



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 913 811 720
Organisasjonsform: Aksjeselskap
Foretaksnavn: SILK TOPCO AS
Forretningsadresse: Storgata 70
9008 TROMSØ

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Torleif Ernsten
Dato for fastsettelse av årsregnskapet: 24.06.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

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Brønnøysundregistrene, 22.07.2021



Resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Sum inntekter		0	0
Kostnader			
Operating costs	6	9 296 000	23 617 000
Other (losses) / gains - net		329 000	110 000
Sum kostnader		9 626 000	23 782 000
Driftsresultat		-9 626 000	-23 782 000
Finansinntekter og finanskostnader			
Annen renteinntekt		9 000	6 000
Sum finansinntekter		9 000	6 000
Rentekostnad til foretak i samme konsern		1 033 000	
Annen rentekostnad		1 000	1 000
Annen finanskostnad		241 000	231 000
Sum finanskostnader		1 275 000	232 000
Netto finans		-1 266 000	-226 000
Ordinært resultat før skattekostnad		-10 892 000	-24 008 000
Income tax expense	4	-2 396 000	-11 273 000
Ordinært resultat etter skattekostnad		-8 496 000	-12 735 000
Årsresultat		-8 496 000	-12 735 000
Årsresultat etter minoritetsinteresser		-8 496 000	-12 735 000
Overføringer og disponeringer			
Transferred to other equity		-8 495 000	-12 735 000
Sum overføringer og disponeringer		-8 495 000	-12 735 000



Balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4	13 669 000	11 273 000
Sum immaterielle eiendeler		13 669 000	11 273 000
Finansielle anleggsmidler			
Investering i datterselskap	5	1 844 577 000	1 844 577 000
Sum finansielle anleggsmidler		1 844 577 000	1 844 577 000
Sum anleggsmidler		1 858 246 000	1 855 850 000
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	7	72 000	397 000
Sum fordringer		72 000	397 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents		15 000	5 506 000
Sum bankinnskudd, kontanter og lignende		15 000	5 506 000
Sum omløpsmidler		87 000	5 904 000
SUM EIENDELER		1 858 333 000	1 861 754 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	2	273 450 000	273 450 000
Overkurs	2	1 596 988 000	1 596 988 000
Sum innskutt egenkapital		1 870 438 000	1 870 438 000



Balanse

Beløp i: NOK	Note	2019	2018
Opptjent egenkapital			
Other equity	2	-47 813 000	-39 317 000
Sum opptjent egenkapital		-47 813 000	-39 317 000
Sum egenkapital		1 822 625 000	1 831 121 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	7,16	35 513 000	30 530 000
Sum annen langsiktig gjeld		35 513 000	30 530 000
Sum langsiktig gjeld		35 513 000	30 530 000
Kortsiktig gjeld			
Leverandørgjeld		194 000	28 000
Kortsiktig konserngjeld	7		75 000
Sum kortsiktig gjeld		194 000	103 000
Sum gjeld		35 708 000	30 633 000
SUM EGENKAPITAL OG GJELD		1 858 333 000	1 861 754 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Operating revenues	22	5 992 632 000	5 429 071 000
Sum inntekter		5 992 632 000	5 429 071 000
Kostnader			
Cost of goods sold	23	1 562 026 000	1 483 969 000
Payroll costs	24,25	1 323 537 000	1 206 479 000
Depreciation, amortisation and impairment losses	7,8	513 746 000	469 611 000
Other operating costs	26	1 866 007 000	1 659 639 000
Other losses and gains	27	21 482 000	-57 075 000
Sum kostnader		5 286 798 000	4 762 623 000
Driftsresultat		705 834 000	666 448 000
Finansinntekter og finanskostnader			
Share of profits/(loss) of associates	9	1 232 000	596 000
Finance income	29	261 435 000	44 260 000
Sum finansinntekter		262 667 000	44 856 000
Finance expenses	29	532 726 000	705 143 000
Sum finanskostnader		532 726 000	705 143 000
Netto finans		-270 059 000	-660 287 000
Ordinært resultat før skattekostnad		435 775 000	6 161 000
Income tax expense		614 783 000	-416 565 000
Ordinært resultat etter skattekostnad		-179 008 000	422 726 000
Årsresultat		-179 008 000	422 726 000
Årsresultat etter minoritetsinteresser		-179 008 000	422 726 000
Change in fair value of equity investments recognized in OCI			
Actuarial gain/loss on retire benefit obligations			
Tax			



Konsernets resultatregnskap

Beløp i: NOK	Note	2019	2018
Cash flow hedges			
Tax			
Currency translation differences			
Overføringer og disponeringer			
Transferred to other equity		-179 008 000	422 726 000
Sum overføringer og disponeringer		-179 008 000	422 726 000



Konsernets balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	8	2 725 415 000	2 653 228 000
Utsatt skattefordel	17	9 168 000	681 776 000
Sum immaterielle eiendeler		2 734 583 000	3 335 004 000
Varige driftsmidler			
Property, plant and equipment	7	8 919 396 000	5 343 165 000
Sum varige driftsmidler		8 919 396 000	5 343 165 000
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	9	6 226 000	4 995 000
Investments in other companies	10	25 219 000	27 526 000
Derivative financial instruments			
Other receivables non-current	10,11	2 062 000	2 110 000
Sum finansielle anleggsmidler		33 507 000	34 631 000
Sum anleggsmidler		11 687 486 000	8 712 800 000
Omløpsmidler			
Varer			
Inventories	12	175 400 000	185 390 000
Sum varer		175 400 000	185 390 000
Fordringer			
Trade and other current receivables	11	453 595 000	409 658 000
Derivative financial instruments	10	8 162 000	
Sum fordringer		461 757 000	409 658 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	13	502 395 000	644 912 000
Sum bankinnskudd, kontanter og lignende		502 395 000	644 912 000
Sum omløpsmidler		1 139 552 000	1 239 960 000



Konsernets balanse

Beløp i: NOK	Note	2019	2018
SUM EIENDELER		12 827 038 000	9 952 760 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	14	273 450 000	273 450 000
Share premium	14	1 596 988 000	1 596 988 000
Sum innskutt egenkapital		1 870 438 000	1 870 438 000
Opptjent egenkapital			
Retained earnings	15	-1 216 286 000	-1 044 750 000
Other equity not recognized in the income statement		-45 470 000	-151 217 000
Minoritetsinteresser		-986 000	
Sum opptjent egenkapital		-1 262 742 000	-1 195 967 000
Sum egenkapital		607 696 000	674 471 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	18	46 177 000	112 220 000
Utsatt skatt	17	44 457 000	107 848 000
Deposits from customers, non-current	22	116 710 000	103 554 000
Provision for other liabilities and charges	19	4 519 000	4 290 000
Sum avsetninger for forpliktelser		211 863 000	327 912 000
Annen langsiktig gjeld			
Borrowings	16	9 597 178 000	7 018 714 000
Derivative financial instruments	10	7 571 000	57 351 000
Sum annen langsiktig gjeld		9 604 749 000	7 076 065 000
Sum langsiktig gjeld		9 816 612 000	7 403 977 000
Kortsiktig gjeld			
Leverandørgjeld	21	1 118 305 000	885 927 000
Current income tax liabilities	17	15 689 000	28 003 000
Borrowings	16	300 762 000	80 210 000
Provision for other liabilities and charges	19	38 068 000	31 435 000

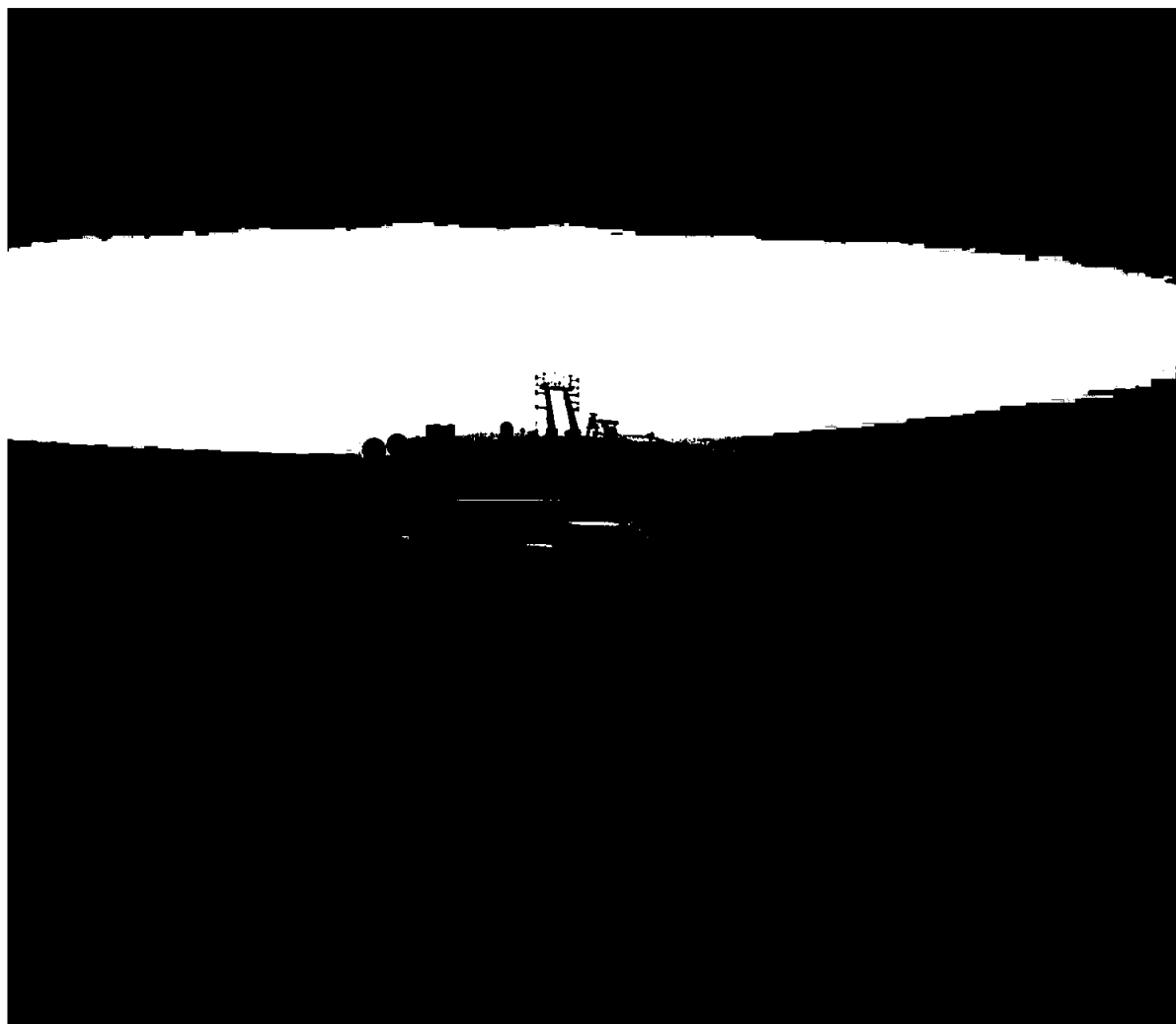


Konsernets balanse

Beløp i: NOK	Note	2019	2018
Derivative financial instruments	10	25 083 000	140 310 000
Deposits from customers, current	22	904 823 000	708 427 000
Sum kortsiktig gjeld		2 402 730 000	1 874 312 000
Sum gjeld		12 219 342 000	9 278 289 000
SUM EGENKAPITAL OG GJELD		12 827 038 000	9 952 760 000



ANNUAL REPORT 2019



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Silk Topco AS– Group

Directors' Report 2019

Hurtigruten – Leading premium expedition travel company

Silk Topco Group, through its brand Hurtigruten, is the leading expedition travel company focusing on sustainable expedition cruising. With a fleet of 16 custom-built expedition cruise vessels including the world's two first hybrid-powered expedition cruise ships delivered in 2019, Hurtigruten is the world's largest expedition cruise company. It offers a unique gateway to experiences in the Alaska, South America, Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travellers from all over the world. Hurtigruten's operation builds on a rich and proud Norwegian Expedition Cruises heritage offering the first voyages to Svalbard as early as 1896 and having offered cruises along the Norwegian coast for 126 years. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences with world leading experts and the best local food and beverages while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market.

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

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is the leading company in this segment. With its strong focus on sustainability and the environment, Hurtigruten introduced in 2019 the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, was delivered in Q4 2019. These two vessels will fortify Hurtigruten's position in the expedition cruise segment.

MS Nordlys underwent a complete refurbishment in 2019, increasing the number of suites, improving the cabins and the indoor decks and improving the general service offering on the vessels. The existing fleet has provided Hurtigruten with greater flexibility and an opportunity to tailor offerings, attracting more guests and new segments.

In 2019, we completed the refurbishments of our hotels on Svalbard. The upgraded hotels now offer enhanced facilities for the guests and employees and will further strengthen the company's position in the market. Hurtigruten Svalbard offers a wide range of excursions including dogsledding under the Northern Lights, ice-caving and snowmobile trips.

Business and location

Hurtigruten is the leading expedition cruise-based travel company based on APCNs, offering adventures that provide customers with the feel of authentic exploration into polar waters. Its offering is differentiated from that of most other cruise operators, including itineraries with a wide range of distinctive excursions and activities that allow customers to connect with exotic and remote places. The Group views its ships as safe and comfortable platforms from which to offer its customers unique engagement with the surrounding nature, culture and activities and therefore, unlike traditional cruise operators, the ship itself is not the main attraction. It also provides local transport and cargo shipment on the Norwegian coast pursuant to the Coastal Service Contract. The Group has a fleet of 16 ships and has 126 years of experience operating ships in polar waters, having provided services along the Norwegian coast since 1893. As a result of its long-established presence, public service origins and association with a long and naturally distinct coast line, Hurtigruten is one of Norway's most recognized international travel brands.



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Hurtigruten's global headquarter is located in Tromsø, one of the key ports of call on the Norwegian coastal route in addition to a large office in Oslo holding key functions. Hurtigruten has also sales offices in Hamburg, London, Paris, Seattle, Melbourne, Tallinn, Hong Kong and Kirkenes (which also functions as Hurtigruten's crew centre) form a global organisation serving Hurtigruten's most important and emerging markets.

Hurtigruten's wholly-owned subsidiary Hurtigruten Svalbard AS, is headquartered in Longyearbyen.

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

Hurtigruten Norwegian Coast represents Hurtigruten's longest-running and largest business area and comprises a fleet of 11 ships providing a scheduled service between Bergen and Kirkenes. Calling at 34 ports northbound and 33 southbound, Hurtigruten's legendary voyage ranks as one of Norway's most renowned and iconic attractions. In recent years, Hurtigruten has developed the voyages significantly to offer a wide range of activities and excursions to guests along the coast. In this process, Hurtigruten Expedition Teams have been added to most of the ships, providing lectures, organising excursions and adding to the onboard experience. Each port on the voyage receives a daily northbound and southbound call from Hurtigruten throughout the year, except Vadsø (only northbound). The Norwegian state purchases local transport and freight shipment services along the Norwegian coast. In the period 2012-2020 Hurtigruten will operate 11 ships under the "Coastal Route Agreement". In 2018 there was a tender for a new contract for the period 2021-2031. In the new tender the agreement was divided into 3 packages of 3,4 and 4 ships where potential interested parties could bid for one, two or three packages. Hurtigruten was awarded 2 packages of a total of 7 ships and will receive an annual payment NOK 546m (2018 value) for 7 ships (NOK 78m per vessel) which is a 20% increase in annual compensation per vessel compared to the compensation in 2019 of NOK 65m per vessel and will be KPI adjusted over the life time of the contract. This is a very positive outcome for Hurtigruten as we will be able to deploy our 3 largest ships into the fast-growing Expedition Cruise segment from 2021.

Expedition Cruises products include Hurtigruten's expedition cruise operations outside of the Norwegian coastal route. Voyages include visits to the Antarctic and Arctic, Alaska, Iceland, Greenland, South America and a variety of other destinations. In 2019, three vessels operated year-round in this segment, MS Fram, MS Midnatsol (September–April) and MS Spitsbergen (May–August). In July 2019, MS Roald Amundsen was delivered from the Kleven yard and started its operation. In December 2019 the sister ship, MS Fridtjof Nansen, was delivered. From 2020 we will have 5 ships operating in the Expedition segment MS Fram, MS Midnatsol (January–April) and MS Spitsbergen (May–December), MS Roald Amundsen, MS Fridtjof Nansen (March–December). From 2021 our 3 largest ships in the Coastal segment will join this segment after offering a unique Expedition product on the Norwegian Coast.

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

Business concept, objective and strategy

Objective and vision

Hurtigruten's vision is to be the leading expedition travel company by offering authentic and accessible experienced around the world to travellers who wish to explore and travel in a sustainable way. Hurtigruten will be a frontrunner in adventure tourism and expedition cruising, a niche with substantial global growth potential. With a fleet of 16 custom-built expedition ships, Hurtigruten is already the world's largest expedition cruise operator. Two-thirds of the Bergen–Kirkenes route lies north of the Arctic Circle. Accordingly, Hurtigruten has, at any given time, more than half its fleet in Arctic waters throughout the year. Hurtigruten's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic and active experiences on both land and sea.



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New ground-breaking expedition ships

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

Differentiation and strategy

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

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

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

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

Described by the New York Times as "one of Norway's treasured national symbols", Hurtigruten's brand has been developed over its 126-year history. It forms part of the country's cultural heritage, strengthening Hurtigruten's legitimacy with customers seeking authentic Norwegian experiences. It has a high level of recognition in key travel markets, such as Germany, UK and the Nordic countries. Based on this strong recognised brand and the authenticity of a product tailored for the adventurous, Hurtigruten believes that a voyage with a major cruise operator is not a relevant alternative for its guests. Hurtigruten's competitive position is supported by substantial barriers to establishment in the market for adventure and nature-based tourism, particularly in the expedition cruise segment. Substantial investments have been made across its fleet of 16 expedition vessels, custom built to deliver the unique Hurtigruten product. Any newcomer wishing to offer expedition and nature-based travel services in Hurtigruten's market will need to invest heavily before it will be able to compete with Hurtigruten.

Hurtigruten is regularly recognised as a strong performer in the industry, through Industry awards such as the "Best Expedition Cruise Line" at the 2017, 2018 & 2019 Travvy awards, "Best Adventure Cruise Line" in Cruise Critic Editor's Picks in 2017 Magellan Award Gold for "Best overall Eco friendly "green" Cruise ships" in 2018 and was deemed Germany's "Brand of the year (travel)" for 2017 & 2018. Cruise Critic U, best Adventure Cruise line of the year over the period of 2012-2019. Best Expedition Cruise line of the year 2019 – Australian Travel awards. Globe Travel awards – Best Specialist Cruise Company 2020.

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



Silk Topco AS– Group

Hurtigruten's standing and reputation was acknowledged in the Apeland and Reputation Institute's recognised reputation survey RepTrak 2019. Scoring 86 out of a total of 100 points, one of the highest scores ever achieved in the survey by any company, regardless of industry, Hurtigruten was recognised as Norway's second most reputable company, and by far the highest-ranking company within the travel industry.

Hurtigruten Norwegian Coast

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

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

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

As one of Norway's foremost tourist products, Hurtigruten is a driving force for developing Norwegian tourism and marketing the country internationally. Annually, Hurtigruten has a marketing budget of approximately MNOK 360. This equals one third of Norway's international marketing investment and is more than the Norwegian authorities invest through Innovation Norway. At the same time, the company has been collaborating with airlines and other industry players to improve flight connections for key departure ports in order to exploit the growth in the short-break market and to make Hurtigruten's products more accessible.

Along the Norwegian coast, Hurtigruten collaborates with approx. 50 different excursion providers, offering unique seasonally-adapted activities and experiences at all levels to all guests every day of the year. The fast-growing portfolio of excursions is unique both in its size and variety, and none of our competitors currently offer such a range to their guests. Excursions have been a prioritised area for Hurtigruten over many years and will continue as an important part of its differentiation strategy, including the continuous development of excursions operated by Hurtigruten. In 2019, guests could choose from around 75 activities along the Norwegian coast.

Expedition cruises

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

MS Roald Amundsen and MS Fridtjof Nansen is a crucial part of Hurtigruten's strategy of further expansion in the expedition cruise segment. The new ships will operate at new Hurtigruten destinations, such as full Northwest Passage crossings, Alaska, South America, and the Caribbean, in addition to Antarctica and Hurtigruten's key Arctic destinations. Throughout the summer of 2019, MS Roald Amundsen operated custom-made voyages along the Norwegian coast, homeporting in Hamburg (Germany).

Hurtigruten has more than doubled the capacity allocated to Antarctica by positioning MS Midnatsol in the area from the 2016 Antarctica season – with the ship alternating with MS Spitsbergen on the Norwegian coastal route. This increase in capacity in Antarctica provides Hurtigruten with flexibility and an opportunity to anticipate expected market changes that will occur with MS Roald Amundsen and MS Fridtjof Nansen, where we included MS Roald Amundsen in 2 half of 2019, while MS Fridtjof Nansen in Q1 2020. With further expansion of the fleet, this flexibility will be strengthened. In 2021 MS Otto Sverdrup, MS Eirik Raude and MS Maud (MS Finnmarken, MS Midnatsol, and MS Trollfjord) will be allocated to this segment and this will further cement our global leadership in the Expedition Cruising category.



Silk Topco AS– Group

Based on an extensive and varied product range, Hurtigruten's position as world leader in exploration travel will continue to be developed towards an active, broad-minded and affluent international public with a wide age range. Altogether, Hurtigruten offered 309 different excursions on its expedition voyages globally throughout the year in 2019. Some excursions are provided by the ship's onboard Expedition Teams, others are operated through third-party companies.

