

First half and second quarter report 2020

Hurtigruten Cruise AS



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Interim Financial Statements

Published 27 August 2020

Key Figures ^{1,2}

<i>EUR 1 000</i>	Q2 2020	Q2 2019	% Change	01.01-30.06 2020	01.01-30.06 2019	% Change	Full year 2019
Operating revenue	1,902	78,065	-97.6 %	63,109	130,373	-51.6 %	296,567
Contractual revenues	19,098	18,465	3.4 %	40,189	37,028	8.5 %	72,696
Total revenue	21,000	96,530	-78.2 %	103,298	167,401	-38.3 %	369,264
EBITDA	(26,119)	27,563	-194.8 %	(34,902)	33,011	-205.7 %	68,532
Other gains/(losses) – net	(618)	(1,083)	-42.9 %	(10,957)	(2,603)	320.9 %	(4,402)
EBITDA excl Other gains (losses)	(25,501)	28,647	-189.0 %	(23,945)	35,614	-167.2 %	72,934

¹ The figures presented in this report are unaudited.

² On January 1st 2020, the Company changed functional currency to EUR. 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>	Q2 2020	Q2 2019	01.01-30.06 2020	01.01-30.06 2019	Full year 2019
Operating revenues		1,902	78,065	63,109	130,373	296,567
Contractual revenues		19,098	18,465	40,189	37,028	72,696
Total Revenues		21,000	96,530	103,298	167,401	369,264
Payroll costs		(2,080)	(1,541)	(5,560)	(3,175)	(8,950)
Depreciation, amortisation and impairment		(8,732)	(8,409)	(16,546)	(16,945)	(33,036)
Operating costs		(44,421)	(66,343)	(121,684)	(128,612)	(287,380)
Other (losses)/gains – net		(618)	(1,083)	(10,957)	(2,603)	(4,402)
Operating profit/(loss)		(34,851)	19,154	(51,448)	16,065	35,496
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		(26,119)	27,563	(34,902)	33,011	68,532
Finance income		433	-	444	10	6,229
Finance expenses		(1,031)	(1,195)	(1,698)	(466)	(7,756)
Net financial items	3	(598)	(1,195)	(1,253)	(455)	(1,527)
Share of profit/(loss) of associates		-	-	-	-	-
Profit/(loss) before income tax		(35,449)	17,960	(52,701)	15,610	33,970
Income tax expense		-	-	-	-	(126)
Profit/(loss) for the period		(35,449)	17,960	(52,701)	15,610	33,845

Statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	30.6. 2020	30.6. 2019	31.12. 2019
ASSETS				
Non-current assets				
Property, plant and equipment including right of use asset	6	428,395	375,374	391,095
Intangible assets	6	217	255	209
Deferred income tax assets		-	3,695	-
Loans to Group companies		2,700	-	-
Other non-current assets		15	-	15
Total non-current assets		431,327	379,323	391,319
CURRENT ASSETS				
Inventories		6,483	7,795	8,501
Trade and other receivables		13,265	7,398	14,598
Trade and other receivables Group companies		130,872	61,154	89,853
Derivative financial instruments		-	-	414
Cash and cash equivalents		3	55,374	54,050
Total current assets		150,623	131,721	167,417
Total assets		581,950	511,044	558,736
EQUITY				
Paid -in capital		400,229	407,143	400,229
Other equity		(48,436)	13,844	12,174
Total equity	4	351,793	420,987	412,403
LIABILITIES				
Non-current liabilities				
Borrowings from Group companies		43,711	46,794	45,276
Derivative financial instruments		995	2,762	768
Total non-current liabilities		44,706	49,557	46,043
Current liabilities				
Trade and other liabilities		48,536	25,392	48,682
Trade and other liabilities Group companies		127,369	12,320	49,329
Derivative financial instruments		9,394	2,788	2,129
Other current liabilities		152	-	149
Total current liabilities		185,450	40,499	100,288
Total equity and liabilities		581,950	511,044	558,735

