



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 918 500 812
Organisasjonsform: Aksjeselskap
Foretaksnavn: EXPLORER II AS
Forretningsadresse: Langkaia 1
0150 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Torleif Ernsten
Dato for fastsettelse av årsregnskapet: 21.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 30.06.2022



Resultatregnskap

| Beløp i: EUR | Note | 2020 | 2019 |
|---|------|--------------------|-------------------|
| RESULTATREGNSKAP | | | |
| Inntekter | | | |
| Operating income | 11 | 44 833 000 | 7 664 000 |
| Sum inntekter | | 44 833 000 | 7 664 000 |
| Kostnader | | | |
| Depreciation and amortisation expenses | 4 | 11 763 000 | 3 002 000 |
| Other operating expenses | 10 | 536 000 | 516 000 |
| Sum kostnader | | 12 300 000 | 3 518 000 |
| Driftsresultat | | 32 533 000 | 4 146 000 |
| Finansinntekter og finanskostnader | | | |
| Annen renteinntekt | 10 | | 1 000 |
| Finance income | 10 | 35 000 | 244 000 |
| Sum finansinntekter | | 35 000 | 245 000 |
| Rentekostnad til foretak i samme konsern | 10 | 688 000 | 1 078 000 |
| Annen rentekostnad | 10 | 8 890 000 | 289 000 |
| Other financial expense | 10 | 11 283 000 | 2 075 000 |
| Sum finanskostnader | | 20 861 000 | 3 442 000 |
| Netto finans | | -20 825 000 | -3 197 000 |
| Ordinært resultat før skattekostnad | | 11 708 000 | 949 000 |
| Ordinært resultat etter skattekostnad | | 11 708 000 | 949 000 |
| Årsresultat | | 11 708 000 | 949 000 |
| Årsresultat etter minoritetsinteresser | | 11 708 000 | 949 000 |
| Totalresultat | | 11 708 000 | 949 000 |
| Overføringer og disponeringer | | | |
| Udekket tap | | 101 000 | 949 000 |
| To/from other equity | | 11 606 000 | |



Resultatregnskap

| Beløp i: EUR | Note | 2020 | 2019 |
|-----------------------------------|-------------|-------------|-------------|
| Sum overføringer og disponeringer | | 11 708 000 | 949 000 |



Balanse

| Beløp i: EUR | Note | 2020 | 2019 |
|--|-------|--------------------|--------------------|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Varige driftsmidler | | | |
| Ships | 4 | 374 481 000 | 380 687 000 |
| Sum varige driftsmidler | | 374 481 000 | 380 687 000 |
| Sum anleggsmidler | | 374 481 000 | 380 687 000 |
| Omløpsmidler | | | |
| Varer | | | |
| Fordringer | | | |
| Trade receivables | 11,13 | 119 000 | |
| Other short-term receivables | | 15 000 | 775 000 |
| Konsernfordringer | 11,13 | 58 202 000 | 8 170 000 |
| Sum fordringer | | 58 336 000 | 8 945 000 |
| Bankinnskudd, kontanter og lignende | | | |
| Cash and cash equivalents | 7,13 | 2 554 000 | 2 842 000 |
| Sum bankinnskudd, kontanter og lignende | | 2 554 000 | 2 842 000 |
| Sum omløpsmidler | | 60 890 000 | 11 788 000 |
| SUM EIENDELER | | 435 372 000 | 392 475 000 |
| BALANSE - EGENKAPITAL OG GJELD | | | |
| Egenkapital | | | |
| Innskutt egenkapital | | | |
| Share capital | 8 | 3 000 | 3 000 |
| Overkurs | | 105 000 000 | |
| Sum innskutt egenkapital | | 105 003 000 | 3 000 |



Balanse

| Beløp i: EUR | Note | 2020 | 2019 |
|---------------------------------------|-------------|--------------------|--------------------|
| Opptjent egenkapital | | | |
| Retained earnings | | 11 606 000 | |
| Udekket tap | | | 101 000 |
| Sum opptjent egenkapital | | 11 606 000 | -101 000 |
| | | | |
| Sum egenkapital | | 116 609 000 | -98 000 |
| | | | |
| Gjeld | | | |
| Langsiktig gjeld | | | |
| Annen langsiktig gjeld | | | |
| Gjeld til kredittinstitusjoner | 6,13 | 295 625 000 | 223 789 000 |
| Langsiktig konserngjeld | 11,13 | 18 095 000 | 133 917 000 |
| Sum annen langsiktig gjeld | | 313 720 000 | 357 706 000 |
| | | | |
| Sum langsiktig gjeld | | 313 720 000 | 357 706 000 |
| | | | |
| Kortsiktig gjeld | | | |
| Liabilities to financial institutions | 6,13 | | 21 667 000 |
| Leverandørgjeld | 11,13 | 33 000 | 410 000 |
| Income tax payable | 5 | 7 000 | 3 000 |
| Kortsiktig konserngjeld | 11,13 | 1 339 000 | 331 000 |
| Other currents liabilities | 6 | 3 664 000 | 12 456 000 |
| Sum kortsiktig gjeld | | 5 043 000 | 34 867 000 |
| | | | |
| Sum gjeld | | 318 763 000 | 392 573 000 |
| | | | |
| SUM EGENKAPITAL OG GJELD | | 435 372 000 | 392 475 000 |



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Business register number: NO 918 704 981 VAT





Explorer II AS

Directors' report 2020

DIRECTORS' REPORT 2020

Explorer II AS

Hurtigruten Group – The leading global expedition cruise operator

Hurtigruten Group's vision is to be the leading expedition travel Group by offering authentic and accessible experiences around the world to travelers who wish to explore and travel in a sustainable way. Hurtigruten Group will continue to be a frontrunner in adventure tourism and expedition cruising, a niche with substantial global growth potential. Hurtigruten Group's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic, sustainable and active experiences on both land and sea. The Group has three main business segments, Hurtigruten Norway – branded as Hurtigruten in Scandinavia, and Hurtigruten – Norwegian Coastal Express in other markets, Hurtigruten Expeditions branded as Hurtigruten Expeditions in all markets, and Hurtigruten Destinations with the Hurtigruten Svalbard brand. Over the last years, the brands, Hurtigruten Expeditions, Hurtigruten Norwegian Coastal Express, and Hurtigruten Svalbard have been able to fortify its position as the leading expedition cruise company focusing on sustainable expedition cruising for the global traveler.

