

Fourth quarter report 2017



Silk Topco Group

Published 7 March 2018

Revenue and EBITDA growth

Highlights

- Fourth quarter revenue of NOK 966 million, up 25.6% from NOK 769 million in 2016
- Revenue increased in all 3 segments driven by both volume and yield per cruise night
- Fourth quarter EBITDA of NOK 14 million (NOK -111 million)
- Record high number of passengers on the Norwegian Coast with occupancy increasing to 62,3% from 47,8%
- Improving performance in the Explorer segment driven by 17% increase in gross yield and 3300 more PCN sold compared to Q4 2016
- Pre-bookings for 2018 and 2019 are materially higher compared to same time last year
- The sale-leaseback vessel MS Richard With was purchased in December 2017.

Key figures*

<i>NOK 1 000</i>	4th quarter 2017	4th quarter 2016	Change	01.01-31.12 2017	01.01-31.12 2016	Change
Operational revenues	798,161	589,407	35.4 %	4,243,031	3,674,377	15.5 %
Contractual revenues	167,655	179,267	-6.5 %	674,234	703,588	-4.2 %
Total revenue	965,816	768,674	25.6 %	4,917,265	4,377,965	12.3 %
EBITDA	14,405	(111,911)	112.9 %	801,335	601,086	33.3 %
EPS Basic (NOK/Share)	-1.63	-1.26		-1.88	-0.07	
Norwegian Coast						
PCNs	255,858	192,815	32.7 %	1,239,655	1,127,823	9.9 %
Gross ticket yield	2,022	1,880	7.6 %	2,500	2,425	3.1 %
Occupancy rate	62.3 %	47.8 %	14.5 p.p.	75.3 %	67.9 %	7.4 p.p.
Explorer						
PCNs	46,308	42,993	7.7 %	155,725	121,274	28.4 %
Gross ticket yield	5,006	4,275	17.1 %	5,194	5,263	-1.3 %
Occupancy rate	66.9 %	68.7 %	-1.7 p.p.	68.2 %	77.0 %	-8.7 p.p.

*The figures presented in this report are unaudited

About Hurtigruten

Hurtigruten is the world's leading polar expedition and adventure travel company, with a fleet of 14 cruise vessels and two new tailor-made exploration vessels being built. Hurtigruten open a unique gateway to experiences in the Arctic, Antarctica and along the Norwegian coast to travelers from all over the world. Hurtigruten's operations builds on a rich heritage, having connected the many coastal communities in Norway since 1893. Today, Hurtigruten combines a deeply-rooted desire to offer genuine local experiences while leaving a smaller footprint when it shapes the future of the growing exploration market. For more information on Hurtigruten, please visit www.hurtigruten.no.

Hurtigruten has three business segments:

Hurtigruten Norwegian Coast



Explorer



Spitsbergen



Hurtigruten Norwegian Coast

The largest segment with 11 ships providing services along the Norwegian coast, making 33 northbound and 32 southbound daily departures from ports located between Bergen in the south and Kirkenes in the north. Freight and passenger transport are important parts of the offering, and for which Hurtigruten receives an annual fixed fee from the Norwegian government under the coastal service contract.

The vessel schedule and infrastructure is leveraged to offer distinct expedition based services and activities to leisure seekers through our cruise voyage products. The ships used to provide local transport services and cargo shipments also offer exploration based voyages for leisure travellers, including a high proportion of international guests. The segment accounted for 73.0% of group revenues in the fourth quarter of 2017.

Explorer

The second largest segment offering unique polar cruises using the vessels MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and Explorer segments) as well as MS Nordstjernen which is leased and operated in Svalbard in the summer season. The Explorer segment will be strengthened from 2018 and onward with two new purpose-built polar cruise ships. The segment accounted for 24% of group revenues in the fourth quarter of 2017.

Spitsbergen

Comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard. Spitsbergen Travel operates three hotels and an equipment store. This segment accounted for 3% of the total revenues in the fourth quarter of 2017.

Operational review

Hurtigruten had a strong operational and financial performance in the fourth quarter of 2017 with growth in yield and occupancy across all segments compared with the same period in 2016.

Total Passenger Cruise Nights for the two cruise segments increased by 28% in the fourth quarter of 2017 compared to the same period last year. The occupancy increased with 12 ppt to 63% on group level. The increase is driven by higher demand for the Coastal product. Historically winter has been regarded as the low season, but we see that demand for the winter cruise product is increasing significantly and we see this strong trend continuing into 2018 with higher booking levels compared to same time last year. There were no significant disruptions to operations in the period.

Occupancy for Norwegian Coast rose to 62.3% in the fourth quarter of 2017 from 47.8% in the same period of 2016, with an increase in Passenger Cruise Nights (PCN) of 9.9%.

Occupancy for the Explorer segment was 66.9% in the fourth quarter of 2017, compared to 68.7% in the

same period last year. Considering increased capacity of 10.5% (APCN), total passenger cruise nights increased by 7.7% and gross yield per PCN increased with 17%.

Maritime operations continued to perform well and there were no material incidents in the fourth quarter. A total of 163 missed port calls were registered in the fourth quarter, primarily due to adverse weather conditions. In the same period in 2016, the Group had 370 missed port calls also primarily due to weather. There was no significant downtime due to unplanned maintenance in the period.

Pre-bookings for 2018 and 2019 are materially higher compared to same time last year and we continue to experience stronger demand for our itineraries across all segments.

