

## Interim report for the second quarter and first half of 2010



# Hurtigruten ASA

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### Second-quarter highlights

- More passengers with Hurtigruten along the Norwegian coast
  - port-to-port cruise nights up 8.4 per cent
  - round-trip cruise nights up 6.2 per cent
  - 82 per cent capacity utilisation – up from 74 per cent in 2009
- Profit of NOK 142 million for second quarter and NOK 9 million for first half
- Prices in local currencies on a par with 2009, but stronger Norwegian kroner reduced recognised revenues
- M/v Finnmarken on ordinary charter terms from 30 April
- Tender criteria for next public procurement contract published with deadline 30 September

### More passengers for Hurtigruten, but NOK exchange rate reduced revenues

Earnings rose by NOK 95 million during the second quarter compared with the same period of last year, and by NOK 162 million in the first half. These increases primarily reflect two factors: more cruise nights in both round-trip and port-to-port segments, which also boosted onboard spending, and invoicing-on expenses in connection with the start-up of m/v Finnmarken's charter in Australia.

Operations-related costs without charter rose by NOK 15 million during the quarter and NOK 34 million for the first half. Sales and administrative expenses fell by NOK 17 million and NOK 43 million respectively.

After mobilising and positioning during the first four months, m/v Finnmarken was on full charter in Australia from 30 April. The 18-month charter runs from this date. Expenses connected with start-up of the contract totalled NOK 98 million in the second quarter and NOK 126 million in the first half. These costs were met almost entirely by the charterer, and are included in revenues for the quarter.

M/v Fram has transferred half of its season from Greenland to Spitsbergen, so that the m/v Fram and Spitsbergen product areas must be viewed together. The change has been successful when both product areas are regarded as a whole. Results from other operations in Spitsbergen also improved from the second quarter of 2009.

Pre-tax profit for the second quarter was NOK 142 million, a decline of NOK 13 million from the same period of 2009. The first half showed a profit of NOK 9 million, compared with NOK 22 million the year before. Better results last year reflected higher charter revenues as well as gain on the sale of businesses in the first quarter of 2009.

These results were affected by increased volumes and a high level of activity on board. However, the strong NOK exchange rate compared with the same period of 2009 mean that revenues failed to rise at the same pace. Much of Hurtigruten's volume is sold in EUR, while the accounts are compiled in NOK. The strong NOK exchange rate accordingly has a direct effect on the bottom line, while the number of cruise nights also boost expenses in the form of crew pay, the cost of goods and income-related costs such as commissions, air travel and hotel accommodation.

This interim report has been prepared in accordance with IAS 34.

## Interim accounts

### Segment information

The group's product areas from 1 January 2010 are Hurtigruten Norwegian coast, explorer products, Spitsbergen and charter. Activities which do not fall naturally into these four areas are grouped in other business. For reporting purposes, the group has opted to present operating profit before depreciation (EBITDA) for the four product areas. These are reported in the same way as internal reporting to the company's board and executive management.

### Income statement

The Hurtigruten group had total operating revenues in the second quarter of NOK 1 173 million, compared with NOK 1 078 million in the same period of 2009 (figures for comparable periods are presented hereafter in brackets). This rise primarily reflects increased invoicing-on of expenses incurred in starting the charter for m/v Finnmarken in Australia. Passenger revenues for Hurtigruten Norwegian coast were boosted by increased cruise nights in both round-trip and port-to-port segments. However, a strong NOK exchange rate with both the EUR and the GBP compared with the second quarter of last year reduced revenues recognised in NOK by about NOK 30 million and helped to keep the rise modest.

Operating revenues for the Hurtigruten group for the first half totalled NOK 1 901 million (NOK 1 738 million). This rise is attributable mainly to expenses invoiced on in connection with starting the m/v Finnmarken contract, as well as to higher passenger revenues and onboard spending for Hurtigruten Norwegian coast. Higher onboard spending derives largely from excursions, particularly in the winter season. The volume increase for the first half more than offset the negative effect of a strong NOK exchange rate.

Consolidated operating expenses before depreciation and amortisation were NOK 907 million (NOK 804 million) in the second quarter. This increase can be attributed almost entirely to start-up and mobilisation costs for the m/v Finnmarken charter. However, these expenses are refunded entirely through onward invoicing with a mark-up to the client, or through the refunding of an agreed price. Other expenses increased relative to the rise in the number of cruise nights on board. Fuel costs increased by NOK 12 million, reflecting higher oil prices. However, Hurtigruten's hedging strategy substantially reduced the impact of this rise.

Consolidated operating expenses before depreciation and amortisation were NOK 1 621 million for the first half (NOK 1 491 million). The cost increase in this period reflects the same factors as for the second quarter. Fuel costs for the first half remained at the same low level as in 2009 thanks to a successful hedging strategy.

No significant gains or losses related to continued business were incurred during the second quarter, either this year or in 2009. The accounts for the first half include a gain of NOK 3.1 million related primarily to the sale of the workshop operation in the bus business. No significant gains or losses classified as continued business were recognised in the first half of 2009.

The consolidated profit before depreciation and amortisation (EBITDA) was NOK 266 million (NOK 274 million) for the second quarter. This NOK 8 million decline reflected the factors noted under income and expenses for the period.

EBITDA for the first half was NOK 283 million (NOK 247 million). The NOK 36 million improvement is largely attributable to reduced sales and administrative costs as well as an increase in cruise nights sold, which more than offset the income reduction from the strong NOK exchange rate.

Depreciation and impairment totalled NOK 90 million (NOK 88 million) for the quarter, and NOK 180 million (NOK 175 million) for the first half.

Consolidated operating profit before interest and tax (EBIT) was NOK 175 million (NOK 186 million) for the second quarter, and NOK 103 million (NOK 72 million) for the first half.

Net financial expenses were NOK 43 million (NOK 57 million) for the second quarter and NOK 100 million (NOK 116 million) for the first half. The reduction in both periods largely reflected foreign exchange gains from exchanging currency and some decline in interest expenses.

Share of profit from associated companies was NOK 0.5 million (NOK 6 million) for the second quarter. The corresponding figure for the first half was reduced by NOK 13 million to a loss of NOK 4 million (profit of NOK 9 million). The decline for both periods reflects a reduction in the share of profit/loss from the Nor Lines group owing to lower sales.

The consolidated pre-tax profit for the continued business was NOK 133 million (NOK 134 million) in the second quarter, while the pre-tax loss for the first half declined by NOK 34 million to NOK 1 million (NOK 35 million).

