Explorer II AS

Summary

Joint Lead Managers:

Tromsø, 9 July 2020

Introduction

The name of the securities is Explorer II AS 3.375% senior secured EUR 300,000,000 bonds 2020/2025. The ISIN code of the securities is NO0010874548.

The name of the Issuer is Explorer II AS and its registration number in 918 500 812 is the Register of Business Enterprises, Norway. The Issuer's legal entity identifier (LEI) is 98450067B64D440ED557.

The contact details of the Issuer are as follows: Explorer II AS, c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

The fulfilment of the secured obligations under the Bond Agreement is guaranteed by the following Guarantors:

- Hurtigruten Group AS AS, registered in the Register of Business Enterprises, Norway with registration number 914 148 324. LEI code is 213800EVBYLGF87O9I05.
- Hurtigruten AS, registered in the Register of Business Enterprises, Norway with registration number 914 904 633. LEI code is 254900IF4J7328MWPA75.
- Hurtigruten Cruise AS, registered in the Register of Business Enterprises, Norway with registration number 918 704 981. LEI code is 984500EN5F99E804C656.

The contact details of the Guarantors are identical to the Issuer.

Carnegie AS, Danske Bank A/S (Norwegian branch), DNB Bank ASA and Nordea Bank Abp (Norwegian branch), have been mandated by the Issuer as Joint Lead Managers for the issuance of the Loan. The Joint Lead Managers have acted as advisor to the Issuer in relation to the pricing of the Loan and has assisted the Issuer in prepairing the Prospectus. Ther Joint Lead Managers' contact details and LEI code are as follow:

Carnegie AS, Fjordalleen 16, N-0250 Oslo, Norway with LEI code 5967007LIEEXZX57BC18;

Danske Bank A/S (Norwegian branch), Søndre gate 15, N-7011 Trondheim with LEI code MAES062Z21O4RZ2U7M96;

DNB Bank ASA, Dronning Eufemias gate 30, N-0191 Oslo, Norway with LEI code 549300GKFG0RYRRQ1414;

Nordea Bank Abp (Norwegian branch), P.O. Box 1166 Sentrum, NO-0107 Oslo, Norway with LEI code 529900ODI3047E2LIV03

The Norwegian FSA is the competent authority which has approved the prospectus. The Norwegian FSA is registered in the Register of Business Enterprises, Norway with registration number 840 747 972. The contact details of the Norwegian FSA are as follows: Finanstilsynet, P.O. Box 1187 Sentrum, N-0107 Oslo, Norway.

The prospectus was approved on 9 July 2020.

Please note the following warnings:

- the summary should be read as an introduction to the prospectus;
- any decision to invest in the securities should be based on a consideration of the prospectus as a whole by the investor;
- the investor could lose all or part of the invested capital
- where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated;
- civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities;
- you are about to purchase a product that is not simple and may be difficult to understand.

Key information on the issuer

Who is the issuer of the securities ?

The issuer of the securities is Explorer II AS, a limited liability company incorporated and domiciled in Norway and existing under the laws of Norway with registration number 918 500 812 is the Register of Business Enterprises, Norway. The Issuer's legal entity identifier (LEI) is 98450067B64D440ED557.

Hurtigruten Group AS, through it's indirectly fully owned subsidiary Explorer II AS, is the owner of MS Roald Amundsen and MS Fridtjof Nansen, two 2019-delivered hybrid-electric powered expedition cruise vessels. The Vessels are on bareboat charters to Hurtigruten Cruise AS. Explorer II AS and Hurtigruten Cruise AS are part of the Hurtigruten Group.

Hurtigruten Group AS is the parent in the Hurtigruten Group, holding the direct ownership of Hurtigruten AS. Explorer II AS and Hurtigruten Cruise AS are wholly owned subsidiaries of Hurtigruten AS.

The Issuer and the Guarantors have the following managing directors:

Explorer II AS:

Name	Position	Business address
Daniel Andreas Skjeldam	Chief Executive Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Hurtigruten Group AS:

Name	Position	Business address
Daniel Skjeldam	Chief Executive Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Torleif Ernstsen	Chief Financial Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Ole-Marius Moe-Helgesen	Chief Digital Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Asta Lassesen	Chief Commercial Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Bent Martini	Chief Operating Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway
Stine Steffensen Børke	Chief Marketing Officer	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Hurtigruten AS:

Name	Position	Business address
Asta Sofie Lassesen	Managing Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

Hurtigruten Cruise AS:

Name	Position	Business address
Bent Martini	Managing Director	c/o Hurtigruten AS, P.O. Box 6144 Langnes, N-9291 Tromsø, Norway

The statutory auditor for the Issuer and the Guarantors is PricewaterhouseCoopers AS.

