

ANNUAL REPORT 2022



Explorer II AS

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HURTIGRUTEN

DIRECTORS REPORT 2022

Explorer II AS

Part of the Hurtigruten Group – The leading adventure travel and expedition cruise company

Hurtigruten Group's vision is to be the undisputed global leading adventure travel and expedition cruise company by offering authentic and accessible experiences around the world to travellers who wish to explore and travel in a sustainable way. Hurtigruten Group will continue to be a frontrunner in adventure travel and expedition cruising, a niche with substantial global growth potential. Hurtigruten Group's goal is to reinforce its global position, differentiated from the rest of the cruise industry by authentic, sustainable and active experiences on both land and sea. Hurtigruten Group has three main business segments: Hurtigruten Norway – branded as Hurtigruten in Scandinavia and Hurtigruten – Norwegian Coastal Express in other markets, Hurtigruten Expeditions branded as Hurtigruten Expeditions in all markets – Hurtigruten Destinations with the Hurtigruten Svalbard brand. Over the last years, through all its three brands, the Group has been able to fortify its position as the leading adventure travel and expedition cruise company focusing on sustainable expedition cruising for the global traveller.

Hurtigruten Group is the world's largest expedition cruise company, with Hurtigruten Expeditions operating eight expedition vessels, three of which are battery powered hybrid-electric cruise vessels and Hurtigruten Norway operating seven vessels.

Explorer II AS operates within the Hurtigruten Expeditions segment and is a ship owning company located in Oslo. 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 2022 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 2019 and started its operation in July 2019. In December 2019 the sister ship, MS Fridtjof Nansen, was delivered and started its operations in Q1 2020 right before the Covid-19 pandemic hit. 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 are a key part of Hurtigruten Expeditions' strategy of further expansion in the expedition cruise segment. The new ships will operate in new Hurtigruten Expeditions destinations, such as the Northwest Passage, Alaska, South America, and the Caribbean, in addition to the current Antarctica and Arctic destinations. 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 Group'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.

The two vessels owned by Explorer II are operated by Hurtigruten Expedition Cruises AS, a sister company within the Hurtigruten Group.

Market development

Hurtigruten Group's consolidated revenues mainly derive from international guests seeking unique nature-based and active experiences around the world. The global cruise and travel industry has substantial exposure to fluctuations in the world economy, which also applies to Explorer II AS.

Hurtigruten Group experienced in 2022 a significant growth compared to 2021 as the travel industry was emerging from the pandemic. This growth is expected to continue in 2023 supported by a strong booking momentum. Hurtigruten Group is of the opinion that the demand trend will continue to be strong driven by the attractiveness of the remote and off the beaten track destinations. While 2022 was still affected by the Omicron variant and the Russian invasion of Ukraine bookings for 2023 are strong compared to earlier periods.

Financial review

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The company had an cash position of EUR 2.7 million as of 31 December 2022.

Profit and loss statement

Total operating revenues for Explorer II AS was EUR 50 million in 2022 (2021: EUR 50.1 million), related to bareboat charters of MS Roald Amundsen and MS Fridtjof Nansen. The company has limited business activity except for the fixed bareboat lease agreements with the sister company Hurtigruten Expedition Cruises AS.

Net financial expenses amounted to EUR 11.8 million (2021: EUR 11.9 million) mainly due to interest expenses of EUR 11.2. During 2022, the company did not have any research and development activities, and thus no cost related to this. The profit for the year was EUR 27.8 million, which is proposed transferred to other equity.

Cash flow

Net cash flow from operating activities amounted to EUR 34.2 million (2021: outflow of EUR 0.9 million).

Net cash flow from investment activities was EUR 0.01 million (2021: EUR 0.1 million). Net cash outflow from financing activities was EUR 34.0 million and is related to borrowings for group companies and paid interests.

Financial position

The carrying value of the two ships was EUR 355.449 million at 31 December 2022 (2021: EUR 365.9 million). The company's equity at 31 December 2022 was EUR 174.1 million (2021: EUR 146.3 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 2022, Explorer II AS had one shareholder and a total paid in equity of EUR 105.003 million spread over 300 shares with a nominal value of NOK 101 (EUR 3) each and a share premium of EUR 105.0.

