HURTIGRUTEN GROUP

2021 ANNUAL REPORT

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Letter from the CEO

Dear fellow explorers,

There is no questioning the fact that the last few years have been incredibly challenging for the travel industry, but we are hopeful that the worst is behind us. Our guests are ready to travel again, and we are excited to see them eagerly returning to take on their next adventure.

Early 2021 saw the first mass distribution of vaccines against Covid-19, and with it, the first glimpses of life returning to – an albeit 'new' - normal. Throughout the year, as travel restrictions were slowly lifted, Hurtigruten Group ramped up its fleets, and by end of the year returned all of Hurtigruten Norway's seven ships back to normal operations, along with four of Hurtigruten Expedition's eight ships. By spring 2022, both fleets are expected to be back in full operation.

While 2021 was severely affected by Covid-19, bookings for 2022 and 2023 continued to develop positively throughout the year. By the end of Q1 2022, bookings for April 2022 to March 2023 were 3.9% higher compared to the same period, pre-pandemic, reflecting the resurgence of desire and demand for travel, and supporting a strong financial recovery for the Group.

In March of 2021, Hurtigruten Group separated its operations into three separate business units: Hurtigruten Expeditions, Hurtigruten Norway and Hurtigruten Destinations, creating three distinct brands in Hurtigruten Expeditions, Hurtigruten Norwegian Coastal Express and Hurtigruten Svalbard - facilitating growth and allowing a more dedicated focus to each of our core businesses to expand and fulfil their unique offerings and ambitions. Hurtigruten Norway will continue, as it has since 1893, to connect the international traveller with everyday life along the Norwegian coast, as it fulfils the ambition to be the iconic travel operator for the Norwegian coast and Arctic region. In parallel, Hurtigruten Expeditions will continue to take travellers to unique, off the beaten path destinations, as it has since 1896, in its ambition to be the unrivalled industry leader in expedition travel. Together, this will be three distinct businesses enabling us to fulfil our Group ambition to become the undisputed leader in sustainable, adventure travel.

Throughout this year, significant strides have been taken to strengthen the Group's global distribution capabilities by scaling-up digital investments and building strong internal capabilities. In August, we initiated the development of a new digital front-end platform, enabling us to better capture demand from an increasingly digital audience. In September, we established our HQ2 in London, further strengthening our global reach and enabling us to attract the best global digital and commercial talent – while making us the only adventure travel and expedition cruise company with a true global distribution footprint.

At Hurtigruten Group, we continue to push boundaries as leaders in our industry. This is never truer than our leadership and commitment to defining and delivering sustainable travel with an environmental footprint we can be proud of. Among our achievements this year, was adding our third battery hybrid ship, MS Otto Sverdrup, to our existing Hurtigruten Expeditions fleet. In addition, we have initiated a fully-fledged transformation to battery-hybrid power for three ships in Hurtigruten Norway, which will cut CO_2 emissions by 25%, and NOx emissions by 80% - setting in motion one of Europe's most ambitious environmental fleet upgrades. To top it all, Hurtigruten Expeditions' MS Fridtjof Nansen was voted the most environmentally friendly ship in the world by Scope ESG and Stern Magazine. I am immensely proud of all we have achieved despite operating in a complex environment over the last two years. We will continue to lean into the legacy that we have created over almost 130 years and challenge ourselves every day to have a more profound impact on the communities where we live, operate and visit.

In the fourth quarter of 2021, we acquired a significant minority stake in Metropolitan Touring, one of South America's leading travel companies and pioneers in the Galapagos Islands. Not only does this investment signify our growth journey towards our ambition as the global leader in sustainable adventure travel but enables us to contribute to a meaningful partnership with a proud company that mirrors our expedition heritage and sustainability values, and we look forward to delivering on our vision of the future together.

I firmly believe that the actions we have taken in 2021, along with our plans forward, have made us a more resilient company and will lead the Group to a stronger financial position well beyond pre-pandemic levels.

My number one priority during the year was to return our fleets to operation and return our furloughed marine personnel to full time employment again. The Hurtigruten Group employees on land and sea showed incredible resilience and perseverance during Covid-19 and to that we are truly grateful.

I want to thank our employees, our partners and all our stakeholders for believing in us and supporting us through a very tough and challenging period.

Daniel Skjeldam
Chief Executive Officer, Hurtigruten Group

01 Hurtigruten Group

Hurtigruten Group – The leading adventure travel and expedition cruise company

Hurtigruten Group's vision is to be the undisputed global leading adventure travel and expedition cruise company by offering authentic and accessible experiences around the world to travellers who wish to explore and travel in a sustainable way. Hurtigruten Group will continue to be a frontrunner in adventure travel and expedition cruising, a niche with substantial global growth potential. Hurtigruten Group's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic, sustainable and active experiences on both land and sea.

Hurtigruten Group has **three main business** segments:

HURTIGRUTEN

Hurtigruten Norway branded as Hurtigruten in Scandinavia and Hurtigruten – Norwegian Coastal Express in other markets

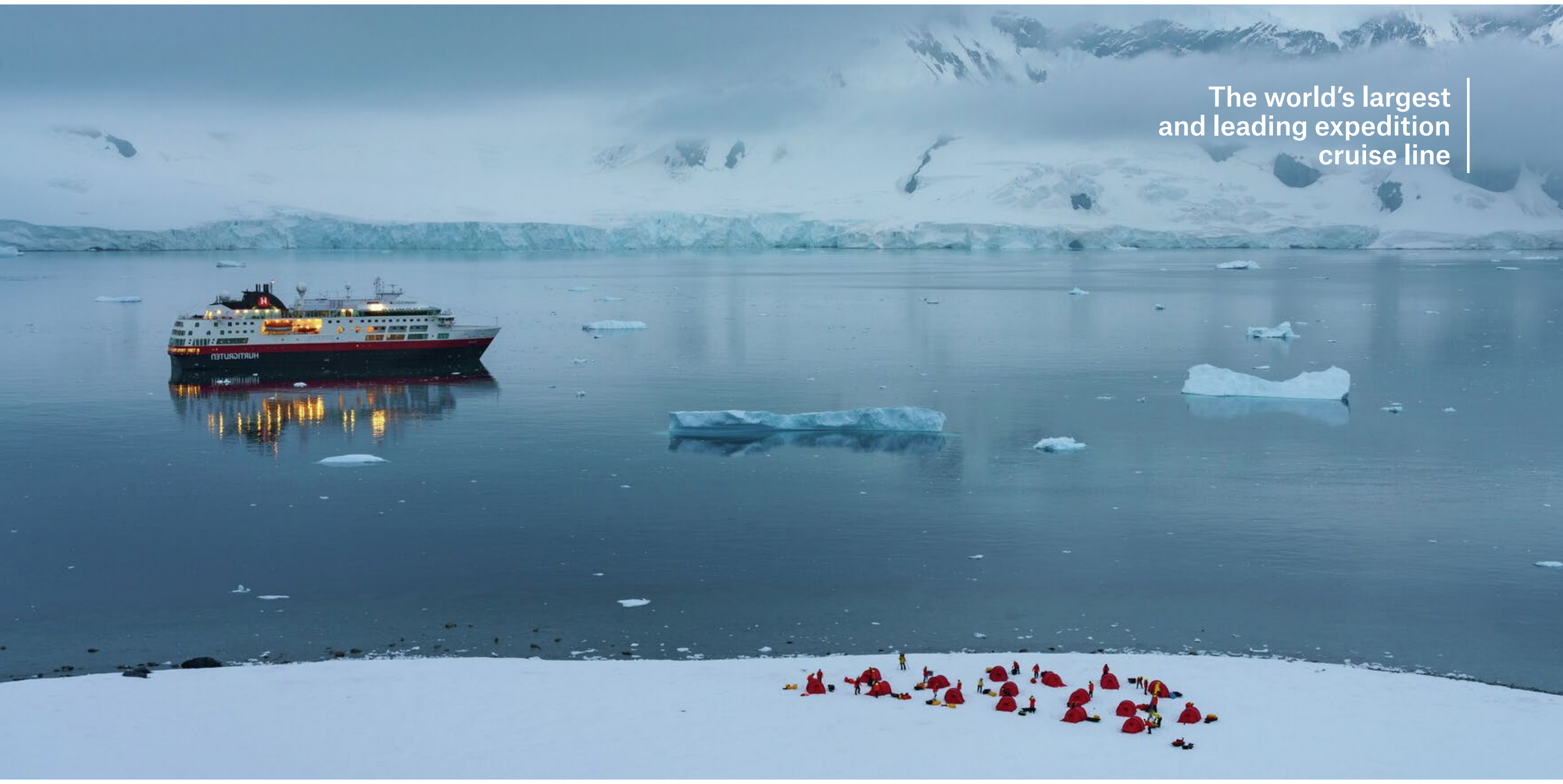
HURTIGRUTEN EXPEDITIONS

Hurtigruten Expeditions branded as Hurtigruten Expeditions in all markets

HURTIGRUTEN SVALBARD

Hurtigruten Destinations with the **Hurtigruten Svalbard** brand

Over the last years, through all its three brands, the Group has been able to fortify its position as the leading adventure travel and expedition cruise company focusing on sustainable expedition cruising for the global traveler.



About Hurtigruten Group

Hurtigruten Group is the world's largest expedition cruise company, with Hurtigruten Expeditions operating eight expedition vessels, three of which are battery powered hybrid-electric cruise vessels and Hurtigruten Norway operating seven vessels.

Hurtigruten Group believes its product offerings in Hurtigruten Expeditions, Hurtigruten Norway and Hurtigruten Destinations differs significantly from the offering of other expedition cruise and adventure travel operators. The customer offering has been purposefully designed to reach a wide range of customer segments. Hurtigruten Group offers its guests the opportunity to get closer to nature in beautiful areas off the beaten path in order to experience local wildlife, culture and activities – with a minimal environmental footprint.

Operating smaller, custom-built vessels, Hurtigruten Expeditions and Hurtigruten Norway's vessels can go where others cannot and their crew and staff are very familiar with the waters they sail in, which are among the most challenging in the world. In Hurtigruten Expeditions, 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 several ports of call and other experiences. Hurtigruten Norway voyages lets the guest immerse in the everyday life along the rugged Norwegian coasts visiting small villages, admiring beautiful landscapes and experiencing the Norwegian culture and wildlife through a wide range of excursions. Hurtigruten Destinations brings the guest to the northernmost settlement in the world on the Archipelago of Svalbard to experience the Arctic frontier like no other place on earth. All of Hurtigruten Group'-s business segments allow the guests to experience being a part of the destination – rather than simply viewing it from the ship.

Hurtigruten Group's brands offers a unique gateway to experiences to the Norwegian coast, Greenland, Svalbard, Iceland, British Isles, Alaska, South America, Arctic, Antarctica, Galapagos and to other unique destinations to travellers from all over the world. Hurtigruten Group's operation builds on a rich and proud Norwegian Expedition Cruises heritage having offered scheduled voyages along the Norwegian coast since 1893 and offering the first Expedition cruises to Svalbard as early as 1896. Today, Hurtigruten Group combines a deeply rooted desire to offer genuine experiences, the best local food and beverages, all while leaving a minimal environmental footprint as it shapes the future of the growing adventure travel and expedition cruise market in a sustainable way.

Hurtigruten Expeditions and Hurtigruten Norwegian Coastal Express have a high level of recognition in key travel markets, such as Germany, UK, the Nordic countries and we have seen a significant increase in the US and Australian markets as well. This shows that we have a position in all four large cruise markets.

The Group's global headquarter is in Oslo and has recently established a HQ2 in London placing us closer to talent and allowing us to build a world leading commercial organisation with global capabilities. In addition, the Group has offices and operations in Hamburg, Tromsø, London, Paris, Seattle, Melbourne, Tallinn, Hong Kong, Longyearbyen and Kirkenes (where Hurtigruten Norway's crew centre is situated) serving the most important and emerging markets.

Operations are run through the following business units: Hurtigruten Norway which operates the brand Hurtigruten Norwegian Coastal Express, Hurtigruten Expeditions, and Hurtigruten Destinations which operates the Hurtigruten Svalbard brand.

Hurtigruten Group Strategy

Hurtigruten Group is a global company with strong Norwegian heritage with the ambition to attract adventure travelers from all over the world and introduce them to unique and inspirational destinations. Through fantastic experiences and bucket list adventures, we are creating loyal ambassadors for Hurtigruten Group that want to visit new corners of the world. These travellers are typically aged 45 to 70, they can afford to travel and want to spend their time exploring areas off the beaten path. Through our unrivalled product line, global distribution, and loyalty programme, we are establishing ourselves as the largest adventure travel operator in the world.

We strive to deliver the best and most sustainable travel product in the world, and we make sure to put the guest in the center of everything we do. Our organizational setup is designed around the guest experience and we are constantly working on new ways to inspire and amaze our guests.

With a global distribution, new omnichannel sales platforms and increasing brand awareness across key markets, we believe that demand will keep growing for our product and itineraries. That is why we have a growth ambition on adding new capacity as we are certain that demand will return post the Covid-19 pandemic.

All of this is done with our ESG ethos in mind. We want to champion responsible and sustainable travel and are constantly striving to leave a positive impact across the value chain, from vendors to the destinations where we operate. Our ESG ambition is to be the most sustainable travel operator in the world, and to keep pushing the industry's boundaries for ESG. To achieve this, we will continue to work towards having the greenest fleet in the world, educating our guests on climate change and the ecosystems we visit, pushing for local value creation and helping sustain coastal communities, and last but not least being a great place to work.

02
Hurtigruten Norway

Hurtigruten Norway

Hurtigruten Norway sails an iconic route, which operates under the brand Hurtigruten Norwegian Coastal Express offering a unique combination of local travelers, goods and international tourists since the very first departure 129 years ago.

The Norwegian Coastal Express' seven ships bring guests closer to nature and local communities. They connect the international traveler with everyday life along the rugged Norwegian coast on what is referred to as the most beautiful voyage in the world. The voyage forms part of the country's cultural heritage, strengthening the brand's legitimacy with international travelers seeking authentic Norwegian experiences.

Hurtigruten Norwegian Coastal Express has integrated the Norwegian food culture through the onboard culinary concept Norway's Coastal Kitchen. Over 80% of the ingredients in the restaurants come from more than 50 Norwegian suppliers. Sourcing the food locally is not just about fresh, farm-and-fjord-to-table flavours. It is also about achieving the lowest footprint possible and making sure there is minimal food waste.

Excursions and experiences have been a prioritized area for Hurtigruten Norwegian Coastal Express over many years. By collaborating with more than 50 excursion providers the company is offering guests over 70 unique and seasonally adapted activities and experiences. With the Norwegian Coastal Express being one of Norway's foremost tourist products, it is a driving force for developing Norwegian tourism and marketing the country internationally.

Hurtigruten Norway aims to further develop and strengthen the Hurtigruten Norwegian Coastal Express brand with the ambition to be the iconic travel operator for the Norwegian coast and Arctic region, continuously reinventing sustainable travel experiences.

Strategic areas

To achieve the ambition, the company will focus on a **set of strategic areas**

1. Be the capacity leader on the Norwegian coast, and ensure "destination ownership" through its history, its fleet and a range of exclusive partnerships
2. Maximize the authentic experience of the Hurtigruten Norwegian Coastal Express, and continuously improve the guest experience
3. Develop destinations and improve the overall guest journey
4. Consider next generation of coastal vessels, to enable sustainable and profitable sailings

Milestones 2021

- Hurtigruten Norway started operating under the new state contract valid from 2021 to 2030 in January 2021 and now operates seven ships out of 11 ships in the Coastal route between Bergen and Kirkenes.
- Hedda Felin assumed the role as CEO in March 2021. She joined Hurtigruten Norwegian Coastal Express from Equinor where she has held various global VP/SVP positions since 2007.
- In May 2021 the company revealed large scale investments in batteries and biofuel, cutting CO_2 emissions by at least 25% and NOx emissions by 80% in what is described as one of the largest environmental upgrades in the history of European shipping.
- During the pandemic Hurtigruten Norwegian Coastal Express operated with limited capacity, primarily serving the local communities with freight and transport services. In July 2021 the company could finally return all seven ships to operations.

03
Hurtigruten Expeditions

Hurtigruten Expeditions

Hurtigruten Expeditions is the world's largest and leading expedition cruise line, offering expedition cruises to over 30 countries across 5 continents – including Galapagos, Antarctica, South America, Alaska, Iceland, Greenland, Svalbard, West-Africa, British Isles, the spectacular Norwegian coastline, and a variety of other destinations.

In 2021, the Hurtigruten Expeditions fleet consisted of eight ships – MS Roald Amundsen, MS Fridtjof Nansen, MS Fram, MS Otto Sverdrup, MS Maud, MS Spitsbergen, MS Trollfjord and MS Nordstjernen. The latter three not in operation during 2021 as a result of planned reduced activity due to the global pandemic.

Leading into 2022, the return to service was on track for the entire Hurtigruten Expeditions fleet, including operations in Antarctica and expansion to year-round operations on Galapagos.

2021 has been a year of major milestones for Hurtigruten Expeditions. With the introduction of MS Maud (Dover) and MS Otto Sverdrup (Hamburg), Hurtigruten Expeditions became the first company to offer year-round expedition cruises homeporting in Germany and United Kingdom.

In September, MS Fridtjof Nansen officially got her name in Longyearbyen, Svalbard - the northernmost naming ceremony for a passenger ship ever conducted. Following the naming ceremony, MS Fridtjof Nansen continued to make history: On Sept 17 she reached 83' 43,76 N, 034* 56,89 E – further north than any Hurtigruten Group ship has ventured in almost 130 years of history.

Hurtigruten Expeditions continues a pathway for global growth. In July, year-round expedition cruises on Galapagos in close cooperation with Metropolitan Touring (MT) was announced. This was followed by launching expedition cruises to West Africa starting in 2022. Over the last years, Hurtigruten Expeditions has solidified the position as the world leader of sustainable cruising. In 2021, this position was further strengthened by upgrading MS Otto Sverdrup to battery-hybrid propulsion. In competition with 400 cruise ships globally, the independent agency Scope ESG Analysis rated MS Fridtjof Nansen the world's most sustainable cruise ship.

Strategic areas

Hurtigruten Expeditions will continue to further develop the expedition cruises product, characterized by the following focus areas:

- Continued development of Hurtigruten Expeditions as the global leading brand for expedition cruising
- A focused marketing commitment, strategic brand building and a strengthening of the sales organization.
- Continued development of the existing product offering, the development of new experiences on board and ashore, and continuous assessment of new destinations
- Knowledge building and increased commitment along the whole value chain through the development of logistics, destinations and excursions.
- Further growth in capacity in Hurtigruten Expedition will be one of the main sources of growth for Hurtigruten Group business over the next 3 to 5-year period.
- Constant evaluation of capacity requirements, pricing and competitive developments in the segment.
- A systematic effort to get coverage in global top-tier media

04
Hurtigruten Destinations

Hurtigruten Destinations

Hurtigruten Destination's main operations is through Hurtigruten Svalbard which operates the Radisson Blu Polar Hotel, Funken Lodge and the Coal Miners' Cabins, as well as arctic adventure tourism on Svalbard. The archipelago of Svalbard is the Northernmost settlement in the world and one of the most remote and unique destinations in the world where there are more polar bears living there than people.

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 Svalbard's operations – originating back in 1896 – are the largest and most diversified on Svalbard.

Over the last 3 years Hurtigruten Svalbard has invested heavily in the product and the hotels. In February 2018, Funken Lodge was re-opened with 88 brand-new rooms, new bar and lounge areas, a new reception and a refurbished Funktionærmessen gourmet restaurant. In February 2019 the Radisson Blu opened after a full refurbishment of the public areas including a new restaurant and pub concept, and in January 2020 the new wing with 33 new superior rooms was opened for customers.

This investment underlines Hurtigruten Svalbard's ambitions for year-round expedition-based experiences for individual guests, as well as for groups of travellers.

In March 2021 Hurtigruten Group entered into an agreement with Store Norske Spitsbergen Kullkompani AS ("SNSK") to sell the real-estate portfolio. At closing of the transaction Hurtigruten Svalbard AS has entered into a 30-year lease agreement with SNSK for the real estate and will continue to operate them and further develop the product offering on Svalbard.

05
Market Development and Digital

Market development

Hurtigruten Group's consolidated revenues mainly derive from international guests seeking unique nature-based and active experiences around the world. The global cruise and travel industry have substantial exposure to fluctuations in the world economy, which also applies to Hurtigruten Group.

From March 2020 the pandemic restricted travel significantly across the globe with Hurtigruten Group reducing operations by warm stacking most of its fleet which has continued through 2020 and into the first half of 2021. Before the pandemic, adventure tourism was one of – if not the – fastest-growing global tourist trend, and a market in which there is great potential for the unique Hurtigruten Group products. The adventure travel segment does not appear to be age, gender or geography specific. People of all kinds, all over the world, want to explore while travelling.

Hurtigruten Group had experienced a significant growth before the pandemic, and this is expected to continue post the development and roll out of vaccines early in 2021. Hurtigruten Group is of the opinion that this trend will be even stronger post the pandemic as the attractiveness of the remote and off the beaten track destinations will increase. Hurtigruten Group also expects that there is a significant amount of pent-up demand for travelling as a result of the pandemic. While the first quarter in 2021 was affected by the Omicron variant, from May 2022 onwards the bookings are very strong compared to earlier periods before the pandemic which shows that the customer is ready to travel as soon as restrictions are lifted.

Hurtigruten Group 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 Group's unique and authentic product in the global cruise and tourism market will be essential. Hurtigruten Group are already experiencing results from these efforts through strong growth in brand recognition and future bookings in UK, US and Australia which are markets where Hurtigruten Group brands have historically had lower relative market penetration compared to the Nordics and Germany.