With a fleet of 16 custom-built cruise vessels including the world's two first hybrid-powered expedition cruise ships delivered in 2019, Hurtigruten Group is the world's largest expedition cruise company.

Explorer II AS operates within the Hurtigruten Expeditions segment, and is a ship owning company located in Tromsø. 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 December 2020 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 Q1 2020 right before the Covid-19 pandemic hit. 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 are a key part of Hurtigruten Expeditions' strategy of further expansion in the expedition cruise segment. The new ships will operate in new Hurtigruten Expeditions destinations, such as the Northwest Passage, Alaska, South America, and the Caribbean, in addition to the current Antarctica and Arctic destinations. 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 Group'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. These two vessels will fortify Hurtigruten Group's position in the expedition cruise segment and are a key part of Hurtigruten Expeditions' strategy of further expansion in this segment.

Extraordinary events

Over the last 5 years Hurtigruten Group has had a steady improvement in financial performance and this continued into the financial year 2020 with achieving all time high financial results for Hurtigruten Group in the twelve months ending February 2020. The period after that after has been severely influenced by the Covid-19 pandemic. Introduction of travel restrictions to reduce the spread of Covid-19 effectively reduced global leisure travel to close to zero. As a result of this Hurtigruten Group reduced the operations to a bare minimum running only 2 ships in Hurtigruten Norway on a reduced itinerary serving ports in Northern Norway with freight and local



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transport. In July, sailings on MS Amundsen and MS Nansen resumed, but with the increasing level of infections in August and September 2020 operations were reduced back to two ships operating in Hurtigruten Norway along the Coast until year end 2020.

On the 31st of July 2020, there was an outbreak of Covid-19 on MS Roald Amundsen. The Norwegian authorities' investigation into the Covid-19 outbreak on MS Roald Amundsen is still pending. It is management's assessment that any conclusion on the investigation will not have any material financial effect for the company.

On 14th of December 2020, Hurtigruten's global IT infrastructure was attacked by ransomware virus, resulting in several IT systems being unavailable for several days. No legal proceeding has been initiated against Hurtigruten Group.

Market development

From March 2020 the pandemic restricted travel significantly across the globe with the Hurtigruten Group reducing operations by warm stacking most of its fleet which has continued through 2020 and into first half year of 2021. Before the pandemic, adventure tourism was one of – if not the – fastest-growing global tourist trend, and a market in which there is great potential for the unique Hurtigruten Group products. The adventure travel segment does not appear to be age, gender or geography specific. People of all kinds, all over the world, want to explore while travelling.

The growth in the market before the pandemic, is expected to continue with the development and roll out of vaccines in the first half of 2021. Hurtigruten Group is of the opinion that this trend will be even stronger post the pandemic as the attractiveness of the remote and off the beaten track destinations will increase. Hurtigruten Group also expects that there is a significant amount of pent up demand for travelling as a result of the pandemic. There is currently a very strong booking development for 2022 compared to earlier periods before the pandemic which shows that the customer is ready to travel as soon as travel restrictions are lifted, and vaccines have been distributed.

Hurtigruten Group will continue its efforts to make real, active and nature-based travel products more easily accessible and on sale earlier, through new channels, to new markets and customer segments. Clearly differentiating Hurtigruten Group's unique and authentic product in the global cruise and tourism market will be essential. Hurtigruten Group are already experiencing results from these efforts through strong growth in brand recognition and future bookings in UK, US and Australia which are markets where Hurtigruten Group brands have historically had lower relative market penetration compared to the Nordics and Germany.

As Hurtigruten Group restart operations post the Covid-19 pandemic adverse incidents related to, and public perception about, the safety of travel, including customers or crew illness, such as incidents of Covid-19 or other contagious diseases, may adversely affect travel patterns in the short term and demand for the Group's services. Such outbreaks of disease could, among other things, disrupt the Hurtigruten Group's ability to embark and disembark customers and crew from its ships or conduct land-based services, disrupt air travel to and from ports, increase costs for prevention and treatment and adversely affect the Hurtigruten Group's supply chain. This could also adversely impact the Hurtigruten Group's reputation and demand for its offerings in areas unaffected by such an outbreak. Any of the foregoing could have a material adverse effect on the Hurtigruten Group's business, results of operations and financial condition.

Financial performance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The company has liquidity position of EUR 2.6 million as of 31 December 2020.



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Statement of profit and loss

Total operating revenues for Explorer II AS was EUR 44.8 million in 2020 (2019: EUR 7.7 million), related to bareboat charter of MS Roald Amundsen AS. The company has limited business activity except for the fixed bareboat lease agreement with the sister company Hurtigruten Cruise AS. As such, the Covid-19 pandemic didn't directly impact the company, as both the vessels owned by the company are operated by Hurtigruten Cruise AS.

Net financial expenses amounted to EUR 20.8 million (2019: EUR 3.4 million) mainly due to interest expenses of EUR 9.6 million and finance fees of EUR 11.0 million, where the remaining finance fees in the balance sheet relating to the original Export Credit Agency facility were recognised in the income statement when refinanced with the EUR 300 million bond loan.

During 2020, the company did not have any research and development activities, and thus no cost related to this.

The profit for the year was EUR 11.7 million, which is proposed transferred to other equity.

Cash flow

Net cash outflow from operating activities amounted to EUR 2.2 million (2019: inflow of EUR 6.6 million).

Net cash flow used in investment activities was EUR 17.4 million (2019: EUR 310.3 million), where the 2019 figures included the purchase of MS Roald Amundsen and Fridtjof Nansen, and the outflow in 2020 remaining deliveries of the vessels.

Net cash inflow from financing activities was EUR 22.2 million and is related to the new bond financing of the vessels, as well as the repayment of the loan facility.

Financial position

The carrying value of the two ships was EUR 374.5 million at 31 December 2020 (2019: EUR 380.7 million). The company's equity at 31 December 2020 was EUR 116.6 million (2019: negative EUR 0.1 million). During Q1 2020 Explorer II AS increased its equity with a conversion of debt with an amount of EUR 105 million. The Bareboat lease agreements for MS Roald Amundsen and MS Fridtjof Nansen are for a period of 5 years, and the profitability in the lease agreements are deemed satisfactory to ensure a sound financial position going forward.

Share capital and shareholders

As of 31 December 2020, Explorer II AS had one shareholder and a total paid in equity of EUR 105.003 million spread over 300 shares with a nominal value of NOK 101 (EUR 3) each and a share premium of EUR 105.0.

