



Explorer II AS

Interim Financial Statements

Third quarter 2021

Published 25 November 2021

Key figures¹⁾

<i>(EUR 1 000)</i>	Q3 2021	Q3 2020	% Change	01.01-30.09 2021	01.01-30.09 2020	% Change	Full year 2020
Operating revenue	12 603	12 603	0 %	37 466	32 299	16 %	44 833
Total revenue	12 603	12 603	0 %	37 466	32 299	16 %	44 833
EBITDA	12 599	12 458	1 %	37 501	31 674	18 %	44 297

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. At 30 September 2021 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 and started its operation in July 2019. In December 2019, its sister ship MS Fridtjof Nansen was delivered and started its operations in the first quarter of 2020. 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 will 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 Cruise 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 2021 amounted to EUR 12.6 million compared to EUR 12.6 million for the same period last year. Operating revenues for the first three quarters of 2021 were EUR 37.5 million compared to EUR 32.3 million for the same period last year. Revenues for the three first quarters of 2021 include bareboat charter for both MS Roald Amundsen and MS Fridtjof Nansen, while the comparative figures include bareboat charter for MS Fridtjof Nansen from 24 February 2020 when the ship started its operation. At the same date, the charter contract for MS Roald Amundsen was renegotiated to reflect a reduced lease period with increased lease fee.

Net financial expenses in the third quarter of 2021 were EUR 2.8 million compared to EUR 3.1 million for the third quarter of 2020. Net financial expenses for the three first quarters of 2021 were EUR 8.7 million compared to EUR 17.8 million for the same period last year. 2020 included full amortization of the fees paid for the Export Credit Agency (“ECA”) facility established in 2019, which was refinanced with the bond in 2020.

Net income in the third quarter of 2021 was EUR 7.6 million, compared to a net income of EUR 6.5 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 at 30 September 2021 was EUR 368.0 million (EUR 374.5 million at 31 December 2020). Given the current situation in the cruise industry caused by the Covid-19 pandemic, the Company performed an impairment review at year-end. Due to the financial solidity and liquidity of the Company, the underlying value of the vessels and the general interest in cruise travel post the pandemic the assessment concluded that there was no impairment needed on the ships carrying value.

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 296.4 million as of 30 September 2021.

In March 2020, the company converted a total of EUR 105.0 million of debt to the parent company Hurtigruten AS to equity.

The equity ratio was 29.8% at 30 September 2021, compared to 26.8% at 31 December 2020.

Cash flow

Net cash flow from operating activities in the third quarter of 2021 was an outflow of EUR 0.2 million (outflow of EUR 1.1 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 0.01 million in the third quarter of 2021 compared to an inflow of EUR 0.6 million in the third quarter of 2020. For the three first quarters of 2021 net cash outflow from investment activities were EUR 0.07 million compared to an outflow of EUR 17.3 million for the same period last year. The investments in 2020 were related to the remaining payments for MS Fridtjof Nansen.

Net cash flow from financing activities for the third quarter of 2021 carried an inflow of EUR 0.2 million compared to an inflow of EUR 0.5 million in the third quarter of 2020. For the first three quarters of 2021 the company had an inflow of EUR 0.7 million compared to an inflow of EUR 21.9 million in the same period last year. In 2020, proceeds from the EUR 300 million bond issue, was partly offset by repayments of the ECA facility and Group borrowings.

Cash and cash equivalents in the cash flow statement was EUR 2.5 million at 30 September 2021. At year-end 2020, cash and cash equivalents in the statement of financial position was EUR 2.6 million.

Outlook

With vaccines widely distributed among Hurtigruten Group's customer groups and the introduction of the EU Digital COVID Certificate passport enabling quarantine free travel for vaccinated guests there are a positive outlook for Hurtigruten Group.

Bookings for 2022 are, as of 8 November 2021, 15 % higher compared with the same period two years ago for 2020 and is an all-time high compared to pre-pandemic levels

Bookings for 2023 are also off to an excellent start with bookings approx. 180% higher than same time two years ago.

The strong booking development for 2022 is driven by both yield and volume in Hurtigruten Expeditions. The increased capacity transferred from Hurtigruten Norway to Hurtigruten Expeditions is very well received in the German, UK and US markets.

2023 has also had a very strong start to the pre-sale period. This shows that there is a strong underlying

demand for travelling from all source markets and towards all destinations.

With the current roll out of effective vaccines and vaccination passports across our source markets and destinations, the Board of Directors expectations are that revenues will increase in the coming quarters and the financial performance will improve.

Hurtigruten Expeditions fleets consist of smaller size vessels which makes testing of passengers and crew and other risk reducing measures related to Covid-19 easier.

Hurtigruten Group is closely monitoring the liquidity situation as we move forward and believes that the liquidity resources currently available and the plans that have been put in place are sufficient to ensure the funding of the Hurtigruten Group.

