ANNUAL REPORT 2017

Silk Bidco AS
c/o Hurtigruten AS, Fredrik Langes gate 14,
P.O. Box 6144 Langnes, 9291 Tromsø, Norway
Booking: +47 810 30 000, Switchboard: +47 970 57 030
Business register number: NO 914 148 324 VAT

HURTIGRUTEN

Directors' Report 2017

Hurtigruten - world leader in exploration travel

The Silk Bidco Group, through its brand Hurtigruten, is the world leader in exploration travel. With a fleet of 14 custom-built expedition cruise vessels – and the world's two first hybrid-powered expedition cruise ships under construction – Hurtigruten is the world's largest expedition cruise company. It offers a unique gateway to experiences in the Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travellers from all over the world. Hurtigruten's operation builds on a rich and proud Norwegian explorer heritage, having connected the many coastal communities in Norway for 125 years, offering the first voyages to Svalbard as early as 1896. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market.

Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as "The world's most beautiful voyage". During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a rapidly growing number of active excursions. Hurtigruten has introduced the culinary concept of "Norway's Coastal Kitchen", offering authentic Norwegian cuisine with locally sourced ingredients delivered fresh to the ships throughout the journey, reflecting both the seasons and local specialties. Hurtigruten is the only operator offering year-round, daily departures from each of these 34 ports and holds a unique competitive position on the Norwegian Coast.

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is becoming known as the world leader in this segment. With its strong focus on sustainability and the environment, Hurtigruten is introducing the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, is due to be launched in 2019. These vessels are under construction at the Kleven Group's yard in Norway and will greatly enhance Hurtigruten's capabilities in the expedition cruise segment.

Hurtigruten completed the buy-back of MS Richard With, which is tailor made for the coastal route. Hurtigruten has leased the vessel since 2002. In addition, Hurtigruten bought MS Nordlys at the beginning of 2018. Both vessels will be refurbished, MS Richard With in 2018 and MS Nordlys in 2019, increasing the number of suites, improving the cabins and the indoor decks and improving the general service offering on the vessels. The existing fleet has provided Hurtigruten with greater flexibility and an opportunity to tailor offerings, attracting more guests and new segments.

In 2017, Hurtigruten made the largest investment in land-based operations in the company's history, announcing a NOK 200 million expansion programme for the operations of its subsidiary, Hurtigruten Svalbard, including upgrades to hotels and Arctic adventure travel experiences. The first stage of the investment plan was the refurbishment of the Funken Lodge which was completed in February 2018. Funken Lodge is taking lodging in the Arctic to another level with state of the art cuisine and guest experience. Hurtigruten Svalbard offers a wide range of excursions including dogsledding under the Northern Lights, ice-caving and snowmobile trips.

Business and location

Hurtigruten is the global leader in cruise-based exploration and adventure travel based on APCNs, offering adventures that provide customers with the feel of authentic exploration into polar waters. Its offering is differentiated from that of most other cruise operators, including itineraries with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places. The Group views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract. The Group has a fleet of 14 ships and has 125 years of experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long and naturally distinct coast line and Hurtigruten is one of Norway's most recognized international travel brands. Hurtigruten's global headquarters are located in Tromsø, one of the key ports of call on the Norwegian coastal route. In addition, commercial offices in Oslo, Trondheim, Hamburg, London, Paris, Seattle, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets. The latest addition is the newly opened Hong Kong office, established to better serve the Asia-Pacific market, previously conducted from the London offices.

Hurtigruten's global headquarters are located in Tromsø, one of the key ports of call on the Norwegian coastal route. In addition, commercial offices in Oslo, Trondheim, Hamburg, London, Paris, Seattle, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets. The latest addition is the newly opened Hong Kong office, established to better serve the Asia-Pacific market, previously conducted from the London offices.

Hurtigruten's wholly-owned subsidiary Spitsbergen Travel AS was renamed Hurtigruten Svalbard, effective 1 January 2017 and is headquartered in Longyearbyen.

The group's business segments are divided into the following product areas: Hurtigruten Norwegian Coast, Explorer and Svalbard.

Hurtigruten Norwegian Coast represents Hurtigruten's longest-running and largest business area and comprises a fleet of 11 ships providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten's legendary voyage ranks as one of Norway's most renowned and iconic attractions. In recent years, Hurtigruten has developed the voyages significantly to offer a wide range of activities and excursions to guests along the coast. In this process, Hurtigruten Expedition Teams have been added to most of the ships, providing lectures, organising excursions and adding to the onboard experience. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound). The Norwegian state purchases local transport and freight shipment services along the Norwegian coast.

Explorer products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include visits to the Antarctic and Arctic, Iceland, Greenland, South America and a variety of other destinations. Two vessels operate year-round in this segment, MS Fram, MS Midnatsol (September–April) and MS Spitsbergen (May–August). MS Midnatsol and MS Spitsbergen operate in the Norwegian Coast segment when they are not in the Explorer segment, as part of the 11-ship fleet. In addition, MS Nordstjernen homeports in Longyearbyen and operates shorter expedition cruises around Svalbard during the Arctic summer, and from spring 2017, special product offerings such as Arctic Haute Route (from 2018 renamed Hurtigruten Arctic Ski & Sail). These voyages attract active guests who can experience off-piste skiing in Northern Norway with certified mountain guides. From 2018, the concept will expand to include Bjørnøya (Bear Island) and Spitsbergen. In 2018 and 2019, MS Roald Amundsen and MS Fridtjof Nansen, the two hybrid vessels under construction, will join the Explorer segment, further increasing the number of unique itineraries.

The *Svalbard* product area comprises year-round hotel and restaurant activities, as well as Arctic adventure tourism in Svalbard. From a base in Longyearbyen, Hurtigruten Svalbard AS offers active Arctic experiences on snow-covered and snow-free terrain with an extensive portfolio of activities and excursions. These include day trips on skis, dog sledding, snowmobile trips, boat or hiking excursions and longer expeditions in the archipelago. Hurtigruten's operations – originating back in 1896 – are the largest and most diversified in Svalbard.

Business concept, objective and strategy

Objective and vision

Hurtigruten's vision is to be the world leader in exploration travel. It will be a frontrunner in adventure tourism and expedition cruising, a niche with substantial global growth potential. With a fleet of 14 custom-built expedition ships, Hurtigruten is already the world's largest expedition cruise operator. Two-thirds of the Bergen–Kirkenes route lies north of the Arctic Circle. Accordingly, Hurtigruten has, at any given time, more than half its fleet in Arctic waters throughout the year. Hurtigruten's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic and active experiences on both land and sea.

New ground-breaking expedition ships

On 30 June 2016, Hurtigruten AS and Kleven Yards signed a contract for the construction and delivery of two new hybrid-powered expedition ships, MS Roald Amundsen and MS Fridtjof Nansen. The construction of MS Roald Amundsen will be completed in 2018 and MS Fridtjof Nansen in 2019. The ships will be state-of-the-art expedition vessels designed to meet guests' expectations as well as strict environmental and safety standards. MS Roald Amundsen and MS Fridtjof Nansen will have an ice-reinforced hull, a total length of 140 metres and will be able to carry 530 guests. The hybrid technology engines will reduce fuel consumption substantially and permit periods of emission-free sailing. The investment in new technology has been partly funded by Enova, a Norwegian government enterprise responsible for the promotion of environmentally-friendly production and consumption of energy.

Differentiation and strategy

Hurtigruten's primary strategy is profitable growth throughout its businesses. This will be achieved through increasing capacity through construction of new vessels, operational initiatives to realise its substantial potential, expand and renew its customer base, and strengthen the product range.

Hurtigruten believes its product portfolio differs significantly from product portfolios offered by other cruise operators. It has been purposefully designed to reach a customer segment whose wishes are not met by other operators. Rather than following the traditional cruise model of floating hotels and ships as the destination, Hurtigruten offers its guests the opportunity to get closer to nature in beautiful and remote areas in order to experience local wildlife, culture and activities – with a minimal footprint.

Hurtigruten appeals to guests who prefer to be close to nature and who value the experience of authenticity and sustainability. Operating smaller, custom-built vessels, Hurtigruten's ships are easier to manoeuvre and their crew and staff are very familiar with Norwegian, Arctic and Antarctic waters, which are among the most challenging in the world. In the Explorer segment, the day-to-day itineraries and programmes are adjusted based on weather and local conditions, ensuring optimal sightings of nature and wildlife, cultural events in a number of ports of call and other experiences that make each Hurtigruten voyage unique and memorable. Hurtigruten allows guests to experience being a part of the destination – rather than simply viewing it from the ship.

Hurtigruten has continued to improve the culinary concept on board through Norway's Coastal Kitchen. The concept of locally sourced produce – often loaded on board only hours before being served in the restaurants – has been a major success. This has been very well received among guests, as reflected by an increase in revenue and very high guest satisfaction ratings.

Described by the New York Times as "one of Norway's treasured national symbols", Hurtigruten's brand has been developed over its 125-year history. It forms part of the country's cultural heritage, strengthening Hurtigruten's legitimacy with customers seeking authentic Norwegian experiences. It has a high level of recognition in key travel markets, such as the Nordic countries and Germany. Based on this strong recognised brand and the authenticity of a product tailored for the adventurous, Hurtigruten believes that a voyage with a major cruise operator is not a relevant alternative for its guests. Hurtigruten's competitive position is supported by substantial barriers to establishment in the market for adventure and nature-based tourism, particularly in the expedition cruise segment. Substantial investments have been made across its fleet of 14 expedition vessels, custom built to deliver the unique Hurtigruten product. Any newcomer wishing to offer expedition and nature-based travel services in Hurtigruten's market will need to invest heavily before it will be able compete with Hurtigruten.

Hurtigruten is regularly recognised as a strong performer in the industry, through Industry awards such as the "Best Expedition Cruise Line" at the 2017 Travvy awards, "Best Adventure Cruise Line" in Cruise Critic Editor's Picks, "Best inbound cruise company" in Grand Travel Awards and was deemed Germany's "Brand of the year (travel)" for 2017. This year's Cruise Critic UK Cruisers' Choice Awards for smaller ships Hurtigruten's MS Spitsbergen won the best cruise ship cabins award winning over reviewers with its top-notch service and beautiful cabins.

Hurtigruten is experiencing increasing global media attention, across all markets – including outside Norway and the Nordics, where the company has a strong standing.

Hurtigruten's standing and reputation was acknowledged in the Apeland and Reputation Institute's recognised reputation survey RepTrak 2017. Scoring 86 out of a total of 100 points, one of the highest scores ever achieved in the survey by any company, regardless of industry, Hurtigruten was recognised as Norway's second most reputable company, and by far the highest-ranking company within the travel industry.

Hurtigruten Norwegian Coast

Hurtigruten's service along the Norwegian coast offers a premium experience to its guests, with a very high – and steadily growing – level of customer satisfaction.

Hurtigruten aims to further develop and strengthen its position globally. It still has substantial development potential, which will be realised through a continued commitment to:

- Building Hurtigruten as a strong global brand within exploration travel, as a company that offers unique destinations and a small-scale authentic experience with Hurtigruten Expedition Teams on board.
- Strong differentiation – Hurtigruten offers the original voyage along the Norwegian coast and is the world leader in exploration travel.
- Market development – Enhanced customer insights, targeting new segments, expanding in emerging markets such as China and Australia, improving e-commerce and distribution channels, and more.
- Product development – Unique, active experiences, an even wider portfolio of voyages of varying duration, pre-and-post cruise offerings, and continued development of seasonal concepts.
- More efficient business processes, with an emphasis on on-line capabilities and anticipation of trends.

As one of Norway's foremost tourist products, Hurtigruten is a driving force for developing Norwegian tourism and marketing the country internationally. Annually, Hurtigruten has a marketing budget of approximately MNOK 240. This equals one third of Norway's international marketing investment and is more than the Norwegian authorities invest through Innovation Norway. At the same time, the company has been collaborating with airlines and other industry players to improve flight connections for key departure ports in order to exploit the growth in the short-break market and to make Hurtigruten's products more accessible.

Along the Norwegian coast, Hurtigruten collaborates with over 60 different excursion providers, offering unique seasonally-adapted activities and experiences at all levels to all guests every day of the year. The fast-growing portfolio of excursions is unique both in its size and variety, and none of our competitors currently offer such a range to their guests. Excursions have been a prioritised area for Hurtigruten over many years and will continue as an important part of its differentiation strategy, including the continuous development of excursions operated by Hurtigruten. In 2017, guests can choose from around 100 activities along the Norwegian coast. This is a noticeable increase from 2012 (42 options).

Exploring polar waters

A further growth in capacity in expedition cruises – especially in Arctic and Antarctic waters – will be one of the main sources of growth for Hurtigruten's business in the coming years.

On 24 February, Hurtigruten CEO Daniel Skjeldam officially started the construction of MS Roald Amundsen – the world's first hybrid-powered expedition cruise ship. Built at Kleven Yards on the western coast of Norway, the ground-breaking vessel will feature all outside suites and staterooms (more than half with private balconies). Along with MS Fridtjof Nansen, MS Roald Amundsen is a crucial part of Hurtigruten's strategy of further expansion in the expedition cruise segment. The new ships will operate at new Hurtigruten destinations, such as full Northwest Passage crossings, Alaska and the Caribbean, in addition to Antarctica and Hurtigruten's key Arctic destinations. Throughout the summer of 2019, the two hybrid sister ships will operate custom-made voyages along the Norwegian coast, homeporting in Hamburg (Germany) and Amsterdam (Netherlands), respectively.

Hurtigruten has more than doubled the capacity allocated to Antarctica by positioning MS Midnatsol in the area from the 2016 Antarctica season – with the ship alternating with MS Spitsbergen on the Norwegian coastal route. This increase in capacity in Antarctica capacity provides Hurtigruten with flexibility and an opportunity to anticipate expected market changes that will occur with MS Roald Amundsen and MS Fridtjof Nansen, to be introduced in the coming years. With further expansion of the fleet, this flexibility will be strengthened.

Based on an extensive and varied product range, Hurtigruten's position as world leader in exploration travel will continue to be developed towards an active, broad-minded and affluent international public with a wide age range.
Altogether, Hurtigruten offers around 250 different excursions on its expedition voyages globally throughout the year. Some excursions are provided by the ship's onboard Expedition Teams, others are operated through third-party companies. Between September 2016 and September 2017, Hurtigruten sold 18,400 excursions on expedition voyages worldwide.

Further work on Explorer products, both on Svalbard and within the existing and future expedition vessel fleet, will be characterised by the following:

- Continued development of the existing product portfolio, the development of new experiences on board and ashore, and continuous assessment of new destinations.
- Constant evaluation of capacity requirements, pricing and competitive developments in the segment.
- Knowledge building and increased commitment along the whole value chain through the development of logistics, destinations and excursions.
- A focused marketing commitment, strategic brand building and a strengthening of the sales organisation.
- A systematic effort to get coverage in global top-tier media and bloggers, by organising press trips on selected destinations.
- Hurtigruten's land-based activities in Svalbard, with three hotels, an equipment shop and excursions, will be further developed through its wholly-owned Spitsbergen subsidiary. In 2017, Hurtigruten invested MNOK 200 in expanding and upgrading the hotels and the Arctic operations on Svalbard. In spring 2018, Funken Lodge will re-open with 88 brand-new rooms, new bar and lounge areas, a new reception and a refurbished Funktionærmessen gourmet restaurant. Hurtigruten Svalbard owns and operates the Radisson Blu Polar Hotel, the Spitsbergen Hotel ("Funken") and the Coal Miners' Cabins.
- This investment underlines Hurtigruten's ambitions for year-round expedition-based experiences for individual guests, as well as for groups of travellers. The land-based products in Svalbard will be better integrated with the rest of Hurtigruten's product portfolio in terms of development, marketing and sales.

Key risk and uncertainty factors

Construction risk

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.

The deployment of new ships and the repair, maintenance and refurbishment of the Group's ships are complex processes and involve risks similar to those encountered in other large and sophisticated construction, repair, maintenance and refurbishment projects. The Group could experience delays and cost overruns in completing such work. The delays can result in lost revenues as well as lost on-board revenues associated with cancelled bookings.

Other events, such as work stoppages and other labour actions, insolvencies, "force majeure" events or other financial difficulties experienced at the shipyards and among the subcontractors and suppliers that build, repair, maintain or refurbish the Group's ships could prevent or delay the completion of the refurbishment, repair and maintenance of the Group's ships. These events could adversely affect the Group's operations, including causing delays or cancellations of the Group's trips or unscheduled or prolonged dry-docks and repairs.

The consolidation of ownership of certain cruise shipyards, capacity reductions at shipyards or insolvencies could reduce competition and result in increased prices for new builds and repairs. The Group typically uses shipyards in close proximity to its routes, in particular for the Group's Hurtigruten Norwegian Coast segment, which limits its options for choosing shipyards.

Currency risk

The Group operates internationally and is exposed to currency risk in multiple currencies, in particular, EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the cost of bunker oil is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

Interest-rate risk

The Group's interest-rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. Fixed interest rates expose the Group to fair value interest-rate risk.

The Group's exposure to variable interest-rate risk is limited in 2017 and the Group has no specific hedging strategy to reduce variable interest-rate risk.

Credit risk

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards and are paid in full prior to the travel date. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Group has routines to ensure that credit is only extended to agents that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

Liquidity risk

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Group has a group account that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Group has sufficient liquidity reserves to satisfy its obligations and financial loan covenants.

Developments in the cruise industry and macro-economic conditions

A large part of Hurtigruten's consolidated revenues derive from international guests seeking unique nature-based and active experiences along the Norwegian coast and on the expedition ships. Generally speaking, the global cruise industry has substantial exposure to fluctuations in the world economy, which also applies to Hurtigruten as a niche provider in the world market. A number of Hurtigruten's markets have experienced economic uncertainty in recent years. This has had consequences for Hurtigruten because of key markets like Germany, the UK and the USA suffering from reduced purchasing power, including for holidays and travel. At the same time, visits by foreign cruise ships to Scandinavia in general and Norway and its west coast in particular, are showing a marked increase. Adventure tourism is one of – if not *the* – fastest-growing global tourist trend, and a market in which there is great potential for the unique Hurtigruten product. The adventure traveller segment does not appear to be age, gender or geography specific. People of all kinds, all over the world, want to explore while traveling.

A flexible, commercial and cost-effectively organised company is therefore essential for meeting such competition, as well as for tapping into a substantially unutilised potential. Hurtigruten will continue its efforts to make real, active and nature-based travel products more easily accessible and on sale earlier, through new channels, to new markets and customer segments. Clearly differentiating Hurtigruten's unique and authentic product in the global cruise and tourism market will be essential.

Hurtigruten is paying careful attention to the macro-economic environment, and additional measures have been taken in all key markets.

The EU Sulphur Directive came into force in January 2015 and involves stricter sulphur limits in fuel for ships in the EU. In SECA (SOx Emission Control Areas), the new limits have been set at 0.10%, which implies that operators in this area must either run on marine diesel/marine gas oil, LNG or install scrubbers that clean exhaust emissions (or apply alternative methods in order to achieve the same effect). The European SECA area includes the Baltic Sea, the English Channel and large parts of the North Sea, bordered in the north by the 62nd parallel. Hurtigruten's itinerary on the Norwegian coast, relevant to 11 ships in the fleet, has a total distance of 1,388 nautical miles (nm). 170 nm of the itinerary is south of the 62nd parallel. Hurtigruten complies with the EU Sulphur Directive, operating on marine special distillates (MSD) north of the 62nd parallel, and on marine gas oil (MGO) when entering the SECA area. Hurtigruten's

Explorer vessel MS Fram operates on MGO only. As of 1 January 2017, Hurtigruten AS decided that it will only purchase an MSD with a maximum content of 500 PPM Sulphur.

The Sulphur Directive will potentially impact the competitive situation on the Norwegian coast. The financial benefits of burning low-priced heavy oil only will be reduced. However, the effect is difficult to quantify, as long as double fuel tank systems are still an option.

EFTA Surveillance Authority State Aid Investigation

The ESA opened a formal investigation into the coastal agreement in December 2015. The ESA has investigated whether or not the agreement provides over-compensation and cross-subsidisation in breach of EEA rules.

On 29 March 2017, the ESA published its conclusions and approved the compensation granted by Norway to Hurtigruten for operating a coastal ferry route between Bergen and Kirkenes from 2012 to 2019.

Financial performance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

Consolidated results

Total operating revenues for the Silk Bidco Group came to NOK 4,923 million in 2017 (2016: NOK 4,378 million), an increase of 12% from last year. The growth was experienced in all segments, Hurtigruten Norwegian coast, Explorer and Spitsbergen.

Due to increased production, utilisation and yield, in particular in the Norwegian Coastal segment, consolidated EBITDA in 2017 increased by 37% to NOK 826 million, from last year's EBITDA of NOK 602 million.

Net financial expenses amounted to NOK 854 million (2016: NOK 173 million). The substantial increase in financial expenses in 2017 was primarily due to the adverse effects of NOK value against the EUR. The Group's financing is largely denominated in EUR, and the depreciation of NOK against the EUR in 2017 resulted in NOK 443 million in unrealised foreign exchange losses which has no liquidity effect.

The consolidated pre-tax loss for the year was NOK 507 million (2016: profit NOK 6 million).

Cash flow and financial position

Cash and cash equivalents in the cash flow statement totalled NOK 338 million at 31 December (2016: NOK 217 million), not including restricted cash.

Net cash flow from operating activities amounted to NOK 933 million (2016: NOK 874 million), reflecting the underlying positive operations.

Net cash flow used in investment activities was NOK 708 million (2016: NOK 1,258 million), and includes the purchase of MS Richard With, capital expenditures on maintenance and refurbishments of the ships, as well as prepayments on the newbuilds.

Net cash flow from financing activities was negative NOK 150 million (2016: NOK 409 million).

Consolidated non-current assets totalled NOK 7,246 million at 31 December (2016: NOK 7 018 million), an increase from 2016 primarily due to ships under construction.

