

First quarter report 2018



Silk Bidco Group

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Revenue and EBITDA growth

Highlights

- First quarter revenue of NOK 1,189 million, up 21.5% from NOK 978 million in 2017
- First quarter EBITDA of NOK 99 million (Q1 2017; NOK 22 million)
- Record high number of passengers on the Norwegian Coast with occupancy increasing to 78.5% from 68.2%
- Improving performance in the Explorer segment driven by 9 pp increase in occupancy and 5,900 more Passenger Cruise Nights sold compared to Q1 2017
- The sale-leaseback vessel MS Nordlys was purchased in January 2018
- Completed refinancing of the Group, with 3 years prolonged debt maturity, increased available liquidity and reduced interest costs going forward
- Awarded new 10-year coastal ferry agreement with Norwegian Ministry of Transportation, commencing 2021 with 7 ships
- Reopening the refurbished Funken Lodge hotel in Longyearbyen on Svalbard, which has received great reviews
- Strong pre-booking levels for the remaining months in 2018 with strong trend continuing into 2018
- First quarter normalized adjusted EBITDA before other gains and losses of NOK 141 million (Q1 2017; NOK 51 million)
- Normalizations items is mainly i) cancellation costs related to the Roald Amundsen delayed delivery date which was expensed in Q1 2018 (NOK 25 million) ii) one off non-cash cost related to the acquisition of MS Nordlys (NOK 18 million)
- Normalized adjusted EBITDA for the full year 2017 was NOK 1,004 million (2016; NOK 942 million)

Key figures*

<i>NOK 1 000</i>	1st quarter 2018	1st quarter 2017	Change	Full year 2017
Operational revenues	1,013,299	808,034	25.4 %	4,248,316
Contractual revenues	175,188	169,814	3.2 %	674,234
Total revenue	1,188,487	977,848	21.5 %	4,922,550
EBITDA	99,313	22,219	347.0 %	826,311
Norwegian Coast				
PCNs	310,350	246,879	25.7 %	1,595,924
Gross ticket yield	2,114	1,964	7.6 %	2,483
Occupancy rate	78.5 %	68.2 %	10.3 p.p.	78.3 %
Explorer				
PCNs	52,679	46,767	12.6 %	155,725
Gross ticket yield	5,106	5,121	-0.3 %	5,210
Occupancy rate	86.7 %	78.1 %	8.5 p.p.	68.2 %

*The figures presented in this report are unaudited

About Hurtigruten

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

Hurtigruten has three business segments:

Hurtigruten Norwegian Coast



Explorer



Spitsbergen



Hurtigruten Norwegian Coast

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

The vessel schedule and infrastructure are leveraged to offer distinct expedition-based services and activities to leisure seekers through our cruise voyage products. The ships used to provide local transport services and cargo shipments also offer exploration-based voyages for leisure travellers, including a high proportion of international guests. The segment accounted for 71.1% of group revenues in the first quarter of 2018.

Explorer

The second largest segment offering unique polar cruises using the vessels MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and Explorer segments) as well as MS Nordstjernen which is leased and operated in Svalbard in the summer season. The Explorer segment will be strengthened from 2018 and onward with two new purpose-built polar cruise ships. The segment accounted for 22.7% of group revenues in the first quarter of 2018.

Spitsbergen

Comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard. Hurtigruten Svalbard operates three hotels and an equipment store. This segment accounted for 6.2% of the total revenues in the first quarter of 2018.

Operational review

Hurtigruten had a strong operational and financial performance in the first quarter of 2018 with growth in yield and occupancy across all segments compared with the same period in 2017.

Total Passenger Cruise Nights for the two cruise segments increased by 24% in the first quarter of 2018 compared to the same period last year, while capacity increased with 5%. The occupancy increased with 10 ppt to 80% on group level. The increase is driven by higher demand for the Coastal product and increased occupancy in the Explorer segment. Historically winter has been regarded as the low season, but demand for the winter cruise product is increasing significantly and this strong trend is continuing into 2018 with higher booking levels compared to same time last year.

Occupancy for Norwegian Coast rose to 78.5% in the first quarter of 2018 from 68.2% in the same period of 2017, with an increase in Passenger Cruise Nights (PCN) of 25.7%.

Occupancy for the Explorer segment was 86.7% in the first quarter of 2018, compared to 78.1% in the

same period last year. Considering increased capacity of only 1.5% (APCN), total passenger cruise nights increased by 12.6% with stable yield compared to last year.

