

First quarter report 2020



Explorer II AS Financial Statements

Published 26 May 2020

Financial review

The financial information for the three months ended 31 March 2020 discussed below is derived from the unaudited financial statements of Explorer II AS as of this date, and the unaudited financial statements for the three months ended at 31 March 2019.

Explorer II AS sole business is to own two expedition vessels MS Roald Amundsen and MS Fritjof Nansen for the purpose of bareboat charter lease to Hurtigruten Cruise AS. Both vessels were delivered in 2019. MS Roald Amundsen in July 2019, while MS Fritjof Nansen was delivered in December 2019. Both vessels were constructed by Kleven Verft AS.

Profit and loss

Bare boat revenue in first quarter 2020 amounted to EUR 7.2 million vs. EUR 7.7 million for the year 2019 in total. Revenues in 2019 consists of bareboat charter for MS Roald Amundsen for 6 months, while first quarter 2020 includes, in addition to bareboat charter for MS Roald Amundsen, bareboat charter for MS Fritjof Nansen from February 24th. At the same date, the charter contract for MS Roald Amundsen were renegotiated, reducing the lease period while increasing the rent.

Net financial items in first quarter consists of interest on debt to financial institutions, interest on group borrowings and amortization of financing fees. In the first quarter of 2020, total finance expenses of EUR 12.2 million include full amortization of the fees paid for the ECA facility established in 2019.

Financial position and liquidity

Balance sheet

In second quarter of 2019, the company entered into an Export Credit Agency credit facility for financing of

the purchase of the two vessels, in the amount of EUR 260 million. At year end 2019, the facility was fully drawn. The ECA financing was replaced in February 2020 with a bond of EUR 300 million. The bond has a 5-year tenor with semi-annual interest payments of 3.375% p.a.

In March 2020, the company increased its equity by increasing the face value of the ordinary shares from NOK 100 to NOK 101. A total of EUR 105 million of debt to the parent company Hurtigruten AS was converted, increasing the paid in capital to a total of EUR 105.003.000 at the end of first quarter 2020.

The equity ratio at the end of first quarter was 23.9%, compared to -2.0% at year-end 2019.

Cash flow

Net cash flow from operating activities in the quarter was EUR 3.8 million vs. EUR 6.6 million for the year 2019. The negative change is due to changes in receivables from Group companies.

Net cash flow from investing activities was EUR- 19.3 million and consist of payments for remaining deliveries related to MS Fritjof Nansen.

Net cash flow from financing activities consist of proceeds from the new issued bond of EUR 300 million, offset by repayments of the ECA facility and Group borrowings. Interest and finance fees in the amount of EUR 7.4 was paid in the quarter.

Net cash and cash equivalents in the cash flow statement was EUR 2,6 million at the end of first quarter 2020, equal to cash and cash equivalents in the statement of financial position.

Interim financial statements

Statement of profit and loss

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	1st quarter 2020	1st quarter 2019	Full year 2019
Operating revenues		7,230	-	7,664
Total Revenues		7,230	-	7,664
Depreciation, amortisation and impairment		(2,877)	-	(3,002)
Other operating costs		(113)	(2)	(516)
Operating profit/(loss)		4,241	(2)	4,145
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		7,118	(2)	7,148
Finance income		(0)	(0)	245
Finance expenses		(12,015)	(568)	(3,442)
Net financial items		(12,015)	(568)	(3,197)
Income tax expense		-	-	-
Profit/(loss) for the period		(7,774)	(570)	949

Statement of comprehensive income

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	1st quarter 2020	1st quarter 2019	Full year 2019
Profit/(loss) for the period		(7,774)	(570)	949
Other comprehensive income:				
Sum		-	-	-
Total comprehensive income for the period		(7,774)	(570)	949

Statement of financial position

Unaudited

<i>(EUR 1 000)</i>	31.3. 2020	31.3. 2019	31.12. 2019
ASSETS			
Non-current assets		0	
Ships	385,256	74,489	380,687
Total non-current assets	385,256	74,489	380,687
CURRENT ASSETS			
Receivables Group companies	18,987	5,181	8,170
Other short term receivables	16	3	775
Cash and cash equivalents	2,548	17	2,842
Total current assets	21,550	5,201	11,788
Total assets	406,806	79,689	392,474
EQUITY			
Equity attribute to owners of the parent			
Ordinary shares	3	3	3
Share premium	105,000	-	-
Paid -in capital	105,003	3	3
Retained earnings	(7,876)	(1,620)	(101)
Total equity	97,127	(1,617)	(98)
LIABILITIES			
Non-current liabilities			
Liabilities to financial institution	294,621	-	223,789
Liabilities to Group companies	9,491	80,571	133,917
Total non-current liabilities	304,112	80,571	357,706
Current liabilities			
Liabilities to financial institution	-	-	21,667
Accounts payables	1,073	80	410
Income tax	3	-	3
Liabilities to Group companies	880	658	331
Other current liabilities	3,612	(2)	12,456
Total current liabilities	5,567	736	34,867
Total equity and liabilities	406,806	79,689	392,475

