ANNUAL REPORT 2019

Explorer II AS
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HURTIGRUTEN

Directors' Report 2019

Operations and locations

Explorer II AS is a ship owning company located in Tromsø within the Silk Topco 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 December 2019 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 2020 and started its operation in July 2019. In December 2019 the sister ship, MS Fridtjof Nansen, was delivered and started its operations in Q1 2019. 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, a sister company within the Hurtigruten Group. These two vessels will fortify Hurtigruten's position in the expedition cruise segment.

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 2019 the exchange risk was very limited by ensuring that the company's debt was in EURO which is the functional currency of the company.

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 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 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.

Explorer II AS has with the delivery of MS Roald Amundsen and MS Fridtjof Nansen fully drawn the committed Export Credit Agency credit facility for the two vessels (EUR 255 million outstanding as of 31.12.19). This loan has in Q1 2020 been refinanced by issuance of a Bond loan for EUR 300 million.

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

The company's borrowings and draws of the bank accounts are made at floating 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 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 considered 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.

Financial performance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied with effect from 1 January 2019 with retrospective effect. The transition effects are explained further in the disclosures to the financial statements in note 2.1.A).

The company has liquidity position of EUR 2.5 million as of 28.04.2020, where also Hurtigruten group has a liquidity of NOK 1.3bn as of 28.04.2020

Statement of profit and loss

Total operating revenues for Explorer II AS was EUR 7.7 million in 2019, related to bareboat charter of MS Roald Amundsen AS.

Net financial expenses amounted to EUR 3.2 million due to interest expenses related to the ECA financing of the vessels and internal loan from group company for funding of the purchase of the vessels.

The profit for the year was EUR 0.95 million, which will be transferred to other equity.

During 2019, the company did not have any research and development activities, and thus no cost related to this.

Cash flow

Net cash flow from operating activities amounted to EUR 6.6 million.

Net cash flow used in investment activities was EUR 307.4 million and includes the purchase of MS Roald Amundsen and Fridtjof Nansen.

Net cash flow from financing activities was EUR 303.7 million and is related to the financing of the vessels.

Financial position

The book value of the two new ships was EUR 380.7 million at 31 December 2019. The company's equity at 31 December was negative EUR 98 thousand. During Q1 Explorer II AS increased it's 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 2019, Explorer II AS had one shareholder and a total paid in Equity of EUR 3049. Issued shares was 300 with a nominal value of EUR 10.

Going concern

In the opinion of the Board of Directors, the financial statements provide a true and fair view of the financial performance during 2019, and financial position at 31 December 2019. 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.

Health, safety and the environment

The company had no employees in 2019, thus no requirements related to the working environment, equal opportunities and discrimination.

With regards to the environment, Explorer II AS follows Hurtigruten's policy. Hurtigruten'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's operations have a direct influence on the natural environment through its vessels' fuel consumption. Hurtigruten 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.

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. Due to the Covid-19 pandemic, Hurtigruten, has initiated activities to cut costs and growth investments. Hurtigruten are of the opinion that normal operations will commence in the late Q3 and Q4 2020. The majority of the Hurtigruten passengers who is affected by cancelled sailings are rebooking their voyages to 2021 which supports the long-term operations of the company. We are therefore confident that the return on investment for Explorer II will be as expected for 2020.

Oslo, 29 April 2020
Board of Directors of Explorer II AS

Daniel Andreas Skjeldam
Director/CEO

Torleif Ernstsen
Board member

Explorer II AS

Financial Statements

2019

STATEMENT OF PROFIT AND LOSS

(in EUR 1,000)	*Note*	**2019**	2018*
Operating income	*11*	**7 664**	-
Depreciation	*4*	**-3 002**	-
Operating costs		**-516**	-51
Operating profit/(loss)		**4 145**	-51
Finance income	*10*	**245**	17
Finance expenses	*10*	**-3 442**	-35
Finance expenses - net		**-3 197**	-18
Profit/(loss) before income tax		**949**	-69
Income tax expense	*5*	**0**	-
Profit/(loss) for the year		**949**	-69

