

Interim report for the third quarter of 2010



Hurtigruten ASA

Interim report for the third quarter of 2010

Third-quarter highlights

- Continued good progress with cruise nights along the Norwegian coast
 - round-trip cruise nights up 7.1 per cent
 - port-to-port cruise nights up 1.8 per cent
 - 97.5 per cent capacity utilisation – up from 90 per cent in 2009
- EBITDA improved by NOK 19 million from the third quarter of 2009
- Pre-tax profit of NOK 118 million for third quarter (2009: NOK 130 million)
- Increased operating costs curbed the rise in profits
 - increased crew costs as a result of sickness absence, more cruise nights and higher pay rates
 - higher fuel prices
- Hurtigruten was sole bidder for the Coastal service state contract

Good progress continued for cruise nights along the Norwegian coast

Earnings rose by NOK 93 million during the third quarter compared with the same period of last year. This increase primarily reflects two factors: more cruise nights in the round-trip segment and full charter operation for m/v Finnmarken throughout the period.

Prices for the Norwegian coast core area were roughly on a par with the third quarter of 2009. A strengthening of the Norwegian krone against the euro reduces the earnings in Norwegian kroner, but an increase in the share of round-trip passengers – who pay a higher price than port-to-port travellers – has compensated for this.

Operations-related costs rose by NOK 72 million during the quarter, principally as a result of higher operating costs related to the chartering of m/v Finnmarken. These in turn reflected the fact that this vessel was on charter throughout the period, compared with 1.5 months for m/v Nordnorge in the same quarter of 2009, and that part of the costs pursuant to the contract are invoiced on and re-appear as increased revenues. Crew costs on the Norwegian coast rose by NOK 17 million and higher prices added NOK 10 million to the fuel bill. There were a larger number of hotel personnel on the vessels because of the growth in cruise nights. Sickness absence also rose considerably after a positive trend during the first half.

M/v Fram has transferred half of its season from Greenland to Spitsbergen, so that the Explorer and Spitsbergen product areas must be viewed together. The change has been successful for both product areas and prices achieved for Greenland cruises have been significantly better during 2010. Results from meetings and conferences in Spitsbergen also improved from the third quarter of 2009.

EBITDA for the third quarter was NOK 260 million, up by NOK 19 million from the same period of 2009.

A pre-tax profit of NOK 118 million was achieved in the third quarter, a reduction of NOK 12 million from the same period of last year, mainly due to lower financial income.

The results were affected by increased volumes and a high level of activity on board. But more cruise nights also increase costs in the form of payroll expenses and cost of goods. Work on costs over the past couple of years has focused on the land-based organisation. Efforts will now also be made to optimise cost efficiency at sea in the time to come.

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 third quarter of NOK 1 189 million, compared with NOK 1 096 million in the same period of 2009 (figures for comparable periods are presented hereafter in brackets). This rise primarily reflects a higher volume along the Norwegian coast and increased revenues from the charter for m/v Finnmarken in Australia. Passenger revenues and onboard spending for Hurtigruten Norwegian coast were boosted by increased cruise nights in both round-trip and port-to-port segments.

Consolidated operating expenses before depreciation and amortisation were NOK 930 million (NOK 855 million) in the third quarter. This increase is primarily attributable to the m/v Finnmarken charter, and must be viewed in relation to the fact that revenues from this contract rose by NOK 93 million. Increased activity on board led to higher crew expenses and cost of goods along the Norwegian coast. Fuel costs also increased by NOK 10 million, reflecting higher oil prices.

No significant gains or losses related to the continued business has incurred during the third quarter, either this year or in 2009.

Consolidated operating profit before depreciation and amortisation (EBITDA) was NOK 260 million (NOK 241 million) for the third quarter. This NOK 19 million rise reflected the increased volume along the Norwegian coast and higher net charter revenues.

Depreciation and impairment totalled NOK 89 million (NOK 86 million) for the quarter.

Consolidated operating profit before interest and tax (EBIT) was NOK 171 million (NOK 155 million) for the third quarter.