What is the key financial information regarding the issuer ?

Explorer II AS

Amounts	Q1 2020	2019	2018
	In EUR 1,000	In EUR 1,000	In EUR
Operating profit	4,241	4,145	-50,655
Net financial debt (long term debt plus short term debt minus cash)	301,564	376,531	72,349,213
Net Cash flows from operating activities	3,845	6,607	-2,439,407
Net Cash flows from financing activities	18,007	303,664	27,067,539
Net Cash flow from investing activities	-19,327	-307,436	-24,624,687

Hurtigruten Group AS

Amounts	Q1 2020	2019	2018
	In EUR'000	In NOK'000	In NOK'000
Operating profit	6,154	657,930	676,162
Net financial debt (long term debt plus short term debt minus cash)	1,021,444	9,434,061	6,695,697
Net Cash flows from operating activities	40,156	1,379,488	968,590
Net Cash flows from financing activities	122,490	2,465,673	438,383
Net Cash flow from investing activities	72,491	-3,880,465	-1,339,232

Hurtigruten AS

Amounts in NOK 1,000	2019	2018
Operating profit	110,655	528,996
Net financial debt (long term debt plus short term debt minus cash)	1,841,907	1,863,549
Net Cash flows from operating activities	207,585	243,454
Net Cash flows from financing activities	406,549	75,726
Net Cash flow from investing activities	-596,038	-304,643

Hurtigruten Cruise AS

Amounts	2019	2018
	In NOK 1,000	In NOK
Operating profit	343,096	-141,460
Net financial debt (long term debt plus short term debt minus cash)	-86,549	-299,725,648
Net Cash flows from operating activities	1,120,146	-343,765
Net Cash flows from financing activities	-206,202	0
Net Cash flow from investing activities	-680,417	343,828

There are no qualifications in the audit reports relating to the historical financial information for the Issuer or the Guarantors.

What are the key risks that are specific to the issuer and the guarantors ?

The Covid-19 pandemic has caused a significant decline in the demand for the Parent Group's services and a corresponding liquidity need for the Parent Group – As a consequence of the Parent Group's global presence and the nature of the Parent Group's operations as a cruise and transportation company, the Parent Group has been and will continue to be significantly affected by the outbreak of the global pandemic caused by the Covid-19 virus and the related local travelling restrictions,customers cancelling or rescheduling their bookings, as well as the Parent Group has experienced a significant decline in revenues. As a consequence, the Parent Group halted the majority of its sailings in the period from 18 March 2020 to 15 June 2020, and 14 out of 16 vessels have been in in warm lay-up in this period. 5 of these vessels have resumed operations on the Norwegian coast in the period from 16 June 2020 to 26 June 2020, however with limited capacity. It is difficult to predict how the Parent Group will be affected by the Covid-19 pandemic going forward as the Covid-19 pandemic creates great uncertainty for the Parent Group's business activities in 2020 and 2021, including uncertainty relating to how long the current travelling restrictions and reduced demand of cruise services will last, at what pace and to what level the travelling restrictions will be lifted, the Parent Group's customers will return, if at all, and the "restart" of the industry will take place, which may take longer time than expected, all of which may vary from country to country and with regional variations within each country, which in turn creates great uncertainty relating to the Parent Group's financial performance during the remainder of 2020 and 2021, and could have an adverse effect on the Parent Group's business, results of operation and financial performance.

Due to the Covid-19 outbreak, the Parent Group has introduced a flexible rebooking policy to give passengers comfort to sail with the Parent Group later in 2020 or 2021 instead of cancelling or require refund. There is a risk that the portion of passengers with current bookings that elects to cancel or require refund of its booking rather than rebooking its travel increase. Further, passenger that have chosen to rebook its travels may change their minds and require to cancel or require refund instead. Should any of these risks materialize, it could have an adverse effect on the Parent Group's business, results of operation and financial performance.

Further, there is a risk that the Covid-19 may escalate from its current levels (i.e. a potential "second wave"), which may lead to stricter restrictions on travelling and business operations, and otherwise have a more significant impact on the Parent Group's operations than as of today, which could have an adverse effect on the Parent Group's business, results of operation and financial performance.

