

Second quarter report 2019



Hurtigruten Group AS Consolidated Financial Statements

Published 28 August 2019

¹Continued occupancy and revenue growth

Highlights

- MS Roald Amundsen was delivered from the Kleven yard on the 27th of June with first sailing commencing 2nd of July 2019
- Strong revenue growth in the first half of 2019 with total revenue increase of 4.7% to NOK 2,759 million (1H 2018; NOK 2,636 million)
- Second quarter 2019 normalized adjusted EBITDA before other gains and losses of NOK 435.8 million (2Q 2018; NOK 404.4 million) which is an increase of 7.8%
- First half of 2019 normalized adjusted EBITDA before other gains and losses of NOK 628 million (1H 2018; NOK 564 million) which is an increase of 11%
- Reported EBITDA decreased slightly by 1.3% to NOK 528.2 million (1H 2018; NOK 535.3 million) driven by higher oil prices and hedging losses compared to hedging gains in 1H 2018 and higher SG&A due to the investment in future growth beyond 2019
- Continued growth in occupancy in the Norwegian Coast segment with Q2 occupancy of 86.6% (Q2 2018: 83.7%)
- Strong growth in yield in the Expedition segment with NOK 5,554 per PCN in 2Q (2Q 2018: 4,844)
- Very good and stable maritime operations with low level of missed ports due to technical incidents in Q2 2019. (99.5% regularity)
- Good pre-booking levels for 2019 and 2020 continues in both the Norwegian Coast and the Expedition segment with especially good performance of our two new builds MS Roald Amundsen and MS Fridtjof Nansen

Key figures^{2,3}

| <i>NOK 1 000</i> | 2nd quarter 2019 | 2nd quarter 2018 | % Change | 01.01-30.06 2019 | 01.01-30.06 2018 | % Change | Full year 2018 |
|---|-----------------------------|---------------------|--------------|-----------------------------|---------------------|-------------|-------------------|
| Operational revenues | 1,319,213 | 1,271,342 | 3.8 % | 2,399,158 | 2,284,641 | 5.0 % | 4,729,515 |
| Contractual revenues | 179,398 | 175,188 | 2.4 % | 360,235 | 350,376 | 2.8 % | 698,919 |
| Total revenue | 1,498,611 | 1,446,530 | 3.6 % | 2,759,392 | 2,635,017 | 4.7 % | 5,428,434 |
| EBITDA | 375,424 | 414,934 | -9.5 % | 528,217 | 535,025 | -1.3 % | 1,176,281 |
| Other gains/(losses) – net | (10,660) | 27,653 | -139 % | (29,104) | 45,949 | -163 % | 92,634 |
| EBITDA excl Other gains (losses) | 386,084 | 387,280 | -0.3 % | 557,321 | 489,075 | 14.0 % | 1,083,647 |
| Normalised EBITDA | 435,811 | 404,381 | 7.8 % | 627,796 | 563,828 | 11.3 % | 1,243,501 |
| Norwegian Coast | | | | | | | |
| PCNs | 354,112 | 349,739 | 1.3 % | 678,460 | 660,089 | 2.8 % | 1,353,146 |
| Gross ticket yield | 3,000 | 2,893 | 3.7 % | 2,659 | 2,527 | 0 | 2,554 |
| Occupancy rate | 86.6 % | 83.7 % | 2.8 p.p. | 84.5 % | 82.1 % | 2.4 p.p. | 83.8 % |
| Expedition | | | | | | | |
| PCNs | 26,864 | 30,533 | -12.0 % | 78,298 | 83,212 | -5.9 % | 166,681 |
| Gross ticket yield | 5,554 | 4,844 | 14.7 % | 5,094 | 5,010 | 0 | 5,612 |
| Occupancy rate | 51.6 % | 57.0 % | -5 p.p. | 73.0 % | 72.9 % | .1 p.p. | 72.1 % |

¹ 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.

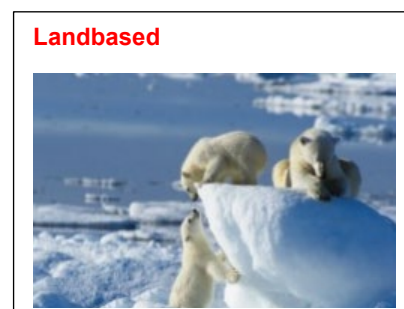
² The figures presented in this report are unaudited

³ 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 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 expedition cruise market. For more information on Hurtigruten, please visit www.hurtigruten.no.

Hurtigruten has three business segments:



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 83.8% of group revenues in the first half of 2019.

Expedition cruises

The second largest segment offering unique expedition cruises using the vessels MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and Expedition cruises segments) as well as MS Nordstjernen which is leased and operated in Svalbard in the summer season. The Expedition cruises segment will be strengthened during this year and onward with two new purpose-built polar cruise

ships, The MS Roald Amundsen and the MS Fridtjof Nansen. The segment accounted for 10.3% of group revenues in the first half 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. Hurtigruten Svalbard operates three hotels and an equipment store and Hurtigruten Barents the landbased operation in Kirkenes. This segment accounted for 7% of the total revenues in the first half 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 first half of 2019 with a growth in Normalised adjusted EBITDA of 11.3% to NOK 628m. The growth is driven both by increased occupancy and higher yield in both segments.

Total reported EBITDA decreased by 1.3% compared to first half of 2018. The underperformance is driven by higher fuel prices and negative hedging effect from fuel hedging in addition to negative effects from the cancellation of 4 sailings with MS Roald Amundsen due to the late delivery of the vessel.

Furthermore, Hurtigruten has invested in SG&A through increased FTEs within the sales and marketing departments 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 2-3 years' time.

Total Passenger Cruise Nights (PCN) for the two cruise segments increased 0.2%, or 704 PCN in the second quarter of 2019 compared to the same period last year. For the first half year in total the growth was 1.8% compared to the same period last year. The occupancy increased with 1.9ppt to 82.6% for the quarter compared to last year, where we also have a record high occupancy of 83,2% in first half for two segments combined, which is up 2.2 ppt from first half last year, driven by increased occupancy in the Coastal segment.

Expedition Cruises segment in the second quarter of 2019, the vessels MS Fram and MS Midnatsol

operated in Antarctica and transatlantic voyages heading north and sailings along the Norwegian coast and Svalbard with MS Fram and MS Spitsbergen. MS Midnatsol transferred to the Coastal segment in May switching places with MS Spitsbergen.