As we restarted operations post the Covid-19 pandemic adverse incidents related to, and public perception about, the safety of travel, including customers or crew illness, such as incidents of Covid-19 or other contagious diseases, may adversely affect travel patterns in the short term and demand for the Group's services. Such outbreaks of disease could, among other things, disrupt the Hurtigruten 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 Hurtigruten Group's supply chain. This could also adversely impact the Hurtigruten 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 Hurtigruten Group's business, results of operations and financial condition.

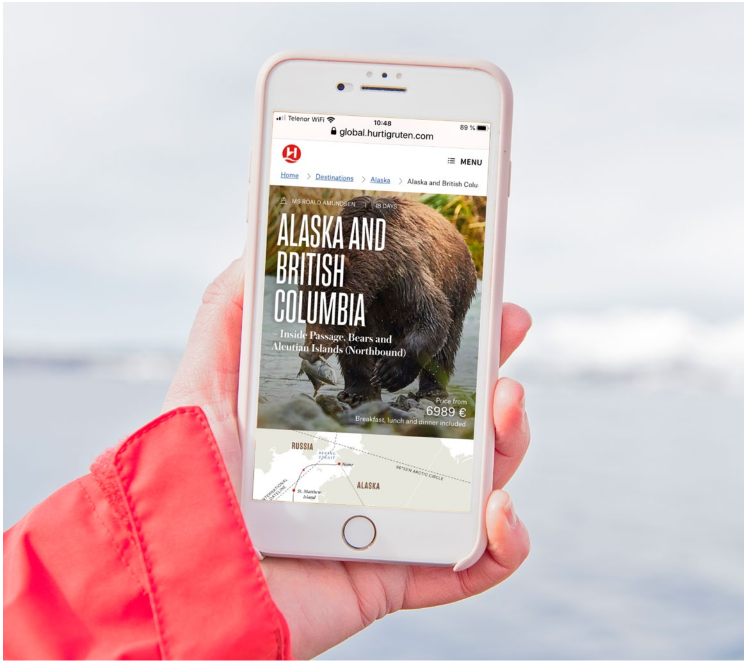
Underlying booking patterns for 2022 and beyond show that the underlying travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten Group is the leading company in this segment. With its strong focus on sustainability and the environment, Hurtigruten Group 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 the fourth quarter 2019. In 2021, Hurtigruten Expeditions upgraded MS Otto Sverdrup with large battery packs and advanced green technology, making it the third vessel in the series of battery-hybrid-powered cruise vessels. This will fortify Hurtigruten Expeditions' position as the leading operator in the expedition cruise segment. In addition, three out of seven Hurtigruten Norway vessels are in the process of undergoing a full-fledged transformation to battery-hybrid power.

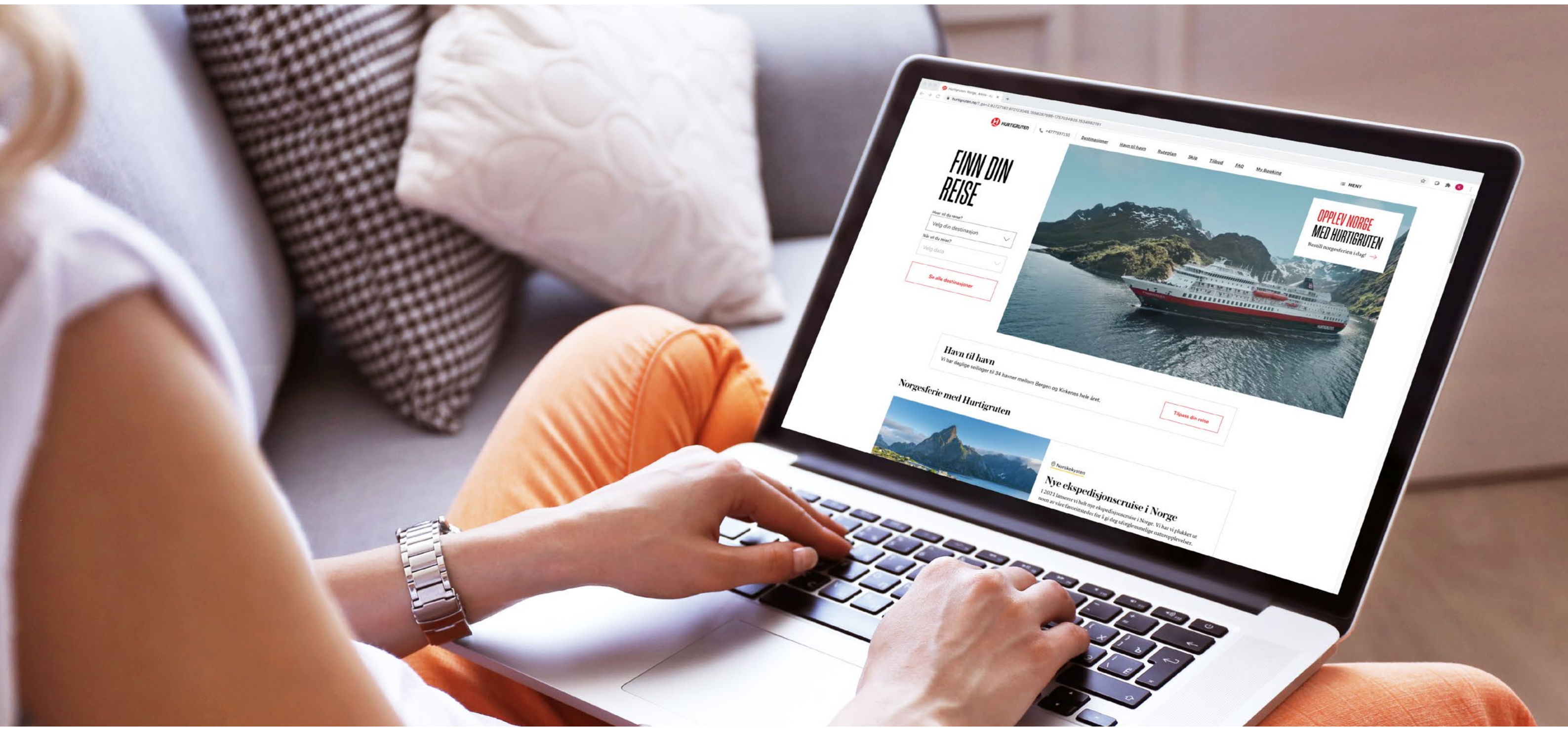
Digital

In order to succeed with the implementation of the group's growth strategy, Digital has become an essential part of Hurtigruten Group's business model, across sales, marketing and operations in all business units. As a result, and following the shutdown of activities in 2020, the group has scaled-up its digital investments through 2021 by building strong internal capabilities and enabling future investments at lower cost and high speed. All our digital solutions are built based on modern agile principles, with integrated technical and business teams, automated quality controls, frequent user testing and short development cycles. The work to build up going forward continues through the establishment of a HQ2 in London, which is a key global source market for the cruise and adventure travel industry providing sales and marketing talent pools.

The pandemic has accelerated digital adoption across the western world and consequently digital prevalence has grown exponentially among Hurtigruten's core customers over the past two years. In August 2021, the development of a new digital front-end platform was initiated with purpose to increase awareness, website traffic and conversion, and provide a seamless booking experience across channels. The platform is forecasted to drive increased sales and top line growth, in addition to lowering the customer acquisition cost. First market tests took place in December 2021, with the gradual rollout planned throughout 2022.

Furthermore, the group has made large investments in tools for our sales force, to build globally scalable and efficient solutions. Their purpose is to scale up for future growth, by having standardized tools and process support across all source markets.





Another investment /initiative that took place in 2021 was the roll-out of the Hurtigruten Guest App to the Hurtigruten Expedition fleet in parallel with the fleet ramp-up. The Hurtigruten Guest App is an integrated part of the experience onboard Expedition vessels, supports guests with details about the ship and their journey, managing the daily schedule of the expeditions and providing self-service opportunities for the guests. It has been observed that more than 50% of guests onboard Expedition vessels will use the app on a daily basis.

As previously publicly reported, Hurtigruten Group suffered a major cybercrime attack in December 2020. While the commercial impact of the attack was limited, significant resources were invested through the first half of 2021 to rebuild and further strengthen cyber and data security of the Group's IT systems.

06
Financial Review

Profit and loss statement

The Group`s financial performance in 2021 was significantly impacted by the Covid-19 pandemic. However, there is a positive development both in future bookings and travel patterns. With high vaccination rates and loosening of travel restrictions the Group has been able to continue to ramp-up the fleet, and by the end of 2021 Hurtigruten Group had 11 of 15 ships back in full operation.

Operating loss

Operating loss was EUR 196.9 million, compared to last year's operating loss of EUR 94.8 million. The loss was driven by an increased marketing spend, the ramp-up of the land organization, and the ramp-up of the fleet, after a large part of the fleet had been on warm stacking in 2020. The Group's loss before tax was EUR 273.9 million, compare to a loss before tax of EUR 163.7 million in 2020. The net loss for the year was EUR 282.2 million compared to EUR 160.5 million last year.

Operating revenues

Operating revenues decreased with 18.8%, from EUR 238.6 million in 2020 to EUR 193.8 million in 2021. Hurtigruten Group has received contractual revenues of EUR 71.7 million (EUR 79.2 million last year) from the existing agreement with the Norwegian government through the Ministry of Transport and Communications. The agreement applies to the Bergen-Kirkenes route. From 1 January 2021 Hurtigruten Group has entered into a new agreement that applies to 7 ships, a reduction from 11 ships in the prior agreement.

The decrease in revenue is driven by the impact from the Covid-19 pandemic on operations. Hurtigruten Group`s revenue streams are mainly driven by international travel, which in 2021 were negatively impacted by both the Delta and the Omicron wave of Covid-19. As a result of the decline in the revenues, Hurtigruten Group applied for a cash compensation scheme from the Norwegian Government Business Compensation scheme, where EUR 28.9 million was recognized as other revenue in 2021 (EUR 30.2 million in 2020). The scheme was set up to support enterprises with a significant drop in revenue caused by Covid-19. The scheme will run until February 2022.

Direct cost of goods and services

Direct cost of goods and services decreased by 26.6% in 2021 compared to 2020, from EUR 42.4 million in 2020 to EUR 31.2 million in 2021. While other operating costs increased from EUR 136.8 million in 2020 to EUR 181.0 million in 2021, mainly driven by increased marketing spend and a return to more normal operations towards the end of 2021. Total salaries and personnel costs were EUR 117.8 million, which is an increase of 27.1% compared to last year. The increase was due ramp-up of activity for both the land-based organization and the fleet.

The depreciations, amortization and impairment losses

The depreciations, amortization and impairment losses increased with 20.3% compared to last year, from EUR 77.0 million to EUR 92.6 million. The increase is mainly related to an impairment in 2021. After a thorough evaluation of the technical feasibility and consolidated risks relating to the potential conversion of ships to gas propulsion (LBG and LNG), Hurtigruten Norge has chosen to go forward with an alternative technical solution for the ships. Instead of retrofitting ships with gas engines, battery-electric hybrid technology in combination with biodiesel will be used.

Net other gains

Net other gains was EUR 3.0 million in 2021, compared to a loss of EUR 14.7 million last year. In the second quarter of 2021, Hurtigruten Group completed the sale of the real-estate portfolio on Svalbard to Store Norske, and at the same time entered into long-term lease agreements for the same properties. The transaction resulted in a gain of EUR 4.8 million recognized as net other gains.

The parent company, Hurtigruten Group AS' net loss in 2021 was EUR 42.8 million (EUR 25.1 million in 2020). The loss was mainly driven by interest expenses from the borrowings.

Balance and financial position

Non-current assets

Non-current assets were EUR 1 224.4 million on 31 December 2021, compared to EUR 1 243.8 million at the start of the year. The change is mainly coming from lower property, plant, and equipment, partially offset by an increase in right-of-use assets following the sale-leaseback of the Hurtigruten Svalbard real-estate portfolio. The increase in investment in associated companies of EUR 20.6 million is mainly related to the associated company Empresa Turistica International C.A. (ETICA) transaction in the last quarter of 2021.

Current asset

Current asset amounted to EUR 129.5 million, compared to EUR 118.8 million last year. The increase of EUR 10.8 million was due to increased inventories, trade- and other receivables from the ramp-up of activity towards the end of 2021, partially offset by a reduction in cash.

Non-current liabilities

Non-current liabilities amount to EUR 1 452.8 million on 31 December 2021, an increase of EUR 196.4 million from EUR 1 256.4 million at year-end 2020. The increase is due to the lease liability from the sale-leaseback of the Hurtigruten Svalbard real-estate portfolio in the second quarter of 2021, and the EUR 46.5 million term loan facility secured in the first quarter of 2021. In addition, a EUR 75 million subordinated shareholder's loan facility was secured and fully drawn in the Group in 2021. Prepaid travels have increased by EUR 33.3 million compared to year-end 2020 following the strong bookings for 2022 and 2023.

Current liabilities

Current liabilities for the Group ended at EUR 253.1 million compared to EUR 208.5 million in 2020. The main reason for the increase is increased bookings, resulting in higher prepaid travels of EUR 35.9 million.

The reported equity

The reported equity at the end of December 2021 was negative EUR 352.0 million compared to negative EUR 102.2 million at year-end 2020. The equity ratio was negative 26.0% (negative 7.5% in 2020). The Covid-19 pandemic has continued to have a significant effect on short-term profitability. Also, as the operation activity further increased in 2021 the ramp-up costs for preparing the ships after warm-stack, and the increased selling and marketing spend, negatively impacted the net result for the year.

The equity ratio

The equity ratio for the parent company was 0.0% on 31 December 2021, compared to 5.3% at 31 December 2020, mainly explained by the net loss of EUR 42.8 million in 2021. The net loss for the parent company Hurtigruten Group AS is proposed to be transferred to uncovered loss in the equity.

See note 30 for information about events after the reporting period.

Cash flow

Available cash and cash equivalents in the cash flow statement totalled EUR 48.2 million on 31 December 2021, compared to EUR 17.3 million on 31 December 2020. Cash and cash equivalents in the statement of financial position, including restricted funds, totalled EUR 57.1 million compared to EUR 72.0 million in 2020.

The net cash flow from operating activities continued to be affected by the Covid-19 pandemic in 2021 and ended with a net cash outflow from operating activities of EUR 42.3 million in 2021, compared to net outflow of EUR 58.4 million in 2020. The increase for the year is mainly explained by positive changes in working capital and prepaid travels following strong booking levels.

Investment Activities

Net cash inflow from investment activities was EUR 42.7 million, compared to a net cash outflow of 148.5 million in 2020. The increase is mainly driven by change in restricted funds EUR 89.3 million, and the proceeds from the sale the real estate portfolio on Svalbard to Store Norske with a net cash effect of EUR 55.4 million.

Financing Activities

Net cash inflow from financing activities was EUR 28.8 million (EUR 195.5 million in 2020). Mainly consisting of the fully drawn EUR 75 million subordinated shareholder's loan facility and EUR 46.5 million term loan D secured in 2021. As well as repayment of borrowings and paid interest expenses.

Parent Company

The parent company reported a net increase in cash and cash equivalent of EUR 35.1 million. Of which an inflow of EUR 22.6 million from operating activities, outflow of EUR 63.4 million from investing activities and an inflow of EUR 75.8 million from financing activities. The outflow from the investing activities is explained by a negative outflow to loans to subsidiaries, and the inflow from the financing activities is mainly explained by an inflow from new financing.

Going concern

As of 31 December 2021, the carrying value of the equity in the Group was negative EUR 352.0 million (negative EUR 102.2 million in 2020). The Covid-19 pandemics effect on travel restrictions and demand for travel has led to a significantly lower short-term profitability, resulting in a net loss in 2021 of EUR 282.2 million (net loss of EUR 160.5 million in 2020).

The Board of Directors acknowledge that the equity book value of the Group is negative. In the opinion of the Board of Directors, the underlying fair value of Hurtigruten Group's vessels and brands are significantly higher than the reported equity. This is further supported by the impairment tests that has been performed on Hurtigruten Group's assets. The underlying values are further supported by the booking development for 2022 and 2023

The Board of Directors expects that with continued loosening of travel restrictions there will be a significant increase in bookings driven by pent up demand. With high vaccination rates and loosening of travel restrictions Hurtigruten Group has been able to continue to ramp up the fleet, and by the end of 2021 it had 11 of 15 ships back in full operation. Actual bookings as of 30 March for the period second to fourth quarter 2022 are almost on par to the comparable period three years ago pre-pandemic (second to the fourth quarter 2019) and at higher yields across all business units. Based on the current outlook with regards to the pandemic, the Board of Directors expects the financial performance to be back at normal pre-pandemic levels from the second quarter of 2022.

The Board of Directors is constantly monitoring the liquidity and financial position of Hurtigruten Group and will take appropriate action if additional capital is required. The liquidity situation is closely monitoring as the financial performance of the Hurtigruten Group continues to recover. As of 31 December 2021, Hurtigruten Group had an available liquidity position of EUR 72.8 million including the EUR 25 million Term Loan C increase committed in December. The ultimate shareholders of the company have confirmed that they remain supportive and have indicated that they would be willing to consider providing additional liquidity, if necessary. The ultimate shareholders commitment to Hurtigruten Group was evident with the EUR 75 million subordinated shareholder loan facility provided in September 2021.

In accordance with the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared in accordance with the going concern assumption, and that it is appropriate to assume this.

07
Risk Management

Risk management in Hurtigruten Group

Hurtigruten Group is committed to proactive and effective risk management to mitigate adverse effects on our operations and to identify and explore business opportunities. Ultimately, risk management contributes to achieving our long-term strategic targets and short-term goals.

Hurtigruten Group has implemented an enterprise risk framework with policies, guidelines and tools to facilitate risk management across the organization. Our framework is inspired by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework and the ISO 31000 risk management guideline. The Group risk management function is reporting to the Chief Financial Officer. The Board of Directors has approved the risk management framework and periodically reviews the company's key risks.

Risk appetite is broadly defined as the level of risk an entity deems acceptable in the pursuit of overall goals. The Executive Management Team in Hurtigruten Group has evaluated and defined risk appetite across key operational, strategic and financial dimensions, arriving at a set of practical guidance statements to regulate risk exposure. These risk appetite statements provide guidance for strategic initiatives, resource allocation and decision-making within the company.

Strategic risk

Hurtigruten Group's ESG ambition is to be the most sustainable travel operator in the world, pushing the industry's boundaries for ESG. Our main strategic risks are risks that could prevent us from achieving this ambition. This may include regulatory and political risk, sustainability risks, or other risks which may impact our reputation, the demand for our services or our ability to deliver on our growth ambitions.

Sustainability

Our industry primarily impacts climate change through emissions from vessels, especially CO_2, Sox and NOx. In addition, other pollutants such as particulate matter and black carbon may contribute to global warming. The effects of climate change on wildlife habitats, especially in the Arctic and Antarctic regions, pose a considerable long-term risk to the environment.

Regulatory and political risks

Due to our international operations, Hurtigruten Group is subject to complex laws and regulations in various jurisdictions, 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 our operations. 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 to these regulations could require significant expenditures. Failure to comply with such regulations could result in material fines and penalties or temporary or permanent suspension of operations.

Supply and demand

Hurtigruten Group faces competition from cruise companies as well as holiday alternatives, and to compete effectively we depend on our ability to anticipate future market changes and trends, and to rapidly react on existing and future market needs. If we fail to meet the competition from new and existing companies, or fail to react to market changes or trends, there is a risk that this will have an adverse effect on our business, earnings and financial position.

The Covid-19 pandemic has caused a significant decline in the demand for our services. As a consequence of our global presence and the nature of our operations as a cruise and adventure travel company, Hurtigruten Group has been and may continue to be significantly affected by the Covid-19 pandemic by customers cancelling or rescheduling their bookings.

Reputation

The success of Hurtigruten Group depends on our reputation and the continued strength of our brand. A loss of reputation may lead to decreased demand for our services. Delays or cancellation of our services or re-routing of customers to other ports of call may adversely affect our reputation and customer loyalty. An incident involving environmental contamination could also harm Hurtigruten Group's reputation and business. Allegations of improper payments made to authorities at state-controlled enterprises in the jurisdictions we operate, whether or not substantiated, could harm Hurtigruten Group's reputation. Any such allegation, were it to be substantiated, may give rise to penalties, fines or contract disputes, any of which could adversely affect our business, financial condition and results of operations.

Operational risk

With eight expedition vessels in Hurtigruten Expeditions and seven vessels in Hurtigruten Norway, Hurtigruten Group is the world's largest expedition cruise company and therefore naturally exposed to operational risk. This includes risks that could impact our operations directly such as a major ship incident, virus outbreak or cyber-attack, but also risks associated with our administrative operations such as incompliance with regulatory requirements, breach of data privacy regulations or inability to recruit and retain qualified personnel.

Cyber-attack

Cyber-crime is increasing globally, exposing Hurtigruten Group to a range of threats to the integrity, availability and confidentiality of our systems. Cyber risk may include attempts to access information, ransomware attacks, destructive installation of viruses, denial of service and other digital security breaches. A major cyber-attack could result in a broad range of impacts including HSE events, operational disruptions and leakage of private or business sensitive data.

Retain and recruit key competence

Hurtigruten Group is dependent on its key personnel. Inability to recruit or retain qualified personnel could adversely affect the results of our operations and our ability to deliver on our strategic ambitions.

Onboard health incident

Hurtigruten Group is exposed to health-related risks onboard our ships. This includes outbreaks of norovirus, legionella, or incidents caused by insufficient food safety. Such incidents can be caused by insufficient, or breach of, preventive procedures such as insufficient control with food safety or procedures for testing and isolation of crew and guests. In addition to illness among guests and crew, consequences could also include reputational damage, adverse impact on cost, sales or profitability, or stop of operation.

