



# Explorer II AS

Fourth Quarter 2022

Published 28 February 2023

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

<i>(EUR 1 000)</i>	<b>4th quarter 2022</b>	4th quarter 2021	% Change	<b>01.01-31.12 2022</b>	01.01-31.12 2021	% Change
Operating revenue	<b>12 603</b>	12 603	0 %	<b>50 000</b>	50 068	0 %
<b>Total revenue</b>	<b>12 603</b>	12 603	0 %	<b>50 000</b>	50 068	0 %
<b>EBITDA</b>	<b>12 581</b>	12 616	0 %	<b>50 065</b>	50 118	0 %

<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 31 December 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 fourth 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 fourth quarter of 2022 were EUR 2.6 million compared to EUR 3.2 million for the fourth quarter of 2021.

Net income in the fourth quarter of 2022 was EUR 7.3 million, compared to EUR 7.2 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 2022, was EUR 355.4 million (EUR 365.9 million 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 297.8 million as of 30 December 2022.

The equity ratio was 36.4% as of 31 December 2022, compared to 30.7% as of 31 December 2021.

### Cash flow

Net cash inflow from operating activities in the fourth quarter of 2022 was EUR 0.1 million (outflow of EUR 0.3 million in the same quarter last year). The change is mainly explained by working capital movements.

Net cash flow from investment activities was EUR zero in the fourth quarter of 2022 compared to an outflow of EUR zero in the fourth quarter of 2021.

Net cash flow from financing activities in the fourth quarter of 2022 was EUR zero compared to an inflow of EUR 0.2 million in the fourth quarter of 2021.

Cash and cash equivalents was EUR 2.7 million as of 31 December 2022. At year-end 2021 cash and cash equivalents was EUR 2.5 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

As of 27 February 2023, 1H bookings for Hurtigruten Group are at EUR 254 million which is 30% higher compared to the EUR 196 million same time last year for 1H 2022. For full year 2023 Hurtigruten Group currently has EUR 432 million in pre-booked revenue (excluding the EUR 67 million related to the contract revenue received from the Norwegian Government) which is approx. 60% of the expected revenue related to total pre-booked ticket sales for 2023.

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.

## Risks and uncertainties

Explorer II 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 the Annual Report 2021 gives a fair description of principal risks and uncertainties that may affect 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 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, 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. In January 2022, the Group entered a new derivatives contract to hedge a portion of the forecasted total fuel consumption, approximately 49% for 2022 and 15% for 2023.

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 play a role in Hurtigruten Group's ability to refinance its 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.

Hurtigruten Group is closely monitoring the liquidity situation as the financial performance continues to recover. The ultimate shareholders of the company have supported the liquidity position with shareholder loans when required.

On the 21st of February the Group announced a refinancing and capitalization transaction which includes i) refinancing of the EUR 176,5m June 23 maturities ii) extension of the loans which matures in 2025 and 2024 with 2 years and iii) additional shareholder funding of EUR 80m in addition to the EUR 15m of shareholder funding provided in January 2023. This transaction will give the Company a solid financial position in order to further develop the Company.

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.

## Interim financial statements

### Condensed statement of income

#### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>4th quarter 2022</b>	4th quarter 2021	<b>01.01-31.12 2022</b>	01.01-31.12 2021
Operating revenue		<b>12 603</b>	12 603	<b>50 000</b>	50 068
<b>Total revenues</b>		<b>12 603</b>	12 603	<b>50 000</b>	50 068
Depreciation		<b>(2 610)</b>	(2 128)	<b>(10 440)</b>	(8 521)
Operating costs		<b>(19)</b>	(27)	<b>(57)</b>	(61)
Other gains/(losses)		<b>(2)</b>	41	<b>121</b>	110
<b>Operating profit/(loss)</b>		<b>9 971</b>	10 488	<b>39 625</b>	41 597
<b>Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)</b>		<b>12 581</b>	12 616	<b>50 065</b>	50 118
Financial income		<b>150</b>	-	<b>143</b>	-
Financial expenses		<b>(2 820)</b>	(3 214)	<b>(11 709)</b>	(11 941)
Net foreign exchange gains/(losses)		<b>15</b>	-	<b>(231)</b>	3
<b>Net financial items</b>	<b>4</b>	<b>(2 655)</b>	(3 214)	<b>(11 797)</b>	(11 938)
<b>Profit/(loss) before income tax</b>		<b>7 316</b>	7 274	<b>27 828</b>	29 659
Income taxes		-	-	-	-
<b>Net income</b>		<b>7 316</b>	7 274	<b>27 828</b>	29 659

