

First half and second quarter report 2020



Hurtigruten Group AS Consolidated Interim Financial Statements January – June 2020

Published 27 August 2020

Summary

- Due to the Covid-19 pandemic travel restrictions, Hurtigruten temporarily suspended most of the operations from 18th March.
- From 18th of March 2 out of 16 ships were kept in operation on a shortened route in Northern Norway serving local communities with freight and local transport services.
- From 16th of June operations were gradually resumed when 4 ships started operating in the Coastal segment. 1 Expedition ship starting operations out of Hamburg on the 26th of June.
- Revenue in the first half of 2020 down 39.5% to EUR 171.5 million (first half of 2019: EUR 283.5 million). First half of 2020 normalized EBITDA before other gains and losses of EUR 15.2 million (first half of 2019; EUR 64.2 million) which is a decrease of 76.3% driven by the travel restrictions introduced to battle the Covid-19 pandemic.
- Revenue in Q2 2020 was down 79.7% to EUR 31.4 million (Q2 2019: EUR 154.1 million).
- Q2 2020 normalized EBITDA before other gains and losses of negative EUR 4 million (Q2 2019; EUR 44.7 million) which is a decrease of 108.9% driven by the travel restrictions introduced to battle the Covid-19 pandemic.
- In June Hurtigruten raised an additional TLB of EUR 105 million to significantly improve the liquidity position of the Group.
- As of 30th of June Hurtigruten had a liquidity position of approximately EUR 173.7 million of cash and cash equivalents and another EUR 32 million in expected and committed Covid-19 government backed loans and grants.
- 2021 Pre-booking levels for the period Q2-Q4 2021 are developing as planned and is as of 24th of August 10% higher than same time last year.
- We are experiencing some weakness in the booking level for Q1 2021 due to the increasing infection levels of Covid-19 in Europe and South America where the booking levels for Q1 2021 as of 24th of August are 28% lower compared to Q1 2020 same time last year.

Key figures^{1,2,3,4}

EUR 1 000	2nd quarter 2020	2nd quarter 2019	% Change	01.01-30.06 2020	01.01-30.06 2019	% Change	Full year 2019
Operational revenues	12,253	135,616	-91.0 %	131,337	246,483	-46.7 %	536,252
Contractual revenues	19,098	18,465	3.4 %	40,189	37,028	8.5 %	72,563
Total revenue	31,352	154,082	-79.7 %	171,526	283,511	-39.5 %	608,815
EBITDA	(11,048)	38,497	-128.7 %	8,764	54,194	-83.8 %	123,169
Other gains/(losses) – net	(7,072)	(1,096)	545.5 %	(6,034)	(2,987)	102.0 %	(5,619)
EBITDA excl Other gains (losses)	(3,975)	39,592	-110.0 %	14,798	57,180	-74.1 %	128,788
Normalised adjusted EBITDA	(3,975)	44,701	-108.9 %	15,254	64,418	-76.3 %	144,989
Norwegian Coast							
PCNs	21,194	354,112	-94.0 %	248,556	678,460	-63.4 %	1,313,956
Gross ticket yield	106	308	-65.5 %	257	273	-6 %	278
Occupancy rate	5.3 %	86.6 %	-81 p.p.	32.0 %	84.5 %	-53 p.p.	81.2 %
Expedition							
PCNs	735	26,864	-97.3 %	79,218	78,298	1.2 %	221,591
Gross ticket yield	(77)	570	-113.4 %	636	523	22 %	610
Occupancy rate	0.5 %	51.6 %	-51 p.p.	29.9 %	73.0 %	-43.1 p.p.	77.0 %

¹ The figures presented in this report are unaudited.

² Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring. EBITDA for 1H and Q2 2020 is not adjusted for Covid-19 effects and the remaining normalizations are immaterial in Q2 2020.

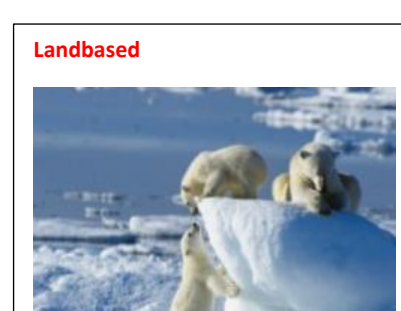
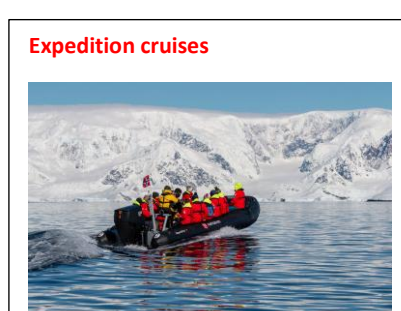
³ Occupancy rate is calculated based on APCN (available capacity) including any laid up period. In 2020, due to the Covid-19 pandemic, the majority of the ships were in warm-stack since the middle of March. Adjusting APCN for the laid-up period caused by the Covid-19 pandemic, including only the available capacity on the actual sailings, the occupancy rate was 27% for Q2 2020 and 62% for 1H 2020 for the Norwegian Coast segment, and 28% for Q2 2020 and 84 % for 1H 2020 for the Expedition segment.

⁴ On January 1st 2020, the Group changed reporting currency to EUR, at the same time as the parent company and the major subsidiaries in the Group changed the functional currency to EUR. See note 1 to the Interim Financial Statements.

About Hurtigruten

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 16 expedition cruise vessels, where the new tailor-made expedition cruise vessels MS Roald Amundsen was delivered in June 2019, and MS Fridtjof Nansen was delivered in December 2019. Hurtigruten opens a unique gateway to experiences all over the world from the Arctic to warmer waters and down to Antarctica and along the Norwegian coast to travelers from all over the world. Hurtigruten's operations builds on a rich heritage, having connected the many coastal communities in Norway since 1893 and has operated expedition cruises since 1896 with the first sailing from Hammerfest to Svalbard. Today, Hurtigruten combines a deeply rooted desire to offer genuine local experiences while leaving a smaller footprint when shaping the future of the growing expedition cruise market. For more information on Hurtigruten, please visit <http://www.hurtigruten.no/>.

Hurtigruten has three business segments:



Hurtigruten Norwegian Coast

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

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

From 2021 this segment will operate 7 ships under the new State agreement compared to 11 ships today. The segment accounted for 73% of group revenues for the full year of 2019 and 61% of revenues in the first half of 2020.

Expedition cruises

The second largest segment offering unique expedition cruises using the vessels MS Fridtjof Nansen, MS Roald Amundsen, MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and Expedition cruises segments) as well as MS Nordstjernen which is leased and operated on the archipelago of Svalbard in the summer season. The Expedition cruises segment was strengthened in 2019 with the two new purpose-built 530 passenger polar cruise vessels MS Roald Amundsen and MS Fridtjof Nansen, the latter having its first showcase

sailings in March 2020. The segment accounted for 22% of group revenues for the full year 2019 and 29% of revenues in the first half of this year. From 2021 the Expedition Cruises segment will be Hurtigruten's largest segment when three of the largest vessels from the Hurtigruten Norwegian Coast segment will be transferred to the Expedition Cruises segment.