Results of operations

The following table presents, for the periods indicated, the revenues, operating profit, EBITDA and EBITDA margin by reporting segment and for the Group as a whole:

(in NOK 1 000)	4th quarter	4th quarter		01.01-31.12	01.01-31.12	
Total operating revenues	2017	2016	% Change	2017	2016	% Change
Hurtigruten Norwegian Coast	700,863	559,129	25.3%	3,830,732	3,500,431	9.4%
Explorer	231,857	189,621	22.3%	808,989	619,324	30.6%
Spitsbergen	33,196	20,750	60.0%	292,411	272,733	7.2%
Other business	71	(329)	-121.6%	230	236	-2.6%
Total	965,986	769,170	25.6%	4,932,361	4,392,724	12.3%
Operating profit/(loss)						
Hurtigruten Norwegian Coast	(86,578)	(210,139)	-58.8%	273,055	78,325	248.6%
Explorer	2,379	(1,756)	-235.5%	20,196	69,972	-71.1%
Spitsbergen	(16,954)	(13,881)	22.1%	26,362	29,898	-11.8%
Other business	124	(1,139)	-110.9%	413	(1,720)	-124.0%
Total	(101,029)	(226,915)	-55.5%	320,026	176,475	81.3%
EBITDA						
Hurtigruten Norwegian Coast	4,148	(120,145)	-103.5%	675,613	439,780	53.6%
Explorer	23,442	20,012	17.1%	81,079	117,707	-31.1%
Spitsbergen	(13,320)	(10,836)	22.9%	44,206	44,543	-0.8%
Other business	135	(942)	-114.3%	438	(944)	-146.4%
Total	14,405	(111,911)		801,335	601,086	
EBITDA margin						
Hurtigruten Norwegian Coast	0.6 %	-21.5 %	-102.8 %	17.6 %	12.6 %	5.1 p.p.
Explorer	10.1 %	10.6 %	-4.2 %	10.0 %	19.0 %	-9.0 p.p.
Spitsbergen	-40.1 %	-52.2 %	-23.2 %	15.1 %	16.3 %	-1.2 p.p.
Other business	NM	NM		NM	NM	
Total	1.5%	-14.5%	-110.2 %	16.2%	13.7%	18.7 %

Segment review

Hurtigruten Norwegian Coast

NOK 1 000	4th quarter 2017	4th quarter 2016	Change	01.01-31.12 2017	01.01-31.12 2016	Change
Operational revenues	533,208	379,862	40.4 %	3,156,497	2,796,843	12.9 %
Contractual revenues	167,655	179,267	-6.5 %	674,234	703,588	-4.2 %
Total revenue	700,863	559,129	25.3 %	3,830,732	3,500,431	9.4 %
EBITDA	4,148	(120,145)	-103.5 %	675,613	439,780	53.6 %

The below table does not include the State Contract's revenue neither the goods and other operating revenue originated by the Norwegian Coast activity.

NOK 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter	4th quarter 2017	4th quarter 2016	01.01-31.12 2017	01.01-31.12 2016
PCNs	255,858	192,815	1,239,655	1,127,823
APCNs	410,892	403,295	1,646,482	1,660,818
Occupancy rate	62.3%	47.8%	75.3%	67.9%
Gross ticket revenues	517,424	362,528	3,099,355	2,734,482
Less:				
Commissions, costs of goods for flights, hotels, Food, beverage, shop, excursions	98,791	55,234	581,676	490,505
Net ticket revenues	348,035	250,132	2,145,355	1,918,377
Gross ticket revenues per PCN (NOK)	2,022	1,880	2,500	2,425
Net ticket revenues per PCN (NOK)	1,360	1,297	1,731	1,701
Ship operating costs	524,660	457,177	2,429,688	2,260,081
Selling, general and administrative expenses	179,692	204,009	704,847	700,328
Gross cruise costs	704,352	661,186	3,134,535	2,960,409
Less:				
Commissions, costs of goods for flights, hotels, Food, beverage, shop, excursions	98,791	55,234	581,676	490,505
Net cruise costs	534,963	548,790	2,180,535	2,144,304
Net cruise costs per APCN (NOK)	1,302	1,361	1,324	1,291
Fuel consumption (liter/nautical mile)	80.1	81.3	79.3	81.1
Fuel cost per liter	5.07	5.39	5.38	5.50

Segment revenue excluding the contractual income from the Norwegian state agreement, increased by NOK 153 million, or 40%, to NOK 533 million in the fourth quarter, from NOK 379 million in the fourth quarter of 2016. Occupancy increased to 62.3% from 47.8% in the fourth quarter of 2016, with an increase in Passenger Cruise Nights (PCN) of 9.9%.

Net ticket revenue per PCN increased with 4.9% to NOK 1,360 in fourth quarter compared to fourth quarter year last year.

Hurtigruten experienced growth in demand from all regions, but especially UK and Germany had the stronger growth. The higher occupancy and

increased yield led to higher profitability in the segment.

Contractual revenue was NOK 168 million in the fourth quarter, down from NOK 179 million a year earlier. The decrease was related to the contractual payment schedule.

Net cruise cost per Available Passenger Cruise Night (APCN) decreased with 4.3% to NOK 1,302. The underlying net cruise cost saw a decrease mainly driven by reduced repair and maintenance costs as a result of the docking schedule, partly offset by an increase in fuel cost of NOK 22 million compared to

same time last year. In addition, phasing of sales and marketing expenses with more campaigns being launched in Q3 contributed to the change in costs vs. last year.

As a result of increased occupancy and yield and decreased costs, EBITDA improved to NOK 4 million (NOK -120 million) in the fourth quarter. There were no material disruptions to the operations for the Coastal segment in 2017.