Data privacy incident

Failure to comply with data privacy laws could damage Hurtigruten Group's customer relationships and expose us to litigation risks and potential fines. Data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we operate and may develop in ways which we are unable to predict, including with respect to evolving technologies, such as cloud computing. The Group's failure to adhere to or successfully implement processes in response to changing regulatory requirements could result in legal liability or impairment to the Group's reputation in the marketplace, which could have material adverse effect on the Group's business, financial robustness and results of operations.

Financial risk

Hurtigruten Group 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. The Board of Directors approves the Group's risk management strategy and reviews it annually. The Group CFO function is responsible, in consultation with the Group CEO, for conducting ongoing tactical risk management in line with the approved strategy, including exposure analyses and reporting.

Hurtigruten Group is exposed to a variety of financial risks, including market risk (e.g. currency, price, fair-value interest rate and variable interest rate risks), credit risk and liquidity risk. Our overarching risk management goal is to increase predictability for our operations and to minimize the impact of fluctuations in macro conditions on our results and financial position. For further assessment of financial risks, see "note 3 - Financial Risk Management".

08
Environment, Social and Governance

Environment, Social and Governance

Our Environmental, Social and Governance ("ESG") ambition is to be the most sustainable travel operator in the world, pushing the industry's boundaries for ESG. We won't just stop at a license to operate; we will do our outmost to push beyond local regulations and look to best-in-class ESG solutions globally. With a mission focused on innovation, technology and concrete measures – sustainability is an integral part of HRG's operations and supply chain. Our ESG strategy will ensure that our vessels can operate in a responsible and environmental manner, improving the value and experience for our guests while minimizing our footprint.

In accordance with the Paris Agreement, Hurtigruten Group will in 2022 commit to Science Based Targets with the goal of limiting global warming to 1.5 degrees Celsius compared to pre-industrial levels. This means that Hurtigruten Group will be emission free by 2050 and will commit to aggressive emission reductions over the next 28 years in accordance with the SBTi framework. We also want to further push our organization towards a greener and more sustainable future, and we target carbon neutral operations by 2040 (Scope 1). For us carbon neutral means to have a neutral impact on the environment, meaning to remove the same amount of CO_2 emissions as we put into the atmosphere. Carbon free propulsion alternatives are neither commercially nor technically feasible at this point, and while we get one step closer day-by-day, we cannot sit idle and wait for the technology to be in place. We are working closely with industry partners and regulators to drive change and move boundaries while we utilize the best solutions available already today. We are also in active discussions with stakeholders about potential pilot solutions, to test the next generation of green propulsion technology. To us, it is important that we minimize our environmental footprint as we want to build the greenest fleet of vessels in the industry.

Already in 2019, Hurtigruten Expeditions lead the way by introducing MS Roald Amundsen, the world's first hybrid-powered expedition cruise vessel. A sister ship, MS Fridtjof Nansen, was launched in 2020. The two vessels already emit about 50% less carbon dioxide (CO_2) than the average existing expedition cruise vessel. In 2021, Hurtigruten Expeditions upgraded MS Otto Sverdrup with large battery packs and advanced green technology. Three out of the seven Hurtigruten Norway vessels are currently undergoing a full-fledged transformation to battery-hybrid power. The battery packs cut fuel usage by 20% and reduce CO_2 emissions by 25%. The next step in our commitment to green technology innovation is to convert our entire existing coastal fleet to run on a combination of large battery packs and biofuels. When reaching the full potential and utilization of biofuel it is estimated that we can lower the added CO_2 emissions with up to 80%.

Hurtigruten Group has a history of pushing for greener ways to operate; more than a decade ago,

HRG banned the use of Heavy Fuel Oil ("HFO") and work with non-governmental organizations ("NGO") to promote a broader international HFO ban for all vessels sailing in the Arctic. HFO has severe negative environmental impacts, however, it still makes up about 75% of the marine fuel currently consumed in the Arctic today. Since banning HFO, Hurtigruten Group has shifted its focus towards synthetic fuels, and will gradually increase the use of certified biofuels across the fleet. There are still limitations when it comes to providing the coastal vessels with biofuel in domestic Norwegian ports, and for the expedition cruise vessels a lot has to be done to make biofuel available at international ports. When reaching the full potential and utilization of biofuel it is estimated that we can lower the added CO_2 emissions with up to 80%.

Operating in some of the world's most vulnerable areas comes with a great responsibility. Fighting the exploitation and degradation of sites, nature, and local communities by mass tourism is one of the Group's most important goals. We support stricter regulations, such as size limitations on cruise vessels, and restrictions on the number of guests allowed on shore. Our aim is to develop, encourage and maintain sustainable year-round activity, instead of flooding the valuable sites during peak season and leaving them quiet for the rest of the year. This is key to developing sustainable destinations, thriving communities, local value creation and unique experiences.

We also work actively with suppliers and vendors, requiring them to align with key SDG's and to operate according to our code of conduct and strict environmental policy. All our major suppliers with a valid frame agreement or a major project contract are required to agree to these terms.

We are immensely proud of the work we do within ESG and our ability to operate in a sustainable and responsible manner. This work is also received international recognition; the international ESG rating agency Sustainalytics assessed our ESG risk rating as "low risk" in their most recent ranking, and with a score of 17 outperforming all other cruise operators.

09
Hurtigruten Foundation

Hurtigruten Foundation

Hurtigruten Foundation is a non-profit foundation initiated by the Hurtigruten Group in 2015. It was established as a cooperative venture between guests, partners, suppliers and the Group to create a positive impact on the ocean, wildlife and local communities. The Hurtigruten Group covers the administrative costs of the Foundation so that 100% of the donations received goes directly to the projects and organizations it supports. Since it was launched, the Hurtigruten Foundation has supported 41 projects across the globe, from Svalbard in the high north to Antarctica in the south.

The Foundation has continued to support projects and organizations throughout the pandemic and awarded grants to 16 projects in 2021. To further strengthen the Foundation and maximize the impact of its work, Henrik A. Lund came onboard as new managing director in the autumn of 2021 and a new Board was appointed.

10
Organisation

Organisation

For Hurtigruten Group 2021 has been a year of both organisational change and challenges of a global pandemic. With the operational activity gradually picking up throughout the year, the company was happy to bring all employees back from furlough over the summer. Coming out of a global pandemic we have re-organized our company structure to optimize our possibilities for growth and further development. By year end we formally conducted the business transfer of all our Norwegian land-based employees to the new legal entities that will support our company structure going forward. Through this transformation we have worked in close cooperation with our employee representatives and unions continually assessing and discussing the impact and effect on our employees.

For Hurtigruten Group the education of seafarers is seen as a vital component of business continuity. Maintaining a strong maritime community is important for both our global industry and our nation. As one of Norway's largest maritime employers and apprenticeship companies, we are proud to create jobs and maritime competence for the future. Our crew members in Hurtigruten Norway are mainly recruited from along the Norwegian coast and the various ports at which our ships call. Hurtigruten Norway had 110 apprentices on its ships in 2021. The Hurtigruten Expeditions vessels MS Fram, MS Maud, MS Spitsbergen and MS Roald Amundsen offer trainee positions in their expedition teams to newly qualified nature guides from selected institutions. As a truly global company with 61 nationalities, we strongly emphasize world class professional expertise but also local knowledge in our recruitment processes. Hurtigruten Expeditions have adapted a crewing model where agreements with third party manning agencies ensure that international crewing and operational requirements are fulfilled. Through this, Hurtigruten Norway and Hurtigruten Expeditions contribute to maintaining local and regional employment, a growing international workforce combined with objectives such as ensuring knowledge, local expertise, and flexible shift arrangements for its employees.

Directors and Officers Liability Insurance

Hurtigruten Group AS (through Silk Holdings S.a.r.l.) has purchased and maintains a Directors and Officers Liability Insurance on behalf of the members of the board of directors and the CEO. The insurance also covers managing directors and directors of controlled subsidiaries. The insurance policy is issued by reputable insurers with an appropriate rating.

Working environment

In Hurtigruten Group we employ approximately 2,700 people representing 61 nationalities. Being a global employer with offices in 9 different countries and operations on multiple continents comes with great responsibility to ensure human rights regardless of where we operate. All employees working at sea are covered by collective bargaining agreements and we are currently preparing our internal processes to comply with the Norwegian Transparency Act that is enforced from 1 July 2022, to ensure that we protect the human rights of all men and women working in our entire value chain.

We work diligently to proactively reduce the total sick leave throughout the organization. However, we do not underestimate that we have been through two extraordinary challenging years and the effect that this has had on our workforce. Our rolling turnover numbers for 2021 was higher than a normal operating year reaching 26.6%. These numbers are mostly explained by a challenge of retaining and attracting the workforce back to the travel and service industry after the hardships of the pandemic. We continue to see an effect on our sick leave statistics in the first quarters of 2021, especially on sea where we have had most furloughs. But on a yearly average the sickness absence for seagoing personnel has had a positive trend and has decreased to 5.6 %. The sick leave statistics for land have been fairly stable, we have seen a slight increase in certain locations for 2021, but on an overall Group level the total sick leave absence holds an average of 4.1 % which corresponds well with our targets.

Hurtigruten Group will continue to work diligently on retention and attraction strategies to maintain our position as a preferred employer. We already see great results from the ongoing initiatives on Diversity & Inclusion and our new Employer Value Proposition in both Norway and internationally.

The Board of Directors considers the working environment in the Group to be good and will continue to maintain a sharp focus on working conditions and safety culture. The Group executes quarterly employee surveys to monitor changes in employee engagement. Employee engagement is followed up through structured processes that is reflected in concrete actions in our quarterly Objectives and Key Results on both Group and Business unit level. In Hurtigruten Group we believe in a flexible workspace and we have in 2022 implemented a Group Hybrid Office policy enabling employees to continue to utilize the digital tools and opportunities that we learned to appreciate during the pandemic. The increased use of digital tools for information and document sharing has had a positive effect on the working environment in the company.

Equal opportunities and discrimination

Hurtigruten Group believes that an inclusive workplace is fundamental in securing engagement and wellbeing for our employees. We aspire to be an employer of choice for people from diverse backgrounds, regardless of ethnicity, gender, religion, sexual orientation, disability, or age. Diversity and Inclusion is a desired and positive part of the corporate culture, which strengthens Hurtigruten Group's ability to operate under varying conditions and operating parameters as well as giving our guests a unique experience.

We aim to increase diversity in all areas of our business and have set clear ambitions for an inclusive workplace. Hurtigruten Group has a policy of zero tolerance for discrimination of employees, and we continuously work with a structured improvement agenda to secure the wellbeing of our workforce. In 2021 we have taken measures to create an evidence-based strategy that will result in revised policies, processes, awareness training and continuous development as well as compliance related to discrimination. This effort will apply to all aspects of the employee journey and set clear requirements to how we recruit, develop, present career opportunities, and compensation. We want diversity and inclusion to become an integral part of who we are and how we work globally.

Our global footprint is represented by employees from 61 different nationalities. Female employees account for 39% of the workforce, we have 32% women on senior leadership level and 55% women on manger level. Following the reorganisation in March 2021 the Group Executive Management Team consisted of five members reporting to the Group CEO, where three of those five senior executives were female.

For our seagoing personnel, female employees account for 30% of Hurtigruten Group's permanent seagoing workforce and are mostly employed in the hotel department. Of the senior officers on board – 4% are captains and first officer, hotel manager, chief engineer and first engineer 7% are female. Hurtigruten Group works continuously to create a better balance in seagoing management posts.

11
Outlook

Outlook

Before the Covid-19 pandemic broke out in 2020, Hurtigruten Group experienced a strong growth in demand through 2018 and 2019 and into 2020 and established the Group as the leading adventure travel Group in the world. 2021 started with an accelerated pace of vaccines roll-out and expected lifting of travel restrictions. Up to the date of this report, travel restrictions have been fully removed or are in the process of being removed across all key source markets and destinations which gives a strong and positive outlook for Hurtigruten Group in 2022 and onwards.

Bookings for 2022 and 2023 continued to develop positively throughout the year, even if first quarter of 2022 will still be impacted by the pandemic. By the end of Q1 2022, bookings for the 12-month period from April 2022 to March 2023 were 3.9% higher compared to the same 12-month period, pre-pandemic, reflecting the resurgence of desire and demand for travel.

Seven out of seven of Hurtigruten Norway's vessels have been in operation since the third quarter 2021, while all eight vessels in Hurtigruten Expeditions are expected to be back to operations by spring 2022. There has been a strong demand for the increased capacity offered by Hurtigruten Expeditions.

The strong bookings from the second quarter 2022 and onwards, combined with the full ramp-up of the fleet in both Hurtigruten Norway and Hurtigruten Expeditions and the higher yields across all business units, will support a rapid financial recovery following the pandemic. Based on the current outlook, the financial performance is expected to be back to pre-pandemic levels from the second quarter of 2022. As demand recovers, Hurtigruten Group will capitalize on the significant investments made in our fleet upgrade, digital initiatives, commercial team and HQ2 establishment in London.

As the Group continues to recover its financial performance, the ultimate shareholders of the company have confirmed that they remain supportive and have indicated that they would be willing to consider providing additional liquidity, if necessary. The ultimate shareholders commitment to Hurtigruten Group was evident with the EUR 75 million subordinated shareholder loan facility provided in September 2021.

Oslo, 29 April 2022

Trygve Hegnar
Chairman

Petter Anker Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

Daniel Skjeldam
CEO

Hurtigruten Group AS

Consolidated Financial Statements

2021

Statement of income

(EUR 1 000)	*Note*	**2021**	2020
Operating revenues	*21*	**193 832**	238 611
Other operating income	*21*	**28 856**	30 155
Direct cost of goods and services	*22*	**(31 152)**	(42 440)
Salaries and personnel costs	*23, 24*	**(117 834)**	(92 690)
Depreciation, amortisation and impairment	*7,8*	**(92 561)**	(76 951)
Other operating costs	*25*	**(181 033)**	(136 797)
Net other gains/(losses)	*26*	**3 018**	(14 719)
Operating profit/(loss)		**(196 875)**	(94 831)
Financial income	*28*	**2 566**	3 341
Financial expenses	*28*	**(80 976)**	(67 130)
Net foreign exchange gains/(losses)	*28*	**1 306**	(4 995)
Net financial items		**(77 105)**	(68 785)
Share of net income from associated companies	*9*	**39**	(52)
Profit/(loss) before taxes		**(273 941)**	(163 668)
Income taxes	*16*	**(8 254)**	3 123
Net income		**(282 195)**	(160 544)
Net income attributable to			
Owners of the parent		**(282 211)**	(159 226)
Non-controlling interests		**16**	(1 318)

Statement of comprehensive income

(EUR 1 000)	*Note*	**2021**	**2020**
Net income		**(282 195)**	(160 544)
Other comprehensive income, net of tax:			
Items not to be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity investments recognized in OCI	*10*	**-**	**-**
Actuarial gain/loss on retirement benefit obligations, net of tax	*17*	**341**	**(2 278)**
Sum		**341**	**(2 278)**
Items that may be reclassified to profit or loss in subsequent periods:			
Change in fair value of cash flow hedge instruments	*10*	**-**	**2 483**
- Gain/(loss) on cash flow hedges		*-*	*10 954*
- transferred to profit and loss		*-*	*(8 471)*
- tax transferred to profit and loss		**-**	*-*
Currency translation differences		**(685)**	**(4 562)**
- currency translation differences		*(685)*	*(4 562)*
Sum		**(685)**	**(2 079)**
Total other comprehensive income, net of tax		**(343)**	**(4 357)**
Total comprehensive income for the year		**(282 538)**	**(164 902)**
Total comprehensive income for the year attributable to			
Owners of Hurtigruten Group AS		**(282 554)**	(163 569)
Non-controlling interests		**16**	(1 333)

Statement of financial position

(EUR 1 000)	*Note*	**31 December 2021**	31 December 2020
ASSETS			
Property, plant and equipment	*7*	**871 475**	929 165
Right-of-use assets	*7, 29*	**45 589**	15 149
Intangible assets	*8*	**265 304**	266 498
Investments in associates	*9*	**21 116**	506
Deferred income tax asset	*16*	**2 163**	1 517
Investments in other companies	*10*	**2 526**	2 505
Other non-current financial assets	*10, 11*	**16 259**	28 503
Total non-current assets		**1 224 432**	1 243 843
Inventories	*12*	**19 169**	13 778
Trade receivables	*11*	**23 922**	6 193
Other current receivables	*11*	**29 303**	24 659
Current derivative financial instruments	*10*	**1**	-
Cash and cash equivalents	*13*	**57 115**	72 037
Assets held for sale	*7*	**-**	2 087
Total current assets		**129 510**	118 754
Total assets		**1 353 942**	1 362 597

(EUR 1 000)	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Total equity attributable to the shareholders in Hurtigruten Group AS	14	**(351 985)**	(100 735)
Non-controlling interests		**28**	(1 438)
Total equity		**(351 957)**	(102 172)
LIABILITIES			
Non-current interest-bearing liabilities	15, 29	**1 394 061**	1 238 762
Deposits from customers, non-current	21	**44 060**	10 809
Deferred income tax liabilities	16	**12 369**	3 464
Retirement benefit obligations	17	**2 164**	2 926
Provisions for other liabilities and charges	18	**-**	406
Other non-current liabilities		**135**	57
Total non-current liabilities		**1 452 790**	1 256 424
Trade payables	20	**23 496**	13 949
Other current liabilities	20	**82 454**	84 188
Deposits from customers, current	21	**117 286**	81 362
Current income tax liabilities	16	**1 444**	583
Current interest-bearing liabilities	15, 29	**24 981**	19 934
Current derivative financial debt instruments	10	**2**	4 564
Provision for other liabilities and charges	18	**3 446**	3 766
Total current liabilities		**253 109**	208 346
Total equity and liabilities		**1 353 942**	1 362 597

Oslo, 29 April 2022

Trygve Hegnar
Chairman

Petter Anker Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

Daniel Skjeldam
CEO

Statement of changes in the equity

(EUR 1 000)	Attributable to shareholders of Hurtigruten Group AS Share capital and premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2021	185 200	(5 643)	(280 292)	**(100 735)**	(1 438)	**(102 172)**
Comprehensive income						
Net income	-	-	(282 211)	**(282 211)**	16	**(282 195)**
Other comprehensive income	-	246	(590)	**(343)**	-	**(343)**
Total comprehensive income	-	*246*	*(282 800)*	***(282 554)***	*16*	***(282 538)***
Transactions with owners						
Capital increase parent company	4	-	-	**4**	-	**4**
Group contribution related parties	-	-	(27)	**(27)**	-	**(27)**
Effect of business combination under common control, predecessor accounting	-	-	32 764	**32 764**	-	**32 764**
Transactions with non-controlling interests	-	-	(1 438)	**(1 438)**	1 450	**13**
Balance at 31 December 2021	185 205	(5 397)	(531 793)	**(351 985)**	29	**(351 957)**

(EUR 1 000)	Attributable to shareholders of Hurtigruten Group AS Share capital and premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2020	185 288	(5 082)	(117 373)	**62 834**	(100)	**62 734**
Reclassification previous years [1)]	(88)	-	88	**-**	-	**-**
Balance at 1 January	185 200	(5 082)	(117 285)	**62 834**	(100)	**62 734**
Comprehensive income						
Net income	-	-	(159 226)	**(159 226)**	(1 318)	**(160 544)**
Other comprehensive income	-	(562)	(3 781)	**(4 342)**	(15)	**(4 357)**
Total comprehensive income	-	*(562)*	*(163 007)*	***(163 569)***	*(1 333)*	***(164 902)***
Transactions with owners						
Transactions with non-controlling interests	-	-	-	**-**	(5)	**(5)**
Balance at 31 December 2020	185 200	(5 643)	(280 292)	**(100 735)**	(1 438)	**(102 172)**

[1)] Reclassification relates to group contribution from Silk Topco AS to Hurtigruten Global Sales AS in 2015, classified as paid-in capital in the financial statements of Hurtigruten Global Sales AS. The Group contribution should have been classified within retained earnings in the statement of equity of Hurtigruten Group.

Statement of cash flow

(EUR 1 000)	*Note*	**2021**	2020
Cash flows from operating activities			
Profit/(loss) before income tax		**(273 941)**	(163 668)
Adjustments for:			
Depreciation, amortisation and impairment losses	*7,8*	**92 561**	76 951
Other losses/gains - net		**(4 556)**	-
Foreign exchange gains/losses	*26, 28*	**3 076**	2 899
Unrealised gains/losses derivatives		**(4 564)**	15 850
Net Interest expenses		**78 429**	63 972
Share of profit and loss of associates		**(39)**	52
Fair value adjustments on financial investments		**-**	999
Difference between expensed pension and payments	*17*	**(631)**	(1 901)
Change in working capital:			
Inventories	*12*	**(5 391)**	4 004
Trade and other receivables	*11*	**(15 588)**	16 859
Trade and other payables	*20*	**19 154**	(53 258)
Change in deposits from customers	*21*	**69 175**	(8 217)
Settlement of financial instruments		**-**	(10 850)
Income tax paid	*16*	**7**	(2 079)
Net cash flows from (used in) operating activities		**(42 308)**	(58 387)
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	*7*	**(32 292)**	(95 334)
Proceeds from sale of property, plant, equipment (PPE)		**56 902**	316
Purchases of intangible assets	*8*	**(7 272)**	(10 014)
Purchase and proceeds from sale of shares	*9*	**(20 570)**	-
Change in restricted funds	*13*	**45 877**	(43 428)
Net cash flows from (used in) investing activities		**42 645**	(148 460)
Cash flows from financing activities			
Proceeds from borrowings	*15*	**46 550**	524 079
Repayment of borrowings	*15*	**(25 758)**	(265 851)
Payment of lease liabilities	*15, 29*	**(6 073)**	(4 767)
Transactions with non-controlling entities		**13**	-
Paid interest and finance fees		**(60 915)**	(58 007)
Proceeds from borrowings from other group companies	*15*	**75 000**	-
Net cash flows from (used in) financing activities		**28 816**	195 454
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**29 154**	(11 393)
Cash and cash equivalents at the beginning of the period		**17 255**	35 674
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**1 802**	(7 026)
Cash and cash equivalents at the end of the period	*13*	**48 211**	17 255
Restricted cash	*13*	**8 905**	54 782
Cash and cash equivalents in statement of financial position	*13*	**57 115**	72 037

Notes to the consolidated financial statements

Note 1 - General Information

The consolidated financial statements of Hurtigruten Group (the Group) consist of Hurtigruten Group AS and its subsidiaries, headquartered at Langkaia 1 in Oslo, Norway. The group is owned by Silk Midco AS with the ultimate Norwegian parent company being Silk Topco AS, headquartered at Langkaia 1 in Oslo. The main Group activities are conducted in the subsidiaries Hurtigruten Norway AS, Hurtigruten Expeditions AS, Hurtigruten Destinations AS and Hurtigruten Global Sales AS, which are private limited liability companies registered and domiciled in Norway. The Group has offices in Oslo, Tromsø and Kirkenes, 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. The consolidated financial statements can be downloaded from Hurtigruten Groups' website www.hurtigruten.no.

