



Explorer II AS

Fourth quarter 2023

Published 1 March 2024

Key figures¹⁾

<i>(EUR 1 000)</i>	4th quarter 2023	4th quarter 2022	% Change	Full year 2023	Full year 2022
Operating revenue	12 603	12 603	0,0 %	50 000	50 000
Total revenue	12 603	12 603	0,0 %	50 000	50 000
EBITDA	12 617	12 581	0,3 %	50 022	50 065

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 31 December 2023, 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 2023 amounted to EUR 12.6 million compared to EUR 12.6 million for the same period last year. Revenues for the quarter include bareboat charter for both MS Roald Amundsen and MS Fridtjof Nansen.

Net financial expenses in the fourth quarter of 2023 were EUR 1.6 million compared to EUR 2.7 million for the fourth quarter of 2022.

Net income in the fourth quarter of 2023 was EUR 10.0 million, compared to EUR 7.3 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 2023, was EUR 346.6 million (EUR 355.4 million 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 283.8 million as of 31 December 2023.

The equity ratio was 41.7 % as of 31 December 2023, compared to 36.4% as of 31 December 2022.

Cash flow

Net cash inflow from operating activities in the fourth quarter of 2023 was EUR 1.0 million (inflow of EUR 0.01 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 fourth quarter of 2023.

There were no cash flow from financing activities in the fourth quarter of 2023.

Cash and cash equivalents were EUR 3.7 million as of 31 December 2023. At year-end 2022 cash and cash equivalents was EUR 2.7 million.

Outlook

At the date of this report, the operating conditions are back to normal, and Hurtigruten Group is experiencing an positive booking momentum across most key markets across 2024 and 2025 departures. The Board of Directors assumes that booking behavior in the 2024 financial year will continue to develop positively however notes booking patterns continue to lengthen with passengers booking further out from departure similar to pre pandemic periods. The Board of Directors assumes that travel behavior will not be affected by further long-term closures and lockdowns or by the impact of Russia's war of aggression on Ukraine. Nevertheless, the intensified general price increase could continue and lead to a significant reduction in the private budget available for travel services, thus lowering purchasing power and resulting in declining customer demand. The group is executing a slightly adjusted pricing and occupancy strategy to try and mitigate any potential weaknesses in consumer demand and competitive pressures.

As of 29 February 2024, Hurtigruten Group had EUR 461 million in pre-booked revenue for 2024, an increase of 6 % compared to same time prior year. Pre-booking for 2025 is showing good momentum during the key sales window with the 90 day average bookings up 9 % respectively on the same time prior year.

The Board of Directors expects the financial performance of the Company to continue to improve supported by the strong booking development reflecting the resurgence of desire and demand for travel.

The Company emphasizes that the information included in this report contains certain forward-looking statements that address activities or developments that the Company anticipates will or may occur in the future. The statements are based on assumptions and estimates, and some of them are beyond the Company's control and therefore subject to risks and uncertainties.

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 2022 gives a fair description of principal risks and uncertainties that may affect Hurtigruten Group. An elaboration of our ESG Risk programme with the top identified risks for each of the Group's ESG pillars, including a high-level mitigation plan, can be found in Appendix D of our ESG Report 2022. 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 Russian invasion of Ukraine in late February 2022 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. As of end of Q4, the Group has not entered into any derivative contracts to hedge fuel consumption for 2024.

The Group is exposed to liquidity risk through fluctuations in booking revenue and operational- and financial expenses. The Group continues to closely monitor its liquidity situation. The Group has agreed with its senior lenders and shareholders a comprehensive recapitalization transaction which will significantly strengthen the balance sheet and serve as an important step towards enabling the Group to implement its strategic objectives. A key highlight of the transaction includes the injection of EUR 185 million of new liquidity into the Group.

Interest rate movements and the overall condition of the credit market may adversely affect the Group's ability to execute its plans for further development and growth. High inflation or high fluctuations in foreign exchange rates and other macroeconomic elements may adversely affect the cost base of Hurtigruten Group, its financial performance, or lead to a significant reduction in the private budget available for travel services, and thereby lowering purchasing power and customer demand.

Interim financial statements

Condensed statement of income

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	4th quarter 2023	4th quarter 2022	Full year 2023	Full year 2022
Operating revenue		12 603	12 603	50 000	50 000
Total revenues		12 603	12 603	50 000	50 000
Depreciation		(1 010)	(2 610)	(8 840)	(10 440)
Operating costs		(13)	(19)	(41)	(57)
Other gains/(losses)		27	(2)	63	121
Operating profit/(loss)		11 607	9 971	41 182	39 625
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		12 617	12 581	50 022	50 065
Financial income		-	150	-	143
Financial expenses		(1 565)	(2 820)	(7 225)	(11 709)
Net foreign exchange gains/(losses)		(24)	15	(201)	(231)
Net financial items	4	(1 589)	(2 655)	(7 426)	(11 797)
Profit/(loss) before income tax		10 018	7 316	33 756	27 828
Income taxes		-	-	-	-
Net income		10 018	7 316	33 756	27 828

Condensed statement of comprehensive income

Unaudited

<i>(EUR 1 000)</i>	4th quarter 2023	4th quarter 2022	Full year 2023	Full year 2022
Net income	10 018	7 316	33 756	27 828
Total comprehensive income for the period	10 018	7 316	33 756	27 828