Maritime operations continued to perform well and there were no material incidents in the first quarter. A total of 153 missed port calls were registered in the first quarter, primarily due to adverse weather conditions. In the same period in 2017, the Group had 347 missed port calls also primarily due to weather. There was no significant downtime due to unplanned maintenance in the period.

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

Results of operations

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

<i>(in NOK 1 000)</i>	1st quarter 2018	1st quarter 2017	% Change	Full year 2017
Total operating revenues				
Hurtigruten Norwegian Coast	845,281	667,438	26.6%	3,833,445
Explorer	269,688	239,550	12.6%	811,497
Spitsbergen	73,888	70,582	4.7%	292,411
Other business	(189)	78	-342.8%	230
Total	1,188,669	977,647	21.6%	4,937,583
Operating profit/(loss)				
Hurtigruten Norwegian Coast	(40,448)	(134,287)	-69.9%	160,148
Explorer	33,014	35,832	-7.9%	24,327
Spitsbergen	4,943	6,826	-27.6%	26,362
Other business	(65)	69	-194.4%	581
Total	(2,556)	(91,561)	-97.2%	211,417
EBITDA				
Hurtigruten Norwegian Coast	36,599	(39,016)	-193.8%	657,210
Explorer	52,195	48,956	6.6%	85,210
Spitsbergen	10,639	12,103	-12.1%	44,206
Other business	(65)	177	-136.9%	606
Total	99,369	22,220	347.2%	787,231
EBITDA margin				
Hurtigruten Norwegian Coast	4.3 %	-5.8 %	-1.7 p.p.	17.1 %
Explorer	19.4 %	20.4 %	-1 p.p.	10.5 %
Spitsbergen	14.4 %	17.1 %	-2 p.p.	15.1 %
Other business	NM	NM		NM
Total	8.4%	2.3%	2.7 p.p.	15.9%

Segment review

Hurtigruten Norwegian Coast

<i>NOK 1 000</i>	1st quarter 2018	1st quarter 2017	Change	Full year 2017
Operational revenues	670,093	497,624	34.7 %	3,159,211
Contractual revenues	175,188	169,814	3.2 %	674,234
Total revenue	845,281	667,438	26.6 %	3,833,445
EBITDA	36,599	(39,016)	193.8 %	696,226

The below table does not include the State Contract's contractual revenue neither 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>	1st quarter 2018	1st quarter 2017	Full year 2017
PCNs	310,350	246,879	1,249,149
APCNs	395,460	362,130	1,595,924
Occupancy rate	78.5%	68.2%	78.3%
Gross ticket revenues	655,989	484,770	3,102,068
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	146,960	101,583	581,676
Food, beverage, shop, excursions	92,466	73,378	372,325
Net ticket revenues	416,562	309,809	2,148,068
Gross ticket revenues per PCN (NOK)	2,114	1,964	2,483
Net ticket revenues per PCN (NOK)	1,342	1,255	1,720
Ship operating costs	640,455	532,931	2,432,581
Selling, general and administrative expenses	178,441	160,706	678,797
Gross cruise costs	818,897	693,637	3,111,378
Less:			
transportation and other passenger services	146,960	101,583	581,676
Food, beverage, shop, excursions	92,466	73,378	372,325
Net cruise costs	579,470	518,676	2,157,378
Net cruise costs per APCN (NOK)	1,465	1,432	1,352
Fuel consumption (liter/nautical mile)	83.0	82.1	79.3
Fuel cost per liter	5.91	5.11	5.38

Segment revenue excluding the contractual income from the Norwegian state agreement, increased by NOK 177 million, or 26.6%, to NOK 845 million in the first quarter, from NOK 667 million in the first quarter of 2017. Occupancy increased to 78.5% from 68.2%

in the first quarter of 2017, with an increase in Passenger Cruise Nights (PCN) of 25.7%.

Net ticket revenue per PCN increased with 7.0% to NOK 1,342 in first quarter compared to first quarter year last year.

Hurtigruten experienced growth in demand from all regions, but especially the UK market contributed to the strong growth. The higher occupancy and increased yield led to higher profitability in the segment.

Contractual revenue was NOK 175 million in the first quarter, increased from NOK 170 million a year earlier, the change due to the contractual payment schedule.