Going concern

In the opinion of the Board of Directors, the financial statements provide a true and fair view of the financial performance during 2020, and financial position at 31 December 2020. The Board confirms that the financial statements have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

Key risk and uncertainty factors

Overall view on objectives and strategy

The company is exposed to financial risks in different areas. The goal is to reduce the financial risks as much as possible. The company's current strategy does not include the use of financial instruments. This is however, continuously being assessed by the Board of Directors. In 2020 the exchange risk was very limited by ensuring that the company's debt was in EUR which is the functional currency of the company.



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Construction risk

The company's inability to deploy new ships and carry out ship repairs, maintenance and refurbishments on terms and within timeframes that are favourable or consistent with the company's expectations could result in revenue losses and unforeseen costs.

Currency risk

Explorer II AS has limited concentration of currency risk as the external financing is nominated in EUR, and the company has EUR as its functional currency. The company also has some financing from the parent company.

In February 2020 the EUR 260 million Export Credit Agency facility put in place to finance the Group's two new expedition vessels, MS Roald Amundsen and MS Fridtjof Nansen was refinanced with a EUR 300 million 5-year senior secured bond with a coupon of 3,375%. The bond is secured against the two vessels MS Roald Amundsen and MS Fridtjof Nansen. The bond was listed on Oslo Stock Exchange on 10th July 2020.

Price risk

The company has limited business activities except for a fixed bareboat lease agreement with Hurtigruten Cruise AS, hence no significant price risk.

Interest-rate risk

Loans subject to a variable interest rate present a risk to the company's overall cash flow, while fixed interest rates expose the company to fair-value interest rate risk. The company has no hedging strategy to reduce variable interest rate risk.

Credit risk and Liquidity risk

The company has some credit risk, given that their source of income comes from one party, i.e. Hurtigruten Cruise AS (group company). However, the company delivers results and has a good equity and credit rating, hence the risk for losses on receivables is assessed to be low.

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Finance function has the overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants for all the subsidiaries in the Group.

Research and development activities

The company conducts no research and development activities other than adaptation of Information and Communications Technology.

Responsible operations

Hurtigruten is the world leader in exploration travel, and the world's largest expedition cruise company- through its subsidiary Hurtigruten Cruise. This comes with a responsibility. With a mission focused on innovation, technology and sustainability – we have embedded the UN Sustainable Development Goals into all aspects of Hurtigruten's operations.

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten operation and experience. Hurtigruten Group's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, several of Hurtigruten Group's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten Group is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.



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The scope of Hurtigruten Group's business and its consumption of fossil fuels are affected by the substantial production requirements in the public procurement contract for transport services with the Ministry of Transport and Communications for the Bergen–Kirkenes coastal service. Up until March 2020 Hurtigruten Norway had, under normal operations, daily departures year-round and 11 ships in constant operation generate substantial fuel consumption and the consequent discharge of greenhouse gases such as carbon dioxide (CO₂) and nitrogen oxides (NO_x). The choice of fuel is therefore a critical element in efforts to reduce the risk of emission. Hurtigruten Group has chosen to not use Heavy Fuel Oil (HFO) on any of its ships and is advocating a ban on HFO in the entire Arctic region and along the Norwegian coast. For the coastal route, Hurtigruten Group has opted to use marine gas oil (MGO) south of 62 degrees north because of entering the IMO Emission Control Area, and low-sulphur marine special distillates (MSD 500 ppm) north of 62 degrees north. These are among the most environment-friendly grades of fuel in the business and exceed the requirements set for voyages in the most vulnerable areas served by Hurtigruten Group business units. The higher price of these environmental fuels is offset by their significant positive environmental properties compared to heavier grades of fuel.

Hurtigruten Group continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2019 and start of 2020, Hurtigruten Group was working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO₂, CO₂ and NO_x. However due to Covid-19 lockdown and lay-up of ships it was necessary to postpone this for the remainder of 2020. However, most of the fleet that has shore-power availability has used this during the lay-up after summer.

Shore power connection is an important environmental initiative, both for Hurtigruten Group and the ports of call. Hurtigruten Group is an active ambassador for shore-based power in Norwegian ports and has been a key voice in calling for a national shore-based power strategy, as part of our collaboration with the environmental organisation Bellona. We were proud to be able to start testing shore-based power in the port of Bergen. This was a major milestone in the Group's long-term goal of increasing the use of renewable energy and making the transition to electric power from traditional fuels when docked at port. As of end of 2020 Hurtigruten Group business units have 9 ships with shore power; MS Kong Harald, MS Spitsbergen, MS Otto Sverdrup (MS Finnmarken), MS Nordlys, MS Nord Norge, MS Vesterålen, MS Midnatsol, MS Maud (MS Trollfjord), MS Roald Amundsen. The rest of the fleet will follow as soon as possible.

In connection to the life below water and climate action, Hurtigruten Expeditions has developed the Hurtigruten Expeditions Science Program focusing on guest education giving meaningful insight into the areas we sail around the world. Our Science Program focuses on three different areas: investment on science centres for hands-on practical learning, guest investment in data collection for several citizen science projects and using the vessels as platforms of opportunity for partnership with science institutions to collect vital data in difficult to access areas. Furthermore, the Group's collaboration with NIVA has continued from one automatic data sampler on board MS Trollfjord to a new version on board MS Roald Amundsen with microplastic collection capabilities, collecting valuable open source data continuously.

On the 31st of July 2020, there was an outbreak of Covid-19 on MS Roald Amundsen. 42 crew members and 29 passengers were infected. All infected passengers and guests have recovered from the outbreak. Outside the MS Roald Amundsen Covid-19 outbreak maritime operations continued to perform well across the Group and there were no material incidents in 2020.

Working environment

The company had no employees in 2020, thus no requirements related to the working environment, equal opportunities and discrimination.

Corporate social responsibility (CSR)

For 127 years, Hurtigruten Group has explored some of the world's most pristine, vulnerable and awe-inspiring waters. Hurtigruten Group's guests have found themselves immersed in unique experiences with wildlife and nature and have been introduced to communities and cultures at the destinations Hurtigruten Norway and Hurtigruten Expeditions explores. For Hurtigruten Group, it is important that the guests of tomorrow can enjoy

the same meaningful travel experiences as the guests of today. Therefore, Hurtigruten Group sees it as essential to both minimise the impact of expedition cruising on the environment and maximise the positive contribution to local communities.