Statement of changes in equity

Unaudited

01.01-31.03.2020

<i>(in EUR 1 000)</i>	Attributable to shareholders of Explorer II AS				Total Equity
	Ordinary Shares	Share premium	Total paid in Capital	Retained earnings	
Equity at beginning of the period	3	-	3	(101)	(98)
Total comprehensive income	-	-	-	(7,774)	(7,774)
Share issue	-	105,000	105,000	-	105,000
Equity at the close of the period	3	105,000	105,003	(7,876)	97,127

Cash flow statement

Unaudited

<i>(in EUR 1 000)</i>	<i>Note</i>	1st quarter 2020	1st quarter 2019	Full year 2019
Cash flows from operating activities				
Profit/(loss) before income tax		(7,774)	(570)	949
Adjustments for:				
Depreciation, amortisation and impairment losses		2,877	-	3,002
Interest expenses		11,699	581	3,197
Change in working capital:		(2,957)	(13)	(541)
Net cash flows from (used in) operating activities		3,845	(2)	6,607
Cash flows from investing activities				
Purchase of property, plant, equipment (PPE)		(22,146)	(7,122)	(307,436)
Change in restricted cash ¹		2,820	-	(2,820)
Net cash flows from (used in) investing activities		(19,327)	(7,122)	(310,256)
Cash flows from financing activities				
Issue of ordinary shares		105,000	-	-
Proceeds from borrowings		300,000	-	311,103
Repayment of borrowings		(254,583)	-	(5,417)
Repayment of borrowings to group companies		(125,037)	7,723	
Interest paid		(7,373)	(590)	(2,022)
Net cash flows from (used in) financing activities		18,007	7,134	303,664
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		2,525	10	15
Cash and cash equivalents at the beginning of period		23	6	6
Foreign exchange gains/(losses) on cash, cash equivalents and bank overdrafts		-	-	0
Cash and cash equivalents at end of period		2,548	17	22

1) The cash flow statement for 2019 has been changed to reflect that EUR 2.8 million was restricted funds at year-end 2019.

Notes to the condensed consolidated financial Statements

Note 1 Accounting policies

The interim financial report for the company is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report does not include all information which will appear in the annual financial report, which is prepared in accordance with all effective IFRS-standards, and should therefore be read in connection with the annual report for Explorer II AS for 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 Financial risk management

There are potential risks and uncertainties that can affect the operations and financial solidity 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.

Note 3 Interest-bearing Debt

Unaudited

	31.3.	31.3.	31.12.
<i>(Figures stated in EUR 1000)</i>	2020	2019	2019
Long term interest-bearing debt			
Bond	294,621	-	-
Credit facilities	-	-	223,789
Liabilities to group companies	9,491	80,571	133,917
Total	304,112	80,571	357,706
Short term interest bearing debt			
Collateralized borrowings	-	-	21,667
Total	-	-	21,667
Total outstanding interest-bearing debt	304,112	80,571	379,373

The above amounts state borrowings at amortized cost, as in Statement of Financial Position.

Maturity Profile

The below maturity schedule reflects the borrowings at nominal values.

<i>(Figures stated in EUR 1000)</i>	31.3. 2020	31.3. 2019	31.12. 2019
Less than one year	-	-	21,667
Year 2 and 3	-	-	43,333
Year 4 and 5	300,000	-	113,750
More than 5 years	9,491	80,571	209,750
Total Interest-bearing debt	309,491	80,571	388,500

Note 4 Net Financial items

Unaudited

<i>(EUR 1000)</i>	1st quarter 2020	1st quarter 2019	01.01-31.12 2019
Interest income on current bank deposits		-	1
Foreign exchange gains	-	-	244
Finance income	-	-	245
Interest expense and amortized borrowing fees	(10,957)	13	(2,276)
Interest paid to Group companies	(611)	(581)	(1,078)
Foreign exchange losses	(422)	-	(88)
Other finance expenses	(636)	-	-
Finance expenses	(12,015)	(568)	(3,442)
Net Financial items	(12,015)	(568)	(3,197)

Note 5 Events after the balance sheet date

There are no material events after balance sheet date that affect the financial statements.