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

- Continued development of the existing product portfolio, the development of new experiences on board and ashore, and continuous assessment of new destinations.
- Constant evaluation of capacity requirements, pricing and competitive developments in the segment.
- Knowledge building and increased commitment along the whole value chain through the development of logistics, destinations and excursions.
- A focused marketing commitment, strategic brand building and a strengthening of the sales organisation.
- A systematic effort to get coverage in global top-tier media and bloggers, by organising press trips on selected destinations.
- Hurtigruten's land-based activities in Svalbard, with three hotels, an equipment shop and excursions, will be further developed through its wholly-owned Spitsbergen subsidiary.
- Hurtigruten Svalbard owns and operates the Radisson Blu Polar Hotel, the Spitsbergen Hotel ("Funken") and the Coal Miners' Cabins.
- In February 2018, Funken Lodge opened with 88 brand-new rooms, new bar and lounge areas, a new reception and a refurbished Funktionærmessen gourmet restaurant and in February 2019 the Radisson Blu opened after a full refurbishment of the public areas including a new restaurant and pub concept.
- This investment underlines Hurtigruten's ambitions for year-round expedition-based experiences for individual guests, as well as for groups of travellers. The land-based products in Svalbard will be better integrated with the rest of Hurtigruten's product portfolio in terms of development, marketing and sales.

Key risk and uncertainty factors

Construction risk

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

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

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

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

Currency risk

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



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Interest-rate risk

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

The Group's exposure to variable interest-rate risk is limited in 2019 and the Group has no specific hedging strategy to reduce variable interest-rate risk.

Credit risk

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

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

Liquidity risk

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Group has a group account that ensures that part of the Group's unrestricted liquidity is available to the parent company, and which also optimises availability and flexibility in liquidity management. The Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared in order to ensure that the Group has sufficient liquidity reserves to satisfy its obligations and financial loan covenants. In February 2018 the group refinanced their main debt when the Group entered into a Senior Secured Term Loan B of EUR 575 million and a Revolving Credit Facility of EUR 85 million, securing a long-term liquidity source. Further the group refinanced the EUR 260 million Export Credit Agency facility connected to the construction of MS Roald Amundsen and MS Fridtjof Nansen, with a EUR 300 million senior secured bond issue in February 2020. In addition, the group entered into a sale-lease back agreement with Bank of Communications for MS Richard With and MS Nordlys for a total of EUR 60 million in January 2020.

Developments in the cruise industry and macro-economic conditions

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

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

Adverse incidents related to, and public perception about, the safety of travel, including customers or crew illness, such as incidents of COVID- 19, H1N1, Ebola virus, Zika, stomach flu, or other contagious diseases, may adversely affect travel patterns in general and demand for the Group's services. Such outbreaks of disease could, among other things, disrupt the Group's ability to embark and disembark customers and crew from its ships or conduct land-based services, disrupt air travel to and from ports, increase costs for prevention and treatment and adversely affect the Group's supply chain. This could also adversely impact the Group's reputation and demand for its offerings in areas



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unaffected by such an outbreak. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

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

The EU Sulphur Directive came into force in January 2015 and involves stricter sulphur limits in fuel for ships in the EU. In SECA (SOx Emission Control Areas), the new limits have been set at 0.10%, which implies that operators in this area must either run on marine diesel/marine gas oil, LNG or install scrubbers that clean exhaust emissions (or apply alternative methods in order to achieve the same effect). The European SECA area includes the Baltic Sea, the English Channel and large parts of the North Sea, bordered in the north by the 62nd parallel. Hurtigruten's itinerary on the Norwegian coast, relevant to 11 ships in the fleet, has a total distance of 974,590 nautical miles (nm). 170 nm of the itinerary is south of the 62nd parallel. Hurtigruten complies with the EU Sulphur Directive, operating on marine special distillates (MSD) north of the 62nd parallel, and on marine gas oil (MGO) when entering the SECA area. Hurtigruten's Expedition Cruises vessel MS Fram operates on MGO only. As of 1 January 2017, Hurtigruten decided that it will only purchase an MSD with a maximum content of 500 PPM Sulphur (0,05%).

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

Financial performance

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

Consolidated results

Total operating revenues for Silk Topco Consolidated accounts was NOK 5,993 million in 2019 (2018: NOK 5,429 million), just shy of NOK 6bn mark, and an increase of 10% compared to last year. The growth was experienced in all segments, Coastal, Expedition and Landbased. The company experienced both increased occupancy, but also the passenger-mix on the coastal segment, with a higher number of long cruises, compared to short-term voyages passengers.

Due to increased capacity in the Expedition segment with the inclusion of MS Roald Amundsen during Q2 and average yield, in all quarters for Norwegian Coastal segment, consolidated EBITDA in 2019 increased by 7.4% to NOK 1,220 million, from last year's EBITDA of NOK 1,136 million including increased cost on support functions. The underlying growth has been even higher, where we have seen both higher occupancy, better passenger mix on coastal segment and kept the cost to expected targets. This was offset by negative effects on valuation on derivatives and the increased the supporting functions for the increased activity, where we will first see the actual return in 2021 sailings.

Net financial expenses amounted to NOK 271 million (2018: NOK 660 million). The reduction in financial expenses in 2019 was primarily due to decreased interest expense for 2019 compared to 2018, where the reduction is due to the refinancing of EUR 455million and revolving credit facility of EUR 85 million that was replaced with a term B loan of EUR 575 million and a new Revolving Credit Facility of EUR 85 million. The refinancing entails 3-year prolonged debt maturity increased available liquidity and reduced interest costs going forward. Further the changes towards currency gains with the reversal of FX loss in 2018 on derivatives that was connected to the purchase of MS Roald Amundsen and MS Fridtjof Nansen.

The consolidated pre-tax profit for the year was NOK 436 million (2018: NOK 6 million). The inclusion of most of the activity to the tax tonnage regime gave a large increase of tax income in 2018 for the recognition of deferred tax asset. For 2019 Hurtigruten had the opposite tax effect of changing the tax regime due to tax realization, giving rise to a large tax cost for 2019, which is a one-time effect.



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Cash flow and financial position

Cash and cash equivalents in the cash flow statement totalled NOK 390 million at 31 December (2018: NOK 467 million), not including restricted cash.

Net cash flow from operating activities amounted to NOK 1,340 million (2018: NOK 1,138 million), reflecting the underlying positive operations and strong cashflow generation.

Net cash flow used in investment activities was NOK 3,899 million (2018: NOK 942 million) including capital expenditures on maintenance and refurbishments of the ships, and not least the payment of delivery of MS Roald Amundsen and MS Fridtjof Nansen both in 2019.

Net cash flow from financing activities was NOK 2,479 million (2018: NOK 46 million), consisting of net proceeds from the loan financing for MS Roald Amundsen and MS Fridtjof Nansen, in addition to interest and financing expenses during the year.

Consolidated non-current assets totalled NOK 12,827 million at 31 December (2018: NOK 9,953 million), an increase from 2018 primarily due to taking delivery of MS Roald Amundsen and MS Fridtjof Nansen.

Total current assets were NOK 1,140 million (2018: NOK 1,240 million), which consists mostly of cash and cash equivalent but also trade and other receivables.

Total non-current liabilities were NOK 9,817 million (2018: 7,404 million). The increase is due to a debt facility that was drawn when taking delivery of MS Roald Amundsen and MS Fridtjof Nansen. This debt facility has been repaid with an issuance of Bond loan of EUR 300 million in 2020.

Consolidated equity at 31 December was NOK 607 million (2018: NOK 674 million). The equity ratio was 4.7% (2018: 6.8%). Taking into consideration the future medium to long-term prospects of expected growth in operations and revenues, it is the Board's opinion that the financial position of the Group is sound. However, the outbreak of COVID-19 and the closing of travels during March of 2020, has given rise to lower short-term profitability. In order to preserve its financial position, Hurtigruten has initiated a company-wide cost and capex cutting program which includes: i) postponing all non-critical capex projects ii) temporary lay off of 90% of the personnel iii) stopping all spending on marketing cost, non-critical consultants iv) non-essential travel. The cost cutting plan also includes the temporary layoff all ships except for 2 from March to June (Bodø -Kirkens – Bodø) and from 16th of June 4 ship from Bergen-Kirkenes-Bergen.

The Board of Directors are of the opinion that normal operations will commence in the late Q3 and Q4 2020, but will be connected to the lifting of the travel restrictions imposed by the Norwegian Government. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company. Bookings for 2021 is, as of 19th of June, 5.9% higher compared with same time last year. This is very supportive for a rebound in 2021 as travel restrictions are lifted. Further Hurtigruten has in June 2020 managed to secure an increased liquidity with a 3-year EUR 105 million loan that gives the group the needed financial stability for at least the year of 2020.

The BoD is confident that Hurtigruten will have a sound fair-valued equity also in 2020. In the opinion of the BoD, the underlying value of Hurtigruten's vessels and brand are significantly higher than the book value.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the Group's financial performance during 2019, and financial position at 31 December 2019. The Board confirms that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net loss for the parent company Silk Topco AS in 2019 was NOK 8.5 million, which is proposed to be covered by other equity.



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Product areas

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

Hurtigruten Norwegian Coastal

The Hurtigruten Norwegian Coastal product area is the largest activity in the group, accounting for around 78% of its consolidated operating revenues in 2018. This product area embraces 11 ships sailing between Bergen and Kirkenes, calling at a total of 34 ports along this route.

Hurtigruten's ships achieved an overall regularity of 96.8% in 2019. Altogether, 740 of a total of 23,074 port calls were cancelled in 2019, due to both technical cancellations and when weather conditions prompted the cancellation of relevant port calls for safety reasons.

Demand for the coastal product has increased, especially the winter season, which historically had low occupancy. However, we experienced a drop-in volume during the summer months related to local transport and short voyages which negatively influenced utilisation rates. Capacity utilisation for 2019 decreased by 3 percentage points to 81% but was offset by higher average yield. Gross ticket revenues increased at the same time, resulting in an operating revenue for 2019 of NOK 4,364 million, an increase of 3.6% over last year.

The Norwegian Coastal segment EBITDA was NOK 1,649 million for 2019 (2018: NOK 1,662 million), the positive development is driven by higher average net yield per cruise night as a result of higher ticket prices and lower direct costs per cruise night sold, but the effect the higher net yield per cruise night has been somewhat offset by lower occupancy and higher cruise operating expenses. For 2019 the EBITDA figures are changed with showing segment contribution before SG&A, where the indirect cost from supporting functions is not allocated to business areas.

Expedition Cruises

The Expedition Cruises product accounted for 25% of the consolidated operating revenues in 2019. The product comprises the vessels MS Roald Amundsen, MS Fram, MS Nordstjernen, MS Spitsbergen and MS Midnatsol, where the latter two vessels have been alternating between Hurtigruten Norwegian Coast and Expedition Cruises product areas. MS Nordstjernen operated in the north of Norway in the winter/spring and Svalbard in the spring/summer season.

MS Fram cruised in the Antarctic, Canada, Spitsbergen and Greenland in 2018, and in September sailed Hurtigruten's first cruise through the North-West passage. The Fram cruises has shown a positive pricing trend and there is demand for the differentiated smaller-ship products. MS Midnatsol cruised in the Antarctic during the winter season, alternating in the spring with MS Spitsbergen sailing around Spitsbergen during the summer.

Operating revenues amounted to NOK 1,338 million (2019: NOK 936 million). Capacity utilisation increased to 77% from 72% in 2018, reflecting the increased demand in the segment. Segment EBITDA was NOK 505 million (2018: NOK 262 million) mainly driven by the introduction of the MS Roald Amundsen in July and higher occupancy in the Arctic sailings during Q2 and Q3 2019 compared to same period in 2018, where we for the full year see an increased net gross revenue, while the net cruise cost only increased slightly.

Landbased

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

There is increased demand for the destination and in 2019 two of the hotels, Funken and Polar hotel underwent substantial refurbishments, upgrading the guest experience of the destination. However, as the hotels were closed during the renovation period, the number of guest nights in 2018 were reduced compared to last year.

Operating revenues in 2019 were NOK 298 million (2018: NOK 295 million), while EBITDA was NOK 44 million (2018: NOK 50 million).



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Research and development activities

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

Health, safety and the environment

Highest priority

It is Hurtigruten's principle that a safe operation is one of the cornerstones in the process of developing in the desired direction. Hurtigruten has a robust Management System which provides operational guidelines to employees on board and ashore. The business and Hurtigruten's profitability depend on being in control of the safe operation of the ships.

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

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

The Company did not suffer any serious personal injuries in 2019. The Company experienced improved reporting of minor injuries during the year, such as cuts and bruises. 67 first-aid cases were reported, in which the employee in question continued to work after receiving first-aid treatment, a reduction of 13% compared to 2018 (77 cases). 17 cases were reported in which the employee in question was unable to work for one or more days following the injury, a reduction of 29% compared to 2018 (24 cases). 4 minor allisions with pier and 1 with a small fishing vessel with minor damages was reported.

The Company has focused to improve the reporting from the vessels and operation. Hurtigruten is analysing these reports to identify effective preventive measures to ensure these incidents are reduced.

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

Responsible operations

Hurtigruten is the world leader in exploration travel, and the world's largest expedition cruise company. This comes with a responsibility. With a mission focused on innovation, technology and sustainability – we have embedded the UN Sustainable Development Goals into all aspects of Hurtigruten's operations.

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



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

The scope of Hurtigruten's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO₂) and nitrogen oxides (NO_x). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, and low-sulphur marine special distillates (MSD 500 ppm) north of 62 degrees north. These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten. The higher price of these environmental fuels is offset by their significant positive environmental properties compared to heavier grades of fuel.

Average greenhouse gas emissions in 2019 (2018):

CO₂: 218.1 kg/nm (214 kg/nm)

NO_x: 4.0 kg/nm (3.9 kg/nm)

SO₂: 0.004 kg/nm (0.004 kg/nm)

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2019, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO₂, CO₂ and NO_x however due to changes in sailing plan as well as rough weather the emissions are above 2018 level. This also resulted in an average fuel consumption per nautical miles in 2019 of 80,2 which is slightly above 2018 levels (2018: 77,9)

In 2019 Hurtigruten started the preparations for technical upgrades on up to six 90-class vessels, converting them to LNG fuel. A key feature has been ensuring that vessels are compatible with climate-neutral advanced biogas, paving the way for low emissions service. These are ground-breaking projects, demanding significant research and development prior to docking. The conversion will reduce the CO₂ emissions from these vessels by above 25 per cent, while the NO_x emissions will reduce by approx. 90 per cent.

Shore power connection is an important environmental initiative, both for Hurtigruten and the ports of call. Hurtigruten is an active ambassador for shore-based power in Norwegian ports, and has been a key voice in calling for a national shore-based power strategy, as part of our collaboration with the environmental organisation Bellona. We were proud to be able to start testing shore-based power in the port of Bergen. This was a major milestone in our long-term goal of increasing the use of renewable energy, and making the transition to electric power from traditional fuels when docked at port. Two of our vessels, MS Kong Harald and MS Spitsbergen are ready to start using shore-based electricity, and three more vessels are ready to undertake the final technical installations during 2019. The rest of the coastal fleet will follow as soon as possible. Bergen was the first port to offer shore power for Hurtigruten ships, and during 2018 we connected our prepared vessels to shore power for the first time.

The shore power facility in the port of Bergen, where the Hurtigruten ships berth for eight hours daily during winter and 5.5 hours during summer, will reduce CO₂ emissions annually by almost 130 tonnes per ship. Annual reduction of NO_x is estimated at approximately 2.5 tonnes. Hurtigruten eagerly awaits shore power connections being provided at other ports along the Norwegian coast.

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



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The introduction of MS Roald Amundsen and MS Fridtjof Nansen – the world's first hybrid-powered expedition ships – will further strengthen Hurtigruten's environmental performance, but are also documenting our commitment to fuel technology innovation and sustainable operations.

Organisation

The company employed 2489 full-time equivalents at 31 December 2019. 1,660 were carried out by permanent employees – including subsidiaries, of which 434 of the full-time equivalents were carried out in our offices in Hamburg, London, Seattle, Tallinn, Paris, Hong Kong, Melbourne and Svalbard. Temporary employees accounted for 383 full-time equivalents.

Hurtigruten is an expertise-based company and training plays a key role. Hurtigruten had 191 apprentices on its ships at 31 December 2019, making it one of the largest apprentice companies in the maritime sector of the Confederation of Norwegian Enterprise (NHO).

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

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

Working environment

Hurtigruten is an inclusive workplace company, where we actively aim to reduce total sick leave throughout the organisation. Average sickness absence in 2019 was 6,7 % for seagoing personnel and 1.8% for land-based personnel.

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

Equal opportunities and discrimination

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

52 different nationalities are represented in Hurtigruten and female employees account for 40% of the workforce.

For our seagoing personnel, female employees account for 41% of Hurtigruten's permanent seagoing workforce and are mostly employed in the hotel department. Of the senior officers on board – master, first officer, hotel manager, chief engineer and first engineer – 78,4% are male. Hurtigruten works continuously to create a better balance in seagoing management posts.

Two of the five members of the corporate management team, reporting to the CEO, are female.

Corporate social responsibility (CSR)

For 126 years, Hurtigruten has explored some of the world's most pristine, vulnerable and awe-inspiring waters. Hurtigruten's guests have found themselves immersed in unique experiences with wildlife and nature and have been introduced to communities and cultures at the destinations Hurtigruten explores. For Hurtigruten, it is important that the guests of tomorrow can enjoy the same meaningful travel experiences as the guests of today. Therefore, Hurtigruten sees it as essential to both minimise the impact of expedition cruising on the environment and maximise the positive contribution to local communities.

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Sustainable and responsible behaviour and operations are vital for Hurtigruten. Trust and good relations with partners and stakeholders are crucial for optimum operation and profitability. By virtue of Hurtigruten’s position in Norwegian tourism, as well as its extensive business activities and social significance, Hurtigruten both encourages and requires the same level of commitment from its partners and stakeholders. Hurtigruten aims to raise and set standards for the whole industry to follow, as we enter a new era of expedition cruising and adventure travel driven by sustainability.

Our business and operations directly and indirectly touch on many of the 17 UN Sustainable Development Goals. Our sustainability ambitions are directly linked to goals 9, 11, 12, 13 and 14. This is where we believe we can have the most positive impact, for society as a whole and for our business, both now and in the future.



In addition, we have chosen four goals that represent our very foundation, our licence to operate. These are goals 4, 5, 8 and 16. They represent the values that sit at the core of our business and are embedded in our governance systems.



As a result of the strong focus and sustainability we have implemented a lot of measures over the recent years:

- We have the first ever hybrid-powered expedition cruise ships.
- As the first major travel company in the world to do so - have removed single-use plastic from all our ships and hotels.
- We invite our guests to explore the planet on a safer, greener and more advanced expedition fleet.
- We aim to educate guests and create ambassadors for every destination on every voyage through actively engaging guests in the culture, ecosystems and the consequences of climate change - wherever we explore.

Hurtigruten is dedicated to enhancing local communities through cooperation and trade. Our guests are explorers and appreciate quality experiences, learning, and understanding as a viable path to all-year activity and sustainable growth. We know that protecting and adding long-term value to the waters we sail in, and to the destinations we visit, is not just the right thing to do—it is necessary.

By participating in excursions and sourcing ingredients from local suppliers, Hurtigruten contributes to the livelihoods and welfare of small coastal societies. Hurtigruten respects and supports indigenous communities, values culture and traditions, and maintains a very close cooperation with the communities that make an immense effort to welcome our guests—wherever we visit.

In 2014, Hurtigruten implemented a comprehensive local food concept, called Norway’s Coastal Kitchen. Based on locally produced ingredients and products, all menus are designed from the areas in which the ships sail. Fresh ingredients, such as fish, meat or vegetables are delivered, as far as possible, directly on board each ship when it docks in the nearest port. This reduces transport distance significantly by utilising the Hurtigruten port structure actively, and enhances the travel experience for our guests. The initiative has been extremely well received among our guests and the Norwegian Coastal Kitchen concept has been further developed in 2018 and 2019.



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Exploring some of the most spectacular destinations on our planet—and observing the unique wildlife—is an important part of every Hurtigruten voyage. And with that, comes an obligation to explore respectfully. Any impact should be minor and transitory only. Hurtigruten and our guests will not leave visible or lasting signs from a visit. Observing wild animals is done at a distance so as not to alter natural behaviour, and with the utmost respect for their welfare and habitat.

Hurtigruten is taking the lead in the fight against the exploitation and degradation of sites, nature, and local communities by unsustainable over tourism. We are advocating strict rules and regulations, and we are imposing them on ourselves to prove it can be done.

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

As part of the effort to raise awareness the Hurtigruten Foundation was established to address the opportunities and challenges in the areas Hurtigruten explores, to financially support locally-initiated projects and to encourage people to volunteer in worthwhile causes. Twice a year, the Board of the Hurtigruten Foundation grants funds to local and global projects involving initiatives in the areas in which Hurtigruten operates. The deadline for applying for funds is 1 November and 1 May each year.

Share capital and shareholders

As of 31 December 2019, Silk Topco AS had thirteen (13) shareholders and a total paid in equity of NOK 1,870 million, spread over 273,449,989 shares with a nominal value of NOK 1.00 each and a share premium of NOK 1,597 million.

The shares have equal voting rights, see note 14 for more information.

Outlook

Hurtigruten has experienced a strong positive underlying booking trend through 2018 and 2019 and been the leading expedition cruise company in the world. There has been a strong demand for the increased capacity offered under the Expedition Cruises segment in both Antarctica and the Arctic. The introduction of the MS Roald Amundsen and the MS Fridtjof Nansen has been a great success.

In 2019 we have experienced an increased willingness to pay for Expedition cruises and this is shown in the increased yield in both the Coastal and Expedition segments. We have also seen this trend continue in 2020 and 2021. Pre-bookings for 2020 started out materially higher compared to the same time last year and are driven by significant investments in our commercial team, product-improvement initiatives, including refurbishments, and additional capacity in the Expedition Cruises segment. However, due to the Covid-19 pandemic operations were temporarily halted in March and the plan is now to resume operations in late May. Booking inflow for the period April-August 2020 has been reduced due to the Covid-19 pandemic which is related to the travel restrictions. Hurtigruten has introduced a flexible booking policy enabling guest to rebook free of charge 2020 voyages to 2021. Due to this flexible rebooking policy we have had a very good growth in 2021 bookings compared to same period last year for 2020. Over the last 30 days we have seen a booking inflow of NOK 195m which is 19% higher compared to same period last year. Over the last 30 days there is also a very good development in new bookings for 2021 sailings.

