are translated in the following manner:

- The balance sheet is translated at the currency rate in force at the balance sheet date
- The income statement is translated at the transaction date currency rate. Monthly average rates are used as an approximation of the transaction rate.
- Translation differences are recognised in other comprehensive income.

C) REVENUE RECOGNITION

Revenue is recognised in the income statement as follows:

(I) REVENUE FROM SALE OF SERVICES AND TRAVEL

Sales of services are recognised in the accounting period when the service is rendered and/or delivered to the customer. For ship voyages, revenue is recognised over the days the passenger is on board. For voyages currently en route on the reporting date, revenues are accrued based on the number of days the voyage lasts before the end of the accounting period. Revenue recognition is performed based on reports from the booking system, providing detailed information regarding the sailings. Tickets, meals and excursions are primarily pre-sold before the journey commences, but for travellers along the Norwegian coast, it is also possible to purchase tickets in the port right before the ship sails. Onboard sales of food, beverages, shop and excursions accounts for approximately nine percent of the total revenue. Travellers pay their journey up-front, and these payments are accounted for as deposits from customers (liabilities). See note 22 for a reconciliation of changes in this liability.

Revenue from freight of cargo along the Norwegian coast is recognised based on monthly invoicing of available cargo space, as the customer has rented all the cargo space and pays a daily hire regardless of whether the space is used or not.

(II) REVENUE FROM SALE OF GOODS

The Group's sales of goods primarily relate to sales of food, souvenirs and other kiosk products onboard the ships. Sales are recognised in income when the customer has received and paid for the goods. Payment for retail transactions is usually made in the form of cash or by credit card. The revenue is recognised in the income statement including the credit card fees incurred for the transaction. The fees are recorded as costs to sell.

(III) PUBLIC PROCUREMENT

Hurtigruten AS has a State Service Obligation with the Ministry of Transport and Communications to operate the Bergen–Kirkenes coastal route.

Revenues received from public procurement are recognised in the income statement on a continuous basis over the year on the basis of existing contracts. These contracts are primarily based on a public tender, where the company has a fixed contract sum for planned (annual) production. There are specific conditions and calculation methods for the indexation of the contract sum. Any changes beyond the planned production are compensated/deducted utilising agreed-upon rates set out in the agreements and recognised in the periods in the periods in which they occur.

(IV) INCREMENTAL COSTS

Incremental costs of obtaining a contract are those costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained, for example, a sales commission. The Group incur commissions to several sales commissioners, selling tickets to Hurtigruten cruises on our behalf. When the agencies are invoiced, the invoices are net of commissions, and both the revenue and the commission cost is recognised in the income statement at the time of the travel. In other, more rare instances, the Group will have to make a provision for prepaid or accrued commission if the payment is performed at another time than the travel. The expenses are presented as Cost of Goods sold in the Income Statement.

(V) CANCELLATIONS, GUARANTEES ETC

Hurtigruten AS has, as a provider of package travels, the same responsibilities as other actors in the business, following the EU Directive 2015/2302 on Package Travel, as set forth in our terms and conditions for travellers: "Subject to these booking conditions, if we or our suppliers perform or arrange your contracted holiday arrangements negligently, taking into consideration all relevant factors, we will pay you reasonable compensation".

No provision for guarantees has been accounted for in the statement of financial position as at 31 December 2019 (per 31 December 2018: 0).

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist primarily of ships (Hurtigruten ships), and buildings (offices, hotels and workshops). Property, plant and equipment are recognised at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

Periodic maintenance is recognised in the balance sheet and expensed over the period until the next periodic maintenance. Ongoing maintenance for all ship types is expensed continuously during the period in which the work is performed.

Other operating assets are depreciated on a straight-line basis, such that the cost is depreciated to residual value over the asset's expected useful life. Expected useful life is determined on the basis of historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated on the basis of estimated sales values for operating assets at the end of their expected useful life. Expected useful life is:

Land	Indefinite
Buildings	25 – 40 years
Ships	20 – 40 years
Other	5 – 10 years

The useful life and residual value of operating assets are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognised as their various components. These components are depreciated separately over each component's useful life. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

One of the Group's subsidiaries, Hurtigruten Svalbard AS, receives a government grant for the buildings on Svalbard. This is booked as a cost reduction against depreciations and the net effect is presented as *Other* in accumulated depreciations in note 7.

Gains and losses on disposals are recognised in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the book value.

The cost of ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items.

E) INTANGIBLE ASSETS

(I) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets in the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is classified as an intangible asset.

Goodwill is allocated to the cash-generating unit or groups of cash-generating units that are expected to benefit from the acquisition at the time of acquisition (section F).

Goodwill is not amortised but is tested annually for impairment.

(II) TRADEMARK

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. The trademark Hurtigruten has an indefinite useful life and is tested annually for impairment.

(III) OTHER INTANGIBLE ASSETS

Intangible assets consist mainly of development costs for computer systems recognised in the balance sheet at cost, if the criteria for recognition in the balance sheet are met. Expenses recognised in the balance sheet as custom developed computer systems largely comprise payroll costs and hired-in consultants in connection with the development.

The criteria for recognising custom developed intangible assets in the balance sheet are:

- It is technically feasible to complete the development of the software so that it will be available for use.
- Management intends to complete the development of the software and use it.
- The intangible asset will in fact be used after its completion.
- It is probable that the intangible asset will create future economic benefits.
- Adequate technical, financial and other resources are available for the Group to be able to complete the development and to use the completed intangible asset.
- Development costs for the asset can be reliably measured

Intangible assets are considered to have a limited life span and are amortised over their expected useful life. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with indefinite useful life and goodwill are not amortised but are tested annually or more frequently if there are indications of impairment. Depreciated property, plant and equipment and amortised intangible assets are assessed for impairment when there is any indication that the book value may not be recoverable.

An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing impairments, non-current assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date the possibility of reversing previous impairment of non-financial assets (except goodwill) is assessed.

G) FINANCIAL ASSETS

(I) CLASSIFICATION

The Group classifies financial assets in the following three categories, depending on the management's object of acquiring the asset, and the characteristics of the asset:

1) *Financial assets measured at amortised cost*
   Primarily loans and receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method. Loans and receivables with maturities less than 12 months are classified as current assets. Instruments with more than 12 months maturity are classified as non-current assets.

2) *Financial assets measured at fair value through other comprehensive income*
   Investments in equity instruments, not held for trading, where the management has made an irrevocable election to present subsequent changes in the fair value in other comprehensive income, is classified into this group.

3) *Financial assets measured at fair value through profit or loss*
   All other financial assets should be measured at fair value through profit or loss. For the Group, this primarily consist of derivatives that are not designated as hedges,. Assets in this category are classified as current assets or liabilities.

(II) RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised and derecognised using trade date accounting, which means using the date the Group commits itself to purchase or sell the asset. Unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and has a legal right to receive or a legal obligation to pay cash. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognised until at least one of the parties has performed under the agreement. Planned future transactions, no matter how likely, are not assets and liabilities because the entity has not become a party to a contract.

All financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets recognised at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Subsequent measurement depends on the classification as referred to under Section F, point I.

Financial assets are derecognised when the rights to receive cash flows from the investment expire or when these rights have been transferred and the Group has substantially transferred all risks and rewards of ownership.

Gains or losses from changes in fair value of assets classified as "financial assets at fair value through profit or loss", including interest income and dividends, are included in the income statement under other (loss) / gains – net in in the period in which they arise. Dividends from financial assets at fair value through profit or loss are included in other (loss) / gains – net when the Group's right to receive payments is established.

H) OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are only offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

I) IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, for all financial assets measured at amortised cost except customer receivables, the Group assesses whether the credit risk on the financial instruments has increased significantly since initial recognition, using available reasonable and supportable forward-looking information. If and when contractual payments are more than 30 days past due, the credit risk is always considered to have increased significantly. For financial instruments where the credit risk is considered to have increased significantly, an amount equal to the lifetime expected credit losses is recognised for loss allowance. For financial instruments where the credit risk has not increased since initial recognition, an amount equal to 12-months expected credit losses is recognised for loss allowance. The change in recognised impairment losses since the last reporting period is recognised in profit or loss

Impairment testing of customer receivables is described in section K) below.

J) DERIVATIVES AND HEDGING

The Group uses derivatives to hedge exposure against foreign currency risk and bunker oil prices. Some of these derivatives are designated as hedging instruments by management. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value on an ongoing basis. The changes are generally recognised in profit or loss. However, the method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group classifies derivatives that are part of a hedging instrument as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair-value hedge) or
(ii) hedges of variable cash flows with a particular risk associated with a recognised asset, liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Such assessments are documented both at hedge inception and on an ongoing basis.

The fair value of derivatives used for hedging purposes are presented in Note 10C. Changes in the equity item from hedging are presented in Note 15.

Cash flow hedging
The effective portion of changes in the fair value of derivatives that are designated and qualify as hedging instruments in cash flow hedges is recognised directly in other comprehensive income in cash flow hedge reserve. Losses and profits on the ineffective portion are recognised in the income statement.

Hedge gains or losses recognised in other comprehensive income and accumulated in equity are recycled over profit and loss in the period during which the hedged item affects the income statement (for example, when the highly forecasted probable sales transaction is taking place).

When the hedged forecast transaction subsequently results in the recognition of a non-financial items such as property, plant and equipment or inventory, the amount accumulated in the cash flow hedge reserve is included directly in the initial cost of the non-financial item when it is recognised, and not recycled from other comprehensive income to profit and loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement as a reclassification adjustment.

K) TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise or services sold in the ordinary course of business. If settlement is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

Trade receivables are measured at the invoice amount, as long as there is no significant financing component. For trade receivables, an amount equal to the lifetime expected credit losses is recognised as a loss allowance.

L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities in the balance sheet. Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation. Restricted cash is included in the balance sheet presentation but not in the cash flow presentation. The difference is reconciled below the cash flow statement.

M) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are valued at fair value on first-time recognition in the balance sheet. Subsequently, trade payables are measured at amortised cost using the effective interest method. The interest element is disregarded if it is immaterial.

N) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognised at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

O) BORROWING COSTS

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the statement of financial position until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis. In the cash flow statement, interest paid is classified as part of the financing activities.

P) CURRENT AND DEFERRED INCOME TAXES

Income tax expense comprises income taxes payable and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is calculated in accordance with the tax laws and regulations enacted or substantively enacted at the balance sheet date in the countries in which the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax laws are subject to interpretation. Based on management's assessment, a provision is made for expected tax payments when necessary.

Deferred tax is calculated on all temporary differences between the tax values and financial values of assets and liabilities. Deferred income tax is determined using tax rates and tax laws which have been enacted or substantially enacted by the balance sheet date and which are expected to apply when the deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the tax-reducing temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

Several of the Group's subsidiaries are vessel owning companies, which are subject to taxation under the Norwegian tonnage tax regime pursuant to chapter 8 of the Taxation Act. Under the tonnage tax regime, profit from qualifying operations are exempt from taxes, whilst financial results are not exempt from taxation. Under the tonnage tax regime, taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion deducted is calculated as financial assets in percent of total assets. The tax regime allows for financial losses to be carried forward against positive financial income in later years. Tonnage tax is payable based on the net tonnage of vessels and classified as an operating expense.

Taxation under the Tax tonnage regime requires compliance with strict requirements. Voluntary or compulsory exit from the regime will result in ordinary taxation of the operating results.

Deferred income tax assets and deferred income tax liabilities are recognised net to the extent that they relate to income taxes levied by the same taxation authority, and there is a desire and ability to realise the assets and settle the liabilities simultaneously.

Q) PENSION LIABILITIES, BONUS SCHEMES AND OTHER EMPLOYEE REMUNERATION SCHEMES

(I) PENSION LIABILITIES

The Group's companies operate various pension schemes. The schemes are generally funded through payments to life insurance companies. The Group operates both defined contribution and defined benefit plans.

The liability recognised in the balance sheet connected with the defined benefit schemes is the present value of the defined benefits at the balance sheet date less the fair value of the pension assets. The pension liability is calculated annually by an independent actuary using the projected unit credit method. The gross liability is discounted to present value applying the interest rate on high-quality corporate bonds issued in the currency in which the liability will be paid, and with approximately the same terms as the payment horizon of the liability.

The cost of pension entitlements for the period are recognised in payroll costs. This expense includes an increase in the pension liability due to earnings from previous years, changes, curtailments and settlements.

Past service costs arising from the amendments of plan benefits are immediately recognised in the income statement.

The net interest expense is calculated by applying the discount rate to the net pension liability and the fair value of the pension assets. This cost is also recognised in payroll costs in the income statement.

Remeasurement gains and losses arising from changes in actuarial assumptions are recognised in equity through other comprehensive income in the period in which they arise and will not be reclassified to profit or loss in subsequent periods.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as payroll costs in the same period as the employees have rendered services entitling them to the contributions. Prepaid contributions are recognised as a financial asset to the extent that a cash refund or a reduction in the future payments are available.

(II) PROFIT-SHARING AND BONUS SCHEMES

The group recognises a liability and an expense for bonuses and profit-sharing plans at the time the specific criteria for performing the payment are fulfilled. The accrual is including social security tax.

(III) SHARE-VALUE-BASED REMUNERATION

The group has share-based remuneration schemes in which the company receives services from employees as consideration for a share-based payment, (see Note 20).

The fair value of the amount payable to employees in respect of the bonus shares, which is settled in cash or shares through a private placement of shares, is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to the shares. The liability is remeasured at each reporting date and at settlement date based on the fair value of the bonus shares. Any changes in the liability are recognised in profit or loss.

(IV) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

R) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that the Group will have to make a payment or forfeit an asset in order to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognised for future operating losses; however, provisions for unprofitable contracts are recognised.

S) LEASES

The Group has adopted IFRS 16 from 1 January 2019 using the retrospective approach. The impact of the change is disclosed in section 2.4.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economical benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contracts entered into or changed on or after 1 January 2019. The Group's approach to other contracts is explained in section 2.4.

The Group recognises a right-of-of use asset and a lease liability at the lease commencement date. The right-of-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments before commencement date, initial direct costs incurred and, if applicable, an estimate of costs to dismantle the underlying asset.

The right-of-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-of use asset or the end of the lease term. The estimated useful lives of the right-of-of use assets are determined on the same basis as those property and equipment, and is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises:

- fixed payments
- variable lease payments that depend on an index or a rate
- amounts expected to be payable under a residual value guarantee

- the exercise price under a purchase option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method and is remeasured when there is a change in index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the right-of-of use asset or is recorded in profit or loss if the carrying amount of the right-of-of use asset has been reduced to zero.

The group has elected not to recognise right-of-of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense.

The largest impact for the Group leases related to ships, rental of office space, apartments and office machinery.

T) DIVIDENDS

Dividend distribution to owners of the parent is recognised as a liability in the Group's financial statements when the dividends are approved by the General Meeting.

U) GOVERNMENT GRANTS

The Group receives material grants in the form of grants for trainee schemes and net salary subsidies. These grants are recognised net (as a cost reduction) together with the other payroll costs (see note 24).

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has consistently applied the accounting policies presented in these consolidated financial statements except for the changes below:

IFRS 16 Leases

The Group has implemented IFRS 16 in 2019 using the retrospective approach with comparatives for 2018 being restated. As a result, the group has changed its accounting policy for lease contracts as detailed below.

IFRS 16 establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as previously required by IAS 17 Leases, and instead introduces a single lessee accounting model. When applying the new model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. Depreciation and interest expenses will replace the rental expenses. For Hurtigruten this implies that current operating leases that satisfy the criteria is recognised as assets and liabilities. The right-of-use asset is presented on the same line as the classification of the underlying asset, and the lease liabilities are presented within borrowings.

Lease liabilities for all material leases, except short term leases (duration of 12 months or less) have been measured as the present value of the remaining lease payments, discounted using either the borrowing rate implicit in the lease, or by using the incremental borrowing rate at the date of initial application. Leases of assets of low value (purchase price less than approximately NOK 50,000) are regarded as immaterial and is disregarded for this purpose. The difference between the value of the lease liabilities and the right-of-use assets is recorded as an adjustment to the opening balance of retained earnings 1 January 2018.

The following tables summarise the impact of adopting IFRS 16 on the Group's consolidated financial statement:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. January 2018

(in NOK 1,000)	As previously reported	Adjustments	As restated
ASSETS			
Property, plant and equipment	**4,301,649**	371,221	4,672,870
Other non-current assets	**2,964,704**	-	2,964,704
Total non-current assets	**7,266,353**	**371,221**	**7,637,574**
Total current assets	**1,000,508**	-	1,000,508
Total assets	**8,266,861**	**371,221**	**8,638,082**
EQUITY AND LIABLITIES			
Other equity	**1,882,754**	**-**	1,882,754
Retained earnings	**(1,427,137)**	(10,759)	(1,437,896)
Total equity	**455,616**	(10,759)	444,858
Borrowings	**486,556**	301,927	788,483
Other non-current liabilities	**322,695**	-	322,695
Total non-current liabilities	**809,251**	301,927	1,111,178
Borrowings	**5,297,020**	80,052	5,377,072
Other current liabilities	**1,704,972**	-	1,704,972
Total current liabilities	**7,001,992**	80,052	7,082,044
Total equity and liabilities	**8,266,858**	**371,221**	**8,638,081**

31. December 2018

(in NOK 1,000)	As previously reported	Adjustments	As restated
ASSETS			
Property, plant and equipment	**4,528,117**	299,132	4,827,249
Other non-current assets	**4,056,882**	-	4,056,882
Total non-current assets	**8,584,999**	299,132	**8,884,131**
Total current assets	**1,175,319**	-	1,175,319
Total assets	**9,760,318**	**299,132**	**10,059,450**
EQUITY AND LIABLITIES			
Equity	1,673,392	-	1,673,392
Retained earnings	(973,342)	(13,804)	(987,146)
Total equity	**700,050**	**(13,804)**	**686,246**
Borrowings	6,909,219	231,275	7,140,494
Other non-current liabilities	356,546	**-**	356,546
Total non-current liabilities	**7,265,765**	**231,275**	**7,497,040**
Borrowings	35,118	81,661	116,779
Other current liabilities	1,759,384	-	1,759,384
Total current liabilities	**1,794,502**	**81,661**	**1,876,163**
Total equity and liabilities	**9,760,317**	**299,132**	**10,059,450**

For the year ended 31. December 2018

(in NOK 1,000)	As previously reported	Adjustments	As restated
Operating revenues	5,428,434	-	5,428,434
Cost of goods sold	(1,483,420)	-	(1,483,420)
Payroll costs	(1,206,479)	-	(1,206,479)
Depreciation, amortisation and impairment losses	(397,623)	(88,459)	(486,082)
Other operating costs	(1,757,384)	102,495	(1,654,889)
Other (losses) / gains – net	92,634	-	92,634
Finance income	59,798	-	59,798
Finance expenses	(682,479)	(18,360)	(700,839)
Share of profit/(loss) of associates	596	-	596
Profit/(loss) before income tax	**54,077**	(4,323)	**49,754**
Income tax expense	399,719		399,719
Profit/(loss) for the year	**453,796**	(4,323)	**449,472**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31. December 2018

(in NOK 1,000)	As previously reported	Adjustments	As restated
Profit/(loss) before income tax	54,077	(4,323)	49,754
Adjustments for:			
Depreciation, amortisation and impairment losses	397,623	88,459	486,082
Other cash flows from operating activities	516,890	-	516,890
Net cash flows from (used in) operating activities	**968,590**	84,136	**1,052,726**
Cash flows from investing activities	(1,339,232)	-	(1,339,232)
Net cash flows from (used in) investing activities	**(1,339,232)**	**-**	**(1,339,232)**
Payment of lease liabilities	-	(84,136)	(84,136)
Other cash flows from financing activities	438,383	-	438,383
Net cash flows from (used in) financing activities	**438,383**	(84,136)	354,247

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are reviewed on an ongoing basis and are based on experience, consultation with experts, trend analyses and several other factors, including forecast future events that are deemed probable under current circumstances.

3.1 KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions about the future. Thus, by their very nature, the accounting estimates that are made because of the above processes will rarely fully correspond with the outcome.

Estimates and assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

(A) ESTIMATED IMPAIRMENT OF GOODWILL AND TRADEMARK

The Group performs annual tests to assess potential impairment of goodwill and trademark, cf. Section 2.3 point E. The estimated recoverable amount is determined using the present value of budgeted cash flows for the cash-generating units. These calculations require the use of estimates (Note 8) for the required rate of return for the period, cash flows and the growth factor of the cash flows.

The Group does not apply a general growth factor beyond expected inflation for cash flows when testing goodwill for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilises an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

(B) SHIPS

Useful economic lifetime

The level of depreciation depends on the estimated economic lifetime of the ships. These estimates are based on history and experience relating to the Group’s vessels. The estimates are reviewed at regular intervals. A change in the estimate will affect depreciation in future periods.

Estimated impairment of ships

Where there are indications of such, the Group tests whether ships have suffered any impairment, see Section 2.3 point d. The book value of the ships is included in the annual impairment test of goodwill and trademark.

(C) DEFERRED INCOME TAX ASSETS

The recognition of deferred income tax assets is based mainly on the utilisation of tax loss carry forwards against future taxable income in the Group. The assessment is made based on management's estimates of future profits in the Group and includes an assessment of the Group's future strategy, economic developments in the markets in which the Group operates, future tax regimes and the Group's ability to deliver forecast synergies. In preparing the financial statements, management has found the future taxable income to be sufficient to utilise the recognised deferred income tax assets. Please refer to Note 17 for more information on deferred income tax assets recognised in the balance sheet.

(D) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques and information from the contract counterparty. The Group uses its judgment to select a variety of methods and to make assumptions based mainly on market conditions existing at each balance sheet date. Please refer to Note 10 for further information.

(E) PENSION ASSUMPTIONS

The Group has both defined contribution and defined benefit pension schemes. Measurement of pension costs and pension obligations for defined benefit plans involves the application of a number of assumptions and estimates, including the discount rate, future salary levels, expected employee turnover rate, the return on plan assets, annual pension increases, expected adjustments to G (the National Insurance Scheme basic amount) and demographic factors.

The Group has pension obligations in Norway and Germany. The discount rate used to calculate pension obligations in Norway is based on 15-year corporate covered bonds, with an additional provision to adjust for applicable risk and maturity relevant for the pension obligations. Covered bonds are primarily issued by credit institutions to listed Norwegian commercial and savings banks and are secured against loans directly owned by the credit institution. The Group has applied economic assumptions in line with the recommendation of the Norwegian Accounting Standards Board. For obligations in Germany, the discount rate is determined based on the interest rates on high quality corporate bonds denominated in the currency in which the benefits will be paid, with terms to maturity approximating to the term of the related pension obligation.

Changes in pension assumptions will affect the pension obligations and pension cost for the period. Pension obligations are significantly affected by changes in the discount rate, life expectancy and expected salary and pension adjustments. Please refer to Note 18 for more information about pensions.

(F) INCOME TAX

Income tax is calculated based on results in the individual Group companies. The Group is subject to income taxes in several jurisdictions. Calculation of the period's tax expense and distribution of tax payable and deferred income tax for the period requires a discretionary assessment of complex tax regulations in several countries. Consequently, uncertainty attaches to the final tax liability for many transactions and calculations. Where there is a discrepancy between the final tax outcome and the amounts that were initially recognised, this discrepancy will affect the recognised tax expense and provision for deferred income tax assets and liabilities in the period in which such determination is made. Please refer to Note 17 for more information about income tax.

(G) LEASES

The Group need to assess extension options and termination rights when determining the lease term. The assessment is based on whether extension options and termination rights are reasonably certain for which the Group will include these in the accounting for leases. Guidelines for this assessment has been set at the Group level to ensure that that the treatment of assumptions are treated in a consistent matter. The discount rate used for calculating the present value of the future lease obligation is also based on judgement. A fixed methodology has been defined in determining this estimate.

NOTE 4 FINANCIAL RISK MANAGEMENT

The following discussion concerning financial risk management relates to the policies adopted and applicable to the financial year 2019. The Group uses financial instruments such as bank loans and bond loans. In addition, the Group utilises financial instruments such as trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Group has also utilised certain financial derivatives for hedging purposes.

4.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency, bunker price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Group's overarching risk management goal is to increase predictability for the Group's operations and to minimise the impact of fluctuations in macro conditions on the Group's results and financial position.

The Group has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, bunker price, credit risk and the use of financial derivatives. The Board of Directors approves the Group's risk management strategy and reviews it annually. The CFO function is responsible, in consultation with the CEO, for conducting ongoing tactical risk management in line with the approved strategy, including exposure analyses and reporting.

(A) MARKET RISK

(I) CURRENCY RISK

The Group operates internationally and is exposed to currency risk in multiple currencies, in particular EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the bunker oil cost is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

The price of oil, and thus bunker fuel, is internationally traded in USD, while the Group purchases bunker fuel in NOK. The risk can therefore be split into a currency element and a product element. The currency element is partially aligned with the Group's cash flow exposure in USD, and the product risk is hedged separately.

In February 2018, Hurtigruten Group AS terminated a senior secured bond facility with a face value of EUR 455 million, issued in 2015. A Senior Facility Term Loan of EUR 575 million and EUR 85 million Senior Secured Revolving Credit Facility were established to replace the EUR 455 million Bond Facility and repay the outstanding EUR 85 million Senior Secured Revolving Credit Facility. The new facility had a tenure of 7 years. A full utilisation of the Term Loan until maturity is assumed and no repayment of any facility unless so required per documentation. In November 2018 the Senior Facility Term Loan of EUR 575 million was increased with EUR 80 million. The purpose of increasing the facility was to repay the NOK 400 million bond (financing purchases of MS Nordlys and MS Richard With) and for general corporate purposes including further upgrade of the fleet. As of 31 December 2019, the outstanding principal was EUR 655 million (per 31 December 2018: EUR 655 million).

The RCF was drawn with NOK 417 million at 31 December 2019 (per 31 December 2018: 0). The Group pays semi-annual interests on the Senior Facility Term Loan which represent a currency risk. The semi-annual payment of interest is partially hedged through the Group's net revenue in euro.

The Group has with the delivery of MS Roald Amundsen and MS Fridtjof Nansen drew on the committed collateralized loan for the two vessels of EUR 255 million. This loan has in Q1 2020 been repaid by issuance of a Bond loan for EUR 300 million.

During Q1 2020 the company also entered into a sale-leaseback transaction with MS Richard With and MS Nordlys for EUR 60 million in total for both. A further extra EUR 25 million for each ship is committed upon LNG conversion of the ships.

The Group has some investments in foreign subsidiaries whose net assets are exposed to currency translation risk.

The table below shows the Group's sensitivity to potential changes in the exchange rate for NOK against relevant currencies in relation to the exchange rate as of 31 December, with all other variables held constant. The potential sensitivity effect below will impact the finance income/expense, but not operating profit/loss in the consolidated statement of profit and loss. Changes mainly relate to foreign exchange gains/losses on translation of financial derivatives, borrowings, trade and other receivables, trade and other payables and cash and cash equivalents and other investments.

(in NOK million)	Impact on net profit/loss after tax **2019**	Impact on equity **2019**
Change EUR/NOK 5%	(179.4)	(179.7)
Change USD/NOK 5%	(1.7)	(1.2)
Change GBP/NOK 5%	19.0	17.1

The calculations assume that the NOK depreciates by 5% against the relevant currencies. With an equivalent appreciation of the NOK, the amounts would have an equal and opposite value. The effect on equity is different to the effect on profit/loss, due to the fact that bunker derivatives are recognised as hedges, with related changes in value being recognised in other comprehensive income.

(II) PRICE RISK

The Group is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Group has implemented a fuel hedging policy that follows the booking curve: the key principle in the bunker hedging policy is based on the company's ability to obtain visibility on earnings, hence the company has established a hedging policy linked to the development in the booking curve (actual vs. budgeted Passenger Cruise Nights (PCN) booked). For example, if at any given time 75% of the volume for one season is sold, a minimum of 50% of the bunker cost associated with the PCN volume sold are hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

The table below shows the Group's sensitivity to potential price increases of bunker fuel, with all other variables held constant.

(in NOK million)	Impact on net profit/loss after tax **2019**	Impact on equity **2019**
Change bunker price -20% on contracts from 2019, expiring in the period 2019-2021	-	-81.4
Total impact	**-**	**-81.4**

These calculations are based on the average hedged bunker oil volume and indicate how a decrease of 20 % in bunker oil prices would impact the financial instruments valuation, which is hedging our exposure to bunker oil prices, and ultimately on the 2020 financial statements. The effect on equity is different to the effect on the income statement as these forward hedges fulfil the requirements for hedge accounting, and unrealised changes in value are recognised in other comprehensive income. Hedge efficiency is measured quarterly based on retrospective and prospective tests using the dollar offset methodology and regression analysis.

The purchase of physical bunker oil would be affected in the opposite way and accounted for as a variation on operating expense.

(III) CASH FLOW AND FAIR-VALUE INTEREST RATE RISK

The Group's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. Fixed interest rates expose the Group to fair-value interest rate risk. Most of the Group's interest-bearing debt has variable interest rate. The Group has no specific hedging strategy to reduce variable interest rate risk. The following impact shows an increase of interest rate of 50bp and the effect for the full year

(in NOK million)	Impact on net profit/loss after tax **2019**	Impact on equity **2019**
Change in interest rate level with +50 basis points	-25.4	-25.4

(B) CREDIT RISK

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Group has routines to ensure that credit is only extended to agents with a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions. During 2019 the company had a minor loss of EUR 200 thousand due to the default of Thomas Cook.

(C) LIQUIDITY RISK

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Group has a group cash-pool that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

The Group has during the start of 2020 further increased the liquidity with two new facilities. One is the repayment of the loan facility for the purchase of MS Roald Amundsen and MS Fridtjof Nansen of EUR 255 million with issuance of a Bond loan of EUR 300 million, and a sale leaseback of MS Nordlys and MS Richard With of total EUR 60 million in total, divided equally on both ship-owning companies.

The table below provides an indicative debt repayment schedule over the coming 5-year period.

(in NOK 1,000)	2020 **Less than one year**	2021-2022 **Year two and three**	2023-2024 **Year four and five**	2025--> **More than five years**
31. December 2019				
Borrowings	300,762	562,611	1,999,534	7,246,054
Estimated interest expenses on Bank loans	243,424	483,218	475,682	306,714
Total impact on liquidity	**544,186**	**1,045,829**	**2,475,216**	**7,552,768**

4.2 HEDGE ACCOUNTING

In 2018, Group decided to designate a hedging relationship between bunker oil hedging instruments and the forecasted bunker oil purchases. The Group entered into 6 commodity forward swaps with Goldman Sachs and DnB Markets. These contracts have different strike prices (from 556 to 747 $/MT) and different expiry dates through the years 2019-2021. The contracts hedge forecasted future bunker oil purchase transactions. At the time the contracts were initiated, approximately 100 % of the forecasted oil consumption in 2019 and 50 % of the forecasted consumption in 2020 and 2021 are covered by the contracts. At year-end 2019, a total of 76,500 MT bunker fuel volume is hedged at an average price, incl. credit margin, of USD 630/MT during 2020-2021 (per 31 December 2018: 142,350 MT bunker fuel volume was hedged of USD 656/MT during 2019-2021)

The forward swaps have monthly settlements, and the Group will be compensated if the market price of bunker oil is above the strike, and similarly have to make a payment to the counter-party if the market price is below strike. Hedge effectiveness is the extent to which changes in the cash flows of the hedging instrument offset changes in the cash flows of the hedged item. As there is a one-to-one relationship between the risk of price-fluctuations in bunker oil (hedged item) and the effect from the forward swaps, the forward swaps are effectively locking the purchase price of the bunker oil purchased, provided that the quantity purchased is equal to or larger than the quantity covered by the swap.

Hedge ineffectiveness is the extent to which the changes in the fair value or the cash flows of the hedging instrument are greater or less than those on the hedged item. As long as the purchased and consumed bunker oil quantities are greater than those included in the forward swaps, the hedge is effective. If the quantities included in the hedge is higher than the purchased and consumed bunker oil, then the excess quantities represent an ineffective hedge, , with gains/losses recorded in profit/loss. As of year end this was not expected to occur, as the strategy is to hedge 50% - 100 % of forecasted purchases, and not above. No hedge ineffectiveness has been identified during 2019.

The movement in the cash-flow hedge reserve recognised in other comprehensive income is as follows:

Reconciliation of cash-flow hedge reserve

(in NOK 1,000)	**2019**	2018
Opening balance	**-126,905**	46,545
Reclassified into profit / loss	**17,624**	57,512
Change in fair value of hedging instruments	**84,789**	-230,962
Closing balance	**-24,492**	-126,905

The carrying value of the hedging instruments is as follows:

(in NOK 1,000)	**2019**	2018
Non-current assets	**-**	-
Current assets	**8,162**	-
Non-current liabilities	**-7,571**	-57,351
Current liabilities	**-25,083**	-105,347
Net value	**-24,492**	-162,698

4.3 THE COMPANY'S CAPITAL MANAGEMENT

The Group's objective for management of capital is to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

NOTE 5 CONTINGENCIES

As of 31 December 2019, the Group had contingent liabilities relating to bank guarantees and other guarantees, in addition to other matters in the course of ordinary operations. No significant liabilities are expected to arise with respect to contingencies with the exception of the provisions that have already been provided for in the financial statements (Note 19).

MEMBERSHIP OF THE NOX FUND

Hurtigruten AS is a member of the Confederation of Norwegian Enterprise's (NHO) NOx Fund. The main objective of the Environmental Agreement concerning reductions of NOx and the NHO's NOx Fund is to reduce emissions of nitrogen oxide. The Fund is a joint venture to which affiliated businesses can apply for support for emission-reducing measures. Payment to the Fund replaces the nitrogen oxide tax for affiliated businesses.

The Environmental Agreement for 2011–2017 was signed on 14 December 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 2011-2016 were met. On 24 May 2017, an extension to the NOx Agreement for the period 2018-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22nd February 2018.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 3 % of emission targets trigger a collective fine, under which businesses must pay the nitrogen oxide tax for the pro rata share of the target that has not been met. However, businesses will never pay more than the official government rate for nitrogen oxide tax.

NOK 33.5 million in nitrogen dioxide tax was recognised in Hurtigruten Group's consolidated financial statements for 2019 compared to NOK 23.2 million in 2018.

CONSTRUCTION LOAN GUARANTEE

Hurtigruten Group AS was guarantor (unsecured guarantee) for the construction loans drawn by Kleven Yard AS ("Kleven") in connection with the building of the ships MS Roald Amundsen and MS Fridtjof Nansen for 2018 and during 2019. With the delivery of MS Fridtjof Nansen, the company has no longer any construction loan guarantee.

OTHER CONSTRUCTION CONTRACTS

As of the balance date 2019 the company does not have any further construction contracts that have been signed and agreed.

NOTE 6 SEGMENT INFORMATION

(A) PRIMARY REPORTING FORMAT – OPERATING SEGMENTS (PRODUCT AREAS)

The operating segments are identified based on the same reporting that Group management and the board apply to their evaluations of performance and profitability at a strategic level. The company's ultimate decision-maker, which are responsible for allocation of resources to and assessment of earnings generated by the operating segments, is defined as the Board and Group management. The classification is broken down into the product areas Hurtigruten Norwegian Coast, Expedition cruises, and Landbased. Activities that do not naturally fall within these three segments are bundled in Other business.

	Hurtigruten Norwegian Coast		Expedition Cruises		Landbased	
(in NOK 1,000)	**2019**	2018	**2019**	2018	**2019**	2018
Operating revenues	**3,650,225**	3,512,106	**1,338,317**	935,871	**298,232**	295,028
Contractual revenues	**714,406**	698,919	**-**	-	**-**	-
Total operating revenues (Note 22)	**4,364,631**	4,211,025	**1,338,317**	935,871	**298,232**	295,028
Cost of goods sold	**(1,034,515)**	(1,046,117)	**(423,262)**	(326,300)	**(112,052)**	(121,631)
Crew costs, ship	**(677,248)**	(662,221)	**(141,569)**	(101,672)	**-**	-
Other operating cruise costs	**(934,867)**	(932,701)	**(301,866)**	(223,300)	**(11,862)**	(15,611)
Personnel costs, non-ship	**(275)**	(2)	**(321)**	-	**(92,610)**	(87,443)
Selling, general and admin expens.	**(10,322)**	(2,532)	**(3,655)**	(952)	**(38,113)**	(20,473)
Other (losses)/gains – net	**(57,199)**	78,979	**2,759**	13,878	**221**	217
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**1,650,205**	1,646,432	**470,403**	297,526	**43,815**	50,087
Depreciation and impairment losses	**(336,502)**	(294,154)	**(103,100)**	(96,144)	**(31,254)**	(26,523)
Operating profit/(loss)	**1,293,703**	1,352,278	**387,302**	201,382	**12,561**	23,564
Finance expenses - net	-	-	-	-	-	-
Share of profit/(loss) of associates	-	-	-	-	1,232	596
Profit/(loss) before income tax	**1,293,703**	**1,352,278**	**387,302**	**201,382**	**13,793**	**24,159**

	Other business and eliminations		Hurtigruten Group	
(in NOK 1,000)	**2019**	2018	**2019**	2018
Operating revenues	**(8,258)**	(13,490)	**5,278,515**	4,729,515
Contractual revenues	**-**	-	**714,406**	698,919
Total operating revenues (Note 22)	**(8,258)**	(13,490)	**5,992,922**	5,428,434
Cost of goods sold	**7,803**	10,628	**(1,562,026)**	(1,483,420)
Crew costs, ship	**5,554**	-	**(813,264)**	(763,893)
Other operating cruise costs	**3,786**	2,769	**(1,244,809)**	(1,168,842)
Personnel costs, non-ship	**(417,068)**	(355,141)	**(510,274)**	(442,586)
Selling, general and admin expens.	**(549,073)**	(462,089)	**(601,164)**	(486,046)
Other (losses)/gains – net	**(1,273)**	(441)	**(55,492)**	92,634
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**(958,530)**	(817,764)	**1,205,893**	1,176,281
Depreciation and impairment losses	**(77,107)**	(69,260)	**(547,964)**	(486,082)
Operating profit/(loss)	**(1,035,637)**	(887,025)	**657,930**	690,199
Finance expenses - net	(185,725)	(641,040)	(185,725)	(641,040)
Share of profit/(loss) of associates	-	-	1,232	596
Profit/(loss) before income tax	**(1,221,361)**	**(1,528,065)**	**473,436**	**49,754**

The reporting of segment assets and liabilities is not part of the internal management reporting in the Group. Material assets and liabilities are monitored at Group level, and individual key figures (e.g. trade receivables) are valued in the individual legal companies. Segment assets and liabilities are therefore not presented.

Numbers from 2018 has been restated due to the implementation of IFRS 16 using the retrospective basis. Furthermore, from 2019, Personnel costs, non-ship and Selling, general and administration expenses are no longer allocated to the segments Norwegian Coast and Expedition Cruises. Numbers for 2018 has been restated in order to be comparable.

HURTIGRUTEN NORWEGIAN COAST

Hurtigruten Norwegian Coast is the Group's largest segment. Through this segment, the Group offers voyages along the Norwegian coast to an adventure-seeking international customer base. The segment offers a number of shore-based activities for its cruise passengers, including dog sledding, kayaking, inflatable boat adventures, local food tours, Lapland cultural tours, visits to land-based sites, mountain hiking and snowmobile excursions, skiing and whale safaris. 11 of the Group's ships provide services along the Norwegian coast under this segment (with MS Midnatsol and MS Spitsbergen alternating between the Hurtigruten Norwegian Coast and Expedition cruises segments), making 33 northbound and 32 southbound daily departures from ports located between Bergen in the south and Kirkenes in the north. It also offers freight and local passenger transport services along the coast, for which it receives a fixed fee from the Norwegian government each year under the Coastal Service Contract.

EXPEDITION CRUISES

The Expedition cruises segment is the Group's second largest and fastest growing segment, through which the Group offers exploration-based adventure cruises to the Arctic (including Svalbard, Greenland, Iceland, Canada and the Northwest Passage) and the Antarctic together with sailings to Europe, UK and Atlantic Islands, North America and South America.

As part of the Group's Expedition cruises segment, customers are offered a wide array of excursions and expeditions designed to provide them with an unforgettable experience. The Group's purpose-built fleet includes four ice-class ships, MS Fram, MS Midnatsol, MS Spitsbergen and MS Roald Amundsen. MS Midnatsol and MS Spitsbergen alternate between the Hurtigruten Norwegian Coast and the Expedition cruises segments and the Group leases and operates MS Nordstjernen around Svalbard during the summer months. MS Roald Amundsen provides 530 pax. polar cruise ship to strengthen the Expedition segment and was set in operation in Q3 2019. The segment was further strengthened with the inclusion of sister-ship MS Fridtjof Nansen which was delivered in December 2019 and commenced sailing in March 2020. These new-builds are optimal for expedition cruises, with size and technical specifications permitting the Group to sail global expedition itineraries.

LANDBASED

The Landbased segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism on Svalbard, a Norwegian archipelago in the Arctic ocean. Through this land-based segment, the Group owns and operates three hotels with a total of 258 rooms and an equipment store and offers activities such as snowmobile trips, boat trips, dog sledding, tundra safaris and others – all with observation of local fauna (including polar bears, walruses, seals and arctic birds). During 2019, the segment was strengthened through the addition of Hurtigruten Barents which owns assets for production of activities and accommodation in Kirkenes.

OTHER BUSINESS

This area mainly includes Personnel costs, non-ship and Selling, general and administration expenses as these costs no longer are allocated to the segments Norwegian Coast and Expedition Cruises. In addition, we have a minor portfolio of properties and smaller activities that cannot naturally be classified in the other areas.

ELIMINATIONS

Eliminations primarily consist of sales from Hurtigruten Svalbard AS (Spitsbergen segment) to Hurtigruten AS (Expedition cruises segment).

(B) SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS AND REVENUE SPLIT

Operating revenues have been separated into geographical segments by which market the sales office is located. Some markets serve customers situated in other countries. In the table below, onboard sales, cargo freight revenue, contractual revenue and revenue from the Landbased segment have all been allocated to the Nordic market.

2019

(in NOK 1,000)	Ticket revenue	Flights, hotel and trans-portation	Presold food, beverages, shop and excursions	Contractual revenue	Other revenue	Total operating revenue
Nordic market / onboard sales / Landbased segment	464,174	33,091	125,231	714,406	832,843	**2,169,746**
Germany	952,131	299,374	363,315	-	22,619	**1,637,439**
France	184,723	35,810	64,722	-	18,297	**303,552**
United Kingdom	383,241	97,273	157,063	-	16,748	**654,325**
Rest of Europe	320,493	22,084	96,372	-	6,183	**445,133**
United States and Canada	332,153	40,300	95,383	-	15,611	**483,447**
Asia / Pacific	223,373	27,282	45,932	-	2,693	**299,280**
Totals	**2,860,289**	**555,215**	**948,018**	**714,406**	**914,994**	**5,992,922**

2018

(in NOK 1,000)	Ticket revenue	Flights, hotel and trans-portation	Presold food, beverages, shop and excursions	Contractual revenue	Other revenue	Total operating revenue
Nordic market / onboard sales / Landbased segment	471,489	43,343	115,332	698,919	828,116	**2,157,198**
Germany	865,057	275,200	310,711	-	12,096	**1,463,065**
France	140,892	37,683	47,411	-	16,467	**242,453**
United Kingdom	297,637	83,866	121,476	-	3,462	**506,440**
Rest of Europe	323,964	18,069	94,734	-	1,612	**438,379**
United States and Canada	269,554	37,232	77,479	-	6,671	**390,936**
Asia / Pacific	176,940	21,839	30,632	-	551	**229,963**
Totals	**2,545,533**	**517,231**	**797,776**	**698,919**	**868,975**	**5,428,434**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(in NOK 1,000)	Land and buildings	Ships	Prepayments ships and Assets under construction	Other property, plant and equipment	Right of use asset	Total
Acquisition cost						
As at 1 January 2018	209.834	4.682.273	359.855	89.282	-	**5.341.244**
Additions	36.373	191.298	288.514	20.372	387.296	**923.853**
Disposals	(312)	(8)	-	(6.013)	-	**(6.333)**
Currency translation differences	-	-	7.827	363	543	**8.733**
As at 31 December 2018	**245.895**	**4.873.563**	**656.196**	**104.004**	**387.839**	**6.267.496**
As at 1 January 2019	245.895	4.873.563	656.196	104.004	387.839	**6.267.496**
Additions	39.196	374.062	4.508.582	28.543,69	(28.095)	**4.922.289**
Transfers and reclassifiactions		4.420.101	(4.420.101)	-	-	**-**
Disposals	(1.078)	(16)	(138.568)	(9.540)	-	**(149.202)**
Currency translation differences	-	(17.358)	11.654	610	240	**(4.855)**
As at 31 December 2019	**307.008**	**9.650.352**	**617.764**	**124.262**	**359.984**	**11.059.369**
Accumulated depreciation and impairment						
As at 1 January 2018	(17.812)	(991.315)	-	(30.469)	-	**(1.039.596)**
Depreciation	(9.815)	(289.938)	-	(16.596)	(88.459)	**(404.808)**
Depreciation disposals	-	-	-	5.456	-	**5.456**
Impairment losses	-	(854)	-	-	-	**(854)**
Currency translation differences	-	-	-	(197)	(248)	**(445)**
As at 31 December 2018	**(27.627)**	**(1.282.107)**	**-**	**(41.806)**	**(88.707)**	**(1.440.247)**
As at 1 January 2019	(27.627)	(1.282.107)	-	(41.806)	(88.707)	**(1.440.247)**
Depreciation	(10.488)	(328.512)	-	(19.745)	(115.269)	**(474.015)**
Depreciation disposals	-	-	-	1.566	-	**1.566**
Transfers and reclassifiactions	-	(73)	-	4.400	-	**4.326**
Other [1]	(788)	-	-	-	-	**(788)**
Currency translation differences	-	328	-	(317)	(165)	**(154)**
As at 31 December 2019	**(38.904)**	**(1.610.365)**	**-**	**(55.902)**	**(204.140)**	**(1.909.311)**
Book value 31 December 2018	**218.268**	**3.591.455**	**656.196**	**62.197**	**299.132**	**4.827.249**
Book value 31 December 2019	**268.105**	**8.039.987**	**617.764**	**68.359**	**155.843**	**9.150.058**
Useful economic lifetime	25 - 40 years [2]	20 - 40 years	N/A	5 - 10 years		

1) One of the Group's subsidiaries, Hurtigruten Svalbard AS, received a government grant for the buildings on Svalbard. The grant was book as a deferred income that is recognised in profit and loss over the useful life of the asset, where the cost reduction is booked towards depreciation. The effect is presented as *Other* in accumulated depreciations.

2) Land has indefinite useful economic lifetime; hence it is not subject to depreciations.

Land and buildings primarily comprise the hotel properties at the Group's operations in Svalbard.

In 2019, the Group operated 16 cruise ships. The Group reviews the long-lived assets for impairment whenever events or circumstances indicate potential impairment. No such events or circumstances were present in 2019 or 2018.

The cost of prepayments ships and assets under construction include design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items. The Group accounts for ship improvement costs by capitalising those costs believed to add value to its ships and which have a useful life greater than one year and depreciate those improvements over its estimated useful life.

Capitalised interest amounted to NOK 29.3 million in 2019 (NOK 16.0 million in 2018). The interest capitalisation rate is based on the weighted average interest rates applicable to borrowings within the Group during each period. During 2019, the average capitalisation rate was 4.23%.

Additions through investments in subsidiaries stem from the acquisition of Gapahuken Drift AS. Additions include a hotel in Kirkenes, vehicles and machinery and equipment.

NOTE 8 INTANGIBLE ASSETS

(in NOK 1,000)	Goodwill	Trademark	Other intangible assets	Total
Acquisition cost				
As at 1 January 2018	1,945,558	450,000	1,173,726	**3,569,284**
Additions	-	-	69,087	**69,087**
As at 31 December 2018	**1,945,558**	**450,000**	**1,242,813**	**3,638,371**
As at 1 January 2019	1,945,558	450,000	1,242,813	**3,638,371**
Additions	-	-	129,433	**129,433**
Additions through investments in subsidiaries	14,350	-	-	**14,350**
Disposals	-	-	5,248	**5,248**
Currency translation differences	-	-	(6)	**(6)**
As at 31 December 2019	**1,959,908**	**450,000**	**1,377,488**	**3,787,396**
Accumulated amortisation and impairment				
As at 1 January 2018	-	-	(904,724)	**(904,724)**
Amortisation	-	-	(80,420)	**(80,420)**
As at 31 December 2018	**-**	**-**	**(985,144)**	**(985,144)**
As at 1 January 2019	-	-	(985,143)	**(985,143)**
Amortisation	-	-	(73,949)	**(73,949)**
As at 31 December 2019	**-**	**-**	**(1,061,981)**	**(1,061,981)**
Book value 31 December 2018	**1,945,558**	**450,000**	**257,670**	**2,653,227**
Book value 31 December 2019	**1,959,908**	**450,000**	**315,507**	**2,725,415**
Useful economic lifetime	Indefinite	Indefinite	3 - 10 years	

In 2014, Hurtigruten Group AS acquired 100 % of the outstanding shares of Hurtigruten AS. As a result of the acquisition, Goodwill of NOK 1 919 million and an excess value of NOK 590 million related to contracts and trademarks were recognised.

In 2019, the Hurtigruten Barents AS, in which the Group holds 50% ownership, acquired 100% of the outstanding shares of Gapahuken Drift AS. Goodwill of NOK 14 million has been recognised as per 31.12.2019 based on the preliminary acquisition analysis. The Group will finalise the purchase price allocation analysis during 2020.

Other intangible assets primarily comprise of capitalised development expenses related to ICT systems (booking, inventories, etc.) with a limited lifespan. The assets are amortised on a straight-line basis over 3–10 years. Amortisation is presented under amortisation in the income statements.

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

Goodwill relates to the following cash-generating units:

(In NOK 1,000)	**2019**	**2018**
Norwegian Coast	**1,579,111**	1,579,111
Expedition cruises	**306,667**	306,667
Landbased	**74,130**	59,780
Sum	**1,959,908**	1,945,558

The recoverable amount of a cash-generating unit is calculated on the basis of budgets and liquidity forecasts for the units approved by management.

Assumptions applied when calculating the recoverable amount:

	Norwegian Coast	**Expedition cruises**	**Spitsbergen**
Growth rate from 2023	2.5 %	2.5 %	2.5 %
Discount rate after tax	12.0 %	13.6 %	9.9 %

The recoverable amount has been calculated based on budgeted EBITDA for 2020. The forecast period is five years. Subsequently the terminal value is used. Expected future cash flows are based on budgeted EBITDA for 2020 deducted for capex, tax effects of depreciation and changes in net working capital (NWC). For the period 2021 to 2024, EBITDA is based on forecasts that represent management's best estimate of the range of economic conditions that will exist over the period, including expectations regarding occupancy rate, fuel prices and salary development. For the period beyond 2024, cash flow is estimated by extrapolating the projections based on the forecasts, using a steady growth rate of 2.5 % for subsequent years, equal to assumptions in inflation.

The Group does not apply a general growth factor beyond expected inflation for cash flows when testing goodwill for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilises an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

NOTE 9 INVESTMENTS IN ASSOCIATES

This table presents the associates and joint ventures of the Group as at 31 December 2019 which are material to the Group. Green Dog Svalbard AS has share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interest is the same as the proportion of voting rights held. Associates are accounted for using the equity method.

31 DECEMBER 2019

Company	**Green Dog Svalbard AS**
Registered office	Longyearbyen, Svalbard
Shareholding	50.0 %
Acquisition cost	50
Accumulated share of profits, 1 January 2019	7,426
Accumulated equity distributions, 1 January 2019	(2,500)
Items recorded against other comprehensive income	19
Carrying value, 1 January 2019	**4,995**
Share of profit after tax	1,232
Dividend distributions	-
Carrying value, 31 December 2019	**6,227**

31 DECEMBER 2018

Company	**Green Dog Svalbard AS**
Registered office	Longyearbyen, Svalbard
Shareholding	50.0 %
Acquisition cost	50
Accumulated share of profits, 1 January 2018	6,830
Accumulated equity distributions, 1 January 2018	(2,000)
Carrying value, 1 January 2018	**4,880**
Share of profit after tax	596
Dividend distributions	(500)
Items recorded against other comprehensive income	19
Carrying value, 31 December 2018	**4,995**

Green Dog Svalbard AS offers dog-related activities on Svalbard. These include dog sledding, overnight trips with teams of dogs and similar.

NOTE 10A FINANCIAL INSTRUMENTS BY CATEGORY

The following categories have been used for subsequent measurement of financial assets and liabilities:

AS AT 31 DECEMBER 2019

(in NOK 1,000)	Amortised cost	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Long-term receivables (note 11)	717,423	-	-	-	**717,423**
Investments in other companies	-	3,219	22,000	-	**25,219**
Trade receivables and other receivables (note 11)	327,016	-	-	-	**327,016**
Derivatives (note 10C)	-	-	-	8,162	**8,162**
Cash at bank, cash on hand and market-based investments (note 13)	462,723	1,156	-	-	**463,879**
Total	**1,507,163**	**4,374**	**22,000**	**8,162**	**1,541,699**

(in NOK 1,000)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (note 16)	-	-	9,897,940	**9,897,940**
Derivatives (note 10C)	-	32,654	-	**32,654**
Trade and other current payables (note 21)	-	-	1,449,781	**1,449,781**
Total	**-**	**32,654**	**11,347,721**	**11,380,375**

Carrying value and fair value

(in NOK 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Long-term receivables (note 11)	717,423	717,423
Investments in other companies	25,219	25,219
Trade receivables and other receivables (note 11)	327,016	327,016
Derivatives (note 10C)	8,162	8,162
Cash at bank, cash on hand and market-based investments (note 13)	463,879	463,879
Total	**1,541,699**	**1,541,699**
Borrowings (note 16)	9,897,940	10,108,961
Derivatives (note 10C)	32,654	32,654
Trade and other current payables (note 21)	1,449,781	1,449,781
Total	**11,380,375**	**11,591,395**

AS AT 31 DECEMBER 2018

(in NOK 1,000)	Amortised cost	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Long-term receivables (note 11)	700,980	-	-	-	**700,980**
Investments in other companies	-	3,199	24,327	-	**27,526**
Trade receivables and other receivables (note 11)	234,741	-	-	-	**234,741**
Derivatives (note 10C)	-	-	-	-	**-**
Cash at bank, cash on hand and market-based investments (note 13)	560,410	1,165	-	-	**561,576**
Total	**1,496,132**	**4,365**	**24,327**	**-**	**1,524,823**

(in NOK 1,000)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (note 16)	-	-	7,257,273	**7,257,273**
Derivatives (note 10C)	34,963	162,699	-	**197,662**
Trade and other current payables (note 21)	-	-	547,830	**547,830**
Total	**34,963**	**162,699**	**7,805,102**	**8,002,764**

(in NOK 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Long-term receivables (note 11)	700,980	700,980
Investments in other companies	27,526	27,526
Trade receivables and other receivables (note 11)	234,741	234,741
Derivatives (note 10C)	-	-
Cash at bank, cash on hand and market-based investments (note 13)	561,576	561,576
Total	**1,524,823**	**1,524,823**
Liabilities as per balance sheet		
Borrowings (note 16)	7,257,273	7,391,453
Derivatives (note 10C)	197,662	197,662
Trade and other current payables (note 21)	547,830	547,830
Total	**8,002,764**	**8,136,944**

The fair value of current receivables and payables has been assessed and does not differ materially from the carrying amount.