The Covid-19 pandemic outbreak could cause material disruption to the business operation of the Parent Group's suppliers. If the Parent Group fails to find alternative supply in case of shortage of supply and/or severe delay in delivery by its suppliers, the Parent Group's business, results of operation and financial performance could be adversely affected. The Parent Group's operations could also be disrupted if any of the Parent Group's employees are suspected of contracting or contracted an epidemic disease, since this may require quarantine of some or all of these employees, and it could be difficult to replace any quarantined personnel due to their competence.

In addition, requirements related to current and future Covid-19 restrictions, such as requirements to disinfection of the Parent Group's vessels, or adaption to such requirements, may lead to increased operational costs for the Parent Group.

Marine operations involve inherent risk, particularly in the extreme conditions in which the Parent Group’s vessels operate – The Parent Group's marine operations involves inherently risk, particularly in the extreme conditions in which the Parent Group’s vessels operate, including Arctic and Antarctic. Events such as marine disasters, adverse weather, mechanical failures, grounding, capsizing, fire, explosions and collisions may damage the vessels, the equipment and persons on-board, and the risk of such events occurring are considered higher in the extreme conditions in which the Parent Group's vessels operate than in more quieter waters.

Robbery,and civil unrest and disorder and terrorism may also interrupt and damage the Parent Group's operations. For example, due to hostile events in March 2020, the Parent Group could not disembark passengers in parts of South America. Local protests in harbor areas lead to change of harbor for dismemberment of guests at high repatriation costs for the Parent Group. Further, in 2019 the Parent Group experienced robbery of guest luggage in Santiago during luggage transport, resulting in a number of guests cancelling their voyage with costs for the Parent Group for repatriation and compensation to the affected guests.

Accidents may cause death or injury to persons, loss of property, damage to the environment and natural resources, delays, loss of revenues, liabilities or costs to recover any spilled oil or other petroleum products, liabilities or costs to restore the ecosystem affected by the spill, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to reputation and customer relationships generally, any of which could have a material adverse effect on the Parent Group’s business, financial condition and operating results.

Safety - Adverse incidents affecting the health of the Parent Group’s customers and crew, including spread of contagious diseases (e.g. COVID-19, SARS, Ebola etc.) and viral outbreaks, could have an adverse effect on the Parent Group’s sales and profitability. Such incidents may reduce the demand for travel, harm the reputation of the Parent Group or may lead to investigations and fines from public authorities, which in turn could reduce the demand for the Group's services.

The Parent Group is dependent on the availability of its fleet and operational problems with its vessels may reduce revenue and increase costs - The Parent Group's vessels are complex and their operations are technically challenging and require substantial capital expenditures. The Parent Group depends on the availability of its vessels and any breakdown, extended dry-docking or loss of a vessel could have a material adverse impact on the Parent Group's business. Operational problems, or an aging fleet resulting in a decline in vessel values, may lead to loss of revenue or operating expenses may be higher than anticipated or require additional capital expenditures. Any of these results could harm the Parent Group’s business, financial condition and operating results.

Vessel repairs and maintenance may increase costs - The Parent Group’s inability to carry out vessel repairs, maintenance and refurbishments on terms and within timeframes that are favorable or consistent with the Parent Group’s expectations could result in revenue losses and unforeseen costs. Further, as the Parent Group's fleet ages, the repair and maintenance expenses are likely to increase as a result of additional repair and maintenance work required to be performed, and further, the aging of the Parent Group’s fleet may result in increased operating costs in the future, which could adversely affect the Parent Group’s results of operations.

The Parent Group may be exposed to fluctuations in currency exchange rates - The Parent Group may be exposed to currency and exchange rate fluctuations between EUR and GBP, EUR and NOK and EUR and USD, which may affect the Parent Group’s results of operations. The volatility has increased in recent weeks due to in part the expected impact of Covid-19 pandemic on the global economy and in part the fluctuation in NOK as a consequence of, inter alia¸ the decline of oil prices.

Limitations in port availability could affect the Parent Group's business - Attractive port destinations are material for a customer's decision to go on a particular cruise or on a cruise vacation. The availability of ports is affected by a number of factors, including, but not limited to, access to landing sites in remote areas like the Arctic and Antarctic, existing capacity constraints, security concerns, adverse weather conditions and natural disasters, financial limitations on port development, local governmental regulations and local community concerns about port development and other adverse impacts on their communities from additional tourists. Due to the Covid-19 pandemic the Group may experience limited port availability due to national or local restrictions to reduce the effects of the pandemic. Any limitations on the availability of our ports of call could adversely affect the Parent Group's business.