Due to the Covid-19 pandemic, the company, has initiated activities to cut costs and growth investments, including cancelling most contracts with consultants, temporary lay-offs of over 73% of the employee. Initially Hurtigruten temporarily suspended operations except for 2, which sail between Bodø and Kirkenes to support local transport. On June 16th 2020 Hurtigruten started operations again with 4 ships starting to sail the Bergen-Kirkenes route. Hurtigruten will continue to ramp up production as travel restrictions are lifted and the demand from guest are there.

The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company. The Board of directors acknowledge that, as of today, Hurtigruten has had no confirmed or suspected cases of Covid-19 on our ships.



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Marine operations have performed well in 2019 with a record low level lower number of missed port calls due to technical issues. This is expected to continue.

Customer feedback continues to be at a high level, strengthening Hurtigruten's brand position and ability to attract new customers. Hurtigruten aims to be positively different to counter competition from international cruise operators in Scandinavia and along the Norwegian coast, offering a truly unique experience to its customers. The customer feedback during March 2020 when the Covid-19 started to be active we have had extremely good customer feedback. The NPS score of 74 across the company which is all time high. This is very positive for the long-term development of the company.

Oslo, 24 June 2020
Board of Directors of Silk Topco AS



Trygve Hegnar
Chair



Petter Stordalen
Director



Jonathan Barlow Rosen
Director



Matthew John Lenczner
Director



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CONSOLIDATED INCOME STATEMENT

<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018 Restated*
Operating revenues	22	5 992 632	5 429 071
Cost of goods sold	23	(1 562 026)	(1 483 969)
Payroll costs	24, 25	(1 323 537)	(1 206 479)
Depreciation, amortisation and impairment losses	7,8	(513 746)	(469 611)
Other operating costs	26	(1 866 006)	(1 659 639)
Other (losses) / gains – net	27	(21 482)	57 075
Operating profit/(loss)		705 834	666 448
Finance income	29	261 435	44 260
Finance expenses	29	(532 726)	(705 143)
Finance expenses - net		(271 291)	(660 884)
Share of profit/(loss) of associates	9	1 232	596
Profit/(loss) before income tax		435 775	6 161
Income tax gain / (expense)	17	(614 783)	416 565
Profit/(loss) for the year		(179 008)	422 726
Profit/(loss) for the year attributable to			
Owners of Silk Topco AS		(171 538)	422 726
Non-controlling interests		(7 469)	-



Silk Topco AS - Group

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018 Restated*
Profit/(loss) for the year		(179 008)	422 726
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity investments recognized in OCI	10, 15	(2 327)	(28 015)
Actuarial gain/loss on retirement benefit obligations	15	3 673	(3 827)
Tax	17	(1 218)	659
Sum		128	(31 183)
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges	15	138 207	(209 244)
Tax	17	(35 794)	35 794
Currency translation differences	15	3 207	(5 061)
Sum		105 620	(178 511)
Total other comprehensive income, net of tax		105 748	(209 694)
Total comprehensive income for the year		(73 260)	213 032
Total comprehensive income for the year attributable to			
Owners of Silk Topco AS		(65 791)	213 032
Non-controlling interests		(7 469)	-
Total comprehensive income for the year		(73 260)	213 032



Silk Topco AS - Group

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in NOK 1,000)</i>	Note	2019	2018 restated	01.01.2018 restated
ASSETS				
Non-current assets				
Property, plant and equipment	7	8 919 396	5 343 165	4 672 951
Intangible assets	8	2 725 415	2 653 228	2 664 560
Investments in associates	9	6 226	4 995	4 880
Deferred income tax assets	17	9 168	681 776	198 837
Investments in other companies	10	25 219	27 526	53 139
Derivative financial instruments	10	-	0	30 494
Other financial assets, non-current	10, 11	2 063	2 110	12 794
Total non-current assets		11 687 486	8 712 800	7 637 655
CURRENT ASSETS				
Inventories	12	175 400	185 390	148 179
Trade and other receivables	11	453 596	409 658	393 128
Derivative financial instruments	10	8 162	(0)	19 533
Cash and cash equivalents	13	502 395	644 912	660 877
Total current assets		1 139 552	1 239 960	1 221 717
Total assets		12 827 038	9 952 760	8 859 372



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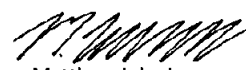
<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018 restated	restated
EQUITY				
Equity attribute to owners of the parent				
Share capital	14	273 450	273 450	273 450
Share premium	14	1 596 988	1 596 988	1 596 966
Other equity not recognized in the income statement	15	(45 470)	(151 217)	58 477
Retained earnings		(1 216 286)	(1 044 750)	(1 467 475)
Non-controlling interests		(986)	-	
Total equity		607 696	674 471	461 418
LIABILITIES				
Non-current liabilities				
Borrowings	16	9 597 178	7 018 714	1 043 183
Deposits from customers, non-current	22	116 710	103 555	133 328
Deferred income tax liabilities	17	44 457	107 848	74 562
Retirement benefit obligations	18	46 177	112 220	110 353
Derivative financial instruments	10	7 571	57 351	-
Provisions for other liabilities and charges	19	4 519	4 290	4 452
Total non-current liabilities		9 816 612	7 403 977	1 365 878
Current liabilities				
Trade and other liabilities	21	1 118 305	885 927	1 015 466
Deposits from customers, current	22	904 823	708 425	619 598
Current income tax liabilities	17	15 689	28 003	21 274
Borrowings	16	300 762	80 210	5 343 586
Derivative financial instruments	10	25 083	140 310	13 247
Provision for other liabilities and charges	19	38 068	31 435	18 904
Total current liabilities		2 402 730	1 874 311	7 032 075
Total equity and liabilities		12 827 038	9 952 760	8 859 372

Oslo, 24 June 2020


Trygve Hegnar
Chairman


Petter Stordalen
Director


Jonathan Barlow Rosen
Director


Matthew John Lenczner
Director



Silk Topco AS - Group

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in NOK 1,000)</i>	<i>Note</i>	Share capital including treasury shares	Share premium	Other equity not recognised in the income statement	Retained earnings	Total paid- in and retained capital	Non- controlling interests	Total Equity
Balance at 31 December 2018		273 450	1 596 966	58 477	(1 458 231)	470 662	-	470 662
Implementation effect of IFRS 16	30				(9 244)	(9 244)	-	(9 244)
Balance at 1 January 2018		273 450	1 596 966	58 477	(1 467 475)	461 418	-	461 418
Profit/(loss) for the year		-	-	-	422 725	422 725	-	422 725
Other comprehensive income								
Currency translation differences	15	-	-	(5 061)	-	(5 061)	-	(5 061)
Cash flow hedges, net of tax	15	-	-	(173 450)	-	(173 450)	-	(173 450)
Change in fair value of equity investments recognized in OCI	15	-	-	(28 015)	-	(28 015)	-	(28 015)
Actuarial gain/loss on retirement benefit obligations, net of tax	15	-	-	(3 168)	-	(3 168)	-	(3 168)
Other comprehensive income		-	-	(209 694)	-	(209 694)	-	(209 694)
Total comprehensive income		-	-	(209 694)	422 725	213 032	-	213 032
Transactions with owners								
Reversal of issue cost	14	-	23	-	-	23	-	23
Total transactions with owners		-	23	-	-	23	-	23
Balance at 31 December 2018		273 450	1 596 988	(151 217)	(1 044 750)	674 472	-	674 472
Balance at 1 January 2019		273 450	1 596 988	(151 217)	(1 044 750)	674 472	-	674 472
Profit/(loss) for the year		-	-	-	(171 538)	(171 538)	(7 469)	(179 007)
Other comprehensive income								
Currency translation differences	15	-	-	3 207	-	3 207	-	3 207
Cash flow hedges, net of tax	15	-	-	102 413	-	102 413	-	102 413
Change in fair value of equity investments recognized in OCI	15	-	-	(2 327)	-	(2 327)	-	(2 327)
Actuarial gain/loss on retirement benefit obligations, net of tax	15	-	-	2 455	-	2 455	-	2 455
Other comprehensive income		-	-	105 748	-	105 748	-	105 748
Total comprehensive income		-	-	105 748	(171 538)	(65 791)	(7 469)	(73 260)
Business combination							6 484	6 484
Other changes to Equity		-	-	-	-	-	6 484	6 484
Balance at 31 December 2019		273 450	1 596 988	(45 470)	(1 216 287)	608 681	(986)	607 696



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CONSOLIDATED CASH FLOW STATEMENT

<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018
Cash flows from operating activities			
Profit/(loss) before income tax		435 775	6 161
Adjustments for:			
Depreciation, amortisation and impairment losses	7,8	513 746	469 611
Agió/disagio	27	(55 049)	119 651
Gains/losses derivatives		-	(9 764)
Interest expenses		299 657	560 753
Share of profit and loss of associates		(1 232)	(596)
Impairment on financial investments		-	(391)
Difference between expensed pension and payments	18	(67 401)	(2 024)
Change in working capital:			
Inventories	12	9 988	(37 209)
Trade and other receivables	11	(55 618)	(22 693)
Trade and other payables	21	115 459	29 773
Deposits from customers	22	200 894	48 855
Income tax paid	17	(55 866)	(24 350)
Net cash flows from (used in) operating activities		1 340 354	1 137 775
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE) incl advanced payments	7	(3 806 238)	(1 024 687)
Proceeds from sale of property, plant, equipment (PPE)		528	870
Purchases of intangible assets	8	(135 779)	(69 087)
Loans to associates and other companies, net		-	15 331
Purchase and proceeds from sale of shares		-	(45)
Cash effect from business combinations, net of cash in acquiree		(23 577)	
Settlement of financial instruments		-	(9 725)
Dividends received		-	500
Change in restricted funds	13	65 891	145 330
Net cash flows from (used in) investing activities		(3 899 174)	(941 513)
Cash flows from financing activities			
Proceeds from borrowings	16	3 075 998	1 074 909
Repayment of borrowings	16	(235 276)	(505 403)
Payment of lease liabilities	30	(44 650)	(49 671)
Interest paid		(317 377)	(565 457)
Net cash flows from (used in) financing activities		2 478 694	(45 622)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(80 126)	150 641
Cash and cash equivalents at 1 January		467 920	338 006
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		2 604	(20 726)
Cash and cash equivalents at 31 December	13	390 398	467 920
Restricted cash	13	111 996	176 992
Cash and cash equivalents in statement of financial position	13	502 394	644 912



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The consolidated financial statements of Silk Topco Group (the Group) consists of Silk Topco AS and its subsidiaries, headquartered at Langkaia 1 in Oslo, Norway. The main Group activities are conducted in the subsidiaries Hurtigruten AS and Hurtigruten Cruise AS, which both are private limited liability companies registered and domiciled in Norway and headquartered at Storgata 70, Tromsø.

The Group has offices in Tromsø, Kirkenes and Oslo, wholly-owned foreign sales companies in Hamburg, London, Paris, Hong Kong and Seattle, a reservation centre in Tallinn as well as activities in Longyearbyen. The consolidated financial statements can be downloaded from the Hurtigruten's website www.hurtigruten.no.

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 16 expedition cruise vessels. Hurtigruten opens a unique gateway to experiences in the Arctic, Antarctica, Greenland and along the Norwegian coast to travellers from all over the world. The Group's operating segments are organised into the following three product areas: Norwegian Coast, Expedition Cruises and Landbased.

Hurtigruten Norwegian Coast is 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 leisure travellers.

Expedition Cruises is the second largest segment using the four vessels MS Roald Amundsen, MS Fram, MS Spitsbergen and MS Midnatsol (the latter two vessels alternating between the Norwegian Coast and the Expedition cruises segments), as well as MS Nordstjernen which is leased and operated on the archipelago of Svalbard in the summer season. Expedition Cruises offers unique expedition cruises primarily in polar waters. The Expedition cruises segment was strengthened in Q3 2019 with the new purpose-built 530 pax. polar cruise ship MS Roald Amundsen and will be further strengthened by her sister-ship MS Fridtjof Nansen with first commercial sailings in Q1 2020.

The Landbased segment (renamed from Spitsbergen compared to the 2018 annual financial statement) comprises year-round hotel and restaurant activities as well as Arctic experience tourism in Svalbard and Kirkenes. Hurtigruten Svalbard operates three hotels (two of them recently refurbished) and an equipment store.

Activities that do not naturally fall within these three segments are bundled in Other business. These operating segments are reported in the same way as internal reporting to the Board of Directors and Group management.

The Group's presentation currency for 2019 is Norwegian Kroner.

The consolidated financial statements were approved by the company's Board of Directors on 24.06 2020.



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The following companies are included in the consolidated financial statements

	Registered office	Ownership/voting share
Owned by Silk Topco AS (parent company)		
Silk Midco AS	Tromsø, Norway	100 %
Coastal Holding AS	Tromsø, Norway	100 %
Kirberg Shipping AS	Tromsø, Norway	100 %
Owned by Kirberg Shipping AS		
KVE Holding AS	Tromsø, Norway	100 %
Owned by Coastal Holding AS		
Coastal 1 AS ¹⁾	Oslo, Norway	100 %
Coastal 2 AS ¹⁾	Oslo, Norway	100 %
Kirberg Shipping KS ¹⁾	Tromsø, Norway	100 %
Owned by Silk Midco AS		
Hurtigruten Group AS (Changed from Silk Bidco AS at 19 February 2019)	Oslo, Norway	100 %
Owned by Hurtigruten Group AS		
Hurtigruten AS	Tromsø, Norway	100 %
Hurtigruten Explorer AS	Tromsø, Norway	100 %
Hurtigruten Onshore Operations AS	Tromsø, Norway	100 %
Hurtigruten Expedition Fleet AS	Tromsø, Norway	100 %
Hurtigruten Coastal Fleet AS	Tromsø, Norway	100 %
Hurtigruten Ship Holding AS	Tromsø, Norway	100 %
Owned by Hurtigruten AS		
HRG Eiendom AS	Tromsø, Norway	100 %
Hurtigruten Estonia OÜ	Tallinn, Estonia	100 %
Hurtigruten GmbH	Hamburg, Germany	100 %
Hurtigruten Inc.	Seattle, USA	100 %
Norwegian Coastal Voyage Ltd	London, UK	100 %
Hurtigruten Pluss AS	Tromsø, Norway	100 %
Hurtigruten SAS	Paris, France	100 %
Hurtigruten Sjø AS	Kirkenes, Norway	100 %
Hurtigruten Svalbard AS	Longyearbyen, Svalbard, Norway	100 %
Explorer II AS ¹⁾	Tromsø, Norway	100 %
Hurtigruten Cruise AS	Tromsø, Norway	100 %
Owned by Norwegian Coastal Voyage Ltd		
Hurtigruten Ltd	London, UK	100 %
Hurtigruten Asia Pacific	Hong Kong	100 %
Owned by Hurtigruten Explorer AS		
Explorer I AS ¹⁾	Tromsø, Norway	100 %



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Owned by Hurtigruten Onshore Operations AS

Hurtigruten Barents AS	Kirkenes, Norway	50 %
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Owned by Hurtigruten Barents AS

Arctic Secret Holding AS	Kirkenes, Norway	100 %
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Gapahuken Drift AS	Jarfjord, Norway	100 %
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Sollia Gjestegård AS	Jarfjord, Norway	100 %
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Owned by Hurtigruten Coastal Fleet AS

MS Richard With AS	Tromsø, Norway	100 %
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MS Nordlys AS	Tromsø, Norway	100 %
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1) SPE (Special Purpose Entity)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIC POLICIES

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

- revaluation to fair value of certain financial assets and financial derivatives
- revaluation to fair value of defined benefit plan assets
- present value calculation of defined benefit liabilities
- use of the equity method on investments in associated companies

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

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

GOING CONCERN BASIS OF ACCOUNTING

The Group has recognised a net loss of NOK -179 million for the year ended 31 December 2019 and a pre-tax profit of NOK 436 million, as at that date, current assets exceed current liabilities. As described in Director's Report, a significant decrease in revenue is expected in 2020 as a result of the COVID-19 pandemic that affects both the Norwegian and global demand of the cruise- and transport industry. The company has initiated activities to cut costs and expansion investments, including cancelling most contracts with consultants, temporary lay-offs of approximately 73% of the employees and temporary layup all ships except for 2, which sail between Bodø and Kirkenes to support local transport. We are of the opinion that normal operations will



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commence in the late Q3 and Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company.

The consolidated financial statement has therefore been prepared on a going concern basis, which assume that the Group will be able to meet the mandatory repayment terms of the banking facilities and bond terms as disclosed in note 16 Borrowings. See also note 31 for further information on activity and liquidity.

2.2 CONSOLIDATION POLICIES

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from 1 January 2019 to 31 December 2019, including restated comparable numbers for the previous year with the impacts of adopting IFRS 16 (refer to 2.4 Change in accounting policies and disclosures).

A) SUBSIDIARIES AND CONSOLIDATION

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

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

B) ASSOCIATED COMPANIES

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) SEGMENT REPORTING

An operating segment is a component of the business:

- (i) that engages in business activities of which the company receives operating revenues and incurs costs;
- (ii) whose operating results are regularly reviewed by the company's ultimate decision-maker to determine which resources should be allocated to the separate segments.

The Group has three operating segments: Norwegian Coast, Expedition and Landbased. Activities that do not naturally fall within these segments are bundled in Other business.

B) TRANSLATION OF FOREIGN CURRENCIES

(1) FUNCTIONAL AND PRESENTATION CURRENCY

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

For the parent company and other subsidiaries in the Group, EUR will be the functional currency from 1 January 2020. The change is made to reflect that EUR has become the predominant currency in the companies,



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counting for a significant part of the cash flow and financing. The change will be implemented with prospective effect. The change in presentation currency will be applied retrospectively for comparable figures.

(II) TRANSACTIONS AND BALANCE SHEET ITEMS

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

(III) GROUP COMPANIES

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

- The balance sheet is translated at the currency rate in force at the balance sheet date
- The income statement is translated at the transaction date currency rate. Monthly average rates are used as an approximation of the transaction rate.
- Translation differences are recognised in other comprehensive income.

C) REVENUE RECOGNITION

Revenue is recognised in the income statement as follows:

(I) REVENUE FROM SALE OF SERVICES AND TRAVEL

Sales of services are recognised in the accounting period when the service is rendered and/or delivered to the customer. For ship voyages, revenue is recognised over the days the passenger is on board. For voyages currently en route on the reporting date, revenues are accrued based on the number of days the voyage lasts before the end of the accounting period. Revenue recognition is performed based on reports from the booking system, providing detailed information regarding the sailings. Tickets, meals and excursions are primarily pre-sold before the journey commences, but for travellers along the Norwegian coast, it is also possible to purchase tickets in the port right before the ship sails. Onboard sales of food, beverages, shop and excursions accounts for approximately nine percent of the total revenue. Travellers pay their journey up-front, and these payments are accounted for as deposits from customers (liabilities). See note 22 for a reconciliation of changes in this liability.

Revenue from freight of cargo along the Norwegian coast is recognised based on monthly invoicing of available cargo space, as the customer has rented all the cargo space and pays a daily hire regardless of whether the space is used or not.

(II) REVENUE FROM SALE OF GOODS

The Group's sales of goods primarily relate to sales of food, souvenirs and other kiosk products onboard the ships. Sales are recognised in income when the customer has received and paid for the goods. Payment for retail transactions is usually made in the form of cash or by credit card. The revenue is recognised in the income statement including the credit card fees incurred for the transaction. The fees are recorded as costs to sell.



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(III) PUBLIC PROCUREMENT

Hurtigruten AS has a State Service Obligation with the Ministry of Transport and Communications to operate the Bergen–Kirkenes coastal route.

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

(IV) INCREMENTAL COSTS

Incremental costs of obtaining a contract are those costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained, for example, a sales commission. The Group incur commissions to several sales commissioners, selling tickets to Hurtigruten cruises on our behalf. When the agencies are invoiced, the invoices are net of commissions, and both the revenue and the commission cost is recognised in the income statement at the time of the travel. In other, more rare instances, the Group will have to make a provision for prepaid or accrued commission if the payment is performed at another time than the travel. The expenses are presented as Cost of Goods sold in the Income Statement.

(V) CANCELLATIONS, GUARANTEES ETC

Hurtigruten AS has, as a provider of package travels, the same responsibilities as other actors in the business, following the EU Directive 2015/2302 on Package Travel, as set forth in our terms and conditions for travellers: "Subject to these booking conditions, if we or our suppliers perform or arrange your contracted holiday arrangements negligently, taking into consideration all relevant factors, we will pay you reasonable compensation".

No provision for guarantees has been accounted for in the statement of financial position as at 31 December 2019 (per 31 December 2018: 0).

D) PROPERTY, PLANT AND EQUIPMENT

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

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

Other operating assets are depreciated on a straight-line basis, such that the cost is depreciated to residual value over the asset's expected useful life. Expected useful life is determined on the basis of historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated on the basis of estimated sales values for operating assets at the end of their expected useful life. Expected useful life is:

Land	Indefinite
Buildings	25 – 40 years
Ships	20 – 40 years
Other	5 – 10 years



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

One of the Group's subsidiaries, Hurtigruten Svalbard AS, receives a government grant for the buildings on Svalbard. This is booked as a cost reduction against depreciations and the net effect is presented as *Other* in accumulated depreciations in note 7.

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

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

E) INTANGIBLE ASSETS

(I) GOODWILL

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

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

Goodwill is not amortised but is tested annually for impairment.