Going concern

In the opinion of the Board of Directors, the financial statements provide a true and fair view of the financial performance during 2022, and financial position at 31 December 2022. The Board confirms that the financial statements have been prepared based on the going concern assumption in accordance with the Norwegian Accounting Act, and that it is appropriate to make that assumption.

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.

Currency risk

Explorer II AS has limited currency risk as both financing and revenue are in the company's functional currency EUR.

Price risk

The company has limited price risk as the revenue is fixed through long term bareboat charter agreements. The only risk is connected to the price level on renewal.

Interest-rate risk

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. Currently the company's long-term debt is at a fixed rate of 3,375%.

Credit risk and Liquidity risk

The company has some credit risk, given that their source of income comes from one party, i.e. Hurtigruten Expedition Cruises AS (group company). However, the company delivers results and has a good equity and credit rating, hence the risk for losses on receivables is assessed 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 for all the subsidiaries in the Group.

Research and development activities

The company conducts no research and development activities other than adaptation of Information and Communications Technology.

Environmental, social and governance

Hurtigruten Groups Environmental, Social and Governance ("ESG") ambition is to be the most sustainable travel operator in the world, pushing the industry's boundaries for ESG. We will not just stop at a license to operate; we will do our outmost to push beyond local regulations and look to best-in-class ESG solutions globally. With a mission focused on innovation, technology and concrete measures – sustainability is an integral part of HRG's operations and supply chain. Our ESG strategy will ensure that our vessels can operate in a responsible and environmental manner, improving the value and experience for our guests while minimizing our footprint. We do this while having a strong emphasis on being accountable and transparent.

In 2022 we committed to the Science Based Targets initiative, the only emission reduction framework for companies that's verified by a third party and supports keeping a global temperature increase of no more than 1.5 degrees Celsius. We are currently in the process of preparing our near- and long-term targets for SBTi with the aim of sending our targets in for validation before summer 23'. To us, it is important that we minimize our environmental footprint as we want to build the greenest fleet of vessels in the industry. Our current emission reduction program prioritizes reducing our own emissions with initiatives such as hybridization, sustainable biofuels, fuel optimization and R&D. We are working closely with industry partners and regulators to drive change and move boundaries while we utilize the best solutions available already today.

Explorer II AS led the way in 2019 by introducing MS Roald Amundsen, the world's first hybrid-powered expedition cruise vessel. A sister ship, MS Fridtjof Nansen, was launched in 2020.

Operating in some of the world's most vulnerable areas comes with a great responsibility. Fighting the exploitation and degradation of sites, nature, and local communities by mass tourism is one of the Group's most important goals. We support stricter regulations, such as size limitations on cruise vessels, and restrictions on the number of guests allowed on shore. Through Hurtigruten Foundation we're working with partners to protect species at risk of extinction and stopping marine litter, in 2022 we supported 30 projects across 12 different countries. Hurtigruten Expedition's Science Program use our ships as floating platforms for exploration, education, and research, through a wide range of partnerships with leading science institutions and universities. This also gives us an unparalleled opportunity to educate and inspire our guests to become advocates for nature.

We believe travel can be a force for good, when done right. We feel privileged to be welcomed to people's homeland, and so, we work in partnership with local communities, supporting them socially and economically, to create ripple effect that continue long after we've left. We source locally where possible, including local operators for excursions, employing local guides or sourcing food from local suppliers. Through projects like Norway's Coastal Kitchen and establishing a regional supplier network for Hurtigruten Expeditions we continue to take significant steps toward sourcing food as local as possible while delivering outstanding culinary experiences.

We also work actively with suppliers and vendors, requiring them to align with key UN Sustainable Development Goals and to operate according to our code of conduct and strict environmental policy. All our major suppliers with a valid frame agreement or a major project contract are required to agree to these terms.

