

# First quarter report 2019



## Hurtigruten Group AS Consolidated Financial Statements

Published 29 May 2019

# <sup>1</sup>Continued occupancy and revenue growth

## Highlights

- Strong revenue growth in the first of 2019 with total revenue increase of 6.1% to NOK 1,261 million (Q1 2018; NOK 1,188 million)
- Reported EBITDA increased by 27% to NOK 152.8 million (Q1 2018; NOK 120.1 million)<sup>1</sup>
- First quarter normalized adjusted EBITDA before other gains and losses of NOK 196.5 million (Q1 2018; NOK 141 million)<sup>1</sup>
- Continued good growth in occupancy in the Norwegian Coast segment with Q1 occupancy of 82.4% (Q1 2018: 80.4%)
- Continued strong growth in occupancy in the Expedition segment with 93.2% in Q1 (Q1 2018: 87%)
- Strong pre-booking levels for 2019 and 2020 continues in both the Norwegian Coast and Expedition segment
- Very good and stable maritime operations with record low level of missed ports due to technical incidents in Q1 2019. (99.97% regularity)

## Key figures<sup>2</sup>

<i>NOK 1 000</i>	<b>1st quarter 2019</b>	1st quarter 2018	%	Full year 2018
			Change	
Operational revenues	<b>1,079,945</b>	1,013,299	6.6 %	4,730,389
Contractual revenues	<b>180,836</b>	175,188	3.2 %	698,919
<b>Total revenue</b>	<b>1,260,781</b>	1,188,487	6.1 %	5,429,308
<b>EBITDA</b>	<b>152,793</b>	120,091	27.2 %	1,176,605
<b>Norwegian Coast</b>				
PCNs	<b>324,349</b>	310,350	4.5 %	1,353,146
Gross ticket yield	<b>2,288</b>	2,114	8.2 %	2,554
Occupancy rate	<b>82.4 %</b>	80.4 %	2.0 p.p.	83.8 %
<b>Expedition</b>				
PCNs	<b>51,434</b>	52,679	-2.4 %	166,681
Gross ticket yield	<b>4,854</b>	5,106	-4.9 %	5,615
Occupancy rate	<b>93.2 %</b>	86.9 %	6.3 p.p.	72.1 %

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

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

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

## About Hurtigruten

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 14 expedition cruise vessels and two new tailor-made expedition cruise vessels to be delivered now in 2019. Hurtigruten opens a unique gateway to experiences in the Arctic, Antarctica and along the Norwegian coast to travelers from all over the world. Hurtigruten's operations build on a rich heritage, having connected the many coastal communities in Norway since 1893. Today, Hurtigruten combines a deeply-rooted desire to offer genuine local experiences while leaving a smaller footprint when it shapes the future of the growing expedition cruise market. For more information on Hurtigruten, please visit [www.hurtigruten.no](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 segment's 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 74.3% of group revenues in the first quarter of 2019.

### Expedition cruises

The second largest segment offering unique expedition cruises using the vessels MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and Expedition cruises segments) as well as MS Nordstjernen which is leased and operated in Svalbard in the summer season. The Expedition cruises segment will be strengthened during this year and onward with two new purpose-built polar cruise ships, The MS Roald Amundsen and the MS Fridtjof Nansen. The segment accounted for 19.8% of group revenues in the first quarter of 2019. From 2021 the Expedition Cruises segment will be Hurtigruten's largest segment when three of the largest vessels from the Hurtigruten Norwegian Coast segment will be transferred to the Expedition Cruises segment.

### Spitsbergen

Comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard. Hurtigruten Svalbard operates three hotels and an equipment store. This segment accounted for 5.9% of the total revenues in the first quarter of 2019.

### Group Function & other

This segment includes all the cost associated with the head office including group management. In addition, it includes all cost associated with supporting the operational business segments with strategy, funding, liquidity and other operational

support. All cost related to the sales and marketing of the different segments is also included here and is not allocated to the different operational business segments as we have a group wide sales and marketing organisation.

## Operational review

Hurtigruten had a strong operational and financial performance in the first quarter of 2019 with growth in ticket revenue and EBITDA, where Coastal segment was the main contributor, compared with the same period in 2018.

Total Passenger Cruise Nights (PCN) for the two cruise segments increased 3.5%, or 12,754 PCN in the first quarter of 2019 compared to the same period last year. The occupancy was 83,7% in first quarter for two segments combined, 2.4 ppt increase from first quarter last year, driven by increased occupancy in both segments.

In the Expedition Cruises segment in the first quarter of 2019, the vessels MS Fram and MS Midnatsol operated in Antarctica. The Antarctic sailings continues to perform very good, with high occupancy rates at high yields.

Maritime operations continued to perform well across the company and there were no material incidents in the first quarter. A total of 256 missed port calls in the Coastal segment were registered in the first quarter, primarily due to adverse weather conditions. Only two ports were missed due to technical incidents and the regularity in the Norwegian Coast segment was 99.97%.

Pre-bookings for 2019 are continuing to show a positive development and is higher compared to same time last year and we continue to experience stronger demand for our itineraries across all segments. Demand for the winter cruise product is increasing significantly and this strong trend is continuing for the 2019/2020 season with higher booking levels compared to same time last year. We continue to invest in the sales and marketing organization to support the future growth as we are increasing our capacity in the Expedition cruise segment over the next year.

