



# Explorer II AS

First Quarter 2022

Published 27 May 2022

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

<i>(EUR 1 000)</i>	1st quarter 2022	1st quarter 2021	% Change	Full year 2021
Operating revenue	12 329	12 397	-1 %	50 068
<b>Total revenue</b>	<b>12 329</b>	<b>12 397</b>	<b>-1 %</b>	<b>50 068</b>
<b>EBITDA</b>	<b>12 417</b>	<b>12 501</b>	<b>-1 %</b>	<b>50 117</b>

<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 March 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. 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 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 first quarter of 2022 amounted to EUR 12.3 million compared to EUR 12.4 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 first quarter of 2022 were EUR 3.1 million compared to EUR 2.9 million for the first quarter of 2021.

Net income in the first quarter of 2022 was EUR 6.7 million, compared to a net income of EUR 7.4 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 March 2022, was EUR 363.3 million (EUR 365.9 million at 31 December 2021). Given the current 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 2022.

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 March 2022.

The equity ratio was 31.8% on 31 March 2022, compared to 30.7% as of 31 December 2021.

#### Cash flow

Net cash flow from operating activities in the first quarter of 2022 was EUR 3.6 million (outflow of EUR 0.36 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 in the first quarter of 2022 compared to an outflow of EUR 0.09 million in the first quarter of 2021.

Net cash flow from financing activities for the first quarter of 2022 carried an inflow of EUR 0.23 million compared to an inflow of EUR 0.26 million in the first quarter of 2021.

Cash and cash equivalents in the cash flow statement was EUR 6.4 million at 31 March 2022. At year-end 2021, cash and cash equivalents in the statement of financial position was EUR 2.5 million.

## Outlook

At the date of this report, the operating conditions are back to normal which gives a strong and positive outlook for Hurtigruten Group over the coming quarters.

As of 1 June 2022, all ships in Hurtigruten Expeditions and Hurtigruten Norway will be in operations with no capacity limitations.

As of 25 May 2022, the bookings for the summer season 2022 are strong and are currently above 2019 levels. Bookings for the period May-September 2022 is at EUR 261 million which is 3.4 % higher than for the same period in 2019.

The second and third quarter has historically been the quarters with highest operational cash flow and EBITDA. In 2019 the second and third quarter accounted for 65% of the full year operational cash flow.

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 over the next quarters.

Based on the pre-booking level and current trading we expect the second quarter of 2022 to have a positive EBITDA and operational cash flow. From June 2022 and onwards the Board of Directors expect EBITDA and cash flow generation to be back within historical ranges.

Bookings for 2023 are off to a good start with bookings at the same level as for 2020 three years ago, but at an average yield which is approx. 49% higher compared. The yield growth vs. 2019 is both driven by the increase in capacity in Hurtigruten Expeditions and a significant higher average yield in the Hurtigruten Norway business unit.

Hurtigruten Group is closely monitoring the liquidity situation as the financial performance will significantly improve over the next quarters. 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.

## Risks and uncertainties

Explorer II AS is subject to a range of risks and uncertainties which may affect its business operations, financial condition and results of operation. The risks described below are not the only risks the Company faces.

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. 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.

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

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>1st quarter 2022</b>	1st quarter 2021	Full year 2021
Operating revenue		<b>12 329</b>	12 397	50 068
<b>Total revenues</b>		<b>12 329</b>	12 397	50 068
Depreciation		<b>(2 610)</b>	(2 136)	(8 521)
Operating costs		<b>(7)</b>	(6)	(61)
Other gains/(losses)		<b>95</b>	110	110
<b>Operating profit/(loss)</b>		<b>9 807</b>	10 365	41 596
Financial income		-	-	-
Financial expenses		<b>(3 054)</b>	(2 921)	(11 941)
Net foreign exchange gains/(losses)		<b>(28)</b>	1	3
<b>Net financial items</b>	<b>4</b>	<b>(3 082)</b>	(2 920)	(11 938)
<b>Profit/(loss) before income tax</b>		<b>6 725</b>	7 445	29 658
<b>Net income</b>		<b>6 725</b>	7 445	29 658

### Condensed statement of comprehensive income

#### Unaudited

<i>(EUR 1 000)</i>	<b>1st quarter 2022</b>	1st quarter 2021	Full year 2021
<b>Net income</b>	<b>6 725</b>	7 445	29 658
<b>Total comprehensive income for the period</b>	<b>6 725</b>	7 445	29 658