Hurtigruten Group has a solid history of pushing for new standards in sustainable travel, being the first to ban heavy fuel oil (2009), first to ban single use plastic (2018), first to launch hybrid-powered cruise ship (2019), first cruise operator to issue a green bond (2022) and first to commit to Science Based Targets (2022). We are immensely proud of the work we do within ESG and our ability to operate in a sustainable and responsible manner. This work is also received international recognition in 2022; Hurtigruten was ranked one of the world's most sustainable companies by American magazine Worth, our Group CEO was honored for "outstanding achievements" towards sustainability in the tourism industry and Hurtigruten Norway was placed on top of Nature And Biodiversity Conservation Union (NABU)'s 2022 Cruise Ranking.

To learn more about how we work with and perform within each of our four main ESG pillars: emissions, nature, people and local communities – please visit our 2022 ESG Report prepared in accordance with GRI.

Human rights and decent working conditions

The Norwegian Transparency Act entered into force on 1 July 2022. The Act shall promote enterprises' respect for fundamental human rights and decent working conditions. An account of Hurtigruten Groups due diligence assessments will be published on www.hurtigruten.com/group within 30 June 2023.

Corporate Governance

The Board has the overarching responsibility for managing the company. The Board monitors and ensures that the company's internal control procedures are satisfactory.

With no employees the board is responsible for everyday business. The board members and chair of the board are elected by the general meeting. The board's composition is designed both to represent the interests of the shareholder and meet the company's need for expertise, capacity, and balanced decision-making. The board did not receive any remuneration from Explorer II AS in 2022.

The company's financial reporting complies with the laws and regulations applicable to companies with bonds listed on the Oslo Stock Exchange. The board of directors reviews the company's financial position monthly and reviews the financial statements at the end of every quarter. At least once per year, the board assesses the company's risk profile by reference to strategic, operational, and transactional factors.

Hurtigruten Group has implemented an enterprise risk framework with policies, guidelines and tools to facilitate risk management across the organization. The framework is inspired by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework and the ISO 31000 risk management guideline. The Group risk management function is reporting to the Chief Financial Officer. The Board of Directors has approved the risk management framework and periodically reviews the company's key risks.

Directors and Officers Liability Insurance

Hurtigruten Group AS (through Silk Holdings S.a.r.l.) has purchased and maintains a Directors and Officers Liability Insurance on behalf of the members of the board of directors and the CEO. The insurance also covers managing directors and directors of controlled subsidiaries. The insurance policy is issued by reputable insurers with an appropriate rating.

Outlook

The company relies on bareboat charter revenue from the sister company Hurtigruten Expediton Cruises AS, a company within the Hurtigruten Group. At the date of this report, the operating conditions are back to normal, and Hurtigruten Group is experiencing an increasing booking momentum for the next 18 months which gives a good outlook for Hurtigruten Group. The Board of Directors assumes that booking behavior in the 2023 financial year will continue to develop positively. The Board of Directors assumes that travel behavior will not be affected by further long-term closures and lockdowns or by the impact of Russia's war of aggression on Ukraine. Nevertheless, the intensified general price increase of recent months could continue, in particular due to rising energy costs, and lead to a significant reduction in the private budget available for travel services, thus lowering purchasing power and resulting in declining customer demand. In addition, a permanent increase in fuel costs as well as services, especially those purchased in US Dollars, could lead to an increase in our cost base.

The Company emphasizes that the information included in this annual report contains certain forward-looking statements that address activities or developments that the Company anticipates will or may occur in the future. The statements are based on assumptions and estimates, and some of them are beyond the Company's control and therefore subject to risks and uncertainties.

Oslo, 26 April 2023

Board of Directors of Explorer II AS



Torleif Ernstsen
Chairman



Kenneth Andersen
Board member

Financial Statements 2022

Explorer II AS

Statement of profit and loss

<i>(in EUR 1 000)</i>	<i>Note</i>	2022	2021
Operating income	4,11	50 000	50 068
Depreciation	4	(10 440)	(8 521)
Operating costs		65	49
Operating profit/(loss)		39 625	41 597
Finance income	10	292	9
Finance expenses	10	(12 089)	(11 947)
Finance expenses - net		(11 797)	(11 938)
Profit/(loss) before income tax		27 828	29 659
Income tax expense	5	-	-
Profit/(loss) for the year		27 828	29 659

