Interim report for the third quarter of 2011

Hurtigruten ASA

Interim report for the third quarter of 2011

Highlights of the third quarter

Hurtigruten achieved a pre-tax profit of NOK 104 million for the third quarter, down NOK 14 million from the same period of 2010. The main reasons are:

- Extraordinary effects and incidents in the quarter reduced profits:
  - the accident with mv Nordlys in Ålesund led to a loss of revenues
  - the whole season for mv Polar Star around Spitsbergen was cancelled after its owner went into liquidation during May
- Higher fuel prices
- Cruise nights increased by 2.1 per cent
  - round-trip cruise nights up 2.2 per cent
  - port-to-port cruise nights up 1.9 per cent
- Capacity utilisation along the Norwegian coast continued to make good progress
  - 101 per cent utilisation during the quarter, up from 97.5 per cent last year

Accident with mv Nordlys

The dramatic accident on mv Nordlys in Ålesund on 15 September has made its mark on the organisation. Two employees died, and two others were badly injured. This was Hurtigruten's most serious accident for almost 50 years. It was also touch-and-go for a time whether the vessel could be saved. Mv Nordlys has now been docked, and the damage is less than first thought. The Accident Investigation Board Norway has issued a preliminary report about the causes of the fire, which makes three safety-critical recommendations. Hurtigruten has initiated measures in all these areas in the rest of its fleet. The ship is due to be ready to resume scheduled sailings from 20 March 2012.

Profit of NOK 104 million for the third quarter

Revenues increased by NOK 42 million from the same period of last year. This primarily reflected three factors: an increase in cruise nights along the Norwegian coast and on mv Fram, and higher charter income.

Revenues from the Norwegian coast increased by NOK 26 million. The number of cruise nights rose by 2.1 per cent. Both port-to-port and round-trip traffic was affected by cancellations following the accident on mv Nordlys.

Operating costs rose by NOK 55 million in the quarter. The main reason was increased costs related to the charter of mv Finnmarken as well as higher fuel costs in all product areas. Fuel costs for the Norwegian coast were up NOK 13 million, reflecting a 19 per cent increase in fuel prices during the quarter compared to the same period of last year. Consumption was reduced by one per cent per distance sailed.

Mv Fram operated primarily around Spitsbergen during the third quarter, while last year it cruised off Greenland in the final part of the season and around Spitsbergen in the first part of the summer. Results for the Spitsbergen product area were weak because of the cancellation of mv Polar Star and pressure on margins in the course/conference and hotel businesses.

The third quarter yielded an operating profit before depreciation of NOK 246 million, down NOK 14 million from the same period of 2010.

A pre-tax profit of NOK 104 million was recorded for the third quarter, down by NOK 14 million in the same period of last year.

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

Interim accounts

Segment information

The group's business segments comprise the following product areas: Hurtigruten Norwegian coast, explorer products, Spitsbergen and charter. Activities which do not naturally fall within these four areas are concentrated under other business. The group comments on operating results before depreciation and impairment (EBITDA) for the four product areas.

Income statement

The Hurtigruten group had total operating revenues of NOK 1 231 million in the third quarter, compared with NOK 1 189 million in the same period of last year (figures for comparable periods in 2010 will be shown hereafter in brackets). This rise primarily reflects increased cruise nights along the Norwegian coast, increased volume for explorer products/mv Fram and increased revenues from the charterparty for mv Finnmarken in Australia.

Operating expenses before depreciation and impairment for the group came to NOK 985 million (NOK 930 million) in the third quarter. This increase primarily reflected the mv Finnmarken charter, and must be viewed in relation to a NOK 30 million increase in revenues under that contract. Fuel costs for the group also went up by NOK 14 million during the quarter as a result of rising oil prices.

No significant gains and losses related to the continued business were recorded in the third quarter, either this year or last.

Consolidated profit before depreciation and impairment (EBITDA) was NOK 246 million (NOK 260 million) for the third quarter. This NOK 14 million decline reflected increased costs as well as reduced profits from Spitsbergen after the mv Polar Star season was cancelled and from the accident on mv Nordlys in September.

Depreciation and impairment totalled NOK 92 million (NOK 89 million) for the quarter.

Consolidated operating profit before interest and tax (EBIT) was NOK 154 million (NOK 171 million) for the third quarter.

Net financial expenses came to NOK 47 million (NOK 56 million) for the third quarter. The reduction primarily reflected a net decline in interest charges as a result of redemption of debt and expiration of interest rate swaps entered into on higher interest rate levels.

The share of profit from associated companies was NOK 1 million (loss of NOK 0.3 million) for the third quarter. These revenues derive from Hurtigruten's 50 per cent holdings in Funn IT and ANS Havnebygningen.

Consolidated pre-tax profit for the continued business was NOK 107 million (NOK 114 million) in the third quarter.

The consolidated pre-tax loss for the discontinued business was NOK 3 million (profit of NOK 4 million) in the third quarter. Discontinued business embraces the group's two remaining fast ferries and, in 2010, Hurtigruten's 50 per cent share of results from Nor Lines AS. While the two fast ferries where chartered to Boreal Transport Nord AS during the third quarter of 2010, they were laid up for the same period of this year.

The consolidated pre-tax profit came to NOK 104 million (NOK 118 million) in the third quarter.

Cash flow
Net positive cash flow from operational activities for the third quarter declined by NOK 43 million from the same period of 2010. This reflected changes to pension schemes in a foreign subsidiary and to working capital. Net positive cash flow from operational activities for the first nine months rose by NOK 92 million from the same period of last year, reflecting positive changes to working capital reduced with alterations to pension schemes in two subsidiaries.

