

# Third quarter report 2019



## Hurtigruten Group AS Consolidated Financial Statements

Published 25 November 2019

## All time high EBITDA in the 3rd quarter, with the MS Roald Amundsen sailing its first commercial itineraries

### Highlights

- Revenue growth in Q3 2019 with total revenue increase of 9.9% to NOK 1,942 million (Q3 2018; NOK 1,766 million)
- Third quarter 2019 normalized adjusted EBITDA before other gains and losses of NOK 714.8 million (3Q 2018; NOK 616.6 million) which is an increase of 15.9%
- Third quarter 2019 reported EBITDA NOK 690.5 million (3Q 2018; NOK 613.3 million) which is an increase of 12.6%
- Revenue growth in the first nine months of 2019 with total revenue increase of 6.8% to NOK 4,702 million (Q3 YTD 2018; NOK 4,402 million)
- YTD Q3 2019 normalized adjusted EBITDA before other gains and losses of NOK 1,343 million (Q3 YTD 2018; NOK 1,180 million) which is an increase of 13.7%
- YTD Q3 2019 reported EBITDA increased by 6.1% to NOK 1,219 million (Q3 YTD 2018; NOK 1,148 million) driven by the introduction of MS Roald Amundsen in the Expedition segment
- Continued growth in occupancy in the Expedition segment with Q3 occupancy of 80.1% (Q3 2018: 73.0%)
- Stable performance Coastal segment with a slight decrease of normalized adjusted EBITDA NOK 659.3 against 669.3 in Q3 2018 driven by lower local transport guests
- Very good and stable maritime operations with low level of missed ports due to technical incidents in Q3 2019. (99.7% regularity)
- Good pre-booking levels for 2020 continues with especially good performance of our two new builds MS Roald Amundsen and MS Fridtjof Nansen

Key figures<sup>2,3</sup>

<i>NOK 1 000</i>	<b>3rd quarter 2019</b>	3rd quarter 2018	% Change	<b>01.01-30.09 2019</b>	01.01-30.09 2018	% Change	Full year 2018
Operational revenues	<b>1 762 694</b>	1 592 125	10.7 %	<b>4 161 852</b>	3 876 766	7.4 %	4 729 515
Contractual revenues	<b>179 431</b>	174 443	2.9 %	<b>539 666</b>	524 819	2.8 %	698 919
<b>Total revenue</b>	<b>1 942 126</b>	1 766 568	9.9 %	<b>4 701 518</b>	4 401 585	6.8 %	5 428 434
<b>EBITDA</b>	<b>690 529</b>	613 443	12.6 %	<b>1 218 746</b>	1 148 468	6.1 %	1 176 281
Other gains/(losses) – net	<b>(6 143)</b>	25 549	-124 %	<b>(35 247)</b>	71 498	-149 %	92 634
<b>EBITDA excl Other gains (losses)</b>	<b>696 671</b>	587 894	<b>18.5 %</b>	<b>1 253 993</b>	1 076 970	16.4 %	1 083 647
<b>Normalised adjusted EBITDA</b>	<b>714 758</b>	616 564	<b>15.9 %</b>	<b>1 342 554</b>	1 180 392	13.7 %	1 243 501
<b>Norwegian Coast</b>							
PCNs	<b>368 229</b>	412 230	-10.7 %	<b>1 046 689</b>	1 072 328	-2.4 %	1 353 146
Gross ticket yield	<b>3 232</b>	2 956	9.3 %	<b>2 861</b>	2 692	0	2 554
Occupancy rate	<b>83.8 %</b>	96.0 %	-12 p.p.	<b>84.3 %</b>	86.9 %	-3 p.p.	83.8 %
<b>Expedition</b>							
PCNs	<b>75 039</b>	39 117	91.8 %	<b>153 337</b>	122 492	25.2 %	166 681
Gross ticket yield	<b>6 353</b>	7 083	-10.3 %	<b>5 710</b>	5 665	0	5 612
Occupancy rate	<b>80.1 %</b>	73.0 %	7 p.p.	<b>75.7 %</b>	71.6 %	4.1 p.p.	72.1 %

<sup>1</sup> The 2018 figures in this report have been restated due to the implementation of IFRS16 1 of January 2019 with retroactive effect, see Note 7 for further information.

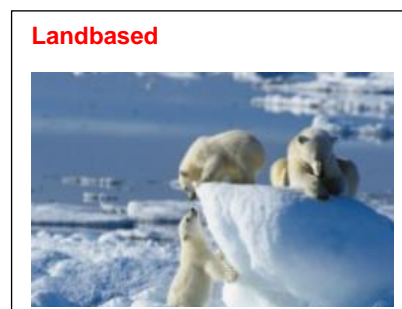
<sup>2</sup> The figures presented in this report are unaudited

<sup>3</sup> Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring.

Note: On 26. February 2019, Silk Bidco AS changed name to Hurtigruten Group AS.  
About Hurtigruten

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 15 expedition cruise vessels, where one new tailor-made expedition cruise vessels (R. Amundsen) was delivered in June, while a second is to be delivered in late Q4 2019. Hurtigruten opens a unique gateway to experiences all over the world from the Arctic to warmer waters and down to Antarctica and of course along the Norwegian coast to travelers from all over the world. Hurtigruten's operations builds on a rich heritage, having connected the many coastal communities in Norway since 1893 and has operated expedition cruises since 1896 with the first sailing from Hammerfest to Svalbard. Today, Hurtigruten combines a deeply-rooted desire to offer genuine local experiences while leaving a smaller footprint when it shapes the future of the growing expedition cruise market. For more information on Hurtigruten, please visit <http://www.hurtigruten.no/>.

## Hurtigruten has three business segments:



### Hurtigruten Norwegian Coast

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

The vessel schedule and infrastructure are leveraged to provide local transport and freight services on top of the expedition cruise offering where Hurtigruten receives an annual fixed fee from the Norwegian government under the coastal service contract.

From 2021 this segment will operate 7 ships under the new State agreement compared to 11 ships today. The segment accounted for 76% of group revenues in the nine months of 2019.

### Expedition cruises

The second largest segment offering unique expedition cruises using the vessels MS Roald Amundsen, MS Fram, MS Spitsbergen and MS Midnattsol (the latter two vessels alternating between the Norwegian Coast and Expedition cruises segments) as well as MS Nordstjernen which is leased and operated on the archipelago of Svalbard in the summer season. The Expedition cruises segment was strengthened in Q3 with the new purpose-built 530 pax. polar cruise ship MS Roald Amundsen and will be further strengthened by inclusion of sister-ship MS Fridtjof Nansen with first commercial sailings in Q1 2020.

The segment accounted for 19% of group revenues in the first nine months of 2019. From 2021 the Expedition Cruises segment will be Hurtigruten's largest segment when three of the largest vessels from the Hurtigruten Norwegian Coast segment will be transferred to the Expedition Cruises segment.

### Landbased

Comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard and Kirkenes. Hurtigruten Svalbard operates three hotels and an equipment store and Hurtigruten Barents the landbased operation in Kirkenes. This segment accounted for 6% of the total revenues in the first nine months of 2019

### Group Function & other

This segment includes all the cost associated with the head office including group management. In addition, it includes all cost associated with supporting the operational business segments with strategy, funding, liquidity and other operational support. All cost related to the sales and marketing of the different segments is also included here and is not allocated to the different operational business segments as we have a group wide sales and marketing organisation.

## Operational review

Hurtigruten had a strong operational and financial performance in the third quarter of 2019 with a growth in Normalized adjusted EBITDA of 15.9% to NOK 715m. The growth is driven both by the inclusion of MS Roald Amundsen to the expedition fleet, giving an increased occupancy in the Expedition segment.

Total reported EBITDA increased by 6.1% compared to first nine months of 2018. The increase is mainly driven by the inclusion of MS Roald Amundsen in Q3 and strong performance in the Coastal segment in Q1.

