



# Explorer II AS

Third quarter 2023

Published 12 December 2023

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

| <i>(EUR 1 000)</i>   | <b>3rd quarter<br/>2023</b> | 3rd quarter<br>2022 | %<br>Change | <b>01.01-30.09<br/>2023</b> | 01.01-30.09<br>2022 | %<br>Change | Full year<br>2022 |
|----------------------|-----------------------------|---------------------|-------------|-----------------------------|---------------------|-------------|-------------------|
| Operating revenue    | <b>12 603</b>               | 12 603              | 0 %         | <b>37 397</b>               | 37 397              | 0 %         | 50 000            |
| <b>Total revenue</b> | <b>12 603</b>               | 12 603              | 0 %         | <b>37 397</b>               | 37 397              | 0 %         | 50 000            |
| <b>EBITDA</b>        | <b>12 577</b>               | 12 692              | -1 %        | <b>37 405</b>               | 37 483              | 0 %         | 50 065            |

<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 30 June 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 third 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 second quarter of 2023 were EUR 1.5 million compared to EUR 2.9 million for the third quarter of 2022.

Net income in the third quarter of 2023 was EUR 8.4 million, compared to EUR 7.1 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 2023, was EUR 347.6 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 283.6 million as of 30 September 2023.

The equity ratio was 40.8% as of 30 September 2023, compared to 36.4% as of 31 December 2022.

### Cash flow

Net cash inflow from operating activities in the third quarter of 2023 was EUR 20.1 million (inflow of EUR 4.9 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 third quarter of 2023.

Net cash flow from financing activities in the third quarter of 2023 was an outflow of EUR 20.1 million compared to an outflow of EUR 29.2 million in the second quarter of 2022. The outflow is related to repayments of debt.

Cash and cash equivalents were EUR 2.8 million as of 30 September 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 increasing booking momentum across most key markets across the next 12 months. The Board of Directors assumes that booking behavior in the 2023 financial year will continue to develop positively. 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 of recent months could continue, in particular due to rising energy costs, 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 30th November 2023, Hurtigruten Group had EUR 329 million in pre-booked revenue for 2024. Pre-booking for 2024 is showing good momentum during the key sales windows of Q3/Q4 with the 30 day average and 90 day average bookings up 49% and 51% 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 a result, the Group has entered a derivatives contract to hedge 50% of the forecasted total fuel consumption for 2023. After a reduction in fuel prices towards more normalized levels through the beginning of the year, prices significantly increased through third quarter.

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.

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. **Although** interest rate movements and the overall condition of the credit market may adversely affect the ability to execute on plans for further development and growth.

## Interim financial statements

### Condensed statement of income

#### Unaudited

| <i>(EUR 1 000)</i>  | <i>Note</i> | <b>3rd quarter<br/>2023</b> | 3rd quarter<br>2022 | <b>01.01-30.09<br/>2023</b> | 01.01-30.09<br>2022 | Full year<br>2022 |
|---|-------------|-----------------------------|---------------------|-----------------------------|---------------------|-------------------|
| Operating revenue   |             | <b>12 603</b>               | 12 603              | <b>37 397</b>               | 37 397              | 50 000            |
| <b>Total revenues</b>   |             | <b>12 603</b>               | 12 603              | <b>37 397</b>               | 37 397              | 50 000            |
| Depreciation  |             | <b>(2 610)</b>              | (2 610)             | <b>(7 830)</b>              | (7 830)             | (10 440)          |
| Operating costs   |             | <b>(7)</b>                  | (3)                 | <b>(28)</b>                 | (37)                | (57)              |
| Other gains/(losses)  |             | <b>(19)</b>                 | 92                  | <b>36</b>                   | 123                 | 121               |
| <b>Operating profit/(loss)</b>  |             | <b>9 967</b>                | 10 082              | <b>29 575</b>               | 29 654              | 39 625            |
| <b>Operating profit/(loss) before depreciation,<br/>amortisation and impairment losses (EBITDA)</b> |             | <b>12 577</b>               | 12 692              | <b>37 405</b>               | 37 483              | 50 065            |
| Financial income  |             | -                           | -                   | -                           | -                   | 143               |
| Financial expenses  |             | <b>(1 648)</b>              | (2 802)             | <b>(5 660)</b>              | (8 896)             | (11 709)          |
| Net foreign exchange gains/(losses)   |             | <b>95</b>                   | (139)               | <b>(177)</b>                | (246)               | (231)             |
| <b>Net financial items</b>  | <b>4</b>    | <b>(1 553)</b>              | (2 942)             | <b>(5 837)</b>              | (9 142)             | (11 797)          |
| <b>Profit/(loss) before income tax</b>  |             | <b>8 414</b>                | 7 140               | <b>23 739</b>               | 20 512              | 27 828            |
| Income taxes  |             | -                           | -                   | -                           | -                   | -                 |
| <b>Net income</b>   |             | <b>8 414</b>                | 7 140               | <b>23 739</b>               | 20 512              | 27 828            |