Net financial expenses were NOK 56 million (NOK 38 million) for the third quarter. The increase primarily reflects a lower net currency gain in connection with the financing of the two Hurtigruten ships owned by limited companies. These limited companies are treated under the IFRS special-purpose entities (SPEs) and consolidated in the Hurtigruten group's accounts.

Share of profit from associated companies was NOK 0.5 million (NOK 6 million) for the third quarter. The decline reflects a reduction in the share of profit from the Nor Lines group owing to lower sales, and a somewhat lower share of profit from Funn IT AS. Both these companies are owned 50 per cent by Hurtigruten.

The consolidated pre-tax profit for the continued business was NOK 115 million (NOK 124 million) in the third quarter.

Consolidated pre-tax profit for the discontinued business was NOK 3 million (NOK 7 million) in the third quarter. These activities embrace the ferry and fast ferry business and (in 2009) Bergenske Reisebyrå AS, which was sold in the first quarter of last year. The group still

operated five fast ferries in Troms during the third quarter of 2009, while its two remaining vessels of that type were on charter to Veolia Transport Nord AS in the same period of this year. The charter has been extended to 31 December.

Consolidated pre-tax profit came to NOK 118 million (NOK 130 million) in the third quarter.

Cash flow

Net cash flow from operational activities rose in the third quarter by NOK 100 million from the same period of 2009. This increase reflects changes in working capital.

Net negative cash flow from investing activities improved by NOK 7 million from the third quarter of 2009, reflecting a change in restricted assets.

Net cash flow from financial activities declined by NOK 147 million from the same quarter of 2009. This reflects the draw-down of NOK 150 million on the bridging loan of NOK 300 million in the third quarter of 2009.

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 September 2010 as held for sale. 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 4 646 million at 30 September (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 September totalled NOK 1 721 million (NOK 1 246 million). Working capital rose by NOK 290 million from 31 December 2009 to reach NOK 949 million at 30 September. This rise derived primarily from increased receivables in connection with expenses invoiced on for m/v Finnmarken's charter.

Liquid assets were NOK 926 million (NOK 708 million excluding restricted assets) at 30 September, compared with NOK 1 025 million (NOK 558 million excluding unused drawing rights and restricted assets) at 31 December 2009. The change primarily reflects the cancellation in the first quarter of NOK 225 million in unused drawing rights available to the group at 31 December, as well as cash flow from operations in the period.

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

The group's total non-current liabilities amounted to NOK 3 845 million (NOK 3 852 million) at 30 September.

Current liabilities came to NOK 772 million (NOK 586 million). This change primarily reflects increased accounts payable as a result of m/v Finnmarken's charter and of greater activity in the third quarter compared with 31 December.

At 30 September, the group had liabilities of NOK 89 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 September was NOK 1 741 million (31 December: NOK 1 657 million). The equity ratio was 27 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 September was 27.7 per cent.

Product areas

Hurtigruten Norwegian coast

The Hurtigruten Norwegian coast product area is the largest activity in the Hurtigruten group and accounted for about 67 per cent of its operating revenues in the third quarter. Operating regularity in this period was no less than 98.2 per cent. That was well above the target of 97 per cent. The only difficulty was some technical challenges with m/v Nordstjernen. Other vessels operated as normal. Total capacity was reduced by three 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.

Operating revenues in the third quarter came to NOK 797 million (NOK 767 million). This rise primarily reflects an increase in volume for every month in the quarter. Cruise nights grew by 5.1 per cent during the period, with round-trip passengers up by 7.1 per cent and port-to-port travel by 1.8 per cent. That represented 259 854 cruise nights (242 731) in the round-trip segment (Bergen-Kirkenes-Bergen) and 143 591 (141 029) 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 third quarter to no less than 97.5 per cent (90 per cent). Prices were on a par with the third quarter of 2009, with prices for round-trips up a little while those for port-to-port travel were lower. Onboard sales revenues rose by NOK 9 million for the quarter. The whole increase derived from higher excursion sales resulting from the growth in cruise nights.

Operating expenses came to NOK 639 million for the third quarter (NOK 585 million). This increase derived mainly from higher payroll costs as a result of the substantial growth in cruise nights, increased sickness absence and higher pay rates. Sickness absence increased considerably during the third quarter after showing a positive trend for the whole first half, and was also substantially higher than in the same period of 2009. Fuel costs rose by NOK 10 million from the year before, reflecting the rise in oil prices. Sales and administrative expenses rose by NOK 10 million following an internal redistribution of expenses between the Norwegian coast and explorer product areas.

