



Narvik, 28 August 2007

Hurtigruten Interim Report for Q2 2007

Continued progress in Q2-07 for Hurtigruten

Hurtigruten ASA's consolidated accounts for the second quarter of 2007 show a pre-tax profit of NOK 102 million, which is an improvement of NOK 11 million compared to the second quarter of 2006.

Highlights of the second quarter

- **Continued progress**
- **Operating profit (EBIT) improved by 18 per cent from the second quarter of 2006**
- **One-off incidents burdened accounts by NOK 30 million**
- **Good start for m/v *Fram* off Greenland**
- **Booking trend for Hurtigruten and explorer cruise remains good**
- **Synergy and improvement programme on schedule**
- **Uncertain whether profit target for 2007 can be reached**

Hurtigruten ASA is continuing to make progress, with a NOK 22 million improvement in operating profit for the second quarter compared with the same period of 2006 (pro forma). The improvement was NOK 71 million for the first half compared with comparable figures for 2006.

EBIT came to NOK 141 million, compared with NOK 119 million in the same quarter of last year. For the first half, it rose from a negative NOK 33 million in 2006 to NOK 38 million. One-off incidents burdened the accounts by NOK 30 million in the second quarter, including costs incurred in the wake of the NORO virus which affected various Hurtigruten ships, and cancellations after a grounding and engine problems. NOK 17 million for the quarter and NOK 31 million for the first half have been charged to expenses from the introduction of Norway's nitrogen oxide tax. The company expects, however, this additional expense to be met by the government in line with other public procurement in the transport sector and the Hurtigruten contract.

The Hurtigruten group had total sales revenues in the second quarter of NOK 1 087 million (2006: NOK 1 067 million). This growth primarily reflected higher passenger revenues in the explorer cruise/other travel and Hurtigruten business areas. Operating revenues in the public transport business area were on a par with the same period of last year. Operating revenues for the first half rose by 4.3 per cent compared with the same period of 2006, from NOK 1 788 million to NOK 1 865 million.

Operating expenses for the group in the second quarter came to NOK 833 million (2006: NOK 828 million). Expenses for the period were affected in part by the introduction of the nitrogen oxide tax, which alone imposed an additional cost of NOK 17 million compared with the second quarter of 2006. In addition, the company was hit by several one-off incidents which burdened the accounts for the quarter by a total of NOK 30 million, partly in the form of direct costs and partly through the loss of revenues as a result of cancellations. The development in expenses otherwise confirmed that the synergy and improvement programme is having an effect. Operating expenses for the first half were NOK 1 616 million (2006: NOK 1 601 million).

Net gain on the sale of fixed assets totalled NOK 3 million for the period (2006: NOK 1 million). NOK 24 million in gains were recorded for the first half (2006: NOK 12 million). These gains related primarily to the sale of m/v *Narvik* in 2007, while the figure for last year derived from the disposal of property in Tromsø.

Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) were NOK 257 million for the second quarter, (2006: NOK 240 million), an improvement of seven per cent. The corresponding figures for the first half rose by NOK 73 million, from NOK 199 million in 2006 to NOK 272 million.

Depreciation and impairment losses for the quarter totalled NOK 116 million (2006: NOK 121 million), and NOK 234 million (2006: NOK 232 million) for the first half.

Consolidated earnings before interest and tax (EBIT) for the group were NOK 141 million for the second quarter (2006: NOK 119 million) – an improvement of 18 per cent. The corresponding figures for the first half were NOK 38 million (2006: loss of NOK 33 million).

Net financial expenses for the quarter were NOK 39 million (2006: NOK 28 million). This rise reflects higher interest rates combined with increased borrowing as a result of the delivery of m/v *Fram*. The figures for the first half were NOK 71 million (2006: NOK 60 million)

The consolidated pre-tax profit for the continued business was NOK 102 million for the quarter (2006: NOK 91 million), an improvement of 12 per cent. For the first quarter, the pre-tax loss declined from NOK 92 million in 2006 to NOK 34 million.

Prospects

The booking figures reveal solid progress in all areas of the Hurtigruten and explorer cruise/other travel business areas. The number of round trips on Hurtigruten for 2007 are seven per cent higher than the corresponding figure for last year. Growth is strongest in United Kingdom, Germany, the USA and Sweden. The most important market, Germany, has also staged a strong revival after a weak start to the year. Sales of cruises around Greenland, the group's new area of commitment, are going well. The sales target of 2 800 passengers for the opening season has been more than met, with a total of 2 919 passengers. Bookings for next year are already well under way, with 523 registered for the 2008 season.

Antarctic cruises are also showing progress, with a 19 per cent increase in bookings for the 2007-08 season. Growth is particularly strong for the 2008 spring season. Operations in Svalbard during this year's cruise season were affected by the cancellation of m/v *Polar Star*, while cruises by m/v *Nordstjernen* grew by seven per cent.

The positive booking trend confirms the effect of the measures adopted for product development, marketing and pricing.

Unfortunately, the underlying positive development for Hurtigruten and explorer cruise was offset to some extent by the operational disruptions which hit the company during the second quarter. At the same time, the negative trend for the bus business drew down results for public transport, where conventional/fast ferries compensated for the decline. These negative events will naturally also have an effect on the accounts for 2007 as a whole. This creates uncertainty about the group's goal of a breakeven result for 2007. It will depend on a satisfactory outcome to the negotiations over the nitrogen oxide tax for reaching this goal.

In parallel with operational improvements, work has been intensified on more extensive measures to safeguard the return to shareholders and energise the further development of the company to the benefit of customers and employees.