Net negative cash flow from investing activities fell by NOK 24 million from the third quarter of 2010, reflecting lower investment in this year's period. Net positive cash flow from investing activities in the first nine months increased by NOK 109 million from the same period of last year. That reflected the settlement for the sale of the group's 50 per cent holding in Nor Lines AS during the first quarter of 2011 and a reduction in restricted funds through freeing up frozen funds for the charter of two Hurtigruten ships from Kystruten KS and Kirberg Shipping KS. The liberated funds have been applied to an extraordinary redemption of debt in these two limited partnerships. The two limited partnerships are consolidated in the group accounts in accordance with IFRS SIC-12 on special-purpose entities.

Net negative cash flow from financing activities in the third quarter was on a par with the same period of 2010. For the first nine months, it rose by NOK 179 million from the same period of last year. That increase reflected the extraordinary redemption of debt in two limited partnerships which are consolidated in the group accounts in accordance with IFRS SIC-12 on special-purpose entities. The redemption was implemented by freeing up funds which had been frozen as security for Hurtigruten's charter of two Hurtigruten ships from the two limited partnerships. Extraordinary debt redemptions totalling NOK 100 million were also made in the parent company.

Balance sheet and liquidity
Pursuant to IFRS 5, assets and liabilities related to discontinued business are presented as "assets classified as held-for-sale" and "liabilities related to assets classified as held-for-sale". At 30 September 2011, the group's two remaining fast ferries and large parts of the real property in the bus business were classified as held-for-sale. Included in assets classified as held-for-sale and liabilities related to assets classified as held-for-sale are the carrying amount and mortgage debt respectively for the two fast ferries and the bus business properties. At 31 December 2010, this classification related to the group's two fast ferries and their associated liabilities.

Consolidated fixed assets totalled NOK 4 297 million at 30 September. At 31 December 2010 the consolidated fixed assets totalled NOK 4 573 million (balance and liquidity figures at 31 December 2010 will be shown hereafter in brackets). The reduction related to depreciation and impairment of property, plant and equipment, reduced by investment in the period. Impairment charges were recognised for goodwill and operating assets in the bus business following the failure to win the tender for Tromsø. Large parts of the real property held by the bus business were reclassified at 30 September as assets held-for-sale.

Current assets excluding assets held-for-sale at 30 September totalled NOK 1 608 million (31 December 2010: NOK 1 711 million). Working capital declined from 31 December 2010 to reach a positive figure of NOK 890 million at 30 September. This reduction derives primarily from reduced net receivables related to the charter for mv Finnmarken in Australia.

Liquid assets amounted to NOK 784 million at 30 September (NOK 669 million excluding restricted assets), compared with NOK 731 million at 31 December 2010 (NOK 492 million excluding restricted assets). The increase in liquid assets related to cash flow from operational activities.

At 30 September, the group had assets classified as held-for-sale of NOK 164 million (31 December 2010: NOK 68 million). This increase reflects the reclassification of much of the real property in the bus business at 30 September as held-for-sale.

The group's total non-current liabilities at 30 September amounted to NOK 3 558 million (31 December 2010: NOK 3 847 million). Reduced non-current liabilities reflected the extraordinary redemption of debt in two limited partnerships which are consolidated in the group accounts in accordance with IFRS SIC-12 on special-purpose entities. Ordinary instalments were also paid on debt by some of the group's subsidiaries. In addition, liabilities associated with real properties in the bus business were reclassified as liabilities related to assets held-for-sale.

Current liabilities excluding liabilities related to assets classified as held-for-sale came to NOK 718 million (31 December 2010: NOK 763 million).

At 30 September, the group had liabilities related to assets classified as held-for-sale of NOK 118 million (31 December 2010: NOK 83 million). This increase reflected the reclassification of real property held by the bus business, as well as ordinary instalments on the group's two remaining fast ferries.

Consolidated equity at 30 September was NOK 1 676 million (31 December 2010: NOK 1 658 million). The equity ratio was 27.6 per cent (31 December 2010: 26.1 per cent). 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 28.4 per cent.

Product areas

Hurtigruten Norwegian coast

The Hurtigruten Norwegian coast product area is the largest activity in the group and accounted for about 67 per cent of its operating revenues in the third quarter. Operating regularity in the third quarter was 97.5 per cent, compared with 98.2 per cent for the same period of last year. This was above the target of 97 per cent. If cancellations caused by the accident on mv Nordlys are ignored, regularity would have been more than 99 per cent in the third quarter. Regularity was at a record level in the summer months.

Operating revenues in the third quarter came to NOK 824 million (NOK 797 million). This increase is primarily attributable to higher volumes for port-to-port and round-trip traffic, although both were affected by cancellations after the mv Nordlys accident. Cruise nights increased by 2.1 per cent during the quarter, with round-trip passengers growing by 2.2 per cent and port-to-port passengers by 1.9 per cent. Cruise nights came to 265 672 (259 854) for the round-trip segment (Bergen-Kirkenes-Bergen) and 146 361 (143 591) for the port-to-port segment (travelling part of the route). The increased volume and some reduction in capacity boosted capacity utilisation for the quarter from 97.5 per cent in 2010 to no less than 101 per cent. Hurtigruten made good progress in a number of the major foreign markets during the first nine months. Germany, Switzerland, the UK, the USA and Australia all showed solid growth, while the Nordic markets declined from 2010. Revenues from onboard spending grew by NOK 4 million during the quarter. This rise was split equally between excursions and other onboard spending. Spending per cruise night also increased.