Net cruise cost per Available Passenger Cruise Night (APCN) increased with 2.3% to NOK 1,465. The increase is driven by higher fuel and bareboat charter costs. First quarter of 2018 include a NOK 27 million expense related to the lease of MS Nordlys and MS Richard With, which in first quarter of 2017 were accounted for as finance leases in the Group. In

December 2017 and January 2018, the Group Coastal Holding purchased these vessels, and leased them to the Bidco Group on 5-year operating leases. The expense of NOK 27 million includes a write down of remaining finance lease at inception of the operational lease of MS Nordlys. Additionally, fuel costs in the first quarter of 2017 increased due to both higher fuel price and increased consumption per nautical mile

As a result of increased occupancy and yield, offset partly by increased costs, EBITDA improved to NOK 37 million (NOK -39 million) in the first quarter. There were no material disruptions to the operations for the Coastal segment in 2018.

Explorer

<i>NOK 1 000</i>	1st quarter 2018	1st quarter 2017	Change	Full year 2017
Operational revenues	269,688	239,550	12.6 %	811,497
Total revenue	269,688	239,550	12.6 %	811,497
EBITDA	52,195	48,956	6.6 %	85,210

*NOK 1 000 Except for PCNs, APCNs, occupancy rate,
fuel consumption and fuel cost per liter*

	1st quarter 2018	1st quarter 2017	Full year 2017
PCNs	52,679	46,767	155,725
APCNs	60,782	59,858	228,204
Occupancy rate	86.7%	78.1%	68.2%
Gross ticket revenues	268,967	239,506	811,307
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	103,981	61,367	199,937
Food, beverage, shop, excursions	14,945	14,165	53,679
Net ticket revenues	150,041	163,974	557,692
Gross ticket revenues per PCN (NOK)	5,106	5,121	5,210
Net ticket revenues per PCN (NOK)	2,848	3,506	3,581
Ship operating costs	192,701	144,599	556,411
Selling, general and administrative expenses	32,785	45,188	144,917
Gross cruise costs	225,486	189,788	701,328
Less:			
transportation and other passenger services	103,981	61,367	199,937
Food, beverage, shop, excursions	14,945	14,165	53,679
Net cruise costs	106,560	114,256	447,712
Net cruise costs per APCN (NOK)	1,753	1,909	1,962
Fuel consumption (liter/nautical mile)	97.2	93.1	90.5
Fuel cost per liter	5.81	5.66	5.52

In the first quarter of 2018, the vessels MS Fram and MS Midnatsol operated in the Explorer segment in the Antarctic, the same vessels as in first quarter of 2017. MS Nordstjernen started operations along the Norwegian coast in the last few weeks of the quarter. Total Available Passenger Cruise Nights (APCN), increased slightly by 1.5% YoY.

The Explorer segment ticket revenue was NOK 269 million in the first quarter of 2018, up from NOK 240 million in same period of 2017. The increase was driven by higher occupancy, as occupancy rate increased from 78.1% in first quarter 2017 to 86.7%

in 2018. Net ticket revenue per PCN decreased from NOK 3,506 to NOK 2,848.

Net cruise cost per available cruise night (APCN) decreased by 8.2% primarily due to lower crew and personnel costs, sales, marketing and administrative expenses, partly offset by increased fuel costs due to higher consumption and price, and NOK 26 million in expenses related to the delayed delivery of the newbuild vessel MS Amundsen. As a result, EBITDA increased to NOK 52 million in the first quarter (NOK 49 million).

Spitsbergen

Spitsbergen 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

<i>NOK 1 000</i>	1st quarter 2018	1st quarter 2017	Change	Full year 2017
Operational revenues	73,888	70,582	4.7 %	292,411
Total revenue	73,888	70,582	4.7 %	292,411
EBITDA	10,639	12,103	-12.1 %	44,206