Furthermore, Hurtigruten has invested in SG&A through increased FTEs within the sales and marketing departments and increasing our inhouse digital distribution capabilities to support the growing business. With the long presale period the sales and marketing department has to be scaled today for the capacity we are selling in 2020, 2021 and 2022 and as a result the SG&A is front loaded compared to the revenue.

Total Passenger Cruise Nights (PCN) for the two cruise segments decreased with 2% in the third quarter of 2019 compared to the same period last year. This was driven by lower volume of low yielding local transport passengers in the Coastal segment.

For the 9 months in total the growth in PCN was 0.4% compared to the same period last year. The occupancy decreased 10.3 pp. to 83.1% for the quarter compared to last year. The increase in average yield offset the reduction in occupancy

Expedition segment in the third quarter of 2019, the vessels MS Fram, MS Spitsbergen and MS Roald

Amundsen operated in the Arctic with sailings along the Norwegian coast, Svalbard, Greenland, the North-West Passage and Alaska.

Maritime operations continued to perform well across the company and there were no material incidents in the third quarter. A total of 59 missed port calls in the Coastal segment were registered in the third quarter, primarily due to adverse weather conditions. 17 ports where missed due to technical incidents and the technical regularity in the Norwegian Coast segment was 99.7%.

Pre-bookings for 2020 is supportive for our strategic direction of more volume allocated to the Expedition segment and continuing development of the Coastal product. The pre-bookings for our two new vessels MS Roald Amundsen and MS Fridtjof Nansen is showing a very good development. Demand for the winter cruise product continues to be strong for the 2019/2020 season with high booking levels compared to same time last year. We continue to invest in the sales and marketing organization to support the future growth as we are increasing our capacity in the Expedition cruise segment in 2020, 2021 and 2022.

## 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)	3rd quarter	3rd quarter	%	01.01-30.09	01.01-30.09	%	Full year
<b>Total operating revenues</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>2018</b>
Hurtigruten Norwegian Coast	<b>1 383 968</b>	1 408 687	-1.8%	<b>3 576 986</b>	3 454 695	3.5%	4 211 025
Expedition	<b>476 441</b>	276 585	72.3%	<b>875 299</b>	694 316	26.1%	935 871
Landbased	<b>89 959</b>	89 804	0.2%	<b>260 951</b>	265 036	-1.5%	295 028
Group functions, Other and Eliminations	<b>(8 242)</b>	(8 509)	-3.1%	<b>(11 718)</b>	(12 462)	-6.0%	(13 490)
<b>Total</b>	<b>1 942 126</b>	1 766 568	9.9%	<b>4 701 518</b>	4 401 585	6.8%	5 428 434
<b>Operating profit/(loss)</b>							
Hurtigruten Norwegian Coast	<b>562 298</b>	625 314	-10.1%	<b>1 198 100</b>	1 230 065	-2.6%	1 352 278
Expedition	<b>190 929</b>	93 208	104.8%	<b>275 035</b>	168 351	63.4%	201 382
Landbased	<b>8 889</b>	14 684	-39.5%	<b>38 545</b>	42 843	-10.0%	23 564
Group functions, Other and Eliminations	<b>(216 648)</b>	(234 475)	7.6%	<b>(689 863)</b>	(653 242)	5.6%	(887 025)
<b>Total</b>	<b>545 468</b>	498 731	-9.4%	<b>821 818</b>	788 017	4.3%	690 199
<b>EBITDA</b>							
Hurtigruten Norwegian Coast	<b>648 646</b>	693 346	-6.4%	<b>1 452 407</b>	1 451 974	0.0%	1 646 432
Expedition	<b>223 314</b>	117 710	89.7%	<b>344 981</b>	237 649	45.2%	297 526
Landbased	<b>14 682</b>	19 374	-24.2%	<b>58 787</b>	60 368	-2.6%	50 087
Group functions, Other and Eliminations	<b>(196 114)</b>	(216 987)	9.6%	<b>(637 430)</b>	(601 523)	6.0%	(817 764)
<b>Total</b>	<b>690 529</b>	613 443	12.6%	<b>1 218 746</b>	1 148 468	6.1%	1 176 281
<b>EBITDA margin</b>							
Hurtigruten Norwegian Coast	<b>46.9 %</b>	49.2 %	-2.4 p.p.	<b>40.6 %</b>	42.0 %	-1.4 p.p.	39.1 %
Expedition	<b>46.9 %</b>	42.6 %	4.3 p.p.	<b>39.4 %</b>	34.2 %	5.2 p.p.	31.8 %
Landbased	<b>16.3 %</b>	21.6 %	-5.3 p.p.	<b>22.5 %</b>	22.8 %	-2 p.p.	17.0 %
Group functions, Other and Eliminations	<b>NM</b>	NM		<b>NM</b>	NM		
<b>Total</b>	<b>35.6%</b>	34.7%	.0 p.p.	<b>25.9%</b>	26.1%	-0.7 %	21.7%
<b>Normalized adjusted EBITDA</b>							
Hurtigruten Norwegian Coast	<b>659 351</b>	669 301	-1.5 %	<b>1 509 169</b>	1 398 226	7.9 %	1 597 552
Expedition	<b>236 255</b>	130 357	81.2 %	<b>390 818</b>	268 650	45.5 %	373 000
Landbased	<b>14 682</b>	19 257	-23.8 %	<b>58 615</b>	60 211	-2.7 %	49 870
Group functions, Other and Eliminations	<b>(195 531)</b>	(202 351)	-3.4 %	<b>(616 048)</b>	(546 696)	12.7 %	(776 578)
<b>Total</b>	<b>714 758</b>	616 564	15.9%	<b>1 342 554</b>	1 180 392	13.7%	1 243 843

## Segment review

### Hurtigruten Norwegian Coast

<i>NOK 1 000</i>	3rd quarter 2019	3rd quarter 2018	Change	01.01-30.09 2019	01.01-30.09 2018	Change	Full year 2018
Operational revenues	<b>1 204 536</b>	1 234 245	-2.4 %	<b>3 037 320</b>	2 929 876	3.7 %	3 512 585
Contractual revenues	<b>179 431</b>	174 443	2.9 %	<b>539 666</b>	524 819	2.8 %	698 919
<b>Total revenue</b>	<b>1 383 968</b>	1 408 687	-1.8 %	<b>3 576 986</b>	3 454 695	3.5 %	4 211 504
<b>EBITDA</b>	<b>648 646</b>	693 346	-6.4 %	<b>1 452 407</b>	1 451 974	0.0 %	1 646 629
Other gain/(losses) - net	<b>(9 651)</b>	25 646	-138 %	<b>(46 628)</b>	57 468	-181 %	78 979
<b>EBITDA excl other gains/(losses)</b>	<b>658 297</b>	667 701	-1.4 %	<b>1 499 035</b>	1 394 506	7.5 %	1 567 650
<b>Normalised adjusted EBITDA</b>	<b>659 351</b>	669 301	-1.5 %	<b>1 509 169</b>	1 398 226	7.9 %	1 597 552

The below table does not include the State Contract's contractual revenue, nor the goods and other operating revenue originated by the Norwegian Coast activity.