EBITDA was NOK 158 million (NOK 182 million) for the third quarter.

Explorer products/M/v Fram

M/v Fram carried out the year's Greenland season during the quarter. Activity with this vessel has changed in 2010. Its Greenland season was halved and it has been used instead as the second Spitsbergen ship in place of the chartered m/v Expedition. M/v Fram was chartered to Spitsbergen Travel for the Spitsbergen involvement from the beginning of June to mid-July.

Operating revenues for the third quarter came to NOK 79 million, down NOK 6 million. That reflects the shorter Greenland season and the consequent allocation of part of its revenues (related to Spitsbergen cruises) to the Spitsbergen product area. M/v Fram had 17 863 (18 384) cruise nights during the period including Spitsbergen cruises. Prices achieved during the quarter were substantially higher than in 2009, reflecting the fact that big discounts were offered last year along with a number of agent/press trips to utilise unsold capacity.

At the same time, operating costs declined from NOK 87 million in the third quarter of 2009 to NOK 55 million, again because of the shorter season. The number of charter flights was also reduced. Using a larger proportion of scheduled air services reduced costs substantially.

EBITDA for the third quarter was NOK 24 million (negative at NOK 3 million).

Spitsbergen

Operating revenues for the quarter came to NOK 74 million (NOK 86 million). This decline primarily reflects a shorter operating season with two ships for Svalbard cruises. Operating costs were simultaneously reduced by NOK 15 million, which boosted EBITDA for the quarter by NOK 3 million.

The main reason for the EBITDA improvement was a better contribution from using m/v Fram for Spitsbergen-based cruises in place of the previously chartered m/v Expedition. Total capacity in Spitsbergen was nevertheless cut from 2009 because m/v Fram had a shorter season than m/v Expedition did in 2009. The revenue decline related primarily to that reduction, but was reflected on the cost side as well. Margins also improved for the meeting and conference product in Spitsbergen compared with the same quarter of 2009, while the contribution from ordinary hotel operation declined somewhat because the lease of a residential block was cancelled.

Vessel chartering

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 separate product area. M/v Nordnorge's charter in the Adriatic ended on 13 August 2009. During the third quarter of 2010, m/v Finnmarken was on full charter on the Gorgon field off Western Australia. This means that the vessel has been on the full day rate since 30 April, 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.

Operating revenues for the third quarter were NOK 147 million, up by NOK 92 million from 2009, when m/v Nordnorge completed its charter. Operating costs correspondingly rose by NOK 80 million. EBITDA for the third quarter came to NOK 49 million, up by NOK 12 million from 2009.

Other business

Other business includes Hurtigruten's bus operation through Cominor AS, the freight business in Nor Lines AS and some small companies. Operations continued as normal during the third quarter. Operating revenues for the period came to NOK 101 million (NOK 107 million). EBITDA was NOK 9 million (NOK 7 million).

AS TIRB and its Cominor subsidiary are still under investigation following criminal charges laid by Troms county council in May 2009. These relate to ambiguities over the remuneration of casual support driving. It is not clear when a final decision by the police might be expected. The dialogue with Troms county council has been normalised.

Discontinued business

The fast ferry operation in Troms was wound up on 31 December 2009. Since 1 January 2010, two of the fast ferries have been chartered to Veolia Transport Nord AS, the new operator of the Tromsø-Harstad service. The charter has currently been extended to 31 December. The NOK 4 million decline in profit reflects the fact that five fast ferries were operational in the same period of last year.

Outlook

A principal activity for Hurtigruten during the quarter has been work on the tender for a new eight-year public procurement contract covering the Bergen-Kirkenes coastal service. The original date for submitting tenders was 30 September, but this was extended twice, the last time until 8 November.

The board is pleased that the process with the new tender now has come to a clarification. The bid reflects the company's belief that there would be competition, and that price would be crucial in determining who would win. However, Hurtigruten have passed an important milestone, and the prospects are now good for taking forward the service that the Norwegian coast both needs and deserves.