(II) TRADEMARK

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

(III) OTHER INTANGIBLE ASSETS

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

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

- It is technically feasible to complete the development of the software so that it will be available for use.
- Management intends to complete the development of the software and use it.
- The intangible asset will in fact be used after its completion.
- It is probable that the intangible asset will create future economic benefits.
- Adequate technical, financial and other resources are available for the Group to be able to complete the development and to use the completed intangible asset.
- Development costs for the asset can be reliably measured



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Intangible assets are considered to have a limited life span and are amortised over their expected useful life. Other development expenditures that do not meet the criteria for recognition in the balance sheet are expensed as they are incurred.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

G) FINANCIAL ASSETS

(I) CLASSIFICATION

The Group classifies financial assets in the following three categories, depending on the management's object of acquiring the asset, and the characteristics of the asset:

- 1) *Financial assets measured at amortised cost*
Primarily loans and receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method. Loans and receivables with maturities less than 12 months are classified as current assets. Instruments with more than 12 months maturity are classified as non-current assets.
- 2) *Financial assets measured at fair value through other comprehensive income*
Investments in equity instruments, not held for trading, where the management has made an irrevocable election to present subsequent changes in the fair value in other comprehensive income, is classified into this group.
- 3) *Financial assets measured at fair value through profit or loss*
All other financial assets should be measured at fair value through profit or loss. For the Group, this primarily consist of derivatives that are not designated as hedges. Assets in this category are classified as current assets or liabilities.

(II) RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised and derecognised using trade date accounting, which means using the date the Group commits itself to purchase or sell the asset. Unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and has a legal right to receive or a legal obligation to pay cash. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognised until at least one of the parties has performed under the agreement. Planned future transactions, no matter how likely, are not assets and liabilities because the entity has not become a party to a contract.

All financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets recognised at fair value through profit or loss are initially



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recognised at fair value and transaction costs are expensed in the income statement. Subsequent measurement depends on the classification as referred to under Section F, point I.

Financial assets are derecognised when the rights to receive cash flows from the investment expire or when these rights have been transferred and the Group has substantially transferred all risks and rewards of ownership.

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

H) OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

I) IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, for all financial assets measured at amortised cost except customer receivables, the Group assesses whether the credit risk on the financial instruments has increased significantly since initial recognition, using available reasonable and supportable forward-looking information. If and when contractual payments are more than 30 days past due, the credit risk is always considered to have increased significantly. For financial instruments where the credit risk is considered to have increased significantly, an amount equal to the lifetime expected credit losses is recognised for loss allowance. For financial instruments where the credit risk has not increased since initial recognition, an amount equal to 12-months expected credit losses is recognised for loss allowance. The change in recognised impairment losses since the last reporting period is recognised in profit or loss.

Impairment testing of customer receivables is described in section K) below.

J) DERIVATIVES AND HEDGING

The Group uses derivatives to hedge exposure against foreign currency risk and bunker oil prices. Some of these derivatives are designated as hedging instruments by management. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value on an ongoing basis. The changes are generally recognised in profit or loss. However, the method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

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

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



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The fair value of derivatives used for hedging purposes are presented in Note 10C. Changes in the equity item from hedging are presented in Note 15.

Cash flow hedging

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

Hedge gains or losses recognised in other comprehensive income and accumulated in equity are recycled over profit and loss in the period during which the hedged item affects the income statement (for example, when the highly forecasted probable sales transaction is taking place).

When the hedged forecast transaction subsequently results in the recognition of a non-financial items such as property, plant and equipment or inventory, the amount accumulated in the cash flow hedge reserve is included directly in the initial cost of the non-financial item when it is recognised, and not recycled from other comprehensive income to profit and loss.

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

K) TRADE RECEIVABLES

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

Trade receivables are measured at the invoice amount, as long as there is no significant financing component. For trade receivables, an amount equal to the lifetime expected credit losses is recognised as a loss allowance.

L) CASH AND CASH EQUIVALENTS

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

M) TRADE PAYABLES

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

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



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N) BORROWINGS

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

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

O) BORROWING COSTS

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the statement of financial position until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis. In the cash flow statement, interest paid is classified as part of the financing activities.

P) CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

Several of the Group's subsidiaries are vessel owning companies, which are subject to taxation under the Norwegian tonnage tax regime pursuant to chapter 8 of the Taxation Act. Under the tonnage tax regime, profit from qualifying operations are exempt from taxes, whilst financial results are not exempt from taxation. Under the tonnage tax regime, taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion deducted is calculated as financial assets in percent of total assets. The tax regime allows for financial losses to be carried forward against positive financial income in later years. Tonnage tax is payable based on the net tonnage of vessels and classified as an operating expense.

Taxation under the Tax tonnage regime requires compliance with strict requirements. Voluntary or compulsory exit from the regime will result in ordinary taxation of the operating results.



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Deferred income tax assets and deferred income tax liabilities are recognised net to the extent that they relate to income taxes levied by the same taxation authority, and there is a desire and ability to realise the assets and settle the liabilities simultaneously.

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

(I) PENSION LIABILITIES

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

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

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

Past service costs arising from the amendments of plan benefits are immediately recognised in the income statement.

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

Remeasurement gains and losses arising from changes in actuarial assumptions are recognised in equity through other comprehensive income in the period in which they arise and will not be reclassified to profit or loss in subsequent periods.

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

(II) PROFIT-SHARING AND BONUS SCHEMES

The Group recognises a liability and an expense for bonuses and profit-sharing plans at the time the specific criteria for performing the payment are fulfilled. The accrual is including social security tax.

(III) SHARE-VALUE-BASED REMUNERATION

The Group has share-based remuneration schemes in which the company receives services from employees as consideration for a share-based payment (see note 20).

The fair value of the amount payable to employees in respect of the bonus shares, which is settled in cash or shares through a private placement of shares, is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to the shares. The liability is remeasured at each reporting date and at settlement date based on the fair value of the bonus shares. Any changes in the liability are recognised in profit or loss.



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(IV) TERMINATION BENEFITS

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

R) PROVISIONS

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

S) LEASES

The Group has adopted IFRS 16 from 1. January 2019 using the retrospective approach. The impact of the change is disclosed in section 2.4.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economical benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The group has the right to direct the use of the asset if either:
 - o the Group has the right to operate the asset; or
 - o the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contract entered into or changed on or after 1 January 2019. The Group's approach to other contracts is explained in section 2.4.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments before commencement date, initial direct costs incurred and, if applicable, an estimate of costs to dismantle the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property and equipment, and is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises:



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- fixed payments
- variable lease payments that depend on an index or a rate
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method and is remeasured when there is a change in index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense.

The largest impact for the Group leases related to ships, rental of office space, apartments and office machinery.

T) DIVIDENDS

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

U) GOVERNMENT GRANTS

The Group receives material grants in the form of grants for trainee schemes and net salary subsidies. These grants are recognised net (as a cost reduction) together with the other payroll costs (see note 24).

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has consistently applied the accounting policies presented in these consolidated financial statements except for the changes below:

IFRS 16 Leases

The Group has implemented IFRS 16 in 2019 using the retrospective approach with comparatives for 2018 being restated. As a result, the group has changed its accounting policy for lease contracts as detailed below.

IFRS 16 establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as previously required by IAS 17 Leases, and instead introduces a single lessee accounting model. When applying the new model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. Depreciation and interest expenses will replace the rental expenses. For Hurtigruten this implies that current operating leases that satisfy the criteria is recognised as assets and liabilities. The right-of-use asset is presented on the same line as the classification of the underlying asset, and the lease liabilities are presented within borrowings.

Lease liabilities for all material leases, except short term leases (duration of 12 months or less) have been measured as the present value of the remaining lease payments, discounted using either the borrowing rate implicit in the lease, or by using the incremental borrowing rate at the date of initial application. Leases of assets of low value (purchase price less than approximately NOK 50,000) are regarded as immaterial and is disregarded for this purpose. The difference between the value of the lease liabilities and the right-of-use assets is recorded as an adjustment to the opening balance of retained earnings 1 January 2018.



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The following tables summarise the impact of adopting IFRS 16 on the Group's consolidated financial statement:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. January 2018

<i>(in NOK 1,000)</i>	As previously reported	Adjustments	As restated
ASSETS			
Non-current assets			
Property, plant and equipment	4 470 882	202 069	4 672 951
Other non-current assets	2 964 704	-	2 964 704
Total non-current assets	7 435 586	202 069	7 637 655
Total current assets	1 221 717	-	1 221 717
Total assets	8 657 303	202 069	8 859 372
EQUITY AND LIABILITIES			
Other equity	1 928 893	-	1 928 893
Retained earnings	(1 458 231)	(9 244)	(1 467 475)
Total equity	470 662	(9 244)	461 418
Borrowings	878 437	164 746	1 043 183
Other non-current liabilities	322 695	-	322 695
Total non-current liabilities	1 201 132	164 746	1 365 878
Borrowings	5 297 020	46 566	5 343 586
Other current liabilities	1 688 489	-	1 688 489
Total current liabilities	6 985 509	46 566	7 032 075
Total equity and liabilities	8 657 302	202 069	8 859 372

31. December 2018

<i>(in NOK 1,000)</i>	As previously reported	Adjustments	As restated
ASSETS			
Property, plant and equipment	5 197 771	145 394	5 343 165
Other non-current assets	3 369 635	-	3 369 635
Total non-current assets	8 567 406	145 394	8 712 800
Total current assets	1 239 960	-	1 239 960
Total assets	9 807 366	145 394	9 952 760
EQUITY AND LIABILITIES			
Equity	1 719 227	-	1 719 221
Share capital	273 450	-	273 450
Share premium and other paid-in capital	1 596 988	-	1 596 988
Other equity not recognized in the income statement	(151 211)	(6)	(151 217)
Retained earnings	(1 035 562)	(9 187)	(1 044 749)
Total equity	683 665	(9 193)	674 472
Borrowings	6 909 219	109 495	7 018 714
Other non-current liabilities	385 264	-	385 264
Total non-current liabilities	7 294 483	109 495	7 403 978
Borrowings	35 118	45 092	80 210
Other current liabilities	1 794 100	-	1 794 100
Total current liabilities	1 829 218	45 092	1 874 310
Total equity and liabilities	9 807 366	145 394	9 952 761



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CONSOLIDATED INCOME STATEMENT

For the year ended 31. December 2018

<i>(in NOK 1,000)</i>	As previously reported	Adjustments	As restated
Operating revenues	5 429 071	-	5 429 071
Cost of goods sold	(1 483 969)	-	(1 483 969)
Payroll costs	(1 206 479)	-	(1 206 479)
Depreciation, amortisation and impairment losses	(419 997)	(49 614)	(469 611)
Other operating costs	(1 717 127)	57 488	(1 659 639)
Other (losses) / gains – net	57 075	-	57 075
Finance income	44 260	-	44 260
Finance expenses	(697 326)	(7 817)	(705 143)
Share of profit/(loss) of associates	596	-	596
Profit/(loss) before income tax	6 104	57	6 161
Income tax expense	416 565	-	399 719
Total comprehensive income for the period	422 669	57	422 726

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31. December 2018

<i>(in NOK 1,000)</i>	As previously reported	Adjustments	As restated
Profit/(loss) before income tax	6 104	60	6 164
Adjustments for:			
Depreciation, amortisation and impairment losses	419 997	49 614	469 611
Other cash flows from operating activities	662 004	-	662 004
Net cash flows from (used in) operating activities	1 088 105	49 674	1 137 779
Cash flows from investing activities	(941 512)	-	(941 512)
Net cash flows from (used in) investing activities	(941 512)	-	(941 512)
Payment of lease liabilities	-	49 674	49 674
Other cash flows from financing activities	4 049	-	4 049
Net cash flows from (used in) financing activities	4 049	49 674	53 723



NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

3.1 KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(A) ESTIMATED IMPAIRMENT OF GOODWILL AND TRADEMARK

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

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

(B) SHIPS

Useful economic lifetime

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



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Estimated impairment of ships

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

(C) DEFERRED INCOME TAX ASSETS

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

(D) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

(E) PENSION ASSUMPTIONS

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

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

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

(F) INCOME TAX

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



(G) LEASES

The Group need to assess extension options and termination rights when determining the lease term. The assessment is based on whether extension options and termination rights are reasonably certain for which the Group will include these in the accounting for leases. Guidelines for this assessment has been set at the Group level to ensure that that the treatment of assumptions are treated in a consistent matter. The discount rate used for calculating the present value of the future lease obligation is also based on judgement. A fixed methodology has been defined in determining this estimate.

NOTE 4 FINANCIAL RISK MANAGEMENT

The following discussion concerning financial risk management relates to the policies adopted and applicable to the financial year 2019. The Group uses financial instruments such as bank loans and bond loans. In addition, the Group utilises financial instruments such as trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Group has also utilised certain financial derivatives for hedging purposes.

4.1 FINANCIAL RISK FACTORS

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

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

(A) MARKET RISK

(I) CURRENCY RISK

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

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

In February 2018, Hurtigruten Group AS terminated a senior secured bond facility with a face value of EUR 455 million, issued in 2015. A Senior Facility Term Loan of EUR 575 million and EUR 85 million Senior Secured Revolving Credit Facility were established to replace the EUR 455 million Bond Facility and repay the outstanding EUR 85 million Senior Secured Revolving Credit Facility. The new facility had a tenure of 7 years. A full utilisation of the Term Loan until maturity is assumed and no repayment of any facility unless so required per documentation. In November 2018 the Senior Facility Term Loan of EUR 575 million was increased with EUR 80 million. The purpose of increasing the facility was to repay the NOK 400 million bond (financing purchases of MS Nordlys and MS Richard With) and for general corporate purposes including further upgrade



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of the fleet. As of 31 December 2019, the outstanding principal was EUR 655 million (per 31 December 2018: EUR 655 million).

The RCF was drawn with NOK 417 million at 31 December 2019 (per 31 December 2018: 0). The Group pays semi-annual interests on the Senior Facility Term Loan which represent a currency risk. The semi-annual payment of interest is partially hedged through the Group's net revenue in euro.

The Group has with the delivery of MS Roald Amundsen and MS Fridtjof Nansen drew on the committed collateralized loan for the two vessels of EUR 255 million. This loan has in Q1 2020 been repaid by issuance of a Bond loan for EUR 300 million.

During Q1 2020 the company also entered into a sale-leaseback transaction with MS Richard With and MS Nordlys for EUR 60 million in total for both. A further extra EUR 25 million for each ship is committed upon LNG conversion of the ships.

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

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

<i>(in NOK million)</i>	Impact on net	Impact on
	profit/loss after tax	equity
	2019	2019
Change EUR/NOK 5%	(179.4)	(179.7)
Change USD/NOK 5%	(1.7)	(1.2)
Change GBP/NOK 5%	19.0	17.1

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

(II) PRICE RISK

The Group is exposed to 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 Passenger Cruise Nights (PCN) 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.

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



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<i>(in NOK million)</i>	Impact on net profit/loss after tax	Impact on equity
	2019	2019
Change bunker price -20% on contracts from 2018, expiring in the period 2019-2021	-	(81,4)
Total impact	-	(81,4)

These calculations are based on the average hedged bunker oil volume and indicate how an increase of 20 % in bunker oil prices would impact the financial instruments valuation, which is hedging our exposure to bunker oil prices, and ultimately on the 2019 financial statements. The effect on equity is different to the effect on the income statement as these forward hedges fulfil the requirements for hedge accounting, and unrealised changes in value are recognised in other comprehensive income. Hedge efficiency is measured quarterly based on retrospective and prospective tests using the dollar offset methodology and regression analysis.

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

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

The Group's interest rate risk is associated with current and non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. Fixed interest rates expose the Group to fair-value interest rate risk. Most of the Group's interest-bearing debt has variable interest rate. The Group has no specific hedging strategy to reduce variable interest rate risk.

<i>(in NOK million)</i>	Impact on net profit/loss after tax	Impact on equity
	2019	2019
Change in interest rate level with +50 basis points	(25.4)	(25.4)

(B) CREDIT RISK

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

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions. During 2019 the company had a minor loss off EUR 200 thousand due to the default of Thomas Cook.

(C) LIQUIDITY RISK

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



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The Group has during start of 2020 further increased the liquidity with two new facilities. One is the repayment of the loan facility for the purchase of MS Roald Amundsen and MS Fridtjof Nansen of EUR 255 million with issuance of a Bond loan of EUR 300 million, and a sale leaseback of MS Nordlys and MS Richard With of total EUR 60 million in total, divided equally on both ship-owning companies.

The table below provides an indicative debt repayment schedule over the coming 5-year period.

<i>(in NOK 1,000)</i>	<u>2020</u>	<u>2021-2022</u>	<u>2023-2024</u>	<u>2025--></u>
	Less than one year	Year two and three	Year four and five	More than five years
31. December 2019				
Borrowings	300 762	562 611	1 999 534	7 246 054
Estimated interest expenses on Bank loans	243 424	483 218	475 682	306 714
Total impact on liquidity	544 186	1 045 829	2 475 216	7 552 768

4.2 HEDGE ACCOUNTING

In 2018, the Group decided to designate a hedging relationship between bunker oil hedging instruments and the forecasted bunker oil purchases. The Group entered into 6 commodity forward swaps with Goldman Sachs and DnB Markets. These contracts have different strike prices (from 634 to 747 \$/MT) and different expiry dates through the years 2019-2021. The contracts hedge forecasted future bunker oil purchase transactions. At the time the contracts were initiated, approximately 100 % of the forecasted oil consumption in 2019 and 50 % of the forecasted consumption in 2020 and 2021 are covered by the contracts. At year-end 2019, a total of 79,400 MT bunker fuel volume is hedged at an average price, incl. credit margin, of USD 630/MT during 2020-2021 (per 31 December 2018: 142,350 MT bunker fuel volume was hedged of USD 656/MT during 2019-2021)

The forward swaps have monthly settlements, and the Group will be compensated if the market price of bunker oil is above the strike, and similarly have to make a payment to the counter-party if the market price is below strike. Hedge effectiveness is the extent to which changes in the cash flows of the hedging instrument offset changes in the cash flows of the hedged item. As there is a one-to-one relationship between the risk of price-fluctuations in bunker oil (hedged item) and the effect from the forward swaps, the forward swaps are effectively locking the purchase price of the bunker oil purchased, provided that the quantity purchased is equal to or larger than the quantity covered by the swap.

Hedge ineffectiveness is the extent to which the changes in the fair value or the cash flows of the hedging instrument are greater or less than those on the hedged item. As long as the purchased and consumed bunker oil quantities are greater than those included in the forward swaps, the hedge is effective. If the quantities included in the hedge is higher than the purchased and consumed bunker oil, then the excess quantities represent an ineffective hedge, with valuation gains/losses recorded in profit/loss. This is not expected to occur, as the strategy is to hedge 50% - 100 % of forecasted purchases, and not above. No hedge ineffectiveness has been identified during 2019.

The movement in the cash-flow hedge reserve recognised in other comprehensive income is as follows:

<i>(in NOK 1,000)</i>	2019	2018
Reconciliation of cash-flow hedge reserve		
Opening balance	(126 905)	46 545
Reclassified into profit / loss	17 624	57 512
Change in fair value of hedging instruments	84 789	(230 962)
Closing balance	(24 493)	(126 905)



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(in NOK 1,000)

	2019	2018
Non-current assets	-	-
Current assets	8 162	-
Non-current liabilities	7 571	57 351
Current liabilities	25 083	105 347
Net value	(24 492)	(162 698)

ying value of the hedging instruments is as follows:

4.3 THE COMPANY'S ASSET MANAGEMENT

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

NOTE 5 CONTINGENCIES

As of 31 December 2019, the Group had contingent liabilities relating to bank guarantees and other guarantees, in addition to other matters in the course of ordinary operations. No significant liabilities are expected to arise with respect to contingencies with the exception of the provisions that have already been provided for in the financial statements (Note 19).

MEMBERSHIP OF THE NOX FUND

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

The Environmental Agreement for 2011–2017 was signed on 14 December 2010 by 15 industry organisations and the Ministry of the Environment and was approved by EFTA's Monitoring Body (ESA) on 19 May 2011. The Fund has reported that the targets for 2011-2016 were met. On 24 May 2017, an extension to the NOx Agreement for the period 2018-2025 was signed between the business organisations and the Norwegian Authorities. The extension was approved by ESA on 22nd 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 33.5 million in nitrogen dioxide tax was recognised in Silk Topco's consolidated financial statements for 2019 compared to NOK 23.2 million in 2018.

CONSTRUCTION LOAN GUARANTEE

Hurtigruten Group AS was 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 for 2018 and during 2019. With the delivery of MS Fridtjof Nansen, the company has no longer any construction loan guarantee.