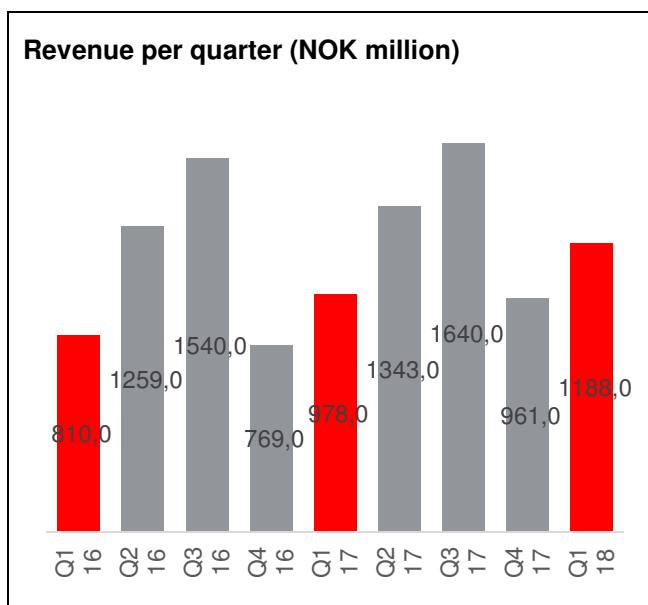
The Spitsbergen segment had first quarter revenue of NOK 74 million, an increase of 4.7% from NOK 71 million in first quarter of last year. The increase is due to a 4% increase in number of guest nights in the period, and increased revenue per available room, in large driven by the newly renovated Funken hotel in Longyearbyen.

EBITDA for the first quarter was NOK 11 million, reduced from NOK 12 million in same period of 2017, due to increased costs for commercial organization to support the future growth in the destination.

Financial review

The financial information for the three months ended 31 March 2018 discussed below is derived from the unaudited consolidated financial statements of Silk Bidco Group as of and for the three months ended at 31 March 2018.

Profit and loss



Group revenue increased by NOK 211 million or 21.5% to NOK 1,188 million in first quarter 2018 (versus NOK 978 million in the first quarter of 2017). The increase in revenue was due to increased occupancy level in both Norwegian Coast and Explorer segments and increased yield in the Norwegian Coast segment.

Employee expenses increased by NOK 11 million, or 3.7%, to NOK 294 million in the first quarter of 2018 (NOK 283 million). The increase is in line with the increased production in the period.

First quarter depreciation, amortization and impairment were NOK 101 million (NOK 114 million). The decrease is primarily due to two vessels, MS Nordlys and MS Richard With in first quarter of 2018 were on operating leases in the Group, whereas last year, the same vessels were on financial lease from third party owners.

Specification of other operating costs

(NOK 1 000)	1st quarter 2018	1st quarter 2017	change	Full year 2017
Cost of goods sold	(264,269)	(209,062)	26.4 %	(933,146)
Operating costs	(420,229)	(322,145)	30.4 %	(1,450,686)
Sales and administrative costs	(129,049)	(127,458)	1.2 %	(502,772)
Total	(813,548)	(658,663)	23.5 %	(2,886,602)

Other operating costs were NOK 814 million in the first quarter of 2018 (NOK 659 million), an increase of 23.5% from the same period last year.

Cost of goods sold relates to direct costs from flights, hotels and transportation for passengers to and from cruise destinations and costs for food and beverage aboard the cruise vessels. In first quarter, the increase of 26.4% compared to same period last

year reflects the increased PCN of 24% in the quarter compared to previous year, and increased costs for flights, hotels and transportation in the period.

Operating costs include all other cruise operating costs, including bunker oil, harbour costs, bareboat lease costs and maintenance of the vessels, in addition to commissions paid to travel agents. The increase of 30.4% compared to same period last

year reflects the increased production in the period, increased price and consumption of bunker oil and increase in harbour costs. In addition, the Group incurred expenses for commissions to travel agents in relation to the rebooking of voyages due to the postponed delivery of the newbuild MS Roald Amundsen until winter 2018.

Sales and administrative costs increased with 1.2% in the quarter compared to last year, primarily due to phasing of sales and marketing expenses between the quarters.

Net other gains and losses for the first quarter was a gain of NOK 19 million (loss of NOK 14 million). Other gains and losses consists of realized losses on bunker derivatives.

First quarter EBITDA was NOK 99 million, an increase of NOK 77 million from an EBITDA of NOK 22 million in the corresponding period of 2017.

The first quarter 2018 operating loss was NOK 3 million, compared to an operating loss of NOK 92 million in the same period last year.

Net financial items were NOK -215 million (NOK -131 million). Finance expenses were NOK 238 million (NOK 155 million). The increase is due to expensed unamortized borrowing costs and redemption fees in relation to the refinancing in the Silk Bidco Group in February 2018, where the Group refinanced its major outstanding debt. The existing Bond of EUR 455 million and Revolving Credit Facility of EUR 85 million was replaced with a term B loan of EUR 575 million and a new Revolving Credit Facility of EUR 85 million. The refinancing entails 3-year prolonged debt maturity, increased available liquidity and reduced interest costs going forward.