Total non-current liabilities were NOK 739 million (2016: 5,302 million). The decrease is due to reclassification of the issued bond of EUR 455 million and the Revolving Credit Facility of NOK 774 million from long-term to short-term borrowings, as the bond and the RCF were refinanced in February 2018, when the Group entered into a Senior

Secured Credit Facility of EUR 575 million and a Revolving Credit Facility of EUR 85 million. The refinancing entails 3 year prolonged debt maturity, an increase in available liquidity and substantially reduced interest costs going forward. Net interest-bearing debt increased to NOK 5,344 million at 31 December 2017 from NOK 4,868 million in 2016, mainly as a consequence of depreciation of NOK against the EUR during the year.

Consolidated equity at 31 December was NOK 527 million (2016: NOK 1,000 million). The equity ratio was 6.4% (2016: 12.7%).
Taking into consideration the future prospects of expected growth in operations and revenues, it is the Board's opinion that the financial position of the Group is sound.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the Group's financial performance during 2017, and financial position at 31 December 2017. The Board confirms that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net loss for the parent company Silk Bidco AS in 2017 was NOK 350 million, which is proposed to be covered by other equity.

Product areas

Hurtigruten operates three main product areas: Hurtigruten Norwegian coast, Explorer and Spitsbergen. Activities which do not fall naturally into these three areas are grouped in other business.

Hurtigruten Norwegian coast

The Hurtigruten Norwegian coast product area is the largest activity in the group, accounting for around 78% of its consolidated operating revenues in 2017. This product area embraces 11 ships sailing between Bergen and Kirkenes, calling at a total of 34 ports along this route.

Hurtigruten's ships achieved an overall regularity of 97.0% in 2017, on target for the year. Altogether, 704 of a total of 23,490 port calls were cancelled in 2017, due to both technical cancellations and when weather conditions prompted the cancellation of relevant port calls for safety reasons.

Demand for the coastal product has increased and the winter season, in particular, which historically had low occupancy, has seen substantial interest in the market. Capacity utilisation for 2017 increased by 15 percentage points to 76%. Net ticket revenues increased at the same time, resulting in an operating revenue for 2017 of NOK 3,833 million, an increase of 9.4% over last year.

Norwegian Coast segment EBITDA was NOK 676 million for 2017 (2016: NOK 440 million), the positive development a result of increased utilisation and focus on cost controls throughout the year.

Explorer

The Explorer product accounted for 16% of the consolidated operating revenues in 2017. The product comprises the vessels MS Fram, MS Nordstjernen, MS Spitsbergen and MS Midnatsol, where the latter two vessels have been alternating between Hurtigruten Norwegian Coast and Explorer product areas. MS Nordstjernen operated in the north of Norway in the winter/spring and Svalbard in the spring/summer season.

MS Fram cruised in the Antarctic, as well as around Spitsbergen and Greenland in 2017 and has shown a positive pricing trend and demand for differentiated smaller-ship products. MS Midnatsol cruised in the Antarctic. The sale of Atlantic crossings were not as successful as expected and the Group is focusing on developing this product to increase utilisation in the coming years.

Operating revenues amounted to NOK 809 million (2016: NOK 619 million). Capacity utilisation decreased to 68% from 77% in 2016, as the addition of MS Midnatsol in the segment increased the available capacity in 2017 compared to 2016.
Segment EBITDA was NOK 81 million (2016: NOK 118 million).

Spitsbergen

This product includes the Group's activities in Svalbard, including year-round hotel operation with three venues, restaurants, snowmobile hire, retailing and an extensive portfolio of experience products, such as short day trips on skis, dog sledding, snowmobile trips, boat or hiking excursions, and longer expeditions in the archipelago.

Increased demand for the destination resulted in increased revenues per guest night. Operating revenues in 2017 were NOK 292 million (2016: NOK 273 million), while EBITDA was NOK 44 million (2016: NOK 45 million).

Research and development activities

The Group conducts no research and development activities other than adaptation of Information and Communications Technology.

Health, safety and the environment

Highest priority

It is Hurtigruten's principle that a safe operation is one of the cornerstones in the process of developing in the desired direction. Hurtigruten has a robust Management System which provides operational guidelines to employees on board and ashore. The business and Hurtigruten's profitability depend on being in control of the safe operation of the ships. In 2017 there were significantly lower number of missed port calls due to technical issues compared to the same period last year.

Hurtigruten's safety policy, revised in 2014, incorporates zero tolerance for accidents and serious incidents – including serious personal injuries and loss of human life. It is, and will remain, a safe company to travel with for guests and a safe and secure workplace for employees.

Hurtigruten's Management System is focusing on being proactive, including optimal planning of all operations. Risk management is a fundamental part of the planning process in order to identify any risks which may occur. Any such risks shall be addressed and corrective and preventive measures shall be identified to ensure the risk is at an acceptable level. The reporting of any non-conformities is a main part of improving operations. It enables Hurtigruten to monitor and follow up on any deviations which may occur during operation with regards to Health, Safety and the Environment and forms an important part of the "continuous improvement process".

The Company did not suffer any serious personal injuries in 2017. A number of minor injuries were reported during the year, such as cuts and bruises. 136 first-aid cases were reported, in which the employee in question continued to work after receiving first-aid treatment. 14 cases were reported in which the employee in question was unable to work for one or more days following the injury. Hurtigruten is analysing these reports to identify effective preventive measures to ensure these incidents are reduced. There has been a reduction in lost-time incidents by crew in 2017. The Company has focused on the reporting of minor incidents by crew, which resulted in further reports in 2017.

Two incidents related to the safe operation of the ships were reported in 2017. One was a collision of MS Trollfjord in the port of Risøyhamn. The vessel suffered some damage and was out of service for 11 days. MS Nordnorge experienced a minor fire in one of its auxiliary engines and the vessel was out of service for a few hours. No personal injuries or equipment damage were sustained.

Hurtigruten had two minor discharges of grey water and two minor oil spills from tender boat engines in 2017. There has also been a major focus on reporting minor discharges to the sea in 2017.

The 11 Hurtigruten ships sail just under one million nautical miles annually along the Norwegian coast and make more than 23,000 port calls. Hurtigruten's vision of zero tolerance is ambitious but attainable. Hurtigruten works continuously to ensure that proactive improvement processes are being addressed. Through such activities as the identification and registration of near misses, unsafe acts and unsafe conditions, Hurtigruten aims to prevent and avoid any incidents.

Responsible operations

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten operation and experience.

Hurtigruten's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

The scope of Hurtigruten's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO_2) and nitrogen oxides (NO_x). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, thus using MSD north of 62 degrees north until end 2016. From 1 January 2017, a marine special distillate (MSD) is being used, containing 50% less sulphur. These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten. The higher price of these environmental fuels is offset by their positive environmental properties compared to heavier grades of fuel.

<u>Average greenhouse gas emissions in 2017 (2016):</u>
CO_2: 223 kg/nm (227 kg/nm)
NO_x: 4.1 kg/nm (4.2 kg/nm)
SO_2: 0.004 kg/nm (0.01 kg/nm)

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2017, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO_2, CO_2 and NO_x. Hurtigruten is also affiliated to the Industrial Fund for Nitrogen Oxides, where the overall goal is a general reduction in NO_x emissions by Norwegian industry and commerce. Through this fund, Hurtigruten has applied for support for more than 20 NO_x-related projects. A number of measures have been implemented and completed. The estimated annual gain in terms of emissions from these measures is about 330 tonnes of NO_x. Several equivalent projects are being developed by Hurtigruten.
A modernised version of the fuel type resulted in a substantial reduction of SO_2 emissions. The upgrade of propellers has resulted in reduced fuel consumption which, in turn, has reduced emissions.

Shore power connection is an important environmental initiative, both for Hurtigruten and the ports of call.
Some vessels operating along the Norwegian coast have already been modified and the rest of the coastal fleet will follow. Bergen will be the first port to offer shore power for Hurtigruten ships, expected to be introduced in Q1 2018. In 2015, Hurtigruten established a partnership with the environmental organisation Bellona as a part of the initiatives to reduce emissions.

The shore power facility in the port of Bergen, where the Hurtigruten ships berth for eight hours daily during winter and 5.5 hours during summer, will reduce CO_2 emissions annually by almost 130 tonnes per ship. Annual reduction of NO_x is estimated at approximately 2.5 tonnes. Hurtigruten eagerly awaits shore power connections being provided at other ports along the Norwegian coast.

Hurtigruten's Explorer activities in Greenland, Svalbard and Antarctica are subject to guidelines from the International Association of Antarctica Tour Operators (IAATO) and the Association of Arctic Expedition Cruise Operators (AECO). Hurtigruten plays an active role in both these organisations to champion a safe and environmentally-conscious tourism industry in these unique and vulnerable areas.

The introduction of MS Roald Amundsen and MS Fridtjof Nansen – the world's first hybrid-powered expedition ships – will further strengthen Hurtigruten's environmental commitment.

Organisation

The company employed 2,102 full-time equivalents at 31 December 2017. 1,501 were carried out by permanent employees – including subsidiaries, of which 389 of the full-time equivalents were carried out in our offices in Hamburg, London, Seattle, Tallinn, Paris, Hong Kong and Svalbard. Temporary employees accounted for 601 full-time equivalents .

Hurtigruten is an expertise-based company and training plays a key role. Hurtigruten had 183 apprentices on its ships at 31 December 2017, making it one of the largest apprentice companies in the maritime sector of the Confederation of Norwegian Enterprise (NHO).

Hurtigruten takes its vital role in the education of Norwegian seafarers seriously. Hurtigruten strongly emphasises professional expertise in the workforce, but also local knowledge in its recruitment processes. Our crew members are mainly recruited from along the Norwegian coast and the various ports at which the 11 ships call. Through this, Hurtigruten contributes to maintaining local and regional employment, combined with objectives such as ensuring knowledge, local expertise and flexible shift arrangements for its employees.

The MS Fram, MS Midnatsol, and MS Spitsbergen Explorer ships also offer trainee positions in the expedition teams to newly-qualified nature guides from selected institutions. Our expedition teams are some of the most experienced in the industry. Their members have formal skills as scientists and are experts about the locations to be visited and the local wildlife. Hurtigruten requires all expedition personnel for the Antarctic to take and pass the IAATO field staff online assessment once a year.

Working environment

Hurtigruten is an inclusive workplace (IA) company. This scheme aims to reduce total sick leave and this objective is pursued actively throughout the organisation. Average sickness absence in 2017 was 6.9% for seagoing personnel and 2.3% for land-based personnel.

Hurtigruten will continue its intensive efforts to keep sick leave as low as possible.

Equal opportunities and discrimination

Hurtigruten aspires to be an attractive employer for people from different backgrounds, regardless of ethnicity, gender, religion or age. Diversity is a desired and positive part of the corporate culture, which strengthens Hurtigruten's ability to operate under varying conditions and operating parameters. Any kind of discrimination is incompatible with Hurtigruten's code of ethics.

32 different nationalities are represented in Hurtigruten and female employees account for 44.2% of the workforce.

For our seagoing personnel, female employees account for 38.2% of Hurtigruten's permanent seagoing workforce and are mostly employed in the hotel department. Of the senior officers on board – master, first officer, hotel manager, chief engineer and first engineer – 92% are male. Hurtigruten works continuously to create a better balance in seagoing management posts.

Females account for 56% of all land-based employees in Hurtigruten. Three of the seven members of the corporate management team are women.

Corporate social responsibility (CSR)

For 125 years, Hurtigruten has explored some of the world's most pristine, vulnerable and awe-inspiring waters. Hurtigruten's guests have found themselves immersed in unique experiences with wildlife and nature and have been introduced to communities and cultures at the destinations Hurtigruten explores. For Hurtigruten, it is important that the guests of tomorrow can enjoy the same meaningful travel experiences as the guests of today. Therefore, Hurtigruten sees it as essential to both minimise the impact of expedition cruising on the environment and maximise the positive contribution to local communities.

Hurtigruten's corporate social responsibility underpins these efforts and extends an invitation to guests and corporate partners to contribute through the Hurtigruten Foundation. The Hurtigruten Foundation was established to raise awareness of the opportunities and challenges in the areas Hurtigruten explores, to financially support locally-initiated projects and to encourage people to volunteer in worthwhile causes. Twice a year, the Board of the Hurtigruten Foundation grants funds to local and global projects involving initiatives in the areas in which Hurtigruten operates. The deadline for applying for funds is 1 November and 1 May each year.

In September 2017, the Hurtigruten Foundation facilitated Hurtigruten's first fleetwide beach clean-up. Guests and crew on all ships removed marine litter from beaches along the Norwegian coast and on Svalbard and Jan Mayen.

Sustainable and responsible behaviour and operations are vital for Hurtigruten. Trust and good relations with partners and stakeholders are crucial for optimum operation and profitability. By virtue of Hurtigruten's position in Norwegian tourism, as well as its extensive business activities and social significance, Hurtigruten both encourages and requires the same level of commitment from its partners and stakeholders.

Hurtigruten's most important social function is the service related to the Bergen–Kirkenes coastal route. Every day throughout the year, Hurtigruten calls at 34 fixed ports along the Norwegian coast, carrying passengers and cargo. The service is regulated through a public procurement agreement with the Norwegian Ministry of Transport and Communications, which covers the carriage of local passengers on the Bergen–Kirkenes section and cargo between Tromsø and Kirkenes.

Hurtigruten contributes to local added value and environmental benefits, beyond company turnover and general business. Local ripple effects are created, for instance, from a strategic and selective choice of suppliers and the local produce that Hurtigruten uses.

Hurtigruten sold excursions and activities for approx. NOK 314 million in 2017. This is a considerable increase from 2016: NOK 251 million. All our 61 excursion suppliers are locally operated and owned. The cash flow Hurtigruten contributes results in a significant number of year-round jobs and added value for our many destinations.

In 2014, Hurtigruten implemented a comprehensive local food concept, called Norway's Coastal Kitchen. Based on locally produced ingredients and products, all menus are designed from the areas in which the ships sail. Fresh ingredients, such as fish, meat or vegetables are delivered, as far as possible, directly on board each ship when it docks in the nearest port. This reduces transport distance significantly by utilising the Hurtigruten port structure actively, and enhances the travel experience for our guests. The initiative has been extremely well received among our guests and the Norwegian Coastal Kitchen concept has been further developed in 2017.

Hurtigruten also actively seeks to select commodities with a sustainable production. One example is the phasing out of scampi, a product which does not meet Hurtigruten's requirements for sustainable production. Fuel reduction and emissions from combustion are important, but other elements in the environmental picture are also essential. Hurtigruten has banned scampi as a product on its ships, replacing scampi harvested in South-East Asia with locally-harvested shrimps from Lyngen, just north of Tromsø. This "small" initiative represented a CO_2 emission reduction of almost 12,000 tons. A positive environmental effect, aligned with Hurtigruten's product strategy.

Hurtigruten works continuously to increase the number of guests, both local travellers and tourists. Enhancing capacity utilisation for the ships is an important measure, not only for Hurtigruten's profitability but also for the environment.

A space charter agreement with Nor Lines covers the freight handling on board the 11 Hurtigruten vessels, including the dispatcher port network. In recent years, Hurtigruten has become more attractive for freight shipments. In 2016, Nor Lines experienced the loss of a major single customer, resulting in a significant drop in volume out of Tromsø, also affecting the ports north of Tromsø. The contract loss resulted in a freight reduction (in the Tromsø–Kirkenes area) from 60,387 tonnes in 2015 to 45,488 tonnes in 2017, a reduction of almost 25%. For the entire route from Bergen to Kirkenes the reduction was 20%, from 107,648 tonnes in 2015 to 85,478 in 2017.

Hurtigruten has addressed the drop-in cargo volume and weight and will continue to seek improvements to replace the lost volume in cooperation with NorLines and other partners and stakeholders.

The carriage of cargo represents an important part of the service along the coast and is invaluable for locations with no alternative means of transportation of goods. Only three out of Hurtigruten's 34 ports of call have railway connections. In the county of Finnmark in particular, unstable road communications during the winter make transportation challenging. Freight shipments by Hurtigruten also have a significant environmental impact. 850,000 tonnes of goods are equivalent to 8,630 semitrailers on Norwegian roads. Several of the ships in the coastal fleet offer a car deck, and the 11-vessel fleet along the Norwegian coast transports approx. 30,000 cars. These vehicles would otherwise have been a burden on the main highways and local roads.

Through its constant presence with 11 ships along the coast from Bergen to Kirkenes, Hurtigruten represents an important part of Norwegian coastal preparedness and safety at sea and participated in several search and rescue operations in 2017.

Share capital and shareholders

As of 31 December 2017, Silk Bidco AS had (1) shareholder and a total paid in equity of NOK 0.09 million, spread over 30 shares with a nominal value of NOK 3 000 each and a share premium of NOK 1,827 million. Other equity was negative NOK 689 million.

The shares have equal rights.

Outlook

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

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

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

Explorer has booked NOK 290 million more than the same period last year, up by 56%, including an increase in first quarter bookings of 16%. Growth in the Explorer segment is largely due to new Antarctica itineraries in the third quarter of 2018, part of the launch of the vessel MS Amundsen. The Kleven Yard has informed us that the delivery of MS Roald Amundsen has been delayed and we are in the process of rebooking the affected guests or refunding their deposits if they decide to cancel their Hurtigruten trip. The financial impact of the delay will not be material to the Group financial performance. Marine operations have performed well in 2017 with a significantly lower number of missed port calls due to technical issues compared to the same period last year. This is expected to continue.

In March 2018, the Norwegian Ministry of Transport and Communications announced the results of the tender process for Norwegian Coastal operations. Hurtigruten was awarded part of the 10-year coastal ferry agreement, commencing in 2021. The new tender contract involves four less ships operating along the Norwegian coast on agreement with the Norwegian government. However, it is the Group’s intention to maintain daily departures from Bergen to Kirkenes but to operate the four additional ships on purely commercial terms.

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

Oslo, 24. April 2018
Board of Directors of Silk Bidco AS

Trygve Hegnar
Chair

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

Silk Bidco AS

Consolidated Financial Statements

2017

CONSOLIDATED INCOME STATEMENT

(in NOK 1 000)	*Note*	**2017**	2016
Operating revenues	*22*	**4,922,550**	4,378,027
Payroll costs	*23,24*	**-1,159,050**	-1,098,925
Depreciation, amortisation and impairment losses	*7,8*	**-480,543**	-424,611
Other operating costs	*25*	**-2,886,603**	-2,581,238
Other (losses)/gains – net	*26*	**-50,586**	-95,838
Operating profit/(loss)		**345,768**	177,414
Finance income	*27*	**91,946**	303,907
Finance expenses	*27*	**-945,918**	-477,225
Finance expenses - net		**-853,973**	-173,318
Share of profit/(loss) of associates	*9*	**1,246**	1,534
Profit/(loss) before income tax		**-506,959**	5,630
Income tax expense	*17*	**-25,110**	-25,752
Profit/(loss) for the year		**-532,069**	-20,122
Profit/(loss) for the year attribute to			
Owners of the parent		**-532,069**	-20,122
Non-controlling interests		**0**	0
Earnings per share	14	**-1.95**	-0.07
Earnings per share, diluted	14	**-1.95**	-0.07
Transfers			
Transferred (from)/to other equity		**-532,069**	-20,122
Total transfers		**-532,069**	-20,122

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in NOK 1 000)	*Note*	**2017**	2016
Profit/(loss) for the year		**-532,069**	-20,122
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	*15*	**-2,554**	-2,651
Tax	*17*	**0**	0
Sum		**-2,554**	-2,651
Items that will be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	*15*	**39,345**	176,552
Tax	*17*	**0**	0
Currency translation differences	*15*	**21,872**	-11,454
Sum		**61,217**	165,098
Total other comprehensive income, net of tax		**58,663**	162,447
Total comprehensive income for the year		**-473,405**	142,325
Total comprehensive income for the year attributable to			
Owners of the parent		**-473,405**	142,325
Non-controlling interests			
Total comprehensive income for the year		**-473,405**	142,325

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in NOK 1 000)	*Note*	**31 December 2017**	31 December 2016	1 January 2016
ASSETS				
Non-current assets				
Property, plant and equipment	*7*	**4,301,649**	3,994,612	3,186,166
Intangible assets	*8*	**2,664,560**	2,741,998	2,786,899
Investments in associates	*9*	**4,880**	3,634	2,571
Deferred income tax assets	*17*	**178,825**	178,518	177,967
Available for sale financial instruments	*10*	**49,970**	0	0
Derivative financial instruments	*10*	**30,494**	24,855	0
Other receivables, non-current	*11*	**15,962**	74,044	99,700
Total non-current assets		**7,246,341**	7,017,661	6,253,302
CURRENT ASSETS				
Inventories	*12*	**148,179**	129,845	100,895
Trade and other receivables	*11*	**393,590**	444,014	265,810
Derivative financial instruments	*10*	**19,533**	7,119	0
Cash and cash equivalents	*13*	**439,206**	292,478	274,645
Total current assets		**1,000,508**	873,456	641,350
Total assets		**8,246,848**	7,891,117	6,894,653

(in NOK 1 000)	*Note*	**31 December 2017**	31 December 2016	1 January 2016
EQUITY				
Equity attribute to owners of the parent				
Ordinary shares	*14*	**90**	90	90
Share premium	*14*	**1,827,556**	1,827,556	1,827,556
Other equity not recognized in the income statement	*15*	**55,108**	-3,555	-166,002
Retained earnings		**-1,356,187**	-824,119	-804,072
Total equity		**526,567**	999,972	857,572
LIABILITIES				
Non-current liabilities				
Borrowings	*16*	**486,556**	5,134,135	4,612,444
Other non-current liabilities		**133,328**	36,731	30,382
Deferred income tax liabilities	*17*	**74,562**	84,899	93,467
Retirement benefit obligations	*18*	**39,808**	41,339	42,034
Provisions for other liabilities and charges	*19*	**4,452**	4,631	4,784
Total non-current liabilities		**738,706**	5,301,735	4,783,111
Current liabilities				
Trade and other liabilities	*21*	**1,011,533**	916,016	694,687
Deposits from customers		**619,598**	584,174	364,860
Current income tax liabilities	*17*	**21,274**	29,787	16,228
Borrowings	*16*	**5,297,020**	27,188	2,445
Derivate financial instruments	*10*	**13,247**	17,655	169,352
Provision for other liab and charges	*19*	**18,904**	14,591	6,398
Total current liabilities		**6,981,576**	1,589,411	1,253,970
Total equity and liabilities		**8,246,848**	7,891,117	6,894,653