Condensed statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	31.12. 2023	31.12. 2022
<hr/>			
Ships		346 609	355 449
Total non-current assets		346 609	355 449
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Intragroup trade receivables	5	147 581	119 969
Other current receivables	5	4	-
Cash and cash equivalents	5	3 726	2 711
Total current assets		151 312	122 680
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Total assets		497 921	478 128
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EQUITY			
Share capital		3	3
Share premium		105 000	105 000
Paid -in capital		105 003	105 003
Retained earnings		102 849	69 093
Total equity		207 852	174 096
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LIABILITIES			
Interest-bearing liabilities	3,5	253 839	282 768
Interest-bearing liabilities to group companies	3,5	0	0
Total non-current liabilities		253 840	282 768
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Current interest-bearing liabilities	3,5	30 000	15 000
Accounts payables	5	(1)	27
Income tax payable		8	8
Intragroup trade payables	5	2 839	2 657
Other current liabilities		3 383	3 572
Total current liabilities		36 229	21 264
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Total equity and liabilities		497 921	478 128

Condensed statement of changes in equity

Unaudited

2023:

<i>(EUR 1 000)</i>	01.01-31.12.2023			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
Equity at beginning of the period	3	105 000	69 093	174 096
Net income	-	-	33 756	33 756
Equity at the close of the period	3	105 000	102 849	207 852

2022:

<i>(EUR 1 000)</i>	01.01-31.12.2022			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
Equity at beginning of the period	3	105 000	41 265	146 268
Net income	-	-	27 828	27 828
Equity at the close of the period	3	105 000	69 093	174 096

Condensed statement of cash flows

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	4th quarter 2023	4th quarter 2022	01.01- 31.12 2023	01.01- 31.12 2022
Cash flow from operating activities					
Profit/(loss) before income tax		10 018	7 316	33 756	27 836
<i>Adjustments for:</i>					
Depreciation, amortisation and impairment losses		1 010	2 610	8 840	10 440
Interest expenses	4	1 565	2 670	7 225	11 566
Change in working capital		(11 639)	(12 485)	(23 826)	(15 757)
Other adjustments		3	(14)	145	109
Net cash flow from (used in) operating activities		957	97	26 140	34 194
Cash flow from investing activities					
Purchase of property, plant, equipment (PPE)		-	-	-	10
Change in restricted cash		-	-	-	-
Net cash flows from (used in) investing activities		-	-	-	10
Cash flow from financing activities					
Proceeds from borrowings		-	-	-	-
Repayment of borrowings to financial institutions		-	-	-	-
Net change of borrowings to group companies		-	-	(15 000)	(28 975)
Paid interest and fees	4	-	-	(10 124)	(5 065)
Net borrowings from other group companies		-	-	-	-
Net cash flow from (used in) financing activities		-	-	(25 124)	(34 041)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts					
		957	97	1 016	164
Cash and cash equivalents at the beginning of period		2 769	2 613	2 711	2 547
Cash and cash equivalents at end of period		3 726	2 711	3 726	2 711

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 2022.

The annual report for 2022 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 2022.

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>	31.12. 2023	31.12. 2022
Non-current interest-bearing liabilities		
Bond	253 839	282 768
Interest-bearing liabilities to group companies	-	-
Total	253 839	282 768
Current interest bearing debt		
Bond, repayment due within 12 months	30 000	15 000
Total	30 000	15 000
Total interest-bearing liabilities	283 839	297 768

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

During Q1 23 a EUR 11million revolving credit facility was made available to Explorer II AS from Hurtigruten Group AS. The Facility is available for utilisation by Explorer II AS on a revolving basis. As of Q4 23 the facility was undrawn. The facility is included in the definition of available liquidity under the Minimum Liquidity covenant.

Maturity profile in nominal value

The below maturity schedule reflects the borrowings at nominal values.

<i>(EUR 1 000)</i>	31.12. 2023	31.12. 2022
Less than one year	30 000	15 000
Year 2 and 3	255 000	285 000
Year 4 and 5	-	-
More than 5 years	-	-
Total	285 000	300 000
Unamortised transaction cost	(1 161)	(2 232)
Total carrying value in balance sheet	283 839	297 768

Note 4 Net financial items

<i>(EUR 1000)</i>	4th quarter 2023	4th quarter 2022	Full year 2023	Full year 2022
Interest expense and amortized borrowing fees	(1 565)	(2 670)	(7 225)	(11 566)
Financial expenses	(1 565)	(2 670)	(7 225)	(11 566)
Net foreign exchange gains/(losses)	(24)	15	(201)	(231)
Net financial items	(1 589)	(2 655)	(7 426)	(11 797)

Note 5 Financial assets and liabilities at fair value

<i>(EUR 1000)</i>	31.12. 2023	31.12. 2022
	Amortised Cost (AC)	Amortised Cost (AC)
Assets as per balance sheet		
Current intragroup receivables and other receivables	147 586	119 969
Cash and cash equivalents	3 726	2 711
Total	151 312	122 680
Liabilities as per balance sheet		
Non-current interest-bearing liabilities	253 839	282 768
Non-current interest-bearing liabilities to Group companies	0	0
Current interest-bearing liabilities	30 000	15 000
Trade payables and other short term payables	2 838	2 684
Total	286 678	300 452

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

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 2023 was EUR 261.43 million (EUR 251.55 million as of 31 December 2022).

Note 7 Events after the reporting period

No events of significance have occurred after the reporting period.