Income tax expense was NOK 6 million (NOK 6 million) and was related to tax on profits for some of the Group subsidiaries.

Net loss for the first quarter of 2018 was NOK 223 million, compared with a loss of NOK 228 million in the same period of 2017. The change was driven by finance costs in relation to the refinancing of the Group, as underlying operations showed a strong improvement.

Financial position and liquidity

Cash flow

Net cash flow from operating activities in the first quarter was NOK 149 million, compared with a net

cash flow from operations of NOK 36 million in the same period of 2017. The increase reflects the underlying positive development in results from operations.

Net cash flow used in investing activities was NOK 112 million (NOK 164 million), whereof NOK 120 million (NOK 140 million) is related to maintenance capital expenditures on the ships. First quarter of 2017 included prepayments for ships under construction of NOK 49 million. Other adjustments in investing activities include settlement of financial derivatives and change in restricted funds.

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

Net cash flow from financing activities was NOK 54 million (NOK 78 million), comprising primarily proceeds from the refinancing of the Group in February 2018, reduced by interest and redemption premium paid in relation to settlement of the previous bond and RCF.

Cash and cash equivalents in the cash flow statement totalled NOK 408 million at 31 March 2018 (NOK 202 million). Cash and cash equivalents in the statement of financial position, including restricted funds, totalled NOK 506 million at 31 March 2018 (NOK 247 million). At the end of first quarter 2017, the Group had additional liquidity of EUR 70 million available through the new EUR 85 million Revolving Credit Facility.

Balance sheet

Total assets amounted to NOK 8,271 million at 31 March 2018, an increase of NOK 23 million from year end 2017. Non-current and current assets are largely in line with year end 2017.

Total equity at the end of first quarter was NOK 301 million vs. NOK 527 million at 31 December 2017. The equity ratio at 31 March 2018 was 3.6% (9.5% at end of first quarter 2017). The decrease in equity is due to the net loss in the period, caused by one-off finance expenses in relation to the refinancing of the Group. In addition, the Group incurred currency losses on the EUR financing, as the NOK depreciated substantially against the EUR during the last months of 2017. The equity level is expected to increase as the Group enters the summer high season. Pre-booking levels for the remainder of 2018 and into 2019 indicate positive results, and the new financing ensures reduced interest expenses going forward.

Total non-current liabilities amount to NOK 6,723 as per 31 March 2018 (NOK 5,507 million), an increase of NOK 5,534 million from year end 2017. The increase is due to reclassification of the issued bond of EUR 455 million and the RCF of NOK 774 million from long term to short term borrowings at 31 December 2017, as the bond and the RCF were refinanced in February 2018. Total borrowings have increased from NOK 5,784 million at year end 2017 to NOK 6,174 million at 31 March 2018. The majority of the Groups borrowings is denominated in EUR, and NOK strengthening against the EUR during the quarter partly offset the increase in borrowings as a result of the refinancing.

Current liabilities excluding borrowings were NOK 1,563 million (NOK 1,634 million), decreased by NOK 121 million since year end 2017. The change in the quarter is due to reduction in working capital

items, offset by increased deposits from customers reflecting the increased future production.

Off-balance sheet items

The Group has deferred income tax assets recognised in the balance sheet of NOK 179 million at 31 March 2018, unchanged from year end 2017. At 31 December 2017, NOK 445 million in deferred income tax assets was not recognised in the balance sheet.

In the future when taxable profit is sufficient to utilise deferred income tax assets, the Group will first utilise deferred income tax assets that is not recognised in the balance sheet. Tax losses may be carried forward for an indefinite period in Norway. Except for these off balance deferred income tax assets, the Group does not have any material off-balance sheet arrangements.

Outlook

Hurtigruten has experienced a strong positive underlying booking trend over the last 6 months. There is strong demand for the increased capacity offered under the Explorer segment in both Antarctica and the Arctic. Demand has also increased for the Coastal cruise product across all market segments at higher yields compared to at the same point in time in 2017. Pre-bookings for 2018 are materially higher compared to same time last year driven by significant investments in our commercial team, product improvement initiatives including refurbishments, and additional capacity in the explorer segment. 2018 booking is very strong for both segments with NOK 3,323 million gross ticket revenue including charters booked as of 24 May 2018, compared to NOK 2,826 million last year – an increase of 28%. Gross revenue booked for Norwegian Coast is up NOK 359 million (+13%) for 2018 compared to last year. Explorer has booked NOK 138 million more than same time last year, up by 56%, including an increase in first quarter bookings of 16%. The Kleven yard informed us in