Cash flow statement

Unaudited

<i>(in EUR 1 000)</i>	<i>Note</i>	First half year 2020	First half year 2019	Full year 2019
Cash flows from operating activities				
Profit/(loss) before income tax		(52,702)	15,610	33,315
Adjustments for:				
Depreciation, amortisation and impairment losses		16,546	16,946	33,012
Interest expenses	3	1,698	1,438	-
Unrealised currency and derivatives gains/losses		12,155	(754)	(933)
Change in working capital ²		32,424	4,808	47,308
Net cash flows from (used in) operating activities		10,121	38,048	112,702
Cash flows from investing activities				
Purchase of property, plant, equipment (PPE)		(53,854)	(12,265)	(68,981)
Other adjustments		(6,048)	2,503	-
Net cash flows from (used in) investing activities		(59,903)	(9,762)	(68,981)
Cash flows from financing activities				
Repayment of borrowings from group companies		(4,265)	(3,036)	(20,905)
Net cash flows from (used in) financing activities		(4,265)	(3,036)	(20,905)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(54,047)	25,249	22,816
Cash and cash equivalents at the beginning of period		54,050	30,122	31,234
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		(1)	-	-
Cash and cash equivalents at end of period		3	55,371	54,050
Restricted cash		(0)	3	0
Cash and cash equivalents in statement of financial position		3	55,374	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 functional currency from NOK to EUR. 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. The change is implemented with prospective effects.

Note 3 Net Financial items

Unaudited

<i>(EUR 1000)</i>	Q2 2020	Q2 2019	First half year 2020	First half year 2019
Interest income on current bank deposits	-	-	-	(0)
Foreign exchange gains	-	-	-	-
Other financial income	433	-	444	10
Finance income	433	-	444	10
Interest expense and amortized borrowing fees	(98)	(23)	(329)	25
Foreign exchange losses	(1,196)	(440)	423	973
Other finance expenses	263	(732)	(1,791)	(1,463)
Finance expenses	(1,031)	(1,195)	(1,698)	(466)
Net Financial items	(598)	(1,195)	(1,253)	(455)

Note 4 Equity

Unaudited

<i>(in EUR 1 000)</i>	01.01-30.06.2020		
	Attributable to shareholders of Hurtigruten Cruise AS		
	Paid -in capital	Other equity	Total Equity
Equity at beginning of the period	400,229	12,174	412,403
Profit/loss for the year	-	-52,701	-52,701
Cash flow hedges attributed directly to equity	-	-7,907	-7,907
Equity at the close of the period	400,229	-48,434	351,795

<i>(in EUR 1 000)</i>	01.01-30.06.2019		
	Attributable to shareholders of Hurtigruten Cruise AS		
	Paid -in capital	Other equity	Total Equity
Equity at beginning of the period	3	-	8
Profit/loss for the year	-	15,610	15,610
Cash flow hedges attributed directly to equity	-	-1,766	-1,766
Capital increase	407,140	0	407,140
Equity at the close of the period	407,143	13,844	420,992

Note 6 Impairment of assets

From the latter part of March and through second quarter, 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 first half of 2020, 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. 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 30 June 2020

Note 7 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, the Company purchased fuel derivatives contracts hedging estimated bunker oil consumption for the period 2017 until March 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 is hedged at an average price of USD 656/MT during 2019-2021.

Note 8 Events after the balance sheet date

On the 31st of July Hurtigruten had an outbreak of Covid-19 on MS Roald Amundsen. This led to the temporary suspension of the Expedition sailings, with the Coastal sailings continuing as planned. The management expect the short-term financial effect of the outbreak on Roald Amundsen to be approx. EUR 2-3 million. There have not been any material increase in cancellations or reduction in bookings as a result of the outbreak. Hurtigruten Cruise AS is currently under police investigation for the actions taken leading up to the outbreak of Covid-19 on the MS Roald Amundsen.