



Explorer II AS

Interim Financial Statements

First Quarter 2021

Published 27 May 2021

Key figures¹⁾

<i>(EUR 1 000)</i>	Q1 2021	Q1 2020	Full year 2020
Operating revenue	12,397	7,230	44,833
Total revenue	12,397	7,230	44,833
EBITDA	12,501	7,118	44,297

¹⁾ The figures presented in this report are unaudited

Operational review

Explorer II AS is a ship owning company located in Oslo within the Hurtigruten Group (Hurtigruten). Its purpose is to invest in, and lease out, under bareboat charter agreements, specialised cruise vessels for the operation in other Hurtigruten Group companies. At 31 March 2021 Explorer II AS owned the two new hybrid-powered expedition ships, MS Roald Amundsen and MS Fridtjof Nansen. MS Roald Amundsen was delivered from the Kleven yard in June 2019 and started its operation in July 2019. In December 2019 the sister ship MS Fridtjof Nansen was delivered and started its operations in the first quarter of 2020. The ships are state-of-the-art expedition vessels designed to meet guests' expectations as well as strict environmental and safety standards.

MS Roald Amundsen and MS Fridtjof Nansen have an ice-reinforced hull, a total length of 140 metres and will be able to carry 530 guests. The hybrid technology engines will reduce fuel consumption substantially and permit periods of emission-free sailing. The investment in new technology has been partly funded by Enova, a Norwegian government enterprise responsible for the promotion of environmentally-friendly production and consumption of energy, and as such lives up to Hurtigruten's vision to be the leading expedition travel company by offering authentic and accessible experiences around the world to travellers who wish to explore and travel in a sustainable way. Both vessels are operated by Hurtigruten Cruise AS, a sister company within the Hurtigruten Group.

Financial review

Profit and loss

Bareboat revenue in the first quarter of 2021 amounted to EUR 12.4 million compared to EUR 7.2 million for the same period last year. Revenues in the first quarter of 2021 includes bareboat charter for both MS Roald Amundsen and MS Fritjof Nansen, while the comparative figures include bareboat charter for MS Fritjof Nansen from 24 February 2020 when the ship started its operation. At the same date, the charter contract for MS Roald Amundsen was renegotiated to reflect a reduced lease period with increased lease fee.

Net financial expenses in the first quarter of 2021 were EUR 2.9 million compared to EUR 12.0 million for the first quarter of 2020. 2020 included full amortization of the fees paid for the Export Credit Agency ("ECA") facility established in 2019, which was refinanced with the bond in 2020.

Net profit in the first quarter of 2021 was EUR 7.4 million, compared to a net loss of EUR 7.8 million in the same period last year.

Financial position and liquidity

Balance sheet

Non-current assets consist of the ships MS Fridtjof Nansen and MS Roald Amundsen. Carrying value at 31 March 2021 was EUR 372.3 million (EUR 374.5 million at 31 December 2020). Given the current situation in the cruise industry, with COVID-19 pandemic effects, the Company performed an impairment review at year-end. Due to the financial solidity and liquidity position of the lessee, the underlying value of the vessels and the general interest in cruise travel post the COVID-19 pandemic the assessment concluded that there was no impairment needed on the ships carrying value.

In the second quarter of 2019, the company drew on the ECA credit facility entered into in 2017 for financing the purchase of the two vessels, in the amount of EUR 260 million. At year-end 2019, the facility was fully drawn. In February 2020 the company replaced its existing ECA credit facility of EUR 260 million with a bond of EUR 300 million. The bond has a 5-year tenor with semi-annual interest payments of 3.375% p.a. and was listed at Oslo Stock Exchange on 10 July 2020.

In March 2020, the company converted a total of EUR 105.0 million of debt to the parent company Hurtigruten AS to equity.

The equity ratio was 27.8% at 31 March 2021, compared to 26.8% at 31 December 2020.

Cash flow

Net cash flow from operating activities in the first quarter of 2021 was an outflow of EUR 0.36 million (inflow of EUR 0.97 million in the same quarter last year). The change is mainly due to increase in receivables from Group companies.