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NOTE 6 SEGMENT INFORMATION

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

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

<i>(in NOK 1,000)</i>	Hurtigruten Norwegian Coast		Expedition Cruises		Landbased	
	2019	2018	2019	2018	2019	2018
Operating revenues	3 650 225	3 512 980	1 338 317	935 959	298 232	295 028
Contractual revenues	714 406	698 919	-	-	-	-
Total operating revenues (Note 22)	4 364 631	4 211 899	1 338 317	935 959	298 232	295 028
Cost of goods sold	(1 034 515)	(1 046 669)	(423 262)	(326 300)	(112 052)	(121 631)
Crew costs, ship	(677 248)	(662 221)	(141 569)	(101 672)	-	-
Other operating cruise costs	(936 301)	(915 476)	(301 866)	(223 300)	(11 862)	(15 611)
Personnel costs, non-ship	(275)	(2)	(321)	-	(92 610)	(87 443)
Selling, general and admin expens.	(10 352)	(2 540)	(3 655)	(952)	(38 113)	(20 473)
Other (losses)/gains – net	(57 200)	77 980	37 722	(21 170)	221	217
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	1 648 740	1 662 971	505 366	262 565	43 815	50 087
Depreciation and impairment losses	(293 738)	(277 684)	(103 100)	(96 144)	(31 254)	(26 523)
Operating profit/(loss)	1 355 003	1 385 287	402 265	166 421	12 561	23 564
Finance expenses - net	-	-	-	-	-	-
Share of profit/(loss) of associates	-	-	-	-	1 232	596
Profit/(loss) before income tax	1 355 003	1 385 287	402 265	166 421	13 793	24 159



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<i>(in NOK 1,000)</i>	Other business and eliminations		Silk Topco Group	
	2019	2018	2019	2018
Operating revenues	(8 548)	(13 815)	5 278 226	4 730 152
Contractual revenues	-	-	714 406	698 919
Total operating revenues (Note 22)	-8 548	(13 815)	5 992 632	5 429 071
Cost of goods sold	7 803	10 628	(1 562 026)	(1 483 972)
Crew costs, ship	5 554	0	(813 264)	(763 893)
Other operating cruise costs	3 747	4 699	(1 246 282)	(1 149 687)
Personnel costs, non-ship	(417 068)	(355 141)	(510 274)	(442 586)
Selling, general and admin expens.	(567 603)	(485 983)	(619 724)	(509 949)
Other (losses)/gains – net	(2 225)	48	(21 482)	57 075
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)	(978 341)	(839 564)	1 219 580	1 136 060
Depreciation and impairment losses	(85 654)	(69 260)	(513 746)	(469 611)
Operating profit/(loss)	(1 063 995)	(908 824)	705 834	666 448
Finance expenses - net	(271 291)	(660 884)	(271 291)	(660 884)
Share of profit/(loss) of associates	-	-	1 232	596
Profit/(loss) before income tax	(1 335 286)	(1 569 708)	435 775	6 161

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

Numbers from 2018 has been restated consequently to the implementation of IFRS 16 using the retrospective basis. Furthermore, from 2019, Personnel costs, non-ship and Selling, general and administration expenses are no longer allocated to the segments Norwegian Coast and Expedition Cruises. Numbers for 2018 has been restated in order to be comparable.

HURTIGRUTEN NORWEGIAN COAST

Hurtigruten Norwegian Coast is the Group's largest segment. Through this segment, the Group offers voyages along the Norwegian coast to an adventure-seeking international customer base. The segment offers a number of shore-based activities for its cruise passengers, including dog sledding, kayaking, inflatable boat adventures, local food tours, Lapland cultural tours, visits to land-based sites, mountain hiking and snowmobile excursions, skiing and whale safaris. 11 of the Group's ships provide services along the Norwegian coast under this segment (with MS Midnatsol and MS Spitsbergen alternating between the Hurtigruten Norwegian Coast and Expedition cruises segments), making 33 northbound and 32 southbound daily departures from ports located between Bergen in the south and Kirkenes in the north. It also offers freight and local passenger transport services along the coast, for which it receives a fixed fee from the Norwegian government each year under the Coastal Service Contract.

EXPEDITION CRUISES

The Expedition cruises segment is the Group's second largest and fastest growing segment, through which the Group offers exploration-based adventure cruises to the Arctic (including Svalbard, Greenland, Iceland, Canada



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and the Northwest Passage) and the Antarctic together with sailings to Europe, UK and Atlantic Islands, North America and South America.

As part of the Group's Expedition cruises segment, customers are offered a wide array of excursions and expeditions designed to provide them with an unforgettable experience. The Group's purpose-built fleet includes four ice-class ships, MS Fram, MS Midnatsol, MS Spitsbergen and MS Roald Amundsen. MS Midnatsol and MS Spitsbergen alternate between the Hurtigruten Norwegian Coast and the Expedition cruises segments and the Group leases and operates MS Nordstjernen around Svalbard during the summer months. MS Roald Amundsen provides 530 pax. polar cruise ship to strengthen the Expedition segment and was set in operation in Q3 2019. The segment was further strengthened with the inclusion of sister-ship MS Fridtjof Nansen which was delivered in December 2019 and commenced sailing in March 2020. These new-builds are optimal for expedition cruises, with size and technical specifications permitting the Group to sail global expedition itineraries.

LANDBASED

The Landbased segment comprises year-round hotel and restaurant activities as well as Arctic experience tourism on Svalbard, a Norwegian archipelago in the Arctic ocean. Through this land-based segment, the Group owns and operates three hotels with a total of 258 rooms and an equipment store and offers activities such as snowmobile trips, boat trips, dog sledding, tundra safaris and others – all with observation of local fauna (including polar bears, walrus, seals and arctic birds). During 2019, the segment was strengthened through the addition of Hurtigruten Barents which owns assets for production of activities and accommodation in Kirkenes.

OTHER BUSINESS

This area mainly includes Personnel costs, non-ship and Selling, general and administration expenses as these costs no longer are allocated to the segments Norwegian Coast and Expedition Cruises. In addition, we have a minor portfolio of properties and smaller activities that cannot naturally be classified in the other areas.

ELIMINATIONS

Eliminations primarily consist of sales from Hurtigruten Svalbard AS (Spitsbergen segment) to Hurtigruten AS (Expedition cruises segment).



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(B) SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

Operating revenues have been separated into geographical segments by which market the sales office is located. Some markets serve customers situated in other countries. In the table below, onboard sales, cargo freight revenue, contractual revenue and revenue from the Landbased segment have all been allocated to the Nordic market.

2019

<i>(in NOK 1,000)</i>	Ticket revenue	Flights, hotel and trans- portation	Presold food, beverages, shop and excursions	Contractual revenue	Other revenue	Total operating revenue
Nordic market / onboard sales / Spitsbergen segment	464,174	33,091	125,231	714,406	832,554	2,169,456
Germany	952,131	299,374	363,315	-	22,619	1,637,439
France	184,723	35,810	64,722	-	18,297	303,552
United Kingdom	383,241	97,273	157,063	-	16,748	654,325
Rest of Europe	320,493	22,084	96,372	-	6,183	445,133
United States and Canada	332,153	40,300	95,383	-	15,611	483,447
Asia / Pacific	223,373	27,282	45,932	-	2,693	299,280
Totals	2,860,289	555,215	948,018	714,406	914,704	5,992,632

2018

<i>(in NOK 1,000)</i>	Ticket revenue	Flights, hotel and trans- portation	Presold food, beverages, shop and excursions	Contractual revenue	Other revenue	Total operating revenue
Nordic market / onboard sales / Spitsbergen segment	470,366	43,226	114,822	698,919	827,879	2,155,212
Germany	865,057	275,200	310,711	-	12,096	1,463,065
France	140,892	37,683	47,411	-	16,467	242,453
United Kingdom	297,637	83,866	121,476	-	3,462	506,440
Rest of Europe	323,964	18,069	94,734	-	1,612	438,379
United States and Canada	271,240	37,572	78,010	-	6,736	393,559
Asia / Pacific	176,940	21,839	30,632	-	551	229,963
Totals	2,546,097	517,454	797,797	698,919	868,804	5,429,071



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NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(in NOK 1,000)	Land and buildings	Ships	Prepayments ships and Assets under construction	Other property, plant and equipment	Right of use asset	Total
Acquisition cost						
As at 1 January 2018	209,834	4,852,273	359,855	89,282	-	5,511,245
Additions	36,373	380,806	401,634	20,372	194,713	1,033,898
Additions through investments in subsidiaries	-	220,165	-	-	-	220,165
Disposals	(312)	(8)	-	(6,013)	-	(6,333)
Currency translation differences	-	-	7,827	363	543	8,733
As at 31 December 2018	245,895	5,453,236	769,316	104,003	195,256	6,767,707
As at 1 January 2019	245,895	5,453,236	769,316	104,003	195,256	6,767,707
Additions	39,195	336,384	3,677,617	26,724	59,738	4,139,658
Additions through investments in subsidiaries	22,996	-	-	1,789	-	24,785
Disposals	(1,078)	-	(138,571)	(9,540)	-	(149,189)
Transfers and reclassifications	-	3,702,256	(3,702,256)	-	-	-
Remeasurement right of use assets	-	-	-	-	104,750	104,750
Currency translation differences	-	(17,358)	11,658	1,555	240	(3,905)
As at 31 December 2019	307,008	9,474,518	617,764	124,532	359,984	10,883,806
Accumulated depreciation and impairment						
As at 1 January 2018	(17,812)	(992,082)	-	(30,469)	-	(1,040,363)
Depreciation	(9,815)	(312,312)	-	(16,596)	(49,614)	(388,338)
Depreciation disposals	-	-	-	5,456	-	5,456
Impairment losses	-	(854)	-	-	-	(854)
Currency translation differences	-	-	-	(197)	(248)	(445)
As at 31 December 2018	(27,627)	(1,305,248)	-	(41,805)	(49,862)	(1,424,543)
As at 1 January 2019	(27,627)	(1,305,248)	-	(41,805)	(49,862)	(1,424,543)
Depreciation	(10,488)	(360,200)	-	(19,745)	(49,364)	(439,797)
Depreciation disposals	-	(73)	-	5,966	-	5,893
Remeasurement right of use assets	-	-	-	-	(104,750)	(104,750)
Other ¹⁾	(788)	-	-	-	-	(788)
Currency translation differences	-	329	-	(588)	(165)	(424)
As at 31 December 2019	(38,904)	(1,665,193)	-	(56,172)	(204,140)	(1,964,409)
Book value 31 December 2018	218,268	4,147,988	769,316	62,198	145,394	5,343,164
Book value 31 December 2019	268,105	7,809,325	617,764	68,360	155,843	8,919,397

Useful economic lifetime 25 - 40 years ²⁾ 20 - 40 years N/A 5 - 10 years

¹⁾ One of the Group's subsidiaries, Hurtigruten Svalbard AS, received a government grant for the buildings on Svalbard. The grant was book as a deferred income that is recognised in profit and loss over the useful life of the asset, where the cost reduction is booked towards depreciation. The effect is presented as *Other* in accumulated depreciations.

²⁾ Land has indefinite useful economic lifetime; hence it is not subject to depreciations. Land and buildings primarily comprise the hotel properties at the Group's operations in Svalbard.

In 2019, the Group operated 16 cruise ships. The Group reviews the long-lived assets for impairment whenever events or circumstances indicate potential impairment. No such events or circumstances were present in 2019 or 2018.



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The cost of prepayments ships and assets under construction include design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items for 2018. In 2019, there were no prepayments left, and the remaining value as of 31 December 2019 is related to assets under construction. The Group accounts for ship improvement costs by capitalising those costs believed to add value to its ships and which have a useful life greater than one year and depreciate those improvements over its estimated useful life.

Capitalised interest amounted to NOK 29.3 million in 2019 (NOK 16.0 million in 2018). The interest capitalisation rate is based on the weighted average interest rates applicable to borrowings within the Group during each period. During 2019, the average capitalisation rate was 4.23%.

Additions through investments in subsidiaries stem from the acquisition of Gapahuken Drift AS. Additions include a hotel in Kirkenes, vehicles and machinery and equipment.

NOTE 8 INTANGIBLE ASSETS

<i>(in NOK 1,000)</i>	Goodwill	Trademark	Other intangible assets	Total
Acquisition cost				
As at 1 January 2018	1.945.558	450.000	1.173.726	3.569.284
Additions	-	-	69.087	69.087
As at 31 December 2018	1.945.558	450.000	1.242.814	3.638.372
As at 1 January 2019	1.945.558	450.000	1.242.814	3.638.372
Additions	-	-	134.682	134.682
Additions through investments in subsidiaries	14.350	-	-	14.350
Transfer and reclassification ¹⁾	-	-	-	-
Currency translation differences	-	-	(6)	(6)
As at 31 December 2019	1.959.908	450.000	1.377.489	3.787.397
Accumulated depreciation and impairment				
As at 1 January 2018	-	-	(904.724)	(904.724)
Depreciation	-	-	(80.420)	(80.420)
As at 31 December 2018	-	-	(985.143)	(985.143)
As at 1 January 2019	-	-	(985.143)	(985.143)
Amortisation	-	-	(73.949)	(73.949)
Depreciation disposals	-	-	(2.901)	(2.901)
Transfer and reclassification ¹⁾	-	-	-	-
Currency translation differences	-	-	12	12
As at 31 December 2019	-	-	(1.061.982)	(1.061.982)
Book value 31 December 2018	1.945.558	450.000	257.670	2.653.228
Book value 31 December 2019	1.959.908	450.000	315.507	2.725.415
Useful economic lifetime	Indefinite	Indefinite	3 - 10 years	

In 2014, Hurtigruten Group AS acquired 100 % of the outstanding shares of Hurtigruten AS. As a result of the acquisition, Goodwill of NOK 1 919 million and an excess value of NOK 590 million related to contracts and trademarks were recognised, where trademark was recognised with 450 million.



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In 2019, the Hurtigruten Barents AS, in which the Group holds 50% ownership, acquired 100% of the outstanding shares of Gapahuken Drift AS. Goodwill of NOK 14 million has been recognised as per 31.12.2019 based on the preliminary acquisition analysis. Gapahuken Drift AS is part of the Landbased cash-generating unit. The Group will finalise the purchase price allocation analysis during 2020.

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

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

Goodwill relates to the following cash-generating units:

<i>(In NOK 1,000)</i>	2019	2018
Norwegian Coast	1.579.111	1.579.111
Expedition cruises	306.667	306.667
Landbased	74.129	59.780
Sum	1.959.908	1.945.558

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

Assumptions applied when calculating the recoverable amount:

	Norwegian Coast	Expedition cruises	Landbased
Growth rate from 2023	2,5 %	2,5 %	2,5 %
Discount rate after tax	12,0 %	13,6 %	9,9 %

The recoverable amount has been calculated based on budgeted EBITDA for 2020. The forecast period is five years. Subsequently the terminal value is used. Expected future cash flows are based on budgeted EBITDA for 2020 deducted for capex, tax effects of depreciation and changes in net working capital (NWC). For the period 2021 to 2024, EBITDA is based on forecasts that represent management's best estimate of the range of economic conditions that will exist over the period, including expectations regarding occupancy rate, fuel prices and salary development. For the period beyond 2024, cash flow is estimated by extrapolating the projections based on the forecasts, using a steady growth rate of 2.5 % for subsequent years, equal to assumptions in inflation.

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



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NOTE 9 INVESTMENTS IN ASSOCIATES

This table presents the associates and joint ventures of the Group as at 31 December 2019 which are material to the Group. Green Dog Svalbard AS has share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interest is the same as the proportion of voting rights held. Associates are accounted for using the equity method.

31 DECEMBER 2019

Company	Green Dog Svalbard AS
Registered office	Longyearbyen, Svalbard
Shareholding	50.0 %
Acquisition cost	50
Accumulated share of profits, 1 January 2019	7,426
Accumulated equity distributions, 1 January 2019	(2,500)
Items recorded against other comprehensive income	19
Carrying value, 1 January 2019	4,995
Share of profit after tax	1,232
Dividend distributions	-
Carrying value, 31 December 2019	6,227

31 DECEMBER 2018

Company	Green Dog Svalbard AS
Registered office	Longyearbyen, Svalbard
Shareholding	50.0 %
Acquisition cost	50
Accumulated share of profits, 1 January 2018	6,830
Accumulated equity distributions, 1 January 2018	(2,000)
Carrying value, 1 January 2018	4,880
Share of profit after tax	596
Dividend distributions	(500)
Items recorded against other comprehensive income	19
Carrying value, 31 December 2018	4,995

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



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NOTE 10A FINANCIAL INSTRUMENTS BY CATEGORY

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

AS AT 31 DECEMBER 2019

<i>(in NOK 1,000)</i>	Assets at amortised cost	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives used for hedging	Total
Assets as per balance sheet					
Long-term receivables (Note 11)	2 063	-	-	-	2 063
Investments in other companies	-	3 219	22 000	-	25 219
Trade and other current receivables (Note 11)	307 142	-	-	-	307 142
Derivatives (Note 10C)	-	-	-	8 162	8 162
Cash at bank, cash on hand and market-based investments (Note 13)	501 239	1 156	-	-	502 395
Total	810 444	4 374	22 000	8 162	844 980

<i>(in NOK 1,000)</i>	Derivatives used for hedging	Other Financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings (note 16)	-	9 897 940	9 897 940
Derivatives (Note 10C)	32 654	-	32 654
Trade and other current payables (Note 21)	-	568 675	568 675
Total	32 654	10 466 615	10 499 269

CARRYING VALUE AND FAIR VALUE

<i>(in NOK 1,000)</i>	Carrying value	Fair value
Assets as per balance sheet		
Long-term receivables (Note 11)	2 063	2 063
Investments in other companies	25 219	25 219
Trade receivables and other receivables (Note 11)	307 142	307 142
Derivatives	8 162	8 162
Cash at bank, cash on hand and market-based investments (Note 13)	502 395	502 395
Total	844 980	844 980

<i>(in NOK 1,000)</i>	Carrying value	Fair value
Liabilities as per balance sheet		
Borrowings (Note 16)	9 897 940	10 018 926
Derivatives (Note 10C)	32 654	32 654
Trade and other current payables (Note 21)	568 675	568 675
Total	10 499 269	10 620 255

The fair value of current receivables and payables has been assessed and does not differ materially from the carrying amount.



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AS AT 31 DECEMBER 2018

<i>(in NOK 1,000)</i>	Assets at amortised cost	Assets at fair value through profit and loss	Assets at fair value through OCI	Total
Assets as per balance sheet				
Long-term receivables (Note 11)	2 110	-	-	2 110
Investments in other companies	-	3 199	24 327	27 526
Trade and other current receivables (Note 11)	208 546	-	-	208 546
Derivatives (Note 10C)	-	-	-	-
Cash at bank, cash on hand and market-based investments (Note 13)	643 747	1 165	-	644 912
Total	854 404	4 365	24 327	883 095

<i>(in NOK 1,000)</i>	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other Financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (Note 16)	-	-	7 098 924	7 098 924
Derivatives (Note 10C)	34 963	162 699	-	197 662
Trade and other current payables (Note 21)	-	-	321 599	321 599
Total	34 963	162 699	7 420 522	7 618 184

CARRYING VALUE AND FAIR VALUE

<i>(in NOK 1,000)</i>	Carrying value	Fair value
Assets as per balance sheet		
Long-term receivables (Note 11)	2 110	2 110
Investments in other companies	27 526	27 526
Trade and other current receivables (Note 11)	208 546	208 546
Derivatives (Note 10C)	-	-
Cash at bank, cash on hand and market-based investments (Note 13)	644 912	644 912
Total	883 095	883 095
Liabilities as per balance sheet		
Borrowings (Note 16)	7 098 924	7 233 104
Derivatives (Note 10C)	197 662	197 662
Trade and other current payables (Note 21)	321 599	321 599
Total	7 618 184	7 752 364

The fair value of current receivables and payables has been assessed and does not differ materially from the carrying amount.

CLASSIFICATION BY IFRS FAIR VALUE HIERARCHY

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: Other techniques in which all the parameters that have a significant impact on measuring fair value are either directly or indirectly observable. This is primarily relevant for our derivatives, where the price normally is set by the counterpart (a financial institution).
- Level 3: Valuation techniques that use parameters that significantly affect the valuation, but which are not observable.



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ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2019

<i>(in NOK 1,000)</i>	<i>Note</i>	Level 1	Level 2	Level 3	Total
Assets					
Investments in other companies	11	-	-	25.219	25.219
Derivatives	10C	-	8.162	-	8.162
Cash and cash equivalents	13	1.156	-	-	1.156
Total		1.156	8.162	25.219	34.536
Liabilities					
Derivatives (note 10C)	10C	-	32.654	-	32.654
Total		-	32.654	-	32.654

There were no transfers between level 1, 2 or 3 in 2019.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS PER 31 DECEMBER 2018

<i>(in NOK 1,000)</i>	<i>Note</i>	Level 1	Level 2	Level 3	Total
Assets					
Investments in other companies	11	-	-	27.526	27.526
Cash and cash equivalents	13	1.165	-	-	1.165
Total		1.165	-	27.526	28.692
Liabilities					
Derivatives	10C	-	197.662	-	197.662
Total		-	197.662	-	197.662

RECONCILIATION OF MOVEMENT IN LEVEL 3 FINANCIAL INSTRUMENTS

<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018
Opening balance		27.526	53.139
Purchases		19	2.763
Sales		-	(884)
Gains / losses recognised in profit/loss		-	872
Gains / losses recognised in other comprehensive income	15	(2.327)	(28.015)
Transfers to / from level 3 category		-	(349)
Closing balance		25.219	27.526

Gains recognised in profit/loss in 2018 is presented as part of "Other financial income". Transfer from level 3 category during 2018 was shares in Kirberg AS, which during 2018 became a consolidated subsidiary. Total consideration for the shares was MNOK 17.



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SPECIFICATION OF INVESTMENTS IN OTHER COMPANIES

Balance at 31 December 2019

(in NOK 1,000)

	Ownership share	Carrying value
Myklebust Verft Invest AS	15,90 %	22.000
Other minor investments	-	3.219
Totals		25.219

Balance at 31 December 2018

(in NOK 1,000)

	Ownership share	Carrying value
Myklebust Verft Invest AS	15,90 %	24.327
Other minor investments	-	3.199
Totals		27.526

NOTE 10B CREDIT QUALITY OF FINANCIAL ASSETS

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

(in NOK 1,000)

	2019	2018
Counterparties without external credit ratings:	453,596	409,658
Total trade receivables and other receivables	453,596	409,658

Cash bank and short-term bank deposits

Rating A (S&P)	496,267	638,580
Counterparties without external credit ratings:	-	721
Total bank deposits	496,267	639,301
Cash on hand	4,972	4,446
Total cash and short-term bank deposits	501,239	643,747

Market based investments

Money market fund (SICAV-France)	1,156	1,165
Total market based investments	1,156	1,165

Derivatives

Rating AA (S&P)	8,162	0
Total derivatives (note 10C)	8,162	0



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NOTE 10C FAIR VALUE OF DERIVATIVES

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

The Group has one type of derivatives as of 31 December 2019:

- Bunker oil derivatives used in cash flow hedge in order to hedge the future market risk of bunker oil purchases.