## Results of operations

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

<i>(in NOK 1 000)</i>	1st quarter 2019	1st quarter 2018	% Change	Full year 2018
<b>Total operating revenues</b>				
Hurtigruten Norwegian Coast	<b>936,866</b>	844,374	11.0%	4,211,504
Expedition	<b>249,653</b>	269,520	-7.4%	936,266
Spitsbergen	<b>74,408</b>	73,888	0.7%	295,028
Group functions, Other and Eliminations	<b>(146)</b>	704	-120.8%	(13,490)
<b>Total</b>	<b>1,260,781</b>	1,188,487	6.1%	5,429,308
<b>Operating profit/(loss)</b>				
Hurtigruten Norwegian Coast	<b>202,387</b>	146,834	37.8%	1,352,475
Expedition	<b>76,688</b>	64,082	19.7%	201,509
Spitsbergen	<b>9,703</b>	5,134	89.0%	23,564
Group functions, Other and Eliminations	<b>(259,512)</b>	(219,408)	-18.3%	(887,025)
<b>Total</b>	<b>29,265</b>	(3,357)	971.7%	690,523
<b>EBITDA</b>				
Hurtigruten Norwegian Coast	<b>277,232</b>	223,018	24.3%	1,646,629
Expedition	<b>100,745</b>	86,769	16.1%	297,653
Spitsbergen	<b>17,147</b>	11,836	44.9%	50,087
Group functions, Other and Eliminations	<b>(242,331)</b>	(201,532)	-20.2%	(817,764)
<b>Total</b>	<b>152,793</b>	120,091	27.2%	1,176,605
<b>EBITDA margin</b>				
Hurtigruten Norwegian Coast	<b>29.6 %</b>	26.4 %	3.2 p.p.	39.1 %
Expedition	<b>40.4 %</b>	32.2 %	8.2 p.p.	31.8 %
Spitsbergen	<b>23.0 %</b>	16.0 %	7.0 p.p.	17.0 %
Group functions, Other and Eliminations	<b>NM</b>	NM		
<b>Total</b>	<b>12.1%</b>	10.1%	.2 p.p.	21.7%

## Segment review

### Hurtigruten Norwegian Coast

<i>NOK 1 000</i>	1st quarter 2019	1st quarter 2018	Change	Full year 2018
Operational revenues	<b>756,030</b>	669,186	13.0 %	3,512,106
Contractual revenues	<b>180,836</b>	175,188	3.2 %	698,919
<b>Total revenue</b>	<b>936,866</b>	844,374	11.0 %	4,211,025
<b>EBITDA</b>	<b>277,232</b>	223,018	24.3 %	1,646,432

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

<i>NOK 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter</i>	1st quarter 2019	1st quarter 2018	Full year 2018
PCNs	<b>324,349</b>	310,350	1,353,146
APCNs	<b>393,524</b>	385,852	1,613,984
Occupancy rate	<b>82.4%</b>	80.4%	83.8%
<b>Gross ticket revenues</b>	<b>741,997</b>	655,989	3,455,655
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>141,211</b>	146,960	655,975
Food, beverage, shop, excursions	<b>98,900</b>	92,466	390,142
<b>Net ticket revenues</b>	<b>501,887</b>	416,562	2,409,538
Gross ticket revenues per PCN (NOK)	<b>2,288</b>	2,114	2,554
Net ticket revenues per PCN (NOK)	<b>1,547</b>	1,342	1,781
Ship operating costs	<b>632,055</b>	629,204	2,641,038
Selling, general and administrative expenses	<b>2,262</b>	854	2,534
<b>Gross cruise costs</b>	<b>634,316</b>	630,058	2,643,572
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>141,211</b>	146,960	655,975
Food, beverage, shop, excursions	<b>98,900</b>	92,466	390,142
<b>Net cruise costs</b>	<b>394,206</b>	390,631	1,597,456
Net cruise costs per APCN (NOK)	<b>1,002</b>	1,012	990
Fuel consumption (liter/nautical mile)	<b>79.1</b>	83.0	78.0
Fuel cost per liter	<b>7.36</b>	5.91	6.36

Operational revenue excluding the contractual income from the Norwegian state agreement, increased by NOK 87 million, or 13.0%, to NOK 756 million in the first quarter, from NOK 669 million in the same period last year. Occupancy increased to 82.4% compared to 80.4% in the first quarter of 2018, with an increase in Passenger Cruise Nights (PCN) of 4.5%. The increase in PCNs is driven by the increase in demand for the Hurtigruten winter product along the Norwegian coast.

Net ticket revenue per PCN was NOK 1,547 in first quarter, an increase from NOK 1,342 in first quarter last year. The increase in net ticket revenue is driven by a combination of higher prices, increased sales of excursions and lower direct costs. Gross ticket revenue per PCN increased with 8.2% in the period compared to same quarter last year.

Hurtigruten experienced growth in yield from all markets with the increased share of voyage

passengers (passengers that cruise longer than 6 days).

Contractual revenue was NOK 181 million in the first quarter, increased from NOK 175 million a year earlier, the change due to the contractual payment schedule with increase payment in 2019 compared to 2018.

Net cruise cost per Available Passenger Cruise Night (APCN) decreased with 1.1% to NOK 1,002 in the first quarter compared to same period last year.

This is driven by good and stable operations in the quarter. The fuel cost has been NOK 14m higher in Q1 2019 compared to Q1 2018 which has been offset by lower repair and maintenance cost.

