



# Explorer II AS

Third Quarter 2022

Published 29 November 2022

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

<i>(EUR 1 000)</i>	<b>3rd quarter 2022</b>	3rd quarter 2021	% Change	<b>01.01-30.09 2022</b>	01.01-30.09 2021	% Change	Full year 2021
Operating revenue	<b>12 603</b>	12 603	0 %	<b>37 397</b>	37 466	0 %	50 068
<b>Total revenue</b>	<b>12 603</b>	12 603	0 %	<b>37 397</b>	37 466	0 %	50 068
<b>EBITDA</b>	<b>12 692</b>	12 598	1 %	<b>37 483</b>	37 501	0 %	50 117

<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 30 September 2022, 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. In December 2019, its sister ship MS Fridtjof Nansen was delivered.

MS Roald Amundsen and MS Fridtjof Nansen have an ice-reinforced hull, a total length of 140 metres and are able to carry 530 guests. The hybrid technology engines 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 third quarter of 2022 amounted to EUR 12.6 million compared to EUR 12.6 million for the same period last year. Revenues for the year include bareboat charter for both MS Roald Amundsen and MS Fridtjof Nansen.

Net financial expenses in the third quarter of 2022 were EUR 2.8 million compared to EUR 2.8 million for the third quarter of 2021.

Net income in the third quarter of 2022 was EUR 7.1 million, compared to a net income of EUR 7.6 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 30 September 2022, was EUR 358.1 million (EUR 365.9 million on 31 December 2021). Given the previous situation in the cruise industry caused by the Covid-19 pandemic, the Company involved a third-party, independent ship broker, to perform an impairment review at year-end. The estimated ship values based on the third-party valuation report is higher than the carrying amount of the ships. No impairment was recognized in the financial statements as of 31 December 2021.

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 297.5 million as of 30 September 2022.

The equity ratio was 35.6% on 30 September 2022, compared to 30.7% as of 31 December 2021.

#### Cash flow

Net cash flow from operating activities in the third quarter of 2022 was EUR 4.9 million (outflow of EUR 0.219 million in the same quarter last year). The change is mainly from working capital movements.

Net cash flow from investment activities was 0 EUR in the third quarter of 2022 compared to an outflow of EUR 0.08 million in the third quarter of 2021.

Net cash flow from financing activities for the third quarter of 2022 carried an outflow of EUR 5 million compared to an inflow of EUR 0,2 million in the third quarter of 2021.

Cash and cash equivalents in the cash flow statement was EUR 2.61 million on 30 September 2022. At year-end 2021, cash and cash equivalents in the statement of financial position was EUR 2.55 million.

## Outlook

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 and Explorer II AS.

The first quarter of 2023 sees a good traction and as of 26 November, the first quarter bookings are at EUR 115 million which is 10% higher compared to the same period three years ago (first quarter of 2020 -pre-Covid-19) and 77 % higher compared to the booked revenue achieved in the first quarter of 2022

We are continuing to see a change in booking patterns with guest booking closer to departure. For the 9-month period from October 2022 to June 2023 the bookings are, as of 26 November, at EUR 301 million which is 3% lower compared to the same 9-month period pre pandemic, bookings last 30 days for the period is up 21% (EUR 4.6 million) compared with the same period three years ago.

Overall booking momentum is improving and for the last 14 days average daily new sales were at EUR 2 million, which is up 44% vs. the 14-day period prior and 28% higher than the same period in 2019 three years ago.

The Board of Directors expects the financial performance of the Company to continue to improve towards above pre-pandemic levels over the next 12 months.

Hurtigruten Group is closely monitoring the liquidity situation as the financial performance continues to recover and we are currently investing in environmental upgrades for the Hurtigruten Norway fleet. The Board of Directors believes that the liquidity resources currently available and the plans that have been put in place are sufficient to ensure the long-term funding of Hurtigruten Group and Explorer II AS.