Landbased

Comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard and Kirkenes. Hurtigruten Svalbard operates three hotels, one equipment store, one sports retail store. In addition, the segment also included the 50% ownership in Hurtigruten Barents which owns real-estate in Kirkenes. This segment accounted for 5% of the total revenues for the full year of 2019, and 4% of the revenues in the first half of 2020.

Group Function & other

This segment includes all the cost associated with the head office including group management and all cost associated with supporting the operational business segments with strategy, funding, liquidity and other operational support. Costs related to sales, marketing and brand building is not allocated to the different operational business segments as the commercial organisation is distributing services across all the operational segments. For 2020 Q2 this also includes the revenue from the "Covid-19 government grant" for companies severely affected by Covid-19 for the period of March-May.

Operational review

In the first half of 2020, Hurtigruten was in an unprecedented situation, where for the first time in 127 years, 14 of the 16 ships lay idle due to the Covid-19 pandemic. The pandemic has significantly affected the Norwegian and Global demand for travel related services.

In the middle of March, Hurtigruten had to terminate the majority of ongoing cruises, send the passengers on board home, and cancel the subsequent planned cruises. Operations were gradually resumed in June, with the first sailing in the Coastal segment starting 16th of June. As of 19th of August 2020, we have 6 ships in the Coastal segment operating. All expedition ships are temporary laid up. Further, the management has temporarily laid off a large majority of the Group's employees, but as operations resume, we will gradually take back employees.

The Group's financial performance in the first half and second quarter of 2020 has been severely impacted by the Covid-19 pandemic. Before the pandemic hit, the travel industry was growing, operations were strong, with substantial growth year over year.

Operations almost fully stopped in the last weeks of March and this continued throughout 1H of 2020. Normalized adjusted EBITDA decreased from EUR 64.4 million to EUR 15.3 million in H1 and Q2. Normalised adjusted EBITDA decreased from 44.7 million to negative EUR 4.0 million.

There was underlying growth in January and February driven both by the inclusion of MS Roald Amundsen to the expedition fleet, giving an increased capacity, as well as a significant growth in yield in both the Expedition and Coastal segment before the Covid-19 pandemic broke out.

Total reported Q2 EBITDA decreased with EUR 49.5 million from EUR 38.5 million to negative EUR 11.0

million, while 1H EBITDA decreased with EUR 45.4 million (83.8%) compared to same period last year.

Total Passenger Cruise Nights (PCN) for the Norwegian Coast segment decreased with 94 % in Q2 and 63.4% in 1H of 2020 compared to the same period last year due to the Covid-19 pandemic. For the Expedition segment there was an increase in Total Passenger Cruise Nights of 1.2% in 1H, and a decrease of 97.3% in Q2 compared to the same periods last year.

In the second quarter of 2020, the occupancy for the Norwegian Coast segment decreased 81 pp to 5.3%, and in H1 53 pp. to 32% driven by the suspension of operations in March due to Covid-19. The occupancy rate for the Expedition segment decreased 51 pp to 0.5% in the second quarter and 43.3 pp. to 29.7% for H1 driven by the same reason. The occupancy rate is calculated based on ACPN (available capacity) including any laid-up period. In 2020, due to the Covid-19 pandemic, the majority of the ships were in warm-stack since the middle of March, giving a higher occupancy rate than what was actually the case for the ships in operation.

Maritime operations continued to perform well across the company and there were no material incidents in the first half of 2020. The two ships, MS Richard With and MS Vesterålen, operated a shorter route, between Bodø and Kirkenes, until 16th of June.

Hurtigruten had a strong position with record level pre-booking going into 2020 and a healthy financial outlook. Due to the Covid-19 pandemic short-term bookings have seen a negative impact though we still see an inflow of 2021 bookings especially for the period Q2-Q4 2021. Pre-booking levels for Q2-Q4 2021 as of 24nd of August are 10% higher compared with same time last year for 2020 and pre bookings for Q1 2021 are 28% lower compared to same time last year.

Results of operations

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

(in EUR 1 000)	2nd quarter	2nd quarter	%	01.01-30.06	01.01-30.06	Full year
Total operating revenues	2020	2019	Change	2020	2019	2019
Hurtigruten Norwegian Coast	21,495	129,152	-83.4%	105,459	225,338	444,040
Expedition	(30)	15,322	-100.2%	50,442	40,937	135,190
Landbased	1,137	9,949	-88.6%	7,086	17,593	30,432
Group functions, Other and Eliminations	8,750	(342)	2658.4%	8,539	(357)	(847)
Total	31,352	154,082	-79.7%	171,526	283,511	608,815
Operating profit/(loss)						
Hurtigruten Norwegian Coast	1,494	44,511	-96.6%	18,134	65,300	132,009
Expedition	(15,208)	727	-2192.1%	3,479	8,592	39,112
Landbased	(1,228)	2,063	-159.5%	(1,535)	3,063	1,392
Group functions, Other and Eliminations	(11,585)	(22,008)	47.4%	(35,248)	(48,646)	(105,113)
Total	(26,527)	25,292	204.9%	(15,169)	28,309	67,400
EBITDA						
Hurtigruten Norwegian Coast	9,211	54,083	-83.0%	31,661	82,555	168,156
Expedition	(10,448)	2,123	-592.1%	12,747	12,458	47,571
Landbased	(495)	2,784	-117.8%	(25)	4,548	4,558
Group functions, Other and Eliminations	(9,315)	(20,493)	54.5%	(35,620)	(45,368)	(97,116)
Total	(11,048)	38,497	-128.7%	8,764	54,194	123,169
EBITDA margin						
Hurtigruten Norwegian Coast	42.8 %	41.9 %	1.0 p.p.	30.0 %	36.6 %	37.9 %
Expedition	34397.4 %	13.9 %	34383.5 p.p.	25.3 %	30.4 %	35.2 %
Landbased	-43.5 %	28.0 %	-71.5 p.p.	-0.3 %	25.9 %	15.0 %
Group functions, Other and Eliminations	NM	NM		NM	NM	
Total	-35.2%	25.0%	-2.4 p.p.	5.1%	19.1%	20.2%
Normalized adjusted EBITDA						
Hurtigruten Norwegian Coast	11,553	55,984	-79.4 %	38,490	87,285	176,352
Expedition	(10,812)	5,996	-280.3 %	7,665	15,840	55,671
Landbased	(536)	2,775	-119.3 %	(100)	4,530	4,325
Group functions, Other and Eliminations	(4,180)	(20,053)	79.2%	(30,801)	(43,237)	(91,359)
Total	(3,975)	44,701	-108.9%	15,254	64,418	144,988

*) Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring. EBITDA for 1H and Q2 2020 is not adjusted for Covid-19 effects and the remaining normalizations are immaterial in Q2 2020.