Maritime operations continued to perform well across the company and there were no material incidents in the first quarter. A total of 81 missed port calls in the Coastal segment were registered in the second quarter, primarily due to adverse weather conditions. 31 ports were missed due to technical incidents and the technical regularity in the Norwegian Coast segment was 99.4%.

Pre-bookings for 2019 and 2020 is supportive for our strategic direction of more volume allocated to the Expedition segment and continuing development of the Coastal product. 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 over the next year.

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) | 2nd quarter 2019 | 2nd quarter 2018 | % Change | 01.01-30.06 2019 | 01.01-30.06 2018 | % Change | Full year 2018 |
|---|---------------------|---------------------|----------------|---------------------|---------------------|---------------|-------------------|
| Total operating revenues | | | | | | | |
| Hurtigruten Norwegian Coast Expedition | 1,256,151 | 1,201,633 | 4.5% | 2,193,018 | 2,046,007 | 7.2% | 4,211,025 |
| Landbased | 149,206 | 148,210 | 0.7% | 398,858 | 417,730 | -4.5% | 935,871 |
| Group functions, Other and Eliminations | 96,584 | 101,343 | -4.7% | 170,992 | 175,232 | -2.4% | 295,028 |
| Total | (3,330) | (4,656) | -28.5% | (3,476) | (3,952) | -12.1% | (13,490) |
| Total | 1,498,611 | 1,446,530 | 3.6% | 2,759,392 | 2,635,017 | 4.7% | 5,428,434 |
| Operating profit/(loss) | | | | | | | |
| Hurtigruten Norwegian Coast Expedition | 433,415 | 457,917 | -5.4% | 635,802 | 604,751 | 5.1% | 1,352,278 |
| Landbased | 7,418 | 11,061 | -32.9% | 84,106 | 75,143 | 11.9% | 201,382 |
| Group functions, Other and Eliminations | 19,954 | 23,024 | -13.3% | 29,657 | 28,158 | 5.3% | 23,564 |
| Total | (213,703) | (199,359) | -7.2% | (473,215) | (418,767) | 13.0% | (887,025) |
| Total | 247,084 | 292,643 | 15.6% | 276,350 | 289,285 | -4.5% | 690,199 |
| EBITDA | | | | | | | |
| Hurtigruten Norwegian Coast Expedition | 526,529 | 535,610 | -1.7% | 803,761 | 758,628 | 5.9% | 1,646,432 |
| Landbased | 20,921 | 33,170 | -36.9% | 121,667 | 119,938 | 1.4% | 297,526 |
| Group functions, Other and Eliminations | 26,959 | 29,158 | -7.5% | 44,106 | 40,995 | 7.6% | 50,087 |
| Total | (198,985) | (183,005) | -8.7% | (441,316) | (384,536) | 14.8% | (817,764) |
| Total | 375,424 | 414,934 | -9.5% | 528,217 | 535,025 | -1.3% | 1,176,281 |
| EBITDA margin | | | | | | | |
| Hurtigruten Norwegian Coast Expedition | 41.9 % | 44.6 % | -2.7 p.p. | 36.7 % | 37.1 % | -4 p.p. | 39.1 % |
| Landbased | 14.0 % | 22.4 % | -8.4 p.p. | 30.5 % | 28.7 % | 1.8 p.p. | 31.8 % |
| Group functions, Other and Eliminations | 27.9 % | 28.8 % | -9 p.p. | 25.8 % | 23.4 % | 2.4 p.p. | 17.0 % |
| Total | NM | NM | NM | NM | NM | NM | NM |
| Total | 25.1% | 28.7% | -1 p.p. | 19.1% | 20.3% | -5.7 % | 21.7% |
| Normalized EBITDA | | | | | | | |
| Hurtigruten Norwegian Coast Expedition | 545,006 | 513,699 | 6.1 % | 849,817 | 746,926 | 13.8 % | 1,597,355 |
| Landbased | 58,594 | 33,707 | 73.8 % | 154,563 | 138,293 | 11.8 % | 372,872 |
| Group functions, Other and Eliminations | 26,867 | 29,158 | -7.9 % | 43,933 | 40,954 | 7.3 % | 49,870 |
| Total | (194,657) | (172,184) | 13.1 % | (420,517) | (362,345) | 16.1 % | (776,596) |
| Total | 435,811 | 404,381 | 7.8% | 627,796 | 563,828 | 11.3% | 1,243,501 |

Segment review

Hurtigruten Norwegian Coast

| <i>NOK 1 000</i> | 2nd quarter 2019 | 2nd quarter 2018 | Change | 01.01-30.06 2019 | 01.01-30.06 2018 | Change | Full year 2018 |
|---|---------------------|---------------------|--------|---------------------|---------------------|--------|-------------------|
| Operational revenues | 1 076 753 | 1 026 445 | 4,9 % | 1 832 783 | 1 695 631 | 8,1 % | 3 512 585 |
| Contractual revenues | 179 398 | 175 188 | 2,4 % | 360 235 | 350 376 | 2,8 % | 698 919 |
| Total revenue | 1 256 151 | 1 201 633 | 4,5 % | 2 193 018 | 2 046 007 | 7,2 % | 4 211 504 |
| EBITDA | 526 529 | 535 610 | -1,7 % | 803 761 | 758 628 | 5,9 % | 1 646 629 |
| Other gain/(losses) - net | (11 659) | 23 120 | -150 % | (36 977) | 31 822 | -216 % | 78 979 |
| EBITDA excl other gains/(losses) | 538 188 | 512 489 | 5,0 % | 840 738 | 726 806 | 15,7 % | 1 567 650 |
| Normalised EBITDA | 545 006 | 513 699 | 6,1 % | 849 817 | 746 926 | 13,8 % | 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> | 2nd quarter 2019 | 2nd quarter 2018 | 1.01-30.06 2019 | 01.01-30.06 2018 | Full year 2018 |
|---|---------------------|---------------------|--------------------|---------------------|-------------------|
| PCNs | 354,112 | 349,739 | 678,460 | 660,089 | 1,353,146 |
| APCNs | 409,120 | 417,674 | 802,644 | 804,084 | 1,613,984 |
| Occupancy rate | 86.6% | 83.7% | 84.5% | 82.1% | 83.8% |
| Gross ticket revenues | 1,062,166 | 1,011,882 | 1,804,164 | 1,667,870 | 3,455,655 |
| Less: | | | | | |
| Commissions, costs of goods for flights, hotels, transportation and other passenger services | 191,162 | 180,666 | 332,373 | 327,626 | 655,975 |
| Food, beverage, shop, excursions | 110,340 | 103,501 | 209,239 | 195,967 | 390,142 |
| Net ticket revenues | 760,664 | 727,715 | 1,262,551 | 1,144,277 | 2,409,538 |
| Gross ticket revenues per PCN (NOK) | 3,000 | 2,893 | 2,659 | 2,527 | 2,554 |
| Net ticket revenues per PCN (NOK) | 2,148 | 2,081 | 1,861 | 1,734 | 1,781 |
| Ship operating costs | 715,566 | 688,369 | 1,347,620 | 1,317,573 | 2,641,038 |
| Selling, general and administrative expenses | 2,398 | 771 | 4,659 | 1,629 | 2,534 |
| Gross cruise costs | 717,964 | 689,140 | 1,352,280 | 1,319,202 | 2,643,572 |
| Less: | | | | | |
| Commissions, costs of goods for flights, hotels, transportation and other passenger services | 191,162 | 180,666 | 332,373 | 327,626 | 655,975 |
| Food, beverage, shop, excursions | 110,340 | 103,501 | 209,239 | 195,967 | 390,142 |
| Net cruise costs | 416,461 | 404,973 | 810,667 | 795,609 | 1,597,456 |
| Net cruise costs per APCN (NOK) | 1,018 | 970 | 1,010 | 989 | 990 |
| Fuel consumption (liter/nautical mile) | 76.1 | 76.1 | 78.7 | 77.6 | 78.0 |
| Fuel cost per liter | 7.13 | 6.37 | 7.24 | 6.14 | 6.36 |

