

Fourth quarter report 2020 Hurtigruten Cruise AS



Hurtigruten Cruise AS Interim Financial Statements

Published 25 February 2021

Key Figures ^{1,2}

(EUR 1 000)	Q4 2020	Q4 2019	% Change	01.01-31.12 2020	01.01-31.12 2019	% Change
Operating revenue	22,901	62,255	-63.2 %	120,671	296,567	-59.3 %
Contractual revenues	19,046	17,316	10.0 %	79,162	72,696	8.9 %
Total revenue	41,947	79,570	-47.3 %	199,833	369,264	-45.9 %
EBITDA	(32,126)	(7,115)	351.5 %	(79,695)	68,532	-216.3 %
Other gains/(losses) – net	(962)	(867)	-10.8 %	(19,486)	(4,402)	-342.7 %
EBITDA excl Other gains (losses)	(31,164)	(6,248)	398.8 %	(60,209)	72,934	-182.6 %

¹ The figures presented in this report are unaudited.

² On January 1st, 2020, the Company changed its functional currency to Euro. See note 2 to the Interim Financial Statements.

About Hurtigruten Cruise AS

Hurtigruten Cruise AS, is the ship manager, operator and owner of the Hurtigruten Group cruise operations, which is the world leader expedition travel. With an operating fleet of 16 custom-built expedition cruise vessels in the Group.

About Hurtigruten Group

Hurtigruten is the world's leading expedition cruise and adventure travel company, with a fleet of 16 expedition cruise vessels, where the new tailor-made expedition cruise vessels MS Roald Amundsen was delivered in June 2019, and MS Fridtjof Nansen was delivered in December 2019. Hurtigruten opens a unique gateway to experiences all over the world from the Arctic to warmer waters and down to Antarctica and along the Norwegian coast to travelers from all over the world. Hurtigruten's operations builds on a rich heritage, having connected the many coastal communities in Norway since 1893 and has operated expedition cruises since 1896 with the first sailing from Hammerfest to Svalbard. Today, Hurtigruten combines a deeply rooted desire to offer genuine local experiences while leaving a smaller footprint when shaping the future of the growing expedition cruise market. For more information on Hurtigruten, please visit <http://www.hurtigruten.no/>

Interim financial statements

Statement of profit and loss

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	Q4 2020	Q4 2019	01.01-31.12 2020	01.01-31.12 2019
Operating revenues		22,901	62,255	120,671	296,567
Contractual revenues		19,046	17,316	79,162	72,696
Total Revenues		41,947	79,570	199,833	369,264
Payroll costs		(911)	(3,060)	(9,274)	(8,950)
Depreciation, amortisation and impairment		(11,068)	(7,944)	(36,147)	(33,036)
Operating costs		(72,201)	(82,758)	(250,769)	(287,380)
Other (losses)/gains – net		(962)	(867)	(19,486)	(4,402)
Operating profit/(loss)		(43,194)	(15,059)	(115,842)	35,496
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		(32,126)	(7,115)	(79,695)	68,532
Finance income		2,787	3,179	24,833	6,229
Finance expenses		(3,695)	(3,400)	(22,175)	(7,756)
Net financial items	3	(909)	(220)	2,658	(1,527)
Profit/(loss) before income tax		(44,102)	(15,279)	(113,184)	33,969
Income tax expense		(491)	(126)	(673)	(126)
Profit/(loss) for the period		(44,593)	(15,405)	(113,857)	33,844

Statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	31.12. 2020	31.12. 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	422,000	391,095
Intangible assets	5	307	209
Loans to Group companies		8,013	-
Other non-current assets		15	15
Total non-current assets		430,335	391,319
CURRENT ASSETS			
Inventories		6,656	8,501
Trade and other receivables		9,898	14,598
Intragroup trade and other receivables		39,080	89,853
Derivative financial instruments		-	414.00
Cash and cash equivalents		35,389	54,050
Total current assets		91,023	167,416
Total assets		521,358	558,735
EQUITY			
Paid -in capital		400,229	400,229
Other equity not recognized in the income statement		0	(2,483)
Retained earnings		(99,201)	14,657
Other equity		(99,201)	12,173
Total equity	4	301,029	412,402
LIABILITIES			
Non-current liabilities			
Intragroup non-current interest bearing liabilities		42,097	45,276
Derivative financial instruments		-	768
Total non-current liabilities		42,097	46,043
Current liabilities			
Trade and other liabilities		18,613	48,682
Intragroup trade and other liabilities		154,348	49,329
Derivative financial instruments		4,564	2,129
Other current liabilities		706	149
Total current liabilities		178,232	100,289
Total equity and liabilities		521,358	558,735

Cash flow statement

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	Q4 2020	Q4 2019	01.01-31.12 2020	01.01-31.12 2019
Cash flows from operating activities					
Profit/(loss) before income tax		(44,102)	(15,280)	(113,185)	33,969
Adjustments for:					
Depreciation, amortisation and impairment losses		11,068	7,944	36,147	33,036
Interest expenses	3	1,152	924	3,631	3,182
Unrealised currency and derivatives gains/losses		1,440	(13,245)	17,707	(10,706)
Change in working capital		(22,892)	44,190	126,230	47,806
Net cash flows from (used in) operating activities		(53,335)	24,533	70,530	107,287
Cash flows from investing activities					
Purchase of property, plant, equipment and intangibles		(10,327)	(46,252)	(67,150)	(68,981)
Other adjustments		(2,161)	9,331	(10,852)	5,419
Net cash flows from (used in) investing activities		(12,488)	(36,921)	(78,002)	(63,563)
Cash flows from financing activities					
Repayment of borrowings from group companies		(1,834)	(18,180)	(11,191)	(20,905)
Net cash flows from (used in) financing activities		(1,834)	(18,180)	(11,191)	(20,905)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(67,657)	(30,568)	(18,663)	22,816
Cash and cash equivalents at the beginning of period		103,044	84,618	54,050	31,234
Cash and cash equivalents at end of period		35,387	54,050	35,387	54,050
Restricted cash		3	-	3	-
Cash and cash equivalents in statement of financial position		35,390	54,050	35,390	54,050

Notes to the interim financial statements

Note 1 Accounting policies

The interim financial report for the company is prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective GAAP, and this report should therefore be read in connection with the annual report for Hurtigruten Cruise AS for 2019.