## Condensed statement of financial position

### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>31.3. 2022</b>	31.3. 2021	31.12. 2021
<b>Ships</b>		<b>363 288</b>	372 252	365 899
<b>Total non-current assets</b>		<b>363 288</b>	372 252	365 899
Intragroup trade receivables	5	111 621	70 839	108 701
Other current receivables	5	-	167	0
Cash and cash equivalents	5	6 370	2 550	2 547
<b>Total current assets</b>		<b>117 991</b>	73 556	111 249
<b>Total assets</b>		<b>481 279</b>	445 808	477 147
<b>EQUITY</b>				
Share capital		3	3	3
Share premium		105 000	105 000	105 000
Paid -in capital		105 003	105 003	105 003
Retained earnings		47 991	19 051	41 265
<b>Total equity</b>		<b>152 994</b>	124 054	146 268
Interest-bearing liabilities	3,5	296 964	295 893	296 696
Interest-bearing liabilities to group companies	3,5	29 423	23 423	29 197
<b>Total non-current liabilities</b>		<b>326 387</b>	319 316	325 893
Accounts payables	5	31	-	(2)
Income tax payable		1	4	1
Intragroup trade payables	5	835	1 402	1 412
Other current liabilities		1 032	1 033	3 572
<b>Total current liabilities</b>		<b>1 898</b>	2 439	4 982
<b>Total equity and liabilities</b>		<b>481 279</b>	445 808	477 145

## Condensed statement of changes in equity

Unaudited

	01.01-31.03.2022			
	Attributable to shareholders of Explorer II AS			
<i>(EUR 1 000)</i>	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	-	-	6 725	6 725
<b>Equity at the close of the period</b>	<b>3</b>	<b>105 000</b>	<b>47 991</b>	<b>152 994</b>

  

	01.01-31.12.2021			
	Attributable to shareholders of Explorer II AS			
<i>(EUR 1 000)</i>	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>



## Condensed statement of cash flows

### Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	<b>1st quarter 2022</b>	1st quarter 2021	Full year 2021
<b>Cash flow from operating activities</b>				
Profit/(loss) before income tax		<b>6 725</b>	7 444	29 659
<i>Adjustments for:</i>				
Depreciation, amortisation and impairment losses		<b>2 610</b>	2 136	8 521
Interest expenses	4	-	2 921	11 941
Change in working capital		<b>(5 739)</b>	(12 748)	(51 044)
Other adjustments		-	(113)	13
<b>Net cash flow from (used in) operating activities</b>		<b>3 596</b>	(360)	(910)
<b>Cash flow from investing activities</b>				
Purchase of property, plant, equipment (PPE)		-	93	(71)
Change in restricted cash		-	-	-
<b>Net cash flows from (used in) investing activities</b>		-	93	(71)
<b>Cash flow from financing activities</b>				
Proceeds from borrowings		-	-	-
Repayment of borrowings to financial institutions		-	-	-
Net change of borrowings to group companies		-	-	-
Paid interest and fees	4	-	(5 065)	(10 127)
Net borrowings from other group companies		<b>227</b>	5 327	11 101
<b>Net cash flow from (used in) financing activities</b>		<b>227</b>	263	974
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<b>3 822</b>	(4)	(8)
Cash and cash equivalents at the beginning of period		<b>2 547</b>	2 554	2 554
<b>Cash and cash equivalents at end of period</b>		<b>6 369</b>	2 550	2 547
Restricted cash		-	-	-
<b>Cash and cash equivalents in the statement of financial position</b>		<b>6 369</b>	2 550	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 in 2022 and Hurtigruten Cruise AS in 2021 a daughter- and sister-companies 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

<i>(EUR 1 000)</i>	<b>31.3. 2022</b>	31.3. 2021	31.12. 2021
<b>Non-current interest-bearing liabilities</b>			
Bond	<b>296 964</b>	295 893	296 696
Interest-bearing liabilities to group companies	<b>29 423</b>	23 423	29 197
<b>Total interest-bearing liabilities</b>	<b>326 387</b>	319 315	325 893

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.

<i>(EUR 1 000)</i>	<b>31.3. 2022</b>	31.3. 2021	31.12. 2021
Year 4 and 5	<b>255 000</b>	300 000	255 000
More than 5 years	<b>29 423</b>	23 423	29 197
<b>Total</b>	<b>329 423</b>	323 423	329 197
Unamortised transaction cost	<b>(3 036)</b>	(4 107)	(3 304)
<b>Total carrying value in balance sheet</b>	<b>326 387</b>	319 315	325 893

**Note 4 Net financial items**

<i>(EUR 1000)</i>	<b>1st quarter 2022</b>	1st quarter 2021	Full year 2021
Interest expense and amortized borrowing fees	<b>(3 054)</b>	(2 921)	(11 941)
Financial expenses	<b>(3 054)</b>	(2 921)	(11 941)
Net foreign exchange gains/(losses)	<b>(28)</b>	1	3
<b>Net financial items</b>	<b>(3 082)</b>	(2 920)	(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>31.3. 2022</b>	<b>31.3. 2021</b>	<b>31.12. 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>111 621</b>	71 006	108 702
Cash and cash equivalents	<b>6 370</b>	2 550	2 547
<b>Total</b>	<b>117 991</b>	73 556	111 249
<b>Liabilities as per balance sheet</b>			
Non-current interest-bearing liabilities	<b>296 964</b>	295 893	296 696
Non-current interest-bearing liabilities to Group companies	<b>29 423</b>	23 423	29 197
Current interest-bearing liabilities	-	-	-
Trade payables and other short term payables	<b>866</b>	1 402	1 410
<b>Total</b>	<b>327 253</b>	320 718	327 303

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 31 March 2022 was EUR 281.94 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.