<i>NOK 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter</i>	3rd quarter 2019	3rd quarter 2018	01.01-30.09 2019	01.01-30.09 2018	Full year 2018
PCNs	<b>368 229</b>	412 230	<b>1 046 689</b>	1 072 328	1 353 146
APCNs	<b>439 492</b>	429 592	<b>1 242 136</b>	1 233 676	1 613 984
Occupancy rate	<b>83.8%</b>	96.0%	<b>84.3%</b>	86.9%	83.8%
<b>Gross ticket revenues</b>	<b>1 190 114</b>	1 218 425	<b>2 994 278</b>	2 886 295	3 455 655
Less:					
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>184 237</b>	213 103	<b>516 610</b>	540 729	655 975
Food, beverage, shop, excursions	<b>117 105</b>	120 013	<b>326 344</b>	315 980	390 142
<b>Net ticket revenues</b>	<b>888 773</b>	885 309	<b>2 151 324</b>	2 029 586	2 409 538
Gross ticket revenues per PCN (NOK)	<b>3 232</b>	2 956	<b>2 861</b>	2 692	2 554
Net ticket revenues per PCN (NOK)	<b>2 414</b>	2 148	<b>2 055</b>	1 893	1 781
Ship operating costs	<b>724 006</b>	740 314	<b>2 071 626</b>	2 057 887	2 641 038
Selling, general and administrative expenses	<b>1 529</b>	664	<b>6 189</b>	2 302	2 534
<b>Gross cruise costs</b>	<b>725 535</b>	740 978	<b>2 077 815</b>	2 060 188	2 643 572
Less:					
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>184 237</b>	213 103	<b>516 610</b>	540 729	655 975
Food, beverage, shop, excursions	<b>117 105</b>	120 013	<b>326 344</b>	315 980	390 142
<b>Net cruise costs</b>	<b>424 194</b>	407 862	<b>1 234 861</b>	1 203 479	1 597 456
Net cruise costs per APCN (NOK)	<b>965</b>	949	<b>994</b>	976	990
Fuel consumption (liter/nautical mile)	<b>80.1</b>	78.1	<b>79.7</b>	77.7	78.0
Fuel cost per liter	<b>7.34</b>	5.42	<b>7.27</b>	5.29	6.36

Operational revenue excluding the contractual income from the Norwegian state agreement, decreased slightly by NOK 29.7 million, or -2.4%, to NOK 1,205 million in third quarter compared to same quarter last year. The operating revenue for first nine months amounted to NOK 3.577 million compared to 3.455 million in the same period last year. Decreased occupancy in Q3 is mostly driven by decreased focus on local transport passengers (low yield). Reduced occupancy for Q3 compared to Q3 2018 of 10.7p.p to 83.8%. The reduction on occupancy during Q3 has also given rise for an overall reduction in occupancy for 2019 YTD, with a decrease to 84.3% compared to 86.9% in the first nine months of 2018, with a decrease in Passenger Cruise Nights (PCN) of 2.4%.

Net ticket revenue per PCN increased by 12.4% to NOK 2,414 in third quarter compared to same quarter last year, while first nine months net ticket revenue per PCN increased by 8.6%. The increase

in net ticket revenue is driven by a combination of passenger mix (Less focus on low yielding on-deck passengers), higher prices, increased sales of excursions. Gross ticket revenue per PCN increased with 9.3% to 3,232 in the third quarter compared to same quarter last year, while the first nine months of 2019 gave an increase of 6.3%

Net cruise cost per Available Passenger Cruise Night (APCN) increased with 1.7% to NOK 965 in third quarter compared to third quarter last year, while for the first nine months this ended at NOK 994 compared to NOK 976 to same period last year which was driven by higher fuel prices and somewhat higher crew costs.

## Expedition cruises

<i>NOK 1 000</i>	<b>3rd quarter 2019</b>	3rd quarter 2018	Change	<b>01.01-30.09 2019</b>	01.01-30.09 2018	Change	Full year 2018
Operational revenues	<b>476 441</b>	276 585	72.3 %	<b>875 299</b>	694 316	26.1 %	936 266
<b>Total revenue</b>	<b>476 441</b>	276 585	72.3 %	<b>875 299</b>	694 316	26.1 %	936 266
<b>EBITDA</b>	<b>223 314</b>	117 710	89.7 %	<b>344 981</b>	237 649	45.2 %	297 653
Other gain/(losses) - net	<b>(1 831)</b>	904	-303 %	<b>6 192</b>	13 455	-54.0 %	13 878
<b>EBITDA excl other gains/(losses)</b>	<b>225 146</b>	116 806	92.8 %	<b>338 789</b>	224 194	51.1 %	283 775
<b>Normalised adjusted EBITDA</b>	<b>236 255</b>	130 357	81.2 %	<b>390 818</b>	268 650	45.5 %	373 000



<i>NOK 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter</i>	<b>3rd quarter 2019</b>	3rd quarter 2018	<b>01.01-30.09 2019</b>	01.01-30.09 2018	Full year 2018
PCNs	<b>75 039</b>	39 117	<b>153 337</b>	122 492	166 681
APCNs	<b>93 688</b>	53 619	<b>202 473</b>	171 116	231 088
Occupancy rate	<b>80.1 %</b>	73.0 %	<b>75.7 %</b>	71.6 %	72.1 %
<b>Gross ticket revenues</b>	<b>476 697</b>	277 054	<b>875 555</b>	693 928	935 483
Less:					
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>105 428</b>	58 600	<b>205 287</b>	196 077	271 269
Food, beverage, shop, excursions	<b>23 947</b>	11 335	<b>48 128</b>	35 304	55 032
<b>Net ticket revenues</b>	<b>347 323</b>	207 119	<b>622 140</b>	462 547	609 183
Gross ticket revenues per PCN (NOK)	<b>6 353</b>	7 083	<b>5 710</b>	5 665	5 612
Net ticket revenues per PCN (NOK)	<b>4 629</b>	5 295	<b>4 057</b>	3 776	3 655
Ship operating costs	<b>251 034</b>	159 569	<b>535 717</b>	469 453	651 272
Selling, general and administrative expenses	<b>260</b>	210	<b>792</b>	669	952
<b>Gross cruise costs</b>	<b>251 295</b>	159 779	<b>536 510</b>	470 122	652 224
Less:					
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>105 428</b>	58 600	<b>205 287</b>	196 077	271 269
Food, beverage, shop, excursions	<b>23 947</b>	11 335	<b>48 128</b>	35 304	55 032
<b>Net cruise costs</b>	<b>121 921</b>	89 843	<b>283 094</b>	238 740	325 924
Net cruise costs per APCN (NOK)	<b>1 301</b>	1 676	<b>1 398</b>	1 395	1 410
Fuel consumption (liter/nautical mile)	<b>69.5</b>	70.9	<b>80.7</b>	79.7	83.1
Fuel cost per liter	<b>9.82</b>	6.24	<b>7.68</b>	5.84	5.99

The Expedition segment had a very strong performance on all parameters which is driven by the introduction of MS Roald Amundsen. This state-of-the-art vessel had her first sailing 2<sup>nd</sup> of July. The strong growth will continue the next quarters as we are heading into the high yielding Antarctica season with increased capacity. Available Passenger Cruise Nights (APCN) increased with 78%, and with an increase of 5.9 ppt in occupancy to 78.8% in Q3 2019 compared to Q3 2018 the segment delivered 92 % increase in passenger cruise nights sold.

Segment ticket revenue was NOK 477 million in the third quarter of 2019, an increase of 200 million compared with third quarter of 2018. For the first nine months, ticket revenue is up with 181 million to 875 million. Net ticket revenue increased with 140m in third quarter compared with same period last year.

Net cruise cost per available passenger cruise night (APCN) decreased by 23.6% in third quarter, due to the higher efficiency of the MS Roald Amundsen which is a 530 Pax. vessel compared to MS Spitsbergen and MS Fram which both are ~200 Pax. vessels

Third quarter Segment EBITDA was NOK 223 million, an increase of 92.8% from NOK 118 million in the same period in 2018. The first nine months in 2019 EBITDA was up with 45.2% compared to same period in 2018.

This segment will continue to perform very well and further growth is expected with the introduction of the MS Fridtjof Nansen in Q1 2020 and with the strong pre booking levels.

## Landbased

The Landbased segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard in addition operations in Hurtigruten Barents which is excursions and other services in our turn around port of Kirkenes. Hurtigruten Svalbard operates three hotels and an equipment store.