The ultimate shareholders of the company have confirmed that they remain supportive and have indicated that they would be willing to consider providing additional liquidity, if necessary. The ultimate shareholders commitment to Hurtigruten Group was evident with the EUR 75 million shareholder loan provided in September.

Risks and uncertainties

The risks described below are not the only risks the Company faces.

Additional risks and uncertainties not currently known to the Group or that Group currently deems to be immaterial may also materially adversely affect the business, financial condition or results of operations. The global Covid-19 pandemic has had, and will continue to have, a material adverse impact on our business and results of operations. The global spread of the Covid-19 pandemic and the unprecedented responses by governments and other authorities to control and contain the spread has caused significant disruptions, created new risks, and exacerbated existing risks to our business.

The Hurtigruten Group has been, and will continue to be, 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.

An increase in port taxes or fees or other adverse change of the terms of business with the authorities operating the ports in which Hurtigruten calls could increase the operating costs and adversely affect the business, financial condition, results of operations and prospects.

As the rest of the cruise and maritime industry, Hurtigruten Group 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>	Q3 2021	Q3 2020	01.01-30.09 2021	01.01-30.09 2020	Full year 2020
Operating revenue		12 603	12 603	37 466	32 299	44 833
Total revenues		12 603	12 603	37 466	32 299	44 833
Depreciation		(2 128)	(2 877)	(6 393)	(8 630)	(11 763)
Operating costs		(6)	(90)	(34)	(416)	(484)
Other gains/(losses)		2	(56)	70	(209)	(53)
Operating profit/(loss)		10 470	9 581	31 109	23 044	32 534
Financial income		-	-	-	-	-
Financial expenses		(2 821)	(3 035)	(8 727)	(17 550)	(20 566)
Net foreign exchange gains/(losses)		(0)	(18)	2	(259)	(259)
Net financial items	4	(2 821)	(3 053)	(8 724)	(17 808)	(20 825)
Profit/(loss) before income tax		7 649	6 528	22 385	5 236	11 708
Net income		7 649	6 528	22 385	5 236	11 708

Condensed statement of comprehensive income

Unaudited

<i>(EUR 1 000)</i>	Q3 2021	Q3 2020	01.01-30.09 2021	01.01-30.09 2020	Full year 2020
Net income	7 649	6 528	22 385	5 236	11 708
Total comprehensive income for the period	7 649	6 528	22 385	5 236	11 708

Condensed statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	30.09 2021	30.09 2020	31.12. 2020
Ships		368,027	377,526	374,481
Total non-current assets		368,027	377,526	374,481
Intragroup trade receivables	5	96,041	45,317	58,321
Other current receivables	5	13	-	15
Cash and cash equivalents	5	2,543	2,545	2,554
Total current assets		98,596	47,862	60,891
Total assets		466,623	425,388	435,372
Paid -in capital		105,003	105,003	105,003
Retained earnings		33,991	5,134	11,606
Total equity		138,994	110,137	116,609
Interest-bearing liabilities	3,5	296,428	295,408	295,625
Interest-bearing liabilities to group companies	3,5	28,956	17,740	18,095
Total non-current liabilities		325,385	313,147	313,720
Accounts payables	5	-	9	-
Income tax payable		4	3	7
Intragroup trade payables	5	1,400	1,028	1,372
Other current liabilities		841	1,064	3,664
Total current liabilities		2,245	2,103	5,043
Total equity and liabilities		466,623	425,388	435,372

Condensed statement of changes in equity

Unaudited

<i>(EUR 1 000)</i>	01.01-30.09.2021			
	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	-	-	22 385	22 385
Equity at the close of the period	3	105 000	33 991	138 994

<i>(EUR 1 000)</i>	01.01-30.09.2020			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
Equity at beginning of the period	3	-	(102)	(99)
Net income	-	-	5 236	5 236
Transaction with owners:				-
Capital increase	-	105 000	-	105 000
Equity at the close of the period	3	105 000	5 134	110 137

<i>(EUR 1 000)</i>	01.01-31.12.2020			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
Equity at beginning of the period	3	-	(102)	(99)
Net income	-	-	11 708	11 708
Transaction with owners:				-
Capital increase	-	105 000	-	105 000
Equity at the close of the period	3	105 000	11 607	116 609