The positive development in volume during the first half continued in the third quarter. Cruise nights look like hitting a historical peak in 2010. Although the round-trip volume has shown the biggest growth, it is gratifying to see that the commitment to strengthening the group's position for port-to-port travel is having an effect.

The restructuring program launched two years ago is to a large extent fulfilled, but there are still challenging work to be done. The quality in the booking function is not on the quality level that was set and the cost efficiency should also be improved.

The board is dissatisfied with the cost development in third quarter. Renewed attention will also be devoted to cruise operating costs.

Oslo, 9 November 2010
The board of directors of Hurtigruten ASA

HURTIGRUTEN GROUP

Consolidated income statement

(NOK 1 000)	Note	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues		1 141 783	1 047 481	2 723 900	2 459 102
Contractual revenues	6	47 343	49 015	365 806	375 528
Total revenues		1 189 126	1 096 496	3 089 706	2 834 630
Payroll expenses		308 031	266 036	801 431	752 769
Depreciation and impairment losses		89 022	85 929	269 040	260 904
Other operating costs	6	621 952	588 635	1 749 825	1 593 154
Other losses/(gains) - net		(735)	655	(4 351)	763
Operating profit/ (loss)		170 856	155 241	273 761	227 040
Operating profit/ (loss) before depreciation		259 878	241 170	542 801	487 944
Finance income		15 711	37 304	52 292	89 944
Finance costs		(72 060)	(74 885)	(208 518)	(243 754)
Finance costs - net		(56 349)	(37 581)	(156 226)	(153 810)
Share of profit/ (loss) of associates		573	6 059	(3 657)	15 092
Profit/ (loss) before income tax on continued business		115 080	123 719	113 878	88 322
Income tax expense on continued business		28 470	29 288	27 822	26 625
Profit/ (loss) on continued business		86 610	94 431	86 056	61 697
Profit/ (loss) before income tax on discontinued business	2	2 839	6 560	12 619	64 158
Income tax expense on discontinued business	2	710	1 837	3 155	10 513
Profit/ (loss)		88 739	99 154	95 520	115 342
Attributable to minority interest		11 735	24 001	22 764	65 599
Earnings per share for profit attributable to the equity holders of the company;					
- basic		0,18	0,18	0,17	0,18
- diluted		0,18	0,18	0,17	0,18

Consolidated statement of comprehensive income (NOK 1 000)	Note	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009
Net profit/(loss)		88 739	99 154	95 520	115 342
Other comprehensive income:					
Actuarial gain/loss on retirement benefit obligations		-	-	-	-
Cash flow hedges		(3 123)	39 019	(4 001)	128 866
Currency translation differences		4 646	2 563	(2 467)	9 874
Other equity adjustments		(11 539)	(1 872)	(4 503)	17 443
Other comprehensive income		(10 016)	39 710	(10 971)	156 183
Total comprehensive income		78 723	138 864	84 549	271 525

Balance sheet

(NOK 1 000)

	Note	30.09.2010	01.01.2010	01.01.2009
Assets				
Tangible non-current assets		4 182 446	4 347 691	3 942 462
Intangible non-current assets		251 577	247 817	297 944
Financial non-current assets		212 387	252 652	63 251
Current assets		1 720 991	1 245 980	1 036 666
Assets held-for-sale	2	79 355	110 748	1 592 353
Total assets		6 446 755	6 204 888	6 932 676
Equity and liabilities				
Paid-in equity and retained earnings	5	1 432 903	1 370 451	946 808
Minority interest in equity		308 521	286 424	216 245
Total equity		1 741 424	1 656 875	1 163 053
Non-current liabilities	5	3 678 717	3 687 543	106 801
Provisions		166 097	164 387	172 003
Current liabilities	5	771 501	586 404	4 023 237
Liabilities on assets held-for-sale	2	89 017	109 679	1 467 582
Total liabilities		4 705 331	4 548 013	5 769 623
Total equity and liabilities		6 446 755	6 204 888	6 932 676

Equity

(NOK 1 000)