### Condensed statement of comprehensive income

#### Unaudited

<i>(EUR 1 000)</i>	<b>4th quarter 2022</b>	4th quarter 2021	<b>01.01-31.12 2022</b>	01.01-31.12 2021
<b>Net income</b>	<b>7 316</b>	7 274	<b>27 828</b>	29 659
<b>Total comprehensive income for the period</b>	<b>7 316</b>	7 274	<b>27 828</b>	29 659

## Condensed statement of financial position

### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>31.12. 2022</b>	31.12. 2021
<b>Ships</b>		<b>355 449</b>	365 899
<b>Total non-current assets</b>		<b>355 449</b>	365 899
Intragroup trade receivables	5	<b>119 969</b>	108 701
Other current receivables	5	-	-
Cash and cash equivalents	5	<b>2 711</b>	2 547
<b>Total current assets</b>		<b>122 680</b>	111 248
<b>Total assets</b>		<b>478 128</b>	477 147
<b>EQUITY</b>			
Share capital		<b>3</b>	3
Share premium		<b>105 000</b>	105 000
Paid -in capital		<b>105 003</b>	105 003
Retained earnings		<b>69 093</b>	41 265
<b>Total equity</b>		<b>174 096</b>	146 268
<b>LIABILITIES</b>			
Interest-bearing liabilities	3,5	<b>282 768</b>	296 696
Interest-bearing liabilities to group companies	3,5	<b>0</b>	29 197
<b>Total non-current liabilities</b>		<b>282 768</b>	325 893
Current interest-bearing liabilities	3,5	<b>15 000</b>	-
Accounts payables	5	<b>27</b>	2
Income tax payable		<b>8</b>	1
Intragroup trade payables	5	<b>2 657</b>	1 412
Other current liabilities		<b>3 572</b>	3 572
<b>Total current liabilities</b>		<b>21 264</b>	<b>4 987</b>
<b>Total equity and liabilities</b>		<b>478 128</b>	477 148

## Condensed statement of changes in equity

Unaudited

<i>(EUR 1 000)</i>	01.01-31.12.2022			
	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>41 265</b>	<b>146 268</b>
Net income	-	-	27 828	27 828
<b>Equity at the close of the period</b>	<b>3</b>	<b>105 000</b>	<b>69 093</b>	<b>174 096</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>	4th quarter <b>2022</b>	4th quarter 2021	<b>01.01- 31.12 2022</b>	01.01- 31.12 2021	Full year 2021
<b>Cash flow from operating activities</b>						
Profit/(loss) before income tax		7 316	7 274	27 828	29 659	29 659
<i>Adjustments for:</i>						
Depreciation, amortisation and impairment losses		2 610	2 128	10 440	8 521	8 521
Interest expenses	4	2 670	3 214	11 566	11 941	11 941
Change in working capital		(12 485)	(12 826)	(15 749)	(51 044)	(51 044)
Other adjustments	-	14	(45)	109	13	13
<b>Net cash flow from (used in) operating activities</b>		<b>97</b>	<b>(254)</b>	<b>34 194</b>	<b>(910)</b>	<b>(910)</b>
<b>Cash flow from investing activities</b>						
Purchase of property, plant, equipment (PPE)		-	-	10	(71)	(71)
Change in restricted cash		-	-	-	-	-
<b>Net cash flows from (used in) investing activities</b>		<b>-</b>	<b>-</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		-	240	(28 975)	11 101	11 101
Paid interest and fees	4	-	-	(5 065)	(10 127)	(10 127)
<b>Net cash flow from (used in) financing activities</b>		<b>-</b>	<b>240</b>	<b>(34 040)</b>	<b>974</b>	<b>974</b>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<b>97</b>	<b>(14)</b>	<b>164</b>	<b>(8)</b>	<b>(8)</b>
Cash and cash equivalents at the beginning of period		<b>2 613</b>	2 561	<b>2 547</b>	2 554	2 554
<b>Cash and cash equivalents at end of period</b>		<b>2 711</b>	2 547	<b>2 711</b>	2 547	2 547