### Condensed statement of comprehensive income

#### Unaudited

| <i>(EUR 1 000)</i>                               |  | <b>3rd quarter<br/>2023</b> | 3rd quarter<br>2022 | <b>01.01-30.09<br/>2023</b> | 01.01-30.09<br>2022 | Full year<br>2022 |
|--|--|-----------------------------|---------------------|-----------------------------|---------------------|-------------------|
| <b>Net income</b>                                |  | <b>8 414</b>                | 7 140               | <b>23 739</b>               | 20 512              | 27 828            |
| <b>Total comprehensive income for the period</b> |  | <b>8 414</b>                | 7 140               | <b>23 739</b>               | 20 512              | 27 828            |

## Condensed statement of financial position

### Unaudited

| <i>(EUR 1 000)</i>                              | <i>Note</i> | <b>30.9.<br/>2023</b> | 30.9.<br>2022 | 31.12.<br>2022 |
|---|-------------|-----------------------|---------------|----------------|
| Ships   |             | <b>347 619</b>        | 358 059       | 355 449        |
| <b>Total non-current assets</b>                 |             | <b>347 619</b>        | 358 059       | 355 449        |
| Intragroup trade receivables                    | 5           | <b>134 620</b>        | 107 209       | 119 968        |
| Other current receivables                       | 5           | <b>10</b>             | -             | -              |
| Cash and cash equivalents                       | 5           | <b>2 769</b>          | 2 614         | 2 711          |
| <b>Total current assets</b>                     |             | <b>137 399</b>        | 109 823       | 122 679        |
| <b>Total assets</b>                             |             | <b>485 018</b>        | 467 882       | 478 128        |
| <b>EQUITY</b>                                   |             |                       |               |                |
| Share capital                                   |             | <b>3</b>              | 3             | 3              |
| Share premium                                   |             | <b>105 000</b>        | 105 000       | 105 000        |
| Paid -in capital                                |             | <b>105 003</b>        | 105 003       | 105 003        |
| Retained earnings                               |             | <b>92 832</b>         | 61 777        | 69 093         |
| <b>Total equity</b>                             |             | <b>197 835</b>        | 166 780       | 174 096        |
| <b>LIABILITIES</b>                              |             |                       |               |                |
| Interest-bearing liabilities                    | 3,5         | <b>253 571</b>        | 282 500       | 282 768        |
| Interest-bearing liabilities to group companies | 3,5         | <b>0</b>              | 0             | 0              |
| <b>Total non-current liabilities</b>            |             | <b>253 572</b>        | 282 500       | 282 768        |
| Current interest-bearing liabilities            | 3,5         | <b>30 000</b>         | 15 000        | 15 000         |
| Accounts payables                               | 5           | <b>7</b>              | (1)           | 27             |
| Income tax payable                              |             | <b>(0)</b>            | 1             | 8              |
| Intragroup trade payables                       | 5           | <b>2 625</b>          | 2 562         | 2 657          |
| Other current liabilities                       |             | <b>980</b>            | 1 040         | 3 572          |
| <b>Total current liabilities</b>                |             | <b>33 611</b>         | 18 602        | 21 264         |
| <b>Total equity and liabilities</b>             |             | <b>485 018</b>        | 467 882       | 478 128        |