Segment review

Hurtigruten Norwegian Coast

<i>EUR 1 000</i>	2nd quarter 2020	2nd quarter 2019	Change	01.01-30.06 2020	01.01-30.06 2019	Change	Full year 2019
Operational revenues	2,397	110,687	-97.8 %	65,270	188,310	-65.3 %	371,477
Contractual revenues	19,098	18,465	3.4 %	40,189	37,028	8.5 %	72,563
Total revenue	21,495	129,152	-83.4 %	105,459	225,338	-53.2 %	444,040
EBITDA	9,211	54,083	-83.0 %	31,661	82,555	-61.6 %	168,156
Other gain/(losses) - net	(2,342)	(1,202)	94.9 %	(6,416)	(3,798)	68.9 %	(5,826)
EBITDA excl other gains/(losses)	11,553	55,285	-79.1 %	38,077	86,353	-55.9 %	173,982
Normalised adjusted EBITDA	11,553	55,984	-79.4 %	38,490	87,285	-55.9 %	176,352

**) Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring. EBITDA for 1H and Q2 2020 is not adjusted for Covid-19 effects and the remaining normalizations are immaterial in Q2 2020.*

The following table does not include the State agreements contractual revenue, nor the goods and other operating revenue originated by the Norwegian Coast activity.

<i>EUR 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter</i>	2nd quarter 2020	2nd quarter 2019	01.01-30.06 2020	01.01-30.06 2019	Full year 2019
PCNs	21,194	354,112	248,556	678,460	1,313,956
APCNs	397,518	409,120	777,296	802,644	1,619,108
Occupancy rate ¹⁾	5.3%	86.6%	32.0%	84.5%	81.2%
Gross ticket revenues	2,252	109,186	63,810	185,368	365,744
Less:					
Commissions, costs of goods for flights, hotels, transportation and other passenger services	268	19,658	10,618	34,157	63,511
Food, beverage, shop, excursions	(1,735)	11,350	5,804	21,503	41,725
Net ticket revenues	3,719	78,178	47,388	129,709	260,508
Gross ticket revenues per PCN (EUR)	106	308	257	273	278
Net ticket revenues per PCN (EUR)	175	221	191	191	198
Ship operating costs	9,887	73,620	67,190	138,506	268,975
Selling, general and administrative expenses	56	247	191	479	1,072
Gross cruise costs	9,943	73,867	67,382	138,985	270,047
Less:					
Commissions, costs of goods for flights, hotels, transportation and other passenger services	268	19,658	10,618	34,157	63,511
Food, beverage, shop, excursions	(1,735)	11,350	5,804	21,503	41,725
Net cruise costs	11,410	42,860	50,960	83,325	164,811
Net cruise costs per APCN (EUR)	29	105	66	104	102
Fuel consumption (liter/nautical mile)	123.2	78.2	107.3	79.1	80.3
Fuel cost per liter	1.32	0.73	1.07	0.74	0.73

¹⁾ Occupancy rate is calculated based on APCN (available capacity) including any laid-up period. In 2020, due to the Covid-19 pandemic, the majority of the ships were in warm-stack since the middle of March. Adjusting APCN for the laid-up period caused by the Covid-19 pandemic, including only the available capacity on the actual sailings, the occupancy rate was 26.9% for Q2 2020 and 61.5% for 1H 2020.

Operational revenue excluding the contractual income from the Norwegian state agreement, decreased from EUR 110.7 million to EUR 2.4 million in the second quarter. In 1H of 2020 the decrease was from EUR 188.3 million to EUR 65.3 million compared to same period last year as a result of warm-stacking 13 ships due to Covid-19. The decreased occupancy in first half of 2020 is mainly due to the pandemic Covid-19 and halted operations from mid-March, with a small-scale start-up of

operations on 16th of June. During the second quarter until 16th of June only 2 ships have been sailing between Bodø and Kirkenes, mainly for local transportation and freight to communities in the north of Norway. The remaining ships have been warm stacked along different ports in Norway. Actual warm stack cost excluding passenger costs for Q2 was approx. EUR 2.3 million per month for the 9 ships in the Coastal fleet.

Expedition cruises

EUR 1 000	2nd quarter 2020	2nd quarter 2019	Change	01.01-30.06 2020	01.01-30.06 2019	Change	Full year 2019
Operational revenues	(30)	15,322	-100.2 %	50,442	40,937	23.2 %	135,190
Total revenue	(30)	15,322	-100.2 %	50,442	40,937	23.2 %	135,190
EBITDA	(10,448)	2,123	-592.1 %	12,747	12,458	2.3 %	47,571
Other gain/(losses) - net	364	(52)	-794.8 %	6,955	823	744.6 %	298
EBITDA excl other gains/(losses)	(10,812)	2,175	-597.0 %	5,792	11,635	-50.2 %	47,273
Normalised adjusted EBITDA	(10,812)	5,996	-280.3 %	7,665	15,840	-51.6 %	55,671

*) Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring. EBITDA for 1H and Q2 2020 is not adjusted for Covid-19 effects and the remaining normalizations are immaterial in Q2 2020

EUR 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter	2nd quarter 2020	2nd quarter 2019	01.01-30.06 2020	01.01-30.06 2019	Full year 2019
PCNs	735	26,864	79,218	78,298	221,591
APCNs	160,170	52,096	264,679	107,285	287,696
Occupancy rate ¹⁾	0.5 %	51.6 %	29.9 %	73.0 %	77.0 %
Gross ticket revenues	(56)	15,322	50,416	40,937	135,205

Less:

Commissions, costs of goods for flights, hotels, transportation and other passenger services	(35)	3,657	10,428	10,246	35,103
Food, beverage, shop, excursions	690	1,190	4,604	2,484	7,594
Net ticket revenues	(712)	10,475	35,385	28,208	92,508
Gross ticket revenues per PCN (EUR)	(77)	570	636	523	610
Net ticket revenues per PCN (EUR)	(969)	390	447	360	417
Ship operating costs	10,767	13,119	44,627	29,248	87,521
Selling, general and administrative expenses	15	28	23	55	396
Gross cruise costs	10,782	13,147	44,650	29,303	87,917

Less:

Commissions, costs of goods for flights, hotels, transportation and other passenger services	(35)	3,657	10,428	10,246	35,103
Food, beverage, shop, excursions	690	1,190	4,604	2,484	7,594
Net cruise costs	10,126	8,300	29,619	16,573	45,220
Net cruise costs per APCN (EUR)	63	159	112	154	157
Fuel consumption (liter/nautical mile)	445.2	82.3	275.0	87.5	87.3
Fuel cost per liter	0.51	0.65	0.70	0.68	0.69

¹⁾Occupancy rate is calculated based on APCN (available capacity) including any laid-up period. In 2020, due to the Covid-19 pandemic, the majority of the ships were in warm-stack since the middle of March. Adjusting APCN for the laid-up period caused by the Covid-19 pandemic, including only the available capacity on the actual sailings, the occupancy rate was 28% for Q2 2020 and 84% for 1H 2020.

The Expedition segment had a very strong start in the 1H of 2020, and the growth was set to continue with the introduction of MS Fridtjof Nansen in the second quarter. However, given the Covid-19 impact, all expedition sailings were suspended for the second quarter, but operations were resumed in end of June with MS Fridtjof Nansen sailing from Hamburg to the Norwegian Coast.