## Expedition cruises

<i>NOK 1 000</i>	<b>1st quarter 2019</b>	1st quarter 2018	Change	Full year 2018
Operational revenues	<b>249,653</b>	269,520	-7.4 %	935,871
<b>Total revenue</b>	<b>249,653</b>	269,520	-7.4 %	935,871
<b>EBITDA</b>	<b>100,745</b>	86,769	16.1 %	297,526

<i>NOK 1 000 Except for PCNs, APCNs, occupancy rate, fuel consumption and fuel cost per liter</i>	<b>1st quarter 2019</b>	1st quarter 2018	Full year 2018
PCNs	<b>51,434</b>	52,679	166,681
APCNs	<b>55,189</b>	60,601	231,088
Occupancy rate	<b>93.2 %</b>	86.9 %	72.1 %
<b>Gross ticket revenues</b>	<b>249,653</b>	268,967	935,483
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>64,239</b>	103,981	271,269
Food, beverage, shop, excursions	<b>12,604</b>	14,945	55,032
<b>Net ticket revenues</b>	<b>172,810</b>	150,041	609,183
Gross ticket revenues per PCN (NOK)	<b>4,854</b>	5,106	5,612
Net ticket revenues per PCN (NOK)	<b>3,360</b>	2,848	3,655
Ship operating costs	<b>157,176</b>	190,496	651,272
Selling, general and administrative expenses	<b>263</b>	-31	952
<b>Gross cruise costs</b>	<b>157,439</b>	190,465	652,224
Less:			
Commissions, costs of goods for flights, hotels, transportation and other passenger services	<b>64,239</b>	103,981	271,269
Food, beverage, shop, excursions	<b>12,604</b>	14,945	55,032
<b>Net cruise costs</b>	<b>80,596</b>	71,539	325,924
Net cruise costs per APCN (NOK)	<b>1,460</b>	1,180	1,410
Fuel consumption (liter/nautical mile)	<b>92.2</b>	97.2	83.1
Fuel cost per liter	<b>6.94</b>	5.81	5.99

In the Expedition cruises segment, Passenger Cruise nights (PCN) decreased by 2.4%, and available Cruise nights (APCN) decreased with 8.4%, resulting in an increase of 6.3 ppt in occupancy to 93.2% in the period compared to last year.

Segment ticket revenue was NOK 250 million in the first quarter of 2019, down from NOK 270 million in same period in 2018. The decrease was driven by gross ticket revenue per PCN which decreased with 4.9%. Net ticket revenue increased with 18% which was driven by lower costs related to flights and hotels and the one-off costs in Q1 2018 related to the cancellation of the MS Roald Amundsen sailings due to the delayed delivery of the vessel.

Net cruise cost per available cruise night (APCN) increased by 23.7% in first quarter, due to i) lower amount of APCN as a result of the strategic decision to cap the MS Fram to 200 passengers ii) increased other operating cruise costs related to the ice conditions in the North-West passage. Adjusted for these effects, the underlying development in costs are stable.

First quarter Segment EBITDA was NOK 100.7 million, an increase of 16,1% from NOK 86.8 million in the same period in 2019 mainly driven by one off costs in Q1 2018 related to the cancellation of the MS Roald Amundsen sailings.



## Spitsbergen

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

NOK 1 000	1st quarter 2019	1st quarter 2018	Change	Full year 2018
Operational revenues	74,408	73,888	0.7 %	295,028
<b>Total revenue</b>	<b>74,408</b>	<b>73,888</b>	<b>0.7 %</b>	<b>295,028</b>
<b>EBITDA</b>	<b>17,147</b>	<b>11,836</b>	<b>44.9 %</b>	<b>50,087</b>

The Spitsbergen segment had fourth quarter revenue of NOK 74.4 million, against NOK 73.8 million in first quarter last year.

control as a result of the management change done in 2018.

The segment EBITDA increased with 6.3m compared to Q1 2018 and this is driven better cost

## Group Functions, Other and Eliminations

NOK 1 000	1st quarter 2019	1st quarter 2018	Change	Full year 2018
Operational revenues	(146)	704	-120.8 %	(13,490)
<b>Total revenue</b>	<b>(146)</b>	<b>704</b>	<b>-120.8 %</b>	<b>(13,490)</b>
<b>EBITDA</b>	<b>(242,331)</b>	<b>(207,646)</b>	<b>16.7 %</b>	<b>(817,746)</b>

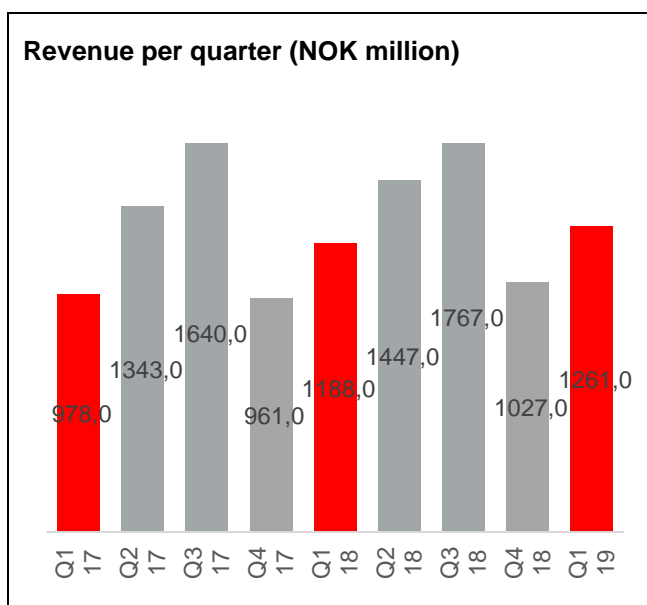
The supporting segment Group Functions has a net negative EBITDA of NOK 242 million increased with 16,7% from same period last year. The reason for the increase is due to higher marketing cost as our capacity in the Expedition segment is going to increase substantially over the coming years. In