	Note	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009
Equity at the beginning of the period	5	1 662 701	1 669 728	1 656 875	1 163 053
Profit/ (loss) for the period		88 739	99 154	95 520	115 342
Private placement		-	-	-	392 516
Costs of private placement		-	(441)	-	(19 106)
Equity adjustments in associates		-	-	-	163
Derivative financial instruments at fair value		(3 123)	39 019	(4 001)	128 866
Other equity adjustments		(6 893)	691	(6 970)	27 317
Equity at the end of the period		1 741 424	1 808 151	1 741 424	1 808 151

Consolidated cash flow statement

(NOK 1 000)	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009
Cash generated from operation	88 739	99 154	95 520	115 342
Adjusted for:				
Tax expense on continued and discontinued business	29 180	31 125	30 977	37 138
Depreciation and impairment on continued and discontinued business	89 022	87 276	269 040	264 946
Other (losses)/gain	(1 169)	655	(4 150)	(28 962)
Agio/disagio unrealised	(9 625)	(1 038)	(9 768)	-
Interest expenses	59 888	63 556	173 547	207 796
Share of profit/loss of associates	(573)	(6 059)	3 657	(15 092)
Difference between expensed pension and payments	11 550	(7 288)	19 674	(2 348)
Change in working capital:	(22 010)	(121 768)	(156 843)	(207 214)
Cash flow from operations	245 003	145 614	421 655	371 606
Interest paid	(55 900)	(57 005)	(177 787)	(192 870)
Income tax paid	-	834	(7 484)	(17 028)
Net cash flow from operating activities	189 103	89 442	236 384	161 709
Cash flows from investing activities				
Purchases of property, plant and equipment (PPE)	(49 124)	(50 508)	(111 862)	(135 656)
Proceeds from sale of PPE	4 307	2 700	25 618	500 118
Loan to associates	-	-	700	-
Net liquid assets from purchase and sale of businesses	-	-	(1 046)	52 000
Net change in other investments and trade receivables	-	-	-	(31 600)
Change in restricted funds	6 498	2 004	26 687	(19 552)
Net cash used in investing activities	(38 320)	(45 804)	(59 903)	365 310
Cash flows from financing activities				
Proceeds from borrowings	-	150 000	-	450 797
Repurchase convertible bond loan	-	-	-	(101 594)
Proceeds from the issue of ordinary shares	-	-	-	374 181
Repayment of borrowings	(6 846)	(9 848)	(26 534)	(717 834)
Net cash used in financing activities	(6 846)	140 152	(26 534)	5 550
Net (decrease)/increase in cash, cash equivalents and bank overdrafts				
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	143 937	183 791	149 947	532 568
Cash, cash equivalents and bank overdrafts at beginning of period excluding restricted cash	563 713	711 335	557 704	362 558
Cash, cash equivalents and bank overdrafts at end of period	707 651	895 126	707 651	895 126

PRODUCT INFORMATION

(NOK 1 000)	HURTIGRUTEN NORWEGIAN COAST				EXPLORER PRODUCTS			
	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues	793 888	764 008	1 791 433	1 689 341	78 731	84 363	187 432	214 617
Contractual revenues	3 177	3 284	215 571	223 639	-	-	-	-
Total revenues	797 065	767 292	2 007 004	1 912 980	78 731	84 363	187 432	214 617
Payroll expenses	181 006	166 768	492 845	473 783	9 459	15 659	27 226	46 441
Depreciation and impairment	60 167	66 430	179 021	199 037	4 650	3 203	13 870	13 229
Other operating costs	458 306	418 457	1 219 004	1 153 356	45 729	71 401	117 316	172 210
Other losses/(gains) - net	-	-	-	-	-	-	-	304
Operating profit/ (loss)	97 586	115 637	116 134	86 804	18 893	(5 900)	29 020	(17 567)
Finance costs - net	(30 443)	(31 511)	(105 424)	(131 726)	(5 834)	(5 212)	(16 642)	(19 066)
Share of profit/ (loss) of associates	-	-	-	-	-	-	-	-
Profit/ (loss) before income tax on continued business	67 143	84 126	10 710	(44 922)	13 059	(11 112)	12 378	(36 633)
Profit/ (loss) before income tax on discontinued business	-	-	-	-	-	-	-	-
Profit/ (loss) before income tax	67 143	84 126	10 710	(44 922)	13 059	(11 112)	12 378	(36 633)
Operating profit/ (loss) before depreciation	157 753	182 067	295 155	285 841	23 543	(2 697)	42 890	(4 338)