Sustainable and responsible behaviour and operations are vital for Hurtigruten Group. Trust and good relations with partners and stakeholders are crucial for optimum operation and profitability. By virtue of Hurtigruten Group's position in Norwegian tourism, as well as its extensive business activities and social significance, Hurtigruten Group both encourages and requires the same level of commitment from its partners and stakeholders. Hurtigruten Group aims to raise and set standards for the whole industry to follow, as the Group enter a new era of expedition cruising and adventure travel driven by sustainability.

The Group's business and operations directly and indirectly touch on many of the 17 UN Sustainable Development Goals. The Group's sustainability ambitions are directly linked to goals 9, 11, 12, 13 and 14. This is where the Group believe we can have the most positive impact, for society as a whole and for our business, both now and in the future.



In addition, we have chosen four goals that represent our very foundation, our licence to operate. These are goals 4, 5, 8 and 16. They represent the values that sit at the core of our business and are embedded in our governance systems.



As a result of the strong focus on sustainability we have implemented several measures over the recent years:

- We have the first ever hybrid-powered expedition cruise ships.
- As the first major travel company in the world to do so - have removed single-use plastic from all our ships and hotels.
- We invite our guests to explore the planet on a safer, greener and more advanced expedition fleet.
- We aim to educate guests and create ambassadors for every destination on every voyage through actively engaging guests in the culture, ecosystems and the consequences of climate change - wherever we explore.

Outlook

The company relies on the payment from group companies within Hurtigruten Group for the bareboat charter and can be affected of the result and performance of these. Before the Covid-19 pandemic broke out in 2020 Hurtigruten Group experienced a strong growth in demand through 2018 and 2019 and into 2020 and as a result is the leading expedition cruise company in the world. There has been a strong demand for the increased capacity offered by Hurtigruten Expedition. The introduction of the MS Roald Amundsen and the MS Fridtjof Nansen has been a great success.

Over the last 3 years Hurtigruten Group has experienced an increased willingness to pay for Expedition cruises and Hurtigruten Expeditions and Hurtigruten Norway have been able to increase average prices on the capacity sold. We have seen this trend continue into 2022 despite the Covid-19 pandemic. Pre-bookings for 2022 have started out materially higher compared to the same time last year and compared with same time two years ago. This is driven by a strong underlying demand for unique travel experiences. Our core demographics in our main



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markets as the EU, UK US and APAC have fared well during the pandemic in terms of economic impact. Our core customer groups are ready to travel again with the lifting of travel restrictions as vaccines are rolled out. As demand picks up, Hurtigruten Group will reap the benefits from the significant investments made in our commercial team, product-improvement initiatives, including refurbishments, and additional capacity in the Hurtigruten Expedition.

In 2020 Hurtigruten Group initiated activities to cut costs and reorganize the corporate governance in order to increase the efficiency in the Group and we are now seeing the benefits of this when we are ramping up operations into third quarter of 2021.

Customer feedback during the pandemic have be very good over the last year and Hurtigruten Group continue to bring home key international travel awards strengthening Hurtigruten Group's brand position and awareness across all key travel markets. The improvement in Hurtigruten Group's brand position and awareness with increased ability to attract new customers has driven a significant increase in 2022 bookings in the UK and US market compared pre-pandemic levels. This supports a v-shaped recovery as the vaccines are rolled out and travel restrictions are lifted.

Oslo, 21 April 2021
Board of Directors of Explorer II AS

Daniel Andreas Skjeldam

CEO

Torleif Ernsten

Chairman

Kenneth Andersen

Board member



Explorer II AS

Financial
Statements

2020



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Annual Financial Statements 2020

STATEMENT OF PROFIT AND LOSS

| <i>(in EUR 1,000)</i> | <i>Note</i> | 2020 | 2019 |
|--|-------------|----------------|-------------|
| Operating income | 11 | 44,833 | 7,664 |
| Depreciation | 4 | -11,763 | -3,002 |
| Operating costs | | -536 | -516 |
| Operating profit/(loss) | | 32,533 | 4,146 |
| Finance income | 10 | 35 | 245 |
| Finance expenses | 10 | -20,861 | -3,442 |
| Finance expenses - net | | -20,825 | -3,197 |
| Profit/(loss) before income tax | | 11,708 | 949 |
| Income tax expense | 5 | 0 | 0 |
| Profit/(loss) for the year | | 11,708 | 949 |

STATEMENT OF COMPREHENSIVE INCOME

| <i>(in EUR 1,000)</i> | <i>Note</i> | 2020 | 2019 |
|---|-------------|---------------|-------------|
| Profit/(loss) for the year | | 11,708 | 949 |
| Other comprehensive income: | | - | - |
| Total comprehensive income for the year | | 11,708 | 949 |
| Total comprehensive income for the year attributable to Owners of the parent | | 11,708 | 949 |
| Total comprehensive income for the year | | 11,708 | 949 |



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STATEMENT OF FINANCIAL POSITION

| <i>(in EUR 1,000)</i> | <i>Note</i> | 2020 | 2019 |
|---------------------------------------|-------------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Ships | 4 | 374,481 | 380,687 |
| Total non-current assets | | 374,481 | 380,687 |
| CURRENT ASSETS | | | |
| Receivables on group companies | 11, 13 | 58,321 | 8,170 |
| Other short-term receivables | | 15 | 775 |
| Cash and cash equivalents | 7, 13 | 2,554 | 2,842 |
| Total current assets | | 60,891 | 11,787 |
| Total assets | | 435,372 | 392,475 |
| EQUITY | | | |
| Share capital | 8 | 3 | 3 |
| Share premium | | 105,000 | 0 |
| Retained earnings | | 11,606 | -101 |
| Total equity | | 116,609 | -98 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Liabilities to financial institutions | 6, 13 | 295,625 | 223,789 |
| Liabilities to group companies | 11, 13 | 18,095 | 133,917 |
| Total non-current liabilities | | 313,720 | 357,706 |
| Current liabilities | | | |
| Liabilities to financial institutions | 6, 13 | 0 | 21,667 |
| Accounts payable | 11, 13 | 0 | 410 |
| Income tax payable | 5 | 7 | 3 |
| Liabilities to group companies | 11, 13 | 1,372 | 331 |
| Other current liabilities | 6 | 3,664 | 12,456 |
| Total current liabilities | | 5,043 | 34,867 |
| Total equity and liabilities | | 435,372 | 392,475 |