Consolidated pre-tax profit for the discontinued business was NOK 9 million (NOK 21 million) in the second quarter. These activities embrace the ferry and fast ferry business and for 2009 also Bergenske Reisebyrå AS. The figure for the second quarter of 2009 was improved by a reversed provision of NOK 13 million year ends 2008/2009 in connection with the sale of the ferry/fast ferry business. The corresponding figure for the first half was NOK 10 million (NOK 58 million). The profit decline reflects the transfer back of provisions in connection with the sale of the ferry/fast ferry business in the second quarter of last year and NOK 27 million in gain on the sale to the travel agency business in the first quarter of 2009.

Consolidated pre-tax profit came to NOK 142 million (NOK 155 million) in the second quarter and NOK 9 million (NOK 22 million) for the first half.

### **Cash flow**

Net cash flow from operational activities declined by NOK 125 million from the same period of 2009 in the second quarter and by NOK 25 million in the first half. The decline for both periods reflects changes in working capital, and relates mainly to increased receivables in connection with expenses invoiced on for m/v Finnmarken's charter.

Net negative cash flow from investing activities improved by NOK 33 million from the second quarter of 2009, reflecting a reduction in capital spending in April-June this year. The corresponding figure for the first half was a reduction of NOK 433 million, primarily because of the sale of the ferry/fast ferry and travel agency businesses in the same period of 2009.

Net negative cash flow from financial activities rose by NOK 88 million from the same quarter of 2009, reflecting the repayment last year of NOK 150 million drawn on a bridging loan of NOK 300 million in the first quarter of 2009. The corresponding figure for the first half was up by NOK 115 million. Both the financial restructuring and repayment of debt in connection with the sale of the ferry/fast ferry business occurred in the first six months of last year.

### **Balance sheet and liquidity**

Pursuant to IFRS 5, assets and liabilities related to discontinued business are presented as "assets held-for-sale" and "liabilities related to assets held-for-sale". The group's two remaining fast ferries were classified at 30 June 2010 as held for sale. At 30 June 2009, this item also included the bus and travel agency businesses as well as the holding in the Nor Lines group. Current and non-current assets or liabilities related to these businesses are included in assets held-for-sale and liabilities related to assets held-for-sale respectively.

Consolidated non-current assets totalled NOK 4 732 million at 30 June (31 December 2009: NOK 4 848 million). This reduction relates to depreciation of property, plant and equipment less investment in the period.

Current assets at 30 June totalled NOK 1 726 million (NOK 1 246 million). Working capital improved by NOK 149 million from 31 December 2009 to reach NOK 809 million at 30 June. This rise derived primarily from increased receivables in connection with expenses invoiced on for m/v Finnmarken's charter.

Liquid assets were NOK 788 million (NOK 564 million excluding restricted assets) at 30 June, compared with NOK 1 025 million including undrawn drawing rights (NOK 558 million excluding undrawn drawing rights and restricted assets) at 31 December 2009. The change primarily reflects the cancellation of NOK 225 million in unused drawing rights held by the group at 31 December.

At 30 June, the group had assets held-for-sale of NOK 79 million (NOK 111 million) for two remaining fast ferries. This reduction primarily reflects the sale of three fast ferries in the first quarter of 2010.

The group's total non-current liabilities amounted to NOK 3 864 million (NOK 3 852 million) at 30 June.

Current liabilities came to NOK 917 million (NOK 586 million). This change primarily reflects increased advance payments for accounts receivable as well as higher accounts payable as a result of greater activity in the summer season compared with the end of the year.

At 30 June, the group had liabilities of NOK 92 million related to assets held-for-sale (NOK 110 million). This reduction reflects the repayment of debt in connection with the sale of three fast ferries as well as ordinary instalments on the two remaining fast ferries.

Consolidated equity at 30 June was NOK 1 663 million (31 December: NOK 1 657 million). The equity ratio was 25.4 per cent (31 December: 26.7 per cent). Following redemptions related to the private placement and the subsequent repair issues implemented during the first half of 2009, the group has a convertible bond loan totalling NOK 48.4 million which is regarded as equity in relation to its loan covenants. Including this, the equity ratio at 30 June was 26.1 per cent.

### **Transactions with close associates**

Transactions with close associates are conducted on market terms. Close associates in this context are key personnel in the company as well as in associated companies. No significant changes occurred during the first half in the type or size of transactions with close associates.

## Product areas

### ***Hurtigruten Norwegian coast***

The Hurtigruten Norwegian coast product area is the largest activity in Hurtigruten ASA and accounted for about 65 per cent of its operating revenues in the second quarter. Operating regularity in this period was 95 per cent. That was somewhat below target, reflecting the fact that m/v Lofoten was out of operation for four weeks in April/May because of engine failure. Other vessels operated as normal. Total capacity was reduced by 3.3 per cent compared with the same period of last year because m/v Finnmarken has been replaced along the Norwegian coast by m/v Nordnorge and because m/v Lofoten was out of action for four weeks.

During the first half, operating regularity was 96 per cent. Technical conditions related to the two oldest ships, m/v Nordstjernen and m/v Lofoten, accounted for 63 per cent of the variance. Despite doubling maintenance frequencies for these vessels compared with the newer tonnage, achieving satisfactory regularity is demanding.

Operating revenues in the second quarter came to NOK 764 million (NOK 748 million). This rise primarily reflects the increase in volume for all the months of the quarter. Cruise nights grew by seven per cent during the period, with round-trip passengers up by 6.2 per cent and port-to-port travel by 8.4 per cent. That represented 221 867 cruise nights (208 867) in the round-trip segment (Bergen-Kirkenes-Bergen) and 108 741 (100 356) for port-to-port passengers (who travel part of the route). Increased volume and some reduction in capacity helped to boost capacity utilisation for the second quarter to 82 per cent (74 per cent). Utilisation in June was no less than 103 per cent. However, an unfavourable exchange rate trend reduced net passenger revenue per cruise night by 5.1 per cent over the quarter.

Total onboard spending increased by NOK 14 million during the quarter because of the positive development in cruise nights, and by NOK 30 million in the first half for the same reason.

Operating revenues in the first half came to NOK 1 210 million (NOK 1 146 million). Again, volume growth contributed to increased passenger revenues and onboard spending. The volume of port-to-port travel rose by no less than 11.6 per cent to 180 748 cruise nights (162 006), while round-trip passengers grew by 16.7 per cent to 331 641 (284 189). The strong NOK again contributed to a 6.1 per cent decline in gross passenger revenues per cruise night.