The gross ticket revenue was negative EUR 0.03 million for the second quarter compared to EUR 15.3 million for the same period last year. For the first half of 2020, revenues were up 23.2% from EUR 40.9 million to EUR 50.4 million despite the Covid-19 pandemic. This is due to the inclusion of MS Roald Amundsen in second half of 2019. Net ticket revenue

for the second quarter was down EUR 11.2 million compared to the same period last year, while for the first half year net ticket revenue was up with EUR 7.1 million from last year to EUR 35.4 million.

Net cruise cost is heavily influenced by the Covid-19 pandemic in the first half of 2020 with the Expedition fleet being repositioned back to Norway after halting the Southern Hemisphere season in March.

The performance of the Expedition segment in 2020 will depend on the development of the pandemic and when we will be able to resume operations.

Landbased

The Landbased segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard in addition a 50% ownership in Hurtigruten Barents which owns real estate used for excursions and services provided to Hurtigruten. Hurtigruten Svalbard operates three hotels and two equipment stores.

EUR 1 000	2nd quarter 2020	2nd quarter 2019	Change	01.01-30.06 2020	01.01-30.06 2019	Change	Full year 2019
Operational revenues	1,137	9,949	-88.6 %	7,086	17,593	-59.7 %	30,432
Total revenue	1,137	9,949	-88.6 %	7,086	17,593	-59.7 %	30,432
EBITDA	(495)	2,784	-117.8 %	(25)	4,548	-100.5 %	4,558
Other gain/(losses) - net	41	9	335.3 %	75	18	322.6 %	23
EBITDA excl other gains/(losses)	(536)	2,775	-119.3 %	(100)	4,530	-102.2 %	4,536
Normalised adjusted EBITDA	(536)	2,775	-119.3 %	(100)	4,530	-102.2 %	4,325

*) Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring. EBITDA for 1H and Q2 2020 is not adjusted for Covid-19 effects and the remaining normalizations are immaterial in Q2 2020.

The Landbased segment had in 1H 2019 operational revenue of EUR 17.6 million compared to EUR 7 million in 2020 which was a decrease of 59.7%. In Q2 2020 we saw a decrease in operational revenues of 88.6% compared to the same period last year, from EUR 9.9 million to EUR 1.1 million. The decrease is mainly driven by the effects of the Covid-

19 pandemic on operations with Svalbard being closed for visitors until June.

EBITDA decreased with EUR 4.6 million in H1 2020 compared to the same period last year. In Q2 2020 EBITDA decreased with EUR 3.3 compared with Q1 2019.

Group Functions, Other and Eliminations

<i>EUR 1 000</i>	2nd quarter 2020	2nd quarter 2019	Change	01.01-30.06 2020	01.01-30.06 2019	Change	Full year 2019
Operational revenues	8,750	(342)	2661.1 %	8,539	(357)	2490.6 %	(847)
Total revenue	8,750	(342)	2661.1 %	8,539	(357)	2490.6 %	(847)
EBITDA	(9,315)	(20,493)	54.5 %	(35,620)	(45,368)	21.5 %	(97,298)
Other gain/(losses) - net	(5,136)	149	-3542.6 %	(6,648)	(29)	-22499 %	(113)
EBITDA excl other gains/(losses)	(4,180)	(20,643)	79.8 %	(28,972)	(45,338)	36.1 %	(97,185)
Normalised adjusted EBITDA	(4,180)	(20,053)	79.2 %	(30,801)	(43,237)	28.8 %	(91,541)

**) Normalized adjusted EBITDA is calculated as Reported EBITDA excluding other gains and losses adjusted for cost and revenue items which is deemed extraordinary, exceptional, unusual or non-recurring. EBITDA for 1H and Q2 2020 is not adjusted for Covid-19 effects and the remaining normalizations are immaterial in Q2 2020.*

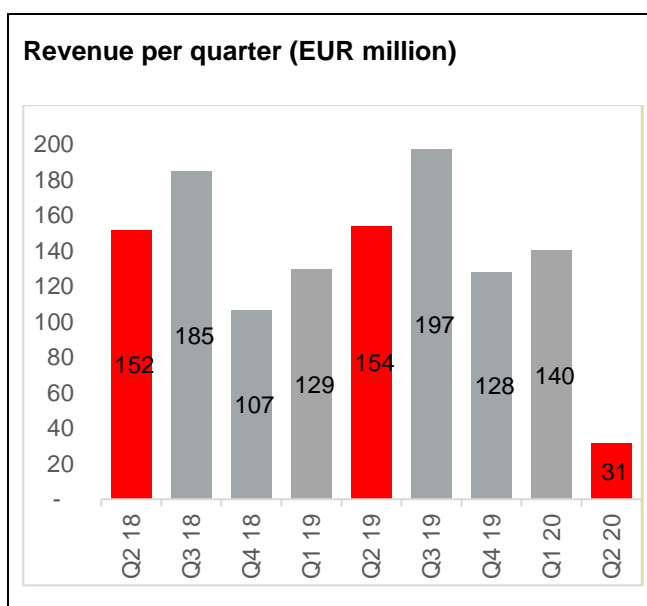
Operating revenues of EUR 8.75 million in the second quarter of 2020 mainly consist of a provision for the grant of EUR 8.4 million from the Norwegian Government Business Compensation Scheme which is granted to enterprises with a significant drop in revenue due to Covid-19. The payment of this grant

is expected in Q3. Negative EBITDA for the first half of 2020 amounts to EUR 35.6 million compared to negative EBITDA of EUR 45.4 million in the same period of 2019. This reduction is mainly due to the cost reductions program that the management put in place to mitigate the Covid-19 impact.

Financial review

The financial information for the three months ended 30 June 2020 and six month ended 30 of June discussed below is derived from the unaudited consolidated financial statements of Hurtigruten Group AS as of this date, and the unaudited consolidated financial statements for the three months ended at 30 June 2019 and the six month ended 30 of June 2019.

Profit and loss



Group revenue decreased by 39.5% from the first half year of 2020 compared to the same period last year from EUR 283.5 million to EUR 171.5 million. The reduction for the second quarter of the year was a decrease of 79.7%, or EUR 154.1 million to EUR 31.4 million, compared to last year. The decrease is due to the halt in almost all operations from 18th of March to end of June, due to Covid-19 travel restrictions. Contractual revenue from the state agreement for the passenger transportation on the Norwegian coast increased by 8.5% for the first half in 2020 and by 3.4% in the second quarter compared to last year.

Total payroll costs were EUR 44.5 million for the first half year, a decrease of 31.9% year over year. The second quarter ended with a reduction of 58.7%. Crew expenses are in line with last year as the increase due to the introduction of Amundsen and Nansen is offset by a cost reduction due to Covid-19. SG&A payroll cost was down EUR 5 million for the first half of 2020, driven by Covid-19 cost reductions (furloughs) during March and the whole of second quarter. The decrease this year is driven by reduction in costs for administrative and sales and marketing resources, driven by the initiatives to reduce cost as a response to the Covid-19 pandemic.