CLASSIFICATION BY IFRS FAIR VALUE HIERARCHY

The Group uses the following hierarchy to classify assets and liabilities, based on the valuation methods used to measure and disclose their fair value:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.

- Level 2: Other techniques in which all of the parameters that have a significant impact on measuring fair value are either directly or indirectly observable. This is primarily relevant for our derivatives, where the price normally is set by the counterpart (a financial institution).
- Level 3: Valuation techniques that use parameters that significantly affect the valuation, but which are not observable.

ASSETS AND LIABILITIES MEASURED AT FAUR VALUE AS PER 31 DECEMBER 2019

(in NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Investments in other companies	-	-	25,219	**25,219**
Derivatives (note 10C)	-	8,162	-	**8,162**
Cash and cash equivalents (note 13)	1,156	-	-	**1,156**
Total	**1,156**	**8,162**	**25,219**	**34,536**
Liabilities				
Derivatives (note 10C)	-	32,654	-	**32,654**
Total	**-**	**32,654**	**-**	**32,654**

There were no transfers between levels 1, 2 or 3 in 2019.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2018

(in NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Investments in other companies	-	-	27,526	**27,526**
Cash and cash equivalents (note 13)	1,165	-	-	**1,165**
Total	**1,165**	**-**	**27,526**	**28,692**
Liabilities				
Derivatives (note 10C)	-	197,662	-	**197,662**
Total	**-**	**197,662**	**-**	**197,662**

There were no transfers between levels 1, 2 or 3 in 2018.

RECONCILIATION OF MOVEMENT IN LEVEL 3 FINANCIAL INSTRUMENTS

(in NOK 1,000)	2019	2018
Opening balance	**27,526**	53,139
Purchases	**-**	2,763
Sales	**-**	(1,233)
Gains / (losses) recognised in profit/loss	**(19)**	872
Gains / (losses) recognised in other comprehensive income (note 15)	**(2,327)**	(28,015)
Closing balance	**25,180**	27,526

Gains recognised in profit/loss is presented as part of "Other financial income". Transfer from level 3 category during 2018 is shares in Kirberg AS, which during 2018 has become a consolidated subsidiary. Total consideration for the shares was MNOK 17.

SPECIFICATION OF INVESTMENTS IN OTHER COMPANIES

Balance at 31 December 2019

(in NOK 1,000)	**Ownership share**	**Carrying value**
Myklebust Verft Invest AS	15.90 %	21,981
Other minor investments	-	3,199
Totals		**25,180**

Balance at 31 December 2018

(in NOK 1,000)	**Ownership share**	**Carrying value**
Myklebust Verft Invest AS	15.90 %	24,327
Other minor investments	-	3,199
Totals		**27,526**

NOTE 10B CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(in NOK 1,000)	**2019**	2018
Counterparties without external credit ratings:	**325,192**	234,741
Total trade receivables and other receivables	**325,192**	234,741
Cash bank and short-term bank deposits		
Rating A (S&P)	**457,752**	555,243
Counterparties without external credit ratings:	**-**	721
Total bank deposits	**457,752**	555,964
Cash on hand	**4,972**	4,446
Total cash and short-term bank deposits	**462,723**	560,410
Market based investments		
Money market fund (SICAV-France)	**1,156**	1,165
Total market based investments	**1,156**	1,165
Derivatives		
Rating AA (S&P)	**8,162**	0
Total derivatives (note 10C)	**8,162**	0

NOTE 10C FAIR VALUE OF DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If the derivative is not classified as a hedging instrument, subsequent re-measurements are recognised in profit or loss.

The Group has one type of derivatives as of 31 December 2019:

- Bunker oil derivatives used in cash flow hedge in order to hedge the future market risk of bunker oil purchases.

All NOK/EUR currency option agreements (purchased put and sold call), used as an economic hedge to obtain loan commitments in EUR, in which this financing will be used to settle a future liability in NOK, were settled prior to 31 December 2019.

2019

(in NOK 1,000)	**Assets**	**Liabilities**
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	8,162	32,654
Total fair value of derivatives	**8,162**	**32,654**
Short term	8,162	25,083
Long term	-	7,571

2018

(in NOK 1,000)	**Assets**	**Liabilities**
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	-	162,699
NOK/EUR currency options	-	34,963
Total fair value of derivatives	**-**	**197,662**
Short term	-	140,310
Long term	-	57,351

A hedging instrument is classified as long term if the major part of the instrument is settled in a period longer than 12 months from the balance sheet date.

FORWARD BUNKER OIL CONTRACTS

The hedged, highly probable purchase transactions of bunker oil are expected to occur at various dates over the next 36 months. The forward contracts mature monthly. Forward bunker oil contracts satisfy the requirements for hedge accounting under IFRS and changes in the fair value are recognised on an ongoing basis in other comprehensive income. Gains or losses on oil derivatives recognised in other comprehensive income as of 31 December 2019, will be recognised in the income statement in the same accounting periods that the hedged transactions affect the profit or loss. Realised gains and losses are recognised in Other (losses)/gains. In 2019 a loss of NOK 55.5 million (in 2018: net profit of NOK 74.2 million) was recognised in Other (losses)/gains. Due to effects of COVID-19 outbreak, the company has needed to warm-stack most ships. Therefore for Q1 there could be effects of hedging inefficiency or discontinuance of hedge accounting, there is still uncertainty on how much this will be.

NOTE 11 RECEIVABLES AND OTHER INVESTMENTS

(in NOK 1,000)	**2019**	2018
Trade receivables	**177,065**	94,698
Less provision for impairment of trade receivables	**(4,431)**	(4,159)
Trade receivables – net	**172,634**	90,539
Prepaid expenses	**138,953**	193,612
Claims	**-**	-
Other current receivables, group companies	**2**	12,172
Net wages claims	**49,655**	49,901
Other miscellaneous receivables	**102,901**	82,130
Prepaid income tax	**1,825**	-
Other receivables	**293,336**	337,814
Total current trade and other receivables (Note 10A)	**465,970**	428,353
Non-current receivables, group companies	**715,369**	698,870
Other non-current receivables (Note 10A)	**2,055**	2,110
Total other receivables, non-current	**717,423**	700,980

For specification of receivables from related parties, please see Note 29.

AGEING OF OVERDUE TRADE RECEIVABLES

(in NOK 1,000)	**2019**	2018
Up to three months	**24,702**	16,507
Three to six months	**2,176**	539
Over six months	**1,063**	3,737
Total ageing of overdue trade receivables	**27,941**	20,783

PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

(in NOK 1,000)	**2019**	2018
Provision for impairment of receivables as of 1 January	**4,160**	3,758
Provision for impairment of receivables during the year	**1,082**	1,249
Receivables written off during the year	**(799)**	(552)
Reversal of unused amounts	**-**	(298)
Currency translation effects	**(12)**	2
Provision for impairment of receivables as of 31 December	**4,431**	4,159

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards and are paid in full prior to the travel date. Trade receivables primarily comprise sales to external agents through invoicing. The Group has routines to ensure that trade credit and prepayment of expenses are only extended to agents and vendors that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

NOTE 12 INVENTORIES

Inventories comprise the following types of goods

(In NOK 1,000)	**2019**	2018
Goods purchased for resale	138,026	154,611
Spare parts	4,869	4,949
Bunkers and lubrication oil	32,505	25,830
Total inventories	**175,400**	185,390

The inventories were measured at lowest of cost and net realisable value in accordance with the FIFO principle.

NOTE 13 CASH AND CASH EQUIVALENTS

(in NOK 1,000)	**2019**	2018
Cash at bank and on hand (Note 10A)	500,878	560,410
Market-based investments [1] (Note 10A)	1,156	1,165
Cash at bank, cash on hand and market-based investments	**502,034**	561,576
Restricted bank deposits [2]	(111,996)	(176,992)
Total cash and cash equivalents in the cash flow statement	**390,038**	384,583

1) Funds owned by a foreign subsidiary.

2) Restricted bank deposits primarily comprise tax withholding funds, pledged bank deposits, issued bond loans in an escrow account and deposits for guarantees to limited partnerships.

NOTE 14 SHARE CAPITAL AND PREMIUM

(in NOK 1,000 unless otherwise indicated)	Number of ordinary shares	Nominal value	Nominal value of ordinary shares	Share premium and other paid-in capital	**Total**
As of 31 December 2018	30	3	90	1,827,556	**1,827,646**
As of 31 December 2019	30	3	90	1,827,556	**1,827,646**

All ordinary shares have equal rights.

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2019

	Number of shares	Shareholding (%)
Silk Midco AS	30	100.0 %

SHARES IN ULTIMATE PARENT HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2019

Board of Directors	
Trygve Hegnar, Chair, through Persicopus AS	4.90 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11.57 %
Jonathan Barlow, Director	0.00 %
Matthew Lenczner, Director	0.00 %
Management	
Daniel A. Skjeldam, CEO, through Hornsund Invest AS	0.87 %
Asta Lassesen, CCO, through A. Y. Invest AS	0.39 %
Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0.10 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS (until 10.12.2019)	0.21 %
Marit Finnanger, SVP, People and Org. Development through Mfortitude AS (until 10.12.2019)	0.10 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0.10 %
Ole-Marius Moe-Helgesen through HMH Consulting AS	0.04 %
Bent Martini through BenMar Invest AS	0.04 %

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2018

	Number of shares	Shareholding (%)
Silk Midco AS	30	100.0 %

SHARES IN ULTIMATE PARENT HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2018

Board of Directors	
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Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS	0.21 %
Marit Finnanger, SVP, People and Org. Development through Mfortitude AS	0.10 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0.10 %

The company’s auditor does not own any shares in Hurtigruten Group AS or Silk Topco AS (ultimate parent).

DIVIDEND PER SHARE

No dividend is proposed for the fiscal years 2019 or 2018.

NOTE 15 OTHER EQUITY NOT IN PROFIT OR LOSS

(in NOK 1,000)	**Cash flow hedge derivatives**	**Actuarial gain/loss**	**Fair value changes, equity investments recognized in OCI**	**Translation differences**	**Sum**
Carrying value as of 1 January 2018	**46,545**	**2,123**	**-**	**6,440**	**55,108**
Cash flow hedges					
Valuation gains/losses during the year	(283,934)				**(283,934)**
Tax on valuation gain/losses during the year	52,972				**52,972**
Transfered to the income statement during the year	74,691				**74,691**
Tax transfered to the income statement during the year	(17,179)				**(17,179)**
Actuarial gain/loss on retirement benefit obligations, net of tax		(3,168)			**(3,168)**
Change in fair value of equity investments recognized in OCI			(28,015)		**(28,015)**
Currency translation differences				(3,451)	**(3,451)**
Carrying value as of 31 December 2018	**(126,905)**	**(1,045)**	**(28,015)**	**2,989**	**(152,976)**
Cash flow hedges					-
Valuation gains/losses during the year	84,789				**84,789**
Tax on valuation gain/losses during the year	-				-
Transfered to the income statement during the year	53,418				**53,418**
Tax transfered to the income statement during the year	(35,794)				**(35,794)**
Actuarial gain/loss on retirement benefit obligations, net of tax		2,455			**2,455**
Change in fair value of equity investments recognized in OCI			(2,327)		**(2,327)**
Currency translation differences				311	**311**
Carrying value as of 31 December 2019	**(24,492)**	**1,410**	**(30,342)**	**3,300**	**(50,124)**

NOTE 16 BORROWINGS[1]

NOMINAL VALUE AT 31 DECEMBER 2019

Nominal value at 31 December 2019

(in NOK 1,000)	Nominal value	Unamortized transaction costs	Book value
Collateralized borrowings	9,548,583	(211,021)	9,337,562
Lease liabilities [2]	164,343	-	164,343
Credit facilities	394,944	-	394,944
Other borrowings	1,091	-	1,091
Total	**10,108,961**	**(211,021)**	**9,897,940**

NOMINAL VALUE AT 31 DECEMBER 2018

(in NOK 1,000)	Nominal value	Unamortized transaction costs	Book value
Collateralized borrowings	7,077,470	(134,180)	6,943,290
Lease liabilities [2]	312,936	-	312,936
Other borrowings	902	-	902
Total	**7,391,308**	**(134,180)**	**7,257,128**

1) Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4

2) The accounts for lease-contract in reference to IFRS 16 are reflected in the financial lease, while items that are classified as borrowings from IFRS 9 are reflected within borrowings.

CLASSIFICATION OF BORROWINGS

(in NOK 1,000)	**2019**	2018
Non-current Borrowings		
Collateralized borrowings[2]	**9,084,383**	6,908,317
Lease liabilities[1,2]	**116,942**	231,275
Credit facilities	**394,944**	-
Other borrowings	**910**	902
Total	**9,597,178**	7,140,494
Current Borrowings		
Collateralized borrowings	**253,180**	35,118
Lease liabilities[1,2]	**47,401**	81,661
Other borrowings	**181**	-
Total	**300,762**	116,779
Total borrowings	**9,897,940**	7,257,273

[1)] Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4

[2)] The accounts for lease-contract in reference to IFRS 16 are reflected in the financial lease, while items that are classified as borrowings from IFRS 9 are reflected within borrowings.

The credit facility is secured with the Group's assets.

(in NOK 1,000)	**2019**	2018
Book value of collateralized assets	**11,170,378**	4,094,971

RECONCILIATION OF MOVEMENT IN BORROWINGS

Movement in borrowings

(in NOK 1,000)	**2019**	2018
Total borrowings 1 January	**7,257,273**	5,783,576
Cash flows		
New financing	**3,166,588**	1,225,792
Repayments	**-291,125**	-105,403
Borrowing costs	**-90,591**	-148,741
Non-cash flow		
Amortisation	**19,929**	108,537
Currency translation effects	**-67,954**	94,939
New lease contracts or modified contracts	**-95,306**	312,936
Other	**-874**	-14,362
Total borrowings 31 December	**9,897,940**	7,257,273

MATURITY PROFILE OF NOMINAL BORROWINGS[1]

(Figures stated in NOK 1000)	**2019**	2018
Less than one year	**300,762**	116,779
Between 1 and 2 years	**562,611**	79,586
Between 3 and 5 years	**1,999,534**	91,913
More than 5 years	**7,246,054**	7,103,175
Total	**10,108,961**	7,391,453

[1)] Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4.

BORROWINGS SPECIFIED BY CURRENCY

(in 1,000)	**2019**	2018
NOK	**255,794**	432,997
EUR	**998,365**	702,005
GBP	**315**	-
USD	**235**	350

The numbers for 2018 has been restated with lease commitments arising as a result of implementing IFRS 16.

FAIR VALUE CALCULATIONS

The carrying amounts and the fair values of the borrowings are as follows:

	Carrying value		**Fair value**	
(in NOK 1,000)	**2019**	2018	**2019**	2018
Collateralized borrowings[2]	**9,337,562**	6,943,435	**9,548,583**	6,943,435
Lease liabilities [1, 2]	**164,343**	312,936	**164,343**	312,936
Credit facilities	**394,944**	-	**394,944**	-
Other borrowings	**1,091**	902	**1,091**	902
Total	**9,897,940**	7,257,273	**10,108,961**	7,257,273

[1)] Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4
[2)] The accounts for lease-contract in reference to IFRS 16 are reflected in the financial lease, while items that are classified as borrowings from IFRS 9 are reflected within borrowings.

The fair value of current borrowings approximates their carrying value, as the impact of discounting is not significant. The financing is mainly floating interest rate borrowings, so the main difference between carrying value and fair value is the capitalised expenses recognised and being amortised in accordance with the effective interest method.

The Group’s main source of financing is a Term Loan B with EURIBOR floating interest + margin and a 7 year tenor. The facility has a face value of EUR 655 million. The loan was issued in February 2018 (EUR 575 million) and increased in November 2018 (EUR 80 million) to repay an outstanding NOK bond in Coastal Holding AS and for general corporate purposes (incl. further investments in the fleet).

The Group has a Revolving Credit Facility of EUR 85 million with EURIBOR floating interest plus margin and a 6 year tenor. As of 31 December 2019 EUR 40 million was drawn.

The Group’s two new expedition vessels, MS Roald Amundsen and MS Fridtjof Nansen were financed through a EUR 260 million Export Credit Agency facility funded by Eksportkreditt Norge AS and guaranteed by GIEK (70%) and commercial lenders (30%) (EUR 260m ECA facility). The loan was issued by Explorer 2 AS which is the legal entity that owns MS Roald Amundsen and MS Fridtjof Nansen and secured by ship mortgages over the two vessels. The facility has a 12 year amortisation profile and a 5 year tenor from draw-down. The facility was fully drawn as of 31 December 2019, of which EUR 130 million was drawn in June, upon the delivery of MS Roald Amundsen, and the remaining EUR 130 million was drawn in December 2019, upon the delivery of MS Fridtjof Nansen The facility was refinanced with a EUR 300 million senior secured bond in February 2020.

The Group entered into a Memorandum of Agreement on 30 June 2016 with Jiaye International Ship Lease Co. Limited for the sale and lease-back of the vessel MS Spitsbergen. The leasing period is 12 years and expires on 30 June 2028. The agreed sale price was EUR 55 million. The Group has an obligation to purchase the vessel for an agreed price of EUR 11 million at the end of the leasing period.

Covenants

Term Loan B

There are no financial maintenance covenants.

Revolving credit facility

For the benefit of the Lenders under the Revolving Facility only (in that capacity only), the Group shall ensure that the Consolidated Senior Secured Leverage Ratio is not greater than 7.7:1, provided that Base Currency

Amount of all outstanding Revolving Loans borrowed by members of the Group is greater than 40 per cent of the Total Revolving Facility Commitments at that time.

EUR 260 million ECA facility

The facility has the following financial covenants:

a) Leverage ratio is less than 6.00:1. (Leverage ratio means, in respect of any Relevant Period, the ratio of Total Net Debt on the last day of that Relevant Period to Adjusted EBITDA in respect of that Relevant Period)
b) Debt Service Cover: Debt Service Cover in respect of any Relevant Period shall not be less than 2.00:1.
c) Free Liquidity: The testing Company on a consolidated basis shall at compliance datemaintain Free Liquidity in the minimum amount of NOK 200,000,000. Where the testing company is Hurtigruten Group AS until the bond is listed

Note that the EUR 260 million ECA facility in Explorer 2 AS was refinanced in February 2020 with a EUR 300 million senior secured bond. The only financial maintenance covenant in the EUR 300m bond is a Minimum liquidity of EUR 15 million for Hurtigruten Group AS and Minimum free liquidity equal to 50% of interest and amortization payable on the next interest payment date for Explorer 2 AS.

Limitations on indebtedness

The Group can only incur new debt provided that it (1) meets a Fixed Charge Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense as defined in Term Loan B and RCF documentation) or (2) fits into a specified exception to the ratio test. Non-Guarantor Restricted Subsidiaries are not permitted to incur indebtedness exceeding EUR 50.0 million. Debt incurrence is only measured at the time debt is incurred. As a result, no violation occurs if, at a date subsequent to the incurrence, the Group or its Restricted Subsidiaries would not meet the incurrence ratios.

Incremental facilities

The Group can establish an Incremental Facility without consent from any Finance Party provided that no Event of Default is continuing and that the Incremental Facility rank pari passu with or junior to the other Facilities under the Finance Documents. If the Incremental Facility is a term loan the amount may not exceed, the Accordion Amount (being an amount equal to 100% of Consolidated EBITDA plus the amount which does not cause (i) in respect of Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio to exceed 5.0:1.0, and (ii) in respect of any indebtedness that is not Senior Subordinated Indebtedness, the Fixed Charge Coverage Ratio to be less than 2.0:1.0.

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NOTE 17 INCOME TAX

INCOME TAX EXPENSE

The income tax expense for the year can be broken down as follows:

(in NOK 1,000)	**2019**	2018
Income tax payable, current year	**39,169**	30,520
Income tax payable, adjustments regarding previous years	**2,052**	(28)
Change in deferred tax, current year	**612,345**	(452,132)
Change in deferred tax, tax rate changes and adjustments regarding previous years	**(447)**	21,921
Total income tax expense	**653,119**	(399,719)

Tonnage tax is calculated based on the ship's tonnage and not income and is therefore classified as an operating expense.

RECONCILIATION OF INCOME TAX EXPENSE TO PROFIT / LOSS BEFORE TAX

The tax on the Group's profit or loss before tax deviates from the amount that would have applied if the statutory tax rate in Norway had been used. The difference can be explained as follows:

(in NOK 1,000)	**2019**	2018
Profit/(loss) before tax from operations	**473,436**	54,077
Expected income taxes at statutory tax rate in Norway (22 %, 23 %)	**104,156**	12,438
Shipping company tax schemes - NO Tax Act only (+/-)	**(161,689)**	2,451
Change in tax regime (to shipping company tax scheme) (+/-)	**694,365**	0
Non-taxable income (-)	**(12,874)**	-640
Gifts, representation and other non-deductable expenses (+)	**14,876**	3,668
Effect from difference in tax rate from nominal tax rate in Norway (+/-)	**6,587**	2,770
Effect from change in tax rate and tax provisions from previous years	**1,603**	21,893
Effect from change in valuation allowance, tax losses	**5,047**	-435,913
Share of profit from associates (equity method) (+/-)	**-**	-137
Other permanent differences (+/-)	**1,049**	-6,249
Income tax expense	**653,119**	(399,719)
Weighted average tax rate	138.0 %	-739.2 %

The high/(low) effective tax rate for the Group in 2019/ (2018) were related to change in tax regime to shipping company tax scheme.

INCOME TAX EXPENSE FOR ITEMS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(in NOK 1,000)	2019			2018		
	Before tax	**Tax effect**	**After tax**	Before tax	Tax effect	After tax
Actuarial gains/losses, pensions	**3,620**	**(1,218)**	**2,402**	(3,827)	659	(3,168)
Cash flow hedging	**138,207**	**(35,794)**	**102,413**	(209,244)	35,794	(173,450)
Change in fair value of equity investments	**(2,327)**	-	**(2,327)**	(28,015)	-	(28,015)
Currency translation differences	**3,207**	-	**3,207**	(4,729)	-	(4,729)
Other comprehensive income	**142,707**	**(37,012)**	**105,695**	(245,815)	36,452	(209,363)

DEFERRED INCOME TAX ASSETS (+) AND LIABILITIES (-)

Deferred income tax assets and liabilities are recognised on a net basis if the differences that are reversible can be offset.

2019

(in NOK 1 000)	**Opening balance**	**Tax expense**	**Recognised in other comprehensive income**	**Acqusitions and disposals**	**Foreign currency translation effects**	**Closing balance**
Non-current items						
Intangible and fixed assets	(526,901)	(376,233)	-	-	-	(903,134)
Leasing	11,967	(11,967)	-	-	-	-
Pensions	35,510	(17,327)	(1,218)	-	463	17,427
Other non-current items	(29,520)	2,903	-	-	-	(26,617)
Totals	**(508,945)**	**(402,624)**	**(1,218)**	**-**	**463**	**(912,324)**
Current items						
Derivatives	43,486	(7,692)	(35,794)	-	-	-
Provisions	7,691	2,218	-	-	8	9,917
Other current items	1,051	(380)	-	-	-	670
Totals	**52,227**	**(5,854)**	**(35,794)**	**-**	**8**	**10,587**
Tax loss carry forwards	942,843	(270,695)	-	-	771	672,920
Interest carry forwards	130,326	47,172	-	-	0	177,498
Valuation allowance	(25,428)	20,103	-	-	(771)	(6,096)
Total def. tax asset / (liability)	**591,023**	**(611,898)**	**(37,012)**	**-**	**471**	**(57,416)**
Carr. value of def. tax asset	670,153					9,167
Carr. value of def. tax liabilities	79,130					66,583
Net	**591,023**	**-**	**-**	**-**	**-**	**(57,416)**

2018

(in NOK 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Acqusitions and disposals	Foreign currency translation effects	Closing balance
Non-current items						
Intangible and fixed assets	(560,095)	33,194	-	-	-	(526,901)
Leasing	6,751	5,216	-	-	-	11,967
Pensions	35,333	(566)	659	-	84	35,510
Other non-current items	-	(29,520)	-	-	-	(29,520)
Totals	**(518,011)**	**8,324**	**659**	**-**	**84**	**(508,945)**
Current items						
Derivatives	(7,659)	15,351	35,794	-	-	43,486
Provisions	823	6,867	-	-	0	7,691
Other current items	767	284	-	-	-	1,051
Totals	**(6,069)**	**22,502**	**35,794**	**-**	**0**	**52,227**
Tax loss carry forwards	973,730	(32,347)	-	-	1,460	942,843
Interest carry forwards	134,507	(4,181)	-	-	-	130,326
Valuation allowance	(459,881)	435,913	-	-	(1,460)	(25,428)
Total def. tax asset / (liability)	**124,275**	**430,211**	**36,452**	**-**	**84**	**591,023**

The deferred income tax assets relating to tax loss carry-forwards are recognised in the statement of financial position to the extent that the Group can utilise the tax loss carry-forward against future taxable income. Also see note 30 regarding events after the balance sheet date.

RECONCILIATION OF MOVEMENT IN TAXES PAYABLE

(in NOK 1 000)	**2019**	2018
Current income tax payables, opening balance	**28,842**	21,274
New provision, income tax payable (+)	**41,221**	30,493
New provision, income tax payable related to shipping company tax scheme(+)	**270**	-
Taxes paid (-)	**(56,701)**	(24,350)
Currency translation effects	**186**	1,425
Current income tax payables, closing balance	**13,818**	28,842
Carrying value of current prepaid taxes (+)	1,825	-
Carrying value of current income tax payables (-)	15,643	28,842
Net	**(13,818)**	**(28,842)**

NOTE 18 PENSIONS

The Group operates both defined contribution and defined benefit pension schemes. For the defined contribution plans the cost is equal to the contributions to the employee’s pension savings during the period. Future pensions are dependent on the size of the contributions and the return on the pension plans.

The Group has defined benefit plans in Norway and Germany. For the Norwegian defined benefit plans, the employer is responsible for paying an agreed pension to the employee based on his/her final salary. Future defined benefits are mainly dependent on the number of contribution years, salary level upon reaching retirement age and the size of National Insurance benefits. These obligations are covered through an insurance company. In addition to the pension obligations that are covered through insurance schemes, the company has unfunded pension obligations that are funded from operations, primarily for former key management personnel. Pension fund assets managed by insurance companies are regulated by local legislation and practice. The relationship between the company and the insurance company is regulated by applicable legislation. The boards of the insurance companies are responsible for managing the plans, including making investment decisions and determining premium levels. An agreed fixed sum per month is paid as a pension for the German pension plan, from which most beneficiaries receive the same agreed amount, while three former directors receive a considerably higher payment. The German plan is organised as a CTA (contractual trust arrangement), in which the plan assets are earmarked for the pension fund, but the company's management determines how the assets are to be invested.

The new Contractual Early Retirement (AFP) Scheme Act adopted by the Norwegian Parliament in 2010 entailed the derecognition and recognition in the income statement of provisions related to the old contractual early retirement scheme. Provisions were set aside to cover the assumed underfunding of the old contractual early retirement scheme. The new AFP early retirement scheme is based on a tri-parties collaboration between employer, employee organisations and the government. The government covers one-third of the pension expenses for the early retirement scheme, while affiliated enterprises cover the remaining two-thirds. The scheme is recognised as a defined benefit multi-entity plan in the financial statements. This means that each individual company shall account for its proportional share of the scheme's pension obligations, plan assets and pension costs. Until reliable and consistent information is available for allocation, the new contractual early retirement scheme will be accounted for as a defined contribution plan. This is consistent with the Ministry of Finance's conclusion concerning the new AFP early retirement plan published in connection with the presentation of the Norwegian State Budget on 14 October 2013. The only members of the scheme are the Hurtigruten Pluss permanent employees, of whom there were 106 as of 31 December 2019. AFP is earned at the rate of 0.314% of pensionable income up to 7.1 G for every year worked between the ages of 13 and 62. In 2019 the contribution amount is a fixed percentage of salary, 5 % of salary between 1 and 7.1 G and 10 % of salary between 7.1 and 12 G. A total of NOK 2.6 million was paid into the scheme in 2019.

The established pension plans cover 1,569 Group employees and 230 pensioners. The pension costs for the period illustrate the agreed future pension entitlements earned by employees in the financial year.

FINANCIAL ASSUMPTIONS

	2019	2018
Norway		
Discount rate	**2.30 %**	2.60 %
Expected annual wage adjustment	**2.30 %**	2.75 %
Expected annual pension adjustment	**2.25 %**	0.80 %
Expected annual National Insurance basic amount (G) adjustment	**2.00 %**	2.50 %
Table book used for estimating liabilities	**K2013 BE**	K2013
Table book used for estimating disabilities	**IR02**	IR02
Germany		
Discount rate	**1.60 %**	1.60 %
Expected annual wage adjustment	**N/A**	N/A
Expected annual pension adjustment	**1.90 %**	1.90 %
Expected annual National Insurance basic amount (G) adjustment	**N/A**	N/A
Average expected years of service until retirement age	**14.6 years**	12.9 years

PENSION COSTS RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	**2019**	2018
Present value of accrued pension entitlements for the year	**2,105**	8,821
Defined contribution plan	**63,197**	51,079
Interest expenses (income)	**1,896**	1,010
Payroll tax	**1,667**	3,357
Total pension costs included in payroll costs (Note 24)	**68,865**	64,266

SPECIFICATION OF NET PLAN ASSETS/OBLIGATIONS

(in NOK 1,000)	**2019**	2018
Present value of funded pension obligation	**244,710**	271,744
Present value of unfunded pension obligations	**19,306**	22,362
Total pension obligation 31 December	**264,015**	294,106
Estimated fair value of plan assets as of 31 December	**217,840**	181,886
Net pension obligations at 31 December	**46,175**	112,220

CHANGE IN THE DEFINED BENEFIT PENSION OBLIGATIONS DURING THE YEAR

(in NOK 1,000)	**2019**	2018
Pension obligations as of 1 January	**294,106**	292,201
Present value of accrued pension entitlements for the year	**11,846**	8,168
Correction previous years taken to P/L	**(10,336)**	-
Interest expenses	**6,541**	4,621
Effect of recalculation:	**-**	-
Changes in financial assumptions	**(15,224)**	15,506
Changes in demographic assumptions	**-**	407
Estimate deviations	**(8,499)**	(12,618)
Currency translation differences – obligations	**(43)**	561
Pension benefits paid	**(14,315)**	(14,704)
Change in payroll tax on net pension obligations	**(63)**	(35)
Pension obligations as of 31 December	**264,015**	294,106

CHANGE IN THE FAIR VALUE OF THE PLAN ASSETS

(in NOK 1,000)	**2019**	2018
Fair value as of 1 January	**181,886**	181,848
Return on plan assets	**4,035**	3,002
Actual return on assets re interest income recognised in income statement	**(18,705)**	(561)
Employer contributions	**61,079**	7,671
Currency translation differences – assets	**(386)**	493
Pension benefits paid	**(10,071)**	(10,566)
Fair value as of 31 December	**217,840**	181,887

COMPOSITION OF PENSION FUND ASSETS

	2019	2018
Shares	**10.1 %**	9.6 %
Current bonds	**10.7 %**	9.4 %
Money market	**34.3 %**	32.6 %
Non-current bonds	**24.9 %**	23.0 %
Property	**8.8 %**	6.8 %
Other	**11.3 %**	18.6 %
Total	**100.0 %**	100.0 %
Actual return on plan assets Norway	**-10.75 %**	1.78 %
Actual return on plan assets Germany	**0.00 %**	0.00 %

THE GEOGRAPHICAL ALLOCATION OF THE OBLIGATIONS AND PLAN ASSETS FOR THE DEFINED BENEFIT PLANS IS AS FOLLOWS:

		2019			2018	
(in NOK 1,000)	**Norway**	**Germany**	**Total**	Norway	Germany	Total
Present value of obligations	**208,051**	**55,964**	**264,015**	241,850	52,256	294,106
Fair value of plan assets	**172,805**	**45,035**	**217,840**	136,466	45,421	181,886
Net pension obligations (assets)	**35,246**	**10,929**	**46,175**	105,385	6,835	112,220

RISK

The Group is exposed to several risks through the defined benefit pension schemes, the most significant of which are as follows.

Investment volatility

The pension obligations are calculated using a discount rate based on the interest rate on bonds. If the investment in the pension fund assets provides a lower return than the bond interest rate, this gives rise to a deficit. All the plans comprise shares that are expected to give a higher return than interest on bonds over the long term, but which may, however, result in increased volatility and risk over the short term. As the pension plans' obligations mature, the target will be to reduce the share of risky investments to better match the obligations.

Changes in interest rates on bonds

A reduction in interest rates on bonds would increase the pension plans' obligations. However, this would be partially offset by an increase in the return on the investments in bonds.

Inflation risk

The defined benefit pension plans' obligations are exposed to inflation risk. An increase in inflation could result in higher obligations. The key assets of the pension plans are either unaffected by inflation (fixed-interest bonds) or loosely correlated with inflation (shares). A rise in inflation could therefore increase deficits in the plans.

Life expectancy

The payment obligation only applies to the remaining life expectancy of the plan beneficiaries. A rise in life expectancy would increase the plans' obligations. This is particularly important for the Norwegian plan, in which the adjustment for inflation results in higher sensitivity to changes in life expectancy. A new mortality table, K2013, was introduced in 2013 to reflect the rising average life expectancy of the Norwegian population.

The effect of the above is shown in changes in demographic assumptions under recalculations of the change in the pension obligation.

ASSET MANAGEMENT

A basic intention of asset management of plans organised through pension insurance companies is to secure cover of the non-current obligations by delivering a competitive annual return at least equal to the guaranteed interest rate. Asset management is based on a long-term arrangement of investment portfolios, tailored to the company's long-term obligations. Norwegian legislation imposes restrictions on concentration risk in the investment of all plan assets. The investments are made in collective portfolios with cautious, moderate risk. The assets in the German plan are currently invested in a listed fund that is managed by a professional asset manager. The fund follows a multi-asset strategy with a conservative risk profile. The composition of the fund is regularly changed to accommodate optimal returns and risk management. At the reporting date 50% of the assets were invested in shares in various markets. Consequently, these shares are exposed to risk attaching to the performance of global equity markets. While company management cannot influence the fund's investments, it may at any time elect to exit fund investments.

(in NOK 1,000)	**2020**	2019
The company's expected contributions to funded plans in the next year	**68,644**	61,133

The amount for 2019 includes payments regarding previous' years (see Statement of changes in equity). The average weighted term of the pension obligation is 24 years.

EXPECTED MATURITY DATE OF PENSION SCHEMES AS OF 31 DECEMBER 2019

(in NOK 1,000)	**< 1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Defined benefit pension	14,842	27,438	45,892	162,483	250,655

The Group has established mandatory occupational pension plans in the companies where this is required. These plans satisfy the requirements stipulated in the Norwegian Mandatory Occupational Pension Act.

TABLE OF THE HISTORICAL PRESENT VALUES OF PENSION OBLIGATIONS AND ASSETS AS OF 31 DECEMBER

(in NOK 1,000)	**2019**	2018	2017
Present value of defined benefit pension obligations	**264,015**	294,106	292,201
Fair value of plan assets	**217,840**	181,886	181,847
Deficit/(surplus)	**46,175**	112,220	110,354

SENSITIVITY ANALYSIS FOR CHANGES IN THE ASSUMPTIONS

	Norway		**Germany**	
	Discount rate		**Discount rate**	
	+ 1 per cent	**– 1 per cent**	**+ 1 per cent**	**– 1 per cent**
Increase (+) reduction (–) in the net pension costs for the period	(981)	1,261	(59)	79
Increase (+) reduction (–) in the net pension obligations as of 31 December	(2,253)	2,628	(6,669)	8,373

	Pension adjustment		Pension adjustment	
	+ 1 per cent	– 1 per cent	+ 1 per cent	– 1 per cent
Increase (+) reduction (–) in the net pension costs for the period	9,199	(6,800)	39	(30)
Increase (+) reduction (–) in the net pension obligations as of 31 December	6,666	(4,133)	6,816	(5,821)

	Change in the annual salary growth	
	+ 1 per cent	– 1 per cent
Increase (+) reduction (–) in the net pension costs for the period	(5,200)	7,066
Increase (+) reduction (–) in the net pension obligations as of 31 December	(3,600)	4,533

	Change in National Insurance basic amount (G) adjustment	
	+ 1 per cent	– 1 per cent
Increase (+) reduction (–) in the net pension costs for the period	55	(444)
Increase (+) reduction (–) in the net pension obligations as of 31 December	429	(155)

The sensitivity analysis above is based on a change in one of the assumptions, with all other assumptions remaining unchanged. In practice this would not happen as more than one assumption could vary simultaneously. The sensitivity calculation is performed applying the same method as the actuarial calculation used to determine the pension obligation in the statement of financial position.

The method and the assumptions in the sensitivity analysis have not been changed compared with the previous year. The Group has only one open defined benefit plan under which beneficiaries have entitlements.

Consequently, this is the only plan affected by changes in annual salary growth and adjustments to G.

NOTE 19 PROVISIONS

(in NOK 1,000)	Bonuses	Management incentive plan	Other	**Total**
Book value as of 1 january 2018	8,351	10,554	4,452	**23,357**
Provisions for the year	13,199	18,236	4	**31,439**
Utilisation of provisions from the prior year	(8,351)	(10,553)	(167)	**(19,071)**
Book value as of 31 December 2018	**13,199**	**18,237**	**4,290**	**35,726**
Reclassification from trade and other liabilities 1)	705	(1)	480	**1,184**
Provisions for the year	14,445	5,386	-	**19,831**
Utilisation of provisions from the prior year	(13,904)	-	(251)	**(14,155)**
Book value as of 31 December 2019	**14,445**	**23,622**	**4,519**	**42,586**

1) In 2018, some provisions were reported under the financial statement caption Trade and other liabilities and has been reclassified to Provisions in 2019.

CLASSIFICATION IN THE STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	**2019**	2018
Non-current liabilities	**4,519**	4,290
Current liabilities	**38,068**	31,435

BONUSES

A performance-related bonus was introduced for Hurtigruten AS management from 2013. The bonus scheme includes the CEO and certain personnel in Group management. There is no provision been recognised for this bonus agreement for 2019 (NOK 13.2 million in 2018). Due to the situation arising from the COVID-19 pandemic, the bonuses for 2019 are put on hold until the Group's activity is increasing, and the situation is normalizing.

MANAGEMENT INCENTIVE PLANS

Hurtigruten management has entered into an incentive plan to purchase shares in the parent company of the Silk Topco Group, Silk Topco AS. For further information regarding the Management incentive plan, see Note 20.

DEFERRED GOVERNMENT GRANT

A line-by-line recognition has been carried out with respect to an investment contribution received, including a possible repayment obligation. Revenue recognition of the investment contribution occurs in conjunction with depreciation and amortisation of the associated asset. NOK 251,000 was recognised as a reduction in depreciation during the year 2019 (NOK 167,000 in 2018).

NOTE 20 SHARE-BASED PAYMENT

Hurtigruten executive management has entered into an agreement with the ultimate parent company, Silk Topco AS. The executive managers have purchased shares in Silk Topco AS at the same price that Silk Topco AS paid for the shares in Hurtigruten ASA in 2014 through its subsidiary Hurtigruten Group AS. The agreement also contains an incentive scheme that gives management a right to bonus shares in different pre-defined exit scenarios. The beneficiary can choose the settlement be in cash or have a private placement..

The incentive scheme has two market-based vesting conditions:

(i) The internal rate of return at the time of the sale, calculated from the time of the share-purchase, must be more than 8%
(ii) The exit value must be at least 150% of the aggregated invested amount

The number of bonus shares depends on the aggregated exit value and can give a range of bonus shares from 0.38 per share up to 12 times per share. Management's investment at 31 December 2019 was NOK 42.5 million (NOK 41.7 at 31 December 2018).

When estimating the fair value of the incentive scheme at grant date, the main factors influencing the fair value that had to be estimated by management were as follows:

(i) The probability of different exit values that then give different levels of bonus shares,
(ii) The expected time to exit
(iii) Discount rate.

The agreement was signed on 23. June 2015.

Expected life of the agreement:	5 years
Fair value at initial recognition:	NOK 17.3 million
Expected time to exit:	5 years*
Annual amortisation:	NOK 4.5 million
Accrued amount as of 31.12.2019:	NOK 23.6 million

Accrued amount as of 31.12.2018: NOK 18.2 million

As of 31. December 2019, the provision for employer's contribution related to the management incentive programme was NOK 14.1 million (NOK 13.2 at 31 December 2018).

* As of 31. December 2019 the best estimate of expected time to exit was 5 years and is still assessed to be a reasonable expectation.

NOTE 21 TRADE AND OTHER CURRENT LIABILITIES

(In NOK 1,000)	**2019**	2018
Trade payables	**136,357**	252,797
Public duties payable	**90,101**	73,171
Other current liabilities	**218,035**	107,608
Current payables to Group companies	**850,974**	-
Total trade and other current liabilities	**1,295,466**	433,577
Accrued expenses	**472,229**	232,484
Accrued interest	**87,508**	84,074
Total accrued expenses	**559,738**	316,558
Deferred revenue	**149,803**	100,237
Total deferred revenue	**149,803**	100,237

See Note 29 for information on trade payables and other current payables due to related parties.

NOTE 22 OPERATING REVENUES

REVENUE BY CATEGORY

(in NOK 1,000)	**2019**	2018
Ticket revenue	**2,860,289**	2,545,533
Revenue from flights, hotel & transportation	**555,215**	517,231
Presold food, beverages and excursions	**948,018**	797,776
Onboard sales of food, beverages, shop and excursions	**528,388**	504,882
Other passenger revenue	**102,180**	81,015
Cargo-freight revenue	**56,703**	54,283
Contractual revenues	**714,406**	698,919
Other operating revenue	**227,723**	228,796
Total operating revenues	**5,992,922**	5,428,434

Contractual revenues relating to the Bergen-Kirkenes coastal service is based on the existing agreement with the Norwegian government through the Ministry of Transport and Communications (see Note 2.2.C (iii) Public Procurement). The agreement applies to the Bergen-Kirkenes route for the period 1 January 2012 through 31 December 2020. From 1 January 2021 the agreement applies to 7 ships, a reduction from 11 ships which applies in the current agreement.

RECONCILIATION OF MOVEMENT IN DEPOSITS FROM CUSTOMERS:

(in NOK 1,000)	**2019**	2018
Deposits from customers, opening balance	**811,980**	752,926
New sales	**948,671**	805,795
Recognised in revenue	**(743,189)**	(757,175)
Currency translation effects	**4,071**	10,434
Deposits from customers, closing balance	**1,021,533**	811,980

DEPOSITS FROM CUSTOMERS ARE EXPECTED TO BE RECOGNISED IN INCOME AS FOLLOWS:

(in NOK 1,000)	**2019**	2018
During the first six months	**688,743**	497,930
Between seven and twelwe months	**216,079**	210,495
During the second year	**115,255**	102,666
During the third year or later	**1,455**	889
Total deposits from customers	**1,021,533**	811,980

NOTE 23 COST OF GOODS SOLD

(In NOK 1,000)	**2019**	2018
Commissions	**505,001**	486,731
CoGS regarding flights, hotel and transportation	**454,232**	423,814
CoGS regarding food, beverages, shops and excursions	**511,784**	467,004
Other CoGS	**91,009**	105,872
Total cost of goods sold	**1,562,026**	1,483,420

NOTE 24 PAYROLL COSTS

(In NOK 1,000)	**2019**	2018
Wages and salaries	**1,095,173**	1,021,783
Payroll tax	**61,133**	47,032
Pension costs (Note 18)	**68,865**	64,266
Other benefits (Note 20)	**98,367**	73,397
Total payroll costs	**1,323,537**	1,206,479
Average number of full-time equivalents	**2,489**	**2,272**

Seamen hired by Hurtigruten are included in the “Net Wages” – scheme, where the Norwegian government reimburses to shipping companies an amount corresponding to the sum of the income tax paid, social security contributions and employer's national insurance contributions (payroll tax) for crew within the scheme. The government grant is recorded as a reduction in payroll costs. During 2019, the Group has recognised NOK 148.7 million in government grants through this arrangement (NOK 139.6 million in 2018).

The Norwegian government reimburses parts of the salary to new seamen apprentices. The government grant is recorded as a reduction in payroll costs. During 2019, the Group has recognised NOK 9.5 million in government grants through this arrangement (NOK 10.0 million in 2018).

NOTE 25A REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

TOTAL COMPENSATION YEAR 2019

BOARD OF DIRECTORS

(in NOK 1,000)	Position	Salary	Pension cost	Other	Fees	Total remuneration
Trygve Hegnar	Chair	-	-	-	**326**	**326**
Petter Anker Stordalen	Director	-	-	-	**137**	**137**
Jonathan Barlow	Director	-	-	-	-	-
Matthew Lenczner	Director	-	-	-	-	-
Total					**462**	**462**

EXECUTIVE MANAGEMENT

Executive management

(in NOK 1,000)	Position	Salary	Pension cost	Other [1]	Fees	Total remuneration
Daniel Skjeldam	Chief Executive Officer	6,000	897	7,602	-	**14,499**
Torleif Ernstsen	Chief Financial Officer	2,938	333	1,856	-	**5,127**
Asta Lassesen	Chief Commercial Officer	2,000	335	2,570	-	**4,905**
Thomas Westergaard	SVP Product Innovation and Hotel Operations (Until December 10th 2019)	1,875	139	858	-	**2,872**
Bent Martini	Chief Operating Officer (From April 1st 2019)	2,250	219	763	-	**3,232**
Anne-Marit Bjørnflaten	SVP Communications	1,575	90	497	-	**2,162**
Stine Steffensen Børke	Chief Marketing Officer (From March 1st)	1,667	147	70	-	**1,884**
Marit Finnanger	SVP People and Organizational Development (Until December 12th 2019)	1,468	140	84	-	**1,692**
Ole-Marius Moe-Helgesen	Chief Digital Officer	2,015	155	300	-	**2,470**
Tor Geir Engebretsen	Chief Operating Officer/SVP Maritime Operations (Until April 1st 2019)	-	-	-	1,374	**1,374**
Total		**21,788**	**2,455**	**14,600**	**1,374**	**40,217**

The company's CEO receives an annual fixed salary of NOK 6 million. Other benefits include bonus, fixed car remuneration and ordinary phone expenses, Internet, newspaper and home computer allowance. The CEO has a time-limited agreement on a performance-related bonus linked to the operating result before depreciation, amortisation and impairments, in which performance is indexed against the adjusted budgeted operating result before depreciation, amortisation and impairments. This bonus agreement gives the right to a payment of maximum NOK 4 million. The CEO also has an agreement whereby the Board decides the bonus, factoring all the various activities and circumstances during the year. This bonus agreement gives the right to a maximum bonus payment of up to NOK 4 million.

The CEO is included in the company's ordinary defined contribution pension scheme for salaries up to 12G and the defined contribution scheme that provides a pension basis for salaries over 12G. The CEO's conditions of employment do not include any personal pension obligations.

The company's management are members of the company's defined contribution plan. In addition, a supplementary defined contribution pension plan has been established, which provides a pension for any salary in excess of 12 times the National Insurance basic amount (G). The scheme applies to the entire company and covers all employees with salaries over 12G, including members of the executive management and the CEO. The pension costs for the executive management have been included under pension costs above.

A performance-based bonus scheme was introduced for the company's management from 2013. The bonus payments are established applying pre-determined targets/parameters, some of which relate to the Group's overall performance and others to results within managers' individual spheres of responsibility. The maximum bonus for an individual manager is NOK 2 million. The bonus scheme covers certain members of Group management. The CEO has a separate performance-related bonus scheme as described above.

Due to the COVID-19 pandemic and the needed temporary lay-offs, the company has decided to freeze any payments of bonuses achieved in 2019 for 2020 until the situation has improved.

TOTAL COMPENSATION YEAR 2018

BOARD OF DIRECTORS

(in NOK 1,000)	Position	Salary	Pension cost	Other	Fees	Total remuneration
Trygve Hegnar	Chair	-	-	-	**326**	**326**
Petter Anker Stordalen	Director	-	-	-	**137**	**137**
Jonathan Barlow	Director	-	-	-	-	-
Matthew Lenczner	Director	-	-	-	-	-
Total					**462**	**462**

EXECUTIVE MANAGEMENT

(in NOK 1,000)	Position	Salary	Pension cost	Other [1]	Fees	Total remuneration
Daniel Skjeldam	Chief Executive Officer	6,074	851	5,109	-	**12,034**
Torleif Ernstsen	Chief Financial Officer	2,772	286	1,304	-	**4,363**
Asta Lassesen	Chief Commercial Officer	3,033	321	1,385	-	**4,739**
Thomas Westergaard	Operations	1,898	142	791	-	**2,831**
Anne-Marit Bjørnflaten	SVP Communications	1,519	77	490	-	**2,086**
Marit Finnanger	Organisational	1,873	142	402	-	**2,417**
Ole-Marius Moe-	(From November 5th 2018)	320	24	1	-	**346**
Robert Grefstad	(Until November 5th 2018)	1,358	682	281	-	**2,321**
Tor Geir Engebretsen[2]	Officer/SVP Maritime				4,157	**4,157**
Total		**18,847**	**2,526**	**9,765**	**4,157**	**35,294**

1) Including bonus, car allowance and severance benefits for outgoing managers.
2) Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT

NOTE 25B AUDITOR REMUNERATION

(in NOK 1,000)	**2019**	2018
Statutory audit	**3,923**	2,316
Other assurance services	**819**	848
Other non-assurance services	**221**	-
Tax consultant services	**6,008**	4,279
Total	**10,970**	**7,443**

VAT is not included in the fees specified above.

NOTE 26 OTHER OPERATING COSTS

(in NOK 1,000)	**2019**	2018
Other operating cruise costs	**1 244 809**	1 168 842
Sales and administrative costs	**601 164**	486 046
Total other operating costs	**1 845 972**	1 654 889

Operating cruise costs consists of costs such as bunker fuel, harbour costs and repair and maintenance.

Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4.

NOTE 27 OTHER (LOSSES)/GAINS – NET

Other (losses)/gains -net consists of the following items:

(In NOK 1,000)	**2019**	2018
Net gain (loss) on the sale of property, plant and equipment	**(122)**	345
Net unrealised foreign currency loss on balance sheet items	**(1,952)**	7,834
Net gains (loss) on forward currency exchange contracts	**-**	10,262
Net gains (loss) on forward bunker contracts	**(53,418)**	74,193
Total other (losses)/gains	**(55,492)**	92,634

Other losses/gains – net consists of gains and losses that results from revaluation of balance sheet items denominated in foreign currencies to functional currencies at balance sheet date, realised gains/losses on forward bunker fuel contracts, and realised and unrealised gains and losses on fair value adjustments on forward currency contracts.

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are carried out with terms and conditions that are no more favorable than those available, or which might reasonably be expected to be available, in similar transactions between independent parties. Related parties are defined as the key management personnel in the company, shareholders and associates. Associates in 2019 include Green Dog Svalbard AS in which the Group has a 50 per cent shareholding. Green Dog supplies dog-related services on Spitsbergen to Hurtigruten Svalbard AS.

The Group conducted the following transactions with related parties:

TRANSACTIONS WITH ASSOCIATES

(in NOK 1,000)	**2019**	2018
Operating revenues		
Sale of services to Green Dog Svalbard	**579**	983
Operating costs		
Purchase of services from Green Dog Svalbard AS	**8,647**	9,701
Balances with Green Dog Svalbard AS at year-end		
Current receivables	**20**	334
Non-current receivables	**-**	-
Current liabilities	**(278)**	(385)
Net balances with Green Dog Svalbard AS as of 31 December	**(257)**	(51)

NON-CURRENT RECEIVABLES FROM OTHER GROUP COMPANIES AT YEAR-END

(in NOK 1,000)	**2019**	2018
Silk Topco AS	**18,513**	13,530
Silk Midco AS	**182**	-
Coastal Holding AS	**464,375**	437,725
Coastal 1 AS	**97,072**	135,741
Coastal 2 AS	**488**	-
KVE Holding AS	**-**	111,874
Kiberg shipping KS	**127,595**	-
Kiberg Shipping AS	**7,136**	-
Namdalen Wilderness Lodge	**68**	-
Totals	**715,429**	698,870

CURRENT PAYABLES TO OTHER GROUP COMPANIES AT YEAR-END

(in NOK 1,000)	**2019**	2018
Coastal 1 AS	**424 143**	-
Kiberg Shipping KS	**424 143**	-
Totals	**848 287**	-

The current payables for Coastal 1 AS and Kiberg Shipping AS are due to the purchase of MS Richard With and MS Nordlys. The amount will mostly be cleared by the loan that Hurtigruten AS has against Coastal Holding AS (holding company of the two above mentioned selling companies).