Operational revenue excluding the contractual income from the Norwegian state agreement, increased by NOK 50 million, or 4.9%, to NOK 1.076 million in second quarter compared to same quarter last year. The result for first half amounted to NOK 1.833 million compared to 1.696 million in the same period last year. Still strong focus has given an increase of occupancy for Q2 compared to Q2 2018 of 2.9p.p to 86.6%. Occupancy increased to 84.5% compared to 82.1% in the first half of 2018, with an increase in Passenger Cruise Nights (PCN) of 2.8%. The increase in PCNs is driven by the increase in demand for the Hurtigruten sailings across all months. We are experiencing a trend of more guest travelling a full voyage compared with shorter cruises.

Net ticket revenue per PCN increased by 3.2% to NOK 2.148 in second quarter compared to same quarter last year, while first half net ticket revenue per PCN increased by 7.3%. The increase in net ticket revenue is driven by a combination of higher prices, increased sales of excursions. Gross ticket revenue per PCN increased with 3.6% to 3.000 in the

second quarter compared to same quarter last year, while the first half of 2019 gave an increase of 5.2%

Contractual revenue was NOK 179 million in second quarter, up 4 million compared to same period last year, whereas in the first half of 2019 the revenue ended at NOK 360 million which was an increase of 10 compared to last year. The change due to the contractual payment schedule with increase payment in 2019 compared to 2018.

Net cruise cost per Available Passenger Cruise Night (APCN) increased with 5.0% to NOK 1,018 in second quarter compared to second quarter last year, while for the first half it ended at 1.010 compared to 989 to same period last year which was driven by higher fuel prices and also somewhat higher crew costs due to the increased occupancy.

Expedition cruises

| <i>NOK 1 000</i> | 2nd quarter | 2nd quarter | Change | 01.01-30.06 | 01.01-30.06 | Change | Full year |
|---|--------------------|-------------|---------|--------------------|----------------|---------|-----------|
| | 2019 | 2018 | | 2019 | 2018 | | 2018 |
| Operational revenues | 149 206 | 148 210 | 0,7 % | 398 858 | 417 730 | -4,5 % | 936 266 |
| Total revenue | 149 206 | 148 210 | 0,7 % | 398 858 | 417 730 | -4,5 % | 936 266 |
| EBITDA | 20 921 | 33 170 | -36,9 % | 121 667 | 119 938 | 1,4 % | 297 653 |
| Other gain/(losses) - net | (508) | 4 837 | -111 % | 8 023 | 12 551 | -36,1 % | 13 878 |
| EBITDA excl other gains/(losses) | 21 429 | 28 332 | -24,4 % | 113 643 | 107 388 | 5,8 % | 283 775 |
| Normalised EBITDA | 58 594 | 33 707 | 73,8 % | 154 563 | 138 293 | 11,8 % | 373 000 |

| <i>NOK 1 000 Except for PCNs, APCNs, rate, fuel consumption and fuel cost per</i> | 2nd quarter 2019 | 2nd quarter 2018 | 1.01-30.06 2019 | 01.01-30.06 2018 | Full year 2018 |
|--|-----------------------------|------------------|----------------------------|---------------------|-------------------|
| PCNs | 26,864 | 30,533 | 78,298 | 83,212 | 166,681 |
| APCNs | 52,096 | 53,548 | 107,285 | 114,149 | 231,088 |
| Occupancy rate | 52 % | 57 % | 73 % | 73 % | 72 % |
| Gross ticket revenues | 149,206 | 147,907 | 398,858 | 416,874 | 935,483 |
| Less: | | | | | |
| Commissions, costs of goods for flights, hotels, transportation and other passenger services | 35,621 | 33,497 | 99,860 | 137,477 | 271,269 |
| Food, beverage, shop, excursions | 11,577 | 9,023 | 24,181 | 23,968 | 55,032 |
| Net ticket revenues | 102,007 | 105,387 | 274,817 | 255,428 | 609,183 |
| Gross ticket revenues per PCN (NOK) | 5,554 | 4,844 | 5,094 | 5,010 | 5,612 |
| Net ticket revenues per PCN (NOK) | 3,797 | 3,452 | 3,510 | 3,070 | 3,655 |
| Ship operating costs | 127,507 | 119,388 | 284,683 | 309,884 | 651,272 |
| Selling, general and administrative expenses | 269 | 490 | 532 | 459 | 952 |
| Gross cruise costs | 127,776 | 119,877 | 285,215 | 310,343 | 652,224 |
| Less: | | | | | |
| Commissions, costs of goods for flights, hotels, transportation and other passenger services | 35,621 | 33,497 | 99,860 | 137,477 | 271,269 |
| Food, beverage, shop, excursions | 11,577 | 9,023 | 24,181 | 23,968 | 55,032 |
| Net cruise costs | 80,577 | 77,358 | 161,174 | 148,897 | 325,924 |
| Net cruise costs per APCN (NOK) | 1,547 | 1,445 | 1,502 | 1,304 | 1,410 |
| Fuel consumption (liter/nautical mile) | 82.3 | 74.7 | 87.5 | 84.2 | 83.1 |
| Fuel cost per liter | 6.29 | 5.51 | 6.65 | 5.67 | 5.99 |

In the Expedition cruises segment, Passenger Cruise nights (PCN) decreased by 12.0%, and available Cruise nights (APCN) decreased with 2.7%, resulting in a decrease of 5.5 ppt in occupancy to 51.6% in Q2 2019 compared to Q2 2018. Similar is the case for first half of 2019, while the net effect is a slight increase of 0.1% in occupancy rate compared to same period last year.