Statement of comprehensive income

<i>(in EUR 1 000)</i>	<i>Note</i>	2022	2021
Profit/(loss) for the year		27 828	29 659
Other comprehensive income:		-	-
Total comprehensive income for the year		27 828	29 659
Total comprehensive income for the year attributable to owners of the parent		27 828	29 659
Total comprehensive income for the year		27 828	29 659

Statement of Financial Position

<i>(in EUR 1 000)</i>	<i>Note</i>	2022	2021
ASSETS			
Non-current assets			
Ships	4	355 449	365 899
Total non-current assets		355 449	365 899
CURRENT ASSETS			
Receivables on group companies	11, 13	119 968	108 701
Other short-term receivables		-	-
Cash and cash equivalents	7, 13	2 711	2 547
Total current assets		122 679	111 248
Total assets		478 128	477 147
EQUITY			
Share capital	8	3	3
Share premium		105 000	105 000
Retained earnings		69 093	41 265
Total equity		174 096	146 268
LIABILITIES			
Non-current liabilities			
Borrowings	6, 13	282 768	296 696
Liabilities to group companies	11, 13	-	29 197
Total non-current liabilities		282 768	325 893
Current liabilities			
Short term borrowings	6, 13	15 000	-
Accounts payable	11, 13	27	2
Income tax payable	5	-	1
Liabilities to group companies	11, 13	2 657	1 412
Other currents liabilities		3 580	3 572
Total current liabilities		21 264	4 986
Total equity and liabilities		478 128	477 147

Oslo, 26 April 2023

Board of Directors of Explorer II AS



Torleif Ernstsen
Chairman



Kenneth Andersen
Board member

Statement of changes in equity

<i>(in EUR 1 000)</i>	<i>Note</i>	Share capital including treasury shares	Share premium	Retained earnings	Total Equity
Balance at 1 January 2021		3	105 000	11 607	116 610
Profit/(loss) for the year				29 659	29 659
Total comprehensive income		-		29 659	29 659
Balance at 31 December 2021		3	105 000	41 265	146 268
Balance at 1 January 2022		3	105 000	41 265	146 268
Profit/(loss) for the year				27 828	27 828
Total comprehensive income				27 828	27 828
Balance at 31 December 2022		3	105 000	69 093	174 096

Cash Flow statement

<i>(in EUR 1 000)</i>	<i>Note</i>	2022	2021
Cash flows from operating activities			
Profit/(loss) before income tax		27 828	29 659
Adjustments for:			
Depreciation	4	10 440	8 521
Finance expenses - net	10	11 797	11 938
Other adjustments		(121)	23
Change in working capital:			
Trade and other receivables	11	(11 266)	(50 365)
Trade and other payables	11	(4 482)	(679)
Taxes paid	5	(0)	(7)
Net cash flows from (used in) operating activities		34 195	(910)
Cash flows from investing activities			
Purchase of property, plant, equipment (PPE)	4	10	(71)
Net change in restricted cash	7	-	-
Net cash flows from (used in) investing activities		10	(71)
Cash flows from financing activities			
Issuance of new shares	8		
Proceeds from borrowings	6	-	-
Repayment of borrowings	6	-	-
Paid interest and fees	10	(5 065)	(10 127)
Net borrowings from other group companies	11	(28 975)	11 101
Net cash flows from (used in) financing activities		(34 041)	974
Net (decrease)/increase in cash		164	(7)
Cash and cash equivalents at 1 January		2 547	2 554
Cash and cash equivalents at 31 December		2 711	2 547
Restricted cash	7	-	-
Cash and cash equivalents in statement of financial position		2 711	2 547

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 Expedition Cruises AS. Both vessels were delivered in 2019.

The financial statements of Explorer II AS for the year ended 31 December 2022 were authorized for issue by the Board of Directors on April 26, 2023.

Note 2 significant accounting principles

The principal accounting policies 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 (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

A) 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 the revenues and financing of the company is denoted in EUR.

(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.

B) Revenue recognition

The Company's revenues consist of intra group revenues from bareboat leasing agreements 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.