TRANSACTIONS WITH SHAREHOLDERS

TRANSACTION WITH TDR CAPITAL LLP

The majority shareholder Silk Holding S.A.R.L is 100% owned by an investment fund managed by TDR Capital LLP. Board members of Silk Topco AS, Matthew Lenczner and Jonathan Rosen, are partners in TDR Capital LLP. Silk Topco AS reimburses travel expenses and other third party expenses to TDR Capital related to their Hurtigruten investment, according to the investment agreement between Silk Topco AS and its shareholders.

(in NOK 1,000)	**2019**	2018
Other operating costs		
Travel and other third party expenses reimbursement to TDR Capital	**(1,987)**	(1,455)
Net Financial Items		
Interest expense to Silk Holding S.A.R.L.	-	(4,823)

NOTE 29 FINANCE INCOME AND EXPENSES

(in NOK 1,000)	**2019**	2018
Interest income on current bank deposits	**5,176**	24,122
Foreign exchange gains	**313,881**	27,684
Dividends	**55**	149
Other finance income	**40,548**	7,844
Finance income	**359,660**	59,798
Interest expenses		
– Borrowings	**(274,546)**	(273,662)
– Capitalised interest on prepayments	**29,392**	16,006
– Interest expenses IFRS 16	**(17,411)**	(18,360)
– Other interest expenses	**(800)**	(26,010)
– Borrowing fees	**(51,714)**	(237,212)
Foreign exchange losses	**(221,443)**	(159,743)
Other finance expenses	**(8,863)**	(1,858)
Finances expenses	**(545,385)**	(700,839)
Finance expenses – net	**(185,725)**	(641,040)

Borrowing fees are mainly connected to amortization of borrowing cost. The increase in 2018 consist of unamortized borrowing cost and redemption fees in relation to the refinancing in February 2018. The borrowing fees for 2019 consist mainly of amortization of current borrowing cost from the loans in Hurtigruten Group AS and Hurtigruten Explorer II AS.

NOTE 30 LEASES

The Group has adopted IFRS 16 from 1 January 2019 using the retrospective approach. The Group leases many assets including ships, office premises, office machinery and apartments. The impact of the change is disclosed in section 2.4 and below.

RESTATED LEASE BALANCES AND EFFECTS FOR 2018

BALANCES PER 31.12.2018 (RESTATED)*

(in NOK 1,000)	Right-of-use asset	Lease commitment, short term	Lease commitment, long term	Effect on retained earnings, implementation effect
Apartments	18,912	2,660	17,172	-921
Office machinery	6,750	4,559	2,468	-277
Office Premises	89,413	21,960	72,082	-4,629
Other machinery	2,624	854	1,792	-22
Ship	181,433	51,628	137,760	-7,955
Totals	**299,132**	**81,661**	**231,275**	**-13,804**

EFFECTS FOR 2018 (RESTATED)*

(in NOK 1,000)	Amortisation of right-of-use asset	Interest expense	Rent expenses	Net P&L effect
Apartments	2,710	697	-3,188	-219
Office machinery	4,958	585	-5,396	-146
Office Premises	19,804	3,943	-23,107	-641
Other machinery	551	44	-583	-13
Ship	60,245	13,091	-70,222	-3,114
Totals	**88,269**	**18,360**	**-102,495**	**-4,133**

*Balances and effects on the income statement for 2018 has been restated. See Note 2 Summary of significant accounting policies

RIGHT-OF-USE ASSETS

(in NOK 1,000)	Ships	Buildings	Office - and other machinery	**Total**
2018				
Balance at 31 December*	181,433	108,324	9,374	**299,132**
2019				
Balance at 1 January	181,433	108,324	9,374	**299,132**
Balance at 31 December	13,848	135,014	6,982	**155,843**

Modifications to right-of-use assets during 2019 were NOK -28.1 million (per 31 December 2018: NOK 387.3 million). Per 31 December 2018, the ships MS Richard With and MS Nordlys was leased from Coastal Holding AS to Hurtigruten Cruise AS. During 2019, the ships was bought by a subsidiary within the Group.

Refer to Note 7 for movements in right-of-use assets.

LEASE LIABILITY

(in NOK 1,000)	**2019**	2018 Restated*
Maturity analysis - Contractual undiscounted cash flows		
Short-term liability		
Less than one year	53,455	96,653
Long-term liability		
One to five years	95,968	235,557
More than five years	35,015	17,593
Total undiscounted lease liability at 31 December	**184,437**	**349,803**
Lease liabilities in the financial statement of financial position at 31 December	**164,343**	**312,936**
Current	47,401	81,661
Non-current	116,942	231,275
		-148,593

AMOUNT RECOGNISED IN PROFIT OR LOSS

(in NOK 1,000)	**2019**	2018 Restated*
Amortisation for the year	**-115,269**	-88,269
Interest on lease liabilities	**-17,411**	-18,360
Total amount recognised in profit or loss	**-132,679**	-106,628

Variable lease payments not included in the measurement of lease liabilities are considered immaterial for the Group per 31 December 2019. Expenses related to leases of low-value assets (excluding short-term leases of low-value assets) and expensed short-term leases is immaterial per 31 December 2019.

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOWS

(in NOK 1,000)	**2019**	2018
Net cash outflow for leases	**-55,849**	-84,136

NOTE 31 EVENTS AFTER THE BALANCE SHEET DATE

NEW LIQUIDITY FINANCING

The group, through the subsidiary Explorer II, has repaid the loan financing of EUR 255 million for MS Roald Amundsen and MS Fridtjof Nansen, with an issuance of a Bond of EUR 300 million in Q1 2020 from the same company.

The group, through the subsidiaries MS Richard With AS and MS Nordlys AS, has in Q1 2020 entered in to a sale-leaseback with a lending of EUR 60 million in total, divided equally on both ship-owning companies.

CHANGE IN PRESENTATION CURRENCY AND FUNCTIONAL CURRENCIES

From 1 January 2020, Hurtigruten will change the presentation currency of the Group from Norwegian kroner (NOK) to euro (EUR), with retrospective application on comparative figures according to IAS 8 and IAS 21 to the extent practicable. The change will be made to reflect that EUR is now the predominant currency in the Group, accounting for a significant amount of the net cash flow. EUR is also the main financing currency for the Group. The change in presentation currency will be applied retrospectively for comparable figures for 2019.

For the parent company and other subsidiaries in the Group, EUR will be the functional currency from 1 January 2020. The change is made to reflect that EUR has become the predominant currency in the companies, counting for a significant part of the cash flow and financing. The change will be implemented with prospective effect.

COVID-19 OUTBREAK

Subsequent to 31 December 2019, the spread of the COVID-19 virus significantly affects the Norwegian and global demand of travel related services. The effect on future cashflows and financial performance of the Group are still dependent on the extent and duration of the outbreak. As of 27 April the Group had a solid liquidity position of NOK 1.3bnm.

The management has done the following actions

- Warm-stacked 14 of 16 ships
- Temporary lay-offs of approximately 73% of the Group’s employees
- Cancelled all non-critical projects
- Cut all non-essential and non-critical consultant and other costs

The Group’s management will continue to monitor the situation and take appropriate action as and when new information is available or more actions are needed.

Hurtigruten Group AS

Parent Company Financial Statements

2019

STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	*Note*	**2019**	2018
Operating costs	*11*	**-13,674**	-9,561
Other (losses) / gains – net		**-409**	-191
Operating profit/(loss)		**-14,083**	-9,752
Finance income	*9*	**132,524**	134,060
Finance expenses	*9*	**-291,517**	-662,090
Finance expenses - net		**-158,993**	-528,030
Profit/(loss) before income tax		**-173,076**	-537,782
Income tax expense	*3*	**37,433**	269,928
Profit/(loss) for the year		**-135,643**	-267,854

STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**2019**	2018
ASSETS			
Non-current assets			
Deferred income tax assets	*3*	**310,602**	269,928
Investments in subsidiaries	*4*	**6,274,501**	6,274,359
Non-current receivables, intragroup	*5, 6, 10*	**894,278**	710,220
Available for sale financial instruments	*6*	**21,928**	24,327
Derivative financial instruments	*6*	**7,571**	57,351
Total non-current assets		**7,508,880**	7,336,185
CURRENT ASSETS			
Trade and other current receivables	*6*	**(30)**	25,866
Intercompany current receivables	*6, 10*	**76**	39,835
Derivative financial instruments	*6*	**25,083**	105,347
Cash and cash equivalents	*6*	**24,820**	3,896
Total current assets		**49,949**	174,944
Total assets		**7,558,829**	7,511,128

(in NOK 1,000)	*Note*	**2019**	2018
EQUITY			
Equity attribute to owners of the parent			
Share capital	*7*	**90**	90
Share premium	*7*	**1,826,688**	1,826,688
Other equity not recognized in the income statement	*7*	**(30,342)**	(28,015)
Retained earnings	*7*	**(1,092,658)**	(957,016)
Total equity		**703,778**	841,747
LIABILITIES			
Non-current liabilities			
Borrowings	*5, 6*	**6,734,355**	6,381,956
Derivative financial instruments		**7,571**	57,351
Total non-current liabilities		**6,741,926**	6,439,308
Current liabilities			
Trade and other liabilities	*5*	**84,801**	89,763
Current income tax liabilities	*3*	**3,242**	-
Derivative financial instruments		**25,083**	140,310
Total current liabilities		**113,125**	230,073
Total equity and liabilities		**7,558,829**	7,511,128

Oslo, 29 April 2020

Trygve Hegnar
Chairman

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	**2019**	2018
Cash flows from operating activities			
Profit/(loss) before income tax		**(173,076)**	(537,782)
Adjustments for:			
Depreciation, amortisations and impairment losses		**-**	-
Currency gains / losses		**(87,615)**	133,044
Interest expenses	*9*	**244,037**	478,854
Change in working capital:			
Trade and other receivables		**65,654**	(687,959)
Trade and other payables		**(4,962)**	3,942
Net cash flows from (used in) operating activities		**44,038**	(609,901)
Cash flows from investing activities			
Purchase of shares and investments in other companies	*6*	**72**	(45)
Net lendings to subsidiaries	*6*	**(178,807)**	(710,220)
Interest received		**-**	-
Net cash flows from (used in) investing activities		**(178,735)**	(710,265)
Cash flows from financing activities			
Drawdown, new borrowings	*5*	**550,050**	2,035,586
Repayment of debt	*5*	**(146,541)**	(239,900)
Interest paid		**(248,619)**	(468,820)
Net cash flows from (used in) financing activities		**154,890**	1,326,866
Currency gains / losses on cash and cash-equivalents		**730**	(5,442)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**20,924**	1,258
Cash and cash equivalents at 1 January		**3,896**	2,638
Cash and cash equivalents at 31 December		**24,820**	3,896

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

Hurtigruten Group AS is owned by Silk Midco AS and the ultimate parent company Silk Topco AS, headquartered at Langkaia 1 in Oslo. Hurtigruten Group AS is the parent in the Hurtigruten Group. The consolidated financial statements can be downloaded from the following website: www.hurtigruten.no. The purpose of Hurtigruten Group AS is being the Group's Treasury, and holding the direct ownership of Hurtigruten Explorer AS and Hurtigruten AS, which operates the main activity of the group.

Refer to the Group's consolidated financial statement for description of the operative activities within the Group. The financial statements of Hurtigruten Group AS for the year ended December 31, 2019 were authorized for issue by the Board of Directors on 29 April 2020.

1.1 BASIS OF PREPARATION

The financial statement of Hurtigruten Group AS has been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The accounting principles set out below have been applied in preparing the financial statements for the year ended 31 December 2019 and the comparative information presented in these financials.

Last year, the accounting principles used for preparing the financial information for the year ending 31 December 2018 was according to the Norwegian Accounting Act §3-9 ("Forenklet IFRS"). Due to the implementation of IFRS 16 in 2019 and extensive reporting requirement under the new standard, the company decided to change the accounting principles as of January 1, 2019 to be prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The change did not affect recognition and measurement in the financial statements or resulted in different classifications compared to the financial statement for the year ended 31 December 2018. Hence, the comparable figures are the same as presented last year.

The accounting principles described in this section are as applied to Hurtigruten Group AS company only and do not describe the principles applied to the Hurtigruten Group accounts. The notes for the Hurtigruten Group are presented with the consolidated accounts for the Group.

A) USE OF ESTIMATES

Preparation of the accounts in accordance with generally accepted accounting principles requires that management make estimates and assumptions which have an effect on the value of assets and liabilities on the balance sheet and reported revenues and expenses for the accounting year. The ultimate values realised may deviate from these estimates.

B) FOREIGN CURRENCY TRANSLATION

All foreign currency translations are converted to NOK at the date of the transaction. All monetary items denominated in foreign currency are translated at the exchange rate at the balance sheet date. Derivates designated as hedging instruments in fair values hedges are measured at fair value. Other non-monetary items in foreign currencies recognised in accordance with the cost method are translated to NOK using the exchange rate applicable on the transaction date. Changes to exchange rates are recognised in the statement of profit and loss as they occur.

C) INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES

In Hurtigruten Group AS, investment in subsidiaries and associated companies are recorded in accordance with the cost method, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary and reversed if the reason for the impairment loss in no longer present in subsequent periods.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

D) CLASSIFICATION PRINCIPLES

Liquid assets are defined as cash and bank deposits.

Other assets intended for permanent ownership or use and receivables that mature more than one year after the end of the accounting year are identified as non-current assets. Other assets are classified as current assets and recognised at the lower of cost and fair value.

Liabilities that fall due later than one year after the end of the accounting year are classified as non-current liabilities and recognised at nominal value. Other liabilities are classified as current liabilities which are recognised at nominal value.

E) INCOME TAX

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date which implies increased or decreased tax payable when these differences reverse in future periods. Temporary differences are differences between taxable profit and results that occur in one period and reverse in future periods. Deferred tax is calculated applying the nominal tax rate to temporary differences and accumulated tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

F) ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts.

G) DERIVATIVES AND HEDGING

The company uses derivatives to hedge exposure against bunker oil prices (cash flow hedge). Hedges are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured at fair value on an ongoing basis. Changes are recognized directly in equity.

Hedge gains or losses recognised in in equity are recycled over profit and loss in the period during which the hedged item affects the income statement (for example, when the forecasted sales transaction is taking place).

H) CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash and bank deposits.

NOTE 2 FINANCIAL RISK

As a result of ordinary operations expose the company to risk related to fluctuations in exchange and interest rates. The company is covered by the Groups hedging strategy. Further information can be found in the consolidated group accounts.

MARKET RISK

a) Currency risk

The Company has significant loan receivables and payables in foreign currencies and is thus exposed to currency risk.

In 2018, a Senior Facility Term Loan of EUR 575 million and EUR 85 million Senior Secured Revolving Credit Facility were established to replace the previous EUR 455 million Bond Facility and repay the outstanding EUR 85 million Senior Secured Revolving Credit Facility. The facility has a tenure of 7 years. A full utilization of the Term Loan until maturity is assumed and no repayment of any facility unless so required per documentation. As of 31 December 2019, the outstanding principal of the Senior Facility Term Loan is EUR 655 million. The company has drawn EUR 40 million on the RCF as of 31 December 2019. The Company pays semi-annual interests on the Senior Facility Term Loan which represent a currency risk. The semi-annual payment of interest is partially hedged through the Group’s net revenue in euro. See the Group financial statements, note 4 for more detail.

b) Price risk

The company has limited business activities, hence no significant price risk.

c) Interest rate risk

The company’s borrowings and draws of the Group bank accounts are made at floating rates. Loans subject to a variable interest rate present a risk to the Group’s overall cash flow, while fixed interest rates expose the Company to fair-value interest rate risk. The Company has no specific hedging strategy to reduce variable interest rate risk.

CREDIT AND LIQUIDITY RISK

The Company has no significant concentration of credit risk.

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Company takes part of the Group’s group account that ensures that part of the Group’s unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Finance function has overall responsibility for managing the Group’s liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group’s obligations and financial loan covenants. See the Group financial statements, note 4 for more detail.

NOTE 3 INCOME TAX

THE INCOME TAX EXPENSE FOR THE YEAR CAN BE BROKEN DOWN AS FOLLOWS

(in NOK 1,000)	**2019**	2018
Income tax payable, current year	**3,242**	-
Income tax payable, adjustments regarding previous years	**-**	-
Change in deferred tax, current year	**-40,109**	-282,197
Change in deferred tax, adjustments regarding previous years	**-566**	12,269
Total income tax expense	**-37,433**	-269,928

RECONCILIATION OF EFFECTIVE TAX TO NOMINAL TAX RATE

(in NOK 1,000)	**2019**	2018
Profit/(loss) before tax from operations	**-173,076**	-537,782
Tax rate	**22 %**	23 %
Calculated tax expense at nominal tax rate	**-38,077**	-123,690
Change in the income tax expense as a result of:		
– unrecognised deferred income tax assets	**-**	-158,507
– change in tax rate	**-566**	12,269
– permanent differences	**1,209**	-
Income tax expense	**-37,433**	-269,928
Weighted average tax rate	22 %	50 %

SPECIFICATION OF DEFERRED TAX ASSETS (+) / LIABILITIES (-)

2019

(in NOK 1 000)	**Opening balance**	**Tax expense**	**Recognised in other compr. income**	**Closing balance**
Non-current items				
Other non-current items	-29,520	2,903	-	-26,617
Totals	**-29,520**	**2,903**	**-**	**-26,617**
Current items				
Derivatives	7,692	-7,692	-	-
Totals	**7,692**	**-7,692**	**-**	**-**
Tax loss carry forwards	291,755	-78	-	291,678
Interest carry forwards	-	45,542	-	45,542
Valuation allowance	-	-	-	-
Total def. tax asset / (liability)	**269,928**	**40,675**	**-**	**310,602**
Carr. value of def. tax asset	269,928	40,675	-	310,602
Carr. value of def. tax liabilities	-	-	-	-
Net	**269,928**	**40,675**		**310,602**

2018

(in NOK 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Closing balance
Non-current items				
Other non-current items	-	-29,520	-	-29,520
Totals	**-**	**-29,520**	**-**	**-29,520**
Current items				
Derivatives	-	7,692	-	7,692
Totals	**-**	**7,692**		**7,692**
Tax loss carry forwards	165,399	126,356		291,755
Valuation allowance	-165,399	165,399		-
Total def. tax asset / (liability)	**-**	**269,928**	**-**	**269,928**

The deferred income tax assets relating to tax loss carry-forwards are recognised in the statement of financial position to the extent that the Company can utilise the tax loss carry-forward against future taxable income.

NOTE 4 INVESTMENTS IN SUBSIDIARIES

(NOK 1,000)	Registered office	Ownership/voting share	Carrying value
Hurtigruten AS	Tromsø, Norway	100.0 %	6,274,309
Hurtigruten Explorer AS	Tromsø, Norway	100.0 %	50
Hurtigruten Ship Holding AS	Tromsø, Norway	100.0 %	30
Hurtigruten Coastal Fleet AS	Tromsø, Norway	100.0 %	30
Hurtigruten Expedition Fleet AS	Tromsø, Norway	100.0 %	30
Hurtigruten Onshore Operations	Tromsø, Norway	100.0 %	52
Net			**6,274,501**

NOTE 5 RECEIVABLES AND LIABILITIES

TRADE AND OTHER CURRENT RECEIVABLES

(in NOK 1 000)	**2019**	2018
Intercompany trade receivables	**76**	39,835
Miscellaneous current receivables	**(30)**	25,866
Total trade and other current receivables	**46**	65,700

RECEIVABLES THAT MATURE IN MORE THAN ONE YEAR

(in NOK 1 000)	**2019**	**2018**
Non current receivables intragroup	**894,278**	710,220
Total receivables that mature in more than one year	**894,278**	710,220

TRADE AND OTHER CURRENT PAYABLES

Trade and other current payables		
(in NOK 1 000)	**2019**	2018
Trade payables	**590**	1,472
Accrued interests	**83,680**	83,706
Accrued expenses	**530**	4,585
Total trade and other current payables	**84,801**	89,763

MATURITY PROFILE OF NOMINAL BORROWING

Maturity profile of nominal borrowing		
(in NOK 1 000)	**2019**	**2018**
Non-current borrowings	**6,734,355**	6,381,956
Capitalised interest amortisation	**120,986**	134,180
Total liabilities, nominal value	**6,855,341**	6,516,136

REPAYMENT PROFILE FOR INTEREST-BEARING LIABILITIES

(in NOK 1 000)	**2019**	**2018**
2024	**6,855,341**	**6,516,136**
Maturity of total liabilities	**6,855,341**	6,516,136

The company's main source of financing is a Term Loan B with EURIBOR floating interest + margin. The facility has a face value of EUR 655 million. The loan was issued in February 2018 (EUR 575 million) as a refinancing of the existing Senior Secured Bond of EUR 455 million and the revolving Credit facility of EUR 85 million which both were terminated. The Term Loan was increased in November 2018 (EUR 80 million) to repay outstanding NOK bond and for general corporate purposes (incl. further investments in the fleet).

COLLATERALIZED ASSETS

Hurtigruten Group AS as well as its subsidiaries Hurtigruten AS, Hurtigruten Svalbard AS, Hurtigruten Sjø AS and Hurtigruten Pluss AS has pledged cash and cash equivalents, intercompany receivables and shares in subsidiaries as security for the above loans.

(in NOK 1 000)	**2019**	**2018**
Booked value of collateralized assets	**8.719.130**	3.509.051

NOTE 6 CASH AND CASH EQUIVALENTS

(in NOK 1 000)	**2019**	2018
Cash and bank deposits in cash pool	24,820	3,896
Total cash and cash equivalents	**24,820**	**3,896**

NOTE 7 EQUITY

(in NOK 1,000)	**Share capital including treasury shares**	**Share premium**	**Retained earnings**	**Other equity**	**Total Equity**
Balance at 1 January 2018	90	1,826,688	(689,162)	-	**1,137,616**
Profit/(loss) for the year	-	-	(267,854)	-	**(267,854)**
Change in fair value of equity investments recognised in OCI	-	-	-	(28,015)	**(28,015)**
Balance at 31 December 2018	90	1,826,688	(957,016)	(28,015)	**841,747**
Balance at 1 January 2019	90	1,826,688	(957,016)	(28,015)	**841,747**
Profit/(loss) for the year	-	-	(135,643)	-	**(135,643)**
Change in fair value of equity investments recognised in OCI	-	-	-	(2,326)	**(2,326)**
Balance at 31 December 2019	90	1,826,688	(1,092,659)	(30,341)	**703,778**

(in NOK 1 000)	**Number of shares**	**Share premium**	**Nominal value**	**Total**
Share capital	30	1,826,688	90	1,826,778

Shareholders	**Number of shares**	**Shareholding (%)**
Silk Midco AS	30	100.00

All shares carry the same rights in the company.

NOTE 8 REMUNERATION

AUDIT REMUNERATION

(in NOK 1,000)	**2019**	2018
Statutory audit	182	98
Tax consultant services	514	-
Total	**696**	**98**

VAT is not included in the fees specified above.

The company has no employees and there is as such no obligation to establish an obligatory service pension plan according to the Norwegian service plan act.

NOTE 9 FINANCIAL INCOME AND EXPENSES

(in NOK 1 000)	**2019**	2018
Interest income intragroup	**30,319**	81,917
Other finance income	**(2,571)**	39,183
Interest income on current bank deposits	**199**	10
Foreign exchange gains	**104,578**	12,950
Total finance income	**132,524**	134,060

(in NOK 1 000)	**2019**	2018
Interest expenses	**-274,554**	-478,854
Foreign exchange losses	**-16,963**	-183,236
Total financial expenses	**-291,517**	-662,090
Finance expenses - net	**-158,993**	-528,030

NOTE 10 RELATED PARTIES

TRANSACTIONS WITH GROUP COMPANIES

(in NOK 1,000)	**2019**	2018
Purchase of services from Group companies		
Hurtigruten Pluss AS	**334**	318
Purchase of services from Group companies	**334**	318
Interest income from Group companies		
Hurtigruten AS	**8,306**	19,962
Coastal Holding AS	**22,013**	-
Total interest income from Group companies	**30,319**	19,962
Fee borrowings received from Group		
Hurtigruten AS		61,955
Total fee borrowings received from Group	**-**	61,955

INTRAGROUP BALANCES

(in NOK 1 000)	**2019**	2018
Non-current receivables due from Group companies		
Hurtigruten AS	**429,903**	272,495
Coastal Holding AS	**464,375**	437,725
Total non-current receivables due from Group companies	**894,278**	710,220
Trade and other current receivables from Group companies		
Hurtigruten AS	**2,647**	(1,765)
KVE Holding AS		2,417
Hurtigruten Sjø AS	**(2,571)**	2,571
Hurtigruten Eiendom AS		772
Hurtigruten Pluss AS		35,839
Trade and other current receivables from Group companies	**76**	39,835

NOTE 11 OPERATING COSTS

(in NOK 1,000)	**2019**	2018
Legal services	**100**	813
Other services	**13,569**	8,700
Other general expenses	**5**	48
Total other operating costs	**13,674**	9,561

NOTE 12 EVENTS AFTER BALANCE SHEET DATE

There are no material events after balance sheet date related to Hurtigruten Group AS. For events after balance sheet date related to the Group, please see note 29 in the Consolidated Annual Financial Statements.

To the General Meeting of Hurtigruten Group AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hurtigruten Group AS, which comprise:

- The financial statements of the parent company Hurtigruten Group AS (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of profit and loss and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Hurtigruten Group AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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pwc

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29 April 2020
PricewaterhouseCoopers AS

Stig Arild Lund
State Authorised Public Accountant

First quarter report 2020

Hurtigruten Group AS

Consolidated Financial Statements

Published 26 May 2020

All time high reported EBITDA in spite of the COVID-19 pandemic

Suspension of operations from 18 of March

Highlights

- Prior to suspension of operations as a result of COVID-19, Hurtigruten achieved all-time high results:
    - Revenue growth in first quarter of 2020 with total revenue increase of 8.3% to EUR 140.2 million (first quarter 2019; EUR 129.4 million) driven by higher capacity from and higher gross yield per cruise night
    - First quarter 2020 normalized adjusted EBITDA before other gains and losses of EUR 19.2 million (first quarter 2019; EUR 19.7 million), down -2.5% driven by COVID-19 effects in March.
        - The negative impact of COVID-19 on normalized adjusted EBITDA was approximately EUR 5.8 million.
    - First quarter 2020 reported EBITDA EUR 19.8 million (2019; EUR 15.7 million) which is an increase of 26.2% or EUR 4.1 million
        - Gross yield per cruise night increasing with 15.3% and 29% for the Coastal and Expedition segments respectively
        - Net yield per cruise night increasing with 20.7% and 33.3% for the Coastal and Expedition segments respectively
- Although Hurtigruten has had no suspected or confirmed cases of Covid-19 on our ships, operations were suspended from 18th March due to travel restrictions:
- Currently operating only 2 vessels on a shortened route in Northern Norway serving local communities with a freight and local transport services
    - Receiving the entirety of the payment of the government contract of approx. EUR 6.5 million per month
    - 14 of 16 vessels placed in "warm stack" layup and temporary layoff of a large majority of the staff to cut operating costs
    - Expected to resume operations with 4 ships in the Coastal segment on the 16th of June
    - Based on current signals from the Norwegian government they expect the Nordics to open up in mid-June and Germany in mid-July or mid-August.
- 2021 Pre-booking levels for 2021 are very strong: as of 22 of May they are 3.8% higher compared with same time last year for 2020 driven by a significant amount of re-bookings from 2020 sailings
- Solid liquidity position of EUR 100m as of 19th of May with only approx. 10m EUR in refund requests from cancelled sailings (20% of associated customer deposits)

Key figures[1,2,3]

EUR 1 000	**1st quarter 2020**	1st quarter 2019	% Change	Full year 2019
Operational revenues	**119,084**	110,867	7.4 %	536,252
Contracual revenues	**21,090**	18,563	13.6 %	72,563
Total revenue	**140,174**	129,430	8.3 %	608,815
EBITDA	**19,811**	15,697	26.2 %	123,169
Other gains/(losses) – net	**1,038**	(1,891)	-154.9 %	(5,619)
EBITDA excl Other gains (losses)	**18,773**	17,588	**6.7 %**	128,788
Normalised adjusted EBITDA	**19,230**	19,717	**-2.5 %**	144,989
Norwegian Coast				
PCNs	**227,362**	324,349	-29.9 %	1,313,956
Gross ticket yield	**271**	235	15.3 %	278
Occupancy rate	**59.9 %**	82.4 %	-23 p.p.	81.2 %
Expedition				
PCNs	**78,483**	51,434	52.6 %	221,591
Gross ticket yield	**643**	498	29.1 %	610
Occupancy rate	**75.1 %**	93.2 %	-18 p.p.	77.0 %

[1] The figures presented in this report are unaudited

[2] Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring.

[3] On January 1st 2020, the Group changed reporting currency to EUR, at the same time as the parent company and the major subsidiaries in the Group changed the functional currency to EUR. See note 1 to the Interim Financial Statements.

About Hurtigruten

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 16 expedition cruise vessels, where the new tailor-made expedition cruise vessels MS Roald Amundsen was delivered in June 2019, and MS Fridtjof Nansen was delivered in December 2019. Hurtigruten opens a unique gateway to experiences all over the world from the Arctic to warmer waters and down to Antarctica and along the Norwegian coast to travelers from all over the world. Hurtigruten's operations builds on a rich heritage, having connected the many coastal communities in Norway since 1893 and has operated expedition cruises since 1896 with the first sailing from Hammerfest to Svalbard. Today, Hurtigruten combines a deeply-rooted desire to offer genuine local experiences while leaving a smaller footprint when shaping the future of the growing expedition cruise market. For more information on Hurtigruten, please visit http://www.hurtigruten.no/.

Hurtigruten has three business segments:

Hurtigruten Norwegian Coast

Expedition cruises

Landbased

Hurtigruten Norwegian Coast

The largest segment with 11 ships providing expedition cruises along the Norwegian coast between Bergen and Kirkenes making 33 northbound and 32 southbound port calls on an 11-day round trip. The segments customers are predominantly international adventure and expedition cruise travellers.

The vessel schedule and infrastructure are leveraged to provide local transport and freight services on top of the expedition cruise offering where Hurtigruten receives an annual fixed fee from the Norwegian government under the coastal service contract.

From 2021 this segment will operate 7 ships under the new State agreement compared to 11 ships today. The segment accounted for 73% of group revenues for the full year of 2019 and 60% of revenues in the first quarter of 2020.

Expedition cruises

The second largest segment offering unique expedition cruises using the vessels MS Fridtjof Nansen, MS Roald Amundsen, MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and Expedition cruises segments) as well as MS Nordstjernen which is leased and operated on the archipelago of Svalbard in the summer season. The Expedition cruises segment was strengthened in 2019 with the two new purpose-built 530 passenger polar cruise vessels MS Roald Amundsen and MS Fridtjof Nansen, the latter having its first showcase sailings in March 2020.

The segment accounted for 22% of group revenues for the full year 2019 and 36% of revenues in the first quarter of this year. From 2021 the Expedition Cruises segment will be Hurtigruten's largest segment when three of the largest vessels from the Hurtigruten Norwegian Coast segment will be transferred to the Expedition Cruises segment.

Landbased

Comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard and Kirkenes. Hurtigruten Svalbard operates three hotels and an equipment store and Hurtigruten Barents the Landbased operation in Kirkenes. This segment accounted for 5% of the total revenues for the full year of 2019, and 4% of the revenues in the first quarter.

Group Function & other

This segment includes all the cost associated with the head office including group management and all cost associated with supporting the operational business segments with strategy, funding, liquidity and other operational support. Costs related to sales, marketing and brand building is not allocated to the different operational business segments as the commercial organisation is distributing services across all the operational segments.

Operational review

In the end of first quarter of 2020, Hurtigruten is in an unprecedented situation, where for the first time in 127 years, 14 of the 16 ships lay idle due to the COVID-19 pandemic that has significantly affected the Norwegian and Global demand for travel related services.

In the middle of March, Hurtigruten had to terminate the majority of ongoing cruises, send the passengers on board home, and cancel the subsequent planned cruises. As of now, cruises on the Norwegian coast are cancelled up until June 15, while all the expedition cruises are temporarily suspended. Two vessels, MS Richard With and MS Vesterålen have been servicing the Norwegian Coast between Bodø and Kirkenes, to ensure local transportation and transfer of goods, in agreement with the Norwegian Department of Transportation. The remaining 14 ships are temporarily warm-stacked in clusters along the Norwegian coast. Further, the management has temporarily laid off a large majority of the Group's employees, cancelled all non-critical projects and cut all other non-critical costs.

The Groups financial performance in the first quarter is severely impacted by the COVID-19 pandemic. Before the pandemic hit the travel industry with full force, the operations were strong, with substantial improvements over first quarter last year.

Although operations almost fully stopped in the last weeks of the first quarter, normalized adjusted EBITDA decreased only by 2.5% to EUR 19.2 million. There was an underlying growth in the quarter driven both by the inclusion of MS Roald Amundsen to the expedition fleet, giving an increased capacity, as well as a significant growth in yield in both the Expedition and Coastal segment. However, the results in the first quarter is heavily impacted by reduced revenue the last weeks of the quarter, as well as costs related to the repatriation of guests onboard the cruise vessels when the Covid-19 pandemic shut down the operations. The negative net impact of COVID-19 on reported EBITDA before other gains and losses for the first quarter results was approximately EUR 8 million, which includes cancelled voyages, other voyage related disruptions and cost savings implemented as a response to COVID-19. Net normalized EBITDA impact is at EUR 5.8 million (adjusted for COVID-19 related passenger costs).

Total reported EBITDA increased by EUR 4.1 million (26.2%) compared to same quarter last year. The increase is mainly driven by the inclusion of MS Roald Amundsen in late 2019 and strong performance in the expedition segment in Q1.

Furthermore, Hurtigruten has invested in SG&A through marketing and increased FTEs within the sales and marketing departments and increasing our inhouse digital distribution capabilities to support the growing business. With the long presale period the sales and marketing department has to be scaled today for the capacity we are selling in 2020, 2021 and 2022 and as a result the SG&A is front loaded compared to the revenue.

Total Passenger Cruise Nights (PCN) for the two cruise segments decreased with 18.6% in the first quarter of 2020 compared to the same period last year due to the Covid-19 pandemic. Adjusted for the Covid-19 effect Hurtigruten experienced a decreased volume from low yielding shorter duration trips volume in the Coastal segment which was offset by the increased volume in the Expedition segment due to the addition of MS Roald Amundsen.

In the first quarter, the occupancy decreased 20.6 pp. to 63.2% driven by the suspension of operations in March due to Covid 19. Adjusted for the effect of Covid-19 the occupancy was down 5.7%. The reduction in in occupancy is driven by a lower level of full ship charters in Antarctica and lower volume of low yielding short voyages in the Coastal segment. However, we saw a strong increase in net yield with 20.7% and 33.3% for the Coastal and Expedition segments respectively that more than offset the drop in occupancy. This was driven by the introduction of the MS Roald Amundsen and a price increase of the popular Northern Light cruise product on the Norwegian Coast in combination with a larger share of higher yielding voyages. We expect the yield levels to continue when operations resume post the Covid-19 outbreak.

In the Expedition segment in the first quarter of 2020, the vessels MS Fram, MS Midnatsol and MS Roald Amundsen operated in the Antarctica with sailings along the South-American coast and Antarctica.

Maritime operations continued to perform well across the company and there were no material incidents in the first quarter. A total of 345 missed port calls (excluding Covid-19) in the Coastal segment were registered in the first quarter, primarily due to adverse weather conditions in addition to unplanned maintenance.

Hurtigruten had a strong position with record level pre-booking going into 2020 and a healthy financial outlook. Due to the Covid-19 pandemic short-term bookings have seen a negative impact though we see a good inflow of 2021 bookings. We have temporary suspended operations and is evaluating when we are going to re-start operations. Pre-booking levels for 2021 as of 24nd of May are 3.8% higher compared with same time last year for 2020 driven by a significant amount of re-bookings from 2020 sailings.

Results of operations

The following table presents, for the periods indicated, the revenues, operating profit, EBITDA and EBITDA margin by reporting segment and for the Group as a whole:

(in EUR 1 000) **Total operating revenues**	**1st quarter 2020**	1st quarter 2019	% Change	Full year 2019
Hurtigruten Norwegian Coast	**83,964**	96,186	-12.7%	444,040
Expedition	**50,473**	25,615	97.0%	135,190
Landbased	**5,948**	7,643	-22.2%	30,432
Group functions, Other and Eliminations	**(211)**	(15)	1303.4%	(847)
Total	**140,174**	129,430	8.3%	608,815
Operating profit/(loss)				
Hurtigruten Norwegian Coast	**16,640**	20,789	-20.0%	132,009
Expedition	**18,687**	7,866	137.6%	39,112
Landbased	**(306)**	1,000	-130.6%	1,392
Group functions, Other and Eliminations	**(25,486)**	(26,638)	-4.3%	(105,113)
Total	**9,535**	3,017	-216.0%	67,400
EBITDA				
Hurtigruten Norwegian Coast	**22,451**	28,472	-21.1%	168,156
Expedition	**23,195**	10,335	124.4%	47,571
Landbased	**470**	1,764	-73.3%	4,558
Group functions, Other and Eliminations	**(26,304)**	(24,874)	5.8%	(97,116)
Total	**19,811**	15,697	26.2%	123,169
EBITDA margin				
Hurtigruten Norwegian Coast	**26.7 %**	29.6 %	-2.9 p.p.	37.9 %
Expedition	**46.0 %**	40.3 %	5.6 p.p.	35.2 %
Landbased	**7.9 %**	23.1 %	-15.2 p.p.	15.0 %
Group functions, Other and Eliminations	**NM**	NM		
Total	**14.1%**	12.1%	.2 p.p.	20.2%
Normalized adjusted EBITDA				
Hurtigruten Norwegian Coast	**26,937**	31,300	-13.9 %	176,352
Expedition	**18,478**	9,845	87.7 %	55,671
Landbased	**436**	1,756	-75.2 %	4,325
Group functions, Other and Eliminations	**(26,621)**	(23,184)	14.8%	(91,359)
Total	**19,230**	19,717	-2.5%	144,988

Segment review

Hurtigruten Norwegian Coast

EUR 1 000	**1st quarter 2020**	1st quarter 2019	Change	Full year 2019
Operational revenues	**62,874**	77,623	-19.0 %	371,477
Contracual revenues	**21,090**	18,563	13.6 %	72,563
Total revenue	**83,964**	96,186	-12.7 %	444,040
EBITDA	**22,451**	28,472	-21.1 %	168,156
Other gain/(losses) - net	**(4,074)**	(2,597)	56.9 %	(5,826)
EBITDA excl other gains/(losses)	**26,525**	31,068	-14.6 %	173,982
Normalised adjusted EBITDA	**26,937**	31,300	-13.9 %	176,352

The following table does not include the State Contract's contractual revenue, nor the goods and other operating revenue originated by the Norwegian Coast activity.

EUR 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter	**1st quarter 2020**	1st quarter 2019	Full year 2019
PCNs	**227,362**	324,349	1,313,956
APCNs	**379,778**	393,524	1,619,108
Occupancy rate	**59.9%**	82.4%	81.2%
Gross ticket revenues	**61,558**	76,183	365,744
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	**10,350**	14,499	63,511
Food, beverage, shop, excursions	**7,539**	10,153	41,725
Net ticket revenues	**43,669**	51,531	260,508
Gross ticket revenues per PCN (EUR)	**271**	235	278
Net ticket revenues per PCN (EUR)	**192**	159	198
Ship operating costs	**57,303**	64,885	268,975
Selling, general and administrative expenses	**136**	246	1,072
Gross cruise costs	**57,439**	65,132	270,047
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	**10,350**	14,499	63,511
Food, beverage, shop, excursions	**7,539**	10,153	41,725
Net cruise costs	**39,550**	40,480	164,811
Net cruise costs per APCN (EUR)	**104**	103	102
Fuel consumption (liter/nautical mile)	**91.4**	79.1	80.3
Fuel cost per liter	**0.80**	0.76	0.73

Operational revenue excluding the contractual income from the Norwegian state agreement, decreased by EUR 15 million, or 19%, to EUR 63 million in first quarter compared to same quarter last year. The decreased occupancy in first quarter is mainly due to the pandemic Covid-19 and halted operations from mid-March. Based on pre-booking levels as of mid-March the estimated negative COVID-19 revenue effect for first quarter 2020 is approximately 11 percentage points in occupancy and revenue effect of EUR 13.9m. Occupancy in January and February were also slightly lower due to higher yields than previous year as a result of a strategic decision to raise price on the attractive winter cruise product.

Gross ticket revenue per PCN increased by 15.3% to EUR 271 in first quarter compared to same quarter last year. The increase is driven by a combination of passenger mix, higher prices and increased sales of excursions. Net ticket revenue per PCN increased with 20.9% to EUR 192 in the first quarter compared to same quarter last year.

Net cruise cost per Available Passenger Cruise Night (APCN) increased with 1.2% to EUR 104 in first quarter compared to same period last year, driven primarily by costs in relation to the stop in operations and repatriation of guests.

Expedition cruises

EUR 1 000	**1st quarter 2020**	1st quarter 2019	Change	Full year 2019
Operational revenues	**50,473**	25,615	97.0 %	135,190
Total revenue	**50,473**	25,615	97.0 %	135,190
EBITDA	**23,195**	10,335	124.4 %	47,571
Other gain/(losses) - net	**6,591**	876	652.5 %	298
EBITDA excl other gains/(losses)	**16,604**	9,459	75.5 %	47,273
Normalised adjusted EBITDA	**18,478**	9,845	87.7 %	55,671

EUR 1 000 Except for PCNs, APCNs, rate, fuel consumption and fuel cost per	**1st quarter 2020**	1st quarter 2019	Full year 2019
PCNs	**78,483**	51,434	221,591
APCNs	**104,509**	55,189	287,696
Occupancy rate	**75.1 %**	93.2 %	77.0 %
Gross ticket revenues	**50,473**	25,615	135,205
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	**10,462**	6,589	35,103
Food, beverage, shop, excursions	**3,913**	1,293	7,594
Net ticket revenues	**36,097**	17,733	92,508
Gross ticket revenues per PCN (EUR)	**643**	498	610
Net ticket revenues per PCN (EUR)	**460**	345	417
Ship operating costs	**33,860**	16,129	87,521
Selling, general and administrative expenses	**8**	27	396
Gross cruise costs	**33,868**	16,156	87,917
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	**10,462**	6,589	35,103
Food, beverage, shop, excursions	**3,913**	1,293	7,594
Net cruise costs	**19,493**	8,274	45,220
Net cruise costs per APCN (EUR)	**187**	150	157
Fuel consumption (liter/nautical mile)	**104.7**	92.2	87.3
Fuel cost per liter	**0.75**	0.71	0.69

The Expedition segment had a very strong performance on all parameters which is driven by the introduction of MS Roald Amundsen in second half of 2019. This state-of-the-art vessel had her first sailing 2nd of July. Available Passenger Cruise Nights (APCN) increased with 89.4%, while Passenger Cruise nights (PCN) increased with 52.6%, resulting in a decrease in occupancy of 18.1 ppt The decrease is driven by having fewer 100% occupancy full block charters in Q1 2020 than in 2019, and the effects of the COVID-19 pandemic on operations for the last sailings in March (Adjusted for Covid-19 the occupancy was 84%).

The gross ticket revenue was EUR 50.5 million in the first quarter of 2020, an increase of 24.9 million, or 97.0% compared with first quarter of 2019. Net ticket revenue per PCN increased with 33.4% to EUR 460 in first quarter compared with same period last year.

Net cruise cost per available passenger cruise night (APCN) increased by 24.4% to EUR 187 in the first quarter, compared to last year, in particular due to increase in passenger cost related to the pandemic crisis which amounted to EUR 2 million.

First quarter segment EBITDA was EUR 23.2 million, an increase of 124.4% from EUR 10.3 million in the same period in 2019.

The performance of the Expedition segment in 2020 will depend on the development of the pandemic and when we will be able to resume operations. As of now, the situation is still changing at a high pace, but our ambition is to continue our sailings as soon as the situation allows it. However, there is no doubt that the performance in 2020 will be highly impacted by COVID-19.

Landbased

The Landbased segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard in addition operations in Hurtigruten Barents which is excursions and other services in our turn around port of Kirkenes. Hurtigruten Svalbard operates three hotels and an equipment store.

EUR 1 000	**1st quarter 2020**	1st quarter 2019	Change	Full year 2019
Operational revenues	**5,948**	7,643	-22.2 %	30,432
Total revenue	**5,948**	7,643	-22.2 %	30,432
EBITDA	**470**	1,764	-73.3 %	4,558
Other gain/(losses) - net	**34**	8	308.3 %	23
EBITDA excl other gains/(losses)	**436**	1,756	-75.2 %	4,536
Normalised adjusted EBITDA	**436**	1,756	-75.2 %	4,325

The Landbased segment had first quarter operational revenue of EUR 5.9 million, against EUR 7.6 million in first quarter last year. The decrease is mainly driven by the effects of the COVID-19 pandemic on operations. In March, tourism in Svalbard was temporarily stopped, and the segment had no revenues for the last few weeks of the quarter.

EBITDA decreased with EUR 1.3 million compared to last year, driven by the close down of operations.

Group Functions, Other and Eliminations

EUR 1 000	**1st quarter 2020**	1st quarter 2019	Change	Full year 2019
Operational revenues	**(211)**	(15)	1303.4 %	(847)
Total revenue	**(211)**	(15)	1303.4 %	(847)
EBITDA	**(26,304)**	(24,874)	5.8 %	(97,298)
Other gain/(losses) - net	**(1,512)**	(179)	746.8 %	(113)
EBITDA excl other gains/(losses)	**(24,792)**	(24,696)	0.4 %	(97,185)
Normalised adjusted EBITDA	**(26,621)**	(23,184)	14.8 %	(91,541)

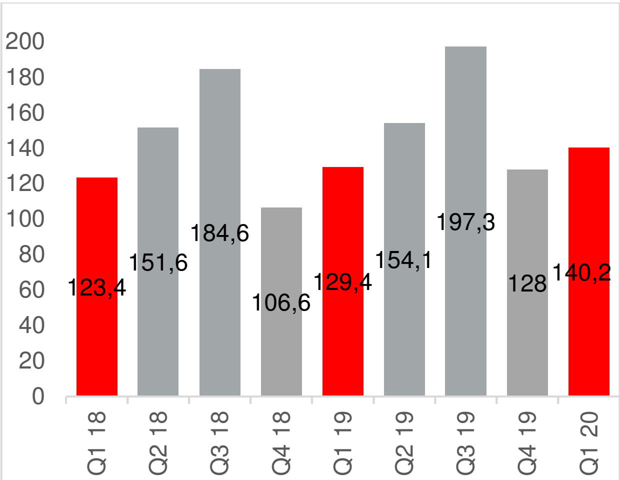
The supporting segment Group Functions has a net negative EBITDA of EUR 26.3 million in first quarter, which is an increased loss of 5.8% from same period last year. The quarter over quarter increase is driven by investment in the organization and marketing efforts to support the growing business. Due to the long presale period the sales and marketing department had to be scaled in 2019 and 2020 for the capacity we are selling in 2020, 2021 and 2022. This growth is then partly offset by the massive cost reductions, furloughs and stops in sales and marketing and development projects that was immediately initiated when the operations were reduced to a minimum in March.

Financial review

The financial information for the three months ended 31 March 2020 discussed below is derived from the unaudited consolidated financial statements of Hurtigruten Group AS as of this date, and the unaudited consolidated financial statements for the three months ended at 31 March 2019.

Profit and loss

Revenue per quarter (EUR million)



Group revenue increased by EUR 8.3%, or EUR 10.7 million to EUR 140,2 million in the first quarter of 2020, compared to last year. The increase in revenue was mainly due to the inclusion of MS Roald Amundsen to Hurtigruten's portfolio. Contractual revenue from the state agreement for the passenger transportation on the Norwegian coast increased by 13.6%.

Total personnel expense was EUR 30.9 million, a decrease of 4.8% year over year. Crew expenses are in line with last year driven by an increase due to the introduction of Amundsen and Nansen offset by a costs reduction due to COVID-19. SG&A Personnel expense was down EUR 2 million, driven by COVID-19 cost reductions (furloughs) in March. The decrease this year is driven by reduction in costs for administrative and sales and marketing resources, driven by the initiatives to reduce cost in relation to the stop in operations.

Specification of other operating costs

(EUR 1 000)	**1st quarter 2020**	1st quarter 2019	% change	Full year 2019
Cost of goods sold [1]	**(34,331)**	(35,379)	-3.0 %	(158,570)
Operating costs (ex fuel) [1]	**(23,071)**	(14,228)	62.2 %	(65,101)
Fuel costs	**(15,035)**	(15,024)	0.1 %	(61,201)
Sales and administrative costs	**(18,088)**	(14,774)	22.4 %	(60,830)
Total	**(90,525)**	(79,404)	14.0 %	(345,701)

1) *Commission expenses was previously included in Operating costs. From first quarter 2020, expenses for commission is included in cost of goods sold. Previous quarters and full year 2019 is restated.*

Other operating costs were EUR 90.5 million in the first quarter of 2020 (EUR 79.4 million), an increase of 14.0% from the same period last year.

Cost of goods sold relates to direct costs from flights, hotels and transportation for passengers to and from cruise destinations, costs for food and beverage aboard the cruise vessels and commission to travel agents. The Cost of goods sold decreased with 3.0% compared to same quarter last year, driven by the stop in cruises due to the pandemic effects in March.

Operating costs include all other cruise operating costs, harbour costs, bareboat lease costs and maintenance of the vessels. The costs in first quarter increased with 62.2% compared to same period last year, mainly due to expansion of the fleet with our two new expedition vessels, MS Roald Amundsen from July last year and MS Fridtjof Nansen, which started sailings in the end of February.

Fuel costs in the quarter increased with 0.1% to EUR 15.0 million, compared to the same quarter last year. The quarter included one more vessel in the fleet but the stop in operations in mid- March decreased consumption compared to last year.

Sales and administrative costs increased with 22.4% to EUR 18.1 in the first quarter compared to last year, due to the ramp up on activities related to the two new vessels that were planned for operations in 2020, as well as expenses for investment in future growth in capacity.

First quarter depreciation, amortization and impairment increased with EUR 1.0 million to EUR 13.7 million in the quarter. The main reason for the increase is the introduction of MS Roald Amundsen and the newly refurbished vessels.

Net other gains and losses for the first quarter was a gain of EUR 1.0 million (loss of EUR 1.9 million in 2019). Other gains and losses primarily consist of realized gains and losses on bunker derivatives and unrealized gains and losses on working capital items.

First quarter operating profit was EUR 6.2 million, compared to EUR 3.0 million in the same period last year, an increase of 104.0%. The substantial increase is driven primarily by the increased revenues from the introduction of MS Roald Amundsen to the expedition fleet. The operating profit in Q1 would have been higher with approximately EUR 8 million, had we not been hit by the effects of the COVID-19 pandemic.

Net financial items were EUR -33.3 million (EUR 15.1 million) in the first quarter. The higher cost this year is primarily driven by foreign exchange effects on cash, slightly higher interest costs due to refinancing of borrowings in the first quarter of 2020, as well as amortization of finance fees on the refinanced loans. The majority of the Groups liquidity is in EUR, and the foreign exchange effects are due to the inclusion of subsidiaries with NOK as functional currency into the EUR reporting Group. The offsetting effects are in the currency translation differences in the Groups Other Comprehensive Income.

Income tax in the period was a tax expense of EUR 3.9 million (compared to a tax expense of EUR 73.5 million in 2019). The tax expense in 2019 relates to the implementation of the tax tonnage regime in the subsidiary Hurtigruten Cruise AS in the first quarter of 2019.

Net loss for the quarter was EUR 30.9 million compared to a net loss of EUR 55.3 million in 2019.

Financial position and liquidity

Cash flow

Net cash flow from operating activities in the first quarter was EUR 40.2 million, vs. EUR 23.3 million in the same period last year. The increase for the year is primarily due to increased growth in EBITDA offset by the ordinary fluctuations to the working capital in the period.

Net cash flow used in investing activities was EUR 72.5 million compared to EUR 18.8 million in same period last year. The increased investment level in current quarter is due to the performed upgrade and refurbishment of MS Kong Harald and MS Finnmarken in the period in addition to remaining settlements for MS Fritjof Nansen.

The Group expects normalized annual maintenance capital expenditures for the vessels to be around EUR 20 million based on normal operations increasing to EUR 23 million when MS Fridtjof Nansen is fully in operations.

Net cash inflow from financing activities was EUR 122.5 million in first quarter. In February, the Group issued a EUR bond of 300 million, to refinance the purchase of the vessels MS Fridtjof Nansen and MS Roald Amundsen. The bond has a 5-year tenor. The EUR 260 million ECA financing was repaid. The purchase of MS Richard With and MS Nordlys, was financed through a finance lease obligation of EUR 60 million. In addition, the Group drew on the Revolving Credit Facility, with a net inflow of EUR 40 million in the quarter.

In addition, interest and finance fees of EUR 23.6 million were paid in the quarter, compared to EUR 12.8 million last year. The increase is due to fees paid in relation to the new financing in the quarter.

Net increase in cash in the quarter was EUR 90.2 million, compared to an increase of EUR 4.5 million in the same period last

Cash and cash equivalents in the cash flow statement totalled EUR 120.8 million at 31st of March 2020 (EUR 43.0 million in 2019). Cash and cash equivalents in the statement of financial position, including restricted funds, totalled EUR 129.2 million at 31 March 2020 compared to EUR 64.7 million at the same time last year, and EUR 47.0 million at year end 2019. At 31 March 2020, the Group had fully drawn on available liquidity through the EUR 85 million Revolving Credit Facility.

Balance sheet

Total assets amounted to EUR 1,447.6 million at 31 March 2020, an increase of EUR 53.9 million from year end 2019. Non-current assets increased with EUR 24.0 million since year end 2019 primarily due to the investments in MS Finnmarken and MS Kong Harald.

Current asset amounted to EUR 190.1 million, an increase of EUR 77.9 compared to 31 December 2019. The increase is related to increase in cash and cash equivalents.