Specification of other operating costs

(EUR 1 000)	2nd quarter			01.01-30.06			Full year 2019
	2020	2019	% change	2020	2019	% change	
Cost of goods sold ¹	246	(38 962)	-100.6 %	(34 085)	(74 341)	-54.2 %	(158 570)
Operating costs (ex fuel) ¹	(10 490)	(15 857)	-33.8 %	(33 561)	(30 084)	11.6 %	(65 101)
Fuel costs	(4 327)	(14 407)	-70.0 %	(19 362)	(29 432)	-34.2 %	(61 201)
Sales and administrative costs	(7 176)	(12 418)	-42.2 %	(25 265)	(27 191)	-7.1 %	(60 830)
Total	(21 747)	(81 643)	-73.4 %	(112 272)	(161 049)	-30.3 %	(345 701)

¹Commission expenses was previously included in Operating costs. From first quarter 2020, expenses for commission is included in cost of goods sold. Previous quarters and full year 2019 are restated.

Other operating costs were EUR 112.3 million in the first half of 2020, a decrease of 30.3% from the same period last year. The reduction was mainly in second quarter, with a 73.4% decrease and EUR 59.9 million compared to the same period last year.

Cost of goods sold relates to direct costs from flights, hotels and transportation for passengers to and from cruise destinations, costs for food and beverage aboard the cruise vessels and commission to travel agents. The Cost of goods sold decreased due to the

halt in operations in second quarter. The first half year saw a reduction of EUR 40.3 million or 54.2%, driven by the stop in cruises due to the pandemic effects in March and until end of June.

Operating costs include all other cruise operating costs, harbour costs, bareboat lease costs and maintenance of the vessels. The costs in second quarter decreased with 33.8% compared to same period last year, mainly due to the halt in operations.

Fuel costs in the quarter decreased with 70% to EUR 4.3 million, compared to the same quarter last year. The same reduction was seen in the first half of 2020 with a reduction of 34% or EUR 10m.

Sales and administrative costs decreased with 42.2% to EUR 7.1 in the second quarter compared to last year, due to downscaling of activities (furloughs and reduction of consultants). The first half year also saw a similar reduction, giving a net reduction of EUR 2 million compared to the same period last year.

First half year depreciation, amortization and impairment increased with EUR 3.2 million to EUR 29.1 million. For Q2 2020 a similar increase of 16.7% from EUR 13.2 million last year to EUR 15.4 million this quarter. The main reason for the increase is the introduction of the two new vessels MS Fridtjof Nansen and MS Roald Amundsen but also the newly refurbished vessels.

Net other gains and losses for the first half was a loss of EUR 6.0 million (loss of EUR 3.0 million in 2019), whereas the second quarter result was a loss of 7 million compared to 1 million in the same period last year. Other gains and losses primarily consist of realized gains and losses on bunker derivatives and unrealized gains and losses on working capital items translated from other currencies to EUR.

Second quarter operating loss of EUR 26.5 million, compared to and operating profit of EUR 25.3 million in the same period last year. The reduction was similar for the first half year with an operating loss of EUR 20.3 million compared to a profit of EUR 28.3 million in 2019. The decrease is driven by the halt in operations from middle of March to end of June.

Net financial items were negative EUR 6.0 million in the second quarter of 2020 compared to negative EUR 7.9 million in the second quarter of 2019. For the first half year the net financial items were

negative EUR 39.4 million compared to a positive EUR 7.3 million in same period last year. The increase in cost is primarily driven by foreign exchange effects on cash, slightly higher interest costs due to refinancing of borrowings in the first quarter of 2020, as well as amortization of finance fees on the refinanced loans. The majority of the Groups liquidity is in EUR, and the foreign exchange effects are due to the inclusion of subsidiaries with NOK as functional currency into the EUR reporting Group. The offsetting effects are in the currency translation differences in the Groups Other Comprehensive Income.

Income tax in the first half year was EUR 6.3 million (compared to a tax expense of EUR 73.6 million in 2019). The tax expense in 2019 relates to the implementation of the tax tonnage regime in the subsidiary Hurtigruten Cruise AS in the first quarter of 2019.

Net loss for the first half year was EUR 65.9 million compared to a net loss of EUR 37.8 million in 2019. The result for the second quarter was a loss of EUR 34.9 compared to a gain of EUR 17.4 million in 2019.

Financial position and liquidity

Cash flow

Net cash inflow from operating activities in the first half year was EUR 9.6 million, vs. EUR 89.1 million in the same period last year. The decrease for the year is primarily due to lower EBITDA. Levels of prepayments for future travel was kept stable due to low level of refund claims compared to the industry and a good level of future bookings and rebookings.

Net cash outflow used in investing activities was EUR 92.6 million compared to EUR 184.4 million in same period last year. The decrease in investment level in current half year is due to the construction of both MS Roald Amundsen MS Fridtjof Nansen in 2019, with no similar event in second quarter 2020. The company saw an increased investment in Q1 due to the performed refurbishment of MS Finnmarken and planned docking of MS Kong Harald in addition to remaining settlements for MS Fridtjof Nansen. For second quarter 2020 there was a net outflow of EUR 20 million, mainly due to timing of activities done in Q1 with payments in Q2. Most investment activities were brought to a halt in second quarter to only critical investments are being made with the current environment.

The Group expects normalized annual maintenance capital expenditures for the vessels to be around EUR 20 million based on normal operations increasing to EUR 25 million annually when MS Fridtjof Nansen is in full operations.

Net cash inflow from financing activities was EUR 214.6 million in first half year of 2020, with a net inflow of 92.1 million for the second quarter. In February, the Group issued a EUR bond of 300 million, to refinance the purchase of the vessels MS Fridtjof Nansen and MS Roald Amundsen. The bond has a 5-year tenor. The EUR 260 million ECA financing was repaid. The purchase of MS Richard With and MS Nordlys, was financed through a finance lease obligation of EUR 60 million. In addition, the Group drew on the Revolving Credit Facility, with a net inflow of EUR 40 million in the quarter. In late June 2020, the company further added a Term Loan C of EUR 105 million to secure liquidity funding for at least 2020 and also into 2021 even with reduced operations.

In addition, interest and finance fees of EUR 33.3 million were paid in the first half year, compared to EUR 12.7 million last year. The increase is due to fees paid in relation to the new financing.

Net increase in cash in the first half year was EUR 131.6 million, and EUR 41.4 million for the second quarter, compared to an increase of EUR 9.7 million for the first half year last year and 5.2 million in second quarter 2019.

Cash and cash equivalents in the cash flow statement totalled EUR 162.5 million at 30th of June 2020 (EUR 47.0 million in 2019). Cash and cash equivalents in the statement of financial position, including restricted funds, totalled EUR 173.7 million at 30th of June 2020 compared to EUR 65.2 million at the same time last year, and EUR 47.0 million at year end 2019. At 30th of June 2020, the Group had fully drawn on available liquidity through the EUR 85 million Revolving Credit Facility.

Balance sheet

Total assets amounted to EUR 1,485.0 million at 30 June 2020, an increase of EUR 91.3 million from year end 2019. Non-current assets decreased with EUR 28.5 million since year end 2019 primarily due to reduction in loans to group companies in Silk

Topco Group, which are slightly offset by the investments in MS Finnmarken and MS Kong Harald.

Current asset amounted to EUR 232.7 million, an increase of EUR 119.8 compared to 31 December 2019. The increase is related to increase in cash and cash equivalents.