Oslo, 24 april 2018

Trygve Hegnar
Chairman

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in NOK 1 000)	*Note*	Share capital including treasury shares	Share premium	Other equity not recognised in the income statement	Retained earnings	Total paid-in and retained capital	Non-controlling interests	Total Equity
Balance at 1 January 2016		**90**	**1,827,556**	**(166,002)**	**(803,997)**	**857,647**	-	**857,647**
Profit/(loss) for the year		-	-	-	(20,122)	**(20,122)**	-	**(20,122)**
Other comprehensive income								
Currency translation differences		-	-	(11,454)	-	(11,454)	-	**(11,454)**
Cash flow hedges, net of tax		-	-	176,552	-	176,552	-	**176,552**
Actuarial gain/loss on retirement benefit obligations, net of tax		-	-	(2,651)	-	(2,651)	-	**(2,651)**
Other comprehensive income		-	-	162,447	-	162,447	-	**162,447**
Total comprehensive income		-	-	162,447	(20,122)	142,325	-	**142,325**
Transactions with owners								
Contribution of equity	*14*	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-	-
Balance at 31 December 2016		90	1,827,556	(3,555)	(824,119)	999,972	-	999,972
Balance at 1 January 2017		**90**	**1,827,556**	**(3,555)**	**(824,119)**	**999,972**	**-**	**999,972**
Profit/(loss) for the year					(532,069)	(532,069)	-	**(532,069)**
Other comprehensive income								
Currency translation differences	*15*	-	-	21,872	-	21,872	-	**21,872**
Cash flow hedges, net of tax	*15*	-	-	39,345	-	39,345	-	**39,345**
Actuarial gain/loss on retirement benefit obligations, net of tax	*15*	-	-	(2,554)	-	(2,554)	-	**(2,554)**
Other comprehensive income		-	-	58,663	-	58,663	-	**58,663**
Total comprehensive income		-	-	58,663	(532,069)	(473,405)	-	**(473,405)**
Transactions with owners								
Contribution of equity	*14*	-	-	-	-	-		-
Total transactions with owners		-	-	-	-	-	-	-
Balance at 31 December 2017		**90**	**1,827,556**	**55,108**	**(1,356,187)**	**526,567**	**-**	**526,567**

CONSOLIDATED CASH FLOW STATEMENT

(in NOK 1 000)	*Note*	2017	2016
Cash flows from operating activities			
Profit/(loss) before income tax		**(506,959)**	**5,630**
Adjustments for:			
Depreciation, amortisation and impairment losses	*7.8*	**480,543**	424,611
Other losses/gains - net		**-**	2,204
Agio/disagio	*27*	**353,193**	(231,550)
Gains/losses derivatives		**40,992**	(7,119)
Dividends received		**(1,232)**	(279)
Interest expenses		**506,977**	386,113
Share of profit and loss of associates		**(1,246)**	(1,534)
Impairment on financial investments		**-**	91
Difference between expensed pension and payments	*18*	**(4,085)**	732
Change in working capital:			
Inventories	*12*	**(18,334)**	(28,950)
Trade and other receivables	*11*	**(2,437)**	(117,219)
Trade and other payables	*21*	**(14,458)**	457,063
Deposits from customers		**132,020**	-
Income tax paid	*17*	**(26,099)**	(16,228)
Net cash flows from (used in) operating activities		**938,877**	**873,565**
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	*7*	**(312,157)**	(1,152,426)
Proceeds from sale of property, plant, equipment (PPE)		**610**	573
Purchases of intangible assets	*8*	**(40,764)**	(38,346)
Loan to associates and other companies		**12,833**	12,045
Advance payment of property, plant, equipment (PPE)		**(267,843)**	(64,609)
Purchase and proceeds from sale of shares		**(49,970)**	547
Settlement of financial instruments		**(26,093)**	-
Dividends received		**1,232**	79
Change in restricted funds	*13*	**(26,168)**	(15,631)
Net cash flows from (used in) investing activities		**(708,319)**	**(1,257,768)**
Cash flows from financing activities			
Issue of ordinary shares	*14*	**-**	-
Proceeds from borrowings	*16*	**316,725**	1,201,446
Repayment of borrowings	*16*	**(91,202)**	(439,611)
Interest paid		**(375,322)**	(367,647)
Proceeds from borrowings from parent company		**-**	14,500
Net cash flows from (used in) financing activities		**(149,799)**	**408,688**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**80,758**	24,486
Cash and cash equivalents at 1 January 2017		**217,419**	215,217
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdrafts		**39,801**	(22,284)
Cash and cash equivalents at 31 December		**337,978**	**217,419**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The main group activities are run by the private limited liability company Hurtigruten AS, which as of 31 December 2017 was registered and domiciled in Norway and headquartered at Fredrik Langes gate 14, Tromsø. The Group has offices in Kirkenes and Oslo, wholly-owned foreign sales companies in Hamburg, London, Paris and Seattle, a reservations center in Tallinn as well as activities in Longyearbyen.

The Group is engaged in tourism and transport activities in Norway and abroad. The Group's core business comprises the Kystruten service along the Norwegian coast with daily calls in 34 ports between Bergen and Kirkenes, Explorer activity in the Polar regions, along with activities in Svalbard organised under Hurtigruten Svalbard AS.

The Group’s operating segments are organised into the following three product areas: Norwegian Coast, Explorer and Spitsbergen. Activities that do not naturally fall within these three segments are bundled in Other business. These operating segments are reported in the same way as internal reporting to the Board of Directors and Group management.

The Group’s presentation currency is Norwegian Kroner.

The consolidated financial statements were approved by the company’s Board of Directors on 24. April 2018.

The following companies are included in the consolidated financial statements

	Registered office	Ownership/voting share
Owned by Silk Bidco AS (parent company)		
Hurtigruten AS	Tromsø, Norway	100.0 %
Hurtigruten Explorer AS	Tromsø, Norway	100.0 %
Owned by Hurtigruten AS		
HRG Eiendom AS	Tromsø, Norway	100.0 %
Hurtigruten Estonia OÜ	Tallinn, Estonia	100.0 %
Hurtigruten GmbH	Hamburg, Germany	100.0 %
Hurtigruten Inc.	Seattle, USA	100.0 %
Hurtigruten Ltd.	London, UK	100.0 %
Hurtigruten Pluss AS	Tromsø, Norway	100.0 %
Hurtigruten SAS	Paris, France	100.0 %
Hurtigruten Sjø AS	Kirkenes, Norway	100.0 %
Hurtigruten Svalbard AS	Longyearbyen, Svalbard, Norway	100.0 %
Explorer II AS [1)]	Tromsø, Norway	100.0 %
Hurtigruten Cruise AS	Tromsø, Norway	100.0 %
Owned by Norwegian Coastal Voyage Ltd		
Hurtigruten Ltd	London, UK	100.0 %
Hurtigruten Asia Pacific	Hong Kong	100.0 %
Owned by Hurtigruten Explorer AS		
Explorer I AS [1)]	Tromsø, Norway	100.0 %

[1] *SPE (Special Purpose Entity)*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting polices applied in the preparation of the consolidated financial statements are described below. Unless otherwise stated in the description, these policies have been consistently applied to all periods presented.

2.1 BASIC POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union. The consolidated financial statements have been prepared on a historical cost basis, with the following modifications:

- Financial derivatives at fair value through profit or loss
- Investments in associates and other companies
- Market-based investments

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Areas that involve a high degree of such judgments, or are highly complex, and areas in which assumptions and estimates are of material importance for the consolidated financial statements are described in more detail in Note 3.

The Group’s consolidated financial statements have been prepared according to uniform accounting policies for similar transactions and events under similar conditions.

2.2 CONSOLIDATION POLICIES

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from 31 December 2016 to 31 December 2017.

A) SUBSIDIARIES AND CONSOLIDATION

Subsidiaries constitute all companies (including structured companies) over which the Group exercises control. Control over an entity arises when the Group is exposed to variability in the return from the entity and has the ability to impact this return by virtue of its influence over the entity. Subsidiaries are consolidated from the time a controlling influence is established and until the controlling influence ceases to exist.

All intra-Group balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated.

B) ASSOCIATED COMPANIES

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) SEGMENT REPORTING

An operating segment is a component of the business:

i) that engages in business activities of which the company receives operating revenues and incurs costs;

ii) whose operating results are regularly reviewed by the company’s ultimate decision-maker to determine which resources should be allocated to the separate segments.

The Group has three operating segments: Coastal (Norwegian Coastal segment), Explorer (adventure cruises) and Spitsbergen (non-cruise operations on the isle of Svalbard). Activities that do not naturally fall within these segments are bundled in Other business.

B) TRANSLATION OF FOREIGN CURRENCIES

(I) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements of the individual entities in the Group are measured in the currency used in the economic area in which the entity primarily operates (the functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company’s functional currency and the Group’s presentation currency.

(II) TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the transaction rate. Realised and unrealised foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement. If the currency position is considered a cash flow hedge, gains and losses are recognised as other comprehensive income until the hedged transaction is completed, after which the currency position is transferred to the result on ordinary activities. Foreign exchange gains and losses on loans, cash and cash equivalents are presented (net) in the income statement as finance income or expenses.

(III) GROUP COMPANIES

The income statement and balance sheets of Group entities whose functional currency differs from the presentation currency are translated in the following manner:

- The balance sheet is translated at the currency rate in force at the balance sheet date
- The income statement is translated at the transaction date currency rate. Average rates are used as an approximation of the transaction rate.
- Translation differences are recognised in other comprehensive income and specified separately in equity as a separate item.

C) REVENUE RECOGNITION

Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns, discounts, and rejects.

Sales are recognised when revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Group and specific criteria related to the various forms of sale that are listed below are met.

Revenues are recognised in the income statement as follows:

(I) SALES OF SERVICES AND TRAVEL

Sales of services are recognised in the accounting period when the service is rendered and/or delivered. For ship voyages, this is based on the days the passenger is on board. Revenues related to ship voyages are accrued based on the number of days the voyage lasts before and after the end of the accounting period.

(II) SALES OF GOODS

The Group's sales of goods primarily relate to sales of food, souvenirs and other retail products onboard the ships. Sales are recognised in income when the customer has received and paid for the goods. Payment for retail transactions is usually made in the form of cash or by credit card.

(III) PUBLIC PROCUREMENT

The Group has an agreement with the Ministry of Transport and Communications to operate the Bergen–Kirkenes coastal route.

Revenues received from public procurement are recognised in the income statement on a continuous basis over the year based on existing contracts. These contracts are the results of a tender, in which the company has a fixed contract sum for planned (annual) production. There are specific conditions and calculation methods for the indexation of the contract sum. Any changes beyond the planned production are compensated/deducted utilising agreed-upon rates set out in the agreements, and recognised in the periods in which they occur.

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment primarily comprise ships (Hurtigruten ships), land and buildings (hotels, offices and workshops). Property, plant and equipment are recognised at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

Periodic maintenance is recognised in the balance sheet and expensed over the period until the next periodic maintenance. Ongoing maintenance for all ship types is expensed continuously during the period in which the work is performed.

Land is not depreciated. Other operating assets are depreciated on a straight-line basis to the estimated residual value, over the asset's expected useful life. Expected useful life is determined based on historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated based on estimated sales values for operating assets at the end of their expected useful life. Expected useful life is:

Ships	12–30 years
Buildings	25 – 100 years
Other	3–10 years

The useful life and residual value of operating assets are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognised as their various components. These components are depreciated separately over each component's useful life. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

Gains and losses on disposals are recognised in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the book value.

The cost of ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items.

E) INTANGIBLE ASSETS

(I) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is classified as an intangible asset.

Goodwill is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition at the time of acquisition (point f).

Goodwill is tested annually for impairment.

(II) TRADEMARK

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. The trademark Hurtigruten has an indefinite useful life and is tested annually for impairment.

(III) OTHER INTANGIBLE ASSETS

Other intangible assets are largely directly associated with development costs for computer systems recognised in the balance sheet at cost, if the criteria for recognition in the balance sheet are met. Expenses recognised in the balance sheet as custom developed computer systems largely comprise payroll costs and hired-in consultants in connection with the development.

The criteria for recognising custom developed intangible assets in the balance sheet are:

- It is technically feasible to complete the development of the software so that it is available for use.
- Management intends to complete the development of the software and take it into use.
- It can be proved probable that the company will take the asset into use.
- Future economic benefits to the company associated with use of the asset can be calculated.
- Adequate technical, financial and other resources are available to complete the development and take the software into use.
- Development costs for the asset can be reliably measured

Intangible assets are considered to have a limited life span, and are amortised over their expected useful life. Assessments are made at the end of each accounting period to find any indications of impairment of intangible assets. If there are indications of impairment, the intangible assets are written down to their recoverable value when this is lower than the book value. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred. Contracts acquired in business combinations are recognised at fair value at the acquisition date and are amortized over the contracts useful life.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with indefinite useful life and goodwill are not amortised but are tested annually or more frequently if there are indications of impairment. Depreciated property, plant and equipment and amortised intangible assets are assessed for impairment when there is any indication that the book value may not be recoverable.

An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing impairments, non-current assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date the possibility of reversing previous impairment of non-financial assets (except goodwill) is assessed.

G) FINANCIAL ASSETS

(I) CLASSIFICATION

The Group classifies financial assets in the following categories: at fair value through profit or loss, derivatives used for hedging as well as loans and receivables. The classification depends on the object of the asset. Management determines the classification of financial assets on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it was acquired primarily to provide a profit from short-term price fluctuations. Derivatives are categorized as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments that are not traded in an active market.

Loans and receivables with maturities less than 12 months are classified as current assets or current liabilities. Balances with more than 12 months maturity are classified as non-current assets or liabilities.

(II) RECOGNITION AND MEASUREMENT

Regular purchases and sales of investments are recognised on the transaction date, which is the date the Group commits to purchase or sell the asset. All financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets recognized at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investment expire or when these rights have been transferred and the Group has substantially transferred all risks and rewards of ownership. Financial assets recognised at fair value in profit or loss are carried at fair value after initial recognition in the balance sheet. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method.

Gains or losses from changes in fair value of assets classified as “financial assets at fair value through profit or loss”, including interest income and dividends, are included in the income statement under financial items in the period in which they arise. Dividends from financial assets at fair value through profit or loss are included in finance income when the Group’s right to receive payments is established.

H) OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

I) IMPAIRMENT OF FINANCIAL ASSETS

Assets recognised at amortised cost

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a “loss event”) and the impact of that loss event (or events) on estimated future cash flows can be reliably estimated.

The amount of the loss is measured as the difference between the asset’s book value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s book value is reduced and the amount of the loss recognised in the consolidated income statement. If the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the fall in value was recognised (such as an improvement in the debtor’s credit rating), the previous loss is reversed in the consolidated income statement.

Impairment testing of trade receivables is described in section k) below.

J) DERIVATIVES AND HEDGING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value on an ongoing basis. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group classifies derivatives that are part of a hedging instrument as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair-value hedge) or
(ii) hedges of variable cash flows with a particular risk associated with a recognised asset, liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Such assessments are documented both at hedge inception and on an ongoing basis.

The fair values of derivatives used for hedging purposes are presented in Note 10C. Changes in the equity item hedging are presented in Note 15. The fair value of a hedging derivative is classified as a non-current asset or noncurrent liability if the remaining term of the hedging item is more than 12 months and as a current asset or current liability if the remaining term of the hedging item is less than 12 months. Derivatives held for trading purposes are classified as current assets or liabilities.

Cash flow hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedging instruments in cash flow hedges is recognised directly in other comprehensive income. Losses and profits on the ineffective portion are recognised in the income statement.

Hedge gains or losses recognised in other comprehensive income and accumulated in equity are recognised as income or expense in the period during which the hedged item affects the income statement (for example, when the planned sale is taking place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

K) TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise or services sold in the ordinary course of business. If settlement is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

Trade receivables are recognised and presented at the original invoice amount and written down following "loss events" that have an impact on the payment of the receivable that can be reliably estimated. Thus, trade receivables are recognised at amortised cost using the effective interest method. The interest element is disregarded if it is insignificant.

L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities in the balance sheet. Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation. Restricted capital is included in the balance sheet presentation but not in the cash flow presentation.

M) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are valued at fair value on first-time recognition in the balance sheet. Subsequently, trade payables are measured at amortised cost using the effective interest method. The interest element is disregarded if it is immaterial.

N) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognised at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

O) BORROWING COSTS

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the balance sheet until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis.

P) CURRENT AND DEFERRED INCOME TAXES

Income tax expense comprises income taxes payable and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

In such case, the tax is also recognised in other comprehensive income or directly in equity.

Current tax is calculated in accordance with the tax laws and regulations enacted or substantively enacted at the balance sheet date in the countries in which the company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax laws are subject to interpretation. Based on management’s assessment, a provision is made for expected tax payments when necessary.

Deferred tax is calculated on all temporary differences between the tax-written-down and consolidated financial values of assets and liabilities. Deferred income tax is determined using tax rates and tax laws which have been enacted or substantially enacted by the balance sheet date and which are expected to apply when the deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the tax-reducing temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are recognised net to the extent that there is a desire and ability to settle the taxes within the same tax regime.

Q) PENSION LIABILITIES, BONUS SCHEMES AND OTHER EMPLOYEE REMUNERATION SCHEMES

(I) PENSION LIABILITIES

The Group's companies operate various pension schemes. The schemes are generally funded through payments to life insurance companies. The Group operates both defined contribution and defined benefit plans.

The liability recognised in the balance sheet connected with the defined benefit schemes is the present value of the defined benefits at the balance sheet date less the fair value of the pension assets. The pension liability is calculated annually by an independent actuary using the projected unit credit method. The gross liability is discounted to present value applying the interest rate on high-quality corporate bonds issued in the currency in which the liability will be paid, and with approximately the same term as the payment horizon of the liability.

The cost of pension entitlements for the period are recognised in payroll costs. This expense includes an increase in the pension liability due to earnings from previous years, changes, curtailments and settlements.

The effect of previously earned rights as a result of changes in benefits under the scheme is immediately recognised in the income statement.

The net interest expense is calculated by applying the discount rate to the net pension liability and the fair value of the pension assets. This cost is recognised in payroll costs in the income statement.

Variances from estimates arising from experience adjustments or changes in actuarial assumptions are recognised in equity within other comprehensive income, in the period in which they arise.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as payroll costs when they are due. Prepaid contributions are recognised as a financial asset to the extent that a cash refund or a reduction in the future payments are available.

(II) PROFIT-SHARING AND BONUS SCHEMES

The group recognises a liability and an expense for bonuses and profit-sharing plans at the time the specific criteria for allocation are fulfilled.

(III) SHARE-VALUE-BASED REMUNERATION

The group have share-based remuneration schemes in which the company receives services from employees as consideration for a share based payment, (see Note 20).

The fair value at grant date, is amortised over the vesting period.

Share-based remuneration plans are settled either with cash or a private placing of shares.

(III) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

R) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognised for future operating losses; however, provisions for unprofitable contracts are recognised.

S) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When the Group has substantially assumed all the risks and rewards of ownership of the underlying lease object, leases are classified as finance leases and the lease object and lease liability are recognised in the balance sheet.

T) DIVIDENDS

Dividend distribution to owners of the parent is recognised as a liability in the Group's financial statements when the dividends are approved by the General Meeting.

U) GOVERNMENT GRANTS

The Group receives material grants in the form of grants for trainee schemes and net salary subsidies. These grants are recognised net (as a cost reduction) together with the other payroll costs (see note 23).

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, amendments and interpretations to existing standards that have not entered into force and which the Group has not early adopted:

- *IFRS 9 Financial Instruments* replaces *IAS 39 Financial Instruments: Recognition and Measurements*. The standard introduces new requirements for the classification, measurement and accounting treatment of financial assets and liabilities, as well as hedge accounting. In accordance with IFRS 9 financial assets are divided into three categories: fair value through other comprehensive income, fair value through profit or loss and amortised cost. The measurement category is established based on the method used for the first-time recognition of the asset. Classification is contingent on the entity's business model for management of its financial instruments and the nature of the cash flows for the individual instrument. Equity instruments are essentially measured at fair value through profit or loss. The enterprise can elect to recognise changes in value through other comprehensive income; however the choice is binding, and on subsequent disposals gains/losses cannot be reclassified through profit or loss. Impairments attributable to credit risk are now recognised based on expected losses rather than the current model where losses must already have been incurred. The standard essentially continues the requirements of IAS 39 for financial liabilities. The greatest change applies to cases where the fair value option has been utilised for a financial liability. In such cases, changes in fair value that are attributable to changes in inherent credit risk are now recognised in other comprehensive income. IFRS 9 simplifies the requirements for hedge accounting by tying hedging efficiency more closely to management's risk management and providing greater scope for assessment. It also continues the requirement for hedging documentation.

The Group has reviewed the impact of the adoption of IFRS 9 and it is not expected to affect the classification and measurement of financial assets or financial liabilities. The standard entered into force from 1 January 2018.

- *IFRS 15, Revenues from Contracts with Customers* establishes a new five-step model that will apply to revenue arising from contracts with customers. The standard establishes that the customer contract be split into individual performance obligations. A performance obligation can be a product or a service. Revenue is recognised when a customer achieves control over a product or service, and thus has the opportunity to determine the use of, and can receive the benefits deriving from, the product or the service. The standard replaces *IAS 18 Revenue* and *IAS 11 Construction Contracts* and associated interpretations. The standard entered into force for the financial year beginning 1 January 2018.

  IFRS 15 requires adoption either on a retrospective basis or on the modified retrospective basis. The Group has reviewed the impact of IFRS 15 and it is not expected to materially affect the Consolidated statement of income, balance sheet or statement of cash flows. The Group will adopt IFRS 15 on 1 January 2018. The Group does not expect any significant accounting impact with regards to the implementation of IFRS 15.

- *IFRS 16 Leases*, establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by *IAS 17 Leases*, and instead introduces a single lessee accounting model. When applying the new model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. For the Group this implies that current operating leases that satisfy the criteria will be recognised with assets and liabilities. Effective date is 1 January 2019.