## Condensed statement of changes in equity

Unaudited

| <i>(EUR 1 000)</i>                       | <b>01.01-30.09.2023</b>                               |                      |                          |                |
|--|---|----------------------|--------------------------|----------------|
|  | <b>Attributable to shareholders of Explorer II AS</b> |                      |                          |                |
|  | <b>Share capital</b>                                  | <b>Share premium</b> | <b>Retained earnings</b> | <b>Total</b>   |
| <b>Equity at beginning of the period</b> | <b>3</b>  | <b>105 000</b>       | <b>69 093</b>            | <b>174 096</b> |
| Net income                               | -   | -                    | 23 739                   | 23 739         |
| <b>Equity at the close of the period</b> | <b>3</b>  | <b>105 000</b>       | <b>92 832</b>            | <b>197 835</b> |

| <i>(EUR 1 000)</i>                       | <b>01.01-31.12.2022</b>                               |                      |                          |                |
|--|---|----------------------|--------------------------|----------------|
|  | <b>Attributable to shareholders of Explorer II AS</b> |                      |                          |                |
|  | <b>Share capital</b>                                  | <b>Share premium</b> | <b>Retained earnings</b> | <b>Total</b>   |
| <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> |



## Condensed statement of cash flows

### Unaudited

| <i>(EUR 1 000)</i>  | <i>Note</i> | <b>3rd quarter<br/>2023</b> | 3rd quarter<br>2022 | <b>01.01-<br/>30.09<br/>2023</b> | 01.01-<br>30.09<br>2022 | Full year<br>2022 |
|---|-------------|-----------------------------|---------------------|----------------------------------|-------------------------|-------------------|
| <b>Cash flow from operating activities</b>                            |             |                             |                     |                                  |                         |                   |
| Profit/(loss) before income tax                                       |             | <b>8 414</b>                | 7 148               | <b>23 739</b>                    | 20 512                  | 27 836            |
| <i>Adjustments for:</i>   |             |                             |                     |                                  |                         |                   |
| Depreciation, amortisation and impairment losses                      |             | <b>2 610</b>                | 2 610               | <b>7 830</b>                     | 7 830                   | 10 440            |
| Interest expenses   | 4           | <b>1 648</b>                | 2 802               | <b>5 660</b>                     | 8 896                   | 11 566            |
| Change in working capital   |             | <b>7 492</b>                | (7 714)             | <b>(12 185)</b>                  | (3 263)                 | (15 757)          |
| Other adjustments   |             | -                           | 77                  | <b>140</b>                       | 123                     | 109               |
| <b>Net cash flow from (used in) operating activities</b>              |             | <b>20 087</b>               | 4 894               | <b>25 183</b>                    | 34 097                  | 34 194            |
| <b>Cash flow from investing activities</b>                            |             |                             |                     |                                  |                         |                   |
| Purchase of property, plant, equipment (PPE)                          |             | -                           | -                   | -                                | 10                      | 10                |
| Change in restricted cash   |             | -                           | -                   | -                                | -                       | -                 |
| <b>Net cash flows from (used in) investing activities</b>             |             | -                           | -                   | -                                | 10                      | 10                |
| <b>Cash flow from financing activities</b>                            |             |                             |                     |                                  |                         |                   |
| Proceeds from borrowings  |             | -                           | -                   | -                                | -                       | -                 |
| Repayment of borrowings to financial institutions                     |             | -                           | -                   | -                                | -                       | -                 |
| Net change of borrowings to group companies                           |             | <b>(15 000)</b>             | -                   | <b>(15 000)</b>                  | -                       | (28 975)          |
| Paid interest and fees  | 4           | <b>(5 063)</b>              | 5 065               | <b>(10 124)</b>                  | (5 065)                 | (5 065)           |
| Net borrowings from other group companies                             |             | -                           | -                   | -                                | (28 975)                | -                 |
| <b>Net cash flow from (used in) financing activities</b>              |             | <b>(20 063)</b>             | (5 065)             | <b>(25 124)</b>                  | (34 040)                | (34 041)          |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts |             | <b>24</b>                   | (171)               | <b>59</b>                        | 67                      | 164               |
| Cash and cash equivalents at the beginning of period                  |             | <b>2 745</b>                | 2 785               | <b>2 711</b>                     | 2 547                   | 2 547             |
| <b>Cash and cash equivalents at end of period</b>                     |             | <b>2 769</b>                | 2 614               | <b>2 769</b>                     | 2 614                   | 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>                              | <b>30.9.<br/>2023</b> | 30.9.<br>2022 | 31.12.<br>2022 |
|---|-----------------------|---------------|----------------|
| <b>Non-current interest-bearing liabilities</b> |                       |               |                |
| Bond  | 253 571               | 282 500       | 282 768        |
| Interest-bearing liabilities to group companies | -                     | -             | -              |
| <b>Total</b>                                    | <b>253 571</b>        | 282 500       | 282 768        |
| <b>Current interest bearing debt</b>            |                       |               |                |
| Collateralized borrowings                       | 30 000                | 15 000        | 15 000         |
| <b>Total</b>                                    | <b>30 000</b>         | 15 000        | 15 000         |
| <b>Total interest-bearing liabilities</b>       | <b>283 571</b>        | 297 500       | 297 768        |