STATEMENT OF COMPREHENSIVE INCOME

(in EUR 1,000)	*Note*	**2019**	2018
Profit/(loss) for the year		**949**	(69)
Other comprehensive income:		**-**	-
Total comprehensive income for the year		**949**	(69)
Total comprehensive income for the year attributable to			
Owners of the parent		**949**	(69)
Total comprehensive income for the year		**949**	(69)

STATEMENT OF FINANCIAL POSITION

(in EUR 1,000)	*Note*	**2019**	2018*
ASSETS			
Non-current assets			
Ships	*4*	**380 687**	64 232
Total non-current assets		**380 687**	64 232
CURRENT ASSETS			
Receivables on group companies	*11, 13*	**8 170**	4
Other short-term receivables		**775**	7 719
Cash and cash equivalents	*7, 13*	**2 842**	6
Total current assets		**11 788**	7 730
Total assets		**392 475**	71 962
EQUITY			
Share capital	*8*	**3**	3
Retained earnings		**-101**	-1 050
Total equity		**-98**	-1 047
LIABILITIES			
Non-current liabilities			
Liabilities to financial institutions	*6, 13*	**223 789**	-
Liabilities to group companies	*11, 13*	**133 917**	72 356
Total non-current liabilities		**357 706**	72 356
Current liabilities			
Liabilities to financial institutions	*6, 13*	**21 667**	-
Accounts payable	*11, 13*	**410**	398
Income tax payable	*5*	**3**	-
Liabilities to group companies	*11, 13*	**331**	256
Other currents liabilities	*6*	**12 456**	-
Total current liabilities		**34 867**	654
Total equity and liabilities		**392 475**	71 962

* The comparable figures for the year ending 31 December 2019 in accordance with IFRS are the same as presented last year when following Norwegian Accounting Act and generally accepted accounting principles ("Forenklet IFRS"). Please refer to note 2.1 and section A for further information.

Oslo, 29 April 2020

Daniel Skjeldam
Chairman/CEO

Torleif Ernstsen
Board Member

STATEMENT OF CHANGES IN EQUITY

(in EUR 1,000)	*Note*	Share capital including treasury shares	Retained earnings	Total Equity
Balance at 1 January 2018		3	(982)	**(979)**
Profit/(loss) for the year		-	(69)	**(69)**
				-
Other comprehensive income		-	-	**-**
Total comprehensive income		-	(69)	**(69)**
Balance at 31 December 2018		3	(1 050)	**(1 047)**
Balance at 1 January 2019		3	(1 050)	**(1 047)**
Profit/(loss) for the year		-	949	**949**
				-
Other comprehensive income		-	-	**-**
Total comprehensive income		-	949	**949**
Balance at 31 December 2019		3	(101)	**(98)**

CASH FLOW STATEMENT

(in EUR 1,000)	**2019**	2018
Cash flows from operating activities		
Profit/(loss) before income tax	**949**	(69)
Adjustments for:		
Depreciation	**3 002**	-
Net interest expenses	**3 197**	18
Change in working capital:		
Trade and other receivables	**(529)**	(2 665)
Trade and other payables	**(12)**	277
Net cash flows from (used in) operating activities	**6 607**	(2 439)
Cash flows from investing activities		
Purchase of property, plant, equipment (PPE)	**(307 436)**	(24 625)
Net cash flows from (used in) investing activities	**(307 436)**	(24 625)
Cash flows from financing activities		
Proceeds from borrowings	**311 103**	27 068
Repayment of borrowings	**(5 417)**	-
Paid interest and fees	**(2 022)**	-
Net cash flows from (used in) financing activities	**303 664**	27 068
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**2 835**	3
Cash and cash equivalents at 1 January	**6**	3
Cash and cash equivalents at 31 December	**2 842**	6

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 December, 2019 where authorized for issue by the Board of Directors on 29 April 2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting polices 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 (IFRSs). These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied with effect from 1 January 2019 with retrospective effect. The transition effects are described in Section A below.