Segment ticket revenue was NOK 149 million in the second quarter of 2019, only slightly up from 2018 with 1million. For the first half year, ticket revenue is down with 19million to 399 million. The decrease was more specifically in Q1, where the driver was due to gross ticket revenue per PCN which decreased with 4.9%. Net ticket revenue decreased with 3.3% in second quarter which was driven by increased

commission expenses and slightly increased excursion costs.

Net cruise cost per available cruise night (APCN) increased by 7.1% in second quarter, due to i) lower amount of APCN as a result of the strategic decision to cap the MS Fram to 200 passengers ii) increased other operating cruise costs related to the final settlement from the cancelled NWP cruise with MS Fram in Q3 2018.

Second quarter Segment EBITDA was NOK 20.9 million, a decrease of 37,2% from NOK 33.3 million in the same period in 2018 which was driven by the above mentioned other operating cruise costs. However, the first half year in 2019 was slightly up with 1.3% compared to same period in 2018.

Landbased

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

| NOK 1 000 | 2nd quarter 2019 | 2nd quarter 2018 | Change | 01.01-30.06 2019 | 01.01-30.06 2018 | Change | Full year 2018 |
|---|---------------------|---------------------|---------------|---------------------|---------------------|---------------|-------------------|
| Operational revenues | 96 584 | 101 343 | -4,7 % | 170 992 | 175 232 | -2,4 % | 295 028 |
| Total revenue | 96 584 | 101 343 | -4,7 % | 170 992 | 175 232 | -2,4 % | 295 028 |
| EBITDA | 26 959 | 29 158 | -7,5 % | 44 106 | 40 995 | 7,6 % | 50 087 |
| Other gain/(losses) - net | 91 | - | | 173 | 40 | 330 % | 217 |
| EBITDA excl other gains/(losses) | 26 867 | 29 158 | -7,9 % | 43 933 | 40 954 | 7,3 % | 49 870 |
| Normalised EBITDA | 26 867 | 29 158 | -7,9 % | 43 933 | 40 954 | 7,3 % | 49 870 |

The Landbased segment had first revenue of NOK 96.5 million, against NOK 101.3 million in second quarter last year.

had an increase of 4.1 million compared to first half last year.

The segment EBITDA decreased with 3.8m compared to Q2 2018, whereas the first half of 2019

Group Functions, Other and Eliminations

| NOK 1 000 | 2nd quarter 2019 | 2nd quarter 2018 | Change | 01.01-30.06 2019 | 01.01-30.06 2018 | Change | Full year 2018 |
|---|---------------------|---------------------|----------------|---------------------|---------------------|----------------|-------------------|
| Operational revenues | (3 330) | (4 656) | -28,5 % | (3 476) | (3 952) | -12,1 % | (13 490) |
| Total revenue | (3 330) | (4 656) | -28,5 % | (3 476) | (3 952) | -12,1 % | (13 490) |
| EBITDA | (198 985) | (183 005) | 8,7 % | (441 316) | (384 536) | 14,8 % | (817 746) |
| Other gain/(losses) - net | 1 416 | (304) | | 323 | 1 536 | -121 % | (441) |
| EBITDA excl other gains/(losses) | (200 401) | (182 700) | 9,7 % | (440 993) | (386 072) | 14,2 % | (817 305) |
| Normalised EBITDA | (194 657) | (172 184) | 13,1 % | (420 517) | (362 345) | 16,1 % | (776 578) |

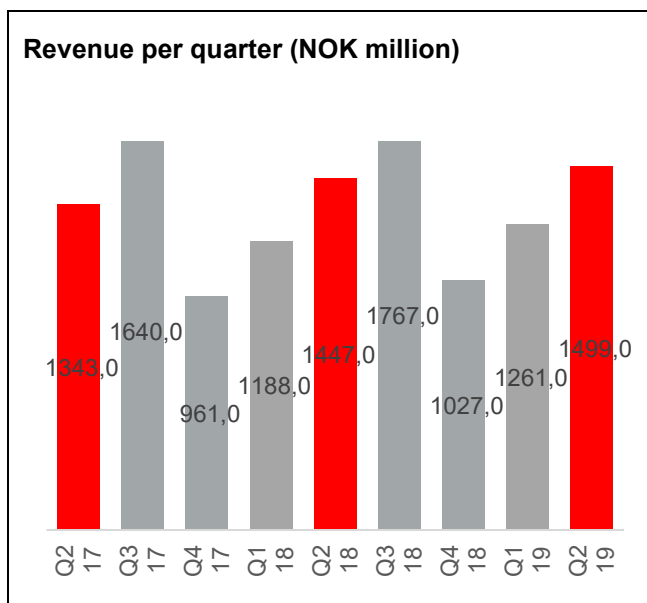
The supporting segment Group Functions has a net negative EBITDA of NOK 199 million in Q2 which is an increase of 8,7% from same period last year and also an increase for the first half year of 2019 compared to same period last year, totalling 441 million in cost. The reason for the increase is due to 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 and marketing departments to support the growing business. Due to the long presale period the sales and marketing department has to be scaled today for the capacity we are selling in 2-3 years' time.

Financial review

The financial information for the three months ended 30 June 2019 discussed below is derived from the unaudited consolidated financial statements of Hurtigruten Group AS as of and for the three months ended at 31 June 2018.

Profit and loss



Group revenue increased by NOK 4.7%, or NOK 124 million to NOK 2,759 million in the first half of 2019 compared to first half of 2018. Group revenue increased by NOK 3.6% or NOK 52 million to NOK 1,499 million in the second quarter of 2019 compared to second quarter of 2018. The increase in revenue was due to increased ticket revenue per PCN and also increased occupancy on the Coastal segment.

Personnel expenses related to crew was 219 NOK million an increase of 1% year over year. Personnel expenses related to land based personnel was NOK 100m an increase of 20% 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 Q2 2019 saw an increase of NOK 23 million compared to Q2 last year, totalling for NOK 319 million.