addition, we have also increased the number of FTEs in the sales and marketing departments to support the growing business. Due to the long presale period the sales and marketing department has to be scaled today for the capacity we are selling in 2-3 years' time.

## Financial review

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

### Profit and loss



Group revenue increased by NOK 6.1%, or NOK 72 million to NOK 1,261 million in the first quarter of 2019 compared to first quarter of 2018. The increase in revenue was due to increased ticket revenue per PCN and also increased occupancy on the Coastal segment.

Employee expenses in first quarter were NOK 316 million an increase of 7.5% year over year, reflecting annual salary increases and increased number of employees to facilitate the expansion in relation to the new vessels in 2019.

First quarter depreciation, amortization and impairment were NOK 125 million (NOK 123 million).

### Specification of other operating costs

(NOK 1 000)	1st quarter 2019	1st quarter 2018	% change	Full year 2018
Cost of goods sold	<b>(239,871)</b>	(264,269)	-9.2 %	(996,855)
Operating costs (ex fuel)	<b>(243,396)</b>	(276,054)	-11.8 %	(1,099,539)
Fuel costs	<b>(146,350)</b>	(130,719)	12.0 %	(556,418)
Sales and administrative costs	<b>(143,950)</b>	(121,727)	18.3 %	(486,046)
<b>Total</b>	<b>(773,567)</b>	(792,769)	-2.4 %	(3,138,858)

Other operating costs were NOK 774 million in the first quarter of 2019 (NOK 793 million), a decrease of 2.4% from the same period last year.

Cost of goods sold relates to direct costs from flights, hotels and transportation for passengers to and from cruise destinations and costs for food and beverage aboard the cruise vessels. The Cost of goods sold decreased with 9.2% compared to same period last year is driven by results from the company wide cost cutting project and reduction level of one off costs.

Operating costs include all other cruise operating costs, harbour costs, bareboat lease costs and maintenance of the vessels, in addition to commissions paid to travel agents. The first quarter decrease of 11.8% compared to same period last year is primarily due to timing of planned repair and maintenance costs and lower amount of one off costs.

Fuel costs in the quarter increased with 12.0% to NOK 146 million, compared to the same quarter last

year, due to the increase of the underlying cost of marine gas oil.

Sales and administrative costs increased with 18.3% in the quarter compared to last year, primarily as a result of increased sales and marketing and administrative expenses related to the future growth in capacity.

Net other gains and losses for the first quarter was a loss of NOK 18 million (gain of NOK 18 million in 2018). Other gains and losses consist of gains and losses from foreign currency contracts, translation of working capital items in foreign currency and realized gains and losses on bunker derivatives.

The first quarter 2019 operating profit was NOK 27 million, compared to an operating loss of NOK 3 million in the same period last year.

Net financial items were NOK 148 million (NOK -220 million) in the first quarter. Interest costs in the quarter has decreased compared to last year due to reduced effective interest rates on borrowings after the Group refinanced its major outstanding debt in February 2018. The previous facility of Bond of EUR 455 million and Revolving Credit Facility of EUR 85 million were replaced with a term B loan of EUR 575 million and a new Revolving Credit Facility of EUR 85 million. The refinancing entails 3-year prolonged debt maturity, increased available liquidity and reduced interest costs going forward. Finance income has increased to NOK 245 million in Q1 2019 compared with NOK 23.9 million in Q1 2018. This is related to unrealised currency gains from converting our EUR denominated financing into NOK as the NOK strengthen vs. the EUR in the quarter compared to year end 2018.

Income tax in the period was a tax expense of NOK 717 million (NOK -6 million). The tax expense relates to the implementation of the tax tonnage regime and is offset by the tax gain which was booked in Q4 2018 report of NOK 451m.

Net loss for the first quarter of 2019 was NOK 542 million, compared to a loss of NOK 228 million in the same period last year. Adjusted for the tax loss related to the tax tonnage introduction the net loss would have been a positive net profit.

## Financial position and liquidity

### Cash flow

Net cash flow from operating activities in the fourth quarter was NOK 217 million, compared with a net cash flow from operations of NOK 168 million in the same period of 2018. The increase is primarily due to lower interest cost.

Net cash flow used in investing activities was NOK -181 million (NOK -112 million in fourth quarter of 2017), whereof NOK 67 million (NOK 70 million) is related to maintenance capex and NOK 63 million (NOK 50 million) relates to the new build capital expenditures on the ships. Other adjustments in investing activities include settlement of financial derivatives and change in restricted funds.

The Group expects normalised annual maintenance capital expenditures for the vessels to be around NOK 200 million based on current operations and will increase to NOK 250 million with the delivery of the Roald Amundsen and Fridtjof Nansen.