Total book equity at the end of the year was negative EUR 18.0 million vs. positive EUR 62.7 million at year end 2019. The change in equity is due to net profit in the period, and negative changes in the Groups cash flow hedges and the closing of the pension scheme for sailors in Hurtigruten Sjø AS.

The book equity ratio at 30 June 2020 was -1.2% vs. 4.5% at year-end 2019.

The management and the Board of Directors will assess the funding situation continuously and evaluate all options available to secure sufficient liquidity to manage the business through the Covid-19 crisis. The current liquidity situation is good after the additional EUR 105m loan that was raised in June 2019. The Board of Directors acknowledge that the book equity of the Group is negative but are of the opinion that the underlying value of Hurtigruten's vessels and brand are also significantly higher. The booking trends for 2021 show that when international travel resumes post the Covid-19 restrictions the company will generate positive net profit.

As a result, the financial accounts have been prepared in accordance with the going concern principle.

Total non-current liabilities amount to EUR 1,271.5 million as per 30 June 2020, an increase of EUR 274.0 million from EUR 997.5 million at year end 2019. The increase is due to the new borrowings to finance the purchase of MS Richard With and MS Nordlys and the newly issued EUR bond of 300 million to refinance the ECA facility of EUR 258 million related to the purchase of MS Fridtjof Nansen and Term Loan C of EUR 105 million.

Current liabilities excluding borrowings were EUR 215.7 million, decreased by EUR 87.3 million since year end 2019. The decrease is primarily due to reduction in trade and other liabilities.

Off-balance sheet items

The Group has no material off-balance sheet items.

Outlook

The Covid-19 pandemic has caused restricted travel policies worldwide temporarily reducing the level of travel and the cruise industry has more or less laid up their fleet until Q4 2020. There have been some companies that have started up operations again, but this has partly been reversed due to the increased risk of infections of international crew. There is still a lot of uncertainty around the duration and magnitude of the Covid-19 pandemic. As a result of this the company cannot estimate the impact of Covid-19 with reasonable certainty.

However, we still see a good booking momentum for 2021 and we expect this to continue. There is good demand for Expedition cruises in the Arctic and along the Norwegian coast for 2021. We also see demand for the classical Hurtigruten voyage.

On the 31st of July we had an outbreak of Covid-19 on MS Roald Amundsen. This led to the temporary suspension of the Expedition sailings, with the Coastal sailings continuing as planned. We will monitor the development of the Covid-19 pandemic continuously and evaluate whether we are of the opinion that it is safe to sail. We will always put the safety of our guests and crew first.

We are of the opinion that the travel pattern will resume gradually in 2021 and that we are back to a more normal state of operations in 2022.

Hurtigruten estimates its cash burn to be, on average, in the range of EUR 12 million to EUR 15 million per month before working capital items in the current operating environment. This range includes

all interest expenses, ongoing ship operating expenses, administrative expenses, hedging costs, expected necessary capital expenditures and excludes cash refunds of customer deposits, commissions and cash inflows from new and existing bookings.

The Group is considering ways to further reduce its average monthly cash burn under a close to 100% out-of-service scenario and any other changes to activity level that might occur.

The Board of Directors acknowledge that the book equity of the Group is negative but are of the opinion that the underlying value of Hurtigruten's vessels and brand are significantly higher.

The bookings for 2021 for the period Q2-Q4 2021 are 10% higher than bookings for the period Q2-Q4 2020 one year ago which shows that there is demand for cruise travel post the Covid-19 travel restrictions. We are experiencing weakness in bookings for the 2021 Q1 which is driven by Hurtigruten's flexible rebooking policy introduced and the general uncertainty in the market. Hurtigruten has not experienced any uptick in cancellations after the MS Roald Amundsen Covid-19 incident.

The majority of the Hurtigruten passengers who are affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company.

Risks and uncertainties

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

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

The global Covid-19 pandemic has had, and will continue to have, a material adverse impact on our business and results of operations. The global spread of Covid-19 and the unprecedented responses by governments and other authorities to control and contain the spread has caused significant disruptions, created new risks, and exacerbated existing risks to our business.

Hurtigruten have been, and will continue to be, negatively impacted by the Covid-19 pandemic, including impacts that resulted from actions taken in response to the outbreak. Examples of these include, but are not limited to, travel bans, restrictions on the movement and gathering of people, social distancing measures, shelter-in-place/stay-at-home orders, and disruptions to businesses in our supply chain. In addition to the imposed restrictions affecting our business, the extent, duration, and magnitude of the Covid-19 pandemic's effect on the economy and consumer demand for cruising and travel is still rapidly fluctuating and difficult to predict. Hurtigruten has temporarily suspended the operations of 10 of our 16 ships, which is expected to continue to Q4 2020. These impacts may persist for an extended period of time or become more pronounced, which means that we may have to suspend the operations of a larger part of our fleet in the future. Returning to the operating level we had in the period 13 March-16th of June with 14 and 16 ships in warm lay-up.

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

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

Interim financial statements

Condensed consolidated income statement

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	2nd quarter 2020	2nd quarter 2019	01.01-30.06 2020	01.01-30.06 2019	Full year 2019
Operating revenues		12,253	135,616	131,337	246,483	536,252
Contractual revenues		19,098	18,465	40,189	37,028	72,563
Total Revenues		31,352	154,082	171,526	283,511	608,815
Payroll costs		(13,580)	(32,845)	(44,456)	(65,283)	(134,325)
Depreciation, amortisation and impairment		(15,407)	(13,205)	(29,065)	(25,885)	(55,587)
Other operating costs		(21,747)	(81,644)	(112,272)	(161,049)	(345,701)
Other (losses)/gains – net		(7,072)	(1,096)	(6,034)	(2,987)	(5,619)
Operating profit/(loss)		(26,455)	25,292	(20,301)	28,309	67,582
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		(11,048)	38,497	8,764	54,194	123,169
Finance income		2,682	1,324	4,453	26,480	36,209
Finance expenses		(8,726)	(9,185)	(43,836)	(19,203)	(54,656)
Net financial items	6	(6,044)	(7,860)	(39,383)	7,277	(18,446)
Share of profit/(loss) of associates		(38)	80	55	179	129
Profit/(loss) before income tax		(32,537)	17,511	(59,629)	35,765	49,265
Income tax expense		(2,403)	(83)	(6,263)	(73,603)	(67,086)
Profit/(loss) for the period		(34,940)	17,428	(65,892)	(37,838)	(17,821)
Profit/(loss) for the year attribute to						
Owners of the parent		(34,492)	17,503	(65,280)	(37,763)	(17,073)
Non-controlling interests		(448)	(75)	(612)	(75)	(748)

Condensed consolidated statement of comprehensive income

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	2nd quarter 2020	2nd quarter 2019	01.01-30.06 2020	01.01-30.06 2019	Full year 2019
Profit/(loss) for the period		(34 940)	17 428	(65 892)	(37 838)	(17 821)
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		(2 275)	-	(2 275)	-	372
Fair value adjustments on financial instruments		-	-	-	-	(359)
Sum		(2 275)	-	(2 275)	-	13
Items that will be reclassified to profit or loss in subsequent periods:						
Cash flow hedges, net of tax		5 010	(1 478)	(7 907)	11 234	10 383
Currency translation differences		(1 238)	(366)	(4 625)	(264)	325
Sum		3 772	(1 845)	(12 532)	10 969	10 708
Total comprehensive income for the period		(33 443)	15 583	(80 699)	(26 869)	(7 100)