February that the delivery of the MS Roald Amundsen will be delayed and we were successful in rebooking our passengers to other itineraries. 68% of the passengers chose to rebook their voyages. In May, the Kleven yard also informed us that there may be a delay in the delivery of MS Fridtjof Nansen and as a result of this we have chosen to deploy MS Midnatsol for the MS Fridtjof Nansen itineraries in the Antarctica for the 2019/2020 season. The financial impact of the potential delay will not be material to the group financial performance. Marine operations have performed well in Q1 2018 with a significant lower number of missed port calls due to technical issues compared to same period last year. This is expected to continue. Customer feedback is at a very high level, strengthening Hurtigruten's brand position and ability to attract new customers. Hurtigruten aims to be positively different to counter competition from international cruise operators in Scandinavia and along the Norwegian coast offering a truly unique experience to our customers.

Risks and uncertainties

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

Additional risks and uncertainties not currently known to the Group or that Group currently deem to be immaterial may also materially adversely affect

the business, financial condition or results of operations.

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

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

There is a risk that shipyard could fail to deliver the new builds as agreed, or the Group could cancel a shipbuilding contract because the shipyard has not met its obligations. Any termination or breach of contract on the Group's part following any such event may result in, among other things, the forfeiture of prior deposits or payments made by the Group as

well as potential claims by the Group's customers against it if the Group's ships are out of service and the Group cannot provide alternative services.

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

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

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

Interim financial statements

Condensed consolidated income statement

Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	1st quarter 2018	1st quarter 2017	% Change	Full year 2017
Operating revenues		1,013,299	808,034	25.4 %	4,248,316
Contractual revenues		175,188	169,814	3.2 %	674,234
Total Revenues		1,188,487	977,848	21.5 %	4,922,550
Payroll costs		(293,922)	(283,413)	3.7 %	(1,159,050)
Depreciation, amortisation and impairment		(101,925)	(113,780)	-10.4 %	(480,543)
Other operating costs		(813,548)	(658,664)	23.5 %	(2,886,603)
Other (losses)/gains – net		18,296	(13,553)	-235.0 %	(50,586)
Operating profit/(loss)		(2,612)	(91,562)	-97.1 %	345,768
Finance income		23,551	23,672	-0.5 %	91,946
Finance expenses		(238,275)	(154,695)	54.0 %	(945,918)
Net financial items		(214,725)	(131,023)	63.9 %	(853,973)
Share of profit/(loss) of associates		912	755	20.8 %	1,246
Profit/(loss) before income tax		(216,425)	(221,830)	-2.4 %	(506,958)
Income tax expense		(6,210)	(6,186)	0.4 %	(25,110)
Profit/(loss) for the period		(222,635)	(228,016)	-2.4 %	(532,068)

Condensed consolidated statement of comprehensive income

Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	1st quarter 2018	1st quarter 2017	Full year 2017
Profit/(loss) for the period		(222,635)	(228,016)	(532,068)
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss in subsequent periods:				
Actuarial gain/loss on retirement benefit obligations		-	-	(2,554)
Sum		-	-	(2,554)
Items that will be reclassified to profit or loss in subsequent periods:				
Cash flow hedges, net of tax		(6,984)	(25,720)	39,345
Currency translation differences		4,176	3,692	21,872
Sum		(2,808)	(22,028)	61,217
Total comprehensive income for the period		(225,443)	(250,044)	(473,405)

Condensed consolidated statement of financial position

Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	31.3. 2018	31.3. 2017	31.12 2017
ASSETS				
Non-current assets				
Property, plant and equipment		4,322,187	4,169,473	4,301,649
Intangible assets		2,655,480	2,726,242	2,664,560
Deferred income tax assets		178,663	178,551	178,825
Derivative financial instruments	5	0	6,460	30,494
Other non-current assets		71,636	24,816	70,812
Total non-current assets		7,227,965	7,105,542	7,246,341
CURRENT ASSETS				
Inventories		144,158	119,970	148,179
Trade and other receivables	6	352,922	441,586	393,590
Derivative financial instruments	6	39,561	5,743	19,533
Cash and cash equivalents	6	506,210	246,863	439,206
Total current assets		1,042,852	814,161	1,000,508
Total assets		8,270,817	7,919,702	8,246,848
EQUITY				
Paid -in capital		1,827,646	1,827,679	1,827,646
Other equity		(1,526,521)	(1,077,723)	(1,301,079)
Total equity		301,125	749,955	526,568
LIABILITIES				
Non-current liabilities				
Borrowings	5,6	6,040,974	5,318,500	486,556
Prepaid travels with departure dates beyond one year		112,618	39,876	133,328
Other non-current liabilities		119,590	149,372	118,822
Total non-current liabilities		6,273,183	5,507,749	738,706
Current liabilities				
Trade and other liabilities	6	949,588	1,052,614	1,011,533
Prepaid travels with departure date within one year		597,003	530,908	619,598
Borrowings	5,6	133,248	27,762	5,297,020
Other current liabilities		16,671	50,714	53,425
Total current liabilities		1,696,509	1,661,998	6,981,576
Total equity and liabilities		8,270,817	7,919,702	8,246,848