Operating expenses came to NOK 597 million for the second quarter (NOK 574 million). This increase derived mainly from higher payroll and commission costs as a result of the substantial growth in cruise nights. Fuel costs rose by NOK 11 million from the year before, but much of the increase was offset by favourable hedging contracts. Sales and administrative expenses declined by NOK 9 million.

Operating expenses for the first half totalled NOK 1 073 million (NOK 1 042 million). This increase is attributable to the same factors as in the second quarter, apart from fuel costs. These were on a par with 2009 because of good price hedging.

EBITDA was NOK 167 million (NOK 174 million) for the second quarter, and NOK 137 million (NOK 104 million) for the first half.

### ***Explorer products/M/v Fram***

During the quarter, m/v Fram carried out Europe cruises in April and May, while it has been engaged in cruise activities from Longyearbyen in Spitsbergen since June. Activity with this vessel has changed from 2009. Its Greenland season is halved compared with the year before, and it has been used instead as the second Spitsbergen ship in place of m/v Expedition in 2009. M/v Fram has been chartered to Spitsbergen Travel for the Spitsbergen

involvement, which means that the 2010 figures for the m/v Fram and Spitsbergen product areas are difficult to compare with last year's. It has accordingly been resolved to comment on the product area on the basis of key performance indicators.

The number of cruise nights for m/v Fram during the period was 16 668 (15 791), of which 12 474 related to Europe cruises. Prices achieved during the quarter were lower than in 2009. Passenger development for m/v Fram in the period was affected to some extent by the volcanic eruption in Iceland, with an estimated 1 000 cruise nights lost. Capacity utilisation for m/v Fram was reduced from 75 to 72 per cent during the quarter. Had the ship not been affected by the volcanic eruption, capacity utilisation would have been on a par with 2009.

### ***Spitsbergen***

Revenues from m/v Fram's activities in Spitsbergen during June are included in this product area, which was the one most strongly affected by the financial crisis in 2009. Much of the ground lost last year has been recovered in 2010, although the air traffic shutdown as a result of the ash cloud from Iceland in April resulted in some no shows on the hotel side. This reduced turnover for food and beverages, but did not affect hotel-night revenues. Operating revenues for the quarter rose by NOK 17 million to NOK 86 million. This boosted EBITDA for the quarter by NOK 9 million.

The main reason for the improvement is a better contribution from using m/v Fram for Spitsbergen-based cruises in place of the previously chartered m/v Expedition. M/v Fram's big capacity presented some challenges related to aircraft and hotel capacity. These will be addressed ahead of the 2011 season. Total capacity in Spitsbergen has nevertheless been reduced from 2009 because m/v Fram has a shorter season than did m/v Expedition in 2009.

Revenues rose by NOK 21 million in the first half to NOK 118 million. EBITDA came to NOK 27 million, up by NOK 13 million from the slightly disappointing January-June period in 2009.

### ***Charter***

Operations related to the chartering of m/v Nordnorge in 2009 and of m/v Finnmarken in 2010 have been classified since 1 January 2010 in a newly established product area. During the first half of 2009, m/v Nordnorge was on charter in the Adriatic. This contract terminated on 13 August 2009. The first quarter of 2010 and part of the second were affected by preparing and mobilising m/v Finnmarken for its assignment as a hotel ship on the Gorgon field off western Australia. This vessel sailed from Norway on 15 January and arrived in the Australian port of Fremantle on 2 March. The charterer paid a mobilisation fee for this period. M/v Finnmarken has been fully operational under the charter from 30 April. This means that the vessel served from the same date under the full day rate, which will last for the next 18 months until 30 October 2011. The charterer has a unilateral option to extend the term by a further 18 months on the same terms as the initial period.

Compared with the corresponding quarter of 2009, both revenues and costs increased substantially for this product area. That is because m/v Finnmarken was in a mobilisation phase for the charter, where such outgoings as conversion costs have been invoiced on to the charterer. M/v Nordnorge was in full operation throughout the corresponding period of 2009. EBITDA for the second quarter came to NOK 42 million, down NOK 15 million from 2009 as a result of a delayed start-up for m/v Finnmarken.

EBITDA from chartering for the first half was NOK 54 million (NOK 87 million). The explanation here is once again that m/v Nordnorge was on charter throughout the same period of last year, while m/v Finnmarken was only on full charter for two months.

**Other business**

Other business includes group's bus operation through Cominor AS and some small companies. Operations continued as normal during the second quarter. Operating revenues for the period came to NOK 112 million (NOK 112 million). EBITDA was NOK 31 million (NOK 33 million).

Cominor sold its workshop business in the first quarter, which yielded an accounting gain of NOK 3 million. EBITDA came to NOK 46 million (NOK 45 million) for the first half. AS TIRB and its Cominor subsidiary are still under investigation following criminal charges laid by Troms county council in May 2009. It has now been established that the latter relate to ambiguities over the remuneration of casual support driving, and a final decision by the police is expected in the near future. The dialogue with Troms county council has been normalised.

**Discontinued business**

The fast ferry activity in Troms was wound up on 31 December 2009. Since 1 January 2010, the companies' remaining two fast ferries have been chartered to Veolia Transport Nord AS, the new operator of the Harstad-Tromsø service. The charter has currently been extended to 31 August. The decline in profit reflects the fact that five fast ferries were operational in the same period of last year.

This area also embraced the travel agency business, which was sold in the first quarter of last year with a gain of NOK 27 million. That primarily explains the decline of NOK 48 million in profit from 2009. The result for discontinued business came to NOK 10 million (NOK 58 million) in the first half.

**Key risk and uncertainty factors in the second half****Currency risk**

The Hurtigruten group has sales contracts and liabilities in foreign currencies and is exposed to currency risk related to a number of currencies. This risk is particularly relevant in relation to the euro, the US dollar, the pound sterling and the Australian dollar. Since 30 June 2009, the development of the EUR has been particularly negative for Hurtigruten in that the NOK has strengthened significantly. The same applies to the GBP. This helped to reduce sales revenues for Hurtigruten in the first half of 2010 compared with the same period of 2009. Efforts are made to reduce currency risk through forward contracts directed at the net exposed cash flow in the summer months. For the second half of 2010 and the whole of 2011, the company has hedged about 40-50 per cent of its expected net cash flow in EUR. The risk is also reduced by the fact that the company's bunkers prices are calculated in USD.