Daniel Skjeldam
CEO

Oslo, 21 April 2021


Kenneth Andersen
Board Member


Torleif Ernstsen
Chairman



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STATEMENT OF CHANGES IN EQUITY

| <i>(in EUR 1,000)</i> | <i>Note</i> | Share capital including treasury shares | Share premium | Retained earnings | Total Equity |
|------------------------------------|-------------|--|---------------|----------------------|----------------|
| Balance at 1 January 2019 | | 3 | | (1,050) | (1,047) |
| Profit/(loss) for the year | | | | 949 | 949 |
| Total comprehensive income | | - | | 949 | 949 |
| Balance at 31 December 2019 | | 3 | | (101) | (98) |
| Balance at 1 January 2020 | | 3 | | (101) | (98) |
| Profit/(loss) for the year | | | | 11,708 | 11,708 |
| Total comprehensive income | | | | 11,708 | 11,708 |
| Transactions with owners: | | | | | |
| Conversion of debt to equity | | - | 105,000 | | 105,000 |
| Balance at 31 December 2020 | | 3 | 105,000 | 11,607 | 116,610 |



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CASH FLOW STATEMENT

| <i>(in EUR 1,000)</i> | <i>Note</i> | 2020 | 2019 |
|---|-------------|------------------|-------------|
| Cash flows from operating activities | | | |
| Profit/(loss) before income tax | | 11,708 | 949 |
| Adjustments for: | | | |
| Depreciation | 4 | 11,763 | 3,002 |
| Currency gains/losses | 10 | 259 | - |
| Net interest expenses | 10 | 20,566 | 3,197 |
| Change in working capital: | | | |
| Trade and other receivables | 11 | (49,382) | (529) |
| Trade and other payables | 11 | 2,852 | (12) |
| Taxes paid | 5 | (3) | - |
| Net cash flows from (used in) operating activities | | (2,236) | 6,607 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment (PPE) | 4 | (20,258) | (307,436) |
| Net change in restricted cash | 7 | 2,820 | (2,819) |
| Net cash flows from (used in) investing activities | | (17,438) | (310,255) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 6 | 300,000 | 311,103 |
| Repayment of borrowings | 6 | (254,583) | (5,417) |
| Paid interest and fees | 10 | (12,389) | (2,022) |
| Net borrowings from other group companies | 11 | (10,822) | - |
| Net cash flows from (used in) financing activities | | 22,206 | 303,664 |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | | 2,532 | 16 |
| Cash and cash equivalents at 1 January | | 22 | 6 |
| Cash and cash equivalents at 31 December | | 2,554 | 22 |
| Restricted cash | 7 | - | 2,820 |
| Cash and cash equivalents in statement of financial position | | 2,554 | 2,842 |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Explorer II AS is 100% owned by Hurtigruten AS. The ultimate parent company is Silk Topco AS, headquartered at Langkaia 1 in Oslo. The consolidated financial statements can be downloaded from the following website: www.hurtigruten.no

The purpose of Explorer II AS is owning two expedition vessels MS Roald Amundsen and MS Fridtjof Nansen for the purpose of bareboat charter lease to Hurtigruten Cruise AS. Both vessels were delivered in 2019.

The financial statements of Explorer II AS for the year ended 31 December 2020 were authorized for issue by the Board of Directors on April 21 2021.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of the financial statements are described below. Unless otherwise stated in the description, these policies have been consistently applied to all periods presented.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

A) TRANSLATION OF FOREIGN CURRENCIES

(I) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are measured in the currency used in the economic area in which the entity primarily operates (the functional currency), which for Explorer II AS is Euro (EUR), as the revenues and financing of the company is denoted in EUR.

(II) TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the transaction rate. Realised and unrealised foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement. Foreign exchange gains and losses on loans, cash and cash equivalents are presented (net) in the income statement as finance income or expenses.

B) REVENUE RECOGNITION

The Company's revenues consist of intra group revenues from bareboat leasing agreements with Hurtigruten Cruise AS, and revenues from the agreement is recognised on a straight-line basis over the lease term and classified as operating revenues in the Income Statement.

C) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the owned cruise vessels. Property, plant and equipment are recognised at acquisition cost less depreciation and any impairments. Acquisition cost includes all costs directly associated with the acquisition of the asset.



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Expected useful life is determined on the basis of historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated on the basis of estimated sales values for operating assets at the end of their expected useful life.

Expected useful life is:

Ships 20–40 years

The useful life and residual value are assessed on every balance sheet date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognised as their various components. These components are depreciated separately over each component's useful life.

According to IAS 36, at the end of each reporting period, the Company assess whether there is any indication that the assets may be impaired. In the event of such an indication, the asset's recoverable amount is estimated, and if the carrying value of an operating asset is higher than the estimated recoverable amount, the carrying value is written down to the recoverable amount.

Gains and losses on disposals are recognised in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the book value.

The cost of ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items.

D) FINANCIAL ASSETS - CLASSIFICATION AND MEASUREMENT

Explorer II AS classifies financial assets in the following category, based on the management's object of acquiring the asset, and the characteristics of the asset:

Financial assets measured at amortised cost

Primarily receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Receivables are carried in successive periods at amortised cost, using the effective interest method. Receivables with maturities less than 12 months are classified as current assets. Instruments with more than 12 months maturity are classified as non-current assets.

E) TRADE RECEIVABLES

Trade receivables are measured at amortised cost, which normally is equal to the original invoice amount, as the interest element using the effective interest method normally is insignificant.

F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and bank deposits.

Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation. Restricted cash is included in the balance sheet presentation but not in the cash flow presentation. The difference is reconciled below the cash flow statement.

G) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.



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Trade payables are valued at fair value on first-time recognition in the balance sheet. Subsequently, trade payables are measured at amortised cost using the effective interest method. The interest element is disregarded if it is immaterial.

H) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognised at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the expected period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

I) BORROWING COSTS

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the statement of financial position until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis. In the cash flow statement, interest paid is classified as part of the financing activities.

J) CURRENT AND DEFERRED INCOME TAXES

The Company is subject to taxation under the Norwegian tonnage tax regime pursuant to chapter 8 of the Taxation Act. Under the tonnage tax regime, profit from qualifying operations are exempt from taxes. Financial results are not exempt from taxation. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Financial losses can be carried forward against positive financial income in later years. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is classified as an operating expense.

Taxation under the Tax tonnage regime requires compliance with strict requirements. Voluntary or compulsory exit from the regime will result in ordinary taxation of the operating results.



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K) PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that the Company will have to make a payment or forfeit an asset in order to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses; however, if a contract is deemed unprofitable a provisions for the potential loss is recognised.

L) LEASE AGREEMENTS (AS LESSOR)

The vessels owned by the Explorer II AS are chartered out on long term contracts. The agreement is classified as an operating lease, as a significant portion of the risks and rewards of ownership are retained by the company. Lease assets held pursuant to an operating lease are included in the statement of financial position based on the nature of the asset.