PRODUCT INFORMATION

(NOK 1 000)	SPITSBERGEN				CHARTER			
	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009
Operating revenues	74 456	86 078	192 617	183 530	147 004	55 383	408 902	201 152
Contractual revenues	-	-	-	-	-	-	-	-
Total revenues	74 456	86 078	192 617	183 530	147 004	55 383	408 902	201 152
Payroll expenses	12 731	13 709	35 622	38 325	49 135	6 499	95 924	24 106
Depreciation and impairment	2 257	2 244	8 898	8 554	8 604	-	26 260	-
Other operating costs	40 975	54 674	109 731	114 433	49 132	12 132	210 410	53 401
Other losses/(gains) - net	-	-	-	-	-	-	-	-
Operating profit/ (loss)	18 493	15 451	38 366	22 218	40 133	36 752	76 308	123 645
Finance costs - net	191	687	406	303	(7 878)	-	(23 568)	-
Share of profit/ (loss) of associates	-	-	-	-	-	-	-	-
Profit/ (loss) before income tax on continued business	18 684	16 138	38 772	22 521	32 255	36 752	52 740	123 645
Profit/ (loss) before income tax on discontinued business	-	-	-	-	-	-	-	-
Profit/ (loss) before income tax	18 684	16 138	38 772	22 521	32 255	36 752	52 740	123 645
Operating profit/ (loss) before depreciation	20 750	17 695	47 264	30 772	-	36 752	102 568	123 645

PRODUCT INFORMATION	OTHER BUSINESS				ELIMINATIONS			
	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009	3rd quarter 2010	3rd quarter 2009	Year to date 2010	Year to date 2009
(NOK 1 000)								
Operating revenues	56 451	60 908	171 997	175 713	(8 747)	(3 259)	(28 481)	(5 251)
Contractual revenues	44 166	45 731	150 235	151 889	-	-	-	-
Total revenues	100 617	106 639	322 232	327 602	(8 747)	(3 259)	(28 481)	(5 251)
Payroll expenses	55 700	63 400	149 814	170 115	-	-	-	-
Depreciation and impairment	13 344	14 052	40 991	40 084	-	-	-	-
Other operating costs	36 556	35 230	121 845	105 004	(8 747)	(3 259)	(28 481)	(5 251)
Other losses/(gains) - net	(735)	655	(4 350)	459	-	-	-	-
Operating profit/ (loss)	(4 248)	(6 698)	13 932	11 940	-	-	-	-
Finance costs - net	(12 385)	(1 545)	(10 998)	(3 321)	-	-	-	-
Share of profit/ (loss) of associates	573	6 059	(3 657)	15 092	-	-	-	-
Profit/ (loss) before income tax on continued business	(16 060)	(2 184)	(723)	23 711	-	-	-	-
Profit/ (loss) before income tax on discontinued business	2 839	6 560	12 619	64 158	-	-	-	-
Profit/ (loss) before income tax	(13 221)	4 376	11 896	87 869	-	-	-	-
Operating profit/ (loss) before depreciation	9 096	7 354	54 923	52 024	-	-	-	-

PRODUCT INFORMATION	HURTIGRUTEN GROUP			
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(NOK 1 000)				
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Share of profit/ (loss) of associates	573	6 059	(3 657)	15 092
Profit/ (loss) before income tax on continued business	115 080	123 719	113 878	88 322
Profit/ (loss) before income tax on discontinued business	2 839	6 560	12 619	64 158
Profit/ (loss) before income tax	117 919	130 279	126 497	152 480
Operating profit/ (loss) before depreciation	259 878	241 170	542 801	487 944