## Risks and uncertainties

Explorer II AS and Hurtigruten Group are subject to a range of risks and uncertainties which may affect its business operations, results and financial condition. An evaluation of Hurtigruten Group's main risks has been performed as part of the overall enterprise risk assessment. The risk description in Hurtigruten Group's Annual Report 2021 gives a fair description of principal risks and uncertainties that may affect Explorer II and Hurtigruten Group, and the company is not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described below.

The global Covid-19 pandemic has had a material adverse impact on our business and results of operations. The global spread of Covid-19 and the unprecedented responses by governments and other authorities to control and contain the spread of this virus has caused significant disruptions to our operations, 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 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. We believe we are now at the end of the impact from Covid-19 on our business as restrictions are being lifted in most countries and booking numbers are increasing. However, there are still examples of local regulations impacting the operations of Hurtigruten Expeditions, and the risk of new virus mutations and infection waves cannot completely be ruled out.

The Russian invasion of Ukraine in late February 2022 has brought increased geopolitical risks to global markets and business operations. The conflict has adversely affected global and regional economic conditions and triggered volatility in energy prices.

High inflation, and thereby falling levels of real income could reduce the demand for cruises and adventure travel. A broad and sustained downturn in demand, combined with interest rate hikes by central banks, could lead to a recession in the

global economy. Despite the potential impact on global demand, there are indications that Hurtigruten Group's customer base may be less adversely affected by a recession than other segments of the population.

Interest rate movements and the overall condition of the credit market influence the ability of Hurtigruten Group and Explorer II AS to refinance debt obligations. Hurtigruten Group has acquired a significant portion of debt over the past few years. Loans approaching maturity in combination with volatile global markets are increasing the risk of Hurtigruten Group not being able to refinance its loans in the market at favourable terms, or in the worst-case scenario not able to refinance at all.

## Interim financial statements

### Condensed statement of income

#### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>3rd quarter 2022</b>	3rd quarter 2021	<b>01.01-30.09 2022</b>	01.01-30.09 2021	Full year 2021
Operating revenue		<b>12 603</b>	12 603	<b>37 397</b>	37 466	50 068
<b>Total revenues</b>		<b>12 603</b>	12 603	<b>37 397</b>	37 466	50 068
Depreciation		<b>(2 610)</b>	(2 128)	<b>(7 830)</b>	(6 392)	(8 521)
Operating costs		<b>(3)</b>	(6)	<b>(37)</b>	(34)	(61)
Other gains/(losses)		<b>92</b>	2	<b>123</b>	70	110
<b>Operating profit/(loss)</b>		<b>10 082</b>	10 470	<b>29 654</b>	31 110	41 596
<b>Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)</b>		<b>12 692</b>	12 598	<b>37 483</b>	37 501	50 117
Financial income		-	-	-	(13)	-
Financial expenses		<b>(2 802)</b>	(2 821)	<b>(8 896)</b>	(8 713)	(11 941)
Net foreign exchange gains/(losses)		<b>(139)</b>	-	<b>(246)</b>	-	3
<b>Net financial items</b>	<b>4</b>	<b>(2 942)</b>	(2 821)	<b>(9 142)</b>	(8 727)	(11 938)
<b>Profit/(loss) before income tax</b>		<b>7 140</b>	7 649	<b>20 512</b>	22 383	29 658
Income taxes		-	-	-	-	-
<b>Net income</b>		<b>7 140</b>	7 649	<b>20 512</b>	22 383	29 658

### Condensed statement of comprehensive income

#### Unaudited

<i>(EUR 1 000)</i>		<b>3rd quarter 2022</b>	3rd quarter 2021	<b>01.01-30.09 2022</b>	01.01-30.09 2021	Full year 2021
<b>Net income</b>		<b>7 140</b>	7 649	<b>20 512</b>	22 383	29 658
<b>Total comprehensive income for the period</b>		<b>7 140</b>	7 649	<b>20 512</b>	22 383	29 658