Total book equity at the end of the year was EUR 15.5 million vs. EUR 62.7 million at year end 2019. The change in equity is due to net profit in the period, and negative changes in the Groups cash flow hedges.

The book equity ratio at 31 March 2019 was 1.1% vs. 4.5% at year-end 2019.

The Group has at the end of the first quarter a good liquidity situation, but depending on how long-lasting the effects of the COVID-19 pandemic will be, the management has initiated several measures to safeguard the future of the company. Running costs have been reduced substantially, the contractual revenues from the state agreement will still be in effect and the state aid in relation to the COVID-19 pandemic of fixed cost coverage will be utilized. Further, to ensure sound liquidity position going forward, the management and the Board of Directors will assess the funding situation continuously and evaluate all options available to secure sufficient liquidity to manage the business through the Covid-19 crisis.

As a result, the financial accounts have been prepared in accordance with the going concern principle.

Total non-current liabilities amount to EUR 1,163.7 million as per 31 March 2020, an increase of EUR 166.2 million from EUR 997.5 million at year end 2019. The increase is due to the new borrowings to finance the purchase of MS Richard With and MS Nordlys and the newly issued EUR bond of 300 million to refinance the ECA facility of EUR 258 related to the purchase of MS Fridtjof Nansen.

Current liabilities excluding borrowings were EUR 252.5 million, decreased by EUR 50.5 million since year end 2019. The decrease is primarily due to reduction in trade and other liabilities.

Off-balance sheet items

Hurtigruten Group AS has no material off-balance sheet items.

Outlook

For the 12-month period leading up to the 12th of March 2020 Hurtigruten experienced a strong positive underlying increase in demand for expedition cruises. There was strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. Hurtigruten also experienced increasing yield in all segments supporting the long-term growth prospects for the company.

Prior to the outbreak of COVID-19, Hurtigruten started the year in a strong position in terms of bookings at higher yields compared to last year driven by the successful introduction of the MS Roald Amundsen and MS Fridtjof Nansen. Given the impact of COVID-19 and the cancellations of Q2 sailings, booking volumes for the remainder of 2020 are meaningfully lower than the same time last year.

Customer satisfaction where at the end of Q1 2020 at an all-time high. This is a result of the pro-active Covid-19 sanitation routines implemented in our operations. In Q1 we did not have a single suspected or confirmed case of Covid-19 on our vessels.
The booking trend for 2021 has shown a strong trend over the last 30 days and 2021 is currently 3.9% higher compared to bookings levels for 2020 same time last year. This is driven by both rebooking's from 2020 and new bookings especially for the Expedition segment. As of 24nd of May EUR 133 million was booked for 2021 compared to EUR 128 million for 2020 at the same time last year.

Hurtigruten has introduced a very flexible rebooking policy in order to best serve our guests: for cancelled cruises, guests are offered the choice of future cruise credits valued at 125% of the initial cruise fare paid as an alternative to a cash refunds. These future cruise credits can be redeemed on any sailing on or before December 31, 2021. For cruises not cancelled, Hurtigruten has introduced a flexible rebooking policy offering our guest the ability to rebook to a future voyage without any cancellation fee. Out of the total cancelled bookings, guests have requested cash refunds for approximately EUR 8.7 million as of May 19th, 2020 which is a refund share of 20% of pre-payments related to cancelled sailings. 80% of the prepayments of cancelled sailings is either converted to a voucher or rebooked to future sailings.

As of May 15th, the Norwegian government stated that they are evaluating the opening of the Norwegian border for travellers from the Nordic countries from 15th of June without quarantines and stated that the same evaluation will be conducted for visitors from other Northern European countries like Germany in July. Approx. 60% of our guest originates from the Nordics and Germany which means that we are positive to resuming operations in 2020. Based on current signals from the Norwegian government they expect the Nordics to open up in mid-June and Germany in mid-July or mid-August.

As of 18th of May 2020, the Company had liquidity of approximately EUR 100 million all in the form of cash and cash equivalents. In response to the financial impacts of COVID-19, the Company has taken pre-emptive actions that focus on strengthening liquidity through significant cost and capital reductions, cash conservation and additional financing sources. The Company estimates that its average ongoing ship operating expenses and administrative expenses net of the Government contract are approximately EUR 5-6 million per month during a prolonged suspension of operations. The Company may seek to further reduce this average monthly requirement under a further prolonged non-revenue scenario.

Risks and uncertainties

The risks described below are not the only risks the Group faces.

Additional risks and uncertainties not currently known to the Group or that Group currently deems to be immaterial may also materially adversely affect the business, financial condition or results of operations.

The global COVID-19 pandemic has had, and will continue to have, a material adverse impact on our business and results of operations. The global spread of COVID-19 and the unprecedented responses by governments and other authorities to control and contain the spread has caused significant disruptions, created new risks, and exacerbated existing risks to our business.

Hurtigruten have been, and will continue to be, negatively impacted by the COVID-19 pandemic, including impacts that resulted from actions taken in response to the outbreak. Examples of these include, but are not limited to, travel bans, restrictions on the movement and gathering of people, social distancing measures, shelter-in-place/stay-at-home orders, and disruptions to businesses in our supply chain. In addition to the imposed restrictions affecting our business, the extent, duration, and magnitude of the COVID- 19 pandemic's effect on the economy and consumer demand for cruising and travel is still rapidly fluctuating and difficult to predict. Hurtigruten has temporary suspended the operations of 14 of our 16 ships, which is expected to continue until at least June 15, 2020. As such, these impacts may persist for an extended period of time or even become more pronounced, even after we are permitted to and/or begin to resume operations.

An increase in port taxes or fees or other adverse change of the terms of business with the authorities operating the ports in which Hurtigruten calls could increase the operating costs and adversely affect the business, financial condition, results of operations and prospects.

Hurtigruten is subject to complex laws and regulations, including environmental, health and safety laws and regulations, which could adversely affect the operations and any change in the current laws and regulations could lead to increased costs or decreased revenue.

Interim financial statements

Condensed consolidated income statement

Unaudited

(EUR 1 000)	Note	1st quarter 2020	1st quarter 2019	% Change	Full year 2019
Operating revenues		**119,084**	110,867	7.4 %	536,252
Contractual revenues		**21,090**	18,563	13.6 %	72,563
Total Revenues		**140,174**	129,430	8.3 %	608,815
Payroll costs		**(30,876)**	(32,437)	-4.8 %	(134,325)
Depreciation, amortisation and impairment		**(13,657)**	(12,680)	7.7 %	(55,587)
Other operating costs		**(90,525)**	(79,405)	14.0 %	(345,701)
Other (losses)/gains – net		**1,038**	(1,891)		(5,619)
Operating profit/(loss)		**6,154**	3,017	104.0 %	67,582
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		**19,811**	15,697	26.2 %	123,169
Finance income		**1,771**	25,155	93.0 %	36,209
Finance expenses		**(35,110)**	(10,018)	250.5 %	(54,656)
Net financial items	*6*	**(33,340)**	15,137		(18,446)
Share of profit/(loss) of associates		**93**	99	6.6 %	129
Profit/(loss) before income tax		**(27,093)**	18,253	-248.4 %	49,265
Income tax expense		**(3,859)**	(73,519)	94.8 %	(67,086)
Profit/(loss) for the period		**(30,952)**	(55,266)	44.0 %	(17,821)
Profit/(loss) for the year attribute to					
Owners of the parent		**(30,788)**	(55,266)		(17,821)
Non-controlling interests		**(164)**	-		-

Condensed consolidated statement of comprehensive income

Unaudited

(EUR 1 000)	*Note*	**1st quarter 2020**	1st quarter 2019	Full year 2019
Profit/(loss) for the period		**(30,952)**	(55,266)	(17,821)
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss in subsequent periods:				
Actuarial gain/loss on retirement benefit obligations				372
Fair value adjustments on financial instruments			(241)	(359)
Sum		**-**	(241)	13
Items that will be reclassified to profit or loss in subsequent periods:				
Cash flow hedges, net of tax		**(12,917)**	12,758	10,383
Currency translation differences		**(3,387)**	102	325
Sum		**(16,304)**	12,860	10,708
Total comprehensive income for the period		**(47,256)**	(42,647)	(7,100)

Condensed consolidated statement of financial position

Unaudited

(EUR 1 000)	*Note*	**31.3. 2020**	31.3. 2019	31.12. 2019
ASSETS				
Non-current assets				
Property, plant and equipment including right of use asset		**962,373**	500,749	927,640
Intangible assets		**276,025**	275,414	276,305
Deferred income tax assets		**593**	486	929
Other non-current assets		**17,846**	75,166	75,921
Total non-current assets		**1,256,837**	851,814	1,280,795
CURRENT ASSETS				
Inventories		**13,822**	17,961	17,782
Trade and other receivables	*7*	**47,692**	41,904	47,240
Derivative financial instruments	*7*	**(0)**	463.00	827
Cash and cash equivalents	*7*	**129,233**	64,669	47,028
Total current assets		**190,747**	124,997	112,878
Total assets		**1,447,584**	976,811	1,393,673
EQUITY				
Paid -in capital		**185,288**	189,217	185,288
Other equity		**(169,546)**	(161,415)	(122,454)
Non-controlling interests		**(264)**	-	-100
Total equity		**15,478**	27,801	62,734
LIABILITIES				
Non-current liabilities				
Interest-bearing debt	*5,7*	**1,134,719**	731,881	972,970
Prepaid travels with departure dates beyond one year		**11,664**	15,469	11,832
Derivative financial instruments	*7*	**1,998**	1,750.37	768
Other non-current liabilities		**15,271**	22,924	11,890
Total non-current liabilities		**1,163,652**	772,024	997,459
Current liabilities				
Trade and other liabilities	*7*	**136,809**	89,961	203,269
Prepaid travels with departure date within one year		**100,475**	67,447	91,732
Interest-bearing debt	*5,7*	**15,958**	11,956	30,491
Derivative financial instruments		**14,384**	2,336	2,543
Other current liabilities		**828**	5,284	5,445
Total current liabilities		**268,454**	176,984	333,480
Total equity and liabilities		**1,447,584**	976,811	1,393,674

Condensed consolidated statement of changes in equity

Unaudited[1]

	01.01-31.03.2020				
	Attributable to shareholders of Hurtigruten Group AS				
(in EUR 1 000)	Paid -in capital	Other equity	Total	Non-controlling interests	Total Equity
Equity at beginning of the period	**185,288**	**(122,454)**	**62,834**	**(100)**	**62,734**
Total comprehensive income	-	(47,092)	(47,092)	(164)	(47,256)
Other changes	-	-	-	-	-
Non-controlling interests	-	-	-		-
Equity at the close of the period	**185,288**	**(169,546)**	**15,742**	**(264)**	**15,478**

Condensed consolidated statement of cash flows

Unaudited

(in EUR 1 000)	*Note*	**1st quarter 2020**	1st quarter 2019	Full year 2019
Cash flows from operating activities				
Profit/(loss) before income tax		**(27,093)**	18,253	49,265
Adjustments for:				
Depreciation, amortisation and impairment losses		**13,657**	12,680	55,587
Interest expenses	*6*	**19,990**	7,435	27,593
Change in working capital[2]		**15,442**	11,115	13,147
Change in prepaid travels		**9,809**	(377)	20,762
Other adjustments[1]		**8,351**	(26,965)	(24,303)
Non-cash effects of transition to EUR functional currency		**-**	1,169	(626)
Net cash flows from (used in) operating activities		**40,156**	23,311	141,425
Cash flows from investing activities				
Purchase of property, plant, equipment (PPE)		**(69,574)**	(6,986)	(382,648)
Purchase of intangible assets		**(4,601)**	(2,660)	(13,870)
Advance payment of PPE		**-**	(6,520)	(8,862)
Loans to Group companies		**-**	502	4,519
Other adjustments		**1,684**	(3,159)	4,286
Net cash flows from (used in) investing activities		**(72,491)**	(18,823)	(396,575)
Cash flows from financing activities				
Proceeds from borrowings	*5*	**405,000**	14,379	314,313
Repayment of borrowings	*5*	**(257,336)**	(1,542)	(24,222)
Payment of lease liabilities	*5*	**(1,595)**		(5,662)
Transactions with non controlling entities		**-**	-	(10)
Interest paid	6	**(23,579)**	(12,811)	(32,487)
Net cash flows from (used in) financing activities		**122,490**	26	251,933
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**90,156**	4,514	(3,216)
Cash and cash equivalents at the beginning of period		**35,674**	38,658	38,658
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**(5,070)**	(178)	233
Cash and cash equivalents at end of period		**120,759**	42,994	35,675

[1] Other adjustments include agio/disagio, adjustment for financial assets, accruals and paid income taxes

Notes to the condensed consolidated financial Statements

Note 1 Accounting policies

The interim financial report for the Group includes Hurtigruten Group AS with subsidiaries and associated companies. The interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards and should therefore be read in connection with the consolidated annual report for Hurtigruten Group AS (previously Silk Bidco Group) for 2019.

The annual report for 2019 for the company can be obtained through a request to the company's main office. The accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2019.

In the preparation of the interim financial report, estimates and assumptions have been applied, which has affected assets, liabilities, revenues and costs. Actual figures can deviate from estimates applied.

On 1 January 2020, Hurtigruten changed the presentation currency of the Group from Norwegian kroner (NOK) to euro (EUR), with retrospective application on comparative figures according to IAS 8 and IAS 21 to the extent practicable. The change is made to reflect that EUR is now the predominant currency in the Group, accounting for a significant amount of the net cash flow. EUR is also the main financing currency for the Group. The change in presentation currency will be applied retrospectively for comparable figures for 2019.

For the parent company and other subsidiaries in the Group, EUR is the functional currency from 1 January 2020. The change is made to reflect that EUR has become the predominant currency in the companies, counting for a significant part of the cash flow and financing. The change will be implemented with prospective effect.

Note 2 Financial risk management

There are potential risks and uncertainties that can affect the operations of the companies in the Group. This may lead to actual results deviating from expected and historical results. Information concerning the most important risks and uncertainties is disclosed in the latest annual report.

The Group is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Group has implemented a fuel hedging policy that follows the booking curve: the key principle in the bunker hedging policy is based on the company's ability to obtain visibility on earnings, hence the company has established a hedging policy linked to the development in the booking curve (actual vs. budgeted PCNs booked). For example, if at any given time 75% of the volume for one season is sold, a minimum of 50% of the bunker cost associated with the PCN volume sold are hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

In 2016, the Group purchased fuel derivatives contracts hedging estimated bunker oil consumption for the period 2017 until March 2019. In July 2019, October 2019, and November 2019, the Group entered into additional derivative contracts with expiration in 2019 through 2021. At year-end 2019, a total of 142,350 MT bunker fuel volume is hedged at an average price of USD 656/MT during 2019-2021.

Note 3 Contingencies

Membership in the industrial fund for nitrogen oxides

Hurtigruten AS is a member of the Confederation of Norwegian Enterprise's (NHO) NOx Fund. The main objective of the Environmental Agreement concerning reductions of NOx and the NHO's NOx Fund is to reduce emissions of nitrogen oxide. The Fund is a joint venture to which affiliated businesses can apply for support for emission-reducing measures. Payment to the Fund replaces the nitrogen oxide tax for affiliated businesses.

The Environmental Agreement for 2011–2017 was signed on 14 March 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 2011-2016 were met. On 24 May 2017, an extension to the NOx Agreement for the period 2019-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22 February 2019.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 3% of emission targets trigger a collective fine, under which businesses must pay the nitrogen oxide tax for the pro rata share of the target that has not been met. However, businesses will never pay more than the official government rate for nitrogen oxide tax.

EUR 0.8 million in nitrogen dioxide tax is recognised in financial statements in the first quarter of 2020, the same as in the same period in 2019.

Note 4 Segments

Unaudited

	Norwegian Coast		Expedition cruises		Landbased	
	1st quarter	1st quarter	**1st quarter**	1st quarter	**1st quarter**	1st quarter
(in EUR 1 000)	**2020**	2019	**2020**	2019	**2020**	2019
Operating revenues	**62,874**	77,623	**50,473**	25,615	**5,948**	7,643
Contractual revenues	**21,090**	18,563	**-**	-	**-**	-
Total operating revenues	**83,964**	96,186	**50,473**	25,615	**5,948**	7,643
Payroll costs	**(14,555)**	(16,891)	**(5,720)**	(2,742)	**(1,934)**	(2,254)
Depreciation and impairment losses	**(5,810)**	(7,683)	**(4,508)**	(2,470)	**(777)**	(764)
Other operating costs	**(42,884)**	(48,227)	**(28,149)**	(13,414)	**(3,578)**	(3,633)
Other (losses)/gains – net	**(4,074)**	(2,597)	**6,591**	876	**34**	8
Operating profit/(loss)	**16,640**	20,789	**18,687**	7,866	**(306)**	1,000
EBITDA	**22,451**	28,472	**23,195**	10,335	**470**	1,764

	Group functions, Other and Eliminations		Hurtigruten Group	
	1st quarter	1st quarter	**1st quarter**	1st quarter
(in EUR 1 000)	**2020**	2019	**2020**	2019
Operating revenues	**(211)**	(15)	**119,084**	110,867
Contractual revenues	**-**	-	**21,090**	18,563
Total operating revenues	**(211)**	(15)	**140,174**	129,430
Payroll costs	**(8,666)**	(10,550)	**(30,876)**	(32,437)
Depreciation and impairment losses	**(2,562)**	(1,764)	**(13,657)**	(12,680)
Other operating costs	**(15,915)**	(14,130)	**(90,525)**	(79,405)
Other (losses)/gains – net	**(1,512)**	(179)	**1,038**	(1,891)
Operating profit/(loss)	**(28,866)**	(26,638)	**6,155**	3,017
EBITDA	**(26,304)**	(24,874)	**19,811**	15,697

Note 5 Interest-bearing Debt

Unaudited

(Figures stated in EUR 1000)	**31.3. 2020**	31.3. 2019	31.12. 2019
Long term interest-bearing debt			
Bond	**294,621**	-	-
Collateralized borrowings	**743,992**	**650,706**	**918,731**
Financial lease[1]	**10,431**	**66,089**	**11,856**
Credit facilities	**83,673**	15,000	42,290
Other borrowings	**2,002**	86	92
Total	**1,134,719**	731,881	972,970
Short term interest bearing debt			
Collateralized borrowings	**11,908**	3,605	25,668
Financial lease[1]	**4,049**	8,351	4,806
Total	**15,958**	11,956	30,491
Total outstanding interest-bearing debt	**1,150,677**	743,837	1,003,461

[1] The accounts for lease-contracts in reference to IFRS 16 are reflected in the financial lease, while items that are classified as borrowings according to IFRS9 are reflected within borrowings and credit facilities.

The above amounts state borrowings at amortized cost, as in Statement of Financial Position.

Maturity Profile

The below maturity schedule reflects the borrowings at nominal values.

(Figures stated in EUR 1000)	**31.3. 2020**	31.3. 2019	31.12. 2019
Less than one year	**11,247**	11,956	30,491
Year 2 and 3	**122,367**	22,188	57,038
Year 4 and 5	**722,538**	31,131	202,714
More than 5 years	**312,673**	692,026	734,611
Total Interest-bearing debt	**1,168,824**	757,301	1,024,855

Note 6 Net Financial items

Unaudited

(EUR 1000)	**1st quarter 2020**	1st quarter 2019
Interest income on current bank deposits	**429**	45
Foreign exchange gains	**874**	24,231
Other financial income	**468**	880
Finance income	**1,771**	25,155
Interest expense and amortized borrowing fees	**(10,543)**	(7,392)
Foreign exchange losses	**(12,966)**	(2,609)
Other finance expenses	**(11,601)**	(18)
Finance expenses	**(35,110)**	(10,018)
Net Financial items	**(33,340)**	15,137

Note 7 Financial assets and liabilities at fair value

The following principles have been applied for the subsequent measurement of financial assets and liabilities:

At 31 March 2020:

Unaudited

(Figures stated in EUR 1000)	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	**Total**
Assets as per balance sheet					
Other receivables, non-current	12,523	324	-	-	**12,848**
Investment in other companies	-	-	2,230	-	**2,230**
Trade and other receivables	31,265	-	-	-	**31,265**
Total derivatives	-	-	-	-	**-**
Cash at bank, cash on hand and market-based investments in the balance sheet	129,116	117	-	-	**129,233**
Total	**172,905**	**442**	**2,230**	**-**	**175,577**

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	**Total**
Liabilities as per balance sheet				
Total interest-bearing debt	-	-	1,150,677	**1,150,677**
Total derivatives	-	16,382	-	**16,382**
Accounts payable and other short term payables	-	-	79,696	**79,696**
Total	**-**	**16,382**	**1,230,373**	**1,246,755**

At 31 March 2019:

Unaudited

(Figures stated in EUR 1000)	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Other receivables, non-current	71,943	331	-	-	**72,274**
Available for sale financial instruments	-	-	2,278	-	**2,278**
Trade and other receivables	20,821	-	-	-	**20,821**
Total derivatives	-	-	-	463	**463**
Cash at bank, cash on hand and market-based investments in the balance sheet	64,552	117	-	-	**64,669**
Total	**157,316**	**448**	**2,278**	463	**160,505**

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Total interest bearing debt	-	-	743,837	**743,837**
Total derivatives	-	4,086	-	**4,086**
Accounts payable and other short term payables	-	-	30,582	**30,582**
Total	**-**	**4,086**	**774,418**	**778,504**

The carrying amount for the financial assets and liabilities has been assessed and does not differ materially from fair value, except for total borrowings. Fair value of total borrowings at 31 March 2020 was EUR 1,153 million (EUR 757.3 million 31 March 2019).

Note 8 Business influenced by seasonal factors

The Hurtigruten coastal service is influenced by seasonal factors with the main season traditionally from May through August. In recent years the company has developed seasonal concepts, "Hunting the light" for the winter season, "Arctic Awakening" in the spring, “Midnight Sun” in the summer and "Autumn Gold" in the fall. This has increased the number of cruise nights in the months outside the traditional main season. The itinerary and fleet of the company is according to the Hurtigruten public procurement contract, which involves daily departures from Bergen all year through.

Expedition cruises are cyclical because the cruises are concentrated around four geographic areas (different parts of the year); the Antarctic, Arctic Canada, Svalbard, Greenland and cruise between the Antarctic and the Arctic. The land-based Svalbard operation has a main season reaching from March through August. This activity is operated by the subsidiary Hurtigruten Svalbard AS.

Note 10 Events after the balance sheet date

On the 18th of March Hurtigruten decided to temporary suspend operations. This suspension has been prolonged until 15th of June. Our decision to suspend sailings of our fleet will materially impacted the results of our operations in 2020 compared to 2019. The Group’s management will continue to monitor the situation and take appropriate action as and when new information is available or more actions are needed.

ANNUAL REPORT 2018

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DIRECTORS' REPORT 2018
Hurtigruten AS

Hurtigruten - world leader in exploration travel

The Hurtigruten AS, through its brand Hurtigruten, is the world leader in expedition travel. With a fleet of 14 custom-built expedition cruise vessels in the Group– and the world's two first hybrid-powered expedition cruise ships under construction – Hurtigruten is the world's largest expedition cruise company. It offers a unique gateway to experiences in the Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travellers from all over the world. Hurtigruten's operation builds on a rich and proud Norwegian Expedition Cruises heritage, having connected the many coastal communities in Norway for 125 years, offering the first voyages to Svalbard as early as 1896. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market.

Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as "The world's most beautiful voyage". During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a rapidly growing number of active excursions. Hurtigruten has introduced the culinary concept of "Norway's Coastal Kitchen", offering authentic Norwegian cuisine with locally sourced ingredients delivered fresh to the ships throughout the journey, reflecting both the seasons and local specialties. Hurtigruten is the only operator offering year-round, daily departures from each of these 34 ports and holds a unique competitive position on the Norwegian Coast.

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is becoming known as the world leader in this segment. With its strong focus on sustainability and the environment, Hurtigruten is in 2019 introducing the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, is due to be launched in Q4 2019. These vessels are under construction at the Kleven Group's yard in Norway and will greatly enhance Hurtigruten's offering in the expedition cruise segment.

Business and location

Hurtigruten is the global leader in cruise-based exploration and adventure travel based on APCNs, offering adventures that provide customers with the feel of authentic exploration into polar waters. Its offering is differentiated from that of most other cruise operators, including itineraries with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places. The Group views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract. The Group has a fleet of 14 ships and has 125 years of experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long and naturally distinct coast line, Hurtigruten is one of Norway's most recognized international travel brands.
Hurtigruten's global headquarters are located in Tromsø, one of the key ports of call on the Norwegian coastal route. In addition, commercial offices in Oslo, Trondheim, Hamburg, London, Paris, Seattle, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets.

Hurtigruten's wholly-owned subsidiary Hurtigruten Svalbard AS, is headquartered in Longyearbyen.

The group's business segments are divided into the following product areas: Hurtigruten Norwegian Coast, Expedition Cruises and Svalbard.

Hurtigruten Norwegian Coast represents Hurtigruten's longest-running and largest business area and comprises a fleet of 11 ships providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten's legendary voyage ranks as one of Norway's most renowned and iconic attractions. In recent years, Hurtigruten has developed the voyages significantly to offer a wide range of activities and excursions to guests along the coast. In this process, Hurtigruten Expedition Teams have been added to most of the ships, providing lectures, organizing excursions and adding to the onboard experience. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound). The Norwegian state purchases local transport and freight shipment services along the Norwegian coast. In the period 2012-2020 Hurtigruten will operate 11 ships under the "Coastal Route Agreement". In 2018 there was a tender for a new contract for the period 2021-2031. In the new tender the agreement was divided into 3 packages of 3,4 and 4 ships where potential interested parties could bid for one, two or three packages. Hurtigruten was awarded 2 packages of a total of 7 ships and will receive an annual payment NOK 546m (2018 value) for 7 ships (NOK 78m per vessel) which is a 22% increase in annual compensation per vessel compared to the compensation in 2018 of NOK 64m per vessel and will be KPI adjusted over the life time of the contract. This is a very positive outcome for Hurtigruten as we will be able to deploy our 3 largest ships into the fast-growing Expedition Cruise segment from 2021.

Expedition Cruises products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include visits to the Antarctic and Arctic, Iceland, Greenland, South America and a variety of other destinations. Two vessels operate year-round in this segment, MS Fram, MS Midnatsol (September–April) and MS Spitsbergen (May–August). MS Midnatsol and MS Spitsbergen operate in the Norwegian Coast segment when they are not in the Expedition Cruises segment, as part of the 11-ship fleet. In addition, MS Nordstjernen homeports in Longyearbyen and operates shorter expedition cruises around Svalbard during the Arctic summer. In 2019, MS Roald Amundsen and MS Fridtjof Nansen, the two hybrid vessels under construction, will join the Expedition Cruises segment, further increasing the number of unique itineraries. From 2021 our 3 largest ships will join this segment after undergoing a full refurbishment.

Key risk and uncertainties

The following discussion concerning financial risk management relates to the policies adopted and applicable for the financial year 2018. The Company uses financial instruments such as bank loans, bond loans, . trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Company has also utilised specific financial derivatives for hedging purposes.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency, price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Company's overarching risk management goal is to increase predictability for the Company's operations and to minimise the impact of fluctuations in macro conditions on the Company's results and financial position.

The Company has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate and credit risk and the use of financial derivatives.

Currency risk

The Group operates internationally and is exposed to currency risk in multiple currencies, in particular, EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the cost of bunker oil is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

Price risk
The Company is exposed to bunker fuel price risk, and the board of directors has approved a strategy of hedging 75 %-85% of estimated future monthly consumption.

Cash flow and fair-value interest rate risk
The Company's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Company's overall cash flow. Fixed interest rates expose the Company to fair-value interest rate risk.

The Company's exposure to variable interest rate risk is limited in 2018 and the Company have no specific hedging strategy to reduce variable interest rate risk.

Credit risk
The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognized credit cards and are paid in full prior to the travel date. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Group has routines to ensure that credit is only extended to agents that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

Liquidity risk
Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans, and ensuring the availability of sufficient funding from committed credit facilities. The Company has a Company account that ensures that part of the Company's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Company's finance function has overall responsibility for managing the Company's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Company has sufficient liquidity reserves to satisfy the Company's obligations and financial loan covenants.

The Company's asset management
The Company's objective for asset management is to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

WORK ENVIRONMENT

The company had no employees in 2018. Hurtigruten AS hires both administrative staff and ship's crew from its subsidiaries respectively Hurtigruten Pluss AS and Hurtigruten Sjø AS.

Health, safety and the environment

Highest priority
It is Hurtigruten's principle that a safe operation is one of the cornerstones in the process of developing in the desired direction. Hurtigruten has a robust Management System which provides operational guidelines to employees on board and ashore. The business and Hurtigruten's profitability depend on being in control of the safe operation of the ships. In 2018 there were significantly lower number of missed port calls due to technical issues compared to the same period last year.

Hurtigruten's safety policy, revised in 2014, incorporates zero tolerance for accidents and serious incidents – including serious personal injuries and loss of human life. It is, and will remain, a safe company to travel with for guests and a safe and secure workplace for employees. The safety policy will be revised to encompass the organization.

Hurtigruten's Management System is focusing on being proactive, including optimal planning of all operations. Risk management is a fundamental part of the planning process to identify any risks which may occur. Any such risks shall be addressed, and the corrective and preventive measures shall be identified to ensure the risk is at an acceptable level. The reporting of any non-conformities is a main part of improving operations. It enables Hurtigruten to monitor and follow up on any deviations which may occur during operation with regards to Health, Safety and the Environment and it is an integral part of the "continuous improvement process".

The Company did not suffer any serious personal injuries in 2018. A few minor injuries were reported during the year, such as cuts and bruises. 77 first-aid cases were reported, in which the employee in question continued to work after receiving first-aid treatment, this is a 40% reduction from last year. 24 cases were reported in which the employee in question was unable to work for one or more days following the injury. Hurtigruten is analysing these reports to identify effective preventive measures to ensure these incidents are reduced. There has been a reduction in lost-time incidents by crew in 2018. The Company has focused on the reporting of minor incidents by crew, which resulted in further reports in 2018.

There was no serious incident in the marine safety in 2018.

Hurtigruten has focus to improve the reporting schemes for the controlled discharge of grey water and unwanted substances to the marine environment.

The 11 Hurtigruten ships sails just under one million nautical miles annually along the Norwegian coast and make more than 23,000 port calls. Hurtigruten's vision of zero tolerance is ambitious but attainable. Hurtigruten works continuously to ensure that proactive improvement processes are being addressed. Through such activities as the identification and registration of near misses, unsafe acts and unsafe conditions, Hurtigruten aims to prevent and avoid any incidents.

Responsible operations

Hurtigruten is the world leader in exploration travel, and the world's largest expedition cruise company. This comes with a responsibility. With a mission focused on innovation, technology and sustainability – we have embedded the UN Sustainable Development Goals into all aspects of Hurtigruten´s operations.

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten operation and experience.

Hurtigruten's environmental policy sets a clear goal of minimizing the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

The scope of Hurtigruten's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO_2) and nitrogen oxides (NO_x). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, and low-sulphur marine special distillates (MSD 500 ppm) north of 62 degrees north These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten. The higher price of these environmental fuels is offset by their significant positive environmental properties compared to heavier grades of fuel.

<u>Average greenhouse gas emissions in 2018 (2017):</u>
CO_2: 218 kg/nm (223 kg/nm)
NO_x: 4.0 kg/nm (4.1 kg/nm)
SO_2: 0.004 kg/nm (0.004 kg/nm)

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2018, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO2, CO2 and NOx. Several fuel reducing initiatives contributed to reach the lowest ever average fuel consumption per nautical mile (with today's fleet fleet) with 77.3 l/nm (79.5 in 2017).
Hurtigruten is also affiliated to the Industrial Fund for Nitrogen Oxides, where the overall goal is a general reduction in NOx emissions by Norwegian industry and commerce. Through this fund, Hurtigruten has applied for support for more than 30 NOx-reducing projects during the last years. A number of measures have been implemented and completed. The total annual environmental benefit of the measures is a reduction in emissions of around 680 tonnes of NOx and 19,000 tonnes of CO2. Fuel consumption is also reduced by around 5,950 tonnes as a result of these measures. Several equivalent projects are being developed by Hurtigruten.
In 2018 Hurtigruten started the preparations for technical upgrades on our six 90-class vessels, converting them to LNG/battery hybrids. A key feature has been ensuring that vessels are compatible with climate-neutral advanced biogas, paving the way for low emissions service. These are ground-breaking projects, demanding significant research and development prior to docking. The conversion will reduce the CO2 emissions from these vessels by 25 per cent, while the NOx emissions will reduce by approx. 90 per cent.

Shore power connection is an important environmental initiative, both for Hurtigruten and the ports of call.
Hurtigruten is an active ambassador for shore-based power in Norwegian ports, and has been a key voice in calling for a national shore-based power strategy, as part of our collaboration with the environmental organisation Bellona. In 2018, we were proud to be able to start testing shore-based power in the port of Bergen. This was a major milestone in our long-term goal of increasing the use of renewable energy, and making the transition to electric power from traditional fuels when docked at port. Two of our vessels, MS Kong Harald and MS Spitsbergen are ready to start using shore-based electricity, and three more vessels are ready to undertake the final technical installations during 2019. The rest of the coastal fleet will follow as soon as possible. Bergen was the first port to offer shore power for Hurtigruten ships, and during 2018 we connected our prepared vessels to shore power for the first time.

The shore power facility in the port of Bergen, where the Hurtigruten ships berth for eight hours daily during winter and 5.5 hours during summer, will reduce CO2 emissions annually by almost 130 tonnes per ship. Annual reduction of NOx is estimated at approximately 2.5 tonnes. Hurtigruten eagerly awaits shore power connections being provided at other ports along the Norwegian coast.

Hurtigruten's Expedition Cruises activities in Greenland, Svalbard and Antarctica are subject to guidelines from the International Association of Antarctica Tour Operators (IAATO) and the Association of Arctic Expedition Cruise Operators (AECO). Hurtigruten plays an active role in both these organisations to champion a safe and environmentally-conscious tourism industry in these unique and vulnerable areas.

The introduction of MS Roald Amundsen and MS Fridtjof Nansen – the world's first hybrid-powered expedition ships – will further strengthen Hurtigruten's environmental performance, but are also documenting our commitment to fuel technology innovation and sustainable operations.

Earnings and financial position

Income statement

Total operating Revenues for Hurtigruten AS was NOK 3.964 million in 2018 (2017: NOK 3.590million), a growth of 10% from last year. The growth was experienced in both segments, Hurtigruten Norwegian coast and Explorer.

As a result of increased production, utilization and yield, in particular in the Norwegian Coastal segment, operating profit increased by NOK 393m to NOK 529 million in 2018, from 2017 operating profit of NOK 136 million.
The net financing expense was reduced from 405m to 29m loss, where the main reason for the reduced expense was due to the repayment of EUR denominated loan early in 2018, giving less interest but also reduced euro-exposure compared to 2017.

In the start of 2019 Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS. The realization gave taxable income and the company could reverse previously expensed tax-loss carry forward in the 2018 result, giving a net tax income-effect of NOK 159 million.

Net Cash flow

Net cash flow from operating activities amounted to NOK 243 million in 2018 (2017: NOK 808 million). The change is primarily due to a build-up of working capital necessary to support the growth in the business. The increase was negatively affected by the decreased trade payables within group companies to improve the structural position for the group companies, but also due to the change in business structure for Hurtigruten AS in 2019.

Net cash outflow used in investing activities was NOK 305 million in 2018 (2017: NOK 602 million). Change from previous year is mainly related to stable loans to other companies in the group compared to 2018.

Net cash inflow from financing activities amounted to NOK 76 million in 2018 (2017: outflow of NOK 336 million), where the majority of the change is due to refinancing of loans.

Balance sheet and liquidity

Total non-current assets as of 31 December 2018, were NOK 5,538 million (2016: NOK 4,967 million), consisting primarily of the Company's investments in ships and subsidiaries.
Total current assets as of 31 December 2018, were NOK 927 million (2017: NOK 648 million), where the increase from last year reflects the growth in production. Cash and cash equivalents amounted to NOK 140 million (2016: NOK 73,4 million).

The company had at the end of December 2018 a total long-term debt of NOK 755 million (2017: NOK 2,799 million), primarily intercompany loan from parent and lease financing.
Current liabilities amounted to NOK 1,806 million as of 31 December 2018 (2016: NOK 2,479 million). Current liabilities include negative cash inside cash-pool of 1,249 million, whereas in 2017 included reclassification of the revolving credit facility of NOK 774 million, which was repaid in February 2018, in connection with the Silk Topco Group refinancing in Silk Bidco AS.

The company's Paid in equity in 2018 was of NOK 4,476 million (2017: NOK 1,456 million). The total equity in 2018 amounted to NOK 3,828 million (2016: NOK 323 million).

In connection with the refinancing of the Silk Topco Group in February 2018, Hurtigruten AS increased the paid in capital by NOK 3,020 million, through conversion of debt to its parent Silk Bidco AS. The share capital was increased by NOK 4.2 million by increasing the nominal value of the Company's shares by NOK 0.1. No new shares were issued.

In the opinion of the Board of Directors, the financial statements provide a true and fair view of the Company's financial performance during 2018, and financial position at 31 December 2018. The Board confirms that the financial statements have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net income for the company 2018 was NOK 485 million, which is proposed to be retained in equity.

EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2019, Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of the company, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS. The transaction does not impact the financial statements for 2018 except for tax, which is further described in Note 25 Events after the balance sheet date.

OUTLOOK

Hurtigruten has experienced a strong positive underlying booking trend through of 2018 and into 2019. There is strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. Demand has also increased for the Coastal cruise product across all market segments at higher yields compared to 2018. Especially the increase in demand of our winter cruise product is very high and we see this continuing into 2019 and 2020.

Pre-bookings for 2019 and 2020 are materially higher compared to the same time last year and are driven by significant investments in our commercial team, product-improvement initiatives, including refurbishments, and additional capacity in the Expedition Cruises segment. 2019 bookings are very strong for both segments with NOK 3,525 million in gross ticket revenue including charters booked as of 30 March 2019, compared to NOK 3,041 million last year – an increase of 16%.

Gross revenue booked for Norwegian Coast is up NOK 126 million (+5.4%) for 2018 compared to last year, with an increase in bookings for the first and fourth quarter of 13%

Expedition Cruises has booked NOK 358 million more than the same period last year, up by 49%. Growth in the Expedition Cruises segment is largely due to new itineraries due to the launch of the vessel MS Roald Amundsen.

Marine operations have performed well in 2018 with a record low level lower number of missed port calls due to technical issues. This is expected to continue.

Customer feedback continues to be at a high level, strengthening Hurtigruten's brand position and ability to attract new customers. Hurtigruten aims to be positively different to counter competition from international cruise operators in Scandinavia and along the Norwegian coast, offering a truly unique experience to its customers.

Oslo, 15 May 2019

Trygve Hegnar
Chairman

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

Regina Mari Aasli Paulsen
Regina Mari Aasli Paulsen
Director

Jørn Henning Lorentzen
Director

Daniel Andreas Skjeldam
CEO

Hurtigruten AS

ANNUAL FINANCIAL STATEMENTS

2018

STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	*Note*	2018	2017
Operating revenues	*16*	**3,964,216**	3,590,060
Cost of goods sold		**(647,662)**	(605,147)
Payroll costs	*17*	**(7,560)**	(13,983)
Depreciation, amortisation and impairment losses	*5, 6*	**(347,468)**	(435,684)
Other operating costs	*21*	**(2,525,060)**	(2,345,887)
Other (losses) / gains – net	*22*	**92,529**	(53,208)
Operating profit/(loss)		**528,996**	136,152
Finance income	*19*	**134,782**	165,007
Finance expenses	*19*	**(163,807)**	(570,477)
Finance expenses - net		**(29,025)**	(405,470)
Profit/(loss) before income tax		**499,971**	(269,318)
Income tax expense	*7*	**158,908**	-
Profit/(loss) for the year		**658,879**	(269,318)

STATEMENT OF COMPREHENSIVE INCOME

(in NOK 1,000)	*Note*	2018	2017
Profit/(loss) for the year		**658,879**	(269,318)
Other comprehensive income, net of tax:			
Items that will be reclassified to profit or loss in subsequent periods:			
Cash flow hedges	*9*	**(209,244)**	39,345
Tax	*7*	**35,794**	-
Totals		**(173,450)**	39,345
Total comprehensive income for the year		**485,429**	(229,973)

STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**2018**	2017
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**3,671,139**	3,778,969
Intangible assets	*6*	**49,677**	65,182
Investments in subsidiaries	*8*	**445,971**	445,971
Deferred income tax assets	*7*	**367,006**	170,562
Investment in other companies	*9*	**3,199**	3,169
Derivative financial instruments	*9*	**-**	30,494
Other non-current receivables	*10*	**1,001,162**	473,007
Total non-current assets		**5,538,154**	4,967,353
CURRENT ASSETS			
Inventories	*11*	**131,354**	102,923
Trade and other receivables	*10*	**654,754**	451,736
Derivative financial instruments	*9*	**-**	19,533
Cash and cash equivalents	*12*	**140,529**	73,432
Total current assets		**926,638**	647,624
Total assets		**6,464,792**	5,614,977

(in NOK 1,000)	*Note*	**2018**	2017
EQUITY			
Equity attribute to owners of the parent			
Share capital	*13*	**427,492**	423,259
Share premium	*13*	**4,048,413**	1,032,518
Other equity not recognized in the income statement		**(125,145)**	48,305
Retained earnings		**(522,648)**	(1,181,527)
Total equity		**3,828,111**	322,556
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**755,042**	2,798,785
Other non-current liabilities		**17,736**	15,348
Derivative financial instruments	*9*	**57,351**	-
Total non-current liabilities		**830,129**	2,814,133
Current liabilities			
Trade and other liabilities	*10*	**413,005**	1,034,457
Current income tax liabilities	*7*	**1,743**	-
Borrowings	*14*	**-**	854,379
Negative cash inside cash-pool	*12*	**1,249,036**	561,308
Derivative financial instruments	*9*	**105,347**	13,247
Provision for other liabilities and charges	*10*	**37,421**	14,898
Total current liabilities		**1,806,552**	2,478,288
Total equity and liabilities		**6,464,792**	5,614,977

Oslo, 15 May 2019

Trygve Hegnar
Chairman

Jørn Henning Lorentzen
Director

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

Regina Mari Aasli Paulsen
Director

Daniel Andreas Skjeldam
CEO

STATEMENT OF CHANGES IN EQUITY

(in NOK 1,000)	*Note*	Share capital including treasury shares	Share premium	Other equity not recognised in the income statement	Retained earnings	Total Equity
Balance at 1 January 2017		423,259	1,032,518	8,960	(912,209)	**552,529**
Profit/(loss) for the year					(269,318)	**(269,318)**
Other comprehensive income						
Cash flow hedges, net of tax	*7*	-	-	39,345	-	**39,345**
Other comprehensive income		-	-	39,345	-	**39,345**
Total comprehensive income		-	-	39,345	(269,318)	**(229,973)**
Transactions with owners						
Total transactions with owners		-	-	-	-	**-**
Balance at 31 December 2017		423,259	1,032,518	48,305	(1,181,527)	**322,556**
Balance at 1 January 2018		423,259	1,032,518	48,305	(1,181,527)	**322,556**
Profit/(loss) for the year					658,879	**658,879**
Other comprehensive income						
Cash flow hedges, net of tax	*7*	-	-	(173,450)	-	**(173,450)**
Other comprehensive income		-	-	(173,450)	-	**(173,450)**
Total comprehensive income		-	-	(173,450)	658,879	**485,429**
Transactions with owners						
Contribution of equity	*13*	4,233	3,015,894	-	-	**3,020,127**
Total transactions with owners		4,233	3,015,894	-	-	**3,020,127**
Balance at 31 December 2018		427,492	4,048,413	(125,145)	(522,648)	**3,828,111**

CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	**2018**	2017
Cash flows from operating activities			
Profit/(loss) before income tax		**499,971**	-269,318
Adjustments for:			
Depreciation, amortisation and impairment losses	*5, 6*	**347,468**	435,684
Currency gains / losses		**-10,715**	160,215
Gains/losses derivatives		**-6,779**	40,992
Dividends received		**-**	-63,271
Interest expenses	*19*	**92,869**	305,609
Change in working capital:			
Inventories	*11*	**-28,431**	-15,233
Trade and other receivables	*10*	**-58,678**	-4,692
Trade and other payables	*10*	**-594,300**	234,901
Deposits from customers		**2,442**	-
Income tax paid	*7*	**-**	-16,663
Net cash flows from (used in) operating activities		**243,454**	808,224
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	*5*	**-168,950**	-206,273
Purchases of intangible assets	*6*	**-892**	-
Loans to associates and other companies, net		**15,581**	-314,075
Advance payment of property, plant and equipment (PPE)		**-70,283**	-15,213
Purchase and proceeds from sale of shares		**-**	-265
Settlement of financial instruments		**-2,973**	-26,093
Change in restricted funds	*12*	**-77,127**	-40,506
Net cash flows from (used in) investing activities		**-304,643**	-602,425
Cash flows from financing activities			
Proceeds from borrowings	*14*	**709,981**	289,936
Repayment of borrowings	*14*	**-597,733**	-379,693
Interest paid		**-36,522**	-246,862
Net cash flows from (used in) financing activities		**75,726**	-336,620
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**14,537**	-130,821
Cash and cash equivalents at 1 January		**15,917**	69,803
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdrafts		**-24,566**	76,934
Cash and cash equivalents at 31 December	*12*	**5,888**	15,917
Restricted cash	*12*	**134,642**	57,515
Cash and cash equivalents in statement of financial position	*12*	**140,530**	73,432

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Hurtigruten AS is the cruise operating entity in the Silk Topco Group (the Group), and through the brand Hurtigruten, is the world leader in exploration travel, operating a fleet of 14 expedition cruise vessels and two new tailor-made expedition cruise vessels do be delivered in 2019. Hurtigruten opens a unique gateway to experiences in the Arctic, Antarctica and along the Norwegian coast to travellers from all over the world.

Hurtigruten Norwegian Coast is the largest segment with 11 ships providing expedition cruises along the Norwegian coast between Bergen and Kirkenes making 33 northbound and 32 southbound port calls on an 11-day round trip. The segment's customers are predominantly international leisure travellers.

The financial statements of Hurtigruten AS for the year ended December 31, 2018 were authorized for issue by the Board of Directors on 15 May 2019. The financial statement of the company has been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on January 21, 2008. The option in the regulation for simplified IFRS which the company has utilized the following simplified accounting policy;

<u>Investments in subsidiaries and associates</u>
Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at amortised cost according to IFRS 9.

The company's presentation currency is Norwegian Kroner.

NOTE 2 SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

The principal accounting polices applied in the preparation of the financial statements are described below. Unless otherwise stated in the description, these policies have been consistently applied to all periods presented.

2.1 BASIC POLICIES

The financial statements have been prepared in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act § 3-9. The financial statements have been prepared on a historical cost basis, with the following modifications:

• Subsequent measurement of financial derivatives at fair value, either through profit or loss or through other comprehensive income (cash-flow hedges).

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions are translated into the functional currency using the transaction rate. Realised and unrealised foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement. If the currency position is considered a cash flow hedge, gains and losses are recognised as other comprehensive income until the hedged transaction is completed, after which the currency position is transferred to the result on ordinary activities. Foreign exchange gains and losses on loans, cash and cash equivalents are presented (net) in the income statement as finance income or expenses.

B) REVENUE RECOGNITION

Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns and discounts. In order to account for revenue, the following criteria first have to be met. All parties to the contract must have approved the agreement and be committed to perform in accordance with the agreement. Furthermore, the parties must be able to identify both the payment terms and the deliverables according to the contract. And the collection of the entitled payment must be probable considering only the customer's ability and intention to pay that amount of consideration when it is due.

Revenue is recognised when the customer achieves control over the sold product or service, and thus has the opportunity to determine the use of, and can receive the benefits deriving from, the product or the service. Sales are recognised when revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Company and specific criteria related to the various forms of sale that are listed below are met.

Revenue is recognised in the income statement as follows:

(I) SALES OF SERVICES AND TRAVEL

Sales of services are recognised in the accounting period when the service is rendered and/or delivered to the customer. For ship voyages, revenue is recognised over the days the passenger is on board. For voyages currently en route on the reporting date, revenues are accrued based on the number of days the voyage lasts before the end of the accounting period. Revenue recognition is performed based on reports from the booking system, providing detailed information regarding the sailings. Tickets, meals and excursions are primarily pre-sold before the journey commences, but for travellers along the Norwegian coast, it is also possible to purchase tickets in the port right before the ship sails. Onboard sales of food, beverages, shop and excursions accounts for approximately nine percent of the total revenue. Travellers pay their journey up-front, and these payments are accounted for as deposits from customers (liabilities).

Revenue from freight of cargo along the Norwegian coast is recognised based on monthly invoicing of available cargo space, as the customer has rented all the cargo space and pays a daily hire regardless of whether the space is used or not.

(II) SALE OF GOODS

The Company’s sales of goods primarily relate to sales of food, souvenirs and other kiosk products onboard the ships. Sales are recognized in income when the customer has received and paid for the goods. Payment for retail transactions is usually made in the form of cash or by credit card. The revenue is recognized in the income statement including the credit card fees incurred for the transaction. The fees are recorded as costs to sell.

(III) PUBLIC PROCUREMENT

Hurtigruten AS has a State Service Obligation with the Ministry of Transport and Communications to operate the Bergen–Kirkenes coastal route.

Revenues received from public procurement are recognized in the income statement on a continuous basis over the year on the basis of existing contracts. These contracts are primarily based on a public tender, where the company has a fixed contract sum for planned (annual) production. There are specific conditions and calculation methods for the indexation of the contract sum. Any changes beyond the planned production are compensated/deducted utilising agreed-upon rates set out in the agreements and recognised in the periods in the periods in which they occur.

(IV) INCREMENTAL COSTS

Incremental costs of obtaining a contract are those costs incurred to obtain a contract with a customer that would not have incurred if the contract had not been obtained, for example, a sales commission. The company incur commissions to several sales commissioners, selling tickets to Hurtigruten cruises on our behalf. When the agencies are invoiced, the invoices are net of commissions, and both the revenue and the commission cost is recognised in the income statement at the time of the travel. In other, more rare instances, the company will have to make a provision for prepaid or accrued commission if the payment is performed at another time than the travel. The expenses are presented as Cost of Goods sold in the Income Statement.

(V) CANCELLATIONS, GUARANTEES ETC

Hurtigruten AS has, as a provider of package travels, the same responsibilities as other actors in the business, following the EU Directive 2015/2302 on Package Travel, as set forth in our terms and conditions for travellers: "Subject to these booking conditions, if we or our suppliers perform or arrange your contracted holiday arrangements negligently, taking into consideration all relevant factors, we will pay you reasonable compensation".

No provision for guarantees has been accounted for in the statement of financial position as at 31 December 2018.

C) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist primarily of ships (Hurtigruten ships), and buildings (offices and workshops). Property, plant and equipment are recognized at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

Periodic maintenance is recognized in the balance sheet and expensed over the period until the next periodic maintenance. Ongoing maintenance for all ship types is expensed continuously during the period in which the work is performed.

Other operating assets are depreciated on a straight-line basis, such that the cost is depreciated to residual value over the asset's expected useful life. Expected useful life is determined on the basis of historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated on the basis of estimated sales values for operating assets at the end of their expected useful life. Expected useful life is:

Ships	12–30 years
Buildings	25 – 100 years
Other	3–10 years

The useful life and residual value of operating assets are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognized as their various components. These components are depreciated separately over each component's useful life. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

Gains and losses on disposals are recognized in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the book value.

D) INTANGIBLE ASSETS

Intangible assets consist mainly of development costs for computer systems recognized in the balance sheet at cost, if the criteria for recognition in the balance sheet are met. Expenses recognized in the balance sheet as custom developed computer systems largely comprise payroll costs and hired-in consultants in connection with the development.

The criteria for recognizing custom developed intangible assets in the balance sheet are:

- It is technically feasible to complete the development of the software so that it will be available for use.
- Management intends to complete the development of the software and use it.
- The intangible asset will in fact be used after its completion.
- It is probable that the intangible asset will create future economic benefits.
- Adequate technical, financial and other resources are available for the company to be able to complete the development and to use the completed intangible asset.
- Development costs for the asset can be reliably measured

Intangible assets are considered to have a limited life span and are amortised over their expected useful life. Assessments are made at the end of each accounting period to find any indications of impairment of intangible assets. If there are indications of impairment, the intangible asset's recoverable amount is estimated and compared to its carrying amount, and in the event that the carrying amount is above the recoverable amount, the intangible asset is written down to its recoverable amount. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred.

E) IMPAIRMENT OF NON-FINANCIAL ASSETS

Depreciated property, plant and equipment and amortized intangible assets are assessed for impairment when there is any indication that the book value may not be recoverable.

An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing impairments, non-current assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date the possibility of reversing previous impairment of non-financial assets is assessed.

F) FINANCIAL ASSETS

(I) CLASSIFICATION

The Company classifies financial assets in the following three categories, depending on the management's object of acquiring the asset, and the characteristics of the asset:

1) Financial assets measured at amortised cost

Primarily loans and receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method. Loans and receivables with maturities less than 12 months are classified as current assets. Instruments with more than 12 months maturity are classified as non-current assets.

2) Financial assets measured at fair value through other comprehensive income

The Company uses derivatives to hedge exposure against foreign currency risk and bunker oil prices. Some of these derivatives are designated as hedging instruments by management, and the formal hedging requirements regarding the relationship between the hedged item and the hedging instrument and the accompanying hedging documentation is prepared at the inception of the hedge. The portion of the gain or loss on such hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income.

3) Financial assets measured at fair value through profit or loss

All other financial assets should be measured at fair value through profit or loss. For the Company, this primarily consist of derivatives that are not designated as hedges, or the portion of the gain or loss on hedging instruments that is determined to be an ineffective hedge. Assets in this category are classified as current assets or liabilities.

(II) RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised and derecognised using trade date accounting, which means using the date the Company commits itself to purchase or sell the asset. Unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and has a legal right to receive or a legal obligation to pay cash. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognised until at least one of the parties has performed under the agreement. Planned future transactions, no matter how likely, are not assets and liabilities because the entity has not become a party to a contract.

All financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets recognized at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Subsequent measurement depends on the classification as referred to under Section F, point I.

Financial assets are derecognised when the rights to receive cash flows from the investment expire or when these rights have been transferred and the Company has substantially transferred all risks and rewards of ownership.

Gains or losses from changes in fair value of assets classified as “financial assets at fair value through profit or loss”, including interest income and dividends, are included in the income statement under financial items in the period in which they arise. Dividends from financial assets at fair value through profit or loss are included in finance income when the Company’s right to receive payments is established.

G) IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, for all financial assets measured at amortised cost except customer receivables, the Company assesses whether the credit risk on the financial instruments has increased significantly since initial recognition, by using available reasonable and supportable forward-looking information. If and when contractual payments are more than 30 days past due, the credit risk is always considered to have increased significantly. For financial instruments where the credit risk is considered to have increased significantly, an amount equal to the lifetime expected credit losses is recognised for loss allowance. For financial instruments where the credit risk has not increased since initial recognition, an amount equal to 12-months expected credit losses is recognised for loss allowance. The change in recognised impairment losses since the last reporting period is recognised in profit or loss.

Impairment testing of customer receivables is described in section i) below.

H) DERIVATIVES AND HEDGING

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value on an ongoing basis. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company classifies derivatives that are part of a hedging instrument as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair-value hedge) or
- hedges of variable cash flows with a particular risk associated with a recognized asset, liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Such assessments are documented both at hedge inception and on an ongoing basis.

The fair value of a hedging derivative is classified as a non-current asset or noncurrent liability if the remaining term of the hedging item is more than 12 months and as a current asset or current liability if the remaining term of the hedging item is less than 12 months. Derivatives held for trading purposes are classified as current assets or liabilities.

Cash flow hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedging instruments in cash flow hedges is recognized directly in other comprehensive income. Losses and profits on the ineffective portion are recognized in the income statement.

Hedge gains or losses recognised in other comprehensive income and accumulated in equity are recycled over profit and loss in the period during which the hedged item affects the income statement (for example, when the forecasted sales transaction is taking place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is recognized in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement as a reclassification adjustment.

I) TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise or services sold in the ordinary course of business. If settlement is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

Trade receivables are measured at amortised cost, which normally is equal to the original invoice amount, as the interest element using the effective interest method normally is insignificant and therefore disregarded. For customer receivables, an amount equal to the lifetime expected credit losses is recognised for loss allowance.

J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities in the balance sheet. Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation. Restricted cash is included in the balance sheet presentation but not in the cash flow presentation. The difference is reconciled below the cash flow statement.

K) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are valued at fair value on first-time recognition in the balance sheet. Subsequently, trade payables are measured at amortized cost using the effective interest method. The interest element is disregarded if it is immaterial.

L) BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognized at amortized cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

M) BORROWING COSTS

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the statement of financial position until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis. In the cash flow statement, interest paid is classified as part of the financing activities.

N) CURRENT AND DEFERRED INCOME TAXES

Income tax expense comprises income taxes payable and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is calculated in accordance with the tax laws and regulations enacted or substantively enacted at the balance sheet. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax laws are subject to interpretation. Based on management's assessment, a provision is made for expected tax payments when necessary.

Deferred tax is calculated on all temporary differences between the tax values and financial values of assets and liabilities. Deferred income tax is determined using tax rates and tax laws which have been enacted or substantially enacted by the balance sheet date and which are expected to apply when the deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the tax-reducing temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Company, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are recognized net to the extent that there is a desire and ability to realise the assets and settle the liabilities simultaneously.

O) PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognized for future operating losses; however, provisions for unprofitable contracts are recognized.

P) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When the Company has substantially assumed all the risks and rewards of ownership of the underlying lease object, leases are classified as finance leases and the lease object and lease liability are recognized in the balance sheet.

Accounting for leases will change following implementation of IFRS 16 "Leases" with effect for financial reporting after 1 January 2019, see section 2.3 in Note 1.

Q) DIVIDENDS

Dividend distribution to owners of the parent is recognized as a liability in the Company's financial statements when the dividends are approved by the general meeting.

R) GOVERNMENT GRANTS

The Company receives material grants in the form of grants for trainee schemes and net salary subsidies. These grants are recognized net (as a cost reduction) together with the other payroll costs.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the company has applied the following new accounting standards that were effective for accounting periods beginning on or after 1 January 2018 and which are relevant for Hurtigruten:

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurements. The standard has introduced new requirements for the classification, measurement and accounting treatment of financial assets and liabilities, as well as hedge accounting. In accordance with IFRS 9, financial assets are divided into three categories: fair value through other comprehensive income, fair value through profit or loss and amortised cost. The measurement category is established based on the method used for the first-time recognition of the asset. Classification is contingent on the entity's business model for management of its financial instruments and the nature of the cash flows for the individual instrument.

Impairments attributable to credit risk are now recognised based on expected losses rather than the previous model where losses must already have been incurred.

The standard essentially continues the requirements of IAS 39 for financial liabilities. The greatest change applies to cases where the fair value option has been utilised for a financial liability, but this is not relevant for the company as this option has not been used.

IFRS 9 has simplified the requirements for hedge accounting by tying hedging efficiency more closely to management's risk management and providing greater scope for assessment. The requirements for hedging documentation are continued but the notes disclosure requirements are increased somewhat.

Implementation of IFRS 9 has not affected the financial statements of the companys' materially. Work processes have been slightly changed and there are some enhanced notes regarding hedge accounting.

IFRS 15, Revenues from Contracts with Customers has established a new five-step model that applies to revenue arising from contracts with customers. Furthermore, the standard requires the customer contract to be split into individual performance obligations where these are multiple. A performance obligation can be a product or a service, and as recognition of these can be different, they should be separated. Revenue is recognised when a customer achieves control over a product or service, and thus has the opportunity to determine the use of, and can receive the benefits deriving from, the product or the service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated interpretations.

Implementation of IFRS 15 has not affected the financial statements of the Company's materially, however the notes disclosures regarding revenue have been altered, reflecting the new and increased requirements of the new standard.

Standards, amendments and interpretations to existing standards that have not entered into force and which the company has not early adopted:

IFRS 16 Leases, establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. When applying the new model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. Depreciation and interest expenses will replace the rental expenses. For Hurtigruten this implies that current operating leases that satisfy the criteria will be recognised with assets and liabilities. Effective date is 1 January 2019.

The company will adopt IFRS 16 on 1 January 2019. IFRS 16 requires adoption either on a retrospective basis or on the modified retrospective basis. Using the retrospective basis, the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and comparatives will be restated. Lease liabilities for all material leases, except short term leases (duration of 12 months or less) have been measured as the present value of the remaining lease payments, discounted using either the borrowing rate implicit in the lease, or by using the incremental borrowing rate at the date of initial application. Leases of assets of low value (purchase price less than approximately NOK 50,000) are regarded as immaterial and is disregarded for this purpose. The difference between the value of the lease liabilities and the right-of-use assets will be recorded as an adjustment to the opening balance of retained earnings.

NOTE 3 FINANCIAL RISK MANAGEMENT

The following discussion concerning financial risk management relates to the policies adopted and applicable for the financial year 2018. The financial risk arises due to the company's usage of financial instruments such as bank loans, intercompany loans, trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Company has also utilised specific financial derivatives for hedging purposes.

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency, price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Company's overarching risk management goal is to increase predictability for the Company's operations and to minimise the impact of fluctuations in macro conditions on the Company's results and financial position.

The Company has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, bunker price, credit risk and the use of financial derivatives. The board of directors approves the Company's risk management strategy and reviews this annually. The CFO function is responsible, in consultation with the CEO, for conducting ongoing tactical risk management in line with the approved strategy, including exposure analyses and reporting.

MARKET RISK

A) CURRENCY RISK

The Company operates internationally and is exposed to currency risk in multiple currencies, in particular, EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. A substantial part of the company's borrowings from other Group companies are denominated in EUR. In addition, the bunker oil cost is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

The price of oil, and thus bunker fuel, is internationally traded in USD, while the Company purchases bunker fuel in NOK. The risk can therefore be split into a currency element and a product element. The currency element is partially aligned with the Company's cash flow exposure in USD, and the product risk is hedged separately.

B) PRICE RISK

The Company is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Group has implemented a fuel hedging policy that follows the booking curve: the key principle in the bunker hedging policy is based on the company's ability to obtain visibility on earnings, hence the company has established a hedging policy linked to the development in the booking curve (actual vs. budgeted Passenger Cruise Nights (PCN) booked). For example, if at any given time 75% of the volume for one season is sold, a minimum of 50% of the bunker cost associated with the PCN volume sold are hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

C) CASH FLOW AND FAIR-VALUE INTEREST RATE RISK

The Company's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Company's overall cash flow. Fixed interest rates expose the Company to fair-value interest rate risk. Most of the Company's interest-bearing debt has variable interest rates. The Company has no specific hedging strategy to reduce variable interest rate risk.

D) INTEREST RISK

The Company's loans and draws of the Group accounts are made at floating rates. No hedges are made to reduce interest risk.

CREDIT RISK

The Company has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Company has routines to ensure that credit is only extended to agents with a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Company has routines that limit exposure to credit risk relating to individual financial institutions.

LIQUIDITY RISK

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Company has a group bank account that ensures that part of the subsidiaries' unrestricted liquidity is available to the parent company, and which also optimizes availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Company's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Company has sufficient liquidity reserves to satisfy the Company's obligations and financial loan covenants.

HEDGE ACCOUNTING

Up and until 2018, while complying to IAS 39, the bunker oil derivatives mitigating the fuel price risk were designated as hedging instruments for accounting purposes, and the gain or loss on the portion of the instrument which is determined to be an effective hedge has been recognised in other comprehensive income. During 2018, the hedging chapters in IFRS 9 are effective and are implemented. Furthermore, all previously engaged bunker oil hedging instruments had maturity during 2018. New bunker oil financial instruments have been closed regarding future fuel purchases.

The Company has chosen to designate a hedging relationship between these hedging instrument and the forecasted bunker oil purchases. During 2018, the Company has entered into 6 commodity forward swaps with Goldman Sachs and DnB Markets. These contracts have different strike prices (from 634 to 747 $/MT) and different expiry dates through the years 2019-2021. The contracts hedge forecasted future bunker oil purchase transactions. At the time the contracts were initiated, approximately 100 % of the forecasted oil consumption in 2019 and 50 % of the forecasted consumption in 2020 and 2021 are covered by the contracts. At year-end 2018, a total of 142,350 MT bunker fuel volume is hedged at an average price, incl. credit margin, of USD 656/MT during 2019-2021.

The forward swaps have monthly settlements, and the Company will be compensated if the market price of bunker oil is above the strike, and similarly have to make a payment to the counter-party if the market price is below strike. Hedge effectiveness is the extent to which changes in the cash flows of the hedging instrument offset changes in the cash flows of the hedged item. As there is a one-to-one relationship between the risk of price-fluctuations in bunker oil (hedged item) and the effect from the forward swaps, the forward swaps are effectively locking the purchase price of the bunker oil purchased, provided that the quantity purchased is equal to or larger than the quantity covered by the swap.

Hedge ineffectiveness is the extent to which the changes in the fair value or the cash flows of the hedging instrument are greater or less than those on the hedged item. As long as the purchased and consumed bunker oil quantities are greater than those included in the forward swaps, the hedge is effective. If the quantities included in the hedge is higher than the purchased and consumed bunker oil, then the excess quantities represent an ineffective hedge, and those effects should be recognised as other financial instruments, with valuation gains/losses recorded in profit/loss. This is not expected to occur, as the strategy is to hedge 50% - 100 % of forecasted purchases, and not above. No hedge ineffectiveness has been identified during 2018.

THE COMPANY'S ASSET MANAGEMENT

The Company's objective for asset management are to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

NOTE 4 BUSINESS INFORMATION

This note presents the business information about segments in the Hurtigruten Group. The segments are compiled based on the consolidated financial statements of the Hurtigruten Group which include the financial statements of the parent company Hurtigruten AS and its subsidiaries as of 31 December 2018 with comparative numbers for 2017. Subsidiaries are all companies over which Hurtigruten AS exercises control. Control over an entity arises when the Group is exposed to variability in the return from the entity and has the ability to impact this return by virtue of its influence over the entity. Subsidiaries are consolidated from the time a controlling influence is established and until such time as the controlling influence ceases to exist. We refer to note 8 "Investments in subsidiaries" for a full disclosure of the subsidiaries.

The operating segments are identified based on the same reporting that Hurtigruten Group management and the board apply to their evaluations of performance and profitability at a strategic level. The company‘s ultimate decision-maker, which are responsible for allocation of resources to and assessment of earnings generated by the operating segments, is defined as the Board and Group management. The classification is broken down into the product areas Hurtigruten Norwegian Coast, Expedition cruises, and Spitsbergen. Activities that do not naturally fall within these three segments are bundled in Other business.

As the segments comprise numbers for the consolidated Hurtigruten AS with subsidiaries, comparative numbers for the parent company Hurtigruten AS are also presented.

(in NOK 1,000)	Hurtigruten Norwegian Coast 2018	2017	Expedition Cruises 2018	2017	Spitsbergen 2018	2017
Operating revenues	**3,513,111**	3,159,578	**936,057**	811,574	**295,028**	292,411
Contractual revenues	**698,919**	674,234	**-**	-	**-**	-
Total operating revenues	**4,212,029**	3,833,812	**936,057**	811,574	**295,028**	292,411
Cost of goods sold	**(1,046,117)**	(954,000)	**(326,300)**	(253,616)	**(121,631)**	(120,893)
Crew costs, ship	**(662,221)**	(639,278)	**(101,672)**	(99,830)	**-**	-
Other operating cruise costs	**(977,546)**	(839,226)	**(248,661)**	(202,941)	**(15,611)**	(27,433)
Personnel costs, non-ship	**(299,741)**	(279,396)	**(55,402)**	(59,127)	**(87,443)**	(81,419)
Selling, general and admin exp.	**(408,512)**	(396,051)	**(75,983)**	(85,083)	**(25,404)**	(18,674)
Other (losses)/gains – net	**78,695**	(25,773)	**13,826**	(24,950)	**217**	214
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**896,587**	700,089	**141,864**	86,028	**45,156**	44,206
Depreciation and amortisations	**(317,975)**	(389,254)	**(75,128)**	(67,129)	**(22,373)**	(17,844)
Operating profit/(loss)	**578,612**	310,835	**66,736**	18,899	**22,783**	26,362

(in NOK 1,000)	Other business and eliminations 2018	2017	Hurtigruten AS including subsidiaries 2018	2017	Hurtigruten AS 2018	2017
Operating revenues	**(14,293)**	(14,866)	4,729,903	4,248,697	**3,265,297**	2,915,826
Contractual revenues	**-**	-	698,919	674,234	**698,919**	674,234
Total operating revenues	**(14,293)**	(14,866)	5,428,821	4,922,932	**3,964,216**	3,590,060
Cost of goods sold	**10,628**	12,003	(1,483,420)	(1,316,505)	**(647,662)**	(605,147)
Crew costs, ship	**-**	-	(763,893)	(739,108)	**(781,850)**	(761,363)
Other operating cruise costs	**2,769**	2,323	(1,239,049)	(1,067,277)	**(508,833)**	(332,035)
Personnel costs, non-ship	**-**	-	(442,586)	(419,942)	**(511,622)**	(522,463)
Selling, general and admin exp.	**1,175**	1,147	(508,724)	(498,661)	**(730,315)**	(744,009)
Other (losses)/gains – net	**48**	-	92,785	(50,508)	**92,529**	(53,208)
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**328**	608	1,083,935	830,930	**876,464**	571,836
Depreciation and amortisations	**-**	(25)	(415,476)	(474,252)	**(347,468)**	(435,684)
Operating profit/(loss)	**328**	583	668,459	356,679	**528,996**	136,152

HURTIGRUTEN NORWEGIAN COAST

Hurtigruten Norwegian Coast is Hurtigruten Group's largest segment. Through this segment, the Group offers voyages along the Norwegian coast to an adventure-seeking international customer base. The segment offers a number of shore-based activities for its cruise passengers, including dog sledding, kayaking, inflatable boat adventures, local food tours, Lapland cultural tours, visits to land-based sites, mountain hiking and snowmobile excursions, skiing and whale safaris. 12 of the Group's ships provide services along the Norwegian coast under this segment (with MS Midnatsol and MS Spitsbergen alternating between the Hurtigruten Norwegian Coast and Expedition cruises segments), making 33 northbound and 32 southbound daily departures from ports located between Bergen in the south and Kirkenes in the north. It also offers freight and local passenger transport services along the coast, for which it receives a fixed fee from the Norwegian government each year under the Coastal Service Contract.

EXPEDITION CRUISES

The Expedition cruises segment is the Group's second largest and fastest growing segment, through which the Group offers exploration-based adventure cruises to the Arctic (including Svalbard, Greenland, Iceland, Canada and the Northwest Passage) and the Antarctic together with sailings to the Amazon river and Atlantic Islands. As part of the Group's Expedition cruises segment, customers are offered a wide array of excursions and expeditions designed to provide them with an unforgettable experience. The Group's purpose-built fleet includes three ice-class ships, MS Fram, MS Midnatsol and MS Spitsbergen. MS Midnatsol and MS Spitsbergen alternate between the Hurtigruten Norwegian Coast and the Expedition cruises segments and the Group leases and operates MS Nordstjernen around Svalbard during the summer months and as the basecamp for ski-cruises on the Norwegian Coast in March and April. The Group has also ordered two new-builds, MS Roald Amundsen and MS Fridtjof Nansen, which will operate as part of the Expedition cruises segment and are scheduled to be delivered in second and fourth quarter of 2019, respectively. These new-builds are optimal for adventure cruises, with size and technical specifications permitting the Group to sail adventure itineraries in the Arctic and Antarctic and flexibility to sail other adventure itineraries or in the Norwegian Coast segment. A third new-build has also been ordered, with expected delivery in 2021.

SPITSBERGEN

The Spitsbergen segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism on Svalbard, a Norwegian archipelago in the Arctic ocean. Through this land-based segment, the Group operates three hotels with a total of 258 rooms and an equipment store and offers activities such as kayaking, dog sledding, snowmobile hire, cross country skiing and observation of local fauna (including polar bears, walruses, seals and arctic birds).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

(in NOK 1,000)	Ships	Financial lease, ships	Other property, plant and equipment	Total
Acquisition cost				
As at 1 January 2017	6,595,210	537,278	3,401	**7,135,889**
Additions	206,273	119,228	-	**325,501**
Disposals	-	(32,800)	-	**(32,800)**
As at 31 December 2017	**6,801,483**	**623,706**	**3,401**	**7,428,590**
As at 1 January 2018	6,801,482	623,706	3,402	**7,428,590**
Additions	169,024	54,291	(74)	**223,241**
Disposals	-	-	-	**-**
As at 31 December 2018	**6,970,507**	**677,997**	**3,328**	**7,651,831**
Accumulated depreciation and impairment				
As at 1 January 2017	(3,240,007)	(20,675)	(2,222)	**(3,262,904)**
Depreciation	(291,177)	(90,454)	(88)	**(381,719)**
Depreciation disposals	-	32,800	-	**32,800**
Impairment losses	-	(37,799)	-	**(37,799)**
As at 31 December 2017	**(3,531,184)**	**(116,127)**	**(2,310)**	**(3,649,621)**
As at 1 January 2018	(3,531,184)	(116,127)	(2,310)	**(3,649,621)**
Depreciation	(286,793)	(43,426)	-	**(330,218)**
Depreciation disposals	-	-	-	**-**
Impairment losses	(854)	-	-	**(854)**
As at 31 December 2018	**(3,818,830)**	**(159,553)**	**(2,310)**	**(3,980,693)**
Book value 31 December 2017	**3,270,299**	**507,578**	**1,092**	**3,778,969**
Book value 31 December 2018	**3,151,677**	**518,443**	**1,019**	**3,671,139**
Useful economic lifetime	12 - 30 years	12 years	5 - 10 years	

Impairment losses in 2017 relate to correction of the lease of MS Richard With and MS Nordlys, from operating lease to financial lease.

NOTE 6 INTANGIBLE ASSETS

(in NOK 1,000)	**Other intangible assets**	**Total**
Acquisition cost		
As at 1 January 2017	122,341	**122,341**
Additions	375	**375**
As at 31 December 2017	**122,716**	**122,716**
As at 1 January 2018	122,716	**122,716**
Additions	892	**892**
As at 31 December 2018	**123,608**	**123,608**
Accumulated depreciation and impairment		
As at 1 January 2017	(41,398)	**(41,398)**
Depreciation	(16,137)	**(16,137)**
As at 31 December 2017	**(57,534)**	**(57,534)**
As at 1 January 2018	(57,534)	**(57,534)**
Depreciation	(16,396)	**(16,396)**
As at 31 December 2018	**(73,930)**	**(73,930)**
Book value 31 December 2017	**65,182**	**65,182**
Book value 31 December 2018	**49,677**	**49,677**
Useful economic lifetime	3 - 10 years	

NOTE 7 INCOME TAX

INCOME TAX EXPENSE

(in NOK 1,000)	**2018**	2017
Income tax payable, current year	**1,743**	-
Income tax payable, adjustments regarding previous years	**-**	-
Change in deferred tax, current year	**(165,000)**	-
Change in deferred tax, tax rate changes and adjustments regarding previous years	**4,350**	-
Total income tax expense	**(158,908)**	-

RECONCILIATION OF THE INCOME TAX EXPENSE FOR THE YEAR

The tax on the Company's profit or loss before tax deviates from the amount that would have applied if the statutory tax rate had been used. The difference can be explained as follows:

(in NOK 1,000)	**2018**	2017
Profit/(loss) before tax from operations	**499,971**	(269,318)
Expected income taxes at statutory tax rate in Norway (23 %)	**114,993**	(64,636)
Non-taxable income (-)	**(7,955)**	(15,330)
Gifts, representation and other non-deductable expenses (+)	**2,284**	1,661
Effect from change in tax rate or provisions from previous years	**4,350**	7,416
Effect from change in valuation allowance, tax losses	**(272,581)**	71,106
Other permanent differences (+/-)	**-**	(217)
Income tax expense	**(158,908)**	-
Weighted average tax rate	-31.8 %	0.0 %

INCOME TAX EXPENSE FOR ITEMS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(in NOK 1,000)		**2018**			2017	
	Before tax	**Tax effect**	**After tax**	Before tax	Tax effect	After tax
Cash flow hedging	**(209,244)**	**35,794**	**(173,450)**	39,345	-	39,345
Other comprehensive income	**(209,244)**	**35,794**	**(173,450)**	39,345	-	39,345

DEFERRED INCOME TAX ASSETS (+) AND LIABILITIES (-)

Deferred income tax assets and liabilities are recognised on a net basis if the differences that are reversible can be offset.

The deferred income tax assets relating to tax loss carry-forwards are recognised in the statement of financial position to the extent that the Company can utilise the tax loss carry-forward against future taxable income. Also see note 25 regarding events after the balance sheet date.

2018

(in NOK 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Closing balance
Non-current items				
Intangible assets and fixed assets	(467,420)	33,226	-	(434,194)
Account for gains and losses (NO Tax Act only)	(13,514)	3,173	-	(10,341)
Leasing	6,751	5,216	-	11,967
Totals	**(474,183)**	**41,615**	**-**	**(432,568)**
Current items				
Inventory	-	220	-	220
Receivables	631	73	-	704
Derivatives and financial instruments	(7,659)	7,659	35,794	35,794
Current provisions	-	6,894	-	6,894
Totals	**(7,028)**	**14,846**	**35,794**	**43,612**
Tax loss carry forwards	789,846	(164,210)	-	625,637
Interest carry forwards	134,507	(4,181)	-	130,326
Valuation allowance	(272,581)	272,581	-	-
Total def. tax asset / (liability)	**170,562**	**160,651**	**35,794**	**367,006**

2017

(in NOK 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Closing balance
Non-current items				
Intangible assets and fixed assets	(489,707)	22,287		(467,420)
Account for gains and losses (NO Tax Act only)	(17,627)	4,113		(13,514)
Leasing	(1,355)	8,106		6,751
Totals	**(508,689)**	**34,506**	**-**	**(474,183)**
Current items				
Receivables		631		631
Derivatives and financial instruments	1,926	(9,584)		(7,659)
Current provisions	(3,437)	3,437		-
Totals	**(1,511)**	**(5,517)**	**-**	**(7,028)**
Tax loss carry forwards	814,641	(24,795)		789,846
Interest carry forwards	88,888	45,619		134,507
Valuation allowance	(222,768)	(49,813)		(272,581)
Total def. tax asset / (liability)	**170,562**	**-**	**-**	**170,562**

RECONCILIATION OF CHANGE IN PAYABLE INCOME TAX PROVISIONS

(in NOK 1 000)	**2018**	2017
Current income tax payables, opening balance	-	16,663
New provision, income tax payable (+)	**1,743**	-
Taxes paid (-)	-	(16,663)
Current income tax payables, closing balance	**1,743**	-

NOTE 8 INVESTMENTS IN SUBSIDIARIES

(In NOK 1,000)	**Registered office**	**Ownership / voting share**	**Equity**	**Net profit / loss 2018**	**Book value**
Hurtigruten Pluss AS	Tromsø, Norway	100 %	43,401	(6,256)	55,672
Hurtigruten Sjø AS	Tromsø, Norway	100 %	48,020	828	45,010
HRG Eiendom AS	Tromsø, Norway	100 %	29,855	293	385
Hurtigruten Cruise AS	Tromsø, Norway	100 %	(52)	(82)	45
Explorer II AS	Tromsø, Norway	100 %	(25,665)	(14,787)	52
Hurtigruten GmbH	Hamburg, Germany	100 %	33,148	31,351	48,832
Hurtigruten Limited	London, UK	100 %	84,533	21,372	11,920
Hurtigruten Inc.	Seattle, USA	100 %	(100,552)	7,605	1
Hurtigruten SAS	Paris, France	100 %	21,039	7,641	315
Hurtigruten Estonia OÜ	Tallinn, Estonia	100 %	21,819	3,787	20
Hurtigruten Svalbard AS	Norway	100 %	358,408	19,711	283,719
Total					**445,971**

NOTE 9A FINANCIAL INSTRUMENTS BY CATEGORY

The following principles has been used for subsequent measurement of financial assets and liabilities:

AS AT 31 DECEMBER 2018

(in NOK 1,000)	Amortised Cost (AC)	Assets at fair value through profit and loss	Derivatives used for hedging	Total
Assets as per balance sheet				
Long term receivables (Note 10)	1,001,162	-	-	**1,001,162**
Investment in other companies	-	3,199	-	**3,199**
Trade receivables and other receivables (Note 10)	597,612	-	-	**597,612**
Cash and cash equivalent (Note 12)	140,529	-	-	**140,529**
Total	**1,739,304**	**3,199**	**-**	**1,742,503**

(in NOK 1,000)	Amortised Cost (AC)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Total
Liabilities as per balance sheet				
Borrowings (Note 14)	755,042	-	-	**755,042**
Negative cash inside cash-pool (Note 12)	1,249,036	-	-	**1,249,036**
Derivatives (Note 9B)	-	-	162,699	**162,699**
Accounts payable and other short term payables (Note 10)	207,291	-	-	**207,291**
Total	**2,211,368**	**-**	**162,699**	**2,374,067**

Carrying value and fair value

(in NOK 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Long term receivables (Note 10)	1,001,162	1,001,162
Investment in other companies	3,199	3,199
Trade receivables and other receivables (Note 10)	597,612	597,612
Cash and cash equivalent (Note 12)	140,529	140,529
Total	**1,742,503**	**1,742,503**
Liabilities as per balance sheet		
Borrowings (Note 14)	755,042	755,042
Negative cash inside cash-pool (Note 12)	1,249,036	1,249,036
Derivatives (Note 9B)	162,699	162,699
Accounts payable and other short term payables (Note 10)	207,291	207,291
Total	**2,374,067**	**2,374,067**

Carrying value of current receivables, payables and borrowings is assessed to not differ materially from fair value.

AS AT 31 DECEMBER 2017

Balance at 31 December 2017

(in NOK 1,000)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
Assets as per balance sheet				
Long term receivables (Note 10)	473,007	-	-	**473,007**
Investment in other companies	-	3,169	-	**3,169**
Trade receivables and other receivables (Note 10)	373,856	-	-	**373,856**
Derivatives (Note 9B)	-	-	50,028	**50,028**
Cash and cash equivalent (Note 12)	73,432	-	-	**73,432**
Total	**920,295**	**3,169**	**50,028**	**973,492**

(in NOK 1,000)	Other financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Derivatives used for hedging	Total
Liabilities as per balance sheet				
Borrowings (Note 14)	3,653,164	-	-	**3,653,164**
Negative cash inside cash-pool (Note 12)	561,308	-	-	**561,308**
Derivatives (Note 9B)	-	-	13,247	**13,247**
Accounts payable and other short term payables (Note 10)	894,858	-	-	**894,858**
Total	**5,109,330**	**-**	**13,247**	**5,122,577**

Carrying value and fair value

(in NOK 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Long term receivables (Note 10)	473,007	473,007
Investment in other companies	3,169	3,169
Trade receivables and other receivables (Note 10)	373,856	373,856
Derivatives (Note 9B)	50,028	50,028
Cash and cash equivalent (Note 12)	73,432	73,432
Total	**973,492**	**973,492**
Liabilities as per balance sheet		
Borrowings (Note 14)	3,653,164	3,653,164
Negative cash inside cash-pool (Note 12)	561,308	561,308
Derivatives (Note 9B)	13,247	13,247
Accounts payable and other short term payables (Note 10)	894,858	894,858
Total	**5,122,577**	**5,122,577**

Carrying amount of current receivables, payables and borrowings is assessed to not differ materially from fair value.

CLASSIFICATION BY IFRS FAIR VALUE HIERARCHY

The Group uses the following hierarchy to classify assets and liabilities, based on the valuation methods used to measure and disclose their fair value:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: Other techniques in which all of the parameters that have a significant impact on measuring fair value are either directly or indirectly observable. This is primarily relevant for our derivatives, where the price normally is set by the counterpart (a financial institution).
- Level 3: Valuation techniques that use parameters that significantly affect the valuation, but which are not observable.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2018

(in NOK 1,000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investments in other companies	-	-	3,199	**3,199**
Total	**-**	**-**	**3,199**	**3,199**
Liabilities				
Derivatives (note 9B)	-	162,699	-	**162,699**
Total	**-**	**162,699**	**-**	**162,699**

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2017

(in NOK 1,000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investments in other companies	-	-	3,169	**3,169**
Derivatives (note 9B)	-	50,028		**50,028**
Total	**-**	**50,028**	**3,169**	**53,196**
Liabilities				
Derivatives (note 9B)	-	13,247	-	**13,247**
Total	**-**	**13,247**	**-**	**13,247**

RECONCILIATION OF MOVEMENT IN LEVEL 3 FINANCIAL INSTRUMENTS

(in NOK 1,000)	**2018**	2017
Opening balance	**3,169**	3,000
Purchases	**391**	236
Sales	**(1,233)**	(25)
Gains / losses recognised in profit/loss	**872**	(43)
Closing balance	**3,199**	3,169

Gains recognised in profit/loss is presented as part of "Other financial income".

NOTE 9B CREDIT QUALITY OF FINANCIAL ASSETS / FAIR VALUE OF DERIVATIVES

CREDIT QUALITY

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The Company does not have a system that separates customers and other receivables by counterparty creditworthiness. The Company has in general long-term relationships with its partners and follows up the creditworthiness through periodic reconciliation of outstanding balances and credit monitoring. The Company historic loss statistics indicate a low counterparty default risk.

(in NOK 1,000)	**2018**	2017
Intercompany receivables, non-current (see note 20)	**1,000,880**	461,925
Intercompany receivables, current (see note 20)	**540,130**	269,361
Counterparties without external credit ratings:	**57,764**	115,577
Total trade receivables and other receivables	**1,598,774**	846,863
Cash bank and short-term bank deposits		
Rating A (S&P)	**135,572**	68,122
Counterparties without external credit ratings:	**721**	723
Total bank deposits	**136,293**	68,845
Cash on hand	**4,237**	4,587
Total cash and short-term bank deposits	**140,529**	73,432
Derivatives		
Rating AA (S&P)	**0**	50,028
Total derivatives	**0**	50,028

FORWARD BUNKER OIL CONTRACTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If the derivative is not classified as a hedging instrument, subsequent re-measurements are recognised in profit or loss.

The Company has, as of 31 December 2018, only engaged in bunker oil derivatives used in cash flow hedge in order to hedge the future market risk of bunker oil purchases.

(in NOK 1,000)	**2018**	2017
Classification of forward bunker oil contracts - cash flow hedge		
Non-current assets	**-**	30,494
Current assets	**-**	19,533
Non-current liabilities	**(57,351)**	-
Current liabilities	**(105,347)**	(13,247)
Net position, bunker oil forwards	**(162,699)**	36,781

A hedging instrument is classified as long term if the major part of the instrument is settled in a period longer than 12 months from the balance sheet date. There are no recognised prospective inefficiencies regarding the hedging instruments.

The hedged, highly probable purchase transactions of bunker oil are expected to occur at various dates over the next 36 months. The forward contracts mature monthly. Forward bunker oil contracts satisfy the requirements for hedge accounting under IFRS and changes in the fair value are recognised on an ongoing basis in other comprehensive income. Gains or losses on oil derivatives recognised in other comprehensive income as of 31 December 2018, will be recognised in the income statement in the same accounting periods that the hedged transactions affect the profit or loss. Realised gains and losses are recognised in Other (losses)/gains. In 2018 a net profit of NOK 74.2 million (2017: loss of NOK 20.6 million) was recognised in Other (losses)/gains.

NOTE 10 RECEIVABLES AND LIABILITIES

RECEIVABLES

(in NOK 1,000)	**2018**	2017
Trade receivables	**30,946**	42,644
Less provision for impairment of trade receivables	**(3,200)**	(2,741)
Trade receivables – net	**27,747**	39,903
Intercompany receivables, current (see note 20)	**540,130**	269,361
Prepaid expenses	**57,142**	77,879
Claims	**-**	14,009
Other miscellaneous receivables	**29,735**	50,584
Other receivables	**627,008**	411,833
Total current trade and other receivables	**654,754**	451,736
Intercompany receivables, non-current (see note 20)	**1,000,880**	461,925
Other non-current receivables	**282**	11,082
Total other receivables, non-current	**1,001,162**	473,007

LIABILITIES

(in NOK 1,000)	**2018**	2017
Trade payables	**124,843**	257,806
Public duties	**140**	2,143
Accrued interest	**-**	14,550
Accrued expenses	**174,673**	102,828
Accrued revenue	**31,220**	22,222
Intercompany liabilities, current (see note 20)	**82,129**	634,910
Miscellaneous liabilities	**37,421**	14,898
Total trade and accrued trade liabilities	**450,426**	1,049,355

NOTE 11 INVENTORIES

INVENTORIES CONSIST OF THE FOLLOWING TYPES OF GOODS

(In NOK 1,000)	**2018**	**2017**
Goods purchased for resale	100,658	71,375
Spare parts	4,867	6,530
Bunkers and lubrication oil	25,830	25,019
Total inventories	**131,354**	**102,923**

The inventories were measured at cost in accordance with the FIFO principle. If the fair value is deemed to be lower than the cost price, then the inventories will be written down.

NOTE 12 CASH AND CASH EQUIVALENTS

(in NOK 1,000)	**2018**	**2017**
Bank accounts	**136,293**	68,845
Cash on hand	**4,237**	4,587
Total cash and cash equivalents	**140,529**	73,432
Drawdowns on group account	**(1,249,036)**	(561,308)
Total cash and cash equivalents after drawdowns on group account	**(1,108,506)**	(487,876)

Cash and cash equivalents in the cash flow statement consist of the following		
Cash at bank and on hand	**140,529**	73,432
Restricted bank deposits	**(134,642)**	(57,515)
Cash and cash equivalents in the cash flow statement	**5,888**	15,917

Restricted bank deposits mainly comprise of a licence guarantee to the Ministry of Transport and Communications and of tax withholding funds.

Hurtigruten AS is the Group account holder in the Group's group account scheme. Other Group companies are subaccount owners or participants. Cash at bank includes deposits both within and outside the group account scheme. Restricted funds are not included in the group account scheme.

NOTE 13 PAID-IN EQUITY

SHARES AND SHAREHOLDERS AS PER 31 DECEMBER 2018

(in NOK 1,000 unless otherwise indicated)	Number of ordinary shares	Nominal value (NOK)	Nominal value of ordinary shares	Share premium and other paid-in capital	**Total**
As of 1 january 2018	423,259,163	1.00	423,259	1,032,518	**1,455,777**
Increase in face value, 28 March 2018	-	0.01	4,233	3,015,894	**3,020,127**
As of 31 December 2018	423,259,163	1.01	427,492	4,048,412	**4,475,904**

All ordinary shares have equal rights.

Shareholder as of 31 December 2018	**Number of shares**	**Shareholding (%)**
Hurtigruten Group AS	423,259,163	100

SHARES HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS, AS OF 31 DECEMBER 2018 (INDIRECT OWNERSHIP)

The members of the Board of Directors and executive Management of Hurtigruten AS, own shares in the parent company Silk Topco AS:

Board of Directors	
Trygve Hegnar, Chair, through Persicopus AS	4.9 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11.6 %
Jonathan Barlow, Director	0.0 %
Matthew Lenczner, Director	0.0 %
Management	
Daniel A. Skjeldam, CEO, through Hornsund Invest AS	0.9 %
Asta Lassesen, CCO, through A. Y. Invest AS	0.4 %
Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0.1 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS	0.2 %
Marit Finnanger, SVP, People and Org. Development through Mfortitude AS	0.1 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0.1 %

NOTE 14 BORROWINGS

NOMINAL VALUE AND CLASSIFICATION

Nominal value at 31 December 2018

(in NOK 1,000)	Nominal value	Unamortized transaction costs	Book value
Lease financing (see note 20)	482,547		482,547
Intercompany borrowings (see note 20)	272,495		272,495
Negative cash inside cash-pool (see note 12)	1,249,036		1,249,036
Total	**2,004,077**	**-**	**2,004,077**

Nominal value at 31 December 2017

(in NOK 1,000)	Nominal value	Unamortized transaction costs	Book value
Revolving Credit Facility	790,417		790,417
Lease financing (see note 20)	502,676		502,676
Intercompany borrowings (see note 20)	2,359,310	(63,201)	2,296,109
Negative cash inside cash-pool (see note 12)	561,308		561,308
Other borrowings	63,962		63,962
Total	**4,277,673**	**(63,201)**	**4,214,472**

(in NOK 1,000)	**2018**	2017
Non-current Borrowings		
Lease financing (see note 20)	**482,547**	502,676
Intercompany borrowings (see note 20)	**272,495**	2,296,109
Total	**755,042**	2,798,785
Current Borrowings		
Revolving Credit Facility	-	790,417
Negative cash inside cash-pool (see note 12)	**1,249,036**	561,308
Other borrowings	-	63,962
Total	**1,249,036**	1,415,687
Total borrowings	**2,004,077**	4,214,472

BOOK VALUE OF COLLATERISED ASSETS

(in NOK 1,000)	**2018**	2017
Book value of collateralized assets	**4,054,611**	3,998,985

The Term loan B of EUR 655 million drawn in the parent company Hurtigruten Group AS, is secured with pledge of the assets in Hurtigruten AS, including the owned ships, intercompany receivables, bank accounts, subsidiaries and assignment of insurance of and earnings from the ships.

MATURITY PROFILE

(in NOK 1,000)	**2018**	2017
Less than one year	**56,567**	910,680
Between 1 and 2 years	**55,124**	54,351
Between 3 and 5 years	**157,077**	152,016
More than 5 years	**213,779**	240,008
Intercompany runs without maturity	**1,521,530**	2,920,618
Total	**2,004,077**	4,277,673

NOMINAL VALUE OF THE LOANS' RESPECTIVE CURRENCIES

(in 1,000)	**2018**	2017
NOK	**966,924**	927,358
EUR	**81,982**	265,301
SEK	**13,876**	(13,855)
DKK	**4,853**	(4,159)
GBP	**8,790**	(8,531)
USD	**11,958**	255

FAIR VALUE

The fair value of the borrowings approximates the book value, as the impact of discounting is not material.

NOTE 15 GUARANTEES

In addition to pledging all the assets mentioned in note 14, Hurtigruten AS has guaranteed for the repayment of Term loan B of EUR 655 million drawn in the parent company Hurtigruten Group AS.

In its ongoing business activities, the parent company Hurtigruten AS assumes a conditional liability through guarantees issued directly to or on behalf of its subsidiaries/associates. No amounts have been recognised in the balance sheet as of 31 December 2018, as the contingent liabilities do not qualify for recognition.

In connection with the tender for the procurement contract for Coastal services, Hurtigruten AS issued a guarantee to the Ministry of Transportation in the amount of NOK 180 million. The guarantee was later reduced to NOK 85 million, collateralised with NOK 40 million in cash depot. After 1 February 2019 the guarantee has been terminated but will later be re-issued to comply with the contract tender requirements.

Hurtigruten AS has issued relevant travel bonds in Nordics, UK, Germany, US and France in line with the relevant national travel laws. The overall purpose of these guarantees is to protect the consumers in the case of bankruptcy. Hurtigruten AS, counter-guaranteed by Hurtigruten Group AS, has also issued a guarantee on behalf of Hurtigruten Ltd. to CAA in connection with tour packages, including flights, sold in the UK. The guarantee is not being specified by amount but limited to customer demands of refund of claims and any additional costs resulting from Hurtigruten Ltd. not being able to fulfil its agreement with the customer.

Hurtigruten AS has also issued a guarantee to Kleven Verft AS on behalf of its subsidiary Explorer II AS, for the fulfilment of its obligations under the ship construction agreement. The ships are scheduled to be delivered to Explorer II in 2019. Hurtigruten AS is guarantor (unsecured guarantee) for the construction loans drawn by Kleven Yard AS (“Kleven”) in connection with the building of the ships MS Roald Amundsen and MS Fridtjof Nansen. The maximum guaranteed amount from Hurtigruten AS equals 20 % of amounts outstanding for construction of each of the vessels. As at 31 December 2018, NOK 997.5 million is drawn for the construction of MS Roald Amundsen, and NOK 585.9 million is drawn for the construction of MS Fridtjof Nansen. Total exposure for Hurtigruten AS amounts to NOK 316.7 million in case of default on Klevens behalf.

NOTE 16 OPERATING REVENUE

REVENUE BY CATEGORY

(in NOK 1,000)	**2018**	2017
Ticket revenue	**1,784,497**	1,646,179
Revenue from flights, hotel & transportation	**126,456**	105,465
Presold food, beverages and excursions	**752,062**	623,065
Onboard sales of food, beverages, shop and excursions	**466,758**	417,280
Other passenger revenue	**36,169**	28,783
Cargo-freight revenue	**54,283**	53,415
Contractual revenues	**698,919**	674,234
Other operating revenue	**45,072**	41,638
Total operating revenues	**3,964,216**	3,590,060
Of which is intragroup (see note 20):	**2,086,802**	1,785,241

Revenue by sales-country

(in NOK 1,000)	**2018**	2017
Norway	**1,877,695**	1,817,238
Germany	**905,355**	807,588
England	**805,618**	637,091
The United States of America	**229,425**	198,873
France	**146,123**	129,270
	3,964,216	3,590,060

Contractual revenues relating to the Bergen-Kirkenes coastal service is based on the existing agreement with the Norwegian government through the Ministry of Transport and Communications. The agreement applies to the Bergen-Kirkenes route for the period 1 January 2012 through 31 December 2020. From 1 January 2021 the agreement applies to 7 ships, a reduction from 11 ships which applies in the current agreement.

NOTE 17 REMUNERATION

Hurtigruten AS had no employees in 2018. The company hires administrative staff from the subsidiary Hurtigruten Pluss AS and ship's crew from its subsidiary Hurtigruten Sjø AS. Accordingly, company's executives receive their salaries and other remuneration from Hurtigruten Pluss AS.

(In NOK 1,000)	**2018**	2017
Wages and salaries	**924**	935
Payroll tax	**(1,048)**	7,476
Other benefits	**7,685**	5,573
Total payroll costs	**7,560**	13,983

Set out below is summarised information regarding fees paid to company's board members and auditors.

TOTAL COMPENSATION YEAR 2018

BOARD OF DIRECTORS

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Trygve Hegnar	Chair	-	-	-	326	**326**
Petter Anker Stordalen	Director	-	-	-	137	**137**
Jonathan Barlow	Director	-	-	-	-	**-**
Matthew Lenczner	Director	-	-	-	-	**-**
Helene Anker Jebsen	Deputy Chair	-	-	-	171	**171**
Regina Mari Aasli Paulsen	Director, employee representative	-	-	-	137	**137**
Jørn Henning Lorentzen	Director, employee representative	-	-	-	137	**137**
Oddleif Engvik	Observer	-	-	-	5	**5**
Odd-Kåre Larsen	Observer	-	-	-	14	**14**
Total		**-**	**-**	**-**	**924**	**924**

EXECUTIVE MANAGEMENT

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Daniel Skjeldam	Chief Executive Officer	6,074	851	5,109	-	**12,034**
Torleif Ernstsen	Chief Financial Officer	2,772	286	1,304	-	**4,363**
Asta Lassesen	Chief Commercial Officer	3,033	321	1,385	-	**4,739**
Thomas Westergaard	SVP Product and Hotel Operations	1,898	142	791	-	**2,831**
Anne-Marit Bjørnflaten	SVP Communications	1,519	77	490	-	**2,086**
Marit Finnanger	SVP People and Organisational Development	1,873	142	402	-	**2,417**
Ole-Marius Moe-Helgesen	Chief Information Officer (From November 5th 2018)	320	24	1	-	**346**
Robert Grefstad	Chief Information Officer (Until November 5th 2018)	1,358	682	281	-	**2,321**
Tor Geir Engebretsen[2]	Chief Operations Officer/SVP Maritime Operations				4,157	**4,157**
Total		18,847	2,526	9,765	4,157	**35,294**

1) *Including bonus, car allowance and severance benefits for outgoing managers.*
2) *Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT*

The company's CEO receives an annual fixed salary of NOK 6 million. Other benefits include bonus, fixed car remuneration and ordinary phone expenses, Internet, newspaper and home computer allowance. The CEO has a time-limited agreement on a performance-related bonus linked to the operating result before depreciation, amortisation and impairments, in which performance is indexed against the adjusted budget operating result before depreciation, amortisation and impairments. This bonus agreement gives the right to one payment of maximum NOK 4 million. The CEO also has an agreement whereby the Board decides the bonus, factoring all the various activities and circumstances during the year. This bonus agreement gives the right to a maximum bonus payment of up to NOK 4 million.

The CEO is included in the company's ordinary defined contribution pension scheme for salaries up to 12G and the defined contribution scheme that provides a pension basis for salaries over 12G. The CEO's conditions of employment do not include any personal pension obligations.

The company's management are members of the company's defined contribution plan. In addition, a supplementary defined contribution pension plan has been established, which provides a pension for any salary in excess of 12 times the National Insurance basic amount (G). The scheme applies to the entire company and covers all employees with salaries over 12G, including members of the executive management and the CEO. The pension costs for the executive management have been included under pension costs above.

A performance-based bonus scheme was introduced for the company's management from 2013. The bonus payments are established applying pre-determined targets/parameters, some of which relate to the Group's overall performance and others to results within managers' individual spheres of responsibility. The maximum bonus for an individual manager is NOK 2 million. The bonus scheme covers certain members of Group management. The CEO has a separate performance-related bonus scheme as described above.

TOTAL COMPENSATION YEAR 2017

BOARD OF DIRECTORS

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Trygve Hegnar	Chair	-	-	-	326	**326**
Petter Anker Stordalen	Director	-	-	-	137	**137**
Jonathan Barlow	Director	-	-	-	-	**-**
Matthew Lenczner	Director	-	-	-	-	**-**
Helene Anker Jebsen	Deputy Chair	-	-	-	180	**180**
Regina Mari Aasli Paulsen	Director, employee representative		-	-	143	**143**
Jørn Henning Lorentzen	Director, employee representative		-	-	137	**137**
Oddleif Engvik	Observer	-	-	-	5	**5**
Odd-Kåre Larsen	Observer	-	-	-	9	**9**
Total		**-**	**-**	**-**	**935**	**935**

EXECUTIVE MANAGEMENT

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Daniel Skjeldam	Chief Executive Officer	6,074	915	7,106	-	**14,096**
Torleif Ernstsen	Chief Financial Officer (From 1 February 2017)	2,256	288	504	-	**3,048**
Asta Lassesen	Chief Commercial Officer (CFO until 1 February 2017)	3,011	331	735	-	**4,077**
Thomas Westergaard	SVP Product and Hotel Operations	1,939	166	575	-	**2,680**
Anne-Marit Bjørnflaten	SVP Communications	1,571	94	344	-	**2,008**
Marit Finnanger	SVP People and Organisational Development	1,944	161	546	-	**2,651**
Robert Grefstad	Chief Information Officer	2,025	182	744	-	**2,951**
Tor Geir Engebretsen[2]	Chief Operations Officer/SVP Maritime Operations	-	-	-	3,796	**3,796**
Arild Kaale	Chief Commercial Officer (until 6 January 2017)	-	-	2,247	-	**2,247**
Total		18,819	2,137	12,801	3,796	**37,554**

1) *Including bonus, car allowance and severance benefits for outgoing managers.*
2) *Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT*

AUDITOR REMUNERATION

(in NOK 1,000)	**2018**	2017
Auditor's fees – statutory auditing	**721**	1,077
Assistance IFRSs, accounting and tax	**62**	94
Other certification services	**117**	134
Auditor's fees – other assistance	**-**	-
Total	**901**	1,305

All amounts stated excludes VAT.

NOTE 18 LEASES

FINANCIAL LEASES

On 30 June 2016 the company entered into a bareboat charter agreement with Explorer I AS which is a subsidiary of Hurtigruten Explorer AS owned by the parent company Hurtigruten Group AS. The agreement has a twelve years maturity and the agreed upon charter hire is EUR 16.000 each day. In addition to the lease payments, the company has obligations for maintenance and insurance of the assets.

Reconciliation between total of future minimum lease payments and present value:

(in NOK 1,000)	**Present value**	**Future minimum lease payments**
Within a year	56,567	57,302
Later than one year but no later than 5 years	212,201	229,209
Later than 5 years	213,779	257,860
Total	**482,547**	**544,371**

OPERATIONAL LEASES

In November 2017, Coastal 1 AS (another company in the Silk Topco Group) purchased MS Richard With, whereby Hurtigruten AS entered into a 5-year operational bareboat lease agreement with Coastal Holding AS (parent company of Coastal 1 AS) for the lease of the ship MS Richard with. Daily rent is NOK 62.500. In January 2018, Coastal II AS (another company in the Silk Topco Group) purchased MS Nordlys, whereby Hurtigruten AS entered into a 5-year operational bareboat lease agreement with Coastal Holding AS (parent company of Coastal 2 AS) for the lease of the ship MS Nordlys. Daily rent is NOK 60.800.

The lease agreements specify a step-up of daily lease rate of 77%, contingent on the lessor upgrading the vessels to a specified level. In addition to the lease payments, the company has obligations for maintenance and insurance of the assets.

Hurtigruten AS also has a bareboat charter agreement regarding the ship MS Nordstjernen, which operates as an expedition cruises vessel in the period between March and September each year. The rent is NOK 25.5 million annually, and the contract runs until the end of 2020.

In addition to the bareboat charters, Hurtigruten AS has some rental expenses regarding the use of office premises and office machinery (IT equipment).

(in NOK 1,000)	**2018**	2017
Nominal value of future minimum lease payments is as follows:		
Within one year	74,752	48,313
Later than one year but not later than five years	162,446	139,500
Later than five years	-	-
Minimum lease payments	**237,198**	187,813

NOTE 19 FINANCIAL INCOME AND EXPENSES

(in NOK 1,000)	**2018**	2017
Interest income	**19,022**	1,008
Foreign exchange gains	**81,155**	100,150
Dividends	**32,382**	63,814
Other finance income	**2,223**	35
Finance income	**134,782**	165,007
Interest expenses		
– Borrowings	**(4,823)**	(47,968)
– Interest expenses group account	**(2,041)**	(4,003)
– Interest expenses paid to group companies (see note 20)	**(48,557)**	(207,840)
– Other interest expenses	**(3,262)**	(3,251)
Borrowing fees paid to group companies (see note 20)	**(61,955)**	(42,547)
Foreign exchange losses	**(40,656)**	(265,061)
Other finance expenses	**(2,513)**	193
Total financial expenses	**(163,807)**	(570,477)
Finance expenses – net	**(29,025)**	(405,470)

Foreign exchange gains and losses are related to the Company's EUR denominated borrowings and intercompany items.

NOTE 20 TRANSACTIONS WITH RELATED PARTIES AND INTRAGROUP BALANCES

Transactions with related parties are carried out in accordance with the arm's length principle. Related parties are defined as the key management personnel in the company, shareholders and associates.