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are reviewed on an ongoing basis and are based on experience, consultation with experts, trend analyses and several other factors, including forecast future events that are deemed probable under current circumstances.

3.1 KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The management makes estimates and assumptions about the future. Thus, by their very nature, the accounting estimates that are made because of the above processes will rarely fully correspond with the outcome.

Estimates and assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

SHIPS

Useful economic lifetime

The level of depreciation depends on the estimated economic lifetime of the ships. These estimates are based on history and experience relating to the Company's vessel, as well as the vessel of the Group. The estimates are reviewed at regular intervals. A change in the estimate will affect depreciation in future periods.

Estimated impairment of ships

Where there are indications of such, the Group tests whether ships have suffered any impairment. The book value of the ships is included in the annual impairment test of goodwill and trademark at Group level. This impairment test requires management assumptions and estimates. The estimated recoverable amount is determined using the present value of budgeted cash flows for the cash-generating units. These calculations require the use of estimates for the required rate of return for the period, cash flows and the growth factor of the cash flows.

The Group does not apply a general growth factor beyond expected inflation for cash flows when testing for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilises an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.



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NOTE 4 PROPERTY, PLANT AND EQUIPMENT

| <i>(in EUR 1,000)</i> | Ships | Ships under construction | Total |
|--|-----------------|--------------------------|-----------------|
| Acquisition cost | | | |
| As at 1 January 2019 | - | 64,232 | 64,232 |
| Additions | - | 319,456 | 319,456 |
| Transfer and reclassification | 383,688 | (383,688) | |
| As at 31 December 2019 | 383,688 | - | 383,688 |
| As at 1 January 2020 | 383,688 | - | 383,688 |
| Additions | 5,559 | | 5,559 |
| As at 31 December 2020 | 389,247 | 0 | 389,247 |
| Accumulated depreciation and impairment | | | |
| As at 1 January 2019 | - | - | - |
| Depreciation | (3,002) | - | (3,002) |
| As at 31 December 2019 | (3,002) | - | (3,002) |
| As at 1 January 2020 | (3,002) | - | (3,002) |
| Depreciation | (11,763) | - | (11,763) |
| As at 31 December 2020 | (14,765) | - | (14,765) |
| Book value 31 December 2019 | 380,686 | - | 380,686 |
| Book value 31 December 2020 | 374,482 | - | 374,481 |

Interest expenses that are directly attributable to acquisition of ships are capitalized as part of the cost of the asset as ships under construction. The amount in 2019 was MEUR 2,361. The ships were completed and delivered in 2019, and no interest has been capitalized in 2020.

From the latter part of March and through third quarter, 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 Group, 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 year-end 2020, management has assessed the carrying values of the entire 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.

In calculating the estimated future cash flows, the Group does not apply a general growth factor beyond expected inflation. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilises an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

Sensitivities

The Hurtigruten Group has carried out sensitivity analysis by considering changes in the occupancy rate which affects the revenue and operating profit and the discount rates. These are considered the most important assumptions for the long-term expectations for the cash generating units. The management's present plans and forecasts as well as the market's expectations have also been taken into consideration.

The long long-term assumptions are assessed on an ongoing basis and the assumptions applied in future impairments test may vary from those applied in 2020. The Group has a continuously review process, which



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includes sensitivity analysis and analysis of actual results achieved compared to long-term assumptions, to assess whether the long-term base case assumptions continue to correctly reflect expectations. In a scenario with a prolonged Covid-19 pandemic and associated travel restrictions which lasts through at least 2021 there is still sufficient headroom to the carrying value of the companies' assets not to lead to an impairment situation.

As of 31 December 2020, the estimated value in use for the assets in the company is equal to or higher than the carrying value of the assets, and no impairment has been recognized in the financial statements as per 31 December 2020.

Lease agreements

Explorer II AS has entered a bareboat lease agreement with Hurtigruten Cruise AS for the lease of the vessels MS Fritjof Nansen and MS Roald Amundsen, with fixed payments for the next five years. The table below summarize the future nominal contractual lease payments:

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|-----------------------|--------|---------|
| Within 1 year | 50,000 | 37,266 |
| Between 1 and 2 years | 50,000 | 39,800 |
| Between 2 and 3 years | 50,000 | 39,800 |
| Between 3 and 5 years | 57,123 | 79,600 |
| Later than 5 years | - | 105,871 |

The bareboat lease agreement for MS Roald Amundsen was renegotiated in 2020, where duration was changed from 12 years to 5 years with increase in minimum annual lease payments.

NOTE 5 INCOME TAX

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|--------------------------------------|------|------|
| Income tax payable, current year | - | - |
| Change in deferred tax, current year | - | - |
| Total income tax expense | - | - |

| | | |
|---|----------|----------|
| Tonnage tax payable related to the shipping company tax schemes | 6 | 3 |
| Total Tonnage tax | 6 | 3 |

Tonnage tax is calculated based on the ship's tonnage and not income and is therefore classified as an operating expense.

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|---|---------------|------------|
| Profit/(loss) before tax from operations | 11,708 | 949 |
| Tax rate | 22 % | 22 % |
| Expected income taxes at statutory tax rate in Norway | 2,576 | 209 |
| Effect from change in valuation allowance, tax losses | 1,754 | 168 |
| Currency translation in tax return | 3,118 | 143 |
| Shipping company tax schemes - NO Tax Act only (+/-) | -7,448 | -520 |
| Income tax expense | 0 | 0 |

All of the borrowings in the Company is nominated in EUR, giving no revaluation effect in the financial profit and loss statement. However, the tax papers are filed in NOK, which gives high revaluation effects in the P&L in NOK for the borrowings. This in return creates a material difference in profit/(loss) before taxes in EUR vs NOK.