In the consolidated accounts, the two limited partnerships which own a Hurtigruten ship apiece and charter these to Hurtigruten are consolidated in accordance with the IFRS rules on special purpose entities. These limited partnerships have part of their debt in EUR and USD. The group is thereby exposed to currency risk when converting the debt to NOK and when paying interest. No specific transactions have been conducted to reduce this risk.

**Interest-rate risk**

The group's interest-rate risk relates to long-term loans. Loans with a floating interest rate present an interest-rate risk to the group's cash flow. The Hurtigruten group has a substantial debt burden after large investments in ships, particularly after 2000.

The group manages its interest rate risk through floating-to-fixed interest rate hedges. Interest rate swaps involve converting loans with floating interest rates to fixed-interest loans. The group raises normal long-term loans at floating interest rates and swaps part of these to a fixed rate. Through the interest rate swaps, the group enters into contracts with

other parties to swap the difference between the contract's fixed interest rate and the amount of the floating interest rate calculated on the agreed principal. The company has also entered into interest rate option contracts.

At 30 June, the company had interest-rate hedges covering NOK 1 000 million, which represented roughly 26 per cent of its existing interest-bearing debt.

### **Rise in bunkers prices**

Bunkers represents a significant cost element in all the transport operations pursued by the company. The effects of higher oil and fuel prices can be considerable, and will reduce the company's results.

The cost of bunkers is one part of the annual adjustment mechanism in the public procurement contract between Hurtigruten and the government. Nevertheless, the risk rests mainly with the company.

Hurtigruten has established principles for risk management, including the risk of unexpected changes in bunkers prices. The price of oil, and thus bunkers, is determined by international trading in USD, while the parent company purchases bunkers in NOK. The risk can therefore be split into a currency element and a product element. In its risk management strategies, the company has given weight to aligning the risk, and has thereby chosen to hedge part of its expected bunkers consumption in NOK.

The company's hedging strategy involves entering into quarterly rolling hedges for 20-60 per cent of estimated future consumption for four-six future quarters, with the group hedging a larger share of consumption in the near future and a smaller share further ahead. Entering into future contracts continuously throughout the year supplements existing hedges, so that the approved hedging profile is maintained. In addition, the group operates with a stop/loss strategy under which efforts are made to hedge unhedged volumes if oil prices exceed a predetermined level. At 30 June, 60 per cent of the bunkers volume for Hurtigruten was hedged for the third and fourth quarters, and roughly 25 per cent for 2011.

### **Lower growth in the cruise industry**

A large part of Hurtigruten's revenues derive from the cruise segment along the Norwegian coast and from m/v Fram. Recession and volatility in the American and European economies have reduced growth in this industry, and Hurtigruten has also been affected by this development. The improvement programme has been launched in particular to strengthen the sales and marketing organisation in Norway and abroad, including effort on internet based market channels. This is intended to contribute to a general growth in sales, and to compensate for lower growth in the cruise industry.

### **ESA to investigate Hurtigruten**

The Efta Surveillance Authority (ESA) is to investigate whether the increase in compensation awarded by the Norwegian government to Hurtigruten in 2008 accords with the European Economic Area rules on state support. The Norwegian government awarded a public procurement contract to Hurtigruten in 2004 covering the delivery of transport services along the Norwegian coast from Bergen to Kirkenes, running to 31 December 2012. This contract was awarded after competitive tendering. In October 2008, the government increased the compensation to Hurtigruten ASA for the remaining contractual period with the refunding of nitrogen oxide tax payments, general compensation for increased costs and the opportunity to reduce the number of ships during the winter from 11 to 10. The ESA has opened a formal investigation to check whether these payments were necessary for providing the relevant public services. Hurtigruten is confident that it has not been over-compensated for the service, and will support the Ministry of Transport and Communication in its response to the ESA.

### **Tender for the Bergen-Kirkenes service**

In connection with the agreement reached between the company and the Ministry of Transport and Communication on new and higher compensation for public procurement of maritime transport services on the Bergen-Kirkenes coastal route under the existing Hurtigruten contract, it was also clear that the government would put the contract out to tender again before expiration of the existing contract. The criteria for this tendering process were published on 30 June 2010 with a deadline for bids of 30 September 2010. The new tender has been publicised throughout the EEA area and could, as in 2004, open for other players. A risk is associated with which other players will announce their interest in competing for the new contract.

### **Prospects**

The criteria for a new eight-year public procurement contract on the Bergen-Kirkenes coastal service were published on 30 June. It is positive that the ministry has assumed a model with the same 34 ports and a service close to today's Hurtigruten offer. The deadline for bids is set at 30 September, with the contract coming into force on 1 January 2013 at the latest. Hurtigruten is prepared for competition over the tender and will submit a competitive bid which also reflects the value of the government's public procurement and also makes normal fleet renewal possible.

Measures implemented last year to boost revenues have yielded results. Growth in the number of cruise nights during the first quarter set a new record, and developments were also positive during the second three months. It is particularly gratifying to see that the commitment to strengthening the company's position in the port-to-port segment is yielding results. The number of cruise nights booked for 2010 is now higher than the total volume for the whole of last year.

The big restructuring which began in 2008 will be completed in the present year. Its final stage is the reorganisation in Germany and France, which are the biggest sales entities and therefore highly important. Most of the booking function in Hurtigruten is now concentrated at an outsourced unit in Tallinn. The quality and level of costs for this service remain unsatisfactory, and efficiency measures are being implemented. Although the structural changes have now been implemented, substantial cost savings are due to be achieved over the next few years before operations become satisfactory.

The main activities in the autumn of 2010 will be:

- winning the competition for the Bergen-Kirkenes coastal service
- continuing efforts to strengthen the port-to-port market through a new pricing model, new market- and sales channels, new products and effective campaigns, while continuing cost-cutting work
- continuing to develop the concept and product for the fourth quarter, normally the most difficult three-month period for Hurtigruten, on the basis of the good progress seen in the first quarter of 2010.

Volume developments in the first half are encouraging. It is stimulating to see that the restructuring and improvement programme are yielding the planned effects. The board is maintaining its goal of a profit for 2010.