The Group conducted the following transactions with related parties:

TRANSACTIONS WITH GROUP COMPANIES

(in NOK 1,000)	**2018**	2017
Sale of goods and services to Group companies		
Hurtigruten GmbH	**905,355**	807,588
Hurtigruten Ltd.	**805,618**	637,091
Hurtigruten Inc.	**229,425**	198,873
Hurtigruten SAS	**146,123**	129,270
Hurtigruten Svalbard AS	**281**	5,817
Hurtigruten Pluss AS	**-**	5,851
Hurtigruten Sjø AS	**-**	610
Hurtigruten Estonia OÜ	**-**	141
Purchase of goods and services from Group companies		
Purchase of services from Hurtigruten Sjø AS	**708,455**	701,426
Purchase of administrative services from Hurtigruten Pluss AS	**504,061**	508,480
Bareboat charter hire from Coastal Holding AS	**45,903**	2,438
Bareboat charter hire from Kirberg Shipping KS	**17,029**	-
Hurtigruten Svalbard AS	**14,864**	14,191
Rental of premises from Hurtigruten Eiendom AS	**491**	491
Hurtigruten Estonia OÜ	**401**	401
Hurtigruten GmbH	**55**	23,562
Hurtigruten Inc.	**34**	1,413
Hurtigruten Ltd.	**22**	3,982
Hurtigruten SAS	**-**	2,479
Interest income from Group companies		
Explorer II AS	**14,785**	-
KVE Holding AS	**1,688**	-
Hurtigruten Pluss AS	**-**	600
Interest and fees paid to Group companies		
Hurtigruten Group AS	**80,598**	220,160
Explorer I AS (financial lease - see note 18)	**29,076**	29,557
Hurtigruten SAS	**837**	591
Hurtigruten Estonia OÜ	**2**	79

INTRAGROUP BALANCES

(in NOK 1,000)	**2018**	2017
Non-current receivables due from Group companies		
Hurtigruten Pluss AS	**-**	5,635
KVE Holding AS	**111,874**	-
Hurtigruten Explorer 2	**719,814**	439,880
Silk Topco AS	**13,530**	-
Kirberg Shipping KS	**19,632**	-
Coastal 1 AS	**135,741**	-
Hurtigruten Explorer AS	**290**	-
Hurtigruten Inc.	**-**	16,410
Total non-current receivables from Group companies	**1,000,880**	461,925
Trade and other current receivables from Group companies		
Hurtigruten Cruise AS	**300,003**	-
Hurtigruten Ltd.	**78,393**	73,541
Hurtigruten Inc.	**69,181**	48,855
Hurtigruten GmbH	**52,415**	116,032
Coastal 1 AS	**16,722**	-
Hurtigruten SAS	**9,964**	9,370
Kirberg Shipping AS	**6,692**	-
Hurtigruten Svalbard AS	**2,946**	-
Hurtigruten Group AS	**2,322**	12,231
Hurtigruten Pluss AS	**957**	6,855
Silk Midco AS	**155**	51
Hurtigruten Svalbard AS	**-**	2,379
Silk Topco AS	**75**	-
Hurtigruten Sjø AS	**74**	(109)
Coastal 2 AS	**20**	-
Other group companies combined	**210**	156
Total trade and other current receivables from Group companies	**540,130**	269,361
Other non-current liabilities to Group companies		
Explorer 1 AS (Lease financing)	**480,180**	502,676
Hurtigruten Group AS	**272,495**	2,296,108
Total non-current liabilities to Group companies	**752,675**	2,798,785
Trade payables and other current payables to Group companies		
Hurtigruten Pluss AS	**55,543**	340,777
Hurtigruten Sjø AS	**6,052**	2,898
Hurtigruten Svalbard AS	**543**	10,931
Hurtigruten GmbH	**9,599**	7,285
Hurtigruten SAS	**-**	32,154
Hurtigruten Estonia OÜ	**-**	4,012
Hurtigruten Inc.	**1,441**	6,185
Hurtigruten Ltd.	**2,269**	111,328
Hurtigruten Group AS	**556**	92,214
Silk Topco AS	**-**	24,550
Coastal Holding AS	**5,863**	2,438
Other group companies combined	**262**	139
Total trade payables and other current payables to Group companies	**82,129**	634,910

NOTE 21 OTHER OPERATING COSTS

(in NOK 1,000)	**2018**	2017
Crew on ships, external	**73,395**	59,937
Crew on ships, intra-group (see note 20)	**708,455**	701,426
Other operating cruise costs, external	**441,803**	327,042
Other operating cruise costs, intra-group (see note 20)	**67,031**	4,993
Sales and administrative costs, external	**23,015**	46,562
Sales and administrative costs, intra-group (see note 20)	**1,211,362**	1,205,927
Total other operating costs	**2,525,060**	2,345,887

NOTE 22 OTHER LOSSES / GAINS - NET

(In NOK 1,000)	**2018**	2017
Net gain (loss) on the sale of property, plant and equipment	**70**	-
Net unrealised foreign currency gains (loss) on balance sheet items	**8,004**	(12,216)
Net gains (loss) on forward currency exchange contracts	**10,262**	(20,366)
Net gains (loss) on forward bunker contracts	**74,193**	(20,626)
Total other (losses)/gains	**92,529**	(53,208)

NOTE 23 SHARE-BASED PAYMENT

Hurtigruten executive management has entered into an agreement with the parent company of the Silk Topco Group, Silk Topco AS. The executive managers have purchased shares in Silk Topco AS at the same price that Silk Topco AS paid for the shares in Hurtigruten ASA in 2014 through its subsidiary Hurtigruten Group AS. The agreement also contains an incentive scheme that gives management a right to bonus shares in different pre-defined exit scenarios. Silk Topco AS may settle the bonus shares either with cash or with a private placing at no cost to the management.

The incentive scheme has two market-based vesting conditions:

- The internal rate of return at the time of the sale must be more than 8%
- The exit value must be at least 150% of the aggregated invested amount

The number of bonus shares depends on the aggregated exit value and can give a range of bonus shares from 0.38 per share up to 12 times per share. Management's investment at 31 December 2017 was NOK 41.7 million (NOK 38.2 at 31 December 2016).

When estimating the fair value of the incentive scheme at grant date, the main factors influencing the fair value that had to be estimated by management were as follows:

- The probability of different exit values that then give different levels of bonus shares,
- The expected time to exit
- Discount rate.

The agreement was signed on 23 June 2015.

Expected life of the agreement:	5 years
Fair value at initial recognition:	NOK 17.3 million
Expected time to exit:	5 years*
Annual amortisation:	NOK 4.5 million

Amortised amount as of 31.12.2018:	NOK 18.2 million
Amortised amount as of 31.12.2017:	NOK 10.6 million

As of 31. December 2018, the provision for employer's contribution related to the management incentive programme was NOK 13.1 million (NOK 14.2 at 31 December 2017).

* As of 31 December 2018, the best estimate of expected time to exit was 5 years, and is still assessed to be a reasonable expectation.

NOTE 24 CONTINGENCIES

As of 31 December 2018, the Company had contingent liabilities relating to bank guarantees and other guarantees, in addition to other matters in the course of ordinary operations. No significant liabilities are expected to arise with respect to contingencies with the exception of the provisions that have already been provided for in the financial statements.

MEMBERSHIP OF THE NOX FUND

Hurtigruten AS is a member of the Confederation of Norwegian Enterprise's (NHO) NOx Fund. The main objective of the Environmental Agreement concerning reductions of NOx and the NHO's NOx Fund is to reduce emissions of nitrogen oxide. The Fund is a joint venture to which affiliated businesses can apply for support for emission-reducing measures. Payment to the Fund replaces the nitrogen oxide tax for affiliated businesses.

The Environmental Agreement for 2011–2017 was signed on 14 December 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 2011-2016 were met. On 24 May 2017, an extension to the NOx Agreement for the period 2018-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22nd February 2018.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 3% of reduction targets trigger a collective fine, under which businesses must pay the nitrogen oxide tax for the pro rata share of the target that has not been met. However, businesses will never pay more than the official government rate for nitrogen oxide tax.

NOK 22.5 million in nitrogen dioxide tax was recognised in the Company's financial statements for 2018 compared to NOK 16.4 million in 2017.

NOTE 25 EVENTS AFTER THE BALANCE SHEET DATE

INTRA-GROUP BUSINESS TRANSACTION IN CONNECTION WITH ENTRY INTO TAX TONNAGE

On 1 January 2019, Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS. The transaction does not have any material effects for the financial statements except for tax. Since the transaction was performed at fair value for tax purposes, the transaction will generate a taxable profit in Hurtigruten AS. This profit will utilize the previously unrecognized tax loss carry forwards and as such, at 31 December 2018, the deferred tax asset related to the tax loss carry forwards has been recognized in the financial statements.

To the General Meeting of Hurtigruten AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hurtigruten AS, which comprise the statement of financial position as at 31 December 2018, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 15 May 2019
PricewaterhouseCoopers AS

Stig Lund
State Authorised Public Accountant

ANNUAL REPORT 2019

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HURTIGRUTEN

DIRECTORS' REPORT 2019
Hurtigruten AS

Hurtigruten - world leader in exploration travel

Hurtigruten AS, has become a sales and travel-packaging company after the transfer of cruise business to the wholly owned subsidiary Hurtigruten Cruise in January 2019. Hurtigruten AS specializes in tour-packages using the subsidiaries within Hurtigruten Group to create genuine expedition travels for its travelers. Hurtigruten AS delivers a unique travel experiences together with Hurtigruten Cruises fleet of 16 custom-built expedition cruise vessels and land-based activities with Hurtigruten Svalbard and Hurtigruten Barents, creating Hurtigruten brand as a world class expedition travel company. The company Hurtigruten AS offers travel and tour-packages with unique expedition experiences in areas of Alaska, South America, Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travellers from all over the world.

Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as "The world's most beautiful voyage". During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a large number of active and immersive excursions. Hurtigruten has introduced the culinary concept of "Norway's Coastal Kitchen", offering authentic Norwegian cuisine with locally sourced ingredients delivered fresh to the ships throughout the journey, reflecting both the seasons and local specialties. Hurtigruten is the only cruise operator offering year-round cruises out of the port of Bergen to these 34 ports and holds a unique competitive position on the Norwegian Coast.

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is the leading company in this segment. With its strong focus on sustainability and the environment, Hurtigruten introduced in 2019 the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, was delivered in Q4 2019. These two vessels will fortify Hurtigruten's position in the expedition cruise segment.

Business and location

Hurtigruten is the leading expedition cruise-based travel company based on APCNs, offering adventures that provide customers with the feel of authentic exploration into polar waters. Its offering is differentiated from that of most other cruise operators, including itineraries with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places. The Group views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract. The Group has a fleet of 16 ships and has 126 years of experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long and naturally distinct coast line, Hurtigruten is one of Norway's most recognized international travel brands.

Hurtigruten's global headquarters are located in Tromsø, one of the key ports of call on the Norwegian coastal route. In addition, commercial offices in Oslo, Trondheim, Hamburg, London, Paris, Seattle, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets.

Hurtigruten's wholly-owned subsidiary Hurtigruten Svalbard AS, is headquartered in Longyearbyen.

The group's business segments are divided into the following product areas: Hurtigruten Norwegian Coast, Expedition Cruises and Svalbard.

Hurtigruten Norwegian Coast represents Hurtigruten's longest-running and largest business area and comprises a fleet of 11 ships providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten's legendary voyage ranks as one of Norway's most renowned and iconic attractions. In recent years, Hurtigruten has developed the voyages significantly to offer a wide range of activities and excursions to guests along the coast. In this process, Hurtigruten Expedition Teams have been added to most of the ships, providing lectures, organizing excursions and adding to the onboard experience. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound). The Norwegian state purchases local transport and freight shipment services along the Norwegian coast. In the period 2012-2020 Hurtigruten will operate 11 ships under the "Coastal Route Agreement". In 2018 there was a tender for a new contract for the period 2021-2031. In the new tender the agreement was divided into 3 packages of 3,4 and 4 ships where potential interested parties could bid for one, two or three packages. Hurtigruten was awarded 2 packages of a total of 7 ships and will receive an annual payment NOK 546m (2018 value) for 7 ships (NOK 78m per vessel) which is a 22% increase in annual compensation per vessel compared to the compensation in 2018 of NOK 64m per vessel and will be KPI adjusted over the life time of the contract. This is a very positive outcome for Hurtigruten as we will be able to deploy our 3 largest ships into the fast-growing Expedition Cruise segment from 2021.

Expedition Cruises products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include visits to the Antarctic and Arctic, Iceland, Greenland, South America and a variety of other destinations. Two vessels operate year-round in this segment, MS Fram, MS Midnatsol (September–April) and MS Spitsbergen (May–August). MS Midnatsol and MS Spitsbergen operate in the Norwegian Coast segment when they are not in the Expedition Cruises segment, as part of the 11-ship fleet. In addition, MS Nordstjernen homeports in Longyearbyen and operates shorter expedition cruises around Svalbard during the Arctic summer. In 2019, MS Roald Amundsen and MS Fridtjof Nansen, the two hybrid vessels under construction, will join the Expedition Cruises segment, further increasing the number of unique itineraries. From 2021 our 3 largest ships will join this segment after undergoing a full refurbishment.

Business concept, objective and strategy

Objective and vision

Hurtigruten's vision is to be the leading expedition travel company by offering authentic and accessible experienced around the world to travellers who wish to explore and travel in a sustainable way. Hurtigruten will be a frontrunner in adventure tourism and expedition cruising, a niche with substantial global growth potential. With a fleet of 16 custom-built expedition ships, Hurtigruten is already the world's largest expedition cruise operator. Two-thirds of the Bergen–Kirkenes route lies north of the Arctic Circle. Accordingly, Hurtigruten has, at any given time, more than half its fleet in Arctic waters throughout the year. Hurtigruten's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic and active experiences on both land and sea.

Hurtigruten AS is the main travel-packaging company for Hurtigruten, combining business partners with local experience to give unique packages to customers and agents. Hurtigruten AS also delivering expedition services towards Hurtigruten Cruise.

Key risk and uncertainties

The following discussion concerning financial risk management relates to the policies adopted and applicable for the financial year 2019. The Company uses financial instruments such as bank loans, bond loans, . trade receivables, trade payables, etc., that are directly related to day-to-day operations.

Financial risk factors
The Company's activities expose it to a variety of financial risks: market risk (including currency, price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Company's overarching risk management goal is to increase predictability for the Company's operations and to minimise the impact of fluctuations in macro conditions on the Company's results and financial position.

The Company has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate and credit risk and the use of financial derivatives.

Currency risk
The Group operates internationally and is exposed to currency risk in multiple currencies, in particular, EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the cost of bunker oil is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

Fair-value interest rate risk
The Company's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Company's overall cash flow. Fixed interest rates expose the Company to fair-value interest rate risk.

The Company's exposure to variable interest rate risk is limited in 2019 and the Company have no specific hedging strategy to reduce variable interest rate risk.

Credit risk
The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognized credit cards and are paid in full prior to the travel date. Sales to external agents are made either through prepayment/credit cards or through invoicing and normally these are paid prior to departure. The Group has routines to ensure that credit is only extended to agents that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

Liquidity risk
Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans, and ensuring the availability of sufficient funding from committed credit facilities. The Company has a Company account that ensures that part of the Company's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Company's finance function has overall responsibility for managing the Company's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Company has sufficient liquidity reserves to satisfy the Company's obligations and financial loan covenants.

The Company's asset management
The Company's objective for asset management is to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

WORK ENVIRONMENT

The company had no employees in 2019. Hurtigruten AS hires both administrative staff and expedition-crew from its subsidiaries respectively Hurtigruten Pluss AS and Hurtigruten Sjø AS.

Research and development activities

The company conducts no research and development activities other than adaptation of Information and Communications Technology.

Health, safety and the environment

Highest priority

It is Hurtigruten's principle that a safe operation is one of the cornerstones in the process of developing in the desired direction. Hurtigruten has a robust Management System which provides operational guidelines to employees on board and ashore. The business and Hurtigruten's profitability depend on being in control of the safe operation of the ships.

Hurtigruten's safety policy, revised in 2014, incorporates zero tolerance for accidents and serious incidents – including serious personal injuries and loss of human life. It is, and will remain, a safe company to travel with for guests and a safe and secure workplace for employees. The safety policy will be revised to encompass the organization.

Hurtigruten's Management System is focusing on being proactive, including optimal planning of all operations. Risk management is a fundamental part of the planning process to identify any risks which may occur. Any such risks shall be addressed, and the corrective and preventive measures shall be identified to ensure the risk is at an acceptable level. The reporting of any non-conformities is a main part of improving operations. It enables Hurtigruten to monitor and follow up on any deviations which may occur during operation with regards to Health, Safety and the Environment and it is an integral part of the "continuous improvement process".

The 11 Hurtigruten ships sails just under one million nautical miles annually along the Norwegian coast and make more than 23,000 port calls. Hurtigruten's vision of zero tolerance is ambitious but attainable. Hurtigruten works continuously to ensure that proactive improvement processes are being addressed. Through such activities as the identification and registration of near misses, unsafe acts and unsafe conditions, Hurtigruten aims to prevent and avoid any incidents.

Responsible operations

Hurtigruten is the world leader in exploration travel, and the world's largest expedition cruise company- through its subsidiary Hurtigruten Cruise. This comes with a responsibility. With a mission focused on innovation, technology and sustainability – we have embedded the UN Sustainable Development Goals into all aspects of Hurtigruten´s operations.

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten operation and experience.

Hurtigruten's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

The scope of Hurtigruten's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO2) and nitrogen oxides (NOx). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, and low-sulphur marine special distillates (MSD 500 ppm) north of 62 degrees north These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten. The higher price of these environmental fuels is offset by their significant positive environmental properties compared to heavier grades of fuel.

Average greenhouse gas emissions in 2019 (2018):
CO_2: 218.1 kg/nm (214 kg/nm)
NOx: 4.0 kg/nm (3.9 kg/nm)
SO_2: 0.004 kg/nm (0.004 kg/nm)

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2019, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO_2, CO_2 and NOx however due to changes in sailing plan as well as rough weather the emissions are above 2018 level. This also resulted in an average fuel consumption per nautical miles in 2019 of 80,2 which is slightly above 2018 levels (2018: 77,9)

In 2019 Hurtigruten started the preparations for technical upgrades on up to six 90-class vessels, converting them to LNG fuel. A key feature has been ensuring that vessels are compatible with climate-neutral advanced biogas, paving the way for low emissions service. These are ground-breaking projects, demanding significant research and development prior to docking. The conversion will reduce the CO_2 emissions from these vessels by above 25 per cent, while the NOx emissions will reduce by approx. 90 per cent.

Shore power connection is an important environmental initiative, both for Hurtigruten and the ports of call.
Hurtigruten is an active ambassador for shore-based power in Norwegian ports, and has been a key voice in calling for a national shore-based power strategy, as part of our collaboration with the environmental organisation Bellona. We were proud to be able to start testing shore-based power in the port of Bergen. This was a major milestone in our long-term goal of increasing the use of renewable energy, and making the transition to electric power from traditional fuels when docked at port. Two of our vessels, MS Kong Harald and MS Spitsbergen are ready to start using shore-based electricity, and three more vessels are ready to undertake the final technical installations during 2019. The rest of the coastal fleet will follow as soon as possible. Bergen was the first port to offer shore power for Hurtigruten ships, and during 2018 we connected our prepared vessels to shore power for the first time.

The shore power facility in the port of Bergen, where the Hurtigruten ships berth for eight hours daily during winter and 5.5 hours during summer, will reduce CO_2 emissions annually by almost 130 tonnes per ship. Annual reduction of NOx is estimated at approximately 2.5 tonnes. Hurtigruten eagerly awaits shore power connections being provided at other ports along the Norwegian coast.

Hurtigruten's Expedition Cruises activities in Greenland, Svalbard and Antarctica are subject to guidelines from the International Association of Antarctica Tour Operators (IAATO) and the Association of Arctic Expedition Cruise Operators (AECO). Hurtigruten plays an active role in both these organisations to champion a safe and environmentally-conscious tourism industry in these unique and vulnerable areas.

The introduction of MS Roald Amundsen and MS Fridtjof Nansen – the world's first hybrid-powered expedition ships – will further strengthen Hurtigruten's environmental performance, but are also documenting our commitment to fuel technology innovation and sustainable operations.

Earnings and financial position

Income statement

In the start of 2019 Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS. This gives us difference in financial performance for the first year as a cruise sales, tour-packaging and expedition team company.

Total operating Revenues for Hurtigruten AS was NOK 3.390 million in 2018 (2018: NOK 3.964million), a decrease of 15 % from last year, where the only reason is due to the state contract moved to Hurtigruten Cruise. Underlying growth has been 4% growth year on year.

Net operating profit in 2019 was NOK 103 million compared to NOK 528 million in 2018. As Hurtigruten AS mainly have the risk towards the tour-packaging and expedition team, the reduction is due to the reduced operational risk, where in 2018 the company both had the cruise and the tour-packaging business.

The net financing expense was decreased from NOK 29 million loss to NOK 76 million loss in 2019, where the main reason for the increased expense was due to loss on lending of NOK 169 million, slightly offset by group contribution of NOK 56 million.

Hurtigruten AS had a large impact on tax cost for 2019 with the transfer of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS in start of 2019. The realization gave taxable income of approx. NOK 694 million, where the remainder is connected to ordinary tax expenses for corporate tax.

Net Cash flow

Net cash flow from operating activities amounted to NOK 248 million in 2019 (2018: NOK 243 million). The change is primarily from the business model change giving a rise in trade receivables and trade payables where most are against subsidiaries both from trade receivables and trade payables.

Net cash outflow used in investing activities was NOK 593 million in 2019 (2018: NOK 305 million). Change from previous year is mainly related to loans to other companies in the group compared to 2018.

Net cash inflow from financing activities amounted to NOK 355 million in 2019 (2018: NOK 76 million), where the majority of the change is due to increased intercompany loans.

Balance sheet and liquidity

Total non-current assets as of 31 December 2019, were NOK 6,057 million (2018: NOK 5,553 million), consisting primarily of the Company's investments in subsidiaries, where for 2018 it was for ships and investments in subsidiaries.
Total current assets as of 31 December 2019, were NOK 741 million (2018: NOK 927 million), where the decrease from last year reflects the move of business to Hurtigruten Cruise. Cash and cash equivalents amounted to NOK 44 million (2018: NOK 140 million).

The company had at the end of December 2019 a total long-term liability of NOK 873 million (2018: NOK 830 million), primarily intercompany loan from parent and deferred tax liability for 2019 and also financial lease in 2018, where the latter was transferred to Hurtigruten Cruise in January 2019.
Current liabilities amounted to NOK 2.677 million as of 31 December 2019 (2018: NOK 1.807 million). Current liabilities include negative cash inside cash-pool of 1,456 million for 2019, while in 2018 this was 1,249.

The company's Paid in equity in 2019 was of NOK 4,476 million (2018: NOK 4,476 million). The total equity in 2019 amounted to NOK 3,240 million (2018: NOK 3,828 million).

In the opinion of the Board of Directors, the financial statements provide a true and fair view of the Company's financial performance during 2019, and financial position at 31 December 2019. The Board confirms that the financial statements have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net loss for the company in 2019 was NOK 713 million, which is proposed to be covered by other equity.

Outlook

Hurtigruten has experienced a strong positive underlying booking trend through 2018 and 2019 and been the leading expedition cruise company in the world. There has been a strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. The introduction of the MS Roald Amundsen and the MS Fridtjof Nansen has been a great success.

In 2019 we have experienced an increased willingness to pay for Expedition cruises and this is shown in the increased yield in both the Coastal and Expedition segments. We have also seen this trend continue in 2020 and 2021. Pre-bookings for 2020 started out materially higher compared to the same time last year and are driven by significant investments in our commercial team, product-improvement initiatives, including refurbishments, and additional capacity in the Expedition Cruises segment. However, due to the Covid-19 pandemic operations were temporarily halted in March and the plan is now to resume operations in late May. Booking inflow for the period April-August 2020 has stopped due to the Covid-19 pandemic, but there is still net inflow of bookings for the period September-December 2020 the last 30 days. Hurtigruten has introduced a flexible booking policy enabling guest to rebook free of charge 2020 voyages to 2021. Due to this flexible rebooking policy we have had a very good growth in 2021 bookings compared to same period last year for 2020. Over the last 30 days we have seen a booking inflow of NOK 203m which is 36% higher compared to same period last year.

Due to the Covid-19 pandemic, the group, has initiated activities to cut costs and growth investments, including cancelling most contracts with consultants, temporary lay-offs of over 90% of the employees and temporary layup all ships except for 2, which sail between Bodø and Kirkenes to support local transport. We are of the opinion that normal operations will commence in the late Q3 and Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company. The BoD acknowledge that, as of today, Hurtigruten has had no confirmed or suspected cases of Covid-19 on our ships.

Marine operations have performed well in 2019 with a record low level lower number of missed port calls due to technical issues. This is expected to continue.

Customer feedback continues to be at a high level, strengthening Hurtigruten’s brand position and ability to attract new customers. Hurtigruten aims to be positively different to counter competition from international cruise operators in Scandinavia and along the Norwegian coast, offering a truly unique experience to its customers. The customer feedback during March 2020 when the Covid-19 started to be active we have had extremely good customer feedback. The NPS score of 74 across the company which is all time high. This is very positive for the long-term development of the company.

Oslo, 14 May 2020

Daniel Andreas Skjeldam *Chairman*	Torleif Ernstsen *Director*
Asta Sofie Lassesen *CEO*	

Hurtigruten AS

ANNUAL FINANCIAL STATEMENTS

2019

STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	*Note*	**2019**	**2018**
Operating revenues	*15*	**3 390 160**	3 964 216
Cost of goods sold [1)]	*19*	**(2 996 920)**	(647 662)
Payroll costs	*16*	**(11 554)**	(7 560)
Depreciation, amortisation and impairment losses	*5, 6*	**(15 755)**	(347 468)
Other operating costs	*20*	**(252 158)**	(2 525 060)
Other (losses) / gains – net	*21*	**(10 905)**	92 529
Operating profit/(loss)		**102 868**	528 996
Finance income	*18*	**211 456**	134 782
Finance expenses	*18*	**(287 682)**	(163 807)
Finance expenses - net		**(76 227)**	(29 025)
Profit/(loss) before income tax		**26 641**	499 971
Income tax expense/ (income)	*7*	**(740 095)**	158 908
Profit/(loss) for the year		**(713 454)**	658 879

[1)] During 2019, Hurtigruten AS sold all cruise vessels to its subsidiary Hurtigruten Cruise AS. Hence, Hurtigruten AS purchases cruise tickets which they sell to customers in packages with plain tickets and hotels and is classified as cost of goods sold.

STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**2019**	2018
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**33 527**	3 671 139
Intangible assets	*6*	**33 142**	49 677
Investments in subsidiaries	*8*	**4 413 726**	445 971
Deferred income tax assets	*7*	**-**	367 006
Investment in other companies	*8*	**3 199**	3 199
Other non-current receivables	*9*	**1 573 324**	1 001 162
Total non-current assets		**6 056 919**	5 538 154
CURRENT ASSETS			
Inventories	*10*	**48 044**	131 354
Trade and other receivables	*9*	**640 483**	654 754
Cash and cash equivalents	*11*	**44 374**	140 529
Total current assets		**732 901**	926 638
Total assets		**6 789 819**	6 464 792

(in NOK 1,000)	*Note*	**2019**	2018
EQUITY			
Equity attribute to owners of the parent			
Share capital	*12*	**427 492**	427 492
Share premium	*12*	**4 048 413**	4 048 413
Reserve for valutation variations		**-**	(125 145)
Retained earnings		**(1 236 102)**	(522 648)
Total equity		**3 239 802**	3 828 111
LIABILITIES			
Non-current liabilities			
Non-current interest bearing debt	*13*	**429 904**	755 042
Other non-current liabilities		**34 573**	17 736
Deferred income tax liabilities	*7*	**408 883**	-
Derivative financial instruments		**-**	57 351
Total non-current liabilities		**873 360**	830 129
Current liabilities			
Trade and other liabilities	*9*	**1 173 199**	413 005
Current income tax liabilities	*7*	**-**	1 743
Negative cash inside cash-pool	*11, 13*	**1 456 377**	1 249 036
Derivative financial instruments		**-**	105 347
Provision for other liabilities and charges	*9*	**47 081**	37 421
Total current liabilities		**2 676 657**	1 806 552
Total equity and liabilities		**6 789 819**	6 464 792

Oslo, 14 May 2020

Daniel Andreas Skjeldam
Chairman

Torleif Ernstsen
Director

Asta Sofie Lassesen
CEO

CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	**2019**	2018
Cash flows from operating activities			
Profit/(loss) before income tax		**26 641**	499 971
Adjustments for:			
Depreciation, amortisation and impairment losses	*5, 6*	**15 755**	347 468
Currency gains / losses		**28 576**	-10 715
Gains/losses derivatives		**-**	-6 779
Dividends and group contribution		**-84 491**	-
Interest expenses	*19*	**-36 713**	92 869
Loss on lending		**168 854**	
Change in working capital:			
Inventories	*10*	**18 397**	-28 431
Trade and other receivables	*9*	**-373 259**	-58 678
Trade and other payables	*9*	**469 818**	-594 300
Deposits from customers		**16 837**	2 442
Income tax paid	*7*	**-1 743**	-
Net cash flows from (used in) operating activities		**248 282**	243 454
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	*5*	**19 900**	-239 233
Purchases of intangible assets	*6*	**-**	-892
Loans to associates and other companies, net		**-738 649**	15 581
Settlement of financial instruments			-2 973
Dividends received		**28 099**	-
Change in restricted funds	*12*	**97 167**	-77 127
Net cash flows from (used in) investing activities		**-593 483**	-304 644
Cash flows from financing activities			
Proceeds from borrowings	*13*	**362 384**	709 981
Repayment of borrowings	*13*	**-**	-597 733
Interest received (paid)		**-7 481**	-36 522
Net cash flows from (used in) financing activities		**354 904**	75 726
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**9 702**	14 537
Cash and cash equivalents at 1 January		**5 888**	15 917
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdrafts		**-8 690**	-24 566
Cash and cash equivalents at 31 December	*11*	**6 900**	5 888
Restricted cash	*11*	**37 475**	134 642
Cash and cash equivalents in statement of financial position	*11*	**44 374**	140 530

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Hurtigruten AS is main sales and travel-package entity in the Silk Topco Group (the Group), and through its subsidiary Hurtigruten Cruise AS, including the brand Hurtigruten, is the world leader in exploration travel, operating a fleet of 16 expedition cruise vessels. Hurtigruten opens a unique gateway to experiences in the Arctic, Antarctica and along the Norwegian coast to travellers from all over the world. The head quarter of the ultimate parent company Silk Topco AS is at Langkaia 1 in Oslo. The consolidated financial statements can be downloaded from the following website: www.hurtigruten.com.

Hurtigruten Norwegian Coast is the largest segment with 11 ships providing expedition cruises along the Norwegian coast between Bergen and Kirkenes making 33 northbound and 32 southbound port calls on an 11-day round trip. The segment's customers are predominantly international leisure travellers.

On 1 January 2019, Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS. The transaction was transferred to book value as equity in kind transaction. The main change due to the transaction are an increased cost of sales, while there has been a decreased other operating, as Hurtigruten now purchases cruises from Hurtigruten Cruise. Since the transaction was performed at fair value for tax purposes, the transaction generated a taxable profit in Hurtigruten AS. This profit will utilise the previously unrecognised tax loss carry forwards and as such, at 31 December 2018 and 2019, the deferred tax asset related to the tax loss carry forwards has been recognised in the financial statements.

The financial statements of Hurtigruten AS for the year ended December 31, 2019 were authorized for issue by the Board of Directors on 11.05.2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles applied in the preparation of the financial statements are described below. Unless otherwise stated in the description, these principles have been consistently applied to all periods presented.

2.1 BASIS OF PREPARATION

The financial statement of Hurtigruten AS has been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The accounting principles set out below have been applied in preparing the financial statements for the year ended 31 December 2019 and the comparative information presented in these financials.

Last year, the accounting principles used for preparing the financial information for the year ending 31 December 2018 was according to the Norwegian Accounting Act §3-9 ("Forenklet IFRS"). Due to the extensive reporting requirement under the standard, the company decided to change the accounting principles as of January 1, 2019 to be prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The change did not affect recognition and measurement in the financial statements or resulted in different classifications compared to the financial statement for the year ended 31 December 2018. Hence, the comparable figures are the same as presented last year.

The company's presentation currency is Norwegian Kroner.

2.2 ACCOUNTING PRINCIPLES

A) USE OF ESTIMATES

Preparation of the accounts in accordance with generally accepted accounting principles requires that management make estimates and assumptions which have an effect on the value of assets and liabilities on the balance sheet and reported revenues and expenses for the accounting year. The ultimate values realised may deviate from these estimates.

B) FOREIGN CURRENCY TRANSLATION

All foreign currency translations are converted to NOK at the date of the transaction. All monetary items denominated in foreign currency are translated at the exchange rate at the balance sheet date. Derivates designated as hedging instruments in fair values hedges are measured at fair value. Other non-monetary items in foreign currencies recognised in accordance with the cost method are translated to NOK using the exchange rate applicable on the transaction date. Changes to exchange rates are recognised in the statement of profit and loss as they occur.

From 1 January 2020, EURO will be the functional currency in the company. The change is made to reflect that EURO has become the predominant currency, counting for a significant part of the cash flow and financing. The change will be implemented with prospective effect. The change in presentation currency will be applied retrospectively for comparable figures.

C) INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES

In Hurtigruten AS, investment in subsidiaries and associated companies are recorded in accordance with the cost method, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary and reversed if the reason for the impairment loss in no longer present in subsequent periods.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

D) CLASSIFICATION PRINCIPLES

Assets intended for permanent ownership or use and receivables that mature more than one year after the end of the accounting year are classified as non-current assets. Other assets are classified as current assets.

Liabilities that fall due later than one year after the end of the accounting year are classified as non-current liabilities. Other liabilities are classified as current liabilities.

E) REVENUE RECOGNITION

Revenue from the sale of goods and services is recorded as operating revenue at the time of delivery which is the point at which risk passes to the customer. Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns and discounts.

Revenue is recognised in the income statement as follows:

(I) REVENUE FROM SALES OF SERVICES AND TRAVEL

Sales of services are recognised in the income statement when the service is rendered and/or delivered to the customer. For ship voyages, revenue is recognised over the days the passenger is on board. For voyages currently in route on the reporting date, revenues are accrued based on the number of days the voyage lasts before the end of the accounting period. Revenue recognition is performed based on reports from the booking system, providing detailed information regarding the sailings. Tickets, meals and excursions are primarily pre-sold before the journey commences, but for travellers along the Norwegian coast, it is also possible to purchase tickets in the port right before the ship sails. Onboard sales of food, beverages, shop and excursions accounts for approximately nine percent of the total revenue. Travellers pay their journey up-front, and these payments are accounted for as deposits from customers (liabilities).

Revenue from freight of cargo along the Norwegian coast is recognised based on monthly invoicing of available cargo space, as the customer has rented all the cargo space and pays a daily hire regardless of whether the space is used or not.

(II) REVENUE FROM SALE OF GOODS

The Company's sales of goods primarily relate to sales of food, souvenirs and other kiosk products onboard the ships. Sales are recognised in income when the customer has received and paid for the goods. Payment for retail transactions is usually made in the form of cash or by credit card. The revenue is recognised in the income statement including the credit card fees incurred for the transaction. The fees are recorded as costs to sell.

(IV) INCREMENTAL COSTS

Incremental costs of obtaining a contract are those costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained, for example, a sales commission. The company incur commissions to several sales commissioners, selling tickets to Hurtigruten cruises on our behalf. When the agencies are invoiced, the invoices are net of commissions, and both the revenue and the commission cost is recognised in the income statement at the time of the travel. In other, more rare instances, the company will have to make a provision for prepaid or accrued commission if the payment is performed at another time than the travel. The expenses are presented as Cost of Goods sold in the Income Statement.

(V) CANCELLATIONS, GUARANTEES ETC.

Hurtigruten AS has, as a provider of package travels, the same responsibilities as other actors in the business, following the EU Directive 2015/2302 on Package Travel, as set forth in our terms and conditions for travellers: "Subject to these booking conditions, if we or our suppliers perform or arrange your contracted holiday arrangements negligently, taking into consideration all relevant factors, we will pay you reasonable compensation".

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

Property, plant and equipment are depreciated on a straight-line basis, such that the cost is depreciated to residual value over the asset's expected useful life. Expected useful life is determined on the basis of historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated on the basis of estimated sales values for operating assets at the end of their expected useful life. Expected useful life is:

Ships[1)]	12 – 40 years
Transportation equipment	3 – 30 years
Other	5 – 10 years

The useful life and residual value of operating assets are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognised as their various components. These components are depreciated separately over each component's useful life. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

Gains and losses on disposals are recognised in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the book value.

1) On January 1, 2019, Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime, which included the ships. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS.

G) INTANGIBLE ASSETS

Intangible assets consist mainly of development costs for computer systems recognised in the balance sheet at cost, if the criteria for recognition in the balance sheet are met. Expenses recognised in the balance sheet as custom developed computer systems largely comprise payroll costs and hired-in consultants in connection with the development.

The criteria for recognising custom developed intangible assets in the balance sheet are:

- It is technically feasible to complete the development of the software so that it will be available for use.
- Management intends to complete the development of the software and use it.
- The intangible asset will in fact be used after its completion.
- It is probable that the intangible asset will create future economic benefits.
- Adequate technical, financial and other resources are available for the company to be able to complete the development and to use the completed intangible asset.
- Development costs for the asset can be reliably measured

Intangible assets are considered to have a limited life span and are amortised over their expected useful life. Assessments are made at the end of each accounting period to find any indications of impairment of intangible assets. If there are indications of impairment, the intangible asset's recoverable amount is estimated and compared to its carrying amount. In the event that the carrying amount is above the recoverable amount, the intangible asset is written down to its recoverable amount. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred.

H) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are assessed for impairment when there is any indication that the book value may not be recoverable.

An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing impairments, non-current assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date the possibility of reversing previous impairment of non-financial assets is assessed.

I) DERIVATIVES AND HEDGING

The company used derivatives to hedge exposure against bunker oil prices (cash flow hedge) in 2018. Hedges are initially recognised at fair value on the date a derivative contract is entered and are subsequently re-measured at fair value on an ongoing basis. Changes are recognized directly in equity.

Hedge gains or losses recognised in in equity are recycled over profit and loss in the period during which the hedged item affects the income statement (for example, when the forecasted sales transaction is taking place). As of 2019 the company does not have any hedging derivatives.

J) ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts.

K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities in the balance sheet. Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation. Restricted cash is included in the balance sheet presentation but not in the cash flow presentation. The difference is reconciled below the cash flow statement.

L) INCOME TAX

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date which implies increased or decreased tax payable when these differences reverse in future periods.

Current tax is calculated in accordance with the tax laws and regulations enacted or substantively enacted at the balance sheet. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax laws are subject to interpretation. Based on management's assessment, a provision is made for expected tax payments when necessary.

Temporary differences are differences between taxable profit and results that occur in one period and reverse in future periods. Deferred tax is calculated applying the nominal tax rate to temporary differences and accumulated tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Deferred income tax assets and deferred income tax liabilities are recognised net to the extent that there is a desire and ability to realise the assets and settle the liabilities simultaneously.

M) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When the Company has substantially assumed all the risks and rewards of ownership of the underlying lease object, leases are classified as finance leases and the lease object and lease liability are recognised in the balance sheet. The financial lease recognised in the balance sheet last year is in 2019 transferred to its subsidiary Hurtigruten Cruise AS.

N) CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash and bank deposits.

NOTE 3 FINANCIAL RISK MANAGEMENT

The following discussion concerning financial risk management relates to the policies adopted and applicable to the financial year 2019. The Company uses financial instruments such as bank loans and bond loans. In addition, the Company utilises financial instruments such as trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Group has also utilised certain financial derivatives for hedging purposes. The company

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency, price risk, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Company's overarching risk management goal is to increase predictability for the Company's operations and to minimise the impact of fluctuations in macro conditions on the Company's results and financial position.

The Company has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, credit risk and the use of financial derivatives. The Board of Directors approves the Company's risk management strategy and reviews it annually. The CFO function is responsible, in consultation with the CEO, for conducting ongoing tactical risk management in line with the approved strategy, including exposure analyses and reporting.

MARKET RISK

A) CURRENCY RISK

The Company operates internationally and is exposed to currency risk in multiple currencies, in particular EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the bunker oil cost is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

The price of oil, and thus bunker fuel, is internationally traded in USD, while the Company purchases bunker fuel in NOK. The risk can therefore be split into a currency element and a product element. The currency element is partially aligned with the Company's cash flow exposure in USD, and the product risk is hedged separately.

B) PRICE RISK

The Company is exposed to fluctuations in prices in local currency and in changes in market prices such as cost connected to flights and hotel accommodations. Hurtigruten uses several suppliers to reduce fluctuations on prices and volume to get as reduce the future economic uncertainty and price fluctuations with known suppliers and ongoing searching for good as possible prices.

C) INTEREST RISK

The Company's loans and draws of the Group accounts are made at floating rates. No hedges are made to reduce interest risk, since this is internal group rates.

D) CREDIT RISK

The Company has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Company has routines to ensure that credit is only extended to agents with a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

E) LIQUIDITY RISK

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Company has a group cash-pool that ensures that part of the Company’s unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Company’s finance function has overall responsibility for managing the Company’s liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Company has sufficient liquidity reserves to satisfy the Company’s obligations and financial loan covenants.

HEDGE ACCOUNTING

In 2018, Hurtigruten Group decided to designate a hedging relationship between bunker oil hedging instruments and the forecasted bunker oil purchases. The Group entered into 6 commodity forward swaps with Goldman Sachs and DnB Markets. These contracts have different strike prices (from 634 to 747 $/MT) and different expiry dates through the years 2019-2021. The contracts hedge forecasted future bunker oil purchase transactions. At the time the contracts were initiated, approximately 100 % of the forecasted oil consumption in 2019 and 50 % of the forecasted consumption in 2020 and 2021 are covered by the contracts. At year-end 2019, a total of 79,400 MT bunker fuel volume is hedged at an average price, incl. credit margin, of USD 630/MT during 2020-2021 (per 31 December 2018: 142,350 MT bunker fuel volume was hedged of USD 656/MT during 2019-2021)

At January 2019 these hedging derivatives was transferred together with the cruise activity to Hurtigruten Cruise AS as equity in kind. As of that time Hurtigruten AS had no more hedging position as the underlying transactions also was transferred.

THE COMPANY'S ASSET MANAGEMENT

The Company's objective for asset management are to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

NOTE 4 BUSINESS INFORMATION

This note presents the business information about segments in the Hurtigruten Group. The segments are compiled based on the consolidated financial statements of the Hurtigruten Group which include the financial statements of the parent company Hurtigruten AS and its subsidiaries as of 31 December 2019 with comparative numbers for 2018. Subsidiaries are all companies over which Hurtigruten AS exercises control. Control over an entity arises when the Group is exposed to variability in the return from the entity and has the ability to impact this return by virtue of its influence over the entity. Subsidiaries are consolidated from the time a controlling influence is established and until such time as the controlling influence ceases to exist. We refer to note 8 "Investments in subsidiaries" for a full disclosure of the subsidiaries.

The operating segments are identified based on the same reporting that Hurtigruten Group management and the board apply to their evaluations of performance and profitability at a strategic level. The company's ultimate decision-maker, which are responsible for allocation of resources to and assessment of earnings generated by the operating segments, is defined as the Board and Group management. The classification is broken down into the product areas Hurtigruten Norwegian Coast, Expedition cruises, and Spitsbergen. Activities that do not naturally fall within these three segments are bundled in Other business.

As the segments comprise numbers for the consolidated Hurtigruten AS with subsidiaries, comparative numbers for the parent company Hurtigruten AS are also presented.

(in NOK 1,000)	Hurtigruten Norwegian Coast 2019	Hurtigruten Norwegian Coast 2018	Expedition Cruises 2019	Expedition Cruises 2018	Landbased 2019	Landbased 2018
Operating revenues	**3 654 272**	3 513 110	**1 339 270**	936 057	**286 815**	295 028
Contractual revenues	**714 406**	698 919	**-**	-	**-**	-
Total operating revenues	**4 368 678**	4 212 029	**1 339 270**	936 057	**286 815**	295 028
Cost of goods sold	**(1 035 215)**	(1 046 117)	**(423 333)**	(326 300)	**(108 243)**	(121 631)
Crew costs, ship	**(672 854)**	(662 221)	**(140 410)**	(101 672)	**(53 993)**	(55 258)
Other operating cruise costs	**(939 200)**	(932 542)	**(300 425)**	(223 161)	**(15 188)**	(15 611)
Personnel costs, non-ship	**(330 248)**	(299 741)	**(87 415)**	(55 402)	**(30 239)**	(32 185)
Selling, general and admin exp.	**(437 110)**	(385 674)	**(116 303)**	(71 762)	**(20 259)**	(20 473)
Other (losses)/gains – net	**(57 199)**	78 932	**2 759**	13 588	**220**	217
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**896 851**	964 667	**274 144**	171 348	**59 113**	50 087
Depreciation and amortisations	**(393 928)**	(376 759)	**(128 120)**	(100 653)	**(31 254)**	(26 523)
Operating profit/(loss)	**502 923**	587 908	**146 023**	70 695	**27 859**	23 564

(in NOK 1,000)	Other business and eliminations 2019	Other business and eliminations 2018	Hurtigruten AS including subsidiaries 2019	Hurtigruten AS including subsidiaries 2018	Hurtigruten AS 2019	Hurtigruten AS 2018
Operating revenues	**(11 351)**	(14 292)	5 269 007	4 729 903	**3 391 480**	3 265 297
Contractual revenues	**-**	-	714 406	698 919	**(1 320)**	698 919
Total operating revenues	**(11 351)**	(14 292)	5 983 413	5 428 821	**3 390 160**	3 964 216
Cost of goods sold	**8 573**	10 628	(1 558 217)	(1 483 420)	**(2 996 920)**	(647 662)
Crew costs, ship	**-**	-	(867 257)	(819 151)	**(33 265)**	(781 850)
Other operating cruise costs	**2 346**	2 769	(1 252 468)	(1 168 545)	**(1)**	(508 833)
Personnel costs, non-ship	**-**	-	(447 902)	(387 328)	**(92 422)**	(511 622)
Selling, general and admin exp.	**453**	1 175	(573 219)	(476 733)	**(138 024)**	(730 315)
Other (losses)/gains – net	**680**	48	(53 540)	92 785	**(10 905)**	92 529
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**702**	328	1 230 809	1 186 431	**118 623**	876 464
Depreciation and amortisations	**-**	-	(553 302)	(503 936)	**(15 755)**	(347 468)
Operating profit/(loss)	**702**	328	677 507	682 495	**102 868**	528 996

HURTIGRUTEN NORWEGIAN COAST

Hurtigruten Norwegian Coast is the Group's largest segment. Through this segment, the Group offers voyages along the Norwegian coast to an adventure-seeking international customer base. The segment offers a number of shore-based activities for its cruise passengers, including dog sledding, kayaking, inflatable boat adventures, local food tours, Lapland cultural tours, visits to land-based sites, mountain hiking and snowmobile excursions, skiing and whale safaris. 11 of the Group's ships provide services along the Norwegian coast under this segment (with MS Midnatsol and MS Spitsbergen alternating between the Hurtigruten Norwegian Coast and Expedition cruises segments), making 33 northbound and 32 southbound daily departures from ports located between Bergen in the south and Kirkenes in the north. It also offers freight and local passenger transport services along the coast, for which it receives a fixed fee from the Norwegian government each year under the Coastal Service Contract.

EXPEDITION CRUISES

The Expedition cruises segment is the Group's second largest and fastest growing segment, through which the Group offers exploration-based adventure cruises to the Arctic (including Svalbard, Greenland, Iceland, Canada and the Northwest Passage) and the Antarctic together with sailings to Europe, UK and Atlantic Islands, North America and South America.

As part of the Group's Expedition cruises segment, customers are offered a wide array of excursions and expeditions designed to provide them with an unforgettable experience. The Group's purpose-built fleet includes four ice-class ships, MS Fram, MS Midnatsol, MS Spitsbergen and MS Roald Amundsen. MS Midnatsol and MS Spitsbergen alternate between the Hurtigruten Norwegian Coast and the Expedition cruises segments and the Group leases and operates MS Nordstjernen around Svalbard during the summer months. MS Roald Amundsen provides 530 pax. polar cruise ship to strengthen the Expedition segment and was set in operation in Q3 2019. The segment was further strengthened with the inclusion of sister-ship MS Fridtjof Nansen which was delivered in December 2019 and commenced sailing in March 2020. These new-builds are optimal for expedition cruises, with size and technical specifications permitting the Group to sail global expedition itineraries.

LANDBASED

The Landbased segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism on Svalbard, a Norwegian archipelago in the Arctic ocean. Through this land-based segment, the Group owns and operates three hotels with a total of 258 rooms and an equipment store and offers activities such as snowmobile trips, boat trips, dog sledding, tundra safaris and others – all with observation of local fauna (including polar bears, walruses, seals and arctic birds). During 2019, the segment was strengthened through the addition of Hurtigruten Barents which owns assets for production of activities and accommodation in Kirkenes.

OTHER BUSINESS

Mainly connected to results from Hurtigruten Eiendom AS

ELIMINATIONS

Eliminations primarily consist of sales from Hurtigruten Svalbard AS to Hurtigruten AS (Expedition cruises segment).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

(in NOK 1,000)	Ships	Financial lease, ships	Transportation equipment	Assets under construction	Other property, plant and equipment	Total
Acquisition cost						
As at 1 January 2018	6.801.482	623.706	-	-	3.402	**7.428.590**
Additions	169.024	54.291	-	-	(74)	**223.241**
As at 31 December 2018	**6.970.507**	**677.997**	**-**	**-**	**3.328**	**7.651.831**
As at 1 January 2019	6.970.507	677.997	-	-	3.328	**7.651.831**
Transfer to subsidiary [1)]	(6.950.991)	(677.997)	-		(3.328)	**(7.632.316)**
Additions	-	-	1.483	18.416	-	**19.900**
Transfers and reclassifications	(19.516)	-	19.516	-	-	**-**
As at 31 December 2019	**0**	**-**	**20.999**	**18.416**	**-**	**39.415**
Accumulated depreciation and impairment						
As at 1 January 2018	(3.531.184)	(116.127)	-	-	(2.310)	**(3.649.621)**
Depreciation	(286.793)	(43.426)	-	-	-	**(330.218)**
Impairment losses	(854)	-	-	-	-	**(854)**
As at 31 December 2018	**(3.818.830)**	**(159.553)**	**-**	**-**	**(2.310)**	**(3.980.693)**
As at 1 January 2019	(3.818.830)	(159.553)	-	-	(2.310)	**(3.980.693)**
Transfer to subsidiary [1)]	3.815.261	159.553	-		2.310	**3.977.124**
Depreciation	-	-	(2.320)	-	-	**(2.320)**
Transfers and reclassifications	3.569	-	(3.569)	-	-	**-**
As at 31 December 2019	**(0)**	**-**	**(5.889)**	**-**	**-**	**(5.889)**
Book value 31 December 2018	**3.151.677**	**518.443**	**-**	**-**	**1.019**	**3.671.139**
Book value 31 December 2019	**0**	**-**	**15.110**	**18.416**	**-**	**33.527**
Useful economic lifetime	12 - 40 years	12 years	3 - 30 years	N/A	5 - 10 years	

[1)] On January 1, 2019, Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS.

NOTE 6 INTANGIBLE ASSETS

(in NOK 1,000)	**Other intangible assets**
Acquisition cost	
As at 1 January 2018	122 716
Additions	892
As at 31 December 2018	**123 608**
As at 1 January 2019	**123 608**
Transfer to subsidiary [1)]	**(16 127)**
As at 31 December 2019	**107 481**
Accumulated depreciation and impairment	
As at 1 January 2018	(57 534)
Amortisation	(16 396)
As at 31 December 2018	**(73 930)**
As at 1 January 2019	**(73 930)**
Transfer to subsidiary [1)]	**13 027**
Amortisation	**(13 435)**
As at 31 December 2019	**(74 339)**
Book value 31 December 2018	**49 677**
Book value 31 December 2019	**33 142**
Useful economic lifetime	3 - 10 years

[1)] On January 1, 2019, Hurtigruten AS transferred all of its cruise-related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS.

NOTE 7 INCOME TAX

INCOME TAX EXPENSE

(in NOK 1,000)	**2019**	2018
Income tax payable, current year	-	1.743
Change in deferred tax, current year	**740.095**	(165.000)
Change in deferred tax, tax rate changes and adjustments regarding previous years	-	4.350
Total income tax expense/ (income)	**740.095**	(158.908)

RECONCILIATION OF THE INCOME TAX EXPENSE FOR THE YEAR

The tax on the Company's profit or loss before tax deviates from the amount that would have applied if the statutory tax rate had been used. The difference can be explained as follows:

(in NOK 1,000)	**2019**	2018
Profit/(loss) before tax from operations	**26.641**	499.971
Expected income taxes at statutory tax rate in Norway (22%, 23%)	**5.861**	114.993
Effect from transfer to subsidiary [1]	**694.365**	-
Non-taxable income (-)	-	(7.955)
Gifts, representation and other non-deductable expenses (+) [2]	**39.328**	2.284
Effect from change in tax rate or provisions from previous years	-	4.350
Effect from change in valuation allowance, tax losses	-	(272.581)
Other permanent differences (+/-)	**541**	-
Income tax expense /(income)	**740.095**	(158.908)
Weighted average tax rate	2778,0 %	-31,8 %

[1] The high effective tax rate for the company in 2019 is related to the transfer of all cruise related business to the 100 % owned subsidiary Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS. The transaction was carried through at fair value for the tax positions.

[2] The line *'Gifts, representation and other non-deductible expenses'* in 2019 includes a write-down of a long-term loan to the related party KVE Holding in 2019 at MNOK 168.9, treated as a non-deductible expense for tax purposes.

INCOME TAX EXPENSE FOR ITEMS RECOGNISED IN EQUITY

(in NOK 1,000)		**2019**			2018	
	Before tax	**Tax effect**	**After tax**	Before tax	Tax effect	After tax
Cash flow hedging	**160 939**	**(35 794)**	**125 145**	(209 244)	35 794	(173 450)
Total revaluation reserves	**160 939**	**(35 794)**	**125 145**	(209 244)	35 794	(173 450)

DEFERRED INCOME TAX ASSETS (+) AND LIABILITIES (-)

Deferred income tax assets and liabilities are recognised on a net basis if the differences that are reversible can be offset.

The deferred income tax assets relating to tax loss carry-forwards are recognised in the statement of financial position to the extent that the Company can utilise the tax loss carry-forward against future taxable income.