All NOK/EUR currency option agreements (purchased put and sold call), used as an economic hedge to obtain loan commitments in EUR, in which this financing will be used to settle a future liability in NOK, were settled prior to 31 December 2019.

2019

(in NOK 1,000)

	Assets	Liabilities
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	8 162	32 654
Total fair value of derivatives	8 162	32 654
Short term	8 162	25 083
Long term	-	7 571

2018

(in NOK 1,000)

	Assets	Liabilities
Classification of derivatives		
Forward bunker oil contracts - cash flow hedge	-	162 699
NOK/EUR currency options	-	34 963
Total fair value of derivatives	-	197 662
Short term	-	140 310
Long term	-	57 351

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

FORWARD BUNKER OIL CONTRACTS

The hedged, highly probable purchase transactions of bunker oil are expected to occur at various dates over the next 36 months. The forward contracts mature monthly. Forward bunker oil contracts satisfy the requirements for hedge accounting under IFRS and changes in the fair value are recognised on an ongoing basis in other comprehensive income. Gains or losses on oil derivatives recognised in other comprehensive income as of 31 December 2019, will be recognised in the income statement in the same accounting periods that the hedged transactions affect the profit or loss. Realised gains and losses are recognised in Other (losses)/gains. In 2019 a loss of NOK 55.5 million (in 2018: net profit of NOK 74.2 million) was recognised in Other (losses)/gains. Due to effects of COVID-19 outbreak, the company has needed to warm-stack most ships. Therefore in Q1 2020



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the hedging inefficiency due to forward looking reduced fuel purchase was taken to P&L to be approx. 10m NOK.

NOTE 11 TRADE AND OTHER RECEIVABLES

<i>(in NOK 1,000)</i>	2019	2018
Trade receivables	157 101	80 585
Provision for impairment of trade receivables	(4 431)	(4 159)
Trade receivables – net	152 670	76 426
Prepaid expenses	146 453	201 112
Net wages claims	49 655	49 901
Other miscellaneous receivables	102 993	82 220
Prepaid income tax	1 825	-
Total other receivables	300 926	333 232
Total current trade and other receivables	453 596	409 658
Other non-current receivables	2 063	2 110
Total other receivables, non-current	2 063	2 110

For specification of receivables from related parties, please see note 28.

AGEING OF OVERDUE TRADE RECEIVABLES

<i>(in NOK 1,000)</i>	2019	2018
Up to three months	24,702	16,507
Three to six months	2,176	539
Over six months	1,063	3,737
Total ageing of overdue trade receivables	27,941	20,783

PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

<i>(in NOK 1,000)</i>	2019	2018
Provision for impairment of receivables as of 1 January 2016	4,160	3,758
Provision for impairment of receivables during the year	1,082	1,249
Receivables written off during the year	(799)	(552)
Reversal of unused amounts	-	(298)
Currency translation effects	(12)	2
Provision for impairment of receivables as of 31 December 2016	4,431	4,159

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



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NOTE 12 INVENTORIES

Inventories comprise the following types of goods:

<i>(In NOK 1,000)</i>	2019	2018
Goods purchased for resale	138,026	154,611
Spare parts	4,869	4,949
Bunkers and lubrication oil	32,505	25,830
Total inventories	175,400	185,390

The inventories are measured at lowest of cost and net realisable value in accordance with the FIFO principle.

NOTE 13 CASH AND CASH EQUIVALENTS

<i>(in NOK 1,000)</i>	2019	2018
Cash at bank and on hand (Note 10A)	501 239	643 747
Market-based investments ¹ (Note 10A)	1 156	1 165
Cash at bank, cash on hand and market-based investments	502 395	644 912
Restricted bank deposits ²	(111 996)	(176 992)
Total cash and cash equivalents in the cash flow statement	390 398	467 920

1) Funds owned by a foreign subsidiary.

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

NOTE 14 SHARE CAPITAL AND PREMIUM

<i>(in NOK 1,000 unless otherwise indicated)</i>	Number of ordinary shares	Nominal value	Nominal value of ordinary shares	Share premium	Total
As of 1 January 2018	273 449 989	1	273 450	1 596 966	1 870 416
Adjustment to share issue costs				23	23
As of 31 December 2018	273 449 989	1	273 450	1 596 988	1 870 438
As of 31 December 2019	273 449 989	1	273 450	1 596 988	1 870 438

All shares have equal voting rights and refund of any invested capital. In an event of sale, listing, or similar, the return will be different between the classes, where the return is based on the time of issue, giving A-shares will receive higher return than B-shares, B-shares receiving higher than C-shares, down to E-shares, as the latest share-class issue.



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SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2019

	Number of A shares	Number of B shares	Number of C shares	Number of D shares	Number of E shares
Silk Holdings S. ar.l.	221,009,204	-	-	-	-
Strawberry Equities AS	31,585,704	-	-	-	-
Periscopos AS	13,381,965	-	-	-	-
Hornsund Invest AS	-	2,364,285	-	-	-
A.Y Invest AS	-	1,071,428	-	-	-
Stay Tuned Invest AS	-	571,428	-	-	-
Bjørnflaten Invest AS	-	285,714	-	-	-
Mfortitude AS	-	285,714	-	-	-
Superstocks AS	1,662,405	-	-	-	-
Estera Trust Limited	-	650,921	-	-	-
Rypestrand Sjøbad AS	-	-	357,142	-	-
HMH Consulting AS	-	-	-	108,695	-
Benmar Invest AS	-	-	-	-	115,384
Total number of shares	267,639,278	5,229,490	357,142	108,695	115,384

	Number of shares	Shareholding (%)
Silk Holdings S. ar.l.	221,009,204	80.82 %
Strawberry Equities AS	31,585,704	11.55 %
Periscopos AS	13,381,965	4.89 %
Hornsund Invest AS	2,364,285	0.86 %
A.Y Invest AS	1,071,428	0.39 %
Stay Tuned Invest AS	571,428	0.21 %
Bjørnflaten Invest AS	285,714	0.10 %
Mfortitude AS	285,714	0.10 %
Superstocks AS	1,662,405	0.61 %
Estera Trust Limited	650,921	0.24 %
Rypestrand Sjøbad AS	357,142	0.13 %
HMH Consulting AS	108,695	0.04 %
Benmar Invest AS	115,384	0.04 %
Total number of shares	273,449,989	100.0 %

SHARES HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2019

Board of Directors

Trygve Hegnar, Chair, through Persicopus AS	4.90 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11.57 %
Jonathan Barlow, Director	0.00 %
Matthew Lenczner, Director	0.00 %



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Management

Daniel A. Skjeldam, CEO, through Hornsund Invest AS	0.87 %
Asta Lassesen, CCO, through A. Y. Invest AS	0.39 %
Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0.10 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS (until 10.12.2019)	0.21 %
Marit Finnanger, SVP, People and Org. Development through Mfortitude AS (until 10.12.2019)	0.10 %
Torleif Ernsten, CFO, through Rypestrand Sjøbad AS	0.10 %
Ole-Marius Moe-Helgesen through HMH Consulting AS	0.04 %
Bent Martini through BenMar Invest AS	0.04 %

SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2018

	Number of A shares	Number of B shares	Number of C shares	Number of shares	Shareholding (%)
Silk Holdings S. ar.l.	221 009 204	-	-	221 009 204	80,82 %
Strawberry Equities AS	31 585 704	-	-	31 585 704	11,55 %
Periscopus AS	13 381 965	-	-	13 381 965	4,89 %
Hornsund Invest AS	-	2 364 285	-	2 364 285	0,86 %
A.Y Invest AS	-	1 071 428	-	1 071 428	0,39 %
Stay Tuned Invest AS	-	571 428	-	571 428	0,21 %
Bjørnflaten Invest AS	-	285 714	-	285 714	0,10 %
Mfortitude AS	-	285 714	-	285 714	0,10 %
Superstocks AS	1 662 405	-	-	1 662 405	0,61 %
Estera Trust Limited	-	500 000	-	500 000	0,18 %
Trebor Invest AS	-	375 000	-	375 000	0,14 %
Rypestrand Sjøbad AS	-	-	357 142	357 142	0,13 %
Total number of shares	267 639 278	5 453 569	357 142	273 449 989	100,0 %

SHARES HELD BY ELECTED OFFICERS IN HURTIGRUTEN AS OF 31 DECEMBER 2018

Board of Directors

Trygve Hegnar, Chair, through Persicopus AS	4.90 %
Petter Anker Stordalen, Director, through Strawberry Equities AS	11.57 %
Jonathan Barlow, Director	0.00 %
Matthew Lenczner, Director	0.00 %

Management

Daniel A. Skjeldam, CEO, through Hornsund Invest AS	0.87 %
Asta Lassesen, CCO, through A. Y. Invest AS	0.39 %
Anne Marit Bjørnflaten, SVP, Corporate Communications, through Bjørnflaten Invest AS	0.10 %
Thomas Westergaard, SVP, Hotel Operations & Product Development, through Stay Tuned Invest AS	0.21 %
Marit Finnanger, SVP, People and Org. Development through Mfortitude AS	0.10 %
Torleif Ernsten, CFO, through Rypestrand Sjøbad AS	0.10 %
Robert Grefstad, SVP, ICT, through Trebor Invest AS	0.14 %

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

DIVIDEND PER SHARE

No dividend is proposed for the fiscal years 2019 or 2018.

EARNINGS PER SHARE



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<i>(NOK 1,000)</i>	2019	2018
Profit/loss for the period after non-controlling interests	(171 538)	422 726
Weighted average of number of shares outstanding	273 449 989	273 449 989
Weighted average of number of shares outstanding - diluted	273 449 989	273 449 989

NOTE 15 OTHER EQUITY NOT IN PROFIT OR LOSS

<i>(in NOK 1,000)</i>	Cash flow hedge derivatives	Actuarial gain/loss	Fair value changes, equity investments recognized in OCI	Translation differences	Sum
Carrying value as of 1 January 2018	46 545	2 123	-	9 809	58 477
Cash flow hedges					
Valuation gains/losses during the year	(283 934)				(283 934)
Tax on valuation gain/losses during the year	52 972				52 972
Transferred to the income statement during the year	74 691				74 691
Tax transferred to the income statement during the year	(17 179)				(17 179)
Actuarial gain/loss on retirement benefit obligations, net of tax		(3 168)			(3 168)
Change in fair value of equity investments recognized in OCI			(28 015)		(28 015)
Currency translation differences				(5 061)	(5 061)
Carrying value as of 31 December 2018	(126 905)	(1 045)	(28 015)	4 748	(151 217)
Cash flow hedges					
Valuation gains/losses during the year	84 788				84 788
Tax on valuation gain/losses during the year	-				-
Transferred to the income statement during the year	53 418				53 418
Tax transferred to the income statement during the year	(35 794)				(35 794)
Actuarial gain/loss on retirement benefit obligations, net of tax		2 455			2 455
Change in fair value of equity investments recognized in OCI			(2 327)		(2 327)
Currency translation differences				3 207	3 207
Carrying value as of 31 December 2019	(24 493)	1 410	(30 342)	7 955	(45 470)



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NOTE 16 BORROWINGS

NOMINAL VALUE AT 31 DECEMBER 2019

<i>(in NOK 1,000)</i>	Nominal value	Unamortized transaction costs	Book value
Collateralized borrowings	9 548 583	(211 021)	9 337 562
Financial Lease ²⁾	164 343	-	164 343
Credit facilities	394 944	-	394 944
Other borrowings	1 091	-	1 091
Total	10 108 961	(211 021)	9 897 940

NOMINAL VALUE AT 31 DECEMBER 2018 ¹⁾

<i>(in NOK 1,000)</i>	Nominal value	Unamortized transaction costs	Book value
Collateralized borrowings ²⁾	7 077 615	(134 180)	6 943 435
Financial Lease ²⁾	154 587	-	154 587
Other borrowings	902	-	902
Total	7 233 104	(134 180)	7 098 924

¹⁾ Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4

²⁾ Lease liabilities arising from rental agreements with reference to IFRS 16 are reflected within the line 'Lease liabilities', while items classified as interest bearing debt with reference to IFRS 9 are reflected within the lines 'Collateralized borrowings'.

CLASSIFICATION OF BORROWINGS

<i>(in NOK 1,000)</i>	2019	2018 ¹⁾
Non-current borrowings		
Collateralized borrowings	9 084 383	6 908 317
Financial Lease ²⁾	116 942	109 495
Credit facilities	394 944	-
Other borrowings	910	902
Total non-current borrowings	9 597 178	7 018 714
Current borrowings		
Collateralized borrowings	253 180	35 118
Financial Lease ²⁾	47 401	45 092
Other borrowings	181	-
Total current borrowings	300 762	80 209
Total borrowings	9 897 940	7 098 924

¹⁾ Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4

²⁾ Lease liabilities arising from rental agreements with reference to IFRS 16 are reflected within the line 'Lease liabilities', while items classified as interest bearing debt with reference to IFRS 9 are reflected within the lines 'Collateralized borrowings'.



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The collateralized borrowings are secured with the Group's assets.

<i>(in NOK 1,000)</i>	2019	2018
Book value of collateralized assets	11,170,378	4,094,971

RECONCILIATION OF MOVEMENT IN BORROWINGS

<i>(in NOK 1,000)</i>	2019	2018 ¹⁾
Total borrowings 1 January	7 098 924	5 783 576
Cash flows		
New financing	3 166 588	1 225 792
Repayments	(279 926)	(105 403)
Borrowing costs	(90 591)	(148 741)
Non-cash flow		-
Amortisation	19 929	108 537
Currency translation effects	(67 959)	94 939
New lease contracts or modified contracts	51 844	154 587
Other	(868)	(14 362)
Total borrowings 31 December	9 897 941	7 098 924

¹⁾ Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4

MATURITY PROFILE OF NOMINAL BORROWINGS

<i>(in NOK 1,000)</i>	2019	2018 ¹⁾
Less than one year	300 762	80 209
Between 1 and 2 years	562 611	79 586
Between 3 and 5 years	1 999 534	91 913
More than 5 years	7 246 054	6 981 395
Total	10 108 961	7 233 104

¹⁾ Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4

FAIR VALUE CALCULATIONS

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

<i>(in NOK 1,000)</i>	Carrying value		Fair value	
	2019	2018 ¹⁾	2019	2018 ¹⁾
Collateralized borrowings ²⁾	9 337 562	6 943 435	9 548 583	7 077 615
Lease liabilities ²⁾	164 343	154 587	164 343	154 587
Credit facilities	394 944	-	394 944	-
Other borrowings	1 091	902	1 091	902
Total	9 897 940	7 098 924	10 108 961	7 233 104

¹⁾ Numbers for 2018 restated due to the implementation of IFRS 16. See Note 2.4

²⁾ Lease liabilities arising from rental agreements with reference to IFRS 16 are reflected within the line 'Lease liabilities', while items classified as interest bearing debt with reference to IFRS 9 are reflected within the lines 'Collateralized borrowings'.



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The fair value of current borrowings approximates their carrying value, as the impact of discounting is not significant. The financing is mainly floating interest rate borrowings, so the main difference between carrying value and fair value is the capitalised expenses recognised and being amortised in accordance with the effective interest method.

The Group's main source of financing is a Term Loan B with EURIBOR floating interest + margin. The facility has a face value of EUR 655 million. The loan was issued in February 2018 (EUR 575 million) and increased in November 2018 (EUR 80 million) to repay an outstanding NOK bond and for general corporate purposes (incl. further investments in the fleet).

The Group has a Revolving Credit Facility of EUR 85 million with EURIBOR floating interest plus margin and a 6-year tenor. As of 31 December 2019, EUR 40 million was drawn.

The Group's two new expedition vessels, MS Roald Amundsen and MS Fridtjof Nansen were financed through a EUR 260 million Export Credit Agency facility funded by Eksportkreditt Norge AS and guaranteed by GIEK (70%) and commercial lenders (30%) (EUR 260m ECA facility). The loan was issued by Explorer 2 AS which is the legal entity that owns MS Roald Amundsen and MS Fridtjof Nansen and secured by ship mortgages over the two vessels. The facility has a 12-year amortisation profile and a 5 year tenor from draw-down. The facility was fully drawn as of 31 December 2019, of which EUR 130 million was drawn in June, upon the delivery of MS Roald Amundsen, and the remaining EUR 130 million was drawn in December 2019, upon the delivery of MS Fridtjof Nansen. The facility was refinanced with a EUR 300 million senior secured bond in February 2020.

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

Covenants

Term Loan B

There are no financial maintenance covenants.

Revolving credit facility

For the benefit of the Lenders under the Revolving Facility only (in that capacity only), the Group shall ensure that the Consolidated Senior Secured Leverage Ratio is not greater than 7.7:1, provided that Base Currency

Amount of all outstanding Revolving Loans borrowed by members of the Group is greater than 40 per cent of the Total Revolving Facility Commitments at that time.

EUR 260 million ECA facility

The facility has the following financial covenants:

- a) Leverage ratio is less than 6.00:1. (Leverage ratio means, in respect of any Relevant Period, the ratio of Total Net Debt on the last day of that Relevant Period to Adjusted EBITDA in respect of that Relevant Period)
- b) Debt Service Cover: Debt Service Cover in respect of any Relevant Period shall not be less than 2.00:1.
- c) Free Liquidity: The testing Company on a consolidated basis shall at compliance date maintain Free Liquidity in the minimum amount of NOK 200,000,000. Where the testing company is Hurtigruten Group AS until the bond is listed



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Note that the EUR 260 million ECA facility in Explorer 2 AS was refinanced in February 2020 with a EUR 300 million senior secured bond. The only financial maintenance covenant in the EUR 300m bond is a Minimum liquidity of EUR 15 million for Hurtigruten Group AS and Minimum free liquidity equal to 50% of interest and amortization payable on the next interest payment date for Explorer 2 AS.

Limitations on indebtedness

The Group can only incur new debt provided that it (1) meets a Fixed Charge Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense as defined in Term Loan B and RCF documentation) or (2) fits into a specified exception to the ratio test. Non-Guarantor Restricted Subsidiaries are not permitted to incur indebtedness exceeding EUR 50.0 million. Debt incurrence is only measured at the time debt is incurred. As a result, no violation occurs if, at a date subsequent to the incurrence, the Group or its Restricted Subsidiaries would not meet the incurrence ratios.

Incremental facilities

The Group can establish an Incremental Facility without consent from any Finance Party provided that no Event of Default is continuing and that the Incremental Facility rank pari passu with or junior to the other Facilities under the Finance Documents. If the Incremental Facility is a term loan the amount may not exceed, the Accordion Amount (being an amount equal to 100% of Consolidated EBITDA plus the amount which does not cause (i) in respect of Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio to exceed 5.0:1.0, and (ii) in respect of any indebtedness that is not Senior Subordinated Indebtedness, the Fixed Charge Coverage Ratio to be less than 2.0:1.0.

NOTE 17 INCOME TAX

INCOME TAX EXPENSE

The income tax expense for the year can be broken down as follows:

<i>(in NOK 1,000)</i>	2019	2018
Income tax payable, current year	39 169	30 520
Income tax payable, adjustments regarding previous years	2 936	(912)
Change in deferred tax, current year	572 570	(467 656)
Change in deferred tax, tax rate changes and adjustments regarding previous years	108	21 482
Total income tax gain / (expense)	614 783	(416 565)

Tonnage tax is calculated based on the ship's tonnage and not income and is therefore classified as an operating expense.

RECONCILIATION OF INCOME TAX EXPENSE TO PROFIT / LOSS BEFORE TAX

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



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<i>(in NOK 1,000)</i>	2019	2018
Profit/(loss) before income tax	435.775	6.161
Expected income taxes at statutory tax rate in Norway (22 %, 23 %)	95.870	1.418
Tax exempt profit/loss due to tonnage tax schemes - NO Tax Act only (+/-)	(192.425)	(1.938)
Change in tax regime (to shipping company tax scheme) (+/-)	694.365	
Non-taxable income (-)	(12.874)	(640)
Gifts, representation and other non-deductible expenses (+)	15.729	3.672
Effect from difference in tax rate from nominal tax rate in Norway (+/-)	6.587	2.770
Effect from change in tax rate and tax provisions from previous years	3.041	20.570
Effect from change in valuation allowance, tax losses	1.956	(438.741)
Share of profit from associates (equity method) (+/-)	-	(137)
Other permanent differences (+/-)	2.534	(3.539)
Total income tax gain / (expense)	614.783	(416.565)
Weighted average tax rate	141 %	-6762 %

The high/ (low) effective tax rate for the Group in 2019/ (2018) were related to change in tax regime to shipping company tax scheme.

INCOME TAX EXPENSE FOR ITEMS RECOGNISED IN OTHER COMPREHENSIVE INCOME

<i>(in NOK 1,000)</i>	2019			2018		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Actuarial gains/losses, pensions	3 673	(1 218)	2 402	(3 827)	659	(3 168)
Cash flow hedging	138 207	(35 794)	102 413	(209 244)	35 794	(173 450)
Change in fair value of equity investments	(2 327)	-	(2 327)	(28 015)	-	(28 015)
Currency translation differences	3 207	-	3 207	(4 729)	-	(4 729)
Other comprehensive income	142 760	(37 012)	105 695	(245 815)	36 452	(209 363)

DEFERRED INCOME TAX ASSETS (+) AND LIABILITIES (-)

Deferred income tax assets and liabilities are recognised on a net basis if the differences that are reversible can be offset. The deferred income tax assets relating to tax loss carry-forwards are recognised in the statement of financial position to the extent that the Group can utilise the tax loss carry-forward against future taxable income. Also see note 30 regarding events after the balance sheet date.