  IFRS 16 requires adoption either on a retrospective basis or on the modified retrospective basis. With modified retrospective basis the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and comparatives will not be restated. The Group has not yet determined its implementation method for the standard, but does not expect either implementation method to materially affect the Consolidated statement of income, financial position or statement of cash flows. The Group will adopt IFRS 16 on 1 January 2019.

- There are no other IFRS standards or interpretations that have not yet entered into force that are expected to have a material impact on the consolidated financial statements.

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are reviewed on an ongoing basis and are based on experience, consultation with experts, trend analyses and several other factors, including forecast future events that are deemed probable under current circumstances.

3.1 CRITICAL JUDGEMENTS IN APPLYING THE GROUP’S ACCOUNTING POLICIES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected within the next financial year.

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

STRUCTURED COMPANIES

A sale-leaseback solution was carried into effect in 2002 with the Hurtigruten ship MS Richard With, whereby Kystruten KS acquired the ship and leased it back for a 15-year period. A similar sale-leaseback solution was carried into effect with the Hurtigruten ship MS Nordlys in 2003, whereby Kirberg Shipping KS acquired the ship and leased it back for a 15-year period. Based on established contracts and the Group's assessments of the control principle, Kystruten KS and Kirberg Shipping KS were deemed to be subsidiaries, and therefore consolidated in the Silk Bidco Group. In 2017, the Group reevaluated the previous assessment of control, and concluded that the previous conclusion of control was incorrect based on the relevant IFRS standards. A retrospective assessment of the bareboat leases according to IFRS 17 Leases, concludes that the vessels should have been accounted for as Finance leases. Therefore, and according to IAS 8, the Group has restated the consolidated financial statements and opening balance for 2016, see Note 3B Restatement of comparative financial statements.

3.2 KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions about the future. Thus, by their very nature, the accounting estimates that are made because of the above processes will rarely fully correspond with the outcome.

Estimates and assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

(A) ESTIMATED IMPAIRMENT OF GOODWILL AND TRADEMARK

The Group performs annual tests to assess potential impairment of goodwill and trademark, cf. Note 2.3 point e. The estimated recoverable amount is determined using the present value of budgeted cash flows for the cash-generating units. These calculations require the use of estimates (Note 8) for the required rate of return for the period, cash flows and the growth factor of the cash flows.

The Group does not apply a general growth factor beyond expected inflation for cash flows when testing goodwill for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilizes an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

(B) SHIPS

Useful economic lifetime

The level of depreciation depends on the estimated economic lifetime of the ships. These estimates are based on history and experience relating to the Group's vessels. The estimates are reviewed at regular intervals. A change in the estimate will affect depreciation in future periods.

Estimated impairment of ships

Where there are indications of such, the Group tests whether ships have suffered any impairment, see Note 2.3 point d. The book value of the ships is included in the annual impairment test of goodwill and trademark.

(C) DEFERRED INCOME TAX ASSETS

The recognision of deferred income tax assets is based mainly on the utilization of tax loss carryforwards against future taxable income in the Group. The assessment is made based on management's estimates of future profits in the Group and includes an assessment of the Group's future strategy, economic developments in the markets in which the Group operates, future tax regimes and the Group's ability to deliver forecast synergies. In preparing the financial statements, management has found the future taxable income to be sufficient to utilise the recognised deferred income tax assets. Please refer to Note 17 for more information on deferred income tax assets recognised in the balance sheet.

(D) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques and information from the contract counterparty. The Group uses its judgment to select a variety of methods and to make assumptions based mainly on market conditions existing at each balance sheet date. Please refer to Note 10A for further information.

(E) PENSION ASSUMPTIONS

The Group has both defined contribution and defined benefit pension schemes. Measurement of pension costs and pension obligations for defined benefit plans involves the application of a number of assumptions and estimates, including the discount rate, future salary levels, expected employee turnover rate, the return on plan assets, annual pension increases, expected adjustments to G (the National Insurance Scheme basic amount) and demographic factors.

The Group has pension obligations in Norway and Germany. The discount rate used to calculate pension obligations in Norway is based on 15-year corporate covered bonds, with an additional provision taking into account relevant terms to maturity for the pension obligations. Covered bonds are primarily issued by credit institutions to listed Norwegian commercial and savings banks and are secured against loans directly owned by the credit institution. The discount rate applied in Norway as of 31 December 2016 is 2.6 percentage points, which is in line with the recommendation of the Norwegian Accounting Standards Board on the determination of pension assumptions as of 31 December 2016. For obligations in Germany, the discount rate is determined based on the interest rates on high quality corporate bonds denominated in the currency in which the benefits will be paid, with terms to maturity approximating to the term of the related pension obligation. The discount rate applied in Germany as of 31 December 2017 is 1.5 percentage points.

Changes in pension assumptions will affect the pension obligations and pension cost for the period. Pension obligations are significantly affected by changes in the discount rate, life expectancy and expected salary and pension adjustments. Please refer to Note 18 for more information about pensions.

(F) INCOME TAX

Income tax is calculated based on results in the individual Group companies. The Group is subject to income taxes in several jurisdictions. Calculation of the period's tax expense and distribution of tax payable and deferred income tax for the period requires a discretionary assessment of complex tax regulations in several countries. Consequently, uncertainty attaches to the final tax liability for many transactions and calculations. Where there is a discrepancy between the final tax outcome and the amounts that were initially recognised, this discrepancy will affect the recognised tax expense and provision for deferred income tax assets and liabilities in the period in which such determination is made. Please refer to Note 17 for more information about income tax.

NOTE 3B RETROSPECTIVE RESTATEMENT OF FINANCIAL STATEMENTS

In 2017, the Group discovered two errors in prior financial statements, both deemed to be of a material nature, and as such, the Group has restated previous period financial statements, and opening balance for assets, liabilities and equity for 2016, according to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

STRUCTURED COMPANIES

In 2002, a sale-leaseback solution was carried into effect with the Hurtigruten ship MS Richard With, whereby Kystruten KS acquired the ship and leased it back for a 15-year period. A similar sale-leaseback solution was carried into effect with the Hurtigruten ship MS Nordlys in 2003, whereby Kirberg Shipping KS acquired the ship and leased it back for a 15-year period. Based on established contracts and the Group's assessments of the control principle, Kystruten KS and Kirberg Shipping KS were deemed to be subsidiaries, and therefore consolidated in the Silk Bidco Group. In 2017, the Group re-evaluated the previous assessment of control per IFRS 10, Consolidated Financial Statements, and concluded that the previous conclusion of control was incorrect based on the relevant IFRS standards. A retrospective assessment of the bareboat leases per IFRS 17 Leases, concludes that the vessels should have been accounted for as Finance leases. Deconsolidation of Kirberg Shipping KS and Kystruten KS and recognition of finance lease for MS Nordlys and MS Richard With was applied retrospectively on 1 January 2016, and the financial statements for 2016 have been restated accordingly.

PURCHASE PRICE ALLOCATION OF THE PURCHASE OF HURTIGRUTEN ASA

In 2014, Silk Bidco AS, a subsidiary of Silk Topco AS, purchased 100% of the shares in Hurtigruten ASA. The purchase price was NOK 2,895 million, of which NOK 2,231 million was identified as excess value over book value equity, to be allocated to fair value adjustments and goodwill. The excess value identified included NOK 176 million of fair value of non-controlling interests in relation to the ownership of the vessels MS Richard With and MS Nordlys.

In 2017, in connection with the deconsolidation of the structured companies (re. above section), it was concluded that the Purchase Price Allocation from 2014 was erroneous in that the excess value allocated to non-controlling interests did not incorporate NOK 117 million in refurbishment costs carried in Hurtigruten ASA's statement of financial position.

Consequently, the excess value allocated to goodwill, was NOK 117 million too high.
The amount is deemed material for the financial statements, and the error is corrected retrospectively in the opening balance as per 1 January 2016.

RESTATEMENT – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in NOK 1 000)	*Note*	Share capital including	Share premium	Other equity not recognised	Retained earnings	Total paid-in and retained	Non-controlling interests	Total Equity
Balance at 31 December 2015		90	1,827,556	(166,002)	(762,697)	**898,947**	180,541	**1,079,488**
Restatement of equity								
New assessment of IFRS 10		-	-	-	76,080	**76,080**	(180,541)	**(104,461)**
Changed PPA					(117,455)	**(117,455)**		**(117,455)**
Total restatements		-	-	-	(41,375)	**(41,375)**	(180,541)	(221,916)
Balance at 1 January 2016 restated		90	1,827,556	(166,002)	(804,072)	**857,572**	0	857,572
Profit/(loss) for the year, before restatement					(53,602)	**(53,602)**	37,772	**(15,830)**
Effect of restatement on profit and loss					33,335	**33,335**	(37,772)	**(4,437)**
Profit/(loss) for the year, after restatement		-	-	-	(20,267)	**(20,267)**	-	**(20,267)**
Other comprehensive income		-	-	162,274	219	**162,493**	-	**162,493**
Effect of derecogition and correction of error		-	-	174	-	**174**	-	**174**
Total comprehensive income, after derecognition and correction of error		-	-	162,448	(20,048)	**142,401**	-	**142,401**
Transactions with owners, before restatement								
Contribution of equity		-	-	-	-	**-**	-	**-**
Distribution to owners		-	-	-	-	**-**	(62,820)	**(62,820)**
Total transactions with owners, before restatement		-	-	-	-	**-**	(62,820)	**(62,820)**
Effect of restatement		-	-	-	-	**-**	62,820	**62,820**
Total transactions with owners, after restatement		-	-	-	-	**-**	-	**-**
Balance at 31 December 2016, before restatement		90	1,827,556	(3,728)	(815,989)	**1,007,929**	155,402	**1,163,331**
Balance at 31 December 2016, after restatement		90	1,827,556	(3,555)	(824,119)	**999,972**	0	**999,972**

RESTATEMENT – CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in NOK 1 000)	**31. December 2015**	New assessment of IFRS 10	Changed PPA	**Restated 1 January 2016**
ASSETS				
Non-current assets				
Property, plant and equipment	**3,180,741**	5,425	-	**3,186,166**
Intangible assets	**2,904,354**	-	-117,455	**2,786,899**
Investments in associates	**2,571**	-	-	**2,571**
Deferred income tax assets	**177,967**	-	-	**177,967**
Other receivables, non-current	**39,723**	59,977	-	**99,700**
Total non-current assets	**6,305,356**	65,401	-117,455	**6,253,302**
CURRENT ASSETS				
Inventories	**100,895**	-	-	**100,895**
Trade and other receivables	**265,810**	-	-	**265,810**
Cash and cash equivalents	**315,878**	-41,233	-	**274,645**
Total current assets	**682,583**	-41,233	-	**641,350**
Total assets	**6,987,939**	**24,168**	**-117,455**	**6,894,653**
EQUITY				
Equity attribute to owners of the parent				
Ordinary shares	**90**	-	-	**90**
Share premium	**1,827,556**	-	-	**1,827,556**
Other equity not recognized in the income statement	**-166,002**	-	-	**-166,002**
Retained earnings	**-762,697**	76,080	-117,455	**-804,072**
Total equity attribute to owners of the parent	**898,947**	**76,080**	**-117,455**	**857,572**
Non-controlling interests	**180,541**	-180,541	-	**-0**
Total equity	**1,079,488**	**-104,461**	**-117,455**	**857,572**
LIABILITIES				
Non-current liabilities				
Borrowings	**4,469,815**	142,629	-	**4,612,444**
Other non-current liabilities	**30,382**	-	-	**30,382**
Deferred income tax liabilities	**93,467**	-	-	**93,467**
Retirement benefit obligations	**42,034**	-	-	**42,034**
Provisions for other liabilities and charges	**4,784**	-	-	**4,784**
Total non-current liabilities	**4,640,482**	**142,629**	**-**	**4,783,111**
Current liabilities				
Trade and other liabilities	**695,098**	-411	-	**694,687**
Deposits from customers	364,860			**364,860**
Current income tax liabilities	**16,228**	-	-	**16,228**
Borrowings	**16,033**	-13,588	-	**2,445**
Derivate financial instruments	**169,352**	-	-	**169,352**
Provision for other liab and charges	**6,398**	-	-	**6,398**
Total current liabilities	**1,267,969**	**-13,999**	**-**	**1,253,970**
				-
Total equity and liabilities	**6,987,939**	**24,168**	**-117,455**	**6,894,653**

(in NOK 1 000)	Reported 31 December 2016	New assessment of IFRS 10	Changed PPA	Restated 31 December 2016
ASSETS				
Non-current assets				
Property, plant and equipment	**3,990,640**	3,971	-	**3,994,611**
Intangible assets	**2,859,453**	-	-117,455	**2,741,998**
Investments in associates	**3,634**	-	-	**3,634**
Deferred income tax assets	**178,517**	-	-	**178,517**
Derivative financial instruments	**24,855**	-	-	**24,855**
Other receivables, non-current	**74,044**	44,197	-	**118,241**
Total non-current assets	**7,131,143**	48,168	-117,455	**7,061,856**
CURRENT ASSETS				
Inventories	**129,845**	-	-	**129,845**
Trade and other receivables	**399,826**	-9	-	**399,817**
Derivative financial instruments	**7,119**	-	-	**7,119**
Cash and cash equivalents	**305,988**	-13,510	-	**292,478**
Total current assets	**842,778**	-13,519	-	**829,260**
Total assets	**7,973,921**	**34,649**	**-117,455**	**7,891,116**
EQUITY				
Equity attribute to owners of the parent				
Ordinary shares	**90**	-	-	**90**
Share premium	**1,827,556**	-	-	**1,827,556**
Other equity not recognized in the income statement	**-3,728**	173	-	**-3,555**
Retained earnings	**-815,989**	109,325	-117,455	**-824,119**
Total equity attribute to owners of the parent	**1,007,929**	**109,498**	**-117,455**	**999,972**
Non-controlling interests	**155,402**	-155,402	-	**-**
Total equity	**1,163,331**	**-45,904**	**-117,455**	**999,972**
LIABILITIES				
Non-current liabilities				
Borrowings	**5,053,209**	80,926	-	**5,134,135**
Other non-current liabilities	**36,731**	-	-	**36,731**
Deferred income tax liabilities	**84,899**	-	-	**84,899**
Retirement benefit obligations	**41,339**	-	-	**41,339**
Provisions for other liabilities and charges	**4,631**	-	-	**4,631**
Total non-current liabilities	**5,220,809**	**80,926**	**-**	**5,301,735**
Current liabilities				
Trade and other liabilities	**916,390**	-373	-	**916,017**
Deposits from customers	**584,174**			**584,174**
Current income tax liabilities	**29,787**	-	-	**29,787**
Borrowings	**27,188**	-	-	**27,188**
Derivate financial instruments	**17,655**	-	-	**17,655**
Provision for other liab and charges	**14,591**	-	-	**14,591**
Total current liabilities	**1,589,785**	**-373**	**-**	**1,589,412**
				-
Total equity and liabilities	**7,973,922**	**34,649**	**-117,455**	**7,891,117**

RESTATEMENT – CONSOLIDATED INCOME STATEMENT 2016

(in NOK 1 000)	**Reported 2016**	New assessment of IFRS 10	Changed PPA	**Restated 2016**
Operating revenues	**4,378,027**			4,378,027
Payroll costs	**-1,098,925**			**-1,098,925**
Depreciation, amortisation and impairment losses	**-423,157**	-1,454		**-424,611**
Other operating costs	**-2,582,780**	1,542		**-2,581,239**
Other (losses)/gains – net	**-95,838**			**-95,838**
Operating profit/(loss)	**177,326**	88	-	**177,414**
Finance income	**304,217**	-311		**303,907**
Finance expenses	**-473,006**	-4,219		**-477,224**
Finance expenses - net	**-168,788**	-4,529	-	**-173,318**
Share of profit/(loss) of associates	**1,534**			**1,534**
Profit/(loss) before income tax	**10,072**	-4,442	-	**5,630**
Income tax expense	**-25,752**			**-25,752**
Profit/(loss) for the year	**-15,680**	-4,442	-	**-20,122**
Profit/(loss) for the year attribute to				
Owners of the parent	**-53,452**	33,330	-	**-20,122**
Non-controlling interests	**37,772**	-37,772	-	**-**

RESTATEMENT - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in NOK 1 000)	**Reported 2016**	New assessment of IFRS 10	Changed PPA	**Restated 2016**
Profit/(loss) for the year	**-15,680**	-4,442	-	-20,122
				-
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	**-2,651**			-2,651
Tax	**-**			-
Sum	**-2,651**	-	-	**-2,651**
Items that will be reclassified to profit or loss in subsequent periods:				
Cash flow hedges, net of tax	**176,552**			176,552
Tax				
Currency translation differences	**-11,454**	174		-11,280
Sum	**165,098**	174	-	**165,272**
Total other comprehensive income, net of tax	**162,447**	174	-	**162,621**
Total comprehensive income for the year	**146,767**	-4,268	-	**142,499**
Total comprehensive income for the year attributable to				
Owners of the parent	**108,995**	33,330		**142,325**
Non-controlling interests	**37,772**	-37,772		**-**
Total comprehensive income for the year	**146,767**	-4,442	-	**142,325**

RESTATEMENT – CONSOLIDATED CASH FLOW STATEMENT 2016

(in NOK 1 000)	**Reported 2016**	New assessment of IFRS 10	Changed PPA	**Restated 2016**
Net cash flows from (used in) operating activities	**489,976**	15,941	-	**505,917**
Net cash flows from (used in) investing activities	**-1,257,768**	-	-	**-1,257,768**
Net cash flows from (used in) financing activities	**764,554**	11,781	-	**776,336**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**-3,237**	27,723	-	**24,486**
Cash and cash equivalents at 1 January	**256,450**	-41,233	-	215,217
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdrafts	**-22,284**	-	-	-22,284
Cash and cash equivalents at 31 December	**230,929**	-13,510	-	**217,419**

NOTE 4 FINANCIAL RISK MANAGEMENT

The following discussion concerning financial risk management relates to the policies adopted and applicable to the financial year 2017. The Group uses financial instruments such as bank loans and bond loans. In addition, the Group utilises financial instruments such as trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Group has also utilised certain financial derivatives for hedging purposes.

4.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency, bunker price, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Group's overarching risk management goal is to increase predictability for the Group's operations and to minimise the impact of fluctuations in macro conditions on the Group's results and financial position.

The Group has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, bunker price, credit risk and the use of financial derivatives. The Board of Directors approves the Group's risk management strategy and reviews it annually. The CFO function is responsible, in consultation with the CEO, for conducting ongoing tactical risk management in line with the approved strategy, including exposure analyses and reporting.

(A) MARKET RISK

(I) CURRENCY RISK

The Group operates internationally and is exposed to currency risk in multiple currencies, in particular EUR, USD and GBP. Currency risk arises from future ticket sales as well as recognised assets or liabilities. In addition, the bunker oil cost is quoted in USD. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency which is not the entity's functional currency.

The price of oil, and thus bunker fuel, is internationally traded in USD, while the Group purchases bunker fuel in NOK. The risk can therefore be split into a currency element and a product element. The currency element is partially aligned with the Group's cash flow exposure in USD, and the product risk is hedged separately.

In 2015 Silk Bidco AS issued a bond with a face value of EUR 455 million, with a tenure of 7 years. This Senior Secured Bond Facility was terminated in February 2018. A Senior Facility Term Loan of EUR 575 million and EUR 85 million Senior Secured Revolving Credit Facility were established to substitute the EUR 455 million Bond Facility and repay the outstanding EUR 85 million Senior Secured Revolving Credit Facility. The new facility has a tenure of 7 years. A full utilization of the Term Loan until maturity is assumed and no repayment of any facility unless so required per documentation. The new EUR 85 million Senior Secured Revolving Facility was undrawn at closing in February. The Group will pay semi-annual interests on the Senior Facility Term Loan of EUR 575 million which represent a currency risk. The semi-annual payment of interest is partially hedged through the Group's net revenue in euro.

The Group has some investments in foreign subsidiaries whose net assets are exposed to currency translation risk.

The table below shows the Group's sensitivity to potential changes in the exchange rate for NOK against relevant currencies in relation to the exchange rate as of 31 December, with all other variables held constant. The potential sensitivity effect below will impact the finance income/expense, but not operating profit/loss in the consolidated statement of profit and loss. Changes mainly relate to foreign exchange gains/losses on translation of financial derivatives, borrowings, trade and other receivables, trade and other payables and cash and cash equivalents and other investments.

	Impact on net profit/loss after tax	Impact on equity
(in NOK million)	**2017**	**2017**
Change EUR/NOK 5%	(179.6)	(177.2)
Change USD/NOK 5%	0.8	(1.9)
Change GBP/NOK 5%	24.5	26.9
Change AUD/NOK 5%	0.1	0.1

The calculations assume that the NOK depreciates by 5% against the relevant currencies. With an equivalent appreciation of the NOK, the amounts would have an equal and opposite value. The effect on equity is different to the effect on profit/loss, due to the fact that bunker derivatives are recognised as hedges, with related changes in value being recognised in other comprehensive income.

(II) PRICE RISK

The Group is exposed to bunker fuel price risk, and the Board of Directors has approved a strategy of hedging approximately 75% -85 % of estimated future consumption.

The table below shows the Group's sensitivity to potential price increases of bunker fuel, with all other variables held constant.

	Impact on net profit/loss after tax	Impact on equity
(in NOK million)	**2017**	**2017**
Change bunker price +20% on		
- contracts 2016 expiring in October / December 2018	-	60.3
Total impact	-	60.3

These calculations are based on the average hedged bunker oil volume and indicate how an increase of 20 % in bunker oil prices would impact the financial instruments valuation, which is hedging our exposure to bunker oil prices, and ultimately on the 2017 financial statement. The effect on equity is different to the effect on the income statement as these forward hedges fulfill the requirements for hedge accounting, and unrealised changes in value are recognised directly in equity. Hedge efficiency is measured quarterly based on retrospective and prospective tests using the dollar offset methodology and regression analysis.

The purchase of physical bunker oil would be affected in the opposite way and accounted as a variation on operating expense.

(III) CASH FLOW AND FAIR-VALUE INTEREST RATE RISK

The Group's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. Fixed interest rates expose the Group to fair-value interest rate risk. In 2017, the Group's loans at variable interest rates were mainly in NOK.