With a fleet of 15 custom-built cruise vessels Hurtigruten Group is the world's largest expedition travel company focusing on sustainable expedition cruising for the global traveller. Hurtigruten Group's strategy is to generate profitable sustainable growth in all three business segments. This will be achieved by increasing capacity through the construction of new vessels, operational initiatives to realize its substantial potential, expand and renew its customer base, and strengthen the product range.

The Group's presentation currency for 2021 is Euro.

The consolidated financial statements were approved by the company's Board of Directors on 29 April 2022.

The following companies are included in the consolidated financial statements

	Registered office	Ownership/voting share
Owned by Hurtigruten Group AS (parent company)		
Hurtigruten Expeditions AS	Oslo, Norway	100 %
Hurtigruten Norway AS	Tromsø, Norway	100 %
Hurtigruten Global Sales AS [1)] (Hurtigruten AS)	Oslo, Norway	100 %
Hurtigruten Global Services AS [1)] (Hurtigruten Pluss AS)	Oslo, Norway	100 %
Hurtigruten Destinations AS [1)] (Hurtigruten Onshore Operations AS)	Oslo, Norway	100 %
Hurtigruten Investments AS	Oslo, Norway	100 %
Hurtigruten AS [1)] (HRG Eiendom AS)	Oslo, Norway	100 %
Coastal Holding AS [2)3)]	Oslo, Norway	100 %
Owned by Hurtigruten Expeditions AS		
Hurtigruten Offshore Excursions AS	Oslo, Norway	100 %
Hurtigruten Expedition Fleet AS	Oslo, Norway	100 %
Hurtigruten Explorer AS	Oslo, Norway	100 %
Explorer I AS	Oslo, Norway	100 %
Explorer II AS	Oslo, Norway	100 %
Hurtigruten Expedition Crew AS	Oslo, Norway	100 %
Hurtigruten Expedition Cruises AS	Oslo, Norway	100 %
Hurtigruten Expedition Technical Services GmbH	Hamburg, Germany	50 %
Hurtigruten Expeditions Hotel Support GmbH	Hamburg, Germany	100 %

Owned by Hurtigruten Norway AS		
Hurtigruten Coastal AS [1] (Hurtigruten Cruise AS)	Tromsø, Norway	100 %
Hurtigruten Sjø AS	Tromsø, Norway	100 %
Hurtigruten Coastal Fleet AS	Tromsø, Norway	100 %
MS Richard With AS	Tromsø, Norway	100 %
MS Nordlys AS	Tromsø, Norway	100 %
Owned by Hurtigruten Global Sales [1]		
Hurtigruten Estonia OÜ	Tallinn, Estonia	100 %
Hurtigruten GmbH	Hamburg, Germany	100 %
Hurtigruten Inc.	Seattle, USA	100 %
Norwegian Coastal Voyage Ltd	London, UK	100 %
Hurtigruten SAS	Paris, France	100 %
Hurtigruten Svalbard AS	Longyearbyen, Svalbard, Norway	100 %
Hurtigruten Australia Pty Ltd	Melbourne, Australia	100 %
Owned by Norwegian Coastal Voyage Ltd		
Hurtigruten Ltd	London, UK	100 %
Hurtigruten Asia Pacific	Hong Kong	100 %
Owned by Hurtigruten Svalbard AS		
Green Dog Svalbard AS	Longyearbyen, Svalbard, Norway	50 %
Owned by Hurtigruten Destinations AS [1]		
Hurtigruten Barents AS	Kirkenes, Norway	100 %
Owned by Hurtigruten Barents AS		
Sollia Gjestegård Holding AS (Arctic Secret Holding AS) [1]	Kirkenes, Norway	100 %
Sollia Gjestegård AS	Jarfjord, Norway	100 %
Owned by Hurtigruten Investments AS		
Empresa Turistica International C.A.	Puerto Ayora, Ecuador	25 %
Owned by Coastal Holding AS [2]		
Coastal 1 AS [2][3]	Oslo, Norway	100 %
Coastal 2 AS [2][3]	Oslo, Norway	100 %
Kirberg Shipping KS [2][3]	Tromsø, Norway	100 %

1) The entity has changed its corporate name since the publication of 2020 annual report

2) Kirberg Shipping KS was liquidated in June 2021. Coastal Holding AS, Coastal 1 AS and Coastal 2 AS were liquidated in September 2021

3) Coastal Holding AS and its subsidiaries were transferred from the parent company Silk Topco AS to Hurtigruten Group AS in May 2021 and remained under that parent until their liquidation

Note 2 - Summary of Significant Accounting Policies

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and further requirements in Norwegian Accounting Law (Regnskapsloven).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets, defined benefit plan assets. and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

These financial statements aim to provide useful financial information which meet the common information needs of its primary users. Materiality judgments are necessary to meet this objective, and management has made such judgments related to recognition, measurement, presentation and disclosures. With reference to the complete set of financial statements, information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions taken by primary users based on the information provided. The materiality judgments are reassessed at each reporting date and updated based on changed facts and Group specific circumstances.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

2.2 BASIS OF CONSOLIDATION AND ACCOUNTING

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from 1 January 2021 to 31 December 2021, including comparable numbers for the previous year.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

A) ASSOCIATES

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

B) EQUITY METHOD

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

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) SEGMENT REPORTING

The Group's reportable segments are in accordance with how the corporate management makes, follows up and evaluates its decisions. The operating segments have been identified based on internal management information that is periodically reviewed by the corporate management and used as a basis for resource allocation and key performance review.

The Group has three operating segments: Hurtigruten Norway, Hurtigruten Expeditions and Hurtigruten Destinations. Activities that do not naturally fall within these segments are bundled in Group functions & other.

B) FOREIGN CURRENCY TRANSLATION

(I) FUNCTIONAL AND PRESENTATION CURRENCY

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional 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 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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at monthly average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 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. 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 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 Costal 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 based on 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 the Group`s 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 Direct cost of goods and services in the Statement of Income.

(V) CANCELLATIONS, GUARANTEES ETC

Hurtigruten Global Sales 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 2021 and 2020.

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist primarily of 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.

Depreciation is calculated to reduce the cost of assets, other than land, which is not depreciated, to their estimated residual value, if any, over their estimated useful lives. Depreciation commences when the assets are ready for their intended use. Property, plant and equipment are not depreciated once classified as held for sale. Periodic maintenance of ships 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 based on historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated based on estimated sales values for operating assets at the end of their expected useful life.

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 on a net basis, as the difference between the sales price and the book value.

The cost of ships under construction includes progress payments for the construction of new ships, 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.

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 recognized in the balance sheet is assessed to have an indefinite useful life and is therefore tested annually for impairment.

(III) OTHER INTANGIBLE ASSETS

Intangible assets consist mainly of development costs for computer systems and web sites 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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred.

(III) SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances are evaluated to be impairment indicators. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the recoverable amount. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that have historically been impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

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 of the asset.

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 presented on a net basis in the income statement in the period in which they arise. Dividends from financial assets at fair value through profit or loss are recognized 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 bunker oil price risk. 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 the statement of equity.

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.

Trade receivables are adjusted for provision for impairment in accordance with the expected credit loss model. The Group applies the simplified approach for trade receivables, measuring the loss allowance at an amount equal to lifetime expected credit losses. Impairment for expected credit losses is recognised in the income statement and updated at each reporting date. The impairment is calculated by considering the historic evidence of the level of bad debt experienced for customer types and the aging of the receivable balance.

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 Interest-bearing liabilities 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) INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Subsequently, Interest-bearing liabilities 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 Interest-bearing liabilities as part of the effective interest.

Interest-bearing liabilities 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, profits 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.

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 rental agreements related to properties and equipment, which represent future obligations for the Group. According to IFRS 16 all material lease obligations are to be recognised in the balance sheet as an interest-bearing debt. This also requires recognition of the corresponding asset as a right of use asset.

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 economic 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 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 rental of buildings, ships, machinery and Equipment.

For a possible sale and leaseback transaction, the requirements in IFRS 15 for determining when a performance obligation is satisfied is first assed. Before applying the required accounting treatment in IFRS 16 for a sale and leaseback transaction.

The Group leases two vessels that are not assed to be IFRS 16 leases, but recognised as property, plant and equipment with a corresponding loan classified as secured Interest-bearing liabilities.

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

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

The Group has in connection with Government Covid-19 relief packages received government grants. The grants are recognized when there is reasonable assurance that the entity will comply with the conditions, and that the grant will be received. The Group has received grants to compensate for the reduction in revenues during 2021, which is recognized as other revenue over the same periods in which the reduction in operating revenue is occurring. The group has also received Covid-19 salary subsidies government grant in 2021, which was recognized as a payroll cost reduction.

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.

V) BUSINESS COMBINATION

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(I) BUSINESS COMBINATION UNDER COMMON CONTROL

There is currently no specific guidance on accounting for common control transactions that involve the transfer of control over one or more businesses under IFRS Standards. As IFRS 3 Business Combinations does not address the appropriate accounting for business combinations under common control, which the standard excludes from its scope. In the absence of specific guidance, the Group has developed and selected an appropriate accounting policy using the hierarchy described in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Considering relevant facts and circumstances for common control transactions management has chosen to apply a method broadly described as predecessor accounting. The principles of predecessor accounting are that assets and liabilities of the acquired entity are stated at predecessor carrying values, and fair value measurement is not required. No new goodwill arises in predecessor accounting. Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings.

A prospective presentation method is applied. Where the acquired entity's results and balance sheet are incorporated prospectively from the date on which the business combination between entities under common control occurred.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. This is related to the following standards:

- COVID-19-Related rent concessions (amendment to IFRS 16)
- Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16)
- Amendments to IFRS 4 Insurance contracts

The adoption of these items did not have a significant impact on the financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Note 3 - Critical Accounting Judgements and Key Sources of Estimation Uncertainity

In applying the Group's accounting policies, which are described in note 2, the management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The following represents a summary of the critical accounting judgements the management has made in the process of applying the Group's accounting policies.

(A) ESTIMATED IMPAIRMENT OF GOODWILL AND TRADEMARK, SEE NOTE 8

The Group performs annual tests to assess potential impairment of goodwill and trademark, see 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, SEE NOTE 7

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 f. The book value of the ships is included in the annual impairment test of goodwill and trademark.

(C) DEFERRED INCOME TAX ASSETS, SEE NOTE 16

Deferred tax assets are recognised to the extent that it is probable that the tax assets will be realised. Significant judgement is required to determine the amount that can be recognised. The recognition of deferred income tax assets depends 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 taxable profits in the Group and includes an assessment of the Group's future strategy, economic developments in the markets in which the Group operates and tax planning strategies. 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 16 for more information on deferred income tax assets recognised in the balance sheet.

(D) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS, SEE NOTE 10

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, SEE NOTE 17

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 17 for more information about pensions.

(F) UNCERTAIN TAX POSITIONS, LEGAL PROCEEDINGS, CLAIMS AND REGULATORY DISCUSSIONS, SEE ALSO NOTE 5 AND 18

The Group is subject to various legal proceedings, disputes and claims including regulatory discussions related to the Group's business, value added tax (VAT), tax positions, etc., of which the outcomes are subject to uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to accrue for a matter that has not been previously accrued for because it was not considered probable, or a reasonable estimate could not be made or increase or decrease an amount accrued for a matter in previous reporting periods.

(G) LEASES, SEE ALSO NOTE 7, 15 AND 29

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 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

4.1 FINANCIAL RISK FACTORS

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.

The Group has exposure to the following risk from its use of financial instruments: market risk (including currency, bunker price, interest rate risk), credit risk and liquidity risk.

(A) MARKET RISK

(I) CURRENCY RISK

The Group's presentation currency and main functional currency is EUR. However, the Group operates internationally and is exposed to currency risk in multiple foreign currencies, in particular USD, GBP and NOK. Currency risk arises from revenues, operational and capital expenditures as well as recognised assets and liabilities in foreign currency. The Group also has some investments in foreign subsidiaries whose net assets are exposed to currency translation risk.

The Group seeks to minimise currency risk by matching foreign currency inflows with outflows. The Group shall have as a goal of achieving natural hedge where possible from contracts with suppliers. There is no financial hedging in place for any underlying cash flow in foreign currency, but foreign currencies are exchanged regularly to minimize the currency risk exposure.

The table below shows the impact on the Group's profit/loss and equity from potential changes in the exchange rate for EUR against the main foreign currencies based on the exchange rate as of 31 December 2021, 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.

	Impact on net profit/loss after tax	Impact on equity
(EUR million)	**2021**	**2021**
Change NOK/EUR 5%	3,0	3,0
Change USD/EUR 5%	(0,0)	(0,0)
Change GBP/EUR 5%	1,2	1,2

The calculations assume that the EUR depreciates by 5% against the relevant currencies. With an equivalent appreciation of the EUR, the amounts would have an equal and opposite value.

(II) PRICE RISK

In 2021 the Group's total bunker cost was EUR 39.8 million which is 20.5% of Group total operating revenues, and the Group is therefore exposed to fluctuations in the price of bunker fuel. In order to reduce the risk related to fluctuations in the fuel price the Group has implemented a fuel hedging policy where the key principle is to obtain visibility on profit, and therefore the hedging policy is linked to the development in the booking curve (actual Passenger Cruise Nights (PCN) booked vs. budgeted PCN). For example, if at any given time 75% of budgeted PCNs are booked, a minimum of 50% of the bunker fuel volume associated with the PCN volume sold is hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

Developments relating to Russia's invasion of Ukraine could adversely affect global and regional economic conditions and trigger volatility in the prices of bunker fuel.

During 2021, the majority of the bunker fuel hedging contracts expired. In January 2022 the Group entered a derivatives contract to hedge a portion of the forecasted total fuel consumption, approximately 49% for 2022 and 15% for 2023.

(III) INTEREST RATE RISK

The Group's interest rate risk is primarily associated with current and non-current borrowings. The Group's borrowings are subject to a variable interest rate which present a risk to the Group's overall cash flow. The Group is exposed to EURIBOR through its floating rate EUR borrowings with a zero EURIBOR floor and exposed to NIBOR through its term loans in NOK. The Group has no specific hedging strategy to reduce variable interest rate risk, but the risk is monitored and evaluated on a regular basis. The following table shows the split between fixed interest borrowings and floating rate borrowings:

(EUR 1 000)	**2021**	**2020**
Fixed interest rate		
Bond	**296 696**	295 625
Financial lease vessels	**81 718**	93 362
Other borrowings	**75 000**	-
Total	**453 414**	388 987
Floating interest rate		
Term loans	**793 676**	753 667
Revolving credit facilities	**84 311**	83 964
Other borrowings	**13 580**	16 257
Lease liabilities	**74 062**	15 821
Total	**965 628**	869 709
Total interest-bearing liabilities	**1 419 042**	1 258 696

The following table shows the impact on profit/ loss and equity of an increase of interest rate of 100bp, taking into account the zero-floor for EUR borrowings and negative EURIBOR 6 months interest per 31.12.2021 of -0,546%;

(EUR million)	Impact on net profit/loss after tax **2021**	Impact on equity **2021**
Change in interest rate level with +100 basis points - NOK loans	0,1	0,1
Change in interest rate level with +100 basis points - EUR loans	4,2	4,2

(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 considered, and set based on internal and external assessments of credit ratings.

The Group undertake measures like prepayment guarantees to reduce the credit risk on large capital investments.

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's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

During 2021 the Group secured a EUR 46.5 million Term Loan D and a EUR 75 million fully subordinated shareholder loan facility from its shareholders. An increase of the Term Loan C of EUR 25 million was committed in December 2021. This contributed to strengthening the Group's liquidity. The Group and its parent company Silk Topco AS continue to evaluate options to raise additional liquidity in order to increase the financial flexibility and to have the ability to take advantage of market opportunities that will present itself coming out of the pandemic. The ultimate shareholders commitment to Hurtigruten Group was evident with the EUR 75 million subordinated shareholder loan provided in 2021.

The table below provides an indicative debt repayment schedule in nominal values over the coming 5-year period. See also note 15 for further details on the interest-bearing liabilities.

(EUR 1 000)	2022 **Less than one year**	2023-2024 **Year two and three**	2025-2026 **Year four and five**	2027--> **More than five years**
31. December 2021				
Interest-bearing liabilities	25 349	396 694	941 576	131 222
Total impact on liquidity	**25 349**	**396 694**	**941 576**	**131 222**

(in EUR 1,000)	2021 **Less than one year**	2022-2023 **Year two and three**	2024-2025 **Year four and five**	2026--> **More than five years**
31. December 2020				
Interest-bearing liabilities	20 082	232 282	728 676	300 642
Total impact on liquidity	**20 082**	**232 282**	**728 676**	**300 642**

4.2 HEDGE ACCOUNTING

The Group entered into forward swaps in 2018 to hedge a portion of the forecasted future bunker oil consumption for 2021 with strike prices ranging from 634,4 to 660,5$/MT.

The forward swaps have monthly settlement, and the Group will be compensated if the market price of bunker oil is above the strike, and similarly must make a payment to the counterparty 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. If 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. If an entity expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into profit or loss the amount that is not expected to be recovered.

As a result of the effects of the Covid-19 pandemic the derivatives used to hedge exposure against bunker oil price risk were assessed to no longer meet the criteria for hedge accounting. Because the hedged transaction was no longer expected to occur. At 30 September 2020 the cumulative loss existing in equity at that time was transferred to the income statement as a reclassification adjustment.

Because the bunkers derivatives no longer meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss in the period after 30 September 2020. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The movement in the cash-flow hedge reserve recognised in other comprehensive income is as follows:

(EUR 1 000)	**2021**	2020
Opening balance	**(0)**	(2 483)
Reclassified into profit / loss	-	(8 471)
Change in fair value of hedging instruments	-	10 954
Currency translation differences	-	-
Closing balance	**(0)**	(0)

(EUR 1 000)	**2021**	2020
Current assets	**1**	-
Current liabilities	**2**	4 564
Net asset/(liability)	**(1)**	(4 564)

4.3 THE GROUP'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 grow the business and 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. The Group has in 2021 initiated several initiatives and during the year secured several loan facilities to make sure that the Group is well funded and has enough liquidity to continue as a going concern. See 4.1(c) in this note and note 15 Borrowings for details around amounts, terms and conditions.

Note 5 - Contingencies and Guarantees

As of 31 December 2021, no significant liabilities are expected to arise from contingent liabilities that have not already been provided for in the financial statements (Note 18).

Guarantees from banks and insurance companies are purchased in order to reduce the restricted cash amount. This mainly consist of issued travel bonds in connection to travel guarantee schemes in United Kingdom of England, Germany and Norway for the amount of EUR 110.8 million. Tax bond to ensure that the tax authorities have security on claim of payroll tax. As well as other external guarantees, mainly related to operations in US and payment collection.

Purchased bank and insurance company guarantees are not shown in the information below.

MEMBERSHIP OF THE NOX FUND

Hurtigruten Global Sales 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 2 February 2018. The fund reported in their year-end report for 2020 that the targets for 2020-2021 is likely to be met, mainly because of low activity in 2020.

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 25.9 million (EUR 2.6 million) in nitrogen dioxide tax was recognised in Hurtigruten Group's consolidated financial statements for 2021 compared to NOK 21.7 million in 2020.

CO2 EMISSIONS – COASTAL SERVICE AGREEMENT WITH THE MINISTRY OF TRANSPORTATION

As part of the requirements in the Norwegian coastal contract with the Norwegian Ministry of Transport and Communications, the maximum level of CO2 emission is set to a total average of 103 000-ton CO2 equivalents per year during the contract period from January 2021 to December 2030. The Group has started projects to upgrade three of the ships in the Hurtigruten Norway fleet to battery-hybrid power which will significantly reduce the emission of CO2 equivalents throughout the contract period. No provision has been made in the Group consolidated financial statements as of 31 December 2021.

LEGAL ITEMS

The Group is currently not involved in pending material litigation but has received a notice of litigation from an LNG supplier concerning a claim for contract compensation of approximately EUR 34 million. The Group has considered the claim together with external legal counsel and is of the clear view that the notified claim is unfounded and does not represent a material risk exposure to the Group. No provision has been made in the Group consolidated financial statements as of 31 December 2021.

The Group is subject to certain other disputes and claims related to the Group's business. While acknowledging the uncertainties related to these matters, the management is of the opinion that based on the information currently available, these matters will be resolved without any material adverse effect individually or in the aggregate on the Group's financial position.