## Condensed statement of financial position

### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>30.9. 2022</b>	30.9. 2021	31.12. 2021
<b>Ships</b>		<b>358 059</b>	368 027	365 899
<b>Total non-current assets</b>		<b>358 059</b>	368 027	365 899
Intragroup trade receivables	5	<b>107 209</b>	96 039	108 701
Other current receivables	5	-	13	-
Cash and cash equivalents	5	<b>2 614</b>	2 543	2 547
<b>Total current assets</b>		<b>109 823</b>	98 595	111 248
<b>Total assets</b>		<b>467 882</b>	466 622	477 147
<b>EQUITY</b>				
Share capital		<b>3</b>	3	3
Share premium		<b>105 000</b>	105 000	105 000
Paid -in capital		<b>105 003</b>	105 003	105 003
Retained earnings		<b>61 777</b>	33 991	41 265
<b>Total equity</b>		<b>166 780</b>	138 994	146 268
<b>LIABILITIES</b>				
Interest-bearing liabilities	3,5	<b>282 500</b>	296 428	296 696
Interest-bearing liabilities to group companies	3,5	<b>0</b>	28 956	29 197
<b>Total non-current liabilities</b>		<b>282 500</b>	325 384	325 893
Current interest-bearing liabilities	3,5	<b>15 000</b>	-	-
Accounts payables	5	<b>1</b>	-	-
Income tax payable		<b>1</b>	4	1
Intragroup trade payables	5	<b>2 562</b>	1 400	1 412
Other current liabilities		<b>1 040</b>	841	3 572
<b>Total current liabilities</b>		<b>18 602</b>	2 245	4 984
<b>Total equity and liabilities</b>		<b>467 882</b>	466 622	477 147

## Condensed statement of changes in equity

Unaudited

<i>(EUR 1 000)</i>	01.01-30.09.2022			
	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>41 266</b>	<b>146 269</b>
Net income	-	-	20 512	20 512
<b>Equity at the close of the period</b>	<b>3</b>	<b>105 000</b>	<b>61 777</b>	<b>166 780</b>

<i>(EUR 1 000)</i>	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>146 268</b>



## Condensed statement of cash flows

### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>3rd quarter 2022</b>	3rd quarter 2021	<b>01.01- 30.09 2022</b>	01.01- 30.09 2021	Full year 2021
<b>Cash flow from operating activities</b>						
Profit/(loss) before income tax		7 140	7 649	20 512	22 385	29 659
<i>Adjustments for:</i>						
Depreciation, amortisation and impairment losses		2 610	2 128	7 830	6 393	8 521
Interest expenses	4	2 802	2 821	8 896	8 727	11 941
Change in working capital		(7 707)	(12 815)	(3 263)	(38 236)	(51 044)
Other adjustments		48	(2)	123	58	13
<b>Net cash flow from (used in) operating activities</b>		<b>4 894</b>	<b>(219)</b>	<b>34 097</b>	<b>(674)</b>	<b>(910)</b>
<b>Cash flow from investing activities</b>						
Purchase of property, plant, equipment (PPE)		-	(8)	10	(71)	(71)
Change in restricted cash		-	-	-	-	-
<b>Net cash flows from (used in) investing activities</b>		<b>-</b>	<b>(8)</b>	<b>10</b>	<b>(71)</b>	<b>(71)</b>
<b>Cash flow from financing activities</b>						
Proceeds from borrowings		-	-	-	-	-
Repayment of borrowings to financial institutions		-	-	-	-	-
Net change of borrowings to group companies		-	5 270	(28 975)	10 861	11 101
Paid interest and fees	4	(5 065)	(5 063)	(5 065)	(10 127)	(10 127)
<b>Net cash flow from (used in) financing activities</b>		<b>(5 065)</b>	<b>209</b>	<b>(34 040)</b>	<b>733</b>	<b>974</b>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<b>(171)</b>	<b>(17)</b>	<b>67</b>	<b>(12)</b>	<b>(8)</b>
Cash and cash equivalents at the beginning of period		2 785	2 561	2 547	2 554	2 554
<b>Cash and cash equivalents at end of period</b>		<b>2 614</b>	<b>2 544</b>	<b>2 614</b>	<b>2 544</b>	<b>2 547</b>

## 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 2021.

The annual report for 2021 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 2021.