NOK 1 000	3rd quarter 2019	3rd quarter 2018	Change	01.01-30.09 2019	01.01-30.09 2018	Change	Full year 2018
Operational revenues	89 959	89 804	0.2 %	260 951	265 036	-1.5 %	295 028
<b>Total revenue</b>	<b>89 959</b>	<b>89 804</b>	<b>0.2 %</b>	<b>260 951</b>	<b>265 036</b>	<b>-1.5 %</b>	<b>295 028</b>
<b>EBITDA</b>	<b>14 682</b>	<b>19 374</b>	<b>-24.2 %</b>	<b>58 787</b>	<b>60 368</b>	<b>-2.6 %</b>	<b>50 087</b>
Other gain/(losses) - net	-	117		173	157	10 %	217
<b>EBITDA excl other gains/(losses)</b>	<b>14 682</b>	<b>19 257</b>	<b>-23.8 %</b>	<b>58 615</b>	<b>60 211</b>	<b>-2.7 %</b>	<b>49 870</b>
<b>Normalised adjusted EBITDA</b>	<b>14 682</b>	<b>19 257</b>	<b>-23.8 %</b>	<b>58 615</b>	<b>60 211</b>	<b>-2.7 %</b>	<b>49 870</b>

The Landbased segment had third quarter of revenue of NOK 90.0 million, against NOK 89.8 million in third quarter last year.

to first nine months last year. The decrease is driven by start-up costs related to Hurtigruten Barents.

The segment EBITDA decreased with NOK 4.7m compared to Q3 2018, whereas the first nine months of 2019 had a decrease of NOK 1.6million compared

## Group Functions, Other and Eliminations

NOK 1 000	3rd quarter 2019	3rd quarter 2018	Change	01.01-30.09 2019	01.01-30.09 2018	Change	Full year 2018
Operational revenues	(8 242)	(8 509)	-3.1 %	(11 718)	(12 462)	-6.0 %	(13 490)
<b>Total revenue</b>	<b>(8 242)</b>	<b>(8 509)</b>	<b>-3.1 %</b>	<b>(11 718)</b>	<b>(12 462)</b>	<b>-6.0 %</b>	<b>(13 490)</b>
<b>EBITDA</b>	<b>(196 114)</b>	<b>(216 987)</b>	<b>-9.6 %</b>	<b>(637 430)</b>	<b>(601 523)</b>	<b>6.0 %</b>	<b>(817 746)</b>
Other gain/(losses) - net	5 339	(1 118)		5 016	419	1098 %	(441)
<b>EBITDA excl other gains/(losses)</b>	<b>(201 453)</b>	<b>(215 870)</b>	<b>-6.7 %</b>	<b>(642 446)</b>	<b>(601 942)</b>	<b>6.7 %</b>	<b>(817 305)</b>
<b>Normalised adjusted EBITDA</b>	<b>(195 531)</b>	<b>(202 368)</b>	<b>-3.4 %</b>	<b>(616 048)</b>	<b>(545 174)</b>	<b>13.0 %</b>	<b>(776 578)</b>

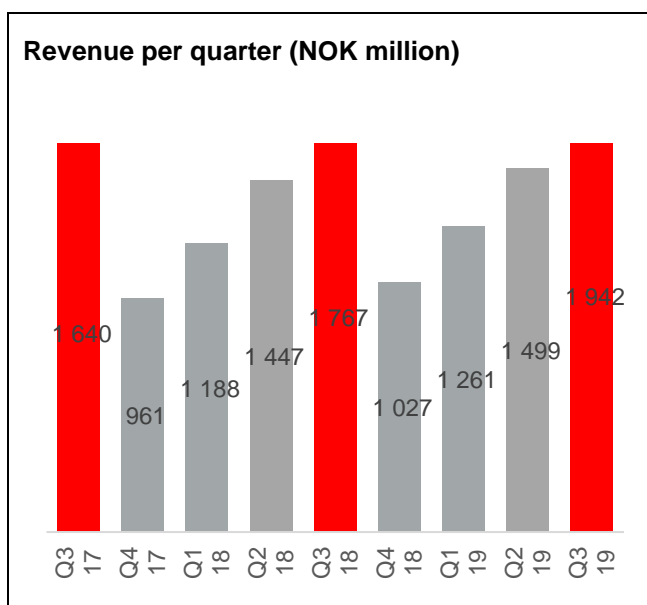
The supporting segment Group Functions has a net negative EBITDA of NOK 196 million in Q3 which is a decrease of 9.6% from same period last year, but an increase for the first nine months of 2019 compared to same period last year. The isolated decrease in Q3 is driven by timing of the larger sales campaigns which this year is in October compared to September in 2018. The reason for the increase on a YTD basis is due to higher marketing cost as our

capacity in the Expedition segment is going to increase substantially over the coming years. In addition, we have also increased the number of FTEs in the sales, marketing and digital department to support the growing business and to increase focus on digital distribution channels. Due to the long presale period the sales and marketing department has to be scaled today for the capacity we are selling in 2020,2021 and 2022.

## Financial review

The financial information for the three months ended 30 September 2019 discussed below is derived from the unaudited consolidated financial statements of Hurtigruten Group AS as of and for the three months ended at 30 September 2018.

### Profit and loss



Group revenue increased by NOK 7.4%, or NOK 124 million to NOK 2,759 million in the first nine months of 2019 compared to first nine months of 2018. Group revenue increased by NOK 10.7% or NOK 176 million to NOK 1.942 million in the third quarter of 2019 compared to third quarter of 2018. The increase in revenue was mainly due to the inclusion of MS Roald Amundsen in to Hurtigruten's portfolio.

Personnel expenses related to crew was NOK 227 million an increase of 8% year over year. Driven by the increase on expedition segment with the inclusion of MS Roald Amundsen. Personnel expenses related to land-based personnel was NOK 110m an increase of 10% driven by increased number of FTEs. This is a strategic decision to facilitate the expansion in relation to the increased volume in the Expedition segments over the next years. Total personnel cost in Q3 2019 saw an increase of NOK 26 million compared to Q3 last year, totalling for NOK 337 million.

### Specification of other operating costs

#### Other operating costs

(NOK 1 000)	3rd quarter	3rd quarter	%	01.01-30.09	01.01-30.09	%	Full year
	2019	2018	change	2019	2018	change	2018
Cost of goods sold	<b>(292 974)</b>	(280 930)	4.3 %	<b>(783 433)</b>	(789 171)	-0.7 %	(996 689)
Operating costs (ex fuel)	<b>(345 191)</b>	(307 884)	12.1 %	<b>(870 830)</b>	(854 931)	1.9 %	(1 099 155)
Fuel costs	<b>(162 721)</b>	(149 814)	8.6 %	<b>(449 043)</b>	(416 901)	7.7 %	(556 418)
Sales and administrative costs	<b>(107 293)</b>	(129 440)	-17.1 %	<b>(371 773)</b>	(362 780)	2.5 %	(486 046)
<b>Total</b>	<b>(908 180)</b>	(868 066)	4.6 %	<b>(2 475 080)</b>	(2 423 783)	2.1 %	(3 138 309)

Other operating costs were NOK 908 million in the third quarter of 2019 (NOK 868 million), an increase of 4.6% from the same period last year. First nine months total other operating costs was NOK 2.475 million, an increase of 2.1% from 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. The Cost of goods sold increased with 4.3% compared to same quarter last year, while there was a decreased effect for the first

nine months of 0.7% which is driven by results from the company wide cost cutting project and reduction level of one-off costs.

Operating costs include all other cruise operating costs, harbour costs, bareboat lease costs and maintenance of the vessels, in addition to commissions paid to travel agents. The third quarter increased with 12.1% compared to same period last year is primarily due increase in sales (commission) and increased other operating cruise cost connected mostly to the start-up cost on MS Roald Amundsen.