Condensed consolidated statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	30.6. 2020	30.6. 2019	31.12. 2019
ASSETS				
Non-current assets				
Property, plant and equipment including right of use asset	9	958,081	663,628	927,640
Intangible assets	9	278,361	277,785	276,305
Deferred income tax assets		929	3,317	929
Other non-current assets		14,909	75,977	75,921
Total non-current assets		1,252,280	1,020,707	1,280,795
CURRENT ASSETS				
Inventories		14,057	18,788	17,782
Trade and other receivables	7	44,924	37,891	47,240
Derivative financial instruments	7	0	181	827
Cash and cash equivalents	7	173,733	65,179	47,028
Total current assets		232,715	122,039	112,878
Total assets		1,484,994	1,142,746	1,393,673
EQUITY				
Paid -in capital		185,288	188,538	185,288
Other equity		(202,566)	(145,045)	(122,454)
Non-controlling interests		(687)	(443)	(100)
Total equity		(17,965)	43,049	62,734
LIABILITIES				
Non-current liabilities				
Interest-bearing debt	5,7	1,228,480	848,904	972,970
Prepaid travels with departure dates beyond one year		26,060	16,603	11,832
Derivative financial instruments	7	995	2,762	768
Other non-current liabilities		15,966	23,637	11,890
Total non-current liabilities		1,271,502	891,907	997,459
Current liabilities				
Trade and other liabilities	7	115,110	101,268	203,269
Prepaid travels with departure date within one year		90,688	85,519	91,732
Interest-bearing debt	5,7	15,789	15,088	30,491
Derivative financial instruments		9,394	2,788	2,543
Other current liabilities		477	3,126	5,445
Total current liabilities		231,458	207,789	333,480
Total equity and liabilities		1,484,995	1,142,746	1,393,674

Condensed consolidated statement of changes in equity

Unaudited

01.01-30.06.2020

<i>(in EUR 1 000)</i>	Attributable to shareholders of Hurtigruten Group AS			Non- controlling interests	Total Equity
	Paid -in capital	Other equity	Total		
Equity at beginning of the period	185 288	(122 454)	62 834	(100)	62 734
Total comprehensive income	-	(80 112)	(80 112)	(587)	(80 699)
Equity at the close of the period	185 288	(202 566)	(17 277)	(687)	(17 965)

Condensed consolidated statement of cash flows

Unaudited

<i>(in EUR 1 000)</i>	Note	2nd quarter 2020	2nd quarter 2019	01.01-30.06 2020	01.01-30.06 2019	Full year 2019
Cash flows from operating activities						
Profit/(loss) before income tax		(32,537)	17,511	(59,630)	35,765	49,265
Adjustments for:						
Depreciation, amortisation and impairment losses		15,407	13,205	29,065	25,885	55,587
Interest expenses	6	11,473	9,148	31,462	16,582	27,593
Change in working capital		(31,408)	8,185	(15,966)	19,300	13,147
Change in prepaid travels		5,940	20,983	15,749	20,606	20,762
Other adjustments ¹		528	(3,256)	8,879	(30,221)	(24,303)
Non-cash effects of transition to EUR functional currency		-	16	-	1,185	(626)
Net cash flows from (used in) operating activities		(30,597)	65,791	9,559	89,103	141,425
Cash flows from investing activities						
Purchase and prepayment of property, plant, equipment (PPE)		(9,824)	(162,566)	(79,239)	(176,072)	(391,510)
Purchase of intangible assets		(2,792)	(3,514)	(7,393)	(6,174)	(13,870)
Loans to Group companies		-	(500)	-	2	4,519
Other adjustments		(7,486)	1,035	(5,961)	(2,124)	4,286
Net cash flows from (used in) investing activities		(20,102)	(165,545)	(92,593)	(184,368)	(396,575)
Cash flows from financing activities						
Proceeds from borrowings	5	105,000	125,896	510,000	140,275	314,313
Repayment of borrowings	5	(2,407)	(20,604)	(259,743)	(22,146)	(24,222)
Payment of lease liabilities	5	(724)	-	(2,319)	-	(5,662)
Transactions with non controlling entities		-	(367)	-	(367)	(10)
Paid interest and transaction costs	6	(9,753)	39	(33,331)	(12,772)	(32,487)
Net cash flows from (used in) financing activities		92,117	104,964	214,607	104,989	251,933
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		41,417	5,210	131,573	9,724	(3,217)
Cash and cash equivalents at the beginning of period		120,759	42,994	35,675	38,658	38,658
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		291	(1,238)	(4,780)	(1,416)	233
Cash and cash equivalents at end of period		162,467	46,966	162,468	46,966	35,674
Restricted cash		11,266	18,213	11,266	18,213	11,354
Cash and cash equivalents in the statement of financial position		173,734	65,179	173,734	65,179	47,029

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

Notes to the condensed consolidated financial Statements

Note 1 Accounting policies

The interim financial report for the Group includes Hurtigruten Group AS with subsidiaries and associated companies. The interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards and should therefore be read in connection with the consolidated annual report for Hurtigruten Group AS (previously Silk Bidco Group) for 2019.

The annual report for 2019 for the company can be obtained through a request to the company's main office. The accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2019.

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

On 1 January 2020, Hurtigruten changed the presentation currency of the Group from Norwegian kroner (NOK) to euro (EUR), with retrospective application on comparative figures according to IAS 8 and IAS 21 to the extent practicable. The change is made to reflect that EUR is now the predominant currency in the Group, accounting for a significant amount of the net cash flow. EUR is also the main financing currency for the Group. The change in presentation currency will be applied retrospectively for comparable figures for 2019.

For the parent company and other subsidiaries in the Group, EUR is the functional currency from 1 January 2020. The change is made to reflect that EUR has become the predominant currency in the companies, counting for a significant part of the cash flow and financing. The change will be implemented with prospective effect.

Note 2 Financial risk management

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

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

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

Note 3 Contingencies

Membership in the industrial fund for nitrogen oxides

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

The Environmental Agreement for 2011–2017 was signed on 14 March 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 2019-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22 February 2019.

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

EUR 0.8 million in nitrogen dioxide tax is recognised in financial statements in the first quarter of 2020, the same as in the same period in 2019.