Tromsø, 18 August 2010  
The board of directors of Hurtigruten ASA

**HURTIGRUTEN GROUP**
**Consolidated income statement**

(NOK 1 000)	Note	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues		1 065 757	968 268	1 582 117	1 411 621
Contractual revenues	6	106 946	109 869	318 463	326 513
<b>Total revenues</b>		<b>1 172 704</b>	<b>1 078 136</b>	<b>1 900 580</b>	<b>1 738 134</b>
Payroll expenses		255 338	241 372	493 400	486 734
Depreciation and impairment losses		90 322	88 211	180 018	174 975
Other operating costs	6	651 989	562 715	1 127 873	1 004 519
Other losses/(gains) - net		(314)	222	(3 615)	108
<b>Operating profit/ (loss)</b>		<b>175 370</b>	<b>185 615</b>	<b>102 905</b>	<b>71 798</b>
<b>Operating profit/ (loss) before depreciation</b>		<b>265 691</b>	<b>273 826</b>	<b>282 923</b>	<b>246 773</b>
Finance income		23 581	17 867	36 580	52 640
Finance costs		(66 417)	(75 212)	(136 458)	(168 870)
<b>Finance costs - net</b>		<b>(42 836)</b>	<b>(57 345)</b>	<b>(99 878)</b>	<b>(116 230)</b>
Share of profit/ (loss) of associates		429	5 537	(4 230)	9 033
<b>Profit/ (loss) before income tax on continued business</b>		<b>132 962</b>	<b>133 807</b>	<b>(1 203)</b>	<b>(35 399)</b>
Income tax expense on continued business		32 656	35 640	(648)	(2 663)
<b>Profit/ (loss) on continued business</b>		<b>100 306</b>	<b>98 167</b>	<b>(555)</b>	<b>(32 736)</b>
Profit/ (loss) before income tax on discontinued business	2	9 280	20 936	9 780	57 598
Income tax expense on discontinued business	2	2 445	5 862	2 445	8 676
<b>Profit/ (loss)</b>		<b>107 141</b>	<b>113 241</b>	<b>6 780</b>	<b>16 186</b>
Attributable to minority interest		5 149	12 600	11 029	41 598
<b>Earnings per share for profit attributable to the equity holders of the company;</b>					
<b>- basic</b>		<b>0,24</b>	0,24	<b>(0,01)</b>	(0,09)
<b>- diluted</b>		<b>0,24</b>	0,24	<b>(0,01)</b>	(0,09)

**Balance sheet**

(NOK 1 000)

	Note	30.06.2010	01.01.2010	01.01.2009
<b>Assets</b>				
Tangible non-current assets		4 228 674	4 347 691	3 942 462
Intangible non-current assets		249 554	247 817	297 944
Financial non-current assets		253 340	252 652	63 251
Current assets		1 725 851	1 245 980	1 036 666
Assets held-for-sale	2	78 921	110 748	1 592 353
<b>Total assets</b>		<b>6 536 340</b>	<b>6 204 888</b>	<b>6 932 676</b>
<b>Equity and liabilities</b>				
Paid-in equity and retained earnings	5	1 365 915	1 370 451	946 808
Minority interest in equity		296 786	286 424	216 245
<b>Total equity</b>		<b>1 662 701</b>	<b>1 656 875</b>	<b>1 163 053</b>
Non-current liabilities	5	3 691 008	3 687 543	106 801
Provisions		173 406	164 387	172 003
Current liabilities	5	916 874	586 404	4 023 237
Liabilities on assets held-for-sale	2	92 350	109 679	1 467 582
<b>Total liabilities</b>		<b>4 873 639</b>	<b>4 548 013</b>	<b>5 769 623</b>
<b>Total equity and liabilities</b>		<b>6 536 340</b>	<b>6 204 888</b>	<b>6 932 676</b>

**Equity**

(NOK 1 000)	Note	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009
Equity at the beginning of the period	5	1 557 332	1 449 114	1 656 875	1 163 053
Profit/ (loss) for the period		107 141	113 241	6 780	16 186
Private placement		-	78 666	-	392 516
Costs of private placement		-	(5 481)	-	(18 665)
Equity adjustments in associates		-	(2 170)	-	163
Derivative financial instruments at fair value		3 345	30 932	(878)	89 847
Other equity adjustments		(5 117)	5 426	(76)	26 627
<b>Equity at the end of the period</b>		<b>1 662 701</b>	<b>1 669 728</b>	<b>1 662 701</b>	<b>1 669 728</b>

**Consolidated cash flow statement**

(NOK 1 000)	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009
Net cashflow from operating activities	143 935	269 428	47 281	72 265
Net cashflow from investment activities	(34 186)	(67 476)	(21 584)	411 114
Net cashflow from financing activities	(6 545)	(94 532)	(19 688)	(134 602)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>103 203</b>	<b>107 420</b>	<b>6 009</b>	<b>348 777</b>
Cash and cash equivalents overdrafts at the beginning of the period	460 510	603 915	557 704	362 558
<b>Cash and cash equivalents overdrafts at the end of the period</b>	<b>563 713</b>	<b>711 335</b>	<b>563 713</b>	<b>711 335</b>

## PRODUCT INFORMATION

(NOK 1 000)	HURTIGRUTEN NORWEGIAN COAST				EXPLORER PRODUCTS			
	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues	708 946	690 469	997 546	925 333	39 490	60 881	108 701	130 255
Contractual revenues	55 162	57 155	212 394	220 355	-	-	-	-
<b>Total revenues</b>	<b>764 108</b>	<b>747 624</b>	<b>1 209 939</b>	<b>1 145 688</b>	<b>39 490</b>	<b>60 881</b>	<b>108 701</b>	<b>130 255</b>
Payroll expenses	163 763	159 633	311 839	307 015	8 948	14 276	17 767	30 782
Depreciation and impairment	59 908	66 429	118 854	132 606	4 615	5 629	9 220	10 026
Other operating costs	433 005	414 456	760 697	734 900	32 018	54 377	71 587	100 809
Other losses/(gains) - net	-	-	-	-	-	304	-	304
<b>Operating profit/ (loss)</b>	<b>107 432</b>	<b>107 107</b>	<b>18 549</b>	<b>(28 833)</b>	<b>(6 091)</b>	<b>(13 706)</b>	<b>10 127</b>	<b>(11 667)</b>
Finance costs - net	(37 535)	(49 557)	(74 982)	(100 216)	(5 489)	(6 768)	(10 808)	(13 854)
Share of profit/ (loss) of associates	-	-	-	-	-	-	-	-
<b>Profit/ (loss) before income tax on continued business</b>	<b>69 897</b>	<b>57 550</b>	<b>(56 433)</b>	<b>(129 049)</b>	<b>(11 580)</b>	<b>(20 474)</b>	<b>(681)</b>	<b>(25 520)</b>
Profit/ (loss) before income tax on discontinued business	-	-	-	-	-	-	-	-
<b>Profit/ (loss) before income tax</b>	<b>69 897</b>	<b>57 550</b>	<b>(56 433)</b>	<b>(129 049)</b>	<b>(11 580)</b>	<b>(20 474)</b>	<b>(681)</b>	<b>(25 520)</b>
<b>Operating profit/ (loss) before depreciation</b>	<b>167 340</b>	<b>173 536</b>	<b>137 403</b>	<b>103 773</b>	<b>(1 476)</b>	<b>(8 077)</b>	<b>19 348</b>	<b>(1 641)</b>