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(in NOK 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Acquisitions and disposals	Foreign currency translation effects	Closing balance
Non-current items						
Intangible and fixed assets	(555 619)	(347 515)	-	-	-	(903 134)
Leasing	11 967	(11 967)	-	-	-	-
Pensions	35 510	(17 327)	(1 218)	-	463	17 427
Other non-current items	(29 520)	2 903	-	-	-	(26 617)
Totals	(537 662)	(373 906)	(1 218)	-	463	(912 324)
Current items						
Derivatives	43 486	(7 692)	(35 794)	-	-	-
Provisions	7 691	2 218	-	-	8	9 917
Other current items	1 051	(380)	-	-	-	670
Totals	52 227	(5 854)	(35 794)	-	8	10 587
Tax loss carry forwards	961 947	(271 847)	-	-	771	690 871
Interest carry forwards	130 326	51 347	-	-	0	181 673
Valuation allowance	(32 908)	27 583	-	-	(771)	(6 096)
Total def. tax asset / (liability)	573 929	(572 677)	(37 012)	-	471	(35 289)
Carr. value of def. tax asset	681 776					9 168
Carr. value of def. tax liabilities	107 848					44 457
Net	573 929					(35 289)

(in NOK 1 000)	Opening balance	Tax expense	Recognised in other compr. income	Acquisitions and disposals	Foreign currency translation effects	Closing balance
Non-current items						
Intangible and fixed assets	(560 095)	36 643	-	(32 167)	-	(555 619)
Leasing	6 751	5 216	-	-	-	11 967
Pensions	35 333	(566)	659	-	84	35 510
Other non-current items	-	(29 520)	-	-	-	(29 520)
Totals	(518 011)	11 774	659	(32 167)	84	(537 662)
Current items						
Derivatives	(7 659)	15 351	35 794	-	-	43 486
Provisions	823	6 867	-	-	-	7 691
Other current items	767	284	-	-	-	1 051
Totals	(6 069)	22 502	35 794	-	-	52 227
Tax loss carry forwards	984 038	(22 662)	-	(889)	1 460	961 947
Interest carry forwards	134 507	(4 181)	-	-	-	130 326
Valuation allowance	(470 189)	438 741	-	-	(1 460)	(32 908)
Total def. tax asset / (liability)	124 275	446 174	36 452	(33 057)	84	573 929



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RECONCILIATION OF MOVEMENT IN TAXES PAYABLE

<i>(in NOK 1 000)</i>	2019	2018
Current income tax payables, opening balance	28 003	21 274
New provision, income tax payable (+)	42 105	29 663
New provision, income tax payable related to shipping company tax scheme(+)	312	-
Taxes paid (-)	(56 744)	(24 350)
Currency translation effects	188	1 416
Current income tax payables, closing balance	13 865	28 003
Carrying value of current prepaid taxes (+)	1 825	-
Carrying value of current income tax payables (-)	15 689	28 003
Net	(13 865)	(28 003)

NOTE 18 PENSIONS

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

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

The new Contractual Early Retirement (AFP) Scheme Act adopted by the Norwegian Parliament in 2010 entailed the derecognition and recognition in the income statement of provisions related to the old contractual early retirement scheme. Provisions were set aside to cover the assumed underfunding of the old contractual early retirement scheme. The new AFP early retirement scheme is based on a tri-parties collaboration between employer, employee organisations and the government. The government covers one-third of the pension expenses for the early retirement scheme, while affiliated enterprises cover the remaining two-thirds. The scheme is recognised as a defined benefit multi-entity plan in the financial statements. This means that each individual company shall account for its proportional share of the scheme's pension obligations, plan assets and pension costs. Until reliable and consistent information is available for allocation, the new contractual early retirement scheme will be accounted for as a defined contribution plan. This is consistent with the Ministry of Finance's conclusion concerning the new AFP early retirement plan published in connection with the presentation of the Norwegian State Budget on 14 October 2013. The only members of the scheme are the Hurtigruten Pluss permanent employees, of whom there were 106 as of 31 December 2019. AFP is earned at the rate of 0.314% of pensionable income up to 7.1 G for every year worked between the ages of 13 and 62. In



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2019 the contribution amount is a fixed percentage of salary, 5 % of salary between 1 and 7.1 G and 10 % of salary between 7.1 and 12 G. A total of NOK 2.6 million was paid into the scheme in 2019.

The established pension plans cover 1,569 Group employees and 230 pensioners. The pension costs for the period illustrate the agreed future pension entitlements earned by employees in the financial year.

FINANCIAL ASSUMPTIONS

	2019	2018
Norway		
Discount rate	2.30 %	2.60 %
Expected annual wage adjustment	2.30 %	2.75 %
Expected annual pension adjustment	2.25 %	0.80 %
Expected annual National Insurance basic amount (G) adjustment	2.00 %	2.50 %
Table book used for estimating liabilities	K2013 BE	K2013
Table book used for estimating disabilities	IR02	IR02
Germany		
Discount rate	1.60 %	1.60 %
Expected annual wage adjustment	N/A	N/A
Expected annual pension adjustment	1.90 %	1.90 %
Expected annual National Insurance basic amount (G) adjustment	N/A	N/A
Average expected years of service until retirement age	14.6 years	12.9 years

PENSION COSTS RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS

<i>(in NOK 1,000)</i>	2019	2018
Present value of accrued pension entitlements for the year	2,105	8,821
Defined contribution plan	63,197	51,079
Interest expenses (income)	1,896	1,010
Payroll tax	1,667	3,357
Total pension costs included in payroll costs (Note 24)	68,865	64,266

SPECIFICATION OF NET PLAN ASSETS/OBLIGATIONS

<i>(in NOK 1,000)</i>	2019	2018
Present value of funded pension obligation	244,710	271,744
Present value of unfunded pension obligations	19,306	22,362
Total pension obligation 31 December	264,015	294,106
Estimated fair value of plan assets as of 31 December	217,840	181,886
Net pension obligations at 31 December	46,175	112,220



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CHANGE IN THE DEFINED BENEFIT PENSION OBLIGATIONS DURING THE YEAR

<i>(in NOK 1,000)</i>	2019	2018
Pension obligations as of 1 January	294,106	292,201
Present value of accrued pension entitlements for the year	11,846	8,168
Correction previous years taken to P/L	(10,336)	-
Interest expenses	6,541	4,621
<i>Effect of recalculation:</i>	-	-
Changes in financial assumptions	(15,224)	15,506
Changes in demographic assumptions	-	407
Estimate deviations	(8,499)	(12,618)
Currency translation differences – obligations	(43)	561
Pension benefits paid	(14,315)	(14,704)
Change in payroll tax on net pension obligations	(63)	(35)
Pension obligations as of 31 December	264,015	294,106

CHANGE IN THE FAIR VALUE OF THE PLAN ASSETS

<i>(in NOK 1,000)</i>	2019	2018
Fair value as of 1 January	181,886	181,848
Return on plan assets	4,035	3,002
Actual return on assets re interest income recognised in income statement	(18,705)	(561)
Employer contributions	61,079	7,671
Currency translation differences – assets	(386)	493
Pension benefits paid	(10,071)	(10,566)
Fair value as of 31 December	217,840	181,887

COMPOSITION OF PENSION FUND ASSETS

	2019	2018
Shares	10.1 %	9.6 %
Current bonds	10.7 %	9.4 %
Money market	34.3 %	32.6 %
Non-current bonds	24.9 %	23.0 %
Property	8.8 %	6.8 %
Other	11.3 %	18.6 %
Total	100.0 %	100.0 %
Actual return on plan assets Norway	-10.75 %	1.78 %
Actual return on plan assets Germany	0.00 %	0.00 %

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

<i>(in NOK 1,000)</i>	2019			2018		
	Norway	Germany	Total	Norway	Germany	Total
Present value of obligations	208,051	55,964	264,015	241,850	52,256	294,106
Fair value of plan assets	172,805	45,035	217,840	136,466	45,421	181,886
Net pension obligations (assets)	35,246	10,929	46,175	105,385	6,835	112,220

RISK



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

Investment volatility

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

Changes in interest rates on bonds

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

Inflation risk

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

Life expectancy

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

ASSET MANAGEMENT

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

<i>(in NOK 1,000)</i>	2020	2019
The company's expected contributions to funded plans in the next year	68,644	61,133

The amount for 2019 includes payments regarding previous' years (see Statement of changes in equity). The average weighted term of the pension obligation is 24 years.

EXPECTED MATURITY DATE OF PENSION SCHEMES AS OF 31 DECEMBER 2018



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<i>(in NOK 1,000)</i>	< 1 year	1-2 years	2-5 years	>5 years	Total
Defined benefit pension	14,842	27,438	45,892	162,483	250,655

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

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

<i>(in NOK 1,000)</i>	2019	2018	2017
Present value of defined benefit pension obligations	264 015	294 106	292 201
Fair value of plan assets	217 840	181 886	181 847
Deficit/(surplus)	46 175	112 220	110 354

SENSITIVITY ANALYSIS FOR CHANGES IN THE ASSUMPTIONS

	Norway		Germany	
	Discount rate		Discount rate	
	+ 1 per cent	- 1 per cent	+ 1 per cent	- 1 per cent
Increase (+) reduction (-) in the net pension costs for the period	(981)	1,261	(59)	79
Increase (+) reduction (-) in the net pension obligations as of 31 December	(2,253)	2,628	(6,669)	8,373
	Pension adjustment		Pension adjustment	
	+ 1 per cent	- 1 per cent	+ 1 per cent	- 1 per cent
Increase (+) reduction (-) in the net pension costs for the period	9,199	(6,800)	39	(30)
Increase (+) reduction (-) in the net pension obligations as of 31 December	6,666	(4,133)	6,816	(5,821)
	Change in the annual salary growth			
	+ 1 per cent		- 1 per cent	
Increase (+) reduction (-) in the net pension costs for the period			(5,200)	7,066
Increase (+) reduction (-) in the net pension obligations as of 31 December			(3,600)	4,533
	Change in National Insurance basic amount (G) adjustment			
	+ 1 per cent		- 1 per cent	
Increase (+) reduction (-) in the net pension costs for the period			55	(444)
Increase (+) reduction (-) in the net pension obligations as of 31 December			429	(155)

The sensitivity analysis above is based on a change in one of the assumptions, with all other assumptions remaining unchanged. In practice this would not happen as more than one assumption could vary



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simultaneously. The sensitivity calculation is performed applying the same method as the actuarial calculation used to determine the pension obligation in the statement of financial position.

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

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

NOTE 19 PROVISIONS

<i>(in NOK 1,000)</i>	Management			Total
	Bonuses	incentive plan	Other	
Book value as of 1 January 2018	8,351	10,554	4,452	23,357
Provisions for the year	13,199	18,236	4	31,439
Utilisation of provisions from the prior year	(8,351)	(10,553)	(167)	(19,071)
Book value as of 31 December 2018	13,199	18,237	4,290	35,726
Reclassification from trade and other liabilities ¹⁾	705	(1)	480	1,184
Provisions for the year	14,445	5,386	-	19,831
Utilisation of provisions from the prior year	(13,904)	-	(251)	(14,155)
Book value as of 31 December 2019	14,445	23,622	4,519	42,586

CLASSIFICATION IN THE STATEMENT OF FINANCIAL POSITION

<i>(in NOK 1,000)</i>	2019	2018
Non-current liabilities	4,519	4,290
Current liabilities	38,068	31,435

BONUSES

A performance-related bonus was introduced for Hurtigruten AS management from 2013. The bonus scheme includes the CEO and certain personnel in Group management. There is no provision been recognised for this bonus agreement for 2019 (NOK 13.2 million in 2018). Due to the situation arising from the COVID-19 virus, the bonuses for 2019 are put on hold until the Group's activity is increasing, and the situation is normalizing.

MANAGEMENT INCENTIVE PLANS

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

DEFERRED GOVERNMENT GRANT

A line-by-line recognition has been carried out with respect to an investment contribution received, including a possible repayment obligation. Revenue recognition of the investment contribution occurs in conjunction with depreciation and amortisation of the associated asset. NOK 251,000 was recognised as a reduction in depreciation during the year 2019 (NOK 167,000 in 2018).

NOTE 20 SHARE-BASED PAYMENT

Hurtigruten executive management has entered into an agreement with Silk Topco AS. The executive managers have purchased shares in Silk Topco AS at the same price that Silk Topco AS paid for the shares in Hurtigruten ASA in 2014 through its subsidiary Hurtigruten Group AS. The agreement also contains an incentive scheme



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that gives management a right to bonus shares in different pre-defined exit scenarios. The beneficiary can choose the settlement be in cash or have a private placement.

The incentive scheme has two market-based vesting conditions:

- (i) The internal rate of return at the time of the sale, calculated from the time of the share-purchase, must be more than 8%
- (ii) The exit value must be at least 150% of the aggregated invested amount

The number of bonus shares depends on the aggregated exit value and can give a range of bonus shares from 0.38 per share up to 12 times per share. Management's investment at 31 December 2019 was NOK 42.5 million (NOK 41.7 at 31 December 2018).

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

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

The agreement was signed on 23. June 2015.

Expected life of the agreement:	5 years
Fair value at initial recognition:	NOK 17.3 million
Expected time to exit:	5 years*
Annual amortisation:	NOK 4.5 million
Accrued amount as of 31.12.2019:	NOK 23.6 million
Accrued amount as of 31.12.2018:	NOK 18.2 million

As of 31. December 2019, the provision for employer's contribution related to the management incentive programme was NOK 14.1 million (NOK 13.2 at 31 December 2018).

* As of 31. December 2019 the best estimate of expected time to exit was 5 years and is still assessed to be a reasonable expectation.

NOTE 21 TRADE AND OTHER CURRENT LIABILITIES

<i>(In NOK 1,000)</i>	2019	2018
Trade payables	112.387	267.560
Public duties payable	90.101	73.171
Other current liabilities	210.264	142.410
Total trade and other current liabilities	412.751	483.142
Accrued expenses	467.717	217.592
Accrued interest	88.034	84.956
Total accrued expenses	555.751	302.548
Deferred revenue	149.803	100.237
Total deferred revenue	149.803	100.237
Total trade and other liabilities	1.118.305	885.927

See Note 28 for information on trade payables and other current payables due to related parties.



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NOTE 22 OPERATING REVENUES

REVENUE BY CATEGORY

<i>(in NOK 1,000)</i>	2019	2018
Ticket revenue	2,860,289	2,546,097
Revenue from flights, hotel & transportation	555,215	517,454
Presold food, beverages and excursions	948,018	797,797
Onboard sales of food, beverages, shop and excursions	528,388	504,882
Other passenger revenue	102,180	81,080
Cargo-freight revenue	56,703	54,283
Contractual revenues	714,406	698,919
Other operating revenue	227,433	228,559
Total operating revenues	5,992,632	5,429,071

Contractual revenues relating to the Bergen-Kirkenes coastal service is based on the existing agreement with the Norwegian government through the Ministry of Transport and Communications. The agreement applies to the Bergen-Kirkenes route for the period 1 January 2012 through 31 December 2020. From 1 January 2021 the agreement applies to 7 ships, a reduction from 11 ships which applies in the current agreement.

RECONCILIATION OF MOVEMENT IN DEPOSITS FROM CUSTOMERS:

<i>(in NOK 1,000)</i>	2019	2018
Deposits from customers, opening balance	811,980	752,926
New sales	948,671	805,795
Recognised in revenue	(743,189)	(757,175)
Currency translation effects	4,071	10,434
Deposits from customers, closing balance	1,021,533	811,980

DEPOSITS FROM CUSTOMERS ARE EXPECTED TO BE RECOGNISED IN INCOME AS FOLLOWS:

<i>(in NOK 1,000)</i>	2019	2018
During the first six months	688,743	451,226
Between seven and twelve months	216,079	168,372
During the second year	115,255	131,266
During the third year or later	1,455	2,062
Total deposits from customers	1,021,533	752,926

NOTE 23 COST OF GOODS SOLD

<i>(in NOK 1,000)</i>	2019	2018
Commissions	505,001	487,118
CoGS regarding flights, hotel and transportation	454,232	423,951
CoGS regarding food, beverages, shops and excursions	511,784	467,009
Other CoGS	91,009	105,896
Total cost of goods sold	1,562,026	1,483,972



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NOTE 24 PAYROLL COSTS

<i>(in NOK 1,000)</i>	2019	2018
Wages and salaries	1,095,173	1,021,783
Payroll tax	61,133	47,032
Pension costs (Note 18)	68,865	64,266
Other benefits (Note 20)	98,367	73,397
Total payroll costs	1,323,537	1,206,479

Average number of full-time equivalents	2,489	2,272
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Seamen hired by Hurtigruten are included in the "Net Wages" – scheme, where the Norwegian government reimburses to shipping companies an amount corresponding to the sum of the income tax paid, social security contributions and employer's national insurance contributions for crew within the scheme. The government grant is recorded as a reduction in payroll costs. During 2019, the Group has recognised NOK 148.7 million in government grants through this arrangement (NOK 139.6 million in 2018).

The Norwegian government reimburses parts of the salary to new seamen apprentices. The government grant is recorded as a reduction in payroll costs. During 2019, the Group has recognised NOK 9.5 million in government grants through this arrangement (NOK 10.0 million in 2018).

NOTE 25A REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

TOTAL COMPENSATION YEAR 2019

BOARD OF DIRECTORS

<i>(in NOK 1,000)</i>	Position	Salary	Pension cost	Other	Fees remuneration	Total
Trygve Hegnar	Chair	-	-	-	326	326
Petter Anker Stordalen	Director	-	-	-	137	137
Jonathan Barlow	Director	-	-	-	-	-
Matthew Lenczner	Director	-	-	-	-	-
Total					462	462



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EXECUTIVE MANAGEMENT

<i>(in NOK 1,000)</i>	Position	Salary	Pension cost	Other ¹	Fees	Total remuneration
	Daniel Skjeldam	6 000	897	7 602	-	14 499
	Torleif Ernstsén	2 938	333	1 856	-	5 127
	Asta Lassésen	2 000	335	2 570	-	4 905
	Thomas Westergaard	1 875	139	858	-	2 872
	Hotel Operations (Until December 10th 2019)					
	Bent Martini	2 250	219	763	-	3 232
	(From April 1st 2019)					
	Anne-Marit Bjørnflaten	1 575	90	497	-	2 162
	Stine Steffensen Børke	1 667	147	70	-	1 884
	(From March 1st)					
	Marit Finnanger	1 468	140	84	-	1 692
	Organizational Development (Until December 12th 2019)					
	Ole-Marius Moe-Helgesen	2 015	155	300	-	2 470
	Tor Geir Engebretsen ²⁾	-	-	-	1 374	1 374
	Chief Operating Officer/SVP Maritime Operations (Until April 1st 2019)					
Total		21 788	2 455	14 600	1 374	40 217

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

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

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

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

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

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



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Due to the COVID-19 pandemic and the needed temporary lay-offs, the company has decided to freeze any payments of bonuses achieved in 2019 for 2020 until the situation has improved.

TOTAL COMPENSATION YEAR 2018

BOARD OF DIRECTORS

<i>(in NOK 1,000)</i>	Position	Salary	Pension cost	Other	Fees remuneration	Total	
	Trygve Hegnar	Chair	-	-	-	326	326
	Petter Anker Stordalen	Director	-	-	-	137	137
	Jonathan Barlow	Director	-	-	-	-	-
	Matthew Lenczner	Director	-	-	-	-	-
	Total						462

EXECUTIVE MANAGEMENT

<i>(in NOK 1,000)</i>	Position	Salary	Pension cost	Other ¹⁾	Fees remuneration	Total	
	Daniel Skjeldam	Chief Executive Officer	6 074	851	5 109	-	12 034
	Torleif Ernstsens	Chief Financial Officer	2 772	286	1 304	-	4 363
	Asta Lassesen	Chief Commercial Officer	3 033	321	1 385	-	4 739
	Thomas Westergaard	SVP Product Innovation and Hotel Operations	1 898	142	791	-	2 831
	Anne-Marit Bjørnflaten	SVP Communications	1 519	77	490	-	2 086
	Marit Finnanger	SVP People and Organizational Development	1 873	142	402	-	2 417
	Ole-Marius Moe-Helgesen	Chief Information Officer (From November 5th 2018)	320	24	1	-	346
	Robert Grefstad	Chief Information Officer (Until November 5th 2018)	1 358	682	281	-	2 321
	Tor Geir Engebretsen ²⁾	Chief Operations Officer/SVP Maritime Operations	-	-	-	4 157	4 157
	Total		18 847	2 526	9 765	4 157	35 294

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

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

NOTE 25B AUDITOR REMUNERATION

<i>(in NOK 1,000)</i>	2019	2018
Statutory audit	4.582	2.532
Other assurance services	836	871
Other non-assurance services	221	-
Tax consultant services	6.008	7.971
Total	11.647	11.373

VAT is not included in the fees specified above.

Tax consulting services in 2019 are primarily fees for tax assistance in relation with the entry into the Norwegian tax tonnage regime.



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Tax consulting services in 2018 are primarily fees for legal and tax assistance in relation with transferring the cruise-operating business from Hurtigruten AS to its 100 % owned subsidiary Hurtigruten Cruise AS and the entry into the Norwegian tax tonnage regime.

NOTE 26 OTHER OPERATING COSTS

<i>(in NOK 1,000)</i>	2019	2018
Other operating cruise costs	1,246,282	1,149,687
Sales and administrative costs	619,724	509,949
Total other operating costs	1,866,006	1,659,636

Operating cruise costs consists of costs such as bunker fuel, harbour costs and repair and maintenance.

Figures for 2018 has been restated due to the implementation of IFRS 16. See Note 2.4.

NOTE 27 OTHER (LOSSES)/GAINS – NET

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

<i>(in NOK 1,000)</i>	2019	2018
Net gain (loss) on the sale of property, plant and equipment	(122)	345
Net unrealised foreign currency loss on balance sheet items	(2,905)	7,238
Net gains (loss) on forward currency exchange contracts	34,963	(24,701)
Net gains (loss) on forward bunker contracts	(53,418)	74,193
Total other (losses)/gains	(21,482)	57,075

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



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NOTE 28 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are carried out in accordance with the arm's length principle. Related parties are defined as the key management personnel in the company, shareholders and associates. Associates in 2019 include Green Dog Svalbard AS in which the Group has a 50 per cent shareholding. Green Dog supplies dog-related services on Spitsbergen to Hurtigruten Svalbard AS.