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NOTE 6 BORROWINGS

NOMINAL VALUE OF BORROWINGS

31 December 2020

| <i>(in EUR 1,000)</i> | Nominal value | Una mortized transaction costs | Book value | Fair value |
|---------------------------------------|----------------|-----------------------------------|----------------|----------------|
| Liabilities to financial institutions | 300,000 | -4,375 | 295,625 | 261,450 |
| Liabilities to group companies | 18,095 | - | 18,095 | 18,095 |
| Total | 318,095 | (4,375) | 313,720 | 279,545 |

31 December 2019

| <i>(in EUR 1,000)</i> | Nominal value | Una mortized transaction costs | Book value | Fair value |
|---------------------------------------|----------------|-----------------------------------|----------------|----------------|
| Liabilities to financial institutions | 254,583 | -9,128 | 245,456 | 254,583 |
| Liabilities to group companies | 133,917 | - | 133,917 | 133,917 |
| Total | 388,501 | (9,128) | 379,373 | 388,500 |

In February 2020 the EUR 255 million Export Credit Agency facility put in place to finance the Company's two new expedition vessels, MS Roald Amundsen and MS Fridtjof Nansen was refinanced with a EUR 300 million 5-year senior secured bond with a coupon of 3,375%. The bond is secured against the two vessels MS Roald Amundsen and MS Fridtjof Nansen. The bond was listed on Oslo Stock Exchange on 10th July 2020.

MOVEMENT IN BORROWINGS

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|--|----------------|----------------|
| Total borrowings 1 January | 379,373 | 72,356 |
| Cash flows | | |
| New financing | 300,000 | 311,103 |
| Repayments | (265,405) | (5,417) |
| Finance fees paid | (5,425) | - |
| Non-cash flow | | |
| Conversion to equity | (105,000) | - |
| Accumulated interest | 688 | 1,078 |
| Amortisation of borrowing fee | 9,490 | 253 |
| Total borrowings 31 December | 313,720 | 379,373 |
| <i>Of which Non-Current Liabilities to group companies</i> | <i>18,095</i> | <i>133,917</i> |
| <i>Of which Non-Current liabilities</i> | <i>295,625</i> | <i>223,789</i> |
| <i>Of which first year's instalment on non-current liabilities</i> | <i>0</i> | <i>21,667</i> |

BOOK VALUE OF COLLATERIZED BORROWINGS

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|-------------------------------------|---------|---------|
| Book value of collateralized assets | 374,481 | 380,686 |



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MATURITY PROFILE OF NOMINAL BORROWINGS

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|---------------------------------|----------------|----------------|
| Less than one year | - | 21,667 |
| Between 1 and 2 years | - | 43,333 |
| Between 3 and 5 years | 45,000 | 113,750 |
| More than 5 years ¹⁾ | 273,095 | 209,751 |
| Total | 318,095 | 388,501 |

¹⁾For the intragroup non-current borrowings from Hurtigruten AS of EUR 18.1 million, no downpayment plan is specified in the loan agreement. In the maturity profile above, it is included in the line "More than 5 years".

BORROWINGS SPECIFIED BY CURRENCY

| <i>(in 1,000)</i> | 2019 | 2018 |
|-------------------|---------|---------|
| EUR | 318,095 | 388,501 |

COVENANTS

EUR 300 million bond

Hurtigruten Group AS must maintain a Minimum Free Liquidity above EUR 15 million and the issuer Explorer II AS must maintain a minimum free liquidity above 50% of the next interest and amortisation instalment.

NOTE 7 CASH AND CASH EQUIVALENTS

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|---|--------------|-----------|
| Cash and cash equivalents | 2,554 | 2,842 |
| Restricted bank deposits | - | (2,820) |
| Cash and cash equivalents in the cash flow statement | 2,554 | 22 |

The cash flow statement for 2019 has been changed to reflect that EUR 2.8 million was restricted funds at year-end 2019. The restricted funds was related to the ECA financing, which was repaid in February 2020. As of December 31 2020 there were no restricted deposits included within cash and cash equivalents.

NOTE 8 PAID-IN EQUITY

| <i>(in EUR unless otherwise indicated)</i> | Number of ordinary shares | Nominal value (NOK) | Nominal value of ordinary shares (EUR 1,000) | Share premium and other paid-in capital (EUR 1,000) | Total |
|--|---------------------------|---------------------|--|---|----------------|
| As of 1 January 2020 | 300 | 100.00 | 3 | - | 3 |
| Increase nominal value by conversion of debt 31 March 2020 | - | 1.00 | 0 | 105,000 | 105,000 |
| As of 31 December 2020 | 300 | 101.00 | 3 | 105,000 | 105,003 |

| Shareholder as of 31 December 2020 | Number of shares | Shareholding (%) |
|---|------------------|------------------|
| Hurtigruten AS | 300 | 100 |

All shares carry the same rights in the company.



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NOTE 9 REMUNERATION

AUDIT REMUNERATION

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|------------------------------|-----------|----------|
| Statutory audit | 15 | 6 |
| Other assurance services | - | - |
| Other non-assurance services | - | - |
| Tax consultant services | - | - |
| Total | 15 | 6 |

VAT is not included in the fees specified above.

Explorer II AS had no employees in 2020 and 2019. The company's executives receive their salaries and other remuneration from Hurtigruten Pluss AS.

NOTE 10 FINANCIAL INCOME AND EXPENSES

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|--|-----------------|----------------|
| Interest income on current bank deposits | - | 1 |
| Foreign exchange gains | 35 | 244 |
| Finance income | 35 | 245 |
| Interest expenses borrowings | 8,890 | 289 |
| Borrowing fees | 10,988 | 1,987 |
| Interest to group companies | 688 | 1,078 |
| Foreign exchange losses | 294 | 88 |
| Finances expenses | 20,861 | 3,442 |
| Finance expenses – net | (20,825) | (3,197) |



Explorer II AS

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NOTE 11 RELATED PARTIES

TRANSACTIONS WITH GROUP COMPANIES

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|---|---------------|--------------|
| Operating revenues | | |
| Bareboat lease to Hurtigruten Cruise AS | 44,833 | 7,664 |
| Total | 44,833 | 7,664 |
| Purchase of services | | |
| Hurtigruten Sjø AS | - | 1,282 |
| Hurtigruten Pluss AS | 2 | 367 |
| Total | 2 | 1,648 |
| Interest expenses | | |
| Interest expenses to Hurtigruten AS | 688 | 3,440 |
| Total | 688 | 3,440 |

INTRAGROUP BALANCES

| <i>(in EUR 1,000)</i> | 2020 | 2019 |
|--|---------------|----------------|
| Current assets | | |
| Current receivables from Hurtigruten AS | 4,277 | 507 |
| Current receivables from Hurtigruten Cruise AS | 54,044 | 7,664 |
| Total | 58,321 | 8,170 |
| Non-Current liabilities | | |
| Non-Current liabilities due to Hurtigruten AS | 18,095 | 133,917 |
| Total | 18,095 | 133,917 |
| Current liabilities | | |
| Payables to Hurtigruten Pluss AS | 117 | 72 |
| Payables to Hurtigruten Sjø AS | 665 | 259 |
| Payables to Hurtigruten Group AS | 453 | - |
| Payables to Hurtigruten AS | 137 | - |
| Total | 1,372 | 331 |