The annual report for 2019 for the company can be obtained through a request to the company's main office. The accounting policies applied in the interim financial reporting are described in the note of accounting policies in the annual report for 2019.

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

Note 2 Functional currency

On January 1st, 2020, the Company changed its functional currency from NOK to EUR. The change was implemented with prospective effect. The presentation currency has also been changed, with retrospective effect on 2019 and 2018. The change was made to reflect that EUR has become the predominant currency in the Company's operations, counting for a significant part of the cash flow and financing.

Note 3 Net Financial items

Unaudited

	Q4	Q4	01.01-31.12	01.01-31.12
<i>(EUR 1 000)</i>	2020	2019	2020	2019
Interest income on current bank deposits	-	-	-	-
Foreign exchange gains	2,618	3,179	24,439	6,229
Other financial income	168	-	393	-
Finance income	2,787	3,179	24,833	6,229
Interest expense	(1,290)	(1,056)	(3,940)	(3,257)
Foreign exchange losses	(2,375)	(2,332)	(18,150)	(4,432)
Other finance expenses	(30)	(11)	(85)	(67)
Finance expenses	(3,695)	(3,400)	(22,175)	(7,756)
Net Financial items	(909)	(220)	2,658	(1,527)

Note 4 Equity

Unaudited

01.01-31.12.2020

Attributable to shareholders of Hurtigruten Cruise AS

<i>(EUR 1 000)</i>	Paid -in capital	Other equity	Total Equity
Equity at beginning of the period	400,229	12,173	412,402
Profit/loss for the year	-	(113,857)	(113,857)
Cash flow hedges attributed directly to equity	-	2,483	2,483
Equity at the close of the period	400,229	(99,201)	301,028

01.01-31.12.2019

Attributable to shareholders of Hurtigruten Cruise AS

<i>(EUR 1 000)</i>	Paid -in capital	Other equity	Total Equity
Equity at beginning of the period	3	(8)	(5)
Profit/loss for the year	-	33,844	33,844
Cash flow hedges attributed directly to equity	-	(2,486)	(2,486)
Capital increase	400,778	-	400,778
Dividend	-	(18,510)	(18,510)
Translation effect ¹⁾	(552)	(666)	(1,218)
Equity at the close of the period	400,229	12,173	412,402

¹⁾ As described in Note 2, the functional currency has been changed to EUR from January 1, 2020. The presentation currency has also been changed, with retrospective effect on 2019 and 2018. Equity per January 1, 2018 and 2019 has been translated to EUR using the EUR/NOK closing rate applicable for the same date. As a result, a translation effect occurs for each component of equity. The translation effect related to the paid-in equity is shown as a separate item in the table above for 2019.

Note 5 Impairment of assets

From the latter part of March and through the remainder of the year, the company has experienced severe impact from the global spread of Covid-19 on its performance, as mobility restrictions and lockdown measures were implemented throughout the world. Thus, the COVID-19 pandemic has created challenging business environment for the Company and Hurtigruten Group, and an unprecedented uncertainty of potential negative impact on the financial performance. These events are impairment triggers, and as such, as of the end of the year, the Company assessed the carrying values of the assets for impairment. The value in use has been estimated 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. Net present value is calculated based on a

weighted discount rate for Hurtigruten Group at 12.5%. As of quarter end, the estimated value in use is equal or higher than the carrying value of the assets, and no impairment has been recognized in the financial statements as per 31 December 2020.

Note 6 Financial Risk Management

There are potential risks and uncertainties that can affect the operations of the Company. This may lead to actual results deviating from expected and historical results. Information concerning the most important risks and uncertainties is disclosed in the latest annual report.

The Company is exposed to fluctuations in the price of bunker fuel, which is used to operate the ships. In order to reduce the risk related to the fuel price the Company has implemented a fuel hedging policy that follows the booking curve: the key principle in the bunker hedging policy is based on the company's ability to obtain visibility on earnings, hence the company has established a hedging policy linked to the development in the booking curve (actual vs. budgeted PCNs booked). For example, if at any given time 75% of the volume for one season is sold, a minimum of 50% of the bunker cost associated with the PCN volume sold are hedged. Additionally, the policy allows for some flexibility if market conditions are viewed as attractive.

In 2016, Hurtigruten AS purchased fuel derivatives contracts hedging estimated bunker oil consumption for the period 2017 until March 2019. These contracts were transferred to Hurtigruten Cruise on January 1st, 2019. In July 2019, October 2019, and November 2019, the Company entered into additional derivative contracts with expiration in 2019 through 2021. At year-end 2019, a total of 142,350 MT bunker fuel volume was hedged at an average price of USD 656/MT during 2020-2021. At the end of fourth quarter 2020, a total of 26,400 MT bunker fuel volume is hedged at an average price of USD 646/MT.

Note 7 Events after the balance sheet date

There are no material events after balance sheet date that would affect the financial statements for Hurtigruten Cruise AS per year end 2020.