## PRODUCT INFORMATION

(NOK 1 000)	SPITSBERGEN				CHARTER			
	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues	85 726	69 110	118 161	97 452	188 170	88 944	261 898	145 769
Contractual revenues	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>85 726</b>	<b>69 110</b>	<b>118 161</b>	<b>97 452</b>	<b>188 170</b>	<b>88 944</b>	<b>261 898</b>	<b>145 769</b>
Payroll expenses	11 647	12 434	22 892	24 616	30 014	8 329	46 789	17 607
Depreciation and impairment	3 064	3 124	6 641	6 310	8 685	-	17 656	-
Other operating costs	46 839	38 195	68 756	59 759	116 295	23 274	161 279	41 270
Other losses/(gains) - net	-	-	-	-	-	-	-	-
<b>Operating profit/ (loss)</b>	<b>24 177</b>	<b>15 357</b>	<b>19 873</b>	<b>6 767</b>	<b>33 175</b>	<b>57 342</b>	<b>36 175</b>	<b>86 893</b>
Finance costs - net	157	(366)	215	(384)	(7 526)	-	(15 690)	-
Share of profit/ (loss) of associates	-	-	-	-	-	-	-	-
<b>Profit/ (loss) before income tax on continued business</b>	<b>24 334</b>	<b>14 991</b>	<b>20 088</b>	<b>6 383</b>	<b>25 650</b>	<b>57 342</b>	<b>20 485</b>	<b>86 893</b>
Profit/ (loss) before income tax on discontinued business	-	-	-	-	-	-	-	-
<b>Profit/ (loss) before income tax</b>	<b>24 334</b>	<b>14 991</b>	<b>20 088</b>	<b>6 383</b>	<b>25 650</b>	<b>57 342</b>	<b>20 485</b>	<b>86 893</b>
<b>Operating profit/ (loss) before depreciation</b>	<b>27 241</b>	<b>18 481</b>	<b>26 514</b>	<b>13 077</b>	<b>41 860</b>	<b>57 342</b>	<b>53 831</b>	<b>86 893</b>

PRODUCT INFORMATION (NOK 1 000)	OTHER BUSINESS				ELIMINATIONS			
	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues	59 774	59 608	115 546	114 805	(16 350)	(745)	(19 735)	(1 993)
Contractual revenues	51 784	52 714	106 069	106 158	-	-	-	-
<b>Total revenues</b>	<b>111 558</b>	<b>112 322</b>	<b>221 615</b>	<b>220 963</b>	<b>(16 350)</b>	<b>(745)</b>	<b>(19 735)</b>	<b>(1 993)</b>
Payroll expenses	40 966	46 702	94 114	106 714	-	-	-	-
Depreciation and impairment	14 049	13 029	27 646	26 032	-	-	-	-
Other operating costs	40 182	33 158	85 289	69 775	(16 350)	(745)	(19 735)	(1 993)
Other losses/(gains) - net	(314)	(82)	(3 615)	(196)	-	-	-	-
<b>Operating profit/ (loss)</b>	<b>16 676</b>	<b>19 515</b>	<b>18 181</b>	<b>18 638</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Finance costs - net	7 556	(654)	1 386	(1 776)	-	-	-	-
Share of profit/ (loss) of associates	429	5 537	(4 230)	9 033	-	-	-	-
<b>Profit/ (loss) before income tax on continued business</b>	<b>24 661</b>	<b>24 398</b>	<b>15 337</b>	<b>25 894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit/ (loss) before income tax on discontinued business	9 280	20 936	9 780	57 598	-	-	-	-
<b>Profit/ (loss) before income tax</b>	<b>33 941</b>	<b>45 333</b>	<b>25 117</b>	<b>83 492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating profit/ (loss) before depreciation</b>	<b>30 725</b>	<b>32 544</b>	<b>45 827</b>	<b>44 670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

PRODUCT INFORMATION (NOK 1 000)	HURTIGRUTEN GROUP			
	2nd quarter 2010	2nd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues	1 065 757	968 268	1 582 117	1 411 621
Contractual revenues	106 946	109 869	318 463	326 513
<b>Total revenues</b>	<b>1 172 704</b>	<b>1 078 136</b>	<b>1 900 580</b>	<b>1 738 134</b>
Payroll expenses	255 338	241 372	493 400	486 734
Depreciation and impairment	90 322	88 211	180 018	174 975
Other operating costs	651 989	562 715	1 127 873	1 004 519
Other losses/(gains) - net	(314)	222	(3 615)	108
<b>Operating profit/ (loss)</b>	<b>175 370</b>	<b>185 615</b>	<b>102 905</b>	<b>71 798</b>
Finance costs - net	(42 836)	(57 345)	(99 878)	(116 230)
Share of profit/ (loss) of associates	429	5 537	(4 230)	9 033
<b>Profit/ (loss) before income tax on continued business</b>	<b>132 962</b>	<b>133 807</b>	<b>(1 203)</b>	<b>(35 399)</b>
Profit/ (loss) before income tax on discontinued business	9 280	20 936	9 780	57 598
<b>Profit/ (loss) before income tax</b>	<b>142 243</b>	<b>154 743</b>	<b>8 576</b>	<b>22 199</b>
<b>Operating profit/ (loss) before depreciation</b>	<b>265 691</b>	<b>273 826</b>	<b>282 923</b>	<b>246 773</b>