Net cash flow from investment activities was an inflow of EUR 0.1 million in the first quarter of 2021 compared to an outflow of EUR 16.5 million in the first quarter of 2020. The payments in 2020 were related to the remaining payments for MS Fridtjof Nansen.

Net cash flow from financing activities for the first quarter of 2021 was an inflow of EUR 0.3 million compared to an inflow of EUR 18.0 million in the first quarter of 2020. In 2020, proceeds from the EUR 300 million bond issue, was partly offset by repayments of the ECA facility and Group borrowings.

Cash and cash equivalents in the cash flow statement was EUR 2.6 million at 31 March 2021. At year-end 2020, cash and cash equivalents in the statement of financial position was EUR 2.6 mil

Outlook

The increased pace of the vaccines roll-out and the expected lifting of travel restrictions are creating a very positive trend in booking momentum for 2H 2021, 2022 and 2023. Over the last 30 days the inflow of bookings for 2H 2021 has increased compared to the 30-day period prior.

As of 25 May 2021, bookings for 2022 are 45% higher compared to the same time two years ago for 2020 bookings which will support a strong rebound in financial performance for Hurtigruten Group.

The strong booking development for 2022 is driven by both yield and volume in Hurtigruten Expeditions and Hurtigruten Norway. The increased capacity transferred from Hurtigruten Norway to Hurtigruten Expeditions is very well received in the German, UK and US markets.

2023 has also had a very strong start to the pre-sale period. This shows that there is a strong underlying

demand for travelling from all source markets and towards all destinations.

With the current roll out of effective vaccines across our source markets and destinations, the Board of Directors expectations are that travel restrictions will be lifted in Q3 2021. This is also supported by expected introduction of vaccination passports in EU and EEA from 1 July 2021 to enable cross border travel.

The MS Roald Amundsen and MS Fridtjof Nansen is state of the art expedition vessels and has received great customer feedback on the last cruises which underlines the quality of the company's ships.

Hurtigruten Group is closely monitoring the liquidity situation as we move forward and believes that the liquidity resources currently available and the plans that have been put in place are sufficient to ensure the funding of the Hurtigruten Group. The ultimate shareholders of the Company have confirmed that they remain supportive of the Company and have indicated that they would be willing to consider providing additional liquidity if necessary.

Risks and uncertainties

The risks described below are not the only risks the Group faces.

Additional risks and uncertainties not currently known to the Group or that Group currently deems to be immaterial may also materially adversely affect the business, financial condition or results of operations. The global Covid-19 pandemic has had, and will continue to have, a material adverse impact on our business and results of operations. The global spread of Covid-19 and the unprecedented responses by governments and other authorities to control and contain the spread has caused significant disruptions, created new risks, and exacerbated existing risks to our business.

Hurtigruten have been, and will continue to be, negatively impacted by the Covid-19 pandemic, including impacts that resulted from actions taken in response to the outbreak. Examples of these include, but are not limited to, travel bans, restrictions on the movement and gathering of people, social distancing measures, shelter-in-place/stay-at-home orders, and disruptions to businesses in our supply chain. In

addition to the imposed restrictions affecting our business, the extent, duration, and magnitude of the Covid-19 pandemic's effect on the economy and consumer demand for cruising and travel is still rapidly fluctuating and difficult to predict. Hurtigruten has temporarily suspended the operations of 11 of our 16 ships, which is expected to continue to at least July 2021 with the risk of a prolonged suspension.

An increase in port taxes or fees or other adverse change of the terms of business with the authorities operating the ports in which Hurtigruten calls could increase the operating costs and adversely affect the business, financial condition, results of operations and prospects.

As the rest of the cruise and maritime industry, Hurtigruten is subject to complex laws and regulations, including environmental, health and safety laws and regulations, which could adversely affect the operations and any change in the current laws and regulations could lead to increased costs or decreased revenue.