Operating expenses came to NOK 672 million for the third quarter (NOK 639 million). This increase derived mainly from higher commissions and a substantial rise in fuel prices. The fuel bill for the quarter was up by NOK 13 million from the year before, reflecting the development in oil prices. Other operating costs were also boosted by the insurance excess for the mv Nordlys accident. Crew costs rose somewhat during the quarter after certain functions gained a substantial increase in pay rates as a response to increased competition for crew in the market. Sickness absence developed positively during the quarter after new measures were adopted.

EBITDA was NOK 151 million (NOK 158 million) for the third quarter.

Explorer products/mv Fram

Mv Fram implemented the Spitsbergen cruise season for the year during the third quarter. In addition to sailings along the west coast of Spitsbergen, it also carried out two cruises around the islands. The ship was off Greenland during the last part of the 2010 summer season, so direct comparison of the figures is not appropriate.

Operating revenues came to NOK 91 million in the third quarter, up by NOK 12 million. Cruise nights for mv Fram in the period totalled 19 702 (17 863). Capacity utilisation for the quarter was 87.2, up by 11 percentage points from the same period of last year. Prices achieved during the period were somewhat lower, since price levels around Spitsbergen are lower than off Greenland.

At the same time, operating costs for the third quarter rose from NOK 55 million to NOK 69 million, reflecting different product compositions and accrual periods for certain major costs.

EBITDA came to NOK 22 million (NOK 24 million) for the third quarter.

Spitsbergen

Operating revenues for the quarter came to NOK 36 million (NOK 74 million). This reduction reflects the cancellation of mv Polar Star and the fact that explorer cruises with mv Fram have been transferred to the explorer products area. At the same time, operating costs declined by NOK 19 million, yielding a NOK 19 million reduction of EBITDA in the third quarter and ending at NOK 2 million.

More than half the reduction in EBITDA during the quarter derived from the cancelled cruise season with mv Polar Star after its owner, Karlsen Shipping, went into liquidation immediately before the season was due to start. The vessel was accordingly detained after docking in Las Palmas. Land-based operations in Spitsbergen were also hit by this cancellation in the form of fewer bed nights, but margins in the course/conference product are also under pressure. A larger proportion of guests come on package tours sold via travel agencies.

Charter

Mv Finnmarken was in regular operation throughout the quarter on full day rates. Towards the end of the third quarter, it became clear that the charterer did not wish to exercise its option to extend the contract beyond the original 18 months, which expired on 30 October. This means that mv Finnmarken has now completed its assignment off Australia and is en route to a Singapore yard for restoration to the Hurtigruten standard. Hurtigruten is receiving a demobilisation fee for this work. The vessel will also undergo a 10-year class survey.

The ship will be back in service on the Norwegian coast from 16 February 2012, initially as a replacement for mv Nordlys until 20 March. It will then take over from mv Nordstjernen on 22 March.

A higher level of activity than in the corresponding period of 2010 means that operating revenues rose in the third quarter by NOK 30 million to NOK 177 million. Operating costs increased correspondingly by NOK 27 million. EBITDA for the third quarter was NOK 53 million, up NOK 4 million from the year before.

Other business
Other business comprises Hurtigruten's involvement in bus services through Cominor AS and some minor companies. Operations were normal during the third quarter. Operating revenues for the quarter were NOK 108 million (NOK 101 million), and operating expenses came to NOK 90 million (NOK 92 million). EBITDA was NOK 18 million (NOK 9 million).

The improvement in EBITDA primarily reflects increased contract revenues as a result of changes to income accrual as well as reduced maintenance costs.

AS TIRB and its Cominor subsidiary are still under investigation following criminal charges laid by Troms county council in May 2009. The police have now completed their investigation of the council's charges, and the case has been sent to the public prosecutor for consideration. The charges relate to ambiguities over the remuneration of casual support driving, and the police are expected to reach a final decision in the near future. The hearing of the civil case concerning possible compensation is scheduled for week 48 in 2011.

Discontinued business
The fast ferry business in Troms was wound up at 31 December 2009. Since 1 January 2010, the company's two remaining fast ferries have been chartered to Boreal Transport Nord AS (formerly Veolia Transport Nord AS) as the new operator of the Tromsø-Harstad service. This charterparty terminated on 2 July 2011, and both fast ferries are now laid up. The 2010 figures include results from Hurtigruten's 50 per cent holding in Nor Lines AS, which was sold on 31 December last year.

The pre-tax loss for discontinued business in the third quarter came to NOK 3 million (profit of NOK 4 million).

Outlook

Historically, the third quarter is Hurtigruten's strongest three-month period. Cruise nights also showed a positive trend in 2011. July and August were particularly good months, and average capacity utilisation exceeded 100 per cent for the first time in a quarter.

Despite the improvement in capacity utilisation, 2011 has proved challenging.
- Incidents with a number of vessels led to reduced revenues and increased costs during the first half
- The accident on mv Nordlys in September was dramatic, reducing revenues and raising costs in the autumn
- Impairment charges for the bus business after the loss of bids
- Shorter duration than expected for the charterparty in Australia

In the longer term, the worrying trend in the international economy could be significant for Hurtigruten. So far, however, reservations for 2011 and preliminary figures for 2012 show no signs of a downturn in sales in the group's major foreign markets.

With regard to the outlook for 2012, the board is looking forward to the new public procurement contract with the government, which comes into force on 1 January. This will mean almost a doubling in government purchases of services from today's level of NOK 370 million. The return of mv Finnmarken in mid-February will also strengthen the product along the Norwegian coast through increased capacity and quality. Positive expectations attach to the resumption of the popular adventure cruises around Spitsbergen with mv Nordstjernen in the summer of 2012.