Note 6 - Segment Information

(A) PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

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 Group`s ultimate decision-maker, which is responsible for allocation of resources and assessment of earnings generated by the operating segments, is defined as the Board and Group management. The classification is broken down into the business segments Hurtigruten Norway, Hurtigruten Expeditions and Hurtigruten Destinations. Activities that do not naturally fall within these three segments as well as group functions are bundled in Group functions, other and eliminations.

	Hurtigruten Norway		Hurtigruten Expedition		Hurtigruten Destinations	
(EUR 1 000)	**2021**	2020	**2021**	2020	**2021**	2020
Operating revenues	**74 263**	92 388	**30 154**	53 908	**16 539**	12 470
Contractual revenues	**71 715**	79 162	**-**	-	**-**	-
Other operating income[1)]	**-**	-	**-**	-	**1 008**	2 002
Total operating revenues and other income (note 21)	**145 978**	171 550	**30 154**	53 908	**17 547**	14 472
Direct cost of good and services	**(17 777)**	(21 686)	**(8 100)**	(16 094)	**(4 830)**	(4 780)
Salaries and personnel costs	**(38 866)**	(37 600)	**(24 344)**	(17 261)	**(6 432)**	(4 886)
Other operating costs	**(66 660)**	(58 136)	**(35 677)**	(31 578)	**(2 917)**	(3 495)
Net other gains/(losses)	**993**	(6 795)	**1 148**	(757)	**4 765**	5
EBITDA	**23 669**	47 334	**(36 818)**	(11 782)	**8 133**	1 315
						-
Depreciation, amortisation and impairment losses	**(45 470)**	(31 387)	**(27 468)**	(19 435)	**(4 197)**	(3 492)
Operating profit/(loss) (EBIT)	**(21 801)**	15 946	**(64 286)**	(31 217)	**3 936**	(2 177)
Net financial items	**(4 203)**	-	**(8 084)**	-	**(3 164)**	-
Share of profit/(loss) from associated companies	**-**	-	**-**	-	**39**	(52)
Profit/(loss) before taxes	**(26 003)**	15 946	**(72 370)**	(31 217)	**812**	(2 229)

	Group functions, other and eliminations		Hurtigruten Group	
(EUR 1 000)	**2021**	2020	**2021**	2020
Operating revenues	**1 162**	682	**122 117**	159 449
Contractual revenues	**-**	-	**71 715**	79 162
Other operating income[1)]	**27 848**	28 153	**28 856**	30 155
Total operating revenues and other income (note 21)	**29 009**	28 835	**222 688**	268 766
Direct cost of good and services	**(445)**	122	**(31 152)**	(42 439)
Salaries and personnel costs	**(48 193)**	(32 943)	**(117 834)**	(92 690)
Other operating costs	**(75 780)**	(43 587)	**(181 033)**	(136 797)
Net other gains/(losses)	**(3 889)**	(7 172)	**3 018**	(14 719)
EBITDA	**(99 298)**	(54 745)	**(104 314)**	(17 879)
Depreciation, amortisation and impairment losses	**(15 426)**	(22 637)	**(92 561)**	(76 951)
Operating profit/(loss) (EBIT)	**(114 724)**	(77 382)	**(196 875)**	(94 830)
Net financial items	**(61 654)**	(68 785)	**(77 105)**	(68 785)
Share of profit/(loss) from associated companies	**-**	-	**39**	(52)
Profit/(loss) before taxes	**(176 379)**	(146 167)	**(273 941)**	(163 667)

[1)] Other operating income consist of the government grants received from the Norwegian and German state Government compensation scheme, which were granted to enterprises with a significant drop in revenues due to Covid-19.

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 NORWAY

Hurtigruten Norway operates under the brand Hurtigruten Norwegian Coastal Express. Its scheduled voyages along the beautiful Norwegian coast between Bergen and Kirkenes offer domestic and international guests a unique and immersive travel experience, connecting the international traveller with the everyday life and infrastructure of local communities since the very first departure 129 years ago.

Hurtigruten Norway operates 7 out of 11 ships on the Coastal route, under a new State agreement valid from 2021 to 2030. The vessel schedule and infrastructure are leveraged to provide a combination of local transport and freight services on top of the unique small-ship cruise offering. For this schedules service Hurtigruten Norway receives an annual fixed fee from the Norwegian government under the coastal service contract.

In 2021 Hurtigruten Norway received the full annual fixed fee from the Government despite reduced operations in the first half of 2021. Hurtigruten Norway operated five of the seven ships from 1 January 2021 and was back to full operations with its seven ships from 10 July 2021. In 2020 Hurtigruten Norway has operated between two and seven ships on the scheduled voyages between Bergen and Kirkenes because of the Covid-19 pandemic.

HURTIGRUTEN EXPEDITIONS

Hurtigruten Expeditions is the world's largest and leading expedition cruise line, offering expedition cruises to over 30 countries across 5 continents – including Galapagos, Antarctica, South America, Alaska, Iceland, Greenland, Svalbard, West-Africa, British Isles, Norway and a variety of other destinations.

Four out of eight ships in the Hurtigruten Expeditions fleet did not operate in 2021 because of the Covid-19 pandemic. MS Otto Sverdrup and MS Maud were back in operations in the third quarter of 2021 and MS Fram and MS Roald Amundsen in the fourth quarter of 2021. In 2020 the Hurtigruten Expeditions fleet was mainly in warm lay-up from April.

HURTIGRUTEN DESTINATIONS

Hurtigruten Destinations' main operation is under the Hurtigruten Svalbard brand, which operates the Radisson Blu Polar Hotel, Funken Lodge and the Coal Miners' Cabins, as well as arctic adventure tourism.

The archipelago of Svalbard is the Northernmost settlement in the world and one of the most remote and unique destinations, where there are more polar bears than people. 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 Svalbard's operations – originating in 1896 – is the largest and most diversified on Svalbard.

In the second quarter of 2021 Hurtigruten Group closed the sale of real-estate portfolio on Svalbard to Store Norske Spitsbergen Kullkompani AS ("SNSK"). At the same time, it entered into a 30-year lease agreement with SNSK for the real estate portfolio and continues to operate them and further develop the product offering on Svalbard.

GROUP FUNCTIONS, OTHER AND ELIMINATIONS

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

(B) SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS AND REVENUE SPLIT

Operating revenues have been separated into geographical areas depending on the market where 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 Hurtigruten Destinations segment have all been allocated to the Nordic market.

2021

(EUR 1 000)	Ticket revenue	Flights, hotel and trans-portation	Presold food, beverages, shop and excursions	Contractual revenue	Other operating revenue	Total operating revenues
Nordic market / Onboard sales / Landbased segment	18 235	592	4 320	71 715	32 282	**127 144**
Germany	23 148	3 935	8 181	-	2 036	**37 300**
France	2 167	572	814	-	297	**3 850**
United Kingdom	8 794	1 325	3 254	-	651	**14 025**
Rest of Europe	4 825	143	2 099	-	258	**7 325**
United States and Canada	2 769	538	510	-	276	**4 093**
Asia / Pacific	47	6	11	-	30	**94**
Total operating revenues	**59 984**	**7 112**	**19 191**	**71 715**	**35 831**	**193 832**

2020

(EUR 1 000)	Ticket revenue	Flights, hotel and trans-portation	Presold food, beverages, shop and excursions	Contractual revenue	Other operating revenue	Total operating revenues
Nordic market / Onboard sales / Landbased segment	24 134	3 297	4 166	79 162	34 097	**144 857**
Germany	17 661	6 097	4 894	-	5 283	**33 934**
France	2 511	784	758	-	1 070	**5 124**
United Kingdom	11 318	4 064	5 027	-	1 017	**21 426**
Rest of Europe	5 752	562	1 657	-	582	**8 554**
United States and Canada	7 253	1 518	1 412	-	1 052	**11 235**
Asia / Pacific	11 350	326	1 312	-	494	**13 482**
Total operating revenues	**79 980**	**16 648**	**19 225**	**79 162**	**43 596**	**238 611**

The grants received by the Norwegian and German state Government compensation scheme in both 2021 (EUR 28.9 million) and 2020 (EUR 30.2 million) are presented as Other operating income and are not part of Total operating revenues.

Note 7 - Property, Plant and Equipment

(EUR 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 2020	31 125	978 360	62 629	12 598	36 495	**1 121 208**
Reclassification previous years [1)]	7 088	219 583	386	5 605	(0)	**232 661**
As at 1 January 2020	38 212	1 197 944	63 015	18 202	36 495	**1 353 869**
Additions	2 310	27 052	46 965	4 306	5 793	**86 426**
Reclassfication to asset held for sale	-	(2 086)	-	-	-	**(2 086)**
Disposals	(1 042)	12 727	(51 156)	(501)	(1 164)	**(41 136)**
Currency translation differences	(2 087)	(1 755)	(2 032)	(1 026)	(920)	**(7 821)**
As at 31 December 2020	**37 394**	**1 233 882**	**56 793**	**20 981**	**40 204**	**1 389 253**
As at 1 January 2021	37 394	1 233 882	56 793	20 981	40 204	**1 389 253**
Reclassification previous years [1)]	3	(0)	-	-	-	**3**
As at 1 January 2021	37 397	1 233 882	56 793	20 981	40 204	**1 389 256**
Additions	73	16 463	15 102	654	36 651	**68 943**
Additions through investments in subsidiaries	-	11 743	-	-	-	**11 743**
Disposals	(35 128)	(6 707)	(32 352)	(778)	(993)	**(75 958)**
Currency translation differences	1 198	(0)	6	794	1 321	**3 318**
As at 31 December 2021	**3 540**	**1 255 381**	**39 548**	**21 651**	**77 182**	**1 397 302**
Accumulated depreciation and impairment						
As at 1 January 2020	(3 944)	(163 260)	-	(5 667)	(20 696)	**(193 568)**
Reclassification previous years [1)]	(7 088)	(219 583)	-	(5 991)	-	**(232 662)**
As at 1 January 2020	(11 032)	(382 844)	-	(11 658)	(20 696)	**(426 230)**
Depreciation	(1 534)	(48 873)	-	(1 223)	(4 597)	**(56 227)**
Disposals	41	38 063	-	(17)	-	**38 088**
Impairment losses	-	(2 215)	-	-	-	**(2 215)**
Currency translation differences	625	205	-	577	238	**1 645**
As at 31 December 2020	(11 899)	(395 664)	-	(12 322)	(25 055)	**(444 939)**
As at 1 January 2021	(11 899)	(395 664)	-	(12 322)	(25 055)	**(444 939)**
Reclassification previous years [1)]	(3)	(0)	-	(0)	-	**(3)**
As at 1 January 2021	(11 902)	(395 664)	-	(12 322)	(25 055)	**(444 942)**
Additions through investments in subsidiaries	-	(2 464)	-	-	-	**(2 464)**
Depreciation	(798)	(46 268)	-	(2 064)	(6 384)	**(55 513)**
Depreciation disposals	11 847	38 323	-	1 408	243	**51 820**
Impairment losses	-	(27 825)	-	-	-	**(27 825)**
Currency translation differences	(366)	0	-	(551)	(396)	**(1 314)**
As at 31 December 2021	**(1 219)**	**(433 897)**	**-**	**(13 529)**	**(31 593)**	**(480 238)**
Book value 31 December 2020	**25 495**	**838 218**	**56 793**	**8 659**	**15 149**	**944 313**
Book value 31 December 2021	**2 321**	**821 484**	**39 548**	**8 122**	**45 589**	**917 064**
Useful economic lifetime	25 - 40 years [2)]	20 - 40 years	N/A	5 - 10 years		

[1)] *Reclassification previous years relates to accumulated depreciations from previous years included in the acquisition costs of property plant and equipment.*

[2)] *Land has indefinite useful economic lifetime; hence it is not subject to depreciations.*

The decrease in land and buildings is explained by the sale of real estate portfolio on Svalbard to Store Norske that took place in June 2021. Refer to note 26 for further information.

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.

IMPAIRMENT AND REVERSAL OF IMPAIRMENT

In 2021, the Group recognised impairments of technical equipment on the Hurtigruten Norway fleet of EUR 21.3 million. After a thorough evaluation of the technical feasibility and consolidated risks relating to the potential conversion of ships to gas propulsion (LBG and LNG), Hurtigruten Norway has chosen to go forward with an alternative technical solution for the ships. Instead of retrofitting ships with gas engines, battery-electric hybrid technology in combination with biodiesel will be used.

In 2021, the Group operated 15 cruise ships, however, due to the ongoing Covid-19 pandemic, most of the ships have been laid up in warm stack until summer 2021. The Group reviews the long-lived assets for impairment whenever events or circumstances indicate potential impairment.

The negative impacts of the Covid-19 pandemic on the travel industry is an impairment trigger. As of 31 December 2021, the Group has assessed the carrying values of the ships against the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The value in use has been estimated for the ships on a cash generating unit level and has been calculated based on the present value of estimated future cash flows. The projected cash flows represent managements best estimate for future ramp-up in operations after the Covid-19 effects on the travel industry. As of year-end the estimated value in use is equal to or higher than the carrying value of the assets, and no impairment has been recognized in the financial statements as of 31 December 2021. This is further supported by bookings for the 12-month period from second quarter 2022 to first quarter 2023. Which are above pre-pandemic levels and at higher yields across all business units. See note 8 for further information.

ASSET HELD FOR SALE

In November 2020, Hurtigruten Group signed a Letter of Intent to sell the ship MS Lofoten to the Foundation for Maritime High School, Southern Norway. The transaction was completed during the summer of 2021. The carrying value of the ship as per 31 December 2020 was reclassified as asset held for sale.

Note 8 - Intangible Assets

(EUR 1 000)	**Goodwill**	**Trademark**	**Intangible assets under construction**	**Other intangible assets**	**Total**
Acquisition cost					
As at 1 January 2020	198 697	45 621	-	139 651	**383 969**
Reclassification previous years [1)]	-	-	24 134	(92 409)	**(68 275)**
As at 1 January 2020	198 697	45 621	24 134	47 242	**315 695**
Additions	-	-	9 872	142	**10 014**
Disposals	-	-	(23 276)	10 198	**(13 078)**
Currency translation differences	(84)	-	(1 545)	(1 918)	**(3 547)**
As at 31 December 2020	198 613	45 621	9 185	55 664	**309 084**
As at 1 January 2021	198 613	45 621	9 185	55 664	**309 084**
Additions	-	-	5 528	1 744	**7 272**
Disposals	-	-	(8 630)	6 817	**(1 813)**
Currency translation differences	66	-	400	2 188	**2 655**
As at 31 December 2021	**198 679**	**45 621**	**6 483**	**66 413**	**317 197**
Accumulated amortisation and impairment					
As at 1 January 2020	-	-	-	(107 664)	**(107 664)**
Reclassification previous years [1)]	-	-	-	68 275	**68 275**
As at 1 January 2020	-	-	-	(39 390)	**(39 390)**
Amortisation	-	-	-	(6 179)	**(6 179)**
Depreciation disposals	-	-	-	12 956	**12 956**
Impairment losses	-	-	-	(11 570)	**(11 570)**
Currency translation differences	-	-	-	1 597	**1 597**
As at 31 December 2020	**-**	**-**	**-**	**(42 586)**	**(42 586)**
As at 1 January 2021	-	-	-	(42 586)	**(42 586)**
Amortisation	-	-	-	(6 237)	**(6 237)**
Depreciation disposals	-	-	-	1 610	**1 610**
Impairment losses	(1 384)	-	-	(1 601)	**(2 985)**
Currency translation differences	(52)	-	-	(1 642)	**(1 694)**
As at 31 December 2021	**(1 437)**	**-**	**-**	**(50 456)**	**(51 893)**
Book value 31 December 2020	**198 613**	**45 621**	**-**	**13 079**	**266 498**
Book value 31 December 2021	**197 242**	**45 621**	**-**	**15 957**	**265 304**
Useful economic lifetime	Indefinite	Indefinite	N/A	3 - 10 years	

[1)] Reclassification previous years relates to accumulated depreciations from previous years included in the acquisition costs of intangible assets

In 2014, Hurtigruten Group AS acquired 100% of the outstanding shares of Hurtigruten Global Sales AS. As a result of the acquisition, goodwill of EUR 194.6 million and an excess value of EUR 45.6 million related to contracts and trademarks were recognised.

In 2021, the Group recognized an impairment of goodwill in Hurtigruten Destinations AS of EUR 1.4 million in the statement of profit and loss, related to the land-based activities in Finnmark.

In 2021, the Group recognized an impairment of EUR 1.6 million related to miscellaneous IT software.

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.

ANNUAL IMPAIRMENT TESTS

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 acquired through business combinations has been allocated to individual cash-generating units as presented below:

(EUR 1 000)	**2021**	2020
Hurtigruten Norway	**71 607**	71 607
Hurtigruten Expeditions	**119 545**	119 545
Hurtigruten Destinations	**6 091**	7 461
Sum	**197 242**	198 613

The change in the Hurtigruten Destinations segment is due to an impairment of EUR 1.4 million that was recognized in 2021 related to the land-based activities in Finnmark.

The recoverable amount of a cash-generating unit is calculated based on forecasted results and liquidity forecasts for the units approved by management and the Board of Directors.

Assumptions applied when calculating the recoverable amount:

	Hurtigruten Norway	**Hurtigruten Expeditions**	**Hurtigruten Destinations**
Growth rate	2.0 %	2.0 %	2.0 %
Discount rate after tax	12.0 %	13.0 %	10.0 %

The recoverable amount has been calculated based on the latest updated forecast for EBITDA for 2022 and the next five years. The forecast represents managements best estimate for the ramp up in operations after the Covid-19 pandemic, including estimates for the range of economic conditions that will exist over the period, including expectations regarding occupancy rate, fuel prices and salary development. Expected future cash flows are based on forecasted EBITDA deducted for capex, tax effects of depreciation and changes in net working capital (NWC). Subsequently the terminal value is used. For the period beyond 2026, 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.

Sensitivities:

The value in use calculation is mainly affected and sensitive to changes in occupancy rate assumptions and discount rate. Management has tested the value in use calculation to changes for these key assumptions, and an increase or decrease of 5% for the occupancy rate and 1 percentage point for the discount rate, does not alter the outcome of the impairment test.

Impairment in 2021 and 2020:

On the bases of this analysis, the Group has not recognised any significant impairments of the carrying value of goodwill and trademarks in 2021 or 2020.

Note 9 - Investments in Associates

This table presents the associates and joint ventures of the Group as at 31 December 2021 and 2020 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. Green Dog Svalbard AS offers dog-related activities on Svalbard. These include dog sledding, overnight trips with teams of dogs and similar. The Group bought 24.9% of the shares in Empresa Turistica Internacional C.A. in the fourth quarter of 2021. The Company operates under the brand Metropolitan Touring and offers a wide range of travel products in Ecuador, including three ships used for sailings at Galapagos and the luxury resort Finch Bay on Galapagos. Hurtigruten Group didn't have any material transactions with Empresa Turistica during the last quarter of 2021, except for the purchase of shares.

31 DECEMBER 2021

Company	**Green Dog Svalbard AS**	**Empresa Turistica Internacional C.A.**	**Total**
Registered office	Longyearbyen, Svalbard	Equador	
Shareholding	50.0 %	24.9 %	
(EUR 1 000)			
Acquisition cost	5	-	**5**
Accumulated share of profits, 1 January 2021	824	-	**824**
Accumulated equity distributions, 1 January 2021	(251)	-	**(251)**
Items recorded against other comprehensive income	(71)	-	**(71)**
Carrying value, 1 January 2021	**507**	**-**	**507**
Additions through new investments	-	20 536	**20 536**
Share of profit/(loss) after tax	39	-	**39**
Currency effect	34	-	**34**
Carrying value, 31 December 2021	**580**	**20 536**	**21 116**

31 DECEMBER 2020

Company	**Green Dog Svalbard AS**
Registered office	Longyearbyen, Svalbard
Shareholding	50.0 %
(EUR 1 000)	
Acquisition cost	5
Accumulated share of profits, 1 January 2020	876
Accumulated equity distributions, 1 January 2020	(251)
Items recorded against other comprehensive income	2
Carrying value, 1 January 2020	**631**
Share of profit/(loss) after tax	(52)
Currency effect	(73)
Carrying value, 31 December 2020	**507**

Note 10A - Financial Instruments by Category

The following categories have been used for subsequent measurement of financial assets and liabilities:

AS AT 31 DECEMBER 2021

		Financial assets and liabilities					
(EUR 1 000)	*Note*	**Amortised cost**	**Financial instruments at fair value through profit and loss**	**Financial instruments at fair value through OCI**	**Derivatives used for hedging**	**Non-financial assets and liabilities**	**Total**
Non-current assets							
Other non-current financial assets	*11*	16 259	-	-	-	-	**16 259**
Investments in other companies		-	296	2 230	-		**2 526**
Current assets							
Trade receivables	*11*	23 922	-	-	-	-	**23 922**
Other receivables	*11*	15 113	-	-	-	14 190	**29 303**
Derivatives	*10c*	-	-	-	1	-	**1**
Cash and cash equivalents	*13*	56 998	117	-	-	-	**57 115**
Non-current liabilities							**-**
Interest-bearing liabilities	*15*	(1 394 061)	-	-	-	-	**(1 394 061)**
Derivatives	*10c*	-	-	-	(0)	-	**(0)**
Current liabilities							
Interest-bearing liabilities	*15*	(24 981)	-	-	-	-	**(24 981)**
Derivatives	*10c*	-	-	-	(2)	-	**(2)**
Trade payables	*20*	(23 496)	-	-	-	-	**(23 496)**
Other payables	*20*	(24 470)	-	-	-	(57 983)	**(82 454)**
Total		**(1 354 717)**	**413**	**2 230**	**(1)**		
Fair value[1)]		**(1 354 354)**	**413**	**2 230**	**(1)**		

1) Difference in fair value is related to interest-bearing liabilities, and mainly the bond. For the rest the carrying amount has been assessed and does not differ materially from fair value.