Net cash flow from financing activities was reduction of NOK 3 million (NOK 28 million) in the first quarter, comprising primarily of payments of interest, while new borrowings was on the lower side compared to 2018, where the Term Loan B of EUR 80 million to EUR 655 million, reduced the interest cost.

Net increase in cash in first quarter of 2019 was NOK 32 million, compared to an increase of NOK 84 million in the same quarter last year.

Cash and cash equivalents in the cash flow statement totalled NOK 415 million at 31 March 2019 (NOK 408 million). Cash and cash equivalents in the statement of financial position, including restricted funds, totalled NOK 624 million at 31 March 2019. At 31 March 2019, the Group had additional available liquidity through the EUR 70 million Revolving Credit Facility. Our liquidity position remains strong with above NOK 1bn. in available liquidity including available RCF.

The Group has financing in place for the delivery of the newbuilds MS Roald Amundsen and MS Fridtjof Nansen, to be delivered in Q2 and Q4 2019.

### Balance sheet

Total assets amounted to NOK 9,435 million at 31 March 2019, a decrease of NOK 624 million from year end 2018. Non-current assets decreased with NOK 656 million since year end 2018 due to decreased deferred income tax assets, due to move

to the tax tonnage regime, where we utilized the Deferred Tax loss carry-forward.

Current asset amounted to NOK 1,207 million, an increase of NOK 32 million since 31 December 2018, primarily due to the increase in Cash and cash equivalents, which was partly offset by reduced inventories and trade & and other receivables.

Total book equity at the end of first quarter was NOK 268 million vs. NOK 686 million at 31 December 2018. The change in equity is due to net profit in the period, reduced by positive changes in the Groups cash flow hedges. The driver of the negative income was the tax effect of moving to the tax tonnage regime, with a tax realization on the vessels valuations driving the tax cost.

The equity ratio at 31 March 2019 was 2.8% vs. 6.8% at year-end 2018. The equity level is expected to significantly improve for the remaining quarters of 2019 due to the good pre-bookings.

Total non-current liabilities amount to NOK 7,457 as per 31 March 2019, a decrease of NOK 40 million from NOK 7,497 million at year end 2018. The decrease is due to changes in FX-rates. the Groups borrowings is denominated in EUR, where there was

a slight NOK strengthening against the EUR between Year End and end of March.

Current liabilities excluding borrowings were NOK 1,594 million, decreased by NOK 165 million since year end 2018. The change is due to reduction in the fair value of hedging derivatives, where the market has been more favourable than in end of December 2018.

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

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

As at 31 March 2019, NOK 997.5 million is drawn for the construction of MS Roald Amundsen, and NOK 636 million is drawn for the construction of MS Fridtjof Nansen. Total exposure for Hurtigruten Group AS amounts to NOK 327 million in case of default on Klevens behalf before the Roald Amundsen and Fridtjof Nansen is delivered.

## Outlook

Hurtigruten has experienced a strong positive underlying booking trend over the last 12 months. There is strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. Demand has also increased for the Coastal cruise product across all market segments at higher yields compared to at the same point in time in 2018. Pre-bookings for 2019 and 2020 are higher compared to same time last year driven by the effects of our investments in our

commercial team, product improvement initiatives, and additional capacity in the Expedition Cruises segment. 2019 booking is very strong for both segments with NOK 3,327 million gross ticket revenue booked as of 24 May 2019, compared to NOK 2,968 million last year – an increase of 12.1%. Gross revenue booked for Norwegian Coast is up NOK 78 million (+3%) for 2019 compared to last year. Expedition Cruises has booked NOK 326million more than same time last year, up by 44%.

## Risks and uncertainties

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

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

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

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

There is a risk that shipyard could fail to deliver the new builds as agreed, or the Group could cancel a shipbuilding contract because the shipyard has not

met its obligations. Any termination or breach of contract on the Group's part following any such event may result in, among other things, the forfeiture of prior deposits or payments made by the Group as well as potential claims by the Group's customers against it if the Group's ships are out of service and the Group cannot provide alternative services.

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

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

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

# Interim financial statements<sup>1</sup>

## Condensed consolidated income statement

### Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	<b>1st quarter 2019</b>	1st quarter 2018	% Change	Full year 2018
Operating revenues		<b>1,079,945</b>	1,013,299	6.6 %	4,730,389
Contractual revenues		<b>180,836</b>	175,188	3.2 %	698,919
<b>Total Revenues</b>		<b>1,260,781</b>	1,188,487	6.1 %	5,429,308
Payroll costs		<b>(315,977)</b>	(293,922)	7.5 %	(1,206,479)
Depreciation, amortisation and impairment		<b>(123,528)</b>	(123,448)	0.1 %	(486,082)
Other operating costs		<b>(773,567)</b>	(792,770)	-2.4 %	(3,138,858)
Other (losses)/gains – net		<b>(18,445)</b>	18,296	-200.8 %	92,634
<b>Operating profit/(loss)</b>		<b>29,265</b>	(3,357)	-971.7 %	690,523
<b>Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)</b>		<b>152,793</b>	120,091	27.2 %	1,176,605
Finance income		<b>245,392</b>	23,551	942.0 %	59,798
Finance expenses		<b>(97,577)</b>	(243,136)	-59.9 %	(700,839)
<b>Net financial items</b>	<b>6</b>	<b>147,815</b>	(219,585)	-167.3 %	(641,040)
Share of profit/(loss) of associates		<b>967</b>	912	6.0 %	596
<b>Profit/(loss) before income tax</b>		<b>178,047</b>	(222,030)	-180.2 %	50,078
Income tax expense		<b>(717,641)</b>	(6,210)	11455.9 %	399,719
<b>Profit/(loss) for the period</b>		<b>(539,593)</b>	(228,240)	136.4 %	449,797