After its downsizing processes and divestment of activities in recent years, Hurtigruten ASA is starting to become a more focused organisation centred on Hurtigruten Norwegian coast and explorer cruise. A big potential still exists for enhancing the efficiency of the organisation. This work is being pursued with renewed vigour, and is expected to yield effects as early as 2012 through improved quality and reduced costs.

Oslo, 9 November 2011
The board of directors of Hurtigruten ASA

HURTIGRUTEN GROUP

Consolidated income statement

(NOK 1 000)	Note	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Operating revenues		**1 174 836**	1 141 783	**2 794 764**	2 723 900
Contractual revenues	6	**56 198**	47 343	**371 016**	365 806
Total revenues		**1 231 034**	1 189 126	**3 165 780**	3 089 706
Payroll costs		**323 461**	308 031	**871 864**	801 431
Depreciation and impairment		**92 020**	89 022	**317 128**	269 040
Other operating expenses	6	**661 915**	621 952	**1 800 231**	1 749 825
Other losses/(gains) - net		**(98)**	(735)	**1 700**	(4 350)
Operating profit/(loss)		**153 737**	170 856	**174 858**	273 761
Operating profit/(loss) before depreciation and impairment		**245 757**	259 878	**491 986**	542 801
Finance income		**17 797**	15 711	**44 938**	52 292
Finance expenses		**(65 237)**	(72 060)	**(186 773)**	(208 518)
Finance expenses - net		**(47 440)**	(56 348)	**(141 835)**	(156 226)
Share of profit/(loss) of associates		**1 009**	(333)	**4 714**	3 120
Profit/(loss) before income tax from continuing business		**107 306**	114 174	**37 738**	120 654
Income tax expense from continuing business		**26 827**	28 244	**9 434**	29 517
Profit/(loss) from continuing business		**80 480**	85 931	**28 303**	91 137
Profit/(loss) before income tax on discontinued business	2	**(2 998)**	3 745	**2 170**	5 842
Income tax expense on discontinued business	2	**(839)**	936	**608**	1 460
Profit/(loss) for the period		**78 321**	88 740	**29 866**	95 519
Attributable to minority interest		**(13 306)**	11 735	**(8 087)**	22 764
Earnings per share for profit attributable to the equity holders of the company					
Earnings per share (NOK):					
Continuing business		**0,22**	0,18	**0,09**	0,16
Discontinued business		**(0,01)**	0,01	**0,00**	0,01
Total		**0,22**	0,18	**0,09**	0,17
Diluted earnings per share (NOK):					
Continuing business		**0,22**	0,18	**0,09**	0,16
Discontinued business		**(0,01)**	0,01	**0,00**	0,01
Total		**0,22**	0,18	**0,09**	0,17

Consolidated statement of comprehensive income

(NOK 1 000)	Note	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Profit/(loss) for the period		**78 321**	88 740	**29 866**	95 519
Other comprehensive income:					
Cash flow hedges		**(22 184)**	(3 123)	**(12 496)**	(4 001)
Currency translation differences		**(4 392)**	4 646	**19**	(2 467)
Other equity adjustments		**-**	(11 539)	**-**	(4 503)
Other comprehensive income		**(26 576)**	(10 016)	**(12 477)**	(10 971)
Total comprehensive income		**51 745**	78 724	**17 389**	84 548
Attributable to:					
Equity holders of the company		**65 051**	66 989	**25 359**	61 784
Minority interests		**(13 306)**	11 735	**(7 971)**	22 764
Total comprehensive income		**51 745**	78 724	**17 389**	84 548

Consolidated balance sheet

(NOK 1 000)	Note	**30.09.2011**	01.01.2011	01.01.2010
Assets				
Tangible non-current assets		**3 909 975**	4 163 328	4 347 691
Intangible non-current assets		**256 734**	259 526	247 817
Investments in associates		**41 084**	36 705	136 478
Deferred income tax assets		**58 664**	69 789	53 862
Derivative financial instruments		**-**	12 677	-
Trade and other receivables		**30 488**	30 816	62 312
Total non-current assets		**4 296 945**	4 572 841	4 848 160
Inventories		**71 731**	72 918	75 340
Trade and other receivables		**737 286**	885 271	349 778
Derivative financial instruments		**14 703**	21 633	8 537
Cash and cash equivalents		**784 311**	731 109	800 116
		1 608 032	1 710 931	1 233 770
Assets of disposal group classified as held-for-sale	2	**163 881**	68 076	110 748
Total current assets		**1 771 913**	1 779 007	1 344 518
Total assets		**6 068 858**	6 351 848,0	6 192 678
Equity and liabilities				
Paid-in equity	5	**1 154 588**	1 154 588	1 154 588
Other paid-in equity	5	**116 467**	129 059	117 613
Retained earnings/(uncovered loss)	5	**124 668**	86 716	89 801
Sum of capital and reserves attributable to equity holders of the company		**1 395 725**	1 370 364	1 362 002
Minority interest in equity		**280 155**	288 126	282 663
Total equity		**1 675 880**	1 658 490	1 644 665
Borrowings	5	**3 461 131**	3 682 801	3 687 543
Derivative financial instruments		**17 720**	18 041	15 766
Deferred income tax liabilities		**13 367**	13 367	25 099
Retirement benefit obligations		**47 948**	126 721	117 739
Provisions for other liabilities and charges		**17 393**	5 617	5 783
Total non-current liabilities		**3 557 559**	3 846 548	3 851 930
Trade and other payables		**687 036**	716 604	529 297
Current income tax liabilities		**6 114**	13 419	7 484
Borrowings		**9 954**	15 785	13 884
Derivative financial instruments		**13 424**	17 102	20 739
Provisions for other liabilities and charges		**1 160**	566	15 000
		717 688	763 477	586 404
Liabilities of disposal group classified as held-for-sale	2	**117 731**	83 333	109 679
Total current liabilities		**835 419**	846 811	696 084
Total liabilities		**4 392 978**	4 693 358	4 548 013
Total equity and liabilities		**6 068 858**	6 351 848	6 192 678