A) TRANSITION NOTE

As stated in section 2.1 for basis of preparation, these are the company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2019 and the comparative information presented in these financials. In preparing its opening IFRS statement of financial position, the analysis has shown that the transition did not affect the recognition and measurement in the financial statements. Nor were there any changes in accounting policies that resulted in different classifications and/or measurement compared to the financial statement as prepared in alignment with Norwegian GAAP ("Forenklet IFRS") last year.

Thus, the comparable figures are the same as presented for the financial year ending 31 December 2018, and the company has not presented a third statement of the financial statement, an additional statement of profit and loss and other comprehensive income as required by IFRS 1.21. The same is applicable for the cash flow statement as well as changes in equity and all related notes.

B) 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 EUR counts for a significant part of the cash flow and financing of the company.

(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.

C) REVENUE RECOGNITION

The company only has intra group revenues from a bareboat leasing agreement 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.

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of ships. Property, plant and equipment are recognised at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

Periodic maintenance is recognised in the balance sheet and expensed over the period until the next periodic maintenance. Ongoing maintenance for all ship types is expensed continuously during the period in which the work is performed.

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. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it 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.

E) FINANCIAL ASSETS - CLASSIFICATION AND MEASUREMENT

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

1) *Financial assets measured at amortised cost*
   Primarily loans and receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method. Loans and

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.

2) *Financial assets measured at fair value through profit or loss*
   All other financial assets should be measured at fair value through profit or loss.

F) 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 and therefore disregarded.

G) CASH AND CASH EQUIVALENTS

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

H) 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.

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.

I) 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 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.

J) 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.

K) CURRENT AND DEFERRED INCOME TAXES

Vessel owning companies are 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

L) 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. Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognised for future operating losses; however, provisions for unprofitable contracts are recognised.

M) LEASE AGREEMENTS (AS LESSOR)

As of year-end 2019 the vessels owned by the Explorer II AS were 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 Group 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.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

(in EUR 1,000)	Ships	Ships under construction	Total
Acquisition cost			
As at 1 January 2018	-	39 608	**39 608**
Additions	-	24 624	**24 624**
As at 31 December 2018	**-**	**64 232**	**64 232**
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**	**0**	**383 688**
Accumulated depreciation and impairment			
As at 1 January 2018	-	0	**0**
As at 31 December 2018	**-**	**0**	**0**
As at 1 January 2019	-	0	**0**
Depreciation	(3 002)	-	**(3 002)**
As at 31 December 2019	**(3 002)**	**0**	**(3 002)**
Book value 31 December 2018	**-**	**64 232**	**64 232**
Book value 31 December 2019	**380 687**	**0**	**380 686**
Useful economic lifetime	20 - 40 years	N/A	

Interest expenses that are directly attributable to acquisition of ships are capitalised as part of the cost of the asset. The amount in 2018 was MEUR 1,533 and MEUR 2,361 in 2019.

Lease agreements

Explorer II AS has entered a bareboat lease agreement with Hurtigruten Cruise AS with fixed payments for the next five years, as shown in the table below:

(in EUR 1,000)	2 019
Within 1 year	37 266
Between 1 and 2 years	39 800
Between 3 and 4 years	39 800
Between 4 and 5 years	39 800
Later than 5 years	145 671

NOTE 5 INCOME TAX

(in EUR 1,000)	**2019**	2018
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	3	-
Total Tonnage tax	**3**	-

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

(in EUR 1,000)	**2019**	2018
Profit/(loss) before tax from operations	**949**	-69
Tax rate	22 %	22 %
Expected income taxes at statutory tax rate in Norway	209	-617
Effect from change in valuation allowance, tax losses	168	640
Currency translation in tax return	143	-242
Shipping company tax schemes - NO Tax Act only (+/-)	-519	219
Income tax expense	**-**	**-**

NOTE 6 BORROWINGS

Nominal value at 31 December 2019

(in EUR 1,000)	Nominal value	Unamortized transaction costs	Book value
Liabilities to financial institutions	254 583	-9 128	245 456
Liabilities to group companies	133 917	-	133 917
Total	**388 501**	**(9 128)**	**379 373**