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

## Condensed consolidated statement of comprehensive income

### Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	<b>1st quarter 2019</b>	1st quarter 2018	Full year 2018
<b>Profit/(loss) for the period</b>		<b>(539,593)</b>	(228,240)	449,797
<b>Other comprehensive income, net of tax:</b>				
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>				
Actuarial gain/loss on retirement benefit obligations		-	-	(3,168)
Fair value adjustments on financial instruments		<b>(2,327)</b>	-	(28,015)
<b>Sum</b>		<b>(2,327)</b>	-	(31,183)
<b>Items that will be reclassified to profit or loss in subsequent periods:</b>				
Cash flow hedges, net of tax		<b>123,228</b>	(6,984)	(173,450)
Currency translation differences		<b>990</b>	4,224	(4,733)
<b>Sum</b>		<b>124,218</b>	(2,760)	(178,183)
<b>Total comprehensive income for the period</b>		<b>(417,702)</b>	(231,000)	240,431

## Condensed consolidated statement of financial position

### Unaudited

<i>(NOK 1 000)</i>	<i>Note</i>	<b>31.3. 2019</b>	31.3. 2018	31.12 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		<b>4,836,732</b>	4,661,072	4,827,249
Intangible assets		<b>2,660,224</b>	2,655,480	2,653,228
Deferred income tax assets		<b>4,695</b>	198,675	670,153
Other non-current assets		<b>726,025</b>	71,636	733,501
<b>Total non-current assets</b>		<b>8,227,676</b>	7,586,862	8,884,131
<b>CURRENT ASSETS</b>				
Inventories		<b>173,483</b>	144,158	185,390
Trade and other receivables	7	<b>404,752</b>	352,922	428,353
Derivative financial instruments	7	<b>4,468</b>	39,561	(0)
Cash and cash equivalents	7	<b>624,635</b>	506,210	561,576
<b>Total current assets</b>		<b>1,207,337</b>	1,042,852	1,175,318
<b>Total assets</b>		<b>9,435,013</b>	8,629,714	10,059,450
<b>EQUITY</b>				
<b>Equity attribute to owners of the parent</b>				
Ordinary shares		<b>90</b>	90	90
Share premium		<b>1,827,556</b>	1,827,556	1,827,556
Paid -in capital		<b>1,827,646</b>	1,827,646	1,827,646
Other equity not recognized in the income statement		<b>(32,418)</b>	39,589	(154,254)
Retained earnings		<b>(1,526,684)</b>	(1,652,090)	(987,146)
Other equity		<b>(1,559,102)</b>	(1,612,501)	(1,141,400)
<b>Total equity</b>		<b>268,544</b>	215,145	686,246
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	5,7	<b>7,069,237</b>	6,309,566	7,140,494
Prepaid travels with departure dates beyond one year		<b>149,418</b>	112,618	103,555
Derivative financial instruments	7	<b>16,907</b>	-	57,351
Other non-current liabilities		<b>221,418</b>	190,135	195,640
<b>Total non-current liabilities</b>		<b>7,456,980</b>	6,612,319	7,497,040
<b>Current liabilities</b>				
Trade and other liabilities	7	<b>868,937</b>	974,174	850,372
Prepaid travels with departure date within one year		<b>651,469</b>	597,003	708,425
Borrowings	5,7	<b>115,484</b>	214,403	116,779
Derivative financial instruments		<b>22,564</b>	5,064	140,310
Other current liabilities		<b>51,035</b>	11,607	60,278
<b>Total current liabilities</b>		<b>1,709,489</b>	1,802,250	1,876,164
<b>Total equity and liabilities</b>		<b>9,435,013</b>	8,629,714	10,059,450



## Condensed consolidated statement of changes in equity

### Unaudited

<i>(in NOK 1 000)</i>	01.01-31.03.2019			01.01-31.03.2018		
	Paid-in capital	Other equity	Total Equity	Paid-in capital	Other equity	Total Equity
<b>Equity at beginning of the period</b>	<b>1,827,646</b>	<b>-1,141,400</b>	<b>686,246</b>	1,827,646	-1,382,788	444,858
Comprehensive income		(417,702)	(417,702)		(231,000)	(231,000)
Contribution of equity		-	-	-	-	-
<b>Equity at the close of the period</b>	<b>1,827,646</b>	<b>-1,559,102</b>	<b>268,544</b>	1,827,646	-1,613,789	213,857