Fuel costs in the quarter increased with 8.6% to NOK 163 million, compared to the same quarter last year, due to two reason. One more vessel in the fleet and the increase of the underlying cost of marine gas oil, where we also see the similar effect on first nine months of the year with a total increase of 7.7%.

Third quarter depreciation, amortization and impairment were increased with 30m totalling NOK 145 million (NOK 114 million in 2018), while first nine months was NOK 397 million vs. NOK 360 million in 2018. Main reason for the increase is due to depreciation connected to MS Roald Amundsen and slight increased depreciation on refurbished vessels.

Sales and administrative costs decreased with 17.1% in the third quarter compared to last year (2.5% YoY), primarily as a result of earlier groupwide initiatives in Q2 and less activity for Q3 compared to last year. However, in general there is an increased sales and marketing and administrative expenses related to the investment in future growth in capacity.

Net other gains and losses for the third quarter was a loss of NOK 6 million (gain of NOK 26 million in 2018), where YoY is a net loss of NOK 35 million compared to net gain of 71 in 2018. Other gains and losses consist mainly of realized gains and losses on bunker derivatives and gains from foreign currency contracts related to our under construction.

The third quarter 2019 operating profit was NOK 545 million, compared to NOK 499 million in the same period last year. The underlying operating profit adjusted for P&L items related to hedging items was NOK 552 million in third quarter compared to NOK 473 million in the same period last year.

Net financial items were NOK -238 million (NOK 22 million) in the third quarter. In Q3 2018 the previous EUR bond gave us a non-cash financial gain due to strengthening of the NOK vs. the EUR. Cash interest costs in the quarter has only increased slightly compared to last year due to reduced effective

interest rates on borrowings, while increased debt due to financing MS Roald Amundsen offset this and gave a net increase of NOK 3million. The previous facility of Bond of EUR 455 million and Revolving Credit Facility of EUR 85 million were replaced with a term B loan of EUR 575 million and a new Revolving Credit Facility of EUR 85 million. The refinancing entails 3-year prolonged debt maturity, increased available liquidity and reduced interest costs going forward. Finance income has decreased to NOK 124 million for first nine months in 2019 compared with NOK 167 million in same period last year which is driven by fluctuations in the NOK vs. EUR.

Income tax in the period was a tax expense of NOK 5 million (NOK 25 million in 2018). For the first nine months of the year, the tax expense totals 714 million compared to 52 million in same period in 2018. The tax expense relates to the implementation of the tax tonnage regime and is offset by the tax gain which was booked in Q4 2018 report of NOK 451m.

Net loss for the first nine months of 2019 was NOK 59 million, compared to a gain of NOK 513 million in the same period last year, driven by the tax effect in Q1 2019. However, the third quarter net profit ended on NOK 310 million, compared to 452 million in same period last year, where the main difference is driven by FX effects.

## Financial position and liquidity

### Cash flow

Net cash flow from operating activities in the third quarter was NOK 426 million (NOK 1281 million first 9 months), compared with a net cash flow from operations of NOK 369 million in the same period of 2018 (NOK 1011 million first 9 months in 2018). The increase is primarily due to increased growth in EBITDA.

Net cash flow used in investing activities was NOK -191 million compared to 182 in same period last year. Main reason for the increase both in the quarter and YoY was the delivery of MS Roald Amundsen in Q2 and investment in to MS Fridtjof Nansen. Other adjustments in investing activities include settlement of financial derivatives and change in restricted funds.

The Group expects normalized annual maintenance capital expenditures for the vessels to be around NOK 225 million based on current operations and will

increase to NOK 250 million with the delivery of MS Fridtjof Nansen.

Net cash outflow from financing activities was NOK 209 million in third quarter compared to NOK 357 million in same period last year, while first nine months had a net inflow of NOK 807 million (net outflow of NOK 351 million in 2018), comprising primarily of increased loan to finance the purchase of Roald Amundsen in Q2, while repaying the drawn amount of the RCF with NOK 200 million in Q2.

Net increase in cash in first nine months of 2019 was NOK 110 million (NOK 26 million for Q3), compared to an increase of NOK 173 million in the same period last year (NOK 116 million decrease for Q3 2018).

Cash and cash equivalents in the cash flow statement totalled NOK 480 million at 30th of September 2019 (NOK 484 million in 2018). Cash and cash equivalents in the statement of financial position, including restricted funds, totalled NOK 591 million at 30 September 2019. At 30 September 2019, the Group had additional available liquidity through the EUR 85 million Revolving Credit Facility. Our liquidity position remains strong, with around NOK 1.3bn in free liquidity including available RCF.

The Group has financing in place for the delivery of the newbuild MS Fridtjof Nansen, to be delivered in Q4 2019 with a EUR 130m ECA facility.

#### **Balance sheet**

Total assets amounted to NOK 11,085 million at 30 September 2019, an increase of NOK 1,026 million from year end 2018. Non-current assets increased with NOK 1,064 million since year end 2018 due to the delivery of Roald Amundsen in Q2.

Current asset amounted to NOK 1,137 million, and was fairly stable compared to 31 December 2018, where we saw a decrease of NOK 39 million, primarily due to the decrease of Trade receivables while mostly offset by increase in increase in Cash and cash equivalents,

Total book equity at the end of first nine months was NOK 725 million vs. NOK 686 million at 31 December 2018. The change in equity is due to net profit in the period, offset by positive changes in the Groups cash flow hedges. The driver of the negative income was the tax effect of moving to the tax tonnage regime, with a tax realization on the vessel's valuations driving the tax cost.

The equity ratio at 30 September 2019 was 6.5% vs. 6.8% at year-end 2018. The equity level is expected to improve for the remaining quarter of 2019 due to the good pre-bookings.

Total non-current liabilities amount to NOK 8,556 million as per 30 September 2019, an increase of NOK 1,059 million from NOK 7,497 million at year end 2018. The increase is due to new borrowings to finance the purchase of MS Roald Amundsen

Current liabilities excluding borrowings were NOK 1,702 million, decreased by NOK 58 million since year end 2018. The change is due to reduction in the fair value of hedging derivatives, where the market has been more favourable than in end of December 2018, slightly offset by increased prepaid travels and trade liabilities.

#### **Off-balance sheet items**

Hurtigruten Group AS is guarantor (unsecured guarantee) for the construction loans drawn by Kleven Yard AS ("Kleven") in connection with the building of the ships MS Fridtjof Nansen. The maximum guaranteed amount from Hurtigruten Group AS equals 20 % of amounts outstanding for construction of the vessel.

As at 30 September 2019, NOK 998 million is drawn by Kleven Verft AS for the construction of MS Fridtjof Nansen where the Hurtigruten Group AS is a partial unsecured guarantor. Total exposure for Hurtigruten Group AS amounts to NOK 489 million in case of default on Kleven Verfts behalf before MS Fridtjof Nansen is delivered.

## Outlook

Hurtigruten has experienced a strong positive underlying booking trend over the last 12 months. There is strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. Demand has also increased for the Coastal cruise product especially during the winter season. Pre-bookings for 2020 are higher compared to same time last year driven by the effects of our investments in our commercial team, product improvement initiatives, and additional

capacity in the Expedition Cruises segment. 2019 booking is very strong for both segments with NOK 4071 million gross ticket revenue booked as of 19 November 2019, compared to NOK 3,692 million last year – an increase of 10,2%. For 2020 we have booked NOK 2,488m compared to 2,389 last year which is an increase of 4%. The booking momentum is even stronger over the last period with a 15% increase in y/y bookings over the last 30 days. As of 19 of November 50% of the 2020 budget is booked

## Risks and uncertainties

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

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

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

Hurtigruten is subject to complex laws and regulations, including environmental, health and safety laws and regulations, which could adversely affect the operations and any change in the current laws and regulations could lead to increased costs or decreased revenue.