AS AT 31 DECEMBER 2020

(EUR 1 000)	Note	Financial assets and liabilities: Amortised cost	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Derivatives used for hedging	Non-financial assets and liabilities	Total
Non-current assets							
Other non-current financial assets	11	28 503	-	-	-	-	**28 503**
Investments in other companies		-	274	2 230	-	-	**2 505**
Current assets							
Trade receivables	11	6 193	-	-	-	-	**6 193**
Other receivables	11	20 255	-	-	-	4 405	**24 659**
Derivatives	10c	-	-	-	(0)	-	**(0)**
Cash and cash equivalents	13	71 920	117	-	-	-	**72 037**
Non-current liabilities							
Interest-bearing liabilities	15	(1 238 762)	-	-	-	-	**(1 238 762)**
Derivatives	10c	-	-	-	-	-	**-**
Current liabilities							
Interest-bearing liabilities	15	(19 934)	-	-	-	-	**(19 934)**
Derivatives	10c	-	-	-	(4 564)	-	**(4 564)**
Trade payables	20	(13 949)	-	-	-	-	**(13 949)**
Other payables	20	(47 230)	-	-	-	(36 958)	**(84 188)**
Total		**(1 193 004)**	**392**	**2 230**	**(4 564)**		
Fair value [1)]		**(1 177 440)**	**392**	**2 230**	**(4 564)**		

[1)] *Difference in fair value is related to borrowings. For the rest the carrying amount has been assessed and does 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 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 2021

(EUR 1 000)	Note	Level 1	Level 2	Level 3	Total
Assets					
Investments in other companies		-	-	2 526	**2 526**
Derivatives	10c	-	1	-	**1**
Cash and cash equivalents	13	117	-	-	**117**
Liabilites					
Derivatives	10c	-	(2)	-	**(2)**
Total		**117**	**(1)**	**2 526**	**2 642**

There were no transfers between levels 1, 2 or 3 in 2021.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2020

(EUR 1 000)	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Investments in other companies		-	-	2 505	**2 505**
Cash and cash equivalents	*13*	117	-	-	**117**
Liabilities					
Derivatives	*10c*	-	(4 564)	**-**	**(4 564)**
Total		**117**	**(4 564)**	**2 505**	**(1 942)**

SPECIFICATION OF INVESTMENTS IN OTHER COMPANIES

(EUR 1 000)	**Ownership share**	**2021**	2020
Myklebust Verft Invest AS	15.90 %	**2 230**	2 230
Other minor investments	-	**296**	274
Totals		**2 526**	2 505

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.

(EUR 1 000)	*Note*	**2021**	2020
Counterparties without external credit ratings:		**39 035**	26 447
Total trade receivables and other receivables		**39 035**	26 447
Cash bank and short-term bank deposits			
Rating A (S&P)		**56 301**	71 542
Total bank deposits		**56 301**	71 542
Cash on hand		**697**	378
Total cash and short-term bank deposits	***13***	**56 998**	**71 920**
Market based investments			
Money market fund (SICAV-France)		**117**	117
Total market based investments	***13***	**117**	117
Derivatives			
Rating AA (S&P)		**1**	(0)
Total derivatives	***10c***	**1**	(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 2021:

- Bunker oil derivatives used to hedge the price risk of bunker oil purchases. Previously treated as a cash flow hedge until requirement for hedge accounting were no longer met in 2020, see note 4 for further details.

2021

(EUR 1 000)	Assets	Liabilities
Classification of derivatives		
Forward bunker oil contracts	1	2
Total fair value of derivatives	**1**	**2**
Current	1	2
Non-current	-	0

2020

(EUR 1 000)	Assets	Liabilities
Classification of derivatives		
Forward bunker oil contracts	-	4 564
Total fair value of derivatives	**-**	**4 564**
Current	-	4 564
Non-current	-	-

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 quantum was initiated in 2018, and the purchase transactions of bunker oil was expected to occur at various dates over the period of 36 months, where the unrealized gains/losses were recognised in other comprehensive income. The forward contracts mature monthly. However, if an entity expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into profit or loss the amount that is not expected to be recovered. Given the current situation with the Covid19 pandemic affecting the certainty and timing of future profits, the Group does not expect the cumulative loss on bunker derivatives at balance sheet date to be recovered within the future hedging period. Therefore, the Group reclassified the hedging from other comprehensive income to profit and loss in 2020. Realised gains and losses are recognised in Other gains/(losses), see also note 26.

Note 11 - Receivables and Other Investments

(EUR 1 000)	2021	2020
Trade receivables	**24 560**	6 834
Less provision for impairment of trade receivables	**(638)**	(642)
Trade receivables (Note 10A)	**23 922**	6 193
Prepaid expenses	**14 190**	4 405
Other current receivables, group companies	**11**	-
Net wages claims	**5 638**	4 016
Other miscellaneous receivables	**8 398**	15 374
Prepaid income tax	**1 065**	864
Other current receivables (Note 10A)	**29 303**	24 659
Non-current receivables, group companies	**15 404**	28 312
Other non-current financial assets	**855**	192
Other non-current financial assets (Note 10A)	**16 259**	28 503

For specification of receivables from related parties, please see note 27.

AGEING OF OVERDUE TRADE RECEIVABLES

(EUR 1 000)	2021	2020
Up to three months	**3 560**	1 253
Three to six months	**2 439**	333
Over six months	**1 525**	354
Total ageing of overdue trade receivables	**7 524**	1 940

PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

(EUR 1 000)	2021	2020
Provision for impairment of receivables as of 1 January	**642**	449
Provision for impairment of receivables during the year	**479**	619
Receivables written off during the year	**(377)**	(414)
Currency translation effects	**15**	(13)
Provision for impairment of receivables as of 31 December	**638**	642

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

(EUR 1 000)	**2021**	2020
Goods purchased for resale	**14 477**	10 733
Spare parts	**904**	874
Bunkers and lubrication oil	**3 788**	2 171
Total inventories	**19 169**	13 778

The inventories were measured at lowest of cost and net realisable value in accordance with the FIFO principle.

Note 13 - Cash and Cash Equivalents

(EUR 1 000)	*Note*	**2021**	2020
Cash at bank and on hand	*10a*	**56 998**	71 920
Market-based investments [1]	*10a*	**117**	117
Cash and cash equivalents in the balance sheet		**57 115**	72 037
Restricted bank deposits [2]		**(8 905)**	(54 782)
Total cash and cash equivalents in the cash flow statement		**48 210**	17 255

[1] *Funds owned by a foreign subsidiary.*

[2] *Restricted bank deposits primarily comprise deposits for guarantees, pledged bank deposits, and tax withholding funds.*

Note 14 - Share Capital

SHARE CAPITAL	2021	2020
Total number of shares as of 01.01	30	30
Total number of shares as of 31.12	**30**	30
Nominal value as of 31.12 (NOK)	**3 001**	3 000
Share capital (total number of shares at nominal value) in EUR million	9	9
Other paid in capital (EUR million)	185 196	185 191
Total paid in equity (EUR million)	**185 205**	185 200

All ordinary shares have equal rights.

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2021

	Number of shares	Shareholding (%)
Silk Midco AS	30	100.0 %

SHARES IN ULTIMATE PARENT HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2021

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, CEO Hurtigruten Expeditions, through A. Y. Invest AS	0.4 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0.1 %
Ole-Marius Moe-Helgesen, CDO, through HMH Consulting AS	0.04 %
Hedda Felin, CEO Hurtigruten Norway, through Felinvest AS	0.04 %

The company's auditor does not own any shares in Silk Topco AS

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2020

	Number of shares	Shareholding (%)
Silk Midco AS	30	100.0 %

SHARES IN ULTIMATE PARENT HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2020

Board of Directors	
Trygve Hegnar, Chair, through Persicopus AS	4.9 %
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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 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0.1 %
Ole-Marius Moe-Helgesen through HMH Consulting AS	0.04 %
Stine Børke Steffensen, CMO, through MIMS Advice AS	0.02 %

DIVIDEND PER SHARE

No dividend is proposed for the fiscal years 2021 or 2020.

Note 15 - Interest Bearing Liabilities

CLASSIFICATION OF INTEREST-BEARING LIABILITIES

(EUR 1 000)	**2021**	2020
Non-current interest-bearing liabilities		
Secured		
Bond	**296 696**	295 625
Term loans and financial lease vessels	**869 758**	836 485
Revolving credit facilities	**84 311**	83 964
Unsecured		
Lease liabilities	**63 240**	11 560
Other interest-bearing liabilities	**80 056**	11 129
Total non-current interest-bearing liabilities	**1 394 061**	1 238 762
Current interest-bearing liabilities		
Secured		
Term loans and financial lease vessels	**7 537**	12 505
Unsecured		
Lease liabilities	**10 822**	4 261
Other interest-bearing liabilities	**6 622**	3 169
Total current interest-bearing liabilities	**24 981**	19 934
Total interest-bearing liabilities	**1 419 042**	1 258 696

MOVEMENTS IN INTEREST-BEARING LIABILITIES

(EUR 1 000)	**2021**	2020
Total borrowings 1 January	**1 258 696**	1 003 461
Cash flows		
New financing	**121 550**	524 079
Repayments	**(31 831)**	(270 619)
Borrowing costs	**(2 900)**	(16 367)
Non-cash flow		
Amortisation	**8 143**	14 777
New lease contracts or modified/remeasured contracts	**62 963**	4 658
Currency translation effects	**2 422**	(1 292)
Total borrowings 31 December	**1 419 042**	1 258 696

MATURITY PROFILE IN NOMINAL VALUES

(EUR 1 000)	**2021**	2020
Less than one year	**25 349**	20 082
Between 1 and 2 years	**396 694**	232 282
Between 3 and 5 years	**941 576**	728 676
More than 5 years	**131 222**	300 642
Total	**1 494 842**	1 281 682

Please also refer to note 29 for maturity profile for lease liabilities.

INTEREST-BEARING LIABILITIES SPECIFIED BY CURRENCY

(In 1 000)	**2021**	2020
NOK	**834 297**	405 511
EUR	**1 334 016**	1 218 836
USD	**434**	111
GBP	**787**	935
AUD	**286**	-

FAIR VALUE CALCULATIONS

The carrying amounts and the fair values of the borrowings are as follows:

	Carrying value		**Fair value**	
(EUR 1 000)	**2021**	2020	**2021**	2020
Bond	**296 696**	295 625	**281 940**	261 450
Term loans and financial lease vessels	**875 029**	848 989	**889 098**	866 470
Revolving credit facilities	**84 311**	83 964	**85 000**	85 000
Lease liabilities	**74 062**	15 821	**74 062**	15 821
Other interest-bearing liabilities	**88 944**	14 298	**88 580**	14 391
Total	**1 419 042**	1 258 696	**1 418 679**	1 243 132

The bond was listed on the Oslo Stock Exchange with ISIN: NO 0010874548 10 July 2020. The fair value for the bond is gathered from Bloomberg, which showed a value of 93.98% as of 31 December 2021, compared to an issue price of 87.15%.

For the remainder of the interest-bearing labilities, the Groups considers the fair value to approximate their carrying value. The main difference between carrying value and fair value is the capitalised expenses recognised and amortised in accordance with the effective interest method.

Term Loan B, Term Loan C, Term Loan D and Revolving Credit Facility

The Group's main source of financing is a EUR 655 million Term Loan B (matures February 2025), a EUR 105 million Term Loan C (matures June 2023), a EUR 46.5 million Term Loan D (matures June 2023) and a EUR 85 million Revolving Credit Facility (matures February 2024). The loans bear interest at EURIBOR plus a margin. The Term Loan D was issued March 2021. In December 2021 the Group secured an increase of the Term Loan C of EUR 25 million, to a total of EUR 130 million. The loan was fully drawn January 2022. The loans hold the same security package including mortgage over 9 vessels and rank pari-passu.

EUR 300 million bond

The EUR 300 million senior secured listed bond hold mortgage over the vessels MS Roald Amundsen and MS Fridtjof Nansen, bears a fixed coupon of 3.375% and matures in February 2025.

Sale lease back vessels

The Group has a sale and lease-back agreement for the vessels MS Spitsbergen, MS Richard With and MS Nordlys. The financial lease for MS Spitsbergen matures June 2028, MS Richard With and MS Nordlys matures January 2030.

Other interest-bearing liabilities

As part of the government relief package for Covid-19 affected businesses in Norway the Group secured a 3-year state guaranteed bank loan of NOK 150 million in July 2020. The loan is amortizing and matures July 2023.

In September 2021 the Group secured a EUR 75 million fully subordinated shareholder loan facility from its shareholders. The loan matures 6 months after the latest maturity of the Senior Secured Loans and bears payment in kind interest.

Lease liabilities

In June 2021 the Group successfully completed the divestment of its real-estate portfolio on Svalbard. As part of closing the transaction, Hurtigruten Svalbard entered into a 30-year operating lease agreement for the real-estate portfolio.

PLEDGES

Hurtigruten have agreed to pledge the Group's assets in favour of the lenders under the senior secured loans. The security packages include mortgage over the owned vessels and real estate of the Group. Furthermore, the relevant Group entities (subsidiaries) established pledge of shares in subsidiaries and assignment of intercompany loans and insurance.

(EUR 1 000)	**2021**	2020
Interest-bearing liabilities secured by mortgage		
Bond	**296 696**	295 625
Term loans and financial lease vessels	**877 296**	848 989
Revolving credit facilities	**84 311**	83 964
Total interest-bearing liabilities secured by mortgage	**1 258 303**	1 228 578
Book value of assets pledged as security	**862 323**	919 465
Total assets pledged as security	**862 323**	919 465

COVENANTS

Term Loan B, Term loan C and Term Loan D

There are no financial maintenance covenants.

Revolving credit facility

In February 2021 and May 2021 certain additional amendments were made to the Facility Agreement. The suspension period for the Consolidated Senior Secured Leverage Ratio Financial covenant (not greater than 7.7:1) was extended until 31 December 2022. The minimum liquidity test was adjusted in May 2021 to be at least EUR 15 million during the Suspension Period (tested monthly or, if Available Liquidity is less than EUR 45 million, bi-monthly).

The minimum Consolidated EBITDA test that applies during the Suspension Period were waived for the Quarter Period ending 31 March 2022, in respect of the Quarter Period ending 30 June 2022 not less than EUR 35.914 million and in respect of the Quarter Period ending 30 September 2022 not less than EUR 59.695 million.

EUR 300 million bond

Hurtigruten Group AS must maintain a Minimum Free Liquidity above EUR 15 million and the issuer Explorer II AS must maintain a minimum free liquidity above 50% of the next interest and amortisation instalment.

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, RCF, Term loan C and Term Loan D 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.

In June 2020 as part of the amendments made to the Facility Agreement during the suspension period the amount of Indebtedness maturing inside the maturity of the Revolving Facility that may be incurred under the Ratio Debt basket, Credit Facilities basket or General Debt basket during the Suspension Period was restricted to EUR 120 million. As part of the amendments made to the Facility Agreement in February 2021 the amount of Indebtedness maturing inside the maturity of the Revolving Facility that may be incurred under the Ratio Debt basket, Credit Facilities basket or General Debt basket during the Suspension Period was increased from EUR 120 million to EUR 166.5 million. In December 2022 the Ratio Debt basket, Credit Facilities basket or General Debt basket was increased to EUR 176.5 million in relation to the increase of Term Loan C.

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.

Note 16 - Income Taxes

INCOME TAXES

The income taxes for the year can be broken down as follows:

(EUR 1 000)	**2021**	2020
Income tax payable, current year	**(1 942)**	(518)
Income tax payable, adjustments regarding previous years	**(48)**	286
Change in deferred tax, current year	**(6 323)**	2 169
Change in deferred tax, tax rate changes and adjustments regarding previous years	**58**	1 187
Total income taxes	**(8 254)**	3 123

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

RECONCILIATION OF INCOME TAXES TO PROFIT / (LOSS) BEFORE TAXES

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:

(EUR 1 000)	**2021**	2020
Profit/(loss) before taxes	**(273 941)**	(163 668)
Expected income taxes at statutory tax rate in Norway (22 %)	**60 267**	36 007
Shipping company tax schemes - NO Tax Act only	**(46 927)**	(16 161)
Non-taxable income	**14 930**	6 116
Goodwill impairment	**(311)**	-
Gifts, representation and other non-deductable expenses	**(17 764)**	(7 382)
Effect from difference in tax rate from nominal tax rate in Norway	**(2 168)**	(1 127)
Effect from change in tax rate and tax provisions from previous years	**(48)**	283
Effect from change in valuation allowance, tax losses	**(3 386)**	(16 564)
Translation effects [1)]	**(13 293)**	1 962
Other permanent differences	**447**	(12)
Total income taxes	**(8 254)**	3 123
Weighted average tax rate calc	**N/A**	N/A

[1)] Translation effects for 2021 and 2020 is related to the change in functional currency from NOK to EUR from 1 January 2020. Mostly all the borrowings in the Group are nominated in EUR, giving no revaluation effect in the separate subsidiaries. However, the tax papers are filed in NOK, which gives high revaluation effects in the profit and loss statement in NOK for the borrowings. This in return creates a material difference in profit/(loss) before taxes in EUR compared to NOK in the respective companies.

INCOME TAXES FOR ITEMS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(EUR 1 000)		**2021**			2020	
	Before tax	**Tax effect**	**After tax**	Before tax	Tax effect	After tax
Actuarial gains/losses, pensions	**502**	**(161)**	**341**	(2 900)	622	(2 278)
Cash flow hedging	**-**	**-**	**-**	2 483	-	2 483
Currency translation differences	**(685)**	**-**	**(685)**	(4 562)	-	(4 562)
Other comprehensive income	**(182)**	**(161)**	**(343)**	(4 980)	622	(4 357)

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 Group can utilise the tax loss carry-forward against future taxable income.

2021

(EUR 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 [1]	(74 530)	13 805	-	245	(13)	(60 493)
Leasing	71	10	-	-	2	84
Pensions	1 398	41	(161)	-	23	1 301
Other non-current items	(3 995)	890	-	-	-	(3 105)
Total	**(77 056)**	**14 746**	**(161)**	**245**	**12**	**(62 213)**
Current items						
Provisions	319	(55)	-	-	1	265
Other current items	297	(402)	-	-	3	(102)
Total	**616**	**(457)**	-	-	**4**	**163**
Tax losses						
Tax loss carry forwards	79 945	(17 495)	-	0	(1 914)	60 536
Interest carry forwards [2]	13 173	0	-	-	-	13 173
Valuation allowance	(18 625)	(3 060)	-	-	(180)	(21 865)
Total	**74 493**	**(20 554)**	-	**0**	**(2 094)**	**51 844**
Total deferred tax asset / (liability)	**(1 947)**	**(6 265)**	**(161)**	**245**	**(2 078)**	**(10 206)**
Carrying value of defered tax asset	1 517					2 163
Carrying value of deferred tax liability	3 464					12 369
Net asset/(liability)	**(1 947)**	-	-	-	-	**(10 206)**

[1] *Intangible and fixed assets include the gain/loss account for the Norwegian entities.*

[2] *Interest carry forwards are not expected to be utilized and are therefore not recognised as a deferred tax asset. The counter posting is shown in the line "Valuation allowance".*

2020

(EUR 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 [1]	(91 560)	17 005	-	-	25	(74 530)
Leasing	0	71	-	-	1	71
Pensions	1 767	(946)	623	-	(45)	1 398
Other non-current items	(2 698)	(1 297)	-	-	-	(3 995)
Total	**(92 492)**	**14 833**	**623**	-	**(19)**	**(77 056)**
Current items						
Provisions	1 005	(682)	-	-	(5)	319
Other current items	68	229	-	-	0	297
Total	**1 073**	**(453)**	-	-	**(4)**	**616**
Tax losses						
Tax loss carry forwards	68 221	12 354	-	(357)	(273)	79 945
Interest carry forwards [2]	17 995	(4 822)	-	-	(0)	13 173
Valuation allowance	(618)	(18 556)	-	357	192	(18 625)
Total	**85 598**	**(11 024)**	-	-	**(81)**	**74 493**
Total deferred tax asset / (liability)	**(5 821)**	**3 356**	**623**	-	**(104)**	**(1 947)**
Carrying value of deferred tax asset	929					1 517
Carrying value of deferred tax liability	6 750					3 464
Net asset/(liability)	**(5 821)**					**(1 947)**

[1] *Intangible and fixed assets include the gain/loss account for the Norwegian entities.*

[2] *Interest carry forwards are not expected to be utilized and are therefore not recognised as a deferred tax asset. The counter posting is shown in the line "Valuation allowance".*

RECONCILIATION OF MOVEMENT IN TAXES PAYABLE

(EUR 1 000)	2021	2020
Current income tax payables, opening balance	**(282)**	1 401
New provision, income tax payable	**1 989**	232
New provision, income tax payable related to shipping company tax scheme	**5**	18
Taxes paid (-)	**(9)**	(1 762)
Group contribution (-)	**(1 815)**	(9)
Acqusitions and disposals	**493**	-
Currency translation effects	**(3)**	(163)
Current income tax payable/(receivable), closing balance net	**379**	(282)
Carrying value of current prepaid taxes (+)	1 065	864
Carrying value of current income tax payables (-)	(1 444)	(583)
Net receivable/(payable)	**(379)**	282

Note 17 - 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. The largest scheme, that was in the subsidiary Hurtigruten Sjø AS, was closed and discontinued in May 2020. The employees received a paid-up policy (fripolise). 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 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 Global Services AS (former Hurtigruten Pluss AS) permanent employees, of whom there were 322 as of 31 December 2021. 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. A total of EUR 420 thousand (NOK 4.2 million) was paid into the scheme in 2021. For the other employees in Norway there is also a defined contribution plan where 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.