## Condensed consolidated statement of cash flows

### Unaudited

<i>(in NOK 1 000)</i>	<i>Note</i>	<b>1st quarter 2019</b>	1st quarter 2018	Full year 2018
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax		<b>178,047</b>	(216,425)	49,210
Adjustments for:				
Depreciation, amortisation and impairment losses		<b>123,528</b>	123,329	573,055
Change in working capital		<b>107,364</b>	135,972	(166,608)
Change in prepaid travels		<b>(3,638)</b>	(28,880)	48,855
Interest expenses		<b>124,808</b>	385,607	643,738
Other adjustments <sup>1)</sup>		<b>(315,068)</b>	(231,191)	12,795
<b>Net cash flows from (used in) operating activities</b>		<b>215,042</b>	168,412	1,161,045
<b>Cash flows from investing activities</b>				
Purchase of property, plant, equipment (PPE)		<b>(67,475)</b>	(70,642)	(344,891)
Purchase of intangible assets		<b>(25,696)</b>	(12,112)	(69,087)
Advance payment of PPE		<b>(62,977)</b>	(50,000)	(239,346)
Loans to Group companies		<b>4,848</b>	-	(683,539)
Other adjustments		<b>(30,509)</b>	20,578	(84,714)
<b>Net cash flows from (used in) investing activities</b>		<b>(181,808)</b>	(112,176)	(1,421,577)
<b>Cash flows from financing activities</b>				
Issue of ordinary shares		-	-	
Repurchase of issued convertible bond		-	-	(11,910)
Proceeds from borrowings		<b>138,884</b>	421,906	1,317,316
Repayment of borrowings		<b>(14,890)</b>	(8,361)	(333,395)
Interest paid		<b>(124,808)</b>	(385,607)	(643,738)
<b>Net cash flows from (used in) financing activities</b>		<b>(814)</b>	27,938	328,274
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<b>32,420</b>	84,174	67,741
Cash and cash equivalents at the beginning of period		<b>384,584</b>	337,979	337,979
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		<b>(1,723)</b>	(13,828)	(21,137)
<b>Cash and cash equivalents at end of period</b>		<b>415,280</b>	408,324	384,583

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

# Notes to the condensed consolidated financial Statements

## Note 1 Accounting policies

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

The annual report 2018 for the company can be obtained through a request to the company's main office. The accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2018.

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

## Note 2 Financial risk management

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

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

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

## Note 3 Contingencies

### Membership in the industrial fund for nitrogen oxides

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

The Environmental Agreement for 2011–2017 was signed on 14 December 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 2011-2016 were met. On 24 May 2017, an extension to the NOx Agreement for the period 2018-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22 February 2018.

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

NOK 8.2 million in nitrogen dioxide tax is recognised in financial statements for 2019, as compared to NOK 5.1 million in Q1 2018.

## Note 4 Segments

Unaudited

	Norwegian Coast		Expedition cruises		Spitsbergen	
	1st quarter 2019	1st quarter 2018	1st quarter 2019	1st quarter 2018	1st quarter 2019	1st quarter 2018
<i>(in NOK 1 000)</i>						
Operating revenues	<b>756,030</b>	669,186	<b>249,653</b>	269,520	<b>74,408</b>	73,888
Contractual revenues	<b>180,836</b>	175,188	-	-	-	-
<b>Total operating revenues</b>	<b>936,866</b>	844,374	<b>249,653</b>	269,520	<b>74,408</b>	73,888
Payroll costs	<b>(164,544)</b>	(158,330)	<b>(26,710)</b>	(24,467)	<b>(21,956)</b>	(22,546)
Depreciation and impairment losses	<b>(74,845)</b>	(66,472)	<b>(25,946)</b>	(17,227)	<b>(7,444)</b>	(5,696)
Other operating costs	<b>(469,772)</b>	(482,979)	<b>(130,728)</b>	(168,203)	<b>(35,386)</b>	(40,743)
Other (losses)/gains – net	<b>(25,319)</b>	8,702	<b>8,531</b>	7,713	<b>81</b>	40
<b>Operating profit/(loss)</b>	<b>202,387</b>	145,294	<b>74,799</b>	67,337	<b>9,703</b>	4,943
<b>EBITDA</b>	<b>277,232</b>	211,767	<b>100,745</b>	84,564	<b>17,147</b>	10,639

	Group functions, Other and Eliminations		Hurtigruten Group	
	1st quarter 2019	1st quarter 2018	1st quarter 2019	1st quarter 2018
<i>(in NOK 1 000)</i>				
Operating revenues	<b>(146)</b>	704	<b>1,079,945</b>	1,013,299
Contractual revenues	-	-	<b>180,836</b>	175,188
<b>Total operating revenues</b>	<b>(146)</b>	704	<b>1,260,781</b>	1,188,487
Payroll costs	<b>(102,766)</b>	(88,579)	<b>(315,977)</b>	(293,922)
Depreciation and impairment losses	<b>(17,181)</b>	(12,540)	<b>(125,416)</b>	(101,935)
Other operating costs	<b>(137,680)</b>	(121,612)	<b>(773,567)</b>	(813,537)
Other (losses)/gains – net	<b>(1,739)</b>	1,841	<b>(18,445)</b>	18,296
<b>Operating profit/(loss)</b>	<b>(259,512)</b>	(220,185)	<b>27,377</b>	(2,611)
<b>EBITDA</b>	<b>(242,331)</b>	(207,646)	<b>152,793</b>	99,324

## Note 5 Borrowings

Unaudited

	31.3. 2019	31.3. 2018	31.12 2018
<i>(Figures stated in NOK 1000)</i>			
<b>Long term debt</b>			
Collateralized borrowings	6,285,168	5,427,508	6,458,642
Lease financing	638,353	724,471	680,950
Credit facilities	144,885	144,635	-
Other borrowings	830	12,952	902
<b>Total</b>	<b>7,069,237</b>	6,309,566	7,140,494
<b>Short term debt</b>			
Bond	-	-	-
Collateralized borrowings	34,821	29,989	4,913
Lease financing	80,663	81,155	111,866
Credit facilities	(0)	40,584	0
Other borrowings	-	62,675	
<b>Total</b>	<b>115,484</b>	214,403	116,779
<b>Total outstanding debt</b>	<b>7,184,720</b>	6,523,968	7,257,273

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

### Maturity Profile

The below maturity schedule reflects the borrowings at nominal values.