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

During Q1 23 a EUR11million 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 Q3 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>                           | <b>30.9.<br/>2023</b> | 30.9.<br>2022 | 31.12.<br>2022 |
|--|-----------------------|---------------|----------------|
| Less than one year                           | <b>30 000</b>         | <b>15 000</b> | <b>15 000</b>  |
| Year 2 and 3                                 | <b>255 000</b>        | 285 000       | 285 000        |
| Year 4 and 5                                 | -                     | -             | -              |
| More than 5 years                            | -                     | -             | -              |
| <b>Total</b>                                 | <b>285 000</b>        | 300 000       | 300 000        |
| Unamortised transaction cost                 | <b>(1 429)</b>        | (2 500)       | (2 232)        |
| <b>Total carrying value in balance sheet</b> | <b>283 571</b>        | 297 500       | 297 768        |

### Note 4 Net financial items

| <i>(EUR 1000)</i>                             | <b>3rd quarter<br/>2023</b> | 3rd quarter<br>2022 | <b>01.01-30.09<br/>2023</b> | 01.01-30.09<br>2022 | Full year<br>2022 |
|---|-----------------------------|---------------------|-----------------------------|---------------------|-------------------|
| Interest expense and amortized borrowing fees | <b>(1 648)</b>              | <b>(2 802)</b>      | <b>(5 660)</b>              | <b>(8 896)</b>      | <b>(11 566)</b>   |
| Financial expenses                            | <b>(1 648)</b>              | (2 802)             | <b>(5 660)</b>              | (8 896)             | (11 566)          |
| Net foreign exchange gains/(losses)           | <b>95</b>                   | <b>(139)</b>        | <b>(177)</b>                | <b>(246)</b>        | <b>(231)</b>      |
| <b>Net financial items</b>                    | <b>(1 553)</b>              | (2 942)             | <b>(5 837)</b>              | (9 142)             | (11 797)          |

### Note 5 Financial assets and liabilities at fair value

| <i>(EUR 1000)</i>   | <b>30.9.<br/>2023</b>  | <b>30.9.<br/>2022</b>  | <b>31.12.<br/>2022</b> |
|---|------------------------|------------------------|------------------------|
|   | Amortised Cost<br>(AC) | Amortised Cost<br>(AC) | Amortised Cost (AC)    |
| <b>Assets as per balance sheet</b>                          |                        |                        |                        |
| Current intragroup receivables and other receivables        | <b>134 630</b>         | 107 209                | 119 968                |
| Cash and cash equivalents                                   | <b>2 769</b>           | 2 614                  | 2 711                  |
| <b>Total</b>  | <b>137 399</b>         | 109 823                | 122 679                |
| <b>Liabilities as per balance sheet</b>                     |                        |                        |                        |
| Non-current interest-bearing liabilities                    | <b>253 571</b>         | 282 500                | 282 768                |
| Non-current interest-bearing liabilities to Group companies | <b>0</b>               | 0                      | 0                      |
| Current interest-bearing liabilities                        | <b>30 000</b>          | 15 000                 | 15 000                 |
| Trade payables and other short term payables                | <b>2 632</b>           | 2 561                  | 2 684                  |
| <b>Total</b>  | <b>286 204</b>         | 300 061                | 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 30 September 2023 was EUR 250.17 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.