Second quarter depreciation, amortization and impairment were stable totalling NOK 128 million (NOK 122 million in 2018), while first half year was NOK 251 million vs. NOK 245 million in 2018

Specification of other operating costs

| | 2nd quarter | 2nd quarter | % | 01.01-30.06 | 01.01-30.06 | % | Full year |
|--------------------------------|------------------|-------------|--------|--------------------|-------------|--------|-------------|
| (NOK 1 000) | 2019 | 2018 | change | 2019 | 2018 | change | 2018 |
| Cost of goods sold | (250,588) | (243,972) | 2.7 % | (490,459) | (508,241) | -3.5 % | (996,689) |
| Operating costs (ex fuel) | (282,243) | (270,993) | 4.2 % | (525,639) | (547,047) | -3.9 % | (1,099,155) |
| Fuel costs | (139,972) | (136,368) | 2.6 % | (286,322) | (267,087) | 7.2 % | (556,418) |
| Sales and administrative costs | (120,530) | (111,613) | 8.0 % | (264,480) | (233,341) | 13.3 % | (486,046) |
| Total | (793,333) | (762,945) | 4.0 % | (1,566,900) | (1,555,716) | 0.7 % | (3,138,309) |

Other operating costs were NOK 793 million in the second quarter of 2019 (NOK 762 million), a increase of 4% from the same period last year. First half year total other operating costs was NOK 1,566 million, an increase of 0.7% 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 2.7% compared to same quarter last year, while there was a decreased effect for the first

half year of 3.5% 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 first quarter increased with 4.2% compared to same period last year is primarily due increase in marketing expenses and cost related to the North West Passage incident in Q3 2017. Underlying cost development is as expected, which is more reflected in the first half result, where the operating cost has decreased with 3.9%.

Fuel costs in the quarter increased with 2.6% to NOK 140 million, compared to the same quarter last year, due to the increase of the underlying cost of marine gas oil, where we also see the similar effect on first half year with a total increase of 7.2%.

Sales and administrative costs increased with 8% in the second quarter compared to last year (13.3% YoY), primarily as a result of increased sales and marketing and administrative expenses related to the investment in future growth in capacity.

Net other gains and losses for the first quarter was a loss of NOK 10 million (gain of NOK 27.6 million in 2018), where YoY is a net loss of 29mnok compared to net gain of 46 in 2018. Other gains and losses consist mainly of realized gains and losses on bunker derivatives and losses from foreign currency contracts related to our capex.

The second quarter 2019 operating profit was NOK 247 million, compared to NOK 293 million in the same period last year. The underlying operating profit adjusted for P&L items related to hedging items was NOK 258 million in second quarter compared to NOK 265 million in the same period last year.

Net financial items were NOK -77 million (NOK 17 million) in the second quarter. In Q2 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 decreased compared to last year due to reduced effective interest rates on borrowings. 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 increased to NOK 71 million for first half year in 2019 compared with loss of NOK 202 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 1 million (NOK 21 million in 2018). For the first half year, the tax expense totals 718 million compared to 28 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 half year of 2019 was NOK 369 million, compared to a loss of NOK 28 million in the same period last year. However, the second quarter net profit ended on NOK 170 million, compared to 28 8million in same period last year.

Financial position and liquidity

Cash flow

Net cash flow from operating activities in the second quarter was NOK 639 million (NOK 854 million first 6 months), compared with a net cash flow from operations of NOK 462 million in the same period of 2018 (NOK 630 million first 6 months in 2018). The increase is primarily due to growth in EBITDA and increased prepayment by customers as we are growing capacity significantly over the next 12 months in the Expedition segment.

Net cash flow used in investing activities was NOK -1.604 million compared to 192 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. Other adjustments in investing activities include settlement of financial derivatives and change in restricted funds.

The Group expects normalised 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 flow from financing activities was an increase of NOK 1,017 million (NOK -65 million) in the second quarter, while first half had similar effect of a net cash flow of 1,016 (net outflow of 37 million 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 (214 for first half 2019

Net increase in cash in first half of 2019 was NOK 84 million (NOK 52 million for Q2), compared to an increase of NOK 288 million in the same period last year (NOK 204 million increase for Q2 2018).

Cash and cash equivalents in the cash flow statement totalled NOK 455 million at 30th of June 2019 (NOK 608 million in 2018). Cash and cash equivalents in the statement of financial position, including restricted funds, totalled NOK 632 million at 30 June 2019. At 30 June 2019, the Group had additional available liquidity through the EUR 85 million Revolving Credit Facility. Our liquidity position remains strong close to NOK 1.3bn. in available 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 11,078million at 30 June 2019, a increase of NOK 1,018 million from year end 2018. Non-current assets increased with NOK 1,010 million since year end 2018 due to the delivery of Roald Amundsen in Q2,

Current asset amounted to NOK 1,183 million, and was fairly stable compared to 31 December 2018, where we saw a decrease of NOK 7 million, primarily due to the decrease of Trade receivables while offset by increase in increase in Cash and cash equivalents,

Total book equity at the end of first half was NOK 417 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 vessels valuations driving the tax cost.

The equity ratio at 30 June 2019 was 3.8% vs. 6.8% at year-end 2018. The equity level is expected to improve for the remaining quarters of 2019 due to the good pre-bookings.

Total non-current liabilities amount to NOK 8,646 million as per 30 June 2019, an increase of NOK 1,149 million from NOK 7,497 million at year end 2018. The increase is due to new borrowings to finance the purchase of Roald Amundsen

Current liabilities excluding borrowings were NOK 1,868 million, increased by NOK 189 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, but not least 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 June 2019, NOK 918 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 409 million in case of default on Kleven Verft AS 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 across all market segments at higher yields compared to at the same point in time in 2018. Pre-bookings for 2019 and 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 3,980 million gross ticket revenue booked as of 21 August 2019, compared to NOK 3,589 million last year – an increase of 10,9%. Gross revenue booked for Norwegian Coast is up (+3%) for 2019 compared to last year. Expedition Cruises has booked NOK 326 million more than same time last year, up by 41%.