Explorer

<i>NOK 1 000</i>	4th quarter 2017	4th quarter 2016	Change	01.01-31.12 2017	01.01-31.12 2016	Change
Operational revenues	231,857	189,621	22.3 %	808,989	619,324	30.6 %
Total revenue	231,857	189,621	22.3 %	808,989	619,324	30.6 %
EBITDA	23,442	20,012	17.1 %	81,079	117,707	-31.1 %

<i>NOK 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter</i>	4th quarter 2017	4th quarter 2016	01.01-31.12 2017	01.01-31.12 2016
PCNs	46,308	42,993	155,725	121,274
APCNs	69,184	62,606	228,204	157,572
Occupancy rate	66.9%	68.7%	68.2%	77.0%
Gross ticket revenues	231,815	183,783	808,799	638,262
Less:				
Commissions, costs of goods for flights, hotels, Food, beverage, shop, excursions	56,189 13,217	51,769 9,801	199,937 53,679	152,267 39,158
Net ticket revenues	162,408	122,213	555,183	446,837
Gross ticket revenues per PCN (NOK)	5,006	4,275	5,194	5,263
Net ticket revenues per PCN (NOK)	3,507	2,843	3,565	3,685
Ship operating costs	149,958	136,526	557,900	413,576
Selling, general and administrative expenses	45,743	29,829	149,653	95,221
Gross cruise costs	195,700	166,355	707,553	508,797
Less:				
Commissions, costs of goods for flights, hotels, Food, beverage, shop, excursions	56,189 13,217	51,769 9,801	199,937 53,679	152,267 39,158
Net cruise costs	126,294	104,785	453,937	317,372
Net cruise costs per APCN (NOK)	1,825	1,674	1,989	2,014
Fuel consumption (liter/nautical mile)	88.8	93.3	90.5	87.2
Fuel cost per liter	5.54	4.75	5.52	5.26

In the fourth quarter of 2017, the vessels MS Fram and MS Midnatsol operated in the Explorer segment, the same vessels as in fourth quarter of 2016. As the Atlantic crossing for MS Fram in 2017 were available for sale, whereas the 2016 crossing were not, total Available Passenger Cruise Nights (APCN), increased by 10.5% YoY.

The Explorer segment ticket revenue was NOK 232 million in the fourth quarter of 2017, up from NOK 184 million in same period of 2016. The increase was driven by both increased capacity, occupancy and

yield. Occupancy level decreased from 68.7% in fourth quarter 2016 to 66.9% in 2017, due to the increased capacity made available for sale, and net passenger revenue per PCN increased by 23.4% to NOK 3,507.

Net cruise cost per available cruise night (APCN) increased by 9.1% primarily due to higher fuel, harbour and personnel costs. EBITDA increased by 17% to NOK 23 million in the fourth quarter (NOK 20 million), reflecting the growth in occupancy and yield.

Spitsbergen

Spitsbergen segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard. Spitsbergen Travel operates three hotels and an equipment store

<i>NOK 1 000</i>	4th quarter 2017	4th quarter 2016	Change	01.01-31.12 2017	01.01-31.12 2016	Change
Operational revenues	33,196	20,750	60.0 %	292,411	272,733	7.2 %
Total revenue	33,196	20,750	60.0 %	292,411	272,733	7.2 %
EBITDA	(13,320)	(10,836)	22.9 %	44,206	44,543	-0.8 %

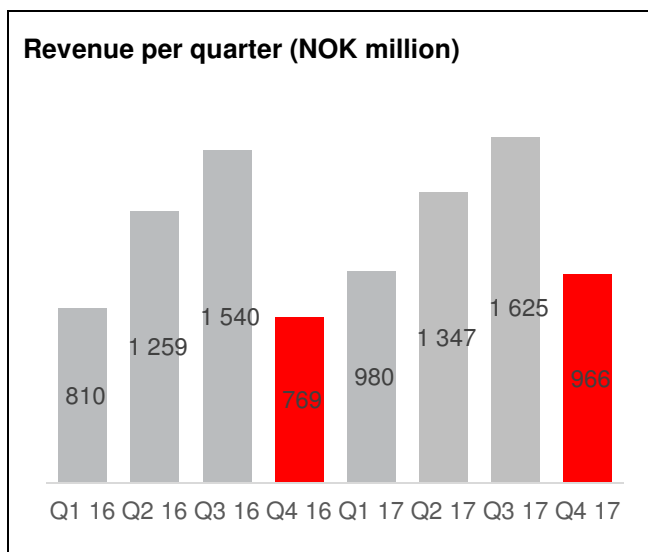
The Spitsbergen segment had fourth quarter revenue of NOK 33 million. Fourth quarter revenue in 2016 of NOK 21 million included a reclassification of ytd revenues of NOK 11 million reduction. The underlying YoY development in revenues in fourth quarter was therefore 3%. The increase was related to higher gross revenue per guest night.

EBITDA for the fourth quarter was NOK -13 million, reduced from NOK -11 million in same period of 2016, due to increased costs for commercial organization to support the future growth in the destination.

Financial review

The financial information for the three months ended 31 December 2017 discussed below is derived from the unaudited consolidated financial statements of Silk Topco Group as of and for the three months ended at 31 December 2017

Profit and loss



Group revenue increased by NOK 197 million or 25.6% to NOK 966 million in fourth quarter 2017 (versus NOK 769 million in the fourth quarter of 2016). The increase in revenue was due to increased occupancy level in Norwegian Coast segment and increased yield in the Explorer segment.