Nominal value at 31 December 2018

(in EUR 1,000)	Nominal value	Unamortized	Book value
Liabilities to group companies	72 356	-	72 356
Total	**72 356**	**-**	**72 356**

Movement in borrowings

(in EUR 1,000)	**2019**	**2018**
Total borrowings 1 January	**72 356**	**45 288**
Cash flows		
New financing	**311 103**	**27 068**
Repayments	**(5 417)**	**-**
Non-cash flow		
Accumalated interest	**1 078**	**-**
Amortisation of borrowing fee	**253**	**-**
Total borrowings 31 December	**379 373**	**72 356**
Of which Non-Current Liabilities to group companies	*133 917*	*72 356*
Of which Non-Current liabilities	*223 789*	-
Of which first year's instalment on non-current liabilities	*21 667*	-

Group

(in EUR 1,000)	**2019**	**2018**
Book value of collaterized assets	**380 686**	**64 232**

The collaterized borrowings are secured with the Company's assets.

Maturity profile of nominal borrowings

	2019	**2018**
Less than one year	**21 667**	**-**
Between 1 and 2 years	**43 333**	**-**
Between 3 and 5 years	**113 750**	**-**
More than 5 years	**209 751**	**72 356**
Total	**388 501**	**72 356**

Borrowings specified by currency

(In 1000)	**2019**	**2018**
EUR	**388 501**	72 356

Liabilities to financial institutions was repaid in 2020, see note 14 for details.

NOTE 7 CASH AND CASH EQUIVALENTS

(in EUR 1,000)	**2019**	2018
Cash and cash equivalents	**2 842**	6
Cash and cash equivalents	**2 842**	6

As of December 31 there were no restricted deposits included within cash and cash equivalents.

NOTE 8 PAID-IN EQUITY

(in EUR)	**Number of shares**	**Nominal value**	**Total**
Share capital	300	10	3 049

Shareholders	**Number of shares**	**Shareholding (%)**
Hurtigruten AS	300	100,00

All shares carry the same rights in the company.

NOTE 9 REMUNERATION

AUDIT REMUNERATION

(in EUR 1,000)	**2019**	2018
Statutory audit	**6**	1
Other assurance services	**-**	-
Other non-assurance services	**-**	-
Tax consultant services	**-**	-
Total	**6**	1

VAT is not included in the fees specified above.

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

NOTE 10 FINANCIAL INCOME AND EXPENSES

(in EUR 1,000)	**2019**	2018
Interest income on current bank deposits	**1**	0
Foreign exchange gains	**244**	17
Finance income	**245**	17
Interest expenses borrowings	**289**	0
Borrowing fees	**1 987**	-
Interest paid to group companies	**1 078**	-
Foreign exchange losses	**88**	35
Finances expenses	**3 442**	35
Finance expenses – net	**(3 197)**	(18)

NOTE 11 RELATED PARTIES

TRANSACTIONS WITH GROUP COMPANIES

(in EUR 1,000)	**2019**	2018
Operating revenues		
Bareboat lease to Hurtigruten Cruise AS	**(7 664)**	-
Total		
Purchase of services		
Hurtigruten Sjø AS	**1 282**	-
Hurtigruten Pluss AS	**367**	49
Total		
Interest expenses		
Interest expenses to Hurtigruten AS	**3440**	1 533
Total		

INTRAGROUP BALANCES

(in EUR 1,000)	**2019**	2018
Current assets		
Current receivables from Hurtigruten AS	**507**	4
Current receivables from Hurtigruten Cruise AS	**7 664**	-
Total	**8 170**	4
Non-Current liabilities		
Non-Current liabilites due to Hurtigruten AS	**(133 917)**	(72 356)
Total	**(133 917)**	(72 356)
Current liabilities		
Payables to Hurtigruten Pluss AS	**(72)**	(30)
Payables to Hurtigruten Sjø AS	**(259)**	(226)
Total	**(331)**	(256)

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 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.

