



Explorer II AS

Third Quarter 2022

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Key figures¹⁾

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

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

Condensed statement of comprehensive income

Unaudited

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

Condensed statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	30.9. 2022	30.9. 2021	31.12. 2021
Ships		358 059	368 027	365 899
Total non-current assets		358 059	368 027	365 899
Intragroup trade receivables	5	107 209	96 039	108 701
Other current receivables	5	-	13	-
Cash and cash equivalents	5	2 614	2 543	2 547
Total current assets		109 823	98 595	111 248
Total assets		467 882	466 622	477 147
EQUITY				
Share capital		3	3	3
Share premium		105 000	105 000	105 000
Paid -in capital		105 003	105 003	105 003
Retained earnings		61 777	33 991	41 265
Total equity		166 780	138 994	146 268
LIABILITIES				
Interest-bearing liabilities	3,5	282 500	296 428	296 696
Interest-bearing liabilities to group companies	3,5	0	28 956	29 197
Total non-current liabilities		282 500	325 384	325 893
Current interest-bearing liabilities	3,5	15 000	-	-
Accounts payables	5	1	-	-
Income tax payable		1	4	1
Intragroup trade payables	5	2 562	1 400	1 412
Other current liabilities		1 040	841	3 572
Total current liabilities		18 602	2 245	4 984
Total equity and liabilities		467 882	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
Equity at beginning of the period	3	105 000	41 266	146 269
Net income	-	-	20 512	20 512
Equity at the close of the period	3	105 000	61 777	166 780

<i>(EUR 1 000)</i>	01.01-31.12.2021			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
Equity at beginning of the period	3	105 000	11 607	116 610
Net income	-	-	29 659	29 659
Equity at the close of the period	3	105 000	41 266	146 268

Condensed statement of cash flows

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	3rd quarter 2022	3rd quarter 2021	01.01- 30.09 2022	01.01- 30.09 2021	Full year 2021
Cash flow from operating activities						
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
Net cash flow from (used in) operating activities		4 894	(219)	34 097	(674)	(910)
Cash flow from investing activities						
Purchase of property, plant, equipment (PPE)		-	(8)	10	(71)	(71)
Change in restricted cash		-	-	-	-	-
Net cash flows from (used in) investing activities		-	(8)	10	(71)	(71)
Cash flow from financing activities						
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)
Net cash flow from (used in) financing activities		(5 065)	209	(34 040)	733	974
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(171)	(17)	67	(12)	(8)
Cash and cash equivalents at the beginning of period		2 785	2 561	2 547	2 554	2 554
Cash and cash equivalents at end of period		2 614	2 544	2 614	2 544	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>	30.9. 2022	30.9. 2021	31.12. 2021
Non-current interest-bearing liabilities			
Bond	282 500	296 428	296 696
Interest-bearing liabilities to group companies	-	28 956	29 197
Total	282 500	325 385	325 893
Current interest bearing debt			
Collateralized borrowings	15 000	-	-
Interest-bearing liabilities to group companies	221	-	-
Total	15 221	-	-
Total interest-bearing liabilities	297 721	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.

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

Note 4 Net financial items

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

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