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<sup>1</sup>

## Condensed consolidated income statement

### Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	<b>3rd quarter 2019</b>	3rd quarter 2018	<b>01.01-30.09 2019</b>	01.01-30.09 2018 % Change	Full year 2018	
Operating revenues		<b>1 762 694</b>	1 592 125	<b>4 161 852</b>	3 876 766	10.7 %	4 729 515
Contractual revenues		<b>179 431</b>	174 443	<b>539 666</b>	524 819	2.9 %	698 919
<b>Total Revenues</b>		<b>1 942 126</b>	1 766 568	<b>4 701 518</b>	4 401 585	9.9 %	5 428 434
Payroll costs		<b>(337 274)</b>	(310 606)	<b>(972 445)</b>	(900 832)	8.6 %	(1 206 479)
Depreciation, amortisation and		<b>(145 061)</b>	(114 712)	<b>(396 928)</b>	(360 451)	26.5 %	(486 082)
Other operating costs		<b>(908 180)</b>	(868 067)	<b>(2 475 080)</b>	(2 423 783)	4.6 %	(3 138 309)
Other (losses)/gains – net		<b>(6 143)</b>	25 549	<b>(35 247)</b>	71 498		92 634
<b>Operating profit/(loss)</b>		<b>545 468</b>	498 731	<b>821 818</b>	788 017	9.4 %	690 199
<b>Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)</b>		<b>690 529</b>	613 443	<b>1 218 746</b>	1 148 468	12.6 %	1 176 281
Finance income		<b>(133 139)</b>	38 611	<b>124 563</b>	166 719		59 798
Finance expenses		<b>(105 116)</b>	(60 588)	<b>(291 694)</b>	(391 422)	73.5 %	(700 839)
<b>Net financial items</b>	<b>6</b>	<b>(238 254)</b>	(21 977)	<b>(167 131)</b>	(224 703)		(641 040)
Share of profit/(loss) of associates		<b>(1 742)</b>	40	-	1 819		596
<b>Profit/(loss) before income tax</b>		<b>305 472</b>	476 795	<b>654 686</b>	565 133	-35.9 %	49 754
Income tax expense		<b>4 925</b>	(24 488)	<b>(713 662)</b>	(52 080)		399 719
<b>Profit/(loss) for the period</b>		<b>310 397</b>	452 307	<b>(58 976)</b>	513 053	-31.4 %	449 472
<b>Profit/(loss) for the year attribute to</b>							
Owners of the parent		<b>313 186</b>	452 307	<b>(55 452)</b>	513 053		449 472
Non-controlling interests		<b>(2 789)</b>	-	<b>(3 524)</b>	-		-

The 2018 figures in this report have been restated due to the implementation of IFRS16 1 of January 2019 with retroactive effect, see Note 7 for further information.

## Condensed consolidated statement of comprehensive income

Unaudited

### Condensed consolidated statement of comprehensive income

<i>(NOK 1 000)</i>	<i>Note</i>	3rd quarter 2019	3rd quarter 2018	01.01-30.09 2019	01.01-30.09 2018	Full year 2018
<b>Profit/(loss) for the period</b>		<b>310 397</b>	452 307	<b>(58 976)</b>	513 053	449 472
<b>Other comprehensive income, net of tax:</b>						
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>						
Actuarial gain/loss on retirement benefit obligations		-	-	-	346	(3 168)
Fair value adjustments on financial instruments		-	-	<b>(2 327)</b>	(41 500)	(28 015)
<b>Sum</b>		-	-	<b>(2 327)</b>	(41 154)	(31 183)
<b>Items that will be reclassified to profit or loss in subsequent periods:</b>						
Cash flow hedges, net of tax		<b>(14 331)</b>	3 264	<b>96 618</b>	(17 680)	(173 450)
Currency translation differences		<b>(3 327)</b>	(4 593)	<b>(2 337)</b>	(4 508)	(4 733)
<b>Sum</b>		<b>(17 658)</b>	(1 329)	<b>94 281</b>	(22 188)	(178 183)
<b>Total comprehensive income for the period</b>		<b>292 739</b>	450 978	<b>32 978</b>	449 711	240 106



## Condensed consolidated statement of financial position

### Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	<b>30.9. 2019</b>	30.9. 2018	31.12. 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		<b>6 331 839</b>	4 722 992	4 827 249
Intangible assets		<b>2 704 183</b>	2 657 225	2 653 228
Deferred income tax assets		<b>32 311</b>	198 528	670 153
Other non-current assets		<b>880 207</b>	108 938	733 501
<b>Total non-current assets</b>		<b>9 948 540</b>	7 687 683	8 884 131
<b>CURRENT ASSETS</b>				
Inventories		<b>168 825</b>	165 982	185 390
Trade and other receivables	7	<b>376 883</b>	334 520	428 353
Derivative financial instruments	7	<b>0</b>	53 431	0
Cash and cash equivalents	7	<b>591 104</b>	658 193	561 576
<b>Total current assets</b>		<b>1 136 812</b>	1 212 126	1 175 318
<b>Total assets</b>		<b>11 085 351</b>	8 899 809	10 059 450
<b>EQUITY</b>				
Paid -in capital		<b>1 827 646</b>	1 827 646	1 827 646
Other equity		<b>(1 104 897)</b>	(933 077)	(1 141 400)
Non-controlling interests		<b>2 758</b>	0	0
<b>Total equity</b>		<b>725 507</b>	894 569	686 246
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing debt	5,7	<b>8 164 091</b>	6 060 373	7 140 494
Prepaid travels with departure dates beyond one year		<b>128 318</b>	164 590	103 555
Derivative financial instruments	7	<b>40 381</b>	0	57 351
Other non-current liabilities		<b>223 614</b>	239 846	195 640
<b>Total non-current liabilities</b>		<b>8 556 404</b>	6 464 810	7 497 040
<b>Current liabilities</b>				
Trade and other liabilities	7	<b>874 559</b>	843 532	850 372
Prepaid travels with departure date within one year		<b>759 919</b>	558 179	708 425
Interest-bearing debt	5,7	<b>101 688</b>	124 402	116 779
Derivative financial instruments		<b>32 569</b>	0	140 310
Other current liabilities		<b>34 706</b>	14 317	60 278
<b>Total current liabilities</b>		<b>1 803 440</b>	1 540 430	1 876 164
<b>Total equity and liabilities</b>		<b>11 085 351</b>	8 899 809	10 059 450

## Condensed consolidated statement of changes in equity

Unaudited<sup>1</sup>

	01.01-30.09.2019				
	Attributable to shareholders of Hurtigruten Group AS				
<i>(in NOK 1 000)</i>	Paid -in capital	Other equity	Total	Non-controlling interests	Total Equity
<b>Equity at beginning of the period</b>	<b>1 827 646</b>	<b>(1 141 400)</b>	<b>686 246</b>		<b>686 246</b>
Comprehensive income	-	36 502	36 502	(3 524)	32 978
Non-controlling interests	-	-	-	6 282	6 282
<b>Equity at the close of the period</b>	<b>1 827 646</b>	<b>(1 104 897)</b>	<b>722 749</b>	<b>2 758</b>	<b>725 507</b>

	01.01-30.09.2018		
	Attributable to shareholders of Hurtigruten Group AS		
<i>(in NOK 1 000)</i>	Paid -in capital	Other equity	Total Equity
<b>Equity at beginning of the period</b>	<b>1 827 646</b>	<b>(1 382 788)</b>	<b>444 858</b>
Comprehensive income	-	449 711	449 711
<b>Equity at the close of the period</b>	<b>1 827 646</b>	<b>(933 077)</b>	<b>894 569</b>

<sup>1</sup> In April 2019 Hurtigruten bought 50% shareholder of Artic Secret holding AS, which owns companies that service landbased activity in Kirkenes. The co-owners receive their share of profit for this sub-group.