C) Property, plant and equipment

Property, plant and equipment mainly consist of the owned cruise vessels. Which are recognised at acquisition cost less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, with addition of directly attributable borrowing costs for assets that take a substantial period of time to get ready for their intended use.

Subsequent expenditures are only capitalised if it is probable that the future economic benefits associated with the item will flow to the Company. Such expenditures include major refits and cost of replacement assets. Subsequent expenditures are included in the carrying amount of the asset or recognised as a separate asset as appropriate. Repairs and maintenance which are considered as a regular part of the daily operation of the ships are charged to the income statement as they occur and are included in Other operating expenses.

Generally, ships drydock every five years. An intermediate survey is performed by a shipping classification society between the second and third year of the five-year drydocking period. The Company capitalises a substantial portion of the costs incurred during drydocking, including the survey costs and depreciates those costs on a straight-line basis from the time of completion of a drydocking or intermediate survey based upon the estimated time until the next intermediate survey or drydocking. Costs related to routine repairs and maintenance incurred during drydocking that do not improve or extend the useful lives of the ships are expensed.

The cost of ships under construction includes 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.

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
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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.

Depreciation is recognised on a straight-line basis over the remaining useful life of the asset. Depreciation commences when the asset is available for use, being in the location and condition necessary to operate as intended by management.

Each part of the ship with a cost that is significant in relation to the total cost is depreciated separately. The useful life of each of these components are assessed individually and the depreciation time for the different parts varies between 20-40 years.

An asset is derecognised upon disposal or when the asset is no longer expected to generate any future benefits to the Company. Gain or loss due to disposal of the asset is calculated as the difference between the net proceeds from the disposal and the carrying value of the asset and is recognised in the income statement.

[Impairment and reversal of impairment](#)

Property, plant and equipment is reviewed for impairment whenever events or significant changes in circumstances indicate that the carrying amount might not be recoverable. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is based on the present value of discounted cash flows for each separate CGU for its remaining life. Management considers the current competitive situation, developments in market rates, and macroeconomic trends when estimating the future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less cost of disposal is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales, based on third-party valuation report from an independent ship broker.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss is assessed for reversal if there is an indication of a subsequent increase of the recoverable amount. If such indications exist, a previously recognised impairment is reversed partially or in full if there has been a change in the estimates used to determine the asset's recoverable amount.

D) Financial assets - Classification and measurement

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

Financial assets measured at amortised cost

Primarily receivables with fixed payments of principal and interest, where the financial instrument is not traded, but held to collect the contractual cashflow. Receivables are carried in successive periods at amortised cost, using the effective interest method. 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.

E) 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.

F) Cash and cash equivalents

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

Cash and cash equivalents are defined differently in the balance sheet and cash flow presentation.

G) 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.

H) 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 expected 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.

I) Current and deferred income taxes

The Company is 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.

J) 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. Provisions are not recognised for future operating losses; however, if a contract is deemed unprofitable a provisions for the potential loss is recognised.

K) Lease agreements (as lessor)

The vessels owned by the Explorer II AS are 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 management 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 different major parts 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.

Impairment of ships

Tangible assets with a defined economic life are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceed the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The impairment test requires management assumptions and estimates.

The estimated value in use is determined using the present value of projected cash flows for the cash-generating units. These calculations require the use of estimates for cash flows, the required rate of return for the period and the growth factor of the cash flows.

The management does not apply a general growth factor beyond expected inflation for cash flows when testing for impairment. The total required rate of return used to discount cash flows is calculated as a weighted average return on equity and the required rate of return on interest-bearing debt. This calculation utilises an estimate of the risk-free interest rate, risk premium, beta and the liquidity premium.

Fair value less cost of disposal is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales, based on third-party valuation report from an independent ship broker.

Note 4 Property, plant and equipment

<i>(in EUR 1 000)</i>	Ships
Acquisition cost	
As at 1 January 2021	389 247
Additions	71
Disposals	(133)
As at 31 December 2021	389 186
As at 1 January 2022	389 186
Additions	(10)
Disposals	-
As at 31 December 2021	389 176
Accumulated depreciation and impairment	
As at 1 January 2021	(14 765)
Depreciation	(8 521)
As at 31 December 2021	(23 287)
As at 1 January 2022	(23 287)
Depreciation	(10 440)
As at 31 December 2022	(33 727)
Book value 31 December 2021	365 899
Book value 31 December 2022	355 449

Lease agreements

Explorer II AS has entered a bareboat lease agreement with Hurtigruten Expedition Cruises AS for the lease of the vessels MS Fridtjof Nansen and MS Roald Amundsen. The table below summarize the future nominal contractual lease payments:

<i>(in EUR 1 000)</i>	2022	2021
Within 1 year	50 000	50 000
Between 1 and 2 years	50 000	50 000
Between 2 and 3 years	7 123	50 000
Between 3 and 5 years		7 123
Later than 5 years	-	-

Impairment

Tangible assets with a defined economic life are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceed the recoverable amount. The Company performs a quarterly assessment to determine any indicators of impairment or reversal of previous recognised impairment for its vessels. An impairment loss is recognised if the carrying amount exceeds recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

IMPAIRMENT TESTS PERFORMED IN 2022

The negative impacts of the Covid-19 pandemic on the travel industry is an impairment trigger. As of 31 December 2022, the Company has assessed the carrying values of the ships for impairment.

Fair value less cost of disposal is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales. The estimated ship values, based on third-party valuation report from an independent ship broker, is higher than the carrying amount of the ships. No impairment has been recognized in the financial statements as of 31 December 2022.

Note 5 INCOME TAX

<i>(in EUR 1 000)</i>	2022	2021
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	8	6
Total Tonnage tax	8	6

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

<i>(in EUR 1 000)</i>	2022	2021
Profit/(loss) before tax from operations	27 828	29 659
Tax rate	22 %	22 %
Expected income taxes at statutory tax rate in Norway	6 122	6 525
Non-taxable income (-)	-	(2 303)
Gifts, representation and other non-deductable expenses (+)	4 225	2 620
Effect from change in valuation allowance, tax losses	731	(241)
Currency translation in tax return	(2 434)	2 560
Shipping company tax schemes - NO Tax Act only (+/-)	(8 643)	(9 161)
Income tax expense	-	-

All of the borrowings in the Company are nominated in EUR, giving no revaluation effect in the financial profit and loss statement. However, the tax papers are filed in NOK, which gives high revaluation effects in the P&L in NOK for the borrowings. This in return creates a material difference in profit/(loss) before taxes in EUR vs NOK.

Note 6 BORROWINGS

NOMINAL AND FAIR VALUE OF BORROWINGS

Nominal value at
31 December 2022

(in EUR 1 000)	Nominal value	Unamortized transaction costs	Book value	Fair value
Liabilities to financial institutions	300 000	(2 232)	297 768	282 000
Liabilities to group companies	-	-	-	-
Total	300 000	(2 232)	297 768	282 000

31 December 2021

(in EUR 1 000)	Nominal value	Unamortized transaction costs	Book value	Fair value
Liabilities to financial institutions	300 000	(3 304)	296 696	282 000
Liabilities to group companies	29 197	-	29 197	29 197
Total	329 197	(3 304)	325 893	311 197

In February 2020 the EUR 255 million Export Credit Agency facility put in place to finance the Company's two new expedition vessels, MS Roald Amundsen and MS Fridtjof Nansen was refinanced with a EUR 300 million 5-year senior secured bond with a coupon of 3,375%. The bond is secured against the two vessels MS Roald Amundsen and MS Fridtjof Nansen. The bond was listed on Oslo Stock Exchange on 10th July 2020.

MOVEMENT IN BORROWINGS

Movement in borrowings

(in EUR 1 000)	2022	2021
Total borrowings 1 January	325 893	313 720
Cash flows		
New financing		11 101
Repayments	(28 975)	-
Finance fees paid	-	-
Non-cash flow		
Reclassification	(221)	-
Accumulated interest	-	-
Amortisation of borrowing fee	1 071	1 071
Total borrowings 31 December	297 768	325 893
Of which Non-Current Liabilities to group companies	-	29 197
Of which Non-Current liabilities	282 768	296 696
Of which current liabilities	15 000	-

BOOK VALUE OF COLLATERIZED BORROWINGS

Book value of collateralized assets

(in EUR 1 000)	2022	2021
Book value of collateralized assets	355 449	365 899

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

MATURITY PROFILE OF NOMINAL BORROWINGS

<i>(in EUR 1 000)</i>	2022	2021
Less than one year	15 000	-
Between 1 and 2 years	30 000	15 000
Between 3 and 5 years	255 000	45 000
More than 5 years ¹⁾	-	269 197
Total	300 000	329 197

¹⁾For the intragroup non-current borrowings from Hurtigruten AS of EUR 29.2 million, no downpayment plan is specified in the loan agreement. In the maturity profile above, it is included in the line "More than 5 years".

BORROWINGS SPECIFIED BY CURRENCY

<i>(in 1 000)</i>	2022	2021
EUR	300 000	329 197

COVENANTS

EUR 300 million bond

Hurtigruten Group AS must maintain a Minimum Free Liquidity above EUR 15 million and the issuer Explorer II AS must maintain a minimum free liquidity above 50% of the next interest and amortisation instalment.

Note 7 Cash and cash equivalents

<i>(in EUR 1 000)</i>	2022	2021
Cash and cash equivalents	2 711	2 547
Restricted bank deposits	-	-
Cash and cash equivalents in the cash flow statement	2 711	2 547

As of December 31, 2022 there were no restricted deposits included within cash and cash equivalents.

Note 8 Paid-in equity

<i>(in EUR unless otherwise indicated)</i>	Number of ordinary shares	Nominal value (NOK)	Nominal value of ordinary shares (EUR 1,000)	Share premium and other paid-in capital (EUR 1,000)	Total
As of 1 January 2022	300	101	3	105 000	105 003
	-				
As of 31 December 2022	300	101	3	105 000	105 003

All ordinary shares have equal rights.

Shareholder as of 31 December 2022	Number of shares	Shareholding (%)
Hurtigruten Expedition Fleet AS	300	100

Note 9 Remuneration

Audit remuneration

<i>(in EUR 1 000)</i>	2022	2021
Statutory audit	16	12
Other assurance services	-	-
Total	16	12

VAT is not included in the fees specified above.

Explorer II AS had no employees in 2022 and 2021. The company's executives receive their salaries and other remuneration from Hurtigruten Global Services AS.

Note 10 Financial income and expenses

<i>(in EUR 1 000)</i>	2022	2021
Interest income on current bank deposits	143	-
Foreign exchange gains	149	9
Finance income	292	9
Interest expenses borrowings	10 133	10 061
Amortisation of borrowing fees	1 136	1 123
Interest to group companies	441	758
Foreign exchange losses	380	6
Finances expenses	12 089	11 947
Finance expenses – net	(11 797)	(11 938)

Note 11 Related parties

TRANSACTIONS WITH GROUP COMPANIES

<i>(in EUR 1 000)</i>	2022	2021
Operating revenues		
Bareboat lease to Hurtigruten Coastal AS	-	41 712
Bareboat lease to Hurtigruten Expedition Cruises AS	50 000	8 356
Total	50 000	50 068
Purchase of services		
Hurtigruten Global Services AS	2	2
Total	2	2
Interest expenses		
Interest expenses to Hurtigruten Global Sales AS	441	757
Total	441	757

INTRAGROUP BALANCES

<i>(in EUR 1 000)</i>	2022	2021
Current assets		
Current receivables from Hurtigruten Global Sales AS	11	4 380
Current receivables from Hurtigruten Coastal AS	-	100 074
Current receivables from Hurtigruten Expedition Cruises AS	-	4 247
Total	11	108 701
Non-Current liabilities		
Non-Current liabilities due to Hurtigruten Global Sales AS	-	29 197
Total	-	29 197
Current liabilities		
Payables to Hurtigruten Global Services AS	105	124
Payables to Hurtigruten Coastal AS	8	8
Payables to Hurtigruten Expedition Cruises AS	1 644	-
Payables to Hurtigruten Sjø AS	633	687
Payables to Hurtigruten Group AS	-	452
Payables to Hurtigruten Global Sales AS	233	141
Total	2 621	1 412

Note 12 Financial risk management

MARKET RISK

a) Currency risk

Explorer II AS has limited currency risk as both financing and revenue are in the company's functional currency EUR.

b) Price risk

The company has limited price risk as the revenue is fixed through long term bareboat charter agreements. The only risk is connected to the price level on renewal.

c) Interest rate risk

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. Currently the company's long-term debt is at a fixed rate of 3,375%.

Credit and liquidity risk

The company has some credit risk, given that their source of income comes from one party, i.e. Hurtigruten Expedition Cruises AS (group company). The current situation with pandemic affecting the industry, has substantially reduced the Groups earnings, but the Group has secured funding to ensure sufficient liquidity for all the Groups companies.

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.

The table below provides an indicative debt repayment schedule in nominal values over the coming 5-year period. See also note 6 for further details on borrowings.

<i>(in EUR 1 000)</i>	Less than one year	Between one and two years	Between three and five years	More than five years
Trade Payables	27	-	-	-
Interes bearing liabilites	25 125	39 366	259 303	-
Other liabilities	2 665	-	-	-
Total inmpact on liquidity	27 817	39 366	259 303	-

Note 13 Financial Assets and Liabilities

The following principles has been used for subsequent measurement of financial assets and liabilities

<i>(in EUR 1 000)</i>	Amortised cost	Total carrying value	Fair value
Assets as per balance sheet			
Trade receivables and other receivables (note 11)	119 968	119 968	119 968
Cash and cash equivalents (note 7)	2 711	2 711	2 711
Total	122 679	122 679	122 679
Liabilities as per balance sheet			
Interest bearing debt (note 6)	(297 768)	(297 768)	(282 000)
Trade and other liabilities (note 11)	(6 237)	(6 237)	(6 237)
Total	(304 005)	(304 005)	(288 237)

Difference between carrying value and fair value for the non-current interest-bearing debt in 2022 is related to the bond. The carrying amount for short term receivables and payables has been assessed and does not differ materially from fair value.

Balance at 31 December 2021

<i>(in EUR 1 000)</i>	Amortised cost	Total carrying value	Fair value
Assets as per balance sheet			
Trade receivables and other receivables (note 11)	108 701	108 701	108 701
Cash and cash equivalents (note 7)	2 547	2 547	2 547
Total	111 248	111 248	111 248
Liabilities as per balance sheet			
Non-current interest bearing debt (note 6)	(325 893)	(325 893)	(311 197)
Trade and other liabilities (note 11)	(4 984)	(4 984)	(4 984)
Total	(330 877)	(330 877)	(316 180)

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 2022 or 2021.

Note 14 Events after balance sheet date

There are no material events after balance sheet date that would have any material effect on the financial statements of the Company.

RESPONSIBILITY STATEMENT

The Board of Directors have reviewed and approved the Directors' report and the financial statements for Explorer II AS ("Company") for the 2022 calendar year and as of December 31, 2022.

The financial statements for the Company have been prepared in accordance with International Reporting Standards (IFRS) as adopted by the European Union.

We confirm to the best of our knowledge that:

- The financial statements for the Company for the year ended 31 December 2022 have been prepared in accordance with applicable accounting standards
- The financial statements give a true and fair view of the assets, liabilities, financial position and results as of December 31, 2022 for the Company
- The Directors' report gives a true and fair review of the development, performance and financial position of the Company and includes a description of the principal risks and uncertainties the Company faces.



Torleif Ernstsen
Chairman

The Board of Directors of Explorer II AS
Oslo, 26 April 2023



Kenneth Andersen
Board Member



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 (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 6 years from the election by the general meeting of the shareholders on 18 May 2017 for the accounting year 2017.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other Information

The Board of Directors (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information



comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Explorer II AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Annual Report Explorer II AS 2022.xhtml, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.



Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 26 April 2023

PricewaterhouseCoopers AS

Stig Lund

State Authorised Public Accountant

(This document is signed electronically)