Employee expenses increased by NOK 4 million, or 1.5%, to NOK 279 million in the fourth quarter of 2017 (NOK 275 million). The increase is in line with the increased capacity in the period.

Fourth quarter depreciation, amortization and impairment were NOK 115 million (NOK 116 million).

Specification of other operating costs

Other operating costs (NOK 1 000)	4th quarter	4th quarter	change	01.01-31.12	01.01-31.12	change
	2017	2016		2017	2016	
Cost of goods sold	(179,495)	(137,037)	31.0 %	(933,146)	(791,854)	17.8 %
Operating costs	(356,887)	(298,922)	19.4 %	(1,449,282)	(1,288,438)	12.5 %
Sales and administrative costs	(131,053)	(147,613)	-11.2 %	(533,727)	(501,824)	6.4 %
Total	(667,435)	(583,571)	14.4 %	(2,916,154)	(2,582,115)	12.9 %

Other operating costs were NOK 667 million in the fourth quarter of 2017 (NOK 584 million), an increase of 14.4% from the same period last year.

Cost of goods sold relates to direct costs from flights, hotels and transportation for passengers to and from cruise destinations and costs for food and beverage aboard the cruise vessels. In fourth quarter, the increase of 31% compared to same period last year reflects the increased PCN of 29% in the quarter.

Operating costs include all other cruise operating costs, including bunker oil, harbour costs and maintenance of the vessels, in addition to commissions paid to travel agents. The increase of 19.4% compared to same period last year reflects the increased passengers during the period, as well as increased price for bunker oil and the increase in CO2 taxes. The bunkers costs increased with NOK 25 million in Q4 2017 compared to Q4 2016 driven by increase in the underlying oil price and introduction of higher CO2 taxes in Norway.

Sales and administrative costs decreased with 11.2% in the quarter compared to last year, primarily due to phasing of sales and marketing expenses with more campaigns being launched in Q3.

Net other gains and losses for the fourth quarter was a loss of NOK 5 million (loss of NOK 22 million). Other gains and losses consists of realized losses on bunker derivatives.

Fourth quarter EBITDA was NOK 14 million, an increase of NOK 126 million from an EBITDA of NOK -112 million in the corresponding period of 2016.

The fourth quarter operating loss was NOK 101 million in 2017, compared with an operating loss of NOK 227 million in the same period last year.

Net financial items (financial results) was NOK -363 million (NOK -131 million).

Finance expenses, were NOK 380 million (NOK 89 million). In the fourth quarter of 2017, the Euro strengthened against the Norwegian Krone and resulted in an unrealised foreign exchange loss on the fair value evaluation of the Euro-denominated bond of NOK 256 million (gain of NOK 7 million in 2016).

Income tax expense was NOK 19 million (NOK 13 million) and was related to tax on profits for some of the Group subsidiaries and taxes payable in Norway

Net loss for the fourth quarter of 2017 was NOK 446 million, compared with a loss of NOK 345 million in the same period of 2016 and was driven by unrealised currency losses as underlying operations showed a strong improvement.

Financial position and liquidity

Cash flow

Net cash flow from operating activities in the fourth quarter was NOK 187 million, compared with a net cash flow from operations of NOK 73 million in the same period of 2016. The increase reflects the improvements in the underlying operations.

Net cash flow used in investing activities was NOK 581 million (NOK 148 million). The increase was related to capital expenditures, where the fourth quarter of 2017 includes the purchase of MS Richard With. Other adjustments in investing activities includes the change in restricted cash of MNOK 272

in 2017, related to the bond issued in relation to the purchase of MS Richard With in 2017 and MS Nordlys in 2018.

The Group expect normalised annual maintenance capital expenditures to be around NOK 200 million based on current operations..

Net cash flow from financing activities was NOK 430 million (NOK 120 million), constituted primarily of proceeds from the issued bond for the purchase of the vessels mentioned above.

Cash and cash equivalents in the cash flow statement totalled NOK 338 million at 31 December 2017 (NOK 218 million). Cash and cash equivalents in the statement of financial position, including restricted funds, totalled NOK 661 million at 31 December 2017 (NOK 293 million).

Balance sheet

Total assets amounted to NOK 8,637 million at 31 December 2017, an increase of NOK 746 million from year end 2016. The increase is primarily due to the purchase of MS Richard With in December 2017 and increased cash and cash equivalents from the issue of a MNOK 400 bond dedicated to the purchase of MS Richard With in 2017 and MS Nordlys in 2018. Total equity was NOK 588 million (NOK 1,038 million). The equity ratio at 31 December 2017 was 6.8% (13.2%).

Total non-current liabilities amount to NOK 1,133 as per 31 December 2017 (NOK 5,302), a decrease of NOK 4,168 million from year end 2016. The decrease is due to reclassification of the issued bond of EUR 455 million and the RCF of NOK 774 million from long term to short term borrowings. The bond and the RCF will be refinanced in February 2018. Total borrowings has increased from NOK 5,161 million at year end 2016 to NOK 6,175 million at 31 December 2017. The majority of the Groups borrowings is denominated in EUR, and EUR strengthening against the NOK in 2017 further increase borrowings.

Current liabilities were NOK 6,916 million (NOK 1,551 million), reflecting the reclassification of borrowings, in addition to increase in deposits from customers and increased trade and other liabilities due to the increased production.

Off-balance sheet items

The Group has deferred income tax assets recognised in the balance sheet of NOK 179 million at 31 December 2017, unchanged from year end 2016. At 31 December 2016, NOK 308 million in

deferred income tax assets was not recognised in the balance sheet.