The Group's exposure to variable interest rate risk is limited, considering that the major share of indebtedness is based on a fixed rate, as per the table below. The Group have no specific hedging strategy to reduce variable interest rate risk.

	Impact on net profit/loss after tax	Impact on equity
(in NOK million)	**2017**	**2017**
Change in interest rate level with +50 basis points	3.0	(3.0)

(B) CREDIT RISK

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards. Sales to external agents are made either through prepayment/credit cards or through invoicing. The Group has routines to ensure that credit is only extended to agents with a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings.

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

(C) LIQUIDITY RISK

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans, and ensuring the availability of sufficient funding from committed credit facilities. The Group has a group account that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

The table below provides an indicative debt repayment schedule over the coming 5-year period. The Senior Secured Bond Facility of EUR 455 million the was terminated in February 2018 and a Senior Facility Term Loan of EUR 575 million and an EUR 85 million Senior Secured Revolving Credit Facility were established to substitute the EUR 455 million Bond Facility and repay the outstanding indebtedness under the existing EUR 85 million Senior Secured Revolving Credit Facility. A full utilization of the Term Loan until maturity is assumed and no repayment of any facility unless so required per documentation. The new EUR 85 million Senior Secured Revolving Facility was undrawn at closing in February. A redemption premium of 3.75% of EUR 455 million was redeemed 22 February 2018 at the termination of the bond loan amounting to EUR 17.1 million. In 2017, EUR 4.5 million was booked as interest expense and the remaining EUR 12.6 million was expensed in 2018. With exception of the established Senior Facility Term Loan EUR 575 million in February 2018, which is included in the table below, it should be noted that this profile is relevant to the indebtedness outstanding as at 31 December 2017. It excludes the new build vessels financing that is expected to be drawn upon the vessels' delivery in December 2018 and fourth quarter of 2019.

The new Facility Term Loan and Revolving Credit Facility has 3,5% and 0,25% lower interest margins, respectively, compared to the existing financing, and entails a 3 year extension on the maturity of the Groups major financing.

(in NOK 1000)	2018 Below one year	2019-2020 One to two years	2021-2022 Three to five years	2023--> More than five years
31. December 2017				
Borrowings	5,389,130	66,224	73,502	346,863
Estimated interest expenses on Bank loans	289,627	571,454	564,212	279,115
Repayment of premium 455 MEUR Bond loan	121,484	-	-	-
Total indebtedness repayment	**5,389,130**	**66,224**	**73,502**	**346,863**
Total impact on liquidity	**5,800,242**	**637,678**	**637,715**	**625,978**

On 30th June 2016, the Group entered into shipbuilding agreements with Kleven Yard, Norway, for the delivery of two newbuild explorer vessels. These contracts impacted or are expected to impact liquidity in the following manner:

(in NOK million)	**2016**	**2017**	**2018F**	**2019F**	**Total**
CapEx - cash from operations					
Vessel 1 - MS Amundsen	15.6	228.3	112.4	-	**356.3**
Vessel 2 - MS Nansen	-	125.6	79.2	121.3	**326.2**
Total	**15.6**	**353.9**	**191.6**	**121.3**	**682.5**

Debt financing, which represent 80 % of the vessels cost, shall be drawn upon delivery of the vessels and have a neutral impact on liquidity. Thus, the debt financing payment is not included in the table above.

Collection of sales prepayments for these vessels' sailings have started and mitigate the liquidity impact.

4.2 THE COMPANY'S ASSET MANAGEMENT

The Group's objective for asset management is to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements.

NOTE 5 CONTINGENCIES

As of 31 December 2017, the Group had contingent liabilities relating to bank guarantees and other guarantees, in addition to other matters in the course of ordinary operations. No significant liabilities are expected to arise with respect to contingencies with the exception of the provisions that have already been provided for in the financial statements (Note 19).

MEMBERSHIP OF THE NOX FUND

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 Topco's consolidated financial statements for 2016 compared to NOK 15.9 million in 2017.

EFTA SURVEILLANCE AUTHORITY STATE AID INVESTIGATION

The ESA opened a formal investigation of the coastal agreement in December 2015. The ESA has investigated whether the agreement provides over-compensation and cross-subsidisation in breach of EEA rules.

On 29 March 2017, the ESA published its conclusion, and approved the compensation granted by Norway to Hurtigruten for operating a coastal ferry route between Bergen and Kirkenes from 2012 to 2019.

NOTE 6 SEGMENT INFORMATION

(A) PRIMARY REPORTING FORMAT – OPERATING SEGMENTS (PRODUCT AREAS)

The operating segments are identified based on the same reporting that Group management and the board apply to their evaluations of performance and profitability at a strategic level. The company‘s ultimate decision-maker, which are responsible for allocation of resources to and assessment of earnings generated by the operating segments, is defined as the Board and Group management. The classification is broken down into the product areas Hurtigruten Norwegian Coast, Explorer, and Spitsbergen. Activities that do not naturally fall within these three segments are bundled in Other business.

(in NOK 1 000)	Norwegian Coast 2017	Norwegian Coast 2016	Explorer 2017	Explorer 2016	Spitsbergen 2017	Spitsbergen 2016
Operating revenues	**3,159,211**	2,796,843	**811,497**	619,324	**292,411**	272,733
Contractual revenues (Note 23)	**674,234**	703,588	**-**	-	**-**	-
Total operating revenues	**3,833,445**	3,500,431	**811,497**	619,324	**292,411**	272,733
Payroll costs	**(918,674)**	(917,680)	**(158,957)**	(105,348)	**(81,419)**	(75,875)
Depreciation and impairment	**(401,791)**	(361,455)	**(60,883)**	(47,735)	**(17,844)**	(14,645)
Other operating costs	**(2,192,705)**	(2,040,715)	**(542,371)**	(403,388)	**(167,000)**	(151,581)
Other (losses)/gains – net	**(25,841)**	(102,256)	**(24,959)**	7,119	**214**	(733)
Operating profit/(loss)	**294,435**	78,325	**24,327**	69,972	**26,362**	29,898
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**696,226**	439,780	**85,210**	117,707	**44,206**	44,543

(in NOK 1 000)	Other business 2017	Other business 2016	Eliminations 2017	Eliminations 2016	Silk Bidco Group 2017	Silk Bidco Group 2016
Operating revenues	230	299	**(15,032)**	(14,759)	**4,248,316**	3,674,439
Contractual revenues (Note 23)	-	-	**-**	-	**674,234**	703,588
Total operating revenues	**230**	299	**(15,032)**	(14,759)	**4,922,550**	4,378,027
Payroll costs	-	(22)	**0**	0	**(1,159,050)**	(1,098,925)
Depreciation and impairment	**(25)**	(776)	**0**	(0)	**(480,543)**	(424,611)
Other operating costs	**376**	(313)	**15,097**	14,759	**(2,886,603)**	(2,581,238)
Other (losses)/gains – net	-	32	**0**	-	**(50,586)**	**(95,838)**
Operating profit/(loss)	**581**	(781)	**64**	0	**345,768**	177,414
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	**606**	(5)	**64**	0	**826,311**	602,026

The reporting of segment assets and liabilities is not part of the internal management reporting in the Group. Material assets and liabilities are monitored at Group level, and individual key figures (e.g. trade receivables) are valued in the individual legal companies. Segment assets and liabilities are therefore not presented.

HURTIGRUTEN NORWEGIAN COAST

Hurtigruten Norwegian Coast is the Group's largest segment. Through this segment, the Group offers voyages along the Norwegian coast to an adventure-seeking international customer base. The segment offers a number of shore-based activities for its cruise passengers, including dog sledding, kayaking, inflatable boat adventures, local food tours, Lapland cultural tours, visits to land-based sites, mountain hiking and snowmobile excursions, skiing and whale safaris. 12 of the Group's ships provide services along the Norwegian coast under this segment (with MS Midnatsol and MS Spitsbergen alternating between the Hurtigruten Norwegian Coast and Explorer segments), making 33 northbound and 32 southbound daily departures from ports located between Bergen in the south and Kirkenes in the north. It also offers freight and local passenger transport services along the coast, for which it receives a fixed fee from the Norwegian government each year under the Coastal Service Contract.

EXPLORER

The Explorer segment is the Group's second largest and fastest growing segment, through which the Group offers exploration-based adventure cruises to the Arctic (including Svalbard, Greenland, Iceland, Canada and the Northwest Passage) and the Antarctic together with saillings to the Amazone river and Atlantic Islands. As part of the Group's Explorer segment, customers are offered a wide array of excursions and expeditions designed to provide them with an unforgettable experience. The Group's purpose-built fleet includes three ice-class ships, MS Fram, MS Midnatsol and MS Spitsbergen. MS Midnatsol and MS Spitsbergen alternate between the Hurtigruten Norwegian Coast and the Explorer segments and the Group leases and operates MS Nordstjernen around Svalbard during the summer months and as the basecamp for skicruises on the Norwegian Coast in March and April. The Group also ordered two new builds, MS Roald Amundsen and MS Fridtjof Nansen, which will operate as part of the Explorer segment and are scheduled to be delivered in 2018 and 2019, respectively. These new builds are optimal for adventure cruises, with size and technical specifications permitting the Group to sail adventure itineraries in the Arctic and Antarctic and flexibility to sail other adventure itineraries or in the Norwegian Coast segment. The Group also has an option for two more similar new builds to be delivered in 2020 and 2021.

SPITSBERGEN

The Spitsbergen segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism on Svalbard, a Norwegian archipelago in the Arctic ocean. Through this land-based segment, the Group operates three hotels with a total of 258 rooms and an equipment store and offers activities such as kayaking, dog sledding, snowmobile hire, cross country skiing and observation of local fauna (including polar bears, walruses, seals and arctic birds)

OTHER BUSINESS

The area includes a minor portfolio of properties and smaller activities that cannot naturally be classified in the other areas.

ELIMINATIONS

Eliminations in 2016 and 2017 primarily comprised of sales from Hurtigruten Svalbard AS (Spitsbergen segment) to Hurtigruten AS (Explorer segment).

(B) SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

Operating revenues cannot be reliably allocated to separate geographical segments. Group management only monitors geographical segments for selected areas of consolidated sales.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(in NOK 1 000)	Land and buildings	Ships	Prepayments Ships under contruction	Other property, plant and equipment	**Total**
Acquisition cost at January 1 2016	168,355	3,309,989	-	39,737	**3,518,081**
Additions	4,702	1,111,899	-	35,826	**1,152,426**
Disposals	-	-	-	(2,613)	**(2,613)**
Acquisition cost at December 31 2016	**173,057**	**4,421,888**		**72,950**	**4,667,894**
Acquisition cost at January 1 2017	173,057	4,421,888	-	72,950	**4,667,894**
Additions	36,817	265,850	359,855	16,332	**678,854**
Disposals	(40)	(5,465)	-	-	**(5,505)**
Acquisition cost at December 31 2017	**209,834**	**4,682,273**		**89,282**	**5,341,244**
Accumulated depreciation and impairment	(5,441)	(322,159)	-	(9,742)	**(337,342)**
Depreciation	(6,305)	(320,876)	-	(11,330)	**(338,511)**
Depreciation disposals	-	-	-	-	**-**
Impairment losses [1)]	-	(1,401)	-	-	**(1,401)**
Accumulated depreciation and impairment	**(11,746)**	**(644,436)**		**(21,072)**	**(677,254)**
Accumulated depreciation and impairment	(11,746)	(644,436)	-	(21,072)	**(677,254)**
Depreciation	(6,066)	(346,879)	-	(9,397)	**(362,342)**
Depreciation disposals	-	-	-	-	**-**
Impairment losses	-	-	-	-	**-**
Accumulated depreciation and impairment	**(17,812)**	**(991,315)**		**(30,469)**	**(1,039,595)**
Book value December 31 2016	**161,311**	**3,777,452**		**51,878**	**3,990,641**
Book value December 31 2017	**192,022**	**3,690,958**		**58,813**	**4,301,649**
Useful economic lifetime	25 - 40 years	12 - 30 years	N/A	5 - 10 years	

1) Impairment losses in 2016 relate to lift systems and supplies of furnishings that have not been put into use.

Land and buildings primarily comprise the hotel properties at the Groups operations in Svalbard.

In 2017, the Group operated 14 cruise ships, whereof one ship (MS Nordstjernen) was operated under an operating lease. The Group reviews the long-lived assets for impairment whenever events or circumstances indicate potential impairment. No such events or circumstances were present in 2017 or 2016.
The vessels MS Richard With and MS Nordlys were operated under Financial lease agreements up until November 2017.

The cost of ships under construction include progress payments for the construction of new ships (MS Amundsen and MS Nansen), as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items. The Group accounts for ship improvement costs by capitalising those costs believed to add value to its ships and which have a useful life greater than one year and depreciate those improvements over its estimated useful life.

Capitalised interest amounted to NOK 16.4 million in 2017 (NOK 0 million in 2016). The interest capitalisation rate is based on the weighted average interest rates applicable to borrowings within the Group during each period. During 2017, the average capitalisation rate was 8.5%.

NOTE 8 INTANGIBLE ASSETS

(in NOK 1 000)	Goodwill	Trademark	Other intangible assets	Total
Acquisition cost				
As at January 1 2016	1,955,774	450,000	1,094,617	**3,500,391**
Additions	-	-	38,346	**38,346**
Disposals	-	-	-	**-**
Adjustments 1)	(10,216)	-	-	**(10,216)**
As at December 31 2016	**1,945,558**	**450,000**	**1,132,963**	**3,528,521**
As at January 1 2017	1,945,558	450,000	1,132,963	**3,528,521**
Additions	-	-	40,763	**40,763**
As at December 31 2017	**1,945,558**	**450,000**	**1,173,726**	**3,569,284**
Accumulated depreciation and impairment				
As at January 1 2016	-	-	(703,278)	**(703,278)**
Amortization	-	-	(83,245)	**(83,245)**
As at December 31 2016	**-**	**-**	**(786,523)**	**(786,523)**
As at January 1 2017	-	-	(786,523)	**(786,523)**
Amortization	-	-	(118,201)	**(118,201)**
As at December 31 2017			**(904,724)**	**(904,724)**
Book value December 31 2016	**1,945,558**	**450,000**	**346,440**	**2,741,998**
Book value December 31 2017	**1,945,558**	**450,000**	**269,002**	**2,664,560**

1)Due to the reduction in the Norwegian tax rate to 24 % for the fiscal year 2017, goodwill has been adjusted down by NOK 10 million. The effect of this change is calculated into the deferred tax for the financial statements for 2016.

In 2014, Bidco AS acquired 100 % of the outstanding shares of Hurtigruten AS. As a result of the acquisition, Goodwill of NOK 1 919 million and an excess value of NOK 590 million related to contracts and trademarks were recognised.

Other intangible assets primarily comprise of capitalised development expenses related to ICT systems (booking, inventories, etc.) with a limited lifespan. The assets are amortised on a straight-line basis over 3–10 years. Amortisation is presented under amortisation in the income statements.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Goodwill relates to the following cash-generating units:

(In NOK 1 000)	**2017**	**2016**
Norwegian Coast	**1,579,111**	1,579,111
Explorer	**306,667**	306,667
Spitsbergen Travel	**59,780**	59,780
Sum	**1,945,558**	1,945,558

The recoverable amount of a cash-generating unit is calculated on the basis of budgets and liquidity forecasts for the units approved by management.

Assumptions applied when calculating the recoverable amount

	Norwegian Coast	Explorer	Spitsbergen
Growth rate from 2022	2 %	2 %	2 %
Discount rate after tax	9.1 %	9.1 %	9.0 %

The recoverable amount has been calculated based on budgeted EBITDA for 2018. The forecast period is five years. Subsequently the terminal value is used. Expected future cash flows are based on budgeted EBITDA for 2018 deducted for investments, tax effects of depreciation and changes in net working capital (NWC). For the period 2019 to 2022, EBITDA is based on forecasts that represent management's best estimate of the range of economic conditions that will exist over the period. For the period beyond 2022, cash flow is estimated by extrapolating the projections based on the forecasts, using a steady growth rate of 2 % for subsequent years.

The Group does not apply a general growth factor beyond expected inflation for cash flows when testing goodwill for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilises an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

Impact of possible changes in key assumptions in the Norwegian Coast segment

If the budgeted EBITDA margin used in the impairment test for the Coastal segment had been reduced by 6 % with a 6 % higher WACC calculation, the Silk Bidco Group had to recognise an impairment against the carrying amount of Intangible assets of MNOK 60.

Likewise, if the budgeted revenue growth had been reduced by 9 % with a 7 % higher WACC calculation the Group would have to recognise an impairment of MNOK 69.

Impact of possible changes in key assumptions in the Explorer segment

If the budgeted EBITDA margin used in the impairment test for the Explorer segment had been reduced by 2 % with a 2 % higher WACC calculation, the Silk Bidco Group had to recognise an impairment against the carrying amount of Intangible assets of MNOK 69.

Likewise, if the budgeted revenue growth had been reduced by 2 % with a 2 % higher WACC calculation the Group would have to recognise an impairment of MNOK 49.

Impact of possible changes in key assumptions in the Spitsbergen segment

If the budgeted EBITDA margin used in the impairment test for the Spitsbergen segment had been reduced by 2 % with a 4 % higher WACC calculation, the Silk Bidco Group had to recognise an impairment against the carrying amount of Intangible assets of MNOK 14.

Likewise, if the budgeted revenue growth had been reduced by 3 % with a 4 % higher WACC calculation the Group would have to recognise an impairment of MNOK 4.

NOTE 9 INVESTMENTS IN ASSOCIATES

Set out below are the associates and joint ventures of the Group as at 31 December 2017 which are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company	Registered office	Shareholding	Carrying amout	Equity	Profit/loss post tax
2017					
Green Dog Svalbard AS	Longyearbyen, Svalbard	50.0 %	4,880	10,250	2,492
2016					
Green Dog Svalbard AS	Longyearbyen, Svalbard	50.0 %	3,634	5,267	3,032

Book value 31.12.2016	3,634
Share of profit post-tax 2017	1,246
Book value 31.12.2017	**4,880**

Green Dog Svalbard AS offers dog-related activities on Svalbard. These include dog sledding, overnight trips with teams of dogs and similar.

NOTE 10A FINANCIAL INSTRUMENTS BY CATEGORY

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

AS AT 31 DECEMBER 2017

(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 (note 11)	12,794	3,169	-	-	**15,962**
Available for sale financial instruments	-	-	49,970	-	**49,970**
Trade and other receivables (note 11)	393,590	-	-	-	**393,590**
Total derivatives (note 10C)	-	-	-	50,028	**50,028**
Cash at bank, cash on hand and market-based investments in the balance sheet (note 13)	438,053	1,153	-	-	**439,206**
Total	**844,436**	**4,321**	**49,970**	**50,028**	**948,755**

(in NOK 1000)	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 (note 16)	-	-	5,783,576	**5,783,576**
Derivatives (note 10C)	-	13,247	-	**13,247**
Trade and other liabilities (note 21)	-	-	1,011,533	**1,011,533**
Total	**-**	**13,247**	**6,795,108**	**6,808,355**

Booked value and fair value

(in NOK 1000)	Carrying amount	Fair value
Assets		
Other receivables, non-current (note 11)	15,962	15,962
Available for sale financial instruments	49,970	49,970
Trade and other receivables (note 11)	393,590	393,590
Total derivatives (note 10C)	50,028	50,028
Cash at bank, cash on hand and market-based investments in the balance sheet (note 13)	439,206	439,206
Total	**948,755**	**948,755**
Liabilities		
Total borrowings (note 16)	5,783,576	5,938,611
Derivatives (note 10C)	13,247	13,247
Trade and other liabilities (note 21)	1,011,533	1,011,533
Total	**6,808,355**	**6,963,390**

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

AS AT 31 DECEMBER 2016

(in NOK 1000)	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 (note 11)	74,044	-	-	**74,044**
Trade and other receivables (note 11)	444,014	-	-	**444,014**
Total derivatives (note 10C)	-	7,119	24,855	**31,974**
Cash at bank, cash on hand and market-based investments in the balance sheet (note 13)	291,414	1,064	-	**292,478**
Total	**809,472**	**8,183**	**24,855**	**842,510**

(in NOK 1000)	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 (note 15)	-	-	5,161,323	**5,161,323**
Total derivatives (note 10C)	-	17,655	-	**17,655**
Trade and other liabilities (note 21)	-	-	916,016	**916,016**
Total	**-**	**17,655**	**6,077,338**	**6,094,993**

Booked value and fair value

(in NOK 1000)	Carrying amount	Fair value
Assets		
Other receivables, non-current (note 11)	74,044	74,044
Trade and other receivables (note 11)	444,014	444,014
Total derivatives (note 10C)	31,974	31,974
Cash at bank, cash on hand and market-based investments in the balance sheet (note 13)	292,478	292,478
Total	**842,510**	**842,510**
Liabilities		
Total borrowings (note 15)	5,161,323	5,434,763
Total derivatives (note 10C)	17,655	17,655
Trade and other liabilities (note 21)	916,016	916,016
Total	**6,094,993**	**6,368,434**

CLASSIFICATION BY IFRS FAIR VALUE HIERARCHY

The Group uses the following hierarchy to classify assets and liabilities, based on the valuation methods used to measure and disclose their fair value:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: Other techniques in which all of the parameters that have a significant impact on measuring fair value are either directly or indirectly observable.
- Level 3: Valuation techniques that use parameters that significantly affect the valuation, but which are not observable.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2017

(in NOK 1000)	Level 1	Level 2	Level 3	Total
Assets				
Cash at bank, cash on hand and market-based investment	1,153	-	-	**1,153**
Available for sale financial instruments	-	-	49,970	**49,970**
Derivatives (note 10C)	-	50,028	-	**50,028**
Total	**1,153**	**50,028**	**49,970**	**101,150**
Liabilities				
Derivatives (note 10C)	-	13,247	-	**13,247**
Total	**-**	**13,247**	**-**	**13,247**

There were no transferals between levels 1, 2 or 3 in 2017.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2016

(in NOK 1000)	Level 1	Level 2	Level 3	Total
Assets				
Cash at bank, cash on hand and market-based investment	1,064	-	-	**1,064**
Derivatives (note 10C)	-	31,974	-	**31,974**
Total	**1,064**	**31,974**	**-**	**33,038**
Liabilities				
Derivatives (note 10C)	-	17,655	-	**17,655**
Total	**-**	**17,655**	**-**	**17,655**

There were no transferals between levels 1, 2 or 3 in 2016.