Airline services - The Parent Group relies on scheduled commercial airline services for customer connections, and increases in the price of, or major changes or reductions in, commercial airline services (such as due to the Covid-19 pandemic) could adversely affect demand for the Parent Group's products and have an adverse effect on its profitability.

The Parent Group is dependent on its reputation - The Parent Group's success depends upon its reputation and the continued strength of the Parent Group's brand and its ability to distinguish itself from its competitors. There is no guarantee that the Parent Group will be able to maintain its reputation in the future and a loss of reputation may lead to decreased demand for its services. If the Parent Group's services are delayed or cancelled, it may need to re-route customers to other ports of call, or reschedule or cancel their bookings, which may adversely affect the Parent Group's reputation and customer loyalty. Further, the Parent Group may be subject to allegations of improper payments made to authorities at state-controlled enterprises in the jurisdiction where it operates. In spite of the Parent Group's policy of observance of the highest ethical standards, any such allegation, were it to be substantiated, may give rise to penalties, fines or contract disputes, any of which could materially and adversely affect the Parent Group's business, financial condition and results of operations. There have been no confirmed or suspected cases of Covid-19 on any of the Group's vessels, however, and despite having implemented strict measures to reduce risk for Covid-19 outbreaks, the Group may experience Covid-19 outbreaks on its vessels, which may harm the Group's reputation, and reduce the demand of the Group's services. Any such allegation, whether or not substantiated, could harm the Parent Group's reputation.

Regulatory and political risks - The Parent Group is subject to complex laws and regulations in various jurisdictions due to its international operations, including environmental, health and safety laws and regulations, currently in particular regulations implemented as a consequence of the Covid-19 pandemic, which could adversely affect its operations. Any changes in the current laws and regulations could lead to increased costs or decreased revenue. Further, the costs of compliance associated with environmental and safety regulations and changes thereto could require significant expenditures, and failure to comply with such regulations could result in the imposition of material fines and penalties or temporary or permanent suspension of operations. An incident involving environmental contamination could also harm the Parent Group's reputation and business.

The Parent Group must obtain compliance certificates - The Parent Group's operations depend on its ability to renew its annual ISM compliance certificates for its vessels and compliance with the annual audit by the Norwegian Maritime Authority.

Leverage - The Parent Group has substantial debt which requires payment of interest and instalments. As of 31 March 2020 the Parent Group had outstanding interest-bearing debt of EUR 1,150,676,552. The indebtedness requires the Parent Group to dedicate a substantial portion of its cash flows to service debt. There is no guarantee that the future earnings of the Parent Group will be sufficient to cover operating costs and debt service and failure to do so will adversely affect the Parent Group's business.

Restrictive covenants - The Parent Group is subject to restrictive debt covenants that limits its ability to finance its future operations and capital needs and to pursue business opportunities and activities. Pursuant to the Parent Group's financing agreements, the Parent Group can only incur new debt provided that it (1) meets a Fixed Charge Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense as defined in Term Loan B and RCF documentation) or (2) fits into a specified exception to the ratio test. Non-Guarantor Restricted Subsidiaries are not permitted to incur indebtedness exceeding EUR 50.0 million.

On 8 June 2020 Revolving Facility investors gave consent on amendments in the Senior Term and Revolving Facilities Agreement originally (dated 9 February 2018). Please see publicly available link for further information: https://global.hurtigruten.com/globalassets/global/about-hrg/investor-relations/2020/hurtigruten-announcement-re-rcf-consent-request_.pdf

Key information on the securities

What are the main features of the securities ?

The Loan is a secured bond issue with fixed interest rate. Settlement Date is 24 February 2020 and Maturity Date is 24 February 2025. The ISIN code of the Loan is NO0010874548. The borrowing amount is EUR 300,000,000. The borrowing amount can not be increased. The Denomination of each Bond is EUR 1.00. The Coupon Rate is 3.375 % p.a. with interest payment dates each 24 August and 24 February.

Both the Issuer and the Bondholders have the right to early terminate the bonds upon certain conditions. The fulfilment of the secured obligations under the Bond Agreement is secured by a guarantee issued by companies within the group.

The Bonds will constitute senior debt obligations of the Issuer. The Bonds will rank pari passu between themselves and will rank at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).

As security for the due and punctual fulfilment of the secured obligations, the Issuer has procured that the transaction security is granted in favour of the security agent with first priority.

Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time.

Where will the securities be traded ?

Admission to trading on the regulated market of Oslo Børs will take place as soon as possible after the Prospectus has been approved by the Norwegian FSA. The Bonds are not and will not be listed on any other market place.