## Condensed consolidated statement of cash flows

### Unaudited

<i>(in NOK 1 000)</i>	<b>3rd quarter 2019</b>	3rd quarter 2018	<b>01.01-30.09 2019</b>	01.01-30.09 2018	Full year 2018
<b>Cash flows from operating activities</b>					
Profit/(loss) before income tax	305 472	476 745	654 686	565 133	49 210
Adjustments for:					
Depreciation, amortisation and impairment losses	145 152	114 752	396 746	360 451	484 867
Interest expenses	91 423	88 698	252 730	473 186	558 522
Change in working capital <sup>2</sup>	(149 789)	(142 550)	36 915	1 010	(166 608)
Change in prepaid travels	(126 993)	(121 155)	72 770	(5 121)	48 855
Other adjustments <sup>1</sup>	161 041	(47 157)	(133 281)	(383 893)	33 945
<b>Net cash flows from (used in) operating activities</b>	<b>426 305</b>	369 332	<b>1 280 568</b>	1 010 765	1 008 791
<b>Cash flows from investing activities</b>					
Purchase of property, plant, equipment (PPE)	(123 539)	(60 083)	(1 674 952)	(178 706)	(262 546)
Purchase of intangible assets	(33 777)	(19 899)	(93 533)	(53 408)	(69 087)
Advance payment of PPE	(62 615)	(55 859)	(217 539)	(172 659)	(239 346)
Loans to Group companies	-	(18 995)	-	(73 179)	(683 539)
Other adjustments	29 024	26 545	8 549	(9 033)	(84 714)
<b>Net cash flows from (used in) investing activities</b>	<b>(190 907)</b>	(128 291)	<b>(1 977 475)</b>	(486 987)	(1 339 232)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	6 131	(4 837)	1 365 429	394 692	1 317 316
Repayment of borrowings	(54 029)	(212 009)	(268 654)	(226 707)	(333 395)
Transactions with non controlling entities	9 843	-	6 282	-	-
Interest paid	(171 006)	(139 747)	(295 435)	(519 017)	(573 829)
<b>Net cash flows from (used in) financing activities</b>	<b>(209 061)</b>	(356 593)	<b>807 622</b>	(351 032)	398 183
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	26 337	(115 552)	110 714	172 746	67 741
Cash and cash equivalents at the beginning of period	455 283	608 079	384 583	337 979	337 979
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(796)	(8 443)	(14 474)	(26 642)	(21 137)
<b>Cash and cash equivalents at end of period</b>	<b>480 823</b>	484 084	<b>480 823</b>	484 084	384 583

<sup>1</sup> Other adjustments include agio/disagio, adjustment for financial assets, accruals and paid income taxes

<sup>2</sup> Figures for 3<sup>rd</sup> Quarter 2018 has been restated to reflect correct presentation of loans to other group companies.

# Notes to the condensed consolidated financial Statements

## Note 1 Accounting policies

The interim financial report for the Group includes Hurtigruten Group AS with subsidiaries and associated companies. The interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards and should therefore be read in connection with the consolidated annual report for Hurtigruten Group AS (previously Silk Bidco Group) for 2018.

The annual report 2018 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 2018.

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

## Note 2 Financial risk management

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

The Group is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Group has implemented a fuel hedging policy that follows the booking curve: the key principle in the bunker hedging policy is based on the company's ability to obtain visibility on earnings, hence the company has established a hedging policy linked to the development in the booking curve (actual vs. budgeted PCNs booked). For example, if at any given time 75% of the volume for one season is sold, a minimum of 50% of the bunker cost associated with the PCN volume sold are hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

In 2016, the Group purchased fuel derivatives contracts hedging estimated bunker oil consumption for the period 2017 until December 2018. In July 2018, October 2018, and November 2018, the Group entered into additional derivative contracts with expiration in 2019 through 2021. At year-end 2018, a total of 142,350 MT bunker fuel volume is hedged at an average price of USD 656/MT during 2019-2021.

## Note 3 Contingencies

### Membership in the industrial fund for nitrogen oxides

Hurtigruten AS is a member of the Confederation of Norwegian Enterprise's (NHO) NOx Fund. The main objective of the Environmental Agreement concerning reductions of NOx and the NHO's NOx Fund is to reduce emissions of nitrogen oxide. The Fund is a joint venture to which affiliated businesses can apply for support for emission-reducing measures. Payment to the Fund replaces the nitrogen oxide tax for affiliated businesses.

The Environmental Agreement for 2011–2017 was signed on 14 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 22 February 2018.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 3% of emission targets trigger a collective fine, under which businesses must pay the nitrogen oxide tax for the pro rata share of the target that has not been met. However, businesses will never pay more than the official government rate for nitrogen oxide tax.

NOK 28 million in nitrogen dioxide tax is recognised in financial statements for the first nine months of 2019, as compared to NOK 23 million in same period in 2018. The main reason for the increase is due to the price increase per kg.

## Note 4 Segments

Unaudited

	Norwegian Coast		Expedition cruises		Landbased	
	01.01-30.09	01.01-30.09	01.01-30.09	01.01-30.09	01.01-30.09	01.01-30.09
	2019	2018	2019	2018	2019	2018
<i>(in NOK 1 000)</i>						
Operating revenues	<b>3 037 320</b>	2 929 876	<b>875 299</b>	694 316	<b>260 951</b>	265 036
Contractual revenues	<b>539 666</b>	524 819	-	-	-	-
<b>Total operating revenues</b>	<b>3 576 986</b>	3 454 695	<b>875 299</b>	694 316	<b>260 951</b>	265 036
Payroll costs	<b>(510 343)</b>	(498 395)	<b>(92 558)</b>	(74 378)	<b>(71 980)</b>	(69 319)
Depreciation and impairment losses	<b>(254 307)</b>	(221 909)	<b>(69 946)</b>	(69 298)	<b>(20 242)</b>	(17 526)
Other operating costs	<b>(1 567 608)</b>	(1 561 794)	<b>(443 951)</b>	(395 743)	<b>(130 357)</b>	(135 505)
Other (losses)/gains – net	<b>(46 628)</b>	57 468	<b>6 192</b>	13 455	<b>173</b>	157
<b>Operating profit/(loss)</b>	<b>1 198 100</b>	1 230 065	<b>275 035</b>	168 351	<b>38 545</b>	42 843
<b>EBITDA</b>	<b>1 452 407</b>	1 451 974	<b>344 981</b>	237 649	<b>58 787</b>	60 368
Other (losses)/gains – net	<b>(46 628)</b>	57 468	<b>6 192</b>	13 455	<b>173</b>	157
<b>EBITDA excl Other gain/(losses)</b>	<b>1 499 035</b>	1 394 506	<b>338 789</b>	224 194	<b>58 615</b>	60 211
<b>Normalized adjusted EBITDA</b>	<b>1 509 169</b>	1 398 226	<b>390 818</b>	268 650	<b>58 615</b>	60 211
	<b>Group functions, Other and Eliminations</b>				<b>Hurtigruten Group</b>	
	01.01-30.09	01.01-30.09			01.01-30.09	01.01-30.09
<i>(in NOK 1 000)</i>	2019	2018			2019	2018
Operating revenues	<b>(11 718)</b>	(12 462)			<b>4 161 852</b>	3 876 766
Contractual revenues	-	-			<b>539 666</b>	524 819
<b>Total operating revenues</b>	<b>(11 718)</b>	(12 462)			<b>4 701 518</b>	4 401 585
Payroll costs	<b>(297 564)</b>	(258 739)			<b>(972 445)</b>	(900 832)
Depreciation and impairment losses	<b>(52 433)</b>	(51 719)			<b>(396 928)</b>	(360 451)
Other operating costs	<b>(333 163)</b>	(330 741)			<b>(2 475 080)</b>	(2 423 783)
Other (losses)/gains – net	<b>5 016</b>	419			<b>(35 247)</b>	71 498
<b>Operating profit/(loss)</b>	<b>(689 863)</b>	(653 242)			<b>821 818</b>	788 017
<b>EBITDA</b>	<b>(637 430)</b>	(601 523)			<b>1 218 746</b>	1 148 468
Other (losses)/gains – net	<b>5 016</b>	419			<b>(35 247)</b>	71 498
<b>EBITDA excl Other gain/(losses)</b>	<b>(642 446)</b>	(601 942)			<b>1 253 993</b>	1 076 970
<b>Normalized adjusted EBITDA</b>	<b>(616 048)</b>	(546 696)			<b>1 342 554</b>	1 180 392