NOTE 10B CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(in NOK 1000)	**2017**	2016
Counterparties without external credit ratings:	**393,038**	399,416
Total trade receivables and other receivables	**393,038**	399,416
Cash and cash equivalents (note 13)		
Cash bank and short-term bank deposits		
A (S&P)	**432,743**	284,014
Counterparties without external credit ratings:	**723**	724
Total bank deposits	**433,466**	284,738
Cash on hand	**4,587**	6,676
Total cash and short-term bank deposits	**438,053**	291,414
Market based investments		
Money market fund (SICAV-France)	**1,153**	1,064
Total market based investments	**1,153**	1,064
Derivatives		
AA	**50,028**	31,974
Total derivatives (notes 10C)	**50,028**	31,974

NOTE 10C FAIR VALUE OF DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated a hedging instrument, and if so, the nature of the item being hedged. If the derivative is not classified as a hedging instrument, subsequent re-measurements are recognised in profit or loss.

The Group has two different types of derivatives as of 31 December 2017:

- Bunker oil derivatives used in cash flow hedge in order to hedge the future market risk of bunker oil.
- Two NOK/EUR currency options agreements (purchased put and sold call), used as an economic hedge to obtain loan commitments in EUR, in which this financing will be used to settle a future liability in NOK. The two contracts will be settled on a net basis, and are presented as such.

2017 *(in NOK 1000)*	**Assets**	**Liabilities**
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	50,028	-
NOK/EUR currency options	-	13,247
Total fair value of derivatives	**50,028**	**13,247**
Short term	19,533	13,247
Long term	30,494	-

2016 *(in NOK 1000)*	**Assets**	**Liabilities**
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	24,855	17,655
NOK/EUR currency options	7,119	-
Total fair value of derivatives	**31,974**	**17,655**
Short term	7,119	17,655
Long term	24,855	-

A hedging instrument is classified as long term if the major part of the instrument is settled in a period longer than 12 months from the balance sheet date. There are no recognised prospective inefficiencies regarding the hedging instruments in 2017 or 2016.

FORWARD BUNKDER OIL CONTRACTS

The hedged, highly probable purchase transactions of bunker oil, are expected to occur at various dates over the next 24 months. The forward contracts mature monthly. Forward bunker oil contracts satisfy the requirements for hedge accounting under IFRS and changes in the fair value are recognised on an ongoing basis in other comprehensive income. Gains or losses on oil derivatives recognised in other comprehensive income as of 31 December 2017, will be recognised in the income statement in the same accounting periods that the hedged transactions affect the profit or loss. Realised gains and losses are recognised in Other (losses)/gains. In 2017 a net loss of NOK - 20.6 million (2016: loss of NOK -102 million) was recognised in realised losses allocated to Other (losses)/gains

The fair value of all outstanding forward bunker oil contracts as of 31 December 2017 was a net asset of NOK 50.0 million, and a net asset of NOK 7.2 million as of 31 December 2016.

NOK/EUR CURRENCY OPTIONS

The Group has a currency hedge in relation to the delivery of the newbuild vessel MS Amundsen in 2018. Proceeds from committed future financing in EUR will be used to settle future liabilities in NOK. Two currency options, which both have the same contractual amount in EUR, are used to obtain an economic hedge of the risk that currency fluctuations between NOK/EUR, could lead to a reduced NOK amount when proceeds from the future financing in EUR, are exchanged into NOK. At inception, the net fair value of the two options was zero. The group has the possibility and intention of settling the options on a net basis, and they are therefore presented on net basis in the balance sheet.

The loan commitment does not qualify as a hedge object, and hedge accounting is therefore not applied. The currency options expire in July 2018.

The fair value of the two currency options as of 31 December 2017 were NOK -13.2 million (2016: NOK 7.4 million).

NOTE 11 RECEIVABLES AND OTHER INVESTMENTS

(in NOK 1 000)	**2017**	**2016**
Trade receivables	**88,111**	127,382
Less provision for impairment of trade receivables	**(3,757)**	(9,139)
Trade receivables – net	**84,353**	118,243
Prepaid expenses	**182,666**	251,390
Claims	**14,009**	33,236
Net wages claims	**32,483**	30,762
Other miscellaneous receivables	**80,079**	10,382
Other receivables	**309,237**	325,771
Total current trade and other receivables (Note 10A)	**393,590**	444,014
Other non-current receivables (Note 10A)	**15,962**	74,044
Total other receivables, non-current	**15,962**	74,044

Specification of receivables from related parties, please see Note 29.

AGEING OF OVERDUE TRADE RECEIVABLES

(in NOK 1 000)	**2017**	**2016**
Up to three months	**9,052**	12,689
Three to six months	**(986)**	241
Over six months	**(426)**	(844)
Total ageing of overdue trade receivables	**7,640**	12,086

PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

(in NOK 1 000)	**2017**	**2016**
Provision for impairment of receivables as of 1 January 2016	**9,139**	9,567
Provision for impairment of receivables during the year	**4,736**	6,044
Receivables written off during the year	**(6,803)**	(6,390)
Reversal of unused amounts	**(3,314)**	(84)
Provision for impairment of receivables as of 31 December	**3,758**	9,138

The Group has no significant concentration of credit risk. Sales to end users are settled in cash or with recognised credit cards and are paid in full prior to the travel date. Trade receivables primarily comprise sales to external agents through invoicing. The Group has routines to ensure that trade credit and prepayment of expenses are only extended to agents and vendors that have a satisfactory credit rating. Individual risk exposure limits are set based on internal and external assessments of credit ratings

NOTE 12 INVENTORIES

Inventories comprise the following types of goods

(In NOK 1 000)	**2017**	**2016**
Goods purchased for resale	116,630	109,155
Spare parts	6,530	-
Bunkers and lubrication oil	25,019	20,691
Total inventories	**148,179**	**129,845**

The cost of goods sold included in other operating costs amounted to MNOK 933 (2016: MNOK 792). The inventories were measured at lowest of cost and fair value in accordance with the FIFO principle.

NOTE 13 CASH AND CASH EQUIVALENTS

(in NOK 1 000)	**2017**	2016
Cash at bank and on hand (Note 10A)	**438,053**	291,414
Market-based investments [1] (Note 10A)	**1,153**	1,064
Cash at bank, cash on hand and market-based investments in the balance	**439,206**	**292,478**
Restricted bank deposits [2]	**(101,227)**	(75,059)
Total cash and cash equivalents in the cash flow statement	**337,979**	**217,419**

1) Funds owned by a foreign subsidiary.

2) Restricted bank deposits primarily comprise tax withholding funds, pledged bank deposits, issued bond loans in an escrow account and guarantees to limited partnerships.

NOTE 14 SHARE CAPITAL AND PREMIUM

(in NOK 1000)	Number of shares	Nominal value	Nominal value of ordinary shares	Share premium	**Total**
As of 31 December 2017	30	3	90	1,826,688	**1,826,778**

All ordinary shares have equal rights

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2017

	Number of shares	**Shareholding (%)**
Silk Midco AS	30	100.00

SHARES HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2017

Board of directors	
Trygve Hegnar, Chair, through Persicopus AS	4,9 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11,6 %
Jonathan Barlow, Director	0,0 %
Matthew Lenczner, Director	0,0 %
Per-Helge Isaksen, Director, employee representative	0,0 %
Regina Mari Aasli Paulsen, Director, employee representative	0,0 %
Management	
Daniel A. Skjeldam, CEO, through Hornsund Invest AS	0,9 %
Asta Lassesen, CCO, through A. Y. Invest AS	0,4 %
Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0,1 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS	0,2 %
Martin Finnanger, SVP, People and Org. Development through Mfortitude AS	0,1 %
Torleif Ernstsen, CFO, through Rypestrand Sjøbad AS	0,2 %
Robert Grefstad, SVP, ICT, through Trebor Invest AS	0,1 %

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2016

(in NOK 1000)	Number of shares	Nominal value	Nominal value of ordinary shares	Share premium	**Total**
As of 31 December 2016	30	3	90	1,826,694	**1,826,784**

SHARES HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2016

Board of directors	
Trygve Hegnar, Chair, through Persicopus AS	4,9 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11,6 %
Jonathan Barlow, Director	0 %
Matthew Lenczner, Director	0 %
Per-Helge Isaksen, Director, employee representative	0 %
Regina Mari Aasli Paulsen, Director, employee representative	0 %
Management	
Daniel A. Skjeldam, CEO, through Hornsund Invest AS	0,9 %
Asta Lassesen, CFO, through A. Y. Invest AS	0,4 %
Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0,1 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS	0,2 %
Martin Finnanger, SVP, People and Org. Development through Mfortitude AS	0,1 %
Arild Kaale, SVP, Commercial, trough Kaale-Holtskog AS	0,2 %
Robert Grefstad, SVP, ICT, through Trebor Invest AS	0,1 %

The company's auditor does not own any shares in Hurtigruten AS.

DIVIDEND PER SHARE

No dividend is proposed for the fiscal years 2017 or 2016.

EARNINGS PER SHARE

(NOK 1000)	**2017**	**2016**
Profit/loss for the period after non-controlling interests	**(532,069)**	(20,122)
Weighted average of number of shares outstanding	**273,358,013**	272,723,131
Weighted average of number of shares outstanding - diluted	**273,358,013**	272,723,131
Earnings per share, basic (NOK)	**(1.95)**	(0.07)
Earnings per share, diluted (NOK)	**(1.95)**	(0.07)

NOTE 15 OTHER EQUITY NOT IN PROFIT OR LOSS

(in NOK 1000)	Derivatives	Actuarial gain/loss	Translation differences	**Sum**
Book value as of 1 January 2016	(169,352)	4,714	(1,365)	**(166,003)**
Cash flow hedges, net of tax	176,552	-	-	**176,552**
Actuarial gain/loss on retirement benefit obligations, net of tax	-	(2,651)	-	**(2,651)**
Currency translation differences	-	-	(11,454)	**(11,454)**
Book value as of 31 December 2016	**7,200**	**2,063**	**(12,819)**	**(3,555)**
Cash flow hedges, net of tax	39,345	-	-	**39,345**
Actuarial gain/loss on retirement benefit obligations, net of tax	-	(2,554)	-	**(2,554)**
Currency translation differences	-	-	21,872	**21,872**
Book value as of 31 December 2017	**46,544**	**(491)**	**9,053**	**55,108**

NOTE 16 BORROWINGS

NOMINAL VALUE AT 31 DECEMBER 2017

(in NOK 1000)	Nominal value	Unamortized transaction costs	Book value
Bond	4,477,337	-92,242	4,385,095
Revolving Credit Facility (Goldman Sachs)	773,688	-	773,688
Lease financing	518,302	-	518,302
Credit facilities	26,789	-	26,789
Other borrowings	79,701	-	79,701
Total	**5,875,817**	**-92,242**	**5,783,575**

NOMINAL VALUE AT 31 DECEMBER 2016

(NOK 1000)	Nominal value	Unamortized transaction costs	Book value
Bond	4,134,267	-140,738	3,993,529
Revolving Credit Facility (Goldman Sachs)	581,427	-	581,427
Lease financing	568,282	-	568,282
Credit facilities	-	-	-
Other borrowings	18,086	-	18,086
Total	**5,302,061**	**-140,738**	**5,161,323**

CLASSIFICATION OF BORROWINGS

(in NOK 1000)	**2017**	2016
Non-current Borrowings		
Bond	**-**	3,993,529
Revolving Credit Facility (Goldman Sachs)	**-**	581,427
Lease financing	**473,109**	543,539
Credit facilities	**-**	-
Other borrowings	**13,447**	15,641
Total	**486,556**	5,134,135
Current Borrowings		
Bond	**4,385,095**	-
Revolving credit facility (Goldman Sachs)	**773,688**	-
Lease financing	**45,193**	24,743
Credit facilities	**26,789**	-
Other borrowings	**66,254**	2,445
Total	**5,297,019**	**27,188**
	-	-
Total borrowings	**5,783,575**	5,161,323

The bond and the revolving credit facility are secured with the Group's assets.

(in NOK 1000)	**2017**	2016
Book value of collaterized assets	**5,619,424**	4,809,266

RECONCILIATION OF BORROWINGS

(in NOK 1000)	**2017**	2016
Total borrowings 1 January	**5,161,323**	4,614,889
Cash flows		
New financing	**316,725**	1,201,446
Repayments	**(91,202)**	(439,611)
Borrowing costs	**(8,000)**	-
Non-cash flow		
Amortization	**58,760**	26,977
Unrealized currency effects	**402,503**	(242,379)
Other	**(56,533)**	-
Total borrowings 31 December	**5,783,575**	5,161,323

MATURITY PROFILE OF NOMINAL BORROWINGS

(in NOK 1000)	**2017**	2016
Less than one year [1)]	**5,389,130**	27,188
Between 1 and 2 years	**66,224**	138,809
Between 3 and 5 years	**73,502**	4,780,460
More than 5 years	**346,863**	355,603
Total	**5,875,719**	5,302,061

1) *The bond in the amount of EUR 455 million, and the multicurrency revolving credit Facility in the amount of NOK 779 million were refinanced in February 2018, and as such were classified as current borrowings at 31 December 2017*

The carrying amounts of the Group's borrowings are denominated in the following currencies

(in NOK 1000)	**2017**	2016
NOK	**279,233**	652,977
EUR	**5,504,342**	4,508,671
Total	**5,783,575**	5,161,648

FAIR VALUE CALCULATIONS

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

	Carrying amount		**Fair value**	
(in NOK 1000)	**2017**	2016	**2017**	2016
Bond	**4,385,095**	3,993,529	**4,540,130**	4,266,969
Revolving Credit Facility (Goldman Sachs	**773,688**	581,752	**773,688**	581,752
Lease financing	**518,302**	568,282	**473,109**	568,282
Credit facilities	**26,789**	-	**26,789**	26,789
Other borrowings	**79,701**	18,086	**13,447**	13,447
Total	**5,783,575**	5,161,648	**5,827,163**	5,457,239

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant. The fair value of the bond is based on current trading price.

The Group's main source of financing is a bond listed and freely traded on the Euro MTF market operated by the Luxembourg Stock Exchange. The bond has a face value of EUR 455 million. In addition The Group has a multicurrency revolving credit facility of EUR 65 million arranged by Goldman Sachs, which can be drawn in different currencies. The revolving credit facility was increased by EUR 20 million on 3. March 2017. The facility was fully drawn as at 31 December 2017.

In February 2018, the Group entered into a Senior Secured Credit Facility of EUR 575 million and a Revolving Credit Facility of EUR 85 million. The existing Senior Secured Bond of EUR 455 million and the revolving Credit facility of EUR 85 million were terminated. Hence, the bond and revolving credit facility are classified as current borrowings in the Group's financial statements as at 31 December 2017.

The Group entered into a Memorandum of Agreement on 30 June 2016 with Jiaye International Ship Lease Co. Limited for the sale and lease back of the vessel MS Spitsbergen. The leasing period is 12 years and expires on 30 June 2028. The agreed sale price was EUR 55 million, recognised as a finance lease agreement in the Group's financial statements. The Group has an obligation to purchase the vessel for an agreed price of 11 million euros at the end of the leasing period.

On 7 February 2017, the Group entered into a loan agreement with the majority shareholder Silk Holding S.a.r.l in the amount of EUR 12 million with a rolling tenure. The interest is compounded quarterly and payable upon loan redemption. On 14 September 2017, the Group repaid EUR 5,5 million, and the net loan balance at 31 December 2017 is EUR 6,5 million. The loan is classified under other borrowings.

Covenants

Bond

Minimum EBITDA
Minimum Group normalised adjusted EBITDA over a 12-month period measured by the end of each fiscal quarter above NOK 400 million.

Limitations to additional borrowings
The Group and its Restricted Subsidiaries cannot incur any new indebtedness unless it is a Fixed Charge Cover ratio of ≥ 2.0:1 at a consolidated level or fits into a specified exemption to the ratio test. Should the new debt be secured, the liens covenant is triggered and the Group must meet a Consolidated Senior Secured Leverage Ratio (basically, the ratio of net senior secured debt to consolidated EBITDA) of ≤ 5.0:1, or be a Permitted Collateral Lien. It should be noted that ratio debt and basket debt can be used in combination and that there are some exemptions for the Explorer segment. In addition, the above ratios are only measured at the time new debt is incurred.

NOTE 17 INCOME TAX

INCOME TAX EXPENSE

(in NOK 1 000)	**2017**	2016
Income tax payable	**-35,243**	-29,787
Change in deferred income tax liabilities/assets	**10,645**	8,017
Income tax payable related to the shipping company tax schemes	**9**	-
Change in income tax payable for previous years (recognised in income)	**-521**	-3,982
Total income tax expense	**-25,110**	-25,752

The tax on the Group‘s profit or loss before tax deviates from the amount that would have applied if the Group‘s weighted average tax rate had been used. The difference can be explained as follows:

(in NOK 1 000)	**2017**	2016
Profit/(loss) before tax from operations	**-506,959**	9,978
Estimated income tax expense based on the tax rates in the various countries and the respective results	**121,637**	-4,669
Change in the income tax expense as a result of:		
– non-taxable income	**15,536**	4,502
– non-tax-deductible costs	**-2,841**	-10,924
– income tax on profit or loss attributable to companies assessed as a partnership	**8,318**	10,904
– effect of shipping company tax schemes	**-10,100**	-
– utilisation of tax loss carryforwards	**-**	-
– effect of change in tax rate	**-4,946**	-228
– unrecognised deferred income tax assets	**-152,687**	-21,928
– income tax repayable	**521**	-3,982
– miscellaneous items (foreign exchange differences etc)	**-549**	608
Income tax expense	**-25,110**	-25,717
Weighted average tax rate	23.99 %	46.79 %

INCOME TAX EXPENSE FOR ITEMS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(in NOK 1 000)	**2017**			2016		
	Before tax	**Income tax expense**	**After tax**	Before tax	Income tax expense	After tax
Actuarial gains/losses pensions	**-2,554**	**-**	**-2,554**	-2,651	-	-2,651
Cash flow hedging	**39,345**	**-**	**39,345**	176,552	-	176,552
Currency translation differences	**21,872**	**-**	**21,872**	-11,454	-	-11,454
Other equity adjustments	**-**	**-**	**-**	-	-	-
Other comprehensive income	**58,663**	**-**	**58,663**	162,447	-	162,447

DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities are recognised on a net basis if the differences that are reversible can be offset. All differences are reversed over a period of 12 months due to the fact that all the companies are assessed in arrears.

The following amounts have been recognised on a net basis:

(in NOK 1 000)	**2017**	2016
Deferred income tax assets		
Gross deferred income tax assets that reverse after more than 12 months	**-669,948**	-700,018
Total deferred income tax assets	**-669,948**	-700,018
Deferred income tax liabilities		
Gross deferred income tax liabilities that reverse after more than 12 months	**565,684**	606,399
Total deferred income tax liabilities	**565,684**	606,399
Net deferred income tax liabilities/assets	**-104,263**	-93,619
Change in recognised net deferred income tax liabilities		
Book value as of 1 January / 1 December	**84,899**	93,467
Recognised in the income statement during the period	**-10,337**	-8,568
Book value as of 31 December	**74,562**	84,899
Change in book value of deferred income tax assets – net		
Book value as of 1 January / 1 December	**178,517**	177,967
Recognised in the income statement during the period	**-308**	551
Currency exchange recognised in the equity	**616**	-
Book value as of 31 December	**178,825**	178,517

CHANGE IN DEFERRED INCOME TAX ASSETS AND LIABILITIES

Tax effect of tax-increasing temporary differences:

(in NOK 1 000)	Non-current assets	Other differences	**Total**
31 December 2015	**457,158**	**177,338**	**634,496**
Recognised in the income statement during the period	-103	-27,995	**-28,097**
31 December 2016	**457,055**	**149,343**	**606,399**
Recognised in the income statement during the period	-19,353	-21,362	**-40,715**
31 December 2017	**437,600**	**127,982**	**565,581**

Tax effect of tax-reducing temporary differences:

(in NOK 1 000)	Provisions	Tax loss carryforward	Current items	**Total**
31 December 2015	**-23,442**	**-642,349**	**-53,205**	**-718,890**
Recognised in the income statement during the period	1,285	-34,731	52,424	**18,978**
31 December 2016	**-22,157**	**-677,080**	**-781**	**-700,018**
Recognised in the income statement during the period	1,150	28,725	812	**30,686**
Equity adjustments	-616	-	-	**-616**
31 December 2017	**-21,623**	**-648,356**	**30**	**-669,948**

The deferred income tax assets relating to tax loss carryforwards are recognised in the statement of financial position to the extent that the Group can utilise the tax loss carryforward against future taxable income. The Group has significant tax-increasing temporary differences relating to the same tax authority as the tax loss carryforward. In preparing the financial statements, management has found the future taxable income to be sufficient to utilise the recognised deferred income tax assets. This assessment has been made based on conservative management estimates of future profits in the Group, in which particular importance has been attached, for example, to the Group's procurement contract with the government in effect until 2019 inclusive, as well as the effects of the Group's partly completed and partly ongoing restructuring measures. On the grounds of prudence the Group has elected not to recognise the deferred income tax asset relating to the tax loss for the year. Tax losses may be carried forward for an indefinite period in Norway. Tax loss carryforwards as of 31 December 2017 amounted to NOK 4 861 million.

NOTE 18 PENSIONS

The Group operates both defined contribution and defined benefit pension schemes. For the defined contribution plans the cost is equal to the contributions to the employee’s pension savings during the period. Future pensions are dependent on the size of the contributions and the return on the pension plans.