Is there a guarantee attached to the securities ?

The fulfilment of the secured obligations under the Bond Agreement is secured by a joint and several unconditional Norwegian law guarantee and indemnity (Norwegian: “selvskyldnerkausjon”) issued by each of the guarantors in respect of the secured obligations up to a maximum of the issue amount under the bonds (including unpaid interest, fees and costs), which shall constitute senior obligations of the guarantors:

Hurtigruten Group AS (registration number 914 148 324, LEI code 213800EVBYLGF87O9I05)
Hurtigruten AS (registration number 914 904 633, LEI code 254900IF4J7328MWPA75)
Hurtigruten Cruise AS (registration number 918 704 981, LEI code 984500EN5F99E804C656)

What are the key risks that are specific to the securities ?

Significant cash requirement to meet debt obligations and sustain operations
The Company's ability to make principal or interest payments when due in respect of its financial indebtedness, including the Bonds, will depend on its future performance and its ability to generate cash which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, many of which are beyond the Company's control. In addition to debt service, the Company will also need significant amounts of cash to fund its business and operations.

Value of the security package - If the Company defaults under the Bond Issue, the bondholders will be secured only to the extent of the value of their collateral and the underlying security assets. All security will be established on a first priority basis, subject to applicable law. The Bonds will be secured on a *pari passu* basis with all other claims of the Company other than obligations which are mandatorily preferred by law. As a consequence, and although the Bonds are secured obligations of the Company, there can be no assurance that the value of the security will be sufficient to cover all the outstanding amounts under the Bond Issue together with accrued interest and expenses in case of a default and/or if the Company enters into liquidation.

Key information on the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security ?

The Loan was initially offered to professional, non-professional and eligible investors prior to the Issue Date 24 February 2020. The Loan is freely negotiable, however certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. There is no market-making agreement entered into in connection with the Bond Issue.

Admission to trading on a regulated market will take place as soon as possible after the Prospectus has been approved by the Norwegian FSA. The estimate of total expenses related to the admission to trading are as follow:

Prospectus fee (NFSA) Registration Document NOK 63,000
Prospectus fee (NFSA) Securities Note NOK 17,000
Prospectus fee (NFSA) Guarantees NOK 17,000
Prospectus fee (NFSA) Specialist issuer NOK 20,000
Listing fee 2020 (Oslo Børs): NOK 41,350
Registration fee (Oslo Børs): NOK 50,150

Who is the offeror and/or the person asking for admission to trading ?

Carnegie AS, Danske Bank A/S (Norwegian branch), DNB Bank ASA and Nordea Bank Abp (Norwegian branch), have been mandated by the Issuer as Joint Lead Managers for the issuance of the Loan. The Joint Lead Managers have acted as advisor to the Issuer in relation to the pricing of the Loan and has assisted the Issuer in prepairing the Prospectus.

Carnegie AS is a limited liability company incorporated and domiciled in Norway and existing under the laws of Norway with registration number 936 310 974 in the Register of Business Enterprises, Norway.

Danske Bank A/S is the Norwegian branch of a public limited liability company incorporated and domiciled in Denmark and existing under the laws of Denmark with registration number 977 074 010 in the Register of Business Enterprises, Norway.

DNB Bank ASA is a public limited liability company incorporated and domiciled in Norway and existing under the laws of Norway with registration number 984 851 006 in the Register of Business Enterprises, Norway.

Nordea Bank Abp, filial Norge is the Norwegian branch of a public limited liability company incorporated and domiciled in Finland and existing under the laws of Finland with registration number 920 058 817 in the Register of Business Enterprises, Norway.

Why is this prospectus being produced ?

The Prospectus is being produced for the purpose of listing the Explorer II AS 3.375% senior secured EUR 300,000,000 bonds 2020/2025 on the regulated market of Oslo Børs. The listing will take place as soon as possible after the Prospectus has been approved by the Norwegian FSA.

The Issuer will use the net proceeds from the issuance of the Bonds (net of legal costs, fees of the Joint Lead Managers and the Bond Trustee and any other agreed costs and expenses) for simultaneous refinancing of the Existing ECA Facility related to the Vessels and for general corporate purposes.

The estimated net amount of the proceeds was EUR 295,146,219,000. The offer of the bonds was not subject to an underwriting agreement on a firm commitment basis. There are no material conflicts of interest pertaining to the offer or the admission to trading.

There will be no issuance of any additional bonds.