### Maturity Profile

	31.3. 2019	31.3. 2018	31.12 2018
<i>(Figures stated in NOK 1000)</i>			
Less than one year	123,821	215,673	124,993
Year 2 and 3	220,901	224,788	226,689
Year 4 and 5	300,696	316,840	168,082
More than 5 years	6,684,275	5,899,675	6,888,619
<b>Total borrowings</b>	<b>7,329,692</b>	6,656,977	7,408,383

## Note 6 Net Financial items

Unaudited

<i>(NOK 1000)</i>	1st quarter 2019	1st quarter 2018
Interest income on current bank deposits	444	(465)
Foreign exchange gains	236,374	22,161
Other financial income	8,575	1,855
<b>Finance income</b>	<b>245,392</b>	<b>23,551</b>
Interest expense and amortized borrowing fees	(72,012)	(313,932)
Foreign exchange losses	(12,664)	62,268
Other finance expenses	(12,901)	8,528
<b>Finance expenses</b>	<b>(97,577)</b>	<b>(243,136)</b>
<b>Net Financial items</b>	<b>147,815</b>	<b>(219,585)</b>

**Note 7 Financial assets and liabilities at fair value**

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

**At 31 March 2019:**

Unaudited

<i>(Figures stated in NOK 1000)</i>	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	<b>Total</b>
<b>Assets as per balance sheet</b>					
Other receivables, non-current	694,897	873	-	-	<b>695,770</b>
Investment in other companies	-	-	24,327	-	<b>24,327</b>
Trade and other receivables	201,111	-	-	-	<b>201,111</b>
Total derivatives	-	-	-	4,468	<b>4,468</b>
Cash at bank, cash on hand and market-based investments in the balance sheet	623,503	1,132	-	-	<b>624,635</b>
<b>Total</b>	<b>1,519,511</b>	<b>2,004</b>	<b>24,327</b>	<b>4,468</b>	<b>1,550,310</b>

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	<b>Total</b>
<b>Liabilities as per balance sheet</b>				
Total borrowings	-	-	7,184,720	<b>7,184,720</b>
Total derivatives	-	39,471	-	<b>39,471</b>
Accounts payable and other short term payables	-	-	295,387	<b>295,387</b>
<b>Total</b>	<b>-</b>	<b>39,471</b>	<b>7,480,108</b>	<b>7,519,578</b>

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

**At 31 March 2018:**

<i>(Figures stated in NOK 1000)</i>	Amortised Cost (AC)	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	<b>Total</b>
<b>Assets as per balance sheet</b>					
Other receivables, non-current	13,035	2,819	-	-	<b>15,854</b>
Investment in other companies	-	-	49,970	-	<b>49,970</b>
Trade and other receivables	184,219	-	-	-	<b>184,219</b>
Total derivatives	-	-	-	39,561	<b>39,561</b>
Cash at bank, cash on hand and market-based investments in the balance sheet	505,081	1,130	-	-	<b>506,210</b>
<b>Total</b>	<b>702,335</b>	<b>3,949</b>	<b>49,970</b>	<b>39,561</b>	<b>795,815</b>

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	<b>Total</b>
<b>Liabilities as per balance sheet</b>				
Total borrowings	-	-	6,523,968	<b>6,523,968</b>
Total derivatives	-	5,064	-	<b>5,064</b>
Accounts payable and other short term payables	-	-	393,693	<b>393,693</b>
<b>Total</b>	<b>-</b>	<b>5,064</b>	<b>6,917,661</b>	<b>6,922,725</b>

The carrying amount for the financial assets and liabilities has been assessed and does not differ materially from fair value, except for total borrowings. Fair value of total borrowings at 31 March 2019 was NOK 7,315 million (NOK 6,291 million).



## Note 8 Implementation effects IFRS 16

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

<i>(in NOK 1 000)</i>	<b>01.01.2018</b>	<b>31.03.2018</b>	<b>30.06.2018</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
<b>Balance sheet effect</b>					
Right-of-use assets	504,531,826	482,964,959	461,365,226	438,691,458	415,907,676
Non-current lease obligations	(433,045,347)	(412,551,531)	(389,827,315)	(369,324,800)	(348,111,188)
Current lease obligations	(80,938,052)	(85,473,679)	(81,209,479)	(76,114,478)	(81,578,467)
Implementation effect, equity	9,451,572				
<b>Profit &amp; Loss effect</b>					
Lease expenses		(20,829,228)	(52,413,903)	(82,612,932)	(102,685,002)
Depreciation		21,566,867	43,166,601	65,840,369	88,624,150
Interest expenses		4,871,041	9,467,298	14,068,811	18,391,259
<b>Net P&amp;L effect</b>		<b>5,608,680</b>	<b>219,996</b>	<b>(2,703,752)</b>	<b>4,330,407</b>

## Note 9 Business influenced by seasonal factors

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

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

## Note 10 Events after the balance sheet date

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