Condensed consolidated statement of changes in equity

Unaudited

<i>(in NOK 1 000)</i>	01.01-31.03.2018			01.01-31.03.2017		
	Paid -in capital	Other equity	Total Equity	Paid -in capital	Other equity	Total Equity
Equity at beginning of the period	1,827,646	-1,301,079	526,568	1,827,679	-827,679	1,000,000
Comprehensive income		(225,443)	(225,443)		(250,044)	(250,044)
Contribution of equity	-	-	-	-	-	-
Equity at the close of the period	1,827,646	-1,526,521	301,125	1,827,679	-1,077,723	749,956

Condensed consolidated statement of cash flows

Unaudited

<i>(in NOK 1 000)</i>	<i>Note</i>	1st quarter 2018	1st quarter 2017	Full year 2017
Cash flows from operating activities				
Profit/(loss) before income tax		(216,425)	(221,830)	(506,959)
Adjustments for:				
Depreciation, amortisation and impairment losses		101,925	113,780	480,543
Change in prepaid travels		(28,880)	(53,266)	132,020
Other adjustments ¹⁾		292,557	197,637	833,271
Net cash flows from (used in) operating activities		149,177	36,321	938,875
Cash flows from investing activities				
Purchase of property, plant, equipment (PPE)		(120,642)	(140,139)	(312,157)
Purchase of intangible assets		(12,112)	(6,819)	(40,764)
Advance payment of PPE		-	(49,089)	(267,843)
Other adjustments		20,578	31,704	(87,556)
Net cash flows from (used in) investing activities		(112,176)	(164,343)	(708,320)
Cash flows from financing activities				
Proceeds from borrowings		421,906	283,818	316,725
Repayment of borrowings		(8,361)	(169,247)	(91,202)
Interest paid		(359,106)	(36,439)	(375,322)
Net cash flows from (used in) financing activities		54,439	78,132	-149,799
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		91,440	(49,891)	80,756
Cash and cash equivalents at the beginning of period		337,979	232,986	217,419
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		(21,096)	19,098	39,804
Cash and cash equivalents at end of period		408,323	202,194	337,979

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

Notes to the condensed consolidated financial Statements

Note 1 Accounting policies

The interim financial report for the Group includes Silk Bidco AS with subsidiaries and associated companies. The interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards, and should therefore be read in connection with the annual report for Silk Bidco Group for 2017.

The annual report 2017 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 2017.

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

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

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

Note 2 Financial risk management

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

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

Note 3 Contingencies

Membership in the industrial fund for nitrogen oxides

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

The Environmental Agreement for 2011–2017 was signed on 14 December 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 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 must be approved by ESA before it enters into force.

The Norwegian Environment Agency monitors whether individual reduction targets have been achieved. Deviations of more than 10% of reduction targets trigger a collective fine, under which businesses must pay the nitrogen oxide 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 16.3 million in nitrogen dioxide tax was recognised in Silk Bidco's consolidated financial statements for 2016 compared to NOK 15.9 million in 2017.