## Non-GAAP financial information Hurtigruten Norwegian coast

(NOK 1 000, except passenger CN)	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Passenger cruise nights	<b>330 608</b>	309 223	512 389	446 195
Round trip cruise nights	<b>221 867</b>	208 867	331 641	284 189
Port to port cruise nights	<b>108 741</b>	100 356	180 748	162 006
Available passenger cruise nights (APCN)	<b>403 318</b>	417 172	750 004	749 948
Occupancy rate	<b>82,0 %</b>	74,1 %	68,3 %	59,5 %
Passenger ticket revenues	<b>569 450</b>	565 491	782 791	742 503
Onboard revenues	<b>119 847</b>	106 244	180 413	150 554
<b>Total revenues</b>	<b>689 297</b>	671 735	963 204	893 057
Less:				
Commissions, transportation and other	<b>137 672</b>	133 536	212 046	201 584
Onboard	<b>76 323</b>	69 757	116 625	99 947
<b>Net revenues</b>	<b>475 302</b>	468 442	634 533	591 526
Gross ticket revenues per cruise night (NOK)	<b>2 085</b>	2 172	1 880	2 001
Net ticket revenues per cruise night (NOK)	<b>1 438</b>	1 515	1 238	1 326
Total cruise operating expenses	<b>489 697</b>	458 126	847 216	798 571
Selling, general and administrative expenses	<b>0</b>	0	224 878	243 343
<b>Gross cruise costs</b>	<b>489 697</b>	458 126	1 072 094	1 041 914
Less:				
Commissions, transportation and other	<b>137 672</b>	133 536	212 046	201 584
Onboard	<b>76 323</b>	69 757	116 625	99 947
<b>Net cruise costs</b>	<b>275 702</b>	254 833	743 423	740 383
Gross cruise costs per APCN (NOK)	<b>1 214</b>	1 098	1 429	1 389
Net cruise costs per APCN (NOK)	<b>684</b>	611	991	987
Net cruise costs exclusive fuel per APCN (NOK)	<b>511</b>	471	821	819
Net cruise costs per cruise night (NOK)	<b>834</b>	824	1 012	1 114
Fuel consumption (thousand litre)	<b>18 404</b>	18 498	34 627	32 828
Fuel cost per litre (NOK)	<b>3,68</b>	2,99	3,55	3,63

## Notes to the accounts

### Note 1 Accounting policies

The interim financial report for the group includes Hurtigruten ASA with subsidiaries and associated companies. The interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report which is prepared in accordance with all effective IFRS -standards, and should therefore be read in connection with the annual report for 2009.

The annual report 2009 for the group can be obtained through a request to the company's main office or on the website [www.hurtigruten.com](http://www.hurtigruten.com). A description of the accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2009.

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

### Note 2 Classification of "discontinued business"

"Discontinued business" is a part of the business which is either sold or classified as held for sale. In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", such items must be classified apart from other results through a separate line in the income statement. Corresponding assets and liabilities are presented (gross) apart from other assets and liabilities in the balance sheet.

Based on planned and completed sales of businesses in the group, the two remaining fast ferries are presented as "discontinued business" at 30 June 2010. At 30 June 2009 the ferry and fast ferry business and the travel agency operations were classified as "discontinued business". According to IFRS 5, comparative figures in the income statement for equivalent periods in 2009 have been restated in accordance with this principle. Income statement for discontinued business appears as follows:

(NOK 1 000)	2nd quarter 2010	2nd quarter 2009	YTD 2010	YTD 2009
Operating revenues	8 094	31 133	13 848	69 439
Payroll costs	-	9 976	897	14 173
Depreciation and impairment	-	1 347	-	2 694
Other operating costs	(1 952)	10 939	1 003	21 952
Other losses/(gains) - net	23	19	635	(29 725)
<b>Operating profit/(loss)</b>	<b>10 023</b>	<b>8 852</b>	<b>11 313</b>	<b>60 345</b>
Finance income	-	351	-	950
Finance costs	743	1 219	1 533	3 697
<b>Finance costs - net</b>	<b>(743)</b>	<b>(868)</b>	<b>(1 533)</b>	<b>(2 747)</b>
Share of profit/(loss) of associates	-	-	-	-
<b>Profit/(loss) before income tax</b>	<b>9 280</b>	<b>7 984</b>	<b>9 780</b>	<b>57 598</b>
Income tax expense	-	-	-	-
<b>Profit/(loss)</b>	<b>9 280</b>	<b>7 984</b>	<b>9 780</b>	<b>57 598</b>

Assets and liabilities on discontinued business is presented as "assets held-for-sale", and "liabilities on assets held-for-sale" according to IFRS 5. At 30 June 2009 it also included the bus operation and the company's share from investment in Nor Lines group. Both non-current and current assets related to operations are included in "assets held-for-sale". Similarly, both non-current and current liabilities are included in "liabilities related to assets held-for-sale". "Assets held-for-sale", and "liabilities on assets held-for-sale" appears as follows:

(NOK 1 000)	30.06.2010	01.01.2010
<b>Assets</b>		
Tangible non-current assets	75 334	98 344
Intangible non-current assets	-	-
Financial non-current assets	-	1 549
Current assets	3 587	10 854
<b>Assets held-for-sale</b>	<b>78 921</b>	<b>110 748</b>
<b>Liabilities</b>		
Non-current liabilities	-	-
Provisions	-	449
Current liabilities	92 352	109 231
<b>Liabilities on assets held-for-sale</b>	<b>92 352</b>	<b>109 679</b>

### **Note 3 Financial risk management**

There are potential risks and uncertainties that can affect the operation of the companies in the group. This may lead to actual results deviating from expected and historical results. Information concerning the most important risks and uncertainties is disclosed in the latest annual report published on the website [www.hurtigruten.com](http://www.hurtigruten.com).

No essential changes in the financial risk management have been done since the annual report for 2009 was published.

### **Note 4 Information about segments**

From 1 January 2010, the group's business segments (product areas) rose from three to four. These product areas are: Hurtigruten Norwegian coast, Explorer products, Spitsbergen and Charter. Operations which do not naturally fall under these four areas are combined in Other business. For reporting purposes, the company has chosen to submit operating profit before depreciation and amortisation (EBITDA) for the four product areas. The business segments are reported in the same way as the internal reporting to the board of directors and company management.

### **Note 5 Proceeds from and payments of borrowings**

The company has clauses on financial covenants related to parts of its loan portfolio regarding liquidity, solidity and cash flow. These covenants must be met at the end of each quarter and the second covenant must be met on a running basis.

According to financial covenants, the following conditions must be met:

- The group's working capital and unused credit facilities must be positive.
- The group must maintain a free liquidity of at least NOK 200 million over the term of the loan.
- EBITDA must be greater than the group's annual debt obligation and dividend payments, or the group's free liquidity (with credit facilities included) must be a minimum of NOK 350 million.

- An equity ratio of 25 per cent from 30 September 2009 up to and including 30 June 2010. From 30 September 2010 onwards the equity ratio must be 27.5 per cent. The convertible bond issued by Hurtigruten ASA is treated as equity under the loan agreement.