Consolidated statement of changes in equity

(NOK 1 000)	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	**Total paid-in and retained capital**	Minority interests	**Total equity**
Balance at 1 January 2010		419 966	734 622	117 613	89 801	**1 362 002**	282 663	**1 644 665**
Net profit/(loss) for the year		-	-	-	8 325	**8 325**	22 120	**30 445**
Other comprehensive income								
Currency translation differences		-	-	(5 072)	-	**(5 072)**	-	**(5 072)**
Cash flow hedges, net after tax		-	-	16 518	-	**16 518**	(253)	**16 265**
Actuarial gain/(loss) on retirement benefit obligation (after tax)		-	-	-	(11 411)	**(11 411)**	(5 311)	**(16 721)**
Other equity adjustments		-	-	-	-	**-**	(174)	**(174)**
Other comprehensive income, net of tax		-	-	11 446	(11 411)	**35**	(5 737)	**(5 702)**
Total comprehensive income, net of tax		-	-	11 446	(3 085)	**8 361**	16 383	**24 744**
Transactions with owners								
Distributions to owners		-	-	-	-	-	(10 920)	(10 920)
Total transactions with owners		-	-	-	-	-	**(10 920)**	**(10 920)**
Balance at 31 December 2010		419 966	734 622	129 059	86 716	**1 370 364**	288 126	**1 658 490**
Balance at 1 January 2011		419 966	734 622	129 059	86 716	**1 370 364**	288 126	**1 658 490**
Profit/(loss) for the period		-	-	-	37 952	**37 952**	(8 087)	**29 866**
Other comprehensive income								
Currency translation differences		-	-	19	-	**19**	-	**19**
Cash flow hedges		-	-	(12 611)	-	**(12 611)**	116	**(12 496)**
Other comprehensive income		-	-	(12 592)	-	**(12 592)**	116	**(12 477)**
Total comprehensive income		-	-	(12 592)	37 952	**25 360**	(7 971)	**17 389**
Balance at 30 September 2011		419 966	734 622	116 467	124 668	**1 395 725**	280 155	**1 675 880**

Consolidated cash flow statement

(NOK 1 000)	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Cash generated from operations				
Profit/(loss) before income tax from continuing and discontinued business	**104 309**	117 919	**39 908**	126 496
Adjusted for:				
Depreciation and impairment on continuing and discontinued business	**92 020**	89 022	**317 128**	269 040
Other (losses)/gain - net	**(98)**	(735)	**1 700**	(4 350)
Exchange (losses)/gains unrealised	**8 158**	(9 625)	**1 722**	(9 767)
Interest expenses	**52 908**	59 888	**152 169**	173 547
Share of profit/loss of associates on continuing and discontinued business	**(1 009)**	(573)	**(4 714)**	3 657
Difference between expensed pension and payments	**(18 183)**	11 550	**(45 387)**	19 674
Change in working capital:				
Inventories	**897**	1 777	**1 186**	6 962
Trade and other receivables	**94 900**	140 524	**59 256**	(347 856)
Net adjustments on financial assets through income statement	**(10 952)**	3 688	**(6 915)**	(2 163)
Trade and other payables	**(123 694)**	(164 745)	**(31 837)**	184 252
Cash flow from operations	**199 256**	248 691	**484 215**	419 493
Interest paid	**(49 879)**	(55 900)	**(150 541)**	(177 787)
Income tax paid	**48**	-	**(7 305)**	(7 484)
Net cash flow from operating activities	**149 425**	192 792	**326 369**	234 221
Cash flows from investing activities				
Purchases of property, plant and equipment (PPE)	**(20 165)**	(43 864)	**(119 655)**	(98 323)
Proceeds from sale of PPE	**-**	4 307	**162**	25 618
Purchases of intangible assets	**(13 531)**	(5 260)	**(37 121)**	(13 539)
Loan to associates	**-**	-	**-**	700
Proceeds from purchase of shares	**-**	-	**(995)**	-
Proceeds from sale of shares	**-**	-	**90 000**	-
Net liquid assets from purchase and sale of businesses	**-**	-	**-**	(1 046)
Change in restricted funds	**19 282**	6 498	**116 500**	26 687
Net cash used in investing activities	**(14 414)**	(38 320)	**48 891**	(59 903)
Cash flows from financing activities				
Proceeds from borrowings	**-**	-	**5 000**	-
Repayment of borrowings	**(7 246)**	(6 846)	**(210 107)**	(26 534)
Net cash used in financing activities	**(7 246)**	(6 846)	**(205 107)**	(26 534)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts				
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**127 765**	147 626	**170 153**	147 784
Cash, cash equivalents and bank overdrafts at beginning of period, excluding r	**530 539**	563 713	**492 187**	557 704
Exchange gains/(losses) on cash and bank overdrafts	**10 952**	(3 688)	**6 915**	2 163
Cash, cash equivalents and bank overdrafts at end of period	**669 255**	707 651	**669 255**	707 651