(in NOK 1 000)	Opening balance	Tax expense	Recognised in equity	Closing balance
Non-current items				
Intangible assets and fixed assets	(434.194)	430.095	-	(4.099)
Account for gains and losses (NO Tax Act only)	(10.341)	(884.528)	-	(894.868)
Leasing	11.967	(11.967)	-	-
Totals	**(432.568)**	**(466.399)**	**-**	**(898.967)**
Current items				
Inventory	220	(220)	-	-
Receivables	704	(160)	-	544
Derivatives and financial instruments	35.794	-	(35.794)	-
Current provisions	6.894	2.303	-	9.197
Totals	**43.612**	**1.923**	**(35.794)**	**9.741**
Tax loss carry forwards	625.637	(276.075)	-	349.562
Interest carry forwards	130.326	456	-	130.781
Total def. tax asset / (liability)	**367.006**	**(740.095)**	**(35.794)**	**(408.883)**

(in NOK 1 000)	Opening balance	Tax expense	Recognised in equity	Closing balance
Non-current items				
Intangible assets and fixed assets	(467.420)	33.226	-	(434.194)
Account for gains and losses (NO Tax Act only)	(13.514)	3.173	-	(10.341)
Leasing	6.751	5.216	-	11.967
Totals	**(474.183)**	**41.615**	**-**	**(432.568)**
Current items				
Receivables	631	73	-	704
Derivatives and financial instruments	(7.659)	7.659	35.794	35.794
Current provisions	-	6.894	-	6.894
Totals	**(7.028)**	**14.846**	**35.794**	**43.612**
Tax loss carry forwards	789.846	(164.210)	-	625.636
Interest carry forwards	134.507	(4.181)	-	130.326
Valuation allowance	(272.581)	272.581	-	-
Total def. tax asset / (liability)	**170.561**	**160.651**	**35.794**	**367.006**

RECONCILIATION OF CHANGE IN PAYABLE INCOME TAX PROVISIONS

(in NOK 1 000)	**2019**	2018
Current income tax payables, opening balance	**1,743**	-
New provision, income tax payable (+)	-	1,743
Taxes paid (-)	**(1,743)**	-
Current income tax payables, closing balance	-	1,743

NOTE 8 INVESTMENTS IN SUBSIDIARIES

(In NOK 1,000)	**Registered office**	**Ownership / voting share**	**Equity**	**Net profit / loss 2019**	**Book value**
Hurtigruten Pluss AS	Tromsø, Norway	100 %	32 053	34 909	55 672
Hurtigruten Sjø AS	Tromsø, Norway	100 %	10 930	4 450	65 010
HRG Eiendom AS	Tromsø, Norway	100 %	32 634	3 661	385
Hurtigruten Cruise AS	Tromsø, Norway	100 %	4 302 506	387 446	3 947 794
Explorer II AS	Tromsø, Norway	100 %	(1 227)	9 604	52
Hurtigruten GmbH	Hamburg, Germany	100 %	50 937	50 648	48 832
Norwegian Coastal Voyage Limited	London, UK	100 %	100 965	9 530	11 920
Hurtigruten Inc.	Seattle, USA	100 %	(93 394)	9 696	-
Hurtigruten SAS	Paris, France	100 %	25 137	3 810	315
Hurtigruten Estonia OÜ	Tallinn, Estonia	100 %	22 452	823	20
Hurtigruten Svalbard AS	Longyearbyen, Norway	100 %	385 147	23 537	283 719
Hurtigruten Australia Pty Ltd	Melbourne, Australia	100 %	378	376	6
Total					**4 413 726**

NOTE 9 RECEIVABLES AND LIABILITIES

RECEIVABLES

(in NOK 1,000)	**2019**	2018
Trade receivables	**7 079**	30 946
Less provision for impairment of trade receivables	(2 472)	(3 200)
Trade receivables – net	**4 607**	27 747
Intercompany receivables, current (see note 19)	**566 117**	540 130
Prepaid expenses	**45 388**	57 142
Other miscellaneous receivables	**24 370**	29 736
Other receivables	**635 875**	627 008
Total current trade and other receivables	**640 483**	654 755
Intercompany receivables, non-current (see note 19)	**1 573 230**	1 000 880
Other non-current receivables	**94**	282
Total other receivables, non-current	**1 573 324**	1 001 162

LIABILITIES

(in NOK 1,000)	**2019**	2018
Trade payables	**11 479**	124 843
Public duties	**13 486**	140
Accrued expenses	**51 712**	174 673
Accrued revenue	-	31 220
Intercompany liabilities, current (see note 19)	**1 096 522**	82 129
Trade and other liabilities	**1 173 199**	413 005
Provision for other liabilities and charges	**47 081**	37 421
Total Provisions, trade and other liaibilities	**1 220 280**	450 426

NOTE 10 INVENTORIES

INVENTORIES CONSIST OF THE FOLLOWING TYPES OF GOODS

(In NOK 1,000)	**2019**	**2018**
Goods purchased for resale	**48 044**	100 658
Spare parts	-	4 867
Bunkers and lubrication oil	-	25 830
Total inventories	**48 044**	131 354

The inventories were measured at cost in accordance with the FIFO principle. If the fair value is deemed to be lower than the cost price, then the inventories will be written down.

NOTE 11 CASH AND CASH EQUIVALENTS

(in NOK 1,000)	**2019**	**2018**
Bank accounts	**37 476**	136 293
Cash on hand	**6 898**	4 237
Total cash and cash equivalents	**44 374**	**140 529**
Draw downs group cash pool	**(1 456 377)**	(1 249 036)
Total cash and cash equivalents after drawdowns on group cashpool	**(1 412 003)**	(1 108 507)

Cash and cash equivalents in the cash flow statement consist of the following		
Cash at bank and on hand	**44 374**	140 529
Restricted bank deposits	**(37 475)**	(134 642)
Cash and cash equivalents in the cash flow statement	**6 900**	5 887

Restricted bank deposits mainly comprise of a licence guarantee to the Ministry of Transport and Communications and of tax withholding funds.

Hurtigruten AS is the Group account holder in the Group's group account scheme. Other Group companies are subaccount owners or participants. Cash at bank includes deposits both within and outside the group account scheme. Restricted funds are not included in the group account scheme.

NOTE 12 EQUITY

SHARES AND SHAREHOLDERS AS PER 31 DECEMBER 2019

(in NOK 1,000 unless otherwise indicated)	Number of ordinary shares	Nominal value (NOK)	Nominal value of ordinary shares	Share premium and other paid-in capital	**Total**
As of 1 january 2019	423 259 163	1,01	427 492	4 048 413	**4 475 904**
As of 31 December 2019	423 259 163	1,01	427 492	4 048 413	**4 475 904**

All ordinary shares have equal rights.

Shareholder as of 31 December 2019	**Number of shares**	**Shareholding (%)**
Hurtigruten Group AS	423 259 163	100

(in NOK 1,000)	**Share capital**	**Share premium**	**Reserve for valutation variations**	**Retained earnings**	**Total Equity**
Balance at 1 January 2018	423 259	1 032 518	48 305	(1 181 527)	**322 555**
Profit/(loss) for the year	-	-	-	658 879	**658 879**
Other posts directly towards equity					
Cash flow hedges, net of tax	-	-	(173 450)	-	**(173 450)**
Total	-	-	(173 450)	658 879	**485 429**
Transactions with owners					
Contribution of equity	4 233	3 015 894	-	-	**3 020 127**
Total transactions with owners	4 233	3 015 894	-	-	**3 020 127**
Balance at 31 December 2018	427 492	4 048 412	(125 145)	(522 648)	**3 828 111**
Balance at 1 January 2019	427 492	4 048 412	(125 145)	(522 648)	**3 828 111**
Profit/(loss) for the year	-	-	-	(713 454)	**(713 454)**
Other posts directly towards equity					
Cash flow hedges, net of tax	-	-	125 145	-	**125 145**
Total	-	-	125 145	(713 454)	**(588 309)**
Balance at 31 December 2019	427 492	4 048 412	(0)	(1 236 102)	**3 239 802**

NOTE 13 INTEREST BEARING DEBT

(in NOK 1,000)	Note	2019	2018
Non-current interest bearing debt			
Lease financing		-	482 547
Non-current interest bearing debt - intragroup	19	429 904	272 495
Total non-current interest bearing debt		**429 904**	**755 042**
Non-current interest bearing debt			
Negative cash inside cash-pool	11	1 456 377	1 249 036
Total current interest bearing debt		**1 456 377**	**1 249 036**
Total current interest bearing debt		**1 886 281**	**2 004 078**

BOOK VALUE OF COLLATERISED ASSETS

(in NOK 1,000)	2019	2018
Book value of collateralized assets	**2 595 910**	4 054 611

The Term loan B of EUR 655 million in the parent company Hurtigruten Group AS, is secured with pledge of the assets in Hurtigruten AS, including intercompany receivables, cash and cash equivalents and shares in its subsidiaries Hurtigruten Pluss AS, Hurtigruten Sjø AS and Hurtigruten Svalbard AS.

NOTE 14 GUARANTEES

In addition to pledging all the assets mentioned in note 13, Hurtigruten AS has guaranteed for the repayment of Term loan B of EUR 655 million drawn in the parent company Hurtigruten Group AS.

In its ongoing business activities, the parent company Hurtigruten AS assumes a conditional liability through guarantees issued directly to or on behalf of its subsidiaries/associates. No amounts have been recognised in the balance sheet as of 31 December 2018, as the contingent liabilities do not qualify for recognition.

In connection with the tender for the procurement contract for Coastal services, Hurtigruten AS issued a guarantee to the Ministry of Transportation in the amount of NOK 180 million. The guarantee was later reduced to NOK 85 million, collateralised with NOK 40 million in cash depot. After 1 February 2019 the guarantee has been terminated but will later be re-issued to comply with the contract tender requirements.

Hurtigruten AS has issued relevant travel bonds in Nordics, UK, Germany, US and France in line with the relevant national travel laws. The overall purpose of these guarantees is to protect the consumers in the case of bankruptcy. Hurtigruten AS, counter-guaranteed by Hurtigruten Group AS, has also issued a guarantee on behalf of Hurtigruten Ltd. to CAA in connection with tour packages, including flights, sold in the UK. The guarantee is not being specified by amount but limited to customer demands of refund of claims and any additional costs resulting from Hurtigruten Ltd. not being able to fulfil its agreement with the customer.

NOTE 15 OPERATING REVENUE

REVENUE BY CATEGORY

(in NOK 1,000)	**2019**	2018
Ticket revenue	**1 932 048**	1 784 497
Revenue from flights, hotel & transportation	**162 395**	126 456
Presold food, beverages and excursions	**938 093**	752 062
Onboard sales of food, beverages, shop and excursions	**250 541**	466 758
Other passenger revenue	**39 488**	36 169
Cargo-freight revenue	-	54 283
Contractual revenues	**(1 320)**	698 919
Other operating revenue	**68 915**	45 072
Total operating revenues	**3 390 160**	3 964 216
Of which is intragroup (see note 19):	**2 432 079**	2 086 802

(in NOK 1,000)	**2019**	2018
Ticket revenue	**1 932 048**	1 784 497
Revenue from flights, hotel & transportation	**162 395**	126 456
Presold food, beverages and excursions	**938 093**	752 062
Onboard sales of food, beverages, shop and excursions	**250 541**	466 758
Other passenger revenue	**39 488**	36 169
Cargo-freight revenue	-	54 283
Contractual revenues	**(1 320)**	698 919
Other operating revenue	**68 915**	45 072
Total operating revenues	**3 390 160**	3 964 216
Of which is intragroup (see note 19):	**2 432 079**	2 086 802

Contractual revenues relating to the Bergen-Kirkenes coastal service is based on the existing agreement with the Norwegian government through the Ministry of Transport and Communications. The agreement applies to the Bergen-Kirkenes route for the period 1 January 2012 through 31 December 2020. This has been transferred to Hurtigruten Cruise AS as of 1 January 2019. From 1 January 2021 the agreement applies to 7 ships, a reduction from 11 ships which applies in the current agreement.

NOTE 16 REMUNERATION

Hurtigruten AS had no employees in 2019. The company hires administrative staff from the subsidiary Hurtigruten Pluss AS and ship's crew from its subsidiary Hurtigruten Sjø AS. Accordingly, company's executives receive their salaries and other remuneration from Hurtigruten Pluss AS.

(In NOK 1,000)	**2019**	2018
Wages and salaries	**966**	924
Payroll tax	**5,177**	(1,048)
Pension costs	**-**	-
Other benefits	**5,411**	7,685
Total payroll costs	**11,554**	7,560

Set out below is summarised information regarding fees paid to company's board members and auditors.

TOTAL COMPENSATION YEAR 2019

BOARD OF DIRECTORS

The board of directors are internal and does not receive any compensation for their role other than normal wage and bonuses connected to their day to day role and responsibility.

EXECUTIVE MANAGEMENT

Executive management

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Daniel Skjeldam	Chief Executive Officer	6,000	897	7,602	-	**14,499**
Torleif Ernstsen	Chief Financial Officer	2,938	333	1,856	-	**5,127**
Asta Lassesen	Chief Commercial Officer	2,000	335	2,570	-	**4,905**
Thomas Westergaard	SVP Product Innovation and Hotel Operations (Until December 10th 2019)	1,875	139	858	-	**2,872**
Bent Martini	Chief Operating Officer (From April 1st 2019)	2,250	219	763	-	**3,232**
Anne-Marit Bjørnflaten	SVP Communications	1,575	90	497	-	**2,162**
Stine Steffensen Børke	Chief Marketing Officer (From March 1st)	1,667	147	70	-	**1,884**
Marit Finnanger	SVP People and Organizational Development (Until December 12th 2019)	1,468	140	84	-	**1,692**
Ole-Marius Moe-Helgesen	Chief Digital Officer	2,015	155	300	-	**2,470**
Tor Geir Engebretsen	Chief Operating Officer/SVP Maritime Operations (Until April 1st 2019)	-	-	-	1,374	**1,374**
Total		**21,788**	**2,455**	**14,600**	**1,374**	**40,217**

1) *Including bonus, car allowance and severance benefits for outgoing managers.*
2) *Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT*

The company's CEO receives an annual fixed salary of NOK 6 million. Other benefits include bonus, fixed car remuneration and ordinary phone expenses, Internet, newspaper and home computer allowance. The CEO has a time-limited agreement on a performance-related bonus linked to the operating result before depreciation, amortisation and impairments, in which performance is indexed against the adjusted budgeted operating result before depreciation, amortisation and impairments. This bonus agreement gives the right to a payment of maximum NOK 4 million. The CEO also has an agreement whereby the Board decides the bonus, factoring all the various activities and circumstances during the year. This bonus agreement gives the right to a maximum bonus payment of up to NOK 4 million.

The CEO is included in the company's ordinary defined contribution pension scheme for salaries up to 12G and the defined contribution scheme that provides a pension basis for salaries over 12G. The CEO's conditions of employment do not include any personal pension obligations.

The company's management are members of the company's defined contribution plan. In addition, a supplementary defined contribution pension plan has been established, which provides a pension for any salary in excess of 12 times the National Insurance basic amount (G). The scheme applies to the entire company and covers all employees with salaries over 12G, including members of the executive management and the CEO. The pension costs for the executive management have been included under pension costs above.

A performance-based bonus scheme was introduced for the company's management from 2013. The bonus payments are established applying pre-determined targets/parameters, some of which relate to the Group's overall performance and others to results within managers' individual spheres of responsibility. The maximum bonus for an individual manager is NOK 2 million. The bonus scheme covers certain members of Group management. The CEO has a separate performance-related bonus scheme as described above.

Due to the COVID-19 pandemic and the needed temporary lay-offs, the company has decided to freeze any payments of bonuses achieved in 2019 for 2020 until the situation has improved.

TOTAL COMPENSATION YEAR 2018

BOARD OF DIRECTORS

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Trygve Hegnar	Chair	-	-	-	326	**326**
Petter Anker Stordalen	Director	-	-	-	137	**137**
Jonathan Barlow	Director	-	-	-	-	**-**
Matthew Lenczner	Director	-	-	-	-	**-**
Helene Anker Jebsen	Deputy Chair	-	-	-	171	**171**
Regina Mari Aasli Paulsen	Director, employee representative	-	-	-	137	**137**
Jørn Henning Lorentzen	Director, employee representative	-	-	-	137	**137**
Oddleif Engvik	Observer	-	-	-	5	**5**
Odd-Kåre Larsen	Observer	-	-	-	14	**14**
Total		**-**	**-**	**-**	**924**	**924**

EXECUTIVE MANAGEMENT

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other** [1]	**Fees**	**Total remuneration**
Daniel Skjeldam	Chief Executive Officer	6,074	851	5,109	-	**12,034**
Torleif Ernstsen	Chief Financial Officer	2,772	286	1,304	-	**4,363**
Asta Lassesen	Chief Commercial Officer	3,033	321	1,385	-	**4,739**
Thomas Westergaard	SVP Product and Hotel Operations	1,898	142	791	-	**2,831**
Anne-Marit Bjørnflaten	SVP Communications	1,519	77	490	-	**2,086**
Marit Finnanger	SVP People and Organisational Development	1,873	142	402	-	**2,417**
Ole-Marius Moe-Helgesen	Chief Information Officer (From November 5th 2018)	320	24	1	-	**346**
Robert Grefstad	Chief Information Officer (Until November 5th 2018)	1,358	682	281	-	**2,321**
Tor Geir Engebretsen[2]	Chief Operations Officer/SVP Maritime Operations				4,157	**4,157**
Total		18,847	2,526	9,765	4,157	**35,294**

3) *Including bonus, car allowance and severance benefits for outgoing managers.*
4) *Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT*

AUDITOR REMUNERATION

(in NOK 1,000)	**2019**	2018
Statutory audit	**1.611**	721
Other assurance services	**338**	180
Other non-assurance services	**-**	-
Tax consultant services	**5.927**	3.497
Total	**7.876**	4.398

VAT is not included in the fees specified above.

NOTE 17 LEASES

OPERATIONAL LEASES

For 2019 there is only one contract on operational leases, as all other leases have been transferred to Hurtigruten Cruise AS. The following text is connected to the 2018 figures

Coastal 1 AS leases MS Richard With to Hurtigruten AS, a 5-year operational bareboat lease agreement with Coastal Holding AS (parent company of Coastal 1 AS) for the lease of the ship MS Richard with. Daily rent was NOK 62.500. Coastal II AS (another company in the Silk Topco Group) leased MS Nordlys with a 5-year operational bareboat lease agreement with Coastal Holding AS (parent company of Coastal 2 AS)with a daily rent is NOK 60.800.

Hurtigruten AS also had a bareboat charter agreement regarding the ship MS Nordstjernen, which operates as an expedition cruises vessel in the period between March and September each year. The rent is NOK 25.5 million annually, and the contract runs until the end of 2020.

In addition to the bareboat charters, Hurtigruten AS has some rental expenses regarding the use of office premises and office machinery (IT equipment).

Operational leases

(in NOK 1,000)	**2019**	2018
Nominal value of future minimum lease payments is as follows:		
Within one year	330	48,313
Later than one year but not later than five years	330	139,500
Later than five years	-	-
Minimum lease payments	**660**	187,813

NOTE 18 FINANCIAL INCOME AND EXPENSES

(in NOK 1,000)	**2019**	2018
Interest income	**47 265**	19 022
Foreign exchange gains	**79 700**	81 155
Dividends	**28 099**	32 382
Group Contribution	**56 392**	2 223
Finance income	**211 456**	134 782
Interest expenses		
– External Borrowings	**0**	(4 823)
– Interest expenses group account	**(1 007)**	(2 041)
– Interest expenses to group companies (see note 19)	**(7 163)**	(48 557)
– Other interest expenses	**690**	(3 262)
Borrowing fees paid to group companies (see note 19)	**-**	(61 955)
Foreign exchange losses	**(108 276)**	(40 656)
Loss on lending	**(168 854)**	-
Other finance expenses	**(3 071)**	(2 513)
Total financial expenses	**(287 682)**	(163 807)
Finance expenses – net	**(76 227)**	(29 025)

Foreign exchange gains and losses are related to the Company's EUR denominated borrowings and intercompany items. The loss on lending is against KVE Holding AS, an affiliated company as a subsidiary within Silk Topco Group.

NOTE 19 TRANSACTIONS WITH RELATED PARTIES AND INTRAGROUP BALANCES

Transactions with related parties are carried out in accordance with the arm's length principle. Related parties are defined as the key management personnel in the company, shareholders and associates.

The Group conducted the following transactions with related parties:

TRANSACTIONS WITH GROUP COMPANIES

(in NOK 1,000)	**2019**	2018
Sale of goods and services to Group companies		
Hurtigruten GmbH	**993 516**	905 355
Hurtigruten Ltd.	**946 237**	805 618
Hurtigruten Inc.	**245 889**	229 425
Hurtigruten SAS	**195 399**	146 123
Hurtigruten Cruise AS	**49 964**	-
Hurtigruten Pluss AS	**481**	-
Hurtigruten Sjø AS	**385**	-
Hurtigruten Estonia OÜ	**136**	-
Hurtigruten Svalbard AS	**73**	281
Purchase of goods and services from Group companies		
Purchase of services from Hurtigruten Sjø AS	**36 641**	708 455
Purchase of administrative services from Hurtigruten Pluss AS	**80 868**	504 061
Bareboat charter hire from Coastal Holding AS	**-**	45 903
Hurtigruten Cruise	**2 607 145**	-
Bareboat charter hire from Kirberg Shipping KS	**-**	17 029
Hurtigruten Estonia OÜ	**644**	401
Hurtigruten GmbH	**3**	55
Hurtigruten Svalbard AS	**12 053**	14 864
Hurtigruten Ltd.	**38**	22
Rental of premises from Hurtigruten Eiendom AS	**-**	491
Hurtigruten Inc.	**28**	34
Interest income from Group companies		
Explorer II AS	**30 561**	14 785
KVE Holding AS	**2 791**	1 688
Kirberg Shipping KS	**6 353**	-
Coastal 1 AS	**5 769**	1 664
Coastal 2 AS	**21**	-
Silk TopCo AS	**1 033**	-
Silk Midco AS	**11**	-
Explorer 1 AS	**19**	-
Kirberg Shipping AS	**444**	218
Hurtigruten Pluss AS	**-**	(1 322)
Hurtigruten Inc.	**-**	1 213
Interest and fees paid to Group companies		
Hurtigruten Group AS	**8 306**	80 598
Explorer I AS (financial lease - see note 18)	**-**	29 076
Hurtigruten SAS	-	837
Hurtigruten Estonia OÜ	**-**	2

Interest and fees paid to Group companies		
Hurtigruten Group AS	**8,306**	80,598
Explorer I AS (financial lease - see note 18)	**-**	29,076
Hurtigruten SAS	**-**	837
Hurtigruten Estonia OÜ	**-**	2

INTRAGROUP BALANCES

(in NOK 1,000)	**2019**	2018
Non-current receivables due from Group companies		
KVE Holding AS	**-**	111 874
Hurtigruten Explorer 2	**1 310 935**	719 814
Hurtigruten Onshore operations AS	**11 000**	-
Silk Topco AS	**18 513**	13 530
Silk Midco AS	**182**	-
Kirberg Shipping KS	**127 595**	19 632
Kirberg Shipping AS	**7 136**	-
Coastal 1 AS	**97 072**	135 741
Coastal 2 AS	**488**	-
Hurtigruten Explorer AS	**309**	290
Total non-current receivables from Group companies	**1 573 230**	1 000 880

Trade and other current receivables from Group companies		
Hurtigruten Cruise AS	**78 332**	300 003
Hurtigruten Ltd.	**197 425**	78 393
Hurtigruten Inc.	**65 821**	69 181
Hurtigruten GmbH	**110 423**	52 415
Coastal 1 AS	**255**	16 722
Coastal 2 AS	**-**	20
Hurtigruten SAS	**24 651**	9 964
Kirberg Shipping AS	**6 487**	6 692
Hurtigruten Svalbard AS	**187**	2 946
Hurtigruten Group AS	**-**	2 322
Hurtigruten Pluss AS	**56 156**	957
Silk Midco AS	**-**	155
Silk Topco AS	**-**	75
Hurtigruten Sjø AS	**10 682**	74
Hurtigruten Coastal Fleet AS	**80**	-
Hurtigruten Ship Holding AS	**80**	-
Hurtigruten Onshore Operations AS	**9 926**	-
Gapahuken Drift AS	**1 012**	0
Hurtigruten Eiendom AS	**1 132**	-
Explorer 1 AS	**2 840**	-
Other group companies combined	**629**	210
Total trade and other current receivables from Group companies	**566 117**	540 130

Other non-current liabilities to Group companies		
Explorer 1 AS (Lease financing)	**-**	480,180
Hurtigruten Group AS	**429,904**	272,495
Total non-current liabilities to Group companies	**429,904**	752,675

Trade payables and other current payables to Group companies		
Hurtigruten Pluss AS	**46 324**	55 543
Hurtigrtuen Cruise AS	**917 507**	-
Hurtigruten Sjø AS	**26 075**	6 052
Hurtigruten Svalbard AS	**-**	543
Hurtigruten GmbH	**46 607**	9 599
Hurtigruten SAS	**3 101**	-
Hurtigruten Estonia OÜ	**157**	-
Hurtigruten Inc.	**20 285**	1 441
Hurtigruten Ltd.	**26 892**	2 269
Hurtigruten Group AS	**2 647**	556
Explorer 2 AS	**5 006**	-
Silk Topco AS	**72**	-
Gapahuken Drift AS	**498**	-
Coastal Holding AS	**11**	5 863
Other group companies combined	**1 342**	262
Total trade payables and other current payables to Group companies	**1 096 522**	82 129

NOTE 20 OTHER OPERATING COSTS

(in NOK 1,000)	**2019**	2018
Crew on ships, external	**717**	73 395
Crew on ships, intra-group (see note 20)	**32 549**	708 455
Other operating cruise costs, external	**0**	441 803
Other operating cruise costs, intra-group (see note 20)	**0**	67 031
Sales and administrative costs, external	**19 732**	23 015
Sales and administrative costs, intra-group (see note 20)	**199 160**	1 211 362
Total other operating costs	**252 158**	2 525 060

NOTE 21 OTHER LOSSES / GAINS - NET

(In NOK 1,000)	**2019**	2018
Net gain (loss) on the sale of property, plant and equipment	**-**	70
Net unrealised foreign currency gains (loss) on balance sheet items	**(10 905)**	8 004
Net gains (loss) on forward currency exchange contracts	**-**	10 262
Net gains (loss) on forward bunker contracts	**-**	74 193
Total other (losses)/gains	**(10 905)**	92 529

NOTE 22 SHARE-BASED PAYMENT

Hurtigruten executive management has entered into an agreement with the ultimate parent company, Silk Topco AS. The executive managers have purchased shares in Silk Topco AS at the same price that Silk Topco AS paid for the shares in Hurtigruten ASA in 2014 through its subsidiary Hurtigruten Group AS. The agreement also contains an incentive scheme that gives management a right to bonus shares in different pre-defined exit scenarios. Silk Topco AS may settle the bonus shares either with cash or with a private placing at no cost to the management.

The incentive scheme has two market-based vesting conditions:

(i) The internal rate of return at the time of the sale, calculated from the time of the share-purchase, must be more than 8%
(ii) The exit value must be at least 150% of the aggregated invested amount

The number of bonus shares depends on the aggregated exit value and can give a range of bonus shares from 0.38 per share up to 12 times per share. Management's investment at 31 December 2019 was NOK 42.5 million (NOK 41.7 at 31 December 2018).

When estimating the fair value of the incentive scheme at grant date, the main factors influencing the fair value that had to be estimated by management were as follows:

(i) The probability of different exit values that then give different levels of bonus shares,
(ii) The expected time to exit
(iii) Discount rate.

The agreement was signed on 23. June 2015.

Expected life of the agreement:	5 years
Fair value at initial recognition:	NOK 17.3 million
Expected time to exit:	5 years*
Annual amortisation:	NOK 4.5 million
Amortised amount as of 31.12.2019:	NOK 23.6 million
Amortised amount as of 31.12.2018:	NOK 18.2 million

As of 31. December 2019, the provision for employer's contribution related to the management incentive programme was NOK 14.1 million (NOK 13.2 at 31 December 2018).

* As of 31. December 2019 the best estimate of expected time to exit was 5 years and is still assessed to be a reasonable expectation.

NOTE 23 CONTINGENCIES

As of 31 December 2019, the Group had contingent liabilities relating to bank guarantees and other guarantees, in addition to other matters in the course of ordinary operations. No significant liabilities are expected to arise with respect to contingencies with the exception of the provisions that have already been provided for in the financial statements (Note 19).

NOTE 24 EVENTS AFTER THE BALANCE SHEET DATE

COVID-19 Out brake

Subsequent to 31 December 2019, the spread of the COVID-19 virus significantly affects the Norwegian and global demand of travel related services. As part of the Hurtigruten Group, Hurtigruten AS needs to monitor the situation together with Hurtigruten Groups management. The effect on future cashflows and financial performance of Hurtigruten Group are still dependent on the extent and duration of the outbreak. As of 27 April, the Group had a solid liquidity position of NOK 1.3bn.

The management in Hurtigruten Group has done the following actions

- Warm-stacked 14 of 16 ships
- Temporary lay-offs of approximately 73% of the Group’s employees
- Cancelled all non-critical projects
- Cut all non-essential and non-critical consultant and other costs

The Hurtigruten Groups management and board of Hurtigruten AS will continue to monitor the situation and take appropriate action as and when new information is available or more actions are needed.

To the General Meeting of Hurtigruten AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hurtigruten AS, which comprise the statement of financial position as at 31 December 2019, the statement of profit and loss and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 May 2020
PricewaterhouseCoopers AS

Stig Arild Lund
State Authorised Public Accountant

Årsregnskap 2018
for
Hurtigruten Cruise AS

Organisasjonsnr. 918704981

Resultatregnskap

	Note	2018	feb 17-des 17
DRIFTSINNTEKTER OG DRIFTSKOSTNADER			
Driftsinntekter			
Sum driftsinntekter		**0**	**0**
Driftskostnader			
Annen driftskostnad	5,7	141 460	0
Sum driftskostnader		**141 460**	**0**
DRIFTSRESULTAT		**(141 460)**	**0**
FINANSINNTEKTER OG FINANSKOSTNADER			
Finansinntekter			
Annen renteinntekt		36 164	29
Sum finansinntekter		**36 164**	**29**
Finanskostnader			
Annen rentekostnad		107	0
Sum finanskostnader		**107**	**0**
NETTO FINANSPOSTER		**36 057**	**29**
ORDINÆRT RES. FØR SKATTEKOSTNAD		**(105 403)**	**29**
Skattekostnad på ordinært resultat	2	(23 195)	7
ORDINÆRT RESULTAT		**(82 208)**	**22**
ÅRSRESULTAT		**(82 208)**	**22**
OVERF. OG DISPONERINGER			
Overføringer annen egenkapital		(22)	22
Fremføring av udekket tap		(82 186)	0
SUM OVERF. OG DISP.		**(82 208)**	**22**

Balanse pr. 31.12.2018

	Note	31.12.2018	31.12.2017
EIENDELER			
ANLEGGSMIDLER			
Immaterielle eiendeler			
Utsatt skattefordel	2	23 188	0
Sum immaterielle eiendeler		**23 188**	**0**
SUM ANLEGGSMIDLER		**23 188**	**0**
OMLØPSMIDLER			
Fordringer			
Fordringer på konsernselskap	6	14 310	0
Kortsiktige fordringer konsernkontoordning	1,6	299 695 556	0
Andre kortsiktige fordringer		241 796	0
Sum fordringer		**299 951 662**	**0**
Bankinnskudd, kontanter o.l.	4	30 092	30 029
SUM OMLØPSMIDLER		**299 981 753**	**30 029**
SUM EIENDELER		**300 004 941**	**30 029**
EGENKAPITAL OG GJELD			
EGENKAPITAL			
Innskutt egenkapital			
Selskapskapital	3	30 000	30 000
Sum innskutt egenkapital		**30 000**	**30 000**
Opptjent egenkapital			
Annen egenkapital		0	22
Udekket tap		(82 186)	0
Sum opptjent egenkapital		**(82 186)**	**22**
SUM EGENKAPITAL		**(52 186)**	**30 022**
GJELD			
KORTSIKTIG GJELD			
Betalbar skatt	2	0	7
Kortsiktig gjeld til konsernselskap	6	300 057 128	0
SUM KORTSIKTIG GJELD		**300 057 128**	**7**
SUM GJELD		**300 057 128**	**7**
SUM EGENKAPITAL OG GJELD		**300 004 941**	**30 029**

Oslo 18.06.2019

Daniel Skjeldam
Styrets leder/ daglig leder

Torleif Ernstsen
Styrets nestleder

TOTALRESULTAT

	2018	2017
Årsresultat	**(82 208)**	22
Totalresultat etter skatt	**(82 208)**	22
Årets totalresultat	**(82 208)**	22

HURTIGRUTEN CRUISE AS

KONTANTSTRØMOPPSTILLING

	Note	2018	2017
Kontantstrømmer fra operasjonelle aktiviteter			
Ordinært resultat før skattekostnad for videreført virksomhet		**(105 403)**	29
Rentekostnader		**107**	-
Renteinntekter		**(36 164)**	(29)
Endring i arbeidskapital:			
Endring i kundefordringer og andre fordringer	6	**(256 106)**	-
Endring i leverandørgjeld og annen kortsiktig gjeld		**53 801**	-
Netto kontantstrømmer fra driften		**(343 765)**	-
Kontantstrømmer fra investeringsaktiviteter			
Salg av varige driftsmidler		**-**	-
Investering i varige driftsmidler		**-**	-
Salg av aksjer og andeler		**-**	-
Endring i andre investeringer og langsiktige fordringer		**-**	-
Investeringer i varige driftsmidler		**-**	-
Salg av varige driftsmidler (salgssum)		**-**	-
Innbetaling ved salg av aksjer og andeler i andre foretak		**-**	-
Utbetalinger ved kjøp av aksjer og andeler i andre foretak		**-**	-
Endring i andre investeringer		**-**	-
Netto kontantstrøm fra investeringsaktiviter		**-**	-
Kontantstrømmer fra finansieringsaktiviteter			
Innskutt kapital ved stiftlelse		**-**	30 000
Opptak kortsiktig gjeld	2,6	**300 003 327**	-
Endring i konsernkontoordning	2,6	**(299 695 556)**	-
Renteinntekter		**36 164**	29
Rentekostnader		**(107)**	-
Netto kontantstrøm fra finansieringsaktiviteter		**343 828**	30 029
Netto endring i kontanter og kontantekvivalenter		**63**	30 029
Beholdning av kontanter og kontantekvivalenter 01.01		**30 029**	-
Beholdning av kontanter og kontantekvivalenter 31.12	4	**30 092**	30 029

OPPSTILLING AV ENDRING I EGENKAPITALEN

	Aksjekapital	Overkursfond	Annen egenkapital	Udekket tap	Sum innskutt og opptjent egenkapital
Egenkapital 1. januar 2017	**-**	**-**	**-**	**-**	**-**
Innskutt egenkapital ved stiftelse 27.02.17	30 000	-	-	-	30 000
					-
Årsresultat	-	-	22	-	22
					-
Egenkapital 31. desember 2017	**30 000**	**-**	**22**	**-**	**30 022**
Egenkapital 1. januar 2018	**30 000**	**-**	**22**	**-**	**-**
					-
Årsresultat				(82 208)	(82 208)
fra annen egenkapital			-22	22	-
					-
Egenkapital 31. desember 2018	**30 000**	**-**	**-**	**(82 186)**	**(52 186)**

HURTIGRUTEN CRUISE AS

GENERELL INFORMASJON

Hurtigruten Cruise AS er et heleid datterselskap av Hurtigruten AS. Morselskapet har hovedkontor i Tromsø. Silk Topco AS er konsernspiss for konsernet. Konsernregnskap kan innhentes fra Brønnøysunds regnskapsregister.

Selskapet har valgt å benytte seg av adgangen til å anvende forenklet IFRS i selskapsregnskapet. Forenklet anvendelse av IFRS i selskapsregnskapet innebærer at vurderingsregler og regnskapsprinsipper som er lagt til grunn i konsernregnskapet også gjelder for Hurtigruten Cruise AS.
Når det gjelder oppstillingsplan og noteinformasjon hjemler forenklet anvendelse av IFRS at disse kan være i samsvar med regnskapsloven (NGAAP). Oppstillingsplanen og noteinformasjonen for Hurtigruten Cruise AS er således gjort opp i samsvar med dette.

Selskapet har ingen ansatte og det foreligger således ingen plikt til å opprette tjenestepensjonsordning etter loven om obligatorisk tjenestepensjon.

Selskapsregnskapet ble vedtatt av selskapets styre 18.06.2019 under forutsetning om fortsatt drift. Ved regnskapsperiodens utgang var egenkapitalen i selskapet tapt. En planlagt virksomhetsoverdragelse fra morselskapet Hurtigruten AS til Hurtigruten Cruise AS den 1. januar rettet imidlertid på dette. Det henvises til note 8 for mer informasjon.

SAMMENDRAG AV REGNSKAPSPRINSIPPENE

(a) Omregning av utenlandsk valuta

(1) Funksjonell valuta og presentasjonsvaluta

Regnskapet presenteres i norske kroner (NOK) som er den funksjonelle valutaen til selskapet.

(2) Transaksjoner og balanseposter

Transaksjoner i utenlandsk valuta regnes om til den funksjonelle valutaen ved bruk av transaksjonskursen. Det foretas resultatføring av realiserte valutagevinster og -tap som oppstår ved betaling/oppgjør samt omregning av pengeposter (eiendeler og gjeld) i utenlandsk valuta på balansedagen.

(b) Finansielle eiendeler

Utlån og fordringer

Utlån og fordringer er ikke-derivate finansielle eiendeler med fastsatte betalinger som ikke omsettes i et aktivt marked. De klassifiseres som omløpsmidler, med mindre de forfaller mer enn 12 måneder etter balansedagen. I så fall klassifiseres de som anleggsmidler. Utlån og fordringer klassifiseres som ”andre fordringer” i balansen.

(c) Kontanter og kontantekvivalenter

Kontanter og kontantekvivalenter består av kontanter og bankinnskudd. Kontanter og kontantekvivalenter er ulikt definert i balanse og kontantstrømspresentasjonen. Bundne midler inngår i balansepresentasjonen men ikke i kontantstrømspresentasjonen.

(d) Aksjekapital og overkurs

Ordinære aksjer klassifiseres som egenkapital.

(e) Leverandørgjeld

Leverandørgjeld er forpliktelser til å betale for varer eller tjenester som er levert fra leverandørene til den ordinære driften. Leverandørgjeld er klassifisert som kortsiktig dersom den forfaller innen ett år eller kortere (eller i den ordinære driftssyklusen dersom lenger). Dersom dette ikke er tilfelle, klassifiseres det som langsiktig.

Leverandørgjeld måles til virkelig verdi ved første gangs balanseføring. Ved senere måling vurderes leverandørgjeld til amortisert kost fastsatt ved bruk av effektiv rente metoden.

(f) Lån

Lån regnskapsføres til virkelig verdi når utbetaling av lånet finner sted, med fradrag for transaksjonskostnader. I etterfølgende perioder regnskapsføres lån til amortisert kost beregnet ved bruk av effektiv rente. Forskjellen mellom det utbetalte lånebeløpet (fratrukket transaksjonskostnader) og innløsningsverdien resultatføres over lånets løpetid.

(g) Betalbar og utsatt skatt

Skattekostnaden for en periode består av betalbar skatt og utsatt skatt. Skatt blir resultatført, bortsett fra når den relaterer seg til poster som er ført mot utvidet resultat eller direkte mot egenkapitalen. Hvis det er tilfelle, blir også skatten ført mot utvidet resultat eller direkte mot egenkapitalen.

Betalbar skatt for periode er beregnet i samsvar med de skattemessige lover og regler som er vedtatt, eller i hovedsak vedtatt av skattemyndighetene på balansedagen.

Det er beregnet utsatt skatt på alle midlertidige forskjeller mellom skattemessige og regnskapsmessige verdier på eiendeler og gjeld, ved bruk av gjeldsmetoden. Dersom utsatt skatt oppstår ved første gangs balanseføring av en gjeld eller eiendel i en transaksjon, som ikke er en foretaksintegrasjon, og som på transaksjonstidspunktet verken påvirker regnskaps- eller skattemessig resultat, blir den ikke balanseført. Utsatt skatt fastsettes ved bruk av skattesatser og skattelover som er vedtatt eller i det alt vesentlige er vedtatt på balansedagen, og som antas å skulle benyttes når den utsatte skattefordelen realiseres eller når den utsatte skatten gjøres opp.

Utsatt skattefordel balanseføres i den grad det er sannsynlig at fremtidig skattepliktig inntekt vil foreligge der de skattereduserende midlertidige forskjellene kan utnyttes.

Utsatt skattefordel og utsatt skatt skal motregnes dersom det er en juridisk håndhevbar rett til å motregne eiendeler ved betalbar skatt mot forpliktelser ved betalbar skatt, og utsatt skattefordel og utsatt skatt gjelder inntektsskatt som ilegges av samme skattemyndighet.

(h) Inntektsføring

Inntekter ved salg av varer og tjenester vurderes til virkelig verdi, netto etter fradrag for merverdiavgift, returer, rabatter og avslag.
Salg resultatføres når inntekten kan måles pålitelig, det er sannsynlig at de økonomiske fordelene knyttet til transaksjonen vil tilflyte selskapet.

Inntekter resultatføres som følger:

(1) Salg av tjenester
Salg av tjenester resultatføres i den perioden tjenesten utføres og/eller leveres.

(2) Renteinntekter
Renteinntekter resultatføres i henhold til effektiv rente. Ved nedskrivning av lån og fordringer, reduseres fordringens balanseførte verdi til gjenvinnbart beløp. Gjenvinnbart beløp er estimert fremtidig kontantstrøm diskontert med opprinnelig effektive rente. Etter nedskrivning resultatføres renteinntekter basert på opprinnelig effektiv rentesats.

1 FINANSIELLE EIENDELER OG FORPLIKTELSER

	2018	2017
Utlån og fordringer		
Eiendeler:		
Kundefordringer og andre fordringer	**256 106**	-
Kontanter og kontantekvivalenter	**30 092**	30 029
Kortsiktig fordring konsernkontoordning	**299 695 556**	
Sum	**299 981 753**	30 029
Andre finansielle forpliktelser til amortisert kost		
Forpliktelser:		
Leverandørgjeld og annen gjeld	**53 801**	-
Kortsiktig gjeld til konsernselskap	**300 003 327**	-
Sum	**300 057 128**	-

Selskapet har ingen derivater benyttet for sikringsformål eller eiendeler holdt for handelsformål.
Hurtigruten Cruise AS har ikke et system som skiller andre fordringer etter motpartens kredittverdighet.
Selskapet har ingen gjeld som er sikret ved pant eller lignende, og har ikke stilt eiendeler til sikkerhet til fordel for selskap i samme konsern.

	2018	2017
Kundefordringer og andre fordringer		
Motparter uten ekstern kredittvurdering	**-**	-
Sum kundefordringer og andre fordringer	**-**	-

	2018	2017
Bankinnskudd		
AA	**30 092**	30 029
Sum bankinnskudd	**30 092**	30 029

2 SKATT

	2018	2017
Årets skattekostnad fordeler seg på:		
Betalbar skatt	-	7
Endring i utsatt skattefordel	(23 188)	-
For mye skatt avsatt i fjor	(7)	-
Sum skattekostnad	(23 195)	7
Beregning av årets skattegrunnlag:		
Resultat før skattekostnad	(105 403)	29
Permanente forskjeller	-	-
Permanente forskjeller knyttet til egenkapitalføringer	-	-
Endring i midlertidige forskjeller som påvirker betalbar skatt	-	-
Anvendelse av fremførbart underskudd	-	-
Ytet konsernbidrag	-	-
Årets skattegrunnlag	(105 403)	29

Oversikt over midlertidige forskjeller:	2018	2017
Fremførbart underskudd	105 402	-
Grunnlag ikke balanseført utsatt skattefordel	-	-
Sum	105 402	-
Utsatt skattefordel beregnet til	23 188	-
Anvendt skattesats	22 %	23 %
Avstemming av årets skattekostnad:		
Resultat før skatt	(105 403)	29
Beregnet skattekostnad på årets resultat 23% i 2018 og 24% i 2017	(24 243)	7
For mye avsatt skatt i fjor	(7)	-
Endring av skattekostnaden på grunn av:		
- effekt endring av skattesats på balanseført utsatt skattefordel	1 054	-
Sum skattekostnad	(23 195)	7

3 INNSKUTT EGENKAPITAL

Aksjekapitalen på kr. 30 000 består av 30 aksjer à kr. 1000. Alle aksjer har like rettigheter

Selskapets aksjonærer pr. 31.12.2018:

	Aksjer	Eierandel	Stemmeandel
Hurtigruten AS	30	100 %	100 %
Totalt antall aksjer	30	100 %	100 %

4 BETALINGSMIDLER

	2018	2017
Kontanter og bankinnskudd (bundet)	**-**	**-**
Kontanter og bankinnskudd	**30 092**	**30 029**
Betalingsmidler i balansen	**30 092**	**30 029**

Hurtigruten Cruise AS inngår i Hurtigruten konsernets konsernkontoordning. Hurtigruten AS er i henhold til avtalen konsernkontoinnehaver og øvrige konsernselskaper er underkontoinnehavere eller deltakere.
Innskudd i konsernkontoordning er klassifisert som fordring på konsernselskap, mens trekk er klassifisert som gjeld til konsernselskap. Det vises til note 6 for øvrig informasjon.

5 GODTGJØRELSER

TALL FOR 2018:

	Stilling	Lønn	Pensjons kostnad	Annen godtgjørelse	Lån	Honorarer [2]
Daniel Andreas Skjeldam	Daglig leder/ Styrets leder [1]	-	-	-	-	-
Honorar til revisor - lovpålagt revisjon		-	-	-	-	**14 200**
Bistand IFRS, regnskap og skatt [2]		-	-	-	-	**-**
Andre attestasjonsoppgaver [2]		-	-	-	-	**-**
Honorar til revisor - annen bistand		-	-	-	-	**-**

1) Daglig leder er lønnet fra Hurtigruten Pluss AS, og mottar ikke særskilt godtgjørelse for sitt arbeid i Hurtigruten Cruise AS

2) Honorarer er eksklusiv merverdiavgift

TALL FOR 2017:

	Stilling	Lønn	Pensjons kostnad	Annen godtgjørelse	Lån	Honorarer
Daniel Andreas Skjeldam	Daglig leder/ Styrets leder [1]	-	-	-	-	-
Honorar til revisor - lovpålagt revisjon		-	-	-	-	**-**
Bistand IFRS, regnskap og skatt [2]		-	-	-	-	**-**
Andre attestasjonsoppgaver [2]		-	-	-	-	**-**
Honorar til revisor - annen bistand		-	-	-	-	**-**

1) Daglig leder er lønnet fra Hurtigruten Pluss AS, og mottar ikke særskilt godtgjørelse for sitt

6 MELLOMVÆRENDE KONSERNSELSKAP

	2018	2017
Kundefordringer Hurtigruten AS	**14 310**	-
Sum kortsiktig fordring konsern	**14 310**	-
Bankinnskudd som inngår i konsernkontoordningen	**299 695 556**	-
Sum kortsiktige fordringer i konsernkontoordning	**299 695 556**	-
Leverandørgjeld Hurtigruten Pluss AS	**53 801**	-
Annen kortsiktig gjeld Hurtigruten AS	**300 003 327**	-
Sum kortsiktig gjeld konsern	**300 057 128**	-

Hurtigruten Cruise AS inngår i Hurtigruten konsernets konsernkontoordning. Hurtigruten AS er i henhold til avtalen konsernkontoinnehaver og øvrige konsernselskaper er underkontoinnehavere eller deltakere. Innskudd i konsernkontoordning er klassifisert som fordring på konsernselskap, mens trekk i konsernkontoordningen er klassifisert som gjeld til konsernselskap. Selskapet har ikke pantstillelser eller annen sikkerhetsstillelse til fordel for foretak i samme konsern.

7 NÆRSTÅENDE PARTER

Transaksjoner med nærstående parter er inngått på markedsmessige vilkår. Nærståene parter i denne sammenheng er nøkkelpersoner i selskapet, selskaper i samme konsern samt tilknyttede selskaper.

Transaksjoner med konsernselskap:	**2018**	2017
Driftskostnader		
Kjøp av regnskapstjenester fra Hurtigruten Pluss AS	**43 041**	-

Det har ikke vært transaksjoner med nøkkelpersoner i selskapet.
Se note 5 for informasjon om godtgjørelser til nøkkelpersoner i selskapet,
det har ikke vært transaksjoner med nøkkelpersoner utover disse godtgjørelsene.
Selskapet har ikke ytt noen form for lån eller sikkerhetstillelse til ledende personer, personer aksjeeiere mv.

Det vises til note 6 for spesifikasjon av konsernmellomværende.

8 HENDELSER ETTER BALANSEDAGEN

Den 1. januar 2019 overdro morselskapet Hurtigruten AS all sin cruise-relaterte virksomhet til Hurtigruten Cruise AS for å tilrettelegge for inntreden til rederiskatteordningen for Hurtigruten Cruise. I forbindelse med overdragelsen ble Hurtigruten AS sin cruise-virksomhet skutt inn i Hurtigruten Cruise i form av et aksjeinnskudd. Regnskapsmessig kontinuitet ble lagt til grunn i overdragelsen. Etter overdragelsen utgjorde Hurtigruten Cruise sin egenkapital NOK 300 000 i aksjeinnskudd og NOK 3 946 493 562 i overkurs.

pwc

Til generalforsamlingen i Hurtigruten Cruise AS

Uavhengig revisors beretning

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Hurtigruten Cruise AS' årsregnskap som består av balanse per 31. desember 2018, resultatregnskap, totalresultat, oppstilling av endringer i egenkapitalen og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et regnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
https://revisorforeningen.no/revisjonsberetninger

Uttalelse om andre lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 18. juni 2019
PricewaterhouseCoopers AS

Stig Lund
Statsautorisert revisor

ANNUAL REPORT 2019

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Booking: +47 810 30 000, Switchboard: +47 970 57 030
Business register number: NO 918 704 981 VAT

HURTIGRUTEN

DIRECTORS' REPORT 2019
Hurtigruten Cruise AS

Hurtigruten - world leader in exploration travel

Hurtigruten Cruise AS, through its brand Hurtigruten, is the world leader in expedition travel. With an operating fleet of 16 custom-built expedition cruise vessels in the Group– and the world's two first hybrid-powered expedition cruise ships – Hurtigruten is the world's largest expedition cruise company. It offers a unique gateway to experiences in the Alaska, South America, Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travellers from all over the world. Hurtigruten's operation builds on a rich and proud Norwegian Expedition Cruises heritage offering the first voyages to Svalbard as early as 1896 and having offered cruises along the Norwegian coast for 126 years. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences with world leading experts and the best local food and beverages while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market

Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as "The world's most beautiful voyage". During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a large number of active and immersive excursions. Hurtigruten has introduced the culinary concept of "Norway's Coastal Kitchen", offering authentic Norwegian cuisine with locally sourced ingredients delivered fresh to the ships throughout the journey, reflecting both the seasons and local specialties. Hurtigruten is the only cruise operator offering year-round cruises out of the port of Bergen to these 34 ports and holds a unique competitive position on the Norwegian Coast.

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is the leading company in this segment. With its strong focus on sustainability and the environment, Hurtigruten introduced in 2019 the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, was delivered in Q4 2019. These two vessels will fortify Hurtigruten's position in the expedition cruise segment.

MS Nordlys underwent a complete refurbishment in 2019, increasing the number of suites, improving the cabins and the indoor decks and improving the general service offering on the vessels. The existing fleet has provided Hurtigruten with greater flexibility and an opportunity to tailor offerings, attracting more guests and new segments.

Business and location

Hurtigruten Cruise is the leading expedition cruise company based on APCNs, offering adventures that provide customers with the feel of authentic exploration into polar waters. Its offering is differentiated from that of most other cruise operators, including itineraries with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places. The Company views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract. The company operates a fleet of 16 ships and together with other companies within the group has 126 years of experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long and naturally distinct coast line, Hurtigruten is one of Norway's most recognized international travel brands.

Hurtigruten's global headquarter is located in Tromsø, one of the key ports of call on the Norwegian coastal route in addition to a large office in Oslo holding key functions. Hurtigruten Group has also sales offices in Hamburg, London, Paris, Seattle, Melbourne, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets.

The company's business segments are divided into the following product areas: Hurtigruten Norwegian Coast and Expedition Cruises.

Hurtigruten Norwegian Coast represents Hurtigruten's longest-running and largest business area and comprises a fleet of 11 ships providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten's legendary voyage ranks as one of Norway's most renowned and iconic attractions. In recent years, Hurtigruten has developed the voyages significantly to offer a wide range of activities and excursions to guests along the coast. In this process, Hurtigruten Expedition Teams have been added to most of the ships, providing lectures, organising excursions and adding to the onboard experience. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound). The Norwegian state purchases local transport and freight shipment services along the Norwegian coast. In the period 2012-2020 Hurtigruten will operate 11 ships under the "Coastal Route Agreement". In 2018 there was a tender for a new contract for the period 2021-2031. In the new tender the agreement was divided into 3 packages of 3,4 and 4 ships where potential interested parties could bid for one, two or three packages. Hurtigruten was awarded 2 packages of a total of 7 ships and will receive an annual payment NOK 546m (2018 value) for 7 ships (NOK 78m per vessel) which is a 20% increase in annual compensation per vessel compared to the compensation in 2019 of NOK 65m per vessel and will be KPI adjusted over the life time of the contract. This is a very positive outcome for Hurtigruten as we will be able to deploy our 3 largest ships into the fast-growing Expedition Cruise segment from 2021.

Expedition Cruises products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include visits to the Antarctic and Arctic, Alaska, Iceland, Greenland, South America and a variety of other destinations. In 2019, three vessels operated year-round in this segment, MS Fram, MS Midnatsol (September–April) and MS Spitsbergen (May–August). In July 2019, MS Roald Amundsen was delivered from the Kleven yard and started its operation. In December 2019 the sister ship, MS Fridtjof Nansen, was delivered. From 2020 we will have 5 ships operating in the Expedition segment MS Fram, MS Midnatsol (January–April) and MS Spitsbergen (May–December), MS Roald Amundsen, MS Fridtjof Nansen (March-December). From 2021 our 3 largest ships in the Coastal segment will join this segment after offering a unique Expedition product on the Norwegian Coast.