The Group has defined benefit plans in Norway and Germany. For the Norwegian defined benefit plans, the employer is responsible for paying an agreed pension to the employee based on his/her final salary. Future defined benefits are mainly dependent on the number of contribution years, salary level upon reaching retirement age and the size of National Insurance benefits. These obligations are covered through an insurance company. In addition to the pension obligations that are covered through insurance schemes, the company has unfunded pension obligations that are funded from operations, primarily for former key management personnel. Pension fund assets managed by insurance companies are regulated by local legislation and practice. The relationship between the company and the insurance company is regulated by applicable legislation. The boards of the insurance companies are responsible for managing the plans, including making investment decisions and determining premium levels. An agreed fixed sum per month is paid as a pension for the German pension plan, from which most beneficiaries receive the same agreed amount, while three former directors receive a considerably higher payment. The German plan is organised as a CTA (contractual trust arrangement), in which the plan assets are earmarked for the pension fund, but the company's management determines how the assets are to be invested.

The new Contractual Early Retirement (AFP) Scheme Act adopted by the Norwegian Parliament in 2010 entailed the derecognition and recognition in the income statement of provisions related to the old contractual early retirement scheme. Provisions were set aside to cover the assumed underfunding of the old contractual early retirement scheme. The new AFP early retirement scheme is based on a tri-parties collaboration between employer and employee organisations, and the government. The government covers one-third of the pension expenses for the early retirement scheme, while affiliated enterprises cover the remaining two-thirds. The scheme is recognised as a defined benefit multi-entity plan in the financial statements. This means that each individual company shall account for its proportional share of the scheme‘s pension obligations, plan assets and pension costs. Until reliable and consistent information is available for allocation, the new contractual early retirement scheme will be accounted for as a defined contribution plan. This is consistent with the Ministry of Finance's conclusion concerning the new AFP early retirement plan published in connection with the presentation of the Norwegian State Budget on 14 October 2013. The only members of the scheme are the Group's onshore employees, of whom there were 249 as of 31 December 2013. On exit an annual pension is calculated based on 0.314% of annual pensionable income up to 7.1G from the age of 13 to 61. In 2017 the premium amounted to 2.5% of salary between 1G and 7.1G. For 2018 the premium will be 2.5%. A total of NOK 1.8 million was paid into the scheme in 2017.

The established pension plans cover 1,883 Group employees. The pension costs for the period illustrate the agreed future pension entitlements earned by employees in the financial year.

FINANCIAL ASSUMPTIONS

	2017	2016
Norway		
Discount rate	**2.30 %**	2.60 %
Expected annual wage adjustment	**2.50 %**	2.50 %
Expected annual pension adjustment	**0.40 %**	0.00 %
Expected annual National Insurance basic amount (G) adjustment	**2.25 %**	2.25 %
Table book used for estimating liabilities	**K2013**	K2013
Table book used for estimating disabilities	**IR02**	IR02
Germany		
Discount rate	**1.50 %**	1.50 %
Expected annual wage adjustment	**N/A**	N/A
Expected annual pension adjustment	**1.90 %**	1.90 %
Expected annual National Insurance basic amount (G) adjustment	**N/A**	N/A
Average expected years of service until retirement age	**16.0 years**	15.1 years
Average expected life (in years) for a person retiring when he/she reaches age 67		
– Women	**24.4 years**	23.8 years
– Men	**20.8 years**	20.1 years

PENSION COSTS RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS

(in NOK 1 000)	**2017**	2016
Present value of accrued pension entitlements for the year	**7,462**	8,070
Defined contribution plan	**52,401**	48,403
Interest expenses (income)	**1,031**	932
Payroll tax	**3,886**	3,910
Total pension costs included in payroll costs (Note 22)	**64,780**	61,315

SPECIFICATION OF NET PLAN ASSETS/OBLIGATIONS

(in NOK 1 000)	**2017**	2016
Present value of funded pension obligations	**201,411**	191,917
Present value of unfunded pension obligations	**20,245**	18,954
Total pension obligation 31 December	**221,656**	210,871
Estimated fair value of plan assets as of 31 December	**181,848**	169,532
Net pension obligations at 31 December	**39,808**	41,339

CHANGE IN THE DEFINED BENEFIT PENSION OBLIGATIONS DURING THE YEAR

(in NOK 1 000)	**2017**	2016
Pension obligations as of 1 January 2016/1 December 2014	**210,872**	211,978
Present value of accrued pension entitlements for the year	**7,012**	8,288
Interest expenses	**4,841**	4,885
Effect of recalculation:	**0**	0
Changes in financial assumptions	**16,009**	1,546
Changes in demographic assumptions	**0**	0
Estimate deviations	**-6,285**	1,298
Currency translation differences – obligations	**3,576**	(2,502)
Pension benefits paid	**(14,368)**	(14,622)
Change in payroll tax on net pension obligations	**0**	0
Pension obligations as of 31 December	**221,657**	210,872

CHANGE IN THE FAIR VALUE OF THE PLAN ASSETS

(in NOK 1 000)	**2017**	2016
Fair value as of 1 January 2016/1 December 2014	**169,533**	169,944
Return on plan assets	**3,439**	3,513
Actual return on assets re interest income recognised in income statement	**6395**	694
Employer contributions	**9,077**	8,045
Currency translation differences – assets	**3,440**	(2,437)
Pension benefits paid	**(10,036)**	(10,227)
Fair value as of 31 December	**181,848**	169,533

COMPOSITION OF PENSION FUND ASSETS

	2017	2016
Shares	**8.0 %**	8.0 %
Current bonds	**10.1 %**	12.9 %
Money market	**10.1 %**	29.9 %
Non-current bonds	**23.2 %**	32.6 %
Property	**7.4 %**	10.9 %
Other	**41.2 %**	5.8 %
Total	**100.0 %**	100.0 %
Actual return on plan assets Norway	**4.80 %**	4.10 %
Actual return on plan assets Germany	**0.10 %**	-0.40 %

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

		2017			2016	
(in NOK 1 000)	**Norway**	**Germany**	**Total**	Norway	Germany	Total
Present value of obligations	**168,662**	**52,994**	**221,656**	160,043	50,828	210,871
Fair value of plan assets	**136,920**	**44,928**	**181,848**	128,076	41,456	169,532
Net pension obligations (assets)	**31,742**	**8,067**	**39,809**	31,967	9,372	41,339

RISK

The Group is exposed to several risks through the defined benefit pension schemes, the most significant of which are as follows.

INVESTMENT VOLATILITY

The pension obligations are calculated using a discount rate based on the interest rate on bonds. If the investment in the pension fund assets provides a lower return than the bond interest rate, this gives rise to a deficit. All the plans comprise shares that are expected to give a higher return than interest on bonds over the long term, but which may, however, result in increased volatility and risk over the short term. As the pension plans' obligations mature, the target will be to reduce the share of risky investments to better match the obligations.

CHANGES IN INTEREST RATES ON BONDS

A reduction in interest rates on bonds would increase the pension plans' obligations. However, this would be partially offset by an increase in the return on the investments in bonds.

INFLATION RISK

The defined benefit pension plans' obligations are exposed to inflation risk. An increase in inflation could result in higher obligations. The key assets of the pension plans are either unaffected by inflation (fixed-interest bonds) or loosely correlated with inflation (shares). A rise in inflation could therefore increase deficits in the plans.

LIFE EXPECTANCY

The payment obligation only applies to the remaining life expectancy of the plan beneficiaries. A rise in life expectancy would increase the plans' obligations. This is particularly important for the Norwegian plan, in which the adjustment for inflation results in higher sensitivity to changes in life expectancy. A new mortality table, K2013, was introduced in 2013 to reflect the rising average life expectancy of the Norwegian population. The effect of the above is shown in changes in demographic assumptions under recalculations of the change in the pension obligation.

ASSET MANAGEMENT

A basic intention of asset management of plans organised through pension insurance companies is to secure cover of the non-current obligations by delivering a competitive annual return at least equal to the guaranteed interest rate. Asset management is based on a long-term arrangement of investment portfolios, tailored to the company's long-term obligations. Norwegian legislation imposes restrictions on concentration risk in the investment of all plan assets. The investments are made in collective portfolios with cautious, moderate risk. The assets in the German plan are currently invested in a listed fund that is managed by a professional asset manager. The fund follows a multi-asset strategy with a conservative risk profile. The composition of the fund is regularly changed to accommodate optimal returns and risk management. At the reporting date 50% of the assets were invested in shares in various markets. Consequently, these shares are exposed to risk attaching to the performance of global equity markets. While company management cannot influence the fund's investments, it may at any time elect to exit fund investments.

(in NOK 1 000)	**2018**	2017
The company's expected contributions to funded plans in the next year	**10,172**	9,073

The average weighted term of the pension obligation is 26 years.

EXPECTED MATURITY DATE OF PENSION SCHEMES AS OF 31 DECEMBER 2017

	< 1 year	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Defined-benefit pension	14,794	27,250	44,616	154,022	240,682

The Group has established mandatory occupational pension plans in the companies where this is required. These plans satisfy the requirements stipulated in the Norwegian Mandatory Occupational Pension Act.

TABLE OF THE HISTORICAL PRESENT VALUES OF PENSION OBLIGATIONS AND ASSETS AS OF 31 DECEMBER

(in NOK 1 000)	**2017**	2016	2015
Present value of defined benefit pension obligations	**221,656**	210,871	211,978
Fair value of plan assets	**181,847**	169,532	169,944
Deficit/(surplus)	**39,809**	41,339	42,034

SENSITIVITY ANALYSIS FOR CHANGES IN THE ASSUMPTIONS

	Norway		**Germany**	
	Discount rate		**Discount rate**	
	+ 1 per cent	**– 1 per cent**	**+ 1 per cent**	**– 1 per cent**
Increase (+) reduction (–) in the net pension costs for the period	(1,244)	1,415	(58)	81
Increase (+) reduction (–) in the net pension obligations as of 31	(2,432)	2,855	(6,318)	7,931

	Pension adjustment		**Pension adjustment**	
	+ 1 per cent	**– 1 per cent**	**+ 1 per cent**	**– 1 per cent**
Increase (+) reduction (–) in the net pension costs for the period	446	(277)	39	(32)
Increase (+) reduction (–) in the net pension obligations as of 31	1,206	(762)	6,229	(5,305)

	Change in the annual	
	+ 1 per cent	**– 1 per cent**
Increase (+) reduction (–) in the net pension costs for the period	5,544	(4,098)
Increase (+) reduction (–) in the net pension obligations as of 31 December	5,278	(3,272)

	Change in National Insurance basic amount	
	+ 1 per cent	**– 1 per cent**
Increase (+) reduction (–) in the net pension costs for the period	(3,134)	4,258
Increase (+) reduction (–) in the net pension obligations as of 31 December	(2,850)	3,589

The sensitivity analysis above is based on a change in one of the assumptions, with all other assumptions remaining unchanged. In practice this would not happen as more than one assumption could vary simultaneously. The sensitivity calculation is performed applying the same method as the actuarial calculation used to determine the pension obligation in the statement of financial position.

The method and the assumptions in the sensitivity analysis have not been changed compared with the previous year. The Group has only one open defined benefit plan under which beneficiaries have entitlements.

Consequently, this is the only plan affected by changes in annual salary growth and adjustments to G.

NOTE 19 PROVISIONS

(in NOK 1 000)	Deferred revenue recognition	Bonuses	Management incentive plan	**Total**
Book value 1 january 2016	4,784	6,397	-	11,181
Provisions for the year	-	9,406	5,186	14,592
Utilisation of provisions from the prior year	(153)	(6,397)	-	(6,550)
Book value as of 31 December 2016	**4,631**	**9,406**	**5,186**	**19,223**
Provisions for the year	-	8,351	5,368	13,719
Utilisation of provisions from the prior year	(179)	(9,406)	-	(9,585)
Book value as of 31 December 2017	**4,452**	**8,351**	**10,554**	**23,357**

CLASSIFICATION IN THE STATEMENT OF FINANCIAL POSITION

	2017	**2016**
Non-current liabilities	**4,452**	4,631
Current liabilities	**18,905**	14,592

DEFERRED REVENUE RECOGNITION

A line-by-line recognition has been carried out with respect to the investment contribution received, including a possible repayment obligation. Revenue recognition of the investment contribution occurs in conjunction with depreciation and amortisation of the associated asset. NOK 179,000 was recognised in revenue during the year 2017.

BONUSES

A performance-related bonus was introduced for Hurtigruten AS management from 2013. The bonus scheme includes the CEO and certain personnel in Group management. A provision of NOK 8.4 million has been recognised for this bonus agreement for 2017.

MANAGEMENT INCENTIVE PLANS

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

OPERATING LEASE COMMITMENTS – GROUP COMPANY AS LESSEE

The Group leases offices in Tromsø and in Oslo, in addition to some other offices. These leases have varying payment dates, price adjustment clauses and renewal rights. The Group also leases machinery and transport equipment.

NON-CANCELLABLE OPERATING LEASES

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2017	**2016**
Within a year	**27,584**	23,162
Later than one year but no later than 5 years	**86,446**	72,447
Later than 5 years	**30,093**	25,170

NOTE 20 SHARE-BASED PAYMENT

Hurtigruten executive management has entered into an agreement with the parent company of the Silk Topco Group, Silk Topco AS. The executive managers have purchased shares in Silk Topco AS at the same price that Silk Topco AS paid for the shares in Hurtigruten ASA in 2014 through its subsidiary Silk Bidco AS. The agreement also contains an incentive scheme that gives management a right to bonus shares in different pre-defined exit scenarios. Silk Topco AS may settle the bonus shares either with cash or with a private placing at no cost to the management.

The incentive scheme has two market-based vesting conditions:

- The internal rate of return at the time of the sale must be more than 8%
- The exit value must be at least 150% of the aggregated invested amount

The number of bonus shares depends on the aggregated exit value, and can give a range of bonus shares from 0.38 per share up to 12 times per share. Management's investment at 31 December 2017 was NOK 41.7 million (NOK 38.2 at 31 December 2016).

When estimating the fair value of the incentive scheme at grant date, the main factors influencing the fair value that had to be estimated by management were as follows:

- The probability of different exit values that then give different levels of bonus shares,
- The expected time to exit
- Discount rate.

The agreement was signed on 23. June 2015.

Expected life of the agreement:	5 years
Fair value at initial recognition:	NOK 17.3 million
Expected time to exit:	5 years*
Annual amortisation:	NOK 4.5 million
Amortised amount as of 31.12.2017:	NOK 10.6 million
Amortised amount as of 31.12.2016:	NOK 8.7 million

As of 31. December 2017, the provision for employer's contribution related to the management incentive programme was NOK 14.2 million (NOK 6.8 at 31 December 2016).

* As of 31. December 2017 the best estimate of expected time to exit was 5 years, and is still assessed to be a reasonable expectation.

The amortisation for 2015 was deemed immaterial, and not included in the 2015 financial statements. The amortisation in the 2016 financial statements therefore includes the amortised amount for 2015 and 2016.

NOTE 21 TRADE AND OTHER CURRENT PAYABLES

(In NOK 1 000)	**2017**	2016
Trade payables	**374,280**	352,214
Public duties payable	**72,472**	64,685
Other current liabilities	**564,780**	499,116
Total trade and other current payables	**1,011,533**	916,015

Other current liabilities comprise accrued interest and expenses, and accrued wages for payment the following year. See Note 28 for information on trade payables and other current payables due to related parties.

NOTE 22 OPERATING REVENUES

(in NOK 1 000)	**2017**	2016
Operating revenues	4,248,316	3,674,439
Contractual revenues	674,234	703,588
Total operating revenues	**4,922,550**	4,378,027

The extent of the Group's revenues relating to public procurement of services are as follows:

(in NOK 1 000)	**2016**	2015
Revenues relating to the Bergen to Kirkenes coastal service from the government	674,234	703,588
Total contractual revenues	**674,234**	703,588

Contractual revenues relating to the Bergen-Kirkenes coastal service is based on the existing agreement with the Norwegian government through the Ministry of Transport and Communications. The agreement entered into force on 1 January 2012, and applies to the Bergen-Kirkenes route for the period 1 January 2012 through 31 December 2019. The Ministry of Transport and Communications has an option to extend the agreement by 12 months. On 19 September 2017, the Ministry announced the tender process for the Coastal agreement for the period after 2021. For information, see Note 29, Events after statement of financial position date.

NOTE 23 PAYROLL COSTS

(In NOK 1 000)	**2017**	2016
Wages and salaries	**964,599**	911,000
Payroll tax	**90,285**	85,643
Pension costs (Note 18)	**63,295**	61,315
Other benefits (Note 20)	**40,871**	40,967
Total payroll costs	**1,159,050**	1,098,925
Average number of full-time equivalents	**2,198**	2,180

NOTE 24A REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

TOTAL COMPENSATION YEAR 2017

BOARD OF DIRECTORS

(in NOK 1000)	Position	Salary	Pension cost	Other [1]	Fees	Total remuneration
Trygve Hegnar	Chair	-	-	-	**326**	**326**
Petter Anker Stordalen	Director	-	-	-	**137**	**137**
Jonathan Barlow	Director	-	-	-	-	-
Matthew Lenczner	Director	-	-	-	-	-
Total						**462**

EXECUTIVE MANAGEMENT

(in NOK 1000)	Position	Salary	Pension cost	Other [1]	Fees	Total remuneration
Daniel Skjeldam	Chief Executive Officer	6,074	915	7,106	-	**14,096**
Torleif Ernstsen	Chief Financial Officer (From 1 February 2017)	2,756	288	4	-	**3,048**
Asta Lassesen	Chief Commercial Officer (CFO until 1 February 2017)	3,586	331	160	-	**4,077**
Thomas Westergaard	SVP Product and Hotel Operations	2,407	166	106	-	**2,680**
Anne-Marit Bjørnflaten	SVP Communications	1,904	94	11	-	**2,008**
Marit Finnanger	SVP People and Organizational Development	2,400	161	90	-	**2,651**
Robert Grefstad	Chief Information Officer	2,637	182	132	-	**2,951**
Tor Geir Engebretsen[2]	Chief Operations Officer/SVP Maritime	-	-	-	3,796	**3,796**
Arild Kaale	Chief Commercial Officer (until 6 January 2017)	-	-	2,247	-	**2,247**
Total						**37,554**

1) Including bonus, car allowance and severance benefits for outgoing managers.

2) Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT

The company's CEO receives an annual fixed salary of NOK 6 million. Other benefits include bonus, fixed car remuneration and ordinary phone expenses, Internet, newspaper and home computer allowance. The CEO has a time-limited agreement on a performance-related bonus linked to the operating result before depreciation, amortisation and impairments, in which performance is indexed against the adjusted budget operating result before depreciation, amortisation and impairments. This bonus agreement gives the right to one payment of maximum NOK 4 million. The CEO also has an agreement whereby the Board decides the bonus, factoring all the various activities and circumstances during the year. This bonus agreement gives the right to a maximum bonus payment of up to NOK 4 million.

The CEO is included in the company's ordinary defined contribution pension scheme for salaries up to 12G and the defined contribution scheme that provides a pension basis for salaries over 12G. The CEO's conditions of employment do not include any personal pension obligations.

The company's management are members of the company's defined contribution plan. In addition, a supplementary defined contribution pension plan has been established, which provides a pension for any salary in excess of 12 times the National Insurance basic amount (G). The scheme applies to the entire company and covers all employees with salaries over 12G, including members of the executive management and the CEO. The pension costs for the executive management have been included under pension costs above.

A performance-based bonus scheme was introduced for the company's management from 2013. The bonus payments are established applying pre-determined targets/parameters, some of which relate to the Group's overall performance and others to results within managers' individual spheres of responsibility. The maximum bonus for an individual manager is NOK 2 million. The bonus scheme covers certain members of Group management. The CEO has a separate performance-related bonus scheme as described above.

TOTAL COMPENSATION YEAR 2016

BOARD OF DIRECTORS

(in NOK 1000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Trygve Hegnar	Chair	-	-	-	326	**326**
Petter Anker Stordalen	Director	-	-	-	137	**137**
Jonathan Barlow	Director	-	-	-	-	**-**
Matthew Lenczner	Director	-	-	-	-	**-**
Total					**462**	**462**

EXECUTIVE MANAGEMENT

(in NOK 1000)	**Position**	**Salary**	**Pension cost**	**Other [1]**	**Fees**	**Total remuneration**
Daniel Skjeldam	Chief Executive Officer	6,565	915	5,108	-	**12,589**
Asta Lassesen	Chief Financial Officer	2,049	184	860	-	**3,093**
Thomas Westergaard	SVP Product and Hotel Operations	1,896	166	443	-	**2,506**
Anne-Marit Bjørnflaten	SVP Communications	1,528	93	17	-	**1,639**
Marit Finnanger	SVP People and Organizational Development	1,993	154	553	-	**2,701**
Robert Grefstad	Chief Information Officer	1,848	183	132	-	**2,163**
Tor Geir Engebretsen[2]	Chief Operations Officer/SVP Maritime Operations (from 10 August 2016)	-	-	-	1,745	**1,745**
Svein Taklo	Chief Operations Officer/SVP Maritime Operations (until 31 March 2016)	2,176	38	28	-	**2,241**
Arild Kaale	Chief Commercial Officer	2,080	185	118	-	**2,383**
Total						**31,059**

1) Including bonus, car allowance and severance benefits for outgoing managers.

2) Tor Geir Engebretsen is external consultant, and fees stated is excluding VAT

NOTE 24B AUDITOR REMUNERATION

(in NOK 1000)	**2017**	2016
Auditor's fees – statutory auditing	2,947	3,024
Assistance IFRSs, accounting and tax	657	1,286
Other certification services	198	439
Auditor's fees – other assistance	5,888	756
Total	**9,691**	**5,505**

Other assistance fees are primarily remuneration for legal and tax assistance in relation to the potential listing process for the Group. All amounts stated exclude VAT.

NOTE 25 OTHER OPERATING COSTS

(in NOK 1 000)	**2017**	**2016**
Cost of goods sold	**932,437**	791,854
Operating costs	**1,437,891**	1,288,438
Sales and administrative costs	**516,275**	500,947
Total other operating costs	**2,886,603**	2,581,238

Cost of goods sold consists of commissions, flight, hotel and transportation, food and beverage, shop and excursions. Operating costs consists primarily of costs related to the operation of the ships, such as bunker fuel, harbor costs and repair and maintenance.