SEGMENT INFORMATION	HURTIGRUTEN NORWEGIAN COAST				EXPLORER PRODUCTS			
(NOK 1 000)	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Operating revenues	**820 119**	793 888	**1 811 475**	1 791 433	**90 763**	78 731	**217 912**	187 432
Contractual revenues	**3 382**	3 177	**211 900**	215 571	**-**	-	**-**	-
Total revenues	**823 501**	797 065	**2 023 375**	2 007 004	**90 763**	78 731	**217 912**	187 432
Payroll costs	**190 033**	181 006	**497 871**	492 844	**10 359**	9 459	**25 710**	27 226
Depreciation and impairment	**62 507**	60 167	**186 979**	179 021	**4 844**	4 650	**14 267**	13 870
Other operating expenses	**482 180**	458 306	**1 281 189**	1 219 004	**58 326**	45 729	**147 697**	117 316
Other losses/(gains) - net	**(40)**	-	**(40)**	-	**-**	-	**-**	-
Operating profit/(loss)	**88 821**	97 586	**57 376**	116 135	**17 234**	18 893	**30 239**	29 020
Finance expenses - net	**(33 575)**	(42 254)	**(100 679)**	(114 468)	**(6 108)**	(5 834)	**(17 518)**	(16 642)
Share of profit/(loss) of associates	**-**	-	**-**	-	**-**	-	**-**	-
Profit/(loss) before income tax from continuing business	**55 246**	55 332	**(43 303)**	1 667	**11 126**	13 059	**12 721**	12 378
Profit/(loss) before income tax on discontinued business	**-**	-	**-**	-	**-**	-	**-**	-
Profit/(loss) before income tax	**55 246**	55 332	**(43 303)**	1 667	**11 126**	13 059	**12 721**	12 378
Operating profit/(loss) before depreciation and impairment	**151 328**	157 753	**244 355**	295 156	**22 078**	23 543	**44 506**	42 890

SEGMENT INFORMATION	SPITSBERGEN				CHARTER			
(NOK 1 000)	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Operating revenues	**36 312**	74 456	**118 237**	192 617	**177 447**	147 004	**499 336**	408 902
Contractual revenues	**-**	-	**-**	-	**-**	-	**-**	-
Total revenues	**36 312**	74 456	**118 237**	192 617	**177 447**	147 004	**499 336**	408 902
Payroll costs	**13 457**	12 731	**38 206**	35 623	**53 937**	49 135	**162 895**	95 924
Depreciation and impairment	**2 188**	2 257	**8 840**	8 898	**8 588**	8 604	**25 777**	26 260
Other operating expenses	**20 799**	40 975	**68 538**	109 731	**70 902**	49 132	**191 448**	210 410
Other losses/(gains) - net	**-**	-	**-**	-	**-**	-	**-**	-
Operating profit/(loss)	**(132)**	18 493	**2 652**	38 366	**44 020**	40 133	**119 216**	76 308
Finance expenses - net	**521**	191	**963**	406	**(7 238)**	(7 878)	**(22 451)**	(23 568)
Share of profit/(loss) of associates	**-**	-	**-**	-	**-**	-	**-**	-
Profit/(loss) before income tax from continuing business	**389**	18 684	**3 615**	38 772	**36 782**	32 255	**96 765**	52 740
Profit/(loss) before income tax on discontinued business	**-**	-	**-**	-	**-**	-	**-**	-
Profit/(loss) before income tax	**389**	18 684	**3 615**	38 772	**36 782**	32 255	**96 765**	52 740
Operating profit/(loss) before depreciation and impairment	**2 056**	20 750	**11 492**	47 264	**52 608**	48 737	**144 993**	102 568

SEGMENT INFORMATION	OTHER BUSINESS				ELIMINATIONS			
(NOK 1 000)	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Operating revenues	**54 797**	56 451	**156 048**	171 997	**(4 602)**	(8 746)	**(8 243)**	(28 482)
Contractual revenues	**52 816**	44 166	**159 116**	150 235	**-**	-	**-**	-
Total revenues	**107 613**	100 617	**315 164**	322 232	**(4 602)**	(8 746)	**(8 243)**	(28 482)
Payroll costs	**55 674**	55 700	**147 182**	149 814	**-**	-	**-**	-
Depreciation and impairment	**13 893**	13 344	**81 265**	40 991	**-**	-	**-**	-
Other operating expenses	**34 311**	36 556	**119 602**	121 845	**(4 602)**	(8 746)	**(8 243)**	(28 482)
Other losses/(gains) - net	**(58)**	(735)	**1 740**	(4 350)	**-**	-	**-**	-
Operating profit/(loss)	**3 793**	(4 248)	**(34 625)**	13 932	**-**	-	**-**	-
Finance expenses - net	**(1 039)**	(573)	**(2 149)**	(1 955)	**-**	-	**-**	-
Share of profit/(loss) of associates	**1 009**	**(333)**	**4 714**	**3 120**	**-**	**-**	**-**	**-**
Profit/(loss) before income tax from continuing business	**3 763**	(5 154)	**(32 060)**	15 097	**-**	-	**-**	-
Profit/(loss) before income tax on discontinued business	**(2 998)**	3 745	**2 170**	5 842	**-**	-	**-**	-
Profit/(loss) before income tax	**765**	(1 409)	**(29 890)**	20 939	**-**	-	**-**	-
Operating profit/(loss) before depreciation and impairment	**17 686**	9 096	**46 640**	54 923	**-**	-	**-**	-