Key risk and uncertainties

The following discussion concerning financial risk management relates to the policies adopted and applicable for the financial year 2019. The Company uses financial instruments such as loans, trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Company has also utilised specific financial derivatives for cashflow hedging purposes.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency, price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Company's overarching risk management goal is to increase predictability for the Company's operations and to minimise the impact of fluctuations in macro conditions on the Company's results and financial position.

The Company has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate and credit risk and the use of financial derivatives.

Currency risk

The company operates internationally and is exposed to currency risk in multiple currencies, in particular, EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the cost of bunker oil is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

Cash flow and fair-value interest rate risk

The Company's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Company's overall cash flow. Fixed interest rates expose the Company to fair-value interest rate risk.

The Company's exposure to variable interest rate risk is limited in 2019 and the Company have no specific hedging strategy to reduce variable interest rate risk.

Credit risk

The company has one main supplier towards sales, Hurtigruten AS. However, the Group as total has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards and are paid in full prior to the travel date. Sales to external agents are made mostly through prepayment/credit cards or through invoicing prior to sailings. The Group has routines to ensure that credit is only extended to agents that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

Liquidity risk

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Company has a Group account that ensures that part of the Company's unrestricted liquidity is available to the company, and which also optimises availability and flexibility in liquidity management. The Company's finance function has overall responsibility for managing the Company's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Company has sufficient liquidity reserves to satisfy the Company's obligations and financial loan covenants.

WORK ENVIRONMENT

The company had no employees in 2019. Hurtigruten Cruise AS hires both administrative staff and ship's crew from other subsidiaries within Hurtigruten Group, respectively Hurtigruten Pluss AS and Hurtigruten Sjø AS.

Health, safety and the environment

Highest priority

It is Hurtigruten's principle that a safe operation is one of the cornerstones in the process of developing in the desired direction. Hurtigruten has a robust Management System which provides operational guidelines to employees on board and ashore. The business and Hurtigruten's profitability depend on being in control of the safe operation of the ships.

Hurtigruten's safety policy, revised in 2014, has set a goal of zero accidents and serious incidents – including serious personal injuries and loss of human life. It is, and will remain, a safe company to travel with for guests and a safe and secure workplace for employees. The safety policy will be revised to encompass the organization.

Hurtigruten's Management System is focusing on being proactive, including optimal planning of all operations. Risk management is a fundamental part of the planning process to identify any risks which may occur. Any such risks shall be addressed, and the corrective and preventive measures shall be identified to ensure the risk is at an acceptable level. The reporting of any non-conformities is a main part of improving operations. It enables Hurtigruten to monitor and follow up on any deviations which may occur during operation with regards to Health, Safety and the Environment and it is an integral part of the "continuous improvement process".

Hurtigruten Cruise did not suffer any serious personal injuries in 2019. The Company experienced improved reporting of minor injuries during the year, such as cuts and bruises. 67 first-aid cases were reported, in which the employee in question continued to work after receiving first-aid treatment, a reduction of 13% compared to 2018 (77 cases) in the parent company. 17 cases were reported in which the employee in question was unable to work for one or more days following the injury, a reduction of 29% compared to 2018 (24 cases) in the parent company. 4 minor allisions with pier and 1 with a small fishing vessel with minor damages was reported.

The Company has focused to improve the reporting from the vessels and operation. Hurtigruten is analysing these reports to identify effective preventive measures to ensure these incidents are reduced.

The 11 Hurtigruten ships sails just under one million nautical miles annually along the Norwegian coast and make more than 23,000 port calls. Hurtigruten's vision of zero tolerance is ambitious but attainable. Hurtigruten works continuously to ensure that proactive improvement processes are being addressed. Through such activities as the identification and registration of near misses, unsafe acts and unsafe conditions, Hurtigruten aims to prevent and avoid any incidents.

Responsible operations

Hurtigruten is the world leader in exploration travel, and the world's largest expedition cruise company. This comes with a responsibility. With a mission focused on innovation, technology and sustainability – we have embedded the UN Sustainable Development Goals into all aspects of Hurtigruten´s operations.

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten operation and experience.

Hurtigruten's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

The scope of Hurtigruten's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO_2) and nitrogen oxides (NO_x). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, and low-sulphur marine special distillates (MSD 500 ppm) north of 62 degrees north These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten. The higher price of these environmental fuels is offset by their significant positive environmental properties compared to heavier grades of fuel.

<u>Average greenhouse gas emissions in 2019 (2018):</u>
CO_2: 218.1 kg/nm (214 kg/nm)
NO_x: 4.0 kg/nm (3.9 kg/nm)
SO_2: 0.004 kg/nm (0.004 kg/nm)

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2019, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO_2, CO_2 and NO_x however due to changes in sailing plan as well as rough weather the emissions are above 2018 level. This also resulted in an average fuel consumption per nautical miles in 2019 of 80,2.

In 2019 Hurtigruten started the preparations for technical upgrades on up to six 90-class vessels, converting them to LNG fuel. A key feature has been ensuring that vessels are compatible with climate-neutral advanced biogas, paving the way for low emissions service. These are ground-breaking projects, demanding significant research and development prior to docking. The conversion will reduce the CO_2 emissions from these vessels by above 25 per cent, while the NO_x emissions will reduce by approx. 90 per cent.

Shore power connection is an important environmental initiative, both for Hurtigruten and the ports of call.

Hurtigruten is an active ambassador for shore-based power in Norwegian ports, and has been a key voice in calling for a national shore-based power strategy, as part of our collaboration with the environmental organisation Bellona. We were proud to be able to start testing shore-based power in the port of Bergen. This was a major milestone in our long-term goal of increasing the use of renewable energy, and making the transition to electric power from traditional fuels when docked at port. Two of our vessels, MS Kong Harald and MS Spitsbergen are ready to start using shore-based electricity, and three more vessels are ready to undertake the final technical installations during 2019. The rest of the coastal fleet will follow as soon as possible. Bergen was the first port to offer shore power for Hurtigruten ships.

The shore power facility in the port of Bergen, where the Hurtigruten ships berth for eight hours daily during winter and 5.5 hours during summer, will reduce CO2 emissions annually by almost 130 tonnes per ship. Annual reduction of NOx is estimated at approximately 2.5 tonnes. Hurtigruten eagerly awaits shore power connections being provided at other ports along the Norwegian coast.

Hurtigruten's Expedition Cruises activities in Greenland, Svalbard and Antarctica are subject to guidelines from the International Association of Antarctica Tour Operators (IAATO) and the Association of Arctic Expedition Cruise Operators (AECO). Hurtigruten plays an active role in both these organisations to champion a safe and environmentally-conscious tourism industry in these unique and vulnerable areas.

The introduction of MS Roald Amundsen and MS Fridtjof Nansen – the world's first hybrid-powered expedition ships – will further strengthen Hurtigruten's environmental performance, but are also documenting our commitment to fuel technology innovation and sustainable operations.

Earnings and financial position

Income statement

As the company started it's operational cruise activity through the capital injection in kind from parent company Hurtigruten AS, Hurtigruten Cruise has it's first year of activity. Total operating Revenues for Hurtigruten Cruise AS was NOK 3.636 million in 2019. The year was a very good cruise activity giving a rise in both Coastal and Expedition revenues. For Hurtigruten Group the result was the best year ever.

With good growth for both Expedition and Norwegian Costal cruises for Hurtigruten Group has given a good increase in operating profit of NOK 343 million.

The net financing expense increased to NOK 14 million, where the main reason for the increased expense was due to financial lease of MS Spitsbergen.

Net Cash flow

Net cash flow from operating activities amounted to NOK 1.120 million in 2019. Where the growth of business during the year has given the build-up of working capital necessary to support the growth in the business.

Net cash outflow used in investing activities was NOK 680 million in 2019, where there has been done new investments on current fleet. The investing has been connected to refurbishment, periodic maintenance and preparedness for LNG conversion for the fleet.

Net cash outflow from financing activities amounted to NOK 206 million in 2019, where the majority of the change is due to repayments of loans.

Balance sheet and liquidity

Total non-current assets as of 31 December 2019, were NOK 3.860million, consisting primarily of the Company's investments in ships. Total current assets as of 31 December 2019, were NOK 1.651 million, where most is towards trade and other receivables, due to the inclusion and growth of the cruise activity to Hurtigruten Cruise AS in 2019. Cash and cash equivalents amounted to NOK 533million.

The company had at the end of December 2019 a total long-term debt of NOK 454 million, primarily intercompany loan and lease financing. Current liabilities amounted to NOK 989 million as of 31 December 2019. Current liabilities include current income tax and derivatives for cash-flow hedges.

The company total equity in 2019 amounted to NOK 4.068 million.

In the opinion of the Board of Directors, the financial statements provide a true and fair view of the Company's financial performance during 2019, and financial position at 31 December 2019. The Board confirms that the financial statements have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net income for the company 2019 was NOK 327 million, which is proposed to be divided between dividend of 182 million and 145 million to retained in equity.

Outlook

Hurtigruten has experienced a strong positive underlying booking trend through 2018 and 2019 and been the leading expedition cruise company in the world. There has been a strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. The introduction of the MS Roald Amundsen and the MS Fridtjof Nansen has been a great success.

In 2019 we have experienced an increased willingness to pay for Expedition cruises and this is shown in the increased yield in both the Coastal and Expedition segments. We have also seen this trend continue in 2020 and 2021. Pre-bookings for 2020 started out materially higher compared to the same time last year and are driven by significant investments in our commercial team, product-improvement initiatives, including refurbishments, and additional capacity in the Expedition Cruises segment. However, due to the Covid-19 pandemic operations were temporarily halted in March and the plan is now to resume operations in late May. Booking inflow for the period April-August 2020 has stopped due to the Covid-19 pandemic, but there is still net inflow of bookings for the period September-December 2020 the last 30 days. Hurtigruten has introduced a flexible booking policy enabling guest to rebook free of charge 2020 voyages to 2021. Due to this flexible rebooking policy we have had a very good growth in 2021 bookings compared to same period last year for 2020. Over the last 30 days we have seen a booking inflow of NOK 203m which is 36% higher compared to same period last year.

Due to the Covid-19 pandemic, Hurtigruten Group, has initiated activities to cut costs and growth investments, including cancelling most contracts with consultants, temporary lay-offs of over 90% of the employees and temporary layup all ships except for 2, which sail between Bodø and Kirkenes to support local transport. We are of the opinion that normal operations will commence in the late Q3 and Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company. The BoD acknowledge that, as of today, Hurtigruten Cruise has had no confirmed or suspected cases of Covid-19 on our ships.

Marine operations have performed well in 2019 with a record low level lower number of missed port calls due to technical issues. This is expected to continue.

Customer feedback continues to be at a high level, strengthening Hurtigruten's brand position and ability to attract new customers. Hurtigruten aims to be positively different to counter competition from international cruise operators in Scandinavia and along the Norwegian coast, offering a truly unique experience to its customers. The customer feedback during March 2020 when the Covid-19 started to be active we have had extremely good customer feedback. The NPS score of 74 across the company which is all time high. This is very positive for the long-term development of the company.

Oslo, 12 May 2020

Bent Martini
Chairman/CEO

Inger Lise Myhre
Director

Asta Sofie Lassesen
Director

Regina Mari Aasli Paulsen
Director

Jørn Henning Lorentzen
Director

Hurtigruten Cruise AS

ANNUAL FINANCIAL STATEMENTS

2019

STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	*Note*	**2019**	**2018**
Operating revenues		**3,635,676**	-
Cost of goods sold		**(236,076)**	-
Depreciation, amortisation and impairment losses	*4*	**(325,262)**	-
Other operating costs		**(2,688,066)**	**(141)**
Other (losses) / gains – net		**(43,176)**	-
Operating profit/(loss)		**343,096**	(141)
Finance income	*9*	**58,336**	**36**
Finance expenses	*9*	**(73,187)**	**(0)**
Finance expenses - net		**(14,851)**	36
Profit/(loss) before income tax		**328,244**	**(105)**
Income tax expense	*7*	**(1,261)**	**23**
Profit/(loss) for the year		326,983	(82)
Dividend		**(182,327)**	-
Retained earnings		**(144,573)**	-
Uncovered loss		**(82)**	**82**

STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**2019**	2018
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**3 857 684**	-
Intangible assets	*4*	**2 059**	-
Deferred income tax assets	*7*	-	**23**
Other non-current receivables		**147**	-
Total non-current assets		**3 859 890**	23
CURRENT ASSETS			
Inventories	*5*	**83 856**	-
Trade and other receivables		**1 030 280**	**256**
Derivative financial instruments		**4 081**	-
Cash and cash equivalents	*3*	**533 141**	**299 726**
Total current assets		**1 651 359**	299 982
Total assets		**5 511 249**	300 005

(in NOK 1,000)	*Note*	**2019**	2018
EQUITY			
Equity attribute to owners of the parent			
Share capital		**300**	**30**
Share premium		**3 947 479**	**-**
Reserve for valutation variations		**(24 492)**	**-**
Retained earnings		**144 573**	**(82)**
Total equity	*6*	**4 067 861**	(52)
LIABILITIES			
Non-current liabilities			
Borrowings	*2*	**446 592**	**-**
Derivative financial instruments		**7 571**	**-**
Total non-current liabilities		**454 163**	-
Current liabilities			
Trade and other liabilities	*2*	**966 755**	**300 057**
Current income tax liabilities		**1 468**	**-**
Derivative financial instruments	*2*	**21 002**	**-**
Total current liabilities		**989 225**	**300 057**
Total equity and liabilities		**5 511 249**	300 005

Oslo, 12 May 2020

Bent Martini
Chairman/CEO

Inger Lise Myhre
Director

Asta Sofie Lassesen
Director

Regina Mari Aasli Paulsen
Director

Jørn Henning Lorentzen
Director

CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	**2019**	2018
Cash flows from operating activities			
Profit/(loss) before income tax		**328 244**	**(105)**
Depreciation, amortisation and impairment losses		**325 262**	-
Change in inventories	*5*	**14 077**	-
Change in trade recievables		**88 224**	-
Change in trade payables	*2*	**399 005**	-
Change in other recievables and payables		**(34 666)**	299 801
Net cash flows from (used in) operating activities		**1 120 146**	299 696
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	*4*	**(680 417)**	-
Net cash flows from (used in) investing activities		**(680 417)**	-
Cash flows from financing activities			
Repayment of borrowings	*2*	**(206 202)**	-
Proceeds from equity issuance		**-**	30
Net cash flows from (used in) financing activities		**(206 202)**	30
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdrafts		**(112)**	-
Net change in cash and cash equivalents		**233 415**	299 726
Cash and cash equivalents at 1 January		**299 726**	-
Cash and cash equivalents at 31 December		**533 141**	299 726

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

Hurtigruten Cruise AS is 100% owned by Hurtigruten AS. The ultimate parent company is Silk Topco AS, which has it's headquarter at Langkaia 1 in Oslo. The consolidated financial statements can be downloaded from the following website: www.hurtigruten.com.

The financial statements of Hurtigruten Cruise AS for the year ended December, 2019 where authorized for issue by the Board of Directors on 11 May 2020.

The accounting principles applied in the preparation of the financial statements are described below. Unless otherwise stated in the description, these principles have been consistently applied to all periods presented.

INTRA-GROUP BUSINESS TRANSACTION IN CONNECTION WITH ENTRY INTO TAX TONNAGE

On 1 January 2019, Hurtigruten AS transferred all of its cruise-related business to Hurtigruten Cruise AS to facilitate entry into the Norwegian tax tonnage regime. The business which is non-cruise-related is still a part of Hurtigruten AS, which will continue to act as a package travel provider to its customers and from 2019 purchase all cruise-related operations from the subsidiary Hurtigruten Cruise AS. The transaction does not have any material effects for the financial statements except for tax. For Hurtigruten Cruise the transaction was a contribution in kind, measured at book value at the time of transfer.

1.1 BASIS OF PREPARATION

The financial statement of Hurtigruten Cruise AS has been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The accounting principles set out below have been applied in preparing the financial statements for the year ended 31 December 2019 and the comparative information presented in these financials. Last year, the accounting principles used for preparing the financial information for the year ending 31 December 2018 was according to the Norwegian Accounting Act §3-9 ("Forenklet IFRS"). The change did not affect recognition and measurement in the financial statements or resulted in different classifications compared to the financial statement for the year ended 31 December 2018. Hence, the comparable figures are the same as presented last year.

The company's presentation currency is Norwegian Kroner.

1.2 ACCOUNTING PRINCIPLES

A) USE OF ESTIMATES

Preparation of the accounts in accordance with generally accepted accounting principles requires that management make estimates and assumptions which have an effect on the value of assets and liabilities on the balance sheet and reported revenues and expenses for the accounting year. The ultimate values realised may deviate from these estimates.

B) FOREIGN CURRENCY TRANSLATION

All foreign currency translations are converted to NOK at the date of the transaction. All monetary items denominated in foreign currency are translated at the exchange rate at the balance sheet date. Derivates designated as hedging instruments in fair values hedges are measured at fair value. Other non-monetary items in foreign currencies recognised in accordance with the cost method are translated to NOK using the exchange rate applicable on the transaction date. Changes to exchange rates are recognised in the statement of profit and loss as they occur.

From 1 January 2020, EURO will be the functional currency in the company. The change is made to reflect that EURO has become the predominant currency, counting for a significant part of the cash flow and financing. The change will be implemented with prospective effect. The change in presentation currency will be applied retrospectively for comparable figures.

C) BALANCE SHEET CLASSIFICATION

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

D) REVENUE RECOGNITION

Revenue from the sale of goods and services is recorded as operating revenue at the time of delivery which is the point at which risk passes to the customer. Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns and discounts.

Revenue is recognised in the income statement as follows:

(I) REVENUE FROM SALES OF SERVICES AND TRAVEL

Sales of services are recognised in the accounting period when the service is rendered and/or delivered to the customer. For ship voyages, revenue is recognised over the days the passenger is on board. For voyages currently on route on the reporting date, revenues are accrued based on the number of days the voyage lasts before the end of the accounting period. Revenue recognition is performed based on reports from the booking system, providing detailed information regarding the sailings. Tickets, meals and excursions are primarily pre-sold before the journey commences, but for travellers along the Norwegian coast, it is also possible to purchase tickets in the port right before the ship sails. Onboard sales of food, beverages, shop and excursions accounts for approximately nine percent of the total revenue. Travellers pay their journey up-front, and these payments are accounted for as deposits from customers (liabilities).

Revenue from freight of cargo along the Norwegian coast is recognised based on monthly invoicing of available cargo space, as the customer has rented all the cargo space and pays a daily hire regardless of whether the space is used or not.

(II) REVENUE FROM SALE OF GOODS

The Company's sales of goods primarily relate to sales of food, beverage and other kiosk products onboard the ships. Sales are recognized in income when the customer has received and paid for the goods. Payment for retail transactions is usually made in the form of cash or by credit card. The revenue is recognized in the income statement including the credit card fees incurred for the transaction. The fees are recorded as costs to sell.

(III) PUBLIC PROCUREMENT

The Company has an agreement with the Ministry of Transport and Communications to operate the Bergen–Kirkenes coastal route.

Revenues received from public procurement are recognized in the income statement on a continuous basis over the year on the basis of existing contracts. These contracts are primarily based on a tender, where the company has a fixed contract sum for planned (annual) production. There are specific conditions and calculation methods for the indexation of the contract sum. Any changes beyond the planned production are compensated/deducted utilising agreed-upon rates set out in the agreements and recognised in the periods in the periods in which they occur.

(IV) INCREMENTAL COSTS

Incremental costs of obtaining a contract are those costs incurred to obtain a contract with a customer that would not have incurred if the contract had not been obtained, for example, a sales commission. The Group incur commissions to several sales commissioners, selling tickets to Hurtigruten cruises on our behalf. When the agencies are invoiced, the invoices are net of commissions, and both the revenue and the commission cost is recognised in the income statement at the time of the travel. In other, more rare instances, the Company will have to make a provision for prepaid or accrued commission if the payment is performed at another time than the travel. The expenses are presented as Cost of Goods sold in the Income Statement.

E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist primarily of ships (Hurtigruten ships). Property, plant and equipment are recognized at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

Periodic maintenance is recognized in the balance sheet and expensed over the period until the next periodic maintenance. Ongoing maintenance for all ship types is expensed continuously during the period in which the work is performed.

Other operating assets are depreciated on a straight-line basis, such that the cost is depreciated to residual value over the asset's expected useful life. Expected useful life is determined on the basis of historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated on the basis of estimated sales values for operating assets at the end of their expected useful life.

Expected useful life is:

Ships	20–40 years
Buildings	25 – 100 years
Other	3–10 years

The useful life and residual value of operating assets are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognized as their various components. These components are depreciated separately over each component's useful life. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

Gains and losses on disposals are recognized in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the book value.

F) INTANGIBLE ASSETS

Intangible assets consist mainly of development costs for computer systems recognised in the balance sheet at cost, if the criteria for recognition in the balance sheet are met. Expenses recognised in the balance sheet as custom developed computer systems largely comprise payroll costs and hired-in consultants in connection with the development.

The criteria for recognising custom developed intangible assets in the balance sheet are:

- It is technically feasible to complete the development of the software so that it will be available for use.
- Management intends to complete the development of the software and use it.
- The intangible asset will in fact be used after its completion.
- It is probable that the intangible asset will create future economic benefits.
- Adequate technical, financial and other resources are available for the company to be able to complete the development and to use the completed intangible asset.
- Development costs for the asset can be reliably measured

Intangible assets are considered to have a limited life span and are amortised over their expected useful life. Assessments are made at the end of each accounting period to find any indications of impairment of intangible assets. If there are indications of impairment, the intangible asset's recoverable amount is estimated and compared to its carrying amount. In the event that the carrying amount is above the recoverable amount, the intangible asset is written down to its recoverable amount. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred.

G) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are assessed for impairment when there is any indication that the book value may not be recoverable.

An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing impairments, non-current assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date the possibility of reversing previous impairment of non-financial assets is assessed.

H) DERIVATIVES AND HEDGING

The company uses derivatives to hedge exposure against bunker oil prices (cash flow hedge). Hedges are initially recognised at fair value on the date a derivative contract is entered and are subsequently re-measured at fair value on an ongoing basis. Changes are recognized directly in equity.

Hedge gains or losses recognised in in equity are recycled over profit and loss in the period during which the hedged item affects the income statement (for example, when the forecasted sales transaction is taking place).

I) INVENTORY

Inventories are recognised at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

J) TRADE RECEIVABLES

Accounts receivables and other receivables are recorded in the balance sheet at nominal value less a provision for doubtful accounts. Provision for doubtful accounts is determined on the basis of an assessment of individual receivables.

K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and bank deposits.

L) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognised at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

M) CURRENT AND DEFERRED INCOME TAXES

Vessel owning companies are subject to taxation under the Norwegian tonnage tax regime pursuant to chapter 8 of the Taxation Act. Under the tonnage tax regime, profit from qualifying operations are exempt from taxes. Financial results are not exempt from taxation. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Financial losses can be carried forward against positive financial income in later years. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is classified as an operating expense.

Taxation under the Tax tonnage regime requires compliance with strict requirements. Voluntary or compulsory exit from the regime will result in ordinary taxation of the operating results.

N) CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash and bank deposits.

NOTE 2 RECEIVABLES AND LIABILITIES

(in NOK 1,000)	**2019**	2018
Receivables		
Trade receivables	88 224	-
Trade receivables	**88 224**	-
Intercompany receivables, current	886 293	14
Prepaid expenses	40 054	242
Other miscellaneous receivables	15 710	-
Other receivables	**942 057**	**256**
Trade and other receivables	**1 030 280**	**256**

Liabilities		
Trade liabilities	399 059	
Accrued expenses	255 613	300 057
Other current liabilities	312 084	
Trade and other liabilities	**966 755**	**300 057**
Long term liabilities (more than five years maturity)		
Long term leasing debt	446 592	0
Total long term liabilities (more than five years maturity)	**446 592**	**-**

NOTE 3 CASH AND CASH EQUIVALENTS

(in NOK 1,000)	**2019**	2018
Bank accounts	**533,141**	**299,726**
Total cash and cash equivalents	**533,141**	**299,726**

NOTE 4 PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

(in NOK 1,000)	Ships	Asset under construction	Machinery and equipment	Right of use asset	Intangible assets	Total
Acquisition cost						
As at 31 December 2018	**-**	**-**	**-**		**-**	**-**
As at 1 January 2019	-	-	-			**-**
Additions	62 013	599 347	1 715	2 682	14 659	**680 417**
Addition from intragroup companies	5 806 083	-	418	621 615		**6 428 117**
As at 31 December 2019	**5 868 097**	**599 347**	**2 133**	**624 297**	**14 659**	**7 108 533**
Accumulated depreciation and impairment						
As at 31 December 2018	**-**	**-**	**-**		**-**	**-**
As at 1 January 2019	-	-	-		-	**-**
Depreciation	(278 849)	-	-	(45 177)	(1 236)	**(325 262)**
Additions from intragroup companies	(2 806 394)	-	(307)	(105 463)	(11 364)	**(2 923 528)**
As at 31 December 2019	**(3 085 243)**	**-**	**(307)**	**(150 639)**	**(12 600)**	**(3 248 790)**
Book value 31 December 2018	**-**	**-**	**-**		**-**	**-**
Book value 31 December 2019	**2 782 853**	**599 347**	**1 826**	**473 658**	**2 059**	**3 859 744**
Useful economic lifetime	20 - 40 years	N/A	3 - 10 years			

[1)] On January 1, 2019, Hurtigruten AS transferred all of its cruise-related business to the Hurtigruten Cruise AS as a contribution kind, measured at book value at the time of transfer.

NOTE 5 INVENTORIES

(in NOK 1,000)	**2019**	2018
Goods purchased for resale	46,482	-
Spare parts	4,869	-
Bunkers and lubrication oil	32,505	-
Total inventories	**83,856**	**-**

The inventories were measured at cost in accordance with the FIFO principle. If the fair value is deemed to be lower than the cost price, then the inventories will be written down.

NOTE 6 SHARE CAPITAL

(in NOK 1,000)	**Share capital**	**Share premium**	**Reserve for valutation variations**	**Retained earnings**	**Total Equity**
Balance at 1 Janaury 2018	30	-		0,22	**30**
Profit/(loss) for the year				(82)	**(82)**
Other comprehensive income					
Balance at 31 December 2018	30	-	-	(82)	**(52)**
Balance at 1 January 2019	30	-	-	(82)	**(52)**
Profit/(loss) for the year				326 983	**326 983**
Cash flow hedges attributed directly to equity	-	-	(24 492)	-	**(24 492)**
Transactions with owners					
Capital injection with contribution of kind	270	3 947 479	-	-	**3 947 749**
Dividend				(182 327)	**(182 327)**
Total transactions with owners	270	3 947 479	-	(182 327)	**3 765 422**
Balance at 31 December 2019	300	3 947 479	(24 492)	144 574	**4 067 861**

NOTE 7 TAX

The income tax expense for the year can be broken down as follows

(in NOK 1 000)	**2019**	2018
Income tax payable, current year	**1,238**	-
Change in deferred tax, current year	**23**	-
Total income tax expense	**1,261**	**-**
Tonnage tax payable related to the shipping company tax schemes	**230**	

Tonnage tax is calculated based on the ship's tonnage and not income, and is therefore classified as an operating expense.

Reconciliation of the income tax expense for the year

(in NOK 1 000)	**2019**	2018
Profit/(loss) before tax from operations	**328,244**	(105)
Expected income taxes at statutory tax rate in Norway (22 %)	**72,214**	(23)
Shipping company tax schemes - NO Tax Act only (+/-)	**(70,953)**	-
Effect from change in valuation allowance, tax losses	**-**	-
Total income tax expense	**1,261**	**-23**

Summary of temporary differences

(in NOK 1000)	**2019**	2018
Tax loss carryforward	**-**	(105)
Total temporary differences	**-**	(105)
Deferred income tax assets	**-**	(23)
Tax rate applied	**22 %**	22 %

NOTE 8 RENUMERATION

Hurtigruten Cruise AS had no employees in 2019. The company hires administrative staff from Hurtiruten Pluss AS and crew to the ship's from Hurtigruten Sjø AS as well as from external parties. According to this, the executives receive salary and other remunertation from Hurtigruten Pluss AS.

Auditor remuneration

(in NOK 1,000)	**2019**	2018
Auditor's fee - statuatory accounts	476	14
Other assurance services	-	-
Tac consultant services	-	-
Total	**476**	**14**

Set out below is summarised information regarding fees paid to company's board members and auditors.

TOTAL COMPENSATION YEAR 2019

BOARD OF DIRECTORS

Regina Mari Aasli Paulsen and Jørn Henning Lorentzen receives an annual fee of 136.500 in compensation. The remainder of the board does not receive any compensation for their role other than normal wage and bonuses connected to their day to day role and responsibility in Hurtigruten.

EXECUTIVE MANAGEMENT

Executive management

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other** [1]	**Fees**	**Total remuneration**
Daniel Skjeldam	Chief Executive Officer	6,000	897	7,602	-	**14,499**
Torleif Ernstsen	Chief Financial Officer	2,938	333	1,856	-	**5,127**
Asta Lassesen	Chief Commercial Officer	2,000	335	2,570	-	**4,905**
Thomas Westergaard	SVP Product Innovation and Hotel Operations (Until December 10th 2019)	1,875	139	858	-	**2,872**
Bent Martini	Chief Operating Officer (From April 1st 2019)	2,250	219	763	-	**3,232**
Anne-Marit Bjørnflaten	SVP Communications	1,575	90	497	-	**2,162**
Stine Steffensen Børke	Chief Marketing Officer (From March 1st)	1,667	147	70	-	**1,884**
Marit Finnanger	SVP People and Organizational Development (Until December 12th 2019)	1,468	140	84	-	**1,692**
Ole-Marius Moe-Helgesen	Chief Digital Officer	2,015	155	300	-	**2,470**
Tor Geir Engebretsen	Chief Operating Officer/SVP Maritime Operations (Until April 1st 2019)	-	-	-	1,374	**1,374**
Total		**21,788**	**2,455**	**14,600**	**1,374**	**40,217**

1) *Including bonus, car allowance and severance benefits for outgoing managers.*
2) *Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT*

The company's CEO receives an annual fixed salary of NOK 6 million. Other benefits include bonus, fixed car remuneration and ordinary phone expenses, Internet, newspaper and home computer allowance. The CEO has a time-limited agreement on a performance-related bonus linked to the operating result before depreciation, amortisation and impairments, in which performance is indexed against the adjusted budgeted operating result before depreciation, amortisation and impairments. This bonus agreement gives the right to a payment of maximum NOK 4 million. The CEO also has an agreement whereby the Board decides the bonus, factoring all the various activities and circumstances during the year. This bonus agreement gives the right to a maximum bonus payment of up to NOK 4 million.

The CEO is included in the company's ordinary defined contribution pension scheme for salaries up to 12G and the defined contribution scheme that provides a pension basis for salaries over 12G. The CEO's conditions of employment do not include any personal pension obligations.

The company's management are members of the company's defined contribution plan. In addition, a supplementary defined contribution pension plan has been established, which provides a pension for any salary in excess of 12 times the National Insurance basic amount (G). The scheme applies to the entire company and covers all employees with salaries over 12G, including members of the executive management and the CEO. The pension costs for the executive management have been included under pension costs above.

A performance-based bonus scheme was introduced for the company's management from 2013. The bonus payments are established applying pre-determined targets/parameters, some of which relate to the Group's overall performance and others to results within managers' individual spheres of responsibility. The maximum bonus for an individual manager is NOK 2 million. The bonus scheme covers certain members of Group management. The CEO has a separate performance-related bonus scheme as described above.

Due to the COVID-19 pandemic and the needed temporary lay-offs, the company has decided to freeze any payments of bonuses achieved in 2019 for 2020 until the situation has improved.

TOTAL COMPENSATION YEAR 2018

BOARD OF DIRECTORS

The board of directors are internal and does not receive any compensation for their role other than normal wage and bonuses connected to their day to day role and responsibility.

EXECUTIVE MANAGEMENT

(in NOK 1,000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Daniel Skjeldam	Chief Executive Officer	6,074	851	5,109	-	**12,034**
Torleif Ernstsen	Chief Financial Officer	2,772	286	1,304	-	**4,363**
Asta Lassesen	Chief Commercial Officer	3,033	321	1,385	-	**4,739**
Thomas Westergaard	SVP Product and Hotel Operations	1,898	142	791	-	**2,831**
Anne-Marit Bjørnflaten	SVP Communications	1,519	77	490	-	**2,086**
Marit Finnanger	SVP People and Organisational Development	1,873	142	402	-	**2,417**
Ole-Marius Moe-Helgesen	Chief Information Officer (From November 5th 2018)	320	24	1	-	**346**
Robert Grefstad	Chief Information Officer (Until November 5th 2018)	1,358	682	281	-	**2,321**
Tor Geir Engebretsen[2]	Chief Operations Officer/SVP Maritime Operations				4,157	**4,157**
Total		18,847	2,526	9,765	4,157	**35,294**

3) *Including bonus, car allowance and severance benefits for outgoing managers.*
4) *Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT*

NOTE 9 FINANCIAL INCOME AND EXPENSES

(in NOK 1,000)	**2019**	2018
Financial Income		
Interest income	-	36
FX gains	58 336	-
Financial Income	**58 336**	**36**
Financial expenses		
Interest expense	2 680	-
Interest expense, group	28 057	-
FX loss	41 817	-
Other financial expenses	634	-
Financial expenses	**73 187**	**-**

NOTE 10 TRANSACTIONS WITH RELATED PARTIES AND INTRAGROUP BALANCES

(in NOK 1,000)	**2019**	2018
Sale of goods and services to Group companies		
Hurtigruten AS	2,648,503	-
Total Sale of goods and services to Group companies	**2,648,503**	**-**
Purchase of goods and services from Group companies		
Coastal Holding AS	72,420	-
Hurtigruten AS	112,302	-
Hurtigruten Pluss AS	457,218	-
Hurtigruten Sjø AS	770,215	-
Hurtigruten Svalbard AS	100	-
HRG Eiendom AS	327	-
Explorer I AS	13,508	-
Explorer II AS	76,977	-
MS Richard With AS	2,275	-
MS Nordlys AS	2,275	-
Total Purchase of goods and services from Group companies	**1,507,618**	**-**

Intragroup balances

(in NOK 1,000)	**2019**	2018
Trade and other current receivables from Group companies		
Hurtigruten AS	873,071	14
Coastal I AS	403	
Kirberg Shipping AS	12,819	
Total trade and other current receivables from Group companies	**886,293**	**14**
Other non-current liabilities to Group companies		
Explorer I AS	446,592	-
Total non-current liabilities to Group companies	**446,592**	**-**
Trade payables and other current payables to Group companies		
Coastal Holding AS	24,259	-
Hurtigruten AS	81,093	300,003
Hurtigruten Pluss AS	122,785	54
Hurtigrtuen Sjø AS	178,200	-
Explorer II AS	75,592	-
MS Richard With AS	2,275	-
MS Nordlys AS	2,275	-
HRG Eiendom	82	-
Hurigruten Svalbard AS	9	-
Total trade payables and other current payables to Group companies	**486,570**	**300,057**

NOTE 11 CONTINGENCIES

MEMBERSHIP OF THE NOX FUND

Hurtigruten Cruise AS is a member of the Confederation of Norwegian Enterprise's (NHO) NOx Fund. The main objective of the Environmental Agreement concerning reductions of NOx and the NHO's NOx Fund is to reduce emissions of nitrogen oxide. The Fund is a joint venture to which affiliated businesses can apply for support for emission-reducing measures. Payment to the Fund replaces the nitrogen oxide tax for affiliated businesses.

The Environmental Agreement for 2011–2017 was signed on 14 December 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 2011-2016 were met. On 24 May 2017, an extension to the NOx Agreement for the period 2018-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22nd February 2018.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 3 % of emission targets trigger a collective fine, under which businesses must pay the nitrogen oxide tax for the pro rata share of the target that has not been met. However, businesses will never pay more than the official government rate for nitrogen oxide tax.

NOK 33.5 million in nitrogen dioxide tax was recognised in financial statements for 2019.

NOTE 12 RENTAL AGREEMENTS AND LEASING

Financial lease agreements
The Company has entered into financial lease agreements when it comes to MS Spitsbergen. In addition to the rental payments, the Group is committed to maintenance and insurance of the ship.

Assets included in financial agreements are as follows:

	2019	2018
Ships	**624 297 040**	-
Accumulated depreciations	-105 462 695	-
Depreciation	-45 176 639	-
Carrying value	**473 657 706**	**-**

Overview of future minimum lease:

Within 1 year	50 574 528
1 to 5 years	202 298 112
After 5 years	177 080 128
Future minimum lease:	**429 952 768**

Average interest rate	6,20 %
Present value of future minimum lease	**344 869 119**
Of this:	
- current liabilities	50 574 528
- long-term liabilities	294 294 591

Operating lease agreements
The Group has entered into several different an operating lease agreements for lease of the ships MS Fridtjof Nansen, MS Roald Amundsen, MS Rickard With, MS Nordlys and MS Nordlys

The lease cost consist of:

	2019	2018
Ordinary lease payments	**551 659 285**	**-**
Yearly lease payments	**551 659 285**	**-**

Future minimum leases related to non-terminable lease agreements are maturing as follows:

Within 1 year	551 659 285
1 to 5 years	2 140 637 140
After 5 years	480 721 425
Total	**3 173 017 850**

NOTE 13 OPERATING REVENUES

Revenue by category

(in NOK 1,000)	**2019**	2018
Ticket revenue	**1 822 997**	
Revenue from flights, hotel & transportation	**77 401**	
Presold food and beverages	**622 673**	
Onboard sales of food and beverages	**230 202**	
Other passenger revenue	**19 542**	
Cargo-freight revenue	**56 703**	
Contractual revenues	**715 726**	
Other operating revenue	**90 432**	
Total operating revenues	**3 635 676**	-

Of which is intragroup (see note 20): **2 648 503**

Revenue by sales-country

(in NOK 1,000)	**2019**	2018
Norway	**3 635 676**	-
	3 635 676	-

NOTE 14 FINANCIAL RISK MANAGEMENT

The following discussion concerning financial risk management relates to the policies adopted and applicable to the financial year 2019. The Company uses financial instruments such as bank loans and bond loans. In addition, the Company utilises financial instruments such as trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Group has also utilised certain financial derivatives for hedging purposes.

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency, bunker price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Company's overarching risk management goal is to increase predictability for the Company's operations and to minimise the impact of fluctuations in macro conditions on the Company's results and financial position.

The Company has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, bunker price, credit risk and the use of financial derivatives. The Board of Directors approves the Company's risk management strategy and reviews it annually. The CFO function is responsible, in consultation with the CEO, for conducting ongoing tactical risk management in line with the approved strategy, including exposure analyses and reporting.

MARKET RISK

A) CURRENCY RISK

The Company operates internationally and is exposed to currency risk in multiple currencies, in particular EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the bunker oil cost is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

The price of oil, and thus bunker fuel, is internationally traded in USD, while the Company purchases bunker fuel in NOK. The risk can therefore be split into a currency element and a product element. The currency element is partially aligned with the Company's cash flow exposure in USD, and the product risk is hedged separately.

B) PRICE RISK

The Company is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Company has implemented a fuel hedging policy that follows the booking curve: the key principle in the bunker hedging policy is based on the company's ability to obtain visibility on earnings, hence the company has established a hedging policy linked to the development in the booking curve (actual vs. budgeted Passenger Cruise Nights (PCN) booked). For example, if at any given time 75% of the volume for one season is sold, a minimum of 50% of the bunker cost associated with the PCN volume sold are hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

C) CASH FLOW AND FAIR-VALUE INTEREST RATE RISK

The Company's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Company's overall cash flow. Fixed interest rates expose the Company to fair-value interest rate risk. Most of the Company's interest-bearing debt has variable interest rate. The Company has no specific hedging strategy to reduce variable interest rate risk.

D) INTEREST RISK

The Company's loans and draws of the Group accounts are made at floating rates. No hedges are made to reduce interest risk.

CREDIT RISK

The Company has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Company has routines to ensure that credit is only extended to agents with a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Company has routines that limit exposure to credit risk relating to individual financial institutions.

LIQUIDITY RISK

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Company has a group cash-pool that ensures that part of the Company's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Company's finance function has overall responsibility for managing the Company's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Company has sufficient liquidity reserves to satisfy the Company's obligations and financial loan covenants.

HEDGE ACCOUNTING

In 2018, Hurtigruten Group decided to designate a hedging relationship between bunker oil hedging instruments and the forecasted bunker oil purchases. The Group entered into 6 commodity forward swaps with Goldman Sachs and DnB Markets. These contracts have different strike prices (from 634 to 747 $/MT) and different expiry dates through the years 2019-2021. The contracts hedge forecasted future bunker oil purchase transactions. At the time the contracts were initiated, approximately 100 % of the forecasted oil consumption in 2019 and 50 % of the forecasted consumption in 2020 and 2021 are covered by the contracts. At year-end 2019, a total of 79,400 MT bunker fuel volume is hedged at an average price, incl. credit margin, of USD 630/MT during 2020-2021 (per 31 December 2018: 142,350 MT bunker fuel volume was hedged of USD 656/MT during 2019-2021)

At January 2019 these hedging derivatives was transferred together with the cruise activity to Hurtigruten Cruise AS as equity in kind. As of that time Hurtigruten AS had no more hedging position as the underlying transactions also was transfered.

THE COMPANY'S ASSET MANAGEMENT

The Company's objective for asset management are to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

NOTE 15 SHARE-BASED PAYMENT

Hurtigruten executive management has entered into an agreement with the ultimate parent company, Silk Topco AS. The executive managers have purchased shares in Silk Topco AS at the same price that Silk Topco AS paid for the shares in Hurtigruten ASA in 2014 through its subsidiary Hurtigruten Group AS. The agreement also contains an incentive scheme that gives management a right to bonus shares in different pre-defined exit scenarios. Silk Topco AS may settle the bonus shares either with cash or with a private placing at no cost to the management.

The incentive scheme has two market-based vesting conditions:

(i) The internal rate of return at the time of the sale, calculated from the time of the share-purchase, must be more than 8%
(ii) The exit value must be at least 150% of the aggregated invested amount

The number of bonus shares depends on the aggregated exit value and can give a range of bonus shares from 0.38 per share up to 12 times per share. Management's investment at 31 December 2019 was NOK 42.5 million (NOK 41.7 at 31 December 2018).

When estimating the fair value of the incentive scheme at grant date, the main factors influencing the fair value that had to be estimated by management were as follows:

(i) The probability of different exit values that then give different levels of bonus shares,
(ii) The expected time to exit
(iii) Discount rate.

The agreement was signed on 23. June 2015.

Expected life of the agreement:	5 years
Fair value at initial recognition:	NOK 17.3 million
Expected time to exit:	5 years*
Annual amortisation:	NOK 4.5 million
Amortised amount as of 31.12.2019:	NOK 23.6 million
Amortised amount as of 31.12.2018:	NOK 18.2 million

As of 31. December 2019, the provision for employer's contribution related to the management incentive programme was NOK 14.1 million (NOK 13.2 at 31 December 2018).

* As of 31. December 2019 the best estimate of expected time to exit was 5 years and is still assessed to be a reasonable expectation.

NOTE 16 EVENTS AFTER THE BALANCE SHEET DATE

COVID-19 OUTBRAKE

Subsequent to 31 December 2019, the spread of the COVID-19 virus significantly affects the Norwegian and global demand of travel related services. The effect on future cashflows and financial performance of Hurtigruten Cruise and it's parent Hurtigruten Group are still dependent on the extent and duration of the outbreak. As of 27 April Hurtigruten Group had a solid liquidity position of NOK 1.3bn.

The management in Hurtigruten Group and Hurtigruten Cruise has done the following actions

- Warm-stacked 14 of 16 ships
- Temporary lay-offs of approximately 73% of the Group's employees
- Cancelled all non-critical projects
- Cut all non-essential and non-critical consultant and other costs

The Hurtigruten Groups management and board of Hurtigruten Cruise AS will continue to monitor the situation and take appropriate action as and when new information is available or more actions are needed

To the General Meeting of Hurtigruten Cruise AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hurtigruten Cruise AS, which comprise the statement of financial position as at 31 December 2019, the statement of profit and loss and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

pwc

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12 May 2020
PricewaterhouseCoopers AS

Stig Arild Lund
State Authorised Public Accountant

OCTAGON
SHIPBROKERS

CERTIFICATE OF VALUATION

MV "ROALD AMUNDSEN"

Cruise Ship

Delivery in June 2018

Shipyard: Kleven Werft AS

Length (m): 140, Beam (m): 23.6, Draft (m): 5.4

Main Engine: 6000kw, Speed (kn): 15kn
Deadweight: 1800 mt GT: 20,889

Class: DNV +1A1 PC-6

Passenger cabins 265 whereof 50% of the cabins are balcony cabins

Estimated value as per 8th October 2019:

EURO 235 million

The valuation is based on current new building prices for similar type of vessels obtainable in the market and it considers an amount of about 7% of the ships value for owners supplies.

It is fair to say that the current New Buildings in the small cruise ship segment can be categorized concerning NB prices including owners supply and building cost as follows:

Below 18-20.000GT the price per GT is a bit higher above 20.000GT the price per GT goes down.

5 Star vessels: around EUR 10-11.000 per GT
4 Star vessels: around EUR 9-10.000 per GT
3 Star vessels: around EUR 8-9000 per GT

Supporting examples:
Quark about EUR 130mill (abt 13.000GT)
Hanseatic nature + sisters about EUR 150 mill (about 13.500GT)
Ritz Carlton about EUR 250 mill (abt 25.000GT)
Scenic about EUR 170 mill (abt 16.500 GT)
Jan Sonius about EUR 55 mill (abt 6300 GT)

OCTAGON SHIPPING PTE. LTD.

(Company Registration no.: 201331419N)

Octagon Shipping has relied upon available data and information believed to be reliable and relevant for this purpose. Octagon Shipping makes no warranty or guarantee as to the accuracy or completeness of the valuation and Hurtigruten and possible other entities looking at the valuation assume full responsibility for all conclusions derived from information provided herein and any consequences arising from reliance by Hurtigruten or any other party on such information.

OCTAGON SHIPPING PTE LTD
ROC No
201331419N

OCTAGON SHIPPING PTE. LTD.

(Company Registration no.: 201331419N)

Clarksons Valuations

Hurtigruten
Langkaia 1
N-0150 Oslo
Norway

9th December 2019

Ref: cvl/26492-19

Dear Sirs,

In accordance with your request and subject to our Terms and Conditions which you have accepted, we have made an assessment of the below Vessel by collating brokers' price ideas and using these coupled with brokers' market knowledge as our reference points. We seek then to validate these ideas and that knowledge, where possible and appropriate, from details held on our database, from information shown in the relevant works of reference in our possession and from particulars given to us for the preparation of this Valuation.

We should make it clear that we have not made a physical inspection of the Vessel valued, nor the shipyard in which it is being constructed, but we have assumed, for the purposes of this Valuation, that the Vessel will be constructed under full supervision by competent and qualified supervisors and will be in a position to give delivery in a sound and seaworthy trading condition.

After consideration, we are of the opinion that the approximate market value of the below mentioned Vessel, as at 9th December 2019, using the **current estimated newbuilding replacement cost**, is:

Vessel Name	Value	
N/B KLEVEN WERFT HULL 401 **(tbn.'FRIDTJOF NANSEN')** abt 20,889 gt - Cruise Ship Due to be delivered from Kleven Werft, Norway, Dec-2019 140.0m Loa 23.6m Beam abt 530 passengers / abt 265 cabins Ice Class PC-6 4x Bergen B33:45	**€210,000,000 - €225,000,000**	Two Hundred and Ten Million to Two Hundred and Twenty Five Million Euros

This Valuation is based solely on a subjective opinion of the approximate market value applying the methodology described above as at the above Valuation date only and should not be taken to apply to any other date.

PLEASE NOTE: The replacement cost Valuation takes regard of the estimated yard contract price at a shipyard for an equivalent specification Vessel. There is a relative lack of liquidity in the newbuilding markets for Vessels of this size and type and information on recently concluded comparable transactions has been very limited or not available.

We emphasise that the foregoing represent statements of opinion only: our assessment is based on our general knowledge of the market, at this time, but does not purport to reflect formal bids and offers in any particular negotiation.

All statements made are statements of opinion and are not representations of fact. Any person contemplating entering a transaction of any nature whatsoever or otherwise having regard to this Valuation should satisfy himself by inspection of the Vessel, the Shipyard in which she is being constructed, or otherwise, as to the correctness of the statements which this Valuation contains.

No assurance or representation is given that the Valuation given will be sustained or that it would be realisable in any actual transaction.

This Valuation has been provided solely for the private use of the person to whom it is addressed or to such other person to whom we have consented that this Valuation may be provided. By accepting the provision of our services in respect of this Valuation or by otherwise using or relying on this Valuation, you have accepted either our terms and conditions as specifically agreed between us in writing or, in the event of no such agreement in writing, our terms and conditions including the limitation of liability provisions at www.clarksons.com/terms-of-business/

No person other than the named addressee of this Valuation shall have any rights whatsoever as arising out of or relating to this Valuation under the Contract (Rights of Third Parties) Act 1999 or otherwise.

For and on behalf of
CLARKSON VALUATIONS LIMITED

Director **Authorised Signatory**

BRS GROUP | **ASSETS**

HURTIGRUTEN

Attn: Martin Thanem Holtet

Langkaia 1

N-0150 Oslo, Norway

Neuilly sur Seine, 14th October 2019

AC/DB

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Dear Sirs,

We refer to your request as to our opinion as to the market value of the following vessels:

CRUISE =ROALD AMUNDSEN= NIS FLAG

ABOUT 1,800 T DWT
BUILT JUNE 2019 BY KLEVEN YARD AS
GRT 20,889 - IMO NR: 9813072
DNV GL CLASS – ICE CLASS POLAR CODE 6
140.00 M LOA / 23.60 BEAM
PASSENGERS : 530 / CABINS: 265
CREW: 151
ENGINE: 4 x BERGEN B33:45 – MDO/ELECTRIC POWER

CRUISE = FRIDTJOF NANSEN = NIS FLAG

ABOUT 1,800 T DWT
TO BE DELIVERED IN DECEMBER 2019 BY KLEVEN YARD AS
GRT 20,889 - IMO NR: 9813084
DNV GL CLASS – ICE CLASS POLAR CODE 6
140.00 M LOA / 23.60 BEAM
PASSENGERS : 530 / CABINS: 265
CREW: 151
ENGINE: 4 x BERGEN B33:45 – MDO/ELECTRIC POWER

(All Details Given in Good Faith but Without Guarantee)

This valuation is not for circulation or publication without our written prior consent and no responsibility can be accepted to any other person.

BARRY ROGLIANO SALLES S.A.S.
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S.A.S. AU CAPITAL DE 1 975 506 € - 399 070 820 RCS NANTERRE - SIRET 399070820 00036 - CODE NAF 5229 B - TVA : FR 60 399070820
www.brsbrokers.com

We consider that the current value of these vessels is:

ABOUT EURO 200,000,000 / 210,000,000 EACH
(About Two Hundred Million / Two Hundred and Ten Million Euros Each)

The above figure relates to our opinion of the market value as of the date of this letter and should not be taken to apply to any other date.

This valuation assumes that these vessels are for sale for prompt charterfree delivery, for cash payment on normal commercial terms between a willing seller and a willing buyer and also assumes that these vessels have their class fully maintained, free of recommendations, undamaged, fully equipped and in good working order and running condition.

We have not made any physical inspection of these vessels nor have we examined their class records. The particulars of these vessels are those supplied to us, and we accept no responsibility for their accuracy.

This valuation may not be taken as a statement of fact and represents our theoretical and subjective opinion only and no assurance can be given that such values can be sustained or realised in actual transactions.

Any person contemplating entering into a transaction or otherwise relying upon this valuation should satisfy themselves by exercising appropriate due diligence with respect to such perceived values and carry out inspection of the vessels and their class records with respect to their physical condition.

This valuation has been provided solely for the private use of the person who commissioned it. It is not for circulation, publication, disclosure to third parties or use in a share offering prospectus or any other financial document used for fund raising in public markets by way of IPO or any other means, without our written prior consent and no responsibility can be accepted by the company and/or its directors and/or the undersigned to any other person and/or company. This valuation certificate shall not be used to exercise LTV clauses or to otherwise enforce any security over the vessels.

Notwithstanding the above, please note that all values provided are subject but not limited to the following:

i) Valuations may be based on brokers' estimates or subjective brokers' opinions (especially where no comparable ship has been sold recently) supplied to BRS;

ii) Valuations from other brokers may vary from BRS;

iii) Valuations may be based on theoretical calculations out of other vessels which BRS, in its sole discretion consider the most comparable vessels at the given time;

iv) BRS terms and conditions as per www.brsbrokers.com

Whilst BRS has taken reasonable care in the compilation of the valuations, the compilation of data is inherently subject to limited audit and validation procedures and may therefore contain errors or omissions.

BRS, its agents, officers and employees cannot accept liability for any loss suffered in consequence of reliance on such information or in any other manner.

Accordingly, whilst BRS will at all times use reasonable endeavours to ensure that all information it provides to the client is accurate and comprehensive, the provision of such information shall not obviate any need for the client and/or third parties to make appropriate further enquiries.

The commissioning party agrees and hereby undertakes to hold BRS, its parent and affiliated companies, its agents, officers and employees ("Indemnified Parties") harmless against all demands, actions, claims, liabilities, losses, costs, charges and expenses (together "claims") incurred by BRS arising out of and/or in connection with BRS's provision of valuations for any purpose, provided, however, that this undertaking (i) shall apply only to the extent that the Valuation is actually used and the Indemnified Parties or any of them are named, or threatened with being so named, in an action or proceeding and (ii) shall not apply to any claims arising from the Indemnified Parties' lack of good faith, recklessness or wilful misconduct.

Yours faithfully,

Arnaud CASALIS

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