In the future when taxable profit is sufficient to utilise deferred income tax assets, the Group will first utilise deferred income tax assets that is not recognised in

the balance sheet. Tax losses may be carried forward for an indefinite period in Norway. Except for these off balance deferred income tax assets, the Group does not have any material off-balance sheet arrangements.

Outlook

Hurtigruten has experienced a strong positive underlying booking trend through the second half of 2017. There is strong demand for the increased capacity offered under the Explorer segment in both Antarctica and the Arctic. Demand has also increased for the Coastal cruise product across all market segments at higher yields compared to at the same point in time in 2016.

Pre-bookings for 2017 and 2018 are materially higher compared to same time last year driven by significant investments in our commercial team, product improvement initiatives including refurbishments, and additional capacity in the explorer segment. 2018 booking is very strong for both segments with NOK 2,756 million gross ticket revenue including charters booked as of 1 February 2018, compared to NOK 2,151 million last year – an increase of 28%

Gross revenue booked for Norwegian Coast is up NOK 315 million (+19%) for 2018 compared to last year, with increase in bookings for Q1 of 40%.

Explorer has booked NOK 290 million more than same time last year, up by 56%, including an increase in first quarter bookings of 16%.

Growth in the Explorer segment is largely due to new Antarctica itineraries in Q3 2018, part of the launch of the vessel MS Amundsen. The Kleven yard has informed us that the delivery of the MS Roald Amundsen is delayed and we are in the process of rebooking our guests, who are affected by this, to alternative itineraries or refunding their deposits if they decide to cancel their Hurtigruten journey. The financial impact of the delay will not be material to the group financial performance.

Marine operations have performed well in 2017 with a significant lower number of missed port calls due to technical issues compared to same period last year. This is expected to continue.

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

Risks and uncertainties

The risks described below are not the only risks the Group face.

Additional risks and uncertainties not currently known to the Group or that Group currently deem to be immaterial may also materially adversely affect the business, financial condition or results of operations.

An increase in port taxes or fees or other adverse change of the terms of business with the authorities operating the ports in which Hurtigruten call could increase the operating costs and adversely affect the business, financial condition, results of operations and prospects.

Hurtigruten is subject to complex laws and regulations, including environmental, health and

safety laws and regulations, which could adversely affect the operations and any changes in the current laws and regulations could lead to increased costs or decreased revenue.

There is a risk that shipyard could fail to deliver the new builds as agreed, or the Group could cancel a shipbuilding contract because the shipyard has not met its obligations. Any termination or breach of contract on the Group's part following any such event may result in, among other things, the forfeiture of prior deposits or payments made by the Group as well as potential claims by the Group's customers against it if the Group's ships are out of service and the Group cannot provide alternative services.

The Group's inability to deploy new ships and carry out ship repairs, maintenance and refurbishments on

terms and within timeframes that are favourable or consistent with the Group's expectations could result in revenue losses and unforeseen costs.

Hurtigruten's results of operations are susceptible to unseasonable changes in weather and it may be affected by adverse weather conditions.

If Hurtigruten's services are delayed or cancelled, Hurtigruten may need to re-route the guests to other ports of call or cancel their bookings. As a result, Hurtigruten may face difficulty in maintaining consumer loyalty to the brand and the business, financial condition, results of operations and prospects may be adversely affected.

Interim financial statements

Condensed consolidated income statement

Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	4th quarter 2017	4th quarter 2016	01.01-31.12 2017	01.01-31.12 2016
Operating revenues		798,161	589,407	4,243,031	3,674,377
Contractual revenues		167,655	179,267	674,234	703,588
Total Revenues		965,816	768,674	4,917,265	4,377,965
Payroll costs		(278,969)	(274,916)	(1,159,050)	(1,098,925)
Depreciation, amortisation and impairment		(115,435)	(115,004)	(481,310)	(424,611)
Other operating costs		(667,435)	(583,572)	(2,916,154)	(2,582,115)
Other (losses)/gains – net		(5,006)	(22,097)	(40,726)	(95,838)
Operating profit/(loss)		(101,029)	(226,915)	320,026	176,475
Finance income		17,520	(42,251)	129,533	303,917
Finance expenses		(380,706)	(88,597)	(942,208)	(476,390)
Net financial items		(363,186)	(130,848)	(812,674)	(172,473)
Share of profit/(loss) of associates		(160)	(215)	1,265	1,534
Profit/(loss) before income tax		(464,375)	(357,978)	(491,384)	5,536
Income tax expense		18,759	12,711	(23,057)	(25,717)
Profit/(loss) for the period		(445,616)	(345,267)	(514,441)	(20,181)
Profit/(loss) for the year attribute to					
Owners of the parent		(445,616)	(345,267)	(514,441)	(20,181)
Non-controlling interests		-	-	-	-
Earnings per share (NOK) (Basic)		(1.63)	(1.26)	(1.88)	(0.07)
Earnings per share (NOK) (Diluted)		(1.63)	(1.26)	(1.88)	(0.07)

Condensed consolidated statement of comprehensive income

Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	4th quarter 2017	4th quarter 2016	01.01-31.12 2017	01.01-31.12 2016
Profit/(loss) for the period		(445,616)	(345,267)	(514,441)	(20,181)
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gain/loss on retirement benefit obligations		-	-	(2,930)	(2,651)
Sum		-	-	(2,930)	(2,651)
Items that will be reclassified to profit or loss in subsequent periods:					
Cash flow hedges, net of tax		34,706	63,037	39,345	176,552
Currency translation differences		38,059	(6,494)	22,219	(11,274)
Sum		72,765	56,543	61,564	165,278
Total comprehensive income for the period		(372,851)	(288,724)	(455,807)	142,446

Condensed consolidated statement of financial position

Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	31.12. 2017	31.12 2016
ASSETS			
Non-current assets			
Property, plant and equipment		4 470 882	3 990 640
Intangible assets		2 664 560	2 741 998
Deferred income tax assets		178 733	178 518
Derivative financial instruments	5	30 494	24 855
Other non-current assets		70 831	121 875
Total non-current assets		7 415 501	7 057 887
CURRENT ASSETS			
Inventories		148 179	129 845
Trade and other receivables	6	393 128	403 387
Derivative financial instruments	6	19 533	7 119
Cash and cash equivalents	6	660 877	293 214
Total current assets		1 221 717	833 565
Total assets		8 637 219	7 891 452
EQUITY			
Paid -in capital		1 870 415	1 865 422
Other equity		(1 282 748)	(826 947)
Total equity		587 668	1 038 475
LIABILITIES			
Non-current liabilities			
Borrowings	5,6	878 437	5 134 135
Prepaid travels with departure dates beyond one year		133 328	17 972
Other non-current liabilities		121 585	149 628
Total non-current liabilities		1 133 350	5 301 735
Current liabilities			
Trade and other liabilities	6	967 731	895 770
Prepaid travels with departure date within one year		619 598	566 202
Borrowings	5,6	5 297 020	27 188
Other current liabilities		31 853	62 083
Total current liabilities		6 916 201	1 551 243
Total equity and liabilities		8 637 219	7 891 452

Condensed consolidated statement of changes in equity

Unaudited

<i>(in NOK 1 000)</i>	01.01-31.12.2017			01.01-31.12.2016		
	Paid-in capital	Other equity	Total Equity	Paid-in capital	Other equity	Total Equity
Equity at beginning of the period	1,865,416	-826,941	1,038,475	1,860,702	-969,387	891,315
Comprehensive income		(455,807)	(455,807)		142,446	142,446
Contribution of equity	5,000	-	5,000	4,714	-	4,714
Equity at the close of the period	1,870,416	-1,282,749	587,668	1,865,416	-826,942	1,038,475

Condensed consolidated statement of cash flows

Unaudited

<i>(in NOK 1 000)</i>	<i>Note</i>	4th quarter 2017	4th quarter 2016	01.01-31.12 2017	01.01-31.12 2016
Cash flows from operating activities					
Profit/(loss) before income tax		(464,375)	(357,978)	(491,384)	5,536
Depreciation, amortisation and impairment losses		110,671	115,004	481,310	424,611
Change in prepaid travels		135,907	235,926	132,020	219,314
Other adjustments ¹⁾		404,480	80,181	811,366	222,820
Net cash flows from (used in) operating activities		186,683	73,134	933,313	872,282
Cash flows from investing activities					
Purchase of property, plant, equipment (PPE)		(240,652)	(131,664)	(482,157)	(1,152,426)
Advance payment of PPE		(25,001)	(15,855)	(267,843)	(64,609)
Other adjustments		(315,479)	(176)	(349,963)	(30,517)
Net cash flows from (used in) investing activities		(581,131)	(147,695)	(1,099,963)	(1,247,551)
Cash flows from financing activities					
Issue of ordinary shares		-	4,714	5,000	4,714
Proceeds from borrowings		417,573	138,312	708,224	1,201,446
Repayment of borrowings		27,438	(9,545)	(91,202)	(439,611)
Interest paid		(14,369)	(13,911)	(375,322)	(367,647)
Net cash flows from (used in) financing activities		430,642	119,571	246,700	398,903
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		36,194	45,009	80,050	23,633
Cash and cash equivalents at the beginning of period		327,252	155,101	218,155	216,806
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		(25,440)	18,045	39,801	(22,284)
Cash and cash equivalents at end of period		338,006	218,155	338,006	218,155

1) Other adjustments include agio/disagio interest and working capital adjustments to profit/loss.

Notes to the condensed consolidated financial Statements

Note 1 Accounting policies

The interim financial report for the Group includes Silk Topco AS with subsidiaries and associated companies. The interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards, and should therefore be read in connection with the annual report for Silk Topco Group for 2016.

The annual report 2016 for the company can be obtained through a request to the company's main office. The accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2016.

As described in the Annual Financial Statements for Silk Topco Group for 2016, note 2.2b), the vessels MS Richard With and MS Nordlys are owned by the SPV's Kystruten KS and Kirberg Shipping KS. These SPV's were previously included in Silk Topco Group Financial Statements as consolidated entities in accordance with IFRS 10, Consolidated Financial Statements. At 30 September 2017, the Group deconsolidated these entities and recognized the vessels in the Financial Statements as Financial Lease assets according to IFRS 17, Financial Leases, based on updated evaluation of the Group's interests in Kystruten KS and Kirberg Shipping KS. The derecognition of consolidated entities and recognition of financial leases have been restated in the previous financial statements and comparable statements.

In connection with the deconsolidation of the KS' interests, the Group determined that the PPA related to the purchase of Hurtigruten ASA in 2014 was erroneous, and NOK 117 million has been restated from Goodwill to Minority interests in the opening balance of January 1st 2016.

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

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

Note 2 Financial risk management

There are potential risks and uncertainties that can affect the operation of the companies in the Group. This may lead to actual results deviating from expected and historical results. Information concerning the most important risks and uncertainties is disclosed in the latest annual report.

The Group is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Group has entered into hedges. The period from November 2015 to April 2017 was hedged through a fuel swap covering 75% of the total fuel consumption in 2016 and until end of April 2017. In 2016, the Group purchased additional derivatives contracts and hedged approximately a level of 80% of the estimated bunker oil consumption for the period 2017 until December 2018. The company will continue to monitor the price fluctuations and cover the risk through hedges, in order to limit the impact on results. There have been no material changes in the financial risk management since the Annual financial statements for 2016 was published.

Note 3 Contingencies

Membership in the industrial fund for nitrogen oxides

Hurtigruten AS is a member of the Confederation of Norwegian Enterprise's (NHO) NOx Fund. The main objective of the Environmental Agreement concerning reductions of NOx and the NHO's NOx Fund is to reduce

emissions of nitrogen oxide. The Fund is a joint venture to which affiliated businesses can apply for support for emission reducing measures. Payment to the Fund replaces the nitrogen oxide tax for affiliated businesses. The Environmental Agreement for 2011–2017 was signed on 14 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 the years 2011-2014 were met. The Fund had no specific targets for 2015, but is on track to reach the targets for the period 2015-2016, according to the annual report for 2015. The annual report for 2016 is not published at the time of this report. On 24 May 2017, an extension on the NOx Agreement for the period 2018-2025 was signed between the business organizations and the Norwegian Authorities. The extension must be approved by ESA before it enters into force.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 10% of reduction targets trigger a collective fine, under which businesses must pay the nitrogen oxide 30 tax for the pro rata share of the target that has not been satisfied. However, the businesses will never pay more than the official government rate for nitrogen oxide tax. 34.

NOK 16.3 million in nitrogen dioxide tax was recognised in Silk Topco Groups consolidated financial statements as of 31 December 2017, (as of 31 December 2016: NOK 15.9 million). The State contract is now out on a new public tender. Hurtigruten has confirmed that we have submitted a tender and the decision is expected by the end of March.

Note 4 Segments

<i>(in NOK 1 000)</i>	Norwegian Coast		Explorer		Spitsbergen	
	4th quarter	4th quarter	4th quarter	4th quarter	4th quarter	4th quarter
	2017	2016	2017	2016	2017	2016
Operating revenues	533,208	379,862	231,857	189,621	33,196	20,750
Contractual revenues	167,655	179,267	-	-	-	-
Total operating revenues	700,863	559,129	231,857	189,621	33,196	20,750
Payroll costs	(215,783)	(227,687)	(45,989)	(33,808)	(17,197)	(13,399)
Depreciation and impairment losses	(90,727)	(89,994)	(21,063)	(21,769)	(3,634)	(3,044)
Other operating costs	(488,569)	(432,888)	(149,711)	(132,486)	(29,389)	(18,009)
Other (losses)/gains – net	7,638	(18,699)	(12,714)	(3,314)	70	(178)
Operating profit/(loss)	(86,578)	(210,139)	2,379	(1,756)	(16,954)	(13,881)
EBITDA	4,148	(120,145)	23,442	20,012	(13,320)	(10,836)

<i>(in NOK 1 000)</i>	Other Business		Eliminations		Silk Topco Group	
	4th quarter	4th quarter	4th quarter	4th quarter	4th quarter	4th quarter
	2017	2016	2017	2016	2017	2016
Operating revenues	71	(328)	(170)	(498)	798,161	589,407
Contractual revenues	-	-	-	-	167,655	179,267
Total operating revenues	71	(328)	(170)	(498)	965,816	768,674
Payroll costs	-	0	-	-	(278,969)	(274,894)
Depreciation and impairment losses	(11)	70	-	(267)	(115,435)	(115,004)
Other operating costs	102	(707)	133	496	(667,435)	(583,594)
Other (losses)/gains – net	-	94	-	-	(5,006)	(22,097)
Operating profit/(loss)	162	(871)	(38)	(268)	(101,029)	(226,915)
EBITDA	173	(941)	(38)	(1)	14,405	(111,911)

	Norwegian Coast		Explorer		Spitsbergen	
	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12
	2017	2016	2017	2016	2017	2016
<i>(in NOK 1 000)</i>						
Operating revenues	3,156,497	2,796,843	808,989	619,324	292,411	272,733
Contractual revenues	674,234	703,588	-	-	-	-
Total operating revenues	3,830,732	3,500,431	808,989	619,324	292,411	272,733
Payroll costs	(918,674)	(917,680)	(158,957)	(105,348)	(81,419)	(75,875)
Depreciation and impairment losses	(402,558)	(361,455)	(60,883)	(47,735)	(17,844)	(14,645)
Other operating costs	(2,215,862)	(2,040,715)	(548,596)	(403,388)	(167,000)	(151,581)
Other (losses)/gains – net	(20,583)	(102,256)	(20,357)	7,119	214	(733)
Operating profit/(loss)	273,055	78,325	20,196	69,972	26,362	29,898
EBITDA	675,613	439,780	81,079	117,707	44,206	44,543

	Other Business		Eliminations		Silk Topco Group	
	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12
	2017	2016	2017	2016	2017	2016
<i>(in NOK 1 000)</i>						
Operating revenues	230	(462)	(15,096)	(14,061)	4,243,031	3,674,377
Contractual revenues	-	-	-	-	674,234	703,588
Total operating revenues	230	(462)	(15,096)	(14,061)	4,917,265	4,377,965
Payroll costs	-	0	-	-	(1,159,050)	(1,098,903)
Depreciation and impairment losses	(25)	263	0	(1,039)	(481,310)	(424,611)
Other operating costs	376	(1,212)	14,928	14,759	(2,916,154)	(2,582,137)
Other (losses)/gains – net	-	177	-	(145)	(40,726)	(95,838)
Operating profit/(loss)	581	(1,234)	(168)	(487)	320,026	176,475
EBITDA	606	(1,496)	(168)	553	801,335	601,086