SEGMENT INFORMATION	HURTIGRUTEN GROUP			
(NOK 1 000)	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Operating revenues	**1 174 836**	1 141 783	**2 794 764**	2 723 900
Contractual revenues	**56 198**	47 343	**371 016**	365 806
Total revenues	**1 231 034**	1 189 126	**3 165 780**	3 089 706
Payroll costs	**323 461**	308 031	**871 864**	801 431
Depreciation and impairment	**92 020**	89 022	**317 128**	269 040
Other operating expenses	**661 915**	621 952	**1 800 231**	1 749 825
Other losses/(gains) - net	**(98)**	(735)	**1 700**	(4 350)
Operating profit/(loss)	**153 737**	170 856	**174 858**	273 761
Finance expenses - net	**(47 440)**	(56 348)	**(141 835)**	(156 226)
Share of profit/(loss) of associates	**1 009**	**(333)**	**4 714**	**3 120**
Profit/(loss) before income tax from continuing business	**107 306**	114 174	**37 738**	120 654
Profit/(loss) before income tax on discontinued business	**(2 998)**	3 745	**2 170**	5 842
Profit/(loss) before income tax	**104 309**	117 920	**39 908**	126 496
Operating profit/(loss) before depreciation and impairment	**245 757**	259 878	**491 986**	542 801

Non-GAAP financial information Hurtigruten Norwegian coast

(NOK 1 000, except passenger CN)	**Q3 2011**	Q3 2010	**YTD 2011**	YTD 2010
Passenger cruise nights	**412 033**	403 445	**952 261**	915 980
Round trip cruise nights	**265 672**	259 854	**631 755**	591 641
Port to port cruise nights	**146 361**	143 591	**320 506**	324 339
Available passenger cruise nights (APCN)	**407 772**	413 802	**1 147 466**	1 163 806
Occupancy rate	**101.0%**	97.5%	**83.0%**	78.7%
Passenger ticket revenues	**646 767**	647 493	**1 396 984**	1 430 283
Onboard revenues	**136 736**	133 044	**318 381**	313 458
Total revenues	**783 503**	780 537	**1 715 365**	1 743 741
Less:				
Commisions, transportation and other	**142 465**	134 472	**342 718**	346 518
Onboard	**92 630**	93 333	**214 182**	209 958
Net revenues	**548 408**	552 732	**1 158 465**	1 187 265
Gross ticket revenues per cruise night (NOK)	**1 902**	1 935	**1 801**	1 904
Net ticket revenues per cruise night (NOK)	**1 331**	1 370	**1 217**	1 296
Total cruise operating expenses	**554 430**	521 177	**1 468 710**	1 368 836
Selling, general and administrative expenses	**117 783**	118 135	**310 350**	343 013
Gross cruise costs	**672 213**	639 312	**1 779 060**	1 711 849
Less:				
Commisions, transportation and other	**142 465**	134 472	**342 718**	346 518
Onboard	**92 630**	93 333	**214 182**	209 958
Net cruise costs	**437 118**	411 507	**1 222 160**	1 155 373
Gross cruise costs per APCN (NOK)	**1 649**	1 545	**1 550**	1 471
Net cruise costs per APCN (NOK)	**1 072**	994	**1 065**	993
Net cruise costs exclusive fuel per APCN (NOK)	**841**	799	**844**	813
Net cruise costs per cruise night (NOK)	**1 061**	1 020	**1 283**	1 261
Fuel consumption litre/nautical mile	**76.4**	77.4	**76.6**	77.3
Fuel cost per litre (NOK)	**4.74**	3.97	**4.55**	3.70

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 2010.

The annual report 2010 for the company 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 2010.

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

Note 2 Assets classified as held-for-sale and discontinued business

Discontinued business is a part of the business which is either sold or classified as held-for-sale. Pursuant to 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.

Assets held-for-sale

At 30 September 2011, the group's two remaining fast ferries and large parts of the real property in the bus business were classified as held-for-sale. Included in assets classified as held-for-sale and liabilities related to assets classified as held-for-sale are the carrying amount and mortgage debt respectively for the two fast ferries and the bus business properties. At 31 December 2010, this classification related to the group's two fast ferries and their associated liabilities.

Assets held-for-sale, and liabilities on assets held-for-sale appears as follows:

(NOK 1 000)	**30.09.2011**	01.01.2011
Assets classified as held-for-sale		
Tangible non-current assets	**163 881**	68 076
Assets held-for-sale	**163 881**	68 076
Liabilities on assets classified as held-for-sale		
Current liabilities	**117 731**	83 333
Liabilities on assets held-for-sale	**117 731**	83 333

Discontinued business

Profit or loss from discontinued operations includes the groups' remaining fast ferry business and share of profit/loss from Nor Lines AS. The company's ownership in Nor Lines was sold in 2010. Comparative figures in the income statement are restated pursuant to IFRS 5. The balance sheet for 2010 has not been restated.

Income statement for discontinued business appears as follows:

(NOK 1 000)	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Operating revenue	**-**	4 140	**8 862**	17 988
Payroll costs	**-**	(798)	**-**	102
Depreciation and impairment	**-**	-	**-**	-
Other operating costs	**2 235**	1 698	**4 454**	2 699
Other losses/(gains) - net	**-**	(434)	**-**	201
Operating profit/(loss)	**(2 235)**	3 674	**4 408**	14 987
Financial income	**-**	-	**-**	-
Financial costs	**763**	834	**2 238**	2 368
Finance costs - net	**(763)**	(834)	**(2 238)**	(2 368)
Share of profit/(loss) of associates	**-**	906	**-**	(6 777)
Profit/(loss) before income tax	**(2 998)**	3 745	**2 170**	5 842
Income tax expense	**(839)**	936	**608**	1 460
Profit/(loss)	**(2 159)**	2 809	**1 562**	4 381

Net cash flow for discontinued business appears as follows:

(NOK 1 000)	**3rd quarter 2011**	3rd quarter 2010	**Year to date 2011**	Year to date 2010
Net cash flow from operations	**(2 998)**	2 405	**(2 998)**	2 405
Net cash used in investing activities	**-**	21 311	**-**	21 311
Net cash used in financing activities	**(3 333)**	(3 333)	**(3 333)**	(3 333)
Total net cash flow	**(6 331)**	20 383	**(6 331)**	20 383

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 company website www.hurtigruten.com. The group's most important risks and uncertainties are described in the directors' report and in note 3 to the consolidated accounts.

No essential changes in the financial risk management have been done since the annual report for 2010 was published.

Note 4 Information about segments

The group's business segments comprise the following product areas: Hurtigruten Norwegian coast, explorer products, Spitsbergen and charter. Activities which do not naturally fall within these four areas are combined in other business. 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 the 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.
- The equity ratio from 30 September 2009 to 30 June 2010 must be 25 per cent. From 30 September onwards, the equity ratio was to have been 27.5 per cent. The equity requirement has been waived ("waiver") so that the equity ratio remains at 25 per cent from September 2010 throughout the term of the loan. The convertible bond loan issued by Hurtigruten ASA is regarded as equity in relation to the loan agreements.

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 limited partnerships Kystruten KS and Kirberg Shipping KS are also embraced by the "cash sweep" terms in relation to their proportionate share of debt. No instalment payment has been made under the "cash sweep" agreement in 2010, nor by the end of the first quarter of 2011.

In the first quarter Hurtigruten ASA has made an extraordinary redemption of the instalment part of the bare boat charter hire for two Hurtigruten ships chartered from the two limited partnerships Kystruten KS and Kirberg Shipping KS. This was achieved by freeing up frozen funds as security for the charter. The liberated funds have in its entirety been applied to an extraordinary redemption of debt in these two limited partnerships. Kystruten and Kirberg Shipping are consolidated in the group accounts in accordance with IFRS SIC-12 on special-purpose entities. There has also been made an extraordinary redemption on debt in Hurtigruten ASA in the second quarter totalling NOK 100 million.

Note 6 Contingencies

Membership in the NOx Fund

NOK 10 million in nitrogen oxide tax was charged to the accounts for the first nine months of 2011 (at 30 September 2010: NOK 10 million). Members of the industrial fund for nitrogen oxides (NOx) have collectively undertaken to reduce emissions of these gases by 18 000 tonnes in total, broken down into:

Year	NOx in tonnes
2008	2 000
2009	4 000
2010	12 000

The Norwegian Climate and Pollution Agency will monitor that the fund reaches its collective goals. If these are not met, the members may 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 set goal for the period 2008-2010.

A new environmental agreement was signed on the 14 December 2010, regarding the period 2011-2017. Members of the industrial fund for nitrogen oxides (NOx) have collectively undertaken to reduce emissions of these gases by 16 000 tonnes in total for this period. Reductions in emissions achieved for the period 2008-2010 will also be upheld. The goals set for this period is partly annual and partly for two years:

Year	NOx in tonnes
2011	3 000
2012	2 000
2013 og 2014	4 000
2015 og 2016	4 000
2017	3 000

Supplementary agreement in relation to the Government's purchase of maritime transport services between Bergen–Kirkenes
The Norwegian government gave Hurtigruten ASA a contract in 2004 to deliver transport services along the Norwegian coast between Bergen and Kirkenes. Awarded on the basis of competitive tendering, this contract ran from 2005-12. Compensation to Hurtigruten was increased in October 2008 for the remaining contractual period through refunding 90 per cent of the nitrogen oxides tax, a general compensation for increased costs and the opportunity to reduce the number of ships in service during the winter from 11 to 10. The Efta Surveillance Authority (ESA) opened a formal investigation in July 2010 to check whether the supplementary agreement entered into in 2008 accorded with the European Economic Area's (EEA) rules on state subsidies.

The ESA concluded in June 2011 that the supplementary compensation given to Hurtigruten by the government in 2008 was not awarded in accordance with the EEA's rules. It is not clear how much of the supplementary agreement is regarded by the ESA as an illegal government subsidy.

At 30 September 2011, Hurtigruten has recognised NOK 370 million as revenues under the supplementary contract, including the effect of reducing the number of ships in service during the winter from 11 to 10. Of this NOK 165 million have been received. The Government represented by the Norwegian Ministry of Transport and Communication has appealed ESA's decision and declared that no part of the supplementary agreement represents illegal government subsidy. Hurtigruten has also appealed the decision. ESA now has until 5 December to submit a reply.

The existing agreement with the Norwegian Ministry of Transport and Communications expires at 31 December 2011. The Government and Hurtigruten entered into a new agreement at 13 April 2011 to operate the coastal route Bergen-Kirkenes for the period 2012 – 2019. The new contract starts 1 January 2012.

Legal charges against TIRB and Cominor
Legal 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 police have now completed their investigation of the council's charges, and the case has been sent to the public prosecutor for consideration. The hearing of the civil case concerning possible compensation is scheduled for week 48 in 2011. The companies are accused of overcharging for occasional assistance, and for unforeseen and unplanned services. The total amount in subject is NOK 24 million, excluding interests. The police are expected to

reach a final decision in the near future. TIRB and Cominor are in 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 75 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 mv 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 land based Svalbard operation has a main season reaching from March through August. The activity is operated by the subsidiary Spitsbergen Travel group.