The established pension plans cover 1.875 Group employees, 75 pensioners and 31 former employees. The pension costs for the period illustrate the agreed future pension entitlements earned by employees in the financial year.

FINANCIAL ASSUMPTIONS

	2021	2020
Norway		
Discount rate	**1,90 %**	2,30 %
Expected annual wage adjustment	**1,90 %**	2,30 %
Expected annual pension adjustment	**2,75 %**	2,25 %
Expected annual National Insurance basic amount (G) adjustment	**2,50 %**	2,00 %
Table book used for estimating liabilities	**K2013 BE**	K2013 BE
Table book used for estimating disabilities	**IR02**	IR02
Germany		
Discount rate	**0,80 %**	0,40 %
Expected annual wage adjustment	N/A	N/A
Expected annual pension adjustment	**1,80 %**	1,60 %
Expected annual National Insurance basic amount (G) adjustment	N/A	N/A
Average expected years of service until retirement age	12.7 Years	13.4 Years

PENSION COSTS RECOGNISED IN THE STATEMENT OF INCOME

(EUR 1 000)	2021	2020
Present value of accrued pension entitlements for the year	**22**	473
Defined contribution plan	**8 593**	5 848
Interest expenses (income)	**44**	47
Discontinuation and plan changes	**-**	(2 935)
Payroll tax	**6**	155
Total pension costs included in payroll costs (Note 23)	**8 665**	3 587

SPECIFICATION OF NET PLAN ASSETS/OBLIGATIONS

(EUR 1 000)	2021	2020
Present value of funded pension obligation	**8 346**	8 745
Present value of unfunded pension obligations	**2 062**	2 056
Total pension obligation 31 December	**10 408**	10 801
Estimated fair value of plan assets as of 31 December	**8 272**	7 875
Net pension obligations at 31 December	**2 136**	2 926

CHANGE IN THE DEFINED BENEFIT PENSION OBLIGATIONS DURING THE YEAR

(EUR 1 000)	**2021**	2020
Pension obligations as of 1 January	**10 801**	26 766
Present value of accrued pension entitlements for the year	**22**	428
Interest expenses	**111**	152
Effect of recalculation:		
Changes in financial assumptions	**(228)**	498
Changes in demographic assumptions	**122**	-
Estimate deviations	**27**	1 812
Currency translation differences – obligations	**246**	(233)
Discontinuation of pension plans (plan changes)	**-**	(17 659)
Pension benefits paid	**(687)**	(958)
Change in payroll tax on net pension obligations	**(5)**	(6)
Pension obligations as of 31 December	**10 408**	10 801

CHANGE IN THE FAIR VALUE OF THE PLAN ASSETS

(EUR 1 000)	**2021**	2020
Fair value as of 1 January	**7 875**	22 085
Return on plan assets	**60**	12
Actual return on assets re interest income recognised in income statement	**423**	(921)
Paid-up policies and disbursements due to discontinuation of plans (plan changes)	**-**	(14 433)
Employer contributions	**34**	1 803
Currency translation differences – assets	**141**	(188)
Pension benefits paid	**(261)**	(483)
Fair value as of 31 December	**8 272**	7 875

COMPOSITION OF PENSION FUND ASSETS

	2021	2020
Shares	**22,4 %**	18,9 %
Current bonds	**7,0 %**	11,6 %
Money market	**41,4 %**	42,7 %
Non-current bonds	**17,1 %**	15,2 %
Property	**4,9 %**	5,1 %
Other	**7,1 %**	6,5 %
Total	**100,0 %**	100,0 %
Actual return on plan assets Norway	**-4,1 %**	-3,3 %
Actual return on plan assets Germany	**7,7 %**	7,7 %

THE GEOGRAPHICAL ALLOCATION OF THE OBLIGATIONS AND PLAN ASSETS FOR THE DEFINED BENEFIT PLANS IS AS FOLLOWS:

	2021			2020		
(EUR 1 000)	**Norway**	**Germany**	**Total**	Norway	Germany	Total
Present value of obligations	**5 139**	**5 269**	**10 408**	5 173	5 628	10 801
Fair value of plan assets	**2 974**	**5 297**	**8 272**	2 958	4 917	7 875
Net pension obligations/ (assets)	**2 164**	**(29)**	**2 136**	2 215	711	2 926

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.

(EUR 1 000)	**2022**	2021
The company's expected contributions to funded plans in the next year	**667**	678

EXPECTED MATURITY DATE OF PENSION SCHEMES AS OF 31 DECEMBER 2021

(EUR 1 000)	**< 1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Defined benefit pension	706	1 145	2 082	7 347	**11 279**

The Group has established mandatory occupational pension plans in the companies where this is required. These plans for Norwegian companies 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

(EUR 1 000)	**2021**	2020	2019
Present value of defined benefit pension obligations	**10 408**	10 801	26 766
Fair value of plan assets	**8 272**	7 875	22 085
Deficit/(surplus)	**2 136**	2 926	4 681

SENSITIVITY ANALYSIS FOR CHANGES IN THE ASSUMPTIONS

	Germany		**Norway**	
	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	(4)	4	(3)	5
Increase (+) reduction (–) in the net pension obligations as of 31 December	(186)	186	(598)	745

	Pension adjustment	
	+ 1 per cent	**– 1 per cent**
Increase (+) reduction (–) in the net pension costs for the period	2	(2)
Increase (+) reduction (–) in the net pension obligations as of 31 December	619	(530)

	Change in National Insurance basic amount (G) adjustment	
	+1 per cent	−1 per cent
Increase (+) reduction (–) in the net pension costs for the period	5	-
Increase (+) reduction (–) in the net pension obligations as of 31 December	199	-

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 18 - Provisions

(EUR 1 000)	Bonuses	Management incentive plan	Other	Total
Book value as of 1 january 2020	1 464	2 395	458	**4 317**
Provisions for the year	1 356	-	454	**1 811**
Utilisation (reversal) of provisions from the prior year	(21)	(1 831)	(1)	**(1 852)**
Currency translation effects	(76)	(1)	(27)	**(104)**
Book value as of 31 December 2020	**2 724**	**563**	**885**	**4 172**
Provisions for the year	240	134	179	**553**
Utilisation (reversal) of provisions from the prior year	(1 004)		(406)	**(1 410)**
Currency translation effects	110	21	0	**131**
Book value as of 31 December 2021	**2 070**	**718**	**658**	**3 446**

CLASSIFICATION IN THE STATEMENT OF FINANCIAL POSITION

(EUR 1 000)	**2021**	2020
Non-current liabilities	-	406
Current liabilities	**3 446**	3 766

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 also a bonus scheme for certain other level of employees. A provision of EUR 0.2 million has been recognised towards bonuses for 2021 (EUR 1.4 million in 2020). See note 24A Renumeration of board of directors and executive management for details on the executive management.

MANAGEMENT INCENTIVE PLANS

The management in Hurtigruten Group has entered an incentive plan to purchase shares in the parent company, Silk Topco AS. For further information regarding the Management incentive plan, see note 20.

Note 19 - Share-based Payment

The executive management in Hurtigruten Group 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 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 2021 was NOK 41.0 million (NOK 41.0 million at 31 December 2020).

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:	EUR 0.44 million (NOK 4.5 million)
Accrued amount as of 31.12.2021:	EUR 0.72 million (NOK 7.2 million)
Accrued amount as of 31.12.2020:	EUR 0.43 million (NOK 4.5 million)

As of 31 December 2021, the provision for employer's contribution related to the management incentive programme was EUR 0.4 million (NOK 4 million) and EUR 0.24 million (NOK 2.5 million) at 31 December 2020.

* As of 31. December 2021 expected time to exit has been increased to 10 years, to 2025, representing managements best estimate given the current situation with the Covid-19 pandemic affecting the industry.

Note 20 - Trade and Other Current Liabilities

(EUR 1 000)	**2021**	2020
Trade payables	**23 493**	13 735
Trade payables related parties [1)]	**3**	214
Total trade payables	**23 496**	13 949
Public duties payable	**5 185**	2 851
Other current liabilities	**17 029**	14 462
Current payables to related parties [1)]	**2 257**	29 916
Accrued expenses	**22 348**	19 457
Accrued interest	**24 682**	14 372
Deferred revenue	**10 953**	3 129
Total other current liabilities	**82 454**	84 188

[1)] See note 27 for information on trade payables and other current payables due to related parties.

Note 21 - Revenues

REVENUE BY CATEGORY

(EUR 1 000)	**2021**	2020
Ticket revenue	**59 984**	79 980
Revenue from flights, hotel & transportation	**7 112**	16 638
Presold food, beverages and excursions	**19 191**	25 143
Onboard sales of food, beverages, shop and excursions	**12 708**	15 495
Other passenger revenue	**7 126**	8 835
Cargo-freight revenue	**2 580**	1 686
Contractual revenues	**71 715**	79 162
Other operating revenue	**13 417**	11 672
Total operating revenues	**193 832**	238 611
Government grant compensation scheme (Covid-19)	**28 856**	30 155
Total other operating income	**28 856**	30 155

Contractual revenues relating to the Bergen-Kirkenes coastal service are based on the existing agreement with the Norwegian government through the Ministry of Transport and Communications (see Note 2.3.C (iii) Public Procurement). The agreement applies to the Bergen-Kirkenes route for the period 1 January 2021 through 31 December 2030 and applies to 7 ships, compared to 11 ships in the previous agreement.

Other operating income relate to the Norwegian and German Governmental Business Compensation schemes due to Covid-19 relief of respectively EUR 17.9 million and EUR 10.9 million for the period from January to June 2021. The amount of the compensation scheme received for 2020 from the Norwegian government was EUR 30.2 million.

RECONCILIATION OF MOVEMENT IN DEPOSITS FROM CUSTOMERS:

(EUR 1 000)	**2021**	2020
Deposits from customers, opening balance	**92 171**	103 564
Net new sales	**155 461**	113 519
Recognised in revenue	**(89 944)**	(121 803)
Currency translation effects	**3 658**	(3 109)
Deposits from customers, closing balance	**161 346**	92 171

DEPOSITS FROM CUSTOMERS ARE EXPECTED TO BE RECOGNISED IN INCOME AS FOLLOWS:

(EUR 1 000)	**2021**	2020
During the first twelve months	**117 286**	81 362
During the second year	**44 060**	10 809
Total deposits from customers	**161 346**	92 171

Note 22 - Direct Costs of Goods and Services

(EUR 1 000)	**2021**	2020
Commissions	**7 266**	11 721
DCoG&S regarding flights, hotel and transportation	**6 130**	11 580
DCoG&S regarding food, beverages, shops and excursions	**13 422**	15 541
Other DCoG&S	**4 334**	3 597
Total cost of goods sold	**31 152**	42 440

Note 23 - Salaries and Personell Costs

(EUR 1 000)	**2021**	2020
Wages and salaries	**91 014**	76 610
Payroll tax	**9 473**	8 050
Pension costs (Note 17)	**8 665**	3 587
Other benefits	**8 682**	4 442
Total salaries and personnel costs	**117 834**	92 690
Average number of full-time equivalents	**1 477**	1 381

Seamen hired by Hurtigruten Group 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. In both 2021 and 2020, the Group has recognised EUR 1.1 million (NOK 11.6 million) in government grants through this arrangement.

The Norwegian government reimburses parts of the salary to new seamen apprentices. The government grant is recognised as a reduction in payroll costs. During 2021, the Group has recognised EUR 1 million (NOK 10.2 million) in government grants through this arrangement (EUR 0.9 million or NOK 9.2 million in 2020). In addition, the Group accounted for an extra grant of EUR 1.2 million (NOK 12.1 million) in 2021 as a compensation for not furloughing employees at sea.

Note 24A - Remuneration of the Board of Directors and Executive Management

TOTAL COMPENSATION YEAR 2021

BOARD OF DIRECTORS

The board of directors have waved their annual compensation for 2021.

EXECUTIVE MANAGEMENT

(in EUR 1 000)	Position	Salary	Bonus [2]	Pension cost	Other benefits	Total remuneration
Daniel Skjeldam	Chief Executive Officer	595	787	100	98	**1 581**
Executive managment		1 110	551	169	236	**2 066**
Total		**1 705**	**1 338**	**269**	**334**	**3 646**

[2] Bonus earned in 2019. Paid out in 2021.

2021 Executive management	**Position**
Torleif Ernstsen	Chief Financial Officer
Asta Lassesen	Chief Executive Officer - Hurtigruten Expeditions
Hedda Felin	Chief Executive Officer - Hurtigruten Norway (since 1 March 2021)
Stine Steffensen Børke	Chief Marketing Officer
Ole-Marius Moe-Helgesen	Chief Digital Officer

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. The CEO also has an agreement whereby the Board decides the bonus, factoring all the various activities and circumstances during the year.

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 2020

BOARD OF DIRECTORS

The board of directors have waved their annual compensation for 2020.

EXECUTIVE MANAGEMENT

(in EUR 1 000)	Position	Salary	Bonus	Pension cost	Other benefits	Total remuneration
Daniel Skjeldam	Chief Executive Officer	541	-	71	10	621
Executive managment		1 192	-	100	108	1 401
Total		1 733	-	171	118	2 022

2020 Executive managment	**Position**
Torleif Ernstsen	Chief Financial Officer
Asta Lassesen	Chief Commercial Officer
Bent Martini	Chief Operating Officer (until 9 October 2020)
Stine Steffensen Børke	Chief Marketing Officer
Ole-Marius Moe-Helgesen	Chief Digital Officer, People and Organizational Development

Note 24B - Auditor Remuneration

(EUR 1 000)	**2021**	2020
Statutory audit	**469**	475
Other assurance services	**130**	78
Other non-assurance services	**-**	1
Tax consultant services	**-**	203
Total	**599**	756

VAT is not included in the fees specified above.

Note 25 - Other Operating Costs

(EUR 1 000)	**2021**	2020
Other operating cruise costs	**101 868**	89 182
Sales and administrative costs	**79 165**	47 615
Total other operating costs	**181 033**	136 797

Operating cruise costs consists of costs such as bunker fuel, harbour costs and repair and maintenance.

Note 26 - Net Other Gains / Losses

(EUR 1 000)	**2021**	2020
Net gain/(loss) on the sale of property, plant and equipment	**4 196**	(942)
Net unrealised foreign currency loss on balance sheet items	**(4 381)**	2 073
Net gain/(loss) on forward bunker contracts	**3 203**	(15 850)
Total	**3 018**	(14 719)

Other net gains/(losses) 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 gains and losses on the sale of property plant and equipment. The gain on the sale of property, plant and equipment of EUR 4.2 million in 2021 is mainly related to the sale of the real-estate portfolio on Svalbard to Store Norske in the second quarter 2021. The transaction resulted in a gain of EUR 4.8 million recognized as net other gains.

Note 27 - 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 2021 include Green Dog Svalbard AS in which the Group has a 50% shareholding, and the new investment in Empresea Turistica Internacional C.A. where the Group has a 24.9 % shareholding. The shares were acquired in the fourth quarter of 2021.

Green Dog supplies dog-related services on Spitsbergen to Hurtigruten Svalbard AS, while Empresa Turistica operates under the brand Metropolitan Touring and offers a wide range of travel products in Equador, including three ships used for sailings at Galapagos and the luxury resort Finch Bay on Galapagos Hurtigruten Group didn't have any material transactions with Empresa Turistica during the last quarter of 2021 except for the purchase of the shares as described further in note 9.

The Group conducted the following transactions with related parties:

TRANSACTIONS WITH ASSOCIATES

(EUR 1 000)	**2021**	2020
Operating revenues		
Sale of services to Green Dog Svalbard	**50**	35
Operating costs		
Purchase of services from Green Dog Svalbard AS	**264**	381
Balances with Green Dog Svalbard AS at year-end		
Current receivables	**319**	423
Current liabilities	**(319)**	(423)
Net balances with Green Dog Svalbard AS as of 31 December	**-**	-

CURRENT RECEIVABLES FROM OTHER GROUP COMPANIES AT YEAR-END

(EUR 1 000)	**2021**	2020
Silk Topco AS	**0.4**	4.3
Silk Midco AS	**0.2**	2.1
Coastal Holding AS*		0.4
Coastal 1 AS*		0.4
Coastal 2 AS*		0.4
KVE Holding AS	**4.5**	2.1
Kiberg Shipping AS	**9.1**	4.3
Kiberg Shipping KS*		0.4
Namdalen Wilderness Lodge	**4.3**	1.1
Kleven Prosjekt 401 AS	**13.8**	
HRG NewCo Holding	**2.2**	
Totals	**34.4**	15.4

NON-CURRENT RECEIVABLES FROM OTHER GROUP COMPANIES AT YEAR-END

(EUR 1 000)	**2021**	2020
Silk Topco AS	**11 684**	18 148
Silk Midco AS	**24**	22
Coastal Holding AS*		7 325
KVE Holding AS	**3 621**	2 749
Kiberg Shipping AS	**75**	68
Totals	**15 404**	28 312

CURRENT PAYABLES TO OTHER GROUP COMPANIES AT YEAR-END

(EUR 1 000)	**2021**	2020
Coastal 1 AS*	**-**	14 903
Kiberg Shipping KS*	**-**	15 223
Silk Topco AS	**4**	54
Silk Midco AS	**2 196**	1
Coastal Holding AS*	**-**	125
KVE Holding AS	**0**	34
Kiberg Shipping AS	**0**	1
Namdalen Wilderness Lodge	**(2)**	(2)
Totals	**2 199**	30 340

** The transfer of Coastal Group from Silk Topco Group to Hurtigruten Group AS took place in May 2021. As a business combination under common control, applying predecessor accounting (see note 2 for description). Transactions with the Coastal entities are presented as related parties for Hurtigruten Group until 30 April 2021*

NON-CURRENT PAYABLES TO OTHER GROUP COMPANIES AT YEAR-END

(EUR 1 000)	**2021**	2020
Silk Midco AS	**75 000**	-
Totals	**75 000**	-

The EUR 75 million loan relate to a subordinated shareholder loan facility that was secured and fully drawn in the Group in 2021.

Note 28 - Finance Income and Expenses

(EUR 1 000)	**2021**	2020
Interest income on current bank deposits	**661**	947
Dividends	**10**	49
Other finance income	**1 894**	2 344
Financial income	**2 566**	3 341
Interest expenses		
– Borrowings	**(75 186)**	(64 302)
– Interest expenses IFRS 16	**(2 449)**	(585)
– Other interest expenses	**(646)**	(750)
Other finance expenses	**(2 695)**	(1 492)
Financial expenses	**(80 976)**	(67 130)
Net foreign exchange gains/(losses)	**1 306**	(4 995)
Net financial items	**(77 105)**	(68 785)

Borrowing fees are mainly connected to amortization of borrowing cost.

Note 29 - Leases

RIGHT-OF-USE ASSETS

(EUR 1 000)	Ships	Buildings	Office - and other machinery	Total
2020				
Balance at 1 January	**1 404**	**13 688**	**708**	**15 800**
New contracts	-	1 494	4 299	5 793
Remeasurement or amendments	-	(1 164)	-	(1 164)
Depreciation	(1 404)	(2 684)	(509)	(4 597)
Currency translation differences	-	(668)	(14)	(682)
Balance at 31 December	**-**	**10 665**	**4 483**	**15 149**
2021				
Balance at 1 January	**-**	**10 665**	**4 483**	**15 149**
New contracts	12 321	24 327	3	36 651
Remeasurement or amendments	-	(772)	21	(750)
Depreciation	(1 568)	(2 997)	(1 819)	(6 384)
Currency translation differences	166	754	5	925
Balance at 31 December	**10 919**	**31 977**	**2 694**	**45 589**

In the second quarter of 2021 Hurtigruten Group closed the sale of real-estate portfolio on Svalbard to Store Norske, and at the same time it entered into long-term lease agreements for the real-estate portfolio. This sale and leaseback transaction explain the main reason for the increase in the right-of-use-assets during 2021 for the Building's category. For the Ships category, the increase from 2020 is due to charter of MS Brim and MS Nordstjernen which are both sailing at Svalbard.

Please also refer to note 7 for movements in right-of-use assets.

LEASE LIABILITY

(EUR 1 000)	2021	2020
Maturity analysis - Contractual undiscounted cash flows		
Short-term liability		
Less than one year	**11 013**	4 861
Long-term liability		
One to five years	**31 418**	10 433
More than five years	**89 534**	2 195
Total undiscounted lease liability at 31 December	**131 964**	17 489
Lease liabilities in the statement of financial position at 31 December	**74 062**	15 821
Current	**10 822**	4 261
Non-current	**63 240**	11 560

Please also refer to note 15 for movements in the lease liability.

AMOUNT RECOGNISED IN THE STATEMENT OF INCOME

(EUR 1 000)	**2021**	2020
Depreciation right-of-use assets	**(6 384)**	(4 597)
Interest on lease liabilities	**(2 449)**	(585)
Total	**(8 833)**	(5 183)

Leasing expenses relating to variable payments not included in lease liabilities, expenses related to short-term leases or low-value assets is immaterial in the statement of income as per year end 2021 and 2020.

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOW

(EUR 1 000)	**2021**	2020
Net cash outflow for leases	**6 073**	4 767

Note 30 - Events after the Reporting Period

NEW SENIOR UNSECURED GREEN BONDS

On 14 February 2022, Hurtigruten Group AS successfully completed a new three-year EUR 50 million senior unsecured green bond issue with maturity date on 14 February 2025. Net proceeds from the bond issue will be used to finance green projects as defined in Hurtigruten Group's Green Bond Framework. This includes the upgrade of three ships in the Hurtigruten Norway fleet to battery-hybrid power, meaning installation of new low-emission engines equipped with Selective Catalytic Reduction and large battery packs to reduce CO2 emissions with 25% and NOX emissions with 80%.