Note 5 Borrowings

Unaudited

<i>(Figures stated in NOK 1000)</i>	2017	2016
Long term debt		
Bond	391,881	3,993,529
Revolving Credit Facility (Goldman Sachs)	-	581,427
Lease financing	473,109	543,539
Credit facilities	-	-
Other borrowings	13,447	15,641
Total	878,437	5,134,135
Short term debt		
Bond	4,385,095	-
Revolving credit facility (Goldman Sachs)	773,688	-
Lease financing	45,193	24,743
Credit facilities	26,789	-
Other borrowings	66,254	2,445
Total	5,297,019	27,188
Total outstanding debt	6,175,456	5,161,323

The above amounts state borrowings at amortized cost, according to Statement of Financial Position. The below maturity schedule reflects the borrowings at nominal values.

Maturity Profile

<i>(Figures stated in NOK 1000)</i>	2017	2016
Less than one year	5,389,130	27,188
Between 1 and 2 years	66,224	138,809
Between 3 and 5 years	473,502	4,780,460
More than 5 years	346,863	355,603
Total borrowings	6,275,719	5,302,061

The Group Senior Secured Notes of MEUR 455, and RCF of MEUR 85, has at 31 December 2017 been reclassified to short term borrowings as the Bond and RCF was terminated in February 2018 and replaced by a Term loan B EUR 575 million.

Note 6 Financial assets and liabilities at fair value

The following principles have been applied for the subsequent measurement of financial assets and liabilities at 31 December 2017:

Pr. 31 December 2017

(Figures stated in NOK 1000)

	Loans and receivables	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Long-term receivables	12 794	-	-	-	12 794
Investments in associates	-	4 899	-	-	4 899
Investments in other companies	-	3 169	49 970	-	53 139
Trade receivables and other receivables	393 128	-	-	-	393 128
Derivatives	-	-	-	50 028	50 028
Cash at bank, cash on hand and market-based investments	659 724	1 153	-	-	660 877
Total	1 065 646	9 220	49 970	50 028	1 174 864

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised	Total
Liabilities as per balance sheet				
Long term borrowings	-	-	(878 437)	(878 437)
Derivatives	-	(13 247)	-	(13 247)
Accounts payable and other short term payables	-	-	(1 131 036)	(1 131 036)
Short term borrowings	-	-	(5 270 230)	(5 270 230)
Total	-	(13 247)	(7 279 704)	(7 292 950)

Book value against to fair value	Carrying amount	Fair value
Assets		
Long-term receivables	12 794	12 794
Investments in associates	4 899	4 899
Investments in other companies	53 139	53 139
Trade receivables and other receivables	393 128	393 128
Derivatives	50 028	50 028
Cash at bank, cash on hand and market-based investments	660 877	660 877
Total	1 174 864	1 174 864
Liabilities		
Long term borrowings	(878 437)	(878 437)
Derivatives	(13 247)	(13 247)
Accounts payable and other short term payables	(1 131 036)	(1 131 036)
Short term borrowings	(5 270 230)	(5 425 265)
Total	(7 292 950)	(7 447 985)

The carrying amount for short term receivables and payables has been assessed and does not differ materially from fair value. The observed price of the Group's Senior Secured Notes at December 2017 implies that the fair value of these short term borrowings is higher than the carrying amount.

Note 7 Business influenced by seasonal factors

The Hurtigruten coastal service is influenced by seasonal factors with the main season traditionally from May through August. In recent years the company has developed seasonal concepts, "Hunting the light" for the winter season, "Arctic Awakening" in the spring, "Midnight Sun" in the summer and "Autumn Gold" in the fall. This has increased the number of cruise nights in the months outside the traditional main season. The itinerary and fleet of the company is according to the Hurtigruten public procurement contract, which involves daily departures from Bergen all year through.

Explorer cruises are cyclical because the cruises are concentrated around four geographic areas (different parts of the year); the Antarctic, Svalbard, Greenland and cruise between the Antarctic and the Arctic. The land based Svalbard operation has a main season reaching from March through August. This activity is operated by the subsidiary Hurtigruten Svalbard AS.

Note 8 Events after the balance sheet date

In February 2018, the Group entered into a Senior Secured Credit Facility of EUR 575 million and a Revolving Credit Facility of EUR 85 million.

The existing Senior Secured Credit Facility of EUR 455 million and the revolving Credit facility of EUR 85 million was terminated.

On 23. November 2017 Hurtigruten purchased MS Richard With from Kystruten KS and on 11. January 2018 Hurtigruten purchased MS Nordlys through the acquisition of 100% of the shares in Kirberg KS and Kirberg AS.

In February 2018, The Kleven yard informed that the delivery of the MS Roald Amundsen is delayed. The Group is in the process of rebooking the guests who are affected by the delay to alternative itineraries or refunding their deposits if they decide to cancel their Hurtigruten journey. The financial impact of the delay will not be material to the group financial performance.

There were no other events after balance-sheet date and before the date of the approval of the interim financial report for the first quarter, which provide new information about conditions that existed at the balance sheet date (that are not currently reflected in the financial statement), or significant event after the balance sheet date that require further disclosures.