Interim financial statements

Condensed statement of income

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	Q1 2021	Q1 2020	Full year 2020
Operating revenue		12,397	7,230	44,833
Total revenues		12,397	7,230	44,833
Depreciation		(2,136)	(2,877)	(11,763)
Operating costs		(6)	(113)	(484)
Other gains/(losses)		110	-	(53)
Operating profit/(loss)		10,365	4,241	32,534
Finance income		6	(0)	35
Finance expenses		(2,926)	(12,015)	(20,861)
Net financial items	4	(2,921)	(12,015)	(20,826)
Profit/(loss) before income tax		7,444	(7,774)	11,708
Net income		7,444	(7,774)	11,708

Condensed statement of comprehensive income

Unaudited

<i>(EUR 1 000)</i>	Q1 2021	Q1 2020	Full year 2020
Net income	7,444	(7,774)	11,708
Total comprehensive income for the period	7,444	(7,774)	11,708

Condensed statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	31.3. 2021	31.3. 2020	31.12. 2020
Ships		372,252	385,256	374,481
Total non-current assets		372,252	385,256	374,481
Intragroup trade receivables	5	70,839	18,987	58,321
Other current receivables	5	167	16	15
Cash and cash equivalents	5	2,550	2,548	2,554
Total current assets		73,556	21,550	60,891
Total assets		445,808	406,806	435,372
Paid -in capital		105,003	105,003	105,003
Retained earnings		19,051	(7,876)	11,606
Total equity		124,054	97,127	116,609
Interest-bearing liabilities	3,5	295,893	294,621	295,625
Interest-bearing liabilities to group companies	3,5	23,423	9,491	18,095
Total non-current liabilities		319,315	304,112	313,720
Accounts payables	5	-	1,073	-
Income tax payable		4	3	7
Intragroup trade payables	5	1,402	880	1,372
Other current liabilities		1,033	3,612	3,664
Total current liabilities		2,439	5,567	5,043
Total equity and liabilities		445,808	406,806	435,372

Condensed statement of changes in equity

Unaudited

<i>(EUR 1 000)</i>	01.01-31.03.2021			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
Equity at beginning of the period	3	105,000	11,606	116,609
Net income	-	-	7,444	7,444
Equity at the close of the period	3	105,000	19,051	124,054

<i>(EUR 1 000)</i>	01.01-31.03.2020			
	Attributable to shareholders of Explorer II AS			
	Share capital	premium	earnings	Total
Equity at beginning of the period	3	-	(102)	(99)
Net income	-	-	(7,774)	(7,774)
Transaction with owners:				-
Conversion of debt to equity	-	105,000	-	105,000
Equity at the close of the period	3	105,000	(7,876)	97,127

<i>(EUR 1 000)</i>	01.01-31.12.2020			
	Attributable to shareholders of Explorer II AS			
	Share capital	premium	earnings	Total
Equity at beginning of the period	3	-	(102)	(99)
Net income	-	-	11,708	11,708
Transaction with owners:				
Conversion of debt to equity	-	105,000	-	105,000
Equity at the close of the period	3	105,000	11,606	116,609

Condensed statement of cash flows

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	Q1 2021	Q1 2020	Full year 2020
Cash flows from operating activities				
Profit/(loss) before income tax		7,444	(7,774)	11,708
<i>Adjustments for:</i>				
Depreciation, amortisation and impairment losses		2,136	2,877	11,763
Interest expenses	4	2,921	11,699	20,566
Change in working capital		(12,748)	(5,905)	(46,530)
Other adjustments		(113)	72	257
Net cash flows from (used in) operating activities		(360)	968	(2,236)
Cash flows from investing activities				
Purchase of property, plant, equipment (PPE)		93	(19,269)	(20,258)
Change in restricted cash		-	2,820	2,820
Net cash flows from (used in) investing activities		93	(16,450)	(17,438)
Cash flows from financing activities				
Proceeds from borrowings		-	300,000	300,000
Repayment of borrowings to financial institutions		-	(254,583)	(254,583)
Net change of borrowings to group companies		5,327	(20,037)	(10,822)
Paid interest and fees	4	(5,065)	(7,373)	(12,389)
Net cash flows from (used in) financing activities		263	18,007	22,206
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(4)	2,525	2,532
Cash and cash equivalents at the beginning of period		2,554	23	23
Cash and cash equivalents at end of period		2,550	2,548	2,554
Restricted cash		-	-	-
Cash and cash equivalents in the statement of financial position		2,550	2,548	2,554

Notes to the condensed financial statements

Note 1 Accounting policies

The interim financial report for Explorer II AS 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 Explorer II AS for 2020.