UKRAINE

The Russian invasion of Ukraine in late February 2022 has brought increased geopolitical risks to global markets and business operations. The conflict could adversely affect global and regional economic conditions and has triggered volatility in oil prices. Refer to note 4 for description of the Group`s hedging strategy for bunker fuel. In response to the attack on Ukraine, several extensive packages of sanctions towards Russia have been launched. The Group has not been directly affected by these sanctions.

Hurtigruten Group AS

Financial Statements

2021

Statement of profit and loss

(EUR 1 000)	*Note*	**2021**	2020
Operating costs	*12*	**(1 703)**	(1 337)
Other (losses) / gains – net		**153**	11
Operating profit/(loss)		**(1 550)**	(1 327)
Financial income	*10*	**25 176**	8 412
Financial expenses	*10*	**(59 213)**	(37 258)
Net foreign exchange gains/(losses)	*10*	**(345)**	(495)
Net financial items		**(34 382)**	(29 341)
Profit/(loss) before taxes		**(35 932)**	(30 668)
Income taxes	*3*	**(6 831)**	5 576
Profit/(loss) for the year		**(42 763)**	(25 092)

Statement of financial position

(EUR 1 000)	*Note*	**2021**	2020
ASSETS			
Deferred income tax assets	*3*	**27 640**	36 393
Investments in subsidiaries	*4*	**841 780**	841 752
Non-current receivables, group companies	*5, 11*	**70 694**	7 345
Non-current financial assets		**2 230**	2 230
Total non-current assets		**942 344**	887 720
Other current receivables, group companies	*5, 11*	**2 425**	2 372
Derivative financial instruments		**1**	4 564
Cash and cash equivalents	*7*	**35 063**	10
Total current assets		**37 489**	6 945
Total assets		**979 834**	894 665

(EUR 1 000)	*Note*	**2021**	2020
EQUITY AND LIABILITIES			
Share capital	*8*	**9**	9
Share premium	*8*	**185 196**	185 191
Other paid-in capital	*8*	**-**	1 219
Other reserves	*8*	**(3 076)**	(3 076)
Retained earnings	*8*	**(178 841)**	(135 866)
Total equity		**3 289**	47 477
LIABILITIES			
Non-current interest-bearing liabilities	*6*	**877 987**	827 473
Non-current interest-bearing liabilities, group companies	*5, 11*	**75 000**	**4 270**
Total non-current liabilities		**952 987**	831 743
Trade and other liabilities	*5, 11*	**23 557**	10 882
Derivative financial instruments		**1**	4 564
Total current liabilities		**23 558**	15 446
Total equity and liabilities		**979 834**	894 665

Oslo, 29 April 2022

Trygve Hegnar
Chairman

Petter Anker Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

Daniel Skjeldam
CEO

Cash flow statement

(EUR 1 000)	*Note*	**2021**	2020
Cash flows from operating activities			
Profit/(loss) before income tax		**(35 932)**	(30 668)
Adjustments for:			
Currency gains / losses		**191**	483
Interest expenses	*10*	**34 038**	28 846
Change in working capital:			
Trade and other receivables		**1 907**	(804)
Trade and other payables		**22 401**	650
Net cash flows from (used in) operating activities		**22 605**	(1 493)
Cash flows from investing activities			
Net lendings to subsidiaries		**(63 377)**	(122 327)
Net cash flows from (used in) investing activities		**(63 377)**	(122 327)
Cash flows from financing activities			
Proceeds from recent borrowings (long term and short term)	*5*	**46 500**	150 000
Proceeds from recent borrowings (long term and short term), group companies	*5*	**70 730**	4 270
Paid interest and finance fees	*10*	**(41 404)**	(32 957)
Net cash flows from (used in) financing activities		**75 826**	121 313
Currency (gains) /losses on cash and cash-equivalents		**-**	-
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**35 053**	(2 507)
Cash and cash equivalents at 1 January		**10**	2 516
Cash and cash equivalents at 31 December		**35 063**	10

Notes to Annual Financial Statements

Note 1 - General Information and Accounting Principles

Hurtigruten Group AS is owned by Silk Midco AS and the ultimate Norwegian 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: http://www.hurtigruten.no. The purpose of Hurtigruten Group AS is being the Group's Treasury, and holding the direct ownership of Hurtigruten Norway AS, Hurtigruten Expeditions AS, Hurtigruten Destinations AS and Hurtigruten Global Sales AS which operate 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 31 December 2021 were authorized for issue by the Board of Directors on 29 April 2022.

1.1 BASIS OF PREPARATION

The financial statements of Hurtigruten Group AS have 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 2021 and the comparative information presented in these financials.

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

The financial statements are presented in euro (EUR) which is the functional currency of the parent company since 1 January 2020. The change was made to reflect that EUR has become the predominant currency in the company, counting for a significant part of the cash flow and financing.

All foreign currency translations are converted to EUR 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 EUR 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 during the accounting period.

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 exceeds 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) 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.

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 has entered into derivative contracts for bunker oil to hedge the Groups exposure against bunker oil prices (cash flow hedge). The contract is entered into on behalf of the indirect subsidiary Hurtigruten Coastal AS. 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 in the Statement of Financial Position.

H) CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents include 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 Group hedging strategy. Further information can be found in the consolidated group accounts.

MARKET RISK

a) Currency risk

The Company has significant loans payable in EUR (Term Loan B, Term Loan C, Term Loan D and Revolving Credit Facility). Its functional currency is EUR, hence no significant currency risk.

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 which present a risk to the company and Group's overall cash flow. The company is exposed to EURIBOR through its floating rate EUR borrowings with a zero EURIBOR floor and exposed to NIBOR through its term loans in NOK. The Company has no specific hedging strategy to reduce variable interest rate risk, but the risk is monitored and evaluated on a regular basis.

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 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

(EUR 1 000)	**2021**	2020
Income tax payable, adjustments regarding previous years	**38**	(328)
Change in deferred tax, current year	**6 793**	(4 096)
Change in deferred tax, adjustments regarding previous years	**-**	(1 151)
Total income tax expense	**6 831**	(5 576)

RECONCILIATION OF EFFECTIVE TAX TO NOMINAL TAX RATE

(EUR 1 000)	**2021**	2020
Profit/(loss) before tax from operations	**(35 932)**	(30 668)
Tax rate	**22 %**	22 %
Calculated tax expense at nominal tax rate	**(7 905)**	(6 747)
Change in the income tax expense as a result of:		-
– non taxable income	**(4 840)**	
– non deductible expenses	**10 518**	5 215
– change in tax provisions from previous years	**38**	(328)
– other permanent differences	**9 021**	(3 715)
Income tax expense	**6 831**	(5 576)
Weighted average tax rate	-19 %	18 %

Non-deductible expenses in 2021 are related to interest's limitation rules.

Other permanent differences in 2021 are related to currency translation effects from EUR functional currency in financial statements to NOK tax returns.

SPECIFICATION OF DEFERRED TAX ASSETS (+) / LIABILITIES (-)

2021

(EUR 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Closing balance
Non-current items				
Other non-current items	(3 995)	890	-	(3 105)
Totals	**(3 995)**	**890**	**-**	**(3 105)**
Current items				
Derivatives	-	-	-	-
Totals	**(0)**	**-**	**-**	**(0)**
Tax loss carry forwards	40 388	**(7 684)**	**(2 304)**	**30 401**
Total def. tax asset / (liability)	**36 393**	**(6 793)**	**(2 304)**	**27 640**
Carr. value of def. tax asset	36 393	**(6 793)**	-	27 640
Net	**36 393**	**(6 793)**	**-**	**27 640**

2020

(EUR 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Closing balance
Non-current items				
Other non-current items	(2 698)	(1 297)	-	(3 995)
Totals	**(2 698)**	**(1 297)**	**-**	**(3 995)**
Current items				
Derivatives	-	-	-	-
Totals	**-**	**-**	**-**	**-**
Tax loss carry forwards	29 570	11 161	(334)	40 388
Interest carry forwards	4 617	(4 617)	-	-
Total def. tax asset / (liability)	**31 489**	**5 247**	**(334)**	**36 393**
Carr. value of def. tax asset	31 489	5 248	-	36 393
Net	**31 489**	**5 248**	**-**	**36 393**

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

(EUR 1 000)	Registered office	Ownership/ voting share	Total equity as at 31 December 2021	Net result for the year 2021	Book value
Hurtigruten Expeditions AS	Oslo, Norway	100.0 %	338 349	(2)	338 351
Hurtigruten Norway AS	Oslo, Norway	100.0 %	177 337	(0)	177 337
HR Investments AS	Oslo, Norway	100.0 %	(260)	(262)	5
Hurtigruten Global Sales AS	Oslo, Norway	100.0 %	49 195	35 325	320 405
Hurtigruten Global Services	Oslo, Norway	100.0 %	2 556	3 234	5 644
Hurtigruten AS	Oslo, Norway	100.0 %	3 210	5	39
Hurtigruten Destinations AS	Oslo, Norway	100.0 %	(4 989)	(1 258)	-
Net					**841 781**

The operations of the subsidiaries of Hurtigruten Group AS continues to be negatively impacted by the Covid-19 pandemic in 2021. However, there is a positive development both in future bookings and travel patterns.

As of 31 December 2021, the estimated value in use for the assets in the Company is equal to or higher than the carrying value of the assets, and no impairment of investments in subsidiaries has been recognized in the financial statements of Hurtigruten Group AS per 31 December 2021. The impairment tests are supported by the booking development for 2022 and 2023.

Note 5 - Receivables and Liabilities

(EUR 1 000)	**2021**	2020
Other current receivables, group companies (see note 11)	**2 425**	2 372
Total other current receivables, group companies	**2 425**	2 372

(EUR 1 000)	**2021**	2020
Non-current receivables, group companies (see note 11)	**70 694**	7 345
Total non-current receivables, group companies	**70 694**	7 345

(EUR 1 000)	**2021**	2020
Trade payables	**108**	22
Other current liabilities, group companies (see note 11)	**2 204**	293
Accrued interests	**20 908**	10 485
Accrued expenses	**337**	81
Trade and other liabilities	**23 557**	10 882

(EUR 1 000)	**2021**	2020
Non-current interest-bearing liabilities, group companies (see note 11)	**75 000**	4 270
Total non-current interest-bearing liabilities, group companies	**75 000**	4 270

NON-CURRENT INTEREST-BEARING LIABILITIES, GROUP COMPANIES

In September 2021 the Group secured a EUR 75 million fully subordinated shareholder loan facility from its shareholders. The loan matures 6 months after the latest maturity of the Senior Secured Loans and bears payment in kind interest.

Note 6 - Non-current interest-bearing liabilities, Group companies

NOMINAL VALUE AT 31 DECEMBER 2021

(EUR 1 000)	Nominal value	Unamortized transaction costs	Carrying value
Non-current interest-bearing liabilities			
Secured			
Term loans	806 500	(12 824)	793 676
Revolving credit facilities	85 000	(689)	84 311
Total non-current interest-bearing liabilities	**891 500**	**(13 513)**	**877 987**

NOMINAL VALUE AT 31 DECEMBER 2020

(EUR 1 000)	Nominal value	Unamortized transaction costs	Carrying value
Non-current interest-bearing liabilities			
Secured			
Term loans	760 000	(16 491)	743 509
Revolving credit facilities	85 000	(1 036)	83 964
Total non-current interest-bearing liabilities	**845 000**	**(17 527)**	**827 473**

TERM LOAN B, TERM LOAN C, TERM LOAN D AND REVOLVING CREDIT FACILITY

The Group's main source of financing is a EUR 655 million Term Loan B (matures February 2025), a EUR 105 million Term Loan C (matures June 2023), a EUR 46.5 million Term Loan D (matures June 2023) and a EUR 85 million Revolving Credit Facility (matures February 2024). The loans bear interest at EURIBOR plus a margin. The Term Loan D was issued March 2021. In December 2021 the Group secured an increase of the Term Loan C of EUR 25 million, to a total of EUR 130 million. The loan was fully drawn January 2022. The loans hold the same security package including mortgage over 9 vessels and rank pari-passu.

COLLATERALIZED ASSETS

Hurtigruten Group AS as well as its subsidiaries Hurtigruten Global Sales AS, , Hurtigruten Global Services AS, Hurtigruten Norway AS, Hurtigruten Expeditions AS, Hurtigruten Investments AS, Hurtigruten AS have pledged cash and cash equivalents, intercompany receivables and shares in subsidiaries as security for the above loans.

(EUR 1 000)	**2021**	2020
Book value of collateralized assets	**949 963**	543 364

Note 7 - Cash and Cash Equivalents

(EUR 1 000)	**2021**	2020
Cash and bank deposits in cash pool	**35 063**	10
Total cash and cash equivalents	**35 063**	10

Note 8 - Equity

SHARES AND SHAREHOLDERS INFORMATION AS PER 31 DECEMBER 2021

SHARE CAPITAL	**2021**	2020
Total number of shares as of 01.01	30	30
Shared issued during the year	0	0
Total number of shares as of 31.12	**30**	30
Nominal value as of 31.12 (NOK)	**3 001**	3 000
Share capital (total number of shares at nominal value) in EUR 1 000	9	9
Other paid in capital (in EUR 1 000)	185 196	185 191
Total paid in equity (in EUR 1 000)	**185 205**	185 200

Shareholders	**Number of shares**	**Shareholding (%)**
Silk Midco AS	30	100

All shares carry the same rights in the company.

RECONCILIATION OF EQUITY AS PER 31 DECEMBER 2021 AND 2020

(EUR 1 000)	**Share capital**	**Share premium**	**Other paid-in capital**	**Retained earnings**	**Other reserves**	**Total Equity**
Equity at 1 January 2020	9	185 191	-	(110 775)	(3 076)	**71 350**
Profit/(loss) for the year	-	-	-	(25 092)	-	**(25 092)**
Group contribution received	-	-	1 219	-	-	**1 219**
Equity at 31 December 2020	9	185 191	1 219	(135 866)	(3 076)	**47 477**
Equity at 1 January 2021	9	185 191	1 219	(135 866)	(3 076)	**47 477**
Reclassification previous year	-	-	(1 219)	1 219	-	**-**
Equity at 1 January 2021 - restated	9	185 191	-	(134 647)	(3 076)	**47 477**
Profit/(loss) for the year	-	-	-	(42 763)	-	**(42 763)**
Capital increasse	0.003	5	-	-	-	**5**
Change in group contribution earlier years	-	-	-	(1 430)	-	**(1 430)**
Balance at 31 December 2021	9	185 196	-	(178 840)	(3 076)	**3 289**

Note 9 - Remuneration

AUDIT REMUNERATION

(EUR 1 000)	**2021**	2020
Statutory audit	**45**	39
Other non-assurance services	**37**	-
Total	**82**	39

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 10 - Financial income and expenses

(EUR 1 000)	**2021**	2020
Interest income intragroup	**2 479**	8 438
Other finance income	**21 996**	-
Interest income on current bank deposits	**700**	(26)
Total financial income	**25 176**	8 412
Intragroup interest expenses	**(2 569)**	(14)
Interest expenses	**(49 087)**	(31 903)
Other financial costs	**(7 557)**	(5 341)
Total financial expenses	**(59 213)**	(37 258)
Net foreign exchange gains/(losses)	**(345)**	(495)
Net financial items	**(34 382)**	(29 341)

Note 11 - Related Parties

TRANSACTIONS WITH GROUP COMPANIES

(EUR 1 000)	**2021**	2020
Purchase of services from Group companies		
Hurtigruten Global Services AS [3)]	**33**	31
Total purchase of services from Group companies	**33**	31
Interest income from Group companies		
Hurtigruten Group AS	**173**	-
Coastal Holding AS [1)]	**311**	450
Hurtigruten Global Sales AS [2)]	**1 183**	7 988
MS Richard With AS	**199**	-
MS Nordlys AS	**372**	-
Hurtigruten Investements AS	**241**	-
Total interest income from Group companies	**2 479**	8 438
Fee borrowings due to Group companies		
Hurtigruten Global Sales AS [2)]	**373**	14
Silk Midco AS	**2 196**	-
Total fee borrowings due to Group companies	**2 569**	14

INTRAGROUP BALANCES

(EUR 1 000)	**2021**	2020
Non-current receivables due from Group companies		
Coastal Holding AS [1]	-	7 325
KVE Holding AS	-	20
Hurtigruten Global Sales AS [2]	**19 060**	-
MS Richard With AS	**15 801**	-
MS Nordlys AS	**15 796**	-
Hurtigruten Expeditions Technical Services GmbH	**50**	-
Hurtigruten Investements AS	**19 986**	-
Total non-current receivables due from Group companies	**70 693**	7 345
Trade and other current receivables from Group companies		
Coastal 1 AS [1]	-	1 422
Explorer 2 AS	**453**	453
Hurtigruten Global Sales AS [2]	**1 818**	313
Coastal 2 AS [1]	-	140
MS Richard With AS	**22**	22
MS Nordlys AS	**22**	22
Hurtigruten Expeditions AS	**100**	-
Kleven Prosjekt 401 AS	**11**	-
Total trade and other current receivables from Group companies	**2 426**	2 372
Other current payables due to Group companies		
Hurtigruten Sjø AS	-	246
Hurtigruten Global Services AS [3]	-	18
Hurtigruten Global Sales AS [2]	-	11
Coastal Holding AS	-	10
Hurtigruten Offshore Excursions AS	**8**	8
Silk Midco AS	**2 196**	-
Total other current liabilities due to Group companies	**2 204**	293
Non-current interest-bearing liabilities due to Group companies		
Hurtigruten Global Sales AS [2]	-	4 270
Silk Midco AS	**75 000**	-
Total non-current interest-bearing liabilities, group companies	**75 000**	4 270

[1] The transfer of Coastal Group from Silk Topco Group to Hurtigruten Group AS took place in May 2021.
As a business combination under common control, applying predecessor accounting (see note 2 in the Annual report), transactions with the Coastal entities are presented as related parties for Hurtigruten Group until 30 April 2021

[2] Hurtigruten Global Sales AS changed its corporate name from Hurtigruten AS on 4 January 2022

[3] Hurtigruten Global Services AS changed its corporate name from Hurtigruten Pluss AS on 5 January 2022

Note 12 - Operating Costs

(EUR 1 000)	**2021**	2020
Legal services	**1 407**	1 209
Other services	**237**	83
Other general expenses	**59**	45
Total other operating costs	**1 703**	1 337

Note 13 - Events after Balance Sheet Date

On 14 February 2022, Hurtigruten Group AS successfully completed a new three-year EUR 50 million senior unsecured green bond issue with maturity date on 14 February 2025. Net proceeds from the bond issue will be used to finance green projects as defined in Hurtigruten Group's Green Bond Framework. This includes the upgrade of three ships in the Hurtigruten Norway fleet to battery-hybrid power, meaning installation of new low-emission engines equipped with Selective Catalytic Reduction and large battery packs to reduce CO_2 emissions with 25% and NOX emissions with 80%.

Definitions

ALTERNATIVE PERFORMANCE MEASURES

Hurtigruten Group's financial information is prepared in accordance with International Reporting Standards (IFRS). In addition, the Group presents alternative performance measures (APM) to enhance the stakeholders understanding of the Group's performance. The APMs are regularly reviewed by management, are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described below.

Measure	Description
EBITDA - Operating profit/(loss) before depreciation, amortisation and impairment losses	Earnings before net financial items, income tax expense, depreciation, amortisation and impairment, and share of profit/(loss) from associated companies.
EBITDA margin	EBITDA divided by total operating revenue.
EBITDA excl. other gains and losses	Earnings before other gains and losses, net financial items, income tax expense, depreciation, amortisation and impairment, and share of profit/(loss) from associated companies, adjusted with items which is deemed extraordinary, exceptional, unusual or non-recurring. Group SG&A is not allocated to the operating segments Hurtigruten Norway and Hurtigruten Expeditions.

ALTERNATIVE PERFORMANCE MEASURES - RECONCILIATION

(EUR 1 000)	**2021**	2020
Operating profit/(loss) to EBITDA		
Operating profit/(loss)	**(196 875)**	(94 831)
- Depreciation, amortization and impairment	**(92 561)**	(76 951)
EBITDA	**(104 314)**	(17 880)
EBITDA to EBITDA excluding other gains/(losses)		
EBITDA	**(104 314)**	(17 880)
- Net other gains/(losses)	**3 018**	(14 719)
EBITDA excl. other gains /(losses)	**(107 332)**	(3 161)

OTHER DEFINITIONS

Item	Description
APCN	Available passenger Cruise Nights (cabin capacity*2) including operating days from ships in lay-up
Adjusted APCN	Available passenger Cruise Nights (cabin capacity*2), excluding operating days ships are in lay-up.
PCN	Passenger Cruise night, defined as one occupied berth per night
Occupancy rate	The ratio of passengers (PCN) by available capacity (APCN)
Gross ticket revenues per PCN	Ticket revenues per Passenger Cruise night
Net ticket revenue per PCN	Ticket revenue less expenses for commission, flights, hotel, other passenger services, food, beverage, shop and excursions, per passenger cruise night.
Net cruise cost per APCN	Total cost excluding commission, flights, hotel, other passenger services, food, beverage, shop and excursions, per available passenger cruise night.
Fuel consumption	Bunker fuel consumed, presented in litre per nautical mile sailed
Fuel cost per litre	The average expense per litre bunker fuel

To the General Meeting of Hurtigruten Group AS

Independent Auditor's Report

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 2021, 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 statement of financial position as at 31 December 2021, the statement of income, 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 financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view 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 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

Oslo, 29 April 2022
PricewaterhouseCoopers AS

Stig Lund
State Authorised Public Accountant

(This document is signed electronically)