An addendum to the agreement with the bank syndicate financing the Hurtigruten vessels was agreed in February 2009. This implies that no term instalment will fall due between March 2009 and December 2011. The deferred instalments are to be repaid on a pro rata basis together with the remaining instalments which mature from March 2012. The revised agreement contains a cash sweep condition which obligates Hurtigruten to use all free cash exceeding NOK 500 million at the end of the first quarter of each year to make repayments on the loan, starting in the first quarter of 2010. A repayment made in accordance with the cash sweep condition can only be drawn down again under the loan agreement by an amount equal to 50 per cent of the actual repayment made in the first quarter of 2010. No such drawdown right exists for a repayment made in accordance with the cash sweep condition in the first quarter of 2011. The Kystruten KS and Kirberg Shipping KS limited partnerships are also embraced by the cash sweep terms in relation to their proportionate share of debt.

#### **Note 6 Contingent outcomes**

NOK 6.7 million in nitrogen oxide tax was charged to the company in the first half of 2010. (first half of 2009: NOK 6.2 million) Members of nitrogen oxide fund have collectively undertaken to reduce emissions of these gases by 30 000 tonnes in total, broken down into 2 000 tonnes in 2008, 4 000 tonnes in 2009 and 24 000 tonnes in 2010. The Norwegian Pollution Control Authority will monitor that the fund reaches its collective goals. If these are not met, the members can be required to pay the full amount of the tax on their respective share of the emissions. This requirement will be calculated on the basis of the percentage share of the collective goals which fail to be achieved. The fund has achieved the settled goals for 2008 and 2009. The Norwegian government, by the Ministry of business and industry, has suggested prolonging the NOx-agreement up to and including 2019.

In 2004, the Norwegian government entered into a public procurement contract with Hurtigruten ASA concerning the delivery of transportation services along the Norwegian coast, from Bergen to Kirkenes, running until the 31 December 2012. The contract was awarded after a competitive tendering. Stortinget (The Norwegian Parliament) resolved in December 2008 to appropriate an additional NOK 125 million for the public procurement contract in 2008. This extra appropriation includes a calculated NOK 52 million in compensation for nitrogen oxide tax paid in 2007, a calculated NOK 7 million as 90 per cent of payments to the nitrogen oxide fund for the first half of 2008, and a calculated NOK 66 million as general compensation for 2008. The Ministry of Transport and Communications is due to submit a new proposal to the parliament on compensation for future payments to the nitrogen oxide fund, in addition to continuing the general compensation. A total of NOK 7 million was recognised as income in the fourth quarter of 2008 related to nitrogen oxide tax compensations for the second half 2008, a total of NOK 78 million in 2009 and NOK 44 million in the first half of 2010 related to the nitrogen oxide tax compensations as well as increased general compensation. The company was also given the right to reduce the number of ships operating in the winter season, from 11 to 10 ships, for the remaining period of the procurement contract.

The general compensation is due to be maintained throughout the term of the existing contract unless the company's earnings from the contract substantially improve. The Ministry of Transport and Communications has assumed that the additional appropriation accords with the regulations on state aid. In July 2010, the Efta Surveillance Authority (ESA) decided to open a formal investigation to verify if the added compensation is necessary to provide the public transportation service. Should ESA decide that the added compensation conflicts with the European Union's rules on government subsidies, all or part of the compensation could be demanded reimbursed. Hurtigruten ASA is of the opinion that the procurement contract is in

fact not over compensated, and will support the Ministry of Transportation and Communication in its response to ESA.

One of the Hurtigruten group's associated companies, the Nor Lines group, cancelled contracts for building two cargo ships at Bharati Shipyard Limited in India in February 2010. A substantial delay (two years) in the delivery is the background for the cancellation. The contract price is about USD 15 million per ship, and two instalments totaling NOK 88 million have already been paid to the shipyard. In connection with the cancellation, Nor Lines has submitted a claim for repayment of the two instalments to Bharati Shipyard Limited and the State Bank of India, which has guarantee liabilities. Nor Lines does not expect to make any loss related to the cancellation or to the instalments including interest. The instalments have been recognized within construction in the consolidated Nor Lines accounts at 31 December 2009. The claim has not been recognized in the accounts.

Criminal charges were brought against AS TIRB and its Cominor AS subsidiary in May 2009 by Troms county council. A complaint was filed with the court of conciliation in December 2009. The group has been ignorant of the details of these charges until January 2010, when it became aware that the companies are accused of charging too much for occasional assistance driving and unforeseen, unplanned driving. The total amount claimed is NOK 24 million not including interest. A final decision by the police is expected in the near future. AS TIRB and Cominor AS take the view that the claim is groundless.

***Note 7 Business influenced by seasonal factors***

The Hurtigruten coastal operation is influenced by seasonal factors with the main season from May through September (more than 65 per cent occupancy). The itinerary and fleet of the company is, according to the Hurtigruten public procurement, the same the whole year, except from the November-March period. The exception is a consequence of the renegotiation of the public procurement contract with the government, where Hurtigruten has been given the opportunity to reduce the production by one ship on the Bergen-Kirkenes coastal service in this period.

Explorer cruises with m/v Fram is cyclic because the cruises are concentrated around four geographic areas (different parts of the year); Antarctica, Svalbard, Greenland and cruise between Antarctica and the Arctic. The Svalbard operation has a main season reaching from March through August. The activity is operated by the subsidiary Spitsbergen Travel group.

***Note 8 Events after the balance sheet day***

**Lawsuit against Troms county council**

Hurtigruten ASA took legal action on 2 July 2009 against Troms county council to secure a revision of the contract for operating fast ferries in Troms county. This claim relates to a supplementary payment of NOK 31.9 million for bunkers costs in 2008 and 2009. Nord Troms district court pronounced judgment in the lawsuit on 30 April 2010. Hurtigruten's claim was not met, and Hurtigruten must cover legal costs of NOK 200 000. The judgment will have no effect on the accounts or liquidity except from the legal costs. Hurtigruten has decided to appeal the verdict.

## Responsibility Statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2010 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Tromsø, 18 August 2009

The board of directors of Hurtigruten ASA

Sign.  
Trygve Hegnar  
*Chair*

Sign.  
Per Heidenreich  
*Deputy chair*

Sign.  
Merete Nygaard Kristiansen  
*Member*

Sign.  
Berit Kjøll  
*Member*

Sign.  
Olaf Larsen  
*Member*

Sign.  
Helene Jebsen Anker  
*Member*

Sign.  
Tone-Mohn Haukland  
*Member*

Sign.  
Per-Helge Isaksen  
*Member*

Sign.  
Olav Fjell  
*President and CEO*