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 Expeditions Cruise AS, a sister company within the Silk Topco Group. 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 financial review.

### Note 3 Interest-bearing liabilities

<i>(EUR 1 000)</i>	<b>30.9. 2022</b>	30.9. 2021	31.12. 2021
<b>Non-current interest-bearing liabilities</b>			
Bond	<b>282 500</b>	296 428	296 696
Interest-bearing liabilities to group companies	-	28 956	29 197
<b>Total</b>	<b>282 500</b>	<b>325 385</b>	<b>325 893</b>
<b>Current interest bearing debt</b>			
Collateralized borrowings	<b>15 000</b>	-	-
Interest-bearing liabilities to group companies	<b>221</b>	-	-
<b>Total</b>	<b>15 221</b>	-	-
<b>Total interest-bearing liabilities</b>	<b>297 721</b>	325 385	325 893

The interest-bearing liabilities in the company is classified as financial liabilities measured at amortised cost.

### Maturity profile in nominal value

The below maturity schedule reflects the borrowings at nominal values.

	<b>30.9.</b>	30.9.	31.12.
<i>(EUR 1 000)</i>	<b>2022</b>	2021	2021
Less than one year	<b>15 221</b>	-	-
Year 2 and 3	<b>285 000</b>	-	45 000
Year 4 and 5	-	300 000	255 000
More than 5 years	-	28 956	29 197
<b>Total</b>	<b>300 221</b>	328 956	329 197
Unamortised transaction cost	<b>(2 500)</b>	(3 571)	(3 304)
<b>Total carrying value in balance sheet</b>	<b>297 721</b>	325 386	325 893

### Note 4 Net financial items

	3rd quarter	3rd quarter	01.01-30.09	01.01-30.09	Full year
<i>(EUR 1000)</i>	<b>2022</b>	2021	<b>2022</b>	2021	2021
Interest expense and amortized borrowing fees	<b>(2 802)</b>	<b>(2 821)</b>	<b>(8 896)</b>	<b>(8 727)</b>	<b>(11 941)</b>
Financial expenses	<b>(2 802)</b>	(2 821)	<b>(8 896)</b>	(8 727)	(11 941)
Net foreign exchange gains/(losses)	<b>(139)</b>	<b>(0)</b>	<b>(246)</b>	<b>2</b>	<b>3</b>
<b>Net financial items</b>	<b>(2 942)</b>	(2 821)	<b>(9 142)</b>	(8 724)	(11 938)

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

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

	<b>30.9.</b>	<b>30.9.</b>	<b>31.12.</b>
<i>(EUR 1000)</i>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	Amortised Cost (AC)	Amortised Cost (AC)	Amortised Cost (AC)
<b>Assets as per balance sheet</b>			
Current intragroup receivables and other receivables	<b>96 538</b>	96 052	108 700
Cash and cash equivalents	<b>13 285</b>	2 543	2 547
<b>Total</b>	<b>109 823</b>	98 595	111 247
<b>Liabilities as per balance sheet</b>			
Non-current interest-bearing liabilities	<b>282 500</b>	296 428	296 696
Non-current interest-bearing liabilities to Group companies	<b>0</b>	28 956	29 197
Current interest-bearing liabilities	<b>15 000</b>	-	-
Trade payables and other short term payables	<b>2 561</b>	1 400	1 412
<b>Total</b>	<b>300 061</b>	326 784	327 305

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 on 30 September 2022 was EUR 252.81 million (EUR 261.5 million at 31 December 2021).

**Note 7 Events after the reporting period**

No events of significance have occurred after the reporting period.