Condensed statement of cash flows

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	Q3 2021	Q3 2020	01.01-30.09 2021	01.01-30.09 2020	Full year 2020
Cash flows from operating activities						
Profit/(loss) before income tax		7 649	6 528	22 385	5 236	11 708
<i>Adjustments for:</i>						
Depreciation, amortisation and impairment losses		2 128	2 877	6 393	8 630	11 763
Interest expenses	4	2 821	3 017	8 727	17 550	20 566
Change in working capital		(12 815)	(13 596)	(38 236)	(33 701)	(46 530)
Other adjustments		(2)	74	58	259	257
Net cash flows from (used in) operating activities		(219)	(1 100)	(674)	(2 028)	(2 236)
Cash flows from investing activities						
Purchase of property, plant, equipment (PPE)		(8)	635	(71)	(20 169)	(20 258)
Change in restricted cash		-	(0)	-	2 820	2 820
Net cash flows from (used in) investing activities		(8)	635	(71)	(17 349)	(17 438)
Cash flows from financing activities						
Proceeds from borrowings		-	-	-	300 000	300 000
Repayment of borrowings to financial institutions		-	0	-	(254 583)	(254 583)
Net change of borrowings to group companies		5 270	5 434	10 861	(11 178)	(10 822)
Paid interest and fees	4	(5 063)	(4 960)	(10 127)	(12 340)	(12 389)
Net cash flows from (used in) financing activities		208	474	733	21 899	22 206
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(18)	8	(12)	2 522	2 532
Cash and cash equivalents at the beginning of period		2 561	2 536	2 554	23	23
Cash and cash equivalents at end of period		2 543	2 545	2 543	2 545	2 554
Restricted cash		-	-	-	0	-
Cash and cash equivalents in the statement of financial position		2 543	2 545	2 543	2 545	2 554

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 2020.

The annual report for 2020 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 2020.

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 Cruise AS, a sister-company 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

	30.09	30.09	31.12.
<i>(EUR 1 000)</i>	2021	2020	2020
Non-current interest-bearing liabilities			
Bond	296,428	295,408	295,625
Interest-bearing liabilities to group companies	28,956	17,740	18,095
Total interest-bearing liabilities	325,385	313,147	313,720

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.

	30.09	30.09	31.12.
<i>(EUR 1 000)</i>	2021	2020	2020
Year 4 and 5	300,000	45,000	45,000
More than 5 years	28,956	272,740	273,095
Total	328,956	317,740	318,095
Unamortised transaction cost	(3,572)	(4,592)	(4,375)
Total carrying value in balance sheet	325,385	313,147	313,720

Note 4 Net financial items

<i>(EUR 1000)</i>	Q3	Q3	01.01-30.09	01.01-30.09	Full year
	2021	2020	2021	2020	2020
Interest expense and amortized borrowing fees	(2 821)	(3 035)	(8 727)	(17 550)	(20 566)
Financial expenses	(2 821)	(3 035)	(8 727)	(17 550)	(20 566)
Net foreign exchange gains/(losses)	(0)	(18)	2	(259)	(259)
Net financial items	(2 821)	(3 053)	(8 724)	(17 808)	(20 825)

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>	30.09	30.09	31.12.
	2021	2020	2020
	Amortised Cost (AC)	Amortised Cost (AC)	Amortised Cost (AC)
Assets as per balance sheet			
Current intragroup receivables and other receivables	96,054	45,317	58,337
Cash and cash equivalents	2,543	2,545	2,554
Total	98,596	47,862	60,891
Liabilities as per balance sheet			
Non-current interest-bearing liabilities	296,428	295,408	295,625
Non-current interest-bearing liabilities to Group companies	28,956	17,740	18,095
Current interest-bearing liabilities	-	-	-
Trade payables and other short term payables	1,400	1,036	1,372
Total	326,785	314,183	315,093

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 at 30 September 2021 was EUR 261.5 million (EUR 261.5 million at 31 December 2020).

Note 6 Covid-19

The Company's business continues to be impacted by the Covid-19 pandemic. New waves of outbreaks have emerged during Q3 2021. The level of international travel has picked up but will most likely remain below normal levels in Q4 2022. The Covid-19 pandemic has created a challenging business environment for the Company, and an unprecedented uncertainty of potential negative impact on the financial performance. For the Company, these events are impairment triggers, and as such, as of the end of fourth quarter of 2020, the Group has assessed the carrying values of the Groups assets for impairment according to IAS 36. The value in use has been estimated for the Groups' ships on a cash generating unit level and has been calculated based on the present value of estimated future cash flows. The projected cash flows represent managements best estimate for future ramp-up in operations after the Covid-19 effects on the travel industry. The impairment tests are supported by the booking development for 2022 and 2023. As of year-end, the estimated value in use was equal to or higher than the carrying value of the assets, and no impairment were recognized in the financial statements.

Note 7 Events after the reporting period


No events of significance have occurred after the reporting period.

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed interim financial statements for the third quarter of 2021, which have been prepared in accordance with IFRS as adopted by the European Union, and *IAS 34 Interim Financial Reporting*, give a true and fair view of the Company's assets, liabilities, financial position and results of operations. To the best of our knowledge, the interim report for the third quarter of 2021 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements and the principal risks and uncertainties for the remaining of 2021.

Oslo, 25 November 2021

The Board of Directors of Explorer II AS



Daniel Andreas Skjeldam

CEO



Torleif Ernstsen

Chairman



Kenneth Andersen

Board member