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 statements¹

Condensed consolidated income statement

Unaudited

| <i>(NOK 1 000)</i> | 2nd quarter 2019 | 2nd quarter 2018 | 01.01-30.06 2019 | 01.01-30.06 2018 | Change | Full year 2018 | |
|---|---------------------|---------------------|---------------------|---------------------|------------------|-------------------|------------------|
| <i>(NOK 1 000)</i> | Note | | | | | | |
| Operating revenues | | 1,319,213 | 1,271,342 | 2,399,158 | 2,284,641 | 3.8 % | 4,729,515 |
| Contractual revenues | | 179,398 | 175,188 | 360,235 | 350,376 | 2.4 % | 698,919 |
| Total Revenues | | 1,498,611 | 1,446,530 | 2,759,392 | 2,635,017 | 3.6 % | 5,428,434 |
| Payroll costs | | (319,194) | (296,304) | (635,171) | (590,225) | 7.7 % | (1,206,479) |
| Depreciation, amortisation and | | (128,340) | (122,291) | (251,868) | (245,739) | 4.9 % | (486,082) |
| Other operating costs | | (793,333) | (762,946) | (1,566,900) | (1,555,716) | 4.0 % | (3,138,309) |
| Other (losses)/gains – net | | (10,660) | 27,653 | (29,104) | 45,949 | | 92,634 |
| Operating profit/(loss) | | 247,084 | 292,643 | 276,350 | 289,285 | -15.6 % | 690,199 |
| Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA) | | 375,424 | 414,934 | 528,217 | 535,025 | -9.5 % | 1,176,281 |
| Finance income | | 12,309 | 104,557 | 257,701 | 128,108 | -88.2 % | 59,798 |
| Finance expenses | | (89,001) | (87,698) | (186,578) | (330,834) | 1.5 % | (700,839) |
| Net financial items | 6 | (76,692) | 16,859 | 71,123 | (202,727) | | (641,040) |
| Share of profit/(loss) of associates | | 775 | 867 | 1,742 | 1,779 | -10.6 % | 596 |
| Profit/(loss) before income tax | | 171,167 | 310,368 | 349,214 | 88,338 | -44.9 % | 49,754 |
| Income tax expense | | (947) | (21,381) | (718,587) | (27,591) | -95.6 % | 399,719 |
| Profit/(loss) for the period | | 170,220 | 288,987 | (369,373) | 60,746 | -41.1 % | 449,472 |
| Profit/(loss) for the year attribute | | | | | | | |
| Owners of the parent | | 170,955 | 288,987 | (368,638) | 60,746 | | |
| Non-controlling interests | | (735) | - | (735) | - | | |

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

| <i>(NOK 1 000)</i> | <i>Note</i> | 2nd quarter 2019 | 2nd quarter 2018 | 01.01-30.06 2019 | 01.01-30.06 2018 | Full year 2018 |
|---|-------------|-----------------------------|---------------------|-----------------------------|---------------------|-------------------|
| Profit/(loss) for the period | | 170,220 | 288,986 | (369,373) | 60,746 | 449,472 |
| 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 | | - | 343 | - | 343 | (3,168) |
| Fair value adjustments on financial instruments | | - | (41,500) | (2,327) | (41,500) | (28,015) |
| Sum | | - | (41,157) | (2,327) | (41,157) | (31,183) |
| Items that will be reclassified to profit or loss in subsequent periods: | | | | | | |
| Cash flow hedges, net of tax | | (14,331) | 3,732 | 108,897 | (3,252) | (173,450) |
| Currency translation differences | | (3,552) | (9,017) | (2,562) | (3,506) | (3,451) |
| Sum | | (17,883) | (5,285) | 106,335 | (6,758) | (176,901) |
| Total comprehensive income for the period | | 152,337 | 242,545 | (265,365) | 12,832 | 241,388 |

Condensed consolidated statement of financial position

Unaudited

| <i>(NOK 1 000)</i> | <i>Note</i> | 30.6. 2019 | 30.6. 2018 | 31.12. 2018 |
|--|-------------|-----------------------|---------------|----------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 6,433,079 | 4,706,261 | 4,827,249 |
| Intangible assets | | 2,692,791 | 2,657,147 | 2,653,228 |
| Deferred income tax assets | | 32,152 | 198,565 | 670,153 |
| Other non-current assets | | 736,506 | 85,170 | 733,501 |
| Total non-current assets | | 9,894,528 | 7,647,144 | 8,884,131 |
| CURRENT ASSETS | | | | |
| Inventories | | 182,123 | 155,925 | 185,390 |
| Trade and other receivables | 7 | 367,306 | 385,377 | 428,353 |
| Derivative financial instruments | 7 | 1,753 | 43,293 | (0) |
| Cash and cash equivalents | 7 | 631,836 | 784,401 | 561,576 |
| Total current assets | | 1,183,018 | 1,368,995 | 1,175,318 |
| Total assets | | 11,077,546 | 9,016,139 | 10,059,450 |
| EQUITY | | | | |
| Paid -in capital | | 1,827,646 | 1,827,646 | 1,827,646 |
| Other equity | | (1,406,030) | (1,369,632) | (1,141,400) |
| Non-controlling interests | | (4,296) | - | - |
| Total equity | | 417,320 | 458,014 | 686,246 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 5,7 | 8,229,106 | 6,258,316 | 7,140,494 |
| Prepaid travels with departure dates beyond one year | | 160,948 | 154,927 | 103,555 |
| Derivative financial instruments | 7 | 26,777 | - | 57,351 |
| Other non-current liabilities | | 229,137 | 213,237 | 195,640 |
| Total non-current liabilities | | 8,645,967 | 6,626,480 | 7,497,040 |
| Current liabilities | | | | |
| Trade and other liabilities | 7 | 981,668 | 1,043,759 | 850,372 |
| Prepaid travels with departure date within one year | | 829,005 | 693,204 | 708,425 |
| Borrowings | 5,7 | 146,258 | 181,449 | 116,779 |
| Derivative financial instruments | | 27,025 | 37 | 140,310 |
| Other current liabilities | | 30,303 | 13,197 | 60,278 |
| Total current liabilities | | 2,014,259 | 1,931,645 | 1,876,164 |
| Total equity and liabilities | | 11,077,546 | 9,016,139 | 10,059,450 |

Condensed consolidated statement of changes in equity

Unaudited¹

01.01-30.06.2019

| | Attributable to shareholders of Hurtigruten Group AS | | | Non- controlling interests | Total Equity |
|--|---|--------------------|----------------|----------------------------------|----------------|
| | Paid -in capital | Other equity | Total | | |
| <i>(in NOK 1 000)</i> | | | | | |
| Equity at beginning of the period | 1 827 646 | (1 141 400) | 686 246 | | 686 246 |
| Comprehensive income | | (264 630) | (264 630) | (735) | (265 365) |
| Contribution of equity | - | - | - | - | - |
| Non-controlling interests | - | - | - | (3 561) | (3 561) |
| Equity at the close of the period | 1 827 646 | (1 406 030) | 421 616 | (4 296) | 417 320 |