## 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>31.12. 2022</b>	31.12. 2021
<b>Non-current interest-bearing liabilities</b>		
Bond	<b>282 768</b>	296 696
Interest-bearing liabilities to group companies	-	29 197
<b>Total</b>	<b>282 768</b>	<b>325 893</b>
<b>Current interest bearing debt</b>		
Collateralized borrowings	<b>15 000</b>	-
Interest-bearing liabilities to group companies	-	-
<b>Total</b>	<b>15 000</b>	-
<b>Total interest-bearing liabilities</b>	<b>297 768</b>	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.

<i>(EUR 1 000)</i>	<b>31.12. 2022</b>	31.12. 2021
Less than one year	<b>15 000</b>	-
Year 2 and 3	<b>285 000</b>	45 000
Year 4 and 5	-	255 000
More than 5 years	-	29 197
<b>Total</b>	<b>300 000</b>	329 197
Unamortised transaction cost	<b>(2 232)</b>	(3 304)
<b>Total carrying value in balance sheet</b>	<b>297 768</b>	325 893

### Note 4 Net financial items

<i>(EUR 1000)</i>	<b>4th quarter 2022</b>	4th quarter 2021	<b>01.01-31.12 2022</b>	01.01-31.12 2021	Full year 2021
Interest expense and amortized borrowing fees	<b>(2 670)</b>	<b>(3 214)</b>	<b>(11 566)</b>	<b>(11 941)</b>	<b>(11 941)</b>
Financial expenses	<b>(2 670)</b>	(3 214)	<b>(11 566)</b>	(11 941)	(11 941)
Net foreign exchange gains/(losses)	<b>15</b>	-	<b>(231)</b>	<b>3</b>	<b>3</b>
<b>Net financial items</b>	<b>(2 655)</b>	(3 214)	<b>(11 797)</b>	(11 938)	(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:

<i>(EUR 1000)</i>	<b>31.12. 2022</b>	<b>31.12. 2021</b>
	Amortised Cost (AC)	Amortised Cost (AC)
<b>Assets as per balance sheet</b>		
Current intragroup receivables and other receivables	<b>119 969</b>	108 701
Cash and cash equivalents	<b>2 711</b>	2 547
<b>Total</b>	<b>122 680</b>	111 248
<b>Liabilities as per balance sheet</b>		
Non-current interest-bearing liabilities	<b>282 768</b>	296 696
Non-current interest-bearing liabilities to Group companies	<b>0</b>	29 197
Current interest-bearing liabilities	<b>15 000</b>	-
Trade payables and other short term payables	<b>2 684</b>	1 413
<b>Total</b>	<b>300 452</b>	327 306

The carrying values for the financial assets and liabilities have been assessed and do not differ materially from fair value, except for the non-current interest-bearing liabilities (bond). Fair value of the bond as of 31 December 2022 was EUR 251.55 million (EUR 261.5 million as of 31 December 2021).

**Note 7 Events after the reporting period**

On 21 February 2023 the Hurtigruten Group announced a refinancing and capitalization transaction which includes i) refinancing of the EUR 176.5 million June 23 maturities, ii) extension of the loans which matures in 2025 and 2024 with 2 years and iii) additional shareholder funding of EUR 80 million in addition to the EUR 15 million of shareholder funding provided in January 2023. This transaction will give the Group a solid financial position in order to further develop the Company.