The Group conducted the following transactions with related parties:

TRANSACTIONS WITH ASSOCIATES		
<i>(in NOK 1,000)</i>	2019	2018
Operating revenues		
Sale of services to Green Dog Svalbard	579	983
Operating costs		
Purchase of services from Green Dog Svalbard AS	8,647	9,701
Balances with Green Dog Svalbard AS at year-end		
Current receivables	20	334
Non-current receivables	-	-
Current liabilities	(278)	(385)
Net balances with Green Dog Svalbard AS as of 31 December	(257)	(51)

TRANSACTIONS WITH SHAREHOLDERS

TRANSACTION WITH TDR CAPITAL LLP

The majority shareholder Silk Holding S.A.R.L is 100% owned by an investment fund managed by TDR Capital LLP. Board members of Silk Topco AS, Matthew Lenczner and Jonathan Rosen, are partners in TDR Capital LLP. Silk Topco AS reimburses travel expenses and other third party expenses to TDR Capital related to their Hurtigruten investment, according to investment agreement between Silk Topco AS and its shareholders.

<i>(in NOK 1,000)</i>	2019	2018
Other operating costs		
Travel and other third party expenses reimbursement to TDR Capital	(1,987)	(1,455)
Net Financial Items		
Interest expense to Silk Holding S.A.R.L.	-	(4,823)



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NOTE 29 FINANCE INCOME AND EXPENSES

<i>(in NOK 1,000)</i>	2019	2018
Interest income on current bank deposits	5 300	24 296
Foreign exchange gains	253 966	17 993
Dividends	55	149
Other finance income	2 114	1 822
Finance income	261 435	44 260
Interest expenses		
– Borrowings	(274 546)	(302 902)
– Capitalised interest on prepayments	29 392	16 006
– Interest expenses IFRS 16	(7 076)	(7 817)
– Other interest expenses	(1 014)	(25 877)
– Borrowing fees	(51 714)	(247 979)
Foreign exchange losses	(198 917)	(134 517)
Other finance expenses	(28 852)	(2 057)
Finance expenses	(532 726)	(705 143)
Finance expenses – net	(271 291)	(660 884)

NOTE 30 LEASES

The Group as adopted IFRS 16 from 1. January 2019 using the retrospective approach. The Group leases many assets including ships, office premises, office machinery and apartments. The impact of the change is disclosed in section 2.4 and below.

RESTATED LEASE BALANCES AND EFFECTS FOR 2018

BALANCES PER 31.12.2018 (RESTATED)*

Balances per 31.12.2018 (restated)*

<i>(in NOK 1,000)</i>	Right-of-use asset	Lease commitment, short term	Lease commitment, long term	Effect on retained earnings
Apartments	18 912	2 660	17 172	(921)
Office machinery	6 750	4 559	2 468	(277)
Office Premises	89 362	21 960	72 082	(4 680)
Other machinery	2 624	854	1 792	(22)
Ship	27 695	15 059	15 980	(3 345)
Totals	145 343	45 092	109 495	(9 244)

EFFECTS FOR 2018 (RESTATED)*

<i>(in NOK 1,000)</i>	Amortisation of right-of-use asset	Interest expense	Rent expenses	Net P&L effect
Apartments	2 710	697	(3 188)	(219)
Office machinery	4 958	585	(5 396)	(146)
Office Premises	19 581	3 900	(22 825)	(656)
Other machinery	530	44	(583)	9
Ship	21 839	2 592	(25 500)	1 069
Totals	49 617	7 817	(57 491)	57



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*Balances and financial effects for 2018 has been restated. See Note 2 Summary of significant accounting policies.

RIGHT-OF-USE ASSETS

<i>(in NOK 1,000)</i>	Ships	Buildings	Office - and other machinery	Total
2018				
Balance at 31 December*	27 695	108 324	9 374	145 394
2019				
Balance at 1 January	27 695	108 324	9 374	145 394
Amortization for the year	-13 848	-30 007	-5 510	-49 364
Balance at 31 December	13 848	135 014	6 982	155 843

Additions to right-of-use assets during 2019 were NOK 59,7 million (per 31 December 2018: NOK 194,7 million when implementing IFRS 16).

<i>(in NOK 1,000)</i>	2 019	2018 Restated*
Maturity analysis - Contractual undiscounted cash flows		
Short-term liability		
Less than one year	53 455	51 649
Long-term liability		
One to five years	95 968	102 444
More than five years	35 015	17 593
Total undiscounted lease liability at 31 December	184 437	171 686
Lease liabilities in the financial statement of financial position at 31 December	164 343	154 587
Current	47 401	45 092
Non-current	116 942	109 495

*Balances and financial effects for 2018 has been restated. See Note 2 Summary of significant accounting policies.

AMOUNT RECOGNISED IN PROFIT OR LOSS

<i>(in NOK 1,000)</i>	2 019	2018 Restated*
Amortisation for the year	-49 364	-49 614
Interest on lease liabilities	-7 076	-7 817
Total amount recognised in profit or loss	-56 439	-57 432

Variable lease payments not included in the measurement of lease liabilities are considered immaterial for the Group per 31 December 2019. Expenses related to leases of low-value assets (excluding short-term leases of low-value assets) and expensed short-term leases is immaterial per 31 December 2019.

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOWS

<i>(in NOK 1,000)</i>	2 019	2 018
Total cash outflow for leases	(44 650)	(49 674)



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NOTE 31 EVENTS AFTER THE BALANCE SHEET DATE

NEW LIQUIDITY FINANCING

The Group, through the subsidiary Explorer II, has repaid the loan financing of EUR 255 million for MS Roald Amundsen and MS Fridtjof Nansen, with an issuance of a Bond of EUR 300 million in Q1 2020 from the same company.

The Group, through the subsidiaries MS Richard With AS and MS Nordlys AS, has in Q1 2020 entered in to a sale-leaseback with a lending of EUR 60 million in total, divided equally on both ship-owning companies.

Further in June 2020, Silk Topco Group, through its subsidiary Hurtigruten Group AS raised an additional EUR 105 million in a 3y term loan facility, to further strengthen the liquidity position of the group.

CONVERSION OF PRESENTATION CURRENCY AND FUNCTIONAL CURRENCIES

From 1 January 2020, Hurtigruten will change 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 will be 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 will be 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.

KLEVEN

The Group, through the subsidiary KVE Holding investment in the Kleven shipyard. In Q1 2020 2020 the Kleven yard was sold to the Croatian industrial group DIV Group.

COVID-19 PANDEMIC

Subsequent to 31 December 2019, the spread of the COVID-19 pandemic significantly affects the short term demand for travel related services. The effect on future cashflows and financial performance of the Group are still dependent on the extent and duration of the outbreak and when travel restrictions are lifted.

The management has done the following actions:

- Warm-stacked 14 of 16 ships until 14th of June, and adding 2 new ships for total of 4 ships from that date for Bergen-Kirkenes-Bergen
- Temporary lay-offs of approximately 73% of the Group's employees
- Cancelled all non-critical capex projects
- Cut all non-essential and non-critical consultant and other costs
- New EUR 105 million term loan facility, which increased the liquidity to approx. 2bn NOK as of 19th of June 2020

The Group's management will continue to monitor the situation and take appropriate action as and when new information is available or more actions are needed, however the liquidity situation is seen as strong throughout 2020.



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STATEMENT OF PROFIT AND LOSS

<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018
Operating costs	6	(9,296)	(23,671)
Other (losses) / gains – net		(329)	(110)
Operating profit/(loss)		(9,626)	(23,782)
Finance income		9	6
Finance expenses		(1,275)	(232)
Finance expenses - net		(1,266)	(226)
Profit/(loss) before income tax		(10,891)	(24,008)
Income tax expense	4	2,396	11,273
Profit/(loss) for the year		(8,495)	(12,735)



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STATEMENT OF FINANCIAL POSITION

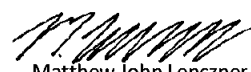
<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018
ASSETS			
Non-current assets			
Deferred income tax assets	4	13.669	11.273
Investments in subsidiaries	5	1.844.577	1.844.577
Total non-current assets		1.858.246	1.855.849
CURRENT ASSETS			
Trade and other receivables intercompany	7	72	397
Cash and cash equivalents		15	5.506
Total current assets		87	5.904
Total assets		1.858.333	1.861.753
EQUITY			
Equity attribute to owners of the parent			
Share capital	2	273.450	273.450
Share premium	2	1.596.988	1.596.988
Retained earnings	2	(47.813)	(39.317)
Total equity		1.822.625	1.831.121
LIABILITIES			
Non-current liabilities			
Borrowings, intercompany	7,16	35.513	30.530
Total non-current liabilities		35.513	30.530
Current liabilities			
Trade and other liabilities		194	28
Trade and other liabilities intercompany	7	-	75
Total current liabilities		194	103
Total equity and liabilities		1.858.333	1.861.753

Oslo, 24 June 2020


Trigve Hegnar
Chairman


Jonathan Barlow Rosen
Director


Petter Stordalen
Director


Matthew John Lenczner
Director



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CASH FLOW STATEMENT

<i>(in NOK 1,000)</i>	<i>Note</i>	2019	2018
Cash flows from operating activities			
Profit/(loss) before income tax		(10,891)	(24,008)
Change in working capital:			
Trade and other receivables		325	24,308
Trade and other payables		92	(8,368)
Intercompany borrowings	7	4,983	30,530
Other provisions		-	-
Net cash flows from (used in) operating activities		(5,491)	22,462
Cash flows from investing activities			
Purchase of shares and investments in other companies	5	-	(17,000)
Net cash flows from (used in) investing activities		-	(17,000)
Cash flows from financing activities			
Issue of ordinary shares	2	-	23
Net cash flows from (used in) financing activities		-	23
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(5,491)	5,484
Cash and cash equivalents at 1 January		5,506	22
Cash and cash equivalents at 31 December		15	5,506



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

1.1 GENERAL INFORMATION

Silk Topco AS is the parent in the Silk Topco Group, operating as a holding company, with the purpose to invest in other companies. The headquarter is at Langkaia 1 in Oslo. The consolidated financial statements can be downloaded from the following website: www.hurtigruten.com.

The information provided in the consolidated financial statements covers the company to a significant degree. Please refer to the consolidated financial statement of the Group for a description of the operative activities within the Group. The financial statements of Silk Topco AS for the year ended 31 December 2019 were authorized for issue by the Board of Directors on 24 June 2020.

1.2 BASIS OF PREPARATION

The financial statement of Silk Topco AS has been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The accounting principles set out below have been applied in preparing the financial statements for the year ended 31 December 2019 and the comparative information presented in these financials.

Last year, the accounting principles used for preparing the financial information for the year ending 31 December 2018 was according to the Norwegian Accounting Act §3-9 ("Forenklet IFRS"). Due to the extensive reporting requirement under the standard, the company decided to change the accounting principles as of January 1, 2019 to be prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The change did not affect recognition and measurement in the financial statements or resulted in different classifications compared to the financial statement for the year ended 31 December 2018. Hence, the comparable figures are the same as presented last year.

The company's presentation currency is Norwegian Kroner.

1.3 ACCOUNTING PRINCIPLES

A) USE OF ESTIMATES

Preparation of the accounts in accordance with generally accepted accounting principles requires that management make estimates and assumptions which have an effect on the value of assets and liabilities on the balance sheet and reported revenues and expenses for the accounting year. The ultimate values realised may deviate from these estimates.

B) FOREIGN CURRENCY TRANSLATION

All foreign currency translations are converted to NOK at the date of the transaction. All monetary items denominated in foreign currency are translated at the exchange rate at the balance sheet date. Other non-monetary items in foreign currencies recognised in accordance with the cost method are translated to NOK using the exchange rate applicable on the transaction date. Changes to exchange rates are recognised in the statement of profit and loss as they occur.

From 1 January 2020, EURO will be the functional currency in the company. The change is made to reflect that EURO has become the predominant currency, counting for a significant part of the cash flow and financing. The



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change will be implemented with prospective effect. The change in presentation currency will be applied retrospectively for comparable figures.

C) INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries are recorded in accordance with the cost method, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary and reversed if the reason for the impairment loss is no longer present in subsequent periods.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

D) CLASSIFICATION PRINCIPLES

Assets intended for permanent ownership or use and receivables that mature more than one year after the end of the accounting year are classified as non-current assets. Other assets are classified as current assets.

Liabilities that fall due later than one year after the end of the accounting year are classified as non-current liabilities. Other liabilities are classified as current liabilities.

E) ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts.

F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities in the balance sheet. Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation.

G) INCOME TAX

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date which implies increased or decreased tax payable when these differences reverse in future periods.

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

Temporary differences are differences between taxable profit and results that occur in one period and reverse in future periods. Deferred tax is calculated applying the nominal tax rate to temporary differences and accumulated tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Deferred income tax assets and deferred income tax liabilities are recognised net to the extent that there is a desire and ability to realise the assets and settle the liabilities simultaneously.



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H) CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash and bank deposits.

NOTE 2 EQUITY

2.1 SHARE CAPITAL AND SHAREHOLDER INFORMATION

Please refer to note 14 in the Consolidated Annual Financial statements.

Silk Topco AS has an agreement with the management in Hurtigruten AS, employed in one of Silk Topco AS' indirect subsidiaries. The executives in Hurtigruten have purchased shares in Silk Topco AS at the same price Hurtigruten Group AS (former Silk Bidco AS) paid for the shares in Hurtigruten AS in 2014. The agreement contains an incentive scheme that gives management a right to bonus-shares in different pre-defined exit scenarios.

2.2 CHANGES IN EQUITY

<i>(in NOK 1,000)</i>	Share capital including treasury shares	Share premium	Retained earnings	Total Equity
Balance at 1 January 2018	273.450	1.596.966	(26.582)	1.843.833
Profit/(loss) for the year	-	-	(12.735)	(12.735)
Reversal of issue cost	-	23	-	23
Balance at 31 December 2018	273.450	1.596.988	(39.317)	1.831.121
Balance at 1 January 2019	273.450	1.596.988	(39.317)	1.831.121
Profit/(loss) for the year	-	-	(8.495)	(8.495)
Balance at 31 December 2019	273.450	1.596.988	(47.813)	1.822.625

NOTE 3 REMUNERATION

BOARD OF DIRECTORS

Silk Topco AS does not have separate management. Remuneration for the Board of Directors is settled from the Silk Topco AS' indirect subsidiary Hurtigruten AS, as the members of the Board in Hurtigruten AS is identical to the members of the Board of Directors of Silk Topco AS, and the company Hurtigruten AS is the main operative company in the Group. For remuneration to the Board of Directors, please refer to note 25 in the Consolidated Annual Financial Statements.



Silk Topco AS

Annual Financial Statements 2019

AUDITORS REMUNERATION

<i>(in NOK 1,000)</i>	2019	2018
Statutory audit	460	194
Total other operating costs	460	194

VAT is not included in the fees specified above.

NOTE 4 INCOME TAX

The income tax gain / (expense) can be broken down as follows:

INCOME TAX EXPENSE

<i>(in NOK 1,000)</i>	2019	2018
Change in deferred tax, current year	2.623	11.785
Change in deferred tax, tax rate changes and adjustments regarding previous years	(227)	(512)
Total income tax gain/ (expense)	2.396	11.273

TAX BASE CALCULATION

<i>(in NOK 1,000)</i>	2019	2018
Profit/(loss) before income tax	(10.891)	(24.008)
Tax rate	22 %	23 %
Calculated tax expense at nominal tax rate	2.396	5.522
Change in the income tax expense as a result of:		
– unrecognised deferred income tax assets	-	6.263
– change in tax rate	-	(512)
Income tax gain/ (expense)	2.396	11.273
Weighted average tax rate	-22,0 %	-47,0 %

SPECIFICATION OF CHANGES IN DEFERRED TAX ASSETS (+) / LIABILITIES (-)

2019

<i>(in NOK 1 000)</i>	Opening balance	Tax expense	Closing balance
Tax loss carry forwards	11.273	2.169	13.441
Interest carry forwards	-	227	227
Total deferred tax asset / (liability)	11.273	2.396	13.669
Carrying value of deferred tax asset	11.273		13.669

The deferred income tax assets relating to tax loss carry forward are recognised in the statement of financial position to the extent that the Company can utilise the tax loss carry forward against future taxable income.



Silk Topco AS

Annual Financial Statements 2019

2018

(in NOK 1 000)	Opening balance	Tax expense	Closing balance
Tax loss carry forwards	6.263	5.009	11.273
Valuation allowance	(6.263)	6.263	-
Total deferred tax asset / (liability)	-	11.273	11.273
Carrying value of deferred tax asset	-		11.273

NOTE 5 INVESTMENTS IN SUBSIDIARIES

(NOK 1,000)	Registered office	Ownership/voting share	Carrying value
Silk Midco AS	Tromsø, Norway	100.0 %	1,827,525
Kirberg Shipping AS	Tromsø, Norway	100.0 %	17,000
Coastal Holding AS	Tromsø, Norway	100.0 %	52
Total carrying value			1,844,577

NOTE 6 OPERATING COSTS

(in NOK 1,000)	2019	2018
Legal services	5,929	2,769
Other external services	3,218	20,397
Services, intragroup	57	471
Other charges	92	35
Total other operating costs	9,296	23,671



Silk Topco AS

Annual Financial Statements 2019

NOTE 7 RELATED PARTIES

Transactions with related parties are carried out in accordance with the arm's length principle. Related parties are defined as shareholders and subsidiaries, directly or indirectly owned.

7.1. BALANCES AND TRANSACTIONS WITH GROUP COMPANIES

<i>(in NOK 1,000)</i>	2019	2018
Current assets		
Current receivables from KVE Holding AS	-	397
Current receivables from Hurtigruten AS	72	-
Total	72	397
Non-Current liabilities		
Borrowings from Kirberg Shipping AS	17.000	17.000
Borrowings from Hurtigruten AS	18.513	13.530
Total	35.513	30.530
Current liabilities		
Payables to Hurtigruten AS	-	75
Total	-	75
Income statement items where subsidiaries are counterpart		
Accounting services purchased from Hurtigruten Pluss AS	57	54

7.2 TRANSACTION AND BALANCES WITH SHAREHOLDERS

The majority shareholder in Silk Topco AS, Silk Holding SARL, is 100% owned by an investment fund managed by TDR Capital LLP. Board members of Silk Topco AS, Matthew Lenczner and Jonathan Rosen, are partners in TDR Capital LLP. According to the investment agreement between Silk Topco AS and its shareholders, Silk Topco AS reimburses travel and other third-party expenses related to their Hurtigruten investment.

<i>(in NOK 1,000)</i>	2019	2018
Other operating costs		
Travel and other third party expenses reimbursement to TDR Capital	3.297	2.212

NOTE 8 EVENTS AFTER BALANCE SHEET DATE

There are no material events after balance sheet date related to Silk Topco AS. For events after balance sheet date related to the Group, please see note 31 in the Consolidated Annual Financial Statements.



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 23.11.2015	Vår dato 09.12.2015
Telefon 22078139	Deres referanse Trygve Hegnar	Vår referanse 2015/1111971

HURTIGRUTEN AS
Postboks 6144 Langnes
9291 TROMSØ

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 23. november 2015 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Silk Topco AS	org. nr. 913 811 720
Silk Midco AS	org. nr. 914 172 861
Silk Bidco AS	org. nr. 914 148 324
Hurtigruten AS	org. nr. 914 904 633

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Hurtigruten AS er eid av Silk Bidco AS som eies 100 prosent av Silk Midco AS som igjen er heleid av Silk Topco AS. Silk Topco AS og Silk Midco AS er holdingselskaper uten øvrig drift utover eie av aksjer og Silk Bidco AS eier aksjene i driftsselskapet Hurtigruten AS.

Silk Topco AS eies med 90 prosent gjennom et holding selskap av det engelske private equity selskapet TDR Capital LLP. De øvrige aksjonærene er to norske profesjonelle aktører med en eierandel på 4,9 prosent hver, samt ansatte i Hurtigrutens konsernledelse som eier 1,8 prosent.

Konsernet er finansiert gjennom et obligasjonslån på 455 millioner euro samt en kortsiktig trekkfasilitet på 65 millioner euro, utstedt av Goldman Sachs. Obligasjonslånet er notert på Luxemburg børs og det er et krav at løpende finansiell rapportering til obligasjonseiere og Goldman Sachs skal skje på engelsk. Obligasjonslånet er utstedt av Silk Bidco AS, dette medfører at konsernet må avgi konsernregnskap i underkonsernet Silk Bidco AS i tillegg til konsernregnskap med den norske konsernspissen Silk Topco AS. Hurtigruten AS har også en stor internasjonal

Postadresse Postboks 9200 Grønland 0134 Oslo	Besøksadresse: Se www.skatteetaten.no Org.nr: 996250318 E-post: skatteetaten.no/sendepost	Sentralbord 800 80 000 Telefaks 22 17 08 60
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virksomhet i form av datterselskaper (salg og markedsføring) og kunder i utlandet som medfører at en stor del av selskapets kommunikasjon foregår på engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at hovedaksjonær med 90 % av selskapene er et engelsk selskap. Eierkretsen er begrenset. Konsernet har obligasjonslån notert på utenlandsk børs der det er et krav at regnskapene avlegges på engelsk språk. Videre er det vektlagt at konsernet driver virksomhet i en internasjonal bransje der alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk.



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Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



To the General Meeting of Silk Topco AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Silk Topco AS, which comprise:

- The financial statements of the parent company Silk Topco AS (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of profit and loss and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Silk Topco AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

*PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm*



Independent Auditor's Report - Silk Topco AS

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

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Independent Auditor's Report - Silk Topco AS

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 24 June 2020
PricewaterhouseCoopers AS

Stig Lund
State Authorised Public Accountant
(This document is signed electronically)

(3)



 Securely signed with Brevio

Revisjonsberetning - Silk Topco

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
Lund, Stig Arild	BANKID_MOBILE	2020-06-24 15:43

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