Explorer II AS has with the delivery of MS Roald Amundsen and MS Fridtjof Nansen fully drawn the committed Export Credit Agency credit facility for the two vessels (EUR 255 million outstanding as of 31.12.19). This loan has in Q1 2020 been repaid by issuance of a Bond loan for EUR 300 million.

b) Price risk

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

c) Interest rate risk

The company's borrowings and draws of the bank accounts are made at floating 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 Cruice (group company). However, the company delivers results and has a good equity and credit rating.

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

Balance at 31 December 2019

(in EUR 1,000)	Amortised cost	Financial instruments at fair value through profit and loss	Total
Assets as per balance sheet			
Trade receivables and other receivables (note 11)	8 941	-	**8 941**
Cash and cash equivalents (note 7)	2 842	-	**2 842**
Liabilities as per balance sheet			
Liabilities to financial institutions (note 6)	(245 456)	-	**(245 456)**
Trade and other liabilities (note 11)	(134 658)	-	**(134 658)**
Total	**(368 330)**	**-**	**(368 330)**

Carrying value and fair value

(in EUR 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Trade receivables and other receivables (note 11)	8 941	8 941
Cash and cash equivalents (note 7)	2 842	2 842
Liabilities as per balance sheet		
Liabilities to financial institutions (note 6)	(245 456)	(254 583)
Trade and other liabilities (note 11)	(134 658)	(134 658)
Total	**(380 114)**	**(389 241)**

The carrying amount for short term receivables and payables has been assessed and does not differ materially from fair value.

Balance at 31 December 2018

(in EUR 1,000)	Amortised cost	Financial instruments at fair value through profit and loss	Total
Assets as per balance sheet			
Trade receivables and other receivables (note 11)	4	-	**4**
Cash and cash equivalents (note 7)	6	-	**6**
Liabilities as per balance sheet			
Trade and other liabilities (note 11)	(73 009)	-	**(73 009)**
Total	**(72 999)**	**-**	**(72 999)**

Carrying value and fair value

(in EUR 1,000)	Carrying value	Fair value
Assets as per balance sheet		
Trade receivables and other receivables (note 11)	4	4
Cash and cash equivalents (note 7)	6	6
Liabilities as per balance sheet		
Trade and other liabilities (note 11)	(73 009)	(73 009)
Total	**(72 999)**	**(72 999)**

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 2019 or 2018.

NOTE 14 EVENTS AFTER BALANCE SHEET DATE

Financing

In February 2020 the ECA financing of EUR 260 million was refinanced. The ECA financing is replaced with a EUR 300 million five-year bond, semi-annual interest of six-month 3,375% p.a. The bond will be repaid with instalment of EUR 15.000.000 twice a year from August 2023. Any remaining outstanding bonds will be redeemed in full on the maturity. The Bond is planned to be listed at Oslo Stock Exchange in June 2020.

In March 2020 the share capital was increased with NOK 300 from NOK 30.000 to NOK 30.300 and the share premium was also increased by NOK 1.208.549.700 with a conversation of debt outstanding from parent company of EUR 105.000.000.

COVID-19 Outbrake

Subsequent to 31 December 2019, the spread of the COVID-19 virus significantly affects the Norwegian and global demand of travel related services. As Explorer II delivers bareboat charter to Hurtigruten Group, Explorer II needs to monitor the situation together with Hurtigruten Groups management. The effect on future cashflows and financial performance of Hurtigruten Group are still dependent on the extent and duration of the outbreak. As of 27 April the Group had a solid liquidity position of NOK 1.3bn.

The management in Hurtigruten Group has done the following actions

- Warm-stacked 14 of 16 ships
- Temporary lay-offs of approximately 73% of the Group's employees
- Cancelled all non-critical projects
- Cut all non-essential and non-critical consultant and other costs

The Hurtigruten Groups management and board of Explorer II AS will continue to monitor the situation and take appropriate action as and when new information is available or more actions are needed.

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 2019, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 2019, 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.

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.

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.

pwc

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 fair presentation 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.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

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 and the going concern assumption 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.

Oslo, 29 April 2020
PricewaterhouseCoopers AS

Stig Arild Lund
State Authorised Public Accountant