01.01-30.06.2018

| | Attributable to shareholders of Hurtigruten Group AS | | |
|--|---|--------------------|----------------|
| | Paid -in capital | Other equity | Total Equity |
| <i>(in NOK 1 000)</i> | | | |
| Equity at beginning of the period | 1 827 646 | (1 382 788) | 444 858 |
| Comprehensive income | - | 13 157 | 13 157 |
| Contribution of equity | - | - | - |
| Equity at the close of the period | 1 827 646 | (1 369 632) | 458 014 |

¹ 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> | 2nd quarter 2019 | 2nd quarter 2018 | 01.01-30.06 2019 | 01.01-30.06 2018 | Full year 2018 |
|---|-----------------------------|---------------------|-----------------------------|---------------------|-------------------|
| Cash flows from operating activities | | | | | |
| Profit/(loss) before income tax | 171,167 | 305,239 | 349,214 | 88,814 | 49,210 |
| Adjustments for: | | | | | |
| Depreciation, amortisation and impairment losses | 128,066 | 122,370 | 251,594 | 245,699 | 573,055 |
| Change in working capital | 79,340 | (46,597) | 186,705 | 89,375 | (166,608) |
| Change in prepaid travels | 203,402 | 144,914 | 199,764 | 116,034 | 48,855 |
| Interest expenses | 88,880 | 70,319 | 161,308 | 384,488 | 558,522 |
| Other adjustments ¹⁾ | (31,634) | (134,591) | (294,322) | (294,344) | 98,011 |
| Net cash flows from (used in) operating activities | 639,221 | 461,654 | 854,263 | 630,066 | 1,161,045 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant, equipment (PPE) | (1,483,938) | (47,982) | (1,551,413) | (118,624) | (344,891) |
| Purchase of intangible assets | (34,060) | (21,398) | (59,756) | (33,510) | (69,087) |
| Advance payment of PPE | (91,947) | (66,800) | (154,924) | (116,800) | (239,346) |
| Loans to Group companies | (4,848) | - | - | - | (683,539) |
| Other adjustments | 10,033 | (56,156) | (20,475) | (35,578) | (84,714) |
| Net cash flows from (used in) investing activities | (1,604,760) | (192,336) | (1,786,568) | (304,511) | (1,421,577) |
| Cash flows from financing activities | | | | | |
| Issue of ordinary shares | - | - | - | - | - |
| Repurchase of issued convertible bond | - | - | - | - | (11,910) |
| Proceeds from borrowings | 1,220,415 | (22,377) | 1,359,298 | 399,529 | 1,317,316 |
| Repayment of borrowings | (199,735) | (6,337) | (214,625) | (14,698) | (333,395) |
| Transactions with non controlling entities | (3,561) | - | (3,561) | - | - |
| Interest paid | 379 | (36,482) | (124,429) | (422,089) | (643,738) |
| Net cash flows from (used in) financing activities | 1,017,497 | (65,195) | 1,016,683 | (37,257) | 328,274 |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | 51,958 | 204,123 | 84,377 | 288,297 | 67,741 |
| Cash and cash equivalents at the beginning of period | 415,280 | 408,324 | 384,583 | 337,979 | 337,979 |
| Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts | (11,955) | (4,370) | (13,678) | (18,198) | (21,137) |
| Cash and cash equivalents at end of period | 455,283 | 608,078 | 455,283 | 608,078 | 384,583 |

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

Notes to the condensed consolidated financial Statements

Note 1 Accounting policies

The interim financial report for the Group includes Hurtigruten Group AS with subsidiaries and associated companies. The interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards and should therefore be read in connection with the consolidated annual report for Hurtigruten Group AS (previously Silk Bidco Group) for 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 16.2 million in nitrogen dioxide tax is recognised in financial statements for 1H 2019, as compared to NOK 10.8 million in 1H 2018.

Note 4 Segments

Unaudited

| <i>(in NOK 1 000)</i> | Norwegian Coast | | Expedition cruises | | Landbased | |
|--|--------------------|-------------|--------------------|-------------|-----------------|-------------|
| | 01.01-30.06 | 01.01-30.06 | 01.01-30.06 | 01.01-30.06 | 01.01-30.06 | 01.01-30.06 |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Operating revenues | 1 832 783 | 1 695 631 | 398 858 | 417 730 | 170 992 | 175 232 |
| Contractual revenues | 360 235 | 350 376 | - | - | - | - |
| Total operating revenues | 2 193 018 | 2 046 007 | 398 858 | 417 730 | 170 992 | 175 232 |
| Payroll costs | (342 631) | (330 209) | (51 530) | (48 657) | (45 850) | (44 966) |
| Depreciation and impairment losses | (167 959) | (153 877) | (37 561) | (44 796) | (14 449) | (12 836) |
| Other operating costs | (1 009 649) | (988 992) | (233 685) | (261 685) | (81 209) | (89 311) |
| Other (losses)/gains – net | (36 977) | 31 822 | 8 023 | 12 551 | 173 | 40 |
| Operating profit/(loss) | 635 802 | 604 751 | 84 106 | 75 143 | 29 657 | 28 158 |
| EBITDA | 803 761 | 758 628 | 121 667 | 119 938 | 44 106 | 40 995 |
| Other (losses)/gains – net | (36 977) | 31 822 | 8 023 | 12 551 | 173 | 40 |
| EBITDA excl Other gain/(losses) | 840 738 | 726 806 | 113 643 | 107 388 | 43 933 | 40 954 |
| Normalized EBITDA | 849 817 | 746 926 | 154 563 | 138 293 | 43 933 | 40 954 |

| <i>(in NOK 1 000)</i> | Group functions, Other and Eliminations | | Hurtigruten Group | |
|--|---|-------------|--------------------|-------------|
| | 01.01-30.06 | 01.01-30.06 | 01.01-30.06 | 01.01-30.06 |
| | 2019 | 2018 | 2019 | 2018 |
| Operating revenues | (3 476) | (3 952) | 2 399 158 | 2 284 641 |
| Contractual revenues | - | - | 360 235 | 350 376 |
| Total operating revenues | (3 476) | (3 952) | 2 759 392 | 2 635 017 |
| Payroll costs | (195 160) | (166 393) | (635 171) | (590 225) |
| Depreciation and impairment losses | (31 899) | (34 230) | (251 868) | (245 739) |
| Other operating costs | (242 357) | (215 727) | (1 566 900) | (1 555 716) |
| Other (losses)/gains – net | (323) | 1 536 | (29 104) | 45 949 |
| Operating profit/(loss) | (473 215) | (418 767) | 276 350 | 289 285 |
| EBITDA | (441 316) | (384 536) | 528 217 | 535 025 |
| Other (losses)/gains – net | (323) | 1 536 | - | - |
| EBITDA excl Other gain/(losses) | (440 993) | (386 072) | - | - |
| Normalized EBITDA | (420 517) | (362 345) | 627 796 | 563 828 |