Note 4 Segments

Unaudited

	Norwegian Coast		Expedition cruises		Landbased	
	01.01-30.06	01.01-30.06	01.01-30.06	01.01-30.06	01.01-30.06	01.01-30.06
(in EUR 1 000)	2020	2019	2020	2019	2020	2019
Operating revenues	65 270	188 310	50 442	40 937	7 086	17 593
Contractual revenues	40 189	37 028	-	-	-	-
Total operating revenues	105 459	225 338	50 442	40 937	7 086	17 593
Payroll costs	(17 481)	(35 210)	(9 144)	(5 297)	(2 623)	(4 714)
Depreciation and impairment losses	(13 527)	(17 255)	(9 268)	(3 866)	(1 510)	(1 485)
Other operating costs	(49 901)	(103 774)	(35 507)	(24 006)	(4 562)	(8 348)
Other (losses)/gains – net	(6 416)	(3 798)	6 955	823	75	18
Operating profit/(loss)	18 134	65 300	3 479	8 592	(1 535)	3 063
EBITDA	31 661	82 555	12 747	12 458	(25)	4 548
Other (losses)/gains – net	(6 416)	(3 798)	6 955	823	75	18
EBITDA excl Other gain/(losses)	38 077	86 353	5 792	11 635	(100)	4 530
Normalized adjusted EBITDA	38 490	87 285	7 665	15 840	(100)	4 530

	Group functions, Other and Eliminations		Hurtigruten Group	
	01.01-30.06	01.01-30.06	01.01-30.06	01.01-30.06
(in EUR 1 000)	2020	2019	2020	2019
Operating revenues	8 539	(357)	131 338	246 483
Contractual revenues	-	-	40 189	37 028
Total operating revenues	8 539	(357)	171 526	283 511
Payroll costs	(15 208)	(20 061)	(44 456)	(65 283)
Depreciation and impairment losses	(4 760)	(3 279)	(29 065)	(25 885)
Other operating costs	(22 303)	(24 920)	(112 272)	(161 048)
Other (losses)/gains – net	(6 648)	(29)	(6 034)	(2 987)
Operating profit/(loss)	(40 380)	(48 646)	(20 301)	28 309
EBITDA	(35 620)	(45 368)	8 764	54 194
Other (losses)/gains – net	(6 648)	(29)	(6 034)	(2 987)
EBITDA excl Other gain/(losses)	(28 972)	(45 338)	14 798	57 180
Normalized adjusted EBITDA	(30 801)	(43 237)	15 254	64 418

Note 5 Interest-bearing Debt

Unaudited

	30.6.	30.6.	31.12.
<i>(Figures stated in EUR 1000)</i>	2020	2019	2019
Long term interest-bearing debt			
Bond	295 143	-	-
Collateralized borrowings	837 578	775 638	918 731
Financial lease ¹	10 141	71 756	11 856
Credit facilities	83 750	1 430	42 290
Other borrowings	1 869	80	92
Total	1 228 480	848 904	972 970
Short term interest bearing debt			
Collateralized borrowings	12 103	3 647	25 668
Financial lease ¹	3 686	11 440	4 806
Total	15 789	15 087	30 491
Total outstanding interest-bearing debt	1 244 269	863 991	1 003 461

¹The accounts for lease-contracts in reference to IFRS 16 are reflected in the financial lease, while items that are classified as borrowings according to IFRS9 are reflected within borrowings and credit facilities, except for the period 30.6.2019 where financial lease borrowings were included in the line Financial lease.

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

Maturity Profile

The below maturity schedule reflects the borrowings at nominal values.

	30.6.	30.6.	31.12.
<i>(Figures stated in EUR 1000)</i>	2020	2019	2019
Less than one year	15,789	15,088	30,491
Year 2 and 3	217,639	50,317	57,038
Year 4 and 5	746,229	38,115	202,714
More than 5 years	290,065	779,158	734,611
Total Interest-bearing debt	1,269,722	882,677	1,024,855

Note 6 Net Financial items

Unaudited

<i>(EUR 1000)</i>	2nd quarter 2020	2nd quarter 2019	01.01-30.06 2020	01.01-30.06 2019
Interest income on current bank deposits	353	1 338	781	1 383
Foreign exchange gains	1 138	(931)	2 013	23 299
Other financial income	1 191	917	1 659	1 797
Finance income	2 682	1 324	4 453	26 480
Interest expense and amortized borrowing fees	(11 097)	(9 170)	(21 640)	(16 562)
Foreign exchange losses	3 371	(112)	(9 595)	(2 721)
Other finance expenses	(999)	97	(12 600)	80
Finance expenses	(8 726)	(9 185)	(43 836)	(19 203)
Net Financial items	(6 044)	(7 860)	(39 383)	7 277

Note 7 Financial assets and liabilities at fair value

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

At 30 June 2020:

Unaudited

<i>(Figures stated in EUR 1000)</i>	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Other receivables, non-current	11 725	324	-	-	12 050
Investment in other companies	-	-	2 230	-	2 230
Trade and other receivables	30 739	-	-	-	30 739
Total derivatives	-	-	-	-	-
Cash at bank, cash on hand and market-based investments in the balance sheet	173 616	117	-	-	173 733
Total	216 080	442	2 230	-	218 752
Liabilities as per balance sheet					
Total interest-bearing debt	-	-	-	1 244 269	1 244 269
Total derivatives	-	-	10 389	-	10 389
Accounts payable and other short term payables	-	-	-	55 229	55 229
Total	-	-	10 389	1 299 499	1 309 888

At 30 June 2019:

Unaudited

<i>(Figures stated in EUR 1000)</i>	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Other receivables, non-current	72 563	332	-	-	72 895
Available for sale financial instruments	-	-	2 269	-	2 269
Trade and other receivables	19 433	-	-	-	19 433
Total derivatives	-	-	-	181	181
Cash at bank, cash on hand and market-based investments in the balance sheet	65 062	117	-	-	65 179
Total	157 058	449	2 269	181	159 958

	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 interest bearing debt	-	-	863 992	863 992
Total derivatives	-	5 550	-	5 550
Accounts payable and other short term payables	-	-	30 844	30 844
Total	-	5 550	894 836	900 386

The carrying amount for the financial assets and liabilities has been assessed and does not differ materially from fair value, except for total borrowings. Fair value of total borrowings at 31 March 2020 was EUR 1,153 million (EUR 757.3 million 31 March 2019).

Note 8 Business influenced by seasonal factors

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

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

Note 9 Covid-19

From the latter part of March and through second quarter, we have seen impact from the global spread of Covid-19 on our performance, as mobility restrictions and lockdown measures were implemented throughout the world. Thus, the COVID-19 pandemic has created challenging business environment for the Group, and an unprecedented uncertainty of potential negative impact on the financial performance. For the Group, these events are impairment triggers, and as such, as of the end of first half of 2020, the Group has assessed the carrying values of the Groups assets for impairment according to IAS 36. The value in use has been estimated for the Groups ships on a cash generating unit level and has been calculated based on the present value of estimated future cash flows. The projected cash flows represent managements best estimate for future ramp-up in operations after the COVID-19 effects on the travel industry. As of quarter end, the estimated value in use is equal or higher than the carrying value of the assets, and no impairment has been recognized in the financial statements as per 30 June 2020.

Note 10 Events after the balance sheet date

On the 31st of July we had an outbreak of Covid-19 on the Roald Amundsen. This led to the temporary suspension of the Expedition sailings, with the Coastal sailings continuing as planned. We expect the short-term financial effect of the outbreak on Roald Amundsen to be approx. EUR 2-3 million. We have not seen any material uptick in cancellations as a result of the outbreak.

In July Hurtigruten received notification of legal proceedings related to the final settlement of certain projects carried out by Hurtigruten at Fosen Yard AS in 2019 and 2020. The total disputed amount is approx. EUR 10 million. Hurtigruten disputes the claim from Fosen Yard AS.