The annual report for 2020 for the company can be obtained through a request to the company's main office. The accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2020.

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 Financial risk management

There are potential risks and uncertainties that can affect the operations of the company. The company main source of income is from Hurtigruten Cruise AS, a sister-company within the Silk Topco Group, where currently the operations is affected by the COVID-19 pandemic. However, the funding position within Silk Topco Group is sound. The company's financing through the issued bond is at a fixed rate. Any market fluctuations will not affect the financing charge. Information concerning the most important risks and uncertainties is disclosed in the latest annual report.

Note 3 Interest-bearing liabilities

<i>(EUR 1 000)</i>	31.3. 2021	31.3. 2020	31.12. 2020
Non-current interest-bearing liabilities			
Bond	295,893	294,621	295,625
Interest-bearing liabilities to group companies	23,423	9,491	18,095
Total interest-bearing liabilities	319,315	304,112	313,720

The interest-bearing liabilities in the company is classified as financial liabilities measured at amortised cost. During the first quarter of 2020, the company issued a EUR 300 million bond to refinance the existing ECA credit facility of EUR 260 million, drawn to purchase the vessels in 2019.

Maturity Profile in nominal value

The below maturity schedule reflects the borrowings at nominal values.

<i>(EUR 1 000)</i>	31.3. 2021	31.3. 2020	31.12. 2020
Year 4 and 5	300,000	45,000	45,000
More than 5 years	23,423	264,491	273,095
Total	323,423	309,491	318,095
Unamortised trasaction cost	(4,107)	(5,379)	(4,375)
Total carrying value in balance sheet	319,315	304,112	313,720

Note 4 Net financial items

<i>(EUR 1000)</i>	Q1 2021	Q1 2020	Full year 2020
Foreign exchange gains	6	-	35
Finance income	6	-	35
Interest expense and amortized borrowing fees	(2,921)	(11,593)	(20,566)
Foreign exchange losses	(5)	(422)	(294)
Finance expenses	(2,926)	(12,015)	(20,861)
Net financial items	(2,921)	(12,015)	(20,826)

Note 5 Financial assets and liabilities at fair value

The following principles have been applied for the subsequent measurement of financial assets and liabilities:

	31.3. 2021	31.3. 2020	31.12. 2020
<i>(EUR 1000)</i>	Amortised Cost (AC)	Amortised Cost (AC)	Amortised Cost (AC)
Assets as per balance sheet			
Current intragroup receivables and other receivables	71,005	19,003	58,337
Cash and cash equivalents	2,550	2,548	2,554
Total	73,556	21,550	60,891
Liabilities as per balance sheet			
Non-current interest-bearing liabilities	295,893	294,621	295,625
Non-current interest-bearing liabilities to group companies	23,423	9,491	18,095
Current interest-bearing liabilities	-	-	-
Trade payables and other short term payables	1,402	1,952	1,372
Total	320,717	306,064	315,093

The carrying value for the financial assets and liabilities has been assessed and does not differ materially from fair value, except for the non-current interest-bearing liabilities (bond). Fair value of the bond at 31 March 2021 was EUR 261.5 million (EUR 261.5 million at 31 December 2019).

Note 6 Covid-19

From the latter part of March in 2020 and through first quarter this year, Hurtigruten Group has seen impact from the global spread of Covid-19 on the performance, as mobility restrictions and lockdown measures were implemented throughout the world. Thus, the COVID-19 pandemic has created challenging business environment for the Company, and an unprecedented uncertainty of potential negative impact on the financial performance. For the Company, these events are impairment triggers, and as such, as of the end of fourth quarter of 2020, the Group has assessed the carrying values of the Groups assets for impairment according to IAS 36. The value in use has been estimated for the ships on a cash generating unit level and has been calculated based on the present value of estimated future cash flows. The projected cash flows represent managements best estimate for future ramp-up in operations after the COVID-19 effects on the travel industry. As of year-end, the estimated value in use was equal to or higher than the carrying value of the assets, and no impairment were recognized in the financial statements.

Note 7 Events after the balance sheet date

There are no events after balance sheet date that would materially affect the financial statements of Explorer II AS.