## Note 5 Interest-bearing Debt

Unaudited

	30.9. 2019	30.9. 2018	31.12. 2018
<i>(Figures stated in NOK 1000)</i>			
<b>Long term interest-bearing debt</b>			
Collateralized borrowings	8 056 580	5 800 752	6 905 950
Financial lease <sup>1</sup>	82 778	258 662	233 642
Credit facilities	24 017	-	-
Other borrowings	715	959	902
<b>Total</b>	<b>8 164 091</b>	<b>6 060 373</b>	<b>7 140 494</b>
<b>Short term interest bearing debt</b>			
Collateralized borrowings	36 428	33 118	4 913
Financial lease <sup>1</sup>	63 246	88 045	111 866
Credit facilities	-	3 238	-
Other borrowings	2 014	-	-
<b>Total</b>	<b>101 688</b>	<b>124 402</b>	<b>116 779</b>
<b>Total outstanding interest-bearing debt</b>	<b>8 265 779</b>	<b>6 184 775</b>	<b>7 257 273</b>

<sup>1</sup> The accounts for lease-contracts in reference to IFRS 16 are reflected in the financial lease, while items that are classified as borrowings from IFRS9 are reflected within borrowings and credit facilities.

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

## Maturity Profile

The below maturity schedule reflects the borrowings at nominal values.

	30.9. 2019	30.9. 2018	31.12. 2018
<i>(Figures stated in NOK 1000)</i>			
Less than one year	101 688	121 163	116 779
Year 2 and 3	126 544	224 015	217 973
Year 4 and 5	121 873	169 625	168 082
More than 5 years	8 129 417	5 793 613	6 888 619
<b>Total Interest-bearing debt</b>	<b>8 479 521</b>	<b>6 308 416</b>	<b>7 391 453</b>

## Note 6 Net Financial items

Unaudited

	3rd quarter 2019	3rd quarter 2018	01.01-30.09 2019	01.01-30.09 2018
<i>(NOK 1000)</i>				
Interest income on current bank deposits	(3 330)	8 858	10 154	12 513
Foreign exchange gains	(149 140)	29 231	77 589	150 677
Other financial income	19 332	522	36 819	3 529
<b>Finance income</b>	<b>(133 139)</b>	<b>38 611</b>	<b>124 563</b>	<b>166 719</b>
Interest expense and amortized borrowing fees	(91 561)	(88 693)	(252 733)	(473 185)
Foreign exchange losses	(12 993)	29 555	(27 987)	86 597
Other finance expenses	(562)	(1 450)	(10 973)	(4 834)
<b>Finance expenses</b>	<b>(105 116)</b>	<b>(60 588)</b>	<b>(291 694)</b>	<b>(391 422)</b>
<b>Net Financial items</b>	<b>(238 254)</b>	<b>(21 977)</b>	<b>(167 131)</b>	<b>(224 703)</b>

## Note 7 Financial assets and liabilities at fair value

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

### At 30 September 2019:

Unaudited

*(Figures stated in NOK 1000)*

	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
<b>Assets as per balance sheet</b>					
Other receivables, non-current	849 005	892	-	-	<b>849 897</b>
Investment in other companies	-	-	24 327	-	<b>24 327</b>
Trade and other receivables	194 273	-	-	-	<b>194 273</b>
Total derivatives	-	-	-	-	-
Cash at bank, cash on hand and market-based investments in the balance sheet	589 945	1 159	-	-	<b>591 104</b>
<b>Total</b>	<b>1 633 223</b>	<b>2 051</b>	<b>24 327</b>	-	<b>1 659 601</b>

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>				
Total interest-bearing debt	-	-	8 265 779	<b>8 265 779</b>
Total derivatives	-	72 950	-	<b>72 950</b>
Accounts payable and other short term payables	-	-	373 851	<b>373 851</b>
<b>Total</b>	-	<b>72 950</b>	<b>8 639 630</b>	<b>8 712 580</b>

In September 2017, Hurtigruten Group purchased 15.9 % of the shares in Kleven Maritime AS, the parent company of Kleven Verft AS. In June 2018, the Hurtigruten Group parent company Silk Topco AS purchased 100% of the shares in Kleven Verft AS. The investment is recognized as investments in other companies/financial investments, and fair value adjustments are recognized through Other Comprehensive Income according to IFRS 9.

**At 30 September 2018:**

<i>(Figures stated in NOK 1000)</i>	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	<b>Total</b>
<b>Assets as per balance sheet</b>					
Other receivables, non-current	90 942	2 808	-	-	<b>93 750</b>
Available for sale financial instruments	-	-	8 470	-	<b>8 470</b>
Trade and other receivables	204 630	-	-	-	<b>204 630</b>
Total derivatives	-	-	-	53 431	<b>53 431</b>
Cash at bank, cash on hand and market-based investments in the balance sheet	657 083	1 109	-	-	<b>658 193</b>
<b>Total</b>	<b>952 656</b>	<b>3 917</b>	<b>8 470</b>	<b>53 431</b>	<b>1 018 474</b>

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	<b>Total</b>
<b>Liabilities as per balance sheet</b>				
Total interest bearing debt	-	-	6 184 775	<b>6 184 775</b>
Total derivatives	-	-	-	-
Accounts payable and other short term payables	-	-	401 123	<b>401 123</b>
<b>Total</b>	-	-	<b>6 585 898</b>	<b>6 585 898</b>

The carrying amount for the financial assets and liabilities has been assessed and does not differ materially from fair value, except for total borrowings. Fair value of total borrowings at 30 September 2019 was NOK 8,480 million (NOK 6,308 million).



## Note 8 Implementation effects IFRS 16

The figures below show the impact of IFRS 16 on the comparative figures for year 2018 for each quarter on a YTD basis. For further information on implementation and accounting principles, see Note 2 Summary of significant accounting policies in the Annual Report.

<i>(in NOK 1 000)</i>	<b>01.01.2018</b>	<b>31.03.2018</b>	<b>30.06.2018</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
<b>Balance sheet effect</b>					
Right-of-use assets	366 929 458	338 885 660	353 358 940	332 003 829	299 131 857
Non-current lease obligations	(296 428 264)	(268 591 296)	(279 997 615)	(258 661 756)	(231 274 599)
Current lease obligations	(81 201 934)	(81 154 589)	(86 924 429)	(88 045 178)	(81 661 283)
Implementation effect, equity	10 700 740				
<b>Profit &amp; Loss effect</b>					
Lease expenses		(20 778 162)	(52 310 564)	(82 455 330)	(102 495 607)
Depreciation		21 523 246	42 858 440	65 375 698	88 459 207
Interest expenses		4 860 670	9 928 426	14 767 728	18 359 567
<b>Net P&amp;L effect</b>		<b>5 605 754</b>	<b>476 303</b>	<b>(2 311 905)</b>	<b>4 323 167</b>

The figures in the table have been changed compared to the presented in 2019 Q1 and Q2 reports. The reported figures in the financial statements have not changed.

## Note 9 Business influenced by seasonal factors

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

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

## Note 10 Events after the balance sheet date

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 provides 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.