Non-GAAP financial information Hurtigruten Norwegian coast

(NOK 1 000, except passenger CN)	Q3 2010	Q3 2009	YTD 2009	YTD 2008
Passenger cruise nights	403 445	383 760	915 980	829 955
Round trip cruise nights	259 854	242 731	591 641	526 920
Port to port cruise nights	143 591	141 029	324 339	303 035
Available passenger cruise nights (APCN)	413 802	426 348	1 163 806	1 176 296
Occupancy rate	97,5 %	90,0 %	78,7 %	70,6 %
Passenger ticket revenues	647 493	622 586	1 430 283	1 365 088
Onboard revenues	133 044	124 387	313 458	274 941
Total revenues	780 537	746 973	1 743 741	1 640 029
Less:				
Commissions, transportation and other	134 472	135 309	346 518	336 894
Onboard	93 333	84 306	209 958	184 252
Net revenues	552 732	527 358	1 187 265	1 118 883
Gross ticket revenues per cruise night (NOK)	1 935	1 946	1 904	1 976
Net ticket revenues per cruise night (NOK)	1 370	1 374	1 296	1 348
Total cruise operating expenses	521 177	476 886	1 368 393	1 275 458
Selling, general and administrative expenses	0	0	0	0
Gross cruise costs	521 177	476 886	1 368 393	1 275 458
Less:				
Commissions, transportation and other	134 472	135 309	346 518	336 894
Onboard	93 333	84 306	209 958	184 252
Net cruise costs	293 372	257 271	811 917	754 312
Gross cruise costs per APCN (NOK)	1 259	1 119	1 176	1 084
Net cruise costs per APCN (NOK)	709	603	698	641
Net cruise costs exclusive fuel per APCN (NOK)	513	437	518	473
Net cruise costs per cruise night (NOK)	727	670	886	909
Fuel consumption (thousand litre)	19 437	19 560	54 064	52 388
Fuel cost per litre (NOK)	3,97	3,43	3,70	3,55

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. 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 September 2010. At 30 September 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)	3rd quarter 2010	3rd quarter 2009	YTD 2010	YTD 2009
Operating revenues	4 140	26 349	17 988	95 788
Payroll costs	(798)	6 863	102	21 036
Depreciation and impairment	-	1 347	-	4 042
Other operating costs	1 698	10 866	2 699	32 816
Other losses/(gains) - net	(434)	-	201	(29 725)
Operating profit/(loss)	3 674	7 273	14 986	67 619
Finance income	-	208	-	1 158
Finance costs	834	921	2 368	4 619
Finance costs - net	(834)	(713)	(2 368)	(3 461)
Share of profit/(loss) of associates	-	-	-	-
Profit/(loss) before income tax	2 840	6 560	12 618	64 158
Income tax expense	-	-	-	-
Profit/(loss)	2 840	6 560	12 618	64 158

Assets and liabilities on discontinued business are presented as "assets held-for-sale", and "liabilities on assets held-for-sale" according to IFRS 5. Both non-current and current assets and liabilities related to operations are included in "assets held-for-sale" and "liabilities related to assets held-for-sale" respectively. "Assets held-for-sale", and "liabilities on assets held-for-sale" appears as follows:

(NOK 1 000)	30.09.2010	01.01.2010
Assets		
Tangible non-current assets	75 768	98 344
Intangible non-current assets	-	-
Financial non-current assets	-	1 549
Current assets	3 587	10 854
Assets held-for-sale	79 355	110 748
Liabilities		
Non-current liabilities	-	-
Provisions	-	449
Current liabilities	89 017	109 231
Liabilities on assets held-for-sale	89 017	109 679

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.

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 company's board and executive management.

Note 5 Proceeds from and payments of borrowings

The group 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 was originally 27.5 per cent, but the equity covenant has been waived for the remaining part of the loan period,

resulting in a new equity ratio of 25 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 10.5 million in nitrogen oxide tax was charged to the company in the first nine months of 2010. (At 30 September 2009: NOK 10.1 million). Members of nitrogen oxide fund have collectively undertaken to reduce emissions of these gases by 18 000 tonnes in total, broken down into 2 000 tonnes in 2008, 4 000 tonnes in 2009 and 12 000 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 intention is to prolong the NOx-agreement beyond 2011.

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 47 million per 30 September 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. It is not clear when a final decision by the police might be expected. 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. The appeal is scheduled for 25 and 26 November in Hålogaland Court of Appeal.