Note 5 Borrowings

Unaudited

| | 30.6. | 30.6. | 31.12. |
|-------------------------------------|------------------|-----------|-----------|
| <i>(Figures stated in NOK 1000)</i> | 2019 | 2018 | 2018 |
| Long term debt | | | |
| Collateralized borrowings | 7,518,879 | 5,342,893 | 6,458,642 |
| Lease financing | 695,592 | 722,597 | 680,950 |
| Credit facilities | 13,862 | 142,673 | - |
| Other borrowings | 773 | 50,153 | 902 |
| Total | 8,229,106 | 6,258,316 | 7,140,494 |
| Short term debt | | | |
| Bond | - | - | - |
| Collateralized borrowings | 35,354 | 32,699 | 4,913 |
| Lease financing | 111,181 | 86,924 | 111,866 |
| Credit facilities | (0) | - | 0 |
| Other borrowings | (277) | 61,825 | - |
| Total | 146,258 | 181,449 | 116,779 |
| Total outstanding debt | 8,375,363 | 6,439,765 | 7,257,273 |

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.

| | 30.6. | 30.6. | 31.12. |
|-------------------------------------|------------------|-----------|-----------|
| <i>(Figures stated in NOK 1000)</i> | 2019 | 2018 | 2018 |
| Less than one year | 146,258 | 181,449 | 116,779 |
| Year 2 and 3 | 487,761 | 216,989 | 217,973 |
| Year 4 and 5 | 369,478 | 322,659 | 168,082 |
| More than 5 years | 7,553,001 | 5,844,888 | 6,888,619 |
| Total borrowings | 8,556,499 | 6,565,984 | 7,391,453 |

Note 6 Net Financial items

Unaudited

| <i>(NOK 1000)</i> | 2nd quarter 2019 | 2nd quarter 2018 |
|---|-----------------------------|---------------------|
| Interest income on current bank deposits | 13,040 | 4,120 |
| Foreign exchange gains | (9,645) | 99,285 |
| Other financial income | 8,913 | 1,152 |
| Finance income | 12,309 | 104,557 |
| Interest expense and amortized borrowing fees | (89,161) | (70,561) |
| Foreign exchange losses | (2,330) | (5,225) |
| Other finance expenses | 2,490 | (11,912) |
| Finance expenses | (89,001) | (87,698) |
| Net Financial items | (76,692) | 16,859 |

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 June 2019:

Unaudited

Current quarter

| <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 | Total |
|--|------------------------|--|--|------------------------------------|------------------|
| Assets as per balance sheet | | | | | |
| Other receivables, non-current | 703,408 | 892 | - | - | 704,300 |
| Investment in other companies | - | - | 24,327 | - | 24,327 |
| Trade and other receivables | 188,380 | - | - | - | 188,380 |
| Total derivatives | - | - | - | 1,753 | 1,753 |
| Cash at bank, cash on hand and market-based investments in the balance sheet | 630,700 | 1,136 | - | - | 631,836 |
| Total | 1,522,487 | 2,027 | 24,327 | 1,753 | 1,550,595 |

| | Liabilities at fair value through profit and loss | Derivatives used for hedging | Other financial liabilities at amortised cost | Total |
|--|---|------------------------------------|---|------------------|
| Liabilities as per balance sheet | | | | |
| Total borrowings | - | - | 8,375,363 | 8,375,363 |
| Total derivatives | - | 53,802 | - | 53,802 |
| Accounts payable and other short term payables | - | - | 298,998 | 298,998 |
| Total | - | 53,802 | 8,674,361 | 8,728,163 |

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 June 2018:

(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 |
|---|------------------------|--|--|------------------------------------|------------------|
| Assets as per balance sheet | | | | | |
| Other receivables, non-current | 67,214 | 2,808 | - | - | 70,022 |
| Available for sale financial instruments | - | - | 8,470 | - | 8,470 |
| Trade and other receivables | 224,675 | - | - | - | 224,675 |
| Total derivatives | - | - | - | 43,293 | 43,293 |
| Cash at bank, cash on hand and market-based investments in the balance sheet | 783,287 | 1,114 | - | - | 784,401 |
| Total | 1,075,176 | 3,922 | 8,470 | 43,293 | 1,130,861 |

| | Liabilities at fair value through profit and loss | Derivatives used for hedging | Other financial liabilities at amortised cost | Total |
|--|---|------------------------------------|---|------------------|
| Liabilities as per balance sheet | | | | |
| Total borrowings | - | - | 6,439,765 | 6,439,765 |
| Total derivatives | - | 37 | - | 37 |
| Accounts payable and other short term payables | - | - | 417,080 | 417,080 |
| Total | - | 37 | 6,856,844 | 6,856,881 |

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 June 2019 was NOK 8,556 million (NOK 6,567 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> | 01.01.2018 | 31.03.2018 | 30.06.2018 | 30.09.2018 | 31.12.2018 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Balance sheet effect | | | | | |
| Right-of-use assets | 511,949,854 | 490,362,390 | 468,742,061 | 446,047,335 | 423,242,416 |
| Non-current lease obligations | (440,393,033) | (419,889,062) | (397,144,475) | (376,619,012) | (352,720,396) |
| Current lease obligations | (81,028,505) | (81,384,324) | (83,670,450) | (82,511,926) | (84,326,191) |
| Implementation effect, equity | 9,471,684 | | | | |
| Profit & Loss effect | | | | | |
| Lease expenses | | (25,022,215) | (50,079,876) | (76,368,264) | (102,777,882) |
| Depreciation | | 21,587,464 | 43,207,793 | 65,902,518 | 88,707,438 |
| Interest expenses | | 4,874,063 | 9,473,263 | 14,077,665 | 18,402,932 |
| Net P&L effect | | 1,439,311 | 2,601,181 | 3,611,919 | 4,332,488 |

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.