Note 4 Segments

<i>(in NOK 1 000)</i>	Norwegian Coast		Explorer		Spitsbergen	
	1st quarter	1st quarter	1st quarter	1st quarter	1st quarter	1st quarter
	2018	2017	2018	2017	2018	2017
Operating revenues	670,093	497,624	269,688	239,550	73,888	70,582
Contractual revenues	175,188	169,814	-	-	-	-
Total operating revenues	845,281	667,438	269,688	239,550	73,888	70,582
Payroll costs	(233,094)	(220,017)	(38,282)	(44,096)	(22,546)	(19,300)
Depreciation and impairment losses	(77,048)	(95,271)	(19,181)	(13,124)	(5,696)	(5,277)
Other operating costs	(585,803)	(473,620)	(187,204)	(145,692)	(40,743)	(39,249)
Other (losses)/gains – net	10,214	(12,817)	7,993	(806)	40	71
Operating profit/(loss)	(40,448)	(134,287)	33,014	35,832	4,943	6,826
EBITDA	36,599	(39,016)	52,195	48,956	10,639	12,103

<i>(in NOK 1 000)</i>	Other Business		Eliminations		Silk Topco Group	
	1st quarter	1st quarter	1st quarter	1st quarter	1st quarter	1st quarter
	2018	2017	2018	2017	2018	2017
Operating revenues	(189)	78	(182)	201	1,013,299	808,034
Contractual revenues	-	-	-	-	175,188	169,814
Total operating revenues	(189)	78	(182)	201	1,188,487	977,848
Payroll costs	-	(0)	-	-	(293,922)	(283,413)
Depreciation and impairment losses	-	(108)	-	-	(101,925)	(113,780)
Other operating costs	76	89	126	(193)	(813,548)	(658,664)
Other (losses)/gains – net	48	-	-	-	18,296	(13,553)
Operating profit/(loss)	(65)	59	(56)	9	(2,612)	(91,562)
EBITDA	(65)	167	(56)	9	99,313	22,219

Note 5 Borrowings

Unaudited

	31.3. 2018	31.3. 2017	31.12 2017
<i>(Figures stated in NOK 1000)</i>			
Long term debt			
Bond	5,427,508	4,035,492	-
Revolving Credit Facility (Goldman Sachs)	144,635	758,269	-
Lease financing	455,880	509,707	473,109
Credit facilities	-	-	-
Other borrowings	12,952	15,032	13,447
Total	6,040,974	5,318,500	486,556
Short term debt			
Bond	-	-	4,385,095
Revolving credit facility (Goldman Sachs)	-	-	773,688
Lease financing	27,926	25,317	45,193
Credit facilities	40,584	-	26,789
Other borrowings	64,738	2,445	66,254
Total	133,248	27,762	5,297,020
Total outstanding debt	6,174,222	5,346,262	5,783,576

The above amounts state borrowings at amortized cost, according to Statement of Financial Position.

Maturity Profile

The below maturity schedule reflects the borrowings at nominal values.

	31.3. 2018	31.3. 2017	31.12 2017
<i>(Figures stated in NOK 1000)</i>			
Less than one year	133,248	27,762	5,389,130
Between 1 and 2 years	65,832	110,940	66,224
Between 3 and 5 years	217,699	4,996,009	73,502
More than 5 years	5,874,259	347,301	346,863
Total borrowings	6,291,037	5,482,011	5,875,719

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

Note 6 Financial assets and liabilities at fair value

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

At 31 March 2018:

(Figures stated in NOK 1000)

	Loans and receivables	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Other receivables, non-current	13,035	2,819	-	-	15,854
Available for sale financial instruments	-	-	49,970	-	49,970
Trade and other receivables	352,922	-	-	-	352,922
Total derivatives	-	-	-	39,561	39,561
Cash at bank, cash on hand and market-based investments in the balance sheet	505,081	1,130	-	-	506,210
Total	871,038	3,949	49,970	39,561	964,518

	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	-	-	6,174,222	6,174,222
Derivatives	-	5,064	-	5,064
Accounts payable and other short term payables	-	-	949,588	949,588
Total	-	5,064	7,123,810	7,128,874

At 31 March 2017:

<i>(Figures stated in NOK 1000)</i>	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
Assets as per balance sheet				
Other receivables, non-current	16,926	3,000	-	19,927
Trade and other receivables	441,586	-	-	441,586
Total derivatives	-	-	12,203	12,203
Cash at bank, cash on hand and market-based investments in	245,788	1,074	-	246,863
Total	704,301	4,074	12,203	720,578

	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	-	-	5,346,262	5,346,262
Derivatives	-	30,924	-	30,924
Accounts payable and other short term payables	-	-	1,052,614	1,052,614
Total	-	30,924	1,345,139	1,376,063

The carrying amount for the financial assets and liabilities been assessed and does not differ materially from fair value, except for total borrowings. Fair value of total borrowings at 31 March 2018 was NOK 6,291 million (NOK 5,758 million).

Note 7 Business influenced by seasonal factors

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

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

Note 8 Events after the balance sheet date

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