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NOTE 12 FINANCIAL RISK MANAGEMENT

MARKET RISK

a) Currency risk

Explorer II AS has limited concentration of currency risk as the external financing is nominated in EURO, and the company has EURO as its functional currency. The company also has financing from the parent company in EUR, however during Q1 2020 the majority of these loans were converted in to share capital and other paid in capital to increase the company's equity and financial position as both vessels under construction have been delivered.

b) Price risk

The company has no significant price risk as it has limited business activities except for a fixed bareboat lease agreement with Hurtigruten Cruise AS.

c) Interest rate risk

The company's borrowings and deposits are made at floating interest rates. Loans subject to a variable interest rate present a risk to the company's overall cash flow, while fixed interest rates expose the company to fair-value interest rate risk. The company has no specific hedging strategy to reduce variable interest rate risk.

CREDIT AND LIQUIDITY RISK

The company has some credit risk, given that their source of income comes from one party, i.e. Hurtigruten Cruise AS (group company). The current situation with pandemic affecting the industry, has substantially reduced the Groups earnings, but the Group has secured funding to ensure sufficient liquidity for all the Groups companies.

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared so as to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

NOTE 13 FINANCIAL ASSETS AND LIABILITIES

The following principles has been used for subsequent measurement of financial assets and liabilities

| <i>(in EUR 1,000)</i> | Amortised cost | Total carrying value | Fair value |
|---|------------------|----------------------|------------------|
| Assets as per balance sheet | | | |
| Trade receivables and other receivables (note 11) | 58,337 | 58,337 | 58,337 |
| Cash and cash equivalents (note 7) | 2,554 | 2,554 | 2,554 |
| Total | 60,891 | 60,891 | 60,891 |
| Liabilities as per balance sheet | | | |
| Non-current interest bearing debt (note 6) | (313,720) | (313,720) | (279,545) |
| Trade and other liabilities (note 11) | (5,036) | (5,036) | (5,036) |
| Total | (318,756) | (318,756) | (284,581) |



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Balance at 31 December 2019

| <i>(in EUR 1,000)</i> | Amortised cost | Total carrying value | Fair value |
|---|------------------|----------------------|------------------|
| Assets as per balance sheet | | | |
| Trade receivables and other receivables (note 11) | 8,941 | 8,941 | 8,941 |
| Cash and cash equivalents (note 7) | 2,842 | 2,842 | 2,842 |
| Total | 11,783 | 11,783 | 11,783 |
| Liabilities as per balance sheet | | | |
| Liabilities to financial institutions (note 6) | (245,456) | (245,456) | (254,583) |
| Trade and other liabilities (note 11) | (134,658) | (134,658) | (134,658) |
| Total | (380,114) | (380,114) | (389,241) |

Difference between carrying value and fair value for the non-current interest-bearing debt in 2020 is related to the bond. The carrying amount for short term receivables and payables has been assessed and does not differ materially from fair value.

Classification by IFRS fair value hierarchy

- Level 1: inputs are quoted prices in active markets for identical assets of liabilities.

- Level 2: inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This is primarily relevant for our derivatives, where the price normally is set by the counterpart (bank).

- Level 3: inputs are unobservable inputs for the asset or liability.

For Explorer 2 all cash and cash equivalents are classified within level 1. There were no transfers between the levels in 2020 or 2019.

NOTE 14 EVENTS AFTER BALANCE SHEET DATE

There are no material events after balance sheet date that would have any material effect on the financial statements of the Company.



To the General Meeting of Explorer II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Explorer II AS, which comprise the statement of financial position as at 31 December 2020, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

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Oslo, 21. April 2021
PricewaterhouseCoopers AS

Stig Arild Lund
State Authorised Public Accountant
(This document is signed electronically)

(4)



Skatteetaten

| | | |
|-------------------------------|-------------------------------|--|
| Vår dato 17.04.2020 | Din/Deres dato 27.03.2020 | Saksbehandler Nazish Fatima Mohammad |
| 800 80 000 Skatteetaten.no | Din/Deres referanse | Telefon 901 51 930 |
| Org.nr 974761076 | Vår referanse 2020/5305321 | Postadresse Postboks 9200 Grønland 0134 OSLO |

Explorer II AS
Langkaia 1
0150 Oslo
V/ Karoline Ulshagen Grinde

Dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk - Explorer II AS (org.nr. 918 500 812)

Vi viser til Explorer II AS' søknad om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering selskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Fra søknaden siteres:

"Selskapets ultimate morselskap i Norge er Silk Topco AS («Topco»). Topco eies igjen med mer enn 80%, igjennom et mellomliggende holdingselskap, av det engelske private equity-selskapet TDR Capital LLP. De øvrige aksjonærene i Topco er to norske, profesjonelle investorer med en samlet eierandel på ca 16%, samt ansatte i konsernledelsen. Selskapet har følgende også en begrenset eierkrets.

Flere andre selskap i konsernet avlegger årsregnskap og årsberetning på engelsk. Dette gjelder Topco og Hurtigruten AS.

Selskapet er utsteder av en obligasjon som skal noteres på Oslo Børs. Investorene og långiverne er typisk internasjonale selskaper eller utenlandske personer. Det er krav om periodisk rapportering på engelsk. Det vil innebære betydelig merarbeid og kostnader å utarbeide regnskaper på norsk i tillegg til engelsk.

Eierne i konsernet er profesjonelle investorer som selv rapporterer på engelsk.



Selskapet driver i en internasjonal bransje. Arbeidsspråket er engelsk.

Selskapet er derfor av den oppfatning av at arbeidet og kostnadene med å avgi årsregnskap og årsberetning på to språk ikke står i samsvar med behov og nytteverdi som et norsk årsregnskap og en årsberetning har for selskapet og dets interessenter."

Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte, kunder og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I dette tilfellet er det opplyst at investorene og långiverne er typisk internasjonale selskaper eller utenlandske personer. Morselskapet har også fått dispensasjon for kravet om årsregnskap på norsk, og arbeidsspråket er engelsk i hele konsernet. Skattekontoret finner at disse forholdene samlet tilsier at dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk kan gis.

Vennligst oppgi vår referanse ved henvendelse i saken.



Med hilsen

Inger Mette Dahler
Underdirektør
Innsats, Storbedrift
Skatteetaten

Nazish Fatima Mohammad

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.