



Explorer II AS

Second quarter and first half 2024

Published 29 August 2024

Key figures¹⁾

(EUR 1 000)	2nd quarter 2024	2nd quarter 2023	% Change	01.01-30.06. 2024	01.01-30.06. 2023	% Change	Full year 2023
Operating revenue	12,466	12,466	0.0 %	24,932	24,795	1%	50,000
Total revenue	12,466	12,466	0.0 %	24,932	24,795	1%	50,000
EBITDA	12,455	12,477	-0.2 %	24,892	24,892	0%	50,022

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 June 2024, 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. Its sister ship MS Fridtjof Nansen was delivered 6 months later.

MS Roald Amundsen and MS Fridtjof Nansen have an ice-reinforced hull, a total length of 140 metres and can 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 second quarter of 2024 amounted to EUR 12.5 million compared to EUR 12.5 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 first quarter of 2024 were EUR 3.0 million compared to EUR 1.8 million for the second quarter of 2023.

Net income in the second quarter of 2024 was EUR 7.3 million, compared to EUR 8.0 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 June 2024, was EUR 342.4 million (EUR 350.2 million as of 30 June 2023).

In the second quarter of 2019, the company drew on the ECA credit facility it entered in 2017 for financing the purchase of the two vessels, for 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 tenure 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 269,375 million as of 30 June 2024.

The equity ratio was 44.7 % as of 30 June 2024 compared to 38.4% as of 30 June 2023.

Cash flow

Net cash inflow from operating activities in the second quarter of 2024 was EUR 0.03 million (inflow of EUR 0.02 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 second quarter of 2024 which is in line with the first second of 2023.

Net cash outflow from financing activities was nil (outflow nil in the same quarter last year).

Cash and cash equivalents was EUR 3.8 million as of 30 June 2024. At the same time last year cash and cash equivalents was EUR 2.7 million.

Going concern

These financial statements have been prepared on a going concern basis. However, as at the date of this report, the Hurtigruten group is actively looking at options to refinance, amend or redeem the EUR 300 million senior secured bonds issued by the Company (the “Existing SSNs”) as the bonds mature in February 2025. The amount of Existing SSNs that are outstanding is EUR 255 million as at the date of this report.

The Company and/or the Hurtigruten group needs to agree a transaction (or combination of transactions) which either contractually extends the maturity of the Existing SSNs or generates proceeds sufficient to redeem the Existing SSNs in full. No such transaction has been agreed as at the date of this report. However, the Company and the Hurtigruten group continues to actively pursue a series of options to deliver such a transaction prior to the maturity of the Existing SSNs in February 2025.

The board of directors, based on a careful analysis and having considered the on-going efforts to deliver a transaction to refinance, amend or redeem the Existing SSNs, believe that there is a reasonable prospect of delivering such a transaction before February 2025, particularly given the progress the Hurtigruten group has made in relation to the separation of the existing group into the expeditions business (i.e. HX) and the Norwegian coastal business (i.e. HRN) which may enhance the possibility of delivering a transaction, and therefore considers that the Company, provided that a

transaction to refinance, amend or redeem the Existing SSNs is delivered, will have adequate liquidity for the 12-month period from the date of this report and resources to continue operations for the foreseeable future.

However, if the Company and/or Hurtigruten group is not able to reach agreement on such a transaction, then the Company on current projections will not be able to repay the Existing SSNs at their maturity in February 2025, which event will affect the ability of the Company to continue as a going concern. To deliver a transaction with respect to the Existing SSNs requires new investment into the Company or the agreement of the relevant majority of the Existing SSNs. There is material uncertainty as to whether negotiations in relation to a transaction will be successful.

As the Existing SSNs have security over the Company’s two modern expedition vessels, the Company and the Hurtigruten group faces a risk that the holders of the Existing SSNs may seek to enforce the security over such vessels which event would materially and adversely impact the Company and the Hurtigruten group and affect the ability of the Company to continue as a going concern. The Company further faces the risk that it may experience difficulties in meeting its obligations associated with other financial liabilities as a result of any enforcement action taken by the holders of the Existing SSNs, and this may affect its ability to continue as a going concern.

Outlook

At the date of this report, the company and the broader cruise industry are facing fairly normal operating conditions following years of turmoil. Operationally, the pandemic is largely behind us, and the industry have taken the necessary precautions related to Russia's war of aggression on Ukraine.

The probability of a “soft landing” in the global economy has greatly improved, and global inflation has come down significantly over the past 18 months. This in turn have led to improved consumer confidence and a more positive outlook for the global economy.