NOTE 26 OTHER (LOSSES)/GAINS – NET

Other (losses)/gains -net consists of the following items:

(In NOK 1 000)	**2017**	2016
Net gain (loss) on the sale of property, plant and equipment	**266**	(822)
Net unrealised foreign currency loss on balance sheet items	**-9,860**	-
Net gains (loss) on forward currency exchange contracts	**-20,366**	7,100
Net gains (loss) on forward bunker contracts	**-20,626**	(102,116)
Total other (losses)/gains	**(50,586)**	**(95,838)**

Other losses/gains – net consists of gains and losses that results from revaluation of balance sheet items denominated in foreign currencies to functional currencies at balance sheet date, realised gains/losses on forward bunker fuel contracts, and realised and unrealised gains and losses on fair value adjustments on forward currency contracts.

NOTE 27 FINANCE INCOME AND EXPENSES

(in NOK 1 000)	**2017**	2016
Interest income on current bank deposits	**(4,785)**	(2,620)
Foreign exchange gains	**93,558**	305,470
Dividends	**914**	279
Other finance income	**2,258**	777
Finance income	**91,946**	303,907
Interest expenses		
– Borrowings	**(400,827)**	(360,304)
– Other interest expenses	**(9,351)**	(7,159)
– Capitalized interest on prepayments	**16,436**	-
Borrowing fees	**(108,500)**	(21,947)
Foreign exchange losses	**(443,692)**	(86,165)
Other finance expenses	**(177)**	(177)
Other losses [1]	**193**	(1,473)
	(945,918)	(477,225)
Finance expenses – net	**(853,973)**	(173,318)

1 Other losses in 2017 includes losses on sale of financial assets, impairment losses on financial assets and losses on sale of securities.

Foreign exchange gains and losses are related to the Groups EUR denominated borrowings in the amount of NOK 5,504 million at 31 December 2017 (NOK 4,509 million at 31 December 2016). In 2017, NOK depreciated against the EUR, resulting in an exchange loss, while in 2016, the NOK appreciated against the EUR, resulting in an exchange gain.

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are carried out in accordance with the arm's length principle. Related parties is defined as the key management personnel in the company, shareholders and associates. Associates in 2017 include Green Dog Svalbard AS in which the Group has a 50 per cent shareholding. Green Dog supplies dog-related services on Spitsbergen to Spitsbergen Travel AS.

The Group conducted the following transactions with related parties:

TRANSACTIONS WITH ASSOCIATES

(in NOK 1 000)	**2017**	**2016**
Operating revenues		
Sale of services to Green Dog Svalbard	**567**	472
Operating costs		
Purchase of services from Green Dog Svalbard AS	**8,766**	8,698
Net Financial Items		
Interest income from Green Dog Svalbard AS	**8**	47
Balances with Green Dog Svalbard AS at year-end		
Current receivables	**392**	389
Non-current receivables	**0**	525
Current liabilities	**(42)**	(68)
Net balances with Green Dog Svalbard AS as of 31 December	**350**	**846**

TRANSACTIONS WITH SHAREHOLDERS

On 7 February 2017, the Group entered into a loan agreement for a rolling tenure credit facility with the majority shareholder Silk Holding S.a.r.l in the amount of EUR 12 million. The interest is compounded quarterly and payable upon loan redemption. On 14 September 2017, the Group repaid EUR 5,5 million, and net loan balance at 31 December 2017 is EUR 6,5 million.

(in NOK 1 000)	**2017**	**2016**
Net Financial Items		
Interest expense to Silk Holding S.A.R.L.	-14,550	-
Balances with Silk Holding S.A.R.L. at year-end		
Provisions - accrued interest	-14,550	-
Borrowings - short term	63,962	-

Up until 2016, the Group hired offices in Oslo from Home Invest AS which is a sister company of shareholder Home Capital AS, which is in turn owned by director Petter Stordalen. The lease was not of material nature and was terminated in late 2016.

NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

REFINANCING OF SENIOR SECURED BOND AND REVOLVING CREDIT FACILITY

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

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

DELAY IN DELIVERY OF NEWBUILD VESSEL MS ROALD AMUNDSEN

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

Tender for Coastal Ferry Route Bergen-Kirkenes

The Group has an agreement with the Ministry of Transport and Communications to operate the Bergen–Kirkenes coastal route. The agreement entered into force as of 1 January 2012, and applies to the Bergen-Kirkenes route for the period 1 January 2012 through 31 December 2019. The coastal route agreement requires 11 ships, with daily calls to 34 ports along the Norwegian coast. The Ministry of Transport and Communications has an option to extend the agreement by 12 months, and the option has been exercised.

On 23 March 2018, the Ministry of Transport and Communication announced the result of the tender process for the state agreement for the Coastal operations for the period 1 January 2021 until 2030. Hurtigruten was awarded contract for 7 of the total 11 ships. The Group intends to continue with the coastal sailings with additional 3 ships, maintaining daily departures from Bergen, but sailing purely on commercial basis on the days outside the state agreement.

Silk Bidco AS

Parent Company Financial Statements

2017

STATEMENT OF PROFIT AND LOSS

(in NOK 1,000)	*Note*	**2017**	2016
Other operating costs	*12*	**-4,443**	-10,703
Operating profit/(loss)		**-4,443**	-10,703
Finance income	*9*	**434,116**	457,087
Finance expenses	*9*	**-779,848**	-506,171
Finance expenses - net		**-345,732**	-49,084
Profit/(loss) before income tax		**-350,175**	-59,788
Income tax expense	*3*	-	-
Profit/(loss) for the year		**-350,175**	-59,788

STATEMENT OF COMPREHENSIVE INCOME

(in NOK 1,000)	*Note*	**2017**	2016
Profit/(loss) for the year		**-350,175**	-59,788
Other comprehensive income:		-	-
Total comprehensive income for the year		**-350,175**	-59,788
Total comprehensive income for the year attributable to			
Owners of the parent		**-350,175**	-59,788
Total comprehensive income for the year		**-350,175**	-59,788

STATEMENT OF FINANCIAL POSITION

(in NOK 1,000)	*Note*	**2017**	2016
ASSETS			
Non-current assets			
Investments in subsidiaries	*4*	**3,254,232**	3,254,232
Non current receivables intragroup	*5,6,10*	**2,296,109**	2,268,717
Avilable for sale financial instruments	*6*	**49,970**	-
Derivatives financial instruments	*6*	**30,494**	-7,200
Total non-current assets		**5,630,806**	5,515,749
CURRENT ASSETS			
Trade and other receivables	*6*	**104,085**	89,148
Derivative financial instruments	*6*	**16,051**	-
Cash and cash equivalents	*6*	**2,638**	2,771
Total current assets		**122,774**	91,919
Total assets		**5,753,579**	5,607,668
EQUITY			
Equity attribute to owners of the parent			
Ordinary shares	*7,11*	**90**	90
Share premium	*7,11*	**1,826,688**	1,826,688
Other equity not recognized in the income statement	*7,11*	**-**	-
Other equity (loss)	*11*	**-689,162**	-338,987
Total equity		**1,137,616**	1,487,791
LIABILITIES			
Non current liabilities			
Borrowings	*5,6*	**-**	3,993,529
Derivative financial instruments	*6*	**46,545**	-7,200
Total non-current liabilities		**46,545**	3,986,328
Current liabilities			
Trade creditors	*6*	**161**	2,746
Other current liabilities	*6*	**183,845**	129,196
Borrowings	*5,6*	**4,385,095**	-
Current liabilities intragroup	*10*	**318**	1,607
Total current liabilities		**4,569,419**	133,548
Total liabilities		**4,615,964**	4,119,877
Total equity and liabilities		**5,753,579**	5,607,668

Oslo, 24 April 2018

Trygve Hegnar
Chairman

Petter Stordalen
Director

Jonathan Barlow Rosen
Director

Matthew John Lenczner
Director

STATEMENT OF CHANGES IN EQUITY

(in NOK 1,000)	*Note*	Share capital including treasury shares	Share premium	Retained earnings	Total Equity
Balance at 1 January 2016		90	1,826,688	-279,199	**1,547,579**
Profit/(loss) for the year		-	-	-59,788	**-59,788**
					-
Other comprehensive income		-	-	-	**-**
Total comprehensive income		-	-	-59,788	**-59,788**
Transactions with owners					
Contribution of equity		-	-	-	**-**
Distribution to owners		-	-	-	**-**
Total transactions with owners		-	-	-	**-**
Balance at 31 December 2016		90	1,826,688	-338,987	**1,487,791**
Balance at 1 January 2017		90	1,826,688	-338,987	**1,487,791**
Profit/(loss) for the year		-	-	-350,175	**-350,175**
					-
Other comprehensive income		-	-	-	**-**
Total comprehensive income		-	-	-350,175	**-350,175**
Transactions with owners					
Contribution of equity		-	-	-	**-**
Distribution to owners		-	-	-	**-**
Total transactions with owners		-	-	-	**-**
Balance at 31 December 2017		90	1,826,688	-689,162	**1,137,616**

CASH FLOW STATEMENT

(in NOK 1,000)	*Note*	2017	2016
Cash flows from operating activities			
Profit/(loss) before income tax		**-350,175**	-59,788
Adjustments for:			
Depreciation, amortisation and impairment losses		**51,073**	7,790
Agio/disagio		**163,114**	-242,379
Interest expenses		**324,650**	319,251
Change in working capital:			
Trade and other receivables		**-15,649**	20,163
Trade and other payables		**6,616**	-8,675
Interest income (from HA)		**172,415**	-
Interest paid		**-309,775**	-321,706
Net cash flows from (used in) operating activities		**42,269**	-285,344
Cash flows from investing activities			
Purchases of shares in other companies	*6*	**-49,970**	-
Borrowings to subsidiary		**8,068**	278,146
Net cash flows from (used in) investing activities		**-41,902**	278,146
Cash flows from financing activities			
Net cash flows from (used in) financing activities		**-**	-
Net (decrease)/increase in cash and cash equivalents		**367**	-7,198
Cash and cash equivalents at 1 January		**2,271**	9,984
Foreign exchange gains/(losses) on cash, cash equivalenets and bank overdra		**-**	-15
Cash and cash equivalents at 31 December		**2,638**	2,771

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Silk Bidco AS is owned by Silk Midco AS and the ultimate parent company Silk Topco AS. Silk Bidco AS is the parent in the Silk Bidco Group. The purpose of Silk Bidco AS is holding a bond loan and direct ownership of Hurtigruten Explorer AS and Hurtigruten AS, which operates the main activity of the group.

The information provided in the consolidated financial statements covers the company to a significant degree. Please refer to the consolidated financial statement of the Group for a description of the operative activities within the Group. The financial statements of Silk Bidco AS for the year ended December 31, 2017 were authorized for issue by the Board of Directors on April 24, 2018. The financial statement of the company has been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on January 21, 2008. The company's significant accounting principles are consistent with the accounting principles of the Group, as described in Note 1 of the consolidated financial statement. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the Group's Consolidated Financial Statements (hereinafter referred to as the Consolidated Financial Statements). The option in the regulation for simplified IFRS which the company has utilized in recognition, and measurement and which differ from the consolidated financial statements are:

- Dividends and group contribution
  Dividend and group contributions are recognized in accordance with the Accounting Act and recognized in the reporting period to which they relate.
- Investments in subsidiaries and associates
  Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at cost according to IAS 39.

NOTE 2 FINANCIAL RISK

As a result of ordinary operations expose the company to risk related to fluctuations in exchange and interest rates. The company is covered by the Groups hedging strategy. Further information can be found in the consolidated group accounts.

MARKET RISK

a) Currency risk

The company has significant loan receivables and payables in foreign currencies and is thus exposed to currency risk.

b) Price risk

The company have because of its limited business no significant price risk.

c) Cash flow risk

The company have because of its limited business no significant cash flow risk.

d) Interest risk

The companys loans and draws of the Group accounts are made at floating rates. No hedges are made to reduce interest risk.

CREDIT AND LIQUIDITY RISK

The company is exposed to credit and liquidity risk. The companys strategy is to have sufficient cash or credit facilities to finance ongoing operations.

NOTE 3 INCOME TAX

THE INCOME TAX EXPENSE FOR THE YEAR CAN BE BROKEN DOWN AS FOLLOWS

(in NOK 1,000)	**2017**	2016
Income tax payable	**-2,703**	-
Change in deferred income tax assets	**2,703**	-
Total income tax expense	**-**	-

CALCULATION OF TAX BASIS FOR THE YEAR

(in NOK 1,000)	**2017**	2016
Profit/(loss) before tax	**-350,175**	-59,788
Permanent differences	**-11,264**	-
Group contribution	**11,264**	-
Tax basis for the year	**-350,175**	-59,788

SUMMARY OF TEMPORARY DIFFERENCES

(in NOK 1,000)	**2017**	2016
Tax loss carryforward	**-689,162**	-338,987
Basis for unrecognised deferred income tax assets	**-689,162**	338,987
Total temporary differences	**-**	-
Estimated deferred income tax assets	**-**	-
Estimated deferred income tax assets not booked	**165,399**	84,747
Tax rate applied	**24 %**	25 %

The deferred income tax assets relating to tax loss carryforwards are recognised in the statement of financial position to the extent that the Company can utilise the tax loss carryforward against future taxable income. On grounds of prudence the Company has elected not to recognise the deferred income tax asset relating to the tax loss for the year. Tax losses may be carried forward for an indefinite period in Norway. Tax loss carryforwards as of 31 December 2017 amounted to NOK 689.2 million.

NOTE 4 INVESTMENTS IN SUBSIDIARIES

(NOK 1,000)	**Registered office**	**Ownership/voting share**	**Book value**
Hurtigruten AS	Tromsø, Norway	100 %	3,254,182
Hurtigruten Explorer AS	Tromsø, Norway	100 %	50

NOTE 5 RECEIVABLES AND LIABILITIES

RECEIVABLES THAT MATURE IN MORE THAN ONE YEAR

Receivables that mature in more than one year		
(in NOK 1 000)	**2017**	2016
Non current receivables intragroup	**2,296,109**	2,268,716
Total receivables that mature in more than one year	**2,296,109**	2,268,716

MATURITY PROFILE OF NOMINAL BORROWING

(in NOK 1 000)	**2017**	2016
Borrowings	**4,385,095**	3,993,529
Total liabilities that mature after more than one year	**4,385,095**	3,993,529

REPAYMENT PROFILE FOR INTEREST-BEARING LIABILITIES

Repayment profile for interest-bearing liabilities		
(in NOK 1 000)		
2017	**-**	-
2018	**4,385,095**	-
2019	**-**	-
2020	**-**	-
2021	**-**	-
2022	-	3,993,529
Maturity of total liabilities	**4,385,095**	3,993,529

The Group's main source of financing is a bond listed and freely traded on the Euro MTF market operated by the Luxembourg Stock Exchange. The bond has a face value of EUR 455 million. In addition The Group has a multicurrency revolving credit facility of EUR 65 million arranged by Goldman Sachs, which can be drawn in different currencies. The revolving credit facility was increased by EUR 20 million on 3. March 2017. The facility was fully drawn as at 31 December 2017.

In February 2018, the Group entered into a Senior Secured Credit Facility of EUR 575 million and a Revolving Credit Facility of EUR 85 million. The existing Senior Secured Bond of EUR 455 million and the revolving Credit facility of EUR 85 million were terminated. Hence, the bond and revolving credit facility are classified as current borrowings in the Group's financial statements as at 31 December 2017.

COLLATERALIZED ASSETS

Silk Bidco AS as well as its subsidiaries Hurtigruten AS, Hurtigruten Sjø AS and Hurtigruten Pluss AS has pledged all assets, including shares in subsidiaries, as security for the above loans. Hurtigruten AS has the same loan terms as those of Silk Bidco AS. Hurtigruten AS shall pay interest and repayments to Silk Bidco AS in EUR corresponding to the interest payments on the outstanding bond loan to Silk Bidco AS.

(in NOK 1 000)	**2017**	2016
Booked value of collateralized assets	**5,619,424**	5,607,668

NOTE 6A FINANCIAL INSTRUMENTS BY CATEGORY

The following principles has been used for subsequent measurement of financial assets and liabilities:

AS AT 31 DECEMBER 2017

(in NOK 1 000)	Loans and receivables	Asset at fair value through profit and loss	Asset at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Non-current recivables intragroup	2,296,109	-	-	-	**2,296,109**
Avilable for sale financial instruments	-	-	49,970	-	**49,970**
Total derivatives	-	-	-	46,545	**46,545**
Trade and other receivables, current	104,085	-	-	-	**104,085**
Cash at bank, current	2,638	-	-	-	**2,638**
Total	**2,402,832**	**-**	**49,970**	**46,545**	**2,499,347**

(in NOK 1 000)	Liabilites at fair value throug profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Derivatives	-	46,545	-	**46,545**
Borrowings, current	-	-	4,385,095	**4,385,095**
Trade and other libalities	-	-	184,324	**184,324**
Total	**-**	**46,545**	**4,569,419**	**4,615,964**

Carrying amount of short term receivables, payables and borrowings is assessed to not differ materially from fair value.

AS AT 31 DECEMBER 2016

(in NOK 1 000)	Loans and receivables	Asset at fair value through profit and loss	Asset at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Non-current recivables intragroup	2,268,716	-	-	-	**2,268,716**
Total derivatives	-	-	-	-7,200	**-7,200**
Trade and other receivables, current	89,148	-	-	-	**89,148**
Cash at bank, current	2,771	-	-	-	**2,771**
Total	**2,360,635**	**-**	**-**	-7,200	**2,353,435**

(in NOK 1 000)	Loans and receivables	Asset at fair value through profit and loss	Asset at fair value through OCI	Derivatives used for hedging	Total
Liabilities as per balance sheet					
Borrowings, non-current	3,993,529	-	-	-	**3,993,529**
Derivatives	-		-	-7,200	**-7,200**
Trade and other payables	133,549	-	-	-	**133,549**
Total	**4,127,077**	**-**	**-**	-7,200	**4,119,877**

Carrying amount of short term receivables, payables and borrowings is assessed to not differ materially from fair value.

NOTE 6B CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(in NOK 1 000)	**2017**	2016
Cash bank and short-term bank deposits		
A	**2,638**	2,771
Counterparties without external credit ratings	**-**	-
Total bank deposits	**2,638**	2,771
Cash on hand	**-**	-
Total cash and short-term bank deposits	**2,638**	2,771

NOTE 7 PAID-IN EQUITY

(in NOK 1 000)	Number of shares	Share premium	Nominal value	Total
Share capital	30	1,826,688	90	1,826,778

Shareholders	Number of shares	Shareholding (%)
Silk Midco AS	30	100.00

All shares carry the same rights in the company.

NOTE 8 REMUNERATION

AUDIT REMUNERATION

(in NOK 1,000)	**2017**	2016
Auditor's fees – statutory auditing	**290**	232
Other certification services	**9**	-
Auditor's fees – other assistance	**159**	415
Total other operating costs	**457**	647

The company has no employees and there is as such no obligation to establish an obligatory service pension plan according to the Norwegian service plan act.

NOTE 9 FINANCIAL INCOME AND EXPENSES

(in NOK 1 000)	**2017**	2016
Interest income intragroup	**220,723**	207,686
Other finance income	**11,264**	2
Interest income on current bank deposits	**0**	-
Foreign exchange gains	**202,129**	249,399
Total finance income	**434,116**	457,087

(in NOK 1 000)	**2017**	2016
Interest expenses		
- Borrowings	**-428,532**	-319,249
- Fees borrowings	**-**	-24,928
- Other interest expenses	**-**	-4
Foreign exchange losses	**-351,315**	-161,990
Other financial costs	**-**	-
Total financial expenses	**-779,848**	-506,171
Finance expenses - net	**-345,732**	-49,084

NOTE 10 RELATED PARTIES

TRANSACTIONS WITH GROUP COMPANIES

(in NOK 1 000)	**2017**	**2016**
Purchase of services from Group companies		
Hurtigruten Pluss AS	**318**	307
Purchase of services from Group companies	**318**	307
Interest income from Group companies		
Hurtigruten AS	**178,177**	187,908
Total interest income from Group companies	**178,177**	187,908
Fee borrowings received from Group		
Hurtigruten AS	**42,545**	19,777
Total fee borrowings received from Group	**42,545**	19,777

INTRAGROUP BALANCES

Non-current receivables due from Group companies		
Hurtigruten AS	**2,296,109**	2,268,717
Total non-current receivables due from Group companies	**2,296,109**	2,268,717

Trade and other current receivables from Group companies		
Hurtigruten AS	**92,771**	87,828
Silk Topco AS	**-**	228
Silk Midco AS	**-**	77
Hurtigruten Explorer AS	**50**	302
Hurtigruten Eiendom AS	**1,033**	-
Hurtigruten Plus AS	**10,231**	-
Trade and other current receivables from Group companies	**104,085**	88,435

Trade payables and other current payables to Group companies		
Hurtigruten Plus AS	**318**	-
Hurtigruten AS	**-**	1,607
Total trade payables and other current payables to Group companies	**318**	1,607

NOTE 11 EQUITY

(in NOK 1 000)	Share capital	Share Premium	Other equity	Total equity
Equity 1 January 2017	90	1,826,688	-338,988	1,487,791
Profit/loss for the year	-	-	-350,174	-350,174
Equity 31 December 2017	**90**	**1,826,688**	**-689,162**	**1,137,616**

(in NOK 1 000)	Share capital	Share Premium	Other equity	Total equity
Equity 1 January 2016	90	1,826,688	-279,199	1,547,579
Profit/loss for the year	-	-	-59,789	-59,789
Equity 31 December 2016	**90**	**1,826,688**	**-338,988**	**1,487,791**

NOTE 12 OPERATING COSTS

(in NOK 1,000)	2017	2016
Legal services	**929**	5,806
Insurance premiums	**223**	294
Other services	**3,239**	4,944
Foreign exchange gains and losses	**51**	-341
Total other operating costs	**4,443**	**10,703**

NOTE 13 EVENTS AFTER BALANCE SHEET DATE

There are no material events after balance sheet date related to Silk Bidco AS. For events after balance sheet date related to the Group, please see note 29 in the Consolidated Annual Financial Statements.

To the General Meeting of Silk Bidco AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Silk Bidco AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers AS, Muségata 1, Postboks 6128, NO-9291 Tromsø
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Tromsø, 24 April 2018
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant