



# Explorer II AS 4Q 2021

Interim Financial Statements

Fourth quarter 2021

Published 28 February 2022

## Key figures<sup>1)</sup>

(EUR 1 000)	Q4 2021	Q4 2020	% Change	01.01-31.12 2021	01.01-31.12 2020	% Change
Operating revenue	12 603	12 534	1 %	50 068	44 833	12 %
<b>Total revenue</b>	<b>12 603</b>	12 534	1 %	<b>50 068</b>	44 833	12 %
<b>EBITDA</b>	<b>12 616</b>	12 389	2 %	<b>50 118</b>	44 297	13 %

<sup>1)</sup> The figures presented in this report are unaudited

## Operational review

Explorer II AS is a shipping company located in Oslo within the Hurtigruten Group (Hurtigruten). Its purpose is to invest in, and lease out, under bareboat charter agreements, specialised cruise vessels for the operation in other Hurtigruten Group companies. As of December 31, 2021, Explorer II AS owned the two hybrid-powered expedition ships, MS Roald Amundsen and MS Fridtjof Nansen. MS Roald Amundsen was delivered from Green Yard Kleven yard in June 2019 and started its operation in July 2019. In December 2019, its sister ship MS Fridtjof Nansen was delivered and started its operations in the first quarter of 2020. 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 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's vision of becoming the world's leading expedition travel company by offering authentic and accessible experiences to travellers who wish to explore and travel in a sustainable way. Both vessels are operated by Hurtigruten Expedition Cruises AS, a sister company within the Hurtigruten Group.

MS Roald Amundsen and MS Fridtjof Nansen are state of the art battery-hybrid powered expedition vessels. They have received excellent guest feedback on the overall onboard experience among others in the Hurtigruten fleet.

## Financial review

### Profit and loss

Operating revenue in the fourth quarter of 2021 amounted to EUR 12.6 million compared to EUR 12.5 million for the same period last year. Operating revenues for all quarters of 2021 were EUR 50,1 million compared to EUR 44,8 million for the same period last year. Revenues for the year include bareboat charter for both MS Roald Amundsen and MS Fridtjof Nansen, while the comparative figures include bareboat charter for MS Fridtjof Nansen from 24 February 2020 when the ship started its operation. At the same date, the charter contract for MS Roald Amundsen was renegotiated to reflect a reduced lease period with increased lease fee.

Net financial expenses in the fourth quarter of 2021 were EUR 3.2 million compared to EUR 3.0 million for the fourth quarter of 2020. Net financial expenses for the year were EUR 11,9 million compared to EUR 20.8 million for the same period last year. 2020 included full amortization of the fees paid for the Export Credit Agency ("ECA") facility established in 2019, which was refinanced with the bond in 2020.

Net income in the fourth quarter of 2021 was EUR 7.2 million, compared to a net income of EUR 6.5 million in the same period last year.

### Financial position and liquidity

#### Balance sheet

Non-current assets consist of the ships MS Fridtjof Nansen and MS Roald Amundsen. Carrying value as of 31 December 2021, was EUR 365.9 million (EUR 374.5 million at 31 December 2020). Given the current situation in the cruise industry caused by the Covid-19 pandemic, the Company performed an impairment review at year-end. Due to the financial solidity and liquidity of the Company, the underlying value of the vessels and the general interest in cruise travel post the pandemic the assessment concluded that there was no impairment needed on the ships carrying value.

In the second quarter of 2019, the company drew on the ECA credit facility entered into in 2017 for

financing the purchase of the two vessels, in the amount of EUR 260 million. At year-end 2019, the facility was fully drawn. In February 2020 the company replaced its existing ECA credit facility of EUR 260 million with a bond of EUR 300 million. The bond has a 5-year tenor with semi-annual interest payments of 3.375% p.a. and was listed at Oslo Stock Exchange on 10 July 2020. The carrying value of the bond was EUR 296.7 million as of 31 December 2021.

In March 2020, the company converted a total of EUR 105.0 million of debt to the parent company Hurtigruten AS to equity.

The equity ratio was 30.7% at 31 December 2021, compared to 26.8% at 31 December 2020.

#### Cash flow

Net cash flow from operating activities in the fourth quarter of 2021 was an outflow of EUR 0.25 million (outflow of EUR 0.21 million in the same quarter last year). The change is mainly from working capital movements.

Net cash flow from investment activities was an outflow of EUR 0 million in the fourth quarter of 2021 compared to an outflow of EUR 0.09 million in the fourth quarter of 2020. For the year net cash outflow from investment activities were EUR 0.07 million compared to an outflow of EUR 17.4 million for the same period last year. The investments in 2020 were related to the remaining payments for MS Fridtjof Nansen.

Net cash flow from financing activities for the fourth quarter of 2021 carried an inflow of EUR 0.2 million compared to an inflow of EUR 0.3 million in the fourth quarter of 2020. For the year the company had an inflow of EUR 0.97 million compared to an inflow of EUR 22.21 million in the same period last year. In 2020, proceeds from the EUR 300 million bond issue, was partly offset by repayments of the ECA facility and Group borrowings.

Cash and cash equivalents in the cash flow statement was EUR 2.5 million at 31 December 2021. At year-end 2020, cash and cash equivalents in the statement of financial position was EUR 2.6 million.

## Outlook

Up to the date of this report, travel restrictions have been fully removed or are in the process of being removed across all key source markets and destinations which gives a strong and positive outlook for Hurtigruten Group over the coming quarters even if first quarter of 2022 still will be impacted by the pandemic.

Bookings for the 12-month period from second quarter 2022 to first quarter 2023 are above pre-pandemic levels and at higher yields across all business units. Which supports the rapid financial recovery post the pandemic. Based on the current outlook with regards to the pandemic, the Board of Directors of Hurtigruten Group expects that the financial performance is back at normal pre pandemic levels from the second quarter of 2022.

## Risks and uncertainties

The risks described below are not the only risks the Company faces.

Additional risks and uncertainties not currently known to the Group or that Group currently deems to be immaterial may also materially adversely affect the business, financial condition or results of operations. The global Covid-19 pandemic has had, and will continue to have, a material adverse impact on our business and results of operations. The global spread of the Covid-19 pandemic and the unprecedented responses by governments and other authorities to control and contain the spread has caused significant disruptions, created new risks, and exacerbated existing risks to our business.

The Hurtigruten Group has been negatively impacted by the Covid-19 pandemic, including impacts that resulted from actions taken in response to the outbreak. Examples of these include, but are not

Bookings for 2023 are off to an excellent start with bookings approx. 33% higher than same time two years ago. This shows that there is a strong underlying demand for travelling from all source markets and towards all destinations.

The Board of Directors are closely monitoring the liquidity situation as we move forward and believes that the liquidity resources currently available and the plans that have been put in place are sufficient to ensure the funding of the company.

The ultimate shareholders of the company have confirmed that they remain supportive and have indicated that they would be willing to consider providing additional liquidity, if necessary. The ultimate shareholders commitment to Hurtigruten Group was evident with the EUR 75 million subordinated shareholder loan facility provided in September 2021.

limited to, travel bans, restrictions on the movement and gathering of people, social distancing measures, shelter-in-place/stay-at-home orders, and disruptions to businesses in our supply chain. In addition to the imposed restrictions affecting our business, the extent, duration, and magnitude of the Covid-19 pandemic's effect on the economy and consumer demand for cruising and travel is still rapidly fluctuating and difficult to predict.

As the rest of the cruise and maritime industry, Explorer II AS is subject to complex laws and regulations, including environmental, health and safety laws and regulations, which could adversely affect the operations and any change in the current laws and regulations could lead to increased costs or decreased revenue.

The Company may be exposed to litigation and legal claims.

# Interim financial statements

## Condensed statement of income

### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>01.01-31.12 2021</b>	<b>01.01-31.12 2020</b>
Operating revenue		12 603	12 534	50 068	44 833
<b>Total revenues</b>		<b>12 603</b>	<b>12 534</b>	<b>50 068</b>	<b>44 833</b>
Depreciation		(2 128)	(3 133)	(8 521)	(11 763)
Operating costs		(27)	(68)	(61)	(484)
Other gains/(losses)		41	156	110	(53)
<b>Operating profit/(loss)</b>		<b>10 488</b>	<b>9 489</b>	<b>41 597</b>	<b>32 533</b>
Financial income		-	-	-	-
Financial expenses		(3 214)	(3 017)	(11 941)	(20 566)
Net foreign exchange gains/(losses)		0	(0)	3	(259)
<b>Net financial items</b>	<b>4</b>	<b>(3 214)</b>	<b>(3 017)</b>	<b>(11 938)</b>	<b>(20 825)</b>
<b>Profit/(loss) before income tax</b>		<b>7 274</b>	<b>6 472</b>	<b>29 659</b>	<b>11 708</b>
<b>Net income</b>		<b>7 274</b>	<b>6 472</b>	<b>29 659</b>	<b>11 708</b>

## Condensed statement of comprehensive income

### Unaudited

<i>(EUR 1 000)</i>	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>01.01-31.12 2021</b>	<b>01.01-31.12 2020</b>
<b>Net income</b>	<b>7 274</b>	<b>6 472</b>	<b>29 659</b>	<b>11 708</b>
<b>Total comprehensive income for the period</b>	<b>7 274</b>	<b>6 472</b>	<b>29 659</b>	<b>11 708</b>

## Condensed statement of financial position

### Unaudited

(EUR 1 000)		Note	31.12 2021	31.12 2020
<hr/>				
Ships			365 899	374 481
<b>Total non-current assets</b>			<b>365 899</b>	<b>374 481</b>
<hr/>				
Intragroup trade receivables	5		108 701	58 321
Other current receivables	5		-	15
Cash and cash equivalents	5		2 547	2 554
<b>Total current assets</b>			<b>111 248</b>	<b>60 891</b>
<hr/>				
<b>Total assets</b>			<b>477 147</b>	<b>435 372</b>
<hr/>				
<b>EQUITY</b>				
Share capital			3	3
Share premium			105 000	105 000
Paid -in capital			105 003	105 003
Retained earnings			41 265	11 606
<b>Total equity</b>			<b>146 268</b>	<b>116 609</b>
<hr/>				
Interest-bearing liabilities	3,5		296 696	295 625
Interest-bearing liabilities to group companies	3,5		29 197	18 095
<b>Total non-current liabilities</b>			<b>325 893</b>	<b>313 720</b>
<hr/>				
Accounts payables	5		2	(15)
Income tax payable			1	7
Intragroup trade payables	5		1 412	1 372
Other current liabilities			3 572	3 664
<b>Total current liabilities</b>			<b>4 986</b>	<b>5 027</b>
<hr/>				
<b>Total equity and liabilities</b>			<b>477 147</b>	<b>435 357</b>
<hr/>				

## Condensed statement of changes in equity

Unaudited

(EUR 1 000)	01.01-31.12.2021			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
<b>Equity at beginning of the period</b>	<b>3</b>	<b>105 000</b>	<b>11 607</b>	<b>116 610</b>
Net income	-	-	29 659	29 659
<b>Equity at the close of the period</b>	<b>3</b>	<b>105 000</b>	<b>41 266</b>	<b>146 269</b>

(EUR 1 000)	01.01-31.12.2020			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
<b>Equity at beginning of the period</b>	<b>3</b>	<b>-</b>	<b>(102)</b>	<b>(99)</b>
Net income	-	-	11 708	11 708
<b>Transaction with owners:</b>				<b>-</b>
Capital increase	-	105 000	-	105 000
<b>Equity at the close of the period</b>	<b>3</b>	<b>105 000</b>	<b>11 606</b>	<b>116 609</b>



## Condensed statement of cash flows

### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>01.01-31.12 2021</b>	<b>01.01-31.12 2020</b>
<b>Cash flows from operating activities</b>					
Profit/(loss) before income tax		<b>7 274</b>	6 472	<b>29 659</b>	11 708
<i>Adjustments for:</i>					
Depreciation, amortisation and impairment losses		<b>2 128</b>	3 133	<b>8 521</b>	11 763
Interest expenses	4	<b>3 214</b>	3 017	<b>11 941</b>	20 566
Change in working capital		<b>(12 826)</b>	(12 828)	<b>(51 044)</b>	(46 536)
Other adjustments		<b>(45)</b>	(2)	<b>13</b>	257
<b>Net cash flows from (used in) operating activities</b>		<b>(254)</b>	(208)	<b>(910)</b>	(2 242)
<b>Cash flows from investing activities</b>					
Purchase of property, plant, equipment (PPE)		<b>0</b>	(89)	<b>(71)</b>	(20 258)
Change in restricted cash		-	-	-	2 820
<b>Net cash flows from (used in) investing activities</b>		<b>0</b>	(89)	<b>(71)</b>	(17 438)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	-	-	300 000
Repayment of borrowings to financial institutions		-	-	-	(254 583)
Net change of borrowings to group companies		-	(0)	<b>11 101</b>	(10 822)
Paid interest and fees	4	<b>240</b>	(49)	<b>(10 127)</b>	(12 389)
Payment of dividend			356		
<b>Net cash flows from (used in) financing activities</b>		<b>240</b>	307	<b>974</b>	22 206
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<b>(14)</b>	10	<b>(8)</b>	2 525
Cash and cash equivalents at the beginning of period		<b>2 561</b>	2 545	<b>2 554</b>	23
<b>Cash and cash equivalents at end of period</b>		<b>2 547</b>	2 554	<b>2 547</b>	2 548
Restricted cash		-	-	-	0
<b>Cash and cash equivalents in the statement of financial position</b>		<b>2 547</b>	2 554	<b>2 547</b>	2 548



# Notes to the condensed financial statements

## Note 1 Accounting policies

The interim financial report for Explorer II AS 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 2020.

The annual report for 2020 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 2020.

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 of the company. The company main source of income is from Hurtigruten Cruise AS, a sister-company within the Silk Topco Group, where currently the operations is affected by the Covid-19 pandemic. However, the funding position within Silk Topco Group is sound. The company's financing through the issued bond is at a fixed rate. Any market fluctuations will not affect the financing charge. Information concerning the most important risks and uncertainties is disclosed in the latest annual report.

## Note 3 Interest-bearing liabilities

	31.12 2021	31.12 2020
(EUR 1 000)		
<b>Non-current interest-bearing liabilities</b>		
Bond	296 696	295 625
Interest-bearing liabilities to group companies	29 197	18 095
<b>Total interest-bearing liabilities</b>	<b>325 893</b>	<b>313 720</b>

The interest-bearing liabilities in the company is classified as financial liabilities measured at amortised cost. During the first quarter of 2020, the company issued a EUR 300 million bond to refinance the existing ECA credit facility of EUR 260 million, drawn to purchase the vessels in 2019.

## Maturity profile in nominal value

The below maturity schedule reflects the borrowings at nominal values.

	31.12 2021	31.12 2020	31.12. 2020
(EUR 1 000)			
Year 4 and 5	255 000	45 000	45 000
More than 5 years	29 197	273 095	273 095
<b>Total</b>	<b>329 197</b>	<b>318 095</b>	<b>318 095</b>
Unamortised transaction cost	(3 304)	(4 375)	(4 375)
<b>Total carrying value in balance sheet</b>	<b>325 893</b>	<b>313 720</b>	<b>313 720</b>

**Note 4 Net financial items**

	Q4	Q4	01.01-31.12	01.01-31.12
(EUR 1000)	2021	2020	2021	2020
Interest expense and amortized borrowing fees	(3 214)	(3 035)	(11 941)	(20 566)
Financial expenses	(3 214)	(3 035)	(11 941)	(20 566)
Net foreign exchange gains/(losses)	0	(18)	3	(259)
<b>Net financial items</b>	<b>(3 214)</b>	<b>(3 053)</b>	<b>(11 938)</b>	<b>(20 825)</b>

**Note 5 Financial assets and liabilities at fair value**

The following principles have been applied for the subsequent measurement of financial assets and liabilities:

	31.12	31.12	31.12.
(EUR 1000)	2021	2020	2020
	Amortised Cost (AC)	Amortised Cost (AC)	Amortised Cost (AC)
<b>Assets as per balance sheet</b>			
Current intragroup receivables and other receivables	108 701	58 337	58 337
Cash and cash equivalents	2 547	2 554	2 554
<b>Total</b>	<b>111 248</b>	<b>60 891</b>	<b>60 891</b>
<b>Liabilities as per balance sheet</b>			
Non-current interest-bearing liabilities	296 696	295 625	295 625
Non-current interest-bearing liabilities to Group companies	29 197	18 095	18 095
Current interest-bearing liabilities	-	-	-
Trade payables and other short term payables	1 413	1 357	1 372
<b>Total</b>	<b>327 306</b>	<b>315 077</b>	<b>315 093</b>

The carrying value for the financial assets and liabilities has been assessed and does not differ materially from fair value, except for the non-current interest-bearing liabilities (bond). Fair value of the bond at 30 September 2021 was EUR 261.5 million (EUR 261.5 million at 31 December 2020).

**Note 6 Covid-19**

Our business continues to be impacted by the Covid-19 pandemic. The level of international travel has picked up but will most likely remain below normal levels in the first quarter of 2022. The Covid-19 pandemic has created a challenging business environment for the Group, and an unprecedented uncertainty of potential negative impact on the financial performance. For the Group, these events are impairment triggers, and as such, as of the end of the fourth quarter of 2021, the Group has assessed the carrying values of the Group's assets for impairment according to the requirements in IAS 36. The value in use has been estimated for the Groups' ships on a cash generating unit level and has been calculated based on the present value of estimated future cash flows. The projected cash flows represent management's best estimate for further ramp-up in operations after the Covid-19 effects on the travel industry. The impairment tests are supported by the booking development for 2022 and 2023. As of year-end, the estimated value in use was equal to or higher than the carrying value of the assets, and no impairment were recognized in the financial statements.

## **Note 7 Events after the reporting period**

No events of significance have occurred after the reporting period.

## **Responsibility Statement**

We confirm that, to the best of our knowledge, the condensed interim financial statements for the fourth quarter of 2021, which have been prepared in accordance with IFRS as adopted by the European Union, and *IAS 34 Interim Financial Reporting*, give a true and fair view of the Company's assets, liabilities, financial position and results of operations. To the best of our knowledge, the interim report for the fourth quarter of 2021 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements and the principal risks and uncertainties for 2021.

Oslo, 28 February 2022

The Board of Directors of Explorer II AS

**Torleif Ernstsen**  
*Chairman*

**Kenneth Andersen**  
*Board member*