Nevertheless, there are factors that may provide headwinds in 2024 and beyond. Although energy costs have come down since 2023, the current

situation in the Middle East may lead to further geopolitical unrest and may trigger a jump in oil prices. Across the world, there are also other geopolitical risks in both the western and the eastern hemisphere that may affect global travel patterns and consumer spending in the future. Climate change will also continue to be a significant source of risk for any travel company, both for regulations, taxations and fees, and the status of the ecosystems where we operate. Hurtigruten Group has taken several steps to mitigate such risks, steps that has been recognized by rating agencies. Still, climate change will continue to be on top of the global agenda for many years and will continue to affect all global businesses going forward.

As of 27 August 2024, Hurtigruten Group had EUR 571 million in pre-booked ticket revenue for 2024 departures compared to EUR 562 million for 2023 departures as of 27 August 2023 which is a 1.6% increase. For 2025, we see increased momentum in recent booking trends. As of 27 August 2024, Hurtigruten Group had booked EUR 216 million for 2025 departures compared to EUR 176 million for 2024 departures as at 27 August 2023, which is a 22.7% increase.

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 emphasises 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 2023 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 is included in the Annual Report, too. 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 Q2, 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. There is a risk that the Group will not be able to refinance, amend or redeem the EUR 300 million senior secured bonds issued by Explorer II AS which will mature in February 2025 (the "Existing SSNs"). If the Group is not able to reach agreement on such a transaction, then the Group on current projections will not be able to repay these Existing SSNs at maturity in February 2025. As the Existing SSNs have security over two modern, expedition vessels,

the Group faces a risk that the holders of the Existing SSNs may seek to enforce the security over these vessels which would materially and adversely impact the Group. The Group further faces the risk that it may experience difficulties in meeting its obligations associated with other financial liabilities as a result of any enforcement action taken by the holders of the Existing SSNs.

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 the 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>	2nd quarter 2024	2nd quarter 2023	01.01-30.06. 2024	01.01-30.06. 2023	Full Year 2023
Operating revenue		12,466	12,466	24,932	24,795	50,000
Total revenues		12,466	12,466	24,932	24,795	50,000
Depreciation		(2,110)	(2,610)	(4,241)	(5,220)	(8,840)
Operating costs		(12)	(2)	(37)	(21)	(41)
Other gains/(losses)		1	13	(2)	56	63
Operating profit/(loss)		10,345	9,867	20,651	19,610	41,182
Financial income		-	-	-	-	-
Financial expenses		(3,043)	(1,824)	(4,367)	(4,012)	(7,225)
Net foreign exchange gains/(losses)		(1)	(65)	(25)	(273)	(201)
Net financial items	4	(3,044)	(1,889)	(4,392)	(4,285)	(7,426)
Profit/(loss) before income tax		7,300	7,978	16,259	15,325	33,756
Income taxes		-	-	-	-	-
Net income		7,300	7,978	16,259	15,325	33,756

Condensed statement of comprehensive income

Unaudited

<i>(EUR 1 000)</i>	2nd quarter 2024	2nd quarter 2023	01.01-30.06. 2024	01.01-30.06. 2023	Full year 2023
Net income	7,300	7,978	16,259	15,325	33,756
Total comprehensive income for the period	7,300	7,978	16,259	15,325	33,756

Condensed statement of financial position

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	30.06. 2024	30.06. 2023	31.12. 2023
ASSETS				
Ships		342,368	350,229	346,609
Total non-current assets		342,368	350,229	346,609
Intragroup trade receivables	5	155,247	140,913	147,581
Other current receivables	5	15	15	15
Cash and cash equivalents	5	3,796	2,745	3,726
Total current assets		159,057	143,672	151,322
Total assets		501,425	493,901	497,931
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		119,108	84,418	102,849
Total equity		224,112	189,421	207,852
LIABILITIES				
Interest-bearing liabilities	3,5	-	268,303	253,839
Interest-bearing liabilities to group companies	3,5	-	-	-
Total non-current liabilities		-	268,303	253,839
Current interest-bearing liabilities	3,5	269,375	30,000	33,393
Accounts payables	5	1	9	(1)
Income tax payable		1	(0)	-
Intragroup trade payables	5	2,843	2,605	2,840
Other current liabilities		5,094	3,564	8
Total current liabilities		277,314	36,177	36,240
Total equity and liabilities		501,425	493,901	497,931

Condensed statement of changes in equity

Unaudited

Q2 2024:

<i>(EUR 1 000)</i>	01.01-30.06.2024			
	Attributable to shareholders of Explorer II AS			
	Share capital	Share premium	Retained earnings	Total
Equity at beginning of the period	3	105,000	102,849	207,852
Net income	-	-	16,259	16,259
Equity at the close of the period	3	105,000	119,109	224,112

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

Condensed statement of cash flows

Unaudited

<i>(EUR 1 000)</i>	<i>Note</i>	2nd quarter 2024	2nd quarter 2023	01.01- 30.06. 2024	01.01- 30.06. 2023	Full year 2023
Cash flow from operating activities						
Profit/(loss) before income tax		7,300	7,978	16,259	15,325	33,756
<i>Adjustments for:</i>						
Depreciation, amortisation and impairment losses		2,110	2,610	4,241	5,220	8,840
Interest expenses	4	3,043	1,824	4,367	4,011	7,225
Change in working capital		(12,392)	(12,444)	(4,981)	(19,677)	(23,826)
Other adjustments	-	27	52	7	217	145
Net cash flow from (used in) operating activities		35	20	19,879	5,096	26,140
Cash flow from investing activities						
Change in restricted cash		-	-	-	-	-
Net cash flows from (used in) investing activities		-	-	-	-	-
Cash flow from financing activities						
Repayment of borrowings to financial institutions		-	-	(15,000)	-	(15,000)
Net change of borrowings to group companies		-	-	(4,809)	-	-
Paid interest and fees	4	-	-	-	(5,062)	(10,124)
Net cash flow from (used in) financing activities		-	-	(19,809)	(5,062)	(25,124)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		35	20	70	35	1,016
Cash and cash equivalents at the beginning of period		3,761	2,725	3,726	2,711	2,711
Cash and cash equivalents at end of period		3,796	2,745	3,796	2,746	3,726

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. This interim report should therefore be read in connection with the annual report for Explorer II AS for 2023.

The annual report for 2023 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 2023.

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>	30.06. 2024	30.06. 2023	31.12. 2023
Non-current interest-bearing liabilities			
Bond	-	268,303	253,839
Interest-bearing liabilities to group companies	-	-	-
Total	-	268,303	253,839
Current interest bearing debt			
Bond, repayment due within 12 months	269,375	30,000	33,393
Total	269,375	30,000	33,393
Total interest-bearing liabilities	269,375	298,303	287,233

The interest-bearing liabilities in the company are 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 Q2 2024 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>	30.06. 2024	30.06. 2023	31.12. 2023
Less than one year	270,000	30,000	33,393
Year 2 and 3	-	270,000	255,000
Year 4 and 5	-	-	-
More than 5 years	-	-	-
Total	270,000	300,000	288,393
Unamortised transaction cost	(625)	(1,696)	(1,161)
Total carrying value in balance sheet	269,375	298,303	287,233

Note 4 Net financial items

<i>(EUR 1 000)</i>	2nd quarter 2024	2nd quarter 2023	01.01-30.06. 2024	01.01-30.06. 2023	Full Year 2023
Interest expense and amortized borrowing fees	(3,043)	(1,824)	(4,367)	(4,012)	(7,225)
Financial expenses	(3,043)	(1,824)	(4,367)	(4,012)	(7,225)
Net foreign exchange gains/(losses)	(1)	(65)	(25)	(273)	(201)
Net financial items	(3,044)	(1,889)	(4,392)	(4,285)	(7,426)

Note 5 Financial assets and liabilities at fair value

<i>(EUR 1 000)</i>	30.06. 2024	30.06. 2023	31.12. 2023
	Amortised Cost (AC)	Amortised Cost (AC)	Amortised Cost (AC)
Assets as per balance sheet			
Current intragroup receivables and other receivables	155,262	140,928	147,596
Cash and cash equivalents	3,796	2,745	3,726
Total	159,057	143,672	151,322
Liabilities as per balance sheet			
Non-current interest-bearing liabilities	-	268,303	253,839
Non-current interest-bearing liabilities to Group companies	-	-	-
Current interest-bearing liabilities	269,375	30,000	33,393
Trade payables and other short term payables	2,843	2,614	2,839
Total	272,218	300,917	290,071

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 June 2024 was EUR 252.83 million (EUR 277.62 million as of 30 June 2023).

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 first half of 2024, 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 first half of 2024 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 half of 2024.

Oslo, 29 August 2024

The Board of Directors of Explorer II AS

(sign)

Henrik A. Christensen

Board member

(sign)

James McArthur

Chairman